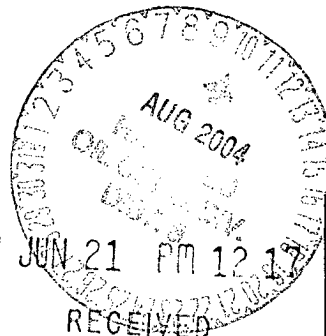


UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

APPLICATION FOR PERMIT TO DRILL OR REENTER

2004 JUN 21 PM 12:17



FORM APPROVED
OMB No. 1004-0136
Expires November 30, 2000

1a. Type of Work: <input checked="" type="checkbox"/> DRILL <input type="checkbox"/> REENTER		5. Lease Serial No. SF-077384
b. 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 Zone		6. If Indian, Allottee or Tribe Name
2. Name of Operator Kukui Operating Company		7. If Unit or CA Agreement, Name and No.
3A. Address c/o Walsh Engineering, 7415 E. Main, Farmington, NM 87402		8. Lease Name and Well No. Angel Peak 1 #20S
3b. Phone No. (include area code) (505) 327-4892		9. API Well No. 3004532431
4. Location of Well (Report location clearly and in accordance with any State requirements. *) At surface 1980' FSL and 1050' FEL At proposed prod. Zone		10. Field and Pool, or Exploratory Basin Fruitland Coal
14. Distance in miles and direction from nearest town or post office* 10 miles southeast of Bloomfield, NM		11. Sec., T., R., M., or Blk. and Survey or Area I Sec. 1, T27N, R10W
15. Distance from proposed* location to nearest property or lease line, ft. (Also to nearest drig. unit line, if any) 1050'	16. No. of Acres in lease 320+	17. Spacing Unit dedicated to this well 318.58 acres E/2
18. Distance from proposed* location to nearest well, drilling, completed, applied for, on this lease, ft. 1650'	19. Proposed Depth 2525' +/-	20. BLM/BIA Bond No. on file
21. Elevations (Show whether DF, KDB, RT, GL, etc.) 6376' GR	22. Approximate date work will start* August 1, 2004	23. Estimated duration 1 week

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 office. |

25. Signature <i>[Signature]</i>	Name (Printed/Typed) Robert Voorhees	Date 6/10/04
Title VP of Engineering & Development		
Approved by (Signature) <i>[Signature]</i>	Name (Printed/Typed) AFM	Date 8-9-04
Title AFM	Office FFO	

Application approval 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.

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)

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

MMOCD

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

District I
PO Box 1980, Hobbs, NM 88241-1980

District II
PO Drawer DD, Artesia, NM 88211-0719

District III
1000 Rio Brazos Rd., Aztec, NM 87410

District IV
PO Box 2088, Santa Fe, NM 87504-2088

State of New Mexico
Energy, Minerals & Natural Resources Department

OIL CONSERVATION DIVISION

PO Box 2088
Santa Fe, NM 87504-2088

Form C-102

Revised February 21, 1994

Instructions on back
Submit to Appropriate District Office
State Lease - 4 Copies
Fee Lease - 3 Copies

☐ AMENDED REPORT

RECEIVED

070 FARMINGTON NM

WELL LOCATION AND ACREAGE DEDICATION PLAT

*API Number 30-045-32431		*Pool Code 71629	*Pool Name BASIN FRUITLAND COAL
*Property Code 34210	*Property Name ANGEL PEAK 1		*Well Number 20S
*GRID No. 149678	*Operator Name KUKUI OPERATING COMPANY		*Elevation 6376'

