Form 3160-3
(April 2004)

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

N.M. Oil Cons. DIV-Dist. 2
1301 W. Grand Avenue
Artesia, NM 88210

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

S

APPLICATION FOR PERMIT TO DRILL OR REENTER

5. Lease Serial No.
NMNM97112

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

6. If Indian, Allotee or Tribe Name

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

7. Unit or CA Agreement Name and No.
34322

2. Name of Operator
Nearburg Producing Company 15742

8. Lease Name and Well No.
US 13 Federal #3

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

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

9. API Well No.
30-015-34272

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

At surface 2405 FNL and 1040 FEL, Sec 13-22S-24E per SN dated 4/26/05
1980/S 1980/E 13-22-24

At proposed prod. zone 660 FNL and 1980 FWL, Sec 18-22S-25E

10. Field and Pool, or Exploratory
McKittrick Hills; Upper Penn

11. Sec., T., R., M., or Blk. and Survey or Area
Sec 13, 22S, 24E

14. Distance in miles and direction from nearest town or post office*
10 miles W of Carlsbad

SUBJECT TO LIKE APPROVAL BY STATE

12. County or Parish
Eddy

13. State
NM

15. Distance from proposed* location to nearest property or lease line, ft. (Also to nearest drg. unit line, if any)	16. No. of Acres in lease	17. Spacing Unit dedicated to this well
660	320	W/2 Sec 18

18. Distance from proposed location* to nearest well, drilling, completed, applied for, on this lease, ft.	19. Proposed Depth	20. BLM/BIA Bond No. on file
3630	8600'	NM1307

21. Elevations (Show whether DF, KDB, RT, GL, etc.	22. Approximate date work will start*	23. Estimated duration
3876	5/1/05	30 days

24. Attachments CARLSBAD 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	Name (*Printed/Typed*)	Date
	Sarah Jordan	3-23-05

Title
Production Analyst

Approved by (Signature)	Name (*Printed/Typed*)	Date
/s/ Tony J. Herrell	/s/ Tony J. Herrell	MAY 16 2005

Title	Office
FIELD MANAGER	CARLSBAD FIELD OFFICE

Application approval does not warrant or certify that the applicant holds legal or equitable title to those rights in the subject lease which would entitle the applicant to conduct operations thereon.
Conditions of approval, if any, are attached.

APPROVAL FOR 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)

RECEIVED
MAY 18 2005
OCD-ARTESIA

APPROVAL SUBJECT TO
GENERAL REQUIREMENTS
AND SPECIAL STIPULATIONS
ATTACHED

Witness Surface Casing

Form 3160-5
(April 2004)

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

NMOCD

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

SUNDRY NOTICES AND REPORTS ON WELLS

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

SUBMIT IN TRIPLICATE - Other instructions on reverse side

RECEIVED
JUL 07 2005
OCD-ARTESIA

5. Lease Serial No.
NMNM97112

6. If Indian, Allottee or Tribe Name

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

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

8. Well Name and No.
McKittrick 18 Fed #1

2. Name of Operator
Nearburg Producing Company

9. API Well No.
30-015-34272

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

3b. Phone No. *(include area code)*
432/686-8235 x 203

10. Field and Pool, or Exploratory Area
McKittrick Hills; Upper Penn

4. Location of Well *(Footage, Sec., T., R., M., or Survey Description)*
SHL: 2405 FNL and 1040 FEL, Sec 13-22S-24E
BHL: 660 FNL and 1980 FWL, Sec 18, 22S, 25E

11. County or Parish, State
Eddy NM

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

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

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

NPC requests to change the name and BHL on subject well from:

McKittrick 18 Federal #1 (NMNM97112)
SHL: 2405 FNL and 1040 FEL, Sec 13, 22S, 24E
BHL: 660 FNL and 1980 FWL, Sec 18, 22S, 25E

to:

US 13 Federal #3 (NMNM97110)
SHL: 2405 FNL and 1040 FEL, Sec 13, 22S, 24E
BHL: 1980 FSL and 1980 FEL, Sec 13, 22S, 24E

~~Plats will follow in mail.~~

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

Title Production Analyst

Date 6/28/05

THIS SPACE FOR FEDERAL OR STATE OFFICE USE

Approved by (ORIG. SGD.) ALEXIS C. SWOBODA

Title PETROLEUM ENGINEER

Date JUL 06 2005

Office RFO

Conditions of approval, if any, are attached. Approval of this notice does not warrant or certify that the applicant holds legal or equitable title to those rights in the subject lease which would entitle the applicant to conduct operations thereon.

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

State of New Mexico
Energy, Minerals and Natural Resources Department

DISTRICT I
1625 N. FRENCH DR., HOBBS, NM 88240

DISTRICT II
1301 W. GRAND AVENUE, ARTESIA, NM 88210

DISTRICT III
1000 Rio Brazos Rd., Aztec, NM 87410

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

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

Form C-102
Revised JUNE 10, 2003
Submit to Appropriate District Office
State Lease - 4 Copies
Fee Lease - 3 Copies

WELL LOCATION AND ACREAGE DEDICATION PLAT

☐ AMENDED REPORT

API Number	Pool Code	Pool Name
	81160	McKittrick Hills; Upper Penn (Gas)

Property Code	Property Name	Well Number
34322	U.S. 13 FEDERAL	3

OGRID No.	Operator Name	Elevation
015742	NEARBURG PRODUCING COMPANY	3877'

