



N. M. Oil Cons. Division
 611 S. 1ST ST.
 ARTESIA, NM 88010 2884

OXY USA Inc.
 P.O. Box 50250, Midland, TX 79710-0250

September 25, 2000

United States Department of the Interior
 Bureau of Land Management
 Roswell District Office
 2909 West Second Street
 Roswell, New Mexico 88201

Re: Application for Permit to Drill
 OXY USA Inc.
 OXY Penny Loafer Federal #1
 Eddy County, New Mexico
 Lease No. NM91500



Gentlemen:

OXY USA Inc. respectfully requests permission to drill our OXY Penny Loafer Federal #1 located 1350 FNL and 930 FEL of Section 23, T21S, R22E, Eddy County, New Mexico, Federal Lease No. NM91500. The proposed well will be drilled to a TD of approximately 9300' (TVD). The location and work area has been staked. It is approximately 22 miles northwest of Carlsbad, New Mexico.

In accordance with requirements stipulated in Federal Onshore Oil and Gas Order No. 1 under 43 CFR 3162.1, our Application for Permission to Drill and supporting evidence is hereby submitted.

I. Application for Permit to Drill:

1. Form 3160.3, Application for Permit to Drill.
2. Form C-102 Location and Acreage Dedication Plat certified by Gary L. Jones, Registered Land Surveyor No. 7977 in the State of New Mexico, dated August 17, 2000.
3. The elevation of the unprepared ground is 4216 feet above sea level.
4. The geologic name of the surface formation is Permian Rustler.
5. Rotary drilling equipment will be utilized to drill the well to TD 9300' (TVD), and run casing. This equipment will then be rigged down and the well will be completed with a pulling unit.
6. Proposed total depth is 9300' TVD.
7. Estimated tops of important geologic markers.

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| Wolfcamp | 5900' TVD |
| Strawn | 7900' TVD |
| Atoka | 8500' TVD |
| Morrow | 8800' TVD |

8. Estimated depths at which anticipated water, oil, gas or other mineral bearing formations are expected to be encountered:

Primary Objective: Morrow 8800' TVD

Secondary Objective: Atoka 8500' TVD