Form 3160-3
(April 2004)

A-06-10

DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

If earthen pits are used in association with the drilling of this well, an OCD pit permit must be obtained prior to pit construction.

V-Dist. 2
1301 W. Grand Avenue
Artesia, NM 88210

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

APPLICATION FOR PERMIT TO DRILL OR REENTER

RECEIVED
JAN 04 2006
OCD-ARTESIA

5. Lease Serial No.: NMLC026874F

1a. Type of Work: [X] DRILL [ ] REENTER

6. If Indian, Allotee or Tribe Name:

1b. Type of Well: [X] Oil Well [ ] Gas Well [ ] Other [ ] Single Zone [X] Multiple Zone

7. Unit or CA Agreement Name and No.:

2. Name of Operator: Nearburg Producing Company 15742 35219

8. Lease Name and Well No.: Red Lake 33 Federal E #2

3a. Address: 3300 N A St., Bldg 2, Ste 120, Midland, TX 79705

3b. Phone No. (include area code): 432/686-8235

9. API Well No.: 30-015-34518

4. Location of Well (*Report location clearly and in accordance with any State equirements*)*

At surface: 2310 FNL and ~~330~~ FWL

At proposed prod. zone: 660 FWL B-UL per attached SN dated 1-4-06

10. Field and Pool, or Exploratory: Red Lake; Glorieta- Yeso 51120 (EAH)

11. Sec., T., R., M., or Blk. and Survey or Area: Sec 33-17S-27E

14. Distance in miles and direction from nearest town or post office*: 6 miles SE of Artesia

12. County or Parish: Eddy

13. State: NM

15. Distance from proposed* location to nearest property or lease line, ft. (Also to nearest drg. unit line, if any)	16. No. of Acres in lease	17. Spacing Unit dedicated to this well
330	280	40

18. Distance from proposed location* to nearest well, drilling, completed, applied for, on this lease, ft.	19. Proposed Depth	20. BLM/BIA Bond No. on file
1980	3700	NMB000153 ~~NM1307~~ (EAH)

21. Elevations (Show whether DF, KDB, RT, GL, etc.)	22. Approximate date work will start*	23. Estimated duration
3521	11/15/05	30 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.
2. A Drilling Plan
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).
4. Bond to cover the operations unless covered by an existing bond on file (see Item 20 above).
5. Operator certification.
6. Such other site specific information and/or plans as may be required by the authorized officer.

25. Signature	Name (*Printed/Typed*)	Date
Sarah Jordan	Sarah Jordan	10/6/05

Title: Production Analyst

Approved by (Signature)	Name (*Printed/Typed*)	Date
/s/ Joe G. Lara	/s/ Joe G. Lara	DEC 30 2005

Title	Office
ACTING FIELD MANAGER	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 1 YEAR

Title 18 U.S.C. Section 1001 and Title 43 U.S.C. Section 1212, make it a crime for any person knowlingly 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)

APPROVAL SUBJECT TO GENERAL REQUIREMENTS AND SPECIAL STIPULATIONS ATTACHED

Roswell Controlled Water Basin

Witness Surface Casing

Form 3160-5
(April 2004)

012e

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

OCD-ARTESIA

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

SUNDRY NOTICES AND REPORTS ON WELLS

Do not use this form for proposals to drill or to re-enter an abandoned well. Use Form 3160-3 (APD) for such proposals.

SUBMIT IN TRIPLICATE - Other instructions on reverse side

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OCD-ARTESIA

5. Lease Serial No.
NMLC026874F

6. If Indian, Allottee or Tribe Name

7. If Unit or CA/Agreement, Name and/or No.

1. Type of Well
[X] Oil Well [ ] Gas Well [ ] Other

8. Well Name and No.
Red Lake 33 Fed E #2

2. Name of Operator
Nearburg Producing Company

9. API Well No.

3a. Address
3300 N A St., Bldg 2, Ste 120, Midland, TX 79705

3b. Phone No. *(include area code)*
432/686-8235

10. Field and Pool, or Exploratory Area
Red Lake; Glorietta- Yeso

4. Location of Well *(Footage, Sec., T., R., M., or Survey Description)*
2310 FNL and 330 FWL, Sec 33-17S-27E

11. County or Parish, State
Eddy NM

12. CHECK APPROPRIATE BOX(ES) TO INDICATE NATURE OF NOTICE, REPORT, OR OTHER DATA

TYPE OF SUBMISSION	TYPE OF ACTION			
[X] Notice of Intent	[ ] Acidize	[ ] Deepen	[ ] Production (Start/Resume)	[ ] Water Shut-Off
[ ] Subsequent Report	[ ] Alter Casing	[ ] Fracture Treat	[ ] Reclamation	[ ] Well Integrity
[ ] Final Abandonment Notice	[ ] Casing Repair	[ ] New Construction	[ ] Recomplete	[X] Other Location Move
	[ ] Change Plans	[ ] Plug and Abandon	[ ] Temporarily Abandon	
	[ ] Convert to Injection	[ ] Plug Back	[ ] Water Disposal	

13. Describe Proposed or Completed Operation (clearly state all pertinent details, including estimated starting date of any proposed work and approximate duration thereof. If the proposal is to deepen directionally or recomplete horizontally, give subsurface locations and measured and true vertical depths of all pertinent markers and zones. Attach the Bond under which the work will be performed or provide the Bond No. on file with BLM/BIA. Required subsequent reports shall be filed within 30 days following completion of the involved operations. If the operation results in a multiple completion or recompletion in a new interval, a Form 3160-4 shall be filed once testing has been completed. Final Abandonment Notices shall be filed only after all requirements, including reclamation, have been completed, and the operator has determined that the final site is ready for final inspection.)

NPC requests to move the subject well location from:
2310 FNL and 330 FWL, Sec 33-17S-27E

to: 2310 FNL and 660 FWL, Sec 33-17S-27E

Please see attached plat and Responsibility Statement

14. I hereby certify that the foregoing is true and correct
Name *(Printed/Typed)*
Sarah Jordan

Title
Production Analyst

Date 11/7/05

THIS SPACE FOR FEDERAL OR STATE OFFICE USE

Approved by
/s/ Joe G. Lara

ACTING FIELD MANAGER

Date DEC 30 2005

Office CARLSBAD FIELD OFFICE

Conditions of approval, if any, are attached. Approval of this notice 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.

