N. M. OIL CONS. COMMISSION
P. O. BOX 1980
HOBBS, NEW MEXICO 88240

SUBMIT IN TRIPLICATE*
(Other instructions on reverse side)

Form 3160-3
(July 1992)

FORM APPROVED
OMB NO. 1004-0136
Expires: February 28, 1995

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

APPLICATION FOR PERMIT TO DRILL OR DEEPEN

1a. TYPE OF WORK: DRILL [XX] DEEPEN [ ]

b. TYPE OF WELL: OIL WELL [XX] GAS WELL [ ] OTHER — SINGLE ZONE [XX] MULTIPLE ZONE [ ]

2. NAME OF OPERATOR: Capataz Operating, Inc.

3. ADDRESS AND TELEPHONE NO.: PO Box 10549, Midland, TX 79702 915-682-7664

4. LOCATION OF WELL (Report location clearly and in accordance with any State requirements.*)
At surface: 660' FNL & 660' FEL
At proposed prod. zone: SAME

5. LEASE DESIGNATION AND SERIAL NO.: NMNM80650

6. IF INDIAN, ALLOTTEE OR TRIBE NAME: --

7. UNIT AGREEMENT NAME: --

8. FARM OR LEASE NAME, WELL NO.: Pall Mall #1

9. API WELL NO.: 30-025-34634

10. FIELD AND POOL, OR WILDCAT: House (ABO)

11. SEC., T., R., M., OR BLK. AND SURVEY OR AREA: 14-T20S-R38E

12. COUNTY OR PARISH: Lea

13. STATE: NM

14. DISTANCE IN MILES AND DIRECTION FROM NEAREST TOWN OR POST OFFICE*: 4 miles South of Nadine, NM

15. DISTANCE FROM PROPOSED* LOCATION TO NEAREST PROPERTY OR LEASE LINE, FT. (Also to nearest drlg. unit line, if any): 660'

16. NO. OF ACRES IN LEASE: 40

17. NO. OF ACRES ASSIGNED TO THIS WELL: 40

18. DISTANCE FROM PROPOSED LOCATION* TO NEAREST WELL, DRILLING, COMPLETED, OR APPLIED FOR, ON THIS LEASE, FT.: None

19. PROPOSED DEPTH: 7800'

20. ROTARY OR CABLE TOOLS: Rotary

21. ELEVATIONS (Show whether DF, RT, GR, etc.): 3575 GR

22. APPROX. DATE WORK WILL START*: 6-1-99

23. PROPOSED CASING AND CEMENTING PROGRAM

SIZE OF HOLE	GRADE, SIZE OF CASING	WEIGHT PER FOOT	SETTING DEPTH	QUANTITY OF CEMENT
12-1/2"	8-5/8-J55	24#	1600'	SEE BELOW
7-7/8"	5-1/2-J55	15.5&17#	7800'	SEE BELOW

WITNESS

8-5/8" CASING: Run Fluid Caliper Survey to determine hole volume. Circulated cement to surface using no less than 750 sx 50:50 POZ:Class C w/2% Calcium Chloride and 2% Gel. Tail in w/ 225 sx Class C w/ 2% Calcium Chloride. 8-5/8" - 24# J-55 ST&C.

5-1/2" CASING: 490 sx. 35:65 POZ?Class "C" w/ 5% Salt, 6% Gel, .2% Antifoamer and .25 PPS Celloflake. Tail in w/ 305 sx. 50:50 POZ:Class C w/ 10% Salt, .5% Fluid Loss Additive, 2% Gel and .2% Antifoamer. 5-1/2" - 15.5 & 17# J-55, LT&C.

OPER. OGRID NO. 3659
PROPERTY NO. 24645
POOL CODE 33210
EFF. DATE 5-28-99
API NO. 30-025-34634

APPROVAL SUBJECT TO GENERAL REQUIREMENTS AND SPECIAL STIPULATIONS ATTACHED

acq 5/5/99

IN ABOVE SPACE DESCRIBE PROPOSED PROGRAM: If proposal is to deepen, give data on present productive zone and proposed new productive zone. If proposal is to drill or deepen directionally, give pertinent data on subsurface locations and measured and true vertical depths. Give blowout preventer program, if any.

24. SIGNED [signature] TITLE Agent DATE 4/10/99

(This space for Federal or State office use)

PERMIT NO. ______ APPROVAL DATE ______

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:

APPROVED BY (ORIG. SGD.) ARMANDO A. LOPEZ TITLE Acting Assistant Field Office Manager, Lands and Minerals DATE MAY 24 1999

*See Instructions On Reverse Side

Title 18 U.S.C. Section 1001, makes it a crime for any person knowingly and willfully to make to any department or agency of the ... matter within its jurisdiction.

CT


BUREAU OF LAND MANAGEMENT
RECEIVED
APR 28 1999
ROSWELL N.M.

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

DISTRICT II
P.O. Drawer DD, Artesia, NM 88211-0719

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

DISTRICT IV
P.O. BOX 2088, SANTA FE, N.M. 87504-2088

State of New Mexico
Energy, Minerals and Natural Resources Department

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

OIL CONSERVATION DIVISION

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

☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

API Number	Pool Code	Pool Name
30-025-34634	33210	House (ABO)

Property Code	Property Name	Well Number
24645	PALL MALL	1

OGRID No.	Operator Name	Elevation
36059	CAPATAZ OPERATING INC.	3575

Surface Location

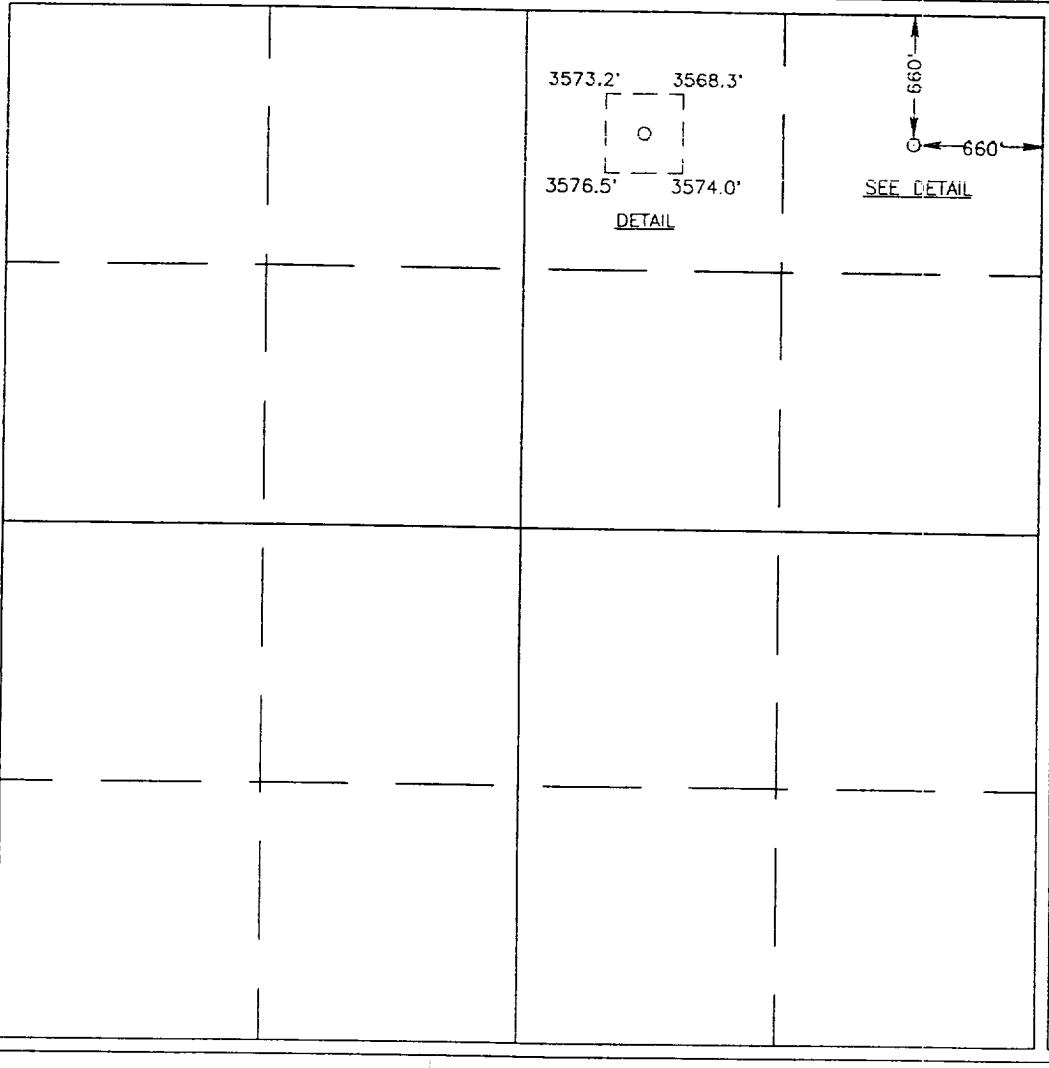
UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
A	14	20 S	38 E		660	NORTH	660	EAST	LEA

