

(July 1992)

**UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT**

(Other instructions on reverse side)

FORM APPROVED
OMB NO. 1006-0180
Expires: February 28, 1995

APPLICATION FOR PERMIT TO DRILL OR DEEPEN

1a. TYPE OF WORK

DRILL ☒DEEPEN ☐

b. TYPE OF WELL

OIL WELL ☐GAS WELL ☒

OTHER

149678

SINGLE ZONE ☒MULTIPLE ZONE ☐

2. NAME OF OPERATOR

KUKUI OPERATING COMPANY (LARRY STRIDER) 2058823-1000
601 VESTAVIA PARKWAY SUITE 240 VESTAVIA, ALABAMA 35216

3. ADDRESS AND TELEPHONE NO.

4. LOCATION OF WELL (Report location clearly and in accordance with any State requirements.)

860' FSL & 1980' FEL SEC. 31 T19S-R21E EDDY CO. NM
At surface
At proposed prod. zone SAME

14. DISTANCE IN MILES AND DIRECTION FROM NEAREST TOWN OR POST OFFICE*

Approximately 17 miles South Southwest of Hope New Mexico

15. DISTANCE FROM PROPOSED*

LOCATION TO NEAREST PROPERTY OR LEASE LINE, FT.
(Also to nearest drlg. unit lde. if any) 860'

16. NO. OF ACRES IN LEASE

640

17. NO. OF ACRES ASSIGNED TO THIS WELL

320

18. DISTANCE FROM PROPOSED LOCATION* TO NEAREST WELL, DRILLING, COMPLETED, OR APPLIED FOR, ON THIS LEASE, FT.

NA

19. PROPOSED DEPTH

7750'

20. ROTARY OR CABLE TOOLS

ROTARY

21. ELEVATIONS (Show whether DF, RT, GR, etc.)

4588' GR.

22. APPROX. DATE WORK WILL START* WHEN APPROVED

PROPOSED CASING AND CEMENTING PROGRAM

SIZE OF HOLE	GRADE SIZE OF CASING	WEIGHT PER FOOT	SETTING DEPTH	QUANTITY OF CEMENT
17 1/2"	H-40 13 3/8"	48	40	Cement to surface with Redi-mix.
12 1/4"	J-55 9 5/8"	36	1350'	1000 Sx. circulate cement to sur.
8 3/4"	J-55 5 1/2"	17	7750'	1600 Sx estimate TC 1150'

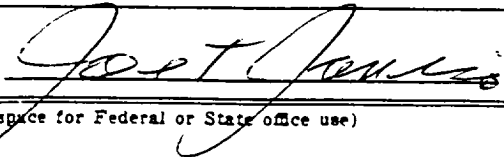
1. Drill 17 1/2" hole to 40'. Set 40' of 13 3/8" conductor pipe and cement to surface with Redi-mix.
2. Drill 12 1/4" hole to 1350'. Run and set 1350' of 9 5/8" 36# J-55 ST&C casing. Cement with 500 Sx. of Halco Light + additives, tail in with 500 Sx. of Class "C" cement + 1/4# Flocele/Sx. + 2% CaCl₂, circulate cement to surface.
3. Drill 8 3/4" hole to 7750'. Run and set 7750' of 5 1/2" 17# J-55 LT&C casing. Cement with 1100 Sx of Class "C" Halco Light + additives, tail in with 500 Sx. of Class "H" Premium Plus cement + additives, estimate top of cement 1150'.

**APPROVAL SUBJECT TO
GENERAL REQUIREMENTS AND
SPECIAL STIPULATIONS
ATTACHED**

IN ABOVE SPACE DESCRIBE PROPOSED PROGRAM: If proposal is to deepen, give data on present productive zone and proposed new productive zone. If proposal is to drill or deepen directionally, give pertinent data on subsurface locations and measured and true vertical depths. Give blowout preventer program, if any.

24.

SIGNED



TITLE

Agent

DATE 04/11/01

(This space for Federal or State office use)

PERMIT NO.

APPROVAL DATE

Application approval does not warrant or certify that the applicant holds legal or equitable title to those rights in the subject lease which would entitle the applicant to conduct operations thereon.
CONDITIONS OF APPROVAL, IF ANY:

APPROVED BY

/S/ JOE G. LARA

TITLE

FIELD MANAGER

DATE

JUN 07 2001

***See Instructions On Reverse Side APPROVAL FOR 1 YEAR**

Title 18 U.S.C. Section 1001, makes it a crime for any person knowingly and willfully to make to any department or agency of the United States any false, fictitious or fraudulent statements or representations or to any matter within the jurisdiction

P.O. Box 1980, Hobbs, NM 86241-1980

State of New Mexico

Energy, Minerals and Natural Resources Department.

Form C-102

Revised February 10, 1994

Submit to Appropriate District Office

State Lease - 4 Conies

Fee Lease - 3 Copies

DISTRICT II

P.O. Drawer DD, Artesia, NM 88211-0718

OIL CONSERVATION DIVISION

P.O. Box 2088

Santa Fe, New Mexico 87504-2088

DISTRICT III

1000 Rio Brazos Rd., Aztec, NM 87410

DISTRICT IV

P.O. BOX 2088, SANTA FE, N.M. 87504-2088

WELL LOCATION AND ACREAGE DEDICATION PLAT

☐ AMENDED REPORT

API Number		Pool Code	Pool Name WILDCAT-MORROW
Property Code	Property Name SARGENT CANYON "31" FEDERAL		Well Number 1
OGRID No. 149678	Operator Name KUKUI OPERATING COMPANY		Elevation 4588'

Surface Location

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
0	31	19-S	21-E		860	SOUTH	1980	EAST	EDDY

Bottom Hole Location If Different From Surface

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
Dedicated Acres 320	Joint or Infill	Consolidation Code	Order No.						

NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED
OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION

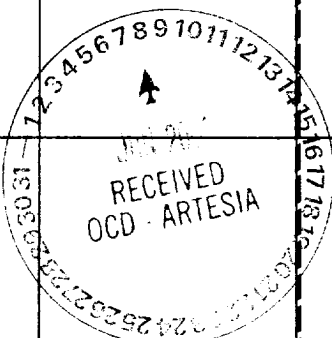
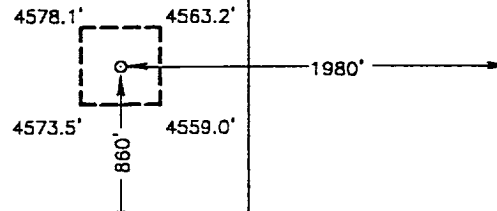
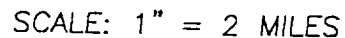
LOT 1				
43.16 AC LOT 2				<div style="border: 1px solid black; padding: 5px;"> <p style="text-align: center;">OPERATOR CERTIFICATION</p> <p><i>I hereby certify the the information contained herein is true and complete to the best of my knowledge and belief.</i></p> <p style="text-align: right;"><i>Joe T Janica</i></p> <p>Signature _____</p> <p style="text-align: center;">Joe T. Janica</p> <hr/> <p>Printed Name _____</p> <p style="text-align: center;">Agent</p> <hr/> <p>Title _____</p> <p style="text-align: center;">04/11/01</p> <hr/> <p>Date _____</p> </div>
43.18 AC LOT 3				
43.19 AC LOT 4				<div style="border: 1px solid black; padding: 5px;"> <p style="text-align: center;">SURVEYOR CERTIFICATION</p> <p><i>I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision and that the same is true and correct to the best of my belief.</i></p> <p style="text-align: right;">MARCH 05, 2001</p> <hr/> <p>Date Surveyed _____</p> <p style="text-align: right;">AWB</p> <hr/> <p>Signature & Seal of Professional Surveyor _____</p> <p style="text-align: right;"><i>Ronald J. Eidson</i> 03/12/01</p> <p style="text-align: right;">01-11-0236</p> <hr/> <p>Certificate No. RONALD J. EIDSON 3239</p> <p style="text-align: right;">.....GARY EIDSON 12641</p> </div>
43.20 AC				

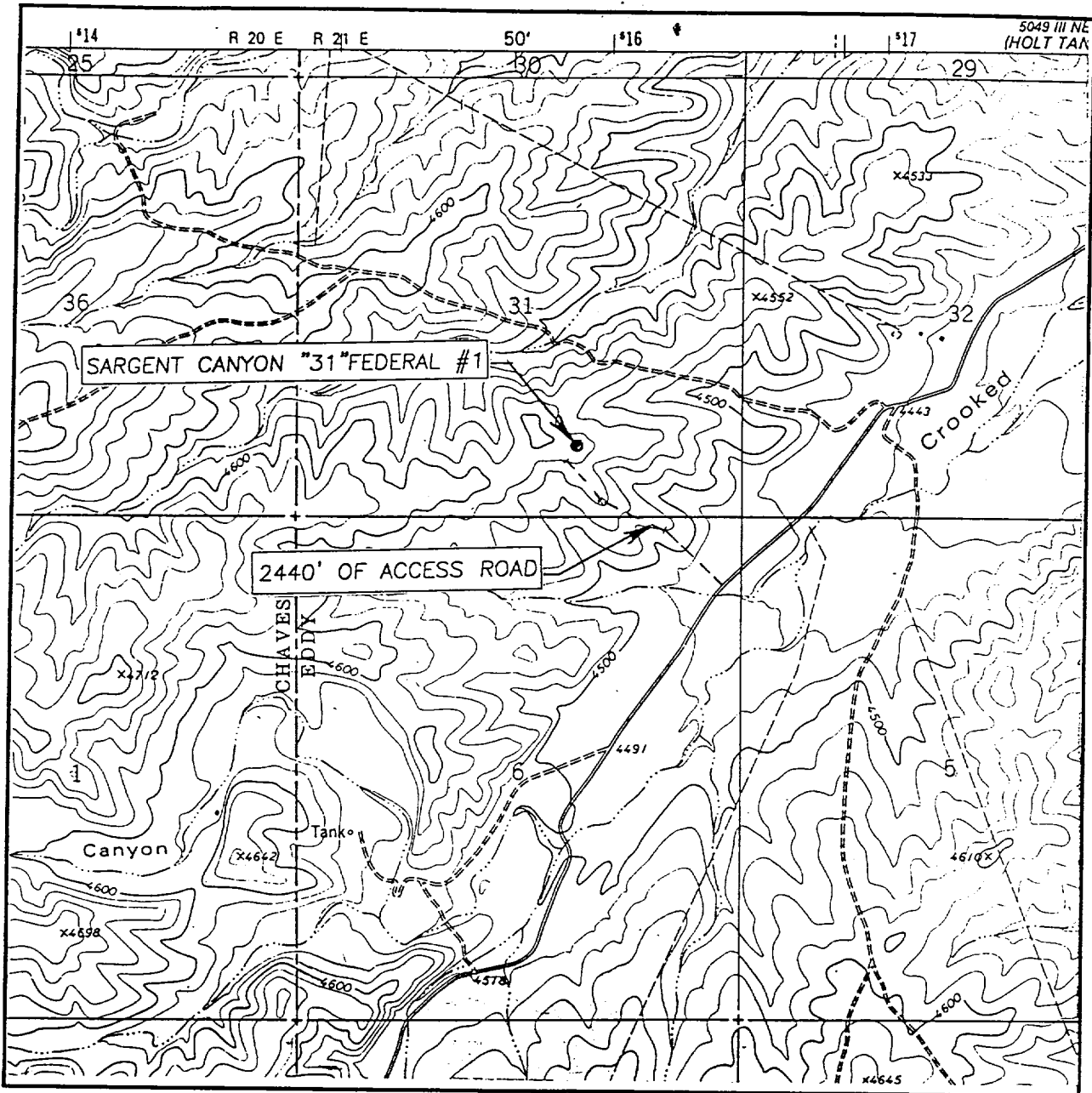
EXHIBIT "A"



OPERATOR KUKUI OPERATING COMPANY
LEASE SARGENT CANYON "31" FEDERAL

JOHN WEST SURVEYING
HOBBS, NEW MEXICO
(505) 393-3117

LOCATION VERIFICATION MAP



SCALE: 1" = 2000'

CONTOUR INTERVAL: 20'
STRYCHNINE DRAW, N.M.

SEC. 31 TWP. 19-S RGE. 21-E

SURVEY N.M.P.M.

COUNTY EDDY

DESCRIPTION 860' FSL & 1980' FEL

ELEVATION 4588'

OPERATOR KUKUI OPERATING COMPANY

LEASE SARGENT CANYON "31" FEDERAL

U.S.G.S. TOPOGRAPHIC MAP
STRYCHNINE DRAW, N.M.

