

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

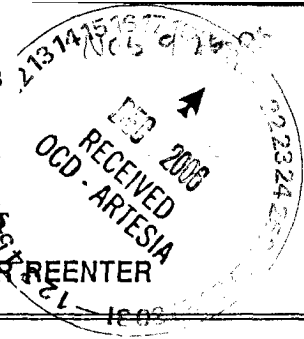
ATS-07-93

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



BUREAU OF LAND MANAGEMENT

APPLICATION FOR PERMIT TO DRILL OR REENTER



NO ALOT

1a. Type of work: <input checked="" type="checkbox"/> DRILL <input type="checkbox"/> REENTER		5. Lease Serial No. LC-050158
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. -----
3a. Address 538 SILICON DRIVE suite 101 SOUTHLAKE, TEXAS 76092	3b. Phone No. (include area code) 817-416-1946	8. Lease Name and Well No. MIDNIGHT MATADOR # 87
4. Location of Well (Report location clearly and in accordance with any State requirements.) At surface 1470' FNL & 950' FEL SECTION 35 T17S-R27E EDDY CO. NM. At proposed prod. zone SAME <i>AK</i> ROSWELL CONTROLLED WATER BASIN		9. API Well No. <i>252075N 113106</i> 30-015-35289
14. Distance in miles and direction from nearest town or post office* Approximately 8 miles East of Artesia New Mexico		10. Field and Pool, or Exploratory RED LAKE-QUEEN, GBG, SAN ANDRES
15. Distance from proposed* location to nearest property or lease line, ft. (Also to nearest drig. unit line, if any) 950'	16. No. of acres in lease 640	11. Sec., T. R. M. or Blk. and Survey or Area SECTION 35 T17S-R27E
17. Spacing Unit dedicated to this well 40	18. Distance from proposed location* to nearest well, drilling, completed, applied for, on this lease, ft. 330' ±	12. County or Parish EDDY CO.
19. Proposed Depth 2500'	20. BLM/BIA Bond No. on file NMB-000386	13. State NEW MEXICO
21. Elevations (Show whether DF, KDB, RT, GL, etc.) 3588' GL.	22. Approximate date work will start* WHEN APPROVED	23. Estimated duration 18 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. | 4. Bond to cover the operations unless covered by an existing bond on file (see Item 20 above). |
| 2. A Drilling Plan. | 5. Operator certification |
| 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). | 6. Such other site specific information and/or plans as may be required by the authorized officer. |

25. Signature <i>Joe T. Janica</i>	Name (Printed/Typed) Joe T. Janica	Date 11/02/06
Title Agent		
Approved by (Signature)	Name (Printed/Typed)	Date 12/20/06
Title ACTING 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 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 page 2)

APPROVAL SUBJECT TO GENERAL REQUIREMENTS AND SPECIAL STIPULATIONS ATTACHED

SEE ATTACHED FOR CONDITIONS OF APPROVAL

NSL 3522' B6X
OCD

UNITED STATES
DEPARTMENT OF THE INTERIOR **COO-ARTESIA**
BUREAU OF LAND MANAGEMENT

FORM APPROVED
OMB No. 1004-0135
Expires January 31, 2004

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.
LC-050158
- 6. If Indian, Allottee or Tribe Name

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

- 8. Well Name and No.
MIDNIGHT MATADOR # 7
- 9. API Well No.
- 10. Field and Pool, or Exploratory Area
RED LAKE-QUEEN-grayburg SAN ANDRE
- 11. County or Parish, State
EDDY CO. NEW MEXICO

- 1. Type of Well
 Oil Well Gas Well Other
- 2. Name of Operator
FAIRWAY RESOURCES OPERATING, LLC. (MATT EAGLESTON 918-416-1946)
- 3a. Address 538 SILICON DRIVE
SUITE 101 SOUTHLAKE, TEXAS 76092
- 3b. Phone No. (include area code)
817-416-1946
- 4. Location of Well (Footage, Sec., T., R., M., or Survey Description)
1470' FNL & ^{350'} 950' FEL SECTION 35 T17S-R27E EDDY CO. NM

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

TYPE OF SUBMISSION	TYPE OF ACTION			
<input checked="" type="checkbox"/> Notice of Intent	<input type="checkbox"/> Acidize	<input type="checkbox"/> Deepen	<input type="checkbox"/> Production (Start/Resume)	<input type="checkbox"/> Water Shut-Off
<input type="checkbox"/> Subsequent Report	<input type="checkbox"/> Alter Casing	<input type="checkbox"/> Fracture Treat	<input type="checkbox"/> Reclamation	<input type="checkbox"/> Well Integrity
<input type="checkbox"/> Final Abandonment Notice	<input type="checkbox"/> Casing Repair	<input type="checkbox"/> New Construction	<input type="checkbox"/> Recomplete	<input checked="" type="checkbox"/> Other <u>Change well #</u>
	<input type="checkbox"/> Change Plans	<input type="checkbox"/> Plug and Abandon	<input type="checkbox"/> Temporarily Abandon	
	<input type="checkbox"/> Convert to Injection	<input type="checkbox"/> Plug Back	<input type="checkbox"/> 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.)

- 1. FAIRWAY RESOURCES OPERATING, LLC. requests the approval to change the well number for the well originally submitted on the APD dated 11/02/06.
- 2. Change well # 8 to well # 7

14. I hereby certify that the foregoing is true and correct

Name (Printed/Typed) Joe T. Janica	Title Agent
Signature <i>Joe T. Janica</i>	Date 11/03/06

THIS SPACE FOR FEDERAL OR STATE OFFICE USE

Approved by -----	FIELD MANAGER	Date -----
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 CARLSBAD FIELD 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.

