

2006 JAN 9 AM 6 37 FORM APPROVED
OMB No. 1004-0137
Expires March 31, 2007

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

RECEIVED
070 FARMINGTON, NM

APPLICATION FOR PERMIT TO DRILL OR REENTER

1a. Type of work: <input checked="" type="checkbox"/> DRILL <input type="checkbox"/> REENTER		5. Lease Serial No. SF-078510
1b. Type of Well: <input type="checkbox"/> Oil Well <input checked="" type="checkbox"/> Gas Well <input type="checkbox"/> Other <input checked="" type="checkbox"/> Single Zone <input type="checkbox"/> Multiple Zone		6. If Indian, Allottee or Tribe Name NA
2. Name of Operator Koch Exploration Company, LLC 12807		7. If Unit or CA Agreement, Name and No. NA
3a. Address PO Box 489, Aztec, NM 87410	3b. Phone No. (include area code) 505-334-9111	8. Lease Name and Well No. Oxnard 332S 301239
4. Location of Well (Report location clearly and in accordance with any State requirements.) At surface 1080' FSL & 670' FEL SE/4, SE/4 At proposed prod. zone same		9. API Well No. 30-045- 33511
10. Field and Pool, or Exploratory Basin Fruitland Coal 71629		11. Sec., T. R. M. or Blk. and Survey or Area S7, T31N, R8W, "P"
12. County or Parish San Juan		13. State NM
14. Distance in miles and direction from nearest town or post office*	15. Distance from proposed* location to nearest property or lease line, ft. (Also to nearest drig. unit line, if any)	16. No. of acres in lease 319.73
17. Spacing Unit dedicated to this well 320 319.73 E/2	18. Distance from proposed location* to nearest well, drilling, completed, applied for, on this lease, ft.	19. Proposed Depth 3485'
20. BLM/BIA Bond No. on file 104128366	21. Elevations (Show whether DF, KDB, RT, GL, etc.) 6505' GL	22. Approximate date work will start* 05/01/2006
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:

- Well plat certified by a registered surveyor.
- A Drilling Plan.
- A Surface Use Plan (if the location is on National Forest System Lands, the SUPO shall be filed with the appropriate Forest Service Office).
- Bond to cover the operations unless covered by an existing bond on file (see Item 20 above).
- Operator certification
- Such other site specific information and/or plans as may be required by the authorized officer.

25. Signature 	Name (Printed/Typed) John Clark	Date 01/05/2006
Title District Superintendent		
Approved by (Signature) 	Name (Printed/Typed)	Date 1/27/06
Title Acting ASM	Office	

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)

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

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

NMOCD

DISTRICT I
P.O. Box 1980, Hobbs, N.M. 88241-1980

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 87504-2088

OIL CONSERVATION DIVISION
P.O. Box 2088
Santa Fe, NM 87504-2088

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

2006 JAN 9 AM 6 38

☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

*API Number 30-045-33511		*Pool Code 71629	*Pool Name Basin Fruitland Coal
*Property Code 7375301239	*Property Name OXNARD		*Well Number 332S
*OGRID No. 12807	*Operator Name KOCH EXPLORATION		*Elevation 6505

