

APPLICATION FOR DRILLING

W.A. Moncrief, Jr.
Lechuguilla Canyon Unit No. 5
Eddy County, New Mexico

In conjunction with Form 9-331C, Application for Permit to Drill subject well in Section 15, Township 24 South, Range 24 East, Eddy County, New Mexico, W.A. Moncrief, Jr. submits the following ten items of pertinent information in accordance with U.S.G.S. requirements:

1. The geologic surface formation is Permian-Seven Rivers formation.
2. The estimated tops of geologic markers are as follows:

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|-----------------------|---------|
| Delaware | 2596' |
| Bone Springs Sand | 3354' |
| 2nd Bone Springs Sand | 5500' |
| 3rd Bone Springs Sand | 6949' |
| Wolfcamp | 7550' |
| Strawn | 8830' |
| Atoka | 9040' |
| Morrow | 9446' |
| Morrow Sand | 9630' |
| Barnett | 10,130' |
3. The estimated depths at which water, oil or gas formations are expected to be encountered:

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|-------------|---------------|-------|------------|
| Water: | 250' to 300'; | Base | 500' |
| Oil or Gas: | Strawn | 8830' | to 9040' |
| | Atoka | 9040' | to 9446' |
| | Morrow | 9446' | to 10,700' |
4. Proposed Casing Program: See Form 9-331C.
5. Pressure Control Equipment: See Exhibit D
6. Mud Program: See Form 9-331C.
7. Auxiliary Equipment: Blowout Preventer, Inside Blowout Preventer, Kelley Cock.
8. Testing, logging and coring programs:

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| Two drill stem tests: | One in Upper Morrow Sands at 10,000'-10,200' |
| | One in Lower Morrow Sands at 10,300'-10,500' |
| Logging: | Compensated neutron formation density logs. Dual lateral logs. Micro-SFL |
| Coring: | No cores anticipated. |
9. No abnormal pressures or temperatures are expected.
10. Anticipated starting date: As soon as possible. (June 2, 1977)