Form 3160-3
(July 1992)

SUBMIT IN TRIPLICATE*
(Other instructions on reverse side)

FORM APPROVED
OMB NO. 1004-0136
Expires: February 28, 1995

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

APPLICATION FOR PERMIT TO DRILL OR DEEPEN

5. LEASE DESIGNATION AND SERIAL NO.: NM 81219

6. IF INDIAN, ALLOTTEE OR TRIBE NAME:

7. UNIT AGREEMENT NAME: 16775

8. FARM OR LEASE NAME, WELL NO.: Old Ranch Canyon "7" Fed #3

9. API WELL NO.: 30-015-31152

10. FIELD AND POOL, OR WILDCAT: Indian Basin (Upper Penn)

11. SEC., T., R., M., OR BLK. AND SURVEY OR AREA: Sec. 7, T-22-S, R-24-E

1a. TYPE OF WORK: DRILL ☒ DEEPEN ☐

b. TYPE OF WELL: OIL WELL ☐ GAS WELL ☒ OTHER — SINGLE ZONE ☐ MULTIPLE ZONE ☐

2. NAME OF OPERATOR: Santa Fe Snyder Corp.

3. ADDRESS AND TELEPHONE NO.: 550 W. Texas, Suite 1330; Midland, Texas 79701 (915)682-6373

4. LOCATION OF WELL (Report location clearly and in accordance with any State requirements.*)
At surface: (F) 1549' FNL & 1498' FWL
At proposed prod. zone: (H) 1980' FNL & 990' FEL

APR 2000 RECEIVED OCD - ARTESIA

14. DISTANCE IN MILES AND DIRECTION FROM NEAREST TOWN OR POST OFFICE*: 16 3/4 miles west of Carlsbad, New Mexico

12. COUNTY OR PARISH: Eddy — 13. STATE: New Mexico

15. DISTANCE FROM PROPOSED* LOCATION TO NEAREST PROPERTY OR LEASE LINE, FT. (Also to nearest drlg. unit line, if any)	16. NO. OF ACRES IN LEASE	17. NO. OF ACRES ASSIGNED TO THIS WELL
990'	640	320
18. DISTANCE FROM PROPOSED LOCATION* TO NEAREST WELL, DRILLING, COMPLETED, OR APPLIED FOR, ON THIS LEASE, FT.	**19. PROPOSED DEPTH**	**20. ROTARY OR CABLE TOOLS**
1650'	8500'	Rotary

21. ELEVATIONS (Show whether DF, RT, GR, etc.): 3996' GR

22. APPROX. DATE WORK WILL START*: March 20, 2000

23. PROPOSED CASING AND CEMENTING PROGRAM

CARLSBAD CONTROLLED WATER BASIN

SIZE OF HOLE	GRADE, SIZE OF CASING	WEIGHT PER FOOT	SETTING DEPTH	QUANTITY OF CEMENT
12 3/4"	K-55 9 5/8"	36#	1600'	775 sx to circulate
8 3/4"	K-55 7"	26#	8500'	400 sx TOC @ 6000'

WITNESS

We propose to drill to a depth sufficient to test the Cisco/Canyon formation for oil. If productive, 7" casing will be run to TD. if non-productive, the well will be plugged and in a manner consistent with Federal Regulations. Specific programs as per Onshore Oil and Gas Order No. 1 are outlined in the following attachments:

Drilling Program
- Exhibit A - Operations Plan
- Exhibit B - BOP and Choke Schematic
- Exhibit C - Drilling Fluid Program
- Exhibit D - Auxiliary Equipment
- Exhibit E - Topo Map at Location
- Exhibit F - [illegible]
- Exhibit G - Well Site Layout
- Surface Use and Operations Plan
- H2S Drilling Operations Plan

Notify OCD at SPUD & TIME to witness cementing the 9 5/8" casing.

Santa Fe Snyder Corp. accepts all applicable terms, conditions, stipulations and restrictions concerning operations conducted on the leased land or portion thereof, as described above.

APPROVAL SUBJECT TO GENERAL REQUIREMENTS AND SPECIAL STIPULATIONS

Bond Coverage: Blanket Bond — BLM Bond File No. UT-0855

IN ABOVE SPACE DESCRIBE PROPOSED PROGRAM: If proposal is to deepen, give data on present productive zone and proposed new productive zone. If proposal is to drill or deepen directionally, give pertinent data on subsurface locations and measured and true vertical depths. Give blowout preventer program, if any.

24.

SIGNED James F. Phillippi Stinson — TITLE Agent for Santa Fe Snyder Corp. — DATE 2-28-00

(This space for Federal or State office use)

PERMIT NO. _____ APPROVAL DATE _____

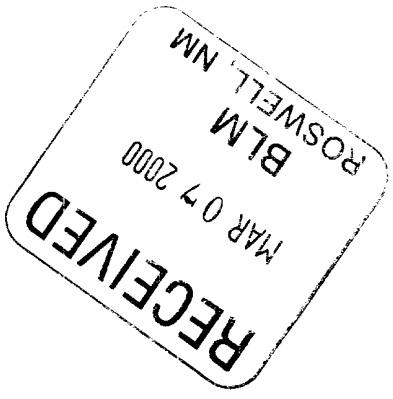
Application approval does not warrant or certify that the applicant holds legal or equitable title to those rights in the subject lease which would entitle the applicant to conduct operations thereon.

CONDITIONS OF APPROVAL, IF ANY:

APPROVED BY _____ TITLE Assistant Field Manager, Lands And Minerals — DATE APR 17 2000

*See Instructions On Reverse Side

Title 18 U.S.C. Section 1001, makes 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.


RECEIVED
MAR 07 2000
BLM
ROSWELL, NM

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

rgy, Minerals, and Natural Resources Department

Revised 02-10-94
Instructions on back

Submit to the Appropriate District Office
State Lease - 4 copies
Fee Lease - 3 copies

DISTRICT II
P. O. Drawer DD
Artesia, NM 88211-0719

DISTRICT III
1000 Rio Brazos Rd.
Aztec, NM 87410

DISTRICT IV
P. O. Box 2088
Santa Fe, NM 87507-2088

OIL CONSERVATION DIVISION
P. O. Box 2088
Santa Fe, New Mexico 87504-2088

☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

¹ API Number	² Pool Code	³ Pool Name
		Indian Basin (Upper Penn)

⁴ Property Code	⁵ Property Name	⁶ Well Number
	OLD RANCH CANYON "7" FEDERAL	3

⁷ OGRID No.	⁸ Operator Name	⁹ Elevation
20305	SANTA FE SNYDER CORPORATION	3996'

¹⁰ SURFACE LOCATION

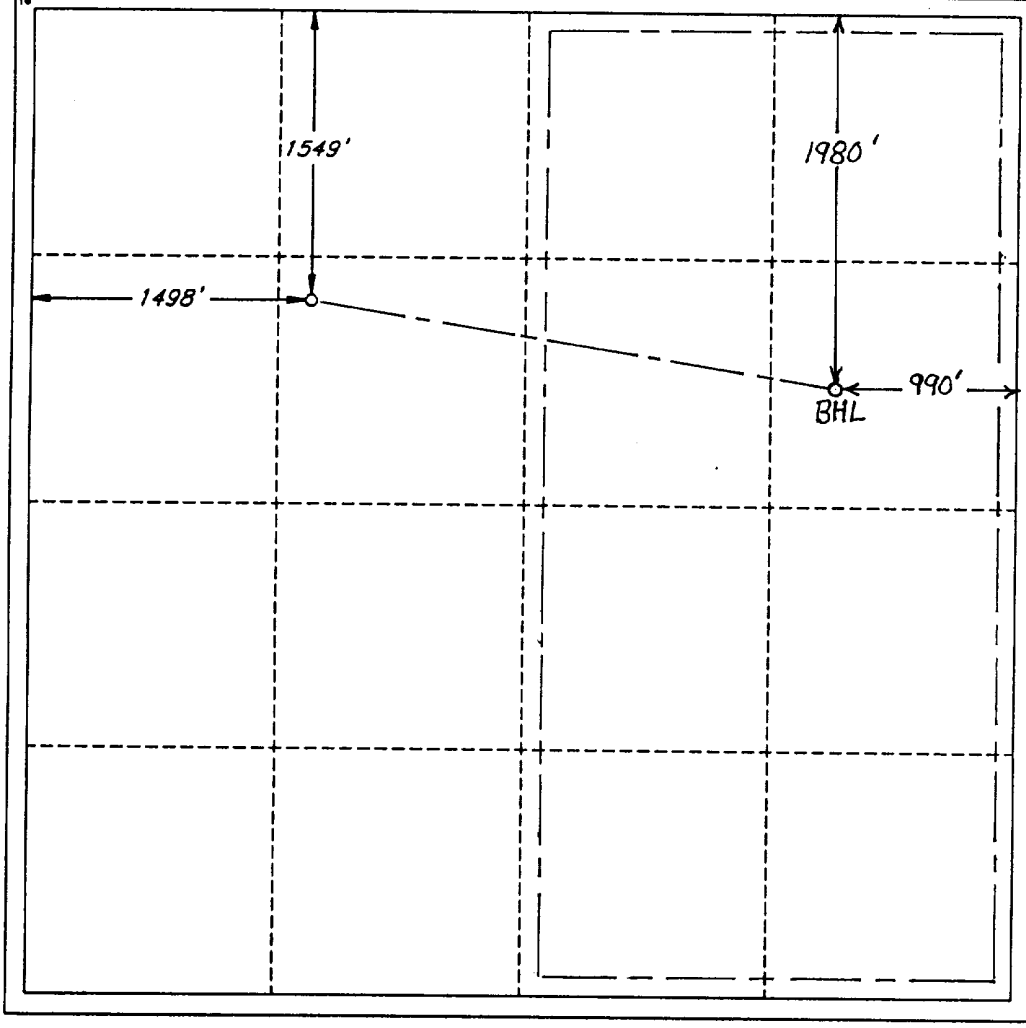
UL or lot no.	Section	Township	Range	Lot Ida	Feet from the	North/South line	Feet from the	East/West line	County
F	7	22 SOUTH	24 EAST, N.M.P.M.		1549'	NORTH	1498'	WEST	EDDY

