

APPLICATION FOR PERMIT TO DRILL
KAISER-FRANCIS OIL COMPANY
Pure Gold "A" Federal No. 3
Surface Location: 10' FSL & 290' FWL Sec 16
Bottomhole Location: 480' FNL & 480' FWL Sec 21
Eddy County, New Mexico

In conjunction with Form D160-3, Application for Permit to Drill, Kaiser-Francis Oil Company submits the following items of pertinent information in accordance with Onshore Oil & Gas Order Nos. 1 & 2, and with all other applicable federal and state regulations.

1. The geologic surface formation is Quaternary alluvium and other surficial deposits.
2. The estimated tops of geologic markers are as follows:

Delaware	4150'
Bone Springs	3000'
TD	3100'

3. We do not anticipate encountering water, and oil and gas formations are as follows:

Delaware

4. Proposed Casing Program: See Form D160-3 and Exhibit A.
5. Pressure Control Equipment: See Exhibit B.
6. Mud Program: See Exhibit C.
7. Auxiliary equipment: Blowout preventer.
8. Testing, Logging, and Coring Programs: No DST's are anticipated. Approximately 25 rotary drilled sidewall wireline cores will be taken in various Delaware zones between 3900' to 3900'. Electric logs will consist of a Compensated Neutron/Litho Density w/Gamma Ray and Caliper and a Dual Laterolog. A Mudlogging unit will be used from 4150' to TD.
9. No abnormal pressures, no abnormal temperatures and no H2S are expected.
10. Anticipated starting date: As soon as possible.