

APPLICATION FOR DRILLING

Holly Energy, Inc.
Holly Federal 23 Well No. 2
Eddy County, New Mexico

In conjunction with Form 9-331C, Application for Permit to Drill subject well in Section 23, Township 20 South, Range 26 East, Eddy County, New Mexico, Holly Energy, Inc., submits the following ten items of pertinent information in accordance with USGS requirements:

1. The geologic surface formation is the Tansill formation.
2. The estimated tops of geologic markers are as follows:

7200'	Third Bone Springs
7540'	Wolfcamp
8180'	Cisco
8760'	Strawn
9480'	Atoka
9960'	Morrow
10350'	Bernett
3. The estimated depths at which anticipated water, oil or gas formations are expected to be encountered:

Water:	Static water at approximately 100'.
	Formation water at approximately 800'-1000'.
Oil or Gas:	Wolfcamp at approximately 7540' to 8180'
	Atoka at approximately 9480' to 9960'
	Morrow at approximately 9960' to 10350'
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 programs:

Pressure test:	Surface casing to 1500 psig and
	Production Casing to 1500 psig.
Drilling samples:	10' samples 7000' to TD.
	30' samples 2800' to 7000'
Electric logging:	IES or Dual Laterlog, Intermediate Casing to TD.
Mud Logging:	7000' to TD.
Coring:	None
Drill stem tests:	as required (estimate 2)
9. No abnormal pressures or temperatures are anticipated.
10. Anticipated starting date: As soon as possible after approval.

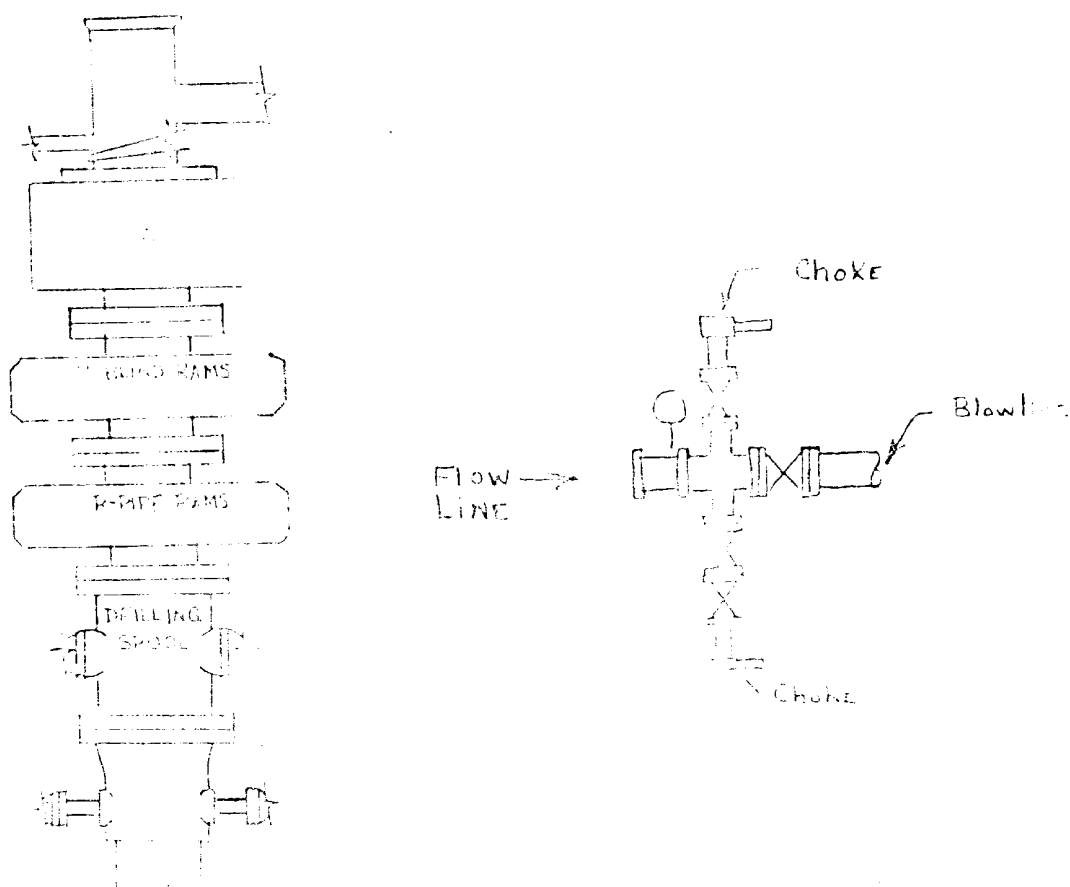
Blowout-Preventer Assembly

API Bul D-13

Marcum Drilling Company
Rig # 3

EXHIBIT E

Holly Energy, Inc.
Holly Federal 23 Well No. 2
1980' FNL and 1980' FEL
Section 23-T20S-R26E
Eddy County, New Mexico



