

Form 3160-3
(April 2004)UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

APPLICATION FOR PERMIT TO DRILL OR REENTER

OCD-ARTESIA

HIGH CAVE KARST

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

ATS-07-316

1a. Type of work: ☒ DRILL☐ REENTER1b. Type of Well: ☒ Oil Well ☐ Gas Well ☐ Other ☒ Single Zone ☐ Multiple Zone2. Name of Operator *Atlantic Operating - SN 3-2307* (MITCH CHENEY)
24 9740 CHENEY ENERGY PARTNERS, LLC. (281-893-5100)3a. Address 14511 FALLING CREEK
SUITE 300 HOUSTON, TEXAS 770143b. Phone No. (include area code)
218-893-5100

5. Lease Serial No.

NM-98821

6. If Indian, Allottee or Tribe Name

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

8. Lease Name and Well No.

CHENEY ENERGY "25" FEDERAL # 1

9. API Well No.

30-015-35618

10. Field and Pool, or Exploratory

NORTH BRUSHY DRAW-DELAWARE

11. Sec., T. R. M. or Blk. and Survey or Area

SECTION 25 T25S-R29E

14. Distance in miles and direction from nearest town or post office*

Approximately 25 miles Southeast of Malaga New Mexico

12. County or Parish

EDDY CO.

13. State

New Mexico

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

467'

16. No. of acres in lease

640

17. Spacing Unit dedicated to this well

40 acres

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

NA

19. Proposed Depth

3500'

20. BLM/BIA Bond No. on file

NM3000466

21. Elevations (Show whether DF, KDB, RT, GL, etc.)
3046' GL22. Approximate date work will start*
WHEN APPROVED23. Estimated duration
15 DAYS TO DRILL

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)

Joe T. Janica

Date 03/17/07

Title

Agent

Approved by (Signature)

/s/ James Stovall

Name (Printed/Typed)

/s/ James Stovall

Date

MAY 11 2007

Title

FIELD MANAGER

Office

CARLSBAD FIELD OFFICE

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.

APPROVAL FOR TWO YEARS

Title 18 U.S.C. Section 1001 and Title 43 U.S.C. Section 1212, make it a crime for any person knowingly and
States any false, fictitious or fraudulent statements or representations as to any matter within its jurisdiction.If earthen pits are used in
association with the drilling of this
well, an OCD pit permit must be
obtained prior to pit construction.

*(Instructions on page 2)

APPROVAL SUBJECT TO

GENERAL REQUIREMENTS

AND SPECIAL STIPULATIONS

ATTACHED

SEE ATTACHED FOR
CONDITIONS OF APPROVAL

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

OCD-ARTESIA

FORM APPROVED
OMB No. 1004-0135
Expires January 31, 2004

SUNDRY NOTICES AND REPORTS ON WELLS
Do not use this form for proposals to drill or to re-enter an abandoned well. Use Form 3160-3 (APD) for such proposals.

SUBMIT IN TRIPLICATE - Other instructions on reverse side

1. Type of Well
☒ Oil Well ☐ Gas Well ☐ Other

2. Name of Operator
ATLANTIC OPERATING, INC. (RICK JENNINGS 432-683-3272)

3a. Address
P.O. BOX 3759 MIDLAND, TEXAS 79702

3b. Phone No. (include area code)
432-683-3272

4. Location of Well (Footage, Sec., T., R., M., or Survey Description)
467' FSL & 810' FWL SECTION 25 T25S-29E EDDY CO. NM

5. Lease Serial No.
NM-98821

6. If Indian, Allottee or Tribe Name

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

8. Well Name and No.
CHENEY ENERGY "25" FEDERAL # 1

9. API Well No.

10. Field and Pool, or Exploratory Area
NORTH BRUSHY DRAW-DELAWARE

11. County or Parish, State
EDDY CO. NEW MEXICO

12. CHECK APPROPRIATE BOX(ES) TO INDICATE NATURE OF NOTICE, REPORT, OR OTHER DATA

TYPE OF SUBMISSION	TYPE OF ACTION			
<input checked="" type="checkbox"/> Notice of Intent	<input type="checkbox"/> Acidize	<input type="checkbox"/> Deepen	<input type="checkbox"/> Production (Start/Resume)	<input type="checkbox"/> Water Shut-Off
<input type="checkbox"/> Subsequent Report	<input type="checkbox"/> Alter Casing	<input type="checkbox"/> Fracture Treat	<input type="checkbox"/> Reclamation	<input type="checkbox"/> Well Integrity
<input type="checkbox"/> Final Abandonment Notice	<input type="checkbox"/> Casing Repair	<input type="checkbox"/> New Construction	<input type="checkbox"/> Recomplete	<input type="checkbox"/> Other <u>Change</u>
	<input type="checkbox"/> Change Plans	<input type="checkbox"/> Plug and Abandon	<input type="checkbox"/> Temporarily Abandon	OPERATOR
	<input type="checkbox"/> Convert to Injection	<input type="checkbox"/> Plug Back	<input type="checkbox"/> Water Disposal	

13. Describe Proposed or Completed Operation (clearly state all pertinent details, including estimated starting date of any proposed work and approximate duration thereof. If the proposal is to deepen directionally or recompleat horizontally, give subsurface locations and measured and true vertical depths of all pertinent markers and zones. Attach the Bond under which the work will be performed or provide the Bond No. on file with BLM/BIA. Required subsequent reports shall be filed within 30 days following completion of the involved operations. If the operation results in a multiple completion or recompleat in a new interval, a Form 3160-4 shall be filed once testing has been completed. Final Abandonment Notices shall be filed only after all requirements, including reclamation, have been completed, and the operator has determined that the site is ready for final inspection.)

1. Request to change the operator.

FROM: CHENEY ENERGY PARTNERS, LLC.
14511 FALLING CREEK
SUITE 300
HOUSTON, TEXAS 77014

TO: ATLANTIC OPERATING, INC.
P.O. BOX 3559
MIDLAND, TEXAS 79702

14. I hereby certify that the foregoing is true and correct
Name (Printed/Typed)

Joe T. Janica

Title Agent

Signature

Date 03/23/07

THIS SPACE FOR FEDERAL OR STATE OFFICE USE

Approved by

Ts/ James Stovall

FIELD MANAGER

Date

MAY 11 2007

Conditions of approval, if any, are attached. Approval of this notice 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.