(Instructions on reverse)

DISTRICT I
1625 N. French Dr., Hobbs, NM 88240

DISTRICT II
1901 W. Grand Avenue, Artesia, NM 88210

DISTRICT III
1000 Rio Brazos Rd., Aztec, NM 87410

DISTRICT IV
1220 S. St. Francis Dr., Santa Fe, NM 87505

State of New Mexico
Energy, Minerals and Natural Resources Department

Form C-102
Revised October 12, 2005

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

OIL CONSERVATION DIVISION
1220 South St. Francis Dr.
Santa Fe, New Mexico 87505

AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

API Number 30-015-35289	Pool Code 51300	Pool Name RED LAKE-QUEEN, GRAYBURG, SAN ANDRES
Property Code 302896	Property Name MIDNIGHT MATADOR	Well Number 7
OGRID No. 241598	Operator Name FAIRWAY RESOURCES OPERATING, L.L.C.	Elevation 3587'

Surface Location

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
H	35	17 S	27 E		1470	NORTH	850	EAST	EDDY

Bottom Hole Location If Different From Surface

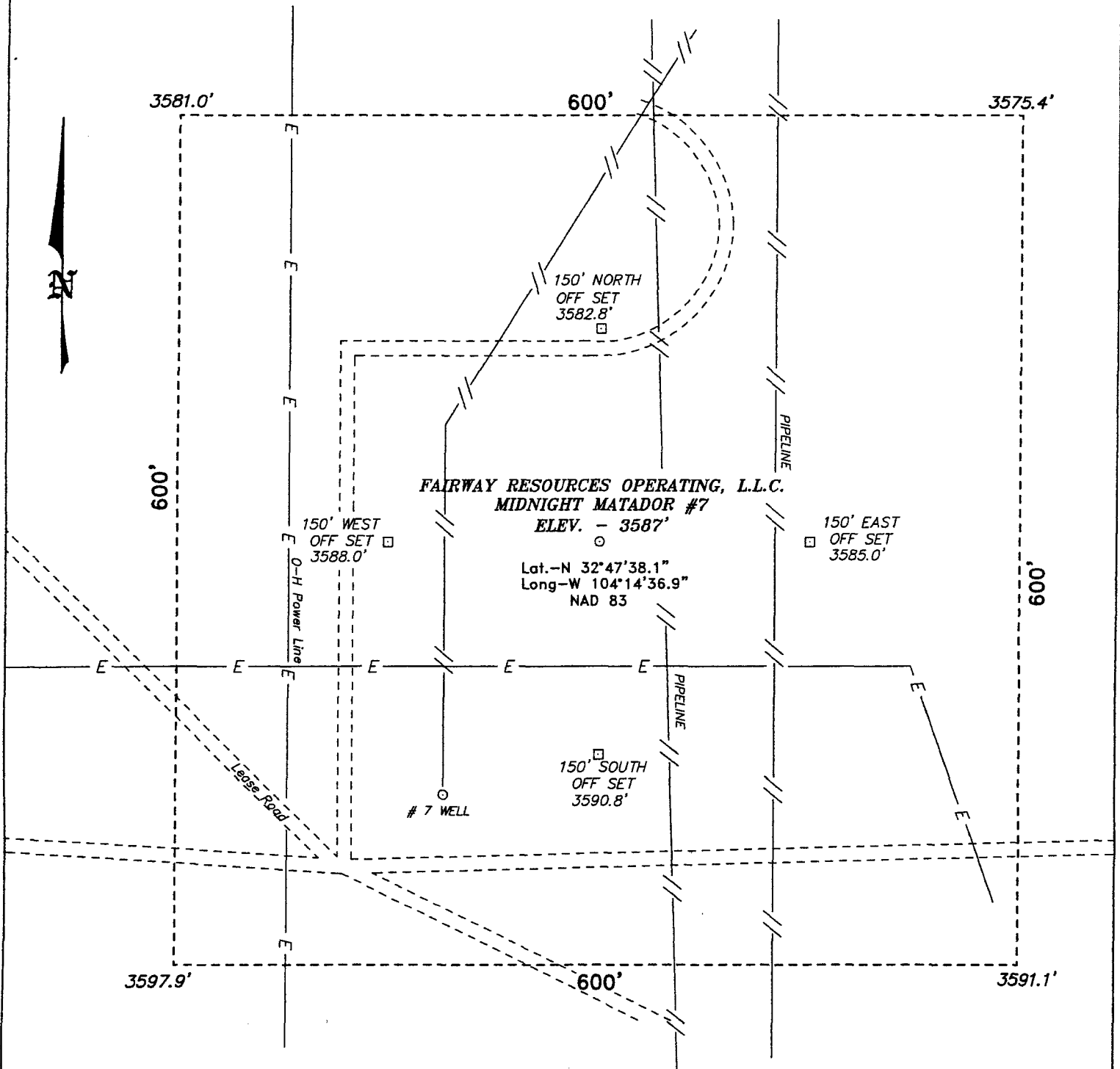
UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County

Dedicated Acres 40	Joint or Infill	Consolidation Code	Order No.
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NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION

<p>LAT - N32°47'38.1" LONG - W104°14'36.9" NAD 83</p> <p>LC-050158</p> <p>EXHIBIT "A"</p>		<p>OPERATOR CERTIFICATION</p> <p>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 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.</p> <p><i>Joe T. Janica</i> Signature Date 11/20/06</p> <p>Joe T. Janica Printed Name Agent</p>
	<p>SURVEYOR CERTIFICATION</p> <p>I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision and that the same is true and correct to the best of my belief.</p> <p>NOVEMBER 16, 2006</p> <p>Date Surveyed</p> <p>GARY L. JONES Signature & Seal Professional Surveyor</p> <p>GARY L. JONES Professional Surveyor 1977</p> <p>W.O. No. 17431</p> <p>Certificate No. Gary L. Jones 7977</p> <p>BASIN SURVEYS</p>	

SECTION 35, TOWNSHIP 17 SOUTH, RANGE 27 EAST, N.M.P.M.,
 EDDY COUNTY, NEW MEXICO.



DIRECTIONS TO LOCATION:

FROM THE JUNCTION OF US HWY 82 AND CO. RD. 204, GO SOUTHEAST ON CO. RD. 204 FOR 0.3 MILE TO CO. RD. 225; THENCE SOUTHWESTERLY ON CO. RD. 225 FOR 1.0 MILE TO LEASE ROAD; THENCE SOUTHEAST ON LEASE ROAD FOR 0.15 MILE; THENCE NORTH FOR 0.1 MILE TO EXISTING WELL PAD ON SOUTHWEST CORNER OF PROPOSED WELL PAD.



SCALE: 1" = 100'

FAIRWAY RESOURCES OPERATING, L.L.C.

REF: MIDNIGHT MATADOR No. 7 / Well Pad Topo

THE MIDNIGHT MATADOR No. 7 LOCATED 1470' FROM
 THE NORTH LINE AND 850' 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: 17431 Drawn By: K. GOAD

Date: 11-17-2006 Disk: KJG - 17431A.DWG

Survey Date: 11-16-2006 Sheet 1 of 1 Sheets

1. Drill 12 $\frac{1}{4}$ " hole to 350'. Run and set 350' of 8 5/8" 24# J-55 ST&C casing. Cement with 350 Sx. of Class "C" cement + 4% Gel, + $\frac{1}{4}$ # Flocele/Sx., + 2% CaCl. Circulate cement to surface.
2. Drill 7 7/8" hole to 2500'. Run and set 2500' of 5 $\frac{1}{2}$ " 15.5# J-55 ST&C casing. Cement with 100 Sx. of Class "C" cement + $\frac{1}{4}$ # Flocele/Sx, tail in with 400 Sx. of Class "H" cement + .8% FL-62, + .2% CD-32, + .2% SMS. Circulate cement to surface.

