

District I
1625 N. French Dr., Hobbs, NM 88240
District II
811 S. First St., Artesia, NM 88210
District III
1000 Rio Brazos Road, Aztec, NM 87410
District IV
1220 S. St. Francis Dr., Santa Fe, NM 87505

FEB 11 2013

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Energy Minerals and Natural Resources
Department
Oil Conservation Division
1220 South St. Francis Dr.
Santa Fe, NM 87505

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FEB 13 2013
NMOC DISTRICT OFFICE

closed-loop systems that only use above ground steel tanks or haul-off bins and propose to implement waste removal for closure, submit to the NMOC District Office.

Closed-Loop System Permit or Closure Plan Application

(that only use above ground steel tanks or haul-off bins and propose to implement waste removal for closure)

Type of action: Permit Closure

Instructions: Please submit one application (Form C-144 CLEZ) per individual closed-loop system request. For any application request other than for a closed-loop system that only use above ground steel tanks or haul-off bins and propose to implement waste removal for closure, please submit a Form C-144.

Please be advised that approval of this request does not relieve the operator of liability should operations result in pollution of surface water, ground water or the environment. Nor does approval relieve the operator of its responsibility to comply with any other applicable governmental authority's rules, regulations or ordinances.

1. Operator: Nearburg Producing Company OGRID #: 015742
 Address: 3300 N A Street, Bldg. 2, Ste. 120, Midland, TX 79705
 Facility or well name: SHUGART WEST 32 STATE #3H
 API Number: 30-015-41071 OCD Permit Number: 213952
 U/L or Qtr/Qtr O Section 32 Township 18S Range 31E County: Eddy
 Center of Proposed Design: Latitude 32.697452 N Longitude 103.888950 W NAD: 1927 1983
 Surface Owner: Federal State Private Tribal Trust or Indian Allotment

2. **Closed-loop System:** Subsection H of 19.15.17.11 NMAC
 Operation: Drilling a new well Workover or Drilling (Applies to activities which require prior approval of a permit or notice of intent) P&A
 Above Ground Steel Tanks or Haul-off Bins

3. **Signs:** Subsection C of 19.15.17.11 NMAC
 12"x 24", 2" lettering, providing Operator's name, site location, and emergency telephone numbers
 Signed in compliance with 19.15.16.8 NMAC

4. **Closed-loop Systems Permit Application Attachment Checklist:** Subsection B of 19.15.17.9 NMAC
Instructions: Each of the following items must be attached to the application. Please indicate, by a check mark in the box, that the documents are attached.
 Design Plan - based upon the appropriate requirements of 19.15.17.11 NMAC
 Operating and Maintenance Plan - based upon the appropriate requirements of 19.15.17.12 NMAC
 Closure Plan (Please complete Box 5) - based upon the appropriate requirements of Subsection C of 19.15.17.9 NMAC and 19.15.17.13 NMAC
 Previously Approved Design (attach copy of design) API Number: _____
 Previously Approved Operating and Maintenance Plan API Number: _____

5. **Waste Removal Closure For Closed-loop Systems That Utilize Above Ground Steel Tanks or Haul-off Bins Only:** (19.15.17.13.D NMAC)
Instructions: Please indentify the facility or facilities for the disposal of liquids, drilling fluids and drill cuttings. Use attachment if more than two facilities are required.
 Disposal Facility Name: CRI Disposal Facility Permit Number: R1966/NM-01-0006
 Disposal Facility Name: _____ Disposal Facility Permit Number: _____
 Will any of the proposed closed-loop system operations and associated activities occur on or in areas that will not be used for future service and operations?
 Yes (If yes, please provide the information below) No
 Required for impacted areas which will not be used for future service and operations:
 Soil Backfill and Cover Design Specifications - based upon the appropriate requirements of Subsection H of 19.15.17.13 NMAC
 Re-vegetation Plan - based upon the appropriate requirements of Subsection I of 19.15.17.13 NMAC
 Site Reclamation Plan - based upon the appropriate requirements of Subsection G of 19.15.17.13 NMAC

