

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENTP. O. BOX 1000
HOBBS, NEW MEXICO 88240
SUBMIT IN TRIPlicate (Instructions on reverse side)FORM APPROVED
OMB NO. 1004-0136
Expires: February 28, 1995

APPLICATION FOR PERMIT TO DRILL OR DEEPEN

1a. TYPE OF WORK

DRILL ☒DEEPEN ☐

b. TYPE OF WELL

OIL
WELL ☐GAS
WELL ☒

OTHER

SINGLE
ZONE ☒MULTIPLE
ZONE ☐

2. NAME OF OPERATOR

Nearburg Producing Company

3. ADDRESS AND TELEPHONE NO.

3300 North A Street, Building 2, Suite 120, Midland, Texas 79705 (915) 686-8235

4. LOCATION OF WELL (Report location clearly and in accordance with any State requirements. *)

At surface 1,650' FNL and 1,650' FEL (G)

At proposed prod. zone

14. DISTANCE IN MILES AND DIRECTION FROM NEAREST TOWN OR POST OFFICE*

7 miles Northeast of Halfway, New Mexico

15. DISTANCE FROM PROPOSED*

LOCATION TO NEAREST
PROPERTY OR LEASE LINE, FT.
(Also to nearest drig. unit line, if any)

1,650'

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

1,650'

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

3,677' GR

23.

SECRETARY'S POTASH

PROPOSED CASING AND CEMENTING PROGRAM

CAPITAN CONTROLLED WATER BASIN

SIZE OF HOLE	GRADE, SIZE OF CASING	WEIGHT PER FOOT	SETTING DEPTH	QUANTITY OF CEMENT
17-1/2	13-3/8, H-40	48	400	CIRCULATE
11	8-5/8, K-55	44	5300	CIRCULATE
7-7/8	5-1/2, N-80	22	15600	Tie Back 200' into 8-5/8"

* Proposed casing program on attached form.

OPER. OGRID NO. 15742
PROPERTY NO. 23614
POOL CODE 77380
EFF. DATE 8-20-98
API NO. 30-025-34489

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 is 320 acres; E/2 of Section 24.

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

TITLE Manager of Drilling and Production

DATE

(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

TITLE

DATE

*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.

BUREAU OF LAND MGMT.
ROSWELL OFFICE

1998 JUL 15 A 9:41

RECEIVED

**NEARBURG PRODUCING COMPANY
SAGEBRUSH 24 FEDERAL COM #1
1,650' FNL & 1,650' FEL, SECTION 24-T19S-R33E
LEA COUNTY, NEW MEXICO**

CASING PROGRAM

Casing Size	Setting Depth		Weight	Grade	Joint
	From	To			
13-3/8"	0	350' 400'	48#	H-40	ST&C
8-5/8"	0	2,000'	24#	K-55	ST&C
	0-2,000'	4,400'	32#	K-55	ST&C
	4,400'	5,200'	32#	HCK-55	ST&C
5-1/2"	0	4,200'	20#	N80	LT&C
	4,200'	8,400'	17#	N80	LT&C
	8,400'	13,600'	20#	N80	LT&C

STATEMENT ACCEPTING RESPONSIBILITY FOR OPERATIONS

Nearburg Producing Company
P. O. Box 823085
Dallas, Texas 75382-3085

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 NM -100860

Legal Description of Land: 1,650' FNL & 1,650' FEL
Section 24, T19S, R33E

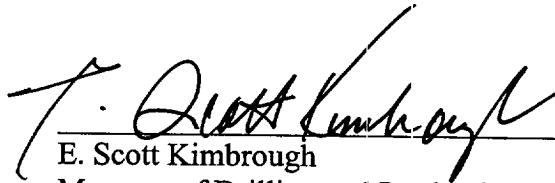
Formation(s) (if applicable): Wildcat - Morrow

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

BLM Bond File No: NM1307

Date

7/15/98


E. Scott Kimbrough
Manager of Drilling and Production

SUPPLEMENTAL DRILLING DATA
NEARBURG PRODUCING COMPANY
SAGEBRUSH 24 FEDERAL COM #1

1. SURFACE FORMATION:

Red Beds

2. ESTIMATED TOPS OF GEOLOGIC MARKERS:

Rustler	1,600'	Strawn	12,150'
Yates	3,490'	Atoka	12,450'
Queen	4,450'	Morrow	12,720'
Delaware	5,900'		
Bone Spring	7,950'	TD	13,600'
Wolfcamp	11,050'		

3. ANTICIPATED POSSIBLE HYDROCARBON BEARING ZONES:

Bone Spring	Oil
Morrow	Gas

4. CASING AND CEMENTING PROGRAM:

<u>Casing Size</u>	<u>Setting Depth</u>		<u>Weight</u>	<u>Grade</u>	<u>Joint</u>
	<u>From</u>	<u>To</u>			
13-3/8"	0	350'	48#	H-40	ST&C
8-5/8"	0	2,000'	24#	K-55	ST&C
	0	2,000' - 4,400'	32#	K-55	ST&C
		4,400' - 5,200'	32#	HCK-55	ST&C
5-1/2"		0 - 4,200'	20#	N80	LT&C
		4,200' - 8,400'	17#	N80	LT&C
		8,400' - 13,600'	20#	N80	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 350'. 13-3/8" casing will be cemented with 400 sx "C" or volume necessary to circulate to surface.

