

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

AUG 17 2005

UNITED STATES  
DEPARTMENT OF THE INTERIOR  
BUREAU OF LAND MANAGEMENT

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

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 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 26 Federal #1
3b. Phone No. (include area code) 432-682-0440		9. API Well No. 30-005-6380
4. Location of Well (Report location clearly and in accordance with any State requirements.) At surface 660' FSL & 1980' FWL At proposed prod. zone Same as Above		10. Field and Pool, or Exploratory Pecos Slope Abo
11. Sec., T. R. M. or Blk. and Survey or Area Sec 26, 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)	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. 1910'	19. Proposed Depth 5,500'	20. BLM/BIA Bond No. on file NM 2860
21. Elevations (Show whether DF, KDB, RT, GL, etc.) 3741'	22. Approximate date work will start* 08/30/2005	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:

- Well plat certified by a registered surveyor.
- A Drilling Plan.
- A Surface Use Plan (if the location is on National Forest System Lands, the SUPO shall be filed with the appropriate Forest Service Office).
- Bond to cover the operations unless covered by an existing bond on file (see Item 20 above).
- Operator certification
- Such other site specific information and/or plans as may be required by the authorized officer.

25. Signature Lindsay Truesdell	Name (Printed/Typed) Lindsay Truesdell	Date 07/27/2005
Title Consultant		

Approved by (Signature) /S/LARRY D. BRAY	Name (Printed/Typed) /S/LARRY D. BRAY	Date NOV 18 2005
Title ROSSELL 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)

NSL-

If earthen pits are used in association with the drilling of this well, an OCD pit permit must be obtained prior to pit construction.

APPROVAL SUBJECT TO  
GENERAL REQUIREMENTS AND  
SPECIAL STIPULATIONS ATTACHED

Drill only NSL required to produce well - OCD

## 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
	82730	Pecos Slope Abo
Property Code	Property Name	Well Number
	AZTEC 26 FEDERAL	1
OGRID No.	Operator Name	Elevation
194930	CABAL ENERGY CORPORATION	3741'

## Surface Location

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
N	26	10-S	25-E		660	SOUTH	1980	WEST	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	Joint or Infill	Consolidation Code	Order No.
160			

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

GEODETIC COORDINATES  
NAD 27 NMEY=877016.5 N  
X=487569.3 ELAT.=33°24'39.29" N  
LONG.=104°22'26.65" W

RECEIVED

AUG 17 2005

OOU-ARTESIA

RECEIVED

NOV 21 2005

OOU-ARTESIA

## OPERATOR CERTIFICATION

I hereby certify the the information  
contained herein is true and complete to the  
best of my knowledge and belief.

*Lindsay Tuesdell*  
Signature

Lindsay Tuesdell  
Printed Name

Consultant  
Title

July 27, 2005  
Date

## SURVEYOR CERTIFICATION

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.

JULY 1, 2005

Date Surveyed  
Signature & Seal of  
Professional Surveyor

DEL

NEW MEXICO  
GARY E. ELLISON  
05.11.1030

Certificate No. GARY ELLISON 12641

UNITED STATES  
DEPARTMENT OF THE INTERIOR  
BUREAU OF LAND MANAGEMENT

N.M. Oil Cons. Div-Dist. 2

1301 W. Grand Avenue

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

## 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 ☐ Other2. Name of Operator **Cabal Energy Corporation**3a. Address  
**415 West Wall Street, Suite 1700; Midland, Texas 79701**3b. Phone No. (include area code)  
**432-682-0440**

4. Location of Well (Footage, Sec., T., R., M., or Survey Description)

**660' FSL & 1980' FWL  
Sec 26, T-10S, R-25E**

5. Lease Serial No.

**NM 07306**

6. If Indian, Allottee or Tribe Name

**N/A**

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

**N/A**

8. Well Name and No.

**Aztec 26 Federal #1**

9. API Well No.

10. Field and Pool, or Exploratory Area  
**Pecos Slope Abo**

11. County or Parish, State

**Chaves Co., NM**

## 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
	<input checked="" type="checkbox"/> Change Plans	<input type="checkbox"/> Plug and Abandon	<input type="checkbox"/> Temporarily Abandon	
	<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.)

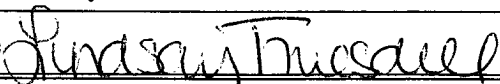
**Cabal Energy Corporation is requesting to move the location 300' to the east. The new location will be located 600' FSL & 2280' FWL as per the attached C-102.**

**NSL-**

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

**Lindsay Truesdell**Title **Consultant**

Signature



Date

**10/07/2005****THIS SPACE FOR FEDERAL OR STATE OFFICE USE**

Approved by

**/S/LARRY D. BRAY**

Title

Date

**NOV 18 2005**

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

**ROSWELL 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 page 2)

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State of New Mexico  
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Form C-102  
Revised JUNE 10, 2003  
Submit to Appropriate District Office  
State Lease - 4 Copies  
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WELL LOCATION AND ACREAGE DEDICATION PLAT

☐ AMENDED REPORT

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194930	CABAL ENERGY CORPORATION	3751'