6. **Operator Application Certification:**
 I hereby certify that the information submitted with this application is true, accurate and complete to the best of my knowledge and belief.
 Name (Print): Vicki Johnston Title: Agent for Nearburg Producing Company
 Signature: Vicki Johnston Date: 2/5/13
 e-mail address: vjohnston1@gmail.com Telephone: (432) 685-9158

DESIGN PLAN
OPERATING AND MAINTENANCE PLAN
CLOSURE PLAN

- All drilling fluid circulated over shaker(s) with cuttings discharged into roll-off container.
- Fluid and fines below shaker(s) are circulated with transfer pump through centrifuge(s) or solids separator with cuttings and fines discharged into roll-off container.
- Fluid is continuously re-circulated through equipment with polymer added to aid separation of cutting fines.
- Roll-off containers are lined and de-watered with fluids re-circulated into system.
- Additional tank is used to capture unused drilling fluid or cement returns from casing jobs.
- Closed Loop Equipment will be inspected and monitored closely on a daily basis by each tour, and any necessary maintenance will be performed.
- Any leak in the system will be repaired and/or contained immediately. Within 48 hours of a spill/release, the NMOCD district office in Hobbs will be notified. Notifications may be made earlier if a greater release occurs. Notifications will be made in accordance with the reporting requirements specified in NMOCD Rule 116.
- During and after drilling operations, liquids (which apply), all drill cuttings, and drilling fluids will be hauled to one of the following depending upon which rig is available to drill this well:
 - CRI Permit Number NM-01-0006 -- R-9166
 - GMI Permit Number NM-01-0019 – 711-019-001

Nearburg Producing Company
SHUGART WEST 32 STATE #3H
SHL: 330' FSL and 1980' FEL, Unit O
BHL: 330' FNL and 1980' FEL, Unit B
Sec 32, T18S, R31E
Eddy County, New Mexico

Nearburg Producing Company
SHUGART WEST 32 STATE #3H
SHL: 330' FSL and 1980' FEL, Unit O
BHL: 330' FNL and 1980' FEL, Unit B
Sec 32, T-18S, R31E, Eddy County, NM

HOBBS OCD

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CEMENT SCHEDULE

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13-3/8" CASING:

LEAD:

360 sxs Class C Cement+2% bwoc Calcium Chloride+0.125 bwoc Cello Flake+4% Gel + 81.4% Fresh Water. Weight 13.58 ppg Yield 1.75 cfs

TAIL:

250 sxs Class C Cement+2% bwoc Calcium Chloride+0.125 bwoc Cello Flakes+56.3% Fresh Water. Weight 14.8 ppg Yield 1.32 cfs

9-5/8" CASING:

LEAD:

1000 sxs 50:50 Poz (Fly Ash): Class C Cement+10% bwoc Bentonite+0.125% bwoc CelloFlake +5% bwow Sodium Chloride+0.3% bwoc FL-52+5% bwoc LCM-1+135.5% Fresh Water. Weight 11.8 ppg Yield 2.45 cfs Mix Water 13.65 gps

TAIL:

370 sxs "C" Neat. Weight 14.8 ppg Yield 1.33 cfs Mix Water 6.33 gps
These volumes based on circulating cement to surface. 100% excess.

5-1/2" CASING:

1st STAGE

LEAD:

500 sxs (65/35) Poz (Fly Ash): Class H Cement: +5% bwoc FL-25+2% bwoc Benonite+5% bow Sodium Chloride+3% bwoc CD-32+0.2% bwoc R-3+0.5% bwoc FL-32A+102.5% Fresh Water. Weight 12.5 ppg Yield 2.01 cfs

TAIL:

1500 sxs (50/50) Poz (Fly Ash): Class H Cement: +0.2% bwoc R-3+0.125 2% bwoc Cello-flakes +1% bow Sodium Chloride+0.5% bwoc BA-10A+4% bwoc MPA-5 58.3% Fresh water.

Weight 14.2 ppg Yield 1.28 cfs
These volumes based on 50% excess.

