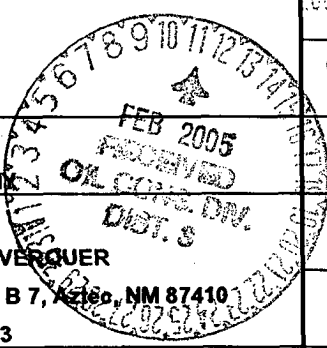


UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

APPLICATION FOR PERMIT TO DRILL, DEEPEN, OR PLUG BACK

1a. Type of Work DRILL		5. Lease Number 1055 JAN 10 PR 1 27 NMSF-O79304	
1b. Type of Well GAS		6. If Indian, Name of Allottee or Tribe OTO FARMING	
2. Operator CAULKINS OIL COMPANY		7. Unit Agreement Name 30-039-29018	
3. Address & Phone No. of Operator c/o ROBERT VERQUER 1409 W Aztec Blvd. Suite B 7, Aztec, NM 87410 (505) 334-4323		8. Farm or Lease Name SANCHEZ	
4. Location of Well 1600 FNL & 1600' FWL		9. Well Number 8	
		10. Filed, Pool, or Wildcat Basin Dakota	
		11. Section, Township, & Range, Meridian, or Block F 24-26N-6W	
14. Distance in Miles from Nearest Town 45 miles southeast of Blanco, NM Post Office.		12. County Rio Arriba ✓	13. State New Mexico
15. Distance from Proposed Location To Nearest Property Line or Lease Line 1040'	16. Acres in Lease 640 Acres	17. Acres Assigned to Well WEST - 320 Acres	
18. Distance From Proposed Location To Nearest Well Drill, Compl., Or Applied For on Lease 940'	19. Proposed Depth 7550	20. Rotary or Cable Tools ROTARY	
21. Elevations (DR, RT, GR, Etc.) 6602 GR		22. Approximate Date Work Will Start July 15, 2004	



EXHIBITS attached as follows

- | | |
|---|-----------------------------------|
| "A" C-103 & Location and Elevation Plat | "F" Drill Rig Layout |
| "B" Ten-Point Compliance Program | "G" Production Facility Schematic |
| "C" Blowout Preventer Schematic | "H" Acreage dedication plat |
| "D" Multi-Point Requirements for APD | "I" Archaeological Report |
| "E" Vicinity Map - Access Roads | |

24. Signed Robert L. Verquer Title Superintendent Date 1-11-05
Robert L. Verquer

Permit No. _____ Approval Date _____
Approved By [Signature] Title AFM Date 2-9-05

NOTE: THIS FORMAT IS ISSUED IN LIEU OF U.S. BLM FORM 3160-3

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

NMOCD

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

DISTRICT I
1625 N. French Dr., Hobbs, N.M. 88240

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

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

DISTRICT IV
2040 South Pacheco, Santa Fe, NM 87505

State of New Mexico
Energy, Minerals & Natural Resources Department

Form C-102
Revised August 15, 2000

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

OIL CONSERVATION DIVISION
2040 South Pacheco
Santa Fe, NM 87505

AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

*API Number 30-039-29418		*Pool Code 71599	*Pool Name Basin Dakota
*Property Code 2463	*Property Name SANCHEZ		*Well Number 8
*OGRID No. 003824	*Operator Name CAULKINS OIL COMPANY		*Elevation 6602'

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
F	24	26-N	6-W		1600	NORTH	1600	WEST	RIO ARRIBA

