

GEOLOGIC REPORT

By

George J. Ulmo

Stevens & Tull, Inc.
DK No. 6
SE/4 of SE/4 Sec. 25
T-20-S, R-38-E, N.M.P.M.
Lea County, New Mexico

SETTING

The Stevens & Tull, Inc. "DK" lease is situated in eastern Lea County, New Mexico on the western flank of the DK Field and within a mile or so of the Warren, East Warren (Tubb) and House Fields. Production in the area is from the San Andres, Paddock, (Glorieta), Blinebry (Upper Clearfork), Tubb, Drinkard (Lower Clearfork), and Abo (Wichita Albany) reservoirs at various depths between 4250 and 7550 feet. Most wells in the vicinity have been completed in more than a single pay zone, some are dually completed, and in some wells the production has been commingled. In order to test the abovementioned reservoirs, Stevens & Tull drilled the captioned well to the Abo and is currently attempting to complete the well in the Tubb.

STRUCTURE

As shown on the enclosed structure maps of the Abo and Tubb horizons, the DK Field is a structurally positive area having 75 to 100 feet of relief at the Tubb horizon and approximately 150 feet of relief at the Abo. Recent drilling has shown that the fields listed above are not structurally separated from one another at the levels of the Tubb, Abo, or Blinebry. However, the shallow structure is believed to be the result of drape over deep-seated faulted structures. As shown on the enclosed Structural Cross Section A-A', the Blinebry (Upper Clearfork) thickens dramatically where the Tubb is structurally low. This results in a Blinebry structure map having little relief which is not representative of the deeper horizons. For practical purposes the Tubb is the best horizon on which to map the structure in the area.

RESERVOIR DEVELOPMENT

All of the reservoirs listed above were deposited in a shallow water carbonate platform setting (formed over a deep-seated structural high), where pelletal grainstones, packstones, and wackestones, along with oolitic grainstones, are the typical commercial reservoir facies where they have been dolomitized. Quartz sandstones and siltstones in the Tubb, Paddock (Glorieta), Blinebry also form commercial reservoirs.

The distribution of depositional facies within each carbonate platform sequence was influenced by the topography of the underlying previous carbonate platform. The Upper and Lower Clearfork Formations contain a multitude of thin bedded sequences. Porosity in most of the reservoirs is contained within stratigraphic intervals which seem to correlate over a large area. Therefore most of the wells in the area have been perforated in approximately the same intervals within each reservoir. However, close

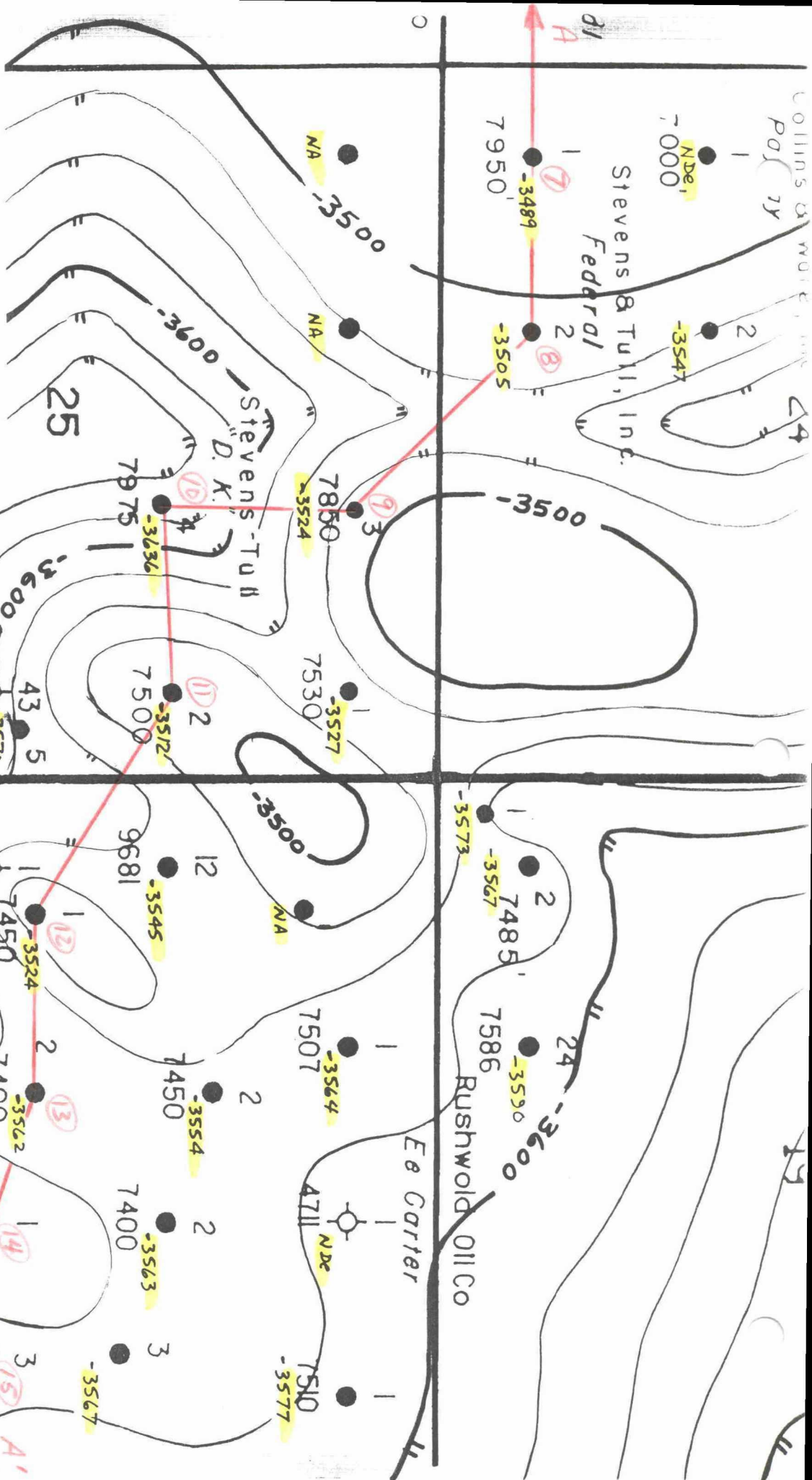
examination and comparison of the wells in the area reveals that a particular porous unit may not cover more than 2 or 3 locations, and that it may be replaced by another unit in a similar stratigraphic position. Often a well which is low at one horizon develops porosity in a shallower zone. Such reservoir heterogeneity makes it very difficult to condemn a potential drilling location based solely on its structural position or by a nearby well which has poorly developed porosity.

RESERVES

Cumulative production for the nearby wells in the vicinity of the DK Lease is shown on the enclosed Cumulative Production Map. A typical Abo producer in the area is expected to produce between 35 MBO and 100 MBO with associated gas, and the Drinkard is capable of producing between 50 MBO and 250 MBO with associated gas. Based on nearby production in the East Warren (Tubb) Field and the Warren Field, The Tubb and Blinebry are each believed to be capable of producing up to 100 MBO and 1,000 MMCF gas. A well which produces from all four reservoirs would be capable of producing as much as 400 MBO and 3,000 MMCF gas.