"BOTTOM HOLE LOCATION IF DIFFERENT FROM SURFACE

UL or lot no.	Section	Township	Range	Lot Ida	Feet from the	North/South line	Feet from the	East/West line	County
H	7	22 South	24 East, NMPM		1980	North	990	East	

¹² Dedicated Acres	¹³ Joint or Infill	¹⁴ Consolidation Code	¹⁵ Order No.

NO ALLOWABLE WELL 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.

Signature: James P. "Phil" Stinson

Printed Name: James P. "Phil" Stinson

Title: Agent for Santa Fe Snyder

Date: 2-28-00

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 of Survey: FEBRUARY 8, 2000

Signature and Seal of Professional Surveyor:

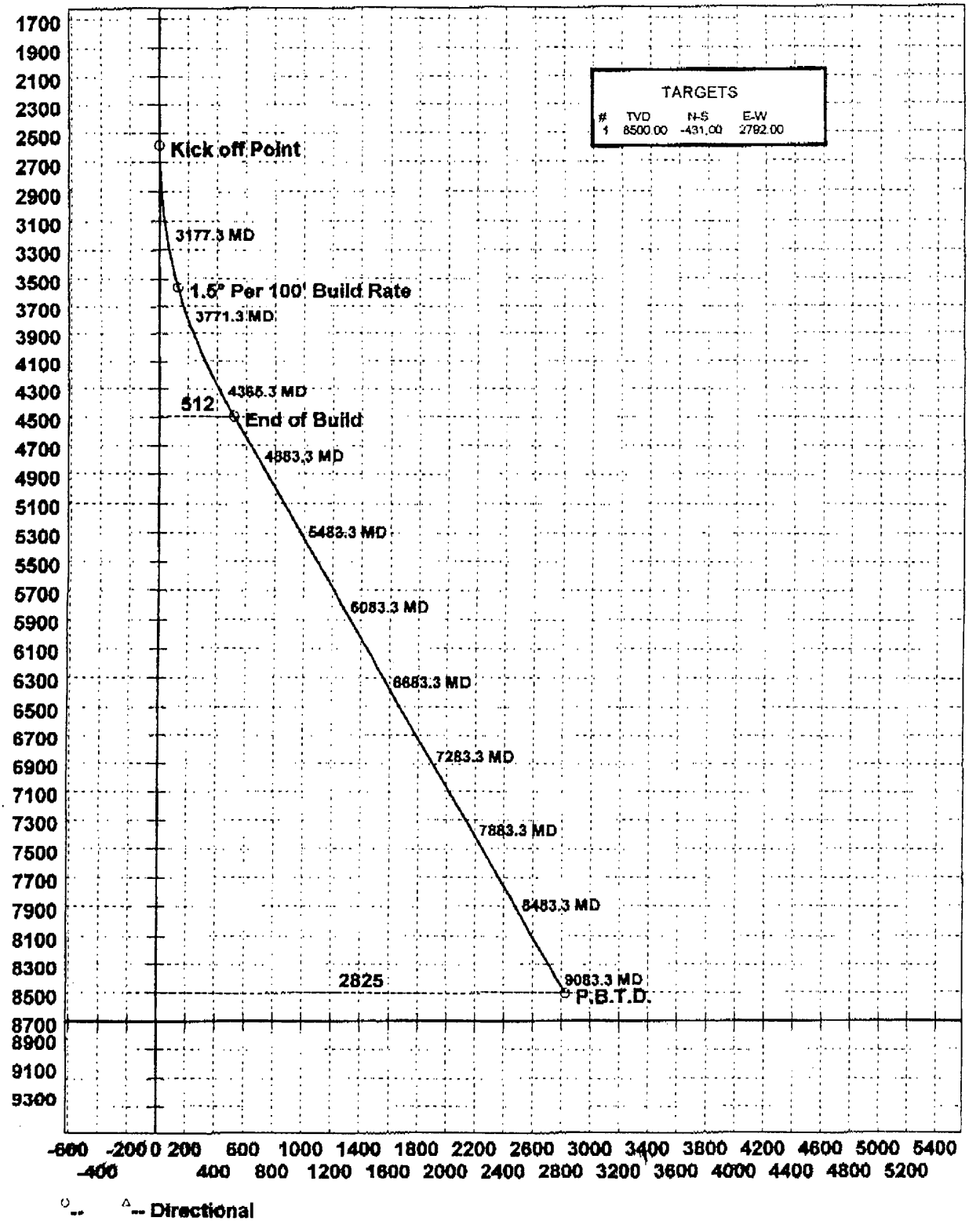
STATE OF NEW MEXICO
V. LYNN BEZNER
7920
REGISTERED PROFESSIONAL LAND SURVEYOR

Certificate No. V. LYNN BEZNER NMPS #7920

JOB #6350 LANE / V.H.B.

Company: Santa Fe / Snyder
Lease/Well: Old Ranch Canyon 7 Fed. #3
Location: Eddy Co.
State/Country: New Mexico
Declination: 9.8° East

Dailey International Inc.



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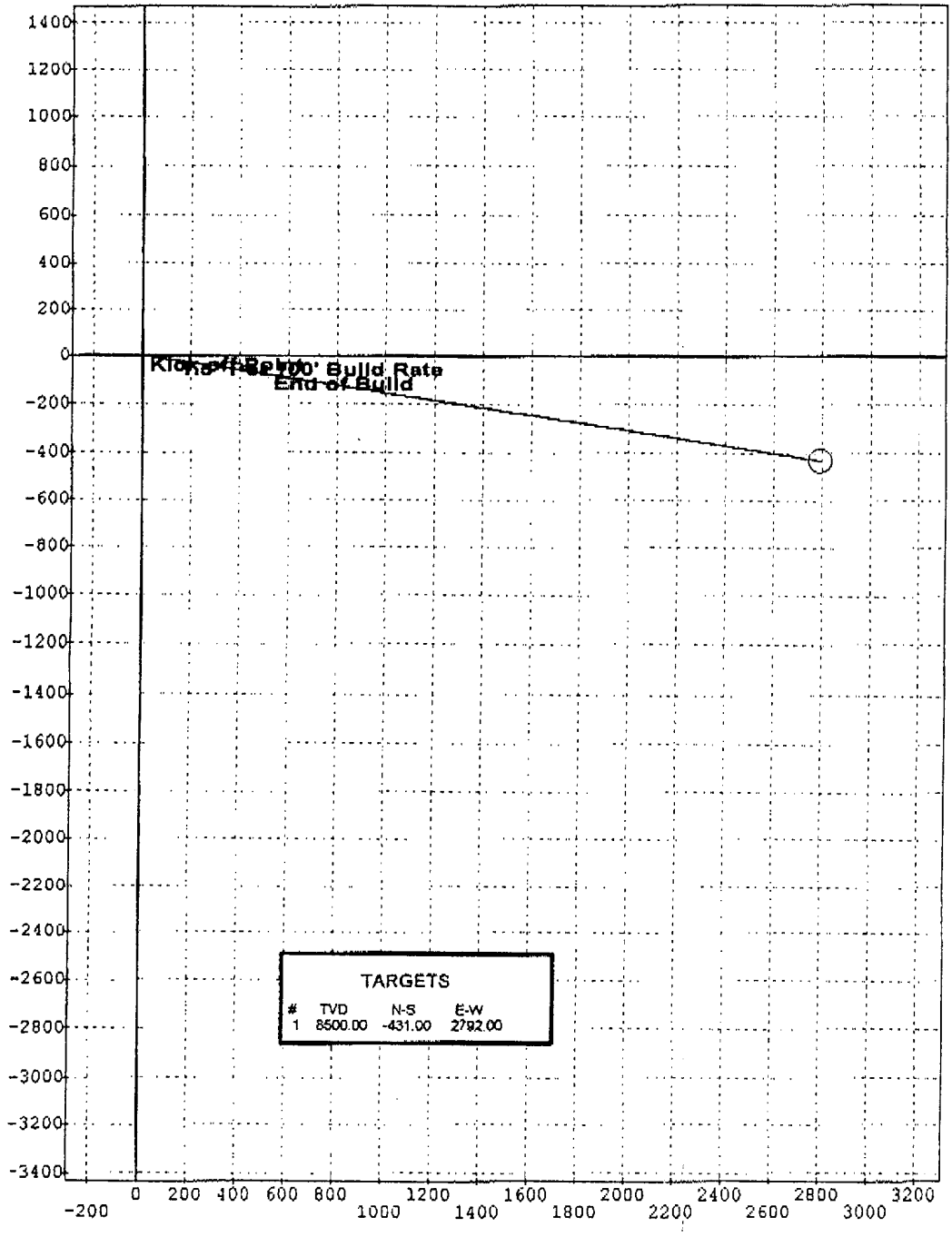


