Form 3160-3 (April 2004)

ワ

# UNITED STATES N.M. Oil Cons. Division DEPARTMENT OF THE INTERIOR OIL CONS. Division BUREAU OF LAND MANAGERS N. French Dr. Hobbs NM 88240

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

|  | APPLICATION FOR P   | 3.                        | NMNM16357  |                                       |   |                          |  |  |
|--|---|---------------------------|--|---------------------------------------|---|--------------------------|--|--|
| la. Type of Work   | rk ☑ DRILL ☐ REENTER 808  |                           |  | 3 6.                                  | 6. If Indian, Allotee or Tribe Name   |                          |  |  |
| 1b. Type of Well   | Oil Well Gas We   | ell Other                 | Single Zone Multiple Zon   | ne 7.                                 | Unit or CA Agreem   | ent Name and No.         |  |  |
| 2. Name of Operato   |   | 7./2                      |  | 8.                                    | Lease Name and We   | ell No.                  |  |  |
| Nearburg Prod 3a. Address                                    | lucing Company 157  | 42                        | 3b. Phone No. (include area co   |                                       | Kudu 9 Federa   | 11 #2 34266              |  |  |
| 3300 N A St  | , Bldg 2, Ste 120, Mic  | land, TX 79705            | 432/686-8235   | <u>,</u>                              | API Well No.<br><i>30 -025 -</i>  | 36845                    |  |  |
|  | (Report location clearly and in a   | ccordance with any State  | equirements)*  | 10.                                   | Field and Pool, or E  | xploratory 🗸 🚬 🔎         |  |  |
| At surface 33  | 0 FSL and 330 FEL   | /                         |  | 11.                                   | Tonto; Seven Rivers 59470<br>11. Sec., T., R., M., or Blk. and Survey or Area |                          |  |  |
| At proposed prod.  | . zone  | U/L P                     |  |                                       | 1   |                          |  |  |
| 14 Distance in miles a                                       | and direction from nearest town o   | r nost office*            |  | 12.                                   | Sec 9-19S-33E<br>12. County or Parish   13. State                             |                          |  |  |
| 14. Distance in times a                                      |   | niles NE of Halfw         | av.  |                                       | a County  | NM                       |  |  |
| 15. Distance from pro  |   |                           | 16.No. of Acres in lease   |                                       | ng Unit dedicated to  |                          |  |  |
| location to neares   | st  |                           | 10.110. Of record in loads   | i i i i i i i i i i i i i i i i i i i | .5 0 000.00000  |                          |  |  |
| property or lease<br>(Also to nearest of                     | line, ft. 3<br>drg. unit line, if any)  | 30                        | 240  |                                       | 40  |                          |  |  |
| 18. Distance from pro  | oposed location*  |                           | 19. Proposed Depth   | 20.BLM/                               | BIA Bond No. on i   | file                     |  |  |
| applied for, on th   |   |                           | 4000'  |                                       | NM1307  |                          |  |  |
| 21. Elevations (Show   | whether DF, KDB, RT, GL, etc.   |                           | 22. Approximate date work will sta   | rt*                                   | 23.Estimated duration   |                          |  |  |
| 3679   |   |                           | 8/1/04   |                                       | 30 days   |                          |  |  |
|  |   | 24.                       | Attachments Capit  | an Conf                               | trolied Weter i   | Basin                    |  |  |
| The following, compl   | leted in accordance with the requi  | rements of Onshore Oil an | d Gas Order No. 1, shall be attached   | d to this for                         | m:  |                          |  |  |
| <ol> <li>A Drilling Plan</li> <li>A Surface Use P</li> </ol> | d by a registered surveyor.  lan (if the location is on National led with the appropriate Forest Se |                           | <ol> <li>Bond to cover the operat<br/>Item 20 above).</li> <li>Operator certification.</li> <li>Such other site specific in<br/>authorized officer.</li> </ol> |                                       | ·   |                          |  |  |
| 25. Signuature   |   | Na                        | me (Printed/Typed)   |                                       | Date  | / /                      |  |  |
|  | grow  |                           | arah Jordan  |                                       | /,  | 1.0Y                     |  |  |
| Product on   | Analyst   |                           |  |                                       |   |                          |  |  |
| Approved by (Signautre)                                      |   |                           | me (Printed/Typed)   |                                       | Date  |                          |  |  |
| 151 Russe  | EU E. SURETUS   | EN                        | 15/ RUSSELL E  | Suren                                 | usen  | 9-1-04                   |  |  |
| 7/10   | CARLSBAD FIELD OFFICE   |                           |  |                                       |   |                          |  |  |
| Application approval conduct operations the                  |   | the applicant holds legal | or equitable title to those rights in  | the subject                           | lease which would   | entitle the applicant to |  |  |
|  | ral, if any, are attached.  |                           | APP  | ROVA                                  | AL FOR 1  | YEAR                     |  |  |

