

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

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

DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT
APPLICATION FOR PERMIT TO DRILL OR REENTER

655

Month - Year

04/07

OCD - ARTESIA, NM

1a. Type of work: ☒ DRILL ☐ REENTER

1b. Type of Well: ☒ Oil Well ☐ Gas Well ☐ Other ☒ Single Zone ☐ Multiple Zone

2. Name of Operator
FAIRWAY RESOURCES OPERATING, LLC. (MATT EAGLESTON 817-416-1946)

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

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

4. Location of Well (Report location clearly and in accordance with any State requirements.)
At surface 330' FNL & 2290' FEL SECTION 35 T17S-R27E
At proposed prod. zone SAME

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

Approximately 10 miles Southeast of Artesia, New Mexico

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

330' ±

16. No. of acres in lease
80

17. Spacing Unit dedicated to this well
40

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

330' ±

19. Proposed Depth
2500'

20. BLM/BIA Bond No. on file
NMB-000386

21. Elevations (Show whether DF, KDB, RT, GL, etc.)
3560' GL

22. Approximate date work will start*
When approved

23. Estimated duration
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

04/03/07

Title

Agent

Approved by (Signature)

Ts/ James Stovall

Name (Printed/Typed)

Date

MAY 14 2007

Title

FIELD MANAGER

Office

CARLSBAD FIELD OFFICE

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

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

APPROVAL FOR 1 YEAR

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

APPROVAL SUBJECT TO
GENERAL REQUIREMENTS
AND SPECIAL STIPULATIONS
ATTACHED

SEE ATTACHED FOR
CONDITIONS OF APPROVAL

Roswell Controlled Water Basin

DISTRICT I
1525 N. French Dr., Hobbs, NM 88240
DISTRICT II
811 South First, Artesia, NM 88210
DISTRICT III
1000 Rio Brazos Rd., Aztec, NM 87410
DISTRICT IV
2040 South Pacheco, Santa Fe, NM 87505

State of New Mexico
Energy, Minerals and Natural Resources Department

Form C-102
Revised March 17, 1999

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

OIL CONSERVATION DIVISION

2040 South Pacheco
Santa Fe, New Mexico 87504-2088

☐ 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"	5
OGRID No.	Operator Name	Elevation
241598	FAIRWAY RESOURCES OPERATING, L.L.C.	3560'

Surface Location

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
B	35	17 S	27 E		330	NORTH	2290	EAST	EDDY

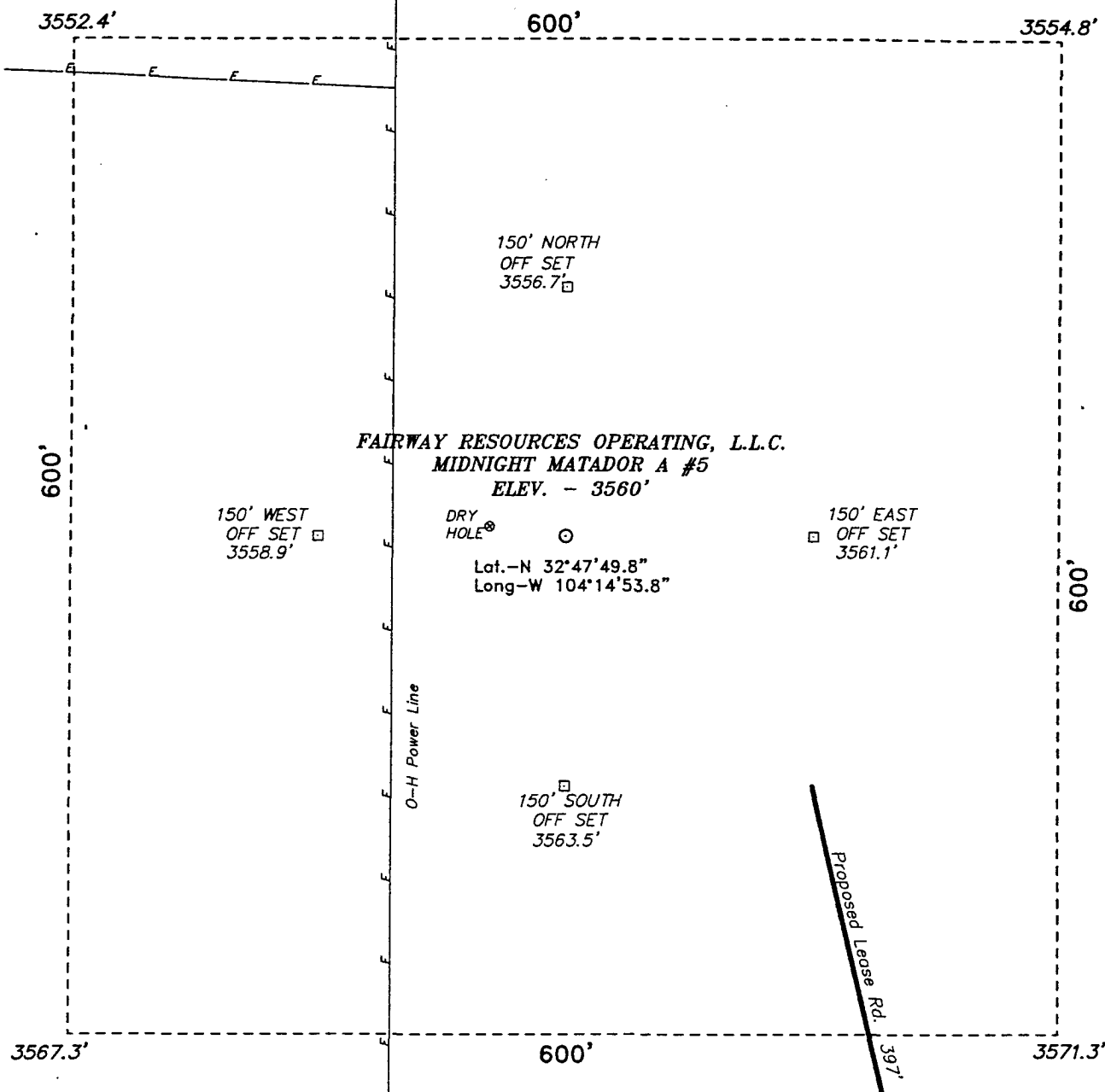
Bottom Hole Location If Different From Surface

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

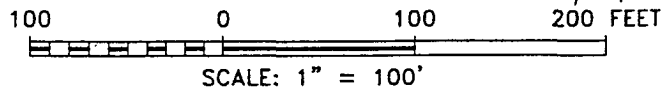
<p>3552.4'</p> <p>LAT - N32°47'49.8"</p> <p>LONG - W104°14'53.8"</p> <p>3567.3'</p> <p>330'</p> <p>3571.3'</p> <p>LC-055561</p> <p>2290'</p>	<p>OPERATOR CERTIFICATION</p> <p>I hereby certify the the information contained herein is true and complete to the best of my knowledge and belief.</p> <p><i>Joe T. Janica</i></p> <p>Signature</p> <p>Joe T. Janica</p> <p>Printed Name</p> <p>Agent</p> <p>Title</p> <p>04/03/07</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>August 19, 2006</p> <p>Date Surveyed</p> <p>Signature & Seal of Professional Surveyor</p> <p>7977</p> <p>No. 7067</p> <p>Certificate No. Gary L. Jones 7977</p> <p>BASIN SURVEYS</p>
--	--

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, GO SOUTHEAST ON CO. RD. 204 FOR 0.3 MILE TO CO. RD. 225; THENCE SOUTHWESTERLY ON CO. RD. 225 FOR 0.9 MILE TO LEASE ROAD; THENCE WEST ON LEASE ROAD FOR 0.15 MILE TO EXISTING WELL PAD AND PROPOSED LEASE ROAD.



