

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

SUBMIT IN TWO CATEGORIES
(Other instructions on reverse side)

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

APPLICATION FOR PERMIT TO DRILL OR DEEPEN

1a. TYPE OF WORK
 DRILL DEEPEN

b. TYPE OF WELL
 OIL WELL GAS WELL OTHER SINGLE ZONE MULTIPLE ZONE

2. NAME OF OPERATOR
 Nearburg Producing Company

3. ADDRESS AND TELEPHONE NO.
 P. O. Box 823085, Dallas, TX 75382-3085 (214) 739-1778

4. LOCATION OF WELL (Report location clearly and in accordance with any State requirements.)*
 At surface
 1650' - 1,980' PSL & 660' FEL
 At proposed prod. zone

14. DISTANCE IN MILES AND DIRECTION FROM NEAREST TOWN OR POST OFFICE*
 Unit I
 28 miles Northwest of Eunice, New Mexico

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

16. NO. OF ACRES IN LEASE
 200

17. NO. OF ACRES ASSIGNED TO THIS WELL
 320

18. DISTANCE FROM PROPOSED LOCATION TO NEAREST WELL, DRILLING, COMPLETED, OR APPLIED FOR, ON THIS LEASE, FT.
 14,500'

19. PROPOSED DEPTH
 14,500'

20. ROTARY OR CABLE TOOLS
 Rotary

21. ELEVATIONS (Show whether DF, RT, GR, etc.)
 3,621' GR

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

5. LEASE DESIGNATION AND SERIAL NO.
 NM-96858

6. IF INDIAN, ALLOTTEE OR TRIBE NAME

7. UNIT AGREEMENT NAME

8. FARM OR LEASE NAME, WELL NO.
 Opal "28" Federal Com. #1

9. API WELL NO.
 30-025-34004

10. FIELD AND POOL, OR WILDCAT
 Salt Lake Morrow, South

11. SEC., T., R., M., OR BLE. AND SURVEY OR AREA
 Sec. 28, T-20-S, R-33-E

12. COUNTY OR PARISH
 Lea

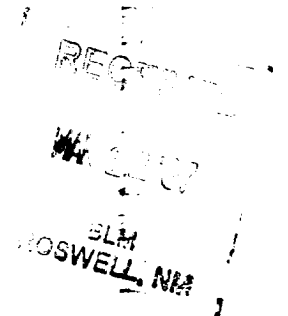
13. STATE
 New Mexico

23. PROPOSED CASING AND CEMENTING PROGRAM

SIZE OF HOLE	GRADE SIZE OF CASING	WEIGHT PER FOOT	SETTING DEPTH	QUANTITY OF CEMENT
17-1/2"	13-3/8", J-55	48#	1400 500'	500 sx.
12-1/4"	9-5/8", J-55	36#	4,500'	2,500 sx.
7-7/8"	5-1/2", N-80	17# & 20#	14,500'	500 sx.

Propose to drill well to sufficient depth to evaluate the Morrow formation. After reaching TD, logs will be run and casing set if the evaluation is positive. Perforate, test, and stimulate as necessary to establish production.

OPER. OGRID NO. 15742
 PROPERTY NO. 20926
 POOL CODE 84480
 EFF. DATE 6-5-97
 API NO. 30-025-34004



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 Senior Engineer DATE March 10, 1997

(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 Senior Engineer DATE 2-18-97

*See Instructions On Reverse Side

Nearburg Producing Company

Exploration and Production
3300 North "A" Street
Building 2, Suite 120
Midland, Texas 79705
915/686-8235
Fax 915/686-7806

February 4, 1997

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

Mr. Tim Woomer
Mississippi Potash, Inc.
P. O. Box 101
Carlsbad, New Mexico 88220

Re: Tomahawk "28" Federal #1
1980' FSL and 660" FEL of Section
28, T-20-S, R-33-E, NMPM,
Lea County, New Mexico
Tomahawk Prospect

Dear Mr. Woomer:

In accordance with the provisions of OCD Order R-111-P, please accept this letter as official notice that Nearburg Producing Company is proposing the drilling of a well at the captioned location. I have enclosed a plat showing said well location and depicting Mississippi Potash's leases that are within one mile of same are shaded.

If Mississippi Potash has no objection to the drilling of this well, please direct your correspondence to the undersigned at the letterhead address.

Thank you for your cooperation in this matter. If I can be of any assistance please feel free to call.

Very truly yours,


Van N. Rodgers
Production Landman

encl.

Is your RETURN ADDRESS completed on the reverse side?

SENDER:

- Complete items 1 and/or 2 for additional services.
- Complete items 3, 4a, and 4b.
- Print your name and address on the reverse of this form so that we can return this card to you.
- Attach this form to the front of the mailpiece, or on the back if space does not permit.
- Write "Return Receipt Requested" on the mailpiece below the article number.
- The Return Receipt will show to whom the article was delivered and the date delivered.

I also wish to receive the following services (for an extra fee):

- 1. Addressee's Address
- 2. Restricted Delivery

Consult postmaster for fee.