Title 18 U.S.C. Section 1001, and Title 43 U.S.C. Section 1212, makes 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.

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
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
	51120	Red Lake; Glorieta-Yeso

Property Code	Property Name	Well Number
	RED LAKE 33 FEDERAL E	2

OGRID No.	Operator Name	Elevation
015742	NEARBURG PRODUCING COMPANY	3524'

Surface Location

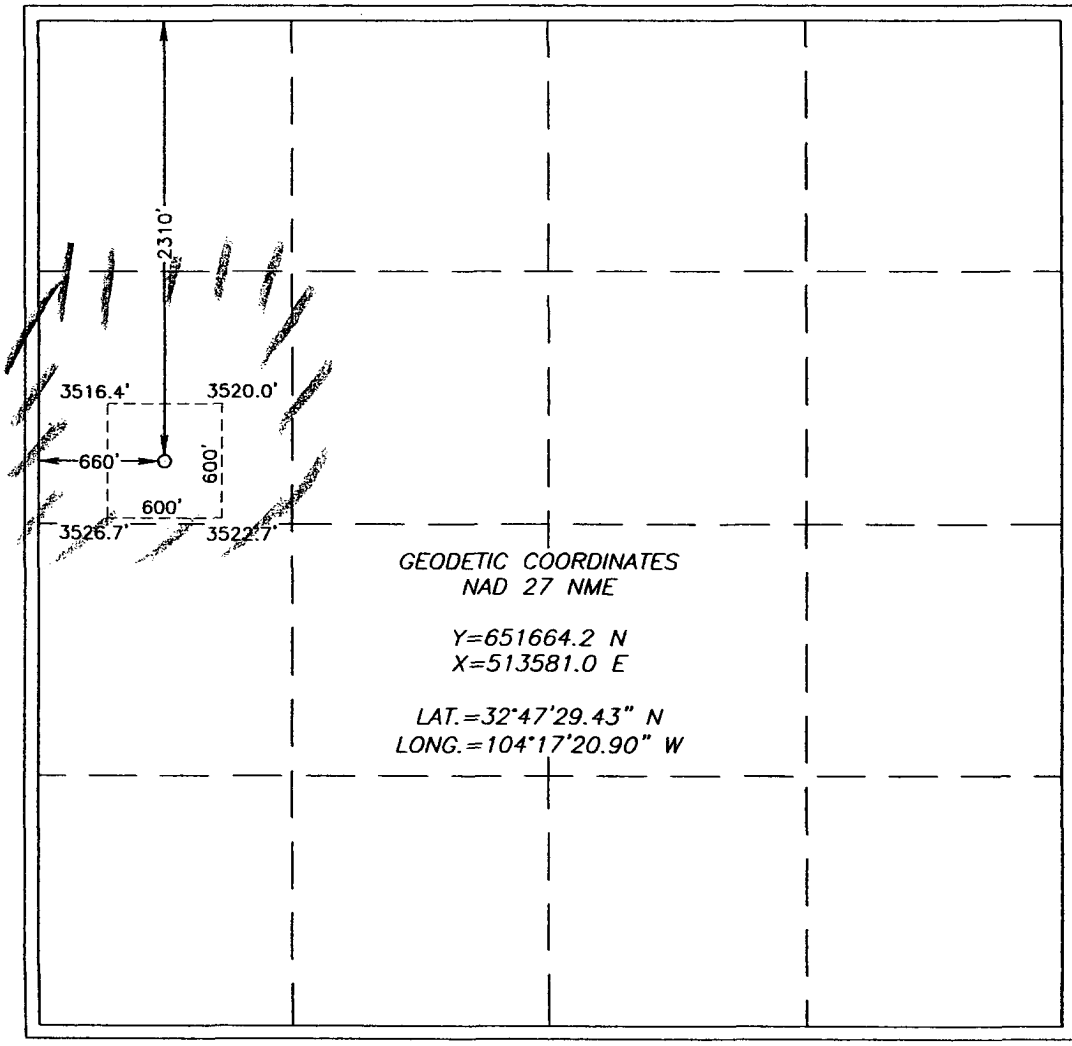
UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
E	33	17-S	27-E		2310	NORTH	660	WEST	EDDY

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

Dedicated Acres	Joint or Infill	Consolidation Code	Order No.
40			

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



OPERATOR CERTIFICATION

I hereby certify the the information contained herein is true and complete to the best of my knowledge and belief.

Signature: S Jordan

Printed Name: Prod Analyst

Title: 11-7-05

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 supervison, and that the same is true and correct to the best of my belief.

NOVEMBER 1, 2005

Date Surveyed: JR

Signature & Seal of Professional Surveyor

RONALD J. EIDSON NEW MEXICO REGISTERED PROFESSIONAL SURVEYOR

11/04/05

05.11.1710

Certificate No. GARY L. EIDSON 12641
RONALD J. EIDSON 3239

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

State of New Mexico
Energy, Minerals and Natural Resources

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

Form C-144
March 12, 2004

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

Pit or Below-Grade Tank Registration or Closure

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

Operator: Nearburg Producing Company Telephone: 686-8235 e-mail address: sjordan@nearburg.com
Address: 3300 N A St., Bldg 2, Ste 120, Midland, TX 79705
Facility or well name: Red Lake 32 Fed E #2 API #: _____ U/L or Qtr/Qtr E Sec 32 T 17S R 27E
County: Eddy Latitude _____ Longitude _____ NAD: 1927 ☒ 1983 ☐ Surface Owner Federal ☒ State ☐ Private ☐ Indian ☐

Pit	**Below-grade tank**
Type: Drilling ☒ Production ☐ Disposal ☐ Workover ☐ Emergency ☐ Lined ☒ Unlimited ☐ Liner type: Synthetic ☒ Thickness 12 mil Clay ☐ Volume _____ bbl	Volume: _____ bbl Type of fluid: _____ Construction material: _____ Double-walled, with leak detection? Yes ☐ If not, explain why not. _____

