

UNITED STATES
DEPARTMENT OF THE INTERIOR

P. O. BOX 1940

SUBMIT IN TRIPLI

(Other instructions on
reverse side)FORM APPROVED
OMB NO 1004-0136
Expires: February 28, 1995

BUREAU OF LAND MANAGEMENT

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 330' FNL and 660' FEL

At proposed prod. zone

A

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

10 miles East of Halfway, New Mexico

15. DISTANCE FROM PROPOSED*

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

330'

16. NO. OF ACRES IN LEASE

400

17. NO. OF ACRES ASSIGNED
TO THIS WELL

4()

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

330'

19. PROPOSED DEPTH

3,700'

20. ROTARY OR CABLE TOOLS

Rotary

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

3,743' GR

22. APPROX. DATE WORK WILL START*

02/06/99

23. SECRETARY'S POTASH PROPOSED CEMENT AND CEMENTING PROGRAM

CAPTAIN CONTROLLED WATER BASIN

SIZE OF HOLE	GRADE, SIZE OF CASING	WEIGHT PER FOOT	SETTING DEPTH	QUANTITY OF CEMENT
11	8-5/8"	24#	400' 1620	500 sx, circ to surface
7-7/8"	5-1/2"	15.5#	3,700' 3500'	500 sx, circ to surface

Propose to drill the well to sufficient depth to evaluate the Yates/Seven Rivers. 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 40 acres; NE corner of Section 33.

OPER. LOGRIG NO. 15742
PROPERTY NO. 24233
P.O. CODE 42370
EFF. DATE 2-11-99
API NO. 30-025-34574

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

1/6/99

(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.

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-100565

Legal Description of Land: 330' FNL & 660' FEL, Section 33, T20S, R34E

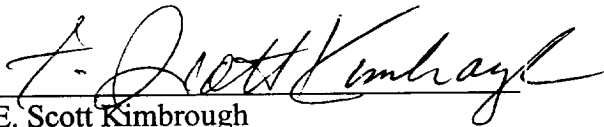
Formation(s) (if applicable): Yates/Seven Rivers

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

BLM Bond File No: NM1307

Date

1/6/99


E. Scott Kimbrough
Manager of Drilling and Production

**ATTACHMENT TO FORM 3160-3
PINON "33" FEDERAL #1
330' FNL AND 660' FEL
SECTION 33, T20S, R34E
LEA COUNTY, NEW MEXICO**

DRILLING PROGRAM

1. GEOLOGIC NAME OF SURFACE FORMATION

Red Beds

2. ESTIMATED TOPS OF IMPORTANT GEOLOGIC MARKERS (TVD)

Rustler	1,613'
T/Salt	1,825'
B/Salt	3,205'
Yates	3,480'
Seven Rivers	3,720'

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

Yates	3,500'	Oil/Gas
Seven Rivers	3,700'	Oil

4. CASING AND CEMENTING PROGRAM

Setting From				
<u>Casing Size</u>	<u>From</u>	<u>To</u>	<u>Weight</u>	<u>Grade</u>
8-5/8"	0'	400'	24#	K55
5-1/2"	0'	3,700'	15.5#	K55
				<u>Joint</u>
				ST&C
				LT&C

**PINON "33" FEDERAL #1
DRILLING PROGRAM
PAGE 2**

5. MINIMUM SPECIFICATIONS FOR PRESSURE CONTROL

The BOP stack will consist of a 2,000 psi working pressure, dual ram type preventer and annular.

A BOP sketch is attached.

6. TYPES AND CHARACTERISTICS OF THE PROPOSED MUD SYSTEM

Drill to 400' with fresh water mud, weight 8.4 to 8.6 ppg. Viscosity 28 to 30. Drill out with 10# brine to 3,700'.

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

Anticipated bottom hole pressure: 1,500 psi. Abnormal pressure is not anticipated.

10. ANTICIPATED STARTING DATE AND DURATION OF OPERATIONS

Road and location work will not begin until approval has been received from the BLM. The anticipated spud date is February 6, 1999. Once commenced, the drilling operation should be finished in approximately 20 days.

**SURFACE USE AND OPERATIONS PLAN FOR
DRILLING, COMPLETION, AND PRODUCING
PINON "33" FEDERAL #1
LEA COUNTY, NEW MEXICO**

LOCATED

10 miles east of Halfway, New Mexico

OIL & GAS LEASE

NM-100565

RECORD LESSEE

Gates – O' Brien

BOND COVERAGE

\$25,000 statewide bond of Nearburg Producing Company

ACRES IN LEASE

40 acres

GRAZING LEASE

Berry Ranch
c/o D.C. Berry, III
P. O. Box 160
Eunice, NM 88231

POOL

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 was drilled to a depth of approximately 3,700'.

**PINON "33" FEDERAL #1
DRILLING, COMPLETION, AND PRODUCING
PAGE 2**

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

An access road will be built and is shown on Exhibit D.

B. Surface Material

Existing.

C. Maximum Grade

Less than two 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.

PINON "33" FEDERAL #1
DRILLING, COMPLETION, AND PRODUCING
PAGE 3

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 west.

B. Soil

Top soil at the well site is rocky soil.