-- Directional

Dailey International Inc.

Job Number: Sec. 7 T22S R24E
Company: Santa Fe / Snyder
Lease/Well: Old Ranch Canyon 7 Fed. #3
Location: Eddy Co.
Rig Name:
RKB:
G.L. or M.S.L.:

State/Country: New Mexico
Declination: 9.8° East
Grid: True
File name: C:\WINSERVE\SANTAF~1\OLDRAN3.SVY
Date/Time: 16-Feb-00 / 13:59
Curve Name: Directional

Daily International Inc.
Midland, Texas

WINSERVE SURVEY CALCULATIONS
Minimum Curvature Method
Vertical Section Plane 98.78
Vertical Section Referenced to Wellhead
Rectangular Coordinates Referenced to Wellhead

Measured Depth FT	Incl Angle Deg	Drift Direction Deg	True Vertical Depth	N-S FT	E-W FT	Vertical Section FT	CLOSURE Distance FT	CLOSURE Direction Deg	Dogleg Severity Deg/100
Kick off Point									
2583.34	.00	98.78	2583.34	.00	.00	.00	.00	.00	.00
2682.34	1.49	98.78	2682.33	-.20	1.27	1.28	1.28	98.77	1.50
2781.34	2.97	98.78	2781.25	-.78	5.07	5.13	5.13	98.78	1.50
2880.34	4.46	98.78	2880.04	-1.76	11.41	11.54	11.54	98.78	1.50
2979.34	5.94	98.78	2978.83	-3.13	20.27	20.51	20.51	98.78	1.50
3078.34	7.43	98.78	3076.96	-4.89	31.66	32.03	32.03	98.78	1.50
3177.34	8.91	98.78	3174.96	-7.03	45.55	46.09	46.08	98.78	1.50
3276.34	10.40	98.78	3272.55	-9.56	61.96	62.69	62.69	98.78	1.50
3375.34	11.88	98.78	3369.68	-12.48	80.86	81.81	81.81	98.78	1.50
3474.34	13.37	98.78	3466.29	-15.78	102.24	103.45	103.45	98.78	1.50
1.5° Per 100' Build Rate									
3573.34	14.86	98.78	3562.30	-19.46	126.08	127.58	127.58	98.78	1.50
3672.34	16.34	98.78	3657.65	-23.52	152.38	154.19	154.19	98.78	1.50
3771.34	17.82	98.78	3752.28	-27.96	181.11	183.26	183.26	98.78	1.50
3870.34	19.31	98.78	3846.13	-32.77	212.26	214.77	214.77	98.78	1.50
3969.34	20.79	98.78	3939.13	-37.94	245.80	248.71	248.71	98.78	1.50
4068.34	22.28	98.78	4031.22	-43.49	281.71	285.05	285.05	98.78	1.50
4167.34	23.76	98.78	4122.33	-49.39	319.97	323.76	323.76	98.78	1.50
4200.34	25.25	98.78	4212.41	-55.66	360.54	364.81	364.81	98.78	1.50

Measured Depth FT	Incl Angle Deg	Drift Direction Deg	True Vertical Depth	N-S FT	E-W FT	Vertical Section FT	CLOSURE Distance FT	CLOSURE Direction Deg	Dogleg Severity Deg/100
4365.34	28.73	98.78	4301.40	-62.27	403.41	408.19	408.19	98.78	1.50
4464.34	28.22	98.78	4389.24	-69.24	448.66	453.86	453.86	98.78	1.50
4563.34	29.70	98.78	4475.86	-76.55	495.92	501.79	501.79	98.78	1.50
End of Build									
4583.34	30.00	98.78	4493.20	-78.07	505.75	511.75	511.75	98.78	1.50
4683.34	30.00	98.78	4579.81	-85.70	555.17	561.75	561.75	98.78	.00
4783.34	30.00	98.78	4666.41	-93.33	604.58	611.75	611.75	98.78	.00
4883.34	30.00	98.78	4753.01	-100.95	654.00	661.75	661.75	98.78	.00
4983.34	30.00	98.78	4839.61	-108.59	703.41	711.75	711.75	98.78	.00
5083.34	30.00	98.78	4926.22	-116.21	752.83	761.75	761.75	98.78	.00
5183.34	30.00	98.78	5012.82	-123.84	802.24	811.75	811.75	98.78	.00
5283.34	30.00	98.78	5099.42	-131.47	851.66	861.75	861.75	98.78	.00
5383.34	30.00	98.78	5186.02	-139.10	901.07	911.75	911.75	98.78	.00
5483.34	30.00	98.78	5272.63	-146.73	950.49	961.75	961.75	98.78	.00
5583.34	30.00	98.78	5359.23	-154.35	999.90	1011.75	1011.75	98.78	.00
5683.34	30.00	98.78	5445.83	-161.98	1049.32	1061.75	1061.75	98.78	.00
5783.34	30.00	98.78	5532.43	-169.61	1098.73	1111.75	1111.75	98.78	.00
5883.34	30.00	98.78	5619.04	-177.24	1148.15	1161.75	1161.75	98.78	.00
5983.34	30.00	98.78	5705.64	-184.87	1197.56	1211.75	1211.75	98.78	.00
6083.34	30.00	98.78	5792.24	-192.50	1246.98	1261.75	1261.75	98.78	.00
6183.34	30.00	98.78	5878.84	-200.12	1296.39	1311.75	1311.75	98.78	.00
6283.34	30.00	98.78	5965.45	-207.76	1345.80	1361.75	1361.75	98.78	.00
6383.34	30.00	98.78	6052.05	-215.38	1395.22	1411.75	1411.75	98.78	.00
6483.34	30.00	98.78	6138.65	-223.01	1444.63	1461.75	1461.75	98.78	.00
6583.34	30.00	98.78	6225.25	-230.64	1494.05	1511.75	1511.75	98.78	.00
6683.34	30.00	98.78	6311.86	-238.26	1543.46	1561.75	1561.75	98.78	.00
6783.34	30.00	98.78	6398.46	-245.89	1592.88	1611.75	1611.75	98.78	.00
6883.34	30.00	98.78	6485.06	-253.52	1642.29	1661.75	1661.75	98.78	.00
6983.34	30.00	98.78	6571.66	-261.15	1691.71	1711.75	1711.75	98.78	.00
7083.34	30.00	98.78	6658.27	-268.78	1741.12	1761.75	1761.75	98.78	.00
7183.34	30.00	98.78	6744.87	-276.40	1790.54	1811.75	1811.75	98.78	.00
7283.34	30.00	98.78	6831.47	-284.03	1839.95	1861.75	1861.75	98.78	.00
7383.34	30.00	98.78	6918.07	-291.66	1889.37	1911.75	1911.75	98.78	.00
7483.34	30.00	98.78	7004.68	-299.29	1938.78	1961.75	1961.75	98.78	.00
7583.34	30.00	98.78	7091.28	-306.92	1988.20	2011.75	2011.75	98.78	.00
7683.34	30.00	98.78	7177.88	-314.55	2037.61	2061.75	2061.75	98.78	.00
7783.34	30.00	98.78	7264.48	-322.17	2087.02	2111.75	2111.75	98.78	.00
7883.34	30.00	98.78	7351.09	-329.80	2136.44	2161.75	2161.75	98.78	.00
7983.34	30.00	98.78	7437.69	-337.43	2185.85	2211.75	2211.75	98.78	.00
8083.34	30.00	98.78	7524.29	-345.06	2235.27	2261.75	2261.75	98.78	.00
8183.34	30.00	98.78	7610.89	-352.69	2284.68	2311.75	2311.75	98.78	.00
8283.34	30.00	98.78	7697.50	-360.31	2334.10	2361.75	2361.75	98.78	.00

