

Bany

N.M. Oil Cons. DIV-Dist. 2
1301 W. Grand Avenue
Artesia, NM 88210

Form 3160-3
(September 2001)

0079

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

RECEIVED

JUL 28 2004

FORM APPROVED
OMB No. 1004-0136
Expires January 31, 2004

APPLICATION FOR PERMIT TO DRILL OR REENTER

5. Lease Serial No. NM 13627-A

6. If Indian, Allottee or Tribe Name

7. If Unit or CA Agreement, Name and No.

8. Lease Name and Well No.
Palms 20 Federal Com #1

A API Well No.
30-015-33582

10. Field and Pool, or Exploratory
Lake East Morrow

11. Sec., T., R., M., or Blk. and Survey or Area
Section 20
T19S, R27E

12. County or Parish
Eddy County

13. State
New Mexico

1a. Type of Work: ☒ DRILL ☐ REENTER

1b. Type of Well: ☐ Oil Well ☒ Gas Well ☐ Other ☒ Single Zone ☐ Multiple Zone

2. Name of Operator
Cabal Energy Corporation

3a. Address 416 W. Wall, Suite 1700
Midland, TX 79701

3b. Phone No. (include area code)
432-628-0440 972-559-2202

4. Location of Well (Report location clearly and in accordance with any State requirements. *)
At surface 2130' FNL & 1880' FWL
At proposed prod. zone

559-3551

14. Distance in miles and direction from nearest town or post office*
13 miles North of Carlsbad

15. Distance from proposed*
location to nearest
property or lease line, ft.
(Also to nearest drig. unit line, if any)
760'

16. No. of Acres in lease
NM 13627-A 400
NM109752 40

17. Spacing Unit dedicated to this well
320

18. Distance from proposed location*
to nearest well, drilling, completed, 2000'
applied for, on this lease, ft.

19. Proposed Depth
10,400'

20. BLM/BIA Bond No. on file
NM 2860

21. Elevations (Show whether DF, KDB, RT, GL, etc.)
3370' GL

22. Approximate date work will start*
December 15, 2003

23. Estimated duration
35 days

24. Attachments

The following, completed in accordance with the requirements of Onshore Oil and Gas Order No. 1, shall be attached to this form:


1. Well plat certified by a registered surveyor.
2. A Drilling Plan.
3. A Surface Use Plan (if the location is on National Forest System Lands, the SUPO shall be filed with the appropriate Forest Service Office).

4. Bond to cover the operations unless covered by an existing bond on file (see item 20 above).
5. Operator certification.
6. Such other site specific information and/or plans as may be required by the authorized officer.

25. Signature 
Title President

Name (Printed/Typed)
Randall K. Ford

Date
10-15-03

Approved by (Signature) 
Title FIELD MANAGER

Name (Printed/Typed)
/s/ Joe G. Lara

Date
JUL 27 2004

Office CARLSBAD FIELD OFFICE

Application approval does not warrant or certify the the applicant holds legal or equitable title to those rights in the subject lease which would entitle the applicant to conduct operations thereon.

Conditions of approval, if any, are attached.

APPROVAL FOR 1 YEAR

Title 18 U.S.C. Section 1001 and Title 43 U.S.C. Section 1212, make it a crime for any person knowingly and willfully to make to any department or agency of the United States any false, fictitious or fraudulent statements or representations as to any matter within its jurisdiction.

*(Instructions on reverse)

Known Controlled Water Basin

NSL-5100

APPROVAL SUBJECT TO
GENERAL REQUIREMENTS AND
SPECIAL STIPULATIONS
ATTACHED

District I
1625 N. French Dr., Hobbs, NM 88240
District II
1301 W. Grand Avenue, Artesia, NM 88210
District III
1000 Rio Brazos Road, Aztec, NM 87410
District IV
1220 S. St. Francis Dr., Santa Fe, NM 87505

State of New Mexico
Energy Minerals and Natural Resources

Oil Conservation Division
1220 South St. Francis Dr.
Santa Fe, NM 87505

Form C-144
June 1, 2004

For drilling and production facilities, submit to appropriate NMOCD District Office.
For downstream facilities, submit to Santa Fe office

Pit or Below-Grade Tank Registration or Closure

Is pit or below-grade tank covered by a "general plan"? Yes ☒ No ☐

Type of action: Registration of a pit or below-grade tank ☒ Closure of a pit or below-grade tank ☐

RECEIVED

Operator: Cabal Energy Corporation Telephone: 423-682-0440

e-mail address: sandra@rkford.com

JUL 30 2004

Address: 415 W. Wall, Suite 1700, Midland, TX 79701

Facility or well name: Palms 20 Federal Com #1 API #: U/L or Qtr/Qtr F Sec 20 T-19-S R-27-E

OOB-ARTESIA

County: Eddy Latitude Longitude NAD: 1927 ☐ 1983 ☐ Surface Owner Federal ☒ State ☐ Private ☐ Indian ☐

Pit

Type: Drilling ☒ Production ☐ Disposal ☐

Workover ☐ Emergency ☐

Lined ☒ Unlined ☐

Inner type: Synthetic ☒ Thickness 12 mil Clay ☐

Pit Volume bbl

Below-grade tank

Volume: bbl Type of fluid:

Construction material:

Double-walled, with leak detection? Yes ☐ If not, explain why not.

Depth to ground water (vertical distance from bottom of pit to seasonal high water elevation of ground water.)

Less than 50 feet	(20 points)	20
50 feet or more, but less than 100 feet	(10 points)	
100 feet or more	(0 points)	

Vellhead protection area: (Less than 200 feet from a private domestic water source, or less than 1000 feet from all other water sources.)