APPLICATION TO DRILL

FAIRWAY RESOURCES OPERATING LLC.
 MIDNIGHT MATADOR # 8
 UNIT "H" 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: 1470' FNL & 950' FEL SECTION 35 T17S-R27E EDDY CO. NM
2. ELEVATION ABOVE SEA LEVEL: 3588' GR.
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
12½"	0-350	8 5/8"	24#	8-R	ST&C	J-55
7 7/8"	0-2500'	5½"	15.5	8-R	ST&C	J-55

APPLICATION TO DRILL

FAIRWAY RESOURCES OPERATING LLC.
 MIDNIGHT MATADOR # 8
 UNIT "H" SECTION 35
 T17S-R27E EDDY CO. NM

9. CEMENTING & SETTING DEPTH:

8 5/8" Surface Set 350' of 8 5/8" 24# J-55 ST&C casing. Cement with 350 Sx. of Class "C" cement + 4% Gel, + 1/2# Flocele/Sx. + 2% CaCl, circulate cement to surface.

5 1/2" Production Set 2500' of 5 1/2" 15.5# J-55 ST&C casing. Cement with 100 Sx. of Class "C" cement + 1/4# Flocele/Sx. follow with 400 Sx. of Class "H" cement + .8% FL-62, + .2% CD-32, + .2% SMS, circulate cement to surface.

10. PRESSURE CONTROL EQUIPMENT:

Exhibit "E" shows a sketch of a 2000 PSI rated B.O.P. consisting of an annular preventor. This B.O.P. will be nipped up on the 8 5/8" casing, and remain on the hole till the TD is reached. This is a rig with a low sub-structure, pressures are not expected to exceed 1500 PSI. Exhibit "E=1" shows a choke manifold rated at 3000 PSI, it also shows a hydraulically operated closing unit which may be used, the choke manifold has manually operated chokes should unexpected pressures be encountered while drilling of this well.

11. PROPOSED MUD CIRCULATING SYSTEM:

DEPTH	MUD WT.	VISC.	FLUID LOSS	TYPE MUD SYSTEM
0-350'	8.4-8.7	29-40	NC	Fresh water use paper to control seepage
350-2500'	8.9-9.5	28-32	NC	Cut brine use paper to control seepage, and high viscosity sweeps to clean hole.

Sufficient mud materials will be kept on location at all times in order to combat lost circulation, or unexpected kicks. In order to run DST's, open hole logs, and casing viscosity and/or water loss may have to be adjusted to meet these needs.

HYDROGEN SULFIDE DRILLING OPERATIONS PLAN

1. All Company and Contract personnel admitted on location must be trained by a qualified H₂S safety instructor to the following:
 - A. Characteristics of H₂S
 - B. Physical effects and hazards
 - C. Proper use of safety equipment and life support systems.
 - D. Principle and operation of H₂S detectors, warning system and briefing areas.
 - E. Evacuation procedure, routes and first aid.
 - F. Proper use of 30 minute pressure demand air pack.
2. H₂S Detection and Alarm Systems
 - A. H₂S detectors and audio alarm system to be located at bell nipple, end of bloopie line (mud pit) and on derrick floor or doghouse.
3. Windsock and/or wind streamers
 - A. Windsock at mudpit area should be high enough to be visible.
 - B. Windsock at briefing area should be high enough to be visible.
 - C. There should be a windsock at entrance to location.
4. Condition Flags and Signs
 - A. Warning sign on access road to location.
 - B. Flags to be displayed on sign at entrance to location. Green flag, normal safe condition. Yellow flag indicates potential pressure and danger. Red flag, danger, H₂S present in dangerous concentration. Only emergency personnel admitted to location.
5. Well control equipment
 - A. See exhibit "E"
6. Communication
 - A. While working under masks chalkboards will be used for communication.
 - B. Hand signals will be used where chalk board is inappropriate.
 - C. Two way radio will be used to communicate off location in case of emergency help is required. In most cases cellular telephoned will be available at most drilling foreman's trailer or living quarters.
7. Drillstem Testing
 - A. Exhausts will be watered.
 - B. Flare line will be equipped with an electric ignitor or a propane pilot light in case gas reaches the surface.
 - C. If location is near any dwelling a closed D.S.T. will be performed.

HYDROGEN SULFIDE DRILLING OPERATIONS PLAN

8. Drilling contractor supervisor will be required to be familiar with the effects H₂S has on tubular goods and other mechanical equipment.
9. If H₂S is encountered, mud system will be altered if necessary to maintain control of formation. A mud gas separator will be brought into service along with H₂S scavengers if necessary.

APPLICATION TO DRILL

FAIRWAY RESOURCES OPERATING LLC.
MIDNIGHT MATADOR # 8
UNIT "H" SECTION 35
T17S-R27E EDDY CO. NM

12. LOGGING, CORING, AND TESTING PROGRAM:

- A. No open hole logs will be run.
- B. Cased hole logs : Gamma Ray, Neutron logs will be run from TD Back to the 8 5/8" casing shoe.
- C. No DST's will be run
- D. No cores or mud logger will be cut or used.

13. POTENTIAL HAZARDS:

No abnormal pressures or temperatures are expected. There is no known presence of H²S in this area. If H²S is encountered the operator will comply with the provisions of Onshore Oil and Gas Order No. 6. No lost circulation is expected to occur. All personnel will be familiar with all aspects of safe operation of equipment being used to drill this well. Estimated BHP 1500± PSI, and Estimated BHT 140°±.

14. ANTICIPATED STARTING DATE AND DURATION OF OPERATION:

Road and location construction will begin after the BLM has approved the APD. Anticipated spud date will be as soon after BLM approval and as soon as a rig will be available. Move in operation and drilling is expected to take 7 days. If production casing is run then an additional 30 days will be needed to complete well and construct surface facilities and/or lay flowlines in order to place well on production.

15. OTHER FACETS OF OPERATIONS:

After running casing, cased hole Gamma Ray, Neutron Collar logs will be run from TD back to all possible productive zones. The Qn Grbg San S. formation will be perforated and stimulated in order to establish production. The well will be swab tested and potentialized as an oil well.

SURFACE USE PLAN

FAIRWAY RESOURCES OPERATING LLC.

