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(April 2004)	UNITED STATE	s		Expires M	March 31, 2007
	DEPARTMENT OF THE	INTERIOR		 Lease Serial No. NM 01135 	
	BUREAU OF LAND MAI			6. If Indian, Allotee	or Tribe Name
	APPLICATION FOR PERMIT TO	DRILL OR REENTER		N/A	
la. Type of w	vork: 🔽 DRILL 🛛 REENT	ER ER			cement, Name and No.
ia. Type of a				N/A	Well No.
lb. Type of W	Vell: Vell Gas Well Other	Single Zone Mul	Itiple Zone	Lease Name and Lusk 34 Feder	ral #2
2. Name of C	perator Edge Petroleum Operating Company,	Inc		9. API Well Na. 30-02	1
3a Address	1301 Travis, Suite 2000	3b. Phone No. (include area code)		10. Field and Pool, or	25-37357 Exploratory
	Houston, Texas 77002	713-654-8960		East Lusk Dei	• •
4. Location o	f Well (Report location clearly and in accordance with a	vny State requirements.*)		11. Sec., T. R. M. or B	lk and Survey or Area
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	ed prod. zone			12. County or Parish	13. State
	miles and direction from nearest town or post office* south of Maljamar			Lea Co.	NM
15. Distance fro		16. No. of acres in lease	17. Spacin	g Unit dedicated to this	well
property or	nearest lease line, ft. arest drig. unit line, if any)	40 acres	SW/4	NW/4 of Sec 34	
18. Distance fro	on pronosed location*	19. Proposed Depth	20. BLM/I	BIA Bond No. on file	
to nearest w	ell, drilling, completed, on this lease, ft. 490'	7,500'	NMB	000121	
	(Show whether DF, KDB, RT, GL, etc.)	22. Approximate date work will s	start*	23. Estimated duratio	<u>31-12</u>
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EDGE PETROLEUM OPERATING COMPANY, INC. Lusk "34" Federal #2

Surface Location: 1750' FNL & 530' FWL Section 34, T-19-S, R-32-E Lea County, New Mexico Lease No.: NM 01135

This plan is submitted with the Application for Permit to Drill the above described well. The purpose of the plan is to describe the location of the proposed well, the proposed construction activities and operations plan to be followed in rehabilitating the surface and environmental effects associated with the operation.

1. EXISTING ROADS:

- A. Exhibit "A" is a location verification map showing the location of the proposed well as staked.
- B. Directions: From the intersection St. Hwy #243 and Maljamar Road.
 Go North on Maljamar Road approx. 3.9 miles. Turn right and go East approx. 2.2 miles. Follow bend to the right and continue SE approx.
 0.6 miles to the southeast corner of the existing Lusk 34 #1 well pad. This location is approx. 153' Southeast along proposed road survey.

2. PLANNED ACCESS ROAD:

- A. Length and Width: Exhibit "C" is the proposed access road. It will be approximately 153' long and 12' wide and run Northeast to the SW corner of the location.
- B. Construction: The proposed access road will be constructed by grading and topping with compacted caliche. The surface will be properly drained.
- C. Turnouts: None required.
- D. Culverts: None necessary.
- E. Cuts and Fills: 1' cut to North with 1' fill to South.
- F. Gates and Cattle Guards: None necessary.
- G. Off lease right of way: None required.

3. LOCATION OF EXISTING WELLS:

Existing wells in the immediate area are shown on the Vicinity Map, Exhibit "B".

4. LOCATION OF EXISTING AND/OR PROPOSED FACILITIES:

- A. Edge Petroleum Operating Company, Inc. has Southeast Lusk 34 Federal #1 and South Lusk 33 Federal #1 production facilities on the lease at this time.
- B. If the well proves to be commercial, the necessary production facilities, gas separation-process equipment and tank battery, if required, will be installed on the drilling pad.

5. LOCATION AND TYPE OF WATER SUPPLY:

It is planned to drill the proposed well with fresh water that will be obtained from private or commercial sources and will be transported over the existing and proposed access roads.

