

APPLICATION FOR PERMIT TO DRILL OR REENTER

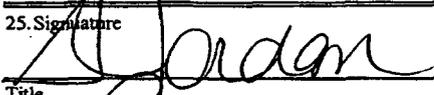
1a. Type of Work <input checked="" type="checkbox"/> DRILL <input type="checkbox"/> REENTER		5. Lease Serial No. NMNM16104
1b. Type of Well <input checked="" type="checkbox"/> Oil Well <input type="checkbox"/> Gas Well <input type="checkbox"/> Other <input type="checkbox"/> Single Zone <input type="checkbox"/> 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. 35250
3a. Address 3300 N A St., Bldg 2, Ste 120, Midland, TX 79705	3b. Phone No. (include area code) 432/686-8235	8. Lease Name and Well No. Salt Draw 11 Federal #1
4. Location of Well (Report location clearly and in accordance with any State requirements)* At surface 2590 FNL and and 330 FWL At proposed prod. zone 330 FNL and 660 FWL		9. API Well No. 30-015-34436
14. Distance in miles and direction from nearest town or post office* 21 miles SE of Carlsbad		10. Field and Pool, or Exploratory Willow Lake, SW; Delaware
15. Distance from proposed* location to nearest property or lease line, ft. (Also to nearest drg. unit line, if any) 330		11. Sec., T., R., M., or Blk. and Survey or Area Sec 11, 25S, 28E
16. No. of Acres in lease 1520.06		12. County or Parish Eddy
17. Spacing Unit dedicated to this well 80		13. State NM
18. Distance from proposed location* to nearest well, drilling, completed, applied for, on this lease, ft. 990		20. BLM/BIA Bond No. on file NMB000153
19. Proposed Depth 6700		21. Elevations (Show whether DF, KDB, RT, GL, etc.) 2918
22. Approximate date work will start* 11/1/05		23. Estimated duration 40 days

RECEIVED
NOV 18 2005
SUBJECT TO LIKE
APPROVAL BY STATE

24. Attachments

The following, completed in accordance with the requirements of Onshore Oil and Gas Order No. 1, shall be attached to this form:

- Well plat certified by a registered surveyor.
- A Drilling Plan
- A Surface Use Plan (if the location is on National Forest System Lands, the SUPO shall be filed with the appropriate Forest Service Office).
- Bond to cover the operations unless covered by an existing bond on file (see Item 20 above).
- Operator certification.
- Such other site specific information and/or plans as may be required by the authorized officer.

25. Signature 	Name (Printed/Typed) Sarah Jordan	Date 9-27-05
Title Production Analyst	Approved by (Signature) /s/ Joe G. Lara	Name (Printed/Typed) /s/ Joe G. Lara
Title ACTING FIELD MANAGER	Office CARLSBAD FIELD OFFICE	Date NOV 17 2005

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)

5-17, 29.5

Drill Only - Verbal approval from Santa Fe for NSL

APPROVAL SUBJECT TO
GENERAL REQUIREMENTS
AND SPECIAL STIPULATIONS
ATTACHED

State of New Mexico

DISTRICT I
1220 S. FRANCIS DR., BOBBS, NM 88240

Energy, Minerals and Natural Resources Department

Form C-102

DISTRICT II
1301 W. GRAND AVENUE, ARTESIA, NM 88210

OIL CONSERVATION DIVISION
1220 SOUTH ST. FRANCIS DR.
Santa Fe, New Mexico 87505

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

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

DISTRICT IV
1220 S. ST. FRANCIS DR., SANTA FE, NM 87505

WELL LOCATION AND ACREAGE DEDICATION PLAT

AMENDED REPORT

API Number	Pool Code	Pool Name <i>Willowlake, Sw; Delaware</i>
Property Code	Property Name SALT DRAW 11 FEDERAL	Well Number 1
OGRID No. <i>015742</i>	Operator Name NEARBURG PRODUCING COMPANY	Elevation 2918'

