

OPER. OGRID NO. 15742

PROPERTY NO. 26700

POOL CODE 59470

EFF. DATE 9/2/04

API NO. 30-025-368

n, District I

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

1a. Type of Work

1b. Type of Well

☒ Oil Well

☐ Gas Well

☐ Other

☐ Single Zone

☐ Multiple Zone

2. Name of Operator

Nearburg Producing Company

3a. Address

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

3b. Phone No. (include area code)

432/686-8235

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

At surface 990 FSL and 990 FEL

At proposed prod. zone

Unit P

14. Distance in miles and direction from nearest town or post office*

8 miles NE of Halfway

15. Distance from proposed*

location to nearest
property or lease line, ft.
(Also to nearest drg. unit line, if any)

990

16. No. of Acres in lease

80

18. Distance from proposed location*

to nearest well, drilling, completed,
applied for, on this lease, ft.

660

19. Proposed Depth

4000'

21. Elevations (Show whether DF, KDB, RT, GL, etc.

3697

22. Approximate date work will start*

9/1/04

5. Lease Serial No.

NMNM98193

6. If Indian, Allottee or Tribe Name

7. Unit or CA Agreement Name and No.

8. Lease Name and Well No.

Panama 13 Federal #1

9. API Well No.

30-025-368

10. Field and Pool, or Exploratory
Tonto; Seven Rivers

11. Sec., T., R., M., or Blk. and Survey or Area

Sec 13-19S-33E

12. County or Parish

Lea County

13. State

NM

17. Spacing Unit dedicated to this well

SESE

20. BLM/BIA Bond No. on file

011307

23. Estimated duration

30 days

24. Attachments

Capitan Controlled Water Basin

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

Jordan

Name (Printed/Typed)

Sarah Jordan

Date

7-15-04

Title

Production Analyst

Approved by (Signature)

/s/ Joe G. Lara

Name (Printed/Typed)

/s/ Joe G. Lara

Date

AUG 31 2004

Title

FIELD MANAGER

Office

CARLSBAD FIELD OFFICE

Application approval does not warrant or certify that the applicant holds legal or equitable title to those rights in the subject lease which would entitle the applicant to
conduct operations thereon.

Conditions of approval, if any, are attached.

APPROVAL FOR 1 YEAR

Title 18 U.S.C. Section 1001 and Title 43 U.S.C. Section 1212, make it a crime for any person knowingly and willfully to make to any department or agency of the United
States any false, fictitious or fraudulent statements or representations as to any matter within its jurisdiction.

*(Instructions on page 2)

DECLARED WATER BASIN
CEMENT BEHIND THE 8 1/8"
CASING MUST BE CIRCULATED

**APPROVAL SUBJECT TO
GENERAL REQUIREMENTS AND
SPECIAL STIPULATIONS
ATTACHED**

KZ

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: NMNM98193

Legal Description of Land: 990 FSL and 990 FEL, Sec 13, 19S, 33E
Lea County, New Mexico

Formation(s) (if applicable): Tonto; Seven Rivers

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

BLM Bond File No: NM1307

7.15.04

Date

H. R. Willis / SG

H. R. Willis
Drilling Manager

State of New Mexico

DISTRICT I

1225 N. FRENCH DR., HOBBBS, NM 88240

Energy, Minerals and Natural Resources Department

Form C-102

DISTRICT II

1301 W. GRAND AVENUE, ARTESIA, NM 88210

OIL CONSERVATION DIVISION

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

Revised JUNE 10, 2003

Submit to Appropriate District Office

State Lease - 4 Copies

Fee Lease - 3 Copies

DISTRICT III

1000 Rio Brazos Rd., Aztec, NM 87410

DISTRICT IV

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

WELL LOCATION AND ACREAGE DEDICATION PLAT

☐ AMENDED REPORT

API Number 30-025-368	Pool Code 59470	Pool Name Tonto, Seven Rivers
Property Code 26700	Property Name PANAMA 13 FEDERAL	Well Number 1
OGRID No. 015742	Operator Name NEARBURG PRODUCING COMPANY	Elevation 3697'

Surface Location

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
P	13	19-S	33-E		990'	SOUTH	990'	EAST	LEA

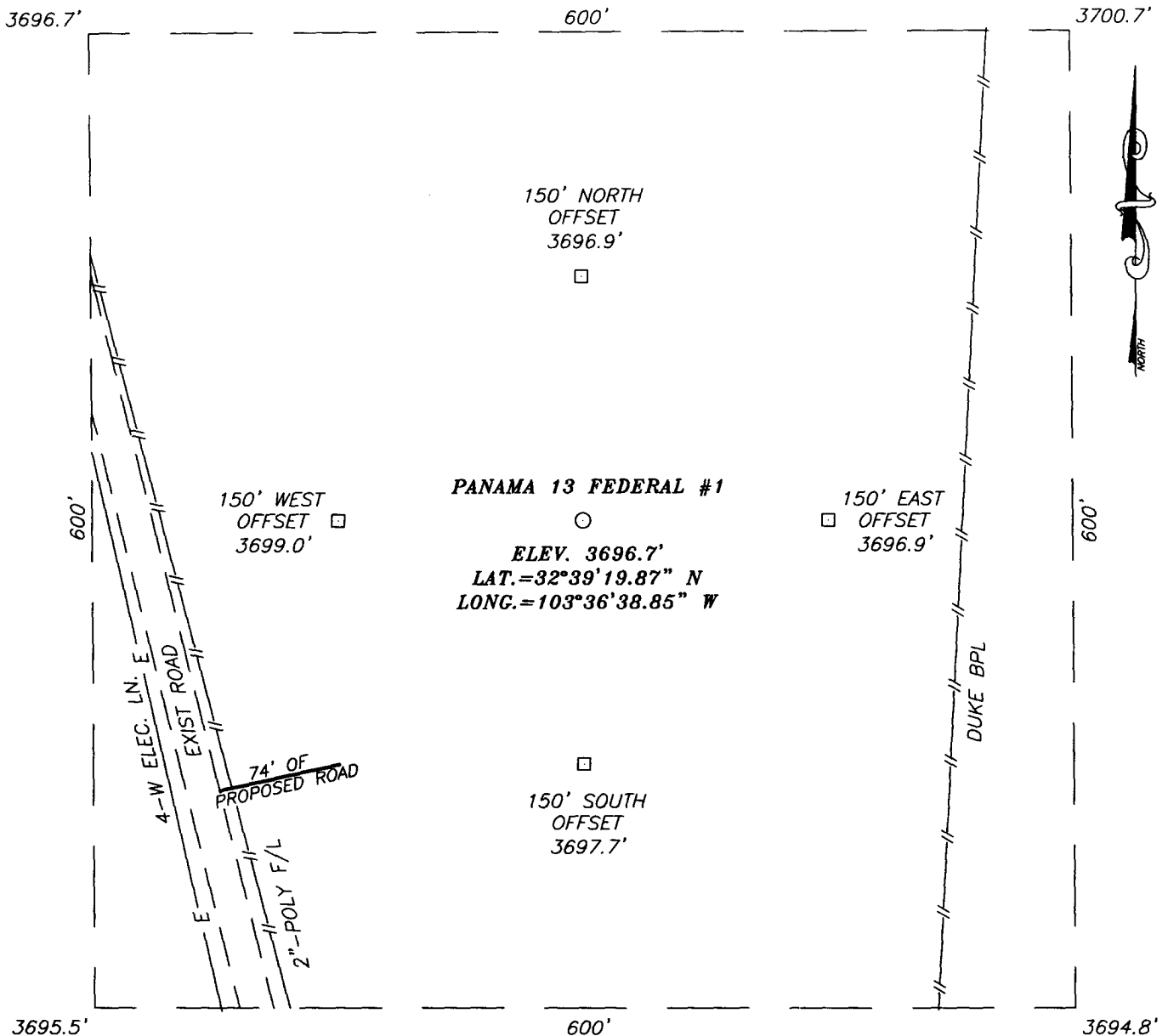
Bottom Hole Location If Different From Surface