We plan to drill a 11" hole to equal 5,200". 8-5/8" casing will be cemented with 2,300 sx 35/65 Poz "C" or volume based on a fluid caliper necessary to circulate to surface.

We plan to drill a 7-7/8" hole to equal to 13,600". 5-1/2" casing will be cemented with 1,500 sx 50/50 and 35/65 Poz "H" or volume necessary to tie back to 8-5/8" casing.

5. PRESSURE CONTROL EQUIPMENT:

The BOP stack will consist of a 5,000 psi working pressure, dual ram type preventer and annular.

A BOP sketch is attached.

6. **CIRCULATING MEDIUM:**

Surface to 13,600':

Spud and drill to 350' with fresh water mud for surface string. The intermediate section will be drilled with 10# brine to 5,200' and 8-5/8" casing will be set. The production section from 5,200' to 11,000' with 8.8 to 9.0 ppg cut brine, and from 11,000' to 12,700' with 9.0 to 9.1 ppg cut brine and a Brine/PolyPac/XCD system with weight sufficient to control formation pressures to 13,600'.

7. **AUXILIARY EQUIPMENT:**

None required.

8. **TESTING, LOGGING AND CORING PROGRAM:**

DLL/CNL/LDT/Cal/GR is planned, drill stem tests, cores and sidewall cores possible.

9. **ABNORMAL PRESSURES, TEMPERATURES OR HYDROGEN SULFIDE GAS:**

None anticipated. Expected maximum SBHP is estimated to be 5,000 psi.

10. **ANTICIPATED STARTING DATE:**

It is planned that operations will commence on August 1, 1998, with drilling and completion operations lasting about 45 days.

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

**NEARBURG PRODUCING COMPANY
SAGEBRUSH 24 FEDERAL COM #1
1,650' FNL & 1,650' FEL, SECTION 24-T19S-R33E
LEA COUNTY, NEW MEXICO**

LOCATED:

7 miles Northeast of Halfway, New Mexico

OIL & GAS LEASE:

NM NM - 100860

RECORD LESSEE:

Nearburg Exploration LLC

BOND COVERAGE:

\$25,000 statewide bond of Nearburg Producing Company.

ACRES IN LEASE:

320

GRAZING LEASE:

Kenneth Smith
Smith Ranch
505-887-3374
PO Box 764, Carlsbad, N.M., 88221

POOL:

Wildcat 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 Plat

This well will be drilled to a depth of approximately 13,600'.

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". It will be approximately 12' wide and 1500' long.

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 on 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 flat sandy soil with a regional slope being to the east.

B. Soil:

Top soil at the well site is sandy gyp.

C. Flora and Faunal:

The location is in an area sparsely covered with weeds and range grasses.

10. OTHER INFORMATION: (CONTINUED)

D. Ponds and Streams:

There are no rivers, lakes, ponds, or streams in the area.

E. Residences and Other Structures:

There are no residence within a mile of the proposed well site.

F. Archaeological, Historical, and Cultural Sites:

None observed in this area.

G. Land Use:

Grazing.

H. Surface Ownership: BLM

(Grazing Lease)

Kenneth Smith

Smith Ranch

505-887-3374

PO Box 764, Carlsbad, N.M., 88221

11. OPERATOR'S REPRESENTATIVE:

H. R. Willis

Midland, Texas

Home: (915) 697-2484

Office: (915) 686-8235

Pager: (800) 405-5174

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 approve.

