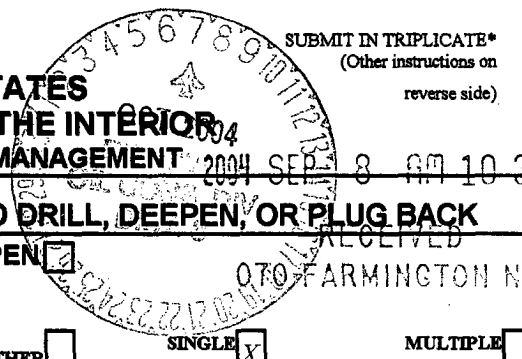


UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

SUBMIT IN TRIPLICATE*
(Other instructions on
reverse side)

Form approved.
Budget Bureau No. 1004-0136
Expires December 31, 1991



APPLICATION FOR PERMIT TO DRILL, DEEPEN, OR PLUG BACK

1a. TYPE OF WORK DRILL <input checked="" type="checkbox"/> DEEPEN <input type="checkbox"/>		5. LEASE DESIGNATION AND SERIAL NO. USA-NM-6894	
1b. TYPE OF WELL OIL <input type="checkbox"/> GAS <input checked="" type="checkbox"/> OTHER <input type="checkbox"/> SINGLE <input checked="" type="checkbox"/> MULTIPLE <input type="checkbox"/> WELL WELL ZONE ZONE		6. IF INDIAN, ALLOTTEE OR TRIBE NAME	
2. NAME OF OPERATOR Energen Resources Corporation		7. UNIT AGREEMENT NAME	
3. ADDRESS OF OPERATOR c/o Walsh Engineering 7415 E. Main St., Farmington, NM 87402 (505) 327-4892		8. FARM OR LEASE NAME, WELL NO. Federal 26 #1S	
4. LOCATION OF WELL (Report location clearly and in accordance with any State requirements.)* At Surface 1020' FSL and 1250' FEL At proposed Prod. Zone		9. API WELL NO. 30-045-32573	
14. DISTANCE IN MILES AND DIRECTION FROM NEAREST TOWN OR POST OFFICE* ~ 17 miles North of Navajo Dam, NM		10. FIELD AND POOL OR WILDCAT Basin Fruitland Coal	
15. DISTANCE FROM PROPOSED* LOCATION TO NEAREST PROPERTY OR LEASE LINE, FT. (Also to nearest drg. unit line, if any) 1020'		11. SEC., T., R., M. OR BLK. AND SURVEY OR AREA Sec. 26, T32N, R8W	
16. NO. OF ACRES IN LEASE 640		12. COUNTY OR PARISH San Juan County	
17. NO. OF ACRES ASSIGNED TO THIS WELL 320 E/P		13. STATE NM	
18. DISTANCE FROM PROPOSED LOCATION* TO NEAREST WELL, DRILLING, COMPLETED, OR APPLIED FOR ON THIS LEASE, FT. 150'		19. PROPOSED DEPTH 3108' 3538	
20. ROTARY OR CABLE TOOLS Rotary		21. ELEVATIONS (Show whether DF, RT, GR, etc.) 6637' GR	
22. APPROX. DATE WORK WILL START* As soon as permitted			

23. PROPOSED CASING AND CEMENTING PROGRAM				
SIZE OF HOLE	SIZE OF CASING	WEIGHT/FOOT	SETTING DEPTH	QUANTITY OF CEMENT
12-1/4"	9-5/8"	32.3#	+/- 240'	~153 cf Class "B" w/ 1/4#CF & 2% CaCl ₂
8-3/4"	7"	23#	+/- 3293'	~906 cf Lightwt & ~177 cf Class "B"
6-1/4"	5-1/2"	15.5#	+/- 3598'	Open hole completion - No Cement

Energen Resources Corporation proposes to drill a vertical well to develop the Fruitland Coal formation at the above described location in accordance with the attached drilling and surface use plans. The surface is under the jurisdiction of the Bureau of Land Management.

This location has been archaeologically surveyed by DCA (Divison of Conservation Archaeology - Salmon Ruins) Copies of their report have been submitted directly to your office.

This APD also is serving as an application to obtain road and pipeline right-of-ways. This well will not require any new access road (see Pipeline & Well Plats #3 & #4).

IN ABOVE SPACE DESCRIBE PROPOSED PROGRAM: If proposal is to deepen or plug back, give data on present productive zone and proposed new productive zone. If proposal is to drill or deepen directionally, give pertinent data on subsurface locations and measured and true vertical depths. Give blowout preventer program, if any.

24. SIGNED [Signature] TITLE John C. Thompson, Agent DATE 9/7/2004

(This space for Federal or State office use)

PERMIT NO. _____ APPROVAL DATE _____

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:

APPROVED BY [Signature] TITLE Acting Agent DATE 10/14/04

*See Instructions On Reverse Side

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 representations as to any matter within its jurisdiction.

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

NMOCD

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

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 June 10, 2003

Submit to Appropriate District Office

State Lease - 4 Copies

Fee Lease - 3 Copies

☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

¹ API Number 30-045-32573	² Pool Code 71629	³ Pool Name Overpress, FT Coal
⁴ Property Code 34350	⁵ Property Name Federal 26	⁶ Well Number 1S
⁷ OGRID No. 162928	⁸ Operator Name Energen Resources Corporation	⁹ Elevation 6637'

¹⁰ Surface Location

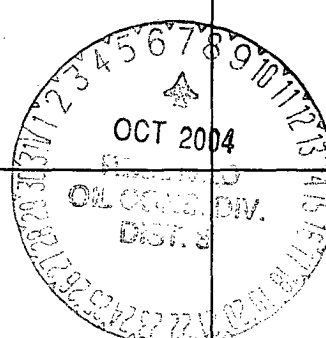
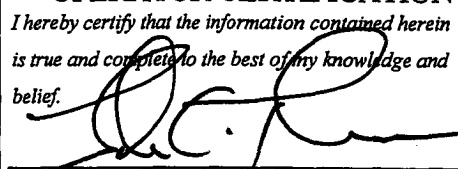
UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
P	26	32N	8W		1020	South	1250	East	San Juan

¹¹ Bottom Hole Location If Different From Surface

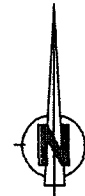
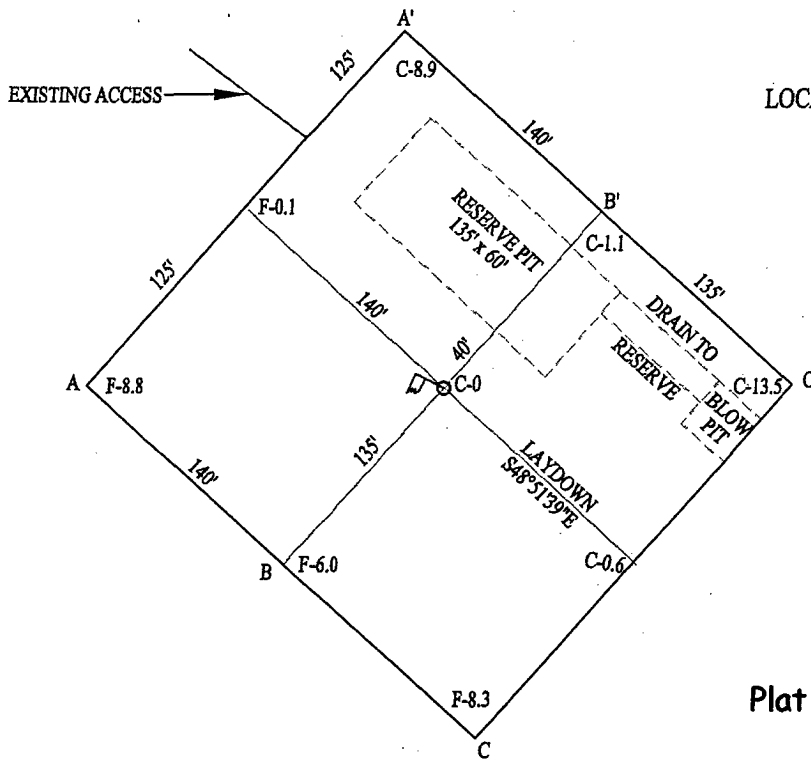
UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County

¹² Dedicated Acres 320 E/2	¹³ Joint or Infill	¹⁴ Consolidation Code	¹⁵ Order No.
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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

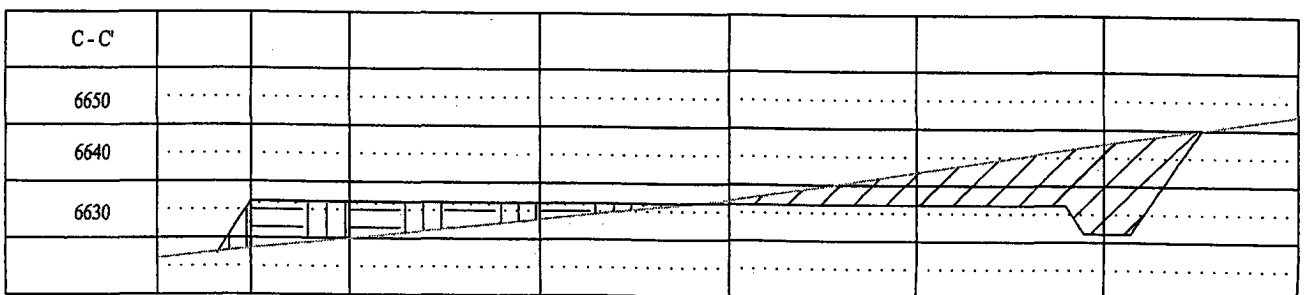
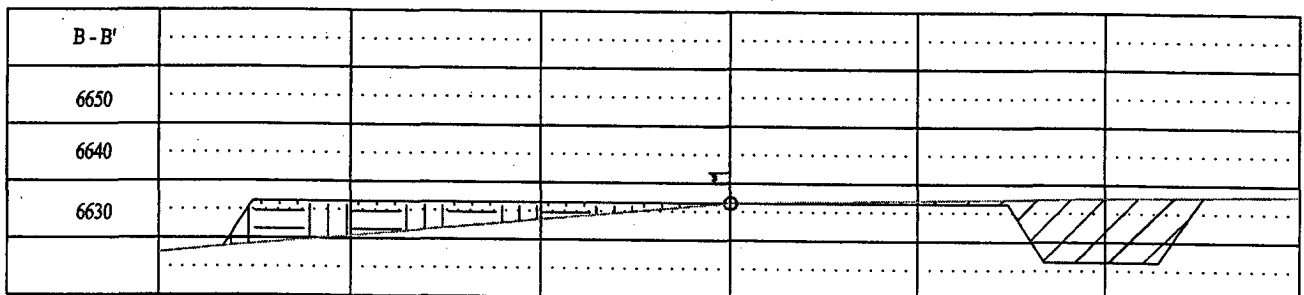
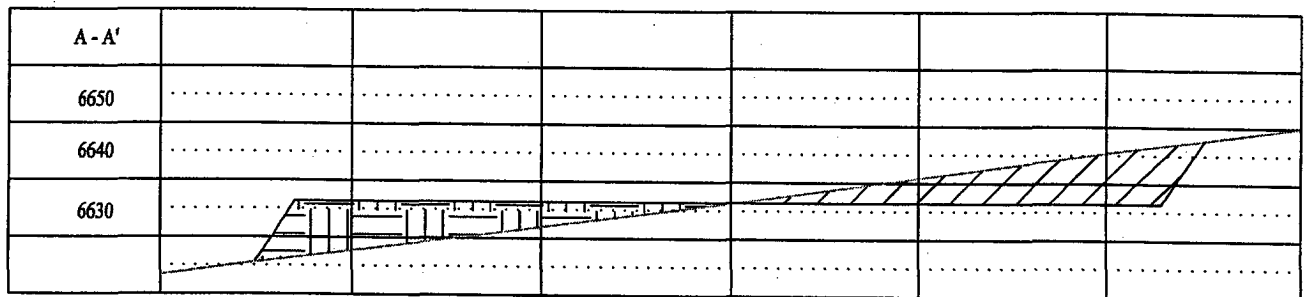
¹⁶ S 88-45-22 E 2,601.40' (Measured) N 01-07-32 W 2,641.36' (Measured) N 00-49-35 W 2,644.71' (Measured) S 89-01-12 E 2,579.96' (Measured)	S 88-47-16 E 2,604.00' (Measured)  3 1/4" Brass Cap BLM 1962	¹⁷ OPERATOR CERTIFICATION I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.  Signature John C. Thompson Printed Name Engineer/Agent john@walsheng.net Title and E-mail Address 8/25/04 Date
	26 1250' 1020' 3 1/4" Brass Cap BLM 1962 S 89-02-32 E 2,579.05' (Measured)	S 00-30-57 E 2,631.43' (Measured) S 00-26-42 E 2,629.73' (Measured)

ENERGEN RESOURCES CORPORATION
 FEDERAL 26-1S
 1020' FSL & 1250' FEL
 LOCATED IN THE SE/4 OF SECTION 26, T32N, R8W, N.M.P.M.,
 SAN JUAN COUNTY, NEW MEXICO
 ELEVATION: 6637', NAVD 88



LATITUDE 36°57'00"N
 LONGITUDE 107°38'25"W
 DATUM: NAD 83

Plat #2



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.

SUBMIT IN TRIPLICATE - Other instructions on reverse side.

1. Type of Well <input type="checkbox"/> Oil Well <input type="checkbox"/> Gas Well <input checked="" type="checkbox"/> Other: COAL BED METHANE		5. Lease Serial No. NMNM6894
2. Name of Operator ENERGEN RESOURCES CORPORATION		6. If Indian, Allottee or Tribe Name
3a. Address 2198 BLOOMFIELD HIGHWAY FARMINGTON, NM 87401		7. If Unit or CA/Agreement, Name and/or No.
3b. Phone No. (include area code) Ph: 505.325.6800 Ext: 238 Fx: 505.326.6112		8. Well Name and No. FEDERAL 26 1S
4. Location of Well (Footage, Sec., T., R., M., or Survey Description) Sec 26 T32N R8W SESE 1020FSL 1250FEL		9. API Well No. 30-045-32573-00-X1
		10. Field and Pool, or Exploratory BASIN FRUITLAND COAL
		11. County or Parish, and 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
	<input type="checkbox"/> Change Plans	<input type="checkbox"/> Plug and Abandon	<input type="checkbox"/> Temporarily Abandon	Change to Original APD
	<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 recomplate 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.)

Total Depth has been revised and will not penetrate the Pictured Cliffs.
New TD: 3538



14. I hereby certify that the foregoing is true and correct. Electronic Submission #36163 verified by the BLM Well Information System For ENERGEN RESOURCES CORPORATION, sent to the Farmington Committed to AFMSS for processing by ADRIENNE BRUMLEY on 09/17/2004 (04AXB3389SE)	
Name (Printed/Typed) VICKI DONAGHEY	Title PRODUCTION ASSISTANT
Signature (Electronic Submission)	Date 09/15/2004

THIS SPACE FOR FEDERAL OR STATE OFFICE USE

Approved By <i>[Signature]</i>	Title <i>Acting AFM</i>	Date <i>10/14/04</i>
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

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.

**** BLM REVISED ** BLM REVISED ** BLM REVISED ** BLM REVISED ** BLM REVISED ****

NMOCD

Energen Resources Corporation

Operations Plan

Federal 26 No. 1S

(Note: The following may be adjusted on site based upon actual conditions)

1. Location

Location : 1020' fsl & 1250' fel (se se)
Sec 26, T32N, R8W
San Juan County, New Mexico

Elevations : 6637' GL

Total Depth : 3598' MD RKB

Well Objective : Basin Fruitland Formation

2. Formation Tops

A. <u>Formation</u>	<u>Depth-KB</u>
San Jose Fm.	Surface
Nacimiento Fm.	763'
Ojo Alamo Ss.	2303'
Kirtland Sh.	2373'
Fruitland Fm.	3113'
Top Coal	3228'
Base Coal	3538'
Pictured Cliffs Ss.	3538'
Total Depth	3598'

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

Water and gas: 2373' – 3538'

B. Logging program: Induction/GR and Density logs at TD

3. Hazards

Overpressuring/H2S

The Fruitland Coal in this area can be overpressured. Because of this, intermediate casing will be set above the main coal section. If excessive pressure is encountered before the intermediate casing setting depth, the mud system shall be sufficiently weighted to keep well from flowing.

Maximum expected BHP: 1500 psig.

No known H2S zones will be penetrated in this well.

Lost Circulation

Lost circulation is not expected to be a problem. However, in the event lost circulation zones are encountered or hole stability problems develop, lost circulation material (LCM) will be on location to be used with any mud systems that may be needed to address the lost circulation zones. Also, lost circulation material will be used in the intermediate cement in attempt to minimize any lost circulation zones/problems that may be encountered during cementing of the intermediate string.

4. Drilling

A. Contractor: Aztec Well Service

B. Mud Program:

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

The production hole will be drilled with a fresh water/polymer mud system. The weighting material will be drill solids or if conditions dictate, barite. The maximum weight expected is 9.5 ppg.

C. Minimum Blowout Control Specifications

Double ram type or annular type 2000 psi working pressure BOP with a rotating head will be utilized. See the attached Exhibits #1 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.

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.

4. Casing & Materials

A. Casing

<u>String</u>	<u>Interval</u>	<u>Hole Size</u>	<u>Csg OD</u>	<u>Wt lb/ft</u>	<u>Grade</u>
➤ Surface	0'-240'	12-1/4"	9-5/8"	32.3	J-55/ST&C
➤ Intermediate	0'-3293'	8-3/4"	7"	23.0	J-55/ST&C
➤ Production	3193'-3598'	6-1/4"	5-1/2"	15.5	J-55/LT&C

B. Float equipment

I) Surface Casing: Texas Pattern Guide shoe on bottom. 3 bow type centralizers, spaced every other joint from bottom.

II) Intermediate Casing: 7" cement nose guide shoe with a self fill insert float collar on top of bottom joint. 10 bow spring centralizers spaced every 2nd joint off bottom. Two turbolating centralizers at the base of the Ojo Alamo.

II) Liner: 5-1/2": 5-1/2" cement guide shoe w/ insert float, run on bottom joint. No centralizers – open hole completion, no cement.

5. Cementing

Surface Casing: 9-5/8" – Use 130 sx (153 cu.ft.) of Class "B" with 1/4#/sk celloflake and 2% CaCl₂. (yield: 1.18 cu.ft./sk; slurry weight: 15.6 ppg). Use 100% excess to circulate cement to surface. WOC 12 hours. Pressure test surface casing to 1000 psi for 30 min.

Intermediate Casing: 7" – Before cementing circulate hole with at least 1-1/2 hole volumes of mud. Precede cement with 20 bbls of fresh water. Lead with 440 sx (906 cu.ft.) of Class "B" with 2% SMS (sodium metasilicate) and 1/4#/sk celloflake. (yield: 2.06 cu.ft./sk; slurry weight: 12.5 ppg). Tail with 150 sx (177 cu.ft.) of Class "B" with 1/4#/sk celloflake (yield: 1.18 cu.ft./sk; slurry weight: 15.6 ppg). Total cement/hole volume is 1082 cu.ft. (use 100% excess to circulate cement to surface).

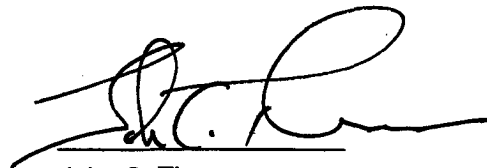
Liner: 5-1/2" – Open hole completion, no cement.

6. Completion

Well will be cavitated. Surge well with air/gas and water/soap then flow back. Rotate and reciprocate drill string while pumping air/mist to clean out after surges. Repeat process until flow rates stabilize (no further increase). After the 5-1/2" liner is set the well will be selectively perforated and tested for production. If productive the well will be produced thru 2-3/8" tubing.

7. Surface Facilities

1. If well is productive, set separator, production tank (or water lines) and any related production equipment.
2. Set meter and tie well into pipeline.
3. Turn well over to production department.
4. Rehabilitate as per the managing surface agency request.



John C. Thompson
Engineer

Energen Resources Corp.

Well Control Equipment Schematic for 2M Service

Attachment to Drilling Technical Program

Exhibit #1

Typical BOP setup

Location: San Juan Basin, New Mexico

Date: August 24, 2004

By: John Thompson (Walsh E&P)

