

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT1625 N. French Drive
Hobbs, NM 88240FORM APPROVED
OMB NO. 1004-0137
Expires March 31, 2007

APPLICATION FOR PERMIT TO DRILL OR REENTER

1a. Type of Work <input checked="" type="checkbox"/> DRILL <i>per E-Plan Sarah Jordan</i> <input checked="" type="checkbox"/> REENTER			5. Lease Serial No. NMNM107396		
1b. Type of Well <input checked="" type="checkbox"/> Oil Well <input type="checkbox"/> Gas Well <input type="checkbox"/> Other <input type="checkbox"/> Single Zone <input type="checkbox"/> Multiple Zone			6. If Indian, Allottee or Tribe Name		
2. Name of Operator Nearburg Producing Company			7. Unit or CA Agreement Name and No.		
3a. Address 3300 N A St., Bldg 2, Ste 120, Midland, TX 79705			8. Lease Name and Well No. <i>(15742)</i> Mescalero 31 Federal #1		
3b. Phone No. (include area code) 432/686-8235			9. API Well No. 30-D25-37643		
4. Location of Well (Report location clearly and in accordance with any State requirements)* At surface <i>330 1830 per attached SV dated 12/15/05</i> 660 FSL and 1980 FEL			10. Field and Pool, or Exploratory E-K; Bone Spring <i>(21650)</i>		
At proposed prod. zone <i>Unit 8</i>			11. Sec., T., R., M., or Blk. and Survey or Area Sec 31, 18S 2-34E		
14. Distance in miles and direction from nearest town or post office* 11 miles NE of Halfway, NM			12. County or Parish Lea		13. State NM
15. Distance from proposed* location to nearest property or lease line, ft. (Also to nearest drg. unit line, if any) 660		16. No. of Acres in lease 80	17. Spacing Unit dedicated to this well 80		
18. Distance from proposed location* to nearest well, drilling, completed, applied for, on this lease, ft. 660		19. Proposed Depth 10,000	20. BLM/BIA Bond No. on file NMB000153		
21. Elevations (Show whether DF, KDB, RT, GL, etc.) 3840		22. Approximate date work will start* 12/1/05	23. Estimated duration 40 days		

24. Attachments

The following, completed in accordance with the requirements of Onshore Oil and Gas Order No. 1, shall be attached to this form:

- Well plat certified by a registered surveyor.
- A Drilling Plan
- A Surface Use Plan (if the location is on National Forest System Lands, the SUPO shall be filed with the appropriate Forest Service Office).
- Bond to cover the operations unless covered by an existing bond on file (see Item 20 above).
- Operator certification.
- Such other site specific information and/or plans as may be required by the authorized officer.

25. Signature <i>[Signature]</i>	Name (Printed/Typed) Sarah Jordan	Date 11/30/05
Title Production Analyst		
Approved by (Signature) /s/ Joe G. Lara	Name (Printed/Typed) /s/ Joe G. Lara	Date DEC 28 2005
Title ACTING 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)

APPROVAL FOR DRILL ONLY - cannot produce until Non-Standard location is approved by OCD Santa Fe office.

APPROVAL SUBJECT TO
GENERAL REQUIREMENTS AND
SPECIAL STIPULATIONS
ATTACHED

GWW

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

OCD-HOBBS

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

1. Type of Well

☒ Oil Well ☐ Gas Well ☐ Other

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 (Footage, Sec., T., R., M., or Survey Description)

660 FSL and 1980 FEL, Sec 31, 18S, 34E

5. Lease Serial No.

NMNM107396

6. If Indian, Allottee or Tribe Name

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

8. Well Name and No.

Mescalero 31 Federal
#1

9. API Well No.

10. Field and Pool, or Exploratory Area

E-K; Bone Springs

11. County or Parish, State

Lea NM

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

TYPE OF SUBMISSION

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

TYPE OF ACTION

- | | | | |
|---|---|--|---|
| <input type="checkbox"/> Acidize | <input type="checkbox"/> Deepen | <input type="checkbox"/> Production (Start/Resume) | <input type="checkbox"/> Water Shut-Off |
| <input type="checkbox"/> Alter Casing | <input type="checkbox"/> Fracture Treat | <input type="checkbox"/> Reclamation | <input type="checkbox"/> Well Integrity |
| <input type="checkbox"/> Casing Repair | <input type="checkbox"/> New Construction | <input type="checkbox"/> Recomplete | <input checked="" type="checkbox"/> Other <u>Location</u> |
| <input type="checkbox"/> Change Plans | <input type="checkbox"/> Plug and Abandon | <input type="checkbox"/> Temporarily Abandon | <u>Move</u> |
| <input type="checkbox"/> Convert to Injection | <input type="checkbox"/> Plug Back | <input type="checkbox"/> 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 recompleat 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 recompleat 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 is moving the subject location at the request of BLM Rep, Ty Allen as follows:

from:

660 FSL and 1980 FEL, Sec 31, 18S, 34E

to:

330 FSL and 1830 FEL, Sec 31, 18S, 34E

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

Sarah Jordan

Title

Production/ Regulatory Analyst

Date 12/15/05

THIS SPACE FOR FEDERAL OR STATE OFFICE USE

Approved by

/s/ Joe G. Lara

ACTING

FIELD MANAGER

Date DEC 28 2005

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.

Office

CARLSBAD FIELD OFFICE

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: NMNM107396

Legal Description of Land: 330 FSL and 1830 FEL
Sec. 31, T18S, R34E
Lea County, New Mexico

Formation(s) (if applicable): E-K; Bone Spring

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

BLM Bond File No: NMB000153

11.3.05
Date

H. R. Willis
H. R. Willis
Drilling Manager

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 30-025-37643	Pool Code 21650	Pool Name CK-Bar Spring
Property Code 35380	Property Name MESCALERO 31 FEDERAL	Well Number 1
OGRID No. 015742	Operator Name NEARBURG PRODUCING COMPANY	Elevation 3838'


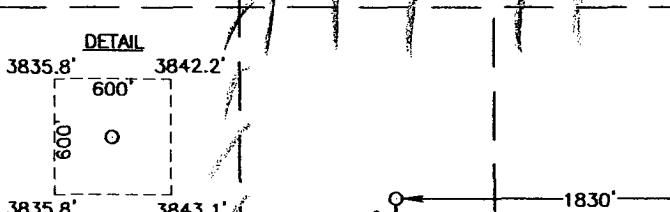
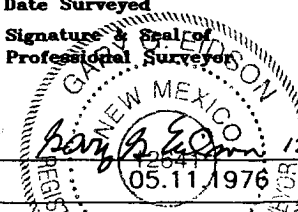
Surface Location

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
0	31	18-S	34-E		330	SOUTH	1830	EAST	LEA

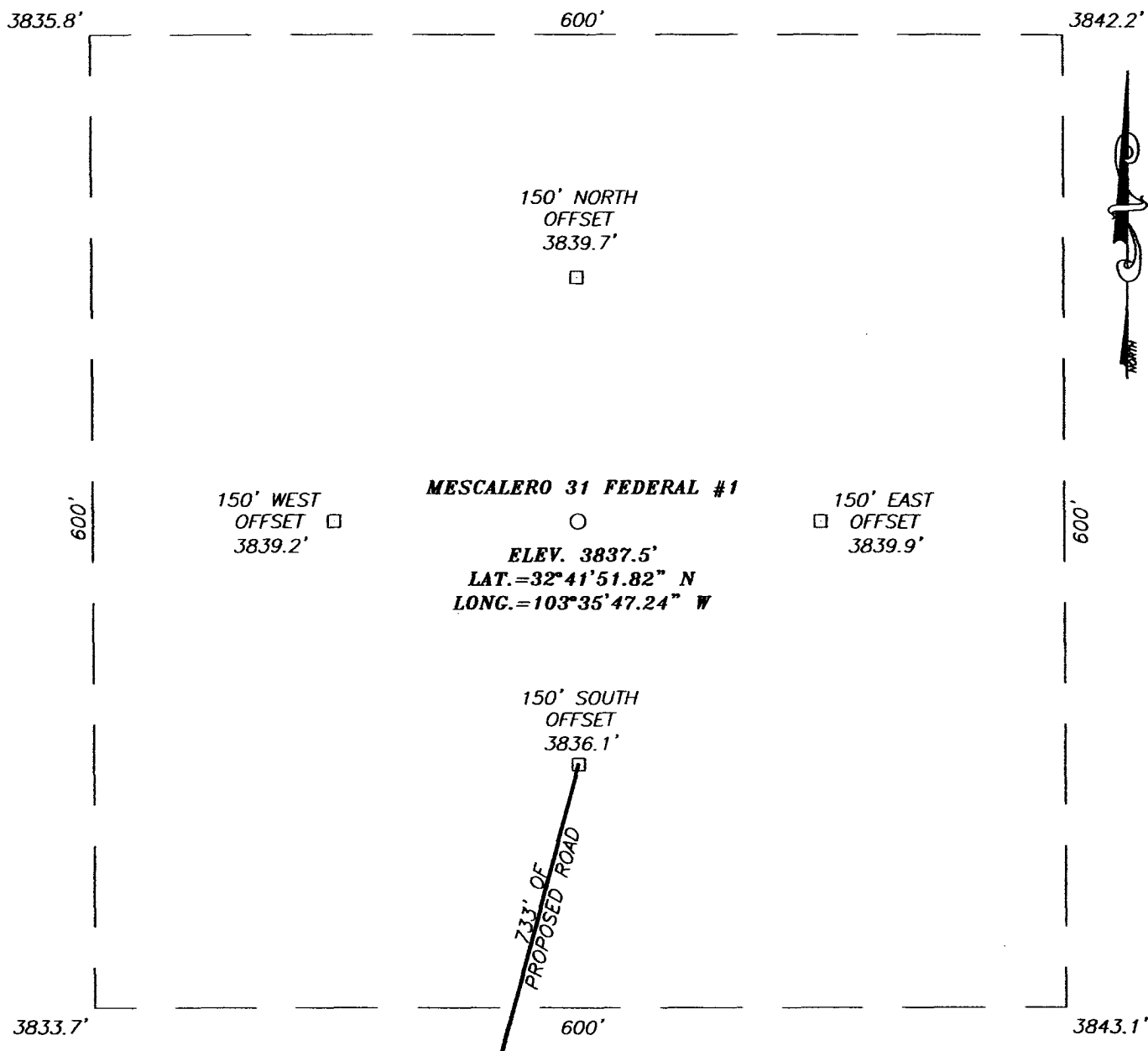
Bottom Hole Location If Different From Surface

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
Dedicated Acres 80	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**

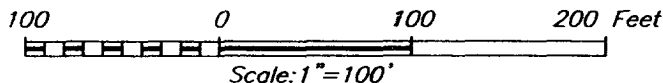
<p>LOT 1</p> <p>37.91 AC</p> <p>LOT 2</p>		<p>OPERATOR CERTIFICATION</p> <p><i>I hereby certify the the information contained herein is true and complete to the best of my knowledge and belief.</i></p> <p> Signature</p> <p>S. Jordan Printed Name</p> <p>Prod Analyst Title</p> <p>12.15.05 Date</p>
<p>37.97 AC</p> <p>LOT 3</p>	<p>GEODETIC COORDINATES NAD 27 NME</p> <p>Y=618332.1 N X=726684.1 E</p> <p>LAT.=32°41'51.82" N LONG.=103°35'47.24" W</p>	<p>SURVEYOR CERTIFICATION</p> <p><i>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.</i></p> <p>DECEMBER 13, 2005</p>
<p>38.03 AC</p> <p>LOT 4</p> <p>38.09 AC</p>	<p>DETAIL</p> 	<p>Date Surveyed LA</p> <p>Signature & Seal of Professional Surveyor</p>  <p>Certificate No. GARY G. EDSON 12841</p>

SECTION 31, TOWNSHIP 18 SOUTH, RANGE 34 EAST, N.M.P.M.,
 LEA COUNTY, NEW MEXICO



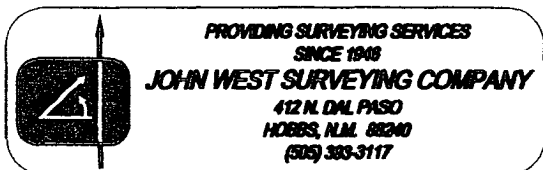
DIRECTIONS TO LOCATION

FROM THE INTERSECTION OF U.S. HWY. #62-180 AND SMITH RANCH ROAD, GO NORTH ON SMITH RANCH ROAD APPROX. 2.1 MILES. TURN RIGHT AND GO THRU CATTLE GUARD APPROX. 0.2 MILES TO A ROAD INTERSECTION. TURN RIGHT AND GO NORTH APPROX. 4.0 MILES TO A ROAD INTERSECTION. TURN LEFT AND GO WEST APPROX. 200 FEET TO A PROPOSED ROAD SURVEY. FOLLOW ROAD SURVEY APPROX. 733 FEET NORTHEAST TO THIS LOCATION.



