

APPLICATION FOR DRILLING

HONDO OIL & GAS COMPANY
Smith Ranch "11" Federal #3
990' FSL & 1980' FWL, Sec. 11-T20S-R33E
Lea County, New Mexico
Lease No.: NM-13280
(Development Well)

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

1. The geologic surface formation is recent Permian with quaternary alluvium with surficial deposits.
2. The estimated tops of geologic markers are as follows:

Rustler	1350'
Base of Salt (Tansill)	3200'
Yates	3450'
Seven Rivers	3750'
Delaware Sand	5100'
Bone Springs	8000'
Top of Bone Springs Sand	9300'
TD	10350'

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

Water: Random fresh water sands from surface to 300'

Oil: Bone Springs Sand at 9300'

Gas: None expected

4. Proposed Casing Program: See Form 3160-3.
5. Proposed Control Equipment: On the 20" surface casing a 20 3/4" 3000 psi Double Ram Hydraulic BOP and choke manifold will be installed. On the 13 3/8" casing a 13 5/8" 5000 psi working pressure Hydril Annular and a 13 5/8" 5000 psi Shaffer Double Ram Hydraulic BOP and choke manifold will be installed (see Exhibit "D"). The BOP and choke manifold will be tested to BLM specifications.
6. Mud Program: See Form 3160-3.
7. Auxiliary Equipment: Blowout preventer, gas detector, kelly cock, pit level monitor, flow sensors and stabbing valve.
8. Testing, Logging and Coring Program:

Drill Stem Tests: Possibly one DST in the Bone Springs
@ ± 9300'