UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

APPLICATION FOR PERMIT TO DRILL, DEEPEN, OR PLUG BACK

2006 JUN 8 PM 2 12

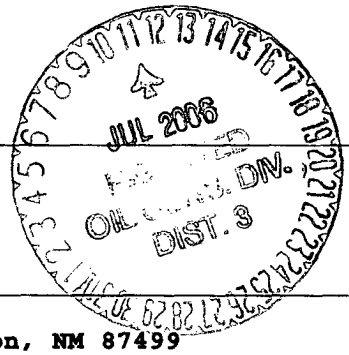
RECEIVED
070 FARMINGTON NM

1a. Type of Work
DRILL

5. Lease Number
NMSF-079353
Unit Reporting Number
NMNM-015693

1b. Type of Well
GAS

6. If Indian, All. or Tribe



2. Operator
ConocoPhillips

7. Unit Agreement Name
San Juan 32-8 Unit

3. Address & Phone No. of Operator
PO Box 4289, Farmington, NM 87499

(505) 326-9700

8. Farm or Lease Name

9. Well Number
#263

4. Location of Well
Unit A (NENE), 1140' FNL & 950' FEL

Latitude 36° 59.2717'N
Longitude 107° 39.3840'W

10. Field, Pool, Wildcat
Basin Fruitland Coal

11. Sec., Twn, Rge, Mer. (NMPM)
A Sec. 15, T32N, R08W

API # 30-045-33789

14. Distance in Miles from Nearest Town

12. County
San Juan

13. State
NM

15. Distance from Proposed Location to Nearest Property or Lease Line
950'

16. Acres in Lease

17. Acres Assigned to Well
FC 320.0 E/2

18. Distance from Proposed Location to Nearest Well, Drlg, Compl, or Applied for on this Lease

19. Proposed Depth
3883'

20. Rotary or Cable Tools
Rotary

21. Elevations (DF, FT, GR, Etc.)
6987' GL

22. Approx. Date Work will Start

23. Proposed Casing and Cementing Program
See Operations Plan attached

24. Authorized by: Patsy Clugston
Sr. Regulatory Analyst

6/8/06
Date

PERMIT NO. _____ APPROVAL DATE _____

APPROVED BY _____ TITLE _____ DATE 7/10/06

Archaeological Report attached
Enviromental Assessment is attached.

NOTE: This format is issued in lieu of U.S. BLM Form 3160-3
Title 18 U.S.C. Section 1001, 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 presentations as to any matter within its jurisdiction.

NMOCD

District I
PO Box 1980, Hobbs, NM 88241-1980

District II
PO Drawer DD, Artesia, NM 88211-0719

District III
1000 Rio Brazos Rd., Aztec, NM 87410

District IV
PO Box 2088, Santa Fe, NM 87504-2088

State of New Mexico
Energy, Minerals & Natural Resources Department

OIL CONSERVATION DIVISION
PO Box 2088
Santa Fe, NM 87504-2088

Form C-102
Revised February 21, 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	[3] Pool Name
30-045-33089	71629	BASIN FRUITLAND COAL

[4] Property Code	[5] Property Name	[6] Well Number
31330	SAN JUAN 32-8 UNIT	263

[7] OGRID No.	[8] Operator Name	[9] Elevation
217817	CONOCOPHILLIPS COMPANY	6987'

