Form 3160-3
(July 1992)

SUBMIT IN TRIPLICATE*
(Other instructions on reverse side)

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

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

APPLICATION FOR PERMIT TO DRILL OR DEEPEN

5. LEASE DESIGNATION AND SERIAL NO.: NM-97896 ~~NM-97897~~

6. IF INDIAN, ALLOTTEE OR TRIBE NAME: ----------

7. UNIT AGREEMENT NAME: ----------

8. FARM OR LEASE NAME, WELL NO.: JADE "34" FEDERAL COM #1

9. API WELL NO.: 30-025-34390

10. FIELD AND POOL, OR WILDCAT: GEM EAST - MORROW

11. SEC., T., R., M., OR BLK. AND SURVEY OR AREA: SEC. 34 T19S-R33E

12. COUNTY OR PARISH: LEA

13. STATE: NM

1a. TYPE OF WORK: DRILL [X] DEEPEN [ ]

b. TYPE OF WELL: OIL WELL [ ] GAS WELL [X] OTHER — SINGLE ZONE [X] MULTIPLE ZONE [ ]

2. Nearburg Producing Company — Ph. 915-~~683-2534~~ 686-8235

3. 3300 North A Street, Building 2, Suite 120, Midland, Texas 79705 — ~~TEXAS 79701~~

4. LOCATION OF WELL (Report location clearly and in accordance with any State requirements.*)
At surface: ~~1650'~~ 1980' FSL & ~~660'~~ 1150' FEL SEC. 34 T19S-R33E
At proposed prod. zone: SAME

SUBJECT TO LIKE APPROVAL BY STATE FOR UNORTHODOX LOCATION

14. DISTANCE IN MILES AND DIRECTION FROM NEAREST TOWN OR POST OFFICE*: Approximately 30 miles South Southwest of Hobbs, New Mexico

15. DISTANCE FROM PROPOSED* LOCATION TO NEAREST PROPERTY OR LEASE LINE, FT. (Also to nearest drlg. unit line, if any): 660'

16. NO. OF ACRES IN LEASE: 640

17. NO. OF ACRES ASSIGNED TO THIS WELL: 320

18. DISTANCE FROM PROPOSED LOCATION* TO NEAREST WELL, DRILLING, COMPLETED, OR APPLIED FOR, ON THIS LEASE, FT.: 1770'

19. PROPOSED DEPTH: 13,700'

20. ROTARY OR CABLE TOOLS: ROTARY

21. ELEVATIONS (Show whether DF, RT, GR, etc.): 3584' GR.

22. APPROX. DATE WORK WILL START*: When approved

23. PROPOSED CASING AND CEMENTING PROGRAM

SECRETARY'S POTASH — R-111-P POTASH — CAPITAN CONTROLLED WATER BASIN

SIZE OF HOLE	GRADE, SIZE OF CASING	WEIGHT PER FOOT	SETTING DEPTH	QUANTITY OF CEMENT
25"	Conductor 20"	NA	40'	Cement to surface with Redi-mix
18-1/2" ~~17½"~~	~~H-40~~ 16" ~~13 3/8"~~	~~48~~ 75#	1350'	WITNESS circulate to surface
~~12¼"~~ 14-3/4"	~~S-80, N-80 9 5/8"~~ 11-3/4"	~~36~~ 60#	~~3150'~~ 3750'	WITNESS " " "
10-5/8" ~~8 3/4"~~	~~S-95, N-80 7"~~ 8-5/8"	~~26~~ 32 & 36#	~~12,300~~ 5500'	~~2600 Sx.~~ " " "
~~6¼"~~ 7-7/8"	~~S-95~~ 5-1/2" ~~5"~~	~~18~~ 20 & 23#	13,700'	~~250 Sx.~~ Tie Back To 5000'

APPROVAL SUBJECT TO GENERAL REQUIREMENTS AND SPECIAL STIPULATIONS ATTACHED

SEE ATTACHED SHEET

IN ABOVE SPACE DESCRIBE PROPOSED 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: [signature] TITLE: Agent DATE: 01/06/98

(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 (ORIG. SGD.) M. J. CHÁVEZ TITLE STATE DIRECTOR DATE 4-24-98

*See Instructions On Reverse Side

RECEIVED
JAN 6 '87
ROSWELL, NM

1. Drill 25" hole to 40'. Set 40' of 20" conductor pipe and cement to surface with Redi-Mix.

2. Drill 17½" hole to 1350'. Run & set 1350' of 13-3/8" H-40 48# ST&C casing. Cement with 700 sx Class "C" + 4% Gel + 2% CaCl, tail in with 200 sx Class "C" + 2% CaCl. Circulate cement to surface.

3. Drill 12¼" hole to 3150'. Run & set 3150' 9-5/8" S-80 & J-55 36# ST&C casing. Cement with 700 sx of Class "C" Halco Light with 1/4# Flocele/sx + 15# Salt/sx, tail in with 200 sx Class "C" + 1/4 # Flocele/sx + 15# salt/sx. Circulate cement to surface.

4. Drill 8-3/4" hole to 12,300'. Run & set 12,300' of 7" S-95 & N-80 26# LT&C casing. DV Tools at 8500' ± & 3500'±.Cement 1st stage with 500 sx of Class "H" Halco Light tail in with 300 sx of Class "H" + additives. Cement 2nd stage with 1100 sx Class "H" Halco light + additives. Cement 3rd stage with 600 sx Class "C" Halco light Tail in with 100 sx Class "C" neat. Circulate cement to surface.

5. Drill 6-1/8" hole to 13,700'. Run & set 1900' of 5" S-95 18# LT&C casing liner top of liner 12,100' ±. Cement with 250 Sx. Class "H" premium cement + additives.

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

Form C-102
Revised February 10, 1994
Submit to Appropriate District Office
State Lease - 4 Copies
Fee Lease - 3 Copies

OIL CONSERVATION DIVISION

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

☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

API Number	Pool Code	Pool Name
30-025-34390	77380	Gem-East - Morrow

Property Code	Property Name	Well Number
23239	JADE 34 FEDERAL COM	1

OGRID No.	Operator Name	Elevation
15742	NEARBURG PRODUCING COMPANY	3583

Surface Location

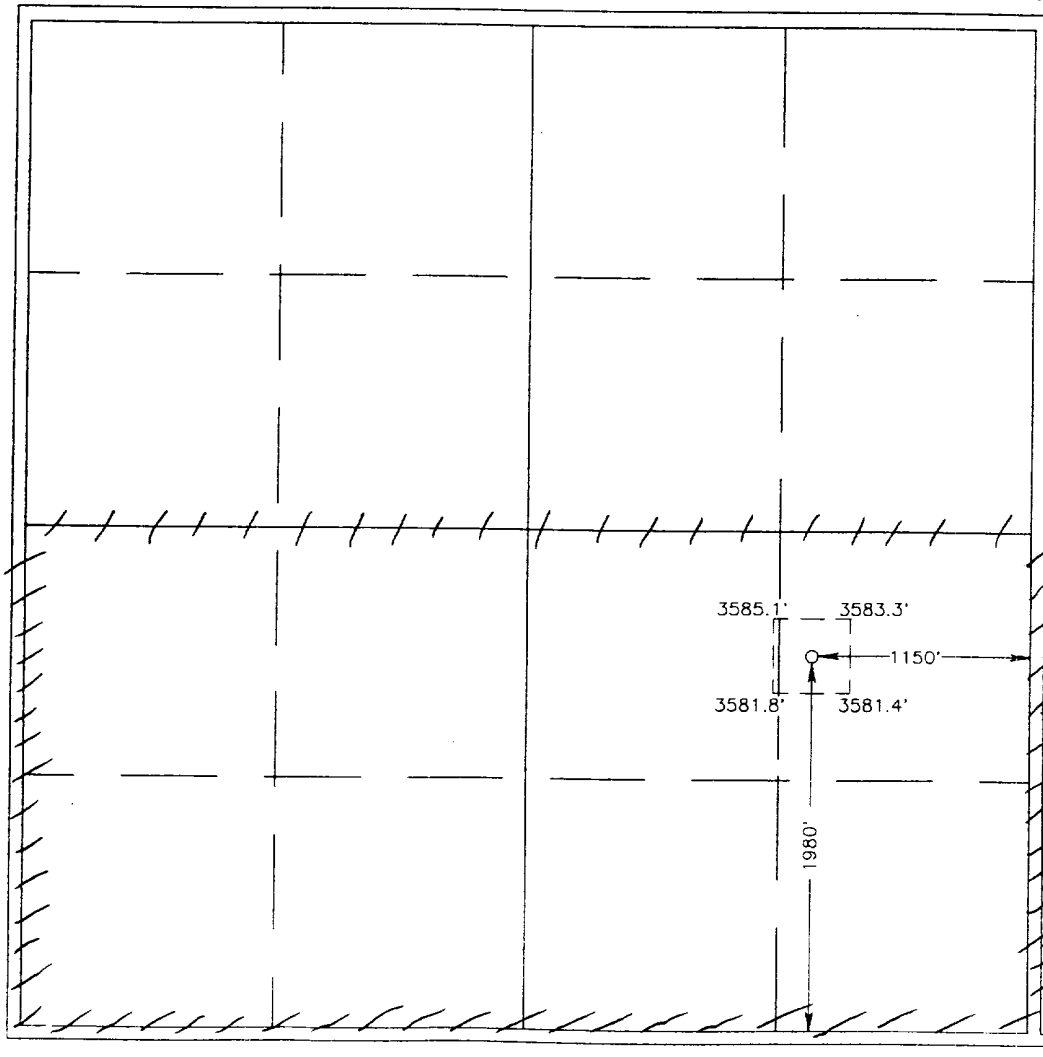
UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
I	34	19 S	33 E		1980	SOUTH	1150	EAST	LEA

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	Joint or Infill	Consolidation Code	Order No.
320	N		NSL-4017

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.

