

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

OPERATOR'S COPY

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

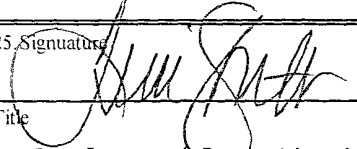
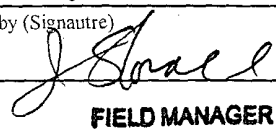
APPLICATION FOR PERMIT TO DRILL OR REENTER

1a. Type of Work ☒ DRILL ☐ REENTER		5. Lease Serial No. NMNM14758
1b. Type of Well ☒ Oil Well ☐ Gas Well ☐ Other ☐ Single Zone ☐ 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.
3a. Address 3300 N A St., Bldg 2, Ste 120	3b. Phone No. (include area code) 432/686-8235	8. Lease Name and Well No. Huber Federal #4H (8396)
4. Location of Well (Report location clearly and in accordance with any State requirements)* At surface 330 FNL and 1880 FEL, Sec 3-20S-25E (WLB LOT 2) At proposed prod. zone 330 FSL and 1880 FEL, Sec 3-20S-25E		9. API Well No. 30-015-39022
14. Distance in miles and direction from nearest town or post office* 5 miles SW of Lakewood, NM		10. Field and Pool, or Exploratory N. SEVEN RIVERS, BLDG-YEN
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 3-20S-25E
16. No. of Acres in lease 1442.36		12. County or Parish Eddy
17. Spacing Unit dedicated to this well 160.54 acres		13. State NM
18. Distance from proposed location* to nearest well, drilling, completed, applied for, on this lease, ft. 1220'		19. Proposed Depth MD: 7093 TVD: 2750
20. BLM/BIA Bond No. on file NMB000153		
21. Elevations (Show whether DF, KDB, RT, GL, etc.) 3491	22. Approximate date work will start* 5/15/11	23. Estimated duration 20 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 4-5-11
Title Regulatory / Production Analyst		
Approved by (Signature) 	Name (Printed/Typed) J. Brack	Date 5/9/2011
Title FIELD MANAGER	Office CARLSBAD FIELD 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.

APPROVAL FOR TWO YEARS

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)

Roswell Controlled Water Basin

KZ 05/09/11

Approval Subject to General Requirements
& Special Stipulations AttachedSEE ATTACHED FOR
CONDITIONS OF APPROVAL

Revised 4/5/2011
Attachment to Form 3160-3
Huber Federal #4H
330' FNL & 1880 FEL, Sec. 3, T20S, R25E
Eddy County, NM

Drilling Program

1. GEOLOGICAL NAME OF SURFACE FORMATION

Permian

2. ESTIMATED TOPS OF GEOLOGICAL MARKERS

Grayburg 505'
San Andres 805'
Glorieta 2375'
Yeso 2475'

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

Grayburg 505'
San Andres 805'
Yeso 2475' Oil

4. CASING AND CEMENTING PROGRAM

Csg Sz	Setting Depth	Weight	Grade	Joint	Collapse	Burst	Tension
8-5/8	0-825'	24#	New J55	STC	1.125	1.125	1.6
5-1/2	0-7093'	17#	New L80&N80 LTC		1.126	1.125	1.6

See COA { 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 Stage 2: Lead: 300 sxs 35/65 Poz "C" + 4% Gel + .5% FL-52 + .25 pps Flocele + 5% SC. Weight 12.5 ppg. Yield 2.12 cfs. Water 11.23 gps. Tail: 100 sx "C" Weight 14.8 ppg. Yield 1.32 cfs. Water 6.3 gps. The volumes based upon circulating cement to surface. 50% excess. DV Tool @ 2000'.

Set isolation packer at the top of Glorieta, to provide isolation from San Andres + Glorieta.

5. **MINIMUM SPECIFICATIONS FOR PRESSURE CONTROL**

Nipple up on 8-5/8" with 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 – 7480'	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** See COA

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 May 15, 2011 with drilling and completion operations lasting 20 days.

Aim

Directional Services, LLC

Horizontal Proposal Package

Nearburg Producing Co.
Huber "3" Federal, Well No. 4H
Eddy County, New Mexico

Attn: Matt Lee

Quote No.: 061010100

March 15, 2011

Mike Jensen mjensen@aimdir.com
Jake Venable jvenable@aimdir.com
Thomas Rinald trinald@aimdir.com
Allison Reinert areinert@aimdir.com

500 N. Water St., Suite 404, Corpus Christi, Texas 78471
Phone: 361-653-6500 Fax: 361-653-6599

Nearburg Producing Co.

Huber "3" Federal, Well No. 4H
Eddy County, New Mexico
Sec. 3-20S-25E
Quote No. 061010100



SITE DETAILS

Huber "3" Fed #4H

Site Centre Northing: 585178.20
Easting: 458025.20

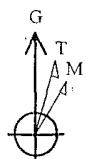
Ground Level: 3491.00
Positional Uncertainty: 0.00
Convergence: -0.15

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



Azimuths to Grid North
True North: 0.15°
Magnetic North: 8.27°

Magnetic Field
Strength: 48780nT
Dip Angle: 60.36°
Date: 03/15/2011
Model: WMM_2010