Surface Location

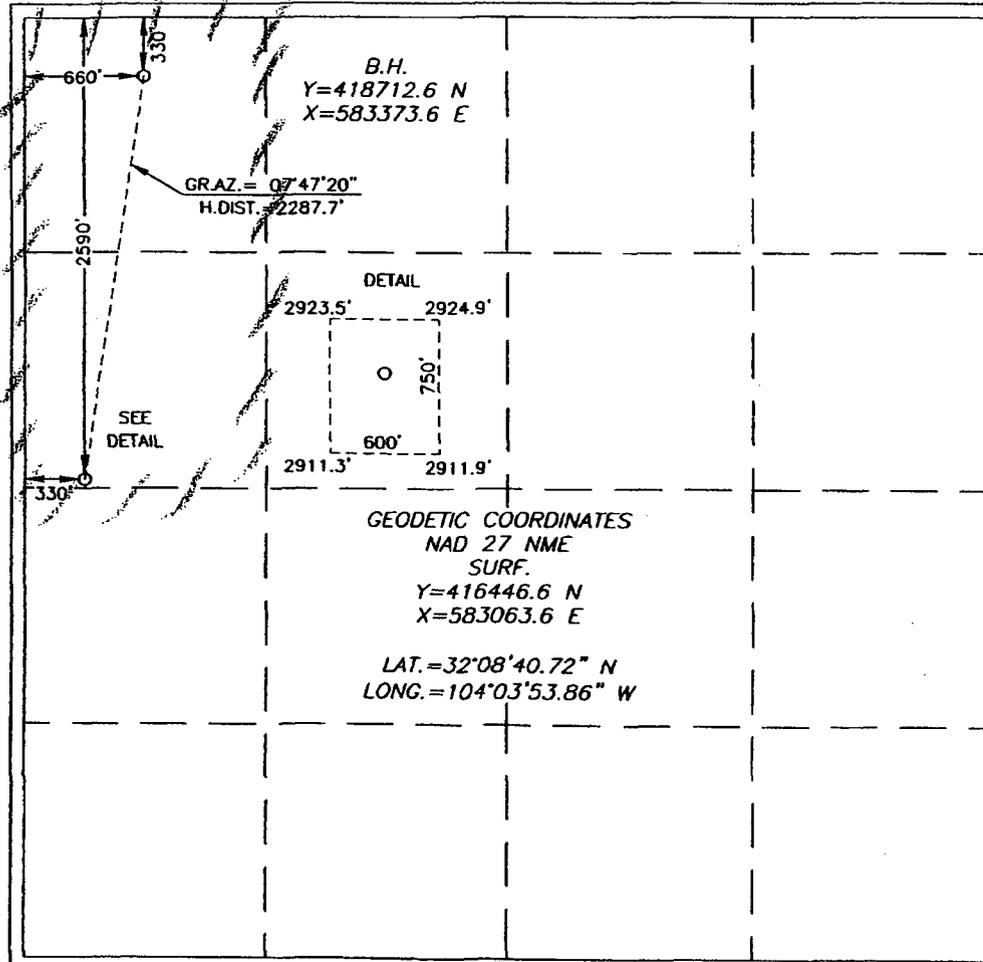
UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
E	11	25-S	28-E		2590	NORTH	330	WEST	EDDY

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
D	11	25-S	28-E		330	NORTH	660	WEST	EDDY

Dedicated Acres <i>80</i>	Joint or Infill	Consolidation Code	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



OPERATOR CERTIFICATION	
I hereby certify the the information contained herein is true and complete to the best of my knowledge and belief.	
Signature <i>S. Jordan</i>	
Printed Name <i>S. Jordan</i>	
Title <i>Prod. Analyst</i>	
Date <i>9.27.05</i>	
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.	
SEPTEMBER 15, 2005	
Date Surveyed	JR
Signature <i>Gary Edson</i>	
Professional Surveyor	
Certificate No. GARY EDSON	12641

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: NMNM16104

Legal Description of Land: SHL: 2590 FNL and 330 FWL
BHL: 330 FNL and 660 FWL, Sec 11, 25S, 28E
Eddy County, New Mexico

Formation(s) (if applicable): Delaware

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

BLM Bond File No: NMB000153

9.27.05
Date

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



**ATTACHMENT TO FORM 3160-3
SALT DRAW 11 FEDERAL #1
SHL: 2590 FNL AND 330 FWL
BHL: 330 FNL AND 660 FWL, SEC 11, 25S, 28E
EDDY COUNTY, NEW MEXICO**

DRILLING PROGRAM

1. GEOLOGIC NAME OF SURFACE FORMATION

Quaternary Alluvium/ Permian Ochoan

2. ESTIMATED TOPS OF IMPORTANT GEOLOGIC MARKERS

Delaware	2550
Cherry Canyon	3400

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

Cherry Canyon Sand 4900

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'	850'	32#	K55	STC
5-1/2"	0'	6700'	17#	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 850'. 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 6700' and 5-1/2" production casing will be cemented with approximately 1000 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 CHARACTERISTICS OF THE PROPOSED MUD SYSTEM

