

6-24-11 DATE IN	SUSPENSE	ENGINEER DB	LOGGED IN 6.28.11	TYPE NSL	APP NO 1117937549
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PTGW

ABOVE THIS LINE FOR DIVISION USE ONLY

NEW MEXICO OIL CONSERVATION DIVISION
- Engineering Bureau -
1220 South St. Francis Drive, Santa Fe, NM 87505



Nearburg 15472

Hube Fed #5H

6416

ADMINISTRATIVE APPLICATION CHECKLIST

THIS CHECKLIST IS MANDATORY FOR ALL ADMINISTRATIVE APPLICATIONS FOR EXCEPTIONS TO DIVISION RULES AND REGULATIONS WHICH REQUIRE PROCESSING AT THE DIVISION LEVEL IN SANTA FE

Application Acronyms:

- [NSL-Non-Standard Location] [NSP-Non-Standard Proration Unit] [SD-Simultaneous Dedication]
- [DHC-Downhole Commingling] [CTB-Lease Commingling] [PLC-Pool/Lease Commingling]
- [PC-Pool Commingling] [OLS - Off-Lease Storage] [OLM-Off-Lease Measurement]
- [WFX-Waterflood Expansion] [PMX-Pressure Maintenance Expansion]
- [SWD-Salt Water Disposal] [IPI-Injection Pressure Increase]
- [EOR-Qualified Enhanced Oil Recovery Certification] [PPR-Positive Production Response]

- [1] **TYPE OF APPLICATION** - Check Those Which Apply for [A]
- [A] Location - Spacing Unit - Simultaneous Dedication
 NSL NSP SD
- Check One Only for [B] or [C]
- [B] Commingling - Storage - Measurement
 DHC CTB PLC PC OLS OLM
- [C] Injection - Disposal - Pressure Increase - Enhanced Oil Recovery
 WFX PMX SWD IPI EOR PPR
- [D] Other: Specify _____

Eddy/Fed

- [2] **NOTIFICATION REQUIRED TO:** - Check Those Which Apply, or Does Not Apply
- [A] Working, Royalty or Overriding Royalty Interest Owners
- [B] Offset Operators, Leaseholders or Surface Owner
- [C] Application is One Which Requires Published Legal Notice
- [D] Notification and/or Concurrent Approval by BLM or SLO
U.S. Bureau of Land Management - Commissioner of Public Lands, State Land Office
- [E] For all of the above, Proof of Notification or Publication is Attached, and/or,
- [F] Waivers are Attached

[3] **SUBMIT ACCURATE AND COMPLETE INFORMATION REQUIRED TO PROCESS THE TYPE OF APPLICATION INDICATED ABOVE.**

[4] **CERTIFICATION:** I hereby certify that the information submitted with this application for administrative approval is **accurate** and **complete** to the best of my knowledge. I also understand that **no action** will be taken on this application until the required information and notifications are submitted to the Division.

Note: Statement must be completed by an individual with managerial and/or supervisory capacity.

Print or Type Name	Signature	Title	Date
		e-mail Address	



**MONTGOMERY
& ANDREWS**
LAW FIRM

J. SCOTT HALL

Office: (505) 986-2646
Email: shall@montand.com
Reply To: Santa Fe Office
www.montand.com

RECEIVED
OCD
2011 JUL 11 P 2:06

July 11, 2011

Ms. Jami Bailey, Director
New Mexico Oil Conservation Division
1220 S. St. Francis Dr.
Santa Fe, NM 87505

Hand Delivered

**Re: Nearburg Producing Company
Request for Administrative Approval
Unorthodox Well Location and Non-Standard Spacing Unit
North Seven Rivers Glorieta-Yeso Pool (97565)**

**Huber Federal Well No. 5-H
API No. [pending]
10' FSL and 1980' FWL (N) (Surface)
330' FNL and 1980' FWL (C) (Bottom hole)
Section 3, T20S, R25E
Eddy County, New Mexico**

Dear Ms. Bailey:

On June 24, 2011, we filed on behalf of Nearburg Producing Company ("Nearburg") an application for administrative approval for an unorthodox well location for the Huber Federal Well No. 5H to be drilled at the surface and bottom-hole locations reflected above. Simultaneous with the filing with the Division, Mewbourne Oil Company, the operator of the offsetting unit to the south in the N/2 NW/4 of Section 10 was notified of Nearburg's application pursuant to Rule 19.15.4.12 A(2).

Since the time of filing and notification, Mewbourne Oil Company has provided Nearburg with written waivers of objections to Nearburg's well location and administrative application. The form of Mewbourne's waiver is evidenced by Exhibits A and B, attached hereto.

With these waivers, the twenty day waiting period under Rule 19.15.15.13.D is now obviated, and if the Division finds no other deficiencies, the application may now proceed to administrative approval. As I understand the rig is moving onto the location

REPLY TO:

325 Paseo de Peralta
Santa Fe, New Mexico 87501
Telephone (505) 982-3873 • Fax (505) 982-4289

Post Office Box 2307
Santa Fe, New Mexico 87504-2307

6301 Indian School Road NE, Suite 400
Albuquerque, New Mexico 87110
Telephone (505) 884-4200 • Fax (505) 888-8929

Post Office Box 36210
Albuquerque, New Mexico 87176-6210

Ms. Jami Bailey
July 11, 2011
Page 2

within the week and the commencement of drilling is imminent, expedited approval of Nearburg's application would be most appreciated.

Thank you for your consideration of this request. Should more information be required, please do not hesitate to contact me.

Very truly yours,

MONTGOMERY & ANDREWS, P. A.

A handwritten signature in black ink, appearing to read "J. Scott Hall". The signature is written in a cursive style with a prominent loop at the end.

J. Scott Hall
Attorneys for Nearburg Producing Company

JSH:kw

Enclosures:

Exhibit A
Exhibit B

cc: David Brooks, Esq., NMOCD (Hand Delivered)
Russell Wickman, Nearburg Producing Company

Nearburg Producing Company

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

June 23, 2011

Via Email cmitchell@mewbourne.com and U.S. Mail

**Mewbourne Oil Company
500 W. Texas, Suite 1020
Midland, Texas 79701
Attn: Mr. Corey Mitchell**

**Re: Seven Rivers Prospect
Eddy County, New Mexico
Unorthodox Well location
Huber #5H
Section 3, T-20-S; R-25-E, N.M.P.M.**

Gentlemen:

Nearburg Producing Company (Nearburg) as Operator proposes to drill a horizontal well at a surface location (SL) of 10' FSL & 1,980' FWL of Section 3, T-19-S, R-25-E, Eddy County, New Mexico to a bottom hole location (EOL) of 330' FNL & 1,980' FWL of the captioned Section 3. The proposed well will be drilled to a true vertical depth (TVD) of approximately 2,682 feet subsurface to evaluate the Yeso formation for oil production. The proposed well will have a measured depth (MD) of approximately 7,362 feet. A non-standard spacing and proration unit comprised of the E/2W/2 of the captioned Section 3 will be dedicated to the well.

Nearburg seeks a waiver of objection to the surface location and the proposed non-standard unit from Mewbourne Oil Company (Mewbourne), as an offset operator, for the New Mexico Oil Conservation Division to grant approval to Nearburg to drill the referenced well at the referenced unorthodox surface location.

Nearburg wishes to drill this well at the proposed location as we feel it is necessary if we are to maximize our recovery of oil and gas reserves underlying our lease. While the well is planned to penetrate the Yeso formation at a location closer than 330' FNL of Mewbourne's lease in the N/2NW/4 of Section 10, the well will not be completed or produced from the Yeso formation at a location closer than 330' FNL of such Mewbourne lease.

Please indicate Mewbourne's agreement to grant Nearburg the suggested waiver by signing and returning the duplicate originals of this letter to me at your earliest convenience so that we can proceed with applying for administrative approval of the above referenced unorthodox surface location and non-standard unit. Thanks for your cooperation in connection with our application.

EXHIBIT A

Mewbourne Oil Company
Huber #5H
Unorthodox Well Location
June 23, 2011
Page 2 of 2

Should you have any questions regarding the above, please email me at rwickman@nearburg.com or call me at (432) 818-2913.

Sincerely,

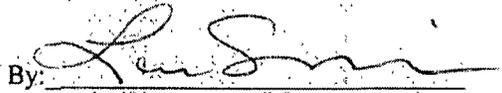
Nearburg Producing Company



Russell Wickman
Senior Landman

The undersigned has no objection to granting approval of the above referenced unorthodox location and waives notice of hearing regarding the same.