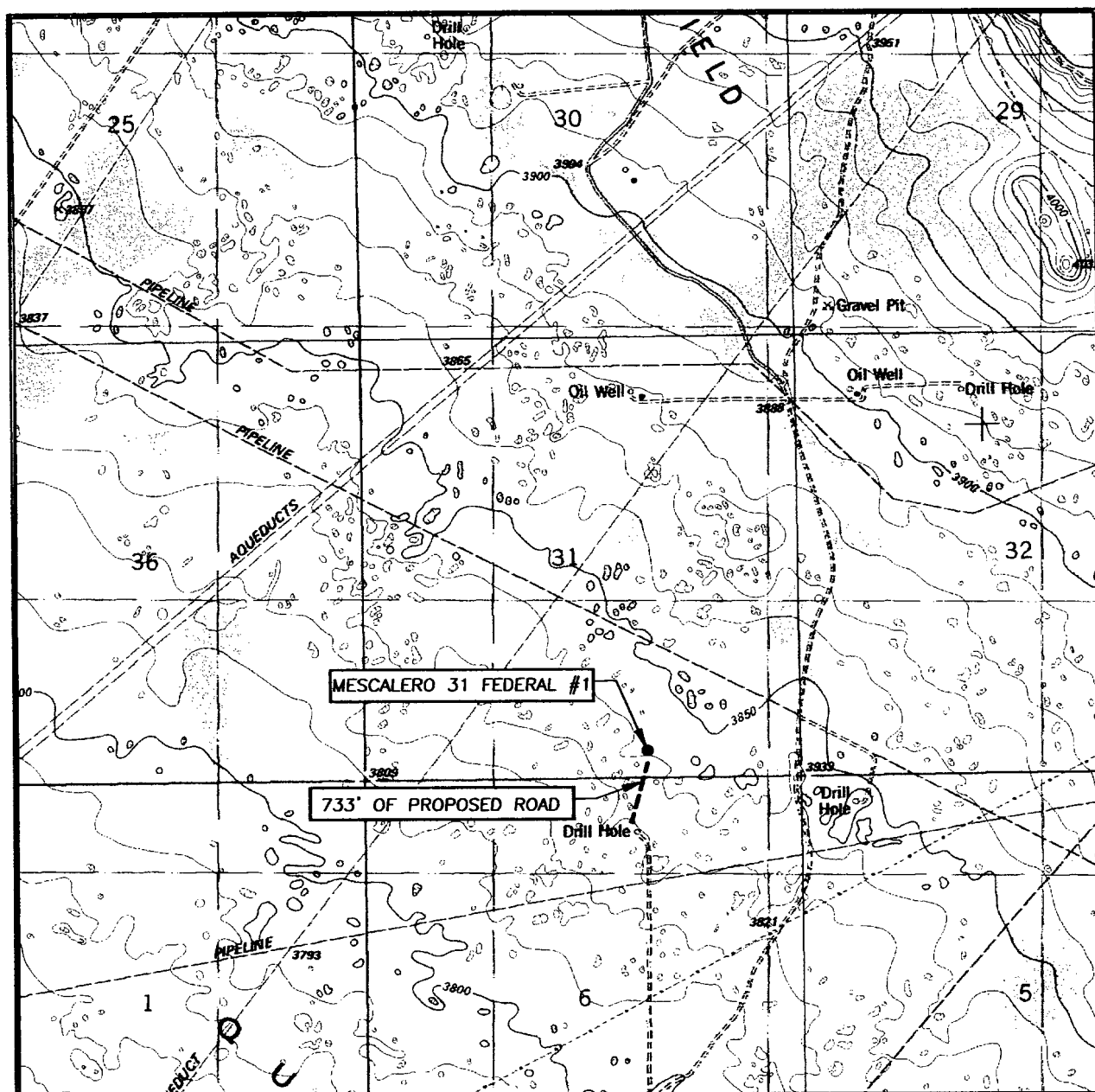
NEARBURG PRODUCING COMPANY

MESCALERO 21 FEDERAL #1 WELL
 LOCATED 330 FEET FROM THE SOUTH LINE
 AND 1830 FEET FROM THE EAST LINE OF SECTION 31,
 TOWNSHIP 18 SOUTH, RANGE 34 EAST, N.M.P.M.,
 LEA COUNTY, NEW MEXICO.



Survey Date: 12/13/05	Sheet 1 of 1 Sheets
W.O. Number: 05.11.1976	Dr By: LA
Date: 12/14/05	Disk: CD#4
05111976	Scale: 1"=100'

LOCATION VERIFICATION MAP



SCALE: 1" = 2000'

CONTOUR INTERVAL:
IRONHOUSE WELL, N.M. - 10'

SEC. 31 TWP. 18-S RGE. 34-E

SURVEY N.M.P.M.

COUNTY LEA

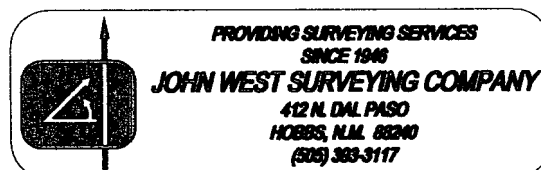
DESCRIPTION 330' FSL & 1830' FEL

ELEVATION 3838'

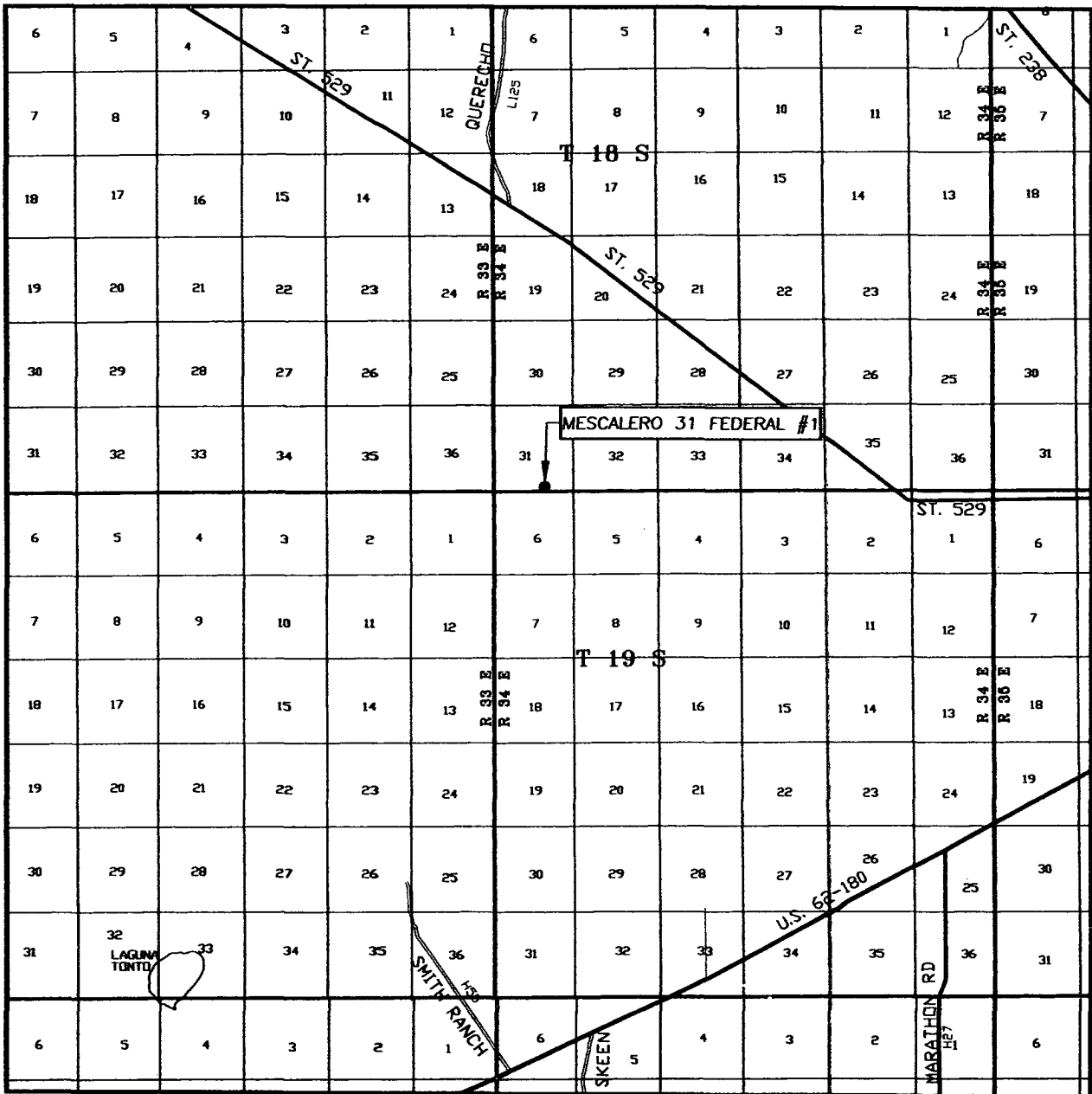
NEARBURG
OPERATOR PRODUCING COMPANY

LEASE MESCALERO 31 FEDERAL

U.S.G.S. TOPOGRAPHIC MAP
IRONHOUSE WELL, N.M.