E. Scott Kimbrough
Signature

E. Scott Kimbrough
Printed Name

Mgr. of Drlg & Prod.
Title

April 22, 1998
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.

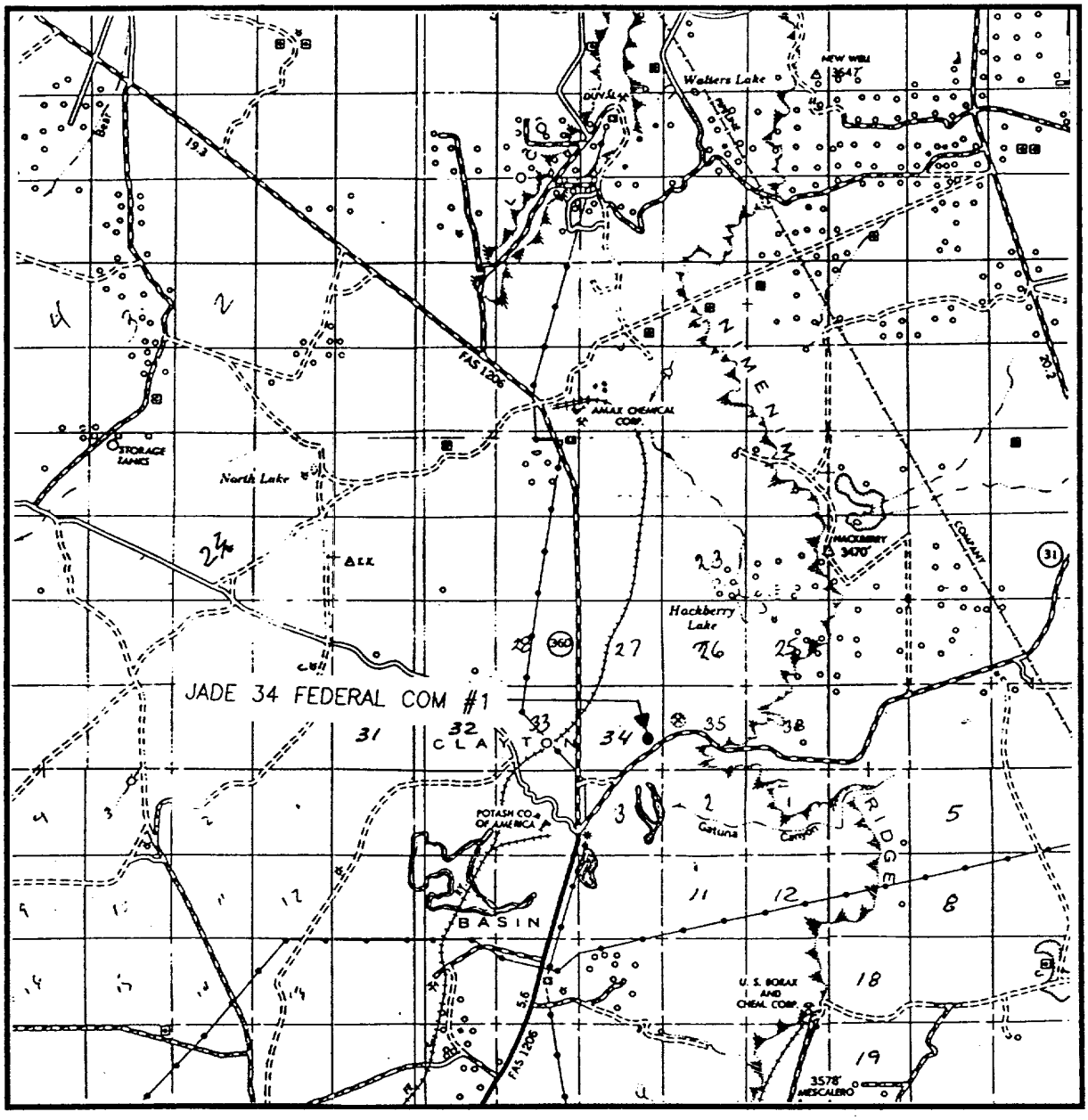
APRIL 21, 1998
Date Surveyed

Signature & Seal of Professional Surveyor

4-21-98

Certificate No. RONALD J. EIDSON 3239
GARY EIDSON 12641
MACON McDONALD 12185

VICINITY MAP



SEC. 34 TWP. 19-S RGE. 33-E

SURVEY N.M.P.M.

COUNTY LEA

DESCRIPTION 1980' FSL & 1150' FEL

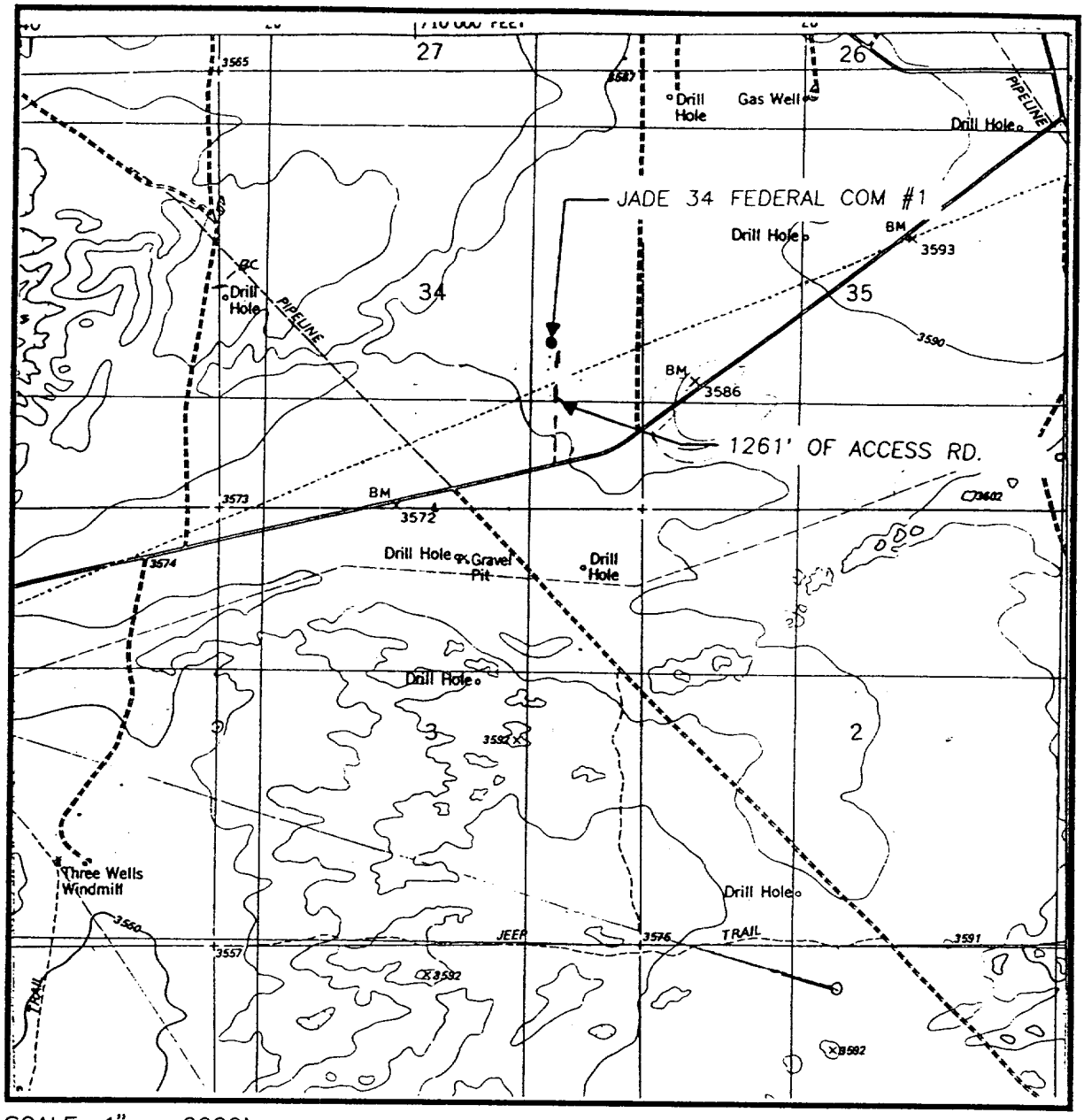
ELEVATION 3583

OPERATOR NEARBURG PRODUCING COMPANY

LEASE JADE 34 FEDERAL COM

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

LOCATION VERIFICATION MAP



SCALE: 1" = 2000'

CONTOUR INTERVAL:
LAGUNA GATUNA – 10'

SEC. 34 TWP. 19-S RGE. 33-E

SURVEY N.M.P.M.

COUNTY LEA

DESCRIPTION 1980' FSL & 1150' FEL

ELEVATION 3583

OPERATOR NEARBURG PRODUCING COMPANY

LEASE JADE 34 FEDERAL COM

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

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

KENNETH C. DICKESON
OIL AND GAS PROPERTIES | P.O. Box 10152 | Midland, TX 79702

April 7, 1998

Bureau of Land Management
Received
APR 21 1998
Carlsbad Field Office
Carlsbad, N.M.