Mewbourne Oil Company

By: 

Date Signed: 7/8/11

Name: Larry Cunningham

Title: District Exploration Manager



**MONTGOMERY
& ANDREWS**
LAW FIRM

J. SCOTT HALL
Office: (505) 986-2646
Email: shall@montand.com
Reply To: Santa Fe Office
www.montand.com

June 24, 2011

Mewbourne Oil Co.
500 West Texas, Suite 1020
Midland, TX 79701

**CERTIFIED MAIL
RETURN RECEIPT REQUESTED**

**Re: Nearburg Producing Company
Request for Administrative Approval
Unorthodox Well Location and Non-Standard Spacing Unit
North Seven Rivers Glorieta-Yeso Pool (97565)**

**Huber Federal Well No. 5-H
API No. [pending]
10' FSL and 1980' FWL (N) (Surface)
330' FNL and 1980' FWL (C) (Bottom hole)
Section 3, T20S, R25E
Eddy County, New Mexico**

Dear Sir or Madam:

Pursuant to New Mexico Oil Conservation Division (NMOCD) Rule 19.15.15.13 D and 19.15.16.14, you are hereby notified that on June 23, 2011, Nearburg Producing Company made application to the NMOCD for administrative approval for a non-standard spacing unit and an unorthodox well location for its Huber Federal Well No. 5H at the surface and bottom-hole locations reflected above for a well to be drilled to the Yeso formation, North Seven Rivers Glorieta-Yeso Pool, in Eddy County, New Mexico. A copy of the application is enclosed.

As the owner of an interest that may be affected, you have the right to object to the application. To do so, you must file a written protest with the NMOCD within twenty days. Failure to do so will prevent you from challenging the matter at a later time. A letter of protest may be sent to the NMOCD at 1220 South St. Francis Drive, Santa Fe, New Mexico 87505.

REPLY TO:

325 Paseo de Peralta
Santa Fe, New Mexico 87501
Telephone (505) 982-3873 • Fax (505) 982-4289

Post Office Box 2307
Santa Fe, New Mexico 87504-2307

6301 Indian School Road NE, Suite 400
Albuquerque, New Mexico 87110
Telephone (505) 884-4200 • Fax (505) 888-8929

Post Office Box 36210
Albuquerque, New Mexico 87176-6210

EXHIBIT B

Mewbourne Oil Co.
June 23, 2011
Page 2

Should you consent to the application and the proposed unorthodox well location, you are requested to indicate your waiver of objection by signing where indicated below and then returning this letter to me at your earliest convenience.

Sincerely,

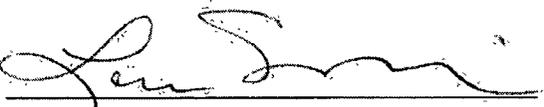


J. Scott Hall

JSH:kw

CONSENT:

Mewbourne Oil Co.

By 

289708

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

FORM APPROVED
OMB NO. 1004-0137
Expires March 31, 2007

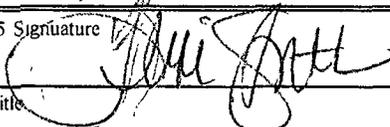
APPLICATION FOR PERMIT TO DRILL OR REENTER

5 Lease Serial No. NMNM14758	
6 If Indian, Allottee or Tribe Name	
7 Unit or CA Agreement Name and No.	
8. Lease Name and Well No. Huber Federal #5H	
9 API Well No.	
10. Field and Pool, or Exploratory N. Seven Rivers; Glor-Yeso	
11 Sec., T., R, M, or Blk. and Survey or Area 3-20S-25E	
12 County or Parish Eddy	
13. State NM	
14. Distance in miles and direction from nearest town or post office* 5 miles SW of Lakewood, NM	
15 Distance from proposed* location to nearest property or lease line, ft. (Also to nearest drg. unit line, if any) 10'	16. No. of Acres in lease 1442.36
17. Spacing Unit dedicated to this well 160.61 acres	
18. Distance from proposed location* to nearest well, drilling, completed, applied for, on this lease, ft. 2402'	19. Proposed Depth MD: 7362 TVD: 2682
20. BLM/BIA Bond No on file NMB000153	
21 Elevations (Show whether DF, KDB, RT, GL, etc) 3443	22. Approximate date work will start* 7/7/11
23. Estimated duration 10 days	

24. Attachments

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 	Name (Printed/Typed) Terri Stathem	Date 6/9/11
Title Regulatory / Production Analyst		
Approved by (Signature)	Name (Printed/Typed)	Date
Title	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.

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)

EXHIBIT A

DISTRICT I
1625 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
11885 S ST FRANCIS DR., SANTA FE, NM 87505

State of New Mexico
Energy, Minerals & Natural Resources Department
OIL CONSERVATION DIVISION
1220 South St. Francis Dr.
Santa Fe, New Mexico 87505

Form C-102
Revised July 16, 2010
Submit to Appropriate
District Office

AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

API Number	Pool Code 97565	Pool Name N. Seven Rivers; Glos-Yeso
Property Code 8396	Property Name HUBER FEDERAL	Well Number 5H
OGRID No. 15742	Operator Name NEARBURG PRODUCING COMPANY	Elevation 3443'

Surface Location

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
N	3	20-S	25-E		10	SOUTH	1980	WEST	EDDY

Bottom Hole Location If Different From Surface

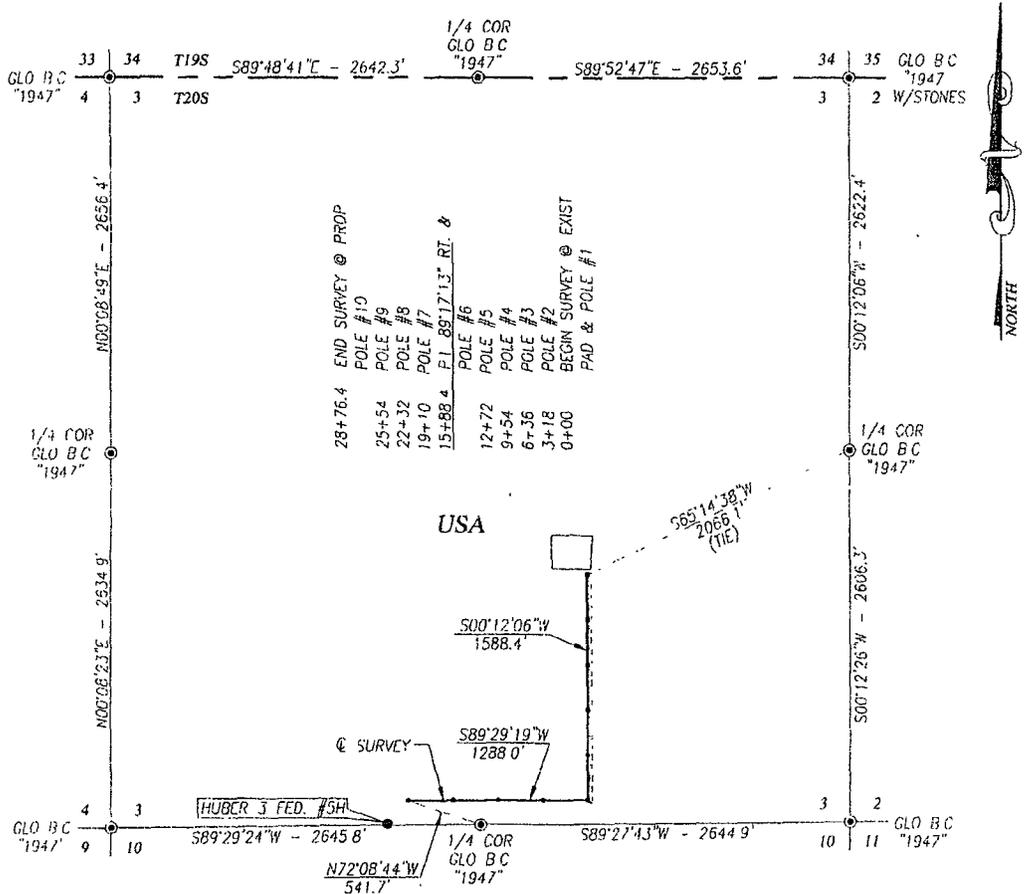
UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
C	3	20-S	25-E		330	NORTH	1980	WEST	EDDY