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
Dedicated Acres 40	Joint or Infill	Consolidation Code	Order No.						

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

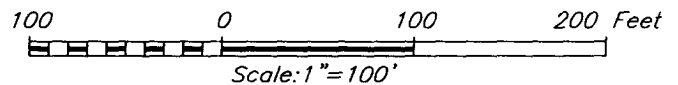
<p>GEODETIC COORDINATES NAD 27 NME</p> <p>Y=602946.2 N X=722378.8 E</p> <p>LAT.=32°39'19.87" N LONG.=103°36'38.85" W</p>		<p>OPERATOR CERTIFICATION</p> <p>I hereby certify the the information contained herein is true and complete to the best of my knowledge and belief.</p> <p><i>Sarah Jordan</i> Signature Sarah Jordan Printed Name Prod Analyst Title 7.14.04 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>JUNE 18, 2004</p> <p>Date Surveyed JR Signature & Seal of Professional Surveyor <i>Gary K. Edson</i> 04.11.0734 Certificate No. GARY EDSON 12641</p>

SECTION 13, TOWNSHIP 19 SOUTH, RANGE 33 EAST, N.M.P.M.,
LEA COUNTY, NEW MEXICO



DIRECTIONS TO LOCATION

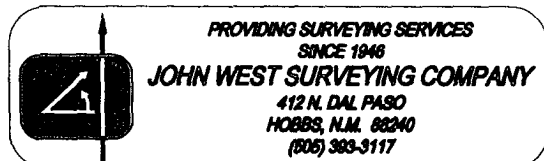
FROM THE INTERSECTION OF SMITH RANCH RD.
(CO. RD. H55) AND U.S. HWY. 62-180 GO NORTH
ON SMITH RANCH ROAD 2.1 MILES TO FORK IN
ROAD. STAY TO THE LEFT AND FOLLOW PAVEMENT
0.1 MILES TO A TEE. TURN LEFT AT TEE FOLLOW
MAIN ROAD 1.2 MILES TO A ROAD TO THE RIGHT.
TURN RIGHT GO EAST-NORTHEAST 2.7 MILES TO
PROPOSED ROAD SURVEY AND THIS LOCATION.



NEARBURG PRODUCING COMPANY

PANAMA 13 FEDERAL #1 WELL
LOCATED 990 FEET FROM THE SOUTH LINE
AND 990 FEET FROM THE EAST LINE OF SECTION 13,
TOWNSHIP 19 SOUTH, RANGE 33 EAST, N.M.P.M.,
LEA COUNTY, NEW MEXICO.

Survey Date: 06/18/04	Sheet 1 of 1 Sheets
W.O. Number: 04.11.0734	Dr By: J. RIVERO Rev 1:N/A
Date: 06/22/04	Disk: CD#10 04110734 Scale: 1"=100'