Measured Depth FT	Incl Angle Deg	Drift Direction Deg	True Vertical Depth	N-S FT	E-W FT	Vertical Section FT	CLOSURE Distance FT	CLOSURE Direction Deg	Dogleg Severity Deg/100
8383.34	30.00	98.78	7784.10	-367.94	2383.51	2411.75	2411.75	98.78	.00
8483.34	30.00	98.78	7870.70	-375.57	2432.93	2461.75	2461.75	98.78	.00
8583.34	30.00	98.78	7957.30	-383.20	2482.34	2511.75	2511.75	98.78	.00
8683.34	30.00	98.78	8043.91	-390.83	2531.76	2561.75	2561.75	98.78	.00
8783.34	30.00	98.78	8130.51	-398.45	2581.17	2611.75	2611.75	98.78	.00
8883.34	30.00	98.78	8217.11	-406.08	2630.59	2661.75	2661.75	98.78	.00
8983.34	30.00	98.78	8303.71	-413.71	2680.00	2711.75	2711.75	98.78	.00
9083.34	30.00	98.78	8390.32	-421.34	2729.42	2761.75	2761.75	98.78	.00
9183.34	30.00	98.78	8476.92	-428.97	2778.83	2811.75	2811.75	98.78	.00
P.B.T.D.									
9209.99	30.00	98.78	8500.00	-431.00	2792.00	2825.07	2825.07	98.78	.00

DRILLING PROGRAM

SANTA FE SNYDER CORP.

OLD RANCH CANYON "7" FED #3

In conjunction with Form 3160-3, Application to Drill the subject well, Santa Fe Snyder Corp. submits the following ten items of pertinent information in accordance with Onshore Oil & Gas Order No. 1.

1. **Geologic Name of Surface Formation:** Alluvium

2. **Estimated Tops of Significant Geologic Markers:**

San Andres	980'
Glorieta	2520'
Bone Spring	4550'
Wolfcamp	7095'
Cisco	7760'
Canyon	8260'
Total Depth	8500'

3. **The estimated depths at which water, oil or gas formations are expected:**

Water	None expected in area
Oil/Gas/Water	Cisco/Canyon 7800'- 8300'

4. **Proposed Casing Program:** See Form 3160-3 and Exhibit A

5. **Pressure Control Equipment:** See Exhibit B

6. **Drilling Fluid Program:** See Exhibit C

7. **Auxiliary Equipment:** A mud logging unit will be utilized to monitor penetration rate and hydrocarbon shows while drilling below the intermediate casing at 2500'.

8. **Testing, Logging and Coring Program:**

   Drill Stem Tests: (all DST's to be justified on the basis of valid show of oil or gas):

   No Drill Stem Tests are planned.

   Logging:

Dual Laterolog W/MSFL and Gamma Ray	1600'- 8500'
Compensated Neutron/Litho-Density/Gamma Ray	1600'- 8500'
Compensated Neutron/Gamma Ray (thru csg)	Surface-1600'

   Coring: No conventional cores are planned.

9. **Abnormal Conditions, Pressures, Temperatures & Potential Hazards:**

No abnormal pressures or temperatures are anticipated. The estimated bottom hole temperature is 130 degrees Fahrenheit and the estimated bottom hole pressure is 2500 psi. A Blow Out Preventer System as outlined in Exhibit B will be utilized should the need arise to shut the well in prior to running and cementing production casing. The Cisco/Canyon zones are our primary objectives. The zones are hydrogen sulfide productive in the area. Our plan is to have everyone on location trained in H_2S safety procedures and install monitors and Scott Air Packs at strategic locations around the rig by 7000', prior to encountering the Cisco/Canyon. It is our understanding that H_2S is only detected in the area whenever the reservoir fluids are produced up the wellbore. Our drilling fluid hydrostatic head will prevent fluid entry due to the reservoir being overbalanced. We will have a rotating head installed and monitors operational during the drilling of the Cisco/Canyon zone. Due to the remote location of this drillsite, H_2S warning signs will be placed prior to entry of the drillsite, a public protection plan is not required for this location.

10. **Anticipated Starting Date and Duration of Operations:**

Road and location work will not begin until approval has been received from the B.L.M. The anticipated spud date is March 20, 2000. Once spudded, the drilling operation should be completed in approximately 20 days. If the well is productive, an additional 30 days will be required for completion and testing before permanent facilities are installed.

OPERATIONS PLAN

SANTA FE SNYDER CORP.

OLD RANCH CANYON "7" FED #3

1. Drill a 12 3/4" hole to approximately 1600'.

2. Run 9 5/8" 36.0 ppf K-55 ST&C casing. Cement with 775 sx Class "C" cement containing 2% $CaCl_2$. Run centralizers on every other joint above the shoe. Apply thread lock to bottom two joints and guide shoe.

3. Wait on cement for six hours prior to cutting off.

4. Nipple up and install a 3000 psi. Double Ram and Annular BOP system with choke manifold. WOC 18 hours prior to drilling out.

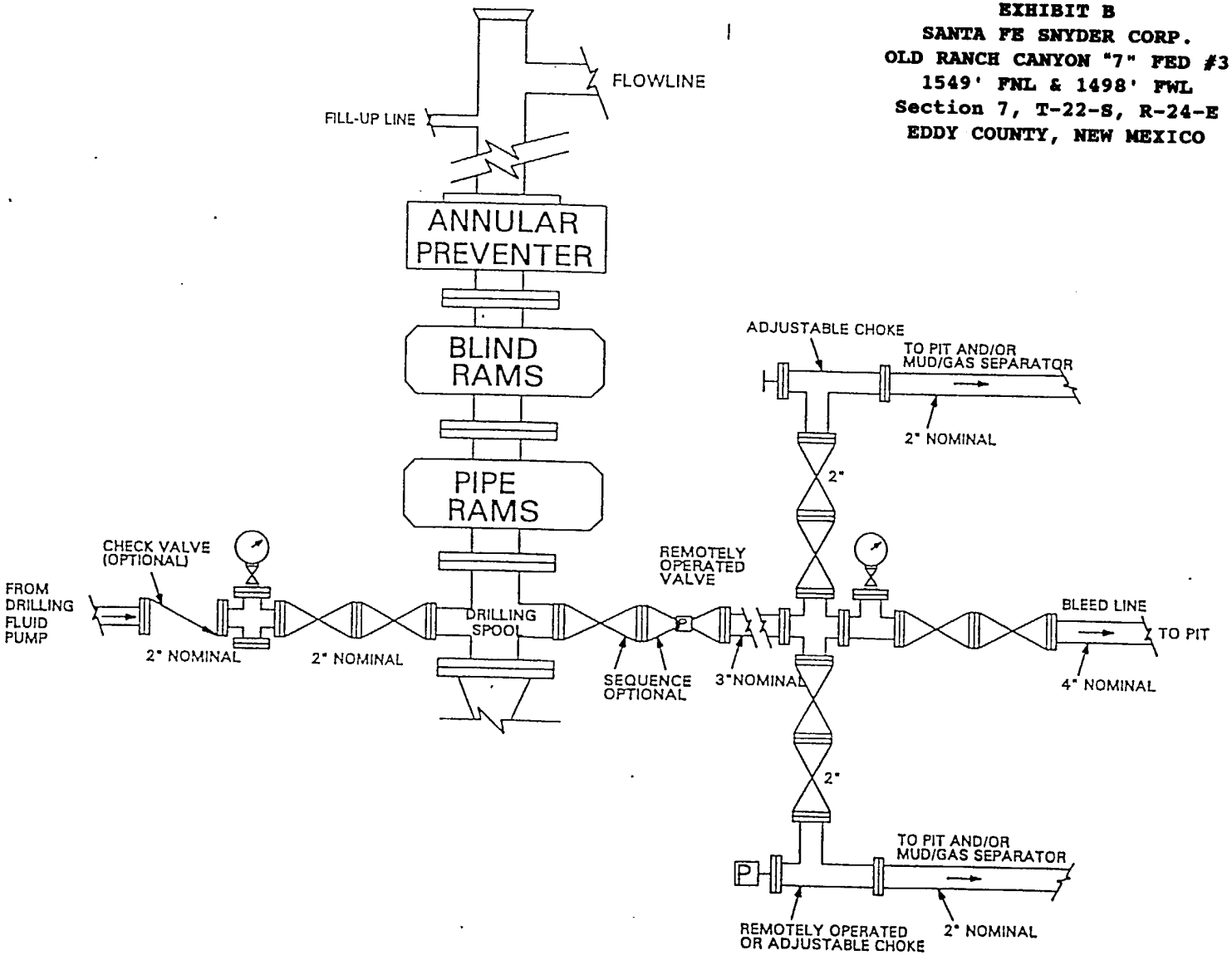
5. Test BOP system to 1500 psi with the rig pump. Test casing to 1500 psi.

