APPLICATION FOR DRILLING
SEELY OIL COMPANY.
McElvain Federal, Well No. 12
760' FNL & 2020' FEL, Sec. 29-T18S-R34E
Lea County, New Mexico
Lease No.: NM-0245247
(Development Well)

In conjunction with Form 3160-3, Application for Permit to Drill subject well, Seely Oil Co. submits the following items of pertinent information in accordance with BLM requirements:

1. The geologic surface formation is recent Permian with quaternary alluvium and other surficial deposits.

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

Rustler	1,730'	7-Rivers	3,710'
Top of Salt	1,900'	Queen	4,500'
Base of Salt	3,050'	Delaware	5,650'
Yates	3,270'	T.D.	6,250'

3. The estimated depths at which water, oil or gas formations are anticipated to be encountered:

   Water: Surface water in the Triassic between 80' - 230'.
   Oil: Possible in the Queen below 4,500' and Delaware below 5650'.
   Gas: None expected.

4. Proposed Casing Program:

HOLE SIZE	CASING SIZE	WEIGHT	GRADE	JOINT	SETTING DEPTH	QUANTITY OF CEMENT
11"	8 5/8 "	24.0#	J-55	ST&C	1,700'	Circ. 580 sx "C"
7 7/8"	5 1/2"	17.0#	J-55	ST&C	6,250'	300 sx H/Lite + 675 sx "H"/Pozmix

5. Proposed Control Equipment: See Exhibit "E":

   BOP Program:
   A 10" 3000 psi wp Shaffer, Type E, double ram BOP, will be installed on the 8 5/8" casing and used as a 2000 psi wp system. Casing and BOP will be tested as described in Onshore Order No. 2 before drilling out with 7 7/8". Request waiver to test to a maximum of 1400 psi wp, which is the maximum expected surface pressure.

6. Mud Program:

		MUD WEIGHT	VIS.	W/L CONTROL
0' - 1700':	Fresh water mud	9.3 ppg	33	No W/L control
1700' - 4100':	Brine mud:	10.0 ppg	32	No W/L control
4100' - 6250':	Cut Brine mud w/gel:	8.8 ppg	32	W/L control 15 cc+/-

7. Auxiliary Equipment: Blowout Preventer, gas detector, Kelly cock,.

8. Testing, Logging, and Coring Program:

   Drill Stem Tests: None unless warranted.
   Logging: T.D. to 1700':   G/R-Density Neutron, Dual Induction Log
             1700' to surface: G/R, Neutron
   Coring: None planned unless warranted.