Bottom Hole Location If Different From Surface

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

Dedicated Acres	Joint or Infill	Consolidation Code	Order No.
40			

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



OPERATOR CERTIFICATION

I hereby certify the the information contained herein is true and complete to the best of my knowledge and belief.

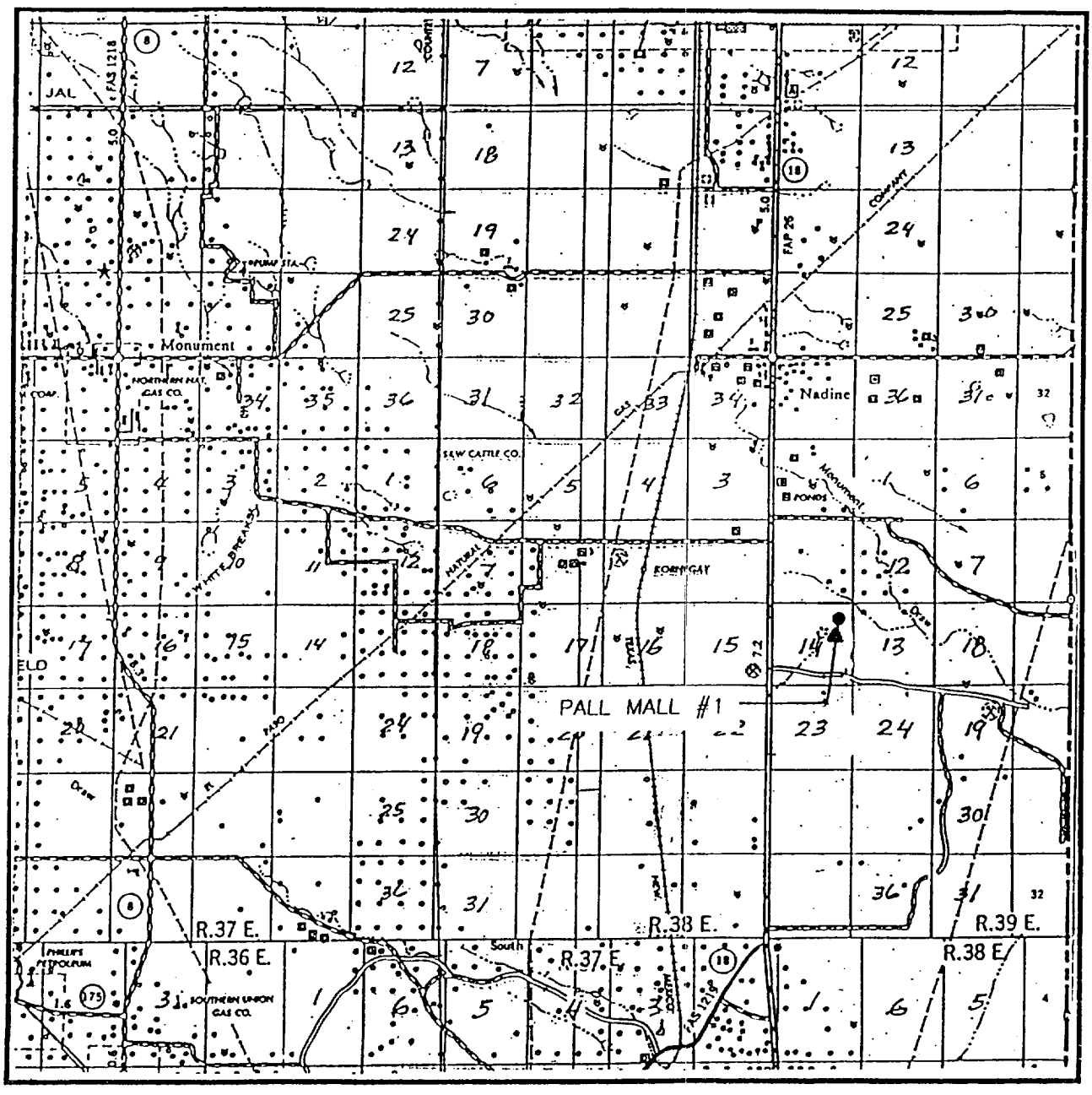
Signature
H Scott Davis
Printed Name
Agent
Title
4/9/99
Date

SURVEYOR CERTIFICATION

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

April 6, 1999
Date Surveyed
Signature & Seal of Professional Surveyor
DMCC
RONALD J. EIDSON
NEW MEXICO
3239
REGISTERED PROFESSIONAL SURVEYOR
4-07-94
99-11-0278
Certificate No. RONALD J. EIDSON 3239
GARY L. EIDSON 12641
JOHN W. McDONALD 12185

VICINITY MAP



SCALE: 1" = 2 MILES

SEC. 14 TWP. 20-S RGE. 38-E

SURVEY N.M.P.M.

