

ABOVE THIS LINE FOR DIVISION USE ONLY



wcarr@hollandhart.com
e-mail Address



November 23, 2005

HAND-DELIVERED

Mark E. Fesmire, P. E.
Director
Oil Conservation Division
New Mexico Department of Energy,
Minerals and Natural Resources
1220 South Saint Francis Drive
Santa Fe, New Mexico 87505

*8:30 AM Nov. 28, 2005
* talked w/ Bill Carr who
wanted a verbal approval
because Robert Shelton
has a rig available.*

Re: Application of Nearburg Production Company for Administrative Approval of an Unorthodox Oil Well Location for its Salt Draw "11" Federal Well No. 1 to be drilled as a horizontal well from a surface location 2590 feet from North line and 330 feet from the West line of Section 11, Township 25 South, Range 28 East, N.M.P.M., Eddy County, New Mexico.

(30-015-34436)

Dear Mr. Fesmire:

Nearburg Production Company pursuant to the provisions of Division Rule 104 F (2) adopted on January 18, 1996, seeks administrative approval of an unorthodox well location for its Salt Draw "11" Federal Well No. 1 to be horizontally drilled in the Delaware formation, Southwest Willow Lake-Delaware Pool, at an unorthodox surface location well location 2590 feet from the North line and 330 feet from the West line of Section 11, Township 25 South, Range 28 East, N.M.P.M., Eddy County, New Mexico. Attached as **Exhibit A** is the Application for Permit to Drill the Well (Federal Form 3160-3) and the Acreage Dedication Plat for the Well showing the survey location for the well and the proposed dedicated acreage.

A horizontal well Project Area comprised of two 40-acre spacing units comprised of the W/2 NW/4 of Section 11 will be dedicated to the well. Attached as **Exhibit B** is a Delaware Formation Net Porosity Isopach Map that shows porosity in this formation through out the proposed Project Area. Approval of the proposed location will enable Nearburg to drill the well to a depth of approximately 4329 feet and then turn the wellbore to the north northeast and horizontally drill approximately 1,766 feet in the Delaware formation to a terminus 330 feet from the North line and 660 feet from the West line of said Section 11. This unorthodox surface location is necessary to enable Nearburg to have the horizontal portion of the wellbore intersect as much of the Delaware formation as possible in this Project Area. However, the horizontal portion of the wellbore in the projected pay zone of the Delaware formation will always be at least

HOLLAND & HART LLP



at 330 feet from the outer boundary of the Project Area. Attached as **Exhibit C** is the Horizontal Drilling Plan for the Well.

Attached as **Exhibit D** is a plat that shows the subject spacing unit for this well and all adjoining spacing units or leases. The well will only encroach on acreage operated by Nearburg Producing Company to the South of this horizontal well Project Area in which the ownership is identical to the ownership under the drill site. Accordingly, there are no affected parties to whom notification of this application should be provided.

Your attention to this application is appreciated.

Very truly yours,

William F. Carr
Attorney for Nearburg Producing Company

Enclosures

cc: Mr. Robert Shelton
Nearburg Producing Company

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

1a. Type of Work <input checked="" type="checkbox"/> DRILL <input type="checkbox"/> REENTER		5. Lease Serial No. NMNM16104
1b. Type of Well <input checked="" type="checkbox"/> Oil Well <input type="checkbox"/> Gas Well <input type="checkbox"/> Other <input type="checkbox"/> Single Zone <input type="checkbox"/> Multiple Zone		6. If Indian, Allottee or Tribe Name
2. Name of Operator Nearburg Producing Company		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. Salt Draw 11 Federal #1
4. Location of Well (Report location clearly and in accordance with any State requirements)* At surface 2590 FNL and and 330 FWL At proposed prod. zone 330 FNL and 660 FWL		9. API Well No.
14. Distance in miles and direction from nearest town or post office* 21 miles SE of Carlsbad		10. Field and Pool, or Exploratory Willow Lake, SW; Delaware
15. Distance from proposed* location to nearest property or lease line, ft. (Also to nearest drg. unit line, if any) 330		11. Sec., T., R., M., or Blk. and Survey or Area Sec 11, 25S, 28E
16. No. of Acres in lease 1520.06		12. County or Parish Eddy
17. Spacing Unit dedicated to this well 80		13. State NM
18. Distance from proposed location* to nearest well, drilling, completed, applied for, on this lease, ft. 990		20. BLM/BIA Bond No. on file NMB000153
19. Proposed Depth 6700		
21. Elevations (Show whether DF, KDB, RT, GL, etc.) 2918	22. Approximate date work will start* 11/1/05	23. Estimated duration 40 days