**PINON "33" FEDERAL #1
DRILLING, COMPLETION, AND PRODUCING
PAGE 4**

A. Flora and Fauna

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

B. Ponds and Streams

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

C. Residences and Other Structures

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

D. Archaeological, Historical, and Cultural Sites

Archaeology Survey to be submitted to BLM when it is completed.

E. Land Use

Grazing

F. Surface Ownership

Bureau of Land Management
620 East Greene Street
Carlsbad, New Mexico 88220-6292

11. OPERATOR'S REPRESENTATIVE

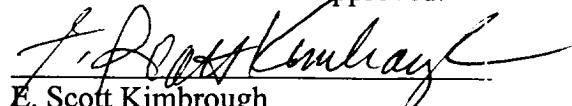
H. R. Willis
3300 North "A" Street, Bldg 2, Suite 120
Midland, Texas 79705
Office: (915) 686-8235
Home: (915) 697-2484

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.

Date

1/6/99


E. Scott Kimbrough

Manager of Drilling and Production

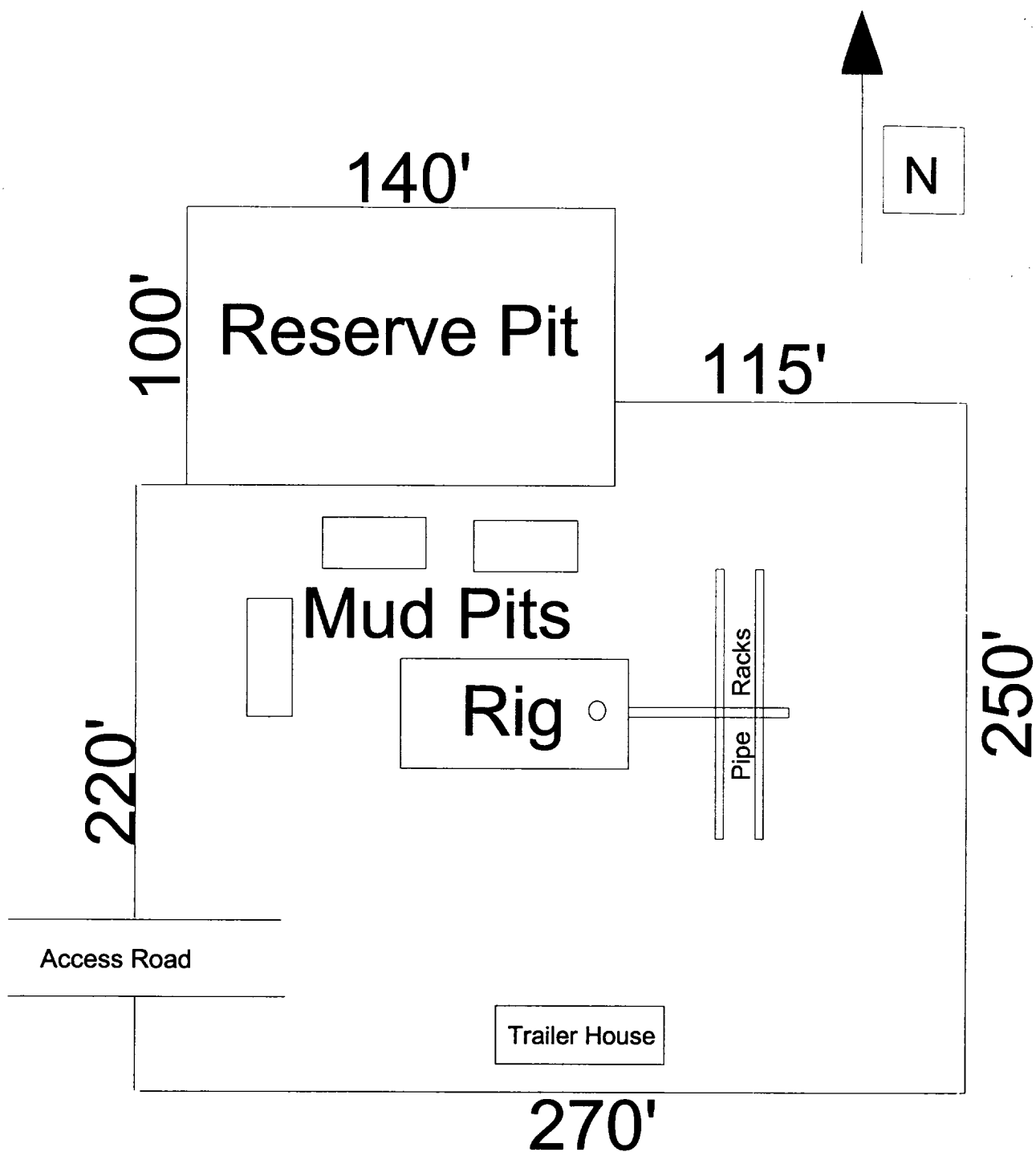
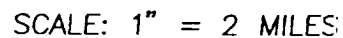


