

**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

K-03

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 FSL and 1,980' FEL
At proposed prod. zone 5

5. LEASE DESIGNATION AND SERIAL NO.
NMNM 17238

6. IF INDIAN, ALLOTTEE OR TRIBE NAME

7. UNIT AGREEMENT NAME

8. FARM OR LEASE NAME, WELL NO.
Viper 3 Federal #2

9. API WELL NO.
30-025-34872

10. FIELD AND POOL OR WILDCAT
East Gem
Wildcat, Morrow

11. SEC., T., R., M., OR BLK. AND SURVEY OR AREA
Section 3, T20S-R33E

12. COUNTY OR PARISH
Lea

13. STATE
New Mexico

14. DISTANCE IN MILES AND DIRECTION FROM NEAREST TOWN OR POST OFFICE*
6 miles NE from Halfway

15. DISTANCE FROM PROPOSED* LOCATION TO NEAREST PROPERTY OR LEASE LINE, FT. (Also to nearest drg. unit line, if any)
1650'

16. NO. OF ACRES IN LEASE
639.87

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.
1400'

19. PROPOSED DEPTH
13,800'

20. ROTARY OR CABLE TOOLS
Rotary

21. ELEVATIONS (Show whether DF, RT, GR, etc.)
3,576 GR ✓

22. APPROX. DATE WORK WILL START*
10/01/99

CAPITAN CONTROLLED WATER BASIN

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 K-55	48#	500'	500 sx cmt, circ to surf.
12-1/4"	8-5/8" K55 J-55	24# & 32#	5,000'	1,200 sx cmt, circ to surf.
7-7/8"	5-1/2" N80	17# & 20#	13,800'	1,500 sx cmt

drilling program inside is correct / Kim @ Nearburg

Propose to drill 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; S/2 of Section 3.

**APPROVAL SUBJECT TO
GENERAL REQUIREMENTS AND
SPECIAL STIPULATIONS
ATTACHED**

OPER. OGRID NO. 15742
PROPERTY NO. 23910
POOL CODE 77380
EFF. DATE 1/20/2000
API NO. 30-025-34872

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 [Signature] TITLE Drilling Superintendent DATE 8/2/99

(This space for Federal or State office use)

PERMIT NO. [Signature] 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 [Signature] TITLE Assoc. State Director DATE 9/2/99

*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.

See Amended

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-17238

Legal Description of Land: 1,650' FSL & 1,980' FEL
Section 3, T20S, R33E


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

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

BLM Bond File No: NM1307

Date

6/15/99


H. R. Willis
Drilling Superintendent

**ATTACHMENT TO FORM 3160-3
VIPER 3 FEDERAL #2
SECTION 3, T20S, R33E
LEA COUNTY, NEW MEXICO**

DRILLING PROGRAM

1. GEOLOGIC NAME OF SURFACE FORMATION

Quaternary Aeolian Deposits

2. ESTIMATED TOPS OF IMPORTANT GEOLOGIC MARKERS

T/Rustler	1,500'	T/Strawn	12,100'
B/Salts	3,150'	T/Atoka	12,370'
T/Delware	5,300'	T/Morrow	12,750'
T/Bone Spring	8,100'	TD	13,800'
T/Wolfcamp	11,000'		

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

Delware	Oil	Atoka	Gas
Bone Spring	Oil	Morrow	Gas
Strawn	Gas		

4. CASING AND CEMENTING PROGRAM

<u>Casing Size</u>	<u>From</u>	<u>To</u>	<u>Weight</u>	<u>Grade</u>	<u>Joint</u>
13-3/8"	0 - 500'		48#	K55	STC
8-5/8"	0' - 2,000'		24#	J55	STC
8-5/8"	2,000' - 4,400'		32#	J55	STC
8-5/8"	4,400' - 5,000'		32#	S80*	STC
5-1/2"	0' - 2,400'		17#	N80	BTC
	2,400' - 10,200'		17#	N80	LTC
	10,200' - 13,800'		17#	S95**	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 500'. 13-3/8" casing will be cemented with 500 sx or volume necessary to circulate to surface. We will then drill a 12-1/4" hole to 5,000'. 8-5/8" casing will be set using 1,200 sx of cement or volume necessary to circ to surface.

5-1/2" production casing will be cemented with approximately 500 sx of Class "H" 50/50 POZ and 1,000 sx Class "H" 35/65 Poz "H" cement.

