

UNITED STATES  
DEPARTMENT OF THE INTERIOR  
BUREAU OF LAND MANAGEMENT  
New Mexico Oil Conservation Division, District 1  
1625 N. French Drive  
Hobbs, NM 88240

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. NMNM101114	
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 Nearburg Producing Company 15742		7. Unit or CA Agreement Name and No.	
3a. Address 3300 N A St., Bldg 2, Ste 120, Midland, TX 79705		8. Lease Name and Well No. Kudu 9 Federal #7 34266	
3b. Phone No. (include area code) 432/686-8235		9. API Well No. 30-025-37287	
4. Location of Well (Report location clearly and in accordance with any State requirements)* At surface 1980 FSL and 990 FWL At proposed prod. zone 112"		10. Field and Pool, or Exploratory -Tonto; Seven Rivers 8153	
11. Sec., T., R., M., or Blk. and Survey or Area Sec 9-19S-33E		12. County or Parish Lea	
13. State NM		14. Distance in miles and direction from nearest town or post office* 8 miles NE of Hobbs	
15. Distance from proposed* location to nearest property or lease line, ft. (Also to nearest drg. unit line, if any) 990		16. No. of Acres in lease 80	
17. Spacing Unit dedicated to this well 40		18. Distance from proposed location* to nearest well, drilling, completed, applied for, on this lease, ft. 1000	
19. Proposed Depth 4500		20. BLM/BIA Bond No. on file BLM 1307	
21. Elevations (Show whether DF, KDB, RT, GL, etc.) 3678		22. Approximate date work will start* 6/1/05	
23. Estimated duration 30 days		24. Attachments Caption Controlled Water Basin	

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 <i>S. Jordan</i>	Name (Printed/Typed) Sarah Jordan	Date 4/15/05
-----------------------------------	--------------------------------------	-----------------

Title  
Production Analyst

Approved by (Signature) <i>/s/ Joe G. Lara</i>	Name (Printed/Typed) <i>/s/ Joe G. Lara</i>	Date JUN 07 2005
---	--	---------------------

Title <i>Field Manager</i> 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)

DECLARED WATER BASIN  
CEMENT BEHIND THE 85'  
CASING MUST BE CIRCULATED  
WITNESS

APPROVAL SUBJECT TO  
GENERAL REQUIREMENTS AND  
SPECIAL STIPULATIONS  
ATTACHED

*K*

## 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: NMNM101114

Legal Description of Land: 1980 FSL and 990 FWL, Sec 9, 19S, 33E  
Lea County, New Mexico

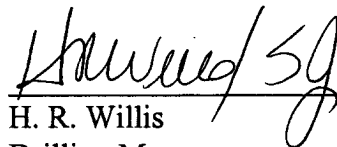
Formation(s) (if applicable): Tonto; Seven Rivers

Bond Coverage: \$25,000 statewide bond of Nearburg Producing Company

BLM Bond File No: NM1307

4.15.05

Date



H. R. Willis  
Drilling Manager

## State of New Mexico

Energy, Minerals and Natural Resources Department

## DISTRICT I

1625 N. FRENCH DR., HOBBBS, 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

## 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 30-025-37287	Pool Code 8153	Pool Name <i>Buffalo</i> <i>Tonto, Seven Rivers</i>
Property Code 37266	Property Name KUDU 9 FEDERAL	Well Number 7
OGRID No. 15742	Operator Name NEARBURG PRODUCING COMPANY	Elevation 3678'

## Surface Location

UL or lot No. L	Section 9	Township 19-S	Range 33-E	Lot Idn	Feet from the 1980	North/South line SOUTH	Feet from the 990	East/West line WEST	County LEA
--------------------	--------------	------------------	---------------	---------	-----------------------	---------------------------	----------------------	------------------------	---------------

