

APPLICATION FOR DRILLING

DEPCO, Inc.

No. 7 Dunn "A" Federal Section 12-T18S-R28E

Eddy County, New Mexico

In conjunction with Form 9-331C, Application for Permit to Drill, DEPCO, Inc. submits the following items of pertinent information in accordance with USGS requirements.

1. The estimated tops of geologic markers are as follows:

|               |      |
|---------------|------|
| Penrose       | 2150 |
| Loco Hills    | 2387 |
| 1st Metex     | 2456 |
| 2nd Metex     | 2484 |
| 3rd Metex     | 2507 |
| 4th Metex     | 2529 |
| 5th Metex     | 2542 |
| Upper Premier | 2609 |
| Lower Premier | 2647 |
| Lovington     | 2800 |
| TD            | 2850 |

2. The depths at which anticipated water, oil or gas formations are expected to be encountered.

|        |                                 |           |
|--------|---------------------------------|-----------|
| Water: | Approximately 100 feet or less. |           |
| Oil    | 5th Metex                       | 2542-2609 |
|        | Upper Premier                   | 2609-2647 |
|        | Lower Premier                   | 2647-2800 |
|        | Lovington                       | 2800-2850 |

3. Proposed Casing Program: See Form 9-331C.

4. Pressure Control Equipment: See Form 9-331C and Exhibit D.

5. Mud Program: See Form 9-331C and attached letter from Texas Mud & Chemical Co.

6. Auxiliary Equipment: Blowout Preventer, Inside Blowout Preventer, Kelley Cock.

7. Testing, Logging and Coring Programs:

Drill Stem Tests: None

10-foot samples from surface casing to TD.

Logging: Density, GRN

8. No abnormal pressures for temperatures are anticipated.

9. Anticipated starting date: As soon as possible.