

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

Oil Cons.

N.M. Div-Dist. 2

1301 W. Central Avenue
Artesia, NM 88210

FORM APPROVED
OMB NO. 1004-0138
Expires: February 28, 1995

APPLICATION FOR PERMIT TO DRILL OR DEEPEN

1a. TYPE OF WORK

DRILL ☐

DEEPEN ☐

b. TYPE OF WELL

OIL
WELL ☐

GAS
WELL ☒

OTHER

SINGLE
ZONE ☐

MULTIPLE
ZONE ☐

2. NAME OF OPERATOR

Nearburg Producing Company

3. ADDRESS AND TELEPHONE NO.

3300 N A St., Bldg 2, Suite 120, Midland, TX 79705 432/686-8235 ext 223

4. LOCATION OF WELL (Report location clearly and in accordance with any State requirements.)

At surface 1977 FNL & 998 FWL

At proposed prod. zone

850 FNL & 1650 FWL

14. DISTANCE IN MILES AND DIRECTION FROM NEAREST TOWN OR POST OFFICE*

13-1/2 miles West of Carlsbad

15. DISTANCE FROM PROPOSED*

LOCATION TO NEAREST
PROPERTY OR LEASE LINE, FT
(Also to nearest orig. unit line, if any)

990'

16. NO. OF ACRES ASSIGNED

1200

17. NO. OF ACRES ASSIGNED
TO THIS WELL

320

18. DISTANCE FROM PROPOSED LOCATION*
TO NEAREST WELL, DRILLING, COMPLETED,
OR APPLIED FOR, ON THIS LEASE, FT.

3300'

19. PROPOSED DEPTH

8300' TVD

20. ROTARY OR CABLE TOOLS

Rotary

21. ELEVATIONS (Show whether DF, RT, GR, etc.)

3927' GR

CARLSBAD CONTROLLED WATER BASIN

22. APPROX. DATE WORK WILL START*

23.

PROPOSED CASING AND CEMENTING PROGRAM

| SIZE OF HOLE | GRADE, SIZE OF CASING | WEIGHT PER FOOT | SETTING DEPTH | QUANTITY OF CEMENT |
|--------------|-----------------------|-----------------|---------------|----------------------------|
| 14-3/4" | 9-5/8" | 36# | 1570' | Existing |
| 8-3/4" | 7" | 23# K55 | 7000' | 1000 sxs 50/50 Poz "H" cmt |
| | 7" | 26# H80 | 8300' TVD | Circ to surface |

Propose to re-enter directionally drilled well to sufficient depth to evaluate the Cisco/ Canyon formation. After reaching TD, run 7" csg and set. Perforate, test and stimulate as necessary.

SUBJECT TO LIKE
APPROVAL BY STATE

APPROVAL SUBJECT TO
GENERAL REQUIREMENTS
AND SPECIAL STIPULATIONS
ATTACHED

IN ABOVE SPACE DESCRIBE PROGRAM: If proposal is to deepen, give data on present productive zone and proposed new productive zone. If proposal is to drill or deepen directionally, give pertinent data on subsurface locations and measured and true vertical depths. Give blowout prevention program, if any.

24.

SIGNED

[Signature]

TITLE Drilling Manager

DATE

7-22-03

(This space for Federal or State office use)

PERMIT NO.

APPROVAL DATE

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:

/s/ Joe G. Lara

ACTING

FIELD MANAGER

APPROVED BY

TITLE

DATE

2 OCT 2003

*See Instructions On Reverse Side

APPROVAL FOR 1 YEAR

Title 18 U.S.C. Section 1001, 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.

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

OCD-ARTESIA

FORM APPROVED
Budget Bureau No. 1004-0135
Expires: March 31, 1993

SUNDRY NOTICES AND REPORTS ON WELLS

Do not use this form for proposals to drill or to deepen or reentry to a different reservoir.
Use "APPLICATION FOR PERMIT-" for such proposals

SUBMIT IN TRIPLICATE

1. Type of Well
☐ Oil Well ☒ Gas Well ☐ Other

2. Name of Operator
Nearburg Producing Company

3. Address and Telephone No.
3300 N A St., Bldg 2, Suite 120, Midland, TX 79705 432/686-8235

4. Location of Well (Footage, Sec., T., R., M., or Survey Description)
SHL: 1977 FNL & 998' FWL
BHL: 850 FNL & 1650 FWL
Sec 13, 22S, 24E

5. Lease Designation and Serial No.
NMNM12828

6. If Indian, Allottee or Tribe Name

7. If Unit or CA, Agreement Designation

8. Well Name and No.

U.S. 13 Federal #1Y

9. API Well No.

30-015-24193

10. Field and Pool, or Exploratory Area

Undesignated: Cisco/ Canyon

11. County or Parish, State

Eddy County, NM

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

TYPE OF SUBMISSION

- ☐ Notice of Intent
☒ Subsequent Report
☐ Final Abandonment Notice

TYPE OF ACTION

- ☐ Abandonment
☐ Recompletion
☐ Plugging Back
☐ Casing Repair
☐ Altering Casing
☐ Other _____
- ☒ Change of Plans
☐ New Construction
☐ Non-Routine Fracturing
☐ Water Shut-Off
☐ Conversion to Injection
☐ Dispose Water

(Note: Report results of multiple completion on Well Completion or Recompletion Report and Log form.)

