N.M. Oil Cons. DIV-Dist. 2
1301 W. Grand Avenue
Artesia, NM 88210

Form 3160-3
(August 1999)

FORM APPROVED
OMB No. 1004-0136
Expires November 30, 2000

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

APPLICATION FOR PERMIT TO DRILL OR REENTER

5. Lease Serial No.: LC-056302 (b)

6. If Indian, Allottee or Tribe Name:

1a. Type of Work: ☒ DRILL ☐ REENTER

7. If Unit or CA Agreement, Name and No.: NORTH SQUARE LAKE UNIT

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

8. Lease Name and Well No.: NORTH SQUARE LAKE UNIT 194

2. Name of Operator: CBS OPERATING CORPORATION

9. API Well No.: 30-015-32912

3a. Address: P.O.BOX 2236, MIDLAND, TX 79702

3b. Phone No. *(include area code)*: 915/685-0878

10. Field and Pool, or Exploratory: SQUARE LAKE GB-SA

4. Location of Well *(Report location clearly and in accordance with any State requirements.*)*
At surface: 210' FNL & 1310' FEL Unit A
At proposed prod. zone: same

11. Sec., T., R., M., or Blk. and Survey or Area: Sec. 33, T16S, R31E

14. Distance in miles and direction from nearest town or post office*: 7.0 miles NE of Loco Hills, NM

12. County or Parish: EDDY

13. State: NM

15. Distance from proposed* location to nearest property or lease line, ft. (Also to nearest drig. unit line, if any): 210'

16. No. of Acres in lease: Approx 6125 ac in Unit

17. Spacing Unit dedicated to this well: 40 acres

18. Distance from proposed location* to nearest well, drilling, completed, applied for, on this lease, ft.: 900'+-

19. Proposed Depth: 3500'

20. BLM/BIA Bond No. on file: NM B000024

21. Elevations (Show whether DF, KDB, RT, GL, etc.): 3995' GL

22. Approximate date work will start*: January 1, 2003

23. Estimated duration: Drill & Complete 30 days

24. Attachments — Roswell Controlled Water Basin

*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: M. A. Sirgo III — Name *(Printed/Typed)*: M. A. SIRGO, III — Date: DEC. 10, 2002

Title: AGENT FOR CBS OPERATING CORP

Approved by *(Signature)*: /S/ LESLIE A. THEISS — Name *(Printed/Typed)*: /S/ LESLIE A. THEISS — Date: JUL 08 2003

Title: FIELD MANAGER — Office: CARLSBAD FIELD OFFICE

Application approval does not warrant or certify the 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 1 YEAR

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 reverse)

JUL 2003
RECEIVED
OCD - ARTESIA

APPROVAL SUBJECT TO
GENERAL REQUIREMENTS AND
SPECIAL STIPULATIONS
ATTACHED

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

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, N.M. 87504-2088

State of New Mexico
Energy, Minerals and Natural Resources Department

Form C-102
Revised February 10, 1994
Submit to Appropriate District Office
State Lease - 4 Copies
Fee Lease - 3 Copies

