AT5-07-349

Form 3160-3
(April 2004)

Month - Year
MAY 16 2007
OCD - ARTESIA, NM

OCD-ARTESIA

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. 36589
MIDNIGHT MATADOR "A" # 3

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

9. API Well No.
30-015-35697

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 1500' FNL & 2290' 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)
1500'

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.
560'±

19. Proposed Depth
2500'

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

21. Elevations (Show whether DF, KDB, RT, GL, etc.)
3590' 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 Joe T. Janica
Name *(Printed/Typed)* Joe T. Janica
Date 04/03/07

Title Agent

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

Title ACTING FIELD MANAGER
Office CARLSBAD FIELD OFFICE

Applicat olds legal or equitable title to those rights in the subject lease which would entitle the applicant to conduct
Conditio

APPROVAL FOR 1 YEAR

Title 18 U crime for any person knowingly and willfully to make to any department or agency of the United States any as to any matter within its jurisdiction.

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

(Instructions on page 2)

SEE ATTACHED FOR CONDITIONS OF APPROVAL

NSL-5633

APPROVAL SUBJECT TO GENERAL REQUIREMENTS AND SPECIAL STIPULATIONS ATTACHED

Permit Conditions of Approval

Operator:
Well:
API:

OCD Reviewer	Condition
BArrant	Pit construction and closure must satisfy all requirements of your approved plan, O C D Rule 19 15 2 50, and the Pit and Below-Grade Tank Guidelines
BArrant	Operator to submit a h2s well contingency plan that meets the requirements of NMOCD Rule 118 Or if in review such a plan does not meet the requirements of NMOCD 118, please submit a letter of statement
BArrant	As noted, operator to drill surface and intermediate hole sections with fresh water mud
BArrant	Please notify OCD time of spud and time to witness the cementing of the surface and intermediate strings of casing

DISTRICT I
1625 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

OIL CONSERVATION DIVISION

2040 South Pacheco
Santa Fe, New Mexico 87504-2088

Form C-102
Revised March 17, 1999

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"	3

OGRID No.	Operator Name	Elevation
241598	FAIRWAY RESOURCES OPRERATING, L.L.C.	3590'