Dedicated Acres 160.61	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>Y=585509.7 N X=457253.0 E</p> <p>Y=585514.1 N X=455932.2 E</p> <p>1980'</p> <p>330'</p> <p>B.H.</p> <p>GRID AZ = 00°08'41" HORZ DIST = 4927.2</p> <p>Y=580256.2 N X=456577.6 E</p> <p>LAT = 32.595151° N LONG. = 103.474326° W</p> <p>Y=585181.9 N X=456590.0 E</p> <p>Y=580210.4 N X=455920.7 E</p> <p>Y=580252.1 N X=457243.1 E</p> <p>1980'</p> <p>SEE DETAIL</p>	<p>OPERATOR CERTIFICATION</p> <p>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.</p> <p><i>Terri Stathem</i> 6/9/11 Signature Date</p> <p>Terri Stathem Printed Name</p> <p>tstathem@nearburg.com E-mail Address</p>

SECTION 3, TOWNSHIP 20 SOUTH, RANGE 25 EAST, N.M.P.M.
EDDY COUNTY NEW MEXICO



DESCRIPTION

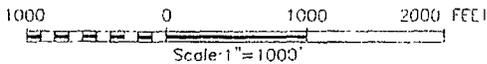
A STRIP OF LAND 50.0 FEET WIDE AND 2876.4 FEET OR 0.545 MILES IN LENGTH CROSSING USA LAND IN SECTION 3, TOWNSHIP 20 SOUTH, RANGE 25 EAST, N.M.P.M., EDDY COUNTY, NEW MEXICO AND BEING 25.0 FEET LEFT AND 25.0 FEET RIGHT OF THE ABOVE PLATTED CENTERLINE SURVEY

NOTE

BEARINGS SHOWN HEREON ARE MERCATOR GRID AND CONFORM TO THE NEW MEXICO COORDINATE SYSTEM "NEW MEXICO EAST ZONE" NORTH AMERICAN DATUM 1983 DISTANCES ARE SURFACE VALUES

LEGEND

⊙ DENOTES FOUND CORNER AS NOTED



I HEREBY CERTIFY THAT I DIRECTED AND AM RESPONSIBLE FOR THIS ACTUAL ON THE GROUND SURVEY, THAT THIS SURVEY IS TRUE AND CORRECT TO THE BEST OF MY KNOWLEDGE AND BELIEF, AND THAT THIS SURVEY AND PLAT MEET THE MINIMUM STANDARDS FOR SURVEYING IN NEW MEXICO.

Richard J. Eduson 6/02/2011
GARY G. EDUSON, N.M.:P.S. No. 12641
RICHARD J. EDUSON, N.M.:P.S. No. 3739

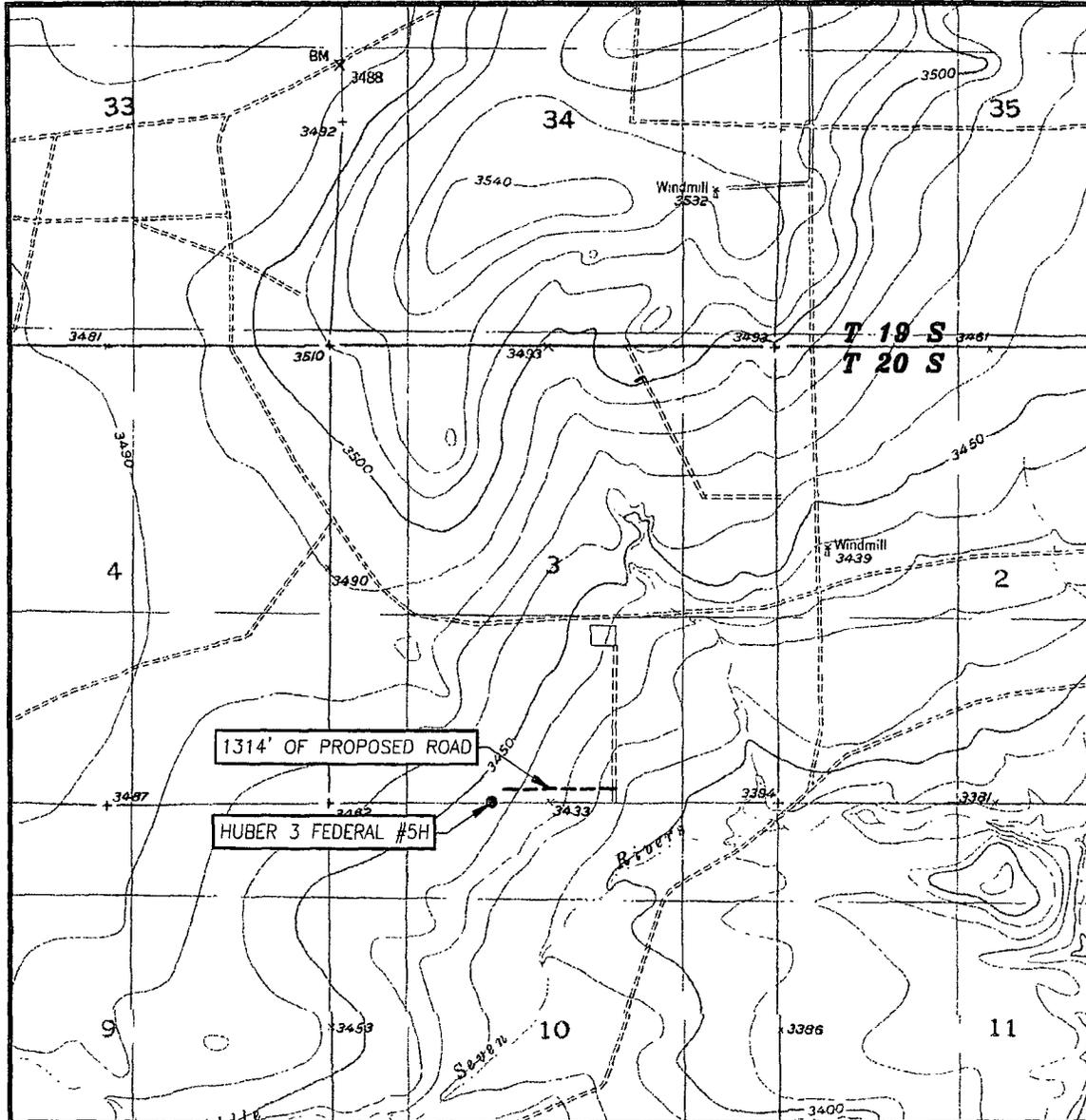
PROVIDING SURVEYING SERVICES SINCE 1946
JOHN WEST SURVEYING COMPANY
412 N. DAL PASO
HOBBS, N.M. 88240
(575) 393-3117

NEARBURG PRODUCING COMPANY

SURVEY OF A MULTI-USE R.O.W. CROSSING SECTION 3, TOWNSHIP 20 SOUTH, RANGE 25 EAST, N.M.P.M., EDDY COUNTY, NEW MEXICO

Survey Date 5/25/11	Sheet 1 of 1 Sheets
W.O. Number. 1111.1213	Drawn by LA
Date 6/2/11	CAD File 1111.1213

LOCATION VERIFICATION MAP

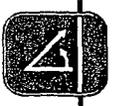


SCALE: 1" = 2000'

