

ATS-08-289

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

UNITED STATES  
DEPARTMENT OF THE INTERIOR  
BUREAU OF LAND MANAGEMENT

OCD-ARTESIA

MAR 13 2008

OCD-ARTESIA

APPLICATION FOR PERMIT TO DRILL OR REENTER

Lease Serial No.  
NMLC064050

6. If Indian, Allottee or Tribe Name

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

8. Lease Name and Well No.  
Trigg Federal #4

9. API Well No.  
30-015-31571

10. Field and Pool, or Exploratory  
Red Lake QN, GB, SA

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

12. County or Parish  
Eddy County

13. State  
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 241598

3a. Address 538 Silicon Drive, Suite 101  
Southlake, TX 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' FSL and 2210' FEL  
At proposed prod. zone

14. Distance in miles and direction from nearest town or post office\*  
9 miles ESE of Artesia, NM

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  
40

17. Spacing Unit dedicated to this well  
40

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

19. Proposed Depth  
2500'

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

21. Elevations (Show whether DF, KDB, RT, GL, etc.)  
3557' GL

22. Approximate date work will start\*  
03/01/2008

23. Estimated duration  
Est. 10 days

24. Attachments

The following, completed in accordance with the requirements of Onshore Oil and Gas Order No.1, must be attached to this form:

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

25. Signature Kenneth Pearce

Name (Printed/Typed)  
Kenneth Pearce

Date  
01/24/2008

Title  
Engineer

Approved by (Signature) /s/ Don Peterson

Name (Printed/Typed) Don Peterson

Date  
MAR 08 2008

Title  
FIELD MANAGER

Office  
CARLSBAD FIELD OFFICE

Application approval does not warrant or certify that the applicant holds legal or equitable title to those rights in the subject lease which would entitle the applicant to conduct operations thereon.  
Conditions of approval, if any, are attached.

APPROVAL FOR TWO YEARS

Title 18 U.S.C. Section 1001 and Title 43 U.S.C. Section 1212, make it a crime for any person knowingly and willfully to make to any department or agency of the United States any false, fictitious or fraudulent statements or representations as to any matter within its jurisdiction.

\*(Instructions on page 2)

ROSWELL CONTROLLED WATER BASIN

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

ⓧ need NSh approval

APPROVAL SUBJECT TO  
GENERAL REQUIREMENTS  
AND SPECIAL STIPULATIONS  
ATTACHED

SEE ATTACHED FOR  
CONDITIONS OF APPROVAL

EC

UNITED STATES  
DEPARTMENT OF THE INTERIOR  
BUREAU OF LAND MANAGEMENT

## APPLICATION FOR PERMIT TO DRILL OR REENTER

1a. Type of Work: <input type="checkbox"/> DRILL <input checked="" type="checkbox"/> REENTER		5. Lease Serial No. NMLC064050
1b. Type of Well: <input checked="" type="checkbox"/> Oil Well <input type="checkbox"/> Gas Well <input type="checkbox"/> Other <input checked="" type="checkbox"/> Single Zone <input type="checkbox"/> Multiple Zone		6. If Indian, Allottee or Tribe Name
2. Name of Operator FAIRWAY RESOURCES OPERATING LLC		7. If Unit or CA Agreement, Name and No
Contact: CINDY J FLOOD Email: cflood@fairwayresources.com		8. Lease Name and Well No. TRIGG FEDERAL #4
3a. Address 538 SILICON DRIVE SUITE 101 SOUTHLAKE, TX 76092	3b. Phone No. (include area code) Ph: 817-416-1946 Ext: 220 Fx: 817-416-1946	9. API Well No. 8 30-015-31574
4. Location of Well (Report location clearly and in accordance with any State requirements *) At surface 330FSL 2210FEL At proposed prod. zone 330FSL 2210FEL		10. Field and Pool, or Exploratory RED LAKE, QN, GB, SA
14. Distance in miles and direction from nearest town or post office* 9 MILES ESE OF ARTESIA, NM		11. Sec., T, R., M, or Blk. and Survey or Area Sec 26 T17S R27E Mer
15. Distance from proposed location to nearest property or lease line, ft. (Also to nearest drig. unit line, if any) N.A.	16. No. of Acres in Lease 40.00	12. County or Parish EDDY
18. Distance from proposed location to nearest well, drilling, completed, applied for, on this lease, ft.		13. State NM
19. Proposed Depth 2500 MD		17. Spacing Unit dedicated to this well 40.00
21. Elevations (Show whether DF, KB, RT, GL, etc.) 3557 GL		20. BLM/BIA Bond No. on file NMB-000386
22. Approximate date work will start 03/01/2008		23. Estimated duration EST. 10 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 (Electronic Submission)	Name (Printed/Typed) KENNETH PEARCE Ph: 817-416-1946 Ext: 227	Date 01/17/2008
Title ENGINEER		
Approved by (Signature)	Name (Printed/Typed)	Date
Title Office		

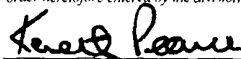
Application approval does not warrant or certify the applicant holds legal or equitable title to those rights in the subject lease which would entitle the applicant to conduct operations thereon.  
Conditions of approval, if any, are attached

Title 18 U.S.C. Section 1001 and Title 43 U.S.C. Section 1212, make it a crime for any person knowingly and willfully to make to any department or agency of the United States any false, fictitious or fraudulent statements or representations as to any matter within its jurisdiction.

## Additional Operator Remarks (see next page)


Electronic Submission #58120 verified by the BLM Well Information System  
For FAIRWAY RESOURCES OPERATING LL, sent to the Carlsbad

\*\* OPERATOR-SUBMITTED \*\* OPERATOR-SUBMITTED \*\* OPERATOR-SUBMITTED \*\*

16				<p style="text-align: center;"><b>17 OPERATOR CERTIFICATION</b></p> <p><i>I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief, and that this organization either owns a working interest or unleased mineral interest in the land including the proposed bottom hole location or has a right to drill this well at this location pursuant to a contract with an owner of such a mineral or working interest, or to a voluntary pooling agreement or a compulsory pooling order heretofore entered by the division</i></p> <div style="display: flex; justify-content: space-between;"> <div>   Signature </div> <div> 3-18-2008  Date </div> </div> <div style="border-top: 1px solid black; padding-top: 5px;"> Kenneth Pearce  Printed Name </div>
				<p style="text-align: center;"><b>18 SURVEYOR CERTIFICATION</b></p> <p><i>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 (see original C-102 attached)</i></p> <div style="border-top: 1px solid black; padding-top: 5px;"> Date of Survey </div> <div style="border-top: 1px solid black; padding-top: 5px;"> Signature and Seal of Professional Surveyor </div>
		40 acres NMLC-0064050		<div style="border-top: 1px solid black; padding-top: 5px;"> Certificate Number </div>

430'

2210'



370'

**Additional Operator Remarks:**

Original wellbore drilled by SDX Resources. D&A 2001.

**District I**  
1825 N. French Dr., Hobbs, NM 88240  
**District II**  
811 South First, Artesia, NM 88210  
**District III**  
1029 Rio Grande Rd., Aztec, NM 87410  
**District IV**  
2040 South Pacheco, Santa Fe, NM 87505

State of New Mexico  
Energy, Minerals & Natural Resources

OIL CONSERVATION DIVISION  
2040 South Pacheco  
Santa Fe, NM 87505

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 <b>30-015-31571</b>		Well Code <b>96836</b>	Well Name <b>Red Lake QN-GL-SA</b>						
Property Code <b>025317</b>	Property Name <b>TRIGG FEDERAL</b>		Well Number <b>4</b>						
OCRID No. <b>020451</b>	Operator Name <b>SDX-RESOURCES, INC. Fairway Resources</b>		Elevation <b>3557.</b>						
<b>241578</b>									
<b>10 Surface Location</b>									
UL or lot no. <b>0</b>	Section <b>26</b>	Township <b>17-S</b>	Range <b>27-E</b>	Lot Idn	Post from the <b>330</b>	North/South line <b>SOUTH</b>	Post from the <b>2210</b>	East/West line <b>EAST</b>	County <b>EDDY</b>
<b>11 Bottom Hole Location If Different From Surface</b>									
UL or lot no.	Section	Township	Range	Lot Idn	Post from the	North/South line	Post from the	East/West line	County
<b>12 Dedicated Acres</b> <b>40</b>									
<b>13 Just or Infill</b>									
<b>14 Consolidation Code</b>									
<b>15 Order No.</b>									

