Form 3160-3
(April 2004)

U D 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

5 Lease Serial No: NMNM105206

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

6 If Indian, Allotee or Tribe Name:

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

7. Unit or CA Agreement Name and No:

2 Name of Operator: Nearburg Producing Company (15742)

8. Lease Name and Well No: KL 33 Fed Com #1 (38290)

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

3b Phone No (include area code): 432/818-2950

9. API Well No: 30-015-38085 (83655)

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

At surface: 2460 FSL and 810 FWL, (UL L)

At proposed prod zone:

10 Field and Pool, or Exploratory: ~~McMillan~~; Upper Penn, EAST (RED LAKE)

11 Sec, T, R, M or Blk and Survey or Area: Sec 33-18S-27E

14. Distance in miles and direction from nearest town or post office*: 5 miles ESE of Dayton

12 County or Parish: Eddy

13. State: NM

15 Distance from proposed* location to nearest property or lease line, ft (Also to nearest drig unit line, if any)	16 No of Acres in lease	17 Spacing Unit dedicated to this well
180	320	W/2

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
NA	8500	NMB000153

21 Elevations (Show whether DF, KDB, RT, GL, etc	22 Approximate date work will start*	23 Estimated duration
3357	6/1/2010	25 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
	H R Willis	4-23-10

Title: Drilling Manager

Approved by (Signautre)	Name (*Printed/Typed*)	Date
		7/29/10

Title	Office
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 TWO YEARS

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)

Roswell Controlled Water Basin

KZ 08/23/10

SEE ATTACHED FOR CONDITIONS OF APPROVAL

APPROVAL SUBJECT TO GENERAL REQUIREMENTS AND SPECIAL STIPULATIONS ATTACHED

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 October 12, 2005
Submit to Appropriate District Office
State Lease - 4 copies
Fee Lease - 3 copies

☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

[1] API Number	[2] Pool Code	[3] Pool Name
30-015-38085	83655	RED LAKE; UPPER PENN, EAST (GAS) McMillan, Upper Penn

[4] Property Code	[5] Property Name	[6] Well Number
38290	KL "33" FED COM	1

[7] OGRID No.	[8] Operator Name	[9] Elevation
015742	NEARBURG PRODUCING	3357'

[10] Surface Location

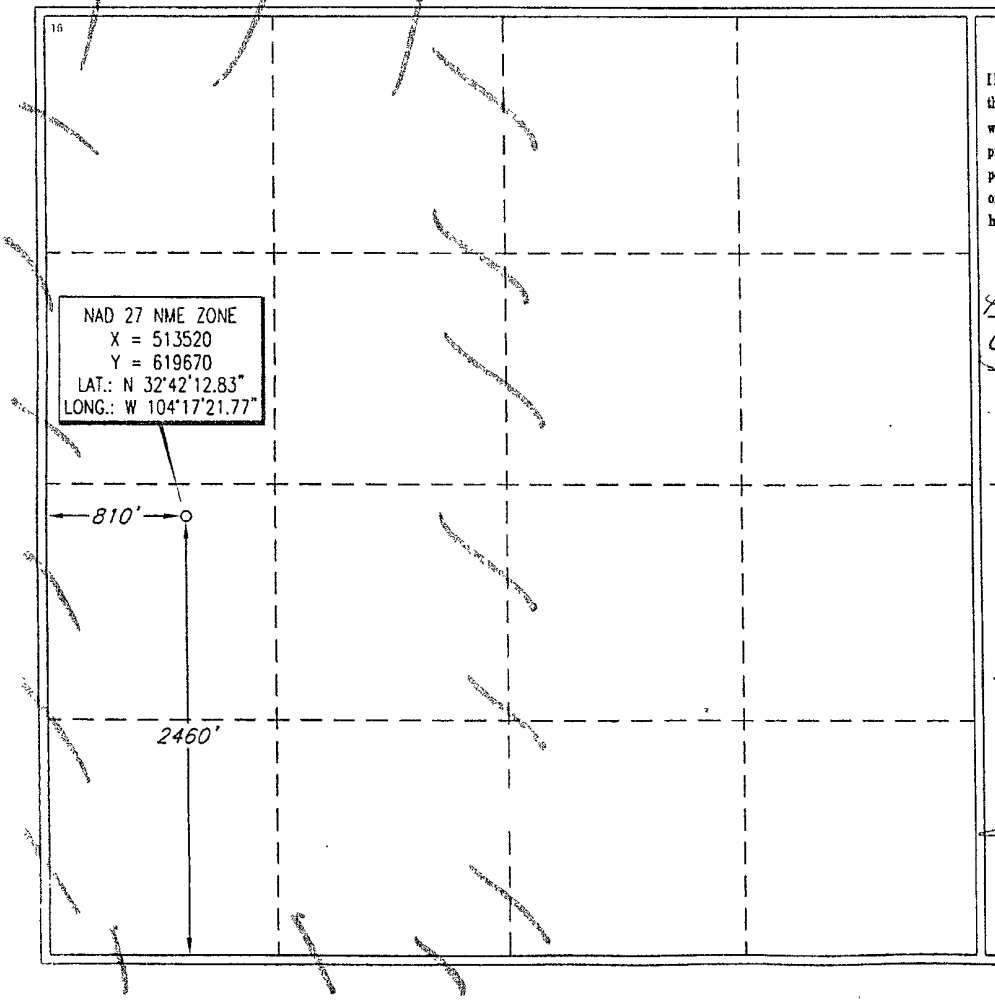
UL or lot no	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
L	33	18 SOUTH	27 EAST, N.M.P.M.		2460'	SOUTH	810'	WEST	EDDY

[11] 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

[12] Dedicated Acres	[13] Joint or Infill	[14] Consolidation Code	[15] Order No.
320			NSL-6206

NO ALLOWABLE WELL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION



[17] OPERATOR CERTIFICATION

I hereby certify that the information contained 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 a mineral or working interest, or to a voluntary pooling agreement or a compulsory pooling order heretofore entered by the division.

Signature — Date: 4.23.10

Printed Name: Sarah Jordan

[18] 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.

18329

FEBRUARY 25, 2010

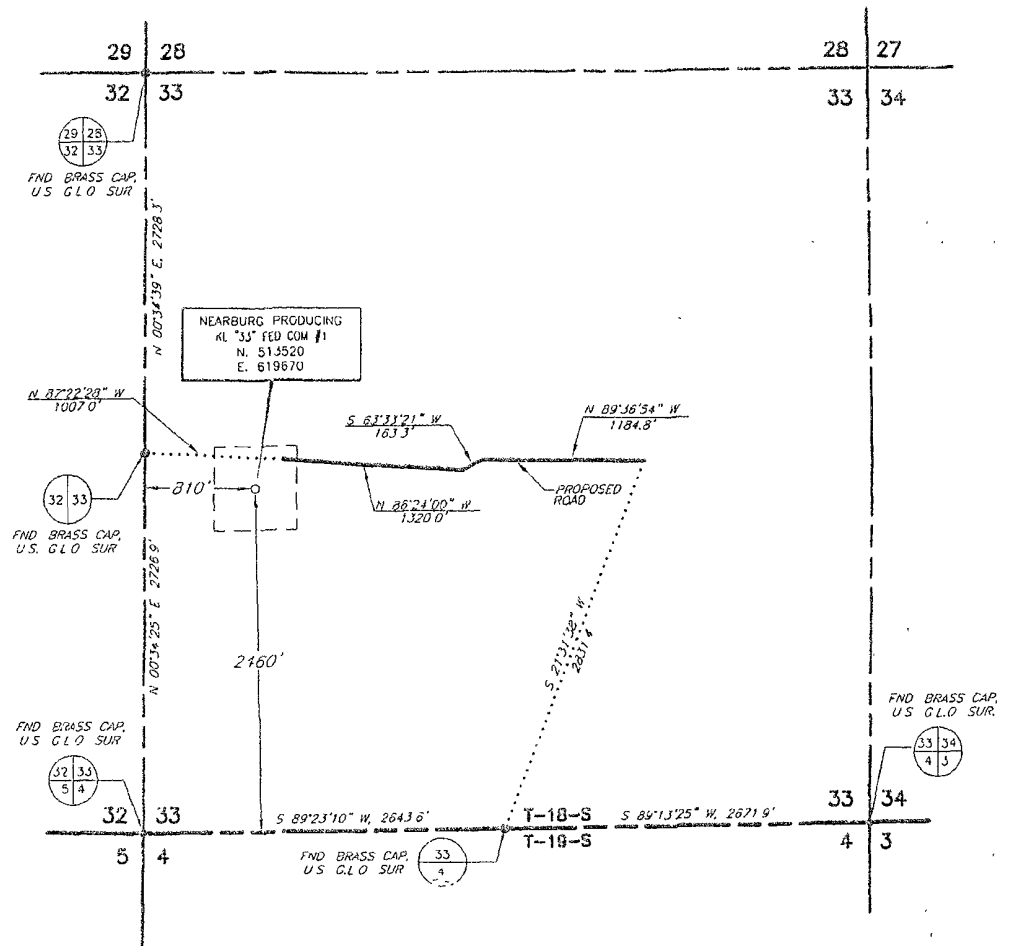
Date of Survey
Signature and Seal of Professional Surveyor

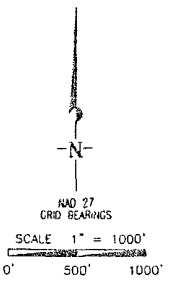
NEW MEXICO — MICHEAL BLAKE BROWN — 18329 — PROFESSIONAL SURVEYOR

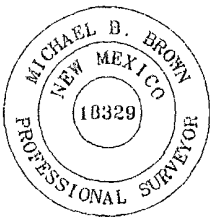
Certificate Number
Micheal Blake Brown P.S. #18329

JOB # 153286 / 75 NE E.U.O.

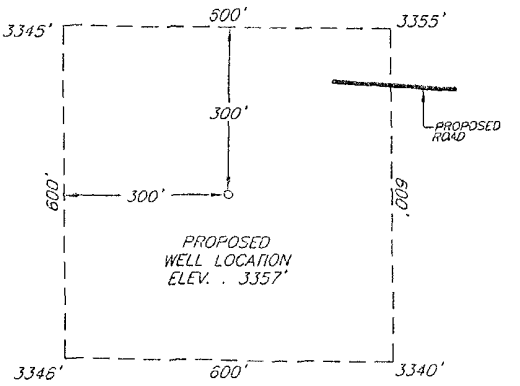
PLAT SHOWING PROPOSED ⊥ LOCATION IN
SECTION 33, T-18-S, R-27-E, N.M.P.M.
EDDY COUNTY, NEW MEXICO







DETAIL VIEW
1" = 250'



MICHAEL BLAKE BROWN, A PROFESSIONAL SURVEYOR IN THE STATE OF NEW MEXICO AND AUTHORIZED AGENT OF TOPOGRAPHIC LAND SURVEYORS, HEREBY CERTIFY THIS PLAT TO BE A TRUE REPRESENTATION OF A SURVEY PERFORMED IN THE FIELD UNDER MY SUPERVISION, THAT I AM RESPONSIBLE FOR THIS SURVEY, THAT THIS SURVEY IS TRUE AND CORRECT TO THE BEST OF MY KNOWLEDGE AND BELIEF AND THAT THIS PLAT AND FIELD SURVEY UPON WHICH IT IS BASED MEET THE MINIMUM STANDARDS FOR SURVEYING IN NEW MEXICO (RULE 500.6 EASEMENT, SURVEYING)