Surface Location

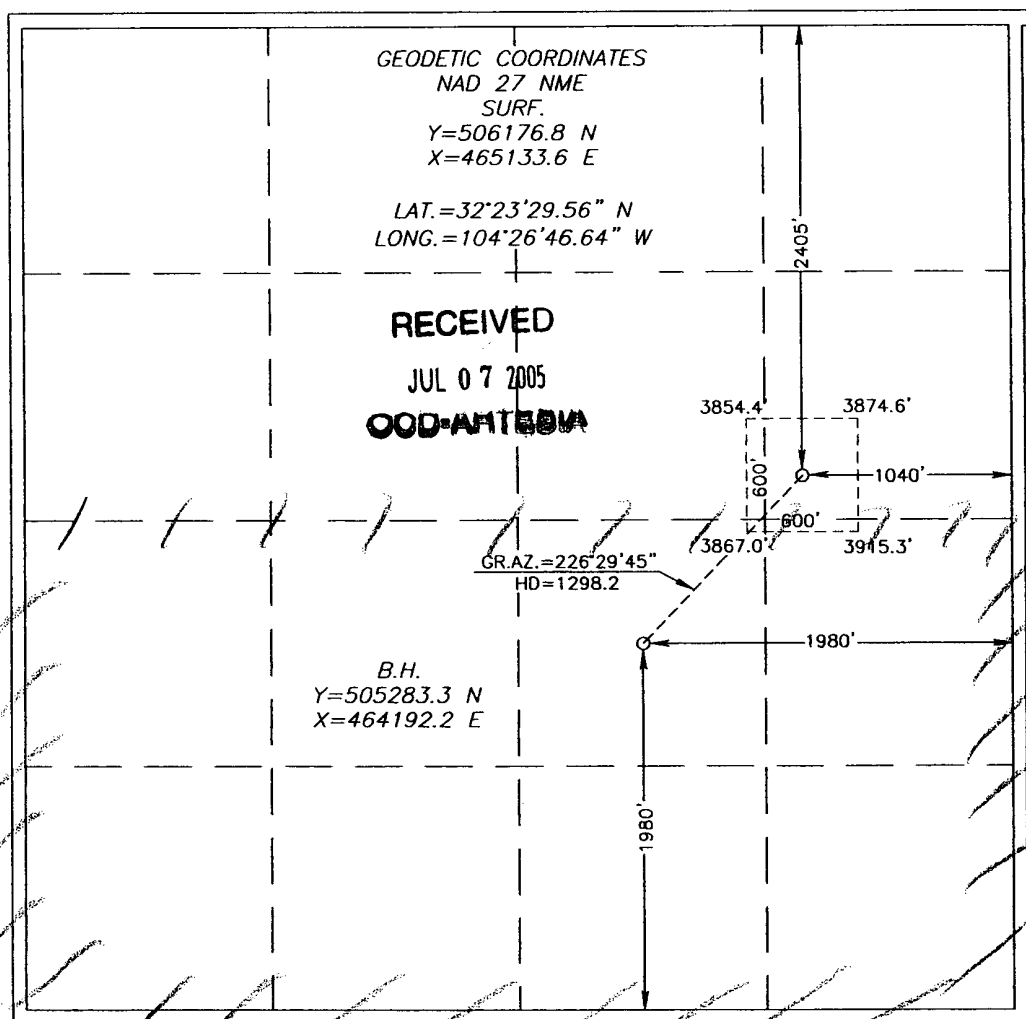
UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
H	13	22-S	24-E		2405	NORTH	1040	EAST	EDDY

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
J	13	22-S	24-E		1980	SOUTH	1980	EAST	EDDY

Dedicated Acres	Joint or Infill	Consolidation Code	Order No.
320			

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



OPERATOR CERTIFICATION

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

Signature: Sarah Jordan

Printed Name: Sarah Jordan

Title: Prod. Analyst

Date: 6-30-05

SURVEYOR CERTIFICATION

I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervison, and that the same is true and correct to the best of my belief.

