

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

APPLICATION FOR PERMIT TO DRILL OR REENTER

FORM APPROVED

OMB No. 1004-0136

Expires November 30, 2000

5. Lease Designation and Serial No.

NM-078863

6. If Indian, Allottee or Tribe Name

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

8. Lease Name and Well No.

KRAUSE #7S

9. API Well No.

30045 32471

10. Field and Pool, or Exploratory
Basin Fruitland Coal

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

Sec 33, T-28-N, R-11-W

12. County or Parish.

San Juan

13. State

New Mexico

17. Spacing Unit dedicated to this well

320 Acres

20. BLM/BIA Bond No. on file

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

Size of Hole	Grade, Size of Casing	Weight per Foot	Setting Depth	Quantity of Cement
12-1/4"	8-5/8" LS	23#	200'	140 Sxs, 165 ft3 - 100% Excess
6-1/4"	4-1/2" K-55	10.5#	1750'	138 Sxs, 260 ft3 - 45% Excess

The on-site inspection was on 6/31/04 by Brice Barian

Archy is by DCA.

EA & TE are by Permits West.

SEE ATTACHED APD INFORMATION

Latitude: 36 Deg, 36 Min, 49 Sec N
Longitude: 108 Deg, 00 Min, 12 Sec W

25. Signature	Name (Printed/Typed)	Date
<i>Mike Pippin</i>	Mike Pippin	July 21, 2004
Title		
Petroleum Engineer		
Approved by (Signature)	Name (Printed/Typed)	Date
<i>D. Mankiewicz</i>		11/1/04
Title	Office	
AFM	FFO	

Application approval does not warrant or certify 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)

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, N.M. 88240

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

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

DISTRICT III
1000 Rio Brazos Rd., Aztec, N.M. 87410

OIL CONSERVATION DIVISION
2040 South Pacheco
Santa Fe, NM 87505

DISTRICT IV
2040 South Pacheco, Santa Fe, NM 87505

☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

¹ API Number 30-045-32471	² Pool Code 71629	³ Pool Name BASIN FRUITLAND COAL
⁴ Property Code 16603	⁵ Property Name KRAUSE	⁶ Well Number 7S
⁷ GRID No. 141852	⁸ Operator Name M & G DRILLING COMPANY INC..	⁹ Elevation 5799'

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	33	28-N	11-W		760	SOUTH	890	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 5/2			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

16	2004 JUL 22 PM 10 46 RECEIVED OTO FARMINGTON NM	SEC. CORNER FD. 2 1/2" BC. 1913 U.S.G.L.O.	17 OPERATOR CERTIFICATION I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief. <u>Mike Pippin</u> Signature <u>MIKE PIPPIN</u> Printed Name <u>AGENT-PETR. ENGR.</u> Title <u>7-21-04</u> Date
33			
			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 knowledge and belief. <u>JOHN VUKONICH</u> Date of Survey Signature and Seal of Professional Surveyor 14831 Certificate Number

LAT. = 36°36'49" N. (NAD 83)
LONG. = 108°00'12" W. (NAD 83)

KRAUSE WN FED. #4E

SEC. CORNER
FD. 2 1/2" BC.
1913 U.S.G.L.O.

WITNESS CORNER TO
S. QTR. CORNER
S89°56'28"W 19 CHN.
1913 U.S.G.L.O. BC.

S89°56'28"W
3889.3' (M)

890'

760'

N 00°02'10" E

5279.6' (M)

Submit 3 Copies To Appropriate District Office
District I
1625 N. French Dr., Hobbs, NM 88240
District II
1301 W. Grand Ave., 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 and Natural Resources

