Form 3160-3
(July 1992)

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

SUBMIT IN TRIPLICATE* (Other instructions on reverse side)

FORM APPROVED
OMB NO. 1004-0136
Expires: February 28, 1995

1061

APPLICATION FOR PERMIT TO DRILL OR DEEPEN

5. LEASE DESIGNATION AND SERIAL NO: NM 12413

6. IF INDIAN, ALLOTTEE OR TRIBE NAME:

1a. TYPE OF WORK: DRILL ☒ DEEPEN ☐

b. TYPE OF WELL: OIL WELL ☐ GAS WELL ☒ OTHER — SINGLE ZONE ☒ MULTIPLE ZONE ☐

7. UNIT AGREEMENT NAME:

2. NAME OF OPERATOR: Nearburg Producing Company

8. FARM OR LEASE NAME, WELL NO: Diamondback 24 Federal Com #2

3. ADDRESS AND TELEPHONE NO: 3300 North A Street, Building 2, Suite 120, Midland, Texas 79705 (915) 686-8235

9. API WELL NO: 30-025-35713

4. LOCATION OF WELL (Report location clearly and in accordance with any State requirements.*)
At surface: Unit N, 660' FSL and 1980' FWL
At proposed prod. zone:

10. FIELD AND POOL, OR WILDCAT: Lusk; ~~Gem;~~ Morrow, East

11. SEC., T., R., M., OR BLK AND SURVEY OR AREA: Section 24, T19S, R32E

14. DISTANCE IN MILES AND DIRECTION FROM NEAREST TOWN OR POST OFFICE*: 7 miles North of Halfway, New Mexico

12. COUNTY OR PARISH: Lea — 13. STATE: New Mexico

15. DISTANCE FROM PROPOSED* LOCATION TO NEAREST PROPERTY OR LEASE LINE, FT (Also to nearest drlg. unit line, if any)	16. NO. OF ACRES IN LEASE	17. NO. OF ACRES ASSIGNED TO THIS WELL
660'	320	320
18. DISTANCE FROM PROPOSED LOCATION* TO NEAREST WELL, DRILLING, COMPLETED, OR APPLIED FOR, ON THIS LEASE, FT.	**19. PROPOSED DEPTH**	**20. ROTARY OR CABLE TOOLS**
NA	13,800'	Rotary

21. ELEVATIONS (Show whether DF, RT, GR, etc.): 3598' GR

22. APPROX. DATE WORK WILL START*: 10/01/01

23. PROPOSED CASING AND CEMENTING PROGRAM

SIZE OF HOLE	GRADE, SIZE OF CASING	WEIGHT PER FOOT	SETTING DEPTH	QUANTITY OF CEMENT
17-1/2"	13-3/8" H40	48#	~~575'~~ 1135'	400 sx cmt, circ to surface
11"	8-5/8" J55	24# & 32#	5200'	2300 sx cmt, circ to surface
7-7/8"	5-1/2" N80	17# & 20#	13,800'	1500 sx cmt

Capitan Controlled Water Basin

Propose to drill the well to sufficient depth to evaluate the Morrow formation. After reaching TD, logs will be run and casing set if the evaluation is positive. Perforate, test and stimulate as necessary to establish production.

Acreage dedication 320; W/2 of Section 24

OPER. OGRID NO. 15742
PROPERTY NO. 28310
POOL CODE 80770
EFF. DATE 9-25-01
API NO. 30-025-35713

APPROVAL SUBJECT TO GENERAL REQUIREMENTS AND SPECIAL STIPULATIONS ATTACHED

IN ABOVE SPACE DESCRIBE PROGRAM: If proposal is to deepen, give data on present productive zone and proposed new productive zone. If proposal is to drill or deepen directionally, give pertinent data on subsurface locations and measured and true vertical depths. Give blowout preventer program, if any.

24.

SIGNED Kim Stewart TITLE Regulatory Analyst DATE 07/19/01

(This space for Federal or State office use)

PERMIT NO. APPROVAL DATE

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:

APPROVED BY /S/ JOE G. LARA TITLE FIELD MANAGER DATE SEP 24 2001

*See Instructions On Reverse Side

Title 18 U.S.C. Section 1001, 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.

APPROVAL FOR 1 YEAR

STATEMENT ACCEPTING RESPONSIBILITY FOR OPERATIONS

Nearburg Producing Company
3300 North "A" Street, Building 2, Suite 120
Midland, Texas 79705

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:	NM 12413
Legal Description of Land:	Unit N, 660' FSL & 1980' FWL Section 24, T19S, R32E Lea County, New Mexico
Formation(s) (if applicable):	Morrow
Bond Coverage:	$25,000 statewide bond of Nearburg Producing Company
BLM Bond File No:	NM1307

