

UNITED STATES  
DEPARTMENT OF THE INTERIOR  
BUREAU OF LAND MANAGEMENT

OCD-HOBBS H-06-61 5/25/06

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. NMNM4312
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		7. Unit or CA Agreement Name and No.
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. <b>&lt;15742&gt;</b> Pennzoil Federal #5
4. Location of Well (Report location clearly and in accordance with any State requirements)* At surface    660 FNL and 1980 FEL  At proposed prod. zone <b>Unit B</b>		9. API Well No. 30-025-38022
14. Distance in miles and direction from nearest town or post office* 9 miles NE of Halfway, NM		10. Field and Pool, or Exploratory E-K; Bone Spring
15. Distance from proposed* location to nearest property or lease line, ft. (Also to nearest drg. unit line, if any) 660		11. Sec., T., R., M., or Blk. and Survey or Area Sec 1, 19S, 33E
16. No. of Acres in lease 650.45		12. County or Parish Lea
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. 660		20. BLM/BIA Bond No. on file NMB000153
19. Proposed Depth 10,000		21. Elevations (Show whether DF, KDB, RT, GL, etc.) 3795
22. Approximate date work will start* 7/1/06		23. Estimated duration 40 days

24. Attachments      **Capitan 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.  | 4. Bond to cover the operations unless covered by an existing bond on file (see Item 20 above).    |
| 2. A Drilling Plan  | 5. Operator certification.   |
| 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). | 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 5-24-06
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Title Production Analyst		
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Approved by (Signature) <b>/s/ Tony J. Herrell</b>	Name (Printed/Typed) <b>/s/ Tony J. Herrell</b>	Date JUL 19 2006
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Title <b>FIELD MANAGER</b>	Office <b>CARLSBAD FIELD OFFICE</b>
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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)

Witness Surface Casing

*Ka*

**APPROVAL SUBJECT TO  
GENERAL REQUIREMENTS AND  
SPECIAL STIPULATIONS  
ATTACHED**

**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: NMNM4312

Legal Description of Land: 660 FNL and 1980 FEL  
Sec. 1, T19S, R33E  
Lea County, New Mexico

Formation(s) (if applicable): E-K; Bone Spring

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

BLM Bond File No: NMB000153

5-24-06  
Date

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

State of New Mexico

Energy, Minerals and Natural Resources Department

DISTRICT I

325 N. FRENCH DR., HOBBS, 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 October 12, 2005  
Submit to Appropriate District Office  
State Lease - 4 Copies  
Fee Lease - 3 Copies

WELL LOCATION AND ACREAGE DEDICATION PLAT

AMENDED REPORT

API Number 30-025-38022		Pool Code 2150	Pool Name CK Bone Spring
Property Code 8414	Property Name PENNZOIL FEDERAL		Well Number 5
OGRID No. 015742	Operator Name NEARBURG PRODUCING COMPANY		Elevation 3795'

Surface Location

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
2	1	19-S	33-E		660	NORTH	1980	EAST	LEA

Bottom Hole Location If Different From Surface

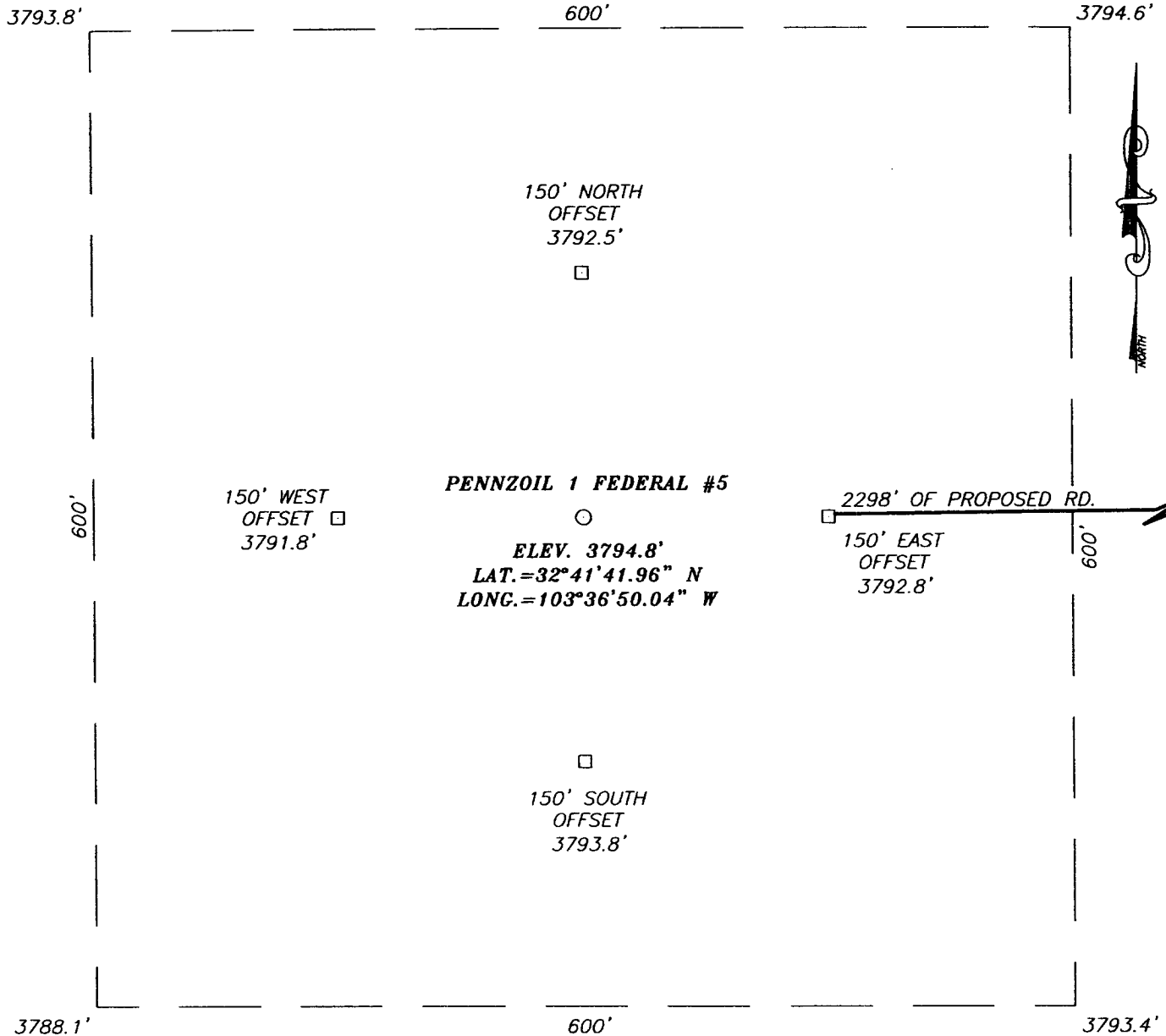
UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County