Form C-103
March 4, 2004

OIL CONSERVATION DIVISION
1220 South St. Francis Dr.
Santa Fe, NM 87505

SUNDRY NOTICES AND REPORTS ON WELLS (DO NOT USE THIS FORM FOR PROPOSALS TO DRILL OR TO DEEPEN OR PLUG BACK TO A DIFFERENT RESERVOIR. USE "APPLICATION FOR PERMIT" (FORM C-101) FOR SUCH PROPOSALS.)		WELL API NO.
1. Type of Well: Oil Well <input type="checkbox"/> Gas Well <input checked="" type="checkbox"/> Other		5. Indicate Type of Lease Federal STATE <input type="checkbox"/> FEE <input type="checkbox"/>
2. Name of Operator M & G DRILLING COMPANY		6. State Oil & Gas Lease No. Federal: NM-078863
3. Address of Operator c/o Agent, Mike Pippin LLC 3104 N. Sullivan, Farmington, NM 87401 505-327-4573		7. Lease Name or Unit Agreement Name KRAUSE
4. Well Location Unit Letter <u>P</u> : <u>760</u> feet from the <u>South</u> line and <u>890</u> feet from the <u>East</u> line Section <u>33</u> Township <u>28N</u> Range <u>11W</u> NMPM San Juan County		8. Well Number #7S
11. Elevation (Show whether DR, RKB, RT, GR, etc.) 5799' GL		9. OGRID Number 141852
Pit or Below-grade Tank Application (For pit or below-grade tank closures, a form C-144 must be attached)		
Pit Location: UL <u>P</u> Sect <u>33</u> Twp <u>28N</u> Rng <u>11W</u> Pit type: <u>Drilling</u> Depth to Groundwater <u>>100'</u> Distance from nearest fresh water well <u>>1000'</u> Distance from nearest surface water <u><200'</u> Below-grade Tank Location UL <u> </u> Sect <u> </u> Twp <u> </u> Rng <u> </u> ; feet from the <u> </u> line and <u> </u> feet from the <u> </u> line		

12. Check Appropriate Box to Indicate Nature of Notice, Report or Other Data

NOTICE OF INTENTION TO:

PERFORM REMEDIAL WORK ☐ PLUG AND ABANDON ☐

TEMPORARILY ABANDON ☐ CHANGE PLANS ☐

PULL OR ALTER CASING ☐ MULTIPLE COMPLETION ☐

OTHER: Drilling Pit Registration ☒

SUBSEQUENT REPORT OF:

REMEDIAL WORK ☐ ALTERING CASING ☐

COMMENCE DRILLING OPNS. ☐ PLUG AND ABANDONMENT ☐

CASING TEST AND CEMENT JOB ☐

OTHER: ☐

13. Describe proposed or completed operations. (Clearly state all pertinent details, and give pertinent dates, including estimated date of starting any proposed work). SEE RULE 1103. For Multiple Completions: Attach wellbore diagram of proposed completion or recompletion.

We intend to drill a new FRTC well. The drilling pit will be built and lined according to our general pit guidelines on file at the NMOCD in Aztec, NM.

When this drilling pit is closed, it will be closed as per our general pit closing guidelines on file at the NMOCD.

I hereby certify that the information above is true and complete to the best of my knowledge and belief. I further certify that any pit or below-grade tank has been/will be constructed or closed according to NMOCD guidelines ☒ a general permit ☐ or an (attached) alternative OCD-approved plan ☐.

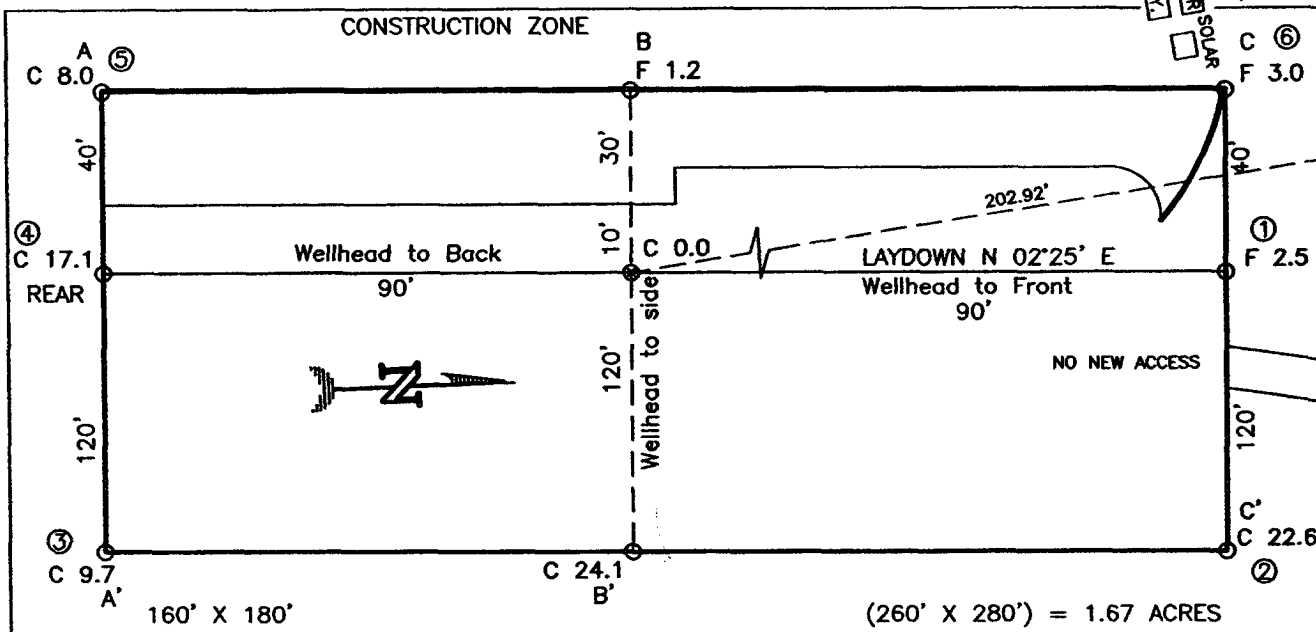
SIGNATURE Mike Pippin TITLE Agent - Petroleum Engineer DATE July 22, 2004