Date

7 / 13 / 98

H. R. Willis

Drilling Superintendent

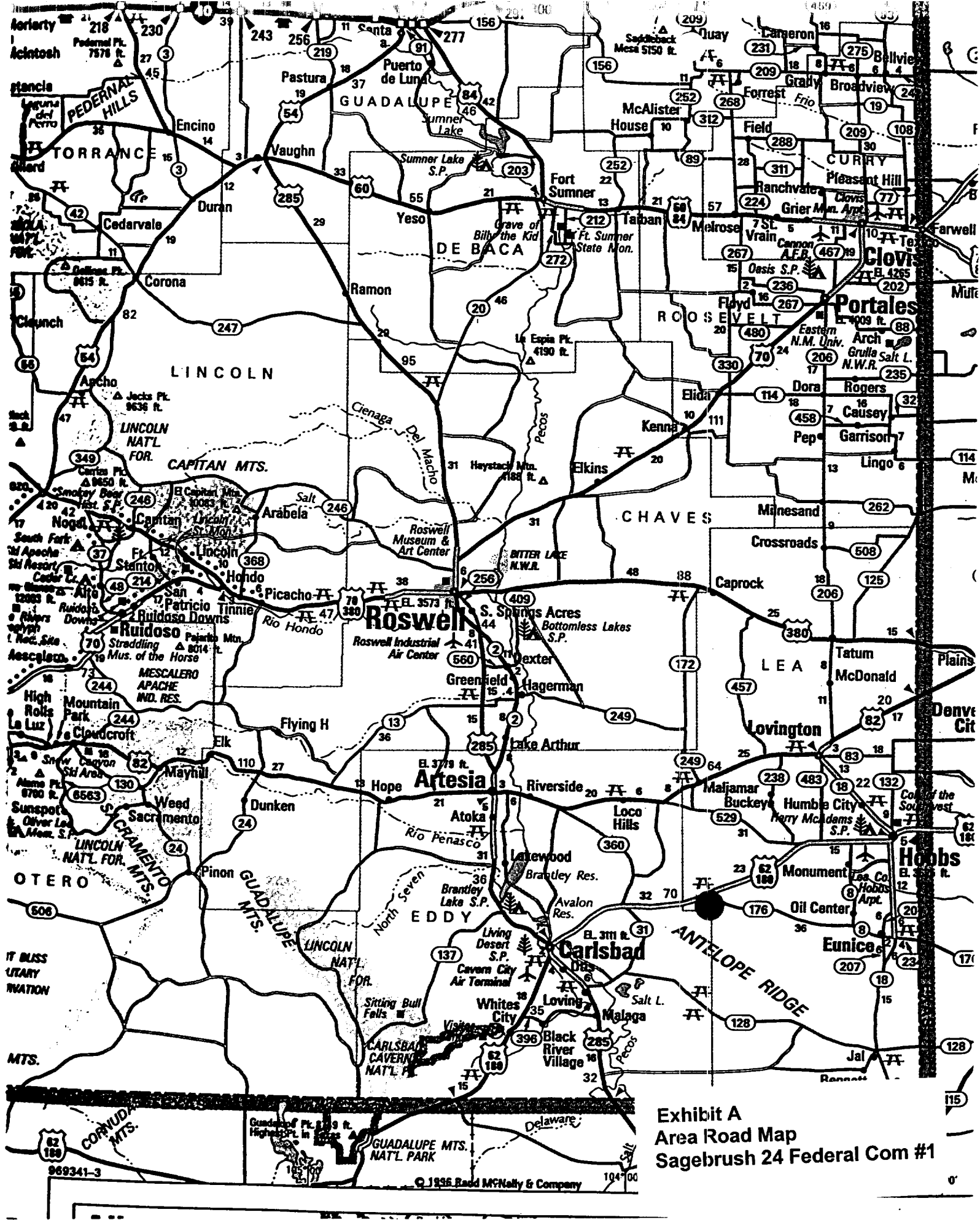


