

Samy N.M. Oil Cons. DIV-Dist. 2
1301 W. Grand Avenue
Albuquerque, NM 88210

F05-40

FORM APPROVED
OMB No. 1004-0137
Expires March 31, 2007

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

APPLICATION FOR PERMIT TO DRILL OR REENTER

5. Lease Serial No. NM-24160 615P2
6. If Indian, Allottee or Tribe Name
7. If Unit or CA Agreement, Name and No. Parkway Delaware Unit
8. Lease Name and Well No. PDU #206 19245
9. API Well No. 30-015-34128
10. Field and Pool, or Exploratory Parkway Delaware 49625
11. Sec., T. R. M. or Blk. and Survey or Area Sec 35, T19S, R29E
12. County or Parish Eddy
13. State NM

1a. Type of work: <input checked="" type="checkbox"/> DRILL <input type="checkbox"/> REENTER
1b. Type of Well: <input checked="" type="checkbox"/> Oil Well <input type="checkbox"/> Gas Well <input type="checkbox"/> Other <input type="checkbox"/> Single Zone <input type="checkbox"/> Multiple Zone
2. Name of Operator St Mary Land & Exploration Company 154903
3a. Address 580 Westlake Park Blvd., Suite 600 Houston, TX 77079
3b. Phone No. (include area code) 281-677-2800
4. Location of Well (Report location clearly and in accordance with any State requirements.) At surface (B) 1000' FNL & 2452' FEL At proposed prod. zone " Secretary's Potash
14. Distance in miles and direction from nearest town or post office* 17 miles NE of Carlsbad
15. Distance from proposed* location to nearest property or lease line, ft. (Also to nearest drig. unit line, if any) 1000'
16. No. of acres in lease 920
17. Spacing Unit dedicated to this well 20
18. Distance from proposed location* to nearest well, drilling, completed, applied for, on this lease, ft. 150'
19. Proposed Depth 4600'
20. BLM/BIA Bond No. on file 6041872
21. Elevations (Show whether DF, KDB, RT, GL, etc.) 3316'
22. Approximate date work will start* 05/01/2005
23. Estimated duration 15 days

RECEIVED

MAY 19 2005

ODD-ANTECOM

24. Attachments

The following, completed in accordance with the requirements of Onshore Oil and Gas Order No.1, shall be attached to this form:

1. Well plat certified by a registered surveyor.
2. A Drilling Plan.
3. A Surface Use Plan (if the location is on National Forest System Lands, the SUPO shall be filed with the appropriate Forest Service Office).
4. Bond to cover the operations unless covered by an existing bond on file (see item 20 above).
5. Operator certification
6. Such other site specific information and/or plans as may be required by the authorized officer.

25. Signature <i>[Signature]</i>	Name (Printed/Typed) Alan D. Means	Date 5/29/05
Title Operations Engineer		

Approved by (Signature) /s/ Linda S. C. Rundell	Name (Printed/Typed) /s/ Linda S. C. Rundell	Date MAY 17 2005
Title STATE DIRECTOR		Office NM STATE OFFICE

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, are attached.

APPROVAL FOR 1 YEAR

Title 18 U.S.C. Section 1001 and Title 43 U.S.C. Section 1212, make 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.

*(Instructions on page 2)

Caption Controlled Water Basin

APPROVAL SUBJECT TO
GENERAL REQUIREMENTS AND
SPECIAL STIPULATIONS
ATTACHED

WITNESS SURFACE & INTERMEDIATE &
CHANGE TO FRESH WATER MUD

Salt. 29.5

St I
5 N. French Dr., I I obbs. NM 88240
District II
130 I W. Grand Avenue. Artesia. NM 88210
District III
1000 Rio Brazos Road. Aztec, NM 87410
District IV
1220 S. St. Francis Dr., Santa Fe. NM 87504~.

State of New Mexico
Energy Minerals and Natural Resources

Form C-144
June 1, 2004

Oil Conservation Division
1220 South St. Francis Dr.
Santa Fe, NM 87505

For drilling and production facilities, submit to
appropriate NMOCD District Office.
For downstream facilities, submit to Santa Fe
office

Pit or Below-Grade Tank Registration or Closure

Is pit below-grade tank covered by a "general plan" Yes ☐ No ☒

Type of action Registration of a pit or below-grade tank ☒ Closures of a pit of below-grade tank ☐