* S-80 = HCL-55

** S-95 = L-80 (HCL-80)



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. CIRCULATING MEDIUM

Spud and drill to 500' with fresh water mud for surface string. The intermediate section will be drilled with 10 ppg brine to 5,000'. The production section from 5,000' to 10,200' will be cut brine at 8.6 ppg, 10,200' to 12,400' with 9 ppg cut brine, from 12,400' to 13,800' with Brine/Poly 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

BHP expected to not exceed 6,000 psi.

10. ANTICAPATED STARTING DATE:

Is planned that operations will commence on October 1, 1999, with drilling and completion operation lasting about 45 days.

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

NEARBURG PRODUCING COMPANY
VIPER 3 FEDERAL #2
SECTION 3-T20S-R33E
LEA COUNTY, NEW MEXICO

LOCATED

6 miles Northeast from Halfway

OIL & GAS LEASE

NMNM - 17238

RECORD LESSEE

Eva G. Manning

BOND COVERAGE

\$25,000 statewide bond of Nearburg Producing Company

ACRES IN LEASE

639.87

GRAZING LEASE

Kenneth Smith
PO Box 764
Carlsbad, NM 88220
505/887-3374

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 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. It will be approximately 12' wide and 718' long going NE.

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
PO Box 1178
Carlsbad, NM 88221

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

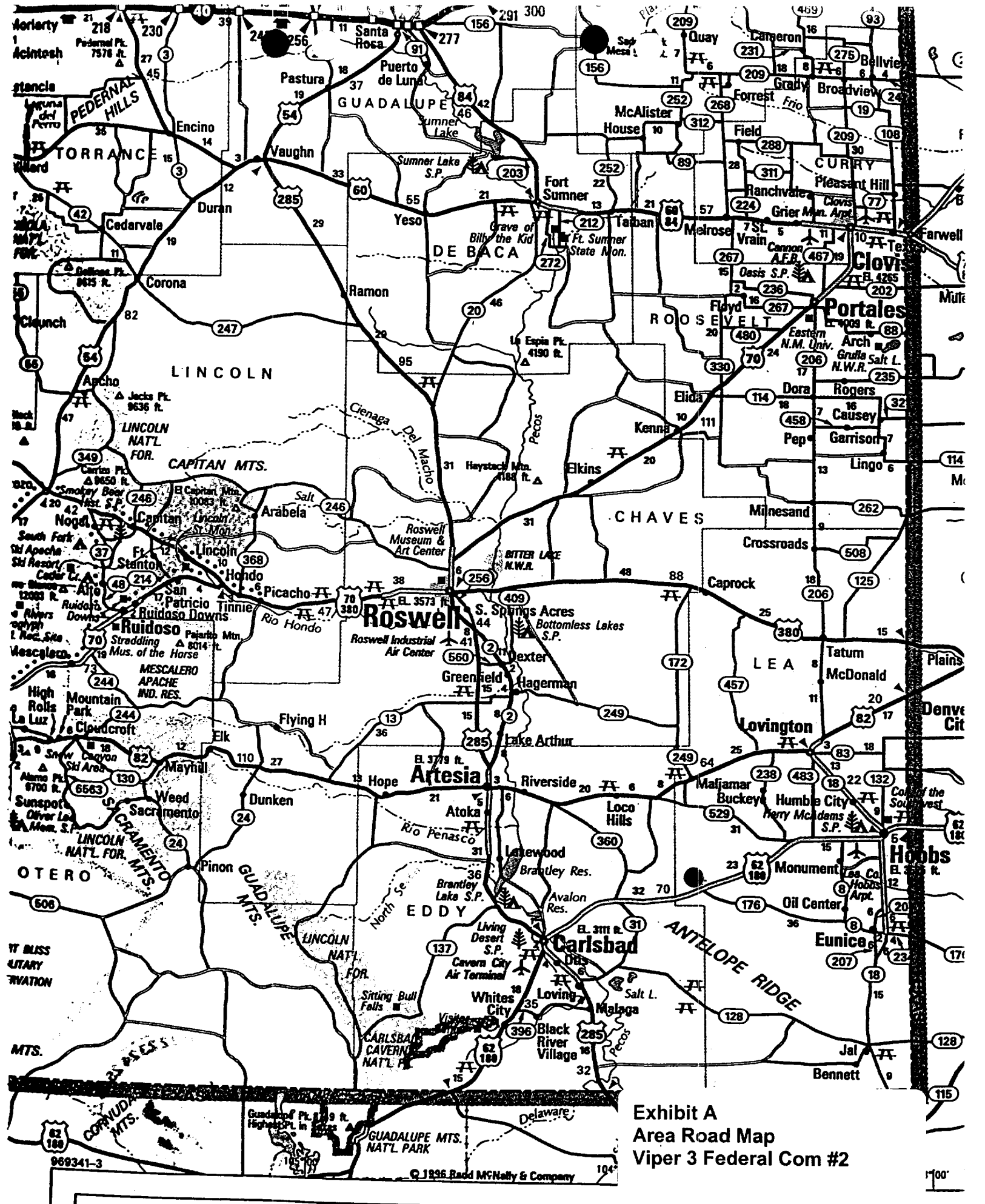
I hereby certify that I, or persons under my direct supervision, have inspected the proposed drill site and access route; that I am familiar with the conditions which presently exist; that the statements made in this plan are, to the best of my knowledge, true and correct; and, that the work associated 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