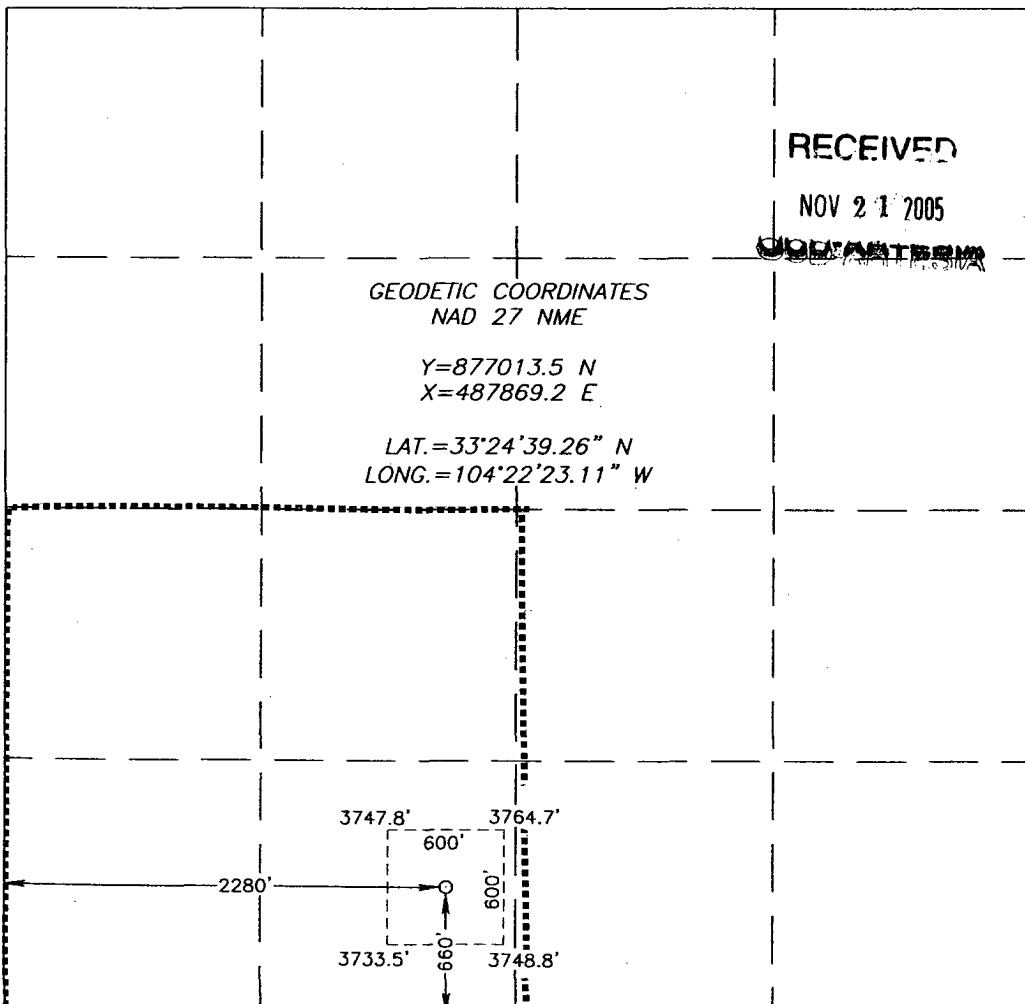
Surface Location

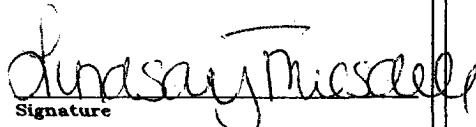
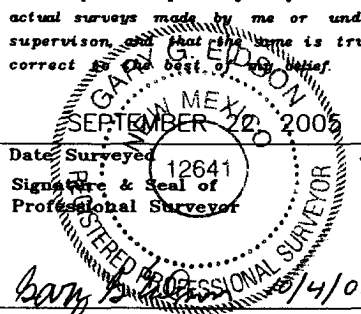
UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
N	26	10-S	25-E		660	SOUTH	2280	WEST	CHAVES

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	Joint or Infill	Consolidation Code	Order No.						
40/160									

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>RECEIVED NOV 21 2005 CONSULTANT</p>
	<p>GEODETIC COORDINATES NAD 27 NME  Y=877013.5 N X=487869.2 E  LAT.=33°24'39.26" N LONG.=104°22'23.11" W</p>

OPERATOR CERTIFICATION	
I hereby certify the the information contained herein is true and complete to the best of my knowledge and belief.	
	
Signature	
Printed Name	Lindsay Truesdell
Title	Consultant
Date	October 7, 2005
SURVEYOR CERTIFICATION	
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.	
	
Date Surveyed	12641 JR
Signature & Seal of Professional Surveyor	
05.11.1461	
Certificate No.	GARY EIDSON 12641

**AUG 18 2005**

**MULTI POINT SURFACE USE AND OPERATIONS PLAN FOR**

**Cabal Energy Corporation  
Aztec 26 Federal #1**

**Surface Location: 660' FSL & 1980' FWL  
Section 26, T-10-S, R-25-E  
Chaves County, New Mexico  
Lease No.: NM 07306**

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.
- B. Directions: From Mile Post 164 on Hwy. #380 (Arlene Road). Go West on Hwy #380 approximately 0.6 miles. Turn Right (North) at tower and go through cattle guard. Follow bend Left (West) and go approximately 300'. Follow bend Right (North) and go approximately 0.8 miles. Turn Right (Northeast) and follow P/L road approximately 0.1 miles. This location is approximately 100' South of road.

**2. PLANNED ACCESS ROAD:**

- A. Length and Width: Exhibit "C" is the proposed access road.
- B. Construction: None necessary.
- C. Turnouts: None required.
- D. Culverts: None necessary.
- E. Cuts and Fills: None necessary.
- F. Gates and Cattle Guards: 1 Cattle Guard
- 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.
- G. All trash and debris will be removed from the well site within 30 days after finishing drilling and/or completion operations.

**8. ANCILLARY FACILITIES:**

None required.

**9. WELL SITE LAYOUT:**

A. Exhibit "D" shows the relative location and dimensions of the well pad, reserve pits, and major rig components. The pad and pit area has been staked and flagged 500' x 500'.

B. Mat Size: 225' x 300', plus 150' x 150' reserve pit on the southeast.

C. Cut & Fill: None necessary

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

**10. PLANS FOR RESTORATION OF THE SURFACE:**

A. After completion of drilling and/or completion operations, all equipment and other material not needed for operations will be removed. The well site will be cleaned of trash leaving the site aesthetically pleasing to the extent possible.

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:**

A. Surface Ownership - Bureau of Land Management

B. Boone Archeological Services, 2030 North Canal Street; Carlsbad, NM 88220, conducted an archaeological survey. No significant archaeological resources were found in the area of the planned access road or of the proposed well site.