Exhibit A
Area Road Map
Sagebrush 24 Federal Com #1

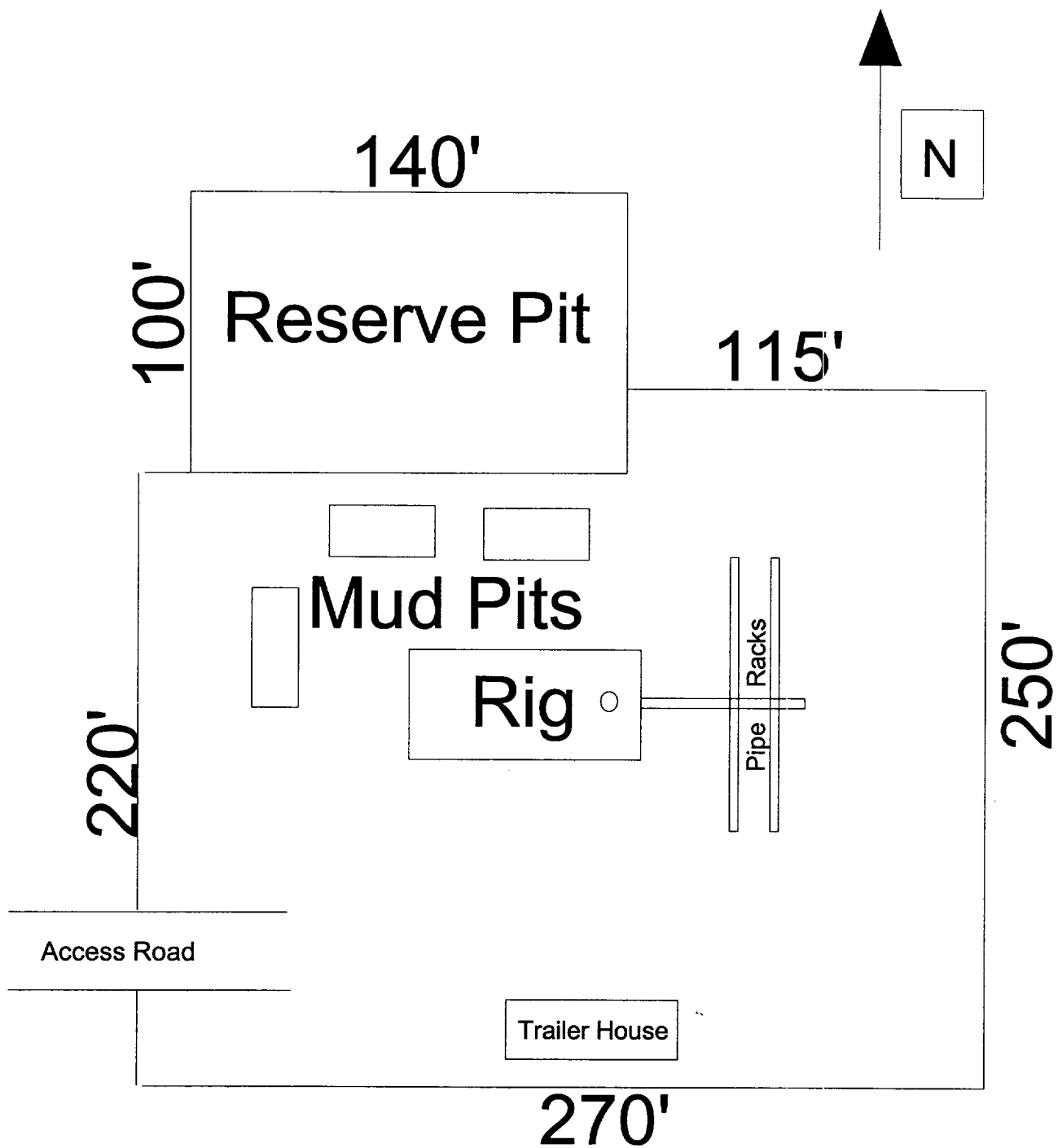
