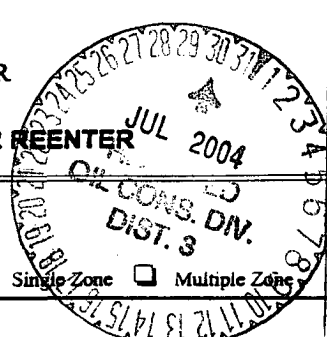


UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

APPLICATION FOR PERMIT TO DRILL OR REENTER

FORM APPROVED
OMB No. 1004-0136
Expires January 31, 2004



| | | | |
|---|--|---|---|
| 1a. Type of Work: <input checked="" type="checkbox"/> DRILL <input type="checkbox"/> REENTER | | | 5. Lease Serial No. SF-078899-A |
| 1b. Type of Well: <input type="checkbox"/> Oil Well <input checked="" type="checkbox"/> Gas Well <input type="checkbox"/> Other <input checked="" type="checkbox"/> Single Zone <input type="checkbox"/> Multiple Zones | | | 6. If Indian, Allottee or Tribe Name |
| 2. Name of Operator Pro New Mexico Energy, Inc. | | | 7. If Unit or CA Agreement, Name and No. |
| 3a. Address 460 St. Michael's Dr. Building 300, Ste. 402 Santa Fe, NM 87505 | | 3b. Phone No. (include area code) 505/988-4171 | 8. Lease Name and Well No. Gracia Federal 8-C # 2 |
| 4. Location of Well (Report location clearly and in accordance with any State requirements. *) At surface 915' FNL; 1840' FWL At proposed prod. zone Same as above | | | 9. API Well No. 3004531819 |
| 10. Field and Pool, or Exploratory Basin Fruitland Coal | | | 11. Sec., T., R., M., or Blk. and Survey or Area C Section 8-T26N-R11W |
| 14. Distance in miles and direction from nearest town or post office* 18 miles south of Bloomfield, NM | | | 12. County or Parish San Juan |
| 15. Distance from proposed* location to nearest property or lease line, ft. (Also to nearest drig. unit line, if any) 915' | | | 13. State NM |
| 16. No. of Acres in lease 320 | | 17. Spacing Unit dedicated to this well 160 acres (8/2 unit) 320 W/2 | |
| 18. Distance from proposed location* to nearest well, drilling, completed, applied for, on this lease, ft. 125' | | 19. Proposed Depth 1650' | |
| 20. BLM/BIA Bond No. on file | | 21. Estimated duration 5 days | |
| 21. Elevations (Show whether DF, KDB, RT, GL, etc.) 6198' GL | | 22. Approximate date work will start* ASAP | |
| 23. Estimated duration 5 days | | 24. Attachments | |

The following, completed in accordance with the requirements of Onshore Oil and Gas Order No.1, shall be attached to this form:

- | | |
|---|--|
| 1. Well plat certified by a registered surveyor. | 4. Bond to cover the operations unless covered by an existing bond on file (see Item 20 above). |
| 2. A Drilling Plan. | 5. Operator certification. |
| 3. A Surface Use Plan (if the location is on National Forest System Lands, the SUPO shall be filed with the appropriate Forest Service Office). | 6. Such other site specific information and/or plans as may be required by the authorized officer. |

| | | |
|---|---|------------------|
| 25. Signature <i>Dennis R. Reimers</i> | Name (Printed/Typed) Dennis R. Reimers | Date 04/23/03 |
| Title Agent | | |
| Approved by (Signature) <i>[Signature]</i> | Name (Printed/Typed) AFM | Date 7-27-04 |
| Title AFM | Office FPO | |

Application approval does not warrant or certify the the applicant holds legal or equitable title to those rights in the subject lease which would entitle the applicant to conduct operations thereon.

Conditions of approval, if any, are attached.

Title 18 U.S.C. Section 1001 and Title 43 U.S.C. Section 1212, make it a crime for any person knowingly and willfully to make to any department or agency of the United States any false, fictitious or fraudulent statements or representations as to any matter within its jurisdiction.

*(Instructions on reverse)

This action is subject to technical and procedural review pursuant to 43 CFR 3165.3 and appeal pursuant to 43 CFR 3165.4

DRILLING OPERATIONS AUTHORIZED ARE
SUBJECT TO COMPLIANCE WITH ATTACHED
"GENERAL REQUIREMENTS".