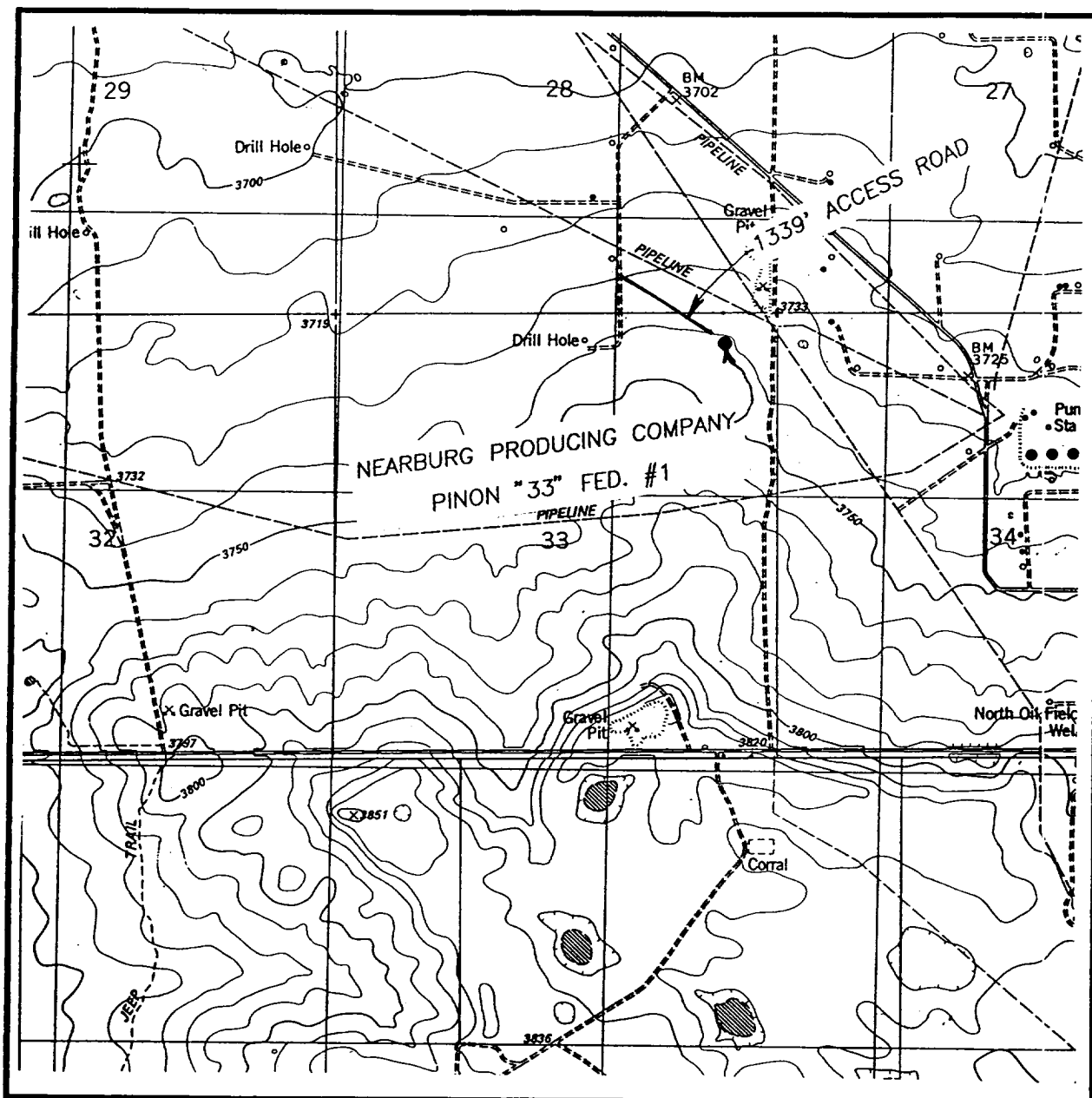
EXHIBIT B
DRILLING RIG LAYOUT
NEARBURG PRODUCING COMPANY
Pinon "33" Federal #1
SCALE 1" = 50'



LEASE _____ PINON "33" FED.

Exhibit C
Vicinity Oil & Gas Map
Pinon "33" Federal #1

LOCATION VERIFICATION MAP



SCALE: 1" = 2000'

CONTOUR INTERVAL - 10'

SEC. 33 TWP. 20-S RGE. 34-E

SURVEY N.M.P.M.

COUNTY LEA

DESCRIPTION 330' FNL & 660' FEL

ELEVATION 3743'

OPERATOR NEARBURG PRODUCING COMPANY

LEASE PINON "33" FED.

U.S.G.S. TOPOGRAPHIC MAP

LEA, 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

DISTRICT II

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

DISTRICT III

1000 Rio Brazos Rd., Artec, NM 87410

DISTRICT IV

P.O. Box 2088, Santa Fe, NM 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 30-025-34574	Pool Code 42370	Pool Name Lynch, Yates-Seven Rivers
Property Code 24233	Property Name PINON "33" FEDERAL	Well Number 1
OGRID No. 15742	Operator Name NEARBURG PRODUCING COMPANY	Elevation 3743

Surface Location

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
A	33	20 S	34 E		330	NORTH	660	EAS	LEA