SUMMARY

The DK No. 6 was drilled at the captioned location in order to test the Blinebry through Abo Formations. Prior to drilling it was thought to be a somewhat risky location for the Abo, but was believed to be a solid location for the Drinkard, Tubb, and Blinebry. At the Tubb and Abo horizons the well was anticipated to be structurally between the DK No. 4 and the DK No. 5, both operated by Stevens & Tull, which produce from the Tubb, Blinebry, and Drinkard. Anticipated reserves for the well were considered to be approximately 150 MBO and 1,000 MMCF gas.



STEVENS & TULL, INC.

D-K PROJECT AREA

Lea County, NM

ABO STRUCTURE MAP

Cont. Int. = 25 FT

George J. Ulmo

PO Box

7000

-2936

-2963

Stevens & Tull, Inc.

Federal

7950

-2934

-2949

-2948

-2960

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-3000

-3023

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Rushwold Oil Co

E & C Carter

4711

-3023

7510

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1 2
 BLBY 5.5 + 69.2
 (4/97 - 8/97)
 TUBB 24.9 + 99.4
 (3/97 - 8/97)
 Stevens & Tull, Inc.
 Federal

1 2
 TUBB 5.3 + 11.8
 (4/97 - 8/97)
 TUBB 46.9 + 326.6
 (Through 8/97)

LEGEND	
BLBY	Blindry
TUBB	Tubb
DKRD	Drinkard
ABO	W. Albany (Abo)

Cum. MB Oil + Cum. MMCF Gas

2 24
 DKRD 3.3 + 0
 ABO 10.8 + 0
 DKRD 19.7 + 41.4
 ABO 7.9 + 0

Rushwold Oil Co

3
 TUBB 20.7 + 48.7
 ABO 21.0 + 61.9 (IN)
 (Through 8/97)
 TUBB 8.1 + 21.4
 ABO 36.4 + 113.8 (IN)
 (Through 8/97)

Stevens-Tull
 "D.K."

4 2
 BLBY 0.73 + 1.1 (8/97 Only)
 TUBB 5.7 + 6.8
 (Through 8/97)
 BLBY 12.3 + 80.5
 TUBB 10.9 + 67.4
 DKRD 2.9 + 10.1
 ABO 42.8 + 114.1
 (Through 8/97)

43 5
 DKRD 7.9 + 12.3
 (5/97 - 8/97)

Subject Well

12 2 2 3
 DKRD 62.4 + 883.6
 ABO 85.6 + 566.9
 DKRD 30.5 + 222.4
 ABO 70.2 + 398.7
 ABO 64.4 + 386.5
 DKRD 245.6 + 854.1
 ABO 36.1 + 111.8
 DKRD 100.2 + 356.3

Ee Carter


7420 30
 DKRD 41.7 + 735.7
 ABO 58.7 + 353.9
 ABO 103.2 + 982.5
 ABO 80.2 + 752.5

7850 2 1
 BLBY 6.4 + .030
 ABO 40.8 + 311.0

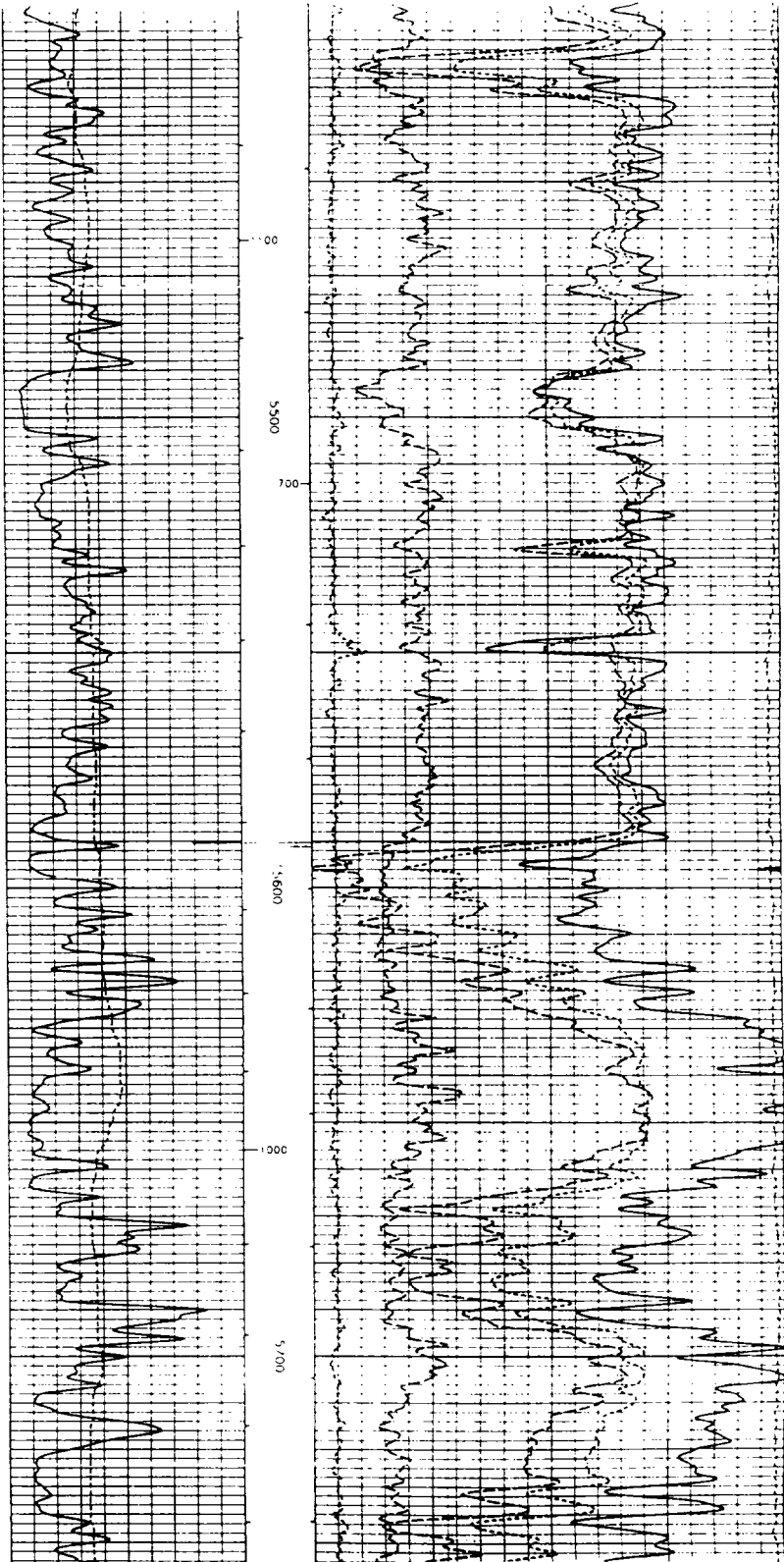
STEVENSON & TULL, INC.
 D-K PROJECT AREA
 Lea County, NM

