

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

FORM APPROVED

OMB No. 1004-0136

Expires November 30, 2000

APPLICATION FOR PERMIT TO DRILL OR REENTER

2004 JUL 27

5. Lease Designation and Serial No.

SF 078673

6. If Indian Allottee or Tribe Name

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

8. Lease Name and Well No.

SCHLOSSER #102

9. API Well No.

3004532486

10. Field and Pool, or Exploratory

Basin Fruitland Coal

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

F Sec 34, 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 W/2

1a. Type of Work

☒ DRILL

☐ REENTER

1b. Type of Well:

☐ Oil Well

☒ Gas Well

☐ Other

☐ Single Zone

☐ Multiple Zone

2. Name of Operator

M&G Drilling Company Inc.

NM OGRID # 141852

3a. Address

c/o Mike Pippin LLC
3104 N. Sullivan, Farmington, NM 87401

3b. Phone Number

(505) 327-4573

4. Location of Well (Footage, Sec, T. R., M, or Survey Description)

At surface: Unit F, 2195' FNL, 1400' FWL

At proposed prod. Zone: Same

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

8 Miles South of Bloomfield, NM

15. Distance from proposed*

location to nearest 1400'

property or lease line, ft.

(Also to nearest drlg. Unit line, if any)

16. No of Acres in lease

2566.96

18. Distance from proposed*

location to nearest well 720'

19. Proposed Depth

1700'

20. BLM/BIA Bond No. on file

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

5716'

22. Approximate date work will start*

October 15, 2004

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#	1700'	134 Sxs, 253 ft3 - 45% Excess

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

Archy is by DCA.

EA & TE are by Permits West.

SEE ATTACHED APD INFORMATION

Latitude: 36 Deg, 37 Min, 12 Sec N

Longitude: 107 Deg, 59 Min, 44 Sec W

25. Signature

Mike Pippin

Name (Printed/Typed)

Mike Pippin

Date

July 26, 2004

Title

Petroleum Engineer

Approved by (Signature)

[Signature]
AFM

Name (Printed/Typed)

Office

FFO

Date

11/23/04

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)

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 3165.2
and appeal pursuant to 43 CFR 3165.4

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

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

DISTRICT IV
2040 South Pacheco, Santa Fe, NM 87506

OIL CONSERVATION DIVISION
2040 South Pacheco
Santa Fe, NM 87505

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

2004 JUL 27 Fee Lease

RECEIVED ☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

*API Number 30-05-32486		*Pool Code 71629	*Pool Name BASIN FRUITLAND COAL
*Property Code 16599	*Property Name SCHLOSSER 24		*Well Number 102
*OGRD No. 141852	*Operator Name M & G DRILLING COMPANY INC.		*Elevation 5716'

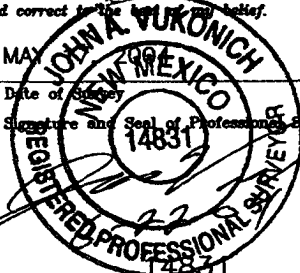
¹⁰ Surface Location

UL or lot no. F	Section 34	Township 28-N	Range 11-W	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
					2195	NORTH	1400	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			¹³ Joint or Infill		¹⁴ Consolidation Code		¹⁵ Order No.		
320 W/2			Y						

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

FD. 2 1/2" BC. 1913 GLO	N 89-50-48 E 5293.9' (M)	FD. 2 1/2" BC. 1913 GLO	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>7-26-04</u> Date
N 00-02-10 E 5279.6' (M)	2195' LAT. = 36°37'12" N. (NAD 83) LONG. = 107°59'44" W. (NAD 83)	34	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 belief. MAY 2004 Date of Survey Signature and Seal of Professional Surveyor:  Certificate Number
FD. 2 1/2" BC. 1913 GLO			

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

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

Form C-103

March 4, 2004

WELL API NO.

5. Indicate Type of Lease **Federal**
STATE ☐ FEE ☐

6. State Oil & Gas Lease No.
Federal: NM-078673

7. Lease Name or Unit Agreement Name
SCHLOSSER 34

8. Well Number
#102

9. OGRID Number 141852

10. Pool name or Wildcat
Basin Fruitland Coal

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.)