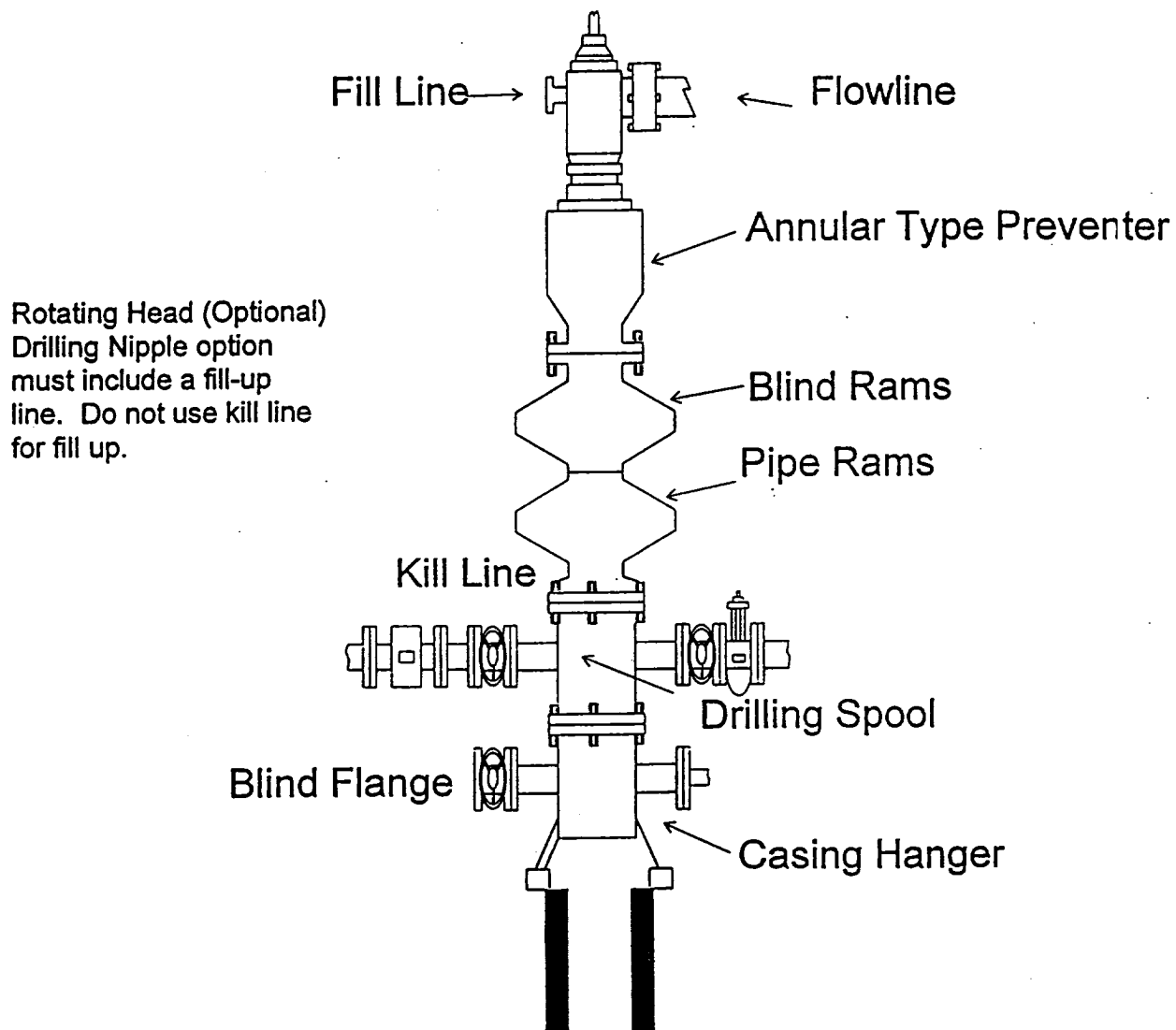
Bottom Hole Location If Different From Surface

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
Dedicated Acres 40	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

	OPERATOR CERTIFICATION I hereby certify the information contained herein is true and complete to the best of my knowledge and belief. Signature: <i>E. Scott Kimbrough</i> Printed Name: E. Scott Kimbrough Title: Mgr. of Drilg. & Prod. Date: 1/6/99	
	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 supervision, and that the same is true and correct to the best of my belief. Date Surveyed: FEBRUARY 9, 1998 Signature: <i>[Signature]</i> Printed Name: RONALD EIDSON Title: Professional Surveyor Date: 2-11-98 W.O. Num: 98-0221 Certificate No.: RONALD EIDSON, 3239 Professional Surveyor McDONALD, 12641 12185	
	NEW MEXICO Professional Surveyor McDONALD, 12185	
	NEW MEXICO Professional Surveyor McDONALD, 12185	