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

☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

API Number	Pool Code	Pool Name
	57570	SQUARE LAKE GB-SA

Property Code	Property Name	Well Number
30768	NSLU	194

OGRID No.	Operator Name	Elevation
216852	CBS OPERATING CORP	3995

Surface Location

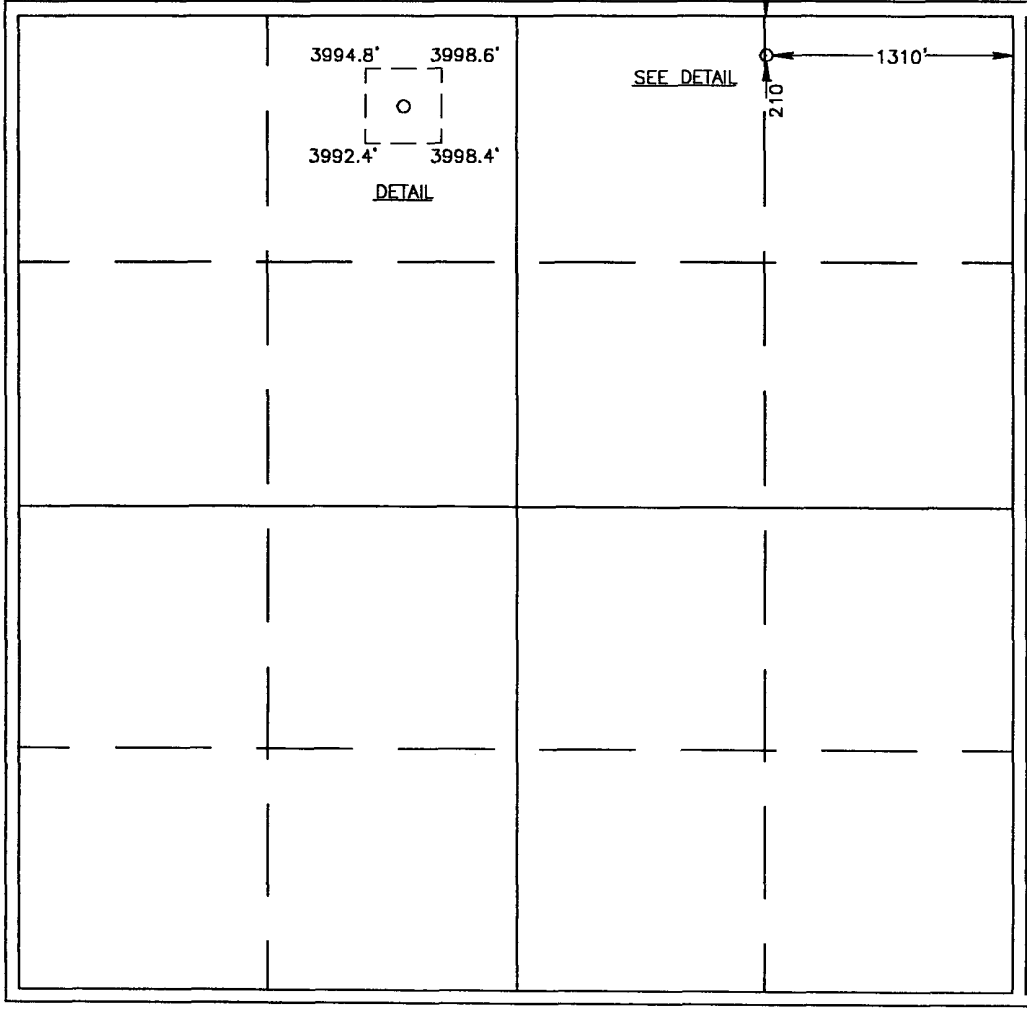
UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
A	33	16 S	31 E		210	NORTH	1310	EAST	EDDY

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.

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.

M. A. Sirgo III

Signature

M. A. SIRGO, III
Printed Name

AGENT
Title

DECEMBER 10, 2002
Date

SURVEYOR CERTIFICATION

I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervison, and that the same is true and correct to the best of my belief.

MARCH 1, 2000
Date Surveyed LMP

Signature & Seal of Professional Surveyor

RONALD J. EIDSON NEW MEXICO REGISTERED PROFESSIONAL SURVEYOR

Ronald J. Eidson 12/04/02

02-13-0939

Certificate No. RONALD J. EIDSON 3239
GARY EIDSON 12641

OPERATOR'S COPY

Form 3160-5
(August 1999)

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

RECEIVED
DEC 27 2002

FORM APPROVED
OMB No. 1004-0135
Expires November 30, 2000

SUNDRY NOTICES AND REPORTS ON WELLS

Do not use this form for proposals to drill or to re-enter an abandoned well. Use Form 3160-3 (APD) for such proposals.