Dedicated Acres 80	Joint or Infill 9045	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

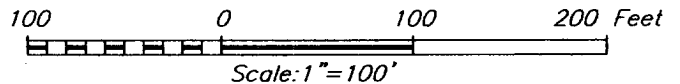
<p>LOT 4 44.54 AC</p>	<p>LOT 3 44.81 AC</p>	<p>LOT 2 45.09 AC</p>	<p>LOT 1 45.36 AC</p>
<p>GEODETIC COORDINATES NAD 27 NME Y=617298.6 N X=721324.8 E LAT.=32°41'41.96" N LONG.=103°36'50.04" W</p>			
<p style="text-align: center;"><b>OPERATOR CERTIFICATION</b></p> <p><i>I hereby certify that the information herein is true and complete to the best of my knowledge and belief, and that this organization either owns a working interest or unleased mineral interest in the land including the proposed bottom hole location or has a right to drill this well at this location pursuant to a contract with an owner of such mineral or working interest, or to a voluntary pooling agreement or a compulsory pooling order heretofore entered by the division.</i></p> <p>Signature: <u>[Signature]</u> Date: <u>5-24-06</u> Printed Name: <u>Paul Analyst</u></p>			
<p style="text-align: center;"><b>SURVEYOR CERTIFICATION</b></p> <p><i>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.</i></p> <p style="text-align: right;">APRIL 18, 2006</p> <p>Date Surveyed: <u>APRIL 18, 2006</u> MR Signature &amp; Seal of Professional Surveyor: <u>[Signature]</u> Certificate No. <u>GARY EIDSON</u> 12841</p>			