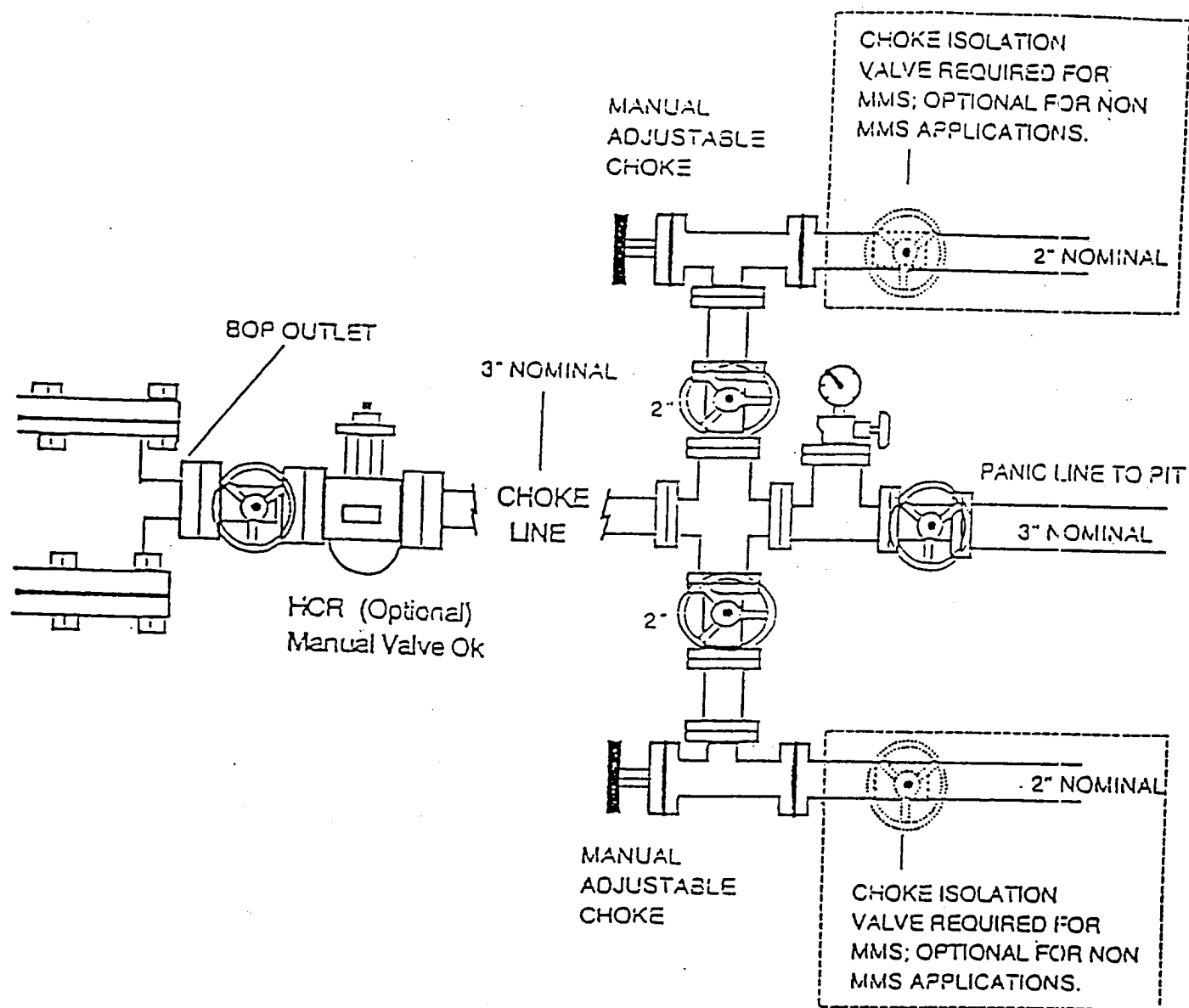
NEARBURG PRODUCING COMPANY
BOPE SCHEMATIC



900 Series

Pinon "33" Federal #1
Section 33, T20S, R34E
330' FNL & 660' FEL
Lea County, New Mexico

**Pinon "33" Federal #1
Section 33, T20S, R34E
330' FNL & 660' FEL
Lea County, New Mexico**



**HYDROGEN SULFIDE DRILLING OPERATIONS PLANS
NEARBURG PRODUCING COMPANY
PINON "33" FEDERAL #1**

1. HYDROGEN SULFIDE TRAINING

- A. All regularly assigned personnel, contracted or employed by Nearburg Producing Company, will receive training from a qualified instructor in the following areas prior to commencing drilling potential hydrogen sulfide bearing formations in this well:
1. The hazards and characteristics of hydrogen sulfide (H₂S).
 2. The proper use and maintenance of personal protective equipment and life support systems.
 3. The proper use of H₂S detectors, alarms, warning systems, briefing areas, evacuation procedures and prevailing winds.
 4. The proper techniques for first aid and rescue procedures.
- B. In addition, supervisory personnel will be trained in the following areas:
1. The effects of H₂S on metal components. If high tensile tubulars are to be used, personnel will be trained in their special maintenance requirements.
 2. Corrective action and shut-in procedures when drilling or reworking a well and blowout prevention and well control procedures.
 3. The contents and requirements of the H₂S Drilling Operations Plan.
- C. There will be an initial training session just prior to encountering a known or probable H₂S zone (within 3 days or 500 feet) and weekly H₂S and well control drills for all personnel in each crew. The initial training session shall include a review of the site specific H₂S Drilling Operations Plan. This plan shall be available at the well site. All personnel will be required to carry documentation that they have received the proper training.

HYDROGEN SULFIDE DRILLING OPERATIONS PLANS

PAGE 2

2. H2S SAFETY EQUIPMENT AND SYSTEMS

Note: All H2S safety equipment and systems will be installed, tested and operational when drilling reaches a depth of 500 feet above, or three days prior to penetrating the first zone containing or reasonably expected to contain H2S.