Arrangement SRKH (Optional w/ operator)
API Class 5M-10" w/ 4" Manifold

need 640 series or NSP

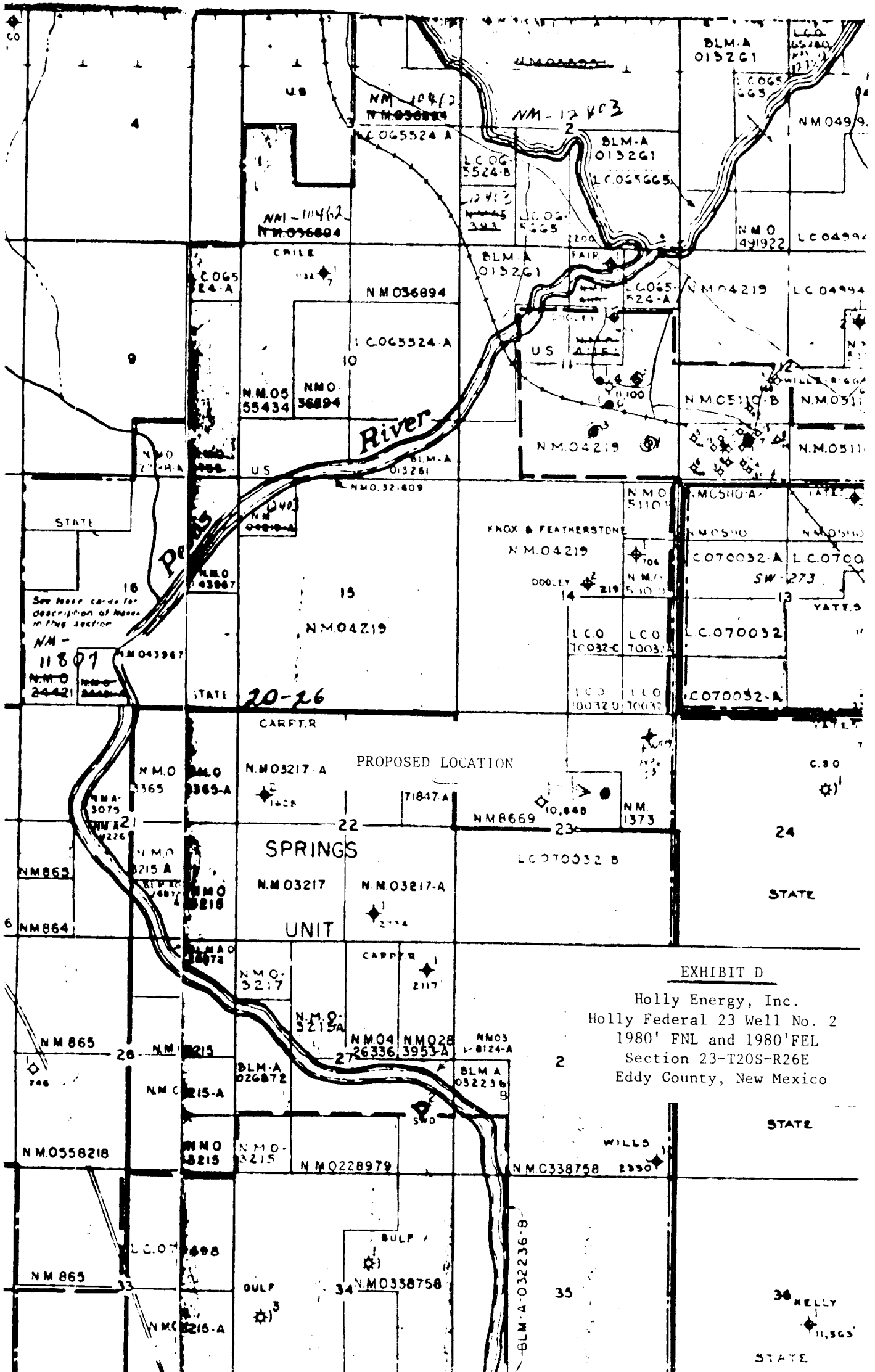


EXHIBIT D

Holly Energy, Inc.
 Holly Federal 23 Well No. 2
 1980' FNL and 1980' FEL
 Section 23-T20S-R26E
 Eddy County, New Mexico

