

C/SF

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

APPLICATION FOR PERMIT TO DRILL/DEEPEN

1a. TYPE OF WORK DRILL <input checked="" type="checkbox"/> DEEPEN <input type="checkbox"/> MAR 11 1993		5. LEASE DESIGNATION AND SERIAL NO. NM 34247	
b. TYPE OF WELL OIL WELL <input checked="" type="checkbox"/> GAS WELL <input type="checkbox"/> OTHER <input type="checkbox"/>		6. IF INDIAN, ALLOTTEE OR TRIBE NAME	
2. NAME OF OPERATOR Collins & Ware, Inc. ✓		7. UNIT AGREEMENT NAME	
3. ADDRESS AND TELEPHONE NO. 303 W. Wall, Suite 2200, Midland, Texas 79701 (915) 687-3435		8. FARM OR LEASE NAME, WELL NO. Sheep Draw Federal No. 3	
4. LOCATION OF WELL (Report location clearly and in accordance with any State requirements.) At surface 1980' FNL and 1980' FWL of Sec. 33 At proposed prod. zone 1980' FNL and 1980' FWL of Sec. 33 U-F		9. AM WELL NO.	
14. DISTANCE IN MILES AND DIRECTION FROM NEAREST TOWN OR POST OFFICE* 3.5 miles southwest of Carlsbad, New Mexico		10. FIELD AND POOL, OR WILDCAT Happy Valley (Delaware)	
15. DISTANCE FROM PROPOSED LOCATION TO NEAREST PROPERTY OR LEASE LINE, FT. (Also to nearest drlg. unit line, if any) 660'		11. SEC., T., R., M., OR BLK. AND SURVEY OR AREA UNIT F Sec. 33, T-22-S, R-26-E	
16. NO. OF ACRES IN LEASE 240		12. COUNTY OR PARISH Eddy	
17. NO. OF ACRES ASSIGNED TO THIS WELL 40%		13. STATE N.M.	
18. DISTANCE FROM PROPOSED LOCATION TO NEAREST WELL, DRILLING, COMPLETED, OR APPLIED FOR, ON THIS LEASE, FT. 1100'		19. PROPOSED DEPTH 5050'	
20. ROTARY OR CABLE TOOLS Rotary		21. APPROX. DATE WORK WILL START* Upon Approval	
21. ELEVATIONS (Show whether DF, RT, GR, etc.) 3299.1' GR		22. APPROX. DATE WORK WILL START* Upon Approval	

23. PROPOSED CASING AND CEMENTING PROGRAM

SIZE OF HOLE	GRADE, SIZE OF CASING	WEIGHT PER FOOT	SETTING DEPTH	QUANTITY OF CEMENT
17.5"	K-55 13.375"	48-61#	450'	500 sx CIRCULATE
12.25"	J-55 8.625"	24#	1650'	650 sx CIRCULATE
7.875"	J-55 4.5"	10.5-11.6#	5050'	700 sx (tie back)

Operator proposes to drill to the Delaware formation to test for possible commercial production of oil and gas. If productive, 4.5" casing will be set and cemented to TD. If non-productive, the well will be plugged and abandoned in a manner consistent with Federal and State Regulations and according to good engineering practice. Specific programs according to Onshore Oil and Gas Order #1 are outlined in the following attachments:

1. Well location and Acreage Dedication Plat
2. Drilling Program
3. Surface Use and Operating Plan
4. Exhibit #1 - Blowout Preventer
5. Exhibit #2 - Existing Roads
6. Exhibit #2A - Planned Access Roads
7. Exhibit #3 - One Mile Radius Map with Lease Boundary
8. Exhibit #3A - Well Status
9. Exhibit #4 - Drilling Rig Layout
10. Exhibit #5 - Production Facilities Layout

APPROVAL SUBJECT TO
GENERAL REQUIREMENTS AND
SPECIAL STIPULATIONS
ATTACHED

POST ID-1
3-17-93
NEWLOG API

CARLSBAD
FEB 11 11 33 AM '93

RECEIVED

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 [Signature] TITLE Agent DATE 2/9/93
(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 Orig Signed by Richard L. Marcus TITLE _____ DATE 2-10-93