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Depth to ground water (vertical distance from bottom of pit to seasonal high water elevation of ground water.)	Less than 50 feet 50 feet or more, but less than 100 feet 100 feet or more	(20 points) (10 points) (0 points)	 X
Wellhead protection area. (Less than 200 feet from a private domestic water source, or less than 1000 feet from all other water sources.)	Yes No	(20 points) (0 points)	 X
Distance to surface water: (horizontal distance to all wetlands, playas, irrigation canals, ditches, and perennial and ephemeral watercourses.)	Less than 200 feet 200 feet or more, but less than 1000 feet 1000 feet or more	(20 points) (10 points) (0 points)	 X
	Ranking Score (Total Points)		0

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

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

Date: 10.6.05

Printed Name/Title: Sarah Jordan, Production Analyst Signature: S Jordan

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

Approval:
Date: OCT 7 2005

Printed Name/Title: Field Supervisor Signature: _____

DRILLING FLUID SYNOPSIS

NEARBURG PRODUCING COMPANY
RED LAKE 33 Federal E # 2

Section 33
T-17-S
R-27-E
Eddy County, New Mexico

Recommended Casing

8 5/8"	at	1,300'
TD	at	3,700'

DEPTH	MUD WEIGHT	VISCOSITY	FLUID LOSS	DRILL SOLIDS	COMMENTS
0-1,300'	8.6 to 9.0	32 to 33	No Control	<5%	Spud Mud
1,300'-3,700'	8.8 to 9.0	28 to 29	NC-<20cc	<5%	Cut Brine, Paper, Lime, Starch, Star NP-110

ESTIMATED FORMATION TOPS

QUEEN	865'
GRAYBURG	1,290'
SAN ANDRES	1,600'
GLORIETA	2,800'
YESO	2,900'
TD	3,700'

RECOMMENDED CASING PROGRAM

8 5/8"	at	1,300'
TD	at	3,700'

RECOMMENDED DRILLING FLUID PROGRAM

DEPTH	WEIGHT	VISCOSITY	FILTRATE
0-1,300'	**8.6-9.0**	**32-33**	**No Control**

Spud with an Amgel and Lime spud mud, circulating the working pits. Use Paper for seepage control and for sweeps. Use additions of Fresh Water to control weight and viscosity. There is a potential for lost returns in this interval. If lost returns are encountered and circulation cannot be regained after pumping several viscous LCM pills, you should consider dry drilling to casing point. We recommend periodically pumping a viscous LCM sweep while dry drilling in order to prevent solid accumulation in the well bore.

Southwestern E & P Company's, No Bluff State # 1, Section 36, T-17-S, R-27-E, reported lost circulation at 329' while drilling with an 8.4 ppg fluid weight.

DEPTH	WEIGHT	VISCOSITY	FILTRATE
1,300'-3,700'	**8.8-9.0**	**28-33**	**NC-<20cc**

Drill out from surface casing with Cut Brine, circulating the reserve. Use Paper to control seepage and for sweeps. Maintain a 9.0 to 9.5 pH with Lime. Use Star NP-110 for sweeps and for solids control. If abnormal pressures are encountered, we recommend additions of Brine as needed to control. H_2S may be present in this interval. If H_2S is encountered, we recommend using a H_2S scavenger for personnel safety and a filming amine to protect the Drill String.

At **3,600'** or prior to evaluation, return to the working pits and mud up with a **Starch/Star NP-110** type system. Maintain an API fluid loss of less than 20cc and funnel viscosity of 31 to 33 sec/1000cc with Starch. Use Xanthan Gum if additional viscosity is required. If lost circulation is encountered in this interval, please refer to Lone Star Mud's lost circulation procedure.

Estimated Drilling Fluid Cost: $3,500.00 to $4,500.00
Estimated Drilling Days: 6 to 7

Estimates are based on a 600 bbl system and do not include lost circulation, water flows, abnormal pressures, or multiple DST's.

AMBAR LONE STAR FLUID SERVICES
LOST CIRCULATION PROCEDURES

Loss of circulation is a possibility on this well. Although each well is different, there are some basic procedures and drilling practices that can aid in reducing the severity or, in some cases, prevent lost circulation. Below is a list, which may prove helpful.

1. Maintain viscosities as low as possible and still clean the hole. We recommend a viscosity of 28 to 33 on this well.
2. Maintain mud weights as low as possible without jeopardizing safety.
3. Use slow trip speeds to prevent swabbing and surging.
4. Break circulation in stages with reduced pump strokes while tripping in the hole.
5. Rotate pipe prior to and while tripping in the hole.
6. Use an optimum hydraulics program.

Severe seepage to total loss of circulation may occur even when the above procedures are followed. For severe seepage, we recommend circulating pills (50-100 bbls. depending on hole size) containing 10-30 ppb of various (fibrous and flake) lost circulation material. It would be helpful to reduce pump rates until full returns are established. Once full returns are regained, normal pump rates should be returned to in stages. The inclusion of lost circulation material in the entire system is recommended only if the above procedures do not adequately seal off the loss zone.

For total loss of circulation, we recommend pulling enough stands to place the bit above the loss zone. A viscous pill containing the appropriate type of loss circulation material should be spotted. The size of the pill should be determined by hole size and should contain at <u>least</u> 30 ppb lost circulation material. Several attempts should be made before considering other alternatives. After returns are regained, we recommend staging back to bottom using the procedure outlined above.

If returns are not fully re-established, consideration should be given to dry drilling while pumping periodic sweeps to ensure hole cleaning.

