

SHUGART 25 FEDERAL COM #2
DRILLING PLAN
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- 1) DLL/MSFL/GR from total depth to base of intermediate casing.
- 2) CNL/LDT/GR from total depth to base of intermediate casing with CNL/GR to surface.

C. No coring program is planned.

D. Additional testing will be initiated subsequent to setting the 5 1/2" production casing. Specific intervals will be targeted based on log evaluation, geological sample shows and drill stem tests.

9. Abnormal Pressures, Temperatures and Potential Hazards

No abnormal pressures or temperatures are foreseen. The anticipated bottom hole temperature at total depth is 160 degrees and maximum bottom hole pressure is 4800 psig. Hydrogen sulfide gas is associated with the Delaware formation in this area. A hydrogen sulfide operations plan will be implemented prior to drilling out from under the intermediate casing string (see attached "Hydrogen Sulfide Operations Plan"). No major loss circulation intervals have been encountered in adjacent wells.

10. Anticipated Starting Date and Duration of Operations

The Carlsbad, New Mexico, BLM office has performed the onsite inspection for the proposed pad site of this location.

A cultural resources examination has been completed by Southern New Mexico Archaeological Services, Inc. and submitted to the BLM. Road and location preparation will not be undertaken until approval has been received from the BLM. If approved, this well will be drilled as part of a development project. The anticipated spud date for the project is in May, 2001. The drilling operation should require approximately 45 days. If the well is deemed productive, completion operations will require, at minimum, an additional 30 days of testing to ascertain whether permanent production facilities will be constructed.