Form 3160-3
(April 2004)

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

Oil Cons. DIV-Dist. 2
1 W. Grand Avenue
Artesia, NM 88210

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

APPLICATION FOR PERMIT TO DRILL OR REENTER

5. Lease Serial No.: NMLC026874F

1a. Type of Work: [X] DRILL [ ] REENTER

6. If Indian, Allotee or Tribe Name:

1b. Type of Well: [X] Oil Well [ ] Gas Well [ ] Other [ ] Single Zone [ ] Multiple Zone

7. Unit or CA Agreement Name and No.:

2. Name of Operator: Nearburg Producing Company 15742 35350

8. Lease Name and Well No.: Red Lake 33 Federal #1

3a. Address: 3300 N A St., Bldg 2, Ste 120, Midland, TX 79705

3b. Phone No. (include area code): 432/686-8235

9. API Well No.: 30-015-34517

4. Location of Well (*Report location clearly and in accordance with any State equirements*)*

At surface: 990 FNL and 990 FWL

51120 RECEIVED JAN 04 2006 OCD-ARTESIA

10. Field and Pool, or Exploratory: Red Lake; Glorieta-Yeso

At proposed prod. zone:

11. Sec., T., R., M., or Blk. and Survey or Area: Sec 33-17S-27E

14. Distance in miles and direction from nearest town or post office*: 6 miles SE of Artesia

12. County or Parish: Eddy

13. State: NM

15. Distance from proposed* location to nearest property or lease line, ft. (Also to nearest drg. unit line, if any)	16. No. of Acres in lease	17. Spacing Unit dedicated to this well
990	280	20 acres NWNW

18. Distance from proposed location* to nearest well, drilling, completed, applied for, on this lease, ft.	19. Proposed Depth	20. BLM/BIA Bond No. on file
1980	3700	NM6000153 ~~NM1307~~ EA#

21. Elevations (Show whether DF, KDB, RT, GL, etc.	22. Approximate date work will start*	23. Estimated duration
3507	10/1/05	30 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.
2. A Drilling Plan
3. A Surface Use Plan (if the location is on National Forest System Lands, the SUPO shall be filed with the appropriate Forest Service Office).
4. Bond to cover the operations unless covered by an existing bond on file (see Item 20 above).
5. Operator certification.
6. Such other site specific information and/or plans as may be required by the authorized officer.

25. Signature	Name (*Printed/Typed*)	Date
Sarah Jordan	Sarah Jordan	8/30/05

Title: Production Analyst

Approved by (Signature)	Name (*Printed/Typed*)	Date
/s/ Joe G. Lara	/s/ Joe G. Lara	DEC 28 2005

Title	Office
ACTING FIELD MANAGER	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 knowlingly 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)

Roswell Controlled Water Basin

APPROVAL SUBJECT TO GENERAL REQUIREMENTS AND SPECIAL STIPULATIONS ATTACHED

WITNESS 8 5/8" CEMENT JOB

STATEMENT ACCEPTING RESPONSIBILITY FOR OPERATIONS

Nearburg Producing Company
3300 North "A" Street, Building 2, Suite 120
Midland, Texas 77905

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

Lease No:	NMLC026874F
Legal Description of Land:	990 FNL and 990 FWL, Sec 33, 17S, 27E Eddy County, New Mexico
Formation(s) (if applicable):	Red Lake; Yeso
Bond Coverage:	$25,000 statewide bond of Nearburg Producing Company
BLM Bond File No:	NMB000153

8.30.05
Date

H. R. Willis
Drilling Manager

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 JUNE 10, 2003
Submit to Appropriate District Office
State Lease – 4 Copies
Fee Lease – 3 Copies

WELL LOCATION AND ACREAGE DEDICATION PLAT

☐ AMENDED REPORT

API Number	Pool Code	Pool Name
	51120	Red Lake; Glorieta-Yeso

Property Code	Property Name	Well Number
	RED LAKE [redacted] 33 Federal	1

OGRID No.	Operator Name	Elevation
015742	NEARBURG PRODUCING COMPANY	3507'

Surface Location

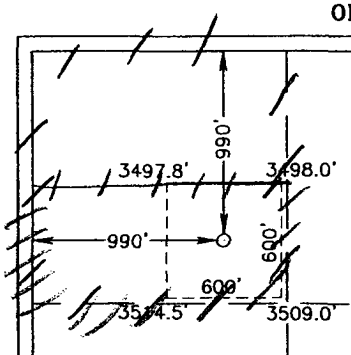
UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
D	33	17-S	27-E		990	NORTH	990	WEST	EDDY

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

Dedicated Acres	Joint or Infill	Consolidation Code	Order No.
320			

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



GEODETIC COORDINATES
NAD 27 NME

Y=652983.4 N
X=513960.6 E

LAT.=32°47'42.48" N
LONG.=104°17'16.45" W

OPERATOR CERTIFICATION

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

Signature: S Jordan

Printed Name: S Jordan

Title: Prod Analyst

Date: 8.29.05

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.