SUBMIT IN TRIPLICATE - Other instructions on reverse side

5. Lease Serial No.

6. If Indian, Allottee or Tribe Name

7. If Unit or CA/Agreement, Name and/or No.
NORTH SQUARE LAKE UNIT

1. Type of Well
☒ Oil Well ☐ Gas Well ☐ Other

8. Well Name and No.
NORTH SQUARE LAKE UNIT

2. Name of Operator
CBS OPERATING CORPORATION

9. API Well No.

3a. Address P. O. BOX 2236
MIDLAND TX 79702

3b. Phone No. *(include area code)*
915/685-0878

10. Field and Pool, or Exploratory Area
SQUARE LAKE GB-SA

4. Location of Well *(Footage, Sec., T., R., M., or Survey Description)*

11. County or Parish, State
EDDY, NEW MEXICO

12. CHECK APPROPRIATE BOX(ES) TO INDICATE NATURE OF NOTICE, REPORT, OR OTHER DATA

TYPE OF SUBMISSION	TYPE OF ACTION			
☒ Notice of Intent	☐ Acidize	☐ Deepen	☐ Production (Start/Resume)	☐ Water Shut-Off
☐ Subsequent Report	☐ Alter Casing	☐ Fracture Treat	☐ Reclamation	☐ Well Integrity
☐ Final Abandonment Notice	☐ Casing Repair	☐ New Construction	☐ Recomplete	☒ Other Master Drilling Plan
	☐ Change Plans	☐ Plug and Abandon	☐ Temporarily Abandon	
	☐ Convert to Injection	☐ Plug Back	☐ Water Disposal	

13. Describe Proposed or Completed Operation (clearly state all pertinent details, including estimated starting date of any proposed work and approximate duration thereof. If the proposal is to deepen directionally or recomplete horizontally, give subsurface locations and measured and true vertical depths of all pertinent markers and zones. Attach the Bond under which the work will be performed or provide the Bond No. on file with BLM/BIA. Required subsequent reports shall be filed within 30 days following completion of the involved operations. If the operation results in a multiple completion or recompletion in a new interval, a Form 3160-4 shall be filed once testing has been completed. Final Abandonment Notices shall be filed only after all requirements, including reclamation, have been completed, and the operator has determined that the site is ready for final inspection.)

Attached for your review and approval is a Master Drilling Plan for the North Square Lake Unit. CBS Operating Corporation will conduct all unit drilling operations subject to this Master Drilling Plan.

Any unique data to specific well locations will be presented in each individual well 3160-3 applications on the pertinent information data sheet.

NOTE: Depth of surface casing may vary depending on geology. Check *Conditions of Approval* for surface casing setting depth.

JUL 2003
RECEIVED
OCD - ARTESIA

14. I hereby certify that the foregoing is true and correct
Name *(Printed/Typed)*
M. A. SIRGO, III — Title AGENT

Signature M. A. Sirgo III — Date DECEMBER 10, 2002

THIS SPACE FOR FEDERAL OR STATE OFFICE USE

Approved by Alexis C. Swoboda — Title PETROLEUM ENGINEER — Date DEC

Conditions of approval, if any, are attached. Approval of this notice 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. — Office

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.

CBS OPERATING CORPORATION
DECEMBER 2002
MASTER DRILLING PROGRAM
NORTH SQUARE LAKE UNIT
EDDY COUNTY, NEW MEXICO

The following items supplement Form 3160-3 in accordance with instructions contained in Onshore Oil & Gas Order No. 1.

1) This Master Drilling Plan is submitted to cover new wells drilled within the North Square Lake Unit boundary as defined below:

County – Eddy

T-16S R30-E
E/2 Section 25
N/2 Section 36

T-16S R31-E
S/2 Section 19
S/2 Section 20
NW/4 NW/4 Section 27
S/2 Section 27
SW/4 NE/4 Section 27
SW/4 Section 27
W/2 SE/4 Section 27
SE/4 SE/4 Section 27
All Section 28
All Section 29
All Section 30
All Section 31
All Section 32
All Section 33
All Section 34

2) SURFACE FORMATION: Current

3) ESTIMATED TOPS OF GEOLOGIC MARKERS:

Top of Salt	525'	Queen	2200'
Base of Salt	1360'	Grayburg	2852'
Yates	1570'	San Andres	3208'
Seven Rivers	1590'		

4) ESTIMATED DEPTHS TO WATER OIL OR GAS FORMATION:

Water – Possible groundwater from 0' to 75'
Oil - 2100' to TD
Gas - None anticipated

No other intervals are expected to give up oil, gas or fresh water in measurable quantities. The surface fresh water sands will be protected by setting 8-5/8" casing at 400' and circulating cement back to surface. Any shallower zones above TD which contain commercial quantities of oil and/or gas will have cement circulated across them by inserting a float shoe joint into the 5-1/2" production casing which will be run at TD.

5) CASING PROGRAM:

HOLE SIZE	INTERVAL	OD CASING	WEIGHT	GRADE	JT.	TYPE
12-1/4"	0-400'	8-5/8"	24#	J-55	LTC	R-3
7-7/8"	0-TD	5-1/2"	15.5#	J-55	LTC	R-3

All strings of casing will be satisfactorily tested to 1000 psi.

