Month - Year

ATS-07-318

Form 3160-3
(April 2004)

OCD-ARTESIA OCD - ARTESIA, NM

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

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

HIGH CAVE KARST

APPLICATION FOR PERMIT TO DRILL OR REENTER 655

5. Lease Serial No.
LC- 055561

6. If Indian, Allotee or Tribe Name

1a. Type of work: [XX] DRILL [ ] REENTER

7 If Unit or CA Agreement, Name and No.

1b. Type of Well: [XX] Oil Well [ ] Gas Well [ ] Other [X] Single Zone [ ] Multiple Zone

8. Lease Name and Well No. 36508
MIDNIGHT MATADOR "A" #2

2. Name of Operator 241598
FAIRWAY RESOURCES OPERATING, LLC. (MATT EAGLESTON817-416-1946)

9. API Well No.
30-015-35619

3a. Address 538 SILICON DRIVE SUITE 101
SOUTHLAKE, TEXAS 76092

3b. Phone No. *(include area code)*
817-416-1946

10. Field and Pool, or Exploratory
RED LAKE-QUEEN,GRBG,SAN A.

4. Location of Well *(Report location clearly and in accordance with any State requirements.*)*
At surface 2310' FNL & 1700' FEL SECTION 35 T17S-R27E
At proposed prod. zone SAME

Roswell Controlled Water Basin

11. Sec., T. R. M. or Blk. and Survey or Area
SECTION 35 T17S-R27E

14. Distance in miles and direction from nearest town or post office*
Approximately 10 miles Southeast of Artesia, New Mexico

12. County or Parish
EDDY C.

13. State
NM

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	17. Spacing Unit dedicated to this well
330'	80	40
18. Distance from proposed location* to nearest well, drilling, completed, applied for, on this lease, ft.	**19. Proposed Depth**	**20. BLM/BIA Bond No. on file**
990'	2500'	NMB-000386
21. Elevations (Show whether DF, KDB, RT, GL, etc.)	**22. Approximate date work will start***	**23. Estimated duration**
3616' GL	When approved	8 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)*	Date
Joe T. Janica	Joe T. Janica	04/03/07

Title: Agent

Approved by *(Signature)*	Name *(Printed/Typed)*	Date
/s/ James Stovall		MAY 14 2007

Title	Office
FIELD MANAGER	CARLSBAD FIELD OFFICE

App
conc
Con

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

nt holds legal or equitable title to those rights in the subject lease which would entitle the applicant to

APPROVAL FOR 1 YEAR

Title
State

: it a crime for any person knowingly and willfully to make to any department or agency of the United ons as to any matter within its jurisdiction.

(Instructions on page 2)

SEE ATTACHED FOR CONDITIONS OF APPROVAL

APPROVAL SUBJECT TO GENERAL REQUIREMENTS AND SPECIAL STIPULATIONS ATTACHED

DISTRICT I
1625 N. French Dr., Hobbs, NM 88240
DISTRICT II
1301 W. Grand Avenue, Artesia, NM 88210
DISTRICT III
1000 Rio Brazos 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 October 12, 2005

Submit to Appropriate District Office
State Lease – 4 Copies
Fee Lease – 3 Copies

☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

API Number	Pool Code	Pool Name
	51300	RED LAKE-QUEEN,GRAYBURG, SAN ANDRES

Property Code	Property Name	Well Number
	MIDNIGHT MATADOR "A"	2

OGRID No.	Operator Name	Elevation
241598	FAIRWAY RESOURCES	3616'