Spud and drill to 850' with fresh water mud for surface string. The production section from 850' to 6700' 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

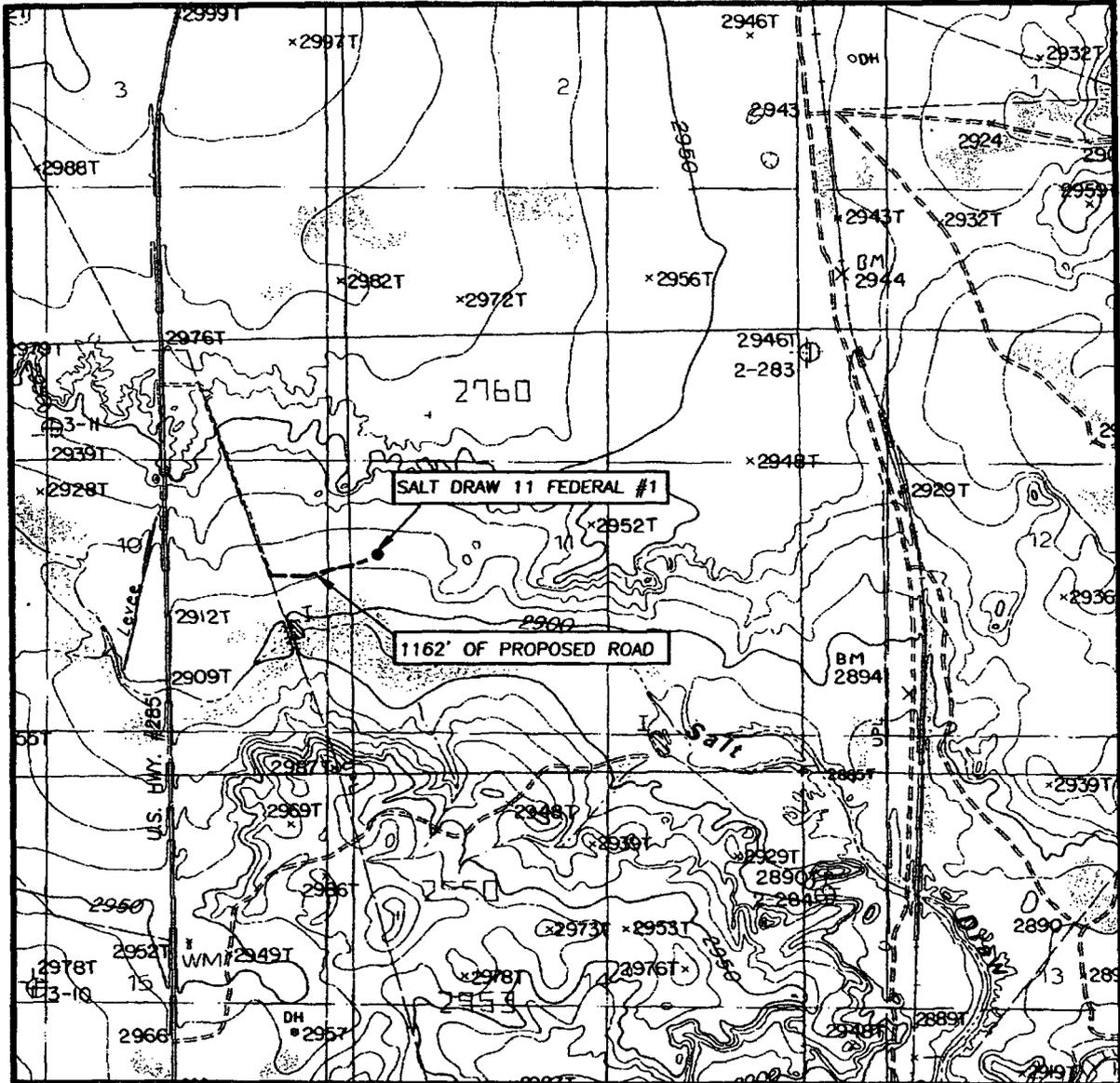
None anticipated.

BHP expected to be 1,100 psi.

10. ANTICIPATED STARTING DATE:

Is planned that operations will commence on November 1, 2005 with drilling and completion operation lasting about 40 days.