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

W.O. Number: 7067

Drawn By: K. GOAD

Date: 08-24-2006

Disk: KJG CD#7 - 7067A.DWG

FAIRWAY RESOURCES OPERATING, L.L.C.

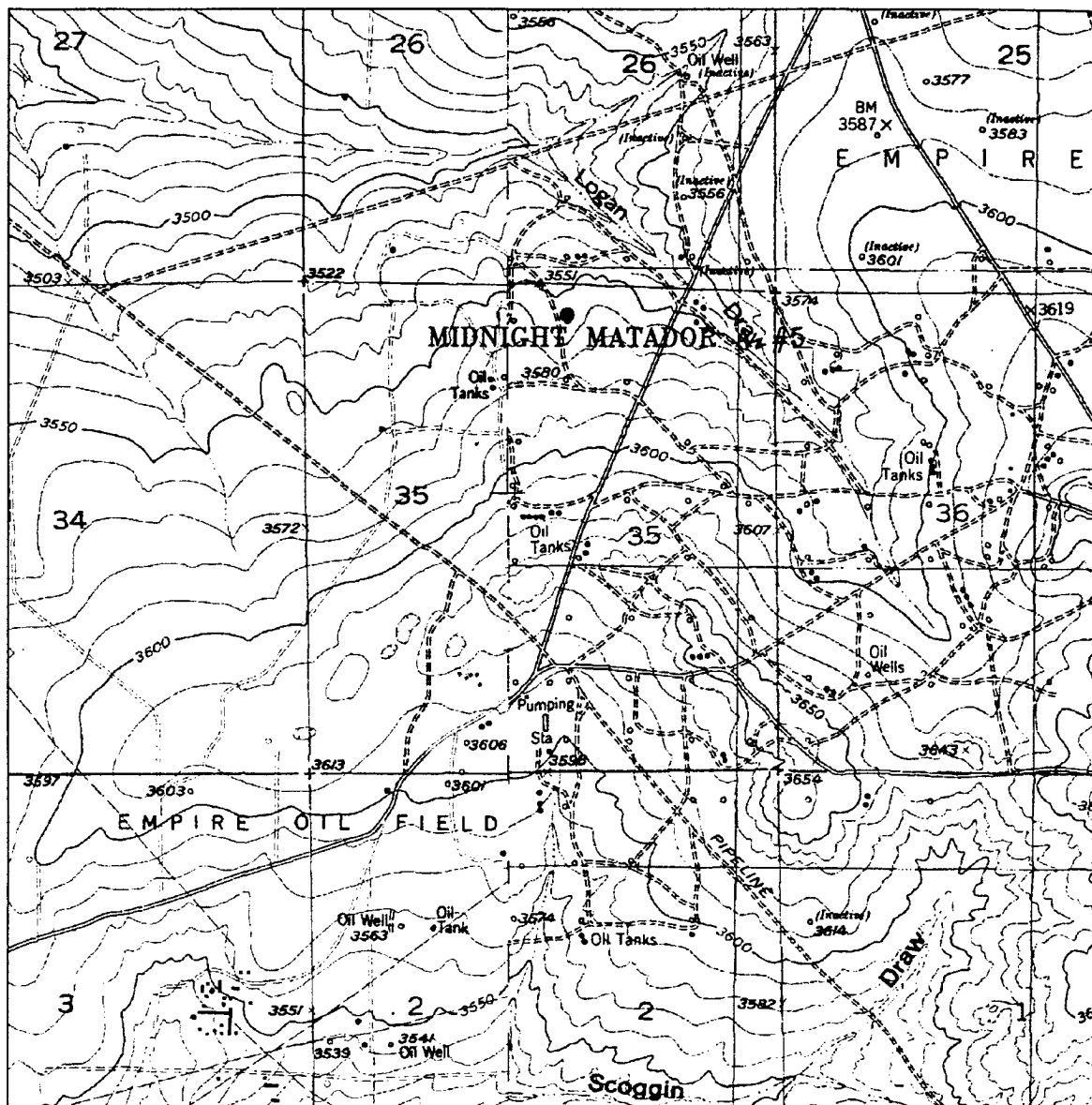
REF: MIDNIGHT MATADOR A No. 5 / Well Pad Topo

THE MIDNIGHT MATADOR A No. 5 LOCATED 330' FROM
THE NORTH LINE AND 2290' FROM THE EAST LINE OF
SECTION 35, TOWNSHIP 17 SOUTH, RANGE 27 EAST,

N.M.P.M., EDDY COUNTY, NEW MEXICO.

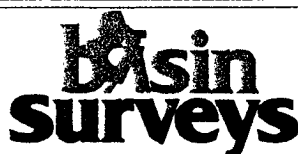
Survey Date: 08-18-2006

Sheet 1 of 1 Sheets



MIDNIGHT MATADOR A #5

Located at 330' FNL and 2290' FEL
 Section 35, Township 17 South, Range 27 East,
 N.M.P.M., Eddy County, New Mexico.



P.O. Box 1786
 1120 N. West County Rd.
 Hobbs, New Mexico 88241
 (505) 393-7316 - Office
 (505) 392-3074 - Fax
 basinsurveys.com