Surface Location

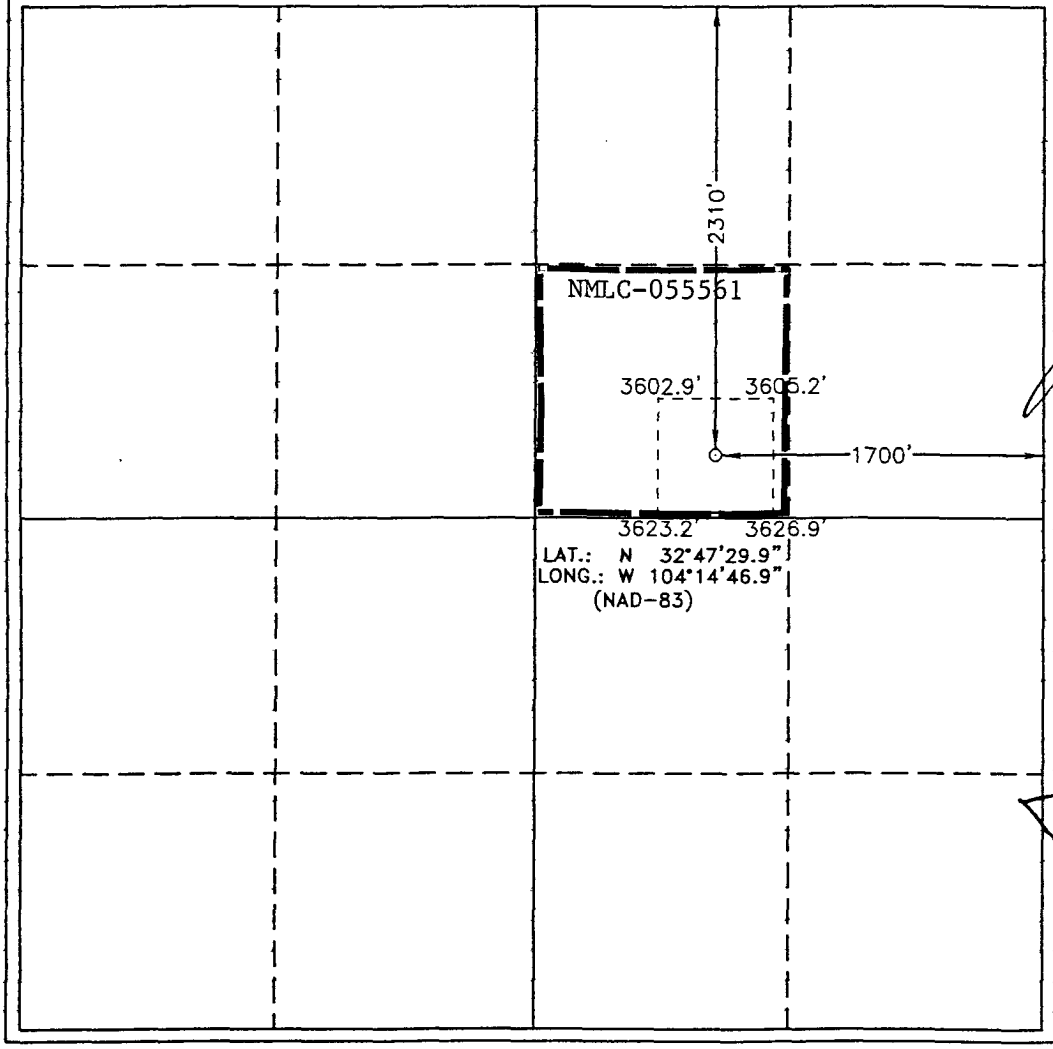
UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
G	35	17 S	27 E		2310	NORTH	1700	EAST	EDDY

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.
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



OPERATOR CERTIFICATION

I hereby certify that the information contained 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 pursuant to a contract with an owner of such a mineral or working interest, or to a voluntary pooling agreement or a compulsory pooling order heretofore entered by the division.

Signature — Date: 04/03/07

Joe T. Janica

Printed Name: Agent

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 supervison, and that the same is true and correct to the best of my belief.

MARCH 13, 2007

Date Surveyed

Signature & Seal of Professional Surveyor

W.O. No. 17886

Certificate No. Gary L. Jones 7977

BASIN SURVEYS

Midnight Matador A #2

Location	2310' FNL & 1700' FEL Section 35-T17S-R27E
Federal Lease #	LC-055561
Proration Unit	40 acres, SE/4 NW/4
Depth of Well	2,500'
Field	Red Lake QN-GB-SA (we will be completing in the San Andres)

Hole/Casing

12 ¼" hole	7 7/8" hole
0 – 350'	350' – 2,500'
8 5/8" 24# & 32# J-55	5 ½" 15# & 15.5# J-55

Cementing

Surface - Cmt to surface with 225 sx class C with 4% gel containing 2% CaCl and ½#/sx Flocele

Production - Cmt with 325 sx 35-65 Pozmix containing ¼#/sx Flocele plus 100 sx class C containing 2% CaCl

Formation Eval.