LOCATION VERIFICATION MAP



SCALE: 1" = 2000'

CONTOUR INTERVAL:
MALAGA, N.M. - 10'

SEC. 11 TWP. 25-S RGE. 28-E

SURVEY N.M.P.M.

COUNTY EDDY

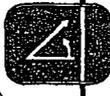
DESCRIPTION 2590' FNL & 330' FWL

ELEVATION 2918'

OPERATOR NEARBURG PRODUCING COMPANY

LEASE SALT DRAW 11 FEDERAL

U.S.G.S. TOPOGRAPHIC MAP
MALAGA, N.M.



PROVIDING SURVEYING SERVICES
SINCE 1948
JOHN WEST SURVEYING COMPANY
 412 N. DAL. PASO
 HOBBS, N.M. 88240
 (505) 388-3117

SECTION 11, TOWNSHIP 25 SOUTH, RANGE 28 EAST, N.M.P.M.,
 EDDY COUNTY, NEW MEXICO

2923.5'

600'

NEW MEXICO

2924.9'

150' NORTH
 OFFSET
 2921.3'



150' WEST
 OFFSET
 2917.8'

SALT DRAW 11 FEDERAL #1



150' EAST
 OFFSET
 2918.8'

ELEV. 2918.1'
 LAT. = 32°08'40.72" N
 LONG. = 104°03'53.86" W

750'

750'

TRAIL RD.