13. Describe Proposed or Completed Operations (Clearly state all pertinent details, and give pertinent dates, including estimated date of starting any proposed work. If well is directionally drilled, give subsurface locations and measured and true vertical depths for all markers and zones pertinent to this work.)

Change to APD per Jim Goodbar w/ BLM.

1. No reserve pit, use steel tanks.
2. Haul off all cutting and drlg fluid.
3. No production facility on location.
4. Visible location equipment included production tree, flowlines and electric powerline H-bank w/ downhole motor driver.
5. Power poles to be tan color.
6. All above ground production equipment to be flat non-reflective juniper green.
7. No new disturbances, only use original well pad.
8. All csg strings to be cemented to surface.

14. I hereby certify that the foregoing is true and correct

Signed

(This space for Federal or State office use)

/s/ Joe G. Lara

Title Drilling Manager

ACTING

FIELD MANAGER

Date

9/2/03

Date

2 OCT 2003

Approved by
Conditions of approval, if any:

Title 18 U.S.C. Section 1001, 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.

*See Instruction on Reverse Side

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: NM-12828

Legal Description of Land: SHL: 1977' FNL and 998' FWL, Sec 13, T22S, R24E
BHL: 850' FNL and 1650' FWL, Sec 13, T22S, R24E
Eddy County, NM

Formation(s) (if applicable): Cisco/ Canyon

Bond Coverage: \$25,000 statewide bond of Nearburg Producing Company

BLM Bond File No: NM1307

7.22.03
Date

H. R. Willis /sg
H. R. Willis
Drilling Manager

**ATTACHMENT TO FORM 3160-3
U. S. 13 FEDERAL #1Y
EDDY COUNTY, NEW MEXICO**

DRILLING PROGRAM

1. GEOLOGIC NAME OF SURFACE FORMATION

Seven Rivers Limestone

2. ESTIMATED TOPS OF IMPORTANT GEOLOGIC MARKERS

| | |
|---------------|-------|
| Delaware | 1529' |
| T/Bone Spring | 3222' |
| T/Wolfcamp | 7445' |
| T/Cisco | 7888' |

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

Cisco/ Canyon formation

4. CASING AND CEMENTING PROGRAM

| <u>Casing Size</u> | <u>From</u> <u>To</u> | <u>Weight</u> | <u>Grade</u> | <u>Joint</u> |
|--------------------|-----------------------|---------------|--------------|--------------|
| 9-5/8" * | 0' - 1570' | 36# | K55 | ST&C |
| 7" | 0' - 7000'(TVD) | 23# | K55 | LT&C |
| | 7000" - 8300'(TVD) | 26# | N80 | LT&C |

*Existing.

9-5/8" casing was previously cemented to surface.

7" production casing will be cemented to surface with approximately 1000 sxs of Class "H" 50/50 POZ.

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. CIRCULATING MEDIUM:

Surface to 8300'. TVD.

Re-enter and drill out cement plugs to 8300' with fresh water mud, weight 8.4 to 9.0 ppg, and viscosity 28 to 30. Below 6500', add brine to bring chlorides up to at least 60,000 ppm, wt 8.7 to 9.1 ppg.

7. AUXILLARY WELL CONTROL AND MONITORING EQUIPMENT

None required.

8. LOGGING, TESTING, AND CORING PROGRAM

No logging or coring is planned.

9. ABNORMAL CONDITIONS, PRESSURES, TEMPERATURES & POTENTIAL HAZARDS

None anticipated. Maximum bottom hole psi is estimated to be 2000 psi.

10. ANTICAPATED STARTING DATE:

It is planned that operations will commence on September 15, 2003 with drilling and completion operations lasting about 20 day.

SURFACE USE AND OPERATIONS PLAN FOR
DRILLING, COMPLETION, AND PRODUCING

NEARBURG PRODUCING COMPANY
U. S. 13 FEDERAL #1Y
SHL: 1977' FNL AND 998' FWL, SECTION 13, T22S, R24E
BHL: 850' FNL AND 1650 FWL, SECTION 13, T22S, R24E
EDDY COUNTY, NEW MEXICO

LOCATED

13-1/2 miles West of Carlsbad, New Mexico

OIL & GAS LEASE

NM 12828

RECORD LESSEE

Jeanne Fields Shelby

BOND COVERAGE

\$25,000 statewide bond of Nearburg Producing Company

ACRES IN LEASE

1200 acres

GRAZING LEASE

Gregory Ranch
C/o Larry Gregory
617 Queen Hwy
Carlsbad, NM 88220

POOL

Undesignated; Cisco/ Canyon

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 8300'.

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 existing road will be repacked and used.

B. Surface Material

Existing.

C. Maximum Grade

Less than two 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 caliche.