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

\*(Instructions on page 2)



APPROVAL SUBJECT TO GENERAL REQUIREMENTS AND SPECIAL STIPULATIONS ATTACHED

#### 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:

NMNM16357

Legal Description of Land:

330 FSL and 330 FEL, Sec 9, 19S, 33E

Lea County, New Mexico

Formation(s) (if applicable): Upper Penn, Associated

Bond Coverage:

\$25,000 statewide bond of Nearburg Producing Company

BLM Bond File No:

NM1307

**Drilling Manager** 

# State of New Mexico

DISTRICT I 1626 N. FRENCH DR., HOBBS, NM 88240

DISTRICT II

Energy, Minerals and Natural Resources Department

Form C-102

Revised JUNE 10, 2003

OIL CONSERVATION DIVISION

Submit to Appropriate District Office

04.11.0731

12641

Certificate No. CARY EDSON

DISTRICT III

1301 W. GRAND AVENUE, ARTESIA, NM 88210

1220 SOUTH ST. FRANCIS DR. Santa Fe. New Mexico 87505 State Lease - 4 Copies Fee Lease - 3 Copies

| 1000 Rio Brazos Rd., Aztec, NM 87410 |  |             |               |           |                 |         |   |                 |   |           |  |
|--------------------------------------|--|-------------|---------------|-----------|-----------------|---------|---|-----------------|---|-----------|--|
| DISTRICT IV                          | DISTRICT IV 1220 8. ST. FRANCIS DR., SANTA FR, NM 87505  WELL LOCATION AND ACREAGE DEDICATION PLAT |             |               |           |                 |         |   |                 |   |           |  |
| API Number                           |  |             |               | Pool Code |                 |         | <u>-</u> - 40 .                           | Pool Name       | Palace  |           |  |
| 30-025-36845                         |  |             | 5             | 9470      |                 |         | OOTU                                      | Deven           | Kivers  |           |  |
| Property Code                        |  |             |               | ĸ         | Proper<br>UDU 9 | rty Nam |   |                 | Well Number 2   |           |  |
| 34266<br>OGRID No.                   |  |             |               |           |                 | tor Nam |   |                 | Elevation   |           |  |
| 0157                                 | NI   | EARBUR      |               |           | NG COMPANY      |         | 3679'                                     |                 |   |           |  |
|                                      | Surface Location   |             |               |           |                 |         |   |                 |   |           |  |
| UL or lot No.                        | Section  | Township    | Range         | Lot Idn   | Feet from       |         | North/South line                          | Feet from the   | East/West line  | County    |  |
| Р                                    | 9  | 19-S        | 33-E          |           | 33              | 60'     | SOUTH                                     | 330'            | EAST  | LEA       |  |
|                                      |  |             | Bottom        | Hole Loc  | cation If       | Diffe   | rent From Sur                             | face            |   |           |  |
| UL or lot No.                        | Section  | Township    | Range         | Lot Idn   | Feet from       | m the   | North/South line                          | Feet from the   | East/West line  | County    |  |
|                                      | <u> </u>   | <u> </u>    |               |           |                 | ·       |   |                 |   |           |  |
| Dedicated Acre                       | s Joint 9  | Infill Con  | esolidation ( | Code   Or | der No.         |         |   |                 |   |           |  |