JOHN WEST SURVEYING
HOBBS, NEW MEXICO
(505) 393-3117

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT
SUBSTITUTE FORM 3160-5 (APPROVED June, 1992, revised May, 2000)
SUNDRY NOTICES AND REPORTS ON WELLS

1. TYPE OF WELL Gas Well	5. LEASE DESIGNATION AND SERIAL NO. NMNM-105538
2. NAME OF OPERATOR KUKUI Operating Company	6. IF INDIAN, ALL., OR TRIBE NAME
3a. ADDRESS 601 Vestavia Parkway, Suite 240 Vestavia, Alabama 35216	7. IF UNIT OR CA, AGREEMENT DESIGN.
3b. Telephone Number (include area code) 205/823-2977	8. WELL NAME AND NO. Sargent Canyon "31" Federal #1
4. LOCATION OF WELL (Footage, Sec. T. R. M., or Survey Description) 860' FSL & 1980' FEL of Sec. 31-T19S-R21E	9. API WELL NO.
	10. FIELD & POOL, OR EXPLORATORY AREA
	11. COUNTY OR PARISH, STATE; Eddy, New Mexico
12. FILL IN APPROPRIATE DESCRIPTION TO INDICATE NATURE OF NOTICE, REPORT OR OTHER DATA	

TYPE OF SUBMISSION:
Subsequent Report

TYPE OF ACTION:
Additional Data

13. Describe Proposed or Completed Operation (clearly state all pertinent details, including estimated starting date of any proposed work and approximate duration thereof. If the proposal is to deepen directionally or recompleate horizontally, give subsurface locations and measured and true vertical depths of all pertinent markers and zones. Attach the Bond under which the work will be performed or provide the Bond No. on file with BLM/BIA. Required subsequent reports shall be filed within 30 days following completion of the involved operations. If the operation results in a multiple completion or recompleation in a new interval, a Form 3160-4 shall be filed once testing has been completed. Final Abandonment Notices shall be filed only after all requirements, including reclamation, have been completed, and the operator has determined that the site is ready for final inspection.

Clarification of "Pressure Control Equipment" (Item 10 of APD)

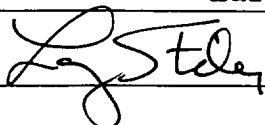
- 1.) Set 40' of 13 3/8" conductor pipe. Install 13 5/8" starter head and rotating head. Drill 12 1/4" hole to 1,350'. Set 9 5/8" surface casing. Cement to surface.
- 2.) Nipple up 11", 5M - SRRA stack. Test BOPE and 9 5/8" surface casing to 70% of rated internal yield of casing.

14. I HEREBY CERTIFY THAT THE FOREGOING IS TRUE AND CORRECT.

Name (Printed or Typed)

Larry Strider

SIGNED



TITLE District Operations Manager

DATE 4/20/01

(THIS SPACE FOR FEDERAL OR STATE OFFICE USE)

APPROVED BY AS/ JOE G. LARA
CONDITIONS OF APPROVAL, IF ANY ARE ATTACHED.

Acting FIELD MANAGER

DATE JUN 07 2001

RECEIVED
APR 24 2001 8:52 AM
BUREAU OF LAND AND NGMT
BONAVILLE OFFICE

KUKUI OPERATING COMPANY
 ARGENT CANYON "31" FEDERAL # 1
 UNIT "O" SECTION 31
 T19S-R21E EDDY CO. NM

In response to questions asked under Section II of Bulletin NTL-6 the following information on the above well is provided for your consideration.

1. Location: 860' FSL & 1980' FEL SEC. 31 T19S-R21E EDDY CO. NM
2. Elevation above Sea Level: 4588' GR.
3. Geologic name of surface formation: Quaternary Aeolian Deposits.
4. Drilling tools and associated equipment: Conventional rotary drilling rig using drilling mud as a circulating medium for solids removal from hole.
5. Proposed drilling depth: 7750'
6. Estimated tops of geological markers:

San Andres	1350'	Wolfcamp	4450'	Atoka	7110'
Glorietta	1850'	Cisco	5550'	Morrow	7300'
Tubb	2700'	Canyon	6310'	Barnett Shale	7410'
Abo	3350'	Strawn	6800'	Chester	7450'
7. Possible mineral bearing formations:

Wolfcamp	Gas	Atoka	Gas
Cisco	Gas	Morrow	Gas
Canyon	Gas		
8. Casing program:

Hole size	Interval	OD of casing	Weight	Thread	Collar	Grade
17½"	0-40	13 3/8"	48	8-R	ST&C	H-40
12½"	0-1350'	9 5/8"	36	8-R	ST&C	J-55
8 3/4"	0-7750'	5½"	17	8-R	LT&C	J-55

KUKUI OPREATING COMPANY
 ARGENT CANYON "31" FEDERAL #
 UNIT "O" SECTION 31
 T19S-R21E EDDY CO. NM

9. Cementing and Setting Depth:

13 3/8"	Conductor	Set 40' of 13 3/8" conductor casing 48# H-40 8-R ST&C. Cement to surface with Redi-mix.
9 5/8"	Surface	Set 1350' of 9 5/8" 36# J-55 ST&C casing. Cement with 500 Sx. of Halco Light Cement + additives, tail with 500 Sx. of Class "C" cement + 1/4# Flocele/Sx. + 2% CaCl, circulate cement to surface.
5 1/2"	Production	Set 7750' of 5 1/2" 17# J-55 LT&C casing. Cement with 1100 Sx. of Halco Light Class "C" + additives tail in with 500 Sx of Class "H" Premium Plus cement + additives, estimate top of cement 1150'.

10. Pressure Control Equipment: Exhibit "E". A 1500 Series 5000 PSI working pressure B.O.P. consisting of a double ram type preventor with a bag type annular preventor. BOP will be hydraulically operated. Exhibit "E-1". Choke manifold and closing unit. BOP will be nipped up on 13 3/8" casing and will be operated at least once each 24 Hr. period while drilling and blind rams will be operated when out of hole during trips. Flow sensor, PVT, full opening stabbing valve and upper kelly cock will be utilized. No abnormal pressure or temperature is expected while drilling.

11. Proposed Mud Circulating System:

Depth	Mud Wt.	Visc.	Fluid Loss	Type Mud
40-1350'	8.4-8/7	29-34	NC	Fresh water spud mud add paper to control seepage and use high viscosity sweeps to clean hole.
1350-4200'	9.0-9.5	29-36	NC	Cut brine using paper to control seepage and high viscosity sweeps to clean hole.
4200-7750'	9.0-9.5	29-38	10 cc or less	Cut brine using Polymer system to control water loss while running DST's, logs and casing.

Sufficient mud materials will be kept on location at all times in order to combat lost circulation, unexpected kicks. In order to run DST'S, open hole logs, and casing the viscosity and water loss may have to be adjusted to meet these needs.