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) Sarah Jordan	Date 9/27/05
Title 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)

DISTRICT I

1625 N. FRENCH DR., BOBBS, NM 88240

DISTRICT II

1301 W. GRAND AVENUE, ARTESIA, NM 88210

DISTRICT III

1000 Rio Bravos Rd., Aztec, NM 87410

DISTRICT IV

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

State of New Mexico

Energy, Minerals and Natural Resources Department

OIL CONSERVATION DIVISION

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

Form C-102

Revised JUNE 10, 2003

Submit to Appropriate District Office

State Lease - 4 Copies

Fee Lease - 3 Copies

WELL LOCATION AND ACREAGE DEDICATION PLAT

☐ AMENDED REPORT

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

Surface Location

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

Bottom Hole Location If Different From Surface

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
D	11	25-S	28-E		330	NORTH	660	WEST	EDDY

Dedicated Acres	Joint or Infill	Consolidation Code	Order No.
<i>80</i>			

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>B.H. Y=418712.6 N X=583373.6 E</p> <p>GRAZ = 0°47'20" H.DIST. = 2287.7'</p> <p>DETAIL 2923.5' 2924.9' 750' 600' 2911.3' 2911.9'</p> <p>GEODETIC COORDINATES NAD 27 NME SURF. Y=416446.6 N X=583063.6 E</p> <p>LAT.=32°08'40.72" N LONG.=104°03'53.86" W</p>	OPERATOR CERTIFICATION I hereby certify the the information contained herein is true and complete to the best of my knowledge and belief. <i>Gordon</i> Signature Printed Name Prod. Analyst Title 9.27.05 Date
	SURVEYOR CERTIFICATION I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my belief. SEPTEMBER 15, 2005 Date Surveyed Signature Professional Surveyor GARY E. EDSON 12641 05.11.1441 Certified No. GARY EDSON 12641
	Standard 640-acre Section

Exhibit 'B'



Proposal

Report Date:	October 7, 2005	Survey / DLS Computation Method:	Minimum Curvature / Lubinski
Client:	Nearburg Producing Company	Vertical Section Azimuth:	7.790°
Field:	Eddy County, NM	Vertical Section Origin:	N 0.000 ft, E 0.000 ft
Structure / Slot:	Salt Draw 11 Fed #1 / Salt Draw 11 Fed #1	TVD Reference Datum:	RKB
Well:	Salt Draw 11 Fed #1	TVD Reference Elevation:	0.0 ft relative to
Borehole:	Salt Draw 11 Fed #1	Sea Bed / Ground Level Elevation:	0.000 ft relative to
UWI/APW:		Magnetic Declination:	8.467°
Survey Name / Date:	Salt Draw 11 Fed #1_r1 / October 7, 2005	Total Field Strength:	49119.232 nT
Tort / AHD / DDI / ERD ratio:	90.000° / 2287.30 ft / 5.488 / 0.472	Magnetic Dip:	60.163°
Grid Coordinate System:	NAD27 New Mexico State Planes, Eastern Zone, US Feet	Declination Date:	October 07, 2005
Location Lat/Long:	N 32 8 40.718, W 104 3 53.856	Magnetic Declination Model:	IGRF 2005
Location Grid N/E VIX:	N 416446.600 ftUS, E 583063.600 ftUS	North Reference:	Grid North
Grid Convergence Angle:	-0.14279111°	Total Corr Mag North -> Grid North:	+8.324°
Grid Scale Factor:	0.99991699	Local Coordinates Referenced To:	Well Head