7/19/01
Date

H. R. Willis
Drilling Superintendent

ATTACHMENT TO FORM 3160-3
DIAMONDBACK 24 FEDERAL COM #2
SECTION 24, T19S, R32E
LEA COUNTY, NEW MEXICO

DRILLING PROGRAM

1. GEOLOGIC NAME OF SURFACE FORMATION

Sand Dunes

2. ESTIMATED TOPS OF IMPORTANT GEOLOGIC MARKERS

Rustler	1,200'	Wolfcamp	11,100'
Yates	3,020'	Strawn	12,110'
Capitan	3,650'	Morrow	12,820'
Delaware	5,180'	TD	13,800'
Bone Spring	7,850'		

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

Delaware	7,500'	Oil
Bone Spring	8,930'	Oil
Morrow	13,220'	Gas

4. CASING AND CEMENTING PROGRAM

Casing Size	From To	Weight	Grade	Joint
13-3/8"	0' – 575'	48#	H40	STC
8-5/8"	0' – 5,200'	24# & 32#	J55	STC
5-1/2"	5,200' – 13,800'	17# & 20#	N80	LTC

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

We plan to drill a 17-1/2" hole to equal 575'. 13-3/8" casing will be cemented with 400 sx or volume necessary to bring cement back to surface.

11" hole will be drilled to 5200' and 8-5/8" casing will be cemented with 2,300 sx or volume necessary to bring cement back to surface.

7-7/8" hole will be drilled to 13,800' and 5-1/2" production casing will be cemented with approximately 1500 sx of Class "H" cement.

5. MINIMUM SPECIFICATIONS FOR PRESSURE CONTROL

The BOP stack will consist of a 5,000 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 575' with fresh water mud for surface string. The intermediate section will be drilled with 10 ppg Brine water mud to 5,200'. Intermediate casing will be run at this depth. The production section from 5,200' to 13,800' will be 9 – 9.5 ppg cut Brine/Pac/XCD 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 4,000 – 5,000 psi.

10. ANTICAPATED STARTING DATE:

Is planned that operations will commence on October 1, 2001 with drilling and completion operation lasting about 45 day.

SURFACE USE AND OPERATIONS PLAN FOR

DRILLING, COMPLETION, AND PRODUCING

NEARBURG PRODUCING COMPANY
DIAMONDBACK 24 FEDERAL COM #2
SECTION 24-T19S-R32E
LEA COUNTY, NEW MEXICO

LOCATED

7 miles North of Halfway, New Mexico

OIL & GAS LEASE

NM 12413

RECORD LESSEE

Burlington Resources Oil and Gas Company
Samson Hydrocarbon Inc.

BOND COVERAGE

$25,000 statewide bond of Nearburg Producing Company

ACRES IN LEASE

320 acres

GRAZING LEASE

Snyder Ranch

POOL

Gem; Morrow

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 13,800'.

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

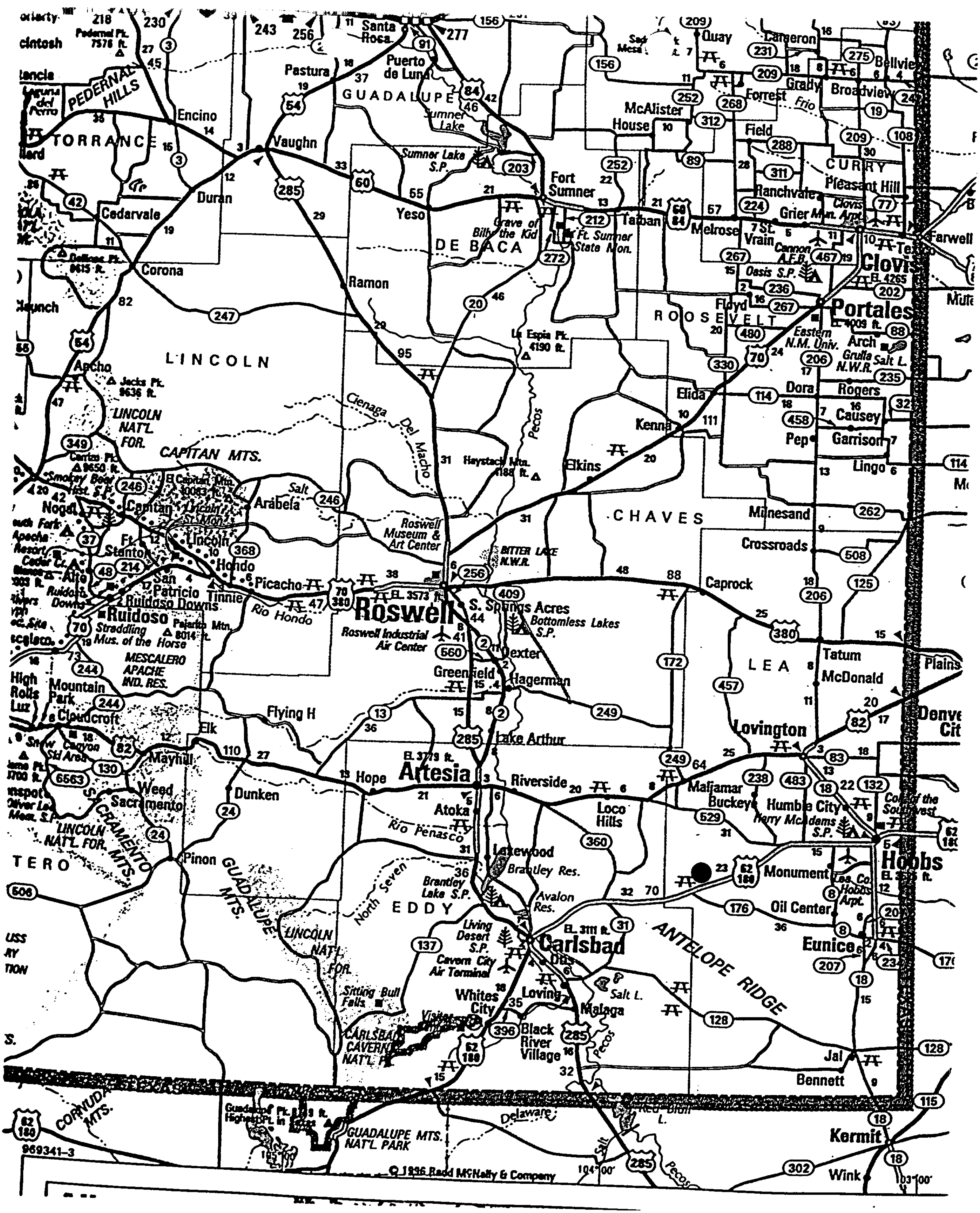
H. R. Willis
3300 North "A" Street, Bldg 2, Suite 120
Midland, Texas 79705
Office: (915) 686-8235
Home: (915) 697-2484