[10] Surface Location

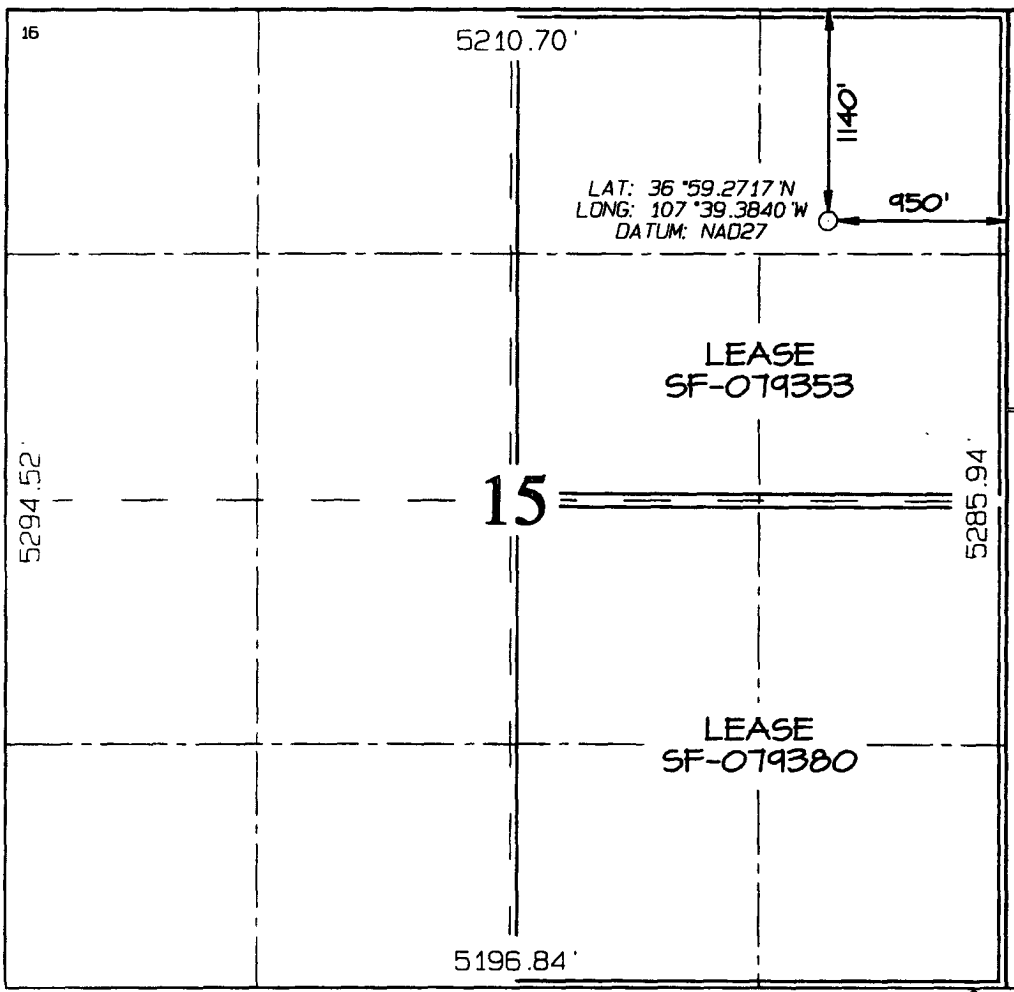
UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
A	15	32N	8W		1140	NORTH	950	EAST	SAN JUAN

[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	[13] Joint or Infill	[14] Consolidation Code	[15] Order No.
320.0 Acres - E/2			

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

Signature: Virgil E. Chavez

Printed Name: Virgil E. Chavez

Title: Projects & Operations Lead

Date: June 6, 2006

[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

Survey Date: MARCH 28, 2005

Signature and Seal of Professional Surveyor

JASON C. EDWARDS
NEW MEXICO
15269
REGISTERED PROFESSIONAL SURVEYOR

JASON C. EDWARDS

Certificate Number 15269

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
May 27, 2004

WELL API NO. 30-045- 33789

5. Indicate Type of Lease STATE ☐ FEE ☐

6. State Oil & Gas Lease No. Federal Lease - SF-079353

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.)

7. Lease Name or Unit Agreement Name: San Juan 32-8 Unit

1. Type of Well: Oil Well ☐ Gas Well ☒ Other

8. Well Number: #263

2. Name of Operator: ConocoPhillips Company

9. OGRID Number: 217817

3. Address of Operator: 3401 E. 30TH STREET, FARMINGTON, NM 87402

10. Pool name or Wildcat: Basin Fruitland Coal

4. Well Location
Unit Letter A : 1140 feet from the North line and 950 feet from the East line
Section 15 Township 32N Rng 8W NMPM County San Juan

11. Elevation *(Show whether DR, RKB, RT, GR, etc.)* 6987' GL

Pit or Below-grade Tank Application ☐ or Closure ☐

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

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:				SUBSEQUENT REPORT OF:			
PERFORM REMEDIAL WORK	☐	PLUG AND ABANDON	☐	REMEDIAL WORK	☐	ALTERING CASING	☐
TEMPORARILY ABANDON	☐	CHANGE PLANS	☐	COMMENCE DRILLING OPNS.	☐	P AND A	☐
PULL OR ALTER CASING	☐	MULTIPLE COMPL	☐	CASING/CEMENT JOB	☐		
OTHER:		New Drill	☒	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 are constructing Drilling and workover pits as per our General plan on file with the OCD dated June 2005 and we are closing all pits as per the November 1, 2004 Guidelines. Please be sure to include this language on all pit NOI's and C-144's.

