

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

Form 3160-3
(April 2004)

FORM APPROVED
OMB No. 1004-0137
Expires March 31, 2007

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

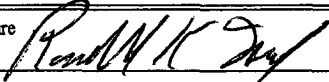
APPLICATION FOR PERMIT TO DRILL OR REENTER

1a. Type of work: <input checked="" type="checkbox"/> DRILL <input type="checkbox"/> REENTER		5. Lease Serial No. NM 07306
1b. Type of Well: <input type="checkbox"/> Oil Well <input checked="" type="checkbox"/> Gas Well <input type="checkbox"/> Other <input checked="" type="checkbox"/> Single Zone <input type="checkbox"/> Multiple Zone		6. If Indian, Allottee or Tribe Name N/A
2. Name of Operator Cabal Energy Corporation		7. If Unit or CA Agreement, Name and No. N/A
3a. Address 415 West Wall Street, Suite 1700 Midland, Texas 79701		8. Lease Name and Well No. Aztec 35 Federal #4 com
3b. Phone No. (include area code) 432-682-0440		9. API Well No. 30-005-63732
4. Location of Well (Report location clearly and in accordance with any State requirements.)* At surface 1900' FSL & 660' FWL At proposed prod. zone		10. Field and Pool, or Exploratory Pecos Slope Abo
11. Sec., T. R. M. or Blk. and Survey or Area Section 35, T10S, R25E		12. County or Parish Chaves
13. State NM		14. Distance in miles and direction from nearest town or post office* 7 miles East of Roswell, New Mexico
15. Distance from proposed* location to nearest property or lease line, ft. (Also to nearest drig. unit line, if any) 660'	16. No. of acres in lease 960	17. Spacing Unit dedicated to this well 160
18. Distance from proposed location* to nearest well, drilling, completed, applied for, on this lease, ft. 2130'	19. Proposed Depth 5000'	20. BLM/BIA Bond No. on file NM 2860
21. Elevations (Show whether DF, KDB, RT, GL, etc.) 3740'	22. Approximate date work will start* 12/26/2004	23. Estimated duration 20 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 	Name (Printed/Typed) Randall K. Ford	Date 12/03/2004
Title President		

Approved by (Signature) /S/LARRY D. BRAY	Name (Printed/Typed) /S/LARRY D. BRAY	Date JAN 12 2005
Title Assistant Field Manager, Lands And Minerals	Office ROSWELL FIELD OFFICE	APPROVED FOR 1 YEAR

Application approval does not warrant or certify that 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.

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 page 2)

CEMENT TO COVER ALL OIL,
GAS AND WATER BEARING
ZONES i.e., Glicerita

DISTRICT I
1625 N. FRENCH DR., HOBBS, NM 88240

DISTRICT II
1301 W. GRAND AVENUE, ARTESIA, NM 88210

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

DISTRICT IV
1220 S. ST. FRANCIS DR., SANTA FE, NM 87505

State of New Mexico
Energy, Minerals and Natural Resources Department

OIL CONSERVATION DIVISION
1220 SOUTH ST. FRANCIS DR.
Santa Fe, New Mexico 87505

Form C-102
Revised JUNE 10, 2003
Submit to Appropriate District Office
State Lease - 4 Copies
Fee Lease - 3 Copies

WELL LOCATION AND ACREAGE DEDICATION PLAT

☐ AMENDED REPORT

API Number	Pool Code	Pool Name
Property Code	Property Name AZTEC 35 FEDERAL	Well Number 4
OGRID No. 194930	Operator Name CABAL ENERGY CORPORATION	Elevation 3740'

Surface Location

UL or lot No. L	Section 35	Township 10-S	Range 25-E	Lot Idn	Feet from the 1900	North/South line SOUTH	Feet from the 660	East/West line WEST	County CHAVES
--------------------	---------------	------------------	---------------	---------	-----------------------	---------------------------	----------------------	------------------------	------------------