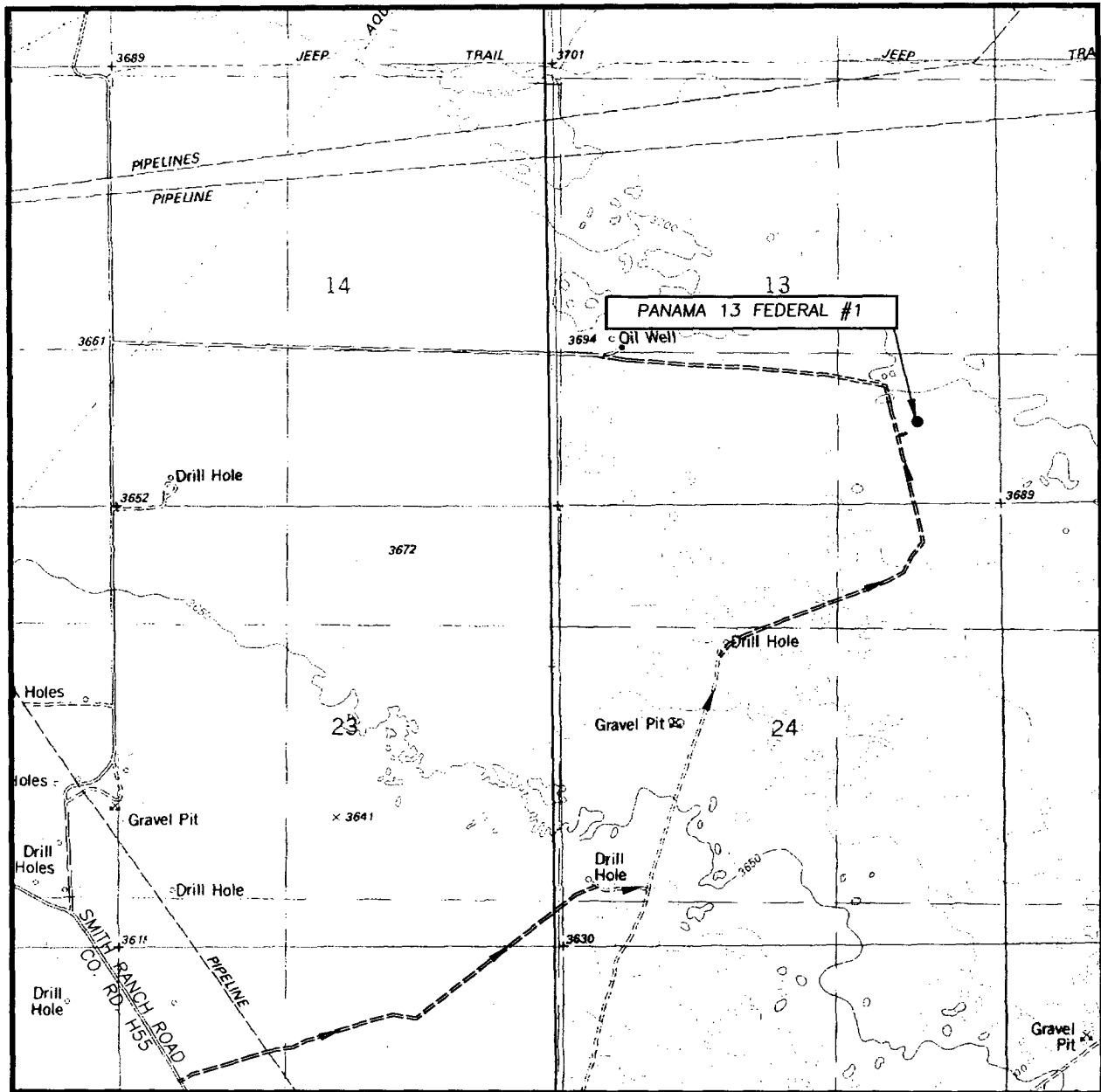


The map displays a 36x36 grid with the following features:

- Grid Numbers:** Numbers 1 through 36 are placed in a boustrophedon pattern across the grid cells.
- Central Label:** A box labeled "PANAMA 13 FEDERAL #1" is located at grid coordinates 10-11.
- Bottom Left Features:**
 - "LAGUNA TONTO" and "LAGUNA GATUNA" are labeled near the bottom left corner.
 - A small area in the top left is labeled "R 32 E" and "R 33 E".
- Bottom Right Features:**
 - "SMITH RANCH" and "SKEEN" are labeled near the bottom right corner.
 - A diagonal line labeled "U.S. 62-180" runs from the bottom left to the top right.
- Other Labels:**
 - "ST. 529" is labeled near the top right corner.
 - "H35", "H27", and "H55" are labeled near the bottom right corner.

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

LOCATION VERIFICATION MAP



SCALE: 1" = 2000'

CONTOUR INTERVAL:
IRON HOUSE WELL, N.M. - 10'

SEC. 13 TWP. 19-S RGE. 33-E

SURVEY N.M.P.M.

COUNTY LEA

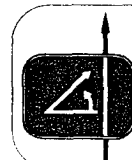
DESCRIPTION 990' FSL & 990' FEL

ELEVATION 3697'

OPERATOR NEARBURG
PRODUCING COMPANY

LEASE PANAMA 13 FEDERAL

U.S.G.S. TOPOGRAPHIC MAP
IRON HOUSE WELL, N.M.



PROVIDING SURVEYING SERVICES
SINCE 1946
JOHN WEST SURVEYING COMPANY
412 N. DAL PASO
HOBBBS, N.M. 88240
(505) 383-3117

**ATTACHMENT TO FORM 3160-3
PANAMA 13 FEDERAL #1
990 FSL AND 990 FEL, SEC 13, 19S, 33E
LEA COUNTY, NEW MEXICO**

DRILLING PROGRAM

1. GEOLOGIC NAME OF SURFACE FORMATION

Quaternary Alluvium

2. ESTIMATED TOPS OF IMPORTANT GEOLOGIC MARKERS

Anhydrite	1400
B/ Salt	3150
Yates	3350
7-Rivers	3700

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

7-Rivers	3700
----------	------

4. CASING AND CEMENTING PROGRAM

<u>Casing Size</u>	<u>From</u>	<u>To</u>	<u>Weight</u>	<u>Grade</u>	<u>Joint</u>
8-5/8"	0'	1,550'	32#	K55	STC
4-1/2"	0'	4,000'	11.6#	N80	LTC

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 1,550'. 8-5/8" casing will be cemented with 800 sxs Class "C" or volume necessary to bring cement back to surface.

7-7/8" hole will be drilled to 4,000' and 4-1/2" production casing will be cemented with approximately 800 sxs of Class "C" cement circulated to surface.

5. MINIMUM SPECIFICATIONS FOR PRESSURE CONTROL

The BOP stack will consist of a 2,000 psi working pressure, dual ram type preventer and annular.

A BOP sketch is attached.

6. TYPES AND CHARACTERISTICS OF THE PROPOSED MUD SYSTEM

Spud and drill to 1,550' with fresh water mud for surface string. The production section from 1,550' to 4,000' will be 10.0 ppg Brine Water system with mud weight sufficient to control formation pressures.

