Application for Drilling

Saxon Oil Company
Well #1 Holly Federal
Roosevelt County, New Mexico

In conjunction with permitting subject well for drilling, in Section 28, Township 7 South, Range 35 East, Roosevelt County, New Mexico, Saxon Oil Company submits the following points of pertinent information in accordance with U.S.G.S. letter of July 1, 1976.

1. The geologic surface formation is Ogallala.

2. The estimated tops of geologic markers are as follows:

Rustler	1660	Wolfcamp (Pay)	7595
Salt	1720	Cisco	7965
Base Salt	2100	Granite Wash	8040
San Andres	3450	Granite	8090
Wolfcamp	7400		

3. The depth at which water, oil or gas are expected to be encountered is:

   7595'

4. Casing Program:

   12 3/4", 35#, H-40, to 350' cement with 250 sacks.
   8 5/8", 24#, 28#, 32#, K-55, to 4800' cement with 1300 sacks.
   4 1/2", 9.5#, 10.5#, 11.6#, J-55, to 8100' cement with 250 sacks.

5. Blowout Preventors:

   Ram type Series 900 with double Hydraulic rams. This is a Schaeffer blowout preventor (2000# working pressure, 4000# test). The fill, kill and choke lines are indicated on the BOP specification sheet.

6. Circulating Medium:

   Steel and earthern pits will be used to hole mud and cuttings and the drilling fluids as follows:

   Natural mud to 4800', paper to control seepage and reduce filter cake in Santa Rosa. Benex mud will be utilized from 4800'-7000' with a weight of 9.2#, viscosity of 33-34, with no water loss control. The weight will be increased at 7000' to 9.7#-9.8#, water loss reduced to 10cc or less, viscosity increased to 38-40, and 4-5% oil added. This will be carried to total depth.

7. The rig will be equipped with safety device such as kelly cock, drill pipe float, full opening stabbing valve, inside drill pipe BOP, etc. Operational tests will be run weekly and results noted on tour sheets.

8. Three drill stem tests will be conducted at depths to be determined.

9. No abnormal pressures or temperatures or potential hazards are expected to be encountered.

10. Anticipated starting date is 6-15-77 with completion of operations expected to be on or about 7-15-77.

Multipoint Surface Use and Operations Plan

Saxon Oil Company
Well #1 Holly Federal
660' FNL, 1980' FEL, Section 28, T-7-S, R-35-E
Roosevelt County, New Mexico

This plan is submitted with the Application for Permit to Drill the above described well. The purpose of the plan is to describe the location of the proposed well, the proposed construction activities and operations plan, the magnitude of necessary surface disturbances involved, and the procedures to be followed in rehabilitating the surface after completion of the operation so that a complete appraisal can be made of the environmental effects associated with the operation.

1. Existing Roads:

   A. Existing roads in the vicinity of planned well are shown on the attached Exhibit "A". The well is located approximately 3 miles NW of Milensand, N.M. To reach location, go north from Milensand on State Highway 18 for 2.75 miles, turn west and go 1.25 miles on lease road. Location is approximately 150' north of this road.

2. Planned Access Roads:

   A. No road will be constructed since the location will be adjacent to the existing road; however, some repair will be made to the existing road.

3. Location of Existing Wells:

   A. Existing wells within a one-mile radius are shown on Exhibit "B".

4. Location of Existing and/or Proposed Facilities:

   A. There is no production equipment on this lease at present. If production is established, a tank battery will be built on the drilling pad and no additional surface disturbance will occur.

5. Location and Type of Water Supply:

   A. Water will be purchased and trucked to the wellsite over existing roads shown on Exhibit "A".

6. Source of Construction Material:

   A. Caliche for road repair and the well pad will be obtained from an existing pit in the SE 1/4 SE 1/4 Sec. 27, T-7-S, R-35-E. This pit is currently open and has been utilized for most building material in the area.

7. Methods of Handling Waste Disposal:

   A. Drill cuttings will be disposed of in the drilling pits.

   B. Drilling fluids will be allowed to evaporate in the drilling pits until pits are dry.

   C. Water produced during tests will be disposed of in the drilling pits. Oil produced during tests will be stored in the test tanks until sold.

   D. Sewage will be collected at a pit at least 6' deep below an outside latrine. Suitable chemical will be added to aid decomposition of the waste material and then back filled following completion of the well.

   E. Trash, waste paper, garbage and junk will be buried in a separate trash pit and covered with a minimum of 24 inches of dirt. All waste material will be contained to prevent scattering by the wind. Location of trash pit is shown on Exhibit "C".

   F. All trash and debris will be buried or removed from the wellsite within 30 days after finishing drilling and/or completion operations.

8. Ancillary Facilities:

   A. None required.

9. Wellsite Layout:

   A. Exhibit "C" shows the relative location and dimension of the well pad, mud pits, reserve pit, trash pit and location of major rig components.

   B. Only minor leveling of the wellsite will be required. No significant cuts and fills will be necessary.

   C. The reserve pit will be plastic lined.

   D. The pad and pit area has been staked and flagged.

10. Plans for Restoration of the Surface:

   A. After completion of drilling and/or completion operations all equipment and other material not needed for operations will be removed. Pits will be filled and location cleaned of all trash and junk to leave wellsite in an aesthetically pleasing condition as possible.

   B. Any unguarded pits containing fluids will be fenced until they are filled.

   C. After abandonment of the well, surface restoration will be in accordance with the agreement with the surface owner. Pits will be filled and location will be cleaned. The pit area, well pad, and all unneeded access road will be ripped to promote revegetation. Rehabilitation should be accomplished within 90 days after abandonment.

11. Other Information:

   A. Topography:

      Land surface is undulating to gently rolling and duny. From an elevation of 4,218' at the wellsite, the land surface slopes from toward the southeast at about 20' per mile.

   B. Soil:

      Soil is a deep fine sand underlain by caliche.

C. Flora and Fauna:

The vegetative cover is generally sparse and consist of shinnery oak, yucca and perenial native range grasses. Wildlife in the area is that typical of semi-arid desert land and includes coyotes, rabbits, rodents, reptiles, dove and quail.

D. Ponds and Streams:

There are no rivers, streams, lakes or ponds in the area.

E. Residences and Other Structures:

The nearest occupied dwelling is a ranch house 1.3 miles S.E. of the wellsite. The nearest water well is a windmill 1 mile west.

F. Archeological, Historical & Cultural Sites:

None observed in the area.

G. Land Use:

Grazing and hunting in season.

H. Surface Ownership:

Wellsite is on privately owned land.

12. Operators Representative:

The field representative responsible for assuring compliance with the approved surface use and operations plan are as follows:

Mr. J. D. Keith
1006 South Gary
Monahans, Texas 79756
Phone: 915/943-4718

Mr. Robert Beals
1000 Wall Towers West
Midland, Texas 79701
Phone: 915/684-8027

13. Certification:

I hereby certify that I, or persons under my direct supervision, have inspected the proposed drillsite and access route; that I am familiar with the conditions which presently exist; that the statements made in this plan are, to the best of my knowledge, true and correct; and, that the work associated with the operations proposed herein will be performed by Saxon Oil Company and its contractors and subcontractors in conformity with this plan and the terms and conditions under which it is approved.

5-11-77
Date

John W. Mulloy
Agent
Saxon Oil Company