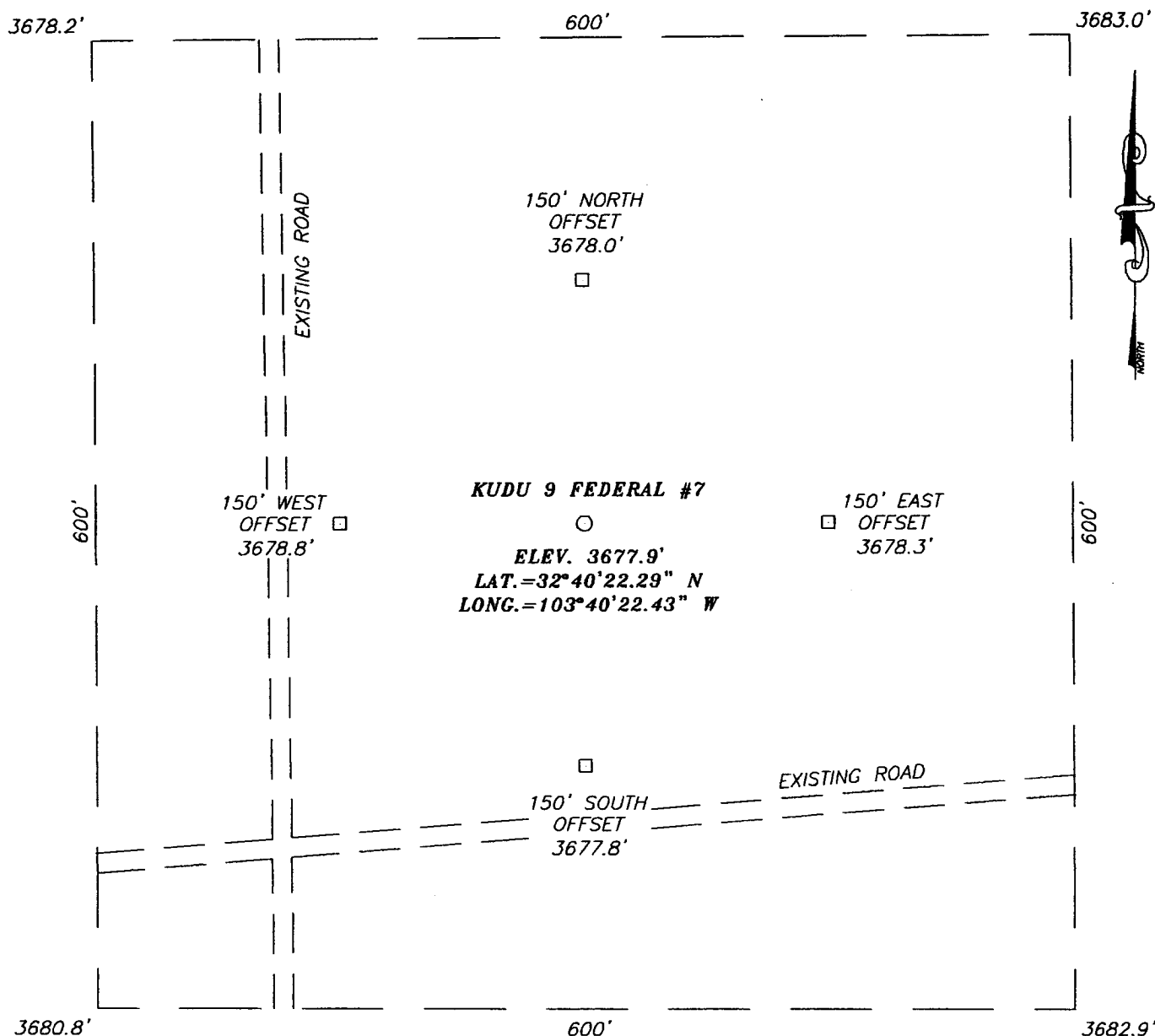
## Bottom Hole Location If Different From Surface

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.				

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

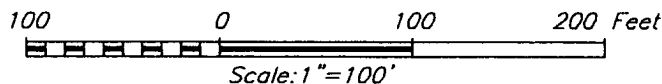
	<p><b>OPERATOR CERTIFICATION</b></p> <p>I hereby certify the the information contained herein is true and complete to the best of my knowledge and belief.</p> <p><i>Sarah Jordan</i> Signature Sarah Jordan Printed Name Prod. Analyst Title 4.15.05 Date</p>
	<p><b>SURVEYOR CERTIFICATION</b></p> <p>I hereby 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>MARCH 26, 2005</p>
	<p>Date Surveyed _____ DEL</p> <p>Signature &amp; Seal of Professional Surveyor <i>GARY EIDSON</i> NEW MEXICO 05.11.0502 Certification No. GARY EIDSON 12841</p>

**SECTION 9, TOWNSHIP 19 SOUTH, RANGE 33 EAST, N.M.P.M.,**  
 LEA COUNTY, NEW MEXICO



**DIRECTIONS TO LOCATION**

FROM THE INTERSECTION OF SMITH RANCH RD.  
 (CO. RD. #55) AND U.S. HWY. 62-180, GO  
 NORTHWEST APPROX. 2.0 MILES. VEERE RIGHT  
 AND GO NORTH APPROX. 0.7 MILES. TURN LEFT  
 AND GO WEST-SOUTHWEST APPROX. 0.6 MILES.  
 TURN RIGHT AND GO NORTHWEST APPROX. 2.9  
 MILES TO A ROAD INTERSECTION. TURN RIGHT AND  
 GO NORTH APPROX. 1.4 MILES TO THIS LOCATION.