Surface Location

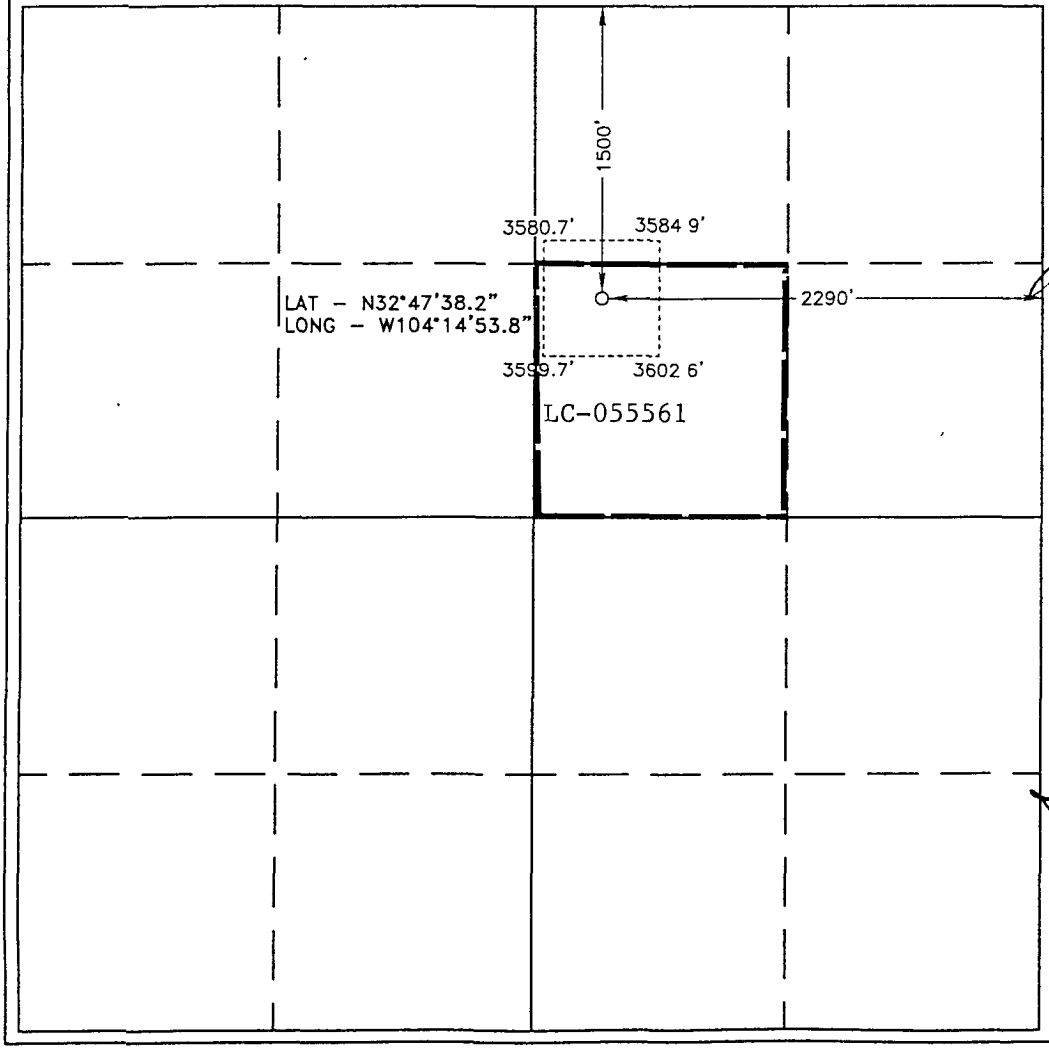
UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
G	35	17 S	27 E		1500	NORTH	2290	EAST	EDDY

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



OPERATOR CERTIFICATION

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

Signature

Printed Name
Joe T. Janica

Title
Agent

Date
04/03/07

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

AUGUST 19, 2006
Date Surveyed

Signature & Seal of Professional Surveyor

GARY L. JONES
NEW MEXICO
7977
REGISTERED PROFESSIONAL LAND SURVEYOR

W.O. No. 7068

Certificate No. Gary Jones 7977

BASIN SURVEYS

Midnight Matador A #3

Location	~~1520~~ 1500' FNL & ~~2310~~ 2290' 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, 0 – 350', 8 5/8" 24# & 32# J-55 7 7/8" hole, 350' – 2,500', 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

APPLICATION TO DRILL

FAIRWAY RESOURCES OPERATIONG, LLC.
MIDNIGHT MATADOR "A" # 3
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: 1500' FNL & 2290' FEL SECTION 35 T17S-R27E EDDY CO. NM

2. ELEVATION ABOVE SEA LEVEL: 3590' 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 OPERATIONG, LLC.
MIDNIGHT MATADOR "A" # 3
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, + ½LB 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.