COUNTY LEA

DESCRIPTION 660' FNL & 660' FEL

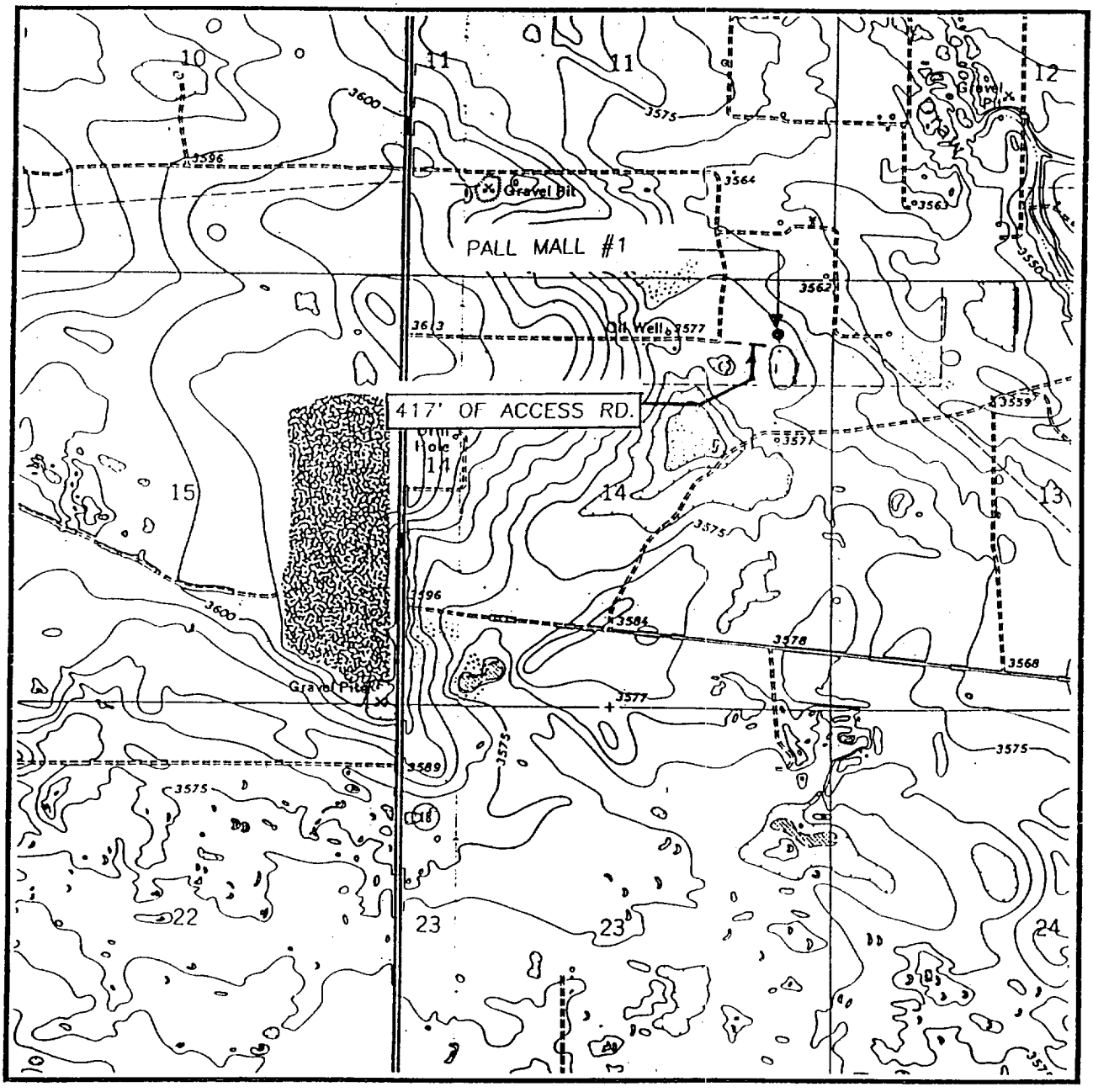
ELEVATION 3575

OPERATOR CAPATAZ OPERATING INC.

LEASE PALL MALL

JOHN WEST ENGINEERING
HOBBS, NEW MEXICO
(505) 393-3117

LOCATION VERIFICATION MAP



SCALE: 1" = 2000'

CONTOUR INTERVAL:
HOBBS SE - 5'
HOBBS SW - 5'

SEC. 14 TWP. 20-S RGE. 38-E

SURVEY N.M.P.M.

COUNTY LEA

DESCRIPTION 660' FNL & 660' FEL

ELEVATION 3575

OPERATOR CAPATAZ OPERATING INC.

LEASE PALL MALL

U.S.G.S. TOPOGRAPHIC MAP
HOBBS SE, HOBBS SW, N.M.

EXHIBIT "A"

CAPATAZ OPERATING, INC.
#1 PALL MALL
660 FNL & FEL, 14-T20S-R38E, NMPM
U.S.G.S. AREA MAP

APPLICATION FOR PERMIT TO DRILL

CAPATAZ OPERATING, INC
#1 PALL MALL
660' FNL & FEL 14-T20S-R38E NMPM, LEA COUNTY, NEW MEXICO

In conjunction with Form 3160-3, Application for Permit to Drill, Capataz Operating, Inc. submits the following items of pertinent information in accordance with Onshore Oil & Gas Order Nos. 1 & 2, and with all other federal and state regulations.

1. The surface formation is of Cretacious age.

2. Estimated tops of geological markers are as follows:

Yates	2828'	Tubb	6568'
San Andres	4248'	Drinkard	6784'
Blinebry	6008'	Abo	7075'

3. The estimated depths at which water, oil, or gas formations are expected to be encountered:

Water:		275'*
Oil or Gas:	San Andres**	4248'
	Blinebry**	6008'
	Tubb**	6784'
	Drinkard**	7205'
	Abo**	

*Groundwater to be protected by 8 5/8" casing w/ cement circulated to surface.
**Intervals potentially productive of oil and/or gas to be protected by 5 ½" production casing with cement tied back to approximately 3000'.

4. Proposed casing program: See Form 3160-3 and Exhibit F.

5. Pressure Control Equipment: See Exhibit E.

6. Mud Program: See Exhibit G.

7. Testing, Logging and Coring Programs:

   DST's - Possible in Drinkard

   Logging - 2 man mud logging unit from 4000' to T.D.

   Electric Logs - Dual Laterolog, Micro Laterolog
   Compensated Z-Densilog
   Compensated Nuetron Log
   Gamma Ray Log
   Caliper Log
   Spectral Gamma Log

   Coring- Possible Core in Blinebry and/or Tubb.

8. Abnormal Pressures, Temperatures or Other Hazards: None. Estimate that BHP in potentially productive zones would not exceed 1275 psi.