Office

CARLSBAD FIELD OFFICE

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)

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

State of New Mexico
Energy, Minerals and Natural Resources Department

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

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

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

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

Form C-102
Revised October 12, 2005
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 8085	Pool Name BRUSHY DRAW DELAWARE-WEST
Property Code	Property Name CHENEY ENERGY "25" FEDERAL	Well Number 1
OGRID No.	Operator Name ATLANTIC OPERATING, INC.	Elevation 3046'

Surface Location

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
M	25	25-S	29-E		467	SOUTH	810	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.
40			

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</p> <p>Y=398402.2 N X=620760.9 E</p> <p>LAT.=32.094723° N LONG.=103.943375° W</p>		<p>OPERATOR CERTIFICATION</p> <p><i>I hereby certify that the information herein is true and complete to the best of my knowledge and belief, and that this organization either owns a working interest or unleased mineral interest in the land including the proposed bottom hole location or has a right to drill this well at this location pursuant to a contract with an owner of such mineral or working interest, or to a voluntary pooling agreement or a compulsory pooling order heretofore entered by the division.</i></p> <p><i>Joe T. Janica</i> Signature Date Joe T. Janica 03/23/07 Printed Name Agent</p>	
		<p>SURVEYOR CERTIFICATION</p> <p><i>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.</i></p> <p>MARCH 7, 2007</p> <p>Date Surveyed AR Signature & Seal of Professional Surveyor <i>Gary E. Edson</i> 3/23/07 07.11.0244</p> <p>Certificate No. GARY EIDSON 12641 RONALD J. EIDSON 3239</p>	

NM-98821

SEE DETAIL

810'

467'

DETAIL

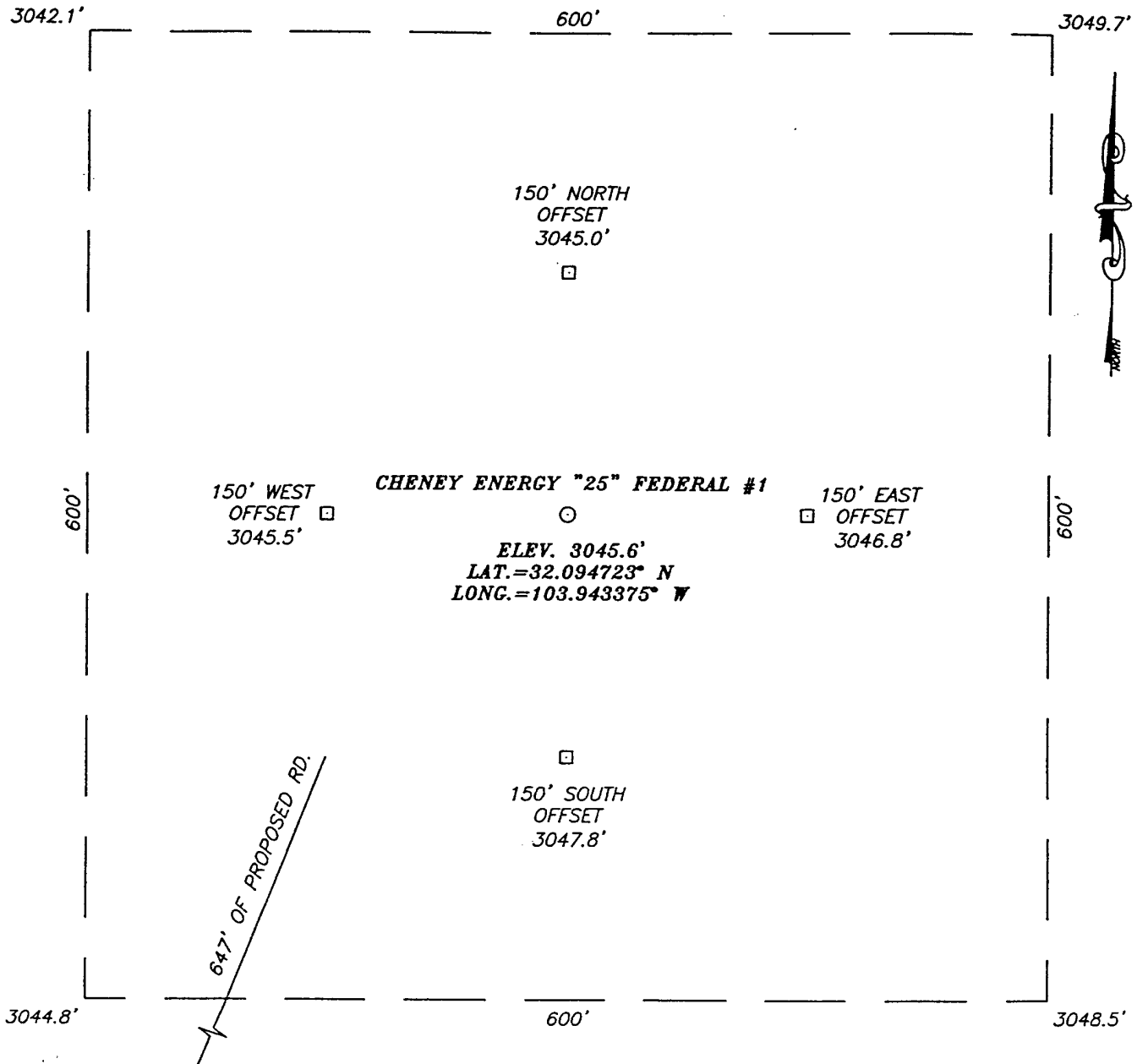
3042.1' 3049.7'

600'

600'

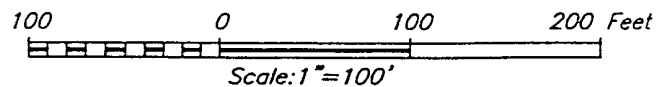
3044.8' 3048.5'

SECTION 25, TOWNSHIP 25 SOUTH, RANGE 29 EAST, N.M.P.M.,
EDDY COUNTY, NEW MEXICO



DIRECTIONS TO LOCATION

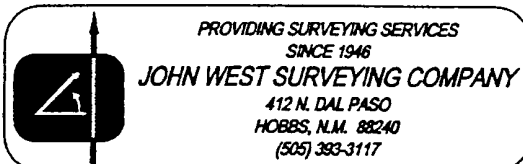
FROM THE INTERSECTION OF CO. RD. #725
(LONGHORN RD.) AND CO RD. #725A (TARBUSH
RD.), GO NORTH ON CO RD. #725A APPROX. 2.4
MILES TO A "T" INTERSECTION. CONTINUE NORTH
APPROX. 2.3 MILES TO THE BRUSHY DRAW STATE
#1 WELL AND PROPOSED ROAD SURVEY. FOLLOW
ROAD SURVEY NORTHEAST APPROX. 850 FEET TO
THIS LOCATION.