*See Instructions On Reverse Side

OIL CONSERVATION DIVISION

P.O. Box 2088

Santa Fe, New Mexico 87504-2088

DISTRICT I

P.O. Box 1980, Hobbs, NM 88240

DISTRICT II

P.O. Drawer DD, Artesia, NM 88210

DISTRICT III

1000 Rio Brazos Rd., Aztec, NM 87410

WELL LOCATION AND ACREAGE DEDICATION PLAT

All Distances must be from the outer boundaries of the section

Operator COLLINS & WARE INC.			Lease SHEEP DRAW		Well No. 3	
Unit Letter F	Section 33	Township 22 SOUTH	Range 26 EAST <small>NMPM</small>		County EDDY	
Actual Footage Location of Well:						
1980 feet from the NORTH line and		1980 feet from the WEST line				
Ground Level Elev. 3299.1'	Producing Formation Delaware		Pool Happy Valley		Dedicated Acreage: 40 Acres	
<p>1. Outline the acreage dedicated to the subject well by colored pencil or hachure marks on the plat below.</p> <p>2. If more than one lease is dedicated to the well, outline each and identify the ownership thereof (both as to working interest and royalty).</p> <p>3. If more than one lease of different ownership is dedicated to the well, have the interest of all owners been consolidated by communitization, unitization, force-pooling, etc.?</p> <p><input type="checkbox"/> Yes <input type="checkbox"/> No If answer is "yes" type of consolidation _____</p> <p>If answer is "no" list of owners and tract descriptions which have actually been consolidated. (Use reverse side of this form necessary. _____)</p> <p>No allowable will be assigned to the well unit all interests have been consolidated (by communitization, unitization, forced-pooling, otherwise) or until a non-standard unit, eliminating such interest, has been approved by the Division.</p>						
			OPERATOR CERTIFICATION			
			I hereby certify the the information contained herein is true and complete to the best of my knowledge and belief.			
			Signature <i>G. Thane Akins</i>			
			Printed Name G. Thane Akins			
			Position Agent			
Company Collins & Ware, Inc.						
Date February 9, 1993						
SURVEYOR CERTIFICATION						
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 knowledge and belief.						
Date Surveyed FEBRUARY 03, 1993						
Signature & Seal of Professional Surveyor GARY L. JONES						
Certificate No. JOHN W. WEST 678 RONALD J. ELLISON 3239 GARY L. JONES 677						
93-11-0149						

DRILLING PROGRAM

COLLINS & WARE, INC.
SHEEP DRAW FEDERAL WELL NO. 3
1980' FNL & 1980'FWL Sec. 33, T22S, R26E, Eddy County, NM

The following information is filed in accordance with New Mexico Oil Conservation Rules and Regulations:

1. SURFACE FORMATION: Quaternary
2. ESTIMATED TOPS OF GEOLOGIC MARKERS:

Delaware	1680'
Cherry Canyon	2550'
Bone Springs	4950'

3. ESTIMATED DEPTH TO FRESH WATER:
Possible fresh water 100'-300'.

ANTICIPATED POSSIBLE HYDROCARBON BEARING ZONES:

Delaware (below 1700') Oil

No other formations are anticipated to give up commercial quantities of hydrocarbons.

The fresh water sands will be protected by setting 13 3/8" casing at 450' and circulating cement back to surface. First intermediate 8 5/8" casing will be set at 1650' and cement circulated back to surface. The 4 1/2" production string will be set at 5000' and cement circulated back to surface.

4. PROPOSED CASING AND CEMENTING PROGRAM:

Casing:

<u>Hole Size</u>	<u>Interval</u>	<u>Casing OD</u>	<u>Weight, Grade, Joint, Condition</u>
17.5"	0-450'	13 3/8"	48-61#, K-55, ST&C, New
12.25"	0-1650'	8 5/8"	24#, J-55, ST&C, New
7.875"	0-5050'	4 1/2"	10.5-11.6#, J-55, LT&C, Used

Cement:

13 3/8" Surface Csg: Cemented with 500 sacks of Class "C" with 2% CaCl. Circulate cement.

8 5/8" First Intermediate: Cemented with 425 sacks of 50-50 Pozmix cement tailed in with 225 sacks of Class "C" with 2% CaCl. Cement to circulate.

