

APPLICATION FOR DRILLING

Holly Energy Inc.
Canadian Kenwood Well #1
Section 17 - T 18-S - R 31-E
Eddy County, New Mexico

In conjunction with form 9-331C, application for permit to drill subject well in Section 17, Township 18 South, Range 31 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:

1950'	Yates
3050'	Queen
6100'	Bone Spring
9750'	Wolfcamp
10,750'	Strawn
11,065'	Atoka
11,550'	Morrow

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:

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, Inside Blowout Preventer, Kelley Cock.
8. Testing, Logging and Coring Program:
 - Pressure test: Surface casing to 1000 psig and Production casing to 1500 psig.
 - Drilling samples: 10' samples 7000' to TD
30' samples 0 to 7000'
 - Electric Logging: Dual Induction Lateral log and Compensated Neutron Log-formation and Density log TD to CLN-gamma ray TD to surface
9. No abnormal pressures or temperatures are anticipated.
10. Anticipated Starting Date: As soon as possible after approval.