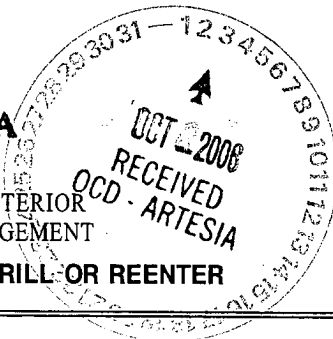


1295

OCD-ARTESIA

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT



K-06-38
8/17/06
FORM APPROVED
OMB No. 1004-0137
Expires March 31, 2007

APPLICATION FOR PERMIT TO DRILL OR REENTER

1a. Type of work: <input checked="" type="checkbox"/> DRILL <input type="checkbox"/> REENTER		5. Lease Serial No. LC-065928-A	
1b. Type of Well: <input checked="" type="checkbox"/> Oil Well <input type="checkbox"/> Gas Well <input type="checkbox"/> Other <input type="checkbox"/> Single Zone <input type="checkbox"/> Multiple Zone		6. If Indian, Allottee or Tribe Name	
2. Name of Operator GPI ENERGY, INC. 148265		7. If Unit or CA Agreement, Name and No. 34290	
3a. Address PO BOX 50682, MIDLAND, TX 79704		8. Lease Name and Well No. LITTLEFIELD "BOFED" #6	
3b. Phone No. (include area code) 432-684-4748		9. API Well No. 30-015-35174	
4. Location of Well (Report location clearly and in accordance with any State requirements.) At surface At proposed prod. zone 2150' FWL, 423' FSL (VERT) LOT 10		10. Field and Pool, or Exploratory UNDES. BRUSHY DRAW DEL	
11. Sec., T. R. M. or Blk. and Survey or Area SEC. 34 T26S R20E		12. County or Parish EDDY	
13. State NM		14. Distance in miles and direction from nearest town or post office* 16 AIR MILES SOUTH-SOUTHEAST OF MALAGA, NM	
15. Distance from proposed* location to nearest property or lease line, ft. (Also to nearest drig. unit line, if any) 423' FSL		16. No. of acres in lease 419.41	
17. Spacing Unit dedicated to this well 24.36 ACRES		18. Distance from proposed location* to nearest well, drilling, completed, applied for, on this lease, ft. 1330'	
19. Proposed Depth 5100'		20. BLM/BIA Bond No. on file NM-1913	
21. Elevations (Show whether DF, KDB, RT, GL, etc.) 2858' GL		22. Approximate date work will start* UPON APPROVAL	
23. Estimated duration 30 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 <i>Joe L Compton</i>	Name (Printed/Typed) JOE L COMPTON	Date 08/15/2006
Title AGENT		
Approved by (Signature) <i>/s/ James Stovall</i>	Name (Printed/Typed) /s/ James Stovall	Date SEP 29 2006
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 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)

NOTE: CAVE
14 PPS
STIP
NSP-1869

APPROVAL SUBJECT TO
GENERAL REQUIREMENTS AND
SPECIAL STIPULATIONS
ATTACHED

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

United States Department of the Interior
BUREAU OF LAND MANAGEMENT
Roswell Field Office
2909 West 2nd. St.
Roswell, New Mexico 88202

Statement Accepting Responsibility for Operations

Operator name: GPII Energy, Inc.
Street or box: PO Box 50682
City, State: Midland, TX 79710

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.: LC 065928-A

Legal Description of land:

Lease comprises all of Sec. 33 and Sec. 34, T26S, R29E, save and except Lot 12(NM 47159) in Sec. 34

Formations) (if applicable): Not applicable

Bond Coverage:(State if individually bonded or another's bond)

GP II Energy, Inc. is Individually bonded.