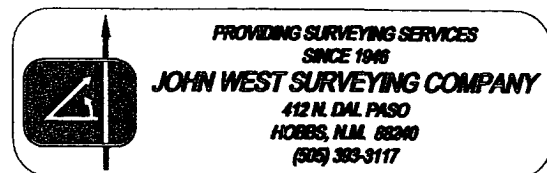


VICINITY MAP



SCALE: 1" = 2 MILES

SEC. 31 TWP. 18-S RGE. 34-E
 SURVEY N.M.P.M.
 COUNTY LEA
 DESCRIPTION 330' FSL & 1830' FEL
 ELEVATION 3838'
 NEARBURG
 OPERATOR PRODUCING COMPANY
 LEASE MESCALERO 31 FEDERAL



State of New Mexico

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

Energy, Minerals and Natural Resources Department

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

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

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	Pool Code	Pool Name <i>EK-Bone Spring</i>
Property Code	Property Name MESCALERO 31 FEDERAL	Well Number 1
OGRID No. <i>015742</i>	Operator Name NEARBURG PRODUCING COMPANY	Elevation 3840'

Surface Location

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
0	31	18-S	34-E		660	SOUTH	1980	EAST	LEA

Bottom Hole Location If Different From Surface

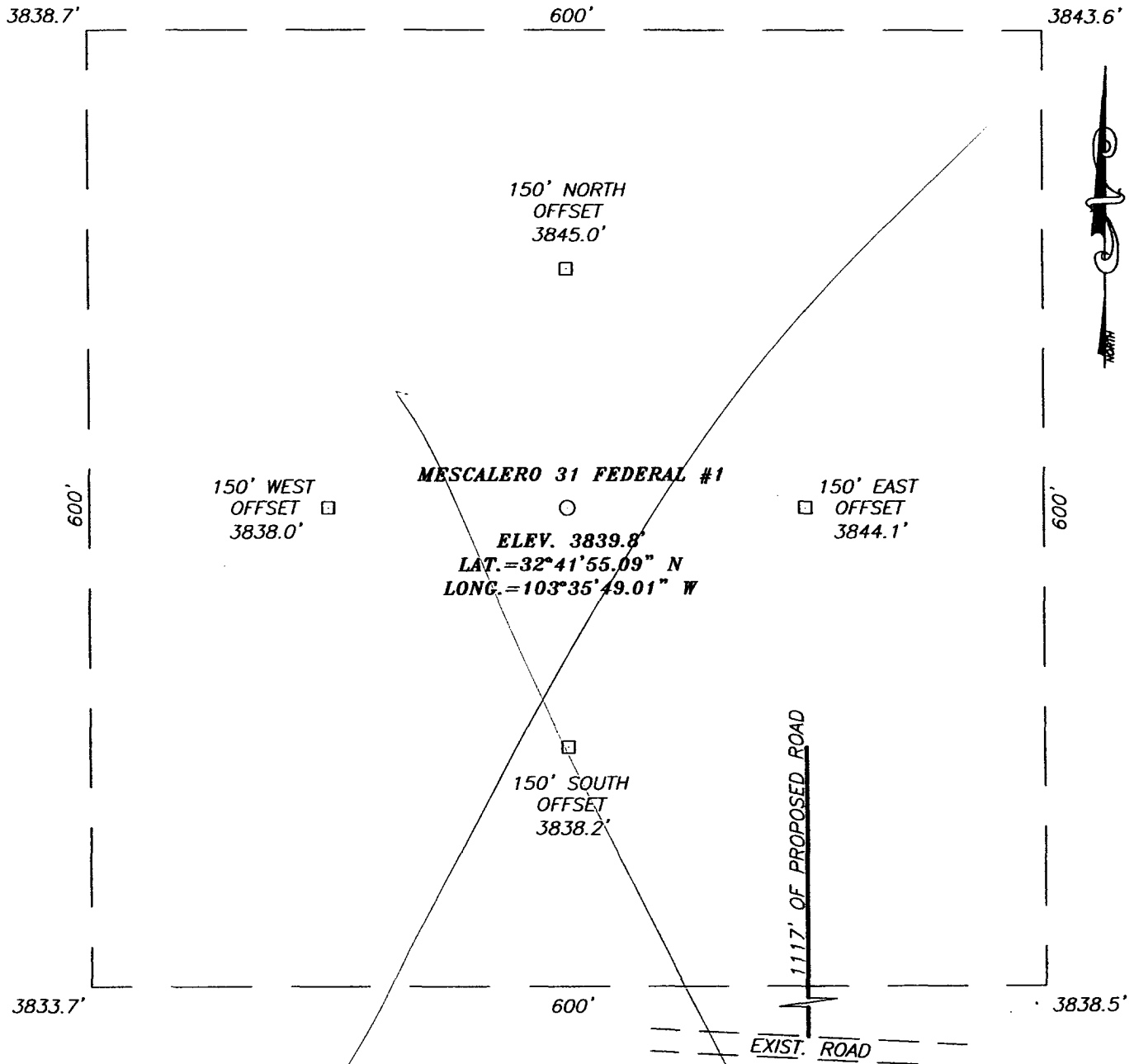
UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County

Dedicated Acres <i>80</i>	Joint or Infill	Consolidation Code	Order No.
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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

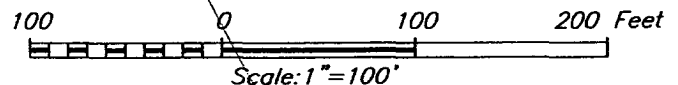
LOT 1		<p>GEODETIC COORDINATES NAD 27 NME</p> <p>Y=618661.1 N X=726530.9 E</p> <p>LAT.=32°41'55.09" N LONG.=103°35'49.01" W</p>	<p>OPERATOR CERTIFICATION</p> <p>I hereby certify the the information contained herein is true and complete to the best of my knowledge and belief.</p> <p><i>[Signature]</i> Signature <i>Jordan</i> Printed Name <i>Rod Anhalt</i> Title <i>11.3.05</i> Date</p>
37.91 AC LOT 2			<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>OCTOBER 12, 2005</p> <p>Date Surveyed Signature & Seal of Professional Surveyor <i>[Signature]</i> Certificate No. RONALD E. JOHNSON 3239</p>
37.97 AC LOT 3			
38.03 AC LOT 4			
38.09 AC			

SECTION 31, TOWNSHIP 18 SOUTH, RANGE 34 EAST, N.M.P.M.,
LEA COUNTY, NEW MEXICO



DIRECTIONS TO LOCATION

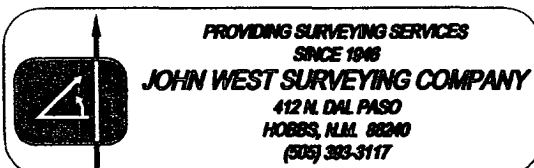
FROM THE INTERSECTION OF U.S. HWY. #62-180 AND SMITH RANCH ROAD, GO NORTH ON SMITH RANCH ROAD APPROX. 2.0 MILES. TURN RIGHT AT CATTLE GUARD AND GO NORTHWEST APPROX. 2.0 MILES. TURN LEFT AND GO NORTH APPROX. 3.8 MILES TO AN INTERSECTION ON THE NORTH SIDE OF ROAD. FOLLOW PROPOSED ROAD NORTH APPROX. 1117 FEET TO THIS LOCATION.



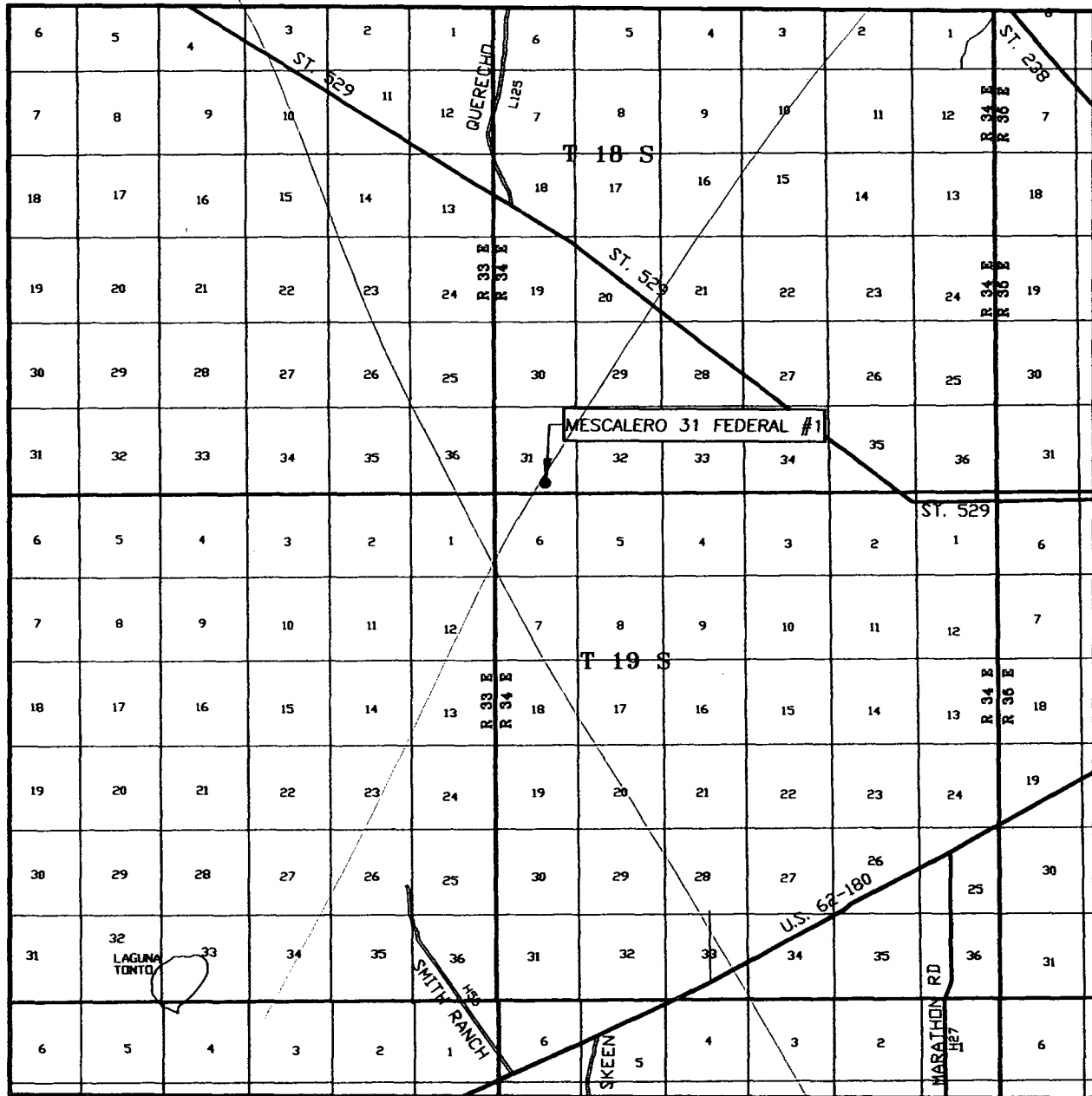
NEARBURG PRODUCING COMPANY

MESCALERO 21 FEDERAL #1 WELL
LOCATED 660 FEET FROM THE SOUTH LINE
AND 1980 FEET FROM THE EAST LINE OF SECTION 31,
TOWNSHIP 18 SOUTH, RANGE 34 EAST, N.M.P.M.,
LEA COUNTY, NEW MEXICO.