MICHAEL BLAKE BROWN, P.S. NO. 18329

BEARINGS AND COORDINATES BASED ON NEW MEXICO STATE PLANE GRID - EAST ZONE, NAD 27

DATE OF FIELD WORK. FEBRUARY 25, 2010

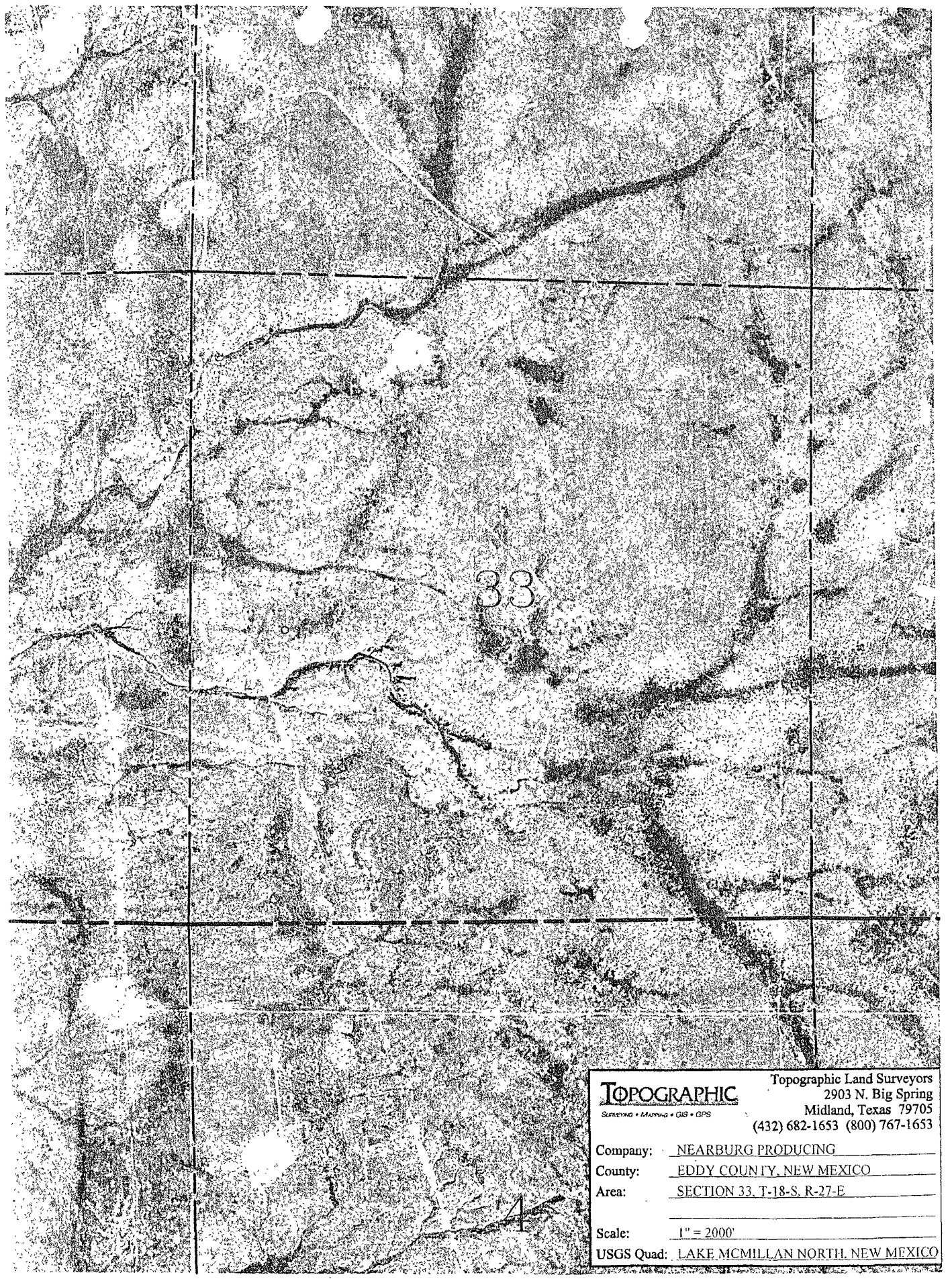
NO.	REVISION	DATE	BY

NEARBURG PRODUCING

SURVEYED BY. B.W
DRAWN BY E U O
APPROVED BY. M.B.B

SURVEYING AND MAPPING BY
TOPOGRAPHIC LAND SURVEYORS
MIDLAND, TEXAS

SCALE: 1" = 1000'
DATE. FEBRUARY 25, 2010
JOB NO. 151033-F
QUAD NO. 24-NE
SHEET 1 OF 1



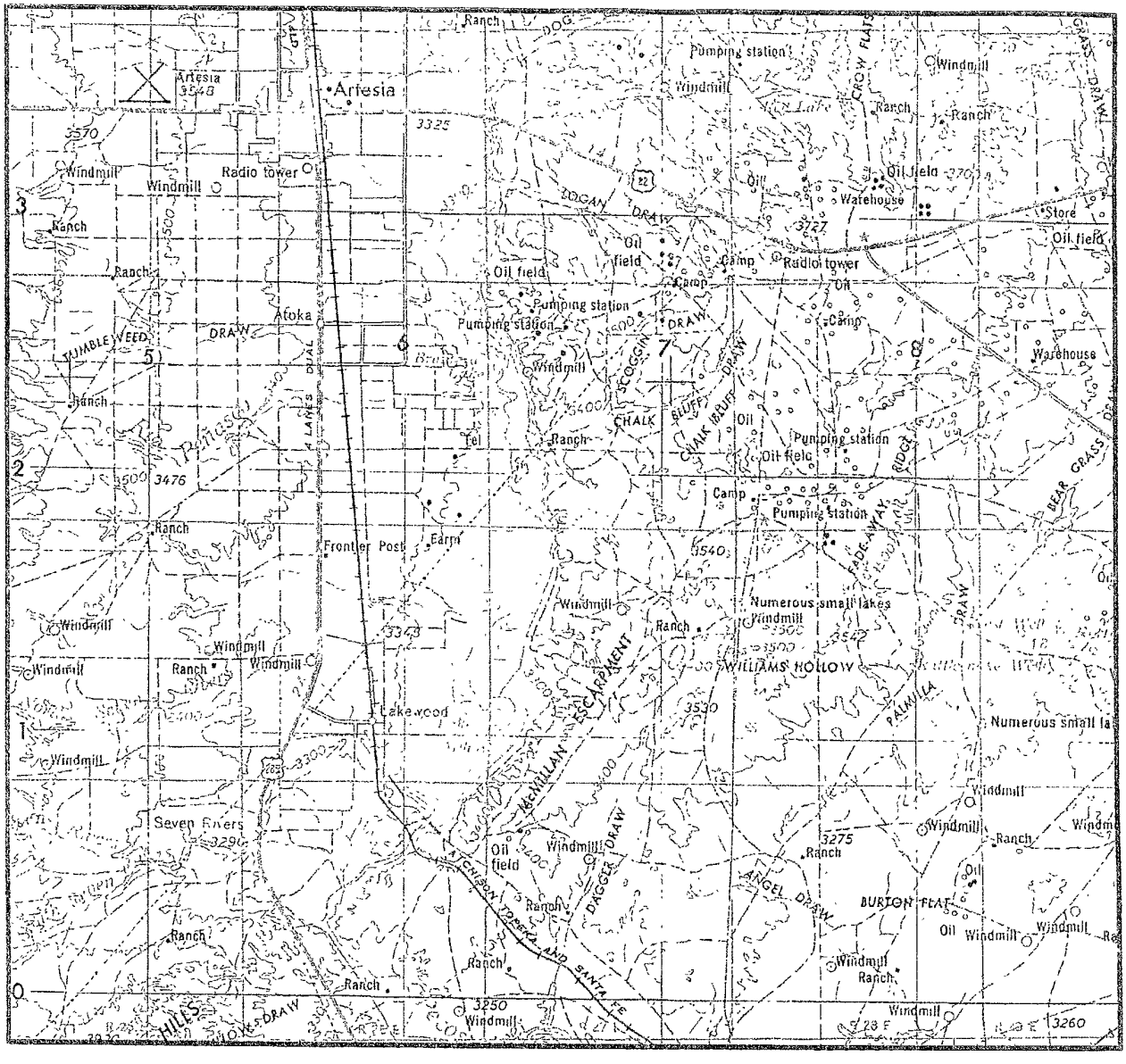
TOPOGRAPHIC
SURVEYING • MAPPING • GIS • GPS

Topographic Land Surveyors
2903 N. Big Spring
Midland, Texas 79705
(432) 682-1653 (800) 767-1653

Company: NEARBURG PRODUCING
County: EDDY COUNTY, NEW MEXICO
Area: SECTION 33, T-18-S, R-27-E

Scale: 1" = 2000'
USGS Quad: LAKE MCMILLAN NORTH, NEW MEXICO

VICINITY MAP



SECTION 33 TWP 18-S RGE 27-E

SURVEY NEW MEXICO PRINCIPAL MERIDIAN

COUNTY EDDY STATE NM

DESCRIPTION 2460' FSL & 810' FWL

OPERATOR **NEARBURG PRODUCING**

LEASE KAISER LAKE "33" FED #1

DISTANCE & DIRECTION FROM JCT. OF CO. RD. 236 & ILLINOIS CAMP ROAD, GO WEST 1.2 MILES ON CO. RD. 236, THENCE NORTH 0.9 MILES ON LEASE ROAD, THENCE WEST 0.6 MILES, THENCE NORTH 1.4 MILES, THENCE WEST 0.5 MILES, THENCE NORTH 0.4 MILES, THENCE WEST 0.3 MILES TO A POINT ±2895 EAST OF THE LOCATION.

N

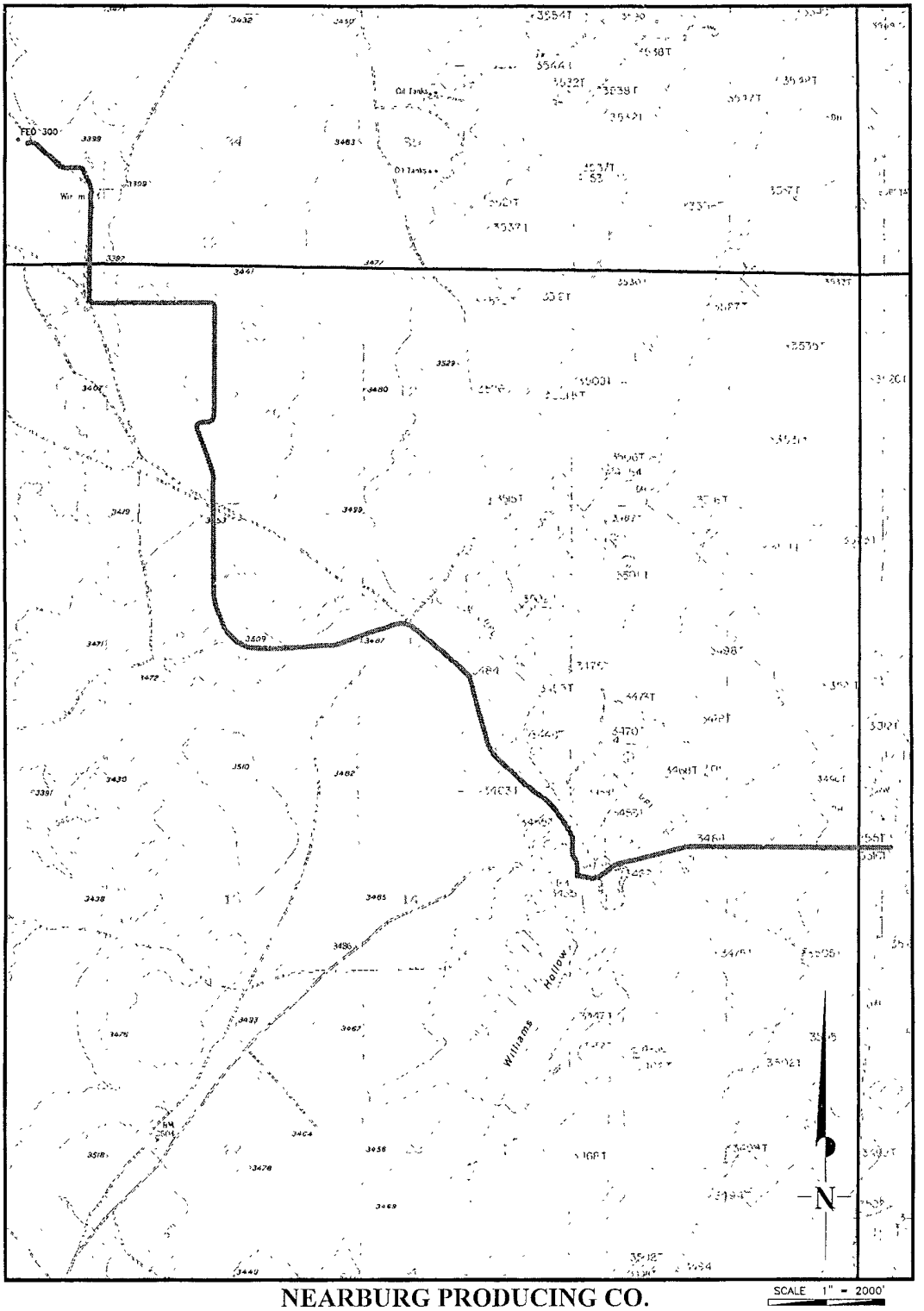
TOPOGRAPHIC LAND SURVEYORS

Surveying & Mapping for the Oil & Gas Industry

2903 N. BIG SPRING
MIDLAND, TX. 79705
(800) 767-1653

TOPOGRAPHIC

SURVEYING • MAPPING • GIS • GPS



NEARBURG PRODUCING CO.

