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

APPLICATION FOR PERMIT TO DRILL OR DEEPEN

5. LEASE DESIGNATION AND SERIAL NO.: NM 17238

6. IF INDIAN, ALLOTTEE OR TRIBE NAME:

1a. TYPE OF WORK: DRILL ☒ DEEPEN ☐

7. UNIT AGREEMENT NAME:

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

8. FARM OR LEASE NAME, WELL NO.: Python 3 Federal #5

2. NAME OF OPERATOR: Nearburg Producing Company

9. API WELL NO.: 30-025-35475

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

10. FIELD AND POOL, OR WILDCAT: Teas; Delaware

4. LOCATION OF WELL (Report location clearly and in accordance with any State requirements.*)
At surface: 2310' FNL and 330' FEL
At proposed prod. zone: 990' FNL and 1650' FEL

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

H

R-111-P POTASH

14. DISTANCE IN MILES AND DIRECTION FROM NEAREST TOWN OR POST OFFICE*: 5 miles NE 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
330'	640	40
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**
	6,700'	Rotary

21. ELEVATIONS (Show whether DF, RT, GR, etc.): 3572' GR

22. APPROX. DATE WORK WILL START*: 04/01/01

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" J55	48#	500'	400 sx cmt, circ to surface
11"	8-5/8" J55	24 & 32#	3300'	1200 sx cmt, circ to surface
7-7/8"	5-1/2" N80	17#	6700'	1500 sx cmt, circ to surface

WITNESS

CAPITAN CONTROLLED WATER BASIN

Propose to directionally drill from SHL of 2310' FNL and 330' FEL, Section 3, T20S, R33E to a BHL @ 6,700' of 990' FNL and 1650' FEL, Section 3, T20S, R33E, Lea County, New Mexico to sufficient depth to evaluate the Delaware 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 40; SE of Section 3.

OPER. OGRID NO. 15742
PROPERTY NO. 25261
POOL CODE 96797
EFF. DATE 3-22-01
API NO. 30-025-35475

APPROVAL SUBJECT TO GENERAL REQUIREMENTS AND SPECIAL STIPULATIONS

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 12/14/00

(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 3-28-01

*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
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:	NMNM 17238
Legal Description of Land:	SHL - 2310' FNL & 330' FEL BHL - 990' FNL & 1650' FEL Section 3, T20S, R33E Lea County, New Mexico
Formation(s) (if applicable):	Delaware
Bond Coverage:	$25,000 statewide bond of Nearburg Producing Company
BLM Bond File No:	NM1307

Date 12/14/00

H. R. Willis
Drilling Superintendent

ATTACHMENT TO FORM 3160-3
PYTHON 3 FEDERAL #5
SECTION 3, T20S, R33E
LEA COUNTY, NEW MEXICO

DRILLING PROGRAM

1. GEOLOGIC NAME OF SURFACE FORMATION

   Sand Dunes

2. ESTIMATED TOPS OF IMPORTANT GEOLOGIC MARKERS

T/Rustler	1400'
T/Yates	3360'
T/Capitan Reef	3650'
T/Delaware	5300'

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

   Brushy Canyon 6500' Oil

4. CASING AND CEMENTING PROGRAM

Casing Size	From To	Weight	Grade	Joint
13-3/8"	0' - 500'	48#	J55	STC
8-5/8"	0' - 1000'	24#	J55	STC
8-5/8"	1000' - 3300'	32#	J55	STC
5-1/2"	0' - 6,700'	17#	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 500'. 13-3/8" casing will be cemented with 400 sx or volume necessary to circulate to surface.

11" hole will be drilled to 3300' and 8-5/8" casing will be cemented with 1200 sx Class "C" or volume necessary to bring cement back to surface.

7-7/8" hole will be directionally drilled to 6700' and 5-1/2" casing will be cemented with 1500 sx or volume necessary to cover productive zones.

5. MINIMUM SPECIFICATIONS FOR PRESSURE CONTROL

The BOP stack will consist of a 3,000 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 500' with fresh water mud for surface string. The intermediate section will be drill with fresh water spud mud to the top of Rustler, then 10 ppg brine to 3300'. The production section from 3300' to 6700' will be fresh water system or 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 3,500 psi.

10. ANTICAPATED STARTING DATE:

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

SURFACE USE AND OPERATIONS PLAN FOR

DRILLING, COMPLETION, AND PRODUCING

NEARBURG PRODUCING COMPANY
PYTHON 3 FEDERAL #5
SECTION 3-T20S-R33E
LEA COUNTY, NEW MEXICO

LOCATED

5 mile Northeast of Halfway, New Mexico

OIL & GAS LEASE

NM - 17238

RECORD LESSEE

Eva G. Manning

BOND COVERAGE

$25,000 statewide bond of Nearburg Producing Company

ACRES IN LEASE

40 acre

GRAZING LEASE

Kenneth Smith
PO Box 764
Carlsbad, NM 88221

POOL

Teas Delaware

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 6,700'.