7. AUXILIARY 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.

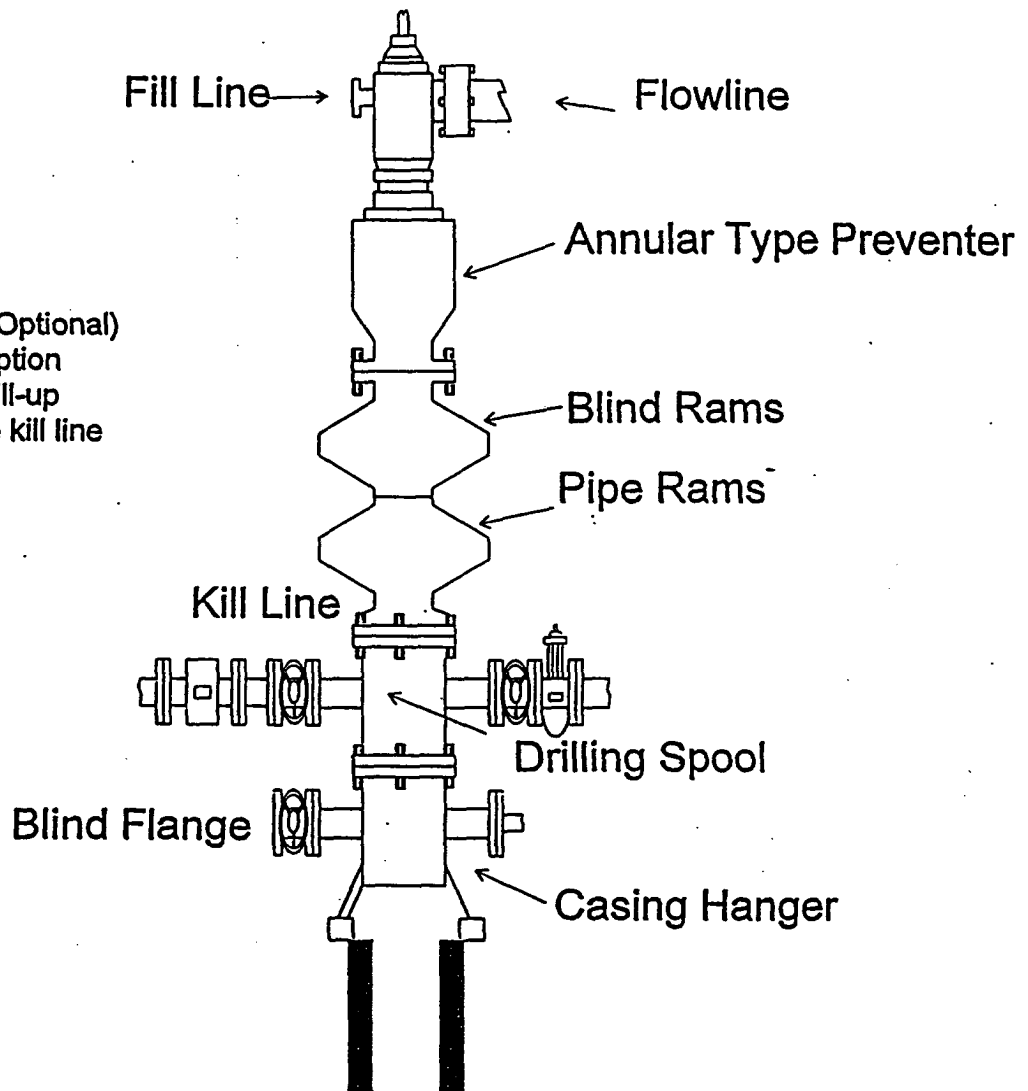
BHP expected to be 1,100 psi.

10. ANTICIPATED STARTING DATE:

Is planned that operations will commence on September 1, 2004 with drilling and completion operation lasting about 30 days.

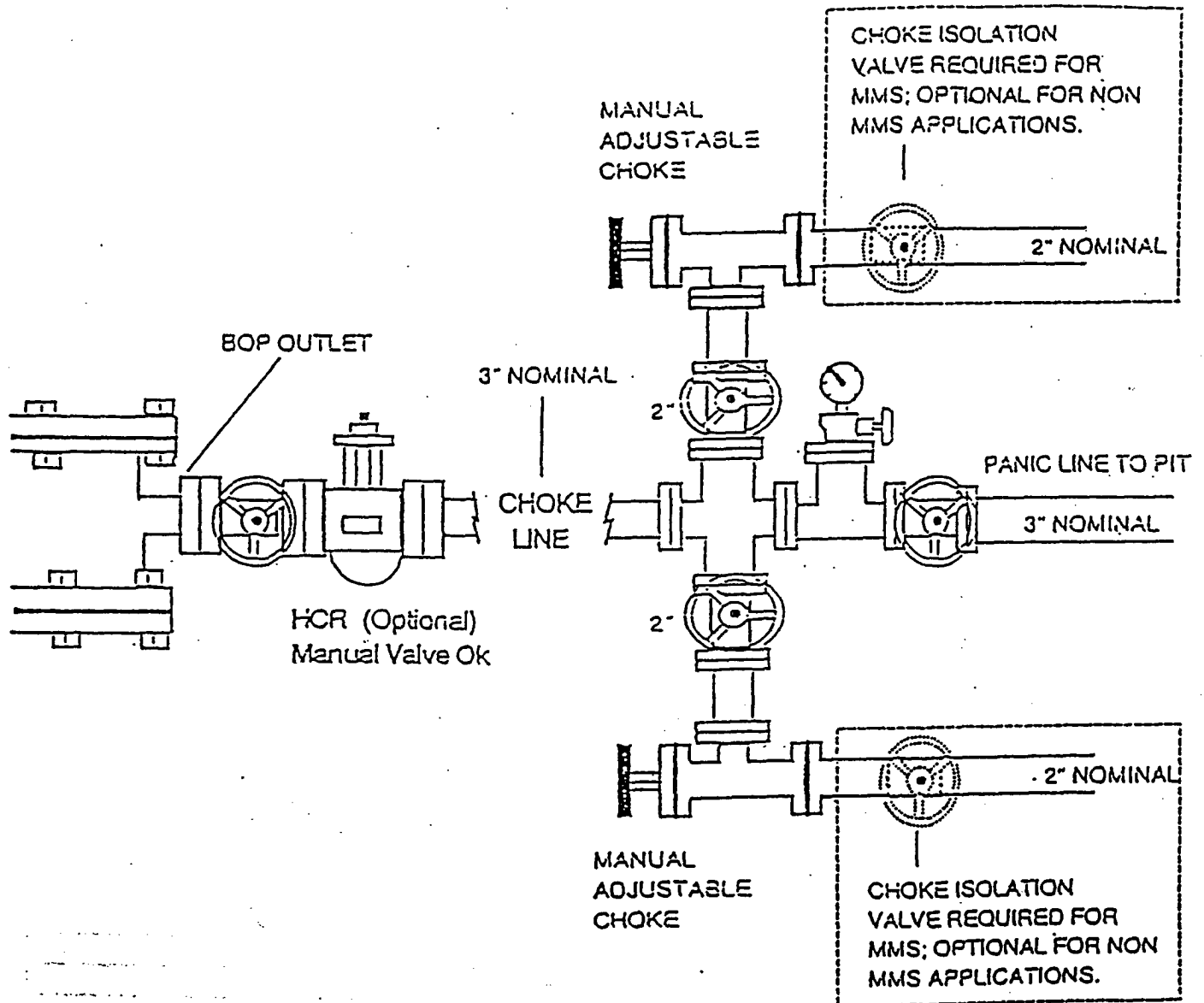
NEARBURG PRODUCING COMPANY
BOPE SCHEMATIC

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



2000 #

NEARBURG PRODUCING COMPANY
CHOKE MANIFOLD
2M AND 3M SERVICE



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

NEARBURG PRODUCING COMPANY
PANAMA 13 FEDERAL #1
990 FSL AND 990 FEL, SEC 13, 19S, 33E
LEA COUNTY, NEW MEXICO

LOCATED

8 miles NE of Halfway

OIL & GAS LEASE

NMNM98193

RECORD LESSEE

Doug J Schutz

BOND COVERAGE

\$25,000 statewide bond of Nearburg Producing Company

ACRES IN LEASE

80

GRAZING LEASE

Smith Ranch, Kenneth Smith

POOL

Tonto; Seven Rivers

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 4,000'.