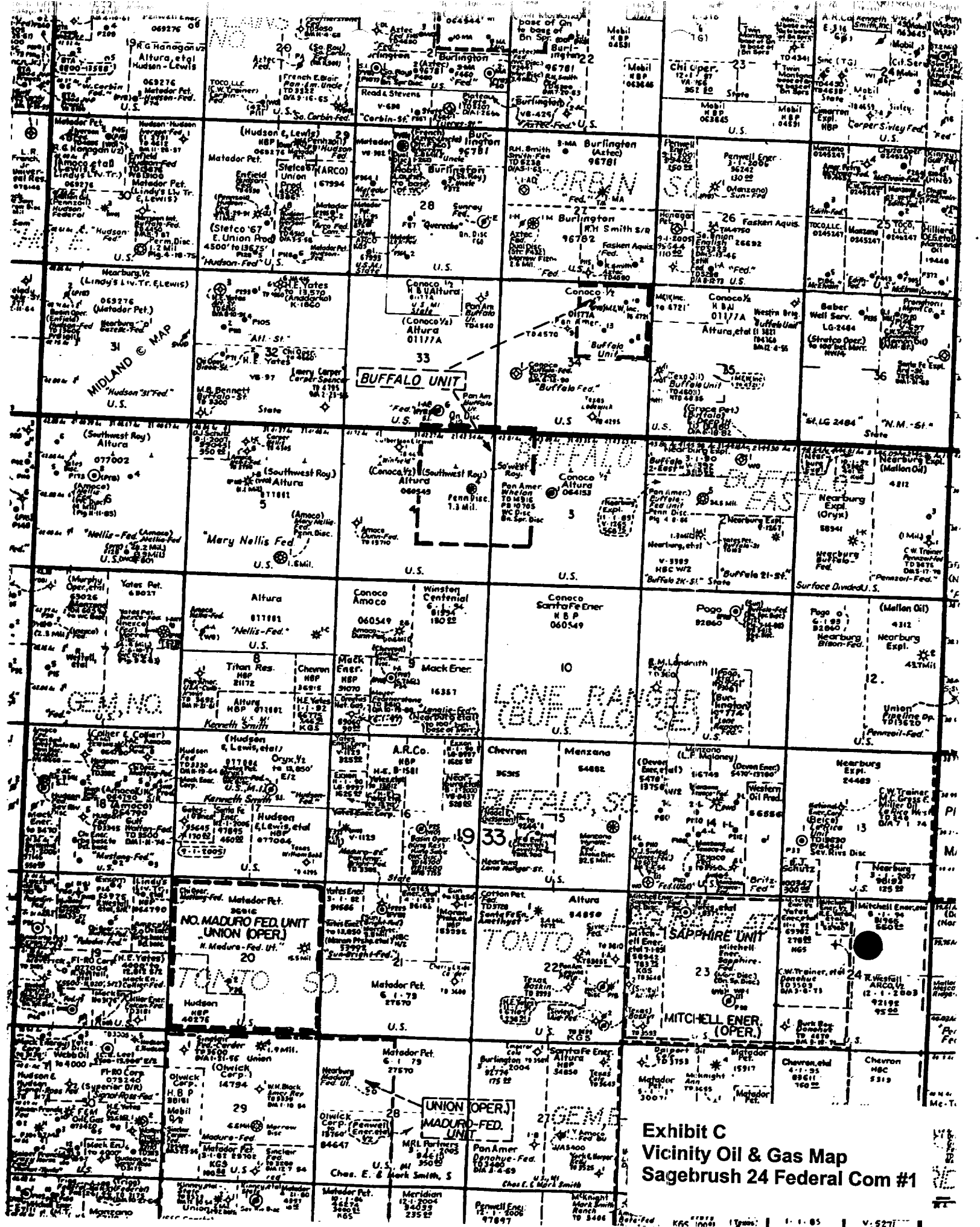
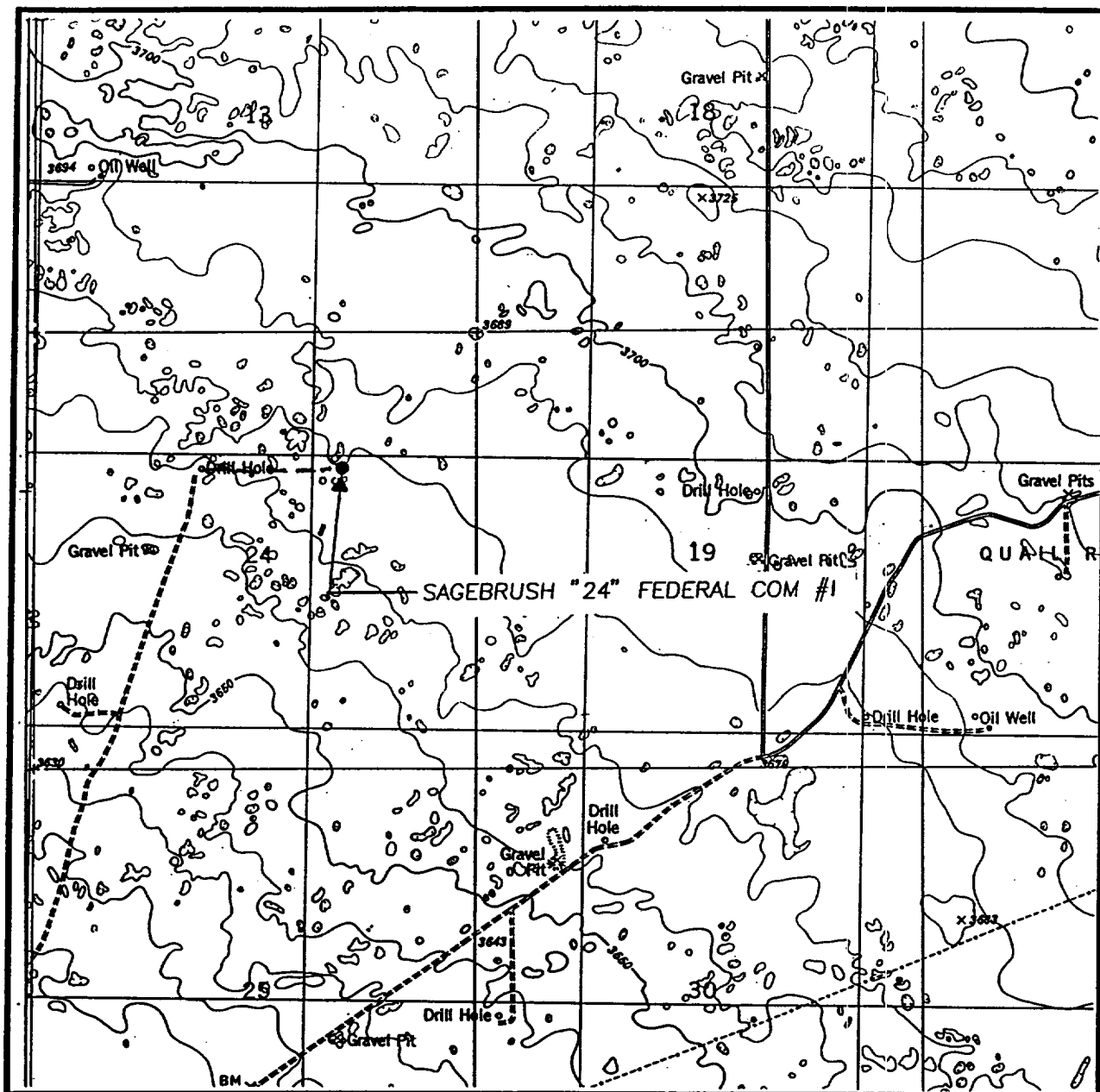