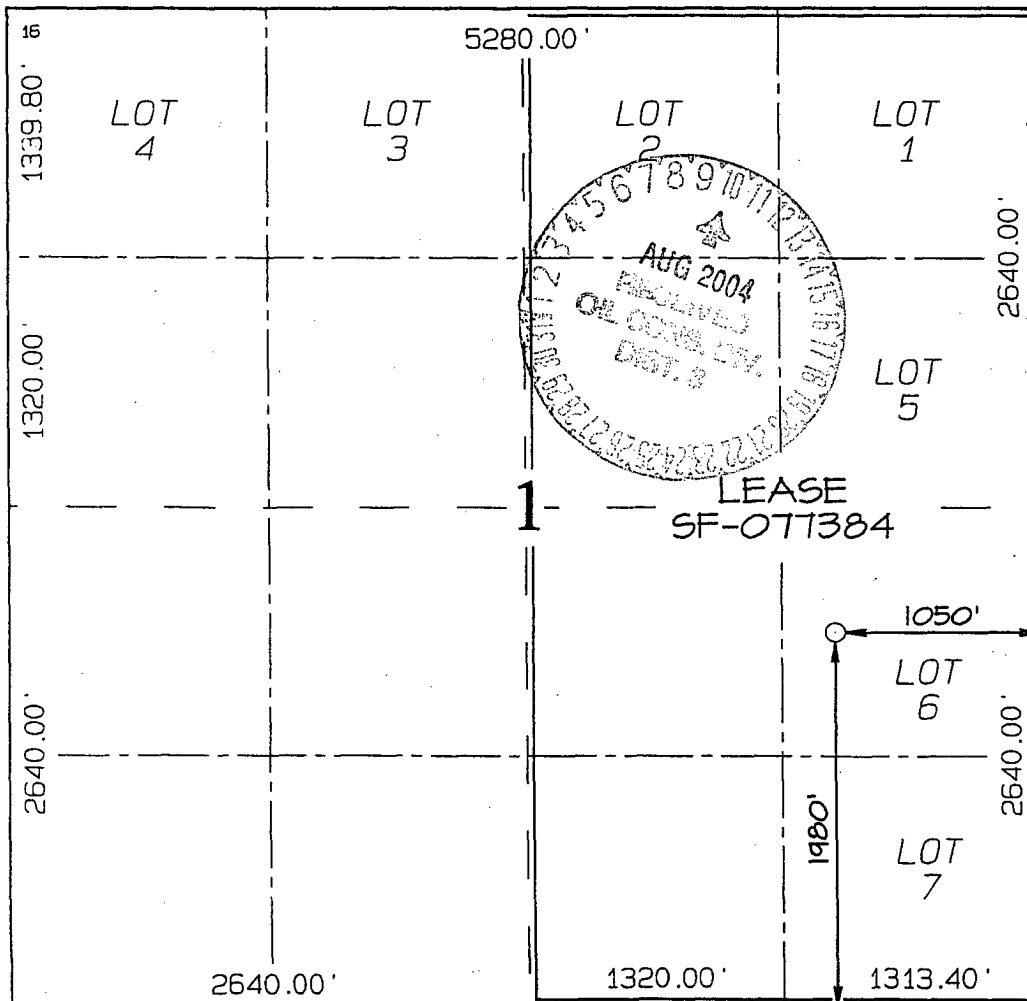
10 Surface Location

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
I	1	27N	10W		1980	SOUTH	1050	EAST	SAN JUAN

11 Bottom Hole Location If Different From Surface

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
12 Dedicated Acres 318.58 Acres - (E/2)					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



17 OPERATOR CERTIFICATION

I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief

Paul C. Thompson
Signature
Paul C. Thompson
Printed Name
Agent
Title
6/4/04
Date

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.

Date of Survey: MAY 3, 2003
Signature and Seal of Professional Surveyor



JASON C. EDWARDS
Certificate Number 15269

Kukui Operating Company
OPERATIONS PLAN
Angel Peak 1 #20S

I. Location: 1980' FSL & 1050' FEL
Sec 1 T27N R10W
San Juan County, NM

Date: June 4, 2004

Field: Basin Fruitland Coal
Surface: BLM
Minerals: SF - 077384

Elev: GL 6376'

II. Geology: Surface formation _ Nacimiento

Formation Tops	Depths
Ojo Alamo	1408'
Kirtland	1554'
Fruitland	2136'
Pictured Cliffs	2376'
Total Depth	2525'

Estimated depths of anticipated water, oil, gas, and other mineral bearing formations which are expected to be encountered:

Water and gas - 2136' and 2376'.

B. Logging Program: Induction/GR and neutron/density logs at TD.

C. No over pressured zones are expected in this well. No H₂S zones will be penetrated in this well. Max. BHP = 500 psig.

III. Drilling

A. Contractor:

B. Mud Program:

The surface hole will be drilled with a fresh water mud.

The production hole will be drilled with a fresh water polymer mud. The weighting material will be drill solids or if conditions dictate, barite. The maximum mud weight expected is 8.5 ppg.