2nd STAGE

LEAD:

600 sxs : Class C Cement+1% bwoc CACL+0.125% Cello-flakes 157.8% fresh water. Weight 11.4 ppg Yield 2.89 cfs

2nd STAGE TAIL:

200 sxs (60/40) Poz(flyash) ClassC Cement 1% Sodium Chloride+0.2%R-3+0.125% Cello-flakes 0.5% BA-10A+4%bwoc MPA-5+63.2% fresh water. Weight 13.80 ppg Yield 1.37 cfs
These volumes based on 50% excess.

Nearburg Producing Co.

Shugart West 32 State, Well No. 3H

Eddy County, New Mexico

Quote No.: 011413011



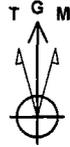
SITE DETAILS: Shugart West 32 State #3H	
Site Centre Northing:	617730.40
Easting:	636704.20
Positional Uncertainty:	0.0
Convergence:	0.24
Local North:	Grid

PROJECT DETAILS: Eddy County, New Mexico	
Geodetic System:	US State Plane 1927 (Exact solution)
Datum:	NAD 1927 (NADCON CONUS)
Ellipsoid:	Clarke 1866
Zone:	New Mexico East 3001
System Datum:	Mean Sea Level

HOBBS OCD

FEB 11 2013

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Azimuths to Grid North
 True North: -0.24°
 Magnetic North: 7.35°

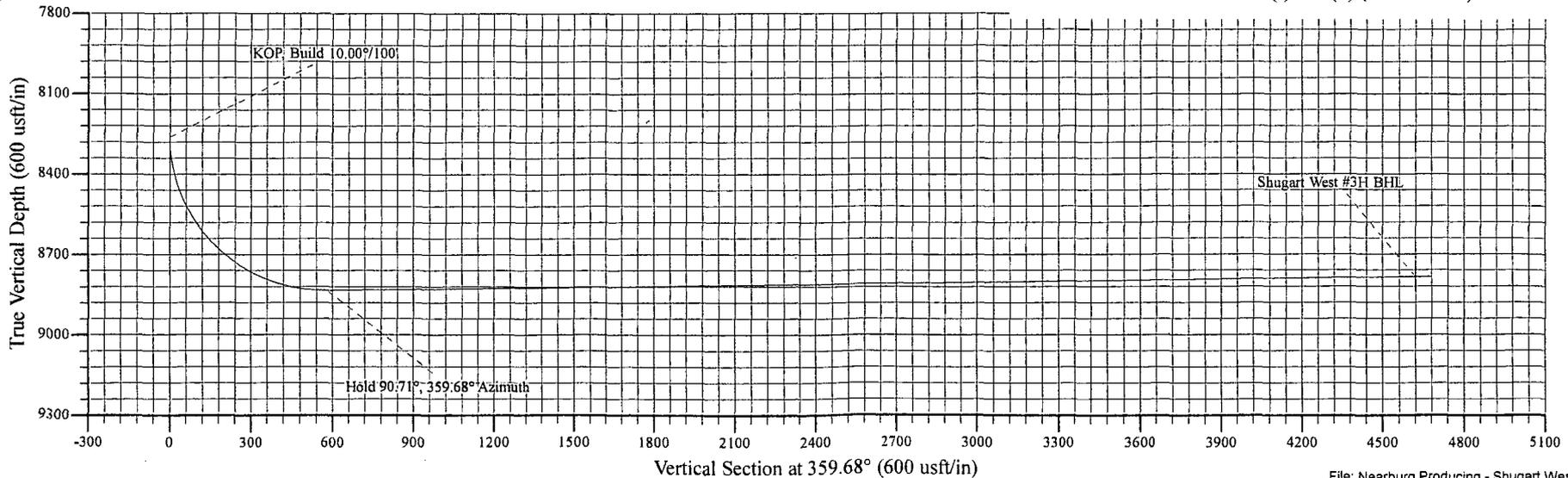
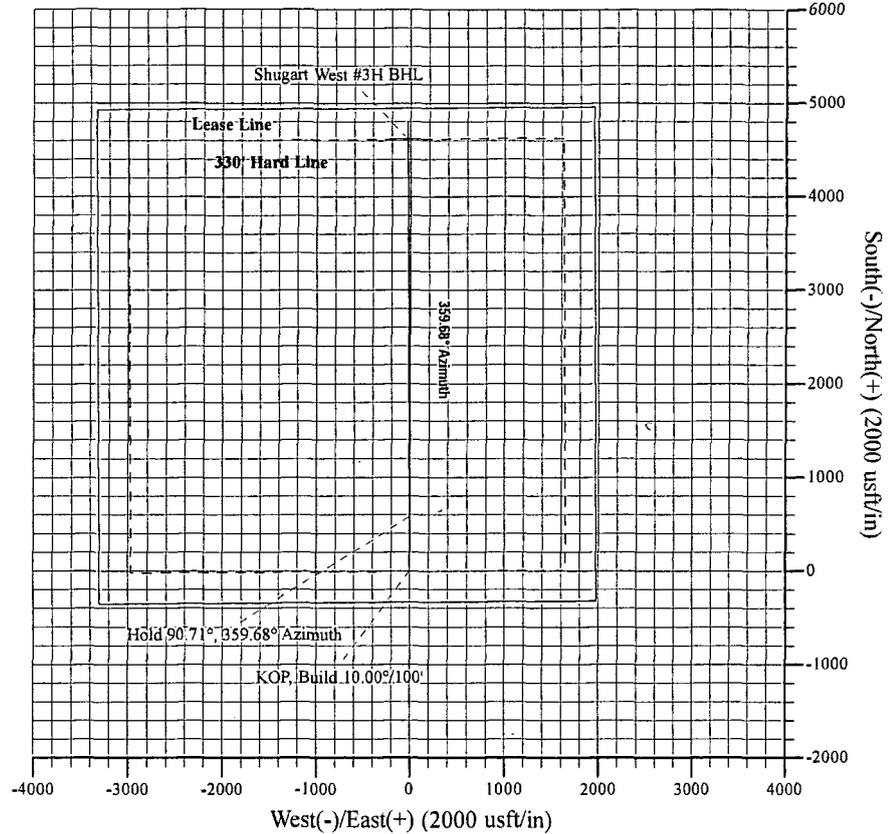
Magnetic Field
 Strength: 48703.9snT
 Dip Angle: 60.52°
 Date: 1/14/2013
 Model: WMM_2010