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	7	31 N	8 W		1080	SOUTH	670	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
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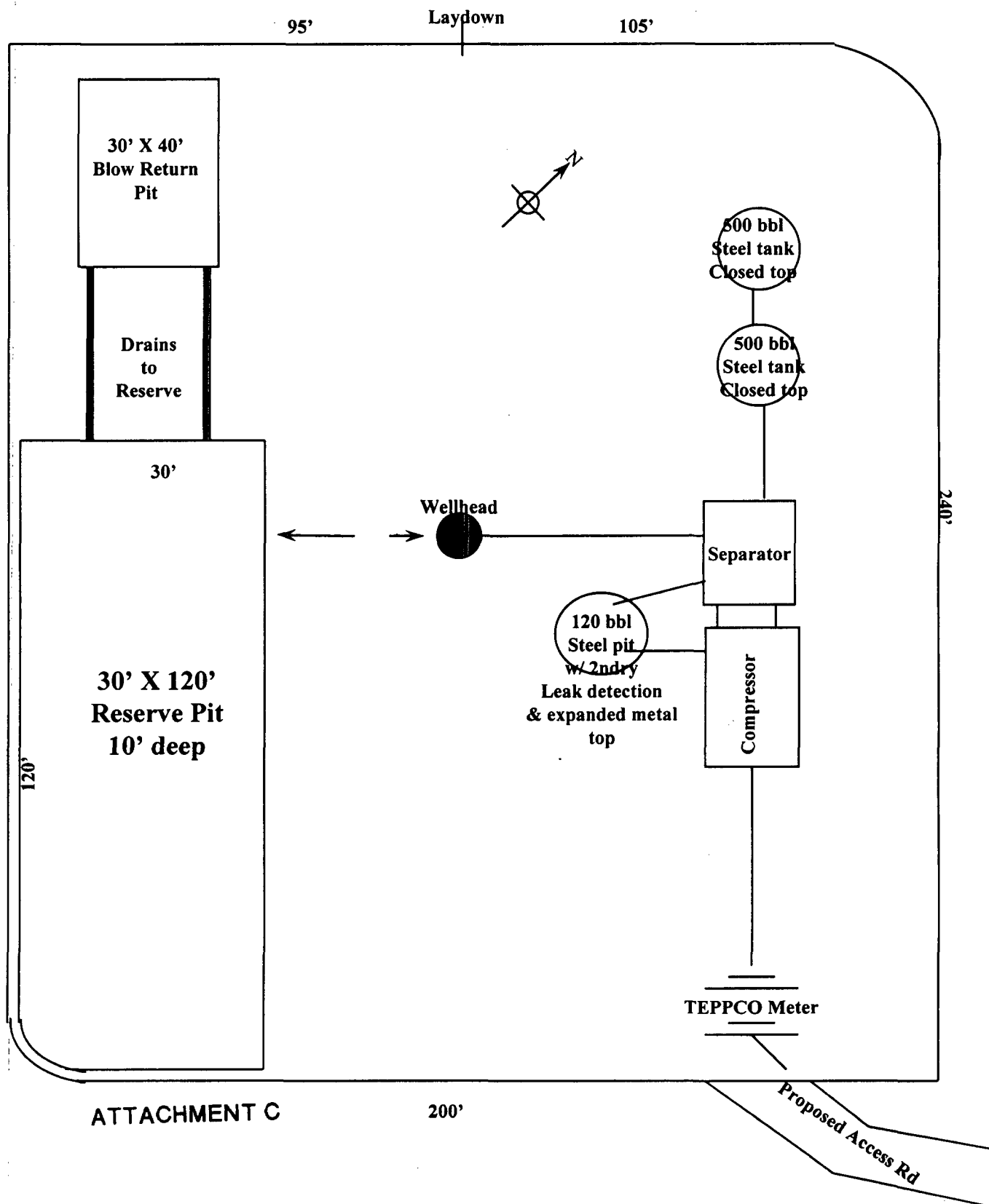
11 Dedicated Acres 32.8 319.73	12 Joint or Infill	13 Consolidation Code	14 Order No.
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NO. ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED
OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION

<div style="text-align: center;">18</div>	<div style="text-align: center;">N 89°56'39" W</div>	<div style="text-align: center;">4530.9'</div>	<div style="text-align: center;">17 OPERATOR CERTIFICATION</div> <p>I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.</p>
<div style="text-align: center;">5222.58'</div>		<div style="text-align: center;"> Lease #SF-078510 Oxnard 332 • 1815' FNL & 895' FEL </div>	<p>Signature <u>Donald L. Johnson</u></p> <p>Printed Name <u>Donald L. Johnson</u></p> <p>Title <u>Field Operations Manager</u></p> <p>Date <u>12/10/05</u></p>
	<div style="text-align: center;">SECTION 7</div>		<div style="text-align: center;">18 SURVEYOR CERTIFICATION</div> <p>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.</p>
<div style="text-align: center;">N 0°30'26" E</div>	<div style="text-align: center;">N 89°52'34" W 1833.48'</div>	<div style="text-align: center;">N 89°52'34" W</div> <div style="text-align: center;">2658.60'</div> <div style="text-align: center;">1080'</div> <div style="text-align: center;">670'</div> <div style="text-align: center;">N 0°58'26" E</div>	<p>Date of Survey <u>11/11/05</u></p> <p>Signature and Seal of Professional Surveyor: <u>[Signature]</u></p> <p>Certificate Number <u>6846</u></p>