3. Article Addressed to:

Mr. Tim Woomer
 Mississippi Potash, Inc.
 P. O. Box 101
 Carlsbad, NM 88220

4a. Article Number

P 268 415 435

4b. Service Type

- Registered Certified
- Express Mail Insured
- Return Receipt for Merchandise COD

7. Date of Delivery

2-10-97

5. Received By: (Print Name)

CHARLES DOSEY

6. Signature: (Addressee or Agent)

Charles Dosey

8. Addressee's Address (Only if requested and fee is paid)

Thank you for using Return Receipt Service.

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

**NEARBURG PRODUCING COMPANY
OPAL 28 FEDERAL COM #1
1,980' FSL & 660' FEL, SECTION 28, T20S, R33E
LEA COUNTY, NEW MEXICO**

LOCATED:

28 miles Northwest of Eunice, New Mexico

OIL & GAS LEASE:

NM-96858

RECORD LESSEE:

Penwell Energy, Inc.

BOND COVERAGE:

\$25,000 statewide bond of Nearburg Producing Company.

ACRES IN LEASE:

200 acres

GRAZING LEASE:

Bill Smith
P.O. Box 727
Lovington, NM 88260
(505) 396-3879

POOL:

Salt Lake Morrow, South

EXHIBITS:

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

This well will be drilled to a depth of approximately 14,500'.

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 from the location to an existing caliche road located 400' northwest.

B. Surface Material:

Existing.

C. Maximum Grade:

Less than two percent.

D. Turnouts:

None necessary.

E. Drainage Design:

Existing.

F. Culverts:

None necessary.

G. Gates and Cattle Guards:

None necessary.

3. LOCATION OF EXISTING WELLS:

Existing wells in the immediate area are shown on 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:

Top soil at the well site is loam thin rock.

C. Flora and Fauna:

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

10. OTHER INFORMATION: (CONTINUED)

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 in this area.

G. Land Use:

Grazing.

H. Surface Ownership: - BLM

Grazing Lease:

Bill Smith
P.O. Box 727
Lovington, NM 88260

11. OPERATOR'S REPRESENTATIVE:

H. R. Willis
419 W. Cain
Hobbs, New Mexico 88240
Cellular: (505) 369-5852
Home: (505) 392-8735

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 approve.