Mr. Joe Lara
Bureau of Land Management
P.O. Box 1778
Carlsbad, NM 88220

RE: Surface Owner Agreement - Jade "34" Federal Com Well No. 1
Nearburg Producing Company
1,650' FSL & 1,150' FEL Section 34, T-19-S, R-33-E, N.M.P.M.
Lea County, New Mexico

Dear Mr. Lara:

Please be advised that Nearburg Producing Company has made an agreement with Mr. Kenny Smith, the surface owner, regarding surface use and surface damages for the existing road, the new road and drilling pad relative to the captioned well.

Should you have any questions in this regard, please contact the undersigned.

Yours very truly,

Kenneth C. Dickeson
Consulting Landman

tlsoa34

400 W. Illinois, Suite 1430 | 915-682-4002 | (Fax) 915-684-4741

Nearburg Producing Company
Exploration and Production

facsimile transmittal

To: BLM **Attn:** Joe Lara

From: Kim Stewart **Date:**

Re: Jade 34 Fed - 1 **Pages:**

☐ Urgent ☐ For Review ☐ Please Comment ☐ Please Reply

Confidentiality Note: The information contained in this facsimile message is legally privileged and confidential information intended for the use of the individual or entity named above. If the reader of this message is not the intended recipient, you are hereby notified that any dissemination, distribution or copy of this transmittal is strictly prohibited. If you have received this telecopy in error, please notify us by telephone immediately. THANK YOU!

3300 N. "A" Street, Bldg. 2, Ste., 120; Midland, TX, 79705, USA
Tel (011) 915 686 8235 Fax (011) 915 686 7806

District I
PO Box 1980, Hobbs, NM 88241-1980

District II
811 South First, Artesia, NM 88210

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

District IV
2040 South Pacheco, Santa Fe, NM 87505

State of New Mexico
Energy, Minerals & Natural Resources Department

OIL CONSERVATION DIVISION
2040 South Pacheco
Santa Fe, NM 87505

Form C-104
Revised October 18, 1994
Instructions on back
Submit to Appropriate District Office
5 Copies

☐ AMENDED REPORT

I. REQUEST FOR ALLOWABLE AND AUTHORIZATION TO TRANSPORT

[1] Operator name and Address	[2] OGRID Number
Nearburg Producing Company 3300 North "A" Street, Bldg 2, Suite 120 Midland, TX 79706	15742
	[3] Reason for Filing Code: CH

[4] API Number	[5] Pool Name	[6] Pool Code
30 - 0	Gem East - Morrow	77360
[7] Property Code	[8] Property Name	[9] Well Number
	Jade "34" Federal Com	1

II. [10] Surface Location

Ul or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South Line	Feet from the	East/West line	County
I	34	19S	33E		1,850'	South	660'	East	Lea

[11] Bottom Hole Location

Ul or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South Line	Feet from the	East/West line	County

[12] Lse Code	[13] Producing Method Code	[14] Gas Connection Date	[15] C-129 Permit Number	[16] C-129 Effective Date	[17] C-129 Expiration Date
F	Drilling				

III. Oil and Gas Transporters

[18] Transporter OGRID	[19] Transporter Name and Address	[20] POD	[21] O/G	[22] POD ULSTR Location and Description

IV. Produced Water

[23] POD	[24] POD ULSTR Location and Description

V. Well Completion Data

[25] Spud Date	[26] Ready Date	[27] TD	[28] PBTD	[29] Perforations	[30] DHC, DC, MC

[31] Hole Size	[32] Casing & Tubing Size	[33] Depth Set	[34] Sacks Cement

VI. Well Test Data

[35] Date New Oil	[36] Gas Delivery Date	[37] Test Date	[38] Test Length	[39] Tbg. Pressure	[40] Csg. Pressure

[41] Choke Size	[42] Oil	[43] Water	[44] Gas	[45] AOF	[46] Test Method

I hereby certify that the rules of the Oil Conservation Division have been complied with and that the information above is true and complete to the best of my knowledge and belief.	OIL CONSERVATION DIVISION
Signature: E. Scott Kimbrough	Approved by:
Printed name: E. Scott Kimbrough	Title:
Title: Manager of Drilling and Production	Approval Date:
Date: 03/25/98 Phone: 915/686-8235	

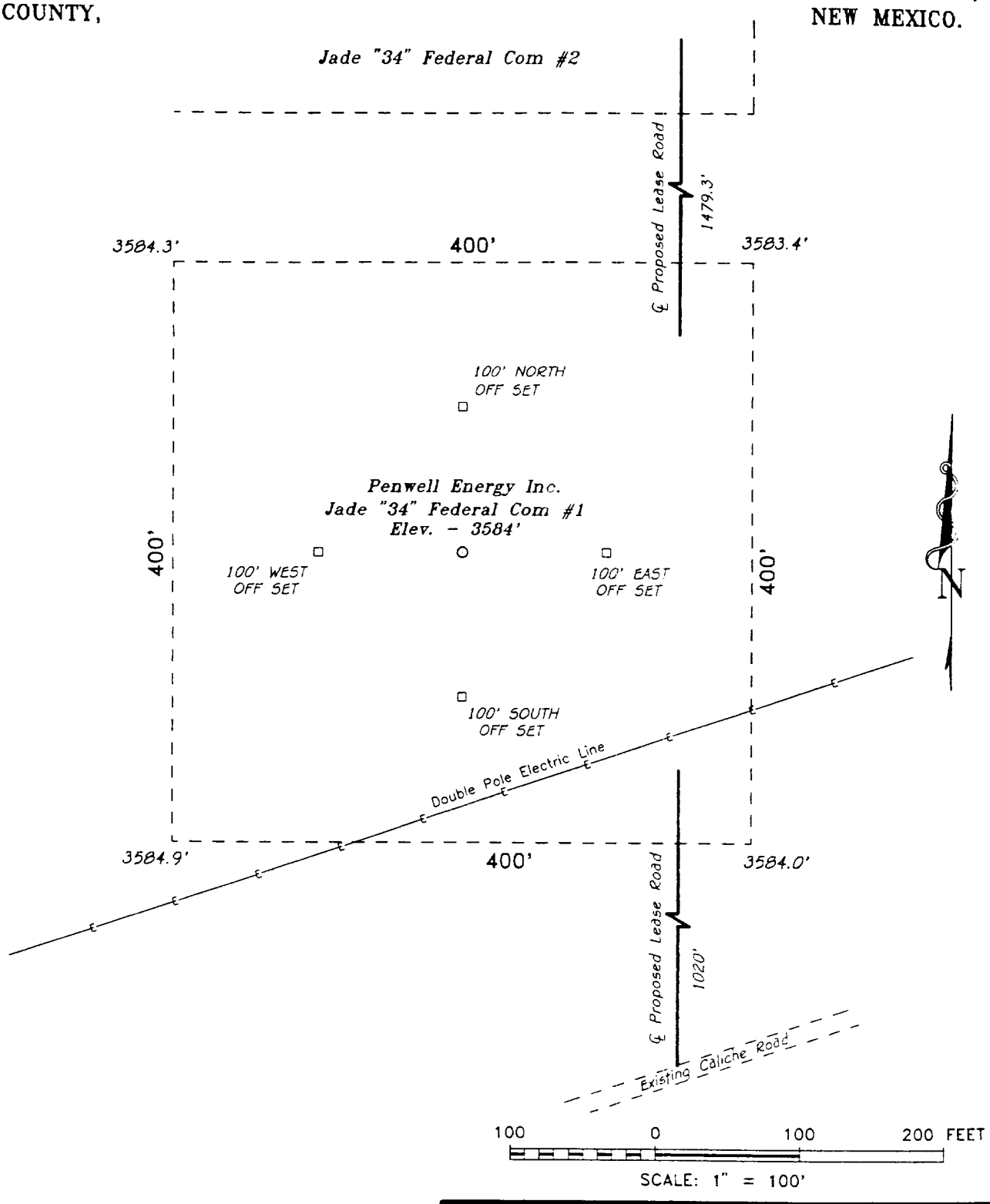
** If this is a change of operator fill in the OGRID number and name of the previous operator

Orgrid #147380 Penwell Energy Inc.

Previous Operator Signature	Printed Name	Title	Date
Linda Walker	LINDA WALKER	Regulator Analyst	3-26-98

SECTION 34, TOWNSHIP 19 SOUTH, RANGE 33 EAST, N.M.P.M.,

LEA COUNTY, NEW MEXICO.