| 70                                   | NWADIE B   | TIL DD AC   | CIONED        | DO WILLS  | COMPLES         | PION I  | INTIL ALL INTER                           | DECTE HAVE D    | CONSOLIA  | ATED      |  |
| NO ALLA                              | JWADLE W   |             |               |           |                 |         | APPROVED BY                               |                 |   | AILD      |  |
|                                      | 1  |             |               |           |                 |         |   | OPERATO         | OR CERTIFICAT   | TION      |  |
|                                      | í  |             |               | 1         |                 | ſ       |   | I heret         | ny certify the the in   | formation |  |
|                                      | ł  |             |               |           |                 |         |   | contained herei | n is true and compl<br>wledge and belief.   | _         |  |
|                                      | 1  |             |               | 1         |                 | 1       |   | best of my cho  | A contract of the contract of | ,         |  |
|                                      | Į  |             |               |           |                 | - 1     |   |                 | Obala   | ,         |  |
|                                      | 1  |             |               | l         |                 |         |   |                 | 10100y  | <u></u>   |  |
| J <del>-</del>                       | _·!  | <del></del> | · — · —       | <u> </u>  |                 | !-      | <del></del> .                             | Signature       | JTables   |           |  |
|                                      | İ  |             |               |           |                 | Ì       |   | Printed Nam     | 7 <u>Joraan</u>   |           |  |
|                                      |  |             |               | 1         |                 | ,       |   | Pard &          | fuglist   |           |  |
|                                      |  |             |               |           |                 | -       |   | Title           | 16  |           |  |
|                                      | $\frac{1}{\sqrt{1.04}}$  |             |               |           |                 |         |   |                 |   |           |  |
|                                      |  |             |               |           |                 |         |   |                 |   |           |  |
| IL                                   | <u> </u>   |             |               |           |                 |         |   |                 | OR CERTIFICA  | TION      |  |
|                                      | GEODETIC COORDINATES   |             |               |           |                 |         |   |                 | I hereby certify that the well location shown   |           |  |
|                                      | NAD 27 NME   |             |               |           |                 |         |   | 11              | vas plotted from fiel<br>made by me or  | _         |  |
| Y=607494.Q N                         |  |             |               |           |                 |         | nd that the same i:<br>he best of my beli |                 |   |           |  |
| 11                                   |  |             | X=707         | 193.3 E   |                 |         |   |                 |   | •         |  |
|                                      |  |             | LAT.=32°4     |           |                 | 1       |   | 1 1             | NE 22, 2004   |           |  |
| LONG.=103*39*36.12" W                |  |             |               |           |                 |         |   | Date Survey     | ed ElDenn   | JR        |  |

DETAIL

600'