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

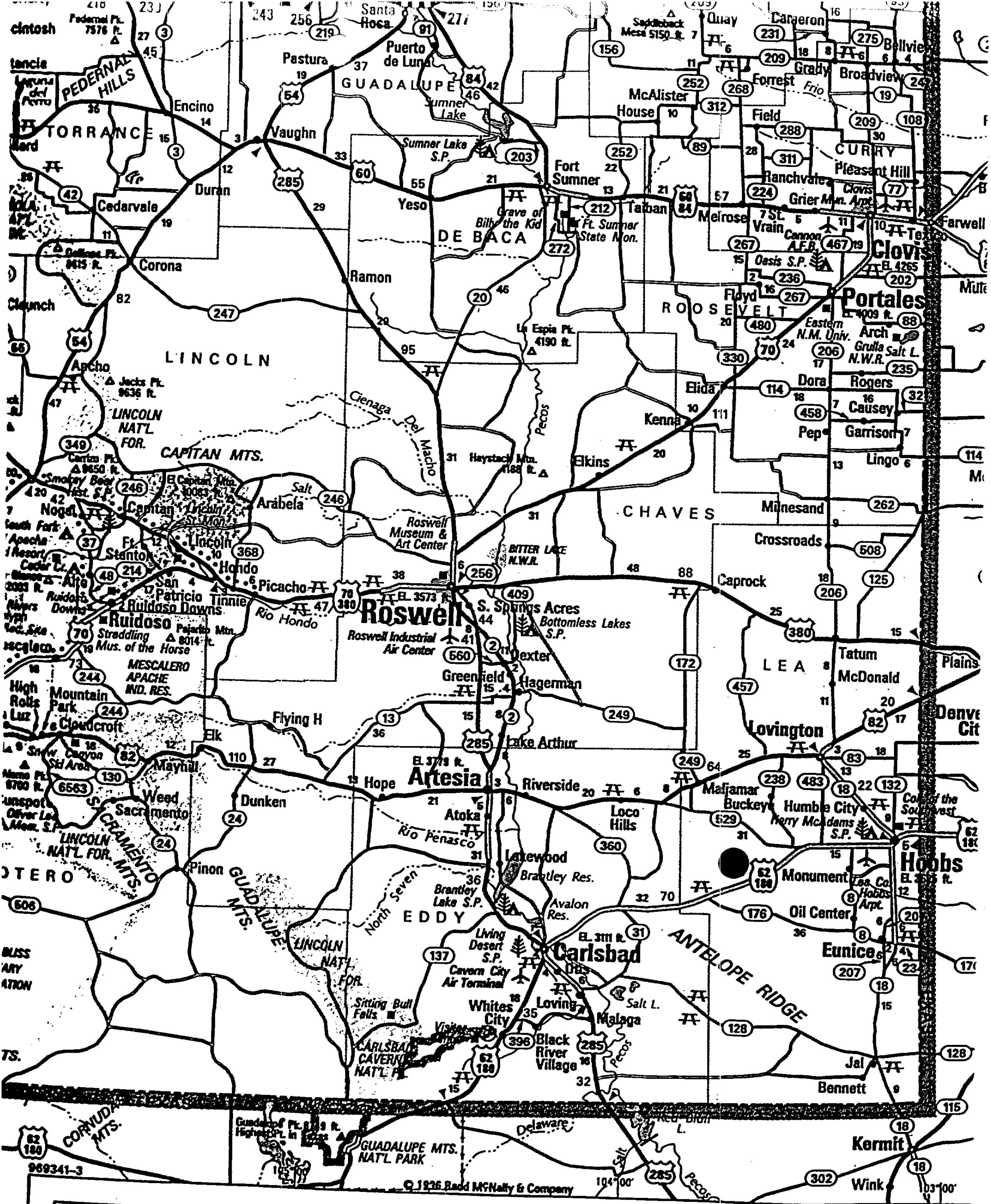
H. R. Willis
3300 North "A" Street, Bldg 2, Suite 120
Midland, Texas 79705
Office: (915) 686-8235
Home: (915) 697-2484

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.