AUGUST 3, 2005

Date Surveyed: LA

Signature & Seal of Professional Surveyor: Gary L. Eidson

GARY L. EIDSON
NEW MEXICO
12641
REGISTERED PROFESSIONAL SURVEYOR

8/10/05

05.11.1221

Certificate No. GARY EIDSON 12641

ATTACHMENT TO FORM 3160-3
RED LAKE 33 FEDERAL #1
990 FNL AND 9900 FWL, SEC 33, 17S, 27E
EDDY COUNTY, NEW MEXICO

DRILLING PROGRAM

1. GEOLOGIC NAME OF SURFACE FORMATION

   Quaternary

2. ESTIMATED TOPS OF IMPORTANT GEOLOGIC MARKERS

   Glorretta 2800
   Yeso 2900

3. ESTIMATED DEPTHS OF ANTICIPATED FRESH WATER, OIL, OR GAS

   Yeso 2900 Oil

4. CASING AND CEMENTING PROGRAM

Casing Size	From To	Weight	Grade	Joint
8-5/8"	0' – 1,200'	32#	K55	STC
5-1/2"	0' – 3,700'	17#	J55	LTC

Equivalent or adequate grades and weights of casing may be substituted at time casing is run, depending on availability.

We plan to drill a 12-1/4" hole to equal 1,200'. 8-5/8" casing will be cemented with 600 sxs Class "C" or volume necessary to bring cement back to surface.

7-7/8" hole will be drilled to 3,700' and 5-1/2" production casing will be cemented with approximately 500 sxs of Class "C" cement circulated to surface.

5. MINIMUM SPECIFICATIONS FOR PRESSURE CONTROL

The BOP stack will consist of a 3,000 psi working pressure, dual ram type preventer and annular.
A BOP sketch is attached.

6. TYPES AND CHARACTERTICS OF THE PROPOSED MUD SYSTEM

Spud and drill to 1,200' with fresh water mud for surface string. The production section from 1,200' to 3,700' will be 10.0 ppg Brine Water system with mud weight sufficient to control formation pressures.

7. AUXILLARY WELL CONTROL AND MONITORING EQUIPMENT

None required.

8. LOGGING, TESTING, AND CORING PROGRAM

DLL/CNL/LDT/CAL/GR logging is planned. Drill stem tests, cores and sidewall cores are possible.

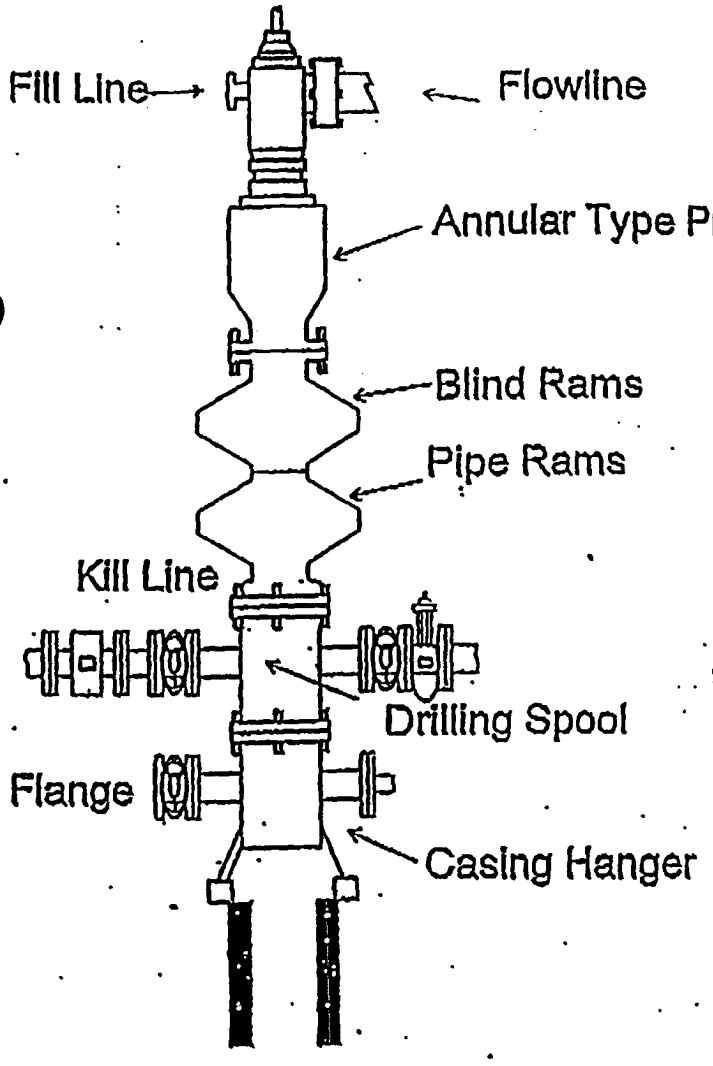
9. ABNORMAL CONDITIONS, PRESSURES, TEMPERATURES & POTENTIAL HAZARDS