Survey Date: 10/12/05		Sheet 1 of 1 Sheets	
W.O. Number: 05.11.1569		Dr By: LA	Rev 1:N/A
Date: 10/18/05	Disk: CD#4	05111569	Scale: 1"=100'



VICINITY MAP



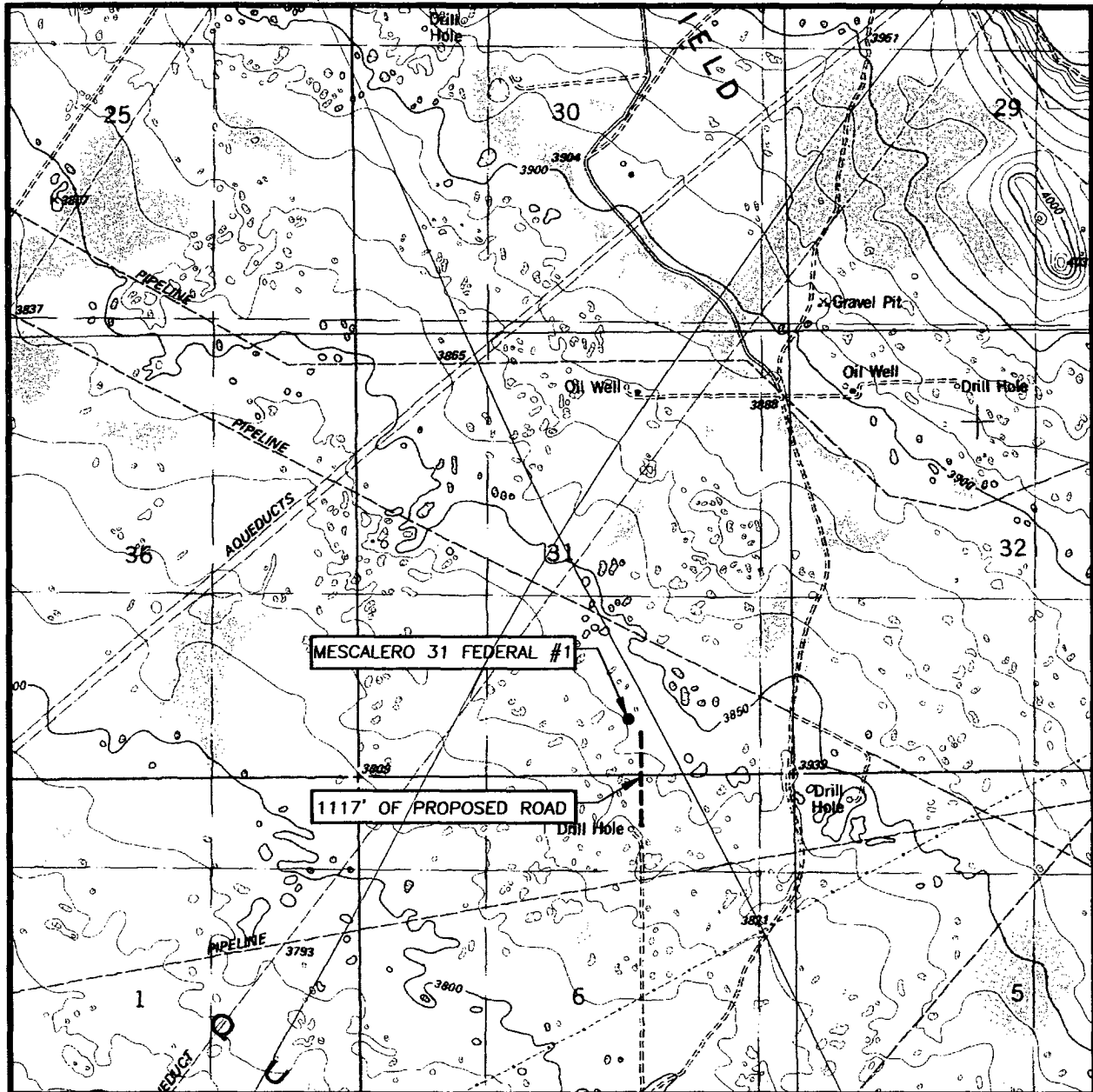
SCALE: 1" = 2 MILES

SEC. 31 TWP. 18-S RGE. 34-E
 SURVEY N.M.P.M.
 COUNTY LEA
 DESCRIPTION 660' FSL & 1980' FEL
 ELEVATION 3840'
 OPERATOR NEARBURG PRODUCING COMPANY
 LEASE MESCALERO 31 FEDERAL



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

LOCATION VERIFICATION MAP



SCALE: 1" = 2000'

CONTOUR INTERVAL:
IRONHOUSE WELL, N.M. - 10'

SEC. 31 TWP. 18-S RGE. 34-E

SURVEY N.M.P.M.

COUNTY LEA

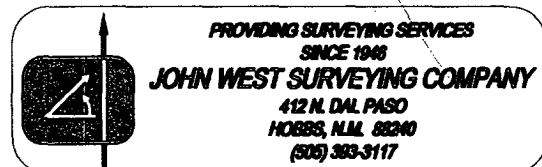
DESCRIPTION 660' FSL & 1980' FEL

ELEVATION 3840'

OPERATOR NEARBURG
PRODUCING COMPANY

LEASE MESCALERO 31 FEDERAL

U.S.G.S. TOPOGRAPHIC MAP
IRONHOUSE WELL, N.M.



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: NMNM107396

Legal Description of Land: 660 FSL and 1980 FEL
Sec. 31, T18S, R34E
Lea County, New Mexico

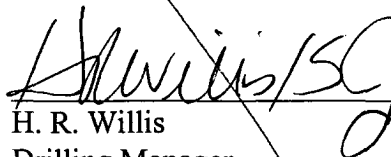
Formation(s) (if applicable): E-K; Bone Spring

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

BLM Bond File No: NMB000153

11.305

Date


H. R. Willis
Drilling Manager

**ATTACHMENT TO FORM 3160-3
MESCALERO 31 FEDERAL #1
SECTION 31, T18S, R34E
LEA COUNTY, NEW MEXICO**

DRILLING PROGRAM

1. GEOLOGIC NAME OF SURFACE FORMATION

Quaternary Alluvium

2. ESTIMATED TOPS OF IMPORTANT GEOLOGIC MARKERS

Yates	3200	Delaware	6200
Queen	4400	Bone Spring	7800
San Andres	5000	1st Bone Spring	9000
		2nd Bone Spring	9550

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

Bone Spring Oil

4. CASING AND CEMENTING PROGRAM

<u>Casing Size</u>	<u>From</u>	<u>To</u>	<u>Weight</u>	<u>Grade</u>	<u>Joint</u>
13-3/8"	0'	450'	48#	NA	NA
8-5/8"	0'	5000'	36#	NA	NA
5-1/2"	4500'	10,000'	17# & 20#	N-80	LT&C

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

We plan to drill a 17-1/2" hole to equal 450'. 13-3/8" casing will be cemented with 500 sxs or volume necessary to bring cement back to surface.

11" hole will be drilled to 5,000' and 8-5/8" casing will be cemented with 1500 sxs 35/64 Poz "C" or volume based on fluid caliper necessary to bring cement back to surface.

7-7/8" hole will be drilled to 10,000' and 5-1/2" production casing will be cemented with approximately 800 sxs of 50/50 and 35/64 Poz "H" cement or volume necessary to tie back to 8-5/8" casing.

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 CHARACTERISTICS OF THE PROPOSED MUD SYSTEM

Re-entry will be drilled with fresh water gelled mud system.

7. AUXILIARY WELL CONTROL AND MONITORING EQUIPMENT

None required.

8. LOGGING, TESTING, AND CORING PROGRAM

None

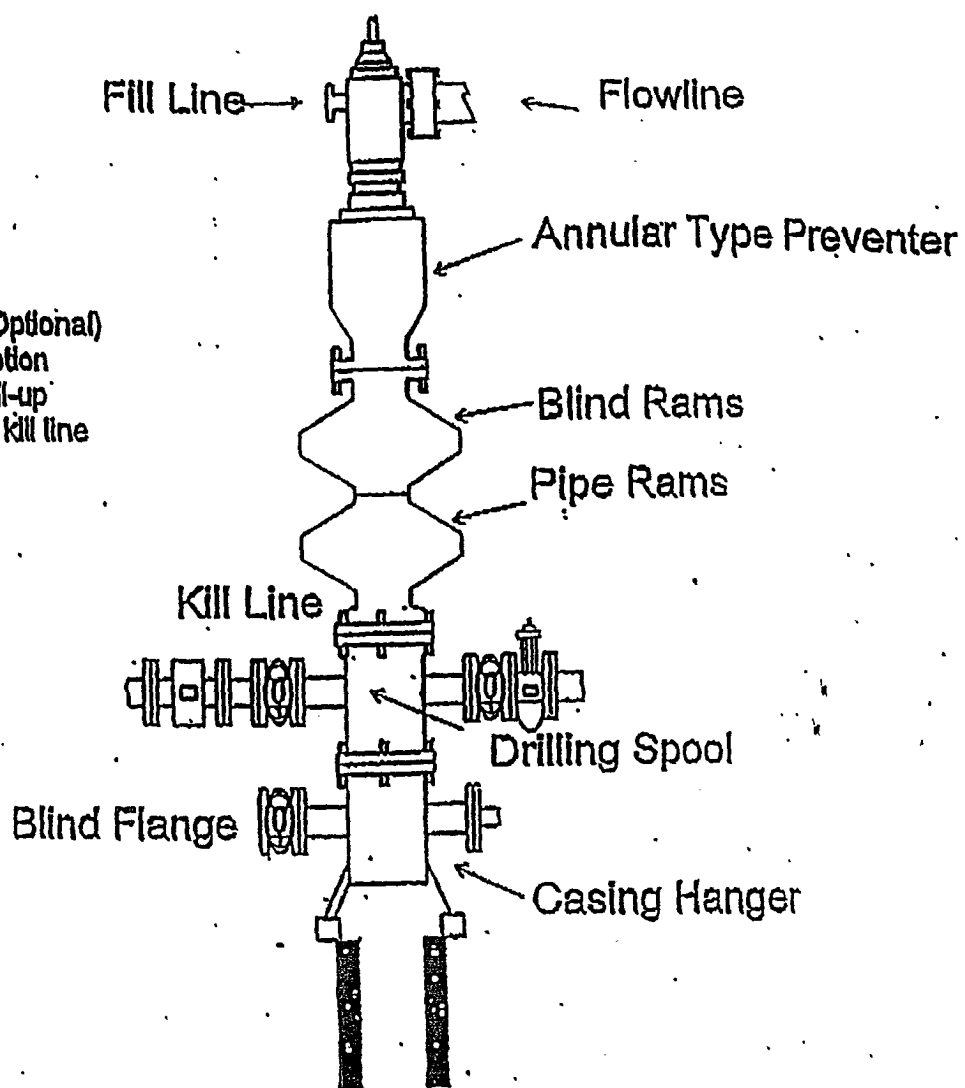
9. ABNORMAL CONDITIONS, PRESSURES, TEMPERATURES & POTENTIAL HAZARDS

None anticipated.