Yes	(20 points)	
No	(0 points)	0

Distance to surface water: (horizontal distance to all wetlands, playas, irrigation canals, ditches, and perennial and ephemeral watercourses.)

Less than 200 feet	(20 points)	
200 feet or more, but less than 1000 feet	(10 points)	
1000 feet or more	(0 points)	0

Ranking Score (Total Points)		20
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If this is a pit closure: (1) attach a diagram of the facility showing the pit's relationship to other equipment and tanks. (2) Indicate disposal location: (check the onsite box if you are burying in place) onsite ☐ offsite ☐ If offsite, name of facility (3) Attach a general description of remedial action taken including remediation start date and end date. (4) Groundwater encountered: No ☐ Yes ☐ If yes, show depth below ground surface ft. and attach sample results. (5)

Attach soil sample results and a diagram of sample locations and excavations.

Additional Comments:

I hereby certify that the information above is true and complete to the best of my knowledge and belief. I further certify that the above-described pit or below-grade tank has been/will be constructed or closed according to NMOCD guidelines ☒, a general permit ☐, or an (attached) alternative OCD-approved plan ☐.

Date: July 28, 2004

Printed Name/Title Sandra Nobles Consultant

Signature *Sandra Nobles*

Your certification and NMOCD approval of this application/closure does not relieve the operator of liability should the contents of the pit or tank contaminate ground water or otherwise endanger public health or the environment. Nor does it relieve the operator of its responsibility for compliance with any other federal, state, or local laws and/or regulations.

Approval:

Printed Name/Title

Signature

AUG 6 2004

State of New Mexico

DISTRICT I
P.O. Box 1888, Hobbs, NM 88241-1888

Energy, Minerals and Natural Resources Department

Form C-102

Revised February 10, 1994

Submit to Appropriate District Office

State Lease - 4 Copies

Fee Lease - 3 Copies

DISTRICT II
P.O. Drawer DD, Artesia, NM 88211-0719

OIL CONSERVATION DIVISION

P.O. Box 2088

Santa Fe, New Mexico 87504-2088

DISTRICT III
1000 Rio Brazos Rd., Artec, NM 87410

DISTRICT IV
P.O. Box 2088, Santa Fe, N.M. 87504-2088

WELL LOCATION AND ACREAGE DEDICATION PLAT

☐ AMENDED REPORT

API Number		Pool Code	Pool Name
Property Code	Property Name PALMS 20 FEDERAL COM		Well Number 1
GRID No. 194930	Operator Name CABAL ENERGY CORPORATION		Elevation 3370'

Surface Location

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
F	20	19-S	27-E		2130'	NORTH	1880'	WEST	EDDY

Bottom Hole Location If Different From Surface

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County

Dedicated Acres	Joint or Infill	Consolidation Code	Order No.
320			

NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION

	<h4>OPERATOR CERTIFICATION</h4> <p>I hereby certify the the information contained herein is true and complete to the best of my knowledge and belief.</p> <p><i>Randell K Ford</i> Signature Randell K. Ford Printed Name President Title October 15, 2003 Date</p> <h4>SURVEYOR CERTIFICATION</h4> <p>I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my belief.</p> <p>September 17, 2003</p> <p>Date Surveyed AWB Signature & Seal of Professional Surveyor <i>Ronald J. Edson</i> 9/17/03 03.11.1026 Certificate No. RONALD J. EDSON 3238 GARY EDSON 12641</p>
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DRILLING PROGRAM

CABAL ENERGY CORPORATION **PALMS "20" FEDERAL COM #1**

Section 20, T-19-S, R-27-E
Eddy County, New Mexico

The following items supplement Form 3160-3 in accordance with instructions contained in Onshore Oil and Gas Orders #1 and #2, and all other applicable federal and state regulations.

1. ESTIMATED TOPS OF GEOLOGIC MARKERS:

Yates	Surface
Queen	940'
Grayburg	1,220'
San Andres	1,730'
Bone Spring	2,530'
1 st Bone Spring ss	5,160'
2 nd Bone Spring ss	6,100'
3 rd Bone Spring ss	7,230'
Wolfcamp	7,620'
Penn Shale	7,980'
Canyon Dolomite	8,150'
Base Dolomite	8,550'
Strawn	8,760'
Atoka (Clastics)	9,450'
Morrow	9,750'
Morrow Clastics	9,920'
"B" zone "pay" ss	9,970'
Lower Morrow	10,060'
Mississippian	10,230'
Total Depth	10,400'

2. ESTIMATED DEPTHS TO WATER, OIL, OR GAS FORMATIONS:

Fresh Water	Above 200'
Oil and Gas	Atoka Sand, Middle Morrow, Lower Morrow

3. Pressure control equipment: The blow out preventer equipment (BOP) shown in Exhibit #1 will consist of a 3000 psi double ram type preventer for drilling the intermediate hole. The blowout preventer stack for the production hole will consist of at least a double-ram blowout preventer and annular preventer rated to 3000 psi working pressure. A diagram of the BOPs and choke manifold is attached. All BOPs and accessory equipment will be tested according to Onshore Order #2 before drilling out.

4. PROPOSED CASING PROGRAM:

<u>Hole Size</u>	<u>Interval</u>	<u>Casing Size</u>	<u>Weight</u>	<u>Grade, Joint</u>
17-1/2"	0 – 500'	13-3/8"	48#	H-40 ST&C
12-1/4"	0 – 2,600'	9-5/8"	43.5#	K-55 LT&C
7-7/8"	0 – 10,400'	5-1/2"	20#	N-80 LT&C

Equivalent or adequate grades and weights of casing may be substituted at time casing is run, depending on availability. Changes will be relayed to BLM prior to running.

