Form 3160-3
(April 2004)

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

If earthen pits are used in association with the drilling of this well, an OCD pit permit must be obtained prior to pit construction

Dist. 4

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

APPLICATION FOR PERMIT TO DRILL OR REENTER

5. Lease Serial No.: NMNM16104 SHL NM 13413 BHL

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

6. If Indian, Allotee or Tribe Name:

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

7. Unit or CA Agreement Name and No.: 35250

2. Name of Operator: Nearburg Producing Company 15742

8. Lease Name and Well No.: Salt Draw 11 Federal #2

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

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

9. API Well No.: 30-015-35187

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

SUBJECT TO LIKE APPROVAL BY STATE

RECEIVED

NOV 28 2005

OCD-ARTESIA

At surface: 2544 FSL and and 330 FWL

At proposed prod. zone: 330 FSL and 660 FWL

10. Field and Pool, or Exploratory: Willow Lake, SW; Delaware

11. Sec., T., R., M., or Blk. and Survey or Area: Sec 11, 25S, 28E

14. Distance in miles and direction from nearest town or post office*: 13 miles SE of Carlsbad

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
330	1520.06	80

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
1320	6700	NMB000153

21. Elevations (Show whether DF, KDB, RT, GL, etc.	22. Approximate date work will start*	23. Estimated duration
2915	11/15/05	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:

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	Sarah Jordan	10/2005

Title: Production Analyst

Approved by (Signautre)	Name (*Printed/Typed*)	Date
/s/ Joe G. Lara	/s/ Joe G. Lara	NOV 22 2005

Title	Office
ACTING 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)

Carlsbad Controlled Water Basin

APPROVAL SUBJECT TO GENERAL REQUIREMENTS AND SPECIAL STIPULATIONS ATTACHED

Witness Surface Casing

Drill Only. Well is Non Standard for Delaware Completion
Bryan G. Arrant OCD

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
	96855	Willow Lake; Delaware; SW

Property Code	Property Name	Well Number
	SALT DRAW 11 FEDERAL	2

OGRID No.	Operator Name	Elevation
015742	NEARBURG PRODUCING COMPANY	2915'

Surface Location

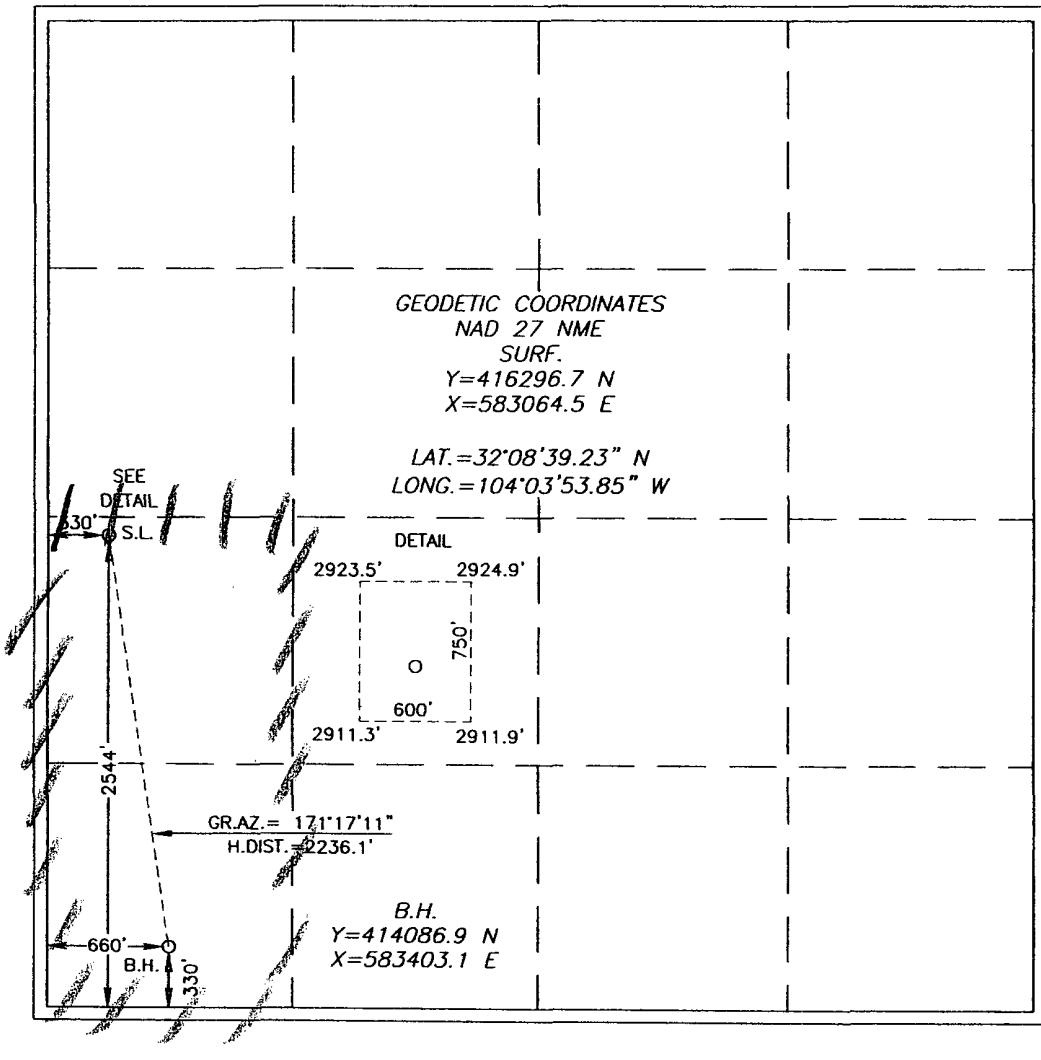
UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
L	11	25-S	28-E		2544	SOUTH	330	WEST	EDDY