ANNOTATIONS

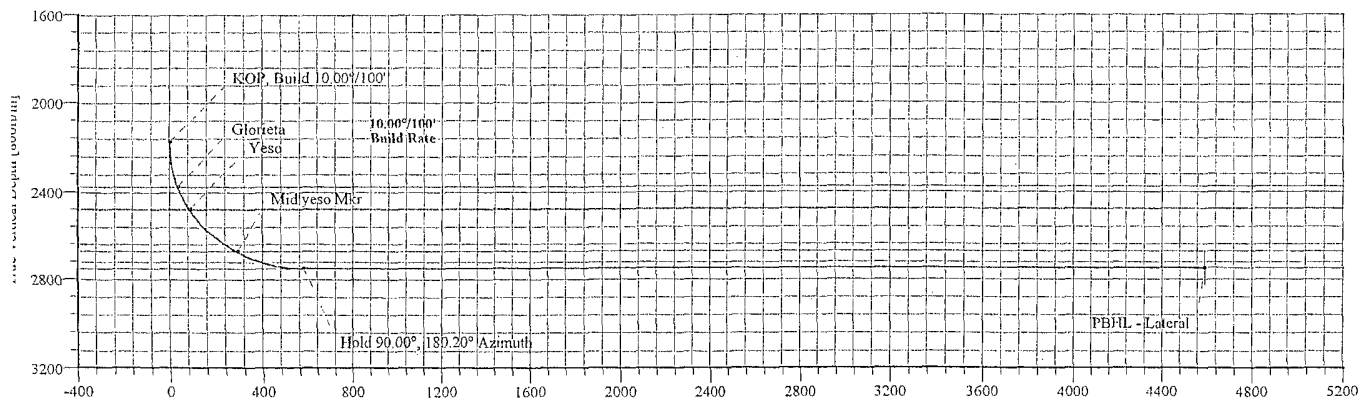
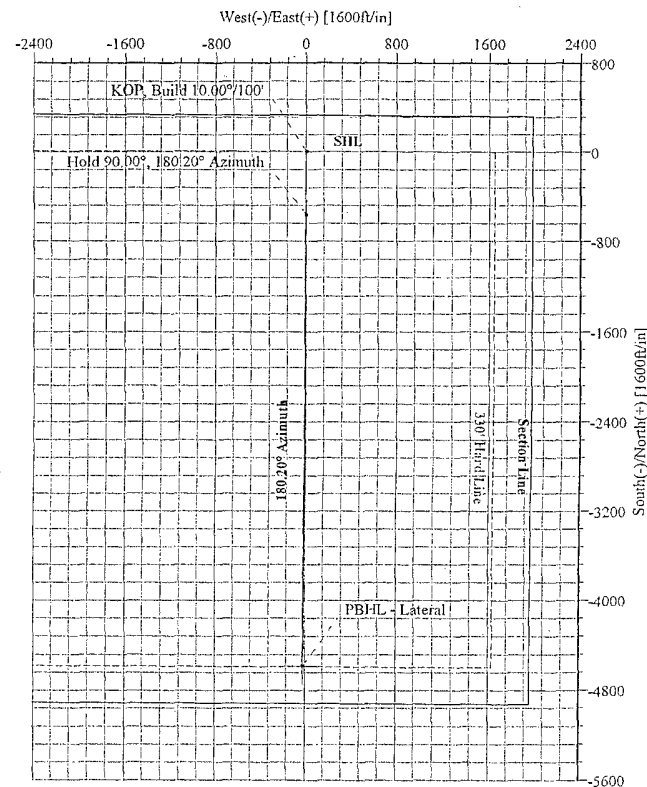
No.	TVD	MD	Annotation
1	2177.00	2177.00	KOP, Build 10.00°/100'
2	2749.96	3076.99	Hold 90.00°, 180.20° Azimuth
3	2750.00	7093.07	PBHL - Lateral

TARGET DETAILS

Name	TVD	+N/-S	+E/-W	Northing	Easting	Latitude	Longitude	Shape
PBHL - Lateral	2750.00	-4589.00	-16.40	580589.20	458008.80	32°35'44.873N	104°36'14.086W	Point

SECTION DETAILS

Sec	MD	Inc	Azi	TVD	+N/-S	+E/-W	DLeg	TFace	VSec	Target
1	2177.00	0.00	0.00	2177.00	0.00	0.00	0.00	0.00	0.00	
2	3076.99	90.00	180.20	2749.96	-572.95	-2.05	10.00	180.20	572.95	
3	7093.07	90.00	180.20	2750.00	-4589.00	-16.40	0.00	0.00	4589.03	PBHL - Lateral



Drawn By: ALR
Date Created: 06/11/10

Aim Directional Services, LLC

Planning Report - Geographic

Company: Nearburg Producing Company Field: Eddy County, New Mexico Site: Huber "3" Fed #4H Well: #4H Wellpath: Lateral 1r2		Date: 03/15/2011 Co-ordinate(NE) Reference: Well: #4H, Grid North Vertical (TVD) Reference: SITE 0.0 Section (VS) Reference: Well (0.00N,0.00E,180.20Azi) Plan: Lateral 1r2		Time: 15:18:00 Page: 1						
Field: Eddy County, New Mexico										
Map System: US State Plane Coordinate System 1983 Geo Datum: GRS 1980 Sys Datum: Mean Sea Level		Map Zone: New Mexico, Eastern Zone Coordinate System: Well Centre Geomagnetic Model: WMM_2010								
Site: Huber "3" Fed #4H										
Site Position: From: Map Position Uncertainty: 0.00 ft Ground Level: 3491.00 ft		Northing: 585178.20 ft Easting: 458025.20 ft Latitude: 32 36 30.283 N Longitude: 104 36 14.031 W North Reference: Grid Grid Convergence: -0.15 deg								
Well: #4H Slot Name:										
Well Position: +N/-S 0.00 ft +E/-W 0.00 ft Position Uncertainty: 0.00 ft		Northing: 585178.20 ft Easting: 458025.20 ft Latitude: 32 36 30.283 N Longitude: 104 36 14.031 W								
Wellpath: Lateral 1r2										
Current Datum: SITE Magnetic Data: 03/15/2011 Field Strength: 48780 nT Vertical Section: Depth From (TVD) ft		Drilled From: Surface Tie-on Depth: 0.00 ft Above System Datum: Mean Sea Level Declination: 8.13 deg Mag Dip Angle: 60.36 deg +E/-W: Direction deg								
0.00		0.00								
Plan: Lateral 1r2 Date Composed: 03/15/2011										
Principal: Yes		Version: 1 Tied-to: User Defined								
Plan Section Information										
MD ft	Incl deg	Azim deg	TVD ft	+N/-S ft	+E/-W ft	DLS deg/100ft	Build deg/100ft	Turn deg/100ft	TFO deg	Target
2177.00	0.00	0.00	2177.00	0.00	0.00	0.00	0.00	0.00	0.00	
3076.99	90.00	180.20	2749.96	-572.95	-2.05	10.00	10.00	-19.98	180.20	
7093.07	90.00	180.20	2750.00	-4589.00	-16.40	0.00	0.00	0.00	0.00	PBHL - Lateral
Section 1 : Start DLS 10.00 TFO 180.20										
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
2177.00	0.00	0.00	2177.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
2200.00	2.30	180.20	2199.99	-0.46	0.00	0.46	10.00	10.00	0.00	0.00
2250.00	7.30	180.20	2249.80	-4.64	-0.02	4.64	10.00	10.00	0.00	0.00
2300.00	12.30	180.20	2299.06	-13.15	-0.05	13.15	10.00	10.00	0.00	0.00
2350.00	17.30	180.20	2347.38	-25.92	-0.09	25.92	10.00	10.00	0.00	0.00
2379.17	20.22	180.20	2375.00	-35.30	-0.13	35.30	10.00	10.00	0.00	0.00
2400.00	22.30	180.20	2394.41	-42.85	-0.15	42.85	10.00	10.00	0.00	0.00
2450.00	27.30	180.20	2439.79	-63.82	-0.23	63.82	10.00	10.00	0.00	0.00
2490.40	31.34	180.20	2475.00	-83.59	-0.30	83.59	10.00	10.00	0.00	0.00
2500.00	32.30	180.20	2483.16	-88.66	-0.32	88.66	10.00	10.00	0.00	0.00
2550.00	37.30	180.20	2524.21	-117.18	-0.42	117.19	10.00	10.00	0.00	0.00
2600.00	42.30	180.20	2562.61	-149.18	-0.53	149.18	10.00	10.00	0.00	0.00
2650.00	47.30	180.20	2598.08	-184.40	-0.66	184.40	10.00	10.00	0.00	0.00
2700.00	52.30	180.20	2630.34	-222.58	-0.80	222.58	10.00	10.00	0.00	0.00
2750.00	57.30	180.20	2659.15	-263.42	-0.94	263.42	10.00	10.00	0.00	0.00
2780.63	60.36	180.20	2675.00	-289.62	-1.04	289.63	10.00	10.00	0.00	0.00
2800.00	62.30	180.20	2684.29	-306.62	-1.10	306.62	10.00	10.00	0.00	0.00
2850.00	67.30	180.20	2705.58	-351.85	-1.26	351.85	10.00	10.00	0.00	0.00
2900.00	72.30	180.20	2722.83	-398.76	-1.43	398.76	10.00	10.00	0.00	0.00
2950.00	77.30	180.20	2735.94	-446.99	-1.60	447.00	10.00	10.00	0.00	0.00
3000.00	82.30	180.20	2744.79	-496.19	-1.77	496.19	10.00	10.00	0.00	0.00