APRIL 21, 2005

Date Surveyed: JR

Signature & Seal of Professional Surveyor: Gary L. Eidson 6/29/05

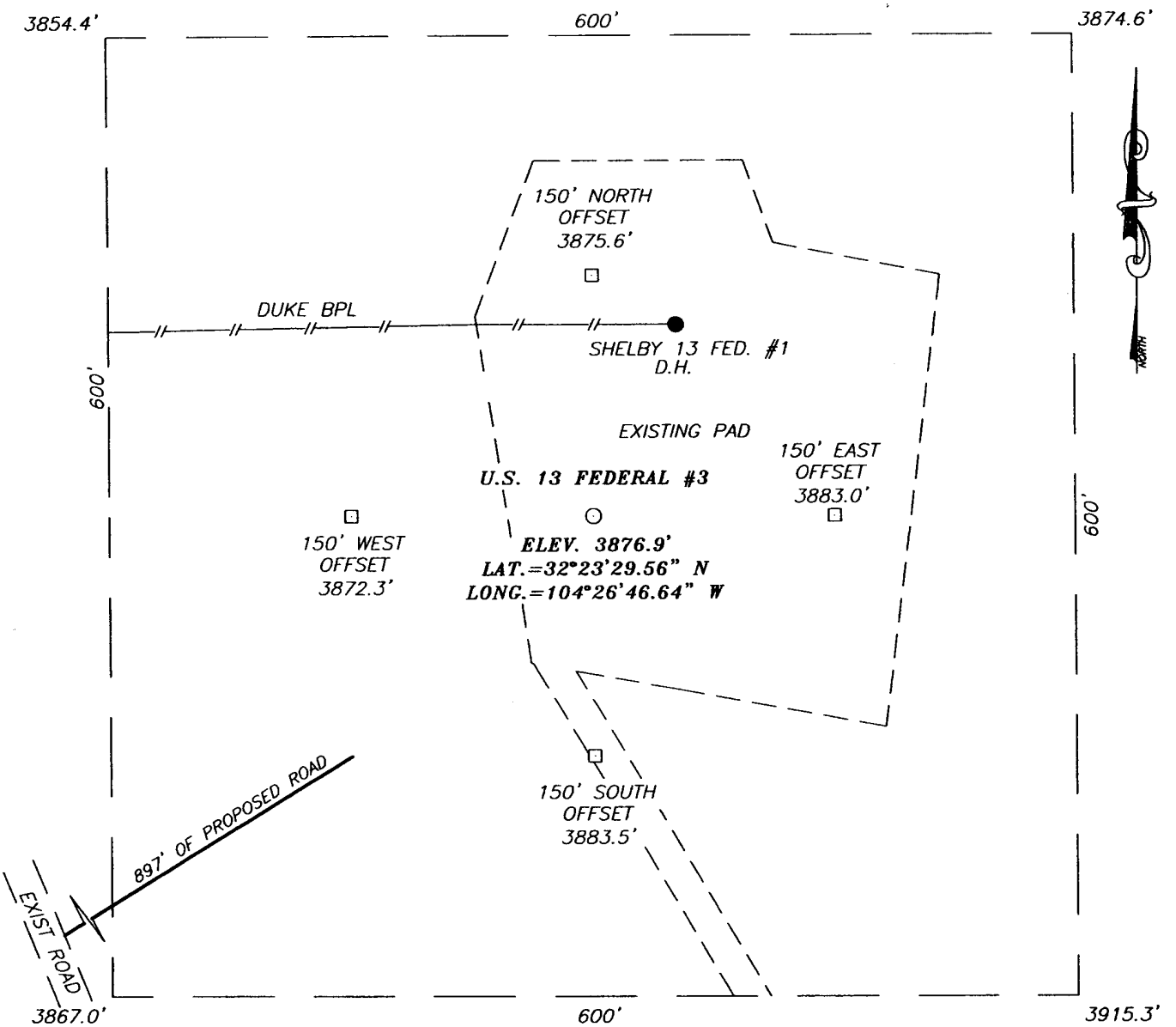
05.13.1028

Certificate No. GARY EIDSON 12641

GARY L. EIDSON NEW MEXICO 12641 REGISTERED PROFESSIONAL SURVEYOR

SECTION 13, TOWNSHIP 22 SOUTH, RANGE 24 EAST, N.M.P.M.,

EDDY COUNTY, NEW MEXICO



DIRECTIONS TO LOCATION

FROM THE INTERSECTION OF ST. HWY. #285 AND ST. HWY. #137 (QUEENS HWY.) GO WEST ON ST. HWY. #137 FOR APPROX. 6.1 MILES. TURN LEFT (SOUTH) AND GO APPROX. 0.2 MILES, BEND LEFT (SE) AND GO APPROX. 1.1 MILES, BEND RIGHT (SW) AND GO APPROX. 2.0 MILES. BEND LEFT AND RIGHT FOR APPROX. 2.0 MILES TO A ROAD INTERSECTION. TURN RIGHT (SOUTH) AND GO APPROX. 3.0 MILES TO A ANOTHER ROAD INTERSECTION. TURN LEFT AND GO (SE) APPROX. 0.2 MILES OT ANOTHER INTERSECTION. TURN LEFT (NE) AND GO APPROX. 0.2 MILES. BEND LEFT AND GO APPROX. 0.1 MILES, BEND RIGHT (EAST) AND GO APPROX. 0.3 MILES, BEND RIGHT AND GO APPROX. 0.2 MILES, BEND LEFT AND GO APPROX. 0.1 MILES TO A PROPOSED ROAD SURVEY. FOLLOW PROPOSED ROAD SURVEY SE APPROX. 897' TO THIS LOCATION.

100 0 100 200 Feet

Scale: 1"=100'