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 Patsy Clugston TITLE Sr. Regulatory Analyst DATE 6/8/2006

Type or print name Patsy Clugston E-mail address: plclugston@br-inc.com Telephone No. 505-326-9518

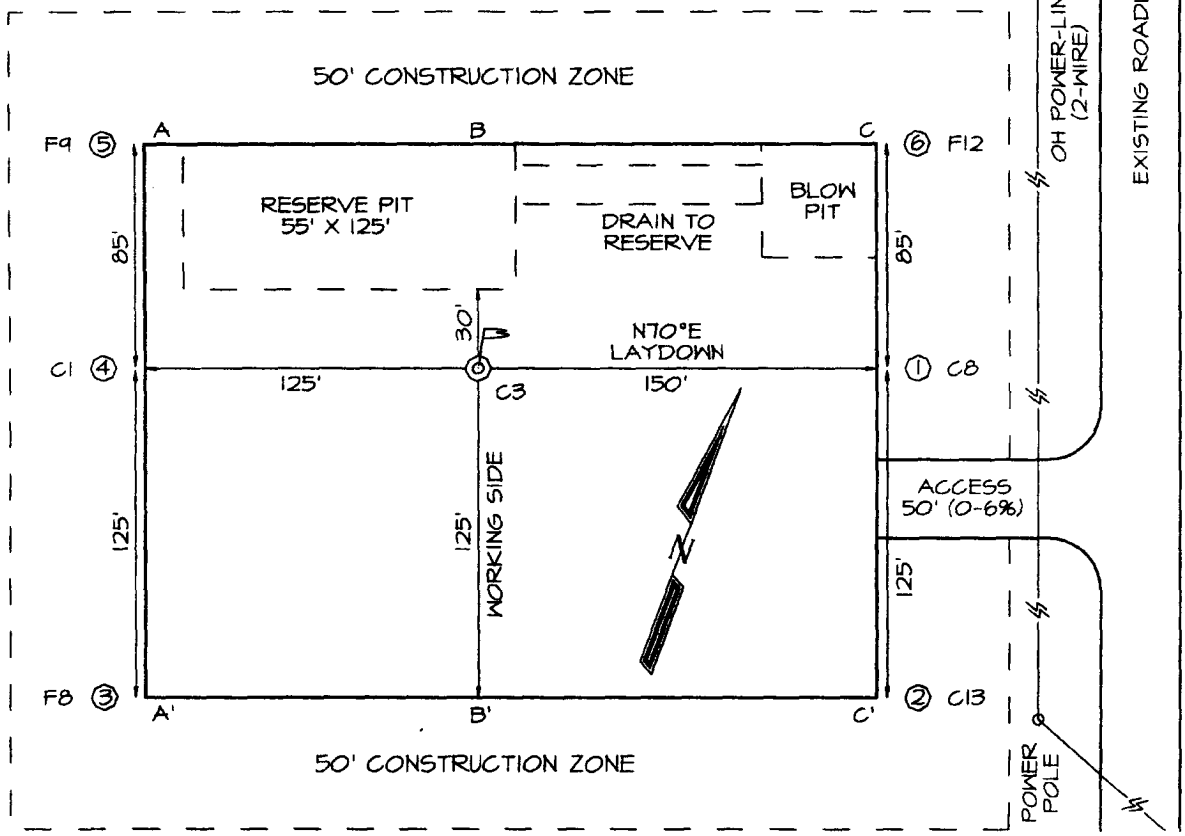
For State Use Only

APPPROVED BY _____ TITLE DEPUTY OIL & GAS INSPECTOR, DIST. #3 DATE JUL 11 2006

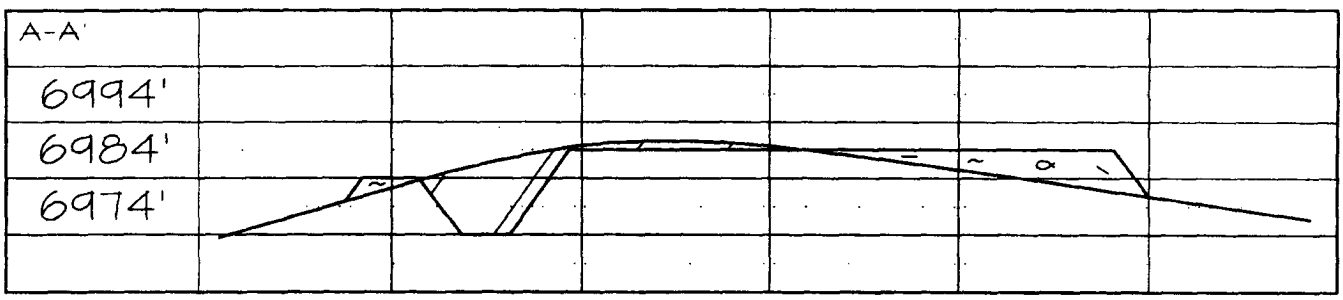
Conditions of Approval (if any):