None anticipated.

BHP expected to be 1,100 psi.

10. ANTICAPATED STARTING DATE:

Is planned that operations will commence on October 1, 2005 with drilling and completion operation lasting about 30 days.

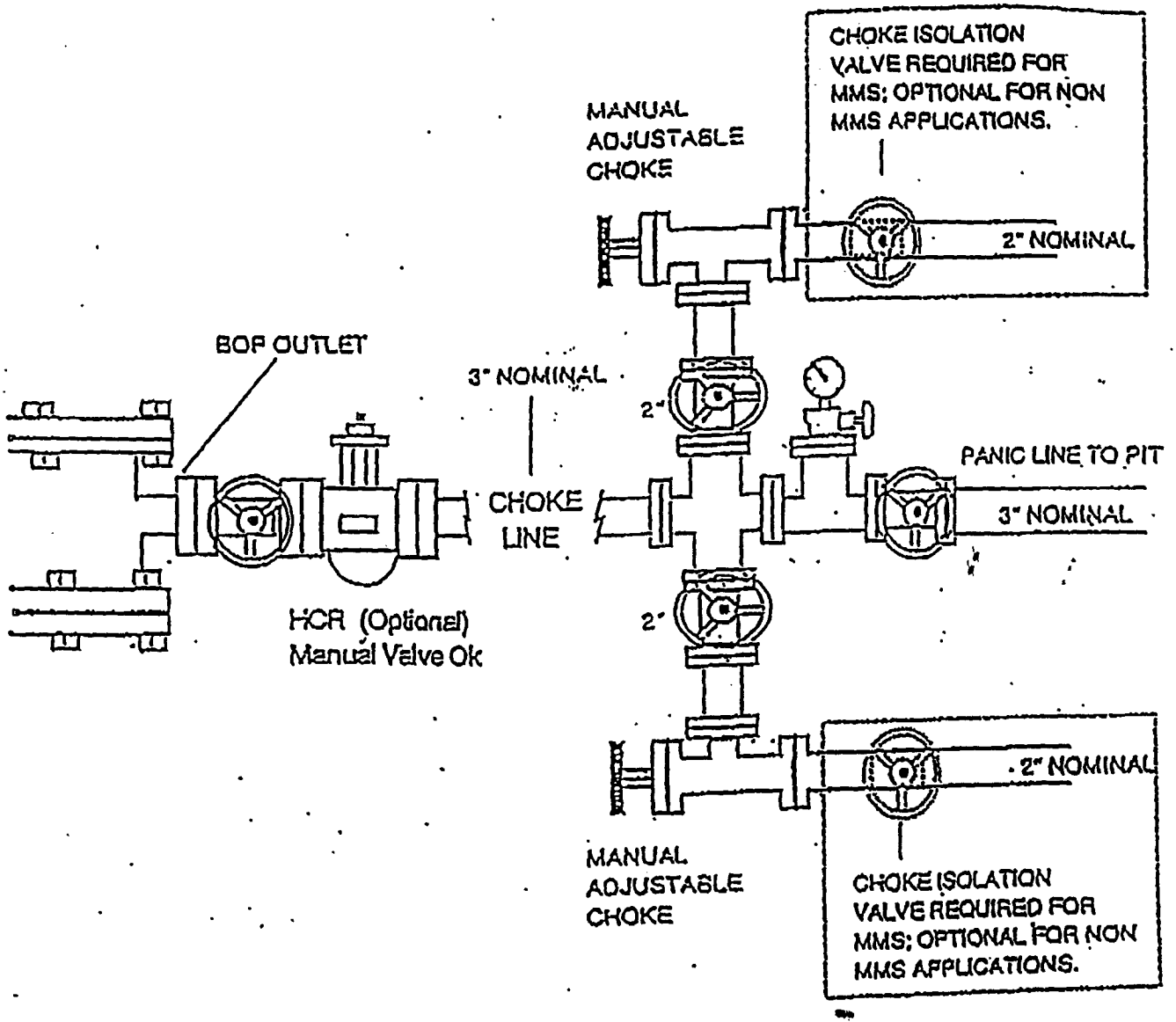


Rotating Head (Optional) Drilling Nipple option must include a fill-up line. Do not use kill line for fill up.

1500 Series

ARBURG PRODUCING CO[illegible]

CHOKE MANIFOLD
5M SERVICE



SURFACE USE AND OPERATIONS PLAN FOR

DRILLING, COMPLETION, AND PRODUCING

NEARBURG PRODUCING COMPANY
RED LAKE 33 FEDERAL #1
990 FNL AND 990 FWL, SEC 33, 17S, 27E
EDDY COUNTY, NEW MEXICO

LOCATED

6 miles SE of Artesia

OIL & GAS LEASE

NMLC026874F

RECORD LESSEE

Exxon

BOND COVERAGE

$25,000 statewide bond of Nearburg Producing Company

ACRES IN LEASE

280 acres

GRAZING LEASE

Bogle Ltd Co,
PO Box 460
Dexter, NM 88230

POOL

Red Lake; Yeso

EXHIBITS

A. Area Road Map
B. Drilling Rig Layout
C. Vicinity Oil & Gas Map
D. Topographic & Location Verification Map
E. Well Location & Acreage Dedication Map

This well will be drilled to a depth of approximately 3,700'.

1. EXISTING ROADS

   A. Exhibit A is a portion of a section map showing the location of the proposed well as staked.

   B. Exhibit C is a plat showing existing roads in the vicinity of the proposed well site.

2. ACCESS ROADS

   A. Length and Width

      The access road will be built and is shown on Exhibit D.

   B. Surface Material

      Existing.

   C. Maximum Grade

      Less than five percent

   D. Turnouts

      None necessary.

   E. Drainage Design

      Existing.

   F. Culverts

      None necessary.

   G. Gates and Cattle Guards

      None needed.

3. LOCATION OF EXISTING WELLS

   Existing wells in the immediate area are shown in Exhibit C.