DESIGN TARGET DETAILS

Name	TVD	+N/-S	+E/-W	Northing	Easting	Latitude	Longitude	Shape
Shugart West #3H BHL	8784.0	4620.6	-26.2	622351.00	636678.00	32° 42' 36.550 N	103° 53' 20.299 W	Point

SECTION DETAILS

Sec	MD	Inc	Azi	TVD	+N/-S	+E/-W	Dleg	TFace	Vsect	Target	Annotation
1	8261.0	0.00	0.00	8261.0	0.0	0.0	0.00	0.00	0.0		KOP, Build 10.00%/100'
2	9168.1	90.71	359.68	8833.9	580.0	-3.3	10.00	359.68	580.0		Hold 90.71°, 359.68° Azimuth
3	13209.0	90.71	359.68	8784.0	4620.6	-26.2	0.00	0.00	4620.7	Shugart West #3H BHL	PBHL - Lateral



Aim Directional Services, LLC

Planning Report

Database:	EDM 5000.1 Single User Db	Local Co-ordinate Reference:	Well #3H
Company:	Nearburg Producing Company	TVD Reference:	WELL @ 3584.0usft (Original Well Elev)
Project:	Eddy County, New Mexico	MD Reference:	WELL @ 3584.0usft (Original Well Elev)
Site:	Shugart West 32 State #3H	North Reference:	Grid
Well:	#3H	Survey Calculation Method:	Minimum Curvature
Wellbore:	Lateral 1r0		
Design:	Lateral 1r0		

Project:	Eddy County, New Mexico		
Map System:	US State Plane 1927 (Exact solution)	System Datum:	Mean Sea Level
Geo Datum:	NAD 1927 (NADCON CONUS)		
Map Zone:	New Mexico East 3001		