C. Oil & Gas Lease:  
NM 07306

Township 10 South, Range 25 East  
SW/4 of Section 26



**D. RECORD LESSEE:**

Pure Energy Group	50%
Chisos	50%

**E. BOND COVERAGE:**

\$25,000 Statewide Oil & Gas Surety Bond  
BLM Bond #: NM 2860

**12. OPERATOR'S REPRESENTATIVE:**

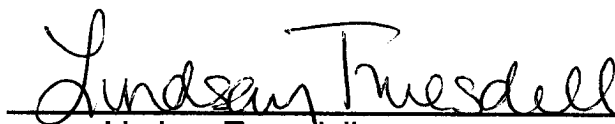
The field representative for assuring compliance with the approved use and operations plan is as follows:

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)

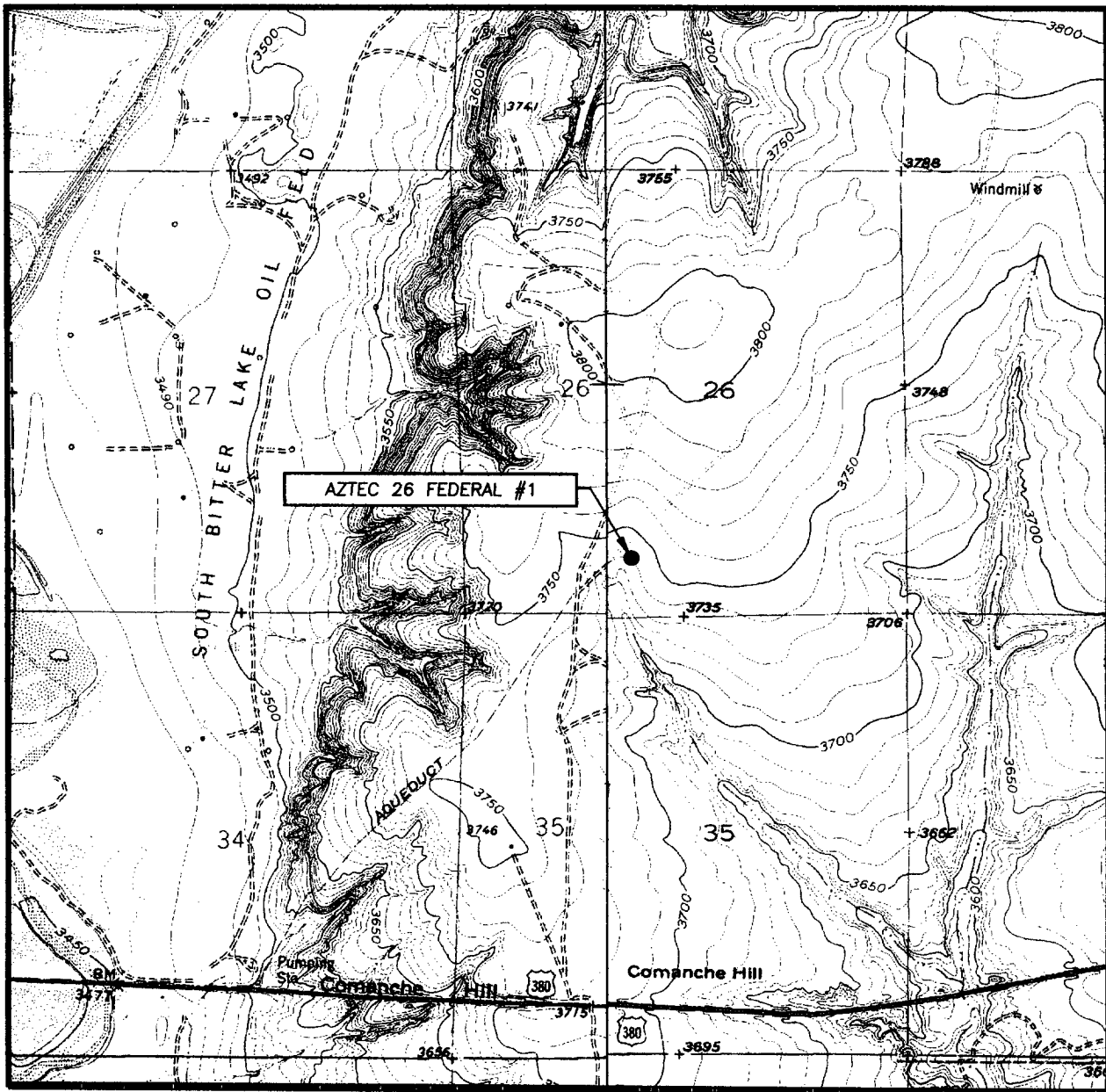
**13. CERTIFICATION:**

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.

July 11, 2005

  
Lindsay Truesdell  
Consultant

# LOCATION VERIFICATION MAP



SCALE: 1" = 2000'

SEC. 26 TWP. 10-S RGE. 25-E

SURVEY N.M.P.M.

COUNTY CHAVES

DESCRIPTION 660' FSL & 1980' FWL

ELEVATION 3741'

OPERATOR CABAL ENERGY CORPORATION

LEASE AZTEC 26 FEDERAL

U.S.G.S. TOPOGRAPHIC MAP  
COMANCHE SPRING & BITTER LAKE, N.M.

CONTOUR INTERVAL:  
COMANCHE SPRING, N.M. - 10'  
BITTER LAKE, N.M. - 10'  
SUPPLEMENTAL - 5'