0

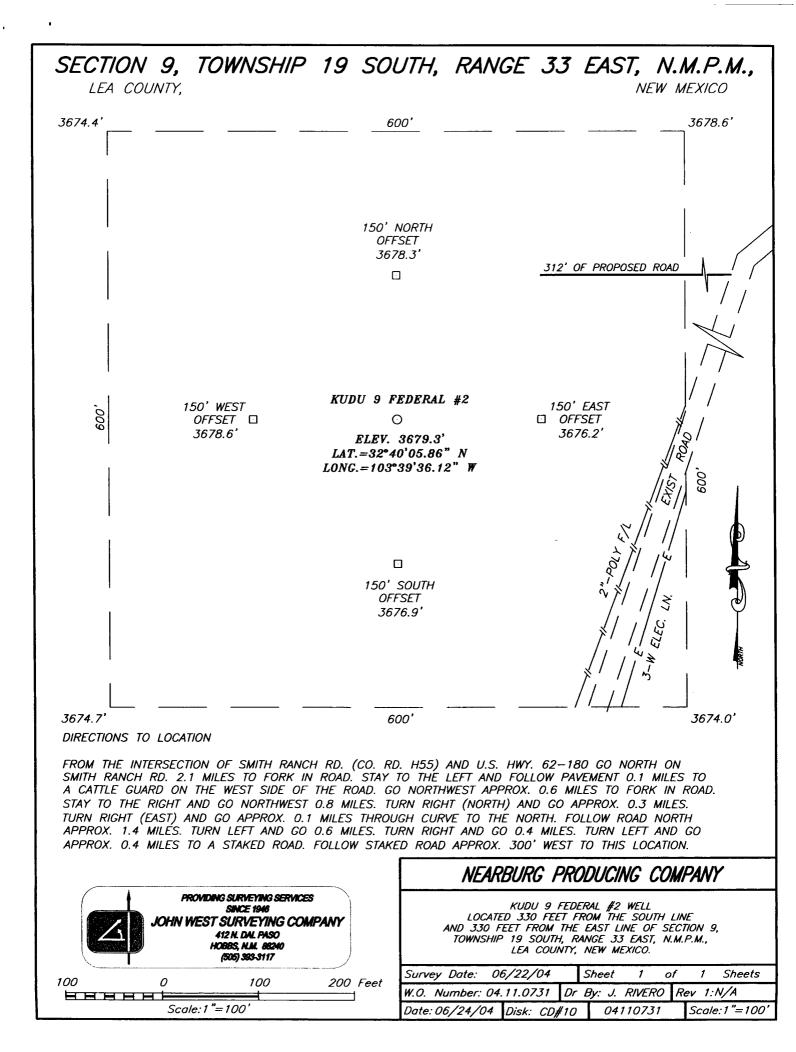
600T

3674.7

\_3678.6'

3674.0

SEE DETAIL

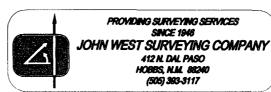


# VICINITY MAP

|        |    | 1     |                 |            |                        |           |    |      |              |             | ······    |     |            |
|--------|----|-------|-----------------|------------|------------------------|-----------|----|------|--------------|-------------|-----------|-----|------------|
|        | 27 | 26    | 25              | 30         | 29                     | 28        | 27 | 26   | 25           | 30          | 29        | 28  | 27         |
|        | 34 | 35    | 36              | 31         | 32                     | 33        | 34 | 35   | 36           | 31          | 32        | 33  | 34         |
|        | 3  | 2     | 1               | 6          | 5                      | 4         | 3  | 2    | 1            | 6           | 5         | 4   | 3          |
|        | 10 | 11    | 12              | DU 9 FEI   | JERAL #2               | , ,       | 10 | . 11 | 12           | 7           | 8         | 9   | 10         |
|        | 15 | 14    | 13              | 18         | 17                     | 16        | 15 | 14   | 13 &         | ሜ<br>ት<br>ጀ | 17        | 16  | 15         |
|        | 82 | 23    | 24              | 19         | 20                     | 21        | 22 | 23   | 24           | 19          | 20        | 21  | <b>5</b> 2 |
|        | 27 | 26    | 25              | 30         | 29                     | 28        | 27 | 26   | 25           | 30          | 29        | 28  | 27         |
|        | 34 | 35    | 36              | 31         | 32<br>LAGUNA<br>TUNTO  | 33        | 34 | 35   | 36<br>SH. 15 | 31          | 35        | 333 | 34         |
|        | _3 |       | 1               | 6          | 5                      | 4         | 3  | s    | RANCH        | °           | 5         | 4   | 3          |
| ر<br>ا | 10 | 23 11 | 12              | 7<br>NTO ( | 8                      | 9         | 10 | ıı   | 12           | 7           | H27<br>88 | 9   | 10         |
|        | 15 | 14    | L AGUNA         | 18 2       | LAGUNA<br>GATUNA<br>17 | S. 62-180 | 15 | 14   | 13           | 18          | 17        | 16  | 15         |
|        | 22 | 23    | L AG            | 19         | 20                     | 21        | 22 | 23   | 24           | 19          | 20        | 21  | 22         |
|        | 27 | 26    | 25 <sub>K</sub> | 30         | 57. 176                | 28        | 27 | 26   | 25 ~         |             | 29        | 28  | 27         |