Site	Shugart West 32 State #3H				
Site Position:	Northing:	617,730.40 usft	Latitude:	32° 41' 50.827 N	
From:	Map	Easting:	636,704.20 usft	Longitude:	103° 53' 20.219 W
Position Uncertainty:	0.0 usft	Slot Radius:	13-3/16 "	Grid Convergence:	0.24 °

Well	#3H					
Well Position	+N/-S	0.0 usft	Northing:	617,730.40 usft	Latitude:	32° 41' 50.827 N
	+E/-W	0.0 usft	Easting:	636,704.20 usft	Longitude:	103° 53' 20.219 W
Position Uncertainty	0.0 usft		Wellhead Elevation:		Ground Level:	3,576.0 usft

Wellbore	Lateral 1r0		
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Magnetics	Model Name	Sample Date	Declination (°)	Dip Angle (°)	Field Strength (nT)
	WMM_2010	1/14/2013	7.60	60.52	48,704

Design	Lateral 1r0		
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Audit Notes:				
Version:	Phase:	PROTOTYPE	Tie On Depth:	8,261.0
Vertical Section:	Depth From (TVD) (usft)	+N/-S (usft)	+E/-W (usft)	Direction (°)
	0.0	0.0	0.0	359.68

Plan Sections										
Measured Depth (usft)	Inclination (°)	Azimuth (°)	Vertical Depth (usft)	+N/-S (usft)	+E/-W (usft)	Dogleg Rate (°/100usft)	Build Rate (°/100usft)	Turn Rate (°/100usft)	TFO (°)	Target
8,261.0	0.00	0.00	8,261.0	0.0	0.0	0.00	0.00	0.00	0.00	
9,168.1	90.71	359.68	8,833.9	580.0	-3.3	10.00	10.00	-0.04	359.68	
13,209.0	90.71	359.68	8,784.0	4,620.6	-26.2	0.00	0.00	0.00	0.00	0.00 Shugart West #3H I

Aim Directional Services, LLC

Planning Report

Database:	EDM 5000.1 Single User Db	Local Co-ordinate Reference:	Well #3H
Company:	Nearburg Producing Company	TVD Reference:	WELL @ 3584.0usft (Original Well Elev)
Project:	Eddy County, New Mexico	MD Reference:	WELL @ 3584.0usft (Original Well Elev)
Site:	Shugart West 32 State #3H	North Reference:	Grid
Well:	#3H	Survey Calculation Method:	Minimum Curvature
Wellbore:	Lateral 1r0		
Design:	Lateral 1r0		