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

Bureau of Land Management

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

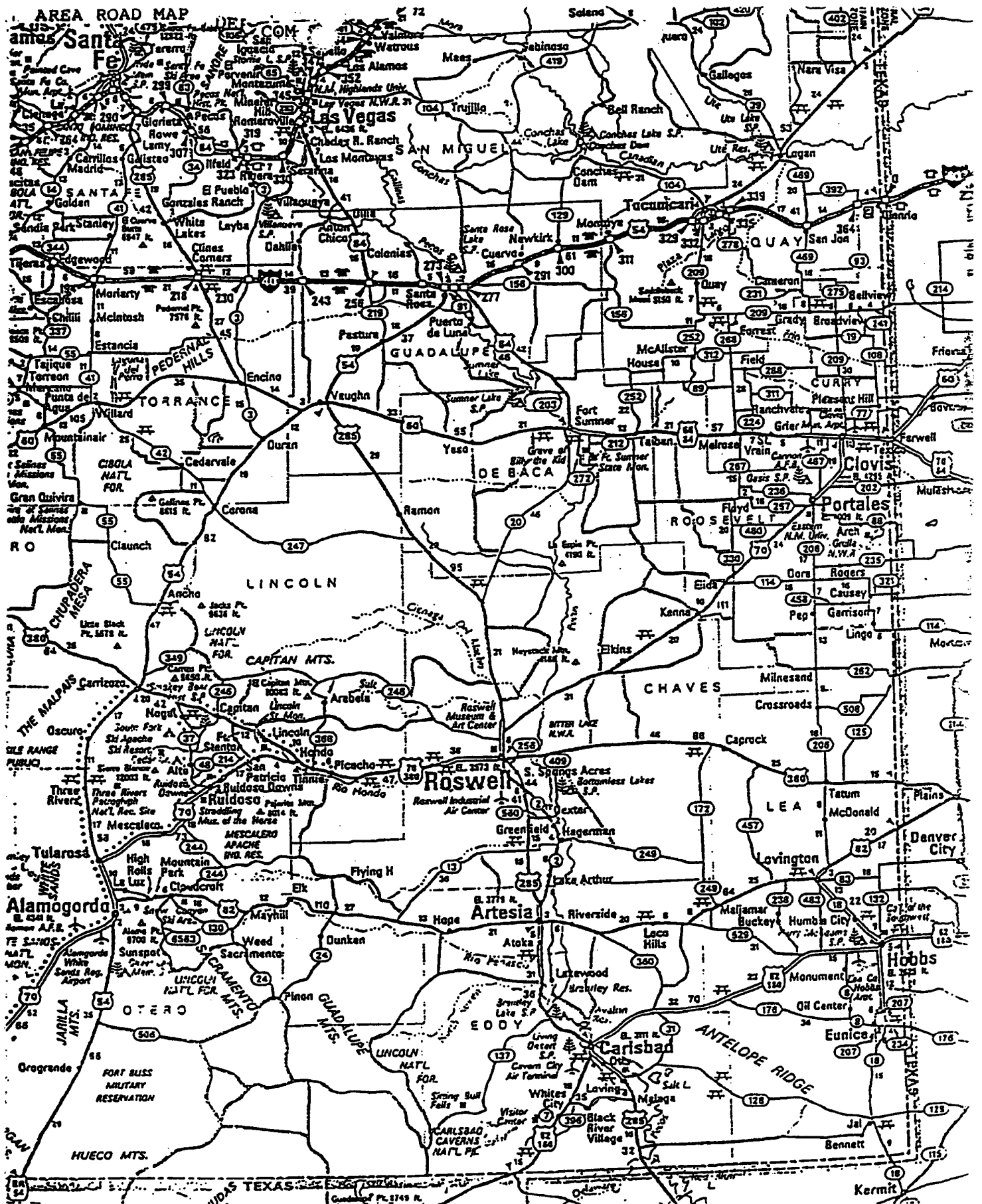
I hereby certify that I, or persons under my direct supervision, have inspected the proposed drill site and access route; that I am familiar with the conditions which presently exist; that the statements made in this plan are, to the best of my knowledge, true and correct; and, that the work associated 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.

7.22.03

Date



H. R. Willis
Drilling Manager



DISTRICT I
P.O. Box 1888, Hobbs, NM 88241-1888

DISTRICT II
P.O. Drawer 80, Artesia, NM 88211-0710

DISTRICT III
1000 Elie Brancos Rd., Artesia, NM 87410

DISTRICT IV
P.O. Box 2088, Santa Fe, NM 87504-2088

State of New Mexico
Energy, Minerals and Natural Resources Department

Form C-102
Revised February 10, 1994
Submit to Appropriate District Office
State Lease - 4 Copies
Fee Lease - 3 Copies

OIL CONSERVATION DIVISION

P.O. Box 2088
Santa Fe, New Mexico 87504-2088

☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

| | | |
|---------------|---|--------------------|
| API Number | Pool Code | Pool Name |
| Property Code | Property Name US 13 FEDERAL | Well Number 1-Y |
| OGRID No. | Operator Name NEARBURG PRODUCING COMPANY | Elevation 3927 |