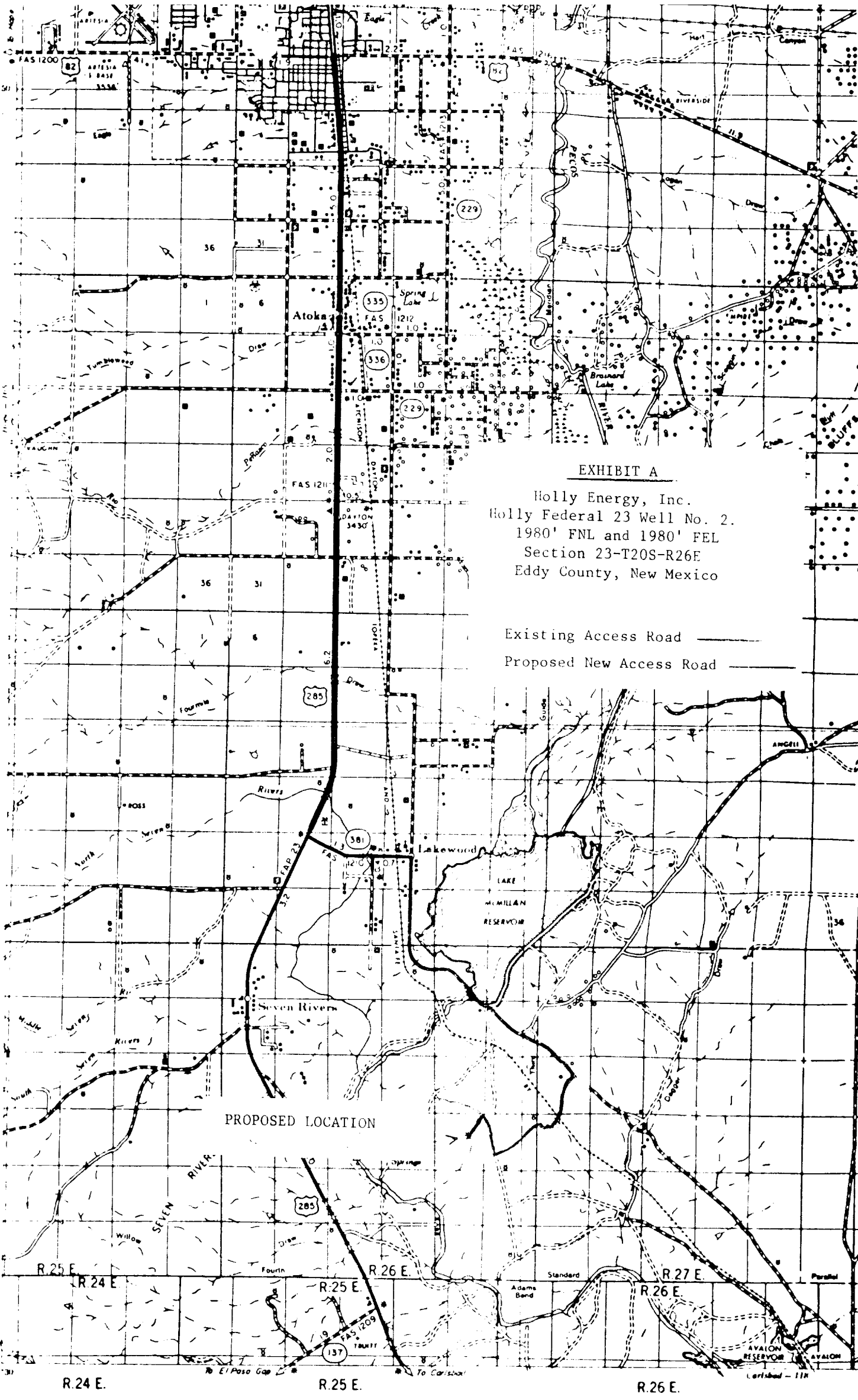


EXHIBIT A

Holly Energy, Inc.
 Holly Federal 23 Well No. 2.
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 Section 23-T20S-R26E
 Eddy County, New Mexico