A. Well Control Equipment:

1. Flare line with continuous pilot.
2. Choke manifold with a minimum of one remote choke.
3. Blind rams and pipe rams to accommodate all sizes with properly sized closing unit.
4. Auxiliary equipment to include: annular preventer, mud-gas separator, rotating head and flare gun with flares as needed.

B. Protective Equipment for Essential Personnel:

Mark II Surviveair 30-minute units located in the dog house and at briefing areas, as indicated on well site diagram.

C. H2S Detection and Monitoring Equipment:

1. Two portable H2S monitors positioned and location for best coverage and response. These units have warning lights and audible sirens when H2S levels of 20 ppm are reached.
2. One portable SO2 monitor positioned near flare line.

D. Visual Warning systems:

1. Wind direction indicators as shown on well site diagram.
2. Caution/Danger signs shall be posted on roads providing direct access to location. Signs will be painted a high visibility yellow with black lettering of sufficient size to be readable at a reasonable distance from the immediate location. Bilingual signs will be used when appropriate. See example attached.

HYDROGEN SULFIDE DRILLING OPERATIONS PLANS

PAGE 3

E. Mud Program

1. The Mud Program has been designed to minimize the volume of H₂S circulated to the surface. Proper mud weights, safe drilling practices and the use of H₂S scavengers will minimize hazards when penetrating H₂S bearing zones.
2. A mud-gas separator will be utilized as needed.

F. Metallurgy

All drill strings, casing, tubing, wellhead, blowout preventers, drilling spool, kill lines, choke manifold and line and valves shall be suitable for H₂S service.

G. Communication

1. Cellular telephone communications in company vehicles and mud logging trailer.
2. Land line (telephone) communications at area office.

H. Well Testing

Drill stem testing will be performed with a minimum number of personnel in the immediate vicinity which are necessary to safely and adequately conduct the test. The drill stem testing in an H₂S environment will be conducted during the daylight hours.

WARNING

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

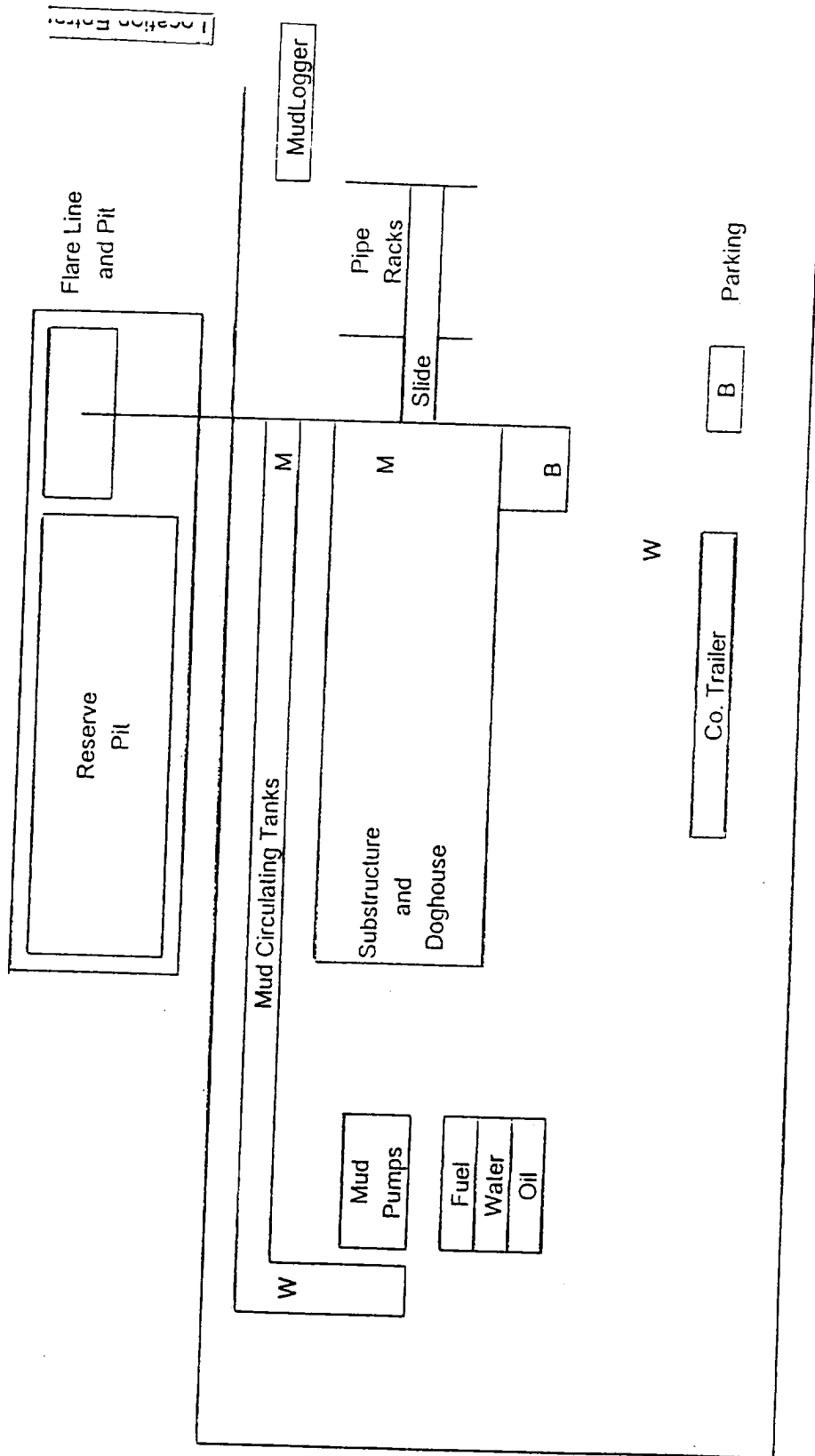
1. BEARDS OR CONTACT LENSES NOT ALLOWED
2. HARD HATS REQUIRED
3. SMOKING IN DESIGNATED AREAS ONLY
4. BE WIND CONSCIOUS AT ALL TIMES
5. CHECK WITH NEARBURG SUPERINTENDENT AT MAIN OFFICE