5. PROPOSED CEMENTING PROGRAM

20" conductor	cemented with ready mix to surface	
13-3/8" surface	375 sxs Premium Plus cement, 2% calcium chloride	- CMT TO SURFACE
9-5/8" intermediate	700 sxs Interfill "C" cement, 1/4# per sx Flocele	} - CMT TO SURFACE
	250 sxs Premium Plus cement	
5-1/2" production	300 sxs Light Cement	
	300 sxs Super "H" cement .5% Halad, .4% CFR-3, 3# per sx	
	Gilsonite	

6. PROPOSED MUD SYSTEM:

<u>DEPTH</u>	<u>DESCRIPTION</u>	<u>MUD WEIGHT</u>	<u>VISCOSITY</u>	<u>WATER LOSS</u>
0 – 500'	fresh water	8.6 – 8.8 ppg	28 – 30	NC
500 – 2,600' <i>fresh</i>	<i>brine</i> water	10.0 – 10.2 ppg	28 – 34	NC
2,900 – 10,400'	fresh/brine/mud	8.4 – 10.4 ppg	28 – 40	6-8 cc

7. TESTING, LOGGING AND CORING PROGRAM:

Samples	10' Samples from 2,900'
DST's	Morrow Sand
Logging	Density, Lateral, Resistivity
Coring	Possible sidewall core

8. ABNORMAL PRESSURES AND TEMPERATURES:

None anticipated. Maximum bottom hole pressure should not exceed 4,900psi.

This area has a potential H₂S hazard. An H₂S drilling plan is attached.

ANTICIPATED STARTING DATE AND DURATION OF OPERATIONS:

It is planned that operations will commence on December 15, 2003. Drilling should be completed within 35 days followed by completion operations.

HYDROGEN SULFIDE DRILLING OPERATIONS PLAN

CABAL ENERGY CORPORATION **Palms "20" Federal Com #1**

I. HYDROGEN SULFIDE TRAINING

- A.** All regularly assigned personnel, contracted or employed by Cabal Energy Corporation, will receive training from a qualified instructor in the following areas prior to commencing drilling potential hydrogen sulfide bearing formations in this well:
 - 1.** The hazards and characteristics of hydrogen sulfide (H₂S).
 - 2.** The proper use and maintenance of personal protective equipment and life support systems.
 - 3.** The proper use of H₂S detectors, alarms, warning systems, briefing areas, evacuation procedures and prevailing winds.
 - 4.** The proper techniques for first aid and rescue procedures.
- B.** In addition, supervisory personnel will be trained in the following areas:
 - 1.** The effects of H₂S on metal components. If high tensile tubulars are to be used, personnel will be trained in their special maintenance requirements.
 - 2.** Corrective action and shut-in procedures when drilling or reworking a well and blowout prevention and well control procedures.
 - 3.** The contents and requirements of the H₂S Drilling Operations Plan.

- C. There will be an initial training session just prior to encountering a known or probable H₂S zone (within 3 days or 500 feet) and weekly H₂S and well control drills for all personnel in each crew. The initial training session shall include a review of the site specific H₂S Drilling Operations Plan. This plan shall be available at the well site. All personnel will be required to carry documentation that they have received the proper training.

II. H₂S SAFETY EQUIPMENT AND SYSTEMS

Note: All H₂S safety equipment and systems will be installed, tested and operational when drilling reaches a depth of 500 feet above, or three days prior to penetrating the first zone containing or reasonably expected to contain H₂S.

A. Well Control Equipment.

1. Flare line with continuous pilot.
2. Choke manifold with a minimum of one remote choke.
3. Blind rams and pipe rams to accommodate all pipe sizes with properly sized closing unit.
4. Auxiliary equipment to include: annular preventer, mud-gas separator, rotating head and flare.

B. Protective Equipment for Essential Personnel:

Mark II Surviveair 30-minute units located in the dog house and at briefing areas, as indicated on well site diagram.

C. H₂S Detection and Monitoring Equipment:

1. Two portable H₂S monitors positioned on location for best coverage and response. These units have warning lights and audible sirens when H₂S levels of 20 ppm are reached.
2. One portable SO₂ monitor positioned near flare line.

D. Visual Warning Systems

1. Wind direction indicators are shown on well site diagram.
2. Caution/Danger signs shall be posted on roads providing direct access to location. Signs will be painted a high visibility yellow with black lettering of sufficient size to be readable at a reasonable distance from the immediate location. Bilingual signs will be used when appropriate. See example attached.

E. Mud Program

- 1. The Mud Program has been designed to minimize the volume of H₂S circulated to the surface. Proper mud weights, safe drilling practices and the use of H₂S scavengers will minimize hazards when penetrating H₂S bearing zones.**
- 2. A mud-gas separator will be utilized as needed.**

F. Metallurgy:

All drill strings, casing, tubing, wellhead, blowout preventers, drilling spool, kill lines, choke manifold and line and valves shall be suitable for H₂S service.