MIDNIGHT MATADOR # 87

UNIT "H"
T17S-R27E

SECTION 35
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 Left (East) follow lease road .15 mile, turn Left (North) go .1 mile to location.
 - C. Exhibit "C" is a topographic map showing existing roads and the proposed additional roads. Flowlines and powerlines if they are not near to the location.
2. PLANNED ACCESS ROADS: No new roads will be required.
 - A. The access road will be crowned and ditched to a 12'00" wide travel surface with a 40' right-of-way.
 - B. Gradient on all roads will be less than 5.00%.
 - C. Turn outs will be constructed where necessary.
 - D. If needed, road will be surfaced with a minimum of 4" of caliche. This material will be obtained from a local source.
 - E. Centerline for the new access road has been flagged. Earthwork will be as required by field conditions.
 - F. Culverts in the access road will not be used. The road will be constructed to utilize low water crossings for drainage as required by the Topography.
3. LOCATION OF EXISTING WELLS IN A ONE-MILE RADIUS EXHIBIT "A-1"
 - A. Water wells - One .75 Mi North of location.
 - B. Disposal wells - None known
 - C. Drilling wells - None Known
 - D. Producing wells - As shown on Exhibit "A-1"
 - E. Abandoned wells - As shown on Exhibit "A-1"

SURFACE USE PLAN

FAIRWAY RESOURCES OPERATING LLC.
MIDNIGHT MATADOR # 87
UNIT "H" SECTION 35
T17S-R27E EDDY CO. NM

4. If on completion this well is a producer the operator will lay pipelines and construct powerlines along existing road R-O-W's or other existing R-O-W's. Possible routes of pipelines, flowlines and powerlines are shown on Exhibit "C".

5. LOCATION AND TYPE OF WATER SUPPLY:

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

7. METHODS OF HANDLING WASTE MATERIAL:

- A. Drill cuttings will be disposed of in the reserve pits.
- B. All trash, junk and other waste material will be contained in trash cages or trash bins to prevent scattering. When the job is completed all contents will be removed and disposed of in a approved sanitary land fill.
- C. Salts remaining after completion of well will be picked up by the supplier, including broken sacks.
- D. Waste water from living quarters will be drained into holes with a minium of 10'. These holes will be covered during drilling and will be back filled when the well is completed. A Porto-John will be provided for the rig crews. This equipment will be properly maintained during the drilling and completion operations and will be removed when all operations are complete.
- E. Remaining drilling fluids will be allowed to evaporate in the reserve pits until the pits are dry enough to be broken out for furthed drying. If the drilling fluids do not evaporate in a reasonable time they will be hauled off by transports to a state approve disposal site. Later pips will be broken out to speed drying. Water produced during completion will be put in reserve pits. Oil and condensate produced will be put in storage tanks and sold.

8. ANCILLARY FACILITIES:

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

SURFACE USE PLAN

FAIRWAY RESOURCES OPERATING LLC.
MIDNIGHT MATADOR # 87
UNIT "H" SECTION 35
T17S-R27E EDDY CO. NM

9. WELL SITE LAYOUT:

- A. Exhibit "D" shows the proposed well site layout.
- B. This Exhibit shows the location of reserve pit, sump pits, and living facilities.
- C. Mud pits in the active circulating system will be steel pits and the reserve pits will be unlined unless subsurface conditions encountered during pit construction indicate that a plastic liner is required to contain lateral migration.
- D. If needed the reserve pits will be lined with polyethelene. The pit liner will be no less than 6 mils thick and the liner will be extended at least 3 feet over the top of the dikes and secured in place to keep edge of liner in place.
- E. The reserve pit will be fenced on three sides and fenced with four strands of barbed wire during drilling and completion phases. The 4th side will be fenced after drilling operations are complete and the drilling rig has moved out. If the well is a producer the mud pits will remain fenced in until the mud has dried up enough to break out the pits and reclaimed according to BLM requirements.

10. PLANS FOR RESTORATION OF SURFACE:

Rehabilitation of the location and reserve pits will be allowed to dry properly, fluids may be moved and disposed of in accordance with article 7-E as previously noted. The pit area will then be leveled and contoured to conform to the original and surrounding area. Drainage systems, if any will be reshaped to the original configuration with provisions made to alleviate future erosion. In case of the well completed as a producer the drilling pad will be necessary to construct production facilities. After the area has been shaped and contoured top soil from the spoil pile will be placed over the disturbed area to the extent possible so that revegetation procedures can be accomplished to comply with the BLM specifications.

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

Should the well be a producer the previously noted procedures will apply to those areas which are not required for production facilities.

SURFACE USE PLAN

FAIRWAY RESOURCES OPERATING LLC.
MIDNIGHT MATADOR # 87
UNIT "H" SECTION 35
T17S-R27E EDDY CO. NM

11. OTHER INFORMATION:

- A. Environmental setting the location is located on open rolling plain slopes. with North/Northwest exposure and drainage. Soils are shallow tan/brown/gray loamy sandysilts, overlying caliche and gypsum substrata. The vegetation consists of filaree, snakeweed, creosote, yucca, desert holly, and native grasses.
- B. The surface and minerals are owned by The U.S. Department of Interior and is administered by The Bureau of Land Management. The surface is used to graze livestock and for the production of oil and gas.
- C. An archaeological survey will be conducted on the roads and the location and the results will be filed in The Carlsbad Field Office of The Bureau of Land Management.
- D. There are no dwellings near to this location.

12. OPERATOR'S REPRESENTATIVES:

BEFORE CONSTRUCTION:

TIERRA EXPLORATION, INC
P.O. BOX 2188
HOBBS, NEW MEXICO 88241
OFFICE PHONE 505-391-8503
CELL PHONE 505-390-1598

DURING AND AFTER CONSTRUCTION:

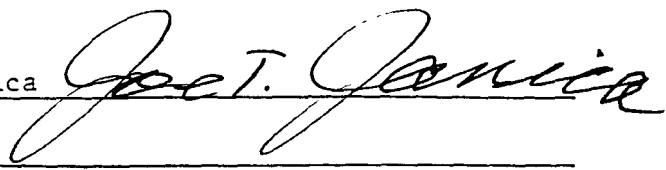
FAIRWAY RESOURCES OPERATING, LLC.
538 SILICON DRIVE SUITE 101
SOUTHLAKE, TEXAS 76092
MATT EAGLESTON 817-416-1949

13. CERTIFICATION: I hereby certify that I or persons under my supervision have inspected the proposed drill site and access route, that I am familiar with the conditions which currently exist, that the statements made in this plan are to the best of my knowledge, are true and correct, and that the work associated with the operations proposed herein will be performed by FAIRWAY RESOURCES OPERATING, LLC., it's contractors/subcontractors is in conformity with this plan and the terms and conditions under which it is approved. This statement is subject to the provisions of the U.S.C. 1001 for the filing of a false report.