Surface Location

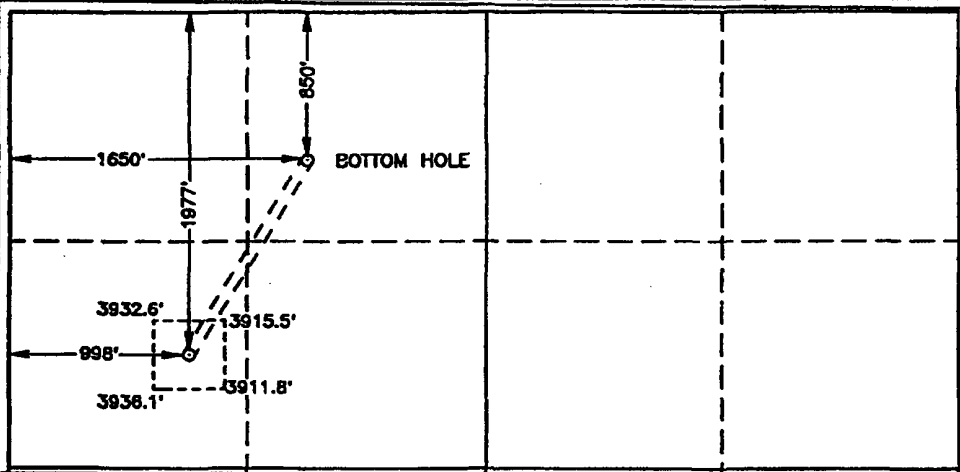
| | | | | | | | | | |
|---------------|---------|----------|-------|---------|---------------|------------------|---------------|----------------|--------|
| UL or Lot No. | Section | Township | Range | Lot Idn | Feet from the | North/South line | Feet from the | East/West line | County |
| E | 13 | 22 S | 24 E | | 1977 | NORTH | 998 | WEST | EDDY |

Bottom Hole Location If Different From Surface

| | | | | | | | | | |
|---------------|---------|----------|-------|---------|---------------|------------------|---------------|----------------|--------|
| UL or Lot No. | Section | Township | Range | Lot Idn | Feet from the | North/South line | Feet from the | East/West line | County |
| C | 13 | 22 S | 24 E | | 850 | NORTH | 1650 | WEST | EDDY |

| | | | |
|-----------------|-----------------|--------------------|-----------|
| Dedicated Acres | Joint or Infill | Consolidation Code | Order No. |
| 320 N/L | | | |

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

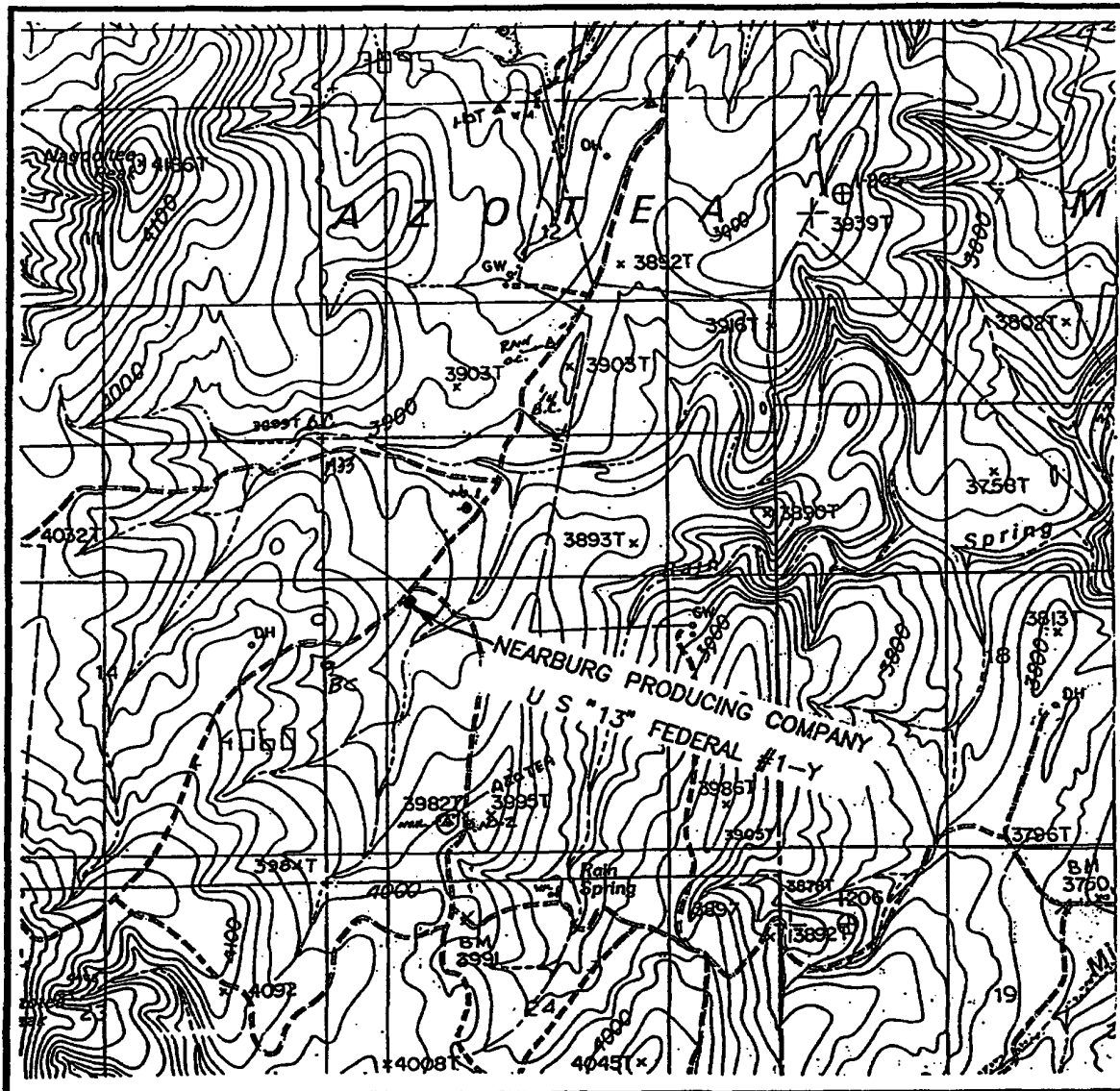
| | |
|---|---|
|  | <p>OPERATOR CERTIFICATION</p> <p>I hereby certify the the information contained herein is true and complete to the best of my knowledge and belief.</p> <p><i>W. L. Willis</i> Signature W. L. Willis Printed Name Daly Sust Title 7/14/97 Date</p> <p>SURVEYOR CERTIFICATION</p> <p>I hereby 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.</p> <p>JULY 2, 1997 Date Surveyed Signature of Seal of Professional Surveyor W. L. Willis Certification JLP 3239 W. L. Willis 7-11-97 676 3239 12641</p> |
|---|---|