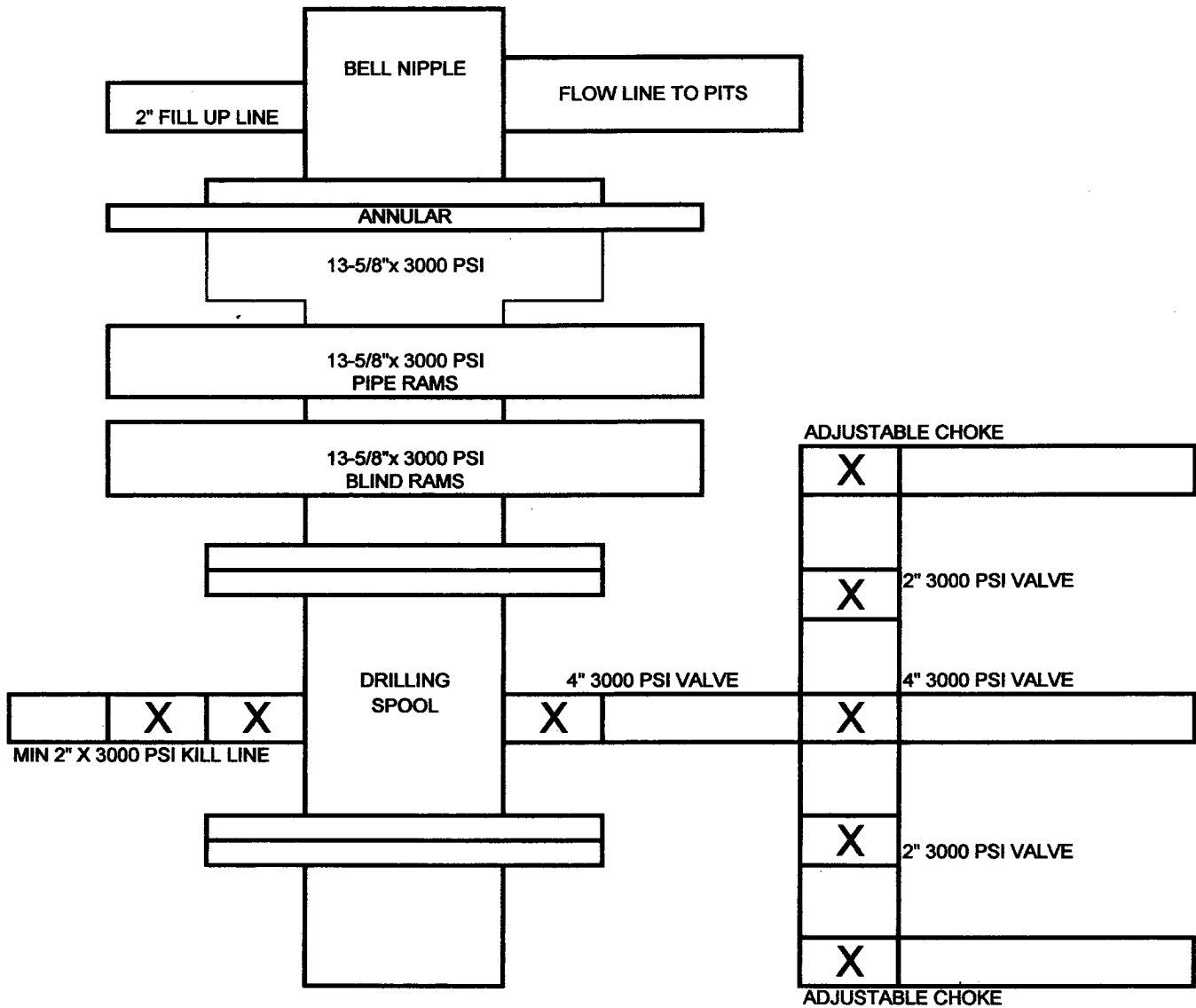
G. Communication:

Cellular telephone communications in company vehicles, rig floor and mud logging trailer.

H. Well Testing:

Drill stem testing will be performed with a minimum number of personnel in the immediate vicinity, which are necessary to safely and adequately conduct the test. The drill stem testing and an H₂S environment will be conducted during the daylight hours.

BOP SCHEMATIC FOR
12-1/4" HOLE



Cabal Energy Corporation
Palms 20 Federal Com #1
Lea County, New Mexico

Exhibit 1

MULTI POINT SURFACE USE AND OPERATIONS PLAN FOR

CABAL ENERGY CORPORATION

Palms "20" Federal Com #1

2130' FNL & 1880' FWL
Section 20, T-19-S, R-27-E
Eddy County, New Mexico
Lease No.: NM 13627-A

This plan is submitted with the Application for Permit to Drill the above described well. The purpose of the plan is to describe the location of the proposed well, the proposed construction activities and operations plan to be followed in rehabilitating the surface and environmental effects associated with the operation.

1. EXISTING ROADS:

- A. Exhibit "A" is a location verification map showing the location of the proposed well as staked. The well site location is approximately 4 road miles Northeast of Lakewood, New Mexico.
- B. Directions: From the intersection of the Carlsbad Loop and Illinois Camp Road, go 13.3 miles north turn west and go 4.0 miles. Turn right, go 1.1 miles to Trail Road. Go 0.7 miles. Location on road South side of trail road.

2. PLANNED ACCESS ROAD:

- A. Length and Width: The proposed access road will be approximately 200' long and 12' wide and run South to the NE corner of the location.
- B. Construction: The proposed access road will be constructed by grading and topping with compacted caliche. The surface will be properly drained.
- C. Turnouts: None required.
- D. Culverts: None necessary.
- E. Cuts and Fills: None required.
- F. Gates and Cattle Guards: None necessary.
- G. Off lease right of way: None required.

3. LOCATION OF EXISTING WELLS:

Existing wells in the immediate area are shown on the Vicinity Map, Exhibit "B".

4. LOCATION OF EXISTING AND/OR PROPOSED FACILITIES:

- A. Cabal Energy Corporation has no production facilities on the lease at this time.
- B. If the well proves to be commercial, the necessary production facilities, gas separation-process equipment and tank battery, if required, will be installed on the drilling pad.

5. LOCATION AND TYPE OF WATER SUPPLY:

It is planned to drill the proposed well with fresh water that will be obtained from private or commercial sources and will be transported over the existing and proposed access roads.

6. SOURCE OF CONSTRUCTION MATERIAL:

Caliche for surfacing the proposed access road and well site pad will be obtained from the location, if available, or from an approved Federal pit. No surface materials will be disturbed except those necessary for actual grading and leveling of the drill site and access road.