9. Anticipated start date: On or before June 1, 1999.

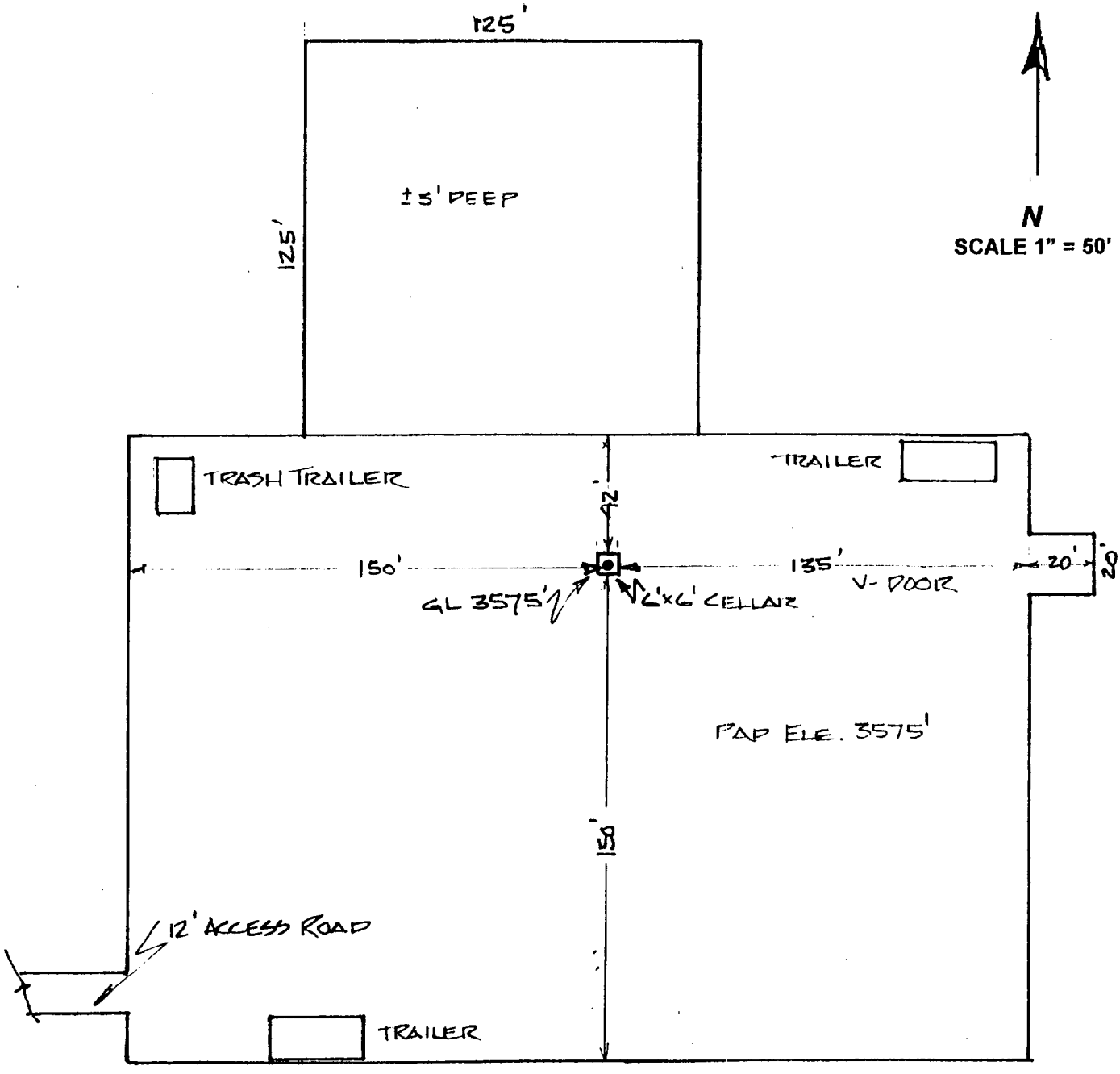


EXHIBIT "B"