Aim Directional Services, LLC

Planning Report - Geographic

Company: Nearburg Producing Company Field: Eddy County, New Mexico Site: Huber "3" Fed #4H Well: #4H Wellpath: Lateral 1r2	Date: 03/15/2011 Time: 15:18:00 Co-ordinate(NE) Reference: Well: #4H; Grid North Vertical (TVD) Reference: SITE 0.0 Section (VS) Reference: Well (0.00N,0.00E,180.20Azi) Plan: Lateral 1r2
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Page: 2

Section 1 : Start DLS 10.00 TFO 180.20

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
3050.00	87.30	180.20	2749.32	-545.96	-1.95	545.97	10.00	10.00	0.00	0.00
3076.99	90.00	180.20	2749.96	-572.95	-2.05	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	180.20	2749.96	-595.95	-2.13	595.96	0.00	0.00	0.00	180.00
3200.00	90.00	180.20	2749.96	-695.95	-2.49	695.96	0.00	0.00	0.00	180.00
3300.00	90.00	180.20	2749.96	-795.95	-2.84	795.96	0.00	0.00	0.00	180.00
3400.00	90.00	180.20	2749.96	-895.95	-3.20	895.96	0.00	0.00	0.00	180.00
3500.00	90.00	180.20	2749.96	-995.95	-3.56	995.96	0.00	0.00	0.00	180.00
3600.00	90.00	180.20	2749.96	-1095.95	-3.92	1095.96	0.00	0.00	0.00	180.00
3700.00	90.00	180.20	2749.96	-1195.95	-4.27	1195.96	0.00	0.00	0.00	180.00
3800.00	90.00	180.20	2749.97	-1295.95	-4.63	1295.96	0.00	0.00	0.00	180.00
3900.00	90.00	180.20	2749.97	-1395.95	-4.99	1395.96	0.00	0.00	0.00	180.00
4000.00	90.00	180.20	2749.97	-1495.95	-5.35	1495.96	0.00	0.00	0.00	180.00
4100.00	90.00	180.20	2749.97	-1595.95	-5.70	1595.96	0.00	0.00	0.00	180.00
4200.00	90.00	180.20	2749.97	-1695.95	-6.06	1695.96	0.00	0.00	0.00	180.00
4300.00	90.00	180.20	2749.97	-1795.95	-6.42	1795.96	0.00	0.00	0.00	180.00
4400.00	90.00	180.20	2749.97	-1895.95	-6.78	1895.96	0.00	0.00	0.00	180.00
4500.00	90.00	180.20	2749.97	-1995.95	-7.13	1995.96	0.00	0.00	0.00	180.00
4600.00	90.00	180.20	2749.97	-2095.94	-7.49	2095.96	0.00	0.00	0.00	180.00
4700.00	90.00	180.20	2749.97	-2195.94	-7.85	2195.96	0.00	0.00	0.00	180.00
4800.00	90.00	180.20	2749.98	-2295.94	-8.21	2295.96	0.00	0.00	0.00	180.00
4900.00	90.00	180.20	2749.98	-2395.94	-8.56	2395.96	0.00	0.00	0.00	180.00
5000.00	90.00	180.20	2749.98	-2495.94	-8.92	2495.96	0.00	0.00	0.00	180.00
5100.00	90.00	180.20	2749.98	-2595.94	-9.28	2595.96	0.00	0.00	0.00	180.00
5200.00	90.00	180.20	2749.98	-2695.94	-9.63	2695.96	0.00	0.00	0.00	180.00
5300.00	90.00	180.20	2749.98	-2795.94	-9.99	2795.96	0.00	0.00	0.00	180.00
5400.00	90.00	180.20	2749.98	-2895.94	-10.35	2895.96	0.00	0.00	0.00	180.00
5500.00	90.00	180.20	2749.98	-2995.94	-10.71	2995.96	0.00	0.00	0.00	180.00
5600.00	90.00	180.20	2749.98	-3095.94	-11.06	3095.96	0.00	0.00	0.00	180.00
5700.00	90.00	180.20	2749.99	-3195.94	-11.42	3195.96	0.00	0.00	0.00	180.00
5800.00	90.00	180.20	2749.99	-3295.94	-11.78	3295.96	0.00	0.00	0.00	180.00
5900.00	90.00	180.20	2749.99	-3395.94	-12.14	3395.96	0.00	0.00	0.00	180.00
6000.00	90.00	180.20	2749.99	-3495.94	-12.49	3495.96	0.00	0.00	0.00	180.00
6100.00	90.00	180.20	2749.99	-3595.93	-12.85	3595.96	0.00	0.00	0.00	180.00
6200.00	90.00	180.20	2749.99	-3695.93	-13.21	3695.96	0.00	0.00	0.00	180.00
6300.00	90.00	180.20	2749.99	-3795.93	-13.57	3795.96	0.00	0.00	0.00	180.00
6400.00	90.00	180.20	2749.99	-3895.93	-13.92	3895.96	0.00	0.00	0.00	180.00
6500.00	90.00	180.20	2749.99	-3995.93	-14.28	3995.96	0.00	0.00	0.00	180.00
6600.00	90.00	180.20	2749.99	-4095.93	-14.64	4095.96	0.00	0.00	0.00	180.00
6700.00	90.00	180.20	2750.00	-4195.93	-15.00	4195.96	0.00	0.00	0.00	180.00
6800.00	90.00	180.20	2750.00	-4295.93	-15.35	4295.96	0.00	0.00	0.00	180.00
6900.00	90.00	180.20	2750.00	-4395.93	-15.71	4395.96	0.00	0.00	0.00	180.00
7000.00	90.00	180.20	2750.00	-4495.93	-16.07	4495.96	0.00	0.00	0.00	180.00
7093.07	90.00	180.20	2750.00	-4589.00	-16.40	4589.03	0.00	0.00	0.00	180.00