7. METHODS OF HANDLING WASTE DISPOSAL:

- A. Drill cuttings will be disposed of in the reserve pits.
- B. Drilling fluids will be allowed to evaporate in the drilling pits until the pits are dry.
- C. All pits will be fenced with normal fencing materials to prevent livestock from entering the area.
- D. Water produced during operations will be collected in tanks until hauled to an approved disposal system, or a separate disposal application will be submitted to the BLM for approval.
- E. Oil Produced during tests will be stored in test tanks.
- F. Current laws and regulations pertaining to the disposal of human waste will be complied with.

8. ANCILLARY FACILITIES:

9. WELL SITE LAYOUT:

D. The surface will be topped with compacted caliche and the reserve pits will be plastic lined.

10. PLANS FOR RESTORATION OF THE SURFACE:

B. If the proposed well is non-productive, all rehabilitation and/or vegetation requirements of the Bureau of Land Management will be complied with and will be accomplished as expeditiously as possible. All pits will be filled and leveled as soon as they are dry enough to be worked.

11. OTHER INFORMATION:

C. Oil & Gas Lease:
NM 13627-A

Township 19 South, Range 27 East
Section 20 – NW4, N2S2, SESW4, SWSE

NM 109752

Township 19 South, Range 27 East
Section 20 – SW/SW

D. RECORD LESSEE:

NM 13627-A

J. M. Huber Corporation

100%

NM 109752

Yates Drilling Company

33.1/3%

Abo Petroleum Corporation

33.1/3%

Myco Industries, Inc.

33.1/3%

E. BOND COVERAGE:

\$25,000 Statewide Oil & Gas Surety Bond

BLM Bond #: NM2860

12. OPERATOR'S REPRESENTATIVE:

The field representative for assuring compliance with the approved use and operations plan is as follows:

R. K. Ford & Associates

415 West Wall, Suite 1700

Midland, Texas 79701

432-682-0440 (Office)

432-682-0441 (Fax)

432-570-7216 (Home)

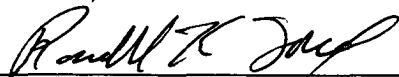
432-559-2222 (Cell)

Randell@rkford.com (E-mail)

13. CERTIFICATION:

I hereby certify that I, or persons under my direct supervision, have inspected the proposed drill site and access route; that I am familiar with the conditions which currently exist; that the statements made in this plan are, to the best of my knowledge, true and correct; and that the work associated with the operations proposed herein will be performed by Cabal Energy Corporation and its contractors and subcontractors in conformity with this plan and the terms and conditions under which it is approved.