3.11.97

Date

Opal P. Friday II for HRW
H. R. Willis
Drilling Superintendent

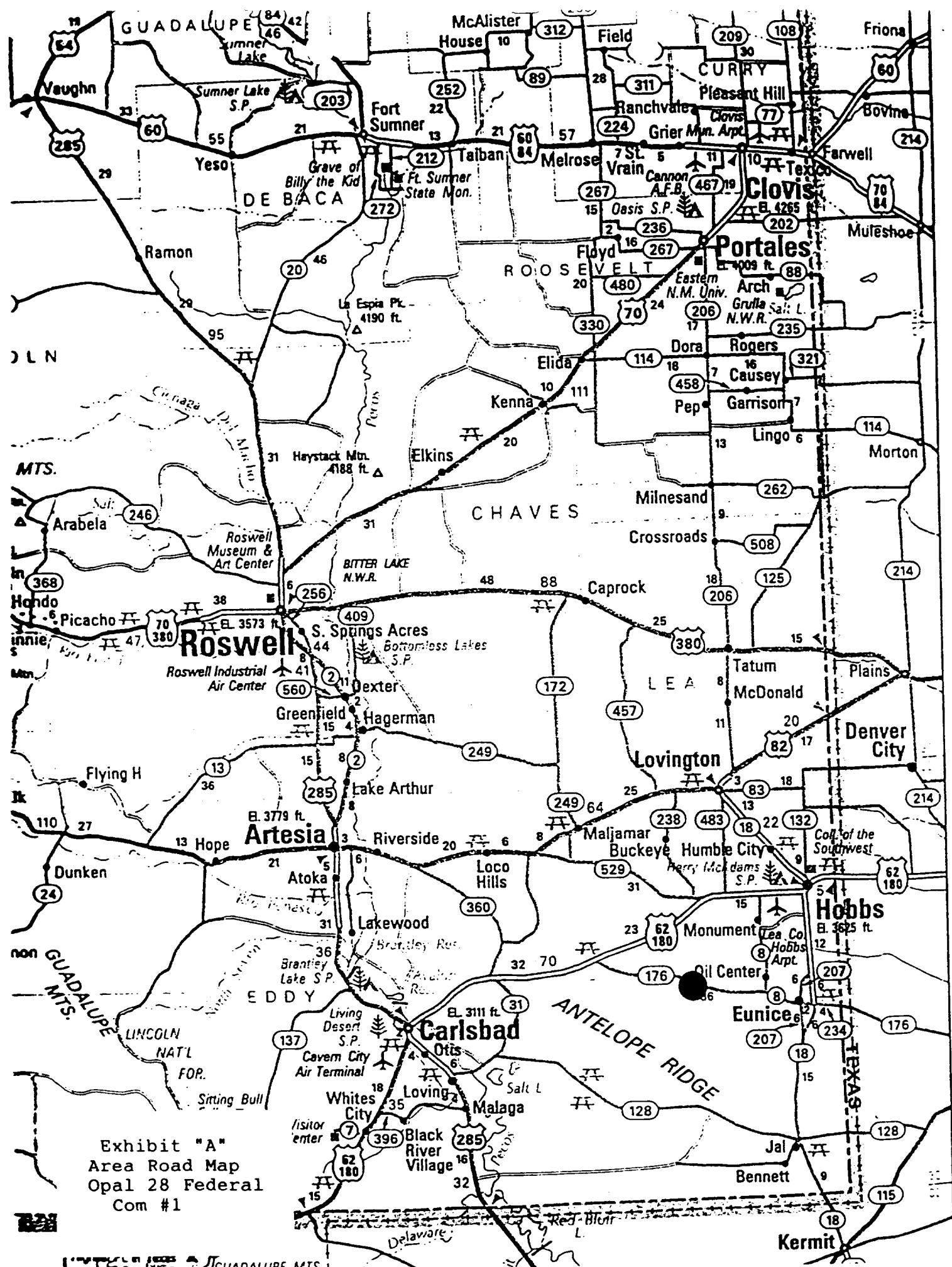
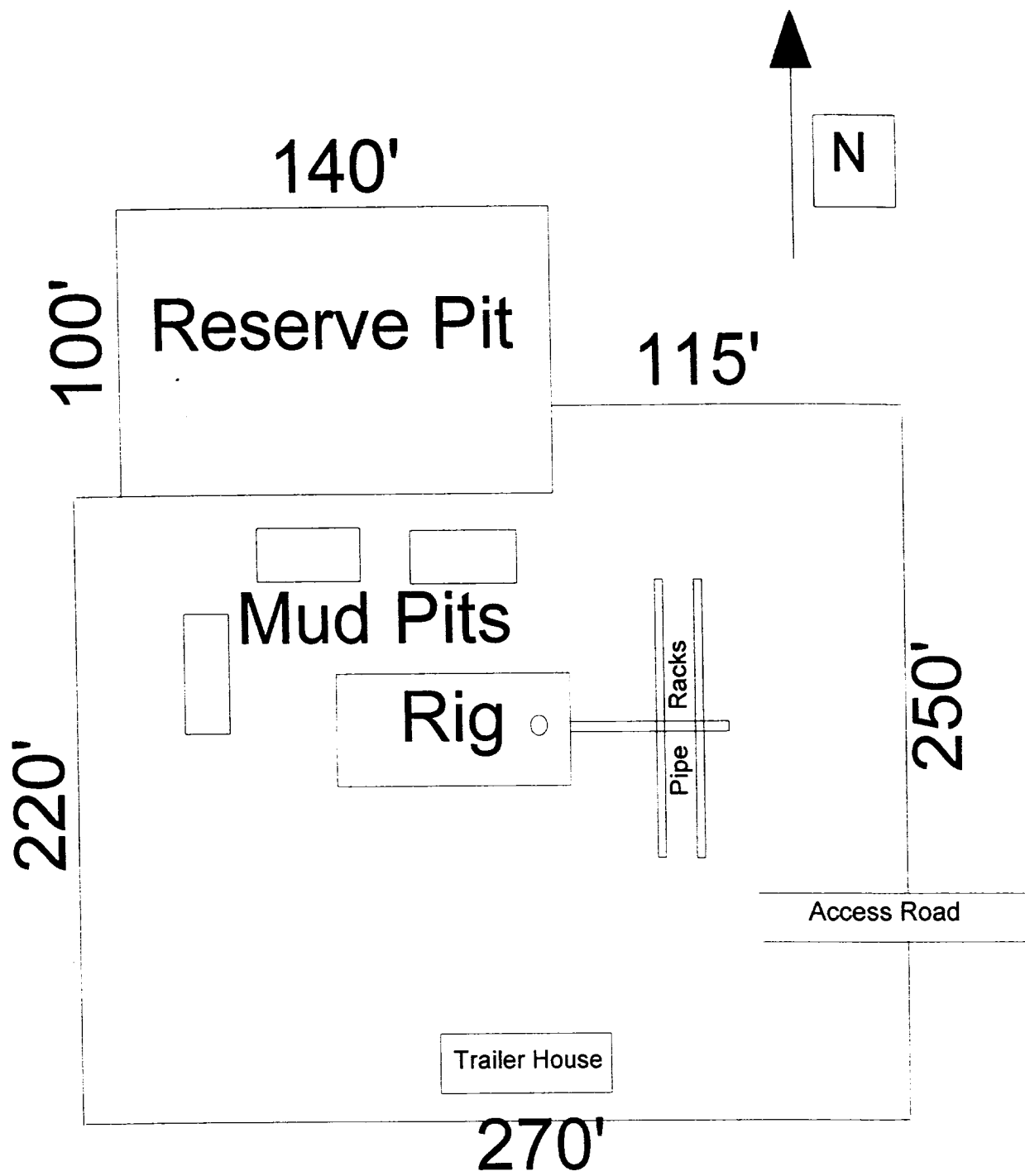