No open hole logs, cased hole GR-CNL from TD to surface casing
No cores or DSTs
No mud logger

Mud

Depth	Fluid Type	Weight	Vis	WL
0 – 350'	fresh wtr	8.5	30-40	nc
350' – 2,500'	cut brine	8.8-9.5	28-32	nc

This well will be drilled with a closed loop mud system

Note: *This location is approximately 50' from the South Red Lake II Unit #15, a recently plugged Grayburg well.*

APPLICATION TO DRILL

FAIRWAY RESOURCES OPERATING, LLC.
MIDNIGHT MATADOR "A" # 2
UNIT "G" SECTION 35
T17S-R27E EDDY CO. NM

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

1. LOCATION: 2310' FNL & 1700' FEL SECTION 35 T17S-R27E

2. ELEVATION ABOVE SEA LEVEL: 3616' GL

3. GEOLOGIC NAME OF SURFACE FORMATION: Quaternery 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: 2500'

6. ESTIMATED TOPS OF GELOOGICAL MARKERS:

Queen	1000'
Grayburg	1300'
San Andres	1900'

7. POSSIBLE MINERAL BEARING FORMATION:

Queen	Oil	San Andres	Oil
Grayburg	Oil		

8. CASING PROGRAM:

Hole Size	Interval	OD of Casing	Weight	Thread	Collar	Grade
12¼"	0-350'	8 5/8"	24 & 32#	8-R	ST&C	J-55
7 7/8"	0-2500'	5½"	15 & 15.5#	8-R	ST&C	J-55

APPLICATION TO DRILL

FAIRWAY RESOURCES OPERATING, LLC.
MIDNIGHT MATADOR "A" # 2
UNIT "G" SECTION 35
T17S-R27E EDDY CO. NM

9. CEMENTING & SETTING DEPTH:

8 5/8"	Surface	Set 350' of 8 5/8" 24# & 32# J-55 ST&C casing. Cement with 225 Sx. of Class "C" cement + 4% Gel, + ¼LB flocele/Sx. + 2% CaCl. Circulate cement to surface
5½"	Production	Set 2500' of 5½" 15# & 15.5# J-55 ST&C casing. Cement with 325 Sx. of Class "C" 35/65 POZ + ¼# Flocele/Sx, tail in with 100 Sx. of Class "C" cement + 2% CaCl. Circulate cement to surface.

10. PRESSURE CONTROL EQUIPMENT:

Exhibit "E" shows a sketch of a 2000 PSI rated B.O.P. consisting of an annular preventor. This B.O.P. will be nipped up on the 8 5/8" casing, and remain on the hole till the TD is reached. This is a rig with a low sub-structure, pressures are not expected to exceed 1500 PSI. Exhibit "E=1" shows a choke manifold rated at 3000 PSI, it also shows a hydraualically operated closing unit which may-be used, the choke manifold has manually operated chokes should unexpected pressures be encountered while drilling of this well.

11. PROPOSED MUD CIRCULATING SYSTEM:

DEPTH	MUD WT.	VISC.	FLUID LOSS	TYPE MUD SYSTEM
0-350'	8.4-8.7	29-40	NC	Fresh water use paper to control seepage
350-2500'	8.9-9.5	28-32	NC	Cut brine use paper to control seepage, and high viscosity sweeps to clean hole.

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, and casing viscosity and/or water loss may have to be adjusted to meet these needs.