NAME : Joe T. Janica

DATE : 11/02/06

TITLE : Agent



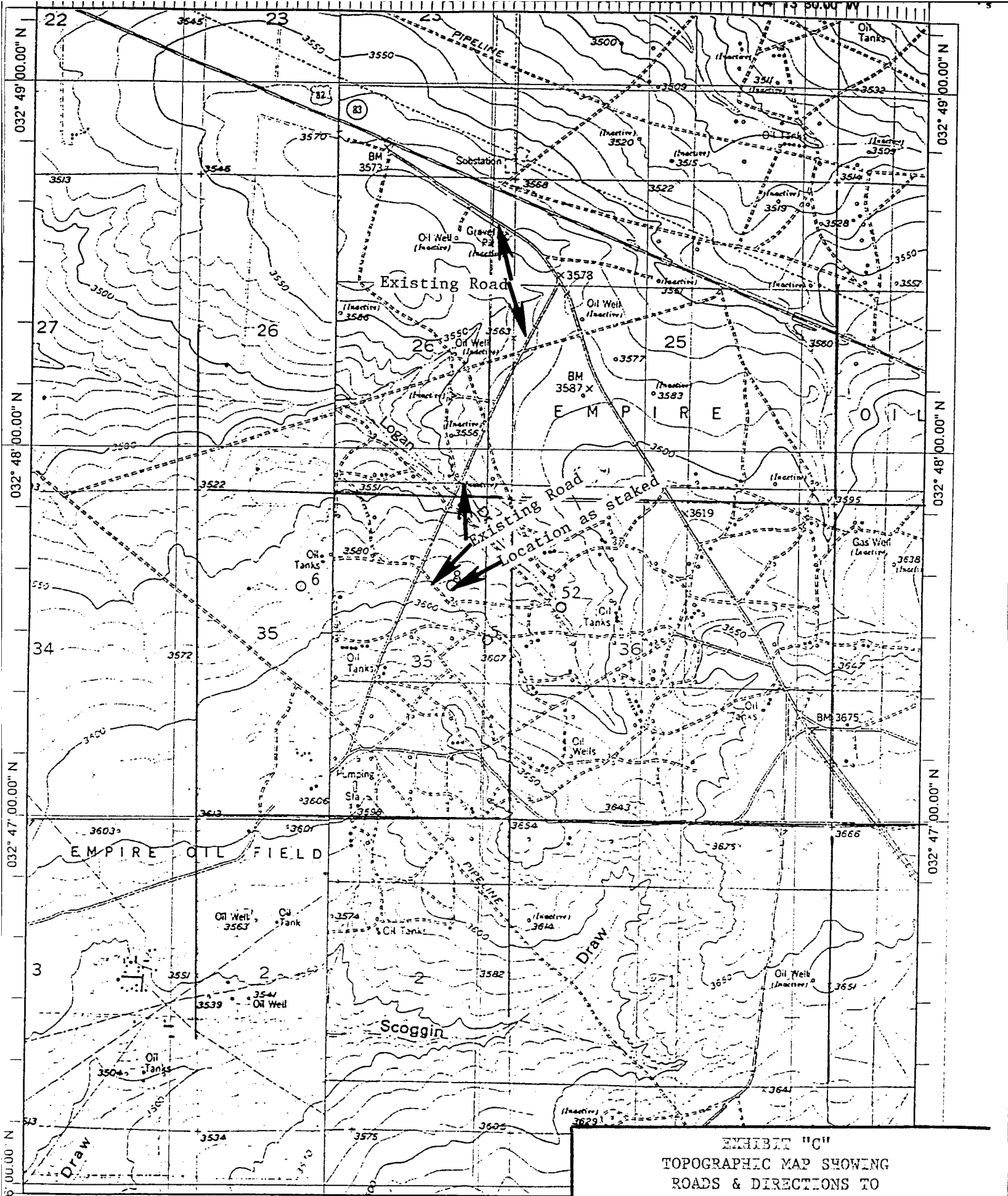
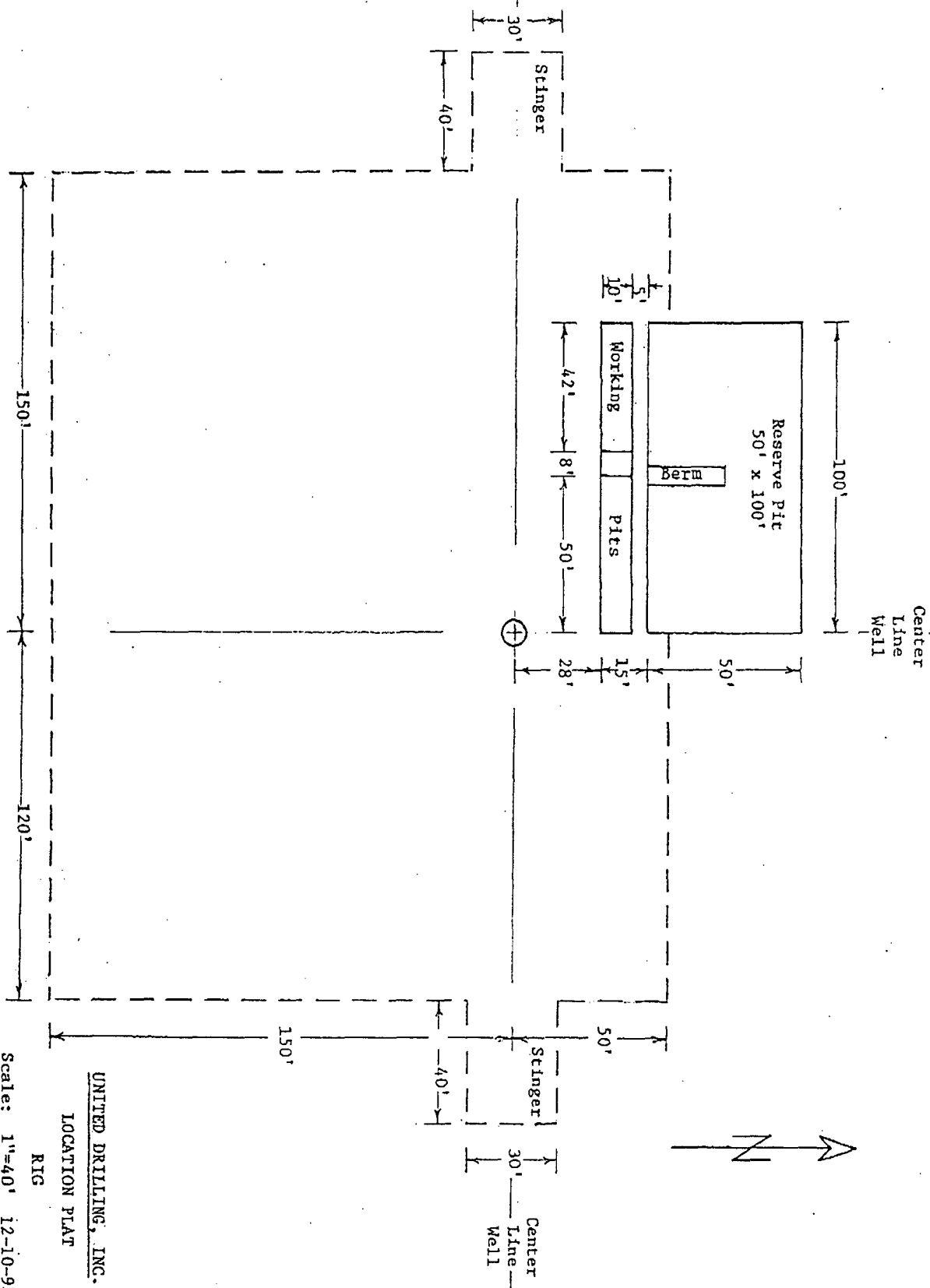