KUKUI OPERATING COMPANY
ARGENT CANYON "31" FEDERAL # 1
UNIT "O" SECTION 31
T19S-R21E EDDY CO. NM

12. Testing, Logging and Coring Program:

1. Open hole logs: Dual Laterolog, CNL, LDT, Gamma Ray Caliper from TD to 9 5/8" casing shoe. Run Gamma Ray, Neutron from 9 5/8" casing shoe to surface.
2. Mud logger will be placed on hole at approximately 1000'.
3. DST's may be run where shows dictate, Wolfcamp, Cisco, Canyon, Atoka and Morrow.
4. Sidewall cores may be taken as shows dictate.

13. Potential Hazards:

No abnormal pressures or temperatures are expected. Hydrogen Sulfide gas may be encountered, H₂S detectors will be in place to detect any presence. No lost circulation is expected to occur. All personnel will be familiar with all aspects of safe operation of equipment being used. Estimated BHP 4000 PSI, estimated BHT 135°.

14. Anticipated Starting Date and Duration of Operation:

Road and location construction will begin after BLM approval of APD. Anticipated spud date as soon as approved. Drilling expected to take 35 days. If production casing is run an additional 30 days will be required to complete and construct surface facilities.

15. Other Facets of Operations:

After running casing, cased hole gamma ray neutron collar logs will be run from total depth over possible pay intervals. The Morrow pay will be perforated and stimulated. The well will be swab tested and potentialized as a gas well.

HYDROGEN SULFIDE DRILLING OPERATIONS PLAN

1. All Company and Contract personnel admitted on location must be trained by a qualified H₂S safety instructor to the following:
 - A. Characteristics of H₂S
 - B. Physical effects and hazards
 - C. Proper use of safety equipment and life support systems.
 - D. Principle and operation of H₂S detectors, warning system and briefing areas.
 - E. Evacuation procedure, routes and first aid.
 - F. Proper use of 30 minute pressure demand air pack.
2. H₂S Detection and Alarm Systems
 - A. H₂S detectors and audio alarm system to be located at bell nipple, end of bloopie line (mud pit) and on derrick floor or doghouse.
3. Windsock and/or wind streamers
 - A. Windsock at mudpit area should be high enough to be visible.
 - B. Windsock at briefing area should be high enough to be visible.
 - C. There should be a windsock at entrance to location.
4. Condition Flags and Signs
 - A. Warning sign on access road to location.
 - B. Flags to be displayed on sign at entrance to location. Green flag, normal safe condition. Yellow flag indicates potential pressure and danger. Red flag, danger, H₂S present in dangerous concentration. Only emergency personnel admitted to location.
5. Well control equipment
 - A. See exhibit "E"
6. Communication
 - A. While working under masks chalkboards will be used for communication.
 - B. Hand signals will be used where chalk board is inappropriate.
 - C. Two way radio will be used to communicate off location in case of emergency help is required. In most cases cellular telephoned will be available at most drilling foreman's trailer or living quarters.
7. Drillstem Testing
 - A. Exhausts will be watered.
 - B. Flare line will be equipped with an electric ignitor or a propane pilot light in case gas reaches the surface.
 - C. If the location is near to a dwelling a closed DST will be performed.

HYDROGEN SULFIDE DRILLING OPERATIONS PLAN

8. Drilling contractor supervisor will be required to be familiar with the effects H₂S has on tubular goods and other mechanical equipment.
9. If H₂S is encountered, mud system will be altered if necessary to maintain control of formation. A mud gas separator will be brought into service along with H₂S scavengers if necessary.

SURFACE USE PLAN

KUKUI OPERATING COMPANY
SARGENT CANYON "31" FEDERAL # 1
UNIT "O" SECTION 31
T19S-R21E EDDY CO. NM

1. EXISTING ROADS: Area maps, Exhibit "B" is a reproduction of Eddy Co. General Highway Map. Exhibit "C" is a reproduction of a USGS Topographic Map, showing existing roads and proposed roads. All existing roads will be maintained in a condition equal to or better than current conditions. Any new roads will be constructed to BLM specifications.
 - A. Exhibit "A" shows the proposed well site as staked.
 - B. From Hope New Mexico take Co. Road #12 South for 7 miles to Co Road #20 bear Right on 20 follow road for 9 ± miles pass Ranch House on the Right side of road go .5 mile± turn Right and follow road to location.
2. PLANNED ACCESS ROADS : Approximately 2500' of new oad will be constructed.
 - A. the access road will be crowned and ditched to a 12'00" wide travel surface with a 40' right-of-way.
 - B. Gradient on all roads will be less tha 5.00%.
 - C. Turn outs will be constructed where necessary.
 - D. If needed, road will be surfaced with a minimum of 4" of caliche. This material will be obtained from a local source.
 - E. Centerline for the new access road has been flagged. Earthwork will be as required by field conditions.
 - F. Culverts in the access road will not be used. The road will be constructed to utilize low water crossings for drainage as required by the Lopography.
3. LOCATION OF EXISTING WELLS IN A ONE-MILE RADIUS EXHIBIT "A-1"
 - A. Water wells - One approximately .75 miles Southeast.
 - B. Disposal wells - None known
 - C. Drilling wells - None known
 - D. Producing wells - As shown on Exhibit "A-1"
 - E. Abandoned wells - As shown on Exhibit "A-1"

SURFACE USE PLAN

KUKUI OPERATING COMPANY
SARGENT CANYON "31" FEDERAL # 1
UNIT "O" SECTION 31
T19S-R21E EDDY CO. NM

4. If on completion this well is a producer Kukui Operating company will furnish maps or plats showing on site facilities or if needed offsite facilities. This will be accompanied with a Sundry notice.

5. LOCATION AND TYPE OF WATER SUPPLY:

Water will be purchased locally from a commercial source and trucked over the access roads or piped in flexible lines laid on top of the ground.

6. SOURCE OF CONSTRUCTION MATERIAL:

If possible construction will be obtained from the excavation of drill site, if additional material is needed it will be purchased from a local source and transported over the access route as shown on Exhibit "C".

7. METHODS OF HANDLING WASTE MATERIAL:

- A. Drill cuttings will be disposed of in the reserve pit.
- B. All trash, junk and other waste material will be contained in trash cages or bins to prevent scattering. When the job is completed all contents will be removed and disposed of in a approved sanitary land fill.
- C. Salts remaining after completion of well will be picked up by supplier including broken sacks.
- D. Sewage from living quarters will drain into holes with a minium depth of 10'. These holes will be covered during drilling and will be back filled upon completion. A Porta-John will be provided for the rig crews. This equipment will be properly maintained during the drilling operations and removed upon completion of the well.
- E. Remaining drilling fluids will be allowed to evaporate in the reserve pit until the pit is dry enough for breaking out. In the event that drilling fluids do not evaporate in a reasonable time they will be hauled off by transports and be disposed of at a state approved disposal facility. Later pits will be broken out to speed drying. Water produced during testing will be put in reserve pits. Any oil or condensate produced will be stored in test tanks until sold and hauled from the site.

