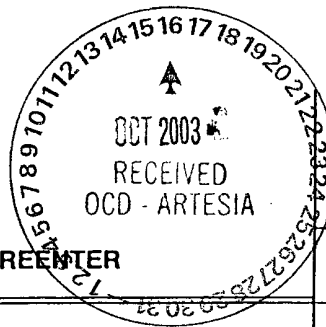


OCD-ARTESIA

Form 3160-3
(August 1999)UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

APPLICATION FOR PERMIT TO DRILL OR REENTER

FORM APPROVED
OMB No. 1004-0136
Expires November 30, 2000

5. Lease Serial No. LC-029431
6. If Indian, Allottee or Tribe Name
7. If Unit or CA Agreement, Name and No. NORTH SQUARE LAKE UNIT
8. Lease Name and Well No. NORTH SQUARE LAKE UNIT 198
9. API Well No. 30-015-33047
10. Field and Pool, or Exploratory SQUARE LAKE GB-SA
11. Sec., T., R., M., or Blk. and Survey or Area Sec. 19 T16S R31E
12. County or Parish. EDDY
13. State NM
14. Distance in miles and direction from nearest town or post office* 7.3 miles NE of Loco Hills, New Mexico
15. Distance from proposed* location to nearest property or lease line, ft. (Also to nearest drig. unit line, if any) 170'
16. No. of Acres in lease 6125 ac in unit
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. 850' +
19. Proposed Depth 3500'
20. BLM/BIA Bond No. on file NMB 000024
21. Elevations (Show whether DF, KDB, RT, GL, etc.) 3858' GL
22. Approximate date work will start* November 1, 2003
23. Estimated duration Drill & Complete 30 days

24. Attachments

ROSWEEL CONTROLLED WATER BASIN

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. | 4. Bond to cover the operations unless covered by an existing bond on file (see Item 20 above). |
| 2. A Drilling Plan. | 5. Operator certification. |
| 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). | 6. Such other site specific information and/or plans as may be required by the authorized officer. |

25. Signature 	Name (Printed/Typed) M. A. SIRGO, III	Date 9-17-03
Title ENGINEER		
Approved by (Signature) /s/ Joe G. Lara	Name (Printed/Typed) /s/ Joe G. Lara	Date 14 OCT 2003
Title ACTING FIELD MANAGER	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)

APPROVAL SUBJECT TO
GENERAL REQUIREMENTS
AND SPECIAL STIPULATIONS
ATTACHED

PERTINENT INFORMATION
For
CBS OPERATING CORP.
No. 198 North Square Lake Unit
1050' FSL & 1450' FEL SEC. 19, T16S, R31E
Eddy County, New Mexico
Federal Lease No. LC-029431

NOTICE OF STAKING: Attached and filed on September 10, 2003

LOCATED: 7.3 air miles northeast of Loco Hills, New Mexico

FEDERAL LEASE NUMBER: LC-029431

DATE ISSUED: December 31, 1938

ACRES IN LEASE: 240 acres in Tract 8 of 6125 Unit acres

RECORD LESSEE: National Cooperative Refinery

BOND COVERAGE: Federal State Wide Blanket Bond
Federal Bond No. NMB 000024

AUTHORITY TO OPERATE: Transfer of Operating Rights to CBS Partners Ltd.

SURFACE OWNERSHIP: Federal

GRAZING PERMITTEE: Rev. E. B. Holeman
P. O. Box 84, Maljamar, NM 88264

POOL RULES: Square Lake Grayburg-San Andres

DIRECTIONS TO WELL: Go east out of Loco Hills, NM on Hwy 82 three miles, turn north on Eddy CR 220. Travel 6.75 miles north on CR 220 until Square Lake road, turn east into North Square Lake Unit. Travel 2 miles east on Square Lake road and turn north on main caliche lease road. Travel north approximately one mile and turn west on caliche lease road. Travel west approximately one-half mile and turn north. Travel ¼ mile north and turn west. Travel 940' west and turn north onto new 431' of new road to location.