1. Type of Well:

Oil Well ☐ Gas Well ☒ Other

2. Name of Operator

M & G DRILLING COMPANY

3. Address of Operator c/o Agent, Mike Pippin LLC

3104 N. Sullivan, Farmington, NM 87401 505-327-4573

4. Well Location

Unit Letter F: 2195 feet from the North line and 1400 feet from the West line

Section 34 Township 28N Range 11W NMPM San Juan County

11. Elevation (Show whether DR, RKB, RT, GR, etc.)
5716' GL

Pit or Below-grade Tank Application (For pit or below-grade tank closures, a form C-144 must be attached)

Pit Location: UL F Sect 34 Twp 28N Rng 11W Pit type: Drilling Depth to Groundwater >100' Distance from nearest fresh water well >1000'.

Distance from nearest surface water <200' Below-grade Tank Location UL Sect Twp Rng ;

feet from the line and feet from the 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 26, 2004

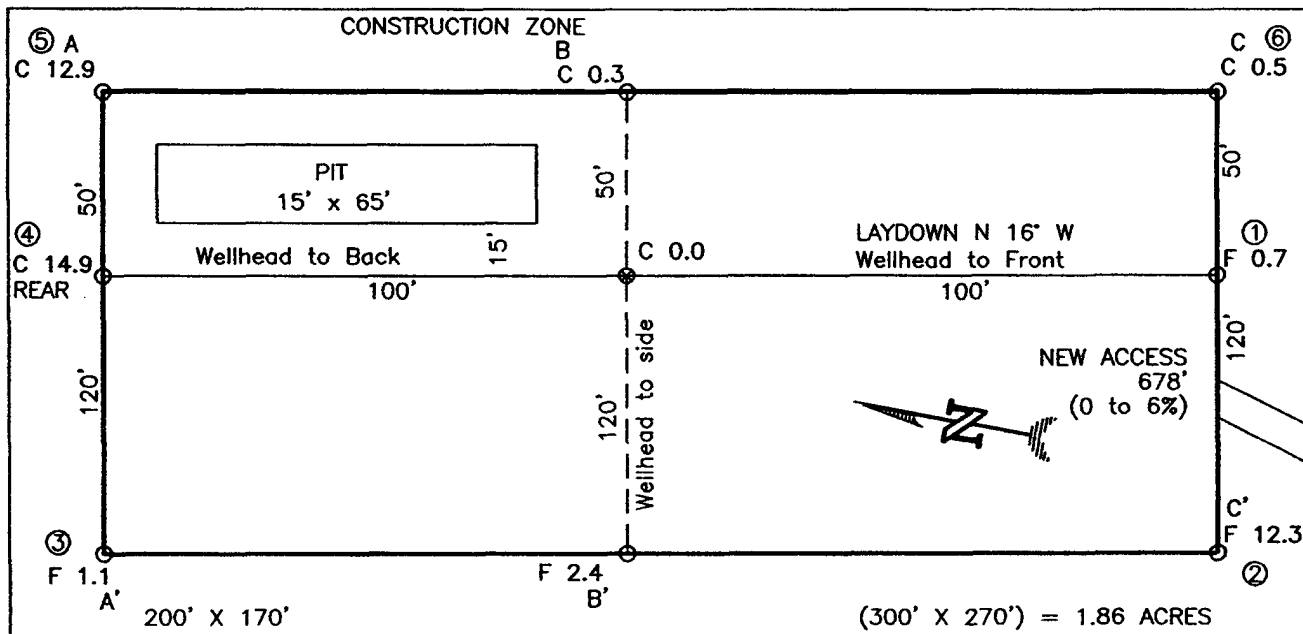
Type or print name Mike Pippin E-mail address: mpippin@ddbroadband.net Telephone No. 505-327-4573

(This space for State use)