8. ANCILLARY FACILITIES:

- A. No camps or airstrips to be constructed.

KUKUI OPERATING COMPANY
SARGENT CANYON "31" FEDERAL # 1
UNIT "O" SECTION 31
T19S-R21E EDDY CO. NM

9. WELL SITE LAYOUT

- A. Exhibit "D" shows the proposed well site layout.
- B. This exhibit indicated proposed location of reserve and sump pits and living facilities.
- C. Mud pits in the active circulating system will be steel pits & the reserve pit is proposed to be unlined unless subsurface condition encountered during pit construction indicate that lining is needed for lateral containment of fluids.
- D. If needed, the reserve pit is to be lined with polyethelene. The pit liner will be 6 mils thick. Pit liner will extend a minimum 2'00" over the reserve pits dikes where the liner will be anchored down.
- E. The reserve pit will be fenced on three sides with four strands of barbed wire during drilling and completion phases. The fourth side will be fenced after all drilling operations have ceased. If the well is a producer, the reserve pit fence will be torn down. The reserve pit and those areas of the location not essential to production facilities will be reclaimed and seeded per BLM requirements.

10. PLANS FOR RESTORATION OF SURFACE

Rehabilitation of the location and reserve pit will start in a timely manner after all drilling operations cease. The type of reclamation will depend on whether the well is a producer or a dry hole.

However, in either event, the reserve pit will be allowed to dry properly, and fluid removed and disposed of in accordance with Article 7.B as previously noted. The pit area will then be leveled and contoured to conform to the original and surrounding area. Drainage systems, if any, will be reshaped to the original configuration with provisions made to alleviate erosion. These may need to be modified in certain circumstances to prevent inundation of the location's pad and surface facilities. After the area has been shaped and contoured, topsoil from the spoil pile will be placed over the disturbed area to the extent possible. Revegetation procedures will comply with BLM standards.

If the well is a dry hole, the pad and road area will be contoured to match the existing terrain. Topsoil will be spread to the extent possible. Revegetation will comply with BLM standards.

Should the well be a producer, the previously noted procedures will apply to those areas which are not required for production facilities.

SURFACE USE PLAN

KUKUI OPERATING COMPANY
SARGENT CANYON "31" FEDERAL # 1
UNIT "O" SECTION 31
T19S-R21E EDDY CO. NM

11. OTHER INFORMATION:

- A. Topography consists of high limestone ridges trending in a Southwesterly Northeasterly direction. Small intermittent drainage patterns are cut into the limestone bedrock. The vegetation consists of barrel cacti, acacia, gamma grass, broom snake weed, and javalina bush.
- B. The surface and minerals are owned by The United States Government and is administered by The Bureau of Land Management. Surface of the land is is used by ranchers to graze livestock.
- C. An archaeological survey will be conducted and a report filed with the Bureau of Land Management field office in Carlsbad New Mexico.
- D. A ranch dwelling is located approximately .75 miles Southeast of location.

12. OPERATORS REPRESENTATIVE:

Before construction:

TIERRA EXPLORATION INC.
P.O. BOX 2188
HOBBS, NEW MEXICO 88241
OFFICE PHONE 505-391-8503
JOE T. JANICA

During and after construction:

KUKUI OPERATING COMPANY
601 VESTAVIA PARKWAY SUITE 240
VESTAVIA , ALABAMA 35216
OFFICE PHONE 205-823-2977
LARRY STRIDER

13. CERTIFICATION: - I hereby certify that I, or persons under my direct supervision, have inspected the proposed drill site and access route; that I am familiar with the conditions which currently exist; that the statements made in this plan are to the best of my knowledge, true and correct; and that the work associated with the operations proposed herein will be performed by Kukui Operating Company, it's contractors/subcontractors is in the conformity with this plan and the terms and conditions under which it is approved. This statement is subject to the provision of U.S.C. 1001 for the filing of a false statement.