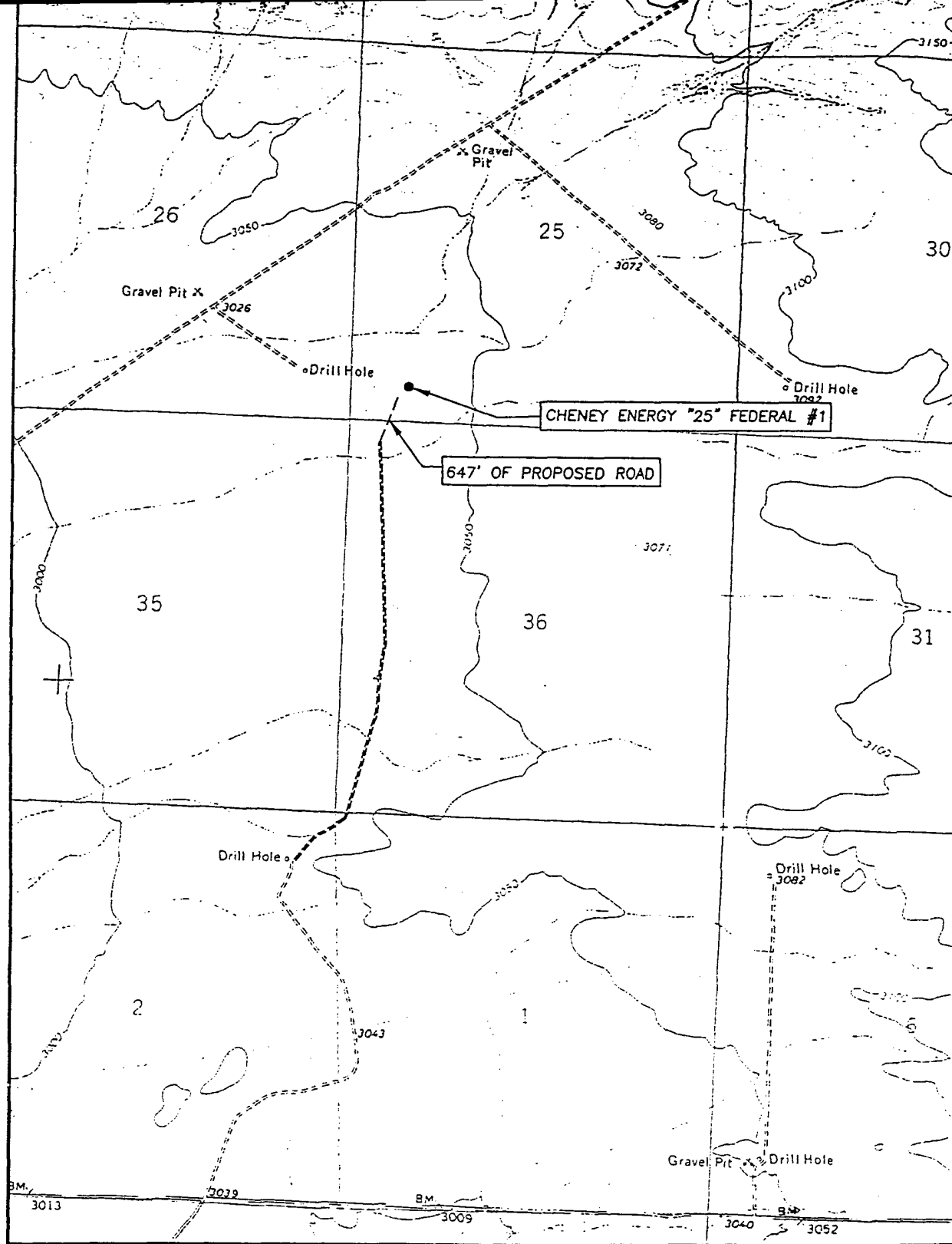


ATLANTIC OPERATING, INC.

CHENEY ENERGY "25" FEDERAL #1 WELL
LOCATED 467' FEET FROM THE SOUTH LINE
AND 810 FEET FROM THE WEST LINE OF SECTION 25,
TOWNSHIP 25 SOUTH, RANGE 29 EAST, N.M.P.M.,
EDDY COUNTY, NEW MEXICO.

Survey Date: 3/07/07	Sheet 1 of 1 Sheets
W.O. Number: 07.11.0244	Dr By: AR
Date: 3/13/07	Disk: 07110244
	Scale: 1"=100'





SCALE: 1" = 2000'

CONTOUR INTERVAL:
ROSS RANCH, N.M. - 10'

SEC. 25 TWP. 25-S RGE. 29-E

SURVEY N.M.P.M.

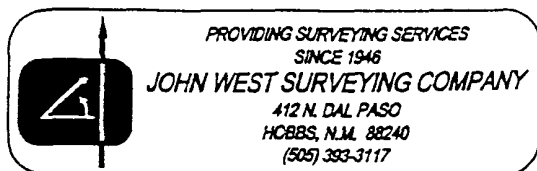
COUNTY EDDY STATE NEW MEXICO

DESCRIPTION 467' FSL & 810' FWL

ELEVATION 3046'

OPERATOR ATLANTIC OPERATING, INC.

LEASE CHENEY ENERGY "25" FEDERAL



APPLICATION TO DRILL

CHENEY ENERGY PARTNERS, LLC.
CHENEY ENERGY "25" FEDERAL # 1
UNIT "M" SECTION 25
T25S-R29E EDDY CO. NM

1. Drill a 26" hole to 40'. Set 40' of 20" conductor pipe and cement to surface with Redi-mix.
2. Drill 12½" hole to 600'. Run and set 600' of 8 5/8" 24# J-55 ST&C casing. Cement casing with 300 Sx. of Class "C" cement + ¼# Flocele/Sx, + 2% CaCl, circulate cement to surface.
3. Drill 7 7/8" hole to 3500'. Run and set 3500' of 5½" 15.5# J-55 ST&C casing. Cement casing with 600 Sx. of Halco Light weight Class "C" cement + additives, tail in with 150 Sx. of Class "C" neat cement. Circulate cement to surface.

APPLICATION TO DRILL

CHENEY ENERGY PARTNERS, LLC.
CHENEY ENERGY "25" FEDERAL # 1
UNIT "M" SECTION 25
T25S-R29E EDDY CO. NM

In response to questions asked under Section II of Bulletin NTL-6, the following information on the above will be provided for your information.