CONTOUR INTERVAL: 10'
SEVEN RIVERS, NM

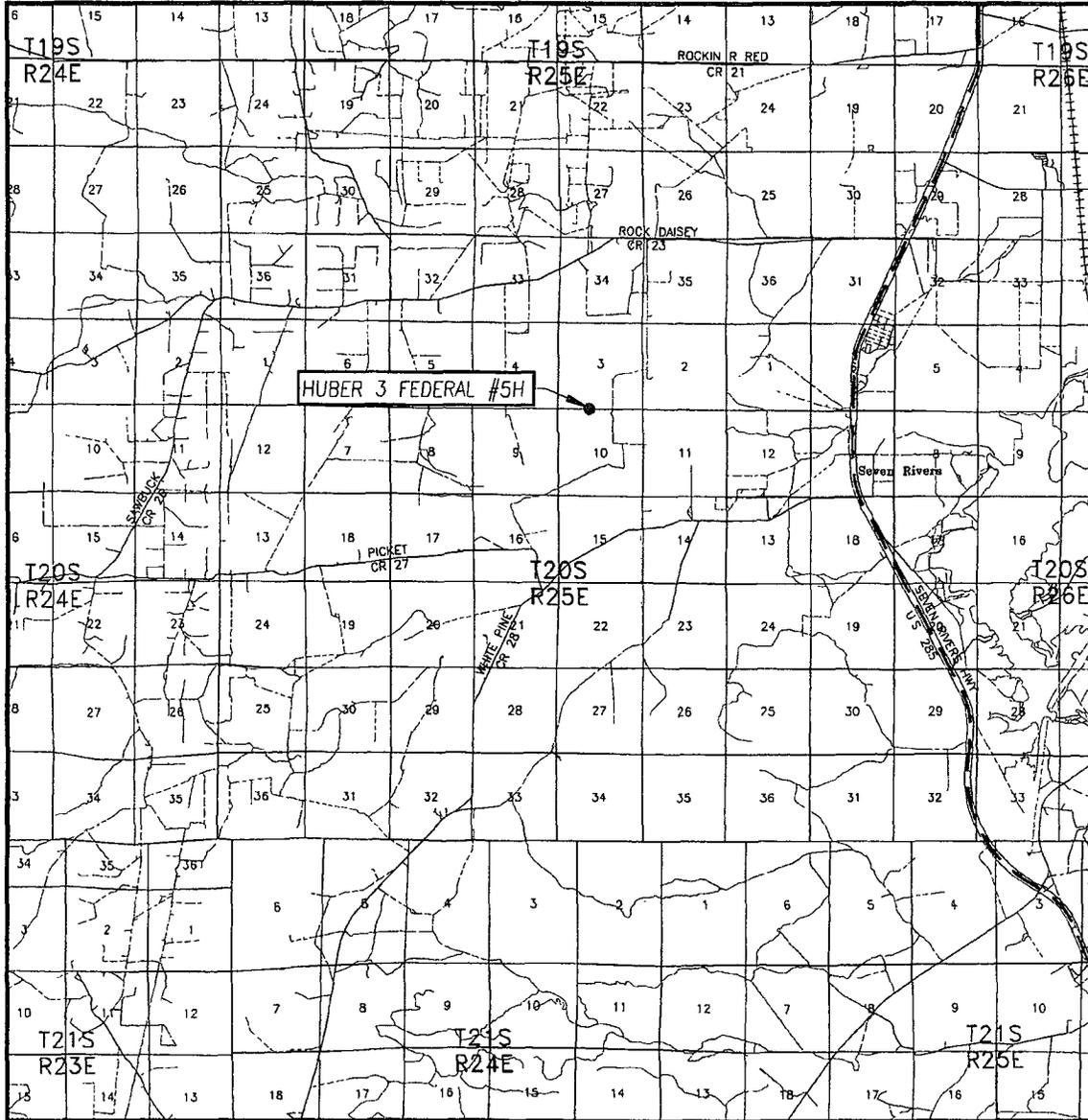
SEC. 3 TWP. 20-S RGE. 25-E
 SURVEY N.M.P.M.
 COUNTY EDDY STATE NEW MEXICO
 DESCRIPTION 10' FSL & 1980' FWL
 ELEVATION 3443'
 OPERATOR NEARBURG
PRODUCING COMPANY
 LEASE HUBER 3 FEDERAL

U.S.G.S. TOPOGRAPHIC MAP
SEVEN RIVERS, NM



PROVIDING SURVEYING SERVICES
SINCE 1948
JOHN WEST SURVEYING COMPANY
 412 N. DAL PASO
 HOBBS, N.M. 88240
 (505) 393-3117

VICINITY MAP



SCALE: 1" = 2 MILES

SEC. 3 TWP. 20-S RGE. 25-E

SURVEY _____ N.M.P.M. _____

COUNTY EDDY STATE NEW MEXICO

DESCRIPTION 10' FSL & 1980' FWL

ELEVATION 3443'

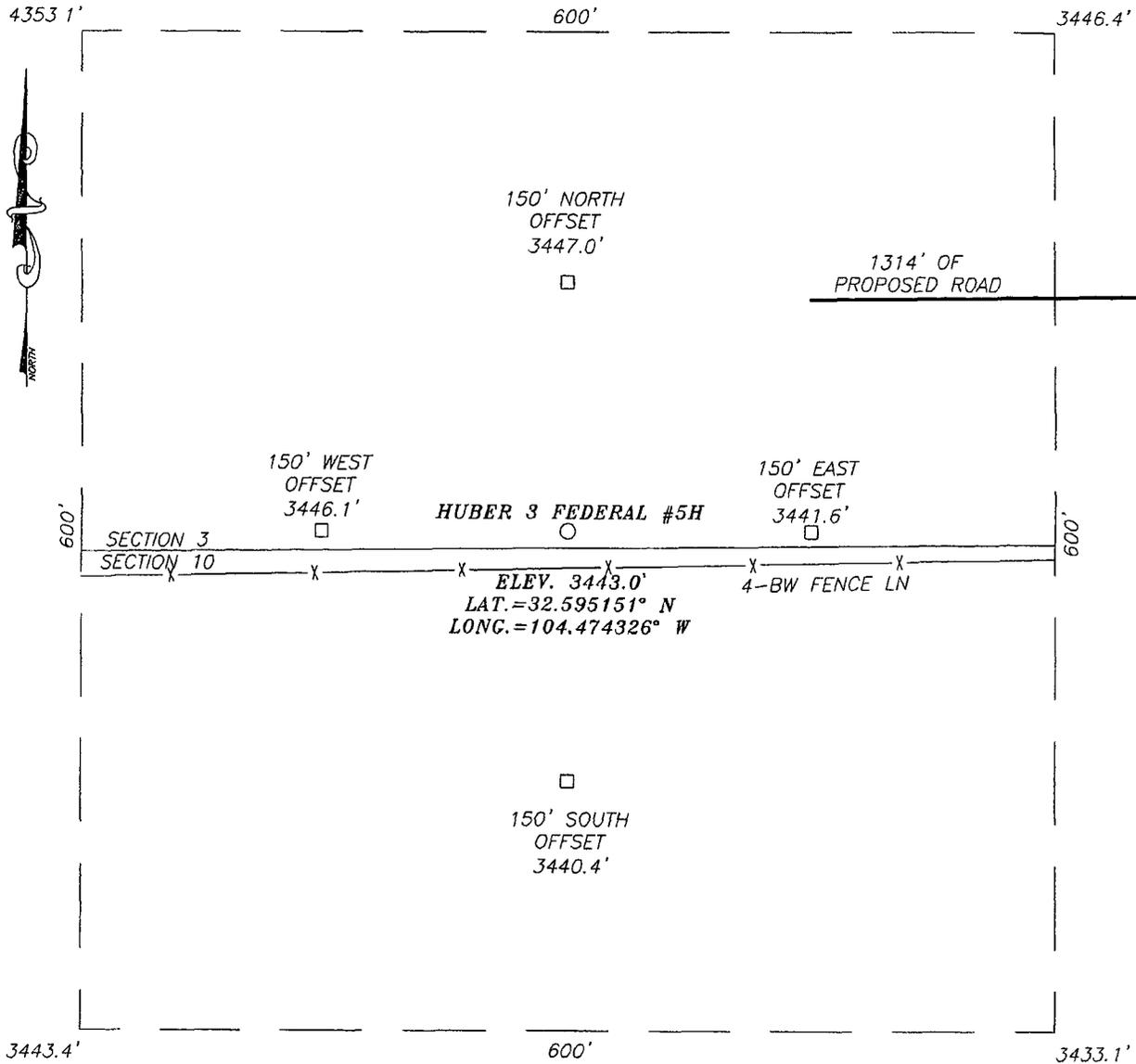
OPERATOR NEARBURG PRODUCING COMPANY

LEASE HUBER 3 FEDERAL



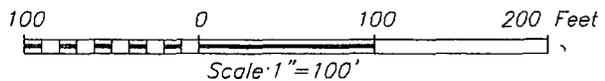
PROVIDING SURVEYING SERVICES
 SINCE 1948
JOHN WEST SURVEYING COMPANY
 412 N. DAL PASO
 HOBBS, N.M. 88240
 (505) 393-3117

SECTION 3, TOWNSHIP 20 SOUTH, RANGE 25 EAST, N.M.P.M.,
 EDDY COUNTY, NEW MEXICO



DIRECTIONS TO LOCATION

FROM THE INTERSECTION OF HIGHWAY 285 AND COUNTY ROAD 23 (ROCK DAISY ROAD), GO WEST ON CO. RD. #23 APPROX 2.9 MILES GO SOUTH FOR APPROX. 1.6 MILES, THEN WEST 0.5 MILES, THEN SOUTH 0.4 MILES TO A PROPOSED ROAD SURVEY. FOLLOW ROAD SURVEY WEST APPROX 1314 FEET TO THIS LOCATION.