6. <u>SOURCE OF CONSTRUCTION MATERIAL</u>:

Caliche for surfacing the proposed access road and well site pad will be obtained from the location, if available, or from an approved Federal pit. No surface materials will be disturbed except those necessary for actual grading and leveling of the drill site and access road.

7. METHODS OF HANDLING WASTE DISPOSAL:

A. Drill cuttings will be disposed of in the reserve pits.

- B. Drilling fluids will be allowed to evaporate in the drilling pits until the pits are dry.
- C. All pits will be fenced with normal fencing materials to prevent livestock from entering the area.
- D. Water produced during operations will be collected in tanks until hauled to an approved disposal system, or a separate disposal application will be submitted to the BLM for approval.

2

- E. Oil Produced during tests will be stored in test tanks.
- F. Current laws and regulations pertaining to the disposal of human waste will be complied with.

Edge Petroleum Operating Company, Inc. Lusk "34" Federal #2 Multi Point Surface Use and Operations Plan G. All trash and debris will be removed from the well site within 30 days after finishing drilling and/or completion operations.

8. ANCILLARY FACILITIES:

None required.

9. WELL SITE LAYOUT:

- A. Exhibit "D" shows the relative location and dimensions of the well pad, reserve pits, and major rig components. The pad and pit area has been staked and flagged 500' x 500'.
- B. Mat Size: 225' x 300', plus 150' x 150' reserve pit on the north.

C. Cut & Fill: 1' cut to North with 1' fill to South

D. The surface will be topped with compacted caliche and the reserve pits will be plastic lined.

10. PLANS FOR RESTORATION OF THE SURFACE:

- A. After completion of drilling and/or completion operations, all equipment and other material not needed for operations will be removed. The well site will be cleaned of trash leaving the site aesthetically pleasing to the extent possible.
- B. If the proposed well is non-productive, all rehabilitation and/or vegetation requirements of the Bureau of Land Management will be complied with and will be accomplished as expeditiously as possible. All pits will be filled and leveled as soon as they are dry enough to be worked.

11. OTHER INFORMATION:

- A. Surface Ownership Bureau of Land Management
- B. Mesa Field Services, P. O. BOX 3072, CARLSBAD, NEW MEXICO 88221, conducted an archaeological survey. No significant archaeological resources were found in the area of the planned access road or of the proposed well site.
- **C.** Oil & Gas Lease: NM 01135

Township 19 South, Range 32 East SW/4 NW/4 of Section 34

Edge Petroleum Operating Company, Inc. Lusk "34" Federal #2 Multi Point Surface Use and Operations Plan

D. RECORD LESSEE:

Edge Petroleum Operating Company, Inc.	50%
Pure Energy Group	25%
Chisos	25%

E. BOND COVERAGE:

\$25,000 Statewide Oil & Gas Surety Bond BLM Bond #: NMB 000121

12. OPERATOR'S REPRESENTATIVE:

The field representative for assuring compliance with the approved use and operations plan is as follows:

R. K. Ford & Associates 415 West Wall, Suite 1700 Midland, Texas 79701 432-682-0440 (Office) 432-682-0441 (Fax) 432-570-7216 (Home) 432-559-2222 (Cell) Randell@rkford.com (E-mail)

13. CERTIFICATION:

I hereby certify that I, or persons under my direct supervision, have inspected the proposed drill site and access route; that I am familiar with the conditions which currently exist; that the statements made in this plan are, to the best of my knowledge, true and correct; and that the work associated with the operations proposed herein will be performed by Cabal Energy Corporation and its contractors and subcontractors in conformity with this plan and the terms and conditions under which it is approved.

April 29, 2005

neesd.00

Lindsay Truesde Consultant

Edge Petroleum Operating Company, Inc. Lusk "34" Federal #2 Multi Point Surface Use and Operations Plan

LOCATION VERIFICATION MAP



Exhibit "A"

U.S.G.S. TOPOGRAPHIC MAP WILLIAMS SINK, N.M. & LAGUNA GATUNA, N.M.