Operator: St Mary Land & Exploration Company Telephone: _____ e-mail address: _____		
Address: 580 Westlake Park Blvd, #600, Houston, TX 77079 30-015-34128		
Facility or well name: Parkway Delaware 20p API 4- pendings U/L or Qtr/Qtr _____ See _____ T _____ R _____		
County: Lea	Latitude _____	Longitude _____
NAD: 1927 <input type="checkbox"/> 1983 <input type="checkbox"/> Surface Owner Federal <input checked="" type="checkbox"/> State <input type="checkbox"/> Private <input type="checkbox"/> Indian <input type="checkbox"/>		
plats attached Section 35, T19S, R29E, Wells #514; 402; 206; 207		
Pit Type: Drilling <input checked="" type="checkbox"/> Production <input type="checkbox"/> Disposal <input type="checkbox"/> Workover <input type="checkbox"/> Emergency <input type="checkbox"/> Lined <input checked="" type="checkbox"/> Unlined <input type="checkbox"/> Liner type: Synthetic <input checked="" type="checkbox"/> Thickness 12 mm Clay <input type="checkbox"/> Pit Volume 3500 bbl		
Below-grade tank Volume: _____ bbl Type of fluid: _____ Construction material: _____ Double-walled, with leak detection? Yes <input type="checkbox"/> If not, explain why not. _____		
Depth to ground water (vertical distance from bottom of pit to seasonal high water elevation of ground water.) 400'	Less than 100 feet	(20 points)
	100 feet or more, build less than 100 feet	(10 points)
	100 feet or more 100 ft.	(0 points) 0
Wellhead protection area: (Less than 200 feet from a private domestic water source, or less than 1000 feet from all other water sources.)	Yes	(20 points)
	No No	(0 points) 0
Distance to surface water: (horizontal distance to all wetlands, playas, irrigation canals, ditches, and perennial and ephemeral watercourses.)	Less than 200 feet	(20 points)
	200 feet or more, but less than 1000 feet	(10 points)
	1000 feet or more 1000 ft or more	(0 points) 0
Ranking Score (Total Points)		0 Points

Is this an oil closure. (1) attach a diagram of the facility showing the pit's relationship to other equipment and tanks. (2) Indicate disposal location: (check the onsite box if you are burying in place) onsite: ☐ offsite ☐ If offsite, name of facility _____ (3) Attach a general description of remedial action taken including remediation start date and end date (4) Groundwater encountered: No ☒ Yes ☐ If yes, show depth below ground surface _____ ft. and attach sample results. (.)

Attach soil sample results and a diagram of sample locations and excavations.

Additional Comments:

I hereby certify that the information above is true and complete to the best of my knowledge and belief. I further certify that the above-described pit or below-grade tank has been/will be constructed or closed according to NMOCD guidelines X a general permit, or an (attached) alternative OOD-approved plan

Date: **3/29/05**

Printed Name title **Alan D. Means, Operations Engineer**

Signature _____

Your certification and NMOCD approval of this application/closure does not relieve the operator of liability should the contents of the pit or tank contaminate ground water or otherwise endanger public health or the environment. Nor does it relieve the operator of its responsibility for compliance with any other federal, state, or local laws and/or regulations.

Approval:

Printed Name/Title _____

Signature _____

MAY 17 2005
Date:

As per Guidelines, a
detailed closure plan must
be submitted prior to
closure.

State of New Mexico

Energy, Minerals and Natural Resources Department

Form C-102

Revised JUNE 10, 2003

Submit to Appropriate District Office

State Lease - 4 Copies

Fee Lease - 3 Copies

DISTRICT II

1301 W. GRAND AVENUE, ARTESIA, NM 88210

DISTRICT III

1000 Rio Brazos Rd., Aztec, NM 87410

DISTRICT IV

1220 S. ST. FRANCIS DR., SANTA FE, NM 87505

OIL CONSERVATION DIVISION

1220 SOUTH ST. FRANCIS DR.

Santa Fe, New Mexico 87505

WELL LOCATION AND ACREAGE DEDICATION PLAT

☐ AMENDED REPORT

API Number	Pool Code	Pool Name
Property Code	Property Name PARKWAY DELAWARE UNIT	Well Number 206
OGRID No.	Operator Name ST. MARY LAND & EXPLORATION COMPANY	Elevation 3316'

Surface Location

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
B	35	19-S	29-E		1000	NORTH	2452	EAST	EDDY