1162' OF PROPOSED ROAD

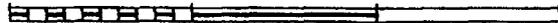
150' SOUTH
 OFFSET
 2915.4'



2911.3'

2911.9'

600' 100 0 100 200 Feet



Scale: 1" = 100'

DIRECTIONS TO LOCATION

FROM MALAGA N.M., GO SOUTH ON U.S. HWY. 285 FOR APPROX. 5.1 MILES TO A CALICHE ROAD ON THE LEFT. TURN LEFT (EAST) AND GO APPROX. 500' TO A EL PASO P/L TRAIL ROAD. TURN RIGHT (SE) AND GO APPROX. 0.5 MILES TO A PROPOSED ROAD SURVEY. FOLLOW PROPOSED ROAD SURVEY NE APPROX. 1200' TO THIS LOCATION.

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

NEARBURG PRODUCING COMPANY

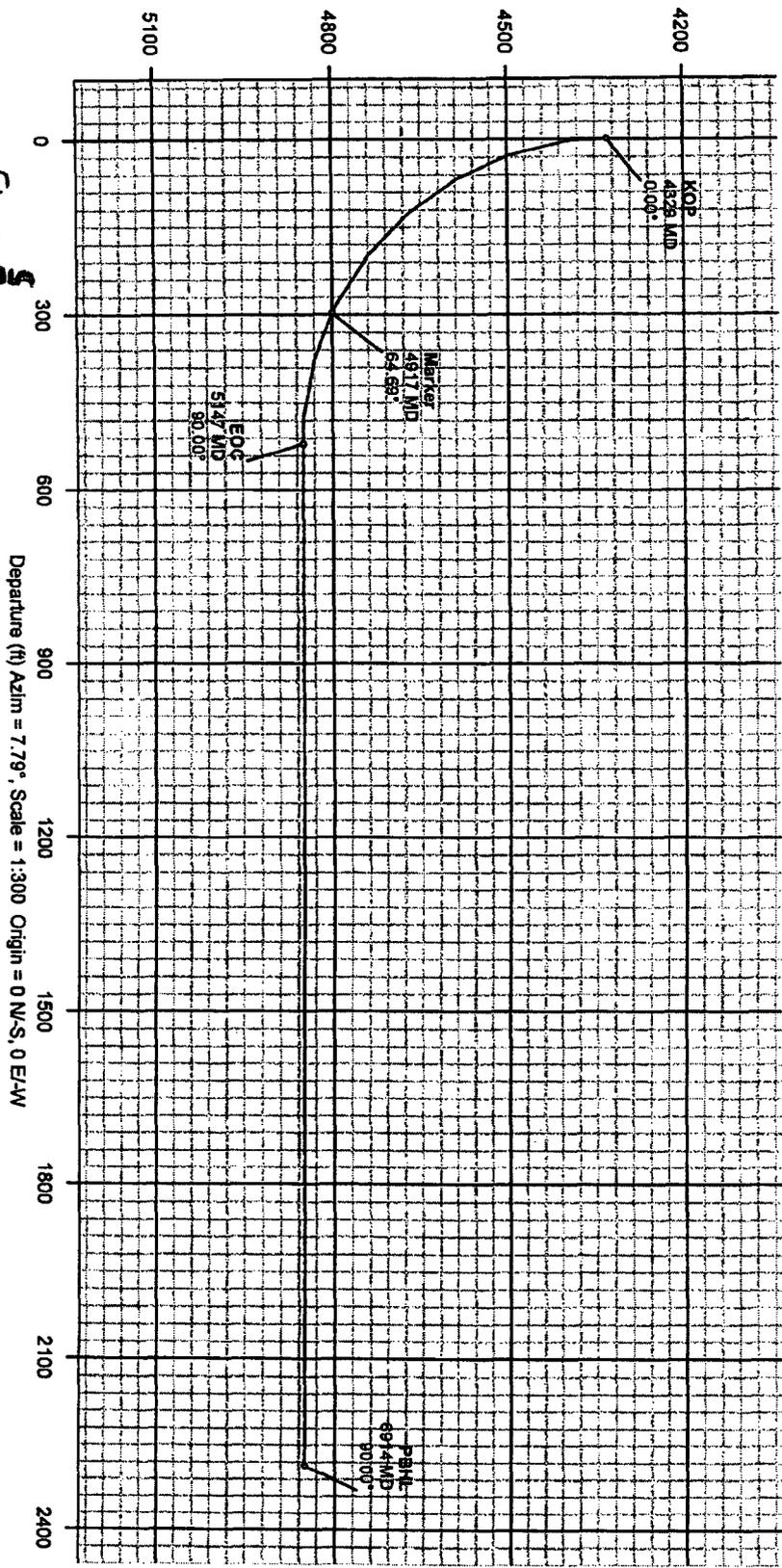
SALT DRAW 11 FEDERAL #1 WELL
 LOCATED 2590 FEET FROM THE NORTH LINE
 AND 330 FEET FROM THE WEST LINE OF SECTION 11,
 TOWNSHIP 25 SOUTH, RANGE 28 EAST, N.M.P.M.,
 EDDY COUNTY, NEW MEXICO.