VICINITY MAP

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SEC. <u>34</u> TWP. <u>19–S</u> RGE. <u>32–E</u> SURVEY______N.M.P.M. COUNTY______LEA DESCRIPTION <u>1750'</u> FNL <u>&</u> 530' FWL ELEVATION <u>3558'</u> EDGE PETROLEUM OPERATOR <u>OPERATING COMPANY</u>, INC. LEASE____LUSK <u>34</u> FEDERAL



Exhibit "B"



Exhibit "C"

DRILLING RIG LAYOUT		
Edge Petroleum Operating	Co., lı	nc.
Lusk 34 Federal #2		





Exhibit D Surface Use & Operations Plan

DRILLING PROGRAM

EDGE PETROLEUM OPERATING COMPANY, INC. <u>LUSK "34" FEDERAL #2</u> Section 34, T-19-S, R-32-E Lea County, New Mexico

The following items supplement Form 3160-3 in accordance with instructions contained in Onshore Oil and Gas Orders #1 and #2, and all other applicable federal and state regulations.

1.	ESTIMATED TOPS OF GEOLO	GIC MARKERS (TVD):
	Anhydrite	890'
	Yates	2,695'
	Capitan	3,062'
	Delaware	4,270'
	Cherry Canyon	4,755'
	Brushy Canyon	6,580'
	Total Depth	6,740 7500'

2. ESTIMATED DEPTHS TO WATER, OIL, OR GAS FORMATIONS:

Fresh WaterAbove 200'Oil and GasDelaware, Atoka Sand, Middle Morrow, Lower Morrow

3. Pressure control equipment: The blow out preventer equipment (BOP) shown in Exhibit #1 will consist of a 3000 psi double ram type preventer for drilling the 12-1/4" hole. The blowout preventer stack for the production (7-7/8") hole as shown on Exhibit #2 will consist of at least a double-ram blowout preventer and annular preventer rated to 3000 psi working pressure. A diagram of the BOPs and choke manifold is attached. All BOPs and accessory equipment will be tested according to Onshore Order #2 before drilling out.

4. PROPOSED CASING PROGRAM:

Hole Size	Interval	Casing Size	<u>Weight</u>	Grade, Joint
26"	0 – 40'	20"	94#	K-55, BTC
17-1/2"	0 870 89	13-3/8"	54.5#	N-80, BTC
12-1/4"	0 - 2;540'	<i>8080</i> (10-3/4"	45.5#	K-55, BTC
9-1/2"	0-4,300'4	<i>\270[/]</i> 7-5/8"	29.7#	N-80, LTC
6-1/2"	0 – 7,500'	4-1/2"	11.6#	N-80, LTC

Equivalent or adequate grades and weights of casing may be substituted at time casing is run, depending on availability. Changes will be relayed to BLM prior to running.

5. PROPOSED CEMENTING PROGRAM

20" conductor	cemented with ready mix to surface
13-3/8" surface	500 sxs Premium Plus cement, 2% calcium chloride
10-3/4" intermediate	e1050 sxs Premium Plus cement, 2% calcium chloride
7-5/8" intermediate	630 sxs interfill "C" cement
	175 sxs Premium Plus cement
4-1/2" production	280 sxs Light Cement
	280 sxs Super "H" cement .5% Halad, .4% CFR-3, 3# per sx
	Gilsonite

6. PROPOSED MUD SYSTEM:

DEPTH	DESCRIPTION	MUD WEIGHT	VISCOSITY	WATER LOSS
$\begin{array}{c} 0 - 876' 890' \\ 890' - 3,080' \\ 3,080' - 4,270' \\ 4,270' - 6,740' \\ 7500' \end{array}$	fresh water brine water fresh water fresh/brine/mud	8.6 – 8.8 ppg 10.0 – 10.2 pp 8.4 – 8.6 ppg 8.4 – 10.4 ppg	28 – 29	NC NC NC 6-8 cc

7. TESTING, LOGGING AND CORING PROGRAM:

Samples	10' Samples from 5,200'
DST's	Possible Cisco, Strawn & Atoka
Logging	Density, Lateral, Resistivity
Coring	Possible sidewall core

8. ABNORMAL PRESSURES AND TEMPERATURES:

None anticipated. Maximum bottom hole pressure should not exceed 5,200 psi.

