

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENTFORM APPROVED
OMB NO. 1004-0137
Expires March 31, 2007

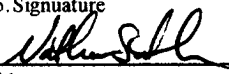
APPLICATION FOR PERMIT TO DRILL OR REENTER

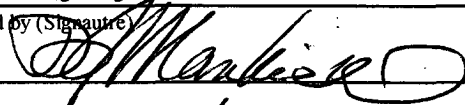
1a. Type of Work <input checked="" type="checkbox"/> DRILL <input type="checkbox"/> REENTER		5. Lease Serial No. NM 6894
1b. Type of Well <input type="checkbox"/> Oil Well <input checked="" type="checkbox"/> Gas Well <input type="checkbox"/> Other <input type="checkbox"/> Single Zone <input type="checkbox"/> Multiple Zone		6. If Indian, Allottee or Tribe Name
2. Name of Operator Energex Resources Corporation		7. Unit or CA Agreement Name and No.
3a. Address 2198 Bloomfield Highway Farmington, New Mexico 87401		8. Lease Name and Well No. Federal 26 #1R
3b. Phone No. (include area code) (505) 325-6800		9. API Well No. 3004533025
4. Location of Well (Report location clearly and in accordance with any State requirements)* At surface 1190' fnl, 820' fel At proposed prod. zone		10. Field and Pool, or Exploratory Basin Fruitland Coal
14. Distance in miles and direction from nearest town or post office* Approximately 10.75 miles north of The Community of Navajo Dam.		11. Sec., T., R., M., or Blk. and Survey or Area A S26, T32N, R08W
15. Distance from proposed* location to nearest property or lease line, ft. (Also to nearest drg. unit line, if any) 820'	16. No. of Acres in lease 640	17. Spacing Unit dedicated to this well 320 E 1/2
18. Distance from proposed location* to nearest well, drilling, completed, applied for, on this lease, ft. Approx. 300'	19. Proposed Depth 3674	20. BLM/BIA Bond No. on file
21. Elevations (Show whether DF, KDB, RT, GL, etc.) GL 6792'	22. Approximate date work will start* 05/15/05	23. Estimated duration 14 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. | 4. Bond to cover the operations unless covered by an existing bond on file (see Item 20 above). |
| 2. A Drilling Plan | 5. Operator certification. |
| 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). | 6. Such other site specific information and/or plans as may be required by the authorized officer. |

25. Signature 	Name (Printed/Typed) Nathan Smith	Date 4/11/05
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Title Drilling Engineer		
Approved by (Signature) 	Name (Printed/Typed) AFM	Date 4-25-05
Title AFM	Office FFO	

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 page 2)

HOLD C104 FOR *Change in status to #1*

NMOC

2005 APR 12 PM 11 03
RECEIVED
BLO FARMINGTON NM

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 30-045-33025		2 Pool Code 71629		3 Pool Name Budin 437 FRUITLAND COAL	
4 Property Code 34350		5 Property Name FEDERAL 26			6 Well Number 1R
7 OGRID No. 162928		8 Operator Name ENERGEN RESOURCES CORPORATION			9 Elevation 6792'