SCALE 1" = 2000'

0' 1000' 2000'

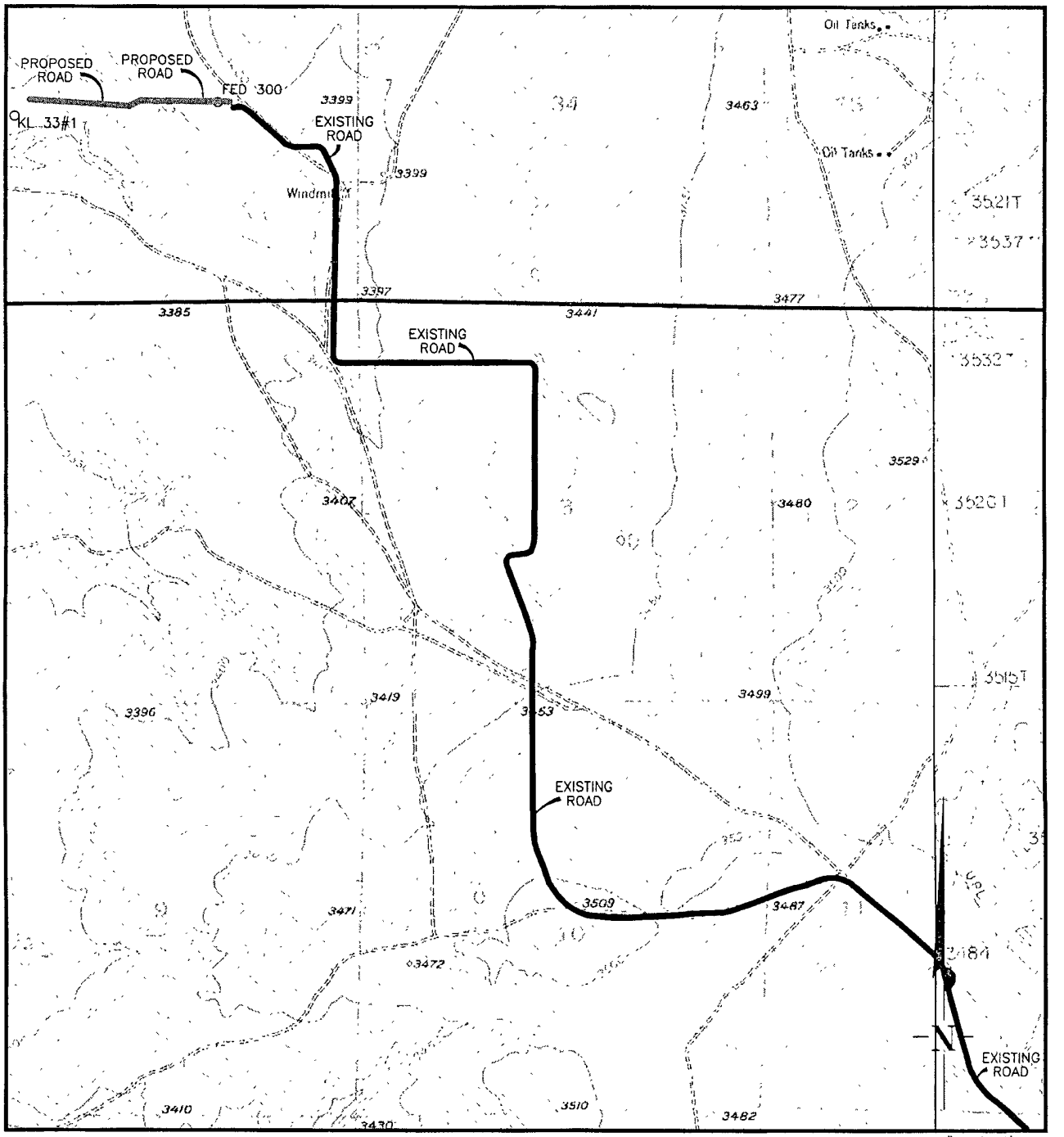
EXISTING ROAD
FED 300
SEC 33,T-18-S & SEC 3,10,11,14,13,T-19 -S,R-27-E, SEC 18,R-28-E NMPM
EDDY COUNTY, NEW MEXICO

USGS 7 1/2" TOPOGRAPHIC MAP
AZOTEA, NEW MEXICO
SCALE 1" = 2000'

2903 N. Big Spring
Midland, Texas 79705
(432) 682-1653
www.topographic.com

TOPOGRAPHIC

SURVEYING • MAPPING • GIS • GPS



NEARBURG PRODUCING CO.

EXISTING & PROPOSED ROAD
FED 300 & KL 33 #1
SECTION 33, T-18-S, R-27-E, NMPM
EDDY COUNTY, NEW MEXICO

USGS 7 1/2" TOPOGRAPHIC MAP.
AZOTEA, NEW MEXICO
SCALE 1" = 2000'

2903 N. Big Spring
Midland, Texas 79705
(432) 682-1653
www.topographic.com

ATTACHMENT TO FORM 3160-3
KL 33 FED COM #1
2460 FSL AND 810 FWL, SEC 33, 18S, 27E
EDDY COUNTY, NEW MEXICO

DRILLING PROGRAM

1. GEOLOGIC NAME OF SURFACE FORMATION

   Quaternary

2. ESTIMATED TOPS OF IMPORTANT GEOLOGIC MARKERS

   San Andres 2300 [illegible] 1715' (FW) Canyon [illegible] 8640'
   [illegible] Cisco [illegible] 7966'

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

   Canyon 7975 Gas

4. CASING AND CEMENTING PROGRAM (New)

Casing Size	From To	Weight	Grade	Joint
8-5/8"	0 – 2300'	32#	J55	LTC
Collapse psi: 2530; Burst psi: 3930; Yield/ 1000#: 417				
5-1/2"	0' – 6000'	17#	J55	LTC
Collapse psi: 4910; Burst psi: 5320; Yield/ 1000#: 272				
5-1/2"	6,000'-8,700'	17#	N80	LTC
Collapse psi: 6280; Burst psi: 7740; Yield/ 1000#: 348				

Safety factors - Burst (1.0) Collapse (1.125) Tension (1.6)

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

11" hole will be drilled from 0' - 2300' and 8-5/8" casing will be cemented with 700 sxs of Class "C" + 2% CAC12, 1.35 yd cement circulated to surface.

7-7/8" hole will be drilled to ~~8500'~~ 8700' and 5-1/2" production casing will be cemented with approximately 500 sx of Class H cement, 1.18 yd, TOC @~~5100'~~ surface. -- See COA

All changes on this page made per operator Bob Willis 6/2/10. Rob

5. MINIMUM SPECIFICATIONS FOR PRESSURE CONTROL

The BOP stack will consist of a 3,000 psi working pressure, dual ram type preventer and annular. Test per Onshore Order 2 requirements
A BOP sketch is attached.

See COA

6. TYPES AND CHARACTERTICS OF THE PROPOSED MUD SYSTEM

8.4-8.8 per operator

Spud and drill to 2300' with fresh water mud for surface string. The production section from 2300 to 8500 will be 8.4-8.8 water based system with mud weight sufficient to control formation pressures.

7. AUXILLARY WELL CONTROL AND MONITORING EQUIPMENT

See COA

-- None required. Will have upper kelly cock valve. All BOPE connections subjected to well pressure should be flanged, welded or capped.

8. LOGGING, TESTING, AND CORING PROGRAM

See COA

-- DLL/CNL/LDT/CAL/GR logging is planned. Drill stem tests are possible.

9 ABNORMAL CONDITIONS, PRESSURES, TEMPERATURES & POTENTIAL HAZARDS

See COA

-- None anticipated.

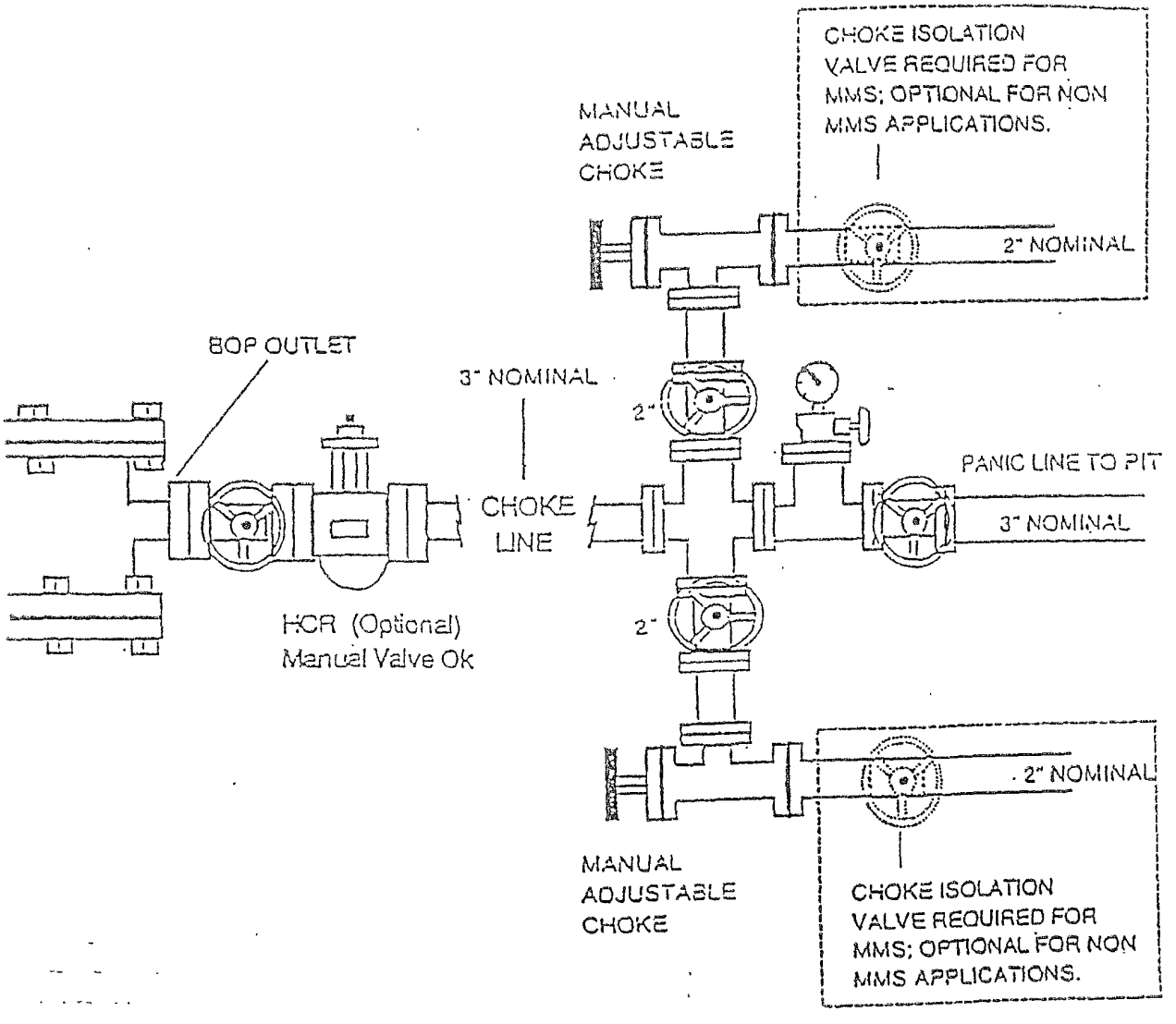
BHP expected to be 3500 psi. Operator used the same mud weights drilling the Kaiser Lake 33 Federal #1 Sec 33-18S-27E to a 10,000 TD and did not experience any abnormal pressures