**NEARBURG PRODUCING COMPANY**

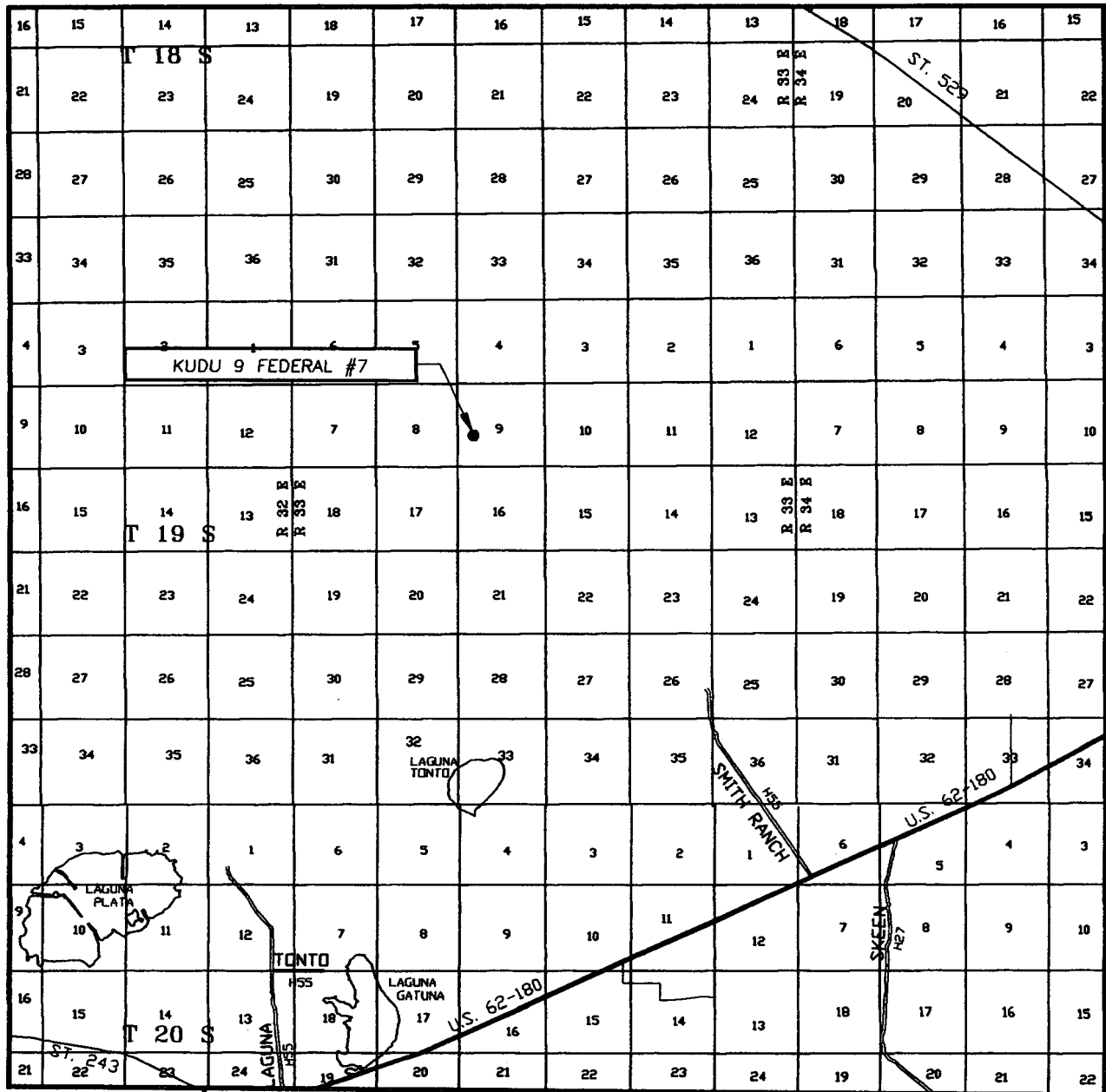
KUDU 9 FEDERAL #7 WELL  
 LOCATED 1980 FEET FROM THE SOUTH LINE  
 AND 990 FEET FROM THE WEST LINE OF SECTION 9,  
 TOWNSHIP 19 SOUTH, RANGE 33 EAST, N.M.P.M.,  
 LEA COUNTY, NEW MEXICO.



PROVIDING SURVEYING SERVICES  
 SINCE 1948  
**JOHN WEST SURVEYING COMPANY**  
 412 N. DAL PASO  
 HOBBS, N.M. 88240  
 (505) 383-3117

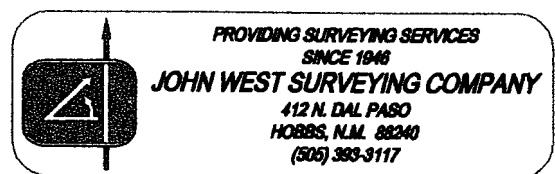
Survey Date: 03/26/05	Sheet 1 of 1 Sheets
W.O. Number: 05.11.0502	Dr By: DEL
Date: 03/31/05	Disk: CD#4
05110502	Scale: 1"=100'