NEARBURG PRODUCING COMPANY

HUBER 3 FEDERAL #5H WELL
 LOCATED 10 FEET FROM THE SOUTH LINE
 AND 1980 FEET FROM THE WEST LINE OF SECTION 3,
 TOWNSHIP 20 SOUTH, RANGE 25 EAST, N.M.P.M.,
 EDDY 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: 5/25/11	Sheet 1 of 1 Sheets	
W.O. Number: 11.11.1172	Dr By: LA	Rev 1:N/A
Date: 6/1/11	11111172	Scale: 1"=100'

**Attachment to Form 3160-3
Huber Federal #5H
10' FSL & 1980 FWL, Sec. 3, T20S, R25E
Eddy County, NM**

Drilling Program

1. **GEOLOICAL NAME OF SURFACE FORMATION**

Permian

2. **ESTIMATED TOPS OF GEOLOICAL MARKERS**

Grayburg 412' MD
San Andres 712' MD
Glorieta 2282' TVD
Yeso 2382' TVD

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

Grayburg 412' (MD) Wtr
San Andres 712' (MD) Oil
Yeso 2382' (TVD) Oil

4. **CASING AND CEMENTING PROGRAM**

<u>Csg Sz</u>	<u>Setting Depth</u>	<u>Weight</u>	<u>Grade</u>	<u>Joint</u>	<u>Collapse</u>	<u>Burst</u>	<u>Tension</u>
8-5/8	0-825'	32#	New J55	STC	1.125	1.125	1.6
5-1/2	0-7362'	17#	New N80	LTC	1.126	1.125	1.6

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

Drill 12-1/4" hole to 825'. 8-5/8" surface casing will be cemented with State 2:
Lead: 180 sxs Thixotropic "H" + 10% A-10 + 1% CC + 10 pps LCM-1 + .25 pps Cello
+ 5 pps LCM 1. Wt 14.6 ppg. Yield 1.52 cfs. Water 6.15 gps. Tail: 314 sx "C" +
2% CC +1 gps FP-6L. Weight 14.8 ppg. Yield 1.32 cfs. Water 6.3 gps. These
volumes based upon circulating cement to surface. 100% excess.

Drill 7-7/8" hole to 7093'. 5-1/2" production casing will be cemented with
550 sxs "C" Weight 14.8 Ppg. Yield 1.32 cfs. Water 6.3 gps. The volumes based
upon circulating cement to surface. 100% excess.

5. **MINIMUM SPECIFICATIONS FOR PRESSURE CONTROL**

Nipple up on 8-5/8" with 11", 2M system and test to 2000 with independent tester.

BOP will be operationally checked each 24 hr period. BOP will be operationally checked on each trip out of the hole. These checks will be noted on the daily tour sheets. A 2" kill line and a 3" choke line will be included in the drilling spool located below the BOP. Other accessories to the BOP equipment will include a Kelly Cock and floor safety valve (inside BOP) and choke lines and choke manifold with 2000 psi WP rating.

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

<u>DEPTH</u>	<u>TYPE SYSTEM</u>	<u>MUD WT</u>	<u>VISC</u>	<u>WATERLOSS</u>
0 – 825'	Fresh Water	8.4	29	N.C.
825 – 7362'	Cut Brine	8.9	29	N.C.

The necessary mud products for weight addition and fluid loss control will be on location at all times.

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**

Operations are planned to commence on July 7, 2011 with drilling and completion operations lasting 23 days.

Nearburg Producing Co.

Huber "3" Federal, Well No. 5H
 Eddy County, New Mexico
 Sec. 3-20S-25E
 Quote No. 060711199



SITE DETAILS

Huber "3" Fed #5H
 Site Centre Northing: 580256.20
 Easting: 456577.60
 Ground Level: 3443.00
 Positional Uncertainty: 0.00
 Convergence: -0.15

FIELD DETAILS

Eddy County, New Mexico
 Geodetic System: US State Plane Coordinate System 1983
 Ellipsoid: GRS 1980
 Zone: New Mexico, Eastern Zone
 Magnetic Model: WMM_2010
 System Datum: Mean Sea Level
 Local North: Grid North

ANNOTATIONS

No.	TVD	MD	Annotation
1	2109.00	2109.00	KOP, Build 10.00%/100'
2	2681.96	3008.99	Hold 90.00°, 0.14° Azimuth
3	2682.00	7361.75	PBHL - Lateral



Azimuths to Grid North
 True North: 0.15°
 Magnetic North: 8.04°

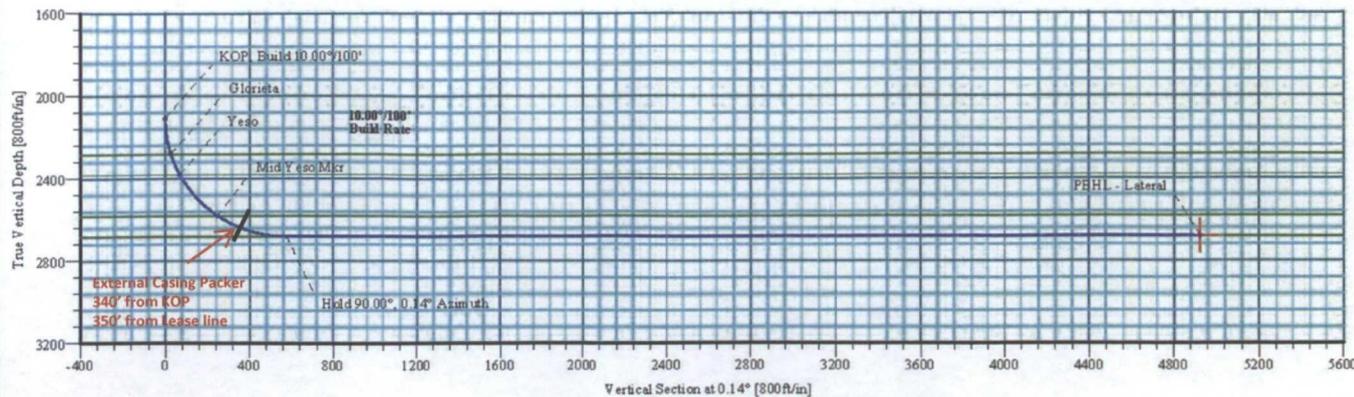
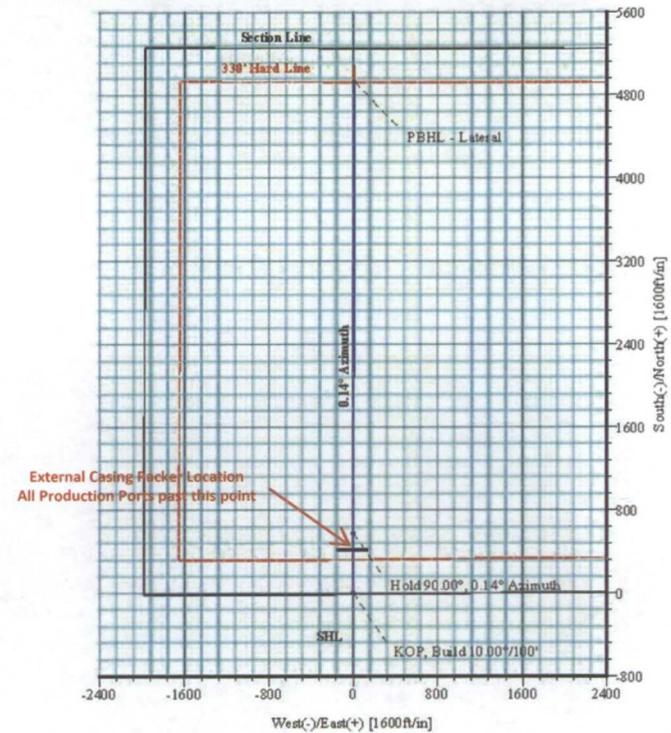
Magnetic Field
 Strength: 48590nT
 Dip Angle: 60.10°
 Date: 06/07/2011
 Model: WMM_2010

TARGET DETAILS

Name	TVD	+N/-S	+E/-W	Northing	Easting	Latitude	Longitude	Shape
PBHL - Lateral	2682.00	4925.70	12.40	585181.90	456590.00	32°36'30.283N	104°36'30.810W	Point

SECTION DETAILS

Sec	MD	Inc	Azi	TVD	+N/-S	+E/-W	DLeg	TFace	VSec	Target
1	2109.00	0.00	0.00	2109.00	0.00	0.00	0.00	0.00	0.00	
2	3008.99	90.00	0.14	2681.96	572.95	1.44	10.00	0.14	572.95	
3	7361.76	90.00	0.14	2682.00	4925.70	12.40	0.00	0.00	4925.72	PBHL - Lateral



Formation Tops:
 Greyburg: 412' KBTVD
 San Andres: 712' KBTVD
 Glorieta: 2282' KBTVD
 Yeso: 2382' KBTVD
 Mid Yeso Mkr: 2582' KBTVD
 Target Center Line: 2683' KBTVD
 Dip: 0.00° (90.00°)

Drawn By: ALR
 Date Created: 06/07/11
 Date Revised: 06/07/11
 File: Nearburg Producing - Huber 3 Fed #5H Lateral 1r0.gpd32