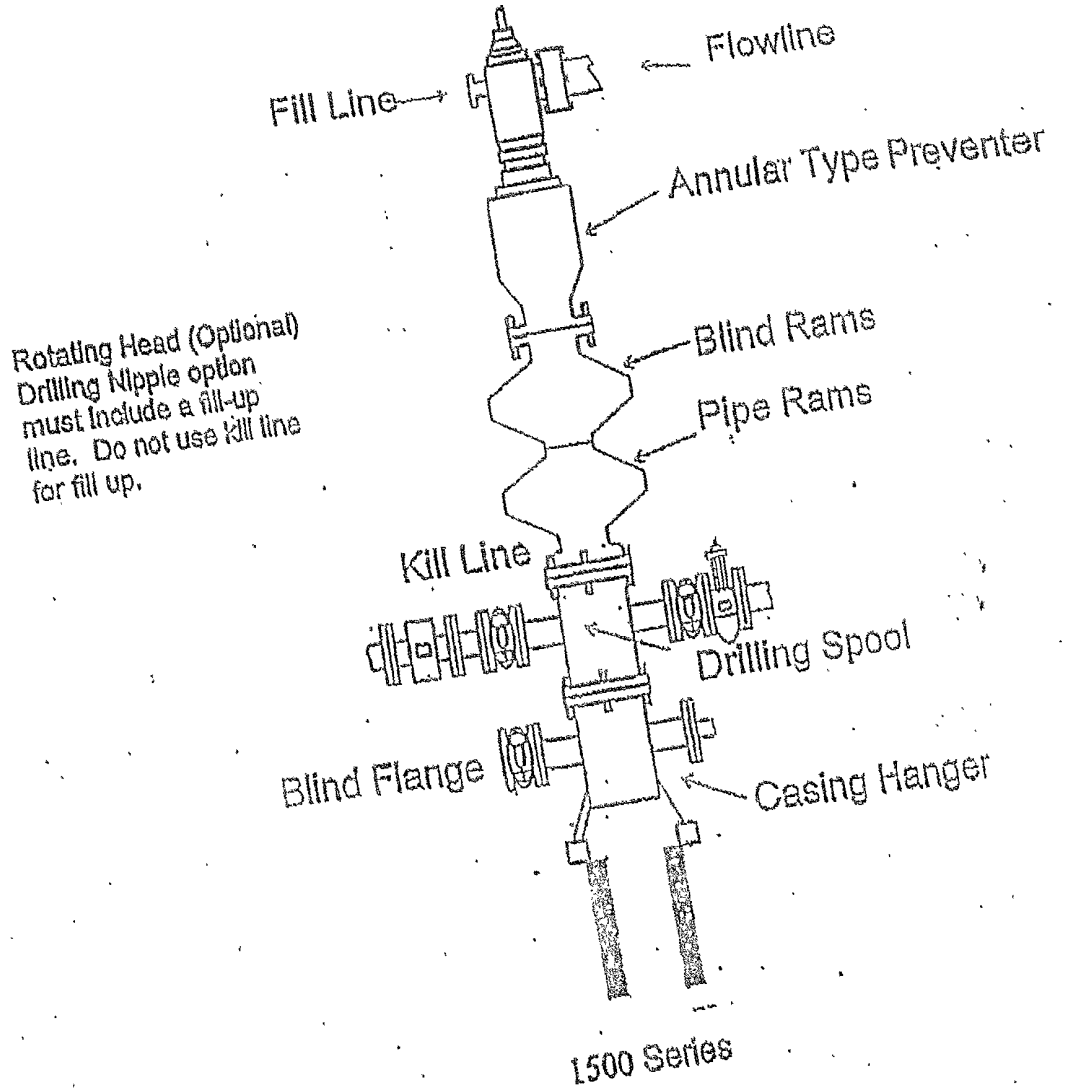
10 ANTICAPATED STARTING DATE:

Is planned that operations will commence on June 1, 2010 with drilling and completion operation lasting about 25 days

All the changes/additions to this page made per operator Butch Kuhn on 6/29/10 RGH

NEARBURG PRODUCING COMPANY
CHOKE MANIFOLD
2M AND 3M SERVICE




Flowline
Fill Line
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

HYDROGEN SULFIDE DRILLING OPERATIONS PLANS
NEARBURG PRODUCING COMPANY
KL 33 Fed Com #1

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.

NEARBURG PRODUCING COMPANY
HYDROGEN SULFIDE (H2S) CONTINGENCY PLAN

Assumed 100 ppm ROE = 3000'
100 ppm H2S concentration shall trigger activation of this plan

Emergency Procedures

In the event of a release of gas containing H2S, the first responder(s) must

- Isolate the area and prevent entry by other persons into the 1000 ppm ROE.
- Evacuate any public places encompassed by the 100 ppm ROE.
- Be equipped with H2S monitors and air packs in order to control the release.
- Use the "buddy system" to ensure no injuries occur during the response.
- Take precautions to avoid personal injury during this operation.
- Contact operator and/or local officials to aid in operation. See list of phone numbers attached.
- Have received training in the
  - Detection of H2S, and
  - Measures for protection against the gas,
  - Equipment used for protection and emergency response.

Ignition of Gas Source

Should control of the well be considered lost and ignition considered, take care to protect against exposure to Sulfur Dioxide (SO2). Intentional ignition must be coordinated with the NMOCD and local officials. Additionally, the NM State Police may become involved. NM State Police shall be the Incident Command on scene of any major release. Take care to protect downwind whenever this is an ignition of the gas.

Characteristics of H2S and SO2.

Common Name	Chemical Formula	Specific Gravity	Threshold Limit	Hazardous Limit	Lethal Concentration
Hydrogen Sulfide	H2S	1.189 Air = 1	10 ppm	100 ppm/ hr	600 ppm
Sulfur Dioxide	SO2	2.21 Air = 1	2 ppm	N/A	1000 ppm

Contacting Authorities

Nearburg Producing Company's personnel must liaison with local and state agencies to ensure a proper response to a major release. Additionally, the OCD must be notified of the release as soon as possible but no later than 4 hours. Agencies will ask for information such as type and volume of release, wind direction, location of release, etc. Be prepared with all information available including directions to site. The following call list of essential and potential responders has been prepared for use during a release. Nearburg Producing Company's response must be in coordination with the State of NM's "Hazardous Materials Emergency Response Plan" (HMER).

NEARBURG PRODUCING COMPANY
H2S CONTINGENCY PLAY EMERGENCY CONTACTS
(Name & Phone Numbers Must be Verified)

NPC Office	432/686-8235
Emergency Phone Number	432/686-8235 x 500

NPC Contact Personnel

Butch Willis, Drilling Manager	432/312-1911
Matt Lee, Production Superintendent	575/365-6662
Roger King, Production Foreman	575/361-3605

Artesia

Ambulance	911
NM State Police	575/746-2703
City Police	575/746-2703
Sheriff's Office	575-746-9888
Fire Department	575-746-2701
Local Emergency Planning Committee	575-746-2122
NMOCD (Artesia)	575-748-1283

Carlsbad

Ambulance	911
NM State Police	575-885-3137
City Police	575/885-2111
Sheriff's Office	575-887-7551
Fire Department	575/887-3798
Local Emergency Planning Committee	575-887-6544
BLM	575-887-6544

NM Emergency Response Commission (Santa Fe)	505/476-9600
24 Hour	505/827-9126
NM State Emergency Operations Center	505/476-9635
National Emergency Response Center (Washington, DC)	800/424-8802

Other

Boots & Coots IWC	800/256-9688 or 281/934-8884
Cudd Pressure Control	432/699-0139 or 432/563-3356
Halliburton	575/746-2757
BJ Services	575/746-3569
Flight for Life - 4000 24th St Lubbock, TX	806/746-9911
Aerocare - R3, Box 49F, Lubbock, TX	806/747-8923
Med Flight Air Amb - 2301 Yale Blvd SE #d#, Albuq., NM	505/842-4433
S B Aid Med Service - 2505 Clark Carr Loop Se, Albuq, NM	505/842-4949

Nearburg Producing Company
Operations and Production
3300 North A Street
Building 2, Suite 120
Midland, Texas 79705
432/686-8235
FAX 432/686-7806

May 19, 2010

Bureau of Land Management
620 E Greene Street
Carlsbad, NM 88220

Re: 1-KL 33 Fed Com, Lease NM105206

To Whom It May Concern:

Nearburg Producing Company elects to defer submission of the information regarding the gas pipelines, flowlines, overhead/ buried electric lines and waters until we know we have a well.

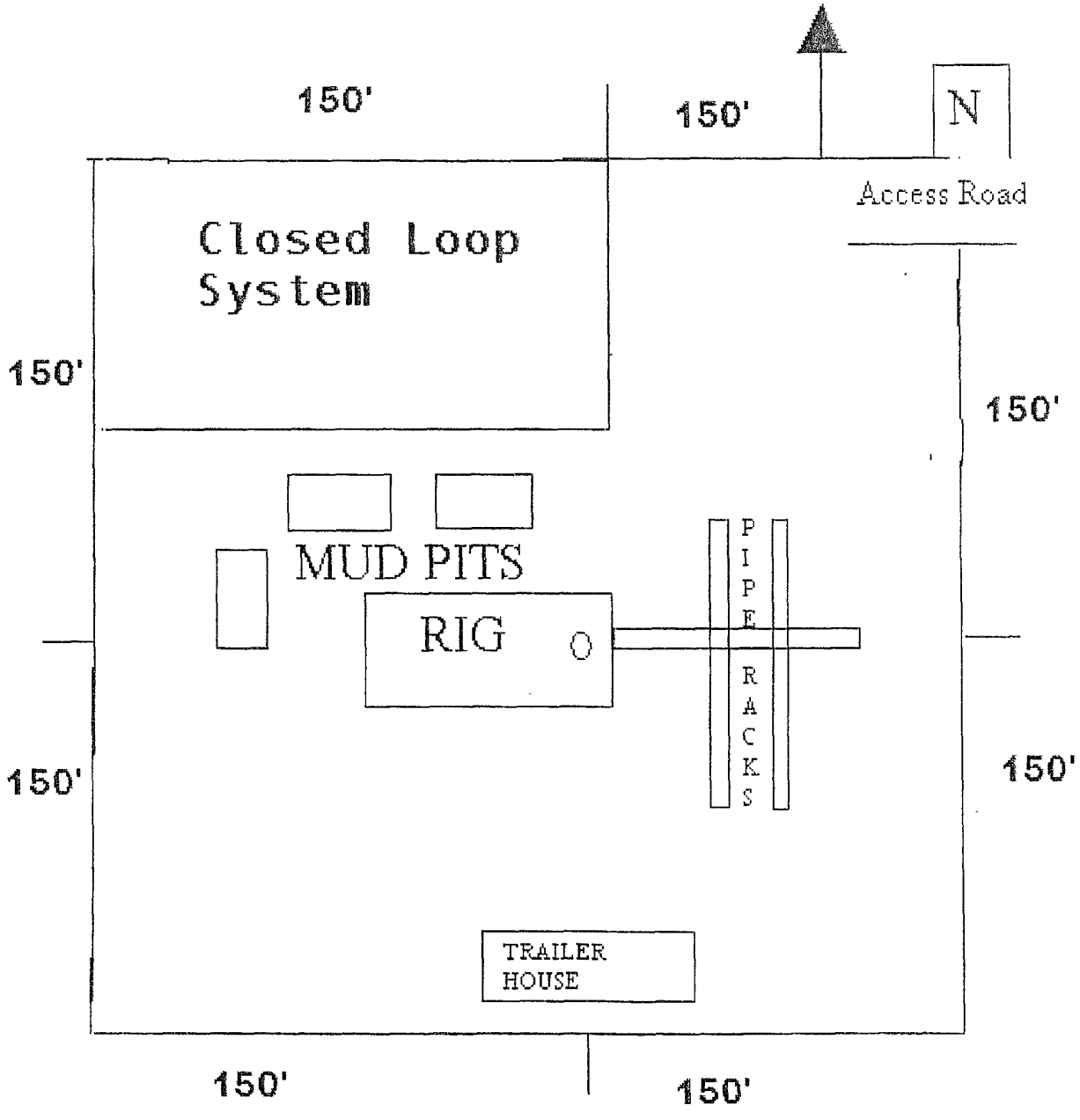
Thank you for your help in the matter.