12. CERTIFICATION

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

7/19/01
Date

H. R. Willis
Drilling Superintendent



Santa Rosa
Puerto de Luna
Pastura
GUADALUPE
Sumner Lake
Sumner Lake S.P.
Quay
Cameron
Bellview
Grady
Forrest
Broadview
McAlister
House
Field
CURRY
Pleasant Hill
Ranchvale
Clovis
Grier
Melrose
St. Vrain
Cannon A.F.B.
Farwell
Texico
Oasis S.P.
Portales
Eastern N.M. Univ.
Arch
Floyd
ROOSEVELT
Dora
Rogers
Causey
Pep
Garrison
Lingo
Elida
Kenna
Elkins
Fort Sumner
Grave of Billy the Kid
Ft. Sumner State Mon.
Taiban
Yeso
DE BACA
Encino
Vaughn
TORRANCE
PEDERNAL HILLS
Duran
Cedarvale
Corona
Ramon
LINCOLN
Ancho
LINCOLN NAT'L FOR.
CAPITAN MTS.
Cienaga Del Macho
Pecos
Haystack Mtn.
Arabela
Capitan
Nogal
Lincoln
Ft. Stanton
Hondo
San Patricio
Ruidoso Downs
Ruidoso
Alto
Tinnie
Picacho
Rio Hondo
Roswell
Roswell Museum & Art Center
BITTER LAKE N.W.R.