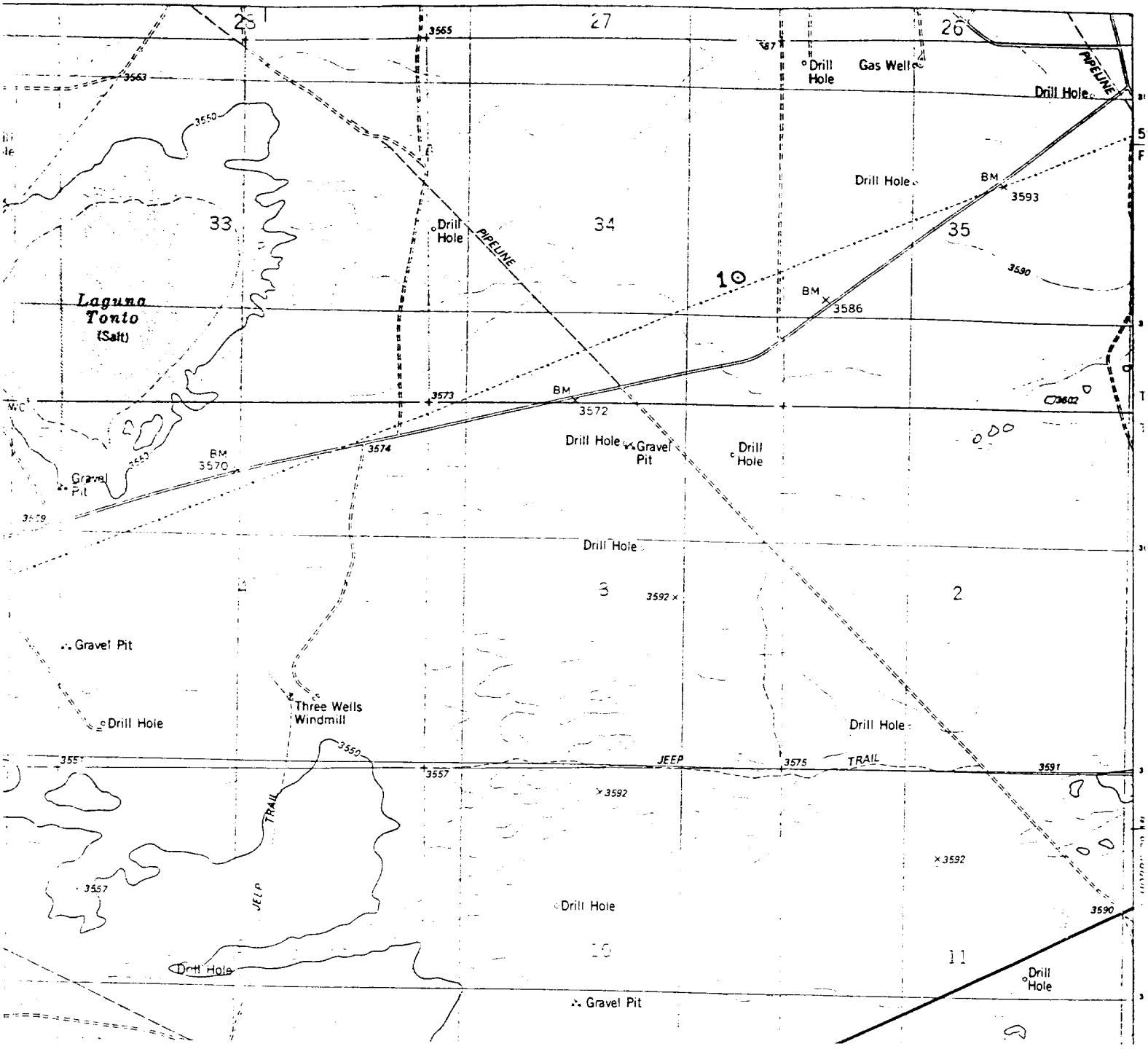
Penwell Energy Inc.

REF: Jade "34" Federal Com No. 1/ Well Pad Topo

THE JADE "34" FEDERAL COM No. 1 LOCATED 1850' FROM THE SOUTH LINE AND 660' FROM THE EAST LINE OF SECTION 34, TOWNSHIP 19 SOUTH, RANGE 33 EAST, N.M.P.M., LEA COUNTY, NEW MEXICO.

BASIN SURVEYS P.O. BOX 1786 - HOBBS, NEW MEXICO

W.O. Number: 7716	Drawn By: S.C. NICHOLS		
Date: 12-08-97	Disk: SCN #39 - 7716AA.DWG	Survey Date: 12-06-97	Sheet 1 of 1 Sheets



Penwell Energy Inc.
Jade "34" Federal Com No. 1
1850' FSL & 660' FEL
Sec. 34, T-19-S, R-33-E,
Lea County, New Mexico.

N

SCALE: 1"=2000'

BASIN SURVEYS P.O. BOX 1786 - HOBBS, NEW MEXICO

2000' 0 2000' 4000 Feet

W.O. Number: 7716	Drawn By: S.C. Nichols	Survey Date: 11-06-97	Sheet 1 of 1 Sheets

APPLICATION TO DRILL

PENWELL ENERGY, INC.
JADE "34" FEDERAL COM. # 1
UNIT "I" SECTION 34
T19S-R33E LEA CO. NM

In response to questions asked under Section II B of Bulletin NTL-6 the following information is provided for your consideration:

1. Location: 1850' FSL & 660' FEL SEC. 34 T19S-R33E LEA CO. NM

2. Elevation above sea level: 3584' GR.

3. Geologic name of surface formation: Quaternery Aeolian Deposits.

4. Drilling tools and associated equipment: Conventional rotary drilling rig using fluid as a circulating medium for solids removal.

5. Proposed drilling depth: 13,700'

6. Estimated tops of geological markers:

Rustler Anhydrite	1250'	Wolfcamp	10,950'
Salado salt	1590'	Strawn	12,100'
Yates	3015'	Atoka	12,415'
Delaware	5155'	Morrow	12,956'
Bone Spring	7850'		

7. Possible mineral bearing formation:

Delaware	Oil	Atoka	Gas
Bone Spring	Oil	Morrow	Gas
Strawn	Oil		

8. Casing program:

Hole size	Interval	OD casing	Weight	Thread	Collar	Grade	Condition
25"	0-40	20"	NA	NA	NA	Conductor	New
17½"	0-1350'	13 3/8"	48	8-R	ST&C	H-40	New
12¼"	0-3150'	9 5/8"	36	8-R	ST&C	S-80 & J-55	New
8 3/4"	0-12,300'	7"	26	8-R	LT&C	S-95 & N-80	New
6 1/8"	12,100- 13,700'	5"	18	8-R	LT&C	S-95	New

9. Cementing and Setting Depth:

SEE ATTACHED SHEET

10. Pressure Control Equipment: Exhibit "E". A 1500 Series 5000 PSI working pressure B.O.P. consisting of a double ram type preventor with a bag type annular preventor. BOP unit will be hydraulically operated. Exhibit "E-1". Choke manifold and closing unit. BOP will be nipple up on 13 3/8" casing and will be operated at least once each 24 Hr. period while drilling and blind rams will be operated when out of hole during trips. Flow sensor, PVT, full opening stabbing valve and upper kelly cock will be utilized. No abnormal pressure or temperature is expected while drilling.

11. Proposed Mud Circulating System:

Depth	Mud Wt.	Visc,	Fluid Loss	Type Mud
40-1350'	8.6-8.9	29-34	NC	Fresh water spud mud add paper to control seepage.
1350-3150'	10-10.7	29-34	NC	Brine water use lime for pH control & add paper for seepage
3150-12300'	9.5-10.3	29-32	NC	Cut brine, use lime for pH control and paper for seepage.
12300-13700'	9.5-10.5	32-38	8 cc or less	Cut brine Drispac system Soda Ash for pH, Gel for viscosity, Starch for water loss control.

Sufficient mud materials will be kept on location at all times in order to combat lost circulation, unexpected kiks. In order to run DST'S, open hole logs, and casing the viscosity and water loss may have to be adjusted to meet these needs.

APPLICATION TO DRILL

PENWELL ENERGY, INC.
JADE "34" FEDERAL COM. # 1
UNIT "I" SECTION 34
T19S-R33E LEA CO. NM

9. Cementing & Setting Depth:

20"	Conductor	Set 40'of 20" conductor and cement to surface with Redi-mix.
13 3/8"	Surface	Set 1350' of 13 3/8" H-40 48# ST&C casing. Cement with 700 Sx. Class "C"+ 4% Gel + 2% CaCl tail in with 200 Sx. Class "C" + 2% CaCl. Circulate cement to surface.
9 5/8"	1st Intermediate	Set 3150' of 9 5/8" S-80 & J-55 36# ST&C casing. Cement with 700 Sx. Class "C" Halco Light + additives, tail in with 200 Sx. Class "C" + additives. Circulate cement to surface.
7"	2nd Intermediate	Set 12,300' of 7" S-95 & N-80 26# LT&C casing. Cement in three Stages. 1st stage 500 Sx. Class "H" Halco Light + additives, tail in with 300 Sx. Class "H" + additives. 2nd stage 1100 Sx. Class "H" Halco Light + additives. 3rd stage with 600 Sx. Class "C" Halco Light, tail in with 100 Sx. Class "C" neat. Circulate cement to surface.
5"	Production Liner	Set 1900' of 5" S-95 18# LT&C casing liner. Cement with 250 Sx Class "H" Premium cement.

APPLICATION TO DRILL

PENWELL ENERGY, INC.
JADE "34" FEDERAL COM. # 1
UNIT "I" SECTION 34
T19S-R33E LEA CO. NM

12. Testing, Logging and Coring Program:

A. CNL-FDC, Gamma Ray, Caliper from TD 12300' to 1st intermediate (3150').

B. AIT-DUAL Laterlog Micro SFL from TD To 1st Intermediate.

C. Above logs will be made in two runs run #1 12300' to 3150' run #2 13,700' to 12300'.

D. Gamma Ray - Caliper - Neutron from TD to surface.

E. Mud logger will be put on hole from 3150' to TD.

F. No DST'S or cores are planned at this time.

13. Potential Hazards:

No abnormal pressures or temperatures are expected. Hydrogen Sulfide gas may be encountered, H_2S detectors will be in place to detect any presence. No lost circulation is expected to occur. All personnel will be familiar with all aspects of safe operation of equipment being used. Estimated BHP 7500 PSI, estimated BHT 190° .

