

APPLICATION FOR DRILLING

Holly Energy, Inc.
Nelson Federal #8
Section 3, T-18S, R-30E
Eddy County, New Mexico

In conjunction with form 9-331C, application for permit to drill subject well in Section 3, Township 18 South, Range 30 East, Eddy County, New Mexico, Holly Energy Inc. submits the following 12 items of pertinent information in accordance with U.S.G.S. requirements:

1. The geologic surface formation is quaternary alluvium.
2. The estimated tops of geologic markers are as follows:
 - 2455' Queen
 - 2801' Grayburg
 - 3264' San Andres
 - 3478' Lovington Sand
 - 8110' Bone Springs
 - 10369' Strawn
 - 10885' Middle Morrow
 - 11445' Lower Morrow Sand
 - 11550' Chester
3. The estimated depths at which anticipated water, oil or gas formations are expected to be encountered are:
 - Water: Water at approximately 300' base 500'.
 - Oil or Gas: 1580'
4. Proposed Casing Program: See form 9-331C
5. Pressure Control Equipment: See form 9-331C and Exhibit E.
6. Mud Program: See form 9-331C.
7. Auxiliary Equipment: Blowout preventer -Hydril - Kelly Cock
8. Testing, Logging and Coring Program:
 - Pressure Test: Surface casing to 1000 psig and Production casing.
 - Drilling Samples: 10' samples 400' to T.D.
 - Electric Logging: Dual Induction Lateral log and Compensated Neutron log-formation and Density log T.D. to 400'-CLN- gamma ray T.D. to surface.
9. No abnormal pressures or temperatures are anticipated.
10. Anticipated Starting Date: As soon as possible after approval.

