

APPLICATION FOR DRILLING

CHI OPERATING, INC.
Remington Federal, Well No. 2
1980' FSL & 1980' FWL, Sec. 3-T20S-R28E
Eddy County, New Mexico
Lease No.: NM-9818
(Development Well)

In conjunction with Form 3160-3, Application for Permit to Drill subject well, Chi Operating, Inc. submits the following items of pertinent information in accordance with BLM requirements:

1. The geologic surface formation is recent Permian with quaternary alluvium and other surficial deposits.

2. The estimated tops of geologic markers are as follows:

| | | | |
|--------------|-------|------------------|-------|
| Grayburg | 1845' | 1st Bone Springs | 6175' |
| San Andres | 2265' | 2nd Bone Springs | 7075' |
| Delaware | 3165' | T.D | 8000' |
| Bone Springs | 4385' | | |

3. The estimated depths at which water, oil or gas formations are anticipated to be encountered:

Water: Surface water between 100' - 300'.

Oil: Possible in the Bone Springs below 6175'.

Gas: Possible in the Bone Springs below 6175'.

4. Proposed Casing Program: See Form 3160-3.
5. Proposed Control Equipment: See Form 3160-3 and Exhibit "E".
6. Mud Program: See Form 3160-3.
7. Auxiliary Equipment: Blowout Preventer, gas detector, Kelly cock, pit level monitor, flow sensors and stabbing valve.
8. Testing, Logging, and Coring Program:

Drill Stem Tests: None.
Logging: T.D. to 3000': LDT-CNL, DLL/msfl, GR.
3000' to surface: LDT/GR
Coring: None.
9. No abnormal pressures or temperatures are anticipated. In the event abnormal pressures are encountered the proposed mud program will be modified to increase the mud weight. Estimated BHP = 2400 with a temperature of 133°.
10. H₂S: None encountered in previous wells drilled in the area.
11. Anticipated starting date: September 20, 1993.
Anticipated completion of drilling operations: Approximately 4 weeks.