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.

7.15.04
Date

H. R. Willis / SG
H. R. Willis
Drilling Manager

**HYDROGEN SULFIDE DRILLING OPERATIONS PLANS
NEARBURG PRODUCING COMPANY
PANAMA 13 FEDERAL #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.

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

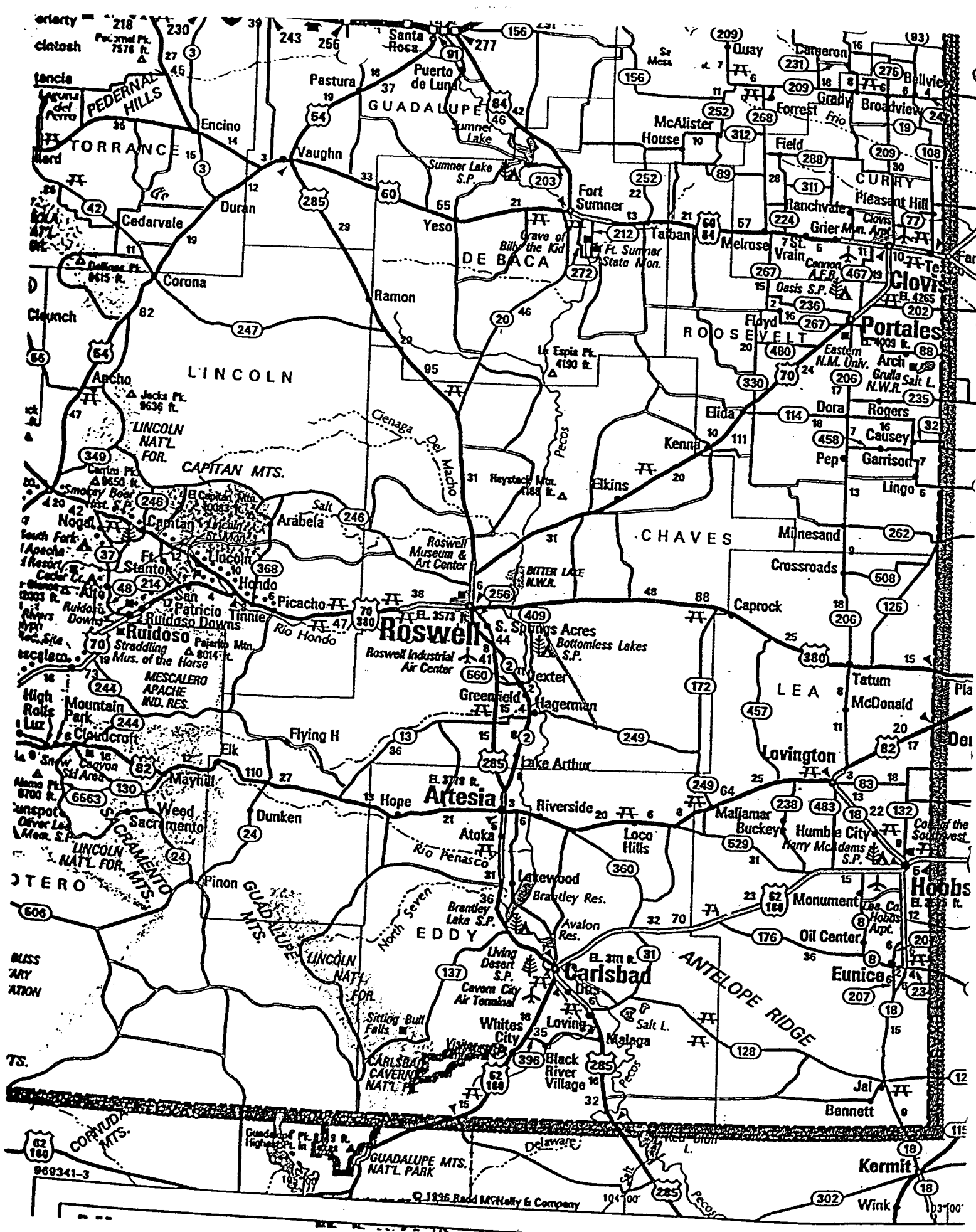
All drill strings, casing, tubing, wellhead, blowout preventers, drilling spool, kill lines, choke manifold and line and valves shall be suitable for H₂S service.

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.