NAME : Joe T. Janica

DATE : 04/11/01

TITLE : Agent

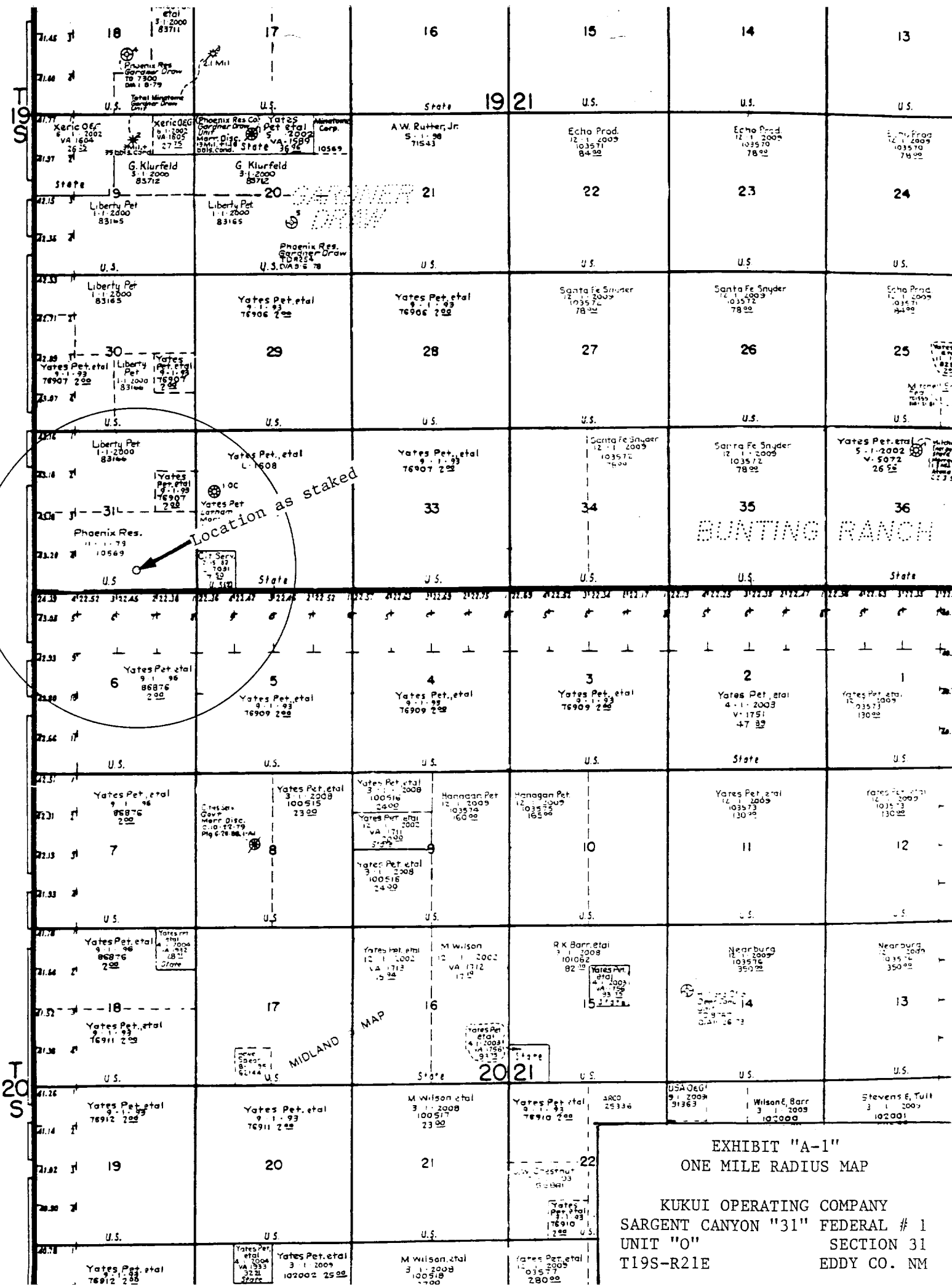


EXHIBIT "A-1"
ONE MILE RADIUS MAP

KUKUI OPERATING COMPANY
SARGENT CANYON "31" FEDERAL # 1
UNIT "O" SECTION 31
T19S-R21E EDDY CO. NM

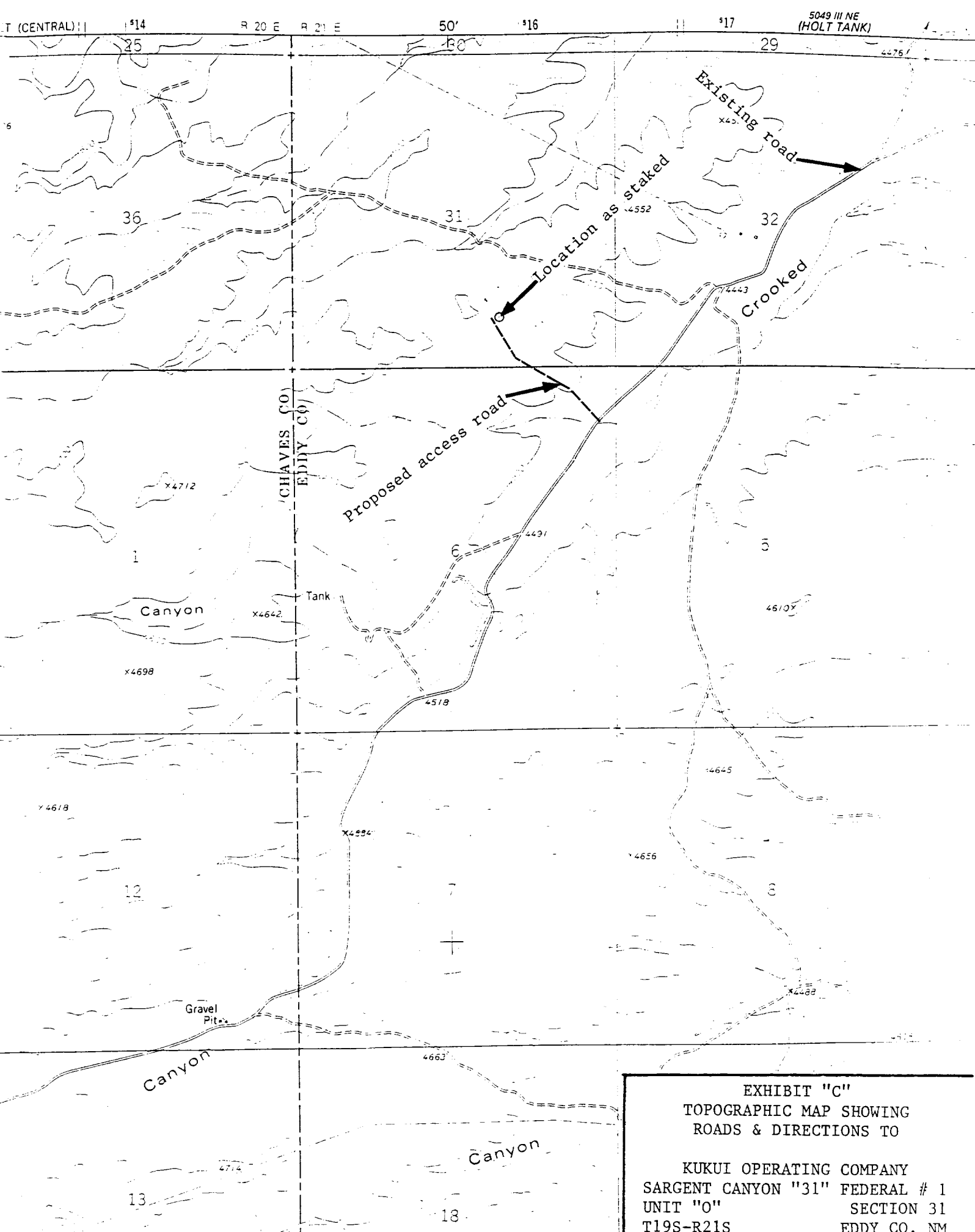
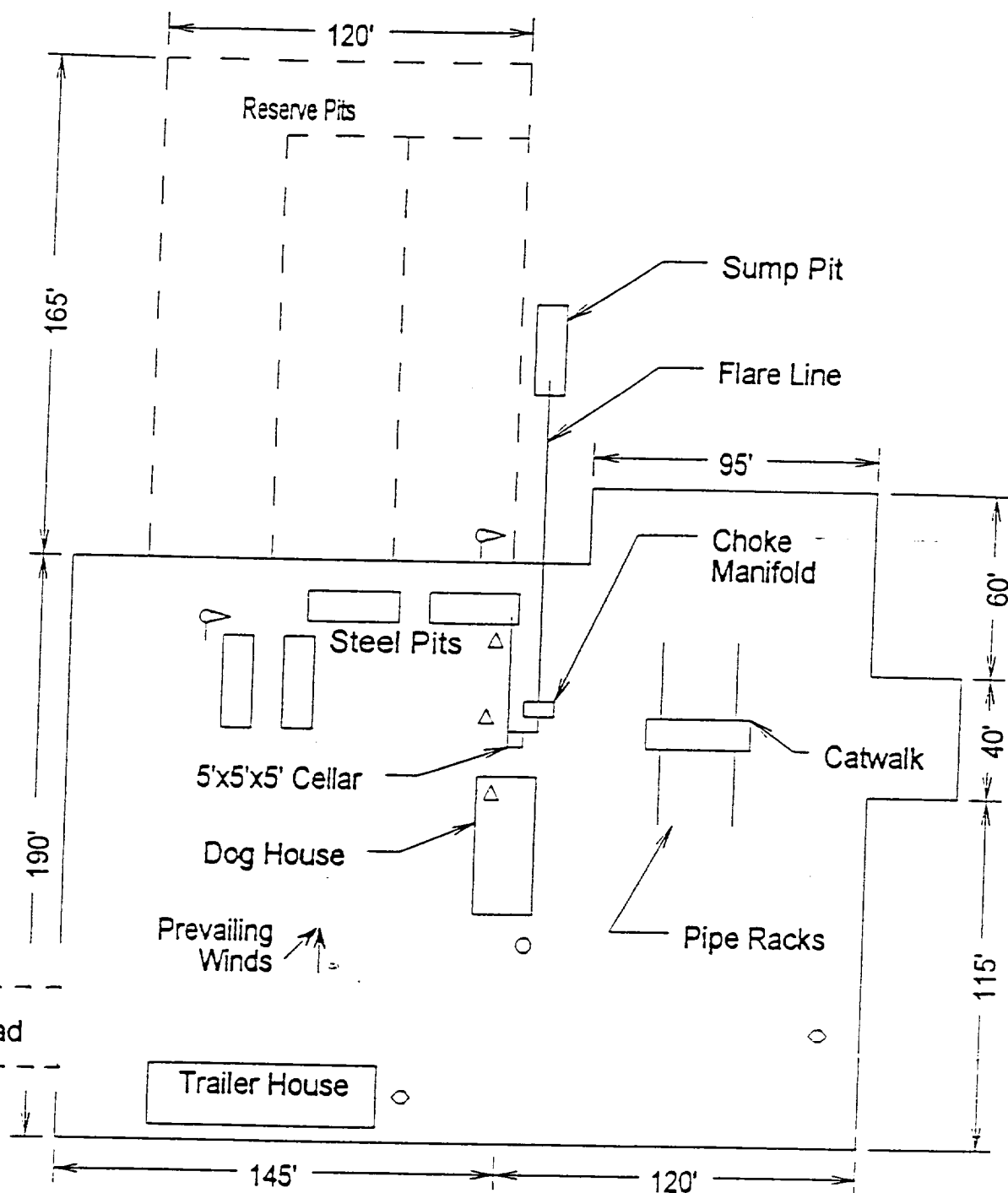