Existing Access Road —————

Proposed New Access Road - - - - -

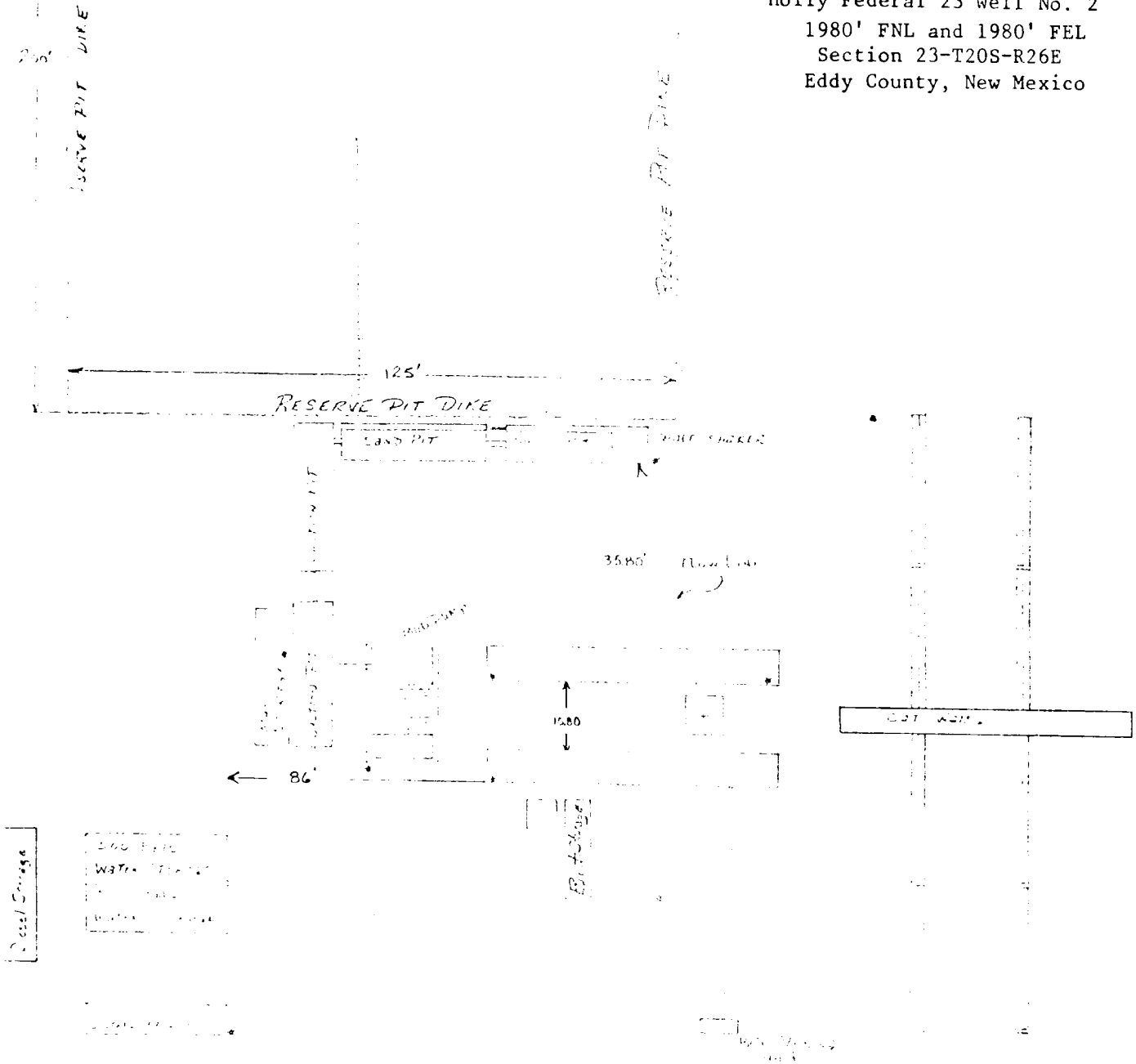
PROPOSED LOCATION

Control by U.S. Coast and Geodetic Survey, U.S. Geological Survey, U.S. Forest Service, Bureau of Land Management and Planning Division—Modified Conic Projection Standard Parallel 34° North American Datum