Comments	Measured Depth (ft)	Inclination (deg)	Azimuth (deg)	TVD (ft)	Vertical Section (ft)	NS (ft)	EW (ft)	Closure (ft)	Closure Azimuth (deg)	DLS (deg/100 ft)	Tool Face (deg)
Tie-In	0.00	0.00	7.79	0.00	0.00	0.00	0.00	0.00	0.00	0.00	7.79M
KOP	4329.13	0.00	7.79	4329.13	0.00	0.00	0.00	0.00	0.00	0.00	7.79M
	4400.00	7.80	7.79	4399.78	4.81	4.77	0.65	4.81	7.79	11.00	0.00G
	4500.00	18.80	7.79	4496.96	27.78	27.52	3.76	27.78	7.79	11.00	0.00G
	4600.00	29.80	7.79	4587.96	68.86	68.22	9.33	68.88	7.79	11.00	0.00G
	4700.00	40.80	7.79	4669.45	126.55	125.38	17.15	126.55	7.79	11.00	0.00G
	4800.00	51.80	7.79	4738.44	198.73	196.90	26.94	198.73	7.79	11.00	0.00G
	4900.00	62.80	7.79	4792.38	282.75	280.14	38.32	282.75	7.79	11.00	0.00G
Marker	4917.23	64.69	7.79	4800.00	298.20	295.45	40.42	298.20	7.79	11.00	7.79G
	5000.00	73.80	7.79	4829.31	375.52	372.05	50.80	375.52	7.79	11.00	0.00G
	5100.00	84.80	7.79	4847.85	473.62	469.25	64.20	473.62	7.79	11.00	0.00G
EOC	5147.31	90.00	7.79	4850.00	520.87	516.06	70.60	520.87	7.79	11.00	0.00G
PBHL	6913.74	90.00	7.79	4850.00	2287.30	2266.19	310.03	2287.30	7.79	0.00	0.00G

1766'

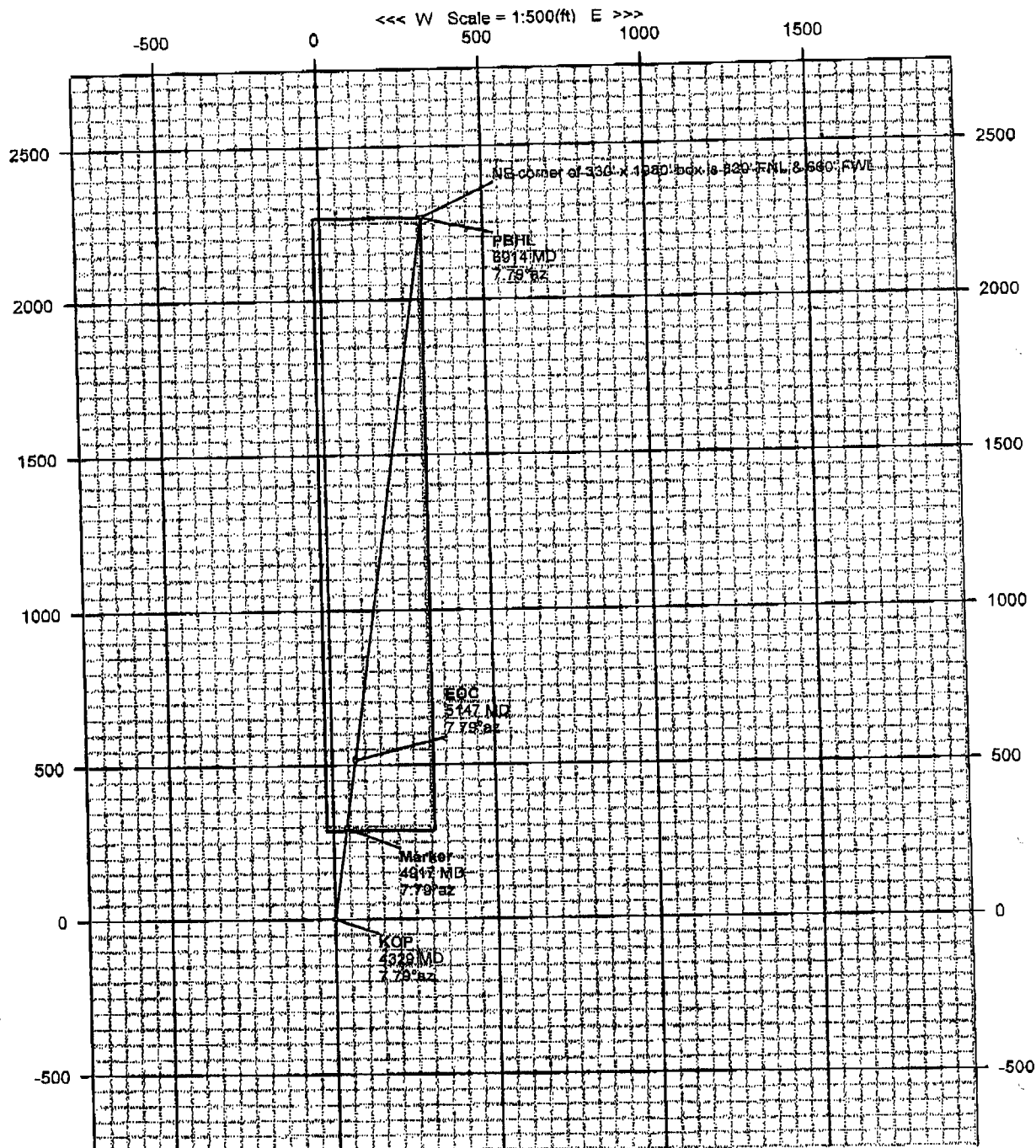
$$\begin{array}{r}
 \textcircled{C} \ 5147' \\
 2580' \text{ FWL} \\
 - 516' \\
 \hline
 2074' \text{ FWL}
 \end{array}
 +
 \begin{array}{r}
 330' \text{ FWL} \\
 + 71' \\
 \hline
 401' \text{ FWL}
 \end{array}$$