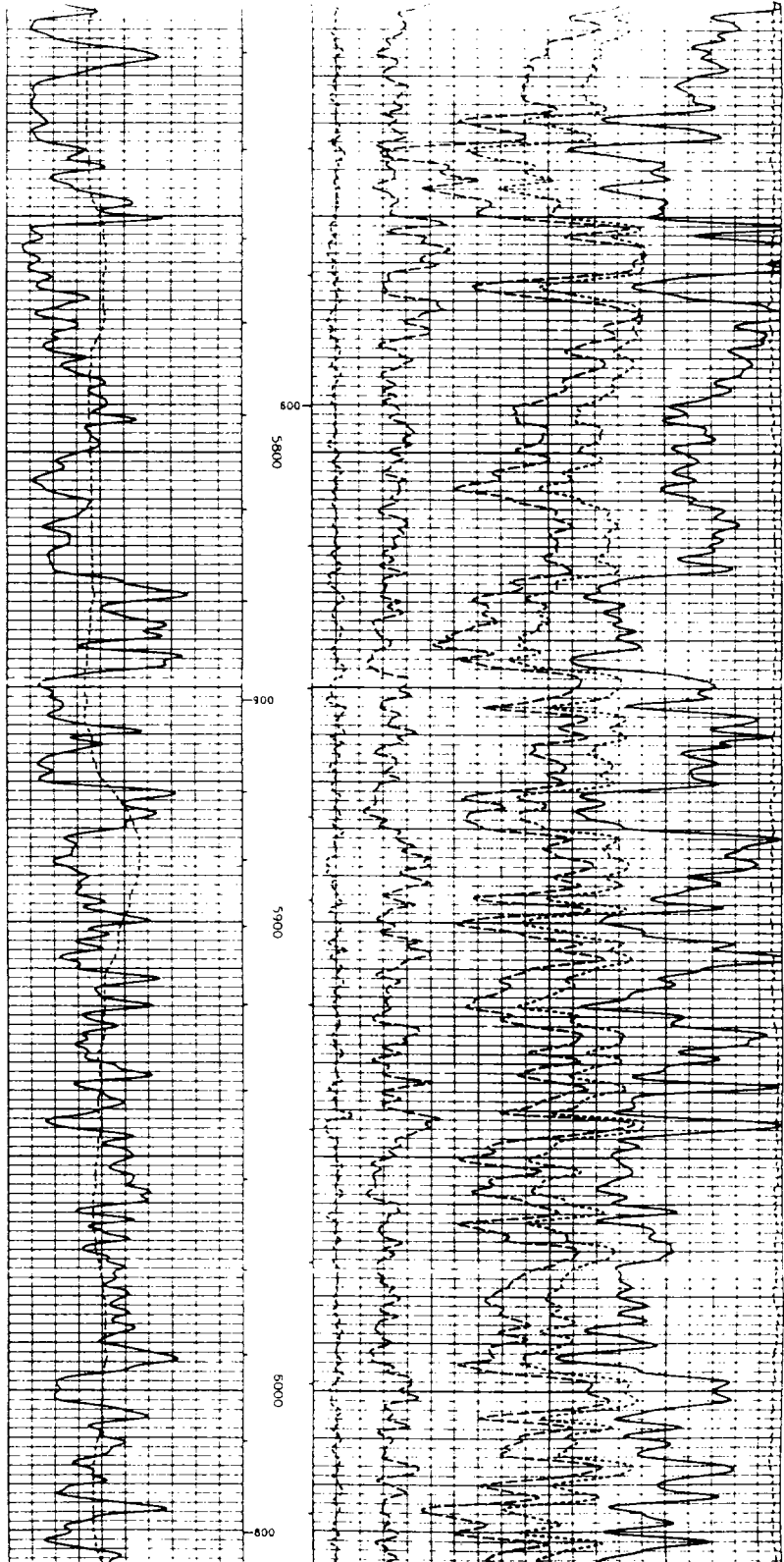
CUM. PRODUCTION MAP
 THROUGH 3/97
 (Unless otherwise indicated)