10. ANTICIPATED STARTING DATE:

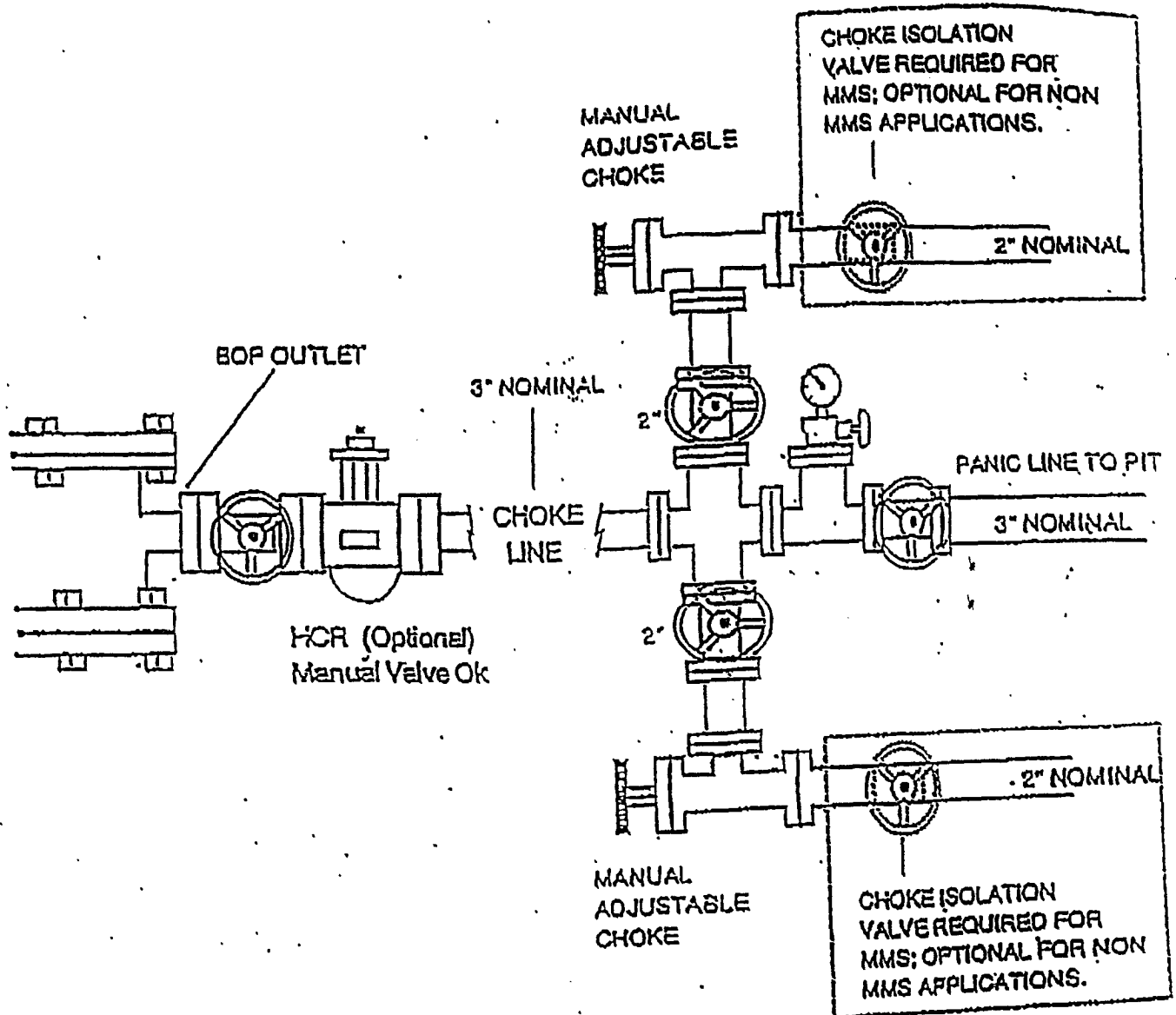
Is planned that operations will commence on December 1, 2005 with drilling and completion operation lasting about 45 days.

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



1500 Series

CHOKE MANIFOLD 5M SERVICE



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

NEARBURG PRODUCING COMPANY
MESCALERO 31 FEDERAL #1
SECTION 31, T18S, R34E
LEA COUNTY, NEW MEXICO

LOCATED

11 miles NE of Halfway, NM

OIL & GAS LEASE

NMNM107396

RECORD LESSEE

Nearburg Exploration Co

BOND COVERAGE

\$25,000 statewide bond of Nearburg Producing Company

ACRES IN LEASE

80

GRAZING LEASE

Kenneth Smith, Inc.

POOL

E-K; Bone Spring

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 down to a depth of approximately 10,000'.

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

Bureau of Land Management

11. OPERATOR'S REPRESENTATIVE

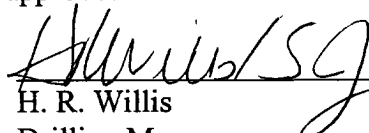
H. R. Willis
3300 North "A" Street, Bldg 2, Suite 120
Midland, Texas 79705
Office: (432) 686-8235
Home: (432) 697-2484

12. CERTIFICATION

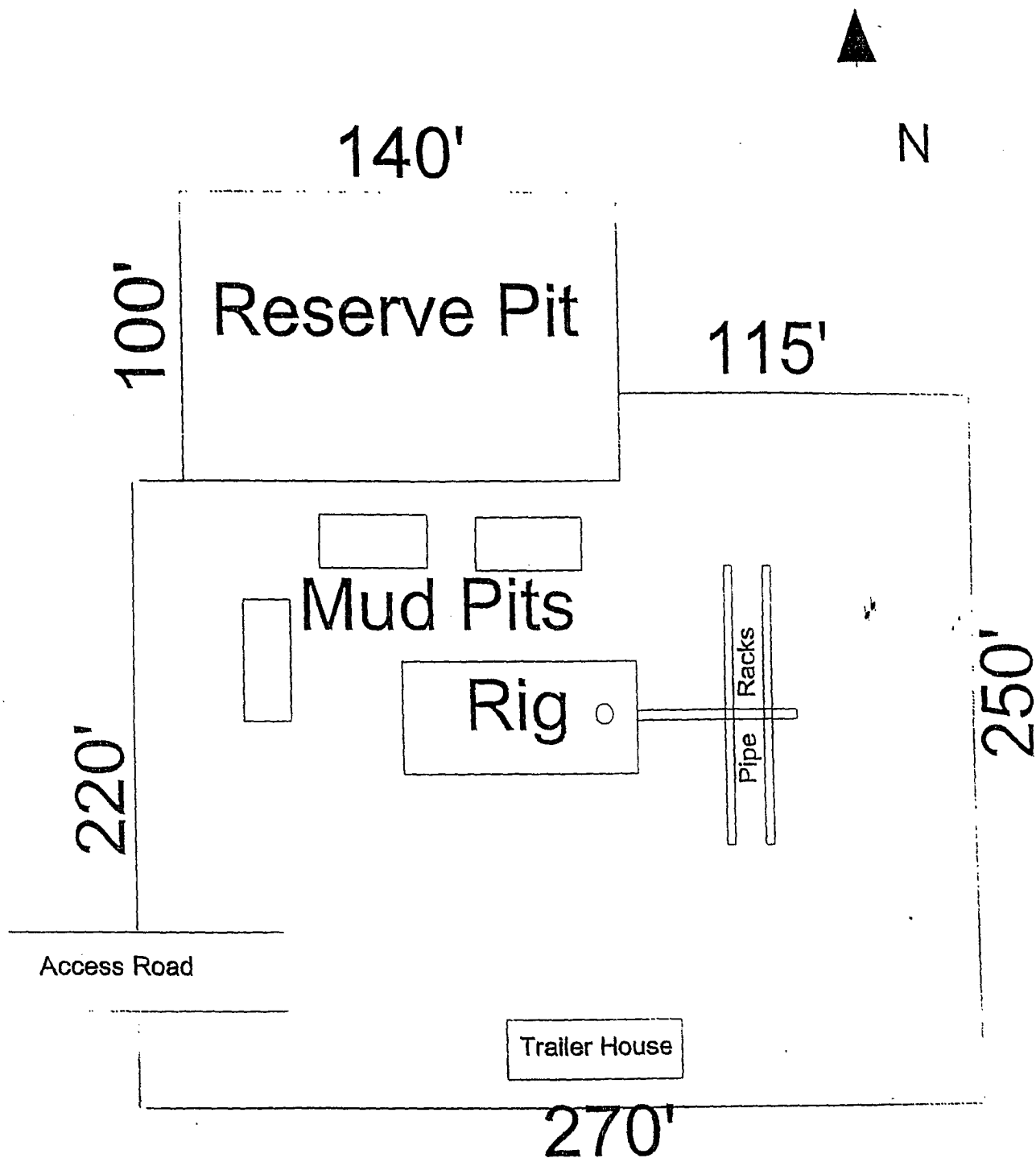
I hereby certify that I, or persons under my direct supervision, have inspected the proposed drill site and access route; that I am familiar with the conditions which presently exist; that the statements made in this plan are, to the best of my knowledge, true and correct; and, that the work associated with the operations proposed herein will be performed by Nearburg Producing Company and its contractors and subcontractors in conformity with this plan and the terms and conditions under which it is approved.

11.3.05

Date



H. R. Willis
Drilling Manager



**EXHIBIT B
DRILLING RIG LAYOUT
NEARBURG PRODUCING COMPANY**

SCALE 1" = 50'

**HYDROGEN SULFIDE DRILLING OPERATIONS PLANS
NEARBURG PRODUCING COMPANY
MESCALERO 31 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.

SPECIAL DRILLING STIPULATIONS

THE FOLLOWING DATA IS REQUIRED ON THE WELL SIGN

Operator's Name: Nearburg Producing Company Well Name & #: Mescalero 31 Federal #1

Location: 330'FSL & 1830FEL Sec.31, T.18S., R.34E.

Lease: NMNM-107396 County: Lea State: New Mexico

The Special stipulations check marked below are applicable to the above described well and approval of this application to drill is conditioned upon compliance with such stipulations in addition to the General Requirements. The permittee should be familiar with the General Requirements, a copy of which is available from a Bureau of Land Management office. EACH PERMITTEE HAS THE RIGHT OF ADMINISTRATIVE APPEAL TO THESE STIPULATIONS PURSUANT TO TITLE 43 CRF 3165.3 AND 3165.4.

This permit is valid for a period of one year from the date of approval or until lease expiration or termination whichever is shorter.

I. SPECIAL ENVIRONMENT REQUIREMENTS

- (X) Lesser Prairie Chicken (stips attached) () Flood plain (stips attached)
() San Simon Swale (stips attached) () Other

II. ON LEASE - SURFACE REQUIREMENTS PRIOR TO DRILLING

(X) The BLM will monitor construction of this drill site. Notify the (X) Carlsbad Field Office at (505) 234-5972 () Hobbs Office (505) 393-3612, at least 3 working days prior to commencing construction.

(X) Roads and the drill pad for this well must be surfaced with 6 inches of compacted caliche.

() All topsoil and vegetation encountered during the construction of the drill site area will be stockpiled and made available for resurfacing of the disturbed area after completion of the drilling operation. Topsoil on the subject location is approximately _____ inches in depth. Approximately _____ cubic yards of topsoil material will be stockpiled for reclamation.