1. LOCATION: 467' FSL & 810' FWL SECTION 25 T25S-R29E
2. ELEVATION ABOVE SEA LEVEL: 3046' GL
3. GEOLOGIC NAME OF SURFACE FORMATION: Quaternary Aeolian Deposits.
4. DRILLING TOOLS AND ASSOCIATED EQUIPMENT: Conventional rotary drilling rig using drilling mud as a circulating medium for solids removal from hole.
5. PROPOSED DRILLING DEPTH: 3500'
6. ESTIMATED TOPS OF GEOLOGICAL MARKERS:
 - Lamar Limestone 3240'
 - Ramsey Sand 3275'
7. POSSIBLE MINERAL BEARING FORMATION:

Ramsey Sand Oil

8. CASING PROGRAM:

Hole Size	Interval	OD of Casing	Weight	Thread	Collar	Grade
26"	0-40'	20"	NA	NA	NA	Conductor
12½"	0-600'	8 5/8"	24#	8-R	ST&C	J-55
7 7/8"	0-3500'	5½"	15.5#	8-R	ST&C	J-55

APPLICATION TO DRILL

CHENEY ENERGY PARTNERS, LLC.
 CHENEY ENERGY "25" FEDERAL # 1
 UNIT "M" SECTION 25
 T25S-R29E EDDY CO. NM

9. CEMENTING & SETTING DEPTH:

20"	Conductor	Set 40' of 20" conductor and cement to surface with Redi-mix.
8 5/8"	Surface	Set 600' of 8 5/8" 24# J-55 ST&C casing. Cement with 300 Sx. of Class "C" cement + 1/4# Flocele/Sx., + 2% CaCl, circulate cement to surface.
5 1/2"	Production	Set 3500' of 5 1/2" 15.5# J-55 ST&C casing. Cement with 600 Sx. of Halco Light cement + additives, tail in with 150 Sx. of Class "C" neat cement, circulate cement to surface.

10. PRESSURE CONTROL EQUIPMENT: Exhibit "E" shows a 900 Series 3000 PSI working pressure B.O.P. consisting of an annular bag type preventor, middle blind rams, and bottom pipe rams. The B.O.P. will be nipped up on the 8 5/8" casing and tested to API specifications. The B.O.P. will be operated at least once in each 24 hour period and the blind rams will be operated when the drill pipe is out of hole on trips. Full opening stabbing valve and upper kelly cock will be utilized. Exhibit "E-1" shows a hydraulically operated closing unit and a 2" 3000 PSI choke manifold with dual adjustable chokes. No abnormal pressures or temperatures are expected in this well.

11. PROPOSED MUD CIRCULATING SYSTEM:

DEPTH	MUD WT.	VISC.	FLUID LOSS	TYPE SYSTEM
40-600' - 1100'	8.4-8.7	29-34	NC	Fresh water add paper to control seepage
600-3500'	9.8-10.0	29-38	NC*	Cut Brine to brine water add paper to control seepage use high viscosity sweeps to clean hole. If water loss control is required while drilling through the pay add strach or go to a Dris-pac system.

* Water loss control may be required in order to log well, and protect formation from formation damage.

Sufficient mud materials will be kept on location at all times in order to combat lost circulation, or unexpected kicks. In order to run DST's, open hole logs, & casing the viscosity and/or water loss may have to be adjusted to meet these needs.

APPLICATION TO DRILL

CHENEY ENERGY PARTNERS, LLC.
CHENEY ENERGY "25" FEDERAL # 1
UNIT "M" SECTION 25
T25S-R29E EDDY CO. NM

12. LOGGING, CORING, AND TESTING PROGRAM:

- A. Open hole logs: Dual Laterolog, MSFL, CNL, FDC, Gamma Ray, caliper from TD back to 8 5/8" casing shoe. Run Gamma Ray, Neutron from the 8 5/8" casing shoe back to surface.
- B. Mud logger will be rigged up on the hole at 3000' and remain on the hole to TD.
- C. No cores or DST's are planned at this time.

13. POTENTIAL HAZARDS:

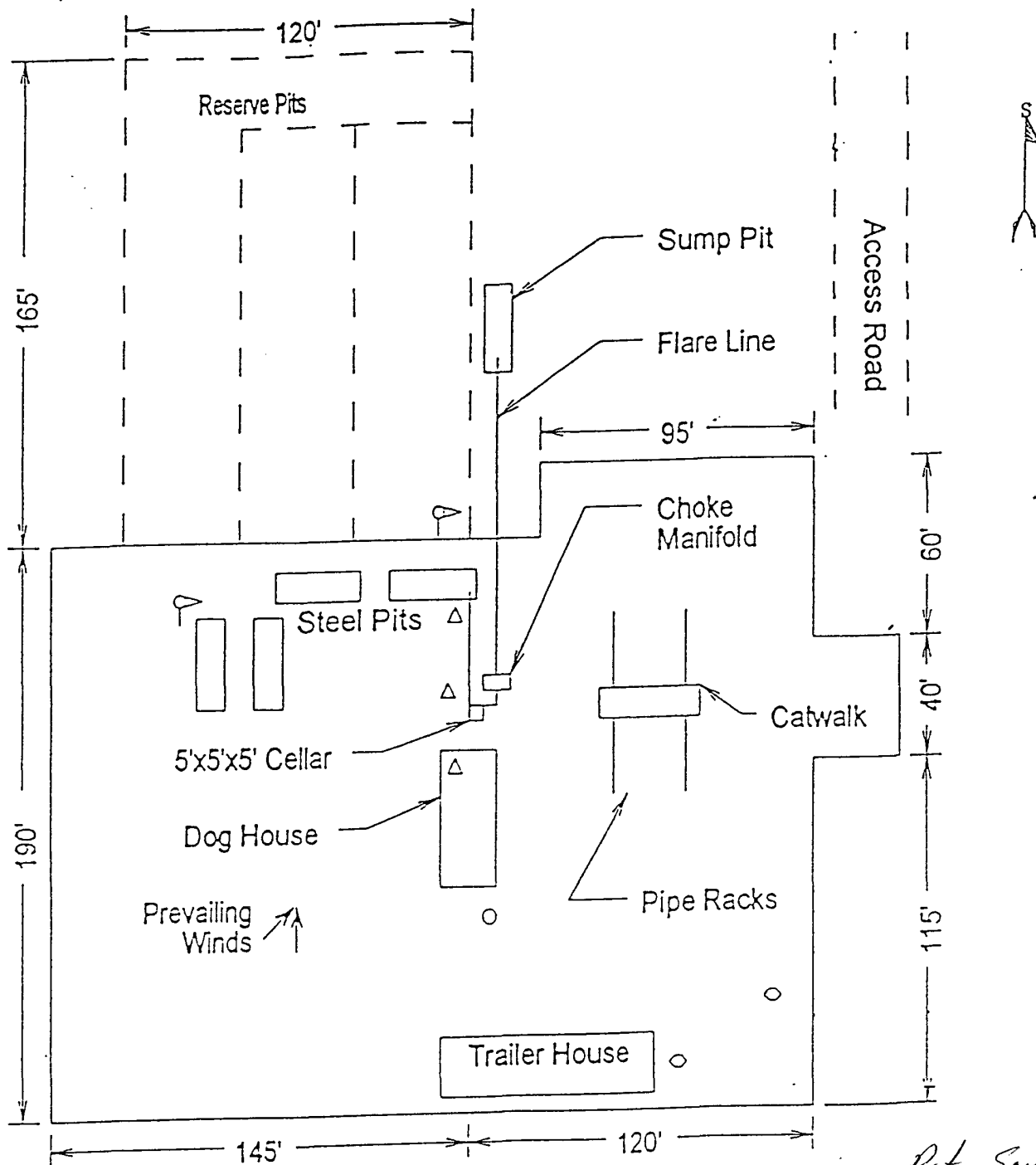
No abnormal pressures or temperatures are expected. There is no known presence of H²S in this area. If H²S is encountered the operator will comply with the provisions of Onshore Oil and Gas Order No. 6. No lost circulation is expected to occur. All personnel will be familiar with all aspects of safe operation of equipment being used to drill this well. Estimated BHP 1500 PSI, and Estimated BHT 140°.