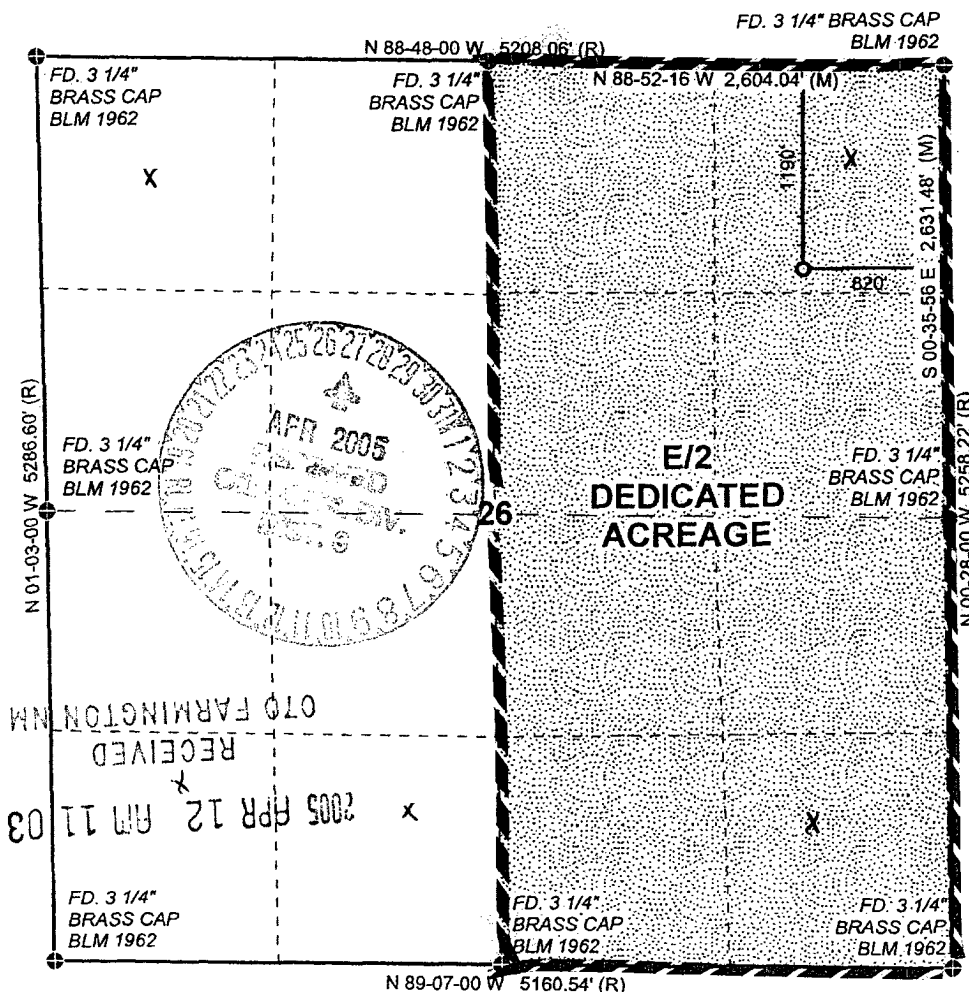
10 Surface Location

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
A	26	32N	8W		1190	NORTH	820	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		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



17 OPERATOR CERTIFICATION I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief. <i>Nathan Smith</i> Signature Nathan Smith Printed Name Drilling Engineer Title and E-mail Address April 11, 2005 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. 4/11/05 Date of Survey <i>R. HOWARD DAGGETT</i> Signature and Seal of Professional Land Surveyor NM #9679 Certificate Number 9679 REGISTERED PROFESSIONAL LAND SURVEYOR	

Submit 3 Copies To Appropriate District
Office
District I
1625 N. French Dr., Hobbs, NM 87240
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
May 27, 2004

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

WELL API NO.

5. Indicate Type of Lease

STATE ☐ FEE ☐

6. State Oil & Gas Lease No.

7. Lease Name or Unit Agreement Name:

Federal 26

8. Well Number

1R

9. OGRID Number

162928

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

Energen Resources Corporation

3. Address of Operator

2198 Bloomfield Highway, Farmington, NM 87401

4. Well Location

Unit Letter A : 1190' feet from the North line and 820' feet from the East line

Section 26 Township 32N Range 08W NMPM County San Juan

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

6792' GL

Pit or Below-grade Tank Application ☒ or Closure ☐

Pit type Drill Depth to Groundwater >100' Distance from nearest fresh water well >1000' Distance from nearest surface water >200'

Pit Liner Thickness: 12 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 COMPLETION ☐

OTHER: Build drilling pit ☒

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.