Bottom Hole Location If Different From Surface

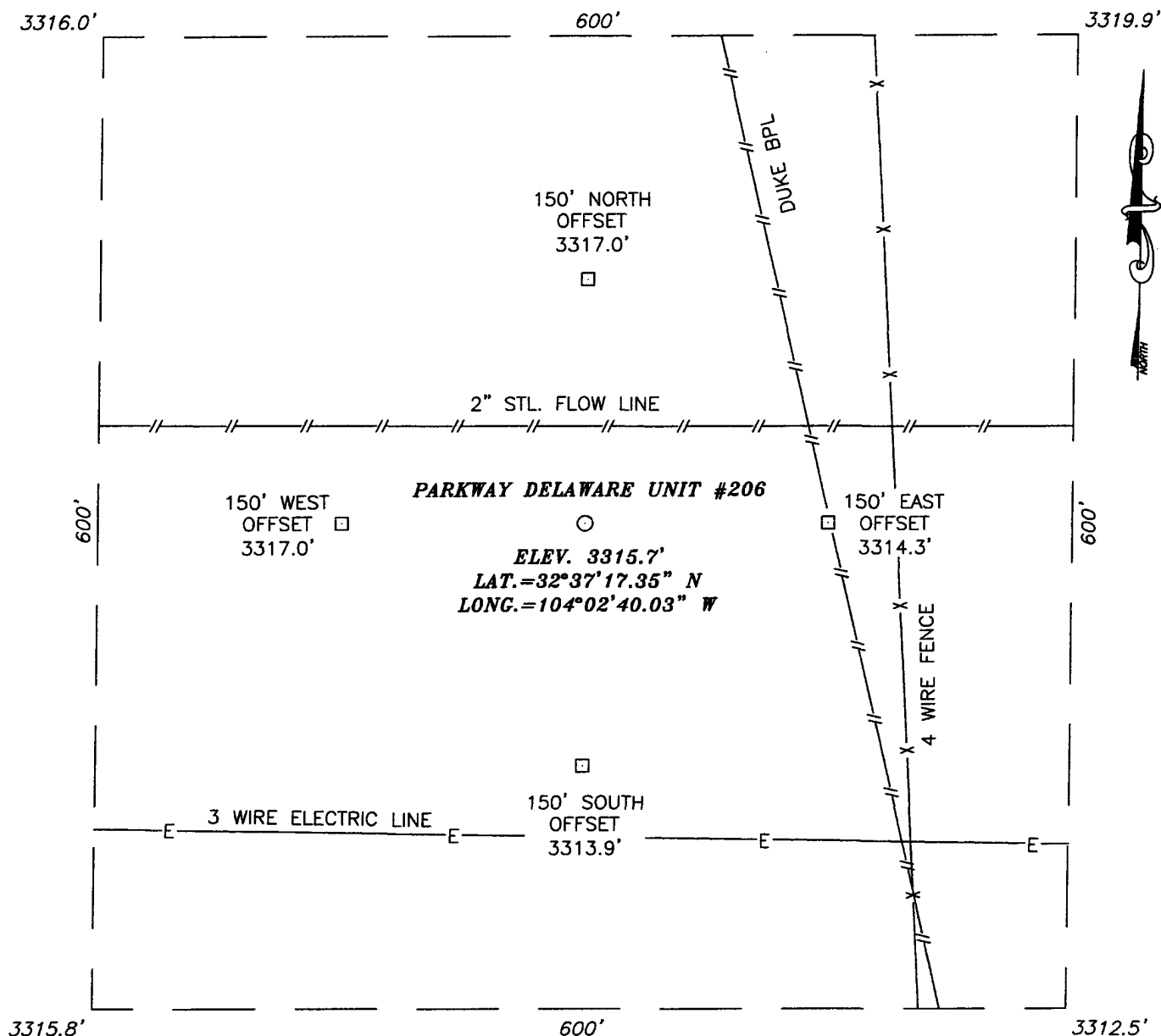
UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County

Dedicated Acres 4c	Joint or Infill	Consolidation Code	Order No.
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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

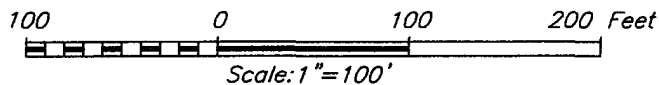
	OPERATOR CERTIFICATION I hereby certify the the information contained herein is true and complete to the best of my knowledge and belief. Signature Alan D. Means Printed Name Agent Title 3/29/05 Date
	SURVEYOR CERTIFICATION I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my belief. DECEMBER 28, 2004 Date Surveyed Signature & Seal of Professional Surveyor Certificate No., GARY EDSON 12641
	GEODETIC COORDINATES NAD 27 NME Y=589929.0 N X=588942.0 E LAT.=32°37'17.35" N LONG.=104°02'40.03" W

SECTION 35, TOWNSHIP 19 SOUTH, RANGE 29 EAST, N.M.P.M.,
EDDY COUNTY, NEW MEXICO



DIRECTIONS TO LOCATION

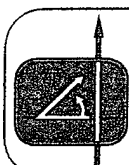
FROM THE INTERSECTION OF STATE HIGHWAY #360
 AND COUNTY ROAD #235 (CURRY COMB ROAD).
 GO WEST ON CO. RD. #235 APPROX. 4.7 MILES
 TO A LEASE RD. ON LEFT. TURN ON AND GO
 SOUTH TO WEST TO SOUTH APPROX. 1.4 MILES TO
 A "T". TURN RIGHT (WEST) AND GO APPROX. 0.9
 MILE TO A LEASE RD. ON RIGHT. GO NORTH
 APPROX. 0.4 MILE TO A WELL PAD ON RIGHT. GO
 EAST 300± FEET TO PROPOSED LOCATION.