Bottom Hole Location If Different From Surface

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
M	11	25-S	28-E		330	SOUTH	660	WEST	EDDY

Dedicated Acres	Joint or Infill	Consolidation Code	Order No.
80			

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: S Jordan

Printed Name: S Jordan

Title: Prod Analyst

Date: 10-2005

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.

SEPTEMBER 20, 2005

Date Surveyed: REV. 10/11/05 JR

Signature & Seal of Professional Surveyor: Ronald J. Eidson 10/13/05

RONALD J. EIDSON
NEW MEXICO
REGISTERED PROFESSIONAL SURVEYOR

05.11.1442

Certificate No. RONALD J. EIDSON 3239

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:	NMNM16104
Legal Description of Land:	SHL: 2544 FSL and 330 FWL BHL: 330 FSL and 660 FWL, Sec 11, 25S, 28E Eddy County, New Mexico
Formation(s) (if applicable):	Delaware
Bond Coverage:	$25,000 statewide bond of Nearburg Producing Company
BLM Bond File No:	NMB000153

10-2005
Date

H. R. Willis
Drilling Manager

ATTACHMENT TO FORM 3160-3
SALT DRAW 11 FEDERAL #2
SHL: 2544 FSL AND 330 FWL
BHL: 330 FSL AND 660 FWL, SEC 11, 25S, 28E
EDDY COUNTY, NEW MEXICO

DRILLING PROGRAM

1. GEOLOGIC NAME OF SURFACE FORMATION

   Quaternary Alluvium/ Permian Ochoan

2. ESTIMATED TOPS OF IMPORTANT GEOLOGIC MARKERS

Delaware	2550
Cherry Canyon	3400

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

   Cherry Canyon Sand 4900

4. CASING AND CEMENTING PROGRAM

Casing Size	From To	Weight	Grade	Joint
8-5/8"	0' – 850'	32#	K55	STC
5-1/2"	0' – 6700'	17#	N80	LTC

WITNESS

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

We plan to drill a 12-1/4" hole to equal 850'. 8-5/8" casing will be cemented with 800 sxs Class "C" or volume necessary to bring cement back to surface.

7-7/8" hole will be drilled to 6700' and 5-1/2" production casing will be cemented with approximately 1000 sxs of Class "C" 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 850' with fresh water mud for surface string. The production section from 850' to 6700' will be 10.0 ppg Brine Water system with mud weight sufficient to control formation pressures.

7. AUXILLARY WELL CONTROL AND MONITORING EQUIPMENT

None required.

8. LOGGING, TESTING, AND CORING PROGRAM

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

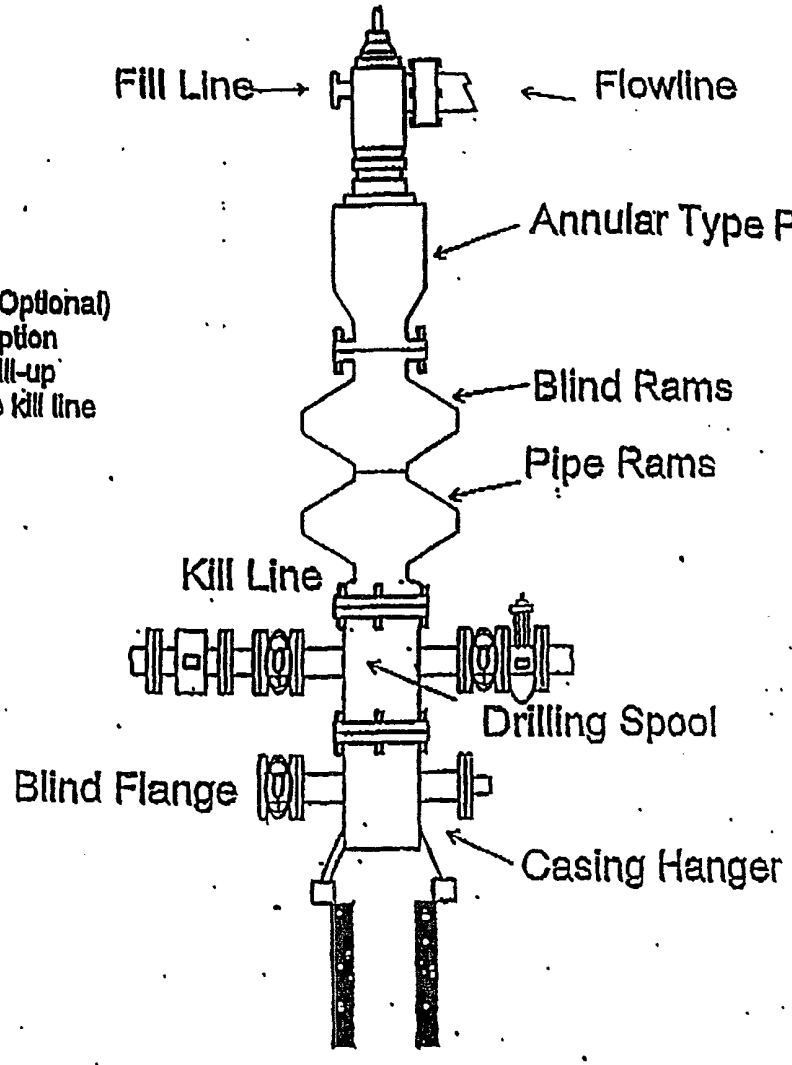
9. ABNORMAL CONDITIONS, PRESSURES, TEMPERATURES & POTENTIAL HAZARDS