Roswell Industrial Air Center
S. Springs Acres
Bottomless Lakes S.P.
Dexter
Greenfield
Hagerman
CHAVES
Caprock
Crossroads
Milnesand
Tatum
McDonald
LEA
Plains
Lovington
Maljamar
Buckeye
Humble City
Hobbs
Monument
Oil Center
Eunice
Jal
Bennett
Kermit
Wink
MESCALERO APACHE IND. RES.
Mountain Park
Cloudcroft
Flying H
Mayhill
Hope
Artesia
Lake Arthur
Riverside
Loco Hills
Atoka
Rio Penasco
Dunken
Weed
Sacramento
SACRAMENTO MTS.
Pinon
GUADALUPE MTS.
Lakewood
Brantley Res.
Brantley Lake S.P.
North Seven
EDDY
Avalon Res.
Carlsbad
Living Desert S.P.
Cavern City Air Terminal
Otis
Loving
Malaga
ANTELOPE RIDGE
Whites City
Sitting Bull Falls
CARLSBAD CAVERNS NAT'L PARK
Black River Village
GUADALUPE MTS. NAT'L PARK
CORNUDAS MTS.
Delaware
969341-3
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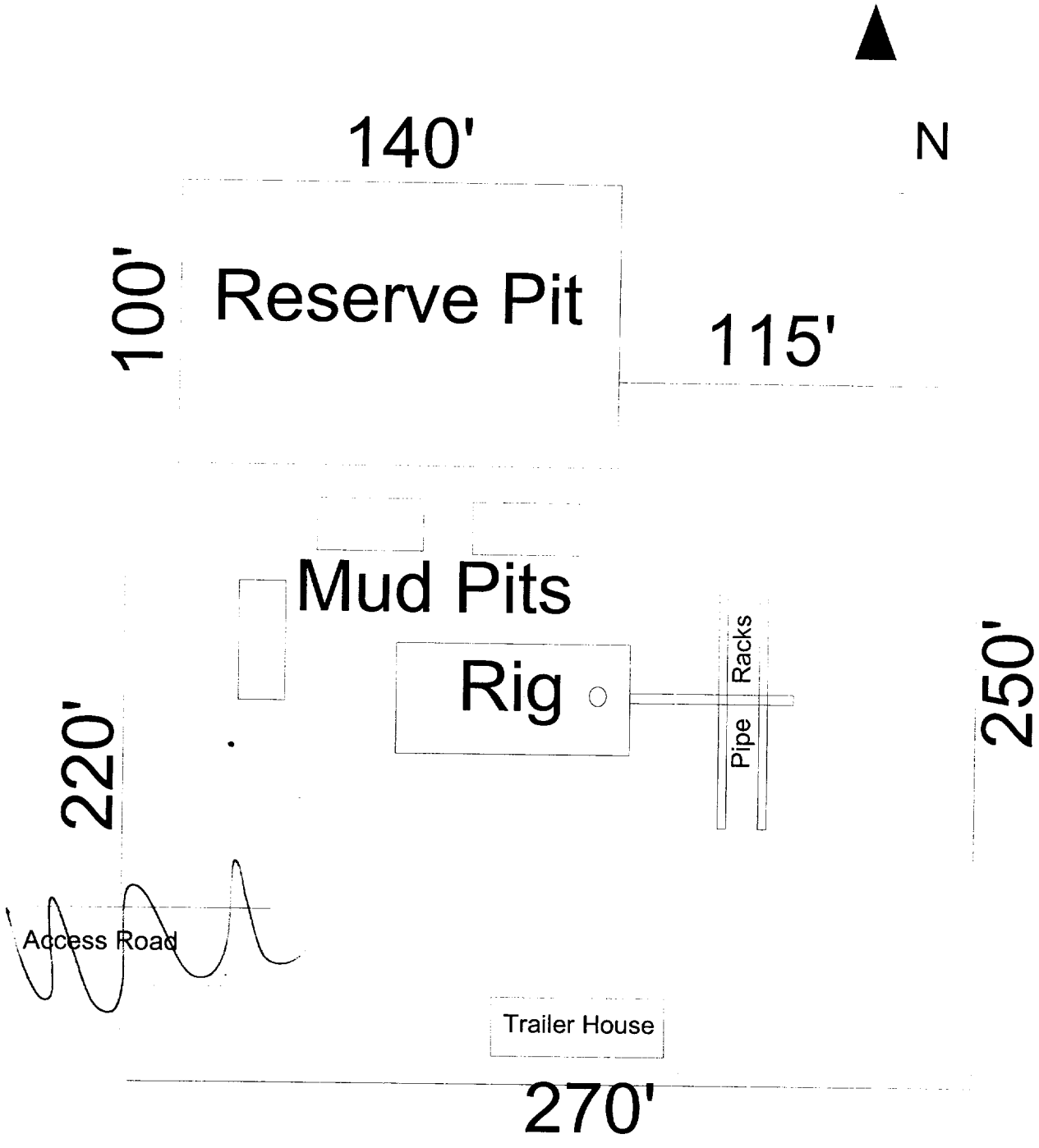
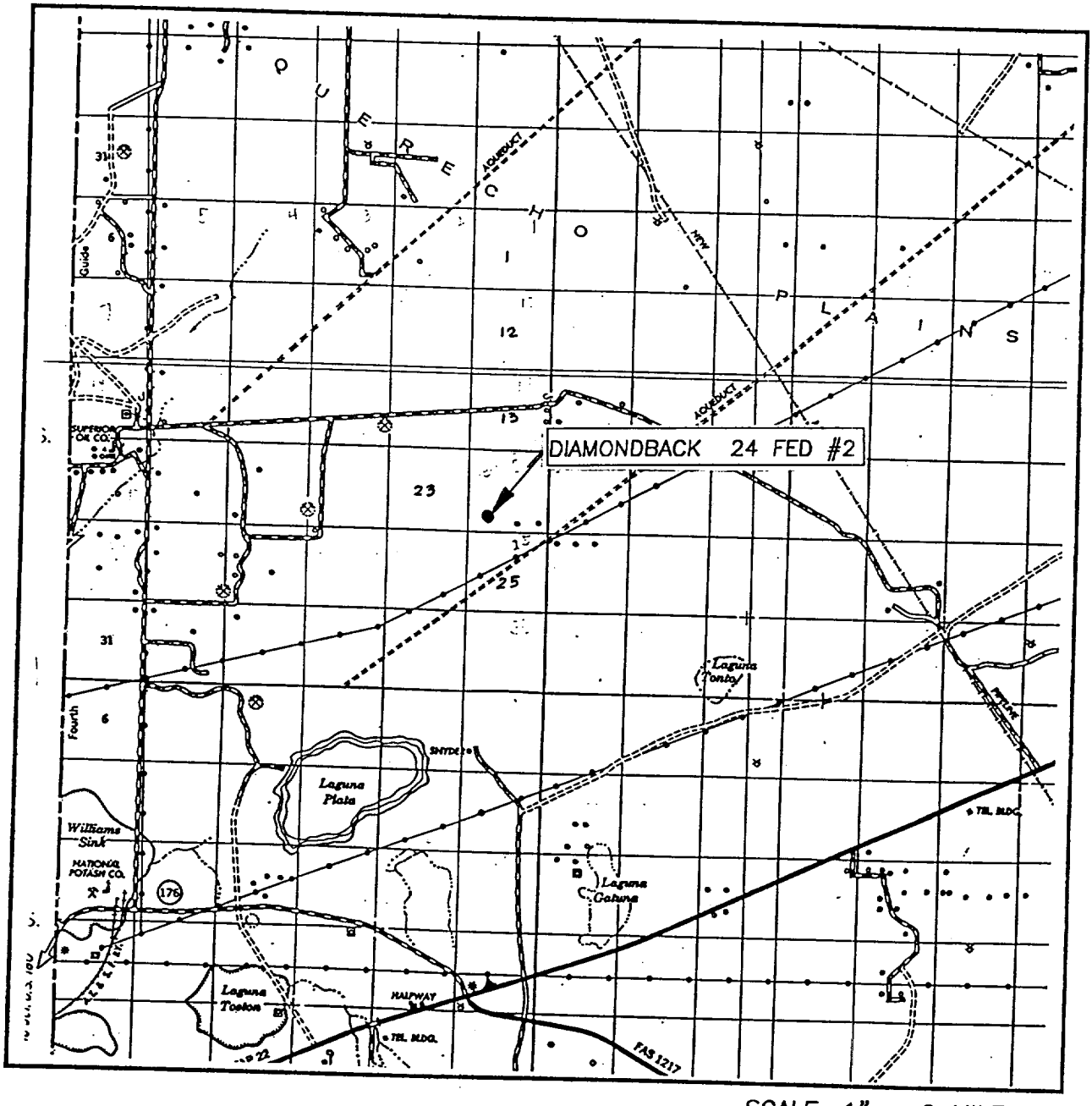