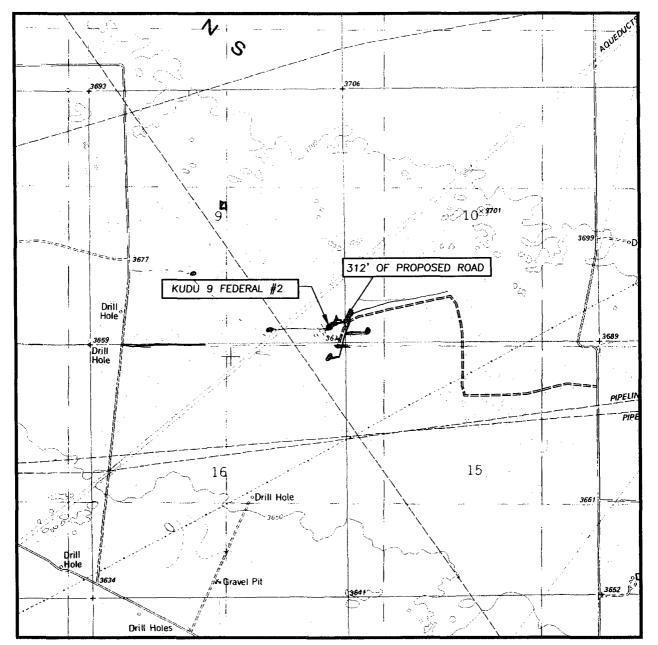
SCALE: 1" = 2 MILES

| SEC. <u>9</u> T | WP. <u>19-S</u> RGE. <u>33-E</u> |
|-----------------|----------------------------------|
| SURVEY          | N.M.P.M.                         |
| COUNTY          | <u>LEA</u>                       |
| DESCRIPTION     | 330' FSL & 330' FEL              |
| ELEVATION_      | 3679'                            |
| OPERATOR_       | NEARBURG<br>PRODUCING COMPANY    |
| LEASE           | KUDU 9 FEDERAL                   |





# LOCATION VERIFICATION MAP



SCALE: 1" = 2000'

CONTOUR INTERVAL: LAGUNA GATUNA NW, N.M. - 10'

SEC. 9 TWP. 19-S RGE. 33-E

SURVEY N.M.P.M.

COUNTY LEA

DESCRIPTION 330' FSL & 330' FEL

ELEVATION 3679'

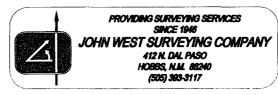
NEARBURG

OPERATOR PRODUCING COMPANY

LEASE KUDU 9 FEDERAL

U.S.G.S. TOPOGRAPHIC MAP

LAGUNA GATUNA NW, N.M.



# ATTACHMENT TO FORM 3160-3 KUDU 9 FEDERAL #2 330 FSL AND 330 FEL, SEC 9, 19S, 33E LEA COUNTY, NEW MEXICO

#### **DRILLING PROGRAM**

#### 1. GEOLOGIC NAME OF SURFACE FORMATION

Red Bed

#### 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

| Casing Size | From To     | <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.

#### **KUDU 9 FEDERAL #2**

# Page 2

#### 5. MINIMUM SPECIFICATIONS FOR PRESSURE CONTROL

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

A BOP sketch is attached.

#### 6. TYPES AND CHARACTERTICS OF THE PROPOSED MUD SYSTEM

Spud and drill to 1,550' 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. AUXILLARY WELL CONTROL AND MONITORING EQUIPMENT

None required.

# 8. LOGGING, TESTING, AND CORING PROGRAM

DLL/CNL/LDT/CAL/GR logging is planned. Drill stem tests, cores and sidewall cores are possible.

# 9. <u>ABNORMAL CONDITIONS, PRESSURES, TEMPERATURES & POTENTIAL HAZARDS</u>

None anticipated.

BHP expected to be 1,100 psi.