EXHIBIT B
DRILLING RIG LAYOUT
NEARBURG PRODUCING COMPANY
Sagebrush 24 Federal Com #1
SCALE 1" = 50'



LOCATION VERIFICATION MAP



SCALE: 1" = 2000'

CONTOUR INTERVAL:
IRONHOUSE WELL - 10'
WITH 5' SUPPL.

SEC. 24 TWP. 19-S RGE. 33-E

SURVEY N.M.P.M.

COUNTY LEA

DESCRIPTION 1650' FNL & 1650' FEL

ELEVATION 3677

OPERATOR NEARBURG PRODUCING COMPANY

LEASE SAGEBRUSH "24" FEDERAL COM

U.S.G.S. TOPOGRAPHIC MAP

IRONHOUSE WELL, N.M.

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

Exhibit D
Topographic &
Location Verification Map

DISTRICT I
P.O. Box 1960, Hobbs, NM 88241-1960

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

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

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

☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

API Number 30-025-34489	Pool Code 77380	Pool Name Gem Wildcat - Morrow East
Property Code 23614	Property Name SAGEBRUSH "24" FEDERAL COM	Well Number 1
OGRID No. 15742	Operator Name NEARBURG PRODUCING COMPANY	Elevation 3677

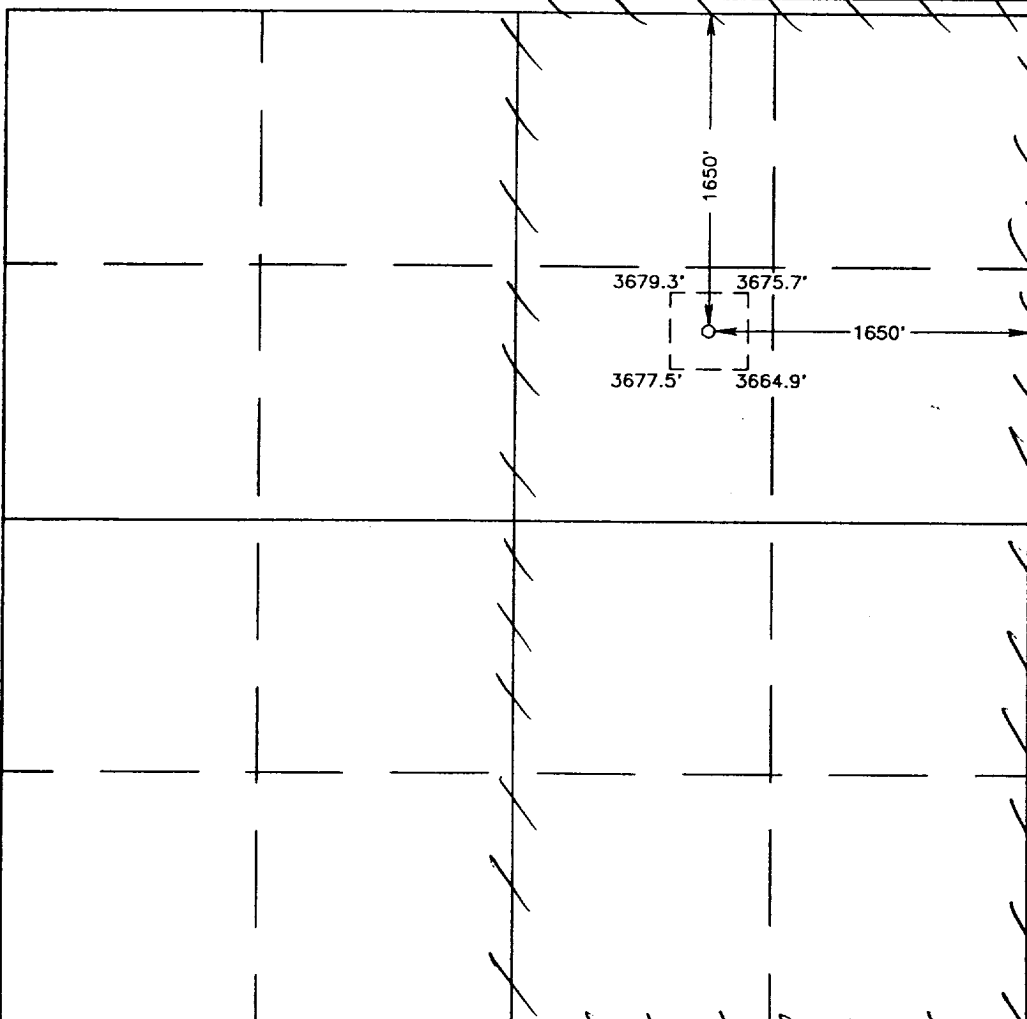
Surface Location

UL or lot No. G	Section 24	Township 19 S	Range 33 E	Lot Idn	Feet from the 1650	North/South line NORTH	Feet from the 1650	East/West line EAST	County LEA
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Bottom Hole Location If Different From Surface

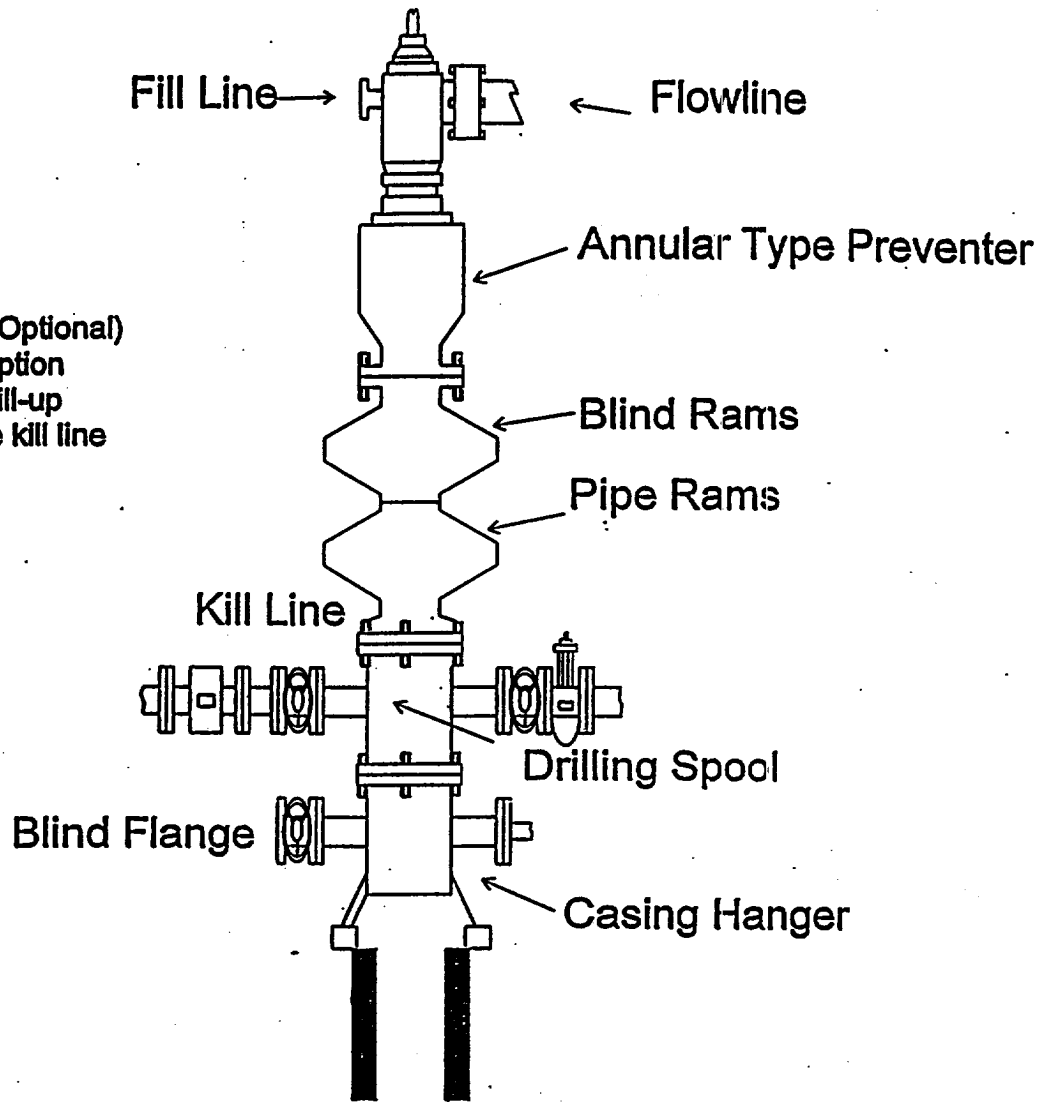
UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
Dedicated Acres 320	Joint or Infill N	Consolidation Code	Order No.						