14. ANTICIPATED STARTING DATE AND DURATION OF OPERATION:

Road and location construction will begin after the BLM has approved the APD. Anticipated spud date will be as soon after BLM approval and as soon as a rig will be available. Move in operation and drilling is expected to take 15 days. If production casing is run then an additional 30 days will be needed to complete well and construct surface facilities and/or lay flowlines in order to place well on production.

15. OTHER FACETS OF OPERATIONS:

After running casing, cased hole Gamma Ray, Neutron Collar logs will be run from TD back to all possible productive zones. The Ramsey Sand formation will be perforated and stimulated in order to establish production. The well will be swab tested and potentialized as an oil well.

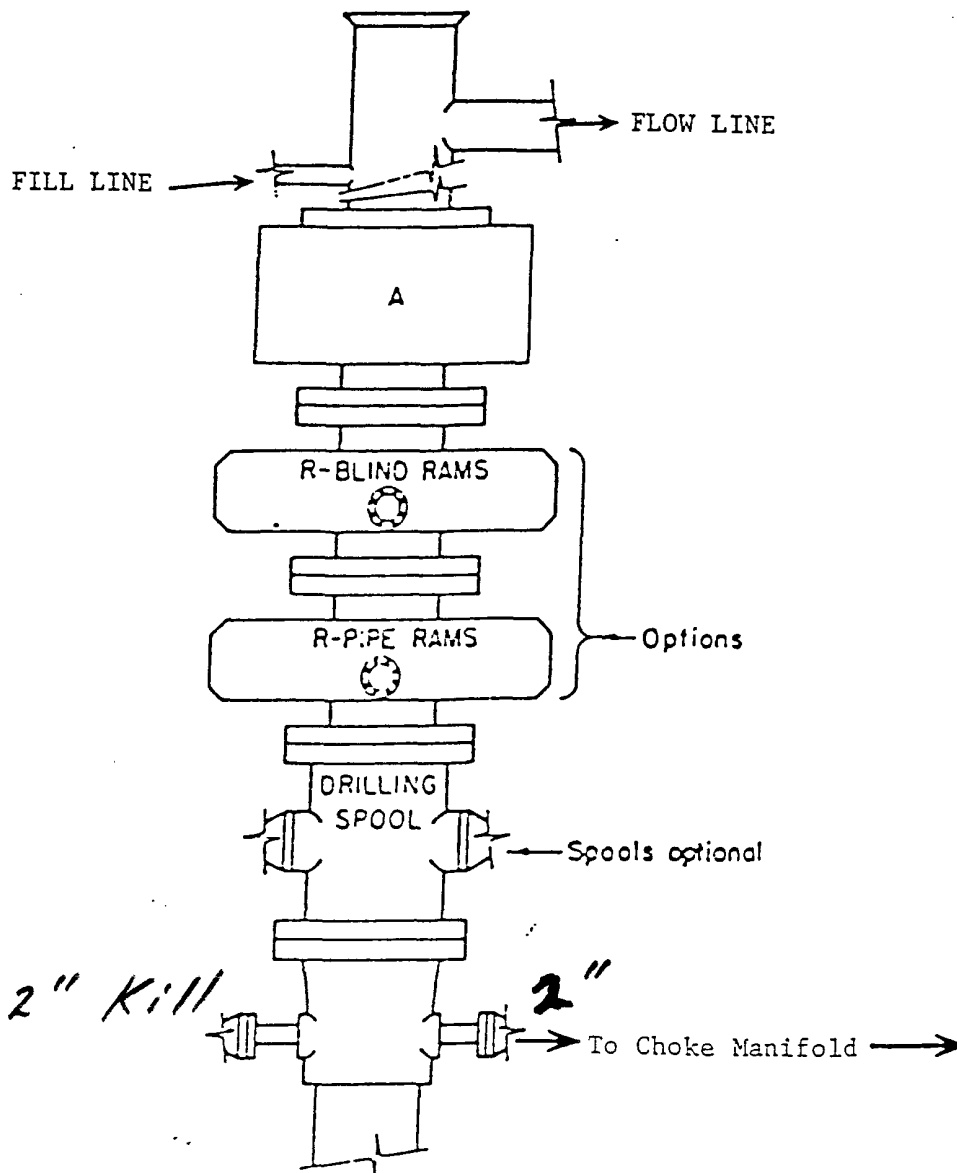


*Pits South
V-Door West*

- Wind Direction Indicators (wind sock or streamers)
- △ H2S Monitors (alarms at bell nipple and shale shaker)
- Briefing Areas
- Remote BOP Closing Unit
- Sign and Condition Flags