NEARBURG PRODUCING COMPANY

(915) 686-8235

**Pinon "33" Federal #1
Section 33, T20S, R34E
330' FNL & 660' FEL
Lea County, New Mexico**

NEARBURG PRODUCING COMPANY HYDROGEN SULFIDE DRILLING OPERATIONS LOCATION PLAN

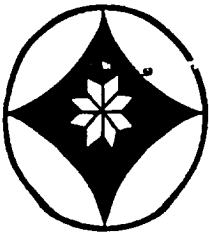


M - H2S Monitors with alarms at bell nipple and shale shaker

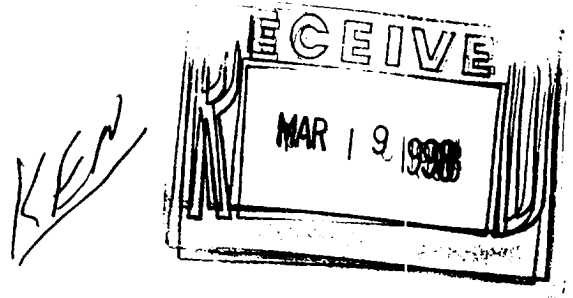
W - Wind Direction Indicators

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

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



ARCHAEOLOGICAL SERVICES
by
LAURA MICHALIK
Surveys • Monitoring • Consultation • Research



March 13, 1998

Mr. Ken Dickeson
Nearburg Producing Company
Building 2, Suite 120
3300 N. A Street
Midland, TX 79705

Dear Ken:

Pinyon

Enclosed please find one copy of the archaeological clearance report for the Pinyon 33 Federal #1 well pad. This is for your files. The appropriate number of copies of this report have been forwarded directly to the BLM in Carlsbad. If you have any questions, please do not hesitate to call.

Sincerely,

Laura Michalik

Invoice enclosed

TITLE PAGE/ABSTRACT/
NEGATIVE SITE REPORT
ROSWELL DISTRICT

1. BLM Report No.
2. (Accepted) (Rejected)
3. NMCRIS No. 60135
4. Title of Report (Project Title):
Archaeological Clearance Survey of the Pinyon 33
Federal #1 Well Pad and Access Road
5. Project Date(s)
10/MAR/98 to
6. Report Date
13/MAR/98
7. Consulting Name & Address:
Direct Charge: Laura Michalik
Name: Archaeological Services by Laura Michalik
Address: P.O. Box 8262 Las Cruces, NM 88006
Authors Name: Laura Michalik
Field Personnel names: Joseph Martin
Phone (505) 382-0247
8. Permit No.
84-2920-97-L
9. Consultant Report No.
1102
10. Sponsor Name and Address:
Individual Responsible: Ken Dickeson
Name: Nearburg Producing Company
Address: 3300 N. A Street
Building 2, Suite 120
Midland, TX 79705
Phone: 915-686-8235
11. For BLM Use only
12. ACREAGE
Total No. of acres
surveyed 6.74
SURFACE Ownership:
Federal 6.74 acres
State
Private
13. Location: (Maps attached if Negative Survey)
 - a. State: New Mexico
 - b. County: Lea
 - c. BLM District: Roswell District, Carlsbad Resource Area
 - d. Nearest City or town: Halfway
 - e. Area: T 20 S R 34 E Sec. 28 SE 1/4, SW 1/4, SE 1/4 & SW 1/4, SE 1/4, SE 1/4
N 1/2, NE 1/4, NE 1/4
Footages: 330 FNL 660 FEL
 - f. 7.5' Map Name and Code Number: Lea, NM 7.5' (1984) 32103-E5
 - g. Area: Block: Impact: 400 by 400 feet (3.67 acres)
Surveyed: 400 by 400 feet (3.67 acres)
Linear: Impact: 1339 by 50 feet (1.53 acres)
Surveyed: 1339 by 100 feet (3.07 acres)

14. a. Records Search:

Location: Carlsbad BLM and ARMS

Date: 10/MAR/98

List by LA # all sites within .25 miles of project: (Those sites within 500 ' are to be shown on project map)

b. Description of Undertaking: Well pad and access road (Access road will connect with existing lease road)

c. Environmental Setting: In area of rolling plains, vegetation consists of yucca, snakeweed, mesquite, grasses, project elevation is 3743 feet above mean sea level, drainage is to north toward Querecho Plains, sandy loam soils with some caliche on surface, area is disturbed by grazing and roads

d. Field Methods: Transect Intervals: 15 meters

Crew size: one

Time in Field: 3.5 hours

Collections: None

15. Cultural Resource Findings:

a. Identification and Description: (Location shown on project map)

None

16. Management Summary (Recommendations):

No historic properties were identified during the cultural resource survey.