4 1/2" Prod. Casing: Cemented with 450 sacks of Lite cement tailed in with 250 sacks of Class "C" with 1% CaCl to circulate to surface.

5. PRESSURE CONTROL EQUIPMENT:

Blowout prevention equipment, while drilling below 500', will be a 3000 psi working pressure BOP stack. The BOP sketch is shown as Exhibit 1.

6. CIRCULATING MEDIUM:

Surface to 500' : Fresh water spud mud - Viscosity 30 to 33 required for hole cleaning, 8.5-8.8#/gal.

500' to 1650' : Fresh water with lost circulation material as required, 28-30 viscosity, pH 9-10, weight 8.5-8.8#/gal

1650' to T.D. : Drill out with 10# brine system circulating reserve pit. Viscosity 32-40, pH 9-10 (control with lime).

Sufficient mud materials to maintain mud properties and meet minimum lost circulation and weight increase requirements will be kept at the well site at all times.

7. AUXILIARY WELL CONTROL AND MONITORING EQUIPMENT.

A. A kelly cock will be used.

B. A full-opening stabbing valve with proper drill pipe connections will be on the rig floor at all times.

C. The drilling fluids system will be visually monitored at all times.

D. A mud-logging unit will monitor drilling penetration rate and hydrocarbon shows from somewhere below the intermediate casing. (tentative)

8. TESTING, LOGGING, AND CORING PROGRAMS:

A. No drill stem tests are planned.

B. Compensated Neutron/LDT Log - GR and Dual Laterolog. Gamma Ray log will be continued back to surface.

C. Possible mud-logging unit will be used below 1500'.

D. No cores anticipated.

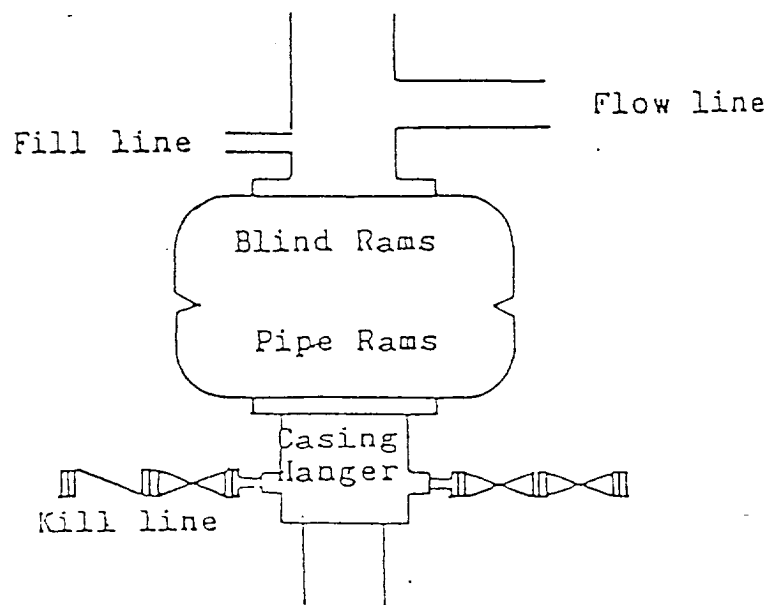
E. Other testing procedures may be used after the production casing has been set depending on shows and other testing indicators.

9. ABNORMAL CONDITIONS, PRESSURES, TEMPERATURES, & POTENTIAL HAZARDS:

No abnormal pressures or temperatures are anticipated. The estimated bottom hole temperature (BHT) at TD is 90 F and the estimated maximum bottom hole pressure (BHP) is about 1400 psi. No hydrogen sulphide (H₂S) or other hazardous fluids are known to exist at this depth in this area. Possible lost circulation zones in the Artesia Group and the Capitan Reef.

10. ANTICIPATED STARTING DATE AND DURATION OF OPERATIONS:

It is planned that operations will commence shortly after approval of this application, with drilling and completion operations lasting about 30 days. A decision as to design and installation of permanent facilities will be made after adequate testing of the well.