4. LOCATION OF EXISTING AND/OR PROPOSED FACILITIES

   Necessary production facilities for this well will be located on the well pad.

5. LOCATION AND TYPE OF WATER SUPPLY

It is not contemplated that a water well will be drilled. Water necessary for drilling will be purchased and hauled to the site over existing roads shown on Exhibit D.

6. METHODS OF HANDLING WASTE DISPOSAL

A. Drilling fluids will be allowed to evaporate in the drilling pits until the pits are dry.

B. Water produced during tests will be disposed of in the drilling pits.

C. Oil produced during tests will be stored in test tanks.

D. Trash will be contained in a trash trailer and removed from well site.

E. All trash and debris will be removed from the well site within 30 days after finishing drilling and/or completion operations.

7. ANCILLARY FACILITIES

None required.

8. WELL SITE LAYOUT

Exhibit B shows the relative location and dimensions of the well pad, mud pits, reserve pit, and trash pit, and the location of major rig components.

9. 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 all trash and junk to leave the site in an as aesthetically pleasing condition as possible.

B. After abandonment, all equipment, trash, and junk will be removed and the site will be clean.

10. OTHER INFORMATION

A. Topography

The land surface at the well site is rolling native grass with a regional slope being to the east.

B. Soil

Topsoil at the well site is sandy soil.

C. Flora and Fauna

The location is in an area sparsely covered with mesquite and range grasses.

D. Ponds and Streams

There are no rivers, lakes, ponds, or streams in the area.

E. Residences and Other Structures

There are no residences within a mile of the proposed well site.

F. Archaeological, Historical, and Cultural Sites

None observed on this area.