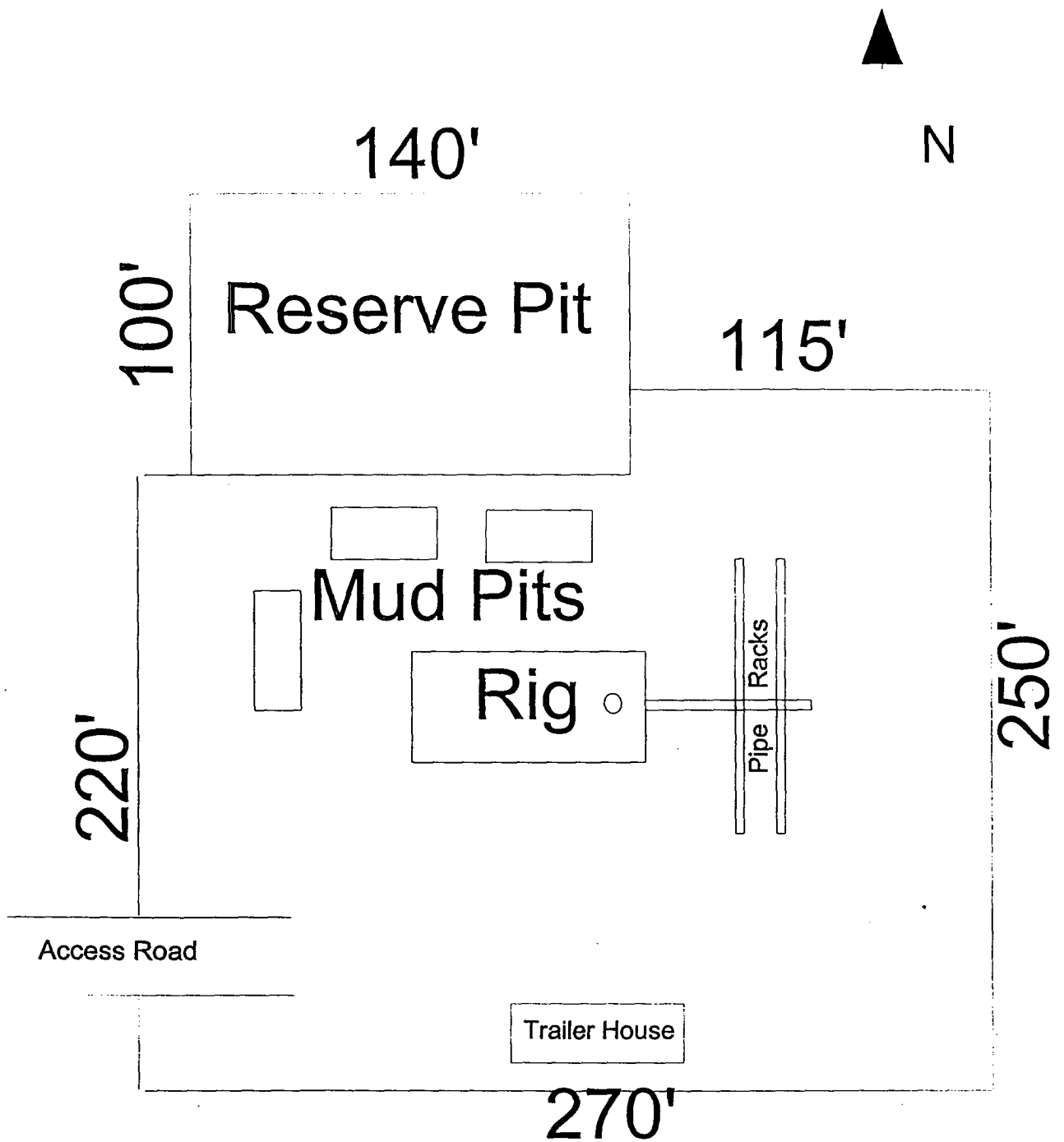


EXHIBIT B
DRILLING RIG LAYOUT
NEARBURG PRODUCING COMPANY

SCALE 1" = 50'

Nearburg Producing Company

3300 N A St., Bldg 2, Suite 120

Midland, TX 79705

**Hydrogen Sulfide (H₂S) Contingency
Plan**

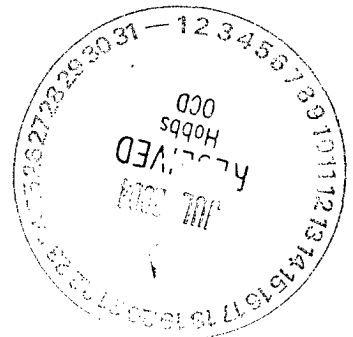
For

Panama 13 Fed #1

990 FSL and 990 FEL

Sec 13, T19S, R33E

Lea County, New Mexico



**PUBLIC PROTECTION PLAN
NEARBURG PRODUCING COMPANY**

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PUBLIC PROTECTION PLAN NEARBURG PRODUCING COMPANY

1. PURPOSE

This plan is intended to protect the health and safety of the public, contractors and Nearburg Producing Company (NPC) personnel should an unanticipated release of a potentially hazardous volume of Hydrogen Sulfide (H₂S) occur.

Further to:

- Comply with the Bureau of Land Management's (BLM) Onshore Oil and Gas Operations Onshore Oil and Gas Order No. 6, Hydrogen Sulfide Operations (43 CFR Part 3160).
- Comply with the State of New Mexico Oil Conservation Division's (NMOCD) rule 19 NMAC 15.C 118.
- Assure proper notification of the appropriate parties and agencies.

2. SCOPE

The provisions of this document are intended to address Hydrogen Sulfide (H₂S) releases and H₂S emergencies at Nearburg Producing Companies production batteries and all surrounding operated field locations in the McKittrick Hills Field. Facilities for which calculations indicate a potential hazardous volume of H₂S could occur have additional site specific response information and radius of exposure drawn on the attached plat map. The field is located approximately 20 miles west of Carlsbad, New Mexico (Eddy County).

This plan is intended to be used in conjunction with the Emergency Response plan that is available at the Artesia Field Office and applies to RMS Level 1 incidents.

3. DEFINITIONS

All Clear - Notification of effected personnel, by the response leader, that the incident has ended and the area is safe to re-enter.

A Potentially Hazardous Volume - a volume of Hydrogen Sulfide (H₂S) gas of such concentrate that:

- The 100-ppm ROE includes any public area.
- The 500-ppm ROE includes any public road.
- The 100-ppm ROE exceeds 3,000 feet.

Facility – Equipment involved in producing, processing, or transporting natural gas and/or crude oil, including the property to the edge of the pad or fence.

PUBLIC PROTECTION PLAN NEARBURG PRODUCING COMPANY

Hydrogen Sulfide Gas (H₂S) – is extremely flammable, colorless, poisonous gas that may occur naturally as a component of production streams, such as crude oil, produced water and natural gas. At low concentrations it has a rotten egg odor, but at higher concentrations deadens the sense of smell. Its specific gravity is heavier than air giving it a tendency to collect in low-lying areas on still days. The permissible exposure limit is 10 ppm and the short term exposure limit is 15 ppm. It is considered to be immediately dangerous to life and health at 300 ppm. H₂S is readily dispersed in air and is water soluble.

ICS (Incident Command System) – A team based concept for emergency response in which roles and responsibilities are predetermined.

Incident Commander (IC) – Senior Nearburg Producing Company employee in charge of an emergency response.

Incipient Stage Fire – A fire in the beginning or very early stages of development, which can be effectively extinguished by one or more persons with portable fire fighting equipment.

Muster Site – A pre-defined staging or meeting area.

RMS Level I – an emergency that can be reasonably addressed by Artesia Area Office in which the incident occurs and that can be resolved in approximately two days or less.

ROE (Radius of Exposure) – The radius constructed with the point of escape (of gas) as its starting point and its length calculated using the Pasquill-Gifford derived equation or computer modeling where the H₂S concentration is greater than 10%.

PPM – Parts per Million

Public Area – Any building or structure that is not associated with the well, facility or operation for which the ROE is being calculated and that is used as a dwelling, office, place of business, church, school, hospital or government building, or any portion of a park, city, town, village, or designated school bus stop or other similar area where members of the public may reasonably be expected to be present.

Public Road – Any federal, state, municipal or county road or highway.

Serious Incident – An event which results or has the potential to result in severe personal injury and/or significant equipment damage.

Sulfur Dioxide (SO₂) – A heavy colorless toxic gas that is formed when hydrogen sulfide is burned. It has a pungent odor and is a respiratory irritant. The permissible exposure limit is 2 ppm, the short term exposure limit is 5 ppm. It is considered to be immediately dangerous to life and health at 100 ppm. SO₂ is readily dispersed in air and is water soluble.