**SECTION 1, TOWNSHIP 19 SOUTH, RANGE 33 EAST, N.M.P.M.,**  
 LEA COUNTY, NEW MEXICO



**DIRECTIONS TO LOCATION**

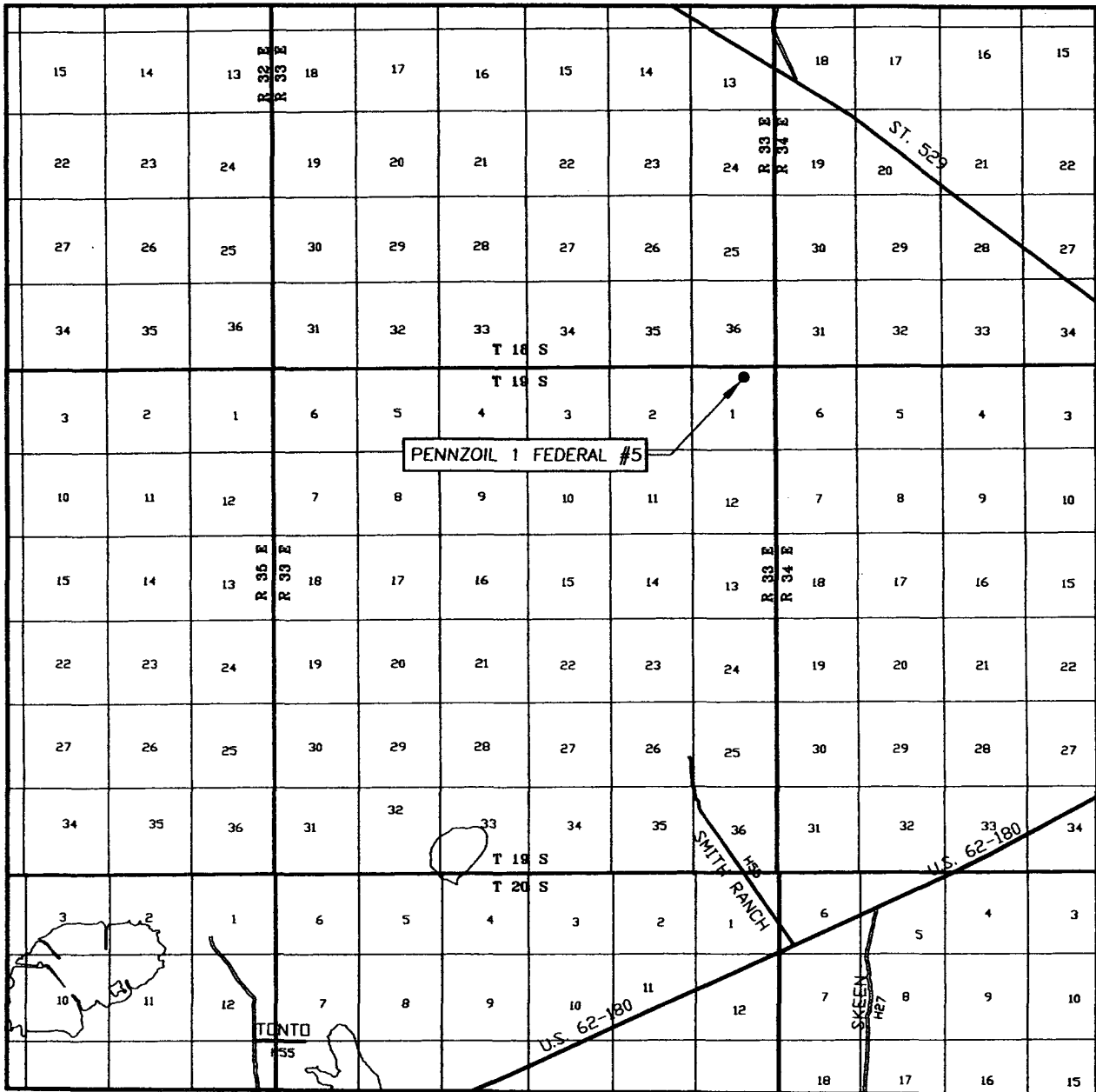
FROM THE INTERSECTION OF U.S. HWY. 62-180 AND CO. RD. H-55 (SMITH RANCH RD.), GO NORTH ON SMITH RANCH RD. APPROX. 2.1 MILES. TURN RIGHT (THROUGH CATTLE GUARD) AND GO NORTHEAST APPROX. 2.0 MILES TO A ROAD INTERSECTION. TURN LEFT AND GO NORTH APPROX. 3.0 MILES. TURN LEFT AND GO WEST APPROX. 0.6 MILES. VEER LEFT AND GO NORTHWEST APPROX. 0.65 MILES TO THE NORTH END OF PENNZOIL 1 FEDERAL #3 WELL PAD TO A BEGIN ROAD SURVEY NORTHWEST APPROX. 0.37 MILES. TURN LEFT AND GO WEST APPROX. 490 FEET TO THIS LOCATION.



PROVIDING SURVEYING SERVICES  
 SINCE 1946  
**JOHN WEST SURVEYING COMPANY**  
 412 N. DAL PASO  
 HOBBS, N.M. 88240  
 (505) 393-3117


<b>NEARBURG PRODUCING COMPANY</b>			
PENNZOIL 1 FEDERAL #5 LOCATED 660 FEET FROM THE NORTH LINE AND 1980 FEET FROM THE EAST LINE OF SECTION 1, TOWNSHIP 19 SOUTH, RANGE 33 EAST, N.M.P.M., LEA COUNTY, NEW MEXICO.			
Survey Date: 04/18/06	Sheet 1 of 1 Sheets		
W.O. Number: 06.11.0669	Dr By: M.R.	Rev 1:N/A	
Date: 04/24/06	Disk: CD#6	06110669	Scale: 1"=100'