CEMENT PROGRAM:
8-5/8" Surface Casing: Cemented to surface with 330 sx of Class C w/2% Calcium Chloride
5-1/2" Production Casing: Cemented with 830 sx Class C. Will attempt to circulate to surface.

6) PRESSURE CONTROL EQUIPMENT:

Install a 3000# 10" Shaffer double hydraulic BOP on the 8-5/8" casing prior to drilling into the Queen. Due to depleted nature of the reservoir, it is requested that a waiver be granted to test pressure control equipment to 1000 psi, using rig pump instead of the normal 2000 psi test. Exhibit D is a diagrammatic sketch of the BOP equipment.

7) CIRCULATING MEDIUM:

Drill with fresh water from surface to setting depth of surface casing. Drill remainder of hole with brine water, using additives to control water loss, viscosity and mud weight.

8) AUXILIARY EQUIPMENT:

Equipment will include a gas detector, pit level monitor and a full-opening safety valve.

9) TESTING, LOGGING AND CORING PROGRAM:

Samples:	Samples will be caught at 10' intervals from below the surface casing to total depth.
DST and Cores:	None anticipated
Logging:	Density-Neutron Log, Gamma Ray-Neutron Log

10) ABNORMAL PRESSURES, TEMPERATURES OR HYDROGEN SULFIDE:

No abnormal pressure or temperatures anticipated. Precautions will be taken to monitor possible traces of hydrogen sulfide gas in the Grayburg. See H2S plan attachment.

11) ANTICIPATED STARTING DATE:

Drilling will commence upon Federal and State approval. Drilling and completion will require about 30 days.

CBS OPERATING CORP.

ATTACHMENT

HYDROGEN SULFIDE DRILLING OPERATIONS PLAN

I. 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 this well:

1. The hazards and characteristics of hydrogen sulfide (H2S).

2. The proper use and maintenance of person protective equipment and life support systems.

3. The proper use of H2S detectors, alarms, warning systems, briefing areas, evacuation 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 H2S 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 H2S Drilling Operations Plan and the Public Protection Plan.

There will be an initial training session just prior to encountering a known or probably H2S zone (within 3 days or 500 feet) and weekly H2S and well control drills for all personnel in each crew. The initial training session shall include a review of the site specific H2S Drilling Operations Plan and the Public Protection 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.

II. H2S SAFETY EQUIPMENT AND SYSTEMS

Note: All H2S 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 first zone containing or reasonable expected to contain H2S.

1. Well Control Equipment:

   A. Flare line with electronic igniter or continuous pilot.
   B. Choke manifold with a minimum of one remote choke.
   C. Blind rams and pipe rams to accommodate all pipe sizes with properly sized closing unit.
   D. Auxiliary equipment to include: annular preventer, mud-gas separator, rotating head, and flare gun with flares.

2. Protective Equipment for Essential Personnel:

   A. Mark II Surviveair 30-minute units located in the doghouse and at briefing areas, as indicated on well site diagram.

3. H2S Detection and Monitoring Equipment:

   A. Two portable H2S monitors positioned on location for best coverage and response. These units have warning lights and audible sirens when H2S levels of 20 ppm are reached.
   B. One portable SO2 monitor positioned near flare line.

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 a high visibility yellow with black lettering of sufficient size to be readable at a reasonable distance from the immediate location. Bilingual signs will be used, when appropriate. See example attached.

5. Mud Program:

   A. The mud program has been designed to minimize the volume of H2S circulated to the surface. Proper mud weight, safe drilling practices, and the use of H2S scavengers will minimize hazards when penetrating H2S bearing zones.
   B. A mud-gas separator and an H2S gas buster will be utilized.