Sincerely,

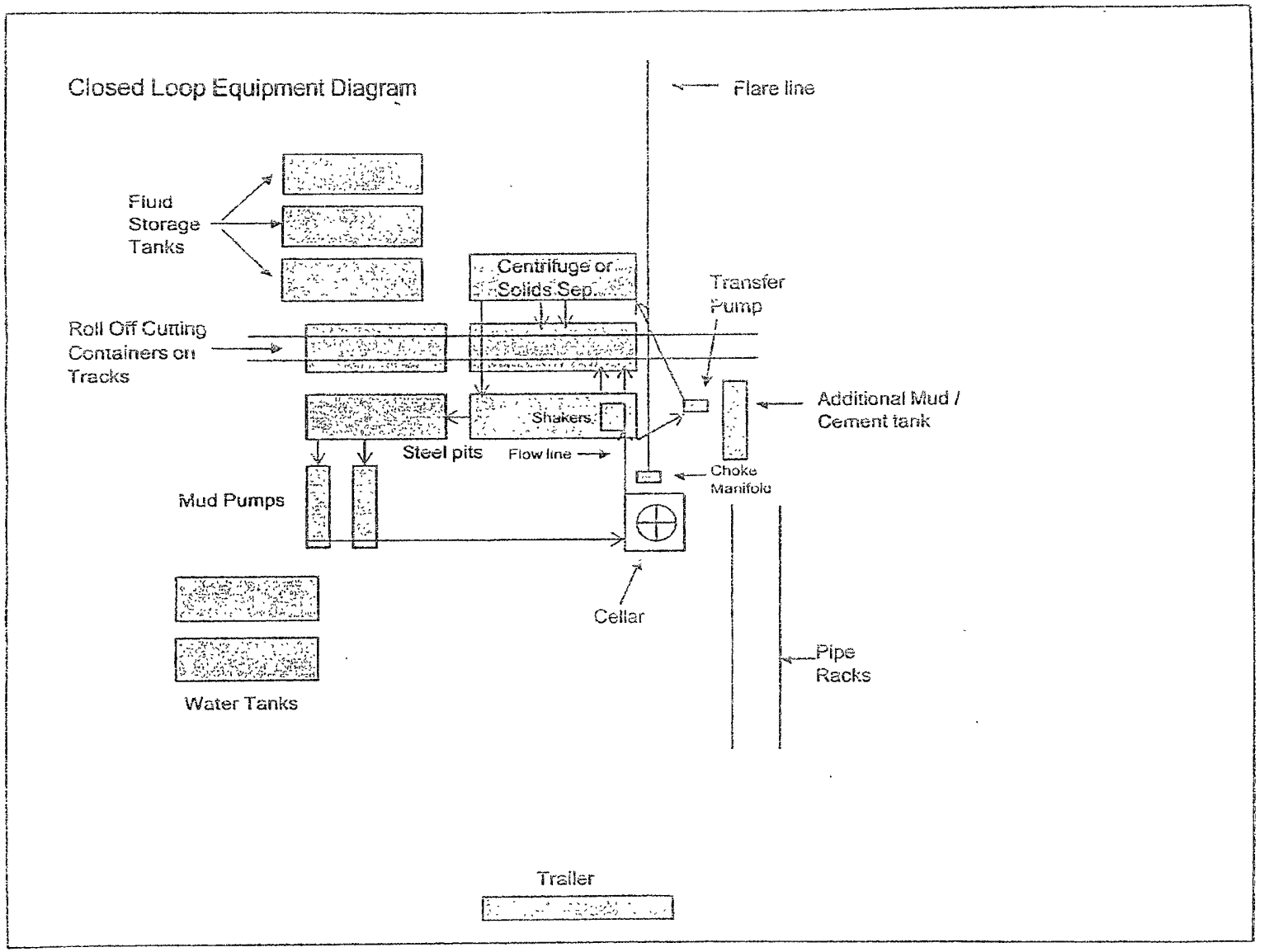
Sarah Jordan

Sarah Jordan
Production Analyst

/sj



K L 33 Fed Com # 1


Closed Loop Equipment Diagram
Flare line
Fluid
Storage
Tanks
Centrifuge or
Solids Sep.
Transfer
Pump
Roll Off Cutting
Containers on
Tracks
Additional Mud /
Cement tank
Shakers
Steel pits
Flow line
Choke
Manifold
Mud Pumps
Cellar
Pipe
Racks
Water Tanks
Trailer

SURFACE USE AND OPERATIONS PLAN FOR

DRILLING, COMPLETION, AND PRODUCING

NEARBURG PRODUCING COMPANY
KL 33 FED COM #1
2460 FSL AND 810 FWL, SEC 33, 18S, 27E
EDDY COUNTY, NEW MEXICO

LOCATED

5 miles ESE of Dayton

OIL & GAS LEASE

NMNM105206

RECORD LESSEE

Nearburg Exploration Company, LLC

BOND COVERAGE

$25,000 statewide bond of Nearburg Producing Company

ACRES IN LEASE

320

GRAZING LEASE

Bill and Wayne Netherlin
103 E Four Dikes Rd.
Artesia, NM 88210
(575)748-9762

POOL

McMillan; Upper Penn

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 8500'.

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 closed loop and hauled to disposal.

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.

4.26.10
Date

H. R. Willis
Drilling Manager

PECOS DISTRICT
CONDITIONS OF APPROVAL

OPERATOR'S NAME:	NEARBURG PRODUCING COMPANY
LEASE NO.:	NM105206
WELL NAME & NO.:	KL 33 FED COM # 1
SURFACE HOLE FOOTAGE:	2460' FSL & 0810' FWL
BOTTOM HOLE FOOTAGE	SAME
LOCATION:	Section 33, T. 18 S., R 27 E., NMPM
COUNTY:	Eddy County, New Mexico

TABLE OF CONTENTS

Standard Conditions of Approval (COA) apply to this APD. If any deviations to these standards exist or special COAs are required, the section with the deviation or requirement will be checked below.

I. GENERAL PROVISIONS

The approval of the Application For Permit To Drill (APD) is in compliance with all applicable laws and regulations: 43 Code of Federal Regulations 3160, the lease terms, Onshore Oil and Gas Orders, Notices To Lessees, New Mexico Oil Conservation Division (NMOCD) Rules, National Historical Preservation Act As Amended, and instructions and orders of the Authorized Officer. Any request for a variance shall be submitted to the Authorized Officer on Form 3160-5, Sundry Notices and Report on Wells.

II. PERMIT EXPIRATION

If the permit terminates prior to drilling and drilling cannot be commenced within 60 days after expiration, an operator is required to submit Form 3160-5, Sundry Notices and Reports on Wells, requesting surface reclamation requirements for any surface disturbance. However, if the operator will be able to initiate drilling within 60 days after the expiration of the permit, the operator must have set the conductor pipe in order to allow for an extension of 60 days beyond the expiration date of the APD. (Filing of a Sundry Notice is required for this 60 day extension.)

III. ARCHAEOLOGICAL, PALEONTOLOGY & HISTORICAL SITES

Any cultural and/or paleontological resource discovered by the operator or by any person working on the operator's behalf shall immediately report such findings to the Authorized Officer. The operator is fully accountable for the actions of their contractors and subcontractors. The operator shall suspend all operations in the immediate area of such discovery until written authorization to proceed is issued by the Authorized Officer. An evaluation of the discovery shall be made by the Authorized Officer to determine the appropriate actions that shall be required to prevent the loss of significant cultural or scientific values of the discovery. The operator shall be held responsible for the cost of the proper mitigation measures that the Authorized Officer assesses after consultation with the operator on the evaluation and decisions of the discovery. Any unauthorized collection or disturbance of cultural or paleontological resources may result in a shutdown order by the Authorized Officer.

IV. NOXIOUS WEEDS

The operator shall be held responsible if noxious weeds become established within the areas of operations. Weed control shall be required on the disturbed land where noxious weeds exist, which includes the roads, pads, associated pipeline corridor, and adjacent land affected by the establishment of weeds due to this action. The operator shall consult with the Authorized Officer for acceptable weed control methods, which include following EPA and BLM requirements and policies.

V. SPECIAL REQUIREMENT(S)

Porto-johns and trash containers will be on-location during fracturing operations or any other crew-intensive operations.

Cave and Karst

** Depending on location, additional Drilling, Casing, and Cementing procedures may be required by engineering to protect critical karst groundwater recharge areas.

Cave/Karst Surface Mitigation

The following stipulations will be applied to minimize impacts during construction, drilling and production.

Construction:
In the advent that any underground voids are opened up during construction activities, construction activities will be halted and the BLM will be notified immediately.

No Blasting:
No blasting will be utilized for pad construction. The pad will be constructed and leveled by adding the necessary fill and caliche.

Pad Berming:
The pad will be bermed to prevent oil, salt, and other chemical contaminants from leaving the pad. All sides will be bermed.

Tank Battery Liners and Berms:
Tank battery locations will be lined and bermed. A 20 mil permanent liner will be installed with a 4 oz. felt backing to prevent tears or punctures. Tank battery berms must be large enough to contain 1 ½ times the content of the largest tank.

Leak Detection System:
A method of detecting leaks is required. The method could incorporate gauges to measure loss, situating values and lines so they can be visually inspected, or installing electronic sensors to alarm when a leak is present. **Leak detection plan will be submitted to BLM for approval.**

Automatic Shut-off Systems:
Automatic shut off, check values, or similar systems will be installed for pipelines and tanks to minimize the effects of catastrophic line failures used in production or drilling.

Cave/Karst Subsurface Mitigation

The following stipulations will be applied to protect cave/karst and ground water concerns:

Rotary Drilling with Fresh Water:
Fresh water will be used as a circulating medium in zones where caves or karst features are expected. SEE ALSO: Drilling COAs for this well.

Directional Drilling:
Kick off for directional drilling will occur at least 100 feet below the bottom of the cave occurrence zone. SEE ALSO: Drilling COAs for this well.

