UNITED STATES DEPARTMENT OF THE INTERIOR BUREAU OF LAND MANAGEMENT

APPLICATION FOR PERMIT TO DRILL, DEEPEN, OR PLUG BACK 5. Lease Number Type of Work 1a. DRILL NMNM01614 **Unit Reporting Number** 0/0 Farmington, NM Type of Well 6. If Indian, All. or Tribe 1b. GAS 2. Operator 7. Unit Agreement Name Oil & Gas Company 3. Address & Phone No. of Operator Farm or Lease Name PO Box 4289, Farmington, NM 87499 Thompson Well Number (505) 326-9700 **Location of Well** 10. Field, Pool, Wildcat 965'FNL, 1020'FEL Basin Fruitland Coal 11. Sec., Twn, Rge, Mer. (NMPM) A Sec.33, T-31-N, R-12-W Latitude 36° 51.6075, Longitude 108° 05.8668 30-045-14. Distance in Miles from Nearest Town 12. County 13. State 13.9 miles to Flora Vista P.O. San Juan MM 15. Distance from Proposed Location to Nearest Property or Lease Line 965' 16. Acres in Lease 17. Acres Assigned to Well 18. Distance from Proposed Location to Nearest Well, Drlg, Compl, or Applied for on this Lease 21' 19. **Proposed Depth** 20. Rotary or Cable Tools 2723' Rotary 21. Elevations (DF, FT, GR, Etc.) 22. Approx. Date Work will Start 6184' GR 23. **Proposed Casing and Cementing Program** See Operations Plan attached 24. Authorized by: Regulatory/Compliance Supervisor Date MAY 0 6 2003 APPROVAL DATE PERMIT NO. Original Signed: Stephen Mason

Archaeological Report to be submitted

APPROVED BY

Threatened and Endangered Species Report to be submitted

NOTE: This format is issued in lieu of U.S. BLM Form 3160-3

Title 18 U.S.C. Section 1001, makes 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 presentations as to any matter within its jurisdiction.

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

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

DATE MAY 0 2003

DISTRICT I 1625 N. French Dr., Hobbs, N.M. 86240

State of New Mexico Energy, Minerals & Natural Resources Department

Form C-102 Revised August 15, 2000

DISTRICT II 811 South First, Artesia, N.M. 88210

DISTRICT III 1000 Rio Brazos Rd., Aztec, N.M. 87410 OIL CONSERVATION DIVISION 2040 South Pacheco Santa Fe, NM 87505

Submit to Appropriate District Office State Lease - 4 Copies

Fee Lease - 3 Copies

DISTRICT IV 2040 South Pacheco, Santa Fe, NM 67505 ☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

30-045- 3(573	*Pool Code 71629	*Pool Name Basin Fruitland Coal	
⁴ Property Code		roperty Name	* Well Number 102
18628 *OGRID No. 14538		operator Name SOURCES OIL & GAS, INC.	* Elevation 6184*

¹⁰ Surface Location UL or lot no. Township North/South line East/Vest line Section Range Lot ldn Feet from the Feet from the County 965' 33 31-N 12-W **NORTH** 1020' **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/Vest line County Dedicated Acres 14 Consolidation Code ¹² Joint or Infill ¹⁵ Order No. FTC - E/320

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

	OR A NON-SIAN	DARD UNIT HAS B	CCM F	ALLMOAFD BI	THE DIVISION
16	FD 3 1/4" B.L.M. BC 1951	N 88-33-55 W 2617.10' (M) 289'*	965'	FD 3 1/4" B.L.M. BC 1951	17 OPERATOR CERTIFICATION I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief
	LAT. 36°51.607 LONG. 108°05.	1 (75' N (NAD 27) 8668' W 1 (NAD 27) 8668' W 1 (NAD 27) 8 (NAD 27)	58'	B.L. 8 00-07-45 W 1951	Signature Peggy Cole Printed Name Regulatory Supervisor Title 3-/2-03 Date 18 SURVEYOR CERTIFICATION I hereby certify that the well location shown on this plat
MINDOON, NM	M Ewz	USA NM	-0161	4	was picted from field notes of actual surveys made by me or under my supervision, asset that the same is true and correct to the best of my bestief. Date of Surveys MEL Trollers and Surveyor: 14827 Certificate Number

OPERATIONS PLAN

Well Name: Thompson #102

Location: 965'FNL, 1020'FEL Section 33, T-31-N, R-12-W

San Juan County, NM

Formation: Basin Fruitland Coal

Elevation: 6184'GR

Formation:	Top	Bottom	Contents
Surface	San Jose	783'	
Ojo Alamo	783'	925'	aquifer
Kirtland	925'	2147'	
Fruitland	2147'	2519'	gas
B/Basal Coal	2519'	2523'	gas
Pictured Cliffs	2523'	2723'	gas
Total Depth	2723'		_

Logging Program: Cased hole: GR/DEN/CAL - TD to surface

Mudlog: none

Coring Program: none

Mud Program:

Interval	Type	Weight	Vis.	Fluid Loss
0- 120'	Spud	8.4-9.0	40-50	no control
120-2723'	Non-dispersed	8.4-9.5	30-60	no control

Casing Program (as listed, the equivalent, or better):

Hole Size	Depth Interval	Csg.Size	Wt.	Grade
8 3/4"	0' - 120'	7"	20.0#	J-55
6 1/4"	0' - 2723'	4 1/2"	10.5#	J-55
Tubing Program:				
	0' - 2723'	2 3/8"	4.7#	J-55

Float Equipment: 7" surface casing - saw tooth guide shoe. Centralizers will be run in accordance with Onshore Order #2.

 $4 \, \frac{1}{2}$ " production casing - guide shoe and self-fill float collar. Three centralizers run every other joint above shoe. Nine centralizers run every 3^{rd} joint to the base of the Ojo Alamo @ 925'. Two turbolizing type centralizers - one below and one into the base of the Ojo Alamo @ 925'. Standard centralizers thereafter every fourth joint up to the base of the surface pipe.

Wellhead Equipment: $7" \times 4 \ 1/2" \times 2 \ 3/8" \times 11" \ 2000$ psi screw on independent wellhead.

Cementing:

7" surface casing - cement with 38 sx Class "B" Type III cement with 0.25 pps Celloflake and 3% calcium chloride (54 cu.ft. of slurry, 200% excess to circulate to surface). WOC 24 hours for pre-set holes or 8 hours for conventionally set holes before pressure testing or drilling out from under surface casing. Test casing to 600 psi for 30 minutes.

- 4 1/2" production casing Lead w/138 sx Premium Lite cement w/3% calcium chloride, 1/4 pps Cello-flake, 5 pps LCM-1, 0.4% FL-52, and 0.4% SMS. Tail w/90 sx Type III cement w/1% calcium chloride, 1/4 pps Cello-flake, and 0.2% FL-52 (419 cu.ft. of slurry, 50% excess to circulate to surface.) If cement is not circulated to surface, a temperature survey or CBL will be run during drilling or completion operations to determine TOC.
- 4-1/2" production casing alternative two stage Stage collar @ 2047'. First stage: cement with 75 sxs Type III cmt w/1% calcium chloride, 0.25 pps flocele, 0.2% fluid loss. Second stage: 148 sxs Premium Lite cmt w/3% calcium chloride, 0.25 pps Flocele, 5 pps LCM-1, 0.4% fluid loss, 0.4% SMS (419 cu.ft. of slurry, 50% excess to circulate to surface).

Note: If open hole logs are run, cement volumes will be based on 25% excess over caliper volumes.

BOP and tests:

Surface to TD - 11" 2000 psi (minimum double gate BOP stack (Reference Figure #1). Prior to drilling out surface casing, test rams to 600 psi/30 min.

Completion - 7 1/16" 2000 psi (minimum) double gate BOP stack (Reference Figure #2). Prior to completion operations, test rams and casing to 2000 psi/15 min.

From surface to TD - choke manifold (Reference Figure #3).

Pipe rams will be actuated at least once each day and blind rams actuated once each trip to test proper functioning. An upper kelly cock valve with handle and drill string safety valves to fit each drill string will be maintained and available on the rig floor.

Additional information:

- * The Fruitland Coal formation will be completed and commingled.
- * Anticipated pore pressure for the Fruitland is 570 psi.
- * This gas is dedicated.
- * The east half of Section 33 is dedicated to the Fruitland Coal.

Dailling Engineer

Date