Blowout Preventer
3000 psi working pressure

Collins & Ware, Inc.
Sheep Draw No. 3
Eddy County, New Mexico

SURFACE USE AND OPERATIONS PLAN
FOR
COLLINS & WARE, INC.
SHEEP DRAW FEDERAL WELL NO. 2
990' FNL & 2310' FEL SEC. 33, T.22.S., R.26.E.
EDDY COUNTY, NEW MEXICO

LOCATED: 3 miles southwest of Carlsbad, NM

FEDERAL LEASE NUMBER: NM-34247

ACRES IN LEASE: 240

TERM: HBP

LESSEE: Collins & Ware, Inc.

SURFACE OWNERSHIP: James Moyers
4211 Mescalero
Carlsbad, NM 88220 (505) 887-3691

GRAZING PERMITTEE: Same as owner

POOL: Happy Valley Delaware

POOL RULES: Statewide Rules - 40-acre spacing for oil

EXHIBITS: 2. Existing roads
2A. Planned access roads
3. One-Mile Radius Map showing lease boundary and wells
3A. Well Status
4. Drilling Rig Layout
5. Production Facilities Layout

Page 2 - Surface Use and Operating Plan
Collins & Ware Sheep Draw Federal No. 3

1. EXISTING ROADS:

- A. Exhibit No. 2 is a portion of a road map showing the location of the proposed well as staked.
- B. Exhibit No. 2A is a topo map showing existing pertinent roads in the vicinity of the proposed well site.

2. PLANNED ACCESS ROAD:

- A. Length and Width: If any new road is constructed, it will be about 12' wide.
- B. Surfacing Material: Caliche, watered, compacted and graded.
- C. Maximum Grade: Less than one per cent (1%).
- D. Turnouts: None necessary.
- E. Drainage Design: Any new road will be crowned with drainage to the side.
- F. Culverts: None needed.
- G. Cuts and Fills: Very little necessary.
- H. Gates and Cattleguards: None necessary.
- I. Existing access roads to the proposed wellsite will be used in their present state. Off-lease access approval, if necessary, will be executed under the Sheep Draw Federal No. 3 location.

3. LOCATION OF EXISTING WELLS:

- A. Existing wells within a one-mile radius are shown on Exhibit No. 3. There are no disposal, injection, or observation wells within the one-mile radius.

4. LOCATION OF EXISTING AND/OR PROPOSED FACILITIES:

- A. Necessary production facilities for this proposed well will be located on the well pad. A layout of the production facilities is shown in Exhibit No. 5.

5. LOCATION AND TYPE OF WATER SUPPLY:

- A. It is not planned that a water supply well will be drilled. Water necessary for drilling operations will be purchased and trucked from commercial water stations to the well site, or will be moved to the well site by temporary pipeline laid on the ground alongside existing and proposed roads.

6. SOURCE OF CONSTRUCTION MATERIALS:

- A. Caliche needed for construction work will be taken, if present, from a pit opened on-site within the 400' X 450' work area. Otherwise, caliche will be taken from an existing BLM pit on Federal land in Sec. 5, T.23S., R.26E., Eddy County. Caliche will be trucked to well site over existing and proposed roads. Location of the nearest caliche pit is shown on Exhibit No. 2A.

7. METHODS OF HANDLING WASTE MATERIAL:

- A. Drill cuttings will be disposed of in the drilling pits.
- B. Drilling fluids will be allowed to evaporate in the drilling pits until the pits are dry.
- C. Water produced during tests will be disposed of in the drilling pits. After the well is permanently placed on production, produced water will be collected in fiberglass or steel tanks until hauled by transport to an approved disposal system.
- D. Oil produced during tests will be stored in test tanks until sold
- E. Trash, waste paper, garbage and junk will be stored in a covered, above-ground container. All waste material will be contained to prevent scattering by the wind. Location of the trash container is shown on Exhibit No. 4. No toxic waste or hazardous chemicals will be produced by this operation. The container will be emptied when full and taken to an authorized disposal facility.
- F. All trash and debris will be removed from the well site within 30 days after finishing drilling and/or completion operations. No adverse materials will be left on location. The unused portion of the well site will be leveled and restored to BLM specifications. Only that part of the pad required for production facilities will be kept in use. In the event of a dry hole, only a dry hole marker will remain.
- G. If required, a portable, chemical toilet will be provided on the location for human waste during the drilling and completion operations.