BLM Bond File No.: NM-1913

Authorized Signature:

Title:

Date:

Joe L. Compton
Agent
August 14, 2006

DISTRICT I

1625 N. French Dr., Hobbs, NM 88240

DISTRICT II

1301 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

OIL CONSERVATION DIVISION

1220 South St. Francis Dr.

Santa Fe, New Mexico 87505

Form C-102

Revised August 15, 2000

Submit to Appropriate District Office

State Lease - 4 copies

Fee Lease - 3 copies

☐ AMENDED REPORT**WELL LOCATION AND ACREAGE DEDICATION PLAT**

¹ API Number	² Pool Code 808e	³ Pool Name Unders. Brushy Draw; Delaware
⁴ Property Code	⁵ Property Name LITTLEFIELD FEDERAL "BO"	⁶ Well Number 6
⁷ OGRID No.	⁸ Operator Name GP II ENERGY, INC.	⁹ Elevation 2858'

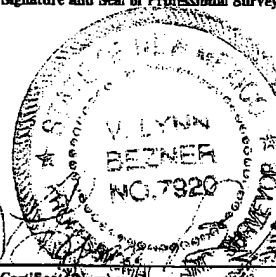
Surface Location

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
10	34	26 SOUTH	29 EAST, N.M.P.M.		423'	SOUTH	2150'	WEST	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
¹² Dedicated Acres 24.54		¹³ Joint or Infill		¹⁴ Consolidation Code		¹⁵ Order No.			

NO ALLOWABLE WELL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION

<div style="display: flex; justify-content: space-between;"> <div style="width: 60%;"> <p>¹⁶</p> <table border="1" style="width: 100%;"> <tr> <td style="width: 25%;">8</td> <td style="width: 25%;">7</td> <td style="width: 25%;">6</td> <td style="width: 25%;">5</td> </tr> <tr> <td colspan="4" style="text-align: center;"> <p>9 2150' 10 423'</p> <p>NEW MEXICO STATE LINE</p> <p>TEXAS STATE LINE</p> </td> </tr> </table> </div> <div style="width: 35%;"> <p>¹⁷ OPERATOR CERTIFICATION</p> <p>I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.</p> <p>Signature: <u>Joe L Compton</u></p> <p>Printed Name: <u>JOE L COMPTON</u></p> <p>Title: <u>AGENT</u></p> <p>Date: <u>June 16, 2004</u></p> <p>¹⁸ 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 26, 2003</p> <p>Date of Survey</p> <p>Signature and Seal of Professional Surveyor</p> <div style="text-align: center;">  </div> <p>Certificate Number: <u>V. L. BEZNER - R.P.S. #7920</u></p> <p>JOB #91662 / 23 SW / J.C.P.</p> </div> </div>												8	7	6	5	<p>9 2150' 10 423'</p> <p>NEW MEXICO STATE LINE</p> <p>TEXAS STATE LINE</p>			
8	7	6	5																
<p>9 2150' 10 423'</p> <p>NEW MEXICO STATE LINE</p> <p>TEXAS STATE LINE</p>																			

DRILLING PLAN
GP II ENERGY, INC.
LITTLEFIELD FEDERAL "BO" #6
Sec. 34, T26S, R29E
Eddy County, New Mexico

1. SURFACE FORMATION: Quaternary

2. ESTIMATED GEOLOGIC TOPS:

Bell Canyon 2850
Ramsey Sand 2880
Cherry Canyon 3920
Brushy Canyon 4995

3. ANTICIPATED HYDROCARBON BEARING ZONES:

Delaware Sand (oil)
Cherry Canyon (oil)

4. PROPOSED CASING AND CEMENTING PROGRAM:

CASING SIZE	FROM	TO	WEIGHT	GRADE	JOINT
8 5/8"	0	375'	24#	K-55	STC
4 1/2"	0	5100	9.5#	K-55	STC
or					
5 1/2"	0	5100'	14#	K-55	STC

Production casing will be either 4 1/2" OD or 5 1/2" OD depending on shows encountered while drilling.

8 5/8" casing will be cemented with approximately 150 sacks of Class "C" with 2% CaCl. Cement will be circulated.

5 1/2" casing will be cemented with sufficient Light cement, tailed in with 200 sacks of POZMIX A, to fill back to the base of the salt section at approximately 2675'.