12. LOGGING, CORING, AND TESTING PROGRAM:

A. No open hole logs will be run.

B. Cased hole logs : Gamma Ray, Neutron logs will be run from TD Back to the 8 5/8" casing shoe.

C. No DST's will be run

D. No cores or or mud logger will be cut or used.

13. POTENTIAL HAZARDS:

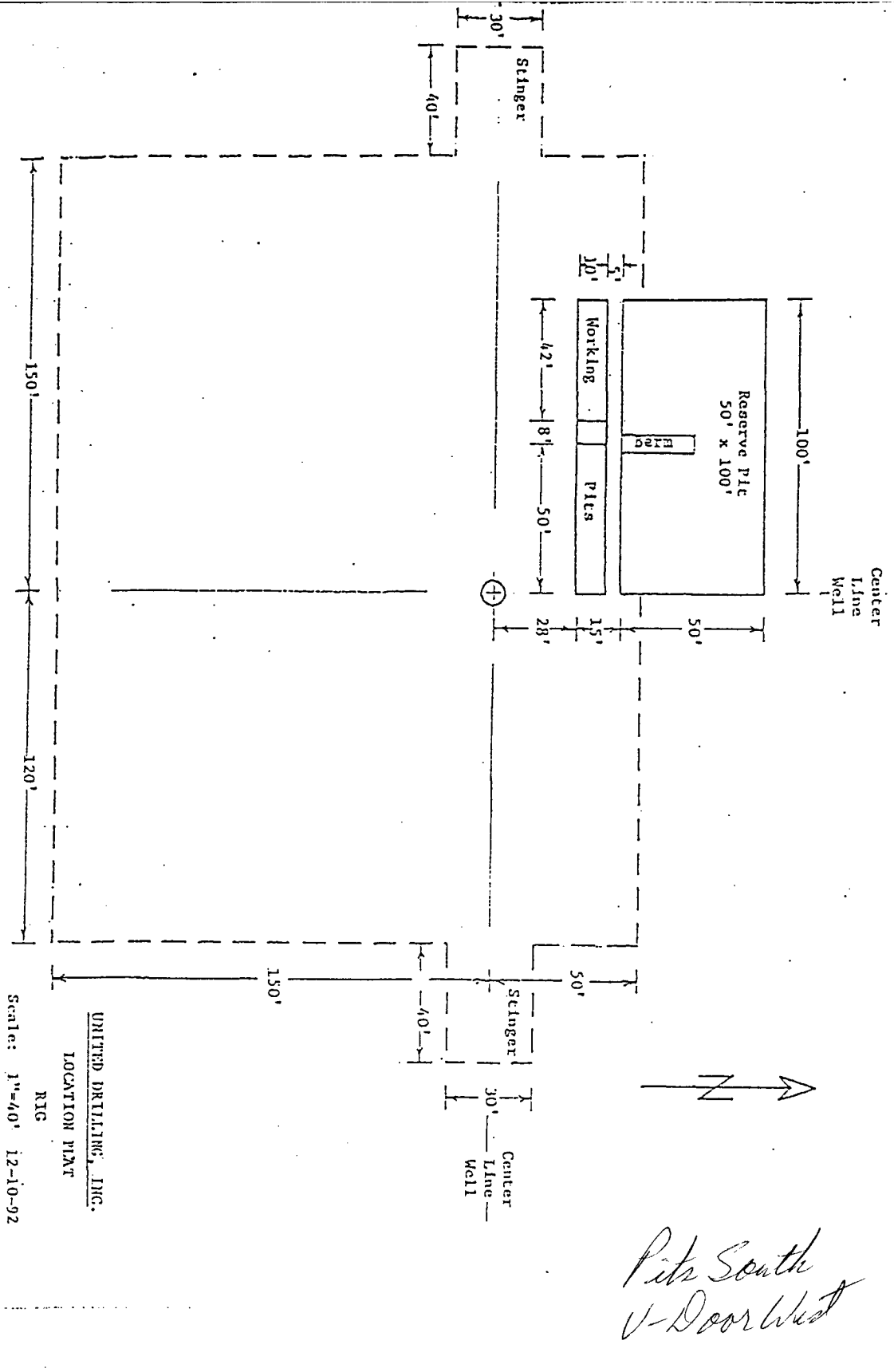
No abnormal pressures or temperatures are expected. There is no known presence of H^2S in this area. If H^2S is encountered the operator will comply with the provisions of Onshore Oil and Gas Order No. 6. No lost circulation is expected to occur. All personnel will be familiar with all aspects of safe 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 7 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:

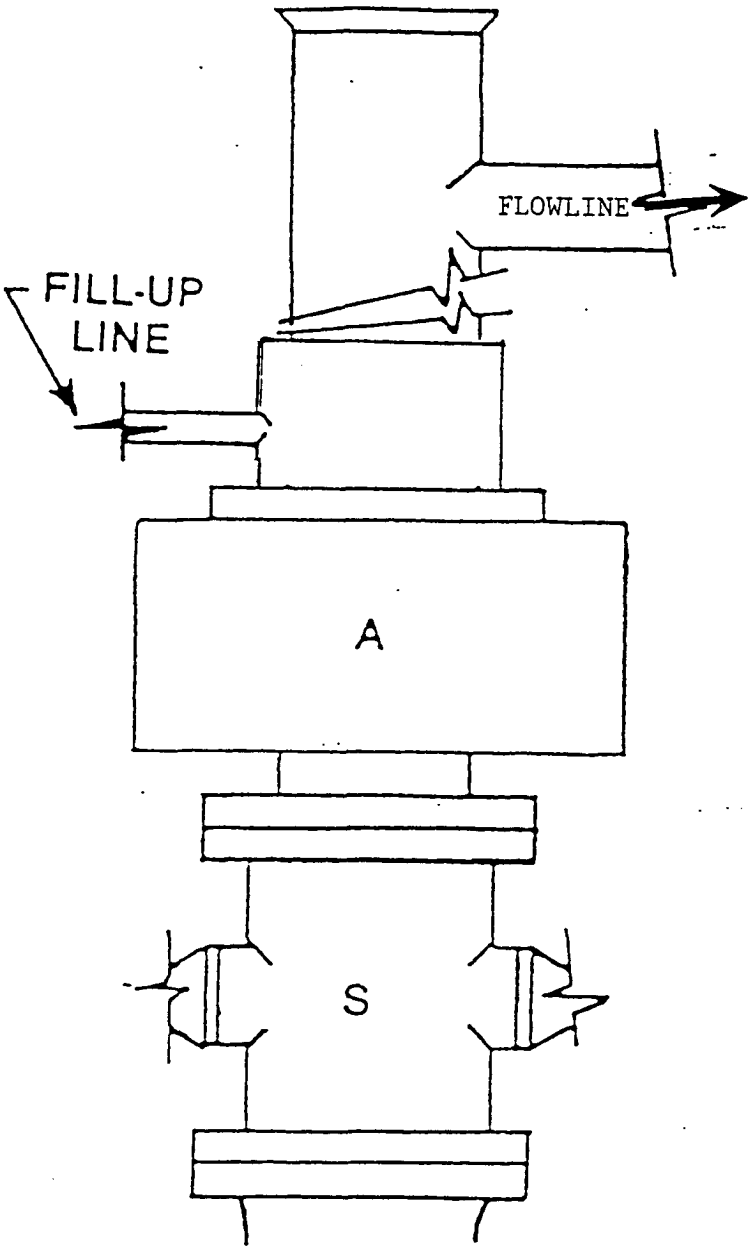
After running casing, cased hole Gamma Ray, Neutron Collar logs will be run from TD back to all possible productive zones. The Qn Grbg San S. formation will be perforated and stimulated in order to establish production. The well will be swab tested and potentialed as an oil well.