Lost Circulation:
ALL lost circulation zones from the surface to the base of the cave occurrence zone will be logged and reported in the drilling report.

Regardless of the type of drilling machinery used, if a void of four feet or more and circulation losses greater than 70 percent occur simultaneously while drilling in any cave-bearing zone, the BLM will be notified immediately by the operator. The BLM will assess the situation and work with the operator on corrective actions to resolve the problem.

Abandonment Cementing:
Upon well abandonment in high cave karst areas additional plugging conditions of approval may be required. The BLM will assess the situation and work with the operator to ensure proper plugging of the wellbore.

Pressure Testing:
Annual pressure monitoring will be performed by the operator on all casing annuli and reported in a sundry notice. If the test results indicated a casing failure has occurred, remedial action will be undertaken to correct the problem to the BLM's approval.

Communitization Agreement:
A Communitization Agreement covering the acreage dedicated to this well must be filed for approval with the BLM. The effective date of the agreement shall be prior to any sales.

VI. CONSTRUCTION

A. NOTIFICATION

The BLM shall administer compliance and monitor construction of the access road and well pad. Notify the Carlsbad Field Office at (575) 234-5972 at least 3 working days prior to commencing construction of the access road and/or well pad.

When construction operations are being conducted on this well, the operator shall have the approved APD and Conditions of Approval (COA) on the well site and they shall be made available upon request by the Authorized Officer.

B. V-DOOR DIRECTION: Not stipulated

C. TOPSOIL

The operator shall stockpile the topsoil in a low profile manner in order to prevent wind/water erosion of the topsoil. The topsoil to be stripped is approximately 4 inches in depth. The topsoil will be used for interim and final reclamation.

D. CLOSED LOOP SYSTEM

Tanks are required for drilling operations: No Pits.

The operator shall properly dispose of drilling contents at an authorized disposal site.

E. FEDERAL MINERAL MATERIALS PIT

Payment shall be made to the BLM prior to removal of any federal mineral materials. Call theCarlsbad Field Office at (575) 234-5972.

F. WELL PAD SURFACING

Surfacing of the well pad is not required.

If the operator elects to surface the well pad, the surfacing material may be required to be removed at the time of reclamation.

The well pad shall be constructed in a manner which creates the smallest possible surface disturbance, consistent with safety and operational needs.

G. ON LEASE ACCESS ROADS

Road Width

The access road shall have a driving surface that creates the smallest possible surface disturbance and does not exceed twelve (12) feet in width. The maximum width of surface disturbance, when constructing the access road, shall not exceed thirty (30) feet.

Surfacing
Surfacing material is not required on the new access road driving surface. If the operator elects to surface the new access road or pad, the surfacing material may be required to be removed at the time of reclamation.

Where possible, no improvements should be made on the unsurfaced access road other than to remove vegetation as necessary, road irregularities, safety issues, or to fill low areas that may sustain standing water.

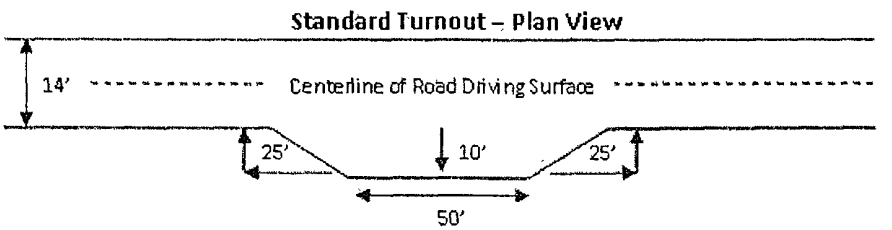
The Authorized Officer reserves the right to require surfacing of any portion of the access road at any time deemed necessary. Surfacing may be required in the event the road deteriorates, erodes, road traffic increases, or it is determined to be beneficial for future field development. The surfacing depth and type of material will be determined at the time of notification.

Crowning
Crowning shall be done on the access road driving surface. The road crown shall have a grade of approximately 2% (i.e., a 1" crown on a 14' wide road). The road shall conform to Figure 1; cross section and plans for typical road construction.

Ditching

Ditching shall be required on both sides of the road.

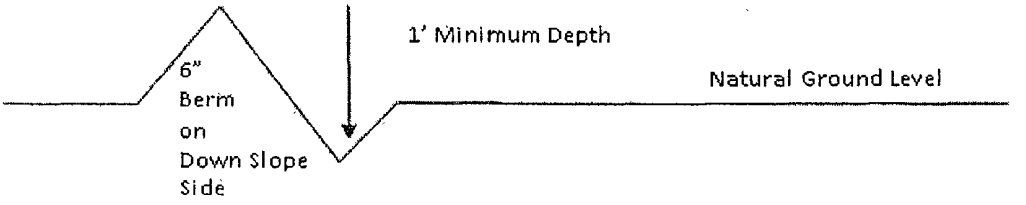
Turnouts
Vehicle turnouts shall be constructed on the road. Turnouts shall be intervisible with interval spacing distance less than 1000 feet. Turnouts shall be constructed on all blind curves. Turnouts shall conform to the following diagram:



Drainage
Drainage control systems shall be constructed on the entire length of road (e.g. ditches, sidehill outsloping and insloping, lead-off ditches, culvert installation, and low water crossings).

A typical lead-off ditch has a minimum depth of 1 foot below and a berm of 6 inches above natural ground level. The berm shall be on the down-slope side of the lead-off ditch.

Cross Section of a Typical Lead-off Ditch



All lead-off ditches shall be graded to drain water with a 1 percent minimum to 3 percent maximum ditch slope. The spacing interval are variable for lead-off ditches and shall be determined according to the formula for spacing intervals of lead-off ditches, but may be amended depending upon existing soil types and centerline road slope (in %);

Formula for Spacing Interval of Lead-off Ditches

Example - On a 4% road slope that is 400 feet long, the water flow shall drain water into a lead-off ditch. Spacing interval shall be determined by the following formula:

400 foot road with 4% road slope: $\frac{400'}{4\%} + 100' = 200'$ lead-off ditch interval

Culvert Installations
Appropriately sized culvert(s) shall be installed at the deep waterway channel flow crossing.

Cattleguards
An appropriately sized cattleguard(s) sufficient to carry out the project shall be installed and maintained at fence crossing(s).

Any existing cattleguard(s) on the access road shall be repaired or replaced if they are damaged or have deteriorated beyond practical use. The operator shall be responsible for the condition of the existing cattleguard(s) that are in place and are utilized during lease operations.

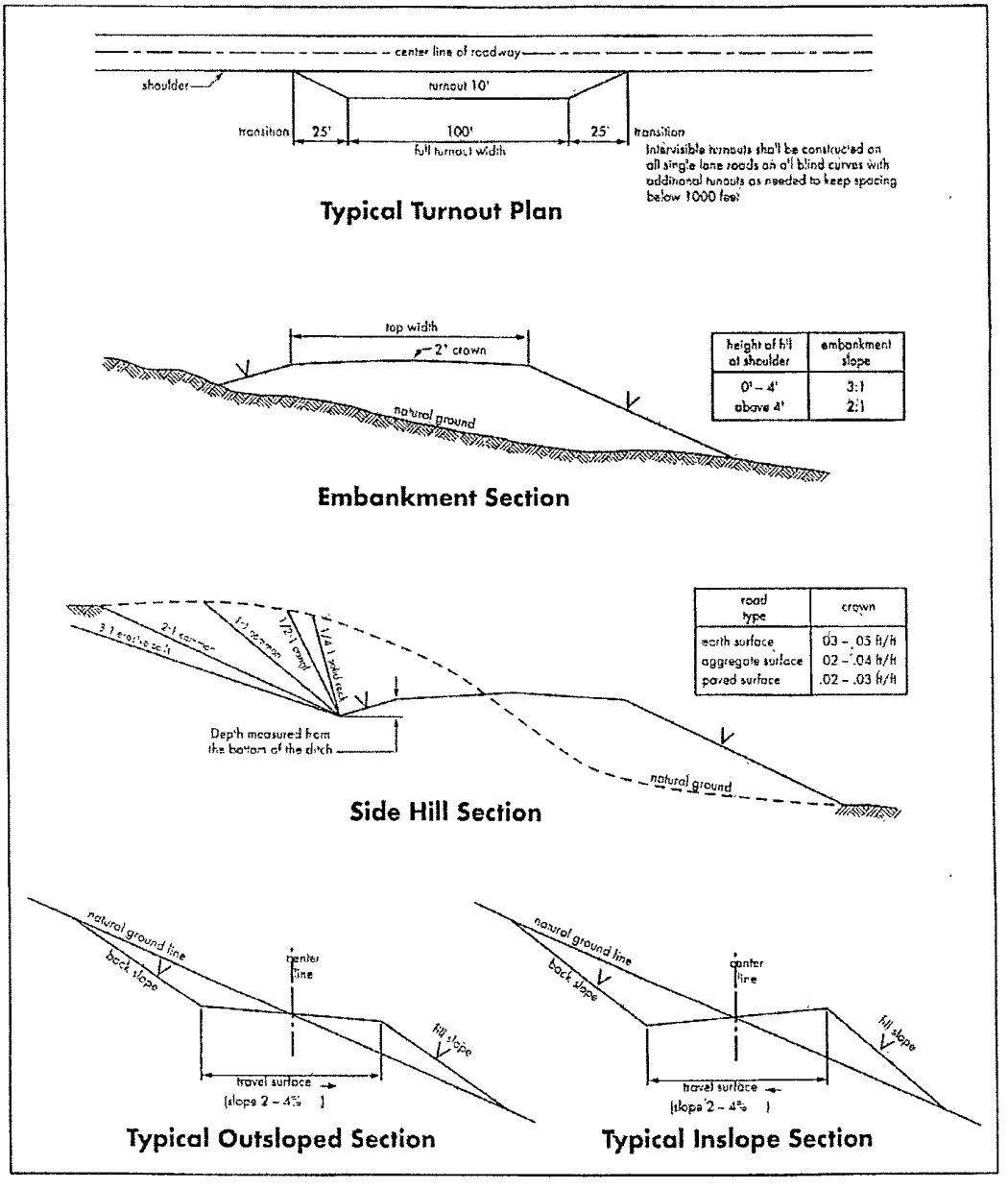
A gate shall be constructed and fastened securely to H-braces.

Fence Requirement
Where entry is required across a fence line, the fence shall be braced and tied off on both sides of the passageway prior to cutting.

The operator shall notify the private surface landowner or the grazing allotment holder prior to crossing any fence(s).

Public Access
Public access on this road shall not be restricted by the operator without specific written approval granted by the Authorized Officer.

Figure 1 – Cross Sections and Plans For Typical Road Sections



VII. DRILLING

A. DRILLING OPERATIONS REQUIREMENTS

The BLM is to be notified a minimum of 4 hours in advance for a representative to witness:

a. Spudding well
b. Setting and/or Cementing of all casing strings
c. BOPE tests

☒ **Eddy County**
Call the Carlsbad Field Office, 620 East Greene St., Carlsbad, NM 88220, (575) 361-2822

1. A Hydrogen Sulfide (H2S) Drilling Plan should be activated 500 feet prior to drilling into the **Cisco** formation. **As a result, the Hydrogen Sulfide area must meet Onshore Order 6 requirements, which includes equipment and personnel/public protection items. If Hydrogen Sulfide is encountered, please provide measured values and formations to the BLM.**

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. **If the drilling rig is removed without approval – an Incident of Non-Compliance will be written and will be a "Major" violation.**

3. Floor controls are required for 3M or Greater systems. These controls will be on the rig floor, unobstructed, readily accessible to the driller and will be operational at all times during drilling and/or completion activities. Rig floor is defined as the area immediately around the rotary table; the area immediately above the substructure on which the draw works is located, this does not include the dog house or stairway area.