5. PRESSURE CONTROL EQUIPMENT:

A 3000 psi working pressure, double ram blow out preventer will be used while drilling below the surface casing. (see Exhibit "E")

6. CIRCULATING MEDIUM:

Surface to 375 feet:

Fresh water with lime or gel as needed to maintain a viscosity of 28 to 30.

375 feet to 4800 feet:

Brine conditioned to control seepage, pH, and maintain a viscosity of 28 to 32.

4800 feet to 5100 feet:

Brine conditioned to control seepage, pH, and maintain a viscosity of 35 to 40.

7. AUXILIARY EQUIPMENT:

Drill string safety valves will be maintained on the rig floor while drilling operations are in progress.

8. TESTING, LOGGING, AND CORING PROGRAMS:

No drillstem tests are planned.

Electric logs will include GR-CNL-FDC GR-DLL with MSFL.

No coring is planned.

9. ABNORMAL PRESSURES, TEMPERATURE, OR HYDROGEN SULFIDE GAS:

No abnormal pressures or temperatures are anticipated.

10. ANTICIPATED START DATE:

The well is anticipated to commence on or about November 1, 2006 with drilling, completion, and testing operations to last about 30 days.

SURFACE USE AND OPERATIONS PLAN
GP II ENERGY, INC.
LITTLEFIELD FEDERAL "BO" #6
Sec. 34, T26S, R29E
Eddy County, New Mexico

LOCATED: 16 air miles south-southeast of Malaga, NM

FEDERAL LEASE NUMBER: LC-065928-A

DATE OF ISSUE: Lease issued July 1, 1951

LEASE AREA: 419.41 Acres

SURFACE OWNERSHIP: Federal

POOL DESIGNATION: Brushy Draw Delaware

POOL RULES: Statewide - 40 Acre spacing for oil

EXHIBITS:

- A. Road Map
- B. Plat with existing wells and roads
- C. Drilling Rig Layout
- D. Topographic Plat
- E. BOP Arrangement

EXISTING ROADS:

- A. Exhibit "A" depicts the road map and shows the location of the proposed well as staked. Point "A" on the plat is on US 285 at milepost 3.8, approximately 12 miles south of Malaga, New Mexico, where a paved road goes east. Exit US 285 at this point and go east 3.7 miles to the Pecos River low water crossing. Cross the river and continue southerly on Eddy County 725 for 3.4 miles where the county road turns east. Continue south 0.1 miles to a caliche road. Turn west and continue 1.4 miles to a pumping well on the east side of the road. Continue south 0.7 miles, just past the

GP II Federal Littlefield BO #3, where a pipeline crosses the road; the proposed well site is about 1100 feet west of this point.

- B. Exhibit "B" shows existing pertinent roads in the vicinity of the proposed well site. The planned access road is color coded.

PLANNED ACCESS ROAD:

- A. Length and width: The new road will be approximately 1074' in length from the existing road to the north to the edge of the drilling pad. The new road will be 12 feet in width (driving surface), except at the point of origin at the existing road where additional width will be necessary for heavy trucks and equipment to turn.
- B. Surfacing material: The new access road will use in-place material for the road surface. If additional surfacing material is needed, caliche will be used.
- C. Maximum Grade: Possibly 2 percent
- D. Turnouts: None needed
- E. Drainage Design: The access road will be crowned with drainage to the sides.
- F. Culverts: None necessary
- G. Cuts and Fills: None necessary
- H. Gates and Cattle Guards: None necessary

LOCATION OF EXISTING WELLS:

Existing wells in the immediate area are shown on exhibit "B".

LOCATION OF PROPOSED FACILITIES:

If the well is completed as a producer, the existing tank battery yard will be utilized for storage. The required flowline will be routed to minimize surface disturbance.

SOURCE OF CONSTRUCTION MATERIALS:

Construction material other than that available onsite will be taken from an existing caliche pit located south of the Texas - New Mexico state line in Texas.

WATER SUPPLY:

A water well will not be drilled. Water required for drilling operations will be purchased and trucked to the well or supplied by a temporary pipeline laid along existing and proposed roads where possible.