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

<b>16</b>									
<b>17 OPERATOR CERTIFICATION</b> I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.  Signature <u>Bonnie Atwater</u> Printed Name <b>Bonnie Atwater</b> Title <b>Regulatory Tech</b> Date <b>12/6/00</b>									
<b>18 SURVEYOR CERTIFICATION</b> 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.  NOVEMBER 22 P 2000 Date of Survey NEW MEXICO 5412 REGISTERED PROFESSIONAL ENGINEER LAND SURVEYOR 5412									

**Fairway Resources Operating, LLC  
Trigg Federal #4  
Re-entry of Dry Hole**

<b>Original Operator</b>	SDX Resources, Inc.
<b>API Number</b>	30-015-31571
<b>Location</b>	330' FSL & 2210' FEL S-26, T-17-S, R-27-E Eddy County, NM
<b>Federal Lease Number</b>	NMLC-0064050
<b>Proration Unit</b>	40 acres, SW/4 SE/4
<b>Proposed TD</b>	2500', original TD 3805'
<b>Field</b>	Red Lake, QN-GB-SA
<b>Proposed Completion</b>	San Andres formation
<b>Current Casing/Plugs</b>	8 5/8" 24# J-55 set at 345', cement circulated to surface 22 sack cement plug at surface 35 sack cement plug at 296' – 396' 35 sack cement plug at 1020' – 1130' 35 sack cement plug at 1581' – 1681' 35 sack cement plug at 2316' – 2416' 35 sack cement plug at 2920' – 3020'
<b>Proposed Hole/Casing</b>	7 7/8" hole 345' – 2500' 5 1/2" 15.5# J-55 production casing
<b>Cementing</b>	Production casing – cement with 300 sacks of 50-50 Pozmix plus 150 sacks Class C with 2% CaCl
<b>Formation Evaluation</b>	cased-hole GR-CNL from PBTD to surface casing no open-hole logs, mud log, cores, or DST's
<b>Mud</b>	cut brine from 345' to 2500', weight 8.8 – 9.5 ppg, viscosity 28 – 32, water loss – no control

Fairway Resources Operating, LLC  
Drilling Plan for Re-entry of Plugged Well  
Trigg Federal #4  
API# 30-015-31571  
Unit "O"                      Section 26  
T-17-S, R-27-E              Eddy County, NM

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

1. Location: 330' FSL and 2210' FEL of Section 26, T-17-S, R-27-E, Eddy County, NM
2. Elevation above sea level: 3557' GL
3. Geologic name of surface formation: Permian, Quaternary Aeolian deposits
4. Drilling tools and associated equipment: Workover rig with power swivel and reverse unit using conventional mud as a circulating medium for solids removal from the hole. Above ground steel pits will be used for drilling mud containment and cuttings deposit.
5. Proposed drilling depth: 2500' below ground level (original TD was 3805')
6. Estimated tops of geological markers:

Salt	400'
Queen	1000'
Grayburg	1300'
San Andres	1900'
7. Possible water or hydrocarbon bearing formations:

Water sand	150' – 200'	fresh water
Queen	1000'	oil
Grayburg	1300'	oil
San Andres	1900'	oil and gas
8. Casing/cementing Program:

Existing –	8 5/8" 24# J-55 set at 345'
	cemented with 325 sacks, cement circulated to surface
Proposed –	7 7/8" hole, 5 1/2" 15.5# J-55 LT&C set at 2500'
	Casing is used, inspected yellow band (0-15% body wall reduction, hydrotested to 4,400 psi), calculated minimum safety factors are; 4.76 tension, 1.78 collapse, 3.50 burst.
	Cement with 300 sacks 50-50 Pozmix followed with 150 sacks Class 'C' with 2% CaCl, circulate cement to surface; cement yields are; 50-50 Pozmix 1.49 cu.ft./sack, Class 'C' 1.32 cu.ft./sack.
9. Pressure control equipment: Exhibit "A" is a sketch of a 2,000 psi rated BOP consisting of an annular preventor. This BOP will be nipped-up on the 8 5/8" casing and remain on

the hole until TD is achieved. This will be a mobile rig with a low work platform, pressures are not expected to exceed 1,500 psi. Exhibit "B" shows a choke manifold rated at 3,000 psi, a hydraulically operated closing unit may be used. The choke manifold has manually operated chokes should unexpected pressures be encountered while drilling this well.

10. Mud circulating system:

<u>Depth</u>	<u>Mud Wt.</u>	<u>Visc.</u>	<u>Fluid Loss</u>	<u>Type Mud System</u>
0 ' 345'	8.4-8.7 ppg	29-40 sec.	NC	Cut brine (drill out cement plugs inside 8 5/8" casing)
345' – 2,500'	8.9-9.5 ppg	28-32 sec	NC	Cut brine with viscous sweeps (drill out cement plugs in 7 7/8" original hole)

Sufficient mud materials will be kept on location at all times in order to combat lost circulation or unexpected kicks.

11. Logging, coring, and testing program: No open-hole logs, cores, or DST's will be obtained and no mud logger will be used. A cased-open gamma ray – neutron log will be run from TD to the 8 5/8" casing shoe
12. Potential hazards: No abnormal temperatures or pressures are expected. There are no abnormal concentrations of hydrogen sulfide at these depths in the area. If hydrogen sulfide 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 well-site personnel will be familiar with all aspects of safe operation of equipment being used to drill this well. The maximum estimated BHP is 1,500 psia and the estimated BHP is 90°F.
13. Anticipated start date and duration of operation: The access road and well-site pad were constructed before the original well was drilled. Minimal reconstruction and repairs are anticipated to both the road and pad for this operation and they will begin after BLM approval of the APD has been received. Re-entry operations will be scheduled after BLM approval and a workover rig is available. Move-in operations and drill-out is expected to take 10 days. After production casing is run, an additional 60 days will be needed to complete the well and construct surface facilities, lay pipelines, and place the well on production.



Fairway Resources Operating, LLC  
Trigg Federal #4                      API# 30-015-31571  
Unit "O"                                  Section 26  
T-17-S, R-27-E                      Eddy County, NM

14. Other facets of operations: After running production casing, a cased-hole GR-CNL will be run from TD to the 8 5/8" casing shoe. The San Andres formation will be perforated and stimulated in order to establish production. It is anticipated that the well will be tested and potentialized as an oil well.

The proposed well pad will be reclaimed and reconstructed from the original pad, which measured approximately 145' by 200' in size. If the project is successful, production facilities will be located on the pad as well, as shown on Exhibits "G" and "H".