C. Minimum Blowout Control Specifications:

Double ram type or annular type 2000 psi working pressure BOP with a rotating head. See the attached exhibits #1 and #2 for details on the BOP equipment. All ram type preventers and related equipment will be hydraulically tested at nipple-up and after any use under pressure to 1000 psi.

C. Cont.

The blind rams will be hydraulically activated and checked for operational readiness each time pipe is pulled out of the hole. All checks of the BOP stack and equipment will be noted on the daily drilling report. The BOP equipment will include a kelly cock, floor safety valve, and choke manifold all rated to 2000 psi.

IV. Materials

A. Casing Program:

Hole Size	Depth	Casing Size	Wt. & Grade
8-3/4"	120'	7"	20# K-55
6-1/4"	2525'	4-1/2"	10.5# K-55

B. Float Equipment:

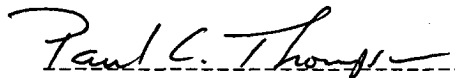
a) Surface Casing: None

b) Production Casing: 4-1/2" cement guide shoe and self fill insert float collar. Place float one joint above shoe. Five centralizers spaced every other joint above shoe and five turbolizers every other joint from the top of the well.

V. Cementing:

Surface casing: 7" - Use 30 sx (36 cu. ft.) of Cl "B" with 2% CaCl_2 (Yield = 1.18 cu. ft./sk; slurry weight = 15.6 PPG). 100% excess to circulate cement to surface. WOC 12 hours. Pressure test surface casing to 600 psi for 30 min.

Production Casing: 4-1/2" - Before cementing circulate hole with at least 1-1/2 hole volumes of mud. Precede cement with 30 bbls of fresh water. Lead with 195 sx (402 cu.ft) of Cl "B" with 2% SMS, 1/4#/sk. celloflake. (Yield = 2.06 cu.ft./sk; slurry weight = 12.5 PPG). Tail with 100 sx (118 cu.ft.) of Cl "B" with 2% CaCl_2 , and 1/4#/sk. celloflake/sk. (Yield = 1.18 cu. ft./sk; slurry weight = 15.6 PPG) Total cement volume is 520 cu.ft. (100% excess to circulate cement to surface).


Paul C. Thompson, P.E.