# VICINITY MAP

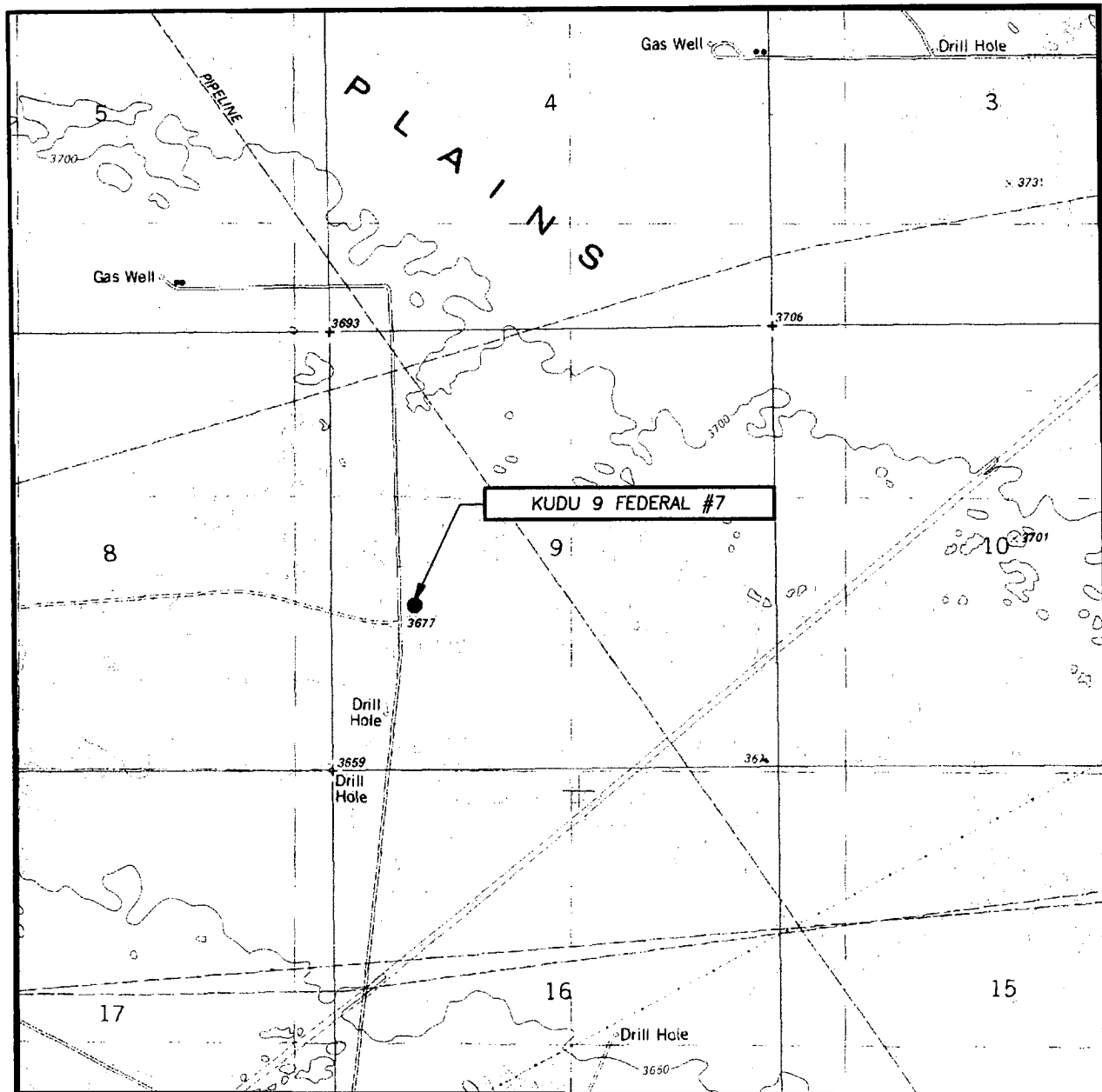


SCALE: 1" = 2 MILES

SEC. 9 TWP. 19-S RGE. 33-E  
 SURVEY N.M.P.M.  
 COUNTY LEA  
 DESCRIPTION 1980' FSL & 990' FWL  
 ELEVATION 3678'  
 OPERATOR NEARBURG PRODUCING COMPANY  
 LEASE KUDU 9 FEDERAL



# LOCATION VERIFICATION MAP



SCALE: 1" = 2000'

CONTOUR INTERVAL:  
LAGUNA GATUNA NW, N.M. - 10'

SEC. 9 TWP. 19-S RGE. 33-E

SURVEY N.M.P.M.

COUNTY LEA

DESCRIPTION 1980' FSL & 990' FWL

ELEVATION 3678'

OPERATOR NEARBURG  
PRODUCING COMPANY

LEASE KUDU 9 FEDERAL

U.S.G.S. TOPOGRAPHIC MAP  
LAGUNA GATUNA NW, N.M.