6. Drill 8 3/4" hole to 8500'. Run logs.

7. Either run and cement 8500' of 7" 26.0 PPF LT&C casing or plug and abandon as per BLM requirements.

Exhibit "A"
SANTA FE SNYDER CORP.
Old Ranch Canyon "7" Fed #3
Section 7, T-22-S, R-24-E
Eddy County, New Mexico

EXHIBIT B
SANTA FE SNYDER CORP.
OLD RANCH CANYON "7" FED #3
1549' FNL & 1498' FWL
Section 7, T-22-S, R-24-E
EDDY COUNTY, NEW MEXICO



PROPOSED DRILLING FLUID PROGRAM

0 - 1600'

Spud with air-air mist to 1600' if possible. If it becomes necessary to mud up due to hole conditions, utilize a fresh water gel system. Use ground paper for seepage control and to sweep the hole. MW-8.5 ppg and vis-40.

1600 - 8500'

Drill out with fresh water circulating the reserve pit. Maintain pH at 8.5-9.5 with caustic and sweep the hole as necessary with ground paper. If it becomes necessary to mud up due to hole conditions, utilize a fresh water/Drispac system for 15-20 WL and a Vis of 30-32. MW-8.3/8.5 ppg.

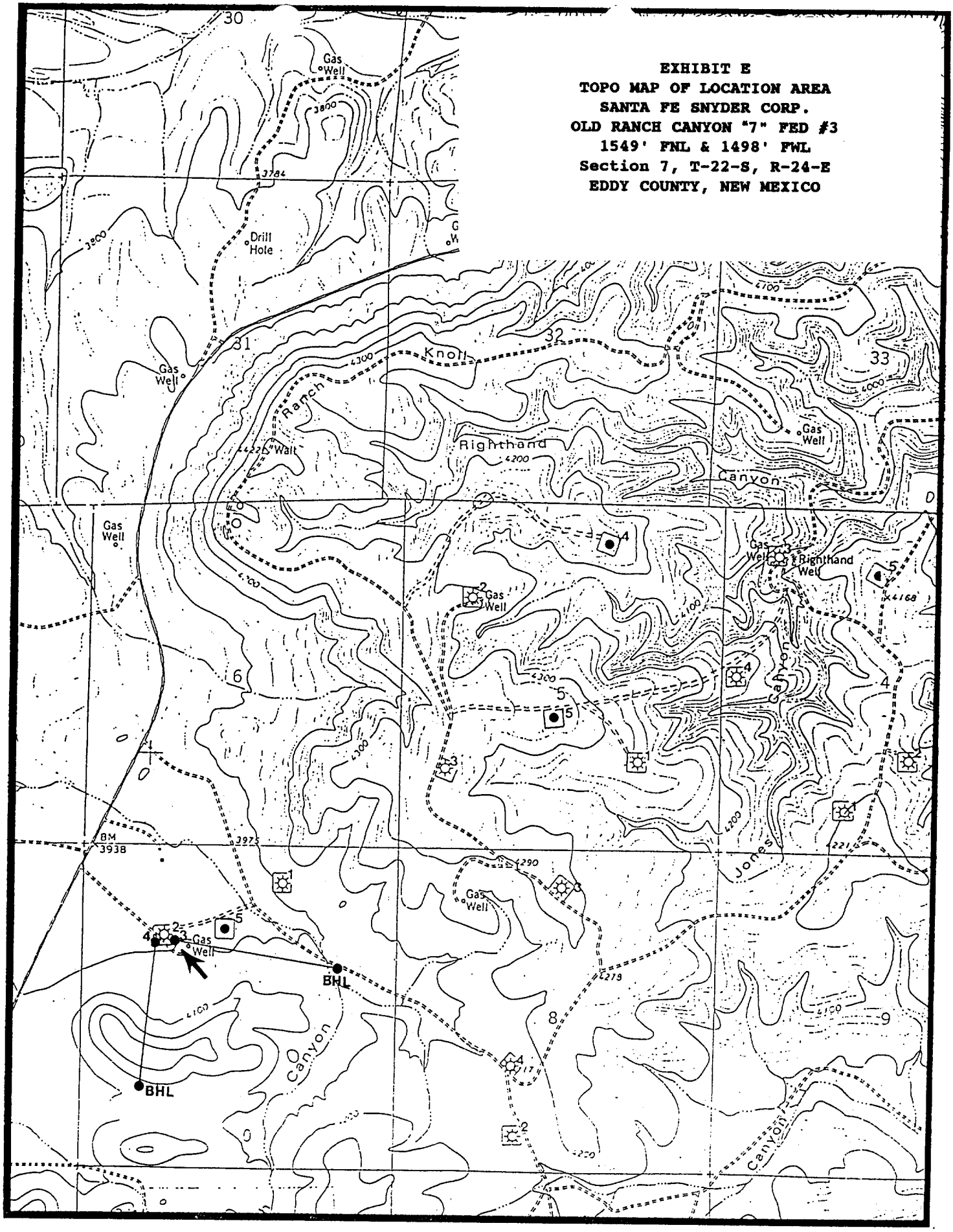
Exhibit "C"
Santa Fe Snyder Corp.
Old Ranch Canyon "7" Fed #3
Section 7, T-22-S, R-24-E
Eddy County, New Mexico

AUXILIARY EQUIPMENT

DRAWWORKS	BDW 650 HP, with Parmac Hydromatic brake
ENGINES	Two Caterpillar D-353 diesels rated at 425 HP each
ROTARY	Ideco 23", 300 ton capacity
MAST/SUB	Ideal 132', 550,000 lb. rated static hook load with 10 lines. Wagner 15' high substructure
TRAVELING EQUIPMENT	Gardner-Denver, 300 ton, 5 sheave w/BJ 250 ton hook Brewster Model 7 SX 300 ton swivel
PUMPS	Continental-EMSCO DC-700 and DB-550, 5-1/2 X 16" Duplex, Compound driven.
PIT SYSTEM	1-Shale Pit 6X7X35', 1-Setting Pit 6X7X38',1-Suction Pit 6X7X34' w/5 mud agitators, Two Centrifugal mud mixing pumps and a Double Screen Shale Shaker.
LIGHT PLANT	Two CAT 3306 diesel electric sets 18 KW prime power
BOP EQUIP.	13-5/8" 5000 psi WP double ram and 13-5/8" 5000 psi WP Shaffer Annular Preventer. Choke manifold rated at 5000 psi. Valvcon 5-station 80 gallon closing unit.

Exhibit "D"
Santa Fe Snyder Corp.
Old Ranch Canyon "7" Fed #3
Section 7, T-22-S, R-24-E
Eddy County, New Mexico

EXHIBIT E
TOPO MAP OF LOCATION AREA
SANTA FE SNYDER CORP.
OLD RANCH CANYON "7" FED #3
1549' FNL & 1498' FWL
Section 7, T-22-S, R-24-E
EDDY COUNTY, NEW MEXICO