None anticipated.

BHP expected to be 1,100 psi.

10. ANTICAPATED STARTING DATE:

Is planned that operations will commence on November 15, 2005 with drilling and completion operation lasting about 40 days.



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

1500 Series

SURFACE USE AND OPERATIONS PLAN FOR

DRILLING, COMPLETION, AND PRODUCING

NEARBURG PRODUCING COMPANY
SALT DRAW 11 FEDERAL #2
SHL: 2544 FSL AND 330 FWL
BHL: 2310 FSL AND 660 FWL, SEC 11, 25S, 28E
EDDY COUNTY, NEW MEXICO

LOCATED

13 miles SE of Carlsbad

OIL & GAS LEASE

NMNM16104

RECORD LESSEE

Magnum Hunter Production Inc.

BOND COVERAGE

$25,000 statewide bond of Nearburg Producing Company

ACRES IN LEASE

1520.06

GRAZING LEASE

Cooksey Ranches, PO Box 91, Orla, TX 79770

POOL

Willow Lake, SW: Delaware

EXHIBITS

A. Area Road Map
B. Drilling Rig Layout
C. Vicinity Oil & Gas Map
D. Topographic & Location Verification Map
E. Well Location & Acreage Dedication Map

This well will be drilled to a depth of approximately 6700'.

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

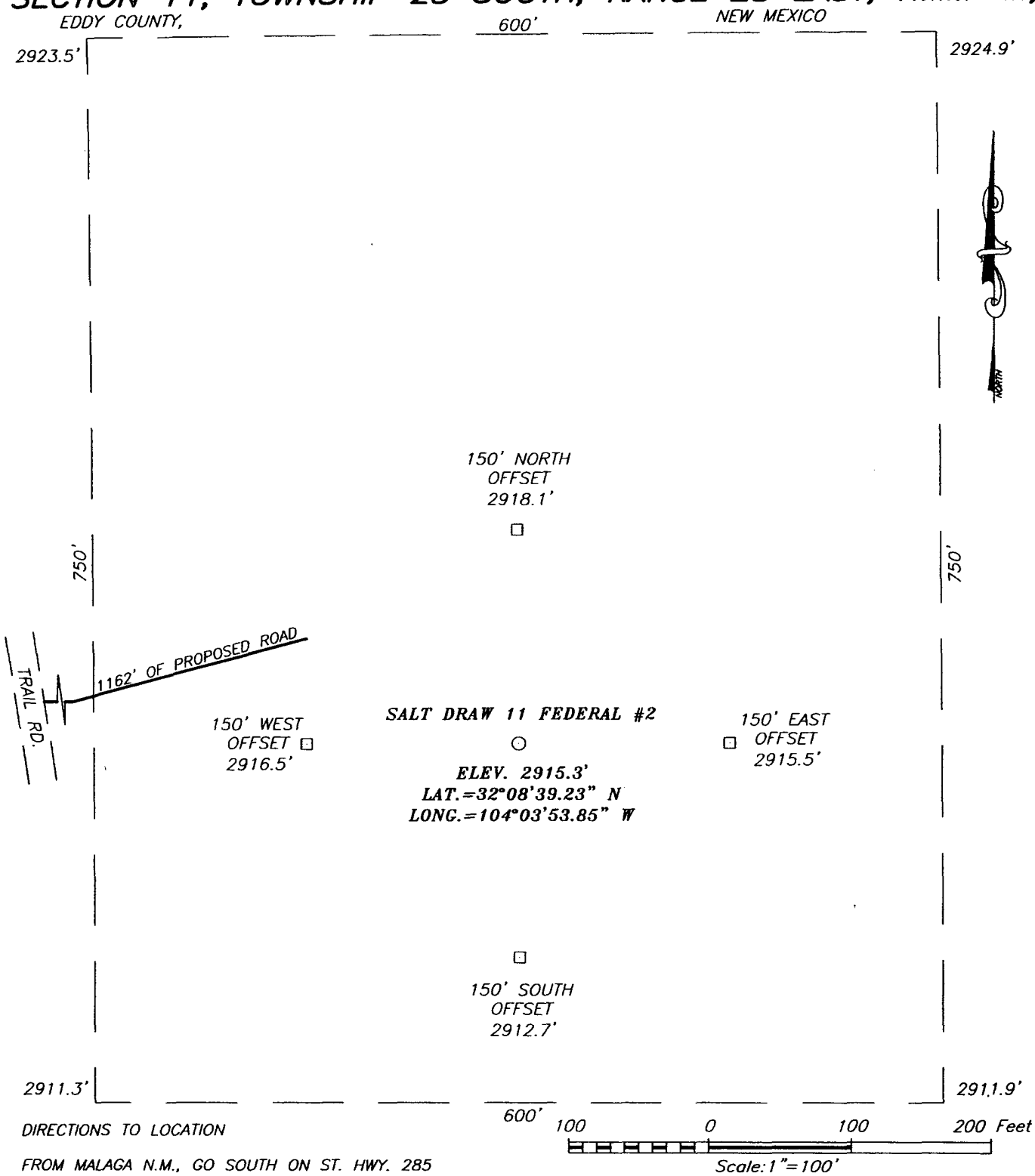
   Existing wells in the immediate area are shown in Exhibit C.