LENGTH OF ROAD: 431'

CUT AND FILL FOR DRILLING PAD: 8' cut and 8' of fill

ESTIMATED GEOLOGIC TOPS:

Base of redbed	425'
Top of salt	540'
Base of salt	1500'
Top of San Andres	3175'

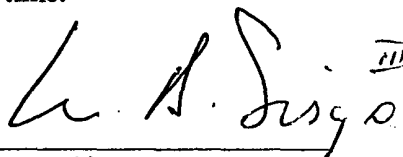
SUPPLEMENTAL DRILLING DATA: Please refer to the previously submitted Master Drilling Program for the North Square Lake Unit dated December 2002.

MULTI-POINT SURFACE USE AND OPERATIONS PLAN: Please refer to the previously submitted Master Multi-Point Surface Use Plan dated December 2002 and the subsequent EA generated by the Bureau of Land Management, Carlsbad, NM district office. (EA No.: NM-080-2003-0689)

ARCHAEOLOGICAL SURVEYS: Please refer to that 43.52 acre block survey conducted on September 13 and September 14, 2003 and reported on under NMCRIS No. 85063, (a copy of the first page of this report is attached).

EXHIBITS: A. Road and Contour Map
B. Lease and Well Map

OPERATOR AFFIRMATION: The Master Drilling Plan contains a Hydrogen Sulfide Drilling Operation Plan. CBS Operating Corp. currently feels that this plan is comprehensive with regard to H₂S safety and that expected H₂S levels in the field do not warrant an additional contingency plan at this time.


M. A. Sirgo, III

DISTRICT I

P.O. Box 1980, Hobbs, NM 88241-1980

State of New Mexico

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., Aztec, 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 57570	Pool Name SQUARE LAKE GRAYBURG SAN ANDRES
Property Code 030768	Property Name NORTH SQUARE LAKE UNIT	Well Number 198
OGRID No. 216852	Operator Name CBS OPERATING CORPORATION	Elevation 3858'

Surface Location

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
0	19	16-S	31-E		1050	SOUTH	1450	EAST	EDDY

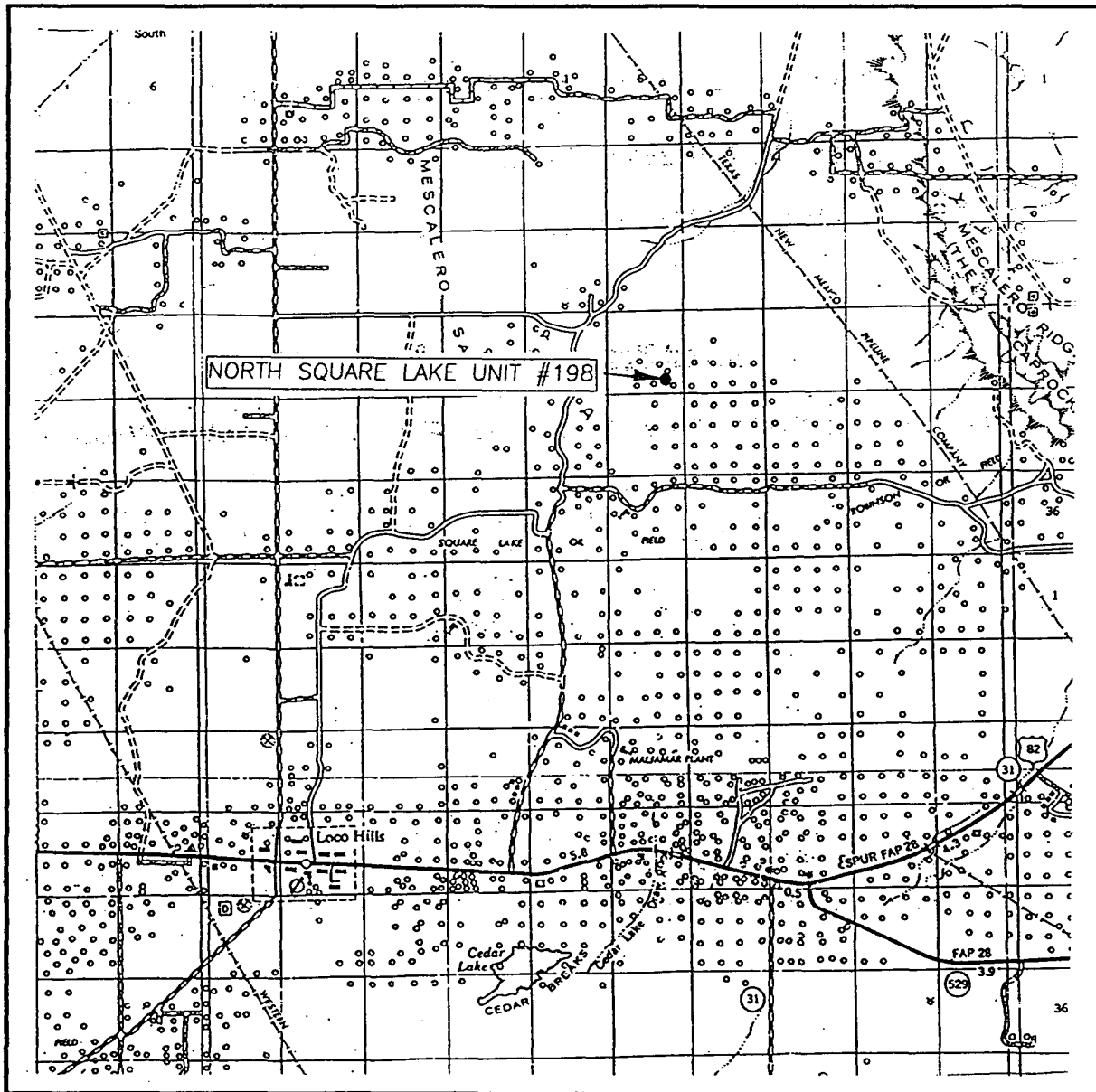
Bottom Hole Location If Different From Surface