This is a detailed topographic map of a region in New Mexico, specifically the NEARBURG PRODUCING COMPANY U.S. #13 FEDERAL #1-Y area. The map features a grid system with numbers 1 through 31 in the lower right quadrant. Key geographical features include:

- Peaks:** HAZOTEA PEAK (4297'), MCHUTERICK PEAK (4077'), BANDANDE PEAK (4623'), and LOOKOUT POINT (4666').
- Canyons:** WALT CANYON, INDIAN CANYON, and BOYD CANYON.
- Water Features:** BOYD WATERHOLE, BOYD CAVE, and various springs like WALT SPRING and LITTLE WALT SPRING.
- Other Landmarks:** THE TOPPE, RILANDS POINT, and various smaller peaks and ridges.
- Infrastructure:** A road labeled "137" and a "RAILROAD" line are visible.
- Map Details:** The map includes contour lines, a grid, and various labels for geographical features and landmarks.

(505) 393-3117

LOCATION VERIFICATION MAP



SCALE: 1" = 2000'

CONTOUR INTERVAL - 20'

SEC. 13 TWP. 22-S RGE. 24-E

SURVEY N.M.P.M.

COUNTY EDDY

DESCRIPTION 1977' FNL & 998' FWL

ELEVATION 3927'

OPERATOR NEARBURG PRODUCING COMPANY

LEASE U S "13" FEDERAL

U.S.G.S. TOPOGRAPHIC MAP

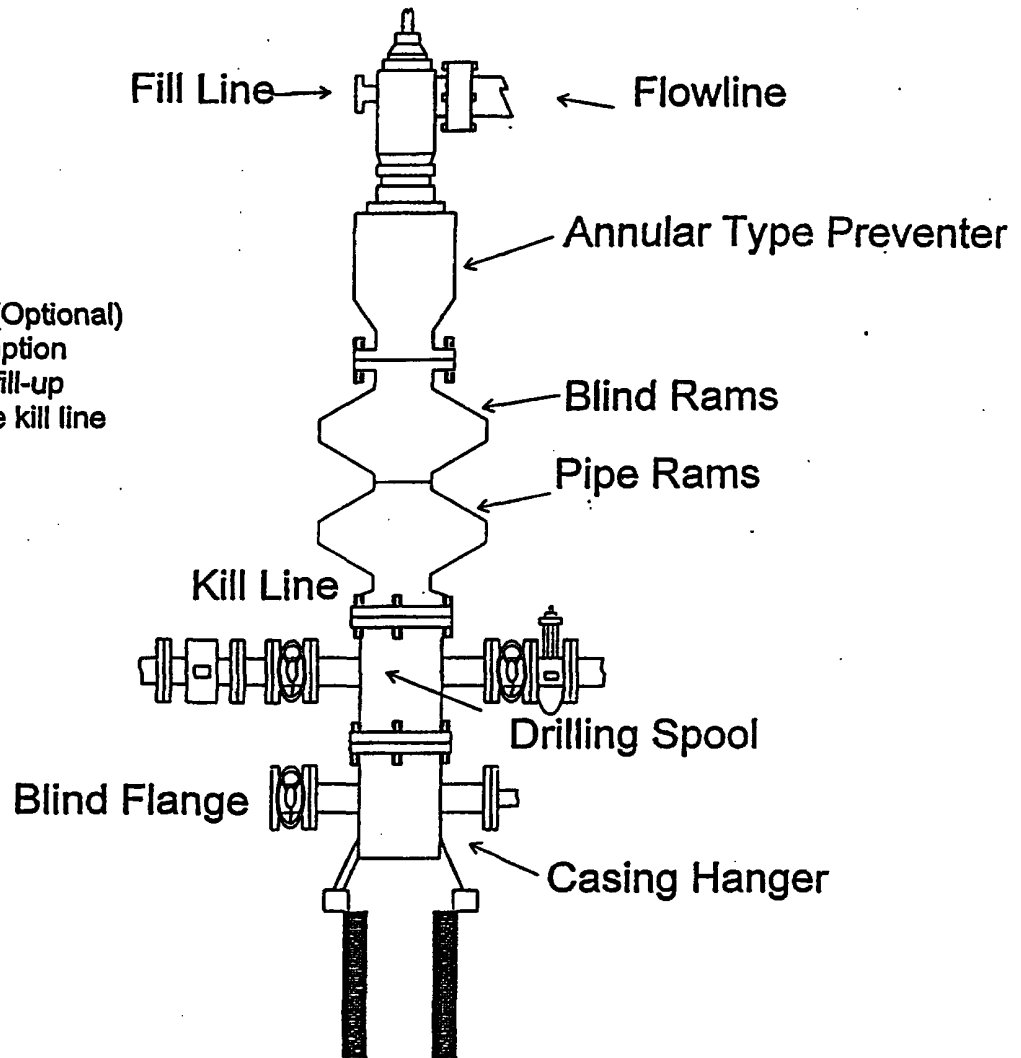
AZOTEA PEAK, N.M.