4. LOCATION OF EXISTING AND/OR PROPOSED FACILITIES

   Necessary production facilities for this well will be located on the well pad.

SECTION 11, TOWNSHIP 25 SOUTH, RANGE 28 EAST, N.M.P.M.,

EDDY COUNTY, NEW MEXICO



DIRECTIONS TO LOCATION

FROM MALAGA N.M., GO SOUTH ON ST. HWY. 285 FOR APPROX. 5.1 MILES TO A CALICHE ROAD ON THE LEFT. TURN LEFT (EAST) AND GO APPROX. 500' TO A EL PASO P/L TRAIL ROAD. TURN RIGHT (SE) AND GO APPROX. 0.5 MILES TO A PROPOSED ROAD SURVEY. FOLLOW PROPOSED ROAD SURVEY NE APPROX. 1200' TO THIS LOCATION.

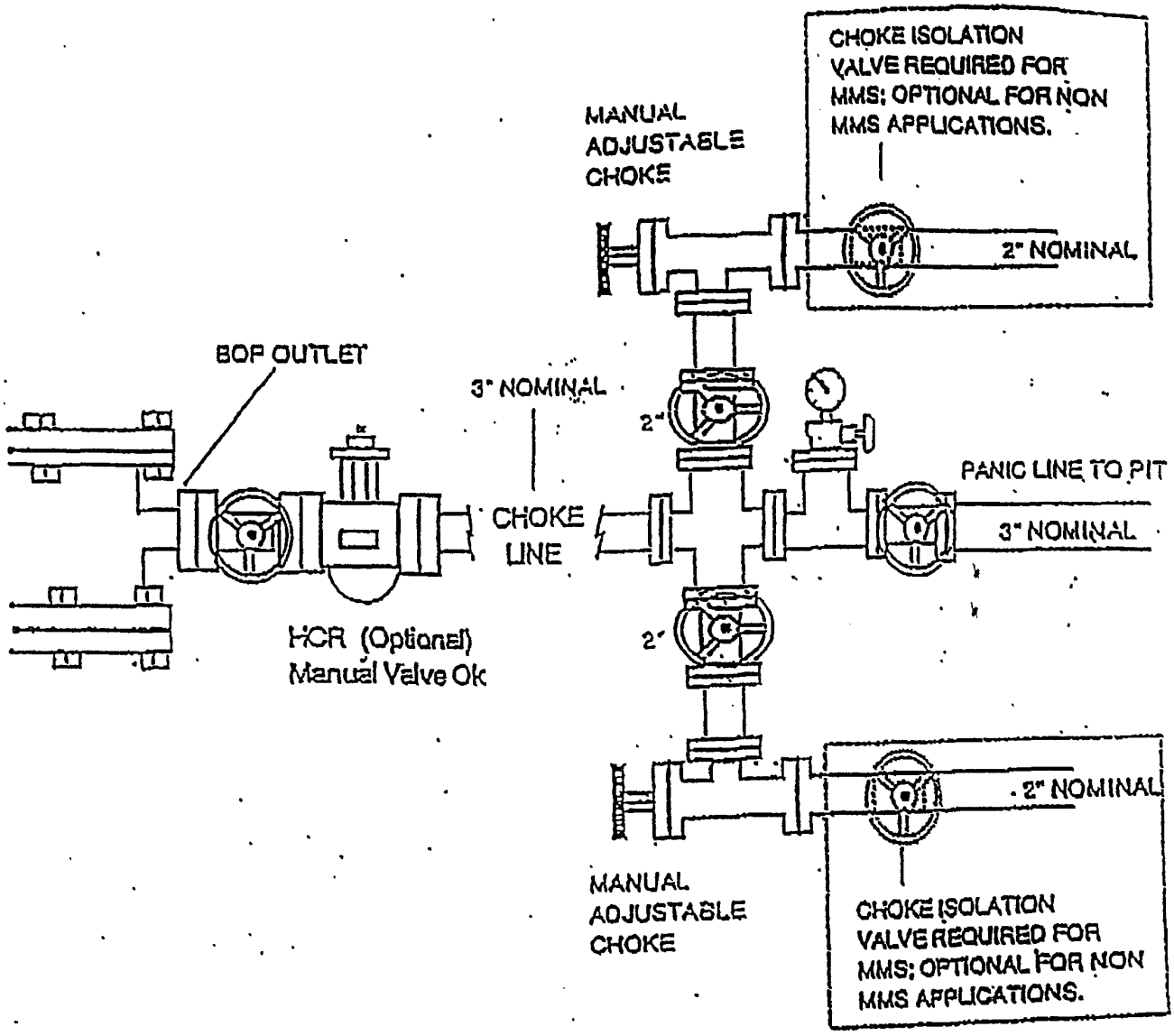
PROVIDING SURVEYING SERVICES SINCE 1946
JOHN WEST SURVEYING COMPANY
412 N. DAL PASO
HOBBS, N.M. 88240
(505) 393-3117