October 15, 2003



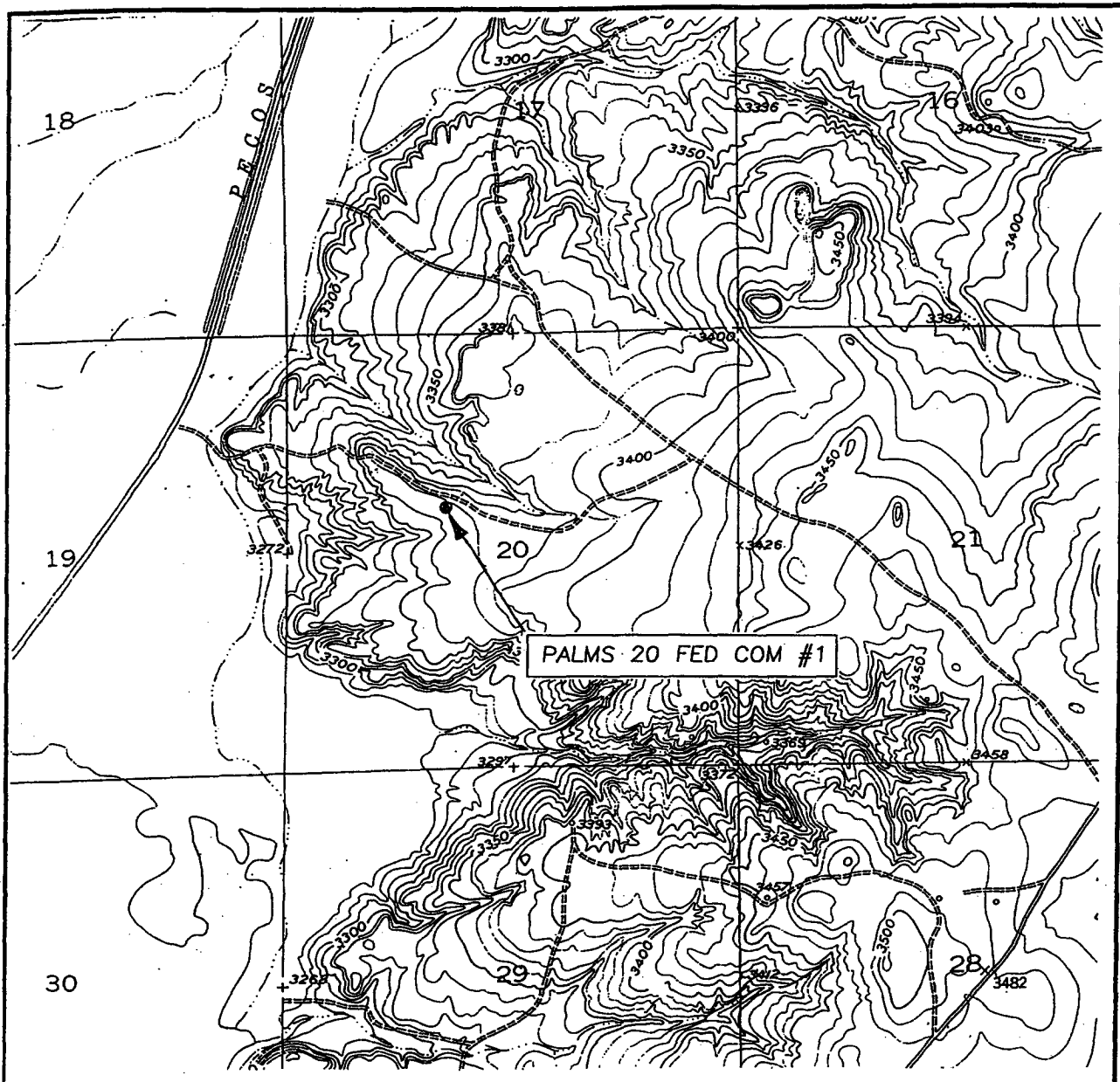
Randall K. Ford President

Cabal Energy Corporation

Palms "20" Fed Com #1

Multi Point Surface Use and Operations Plan

LOCATION VERIFICATION MAP



SCALE: 1" = 2000'

CONTOUR INTERVAL: 10'
LAKE McMILLAN NORTH, N.M.

SEC. 20 TWP. 19-S RGE. 27-E

SURVEY N.M.P.M.

COUNTY EDDY

DESCRIPTION 2130' FNL & 1880' FWL

ELEVATION 3370'

OPERATOR CABAL ENERGY CORPORATION

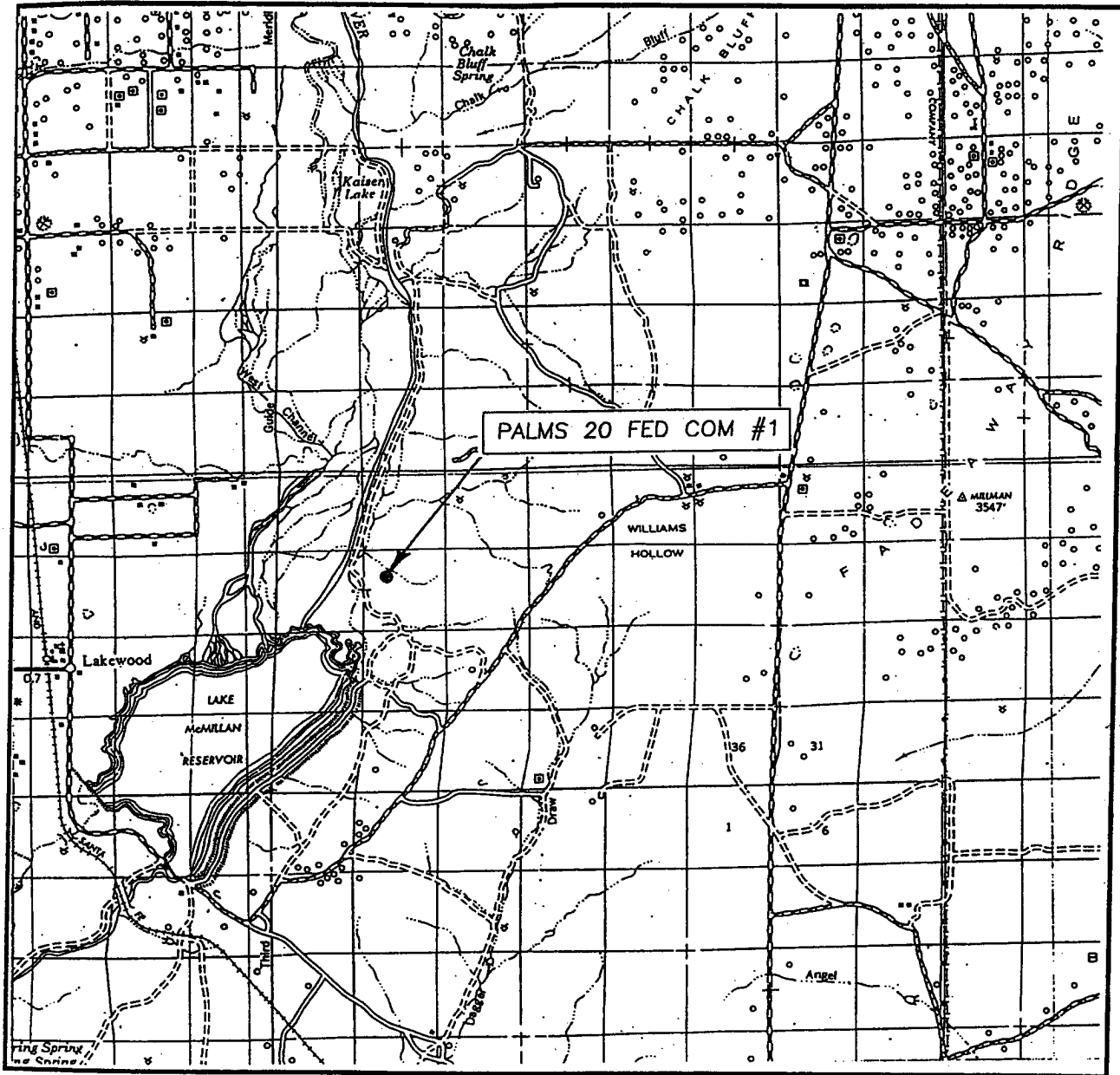
LEASE PALMS 20 FEDERAL COM

U.S.G.S. TOPOGRAPHIC MAP
LAKE McMILLAN NORTH, N.M.

