

APPLICATION TO DRILL

Southwest Royalties, Inc.
China Grove Federal #1
Section 1, T26S, R29E
Eddy County, New Mexico

In response to questions asked under Section II B of Bulletin NTL-6, the following information is provided for your consideration:

1. Location: 660' FNL & 660' FWL Section 1, T26S, R29E Eddy Co.,
New Mexico
2. Elevation Above Sea Level: GL 3052
3. Geologic Name of Surface Formation: Quaternary Aeolian Deposits
4. Drilling Tools and Associated Equipment: Conventional rotary
drilling rig using mud for the circulation medium.
5. Proposed Drilling Depth: 7200'
6. Estimated Geological Marker Tops:

Dewey Lake	300'	Delaware Sand	3210'
Rustler	600'	Cherry Canyon	4075'
Salado	1300'	Williamson Sand	5255'
Castille	1550'	Getty Sand	5350'
Base of Salt	2870'		
Delaware	3175'		
7. Possible Mineral Bearing Formation:

Delaware	3175-6000'	Oil
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8. Casing Program:

Hole Size	Interval	OD Csg	Weight Thread Grade Condition
25	0 - 40	20	Conductor .30 Wall New
17 1/2	0 - 600	13 3/8	54.5# 8R J-55 ST&C Used (tested and inspected)
11	0 - 3000	8 5/8	24# & 32# 8R J-55 ST&C Used (tested and inspected)
7 7/8	0 - 7200	5 1/2	15.5# & 17# 8R J-55 ST&C New