PROVIDING SURVEYING SERVICES SINCE 1946

JOHN WEST SURVEYING COMPANY

412 N. DAL PASO

HOBBS, N.M. 88240

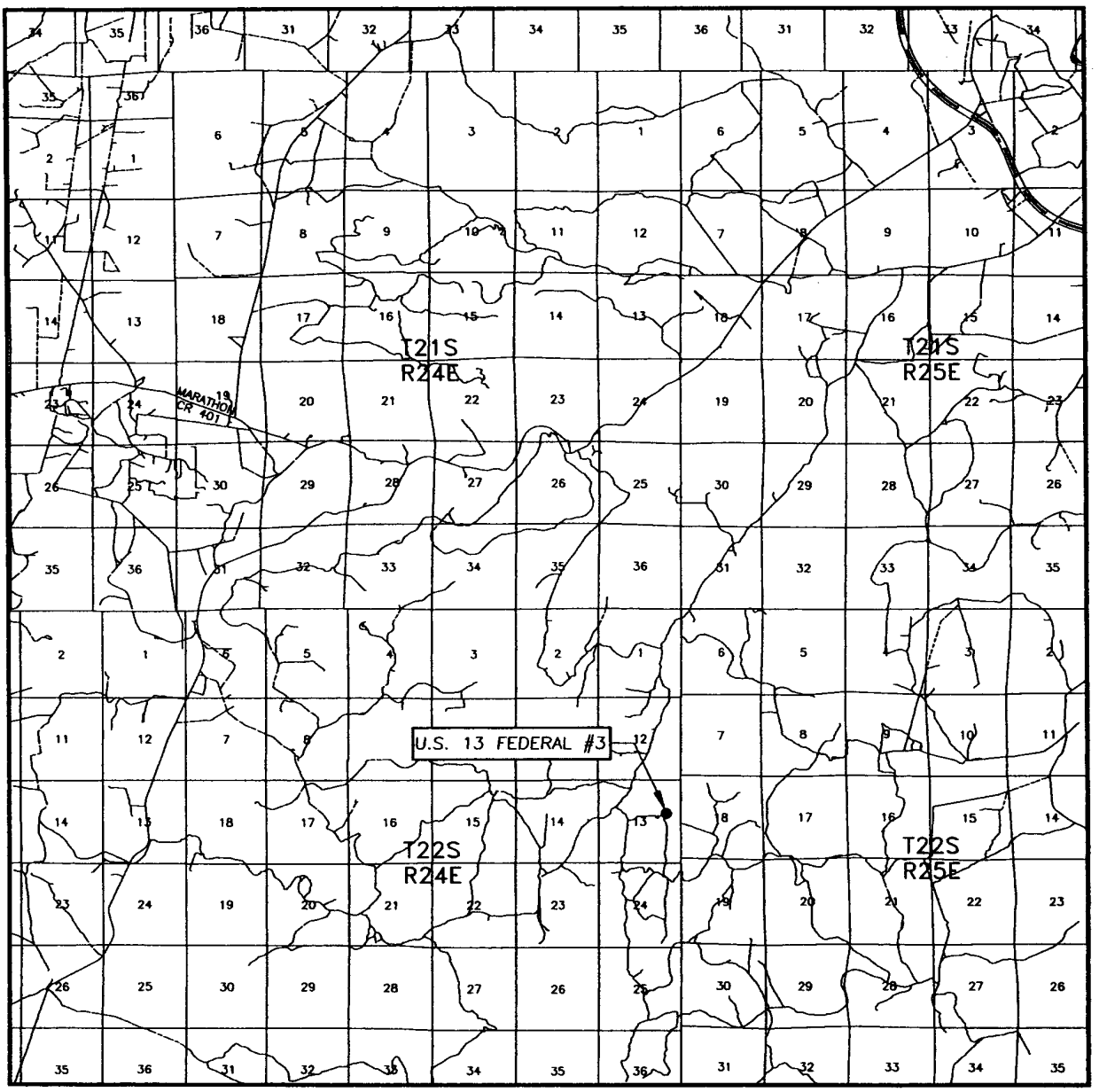
(505) 393-3117

NEARBURG PRODUCING COMPANY

U.S. 13 FEDERAL #3 WELL
LOCATED 2405 FEET FROM THE NORTH LINE
AND 1040 FEET FROM THE EAST LINE OF SECTION 13,
TOWNSHIP 22 SOUTH, RANGE 24 EAST, N.M.P.M.,
EDDY COUNTY, NEW MEXICO.

Survey Date: 4/21/05	Sheet 1 of 1 Sheets		
W.O. Number: 05.13.1028	Dr By: J.R.	Rev 1:N/A	
Date: 06/28/05	Disk: CD#5	05131028	Scale: 1"=100'

VICINITY MAP



SCALE: 1" = 2 MILES

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

SURVEY N.M.P.M.

COUNTY EDDY

DESCRIPTION 2405' FNL & 1040' FEL

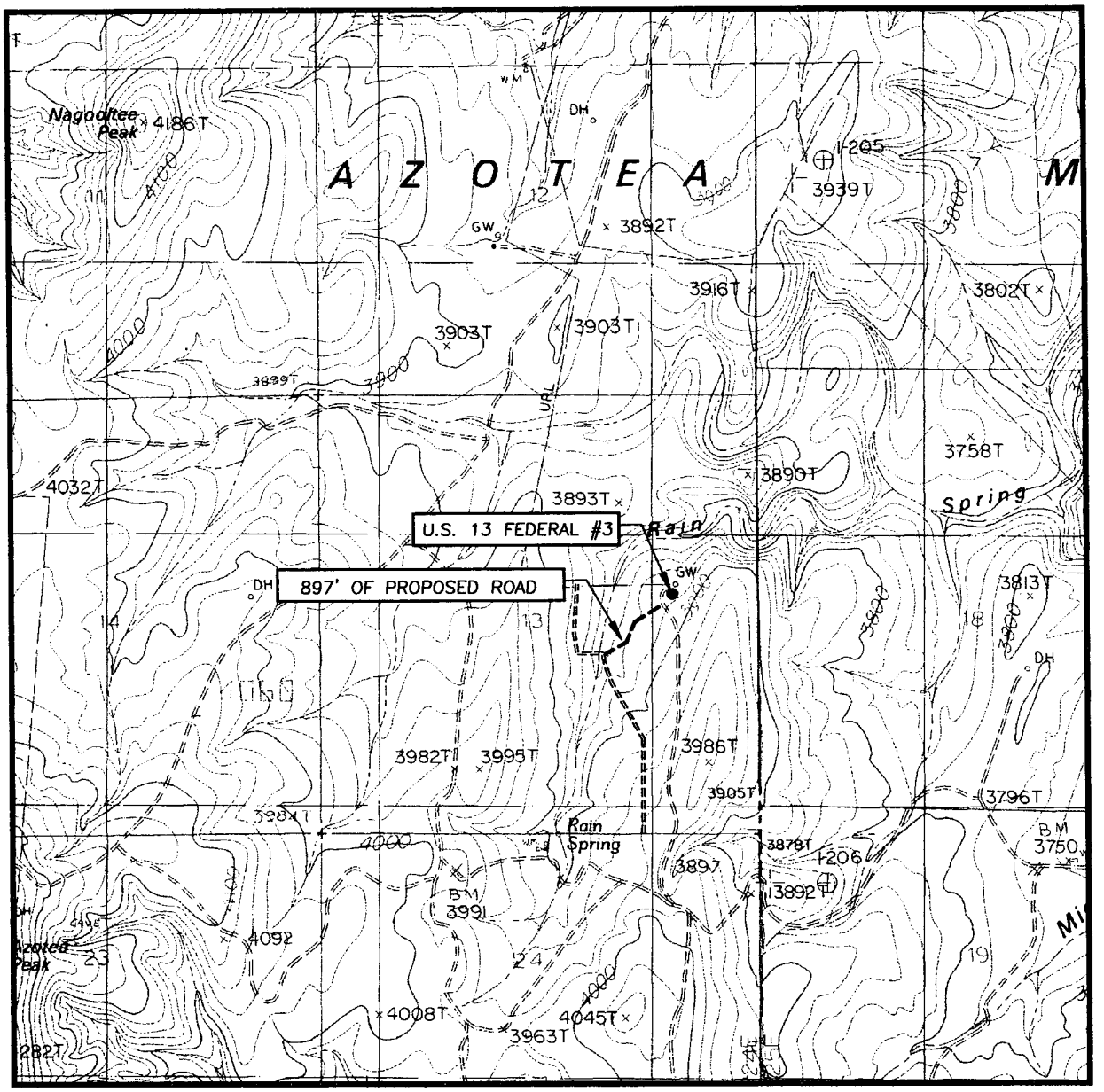
ELEVATION 3877'