Fairway Resources Operating, LLC

Trigg Federal #4

API 30-015-31571

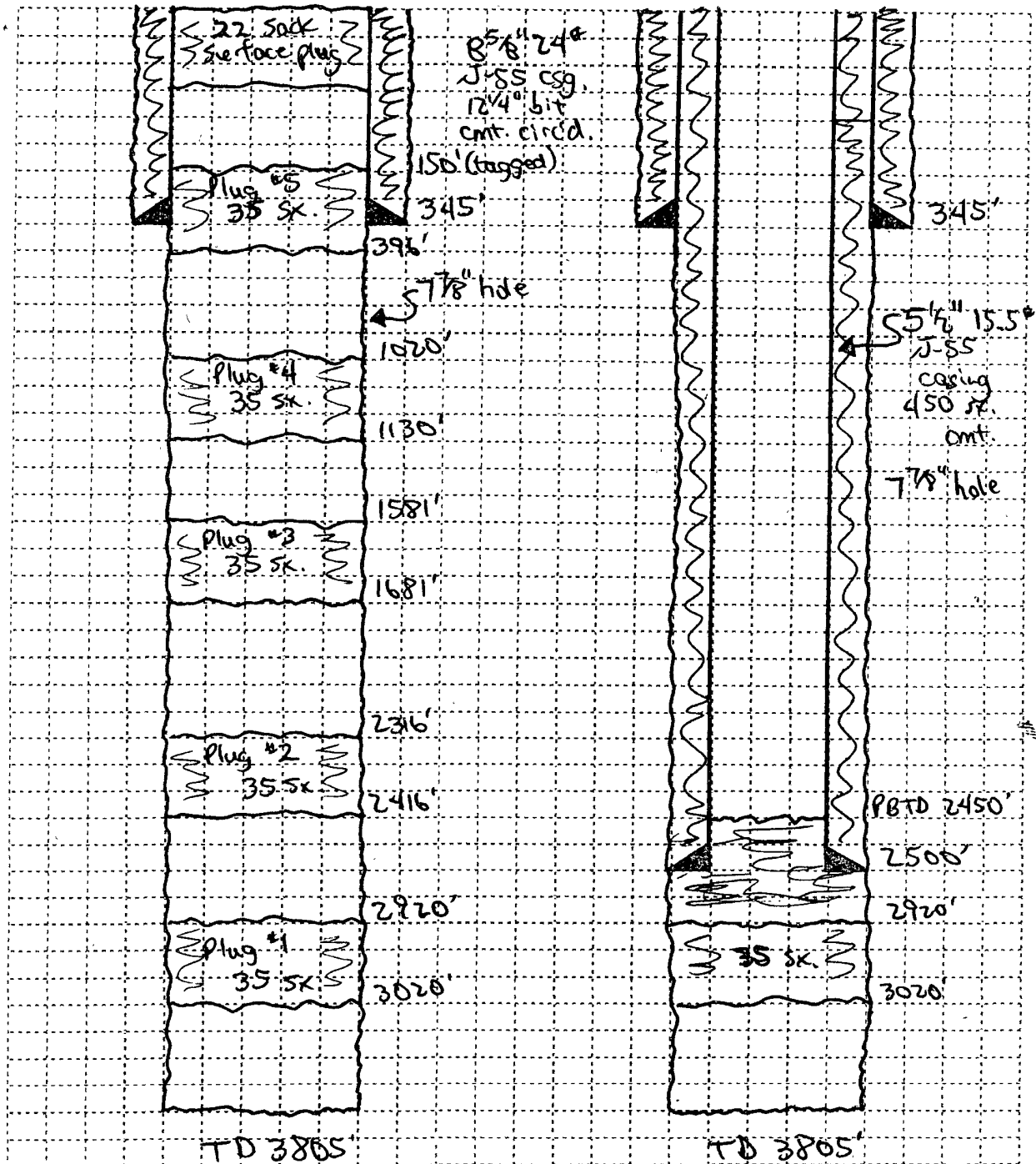
330' FNL and 2210' FEL

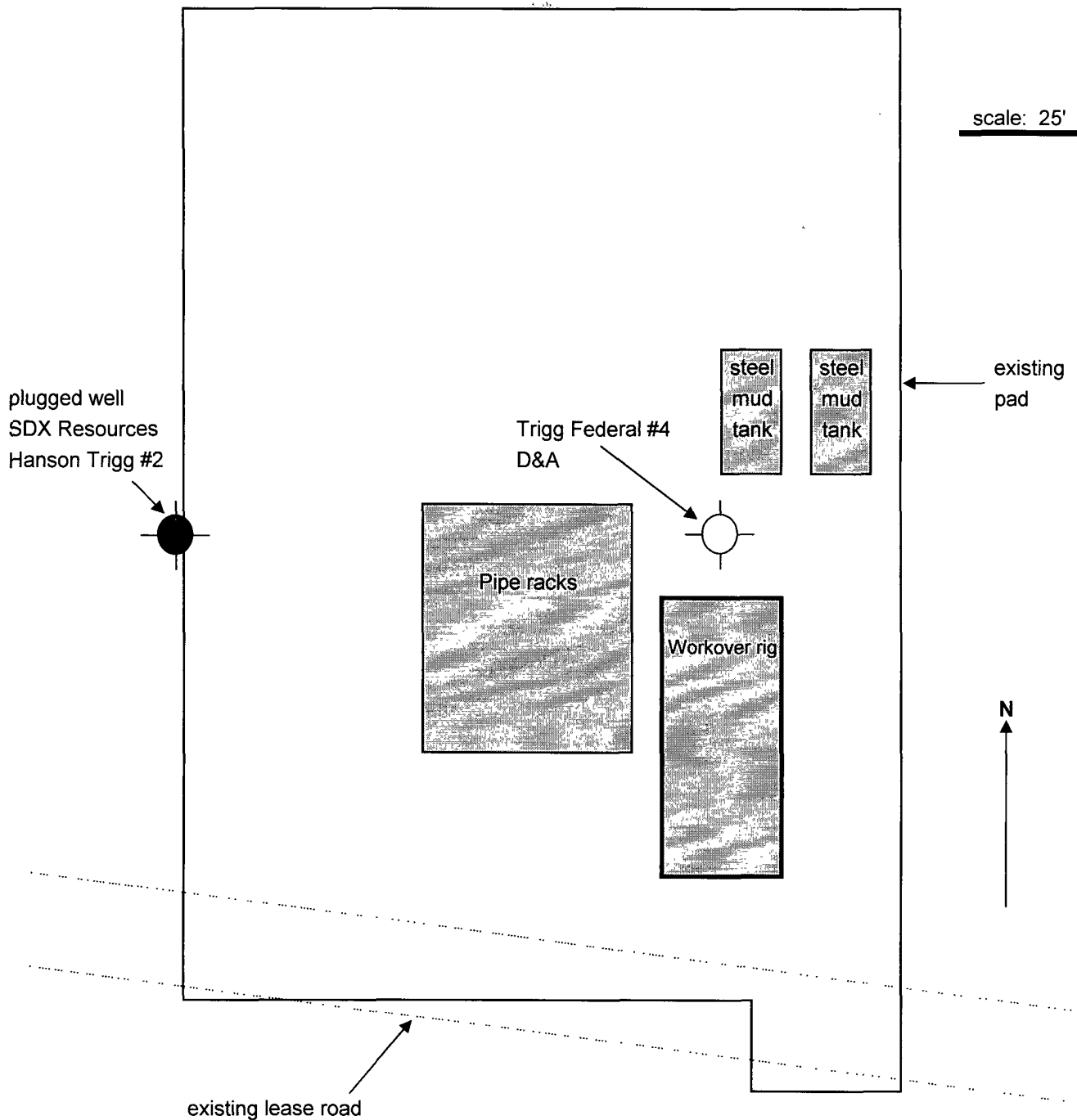
Unit "O", Sec. 26, T17S, R27E

Eddy County, NM

Current

Proposed





### Exhibit "G"

#### Fairway Resources Operating, LLC

Trigg Federal #4

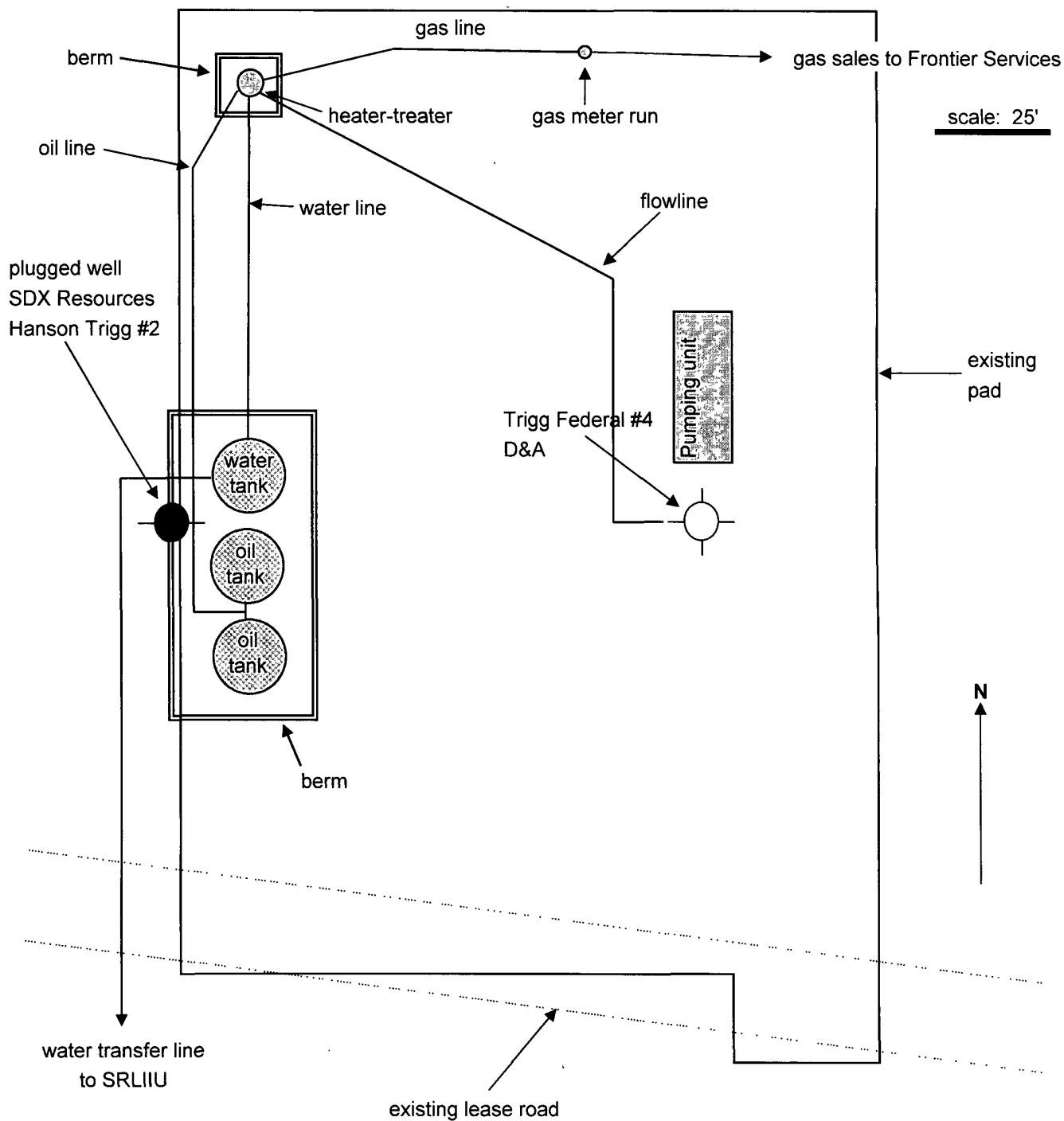
330' FSL & 2210' FEL, S-26, T-17-S, R-27-E

Red Lake Field, Eddy County, New Mexico

API# 30-015-31571

Re-entry of dry hole, SDX Resources - Trigg Federal #4

Workover Operations Layout



### Exhibit "H"

#### Fairway Resources Operating, LLC

Trigg Federal #4

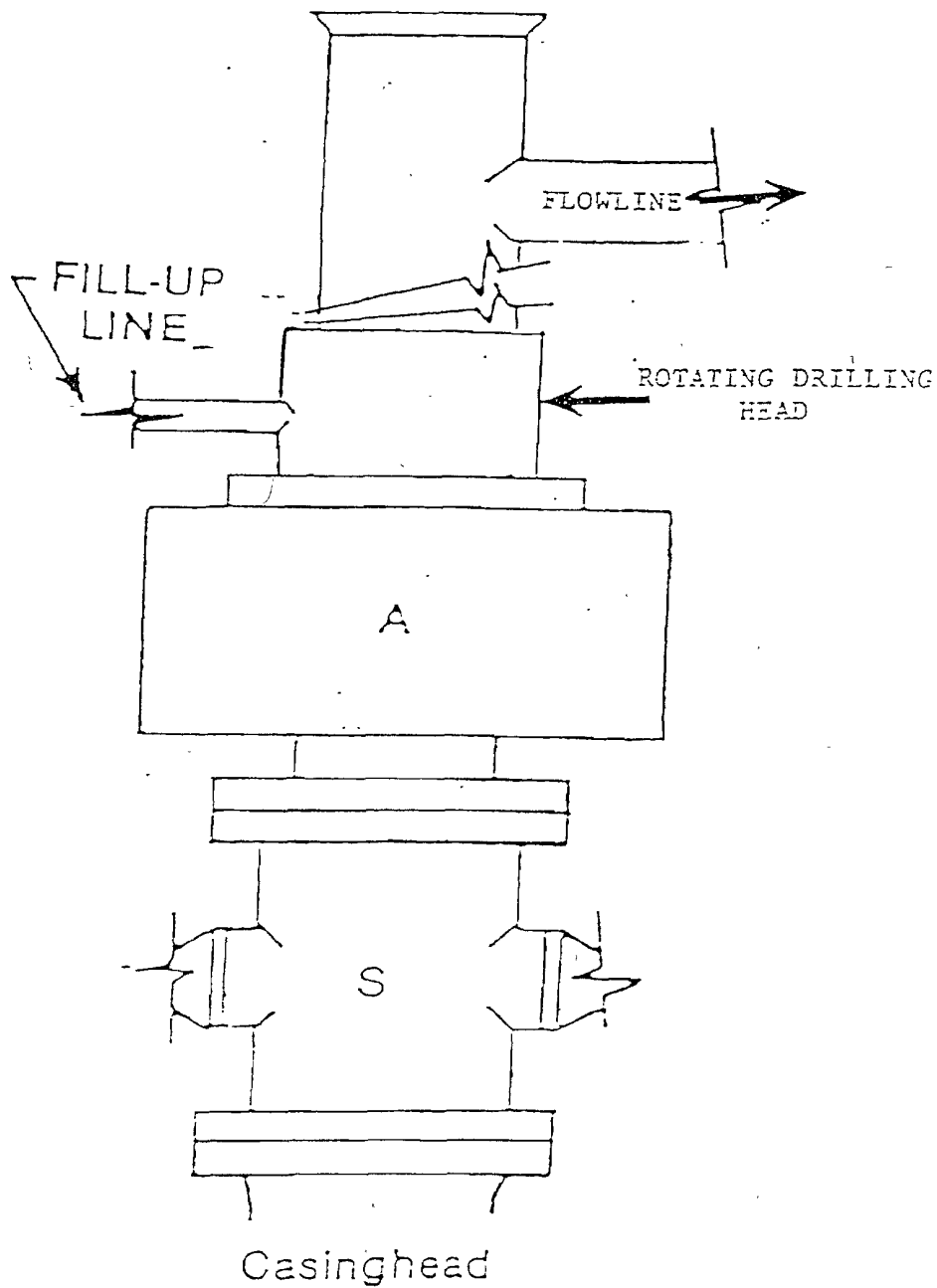
330' FSL & 2210' FEL, S-26, T-17-S, R-27-E

Red Lake Field, Eddy County, New Mexico

API# 30-015-31571

Re-entry of dry hole, SDX Resources - Trigg Federal #4

Production Operations Layout



**Exhibit "A"**  
**Sketch of B.O.P. to be used on;**  
**Fairway Operating Resources, LLC**  
**Trigg Federal #4 - Re-entry**  
**API# 30-015-31571**  
**Unit "O"                      Section 26**  
**T-17-S, R-27-E              Eddy County, NM**



**Fairway Resources Operating, LLC**  
**Hydrogen Sulfide Drilling Operations Plan**

1. All Company and Contract personnel admitted on location must be trained by a qualified H<sub>2</sub>S safety instructor in the following:
  - a. Characteristics of H<sub>2</sub>S
  - b. Physical effects and hazards
  - c. Proper use of safety equipment and life support systems.
  - d. Principle and operation of H<sub>2</sub>S 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<sub>2</sub>S Detection and Alarm Systems
  - a. H<sub>2</sub>S 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<sub>2</sub>S present in dangerous concentration. Only emergency personnel admitted to location.
5. Well control equipment
  - a. See Exhibits "A" and "B"
6. Communication
  - a. While working under masks chalkboards will be used for communication and signals will be used where chalk board is inappropriate.
  - b. 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 igniter 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.