ADDITIONAL PROCEDURES

- A. Dry cuttings and drilling fluid will be removed from the location. No earthen reserve or circulating pit will be constructed. Circulating mud system will be contained by steel pits from spud to total depth.
- B. Permanent production equipment will be painted sandstone or haze gray to minimize the visual impact. The choice of colors will be left to the BLM.
- C. GP II Energy, Inc. will utilize the smallest practical pumping unit.
- D. Flow lines from the pumping unit to the tank battery will be buried.
- E. The production pad will be the smallest practical size.
- F. Water produced during tests will be contained in steel tanks and disposed of off site.
- G. Oil produced during tests will be stored in steel tanks until sold.
- H. Trash, waste paper, garbage, and junk will be buried in a separate trash pit and covered with a minimum of 24 inches of dirt. All waste material will be contained to prevent scattering by the wind. Location of the trash pit is shown on Exhibit "C".
- I. All trash and debris will be buried or removed from the well site within thirty days after finishing drilling and/or completion operations.

ANCILLARY FACILITIES:

None required

WELL SITE LAYOUT:

- A. Exhibit "C" shows the relative location and dimensions of the well pad, steel pits, and trash pit, and the location of major drilling rig components.

- B. The well site is located on a broad flat area with drainages to the north and south.
- C. Any cut and fill necessary will be minimal. However, clearing and leveling of the pad will be required. The pad is staked.

SURFACE RESTORATION:

- A. Upon completion of drilling and/or completion operations, all equipment and other material not needed for operations will be removed. The trash pit will be filled and the pad area cleaned and restored to as aesthetically pleasing a condition as possible.

ADDITIONAL INFORMATION:

- A. The land surface slopes regionally to the east but locally drains to the Pecos River about a half mile to the west.
- B. The top soil in the area is a gravelly loam that includes loose sands and river gravels.
- C. Locally the vegetative cover is moderate and comprises the range grasses, yucca, weeds, and mesquite typical of semi-arid Chihuahuan desert. Wildlife in the area includes coyotes, rabbits, rodents, reptiles, and a variety of birds.
- D. There are no occupied dwellings within a mile of the proposed drill site.
- E. Primary use for the land is oil and gas production, grazing, and wildlife habitat.
- F. The wellsite is located on federal surface.
- G. There is no evidence of any archaeological, historical, or cultural sites in the vicinity of the location.

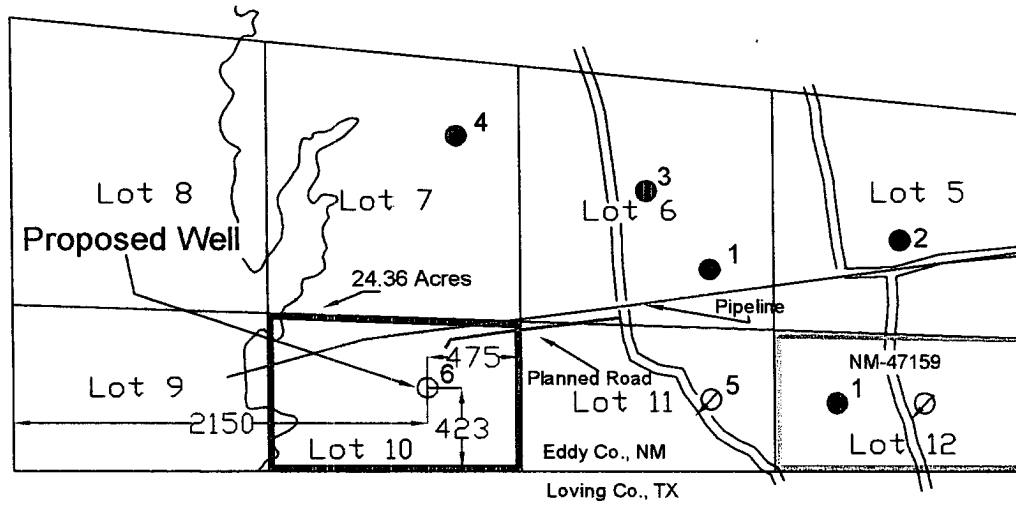
OPERATOR'S REPRESENTATIVE:

George P. Mitchell, President
GP II ENERGY, INC.
P.O. Box 50682
Midland, Texas 79710
Phone: (432) 684-4748

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 operation proposed herein will be performed by GP II Energy, Inc. and its contractors and sub-contractors in conformity with this plan and the terms and conditions under which it is approved. This statement is subject to the provisions of 18 U.S. C. 1001 for the filing of a false statement.