(X) Other:

III. WELL COMPLETION REQUIREMENTS

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

(X) Surface Restoration: If the well is a producer, the reserve pit(s) will be backfilled when dry, and cut-and-fill slopes will be reduced to a slope of 3:1 or less. All areas of the pad not necessary for production must be re-contoured to resemble the original contours of the surrounding terrain, and topsoil must be re-distributed and re-seeded with a drill equipped with a depth indicator (set at depth of ½ inch) with the following seed mixture, in pounds of Pure Live Seed (PLS), per acre. Seeding should be done either late in the fall (September 15 - November 15, before freeze up, or early as possible the following spring to take advantage of available ground moisture. **See attached seed mixture.**

() A. Seed Mixture 1 (Loamy Sites)
Side Oats Grama (*Bouteloua curtipendula*) 5.0
Sand Dropseed (*Sporobolus cryptandrus*) 1.0

(x) B. Seed Mixture 2 (Sandy Sites)
Sand Dropseed (*Sporobolus crptandrus*) 1.0
Sand Lovegrass (*Eragostis trichodes*) 1.0
Plains Bristlegrass (*Setaria magrostachya*) 2.0

() C. Seed Mixture 3 (Shallow Sites)
Side oats Grama (*Boute curtipendula*) 1.0

() D. Seed Mixture 4 (Gypsum Sites)
Alkali Sacaton (*Sporobollud airoides*) 1.0
Four-Wing Saltbush (*Atriplex canescens*) 5.0

() OTHER

RESERVE PIT CONSTRUCTION STANDARDS

The reserve pit shall be constructed entirely in cut material and lined with 6-mil plastic. Mineral material extracted from within the boundary of the APD during construction of the well pad and reserve pits and be used for the construction of this well pad and its immediate access road only, as long as that portion of the access road it is use on remains on-lease. Removal of any additional material from this location for construction or improvement of other well pads and other access or lease roads must first be purchased from BLM.

Reclamation: Reclamation of this type of deep pit will consist of pushing the pit walls into the pit when sufficiently dry to support track equipment. The pit liner is NOT TO BE RUPTURED to facilitate drying; a ten month period after completion of the well is allowed for drying of the pit contents.

The pit area must be contoured to the natural terrain with all contaminated drilling mud buried with at least 3 feet of clean soil. The reclaimed area will then be seeded as specified in this permit.

OPTIONAL PIT CONSTRUCTION STANDARDS

The reserve pit may be constructed in predominantly fill material if:

- (1) Lined as specified above and
- (2) A temporary or emergency pit may be constructed immediately adjacent to the reserve pit as long as the pit remains within the APD boundary. Mineral material removed from this pit may be used for the construction of this well pad only and its immediate access road, as long as that portion of the access road the material is used on remains on-lease. Removal of any material from the APD boundary for use on other well locations or roads must first be purchased from BLM.

Reclamation of the reserve pit consists of bulldozing all reserve pit contents and contaminants into the borrow pit and covering with a minimum of 3 feet of clean soil material. The entire area must be re-contoured, all trash removed, and reseeded as specified in this permit.

CULTURAL

Whether or not an archaeological survey has been completed and notwithstanding that operations are being conducted as approved, the lessee/operator/grantee shall notify the BLM immediately if previously unidentified cultural resources are observed during surface disturbing operations. From the time of the observation, the lessee/operator/grantee shall avoid operations that will result in disturbance to these cultural resources until directed to process by BLM.

TRASH PIT STIPS

All trash, junk, and other waste material shall be contained in trash cages or bins to prevent scattering and will be removed and deposited in an approved sanitary landfill. Burial on site is not permitted.

BLM Serial #: NMNM-107396
Company Reference: Nearburg Production Company
Seed Mixture for LPC Sand/Shinnery Sites

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

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

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

<u>Species</u>	<u>lb/acre</u>
Plains Bristlegrass	5lbs/A
Sand Bluestem	5lbs/A
Little Bluestem	3lbs/A
Big Bluestem	6lbs/A
Plains Coreopsis	2lbs/A
Sand Dropseed	1lbs/A

**Four-winged Saltbush 5lbs/A

* This can be used around well pads and other areas where caliche cannot be removed.

*Pounds of pure live seed:

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

PRAIRIE CHICKENS

No surface use is allowed during the following time periods; unless otherwise specified, this stipulation does not apply to operation and maintenance of production facilities.

On the lands described below:

Section 31, T. 18 S., R.34E.

For the purpose of: Protecting Prairie Chickens:

Drilling for oil and gas, and 3-D geophysical exploration operations will not be allowed in Lesser Prairie Chicken Habitat during the period of March 15 through June 15, each year. During that period, other activities that produce noise or involve human activity, such as the maintenance of oil and gas facilities, geophysical exploration other than 3-D operations, and pipeline, road, and well pad construction, will be allowed except between 3:00 a.m. and 9:00 a.m. The 3:00 a.m. and 9:00 a.m. restriction will not apply to normal, around-the-clock operations, such as venting, flaring, or pumping, which do not require a human presence during the period. Additionally, no new drilling will be allowed within up to 200 meters of leks known at the time of permitting. Normal vehicle use on existing roads will not be restricted. Exhaust noise from pump jack engines must be muffled or otherwise controlled so as not to exceed 75 db measured at 30 feet from the source of the noise.

CONDITIONS OF APPROVAL - DRILLING

Operator's Name: Nearburg Producing Company

Well Name & No: Mescalero '31' Federal No. 01

Location: Surface: ~~660' FNL~~ & ~~1980' FNL~~, Sec. 31, T. 18 S., R. 34 E.

Lease: NMNM 107396

Lea County, New Mexico

per attached SN dated 12/15/05
330 S 1930 E

I. DRILLING OPERATIONS REQUIREMENTS:

1. The Bureau of Land Management (BLM) is to be notified at the Roswell Field Office, 2909 West Second St., Roswell, NM 88201, (505) 627-0272 for wells in Chaves and Roosevelt Counties; the Carlsbad Field Office, 620 East Greene St., Carlsbad, NM 88220, (505) 361-2822 for wells in Eddy County; and the Hobbs Field Station, 414 West Taylor, Hobbs NM 88240, (505) 393-3612 for wells in Lea County, in sufficient time for a representative to witness:

A. Spudding

B. Cementing casing: 13 3/8 inch; 8 5/8 inch; 5 1/2 inch.

C. BOP Tests

2. A Hydrogen Sulfide (H₂S) Drilling Plan shall be in operations 3 days or 500 feet prior to drilling into the Top of the Delaware formation estimated to be at 5,678 Ft. in depth. The Bone Springs formation estimated to be at 7,611 Ft. in depth also has a high potential for H₂S exposure.

3. Unless the production casing has been run and cemented or the well has been properly plugged, the drilling rig shall not be removed from over the hole without prior approval.

4. Submit a Sundry Notice (Form 3160-5, one original and five copies) for each casing string, describing the casing and cementing operations. Include pertinent information such as: spud date, hole size, casing (size, weight, grade and thread type), cement (type, quantity and top), water zones and problems or hazards encountered. The Sundry shall be submitted within 15 days of completion of each casing string. The reports may be combined into the same Sundry if they fall within the same 15 day time frame.

5. The API No. assigned to the well by NMOCDC shall be included on the subsequent report of setting the first casing string.

II. CASING:

1. The 13 3/8 inch shall be set at 450 Feet with cement circulated to the surface. If cement does not circulate to the surface the appropriate BLM office shall be notified and a temperature survey or cement bond log shall be run to verify the top of the cement. Remedial cementing shall be completed prior to drilling out that string.

2. The minimum required fill of cement behind the 8 5/8 inch Intermediate casing is to circulate to surface.

3. The minimum required fill of cement behind the 5 1/2 inch Production casing is to Tie Back to the top of the 5 1/2 inch liner/string at approximately 4500 feet.

III. PRESSURE CONTROL:

1. All BOP systems and related equipment shall comply with well control requirements as described in Onshore Oil and Gas Order No. 2. The BOP and related equipment shall be installed and operational before drilling below the 13 3/8 inch casing shoe and shall be tested as described in Onshore Order No. 2. Any equipment failing to test satisfactorily shall be repaired or replaced.

III. Pressure Control (continued):

2. Minimum working pressure of the blowout preventer and related equipment (BOPE) shall be 3 M psi.

3. The appropriate BLM office shall be notified in sufficient time for a representative to witness the test.

- The test shall be done by an independent service company
- The results of the test shall be reported to the appropriate BLM office.
- Testing fluid must be water or an appropriate clear liquid suitable for sub-freezing temperatures.
- Use of drilling mud for testing is not permitted since it can mask small leaks.
- Testing must be done in safe workman-like manner. Hard line connections shall be required.
- Both low pressure and high pressure testing of BOPE is required.

G Gourley 11/15/05

BLM Serial Number: NMNM-107396
Company Reference: Nearburg Production Company
Well No. & Name: Mescalero 31 Federal #1

STANDARD STIPULATIONS FOR PERMANENT RESOURCE ROADS
CARLSBAD FIELD OFFICE

A copy of the grant and attachments, including stipulations, survey plat and/or map, will be on location during construction. BLM personnel may request to you a copy of your permit during construction to ensure compliance with all stipulations.

The holder/grantee/permittee shall hereafter be identified as the holder in these stipulations. The Authorized Officer is the person who approves the Application for Permit to Drill (APD) and/or Right-of-Way (ROW).

GENERAL REQUIREMENTS

A. The holder shall indemnify the United States against any liability for damage to life or property arising from the occupancy or use of public lands under this grant.

B. The holder shall comply with all applicable Federal laws and regulations existing or hereafter enacted or promulgated. In any event, the holder shall comply with the Toxic Substances Control Act of 1976, as amended (15 U.S.C. 2601, *et. seq.*) with regard to any toxic substances that are used, generated by or stored on the right-of-way or on facilities authorized by this grant. (See 40 CFR, Part 702-799 and especially, provisions on polychlorinated biphenyls, 40 CFR 761.1-761.193.) Additionally, any release of toxic substances (leaks, spills, etc.) in excess of the reportable quantity established by 40 CFR, Part 117 shall be reported as required by the Comprehensive Environmental Response, Compensation and Liability Act, Section 102b. A copy of any report required or requested by any Federal agency or State government as a result of a reportable release or spill of any toxic substances shall be furnished to the Authorized Officer concurrent with the filing of the reports to the involved Federal agency or State government.

C. The holder agrees to indemnify the United States against any liability arising from the release of any hazardous substance or hazardous waste (as these terms are defined in the Comprehensive Environmental Response, Compensation and Liability Act of 1980, 42 U.S.C. 9601, *et. seq.* or the Resource Conservation and Recovery Act, 42 U.S.C. 6901, *et. seq.*) on the right-of-way (unless the release or threatened release is wholly unrelated to the right-of-way holder's activity on the right-of-way). This agreement applies without regard to whether a release is caused by the holder, its agent, or unrelated third parties.

D. If, during any phase of the construction, operation, maintenance, or termination of the road, any oil or other pollutant should be discharged, impacting Federal lands, the control and total removal, disposal, and cleaning up of such oil or other pollutant, wherever found, shall be the responsibility of the holder, regardless of fault. Upon failure of the holder to control, dispose of, or clean up such discharge on or affecting Federal lands, or to repair all

damages to Federal lands resulting there from the Authorized Officer may take such measures as deemed necessary to control and cleanup the discharge and restore the area, including, where appropriate, the aquatic environment and fish and wildlife habitats, at the full expense of the holder. Such action by the Authorized Officer shall not relieve the holder of any liability or responsibility.

E. The holder shall minimize disturbance to existing fences and other improvements on public domain surface. The holder is required to promptly repair improvements to at least their former state. Functional use of these improvements will be maintained at all times.

The holder will make a documented good-faith effort to contact the owner of any improvements prior to disturbing them. When necessary to pass through a fence line, the fence shall be braced on both sides of the passageway prior to cutting of the fence.