**ATTACHMENT TO FORM 3160-3  
KUDU 9 FEDERAL #7  
1980 FSL AND 990 FWL, SEC 9, 19S, 33E  
LEA COUNTY, NEW MEXICO**

**DRILLING PROGRAM**

1. GEOLOGIC NAME OF SURFACE FORMATION

Red Bed

2. ESTIMATED TOPS OF IMPORTANT GEOLOGIC MARKERS

Anhydrite	1400
B/ Salt	3150
Yates	3350
7-Rivers	3700

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

7-Rivers	3700
----------	------

4. CASING AND CEMENTING PROGRAM

<u>Casing Size</u>	<u>From</u> <u>To</u>	<u>Weight</u>	<u>Grade</u>	<u>Joint</u>
8-5/8"	0' – 1,550'	32#	K55	STC
4-1/2"	0' – 4,500'	11.6#	N80	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 1,550'. 8-5/8" casing will be cemented with 800 sxs Class "C" or volume necessary to bring cement back to surface.

7-7/8" hole will be drilled to 4,500' and 4-1/2" production casing will be cemented with approximately 800 sxs of Class "C" cement circulated to surface.

**5. MINIMUM SPECIFICATIONS FOR PRESSURE CONTROL**

The BOP stack will consist of a 2,000 psi working pressure, dual ram type preventer and annular.

A BOP sketch is attached.

**6. TYPES AND CHARACTERISTICS OF THE PROPOSED MUD SYSTEM**

Spud and drill to 1,550' with fresh water mud for surface string. The production section from 1,550' to 4,500' will be 10.0 ppg Brine Water system with mud weight sufficient to control formation pressures.

**7. AUXILIARY 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**

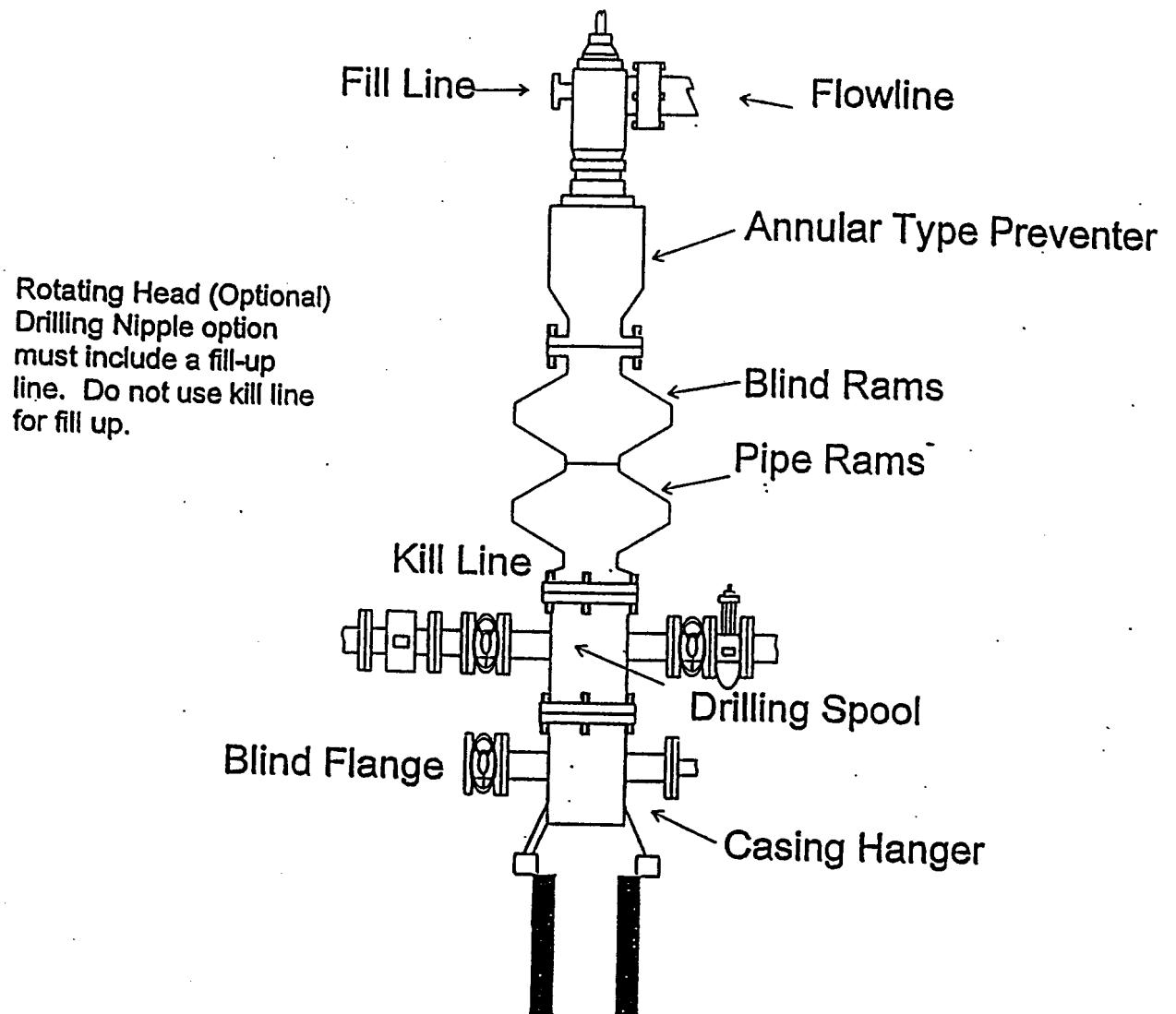
None anticipated.