8. ANCILLARY FACILITIES:

- A. No airstrip, campsite, or other facilities will be built as a result of the operations of this well.

9. WELL SITE LAYOUT:

- A. Exhibit No. 4 shows the relative location and dimensions of the well pad, mud pits, reserve pit, and the location and orientation of major drilling rig components. No permanent living facilities are planned, but a temporary foreman/toolpusher's trailer will be on location during the drilling and completion operations.
- B. Clearing and levelling of the well site will be required. Top soil, if available, will be stockpiled per BLM specifications as determined at the on-site inspection. No major cuts will be required.
- C. The pad and pit area are staked and flagged.

10. PLANS FOR RESTORATION OF THE SURFACE:

- A. After completion of drilling and/or completion operations, all equipment and other material not needed for operations will be removed from the well site. The location will also be levelled and cleaned of all trash and junk to leave the well site in an as aesthetically pleasing condition as possible. Any part of the pad not needed for production facilities will have the top soil replaced and reseeded.
- B. Unguarded pits containing fluids, if any, will be fenced.
- C. After abandonment, all equipment, trash, and junk will be removed and the well site will be cleaned. Any special rehabilitation requirements of the surface management agency will be complied with and accomplished as rapidly as possible.

11. OTHER INFORMATION:

- A. Topography - The land surface in the area is undulating and dunny. In the immediate area of the well site, land slope is gentle down to the northeast, increasing upward rapidly in the vicinity of small mesas.
- B. Soil - Top soil at the well site is a loamy sand.
- C. Flora and Fauna - The vegetation cover is sparse and includes greasewood, beargrass, brambles, sand sage, yucca, weeds, and range grasses. Wildlife in the area is that typical of semi-arid desert land and includes coyotes, rabbits, rodents, reptiles, dove and quail.
- D. Ponds and Streams - No lakes, ponds, or streams are in the area.
- E. Residences and other Structures - There are no occupied dwellings or other structures, other than oil field related equipment, within a mile of the proposed well site.
- F. Archaeological, Historical, and Cultural Sites - None observed. However, an archaeological reconnaissance will be accomplished and a report furnished.
- G. Land Use - Oil and gas production, grazing and wildlife habitat.
- H. Surface Ownership - Private.

12. OPERATOR'S REPRESENTATIVE:

James F. O'Briant
O'Briant Engineering
P.O. Box 10487
Midland, TX 79702
Telephone: (915) 683-5511

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 Collins & Ware, Inc. and its contractors and subcontractors in conformity with this plan and the terms and conditions under which it is approved. This statement is subject to the provisions of 18 U.S.C. 1001 for the filing of a false statement.