#### 10. ANTICAPATED STARTING DATE:

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

## **SURFACE USE AND OPERATIONS PLAN FOR**

#### **DRILLING, COMPLETION, AND PRODUCING**

# NEARBURG PRODUCING COMPANY KUDU 9 FEDERAL #2 330 FSL AND 330 FEL, SEC 9, 19S, 33E LEA COUNTY, NEW MEXICO

#### LOCATED

8 miles NE of Halfway

OIL & GAS LEASE

NMNM16357

RECORD LESSEE

Chase Oil Corporation

**BOND COVERAGE** 

\$25,000 statewide bond of Nearburg Producing Company

**ACRES IN LEASE** 

240

**GRAZING LEASE** 

**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'.

#### **KUDU 9 FEDERAL #2**

#### Page 2

#### 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.

#### **KUDU 9 FEDERAL #2**

#### Page 4

#### 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 (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

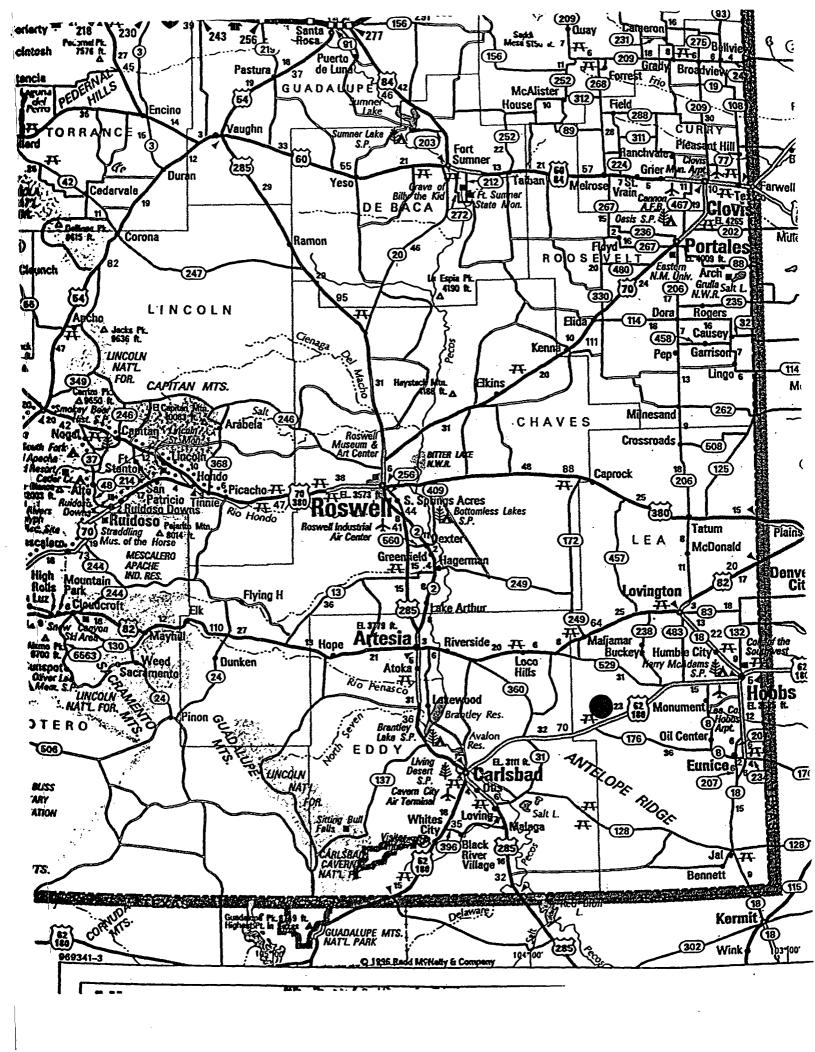
#### 12. CERTIFICATION

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.