Pits South
V-Door West

EXHIBIT "D"
RIG LAY OUT PLAT

FAIRWAY RESOURCES OPERATING, LLC.
MIDNIGHT MATADOR "A" # 2
UNIT "G" SECTION 35
T17S-R27E EDDY CO. NM



RECOMMENDED IADC CLASS 2 B.O.P. STACK
2000 PSI WORKING PRESSURE

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

FAIRWAY RESOURCES OPERATING, LLC.
MIDNIGHT MATADOR "A" # 2
UNIT "G" SECTION 35
T17S-R27E EDDY CO. NM

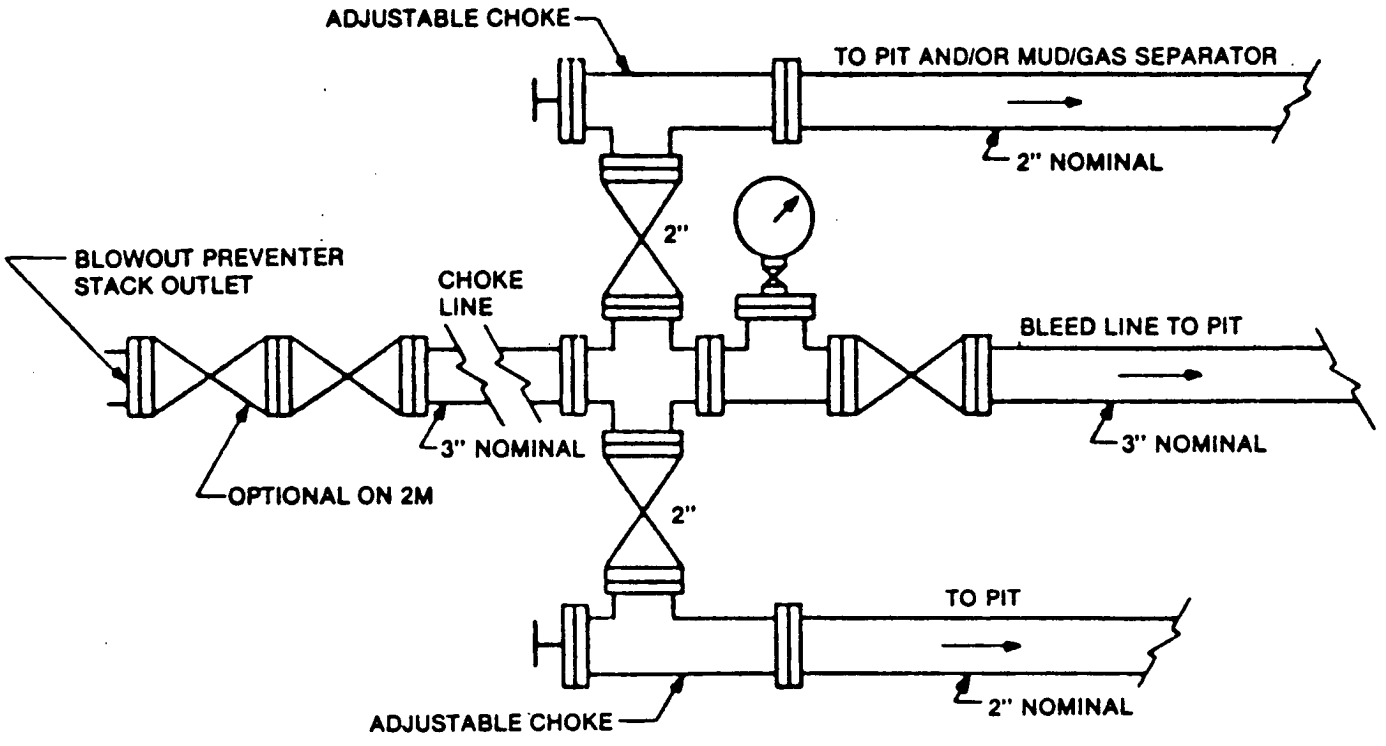


EXHIBIT "E-1"
CHOKE MANIFOLD

FAIRWAY RESOURCES OPERATING, LLC.
MIDNIGHT MATADOR "A" # 2
UNIT "G" SECTION 35
T17S-R27E EDDY CO. NM

HYDROGEN SULFIDE DRILLING OPERATIONS PLAN

1. All Company and Contract personnel admitted on location must be trained by a qualified H_2S safety instructor to the following:

   A. Characteristics of H_2S
   B. Physical effects and hazzards
   C. Proper use of safety equipment and life support systems.
   D. Principle and operation of H_2S detectors, warning system and briefing areas.
   E. Evacuation procedure, routes and first aid.
   F. Proper use of 30 minute pressure demand air pack.