12/14/00
Date

H. R. Willis
Drilling Superintendent


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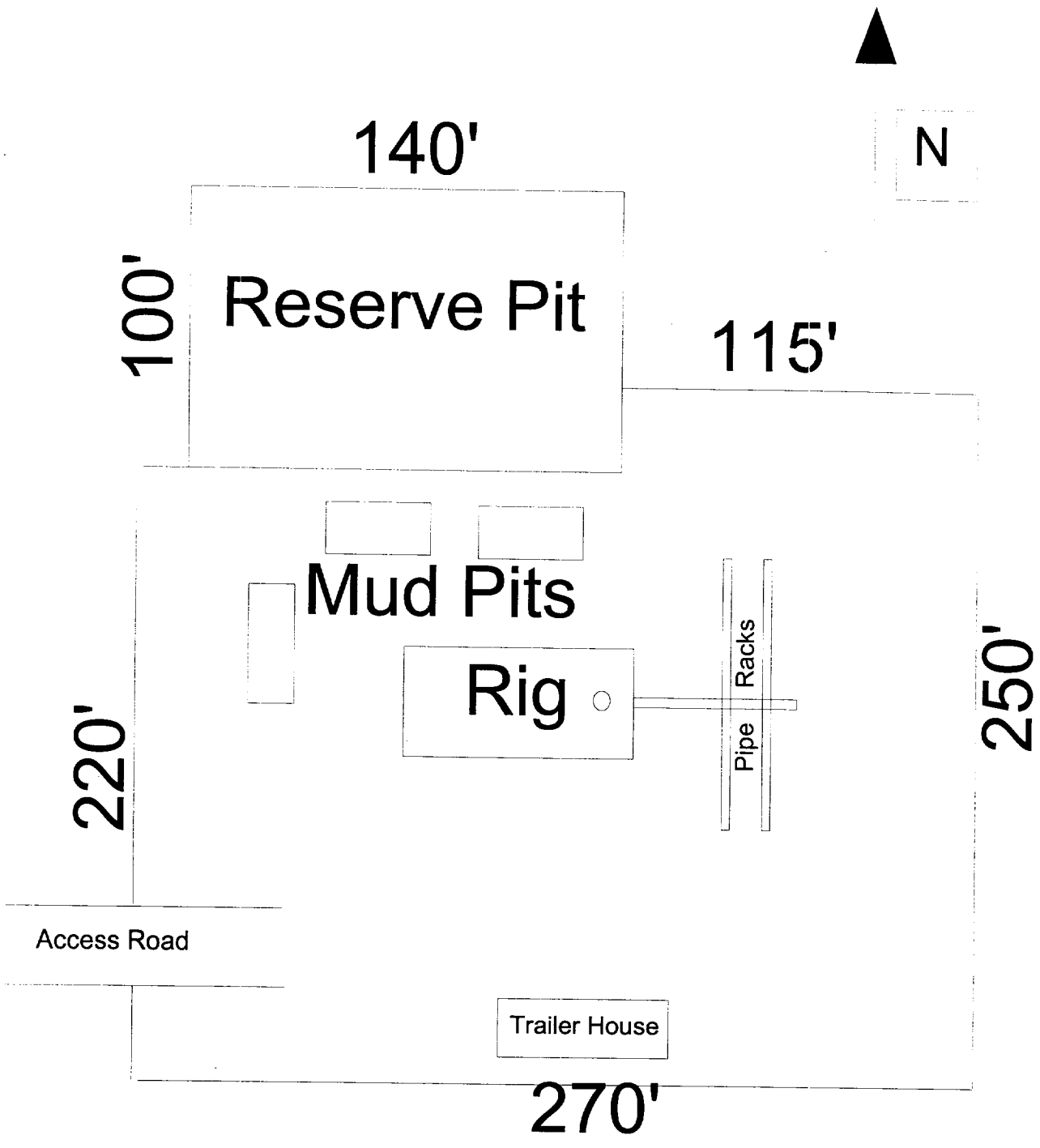
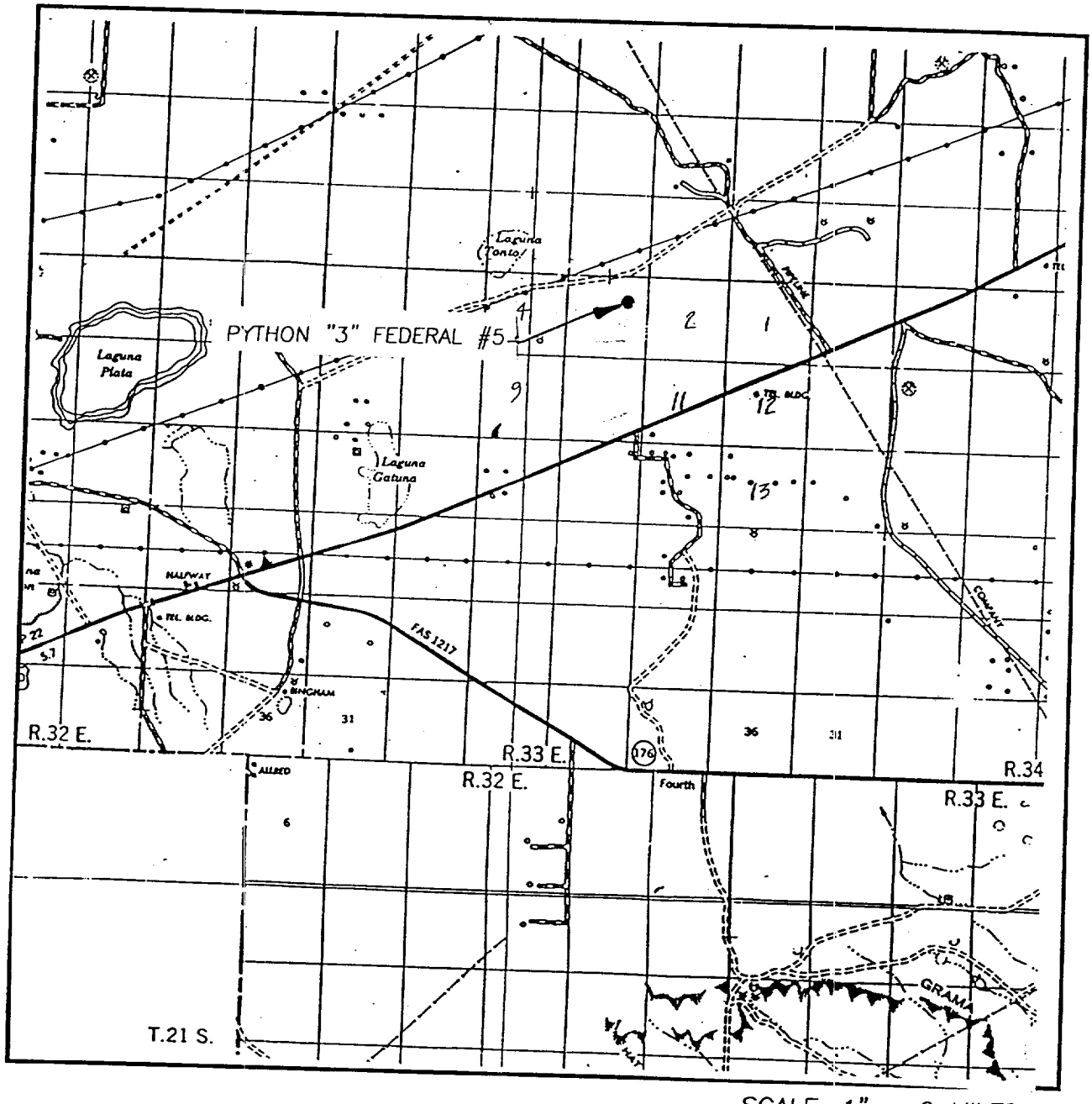