BHP expected to be 1,100 psi.

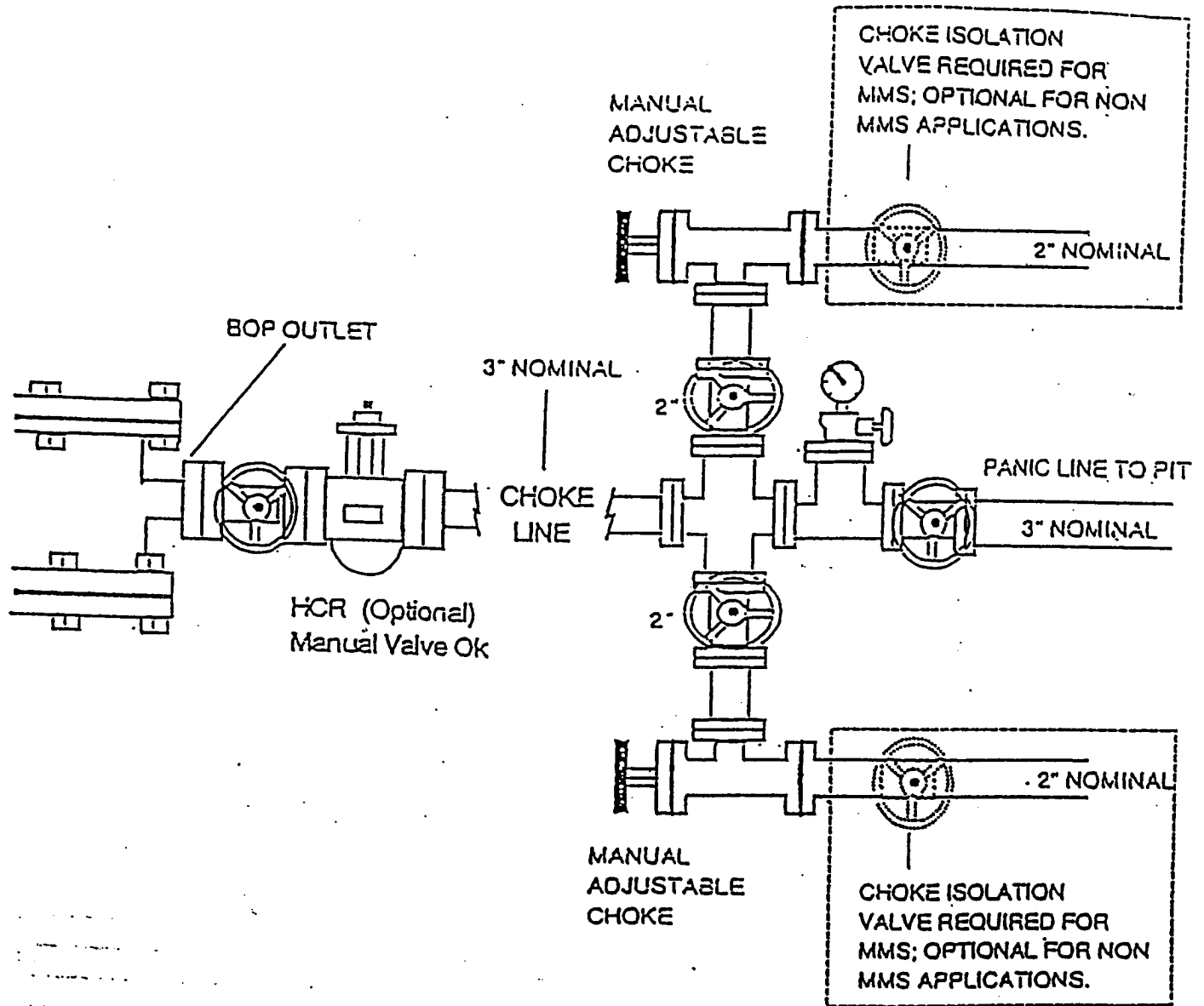
**10. ANTICIPATED STARTING DATE:**

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

NEARBURG PRODUCING COMPANY  
BOPE SCHEMATIC



NEARBURG PRODUCING COMPANY  
CHOKE MANIFOLD  
2M AND 3M SERVICE



**SURFACE USE AND OPERATIONS PLAN FOR**  
**DRILLING, COMPLETION, AND PRODUCING**

**NEARBURG PRODUCING COMPANY**  
**KUDU 9 FEDERAL #7**  
**1980 FSL AND 660 FWL, SEC 9, 19S, 33E**  
**LEA COUNTY, NEW MEXICO**

**LOCATED**

8 miles NE of Halfway

**OIL & GAS LEASE**

NMNM101114

**RECORD LESSEE**

Chase Oil Corporation

**BOND COVERAGE**

\$25,000 statewide bond of Nearburg Producing Company

**ACRES IN LEASE**

80

**GRAZING LEASE**

Kenneth Smith

**POOL**

Tonto; Seven Rivers

**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 4,500'.

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

Bureau of Land Management (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.