EXHIBIT "C"
 TOPOGRAPHIC MAP SHOWING
 ROADS & DIRECTIONS TO

FAIRWAY RESOURCES OPERATING, LLC.
 MIDNIGHT MATADOR # 87
 UNIT "H" SECTION 35
 T17S-R27E EDDY CO. NM

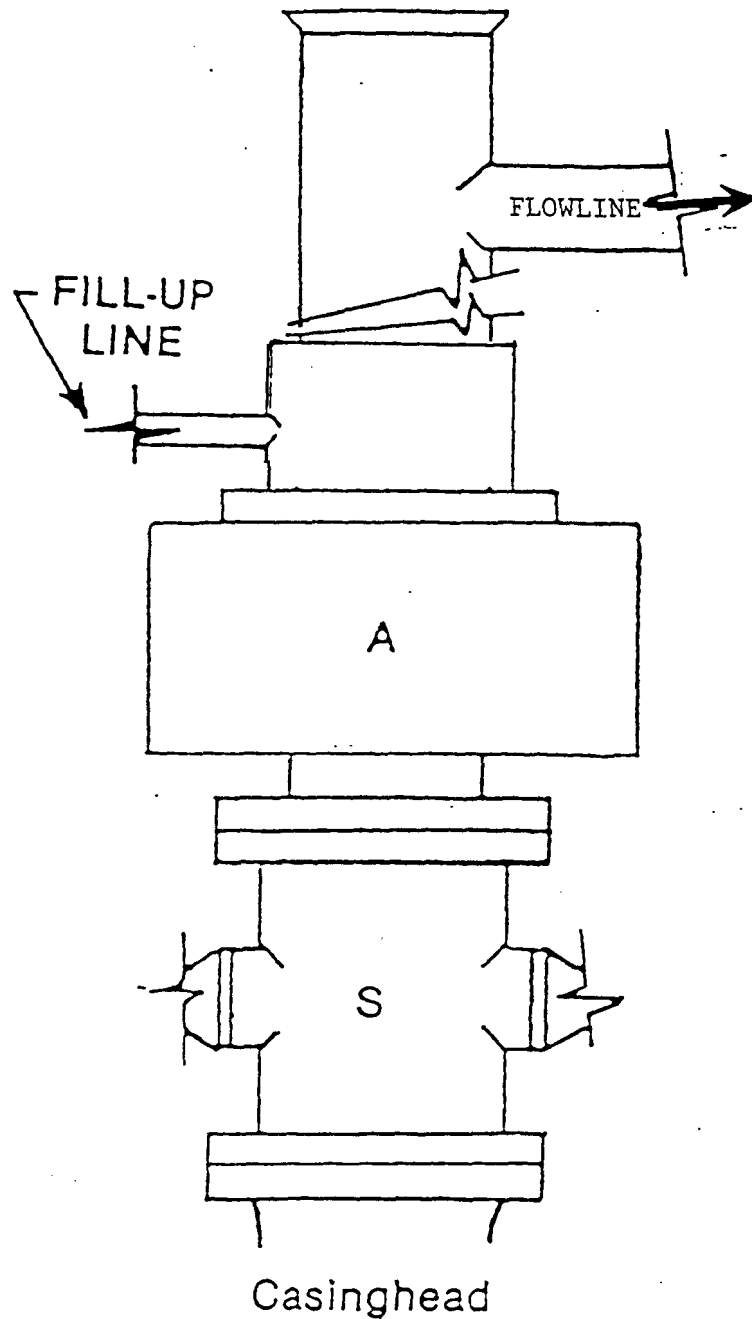


Scale: 1"=40' 12-10-92

UNITED DRILLING, INC.
LOCATION PLAT
RIG

EXHIBIT "D"
RIG LAY OUT PLAT

FAIRWAY RESOURCES OPERATING, LLC.
MIDNIGHT MATADOR # 87
UNIT "H" SECTION 35
T17S-R27E EDDY CO. NM



RECOMMENDED IADC CLASS 2 B.O.P. STACK
2000 PSI WORKING PRESSURE

EXHIBIT "E"
 SKETCH OF B.O.P. TO BE USED ON
 FAIRWAY RESOURCES OPERATING, LLC.
 MIDNIGHT MATADOR # 87
 UNIT "H" SECTION 35
 T17S-R27E EDDY CO. NM