Exhibit "A"
 Area Road Map
 Opal 28 Federal
 Com #1



DRILLING RIG LAYOUT
NEARBURG PRODUCING COMPANY
OPAL 28 FEDERAL COM #1
SCALE 1" = 50'

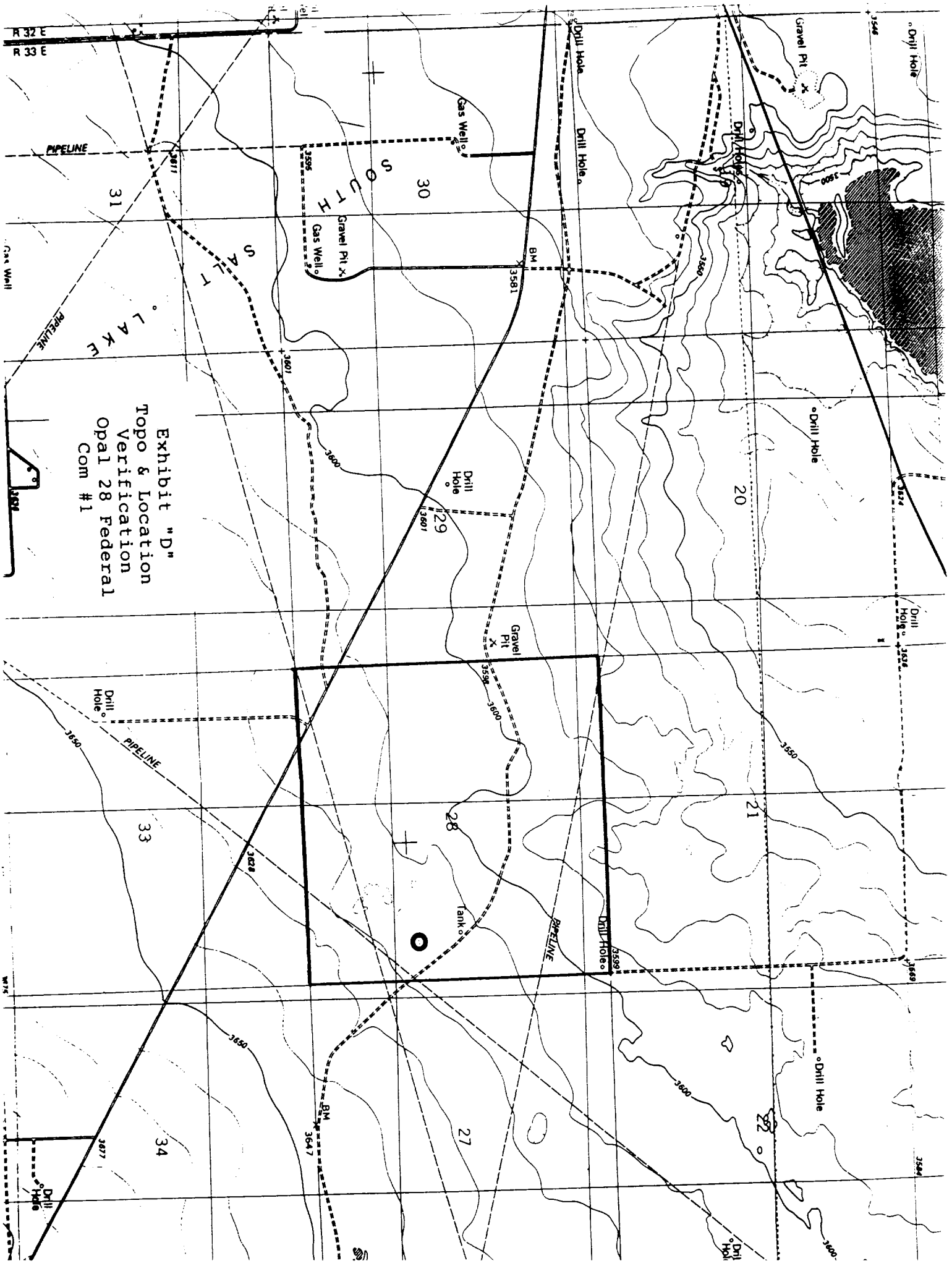


Exhibit "D"
Topo & Location
Verification
Opal 28 Federal
Com #1



District I
 PO Box 1980, Hobbs, NM 88241-1980
 District II
 PO Drawer DD, Artesia, NM 88211-0719
 District III
 1000 Rio Brazos Rd., Aztec, NM 87410
 District IV
 PO Box 2088, Santa Fe, NM 87504-2088

State of New Mexico
 Energy, Minerals & Natural Resources Department

OIL CONSERVATION DIVISION
 PO Box 2088
 Santa Fe, NM 87504-2088

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

AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

1 APT Number 30-025-34004		2 Pool Code 84480		3 Pool Name Salt Lake Morrow South	
4 Property Code 2926		5 Property Name OPAL "28" FEDERAL COM			6 Well Number 1
7 OGRID No. 15742		8 Operator Name NEARBURG PRODUCING COMPANY			9 Elevation 3623.