Energen Resources plans to build a lined pit according to "OCD Pit and Below-grade Tank Guidelines", as issued on November 1, 2004. Energen anticipates the submittal of a C-144 for closure of this pit in accordance with HIM and "OCD Pit and Below-grade Tank Guidelines".

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 NMOC guidelines ☒ , a general permit ☐ or an (attached) alternative OCD-approved plan ☐

SIGNATURE Nathan Smith TITLE Drilling Engineer DATE 04/11/05

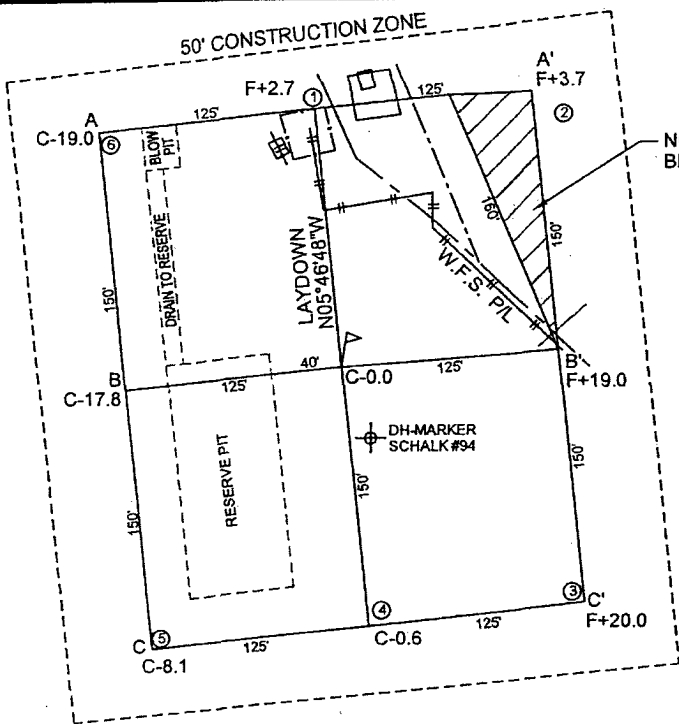
E-mail address: nsmith@energen.com
Telephone No. 505.325.6800

Type or print name Nathan Smith

For State Use Only

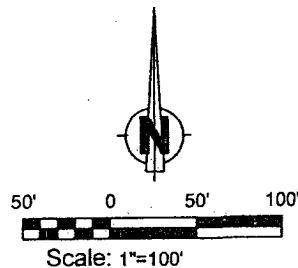
APPROVED BY [Signature] TITLE SENIOR OIL & GAS INSPECTOR, DIST. 88 DATE APR 27 2005

Conditions of Approval, if any:

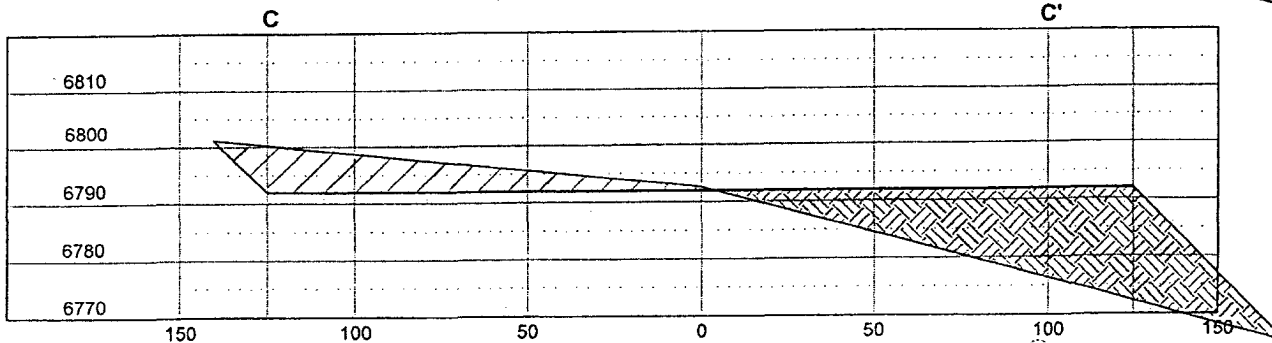
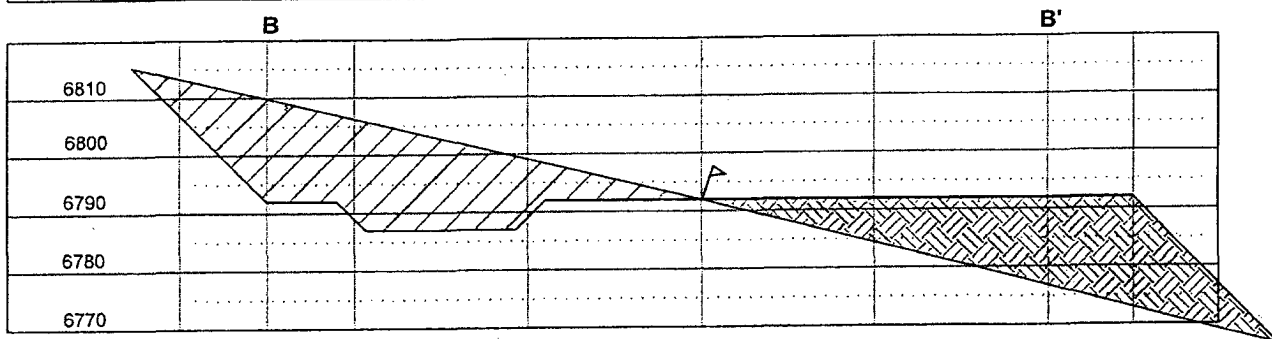
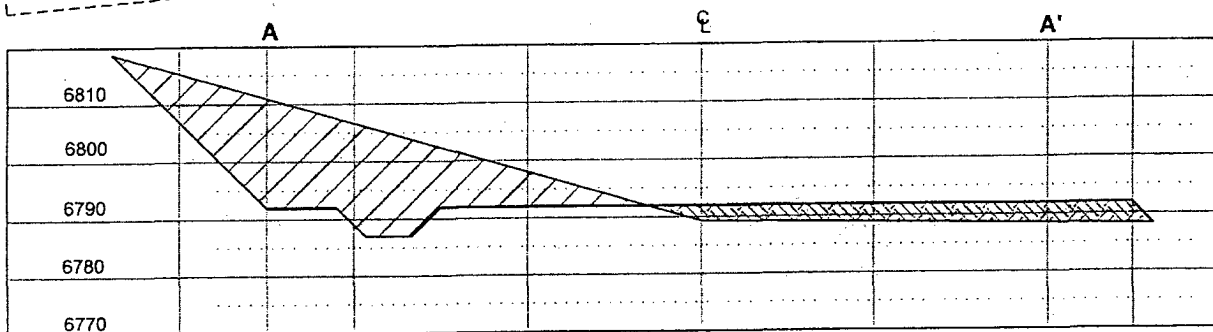


ENERGEN RESOURCES CORPORATION

FEDERAL 26 #1R
 1190' FNL & 820' FEL
 LOCATED IN THE NE/4 NE/4 OF SECTION 26,
 T32N, R8W, N.M.P.M.,
 SAN JUAN COUNTY, NEW MEXICO
 ELEVATION: 6792', NAVD 88



LATITUDE: 36°57'30"N
 LONGITUDE: 107°38'20"W
 DATUM: NAD 83



HORIZ. SCALE: 1"=50'
 VERT. SCALE: 1"=30'

Form 3160-3
(April 2004)UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENTFORM APPROVED
OMB NO. 1004-0137
Expires March 31, 2007

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

☐ Oil Well ☒ Gas Well ☐ Other

2. Name of Operator

Energen Resources Corporation

3a. Address

2198 Bloomfield Highway, Farmington, NM 87401

3b. Phone No. (include area code)