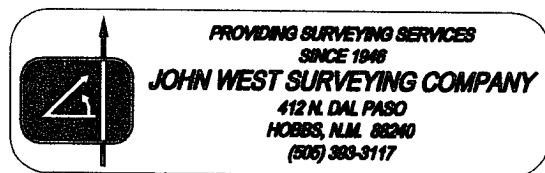
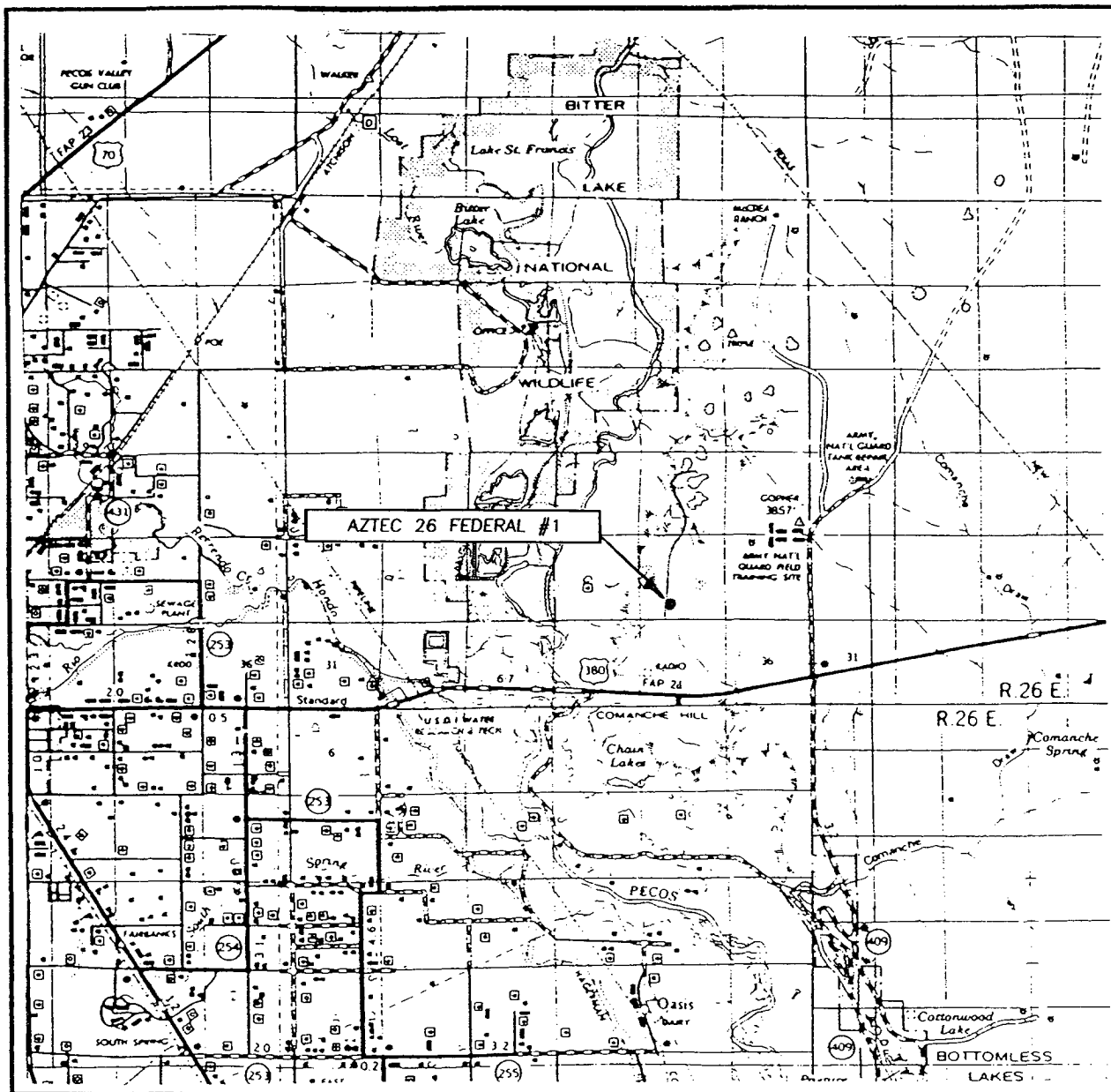


Exhibit "A"

NOTES



SEC. 26 TWP. 10-S RGE. 25-E  
SURVEY \_\_\_\_\_ N.M.P.M. \_\_\_\_\_  
COUNTY \_\_\_\_\_ CHAVES \_\_\_\_\_  
DESCRIPTION 660' FSL & 1980' FWL  
ELEVATION \_\_\_\_\_ 3741' \_\_\_\_\_  
CABAL  
OPERATOR \_\_\_\_\_ ENERGY CORPORATION \_\_\_\_\_  
LEASE \_\_\_\_\_ AZTEC 26 FEDERAL \_\_\_\_\_

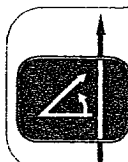
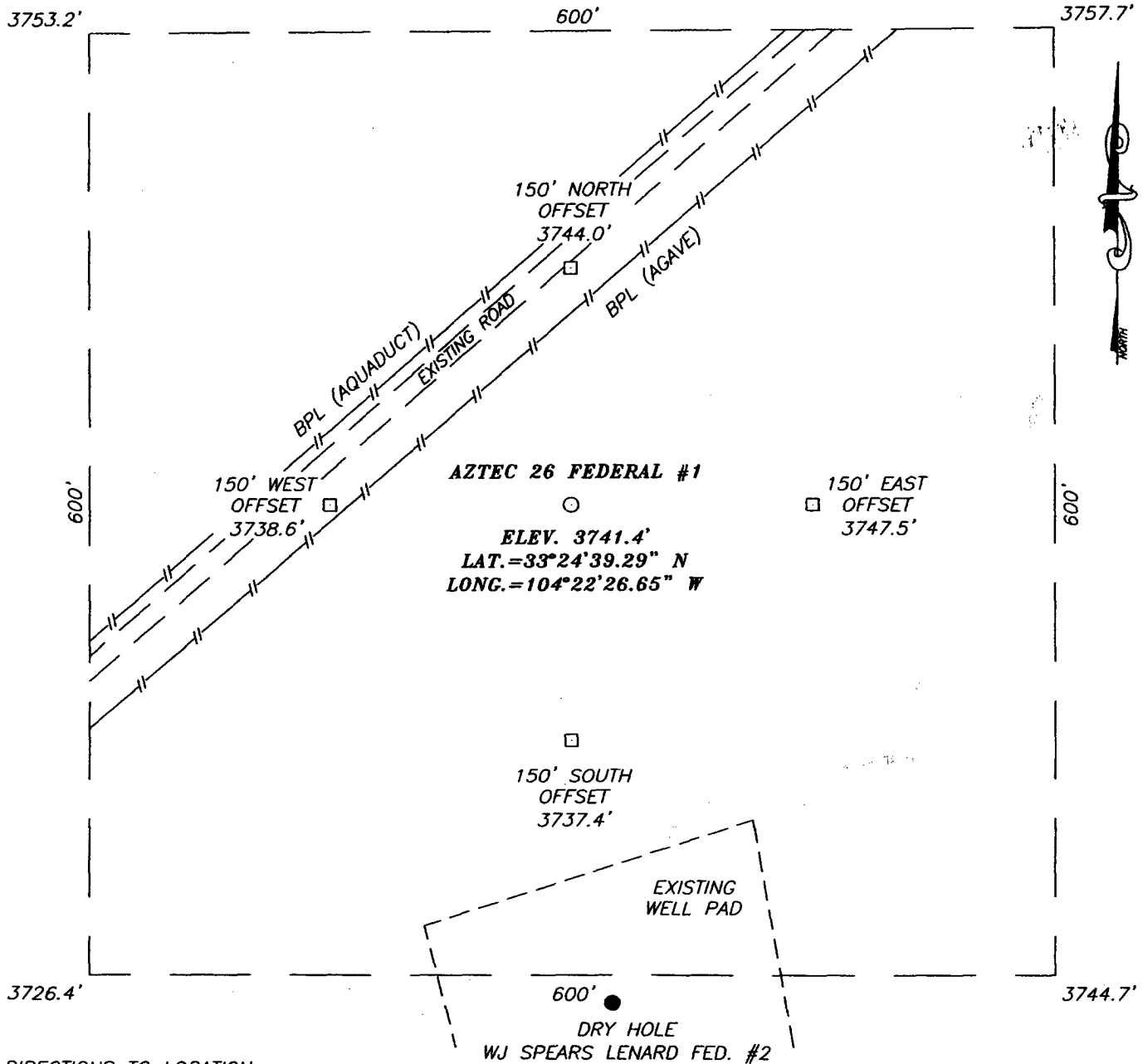