10 Surface Location

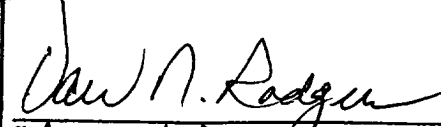
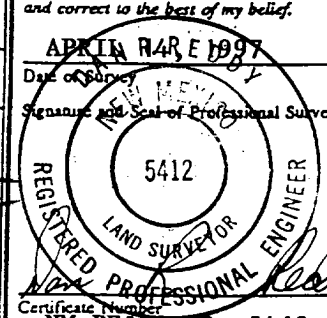
UL or lot no.	Section	Township	Range	Lot Ida	Feet from the	North/South line	Feet from the	East/West line	County
I	28	20-S	33-E		1650	SOUTH	660	EAST	EDDY

11 Bottom Hole Location If Different From Surface

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

12 Dedicated Acres 320	13 Joint or Infill	14 Consolidation Code	15 Order No.
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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

16	17 OPERATOR CERTIFICATION			
	I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.			
	 Signature Van N. Rodgers Printed Name Production Handman Title 4-14-97 Date			
	18 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 supervision, and that the same is true and correct to the best of my belief.				
APR 14 1997 Date of Survey  Signature and Seal of Professional Surveyor 5412 REGISTERED LAND SURVEYOR ENGINEER VAN N. RODGERS Certificate Number NM PE&PS NO. 5412				

**SUPPLEMENTAL DRILLING DATA
NEARBURG PRODUCING COMPANY
OPAL 28 FEDERAL COM #1**

1. SURFACE FORMATION:

Quaternary

2. ESTIMATED TOPS OF GEOLOGIC MARKERS: (Get from Geo. dept.)

Yates	3,395'	Morrow	13,110'
Delaware	5,350'	TD	14,500'
Bone Spring	8,418'		
Wolfcamp	11,600'		
Strawn	12,580'		
Atoka	12,870'		

3. ANTICIPATED POSSIBLE HYDROCARBON BEARING ZONES:

Delaware Sand	5,350'	Atoka Sand	12,870'
3rd Bone Spring Carbonate	10,600'	Morrow Sand	13,110'

4. CASING AND CEMENTING PROGRAM:

Casing Size	Setting Depth		Weight	Grade	Joint
	From	To			
13-3/8"	0 - 500' 1400'		48#	J-55	ST&C
9-5/8"	0 - 4,500'		36#	J-55	STC & LTC
5-1/2"	0 - 4,200'		20#	N-80	LT&C
5-1/2"	4,200' - 8,400'		17#	N-80	LT&C
5-1/2"	8,400' - 14,500'		20#	N-80	LT&C

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

We plan to drill a 17-1/2" hole to equal ¹⁴⁰⁰~~500'~~. 13-3/8" casing will be cemented with 500 sx or volume necessary to tie back to surface.

12-1/4" hole will be drilled to 4,500' and 9-5/8" casing will be cemented with 2,500 sx or volume necessary to tie back to surface.

7-7/8" hole will be drilled and 5-1/2" casing will be cemented with 500 sx of Class "H" 50/50 POZ.

5. PRESSURE CONTROL EQUIPMENT:

The BOP stack will consist of a 5,000 psi working pressure, dual ram type preventer and annular.

A BOP sketch is attached.

6. **CIRCULATING MEDIUM:**

Surface to 14,500'

Spud and drill to 500' with fresh water mud for surface string. The intermediate section will be drilled with 10# brine to 4,500'. The production section from 4,500' - 10,800' will be fresh water, from 10,800' - 12,400' with 9# cut brine, from 12,400' - 14,500' with a Brine/Poly Pac/XCD system with mud weight sufficient to control formation pressures.

7. **AUXILIARY EQUIPMENT:**

None required.

8. **TESTING, LOGGING AND CORING PROGRAM:**

Electric logging is planned, drill stem tests, cores and sidewall cores possible.