EXHIBIT "C"
TOPOGRAPHIC MAP SHOWING
ROADS & DIRECTIONS TO

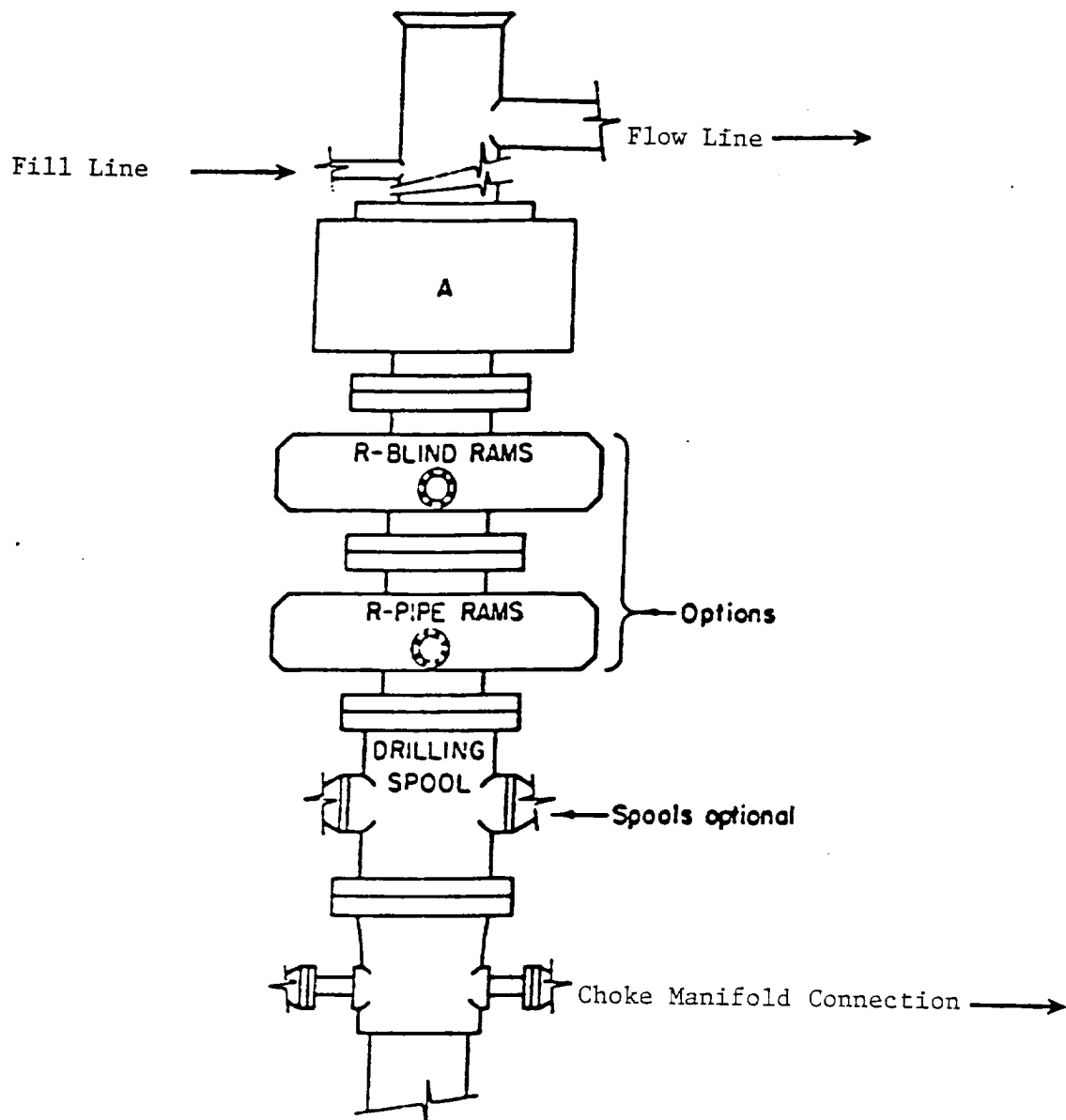
KUKUI OPERATING COMPANY
SARGENT CANYON "31" FEDERAL # 1
UNIT "O" SECTION 31
T19S-R21S EDDY CO. NM