Type or print name Mike Pippin E-mail address: mpippin@ddbroadband.net Telephone No. 505-327-4573

(This space for State use)

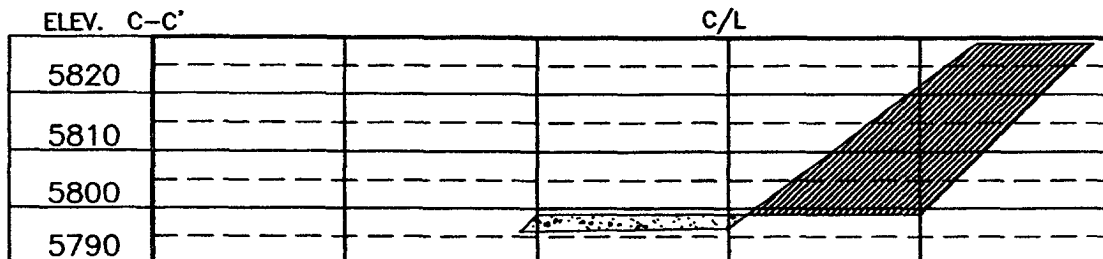
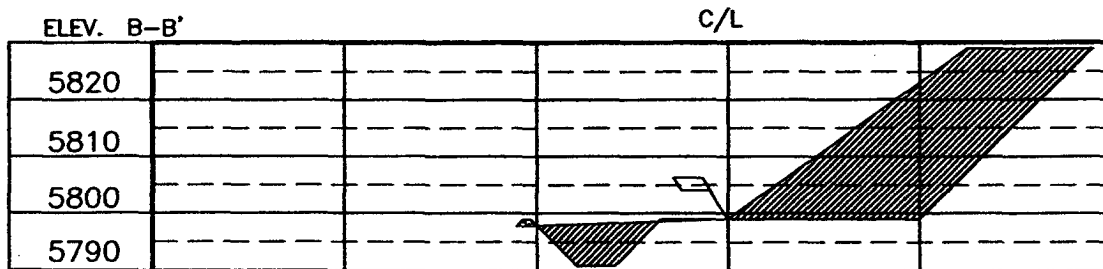
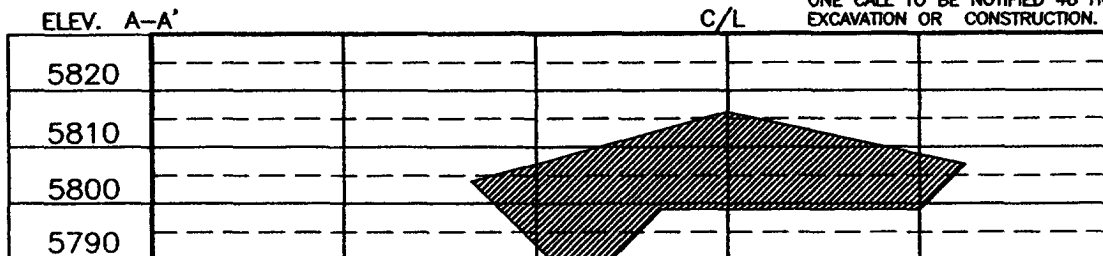
APPROVED BY [Signature] TITLE DEPUTY OIL & GAS INSPECTOR, DIST. 2 DATE NOV - 4 2004
Conditions of approval, if any:

M & G DRILLING COMPANY INC.
 KRAUSE No. 7S, 760 FSL 890 FEL
 SECTION 33, T28N, R11W, N.M.P.M., SAN JUAN COUNTY, N. M.
 GROUND ELEVATION: 5799, DATE: May 17, 2004



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.