NEARBURG PRODUCING COMPANY

SALT DRAW 11 FEDERAL #2 WELL
LOCATED 2544 FEET FROM THE SOUTH LINE
AND 330 FEET FROM THE WEST LINE OF SECTION 11,
TOWNSHIP 25 SOUTH, RANGE 28 EAST, N.M.P.M.,
EDDY COUNTY, NEW MEXICO.

Survey Date: 09/20/05	Sheet 1 of 1 Sheets		
W.O. Number: 05.11.1442	Dr By: J.R.	Rev 1:	
Date: 09/28/05	Disk: CD#5	05111442	Scale:1"=100'

CHOKE MANIFOLD
5M SERVICE



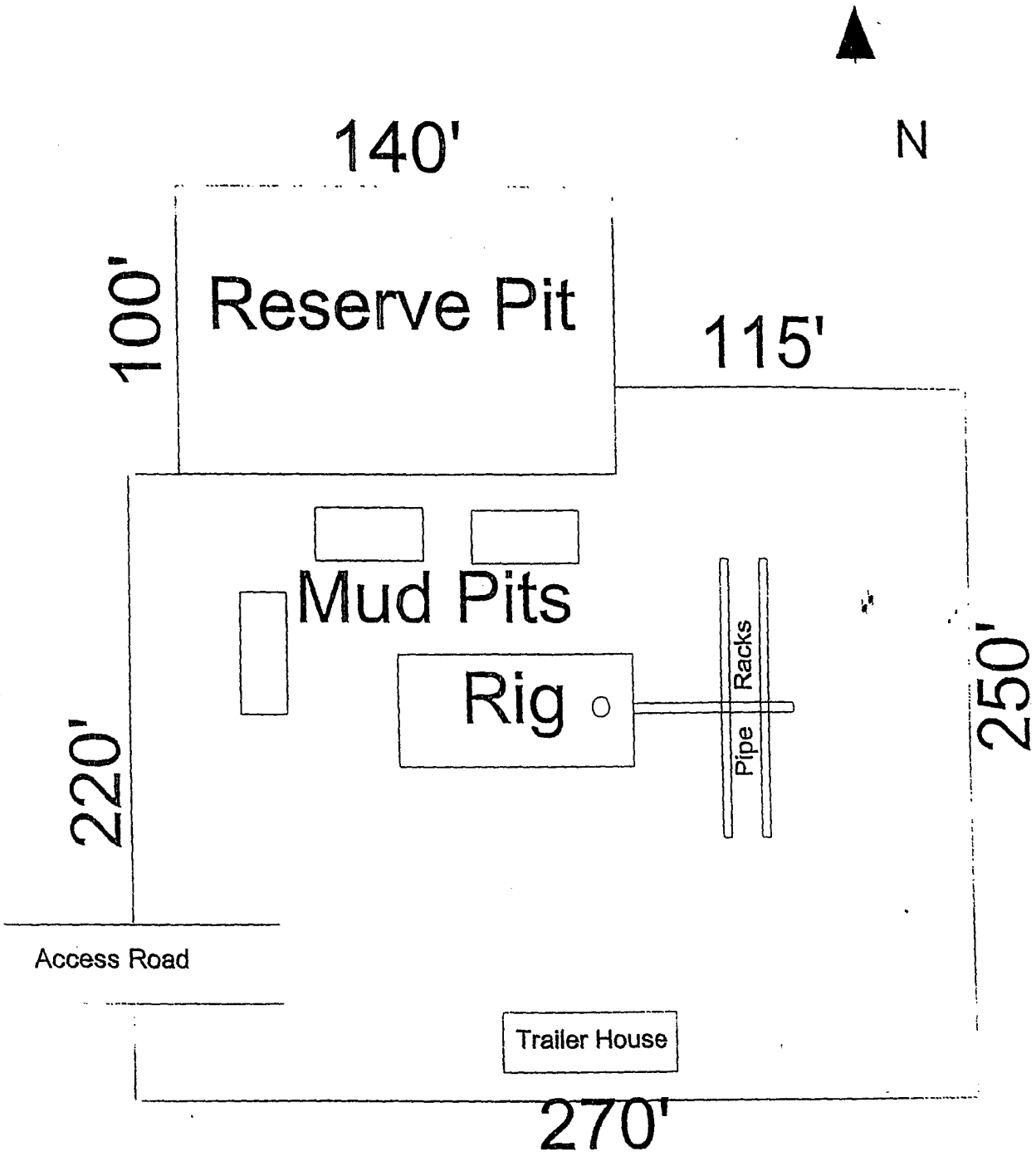


EXHIBIT B
DRILLING RIG LAYOUT
NEARBURG PRODUCING COMPANY

SCALE 1" = 50'

HYDROGEN SULFIDE DRILLING OPERATIONS PLANS
NEARBURG PRODUCING COMPANY
SALT DRAW 11 FEDERAL #2

1. HYDROGEN SULFIDE TRAINING

   A. All regularly assigned personnel, contracted or employed by Nearburg Producing Company, will receive training from a qualified instructor in the following areas prior to commencing drilling potential hydrogen sulfide bearing formations in this well:

      1. The hazards and characteristics of hydrogen sulfide (H2S).

      2. The proper use and maintenance of personal protective equipment and life support systems.

      3. The proper use of H2S detectors, alarms, warning systems, briefing areas, evacuation procedures and prevailing winds.

      4. The proper techniques for first aid and rescue procedures.

   B. In addition, supervisory personnel will be trained in the following areas:

      1. The effects of H2S on metal components. If high tensile tubulars are to be used, personnel will be trained in their special maintenance requirements.

      2. Corrective action and shut-in procedures when drilling or reworking a well and blowout prevention and well control procedures.

      3. The contents and requirements of the H2S Drilling Operations Plan.

   C. There will be an initial training session just prior to encountering a known or probable H2S zone (within 3 days or 500 feet) and weekly H2S and well control drills for all personnel in each crew. The initial training session shall include a review of the site specific H2S Drilling Operations Plan. This plan shall be available at the well site. All personnel will be required to carry documentation that they have received the proper training.

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.

SPECIAL DRILLING STIPULATIONS

THE FOLLOWING DATA IS REQUIRED ON THE WELL SIGN