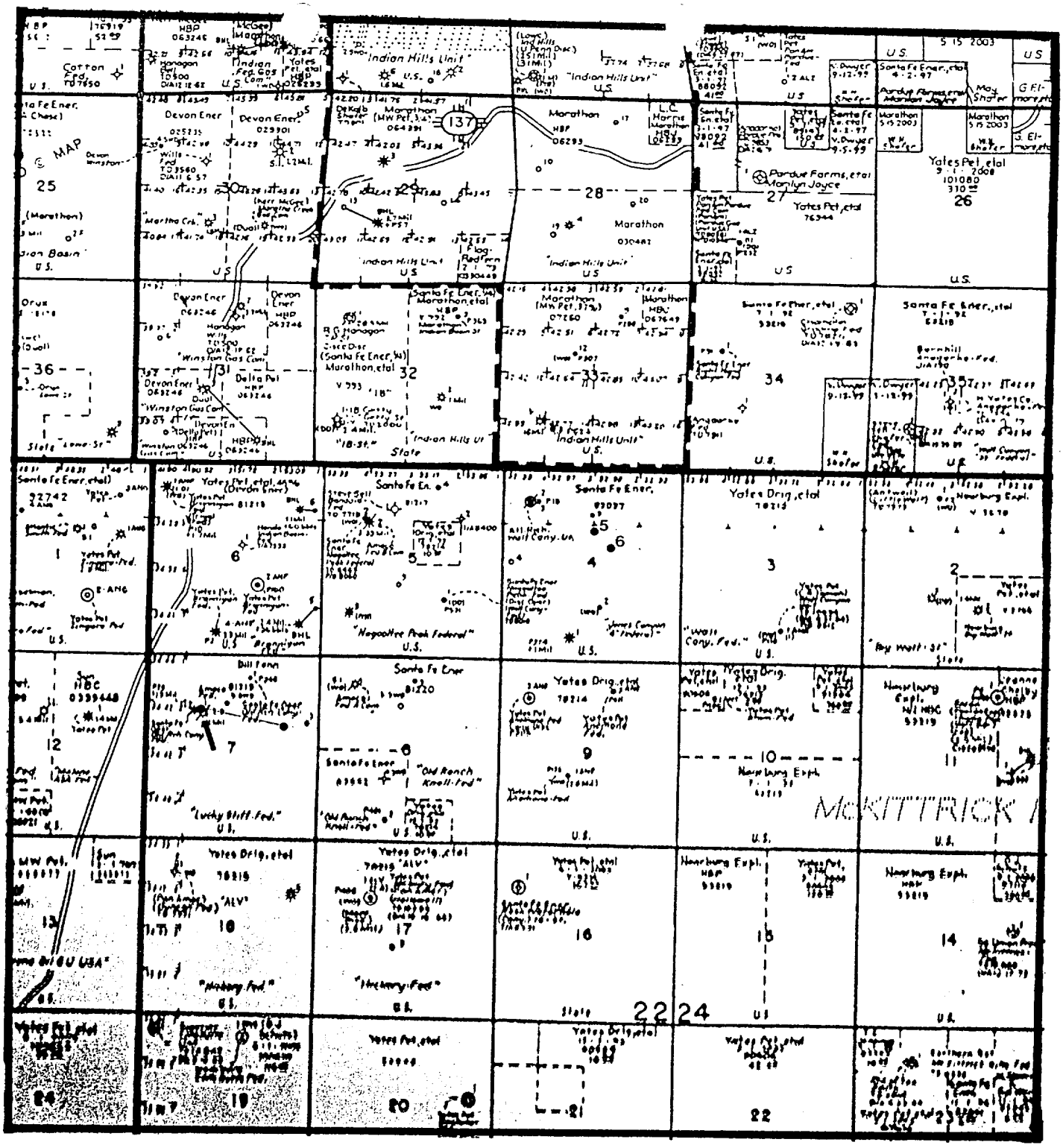
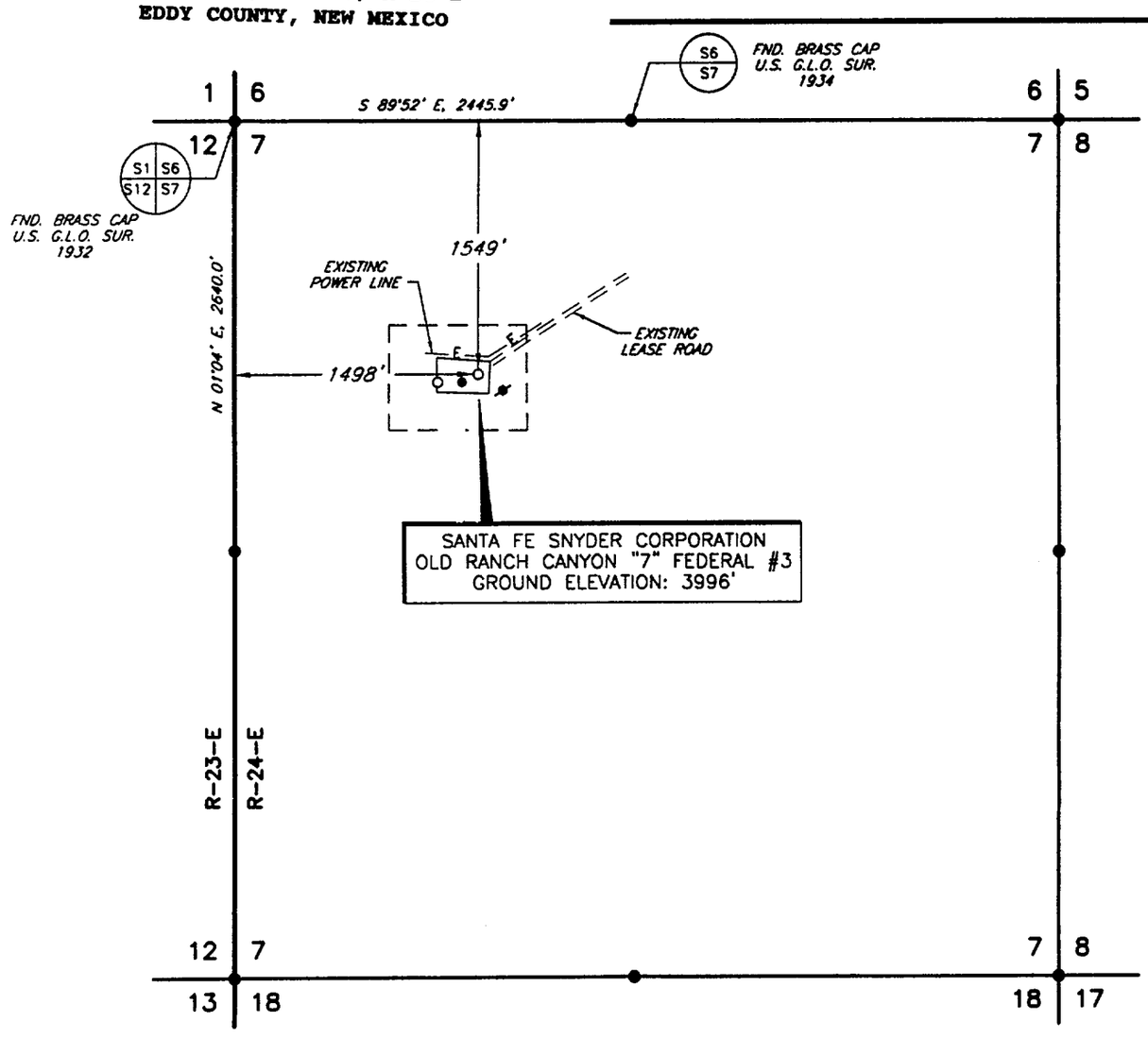
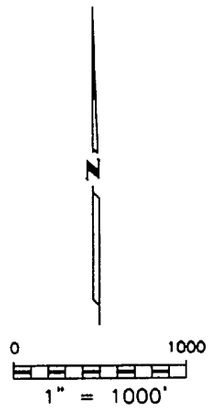


EXHIBIT F
EXISTING WELLS
SANTA FE SNYDER CORP.
OLD RANCH CANYON "7" FED #3
1549' FNL & 1498' FWL
Section 7, T-22-S, R-24-E
EDDY COUNTY, NEW MEXICO

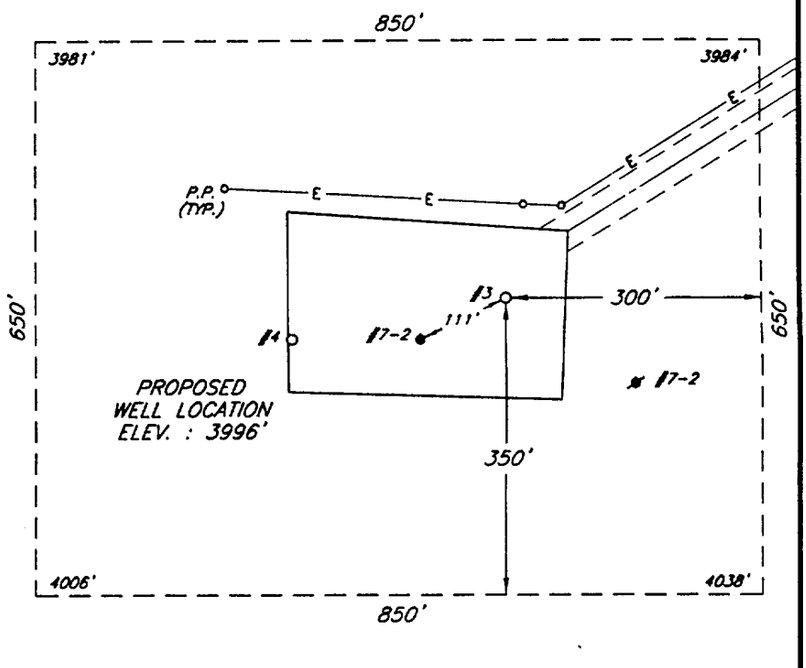
PLAT OF LOCATION
SANTA FE SNYDER CO.
OLD RANCH CANYON "7" FED #3
1549' FNL & 1498' FWL
Section 7, T-22-S, R-24-E
EDDY COUNTY, NEW MEXICO



PLAN VIEW
1" = 1000'



DATE OF FIELD WORK: FEBRUARY 8, 2000



DETAIL VIEW
1" = 100'

I, V. L. BEZNER, A PROFESSIONAL SURVEYOR IN THE STATE OF NEW MEXICO AND AUTHORIZED AGENT OF TOPOGRAPHIC LAND SURVEYORS, HEREBY CERTIFY THIS PLAT TO BE A TRUE REPRESENTATION OF A SURVEY PERFORMED IN THE FIELD UNDER MY SUPERVISION, THAT I AM RESPONSIBLE FOR THIS SURVEY, THAT THIS SURVEY IS TRUE AND CORRECT TO THE BEST OF MY KNOWLEDGE AND BELIEF AND THAT THIS PLAT AND FIELD SURVEY UPON WHICH IT IS BASED MEET THE MINIMUM STANDARDS FOR SURVEYING IN NEW MEXICO. (RULE 500.6 EASEMENT SURVEYING)

BEZNER
NO. 7920
PROFESSIONAL LAND SURVEYOR

V. L. BEZNER, P.S. NO. 7920 -11-2000

NO.	REVISION	DATE	BY

SURVEYED BY:	R.J.O.
DRAWN BY:	V.H.B.
APPROVED BY:	V.L.B.