G. Land Use

Grazing

H. Surface Ownership

BLM (USA)

11. OPERATOR'S REPRESENTATIVE

H. R. Willis
3300 North "A" Street, Bldg 2, Suite 120
Midland, Texas 79705
Office: (432) 686-8235
Home: (432) 697-2484

12. CERTIFICATION

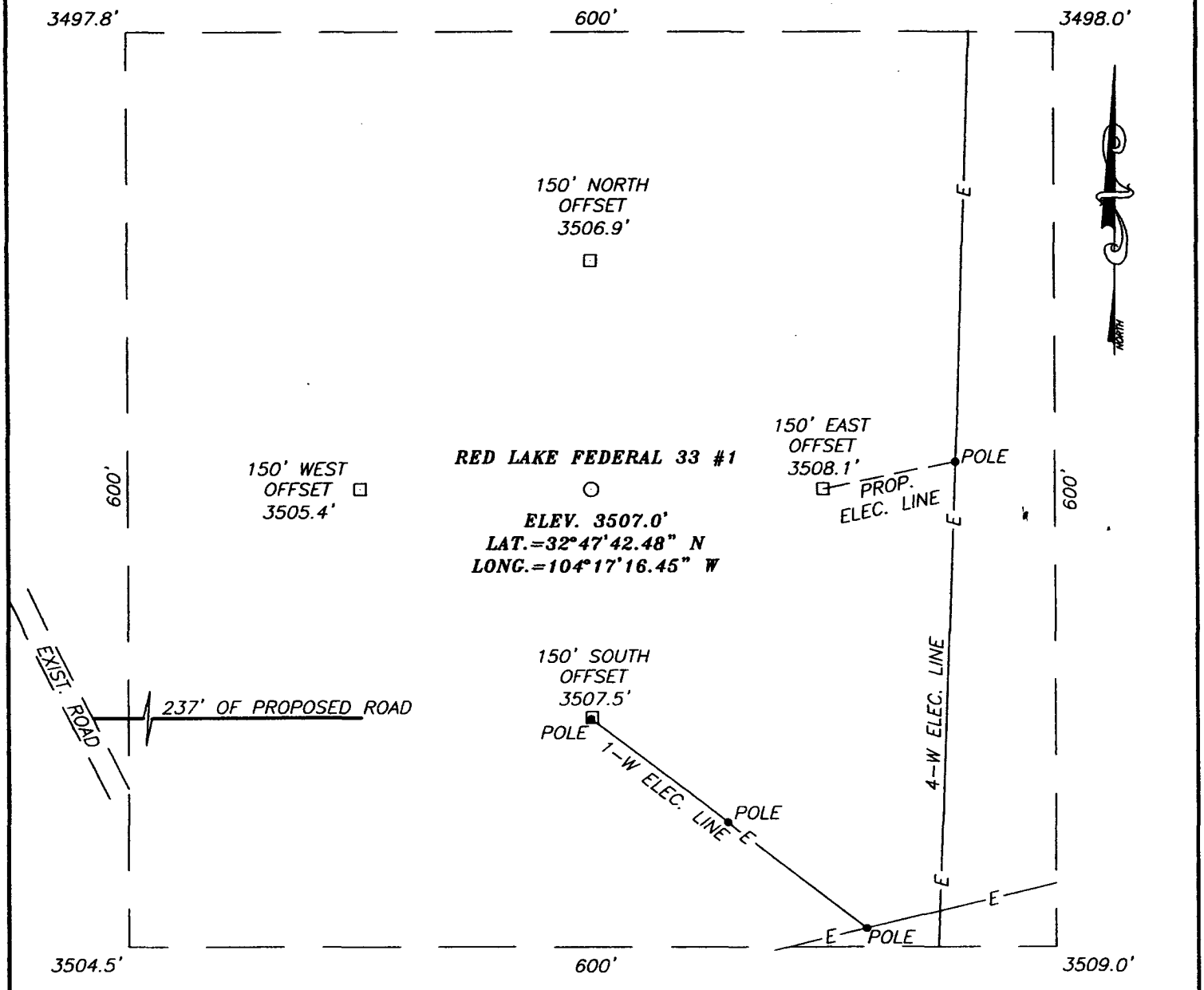
I hereby certify that I, or persons under my direct supervision, have inspected the proposed drill site and access route; that I am familiar with the conditions which presently exist; that the statements made in this plan are, to the best of my knowledge, true and correct; and, that the work associated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