Date

H. R. Willis

**Drilling Manager** 



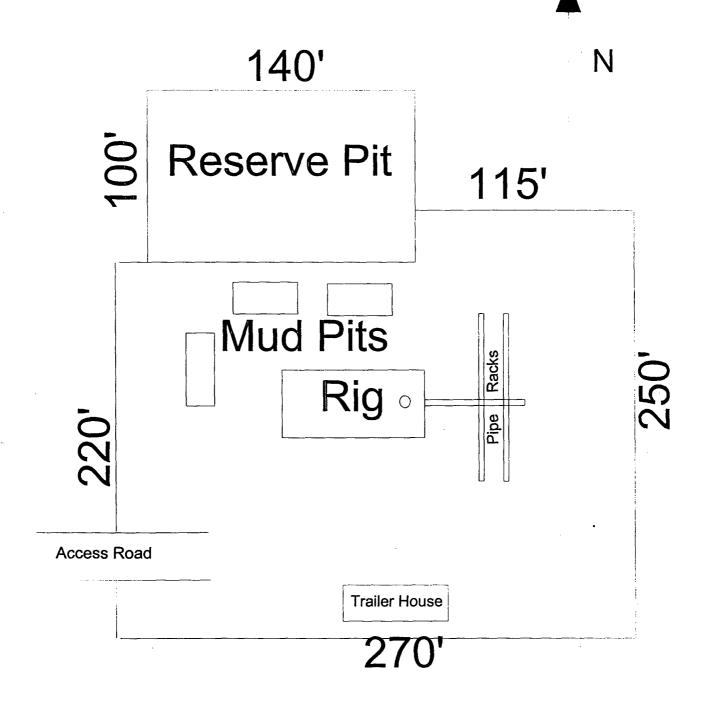
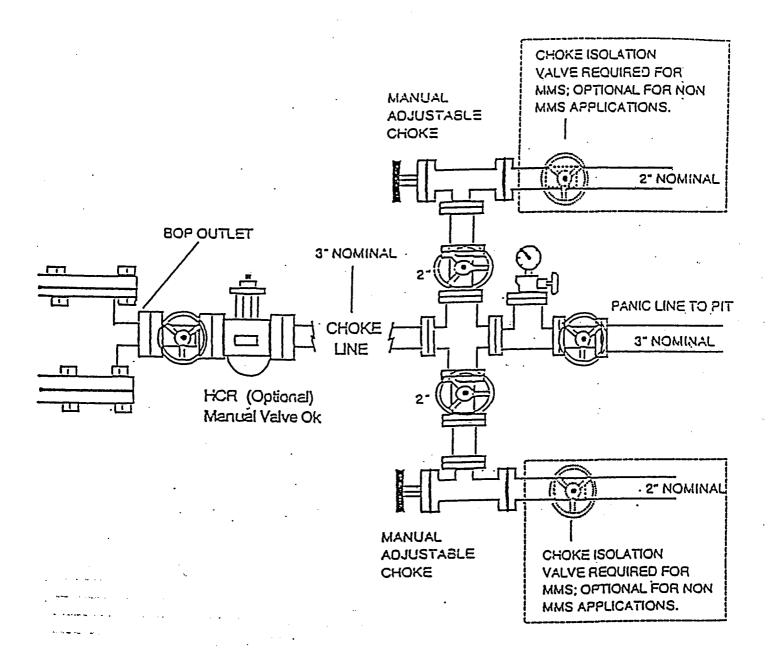


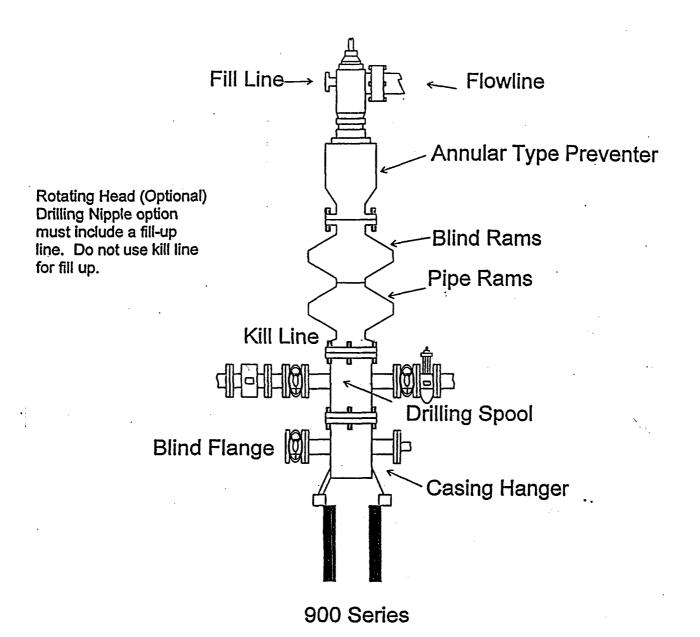
EXHIBIT B
DRILLING RIG LAYOUT
NEARBURG PRODUCING COMPANY