EXHIBIT B
DRILLING RIG LAYOUT
NEARBURG PRODUCING COMPANY
Diamondback 24 Federal Com #2
SCALE 1" = 50'

VICINITY MAP



SCALE: 1" = 2 MILES

SEC. 24 TWP. 19-S RGE. 32-E

SURVEY N.M.P.M.

COUNTY LEA

DESCRIPTION 660' FSL & 1980' FWL

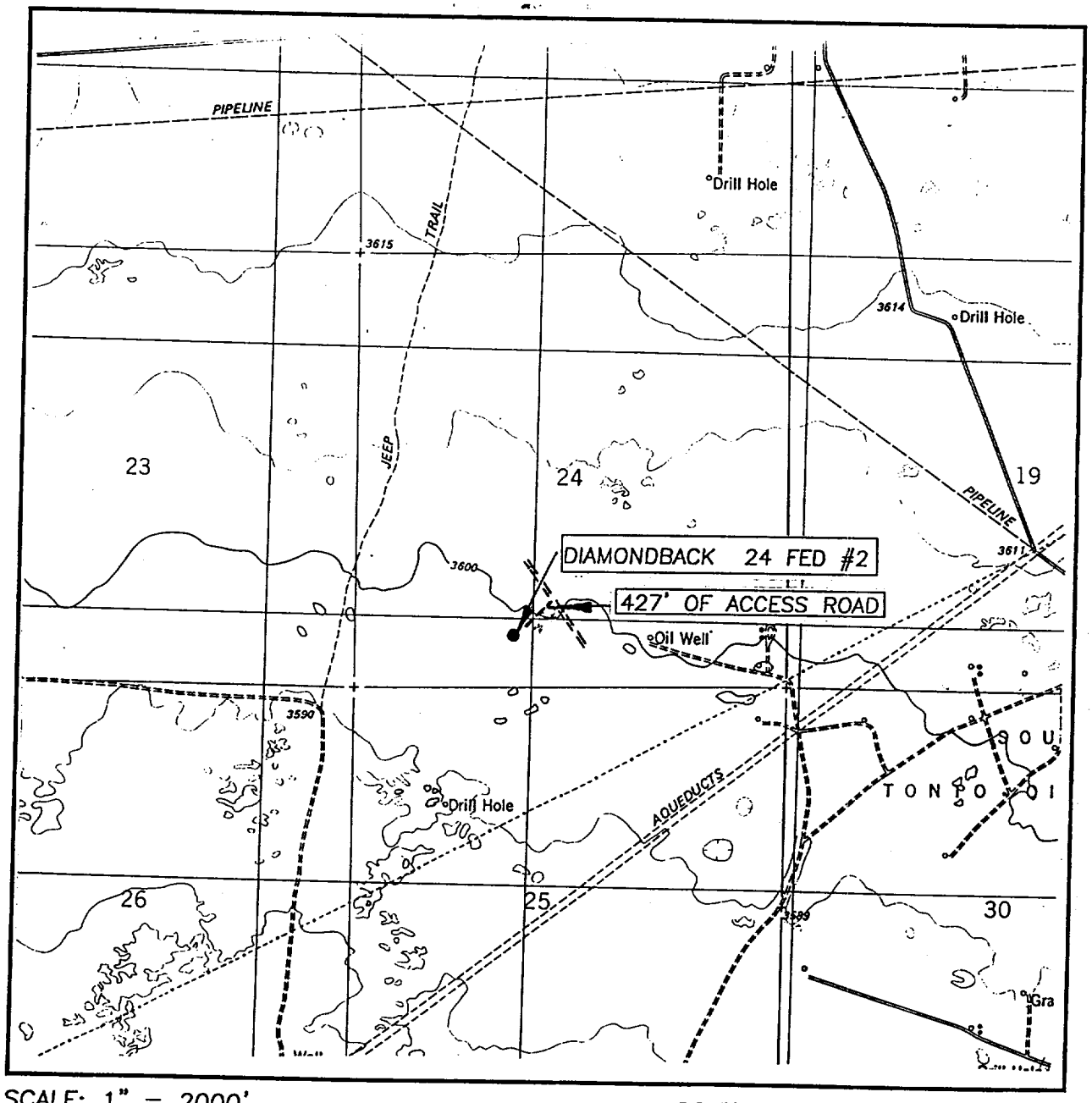
ELEVATION 3598'