CAPATAZ OPERATING, INC.
#1 PALL MALL
660 FNL & FEL, 14-T20S-R38E, NMPM
PROPOSED DRILL SITE LAYOUT

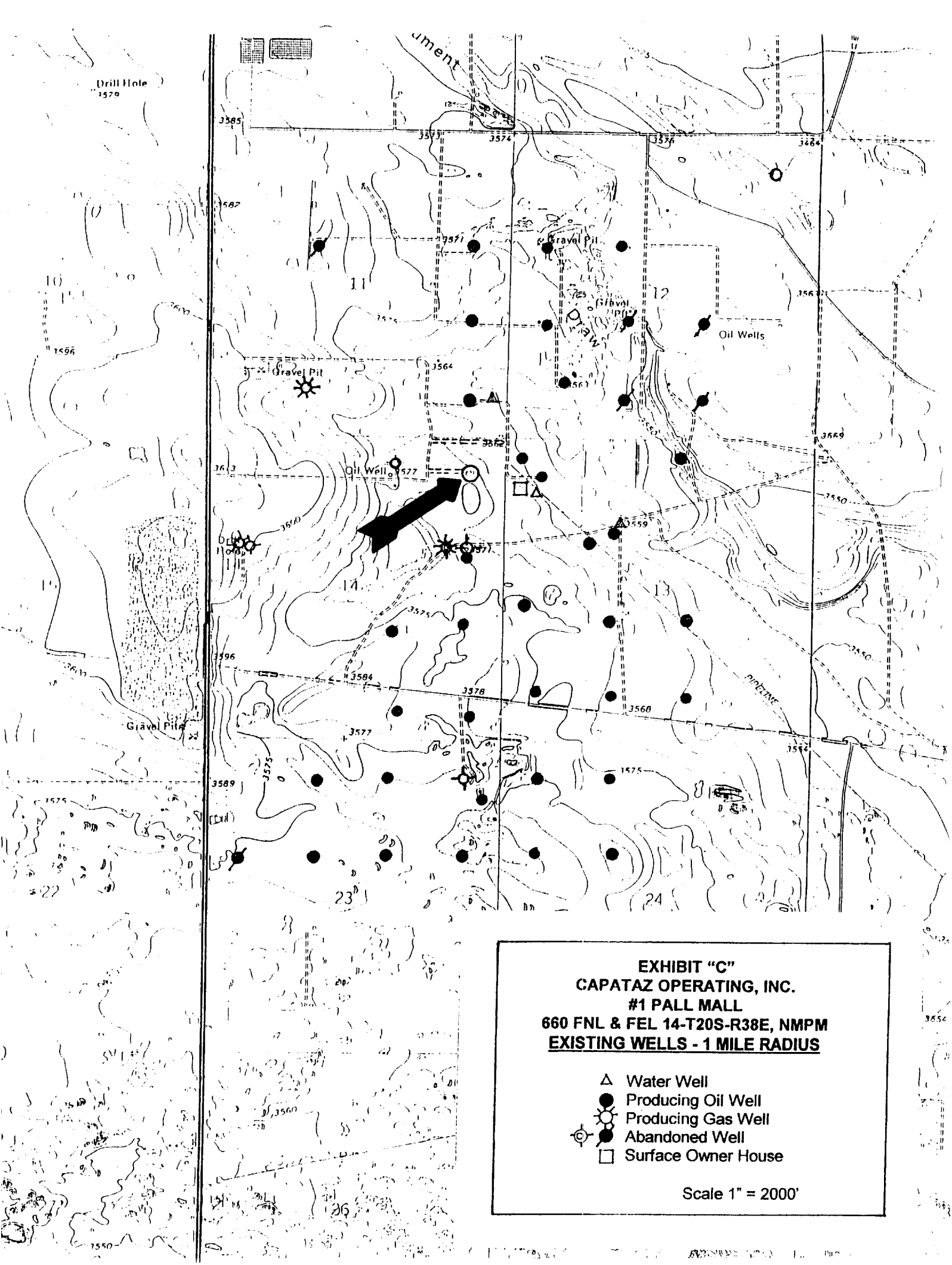


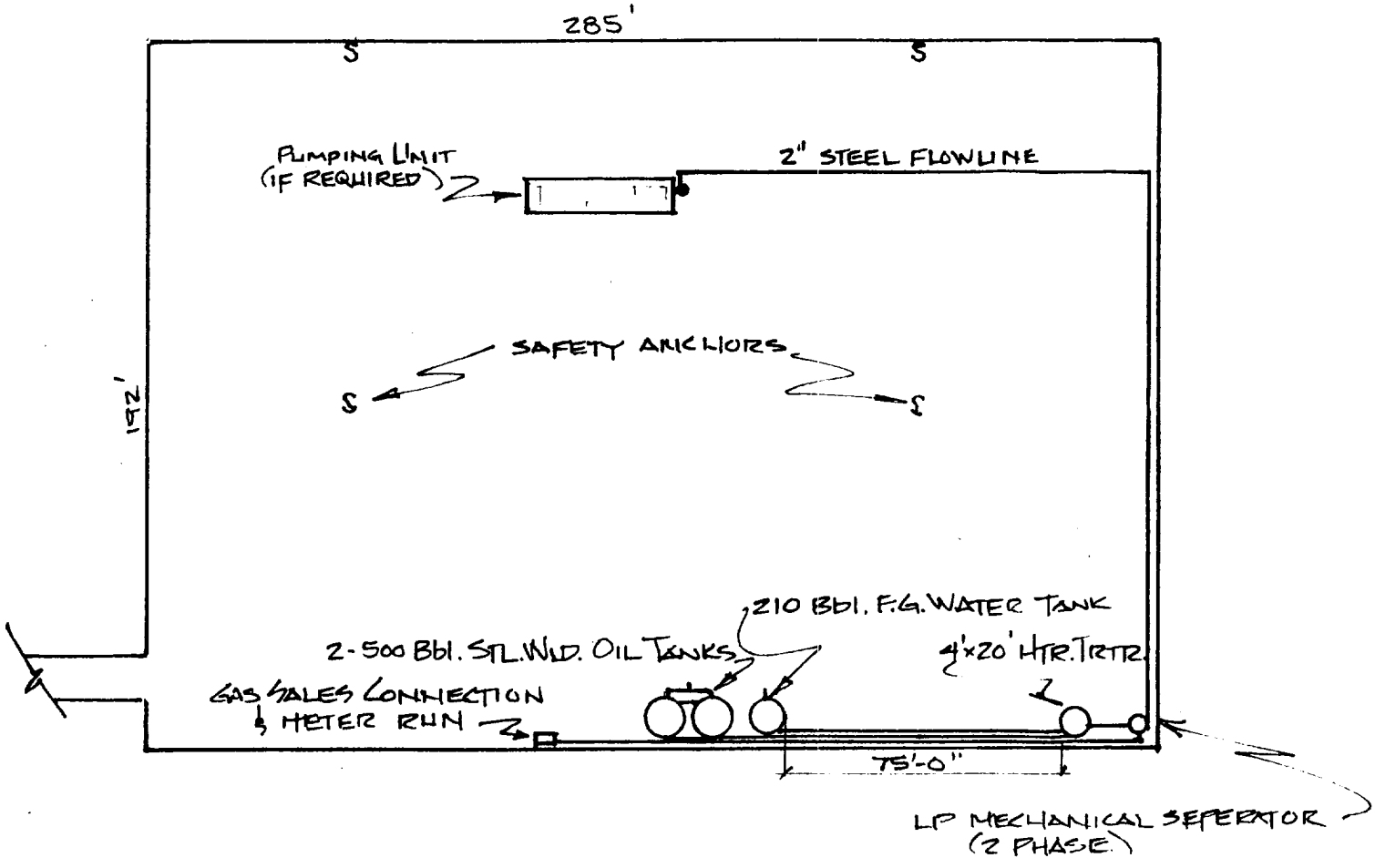
EXHIBIT "C"
CAPATAZ OPERATING, INC.
#1 PALL MALL
660 FNL & FEL 14-T20S-R38E, NMPM
EXISTING WELLS - 1 MILE RADIUS

- △ Water Well
- ● Producing Oil Well
- ☼ Producing Gas Well
- ⊙ Abandoned Well
- □ Surface Owner House

Scale 1" = 2000'

EXHIBIT "D"

CAPATAZ OPERATING, INC.
#1 PALL MALL
660' FNL & FEL, 14-T20S-R38E, NMPM
PROPOSED COMPLETED WELL SITE LAYOUT



N

SCALE 1" = 50'

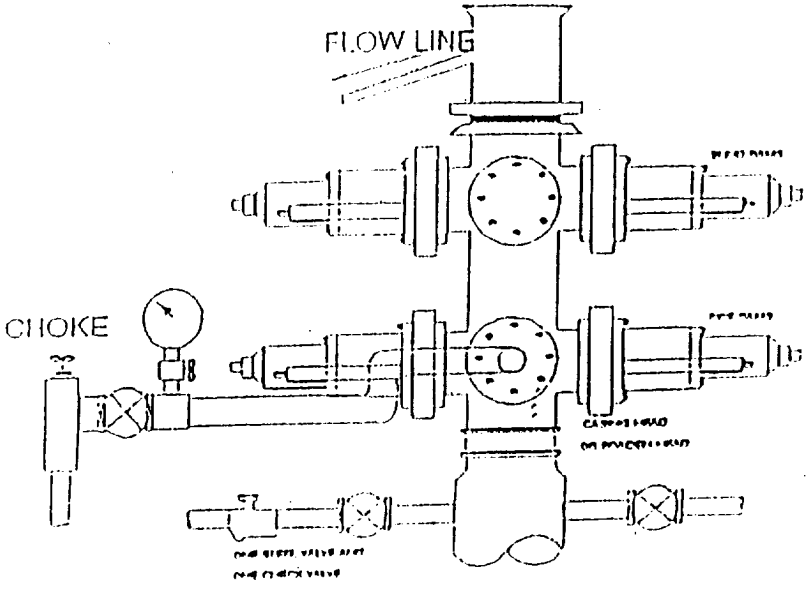
EXHIBIT "E"

CAPATAZ OPERATING, INC.
#1 PALL MALL
660' FNL & FEL, 14-T20S-R38E, NMPM
BLOWOUT PREVENTER

3000 PSI WP

THE FOLLOWING CONSTITUTE MINIMUM BLOWOUT PREVENTER REQUIREMENTS

A. One double gate blowout preventer with lower rams for pipe and upper rams blind, all hydraulically controlled.
B. Opening on preventers between rams to be flanged, studded or clamped and at least two inches in diameter.
C. All connections from operating manifold to preventers to be all steel hose or tube a minimum of one inch in diameter.
D. The available closing pressure shall be at least 15% in excess of that required with sufficient volume to operate (close, open and re-close) the preventers.
E. All connections to and from preventers to have a pressure rating equivalent to that of the BOP's.
F. Manual controls to be installed before drilling cement plug.
G. Valve to control flow through drill pipe to be located on rig floor.
H. All chokes will be adjustable. Choke spool may be used between rams.