REFERENCE WELLS

1. Devon Energy Corporation, Eagle 33N Federal # 9, Section 33, T-17-S, R-27-E, Eddy County, New Mexico

2. Devon Energy Corporation, Windfohr 4 Federal # 2, Section 4, T-18-S, R-27-E, Eddy County, New Mexico

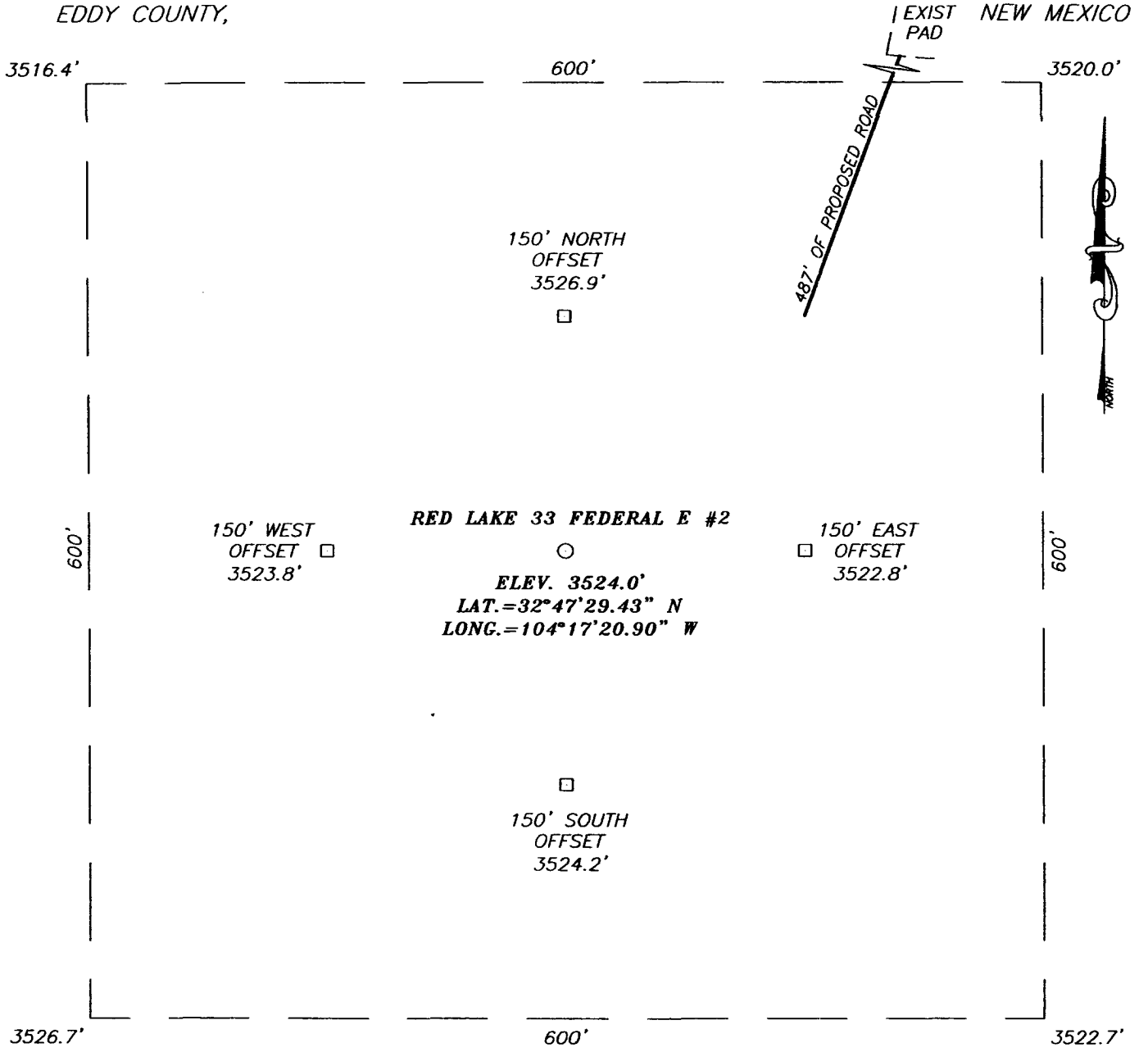
3. Devon Energy Corporation, Windfohr 4 Federal # 3, Section 4, T-18-S, R-27-E, Eddy County, New Mexico

4. Devon Energy Corporation, Windfohr 4 Federal # 6, Section 4, T-18-S, R-27-E, Eddy County, New Mexico

5. Devon Energy Corporation, Eagle 34 A Federal # 1, Section 34, T-15-S, R-27-E, Eddy County, New Mexico

SECTION 33, TOWNSHIP 17 SOUTH, RANGE 27 EAST, N.M.P.M.,

EDDY COUNTY, NEW MEXICO



DIRECTIONS TO LOCATION

FROM U.S. HWY. #82 AND CO. RD. #201 (CHALK BLUFF RD.) GO SOUTH ON CO. RD. #201 APPROX. 1.6 MILES TO A CALICHE ROAD ON THE LEFT. TURN LEFT (EAST) AND GO APPROX. 0.8 MILES TO A "Y" INTERSECTION. TURN RIGHT (SE) AND GO APPROX. 0.2 MILES, BEND SW AND GO APPROX. 0.4 MILES, BEND SE AND GO APPROX. 0.7 MILES TO A PROPOSED ROAD SURVEY. FOLLOW PROPOSED ROAD SURVEY APPROX. 487' SW TO THIS LOCATION.

100 0 100 200 Feet

Scale:1"=100'