Survey

MD ft	Incl deg	Azim deg	TVD ft	+N/-S ft	+E/-W ft	Map Northing ft	Map Easting ft	<--- Latitude ---> Deg Min Sec			<--- Longitude ---> Deg Min Sec		
2177.00	0.00	0.00	2177.00	0.00	0.00	585178.20	458025.20	32	36	30.283 N	104	36	14.031 W
2200.00	2.30	180.20	2199.99	-0.46	0.00	585177.74	458025.20	32	36	30.278 N	104	36	14.031 W
2250.00	7.30	180.20	2249.80	-4.64	-0.02	585173.56	458025.18	32	36	30.237 N	104	36	14.031 W
2300.00	12.30	180.20	2299.06	-13.15	-0.05	585165.05	458025.15	32	36	30.153 N	104	36	14.031 W
2350.00	17.30	180.20	2347.38	-25.92	-0.09	585152.28	458025.11	32	36	30.026 N	104	36	14.031 W
2379.17	20.22	180.20	2375.00	-35.30	-0.13	585142.90	458025.07	32	36	29.934 N	104	36	14.031 W
2400.00	22.30	180.20	2394.41	-42.85	-0.15	585135.35	458025.05	32	36	29.859 N	104	36	14.031 W
2450.00	27.30	180.20	2439.79	-63.82	-0.23	585114.38	458024.97	32	36	29.651 N	104	36	14.032 W
2490.40	31.34	180.20	2475.00	-83.59	-0.30	585094.61	458024.90	32	36	29.456 N	104	36	14.032 W

Aim Directional Services, LLC

Planning Report - Geographic

Company: Nearburg Producing Company
Field: Eddy County, New Mexico
Site: Huber "3" Fed #4H
Well: #4H
Wellpath: Lateral 1r2

Date: 03/15/2011 Time: 15:18:00 Page: 3
Co-ordinate(NE) Reference: Well: #4H, Grid North
Vertical (TVD) Reference: SITE 0.0
Section (VS) Reference: Well (0.00N,0.00E,180.20Azi)
Plan: Lateral 1r2

Survey

MD ft	Incl deg	Azim deg	TVD ft	+N/-S ft	+E/-W ft	Map Northing ft	Map Easting ft	<--- Latitude ---> Deg Min Sec			<--- Longitude ---> Deg Min Sec		
2500.00	32.30	180.20	2483.16	-88.66	-0.32	585089.54	458024.88	32	36	29.406 N	104	36	14.032 W
2550.00	37.30	180.20	2524.21	-117.18	-0.42	585061.02	458024.78	32	36	29.123 N	104	36	14.032 W
2600.00	42.30	180.20	2562.61	-149.18	-0.53	585029.02	458024.67	32	36	28.807 N	104	36	14.033 W
2650.00	47.30	180.20	2598.08	-184.40	-0.66	584993.80	458024.54	32	36	28.458 N	104	36	14.033 W
2700.00	52.30	180.20	2630.34	-222.58	-0.80	584955.62	458024.40	32	36	28.080 N	104	36	14.033 W
2750.00	57.30	180.20	2659.15	-263.42	-0.94	584914.78	458024.26	32	36	27.676 N	104	36	14.034 W
2780.63	60.36	180.20	2675.00	-289.62	-1.04	584888.58	458024.16	32	36	27.417 N	104	36	14.034 W
2800.00	62.30	180.20	2684.29	-306.62	-1.10	584871.58	458024.10	32	36	27.249 N	104	36	14.034 W
2850.00	67.30	180.20	2705.58	-351.85	-1.26	584826.35	458023.94	32	36	26.801 N	104	36	14.035 W
2900.00	72.30	180.20	2722.83	-398.76	-1.43	584779.44	458023.77	32	36	26.337 N	104	36	14.036 W
2950.00	77.30	180.20	2735.94	-446.99	-1.60	584731.21	458023.60	32	36	25.860 N	104	36	14.036 W
3000.00	82.30	180.20	2744.79	-496.19	-1.77	584682.01	458023.43	32	36	25.373 N	104	36	14.037 W
3050.00	87.30	180.20	2749.32	-545.96	-1.95	584632.24	458023.25	32	36	24.880 N	104	36	14.037 W
3076.99	90.00	180.20	2749.96	-572.95	-2.05	584605.25	458023.15	32	36	24.613 N	104	36	14.038 W
3100.00	90.00	180.20	2749.96	-595.95	-2.13	584582.25	458023.07	32	36	24.386 N	104	36	14.038 W
3200.00	90.00	180.20	2749.96	-695.95	-2.49	584482.25	458022.71	32	36	23.396 N	104	36	14.039 W
3300.00	90.00	180.20	2749.96	-795.95	-2.84	584382.25	458022.36	32	36	22.407 N	104	36	14.040 W
3400.00	90.00	180.20	2749.96	-895.95	-3.20	584282.25	458022.00	32	36	21.417 N	104	36	14.042 W
3500.00	90.00	180.20	2749.96	-995.95	-3.56	584182.25	458021.64	32	36	20.428 N	104	36	14.043 W
3600.00	90.00	180.20	2749.96	-1095.95	-3.92	584082.25	458021.28	32	36	19.438 N	104	36	14.044 W
3700.00	90.00	180.20	2749.96	-1195.95	-4.27	583982.25	458020.93	32	36	18.448 N	104	36	14.045 W
3800.00	90.00	180.20	2749.97	-1295.95	-4.63	583882.25	458020.57	32	36	17.459 N	104	36	14.046 W
3900.00	90.00	180.20	2749.97	-1395.95	-4.99	583782.25	458020.21	32	36	16.469 N	104	36	14.048 W
4000.00	90.00	180.20	2749.97	-1495.95	-5.35	583682.25	458019.85	32	36	15.480 N	104	36	14.049 W
4100.00	90.00	180.20	2749.97	-1595.95	-5.70	583582.25	458019.50	32	36	14.490 N	104	36	14.050 W
4200.00	90.00	180.20	2749.97	-1695.95	-6.06	583482.25	458019.14	32	36	13.501 N	104	36	14.051 W
4300.00	90.00	180.20	2749.97	-1795.95	-6.42	583382.25	458018.78	32	36	12.511 N	104	36	14.052 W
4400.00	90.00	180.20	2749.97	-1895.95	-6.78	583282.25	458018.42	32	36	11.522 N	104	36	14.054 W
4500.00	90.00	180.20	2749.97	-1995.95	-7.13	583182.25	458018.07	32	36	10.532 N	104	36	14.055 W
4600.00	90.00	180.20	2749.97	-2095.94	-7.49	583082.26	458017.71	32	36	9.543 N	104	36	14.056 W
4700.00	90.00	180.20	2749.97	-2195.94	-7.85	582982.26	458017.35	32	36	8.553 N	104	36	14.057 W
4800.00	90.00	180.20	2749.98	-2295.94	-8.21	582882.26	458016.99	32	36	7.564 N	104	36	14.058 W
4900.00	90.00	180.20	2749.98	-2395.94	-8.56	582782.26	458016.64	32	36	6.574 N	104	36	14.060 W
5000.00	90.00	180.20	2749.98	-2495.94	-8.92	582682.26	458016.28	32	36	5.585 N	104	36	14.061 W
5100.00	90.00	180.20	2749.98	-2595.94	-9.28	582582.26	458015.92	32	36	4.595 N	104	36	14.062 W
5200.00	90.00	180.20	2749.98	-2695.94	-9.63	582482.26	458015.57	32	36	3.605 N	104	36	14.063 W
5300.00	90.00	180.20	2749.98	-2795.94	-9.99	582382.26	458015.21	32	36	2.616 N	104	36	14.064 W
5400.00	90.00	180.20	2749.98	-2895.94	-10.35	582282.26	458014.85	32	36	1.626 N	104	36	14.066 W
5500.00	90.00	180.20	2749.98	-2995.94	-10.71	582182.26	458014.49	32	36	0.637 N	104	36	14.067 W
5600.00	90.00	180.20	2749.98	-3095.94	-11.06	582082.26	458014.14	32	35	59.647 N	104	36	14.068 W
5700.00	90.00	180.20	2749.99	-3195.94	-11.42	581982.26	458013.78	32	35	58.658 N	104	36	14.069 W
5800.00	90.00	180.20	2749.99	-3295.94	-11.78	581882.26	458013.42	32	35	57.668 N	104	36	14.070 W
5900.00	90.00	180.20	2749.99	-3395.94	-12.14	581782.26	458013.06	32	35	56.679 N	104	36	14.072 W
6000.00	90.00	180.20	2749.99	-3495.94	-12.49	581682.26	458012.71	32	35	55.689 N	104	36	14.073 W
6100.00	90.00	180.20	2749.99	-3595.93	-12.85	581582.27	458012.35	32	35	54.700 N	104	36	14.074 W
6200.00	90.00	180.20	2749.99	-3695.93	-13.21	581482.27	458011.99	32	35	53.710 N	104	36	14.075 W
6300.00	90.00	180.20	2749.99	-3795.93	-13.57	581382.27	458011.63	32	35	52.721 N	104	36	14.076 W
6400.00	90.00	180.20	2749.99	-3895.93	-13.92	581282.27	458011.28	32	35	51.731 N	104	36	14.078 W
6500.00	90.00	180.20	2749.99	-3995.93	-14.28	581182.27	458010.92	32	35	50.741 N	104	36	14.079 W
6600.00	90.00	180.20	2749.99	-4095.93	-14.64	581082.27	458010.56	32	35	49.752 N	104	36	14.080 W
6700.00	90.00	180.20	2750.00	-4195.93	-15.00	580982.27	458010.20	32	35	48.762 N	104	36	14.081 W
6800.00	90.00	180.20	2750.00	-4295.93	-15.35	580882.27	458009.85	32	35	47.773 N	104	36	14.082 W