14. Anticipated Starting Date and Duration of Operation:

Road and location construction will begin after BLM approval of APD. Anticipated spud date as soon as approved. Drilling expected to take 75-90 days. If production casing is run an additional 30 days will be required to complete and construct surface facilities.

15. Other Facets of Operations:

After running casing, cased hole gamma ray neutron collar logs will be run from total depth over possible pay intervals. The Morrow pay will be perforated and stimulated. The well will be swab tested and potentialed as a Gas well.


MAY 1990

HYDROGEN SULFIDE DRILLING OPERATIONS PLAN

1. All Company and Contract personnel admitted on location must be trained by a qualified H_2S safety instructor to the following:

   A. Characteristics of H_2S
   B. Physical effects and hazzards
   C. Proper use of safety equipment and life support systems.
   D. Principle and operation of H_2S detectors, warning system and briefing areas.
   E. Evacuation procedure, routes and first aid.
   F. Proper use of 30 minute pressure demand air pack.

2. H_2S Detection and Alarm Systems

   A. H_2S detectors and audio alarm system to be located at bell nipple, end of blooie line (mud pit) and on derrick floor or doghouse.

3. Windsock and/or wind streamers

   A. Windsock at mudpit area should be high enough to be visible.
   B. Windsock at briefing area should be high enough to be visible.
   C. There should be a windsock at entrance to location.

4. Condition Flags and Signs

   A. Warning sign on access road to location.
   B. Flags to be displayed on sign at entrance to location. Green flag, normal safe condition. Yellow flag indicates potential pressure and danger. Red flag, danger, H_2S present in dangerous concentration. Only emergency personnel admitted to location.

5. Well control equipment

   A. See exhibit "E"

6. Communication

   A. While working under masks chalkboards will be used for communication.
   B. Hand signals will be used where chalk board is inappropriate.
   C. Two way radio will be used to communicate off location in case of emergency help is required. In most cases cellular telephoned will be available at most drilling foreman's trailer or living quarters.

7. Drillstem Testing

   A. All testing will be done in daylight hours.
   B. Exhausts will be watered
   C. Flare line will be equipped with an electric ignitor or a propane pilot light in case gas reaches the surface.
   D. If location is near any dwelling a closed D.S.T. will be performed.

HYDROGEN SULFIDE DRILLING OPERATIONS PLAN

8. Drilling contractor supervisor will be required to be familiar with the effects H_2S has on tubular goods and other mechanical equipment.

9. If H_2S is encountered, mud system will be altered if necessary to maintain control of formation. A mud gas seperator will be brought into service along with H_2S scavengers if necessary.

SURFACE USE PLAN

PENWELL ENERGY, INC.
JADE "34" FEDERAL COM. # 1
UNIT "I" SECTION 34
T19S-R33E LEA CO. NM

1. EXISTING ROADS. Area map, Exhibit "B" is a reproduction of the New Mexico General Hi-way Co. Map. Exhibit "C" is a reproduction of a topographic map. Existings roads and proposed roads are shown on each exhibit. All roads will be maintained in a condition equal to or better than of construction.

   A. Exhibit "A" shows the proposed development well as staked.

   B. From Hobbs, New Mexico take U.S. Hi-way 62-180 West toward Carlsbad New Mexico go 30 miles just past the 76 mile post, turn right (Northwest) go 2 miles turn Left (Southwest) go 1.6 miles turn North go 1020' to location.

   C. Lay 3" polyethelene pipeline to transport produced fluids to a common tank battery. Construct a 1250 KV electric power line along road ROW in order to produce oil and gas from this well.

2. PLANNED ACCESS ROADS: Approximately 1020' of new road will be constructed.

   A. The access road will be crowned and ditched to a 12'00" wide travel surface with 40' right-of-way.

   B. Gradient on all roads will be less than 5.00%.

   C. No turnouts will be necessary.

   D. If needed, road will be surfaced with a minimum of 4" of caliche. This material will be obtained from a local source.

   E. Centerline for the new access road has been flagged. Earthwork will be as required by field conditions.

   F. Culverts in the access road will not be used. The road will be constructed to utilize low water crossings for drainage as required by the Lopography.

3. LOCATION OF EXISTING WELLS IN A ONE-MILE RADIUS EXHIBIT "A-1"

   A. Water wells - None known
   B. Disposal wells - None known
   C. Drilling wells - None known
   D. Producing wells - As shown on Exhibit "A-1"
   E. Abandoned wells - None known

4. If, upon completion this well is a producer Penwell Energy Inc. will furnish maps and/or plats showing on site facilities or off site facilities if needed. This will be accompanied with a Sundry Notice.

5. LOCATION AND TYPE OF WATER SUPPLY

Water will be purchased locally from a private source and trucked over the access roads or piped in flexible lines laid on top of the ground.

6. SOURCE OF CONSTRUCTION MATERIALS

If needed, construction materials will be obtained from the drill site's excavations or from a local source. These materials will be transported over the access route as shown on Exhibit "A".

7. METHODS FOR HANDLING WASTE DISPOSAL

A. 1. Drill cuttings will be disposed of in the reserve pit.

2. Trash, waste paper, and garbage will either be contained in a fenced trash trailer or in a trash pit, fenced with mesh wire to prevent wind-scattering during storage. When the rig moves out, all trash and debris left at the site will be contained to prevent scattering and will be buried at least 36" deep within a reasonable period of time.

3. Salts remaining after completion of the well will be picked up by the supplier, including broken sacks.

4. Sewage from trailer houses will drain into holes with minimum depth of 10'00". These holes will be covered during drilling and backfilled upon completion. A "porta John" will be provided for the rig crews. This will be properly maintained during the drilling operations and removed upon completion of the well.

B. Remaining drilling fluids will be allowed to evaporate in the reserve pit until the pit is dry enough for backfilling. In the event drilling fluids will not evaporate in a reasonable period of time they will be transported by tank truck to a state approved disposal site.

Water produced during testing of the well will be disposed of in the reserve pit. Oil produced during testing of the well will be stored in test tanks until sold and hauled from the site.

8. ANCILLARY FACILITILS

No camps or airstrips will be constructed.

9. WELL SITE LAYOUT

A. Exhibit "D" shows location and rig layout.

B. This exhibit indicates proposed location of reserve and trash pits; and living facilities.

C. Mud pits in the active circulating system will be steel pits and the reserve pit is proposed to be unlined, unless subsurface condition encountered during pit construction indicate that lining is needed for lateral containment of fluids.

D. If needed, the reserve pit is to be lined with PVC or polyethylene line. The pit liner will be 6 mils thick. Pit liner will extend a minimum, 2'00" over the reserve pits dikes where the liner will be anchored down.

E. The reserve pit will be fenced on three sides with four strands of barbed wire during drilling and completion phases. The fourth side will be fenced after all drilling operations have ceased. If the well is a producer, the reserve pit fence will be torn down. The reserve pit and those areas of the location not essential to production facilities will be reclaimed and seeded per BLM requirements.

10. PLANS FOR RESTORATION OF SURFACE

Rehabilitation of the location and reserve pit will start in a timely manner after all drilling operations cease. The type of reclamation will depend on whether the well is a producer or a dry hole.

However, in either event, the reserve pit will be allowed to dry properly, and fluid removed and disposed of in accordance with Article 7.B as previously noted. The pit area will then be leveled and contoured to conform to the original and surrounding area. Drainage systems, if any, will be reshaped to the original configuration with provisions made to alleviate erosion. These may need to be modified in certain circumstances to prevent inundation of the location's pad and surface facilities. After the area has been shaped and contoured, topsoil from the spoil pile will be placed over the disturbed area to the extent possible. Revegetation procedures will comply with BLM standards.

If the well is a dry hole, the pad and road area will be recountered to match the existing terrain. Topsoil will be spread to the extent possible. Revegetation will comply with BLM standards.

Should the well be a producer, the previously noted procedures will apply to those areas which are not required for production facilities.

SURFACE USE PLAN

PENWELL ENERGY, INC.
JADE "34" FEDERAL COM. # 1
UNIT "I" SECTION 34
T19S-R33E LEA CO. NM

11. OTHER INFORMATION:

A. Topography consists of grassy flats and rolling plains, the vegetation consists of native grasses yucca, mesquite, and snake weed. drainage is Westward into Laguna Tonto.

B. The surface is owned by the Bureau of Land Management The U.S. Department of Interior, and is used by ranchers for grazing of livestock.

C. An archaeological survey will be conducted of the location and roads. This will be submitted to the Bureau of Land Management when it is completed.

D. There is a dwelling approximately 1.5 miles Northeast of location.

12. OPERATORS REPRESENTIVE:

Before construction:

TIERRA EXPLORATION INC.
P.O. BOX 2188
HOBBS, NEW MEXICO 88241
OFFICE PHONE 505-392-2112
JOE T. JANICA

During and after construction:

PENWELL ENERGY, INC.
600 NORTH MARIENFELD
SUITE 1100
MIDLAND, TEXAS 79701
BILL PIERCE Ph. 915-683-2534

13. 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 currently 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 proposedherein will be performed by Penwell Energy Inc., its contractors/subcontractors is in the conformity with this plan and the terms and conditions under which it is approved. This statement is subject to the provision of U.S.C. 1001 for the filing of a false statement.