EXHIBIT B

Aim Directional Services, LLC

Planning Report - Geographic

Company: Nearburg Producing Company	Date: 06/07/2011	Time: 09:16:02	Page: 2
Field: Eddy County, New Mexico	Co-ordinate(NE) Reference: Well: #5H, Grid North		
Site: Huber "3" Fed #5H	Vertical (TVD) Reference: SITE 0.0		
Well: #5H	Section (VS) Reference: Well (0 00N,0.00E,0.14Azi)		
Wellpath: Lateral 1r0	Plan: Lateral 1r0		

Section 1 : Start DLS 10.00 TFO 0.14

MD ft	Incl deg	Azim deg	TVD ft	+N/-S ft	+E/-W ft	VS ft	DLS deg/100ft	Build deg/100ft	Turn deg/100ft	TFO deg
3000.00	89.10	0.14	2681.89	563.96	1.42	563.96	10.00	10.00	0.00	0.00
3008.99	90.00	0.14	2681.96	572.95	1.44	572.95	10.00	10.00	0.00	0.00

Section 2 : Start Hold

MD ft	Incl deg	Azim deg	TVD ft	+N/-S ft	+E/-W ft	VS ft	DLS deg/100ft	Build deg/100ft	Turn deg/100ft	TFO deg
3100.00	90.00	0.14	2681.96	663.96	1.67	663.96	0.00	0.00	0.00	0.00
3200.00	90.00	0.14	2681.96	763.96	1.92	763.96	0.00	0.00	0.00	0.00
3300.00	90.00	0.14	2681.96	863.96	2.17	863.96	0.00	0.00	0.00	0.00
3400.00	90.00	0.14	2681.96	963.96	2.43	963.96	0.00	0.00	0.00	0.00
3500.00	90.00	0.14	2681.96	1063.95	2.68	1063.96	0.00	0.00	0.00	0.00
3600.00	90.00	0.14	2681.96	1163.95	2.93	1163.96	0.00	0.00	0.00	0.00
3700.00	90.00	0.14	2681.96	1263.95	3.18	1263.96	0.00	0.00	0.00	0.00
3800.00	90.00	0.14	2681.97	1363.95	3.43	1363.96	0.00	0.00	0.00	0.00
3900.00	90.00	0.14	2681.97	1463.95	3.69	1463.96	0.00	0.00	0.00	0.00
4000.00	90.00	0.14	2681.97	1563.95	3.94	1563.96	0.00	0.00	0.00	0.00
4100.00	90.00	0.14	2681.97	1663.95	4.19	1663.96	0.00	0.00	0.00	0.00
4200.00	90.00	0.14	2681.97	1763.95	4.44	1763.96	0.00	0.00	0.00	0.00
4300.00	90.00	0.14	2681.97	1863.95	4.69	1863.96	0.00	0.00	0.00	0.00
4400.00	90.00	0.14	2681.97	1963.95	4.94	1963.96	0.00	0.00	0.00	0.00
4500.00	90.00	0.14	2681.97	2063.95	5.20	2063.96	0.00	0.00	0.00	0.00
4600.00	90.00	0.14	2681.97	2163.95	5.45	2163.96	0.00	0.00	0.00	0.00
4700.00	90.00	0.14	2681.97	2263.95	5.70	2263.96	0.00	0.00	0.00	0.00
4800.00	90.00	0.14	2681.98	2363.95	5.95	2363.96	0.00	0.00	0.00	0.00
4900.00	90.00	0.14	2681.98	2463.95	6.20	2463.96	0.00	0.00	0.00	0.00
5000.00	90.00	0.14	2681.98	2563.95	6.45	2563.96	0.00	0.00	0.00	0.00
5100.00	90.00	0.14	2681.98	2663.95	6.71	2663.96	0.00	0.00	0.00	0.00
5200.00	90.00	0.14	2681.98	2763.95	6.96	2763.96	0.00	0.00	0.00	0.00
5300.00	90.00	0.14	2681.98	2863.95	7.21	2863.96	0.00	0.00	0.00	0.00
5400.00	90.00	0.14	2681.98	2963.95	7.46	2963.96	0.00	0.00	0.00	0.00
5500.00	90.00	0.14	2681.98	3063.95	7.71	3063.96	0.00	0.00	0.00	0.00
5600.00	90.00	0.14	2681.98	3163.95	7.96	3163.96	0.00	0.00	0.00	0.00
5700.00	90.00	0.14	2681.98	3263.95	8.22	3263.96	0.00	0.00	0.00	0.00
5800.00	90.00	0.14	2681.98	3363.95	8.47	3363.96	0.00	0.00	0.00	0.00
5900.00	90.00	0.14	2681.99	3463.95	8.72	3463.96	0.00	0.00	0.00	0.00
6000.00	90.00	0.14	2681.99	3563.95	8.97	3563.96	0.00	0.00	0.00	0.00
6100.00	90.00	0.14	2681.99	3663.95	9.22	3663.96	0.00	0.00	0.00	0.00
6200.00	90.00	0.14	2681.99	3763.95	9.48	3763.96	0.00	0.00	0.00	0.00
6300.00	90.00	0.14	2681.99	3863.95	9.73	3863.96	0.00	0.00	0.00	0.00
6400.00	90.00	0.14	2681.99	3963.95	9.98	3963.96	0.00	0.00	0.00	0.00
6500.00	90.00	0.14	2681.99	4063.94	10.23	4063.96	0.00	0.00	0.00	0.00
6600.00	90.00	0.14	2681.99	4163.94	10.48	4163.96	0.00	0.00	0.00	0.00
6700.00	90.00	0.14	2681.99	4263.94	10.73	4263.96	0.00	0.00	0.00	0.00
6800.00	90.00	0.14	2681.99	4363.94	10.99	4363.96	0.00	0.00	0.00	0.00
6900.00	90.00	0.14	2682.00	4463.94	11.24	4463.96	0.00	0.00	0.00	0.00
7000.00	90.00	0.14	2682.00	4563.94	11.49	4563.96	0.00	0.00	0.00	0.00
7100.00	90.00	0.14	2682.00	4663.94	11.74	4663.96	0.00	0.00	0.00	0.00
7200.00	90.00	0.14	2682.00	4763.94	11.99	4763.96	0.00	0.00	0.00	0.00
7300.00	90.00	0.14	2682.00	4863.94	12.24	4863.96	0.00	0.00	0.00	0.00
7361.76	90.00	0.14	2682.00	4925.70	12.40	4925.72	0.00	0.00	0.00	0.00

Survey

MD ft	Incl deg	Azim deg	TVD ft	+N/-S ft	+E/-W ft	Map Northing ft	Map Easting ft	<--- Latitude --->			<--- Longitude --->		
								Deg	Min	Sec	Deg	Min	Sec
2109.00	0.00	0.00	2109.00	0.00	0.00	580256.20	456577.60	32	35	41.541 N	104	36	30.806 W
2150.00	4.10	0.14	2149.97	1.47	0.00	580257.67	456577.60	32	35	41.556 N	104	36	30.806 W
2200.00	9.10	0.14	2199.62	7.21	0.02	580263.41	456577.62	32	35	41.613 N	104	36	30.806 W
2250.00	14.10	0.14	2248.58	17.26	0.04	580273.46	456577.64	32	35	41.712 N	104	36	30.806 W
2284.74	17.57	0.14	2282.00	26.74	0.07	580282.94	456577.67	32	35	41.806 N	104	36	30.806 W
2300.00	19.10	0.14	2296.48	31.54	0.08	580287.74	456577.68	32	35	41.853 N	104	36	30.806 W

Aim Directional Services, LLC

Planning Report - Geographic

Company: Nearburg Producing Company	Date: 06/07/2011	Time: 09:16:02	Page: 3
Field: Eddy County, New Mexico	Co-ordinate(NE) Reference: Well: #5H, Grid North		
Site: Huber."3" Fed #5H	Vertical (TVD) Reference: SITE 0.0		
Well: #5H	Section (VS) Reference: Well (0.00N,0.00E,0.14Azi)		
Wellpath: Lateral 1r0	Plan: Lateral 1r0		

