

APPLICATION FOR DRILLING

CHI OPERATING, INC.
LD "4" Federal Com., Well No. 1
660' FSL & 1980' FEL, Sec.4-T17S-R27E
Eddy County, New Mexico
Lease No.: NM-69163
(Exploratory Well)

In conjunction with Form 3160-3, Application for Permit to Drill subject well, Chi Operating, Inc. submits the following items of pertinent information in accordance with BLM requirements:

1. The geologic surface formation is recent Permian with quaternary alluvium and other surficial deposits.
2. The estimated tops of geologic markers are as follows:

Grayburg	1050'	Cisco	7800'
Premier Sand	1400'	Morrow	8750'
Wolfcamp	6800'	T.D.	9200'

3. The estimated depths at which water, oil or gas formations are anticipated to be encountered:

Water: Surface water between 100' - 300'.
Oil: Possible in the Premier Sands below 1400'.
Gas: Possible in the Morrow below 8750".

4. Proposed Casing Program: See Form 3160-3.
5. Proposed Control Equipment: See Form 3160-3 and Exhibit "E".
6. Mud Program: See Form 3160-3.
7. Auxiliary Equipment: Blowout Preventer, gas detector, Kelly cock, pit level monitor, flow sensors and stabbing valve.
8. Testing, Logging, and Coring Program:

Drill Stem Tests: None.
Logging: 0' to 2200': GR/CNL
2200' to T.D: GR/DLL/MSFL/CNL/FDC/CAL.
Coring: As required, primarily in the Premier sand.

9. No abnormal pressures or temperatures are anticipated. In the event abnormal pressures are encountered the proposed mud program will be modified to increase the mud weight. Estimated evacuated BHP = 3700 with a temperature of 150°.
10. H₂S: None expected.
11. Anticipated starting date: September 26, 1997.
Anticipated completion of drilling operations: Approximately 30 days.