Survey Date: 09/15/05	Sheet 1 of 1 Sheets
W.O. Number: 05.11.1441	Dr By: J.R.
Date: 09/21/05	Disk: CD#5
05111441	Scale: 1" = 100'

Nearburg Producing Company

WELL: Salt Draw 11 Fed #1 FIELD: Eddy County, NM STRUCTURE: Salt Draw 11 Fed #1

Operator: Nearburg Model: KMF 2005	Dip: 00.16° Log Dec: 48.487°	Date: October 07, 2005 FE: 0818.2 NT	Surface Location: Lat: N28° 40' 17.18" Long: W103° 15' 52.88"	Well Name: N28° 40' 17.18" W103° 15' 52.88"	Well ID: 41544420 0102 02000200 0102	Well Type: Oil Well	Well Status: Producing	Well Depth: 401.1427111'	Well Orientation: 0.8898110951	Well Completion: Salt Draw 11 Fed #1	Well Production: Salt Draw 11 Fed #1	Well Operator: Nearburg	Well Date: 10/07/2005
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Departure (ft) Azim = 7.79°, Scale = 1:300 Origin = 0 N/S, 0 E/W

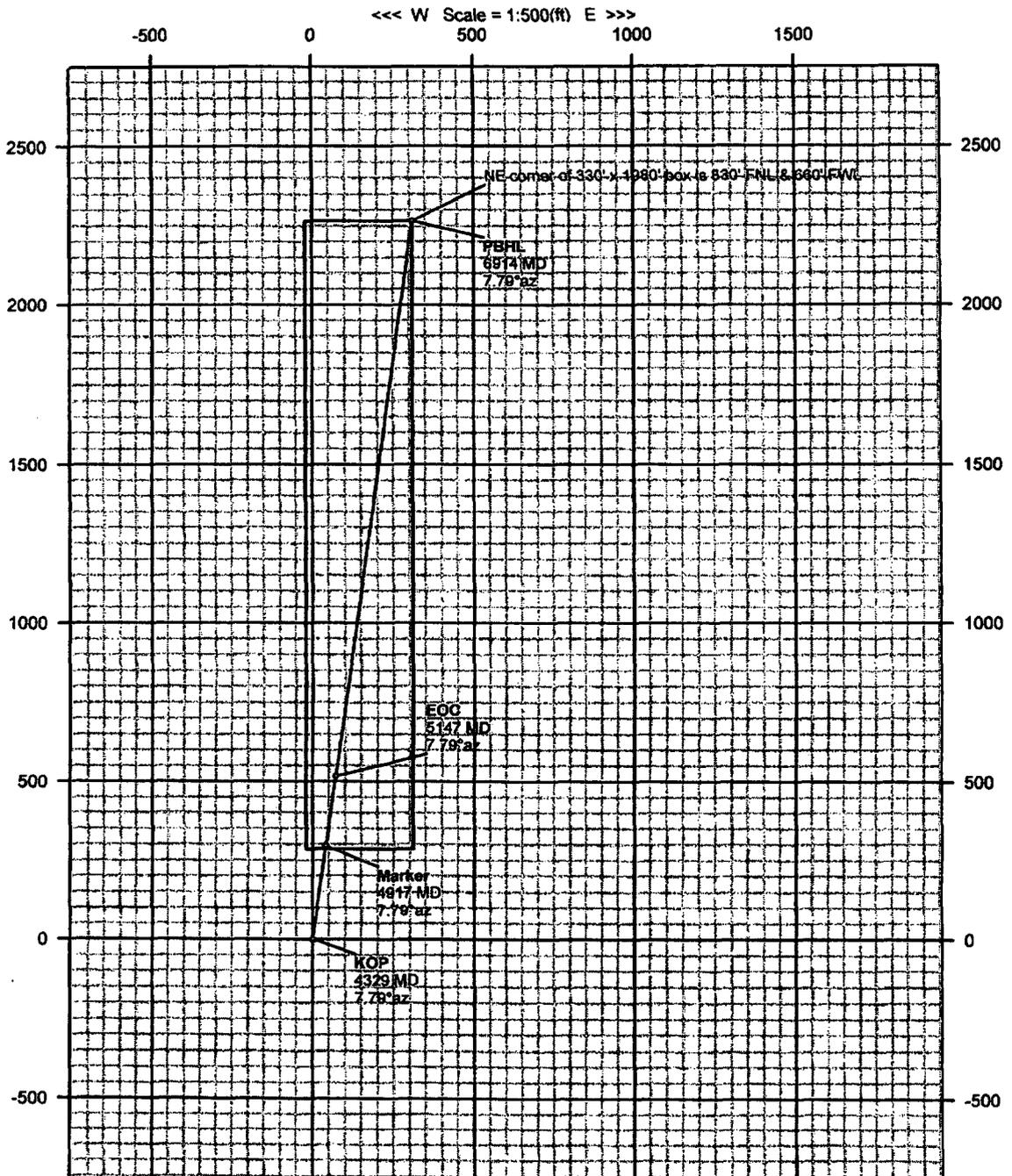
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OCT 11 2005
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Nearburg Producing Company

WELL	Salt Draw 11 Fed #1	FIELD	Eddy County, NM	STRUCTURE	Salt Draw 11 Fed #1
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Magnetic Parameters Model: IGRF 2005	Dip: 60.163° Mag Dec: +8.467°	Date: October 07, 2005 FB: 48115.2 xT	Surface Location Lat: N32 6 40.718 Lon: W104 3 53.858	MAC27 New Mexico State Plane, Eastern Zone, US Feet Northing: 418448.80 NUS Easting: 983083.93 EUS Scale Fact: 0.9999169831	Miscellaneous Shot: Salt Draw 11 Fed #1 Plan: Salt Draw 11 Fed #1 v1	TVD Ref: RIGS (0.00 R above) Copy Date: Pd 10:20 AM October 07, 2005
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INTREPID
Directional Drilling Specialists