PROVIDING SURVEYING SERVICES SINCE 1946

JOHN WEST SURVEYING COMPANY

412 N. DAL PASO

HOBBS, N.M. 88240

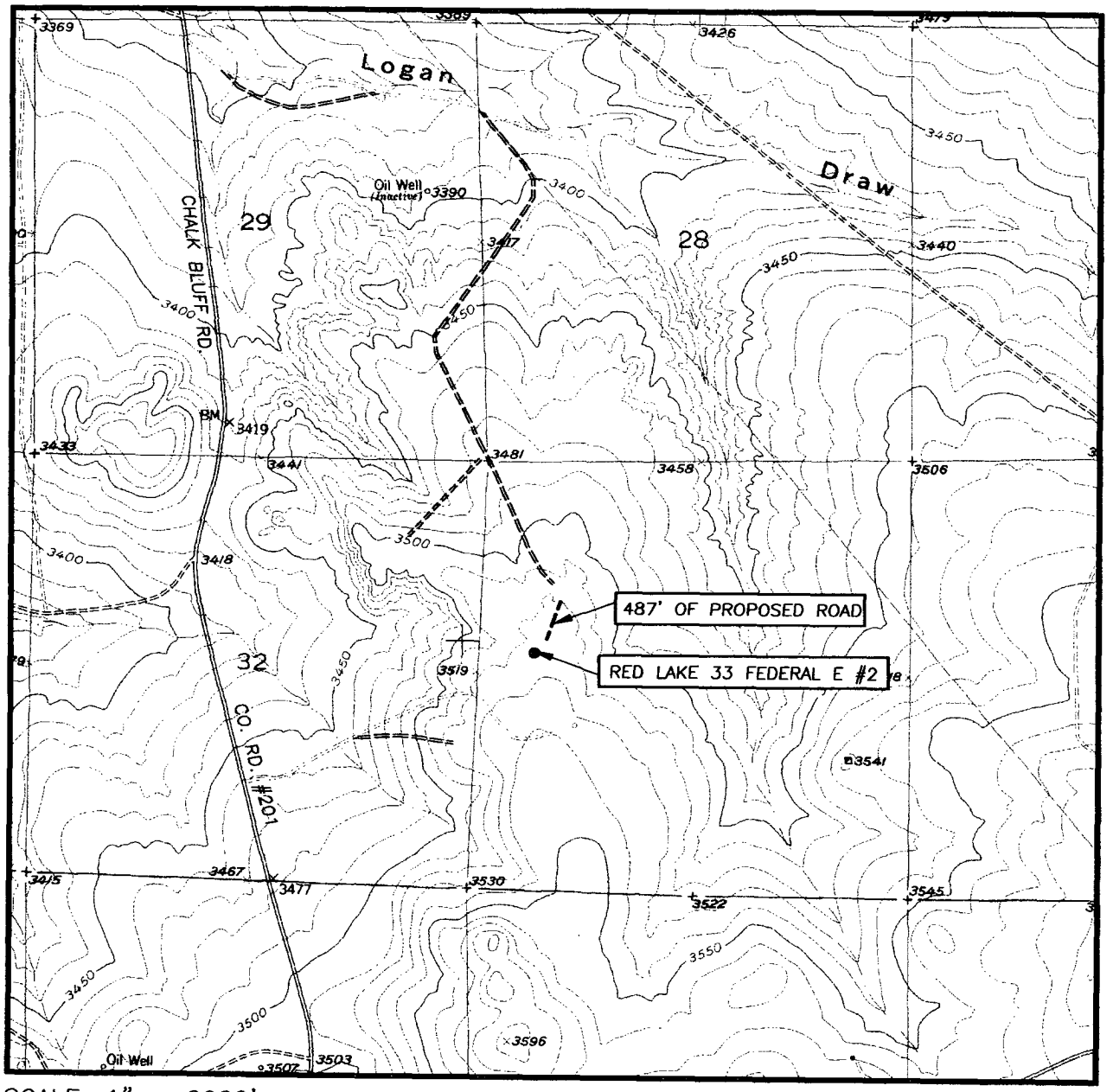
(505) 393-3117

NEARBURG PRODUCING COMPANY

RED LAKE 33 FEDERAL E #2 WELL
LOCATED 2310 FEET FROM THE NORTH LINE
AND 660 FEET FROM THE WEST LINE OF SECTION 33,
TOWNSHIP 17 SOUTH, RANGE 27 EAST, N.M.P.M.,
EDDY COUNTY, NEW MEXICO.

Survey Date: 11/01/05	Sheet 1 of 1 Sheets		
W.O. Number: 05.11.1710	Dr By: J.R.	Rev 1:N/A	
Date: 11/03/05	Disk: CD#5	05111710	Scale:1"=100'

LOCATION VERIFICATION MAP



SCALE: 1" = 2000'

CONTOUR INTERVAL:
SPRING LAKE, N.M. – 10'

SEC. 33 TWP. 17-S RGE. 27-E

SURVEY N.M.P.M.

COUNTY EDDY

DESCRIPTION 2310' FNL & 660' FWL

ELEVATION 3524'

OPERATOR NEARBURG PRODUCING COMPANY

LEASE RED LAKE 33 FEDERAL E

U.S.G.S. TOPOGRAPHIC MAP
SPRING LAKE, N.M.

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

STATEMENT ACCEPTING RESPONSIBILITY FOR OPERATIONS

Nearburg Producing Company
3300 North "A" Street, Building 2, Suite 120
Midland, Texas 77905

The undersigned accepts all applicable terms, conditions, stipulations and restrictions covering operations conducted on the leased land or portion thereof, as described below:

Lease No:	NMLC026874F
Legal Description of Land:	2310 FNL and 660 FWL, Sec 33, 17S, 27E Eddy County, New Mexico
Formation(s) (if applicable):	Red Lake; Glorietta - Yeso
Bond Coverage:	$25,000 statewide bond of Nearburg Producing Company
BLM Bond File No:	NMB000153

11.7.05
Date

H. R. Willis
Drilling Manager

ATTACHMENT TO FORM 3160-3
RED LAKE 33 FEDERAL E #2
2310 FNL AND 330 FWL, SEC 33, 17S, 27E
EDDY COUNTY, NEW MEXICO

DRILLING PROGRAM

1. GEOLOGIC NAME OF SURFACE FORMATION

   Quaternary

2. ESTIMATED TOPS OF IMPORTANT GEOLOGIC MARKERS

   Glorretta 2800
   Yeso 2900

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

   Yeso 2900 Oil

4. CASING AND CEMENTING PROGRAM

Casing Size	From To	Weight	Grade	Joint
8-5/8"	0' – 1,200'	32#	K55	STC
5-1/2"	0' – 3,700'	17#	J55	LTC

WITNESS

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

We plan to drill a 12-1/4" hole to equal 1,200'. 8-5/8" casing will be cemented with 600 sxs Class "C" or volume necessary to bring cement back to surface.

7-7/8" hole will be drilled to 3,700' and 5-1/2" production casing will be cemented with approximately 500 sxs of Class "C" cement circulated to surface.

5. MINIMUM SPECIFICATIONS FOR PRESSURE CONTROL

The BOP stack will consist of a 3,000 psi working pressure, dual ram type preventer and annular.
A BOP sketch is attached.

6. TYPES AND CHARACTERTICS OF THE PROPOSED MUD SYSTEM

Spud and drill to 1,200' with fresh water mud for surface string. The production section from 1,200' to 3,700' will be 10.0 ppg Brine Water system with mud weight sufficient to control formation pressures.

7. AUXILLARY 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. ANTICAPATED STARTING DATE:

Is planned that operations will commence on November 15, 2005 with drilling and completion operation lasting about 30 days.