Kukui Operating Company

Well Control Equipment Schematic for 2M Service

Attachment to Drilling Technical Program

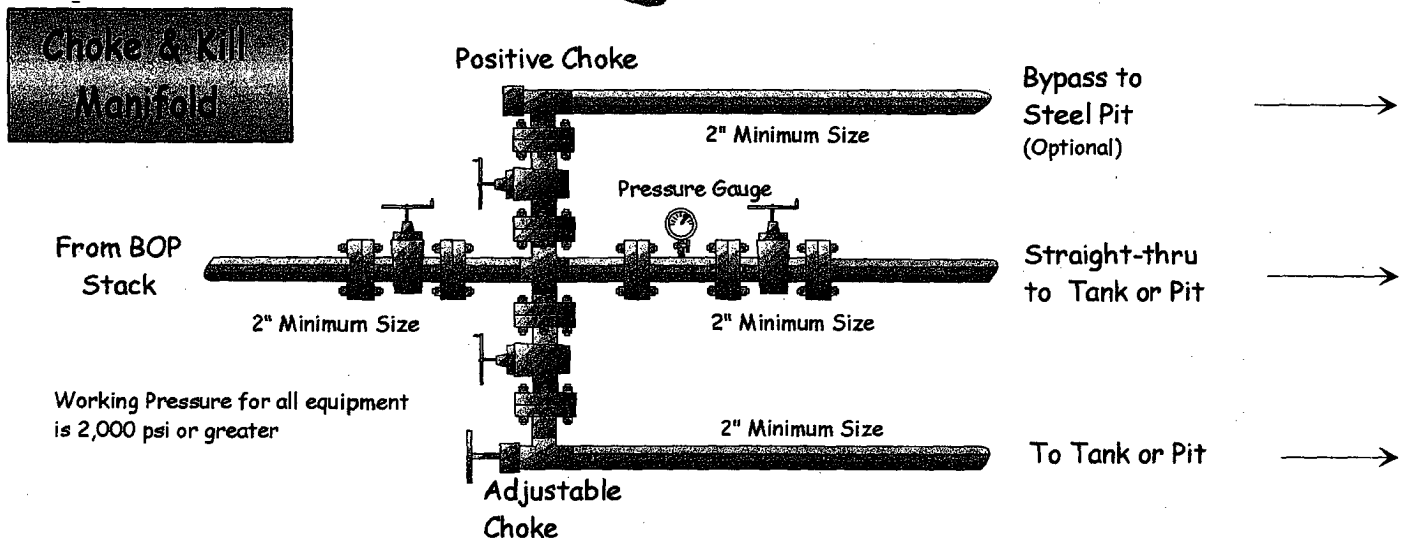
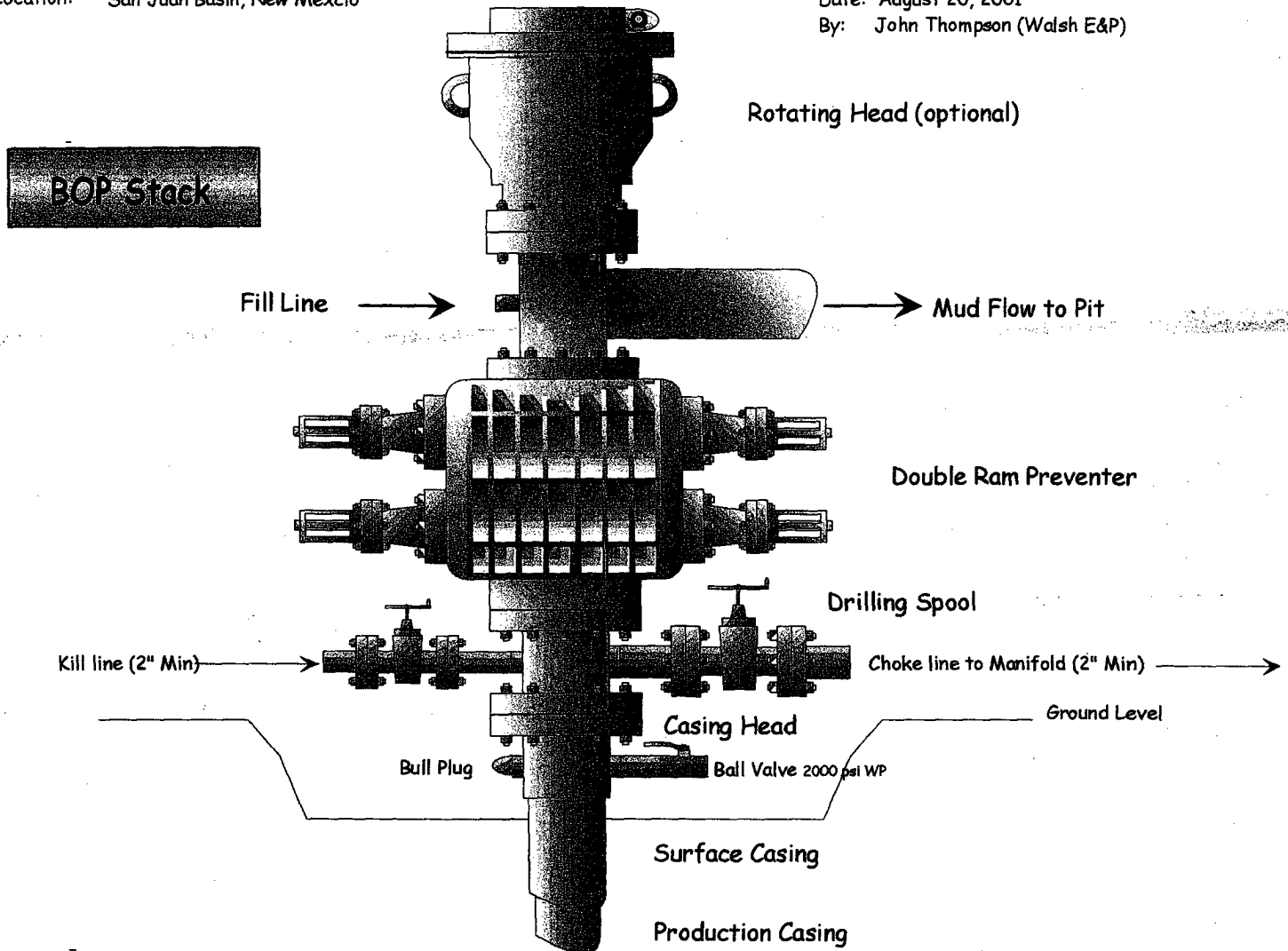
Typical BOP setup