APPROVED BY [Signature] TITLE DEPUTY OIL & GAS INSPECTOR, DIST. #2 DATE DEC - 1 2004

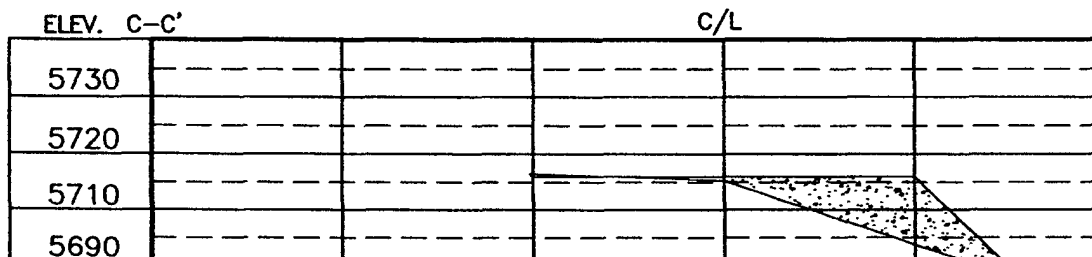
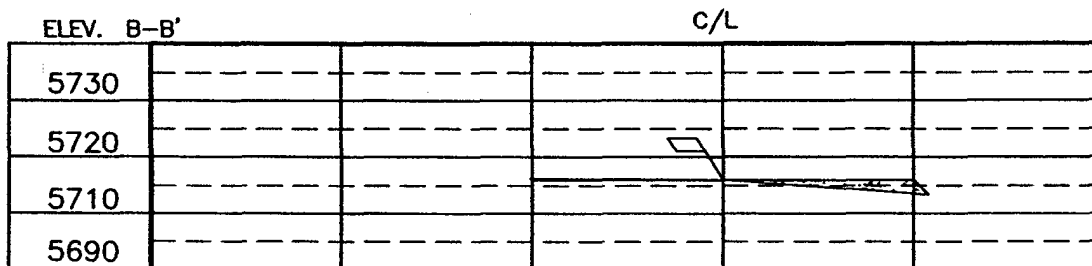
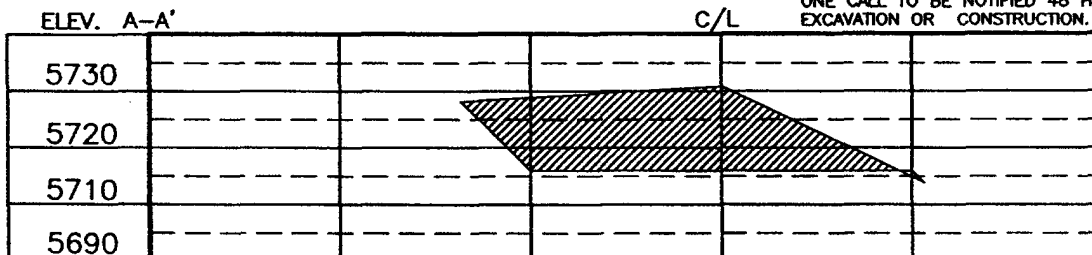
Conditions of approval, if any:

M & G DRILLING COMPANY INC.
 SCHLOSSER 34 No. 102, 2195 FNL 1400 FWL
 SECTION 34, T28N, R11W, N.M.P.M., SAN JUAN COUNTY, N. M.
 GROUND ELEVATION: 5716, 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	REVISED BY

Daggett Enterprises, Inc.
 Surveying and Oil Field Services
 P. O. Box 15088 • Farmington, NM 87401
 Phone (505) 328-1772 • Fax (505) 328-6019
 NEW MEXICO L.S. No. 14831
 CADDLE MARGO08C78
 DATE: 05/28/04

DRAWN BY: A.G.
 ROW# MARGO08

M & G DRILLING COMPANY
SCHLOSSER 34 #102 FRTC
2195' FNL, 1400' FWL
Unit F Sec. 34 T28N R11W
San Juan County, NM

Drilling Program

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

<u>Formation Name</u>	<u>Depth</u>
Ojo Alamo	461'
Kirtland	1031'
Fruitland	1356'
Pictured Cliffs	1621'
TD (4-1/2")	1700'

2. **NOTABLE ZONES**

<u>Gas or Oil Zones</u>	<u>Water Zones</u>	<u>Coal Zone</u>
Fruitland		Fruitland
Pictured Cliffs	Ojo Alamo Kirtland	

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
SCHLOSSER 34 #102 FRTC
 2195' FNL, 1400' FWL
 Unit F Sec. 34 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	1700'