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.

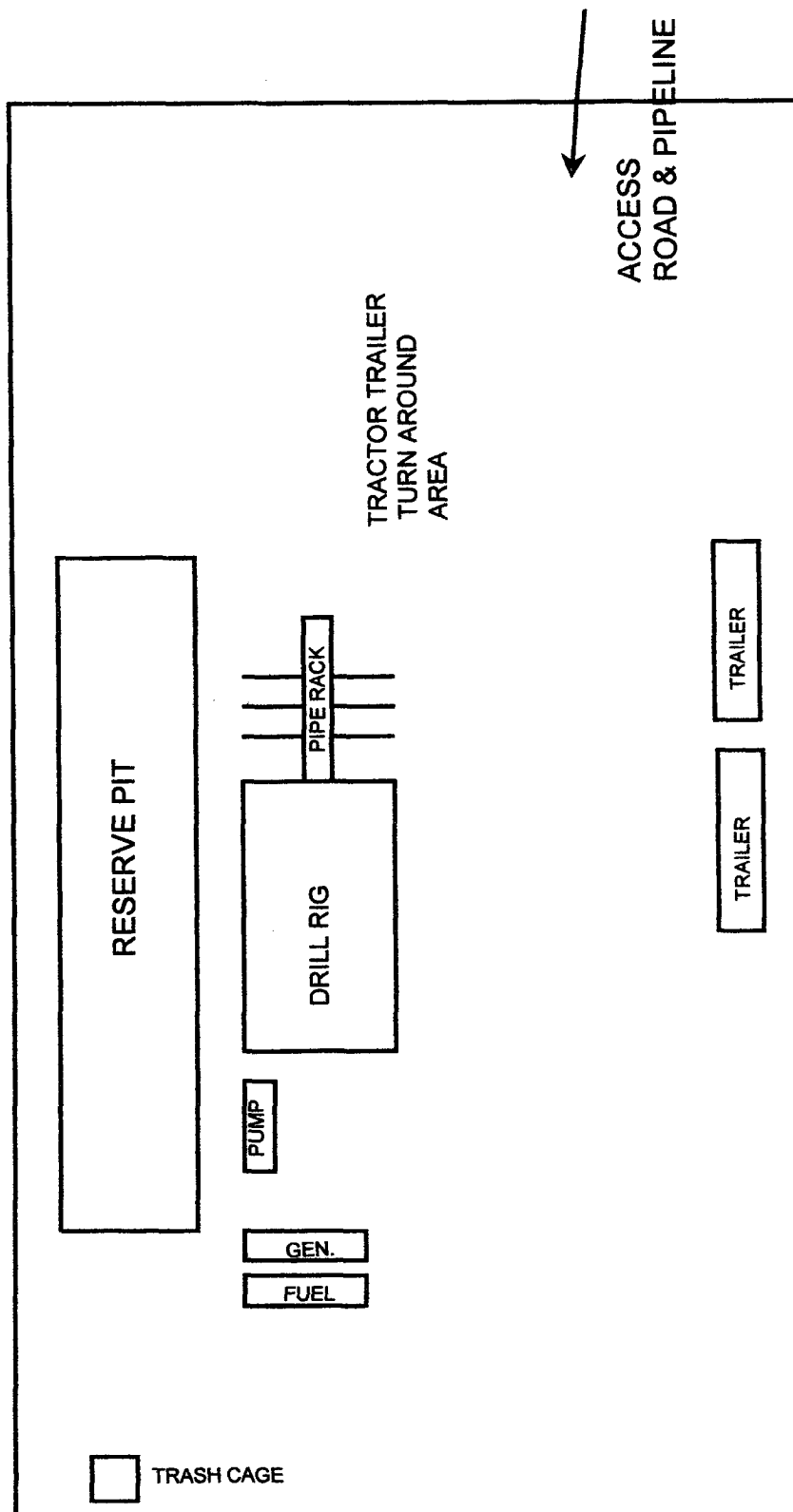
PAGE #11

REVISION:	DATE:	REVISION BY:
<p>Daggett Enterprises, Inc. Surveying and Oil Field Services P. O. Box 15068 • Farmington, NM 87401 Phone (505) 328-1772 • Fax (505) 328-6019 NEW MEXICO L.S. No. 14831 CAPLID MG001CF8 DATE: 05/25/04</p>		
<p>DRWN BY: B.L. ROW# MEG001</p>		