Aim Directional Services, LLC

Planning Report - Geographic

Company: Nearburg Producing Company
 Field: Eddy County, New Mexico
 Site: Huber "3" Fed #4H
 Well: #4H
 Wellpath: Lateral 1r2

Date: 03/15/2011 Time: 15:18:00 Page: 4
 Co-ordinate(NE) Reference: Well: #4H, Grid North
 Vertical (TVD) Reference: SITE 0.0
 Section (VS) Reference: Well (0.00N,0.00E,180.20Azi)
 Plan: Lateral 1r2

Survey

MD ft	Incl deg	Azim deg	TVD ft	+N/-S ft	+E/-W ft	Map Northing ft	Map Easting ft	<--- Latitude ---> Deg Min Sec			<--- Longitude ---> Deg Min Sec		
6900.00	90.00	180.20	2750.00	-4395.93	-15.71	580782.27	458009.49	32	35	46.783 N	104	36	14.084 W
7000.00	90.00	180.20	2750.00	-4495.93	-16.07	580682.27	458009.13	32	35	45.794 N	104	36	14.085 W
7093.07	90.00	180.20	2750.00	-4589.00	-16.40	580589.20	458008.80	32	35	44.873 N	104	36	14.086 W

Targets

Name	Description Dip.	Dir.	TVD ft	+N/-S ft	+E/-W ft	Map Northing ft	Map Easting ft	<--- Latitude ---> Deg Min Sec			<--- Longitude ---> Deg Min Sec		
PBHL - Lateral			2750.00	-4589.00	-16.40	580589.20	458008.80	32	35	44.873 N	104	36	14.086 W

Formations

MD ft	TVD ft	Formations	Lithology	Dip Angle deg	Dip Direction deg
2379.17	2375.00	Glorieta		0.00	0.00
2490.40	2475.00	Yeso		0.00	0.00
2780.63	2675.00	Mid yeso Mkr		0.00	0.00
7000.00	2750.00	Target Center Line		0.00	0.00

Annotation

MD ft	TVD ft	
2177.00	2177.00	KOP, Build 10.00°/100'
3076.99	2749.96	Hold 90.00°, 180.20° Azimuth
7093.07	2750.00	PBHL - Lateral

Directional / MWD Standard Temp Price Quote

Nearburg Producing Co.
Huber "3" Federal, Well No. 4H
Eddy County, New Mexico
Quote No.: 061010100



Date: 03/15/11

Aim Directional / MWD Operating (Standard Temp): **\$8,400.00**

Performance Motor(s), Directional Supervisor (2), Per Diem, Float Sub, Steel Pony Collar
MWD Tools and Equipment, MWD Engineer (1), Per Diem, Non-Mag Collars, UBHO Sub

Standby: **\$4,800.00**

Additional Daily Charges if applicable:

MWD Cabin	\$150.00
Lodging - per man per day (if not provided by customer)	\$100.00
EM-MWD System	\$1,500.00
Evenwall Motors	\$1,500.00
Gamma - includes 2nd MWD Engineer, (2) MD/TVD logs, and (1) CD-ROM.	\$800.00
50% LIH Coverage	See Attached Schedule

Misc. Additional Charges if applicable:

Float Valve (sale) if used or not returned	\$795.00
Drill Pipe Screens (sale)	\$750.00
Personnel Round-Trip Mileage (per mile per man)	\$2.25
Transportation of Tools and Equipment to and from location.	Billed direct to customer
Well Planning & Engineering (per well)	\$1,000.00
Gamma Memory Log Export (per well)	\$1,000.00
Stabilizers (Nortrak, String or Nearbit), Hole Opener	Third Party
EM Gap Sub Service Fee (per well)	\$2,500.00
Inspection & Repairs - Steel (per used connection)	\$150.00
Inspection & Repairs - Non-Mag (per used connection)	\$275.00
Performance Motor Inspection - per used motor	See Attached Schedule
* Reline Charge for Performance Motors - per used motor	See Attached Schedule
Additional MD/TVD Logs	\$50.00
Additional CD-Rom or Color Logs	\$150.00
Shipping and Handling of additional logs (per address)	\$50.00
EM Triple D-Cell Battery (per used battery)	\$1,800.00
MWD Battery 150°C (per used battery)	\$1,200.00
MWD Battery 175°C (per used battery)	\$1,500.00

Estimated Daily Operating Cost: **\$8,400.00**

* Stator reline charges apply when run in Oil Base Mud, Air Drilling or circulating temperature over 260°.