EXHIBIT "D"
RIG LAY OUT PLAT

CHENEY ENERGY PARTNERS, LLC.
CHENEY ENERGY "25" FEDERAL # 1
UNIT "M" SECTION 25
T25S-R29E EDDY CO. NM

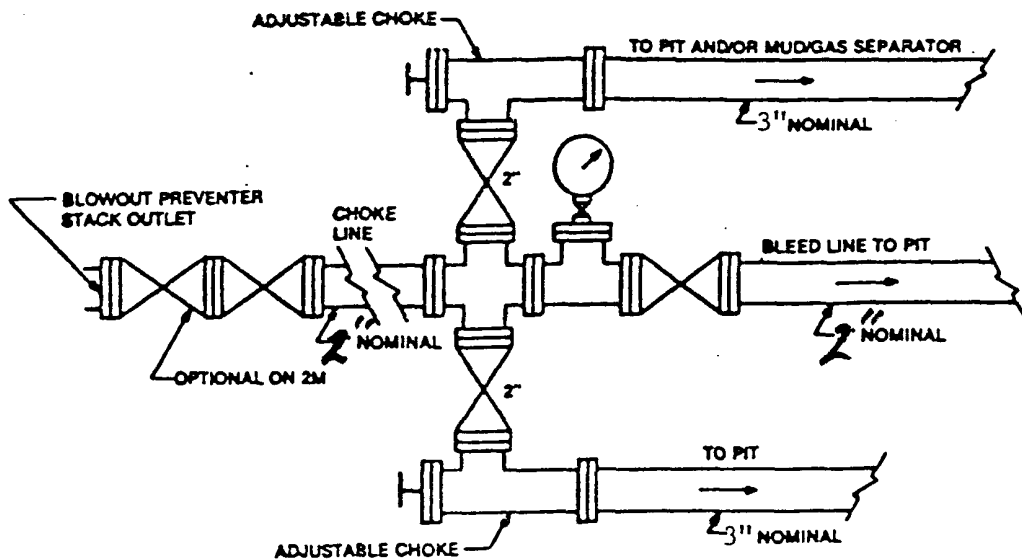


ARRANGEMENT SRRA

900 Series
3000 PSI WP

EXHIBIT "E"
SKETCH OF B.O.P. TO BE USED ON

CHENEY ENERGY PARTNERS, LLC.
CHENEY ENERGY "25" FEDERAL # 1
UNIT "M" SECTION 25
T25S-R29E EDDY CO. NM



Typical choke manifold assembly for 3M WP system

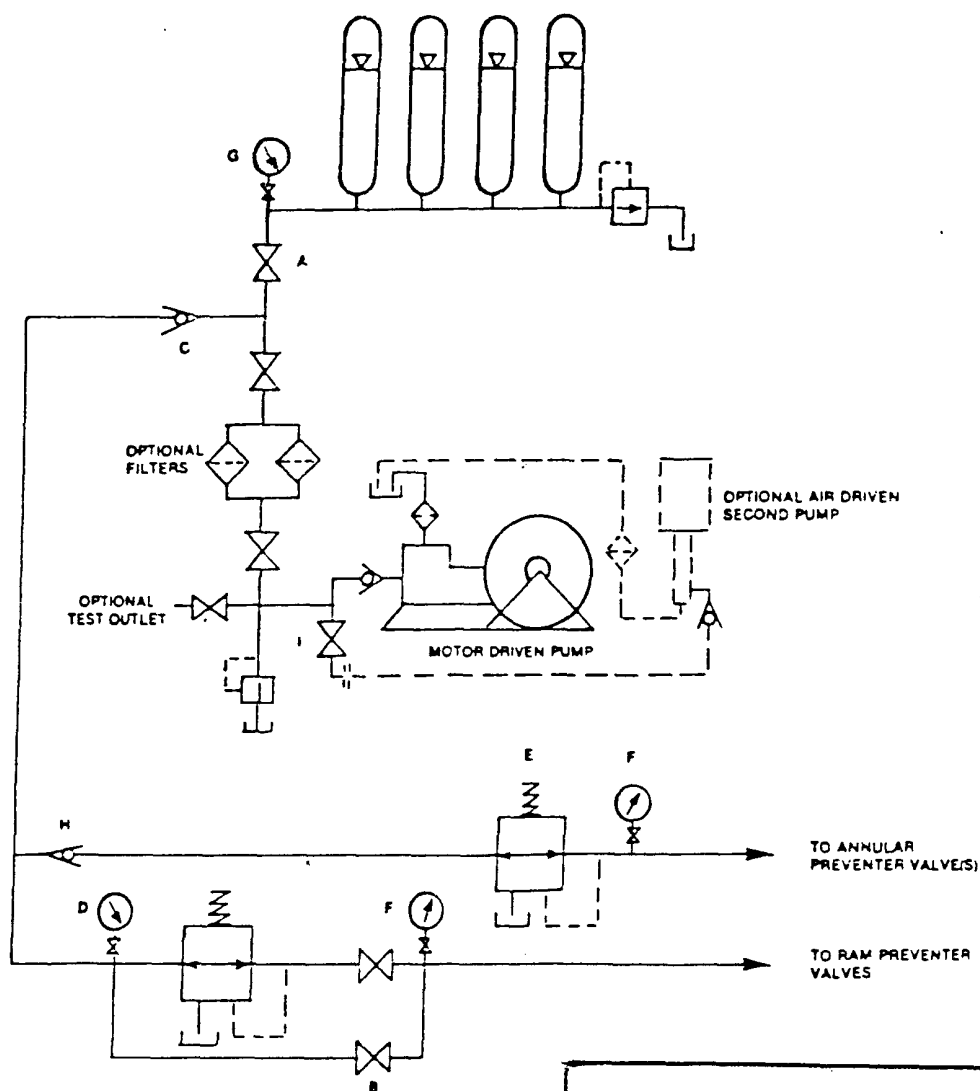


EXHIBIT "E-1"
CHOKE MANIFOLD & CLOSING UNIT

CHENEY ENERGY PARTNERS, LLC.
CHENEY ENERGY "25" FEDERAL # 1
UNIT "M" SECTION 25
T25S-R29E EDDY CO. NM

HYDROGEN SULFIDE DRILLING OPERATIONS PLAN

1. All Company and Contract personnel admitted on location must be trained by a qualified H₂S safety instructor to the following:
 - A. Characteristics of H₂S
 - B. Physical effects and hazards
 - C. Proper use of safety equipment and life support systems.
 - D. Principle and operation of H₂S detectors, warning system and briefing areas.
 - E. Evacuation procedure, routes and first aid.
 - F. Proper use of 30 minute pressure demand air pack.
2. H₂S Detection and Alarm Systems
 - A. H₂S detectors and audio alarm system to be located at bell nipple, end of blooie line (mud pit) and on derrick floor or doghouse.
3. Windsock and/or wind streamers
 - A. Windsock at mudpit area should be high enough to be visible.
 - B. Windsock at briefing area should be high enough to be visible.
 - C. There should be a windsock at entrance to location.
4. Condition Flags and Signs
 - A. Warning sign on access road to location.
 - B. Flags to be displayed on sign at entrance to location. Green flag, normal safe condition. Yellow flag indicates potential pressure and danger. Red flag, danger, H₂S present in dangerous concentration. Only emergency personnel admitted to location.
5. Well control equipment
 - A. See exhibit "E"
6. Communication
 - A. While working under masks chalkboards will be used for communication.
 - B. Hand signals will be used where chalk board is inappropriate.
 - C. Two way radio will be used to communicate off location in case of emergency help is required. In most cases cellular telephoned will be available at most drilling foreman's trailer or living quarters.
7. Drillstem Testing
 - A. Exhausts will be watered.
 - B. Flare line will be equipped with an electric ignitor or a propane pilot light in case gas reaches the surface.
 - C. If location is near any dwelling a closed D.S.T. will be performed.

HYDROGEN SULFIDE DRILLING OPERATIONS PLAN

8. Drilling contractor supervisor will be required to be familiar with the effects H_2S has on tubular goods and other mechanical equipment.
9. If H_2S is encountered, mud system will be altered if necessary to maintain control of formation. A mud gas separator will be brought into service along with H_2S scavengers if necessary.

SURFACE USE PLAN

CHENEY ENERGY PARTNERS, LLC.
CHENEY ENERGY "25" FEDERAL # 1
UNIT "M" SECTION 25
T25S-R29E EDDY CO. NM

1. EXISTING ROADS: Area maps, Exhibit "B" is a reproduction of a County General Hi-way Map. Exhibit "C" is a reproduction of a USGS topographic map showing existing roads and proposed new roads. All existing roads will be maintained in a condition equal to or better than current conditions. All new roads will be constructed according to Bureau of Land Management specifications.
 - A. Exhibit "A" shows the location as staked.
 - B. From Malaga New Mexico take U.S. Hi-way 285 South for 12.5± miles to CR-725 (Whitehorn) turn Left (East) go 3.8 ±miles to low water crossing continue East 3 miles cross cattle guard and turn Left (North) on main lease road go 2.2± miles to location.
 - C. There are no dwellings within 2 miles of location.
2. PLANNED ACCESS ROADS: Approximately 650' of new road will be constructed.
 - A. Access roads will be crowned and ditched to a 12' wide travel surface within a 40' Right-of-Way.
 - B. Gradient of all roads will be less than 5.00%
 - C. Turnouts will be constructed where necessary.
 - D. If necessary the new roads will be surfaced with a minimum of 4" of caliche. This material will be obtained from the nearest local source.