Date: 2/8/99


G. Thane Akins, P.E.
Agent for Collins & Ware, Inc.

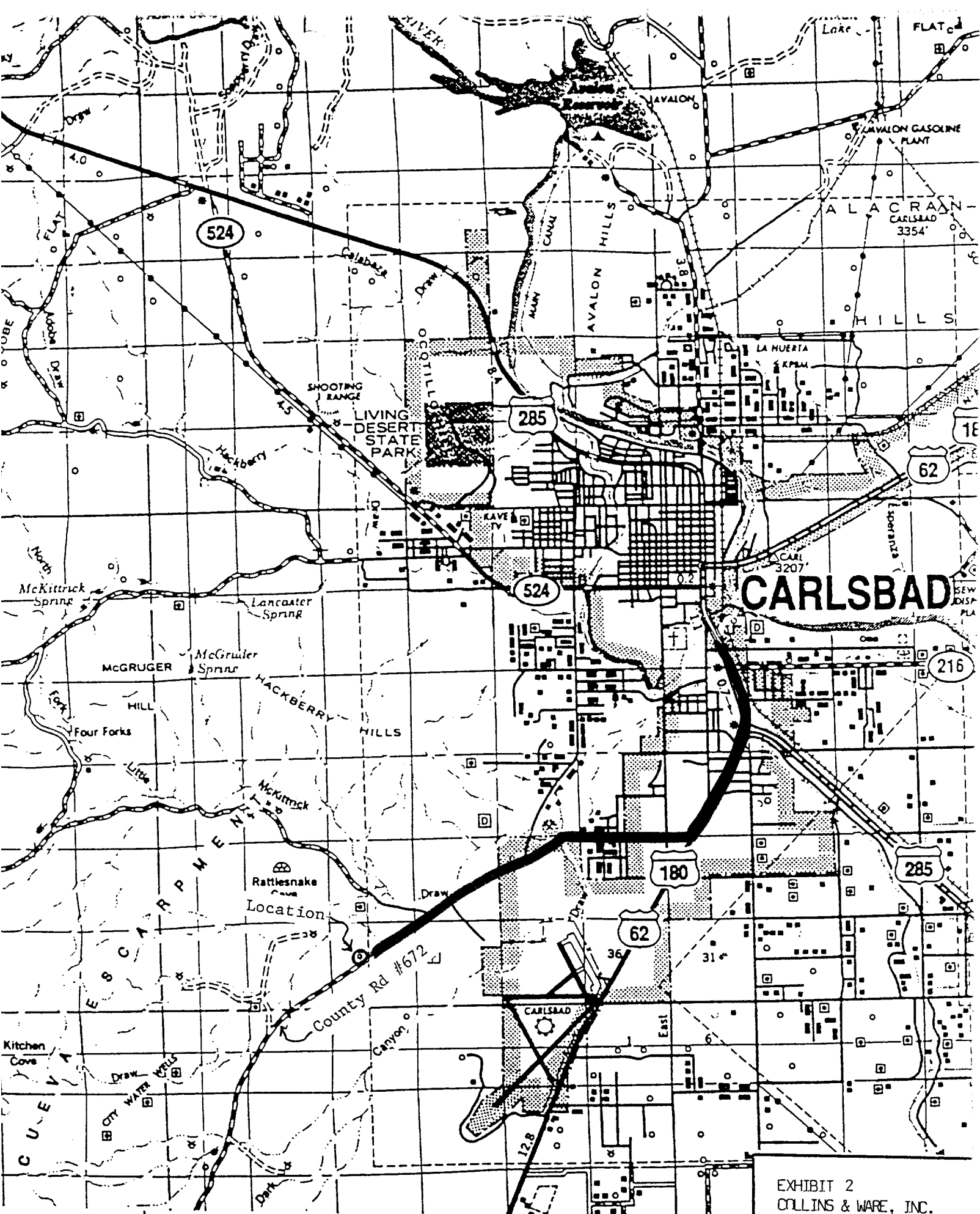