4. **The record of the drilling rate along with the CAL/GR/N well log run from TD to surface will be submitted to the BLM office as well as all other logs run on the borehole 30 days from completion. If available, a digital copy of the logs is to be submitted in addition to the paper copies. The Rustler top and top and bottom of Salt are to be recorded on the Completion Report.**

B. CASING

Changes to the approved APD casing and cement program require submitting a sundry and receiving approval prior to work. Failure to obtain approval prior to work will result in an Incident of Non-Compliance being issued.

Centralizers required on surface casing per Onshore Order 2.III.B.1.f.

Wait on cement (WOC) time for a primary cement job will be a minimum 18 hours for a water basin, 24 hours in the potash area, or 500 pounds compressive strength, whichever is greater for all casing strings. Provide compressive strengths including hours to reach required 500 pounds compressive strength prior to cementing each casing string. See individual casing strings for details regarding lead cement slurry requirements.

No pea gravel permitted for remedial or fall back remedial without prior authorization from the BLM engineer.

Possible lost circulation in the Grayburg and San Andres formations.
Possible high pressures in the Wolfcamp and Pennsylvanian Section.

HIGH CAVE/KARST – CONTINGENCY CASING WILL BE REQUIRED IF LOST CIRCULATION OCCURS WHILE DRILLING THE SURFACE HOLE. CONTACT THE BLM IF LOST CIRCULATION OCCURS AS THE SURFACE HOLE WILL HAVE TO BE REAMED AND A LARGER CASING INSTALLED OR THE CEMENTING PROGRAM FOR THE CASING MODIFIED PRIOR TO RUNNING THE SURFACE CASING. IF LOST CIRCULATION OCCURS WHILE DRILLING THE 7-7/8" HOLE, THE CEMENT PROGRAM FOR THE 5-1/2" CASING WILL NEED TO BE MODIFIED AND THE BLM IS TO BE CONTACTED PRIOR TO RUNNING THE CASING. A MINIMUM OF TWO CASING STRINGS CEMENTED TO SURFACE IS REQUIRED IN HIGH CAVE/KARST AREAS. THE CEMENT MUST BE IN A SOLID SHEATH THEREFORE, ONE INCH OPERATIONS WILL NOT BE PERMITTED. A DV TOOL WILL BE REQUIRED.

1. The **8-5/8** inch surface casing shall be set at approximately **2300 feet** into the San Andres formation and cemented to the surface.

    a. If cement does not circulate to the surface, the appropriate BLM office shall be notified and a temperature survey utilizing an electronic type temperature survey with surface log readout will be used or a cement bond log shall be run to verify the top of the cement. Temperature survey will be run a minimum of six hours after pumping cement and ideally between 8-10 hours after completing the cement job.

    b. Wait on cement (WOC) time for a primary cement job is to include the lead cement slurry.

    c. Wait on cement (WOC) time for a remedial job will be a minimum of 4 hours after bringing cement to surface or 500 pounds compressive strength, whichever is greater.

    d. If cement falls back, remedial cementing will be done prior to drilling out that string.

2. The minimum required fill of cement behind the **5-1/2** inch production casing is:

   ☒ Cement to **surface.** If cement does not circulate, contact the appropriate BLM office. **Required due to high cave/karst. Additional cement will be required as the excess calculates negative 59%. Operator shall provide method of verification.**

3. If hardband drill pipe is rotated inside casing, returns will be monitored for metal. If metal is found in samples, drill pipe will be pulled and rubber protectors which have a larger diameter than the tool joints of the drill pipe will be installed prior to continuing drilling operations.

C. PRESSURE CONTROL

1. All blowout preventer (BOP) and related equipment (BOPE) shall comply with well control requirements as described in Onshore Oil and Gas Order No. 2 and API RP 53 Sec. 17.

2. Minimum working pressure of the blowout preventer (BOP) and related equipment (BOPE) required for drilling below the surface casing shoe shall be **3000 (3M)** psi.

3. The appropriate BLM office shall be notified a minimum of 4 hours in advance for a representative to witness the tests.

   a. Casing cut-off and BOP installation will not be initiated until the cement has had a minimum of 8 hours setup time for a water basin. The casing shall remain stationary and under pressure for at least eight hours after the operator places the cement. In the potash area, the minimum time is 12 hours and the casing shall remain stationary and under pressure during this time period. In addition, for the potash area, no tests are to be initiated prior to 24 hours (R-111-P regulations). Casing shall be under pressure if the operator uses some acceptable means of holding pressure or if the operator employs one or more float valves to hold the cement in place. Testing the BOP/BOPE against a plug can commence after meeting the above conditions plus the BOP installation time.

   b. The tests shall be done by an independent service company using a test plug.

   c. The results of the test shall be reported to the appropriate BLM office.

   d. All tests are required to be recorded on a calibrated test chart. **A copy of the BOP/BOPE test chart and a copy of independent service company test will be submitted to the appropriate BLM office.**

e. The BOP/BOPE test shall include a low pressure test from 250 to 300 psi. The test will be held for a minimum of 10 minutes if test is done with a test plug and 30 minutes without a test plug.

D. DRILLING MUD

Mud system monitoring equipment, with derrick floor indicators and visual and audio alarms, shall be operating before drilling into the **Wolfcamp** formation, and shall be used until production casing is run and cemented.

Proposed mud weight may not be adequate for drilling through Wolfcamp.

E. DRILL STEM TEST

If drill stem tests are performed, Onshore Order 2.III.D shall be followed.

RGH 061410

VIII. PRODUCTION (POST DRILLING)

A. WELL STRUCTURES & FACILITIES

Placement of Production Facilities
Production facilities should be placed on the well pad to allow for maximum interim recontouring and revegetation of the well location.

Tank battery will be lined and bermed sufficient to contain 1.5 times the volume of liquid in the largest tank.

Leak detection system to provide an early alert to operators when a leak has occurred.

Containment Structures
The containment structure shall be constructed to hold the capacity of the entire contents of the largest tank, plus 24 hour production, unless more stringent protective requirements are deemed necessary by the Authorized Officer.

Painting Requirement
All above-ground structures including meter housing that are not subject to safety requirements shall be painted a flat non-reflective paint color
Shale Green, Munsell Soil Color Chart # 5Y 4/2

B. PIPELINES – not requested in APD

C. ELECTRIC LINES – not requested in APD

IX. INTERIM RECLAMATION

During the life of the development, all disturbed areas not needed for active support of production operations should undergo interim reclamation in order to minimize the environmental impacts of development on other resources and uses.

Within six (6) months of well completion, operators should work with BLM surface management specialists (Jim Amos: 575-234-5909) to devise the best strategies to reduce the size of the location. Interim reclamation should allow for remedial well operations, as well as safe and efficient removal of oil and gas.

During reclamation, the removal of caliche is important to increasing the success of revegetating the site. Removed caliche that is free of contaminants may be used for road repairs, fire walls or for building other roads and locations. In order to operate the well or complete workover operations, it may be necessary to drive, park and operate on restored interim vegetation within the previously disturbed area. Disturbing revegetated areas for production or workover operations will be allowed. If there is significant disturbance and

loss of vegetation, the area will need to be revegetated. Communicate with the appropriate BLM office for any exceptions/exemptions if needed.

All disturbed areas after they have been satisfactorily prepared need to be reseeded with the seed mixture provided below.

Upon completion of interim reclamation, the operator shall submit a Sundry Notices and Reports on Wells, Subsequent Report of Reclamation (Form 3160-5).

X. FINAL ABANDONMENT & RECLAMATION

At final abandonment, well locations, production facilities, and access roads must undergo "final" reclamation so that the character and productivity of the land are restored.

Earthwork for final reclamation must be completed within six (6) months of well plugging. All pads, pits, facility locations and roads must be reclaimed to a satisfactory revegetated, safe, and stable condition, unless an agreement is made with the landowner or BLM to keep the road and/or pad intact.

After all disturbed areas have been satisfactorily prepared; these areas need to be revegetated with the seed mixture provided below. Seeding should be accomplished by drilling on the contour whenever practical or by other approved methods. Seeding may need to be repeated until revegetation is successful, as determined by the BLM.

Operators shall contact a BLM surface protection specialist prior to surface abandonment operations for site specific objectives (Jim Amos: 575-234-5909).

Seed Mixture 4, for Gypsum Sites

The holder shall seed all disturbed areas with the seed mixture listed below. The seed mixture shall be planted in the amounts specified in pounds of pure live seed (PLS)* per acre. There shall be no primary or secondary noxious weeds in the seed mixture. Seed will be tested and the viability testing of seed will be done in accordance with State law(s) and within nine (9) months prior to purchase. Commercial seed will be either certified or registered seed. The seed container will be tagged in accordance with State law(s) and available for inspection by the authorized officer.

Seed will be planted using a drill equipped with a depth regulator to ensure proper depth of planting where drilling is possible. The seed mixture will be evenly and uniformly planted over the disturbed area (smaller/heavier seeds have a tendency to drop the bottom of the drill and are planted first). The holder shall take appropriate measures to ensure this does not occur. Where drilling is not possible, seed will be broadcast and the area shall be raked or chained to cover the seed. When broadcasting the seed, the pounds per acre are to be doubled. The seeding will be repeated until a satisfactory stand is established as determined by the authorized officer. Evaluation of growth will not be made before completion of at least one full growing season after seeding.

Species to be planted in pounds of pure live seed* per acre:

Species	lb/acre
Alkali Sacaton (Sporobolus airoides)	1.0
DWS Four-wing saltbush (Atriplex canescens)	5.0

DWS: DeWinged Seed

*Pounds of pure live seed:

Pounds of seed x percent purity x percent germination = pounds pure live seed

NMCRIS INVESTIGATION ABSTRACT FORM (NIAF)

1. NMCRIS Activity No.: 118275	2a. Lead (Sponsoring) Agency: BLM, CFO	2b. Other Permitting Agency(ies):	3. Lead Agency Report No.:

4 Title of Report: KL "33" Fed. Com well No. 1.

Author(s) Ann and Danny Boone

5. Type of Report ☒ Negative ☐ Positive

6. Investigation Type
☐ Research Design ☒ Survey/Inventory ☐ Test Excavation ☐ Excavation ☐ Collections/Non-Field Study
☐ Overview/Lit Review ☐ Monitoring ☐ Ethnographic study ☐ Site specific visit ☐ Other

7. Description of Undertaking (what does the project entail?): The project is a pad and access road for a petroleum well. Danny Boone met in the field with Mr. Willis and Mr. Green of Nearburg Producing on 21 July 2010. Beginning on the pad for the Nubes Fed Com well No. 1 (Dry Hole) the proposed access road trends west to a point approximately 100 feet into the northeast quadrant of the 600 by 600 feet pad survey area of the KL well No. 1. Total length of the proposed road is 2,668.1 feet, of this an estimated 100 feet is within the KL well No. 1 pad survey area and 550 feet is within BLM survey No. 05-237. Impact acres are unknown but were estimated on 2,688 by 30 feet of road plus a 400 by 400 feet pad

8. Dates of Investigation: (from: 21 July 10 to:)

9. Report Date: 23 July 10

10. Performing Agency/Consultant: Boone Archaeological Services, LLC
2030 North Canal, Carlsbad, NM 88220
575-885-1352
Principal Investigator: Danny Boone Field Supervisor: Danny Boone
Field Personnel Names: Danny Boone

11. Performing Agency/Consultant Report No: BAS 07-10-25

12. Applicable Cultural Resource Permit No(s): BLM: 190-2920-09-L

13. Client/Customer (project proponent): Nearburg Producing Company
Contact: H. R. (Butch) Willis
Address: 3300 North "A" Street
Building 2, Suite 120
Midland, Texas 79705
Phone: (432) 686-8235

14. Client/Customer Project No:

15. Land Ownership Status *(Must be indicated on project map).*

Land Owner	Acres Surveyed	Acres In APE
BLM	12.9 (+/-)	5.51 (-/+)
TOTALS	12.9 (-/+)	5.51 (+/-)

16 Records Search(es):

Date(s) of ARMS File Review: 20 July 10	Name of Reviewer(s): Ann Boone	
Date(s) of NR/SR File Review:	Name of Reviewer(s):	
Date(s) of Other Agency File Review: 20 July 10	Name of Reviewer(s): Danny Boone	Agency: BLM, CFO

Findings: LA 164250 (Not Eligible) is within 500 feet, LA 43471 (Not Elogible), 48747 and possibly others are within 0.25 mile.