$$\begin{array}{r}
 2074' \\
 - 330' \\
 \hline
 1744' \text{ NIS} \\
 620' \\
 401' \\
 \hline
 259' \text{ FWL}
 \end{array}
 \begin{array}{l}
 2 = 3041536' \\
 2 = 67081'
 \end{array}$$

EXHIBIT C

Nearburg Producing Company

WELL	Salt Draw 11 Fed #1	FIELD	Eddy County, NM	STRUCTURE	Salt Draw 11 Fed #1
Magosto Park/Waters	DW: 80.182'	Date: October 07, 2005	Surface Location	NA027 New Mexico State Parks, Eastern Zone, US Post	Non-Magnetic
Model: KGRF 2008	Mag Dev: -8.487'	FS: 49119.3 m	Lat: N32 5 40.71 S	Northng: 418446.89 NUB	Site: Salt Draw 11 Fed #1
			Long: W104 5 33.65 W	Eastng: 600080.90 NUB	Plan: Salt Draw 11 Fed #1
				Scale Fact: 0.0000100021	TVD Ref: RK5 60.00 ft above
					Entry Date: Fri 10:30 AM October 07, 2005

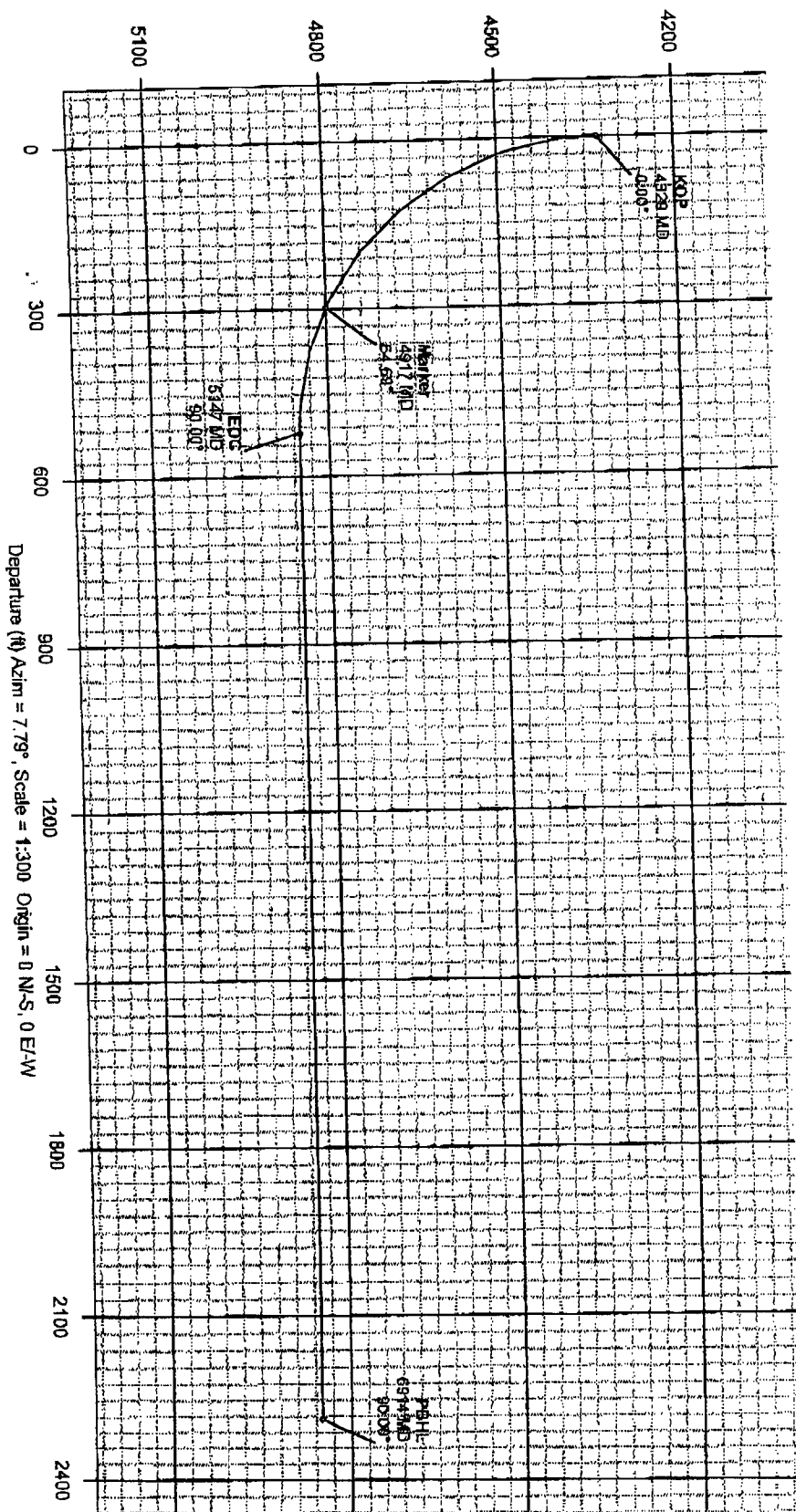


INTREPID
Directional Drilling Specialists



Nearburg Producing Company

WELL				FIELD				STRUCTURE			
Salt Draw 11 Fed #1				Eddy County, NM				Salt Draw 11 Fed #1			
Owner: Burgundy Farmstead Model ICSE 2005		Ckr DO 183V #9.45T	Duck FC	Outdate DT 2005 Outdate NT 481183.NT		Estimated Location N&Z S 40.71S WYOKA S 33.05S		Lat	Long	NAD83 New Mexico State Plane, Eastern Zone, US Feet NAD83: 4164465.01US Datum: WGS84 Datum ID: 10598199901	
										US NAD83 Zone Salt Draw 11 Fed #1 Salt Draw 11 Fed #1 J	TVD Ref. RFB DATA shown Survey Date: 1/25/2004 Callahan DT 2005



Departure (ft) Azim = 7.79°, Scale = 1:300 Origin = 0 N/S, 0 E/W