F. The Holder shall ensure that the entire right-of-way, including the driving surface, ditching and drainage control structures, road verges and any construction sites or zones, will be kept free of the following plant species: Malta starthistle, African rue, Scotch thistle and salt cedar. The Holder agrees to comply with the following stipulations:

1. ROAD WIDTH AND GRADE

The road will have a driving surface of 14 feet (all roads shall have a minimum driving surface of 12 feet, unless local conditions dictate a different width). The maximum grade is 10 percent unless the box below is checked. Maximum width of surface disturbance from construction will be 30 feet.

☐ Those segments of road where grade is in excess of 10% for more than 300 feet shall be designed by a professional engineer.

2. CROWNING AND DITCHING

Crowning with materials on site and ditching on one side of the road on the uphill side will be required. The road cross-section will conform to the cross section diagrams in Figure 1. If conditions dictate, ditching may be required for both sides of the road; if local conditions permit, a flat-bladed road may be considered (if these conditions exist, check the appropriate box below). The crown shall have a grade of approximately 2% (i.e., 1" crown on a 12' wide road).

☒ Ditching will be required on both sides of the roadway as shown on the attached map or as staked in the field.

☐ Flat-blading is authorized on segment(s) delineated on the attached map.

3. DRAINAGE

Drainage control shall be ensured over the entire road through the use of borrow ditches, out-sloping, in-sloping, natural rolling topography, lead-off (turnout) ditches, culverts, and/or drainage dips.

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

SPACING INTERVAL FOR TURNOUT DITCHES

Percent slope	Spacing interval
0% - 4%	400' - 150'
4% - 6%	250' - 125'
6% - 8%	200' - 100'
8% - 10%	150' - 75'

A typical lead-off ditch has a minimum depth of 1 foot below and a berm 6 inches above natural ground level. The berm will be on the down-slope side of the lead-off ditch. The ditch end will tie into vegetation whenever possible.

For this road the spacing interval for lead-off ditches shall be at

☐ 400 foot intervals.

☐ _____ foot intervals.

☐ locations staked in the field as per spacing intervals above.

☐ locations delineated on the attached map.

B. Culvert pipes shall be used for cross drains where drainage dips or low water crossings are not feasible. The minimum culvert diameter must be 18 inches. Any culvert pipe installed shall be of sufficient diameter to pass the anticipated flow of water. Culvert location and required diameter are shown on the attached map (Further details can be obtained from the Roswell District Office or the appropriate Resource Area Office).

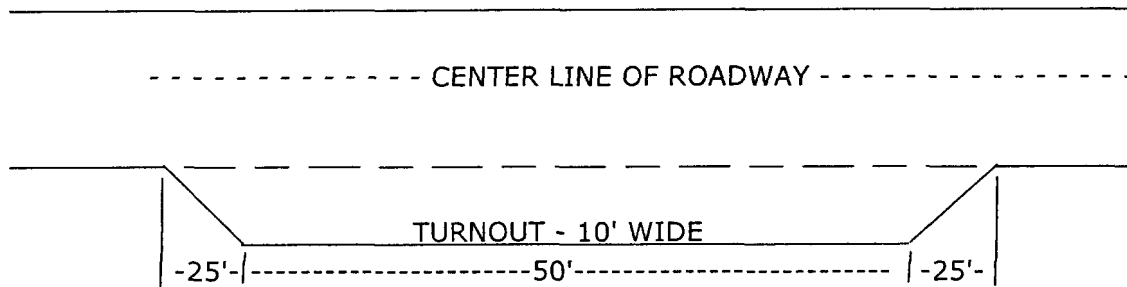
C. On road slopes exceeding 2%, drainage dips shall drain water into an adjacent lead-off ditch. Drainage dip location and spacing shall be determined by the formula:

$$\text{spacing interval} = \frac{400'}{\text{road slope in \%}} + 100'$$

$$\text{Example: } 4\% \text{ slope: spacing interval} = \frac{400}{4} + 100 = 200 \text{ feet}$$

4. TURNOUTS

Unless otherwise approved by the Authorized Officer, vehicle turnouts will be required. Turnouts will be located at 2000-foot intervals, or the turnouts will be intervisible, whichever is less. Turnouts will conform to the following diagram:



STANDARD TURNOUT - PLAN VIEW

5. SURFACING

Surfacing of the road or those portions identified on the attached map may, at the direction of the Authorized Officer, be required, if necessary, to maintain traffic within the right-of-way with caliche, gravel, or other surfacing material which shall be approved by the Authorized Officer. When surfacing is required, surfacing materials will be compacted to a minimum thickness of six inches with caliche material. The width of surfacing shall be no less than the driving surface. Prior to using any mineral materials from an existing or proposed Federal source, authorization must be obtained from the Authorized Officer.

A sales contract for the removal of mineral materials (caliche, sand, gravel, fill dirt, etc.) from an authorized pit, site, or on location must be obtained from the BLM prior to using any such mineral material from public lands. Contact the BLM solid minerals staff for the various options to purchase mineral material.

6. CATTLEGUARDS

Where used, all cattleguard grids and foundation designs and construction shall meet the American Association of State Highway and Transportation Officials (AASHTO) Load Rating H-20, although AASHTO U-80 rated grids shall be required where heavy loads (exceeding H-20 loading), are anticipated (See BLM standard drawings for cattleguards). Cattleguard grid length shall not be less than 8 feet and width of not less than 14 feet. A wire gate (16-foot minimum width) will be provided on one side of the cattleguard unless requested otherwise by the surface user.

7. MAINTENANCE

The holder shall maintain the road in a safe, usable condition. A maintenance program shall include, but not be limited to blading, ditching, culvert installation, culvert cleaning, drainage installation, cattleguard maintenance, and surfacing.

8. PUBLIC ACCESS

Public access along this road will not be restricted by the holder without specific written approval being granted by the Authorized Officer. Gates or cattleguards on public lands will not be locked or closed to public use unless closure is specifically determined to be necessary and is authorized in writing by the Authorized Officer.

9. CULTURAL RESOURCES

Any cultural and/or paleontological resource (historic or prehistoric site or object) discovered by the holder, or any person working on the holder's behalf, on public or Federal land shall be immediately reported to the authorized officer. The holder shall suspend all operations in the immediate area of such discovery until written authorization to proceed is issued by the authorized officer. An evaluation of the discovery will be made by the authorized officer to determine appropriate actions to prevent the loss of significant cultural or scientific values. The holder will be responsible for the cost of evaluation and any decision as to the proper mitigation measures will be made by the authorized officer after consulting with the holder.

10. SPECIAL STIPULATIONS:

See reclamation stipulations attached.

See Lesser Prairie Chicken timing stipulation attached.

30-025-37643



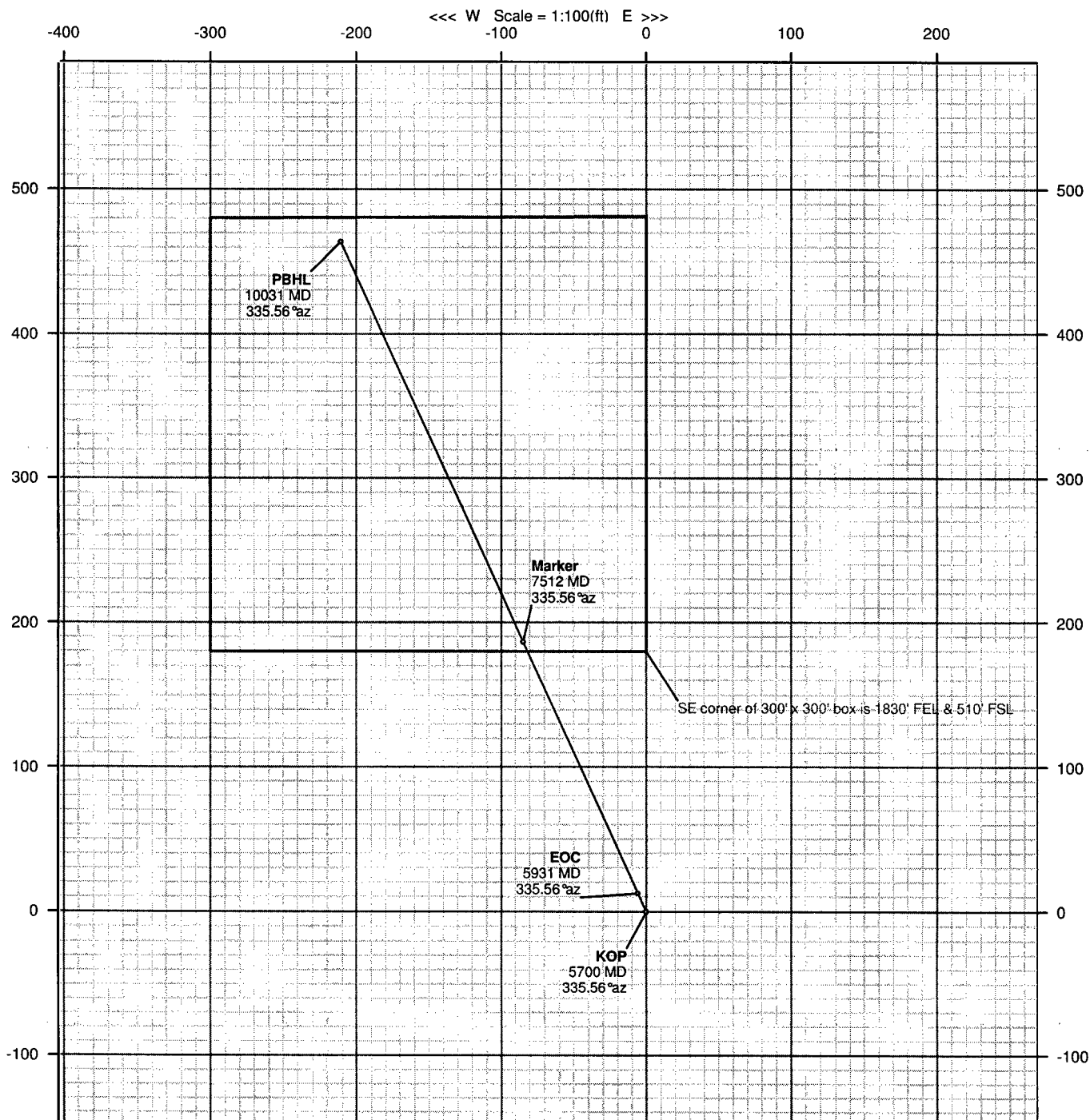
Proposal

Report Date: January 13, 2006 Client: Nearburg Producing Company Field: Lea County, NM Structure / Slot: Mescalero 31 Fed #1 / Mescalero 31 Fed #1 Well: Mescalero 31 Fed #1 Borehole: Mescalero 31 Fed #1 UWI/API#: Survey Name / Date: Mescalero 31 Fed #1_r1 / January 13, 2006 Tort / AHD / DDI / ERD ratio: 8.594° / 582.81 ft / 3.702 / 0.058 Grid Coordinate System: NAD27 New Mexico State Planes, Eastern Zone, US Feet Location Lat/Long: N 32 41 51.822, W 103 35 47.241 Location Grid N/E Y/X: N 618332.100 ftUS, E 726684.100 ftUS Grid Convergence Angle: +0.39808215° Grid Scale Factor: 0.99996794	Survey / DLS Computation Method: Minimum Curvature / Lubinski Vertical Section Azimuth: 335.560° Vertical Section Origin: N 0.000 ft, E 0.000 ft TVD Reference Datum: RKB TVD Reference Elevation: 0.0 ft relative to Sea Bed / Ground Level Elevation: 0.000 ft relative to Magnetic Declination: 8.273° Total Field Strength: 49487.274 nT Magnetic Dip: 60.763° Declination Date: January 13, 2006 Magnetic Declination Model: IGRF 2005 North Reference: Grid North Total Corr Mag North -> Grid North: +7.875° Local Coordinates Referenced To: Well Head
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Comments	Measured Depth (ft)	Inclination (deg)	Azimuth (deg)	TVD (ft)	Vertical Section (ft)	NS (ft)	EW (ft)	Closure (ft)	Closure Azimuth (deg)	DLS (deg/100 ft)	Tool Face (deg)
Tie-In	0.00	0.00	335.56	0.00	0.00	0.00	0.00	0.00	0.00	0.00	-24.44M
KOP	6000.00	0.00	335.56	6000.00	0.00	0.00	0.00	0.00	0.00	0.00	-24.44M
	6100.00	3.00	335.56	6099.95	2.62	2.38	-1.08	2.62	335.56	3.00	-24.44M
	6200.00	6.00	335.56	6199.63	10.46	9.52	-4.33	10.46	335.56	3.00	0.00G
EOC	6286.46	8.59	335.56	6285.39	21.44	19.52	-8.87	21.44	335.56	3.00	0.00G
Marker	7514.86	8.59	335.56	7500.00	205.00	186.63	-84.82	205.00	335.56	0.00	0.00G
PBHL	10043.25	8.59	335.56	10000.00	582.81	530.58	-241.14	582.81	335.56	0.00	0.00G