**P.O. BOX 3651
FARMINGTON, NM 87499
OFFICE: (505) 334-0408**

**KOCH EXPLORATION COMPANY
OXNARD 332S
S7, T31N , R8W
1080' FSL & 670' FEL - ELEVATION 6505'**



OXNARD 332S

S7 T31N R8W, 1080' FSL & 670' FEL

San Juan Co., New Mexico

Lease SF 078510

Drilling Program**1) Geological name of surface formation -**

Estimated tops of important geological markers:

San Jose	Surface
Ojo	2105'
Kirtland Shale	2215'
Fruitland Coal	3055'
Pict. Cliff	3385'
TD	3485'

2) Estimated depths at which oil, gas, water, and mineral bearing formation will be found:

Useable Water	0' to 2215'
Salt Water	2215' to 3055'
Oil and Gas	3055' to 3385'*

*NOTE: We will be drilling 100' into Pictured Cliffs formation, which is a non-producing zone in this area, to allow completions with a sump.

3) Pressure Control Equipment:

- a. 10-inch 900 series or 2,000 psi test double gate hydraulic with 4-1/2" pipe rams and 10-inch series 900 hydril above 10-inch series casinghead and cross spool with flanged outlets. See BOP diagram at **Exhibit F-1** for drawing of choke lines, kill lines and choke manifold. Procedures will include waiting on cement until cement cures to required compressive strength. Nipple up blowout preventer (BOP) assembly and test to 2,000 psi maximum with plug. The production casinghead pressure rating will be 3,000 psi.
- b. Type of BOP rams: Blind rams and pipe rams are used as shown on the BOP diagram at **Exhibit F-1**. Occasionally, the position of the rams is reversed depending on the drilling contractor's methods.
- c. The choke manifold and header will have 2-inch choke outlets, a 2-inch straight through the line with 2-inch adjustable chokes installed. The inlet line will be a 2-inch line. All of the above are rated at a minimum 2,000 psi working pressure (WP). The choke manifold and header system will have manual control valves; no hydraulic valves will be installed. Casing testing procedure – Surface casing will be tested to 600 psi for 30 minutes, after cementing in place and before drilling out of shoe. 7" production casing will be tested to 1,500 psi for 30 minutes, after cementing in place and after drilling to the required depth.
- d. Hydraulic controls to close the BOPs are located on the rig floor; the hydraulic remote control is located in the bottom doghouse. There will be no manual controls on the BOP.

OXNARD 332S

S7 T31N R8W, 1080' FSL & 670' FEL

San Juan Co., New Mexico

Lease SF 078510

e. BOP testing procedures and frequency:

BOP tests will be performed using an appropriately sized test plug. The test will be performed and recorded using a test pump, calibrated test gauges, and a properly calibrated strip or chart recorder. The test will be recorded in the driller's log and will include a low pressure test of 250 psi held for five minutes and a high pressure test for ten minutes as described in Onshore Order No. 2.

- f. Casinghead connections will be 2-inch; these outlets will usually be bull plugged during drilling operations. No pumping through these connections is allowed except in emergency to keep from wearing out the head.
- g. The drilling spool will be a series 900 2,000 psi WP with a 2-inch kill line and a 2-inch outlet.

4) Proposed Casing Program:

Surface Casing Program:	Hole Size	Depth
Surface Casing	12 1/4" 9 5/8" 36.0# J-55 STC	New @ 150'
Production Casing	8 3/4" 7" 23# J-55 LTC	New @ 3065'
Production Liner	6 1/4" 5 1/2" 15.5# J-55 LTC	New @ 3485'

Proposed setting depth, amount and type of cement including additives:

Circ CMT TO SURFACE on BOTH CASING STAGS

9 5/8" Surface Casing – Surface to 150' – Cement with 117 sks Type III (15.2 ppg, yield 1.28 cf/sk) Cement + 3% Calcium Chloride + 0.25 lbs/sk. Celloflake, volume: 149.62 cf., includes 200% excess. Centralizers will be run on all joints.