8/2/99

H. R. Willis

Drilling Superintendent





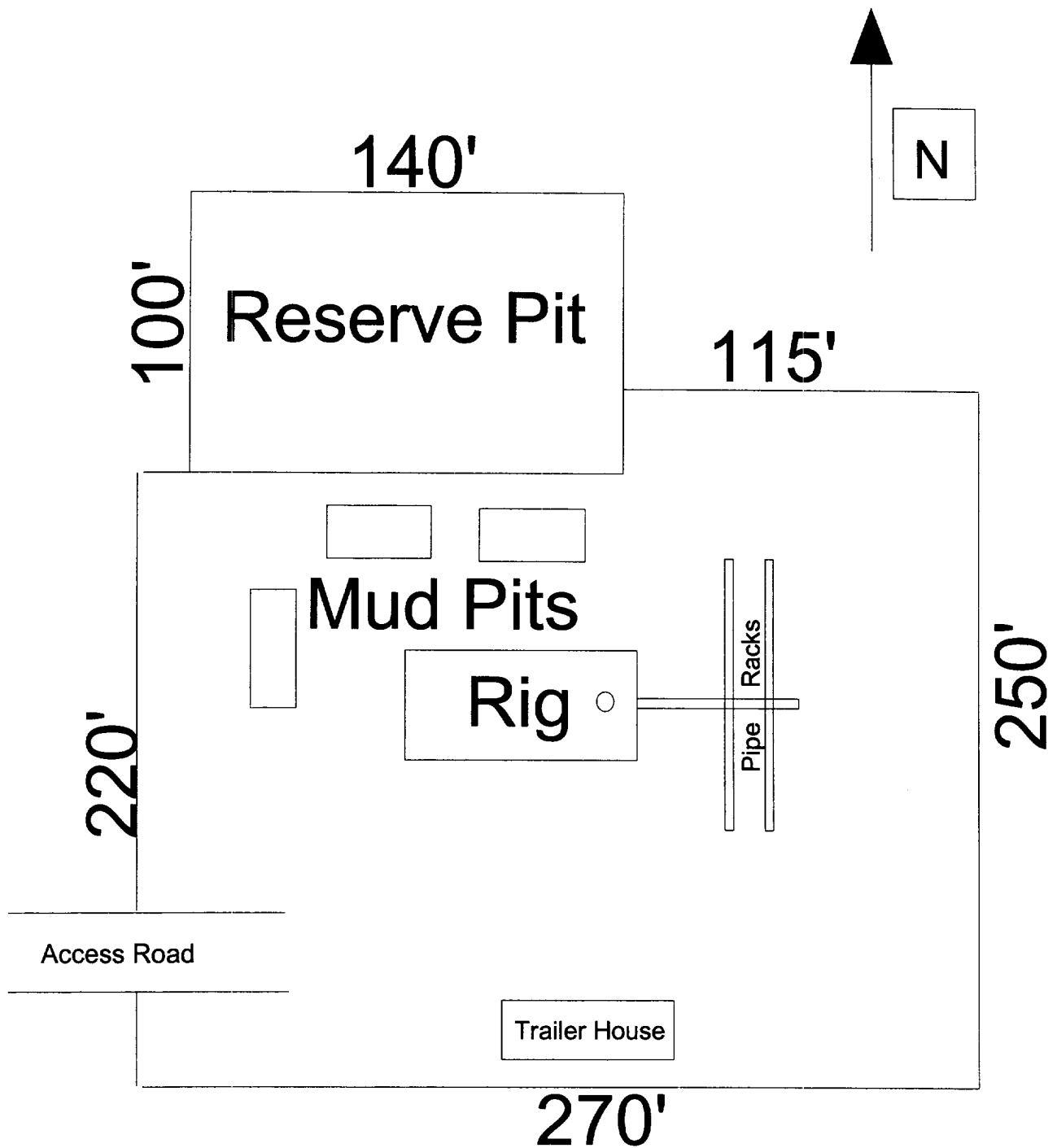
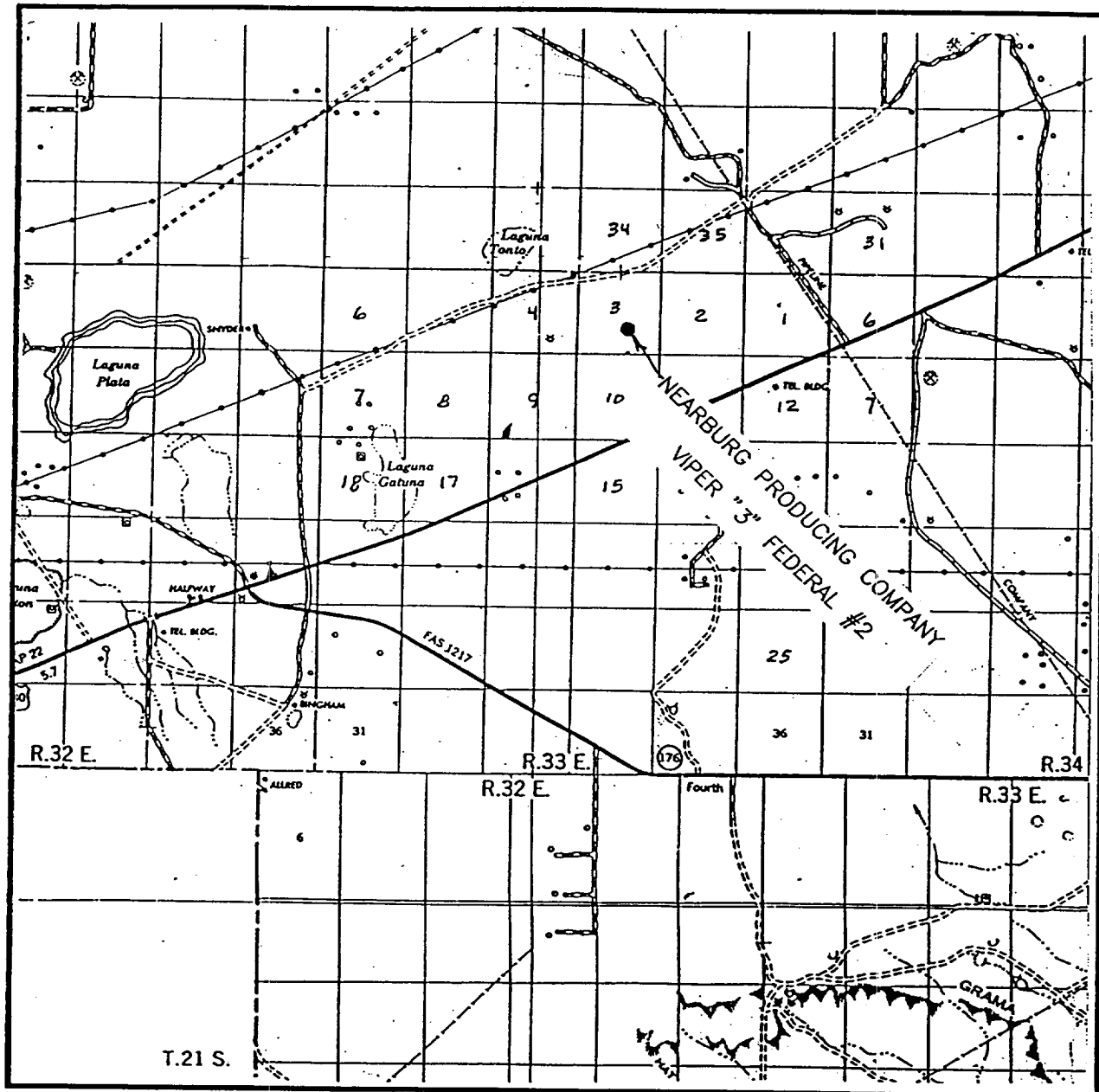


EXHIBIT B
DRILLING RIG LAYOUT
NEARBURG PRODUCING COMPANY
VIPER 3 FEDERAL COM #2
SCALE 1" = 50'



VICINITY MAP



SCALE: 1" = 2 MILES

SEC. 3 TWP. 20-S RGE. 33-E

SURVEY N.M.P.M.