Planned Survey

Measured Depth (usft)	Inclination (°)	Azimuth (°)	Vertical Depth (usft)	+N/-S (usft)	+E/-W (usft)	Vertical Section (usft)	Dogleg Rate (°/100usft)	Build Rate (°/100usft)	Turn Rate (°/100usft)	
8,261.0	0.00	0.00	8,261.0	0.0	0.0	0.0	0.00	0.00	0.00	
KOP, Build 10.00°/100'										
8,300.0	3.90	359.68	8,300.0	1.3	0.0	1.3	10.00	10.00	0.00	
8,350.0	8.90	359.68	8,349.6	6.9	0.0	6.9	10.00	10.00	0.00	
8,400.0	13.90	359.68	8,398.6	16.8	-0.1	16.8	10.00	10.00	0.00	
8,450.0	18.90	359.68	8,446.6	30.9	-0.2	30.9	10.00	10.00	0.00	
8,500.0	23.90	359.68	8,493.1	49.1	-0.3	49.1	10.00	10.00	0.00	
8,550.0	28.90	359.68	8,537.9	71.4	-0.4	71.4	10.00	10.00	0.00	
8,600.0	33.90	359.68	8,580.6	97.4	-0.6	97.4	10.00	10.00	0.00	
8,650.0	38.90	359.68	8,620.8	127.1	-0.7	127.1	10.00	10.00	0.00	
8,700.0	43.90	359.68	8,658.3	160.1	-0.9	160.1	10.00	10.00	0.00	
8,750.0	48.90	359.68	8,692.8	196.3	-1.1	196.3	10.00	10.00	0.00	
8,800.0	53.90	359.68	8,723.9	235.4	-1.3	235.4	10.00	10.00	0.00	
8,850.0	58.90	359.68	8,751.6	277.0	-1.6	277.0	10.00	10.00	0.00	
8,900.0	63.90	359.68	8,775.5	320.9	-1.8	320.9	10.00	10.00	0.00	
8,950.0	68.90	359.68	8,795.5	366.7	-2.1	366.7	10.00	10.00	0.00	
9,000.0	73.90	359.68	8,811.5	414.1	-2.3	414.1	10.00	10.00	0.00	
9,050.0	78.90	359.68	8,823.2	462.6	-2.6	462.7	10.00	10.00	0.00	
9,100.0	83.90	359.68	8,830.7	512.1	-2.9	512.1	10.00	10.00	0.00	
9,150.0	88.90	359.68	8,833.9	561.9	-3.2	562.0	10.00	10.00	0.00	
9,168.1	90.71	359.68	8,833.9	580.0	-3.3	580.1	9.99	9.99	0.00	
Hold 90.71°, 359.68° Azimuth										
9,200.0	90.71	359.68	8,833.5	611.9	-3.5	612.0	0.00	0.00	0.00	
9,300.0	90.71	359.68	8,832.3	711.9	-4.0	711.9	0.00	0.00	0.00	
9,400.0	90.71	359.68	8,831.0	811.9	-4.6	811.9	0.00	0.00	0.00	
9,500.0	90.71	359.68	8,829.8	911.9	-5.2	911.9	0.00	0.00	0.00	
9,600.0	90.71	359.68	8,828.6	1,011.9	-5.7	1,011.9	0.00	0.00	0.00	
9,700.0	90.71	359.68	8,827.3	1,111.9	-6.3	1,111.9	0.00	0.00	0.00	
9,800.0	90.71	359.68	8,826.1	1,211.9	-6.9	1,211.9	0.00	0.00	0.00	
9,900.0	90.71	359.68	8,824.9	1,311.9	-7.4	1,311.9	0.00	0.00	0.00	
10,000.0	90.71	359.68	8,823.6	1,411.9	-8.0	1,411.9	0.00	0.00	0.00	
10,100.0	90.71	359.68	8,822.4	1,511.9	-8.6	1,511.9	0.00	0.00	0.00	
10,200.0	90.71	359.68	8,821.2	1,611.9	-9.1	1,611.9	0.00	0.00	0.00	
10,300.0	90.71	359.68	8,819.9	1,711.8	-9.7	1,711.9	0.00	0.00	0.00	
10,400.0	90.71	359.68	8,818.7	1,811.8	-10.3	1,811.9	0.00	0.00	0.00	
10,500.0	90.71	359.68	8,817.5	1,911.8	-10.8	1,911.9	0.00	0.00	0.00	
10,600.0	90.71	359.68	8,816.2	2,011.8	-11.4	2,011.8	0.00	0.00	0.00	
10,700.0	90.71	359.68	8,815.0	2,111.8	-12.0	2,111.8	0.00	0.00	0.00	
10,800.0	90.71	359.68	8,813.8	2,211.8	-12.5	2,211.8	0.00	0.00	0.00	
10,900.0	90.71	359.68	8,812.5	2,311.8	-13.1	2,311.8	0.00	0.00	0.00	
11,000.0	90.71	359.68	8,811.3	2,411.8	-13.7	2,411.8	0.00	0.00	0.00	
11,100.0	90.71	359.68	8,810.1	2,511.8	-14.2	2,511.8	0.00	0.00	0.00	
11,200.0	90.71	359.68	8,808.8	2,611.8	-14.8	2,611.8	0.00	0.00	0.00	
11,300.0	90.71	359.68	8,807.6	2,711.8	-15.4	2,711.8	0.00	0.00	0.00	
11,400.0	90.71	359.68	8,806.3	2,811.7	-15.9	2,811.8	0.00	0.00	0.00	
11,500.0	90.71	359.68	8,805.1	2,911.7	-16.5	2,911.8	0.00	0.00	0.00	
11,600.0	90.71	359.68	8,803.9	3,011.7	-17.1	3,011.8	0.00	0.00	0.00	
11,700.0	90.71	359.68	8,802.6	3,111.7	-17.6	3,111.8	0.00	0.00	0.00	
11,800.0	90.71	359.68	8,801.4	3,211.7	-18.2	3,211.8	0.00	0.00	0.00	
11,900.0	90.71	359.68	8,800.2	3,311.7	-18.8	3,311.7	0.00	0.00	0.00	
12,000.0	90.71	359.68	8,798.9	3,411.7	-19.3	3,411.7	0.00	0.00	0.00	
12,100.0	90.71	359.68	8,797.7	3,511.7	-19.9	3,511.7	0.00	0.00	0.00	
12,200.0	90.71	359.68	8,796.5	3,611.7	-20.5	3,611.7	0.00	0.00	0.00	
12,300.0	90.71	359.68	8,795.2	3,711.7	-21.0	3,711.7	0.00	0.00	0.00	