6. Metallurgy:

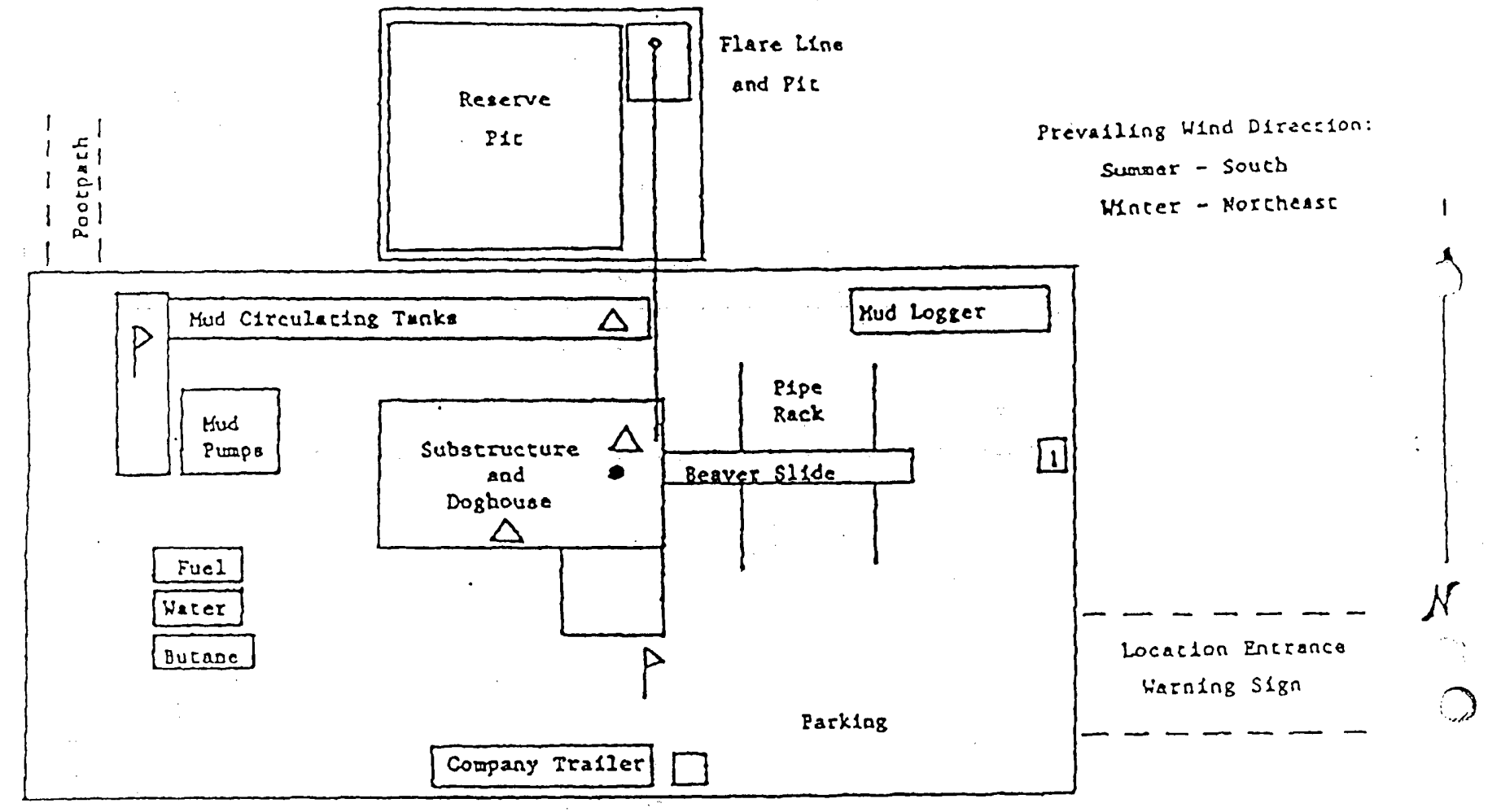
   A. All drill strings, casings, tubing, wellhead, blowout preventors, drilling spool, kill lines, choke manifold and lines, and valves shall be suitable for H2S service.
   B. All elastomers used for packing and seals shall be H2S trim.

7. Communication:

   A. Radio communications in company vehicles including cellular telephone and two-way radio.
   B. Land line (telephone) communications at field office.

8. Well Testing:

   A. Drill stem testing will be performed with a minimum number of personnel in the immediate vicinity, which are necessary to safely and adequately conduct the test. The drill stem testing will be conducted during daylight hours and formation fluids will not be flowed to the surface. All drill stem testing operations conducted in an H2S environment will use the closed chamber method of testing.