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.						

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 = 692331.2 N X = 631538.3 E LAT. 32°54'09.23"N LONG. 103°54'17.13"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>M. A. Sirgo, III</i></p> <p>Signature</p> <p>M. A. Sirgo, III</p> <p>Printed Name</p> <p>Engineer</p> <p>Title</p> <p>September 24, 2003</p> <p>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>SEPTEMBER 22, 2003</p> <p>Date Surveyed</p> <p>Signature & Seal of Professional Surveyor</p> <p><i>GARY EIDSON</i> 9/23/03</p> <p>93.11.1017</p> <p>Certificate No. GARY EIDSON 12641</p>

VICINITY MAP



SCALE: 1" = 2 MILES

SEC. 19 TWP. 16-S RGE. 31-E

SURVEY N.M.P.M.

COUNTY EDDY

DESCRIPTION 1050' FSL & 1450' FEL

ELEVATION 3858'

OPERATOR CBS OPERATING CORPORATION

LEASE NORTH SQUARE LAKE UNIT

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

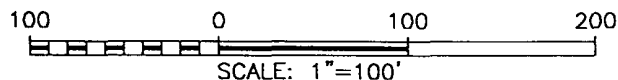
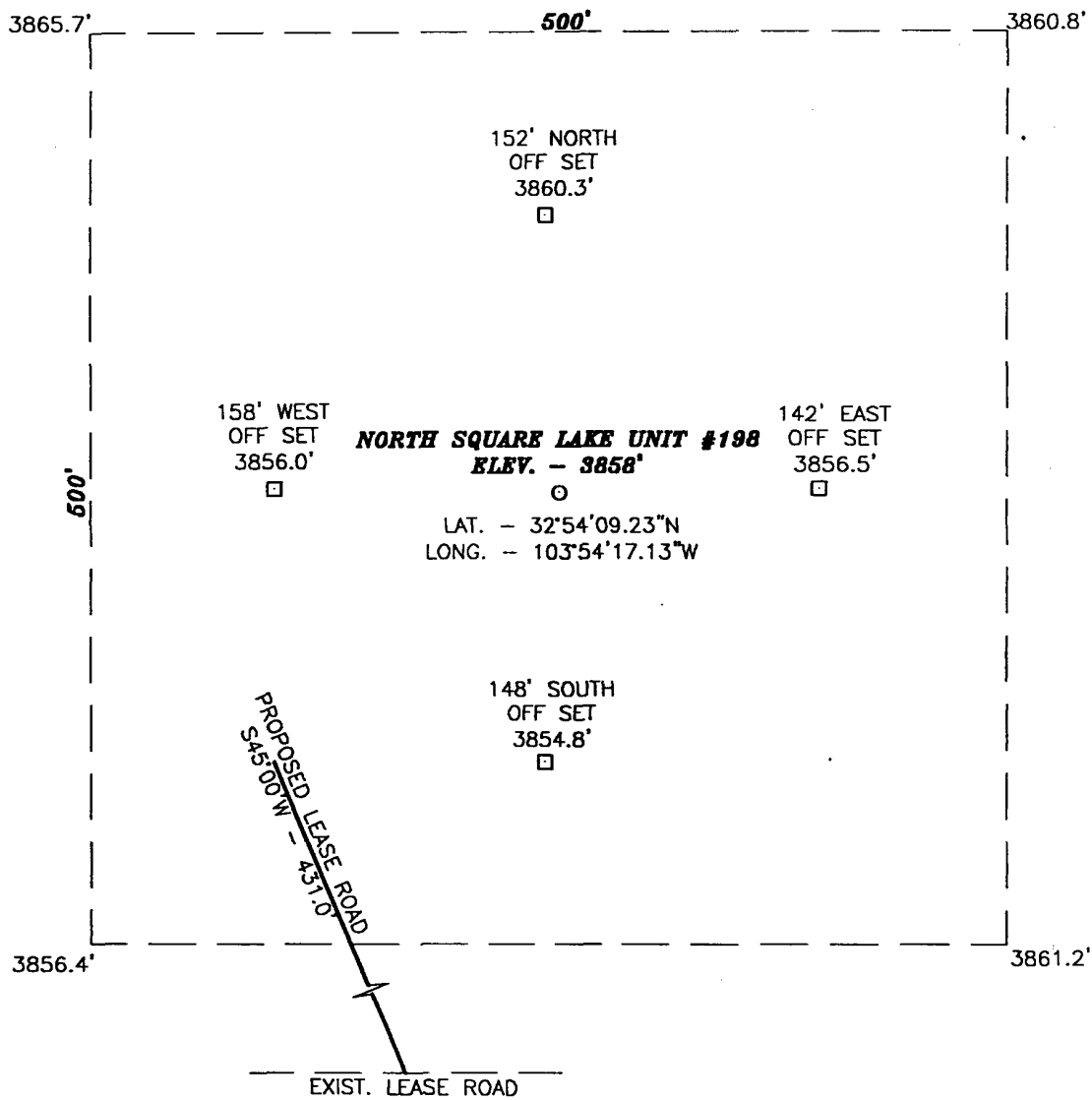
CONTOUR INTERVAL: 10'
HENSHAW TANK, N.M.

ELEVATION 3858'

U.S.G.S. TOPOGRAPHIC MAP
HENSHAW TANK, N.M.

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

SECTION 19, TOWNSHIP 16 SOUTH, RANGE 31 EAST, N.M.P.M.,
EDDY COUNTY, NEW MEXICO.



DIRECTIONS TO LOCATION:

FROM THE INTERSECTION OF LOVINGTON HWY (U.S. HWY 82) AND SQUARE LAKE ROAD (CO. RD. #220). GO NORTH ON CO. RD. #220 4.2 MILES TO EAST SQUARE LAKE ROAD (CO. RD. #252), THEN GO 1.4 MILES EAST ON CO. RD. #252 TO A ROAD TO THE LEFT, THEN GO 1.2 MILES NORTH TO A PROPOSED STAKED ROAD, THEN 431.0 FEET NORTHWEST ALONG STAKED ROAD TO PROPOSED WELL LOCATION.