I certify that the information provided above is correct and accurate and meets all appreciable BLM standards.

Responsible Archaeologist

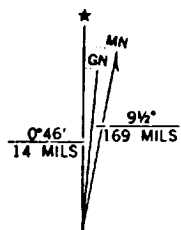
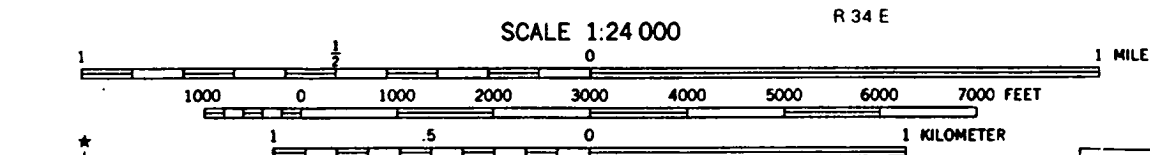
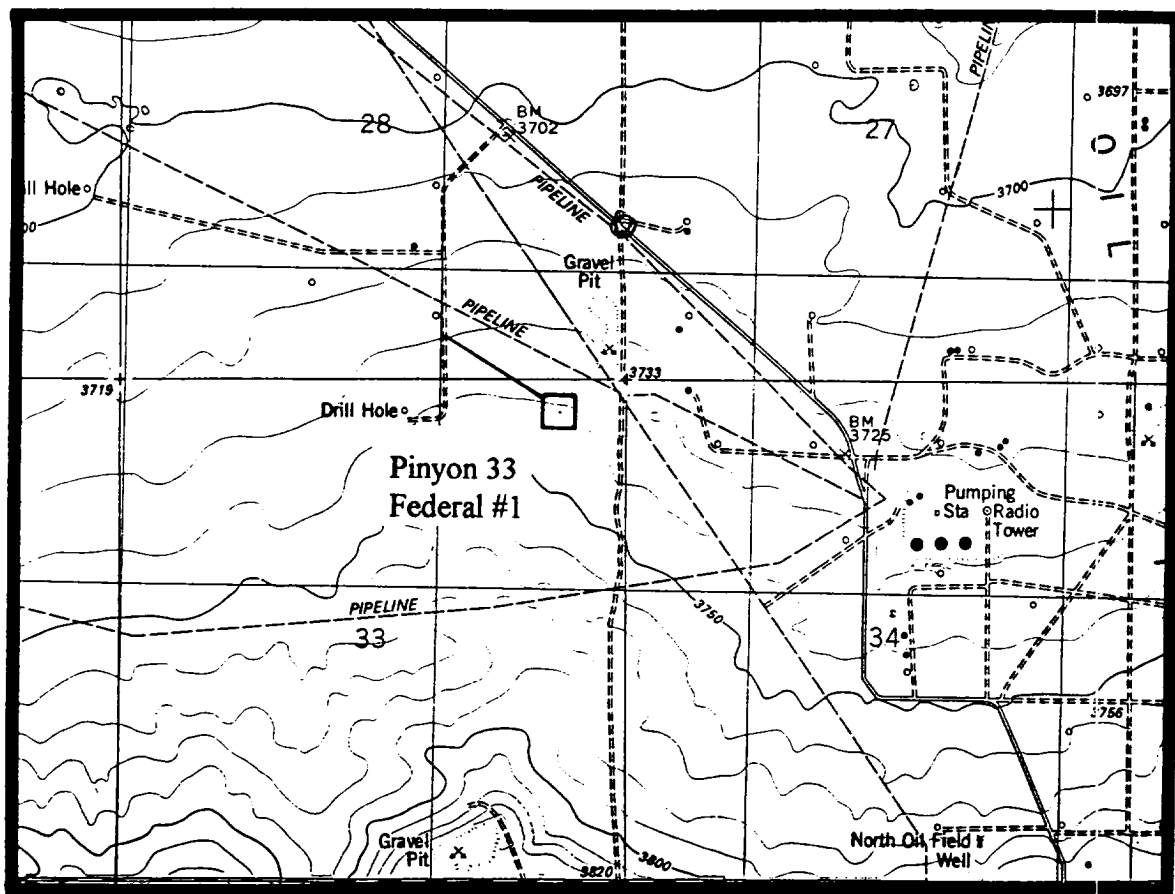

Signature

3/13/98
Date

THE ABOVE COMPLETES A NEGATIVE REPORT. IF ELIGIBLE OR POTENTIALLY ELIGIBLE PROPERTIES ARE INVOLVED, THEN THE ABOVE WILL BE THE TITLE PAGE AND ABSTRACT FOR A COMPLETE REPORT.

LEA, N. MEX.
8E/4 LAQUINA GATUNA 15' QUADRANGLE
32103-E5-TF-024

1984



UTM GRID AND 1984 MAGNETIC NORTH
DECLINATION AT CENTER OF MAP
DIAGRAM IS APPROXIMATE