OPERATOR NEARBURG PRODUCING COMPANY

LEASE DIAMONDBACK 24 FED.

JOHN WEST SURVEYING
HOBBS, NEW MEXICO
(505) 393-3117

LOCATION VERIFICATION MAP



SCALE: 1" = 2000'

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

SEC. 24 TWP. 19-S RGE. 32-E

SURVEY N.M.P.M.

COUNTY LEA

DESCRIPTION 660' FSL & 1980' FWL

ELEVATION 3598'

OPERATOR NEARBURG PRODUCING COMPANY

LEASE DIAMONDBACK 24 FED.

U.S.G.S. TOPOGRAPHIC MAP
LAGUNA GATUNA NW, N.M.

JOHN WEST SURVEYING
HOBBS, NEW MEXICO
(505) 393-3117

DISTRICT I
P.O. Box 1980, Hobbs, NM 88241-1980

DISTRICT II
P.O. Drawer DD, Artesia, NM 88211-0719

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

DISTRICT IV
P.O. BOX 2088, SANTA FE, N.M. 87504-2088

State of New Mexico
Energy, Minerals and Natural Resources Department

OIL CONSERVATION DIVISION
P.O. Box 2088
Santa Fe, New Mexico 87504-2088

Form C-102
Revised February 10, 1994
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
30-025-35713	~~77370~~ 80770	LUSK; ~~Com~~; Morrow, East

Property Code	Property Name	Well Number
28310	DIAMONDBACK 24 FED COM.	2

OGRID No.	Operator Name	Elevation
015742	NEARBURG PRODUCING COMPANY	3598

Surface Location

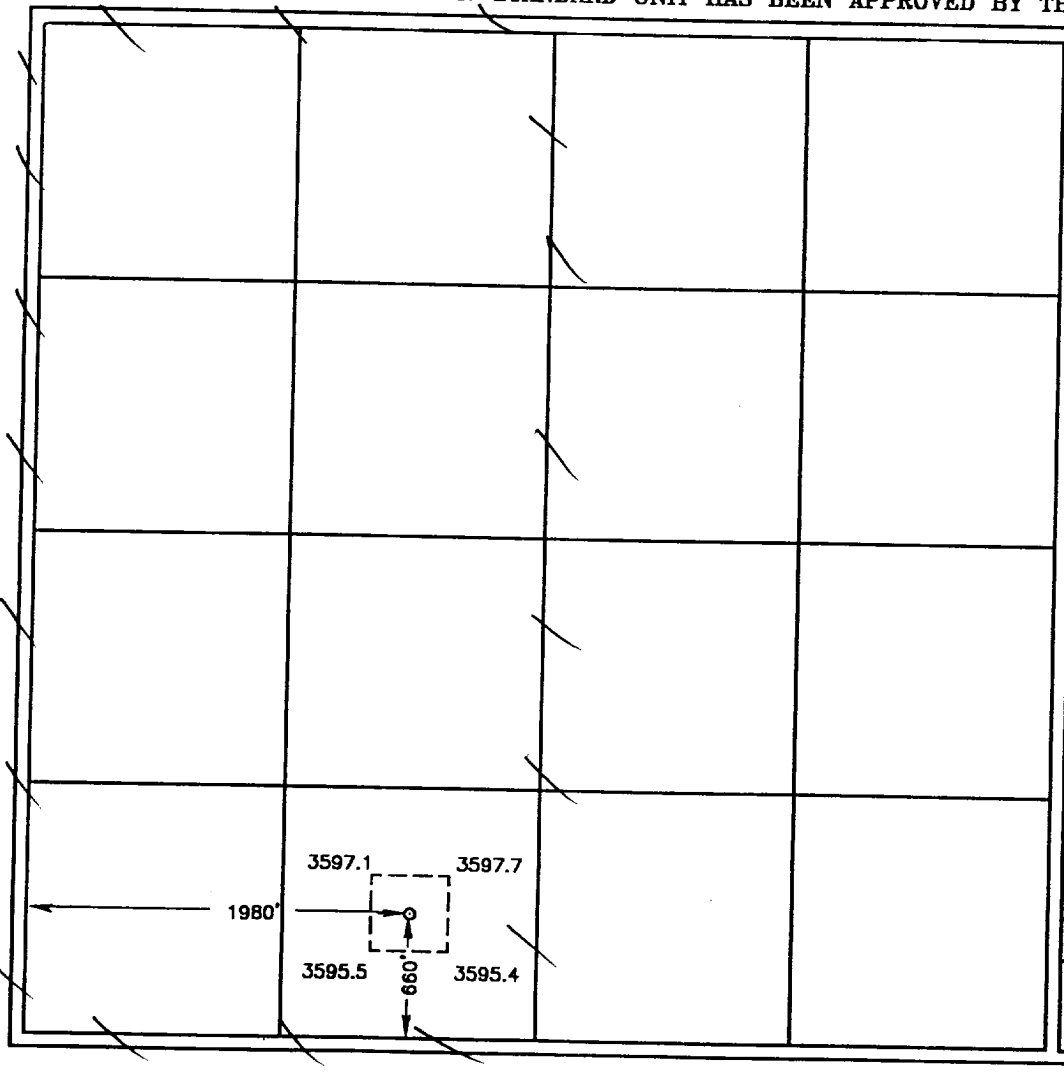
UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
N	24	19-S	32-E		660	SOUTH	1980	WEST	LEA