## **SURFACE USE PLAN**

**Fairway Resources Operating, LLC.  
Trigg Federal #4  
Unit "O"  
Section 26, T-17-S, R-27-E  
Eddy Co., NM**

1. EXISTING ROADS: Area maps, Exhibits "C" and "D", are reproductions of the area topographic and highway maps. Exhibit "E" 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. Exhibits "C", "D", and "E" show the well site as it is currently located.
  - b. From the junction of U.S. Hi-way 82 and CR-204, go southeast on CR-204 0.7 miles, turn right on to CR-225, follow CR-225 for 0.85 mi., turn right (west), location is 0.25 mi. west of road.
  - c. Exhibit "E" is a topographic map showing existing roads and proposed flowlines.
2. PLANNED ACCESS ROADS: No new roads will be required.
  - a. If needed, the existing 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%.
  - c. Turn outs will be constructed where necessary.
  - d. If needed, road will be surfaced with a minimum of 4' caliche. This material will be obtained from a local source.
  - e. Centerline for any new access road will be 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 crossing for draining as required by the topography.
3. LOCATION OF EXISTING WELLS IN A ONE-MILE RADIUS EXHIBIT "F":
  - a. Water wells- One, 0.62 mi. NNE of location
  - b. Disposal wells – None known
  - c. Drilling wells – Not known
  - d. Producing wells – As shown on Exhibit "F"
  - e. Abandoned wells – As shown on Exhibit "F"



## **SURFACE USE PLAN**

**Fairway Resources Operating, LLC.  
Trigg Federal #4  
Unit "O"  
Section 26, T-17-S, R-27-E  
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 "E" shows existing roads and proposed 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 "E".

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 on 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. Drilling fluids will be contained in above ground steel. After drilling operations are completed, fluids will be hauled off by transports to a State approved disposal site. Water produced during completion will be stored in tanks and disposed of in State approved disposal/injection site. Oil and condensate produced during completion will be put in storage tanks and sold.
- d. Drill cuttings will be contained in above ground steel pits and will be hauled to a State approved landfarm and disposed of properly.
- e. Any remaining salts or mud additives will be collected by the supplier and returned to stock, this includes all broken bags.

8. ANCILLARY FACILITIES:

No camps or air strips will be constructed on location.

## **SURFACE USE PLAN**

**Fairway Resources Operating, LLC.  
Trigg Federal #4  
Unit "O"  
Section 26, T-17-S, R-27-E  
Eddy Co., NM**

### **9. WELL SITE LAYOUT:**

- a. Exhibit "G" shows the well site layout and proposed Workover Operations.
- b. This Exhibit shows the location of above ground steel pits, pipe racks, and the workover rig.
- c. Mud pits in the active circulating system will be above ground steel pits.
- d. Exhibit "H" is a plat showing the proposed surface production facility, to be located on the drilling pad, in the event that the well is successfully completed as a producing well.

### **10. PLANS FOR RESTROATION OF SURFACE:**

Rehabilitation of the location will include fluid and cuttings removal and disposal in accordance with BLM requirements, as previously noted. The location 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 producer the drilling pad will be necessary to construct production facilities. After the area has been shaped and contoured, top soil 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 regional topography consists of shallow drainage patterns with a dip toward the Southwest in to 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. The original archaeological survey was completed by SDX Resources before the well was drilled and was submitted to the Carlsbad office of The Bureau of Land Management. Because

## SURFACE USE PLAN

**Fairway Resources Operating, LLC.  
Trigg Federal #4  
Unit "O"  
Section 26, T-17-S, R-27-E  
Eddy Co., NM**

no additional or new road and location construction is proposed, another archaeological survey is not planned.

- d. There are no dwellings near to this location.

**12. OPERATOR'S REPRESENTATIVES:**

Fairway Resources Operating, LLC  
538 Silicon Drive, Suite 101  
Southlake, TX 76092  
Kenneth Pearce (817) 416-1946

13. **CERTIFICATION:** I hereby certify that I or persons under my supervision have inspected the existing 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 provision of the U.S.C. 1001 for the filing of a false report.

NAME:



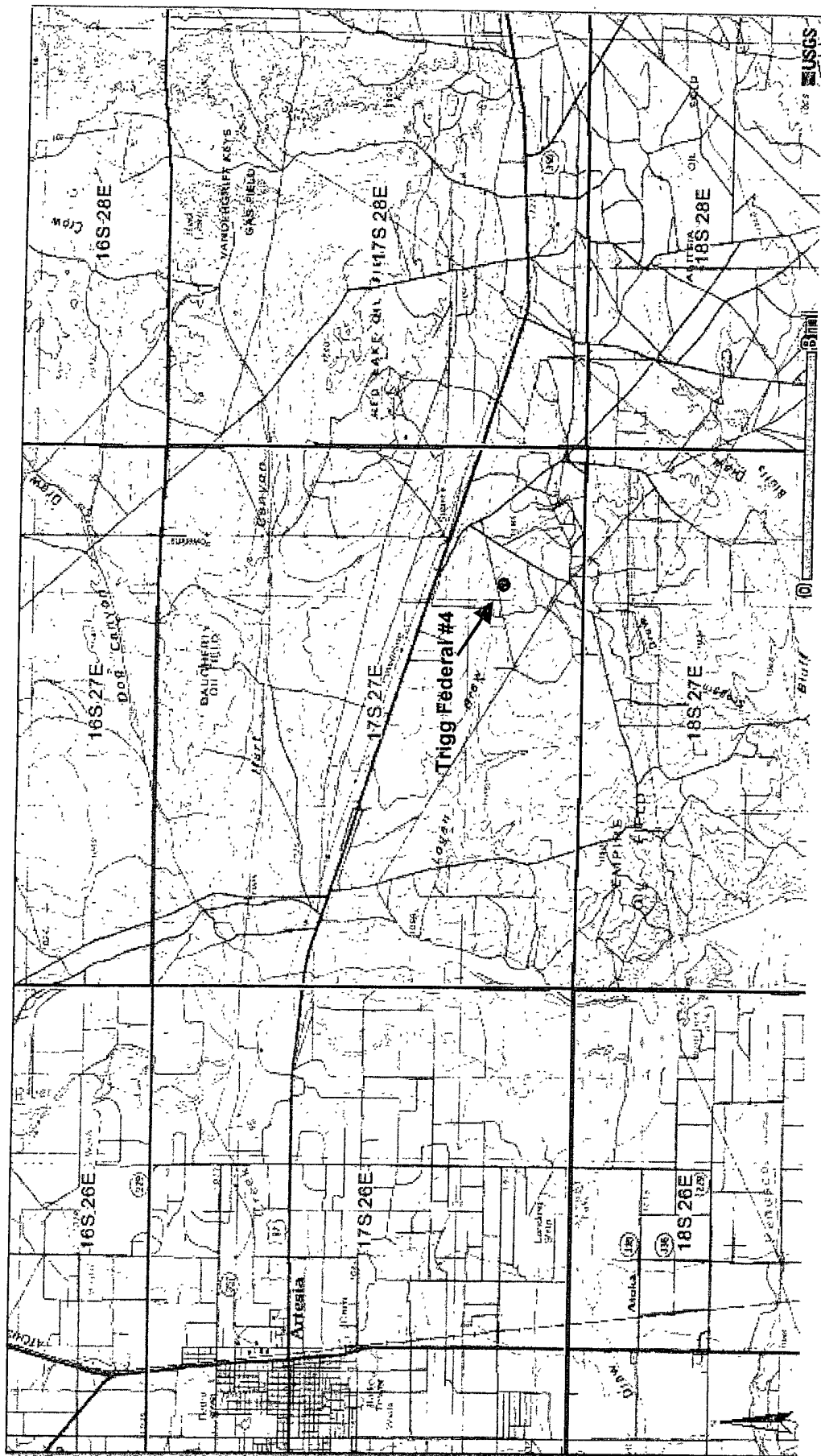
Kenneth Pearce

DATE:

January 11, 2008

TITLE:

Engineer



### Exhibit "C"

Fairway Resources Operating, LLC  
 Trigg Federal #4 - Re-entry  
 API# 30-015-31571  
 330' FSL & 2210' FEL  
 Unit "O", Section 26, T-17-S, R-27-E  
 Eddy County, NM