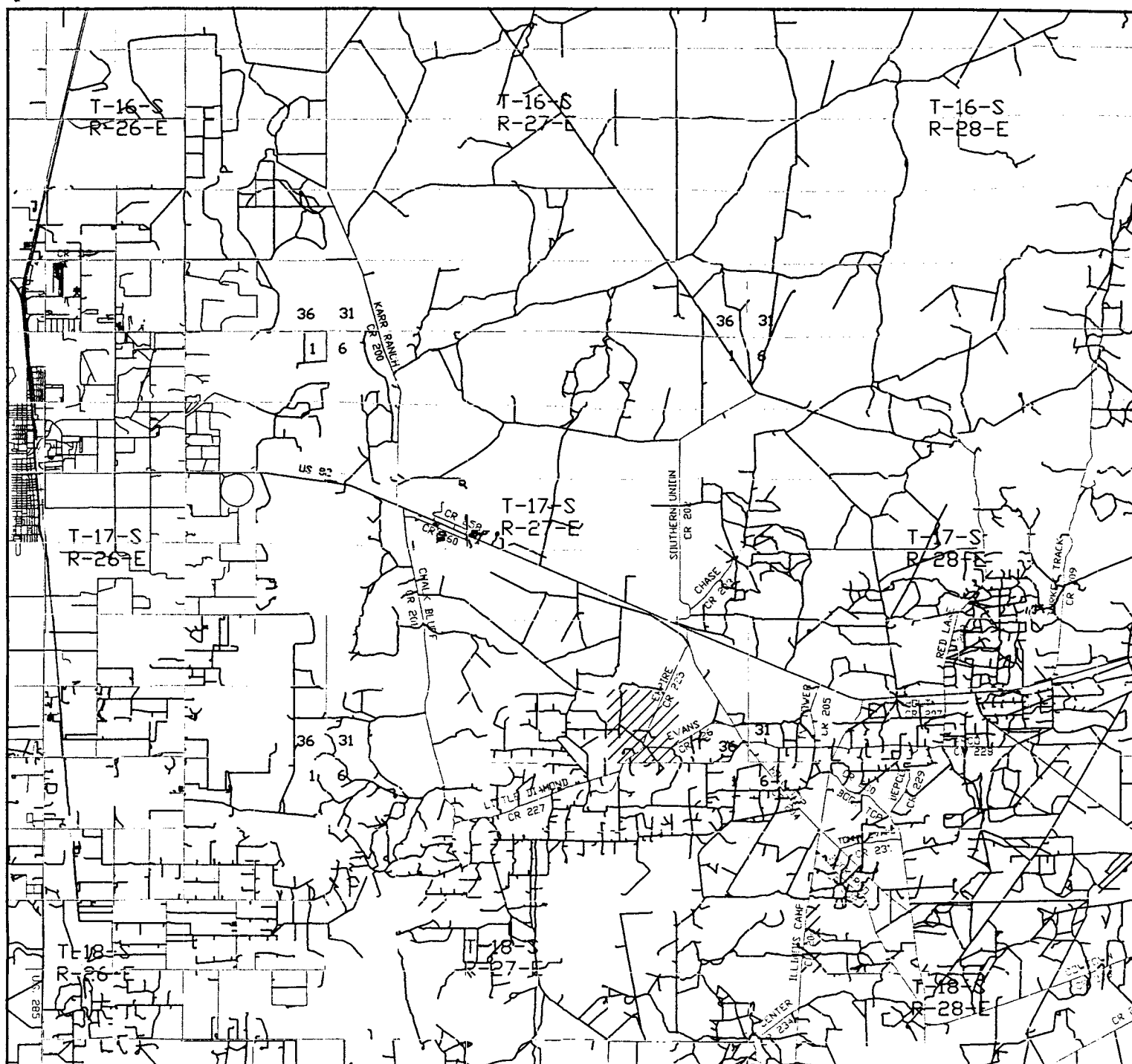
W.O. Number: 7067AA - KJG #7

Survey Date: 08-18-2006

Scale: 1" = 2000'

Date: 08-24-2006

**FAIRWAY RESOURCES
 OPERATING, L.L.C.**



MIDNIGHT MATADOR A #5
 Located at 330' FNL and 2290' FEL
 Section 35, Township 17 South, Range 27 East,
 N.M.P.M., Eddy County, New Mexico.

basin
surveys

focused on excellence
 in the oilfield

P.O. Box 1786
 1120 N. West County Rd.
 Hobbs, New Mexico 88241
 (505) 393-7316 - Office
 (505) 392-3074 - Fax
 basinsurveys.com

W.O. Number: 7067AA - KJG #7

Survey Date: 08-18-2006

Scale: 1" = 2 MILES

Date: 08-24-2006

FAIRWAY RESOURCES
OPERATING, L.L.C.

Midnight Matador A #5

Location 330' FNL & 2290' FEL Section 35-T17S-R27E

Federal Lease # LC-055561

Proration Unit 40 acres, NE/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 1/4" hole 7 7/8" hole
0 - 350' 350' - 2,500'
8 5/8" 24# & 32# J-55 5 1/2" 15# & 15.5# J-55

Cementing Surface - Cmt to surface with 225 sx class C with 4% gel containing 2% CaCl and 1/2#/sx Flocele

Production - Cmt with 325 sx 35-65 Pozmix containing 1/4#/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

APPLICATION TO DRILL

FAIRWAY RESOURCES OPERATING, LLC.
MIDNIGHT MATADOR "A" # 5
UNIT "B" 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 be provided for your information.

1. LOCATION: 330' FNL & 2290' FEL SECTION 35 T17S-R27E EDDY CO. NM
2. ELEVATION ABOVE SEA LEVEL: 3560' 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: 2500'

6. ESTIMATED TOPS OF GEOLOGICAL 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
12 1/4"	0-350'	8 5/8"	24 & 32#	8-R	ST&C	J-55
7 7/8"	0-2500'	5 1/2"	15 & 15.5#	8-R	ST&C	J-55

APPLICATION TO DRILL

FAIRWAY RESOURCES OPERATING, LLC.
MIDNIGHT MATADOR "A" # 5
UNIT "B" 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, + 1/2 LB flocele/Sx. + 2% CaCl. Circulate cement to surface
5 1/2"	Production	Set 2500' of 5 1/2" 15# & 15.5# J-55 ST&C casing. Cement with 325 Sx. of Class "C" 35/65 POZ + 1/2# 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 hydraulically 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.

APPLICATION TO DRILL

FAIRWAY RESOURCES OPERATING, LLC.

MIDNIGHT MATADOR "A" # 5

UNIT "B"

SECTION 35

T17S-R27E

EDDY CO. NM

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 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 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 potentialized as an oil well.