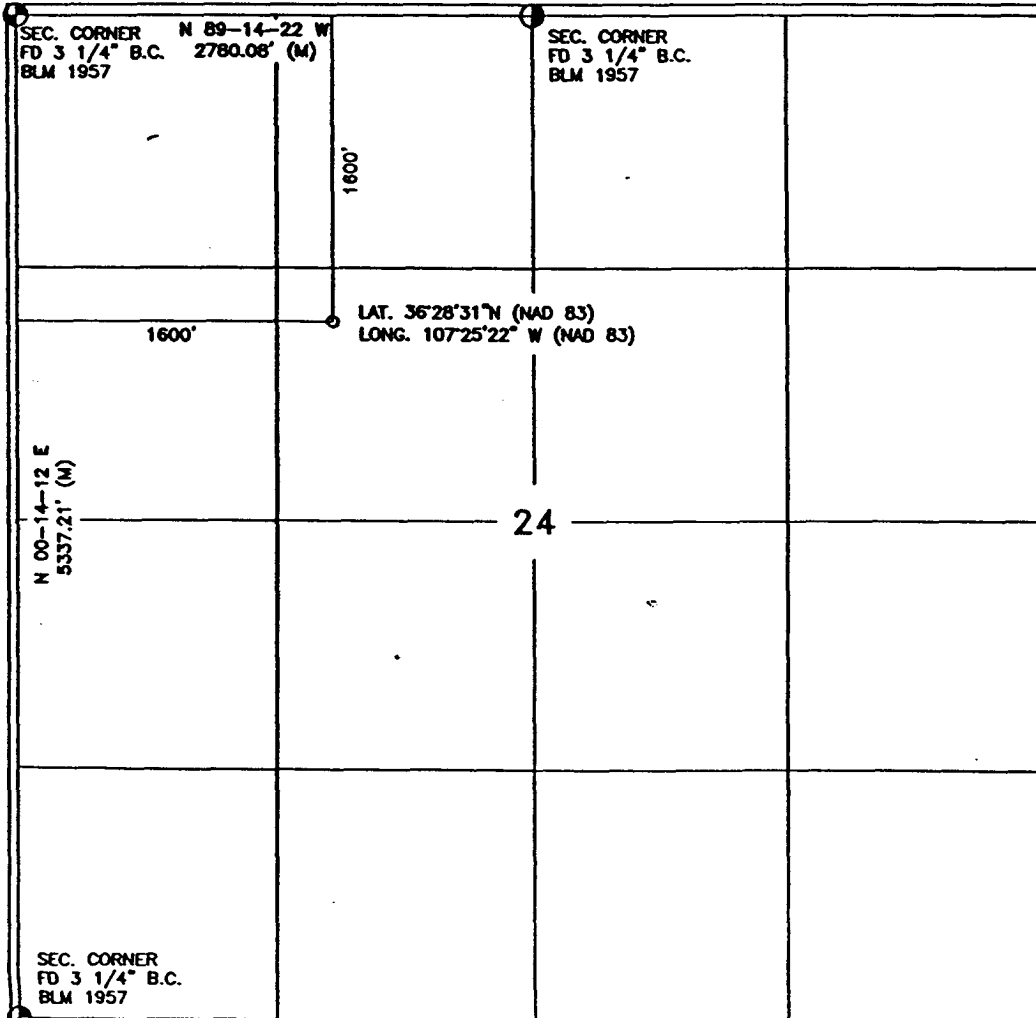
¹¹ Bottom Hole Location If Different From Surface

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	¹³ Joint or Infill	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



17 OPERATOR CERTIFICATION

I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.

Robert L. Verquer
Signature

Robert L. Verquer
Printed Name

Superintendent
Title

July 9, 2004
Date

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.

JOHNA VUKONICH
Date of Survey
Signature and Seal of Registered Professional Surveyor
14831

Certificate Number

EXHIBIT "H"
State of New Mexico

Form C-102

District I
PO Box 1980, Hobbs, NM 88241-1980
District II
811 South First, Artesia, NM 88210
District III
1000 Rio Brazos Rd., Aztec, NM 87410
District IV
2040 South Pacheco, Santa Fe, NM 87505

Energy, Minerals & Natural Resources Department
OIL CONSERVATION DIVISION
1220 South St. Francis Drive
Santa Fe, NM 87504

Revised October 18, 1994
Instructions on back
Submit to Appropriate District Office
State Lease - 4 Copies
Fee Lease - 3 Copies

AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

¹ API Number		² Pool Code 71599		³ Pool Name Basin Dakota	
⁴ Property Code 2463		⁵ Property Name SANCHEZ		⁶ Well Number 8	
⁷ OGRID No. 003824		⁸ Operator Name Caulkins Oil Company		⁹ Elevation 6602	