# VICINITY MAP



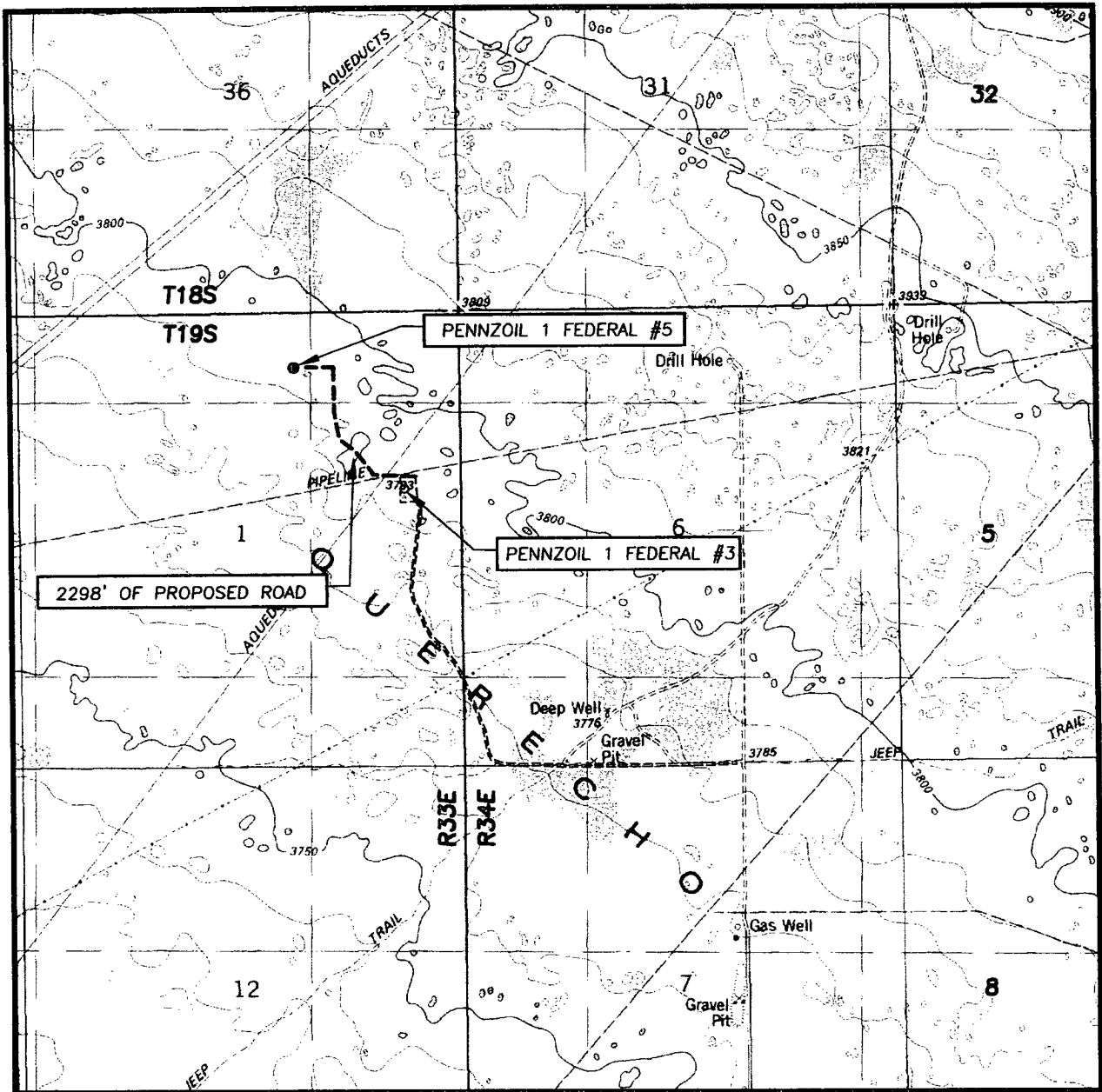
SCALE: 1" = 2 MILES

SEC. 1 TWP. 19-S RGE. 33-E  
 SURVEY N.M.P.M.  
 COUNTY LEA STATE NEW MEXICO  
 DESCRIPTION 660' FNL & 1980' FEL  
 ELEVATION 3795'  
 OPERATOR NEARBURG PRODUCING COMPANY  
 LEASE PENNZOIL 1 FEDERAL



**PROVIDING SURVEYING SERVICES**  
 SINCE 1946  
**JOHN WEST SURVEYING COMPANY**  
 412 N. DAL PASO  
 HOBBS, N.M. 88240  
 (505) 393-3117

# LOCATION VERIFICATION MAP



SCALE: 1" = 2000'

CONTOUR INTERVAL:  
IRONHOUSE WELL, N.M. - 10'

SEC. 1 TWP. 19-S RGE. 33-E

SURVEY \_\_\_\_\_ N.M.P.M.

COUNTY LEA STATE NEW MEXICO


DESCRIPTION 660' FNL & 1980' FEL

ELEVATION 3795'

OPERATOR NEARBURG PRODUCING COMPANY

LEASE PENNZOIL 1 FEDERAL

U.S.G.S. TOPOGRAPHIC MAP  
IRONHOUSE WELL, N.M.