FAIRWAY RESOURCES OPERATING, LLC.
MIDNIGHT MATADOR "A" # 5
UNIT "G" SECTION 35

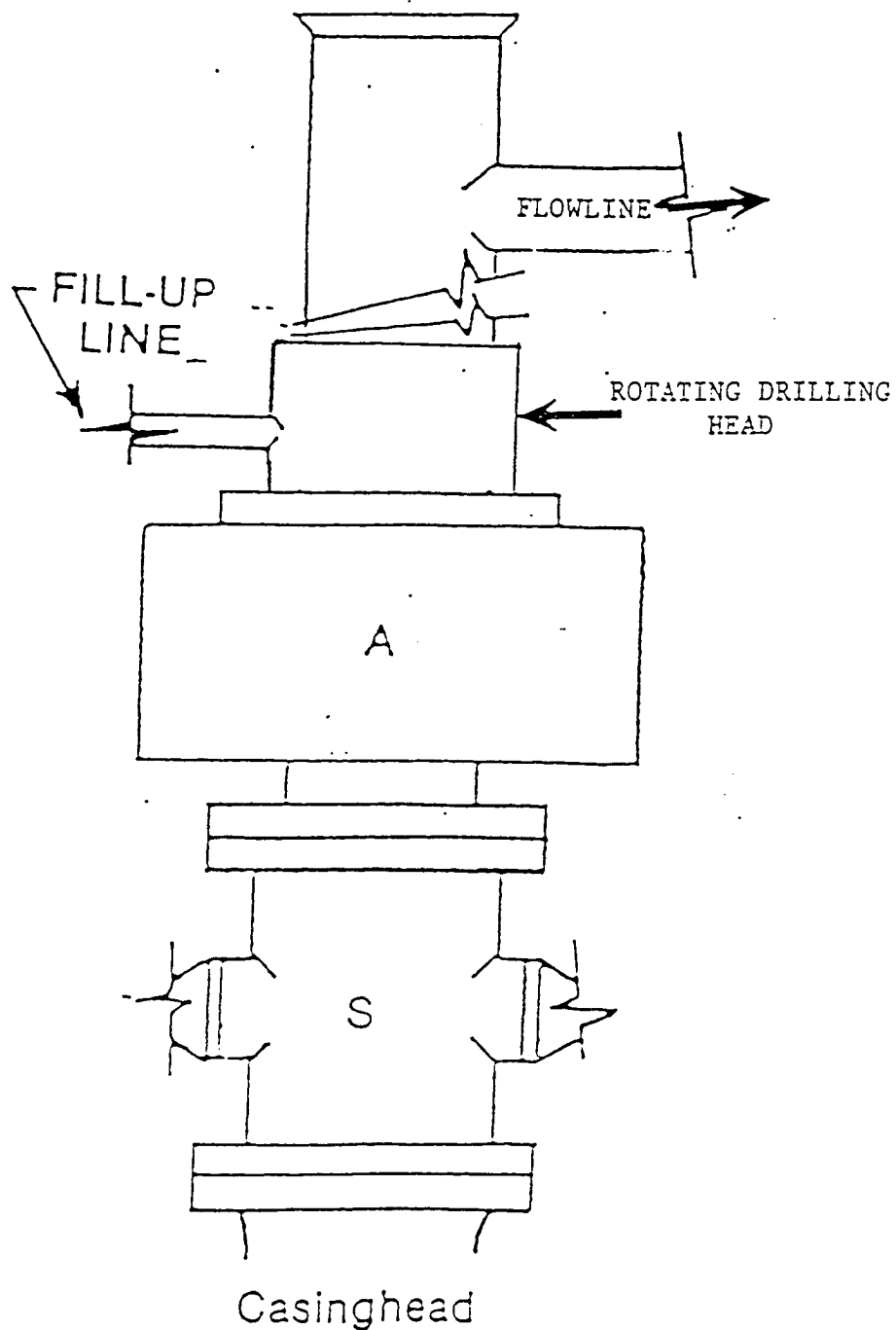


EXHIBIT "E"
SKETCH OF B.O.P. TO BE USED ON

FAIRWAY RESOURCES OPERATING, LLC.
MIDNIGHT MATADOR "A" # 5
UNIT "G" SECTION 35
T17S-R27E EDDY CO. NM

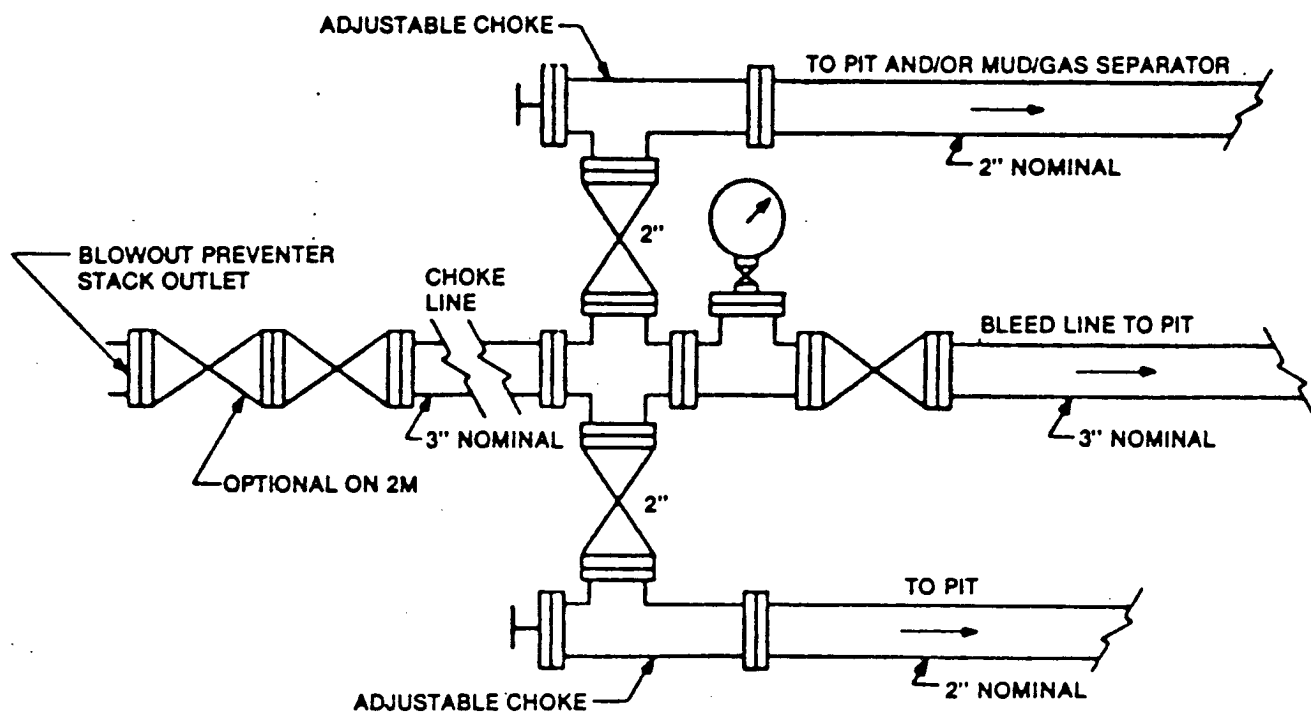


EXHIBIT "E-1"
CHOKE MANIFOLD

FAIRWAY RESOURCES OPERATING, LLC.
MIDNIGHT MATADOR "A" # 5
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 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

FAIRWAY RESOURCES OPERATING, LLC.

MIDNIGHT MATADOR "A" # 5

UNIT "B"

SECTION 35

T17S-R27E

EDDY CO. NM

1. EXISTING ROADS: Area maps, Exhibit "B" is a reproduction of a County General Highway Map. Exhibit "C" is a reproduction of a USGS Topographic Map, showing existing roads and proposed roads. All existing roads will be maintained in a condition equal to or better than current conditions. Any new roads will be constructed to BLM specifications.
 - A. Exhibit "A" shows the proposed well site as staked.
 - B. From the junction of U.S. Hi-way 82 and CR-204, go Southeast on CR.-204 .3 miles, turn Right on to CR-225, follow CR-225 .9 miles turn Right (West) go .15 mi to existing pad and well is 200' on the North side of road.
 - C. Exhibit "C" is a topographic map showing existing roads and the proposed additional roads. Flowlines and powerlines if they are not near to the location.
2. PLANNED ACCESS ROADS: No new roads will be required.
 - A. The access road will be crowned and ditched to a 12'00" wide travel surface with a 40' right-of-way.
 - B. Gradient on all roads will be less than 5.00%.
 - C. Turn outs will be constructed where necessary.
 - D. If needed, road will be surfaced with a minimum of 4" of caliche. This material will be obtained from a local source.
 - E. Centerline for the new access road has been flagged. Earthwork will be as required by field conditions.
 - F. Culverts in the access road will not be used. The road will be constructed to utilize low water crossings for drainage as required by the Topography.
3. LOCATION OF EXISTING WELLS IN A ONE-MILE RADIUS EXHIBIT "A-1"
 - A. Water wells - One .75 Mi North of location.
 - B. Disposal wells - None known
 - C. Drilling wells - None Known
 - D. Producing wells - As shown on Exhibit "A-1"
 - E. Abandoned wells - As shown on Exhibit "A-1"

SURFACE USE PLAN

FAIRWAY RESOURCES OPERATING, LLC.
MIDNIGHT MATADOR "A" # 5
UNIT "B" SECTION 35
T17S-R27E 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 proposed roads , flowlines and powerlines.

5. LOCATION & TYPE OF WATER SUPPLY:

Water will be purchased locally from a commercial source and trucked over the location 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 the drill site, if additional material is required it will be obtained from a local source and transported over the location access roads as shown on Exhibit "C".

7. METHODS OF HANDLING WASTE:

- A. All trash, junk and other waste material will be contained in trash cages or trash bins in order to prevent scattering. When the job is completed all contents will be removed and disposed of in an approved sanitary land fill.
- B. Sewage from living quarters will be drained into holding tanks and will be cleaned out periodically. A Porta-John will be provided for the rig crews. This equipment will be properly maintained during the drilling operations and removed upon completion of well.
- C. 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 the pits will be broken out to speed drying. Water produced during completion will be stored in tanks and disposed of in State approved disposal site. Oil and condensate produced during completion will be put in storage tanks and sold.
- D. Drill cuttings will be disposed of in reserve pits or if necessary will be taken to a State approved landfarm and disposed of properly.
- E. Any remaining salts or mud additives will be collected by the supplier and to stock, this includes all broken bags.