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 = ~253 cu. ft. (~134sx). 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 ~197 cu. ft. (~94 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'-1700'	FW gel/Polymer	8.3-8.6	30-35	<20cc's	9.5

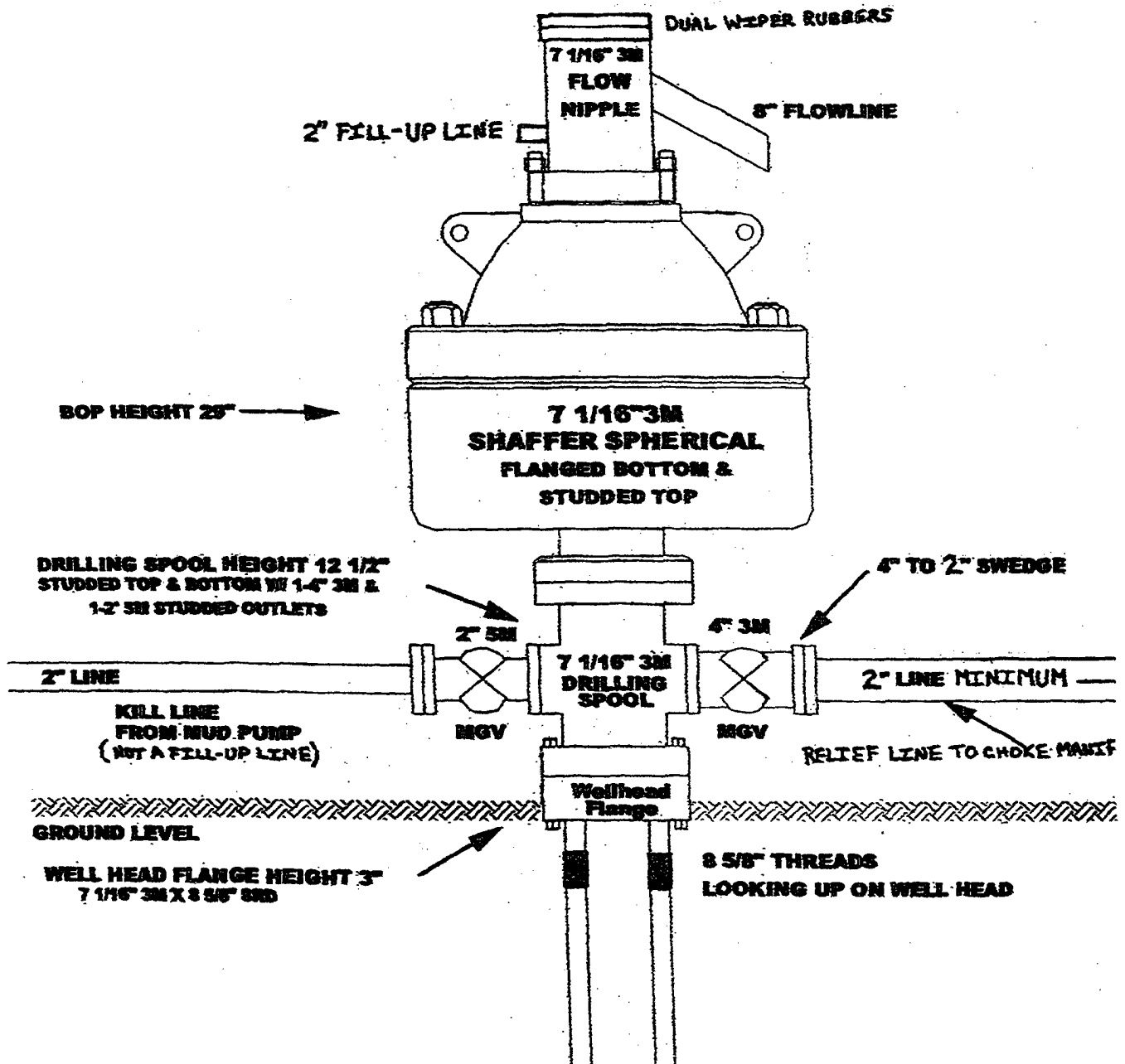
Lost circulation and absorption material will be on location.