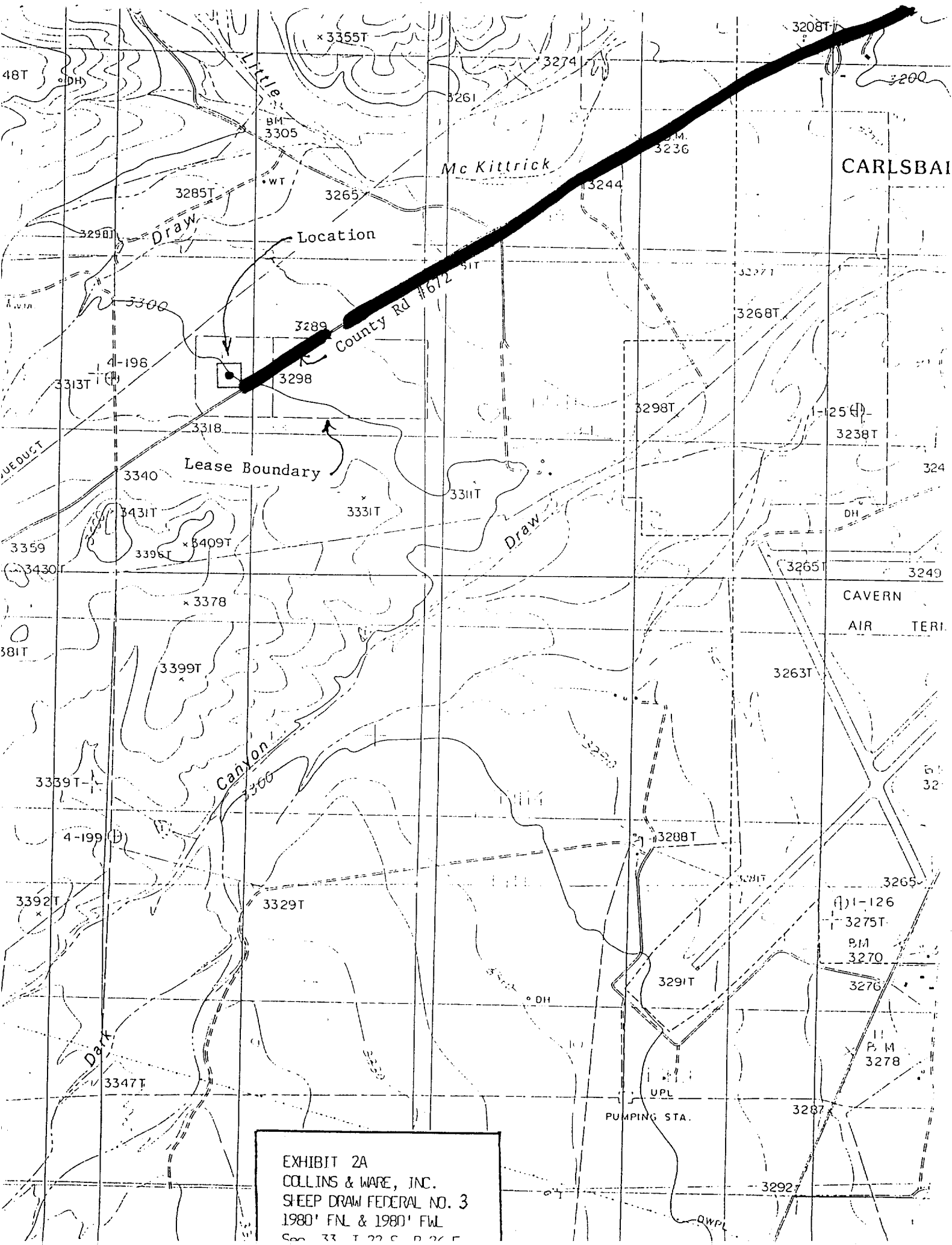
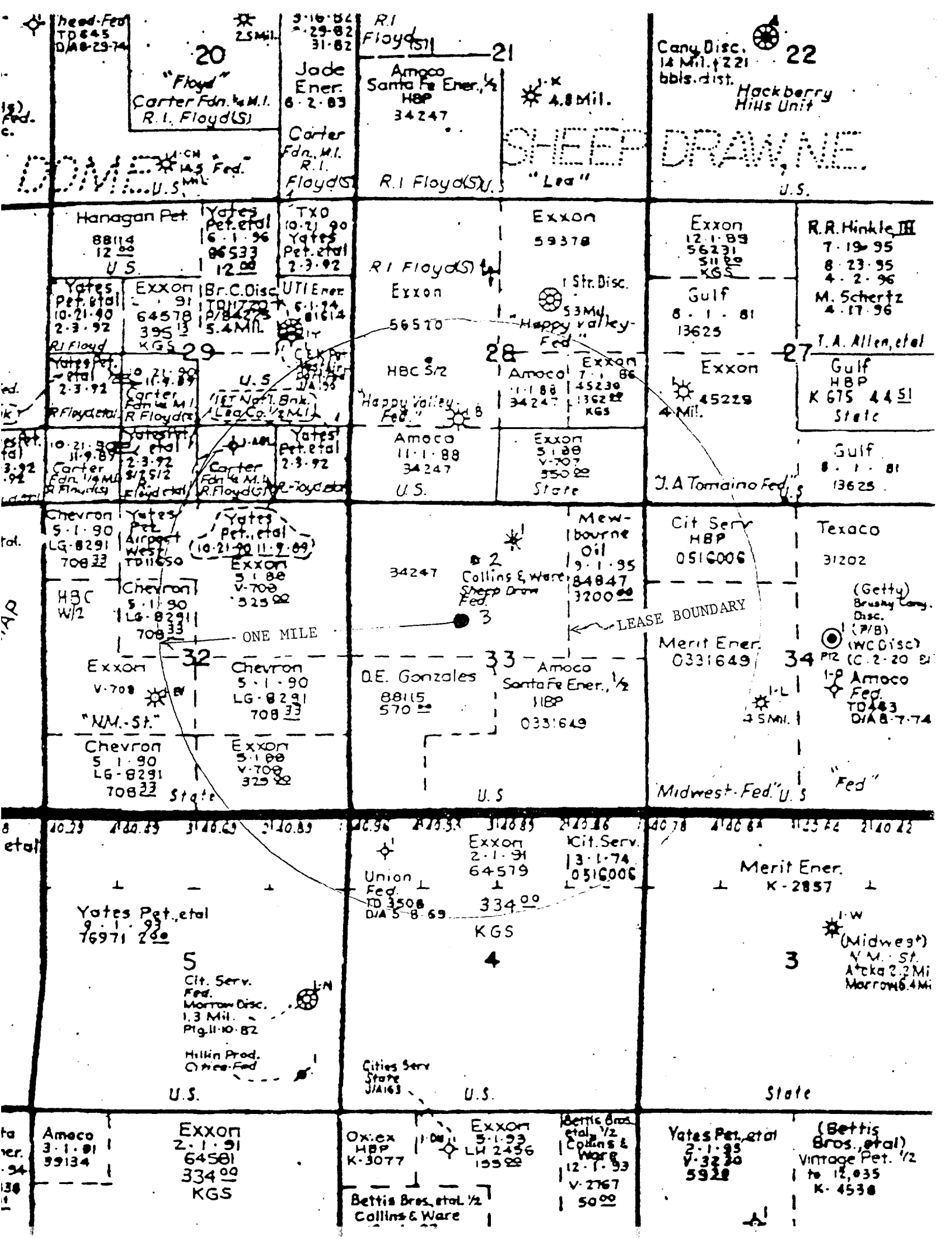


