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UNITED STATES DEPARTMENT OF THE INTERIOR N. M. Oil Co., Division BUREAU OF LAND MANAGEMENT

SUBMIT IN TRIPPLICATE (Other instructions on reverse side)

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

811 S. 1ST ST. ARTESIA, NM 88210-2834

LEASE DESIGNATION AND SERIAL NO. NM-12828 IF INDIAN, ALLOTTEE OR TRIBE NAME

APPLICATION FOR PERMIT TO DRILL OR DEEPEN

1a. TYPE OF WORK DRILL [] DEEPEN [] X RE-ENTRY 7/21/97 JP

b. TYPE OF WELL OIL WELL [] GAS WELL [X] OTHER [] SINGLE ZONE [] MULTIPLE ZONE []

2. NAME OF OPERATOR Nearburg Producing Company 15742

3. ADDRESS AND TELEPHONE NO. 3300 North "A" Street, Bldg 2, Ste 120, Midland, TX 79705

4. LOCATION OF WELL (Report location clearly and in accordance with any State requirements.)* At surface 1,977' FNL & 998' FWL At proposed prod. zone 850' FNL & 1,650' FWL W.D.

14. DISTANCE IN MILES AND DIRECTION FROM NEAREST TOWN OR POST OFFICE* 13 1/2 miles west of Carlsbad, New Mexico

16. NO. OF ACRES IN LEASE 1,200

18. DISTANCE FROM PROPOSED LOCATION* FROM SURFACE TO NEAREST WELL, DRILLING, COMPLETED, 3,300' OR APPLIED FOR, ON THIS LEASE, FT. FROM BH 3,050'

21. ELEVATIONS (Show whether DF, RT, GR, etc.) 3,927' GR

7. UNIT AGREEMENT NAME

8. FARMOR LEASE NAME WELL NO. 21598 U.S. 13 Federal #1

9. API WELL NO. 30-015-24193

10. FIELD, AND POOL, OR WILDCAT DESIGNATED CIRCLE/CANYON W) C. MEX. FIELDS W.D.S. / Canyon

11. SEC., T., R., M., OR BLK. AND SURVEY OR AREA 96725 Section 13, T22S, R24E

12. COUNTY OR PARISH 13. STATE Eddy NM

19. PROPOSED DEPTH TVD - 8,100'

17. NO. OF ACRES ASSIGNED TO THIS WELL 320

20. ROTARY OR CABLE TOOLS Rotary

22. APPROX. DATE WORK WILL START* September 15, 1997

PROPOSED CASING AND CEMENT CARLSBAD CONTROLLED WATER BASIN

Table with 5 columns: SIZE OF HOLE, GRADE SIZE OF CASING, WEIGHT PER FOOT, SETTING DEPTH, QUANTITY OF CEMENT. Rows include 14-3/4", 7-7/8", and 5-1/2" casing specifications.

Propose to re-enter and directionally drill to a new BHL to sufficient depth to evaluate Cisco/Canyon formation. After reaching TD, logs will be run and casing set if the evaluation is positive. Perforate, test and stimulate as necessary. The SHL is 1,977' FNL & 998' FWL and new BHL is 850' FNL & 1,650' FWL, Section 13, T22S, R24E.

NOTE: Original well name is Shelby Federal Com #1.

APPROVAL SUBJECT TO GENERAL REQUIREMENTS AND SPECIAL STIPULATIONS ATTACHED ROSWELL. Part FD-1 9-26-97 Be...

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 Drlg. Supt. DATE 07/14/97

(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 [Signature] TITLE MINERALS DATE 8-20-97

*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 United States any false, fictitious or fraudulent statements or representations as to any matter within its jurisdiction.