ST. MARY LAND & EXPLORATION COMPANY

PARKWAY DELAWARE UNIT #206 WELL
 LOCATED 1000 FEET FROM THE NORTH LINE
 AND 2452 FEET FROM THE EAST LINE OF SECTION 35,
 TOWNSHIP 19 SOUTH, RANGE 29 EAST, N.M.P.M.,
 EDDY COUNTY, NEW MEXICO.

Survey Date: 12/28/04	Sheet 1 of 1 Sheets		
W.O. Number: 04.11.1749	Dr By: DEL	Rev 1:N/A	
Date: 01/03/05	Disk: CD#3	04111749	Scale: 1"=100'



PROVIDING SURVEYING SERVICES
 SINCE 1946
JOHN WEST SURVEYING COMPANY
 412 N. DAL PASO
 HOBBS, N.M. 88240
 (505) 393-3117

Nine Point Drilling Plan
(Supplement to BLM 3160-3)

St. Mary Land and Exploration Co.

PDU #206

1000' FNL, 2452' FEL; Sec 35, T19S, R29E

Parkway Delaware Unit

Parkway (Delaware) Field

Eddy Co., NM

NM-24160

1. Name and estimated tops of geologic horizons

Rustler	146'
Slado	351'
Tansill	1261'
Yates	1513'
Capitan Reef	1695'
Delaware	2698'

2. Protection of possible useable water will be achieved by setting 13.375" surface casing @ 400'+/- and cementing it to surface. Isolation of the productive Delaware-Brushy Canyon will be achieved by setting 5.5" casing @ 4600' +/-, and cementing back to surface.
3. The well control equipment to be employed during the drilling of this well is illustrated on attached EXHIBIT A. This equipment includes a two ram BOP, annular BOP and choke manifold of comparable pressure rating. Equipment will be rated for 3000 PSI and will be tested to 80% of that pressure prior to drilling out of the 13 3/8" surface casing. A hydraulic closing unit will be a part of this equipment and will be function tested daily.
4. The casing strings will consist of the following:

Surface:	13 3/8" OD, 48#/ft, H40, STC, new pipe @ 400'+/- in 17 1/2" hole.	WITNESS
Intermediate 1:	9.625" OD, 36#/ft, J55, STC, new pipe @ 1500'+/- in 12.25" hole.	WITNESS
Intermediate 2:	7" OD, 23#/ft, J55, STC, new pipe @ 3200'+/- in 8.75" hole.	
Production:	4.50" OD, 11.6#/ft, J55, STC, new pipe @ 4600'+/- in 6.25" hole	

5. **Cementing programs for the above casing strings are:**

Surface: **Lead Slurry:** 195 sx Class C Cement w/ 4% bwoc Bentonite, 2% bwoc CaCl, .25#/sk celloflake, .004 gps FP-13L mixed at 13.5 ppg, and having a yield of 1.75 cu ft/sk

Tail Slurry: 150 sx Class C Cement w/ 2% bwoc CaCl, .004 gps FP-13L mixed at 14.8 ppg, and having a yield of 1.34 cu ft/sk

The above volume represents 80% excess over calculated hole volume, and will be adjusted to actual setting depth of casing. The slurries will be preceded by a fresh water spacer, and displaced with brine water.

Intermediate 1 @ 1500':

Lead Slurry: 280 sx (50:50) Poz (Fly Ash) : Class C Cement w/ 10% bwoc Bentonite, 5% bwoc CaCl, .25#/sk celloflake, .004 gps FP-13L mixed at 11.9 ppg, and having a yield of 2.37 cu ft/sk

Tail Slurry: 200 sx Class C Cement w/ 2% bwoc CaCl, .004 gps FP-13L mixed at 14.8 ppg, and having a yield of 1.35 cu ft/sk

The above are BJ Services products with 120% excess open hole volume - actual volumes will be adjusted to the open hole caliper of this wellbore. The cement slurries will be preceded by 12 bbls cement wash for mud removal and displaced with fresh water. Equivalent products from another vendor may be substituted for BJ depending on price/availability.