Operator's Name Nearburg Producing Company Well Name & No. 2-Salt Draw 11 Federal
Location 2544' F S L & 330' FW L Sec. 11, T. 25 S, R 28 E. SHL
Lease No. NM-13413 BHL County Eddy State New Mexico
Location 330' FSL & 660' FWL Sec.11, T.25S., R.28E. BHL
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

( ) Lesser Prairie Chicken (stips attached)
( ) San Simon Swale (stips attached)
( ) Flood plain (stips attached)
(✓) Other See attached Stipulations for Archaeology

II. ON LEASE - SURFACE REQUIREMENTS PRIOR TO DRILLING

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

(✓) Roads and the drill pad for this well must be surfaced with 6 inches of compacted caliche upon completion of well and it is determined to be a producer.

( ) 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.

( ) Other.

III. WELL COMPLETION REQUIREMENTS

( ) A Communlitization 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.

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

( ) 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 SEE ATTACHED SEED MIXTURE

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.

( ) 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 recontoured, 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 processed 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.

CONDITIONS OF APPROVAL - DRILLING

Operator's Name:	**Nearburg Producing Company**
Well Name & No.	**Salt Draw 11 Federal #2**
SH Location:	**2544' FSL, 330' FWL, Section 11, T. 25 S., R. 28 E., Eddy County, New Mexico**
BH Location;	**330' FSL, 660' FWL, Section 11, T. 25 S., R. 28 E., Eddy County, New Mexico**
Lease:	**NM 13413 (BHL)**

I. DRILLING OPERATIONS REQUIREMENTS:

1. The Bureau of Land Management (BLM) is to be notified at the Carlsbad Field Office, 620 East Greene St., Carlsbad, NM 88220, (505) 361-2822 for wells in Eddy County in sufficient time for a representative to witness:

   A. Well spud

   B. Cementing casing: **8-5/8** inch **5-1/2** inch

   C. BOP tests

2. A Hydrogen Sulfide (H2S) Drilling Operation Contingency Plan shall be activated prior to drilling into the **Delaware** formation. A copy of the plan shall be posted at the drilling site.

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 NMOCD shall be included on the subsequent report of setting the first casing string.