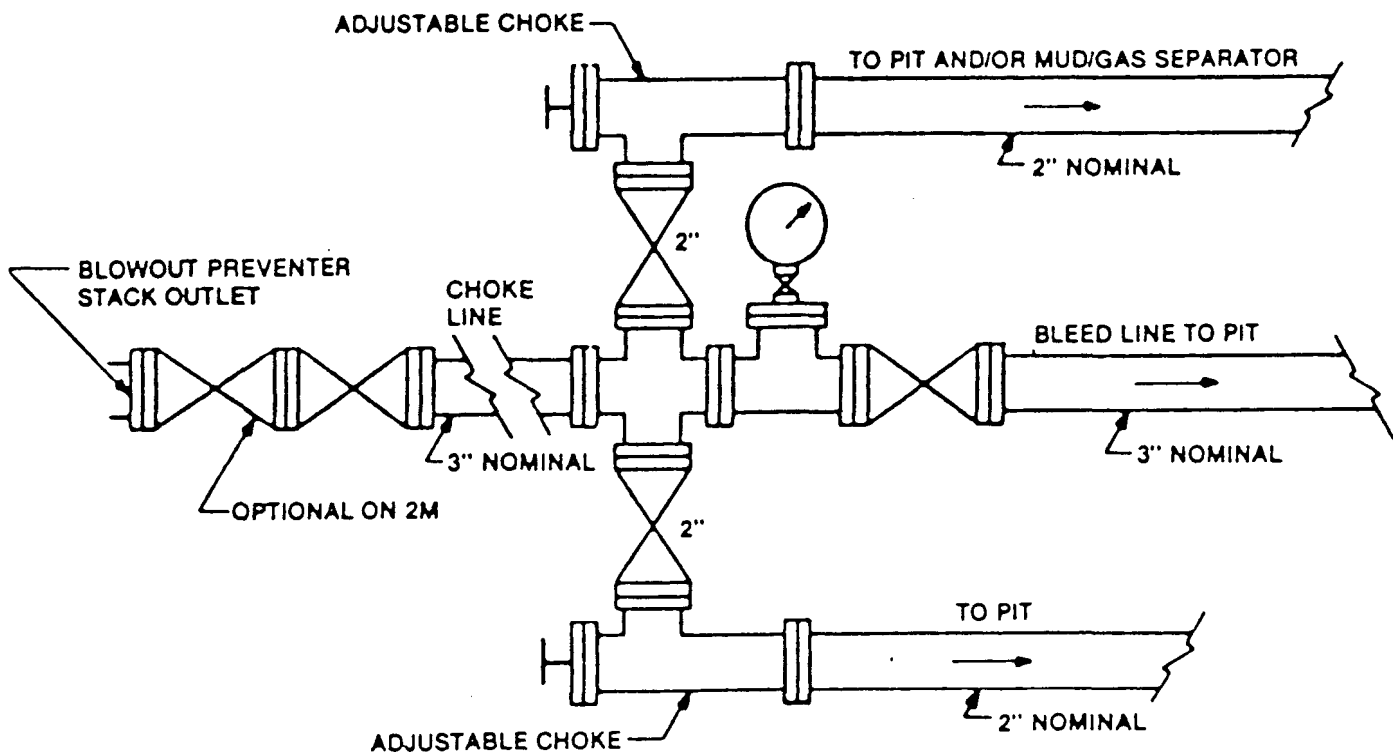


EXHIBIT "E-1"
 CHOKES MANIFOLD TO BE USED ON
 FAIRWAY RESOURCES OPERATING, LLC.
 MIDNIGHT MATADOR #87
 UNIT "4" SECTION 35
 T17S-R27E EDDY CO. NM

SPECIAL DRILLING STIPULATIONS

THE FOLLOWING DATA IS REQUIRED ON THE WELL SIGN

Operator's Name: Fairway Resources Operating, LLC Well Name & #: Midnight Matador Fed. #7
Location 1470 F N L & 850 F E L; Sec. 35, T. 17 S., R. 27 E.
Lease #: LC-050158 County: Eddy State: New Mexico

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

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

I. SPECIAL ENVIRONMENT REQUIREMENTS

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

II. ON LEASE - SURFACE REQUIREMENTS PRIOR TO DRILLING

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

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

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

Other. **V-Door West (Cuttings pit south).**

III. WELL COMPLETION REQUIREMENTS

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

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

- | | |
|--|--|
| <input type="checkbox"/> A. Seed Mixture 1 (Loamy Sites) | <input type="checkbox"/> B. Seed Mixture 2 (Sandy Sites) |
| Side Oats Grama (<i>Bouteloua curtipendula</i>) 5.0 | Sand Dropseed (<i>Sporobolus crptandrus</i>) 1.0 |
| Sand Dropseed (<i>Sporobolus cryptandrus</i>) 1.0 | Sand Lovegrass (<i>Eragostis trichodes</i>) 1.0 |
| Plains lovegrass (<i>Eragrostis intermedia</i>) 0.5 | Plains Bristlegrass (<i>Setaria magrostachya</i>) 2.0 |
| <input type="checkbox"/> C. Seed Mixture 3 (Shallow Sites) | <input checked="" type="checkbox"/> D. Seed Mixture 4 (Gypsum Sites) |
| Side oats Grama (<i>Bouteloua curtipendula</i>) 5.0 | Alkali Sacaton (<i>Sporobolus airoides</i>) 1.0 |
| Green Spangletop (<i>Leptochloa dubia</i>) 2.0 | Four-Wing Saltbush (<i>Atriplex canescens</i>) 5.0 |
| Plains Bristlegrass (<i>Setaria magrostachya</i>) 1.0 | |

OTHER SEE ATTACHED SEED MIXTURE

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

Other

CUTTINGS PIT CONSTRUCTION STANDARDS

The cuttings pit shall be constructed entirely in cut material and lined with 6-mil plastic. Mineral material extracted from within the boundary of the APD during construction of the well pad and cuttings pit and be used for the construction of this well pad and its immediate access road only, as long as that portion of the access road it is use on remains on-lease. Removal of any additional material from this location for construction or improvement of other well pads and other access or lease roads must first be purchased from BLM.

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

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

CULTURAL

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

TRASH PIT STIPS

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

Conditions of Approval

Cave and Karst

EA#: NM-080-07-0168

Lease #: LC-050158

Fairway Resources Operating, LLC.

Midnight Matador Fed. #7

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.

Closed Mud System with Buried Cuttings Pit:

All fluids will be in steel tanks and hauled off. A 120X120 foot cuttings pit will be utilized for this location. The cuttings pit will be lined with 4 oz. felt and a layer of 20 mil. plastic. Upon completion of the well all excess fluids will be vacuumed off the cuttings pit and allowed to dry. The pit liner will then be folded over the cuttings, covered with a 20 mil plastic cover and then covered with at least three feet of top soil.

Cave/Karst Subsurface Mitigation

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

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.

Cementing:

All casing strings will be cemented to the surface.

Lost Circulation:

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

Regardless of the type of drilling machinery used, if a bit drops of four feet or more and circulation losses greater than 75 percent occur simultaneously while drilling in any cave-bearing zone, drilling operations will immediately stop and the BLM will be notified by

the operator. The BLM will assess the consequences of the situation and work with operator on corrective actions to resolve the problem.

Delayed Blasting:

Any blasting will be a 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.