CBS OPERATING CORPORATION

THE NORTH SQUARE LAKE UNIT #198 LOCATED 1050 FROM THE SOUTH LINE AND 1450 FROM THE EAST LINE SECTION 19, TOWNSHIP 16 SOUTH, RANGE 31 EAST, N.M.P.M., EDDY COUNTY, NEW MEXICO.

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

Survey Date: 9/22/03	Sheet 1 of 1 Sheets
W.O. Number: 03.11.1017	Drawn By: L.A.
Date: 9/23/03	DISK:CD#2 03111017



NOTICE OF STAKING



NOTICE OF STAKING Not to be used in place of Application for Permit to Drill (Form 3160-3)		6. Lease Number LC-029431	
1. Oil Well <u>x</u> Gas Well _____ Other (Specify) _____		7. If Indian, Allottee or Tribe Name	
2. Name of Operator: CBS OPERATING CORP.		8. Unit Agreement Name NORTH SQUARE LAKE UNIT	
3. Name of Specific Contact Person: M. A. SIRGO, III ENGINEER		9. Farm or Lease Name NORTH SQUARE LAKE UNIT	
4. Address & Phone No. of Operator or Agent P. O. BOX 2236 MIDLAND TX 79702 432/685-0878		10. Well No. 198	
5. Surface Location of Well 1150' FSL & 1450' FEL		11. Field or Wildcat Name SQUARE LAKE GB-SA	
Attach: a) Sketch showing road entry onto pad, pad dimensions, and reserve pit. b) Topographical or other acceptable map showing location, access road, and lease boundaries.		12. Sec., T., R., M., or Blk and Survey or Area SECTION: 19 T16S R31E	
15. Formation Objective(s) GRAYBURG-SAN ANDRES	16. Estimated Well Depth 3400'	13. County, Parish, or Borough EDDY	14. State NM
17. Additional Information (as appropriate; shall include surface owner's name, address and, if known, telephone number)			