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	Joint or Infill	Consolidation Code	Order No.
320	N		

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.

Kim Stewart
Signature

Kim Stewart
Printed Name

Regulatory Analyst
Title

July 19, 2001
Date

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.

JUNE 18, 2001
Date Surveyed AWB

Signature & Seal of Professional Surveyor

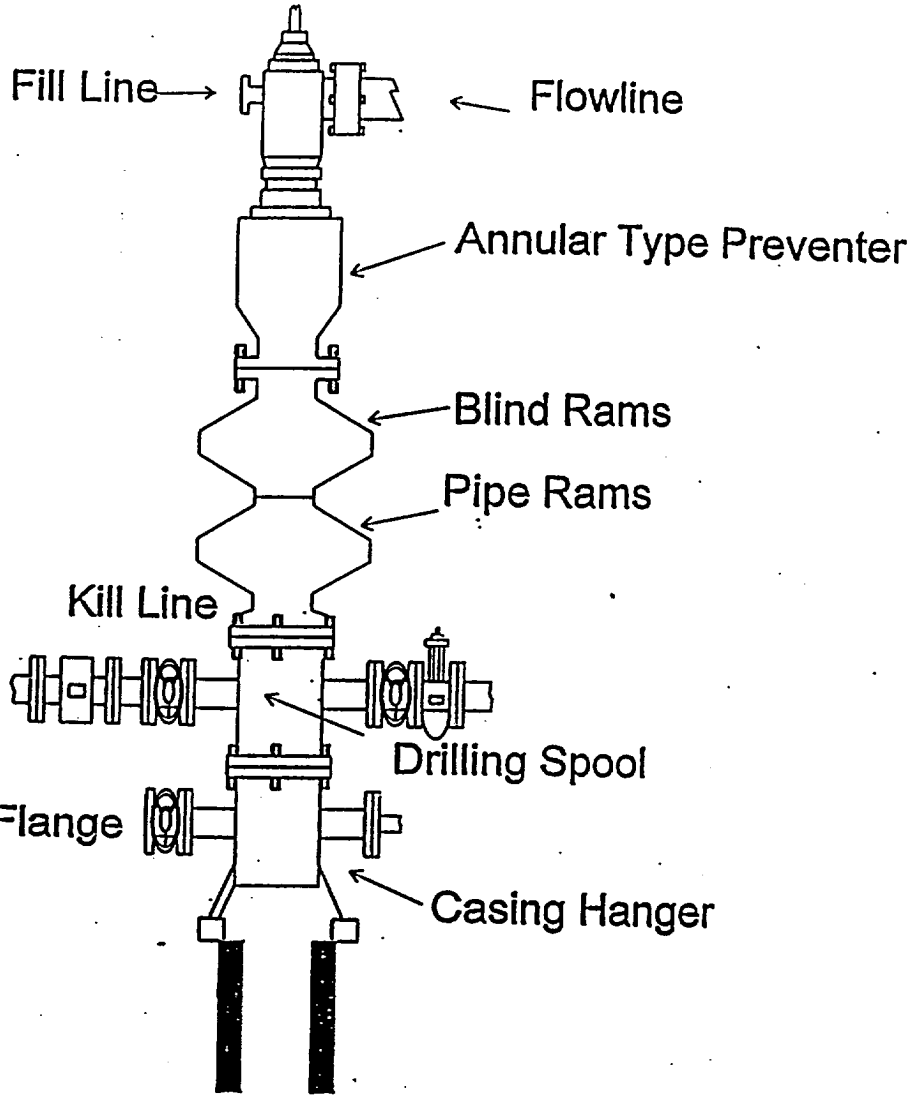
NEW MEXICO — REGISTERED PROFESSIONAL SURVEYOR — RONALD J. EIDSON 3239