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

II. CASING:

1. The **8-5/8** inch surface casing shall be set at **approximately 850 feet** and 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 **5-1/2** inch production casing is ~~**to reach at least 500 feet above the top of the uppermost hydrocarbon productive interval.**~~ **CIRCULATE TO SURFACE** (JZ)

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 **8-5/8** 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.

2. Minimum working pressure of the blowout preventer and related equipment (BOPE) shall be **3000** psi.

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

- The tests 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 a safe workman-like manner. Hard line connections shall be required.

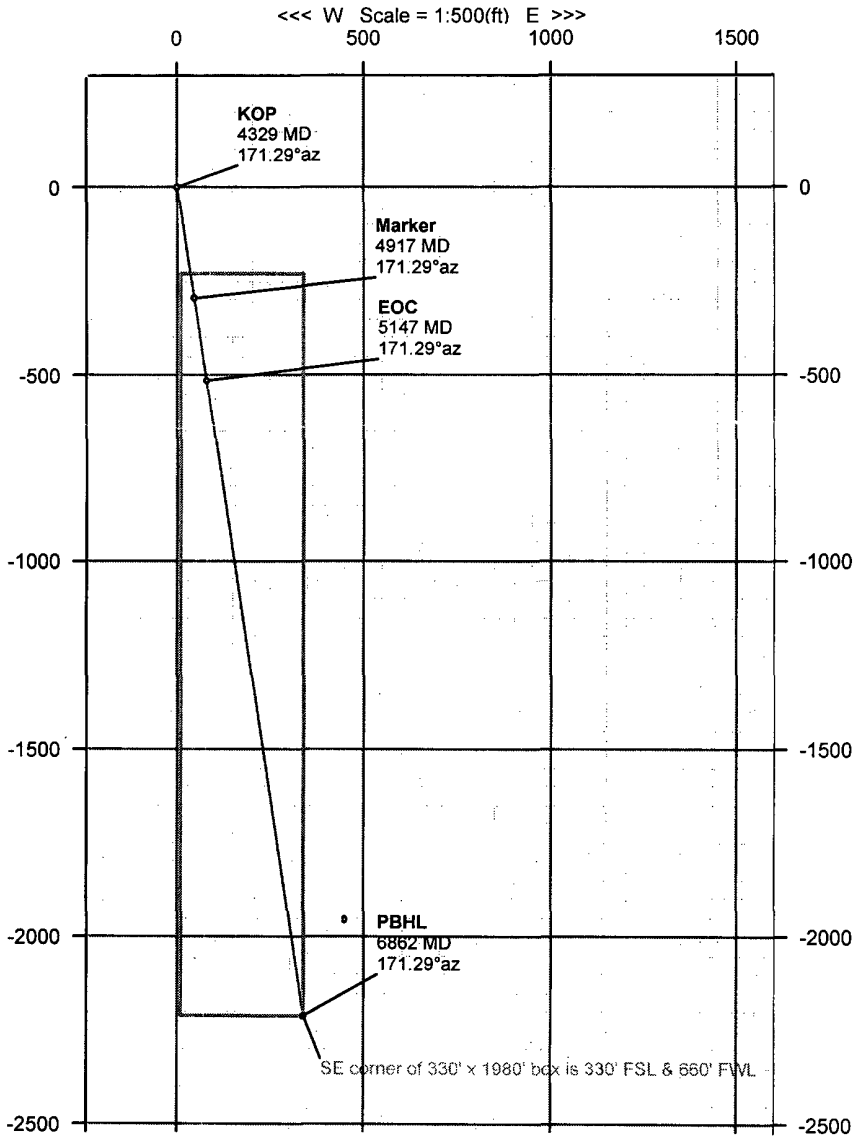
10/31/05
acs

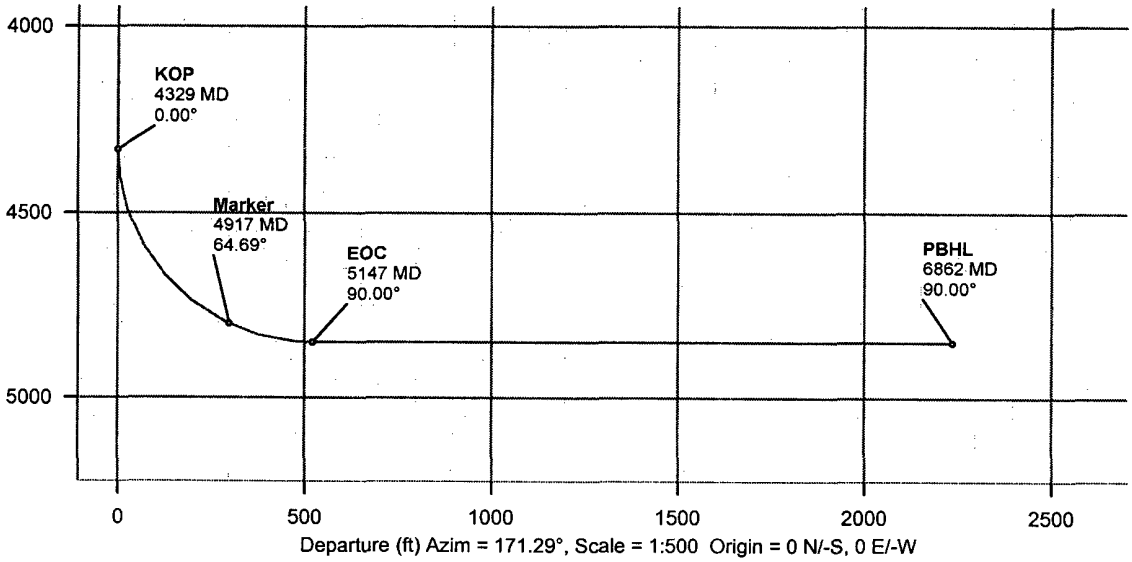
Nearburg Producing Company

WELL	FIELD	STRUCTURE
Salt Draw 11 Fed #2	Eddy County, NM	Salt Draw 11 Fed #2

Magnetic Parameters				Surface Location				Miscellaneous			
Model: IGRF 2005	Dip: 60.162°	Date: October 21, 2005		Lat: N32 8 39.234	Northing: 416296.70 ftUS	NAD27 New Mexico State Planes, Eastern Zone, US Feet	Grid Conv: +0.14279038°	Slot: Salt Draw 11 Fed #2	TVD Ref: RKB (0.00 ft above)		
	Mag Dec: +8.463°	FS: 49115.3 nT		Lon: W104 3 53.850	Easting: 583064.50 ftUS		Scale Fact: 0.9999189933	Plan: Salt Draw 11 Fed #2_r1	Srvy Date: Fri 09:53 AM October 21, 2005		

INTREPID
Directional Drilling Specialists





Proposal

Report Date:	October 21, 2005	Survey / DLS Computation Method:	Minimum Curvature / Lubinski
Client:	Nearburg Producing Company	Vertical Section Azimuth:	171.290°
Field:	Eddy County, NM	Vertical Section Origin:	N 0.000 ft, E 0.000 ft
Structure / Slot:	Salt Draw 11 Fed #2 / Salt Draw 11 Fed #2	TVD Reference Datum:	RKB