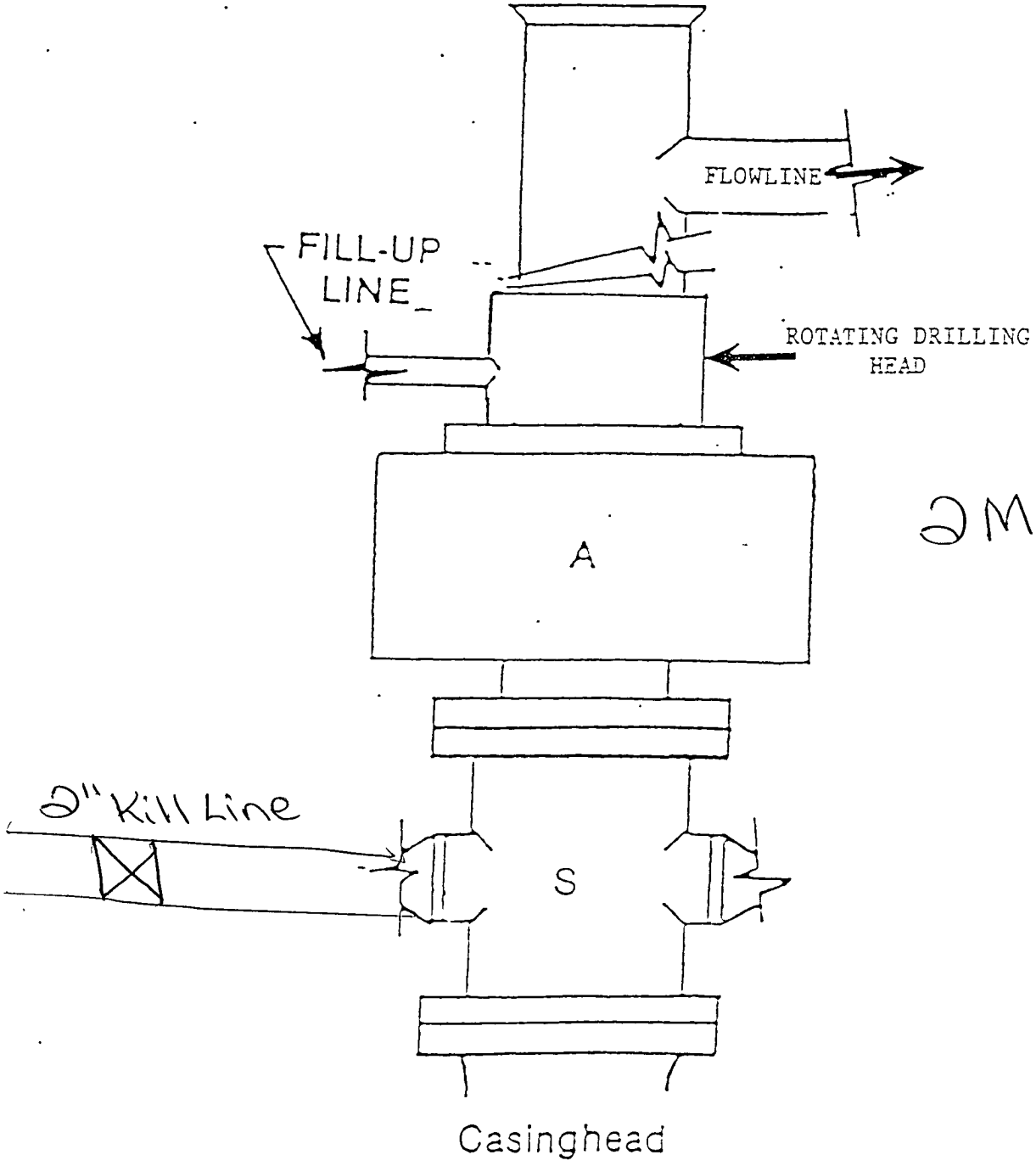


EXHIBIT "E"
SKETCH OF B.O.P. TO BE USED ON

FAIRWAY RESOURCES OPERATING, LLC.
MIDNIGHT MATADOR "A"# 3
UNIT "G" SECTION 35
T17S-R27E EDDY CO. NM

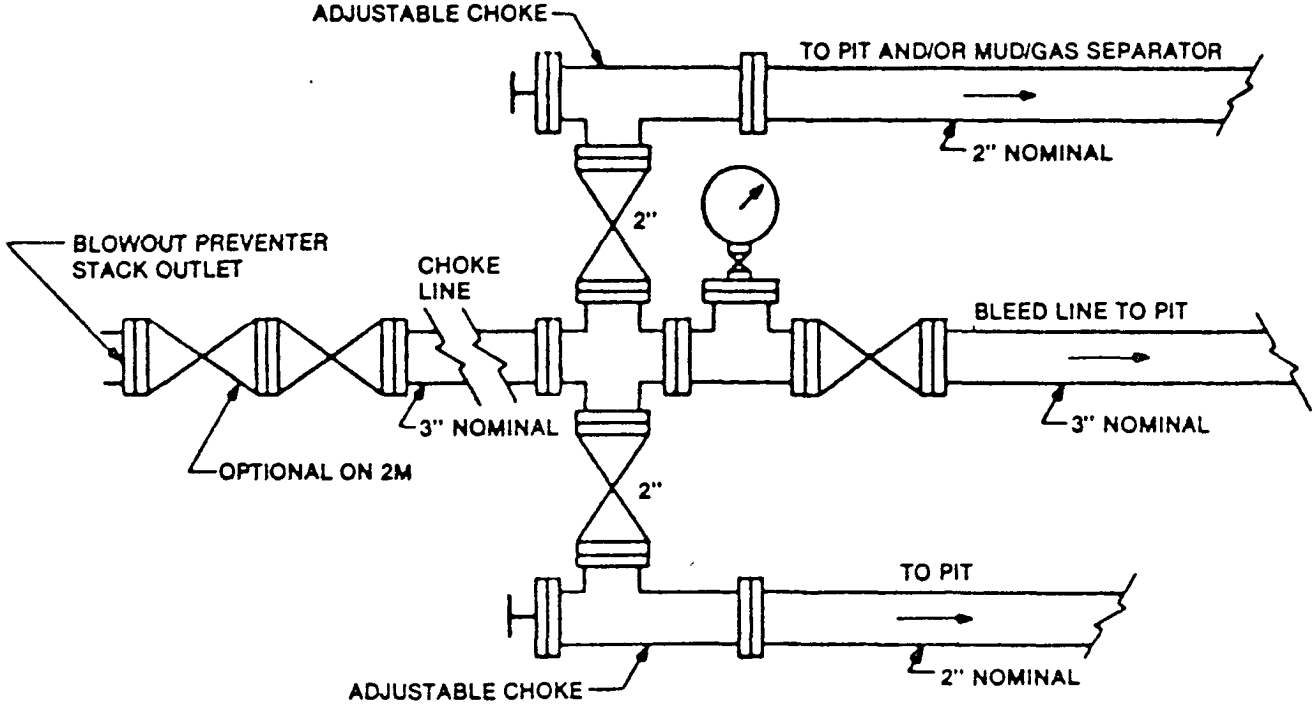


EXHIBIT "E-1"
CHOKE MANIFOLD

FAIRWAY RESOURCES OPERATING, LLC.
MIDNIGHT MATADOR "A" # 3
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.

SURFACE USE PLAN

FAIRWAY RESOURCES OPERATING, LLC.
MIDNIGHT MATADOR "A" # 3
UNIT "G" 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 225 1 mile , turn Right and follow lease road go 800' to location on the North side of road.

   C. Exhibit "C" is a topographic map ahowing 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"

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 quatersw 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 resebev 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.

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 encontered 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 than12 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 completionphases. 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 furture 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.

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 REPRESENTIVES:

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 fimiliar with the conditions which currently exist, that the statements made in this plan are to the best of my knlwledge, 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.