Total Personnel Evacuation – An evacuation of all persons (contract employees, or visitors) from the emergency area to a muster area.

PUBLIC PROTECTION PLAN NEARBURG PRODUCING COMPANY

4. THE PLAN

Training:

All personnel (company, contractors and sub-contractors) working in the field for NPC are required to complete hydrogen sulfide training before beginning work and annually thereafter.

Training on the contents of this plan shall be provided to all NPC and appropriate contract personnel working for NPC:

- whenever the employees' responsibilities or designated actions under the plan change,
- whenever the contents of the plan are changed/revised
- whenever a new employee begins employment, and
- periodically as needed for all employees.

Nearburg Producing Company supervision is responsible for this training.

Orientation:

All persons visiting or working at Indian Basin shall receive an orientation covering the following minimum items:

- ☐ What types of emergencies are possible,
- ☐ What the emergency evacuation alarm sounds like in the gas plant,
- ☐ How to report an incident/emergency,
- ☐ Who will be in charge during an emergency,
- ☐ How to safely evacuate the plant, and
- ☐ Where to assemble so that all persons can be accounted for.

The NPC representative responsible for the contractors or visitors shall conduct the orientations and shall document attendees and dates.

H2S Monitors:

All personnel working at the Indian Basin are required to wear personal H2S monitor at all times when working in the plant or field. Monitors should have a vibrating alarm if used in high noise areas.

Activation:

Phase I – activated when:

1. Sustained H2S concentration reaches 10 parts per million (ppm) in any work area and the source is not readily identified and/or controllable.
2. Continuous H2S levels are detected at 10 ppm (or greater) at any public road, near an occupied residence or bus stop, and the source is not readily identified and/or immediately controlled.

Phase II – activated when:

1. A potentially hazardous volume of H2S is detected.
2. When sustained H2S concentrations exceed 50 ppm at any facility boundary.

PUBLIC PROTECTION PLAN NEARBURG PRODUCING COMPANY

Phase I:

Upon discovery on-site personnel should:

- ☐ Make others on-site aware of the presence of H₂S and leave the area upwind or crosswind to a safe location. (Pre-determine if a pre-job tailgate meeting was conducted).
- ☐ Prevent unauthorized persons from entering the area. Request assistance if needed.
- ☐ If a residence or other public area is in the vicinity, monitor for H₂S to ensure exposure is less than 10 ppm. Notify supervisor if higher exposures are noted or if any other questions arise about steps necessary to protect these sensitive areas.
- ☐ If considering re-entering the area to assess the H₂S source, ensure you have been properly trained to respond. Use an H₂S monitor with digital display (preferably a multi-gas monitor) and have a supplied air respirator (SAR) and back up person with SAR readily available. Consider notification of supervisor if appropriate.
- ☐ Proceed with caution. If H₂S concentration reaches 10 ppm in your breathing zone, back out and use SAR to re-enter. **If H₂S concentration reaches 50 ppm at the facility boundary, immediately notify supervision.**
- ☐ If source can be safely controlled, monitor area to ensure H₂S levels are below 10 ppm. End response here and sound all clear to allow others to re-enter the area. Report length of release and volume to supervisor.
- ☐ If the source of H₂S cannot be identified and/or controlled, or if you cannot do so without exposing yourself to danger, leave the area to a safe distance.
- ☐ Notify supervision.
- ☐ Continue to monitor for H₂S and maintain site security until instructed by supervision to do otherwise.

Supervision:

- ☐ Gather necessary information to determine the course of action and level of response.
- ☐ Mobilize any additional man power or equipment necessary.
- ☐ Ensure **Phase II** measures are implemented if appropriate.
- ☐ Continue to monitor situation until incident is over.
- ☐ Make notifications if required.
- ☐ Complete reports if required.
- ☐ Investigate as indicated.

Phase II

Upon discovery on-site personnel should:

- ☐ Make others on-site aware of the presence of H₂S and leave the area upwind or crosswind to a safe location. (Pre-determined if a pre-job tailgate meeting was conducted).
- ☐ Prevent authorized persons from entering the area.
- ☐ **Notify Supervisor.**

Supervision:

- ☐ Initiate the **Incident Command System** as deemed appropriate.
- ☐ Mobilize the resources necessary to maintain site security and provide for the protection of personnel and the public.
- ☐ Issue warnings to all NPC personnel by radio and/or phone (IB Contact List) to make them aware of the incident and its location. Have non-essential personnel leave the area. If deemed necessary, order a total personnel evacuation of the area.

PUBLIC PROTECTION PLAN NEARBURG PRODUCING COMPANY

- ☐ Notify non-company personnel known to work or reside in the area (IB Contact List). If necessary to ensure their safety, dispatch NPC personnel with the appropriate monitor, supplied air respirators and means of communication to these locations. (*Appendix B*)
- ☐ Have NPC personnel set up road blocks to prevent unauthorized entry into impacted areas until relieved by law enforcement or other authorized personnel.
- ☐ Make all appropriate notifications to NPC, Federal, State and local authorities.
- ☐ When the release has been contained and monitoring indicates the area is safe to re-enter, terminate operations and sound the all clear.
- ☐ Complete records if required.
- ☐ Investigate as indicated.
- ☐ For spills, well blowouts, fires, natural disasters and terrorist or bomb threats

All other personnel not involved in the immediate response:

- ☐ If a total evacuation is ordered, report to the incident command center or nearest muster site to which you have safe access. (See Appendix A for muster site locations)
- ☐ Ensure all contract personnel working for you (or in your area) are accounted for and have them report to a safe muster site.
- ☐ Senior employee at each muster site should make a roster of all personnel reporting to that muster site and be prepared to make it available to the incident commander (IC).
- ☐ Maintain communication with the IC and be prepared to offer assistance as it is requested.

Ignition of H₂S:

While no uncontrollable release of H₂S is anticipated, should ignition of gas be necessary for the protection of personnel or the public, the determination would be made by the NPC Incident Commander. The method of ignition will maintain the safety of the person performing this task as the primary concern. The most likely method would be the use of a flare gun from a safe distance.

If this becomes necessary, monitoring will include sulfur dioxide (SO₂) in addition to H₂S.