This area has a potential H₂S hazard. An H₂S drilling plan is attached.

ANTICIPATED STARTING DATE AND DURATION OF OPERATIONS:

It is planned that operations will commence on May 15, 2005. Drilling should be completed within 20 days followed by completion operations.

Edge Petroleum Operating Company, Inc. Lusk "34" Federal #2 Drilling Program

HYDROGEN SULFIDE DRILLING OPERATIONS PLAN

EDGE PETROLEUM OPERATING COMPANY, INC. Lusk "34" Federal #2

I. HYDROGEN SULFIDE TRAINING

. . . .

- A. All regularly assigned personnel, contracted or employed by Cabal Energy Corporation, will receive training from a qualified instructor in the following areas prior to commencing drilling potential hydrogen sulfide bearing formations in this well:
 - **1.** The hazards and characteristics of hydrogen sulfide (H_2S) .
 - 2. The proper use and maintenance of personal protective equipment and life support systems.
 - 3. The proper use of H₂S detectors, alarms, warning systems, briefing areas, evacuation procedures and prevailing winds.
 - 4. The proper techniques for first aid and rescue procedures.
- **B.** In addition, supervisory personnel will be trained in the following areas:
 - 1. The effects of H_2S on metal components. If high tensile tubulars are to be used, personnel will be trained in their special maintenance requirements.
 - 2. Corrective action and shut-in procedures when drilling or reworking a well and blowout prevention and well control procedures.
 - **3.** The contents and requirements of the H₂S Drilling Operations Plan.
- C. There will be an initial training session just prior to encountering a known or probable H_2S zone (within 3 days or 500 feet) and weekly H_2S and well control drills for all personnel in each crew. The initial training session shall include a review of the site specific H_2S Drilling Operations Plan. This plan shall be available at the well site. All personnel will be required to carry documentation that they have received the proper training.

3

Edge Petroleum Operating Company, Inc. Lusk "34" Federal #2 Drilling Program

II. H₂S SAFETY EQUIPMENT AND SYSTEMS

Note: All H_2S safety equipment and systems will be installed, tested and operational when drilling reaches a depth of 500 feet above, or three days prior to penetrating the first zone containing or reasonably expected to contain H_2S .

- **A.** Well Control Equipment.
 - **1.** Flare line with continuous pilot.
 - 2. Choke manifold with a minimum of one remote choke.
 - 3. Blind rams and pipe rams to accommodate all pipe sizes with properly sized closing unit.
 - **4.** Auxiliary equipment to include: annular preventer, mud-gas separator, rotating head and flare.
- **B.** Protective Equipment for Essential Personnel:

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

- **C.** H₂S Detection and Monitoring Equipment:
 - 1. Two portable H_2S monitors positioned on location for best coverage and response. These units have warning lights and audible sirens when H_2S levels of 20 ppm are reached.
 - 2. One portable SO₂ monitor positioned near flare line.
- D. Visual Warning Systems
 - 1. Wind direction indicators are shown on well site diagram.
 - 2. 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 form the immediate location. Bilingual signs will be used when appropriate. See example attached.
- E. Mud Program
 - 1. The Mud Program has been designed to minimize the volume of H₂S circulated to the surface. Proper mud weights, safe drilling

4

Edge Petroleum Operating Company, Inc. Lusk "34" Federal #2 Drilling Program practices and the use of H_2S scavengers will minimize hazards when penetrating H_2S bearing zones.

2. A mud-gas separator will be utilized as needed.

F. Metallurgy:

All drill strings, casing, tubing, wellhead, blowout preventers, drilling spool, kill lines, choke manifold and line and valves shall be suitable for H₂S service.

G. Communication:

Cellular telephone communications in company vehicles, rig floor and mud logging trailer.

H. Well Testing:

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 and an H_2S environment will be conducted during the daylight hours.