Longitude West from Greenwich
 Scale 1:100,000 or 1 inch = 2 miles
 0 1 2 3
 STATUTE MILES

EXHIBIT C

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Rig # 3

Location Size:

North 40'
East 150'
South 140' to 190'
West 140'

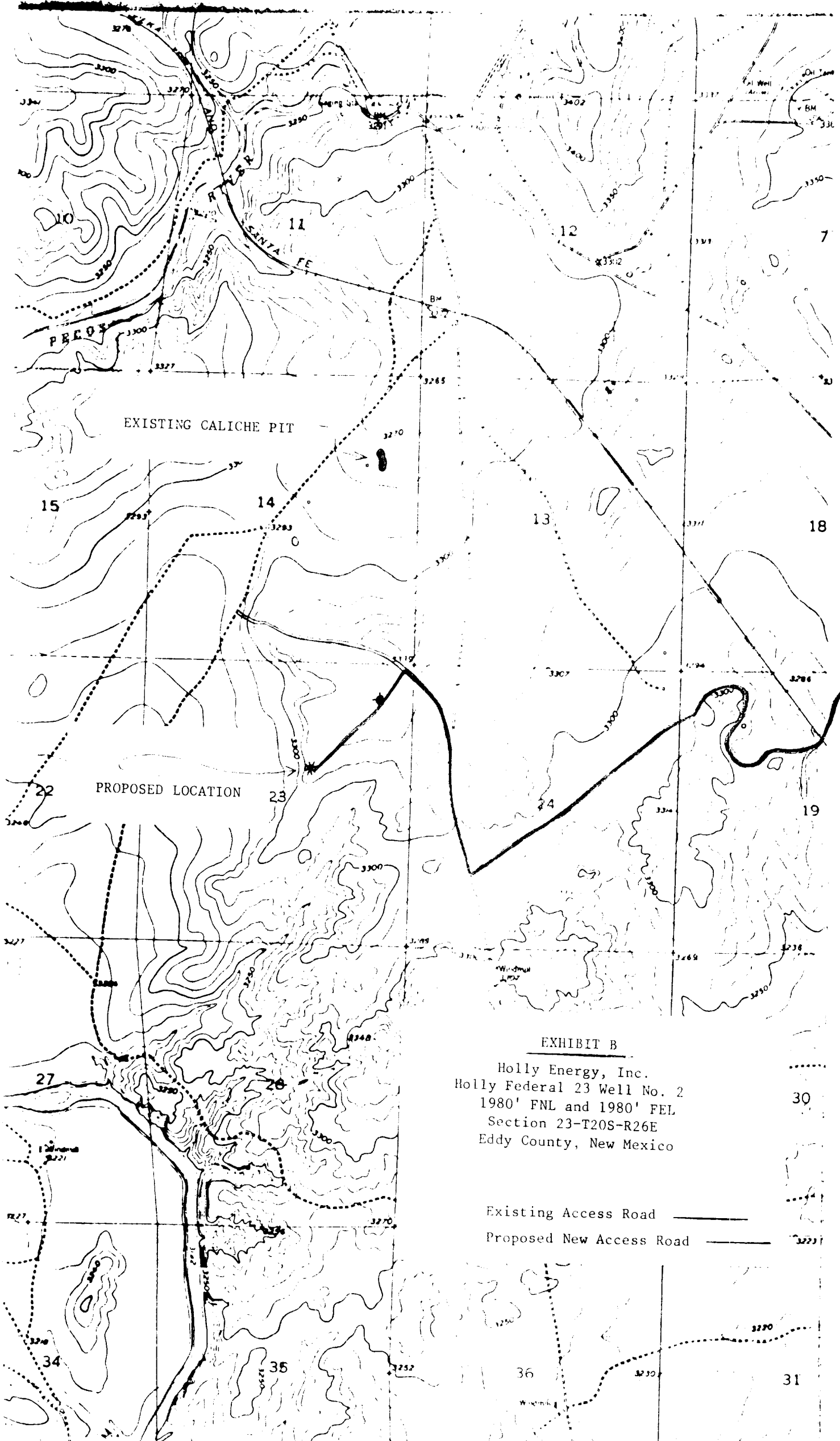


EXHIBIT B

Holly Energy, Inc.
Holly Federal 23 Well No. 2
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Section 23-T20S-R26E
Eddy County, New Mexico

Existing Access Road

Proposed New Access Road