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
F	24	26N	6W		1600'	NORTH	1600'	WEST	Rio Arriba

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		¹³ Joint or Infill		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

	<p>¹⁷ OPERATOR CERTIFICATION</p> <p><i>I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief</i></p> <p align="right"><i>Robert L. Verquer</i></p> <p>Signature</p> <p>Printed Name Robert L. Verquer</p> <p>Title Superintendent</p> <p>Date January 10, 2005</p>
	<p>¹⁸ SURVEYOR CERTIFICATION</p> <p><i>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.</i></p> <p>Date of Survey</p> <p>Signature and Seal of Professional Surveyor:</p> <p align="right">Certificate Number</p>

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

EXHIBIT "A"

Form C-103
 May 27, 2004

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

WELL API NO.
5. Indicate Type of Lease STATE <input type="checkbox"/> FEE <input type="checkbox"/>
6. State Oil & Gas Lease No.
7. Lease Name or Unit Agreement Name Sanchez
8. Well Number 8
9. OGRID Number 003824
10. Pool name or Wildcat Basin Dakota

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
Caulkins Oil Company

3. Address of Operator
1409 W. Aztec Blvd., Suite B7, Aztec New Mexico 87410

4. Well Location
 Unit Letter F : 1600' feet from the North line and 1600' feet from the West line
 Section 24 Township 26N Range 6W NMPM County Rio Arriba

11. Elevation (Show whether DR, RKB, RT, GR, etc.)
6602 GR

Pit or Below-grade Tank Application or Closure
 Pit type Drilling Depth to Groundwater 70' Distance from nearest fresh water well 1 mile Distance from nearest surface water 1/2 mile
 Pit Liner Thickness: 30 mil Below-Grade Tank: Volume: bbls; Construction Material:

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 COMPL
 OTHER: Drilling Pit

SUBSEQUENT REPORT OF:
 REMEDIAL WORK ALTERING CASING
 COMMENCE DRILLING OPNS. P AND A
 CASING/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.

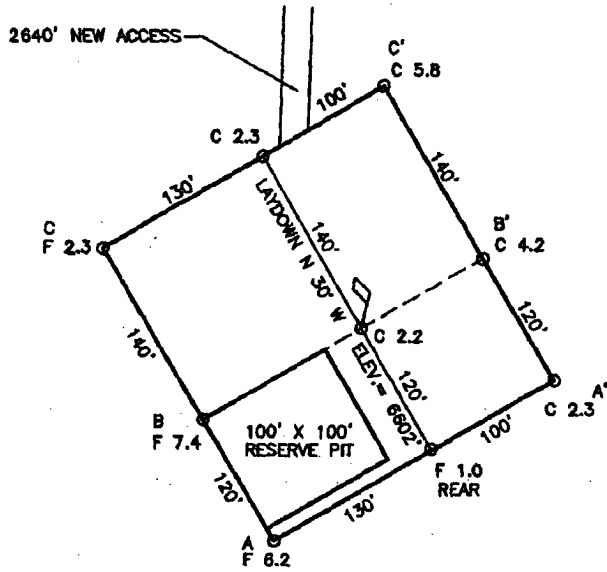
Construct new below grade drilling pit along with location.
 Cut and fill diagram attached.
 A liner will be installed in the pit to prevent ground water contamination.
 Construction is scheduled to begin, March 2005

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 and closed according to NMOCD guidelines , a general permit or an (attached) alternative OCD-approved plan .