8. ANCILLARY FACILITIES:

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

SURFACE USE PLAN

FAIRWAY RESOURCES OPERATING, LLC.
MIDNIGHT MATADOR "A" # 5
UNIT "B" SECTION 35
T17S-R27E EDDY CO. NM

9. WELL SITE LAYOUT:

- A. Exhibit "D" shows the proposed well site layout.
- B. This Exhibit shows the location of reserve pit, sump pits, and living facilities.
- C. Mud pits in the active circulating system will be steel pits and the reserve pits will be unlined unless subsurface conditions encountered during pit construction indicate that a plastic liner is required to contain lateral migration.
- D. If needed the reserve pits will be lined with polyethelene. The pit liner will be no less than 12 mils thick and the liner will be extended at least 3 feet over the top of the dikes and secured in place to keep edge of liner in place.
- E. The reserve pit will be fenced on three sides and fenced with four strands of barbed wire during drilling and completion phases. The 4th side will be fenced after drilling operations are complete and the drilling rig has moved out. If the well is a producer the mud pits will remain fenced in until the mud has dried up enough to break out the pits and reclaimed according to BLM requirements.

10. PLANS FOR RESTORATION OF SURFACE:

Rehabilitation of the location and reserve pits will be allowed to dry properly, fluids may be moved and disposed of in accordance with article 7-E 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 future erosion. In case of the well completed as a producer the drilling pad will be necessary to construct production facilities. After the area has been shaped and contoured top soil from the spoil pile will be placed over the disturbed area to the extent possible so that revegetation procedures can be accomplished to comply with the BLM specifications.

If the well is a dry hole the pad and road area will be contoured to match the existing terrain. Top soil will be spread to the extent possible and revegetation will be carried out according to the BLM specifications.

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

FAIRWAY RESOURCES OPERATING, LLC.
MIDNIGHT MATADOR "A" # 5
UNIT "B" SECTION 35
T17S-R27E EDDY CO. NM

11. OTHER INFORMATION:

- A. The topography consists of shallow drainage patterns with a dip toward the Southwest into the Pecos River. Soils consist of sandy loam with abundant caliche nodules. Vegetation consists of native grasses, cactus, scattered mesquite trees and snakeweed.
- 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 of The Bureau of Land Management.
- D. There are no dwellings near to this 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:

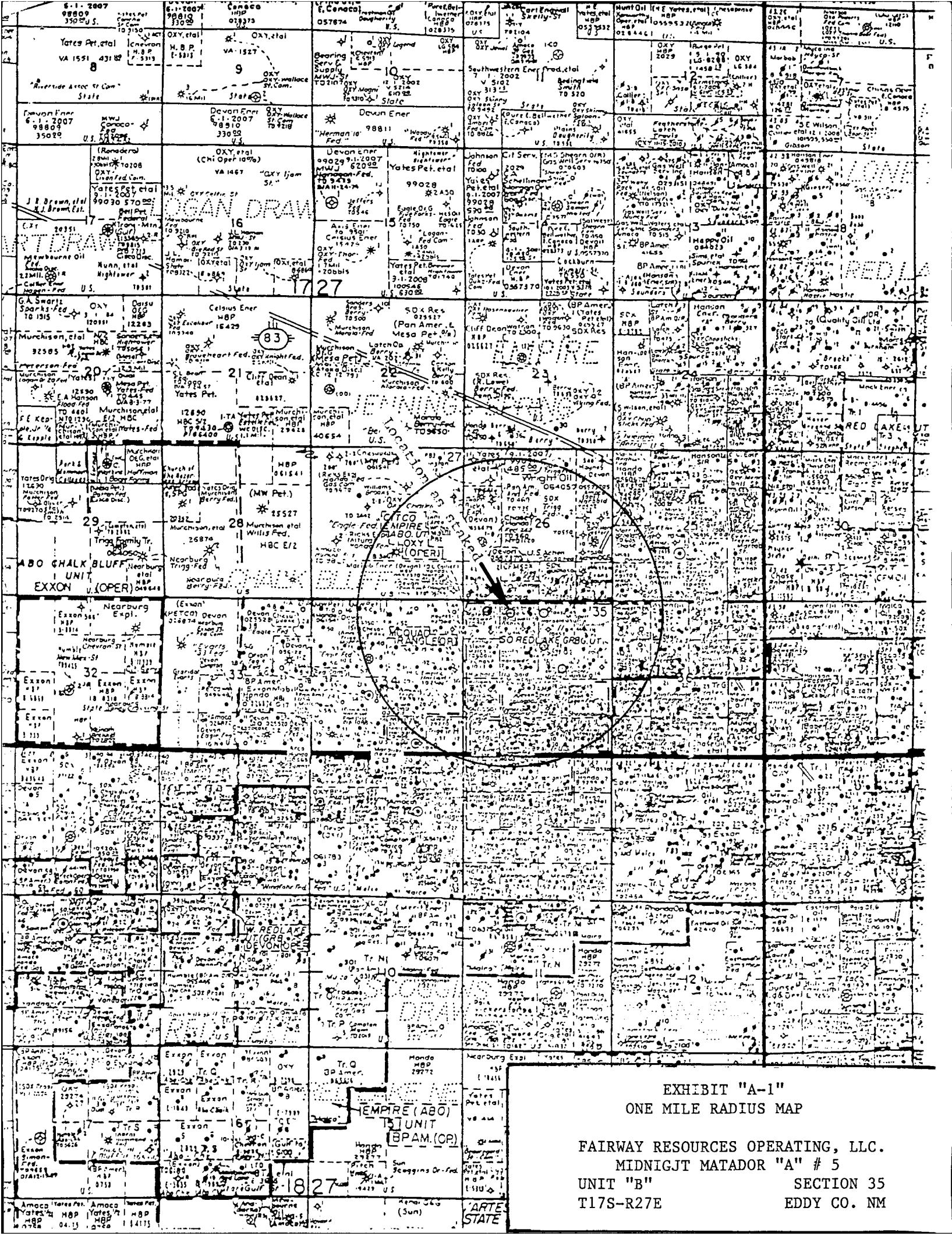
FAIRWAY RESOURCES OPERATING, LLC.
538 SILICON DRIVE SUITE 101
SOUTHLAKE, TEXAS 76092
MATT EAGLESTON 817-416-1949

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 knowledge, are true and correct, and that the work associated with the operations proposed herein will be performed by FAIRWAY RESOURCES OPERATING, LLC., it's contractors/subcontractors is in conformity with this plan and the terms and conditions under which it is approved. This statement is subject to the provisions of the U.S.C. 1001 for the filing of a false report.