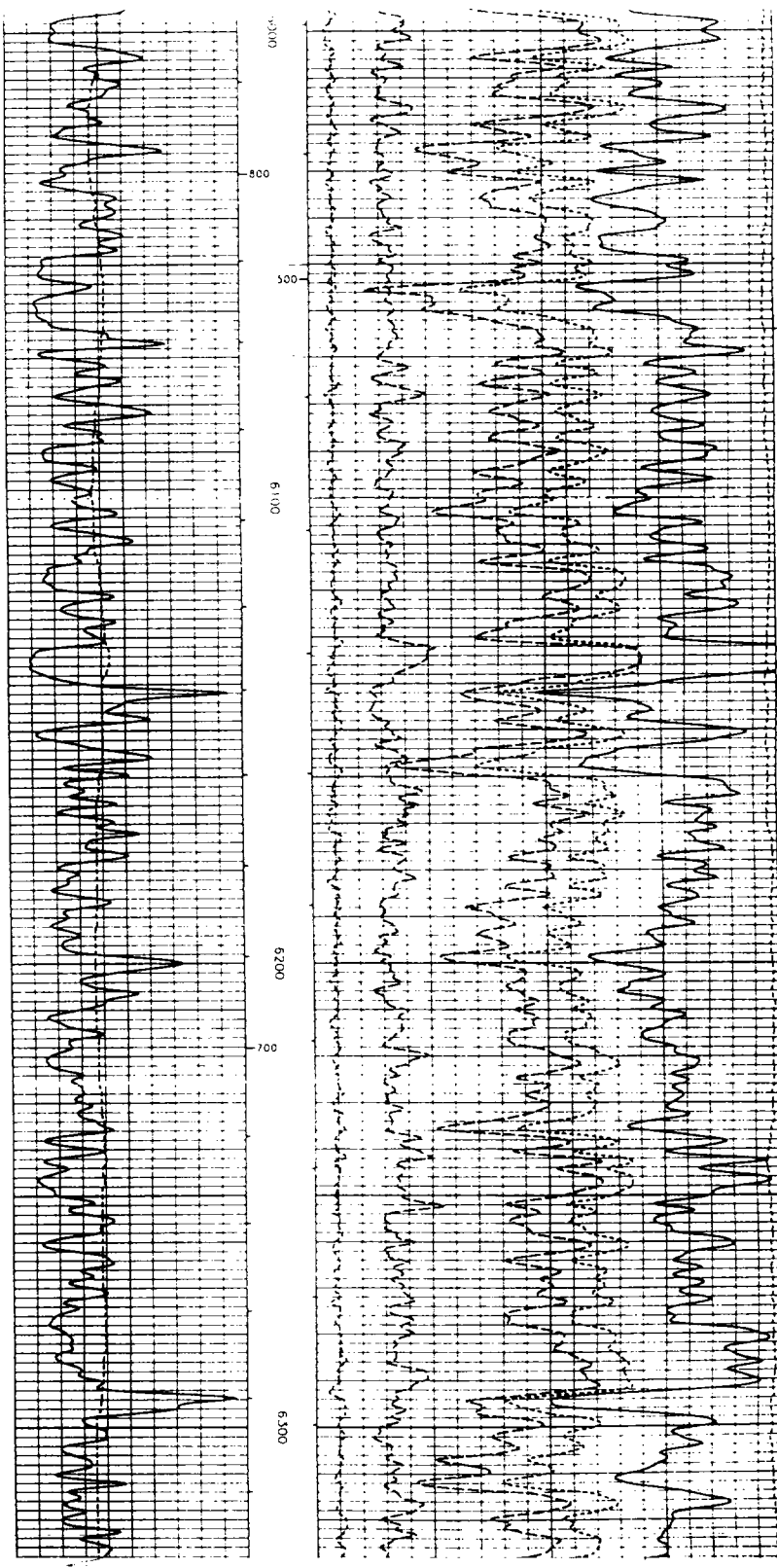
SUBJECT WELL

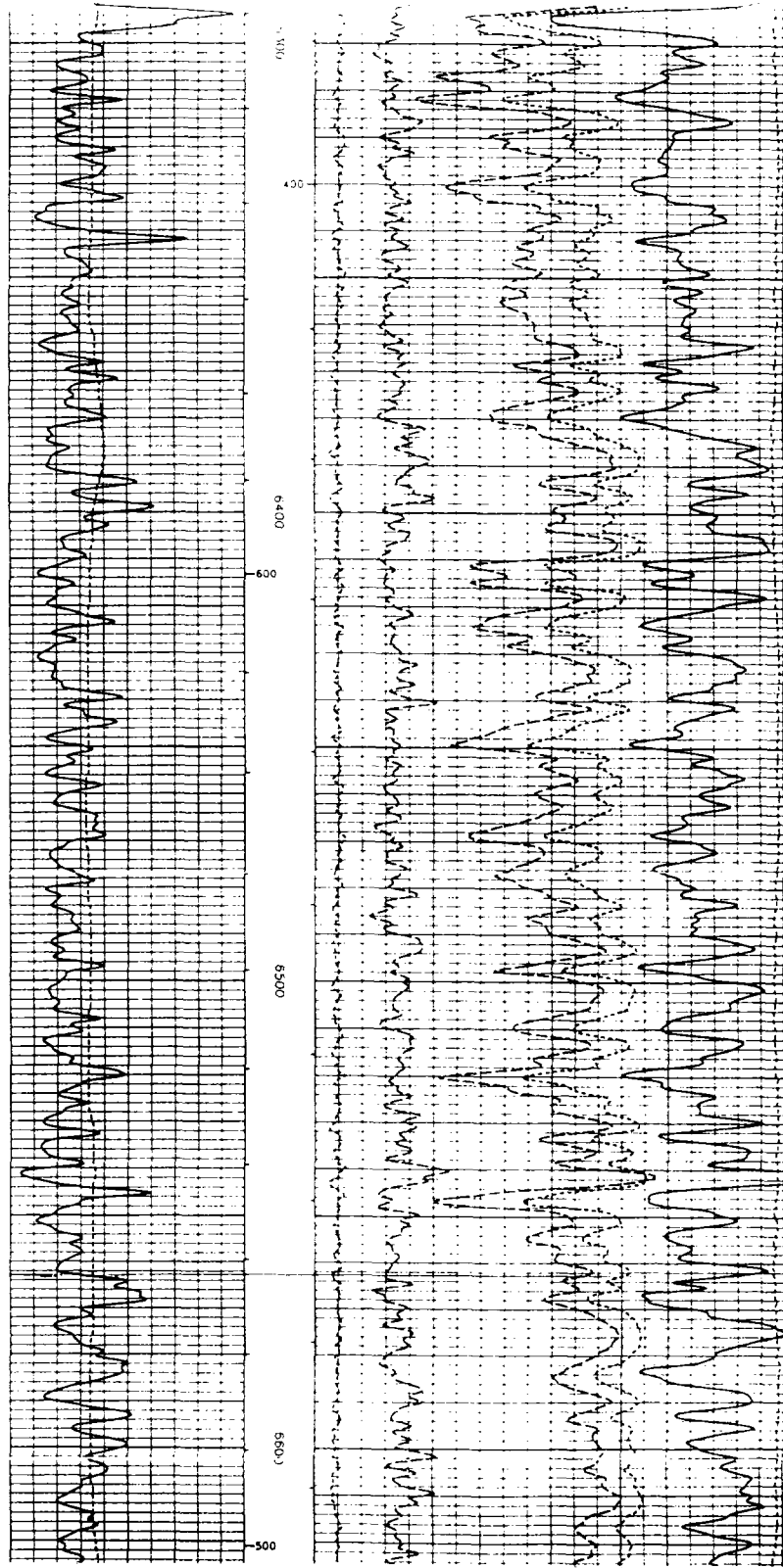
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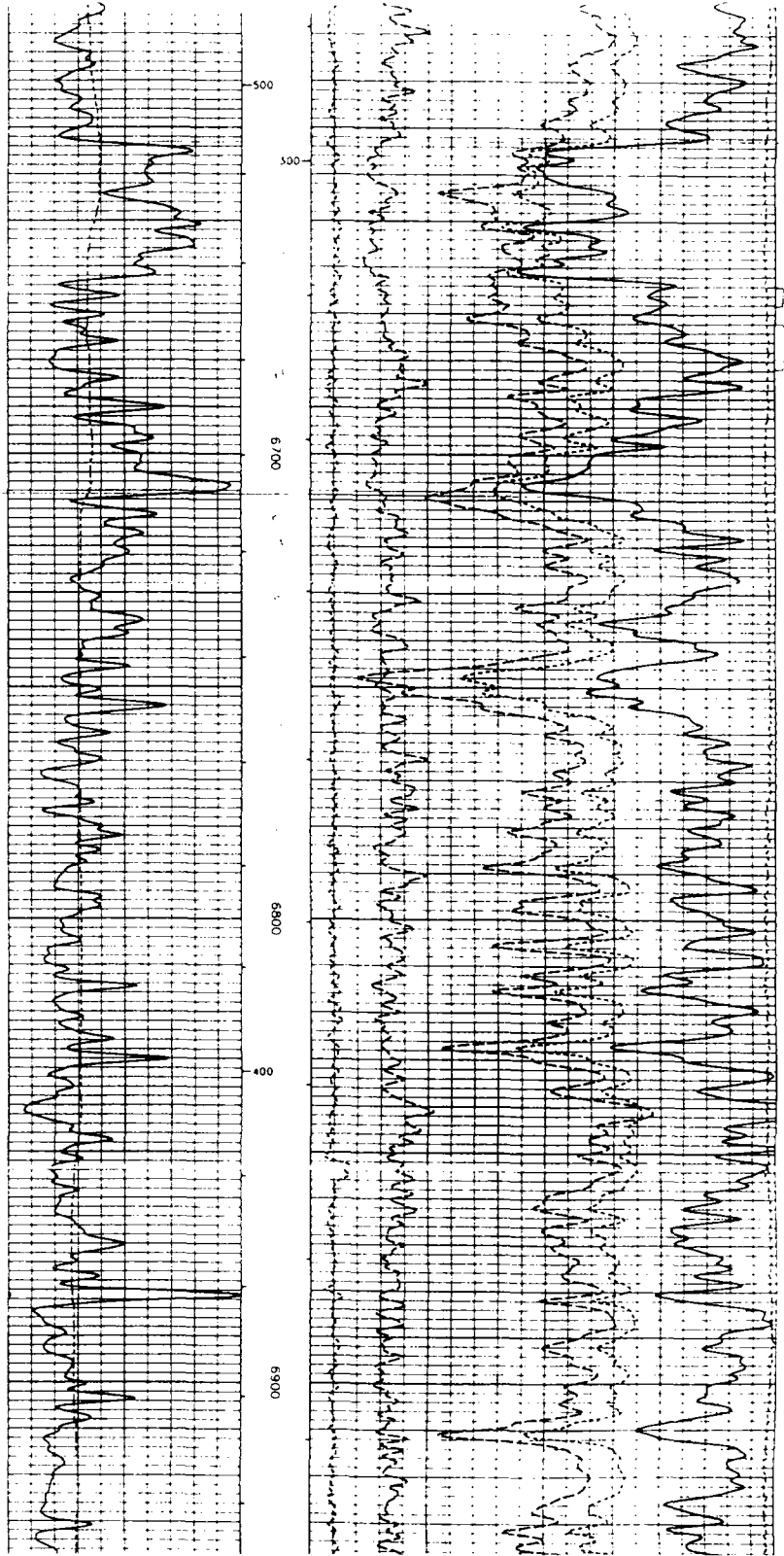
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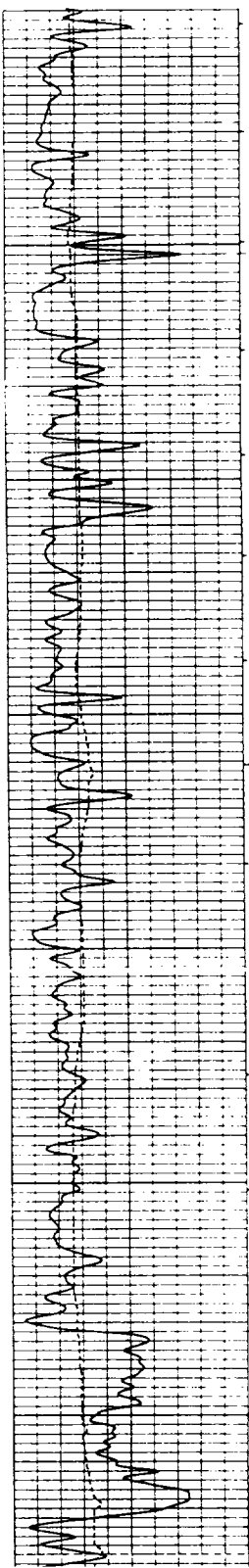
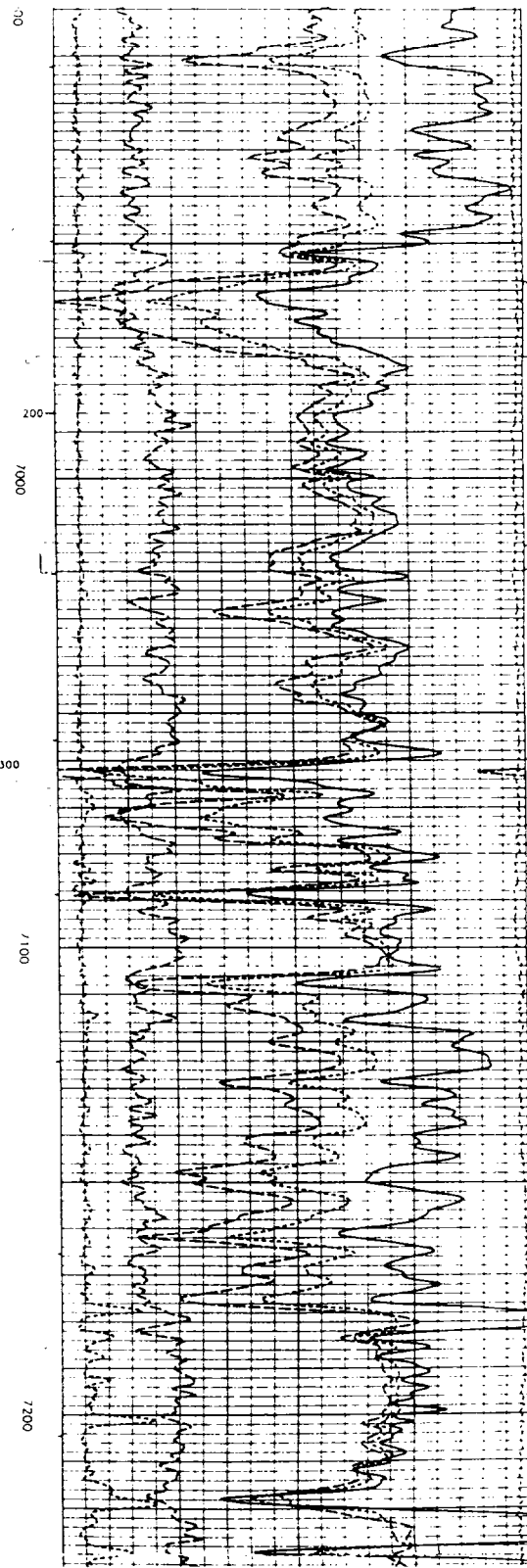