Survey

MD ft	Incl deg	Azim deg	TVD ft	+N/-S ft	+E/-W ft	Map Northing ft	Map Easting ft	←← Latitude →→			←← Longitude →→				
								Deg	Min	Sec	Deg	Min	Sec		
2350.00	24.10	0.14	2342.96	49.94	0.13	580306.14	456577.73	32	35	42.035	N	104	36	30.806	W
2393.55	28.46	0.14	2382.00	69.22	0.17	580325.42	456577.77	32	35	42.226	N	104	36	30.806	W
2400.00	29.10	0.14	2387.65	72.32	0.18	580328.52	456577.78	32	35	42.257	N	104	36	30.806	W
2450.00	34.10	0.14	2430.22	98.51	0.25	580354.71	456577.85	32	35	42.516	N	104	36	30.806	W
2500.00	39.10	0.14	2470.35	128.32	0.32	580384.52	456577.92	32	35	42.811	N	104	36	30.806	W
2550.00	44.10	0.14	2507.73	161.50	0.41	580417.70	456578.01	32	35	43.139	N	104	36	30.806	W
2600.00	49.10	0.14	2542.07	197.82	0.50	580454.02	456578.10	32	35	43.499	N	104	36	30.806	W
2650.00	54.10	0.14	2573.12	236.99	0.60	580493.19	456578.20	32	35	43.886	N	104	36	30.806	W
2665.43	55.64	0.14	2582.00	249.61	0.63	580505.81	456578.23	32	35	44.011	N	104	36	30.806	W
2700.00	59.10	0.14	2600.63	278.72	0.70	580534.92	456578.30	32	35	44.299	N	104	36	30.806	W
2750.00	64.10	0.14	2624.41	322.69	0.81	580578.89	456578.41	32	35	44.734	N	104	36	30.806	W
2800.00	69.10	0.14	2644.26	368.56	0.93	580624.76	456578.53	32	35	45.188	N	104	36	30.806	W
2850.00	74.10	0.14	2660.04	415.99	1.05	580672.19	456578.65	32	35	45.658	N	104	36	30.806	W
2900.00	79.10	0.14	2671.62	464.61	1.17	580720.81	456578.77	32	35	46.139	N	104	36	30.806	W
2950.00	84.10	0.14	2678.92	514.06	1.29	580770.26	456578.89	32	35	46.628	N	104	36	30.806	W
3000.00	89.10	0.14	2681.89	563.96	1.42	580820.16	456579.02	32	35	47.122	N	104	36	30.806	W
3008.99	90.00	0.14	2681.96	572.95	1.44	580829.15	456579.04	32	35	47.211	N	104	36	30.806	W
3100.00	90.00	0.14	2681.96	663.96	1.67	580920.16	456579.27	32	35	48.111	N	104	36	30.806	W
3200.00	90.00	0.14	2681.96	763.96	1.92	581020.16	456579.52	32	35	49.101	N	104	36	30.806	W
3300.00	90.00	0.14	2681.96	863.96	2.17	581120.16	456579.77	32	35	50.090	N	104	36	30.806	W
3400.00	90.00	0.14	2681.96	963.95	2.43	581220.15	456580.03	32	35	51.080	N	104	36	30.807	W
3500.00	90.00	0.14	2681.96	1063.95	2.68	581320.15	456580.28	32	35	52.070	N	104	36	30.807	W
3600.00	90.00	0.14	2681.96	1163.95	2.93	581420.15	456580.53	32	35	53.059	N	104	36	30.807	W
3700.00	90.00	0.14	2681.96	1263.95	3.18	581520.15	456580.78	32	35	54.049	N	104	36	30.807	W
3800.00	90.00	0.14	2681.97	1363.95	3.43	581620.15	456581.03	32	35	55.038	N	104	36	30.807	W
3900.00	90.00	0.14	2681.97	1463.95	3.69	581720.15	456581.29	32	35	56.028	N	104	36	30.807	W
4000.00	90.00	0.14	2681.97	1563.95	3.94	581820.15	456581.54	32	35	57.017	N	104	36	30.807	W
4100.00	90.00	0.14	2681.97	1663.95	4.19	581920.15	456581.79	32	35	58.007	N	104	36	30.807	W
4200.00	90.00	0.14	2681.97	1763.95	4.44	582020.15	456582.04	32	35	58.996	N	104	36	30.807	W
4300.00	90.00	0.14	2681.97	1863.95	4.69	582120.15	456582.29	32	35	59.986	N	104	36	30.807	W
4400.00	90.00	0.14	2681.97	1963.95	4.94	582220.15	456582.54	32	36	0.975	N	104	36	30.807	W
4500.00	90.00	0.14	2681.97	2063.95	5.20	582320.15	456582.80	32	36	1.965	N	104	36	30.807	W
4600.00	90.00	0.14	2681.97	2163.95	5.45	582420.15	456583.05	32	36	2.954	N	104	36	30.808	W
4700.00	90.00	0.14	2681.97	2263.95	5.70	582520.15	456583.30	32	36	3.944	N	104	36	30.808	W
4800.00	90.00	0.14	2681.98	2363.95	5.95	582620.15	456583.55	32	36	4.934	N	104	36	30.808	W
4900.00	90.00	0.14	2681.98	2463.95	6.20	582720.15	456583.80	32	36	5.923	N	104	36	30.808	W
5000.00	90.00	0.14	2681.98	2563.95	6.45	582820.15	456584.05	32	36	6.913	N	104	36	30.808	W
5100.00	90.00	0.14	2681.98	2663.95	6.71	582920.15	456584.31	32	36	7.902	N	104	36	30.808	W
5200.00	90.00	0.14	2681.98	2763.95	6.96	583020.15	456584.56	32	36	8.892	N	104	36	30.808	W
5300.00	90.00	0.14	2681.98	2863.95	7.21	583120.15	456584.81	32	36	9.881	N	104	36	30.808	W
5400.00	90.00	0.14	2681.98	2963.95	7.46	583220.15	456585.06	32	36	10.871	N	104	36	30.808	W
5500.00	90.00	0.14	2681.98	3063.95	7.71	583320.15	456585.31	32	36	11.860	N	104	36	30.808	W
5600.00	90.00	0.14	2681.98	3163.95	7.96	583420.15	456585.56	32	36	12.850	N	104	36	30.808	W
5700.00	90.00	0.14	2681.98	3263.95	8.22	583520.15	456585.82	32	36	13.839	N	104	36	30.808	W
5800.00	90.00	0.14	2681.98	3363.95	8.47	583620.15	456586.07	32	36	14.829	N	104	36	30.809	W
5900.00	90.00	0.14	2681.99	3463.95	8.72	583720.15	456586.32	32	36	15.818	N	104	36	30.809	W
6000.00	90.00	0.14	2681.99	3563.95	8.97	583820.15	456586.57	32	36	16.808	N	104	36	30.809	W
6100.00	90.00	0.14	2681.99	3663.95	9.22	583920.15	456586.82	32	36	17.798	N	104	36	30.809	W
6200.00	90.00	0.14	2681.99	3763.95	9.48	584020.15	456587.08	32	36	18.787	N	104	36	30.809	W
6300.00	90.00	0.14	2681.99	3863.95	9.73	584120.15	456587.33	32	36	19.777	N	104	36	30.809	W
6400.00	90.00	0.14	2681.99	3963.95	9.98	584220.15	456587.58	32	36	20.766	N	104	36	30.809	W
6500.00	90.00	0.14	2681.99	4063.94	10.23	584320.14	456587.83	32	36	21.756	N	104	36	30.809	W
6600.00	90.00	0.14	2681.99	4163.94	10.48	584420.14	456588.08	32	36	22.745	N	104	36	30.809	W

Aim Directional Services, LLC

Planning Report - Geographic

Company: Nearburg Producing Company	Date: 06/07/2011	Time: 09:16:02	Page: 4
Field: Eddy County, New Mexico	Co-ordinate(NE) Reference: Well: #5H, Grid North	Vertical (TVD) Reference: SITE 0.0	
Site: Huber "3" Fed #5H	Section (VS) Reference: Well (0.00N,0.00E,0.14Azi)	Plan: Lateral 1r0	
Well: #5H			
Wellpath: Lateral 1r0			

Survey

MD ft	Incl deg	Azim deg	TVD ft	+N/-S ft	+E/-W ft	Map Northing ft	Map Easting ft	Latitude			Longitude				
								Deg	Min	Sec	Deg	Min	Sec		
6700.00	90.00	0.14	2681.99	4263.94	10.73	584520.14	456588.33	32	36	23.735	N	104	36	30.809	W
6800.00	90.00	0.14	2681.99	4363.94	10.99	584620.14	456588.59	32	36	24.724	N	104	36	30.809	W
6900.00	90.00	0.14	2682.00	4463.94	11.24	584720.14	456588.84	32	36	25.714	N	104	36	30.809	W
7000.00	90.00	0.14	2682.00	4563.94	11.49	584820.14	456589.09	32	36	26.703	N	104	36	30.810	W
7100.00	90.00	0.14	2682.00	4663.94	11.74	584920.14	456589.34	32	36	27.693	N	104	36	30.810	W
7200.00	90.00	0.14	2682.00	4763.94	11.99	585020.14	456589.59	32	36	28.682	N	104	36	30.810	W
7300.00	90.00	0.14	2682.00	4863.94	12.24	585120.14	456589.84	32	36	29.672	N	104	36	30.810	W
7361.76	90.00	0.14	2682.00	4925.70	12.40	585181.90	456590.00	32	36	30.283	N	104	36	30.810	W