Bottom Hole Location If Different From Surface

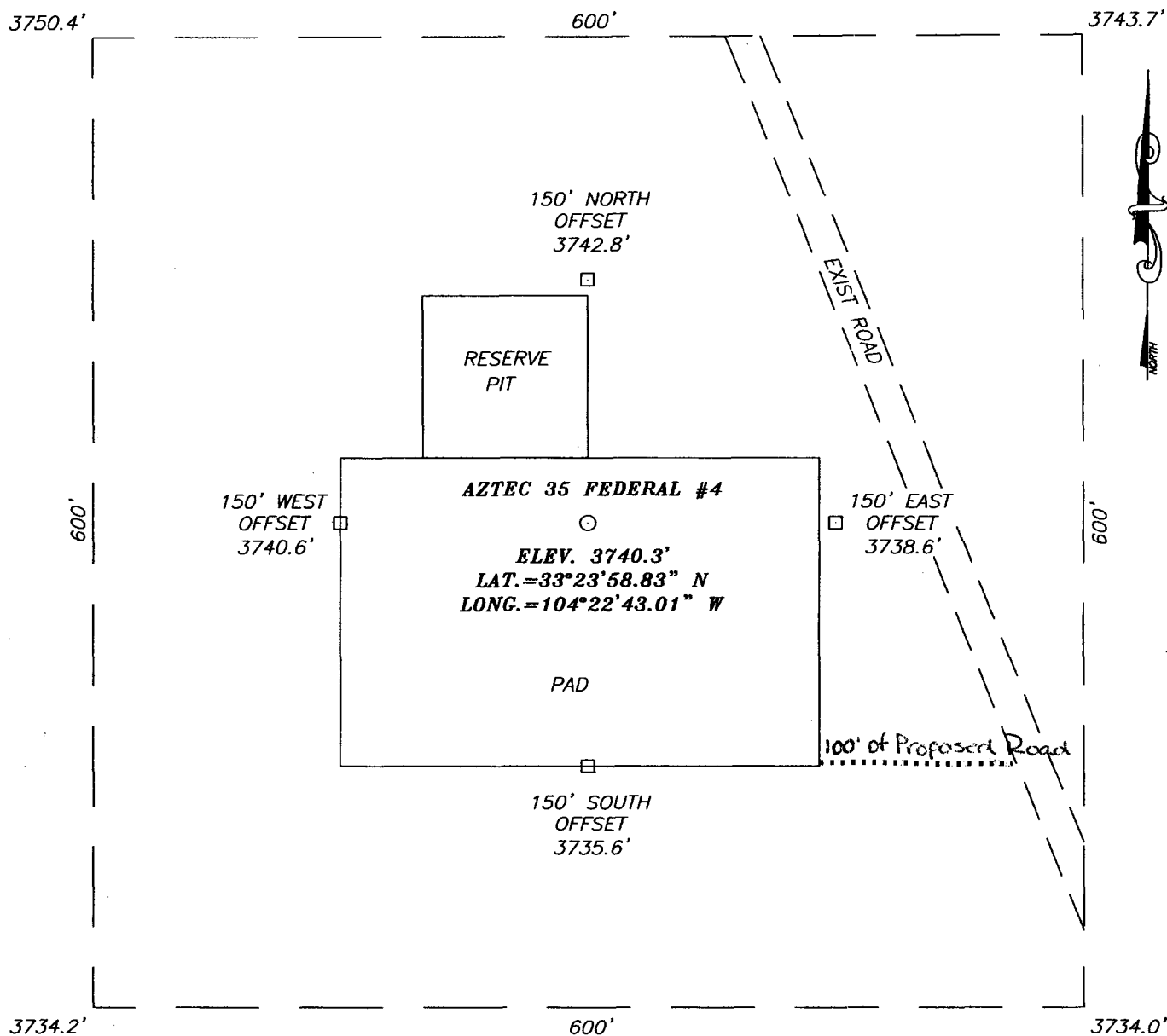
UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
Dedicated Acres 160	Joint or Infill	Consolidation Code	Order No.						

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

<p>GEODETIC COORDINATES NAD 27 NME Y=872927.7 N X=486180.8 E LAT.=33°23'58.83" N LONG.=104°22'43.01" W</p>	<p>OPERATOR CERTIFICATION</p> <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 November 22, 2004 Date</p> <p>SURVEYOR CERTIFICATION</p> <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>NOVEMBER 1, 2004</p> <p>Date Surveyed Signature & Seal of Professional Surveyor Professional Surveyor GARY EDISON 04.11.1459 Certificate No. GARY EDISON 12641</p>
--	--

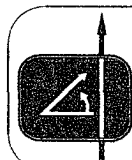
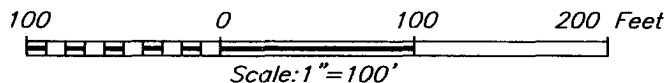
Exhibit "A"

SECTION 35, TOWNSHIP 10 SOUTH, RANGE 25 EAST, N.M.P.M.,
 CHAVES COUNTY, NEW MEXICO



DIRECTIONS TO LOCATION

FROM THE INTERSECTION OF U.S. HWY. #380 AND ST. HWY. #409, GO WEST ON U.S. HWY. #380 FOR APPROX. 1.6 MILES TO ARLENE RD. ON THE RIGHT. TURN RIGHT ONTO ARLENE RD. AND GO NORTH, THEN WEST, THEN BACK NORTH TO A "Y" IN THE ROAD. TAKE THE LEFT FORK AND GO APPROX. 0.2 MILES TO THIS LOCATION.