Intermediate 2 @ 3200':

Lead Slurry: 115 sx (50:50) Poz (Fly Ash) : Class C Cement w/ 10% bwoc Bentonite, 5% bwoc CaCl, .25#/sk celloflake, .004 gps FP-13L mixed at 11.9 ppg, and having a yield of 2.37 cu ft/sk

Tail Slurry: 150 sx Class C Cement w/ 2% bwoc CaCl, .004 gps FP-13L mixed at 14.8 ppg, and having a yield of 1.35 cu ft/sk

The above are B J Services products with 60% excess open hole volume - actual volumes will be adjusted to the open hole caliper of this wellbore. The cement slurries will be preceded by 12 bbls cement wash for mud removal and displaced with fresh water. Equivalent products from another vendor may be substituted for B J depending on price/availability.

Production:

Lead Slurry: 145 sx (50:50) Poz (Fly Ash) : Class C Cement w/ 10% bwoc Bentonite, 5% bwoc CaCl, .25#/sk celloflake, .004 gps FP-13L, 5 #/sk LCM-1 mixed at 11.5 ppg, and having a yield of 2.71cu ft/sk

Tail Slurry: 100 sx Class C Cement w/ 12% bwoc CSE-2, 1% bwoc FL-62, .004 gps FP-13L mixed at 13.6 ppg, and having a yield of 1.8 cu ft/sk

The above are B J Services products with 50% excess open hole volume - actual volumes will be adjusted to the open hole caliper of this wellbore. Equivalent products from another vendor may be substituted for BJ depending on price/availability.

6. It is anticipated that this well will be drilled to TD utilizing the fluids shown below:
 - 0-400':** Gel/Lime "spud mud" 8.6-9.0 PPG. Utilize native solids to maintain sufficient viscosity to clean hole. Mix paper as required to control seepage loss.
 - 300-1800':** Brine 9.9 - 10.0 PPG. Circulate thru reserve pit for gravitational solids solids removal. Add paper as required to control seepage loss while maintaining pH at 10.0 - 10.5 using Lime. Brine water will minimize hole wash out in the salt.
 - 1800-3200':** Fresh Water 8.3 - 8.5 PPG Loss of circulation is anticipated in the Capitan Reef which will require switching to fresh water and dry drilling to casing point.
 - 3200-3800':** Cut Brine 8.5 - 8.9 PPG Pump high-vis sweeps to clean hole.
 - 3800-4600':** Cut Brine/Starch 8.7 - 8.9 PPG Maintain water loss @ 10-15 cc. Sweep with high-vis pill to clean hole for logging operations.
7. Auxiliary equipment will include an upper kelly cock valve, safety valve to fit drill pipe and pressure gauges.
8. No drill stem testing, mud logging or coring is planned for this wellbore. A Platform Express Triple Combo electric log suite will be run at TD.
9. The estimated BHP at TD is not expected to exceed 1500 psi, and a BHT of 105 F is anticipated. There is no H₂S present in the hydrocarbons being produced from the other wells in this section. Should such unexpected circumstances be encountered the operator and drilling contractor are prepared to take necessary steps to ensure safety of all personnel, and environment. Lost circulation could occur but is not expected to be a serious problem in this area, and hole seepage will be compensated for by additions of small amounts of LCM in the drilling fluid.

It is estimated that this well will be drilled and cased in 10-11 days. Drilling will commence as soon after approval is received and services can be contracted.

Thirteen Point Plan for Surface Use
(Additional data for form 3160-3)

St. Mary Land and Exploration Company

PDU #206

1000' FNL, 2452' FEL; Sec 35, T19S, R29E

Parkway Delaware Unit

Parkway (Delaware)

Eddy Co., NM

NM-24160 61582

1. **EXISTING ROADS - A "VICINITY MAP" and a "LOCATION VERIFICATION MAP"** by John West Surveying are attached which show the location of existing roads and the area topography.
The road log to the location is as follows:
 - a) From the intersection of Hwy. 360 and Co. Rd 235(Curry Comb Rd), proceed west on 235 for 4.7 miles.
 - b) Turn south on lease road and proceed for 1.4 miles to a "T" intersection.
 - c) Turn west on caliche road for .9 miles to lease road on the right.
 - d) Turn north and proceed for .4 miles.
 - e) Turn east and go 300' to location.
2. **PLANNED ACCESS ROAD** — Approximately 300' of new E-W access road will be built from the existing N-S main caliche road to the east.
3. **LOCATION OF EXISTING WELLS - EXHIBIT B** shows the location of other wells within a mile radius of the proposed location.
4. **LOCATION OF EXISTING OR PROPOSED FACILITIES** – This production well will be tied into existing PDU facilities.
5. **LOCATION AND TYPE OF WATER SUPPLY** - All water (fresh or otherwise) needed for the drilling and completion of this well will be purchased from a commercial source and trucked to the location via the existing and proposed access road. No water source wells will be drilled, and no surface water will be utilized.
6. **SOURCE OF CONSTRUCTION MATERIALS** - Construction material (caliche) required for the preparation of the drill site is available from a local source 3 ½ miles

away. It is not anticipated that a significant amount of material will be required as the terrain is relatively flat. Transportation will be over the existing roads.