**PROVIDING SURVEYING SERVICES**  
**SINCE 1946**  
**JOHN WEST SURVEYING COMPANY**  
 412 N. DAL PASO  
 HOBBS, N.M. 88240  
 (505) 393-3117

**ATTACHMENT TO FORM 3160-3  
 PENNZOIL 1 FEDERAL #5  
 SECTION 1, T19S, R33E  
 LEA COUNTY, NEW MEXICO**

**DRILLING PROGRAM**

1. GEOLOGIC NAME OF SURFACE FORMATION

Quaternary Alluvium

2. ESTIMATED TOPS OF IMPORTANT GEOLOGIC MARKERS

Yates	3900	Delaware	6100
Queen	4100	Bone Spring	7700
San Andres	5000	1st Bone Spring	9000
		2nd Bone Spring	9500

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

Bone Spring      Oil                      9000-9600

4. CASING AND CEMENTING PROGRAM

<u>Casing Size</u>	<u>From</u>	<u>To</u>	<u>Weight</u>	<u>Grade</u>	<u>Joint</u>
13-3/8"	0'	450'	48#	NA	NA
8-5/8"	0'	5000'	36#	NA	NA
5-1/2"	4500'	10,000'	17# & 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 450'. 13-3/8" casing will be cemented with 500 sxs or volume necessary to bring cement back to surface.

11" hole will be drilled to 5,000' and 8-5/8" casing will be cemented with 1500 sxs 35/64 Poz "C" or volume based on fluid caliper necessary to bring cement back to surface.

7-7/8" hole will be drilled to 10,000' and 5-1/2" production casing will be cemented with approximately 800 sxs of 50/50 and 35/64 Poz "H" cement or volume necessary to tie back to 8-5/8" casing.

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

Re-entry will be drilled with fresh water gelled mud system.

7. AUXILIARY WELL CONTROL AND MONITORING EQUIPMENT

None required.

8. LOGGING, TESTING, AND CORING PROGRAM

None

9. ABNORMAL CONDITIONS, PRESSURES, TEMPERATURES & POTENTIAL HAZARDS

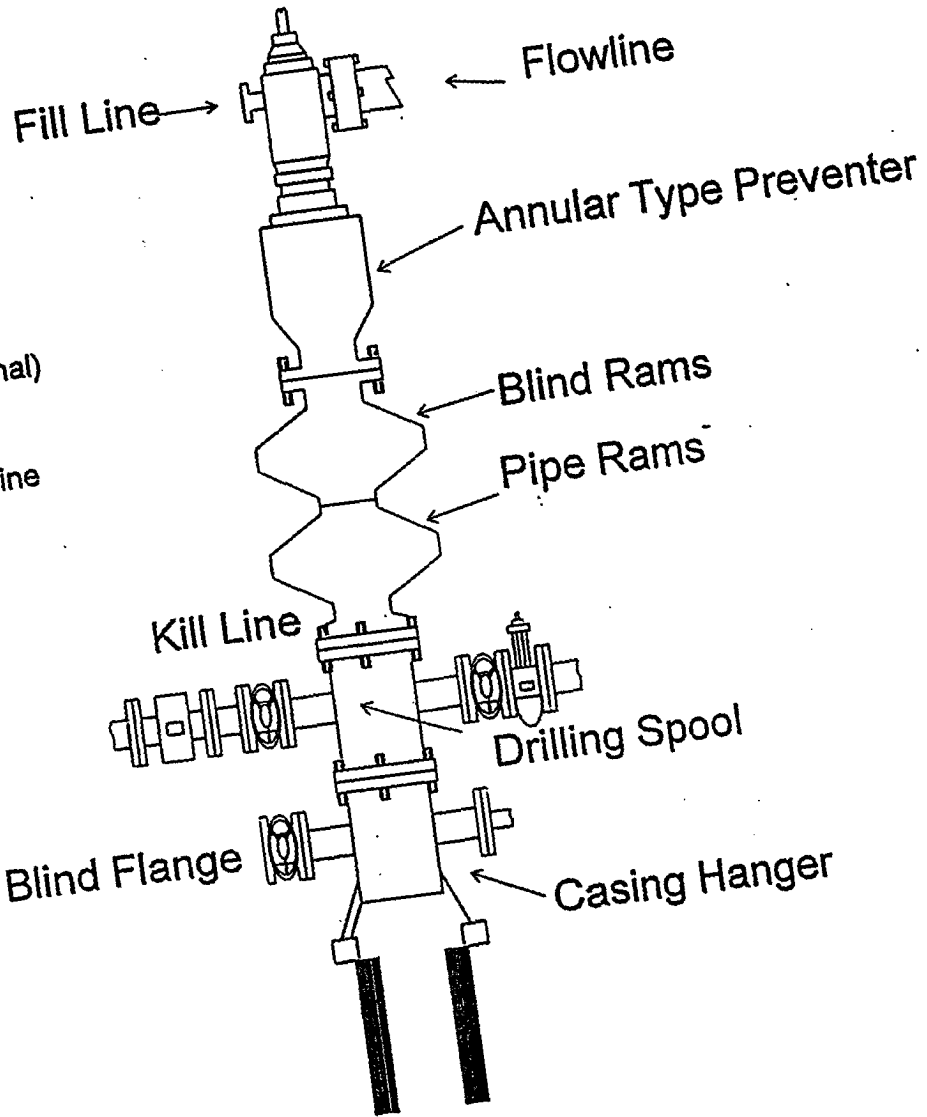
None anticipated.