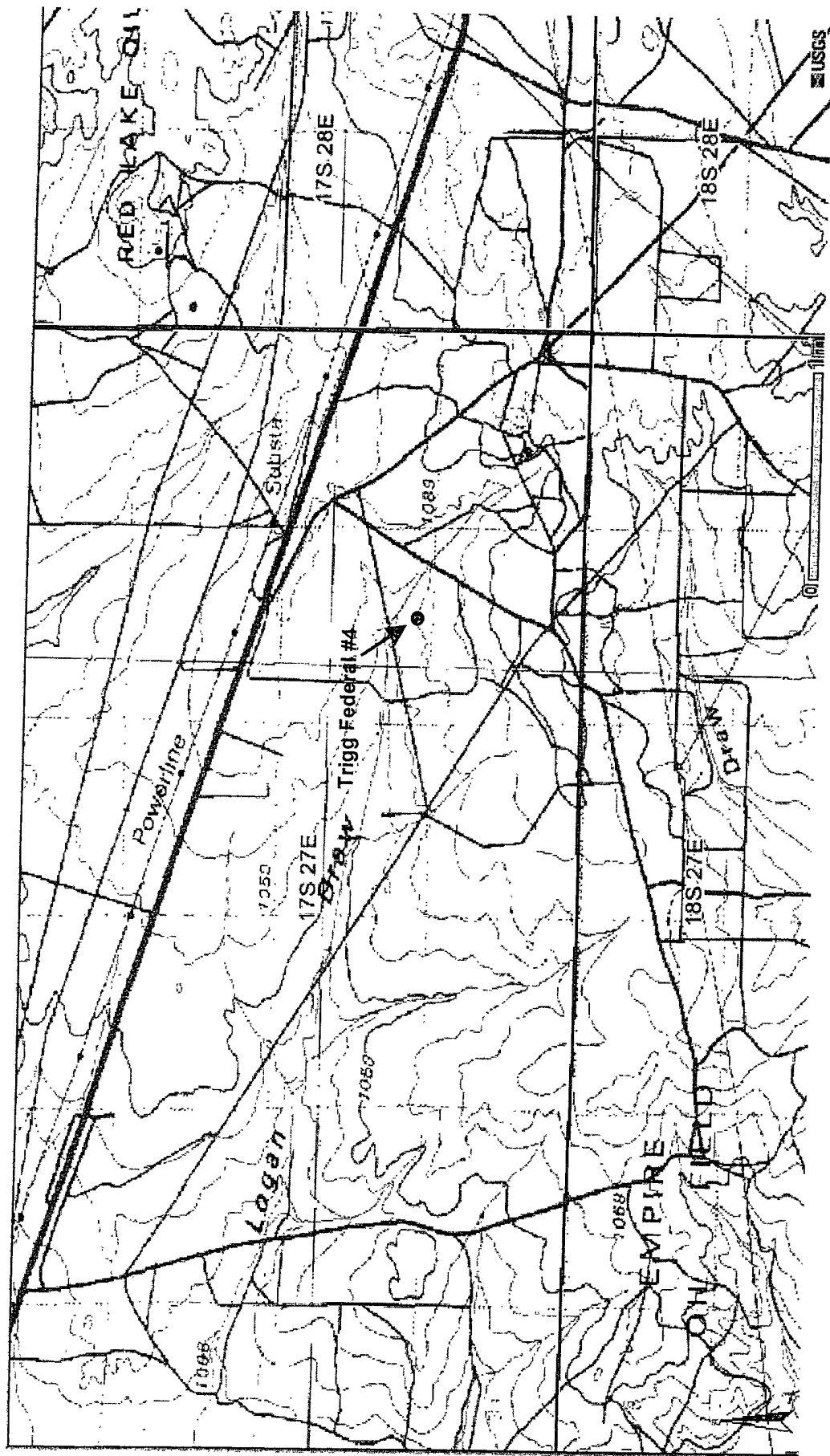


Exhibit "D"

Fairway Resources Operating, LLC  
Trigg Federal #4 - Re-entry  
API# 30-015-31571  
330' FSL & 2210' FEL  
Unit "O", Section 26, T-17-S, R-27-E  
Eddy County, NM

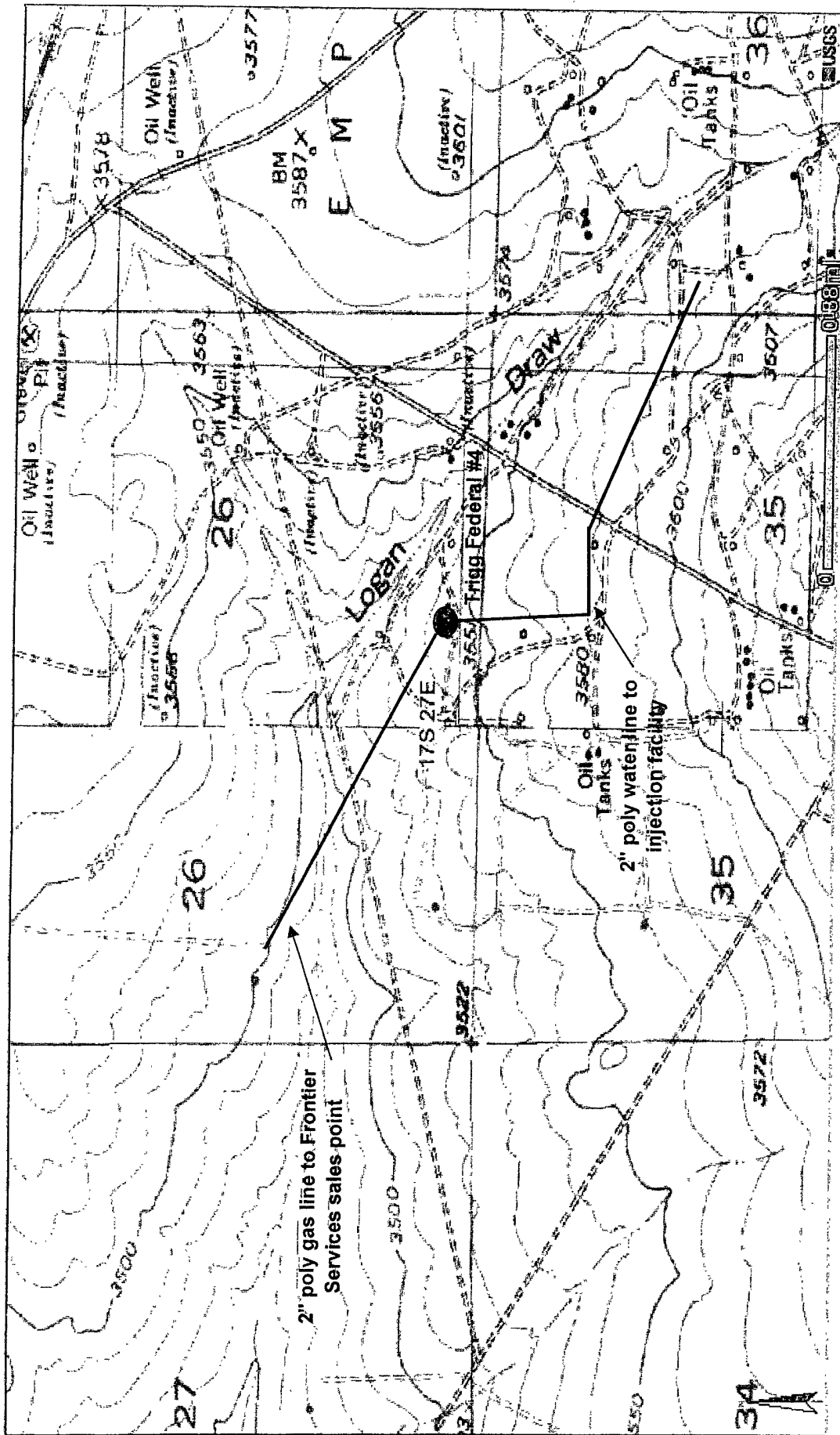


Exhibit "E"

Fairway Resources Operating, LLC  
 Trigg Federal #4 - Re-entry  
 API# 30-015-31571  
 330' FSL & 2210' FEL  
 Sec.26, T-17-S, R-27-E  
 Eddy County, TX