NAME : Joe T. Janica

DATE : 04/03/07

TITLE : Agent



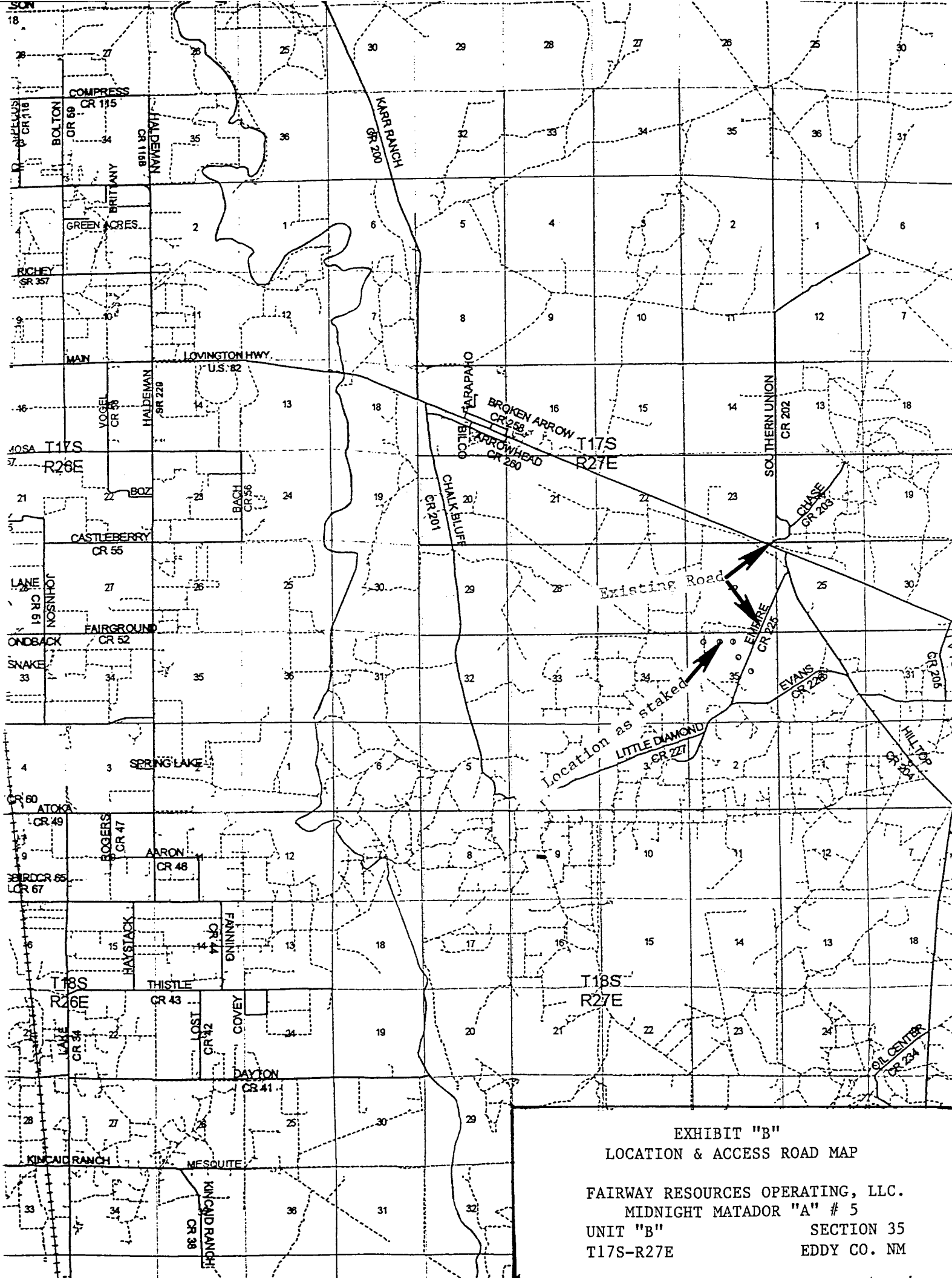


EXHIBIT "B"
LOCATION & ACCESS ROAD MAP

FAIRWAY RESOURCES OPERATING, LLC.
MIDNIGHT MATADOR "A" # 5
UNIT "B" SECTION 35
T17S-R27E EDDY CO. NM

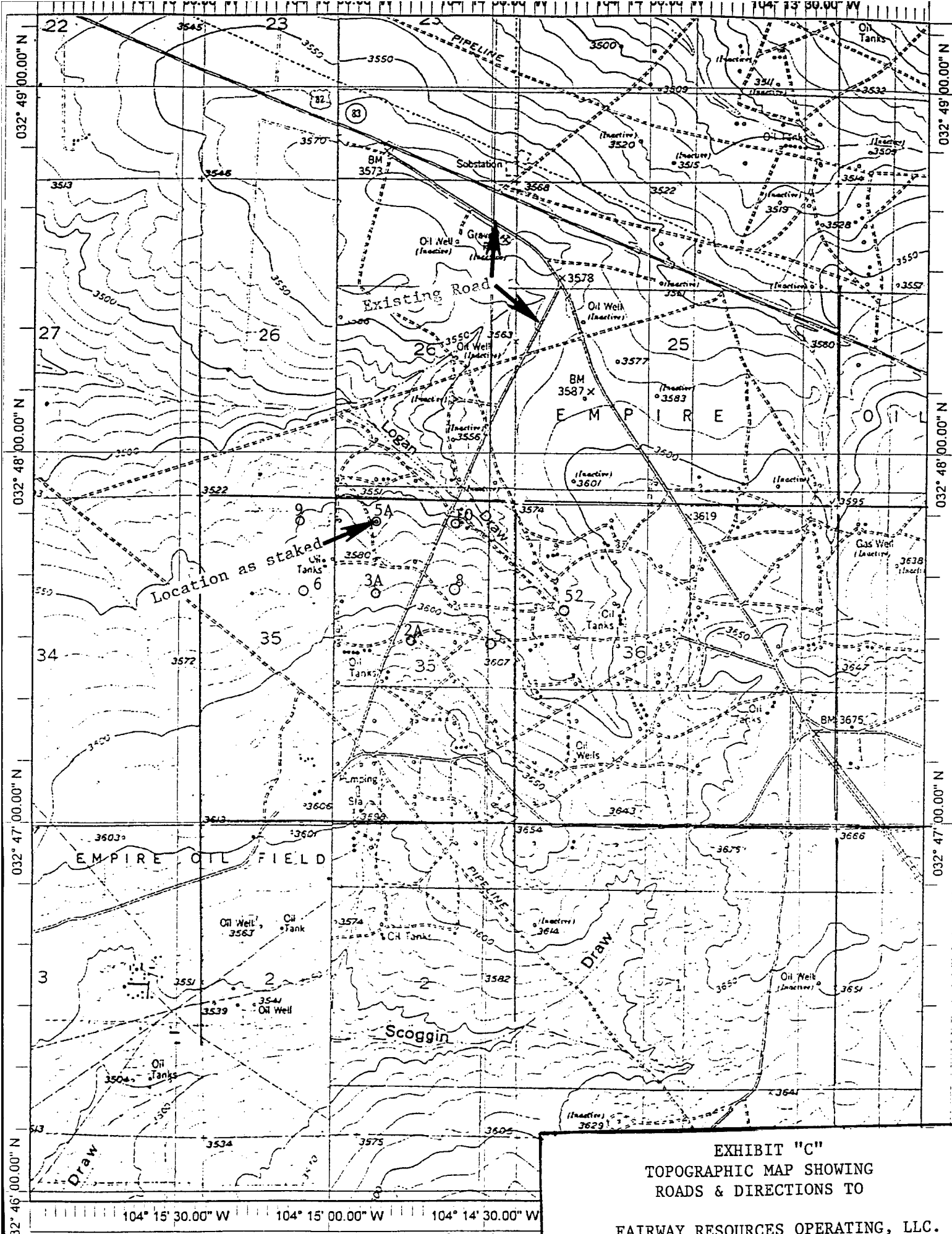


EXHIBIT "C"
TOPOGRAPHIC MAP SHOWING
ROADS & DIRECTIONS TO

FAIRWAY RESOURCES OPERATING, LLC.
MIDNIGHT MATADOR "A" # 5
UNIT "G" SECTION 35
T17S-R27E EDDY CO. NM

SPECIAL DRILLING STIPULATIONS

THE FOLLOWING DATA IS REQUIRED ON THE WELL SIGN

Operator's Name: **Fairway Resources Operating, LLC** Well Name & #: **Midnight Matador A No.5**
Location **330 F N L & 2290 F E L; Sec. 35, T.17 S., R. 27 E.**
Lease #: **LC-055561** County: **Eddy** State: **New Mexico**

The Special stipulations check marked below are applicable to the above described well and approval of this application to drill is conditioned upon compliance with such stipulations in addition to the General Requirements. The permittee should be familiar with the General Requirements, a copy of which is available from a Bureau of Land Management office. EACH PERMITTEE HAS THE RIGHT OF ADMINISTRATIVE APPEAL TO THESE STIPULATIONS PURSUANT TO TITLE 43 CFR 3165.3 AND 3165.4.