8-30-05
Date

H Willis /SG
H. R. Willis
Drilling Manager

SECTION 33, TOWNSHIP 17 SOUTH, RANGE 27 EAST, N.M.P.M.,

EDDY COUNTY, NEW MEXICO



DIRECTIONS TO LOCATION

FROM THE INTERSECTION OF U.S. HWY. #82 (LOVINGTON HWY.) AND CO. RD. #201 (CHALK BLUFF) GO SOUTH ON CO. RD. #201 APPROX. 1.6 MILES TO A ROAD ON THE LEFT. TURN LEFT AND GO SOUTHEAST APPROX. 0.8 MILES TO A "Y" INTERSECTION. TURN RIGHT AND GO APPROX. 0.2 MILES. TURN RIGHT AND GO SOUTHWEST APPROX. 0.4 MILES. ROAD BENDS LEFT AND CONTINUES 0.3 MILES TO A "Y" INTERSECTION. STAY LEFT AND GO APPROX. 0.2 MILES TO A PROPOSED ROAD SURVEY ON THE LEFT. THIS LOCATION IS APPROX. 400' NORTHEAST.

100 0 100 200 Feet

Scale: 1"=100'

PROVIDING SURVEYING SERVICES SINCE 1946

JOHN WEST SURVEYING COMPANY

412 N. DAL PASO

HOBBS, N.M. 88240

(505) 393-3117

NEARBURG PRODUCING COMPANY

RED LAKE FEDERAL 33 #1 WELL
LOCATED 990 FEET FROM THE NORTH LINE
AND 990 FEET FROM THE WEST LINE OF SECTION 33,
TOWNSHIP 17 SOUTH, RANGE 27 EAST, N.M.P.M.,
EDDY COUNTY, NEW MEXICO.

Survey Date: 8/3/05	Sheet 1 of 1 Sheets		
W.O. Number: 05.11.1221	Dr By: LA	Rev 1:N/A	
Date: 8/05/05	Disk: CD#4	05111221	Scale: 1"=100'

HYDROGEN SULFIDE DRILLING OPERATIONS PLANS
NEARBURG PRODUCING COMPANY
RED LAKE 33 FEDERAL #1

1. HYDROGEN SULFIDE TRAINING

   A. All regularly assigned personnel, contracted or employed by Nearburg Producing Company, 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 (H2S).

      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 H2S on metal components. If high tensile tubulars are to be used, personnel will be trained in their special maintenance requirements.

      2. Corrective action and shut-in procedures when drilling or reworking a well and blowout prevention and well control procedures.

      3. The contents and requirements of the H2S Drilling Operations Plan.

   C. There will be an initial training session just prior to encountering a known or probable H2S zone (within 3 days or 500 feet) and weekly H2S and well control drills for all personnel in each crew. The initial training session shall include a review of the site specific H2S Drilling Operations Plan. This plan shall be available at the well site. All personnel will be required to carry documentation that they have received the proper training.

2. H2S SAFETY EQUIPMENT AND SYSTEMS

Note: All H2S safety equipment and systems will be installed, tested and operational when drilling reaches a depth of 500 feet above, or three days prior to penetrating the first zone containing or reasonably expected to contain H2S.

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 sizes with properly sized closing unit.

4. Auxiliary equipment to include: annular preventer, mud-gas separator, rotating head and flare gun with flares as needed.

B. Protective Equipment for Essential Personnel:

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

C. H2S Detection and Monitoring Equipment:

1. Two portable H2S monitors positioned and location for best coverage and response. These units have warning lights and audible sirens when H2S levels of 20 ppm are reached.

2. One portable SO2 monitor positioned near flare line.

D. Visual Warning systems:

1. Wind direction indicators as 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 from 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 practices and the use of H2S scavengers will minimize hazards when penetrating H2S 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

1. Cellular telephone communications in company vehicles and mud logging trailer.

2. Land line (telephone) communications at area office.

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 in an H2S environment will be conducted during the daylight hours.

CONDITIONS OF APPROVAL - DRILLING

Well Name & No. 1 – RED LAKE 33 FEDERAL
Operator's Name: NEARBURG PRODUCING COMPANY
Location: 990' FNL & 990' FWL – SEC 33 – T17S – R27E – EDDY COUNTY
Lease: LC-026874-F

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) 234-5909 or (505) 361-2822 (After hours) - 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: **8-5/8** inch **5-1/2** inch

C. BOP tests

2. A Hydrogen Sulfide (H2S) Drilling Plan should be activated prior to drilling into the **Grayburg** Formation at approximately **1200** feet. 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.

II. CASING:

1. The **8-5/8** inch surface casing shall be set at **1200 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 extend upward a minimum of 500 feet above the uppermost hydrocarbon bearing interval.**

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 **8-5/8** 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.

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.
- 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.