NMOC

APR 29 PM 1:53

District I
1625 N. French Dr., Hobbs, NM 88240
District II
1301 W. Grand Avenue, Artesia, NM 88210
District III
1000 Rio Brazos Rd., Aztec, NM 87410
District IV
1220 S. St. Francis Dr., Santa Fe, NM 87505

State of New Mexico
Energy, Minerals & Natural Resources Department
OIL CONSERVATION DIVISION
1220 South St. Francis Dr.
Santa Fe, NM 87505

Form C-102
Revised August 15, 2000
Submit to Appropriate District Office
State Lease - 4 Copies
Fee Lease - 3 Copies

☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

| | | |
|---|--|--|
| ¹ API Number 30-045-31819 | ² Pool Code 71629 | ³ Pool Name BASIN FRUITLAND COAL |
| ⁴ Property Code 34160 | ⁵ Property Name GRACIA FEDERAL 8-C | ⁶ Well Number 2 |
| ⁷ OGRID No. 018118 | ⁸ Operator Name PRO NEW MEXICO, INC. | ⁹ Elevation 6198 |

¹⁰ Surface Location

| UL or lot no. | Section | Township | Range | Lot Ida | Feet from the | North/South line | Feet from the | East/West line | County |
|---------------|---------|----------|-------|---------|---------------|------------------|---------------|----------------|----------|
| C | 3 | 26 N | 11 W | | 915 | North | 1840 | West | San Juan |

¹¹ Bottom Hole Location If Different From Surface

| UL or lot no. | Section | Township | Range | Lot Ida | Feet from the | North/South line | Feet from the | East/West line | County |
|---------------|---------|----------|-------|---------|---------------|------------------|---------------|----------------|--------|
| | | | | | | | | | |

| | | | |
|---------------------------------------|------------------------------------|----------------------------------|-------------------------|
| ¹² Dedicated Acres 3.20 | ¹³ Joint or Infill Y | ¹⁴ Consolidation Code | ¹⁵ Order No. |
|---------------------------------------|------------------------------------|----------------------------------|-------------------------|

NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION

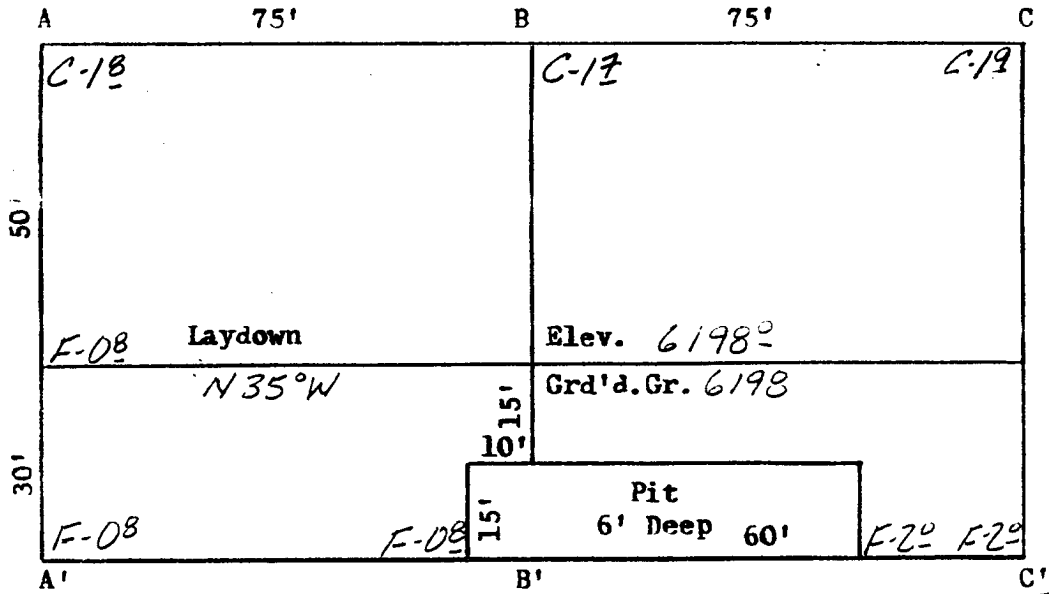
| | |
|---|---|
| <p>¹⁶ NB7°02'W - 40.69CH. - NB9°25'W 39.85CH.</p> <p>1840'</p> <p>915'</p> <p>LAT. 36.5071°N. LONG. 108.0290°W.</p> <p>SF-078899-A</p> <p>Sec. 8</p> <p>SF078899</p> <p>N 88°42'W 80.08CH.</p> <p>80.14CH.</p> <p>79.44CH.</p> <p>79.69'E</p> <p>80.50'E</p> <p>Oil Conservation Division DIST. 3 JUL 2004</p> | <p>¹⁷ OPERATOR CERTIFICATION I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.</p> <p><i>Dennis R. Reimers</i> Signature Dennis R. Reimers Printed Name Agent Title 04/09/03 Date</p> <p>¹⁸ SURVEYOR CERTIFICATION I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my belief.</p> <p>WILLIAM E. MADDORE II #8465 Date of Survey Signature of Surveyor Certificate Number</p> |
|---|---|