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>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>E. Scott Kimbrough</i> Signature E. Scott Kimbrough Printed Name Mgr. of Drlg. & Prod. Title June 5, 1998 Date</p> <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>MAY 20, 1998 Date Surveyed DMCC Signature & Seal of Professional Surveyor <i>Ronald J. Gibson</i> Certificate No. RONALD J. GIBSON 3239 GARY E. GIBSON 12641 RONALD J. GIBSON 12185</p>
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NEARBURG PRODUCING COMPANY
BOPE SCHEMATIC

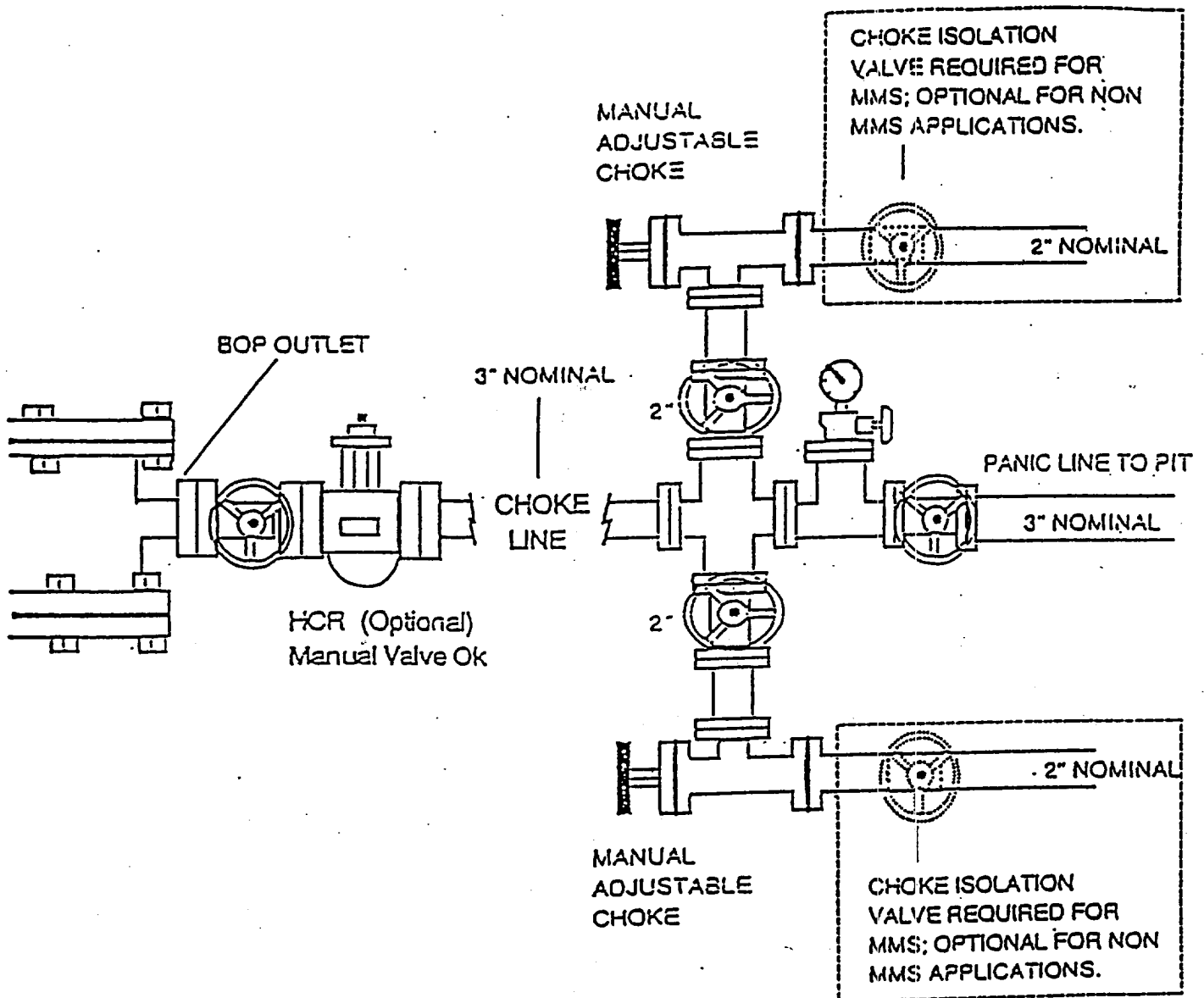
Rotating Head (Optional)
Drilling Nipple option
must include a fill-up
line. Do not use kill line
for fill up.