EXHIBIT B
DRILLING RIG LAYOUT
NEARBURG PRODUCING COMPANY
Python 3 Federal #5
SCALE 1" = 50'

VICINITY MAP



SCALE: 1" = 2 MILES

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

SURVEY N.M.P.M.

COUNTY LEA

DESCRIPTION 2310' FNL. & 330' FEL

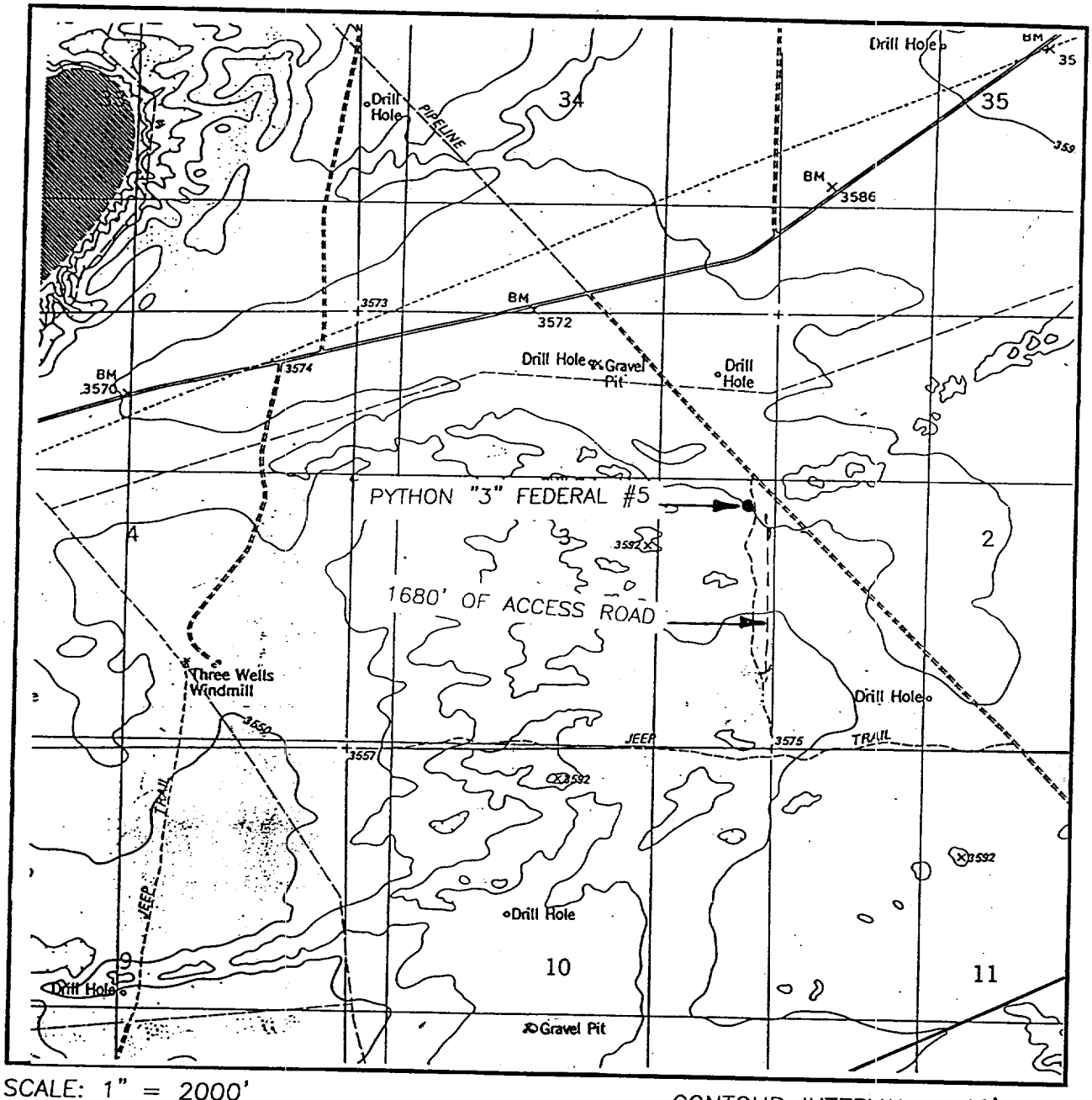
ELEVATION 3572

OPERATOR NEARBURG PRODUCING COMPANY

LEASE PYTHON "3" FEDERAL

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

LOCATION VERFICATION MAP



SCALE: 1" = 2000'

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

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

SURVEY N.M.P.M.