OPERATOR NEARBURG PRODUCING COMPANY

LEASE U.S. 13 FEDERAL

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:
AZOTEA PEAK, N.M. – 20'

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

SURVEY N.M.P.M.

COUNTY EDDY

DESCRIPTION 2405' FNL & 1040' FEL

ELEVATION 3877'

OPERATOR NEARBURG PRODUCING COMPANY

LEASE U.S. 13 FEDERAL

U.S.G.S. TOPOGRAPHIC MAP
AZOTEA PEAK, N.M.

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

STATEMENT ACCEPTING RESPONSIBILITY FOR OPERATIONS

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

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

Lease No:	NMNM97112
Legal Description of Land:	SHL: Unit H, 2305 FNL and 990 FEL, Sec 13-22S-24E BHL: Unit C, 660 FNL and 1980 FWL, Sec 18-22S-~~24E~~ 25E Eddy 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

3-23-05
Date

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

ATTACHMENT TO FORM 3160-3
MCKITTRICK 18 FEDERAL #1
SHL: 2305 FNL AND 990 FEL, SEC 13-22S-24E
BHL: 660 FNL AND 1980 FWL, SEC 18-22S-25E
EDDY COUNTY, NEW MEXICO

DRILLING PROGRAM

1. GEOLOGIC NAME OF SURFACE FORMATION

   Artesia GP

2. ESTIMATED TOPS OF IMPORTANT GEOLOGIC MARKERS

3rd Bone Spring	7276'
Wolfcamp Shale	7676'

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

Cisco/ Canyon	8076'

4. CASING AND CEMENTING PROGRAM

Casing Size	From To	Weight	Grade	Joint	
9-5/8"	0' – 1,500'	36#	J55	STC	WITNESS
7"	0' – 8,600'	23 & 26#	K55, N80	LTC & BTC	

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

We plan to drill a 14-3/4" hole to equal 1500'. 9-5/8" casing will be cemented with 700 sxs Class "C" or volume necessary to bring cement back to surface.

8-3/4" hole will be drilled to 8,600' and 7" production casing will be cemented with approximately 1000 sxs of Class "H" cement circulated to surface.

5. MINIMUM SPECIFICATIONS FOR PRESSURE CONTROL

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

A BOP sketch is attached.

6. TYPES AND CHARACTERTICS OF THE PROPOSED MUD SYSTEM

Spud and drill to 1500' with fresh water mud for surface string. The production section from 1,500' to 8,600' will be 8.3 ppg Fresh Water system with mud weight sufficient to control formation pressures.

7. AUXILLARY WELL CONTROL AND MONITORING EQUIPMENT

None required.

8. LOGGING, TESTING, AND CORING PROGRAM

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

9. ABNORMAL CONDITIONS, PRESSURES, TEMPERATURES & POTENTIAL HAZARDS

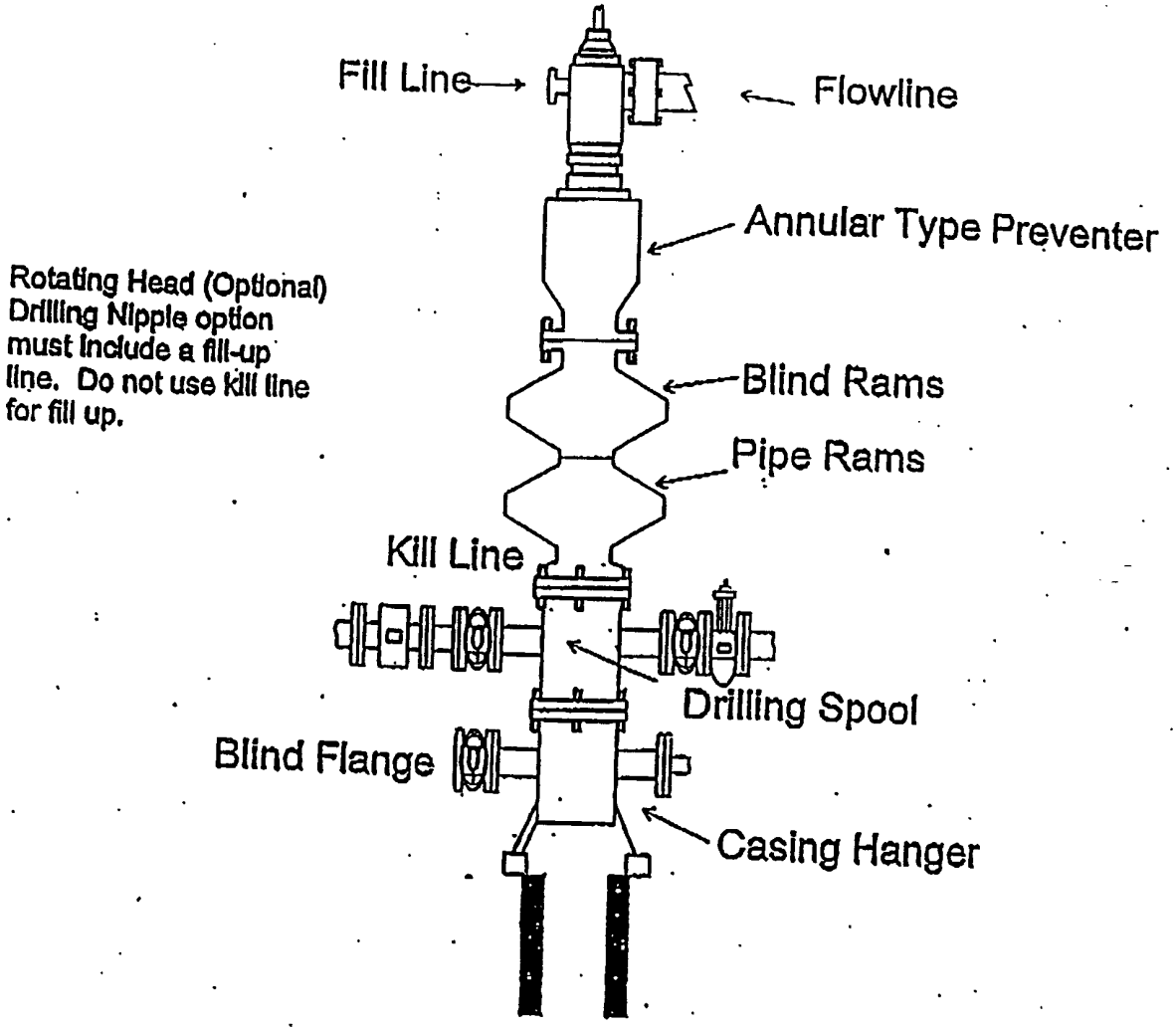
None anticipated.