17. Survey Data.

a Source Graphics ☒ NAD 27 ☐ NAD 83
☒ USGS 7.5' (1.24,000) topo map ☐ Other topo map, Scale:
☒ GPS Unit Accuracy ☐<1 0m ☒ 1-10m ☐ 10-100m ☐>100m

b. USGS 7.5' Topographic Map Name / USGS Quad Code

Lake McMillan North, NM (1955)	32104-F3

c. County(ies). Eddy

17. Survey Data (continued):
d. Nearest City or Town: Artesia, NM
e. Legal Description:

Township (N/S)	Range (E/W)	Section	¼ ¼ ¼
18S	27E	33	sw nw, nw sw, ne sw, nw se.

Projected legal description? Yes [X] No [ ] Unplatted [ ]

f. Other Description (e.g. well pad footages, mile markers, plats, land grant name, etc.): 2460' FSL, 810' FWL

18. Survey Field Methods.
Intensity: ☒ 100% coverage ☐ <100% coverage

Configuration: ☒ block survey units ☒ linear survey units (l x w): 2,018 by 100 feet ☐ other survey units (specify):

Scope: ☒ non-selective (all sites recorded) ☐ selective/thematic (selected sites recorded)

Coverage Method: ☒ systematic pedestrian coverage ☐ other method (describe)

Survey Interval (m): 15 Crew Size: 1 Fieldwork Dates: 21 July 10

Survey Person Hours: 3.25 Recording Person Hours: 0 Total Hours: 3.25

Additional Narrative Beginning on the pad for the Nubes Fed. Com well No. 1 (Dry Hole) the proposed access road trends west to a point approximately 100 feet into the northeast quadrant of the 600 by 600 feet pad survey area of the KL well No. 1. Total length of the proposed road is 2,668.1 feet, of this an estimated 100 feet is within the KL well No. 1 pad survey area and 550 feet is within BLM survey No. 05-237 Impact acres are unknown but were estimated on 2,668 by 30 feet of road plus a 400 by 400 feet pad.

19. Environmental Setting (NRCS soil designation; vegetative community; elevation; etc):

Topography: Slight rise where alluvial sheetwash is exposing gypsum.

Vegetative community: Creosote bush, feather dalai, 4 wing salt bush, various grasses and other flora.

NRCS: Reeves-Gypsum land-Cottonwood association. Loamy soils that are very shallow to moderately deep over gypsum beds, and Gypsum lands.

Elevation: 3,357 feet at the Drill Hole

20.a Percent Ground Visibility, 85 overall b. Condition of Survey Area (grazed, bladed, undisturbed, etc.): Grazed

21. CULTURAL RESOURCE FINDINGS ☐ Yes, See Page 3 ☒ No, Discuss Why: Unknown

22. Required Attachments (check all appropriate boxes):
☒ USGS 7.5 Topographic Map with sites, isolates, and survey area clearly drawn
☒ Copy of NMCRIS Mapserver Map Check
☐ LA Site Forms - new sites (*with sketch map & topographic map*)
☒ LA Site Forms (update) - previously recorded & un-relocated sites (*first 2 pages minimum*)
☐ Historic Cultural Property Inventory Forms
☐ List and Description of Isolates, if applicable
☐ List and Description of Collections, if applicable

23. Other Attachments:
☐ Photographs and Log
☒ Other Attachments
(Describe): Suveyor plat

24. I certify the information provided above is correct and accurate and meets all applicable agency standards.

Principal Investigator/Responsible Archaeologist: Danny Boone

Signature Danny Boone Date: 22 July 2010 Title (if not PI):

25. Reviewing Agency:
Reviewer's Name/Date

Accepted ( ) Rejected ( )

Tribal Consultation (if applicable): ☐ Yes ☐ No

26. SHPO
Reviewer's Name/Date:

HPD Log #:

SHPO File Location:

Date sent to ARMS:

CULTURAL RESOURCE FINDINGS

[fill in appropriate section(s)]

1. NMCRIS Activity No.: 118275	2. Lead (Sponsoring) Agency: BLM, CFO	3 Lead Agency Report No.:

SURVEY RESULTS:
Sites discovered and registered: 0
Sites discovered and NOT registered: 0
Previously recorded sites revisited *(site update form required)*: 0
Previously recorded sites not relocated *(site update form required)*: 1
TOTAL SITES VISITED: 0
Total isolates recorded: 0 Non-selective isolate recording? ☒
Total structures recorded *(new and previously recorded, including acequias)*: 0

MANAGEMENT SUMMARY: No cultural resources were encountered during the current survey, therefore clearance of a pad and access road for the KL "33" Fed. Com well No. 1 for Nearburg Producing Company is recommended as presently staked. If cultural resources are encountered at any time all activity should cease and the BLM Archaeologist notified immediately.

IF REPORT IS NEGATIVE YOU ARE DONE AT THIS POINT.

SURVEY LA NUMBER LOG

Sites Discovered:

LA No.	Field/Agency No.	Eligible? (Y/N, applicable criteria)

Previously recorded revisited sites:

LA No.	Field/Agency No.	Eligible? (Y/N, applicable criteria)
164250	BAS 07-10-25	No, BLM determination, Bruce Boeke

MONITORING LA NUMBER LOG *(site form required)*

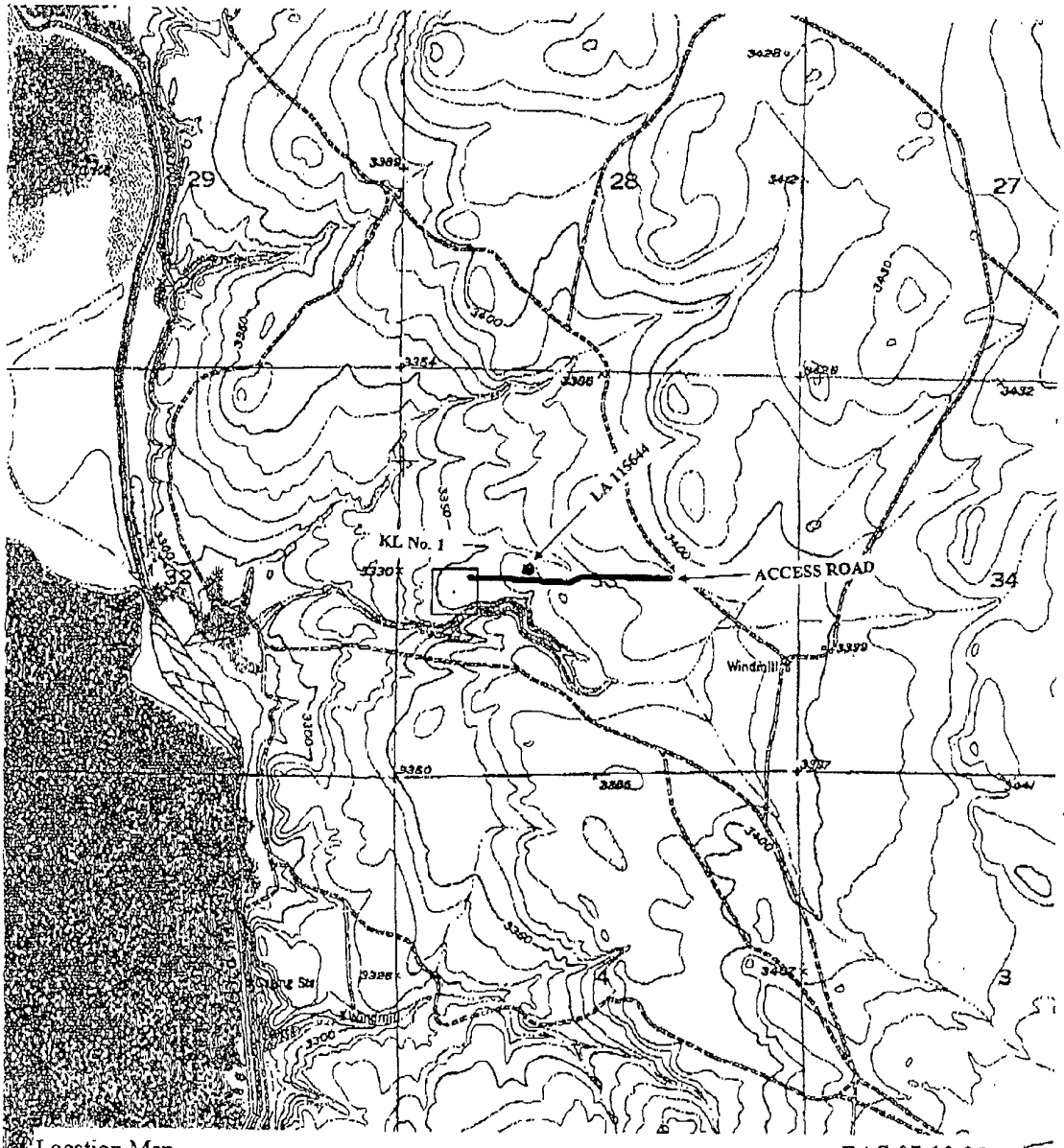
Sites Discovered *(site form required)*: Previously recorded sites *(Site update form required)*:

LA No.	Field/Agency No.	LA No.	Field/Agency No.

Areas outside known nearby site boundaries monitored? Yes ☐, No ☐ If no explain why:

TESTING & EXCAVATION LA NUMBER LOG *(site form required)*

Tested LA number(s)	Excavated LA number(s)



Location Map BAS 07-10-25

Pad and access road for the KL "33" Fed. Com well No. 1 for Nearburg Producing Company in Section 33, T 18S, R 27E, N.M.P.M., Eddy County, New Mexico.

Map Reference: USGS 7.5' Series; Lake McMillan North, NM (1955) 32104-F3

SCALE 1:24 000

1 0 1 MILE

1000 0 1000 2000 3000 4000 5000 6000 7000 FEET

1 5 0 1 KILOMETER

BAS

United States Department of the Interior

BUREAU OF LAND MANAGEMENT
Carlsbad Field Office
620 E. Greene St.
Carlsbad, NM 88220-6292

TAKE PRIDE IN AMERICA

In reply refer to:
3162.3-1 (P0220)
NM105206
ATS-10-527

6/24/2010

Your Reference:
1-KL 33 Fed Com, Lease NM105206
2460'/S. & 0810'/W., sec. 33, T. 18 S., R. 27 E., Eddy County, NM

Nearburg Producing Co
Attn: Butch Willis
3300 N A St Bldg 2 Ste 120
Midland, TX 79705

Gentlemen:

Your Application for Permit to Drill (APD), for the referenced well was received on May 04, 2010 and the package was found to be complete on May 20, 2010. In compliance with 43 CFR 3162.3-1(h), Section 366 of the Energy Policy Act of 2005, and Onshore Order No.1, the intent of this office is to process your application and take action within 30 days from the date it is deter-mined to be complete and regulatory requirements have been met.

However, an action on your application will be delayed beyond the 30-day period for the following reason: An Archaeological Cultural Survey had not been received as of 5/27/10. Please contact Archeology Department at 575-234-5917 for more information. Also, the Wildlife Department is still in the process of completing the analysis of impacts to resources in compliance with the National Environmental Policy Act.

If you have any questions, please contact Cheryle Ryan at (575) 234-5949.

Sincerely,

Cheryle Ryan

for Don Peterson
Assistant Field Manager, Minerals