U. S. MINERALS LEASE WELL NO. 5, NM-801

SW/4 SE/4 SECTION 30, T-17-S, R-33-E, LEA CO. N.M.

1. Location of Proposed Well: 990' FS and 1650' FEL, Sec. 30, T-17-S, R-33-E, Lea County, New Mexico.

2. Unprepared Ground Elevation: 4029.2'.

3. The geologic name of the surface formation is Quaternary Alluvium and Sand Dunes overlying caliche.

4. Type of drilling tools will be standard rotary rig.

5. Proposed drilling depth is 4500' (Grayburg-San Andres).

6. The estimated tops of important geologic markers are as follows:

Rustler	1210'	Queen	3570'
Salado	1320'	Grayburg	4040'
Yates	2610'		

7. The estimated depths at which anticipated water, oil, gas, or other mineral bearing formations are expected to be encountered are as follows:

Water:	Rustler	1210'
Oil & Gas:	Yates	2610'
	Queen	3570'
	Grayburg	4040'

8. The proposed casing program is as follows:

Surface String (0-1280') 8-5/8", 32#, K-55, 1 Cond.
Production String (0-4500') 5-1/2", 14#, K-55, 1 Cond., 5000# Frac.

9. Cement Program: Surface String = Cement to circulate at surface with sufficient Class H w/2% CaCl and 1/4#/sx Flocele mixed 15.8 ppg (Volume to be determined by hydraulic displacement).

Production String = Cement with Trinity Lite Wate w/12#/sx salt, 10% Diacel D, 1/4#/sx Flocele, and 3#/sx Gilsonite (11.5#/gal, 2.5 cu. ft./sx, Thickening - Time = 3+ hrs, 24 hr. Strength = 316 psi) followed by 150 sxs of Class H with 5#/sx salt (slurry WT = 15.9 ppg, yield = 1.2, Thickening - Time = 4+ hrs).
(Volume of Trinity Lite Wate to be determined by caliper and to be sufficient to tie back into 8-5/8" csg.)
Displace plug with 15 barrels of 10% acetic acid and fresh water. Run temperature survey to determine top of cement.

10. The minimum specifications for pressure control equipment which are to be used, a schematic diagram thereof showing sizes, pressure ratings (or API series) and the testing procedure and testing frequency are attached.

11. The proposed mud program is attached (see drilling specialties mud letter).

12. The testing, logging, and coring programs are as follows:

    No D.S.T.'s or cores. Run open-hole logs: BHC-Acoustilog-GR-Caliper from TD to surface. Dual Lateralog-Microlateralog-GR from TD to 2400'.

13. Anticipate no abnormal pressures or temperatures to be encountered or any other potential hazards such as Hydrogen Sulfide Gas.

14. The anticipated starting date is immediately upon approval with duration of operations for approximately 30 days thereafter.

15. Water Supply: Obtained from Steve Carter and trucked to well site.

16. Caliche for road and pad construction to be obtained from State pit 1/2 mile SE of well site and trucked to location.