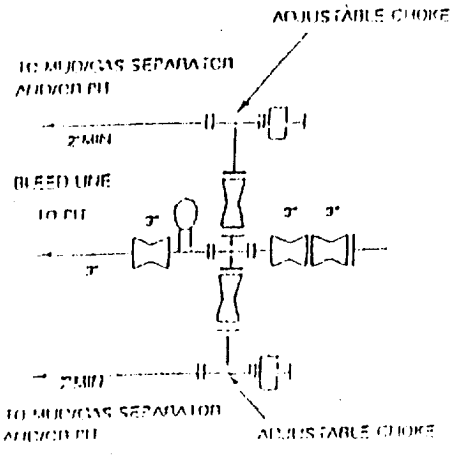


EXHIBIT "F"

CAPATAZ OPERATING, INC.
#1 PALL MALL
660' FEL & FNL 14-T20S-R38E, NMPM
SUMMARY DRILLING, DRILL STEM TESTS, CORING, CASING & CEMENTING PROGRAM

1. Drill 12 ¼" hole to 1600'.

2. Cement 8 5/8" 24# J-55 casing with a minimum of 750 sx. 50:50 Poz:Class C w/ 2% Calcium Chloride and 2% gel, tail in w/ 225 sx Class C w/ 2% Calcium Chloride. Run an open hole fluid caliper prior to cementing to ensure above cement volumes are sufficient to circualte cement to surface. Should fluid caliper indicated additional cement is required t circulate hole the volume of the lead slurry will be increased. Run Texas Pattern Guide Shoe with insert float in top of shoe joint. Thread lock first two joints of casing. Centralize casing w/ 10 centralizers 1 every fourth joint beginning at top of shoe joint.

3. Nipple up and install BOP's. Wait on cement 18 hours and test casing to 500 psi. Drill out shoe w/ 7 7/8" bit and drill to T.D.

4. A fresh water mud system will be used from the surface to 1600'. Upon drilling out 8 5/8" shoe brine water will replace the fresh water system. The hole will be mudded up to a 29 -31 viscosity brine at 5800' with a water loss not to exceed 10cc. Mud loggers and an drill site geologist will evaluate drilling cuttings from 4000' to T.D. for shows and structural position. Drilling breaks, sample shows and gas increases will be monitored to determine the need to DST or core. At T.D. run open hole log suite specified on page 1 hereto.

5. Run 5 ½" 15.5# & 17# J-55 or 17# N-80 casing to T.D. and cement with 490 sx 35:65 Poz:Class C w/ 5% salt, 6% gel, .2% antifoamer, and .25pps celloflake. Tail in w/ 305 sx 50:50 Poz:Class C w/ 10% salt, .5% fluid loss additive, 2% gel and .2% antifoamer. Run guide shoe and float collar and 15 - 20 centralizers as required for casing standoff through potential pay. Use rubber plug and displace cement w/ 2% Kcl water.

6. Perforations and stimulation to be determined after casing has been run and drilling rig released.

EXHIBIT "G"

CAPATAZ OPERATING, INC.
#1 PALL MALL
660' FNL & FEL, SECTION 14-T20S-R38E, NMPM
DRILLING FLUID PROGRAM

Surface - 1600':	Spud w/ fresh water. Native mud should be adequate to maintain 8.8 - 9.2 weight with a 32 - 36 viscosity. Add 2-3 sacks of paper every 100' while drilling red beds.
1600' - 5800':	Drill out from under surface casing with brine water. Use caustic soda for a 9.5 - 10 pH, paper for seepage and MF-55 or saltwater gel for occasional hole sweeps. Maintain 10.0 - 10.1 weight and 28 viscosity, no water loss control.
5800'- T.D.:	At 5800' mud up with starch, use caustic soda for a 9.5 - 10.0 pH. Sweep hole at T.D. 5 gals MF-55. Maintain 10.0 - 10.3 weight, 30-32 viscosity and water loss of 10 or less.

EXHIBIT "H"

CAPATAZ OPERATING, INC.
#1 PALL MALL
660' FNL & FEL SECTION 14, T20S-R38E, NMPM
SURFACE USE PLAN

1. EXISTING ROADS - Area Map, Exhibit "A", is a reproduction of the USGS Hobbs, S.E. and Hobbs, S.W. quadrant topographic maps. Existing and proposed roads are shown on the exhibit. All roads shall be maintained in a condition equal to that which existed prior to the start of construction.

   A. Exhibit "A" shows the well site as staked.

   B. From Hobbs, New Mexico proceed south on State Highway 18 to Nadine, New Mexico. 2 ¾ miles south of Nadine on the east side of the highway is a circular dirt car race track. On the south side of the race track is a county road, turn east on this county road and proceed east roughly 1 mile to a gas compressor station the county road will turn south after the compressor station, follow same south through the first cattleguard. The drill site is located on the forty acre tract immediately on the east side of the cattleguard.

2. PLANNED ACCESS ROADS - Approximately 420 feet of new access road will be constructed. The drill site access road will approach the drilling pad from the west side of the drill site 40 acre unit.

   A. The access road will be 12'-00" wide.
   B. Gradient on the access road will be less than 5%.
   C. No turn outs will be constructed.
   D. If needed, the access road will be surfaced with 4" of caliche. This material will be obtained from a local source.
   E. The centerline for the access road has been staked and flagged. Earthwork will be as required by field conditions.
   F. No culverts or low water crossings will be required.

3. LOCATION OF EXISTING WELLS IN A ONE-MILE RADIUS.

   A. Water wells - As shown on Exhibit "C"
   B. Disposal wells - none known .
   C. Drilling wells - none know.
   D. Producing wells - As shown on Exhibit "C".
   E. Abandoned wells - As shown on Exhibit "C".

4. If the permitted well is completed as a producer Well Pad facilities will be constructed as shown on Exhibit "D".

5. LOCATION AND TYPE OF WATER SUPPLY - Water will be purchased locally from a private source and trucked over the access road.

6. SOURCE OF CONSTRUCTION MATERIALS - If needed, construction materials will be obtained from the drill site's excavation or from a local source. These materials will be transported over the access road shown on Exhibit "A".

7. METHODS FOR HANDLING WASTE DISPOSAL
   A.
      1. Drill cuttings will be disposed of in the reserve pit.

2. Trash, waste paper and garbage will either be contained in a fenced trash trailer to prevent wind scattering and will be hauled off site and disposed of in an approved disposal facility.
3. Salts remaining after completion of the well will be picked up by the supplier, including broken sacks.
4. Sewage from trailer houses will drain into hole with a minimum depth of 10 feet. These holes will be covered during drilling and backfilled upon completion. A "Porta John" will be provided for the rig crews. This will be properly maintained during the drilling operations and removed upon completion of the well.
5. Chemicals remaining after completion of the well will be stored in the manufacturers containers and picked up by the supplier.

B. Remaining drilling fluids will be allowed to evaporate in the reserve pit until the pit is dry enough to be broken out and leveled. In the event that drilling fluids do not evaporate in a reasonable period of time they will be transported by tank truck to a state approved disposal facility.

8. ANCILLARY FACILITIES - No camps or airstrips will be constructed.

9. WELL SITE LAYOUT

A. Exhibit "B" (scale 1" = 50') shows the proposed well site layout.
B. This exhibit indicates proposed location of the reserve pit and living facilities.
C. Steel working pits will be provided by the drilling contractor and the reserve pit will be lined with PVC or polyethylene liner of a thickness of 6 mills. The pit liner will extend a minimum of 2 feet over the reserve pit dikes where the liner will be anchored.
D. The reserve pit will be fenced on three sides with three strands of barbed wire during the drilling and completion phases. The fourth side of the pit shall be fenced after all drilling operations have ceased. Upon completion as a producer the reserve pits will be broken out, leveled and seeded with BLM approved grass seed.

10. PLANS FOR RESTORATION OF SURFACE - Rehabilitation of the location and reserrve pit will start in a timely manned after all drilling operations cease. The type of reclamation will depend whether the well is a producer or a dry hole.