EXHIBIT 2
 COLLINS & WARE, INC.
 SHEEP DRAW FEDERAL NO. 3
 1980' FNL & 1980' FWL
 Sec. 33, T-22-S, R-26-E
 CITY OF CARLSBAD





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"Floyd"
Carter Fdn. 1/4 M.I.
R.I. Floyd (S)

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Amoco
Santa Fe Ener., 1/2
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Hackberry
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SHEEP DRAW, NE
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HBC 5/2
Happy Valley
Fed.

28
Amoco
11.1.88
34247
U.S.

Exxon
12.1.89
56231
511 00
KGS

27
Gulf
HBP
K 675 4451
State

Chevron
5.1.90
LG-8291
70833

Yates
Pet. et al
10.21.90
2.3.92
R.I. Floyd

Exxon
91
64578
395 13
KGS

Br. C. Disc.
UTI Ener.
10.21.90
10.21.90
5.4 Mil.

Exxon
56570
HBC 5/2
Happy Valley
Fed.

28
Amoco
11.1.88
34247
U.S.

Exxon
12.1.89
56231
511 00
KGS

27
Gulf
HBP
K 675 4451
State

EXHIBIT NO. 3A

STATUS OF WELLS WITHIN ONE-MILE RADIUS
Collins & Ware Sheep Draw Federal No. 3 Well
Sec. 33, T22S, R26E, Eddy County, NM

T22S, R26E

Sec. 28

Exxon Happy Valley "B" Fed. #1, 11692'TD, 1471'FS & 1908'FW, Morrow Prod

Sec. 29

Yates Airport West "AGL" #1, 11650'TD, 990'FS & 1980'FE, Dry Hole

Sec. 33

Collins & Ware Sheep Draw #1, 11735'TD, 660'FN & 2310'FE, Strn Prod.
" " " " " #2, 4990'TD, 990'FN & 2310'FW, Delaware Prod.

T23S, R26E

Sec. 4

Union Federal #1, 3508'TD, 660'FN & 660'FW, Dry Hole

Trash
Bin

Reserve Pit

100' X 100'

Waste Pit
8' X 20'

Mud
Pits

Drilling
Rig

Well
Bore

Dog House

Pipe
Racks

Slinger
30' X 40'

Trailer House

Toilet

Access Road

Area Archaeologically Cleared
400' X 400'

N

EXHIBIT "4"
DRILLING RIG LAYOUT
COLLINS & WARE, INC.

SHEEP DRAW FEDERAL NO. 3
SCALE: NONE