Location and Proposed Water and Gas Lines



**Fairway  
Resources**

Trigg Federal #4 - Re-entry APD

Sec 26, T-17-S, R-27-E

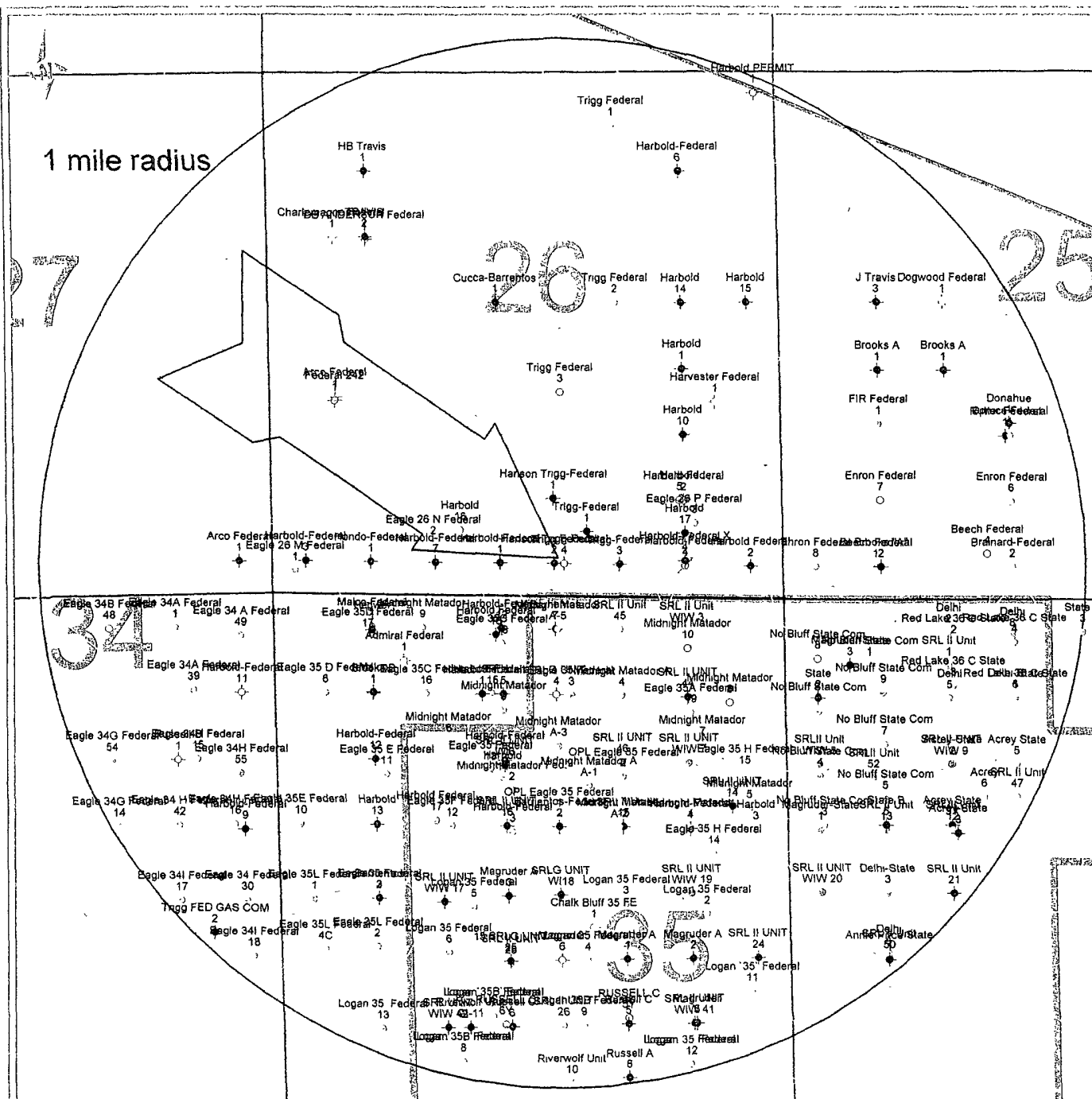
A horizontal scale bar with markings at 0, 1,500, and 3,000. The word "FEET" is centered below the bar.

Well Name  
Well Number

- Oil Well
- Shut In Oil Well
- Gas Well
- Plugged and Abandoned
- water injection well
- shut-in water injection well
- Location Only
- Dry Hole
- Junked
- Dry Hole, With Show of Oil

Dry hole - SDX Resources, 2001  
API 30-015-31571

December 27, 2007



## PECOS DISTRICT CONDITIONS OF APPROVAL

OPERATOR'S NAME:	Fairway Resources Operating, LLC
LEASE NO.:	LC-064050
WELL NAME & NO.:	Trigg Fed. #4
SURFACE HOLE FOOTAGE:	330 ' FS L & 2210 ' FE L
BOTTOM HOLE FOOTAGE:	
LOCATION:	Section 26 , T. 17 S., R 27 E., NMPM
COUNTY:	Eddy County, New Mexico

### TABLE OF CONTENTS

Standard Conditions of Approval (COA) apply to this APD. If any deviations to these standards exist or special COAs are required, the section with the deviation or requirement will be checked below.

- ☐ **General Provisions**
- ☐ **Permit Expiration**
- ☐ **Archaeology, Paleontology, and Historical Sites**
- ☐ **Noxious Weeds**
- ☒ **Special Requirements**
  - Cave/Karst
- ☐ **Construction**
  - Notification
  - Topsoil
  - Reserve Pit
  - Federal Mineral Material Pits
  - Well Pads
  - Roads
- ☐ **Road Section Diagram**
- ☒ **Drilling**
- ☐ **Production (Post Drilling)**
  - Well Structures & Facilities
- ☐ **Interim Reclamation**
- ☐ **Final Abandonment/Reclamation**



## **I. GENERAL PROVISIONS**

The approval of the Application For Permit To Drill (APD) is in compliance with all applicable laws and regulations: 43 Code of Federal Regulations 3160, the lease terms, Onshore Oil and Gas Orders, Notices To Lessees, New Mexico Oil Conservation Division (NMOCD) Rules, National Historical Preservation Act As Amended, and instructions and orders of the Authorized Officer. Any request for a variance shall be submitted to the Authorized Officer on Form 3160-5, Sundry Notices and Report on Wells.

## **II. PERMIT EXPIRATION**

If the permit terminates prior to drilling and drilling cannot be commenced within 60 days after expiration, an operator is required to submit Form 3160-5, Sundry Notices and Reports on Wells, requesting surface reclamation requirements for any surface disturbance. However, if the operator will be able to initiate drilling within 60 days after the expiration of the permit, the operator must have set the conductor pipe in order to allow for an extension of 60 days beyond the expiration date of the APD. (Filing of a Sundry Notice is required for this 60 day extension.)

## **III. ARCHAEOLOGICAL, PALEONTOLOGY & HISTORICAL SITES**

Any cultural and/or paleontological resource discovered by the operator or by any person working on the operator's behalf shall immediately report such findings to the Authorized Officer. The operator is fully accountable for the actions of their contractors and subcontractors. The operator 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 shall be made by the Authorized Officer to determine the appropriate actions that shall be required to prevent the loss of significant cultural or scientific values of the discovery. The operator shall be held responsible for the cost of the proper mitigation measures that the Authorized Officer assesses after consultation with the operator on the evaluation and decisions of the discovery. Any unauthorized collection or disturbance of cultural or paleontological resources may result in a shutdown order by the Authorized Officer.

## **IV. NOXIOUS WEEDS**

The operator shall be held responsible if noxious weeds become established within the areas of operations. Weed control shall be required on the disturbed land where noxious weeds exist, which includes the roads, pads, associated pipeline corridor, and adjacent land affected by the establishment of weeds due to this action. The operator shall consult with the Authorized Officer for acceptable weed control methods, which include following EPA and BLM requirements and policies.

## **V. SPECIAL REQUIREMENT(S)**

### **Cave and Karst**

#### **Cave/Karst Surface Mitigation**

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

##### **Berming:**

Tank batteries will be bermed to contain 1 ½ times the content of the largest tank.