6/19/01

01-11-0734

Certificate No. RONALD J. EIDSON 3239
GARY L. EIDSON 12641

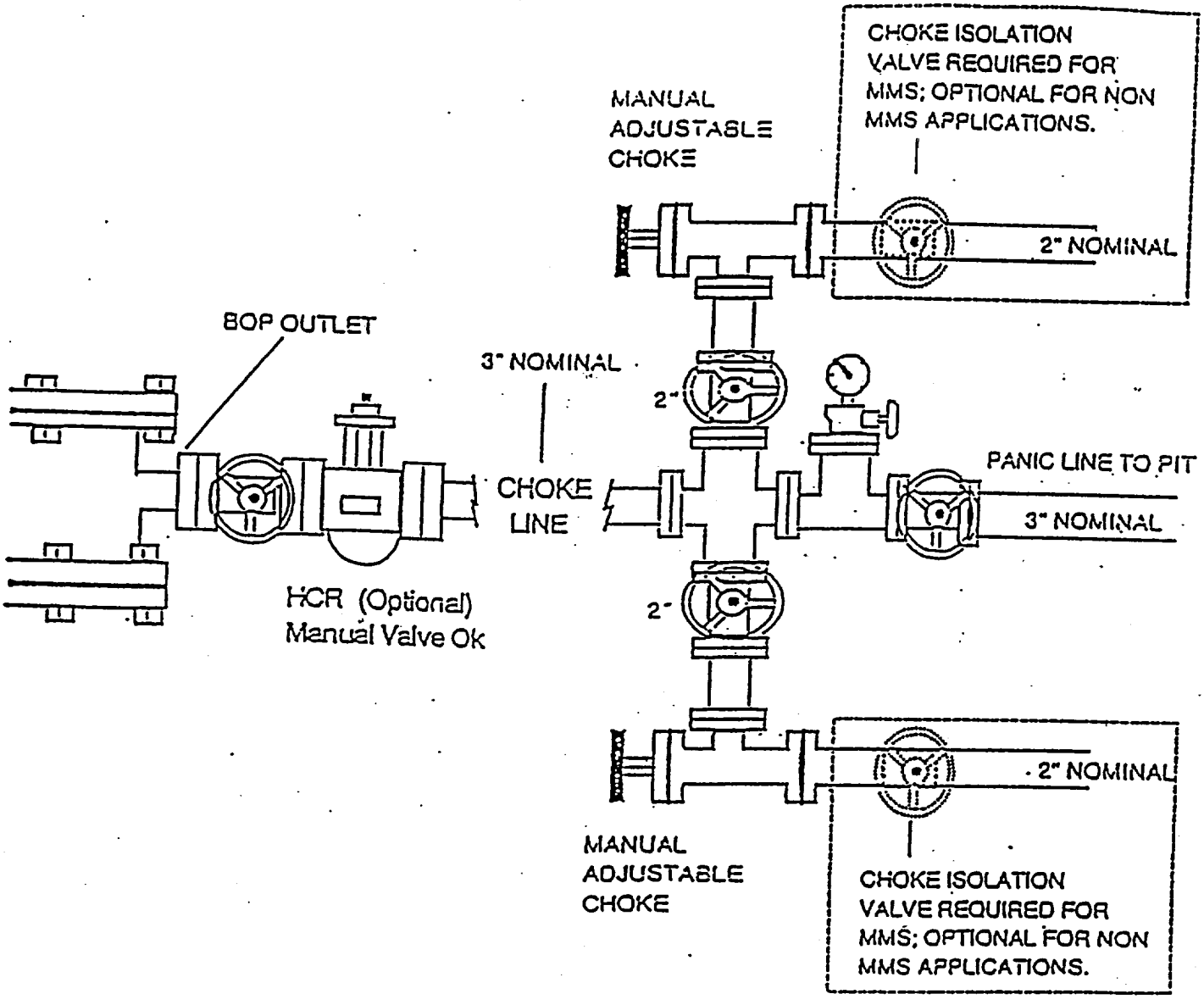
BOPE SCHEMATIC



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

1500 Series

.EARBURG PRODUCING COMPANY
CHOKE MANIFOLD
5M SERVICE



HYDROGEN SULFIDE DRILLING OPERATIONS PLANS
NEARBURG PRODUCING COMPANY
Diamondback 24 Federal Com #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.

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

(915) 686-8235