PRO NEW MEXICO, INC.

915'FNL & 1840'FWL
Sec.8, T26N, R11W, NMPM
San Juan Co., NM

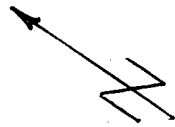
*
#1

EDGE OF EXISTING ROAD



OH POWER

POLE



A-A' Vert.: 1"= 9' Horiz.: 1"= 30'

C/L

| | | | | | | |
|------|--|--|--|--|--|--|
| 6199 | | | | | | |
| 6196 | | | | | | |
| | | | | | | |

B-B'

| | | | | | | |
|------|--|--|--|--|--|--|
| 6199 | | | | | | |
| 6196 | | | | | | |
| | | | | | | |

C-C'

| | | | | | | |
|------|--|--|--|--|--|--|
| 6199 | | | | | | |
| 6196 | | | | | | |
| | | | | | | |

GRACIA FEDERAL 8-C # 2
915' FNL; 1840' FWL
SECTION 8-T26N-R11W
SAN JUAN COUNTY, NM

Drilling Program

1. Formation Tops

The estimated tops of important geologic markers are:

| <u>Formation Name</u> | <u>GL Depth</u> | <u>KB Depth</u> |
|-----------------------|-----------------|-----------------|
| Basal Fruitland Coal | 1468' | 1478' |
| Pictured Cliffs | 1502' | 1512' |
| Total Depth (TD) | 1640' | 1650' |

* All elevations reflect the ungraded ground level of 6198'.

2. Notable Zones

Oil and Gas Zones

| | |
|-----------------|-------|
| Fruitland Coal | 1263' |
| Pictured Cliffs | 1512' |

The primary objective is the Basin Fruitland Coal formation. Completion may require fracturing. The entire wellbore will be cased. Water zones will be protected with casing, cement and weighted mud. Oil and gas shows will be tested for commercial potential based on the well site geologist's recommendations.