Edge Petroleum Operating Company, Inc. Lusk "34" Federal #2 Drilling Program



Edge Petroleum Operating Company, Inc. Lusk "34" Federal #2 Lea County, New Mexico

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Exhibit 1



Edge Petroleum Operating Company, Inc. Lusk "34" Federal #2 Lea county, New Mexico

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Exhibit 2

United States Department of the Interior Bureau of Land Management Roswell Field Office 2909 Second Street Roswell, New Mexico 88201-1287

Statement Accepting Responsibility for Operations

Operator Name: Street or Box: City, State: Zip Code: Edge Petroleum Operating Company, Inc. 1301 Travis, Suite 2000 Houston, Texas 77002

The undersigned accepts all applicable terms, conditions, stipulations, and restrictions concerning operations conducted on the leased land or portion thereof, as described below:

Lease No: NM 01135

Legal Description of Land:

Township 19 South, Range 32 East, Eddy, New Mexico

NW/4 NW/4 of Section 34

Bond Coverage:

Statewide Oil and Gas Surety Bond, Edge Petroleum Operating Company, Inc.

BLM Bond File No.: NMB-000121

MISSALL

Lindsay Truesdell Agent April 29, 2005

Edge Petroleum Operating Company, Inc. Lusk "34" Federal #2 Responsibility Letter

D1-4-1-4 ¥	08:32a R.K. F			-682-0441	p. 2
<u>District I</u> 1625 N. French Dr., Hot <u>District II</u>	obs, NM 88240		ate of New Mexico nerals and Natural Resources		Form C-144 June 1, 2004
1301 W. Grand Avenue,		0.		For drilling and produ	ction facilities submit to
<u>District III</u> 1000 Rio Brazos Road, <i>1</i>	Aztec, NM 87410		Conservation Division	appropriate NMOCD Di	ction facilities, submit to strict Office. ties, submit to Santa Fe
<u>District IV</u> 1 220 S. St. Francis Dr., 1	Santa Fe. NM 87505		South St. Francis Dr.	office	ies, suomit to Santa re
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	Is pit or below	w-grade tan	de Tank Registration or k covered by a "general plan"? Y or below-grade tank Closure of a pit or	es 🗌 No 🗌	
	eum Operating Company, Inc.	Telephon	e:(713) 654-8960e-mail ad	dress:lindsay@rkford.co	m
	aite 2000; Houston, Texas 77002)-025-37357 U/Lor Qur/		T 105 D 39P
	Southeast Lusk 34 Federal #2				
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Workover 🗌 En	nergency 🗌		Construction material:		
Lined 🛛 Unlined 🗌			Double-walled, with leak detection? Ye	s 🔲 If not, explain why not.	
Liner type: Synthetic 🛛	Thickness 12mil Clay 🗌				
Pit Volumebbl	Ι.				
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	vertical distance from bottom of pit to	SCHOOL STREET	50 feet or more, but less than 100 feet	(10 points)	
high water elevation of g	ground water.)		100 feet or more	(0 points)	
			Yes	(20 points)	
Wellhead protection are	a: (Less than 200 feet from a private	domestic	No	(0 points)	
water source, or less that	n 1000 feet from all other water source	es.)	140		
Distance to surface units	r: (horizontal distance to all wetlands		Less than 200 feet	(20 points)	
	s, and perennial and ephemeral watere		200 feet or more, but less than 1000 feet	(10 points)	
trigation canars, unches	, an promin and opinital water	0148 863. <i>)</i>	1000 feet or more	(0 points)	. 0
······································	·····		Ranking Score (Total Points)		
	1) A.4. 1. 1'				
		• •	elationship to other equipment and tanks. (3) Attach a		
modiation start date and	end date. (4) Groundwater encounte	red: No 🛄 Ye	s 🔲 If yes, show depth below ground surf	aceft_ and attac	h sample results.
5) Attach soil sample res	ults and a diagram of sample location	and excavatio	ns.		
Additional Comments:					
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I hereby certify that the	information above is true and complete	e to the best of	my knowledge and belief. I further corti	fy that the show-described wi	t or below, onede tank
I hereby certify that the has been/will be constr	information above is true and complet ructed or closed according to NMC	e to the best of CD guideline:	my knowledge and belief. I further certi 5 ⊠, a general permit □, or an (attache	fy that the above-described pi ad) alternative OCD-approved	t or below-græde tank I plan 🗋.
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