Proposal

Report Date: October 7, 2005 Client: Nearburg Producing Company Field: Eddy County, NM Structure / Slot: Salt Draw 11 Fed #1 / Salt Draw 11 Fed #1 Well: Salt Draw 11 Fed #1 Borehole: Salt Draw 11 Fed #1 UWI/AP#: Survey Name / Date: Salt Draw 11 Fed #1_r1 / October 7, 2005 Tort / AHD / DDI / ERD ratio: 90.000° / 2287.30 ft / 5.468 / 0.472 Grid Coordinate System: NAD27 New Mexico State Planes, Eastern Zone, US Feet Location Lat/Long: N 32 8 40.718, W 104 3 53.856 Location Grid N/E Y/X: N 416446.600 ft US, E 583063.600 ft US Grid Convergence Angle: +0.14279111° Grid Scale Factor: 0.99991699	Survey / DLS Computation Method: Minimum Curvature / Lubinski Vertical Section Azimuth: 7.790° Vertical Section Origin: N 0.000 ft, E 0.000 ft TVD Reference Datum: RKB TVD Reference Elevation: 0.0 ft relative to Sea Bed / Ground Level Elevation: 0.000 ft relative to Magnetic Declination: 8.467° Total Field Strength: 49119.232 nT Magnetic Dip: 60.163° Declination Date: October 07, 2005 Magnetic Declination Model: IGRF 2005 North Reference: Grid North Total Corr Mag North -> Grid North: -8.324° Local Coordinates Referenced To: Well Head
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Comments	Measured Depth (ft)	Inclination (deg)	Azimuth (deg)	TVD (ft)	Vertical Section (ft)	NS (ft)	EW (ft)	Closure (ft)	Closure Azimuth (deg)	DLS (deg/100 ft)	Tool Face (deg)
Tie-In	0.00	0.00	7.79	0.00	0.00	0.00	0.00	0.00	0.00	0.00	7.79M
KOP	4329.13	0.00	7.79	4329.13	0.00	0.00	0.00	0.00	0.00	0.00	7.79M
	4400.00	7.80	7.79	4399.78	4.81	4.77	0.65	4.81	7.79	11.00	0.00G
	4500.00	18.80	7.79	4496.95	27.78	27.52	3.76	27.78	7.79	11.00	0.00G
	4600.00	29.80	7.79	4587.96	68.86	68.22	9.33	68.86	7.79	11.00	0.00G
	4700.00	40.80	7.79	4669.45	126.55	125.38	17.15	126.55	7.79	11.00	0.00G
	4800.00	51.80	7.79	4738.44	198.73	196.90	26.94	198.73	7.79	11.00	0.00G
	4900.00	62.80	7.79	4792.38	282.75	280.14	38.32	282.75	7.79	11.00	0.00G
Marker	4917.23	64.69	7.79	4800.00	298.20	295.45	40.42	298.20	7.79	11.00	7.79G
	5000.00	73.80	7.79	4829.31	375.52	372.05	50.90	375.52	7.79	11.00	0.00G
	5100.00	84.80	7.79	4847.85	473.62	469.25	64.20	473.62	7.79	11.00	0.00G
EOC	5147.31	90.00	7.79	4850.00	520.87	516.06	70.60	520.87	7.79	11.00	0.00G
PBHL	6913.74	90.00	7.79	4850.00	2287.30	2266.19	310.03	2287.30	7.79	0.00	0.00G

STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION

IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
DIVISION FOR THE PURPOSE OF
CONSIDERING:

CASE NO. 12116
Order No. R-11120

THE APPLICATION OF THE OIL CONSERVATION
DIVISION FOR AN ORDER CREATING AND
EXTENDING CERTAIN POOLS IN EDDY COUNTY,
NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This case came on for hearing at 8:15 a.m. on January 7, 1999, at Santa Fe, New Mexico, before Examiner Mark W. Ashley.

NOW, on this 21st day of January, 1999, the Division Director, having considered the testimony, the record, and the recommendations of the Examiner.

FINDS THAT:

- (1) Due public notice has been given and the Division has jurisdiction of this case and its subject matter.
- (2) There is need for the creation of a new pool in Eddy County, New Mexico, for the production of oil from the Cisco formation, bearing the designation of Turkey Track-Cisco Pool. The Turkey Track-Cisco Pool was discovered by the Harvey E. Yates Company Palmillo "6" State Well No. 1 located in Unit K of Section 6, Township 19 South, Range 29 East, NMPM, which was completed in the Cisco formation on October 6, 1998. The top of the perforations is at 9,562 feet.
- (3) There is need for the creation of a new pool in Eddy County, New Mexico, for the production of oil from the Delaware formation, bearing the designation of Southwest Willow Lake-Delaware Pool. The Southwest Willow Lake-Delaware Pool was discovered by the Santa Fe Energy Resources, Inc. Chapparal "10" Well No. 1 located in Unit F of Section 10, Township 25 South, Range 28 East, NMPM, which was completed in the

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Order No. R-11120

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Delaware formation on September 22, 1998. The top of the perforations is at 4,776 feet.