7. METHODS FOR HANDLING WASTE DISPOSAL -

- Drill cuttings will be disposed into drilling pits after fluids have evaporated.
- The drilling pits will be lined with a biodegradable plastic liner, and buried as per regulatory requirements. The pits will be located on the #206 drill site.
- Receptacles for solid wastes (paper, plastic, etc) will be provided and equipped to prevent scattering by wind, animals, etc. This waste will be hauled to an approved landfill site.
- Any other waste generated by the drilling, completion, testing of this well will be removed from the site within 30 days of the completion of drilling or testing operations.
- A Porta-John will be provided for the crews. This will be properly maintained during the drilling operations and removed upon completion of the well.

8. ANCILLARY FACILITIES - The drilling, completion, and/or testing of this well will require no ancillary facilities.

9. WELLSITE LAYOUT - Attached, as EXHIBITS C & D are plats showing the anticipated orientation of the drilling rig and the pad. A similar rig may have to be substituted for United Drilling Rig #24 if it is no longer available when approval is granted for this application. Material moved to create the drilling pits will be utilized in the dike around the pits so as to facilitate restoration of the area when operations are completed.

10. PLANS FOR SURFACE RESTORATION - Reclamation of the surface location will be in accordance with the requirements set forth by the BLM. As stated earlier all waste generated by this operation will be disposed of in an approved manner, and the site restored as closely as possible to its pre-operation appearance. Due to the topography of the area no problems are anticipated in achieving this status and no erosion or other detrimental effects are expected as a result of this operation.

11. OTHER INFORMATION - The surface ownership of the drill site and the access routes are under the control/ownership of:

Bureau of Land Management

P. O. Box 1778

Carlsbad, New Mexico 88221-1778

505-234-5972

The BLM representative for this area is Barry Hunt who can be reached at the above number, or 505-361-4078.

The site was archaeologically surveyed in July 2004. Danny Boone, the registered archeological surveyor, should forward a copy of that report to the BLM.

12. OPERATORS REPRESENTATIVE - St. Mary Land and Exploration is covered by Nationwide Bond No. 6041872. St. Mary Land and Exploration is represented by:

Charles M. Jones, Operations Manager

Dennis Goins, Operations Engineer

580 Westlake Park Blvd., Suite 600

Houston, Texas 77079

281-677-2800 Office

281-677-2774 Direct

918-408-8025 Cell

Alan D. Means, Contract Drilling Engineer
Midland, Tx

432-620-9181 Office

432-664-7052 Cell

432-687-3117 Home

Jackie Herron, Contract Pumper
Hagerman, NM

505-746-7601 Cell

505-752-2701 Home

13. OPERATORS CERTIFICATION

I hereby certify that I, Alan D. Means-Operations Engineer, have inspected the proposed drill site and access route and that I am familiar with the conditions that currently exist; that the statements made in the APD package are to the best of my knowledge true and correct; and that the work associated with operations herein will be performed by ST. MARY LAND & EXPLORATION COMPANY and it's contractors and subcontractors in conformity with the terms and conditions of this APD package. I also certify responsibility for the operations conducted on that portion of the leased lands associated with this application with bond coverage being provided under a BLM nationwide bond.

This statement is subject to the provisions of 18 U.S.C. 1001 for the filing of a false statement.

Name and title: Alan D. Means, Consulting Operations Engineer for St. Mary Land & Exploration Company

Signature: 