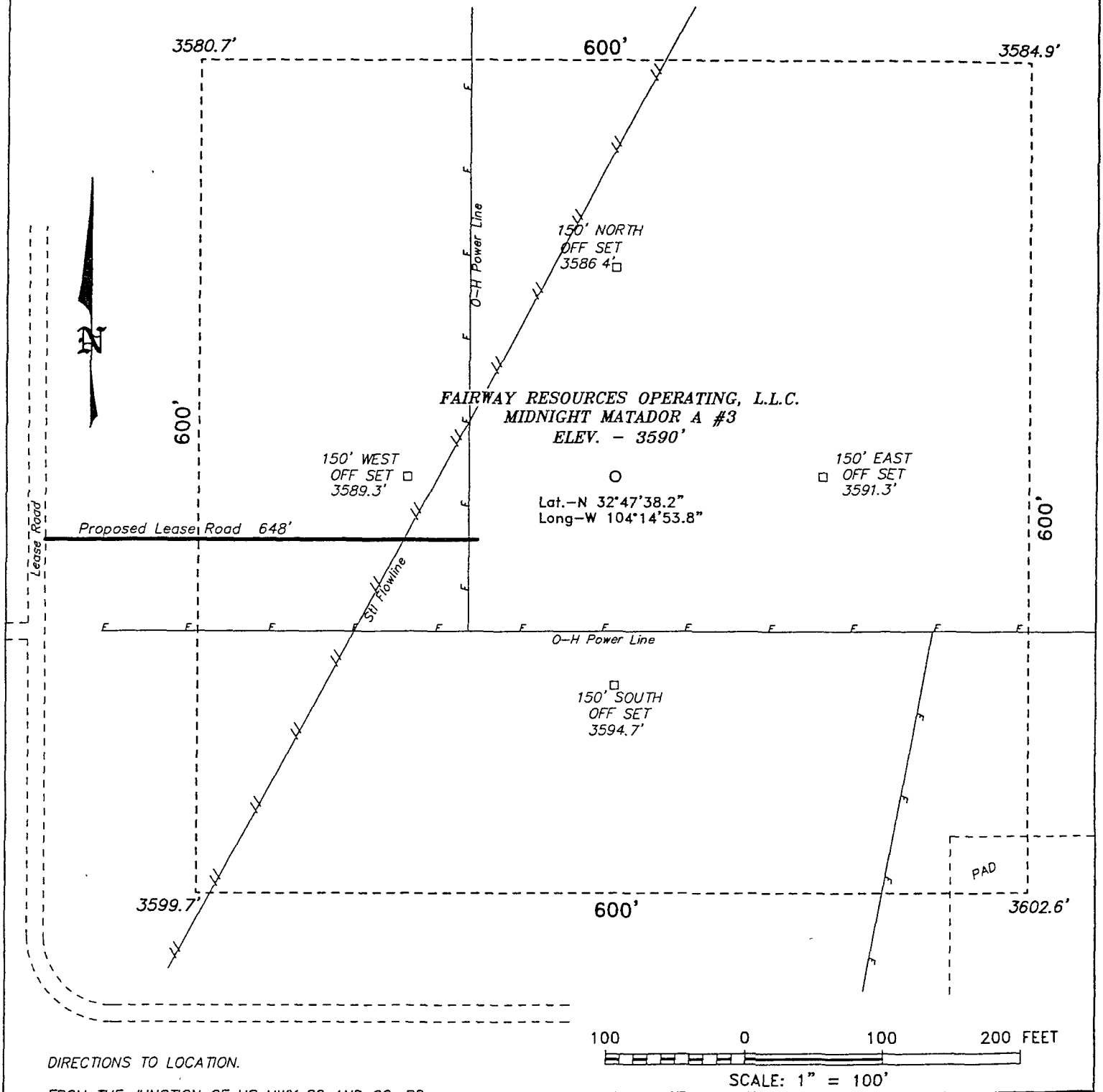
NAME : Joe T. Janica Joe T Janica

DATE : 04/03/07

TITLE : Agent

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 1.2 MILE TO LEASE ROAD; THENCE WEST ON LEASE ROAD FOR 0.2 MILE; THENCE NORTH ON LEASE ROAD FOR 0.15 MILE TO PROPOSED LEASE ROAD.

FAIRWAY RESOURCES OPERATING, L.L.C.

REF: MIDNIGHT MATADOR A No. 3 / Well Pad Topo

THE MIDNIGHT MATADOR A No. 3 LOCATED 1500' 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.

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

W.O. Number: 7068	Drawn By: K. GOAD		
Date: 08-24-2006	Disk: KJG CD#7 - 7068A.DWG	Survey Date: 08-18-2006	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 # 3
Location: 1500'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