

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

5. Lease Serial No.

NM 023038

6. If Indian, Allottee or Tribe Name

7. If Unit or CA Agreement, Name and No.

Oiltos

8. Lease Name and Well No

Price/Federal #1 (E-34)

9. API Well No.

039-29249
30-045

10. Field and Pool, or Exploratory

Pictured Cliffs/Basin Fruitland Coal

11. Sec., T., R., M., or Blk. and Survey or Area

E
Section 34, T25N, R2W, NMPM

12. County or Parish

Rio Arriba

13. State

NM

17. Spacing Unit dedicated to this well

140 NW 1/4 PC
W/2 #2320 FC

20. BLM/BIA Bond No. on file

NM0167

23. Estimated duration

30 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.
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 officer.

25. Signature

Name (Printed/Typed)

Date

Title
Vice President

Mr. Mike Diamond

6/4/04

Approved by (Signature) /s/ David R. Sitzler

Name (Printed/Typed)

Date
SEP 24 2004

Title

Assistant Field Manager

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.

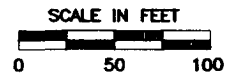
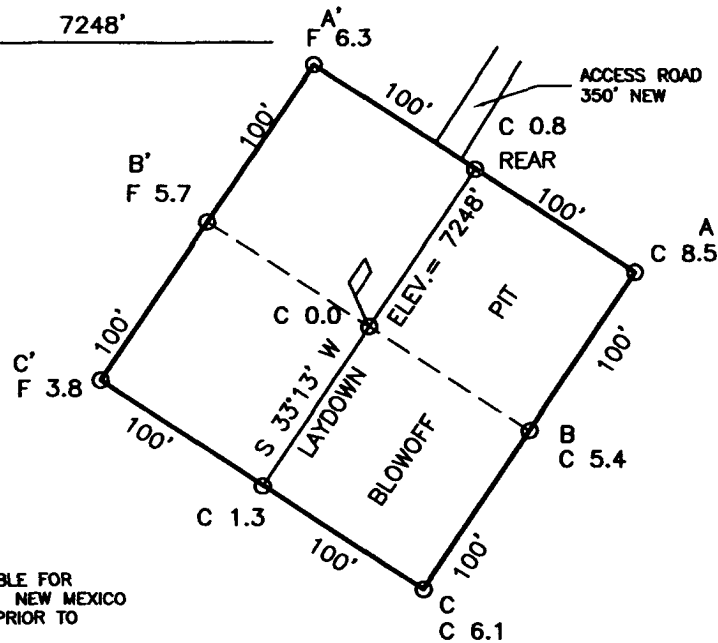
Title 18 U.S.C. Section 1001 and Title 43 U.S.C. Section 1212, make it a crime for any person knowingly and willfully to make to any department or agency of the United States any false, fictitious or fraudulent statements or representations as to any matter within its jurisdiction.

*(Instructions on reverse)

04 JUN 23 AM 11:10
010 ALBUQUERQUE, N.M.

Certificate Number

COMPANY: BENSON-MONTIN-GREER
 LEASE: PRICE FEDERAL No. 1 (E-34)
 FOOTAGE: 1770 FNL 1105 FWL
 SEC.: 34, TWN: 25-N, RNG: 2-W, NMPM
 ELEVATION: 7248'

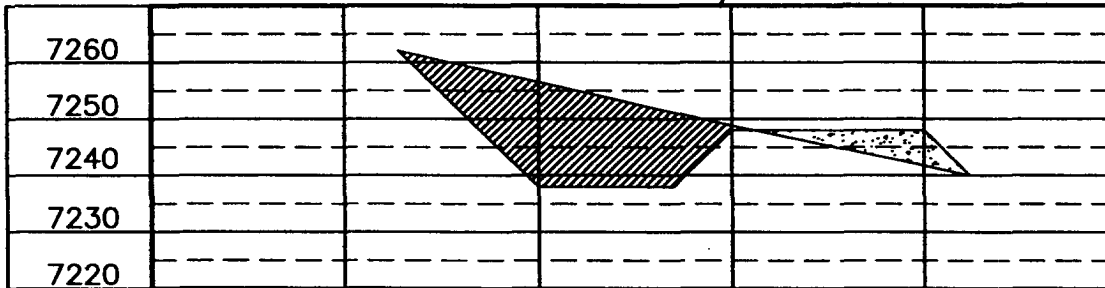


NOTE:

DAGGETT ENTERPRISES, INC. IS NOT LIABLE FOR UNDERGROUND UTILITIES OR PIPELINES. NEW MEXICO ONE CALL TO BE NOTIFIED 48 HOURS PRIOR TO EXCAVATION OR CONSTRUCTION.

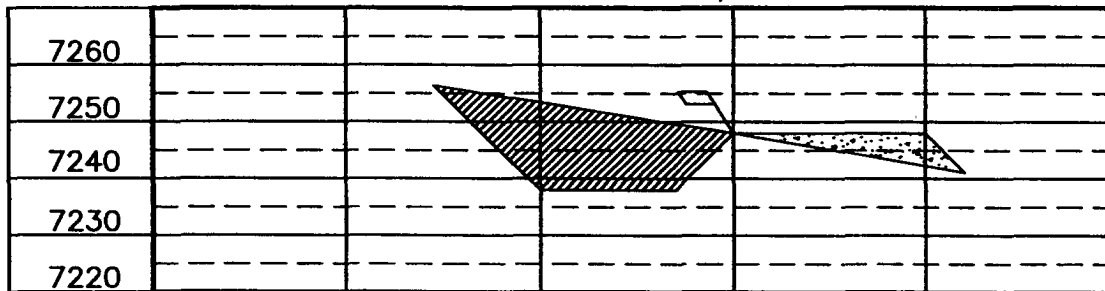
ELEV. A-A'

C/L



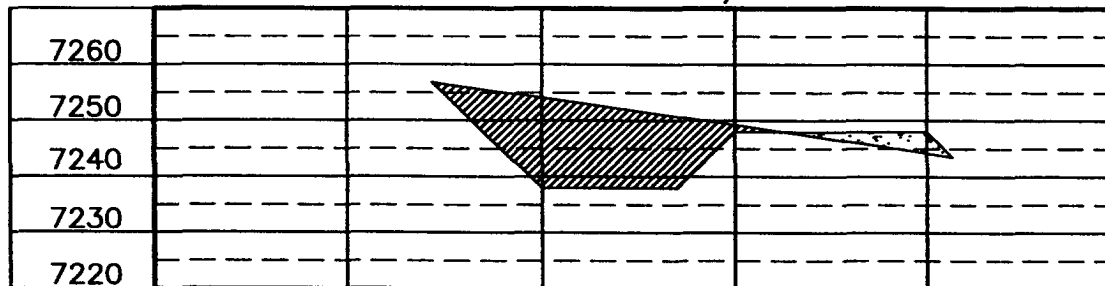
ELEV. B-B'

C/L



ELEV. C-C'

C/L



Daggett Enterprises, Inc.
 Surveying and Oil Field Services
 P. O. Box 15088 • Farmington, NM 87401
 Phone (505) 328-1772 • Fax (505) 328-8019
 NEW MEXICO L.S. No. 14831
 CDP# 840017C28



REVISION: _____ DATE: _____
 DRAWN BY: A.G.
 Rough Blag017

Benson-Montin-Greer Drilling Corporation
4900 College Blvd.
Farmington, NM 87402
(505) 325-8874

Price/Federal #1 (E-34)
SWNW Sec 34-T25N-R2W
1770' FNL & 1105' FWL
Rio Arriba County, New Mexico

EIGHT POINT DRILLING PROGRAM

1. Estimated Formation Tops:

Ojo Alamo	3033'
Kirtland	3235'
Fruitland Coal	3255'
Pictured Cliffs	3386'
Total Depth	3522'

2. Estimated Depth of Anticipated Minerals:

Fruitland (Gas)	3255'
Pictured Cliffs (Gas)	3386'

3. Minimum Specifications for Pressure Control Equipment:

BOP equipment and accessories will meet or exceed BLM requirements outlined in 43 CFR Part 3160.

A 2000 psig working pressure double ram hydraulic BOP with a Hydrill will be used (see attached diagram). The BOP and all related equipment will be hydraulically tested prior to drilling. Operation of both rams will be checked on each trip. The BOP equipment will include a Kelly valve, floor safety valve, and choke manifold, all rated to 1500 psig.

4. Casing and Cementing Program:

<u>Hole Size</u>	<u>Interval</u>	<u>Csg Size</u>	<u>Wt, Grd, Jt</u>
12-1/4"	0-610'	8-5/8"	23#/foot, LS
7-7/8"	610' - 3600'	5-1/2"	17#/footJ-55, LT&C

Surface Casing will be cemented to surface with 420 sacks (100% excess) class B regular w/2% CaCl and 1/4# flocele/sack. A guide shoe, insert float valve top and bottom joint

Eight Point Drilling Program – Price Federal #1 (E-34)
Page 2

and five (5) centralizers will be used. WOC time is 12 hours. Pressure test surface casing to 1500 psig prior to drilling guide shoe.

Production Casing: 100 sacks Class B regular cement with fluid loss additive plus flocele and gilsonite followed by 312 sacks of Lite cement. Cement volume includes excess to circulate cement to surface. Cementing equipment will include a guide shoe, insert float valve, 10 centralizers, and reciprocating well scratchers throughout the Fruitland/Ojo Alamo zones. A packoff-DV tool will be used 500' above Total Depth.

5. Mud Program:

A fresh water polymer mud system will be used from the surface to TD. Adequate filter cake and minimum mud weight will be maintained to prevent excessive fluid loss. Mud weight will be 9.0 (ppg) or less, Ph of 9.0-9.5, and viscosity of 28-35 (sec/qt) across all intervals.

6. Testing, Coring and Logging Program:

SP/GR-DIL, CDL/CNL.

7. Anticipated Abnormal Pressures and Temperatures:

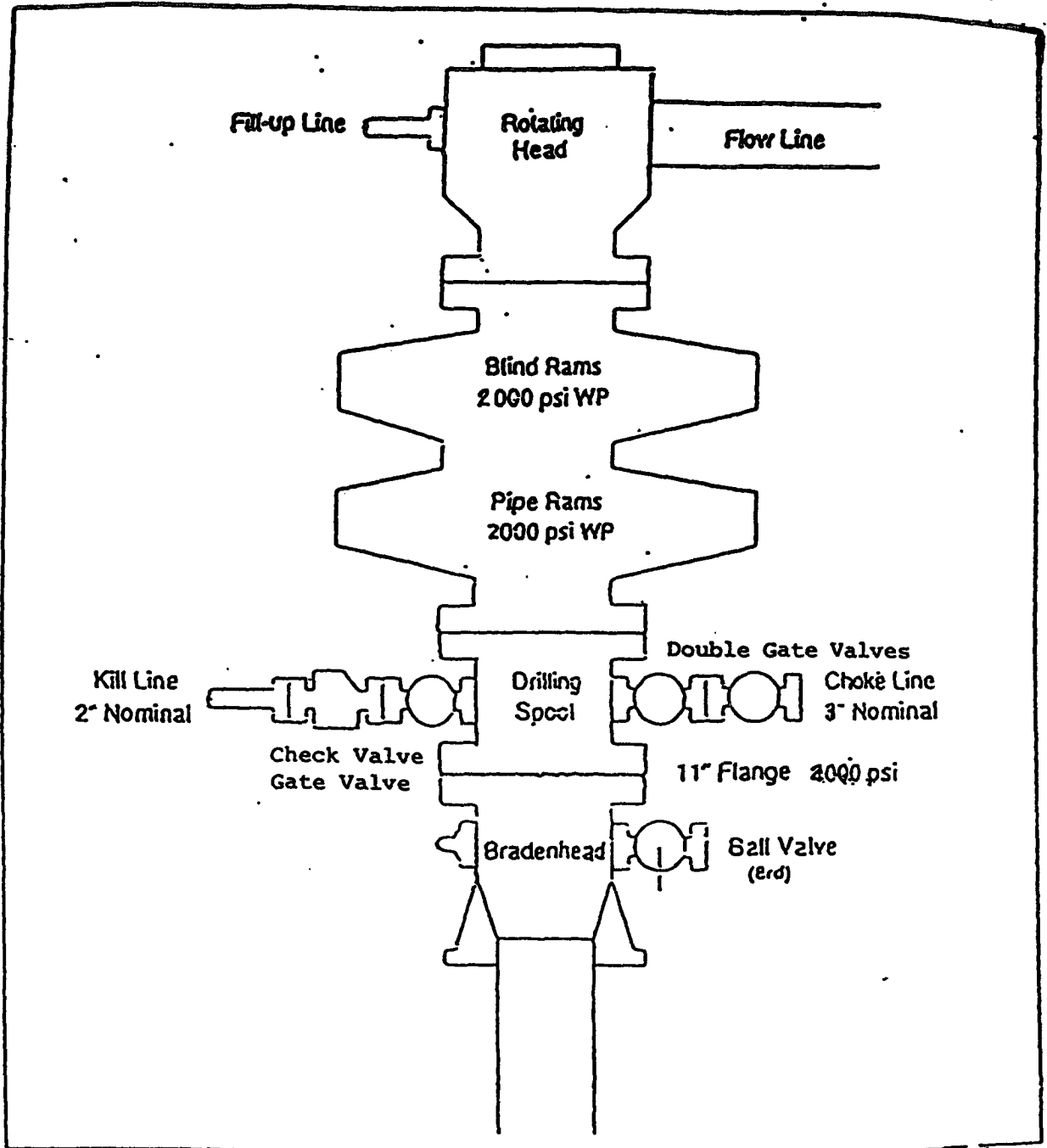
No abnormal pressures or temperatures are expected in this well. Maximum anticipated Fruitland reservoir pressure is 1200-1300 psig with a normal temperature gradient. Maximum anticipated Pictured Cliffs reservoir pressure is 1400-1500 psig with a normal temperature gradient.

8. Operations:

Anticipated spud date is as soon as permits are received and work can be scheduled. Estimated drilling time is 7 days. Completion operations are expected to take 7 – 10 days and will commence as soon after completion of drilling operations and scheduling allow.

EXHIBIT 1

BOP STACK ARRANGEMENT



All ram type preventers and related equipment will be hydraulically tested at nipple-up and after any use under pressure to 1500 psi. 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 with handle, floor safety valve with change overs for each tool joint in the string, and choke manifold all rated to 2000 psi.

EXHIBIT 2

Choke Manifold & Accumulator Schematic