BY: Joe L Compton
TITLE: Agent
DATE: August 14, 2006



GP II Energy, Inc.
Oil & Gas Lease LC-065928-A
Sec. 34, T26S, R29E
Eddy County, New Mexico

- Oil Well
- Disposal Well
- Proposed Well

EXHIBIT "B"

APPLICATION FOR NON STANDARD PRORATION UNIT
LITTLEFIELD FEDERAL "BO" #6
2150' FWL & 423' FSL SEC. 34, T26S, R29E
EDDY COUNTY, NM

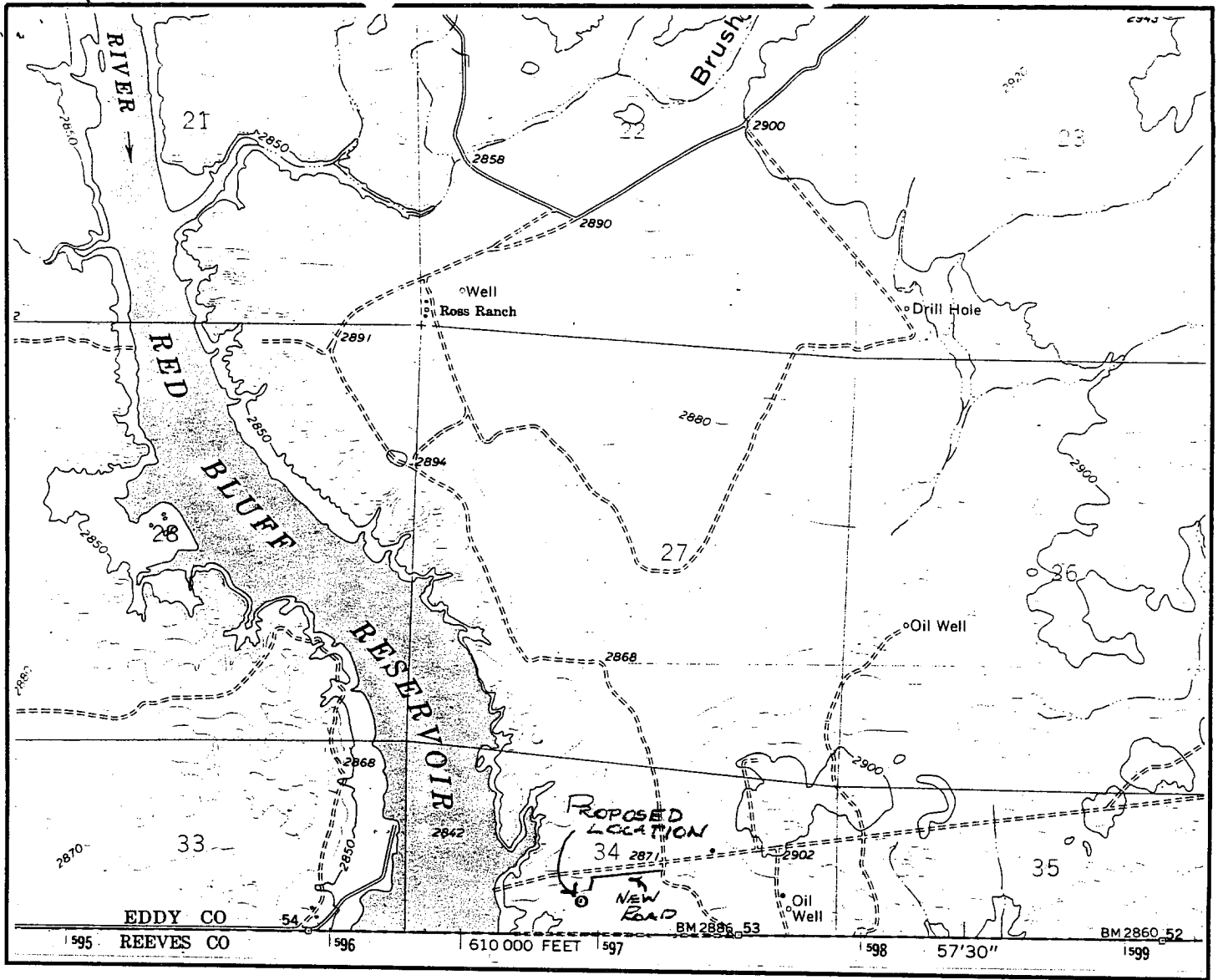
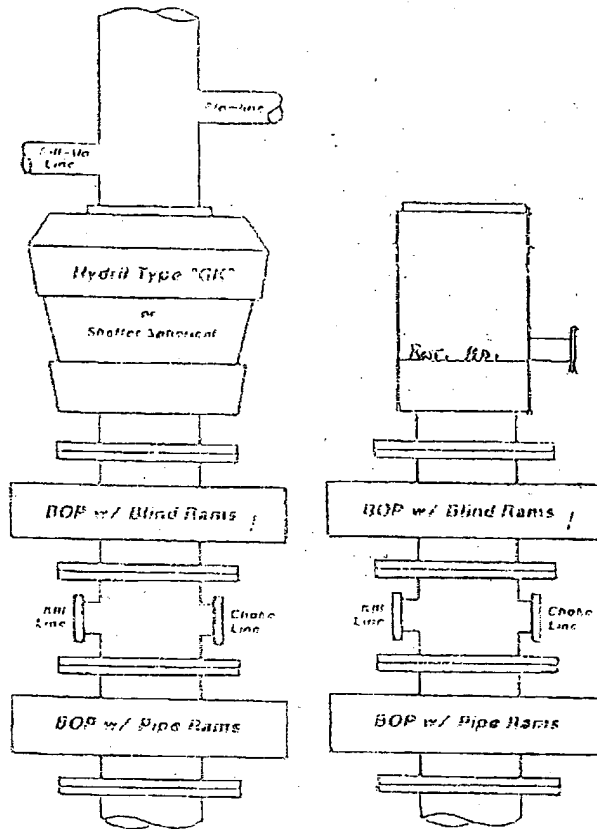