COUNTY LEA

DESCRIPTION 1650' FSL & 1980' FEL

ELEVATION 3576'

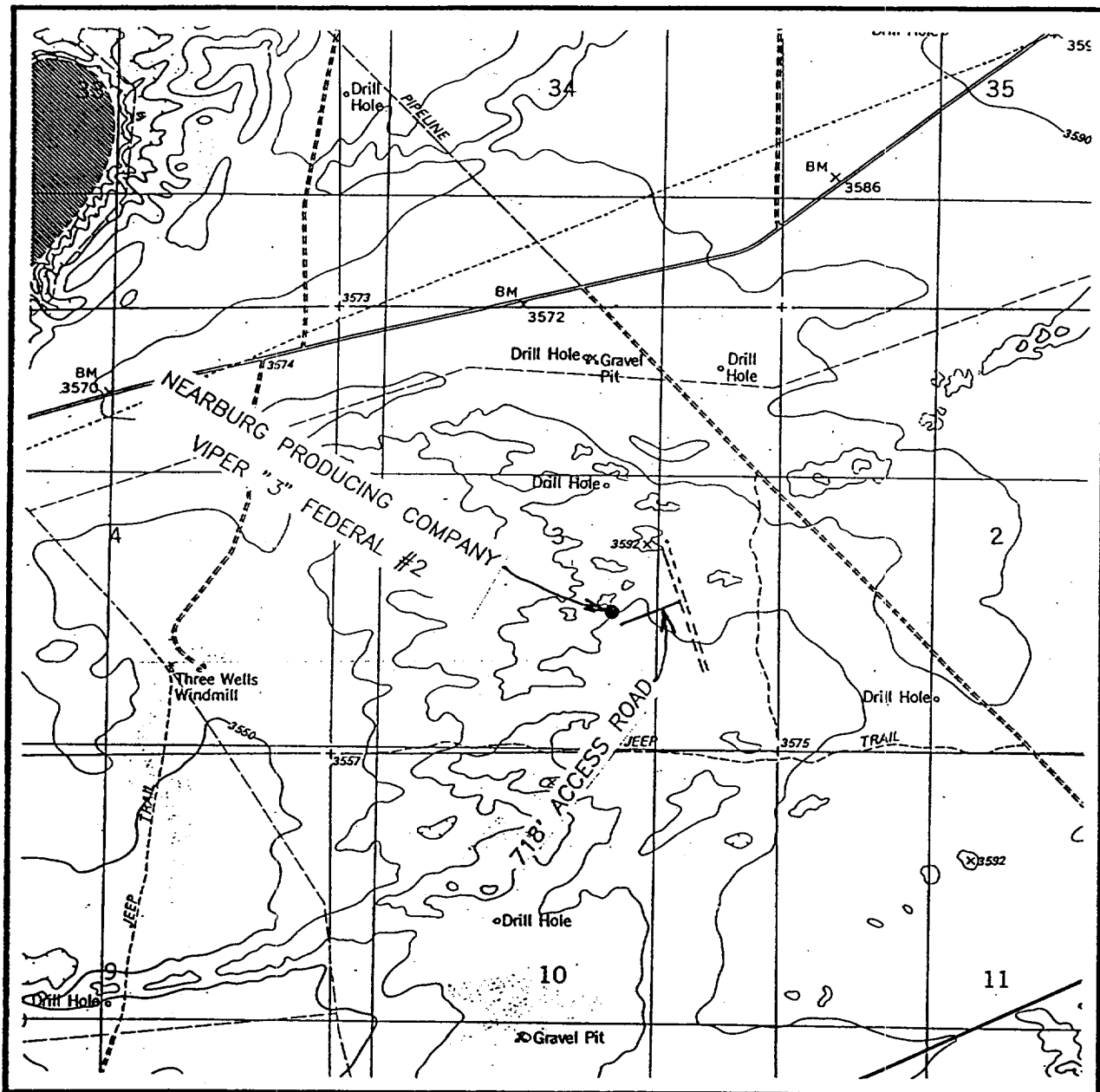
OPERATOR NEARBURG PRODUCING COMPANY

LEASE VIPER "3" FEDERAL

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

Exhibit C
Vicinity Oil & Gas Map
Viper 3 Federal Com #2

LOCATION VERIFICATION MAP



SCALE: 1" = 2000'

CONTOUR INTERVAL - 10'

SEC. 3 TWP. 20-S RGE. 33-E

SURVEY N.M.P.M.

COUNTY LEA

DESCRIPTION 1650' FSL & 1980' FEL

ELEVATION 3576'

OPERATOR NEARBURG PRODUCING COMPANY

LEASE VIPER #3 FEDERAL

U.S.G.S. TOPOGRAPHIC MAP

LAGUNA GATUNA, N.M.

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

Exhibit D
Topographic &
Location Verification Map