JOHN WEST ENGINEERING
HOBBS, NEW MEXICO

(505) 393-3117

BOPE SCHEMATIC NEARBURG PRODUCING COMPANY

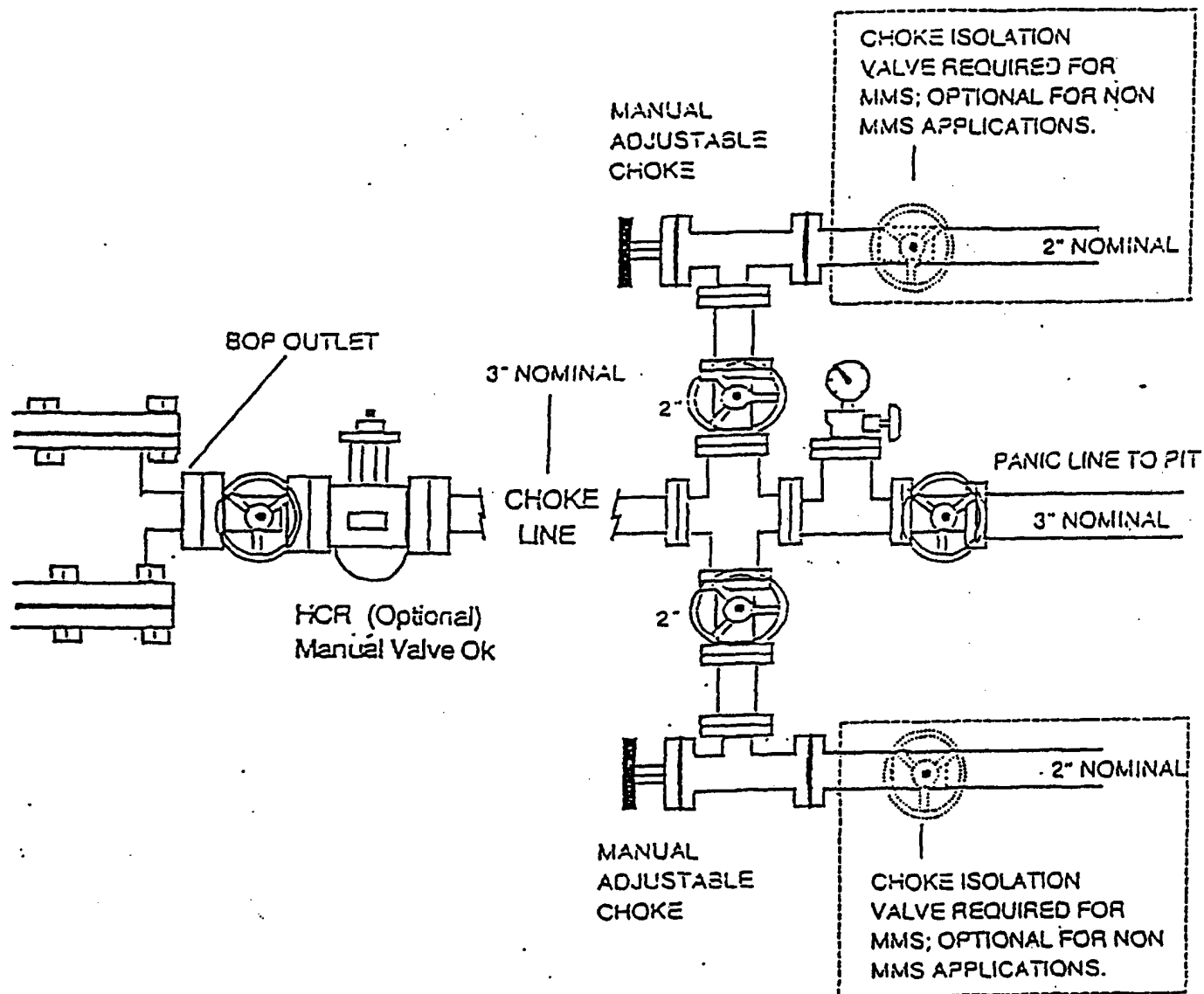
Rotating Head (Optional)
Drilling Nipple option
must include a fill-up
line. Do not use kill line
for fill up.