3. Pressure Control

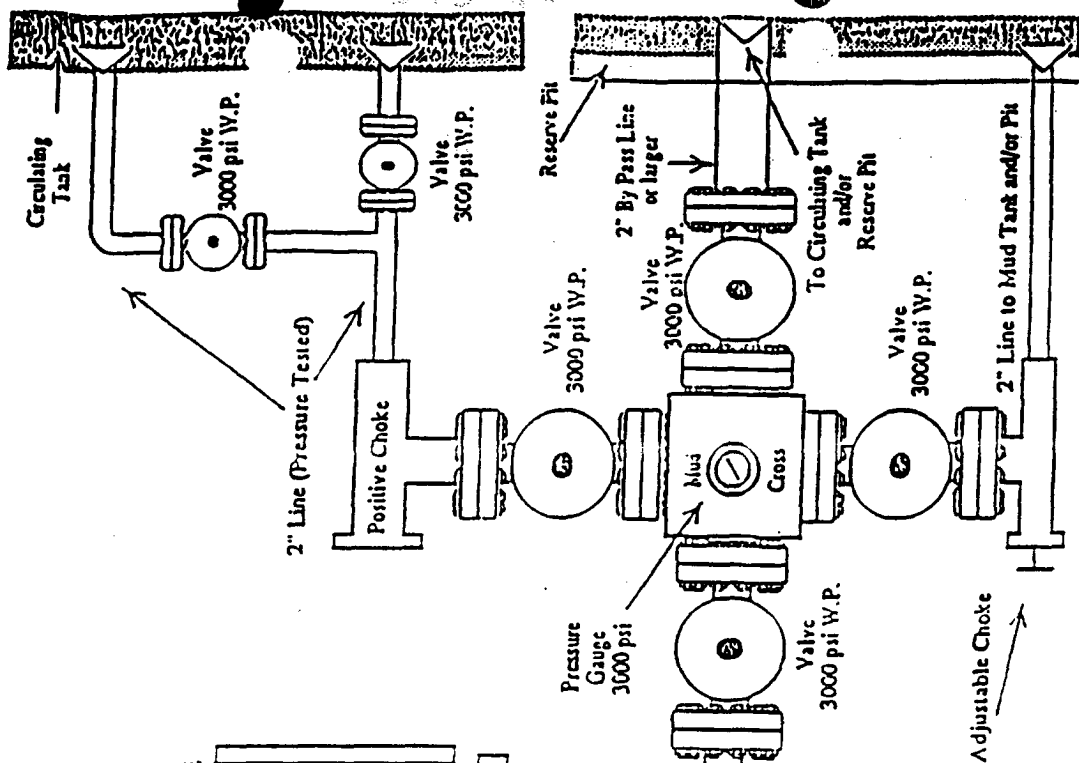
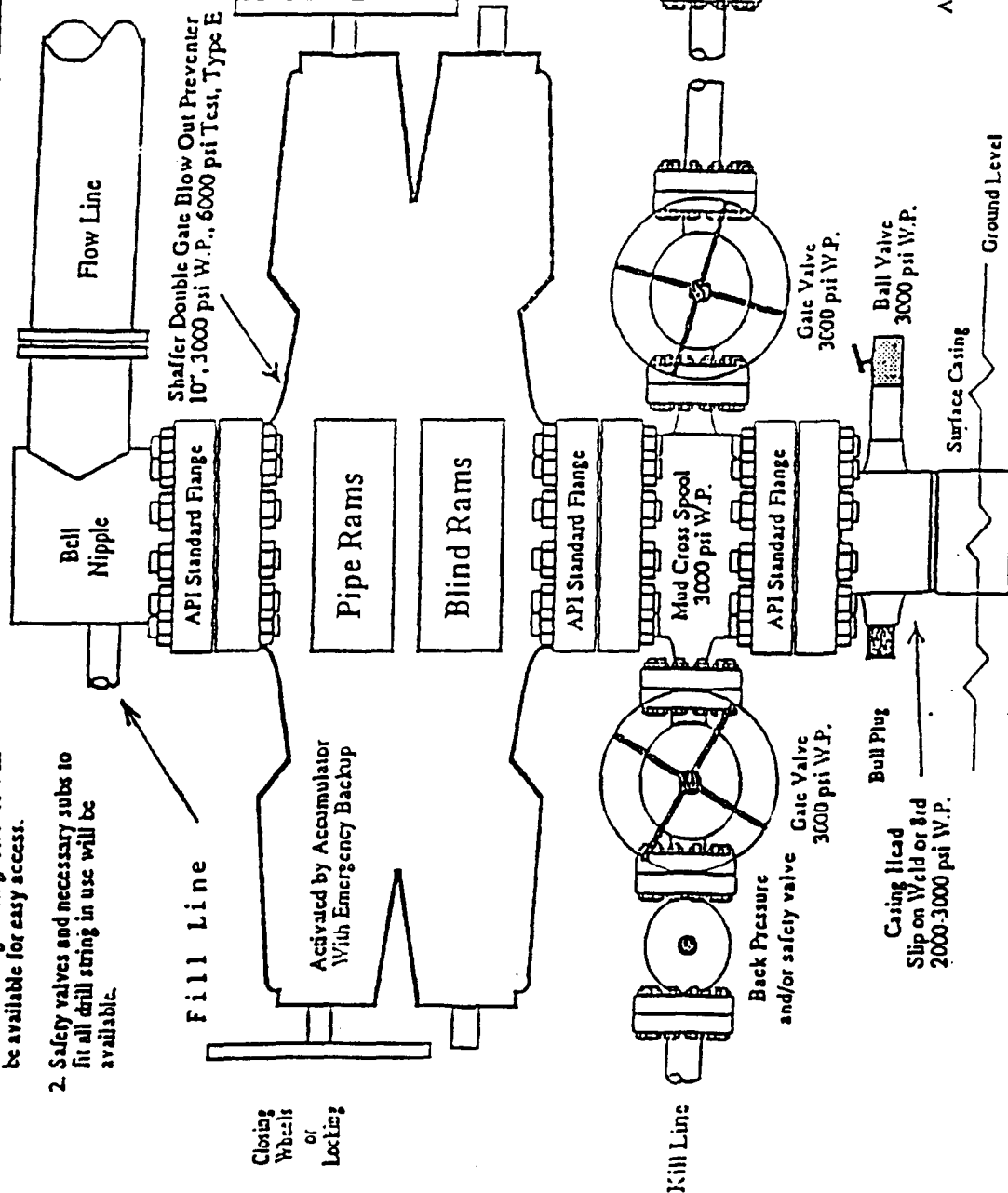
BOP systems will follow Onshore Order No. 2. The drilling contract has not been awarded yet, thus the exact BOP model to be used is not yet known. A typical model is shown on the attached page.