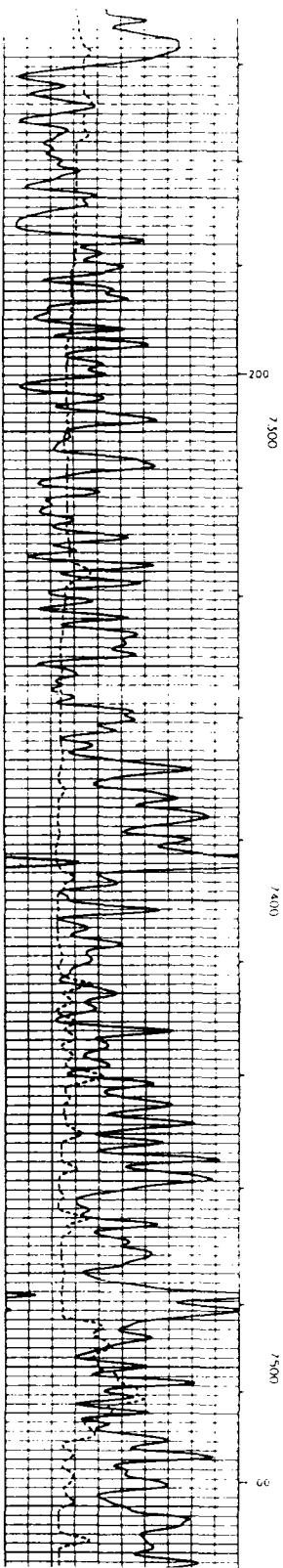
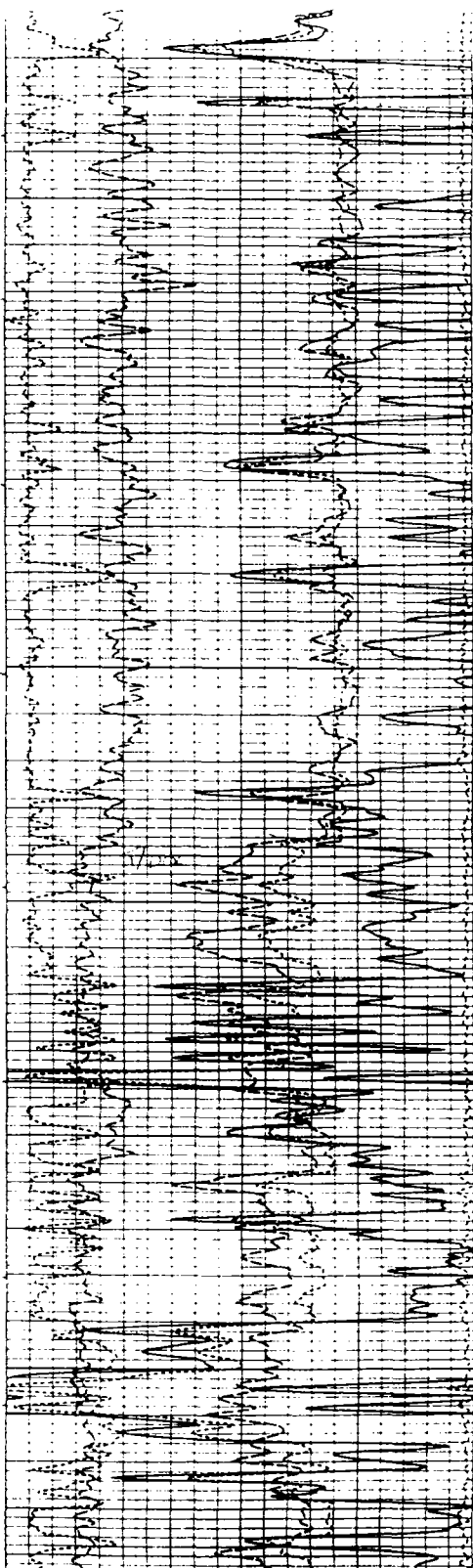