COUNTY LEA

DESCRIPTION 2310' FNL & 330' FEL

ELEVATION 3572

OPERATOR NEARBURG PRODUCING COMPANY

LEASE PYTHON "3" FEDERAL

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

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
30-025-35475	96797	Teas; Delaware

Property Code	Property Name	Well Number
25261	PYTHON "3" FEDERAL	5

OGRID No.	Operator Name	Elevation
15742	NEARBURG PRODUCING CO.	3572

Surface Location

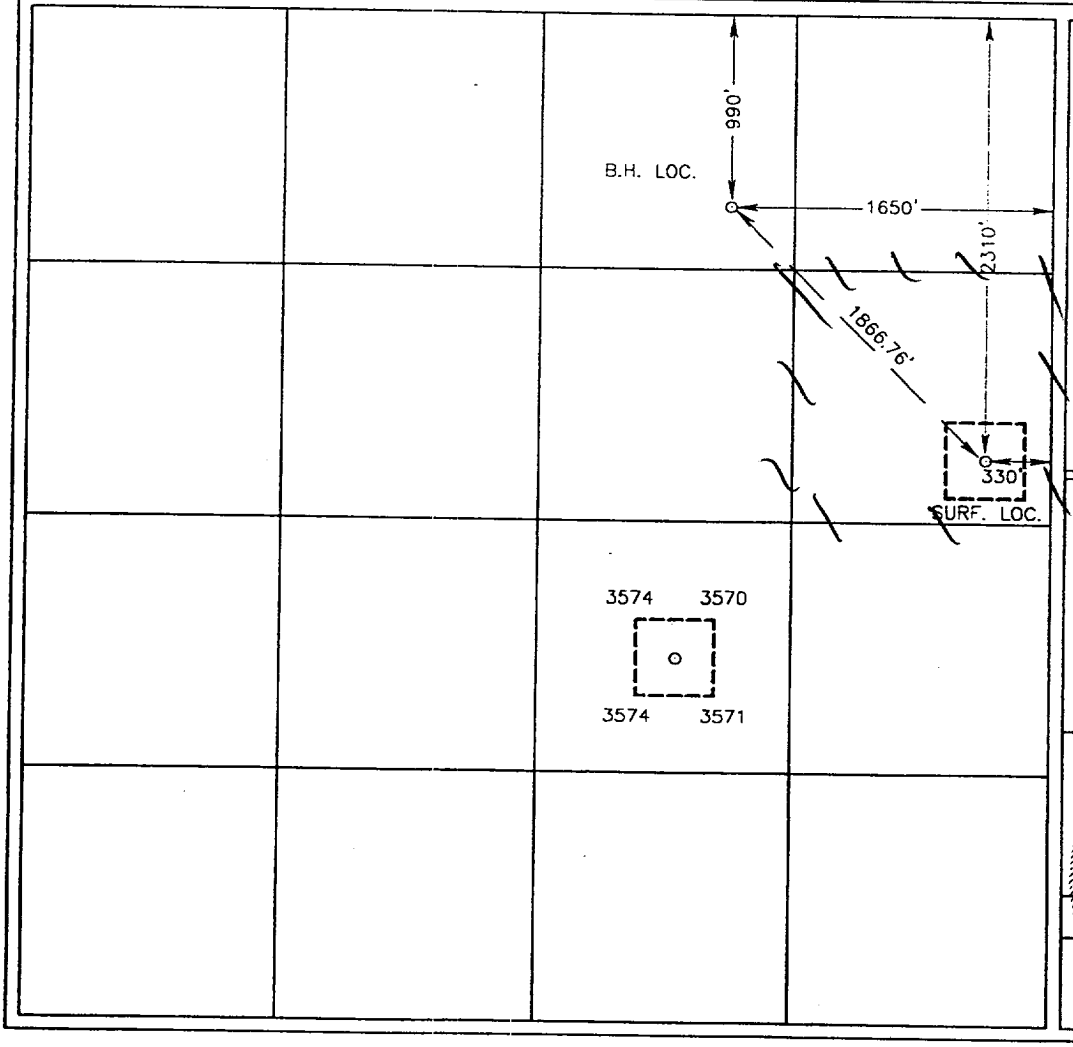
UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
H	3	20S	33E		2310	NORTH	330	EAST	LEA

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
B	3	20S	33E		990	NORTH	1650	EAST	LEA

Dedicated Acres	Joint or Infill	Consolidation Code	Order No.
40	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

December 14, 2000
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.