 - E. The centerline of the new road will be flagged. The earthwork will be done as required by the field conditions.
 - F. Culverts will not be used unless they are necessary, the roads will be constructed to utilize low water crossings as dictated by the topography.
3. EXHIBIT "A-1" SHOWS EXISTING WELLS IN THE AREA AND THOSE WITHIN A 1 MILE RADIUS.
 - A. Water wells - None near
 - B. Disposal wells - None known
 - C. Drilling wells - None known
 - D. Abandoned wells - As shown on Exhibit "A-1"
 - E. Producing wells - As shown on Exhibit "A-1"

SURFACE USE PLAN

CHENEY ENERGY PARTNERS, LLC.
CHENEY ENERGY "25" FEDERAL # 1
UNIT "M" SECTION 25
T25S-R29E EDDY CO. NM

4. If on completion this well is a producer the operator will lay pipelines and construct powerlines along existing road R-O-W's or other existing R-O-W's. Exhibit "C" shows possible gas flowline to sales point.

5. LOCATION AND TYPE OF WATER SUPPLY:

Water will be purchased locally from a commercial source and trucked over the access roads or piped to location in flexible lines laid on top of the ground.

6. SOURCE OF CONSTRUCTION MATERIAL:

If possible construction material will be obtained from the excavation of drill site, if additional material is needed it will be obtained from a local source and transported over the access roads as shown on Exhibit "C".

7. METHODS OF HANDLING WASTE MATERIAL:

- A. Drill cuttings will be disposed of in the reserve pits.
- B. All trash, junk and other waste material will be contained in trash cages or trash bins to prevent scattering. When the job is completed all contents will be removed and disposed of in a approved sanitary land fill.
- C. Salts remaining after completion of well will be picked up by the supplier, including broken sacks.
- D. Waste water from living quarters will be drained into holes with a minimum of 10'. These holes will be covered during drilling and will be back filled when the well is completed. A Porto-John will be provided for the rig crews. This equipment will be properly maintained during the drilling and completion operations and will be removed when all operations are complete.
- E. Remaining drilling fluids will be allowed to evaporate in the reserve pits until the pits are dry enough to be broken out for further drying. If the drilling fluids do not evaporate in a reasonable time they will be hauled off by transports to a state approved disposal site. Later pits will be broken out to speed drying. Water produced during completion will be put in reserve pits. Oil and condensate produced will be put in storage tanks and sold.

8. ANCILLARY FACILITIES:

- A. No camps or air strips will be constructed on location.

SURFACE USE PLAN

CHENEY ENERGY PARTNERS, LLC.
CHENEY ENERGY "25" FEDERAL # 1
UNIT "M" SECTION 25
T25S-R29E EDDY CO. NM

9. WELL SITE LAYOUT

- A. Exhibit "D" shows the proposed well site layout.
- B. This exhibit indicated proposed location of reserve and sump pits and living facilities.
- C. Mud pits in the active circulating system will be steel pits & the reserve pit is proposed to be unlined unless subsurface condition encountered during pit construction indicate that lining is needed for lateral containment of fluids.
- D. If needed, the reserve pit is to be lined with polyethelene. The pit liner will be 12mils thick. Pit liner will extend a minimum 2'00" over the reserve pits dikes where the liner will be anchored down.
- E. The reserve pit will be fenced on three sides with four strands of barbed wire during drilling and completion phases. The fourth side will be fenced after all drilling operations have ceased. If the well is a producer, the reserve pit fence will be torn down. The reserve pit and those areas of the location not essential to production facilities will be reclaimed and seeded per BLM requirements.

10. PLANS FOR RESTORATION OF SURFACE

Rehabilitation of the location and reserve pit will start in a timely manner after all drilling operations cease. The type of reclamation will depend on whether the well is a producer or a dry hole.