900 Series

U.S. 13 FEDERAL #1-Y
1,977' FNL & 998' FWL
Eddy County, New Mexico

CHOKE MANIFOLD
2M AND 3M SERVICE



U.S. 13 Federal #1-Y
1,977' FNL & 998' FWL
Eddy County, New Mexico

**HYDROGEN SULFIDE DRILLING OPERATIONS PLANS
NEARBURG PRODUCING COMPANY
U. S. 13 FEDERAL #1Y**

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.

HYDROGEN SULFIDE DRILLING OPERATIONS PLANS

PAGE 2

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.**

HYDROGEN SULFIDE DRILLING OPERATIONS PLANS

PAGE 3

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

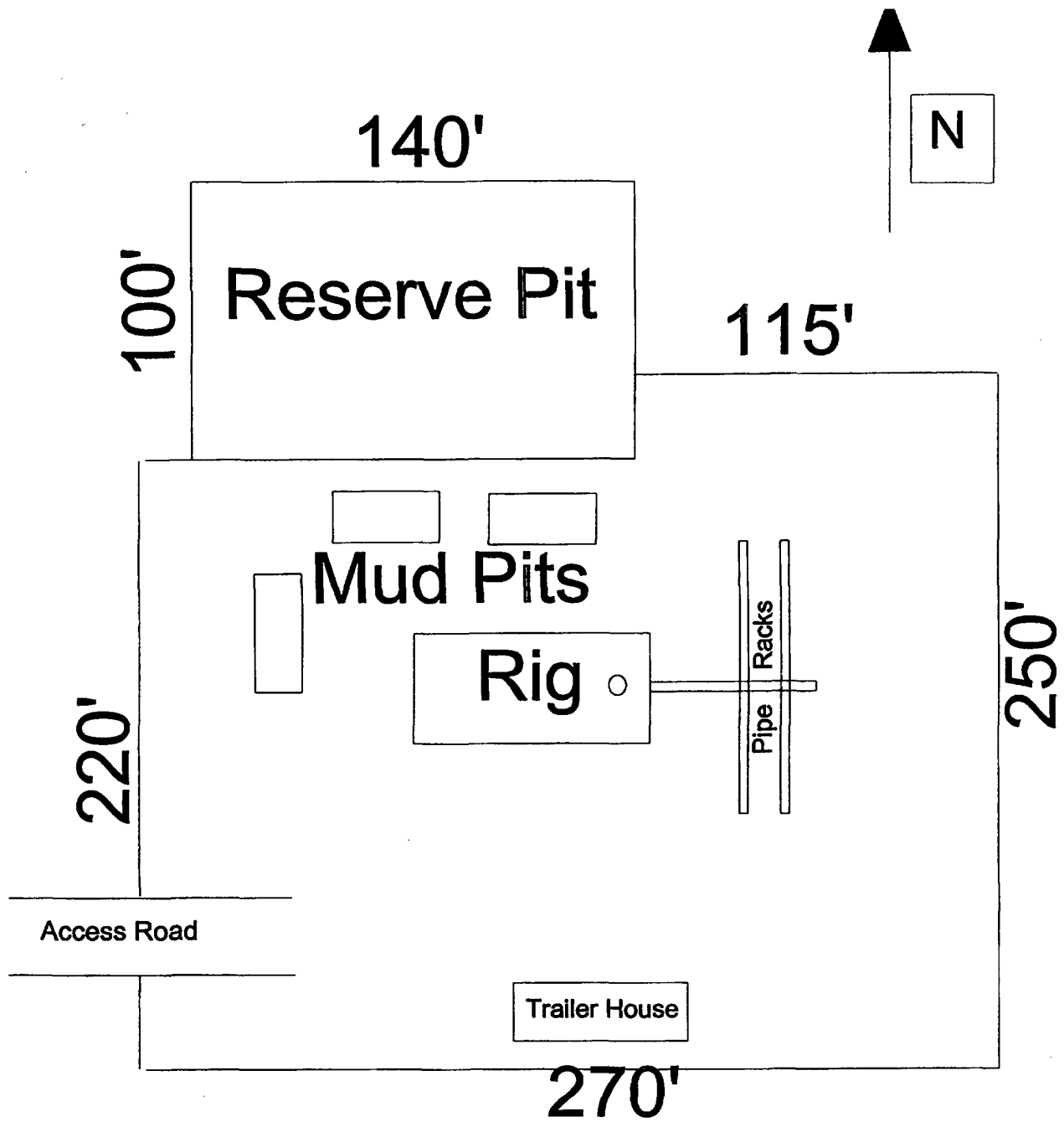
All drill strings, casing, tubing, wellhead, blowout preventers, drilling spool, kill lines, choke manifold and line and valves shall be suitable for H₂S service.