1500 Series

Sagebrush 24 Federal Com #1
Section 24, T19S, R33E
1,650' FNL and 1,650' FEL
Lea County, New Mexico

NEA BURG PRODUCING COMPANY
CHOKE MANIFOLD
5M SERVICE



Sagebrush 24 Federal Com #1
Section 24, T19S, R33E
1,650' FNL and 1,650' FEL
Lea County, New Mexico

HYDROGEN SULFIDE DRILLING OPERATIONS PLAN
NEARBURG PRODUCING COMPANY
SAGEBRUSH 24 FEDERAL COM #1

I. 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.

II. 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 pipe 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 lines, 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 is an H₂S environment will be conducted during the daylight hours.

WARNING

**YOU ARE ENTERING A H2S AREA
AUTHORIZED PERSONNEL ONLY**

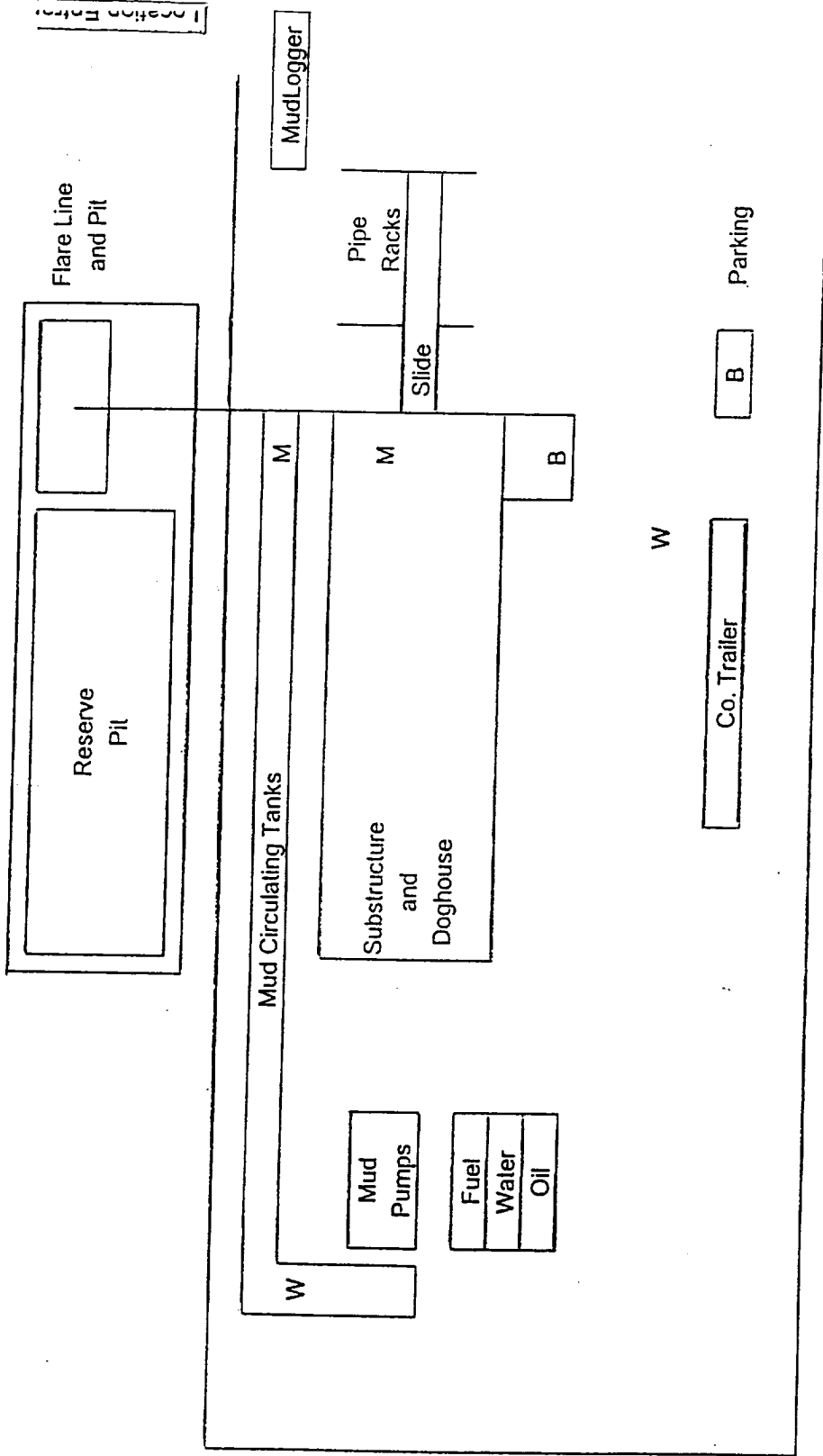
1. BEARDS OR CONTACT LENSES NOT ALLOWED
2. HARD HATS REQUIRED
3. SMOKING IN DESIGNATED AREAS ONLY
4. BE WIND CONSCIOUS AT ALL TIMES
5. CHECK WITH NEARBURG SUPERINTENDENT AT MAIN OFFICE

NEARBURG PRODUCING COMPANY

(915) 686-8235

**Sagebrush 24 Federal Com #1
Section 24, T19S, R33E
1,650' FNL and 1,650' FEL
Lea County, New Mexico**

NEARBURG PRODUCING COMPANY
HYDROGEN SULFIDE DRILLING OPERATIONS LOCATION PLAN



M - H2S Monitors with alarms at bell nipple and shale shaker

W - Wind Direction Indicators

B - Safe Briefing areas with caution signs and protective breathing equipment.
Minimum 150' from wellhead.

Prevailing Wind Directions: Summer - South/Southwest
Winter - North/Northwest