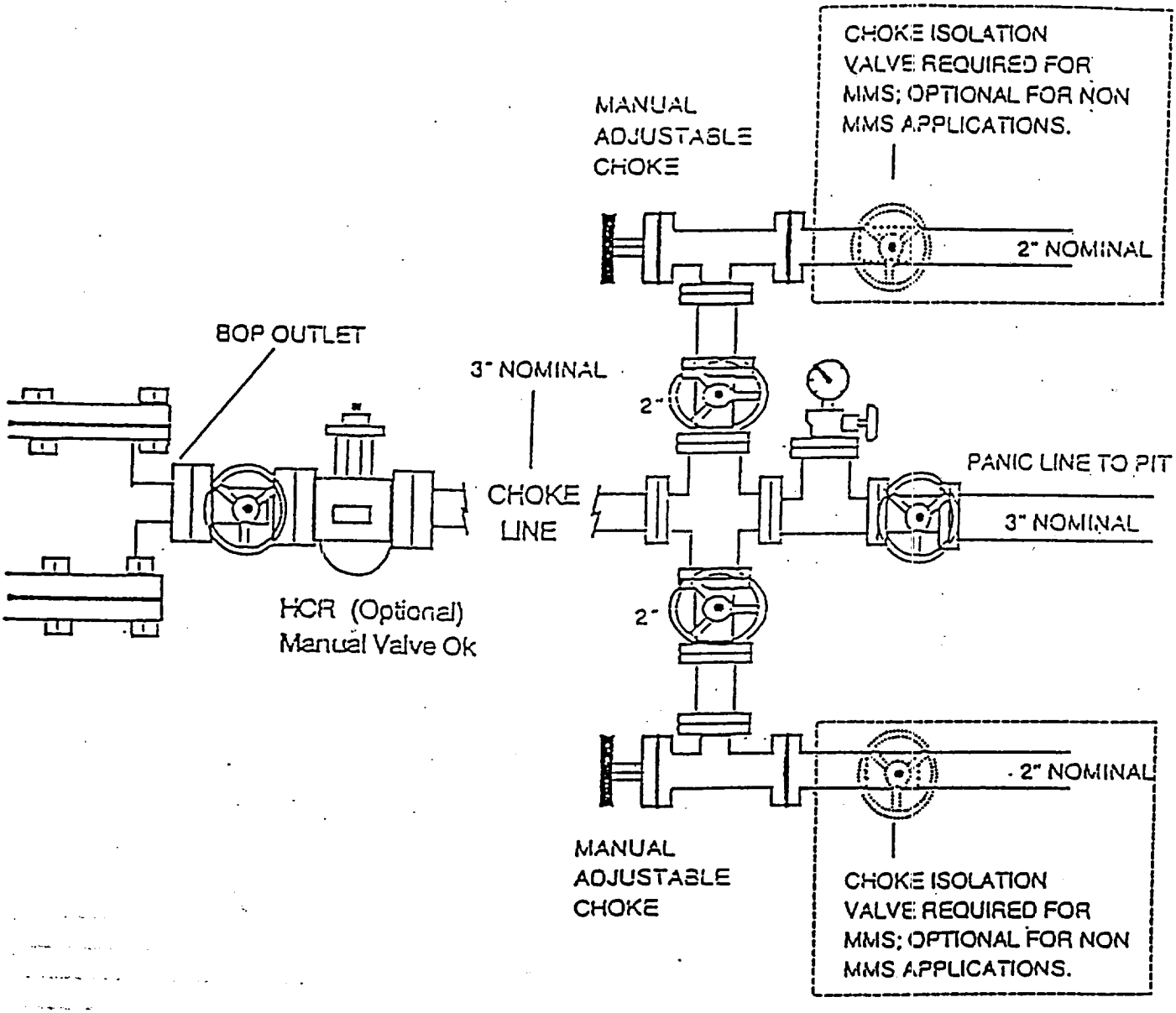
DECEMBER 1, 2000
Date Surveyed AWB

Signature & Seal of Professional Surveyor

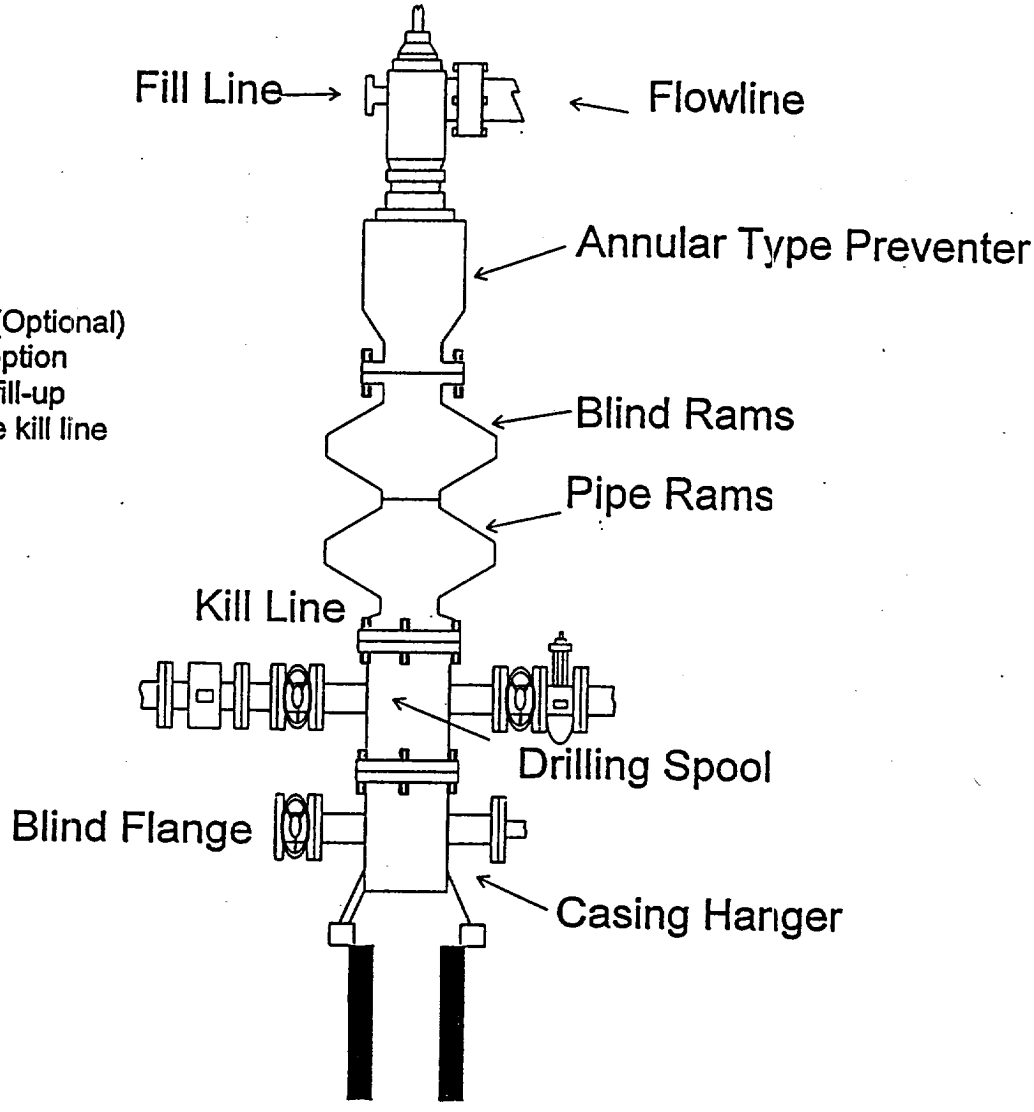
12/8/00

Certificate No. RONALD J. EIDSON 3239
GARY EIDSON 12641

NEARBURG PRODUCING COMPANY
CHOKE MANIFOLD
2M AND 3M SERVICE