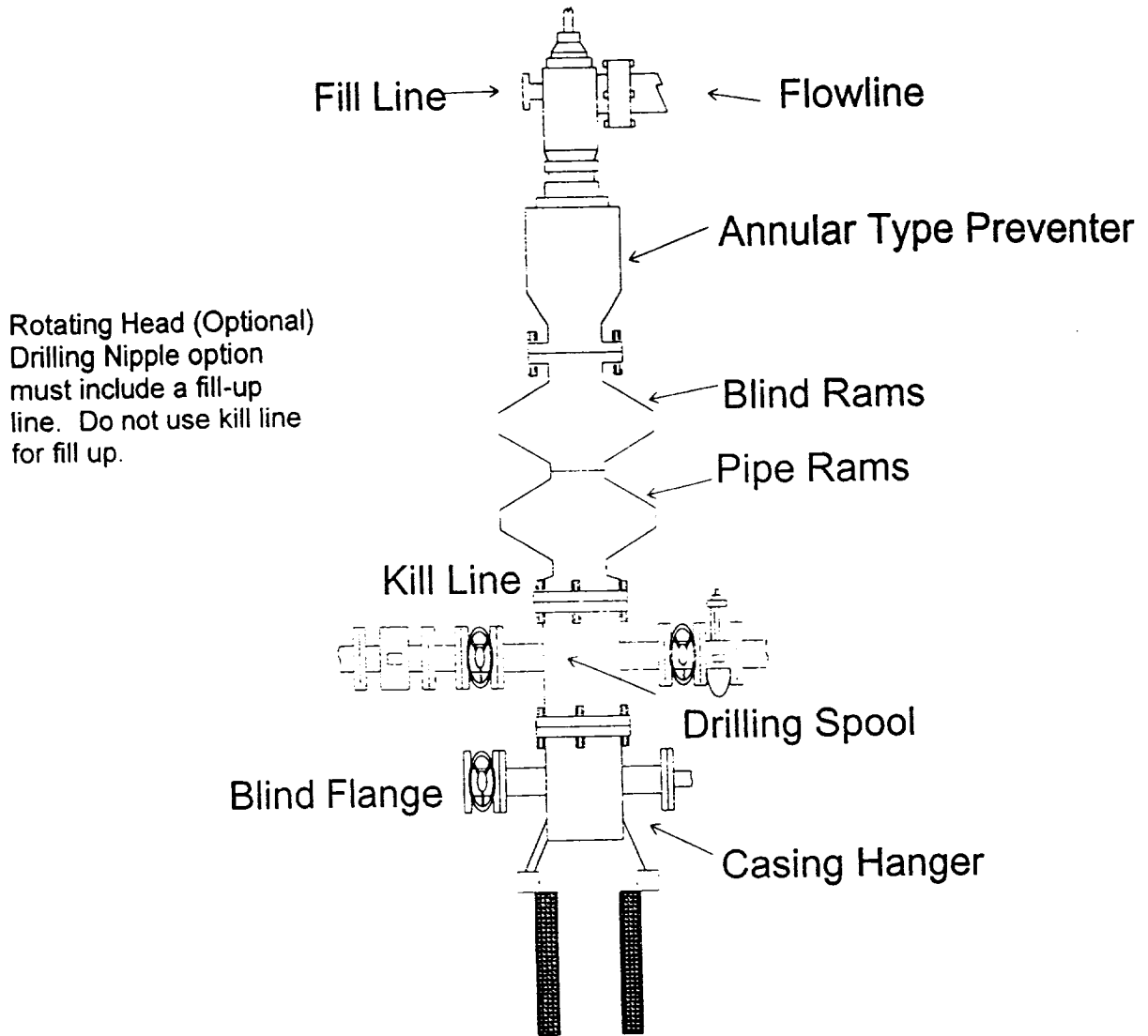
9. **ABNORMAL PRESSURES, TEMPERATURES OR HYDROGEN SULFIDE GAS:**

Anticipated bottom hole pressure: 4,000 - 5,000 psi.
No abnormalities anticipated.