Once out from under the surface casing, a minimum of 2,000 psi BOP and choke manifold system will be used. BOP controls will be installed before drilling the surface casing plug and used until the well is completed or abandoned.

Pressure Control Equipment

Note: 1. An upper Kelly cock valve will be utilized during drilling. Handle will be available for easy access.

2. Safety valves and necessary subs to fit all drill string in use will be available.



Note: This equipment is designed to meet requirements for a 2-M rating standard per 43 CFR part 3160 (amended). Proper operation and testing of equipment will be carried out per standard. 2,000 psi equipment can be substituted in the drawing to meet minimum requirements per standard.

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

FORM APPROVED
OMB No. 1004-0135
Expires November 30, 2000

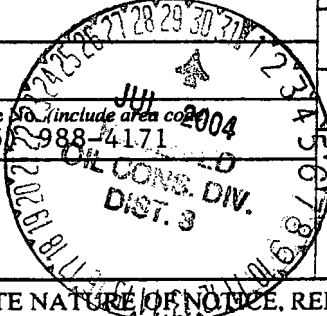
SUNDRY NOTICES AND REPORTS ON WELLS
Do not use this form for proposals to drill or to re-enter an abandoned well. Use Form 3160-3 (APD) for such proposals.

RECEIVED

SEP 22 AM 11:00

SUBMIT IN TRIPLICATE - Other instructions on reverse side

| | | |
|--|---|---|
| 1. Type of Well <input type="checkbox"/> Oil Well <input checked="" type="checkbox"/> Gas Well <input type="checkbox"/> Other | | 3. Lease Serial No. SF-078899-A |
| 2. Name of Operator Pro New Mexico Energy, Inc. | | 6. If Indian, Allottee or Tribe Name |
| 3a. Address 460 St. Michaels Drive Santa Fe, NM 87505 | 3b. Phone No. (include area code) (505) 988-4171 | 7. If Unit or CA/Agreement, Name and/or No. NM |
| 4. Location of Well (Footage, Sec., T., R., M., or Survey Description) 915' FNL; 1840' FWL Section 8-T26N-R11W | | 8. Well Name and No. Gracia Federal 8C #2 |
| | | 9. API Well No. 30045 31819 |
| | | 10. Field and Pool, or Exploratory Area Basin Fruitland Coal |
| | | 11. County or Parish, State San Juan County, NM |