EXHIBIT "D"

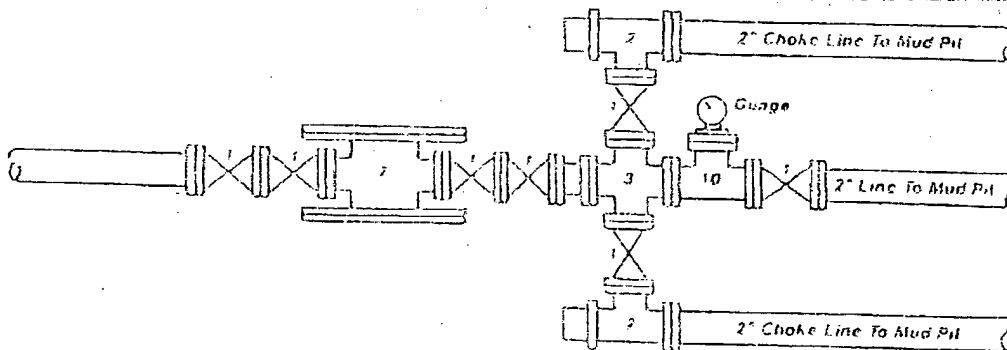
TOPOGRAPHIC PLAT

LITTLEFIELD FEDERAL "BO" #6
 2150' FWL & 423' FSL SEC. 34, T26S, R29E
 EDDY COUNTY, NM

ROD RIC CORPORATION
OWOUT PREVENTER - 3000 psi



A 1" valve will be installed on the closing line to the Hydril
This valve will be on a short nipple next to the Hydril
The closing line must be equipped w/ a 1"-3000 psi WP plug
valve on the nipple into the Hydril.