NAME : Joe T Janica
DATE : 01/06/98
TITLE : Agent

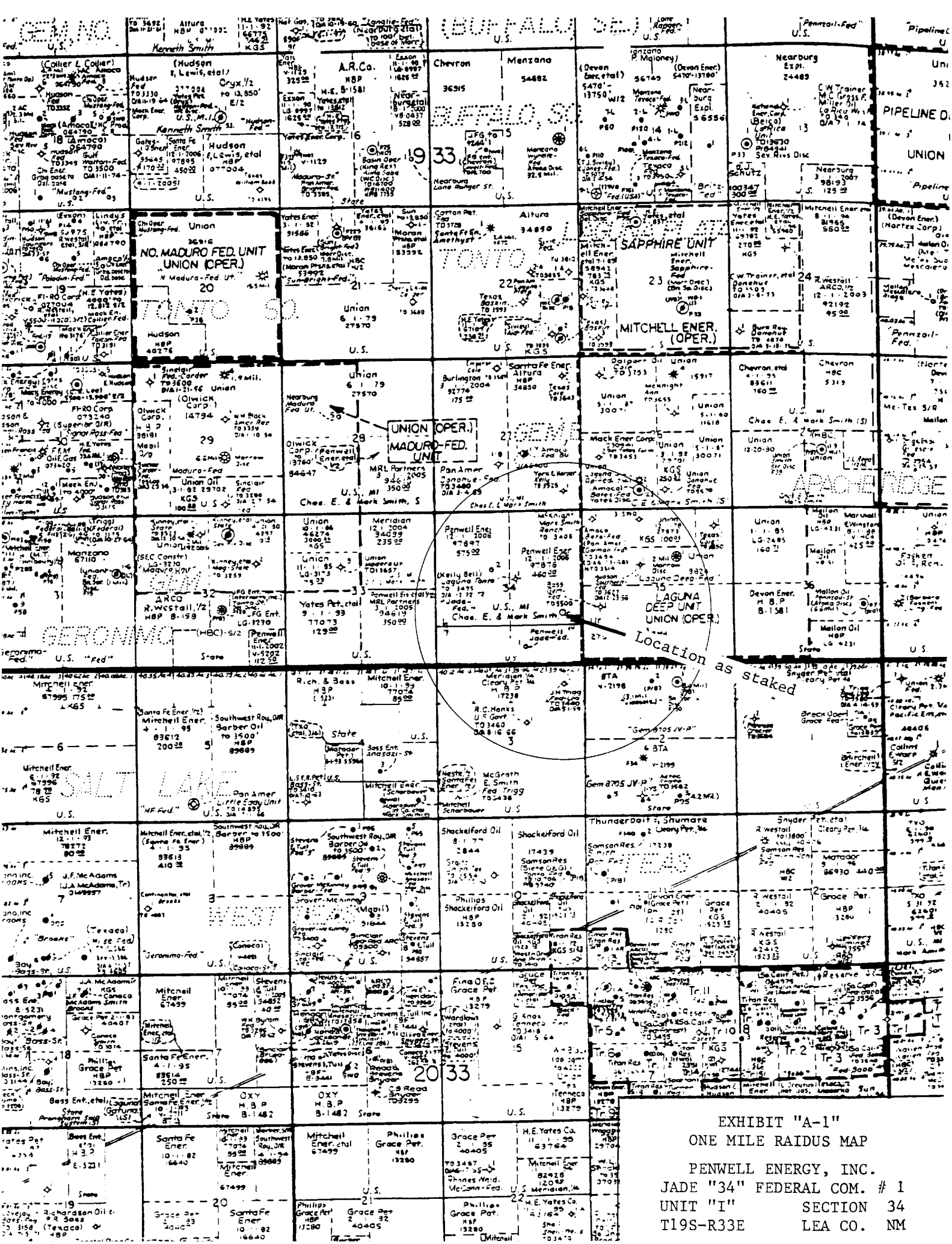


EXHIBIT "A-1"
ONE MILE RAIDUS MAP

PENWELL ENERGY, INC.
JADE "34" FEDERAL COM. # 1
UNIT "I" SECTION 34
T19S-R33E LEA CO. NM

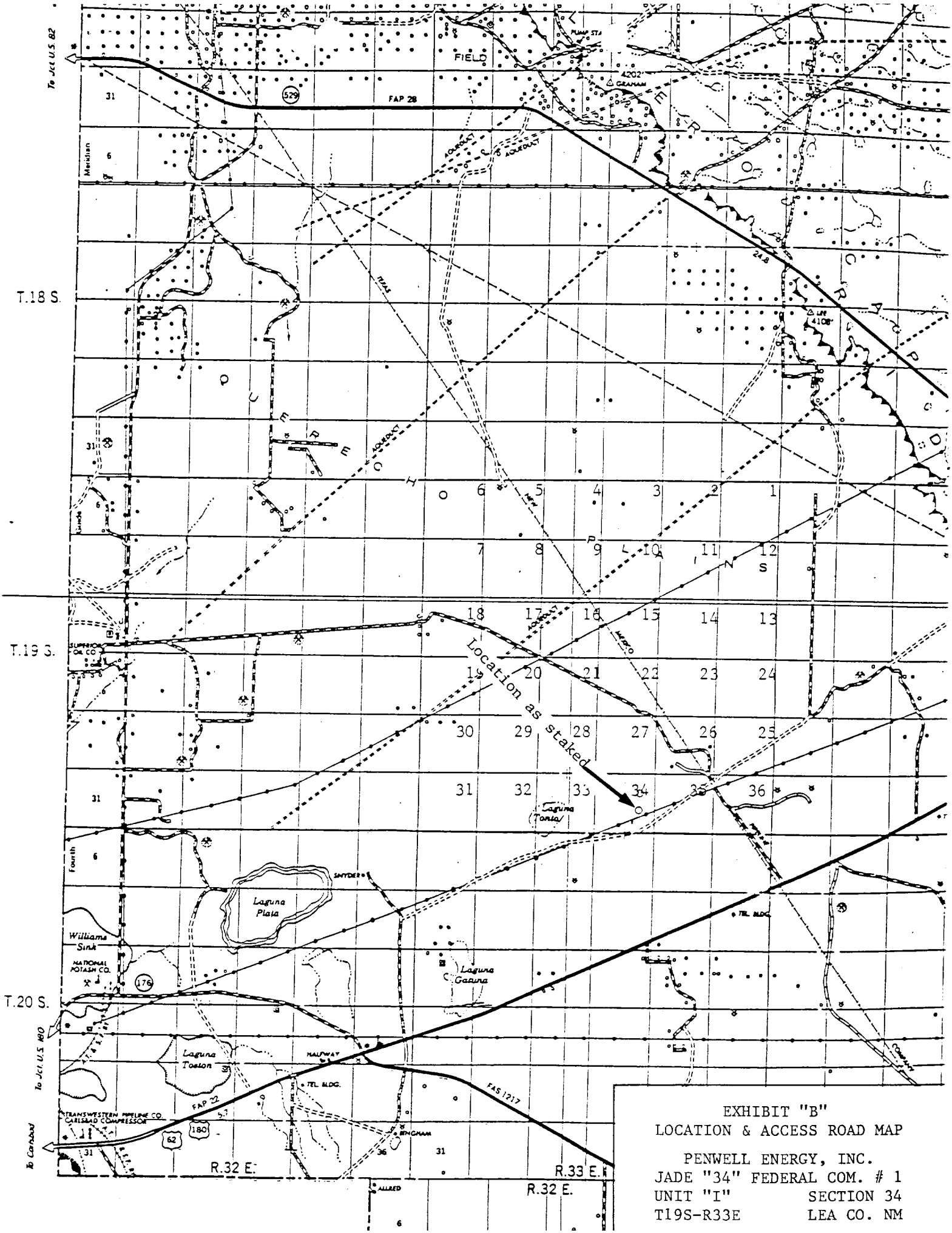


EXHIBIT "B"
LOCATION & ACCESS ROAD MAP

PENWELL ENERGY, INC.
JADE "34" FEDERAL COM. # 1
UNIT "I" SECTION 34