- Wind Direction Indicators
(wind sock or streamers)
- H2S Monitors
(alarms at bell nipple and shale shaker)
- Briefing Areas
- Remote BOP Closing Unit
- Sign and Condition Flags

EXHIBIT "D"
RIG LAY OUT PLAT

KUKUI OPERATING COMPANY
SARGENT CANYON "31" FEDERAL # 1
UNIT "O" SECTION 31
T19S-R31E EDDY CO. NM



ARRANGEMENT SRRA

1500 Series
5000 PSI WP

EXHIBIT "E"
SKETCH OF B.O.P. TO BE USED ON

KUKUI OPERATING COMPANY
SARGENT CANYON "31" FEDERAL # 1
UNIT "O" SECTION 31
T19S-R21E EDDY CO. NM

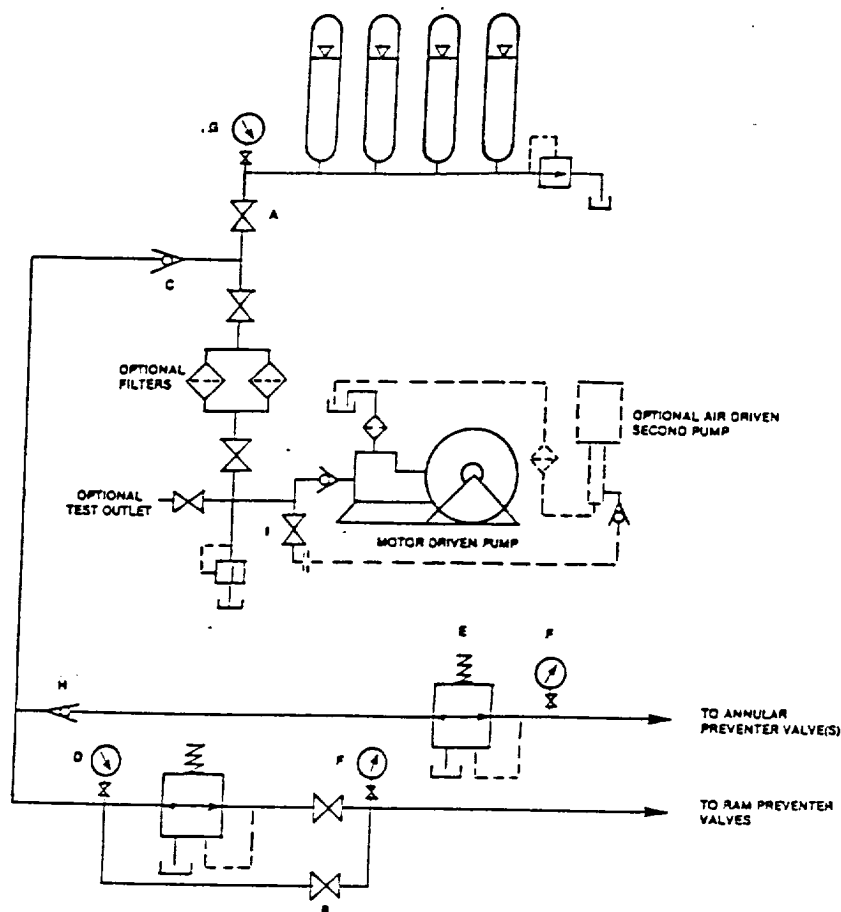


FIGURE K6-1. The schematic sketch of an accumulator system shows required and optional components.

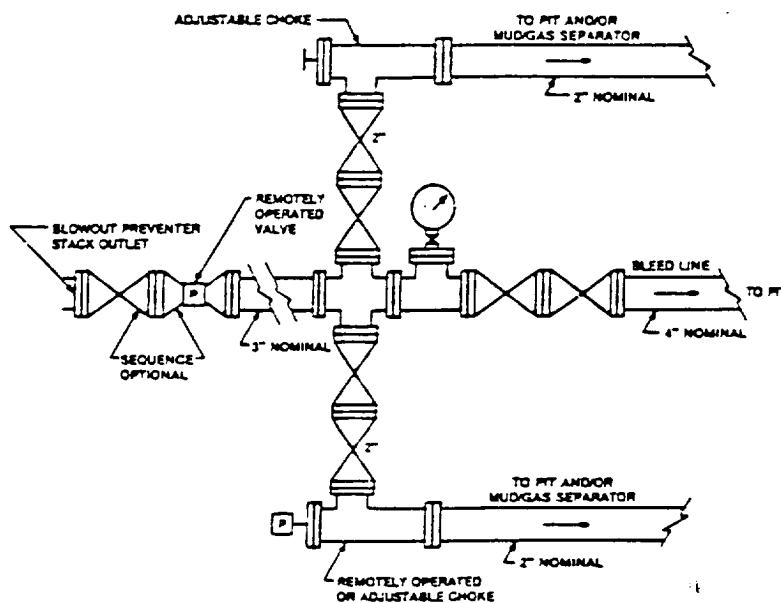


FIGURE K4-2. Typical choke manifold assembly for 5M rated working pressure service — surface installation.

EXHIBIT "E-1"
CHOKE MANIFOLD & CLOSING UNIT

KUKUI OPERATING COMPANY
SARGENT CANYON "31" FEDERAL # 1
UNIT "O" SECTION 31
T19S-R21E EDDY CO. NM

STATEMENT ACCEPTING RESPONSIBILITY FOR OPERATIONS

KUKUI Operating Company
601 Vestavia Pkwy. St. 240
Vestavia, Alabama 35216

The undersigned accepts all applicable terms, conditions, stipulations, and restrictions concerning operations conducted on the leased land or portion thereof, as described below:

Lease No: NMNM - 105538

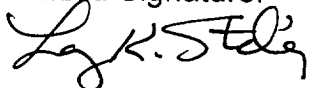
Legal Description of Land: E 1/2 of Section 31 - T19S - R21E
Eddy County, New Mexico

Formation (s) (if applicable) :

Bond Coverage: Statewide

BLM Bond File No: BO 5522

Authorized Signature:



Title: District Operations Mgr.

Date: 4/20/2001

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