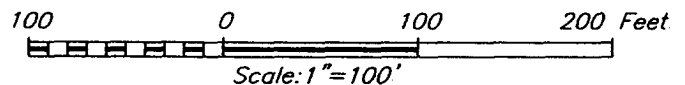
Exhibit "B"

**SECTION 26, TOWNSHIP 10 SOUTH, RANGE 25 EAST, N.M.P.M.,**  
 CHAVES COUNTY, NEW MEXICO



**DIRECTIONS TO LOCATION**

FROM MILE POST 164 ON HWY. #380 (ARLENE RD.). GO WEST ON HWY. #380 APPROX. 0.6 MILES. TURN RIGHT (NORTH) AT TOWER AND GO THROUGH CATTLE GUARD. FOLLOW BEND LEFT (WEST) AND GO APPROX. 300'. FOLLOW BEND RIGHT (NORTH) AND GO APPROX. 0.8 MILES. TURN RIGHT (NE) AND FOLLOW P/L ROAD APPROX. 0.1 MILES. THIS LOCATION IS APPROX. 100' SOUTH OF ROAD.



**CABAL ENERGY CORPORATION**

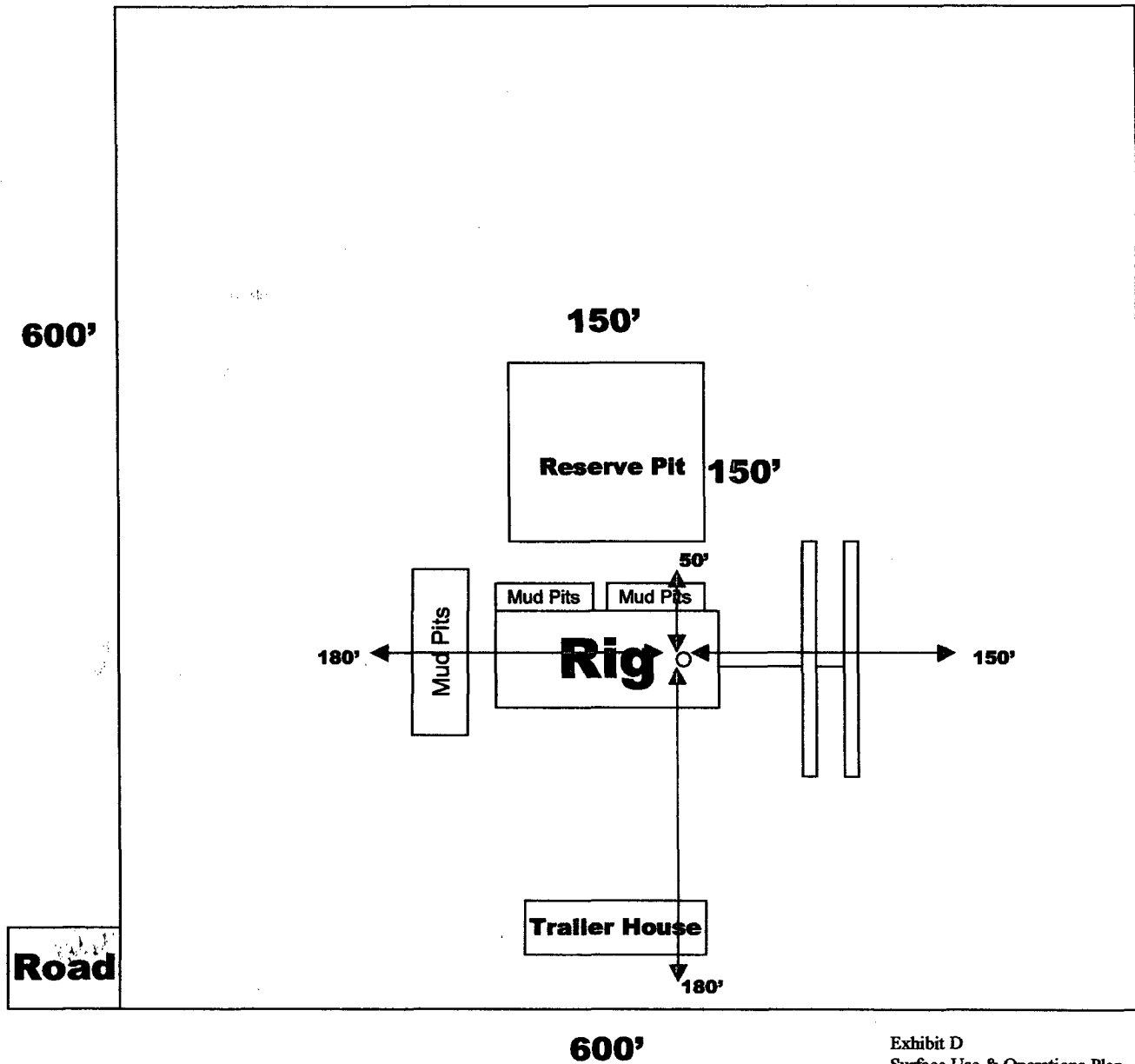
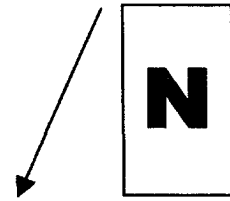
AZTEC 26 FEDERAL #1 WELL  
 LOCATED 660 FEET FROM THE SOUTH LINE  
 AND 1980 FEET FROM THE WEST LINE OF SECTION 26,  
 TOWNSHIP 10 SOUTH, RANGE 25 EAST, N.M.P.M.,  
 CHAVES COUNTY, NEW MEXICO.