SIGNATURE Robert L. Verquer TITLE Superintendent DATE January 12, 2005
 Type or print name Robert L. Verquer E-mail address: Telephone No. 505-334-4323

For State Use Only
 APPROVED BY: [Signature] TITLE DEPUTY OIL & GAS INSPECTOR, DIST. #3 DATE FEB 11 2005
 Conditions of Approval (if any):

COMPANY: CAULKINS OIL COMPANY
 LEASE: SANCHEZ No. 8
 FOOTAGE: 1800' FNL 1800' FWL
 SEC.: 24 TWN: 26-N RNG: 6-W NMPM
 ELEVATION: 6602'



ELEV. A-A' C/L

6630				
6620				
6610				
6600				
6590				
6580				
6570				

ELEV. B-B' C/L

6630				
6620				
6610				
6600				
6590				
6580				
6570				

ELEV. C-C' C/L

6630				
6620				
6610				
6600				
6590				
6580				
6570				

Daggett Enterprises, Inc.
 Surveying and Oil Field Services
 P. O. Box 15066 Farmington, NJ 07401
 Phone (908) 328-1772 Fax (908) 328-8019



EXHIBIT "B"

TEN POINT COMPLIANCE PROGRAM

Caulkins Oil Company
 Sanchez 8
 1600' FNL & 1600' FWL, Sec. 24, 26N, 6W
 Rio Arriba County, New Mexico
 Lease No. NMSF-079304

1. The Geological Surface Formation is : San Jose.
2. The Estimated Tops of Important Geological Markers:

Ojo Alamo	2179
Fruitland	2782
Picture Cliffs	3033
Chacra	3927
Point Lookout	5071
Greenhorn	7183
Dakota	7369
TD	7550

3. Estimated Depths and pressures of Anticipated Water, Oil, Gas or Minerals:

Substance	Formation	Depth	Pressure
Water	Alamo	2300	0
Gas	Fruitland	3029	300
Gas	Pictured Cliffs	3114	450
Gas	Chara	3978	600
Gas	Mesa Verde	5450	1200
Gas	Dakota	7523	1700

4. The proposed casing program will be as follows:

Depth	Hole Size	O.D.	Weight	Grade	Type	New/Used
0-350	12-1/4	9-5/8	36#	J55	LT&C	NEW
0-1000	7-7/8	5-1/2	17#	K55	LT&C	NEW
1000-6550	7-7/8	5-1/2	15.50#	K55	LT&C	NEW
6550-7550	7-7/8	5-1/2	17#	K55	LT&C	NEW

The proposed cement program will be as follows:

Surface: 186 sacks class B with 1% CaCl
 and 1/4# per sack cellophane flake.

VOLUME CALCULATIONS

YIELD 1.18 350 ft x 0.3132 cu-ft/ft with 100% excess = 219 cu-ft

PRODUCTION:

Cement will be run in three stages with stage tools set at approximately 3550' and 5550'.

1st stage Cement through shoe at approx. 7550' with 202 sacks Premium Lite FM + 0.25 lbs/sack Cello Flake + 8% bwoc Bentonite followed by 78 sacks Type III Cement + 0.2% bwoc R-3 + 0.25 lbs/sack Cello flake.

VOLUME CALCULATIONS

YIELD 2.07 1341 ft x 0.1732 cu-ft/ft with 80% excess = 418 cu-ft
 YIELD 1.46 659 ft x 0.1732 cu-ft/ft with 0% excess = 114 cu-ft

2nd stage Cement through DV tool at approx. 5550' with 202 sacks Premium Lite FM + 0.25 lbs/sack Cello Flake + 8% bwoc Bentonite followed by 78 sacks Type III Cement + 0.2% bwoc R-3 + 0.25 lbs/sack Cello flake.

VOLUME CALCULATIONS

YIELD 2.07 1341 ft x 0.1732 cu-ft/ft with 80% excess = 418 cu-ft
 YIELD 1.46 659 ft x 0.1732 cu-ft/ft with 0% excess = 114 cu-ft

EXHIBIT "B"

TEN POINT COMPLIANCE PROGRAM

Caulkins Oil Company
Sanchez 8
1600' FNL & 1600' FWL, Sec. 24, 26N, 6W
Rio Arriba County, New Mexico
Lease No. NMSF-079304

3rd stage Cement through DV tool at approx. 3550' with 435 sacks
Premium Lite FM + 0.25 lbs/sack Cello Flake +
8% bwoc Bentonite followed by 78 sacks Type III
Cement + 0.2% bwoc R-3 + 0.25 lbs/sack Cello flake.