However, in either event, the reserve pit will be allowed to dry properly, and fluid removed and disposed of in accordance with Article 7.B as previously noted. The pit area will then be leveled and contoured to conform to the original and surrounding area. Drainage systems, if any, will be reshaped to the original configuration with provisions made to alleviate erosion. These may need to be modified in certain circumstances to prevent inundation of the location's pad and surface facilities. After the area has been shaped and contoured, topsoil from the spoil pile will be placed over the disturbed area to the extent possible. Revegetation procedures will comply with BLM standards.

If the well is a dry hole, the pad and road area will be contoured to match the existing terrain. Topsoil will be spread to the extent possible. Revegetation will comply with BLM standards.

Should the well be a producer, the previously noted procedures will apply to those areas which are not required for production facilities.

SURFACE USE PLAN

CHENEY ENERGY PARTNERS, LLC.
CHENEY ENERGY "25" FEDERAL # 1
UNIT "M" SECTION 25
T25S-R29E EDDY CO. NM

11. OTHER INFORMATION:

- A. Topography consists of low relief sand dunes with a slight dip in a westerly direction. Soils consist of tan to brown sand with local gravel occurring in the low relief daainage patterns flowing west toward the Pecos River.
- B. The surface and minerals are owned by The U.S. Department of Interior and is administered by The Bureau of Land Management. The surface is used to graze livestock and for the production of oil and gas.
- C. An archaeological survey will be conducted on the roads and the location and the results will be filed in The Carlsbad Field Office.
- D. There are no dwellings within 2 miles of location.

12. OPERATOR'S REPRESENTATIVES:

BEFORE CONSTRUCTION:

TIERRA EXPLORATION, INC
P.O. BOX 2188
HOBBS, NEW MEXICO 88241
OFFICE PHONE 505-391-8503
CELL PHONE 505-390-1598

DURING AND AFTER CONSTRUCTION:

CHENEY ENERGY PARTNERS, LLC.
14511 FALLING CREEK
SUITE 300
HOUSTON, TEXAS 77014
MITCH CHENEY Ph. 281-893-5100
Cell 281-787-2327

13. CERTIFICATION: I hereby certify that I or persons under my 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 knlwledge, are true and correct, and that the work associated with the operations proposed herein will be performed by CHENEY ENERGY PARTNERS, LLC. contractors/subcontractors is in the conformity with this plan and the terms and the conditions under which it is approved. This statement is subject to the provision of U.S.C. 1001 for the filing of a false statement.

NAME : Joe T. Janica

DATE : 03/17/07

TITLE : Agent

CONDITIONS OF APPROVAL - DRILLING

Operator's Name: Cheney Energy Partners, LLC
Well Name & No. Cheney Energy 25 Federal # 1
Location: 467'FSL, 810'FWL, SEC25, T25S, R29E, Eddy County, NM
Lease: NM-98821

I. DRILLING OPERATIONS REQUIREMENTS:

A. The Bureau of Land Management (BLM) is to be notified a minimum of 4 hours in advance, at the Carlsbad Field Office, 620 East Greene St., Carlsbad, NM 88220, (505) 361-2822 - for wells in Eddy County; and the Hobbs Field Station, 414 West Taylor, Hobbs NM 88240, (505) 393-3612 for wells in Lea County, in sufficient time for a representative to witness:

1. Spudding
2. Cementing casing: 20 inch 8.625 inch 5.5 inch
3. BOP tests

B. A Hydrogen Sulfide (H₂S) Drilling Plan is N/A.

C. Unless the production casing has been run and cemented or the well has been properly plugged, the drilling rig shall not be removed from over the hole without prior approval.

D. Gamma-Ray/Neutron logs shall be run from the base of the Salado Formation to the surface; cable speed not to exceed 30 feet per minute.

E. If floor controls are required, (3M or Greater) controls will be on the rig floor, unobstructed, readily accessible to the driller and will be operational at all times during drilling and/or completion activities. Rig floor is defined as the area immediately around the rotary table; the area immediately above the substructure on which the draw works are located, this does not include the dog house or stairway area.

II. CASING:

A. The 8.625 inch surface casing shall be set at 600 feet and cement circulated to the surface.

1. If cement does not circulate to the surface the appropriate BLM office shall be notified and a temperature survey utilizing an electronic type temperature survey with a surface log readout will be used or a cement bond log shall be run to verify the top of the cement.
2. Wait on Cement (WOC) time for a primary cement job will be a minimum of 12 hours for a non-water basin, 18 hours for a water basin, 24 hours in the potash area, or 500 pounds compression strength, which ever is greater. (This is to include the lead cement)
3. WOC time for a remedial job will be a minimum of 4 hours after bringing cement to surface or 500 pounds of compression strength, which ever is greater.
4. If cement falls back, Remedial cementing shall be completed prior to drilling out that string.

B. The minimum required fill of cement behind the 5.5 inch production casing is cement shall circulate to the surface.

D. If hard band drill pipe is rotated inside casing, returns will be monitored for metal. If metal is found in samples, drill pipe will be pulled and rubber protectors which have a larger diameter than the tool joints of the drill pipe will be installed prior to continuing drilling operations.

III. PRESSURE CONTROL:

- A. All blowout preventer (BOP) and related equipment (BOPE) shall comply with well control requirements as described in Onshore Oil and Gas Order No. 2.
- B. Minimum working pressure of the blowout preventer and related equipment (BOPE) required for drilling below the 8.625 inch casing shall be 2000 psi.
- C. The appropriate BLM office shall be notified a minimum of 4 hours in advance for a representative to witness the tests.
 1. The tests shall be done by an independent service company.
 2. The results of the test shall be reported to the appropriate BLM office.
 3. All tests are required to be recorded on a calibrated test chart. A copy of the BOP/BOPE test chart and a copy of the independent service company test will be submitted to the appropriate BLM office.
 4. The BOP/BOPE test shall include a low pressure test from 250 to 300 psi in accordance with API RP 53. The test will be held for a minimum of 10 minutes if the test is done with a test plug and 30 minutes without a test plug.
 5. A variance to test the _____ to the reduced pressure of ____psi with the rig pumps is approved the BOP/BOPE must be tested by an independent service company.

IV. Hazards:

1. Our geologist has indicated that there is high potential for Cave / Karst features.
2. Our geologist has indicated that there is potential for flows in the Salado and Delaware groups as well as in the Bone Spring formation.
3. Our geologist has indicated that there is potential for lost circulation in the Delaware group and the Bone Spring formation.

V. Mud:

1. Fresh Water based mud will be used to drill to 1100 feet.

Engineering may be contacted at 505-706-2779 for variances if necessary.

FWright 3/21/07