Bermed areas will be lined with a permanent 20 mil plastic liner and then lined with a 4 oz. felt liner to prevent tears or punctures in liner.

#### **Cave/Karst Subsurface Mitigation**

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

##### **Lost Circulation:**

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

Regardless of the type of drilling machinery used, if a void of four feet or more and circulation losses greater than 100 percent occur simultaneously while drilling in any cave-bearing zone, the BLM will be notified immediately by the operator. The BLM will assess the consequences of the situation and work with operator on corrective actions to resolve the problem.

##### **Delayed Blasting:**

Any blasting will be phased and time delayed.

##### **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.

## **VI. CONSTRUCTION**

### **A. NOTIFICATION**

The BLM shall administer compliance and monitor construction of the access road and well pad. Notify the Carlsbad Field Office at (505) 234-5972 at least 3 working days prior to commencing construction of the access road and/or well pad.

When construction operations are being conducted on this well, the operator shall have the approved APD and Conditions of Approval (COA) on the well site and they shall be made available upon request by the Authorized Officer.

### **B. TOPSOIL**

There is no measurable soil on this well pad to stockpile. No topsoil stockpile is required.

### **C. RESERVE PITS**

Tanks are required for drilling operations: No Pits.

The operator shall properly dispose of drilling contents at an authorized disposal site.

### **D. FEDERAL MINERAL MATERIALS PIT**

If the operator elects to surface the access road and/or well pad, mineral materials extracted during construction of the reserve pit may be used for surfacing the well pad and access road and other facilities on the lease.

Payment shall be made to the BLM prior to removal of any additional federal mineral materials from any site other than the reserve pit. Call the Carlsbad Field Office at (505) 234-5972.

### **E. WELL PAD SURFACING**

Surfacing of the well pad is not required.

If the operator elects to surface the well pad, the surfacing material may be required to be removed at the time of reclamation.

The well pad shall be constructed in a manner which creates the smallest possible surface disturbance, consistent with safety and operational needs.

## **VII. DRILLING**

### **A. DRILLING OPERATIONS REQUIREMENTS**

The BLM is to be notified a minimum of 4 hours in advance for a representative to witness:

- a. Spudding well
- b. Setting and/or Cementing of all casing strings
- c. BOPE tests

☒ **Eddy County**

Call the Carlsbad Field Office, 620 East Greene St., Carlsbad, NM 88220,  
(575) 361-2822

- 1. A Hydrogen Sulfide (H<sub>2</sub>S) Drilling Plan should be activated 500 feet prior to drilling into the **Yates** formation.
- 2. Unless the production casing has been run and cemented or the well has been properly plugged, the drilling rig shall not be removed from over the hole without prior approval.

### **B. CASING – RE-ENTRY**

- 1. **The 8-5/8" casing is set at 345 feet and cemented to surface. A CIT is to be performed on this casing per Onshore Oil and Gas Order 2.III.B.1.h prior to drilling the shoe plug.**

**High cave/karst.**

**Possible lost circulation in the Grayburg and San Andres formations.**

- 2. The minimum required fill of cement behind the **5-1/2** inch intermediate casing is for cement to come to surface.
  - a. 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.
  - b. Wait on cement (WOC) time for a primary cement job will be a minimum 18 hours for a water basin, 24 hours in the potash area, or 500 pounds compressive strength, whichever is greater. (This is to include the lead cement).

- c. Wait on cement (WOC) time for a remedial job will be a minimum of 4 hours after bringing cement to surface or 500 pounds compressive strength, whichever is greater.
  - d. If cement falls back, remedial action will be done prior to drilling out that string.
3. If hardband 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.

#### **C. PRESSURE CONTROL**

1. All blowout preventer (BOP) and related equipment (BOPE) shall comply with well control requirements as described in Onshore Oil and Gas Order No. 2 and API RP 53 Sec. 17.
2. Minimum working pressure of the blowout preventer (BOP) and related equipment (BOPE) required for drilling below the surface casing shoe shall be **2000 (2M)** psi.
3. The appropriate BLM office shall be notified a minimum of 4 hours in advance for a representative to witness the tests.
  - a. The tests shall be done by an independent service company.
  - b. The results of the test shall be reported to the appropriate BLM office.
  - c. All tests are required to be recorded on a calibrated test chart. A copy of the BOP/BOPE test chart and a copy of independent service company test will be submitted to the appropriate BLM office.
  - d. The BOP/BOPE test shall include a low pressure test from 250 to 300 psi. The test will be held for a minimum of 10 minutes if test is done with a test plug and 30 minutes without a test plug.

**WWI 030308**

## **VIII. PRODUCTION (POST DRILLING)**

### **A. WELL STRUCTURES & FACILITIES**

#### **Placement of Production Facilities**

Production facilities should be placed on the well pad to allow for maximum interim recontouring and revegetation of the well location.

#### **Containment Structures**

The containment structure shall be constructed to hold the capacity of the entire contents of the largest tank, plus 24 hour production, unless more stringent protective requirements are deemed necessary by the Authorized Officer.

#### **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 # 5Y 4/2

## **IX. INTERIM RECLAMATION & RESERVE PIT CLOSURE**

### **A. INTERIM RECLAMATION**

If the well is a producer, interim reclamation shall be conducted on the well site in accordance with the orders of the Authorized Officer. The operator shall submit a Sundry Notices and Reports on Wells (Notice of Intent), Form 3160-5, prior to conducting interim reclamation.

During the life of the development, all disturbed areas not needed for active support of production operations should undergo interim reclamation in order to minimize the environmental impacts of development on other resources and uses.

The operators should work with BLM surface management specialists to devise the best strategies to reduce the size of the location. Any reductions should allow for remedial well operations, as well as safe and efficient removal of oil and gas.

During reclamation, the removal of caliche is important to increasing the success of revegetating the site. Removed caliche may be used for road repairs, fire walls or for building other roads and locations. In order to operate the well or complete workover operations, it may be necessary to drive, park and operate on restored interim vegetation within the previously disturbed area. Disturbing revegetated areas for production or workover operations will be allowed. If there is significant disturbance and loss of vegetation, the area will need to be revegetated. Communicate with the appropriate BLM office for any exceptions/exemptions if needed.

#### Seed Mixture 4, for Gypsum Sites

The holder shall seed all disturbed areas with the seed mixture listed below. The seed mixture shall be planted in the amounts specified in pounds of pure live seed (PLS)\* per acre. There shall be no primary or secondary noxious weeds in the seed mixture. Seed will be tested and the viability testing of seed will be done in accordance with State law(s) and within nine (9) months prior to purchase. Commercial seed will be either certified or registered seed. The seed container will be tagged in accordance with State law(s) and available for inspection by the authorized officer.

Seed will be planted using a drill equipped with a depth regulator to ensure proper depth of planting where drilling is possible. The seed mixture will be evenly and uniformly planted over the disturbed area (smaller/heavier seeds have a tendency to drop the bottom of the drill and are planted first). The holder shall take appropriate measures to ensure this does not occur. Where drilling is not possible, seed will be broadcast and the area shall be raked or chained to cover the seed. When broadcasting the seed, the pounds per acre are to be doubled. The seeding will be repeated until a satisfactory stand is established as determined by the authorized officer. Evaluation of growth will not be made before completion of at least one full growing season after seeding.

Species to be planted in pounds of pure live seed\* per acre:

<u>Species</u>	<u>lb/acre</u>
Alkali Sacaton ( <i>Sporobolus airoides</i> )	1.0
DWS <u>  </u> Four-wing saltbush ( <i>Atriplex canescens</i> )	5.0

  DWS: DeWinged Seed

\*Pounds of pure live seed:

Pounds of seed x percent purity x percent germination = pounds pure live seed (Insert Seed Mixture Here)



## **X. FINAL ABANDONMENT & REHABILITATION REQUIREMENTS**

Upon abandonment of the well and/or when the access road is no longer in service the Authorized Officer shall issue instructions and/or orders for surface reclamation and restoration of all disturbed areas.

On private surface/federal mineral estate land the reclamation procedures on the road and well pad shall be accomplished in accordance with the private surface land owner agreement.