SANTA FE SNYDER CORPORATION

SURVEYING AND MAPPING BY
TOPOGRAPHIC LAND SURVEYORS
MIDLAND, TEXAS

SCALE:	AS SHOWN
DATE:	FEBRUARY 8, 2000
JOB NO.:	67530-F
QUAD NO.:	51 NE
SHEET :	1 OF 1

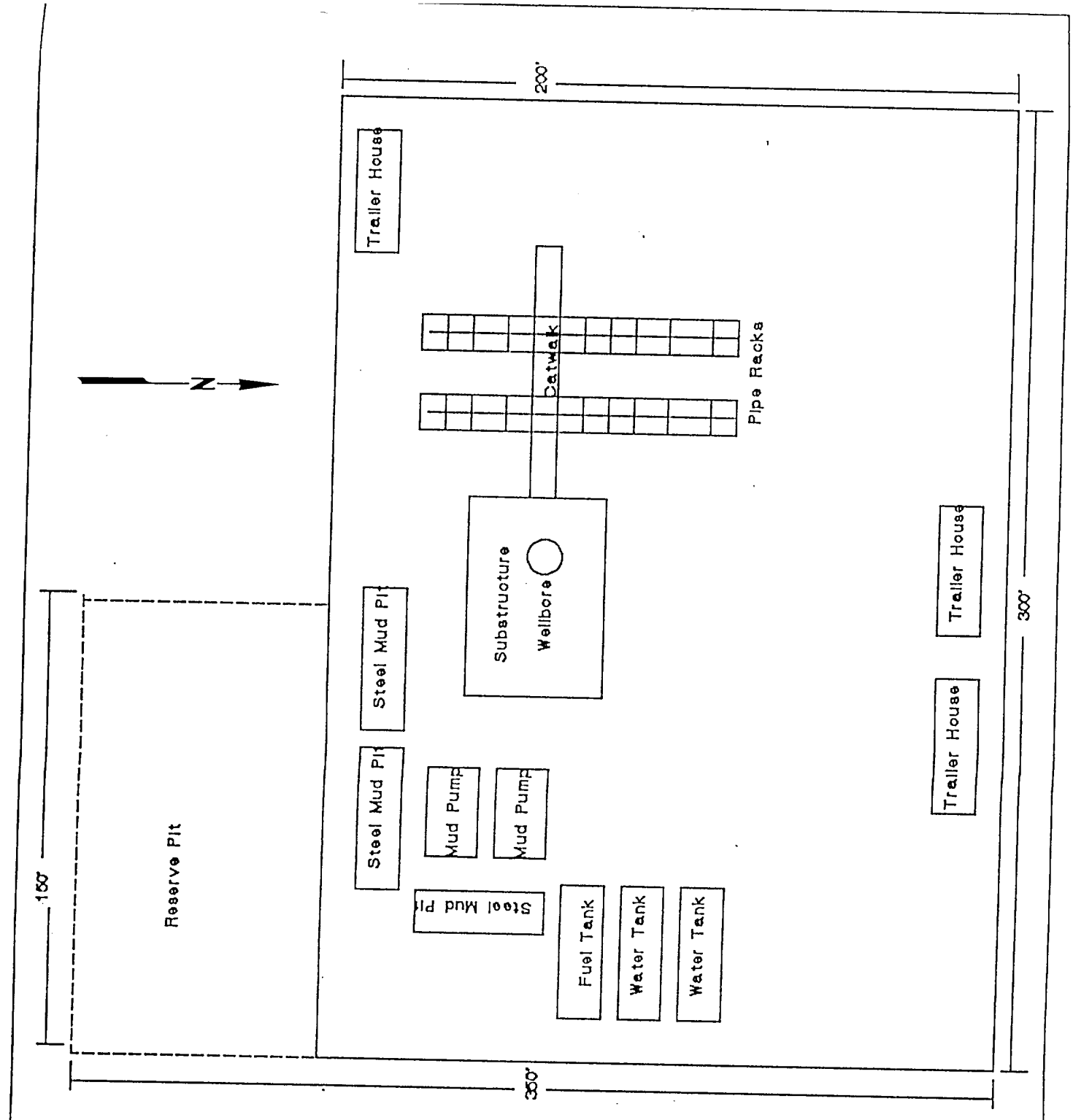


EXHIBIT G
WELL SITE LAYOUT
SANTA FE SNYDER CORP.
OLD RANCH CANYON "7" Fed #3
1549' FNL & 1498' FWL
Section 7, T-22-S, R-24-E
Lea County, New Mexico

Santa Fe Snyder Corp.
MULTI-POINT SURFACE USE AND OPERATIONS PLAN
Old Ranch Canyon "7" Fed #3
Section 7, T-22-S, R-24-E
Eddy County, New Mexico

This plan is submitted with Form 3160-3, Application for Permit to Drill, covering the above described well. The purpose of this plan is to describe the location of the proposed well, the proposed construction activities and operations plan, the magnitude of necessary surface disturbance involved, and the procedures to be followed by rehabilitating the surface after completion of the operations, so that a complete appraisal can be made of the environmental effects associated with the operation.

1. EXISTING ROADS.

   A. Exhibit E is a 15 minute topo map which shows the location of the proposed wellsite and roads in the vicinity. The proposed location is situated approximately 17 miles West of Carlsbad, New Mexico.

   DIRECTIONS

   1. From Carlsbad, go north 12 miles to intersection of Hwy. 285 and 137. Turn west onto Hwy 137, travel southwest for 13.2 miles and turn left on lease road for 0.6 mile and turn right 0.2 miles to the proposed location on the left.

2. PLANNED ACCESS ROAD.

   A. No new access road will be necessary.

3. LOCATION OF EXISTING WELLS.

   A. The well locations in the vicinity of the proposed well are shown on exhibits E & F.

4. LOCATION OF EXISTING AND/OR PROPOSED FACILITIES

   A. In the event the well is productive, the necessary production equipment will be installed on the drilling pad.

5. LOCATION AND TYPE OF WATER SUPPLY.

   A. It is planned to drill the well with fresh water systems. The water will be hauled to the location by truck over existing roads. It will be obtained from commercial sources. We also plan to utilize produced water from offsetting wells to supplement our drilling water needs.

6. SOURCES OF CONSTRUCTION MATERIALS.

   A. Any caliche required for construction of the drilling pad will be obtained from a pit located off the wellsite.

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 reserve pits until the pits are dry.

   C. Water produced during operations will be either placed in the reserve pits and allowed to evaporate or collected in tanks until hauled to an approved disposal system or a separate disposal application will be submitted to the BLM for appropriate approval.

   D. Oil produced during operations will be stored in tanks until sold.

   E. Human waste will be disposed of per current standards.

   F. Trash, waste paper, garbage, and junk will be collected in trash trailers and disposed of in an approved waste facility such as a land fill. The trash trailers will contain all of the material to prevent scattering by the wind.

   G. All trash and debris will be removed from the wellsite within 30 days after finishing drilling and/or completion operations.

8. ANCILLARY FACILITIES

   A. None required.

9. WELLSITE LAYOUT

   A. Exhibit G shows the dimensions of the well pad and reserve pits, and the location of major rig components. The location will be turned with the V-door facing west.

   B. The ground surface of the location is situated on a relatively flat area. The location will be constructed by leveling the necessary area and covering the area with at least six inches of compacted caliche.

   C. The reserve pits will be plastic lined.

   D. A 600' X 600' work area which will contain the pad and pit area has been staked and flagged.

10. PLAN FOR RESTORATION OF THE SURFACE

A. After finishing drilling and/or completion operations, all equipment and other material not needed for further operations will be removed. The location will be cleared of all trash and junk, to leave the wellsite in as aesthetically pleasing a condition as possible.

B. Unguarded pits, if any, containing fluid will be fenced until they have been filled.

C. If the proposed well is non-productive, all rehabilitation and/or vegetation requirements of the Bureau of Land Management and the United States Geological Survey will be complied with and will be accomplished as expeditiously as possible. All pits will be filled and leveled within 300 days after abandonment.