Well:	Salt Draw 11 Fed #2	TVD Reference Elevation:	0.0 ft relative to
Borehole:	Salt Draw 11 Fed #2	Sea Bed / Ground Level Elevation:	0.000 ft relative to
UWI/API#:		Magnetic Declination:	8.463°
Survey Name / Date:	Salt Draw 11 Fed #2_r1 / October 21, 2005	Total Field Strength:	49115.313 nT
Tort / AHD / DDI / ERD ratio:	90.000° / 2235.78 ft / 5.454 / 0.461	Magnetic Dip:	60.162°
Grid Coordinate System:	NAD27 New Mexico State Planes, Eastern Zone, US Feet	Declination Date:	October 21, 2005
Location Lat/Long:	N 32 8 39.234, W 104 3 53.850	Magnetic Declination Model:	IGRF 2005
Location Grid N/E Y/X:	N 416296.700 ftUS, E 583064.500 ftUS	North Reference:	Grid North
Grid Convergence Angle:	+0.14279038°	Total Corr Mag North -> Grid North:	+8.320°
Grid Scale Factor:	0.99991699	Local Coordinates Referenced To:	Well Head

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	171.29	0.00	0.00	0.00	0.00	0.00	0.00	0.00	171.29M
KOP	4329.13	0.00	171.29	4329.13	0.00	0.00	0.00	0.00	0.00	0.00	171.29M
	4400.00	7.80	171.29	4399.78	4.81	-4.76	0.73	4.81	171.29	11.00	0.00G
	4500.00	18.80	171.29	4496.95	27.78	-27.46	4.21	27.78	171.29	11.00	0.00G
	4600.00	29.80	171.29	4587.96	68.86	-68.06	10.43	68.86	171.29	11.00	0.00G
	4700.00	40.80	171.29	4669.45	126.55	-125.09	19.17	126.55	171.29	11.00	0.00G
	4800.00	51.80	171.29	4738.44	198.73	-196.44	30.10	198.73	171.29	11.00	0.00G
	4900.00	62.80	171.29	4792.38	282.75	-279.49	42.82	282.75	171.29	11.00	0.00G
Marker	*4917.22*	*64.69*	*171.29*	*4800.00*	*298.19*	*-294.75*	*45.16*	*298.19*	*171.29*	*11.00*	*171.29G*
	5000.00	73.80	171.29	4829.31	375.52	-371.18	56.88	375.52	171.29	11.00	0.00G
	5100.00	84.80	171.29	4847.85	473.62	-468.16	71.73	473.62	171.29	11.00	0.00G
EOC	5147.31	90.00	171.29	4850.00	520.87	-514.86	78.89	520.87	171.29	11.00	0.00G
PBHL	6862.22	90.00	171.29	4850.00	2235.78	-2209.99	338.63	2235.78	171.29	0.00	0.00G