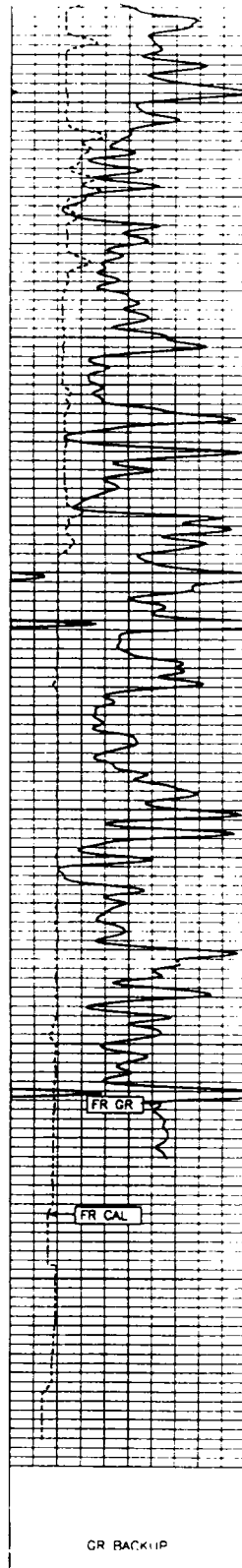










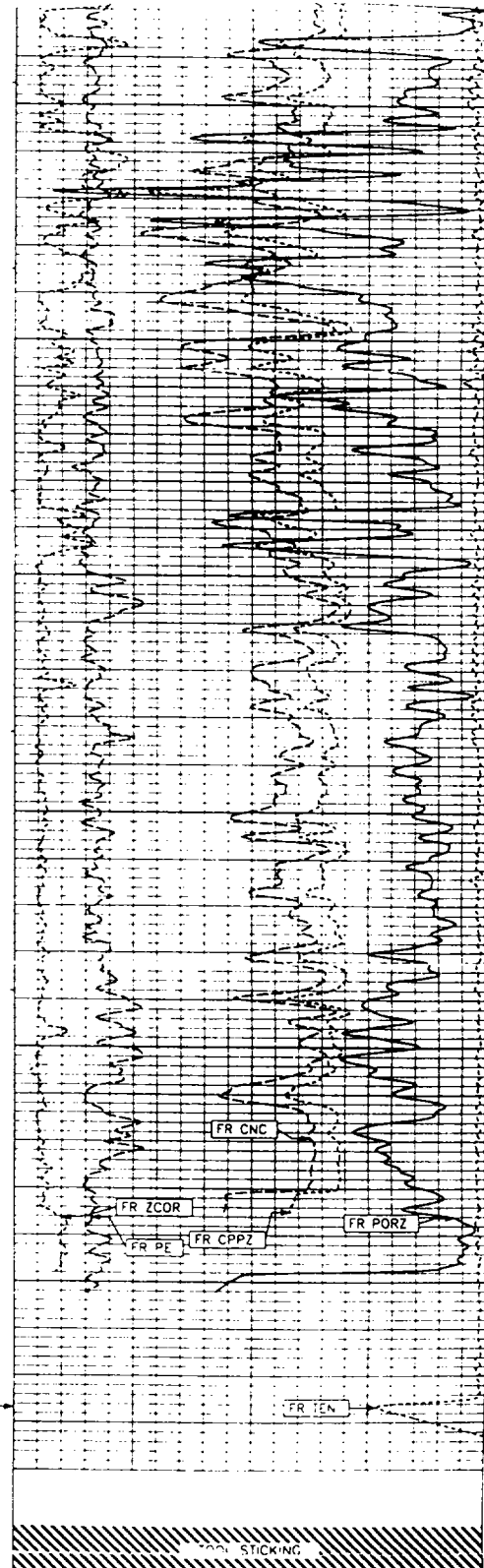


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FEET



DRILLING/WORKOVER/COMPLETION REPORT
STEVENS & TULL, INC.
DK #6

9/8/97 Present Operations: Drilling
TD: 1100 Made 1100 in last 24 hours
Formation: Red Bed
Mud: WT 9 7 Vis 32
Pump Pressure: 1200 psi at 56 spm
Rotary RPM: 140 Bit Weight 45K
Bit #1 Type: 12 1/4" - G-35
Jets 3-13
In at 0
Made 1100 in 11 1/4 hours
Surveys 186'-1/2 degree, 459'-3/4 degree, 966'-1 degree
Breakdown 10 hrs-Rig Move, 1 1/4 hrs-Rig repair, 1 hr- WL
survey, 1/2 hr-Service Rig, 11 1/4 hrs-drilling

9/9/97 Present Operations: Nipple Up
TD: 1614 Made 514 in last 24 hours
Formation: Anhydrite
Mud: WT 9 7 Vis 32
Pump Pressure: 1200 psi at 56 spm
Rotary RPM: 120 Bit Weight 48K
Bit #1 Type 12 1/4" - G-35 RT
Jets 3-13's
In at 0 Out at 1614
Made 1614 in 19 3/4 hours
Surveys 956'-1 degree, 1423'-1 1/4 degree, 1577'-1 degree
Breakdown 8 1/2 hrs-Drilling, 1 hr-Service rig, 3/4 hr-WL
Survey, 1 hr-Rig repair, 1 3/4 hrs-TOH w/DP, 1 1/2
hrs-Circulating, 4 hrs-Run 35 jts 8 5/8" - 23# -
J55 csg to 1614', 1/4 hr-Wash to bottom, 3/4
hrs-Cement w/ 615 sx "C" + 4% gel + 2% CaCl2 + 200
sx "C" + CaCl2 - Circulate 200 sx to surface, 4
hrs-WOC, 1/2 hr-NU - plug down @ 1:30 a.m.

9/10/97 Present Operations: Drilling
TD: 2236 Made 622 in last 241 last 24 hours
Formation: Salt
Mud: WT 10 0 Vis 29
Pump Pressure: 1150 psi at 62 spm
Rotary RPM: 90 Bit Weight 62K
Bit #2 Type: HP-53
Jets 3-12
In at 1614
Made 622 in 8 hours
Surveys 2056'-3/4 degree
Breakdown 8 hrs-Drilling, 1 hr-Drilling cement tag @ 1550',
1/2 hr-Service Rig, 1/2 hr-WL Survey, 1 1/2
hr-Trip + PU drill collars, 12 1/2 hrs-Rig repair
+ Niple up.