7" Production Casing – Surface to 3065' –

Lead cement with 359 sks. Premium Lite FM + 3% Calcium Chloride + 0.25 lb/sk Celloflake, (wt. 12.1 ppg, yield 1.75), volume: 624.01 cf. Tail with 72 sks. Type III cement + 1% Calcium Chloride + 0.25 lb sk Celloflake + 0.2% FL-52 (wt 14.6 ppg, yield 1.38), volume: 99.48 cf. includes 50% excess. Centralizers will be run every other joint above the shoe to the turbolizers then every 4th joint to the surface pipe. Turbolizers, to impact a swirling action, will be placed at the base of the Ojo Alamo, and 1 joint up in the Ojo Alamo.

5 1/2" Production Liner 3010' to 3485' – Will not cement liner.

5) Mud Program:

Mud will be used as designed by Mud Company engineer during drilling process.

OXNARD 332S

S7 T31N R8W, 1080' FSL & 670' FEL

San Juan Co., New Mexico

Lease SF 078510

6) Testing, Logging, and Coring Program:

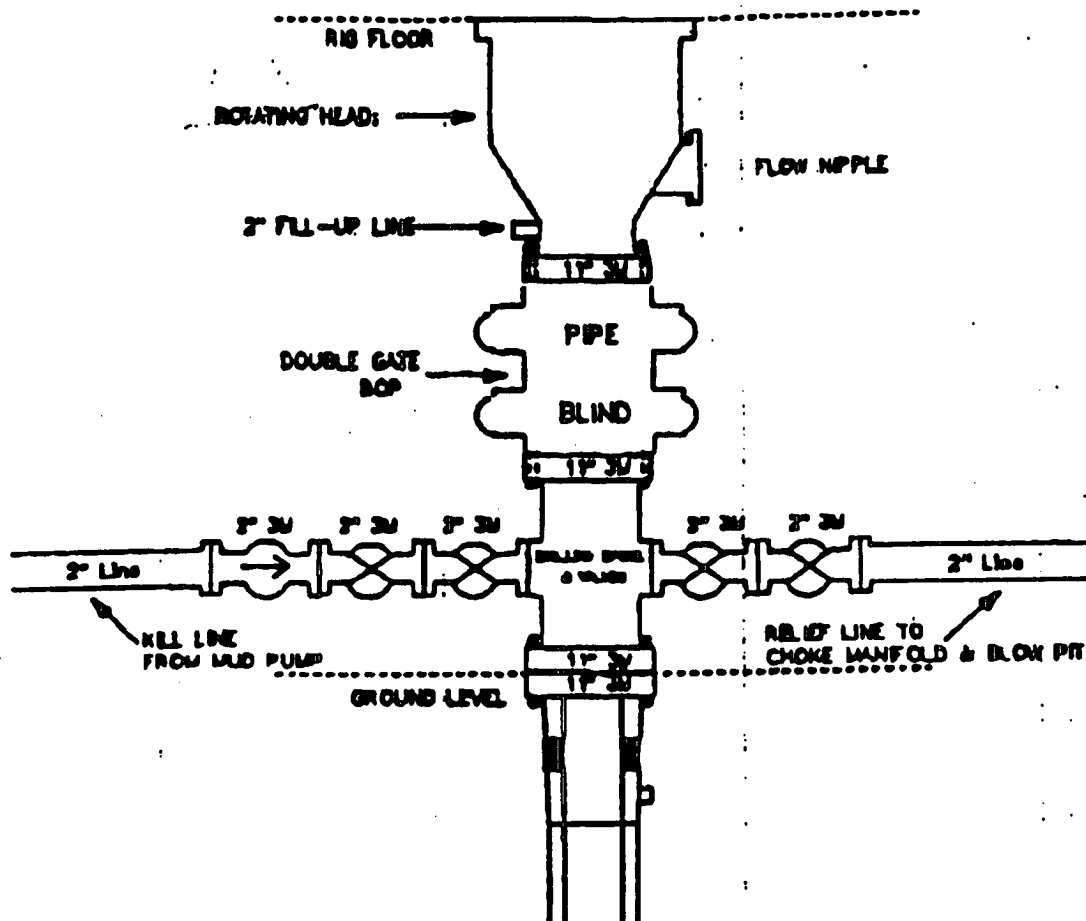
No drill stem tests, cores, will be taken, a CBL log will be run if cement does not circulate to surface on intermediate casing.

We will drill through the Fruitland Coal and 100' of non-productive Pictured Cliff with mud loggers.

P. O. BOX 1087
8801 U.S. HWY. 84
FARMINGTON, NEW MEXICO 87400

TELEPHONE: (806) 336-3371
FAX: (806) 336-3370

Drilling Rig 3000 psi System

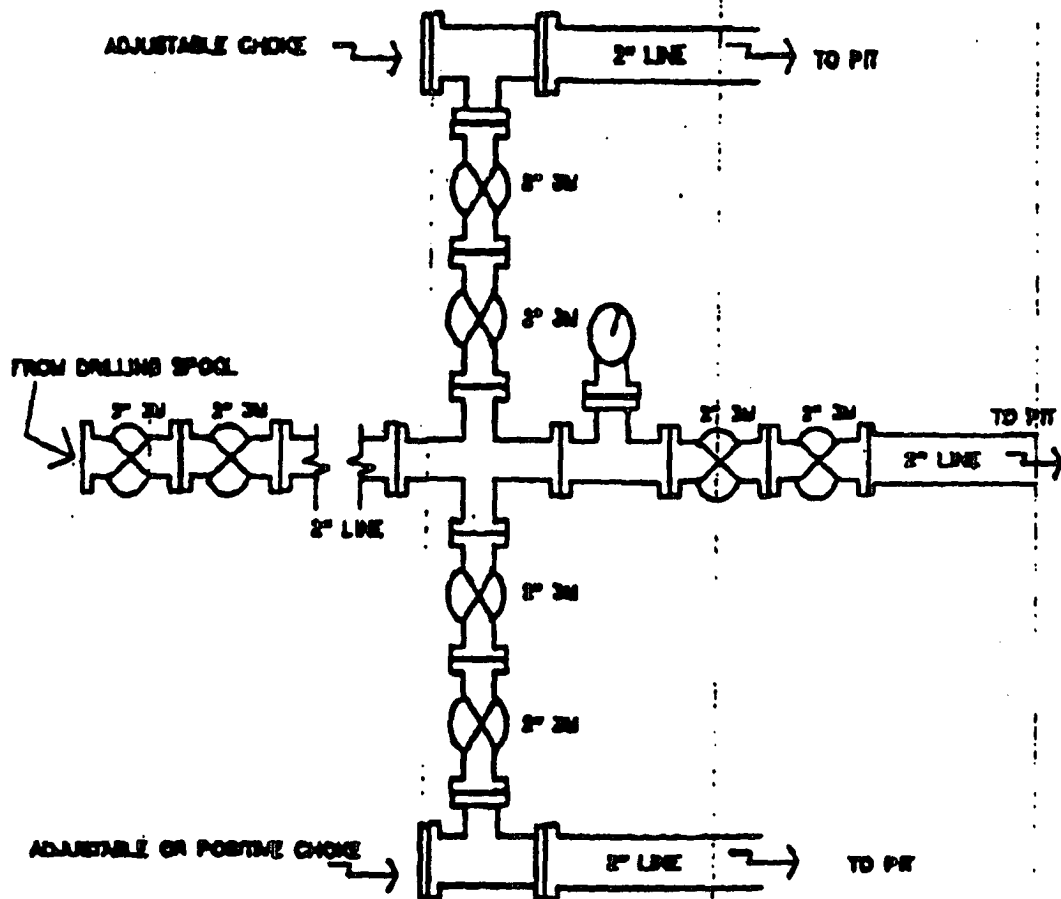


11" Bore (10" Nominal), 3000psi working pressure minimum double gate BOP to be equipped with blind and pipe rams. A rotating head on the top of the rams. All BOP equipment is 3000psi working pressure.

Note: A floor safety valve and upper kelly cock with handle will be available.

Exhibit "F-1"

Drilling Rig Choke Manifold Configuration 3000 psi System



3000psi working pressure equipment with two chokes.

Exhibit "F-2"