2. H_2S Detection and Alarm Systems

   A. H_2S 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, H_2S 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

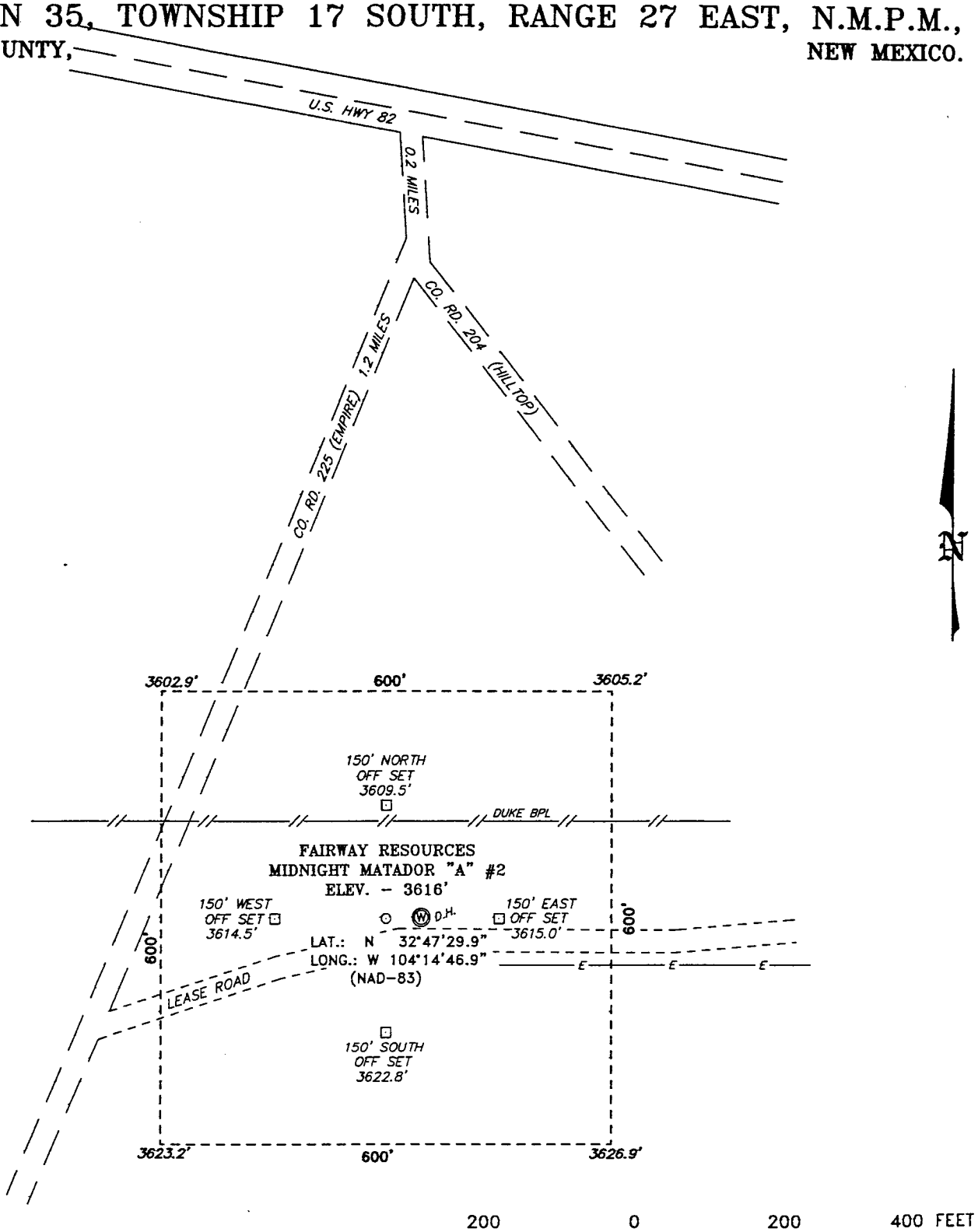
   A. Exhausts will be watered.
   B. Flare line will be equipped with an electric ignitor or a propane pilot light in case gas reaches the surface.
   C. If location is near any dwelling a closed D.S.T. will be performed.