Survey Date: 07/01/05	Sheet 1 of 1 Sheets
W.O. Number: 05.11.1030	Dr By: DEL
Date: 07/06/05	Rev 1:N/A
Disk: CD#4	05111030
Scale: 1"=100'	

PROVIDING SURVEYING SERVICES  
 SINCE 1948  
**JOHN WEST SURVEYING COMPANY**  
 412 N. DAL PASO  
 HOBBS, N.M. 88240  
 (505) 383-3117

Scale 1" = 100'

**DRILLING RIG LAYOUT**  
**Cabal Energy Corporation**  
**Aztec 26 Federal #1**



**DRILLING PROGRAM**

**CABAL ENERGY CORPORATION**

**Aztec 26 Federal #1**

**Section 26, 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 (TVD):**

San Andres	726'
San Andres Porosity	1,267'
Glorietta	2,358'
Glorietta Sand	2,528'
Yeso	2,714'
Abo Clastic	4,107'
Zu Upper Abo Sd	4,236'
Zu Massive Abo Sd	4,364'
Lower Abo Sd #2	4,464'
Lower Abo Sd #1	4,514'
Total Depth	5,500'

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

Fresh Water	Above 200'
Oil and Gas	Abo

3. Pressure control equipment: The blowout preventer stack for the production (7-7/8") hole as shown on Exhibit #2 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>
12-1/4"	0 - 850'	8-5/8"	24#	K-55, ST&C
7-7/8"	0 - 5,500'	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**

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 Gilsonite

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' – 5,500'	brine water	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 AND TEMPERATURES:

None anticipated. Maximum bottom hole pressure should not exceed 5,200 psi. Although we do not anticipate encountering H<sub>2</sub>S in amounts significant enough to require an H<sub>2</sub>S contingency plan in accordance with Rule 118 of the OCD, we have prepared an H<sub>2</sub>S drilling plan.

ANTICIPATED STARTING DATE AND DURATION OF OPERATIONS:

It is planned that operations will commence on August 15, 2005. Drilling should be completed within 20 days followed by completion operations.

# **HYDROGEN SULFIDE DRILLING OPERATIONS PLAN**

## **Cabal Energy Corporation** **Aztec 26 Federal #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 (H<sub>2</sub>S).
  - 2.** The proper use and maintenance of personal protective equipment and life support systems.
  - 3.** The proper use of H<sub>2</sub>S 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 H<sub>2</sub>S 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 H<sub>2</sub>S Drilling Operations Plan.
- C.** There will be an initial training session just prior to encountering a known or probable H<sub>2</sub>S zone (within 3 days or 500 feet) and weekly H<sub>2</sub>S and well control drills for all personnel in each crew. The initial training session shall include a review of the site specific H<sub>2</sub>S 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. H<sub>2</sub>S SAFETY EQUIPMENT AND SYSTEMS**

**Note:** All H<sub>2</sub>S 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 H<sub>2</sub>S.

### **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 doghouse and at briefing areas, as indicated on well site diagram.

### **C. H<sub>2</sub>S Detection and Monitoring Equipment:**

- 1. Two portable H<sub>2</sub>S monitors positioned on location for best coverage and response. These units have warning lights and audible sirens when H<sub>2</sub>S levels of 20 ppm are reached.**
- 2. One portable SO<sub>2</sub> 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 H<sub>2</sub>S circulated to the surface. Proper mud weights, safe drilling practices and the use of H<sub>2</sub>S scavengers will minimize hazards when penetrating H<sub>2</sub>S 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 H<sub>2</sub>S service.