Targets

Name	Description		TVD ft	+N/-S ft	+E/-W ft	Map Northing ft	Map Easting ft	Latitude			Longitude				
	Dip.	Dir.						Deg	Min	Sec	Deg	Min	Sec		
PBHL - Lateral			2682.00	4925.70	12.40	585181.90	456590.00	32	36	30.283	N	104	36	30.810	W

Formations

MD ft	TVD ft	Formations	Lithology	Dip Angle deg	Dip Direction deg
2284.74	2282.00	Glorieta		0.00	0.00
2393.55	2382.00	Yeso		0.00	0.00
2665.43	2582.00	Mid Yeso Mkr		0.00	0.00
7300.00	2682.00	Target Center Line		0.00	0.00

Annotation

MD ft	TVD ft	
2109.00	2109.00	KOP, Build 10.00°/100'
3008.99	2681.96	Hold 90.00°, 0.14° Azimuth
7361.75	2682.00	PBHL - Lateral



**MONTGOMERY
& ANDREWS**
LAW FIRM

J. SCOTT HALL
Office: (505) 986-2646
Email: shall@montand.com
Reply To: Santa Fe Office
www.montand.com

June 24, 2011

Mewbourne Oil Co.
500 West Texas, Suite 1020
Midland, TX 79701

**CERTIFIED MAIL
RETURN RECEIPT REQUESTED**

**Re: Nearburg Producing Company
Request for Administrative Approval
Unorthodox Well Location and Non-Standard Spacing Unit
North Seven Rivers Glorieta-Yeso Pool (97565)**

**Huber Federal Well No. 5-H
API No. [pending]
10' FSL and 1980' FWL (N) (Surface)
330' FNL and 1980' FWL (C) (Bottom hole)
Section 3, T20S, R25E
Eddy County, New Mexico**

Dear Sir or Madam:

Pursuant to New Mexico Oil Conservation Division (NMOCD) Rule 19.15.15.13 D and 19.15.16.14, you are hereby notified that on June 23, 2011, Nearburg Producing Company made application to the NMOCD for administrative approval for a non-standard spacing unit and an unorthodox well location for its Huber Federal Well No. 5H at the surface and bottom-hole locations reflected above for a well to be drilled to the Yeso formation, North Seven Rivers Glorieta-Yeso Pool, in Eddy County, New Mexico. A copy of the application is enclosed.

As the owner of an interest that may be affected, you have the right to object to the application. To do so, you must file a written protest with the NMOCD within twenty days. Failure to do so will prevent you from challenging the matter at a later time. A letter of protest may be sent to the NMOCD at 1220 South St. Francis Drive, Santa Fe, New Mexico 87505.

REPLY TO:

325 Paseo de Peralta
Santa Fe, New Mexico 87501
Telephone (505) 982-3873 • Fax (505) 982-4289

Post Office Box 2307
Santa Fe, New Mexico 87504-2307

6301 Indian School Road NE, Suite 400
Albuquerque, New Mexico 87110
Telephone (505) 884-4200 • Fax (505) 888-8929

Post Office Box 36210
Albuquerque, New Mexico 87176-6210

EXHIBIT C

Mewbourne Oil Co.
June 23, 2011
Page 2

Should you consent to the application and the proposed unorthodox well location, you are requested to indicate your waiver of objection by signing where indicated below and then returning this letter to me at your earliest convenience.

Sincerely,



J. Scott Hall

JSH:kw

CONSENT:

Mewbourne Oil Co.

By _____

289708

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Sent To Mewbourne Oil Co.
Street, Apt. No.,
or PO Box No. 500 W. Texas, Suite 1020
City, State, ZIP+4 Midland, TX 79701



**MONTGOMERY
& ANDREWS**
LAW FIRM

J. SCOTT HALL

Office: (505) 986-2646

Email: shall@montand.com

Reply To: Santa Fe Office

www.montand.com

2011 JUN 24 P 3: 36

June 23 2011

Ms. Jami Bailey, Director
New Mexico Oil Conservation Division
1220 S. St. Francis Dr.
Santa Fe, NM 87505

Hand Delivered

**Re: Nearburg Producing Company
Request for Administrative Approval
Unorthodox Well Location and Non-Standard Spacing Unit
North Seven Rivers Glorieta-Yeso Pool (97565)**

**Huber Federal Well No. 5-H
API No. [pending]
10' FSL and 1980' FWL (N) (Surface)
330' FNL and 1980' FWL (C) (Bottom hole)
Section 3, T20S, R25E
Eddy County, New Mexico**

Dear Ms. Bailey:

On behalf of Nearburg Producing Company ("Nearburg") and pursuant to Division Rule 19.15.15.13 and the applicable statewide rules governing oil well locations for the North Seven Rivers Glorieta-Yeso Pool (97565; Order No. R-13350), we request administrative approval for an unorthodox well location for the Huber Federal Well No. 5H to be drilled at the surface and bottom-hole locations reflected above. Nearburg also seeks approval pursuant to Rule 19.15.16.14 of a 160-acre non-standard spacing and proration unit comprised of the E/2 W/2 of Section 3 (Units C-N) to be designated as the horizontal drilling project area for the well.

This well will be drilled to a depth sufficient to test the Yeso formation within the boundaries of the North Seven Rivers Glorieta-Yeso Oil Pool. The statewide rules for the pool currently provide that wells shall be located no closer than 330' to the boundary of a unit, with 40-acre units dedicated to the wells.

REPLY TO:

325 Paseo de Peralta
Santa Fe, New Mexico 87501
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Post Office Box 2307
Santa Fe, New Mexico 87504-2307

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Ms. Jami Bailey
June 23, 2011
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The bottom-hole terminus for this well is no closer than 330' to the outer boundary of the NE/4 NW/4 of the section and otherwise complies with statewide locational rules. The 3160-3 APD along with the C-102 plat showing the E/2 W/2 spacing unit and the proposed unorthodox location for the Huber Federal Well No. 5H are attached as Exhibit A.

In this case, the surface location is 10' north of the southern boundary of the unit in Unit N. As can be seen in the attached drilling profile (Exhibit B) the well will be drilled vertically to a kick-off point of 2109' true vertical depth where the well will begin to turn to the north. The top of the Glorieta formation will be intercepted at approximately 2282' TVD, approximately 70' from the southern boundary of the unit. The Yeso will be intercepted at approximately 2382' TVD. The Middle-Yeso marker will then be intercepted at 2582' TVD at a location approximately 340' from the kick-off point and 350' from the south line of the spacing unit. The well will continue to be drilled downward until 2683' TVD and will then proceed horizontally to its terminus at a standard oil well location. An external casing packer will be set 340' from the kick-off point (350' from the southern boundary of the unit), which will mark the beginning of the well's producing area to its terminus. The section of the well up-hole from the casing packer will be isolated and will not be produced. Therefore, correlative rights should not be impaired and the entirety of the producing area of the well can be regarded as orthodox.

The unorthodox surface location is necessary to allow the well to begin building the radial turn from vertical to horizontal so that interception of the producing formation and placement of the external casing packer can occur at the locations indicated. The use of horizontal drilling technology is encouraged, with one wellbore recovering prospective reserves from four forty-acre tracts within the project area.

Mewbourne Oil Company is the operator of the offsetting unit to the south in the N/2 NW/4 of Section 10. Mewbourne is being notified of this application pursuant to Rule 19.15.4.12 A(2) (Exhibit C) and will be separately requested to waive its objections to the unorthodox surface location and the non-standard unit/project area. No further notification is indicated under the Division's rules and current practices.

The Division's Administrative Application Checklist is enclosed.

Thank you for your consideration of this request. Should more information be required, please do not hesitate to contact me.

Ms. Jami Bailey
June 23, 2011
Page 3

Very truly yours,
MONTGOMERY & ANDREWS, P. A.

A handwritten signature in black ink, appearing to read "J. Scott Hall". The signature is written in a cursive style with a horizontal line above the name.

J. Scott Hall
Attorneys for Nearburg Producing Company

JSH:kw

Enclosures:

Exhibit A - APD
Exhibit B - Drilling Profile
Exhibit C - Notice
Administrative Application Checklist

cc: Mewbourne Oil Company
Russell Wickman, Nearburg Producing Company

289696