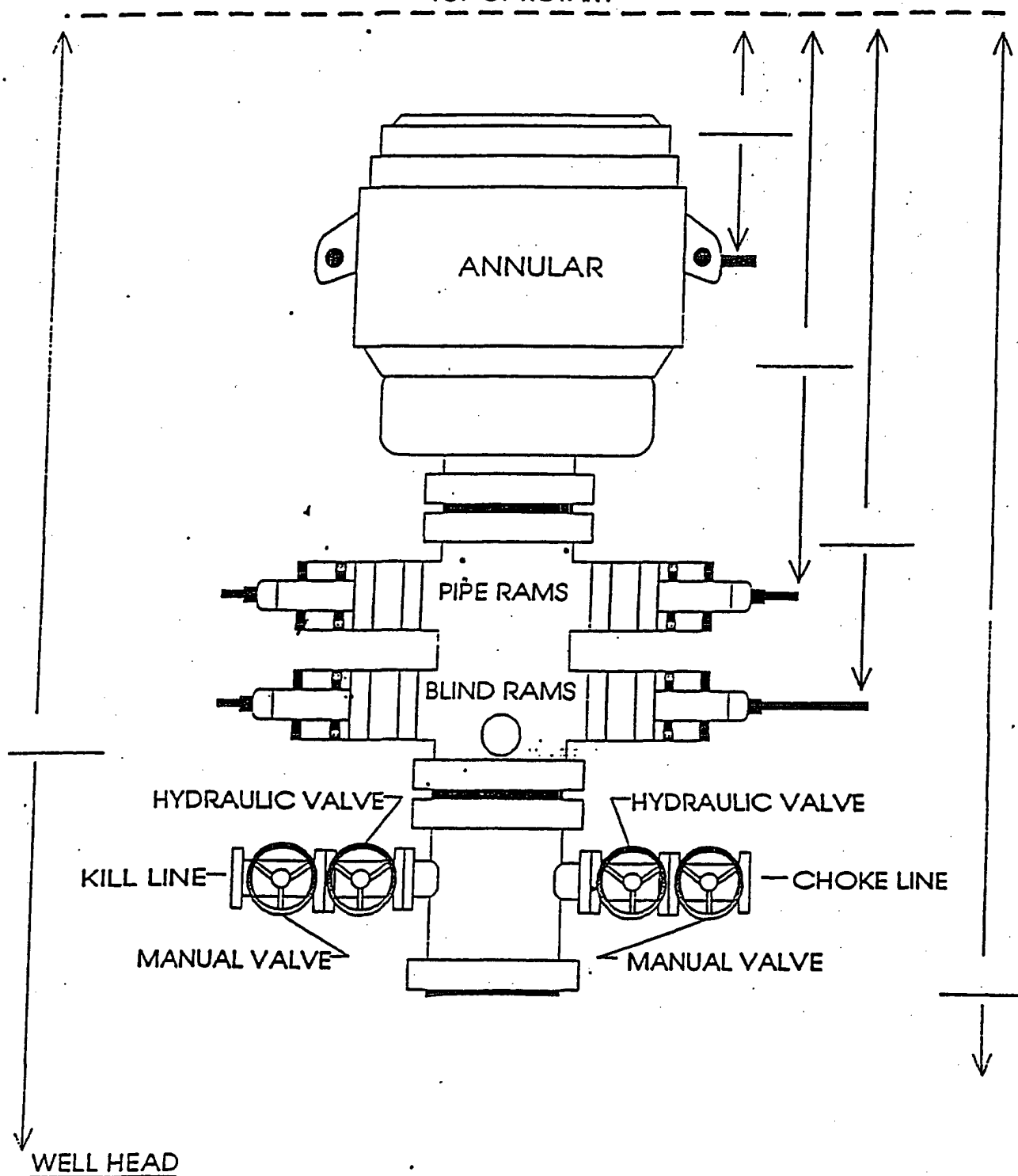
Date: 4/4/05

EXHIBIT A

B.O.P. STACK SPACING

SIZE: 11" 3000#

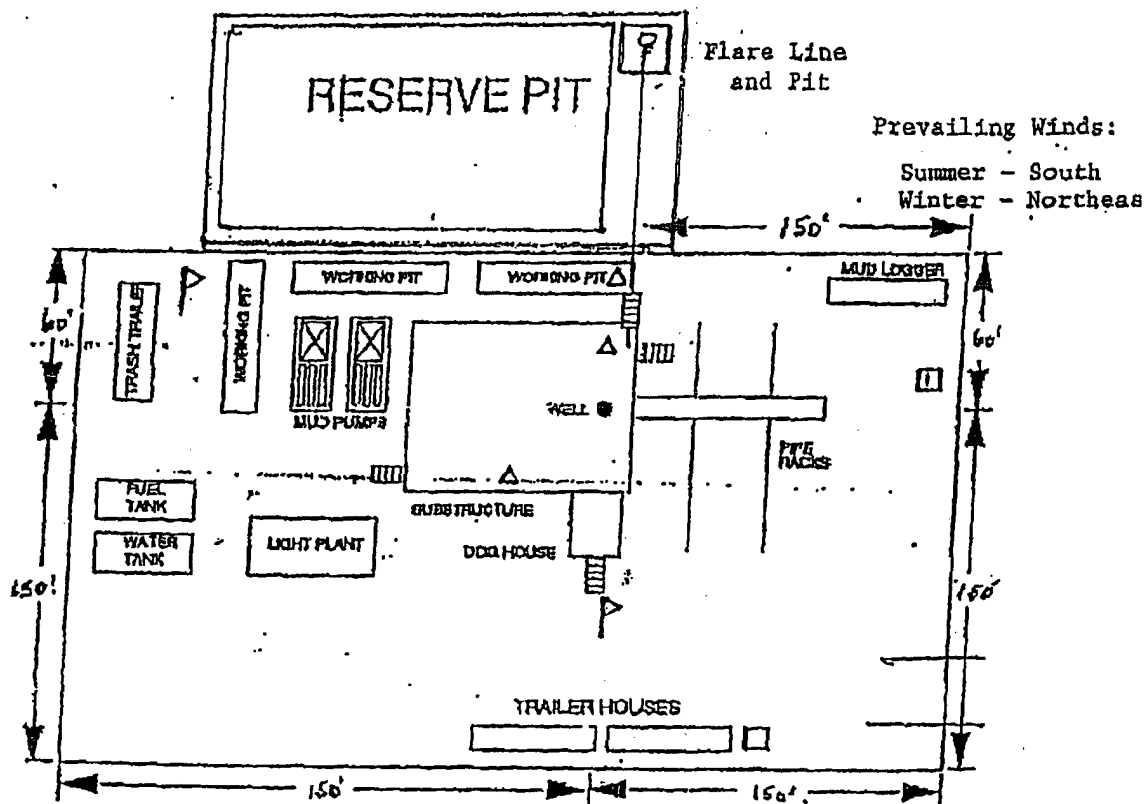
TOP OF ROTARY



WELL PDU 512 CONTRACTOR UNITED DRILLING

EXHIBIT C

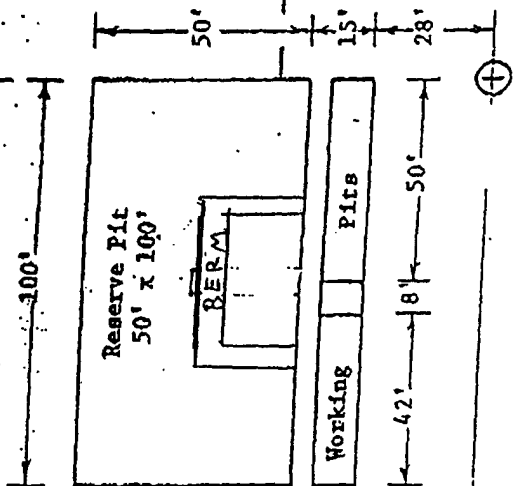
Typical United Drilling Rig Layout



- △ - H2S Monitors with alarms at the bell nipple and shale shaker
- △ - Wind Direction Indicators
- - Safe Briefing areas with caution signs and protective breathing equipment. Minimum 150 feet from wellhead. 1 designates primary area.

EXHIBIT D

Center
Line
Well



(+)

Center
Line
Well

30'

Stinger

40'

50'

100'

UNITED DRILLING, INC.

LOCATION PLAT

RIG 24

Scale: 1"=40'

100'

100'

100'



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joanna Prukop

Cabinet Secretary

Mark E. Fesmire, P.E.

Director

Oil Conservation Division

May 23, 2005

St. Mary Land & Exploration Company
580 Westlake Parkway Blvd. Suite # 600
Houston, TX 77079
Attn: Mr. Alan Means

**Re: St. Mary Land & Exploration Company's Parkway Delaware Unit Wells: located in the
Parkway Delaware Unit Area Unit , Eddy County,
New Mexico, NMPM**

Dear Mr. Means or to Whom It May Concern:

In regards with conditions for approval (in part) for the above captioned well, the New Mexico Oil Conservation Division (NMOCD) will require the following:

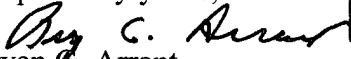
This is for St. Mary Land & Exploration Company to take samples from the flow line of the drilling mud every 100 'in order to determine the chloride levels starting at the 1st intermediate casing point down through the 2nd intermediate casing point.

In addition, the 2nd intermediate borehole (in drilling the Capitan Reef) is to be drilled with fresh water mud as noted in your APD.

The results of this data are to be submitted to the NMOCD in Artesia and the Bureau of Land Management.

Please call our office if you have any questions regarding this matter.

Respectfully yours,


Bryan G. Arrant
PES

CC: Well File
John Simitz-Geologist-Bureau of Land Management/Roswell