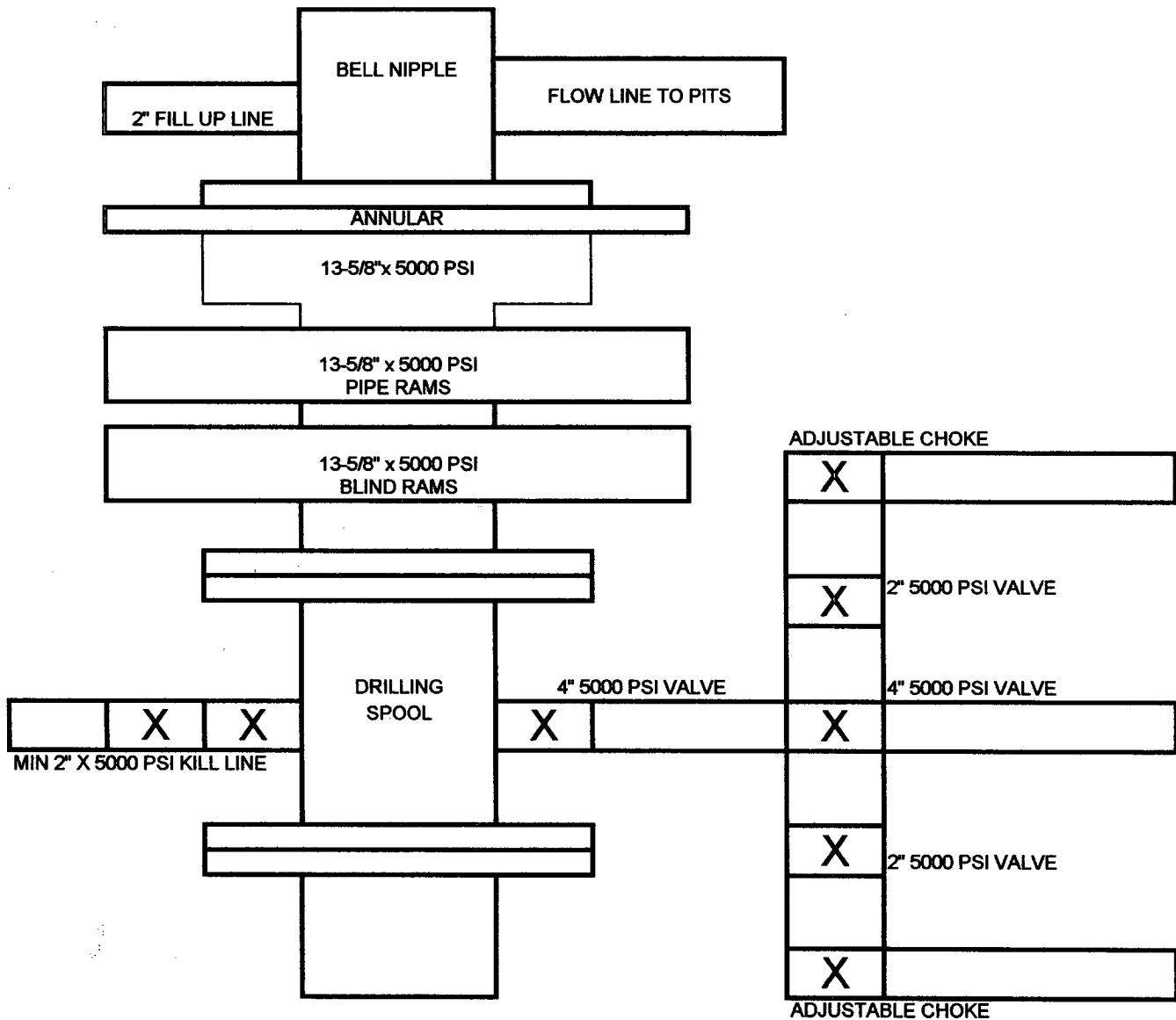
G. Communication:

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 H<sub>2</sub>S environment will be conducted during the daylight hours.

BOP SCHEMATIC FOR  
7-7/8" HOLE



Cabal Energy Corporation  
Aztec 26 Federal #1  
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 West Wall Street, 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 07306

Legal Description of Land:

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

SW/4 of Section 26

Bond Coverage:

Statewide Oil and Gas Surety Bond, Edge Petroleum Operating Company, Inc.