(505) 325-6800

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

1190' FNL, 820' FEL - Sec. 26, T32N, R06W
NE/NE

5. Lease Serial No.

NM 6894

6. If Indian, Allottee or Tribe Name

7. If Unit or C/A Agreement, Name and/or No.

8. Well Name and No.

Federal 26 #1R

9. API Well No.

30045 33025

10. Field and Pool, or Exploratory Area

Basin Fruitland Coal

11. County or Parish, State

San Juan NM

12. CHECK APPROPRIATE BOX(ES) TO INDICATE NATURE OF NOTICE, REPORT, OR OTHER DATA

TYPE OF SUBMISSION

- ☒
- Notice of Intent
-
- ☐
- Subsequent Report
-
- ☐
- Final Abandonment Notice

TYPE OF ACTION

- ☐
- Acidize
- ☐
- Deepen
- ☐
- Production (Start/Resume)
- ☐
- Water Shut-Off
-
- ☐
- Alter Casing
- ☐
- Fracture Treat
- ☐
- Reclamation
- ☐
- Well Integrity
-
- ☐
- Casing Repair
- ☐
- New Construction
- ☐
- Recomplete
- ☐
- Other
-
- ☒
- Change Plans
- ☐
- Plug and Abandon
- ☐
- Temporarily Abandon
-
- ☐
- Convert to Injection
- ☐
- Plug Back
- ☐
- 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 recompleat 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/DIA. 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 final site is ready for final inspection.)

The total depth of this location has been changed to 3674' due to a producing Pictured Cliffs zone.

14. I hereby certify that the foregoing is true and correct
Name (Printed/Typed)

Vicki Donaghy

Title

Regulatory Analyst

Date 04/21/05

THIS SPACE FOR FEDERAL OR STATE OFFICE USE

Approved by

Title

Date 4-25-05

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, 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.

NMOC

Drilling Plan
April 11, 2005
Federal 26 #1R

General Information

Location	1190' fsl, 0820' fel nene S26, T32N, R08W San Juan County, New Mexico
Elevations	6792' GL
Total Depth	3724' (MD)
Formation Objective	Basin Fruitland Coal

Formation Tops

San Jose	Surface
Nacimiento	1094'
Ojo Alamo Ss	2444'
Kirtland Sh	2514'
Fruitland Fm	3274'
Top Coal Interval	3364'
Intermediate Casing	3434'
Top Main Coal	2474'
Base Coal Interval	3664'
Pictured Cliffs Ss	3674'
Total Depth	3724'

Drilling

The 12 ¼" wellbore will be drilled with a fresh water mud system.

The 8 ¾" wellbore will be drilled with a low solids fresh water/polymer mud system. Weighting materials will be drill cuttings and if needed barite. Mud density is expected to range from 8.3 ppg to 8.9 ppg.

The 6 ¼" wellbore will be drilled with air / mist from intermediate casing point to total depth.

Blowout Control Specifications:

A 3000 psi minimum double ram or annulus BOP stack will be used following nipple up of casing head. During air drilling operations, a Shaffer Type 50 or equivalent rotating head will be installed on top of the stack. A 2" nominal, 2000 psi minimum choke manifold will also be used. An upper Kelly Cock valve handle and drill string valve should be available to fit each drill string and be available on the rig floor during drilling operations.

Logging Program:

Open hole logs: None

Mud Logs: From Intermediate TD to total depth.

Coring: None

Natural Gauges: Surface casing point and/or every 500' to TD.

Tubulars

Casing, Tubing, & Casing Equipment:

String	Interval	Wellbore	Casing	Csg Wt	Grade
Surface	0'-250'	12 ¼"	9 5/8"	32.3 ppf	H-40 ST&C
Intermediate	250'-3434'	8 ¾"	7"	23.0 ppf	J-55 LT&C
Production	3434'-3724'	6 ¼"	5 ½"	15.5 ppf	J-55 LT&C
Tubing	0'-3724 +/-'		2 3/8"	4.7 ppf	J-55

Casing Equipment:

Surface Casing: Depending on wellbore conditions, a Texas Pattern Guide Shoe on bottom. Casing centralization with standard bow spring centralizers to achieve optimal standoff.