M & G DRILLING COMPANY.
KRAUSE #7S FRTC
P SEC. 33 T28N R11W
SAN JUAN COUNTY, NM

↑
NORTH

7/22/04 P.M. PIPPIN



M & G DRILLING COMPANY
KRAUSE #7S FRTC
760' FSL, 890' FEL
Unit P Sec. 33 T28N R11W
San Juan County, NM

Drilling Program

1. **ESTIMATED FORMATION TOPS (KB)**

<u>Formation Name</u>	<u>Depth</u>
Ojo Alamo	780'
Kirtland	862'
Fruitland	1436'
Pictured Cliffs	1628'
TD (4-1/2")	1750'

2. **NOTABLE ZONES**

Gas or Oil Zones

Fruitland

Pictured Cliffs

Water Zones

Ojo Alamo

Kirtland

Coal Zone

Fruitland

Water zones will be protected with casing, cement, and weighted mud. Fresh water found while drilling will be recorded. Oil or gas shows will be tested for commercial potential based on the engineer's recommendations.

3. **PRESSURE CONTROL**

Maximum expected pressure is ~1000 psi. The drilling contract has not yet been awarded, thus the exact BOP model to be used is not yet known. A typical 7-1/16" 3,000 psi annular is on PAGE #5.

BOP equipment and all accessories will meet or exceed BLM requirements in 43 CFR Part 3160 for a 3000 psi system. A 3000 psi annular BOP will be used. Accumulator system capacity will be sufficient to close all BOPE with a 50% safety factor. Fill, kill, and choke manifold lines will be 2". Accessories will include an upper Kelly cock with a handle, stabbing valve to fit drill pipe on floor at all times, string float at bit, 3000 psi choke manifold with 2" adjustable and 2" positive chokes, and pressure gauge. BOPs will be tested every 24 hours. Tests will be recorded on IADC log.

M & G DRILLING COMPANY
KRAUSE #7S FRTC
 760' FSL, 890' FEL
 Unit P Sec. 33 T28N R11W
 San Juan County, NM

4. CASING & CEMENT

<u>Hole Size</u>	<u>O.D.</u>	<u>Weight (lb/ft)</u>	<u>Grade</u>	<u>Age</u>	<u>Connection</u>	<u>GL Setting Depth</u>
12-1/4"	8-5/8"	23#	LS	New	ST&C	200'
6-1/4"	4-1/2"	10.5#	K-55	New	ST&C	1750'

Surface Casing will be cemented to the surface with ~165 cu. ft. (~140 sx) Class "B" cmt or equivalent (1.18 ft³/sx yield, 15.6 ppg, & 5.2 gps) with 2% CaCl₂ and 1/4#/sx celloflake. Volume based on 100% excess. We plan to run a minimum of at least 3 centralizers. A wooden wiper plug will be displaced to within 20' of the shoe. WOC = 12 hours. Surface casing will be tested to 500 psi for 15 minutes.

Production Casing will be cemented to surface with a single stage. Total cement = ~260 cu. ft. (~138sx). Volumes are calculated at 45% excess in the lead cmt. If cement does not circulate to surface, then a temperature survey or CBL will be run to determine the actual cement top as needed. WOC = 12 hours. Casing will be tested to 3800 psi for 15 minutes during completion operations.

Lead cement will be ~204 cu. ft. (~98 sx) Class "B" cmt or equivalent w/2% SM, 1/4#/sx cello flake, 3#/sx gilsonite mixed at 11.9 gps, 12.5 ppg for a yield of 2.09 cu. ft. per sx.

Tail cement will be ~56 cu. ft. (~40 sx) Class "B" cmt or equivalent w/1% gel, 2% Cacl₂, 1/4#/sx cello flake, 3#/sx gilsonite mixed at 6.8 gps, 14.5 ppg for a yield of 1.4 cu. ft. per sx.

Cementing equipment will include a guide shoe, and autofill float collar will be run 20' off bottom. We plan on running at least 10 centralizers.

5. MUD PROGRAM

<u>Depth</u>	<u>Type</u>	<u>Wt./ppg.</u>	<u>Vis.</u>	<u>Fluid Loss</u>	<u>PH</u>
0'-200'	FW gel/lime spud mud	8.4-8.7	30-50	NC	10
200'-1750'	FW gel/Polymer	8.3-8.6	30-35	<20cc's	9.5

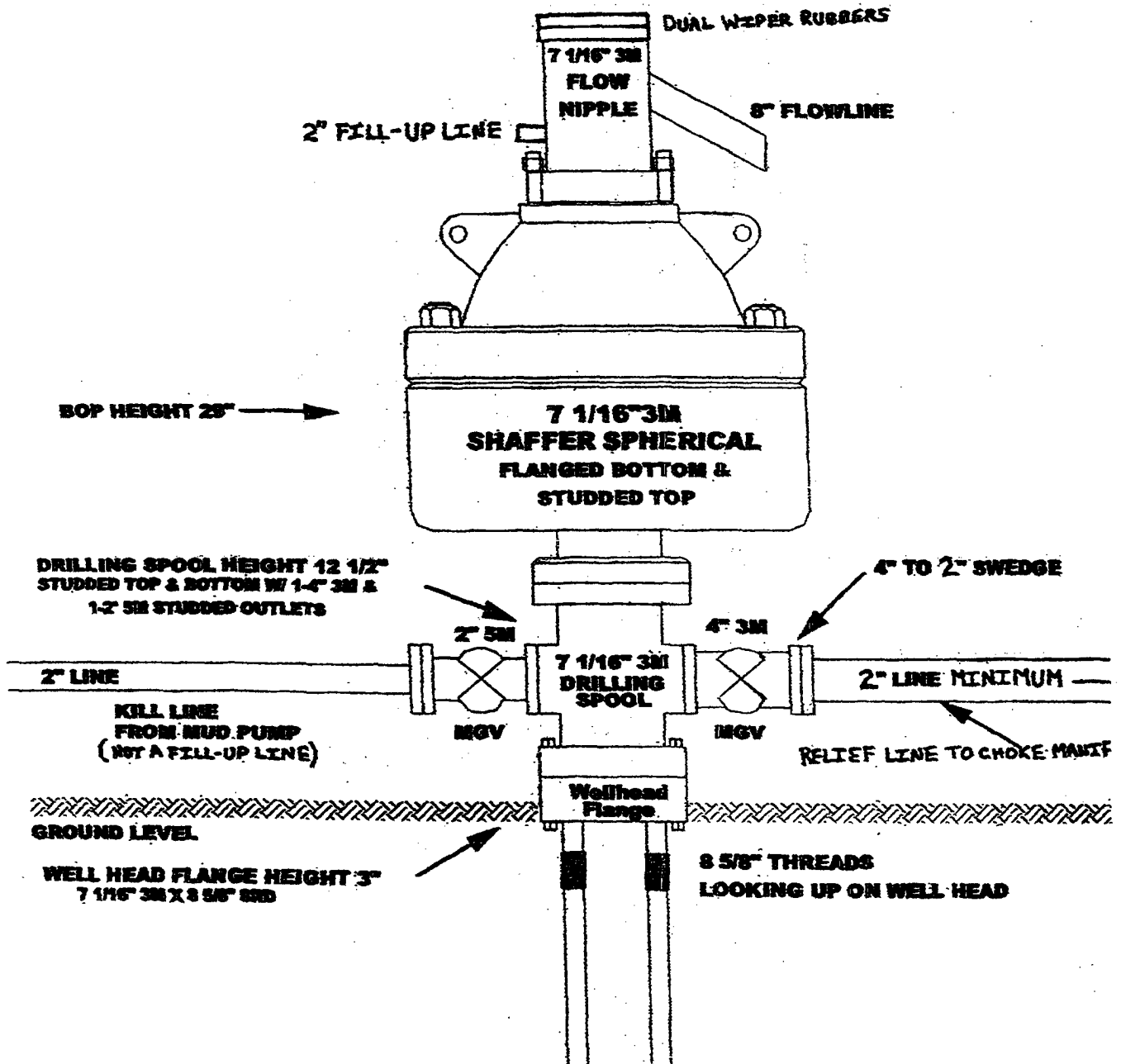
Lost circulation and absorption material will be on location.

6. CORING, TESTING, & LOGGING

No cores, drill stem tests, or open hole logs are planned. Open hole logs will include GR, Neutron-Density, Caliper, Induction, and temperature.

Drilling Rig

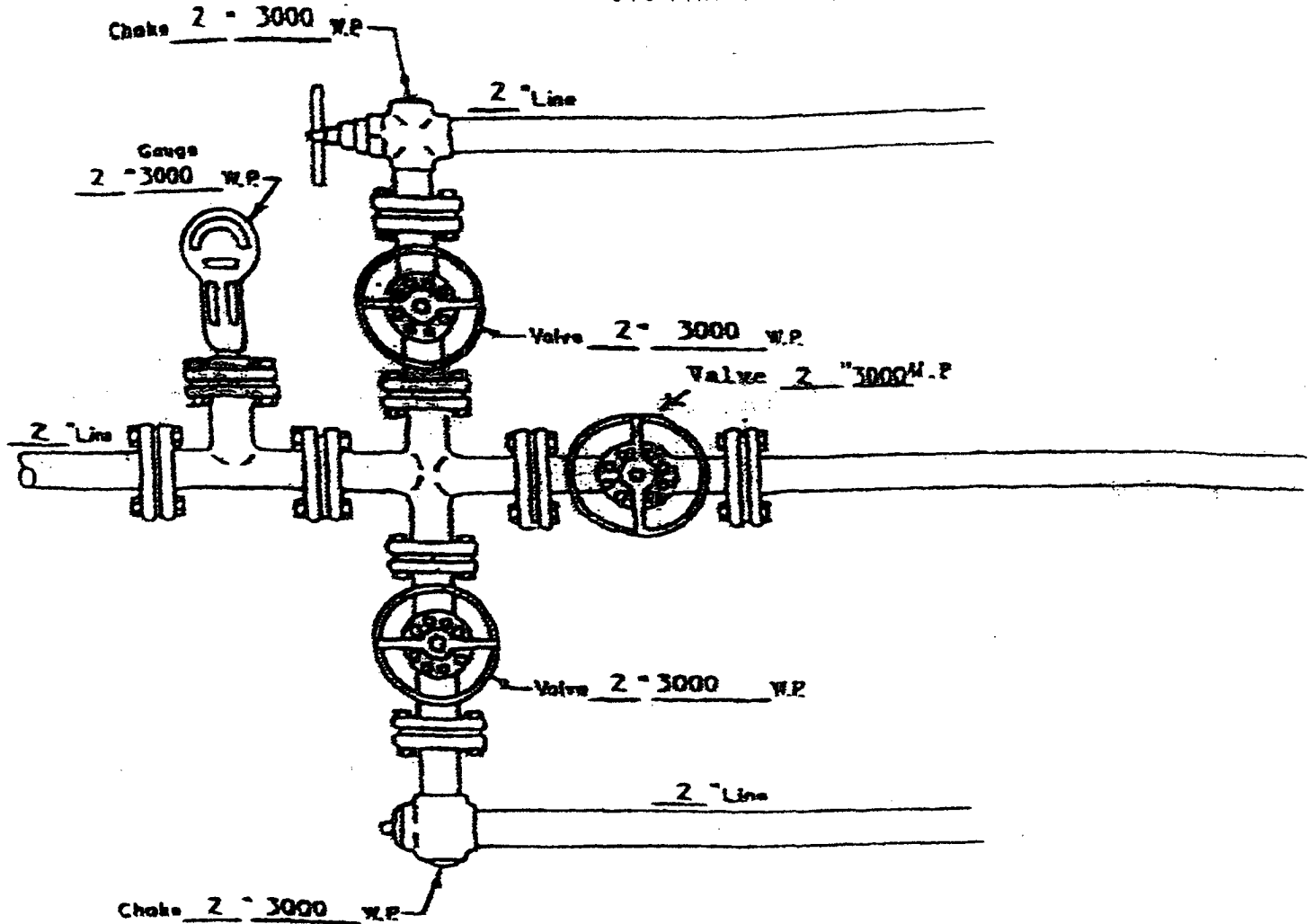
3000 psi BOP System



M & G DRILLING COMPANY
SAN JUAN COUNTY, NM

2004 AUG 5 PM 2 34

RECEIVED
070 FARMINGTON NM



MANIFOLD
3000 #W.P.

☒ Manual
☐ Hydraulic

8-5/8" 23# LS X-42 CASING
0.250" WALL
CALLAPSE = 1016 PSI
INTERNAL YIELD = 1040 PSI

ATTACHMENT NO. 2