10. ANTICIPATED STARTING DATE:

Is planned that operations will commence on July 1, 2006 with drilling and completion operation lasting about 40 days.

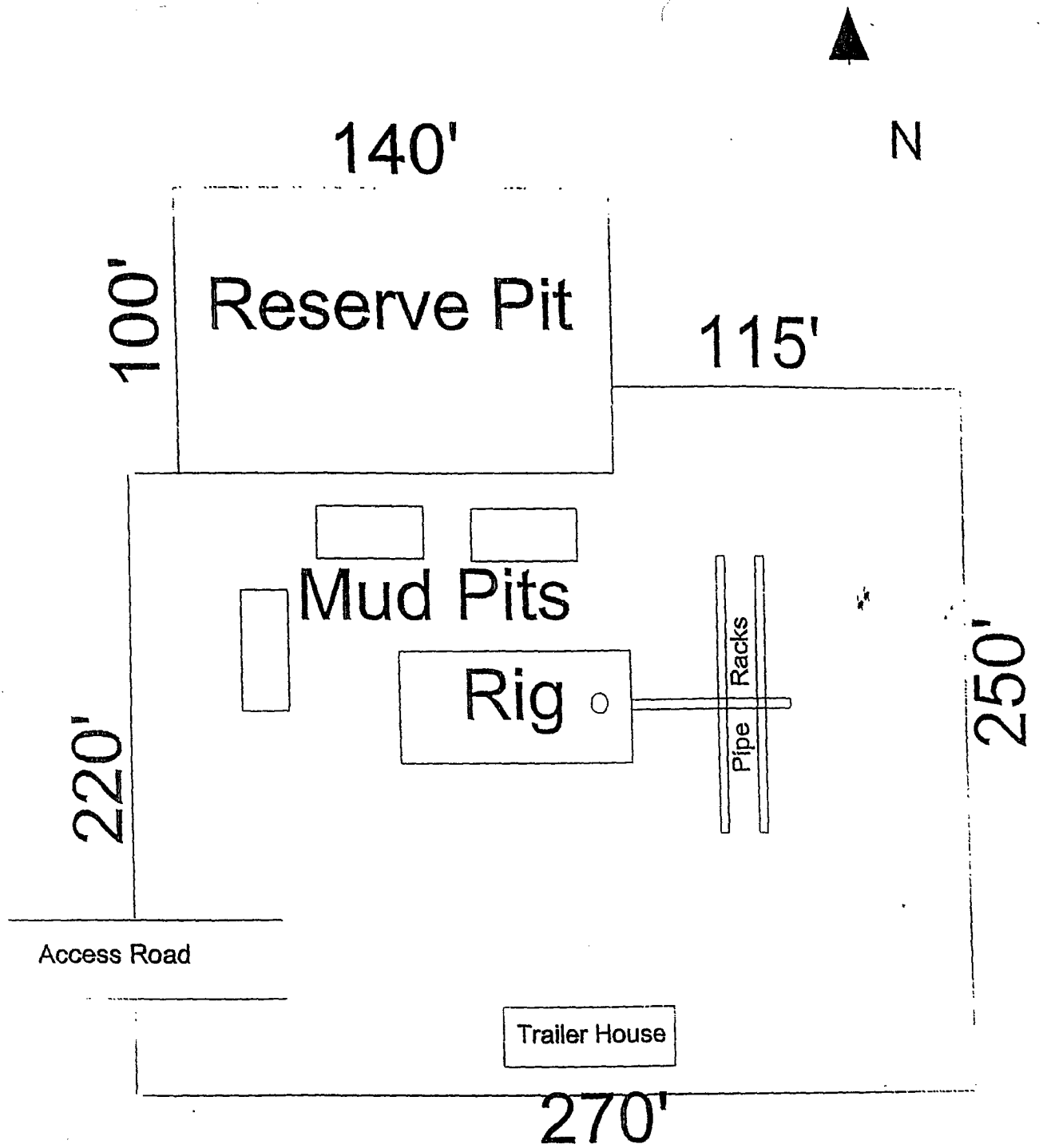


NEARBURG PRODUCING COMPANY  
BOPE SCHEMATIC



Rotating Head (Optional)  
Drilling Nipple option  
must include a fill-up  
line. Do not use kill line  
for fill up.

900 Series



**EXHIBIT B  
DRILLING RIG LAYOUT  
NEARBURG PRODUCING COMPANY**

**SCALE 1" = 50'**

**HYDROGEN SULFIDE DRILLING OPERATIONS PLANS  
NEARBURG PRODUCING COMPANY  
PENNZOIL 1 FEDERAL #5**

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.