In either event, the reserve pit will be allowed to dry properly and fluid removed and disposed of 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 erosion. After the area has been reshaped and contouredm topsoil from the spoil pile will be placed over the disturbed area to the extent possible. Revegetation procedures will comply with BLM standards.

If the well is a dry hole, the pad and road area will be recontoured to match the existing terrain. Topsoil will be spread to the extent possible. Revegetation will comply with BLM standards.

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

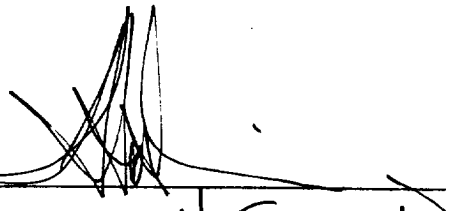
11. OTHER INFORMATION

A. The topography is generally flat with vegetation of mesquite and local native weeds with little or no grass. The soils are sandy over a caliche base.
B. The surface is used as pasturage and has been grazed by the surface owners horse herd for the last 12 - 18 months. The surface owner is Dana Brinkley, she may be reached by telephone @ (505)397-0504, (505)390-2402 cellular or (520)865-1285.
C. An archeological study has been completed and is attached hereto as Exhibit "I"

D. The surface owner has a small house and mobile home located just east of the 40 acre drilling unit.

12. OPERATORS REPRESENTATIVE - H. Scott Davis
P.O. Box 10549
Midland, Texas 79702
915-682-7664

13. CERTIFICATION - I hereby certify that I have inspected the propsed 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 byCapataz Operating, Inc and its contractors/subcontractor in conformity with this plan and the terms and conditions under which it is approved. This statement is subject to the provisions of 18 USC 1001 for the filing of a false statement.



By: _____

PRINTED NAME H. Scott Davis

DATE 4/9/99

TITLE: AGENT

EXHIBIT "I"
CAPATAZOPERATING, INC.
#1 PALL MALL
660' FNL & FEL, 14-T20S-R38E, N.M.P.M.
CLEARANCE REPORT

APPENDIX B.

TITLE PAGE/ABSTRACT/NEGATIVE SITE REPORT

BLM/ RDO 1/95 CARLSBAD FIELD OFFICE

1. BLM Report No.	2. (ACCEPTED) (REJECTED)	3. NMCRIS No. 64497
4. Title of Report (Project Title): Archaeological survey of CAPATAZ OPERATING, INC.'S proposed well pad for the PALL MALL No. 1 (660' FNL, 660' FEL) and access road (417') in Section 14, T20S, R38E, NMPM, LEA COUNTY, NM.		5. Project Date(s): 4-15-99 6. Report Date: 4-16-99
7. Consultant Name & Address: Direct Charge: Danny Boone Name: Desert West Archaeological Services Address: P.O. Box 645, Carlsbad, NM 88220 Authors Name: David Wilcox Field personnel names : Danny Boone and Steve Smith Phone (505) 887-7646		8. Permit No.: BLM: 123-2920-99-S STATE: NM-98-077 9. Consultant Report No.: DWAS 99-27A
10. Sponsor Name and Address: Indiv. Responsible: H. Scott Davis Name: CAPATAZ OPERATING, INC. Address: P.O. Drawer 10549 Midland, TX 79702 Phone: (915) 682-7684		11. For BLM Use only. 12 ACREAGE: Total No. of acres surveyed: 4.63 Per Surface Ownership: Federal: 0 State: 0 Private: 4.63 with Federal Minerals

13. Location & Area: (Maps Attached if negative survey) Figure 1.
   a. State: NM
   b. County: LEA
   c. BLM: Carlsbad Field Office
   d. Nearest City or town: Nadine
   e. Location: T20S, R38E, Sec. 14, Pad; NE NE: Access road; SE NW NE, SE NE NE:
      Well Pad footages: 660' FNL, 660' FEL
   f. USGS 7.5 ' Series; Map Name(s) and Code Numbers(s): HOBBS SE, TEX.-N. MEX. (1969, Photo Rev. 1979) 32103-E1
      HOBBS SW, NM (1969) 32103-E2
   g. Area: Block: Surveyed: 400' x 400'
      Impact: within survey area
      Linear: Surveyed: 100' x 417'
      Impact: 50' x 417'

14. a. Records Search:
Location: BLM and ARMS by A. Slate and S. Smith revealed no BLM project numbers.
Date: 4-14-99
List by LA# All sites within .25 miles of the project: NA
(Those sites within 500' are to be shown on the project map)

b. Description of Undertaking: The proposed project is a well pad and access road that connects to an existing caliche capped road that does not have a BLM number.

c. Environmental Setting (NRCS soil designation; vegetative community; etc.);
This project lies on a surface of loamy soils and caliche outcroppings with a gentle slope to the northeast toward Monument Draw.
Vegetation: Mesquite, broom snakeweed, horse crippler cactus, various grasses and other flora
NRCS: Soils: Portales-Stegall-Lea association: Nearly level and gently sloping, loamy soils that are moderately deep to soft or indurated caliche

d. Field Methods: straight and zig-zag transects
Transect Intervals: 15 meters or less
Crew Size: Two
Time in Field: 0.75 Hours
Collections: NA

(CONTINUE WITH REPORT FORM ONLY IF THERE ARE NO ELIGIBLE CULTURAL PROPERTIES.
THE REMAINDER OF THIS FORM THEN BECOMES THE NEGATIVE SURVEY REPORT)

15. Cultural Resource Findings: NA
a. Identification and description:

16. Management Summary (Recommendations):
Archaeological clearance for CAPATAZ OPERATING, INC.'S proposed well pad for the PALL MALL No. 1 (660' FNL, 660' FEL) and access road (417') in Section 14, T20S, R38E, NMPM, LEA COUNTY, NM as presently marked is recommended. The BLM and DWAS are to be notified immediately if any cultural resources are encountered.
I certify that the information provided above is correct and accurate to the best of my knowledge and meets all appreciable BLM standards.