EXHIBIT #1

Location: San Juan Basin, New Mexico

Date: August 20, 2001

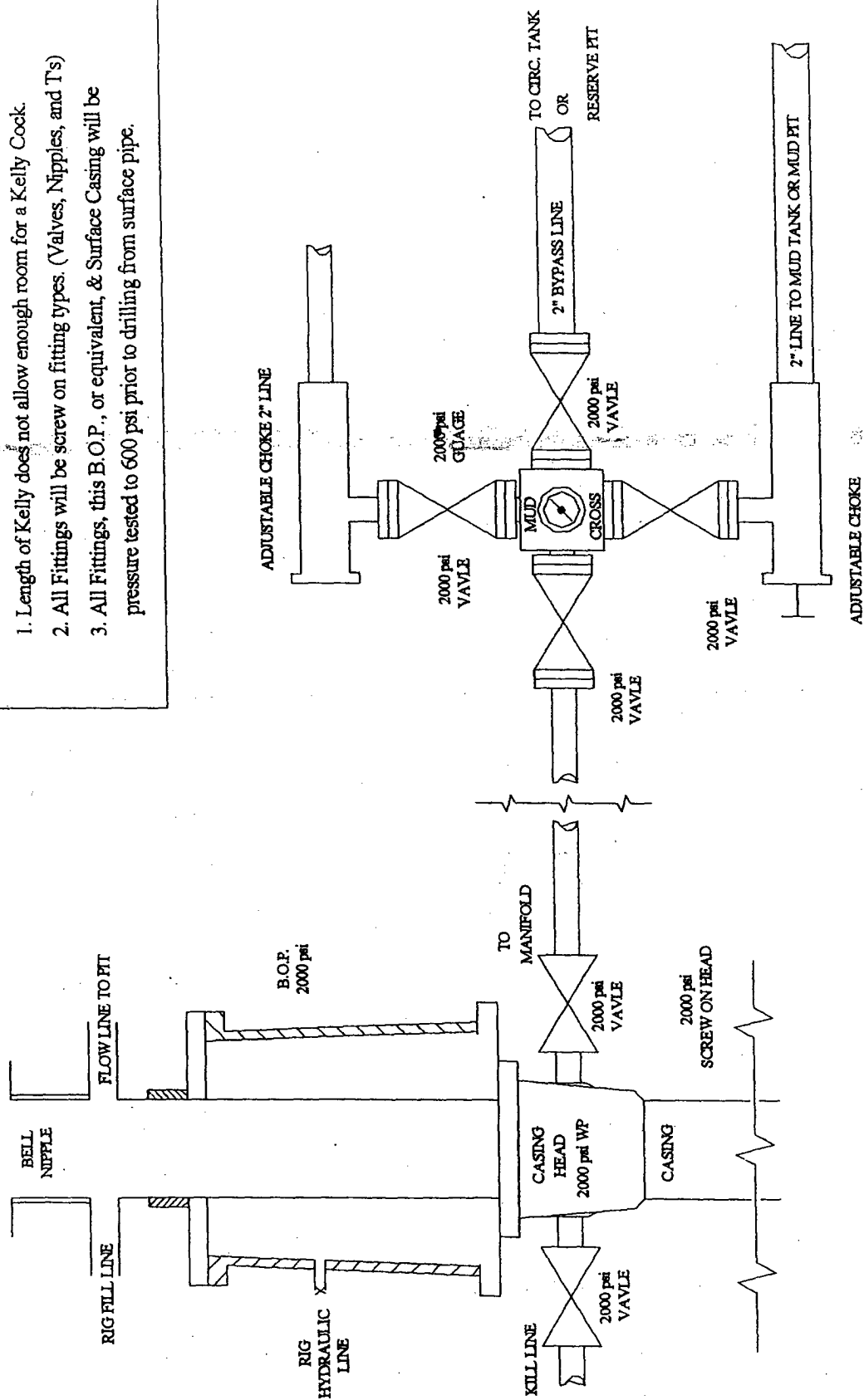
By: John Thompson (Walsh E&P)



BLOW OUT PREVENTER (B.O.P.)

Notes:

1. Length of Kelly does not allow enough room for a Kelly Cock.
2. All Fittings will be screw on fitting types. (Valves, Nipples, and Ts)
3. All Fittings, this B.O.P., or equivalent, & Surface Casing will be pressure tested to 600 psi prior to drilling from surface pipe.