12. CHECK APPROPRIATE BOX(ES) TO INDICATE NATURE OF NOTICE, REPORT, OR OTHER DATA

| TYPE OF SUBMISSION | TYPE OF ACTION | | | |
|--|---|---|--|---|
| <input checked="" type="checkbox"/> Notice of Intent | <input type="checkbox"/> Acidize | <input type="checkbox"/> Deepen | <input type="checkbox"/> Production (Start/Resume) | <input type="checkbox"/> Water Shut-Off |
| <input type="checkbox"/> Subsequent Report | <input type="checkbox"/> Alter Casing | <input type="checkbox"/> Fracture Treat | <input type="checkbox"/> Reclamation | <input type="checkbox"/> Well Integrity |
| <input type="checkbox"/> Final Abandonment Notice | <input type="checkbox"/> Casing Repair | <input type="checkbox"/> New Construction | <input type="checkbox"/> Recomplete | <input checked="" type="checkbox"/> Other Rev. Cement prog. |
| | <input type="checkbox"/> Change Plans | <input type="checkbox"/> Plug and Abandon | <input type="checkbox"/> Temporarily Abandon | |
| | <input type="checkbox"/> Convert to Injection | <input type="checkbox"/> Plug Back | <input type="checkbox"/> Water Disposal | |

13. Describe Proposed or Completed Operation (clearly state all pertinent details, including estimated starting date of any proposed work and approximate duration thereof. If the proposal is to deepen directionally or recompleate horizontally, give subsurface locations and measured and true vertical depths of all pertinent markers and zones. Attach the Bond under which the work will be performed or provide the Bond No. on file with BLM/BIA. Required subsequent reports shall be filed within 30 days following completion of the involved operations. If the operation results in a multiple completion or recompletion in a new interval, a Form 3160-4 shall be filed once testing has been completed. Final Abandonment Notices shall be filed only after all requirements, including reclamation, have been completed, and the operator has determined that the site is ready for final inspection.)

A revised cementing program for the Gracia Federal 8C #2 is as follows:
The 8 5/8" 24# surface casing will be set at approximately 160'. The pipe will be cemented with 83 ft³ of class B cement (72 sxs; 1.15 ft³/sx yield). The cement volume has been determined with a 25% excess of the annular volume.

The 5 1/2" 15.5# production casing will be cemented with 357 ft³ of Class B cement. (311 sxs; 1.15 ft³/sx yield)/ The cement volume has been determined with a 25% excess of the annular volume. An open-hole caliper log will determine the actual cement volume with a 25% excess added .

14. I hereby certify that the foregoing is true and correct
Name (Printed/Typed)

Dennis R. Reimers

Title Agent

Signature

Dennis R. Reimers

Date September 16, 2003

THIS SPACE FOR FEDERAL OR STATE OFFICE USE

Approved by

[Signature]

Title

AFM

Date

7-27-04

Conditions of approval, if any, are attached. Approval of this notice does not warrant or certify that the applicant holds legal or equitable title to those rights in the subject lease which would entitle the applicant to conduct operations thereon.

Office

FFC

Title 18 U.S.C. Section 1001 and Title 43 U.S.C. Section 1212, make it a crime for any person knowingly and willfully to make to any department or agency of the United States any false, fictitious or fraudulent statements or representations as to any matter within its jurisdiction.

NMOCD

Pressure tests to 1,000 psi will be conducted with a rig pump. All BOP mechanical and pressure tests will be recorded on the driller's log. BOPs will be inspected and operated at least daily to assure good mechanical working order. The inspection will be recorded on the daily drilling report.

4. Casing and Cement

| Hole Size | OD | Weight(lb/ft) | Grade | Depth |
|-----------|--------|---------------|-------|-------|
| 12-1/4" | 8-5/8" | 24 | J-55 | 160' |
| 7-7/8" | 5-1/2" | 15.5 | J-55 | 1650' |

Surface casing will be cemented to surface.
Production casing will be cemented to surface in one stage.
The entire wellbore will be cased. Water zones will be protected with casing, cement and weighted mud.

5. Mud Program

The proposed mud program is:

| Depth | Type | ppg | vis(cp) | FL(cc) |
|------------|--------------------|---------|----------------|--------|
| 0-1200' | Fresh Wtr | 8.4 | Polymer Sweeps | - |
| 1200' - TD | LSND or Polymer | 8.4-8.8 | 20-40 | < 10 |

6. Coring, Testing and Logging

No cores are planned. The following logs are likely to be run:

Dual Induction, Lateral Log, Formation Density, Compensated Neutron, High Resolution Density, Caliper

7. Downhole Conditions

Neither abnormal temperatures nor hydrogen sulfide are anticipated. Maximum pressure will be approximately 300 psi.