Intermediate Casing: Depending on wellbore conditions, a Cement nose guide shoe with self fill insert float collar on top of bottom joint and casing centralization with standard bow spring and rigid centralizers to optimize standoff. Two turbolating centralizers at the base of the Ojo Alamo are recommended.

Wellhead

9 5/8" x 7" x 2 3/8" 3000 psi Flanged Wellhead.

Cementing

Surface Casing: 150 sks Std (class B) with 1.0 % CaCl₂ and ¼ #/sk Flocele (15.6 ppg, 1.18 ft³/sk 177.0 ft³ of slurry, 115% excess to circulate to surface). WOC 12 hours. Pressure test surface casing to 1000 psi for 30 min.

Intermediate Casing: Before cementing, circulate hole at least 1 ½ hole volumes of mud and reduce funnel viscosity to minimum to aide in hole cleanout. Depending on wellbore conditions, cement may consist of 450 sks 65/35 with 6.0 % Bentonite, 2.0 % CaCl₂, 10 #/sk Gilsonite, and ½ #/sk Flocele (12.3 ppg, 1.96 ft³/sk) and a tail of 125 sks of Standard (Class B) cement with 5 #/sk Gilsonite, and ¼ #/sk Flocele (15.2 ppg, 1.24 ft³/sk). (1037 ft³ of slurry, 100 % excess to circulate to surface). WOC 12 hrs.