BHP expected to be 1,100 psi.

10. ANTICAPATED STARTING DATE:

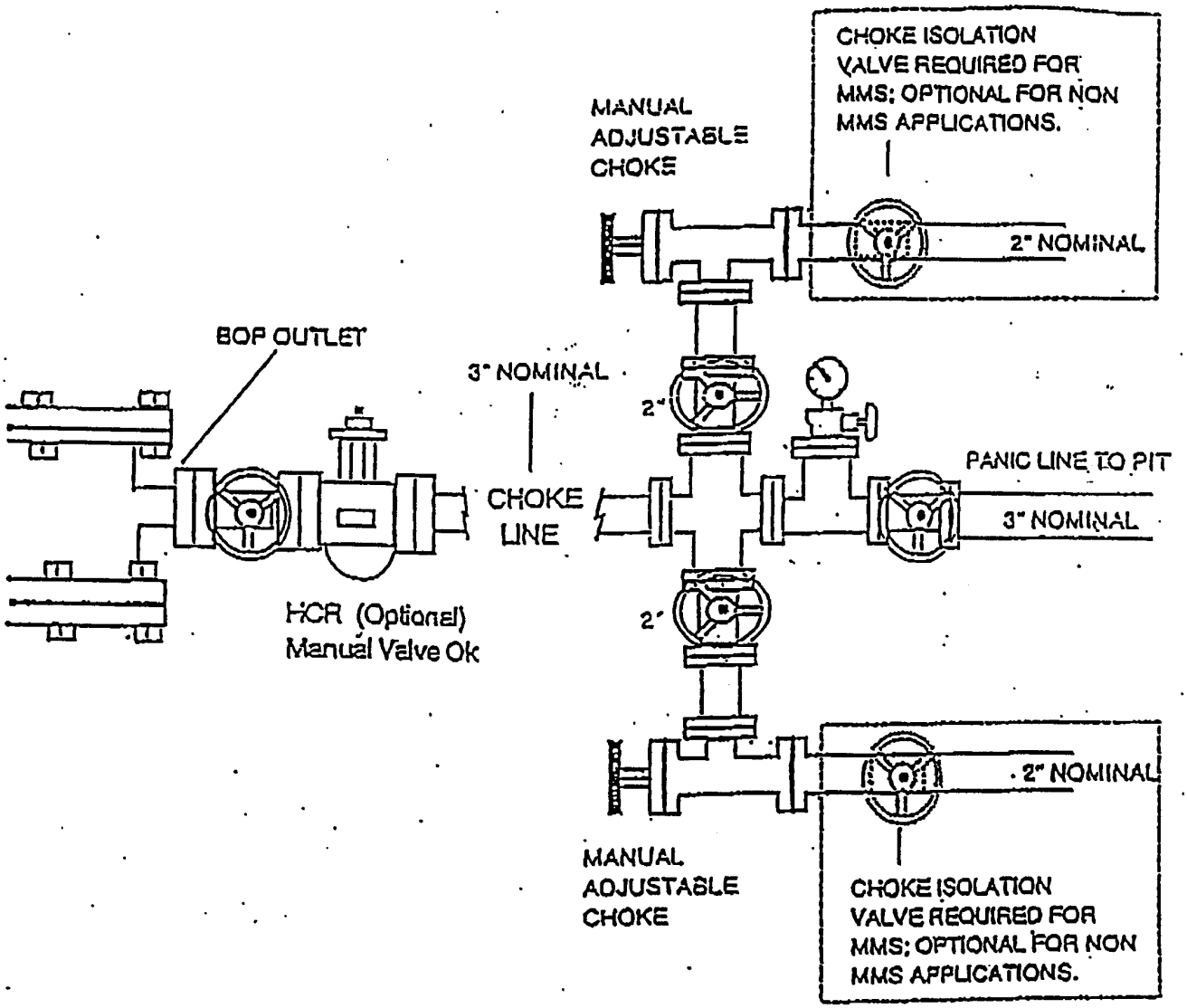
Is planned that operations will commence on May 1, 2005 with drilling and completion operation lasting about 30 days.

BOPE SCHEMATIC



1500 Series

EARBURG PRODUCING COMP
CHOKE MANIFOLD
5M SERVICE



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

Rockhouse Ranch

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.