BLM Bond File No.: NM 2860



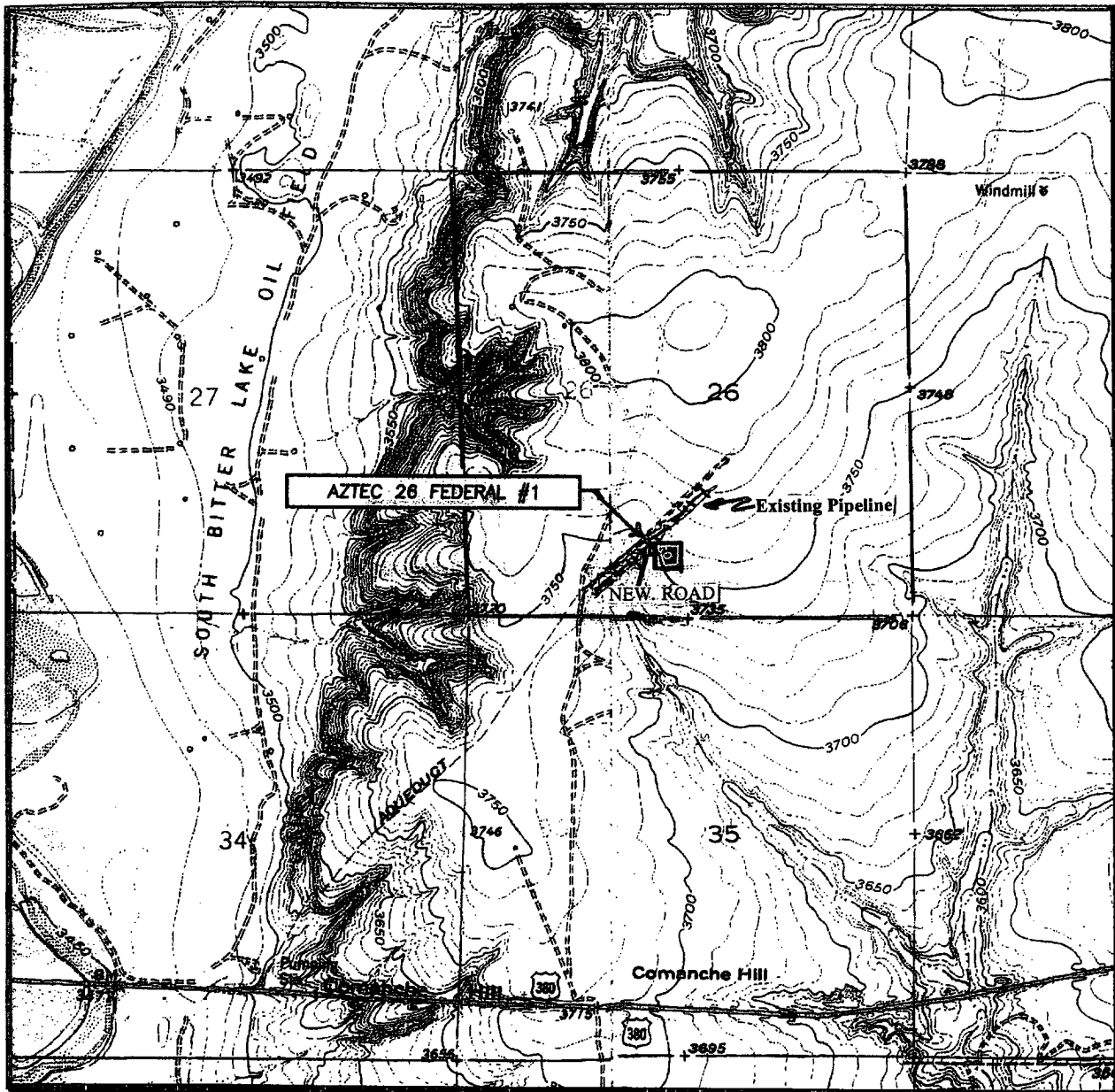
Lindsay Truesdell

Agent

July 26, 2005

# EXHIBIT A

OPERATORS NAME: Cabal Energy Corporation LEASE NO.: NM-07306  
WELL NAME & NO: Aztec 26 Federal #1  
QUARTER/QUARTER & FOOTAGE: SE 1/4 SW 1/4 - 660' FSL & 2280' FWL  
LOCATION: Section 26, T. 10 S., R. 25 E., NMPM  
COUNTY: Chaves County, New Mexico



## WELL DRILLING REQUIREMENTS

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4. The reserve pit shall be fenced on three (3) sides during drilling operations. The fourth side shall be fenced immediately upon rig release.
5. The reserve pit shall be constructed so as not to leak, break, or allow discharge of drilling muds. Under no circumstances will the reserve pit be cut to drain drilling muds on the well location.
6. The reserve pit shall not be located in any natural drainage.
7. The reserve pit shall be equipped to deter entry by birds, bats, other wildlife, and livestock, if the reserve pit contains any oil and/or toxic fluids.
8. Drilling muds shall be properly disposed of before the reserve pit is reclaimed. Drilling muds can be allowed to evaporate in the reserve pit or be removed and transported to an authorized disposal site. The reserve pit shall be backfilled when dry.
9. Dumping of junk or trash into the reserve pit is not allowed. Junk or trash shall be removed from within the reserve pit before the reserve pit is reclaimed. **Junk or trash shall not be buried in the reserve pit.**

### E. Federal Mineral Materials Pit Requirements:

1. Caliche, gravel, or other related materials from new or existing pits on Federal mineral estate shall not be taken without prior approval from the authorized officer. Contact Jerry Dutchover at (505) 627 -0236.
2. Payment for any Federal mineral materials that will be used to surface the access road and the well pad is required prior to removal of the mineral materials.
3. Mineral Materials extracted during construction of the reserve pit may be used for development of the pad and access road as needed, for the Aztec 26 Federal #1 gas well only. Removal of any additional material on location must be purchased from BLM prior to removal of any material.
  - a. An optional mineral material pit may be constructed within the archaeologically cleared area. The mineral material removed in the process can be used for pad and access road construction. However, a mineral material sales contract must be purchased from the BLM prior to removal of any material.

### F. Well Pad Surfacing Requirement:

The well pad shall be surfaced with 6 inches of compacted caliche, gravel, or other approved surfacing material. The well pad shall be surfaced prior to drilling operations. See Permanent Resource Road Requirements - EXHIBIT D - requirement #4, for road surfacing.

### G. Cave Requirements:

1. If, during any construction activities any sinkholes or cave openings are discovered, all construction activities shall immediately cease. Contact Larry Bray at (505) 627-0250.
2. The BLM Authorized Officer will, within 24 hours of notification in "A" above, conduct an on-the-ground field inspection for karst. At the field inspection the authorized field inspector will authorize or suggest mitigating measures to lessen the damage to the karst environment. A verbal order to proceed or stop the operation will be issued at that time.

**III. DRILLING OPERATION REQUIREMENTS:**

**A. GENERAL DRILLING REQUIREMENTS:**

1. The Bureau of Land Management (BLM) is to be notified at the Roswell Field Office, 2909 West Second St., Roswell NM 88201, (505) 627-0272 in sufficient time for a representative to witness:

A. Spudding B. Cementing casing: 8 $\frac{5}{8}$  inch 5 $\frac{1}{2}$  inch C. BOP tests

2. 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.

3. Submit a Sundry Notice (Form 3160-5, one original and five copies) for each casing string, describing the casing and cementing operations. Include pertinent information such as; spud date, hole size, casing (size, weight, grade and thread type), cement (type, quantity and top), water zones and problems or hazards encountered. The Sundry shall be submitted within 15 days of completion of each casing string. The reports may be combined into the same Sundry if they fall within the same 15 day time frame.

4. The API No. assigned to the well by NMOCD shall be included on the subsequent report of setting the first casing string.

**B. CASING:**

1. The 8 $\frac{5}{8}$  inch surface casing shall be set at 850' and cement circulated to the surface. If cement does not circulate to the surface the appropriate BLM office shall be notified and a temperature survey or cement bond log shall be run to verify the top of the cement. Remedial cementing shall be completed prior to drilling out that string.

2. The minimum required fill of cement behind the 5 $\frac{1}{2}$  inch intermediate casing is **cement shall extend upward a minimum of 200 feet above the top of the Glorieta formation.**

**C. PRESSURE CONTROL:**

1. All BOP systems and related equipment shall comply with well control requirements as described in Onshore Oil and Gas Order No. 2. The BOP and related equipment shall be installed and operational before drilling below the 8 $\frac{5}{8}$  inch casing shoe and shall be tested as described in Onshore Order No. 2. Any equipment failing to test satisfactorily shall be repaired or replaced.

2. Minimum working pressure of the blowout preventer and related equipment (BOPE) shall be **2000** psi.

3. The appropriate BLM office shall be notified in sufficient time for a representative to witness the tests.

A. The results of the test shall be reported to the appropriate BLM office.

B. Testing fluid must be water or an appropriate clear liquid suitable for sub-freezing temperatures. Use of drilling mud for testing is not permitted since it can mask small leaks.

C. Testing must be done in a safe workman-like manner. Hard line connections shall be required.