

SOUTHLAND ROYALTY COMPANY

Holly Federal "5" No. 1
760' FSL & 1980' FEL
Section 5, T-18-S, R-30-E
Eddy County, New Mexico
NM 046256

To supplement USGS Form 9-331C "Application to Drill" the following additional information is submitted concerning questions on Page 5 of NTL-6:

1. See Form 9-331C.
2. See Form 9-331C.
3. The geological name of surface formation is: Ochoa
4. See Form 9-331C.
5. See Form 9-331C.
6. The estimated tops of important geological markers are:

Anhydrite	260'	Grayburg	2800'	Wolfcamp	8450'	Morrow	11,175'
T/Salt	500'	San Andres	3260'	Cisco	9530'	B/Morrow	22,650'
B/Salt	1260'	Glorieta	4640'	Lower Strawn	10,490'		
Yates	1425'	1st Bone Spring	6725'	Atoka	10,750'		
Queen	2420'	3rd Bone Spring	8000'	Atoka Lime	10,995'		
7. The estimated depths at which anticipated water, oil, gas and mineral bearing strata are as follows:

San Andres	3260'	(Oil)
Wolfcamp	8450'	(Oil)
Cisco	9530'	(Gas)
Strawn	10,490'	(Gas)
Atoka	10,750'	(Gas)
8. See Form 9-331C. All casing will be new.
9. See Form 9-331C for depths of strings. Cement volumes and additions as follows:
 - a. 11 3/4" csg: Cmt w/500 sx Class "C" cmt w/2% CaCl. Circ to surface.
 - b. 8 5/8" csg: Cmt w/1600 sx Lite wt cmt & 400 sx Class "C". Circ cmt to surface. Caliper log to be run in conjunction with GR/CNL/DLL/CDL/BVI logs to determine open hole volume for computation of actual cmt volume to circ to surface.
 - c. 4 1/2" csg: Cmt w/435 sx Lite wt cmt & 300 sx Class "H". Run caliper log in conjunction with open hole logs to determine exact hole volume. Top of cmt anticipated @ 8500'. Cmt volume could vary w/development of intermediate horizons.
10. The pressure control diagram is attached to Form 9-331C and further described as follows:

11 3/4" casing installation: 10" Ser 900 3000 psi double hydraulic pipe and blind rams.

8 5/8" casing installation: 10" Ser 900 3000 psi double hydraulic pipe and blind rams plus 10" Ser 900 3000 psi Hydril plus 10" Ser 900 Rotating Head.