10. **ANTICIPATED STARTING DATE:**

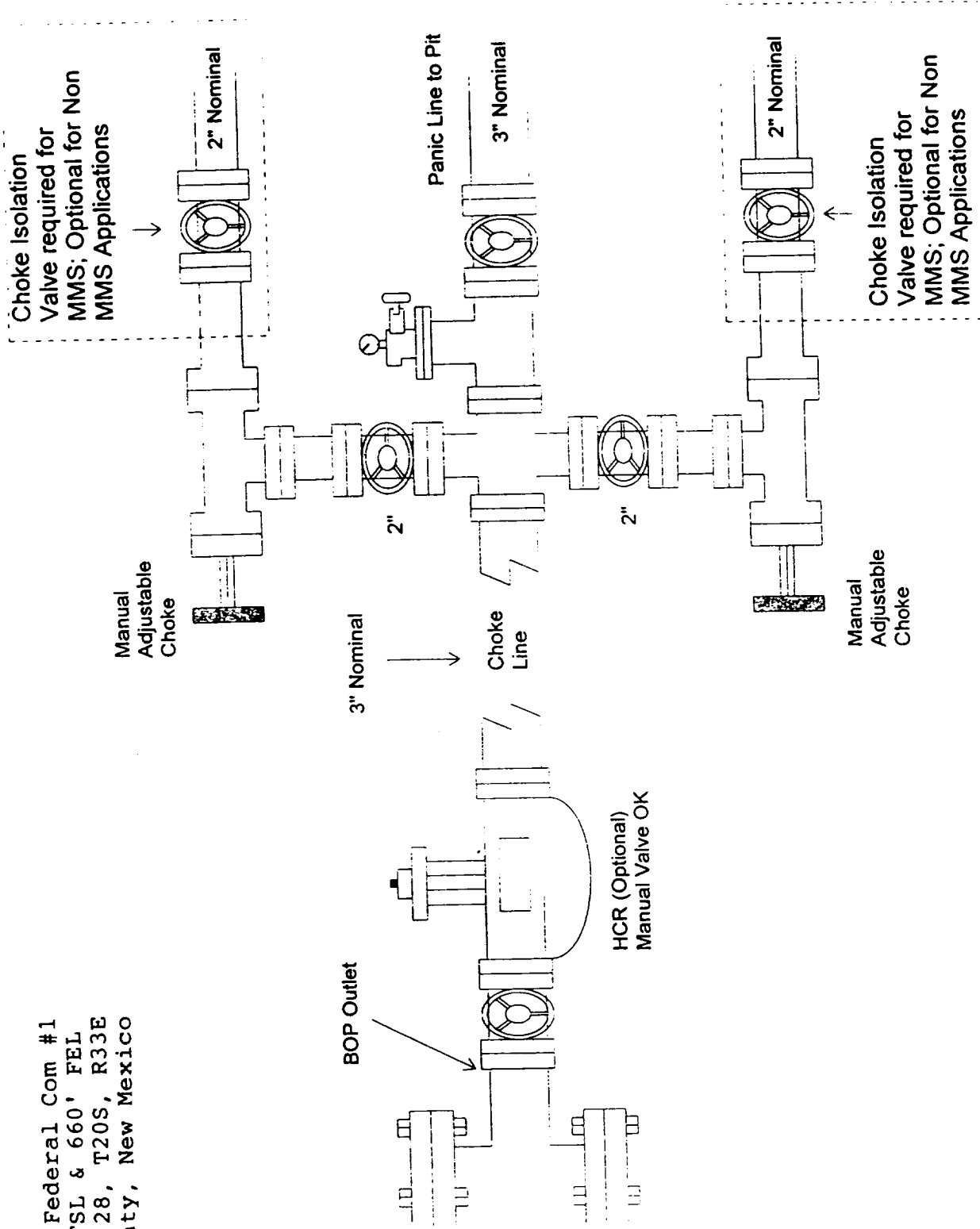
It is planned that operations will commence on April 15, 1997, with drilling and completion operations lasting about 45 days.

Opal 28 Federal Com #1
1,980' FSL & 660' FEL
Section 28, T20S, R33E
Lea County, New Mexico



900 Series

Opal 28 Federal Com #1
1,980' FSL & 660' FEL
Section 28, T20S, R33E
Lea County, New Mexico



HYDROGEN SULFIDE DRILLING OPERATIONS PLAN
NEARBURG PRODUCING COMPANY
OPAL 28 FEDERAL COM #1

I. 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.

HYDROGEN SULFIDE DRILLING OPERATIONS PLAN
NEARBURG PRODUCING COMPANY
OPAL 28 FEDERAL COM #1

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II. 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 pipe 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 is an H2S environment will be conducted during the daylight hours.