**SCALE 1" = 50'** 

# NEARBURG PRODUCING COMPANY CHOKE MANIFOLD 2M AND 3M SERVICE



# NEARBURG PRODUCING COMPANY BOPE SCHEMATIC



# HYDROGEN SULFIDE DRILLING OPERATIONS PLANS NEARBURG PRODUCING COMPANY KUDU 9 FEDERAL #2

#### 1. HYDROGEN SULFIDE TRAINING

- A. All regularly assigned personnel, contracted or employed by Nearburg Producing Company, will receive training from a qualified instructor in the following areas prior to commencing drilling potential hydrogen sulfide bearing formations in this well:
  - 1. The hazards and characteristics of hydrogen sulfide (H2S).
  - 2. The proper use and maintenance of personal protective equipment and life support systems.
  - 3. The proper use of H2S detectors, alarms, warning systems, briefing areas, evacuation procedures and prevailing winds.
  - 4. The proper techniques for first aid and rescue procedures.
- B. In addition, supervisory personnel will be trained in the following areas:
  - 1. The effects of H2S on metal components. If high tensile tubulars are to be used, personnel will be trained in their special maintenance requirements.
  - 2. Corrective action and shut-in procedures when drilling or reworking a well and blowout prevention and well control procedures.
  - 3. The contents and requirements of the H2S Drilling Operations Plan.
- C. There will be an initial training session just prior to encountering a known or probable H2S zone (within 3 days or 500 feet) and weekly H2S and well control drills for all personnel in each crew. The initial training session shall include a review of the site specific H2S Drilling Operations Plan. This plan shall be available at the well site. All personnel will be required to carry documentation that they have received the proper training.

# 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.

9156874130

State of New Mexico Energy, Minerals and Natural Resources

Form C-144 March 12, 2004

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

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

For drilling and production facilities, submit to appropriate NMOCD District Office.

For downstream facilities, submit to Santa Fe office.

# Pit or Below-Grade Tank Registration or Closure

| Type of action: Registration of a pit or   | below-grade tank X Closure of a pit or below-grade                             | tank 🗆                                |  |  |  |  |
|--|--|---------------------------------------|--|--|--|--|
| Operator: Nearburg Producing Company Telephone: 68 Address: 3300 N A St., Bldg 2, Ste 120, Midland, TX   | 79705  | <u></u>                               |  |  |  |  |
| Facility or well name: Kudu 9 Fed #2 API #: 30.025.2  County: Lea Latitude Longitude   |  |                                       |  |  |  |  |
| Below-grade tank   Volume:bbl Type of fluid:bbl Type of fluid: |  |                                       |  |  |  |  |
| Depth to ground water (vertical distance from bottom of pit to seasonal high water elevation of ground water.)   | Less than 50 feet 50 feet or more, but less than 100 feet 100 feet or more     | (20 points) (10 points) (0 points)    |  |  |  |  |
| Wellhead protection area. (Less than 200 feet from a private domestic water source, or less than 1000 feet from all other water sources.)  | Yes<br>No  | (20 points) X                         |  |  |  |  |
| Distance to surface water: (horizontal distance to all wetlands, playas, irrigation canals, ditches, and perennial and ephemeral watercourses.)  | Less than 200 feet 200 feet or more, but less than 1000 feet 1000 feet or more | (20 points) (10 points) ( 0 points) X |  |  |  |  |
|  | Ranking Score (Total Points)   | 0                                     |  |  |  |  |
| If this is a pit closure: (1) attach a diagram of the facility showing the pit's relationship to other equipment and tanks. (2) Indicate disposal location:  onsite offsite If offsite, name of facility   |  |                                       |  |  |  |  |
| I hereby certify that the information above is true and complete to the best of my knowledge and belief. I further certify that the above-described pit or below-grade tank has been/will be constructed or closed according to NMOCD guidelines [X], a general permit [], or an (attached) alternative OCD-approved plan [].  Date: 7/1/04  Printed Name/Title: Sarah Jordan, Production Analyst Signature:   |  |                                       |  |  |  |  |
| Your certification and NMOCD approval of this application/closure does not relieve the operator of liability should the contents of the pit or tank contaminate ground water or otherwise endanger public health or the environment. Nor does it relieve the operator of its responsibility for compliance with any other federal, state, or local laws and/or regulations.  |  |                                       |  |  |  |  |
| Approval:  Date: 9/6/04  Printed Name/Title: CHRIS WILLIAMS - DIST SUP. Signature: Chica Utilliams   |  |                                       |  |  |  |  |