△ — H2S Monitors with alarms at the bell nipple and shale shaker

— Wind Direction Indicators

□ — Safe Briefing areas with caution signs and protective breathing equipment Min. 150 feet from wellhead. 1 designates primary area

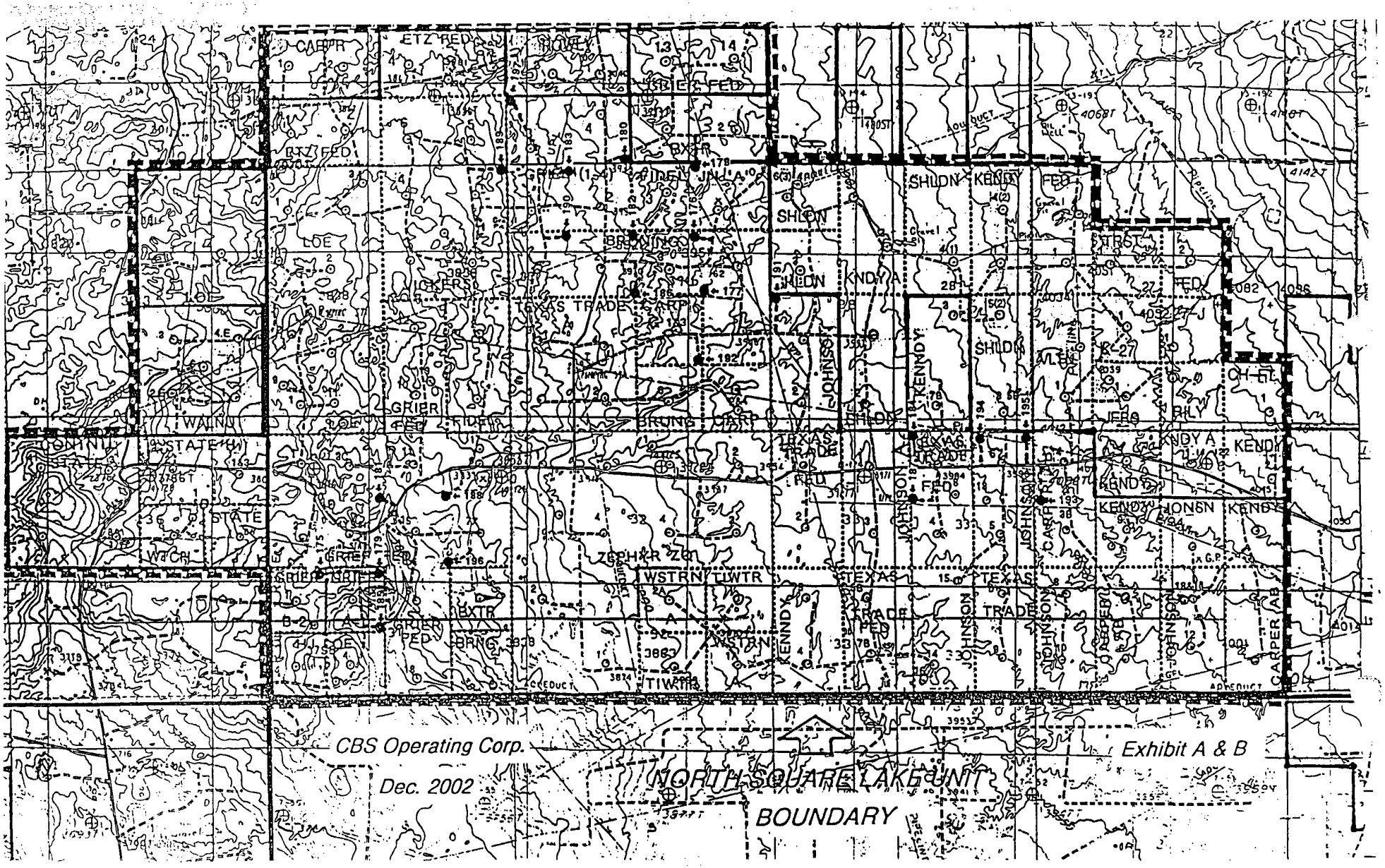
WARNING

YOU ARE ENTERING AN H_2S AREA
AUTHORIZED PERSONNEL ONLY

1. BEARDS OR CONTACT LENSES NOT ALLOWED
2. HARD HATS REQUIRED
3. SMOKING IN DESIGNATED AREAS ONLY
4. BE WIND CONSCIOUS AT ALL TIMES
5. CHECK WITH CBS OPERATING BEFORE ENTERING

CBS Operating Corp.