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.

900 Series

HYDROGEN SULFIDE DRILLING OPERATIONS PLANS
NEARBURG PRODUCING COMPANY
PYTHON 3 FEDERAL #5

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

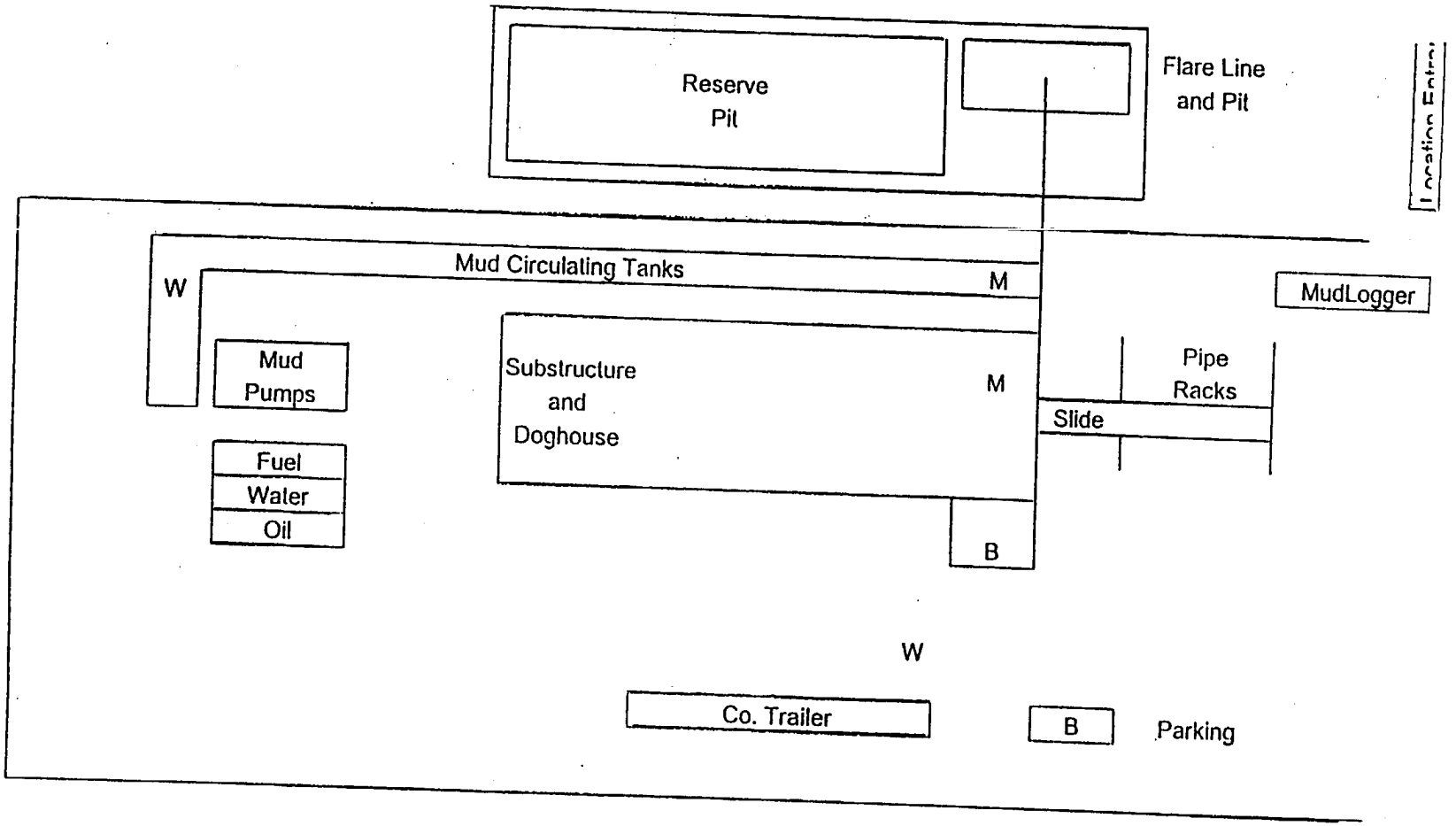
YOU ARE ENTERING A H2S AREA
AUTHORIZED PERSONNEL ONLY