3-23-05
Date

H. R. Willis
Drilling Manager

HYDROGEN SULFIDE DRILLING OPERATIONS PLANS
NEARBURG PRODUCING COMPANY
McKITTRICK 18 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.

2. H2S SAFETY EQUIPMENT AND SYSTEMS

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

A. Well Control Equipment:

1. Flare line with continuous pilot.

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

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

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

B. Protective Equipment for Essential Personnel:

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

C. H2S Detection and Monitoring Equipment:

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

2. One portable SO2 monitor positioned near flare line.

D. Visual Warning systems:

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

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

E. Mud Program

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

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

F. Metallurgy

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

G. Communication

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

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

H. Well Testing

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

WARNING

YOU ARE ENTERING A H2S AREA
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 NEARBURG SUPERINTENDENT AT MAIN OFFICE

NEARBURG PRODUCING COMPANY

(432) 686-8235

PREPARED FOR:

Mr. Butch Willis
NEARBURG PRODUCING CORPORATION
Midland, Texas

US 13 Federal # 3
Section 13
T-22-S
R-24-E
Eddy County, New Mexico

30-015-34272

Prepared by:
Jason Edwards
July 13, 2004

DRILLING FLUID SYNOPSIS

NEARBURG PRODUCING CORPORATION

US 13 FEDERAL # 3
Section 13
T-22-S
R-24-E
Eddy County, New Mexico

CASING

9 5/8" at 1,500'

5 1/2" at 8,600'

DEPTH	MUD WEIGHT	VISCOSITY	FLUID LOSS	DRILL SOLIDS	COMMENTS
0-1,500'	8.4 to 8.5	28 to 29	No Control	<1%	Fresh Water, Fresh Gel Sweeps, Lime, Paper
1,500'-8,600'	8.4 to 8.5	28 to 29	No Control	<1%	Fresh Water, Star NP-110, Paper, Lime Starch if needed

ESTIMATED FORMATION TOPS

SAN ANDRES	495'
GLORIETA	2,018'
YESO	2,110'
BONE SPRINGS	4,600'
WOLFCAMP	7,548'
PENN (CISCO)	7,775'
CANYON	7,895'
TD	8,600'

RECOMMENDED CASING PROGRAM

9 5/8" at 1,500'

5 1/2" at 8,600'

RECOMMENDED DRILLING FLUID PROGRAM

DEPTH	WEIGHT	VISCOSITY	FILTRATE
0-1,500'	**8.4-8.5**	**28-29**	**No Control**

Spud with fresh water circulating through the working pits. Sweep the hole with Fresh Water Gel flocculated with Lime mixed at a 10 to 1 ratio. Use Paper for seepage control. There is a potential for lost returns in this interval. If lost returns are encountered and circulation cannot be regained after pumping several viscous LCM pills, you should consider dry drilling to casing point. While dry drilling, we recommend periodically pumping viscous LCM sweeps to prevent solid accumulation in annulus.

DEPTH	WEIGHT	VISCOSITY	FILTRATE
1,500'-8,600'	**8.4-8.5**	**28-29**	**No Control**

Drill out from under surface with fresh water circulating through the reserve pit. Use Star NP-110 for sweeps and to control solids. Use Lime for 9.0 to 10.0 pH. Paper should be used for seepage. The hole should be swept every 200', or as needed, with pre-hydrated Fresh Water Gel. This will minimize solids buildup in the annulus and reduce the possibility of lost circulation while drilling the Upper Penn and other under pressured formations. There is a potential for lost returns in this interval. If lost returns are encountered and circulation cannot be regained after pumping several viscous LCM pills, you should consider dry drilling to casing point. While dry drilling, we recommend periodically pumping viscous LCM sweeps, to prevent solid accumulation in annulus. There is a possibility of encountering H_2S from the Bone Springs as well as the Upper Penn. If H_2S is encountered, we recommend additions of an H_2S Scavenger for personnel safety and a Filming Amine to protect the drill pipe. We recommend utilizing a ±200 bbl premix pit for sweeps and LCM pills.

Note: we recommend a blend of Fiber Plug, Nut Shell, Maxi-Seal (Chem-Seal), and Mica may be used as LCM in this interval.

If a drilling fluid is desired for evaluation of this interval, we recommend returning to the working pits and utilizing a Star NP-110/Starch type fluid. Use Starch to reduce the API fluid loss below 15cc. Maintain pH at 9.0 to 10.0 with Lime. If additional viscosity is desired we recommend using Fresh Gel. This fluid should be sufficient for evaluation in this area.

Estimated Drilling Fluid Cost: $4,000.00 to $5,000.00
Estimated Drilling Days: 13 to 16

Cost is based on a 1,000 bbl system and does not reflect lost circulation, abnormal pressure, H_2S, unstable hole conditions requiring elevated viscosities or mud in production interval.

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 29 on this well.
2. Maintain mud weights as low as possible without jeopardizing safety.
3. Use slow trip speeds to prevent swabbing and surging.
4. Break circulation in stages with reduced pump strokes while tripping in the hole.
5. Rotate pipe prior to and while tripping in the hole.
6. Use an optimum hydraulics program.

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

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

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

Nearburg Producing Company

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

Hydrogen Sulfide (H2S) Contingency Plan

For

US 13 Federal #3
SHL: 2008 FNL and 991 FWL
BHL: 1980 FSL and 1980 FEL
Sec 13, 22S, 24E
Eddy County, New Mexico

RECEIVED
JUN 10 2005
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PUBLIC PROTECTION PLAN
NEARBURG PRODUCING COMPANY

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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 conjuction 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.

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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 o 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 rem 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.

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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.

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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 with out exposing yourself to danger, leave the area to a safe distance.
- ☐ Notify supervision.
- ☐ Continue to monitor for H2S and maintain site security until instructed be 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.