WARNING

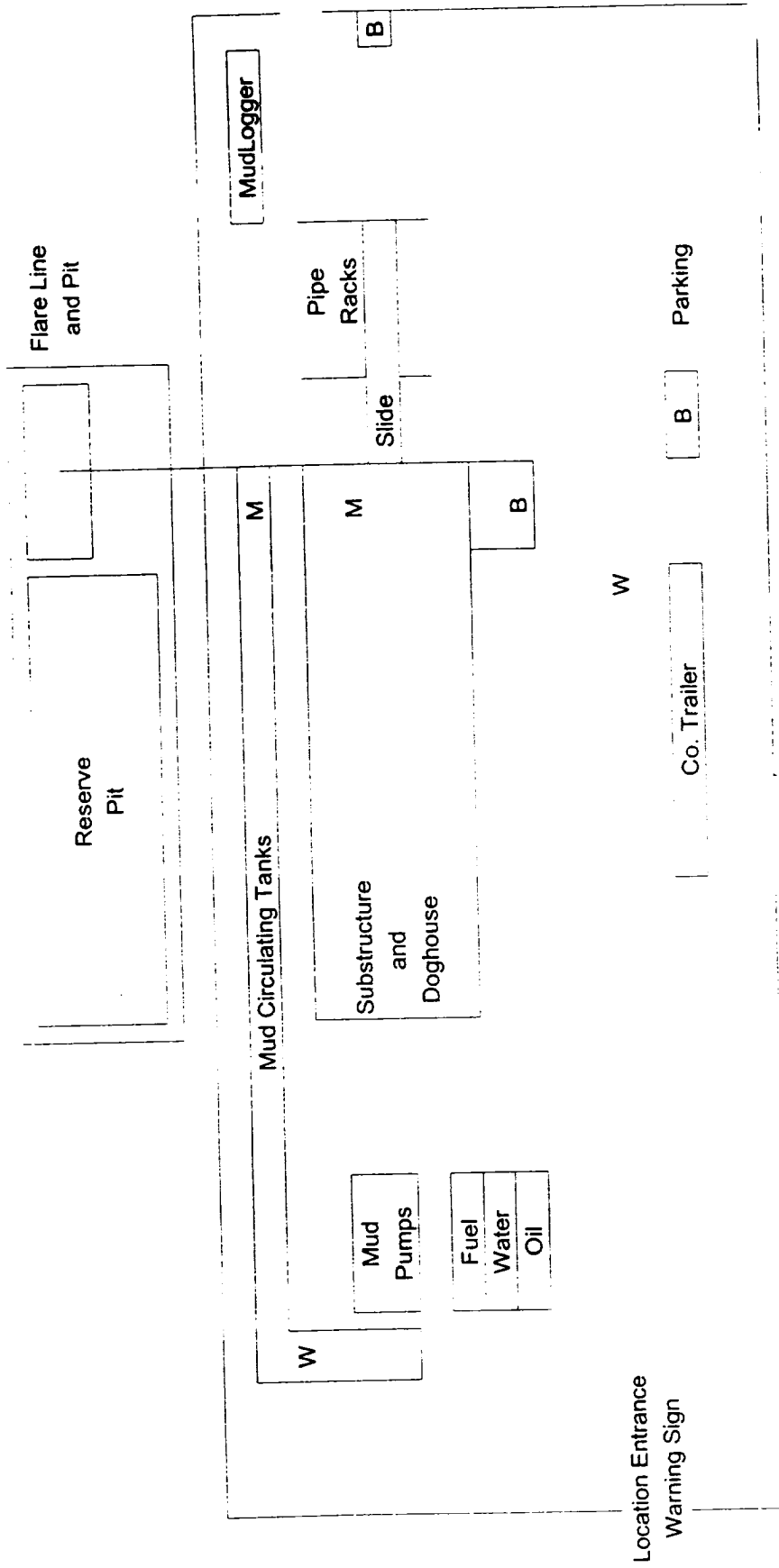
**YOU ARE ENTERING AN H2S
AREA - AUTHORIZED PERSONNEL ONLY**

1. *BEARDS OR CONTACT LENSES NOT ALLOWED*
2. *HARD HATS REQUIRED*
3. *SMOKING IN DESIGNATED AREAS ONLY*
4. *BE WIND CONSCIOUS AT ALL TIMES*
5. *CHECK WITH NEARBURG SUPERINTENDENT AT MAIN OFFICE*

NEARBURG PRODUCING COMPANY

1-915-686-8235

**Nearburg Producing Company
Hydrogen Sulfide Drilling Operations Location Plan**



M - H2S Monitors with alarms at bell nipple and shale shaker

W - Wind Direction Indicators

B - Safe Briefing areas with caution signs and protective breathing equipment.
Minimum 150' from wellhead.

Prevailing Wind Directions: Summer - South/Southwest
Winter - North/Northwest

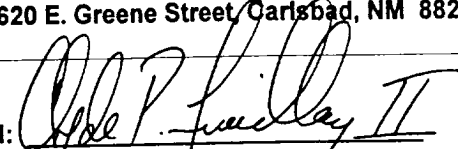
NOTICE OF STAKING

(Not to be used in place of Application for Permit to Drill Form 3160-3)

1. Oil Well <input type="checkbox"/> Gas Well <input checked="" type="checkbox"/> Other (Specify) <input type="checkbox"/>		6. Lease Number NM-96858	
2. Name of Operator Nearburg Producing Company		7. If Indian, Allotte or Tribe Name N/A	
3. Name of Specific Contact Person Clyde Findlay II		8. Unit Agreement Name N/A	
4. Address & Phone No. of Operator or Agent 3300 N. A Street, Bldg 2, Suite 120 Midland, Texas 79705 (915) 686-8235		9. Farm or Lease Name Opal 28 Federal Com	
5. Surface Location of Well 1,980' FSL and 660' FEL		10. Well No. #1	
Attach: a) Sketch showing road entry into pad, pad dimensions and reserve pit. b) Topographical or other acceptable map showing location, access road and lease boundaries.		11. Field or Wildcat Name Salt Lake Morrow, South	
		12. Sec., T., R., M., or Blk and Survey or Area Section 28, T20S, R33E	
15. Formation Objective(s) Morrow	16. Established Well Depth 14,500'	13. County, Parish or Borough Lea County	14. State New Mexico

17. Additional Information (as appropriate; must include surface owner's name, address and telephone number).

BLM - 620 E. Greene Street, Carlsbad, NM 88240 (505) 887-6544

18. Signed:  Title: Senior Engineer Date: 03/03/97

Note: Upon receipt of this Notice, the Bureau of Land Management (BLM) will schedule the date of the onsite predrill inspection and notify you accordingly. The location must be staked and access road must be flagged prior to the onsite.

- Operators must consider the following prior to the onsite:
- a) H2S Potential
 - b) Cultural Resources (Archeology)
 - c) Federal Right-of-Way or Special Use Permit