## CONDITIONS OF APPROVAL - DRILLING

Well Name & No. 5 – PENNZOIL 1 FEDERAL  
Operator's Name: NEARBURG PRODUCING COMPANY  
Location: 660' FNL & 1980' FEL – SEC 1 – T19S – R33E – LEA COUNTY  
Lease: NM-4312

### I. DRILLING OPERATIONS REQUIREMENTS:

1. The Bureau of Land Management (BLM) is to be notified at the Roswell Field Office, 2909 West Second St., Roswell NM 88201, (505) 627-0272 for wells in Chaves and Roosevelt Counties; the Carlsbad Field Office, 620 East Greene St., Carlsbad, NM 88220, (505) 234-5909 or (505) 361-2822 (After hours) - for wells in Eddy County; and the Hobbs Field Station, 414 West Taylor, Hobbs NM 88240, (505) 393-3612 for wells in Lea County, in sufficient time for a representative to witness:
  - A. Spudding
  - B. Cementing casing: 13-3/8 inch 8-5/8 inch 5-1/2 inch
  - C. BOP tests
2. A Hydrogen Sulfide (H<sub>2</sub>S) Drilling Plan should be activated prior to drilling into the Yates Formation at approximately 3200 feet. A copy of the plan shall be posted at the drilling site.
3. Unless the production casing has been run and cemented or the well has been properly plugged, the drilling rig shall not be removed from over the hole without prior approval.
4. Submit a Sundry Notice (Form 3160-5, one original and five copies) for each casing string, describing the casing and cementing operations. Include pertinent information such as; spud date, hole size, casing ( size, weight, grade and thread type), cement (type, quantity and top), water zones and problems or hazards encountered. The Sundry shall be submitted within 15 days of completion of each casing string. The reports may be combined into the same Sundry if they fall within the same 15 day time frame.
5. The API No. assigned to the well by NMOCD shall be included on the subsequent report of setting the first casing string.

### II. CASING:

1. The 13-3/8 inch surface casing shall be set at 450 feet and cement circulated to the surface. If cement does not circulate to the surface the appropriate BLM office shall be notified and a temperature survey or cement bond log shall be run to verify the top of the cement. Remedial cementing shall be completed prior to drilling out that string.
2. The minimum required fill of cement behind the 8-5/8 inch intermediate casing is circulate cement to the surface.
4. The minimum required fill of cement behind the 5-1/2 inch production casing is cement shall extend upward a minimum of 500 feet above the uppermost hydrocarbon bearing interval.

### III. PRESSURE CONTROL:

1. All BOP systems and related equipment shall comply with well control requirements as described in Onshore Oil and Gas Order No. 2. The BOP and related equipment shall be installed and operational before drilling below the 13-3/8 inch casing shoe and shall be tested as described in Onshore Order No. 2. Any equipment failing to test satisfactorily shall be repaired or replaced.
2. Minimum working pressure of the blowout preventer and related equipment (BOPE) is 3000 psi.
3. The appropriate BLM office shall be notified in sufficient time for a representative to witness the tests.
  - The tests shall be done by an independent service company.
  - The results of the test shall be reported to the appropriate BLM office.
  - Testing fluid must be water or an appropriate clear liquid suitable for sub-freezing temperatures. Use of drilling mud for testing is not permitted since it can mask small leaks.
  - Testing must be done in a safe workman-like manner. Hard line connections shall be required.

## **ALTERNATIVE CONDITIONS OF APPROVAL - DRILLING**

### **Drilling Fluids, Casing and Cementing Requirements for Most of Lea County:**

#### **Casing and Cementing**

Surface casing is to be set at a sufficient depth to protect useable water zones and cement circulated to surface. In areas where the salt section (Salado) is present, surface casing should be set at least 25 feet into the top of the Rustler Anhydrite and cement circulated to the surface.

As an alternative, surface casing may be set through the Santa Rosa Formation or other potable water bearing zones and circulate cement to surface. For wells requiring an intermediate casing string, such string shall be cemented to the ground surface. In the case where intermediate casing is not required the operator shall case and cement the production hole to the ground surface.

While drilling from the surface casing to the Rustler formation it is recommended that operators periodically sweep the hole with viscous low water loss pills to help build a filter cake across useable water zones in the redbeds.

#### **Drilling Fluid**

Fresh water or fresh water spud mud shall be used to drill to surface casing depth. If surface casing is set at a lesser depth than the top of the Rustler formation., fresh water spud mud may be used to drill down to the first salt in the Rustler Formation. after which brine or fresh water may be used.

Non-toxic or biodegradable water based polymers, drilling paper, starch and gels may be used in the mud system in order to retard seepage into the redbeds.

Two to five percent diesel or crude oil may be used in the redbed section in order to control heaving shales and mudstones.

Caustics and Lime shall not be used in the red beds but may be added when the Rustler formation is reached. However, sodium carbonate maybe used for alkalinity or ph control while drilling the redbeds above the Rustler formation.

Additionally, questions of whether an additive may be used should be referred to the Roswell Field office.