**PROVIDING SURVEYING SERVICES
 SINCE 1946**
JOHN WEST SURVEYING COMPANY
 412 N. DAL PASO
 HOBBS, N.M. 88240
 (505) 393-3117

CABAL ENERGY CORPORATION

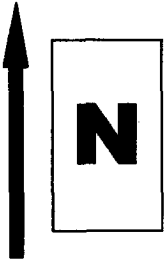
AZTEC 35 FEDERAL #4 WELL
 LOCATED 1900 FEET FROM THE SOUTH LINE
 AND 660 FEET FROM THE WEST LINE OF SECTION 35,
 TOWNSHIP 10 SOUTH, RANGE 25 EAST, N.M.P.M.,
 CHAVES COUNTY, NEW MEXICO.

Survey Date: 11/1/04	Sheet 1 of 1 Sheets
W.O. Number: 04.11.1459	Dr By: J.R. Rev 1:N/A
Date: 11/10/04	Disk: CD#10 04111459 Scale: 1"=100'

Exhibit "B"

Scale 1" = 100'

DRILLING RIG LAYOUT
Cabal Energy Corporation
Aztec 35 Federal #4



600'

100'

Reserve Pit

100'

Mud Pits

Mud Pits

Rig

50'

180'

150'

Trailer House

180'

Road

600'

Exhibit D
Surface Use & Operations Plan

DRILLING PROGRAM

Cabal Energy Corporation

**Aztec 35 Federal # 4
Section 35, T-10-S, R-25-E
Chaves 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:**

		GL = 3,740'
		Estimated KB = 3,749'
San Andres	+701' MD	(+3,023')
San Andres Porosity	+1,242' MD	(+2,482')
Glorietta	+2,338' MD	(+1,386')
Glorietta Sand	+2,508' MD	(+1,216')
Yeso	+2,694' MD	(+1,030')
Abo Clastic	4,087' MD	(-363')
Zu Upper Abo Sd	4,216' MD	(-492')
Zu Massive Abo Sd	4,344' MD	(-620')
Lower Abo Sd #2	4,444' MD	(-720')
Lower Abo Sd #1	4,494' MD	(-770')
Total Depth	5,000'	

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

Fresh Water Above 200'
Gas ABO

3. Pressure control equipment: The blow out preventer equipment (BOP) shown in Exhibit #1 will consist of a 3,000 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 3,000 psi working pressure. 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>
12-1/4"	0 – 850'	8-5/8"	24#	K-55 ST&C
7-7/8"	0 – 5,000	5-1/2"	15.5#	J-55 ST&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

14" conductor	cemented with ready mix to surface
8-5/8" surface	300 sxs Premium Plus cement, 2% calcium chloride
5-1/2" production	150 sxs Light Cement
	150 sxs Super "H" cement .5% Halad, .4% CFR-3, 3# per sx Gilsomite

6. PROPOSED MUD SYSTEM:

<u>DEPTH</u>	<u>DESCRIPTION</u>	<u>MUD WEIGHT</u>	<u>VISCOSITY</u>	<u>WATER LOSS</u>
0 – 850'	fresh water	8.6 – 8.8 ppg	28 – 30	NC
850 – 5,000'	brine/mud	10.0 – 10.2 ppg	28 – 34	12 cc

7. TESTING, LOGGING AND CORING PROGRAM:

Samples	From 850'
DST's	N/A
Logging	Dual Lateral, Gamma Ray, Caliper, Density Neutron, PE Factor
Coring	Possible sidewall core: San Andres, Glorietta, Yeso, Abo Sd

8. ABNORMAL PRESSURES, TEMPERATURES AND Hydrogen Sulfide:

None anticipated. Maximum bottom hole pressure should not exceed 1,800psi. Although we do not anticipate encountering H₂S in amounts significant enough to require an H₂S contingency plan in accordance with Rule 118 of the OCD, we have prepared an H₂S drilling plan, which follows.

ANTICIPATED STARTING DATE AND DURATION OF OPERATIONS:

It is planned that operations will commence on December 26, 2004. Drilling should be completed within 20 days followed by completion operations.

HYDROGEN SULFIDE DRILLING OPERATIONS PLAN

Cabal Energy Corporation

Aztec 35 Federal #4

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.

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.