1-915-685-0878


CBS Operating Corp.
Dec. 2002
NORTH SQUARE LAKE UNIT
BOUNDARY
Exhibit A & B

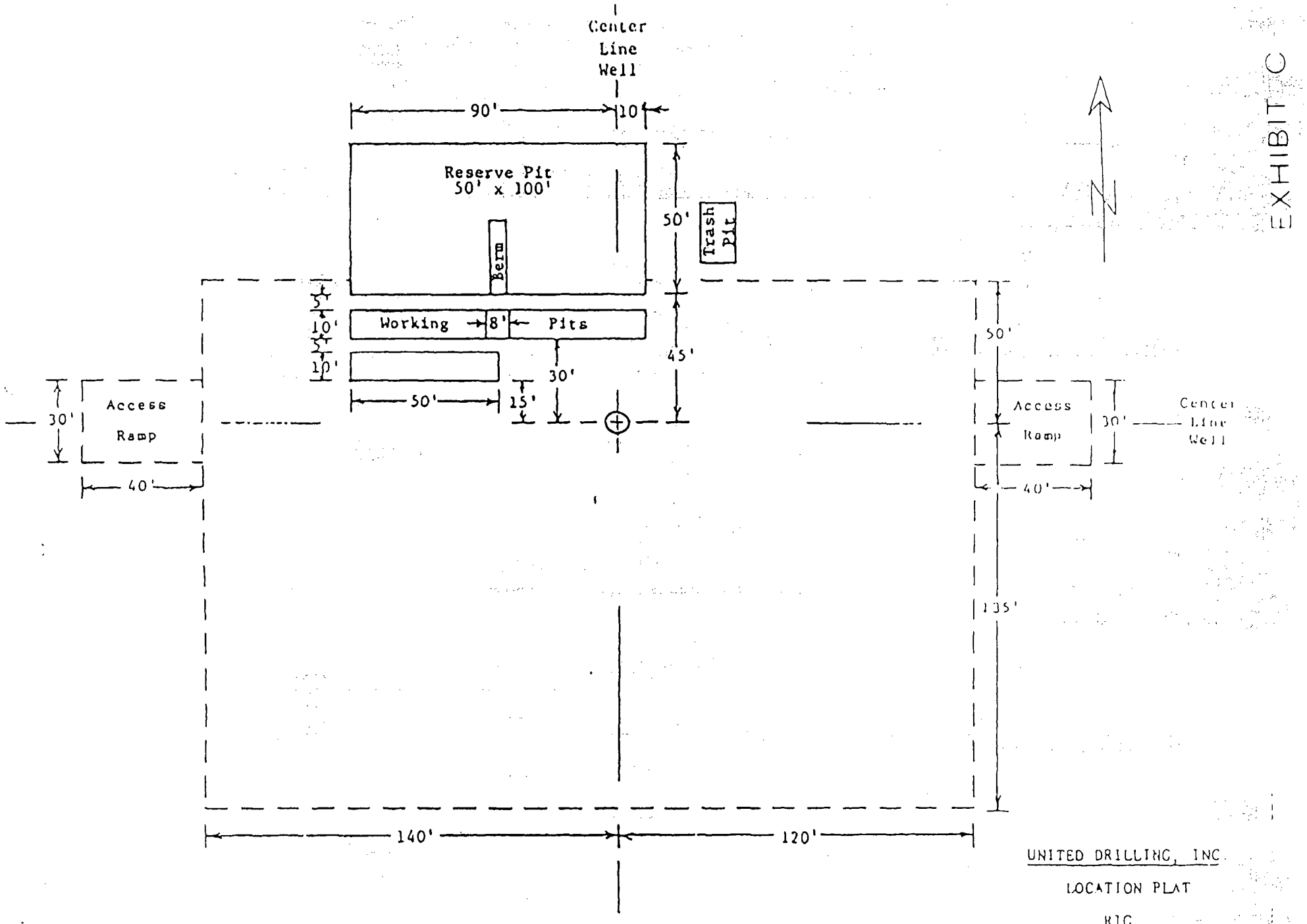


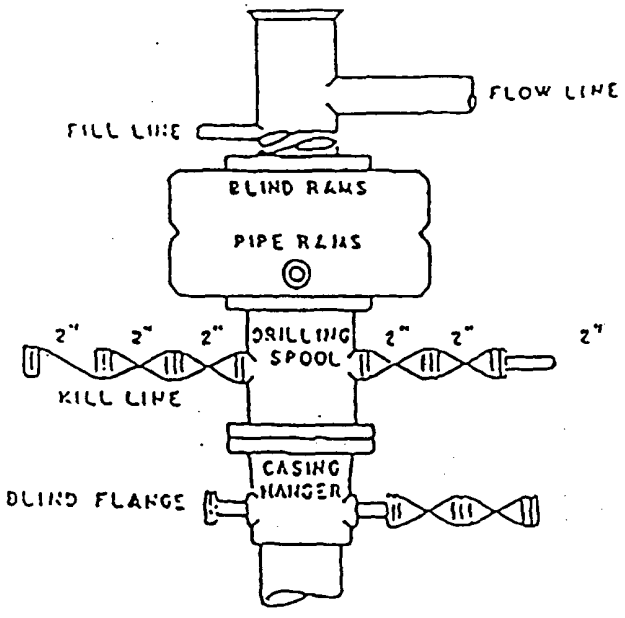
EXHIBIT C

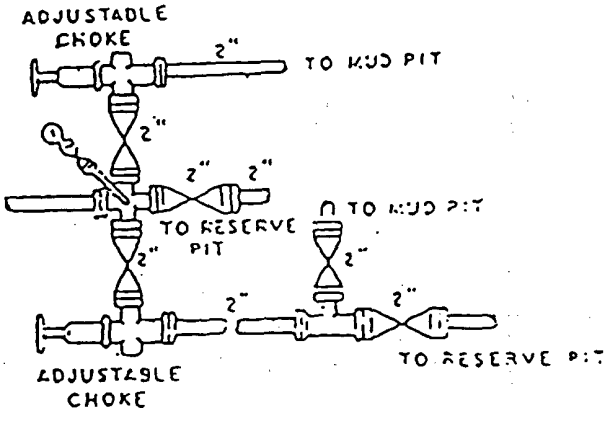
UNITED DRILLING, INC.

LOCATION PLAT

R1C

Scale: 1"=40' 1-15-92





BOP DIAGRAM

3000# Working Pressure
Rams Operated Daily

EXHIBIT D

Attachment to Exhibit D
NOTES REGARDING THE BLOWOUT PREVENTERS

1. Drilling nipple to be so constructed that it can be removed without use of a welder through rotary table opening, with minimum I.D. equal to preventer bore.

2. Wear ring to be properly installed in head.

3. Blow out preventer and all fittings must be in good condition, 3000 psi W.P. minimum.

4. All fittings to be flanged.

5. Safety valve must be available on rig floor at all times with proper connections, valve to be full bore 3000 psi W.P. minimum.

6. All choke and fill lines to be securely anchored, especially ends of choke lines.

7. Equipment through which bit must pass shall be at least as large as the diameter of the casing being drilled through.

8. Kelly cock on kelly.

9. Extension wrenches and hand wheels to be properly installed.

10. Blow out preventer control to be located as close to driller's position as feasible.

11. Blow out preventer closing equipment to include minimum 40 gallon accumulator, two independent sources of pump power on each closing unit installation, and meet all API specifications.

CBS OPERATING CORP.
P. O. BOX 2236, MIDLAND, TX 79702 432/685-0878 FAX 685-1945

July 28, 2003 VIA FAX 505/748-9720

NM OIL CONSERVATION DIVISION
Energy, Minerals & Natural Resource Dept.
1301 W. Grand Ave.
Artesia, New Mexico 88210

Attention: Mr. Bryan Arrant

Re: Hydrogen Sulfide Contingency Plan
North Square Lake Unit
Eddy County, NM

Dear Mr. Arrant:

Reference is made to that certain Master Drilling Plan filed by CBS Operating Corp. for the North Square Lake Unit. This plan was approved by the BLM on December 23, 2002.

This Master Drilling Plan contains a Hydrogen Sulfide Drilling Operations Plan. CBS currently feels that this plan is comprehensive with regard to H2S safety and that expected H2S levels in the field do not warrant an additional contingency plan at this time.

Sincerely,

M. A. Sirgo, III

MAS/pr