SURFACE USE AND OPERATIONS PLAN FOR

DRILLING, COMPLETION, AND PRODUCING

NEARBURG PRODUCING COMPANY
RED LAKE 33 FEDERAL E #2
2310 FNL AND 330 FWL, SEC 33, 17S, 27E
EDDY COUNTY, NEW MEXICO

LOCATED

6 miles SE of Artesia

OIL & GAS LEASE

NMLC026874F

RECORD LESSEE

Exxon/ Mobil Corporation

BOND COVERAGE

$25,000 statewide bond of Nearburg Producing Company

ACRES IN LEASE

280 acres

GRAZING LEASE

Bogle Ltd Co,
PO Box 460
Dexter, NM 88230

POOL

Red Lake; Glorieta - Yeso

EXHIBITS

A. Area Road Map
B. Drilling Rig Layout
C. Vicinity Oil & Gas Map
D. Topographic & Location Verification Map
E. Well Location & Acreage Dedication Map

This well will be drilled to a depth of approximately 3,700'.

1. EXISTING ROADS

   A. Exhibit A is a portion of a section map showing the location of the proposed well as staked.

   B. Exhibit C is a plat showing existing roads in the vicinity of the proposed well site.

2. ACCESS ROADS

   A. Length and Width

      The access road will be built and is shown on Exhibit D.

   B. Surface Material

      Existing.

   C. Maximum Grade

      Less than five percent

   D. Turnouts

      None necessary.

   E. Drainage Design

      Existing.

   F. Culverts

      None necessary.

   G. Gates and Cattle Guards

      None needed.

3. LOCATION OF EXISTING WELLS

   Existing wells in the immediate area are shown in Exhibit C.

4. LOCATION OF EXISTING AND/OR PROPOSED FACILITIES

   Necessary production facilities for this well will be located on the well pad.

5. LOCATION AND TYPE OF WATER SUPPLY

It is not contemplated that a water well will be drilled. Water necessary for drilling will be purchased and hauled to the site over existing roads shown on Exhibit D.

6. METHODS OF HANDLING WASTE DISPOSAL

A. Drilling fluids will be allowed to evaporate in the drilling pits until the pits are dry.

B. Water produced during tests will be disposed of in the drilling pits.

C. Oil produced during tests will be stored in test tanks.

D. Trash will be contained in a trash trailer and removed from well site.

E. All trash and debris will be removed from the well site within 30 days after finishing drilling and/or completion operations.

7. ANCILLARY FACILITIES

None required.

8. WELL SITE LAYOUT

Exhibit B shows the relative location and dimensions of the well pad, mud pits, reserve pit, and trash pit, and the location of major rig components.

9. PLANS FOR RESTORATION OF THE SURFACE

A. After completion of drilling and/or completion operations, all equipment and other material not needed for operations will be removed. The well site will be cleaned of all trash and junk to leave the site in an as aesthetically pleasing condition as possible.

B. After abandonment, all equipment, trash, and junk will be removed and the site will be clean.

10. OTHER INFORMATION

A. Topography

The land surface at the well site is rolling native grass with a regional slope being to the east.

B. Soil

Topsoil at the well site is sandy soil.

C. Flora and Fauna

The location is in an area sparsely covered with mesquite and range grasses.

D. Ponds and Streams

There are no rivers, lakes, ponds, or streams in the area.

E. Residences and Other Structures

There are no residences within a mile of the proposed well site.

F. Archaeological, Historical, and Cultural Sites

None observed on this area.

G. Land Use

Grazing

H. Surface Ownership

BLM (USA)

11. OPERATOR'S REPRESENTATIVE

H. R. Willis
3300 North "A" Street, Bldg 2, Suite 120
Midland, Texas 79705
Office: (432) 686-8235
Home: (432) 697-2484

12. CERTIFICATION

I hereby certify that I, or persons under my direct supervision, have inspected the proposed drill site and access route; that I am familiar with the conditions which presently exist; that the statements made in this plan are, to the best of my knowledge, true and correct; and, that the work associated with the operations proposed herein will be performed by Nearburg Producing Company and its contractors and subcontractors in conformity with this plan and the terms and conditions under which it is approved.

10·6·05
Date

H. R. Willis
Drilling Manager

HYDROGEN SULFIDE DRILLING OPERATIONS PLANS
NEARBURG PRODUCING COMPANY
RED LAKE 33 FEDERAL E #2

1. HYDROGEN SULFIDE TRAINING

   A. All regularly assigned personnel, contracted or employed by Nearburg Producing Company, will receive training from a qualified instructor in the following areas prior to commencing drilling potential hydrogen sulfide bearing formations in this well:

      1. The hazards and characteristics of hydrogen sulfide (H2S).

      2. The proper use and maintenance of personal protective equipment and life support systems.

      3. The proper use of H2S detectors, alarms, warning systems, briefing areas, evacuation procedures and prevailing winds.

      4. The proper techniques for first aid and rescue procedures.

   B. In addition, supervisory personnel will be trained in the following areas:

      1. The effects of H2S on metal components. If high tensile tubulars are to be used, personnel will be trained in their special maintenance requirements.

      2. Corrective action and shut-in procedures when drilling or reworking a well and blowout prevention and well control procedures.

      3. The contents and requirements of the H2S Drilling Operations Plan.

   C. There will be an initial training session just prior to encountering a known or probable H2S zone (within 3 days or 500 feet) and weekly H2S and well control drills for all personnel in each crew. The initial training session shall include a review of the site specific H2S Drilling Operations Plan. This plan shall be available at the well site. All personnel will be required to carry documentation that they have received the proper training.

2. H2S SAFETY EQUIPMENT AND SYSTEMS

Note: All H2S safety equipment and systems will be installed, tested and operational when drilling reaches a depth of 500 feet above, or three days prior to penetrating the first zone containing or reasonably expected to contain H2S.

A. Well Control Equipment:

1. Flare line with continuous pilot.

2. Choke manifold with a minimum of one remote choke.

3. Blind rams and pipe rams to accommodate all sizes with properly sized closing unit.

4. Auxiliary equipment to include: annular preventer, mud-gas separator, rotating head and flare gun with flares as needed.

B. Protective Equipment for Essential Personnel:

Mark II Surviveair 30-minute units located in the dog house and at briefing areas, as indicated on well site diagram.