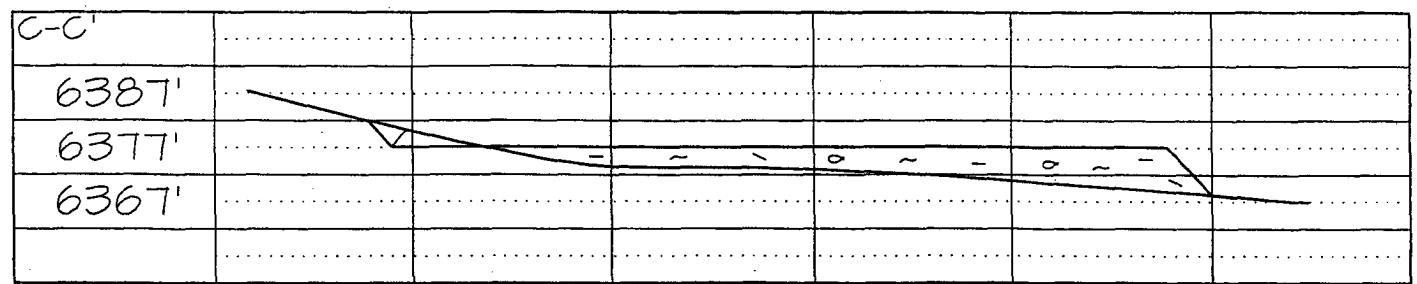
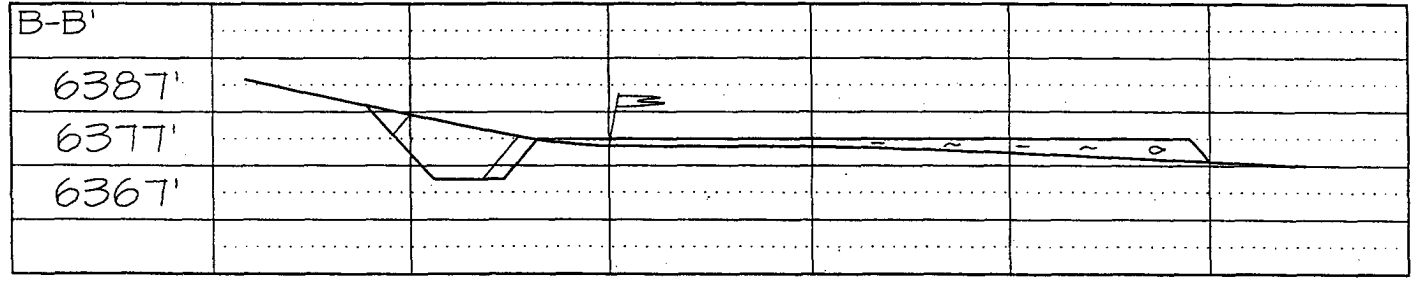
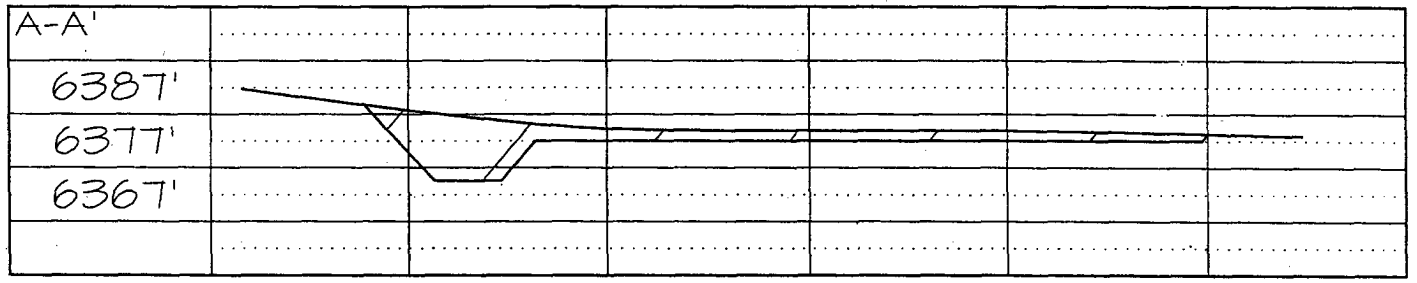
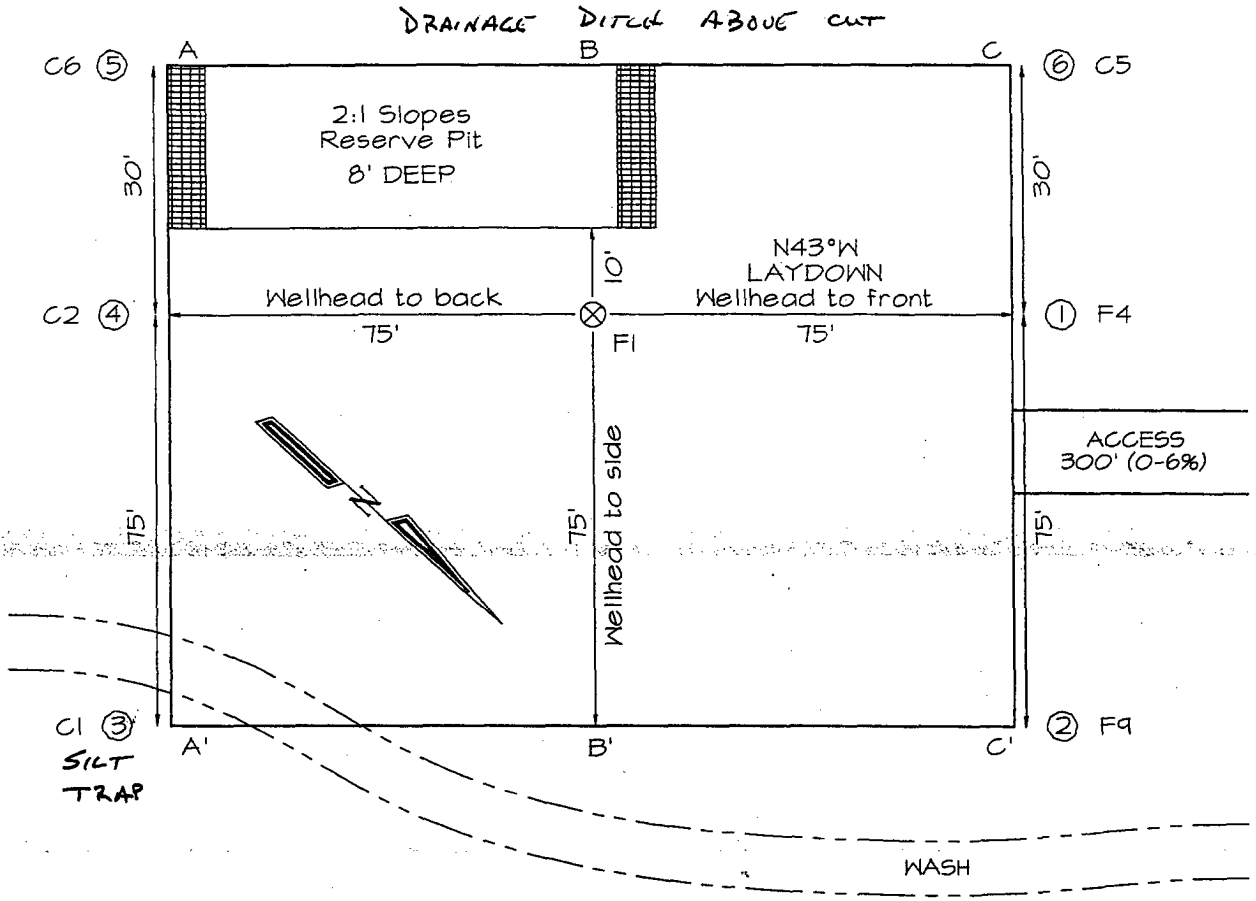
** 2000 psi Rubber hose will be used from Well Head to Manifold
& from Well Head to Kill Line.

PLAT #2

KUKUI OPERATING COMPANY ANGEL PEAK 1 #20S
 1980' FSL & 1050' FEL, SECTION 1, T27N, R10W, NMPM
 SAN JUAN COUNTY, NEW MEXICO GROUND ELEVATION: 6376'

LATITUDE: 36°36'08"
 LONGITUDE: 107°50'28"
 DATUM: NAD1927

PLAT NOTE:
 SURFACE OWNER
 Bureau of Land
 Management



Note: Contractor should call One-Call for location of any marked or unmarked buried pipelines or cables on well pad and/or access road at least two (2) working days prior to construction