11. TOPOGRAPHY

A. The wellsite is located on a relatively flat area.

B. The top soil at the wellsite is rocky.

C. The vegetation cover at the wellsite is moderately sparse, with prairie grasses, some yucca and miscellaneous weeds.

D. No wildlife was observed but it is likely that deer, rabbits, coyotes, and rodents traverse the area.

E. There are no ponds, lakes, streams or rivers within one mile of the wellsite.

F. There is no evidence of any archaeological, historical, or cultural sites in the vicinity of the location.

12. OPERATOR'S REPRESENTATIVES

A. The field representatives responsible for assuring compliance with the approved surface use plan are:

Michael R. Burton
Division Manager, Drilling
Santa Fe Snyder Corp.
550 W. Texas, Suite 1330
Midland, Texas 79701
(915) 686-6616 - office
(915) 556-7063 - cellular

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 presently 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 Santa Fe Energy Resources, Inc., and its contractors and subcontractors in conformity with this plan and the terms and conditions under which is approved.

SIGNED this 28 Th day of February 2006

James P. (Phil) Stinson
Agent for Santa Fe Snyder Corp.

Santa Fe Snyder Corp.

HYDROGEN SULFIDE DRILLING OPERATIONS PLAN

Old Ranch Canyon "7" Fed #3
Section 7 T-22-S, R-24-E
Eddy County, New Mexico

In drilling the Cisco/Canyon formation there is very remote possibility that H_2S will be encountered. The zone is hydrogen sulfide productive in the area. It is our understanding that hydrogen sulfide is only detected in the area whenever the reservoir fluids are produced up the wellbore. Our drilling fluid hydrostatic head will prevent fluid entry due to the reservoir being overbalanced. The following is our plan for drilling the Cisco/Canyon formation.

1. Hydrogen Sulfide Training

All personnel, whether regularly assigned, contracted, or employed on an unscheduled basis, will receive training from a qualified instructor in the following areas prior to commencing drilling operations on the well:

1. The hazards and characteristics of hydrogen sulfide (H_2S).
2. The proper use and maintenance of personal protective equipment and life support systems.
3. The proper use of H_2S detectors, alarms, warning systems, briefing areas, evacuations procedures, and prevailing winds.
4. The proper techniques for first aid and rescue procedures.

In addition, supervisory personnel will be trained in the following areas:

1. The effects of H_2S 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 Hydrogen Sulfide Drilling Operations Plan.

There will be an initial training session prior to encountering the Cisco/Canyon (training will take place within 3 days or 500 feet) and will have weekly H_2S and well control drills for all personnel in each crew. The initial training session shall include a review of the site specific Hydrogen Sulfide 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.

2. H_2S Safety Equipment and Systems

Note: All H_2S 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 Cisco/Canyon zone at 7700'.

1. Well Control Equipment:

A. An annular preventer capable of accommodating all pipe sizes with properly sized closing unit.

2. Protective Equipment for Personnel:

A. Scott Air-Pack Units located on the rig floor and at briefing areas, as indicated on well site diagram.

3. H_2S Detection and Monitoring Equipment:

A. 2-portable H_2S monitors positioned on location for best coverage and response. These units have warning lights and audible sirens when H_2S levels of 200 ppm are reached.

4. Visual Warning Systems:

A. Wind direction indicators as shown on well site diagram.

B. Caution/Danger signs shall be posted on roads providing direct access to location. Signs will be painted high visibility yellow with black lettering of sufficient size to be readable at a reasonable distance from the immediate location. See Example Attached.

5. Mud Program:

A. The mud program is designed to minimize any H_2S circulated to the surface. Proper mud weight, safe drilling practices, and the use of H_2S scavengers will be used to minimize hazards when penetrating H_2S bearing zones (Cisco/Canyon).

6. **Metallurgy:**

   A. All of the drill string, casing, tubing, wellhead, blowout preventers, drilling spool, kill lines, choke manifold and lines, and valves shall be suitable for H_2S service.

   B. All elastomers used for packing and seals shall be H_2S trim.

7. **Communication:**

   A. Cellular phone communications in company vehicles.

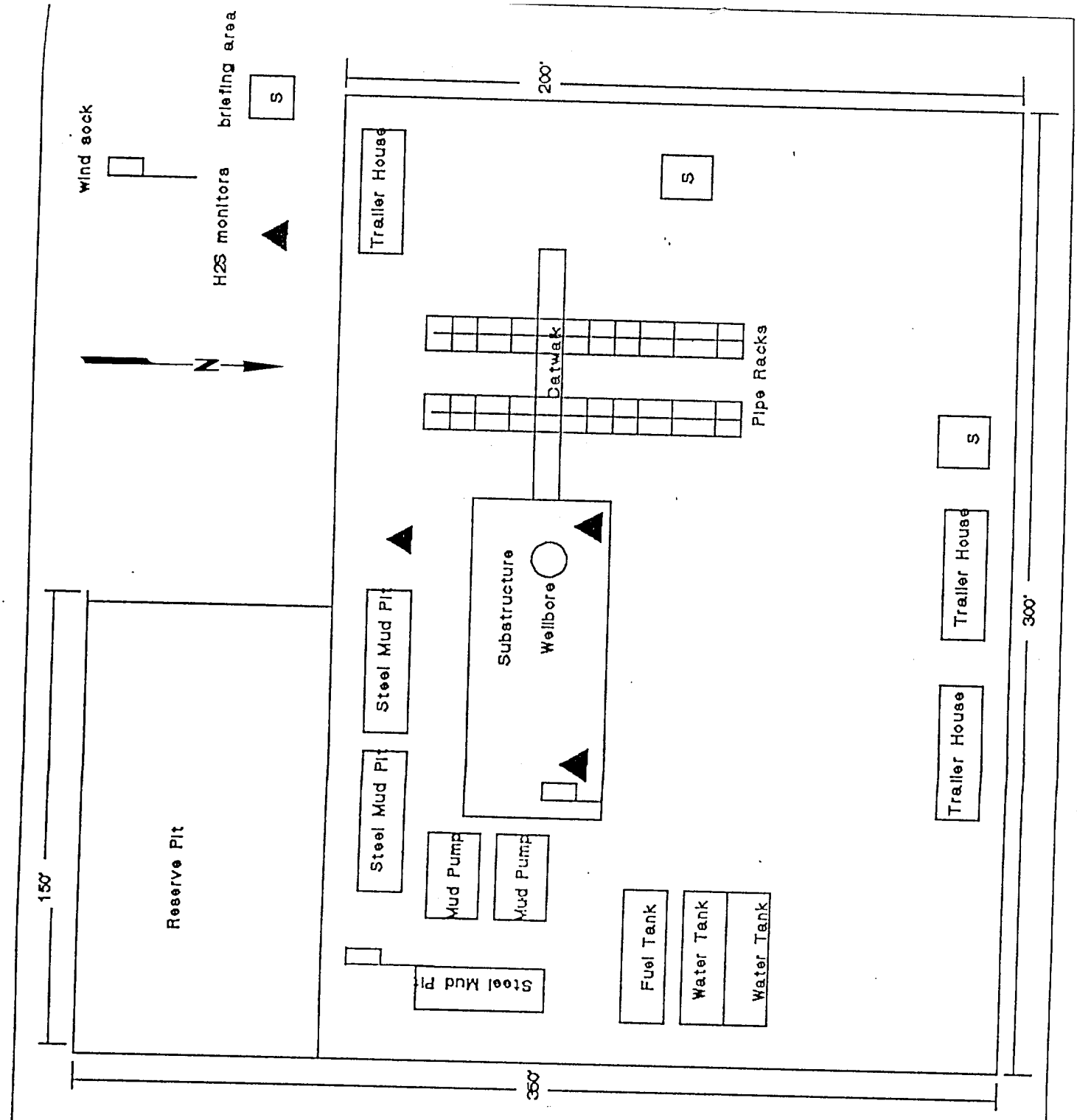
   B. Radio communications on the drilling rig.

8. **Well Testing:**

   A. All tests in the Cisco/Canyon formation will be conducted using the closed chamber method of drill stem testing.

James P. "Phil" Stinson

James P. (Phil) Stinson
Agent for Santa Fe Snyder Corp.



H2S DRILLING PLAN
WELL SITE LAYOUT
SANTA FE SNYDER CORP.
OLD RANCH CANYON "7" FED #3
1549' FNL & 1498' FWL
Section 7, T-22-S, R-24-E
EDDY COUNTY, NEW MEXICO

WARNING

YOU ARE ENTERING AN H2S AREA

TIGHT HOLE LOCATION

DO NOT ENTER UNLESS YOU WERE CALLED !!

OLD RANCH CANYON "7" FED #3

SANTA FE SNYDER CORP.