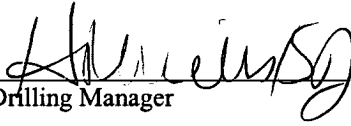
**PUBLIC PROTECTION PLAN
NEARBURG PRODUCING COMPANY**

6. APPROVALS

Approved by:

Name:

Title: Drilling Manager



Date:

7.19.07

**NEARBURG PRODUCING COMPANY
REGULATORY CONTACTS**

Agency	Contact Name		Division/Area	Main Phone #	Cell Phone	Home Phone #
	First	Last				
NMOCD	Emergency Number		District 1	505-370-7106		
NMOCD	Field Rep On-Call		District 1	505-370-7106		
NMOCD	Chris	Williams	District 1	505-393-6161	505-370-3182	
NMOCD	Sylvia	Dickey	District 1	505-393-6161		
NMOCD	Elidio	Gonzales	District 1	505-393-6161	505-370-3177	
NMOCD	Buddy	Hill	District 1	505-393-6161	505-370-3180	
NMOCD	Larry	Johnson	District 1	505-393-6161	505-370-3184	
NMOCD	Lori	Wortenberhy	Santa Fe Division Ofc.	505-827-7131	505-476-3460	505-466-0134
NMOCD	Ed	Martin	Santa Fe Division Ofc.	505-827-7131	505-476-3492	505-685-4056
NMOCD	Roger	Anderson	Santa Fe Division Ofc.	505-827-7131	505-476-3490	505-471-2017
NM State Police			District 1, Hobbs	505-392-5588		
BLM			Hobbs	505-393-3612		
US Coast Guard			National Response Center	800-424-8802		
NMED			Air Quality Bureau	505-827-1494		
	State Emergency Response Center			505-827-9126		
NM OSHA	New Mexico OSHA Ofc.			505-827-2850		

EMERGENCY SERVICES

Service Provider	Description	Main Phone	
General Emergency	Police, Fire, Ambulance	911	
Hobbs Police, Fire, Ambulance Service		505-397-9265	
Lea Regional Hospital	Medical Services	505-392-1979	
Hobbs Fire Dept.	Fire Control	505-397-9308	
Lea County Sheriff		505-394-2020	

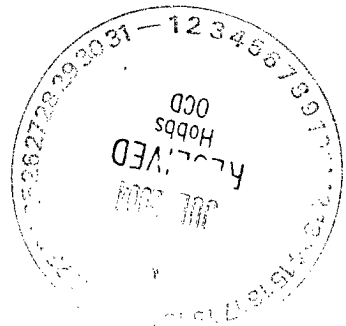
**NEARBURG PRODUCING COMPANY
EMERGENCY RESPONSE PLAN**

Position	Office Phone	Cell Phone #	Home Phone #
Drilling Superintendent			
Butch Willis	432-686-8235 (223)		
Production Superintendent			
Matt Lee	505-746-0422	505-365-6662	505-746-0932
Operations			
Roger King	505-746-0422	505-361-3605	505-885-3605
Rick Foutch	505-746-0422	505-361-4211	505-887-7844
Jerry Stark	505-746-0422	505-365-4672	505-746-3862
Planning Section			
Fred White	214-739-1778	469-644-1326	972-931-8845
Bob Shelton	432-686-8235 (214)	432-682-3100	432-528-6134
Public Affairs			
Bob Shelton	432-686-8235 (214)	432-682-3100	432-528-6134

PREPARED FOR:

Mr. Butch Willis
NEARBURG PRODUCING COMPANY
Midland, Texas

Panama 13 Federal # 1
Section 13
T-19-S
R-33-E
Lea County, New Mexico



Prepared by:
Jason Edwards
July 15, 2004

DRILLING FLUID SYNOPSIS

Panama 13 Federal # 1
Section 13
T-19-S
R-33-E
Lea County, New Mexico

Recommended Casing

8 5/8" at 1,550'
4 1/2" at 4,000'

DEPTH	MUD WEIGHT	VISCOSITY	FLUID LOSS	DRILL SOLIDS	COMMENTS
0'-1,550'	8.4 to 8.5	28 to 29	No Control	<1%	Fresh Water, Star NP-110, Lime, Paper
1,550'-3,000'	9.0 to 10.0	28 to 29	No Control	<1%	Cut Brine, Star NP-110, Caustic, Paper
3,000'-4,000'	9.0 to 10.0	30 to 32	<20cc	<5%	Star NP-110, Starch, Caustic

ESTIMATED FORMATION TOPS

RUSTLER	1,530'
TANSILL	3,120'
YATES	3,350'
SEVEN RIVER	3,680'
TD	4,000'

RECOMMENDED CASING PROGRAM

8 5/8" at 1,550'
4 1/2" at 4,000'

RECOMMENDED DRILLING FLUID PROGRAM

DEPTH	WEIGHT	VISCOSITY	FILTRATE
0'-1,550'	8.4-8.5	28-29	No Control

Spud with a Fresh Water Gel and Lime type fluid, circulating through the working pits. Use Paper, as needed, for seepage control. . If lost returns are encountered, please refer to **Ambar Lone Star's Lost Circulation Procedure**.

DEPTH	WEIGHT	VISCOSITY	FILTRATE
1,550'-3,000'	9.0-10.0	28-29	No Control

Drill out with cut brine, circulating through the reserve. Use Caustic to control pH at 9-10. Utilize Star NP-110 for sweeps and to control solids. Additions of Paper should be made as needed for seepage. While drilling this interval, monitor back ground gas and adjust the fluid weight if needed, with additions of brine. There is a potential for lost returns in this interval. If lost returns are encountered, please refer to **Ambar Lone Star Mud's Lost Circulation Procedure**. If a mud is required in this interval for evaluation, we recommend you mud up as discussed in the next interval.

DEPTH	WEIGHT	VISCOSITY	FILTRATE
3,000'-4,000'	9.0-10.0	30-32	<20cc

At 3,600', or as hole conditions dictate, return to the working pits and mud up with a **Star NP-110/Starch** system. Use Caustic Soda to control pH at 9.0 to 9.5. Use Starch for an API fluid loss of less than 20cc. It will be necessary to monitor sulfite-reducing bacteria with this system. Our engineer will perform this test at the well, and recommend additions of bactericide as needed to control. If abnormal pressure is encountered, adjust the fluid weight with brine as needed. There is a potential for lost returns in this interval. If lost returns are encountered, please refer to **Ambar Lone Star's Lost Circulation Procedure**. Prior to evaluation or running pipe, sweep the hole with a viscous Salt Gel sweep.

Estimated Drilling Fluid Cost: \$4,000.00 to \$8,000.00
Estimated Drilling Days: 7 to 9

Cost is based on a 600 bbl system and does not reflect lost circulation, water flows, or abnormal pressures.

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 36 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 least 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.

Signature: