

2004 JUN 21 PM 12 17

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

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

RECEIVED
070 FARMINGTON NM

APPLICATION FOR PERMIT TO DRILL OR REENTER

1a. Type of Work: ☒ DRILL

☐ REENTER

b. Type of Well: ☐ Oil Well

☒ Gas Well

☐ Other

☒ Single Zone

☐ Multiple Zone

2. Name of Operator

Kukui Operating Company

3A. Address

c/o Walsh Engineering, 7415 E. Main, Farmington, NM 87402

3b. Phone No. (include area code)

(505) 327-4892

4. Location of Well (Report location clearly and in accordance with any State requirements.)*

At surface 2490' FNL and 1870' FWL

At proposed prod. Zone

14. Distance in miles and direction from nearest town or post office*

10 miles southeast of Bloomfield, NM

15. Distance from proposed*
location to nearest
property or lease line, ft.
(Also to nearest drig. unit line, if any)

770'

16. No. of Acres in lease

320+

17. Spacing Unit dedicated to this well

320 acres W/2

18. Distance from proposed location*
to nearest well, drilling, completed,
applied for, on this lease, ft.

1000'

19. Proposed Depth

2200' +/-

20. BLM/BIA Bond No. on file

21. Elevations (Show whether DF, KDB, RT, GL, etc.)

6205' 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.

2. A Drilling Plan.

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.

4. Bond to cover the operations unless covered by an existing bond on file (see
Item 20 above).

5. Operator certification.

6. Such other site specific information and/or plans as may be required by the
authorized office.

25. Signature

Robert Voorhees for PV

Name (Printed/Typed)

Robert Voorhees

Date

6/10/04

Title

VP of Engineering & Development

Approved by (Signature)

Original Signed: Stephen Mason

Name (Printed/Typed)

Date

AUG 05 2004

Title

Office

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".

NMOC

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

Form C-102
Revised February 21, 1994

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

OIL CONSERVATION DIVISION
PO Box 2088
Santa Fe, NM 87504-2088

2004 JUN 21 PM 12 17

☐ AMENDED REPORT

RECEIVED
WELL LOCATION AND ACREAGE DEDICATION PLAT

| | | | |
|-----------------------------|---|---------------------|------------------------------------|
| *API Number 30-015 32433 | | *Pool Code 71629 | *Pool Name BASIN FRUITLAND COAL |
| *Property Code 34211 | *Property Name ANGEL PEAK 24 | | *Well Number 9S |
| *GRID No. 149678 | *Operator Name KUKUI OPERATING COMPANY | | *Elevation 6205' |

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 |
|---------------|---------|----------|-------|---------|---------------|------------------|---------------|----------------|----------|
| F | 24 | 27N | 10W | | 2490 | NORTH | 1870 | WEST | SAN JUAN |

11 Bottom Hole Location If Different From Surface

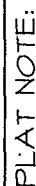
| UL or lot no. | Section | Township | Range | Lot Idn | Feet from the | North/South line | Feet from the | East/West line | County |
|---|---------|----------|-------|---------|-------------------------|-----------------------|---------------|----------------|--------|
| | | | | | | | | | |
| 12 Dedicated Acres 320.0 Acres - (W/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

| | | |
|--|---|--|
| <p>2640.00'</p> <p>1320.00'</p> <p>1218.36'</p> <p>2490'</p> <p>1870'</p> <p>5280.00'</p> <p>24</p> <p>LEASE SF-077952</p> <p>LOT 1</p> <p>LOT 2</p> <p>LOT 3</p> <p>LOT 4</p> <p>2640.00'</p> <p>1320.00'</p> <p>1186.68'</p> | <p>17 OPERATOR CERTIFICATION</p> <p>I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief</p> <p><i>Paul C. Thompson</i></p> <p>Signature</p> <p>PAUL C. THOMPSON</p> <p>Printed Name</p> <p>AGENT</p> <p>Title</p> <p>6/4/04</p> <p>Date</p> | |
| | <p>18 SURVEYOR CERTIFICATION</p> <p>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>Date of Survey: MAY 4, 2004</p> <p>Signature and Seal of Professional Surveyor</p> <p><p>JASON C. EDWARDS</p><p>Certificate Number 15269</p></p> | |
| | | |
| | | |

FLAT #2

DÄTUM: NA1927

**SURFACE OWNER*
Bureau of Land
Management

SILT TRAPS 14
CONST CONC

| | | | | | | |
|-------|--|--|--|--|--|--|
| C-C' | | | | | | |
| 6215' | | | | | | |
| 6205' | | | | | | |
| 6195' | | | | | | |
| | | | | | | |

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

Kukui Operating Company
OPERATIONS PLAN
Angel Peak 24 #9S

I. Location: 2490' FNL & 1870' FWL
Sec 24 T27N R10W
San Juan County, NM

Date: June 4, 2004

Field: Basin Fruitland Coal
Surface: BLM
Minerals: SF - 077952

Elev: GL 6205'

II. Geology: Surface formation _ Nacimiento

| A. Formation Tops | Depths |
|-------------------|--------|
| Ojo Alamo | 1090' |
| Kirtland | 1253' |
| Fruitland | 1770' |
| Pictured Cliffs | 2050' |
| Total Depth | 2200' |

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

Water and gas - 1770' and 2050'.

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" | 2200' | 4-1/2" | 10.5# K-55 |

B. Float Equipment:

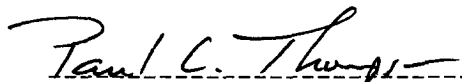
a) Surface Casing: None

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% CaCl₂ (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 165 sx (340 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% CaCl₂, and 1/4#/sk. celloflake/sk. (Yield = 1.18 cu. ft./sk; slurry weight = 15.6 PPG) Total cement volume is 458 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

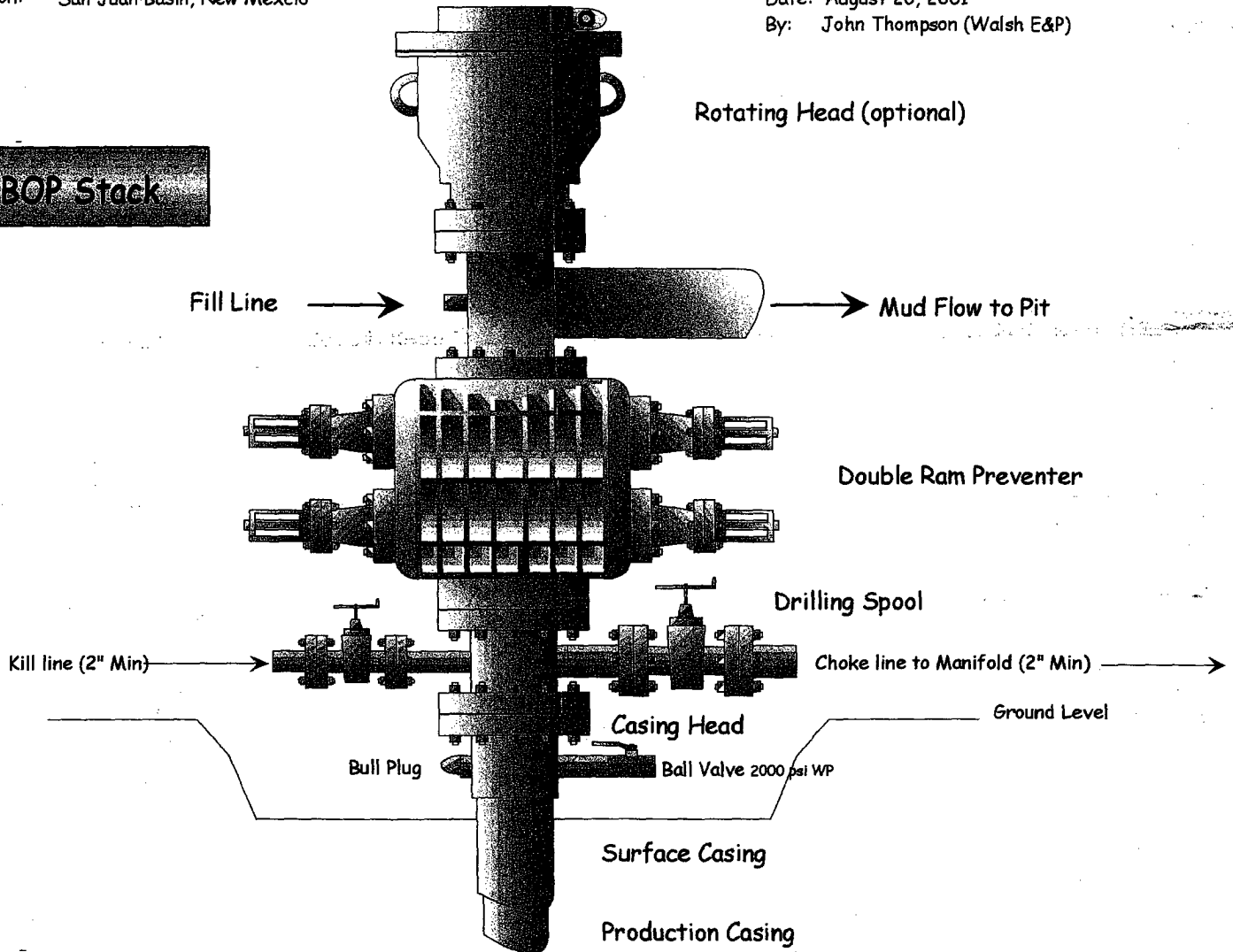
Typical BOP setup EXHIBIT #1

Location: San Juan Basin, New Mexico

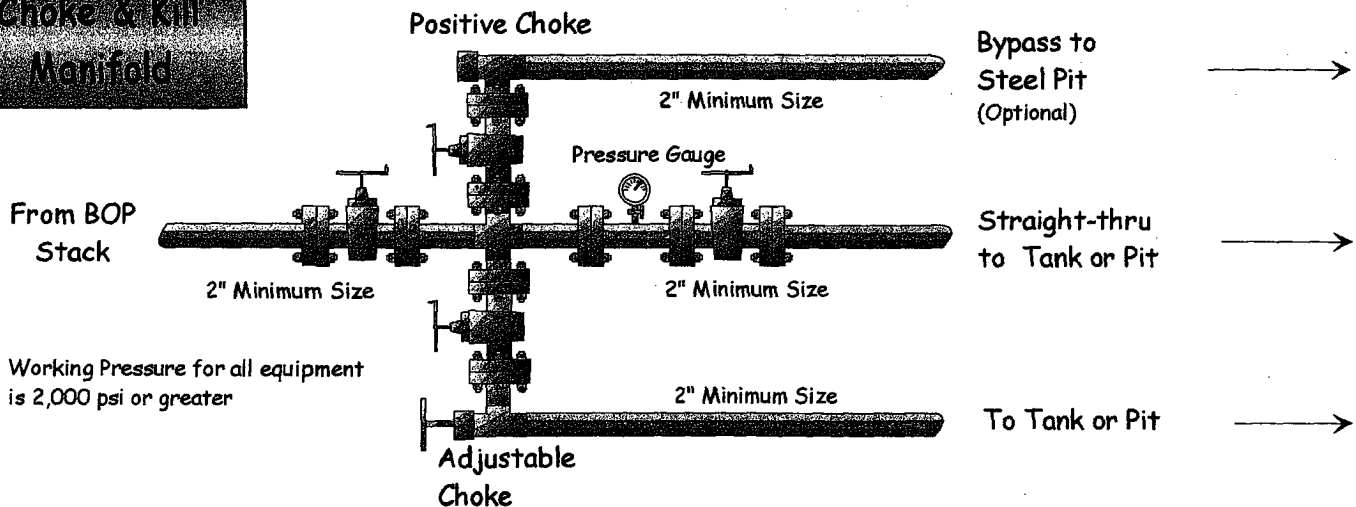
Date: August 20, 2001

By: John Thompson (Walsh E&P)

BOP Stack



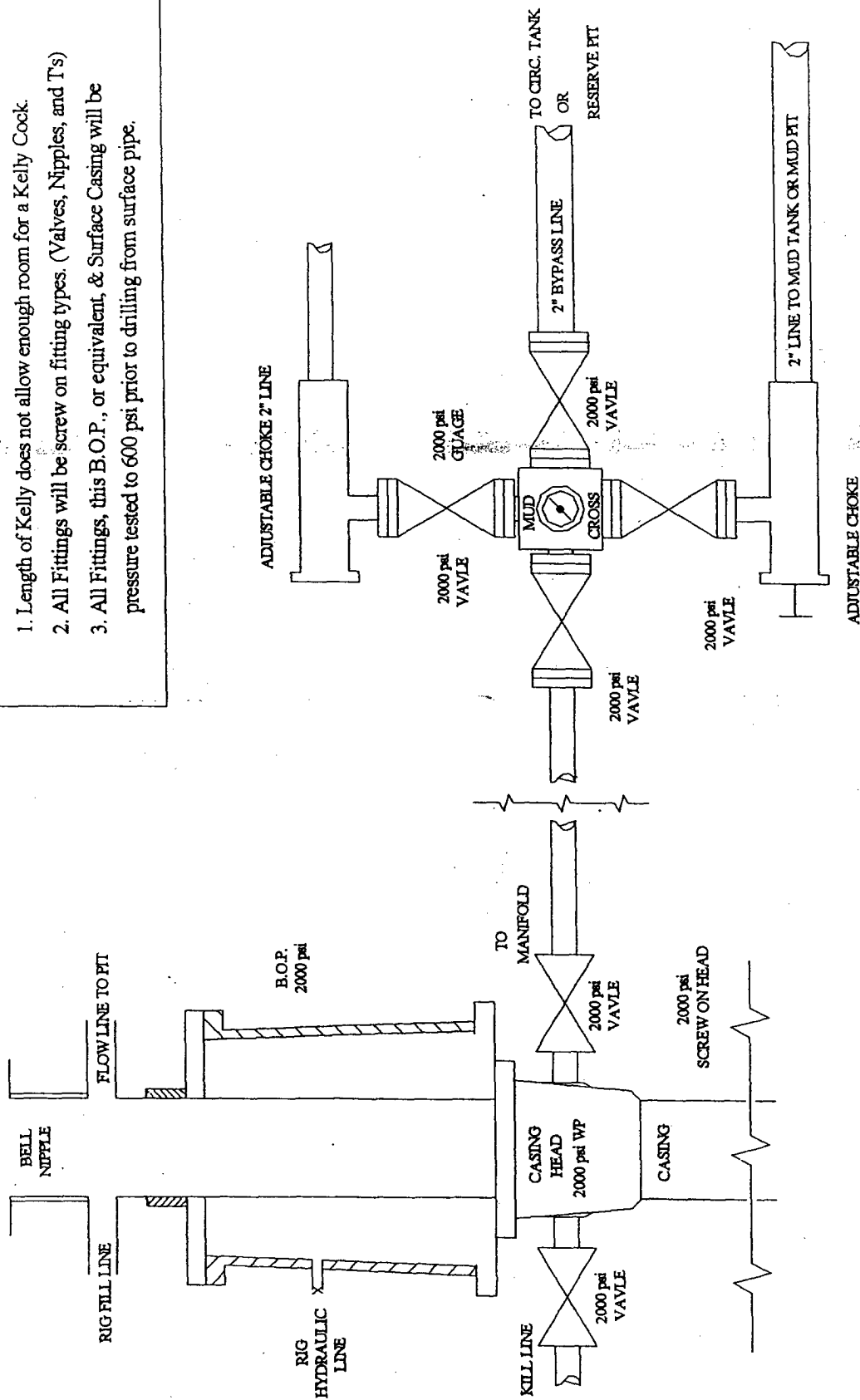
Choke & Kill Manifold



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 T's)
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.