18. Signed

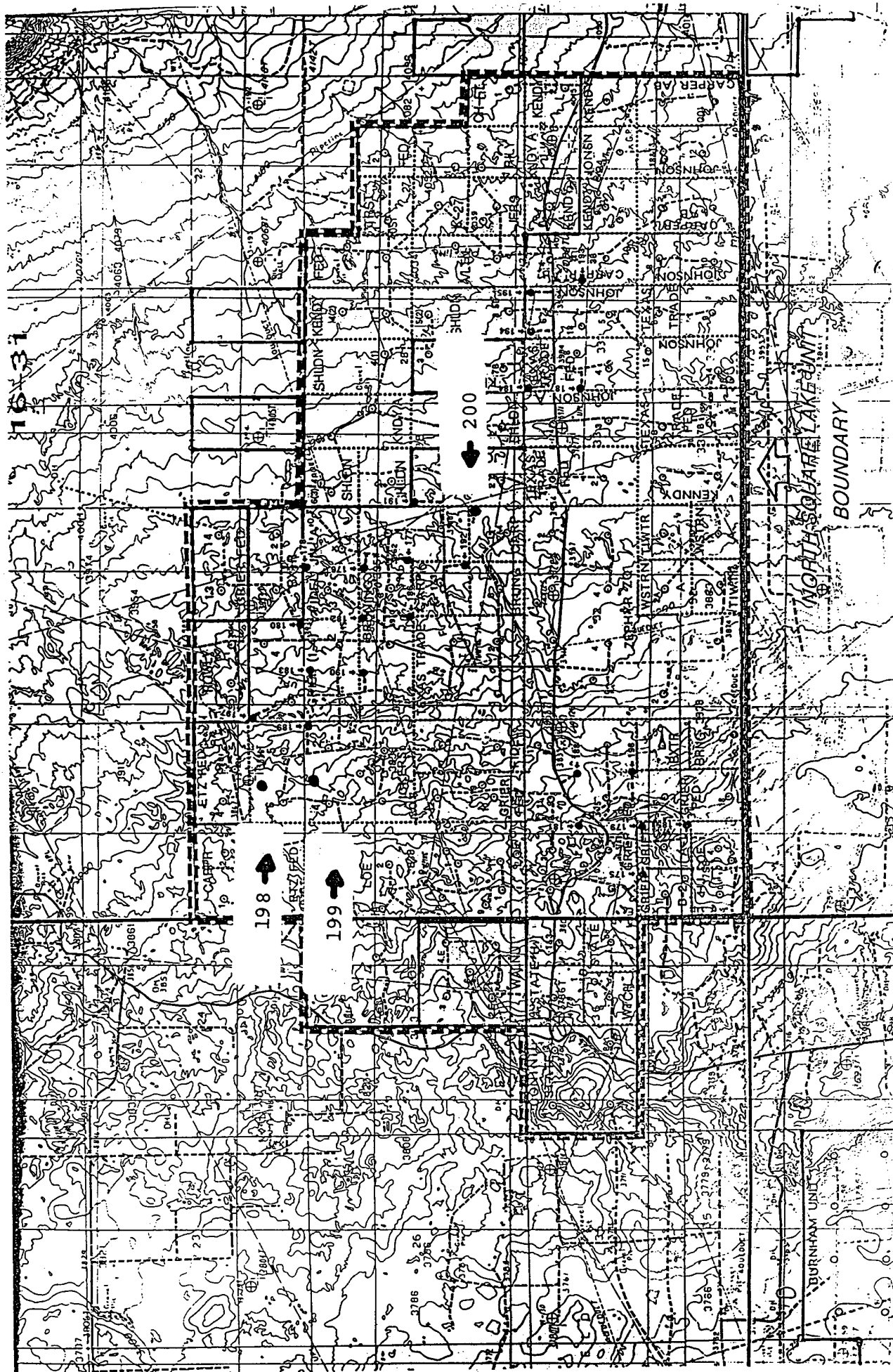
Title ENGINEER

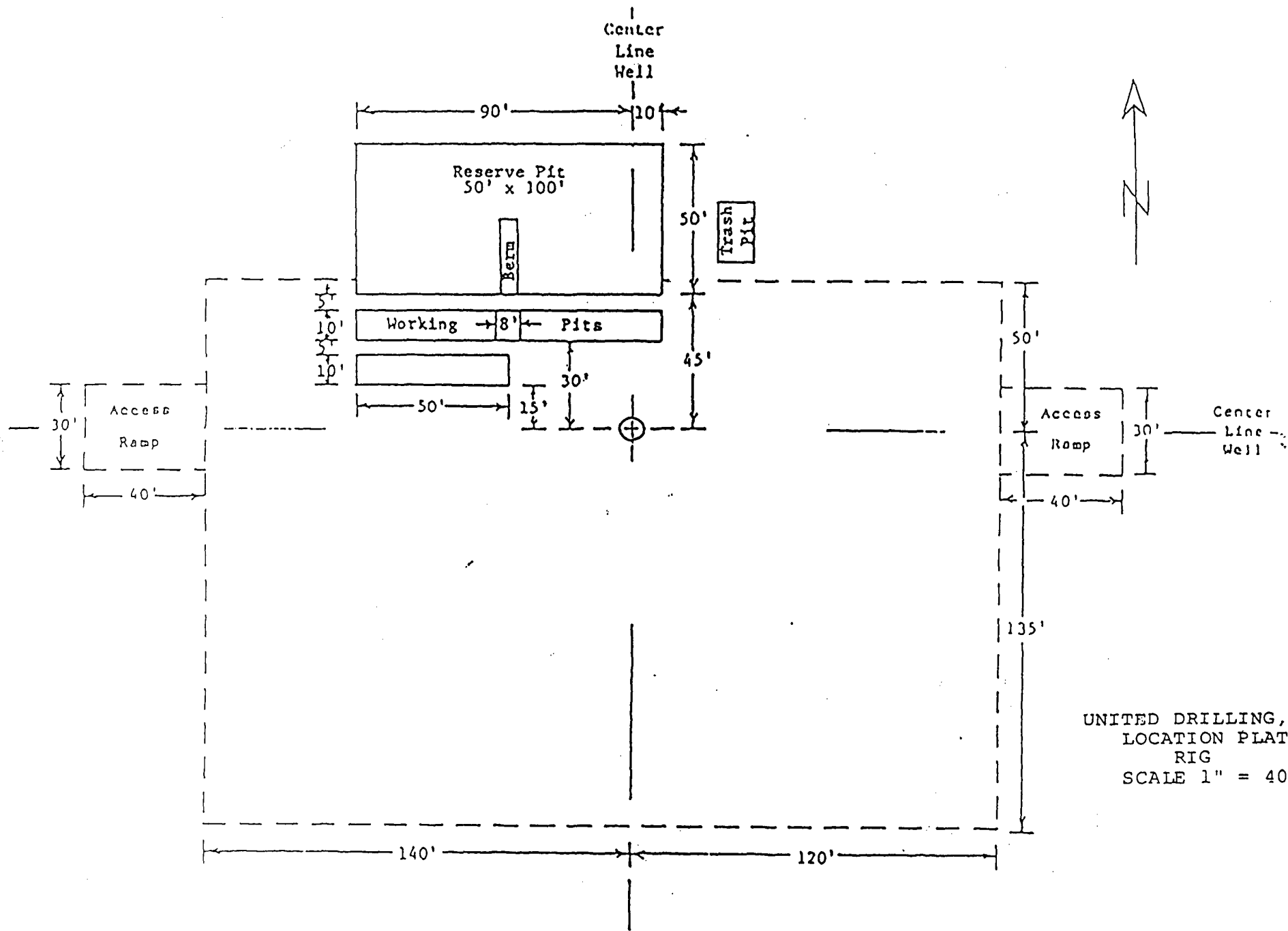
Date 9-10-03

Note: Upon receipt of this Notice, the Bureau of Land Management (BLM) will schedule the date of the onsite predrill inspection and notify you accordingly. The location must be staked and access road must be flagged prior to the onsite.

Operators must consider the following prior to the onsite:

- a) H₂S Potential
- b) Cultural Resources (Archeology)
- c) Federal Right of Way or Special Use Permit





1. (For BLM Use) BLM Report No.		2. (For BLM Use) Reviewer's Initials/Date _____ Accepted () Rejected ()		3. NMCRIS Number: 85063	
4. Type of Report: Negative () Positive (X)					
5. Title of Report: A Cultural Resource Survey for the CBS Operating Corp. Well 198 Author(s): Theresa Straight				6. Fieldwork Date(s): September 13 and 14, 2003 7. Report Date: September 15, 2003	
8. Consultant Name/Address: Mesa Field Services Direct Charge: Theresa Straight Field Personnel Names: Theresa Straight and Sean Simpson Address: P.O. Box 3072 Carlsbad, New Mexico 88221-3072 Phone (505) 628-8885				9. Cultural Resource Permit No.: 153-2920-03-M 10. Consultant Report No.: MFS-947	
11. Customer Name: CBS Operating Corp. Responsible Individual: Manny Sirgo Address: P.O. Box 2236 Midland, TX 79702 Phone: (432) 685-0878			12. Customer Project No.: N/A		
13. Land Status	BLM	State	Private	Other	Total
a. Area Surveyed (acres)	43.52				43.52
b. Area of Effect (acres)	N/A				N/A
14. Linear Length _____ Width _____					
15. Location (Map[s] Attached): a. State: New Mexico b. County: Eddy County c. BLM Office: Carlsbad d. Nearest City or Town: Loco Hills, NM e. Legal Description: T 16 S, R 31 E, Section 19: All SE¼ (irregular section, template anchored in the SW corner) f. Well Pad Footages: 1,450 ft FEL and 1,150 FSL g. USGS 7.5' Map Name(s), Date(s), and Code(s): Henshaw Tank, New Mexico Provisional Edition 1985 (32103-H8)					
16. Project Data: a. Records Search: Date(s) of BLM File Review: September 12, 2003 Name of Reviewer(s): Sean Simpson and Theresa Straight Date(s) of ARMS Data Review: September 12, 2003 Name of Reviewer(s): Sean Simpson and Theresa					