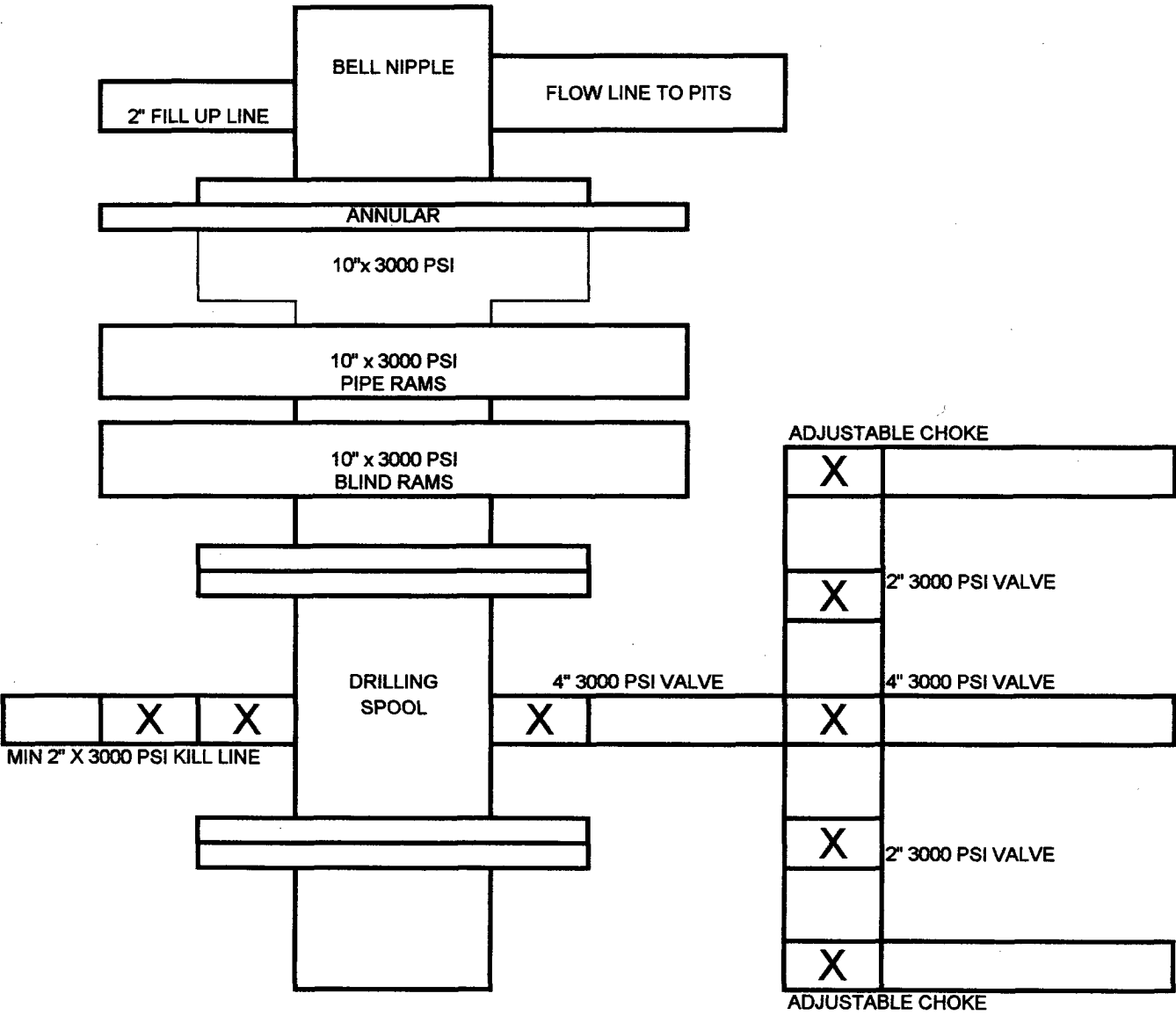
G. Communication:

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
7-7/8" HOLE



Cabal Energy Corporation
Aztec 35 Federal #4
Chaves County, New Mexico

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 St. Ste 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 07306

Legal Description of Land:

960 Acres

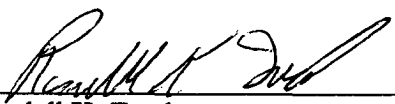
Section 26: S/2 SW/4 and NW/4 SW/4
Section 27: S/2 NE/4, NW/4 NE/4 and E/2 SE/4
Section 34: E/2 E/2
Section 35: E/2 and W/2 W/2

Township 10 South, Range 25 East, Chaves, New Mexico

Bond Coverage:

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

BLM Bond File No.: NM 2860



Randell K. Ford
President
December 3, 2004