Nearburg Producing Company

WELL Mescalero 31 Fed #1	FIELD Lea County, NM	STRUCTURE Mescalero 31 Fed #1
Magnetic Parameters Model: KGRF 2005 Dip: 60.763° Mag Dec: -8.273°	Surface Location Lat: N32 41 51.822 Lon: W103 35 47.241 NAD27 New Mexico State Plane, Eastern Zone, US Feet Northing: 618332.10 ftUS Easting: 726684.10 ftUS Grid Conv: +0.39808215° Scale Fact: 0.9999679377	Miscellaneous Site: Mescalero 31 Fed #1 Plan: Mescalero 31 Fed #1 - r1 TVD Ref: RKB (0.00 ft above) Srvy Date: Fri 02:52 PM January 13, 2006

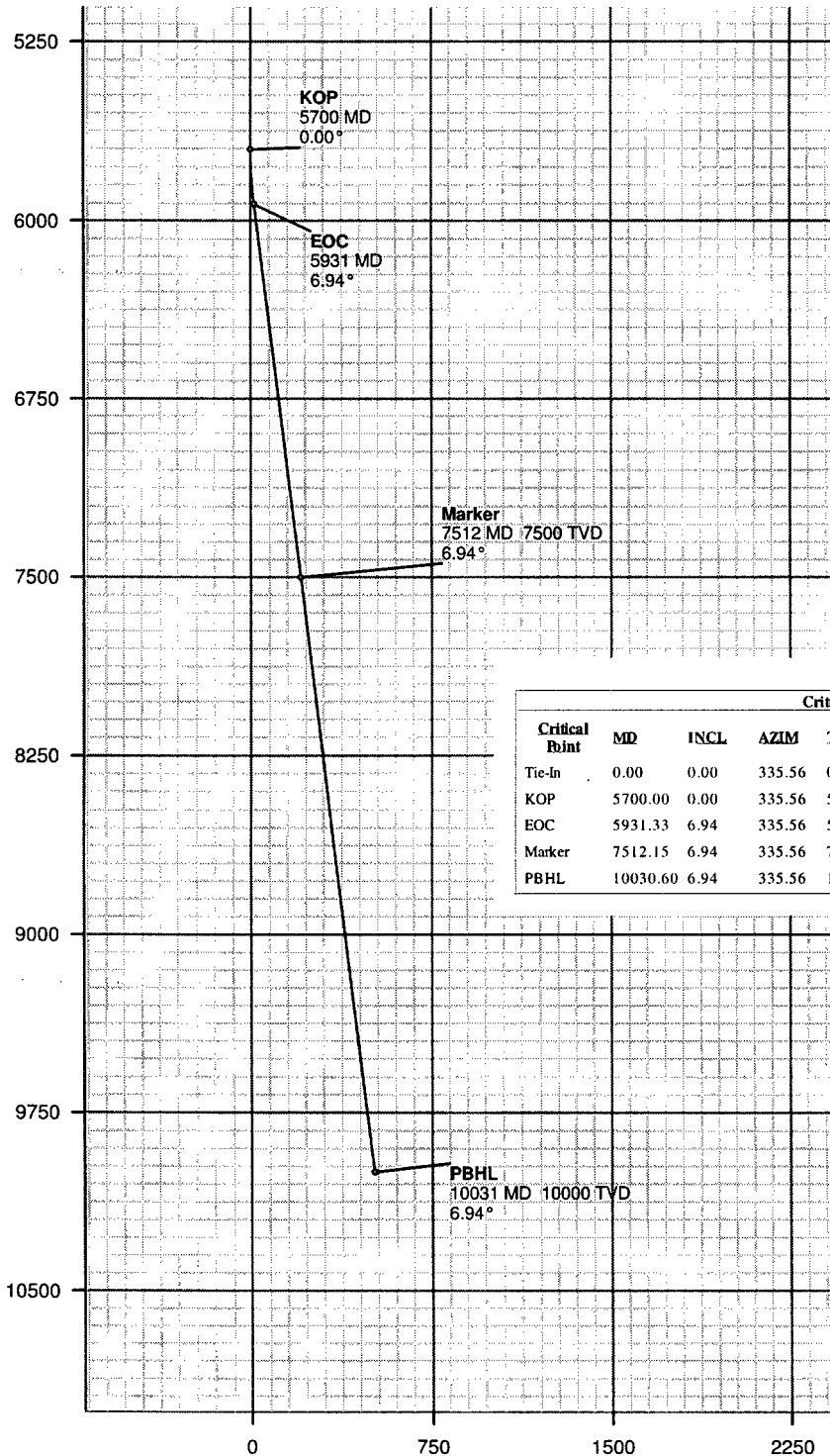


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Directional Drilling Specialists



Nearburg Producing Company

WELL	Mescalero 31 Fed #1	FIELD	Lea County, NM	STRUCTURE	Mescalero 31 Fed #1
Magnetic Parameters Model: IGRF 2005	Dip: 60.763° Mag Dec: +8.273°	Date: January 13, 2006 FS: 49487.3 nT	Surface Location Lat: N32 41 51.822 Lon: W103 35 47.241	NAD27 New Mexico State Plane, Eastern Zone, US Feet Northing: 618332.10 IUS Easting: 726684.10 IUS Grid Conv: +0.39808215° Scale Fact: 0.9999679377	Miscellaneous Shot: Mescalero 31 Fed #1 Plan: Mescalero 31 Fed #1, r1 TVD Ref: RKB (0.00 ft above) Srvy Date: Fri 02:52 PM January 13, 2006



Critical Points								
Critical Point	MD	INCL	AZIM	TVD	YSEC	N(+) / S(-)	E(+) / W(-)	DLS
Tie-In	0.00	0.00	335.56	0.00	0.00	0.00	0.00	0.00
KOP	5700.00	0.00	335.56	5700.00	0.00	0.00	0.00	0.00
EOC	5931.33	6.94	335.56	5930.77	13.99	12.74	-5.79	3.00
Marker	7512.15	6.94	335.56	7500.00	205.00	186.63	-84.82	0.00
PBHL	10030.60	6.94	335.56	10000.00	509.30	463.66	-210.73	0.00

INTREPID
Directional Drilling Specialists



Nearburg Producing Company

Exploration and Production
3300 North "A" Street
Building 2, Suite 120
Midland, Texas 79705
432/686-8235
FAX: 432/686-7806

~~October 13~~, 2005 11.3.

NM Oil Conservation Division
1625 N. French Dr.
Hobbs, NM 88240

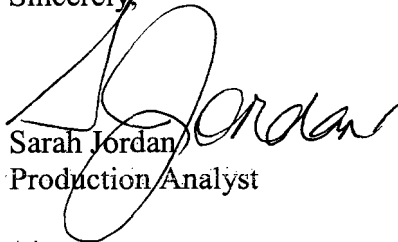
Ref: Mescalero 31 Federal #1
660 FSL and 1980 FEL
Sec 31, 18S, 34E
Lea County, NM

Sirs:

This is a new drill to the Bone Springs formation. We do not anticipate encountering H2S and fill no contingency plan is needed. Nearburg will have proper equipment on location in case H2S is encountered.

If you have any questions or need further information, please call me at the letterhead number.

Sincerely,



Sarah Jordan
Production Analyst

/sj

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

State of New Mexico
Energy, Minerals and Natural Resources

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

Form C-144
June 1, 2004

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

Is pit or below-grade tank covered by a "general plan"? Yes ☐ No ☒

Type of action: Registration of a pit or below-grade tank ☒ Closure of a pit or below-grade tank ☐

Operator: Nearburg Producing Company Telephone: 432/686-8235 e-mail address: s.jordan@nearburg.com
Address: 3300 N A St., Bldg 2, Ste 120, Midland, TX 79705
Facility or well name: Mescalero 31 Federal #1 API #: 30-D25-37643 O/L or Qtr/Qtr 0 Sec 31 T 18 R 34
County: Lea Latitude _____ Longitude _____ NAD: 1927 ☒ 1983 ☐ Surface Owner Federal ☒ State ☐ Private ☐ Indian ☐

Pit	Below-grade tank	
Type: Drilling <input checked="" type="checkbox"/> Production <input type="checkbox"/> Disposal <input type="checkbox"/> Workover <input type="checkbox"/> Emergency <input type="checkbox"/> Lined <input checked="" type="checkbox"/> Unlimited <input type="checkbox"/> Liner type: Synthetic <input checked="" type="checkbox"/> Thickness <u>12</u> mil Clay <input type="checkbox"/> Pit Volume _____ bbl	Volume: _____ bbl Type of fluid: _____ Construction material: _____ Double-walled, with leak detection? Yes <input type="checkbox"/> If not, explain why not. _____	
Depth to ground water (vertical distance from bottom of pit to seasonal high water elevation of ground water.)	Less than 50 feet	(20 points)
	50 feet or more, but less than 100 feet	(10 points)
	100 feet or more	(0 points) X
Wellhead protection area. (Less than 200 feet from a private domestic water source, or less than 1000 feet from all other water sources.)	Yes	(20 points)
	No	(0 points) X
Distance to surface water: (horizontal distance to all wetlands, playas, irrigation canals, ditches, and perennial and ephemeral watercourses.)	Less than 200 feet	(20 points)
	200 feet or more, but less than 1000 feet	(10 points)
	1000 feet or more	(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: (check the onsite box if you are burying in place) onsite ☐ offsite ☐ If offsite, name of facility _____ (3) Attach a general description of remedial action taken including remediation start date and end date. (4) Groundwater encountered: No ☐ Yes ☐ If yes, show depth below ground surface _____ ft. and attach sample results. (5) Attach soil sample results and a diagram of sample locations and excavations.

Additional Comments:

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 ☒, a general permit ☐, or an (attached) alternative OCD-approved plan ☐.

Date: 11-3-05

Printed Name/Title: Sarah Jordan, Production Analyst

Signature: [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: JAN 19 2006
Printed Name/Title: [Signature]

Signature: _____