Price quote is valid for 30-days from the date it is submitted to the job starts. If beyond 30-days, the price quote may need to be re-submitted.

Damage to equipment due to fishing operations, corrosives or temperatures greater than 270° circulating for Standard Temp tools or 315° circulating for High-Temp Tools will be billed back to the customer.



Directional Services, LLC

500 N. Water St., Suite 404 · Corpus Christi, Texas 78471 · Ph: 361-653-6500 · Fax: 361-653-6599

Motor - 50% Lost-In-Hole Coverage

Standard/Performance Motors			
Motor (Sizes)	No LIH Coverage	w/ LIH Coverage	Daily Cost
3 ³ / ₈ " - 3 ¹ / ₂ "	\$70,000.00	\$35,000.00	\$350.00
3 ³ / ₄ "	\$90,000.00	\$45,000.00	\$350.00
4 ³ / ₄ "	\$108,000.00	\$54,000.00	\$400.00
6 ¹ / ₄ "	\$140,000.00	\$70,000.00	\$400.00
6 ³ / ₄ "	\$150,000.00	\$75,000.00	\$400.00
7 ³ / ₄ " - 8"	\$160,000.00	\$80,000.00	\$450.00
9 5/8"	\$220,000.00	\$110,000.00	\$450.00

Evenwall Power Section Motors			
Motor (Sizes)	No LIH Coverage	w/ LIH Coverage	Daily Cost
2 ⁷ / ₈ "	\$120,000.00	\$60,000.00	\$450.00
3 ³ / ₄ "	\$170,000.00	\$85,000.00	\$450.00
4 ³ / ₄ "	\$230,000.00	\$115,000.00	\$500.00
6 ¹ / ₄ "	\$250,000.00	\$125,000.00	\$500.00
6 ³ / ₄ "	\$260,000.00	\$130,000.00	\$500.00
8"	\$280,000.00	\$140,000.00	\$550.00

Accepted : _____ Declined : _____

Please Initial Above whether Accepted or Declined.

MWD - 50% Lost-In-Hole Coverage

Type	No LIH Coverage	w/ LIH Coverage	Daily Cost
Incl./Azimuth	\$250,000.00	\$125,000.00	\$300.00
Directional	\$290,000.00	\$145,000.00	\$400.00
EM-MWD	\$350,000.00	\$175,000.00	\$500.00
Gamma	\$80,000.00	\$40,000.00	\$100.00

MWD Repair Charge applies to tools exposed to temperature over specified ratings below.

320° F or Greater = \$50,000 repair charge

Accepted : _____ Declined : _____

Please Initial Above whether Accepted or Declined.

Company Rep: _____ Dated: _____

Print Name: _____

Additional Terms and Conditions

- 1.) No coverage is offered for any occurrences other than loss or abandonment below the rotary table.
- 2.) Coverage is subject to acceptance only before Motor and/or MWD equipment is lowered below the rotary table.
- 3.) At least (1) thorough attempt must be made for Coverage to take affect.
- 4.) LIH Coverage is for 1st loss only. Any subsequent losses will be at full price



Directional Services, LLC

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Motor Inspection Schedule

Motor Inspection	
Motor (Sizes)	Fee
3 1/8" to 4 3/4"	\$2,000.00
6 1/4" - 6 3/4"	\$2,300.00
7 3/4" - 8"	\$2,500.00
9 5/8"	\$2,800.00

Motor Reline Schedules

Standard/Performance Motor		
Motor (Sizes)	NBR	HSN or HR
3 1/8" to 3 3/8"	\$3,700.00	N/A
3 1/2" - 3 3/4"	\$3,900.00	N/A
4 3/4"	\$4,600.00	\$5,100.00
6 1/4" - 6 3/4"	\$5,800.00	\$6,300.00
7 3/4" - 8"	\$6,900.00	N/A
9 5/8"	\$7,500.00	N/A

Evenwall Motor	
Motor (Sizes)	Evenwall
3 1/8" to 3 1/2"	N/A
3 3/4"	\$5,200.00
4 3/4"	\$7,600.00
6 1/4" - 6 3/4"	\$7,750.00
7 3/4" - 8"	\$13,500.00

Motor Reline charges apply when run is Oilbase Mud, Air Drilling, and/or temperatures greater than 260° F.

Stator Reline and Rotor Re-Chrome may apply when run in H₂S and or CO₂.



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TERMS AND CONDITIONS

- 1.) Operating Rate begins on the day that Aim Directional provided tools are lowered below the rotary table and continues until the tools are brought above the rotary table.
- 2.) Standby Rate begins on the day "tools and personnel" arrive on location, and applies to all days when Operating Rate is not in effect.
- 3.) The Operating Rates and Standby Rates are billed on a calendar day (mid-night to mid-night). These rates are for a 24-hour day or any part thereof.
- 4.) Standby rate will not apply to any day tools are in the hole, unless agreed upon in writing by an Aim Directional representative.
- 5.) Any and all applicable Sales and User Tax, Vat Tax will be added to the Final Invoice.
- 6.) Lost-in-Hole coverage available for first loss only. Any exceptions to this must be agreed upon by Aim Directional management prior to any further losses.
- 7.) Customer is responsible for downhole tools and surface equipment. Normal wear and tear shall not include damaging downhole environment. This includes but is not limited to, high solids content, oil based muds, foam/air mist drilling, chlorides, H₂S, Acid, Co₂, excessive vibration or circulating temperatures exceeding 270 degrees.
- 8.) Third party charges for services and/or tools are subject to a 15% handling fee, unless otherwise agreed upon between the Customer and Aim Directional management.
- 9.) No credit will be given for the 1st motor failure or 1st MWD failure. No credit will be given on motors failing after 100 circulating hours, whether on one run or multiple runs between repairs.
- 10.) Customer is liable for all tools and equipment from the time it arrives on the rig location or dock until the time that it is shipped back in.
- 11.) All prices are subject to change without notice.
- 12.) Any credits given will be on the Final Invoice. The Field Invoice will be completed without discounts or credits.
- 13.) All amounts due to AIM are payable in Corpus Christi, Nueces County, Texas and shall be due net thirty (30) days from date of invoice unless otherwise stated. Buyer agrees that any past due amount shall bear interest from due date until paid at the lesser amount of 18% per annum or the maximum non-usurious rate of interest permitted by applicable laws in effect from time to time.
- 14.) If the invoice is not paid when due and the Customer's account is placed in the hands of an attorney for collection and/or if suit is filed to collect the account or any part thereof, the Customer shall pay all of Aim Directional's expenses incurred in collecting or attempting to collect the unpaid balance, including, without limitation, all reasonable attorney's fees, expenses of collection and/or litigation, and costs of Court, in addition to the unpaid balance owed.
- 15.) INDEMNIFICATION AND LIMITATION OF LIABILITY:
 - a. INDEMNIFICATION:

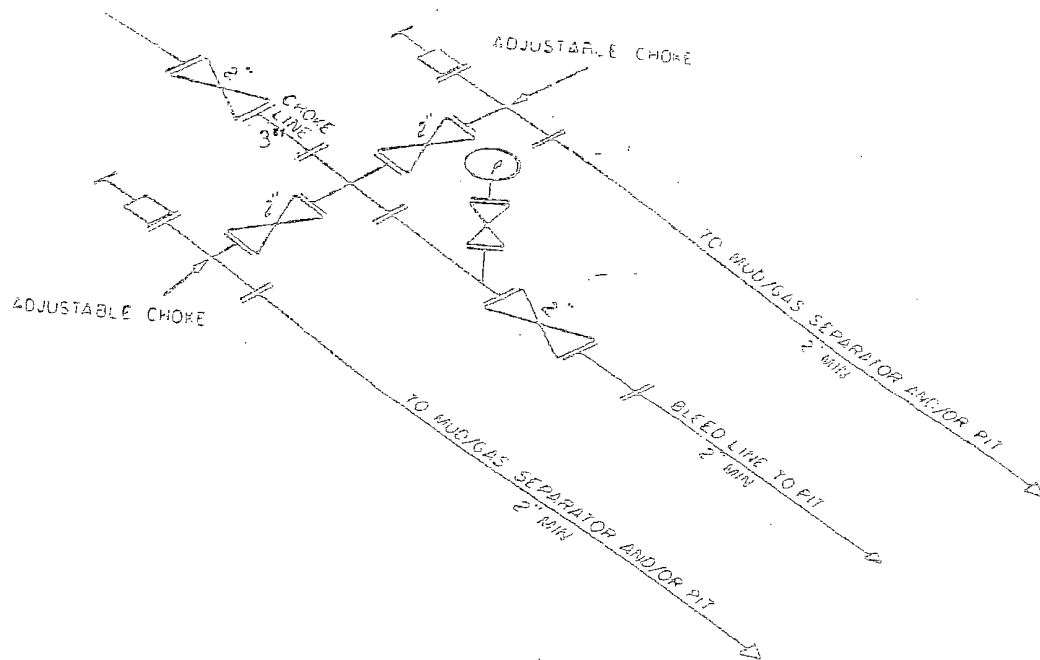
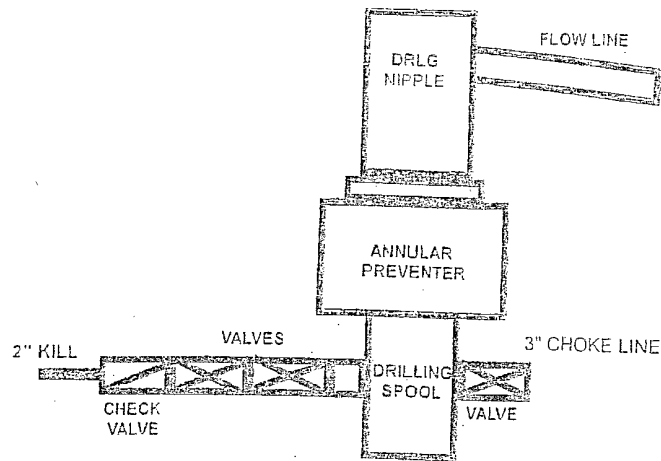
You agree to indemnify AIM Directional Services, LLC (AIM) and hold AIM harmless against any claims, demands or causes of action for property damage or personal injury (including death) caused by the negligent act or omission of any employee, agents or subcontractor of any person firm or company other than AIM and not contributed to by the negligence of AIM, its employees or agents. AIM shall not be responsible for the acts and workmanship of your employees, agents, contractors or subcontractors or any third party, nor for failure or malfunction of any tools, materials, equipment, products, supplies facilities or devices not supplied by AIM. You agree to hold AIM harmless from any and all losses, claims or damages arising from subsurface damage, surface damage caused by subsurface damage, loss of hydrocarbons and from pollution, regardless of whether such damages, losses or claims were caused by the negligence or sole negligence of You or your employees or agents, it being the intent of the parties that this indemnity shall apply to property upon which any representative of AIM may perform services hereunder.
 - b. LIMITATION OF LIABILITY:

UNDER NO CIRCUMSTANCES SHALL AIM BE LIABLE FOR ANY SPECIAL, CONSEQUENTIAL OR INCIDENTAL DAMAGES, INCLUDING BUT NOT LIMITED TO LOSS OF ANTICIPATED PROFITS, LOSS OF USE OF EQUIPMENT OR OF ANY INSTALLATION, SYSTEM OR FACILITY INTO WHICH AIM'S EQUIPMENT OR PERSONNEL MAY BE LOCATED OR AT WHICH AIM, ITS AGENT OR SUBCONTRACTOR MAY BE PERFORMING WORK. Aim's total responsibility for any claims, damages, losses or liabilities arising out of or related to its performance of this contract or the products or services covered hereunder shall not exceed the purchase price paid.
- 16.) ARBITRATION