4.15.05  
Date

H. R. Willis  
H. R. Willis  
Drilling Manager

**HYDROGEN SULFIDE DRILLING OPERATIONS PLANS  
NEARBURG PRODUCING COMPANY  
KUDU 9 FEDERAL #7**

**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 (H<sub>2</sub>S).
  - 2. The proper use and maintenance of personal protective equipment and life support systems.
  - 3. The proper use of H<sub>2</sub>S 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<sub>2</sub>S 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 H<sub>2</sub>S Drilling Operations Plan.
- C. There will be an initial training session just prior to encountering a known or probable H<sub>2</sub>S zone (within 3 days or 500 feet) and weekly H<sub>2</sub>S and well control drills for all personnel in each crew. The initial training session shall include a review of the site specific H<sub>2</sub>S 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.

# **HYDROGEN SULFIDE DRILLING OPERATIONS PLANS**

## **PAGE 2**

### **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.

## **HYDROGEN SULFIDE DRILLING OPERATIONS PLANS**

### **PAGE 3**

#### **E. Mud Program**

1. The Mud Program has been designed to minimize the volume of H<sub>2</sub>S circulated to the surface. Proper mud weights, safe drilling practices and the use of H<sub>2</sub>S scavengers will minimize hazards when penetrating H<sub>2</sub>S bearing zones.
2. A mud-gas separator will be utilized as needed.

#### **F. Metallurgy**

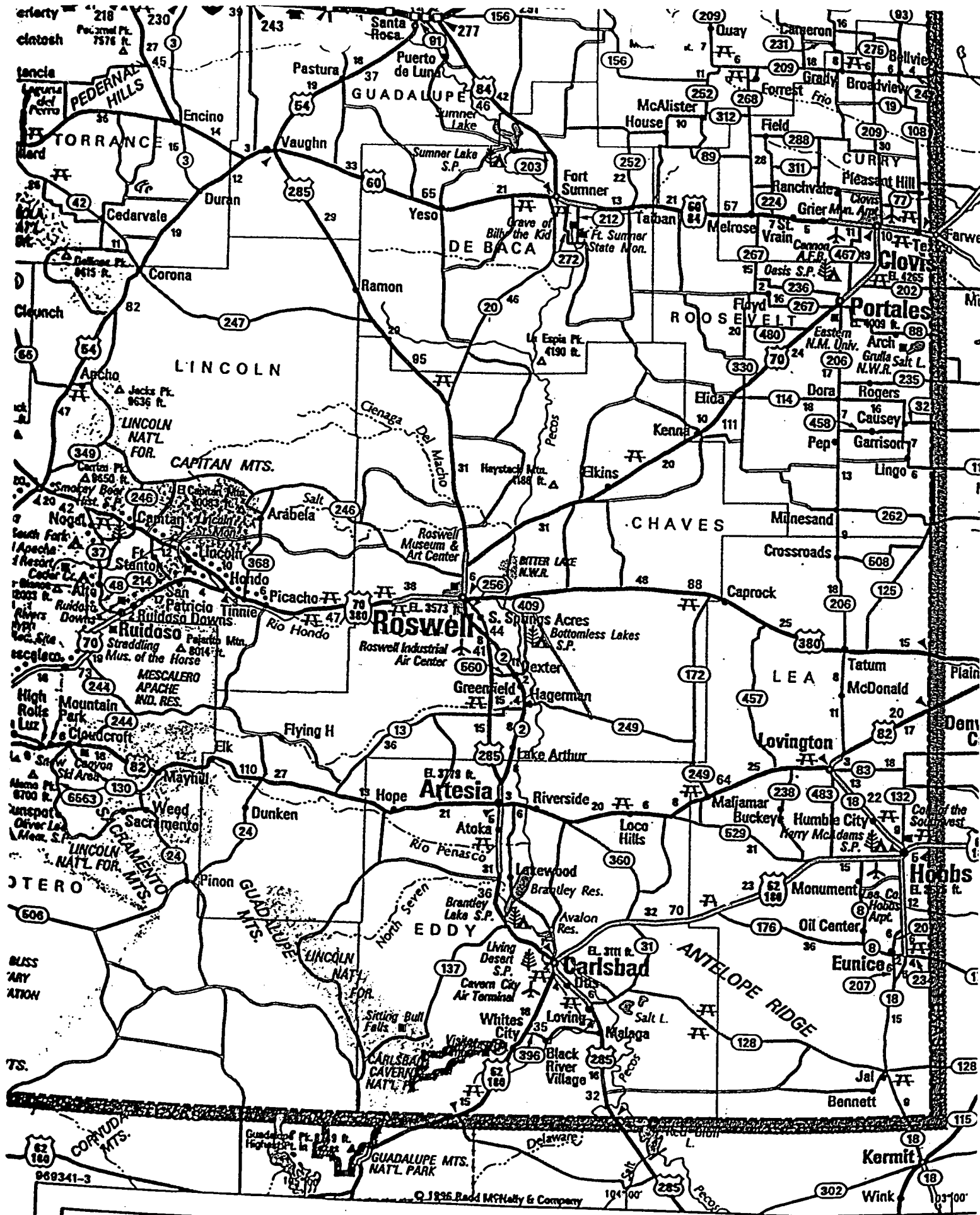
All drill strings, casing, tubing, wellhead, blowout preventers, drilling spool, kill lines, choke manifold and line and valves shall be suitable for H<sub>2</sub>S service.