T19S-R33E LEA CO. NM

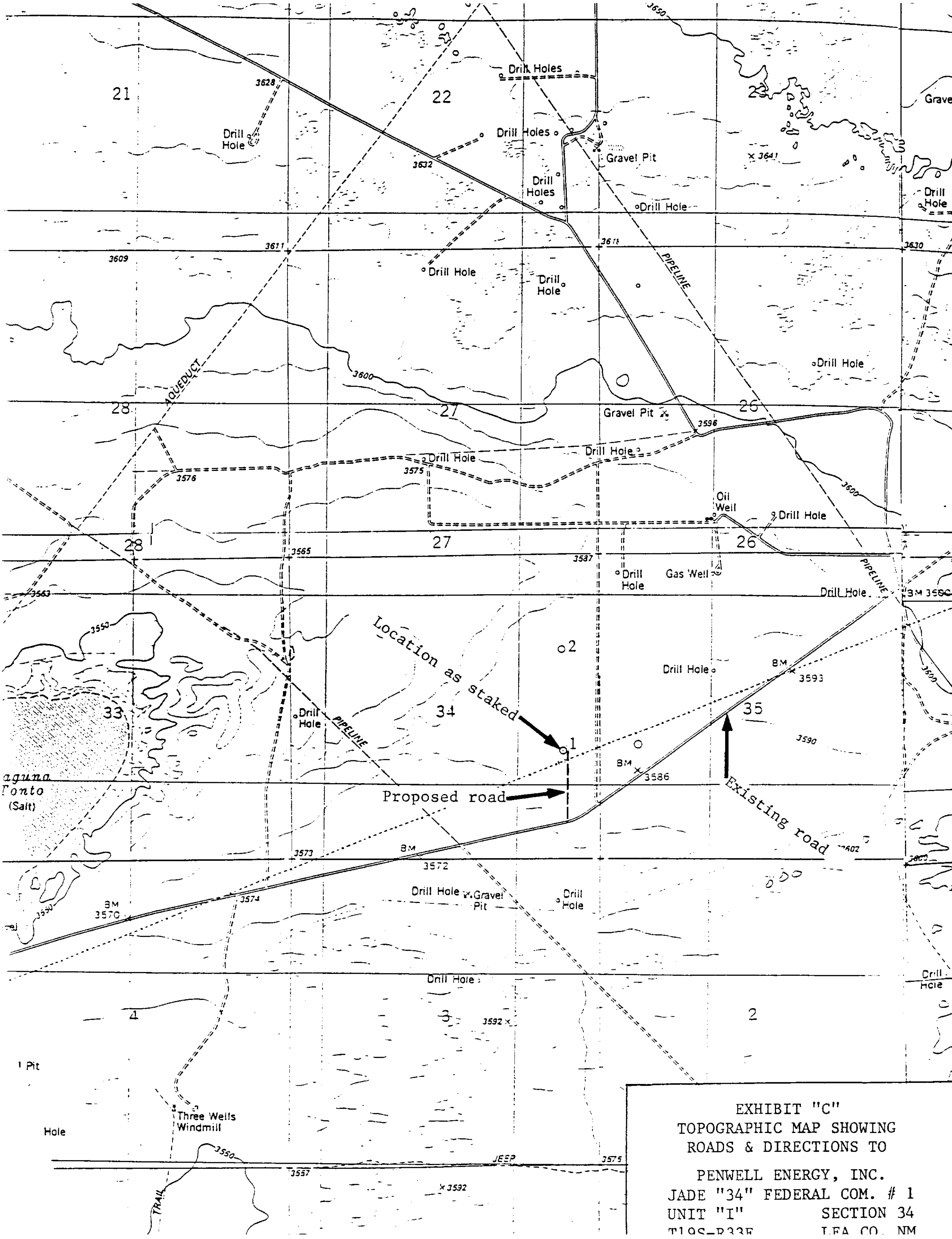
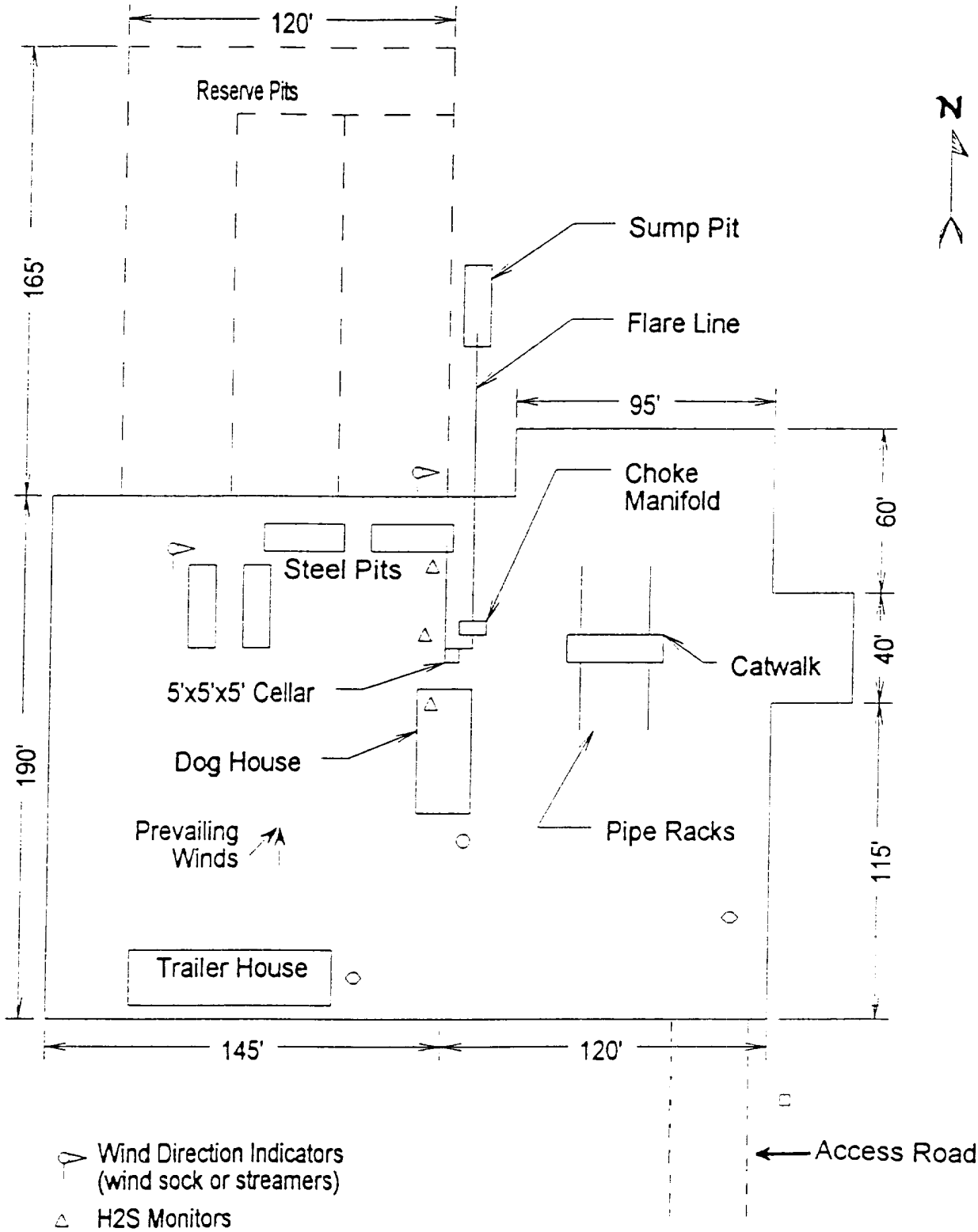


EXHIBIT "C"
TOPOGRAPHIC MAP SHOWING
ROADS & DIRECTIONS TO

PENWELL ENERGY, INC.
JADE "34" FEDERAL COM. # 1
UNIT "I" SECTION 34
T19S-R33E LEA CO. NM



Wind Direction Indicators
(wind sock or streamers)

△ H2S Monitors
(alarms at bell nipple and shale shaker)