9/11/97 Present Operations: Drilling
TD: 3350 Made 1114 in last 24 hours
Formation: Salt & Anhydrite
Mud: WT 10 0 Vis 29 PH 9
Pump Pressure: 1200 psi at 60 spm
Rotary RPM: 70 Bit Weight 43K
Bit #2 Type HP-53
Jets 3-12
In at 1614
Made 1736 in 28 1/2 hours
Surveys 2553'-1 degree, 3018'-2 degree
Breakdown 20 1/2 hrs-Drilling, 1 1/2 hrs-Service rig,
1 hr-WL Survey, 1 hr-Rig repair

DRILLING/WORKOVER/COMPLETION REPORT
STEVENS & TULL, INC.
DK #6

9/12/97 Present Operations: Drilling
TD: 3985 Made 635 in last 24 hours
Formation: Anhydrite
Mud: WT 10 1 Vis 29 PH 10
Pump Pressure: 1250 psi at 60 spm
Rotary RPM: 75 Bit Weight 47K
Bit #2 Type HP-53
Jets 3-12
In at 1614
Made 2371 in 50 1/2 hours
Surveys 3452'-1 degree
Breakdown 22 hrs-Drilling, 1 1/2 hrs-Service rig, 1/2 hr-WL
Survey

9/13/97 Present Operations: Drilling
TD: 4420 Made 435 in last 24 hours
Formation: Anhydrite
Mud: WT 10 1 Vis 29 PH 10
Pump Pressure: 1250 psi at 60 spm
Rotary RPM: 75 Bit Weight 47K
Bit #2 Type HP-53
Jets 3-12's
In at 1614
Made 2806 in 66 3/4 hours
Surveys 3945-1/4 degree
Breakdown 16 1/4-Drilling, 1 1/2 hrs-Service rig, 5 3/4
hrs-Trip for hole in pipe, 1/2 hr-WL Survey

9/14/97 Present Operations: Drilling
TD: 5195 Made 775 in alst 24 hours
Formation: Anhydrite
Mud: WT 10 1 Vis 29 PH 10
Pump Pressure: 1300 psi at 60 spm
Rotary RPM: 75 Bit Weight 45K
Bit #2 Type HP-53
Jets 3-12
In at 1614
Made 3581 in 87 1/4 hours
Surveys 4417-1/2 degree, 4913-1/2 degree
Breakdown 20 1/2 hrs-Drilling, 1 hr-Service rig, 1 hr-WL
Survey, 1 1/2 hrs-Tripping for hole in Drill pipe

9/15/97 Present Operations: Drilling
TD: 5549 Made 354 in last 24 hours
Formation: Dolomite
Mud: WT 10 1 Vis 29 PH 10
Pump Pressure: 1200 psi at 60 spm
Rotary RPM: 47 Bit Weight 65K
Bit #2 Type HP-53
Jets 3-12's
In at 1614 Out at 5511
Made 3897 in 99 3/4 hours
Breakdown 14 3/4 hrs-Drilling, 1 hr-Service rig, 1 hr-WL
Survey, 4 3/4 hrs-Trip to change bit, 1 1/2
hrs-Rig repair, 1 hr-Ream & wash to bottom.

9/16/97 Present Operations: Drilling
TD: 5945 Made 396 in last 24 hours
Formation: Dolomite
Mud: WT 10 0 Vis 29 PH 10 WL N/C
Pump Pressure: 1200 psi at 60 spm
Rotary RPM: 65 Bit Weight 47K
Bit #2 Type J44C
Jets 3-13's
In at 5511
Made 434 in 23 1/4 hours
Breakdown 21 hrs-Drilling, 1 hr-Service rig, 2 hrs-Rig
repair

DRILLING/WORKOVER/COMPLETION REPORT
STEVENS & TULL, INC.
DK #6

9/17/97 Present Operations: Drilling
TD: 6309 Made 364 in last 24 hours
Formation: Dolomite
Mud: WT 10 1 Vis 29 PH 10 5 WL N/C
Pump Pressure 1200 psi at 60 spm
Rotary RPM: 65 Bit Weight: 47K
Bit #2 Type J44C
Jets 3-13
In at 5511
Made 798 in 44 1/4 hours
Surveys 5948'-1 degree
Breakdown 21 hrs-Drilling, 1 1/2 hrs-Service rig, 1/2-WL
Survey, 1 hr-Circulated

9/18/97 Present Operations: TOH to change Bit
TD: 6518 Made 209 in last 24 hours
Formation: Dolomite
Mud: WT 10 0 Vis 29 PH 10 0 WL N/C
Pump Pressure: 1200 psi at 60 spm
Rotary RPM: 65 Bit Weight 47K
Bit #2 Type J44C
Jets 3-13's
In at 5511 Out at 6518
Made 1007 in 60 hours
Surveys 6444-1/2 degree
Breakdown 15 3/4 hrs-Drilling, 1 hr-Service rig, 1/2 hr-WL
Survey, 6 1/4 hrs-TOH for cracked joint @ 55 from
bottom, 1/2 hr-Pump softline

9/19/97 Present Operations: Drilling
TD: 6764 Made 246 in last 24 hours
Formation: Dolomite
Mud: WT 10 0 Vis 29 PH 10 WL N/C
Pump Pressure: 1400 psi at 59 spm
Rotary RPM: 65 Bit Weight 45K
Bit #3 Type: J44C
Jets 3-13's
In at 6518
Made 246 in 16 hours
Breakdown 16 hrs-Drilling, 1 hr-Service rig, 6 hrs-TOH to
change bit, 1 hr-Wash to bottom

9/20/97 Present Operations: Drilling
TD: 7120 Made 356 in last 24 hours
Formation: Dolomite
Mud: WT 10 0 Vis 29 PH 10 0 WL N/C
Pump Pressure: 1275 psi at 60 spm
Rotary RPM: 65 Bit Weight 47 K
Bit #3 Type J44C
Jets 3-13
In at 6518
Made 602 in 34 1/2 hours
Surveys 6916'-3/4 degree
Breakdown 18 1/2 hrs-Drilling, 3 hrs-Circulated Samples,
1 hr-WL Surveys, 1 1/2 hrs-Service Rig
Circulated Samples 6972'-1 1/2 hrs - no shows
Circulated Samples 7075'-1 1/2 hrs - no shows

9/21/97 Present Operations: TOH for hole in pipe
TD: 7455 Made 335 in last 24 hours
Formation: Dolomite
Mud: WT 10 0 Vis 29 PH 10 WL N/C
Pump Pressure 1300 psi at 49 spm
Rotary RPM 65 Bit Weight 45K
Bit #3 Type J44C
Jets 3-13
In at 6518
Made 937 in 53 1/2 hours
Surveys 7386'-3/4 degree
Breakdown 19 hrs-Drilling, 1 1/2 hrs-Service rig, 1/2 hr-WL
survey, 1/2 hr-pupm soft line, 2 1/2 hrs-Trip for
hole

DRILLING/WORKOVER/COMPLETION REPORT
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DK #6