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.



**DRILLING RIG LAYOUT
NEARBURG PRODUCING COMPANY
U.S. 13 FEDERAL #1-Y
SCALE 1" = 50'**

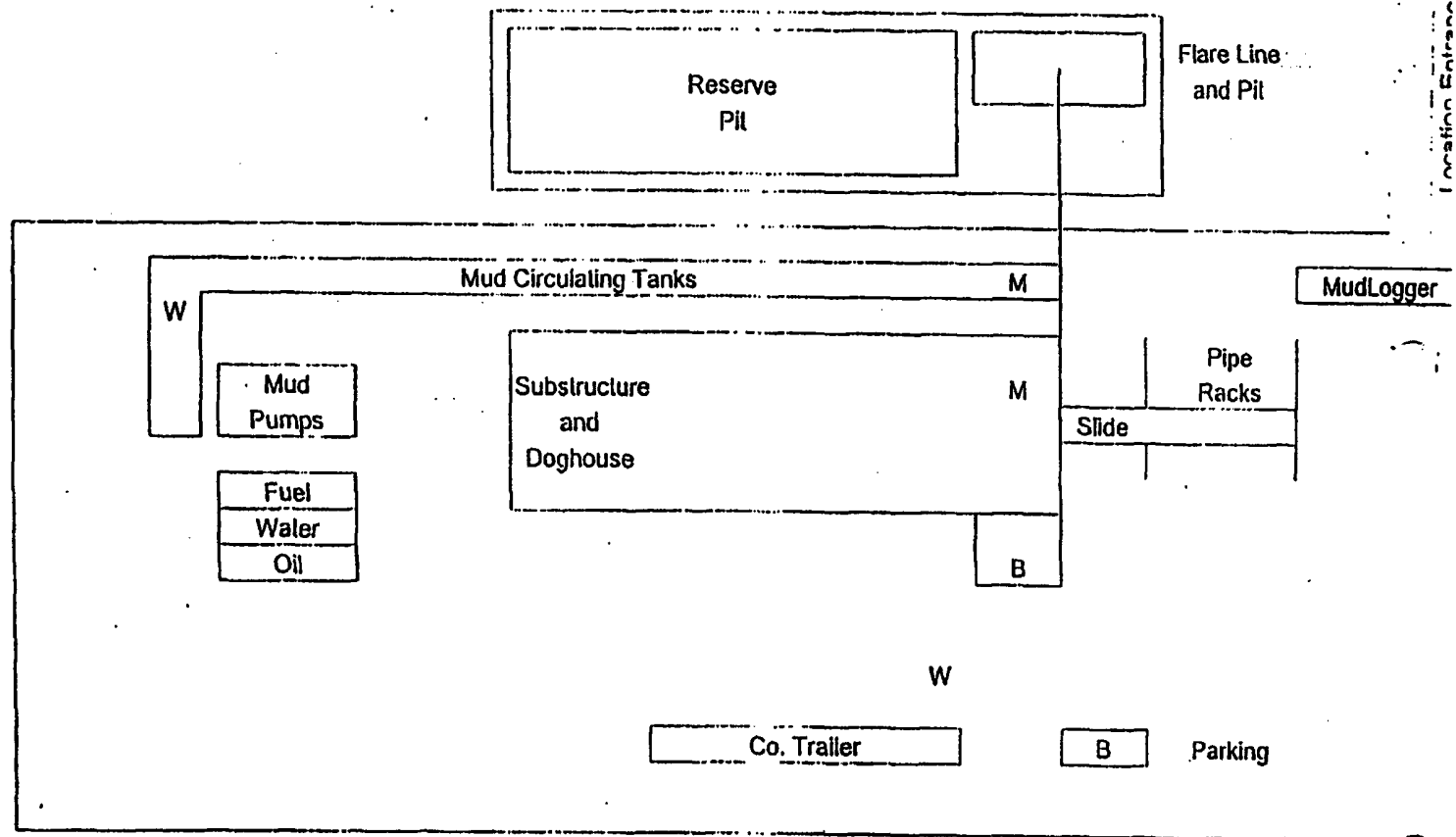
WARNING

YOU ARE ENTERING AN H S AREA
2
AUTHORIZED PERSONNEL ONLY

1. BEARDS OR CONTACT LENSES NOT ALLOWED.
2. HARD HATS REQUIRED.
3. SMOKING IN DESIGNATED AREAS ONLY.
4. BE WIND CONSCIOUS AT ALL TIMES.
5. CHECK WITH NPC SUPT AT MAIN OFFICE.

Nearburg Producing Company
1-432-686-8235

Nearburg Producing Company
Hydrogen Sulfide Drilling Operations Location Plan



M - H2S Monitors with alarms at bell nipple and shale shaker

W - Wind Direction Indicators

B - Safe Briefing areas with caution signs and protective breathing equipment.
Minimum 150' from wellhead.

Prevailing Wind Directions: Summer - South/Southwest
Winter - North/Northwest