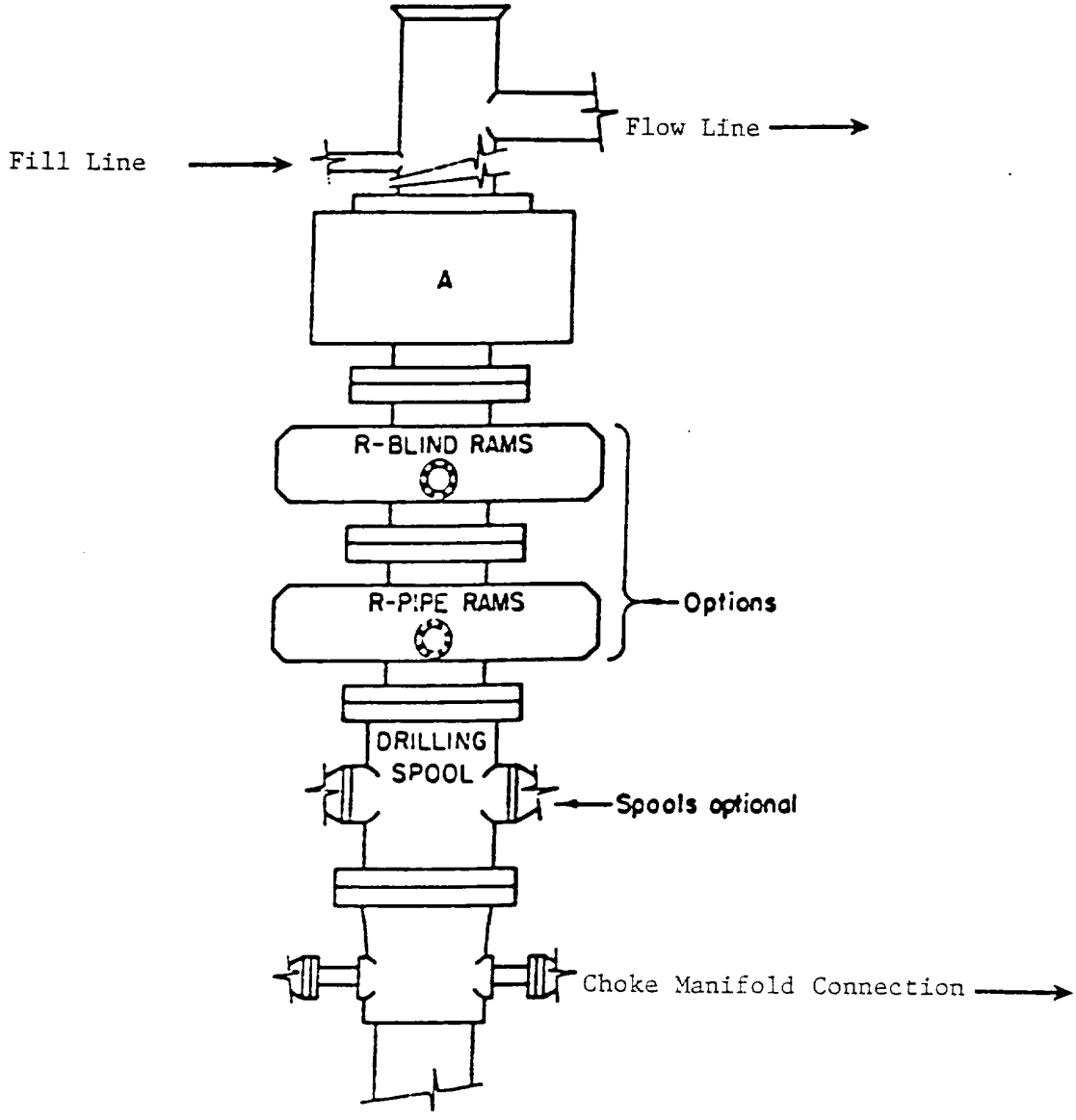
⬭ Briefing Areas

○ Remote BOP Closing Unit

⊏ Sign and Condition Flags

EXHIBIT "D"
RIG LAYOUT PLAT

PENWELL ENERGY, INC.
JADE "34" FEDERAL COM. # 1
UNIT "I" SECTION 34
T19S-R33E LEA CO. NM



ARRANGEMENT SRRA

1500 Series
5000 PSI WP

EXHIBIT "E"
B.O.P. SKETCH TO BE USED ON

PENWELL ENERGY, INC.
JADE "34" FEDERAL COM. # 1
UNIT "I" SECTION 34
T19S-R33E LEA CO. NM

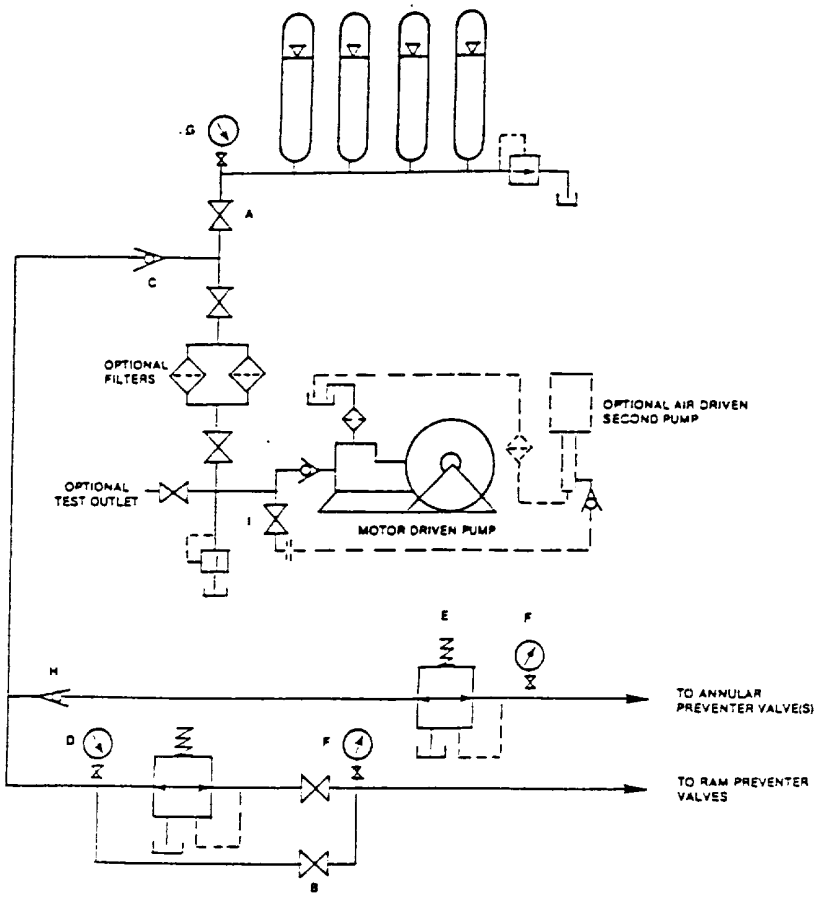


FIGURE K6-1. The schematic sketch of an accumulator system shows required and optional components.

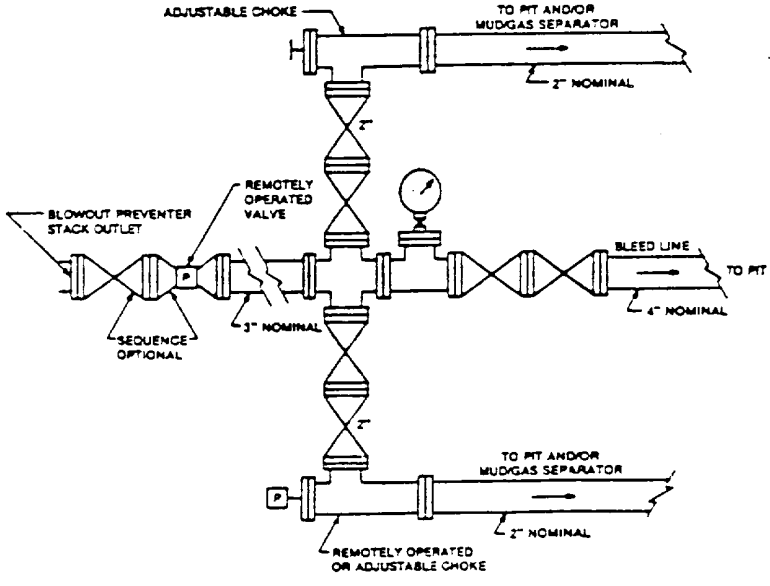


FIGURE K4-2. Typical choke manifold assembly for 5M rated working pressure service — surface installation.

EXHIBIT "E-1"
CHOLE MANIFOLD & CLOSING UNIT

PENWELL ENERGY, INC.
JADE "34" FEDERAL COM. # 1
UNIT "I" SECTION 34
T19S-R33E LEA CO. NM

Form 3160-5
(June 1990)

JNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

N.M. O ons. D on
P.O. Box 1980
Hobbs, NM 8824[illegible]

FORM APPROVED
Budget Bureau No. 1004-0135
Expires: March 31, 1993

SUNDRY NOTICES AND REPORTS ON WELLS

Do not use this form for proposals to drill or to deepen or reentry to a different reservoir.
Use "APPLICATION FOR PERMIT-" for such proposals

SUBMIT IN TRIPLICATE

5. Lease Designation and Serial No.: NM-97896 ~~& NM-07897~~

6. If Indian, Allottee or Tribe Name:

7. If Unit or CA, Agreement Designation:

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

8. Well Name and No.: Jade 34 Federal Com #1

2. Name of Operator: Nearburg Producing Company

9. API Well No.:

3. Address and Telephone No.: 3300 North A Street, Building 2, Suite 120, Midland, Texas 79705 (915) 686-8235

10. Field and Pool, or Exploratory Area: Gem East - Morrow

4. Location of Well (Footage, Sec., T., R., M., or Survey Description)
1980' ~~1,650~~ FSL and 1,150' FEL, Section 34, T19S, R33E

11. County or Parish, State: Lea County, New Mexico

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

TYPE OF SUBMISSION	TYPE OF ACTION	
☒ Notice of Intent	☐ Abandonment	☐ Change of Plans
☐ Subsequent Report	☐ Recompletion	☐ New Construction
☐ Final Abandonment Notice	☐ Plugging Back	☐ Non-Routine Fracturing
	☐ Casing Repair	☐ Water Shut-Off
	☒ Altering Casing	☐ Conversion to Injection
	☐ Other _____	☐ Dispose Water

(Note: Report results of multiple completion on Well Completion or Recompletion Report and Log form.)

13. Describe Proposed or Completed Operations (Clearly state all pertinet details, and give pertinent dates, including estimated date of starting any proposed work. If well is directionally drilled, give subsurface locations and measured and true vertical depths for all markders and zones pertinent to this work.)*

Per BLM PR111-P regulations, Nearburg Producing Company requests the original casing design for this well be changed to the following:

Holes Size	Csg Size	Wt.& Grade	Depth	Cmt	TOC
		75#	1350'	1350	
18-1/2"	16"	~~70#~~, K55, BTC	~~360~~	~~500~~ sx	Circ to surface
14-3/4"	11-3/4"	60#, S80, STC	3,750'	2,000 sx	Circ to surface
10-5/8"(Optional)	8-5/8"(Liner)	32#, N80, ~~J55~~	3500-5,500'	1,000 sx	~~Circ to surface~~ Tie Back 200' Into 11 3/4"
7-7/8"	5-1/2"	23#, N80	900'	2,600 sx	Circ to 5,000'
7-7/8"	5-1/2"	20#, N80	900' - 4,600'		
7-7/8"	5-1/2"	23#, N80	4,600' - 13,700'		

~~* 2200' Of 8 5/8", 36#, N-80, LTC & 3300' Of 8 5/8", 36#, J-55, LTC~~

Per David Glass

14. I hereby certify that the foregoing is true and correct
Signed E. Scott Kimbrough KS Title Manager of Drilling and Production Date 4-21-98

(This space for Federal or State office use)

Approved by _____ Title _____ Date _____
Conditions of approval, if any:

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.

*See Instruction on Reverse Side