- 8/22/97 Present Operations: Drilling
TD: 7735 Made 280 in last 24 hours
Formation: Dolomite
Mud: WT 10 Q Vis 29 PH 10 Q WL N/C
Pump Pressure: 1300 psi at 60 spm
Rotary RPM: 65 Bit Weight 45K
Bit #3 Type J44C
Jets 3-13
In at 6518
Made 1217 in 72 3/4 hours
Breakdown 19 1/4 hrs-Drilling, 1 hr-Service rig, 1/2 hr-Rig repair, 2 3/4 hrs-Trip for hole, 1/2 hr-Lay down cracked collar
- 9/23/97 Present Operations: Circulate on Bottom
TD: 7830 Made 95 in last 24
Formation: Dolomite
Mud: WT 10 1 Vis 32 PH 10 WL 16
Pump Pressure: 1300 psi at 60 spm
Rotary RPM: 65 Bit Weight 45K
Bit #3 Type J44C
Jets 3-13
In at 6518 Out at 7830
Made 1312 in 78 3/4 hours
Breakdown 6 hrs-Drilling, 2 hrs-Circulate, 6 1/2 hrs-TOH, 1 1/4 hrs-RU & RD open hole loggers, 1/2 hr-Service rig, 1/2 hr-WL Survey, 1/2 hr-Split flowline, 1/2 hr-Wash to bottom, 4 1/4 hrs-TIH
- 9/24/97 Present Operation: Rig down
TD: 7830 Made 0 in last 24 hours
Surveys 7830'-1 degree
Breakdown 2 3/4 hrs-Circulate, 5 3/4 hrs-Lay down drill pipe, 1 hr-Change rams, 3 3/4 hrs-Run 156 jts 5 1/2"-15.50 + 17# J55 + N80 csg to 7302', 1 1/2 hr-Cement w/690 sx "H" 65:35:6 + 5% salt + 1/4 #1 sx Celloflake + 395 sx "H" + 5/10% FL-25, 2 hrs-Set slips + Nipple down, 7 1/4 hrs-Rig repair/Rig down
- 10/6/97 MIRU pulling unit - run GR correlation log - ready to start completion
- 10/7/97 Install BOP's - RU WL and perforate lower Drinkard from 7060'-7066' w/4 spf - 25 holes RIH w/Model R Pkr + SN + 225 jts 2 7/8" - N80 tbg - set pkr @ 7004'. RU acidizers & acidize w/1000 gals 15%NEFE acid @ 4.5 BPM & 2200 psi, excellent ball action w/ballout on 30th ball ISIP= 1700 psi, 15 min= 1650 psi, RDMO acidizers - RU swab & swab dry after 14 runs - SWI for 2-15 min periods - fluid entry each time was 200' - 100% black water - no oil w/trace of gas 18 bbls of load to be recovered - SD due to severe lightening storm.
- 10/8/97 SITP= 20 psi, FL @ 3800' FS, no oil shows - trace of gas - 100% black water - release pkr & POH w/tbg RU WL and set CIBP @ 7050'. Perforate Drinkard formation from 7014'-7020' w/1000 gals 15% NEFE acid @ 4.5 bpm & 2400 psi, excellent ball action w/ballout - RD acidizers & RU swab - made 11 runs & recovered 44 bbls of 78 bbls to be recovered - oil cut increasing to 5% @ 7:00 PM - SD due to darkness
- 10/9/97 SITP = 50 psi, FL @ 4500' FS< 200' free oil on first run - swab throughout day to recover load - @ 3:00 PM swab dry & SI for 30 min w/no fluid entry - SI 1 hr and recover 100' of fluid 3-5% oil cut. estimated 20 bbls load to be recovered - prepare to abandon zone

DRILLING/WORKOVER/COMPLETION REPROT
STEVENS & TULL, INC.
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- 10/10/97 SITP= 50 psi, FL @ 4200' FS, 150-200' free oil on top, swab dry on second run - release pkr POH w/tbg - RU WL & set CIBP @ 6997' - perforate Drinkard from 6954'-6974' w/2 spf Total 41 holes - RIH w/pkr - spot 2 bbls acid @ 6965' - POH & set pkr @ 6837' - acidize w/2500 gals 15% NEFE @ 4 bpm & 2400 psi, good ball action - no ball out - ISIP= 1900 psi, 15 min= 1700 psi, RD acidizers - RU swab & swab 150 bbls w/show of oil on last 2 runs of 2-5% - SD due to darkness
- 10/11/97 SITP= 70 psi, FL @ 3000', 100' of free oil on top - Swab for 7 hrs & recover 2-5% oil cut - recover total of 110 bbls water - produced water - cancel frac set up for Monday - shows of gas during swab runs - not commercial - SI til Monday & check fluids - good fluid entry
- 10/12/97 SITP= 70 psi, FL @ 3200' FS 100' oil on top - swab til noon - recovered 3% oil cut Release Pkr - pkr stuck - work several hrs - POH w/pkr & tbg - slip ring broken - SDFN
- 10/14/97 RU WL & set CIBP @ 6880' - perforate Tubb Formation as follows w/1 spf: 6564'-67', 6583'-87', 6642'-46', 6662'-6680', 6708'-12', 6730'-32', 6744'-53', 6790'-95', 6802', 6807', 6818', 6823', 6827' Total 63 holes - RD WL - RIH w/pkr + 110 stds tbg to 6823' - spot 3 bbls acid - POH w/ 10 jts & set pkr @ 6465'-acidize w/2500 gals 15% NEFE - some ball action - no ball out - 4 bpm @ 2400 psi - ISIP = 2350 psi 15 min = 2350 psi - flow back 60 bbls acid water - RU swab + swab dry on 7th run - excellent shows of gas w/10% oil cut SI 30 mins & recover 150' of fluid w20% oil cut & very strong natural gas - SWION
- 10/15/97 SITP= 110 psi, FL @ 5300' FS - 700' free oil on first run - swab dry on second run - with 50-60% oil cut - Frac is set for Friday morning - RDMO pulling unit to fix Federal 24-2
- 10/16/97 Have frac tanks delivered & set - fill w/water - MIRU pulling unit - release pkr & POH w/tbg Remove BOP's & install frac valve - ready to frac in AM down 5 1/2" casing.
- 10/17/97 MIRU BJ Services & frac down csg @ 45 BPM w/42,000 gals Xlink gel + 178,800# 16/30 Ottawa sand, ISIP= 3717 psi, 15 min= 3356 psi - SWION
- 10/18/97 SICP= 1800 psi, flow to tank @ 50 bphr - after 3 hrs - remove frac valve & install wheelhead - well continues to flow @ high rates - reluctant to RIH w/tbg & pkr because of frac sand in fluid flow to 5:00 PM - recovered 450 bbls of fluid - no oil or gas - SWI til Monday to see if pressure builds.
- 10/20/97 SICP= 150 psi, flow to pit for 3 hrs - PU Model R pkr & RIH w/209 jts of tbg & set @ 6465' RU swab and make 38 runs - recovering 190 bbls of frac water - final FL @ 3300' - shows of gas on last 2 runs - no oil shows - FL up to 3300' from 3600' on last 2 runs - expect to see oil in morning - SD due to darkness
- 10/21/97 SITP= 25 psi, FL @ 1200', some oil on top - Swabbing 1% oil on first run - continue swabbing recovered 150 bbls water when sandline parted - left cups, mandrel, sinker bar in tbg - repour rope socket and continue swabbing - final FL @ 3600' w/oil cut increasing to 5% and improving SD due to darkness - check fluids in AM

LARGE FORMAT
EXHIBIT HAS
BEEN REMOVED
AND IS LOCATED
IN THE NEXT FILE