This permit is valid for a period of one year from the date of approval or until lease expiration or termination whichever is shorter.

I. SPECIAL ENVIRONMENT REQUIREMENTS

- () Lesser Prairie Chicken (stips attached) () Flood plain (stips attached)
() San Simon Swale (stips attached) (X) Other **See attached Cave/Karst Conditions Of Approval**

II. ON LEASE - SURFACE REQUIREMENTS PRIOR TO DRILLING

(X) The BLM will monitor construction of this drill site. Notify the (X) Carlsbad Field Office at (505) 234-5972 () Hobbs Office (505) 393-3612, at least 3 working days prior to commencing construction.

(X) Roads and the drill pad for this well must be surfaced with 6 inches of compacted caliche upon completion of well and it is determined to be a producer.

() All topsoil and vegetation encountered during the construction of the drill site area will be stockpiled and made available for resurfacing of the disturbed area after completion of the drilling operation. Topsoil on the subject location is approximately _____ inches in depth. Approximately _____ cubic yards of topsoil material will be stockpiled for reclamation.

(X) Other. **Reserve pits will be North with the V-door to the East**

III. WELL COMPLETION REQUIREMENTS

() A Communitization Agreement covering the acreage dedicated to the well must be filed for approval with the BLM. The effective date of the agreement must be prior to any sales.

(x) Surface Restoration: If the well is a producer, the reserve pit(s) will be backfilled when dry, and cut-and-fill slopes will be reduced to a slope of 3:1 or less. All areas of the pad not necessary for production must be re-contoured to resemble the original contours of the surrounding terrain, and topsoil must be re-distributed and re-seeded with a drill equipped with a depth indicator (set at depth of 1/2 inch) with the following seed mixture, in pounds of Pure Live Seed (PLS), per acre. If broadcasting, the seeding rate must be doubled.

(X) A. Seed Mixture 1 (Loamy Sites)

Side Oats Grama (*Bouteloua curtipendula*) 5.0
Sand Dropseed (*Sporobolus cryptandrus*) 1.0
Plains lovegrass (*Eragrostis intermedia*) 0.5

() B. Seed Mixture 2 (Sandy Sites)

Sand Dropseed (*Sporobolus crptandrus*) 1.0
Sand Lovegrass (*Eragrostis trichodes*) 1.0
Plains Bristlegrass (*Setaria magrostachya*) 2.0

() C. Seed Mixture 3 (Shallow Sites)

Side oats Grama (*Bouteloua curtipendula*) 5.0
Green Spangletop (*Leptochloa dubia*) 2.0
Plains Bristlegrass (*Setaria magrostachya*) 1.0

() D. Seed Mixture 4 (Gypsum Sites)

Alkali Sacaton (*Sporobolus airoides*) 1.0
Four-Wing Saltbush (*Atriplex canescens*) 5.0

() OTHER SEE ATTACHED SEED MIXTURE

Seeding should be done either late in the fall (September 15 - November 15, before freeze up, or early as possible the following spring to take advantage of available ground moisture.

Painting Requirement:

All above-ground structures including meter housing that are not subject to safety requirements shall be painted a flat non-reflective paint color, shale green, Munsell Soil Color Chart Number 5Y 4/2.

RESERVE PIT CONSTRUCTION STANDARDS

The reserve pit shall be constructed entirely in cut material and lined with 6-mil plastic.

Mineral material extracted from within the boundary of the APD during construction of the well pad and reserve pits and be used for the construction of this well pad and its immediate access road only, as long as that portion of the access road it is use on remains on-lease. Removal of any additional material from this location for construction or improvement of other well pads and other access or lease roads must first be purchased from BLM.

Reclamation: Reclamation of this type of deep pit will consist of pushing the pit walls into the pit when sufficiently dry to support track equipment. The pit liner is NOT TO BE RUPTURED to facilitate drying; a ten month period after completion of the well is allowed for drying of the pit contents.

The pit area must be contoured to the natural terrain with all contaminated drilling mud buried with at least 3 feet of clean soil. The reclaimed area will then be seeded as specified in this permit.

OPTIONAL PIT CONSTRUCTION STANDARDS

The reserve pit may be constructed in predominantly fill material if:

- (1) Lined as specified above and
- (2) A temporary or emergency pit may be constructed immediately adjacent to the reserve pit as long as the pit remains within the APD boundary. Mineral material removed from this pit may be used for the construction of this well pad only and its immediate access road, as long as that portion of the access road the material is used on remains on-lease. Removal of any material from the APD boundary for use on other well locations or roads must first be purchased from BLM.

Reclamation of the reserve pit consists of bulldozing all reserve pit contents and contaminants into the borrow pit and covering with a minimum of 3 feet of clean soil material. The entire area must be re-contoured, all trash removed, and reseeded as specified in this permit.

CULTURAL

Whether or not an archaeological survey has been completed and notwithstanding that operations are being conducted as approved, the lessee/operator/grantee shall notify the BLM immediately if previously unidentified cultural resources are observed during surface disturbing operations. From the time of the observation, the lessee/operator/grantee shall avoid operations that will result in disturbance to these cultural resources until directed to proceed by the BLM.

TRASH PIT STIPS

All trash, junk, and other waste material shall be contained in trash cages or bins to prevent scattering and will be removed and deposited in an approved sanitary landfill. Burial on site is not permitted.

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 than 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 # 5
Location: 330'FNL, 2290'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

BLM Serial #: LC-055561
Company Reference: Fairway Resources Operating, LLC
Well # & Name: Midnight Matador A No.5

STANDARD STIPULATIONS FOR PERMANENT RESOURCE ROADS
CARLSBAD FIELD OFFICE

A copy of the APD and attachments, including stipulations, survey plat and/or map, will be on location during construction. BLM personnel may request to you a copy of your permit during construction to ensure compliance with all stipulations.

The holder/grantee/permittee shall hereafter be identified as the holder in these stipulations. The Authorized Officer is the person who approves the Application for Permit to Drill (APD) and/or Right-of-Way (ROW).

GENERAL REQUIREMENTS

A. The holder shall indemnify the United States against any liability for damage to life or property arising from the occupancy or use of public lands under this grant.

B. The holder shall comply with all applicable Federal laws and regulations existing or hereafter enacted or promulgated. In any event, the holder shall comply with the Toxic Substances Control Act of 1976, as amended (15 U.S.C. 2601, *et. seq.*) with regard to any toxic substances that are used, generated by or stored on the right-of-way or on facilities authorized by this grant. (See 40 CFR, Part 702-799 and especially, provisions on polychlorinated biphenyls, 40 CFR 761.1-761.193.) Additionally, any release of toxic substances (leaks, spills, etc.) in excess of the reportable quantity established by 40 CFR, Part 117 shall be reported as required by the Comprehensive Environmental Response, Compensation and Liability Act, Section 102b. A copy of any report required or requested by any Federal agency or State government as a result of a reportable release or spill of any toxic substances shall be furnished to the Authorized Officer concurrent with the filing of the reports to the involved Federal agency or State government.

C. The holder agrees to indemnify the United States against any liability arising from the release of any hazardous substance or hazardous waste (as these terms are defined in the Comprehensive Environmental Response, Compensation and Liability Act of 1980, 42 U.S.C. 9601, *et. seq.* or the Resource Conservation and Recovery Act, 42 U.S.C. 6901, *et. seq.*) on the right-of-way (unless the release or threatened release is wholly unrelated to the right-of-way holder's activity on the right-of-way). This agreement applies without regard to whether a release is caused by the holder, its agent, or unrelated third parties.