C. H2S Detection and Monitoring Equipment:

1. Two portable H2S monitors positioned and location for best coverage and response. These units have warning lights and audible sirens when H2S levels of 20 ppm are reached.

2. One portable SO2 monitor positioned near flare line.

D. Visual Warning systems:

1. Wind direction indicators as shown on well site diagram.

2. Caution/Danger signs shall be posted on roads providing direct access to location. Signs will be painted a high visibility yellow with black lettering of sufficient size to be readable at a reasonable distance from the immediate location. Bilingual signs will be used when appropriate. See example attached.

E. Mud Program

1. The Mud Program has been designed to minimize the volume of H2S circulated to the surface. Proper mud weights, safe drilling practices and the use of H2S scavengers will minimize hazards when penetrating H2S bearing zones.

2. A mud-gas separator will be utilized as needed.

F. Metallurgy

All drill strings, casing, tubing, wellhead, blowout preventers, drilling spool, kill lines, choke manifold and line and valves shall be suitable for H2S service.

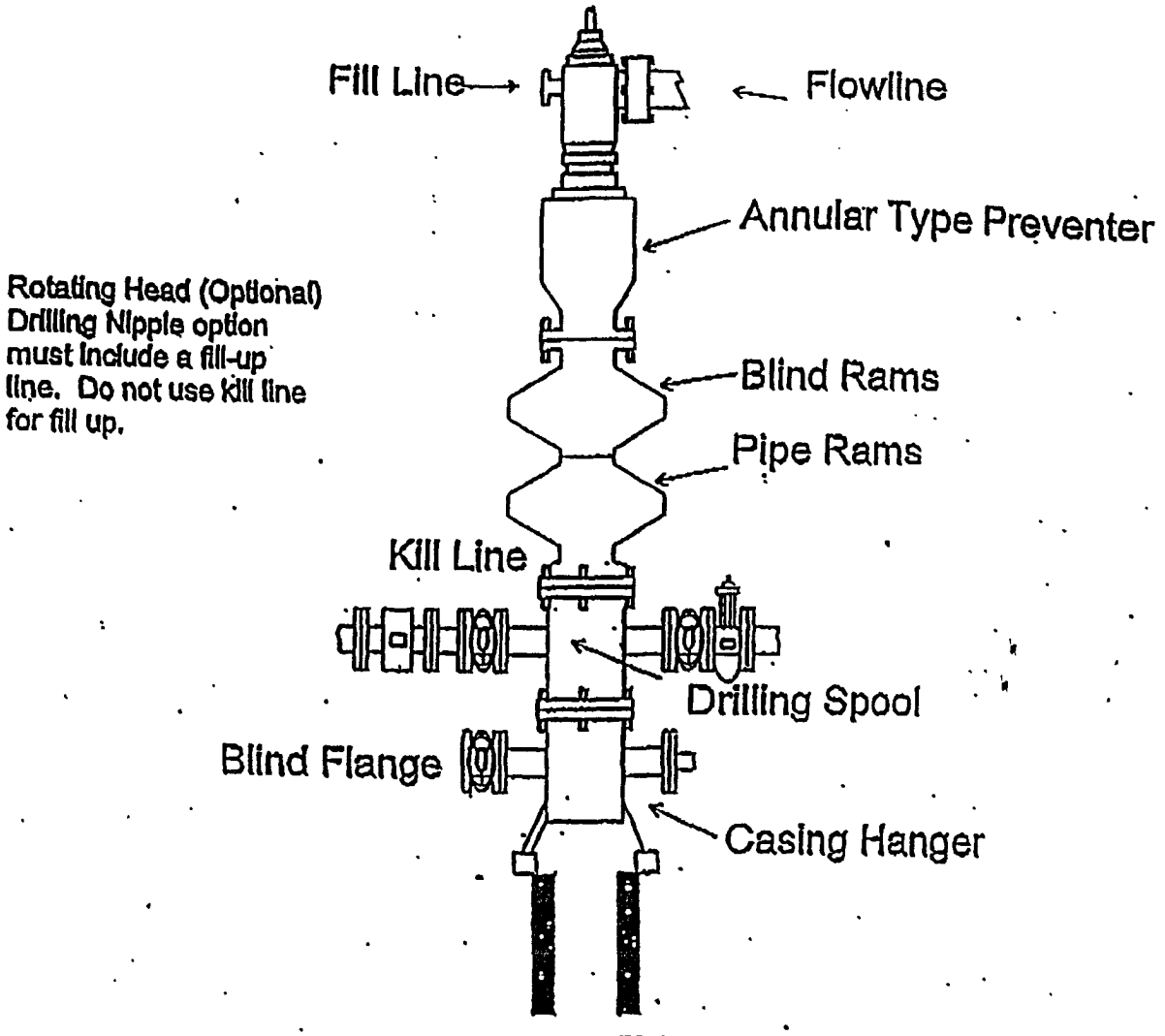
G. Communication

1. Cellular telephone communications in company vehicles and mud logging trailer.

2. Land line (telephone) communications at area office.

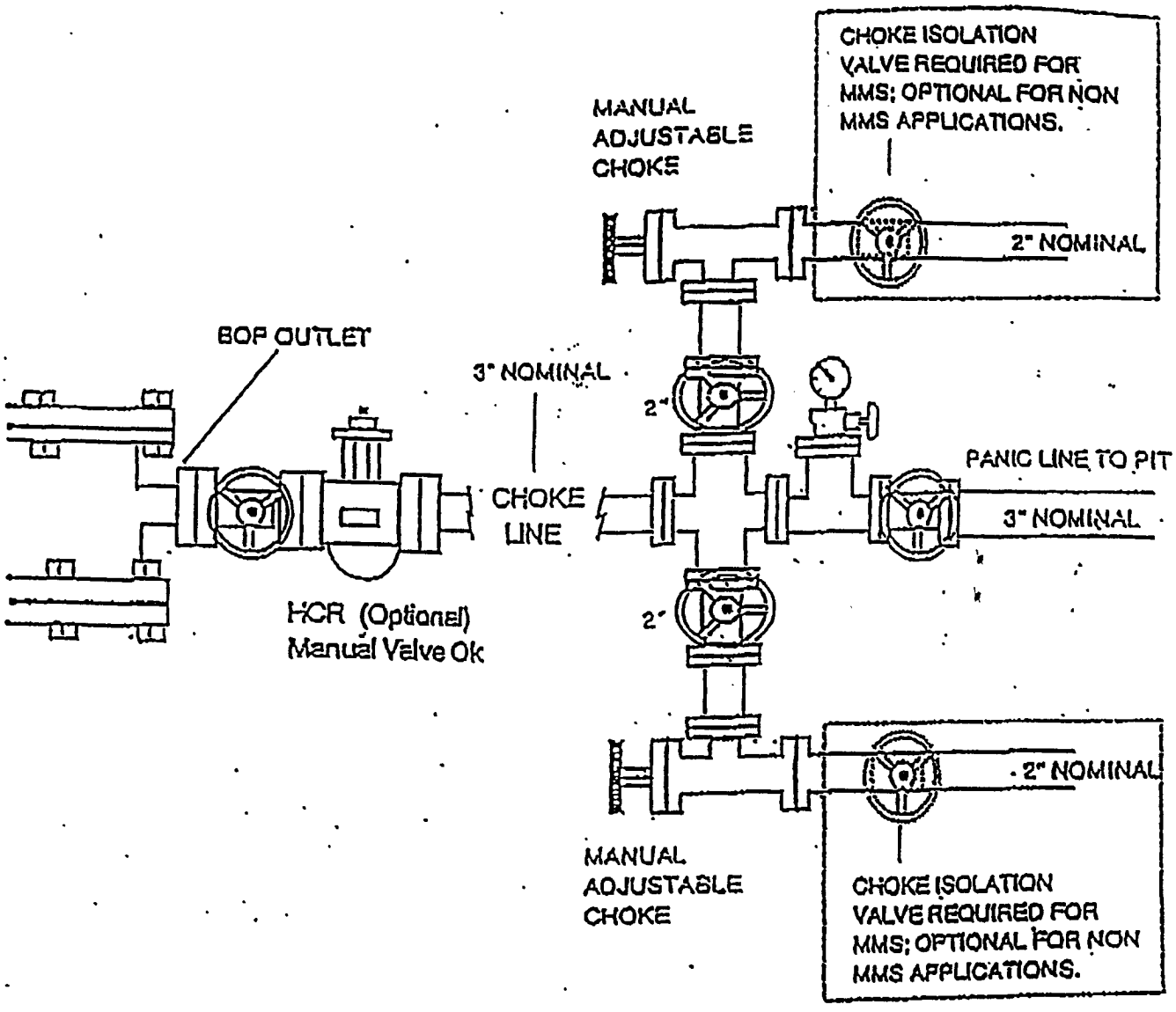
H. Well Testing

Drill stem testing will be performed with a minimum number of personnel in the immediate vicinity, which are necessary to safely and adequately conduct the test. The drill stem testing in an H2S environment will be conducted during the daylight hours.


Fill Line
Flowline
Annular Type Preventer
Rotating Head (Optional)
Drilling Nipple option
must include a fill-up
line. Do not use kill line
for fill up.
Blind Rams
Pipe Rams
Kill Line
Drilling Spool
Blind Flange
Casing Hanger

1500 Series

CHOKE MANIFOLD
5M SERVICE



Nearburg Producing Company

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

~~August 30, 2005~~ 10.6.05

NM Oil Conservation Division
1301 W. Grand Ave
Artesia, NM 88210

Ref: Red Lake 33 Federal E #2
2310 FNL and 330 FWL
Sec 33, 17S, 27E
Eddy County, New Mexico

Sirs:

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

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

Sincerely,

Sarah Jordan
Production Analyst

/sj

CONDITIONS OF APPROVAL - DRILLING

Operator's Name: Nearburg Producing Company
Well Name & No. Red Lake 33 Federal E #2
Location: 2310' FNL, ~~330~~ 660' FWL, Section 33, T.. 17 S., R. 27 E., Eddy County, New Mexico
Lease: LC-026874-F 660 per attached SN dated 11-7-05

I. DRILLING OPERATIONS REQUIREMENTS:

1. The Bureau of Land Management (BLM) is to be notified at the Carlsbad Field Office, 620 East Greene St., Carlsbad, NM 88220, (505) 361-2822 for wells in Eddy County in sufficient time for a representative to witness:

   A. Well spud

   B. Cementing casing: **8-5/8** inch **5-1/2** inch

   C. BOP tests

2. Unless the production casing has been run and cemented or the well has been properly plugged, the drilling rig shall not be removed from over the hole without prior approval.

3. Submit a Sundry Notice (Form 3160-5, one original and five copies) for each casing string, describing the casing and cementing operations. Include pertinent information such as; spud date, hole size, casing (size, weight, grade and thread type), cement (type, quantity and top), water zones and problems or hazards encountered. The Sundry shall be submitted within 15 days of completion of each casing string. The reports may be combined into the same Sundry if they fall within the same 15-day time frame.

4. The API No. assigned to the well by NMOCD shall be included on the subsequent report of setting the first casing string.

II. CASING:

1. The **8-5/8** inch surface casing shall be set at **approximately 1200 feet** and cement circulated to the surface. If cement does not circulate to the surface the appropriate BLM office shall be notified and a temperature survey or cement bond log shall be run to verify the top of the cement. Remedial cementing shall be completed prior to drilling out that string.

2. The minimum required fill of cement behind the **5-1/2** inch production casing is **to reach at least 500 feet above the top of the uppermost hydrocarbon producing interval.**

III. PRESSURE CONTROL:

1. All BOP systems and related equipment shall comply with well control requirements as described in Onshore Oil and Gas Order No. 2. The BOP and related equipment shall be installed and operational before drilling below the **8-5/8** inch casing shoe and shall be tested as described in Onshore Order No. 2. Any equipment failing to test satisfactorily shall be repaired or replaced.

2. Minimum working pressure of the blowout preventer and related equipment (BOPE) shall be **2000** psi.

3. The appropriate BLM office shall be notified in sufficient time for a representative to witness the tests.

- The tests shall be done by an independent service company.
- The results of the test shall be reported to the appropriate BLM office.
- Testing fluid must be water or an appropriate clear liquid suitable for sub-freezing temperatures. Use of drilling mud for testing is not permitted since it can mask small leaks.
- Testing must be done in a safe workman-like manner. Hard line connections shall be required.