#### **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 H<sub>2</sub>S environment will be conducted during the daylight hours.



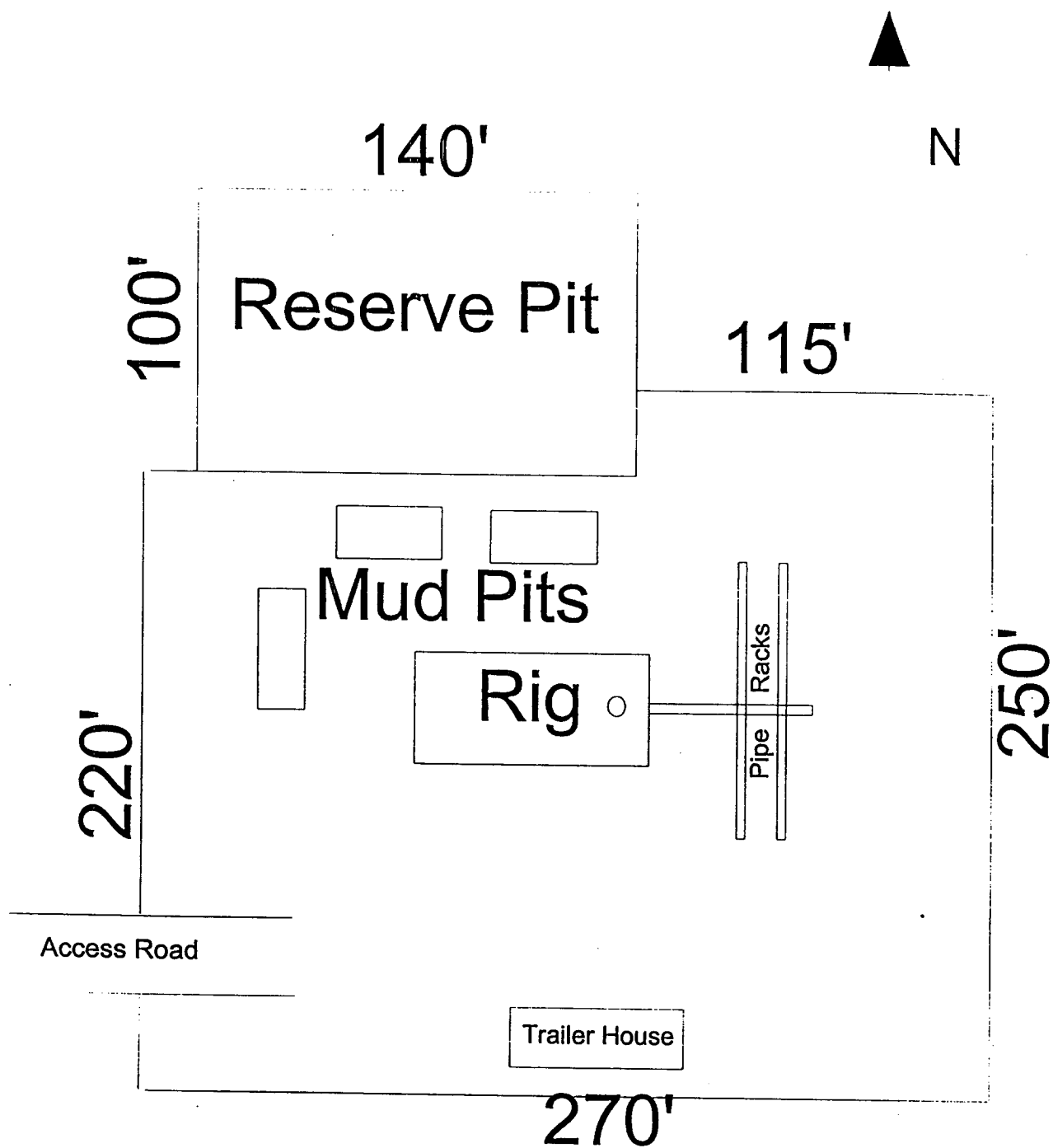


EXHIBIT B  
DRILLING RIG LAYOUT  
NEARBURG PRODUCING COMPANY

SCALE 1" = 50'