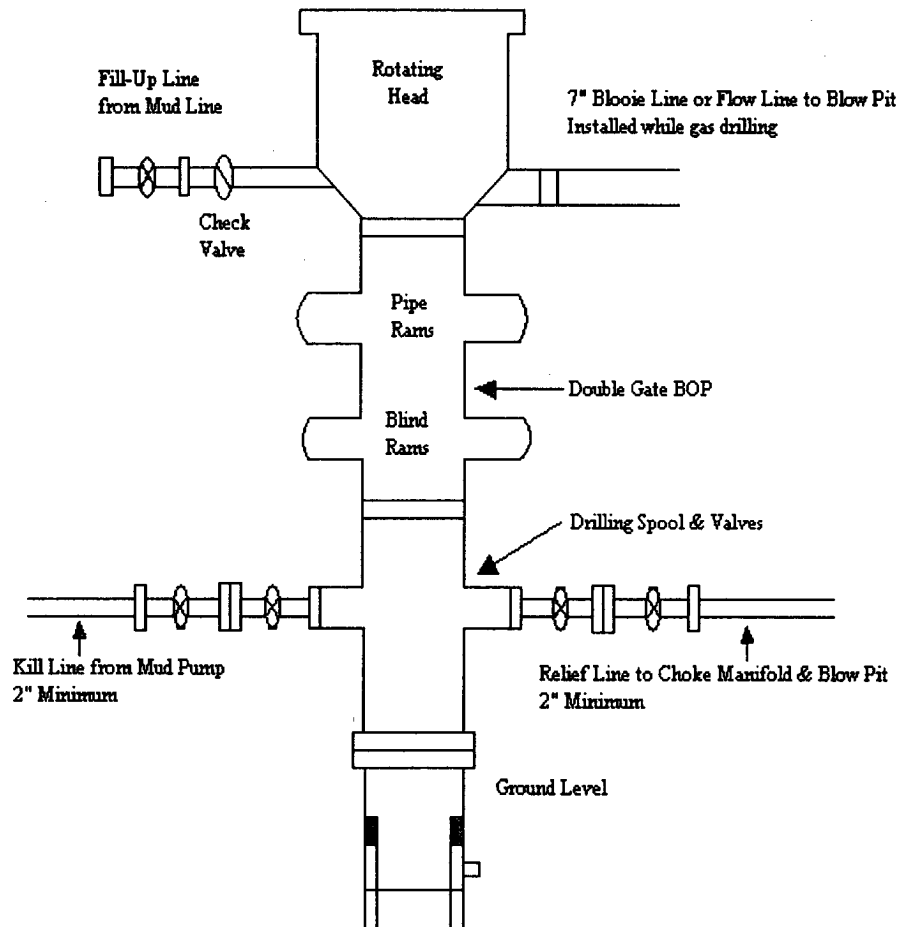
Liner: NO CEMENT

Other Information

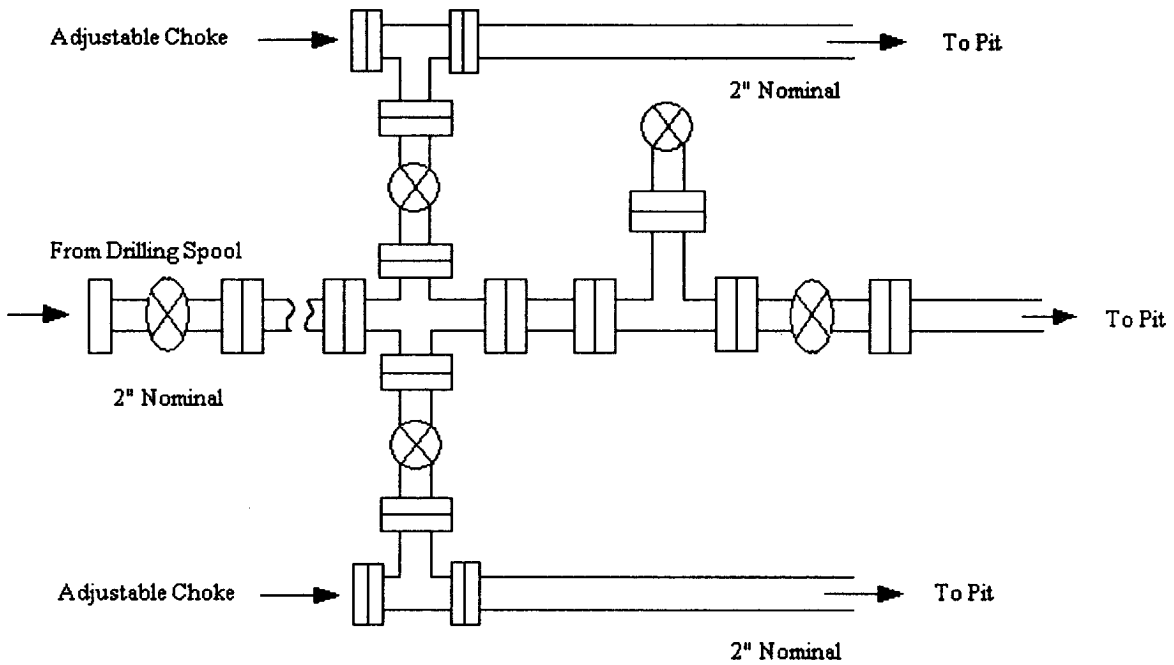
- 1) This well will be cavitated with an open hole completion.
- 2) If lost circulation is encountered, sufficient LCM will be added to the mud system to maintain well control. The intermediate string may need to be cemented in multiple stages with a slurry design deviated from that listed above.
- 3) If high reservoir pressures or water flows are encountered slurry design may need to be deviated to from those listed above to satisfy wellbore and formation conditions.
- 4) No abnormal temperatures are anticipated, however reservoir pressures may be 1000 psi.
- 5) This gas is dedicated.

Energen Resources Corporation

Typical BOP Configuration for Gas Drilling



Energen Resources Corporation
Typical 2000 psi Choke Manifold Configuration



Choke manifold installed from surface to TD