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

NEARBURG PRODUCING COMPANY
HYDROGEN SULFIDE DRILLING OPERATIONS LOCATION PLAN



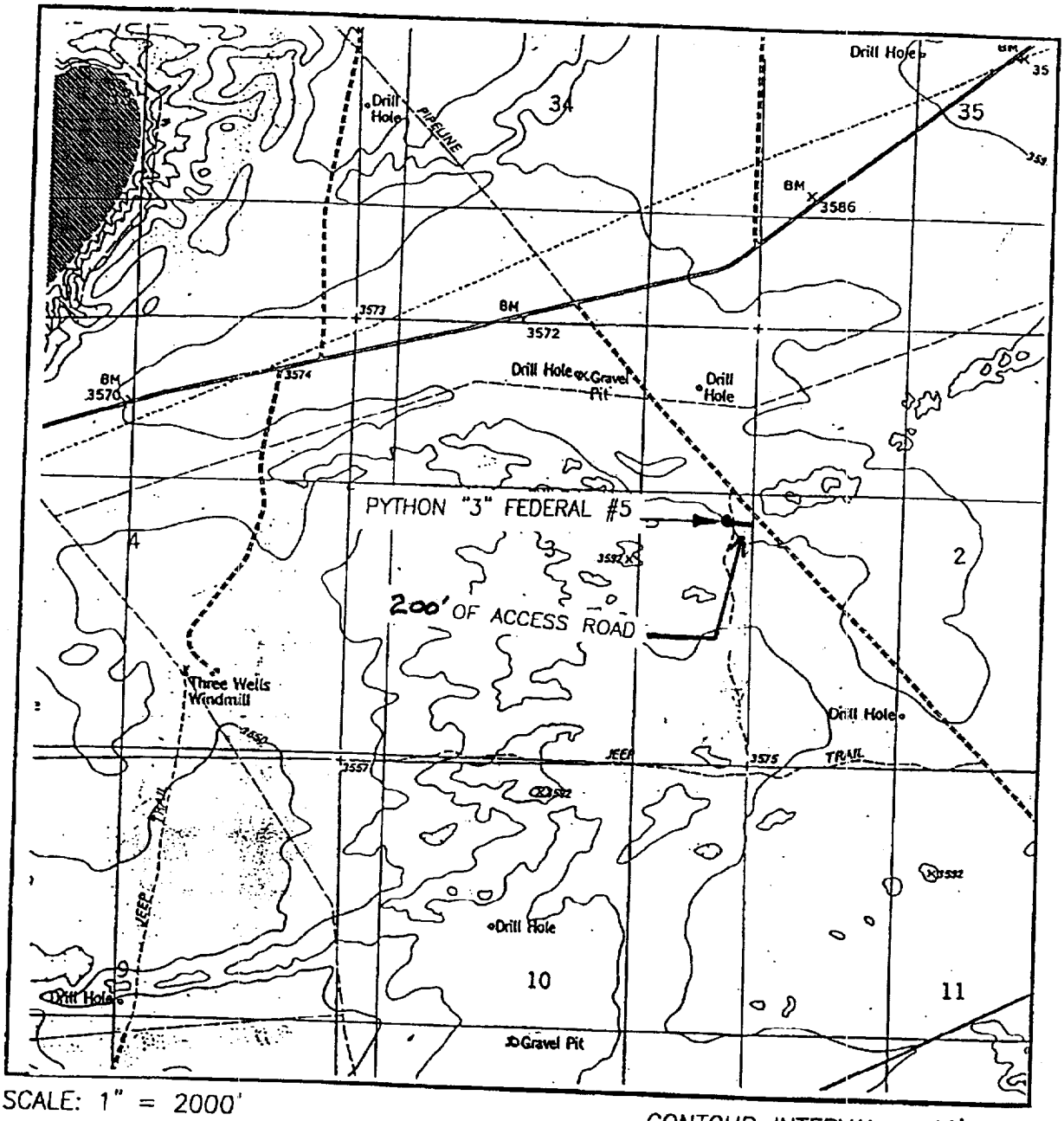
M - H2S Monitors with alarms at bell nipple and shale shaker

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

LOCATION VERFICATION MAP



SCALE: 1" = 2000'

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

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

SURVEY N.M.P.M.

COUNTY LEA

DESCRIPTION 2310' FNL & 330' FEL

ELEVATION 3572

OPERATOR NEARBURG PRODUCING COMPANY

LEASE PYTHON "3" FEDERAL

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

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

ELF 6/28/01

ABOVE DATE DOES NOT
INDICATE WHEN
CONFIDENTIAL LOGS
WILL BE RELEASED