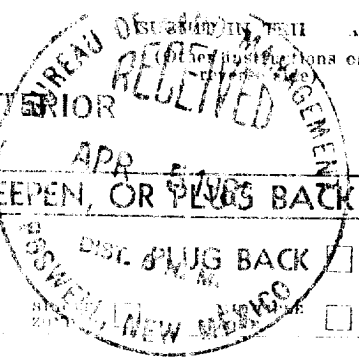


UNITED STATES
DEPARTMENT OF THE INTERIOR
GEOLOGICAL SURVEY

Form approved.
Budget Bureau No. 42-11425.



APPLICATION FOR PERMIT TO DRILL, DEEPEN, OR PLUG BACK

1. TYPE OF WORK
 a. DRILL DEEPEN PLUG BACK

b. TYPE OF WELL
 OF WELL OTHER

2. NAME OF OPERATOR
 Highland Production Company

3. ADDRESS OF OPERATOR

4. LOCATION OF WELL (Specify location clearly and in accordance with all State requirements)
 330 FWL and 2,340 FSL of Section 20
 At proposed production
 330 FWL and 2,340 FSL of Section 20

5. DISTANCE IN MILES AND DIRECTION FROM NEAREST TOWN OR POPELATED PLACE
 20 Miles SW from Jal, New Mexico

6. DISTANCE FROM DEPOSED LOCATION TO NEAREST PROPERTY OR LEASE LINE, FT. (Also to nearest CRG. unit line, if any)
 330' FWL

7. PROPOSED DEPTH
 4,500

8. ELEVATIONS (Show whether DT, RL, GR, etc.)
 2178.1 GR

9. LEASE DESIGNATION AND SERIAL NO.
 71-068281B

10. FIELD AND POOL, OR WILDCAT
 East Mason (Delaware)

11. SEC., T., R., M., OR BLK. AND SURVEY OR AREA
 Sec. 20 T26-S R32E

12. COUNTY OR PARISH
 Lea

13. STATE
 New Mexico

14. NO. OF ACRES ASSIGNED TO THIS WELL
 40

15. LOGARY OR CABLE TOOLS
 Rotary to 4,340, Cable tool to 4,380

16. APPROX. DATE WORK WILL START*
 4-20-85

PROPOSED CEMENT AND CEMENTING PROGRAM

LOGARY DEPTH	SIZE OF CEMENT	WIDTH OF CEMENT	SETTING DEPTH	QUANTITY OF CEMENT
1370'	5/8"	24	1000'	125 sq Class C Circulate
7775'	5/8"	1.01	4500'	1200 sq HLC/W Class C Circulate

Additional Information:

- Surface formation is Tertiary with some Triassic exposed
- Estimated geological tops: Rustler - 950', Anhydrite - 1000', Base Salt - 1300' Yates - 3000', Lamar Lime - 4100', Delaware Top - 4300'.
- Pressure control equipment: Double hydraulic pressure tested to 3000 psi, full closing hydril on top tested to 3000 psi. Pressure control diagram is attached. Testing will be on installation, daily and on trips.
- Proposed circulating medium: 0-1000' - Spud Mud, 1000-4500' - Brine Water
- Estimate will encounter water from 990' to 950'.
- Estimate will encounter oil at 1370'.
- Logging program: Acoustic velocity gamma ray caliper log; Foxo guard log.
- No coring or drill stem testing.
- No abnormal pressures or temperatures are expected to be encountered.
- Anticipated starting date is April 20, 1985

If above state is not a producing reservoir: If proposal is to deepen or plug back, give data on present productive zone and proposed new productive zone. If proposal is to drill or deepen, give pertinent data on subsurface locations and measured and true vertical depths. Give blow-out prevention program, if any.

Signature: Marvin H. Smith, President, DATE: 3-29-85

PERMIT NO. _____ APPROVAL DATE _____

APPROVAL DATE: 4-26-85

APPROVAL SUBJECT TO
GENERAL REQUIREMENTS AND
SPECIAL STIPULATIONS
ATTACHED