JOHN WEST SURVEYING
HOBBS, NEW MEXICO
(505) 393-3117

Exhibit A
Surface Use & Operations Plan

VICINITY MAP



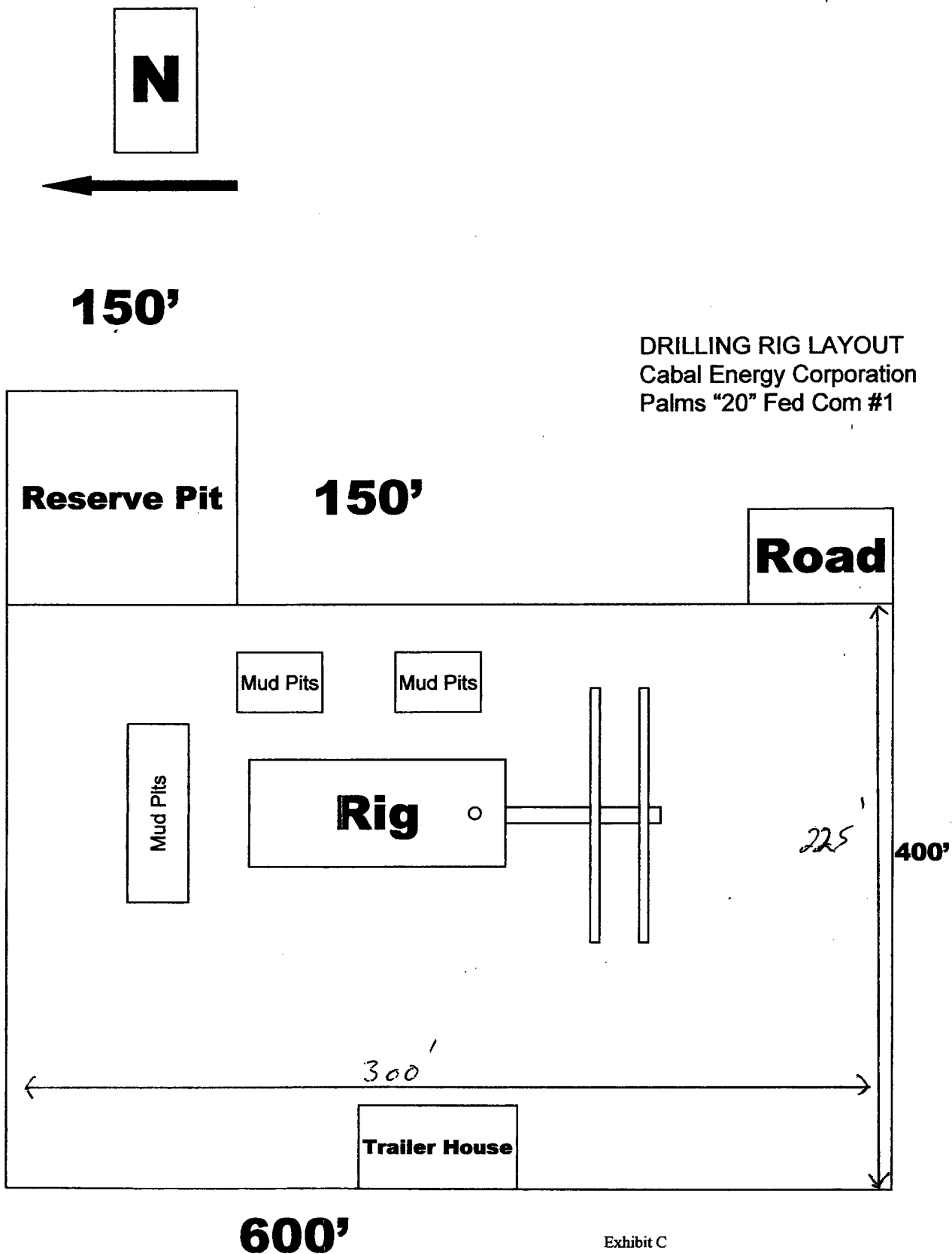
SCALE: 1" = 2 MILES

SEC. 20 TWP. 19-S RGE. 27-E
 SURVEY N.M.P.M.
 COUNTY EDDY
 DESCRIPTION 2130' FNL & 1880' FWL
 ELEVATION 3370'
 OPERATOR CABAL ENERGY CORPORATION
 LEASE PALMS 20 FEDERAL COM

