BARNEY C. McCASLAND, JR.
CONSULTING GEOLOGIST
DOMESTIC - FOREIGN
P. O. BOX 115
MIDLAND, TEXAS 79702

TELEPHONE
(915) 684-6815
(915) 682-0667

November 2, 1984

Florida Explcration Company
3151 South Vaughn Way - Suite 200
Aurora, Colorado 80014

Attn: Mr. Dave Miller

Geological Well Summary
Florida Exploration Company
Chama-Federal Community #1
NE NE Sec. 11 - T22S - R24E
Eddy County, New Mexico

T.D. 10750 - Elevation 4095 Gr. - 4110 KB.

Dear Mr. Miller:

The Chama-Federal #1 well in Eddy County, New Mexico was spudded in late August reaching a depth of 64' at midnight August 29, 1984. Near surface cavernous limestones and dolomites with associated lost circulation problems slowed drilling of the surface hole but 8 5/8 surface casing was set at 1410' and drilling proceeded below that depth September 9, 1984. No Shows of oil or gas were encountered in the sands and dolomites of the Delare Mountain group to top of the Bone Springs at 3110. Approximately 4450' of Bone Springs, primarily tight, dirty, dark grey and black back-reef carbonates were drilled to a depth 7580'. Hole deviations in excess of 3 and 4 degrees required weight reductions on the bit and progress was slow. It is believed that steeply dipping back-reef facies of the Bone Springs may have caused the abnormal deviations.

The primary objective, Cisco reef, was a dense limestone from 7980-8000, then shaled out for the next one hundred feet. Porous reef limestone was drilled 8109-19 and bad lost circulation resulted. After recovering circulation, a DST was run 8110-19. The tested interval flowed gas to surface after 105', TSTM on $\frac{1}{2}$" choke. The test recovered 5000' of heavily gas and slightly water cut mud. The sample chamber recovered 1.75 cf gas with 400# psi pressure. Fluid recovery was 600 cc of sulfur water cut mud. Although the test was successful, it is considered unsatisfactory because of the large volume of drilling fluid lost to the formation prior to the test.

The original objectives of the Cisco, Canyon, and Strawn were indicated to be commercially non-productive to a depth of 9200'. The well was running structurally high, therefore a decision was made to drill deeper through the Morrow zone into the Mississippian Barnett shale at about 10700. Drilling proceeded at a depth of 9230' on October 16, 1984.

Slight gas shows were encountered in thin Atoka sands at depths of 9360, 9430, 9480, 9510, 9670, 9895, and 10158. Correlations between our drilling-time sample logs and Schlumberger logs indicates that Schlumberger is about ten (10') feet shallower from the Bone Springs to T.D. The shows listed above would be ten feet higher in each case on the electric log.

DST #2 was run from 10178-10220 across the first Morrow sand. Gas flowed to the surface (through 1000' water cushion) in 45'. Flow was steady with 5# psi on a 3/4" choke resulting in a 15' flare at an estimated rate of 100,000 cfgpd.

DST #3 was run 10345-502 across several thin Morrow sands. A weak blow, maximum 5 oz. on ¼" choke through 1000' water cushion resulted. Recovery was water cushion plus 1880' sli. gas cut drilling mud. The sample chamber recovered 0.3 cfg at 500# psi plus 2000 cc drilling mud, 2250 ppm chlorides.

After DST #3, drilling proceeded to TD 10750 on October 27, 1984. Schlumberger was run to TD 10723. As mentioned above, correlations with our logs indicate that the electric log is ten feet shallower, therefore probably encountered about 17 feet of fill in bottom of the hole.

The following open hole logs were run by Schlumberger: DIL-SFL, CNL-LDT, BHC, EPT, RFT, CrossPlot.

Schlumberger Tops (by Jim Trice): Base Lamar (Delaware Gp.) 1925 (+2135); T/Bone Springs 3125 (+985); T/Wolfcamp 7579 (-4469); T/Cisco 8100 (-3990); T/Strawn 9105 (-4995); T/Atoka 9315 (-5205); T/Morrow 10189 (-6079); T/Barnett 10636 (-6526).

Interesting zones on the electric logs where the Schlumberger Repeat Formation Tester was used forpressure readings and/or fluid samples were 10662, 10541, 10490-10500, 10445, 10407, 10368, 10354, 10216, 10166-174, 9510, 9370-9400, 9008, 8907, 8107-14, 8244, 8184-8200, 7970-80; with the fluid sampler at 10149-174 and 7970-80. The fluid sampler stuck at 10149 resulting in a fishing job.

Analex Mudlogging of Denver using hydrogen flame gas detection was the mudlogging contractor. Their equipment performed well although the trailer facilities were inadequate because of poor arrangement resulting in cramped working areas. The two Analex loggers, Dennis Swenson and Dianne Henebry are to be complimented for their excellent work. Both are graduate geologists and performed well under sometimes adverse conditions. They may both be recommended as geologists on any company staff.

Consulting wellsite geologists were Barney McCasland, (915)-684 6815, Midland, Texas; James V. Hardwick, (915)-682-3187, Midland, Texas; and James F. Trice, (915)-684 6499, Midland, Texas. These three have more than a century of experience in the field of geology between them.

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Wellsite drilling engineers were Frank Bronson of Midland and John Swindle, Consultant, of Odessa, Texas.

The drilling contractor was Exeter Drilling Co. of Denver, Colorado - Rig 65. The rig was clean and well-kept. The drilling crews finished the hole despite numerous difficulties including crooked hole and lost circulation problems that were beyond the control of the contractor.

Since running electric logs at total depth, Dave Miller told me that casing has been set on the well for completion. I believe that is a correct decision.

Working with the various people on this well was a pleasure and a privilege. Please feel free to call on us at any time regarding this well or other areas where our expertise may be beneficial.

Very truly yours,

Barney C. McCasland, Jr.

James F. Trice

P.S. Our original sample-drill time log is enclosed.

BCM