Responsible Archaeologist Nancy Brown 4-16-99
Signature Date

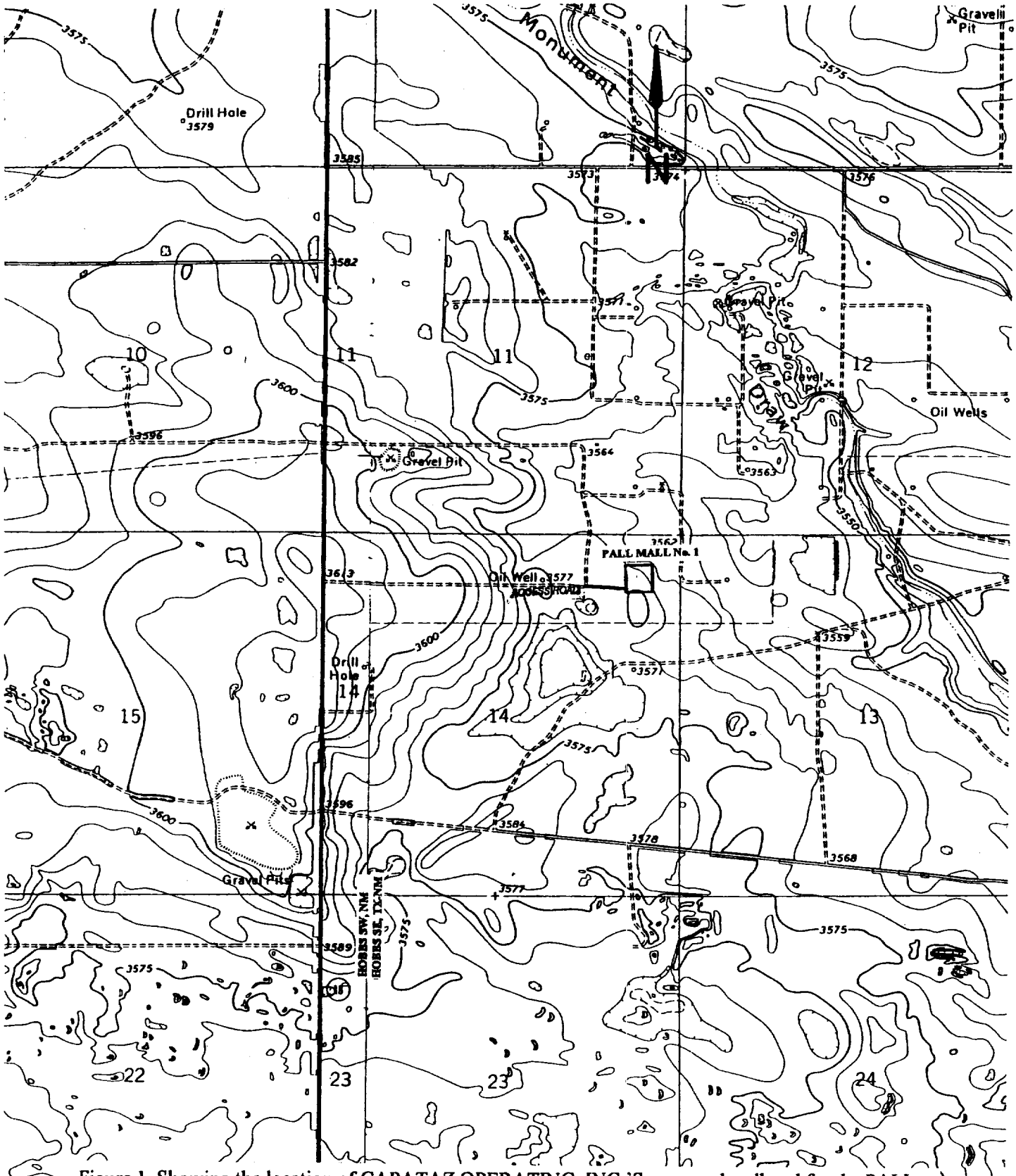


Figure 1. Showing the location of CAPATAZ OPERATING, INC.'S proposed well pad for the PALL MALL No. 1 (660' FNL, 660' FEL) and access road (417') in Section 14, T20S, R38E, NMPM, LEA COUNTY, NM.

Map Reference: USGS 7.5' Series, HOBBS SE, TEX.-N. MEX. (1969, Photo Rev. 1979) 32103-E1
HOBBS SW, NM (1969) 32103-E2

DB

SURFACE USE AGREEMENT

This Surface Use Agreement is made and entered into by DANA Brinkley (Owner) and Capataz Operating, Inc. (Operator) for the exploration and production of oil and gas on the surface lands owned by DANA Brinkley located in Sections 11, 12, 13 and 14, T-20-S, R-38-E, Lea County, New Mexico. This agreement will cover consideration for damages due to the construction, drilling and operations of any and all oil and gas properties operated by the Operator which lie on surface property owned by the Owner in the lands above described in Lea County, New Mexico. The consideration to be paid for damages are as follows:

New Drill Site Locations	Consideration
1. Less than 8000' true vertical depth.	$ 2,500.00*
2. Greater than 8000' true vertical depth.	$ 3,500.00*
* Includes caliche for drill site from a pit on Owners lands.	
Re-Entry Locations	
1. Less than 8000' true vertical depth.	$ 1,500.00*
2. Greater than 8000' true vertical depth.	$ 2,000.00*
*Includes caliche for drill site from a pit on Owners lands.	
Tank Battery Locations	
1. On same location as producing well.	$ 0.00
2. Not on existing drill site.	$ 1,000.00
Caliche	
1. Caliche for drill site.	Included in location fee.
2. Caliche for road construction.	$ 2.00/cubic yard
3. Caliche for battery location not on drill site.	$ 2.00/cubic yard.
Roads	
1. Existing Roads	No charge.
2. New roads.	$ 7.00/rod
Pipelines - Produced Fluids/Gas	
1. Pipelines up to 4" inside diameter.	$ 4.00/rod**
2. Pipelines greater than 4" inside diameter.	$ 5.00/rod**
** Pipelines shall not be buried.	
Power/Telephone Line	
1. Power/telephone lines constructed along roadways.	$ 5.00/rod
2. Power/telephone line constructed across pasture.	$ 7.50/rod
Geophysical Operations	
1. 2-D.	$ 1,500.00/mile
2. 3-D.	$ 2,500.00/mile

The Operator shall buy all caliche used for roads and battery locations from pits located upon the Owners surface, if such pits exist at the prices set forth above.

The Operator shall not cut any fence for the purpose of ingress or egress upon the subject lands until the Owner or his/her representative has been notified by telephone.

The Operator shall not install cattleguards in the Owner's fences except at locations mutually agreed upon by the Operator and the Owner or his/her representative. Operator shall maintain all such cattleguards during the term of its operations.

Operator shall maintain all roads to producing oil and gas properties located upon the subject lands and not maintained as public roadways by Lea County. Operator shall have perpetual, unhindered access to said producing properties.

Prior to the construction of any drill site location upon the subject lands Operator shall pay Owner the above noted drill site location consideration. Within 30 days of the completion of any road, pipeline or battery location Operator shall tender payment to Owner such consideration as is dictated by the above schedule.

As further consideration the Owner shall indemnify and hold Operator harmless from any claim, loss or liability pertaining to damages to crops, grasses or other property asserted against Operator by Owner, for past, present and future operations by the Operator that have not been previously settled and mutually agreed to by the parties hereto.

This agreement shall be binding upon both parties, and their heirs, successors or assigns.

Dated, agreed to and effective this 16TH of APRIL, 1999.

H. Scott Davis
President
Capataz Operating, Inc.

United States Department of the Interior

BUREAU OF LAND MANAGEMENT
Roswell Resource Area
P.O. Drawer 1857
Roswell, New Mexico 88202-1857

Statement Accepting Responsibility for Operations

Operator name: Capataz Operating, Inc.
Street or box: PO Box 10549
City, State : Midland, TX 79702
Zip code, :

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.: NMNM80650

Legal Description of land: NE/4 NE/4 Sec 14-T20S-R38E
Lea County, NM

Formation(s) (if applicable):
Blinbry, Tubb, Drinkard, ABC

Bond Coverage:(State if individually bonded or another's bond)
$10,000 Individual Lease Bond

BLM Bond File No.: NM 2709

Authorized Signature: H Scott Davis

Title: Agent

Date: 4-9-99

ELF 11/30/99

ABOVE DATE DOES NOT
INDICATE WHEN
CONFIDENTIAL LOGS
WILL BE RELEASED