JOHN WEST SURVEYING
 HOBBS, NEW MEXICO
 (505) 393-3117

Exhibit B
 Surface Use & Operations Plan

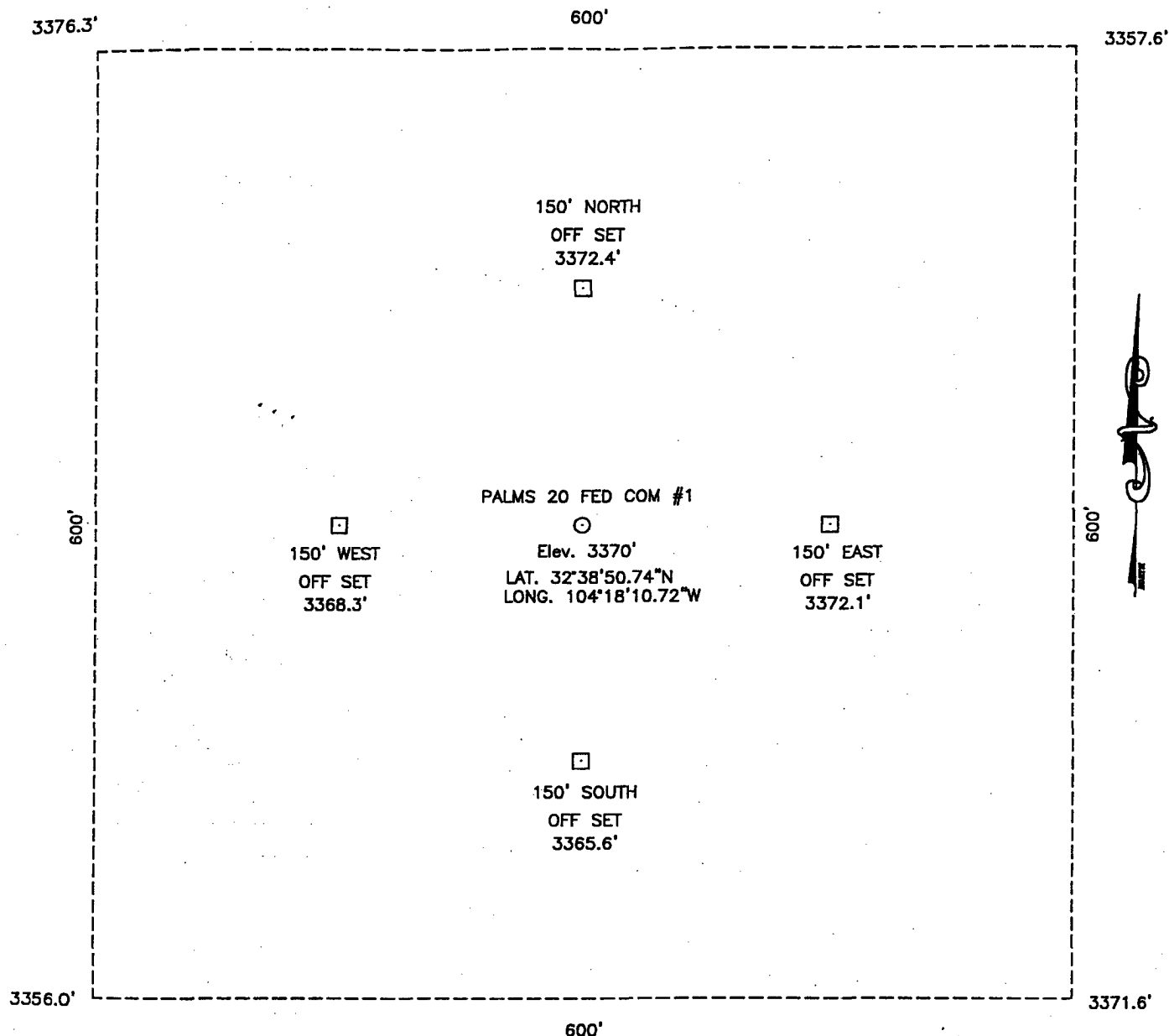
Scale 1" = 100'



SECTION 20, TOWNSHIP 19 SOUTH, RANGE 27 EAST, N.M.P.M.,

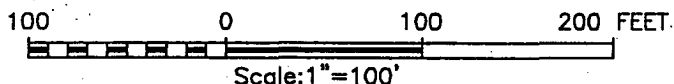
• EDDY COUNTY,

NEW MEXICO.



DIRECTIONS TO LOCATION:

FROM THE INTERSECTION OF THE CARLSBAD LOOP AND ILLINOIS CAMP ROAD, GO 13.3 MILES NORTH TURN WEST AND GO 4.0 MILES. TURN RIGHT, GO 1.1 MILES TO TRAIL ROAD. GO 0.7 MILES. LOCATION ON ROAD SOUTH SIDE. OF TRAIL ROAD.



CABAL ENERGY CORPORATION

PALMS 20 FEDERAL COM #1 WELL LOCATED
2130' FROM THE NORTH LINE AND 1880' FROM THE
WEST LINE OF SECTION 20, TOWNSHIP 19 SOUTH, RANGE 27 EAST,
N.M.P.M., EDDY COUNTY, NEW MEXICO

Survey Date: 09/17/03	Sheet 1 of 1 Sheets
W.O. Number: 03.11.1026	DRAWN BY: A.W.B
Date: 09/19/03	DISK: CD#9
CABAL #1026	Scale: 1"=1000'

JOHN WEST SURVEYING COMPANY
412 N. DAL PASO - HOBBS, NEW MEXICO - 505-393-3117

Exhibit C1
Surface Use & Operations Plan.

United States Department of the Interior
Bureau of Land Management
Roswell Field Office
2909 Second Street
Roswell, New Mexico 88201-1287

Statement Accepting Responsibility for Operations

Operator Name: Cabal Energy Corporation
Street or Box: 415 W. Wall, Suite 1700
City, State: Midland, Texas
Zip Code: 79701

The undersigned accepts all applicable terms, conditions, stipulations, and restrictions concerning operations conducted on the leased land or portion thereof, as described below:

Lease No: NM 13627A
Lease No: NM 109752

Legal Description of Land Lease No. NM 13627-A:

Township 19 South, Range 27 East, Eddy County, New Mexico
Section 20, NW4, N2S2, SESW4, SWSE

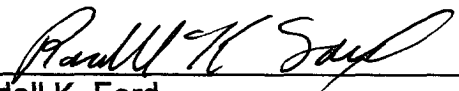
Legal Description of Land Lease No. NM 109752:

Township 19 South, Range 27 East, Eddy County, New Mexico
Section 20, SW/SW

Bond Coverage:

Statewide Oil and Gas Surety Bond, Cabal Energy Corporation (Principal)

BLM Bond File No.: NM2860



Randall K. Ford
President
October 15, 2003

CABAL ENERGY CORPORATION



August 11, 2004

Mr. Bryan Arrant
Oil Conservation Division
1301 W. Grand Avenue
Artesia, NM 88210

Subject: Cabal Energy Corporation
Palms 20 Federal Com #1
2130' FNL & 1880' FWL
Section 20, T-19-S, R-27-E
Eddy County, New Mexico

Dear Bryan:

I have been advised by sources at Cabal Energy that they do not anticipate there will be enough H₂S from the surface to the Mississippian formation to meet the OCD's minimum requirements for the submission of a contingency plan per Rule 118.

Thank you.

Sincerely,



Sandra Nobles

/sn