- ☐ 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: H Wiles Date: 9.8.04
Title: Drilling Manager

NEARBURG PRODUCING COMPANY
REGULATORY CONTACTS

Agency	Contact Name		Division/Area	Main Phone #	Cell Phone	Home Phone #
	First	Last				
NMOCD	Emergency Number		District 2	505-746-4302		
NMOCD	Field Rep On-Call		District 2	505-939-8622		
NMOCD	Tim	Gum	District 2	505-748-1283	505-626-0824	505-324-1387
NMOCD	Mike	Stubblefield	District 2	505-748-1283	505-626-0831	505-746-6422
NMOCD	Gerry	Guye	District 2	505-748-1283	505-626-0843	505-887-3254
NMOCD	Phil	Hawkins	District 2	505-748-1283	505-626-0836	505-746-9272
NMOCD	Bryan	Arrant	District 2	505-748-1283	505-626-0830	505-748-2092
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 3, Roswell	505-827-9312		
NM State Police			Sub-District 3, Roswell	505-622-7200 (call this # for dispatch to our area)		
BLM			Carlsbad	505-887-6544		
US Coast Guard			National Response Center	800-424-8802		
NMED			Air Quality Bureau	505-827-1494		
	State Emergency Response Center			505-827-9126		
LEPC	Local Emerg. Planning Commission - Eddy County			505-885-2111		
NM OSHA	New Mexico OSHA Ofc.			505-827-2850		

EMERGENCY SERVICES

Service Provider	Description	Main Phone	
General Emergency	***Police, Fire, Ambulance***	***911***	
Carlsbad Police, Fire, Ambulance Service		505-885-2111	
Artesia General Hospital	Medical Services	505-748-3333	
Carlsbad Fire Dept.	Fire Control	505-885-3124	
Artesia Fire Dept.	Fire Control	505-746-2701	
Happy Valley Fire Dept.	Fire Control	505-885-1982	
NM State Police	Sub-District 3, Carlsbad		
NM State Police (Dispatcher)	District 3, Roswell	505-622-7200	
Eddy County Sheriff	Law Enforcement	505-887-7551	

NEARBURG PRODUCING COMPANY
EMERGENCY RESPONSE PLAN

Position	Office Phone	Cell Phone #	Home Phone #
Drilling Superintendent			
Butch Willis	432-686-8235 (223)	505-369-5852	432-697-2484
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

AREA RESIDENTS AND OFFSET OPERATIONS

Location Desciption	Contact	Title	Address	City/ST/Zip	Phone 1	Cell	Location Info.
4TK + (Boles)	Wilkie, Mark & Sandi		1073 Marathon Rd.	Carlsbad, NM 88220	505-457-2022		
Foster Ranch	Foster, John		P.O. Box 103	Artesia, NM 88211-0103	505-457-2165		
Forrest Lee Ranch	Lee, Dean		P.O. Box 89	Lakewood, NM 88254	505-457-2301		Trailer house near NIBU 24
Gissler Ranch	Cox, Billy		344 Pinderosa Pine	Carlsbad, NM 88220	505-457-2397		
Gregory's	Gregory, Wayne		617 Queens Hwy.	Carlsbad, NM 88220	505-457-2245		
HH Ranch	Houchtaling, Harold		P.O. Box 234	Artesia, NM 88211-0234	505-457-2245		
Howell Ranch	Howell, Richard		P.O. Box 94	Lakewood, NM 88254	505-457-2602		
Kincaid Ranch	Kincaid, Gene		2913 Octotilly Canyon Dr.	Carlsbad, NM 88220	505-887-6918		
Kincaid Ranch	Kincaid, Hugh		2911 Octotilly Canyon Dr.	Carlsbad, NM 88220	505-885-9458		
Kincaid Ranch	Marbauch, Jim		1762 Qureen Hwy.	Carlsbad, NM 88220	505-457-2233		Lives at ranch house just E of Hwy 137 About 2 miles past mile marker 42 towrds Queens.
Old Jones Ranch	Lasiter, Rick				505-457-2108		
Schafer Ranch	Biebelle, Stacey		646 Qureen Hwy.	Carlsbad, NM 88220	505-457-2360		House near low water crossing on Hwy 137
Patsy's old house	DeMoss, Neil				none		
Chevron Oil	Boles, Randy					505-390-7232	
Chevron Oil	Angel, Kenneth					505-390-1540	
Devon	Daniel				505-390-5850		
Devon	Crosbey, Owen				505-748-7749		
Devon	Huber, Mark				505-748-5502		
Devon	Canada, Don				505-748-5503		
Devon	Brady				505-390-5431		
Devon	Huber, Joe	Superintendent			505-390-5438		
Devon	"Doghouse"				505-457-2613		
Duke Energy	Lamb, Johnny	Foreman			505-390-2791		
Duke Energy	Main Office		Carlsbad		505-628-0282		
Duke Energy	Valenzuela, Oscar				505-910-4675		
El Paso	Jacquez, David	Gas Measurement			505-857-2158		
KMG (Kerr McGee)	Deese, Tommy	Superintendent			505-234-2703	505-706-3423	
KMG (Kerr McGee)	Chalker, Andy	Prod. Foreman			505-234-2703	505-910-0342	
KMG (Kerr McGee)	Hess, Bobby	Team Leader			505-234-2703	505-706-3543	
KMG (Kerr McGee)	Wilson, James						
KMG (Kerr McGee)	Brannon, Steve				505-390-1540	505-706-3669	
Yates Petroleum (Agave)	Main Office				505-784-1471		
Yates Petroleum (Agave)	Johnson, Bill	Foreman			505-748-6816	505-365-4615	
Yates Petroleum (Agave)	Moorehead, Robert				505-748-6815	505-365-4840	