DRILLING PROGNOSIS

Well Name and Number: Smith Federal "18" No. 2

(THIS WELL TO BE DRILLED ON SAME SURFACE PAD AS THE NO. 1 WELL- A JUNKED AND ABANDONED HOLE)

Location: 660' FNL and 2,010' FEL, Section 18, T-20S, R-33-E, Lea County, New Mexico.

Estimated Elevation: 3,500'DF

Projected Total Depth: 3,120' (Yates- Seven Rivers Pay in the Salt Lake Field)

DRILLING, CASING AND CEMENTING PROGRAM

1. Drill a 12¼" hole to approximately 1,200'.
2. Cement 10-3/4" casing (40# H-40) at 1,200' utilizing 275 sacks of salt-saturated Class "C" Cement, also containing 2% calcium chloride. This cement will be circulated to the surface. Run two bar centralizers 60' apart on the bottom of this casing string. Also use a guide shoe and a float collar.
3. If float valve holds, release pressure. Wait on cement 6 hours and install blow-out preventer and nipple up.
4. After WOC 24 hours, pressure test casing to 1,000 PSI for 30 minutes and drill out if no appreciable drop in pressure occurs.
5. Drill 8-3/4" hole to 100' below the base of the salt section. The base of the salt should be between 2,200 and 2,300.
6. Cement 7" casing (23# J-55) at approximately 2,400', utilizing an estimated 550 sacks of Class "C" cement, salt saturated. Cement on the salt protection casing will also be circulated to the surface. Use at lease one centralizer at the bottom of the string and a guide shoe and a float collar.
7. If float valve holds, release pressure. Wait on cement 6 hours and nipple up.
8. After WOC 24 hours, pressure test casing to 1,500 PSI for 30 minutes and drill out if no appreciable drop in pressure occurs.
9. Drill a 6-¼" hole to total depth, which will be approximately 3,120'.
10. Run a 4½" liner and set same from approximately 2,400' to total depth.
11. Cement liner into hole, utilizing 100 sacks of salt saturated Class "C" cement.

DRILLING MUD PROGRAM

1. On the surface hole (0' to 1,200') use spud mud. Add gel and lime only as needed to clear hole.
2. Salt section (1,200 to 2,400') use saturated brine water. Add fresh water only to maintain minimum viscosity.
3. Completion interval (2,400' to total depth) use minimum quality salt mud to obtain formation samples.