Pressure Tests:

Annual pressure tests will be performed by the Operator on all casing annuli. If the test results indicated a casing failure, remedial actions approved by the BLM will be undertaken to correct the problem.

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

Well Name & No. **Midnight Matador # 7**
Operator's Name: **Fairway Resources Operating, LLC**
Location: **1470' FNL, 850' FEL, SEC35, T17S, R27E, Eddy County, NM**
Lease: **LC-050158**

I. DRILLING OPERATIONS REQUIREMENTS:

1. The Bureau of Land Management (BLM) is to be notified at the Carlsbad Field Office, 620 East Greene St., Carlsbad, NM 88220, (505) 361-2822 for wells in Eddy County; and the Hobbs Field Station, 414 West Taylor, Hobbs NM 88240, (505) 393-3612 for wells in Lea County, in sufficient time for a representative to witness:
 - A. Spudding
 - B. Cementing casing: 8.625 inch 5.5 inch
 - C. BOP tests
2. A Hydrogen Sulfide (H₂S) Drilling Plan should be activated prior to drilling into the N/A Formation. A copy of the plan shall be posted at the drilling site.
- 3 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.
4. Submit a Sundry Notice (Form 3160-5, one original and five copies) for each casing string, describing the casing and cementing operations. Include pertinent information such as; spud date, hole size, casing (size, weight, grade and thread type), cement (type, quantity and top), water zones and problems or hazards encountered. The Sundry shall be submitted within 15 days of completion of each casing string. The reports may be combined into the same Sundry if they fall within the same 15 day time frame.
5. The API No. assigned to the well by NMOCD shall be included on the subsequent report of setting the first casing string.
6. A Communitization Agreement covering the acreage dedicated to this well must be filed for approval with the BLM. The effective date of the agreement shall be prior to any sales.
7. 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.

II. CASING:

1. The 8.625 inch surface casing shall be set @ APPROXIMATELY 350 FEET , below usable water and cement circulated to the surface. If cement does not circulate to the surface the appropriate BLM office shall be notified and a temperature survey or cement bond log shall be run to verify the top of the cement. Remedial cementing shall be completed prior to drilling out that string.
2. The minimum required fill of cement behind the 5-1/2 inch production casing is cement shall CIRCULATE TO THE SURFACE.
5. Whenever a casing string is cemented in the R-111-P Potash Area, cement shall be allowed to stand a minimum of twelve (12) hours under pressure and a total of twenty-four (24) hours before drilling the plug or initiating tests.

III. PRESSURE CONTROL:

1. All BOP systems and related equipment shall comply with well control requirements as described in Onshore Oil and Gas Order No. 2. The BOP and related equipment shall be installed and operational before drilling below the 8.625 inch casing shoe and shall be tested as described in Onshore Order No. 2. Any equipment failing to test satisfactorily shall be repaired or replaced.

2. Minimum working pressure of the blowout preventer and related equipment (BOPE) is 2000 psi.

3. The appropriate BLM office shall be notified in sufficient time for a representative to witness the tests.

- A variance to test the _____ to the reduced pressure of ____ psi with the rig pumps is approved.
- The tests shall be done by an independent service company.
- The results of the test shall be reported to the appropriate BLM office.
- Testing fluid must be water or an appropriate clear liquid suitable for sub-freezing temperatures. Use of drilling mud for testing is not permitted since it can mask small leaks.
- Testing must be done in a safe workman-like manner. Hard line connections shall be required.

Engineers can be reached at 505-706-2779 for any variances that might be necessary.

F Wright 12/15/06



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joanna Prukop

Cabinet Secretary

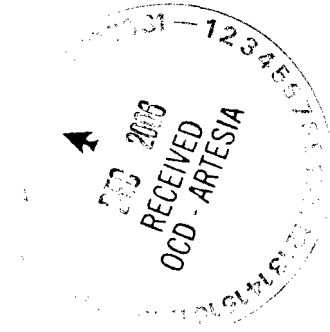
Mark E. Fesmire, P.E.

Director

Oil Conservation Division

December 8, 2006

Fairway Resources Operating, LLC
c/o Mr. Matt Eagleston
President and CEO
538 Silicon Dr., Suite 101
Southlake, TX 76092



Administrative Order NSL-5522

Re: Midnight Matador Well No. 7
Unit H, Section 35, Twsp 17S, Range 27E
Eddy County

Dear Mr. Eagleston:

Reference is made to the following:

(a) your application (**administrative application reference No. pTDS-0633852472**) submitted to the New Mexico Oil Conservation Division (the Division) in Santa Fe, New Mexico on December 4, 2006, and

(b) the Division's records pertinent to your request.

Fairway Resources Operating, LLC (Fairway) has requested to drill its Midnight Matador Well No. 7 at an unorthodox Queen, Grayburg and San Andres oil well location, 1470 feet from the North line and 850 feet from the East line (Unit H) of Section 35, Township 17 South, Range 27 East, N.M.P.M., in Eddy County, New Mexico. The SE/4 NE/4 of Section 35 will be dedicated to this well to form a standard 40-acre spacing and proration unit in the Red Lake-Queen/Grayburg/San Andres Pool (51300). This location is governed by statewide Rule 104.B(1), which provides that a well shall be located at least 330 feet from the outer boundary of a unit. The location is approximately 150 feet from the northern boundary of the proposed unit.

Your application has been duly filed under the provisions of Division Rules 104.F and 1210.A(2).

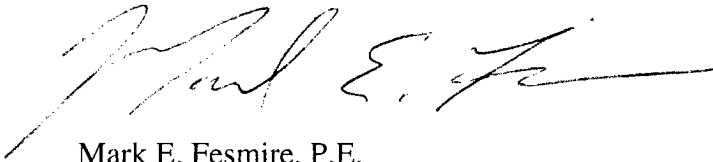
It is our understanding that Fairway is seeking this location exception in order to comply with location requirements of the United States Bureau of Land Management.

We also understand that ownership of the adjoining spacing unit toward which this location encroaches (NE/4 NE/4 of Section 35) is identical to the ownership of the proposed unit.

Pursuant to the authority of Division Rule 104.F(2), the above-described unorthodox well location is hereby approved.

Jurisdiction of this case is retained for the entry of such further orders as the Division may deem necessary.

Sincerely,

A handwritten signature in black ink, appearing to read "Mark E. Fesmire". The signature is fluid and cursive, with a long horizontal stroke at the end.

Mark E. Fesmire, P.E.
Director

MEF/db

cc: New Mexico Oil Conservation Division - Artesia
United States Bureau of Land Management - Carlsbad