Legend

1. 2" flanged all steel valve must be either Cameron "F" Malibu or Low Torque, or Shafter Flo-Seal
2. 2" flanged adjustable chokes, one 1" full opening & equipped w/ hard item.
3. 4" x 2" flanged steel cross
4. 4" flanged steel tee
5. 4" flanged all steel valve (Eyes as in no. 1)
6. Drilling spool w/ 2" x 4" flanged steel outlet
7. Drilling spool w/ 2" x 2" flanged outlet
8. 2" x 2" flanged steel cross
9. 4" pressure contained gate valve.
10. 2" flanged steel tee

EXHIBIT E

BOP ARRANGEMENT
ROD-RIC DRILLING - RIG 9 OR 10

SPECIAL DRILLING STIPULATIONS

THE FOLLOWING DATA IS REQUIRED ON THE WELL SIGN

Operator's Name: GP II Energy, Inc. Well Name & #: Littlefield BO Fed. #6
Location 423 F S L & 2150 F W L; Sec. 34, T. 26 S., R. 29 E.
Lease #: LC-065928-A 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) (x) Other **See attached Cave/Karst and Visual Resources Stipulations**

II. ON LEASE - SURFACE REQUIREMENTS PRIOR TO DRILLING

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

(x) 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.

(x) Other. **V-Door South (Cuttings Pit to the East).**

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.

(x) 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.

() A. Seed Mixture 1 (Loamy Sites)

Side Oats Grama (*Bouteloua curtipendula*) 5.0
Sand Dropseed (*Sporobolus cryptandrus*) 1.0
Plains lovegrass (*Eragrostis intermedia*) 0.5

() B. Seed Mixture 2 (Sandy Sites)

Sand Dropseed (*Sporobolus cryptandrus*) 1.0
Sand Lovegrass (*Eragrostis trichodes*) 1.0
Plains Bristlegrass (*Setaria magrostachya*) 2.0

() C. Seed Mixture 3 (Shallow Sites)

Side oats Grama (*Bouteloua curtipendula*) 5.0
Green Spangletop (*Leptochloa dubia*) 2.0
Plains Bristlegrass (*Setaria magrostachya*) 1.0

(x) D. Seed Mixture 4 (Gypsum Sites)

Alkali Sacaton (*Sporobolus airoides*) 1.0
Four-Wing Saltbush (*Atriplex canescens*) 5.0

() 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 reserve pits 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
GP II ENERGY INC
Littlefield BO Fed. #6**

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.

Buried Cuttings Pit:

A 70X100 foot cuttings pit will be utilized for this location. The cuttings pit will be lined with 4 oz. felt and 2 layers 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:

Rotary Drilling with Fresh Water:

Rotary drilling techniques in cave or karst areas will include the use of fresh water as a circulating medium in zones where caves or karst features are expected. See geologist report for depth.

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

Operator's Name: GP II Energy Incorporated
Well Name & No: Littlefield BO Fed No 06
Location: Surface 423' FSL & 2150' FWL, Sec. 34, T. 26 S., R. 29 E.
Lease: NMLC 065928-A
Eddy County, New Mexico

.....

I. DRILLING OPERATIONS REQUIREMENTS:

1. The Bureau of Land Management (BLM) is to be notified at the Roswell Field Office, 2909 West Second St., Roswell, NM 88201, (505) 627-0272 for wells in Chaves and Roosevelt Counties; 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 7/8 inch; 4 1/2 inch or 5 1/2 inch.
 - C. BOP Tests
2. A Hydrogen Sulfide (H₂S) Drilling Plan is not required for this well bore.
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.

II. CASING:

1. The 8 7/8 inch shall be set at 350 Feet and at least 25 feet into the Top of the Rustler Anhydrite with 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 4 1/2 or 5 1/2 inch Production casing is to circulate to surface.

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 7/8 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.

(III Cont):

2. Minimum working pressure of the blowout preventer and related equipment (BOPE) shall be 2 M psi.

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

- The test 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 safe workman-like manner. Hard line connections shall be required.
- Both low pressure and high pressure testing of BOPE is required.

G. Gourley RFO 09/11/2006