D. If, during any phase of the construction, operation, maintenance, or termination of the road, any oil or other pollutant should be discharged, impacting Federal lands, the control and total removal, disposal, and cleaning up of such oil or other pollutant, wherever found, shall be the responsibility of the holder, regardless of fault. Upon failure of the holder to control, dispose of, or clean up such discharge on or affecting Federal lands, or to repair all

damages to Federal lands resulting there from the Authorized Officer may take such measures as deemed necessary to control and cleanup the discharge and restore the area, including, where appropriate, the aquatic environment and fish and wildlife habitats, at the full expense of the holder. Such action by the Authorized Officer shall not relieve the holder of any liability or responsibility.

E. The holder shall minimize disturbance to existing fences and other improvements on public domain surface. The holder is required to promptly repair improvements to at least their former state. Functional use of these improvements will be maintained at all times.

The holder will make a documented good-faith effort to contact the owner of any improvements prior to disturbing them. When necessary to pass through a fence line, the fence shall be braced on both sides of the passageway prior to cutting of the fence.

F. The Holder shall ensure that the entire right-of-way, including the driving surface, ditching and drainage control structures, road verges and any construction sites or zones, will be kept free of the following plant species: Malta starthistle, African rue, Scotch thistle and salt cedar. The Holder agrees to comply with the following stipulations:

1. ROAD WIDTH AND GRADE

The road will have a driving surface of 14 feet (all roads shall have a minimum driving surface of 12 feet, unless local conditions dictate a different width). The maximum grade is 10 percent unless the box below is checked. Maximum width of surface disturbance from construction will be 30 feet.

☒ Those segments of road where grade is in excess of 10% for more than 300 feet shall be designed by a professional engineer.

2. CROWNING AND DITCHING

Crowning with materials on site and ditching on one side of the road on the uphill side will be required. The road cross-section will conform to the cross section diagrams in Figure 1. If conditions dictate, ditching may be required for both sides of the road; if local conditions permit, a flat-bladed road may be considered (if these conditions exist, check the appropriate box below). The crown shall have a grade of approximately 2% (i.e., 1" crown on a 12' wide road).

☒ Ditching will be required on both sides of the roadway as shown on the attached map or as staked in the field.

3. DRAINAGE

Drainage control shall be ensured over the entire road through the use of borrow ditches, out-sloping, in-sloping, natural rolling topography, lead-off (turnout) ditches, culverts, and/or drainage dips.

A. All lead-off ditches shall be graded to drain water with a 1 percent minimum to 3 percent maximum ditch slope. The spacing interval for lead-off ditches shall be determined according to the following table, but may be amended depending upon existing soil types and centerline road slope (in %):

SPACING INTERVAL FOR TURNOUT DITCHES

Percent slope	Spacing interval
0% - 4%	400' - 150'
4% - 6%	250' - 125'
6% - 8%	200' - 100'
8% - 10%	150' - 75'

A typical lead-off ditch has a minimum depth of 1 foot below and a berm 6 inches above natural ground level. The berm will be on the down-slope side of the lead-off ditch. The ditch end will tie into vegetation whenever possible.

For this road the spacing interval for lead-off ditches shall be at 400 foot intervals.

B. Culvert pipes shall be used for cross drains where drainage dips or low water crossings are not feasible. The minimum culvert diameter must be 18 inches. Any culvert pipe installed shall be of sufficient diameter to pass the anticipated flow of water. Culvert location and required diameter are shown on the attached map (Further details can be obtained from the Roswell District Office or the appropriate Resource Area Office).

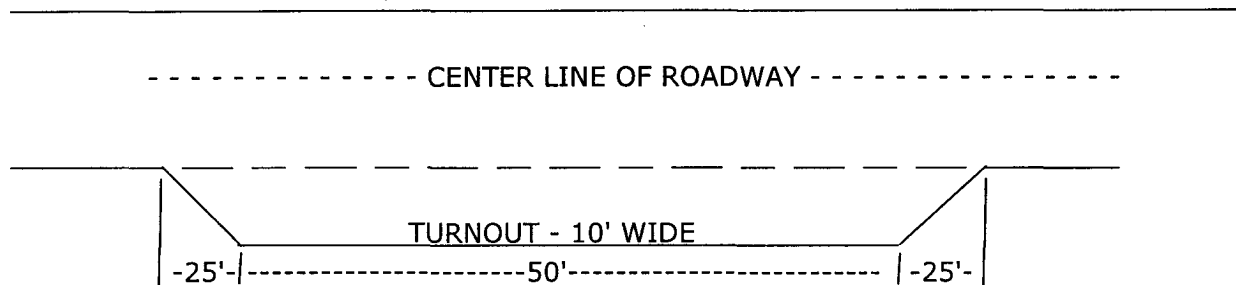
C. On road slopes exceeding 2%, drainage dips shall drain water into an adjacent lead-off ditch. Drainage dip location and spacing shall be determined by the formula:

$$\text{spacing interval} = \frac{400'}{\text{road slope in \%}} + 100'$$

Example: 4% slope: spacing interval = $\frac{400}{4} + 100 = 200$ feet

4. TURNOUTS

Unless otherwise approved by the Authorized Officer, vehicle turnouts will be required. Turnouts will be located at 2000-foot intervals, or the turnouts will be intervisible, whichever is less. Turnouts will conform to the following diagram:



STANDARD TURNOUT - PLAN VIEW

5. SURFACING

Surfacing of the road or those portions identified on the attached map may, at the direction of the Authorized Officer, be required, if necessary, to maintain traffic within the right-of-way with caliche, gravel, or other surfacing material which shall be approved by the Authorized Officer. When surfacing is required, surfacing materials will be compacted to a minimum thickness of six inches with caliche material. The width of surfacing shall be no less than the driving surface. Prior to using any mineral materials from an existing or proposed Federal source, authorization must be obtained from the Authorized Officer.

A sales contract for the removal of mineral materials (caliche, sand, gravel, fill dirt, etc.) from an authorized pit, site, or on location must be obtained from the BLM prior to using any such mineral material from public lands. Contact the BLM solid minerals staff for the various options to purchase mineral material.

6. CATTLEGUARDS

Where used, all cattleguard grids and foundation designs and construction shall meet the American Association of State Highway and Transportation Officials (AASHTO) Load Rating H-20, although AASHTO U-80 rated grids shall be required where heavy loads (exceeding H-20 loading), are anticipated (See BLM standard drawings for cattleguards). Cattleguard grid length shall not be less than 8 feet and width of not less than 14 feet. A wire gate (16-foot minimum width) will be provided on one side of the cattleguard unless requested otherwise by the surface user.

7. MAINTENANCE

The holder shall maintain the road in a safe, usable condition. A maintenance program shall include, but not be limited to blading, ditching, culvert installation, culvert cleaning, drainage installation, cattleguard maintenance, and surfacing.

8. PUBLIC ACCESS

Public access along this road will not be restricted by the holder without specific written approval being granted by the Authorized Officer. Gates or cattleguards on public lands will not be locked or closed to public use unless closure is specifically determined to be necessary and is authorized in writing by the Authorized Officer.

9. CULTURAL RESOURCES

Any cultural and/or paleontological resource (historic or prehistoric site or object) discovered by the holder, or any person working on the holder's behalf, on public or Federal land shall be immediately reported to the authorized officer. The holder shall suspend all operations in the immediate area of such discovery until written authorization to proceed is issued by the authorized officer. An evaluation of the discovery will be made by the authorized officer to determine appropriate actions to prevent the loss of significant cultural or scientific values. The holder will be responsible for the cost of evaluation and any decision as to the proper mitigation measures will be made by the authorized officer after consulting with the holder.