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 seperator will be brought into service along with H_2S scavengers if necessary.

SECTION 35, TOWNSHIP 17 SOUTH, RANGE 27 EAST, N.M.P.M.,

EDDY COUNTY, NEW MEXICO.



DIRECTIONS TO LOCATION:

FROM THE JUNCTION OF US. HWY 82 AND CO. RD. 204 (HILLTOP), PROCEED SOUTH ON CO. RD. 204 FOR 0.2 MILES TO CO. RD. 225 (EMPIRE), ON CO. RD. 225 GO SOUTHWEST 1.2 MILES TO THE PROPOSED LOCATION.

FAIRWAY RESOURCES

REF: MIDNIGHT MATADOR "A" #2 / Well Pad Topo

THE MIDNIGHT MATADOR "A" No. 2 LOCATED 2310' FROM THE NORTH LINE AND 1700' FROM THE EAST LINE OF SECTION 35, TOWNSHIP 17 SOUTH, RANGE 27 EAST, N.M.P.M., EDDY COUNTY, NEW MEXICO.

BASIN SURVEYS P.O. BOX 1786 – HOBBS, NEW MEXICO

W.O. Number: 17886	Drawn By: J. M. SMALL		
Date: 03-15-2007	Disk: 17886W	Survey Date: 03-13-2007	Sheet 1 of 1 Sheets

Conditions of Approval
Cave and Karst

EA#: NM-520-07-0655

Fairway Resources Operating, LLC

Lease #: LC-055561

Midnight Matador A No.2

Midnight Matador A No.3

Midnight Matador A No.5

Lease #: LC-050158

Midnight Matador A No.9

Midnight Matador A No.10

Cave/Karst Surface Mitigation

The following stipulations will be applied to minimize impacts during construction, drilling and production.

Berming:

Any tank batteries will be constructed and bermed large enough to contain any spills that may occur.

Bermed areas will be lined with rip-stop padding to prevent tears or punctures in liners and lined with a permanent 20 mil plastic liner.

Cave/Karst Subsurface Mitigation

The following stipulations will be applied to protect cave/karst and ground water concerns:

Rotary Drilling with Fresh Water:

Rotary drilling techniques in cave or karst areas will include the use of fresh water as a circulating medium in zones where caves or karst features are expected. Use depth to the deepest expected fresh water as listed in the geologist report.

Casing:

All casing will meet or exceed National Association of Corrosion Engineers specifications pertaining to the geology of the location and be run to American Petroleum Institute and BLM standards.

Lost Circulation:

ALL lost circulation zones from the surface to the base of the cave occurrence zone will be logged and reported.

Regardless of the type of drilling machinery used, if a bit drops of four feet or more and circulation losses greater then 75 percent occur simultaneously while drilling in any cave-

bearing zone, drilling operations will immediately stop and the BLM will be notified by the operator. The BLM will assess the consequences of the situation and work with operator on corrective actions to resolve the problem.

Abandonment Cementing:
Upon well abandonment the well bore will be cemented completely from 100 feet below the bottom of the cave bearing zone to the surface.

Record Keeping:
The Operator will track customary drilling activities, including the rate of penetration, pump pressure, weight on bit, bit drops, percent of mud returns, and presence of absence of cuttings returning to the surface. As part of customary record keeping, each detectable void or sudden increase in the rate of penetration not attributable to a change in the formation type should be documented and evaluated as it is encountered.

CONDITIONS OF APPROVAL - DRILLING

Operator's Name: **Fairway Resources Operating, LLC**
Well Name & No. **Midnight Matador A # 2**
Location: **2310'FNL, 1700'FEL, SEC35, T17S, R27E, Eddy County, NM**
Lease: **LC-055561**

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, in sufficient time for a representative to witness:

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

B. A Hydrogen Sulfide (H2S) Drilling Plan should be activated prior to drilling out of the surface casing. A copy of the plan shall be posted at the drilling site.

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 **350 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.**

C. 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 Cave / Karst potential.
2. Our geologist has indicated that there is potential for lost circulation in the Grayburg and San Andres formations

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

FWright 4/9/07