VOLUME CALCULATIONS

YIELD 2.07 2891 ft x 0.1732 cu-ft/ft with 80% excess = 901 cu-ft

YIELD 1.46 659 ft x 0.1732 cu-ft/ft with 0% excess = 114 cu-ft

5. Operator's Minimum Specifications for Pressure Control:

EXHIBIT "C" is a schematic of a 2M blowout preventer system. The BOP's will be hydraulically tested prior to drilling out from under surface and operational checks will be made daily thereafter and recorded in the drilling tour report.

Accessories to BOP will include the following:

- A. 2" minimum kill line and valve.
- B. Choke line and valve
- C. 2 Chokes
- D. Upper kelly cock valve with handle.
- E. Safety valve and subs to fit all drill strings.
- F. Pressure gauge on choke manifold.
- G. 2" minimum choke line.
- H. Fill-up line above uppermost preventer.

6. The type and Characteristics of the Proposed Circulating Mud's:

Mud system will be gel-chemical with adequate stocks of absorbent agents on location to handle possible spills of fuel and oil in the surface. Heavier mud's will be on location to be added if pressure requires.

Interval	Mud Wt	Vis	Fluid Loss	Ph	Additives
0- 350	9.0	50	---	9	Lime
350-TD	9.0	34-40	8cc	9	Chemicals

7. Auxiliary equipment to be used is as follows:

- a. Float valve above bit.
- b. Monitoring of mud system will be visual.
- c. A sub with a full opening valve will be on the floor when the kelly is not in use.

8. Testing, logging and coring will be as follows:

- a. Cores - none will be taken.
- b. Drill stem tests - none anticipated.
- c. Logging - Cased hole Gas Spectrum Log from bottom of surface pipe to TD.

9. Anticipated Abnormal Pressures and Temperatures:

No abnormal pressure, temperatures or hydrogen sulfide gases are anticipated during the course of drilling to TD. The maximum bottom hole pressure to be expected is 1700 psi.

10. Anticipated Starting Date and Duration of the Operations:

The anticipated starting date is set for July 15, 2004, or as soon as possible after examination and approval of drilling requirements. Operations should be completed within 25 days.

EXHIBIT "C"

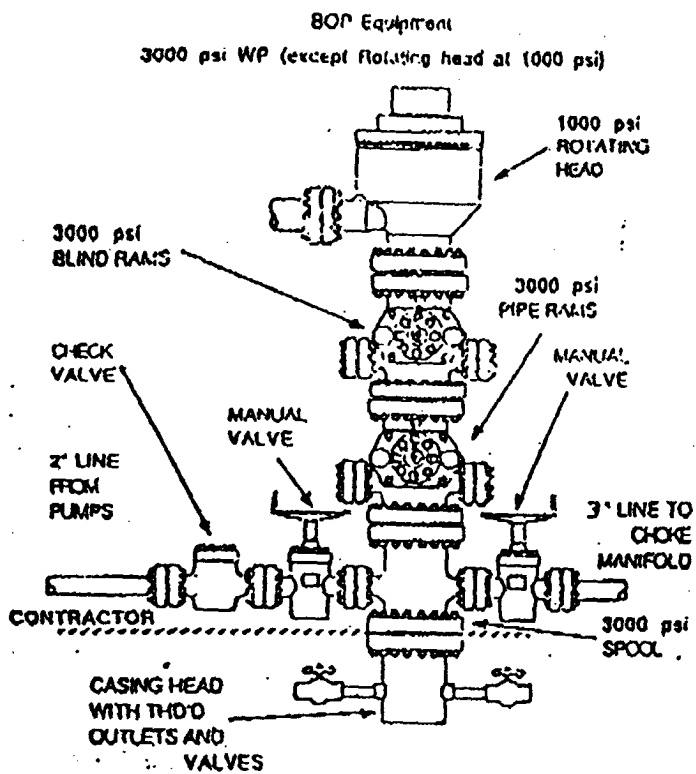


EXHIBIT "B" CHOKE MANIFOLD