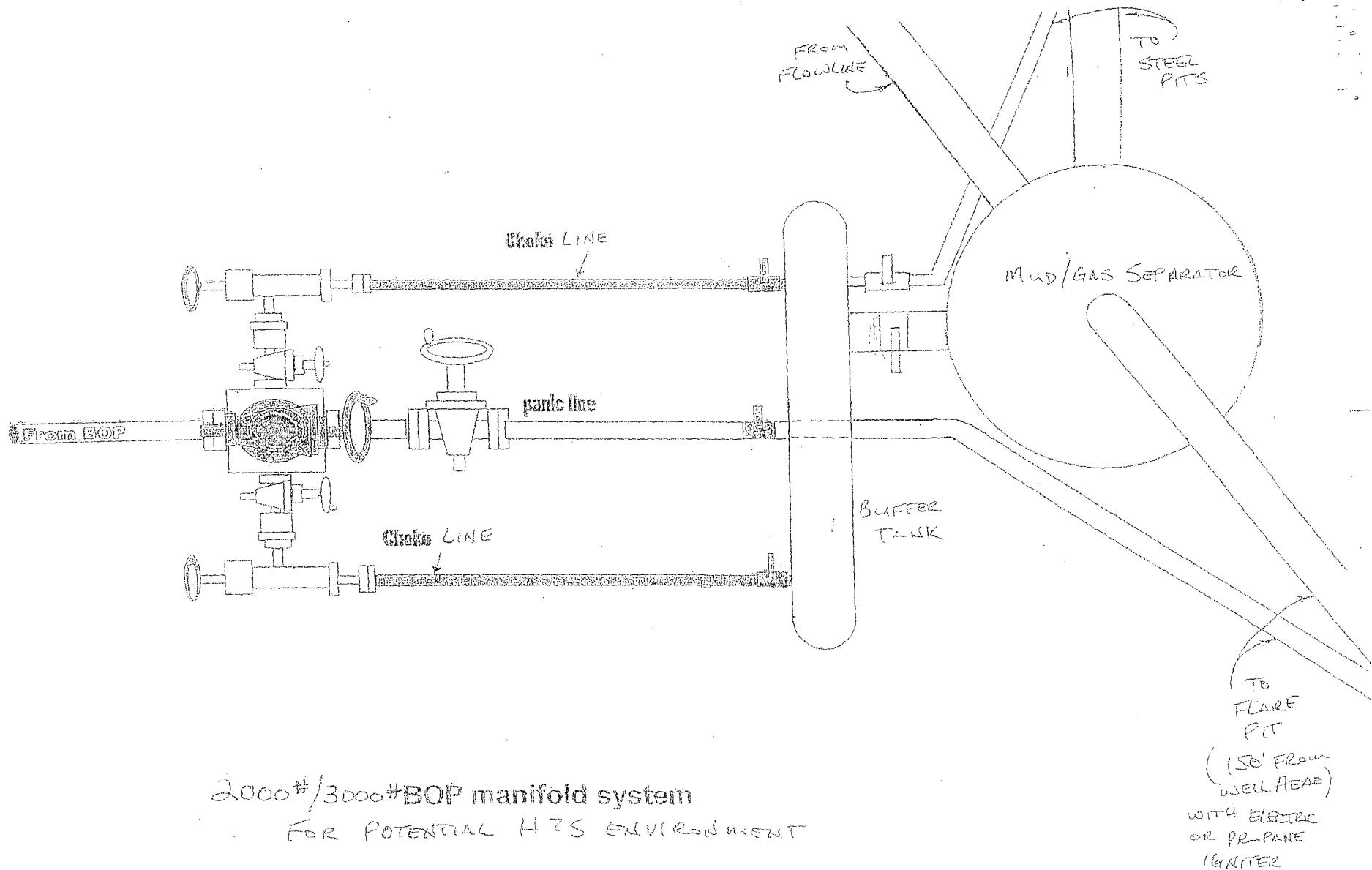
You and AIM both agree that any claim or dispute, whether in contract, tort or otherwise (including the interpretation and scope of this clause), between them or their employees, agents, successors or assigns, which arise out of or relate to this contract or any resulting transaction or relationship (including any such relationships with third parties who do not sign this contract) shall be resolved not by a court action but by a neutral binding arbitration governed by the Federal Arbitration Act in accordance with the Commercial Arbitration Rules of the American Arbitration Association, and judgment upon the award rendered by the arbitrator may be entered in any court having jurisdiction thereof. The parties agree and understand that they choose arbitration instead of litigation to resolve disputes and that this contract evidences a transaction including interstate commerce. Any arbitration brought under the terms of this agreement shall be conducted in the following manner:

 - a. The parties shall agree to appoint one person from Nueces County, Texas as an arbitrator. Said arbitrator shall be an attorney licensed to practice law in the State of Texas and shall further be qualified to act as arbitrator pursuant to the Commercial Arbitration Rules of the American Arbitration Association. In the event the parties cannot agree upon an arbitrator, the Presiding Judge of Nueces County, Texas shall appoint the arbitrator. The fees of the arbitrator shall be shared equally by the parties.
 - b. The arbitration hearing shall be held at the office of the arbitrator in Nueces County, Texas and the award of the arbitrator may be entered in the appropriate District Court of the State of Texas.
 - c. The parties agree that the arbitration hearing will be held within ninety (90) calendar days of the commencement of such arbitration proceedings.

2M SYSTEM



2M CHOKE MANIFOLD EQUIPMENT — CONFIGURATION OF CHOKES
MAY VARY



DISTRICT I --- CHECKLIST FOR INTENTS TO DRILL

Operator NEARBURG PRODUCING CO OGRID # 15742
 8396 Well Name & # HUBER FEDERAL # 4H Surface Type (F) (S) (P)
 Location: UL 1012 1012 Sect 3 Township 20 s, RNG 25 e, Sub-surface Type (F) (S) (P)
-20 1/2 - 25 1/2

A. Date C101 rec'd / / C101 reviewed / /

B. 1. Check mark, Information is OK on Forms:

OGRID X BONDING FED PROP CODE , WELL # , SIGNATURE
 2. Inactive Well list as of: 5/9/11 # wells 163, # Inactive wells 0

a. District Grant APD but see number of inactive wells:

No Letter required X; Sent Letter to Operator , to Santa Fe

3. Additional Bonding as of: 5/9/11

a. District Denial because operator needs addition bonding:

No Letter required X; Sent Letter to Operator , To Santa Fe

b. District Denial because of Inactive well list and Financial Assurance:

No Letter required X; Sent Letter to Operator , To Santa Fe

C. C102 YES X, NO , Signature X

1. Pool N. SEVEN RIVERS, GOR-YESO, Code 97565

a. Dedicated acreage 160, What Units BGJO

b. SUR. Location Standard X; Non-Standard Location

c. Well shares acres: Yes , No , # of wells plus this well #

2. 2nd. Operator in same acreage, Yes , No

Agreement Letter , Disagreement letter

3. Intent to Directional Drill Yes , No

a. Dedicated acreage 160, What Units BGJO

b. Bottomhole Location Standard X, Non-Standard Bottomhole

4. Downhole Commingle: Yes , No X

a. Pool #2 , Code , Acres

Pool #3 , Code , Acres

Pool #4 , Code , Acres

5. POTASH Area Yes , No FED

D. Blowout Preventer Yes , No

E. H2S Yes , No , PART FED APA

F. C144 Pit Registration Yes , No X

G. Does APD require Santa Fe Approval:

1. Non-Standard Location: Yes , No X, NSL #

2. Non-Standard Proration: Yes , No X, NSP #

3. Simultaneous Dedication: Yes , No X, SD #

Number of wells Plus #

4. Injection order Yes , No X; PMX # or WFX #

5. SWD order Yes , NO X; SWD #

6. DHC from SF ; DHC-HOB ; Holding

7. OCD Approval Date / /

API #30-0 15-- 37022

8. Reviewers

Overlap
 Sec 3 1/2 J
 API # 30-015-23950