OVERVIEW

The New Mexico "DF" State Com #3 well was drilled in late 1996 as a test of the Cisco Dolomite formation. After setting casing, 55 feet of open hole was drilled with air at a rate of 25 feet per hour. The zone potentialed for 0 BOPD, 0 BWPD and 3134 MCFD. It is proposed to drill a single ± 400' (VS) horizontal lateral in this formation employing nitrogen to drill this well as under balanced or close to balance as possible (BHP projected at less than 500 psi). The basic well plan is as follows:

a) Kill well. TOOH with tubing and packer. Run a bit and scraper to ±6900 (bottom of 7" at 6920'). TOOH. TIH with a CIBP and set at ±6854' (top). TOOH.

b) TIH with a 3 degree bottom set whipstock (top of window ±6839', bottom of window ±6846') and set at a 325 degree azimuth.

c) Drill a short radius curve using a 4-3/4" bit to a measured depth of ±6950' (TVD ±6924'). The final angle will be 72.51 degrees from vertical. After milling through the casing, change hole over to nitrogen.

d) Drill ±359'. End point will be 7309' MD, 7032' TVD, 328' north, 229' west, 325 degree azimuth.

e) Depending on productivity, a coiled tubing acid wash may be needed. Place well on production.

PARTIAL LOST IN HOLE INSURANCE FOR THE DOWNHOLE MOTOR AND MWD IS INCLUDED WITH THE DAILY RATE FROM SCIENTIFIC DRILLING.