District I  
1625 N. French Dr., Hobbs, NM 88240  
District II  
1301 W. Grand Avenue, Artesia, NM 88210  
District III  
1000 Rio Brazos Road, Aztec, NM 87410  
District IV  
1220 S. St. Francis Dr., Santa Fe, NM 87505

State of New Mexico  
Energy, Minerals and Natural Resources

Form C-144  
June 1, 2004

Oil Conservation Division  
1220 South St. Francis Dr.  
Santa Fe, NM 87505

For drilling and production facilities, submit to appropriate NMOCD District Office.  
For downstream facilities, submit to Santa Fe office.

**Pit or Below-Grade Tank Registration or Closure**

Is pit or below-grade tank covered by a "general plan"? Yes  No   
Type of action: Registration of a pit or below-grade tank  Closure of a pit or below-grade tank

Operator: Nearburg Producing Company Telephone: 432/686-8235 e-mail address: s.jordan@nearburg.com  
Address: 3300 N A St., Bldg 2, Ste 120, Midland, TX 79705  
Facility or well name: Pennzoil Federal #5 API #: 30-025-38028 U/L or Qtr/Qtr 2 Sec 1 T 19S R 33E  
County: Lea Latitude \_\_\_\_\_ Longitude \_\_\_\_\_ NAD: 1927  1983  Surface Owner Federal  State  Private  Indian

<b>Pit</b> Type: Drilling <input checked="" type="checkbox"/> Production <input type="checkbox"/> Disposal <input type="checkbox"/> Workover <input type="checkbox"/> Emergency <input type="checkbox"/> Lined <input checked="" type="checkbox"/> Unlimited <input type="checkbox"/> Liner type: Synthetic <input checked="" type="checkbox"/> Thickness <u>12</u> mil Clay <input type="checkbox"/> Pit Volume _____ bbl	<b>Below-grade tank</b> Volume: _____ bbl Type of fluid: _____ Construction material: _____ Double-walled, with leak detection? Yes <input type="checkbox"/> If not, explain why not. _____
Depth to ground water (vertical distance from bottom of pit to seasonal high water elevation of ground water.)	Less than 50 feet (20 points) 50 feet or more, but less than 100 feet (10 points) 100 feet or more (0 points) <b>X</b>
Wellhead protection area. (Less than 200 feet from a private domestic water source, or less than 1000 feet from all other water sources.)	Yes (20 points) No (0 points) <b>X</b>
Distance to surface water: (horizontal distance to all wetlands, playas, irrigation canals, ditches, and perennial and ephemeral watercourses.)	Less than 200 feet (20 points) 200 feet or more, but less than 1000 feet (10 points) 1000 feet or more (0 points) <b>X</b>
<b>Ranking Score (Total Points)</b>	
<b>0</b>	

If this is a pit closure: (1) attach a diagram of the facility showing the pit's relationship to other equipment and tanks. (2) Indicate disposal location: (check the onsite box if you are burying in place) onsite  offsite  If offsite, name of facility \_\_\_\_\_ (3) Attach a general description of remedial action taken including remediation start date and end date. (4) Groundwater encountered: No  Yes  If yes, show depth below ground surface \_\_\_\_\_ and attach sample results. (5) Attach soil sample results and a diagram of sample locations and excavations.

Additional Comments: \_\_\_\_\_

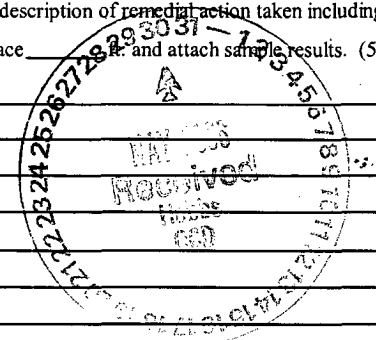
\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_



I hereby certify that the information above is true and complete to the best of my knowledge and belief. I further certify that the above-described pit or below-grade tank has been/will be constructed or closed according to NMOCD guidelines , a general permit , or an (attached) alternative OCD-approved plan .

Date: 5/24/06  
Printed Name/Title: Sarah Jordan, Production Analyst Signature: [Signature]

Your certification and NMOCD approval of this application/closure does not relieve the operator of liability should the contents of the pit or tank contaminate ground water or otherwise endanger public health or the environment. Nor does it relieve the operator of its responsibility for compliance with any other federal, state, or local laws and/or regulations.

Approval:  
Date: JUL 24 2006  
Printed Name/Title: PETROLEUM ENGINEER Signature: [Signature]



**Nearburg Producing Company**

---

Exploration and Production  
3300 North "A" Street  
Building 2, Suite 120  
Midland, Texas 79705  
432/686-8235  
FAX: 432/686-7806

May 24, 2006

NM Oil Conservation Division  
1625 N. French Dr.  
Hobbs, NM 88240


Ref: Pennzoil 1 Federal #5  
660 FNL and 1980 FEL  
Sec 1, 19S, 33E  
Lea County, NM

Sirs:

This is a new drill to the Bone Springs formation. We do not anticipate encountering H2S and fill no contingency plan is needed. Nearburg will have proper equipment on location in case H2S is encountered.

If you have any questions or need further information, please call me at the letterhead number.

Sincerely,

  
Sarah Jordan  
Production Analyst

/sj