Aim Directional Services, LLC

Planning Report

Database:	EDM 5000.1 Single User Db	Local Co-ordinate Reference:	Well #3H
Company:	Nearburg Producing Company	TVD Reference:	WELL @ 3584.0usft (Original Well Elev)
Project:	Eddy County, New Mexico	MD Reference:	WELL @ 3584.0usft (Original Well Elev)
Site:	Shugart West 32 State #3H	North Reference:	Grid
Well:	#3H	Survey Calculation Method:	Minimum Curvature
Wellbore:	Lateral 1r0		
Design:	Lateral 1r0		

Planned Survey										
Measured Depth (usft)	Inclination (°)	Azimuth (°)	Vertical Depth (usft)	+N/-S (usft)	+E/-W (usft)	Vertical Section (usft)	Dogleg Rate (°/100usft)	Build Rate (°/100usft)	Turn Rate (°/100usft)	
12,400.0	90.71	359.68	8,794.0	3,811.6	-21.6	3,811.7	0.00	0.00	0.00	
12,500.0	90.71	359.68	8,792.8	3,911.6	-22.2	3,911.7	0.00	0.00	0.00	
12,600.0	90.71	359.68	8,791.5	4,011.6	-22.7	4,011.7	0.00	0.00	0.00	
12,700.0	90.71	359.68	8,790.3	4,111.6	-23.3	4,111.7	0.00	0.00	0.00	
12,800.0	90.71	359.68	8,789.1	4,211.6	-23.9	4,211.7	0.00	0.00	0.00	
12,900.0	90.71	359.68	8,787.8	4,311.6	-24.4	4,311.7	0.00	0.00	0.00	
13,000.0	90.71	359.68	8,786.6	4,411.6	-25.0	4,411.7	0.00	0.00	0.00	
13,100.0	90.71	359.68	8,785.3	4,511.6	-25.6	4,511.7	0.00	0.00	0.00	
13,209.0	90.71	359.68	8,784.0	4,620.6	-26.2	4,620.6	0.00	0.00	0.00	
PBHL - Lateral										

Design Targets										
Target Name	Dip Angle (°)	Dip Dir. (°)	TVD (usft)	+N/-S (usft)	+E/-W (usft)	Northing (usft)	Easting (usft)	Latitude	Longitude	
hit/miss target										
- Shape										
Shugart West #3H BI-	0.00	0.00	8,784.0	4,620.6	-26.2	622,351.00	636,678.00	32° 42' 36.550 N	103° 53' 20.299 W	
- plan hits target center										
- Point										

Plan Annotations					
Measured Depth (usft)	Vertical Depth (usft)	Local Coordinates		Comment	
		+N/-S (usft)	+E/-W (usft)		
8,261.0	8,261.0	0.0	0.0	KOP, Build 10.00°/100'	
9,168.1	8,833.9	580.0	-3.3	Hold 90.71°, 359.68° Azimuth	
13,209.0	8,784.0	4,620.6	-26.2	PBHL - Lateral	