(4) There is need for certain extensions to the North Black River-Atoka Gas Pool, the Cedar Lake-Yeso Pool, the Cemetery-Morrow Gas Pool, the Cotton Draw-Bone Spring Pool, the Crow Flats-Morrow Gas Pool, the East Eagle Creck-Atoka-Morrow Gas Pool, the Livingston Ridge-Delaware Pool, the Loco Hills-Paddock Pool, and the Logan Draw-Morrow Gas Pool, all in Eddy County, New Mexico.

IT IS THEREFORE ORDERED THAT:

(a) A new pool in Eddy County, New Mexico, classified as an oil pool for Cisco production is hereby created and designated as the Turkey Track-Cisco Pool, consisting of the following described area:

TOWNSHIP 19 SOUTH, RANGE 29 EAST, NMPM
Section 6: SW/4

(b) A new pool in Eddy County, New Mexico, classified as an oil pool for Delaware production is hereby created and designated as the Southwest Willow Lake-Delaware Pool, consisting of the following described area:

TOWNSHIP 25 SOUTH, RANGE 28 EAST, NMPM
Section 10: NW/4

(c) The North Black River-Atoka Gas Pool in Eddy County, New Mexico, is hereby extended to include:

TOWNSHIP 23 SOUTH, RANGE 26 EAST, NMPM
Section 32: E/2
Section 33: N/2
Section 34: NW/4

(d) The Cedar Lake-Yeso Pool in Eddy County, New Mexico, is hereby extended to include:

TOWNSHIP 17 SOUTH, RANGE 31 EAST, NMPM
Section 19: NW/4

(e) The Cemetery-Morrow Gas Pool in Eddy County, New Mexico, is hereby extended to include:

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TOWNSHIP 20 SOUTH, RANGE 24 EAST, NMPM

Section 12: All
Section 13: N/2

TOWNSHIP 20 SOUTH, RANGE 25 EAST, NMPM

Section 7: W/2
Section 18: N/2

(f) The Cotton Draw-Bone Spring Pool in Eddy County, new Mexico, is hereby extended to include:

TOWNSHIP 24 SOUTH, RANGE 31 EAST, NMPM

Section 3: E/2
Section 10: NE/4

(g) The Crow Flats-Morrow Gas Pool in Eddy County, New Mexico, is hereby extended to include:

TOWNSHIP 17 SOUTH, RANGE 27 EAST, NMPM

Section 9: N/2

(h) The East Eagle Creek-Atoka-Morrow Gas Pool in Eddy County, New Mexico, is hereby extended to include:

TOWNSHIP 17 SOUTH, RANGE 25 EAST, NMPM

Section 14: All

(i) The Livingston Ridge-Delaware Pool in Eddy County, New Mexico, is hereby extended to include:

TOWNSHIP 22 SOUTH, RANGE 31 EAST, NMPM

Section 26: SW/4

(j) The Loco Hills-Paddock Pool in Eddy County, New Mexico, is hereby extended to include:

TOWNSHIP 17 SOUTH, RANGE 30 EAST, NMPM

Section 17: NE/4
Section 22: SE/4

(k) The Logan Draw-Morrow Gas Pool in Eddy County, New Mexico, is hereby

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extended to include:

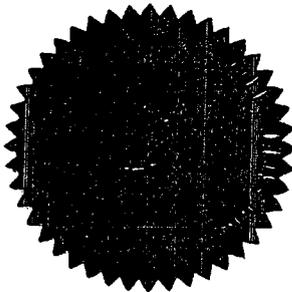
TOWNSHIP 17 SOUTH, RANGE 27 EAST, NMPM
Section 15: E/2

IT IS FURTHER ORDERED THAT:

(1) Pursuant to Section 70-2-18, NMSA, 1978, an operator of any well that, by virtue of any of the above pool extensions, is subject to pool rules providing for spacing or proration units larger than the one presently dedicated thereto, shall have 60 days from the effective date of this order to file Form C-102 dedicating a standard unit for the pool to that well or to obtain Division approval of a non-standard unit. Pending such compliance, the well shall receive a maximum allowable in the same proportion to a standard allowable for the pool that the acreage dedicated to the well bears to a standard unit for the pool. Failure to file Form C-102 dedicating a standard unit to the well or to obtain Division approval of a non-standard unit within that 60-day period shall subject the well to cancellation of allowable.

(2) The effective date of this order and all creations and extensions included herein shall be February 1, 1999.

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.



SEAL

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

Lori Wrotenberg
LORI WROTENBERG
Director

fd/