6. CORING, TESTING, & LOGGING

No cores or drill stem tests are planned. No open hole logs will run on this well. We plan to run a cased hole GR-neutron log during completion operations.

Drilling Rig

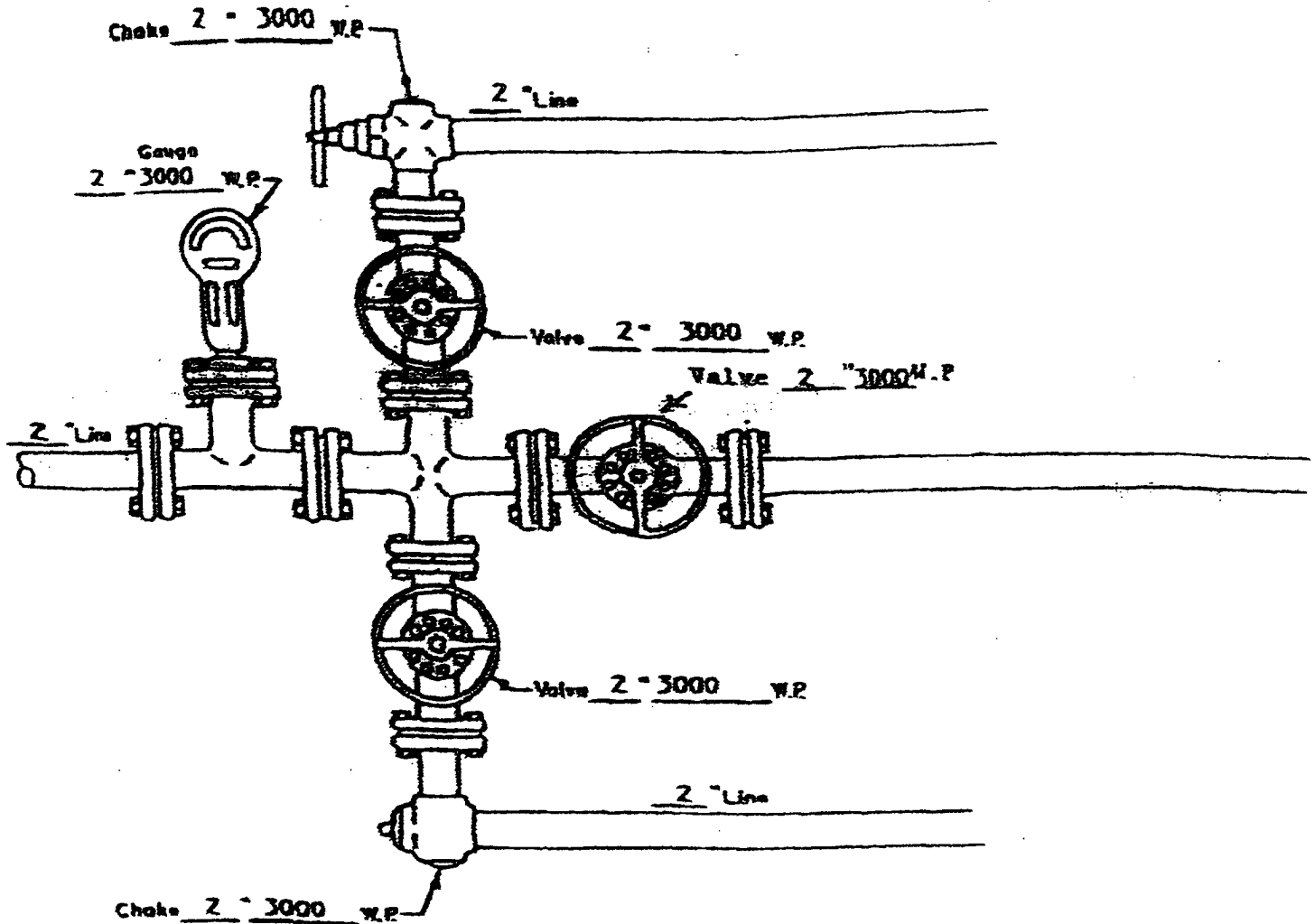
3000 psi BOP System



M & G DRILLING COMPANY
SAN JUAN COUNTY, NM

2004 AUG 5 PM 2 33

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