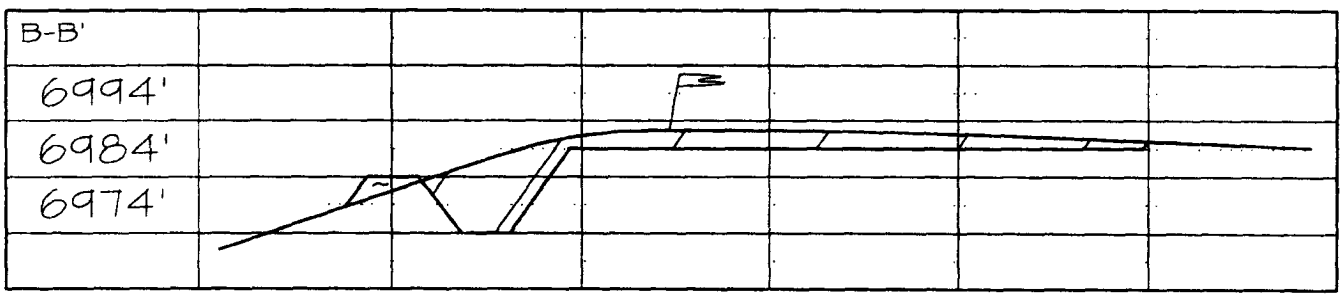
CONOCOPHILLIPS COMPANY SAN JUAN 32-8 UNIT #263
1140' FNL & 950' FEL, SECTION 15, T32N, R8W, NMPM
SAN JUAN COUNTY, NEW MEXICO ELEVATION: 6987'

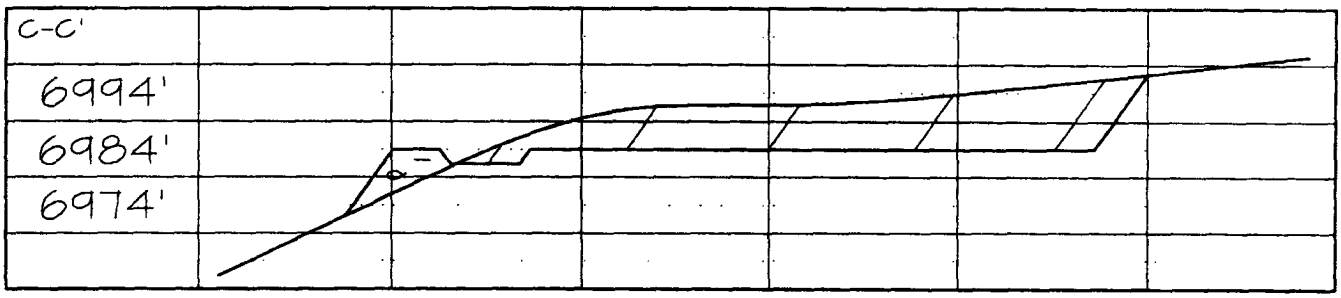
LATITUDE: 36.98786° N
LONGITUDE: 107.65640° W
DATUM: NAD1927



PLAT NOTE:
SURFACE OWNER Bureau of Land Management







FILENAME: 32815AT	SHEET 2 OF 6	NICE SURVEYS, INC.	DRAWN BY: EDO	CHECKED BY: JCE

ConocoPhillips

San Juan Business Unit

PROJECT PROPOSAL - New Drill / Sidetrack

SAN JUAN 32-8 263

Lease:	AFE #: WAN.CBM.6113			AFE $:
Field Name: 32-8	Rig: 320-2419	State: NM	County: SAN JUAN	API #:
Geoscientist: Wentz, Robert M.	Phone: 832-486-2056	Prod. Engineer: Limb, H G		Phone: 1-832-486-2427
Res. Engineer: Price, Ashley G	Phone: 832-486-3060	Proj. Field Lead:		Phone:

Primary Objective (Zones):

Zone	Zone Name
JCV	BASIN FRUITLAND COAL (GAS)

Location: Surface Datum Code: NAD 27 **Straight Hole**

Latitude: 36.987860	Longitude: -107.656400	X:	Y:	Section: 15	Range: 8W
Footage X: 950 FEL	Footage Y: 1140 FNL	Elevation: 6987 (FT)	Township: 32N		
Tolerance:					
Location Type:	Start Date (Est.):	Completion Date:	Date In Operation:		

Formation Data: Assume KB = 7000 Units = FT

Formation Call & Casing Points	Depth (TVD in Ft)	SS (Ft)	Depletion (Yes/No)	BHP (PSIG)	BHT	Remarks
SAN JOSE	213	6787	☐			
Surface Casing	213	6787	☐			12-1/4 hole. 9 5/8" 32.3 ppf, H-40, STC casing. Circulate cement to surface.
NCMT	1060	5940	☐			
CJAM	2270	4730	☐			Possible water flows.
KRLD	2495	4505	☐			
FRLD	3430	3570	☐			Possible gas.
TOP COAL	3490	3510	☐			
BASE MAIN COAL	3655	3345	☐	1250		
PC TONGUE	3780	3220	☐			
BASE LOWEST COAL	3865	3135	☐			
Total Depth	3870	3130	☐			7 7/8" Hole. 5 1/2", 17 ppf, N-80, LTC Casing. Circulate cement to surface.
PCCF	3880	3120	☐			

Reference Wells:

Reference Type	Well Name	Comments
Intermediate	32-8 #49	
Intermediate	32-8 #213A	
Intermediate	32-8 #45	
Intermediate	Reese Mesa #6	
Intermediate	32-8 #41	

ConocoPhillips

PROJECT PROPOSAL - New Drill / Sidetrack

San Juan Business Unit

SAN JUAN 32-8 263

Logging Program:

Intermediate Logs: ☐ Log only if show ☐ GR/ILD ☐ Triple Combo

TD Logs: ☐ Triple Combo ☐ Dipmeter ☐ RFT ☐ Sonic ☐ VSP ☐ TDT

Additional Information:

Log Type	Stage	From (Ft)	To (Ft)	Tool Type/Name	Remarks

Comments: Zones - Drill and complete a Fruitland coal well.
Obtain mudlog from 3000' to TD. Frac well, no intermediate casing.
No sump allowed. Well is within Albino PCCF gas pool. APD should include "mudloggers will be used to prevent drilling into the Pictured Cliffs Fm."

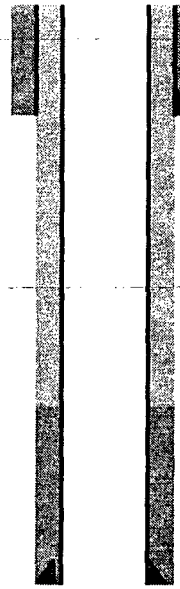
Drilling Mud Program:
Surface: spud mud
Intermediate: fresh water mud with bentonite and polymer as needed
Below Intermediate: air/mist drilling media with foamer, polymer, & corrosion inhibitor as needed

Centralizer Program:
Surface: centralizers placed 10' above the shoe latched over a stop collar and at the top of the 2nd, 3rd, & 4th joints
Intermediate: centralizers placed 10' above the shoe latched over a stop collar and at the top of the 2nd, 4th, 6th, 8th, & 10th joints
Turbolizers placed one per joint from the top of the Ojo Alamo to the top of the Kirtland Shale

General/Work Description - Provide funds to drill and complete the Fruitland Coal formation in the San Juan 32-8 # 263 located in the NE 1/4 of Section 15, T32N, R8W, Basin Fruitland Coal Field, San Juan County, New Mexico.

San Juan 32-8 #263

APD Cement Calculations



HOLE:	12.25 "
CSG OD:	9.625 "
CSG ID:	9.001 "
WGT:	32.3 ppf
GRADE:	H-40
EXCESS:	125 %
DEPTH:	**235'**

HOLE:	7.875 "
CSG OD:	5.5 "
CSG ID:	4.892 "
WGT:	17 ppf
GRADE:	N-80
EXCESS:	150 %
TAIL:	774'
DEPTH:	**3870'**

SURFACE:

Option 1		Option 2		Option 3	
148 sx	Comp. Strength	**143 sx**	Comp. Strength	**65 sx**	Comp. Strength
30.8 bbls	6 hrs 250 psi	30.8 bbls	6 hrs 250 psi	18.6 bbls	8 hrs 475 psi
172.9 cuft	8 hrs 500 psi	172.9 cuft	8 hrs 500 psi	104.3 cuft	24 hrs 1375 psi
1.17 ft^3/sx	psi	1.21 ft^3/sx		1.61 ft^3/sx	
15.8 ppg		15.6 ppg		14.5 ppg	
4.973 gal/sx		5.29 gal/sx		7.41 gal/sx	
Class G Cement		Standard Cement		Type I-II Ready Mix	
+ 3% S001 Calcium Chloride		+ 3% Calcium Chloride		+ 20% Fly Ash	
+ 0.25 lb/sx D029 Cellophane Flakes		+ 0.25 lb/sx Flocele			

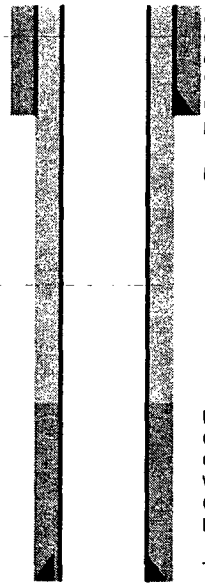
PRODUCTION LEAD:

Option 1		Option 2		Option 3	
480 sx	Comp. Strength	**502 sx**	Comp. Strength	**496 sx**	Comp. Strength
232.4 bbls	9 hrs 300 psi	232.4 bbls	1:47 hrs 50 psi	232.4 bbls	3 hrs 100 psi
1304.8 cuft	48 hrs 525 psi	1304.8 cuft	12 hrs 350 psi	1304.8 cuft	24 hrs 443 psi
2.72 ft^3/sx		2.60 ft^3/sx	24 hrs 450 psi	2.63 ft^3/sx	
11.7 ppg		11.5 ppg		11.7 ppg	
15.74 gal/sx		14.62 gal/sx		15.92 gal/sx	
Class G Cement		Type III Ashgrove Cement		Class G Cement	
+ 3% D079 Extender		+ 30 lb/sx San Juan Poz		+ 3% D079 Extender	
+ 0.20% D046 Antifoam		+ 3% Bentonite		+ 0.20% D046 Antifoam	
+ 10 lb/sx Phenoseal		+ 5.0 lb/sx Phenoseal		+ 1.0 lb/bbl CemNet	

PRODUCTION TAIL:

Option 1		Option 2		Option 3	
260 sx	Comp. Strength	**256 sx**	Comp. Strength	**266 sx**	Comp. Strength
60.7 bbls	3:53 500 psi	60.7 bbls	2:05 50 psi	60.7 bbls	24 hrs 1850 psi
340.9 cuft	8:22 1000 psi	340.9 cuft	4:06 500 psi	340.9 cuft	48 hrs 3411 psi
1.31 ft^3/sx	24 hrs 3170 psi	1.33 ft^3/sx	12 hrs 1250 psi	1.28 ft^3/sx	
13.5 ppg	48 hrs 5399 psi	13.5 ppg	24hrs 1819 psi	13.5 ppg	
5.317 gal/sx		5.52 gal/sx		5.255 gal/sx	
50/50 Poz: Class G Cement		50/50 Poz: Standard Cement		50/50 Poz: Class G Cement	
+ 0.25 lb/sx D029 Cellophane Flakes		+ 2% Bentonite		+ 2% D020 Bentonite	
+ 3% S001 Calcium Chloride		+ 6.0 lb/sx Phenoseal		+ 5.0 lb/sx D024 Gilsonite Extender	
+ 2% D020 Bentonite				+ 2% S001 Calcium Chloride	
+ 1.5 lb/sx D024 Gilsonite Extender				+ 0.1% D046 Antifoamer	
+ 0.1% D046 Antifoamer				+ 0.15% D065 Dispersant	
+ 6 lb/sx Phenoseal				+ 1.0 lb/bbl CemNet	

San Juan 32-8 #263



HOLE: 12.25 "
CSG OD: 9.625 "
CSG ID: 9.001 "
WGT: 32.3 ppf
GRADE: H-40
EXCESS: 125 %

DEPTH: 235 '

SURFACE:

HOLE: 7.875 "
CSG OD: 5.5 "
CSG ID: 4.892 "
WGT: 17 ppf
GRADE: N-80
EXCESS: 150 %

TAIL: 774 '

DEPTH: 3870 '

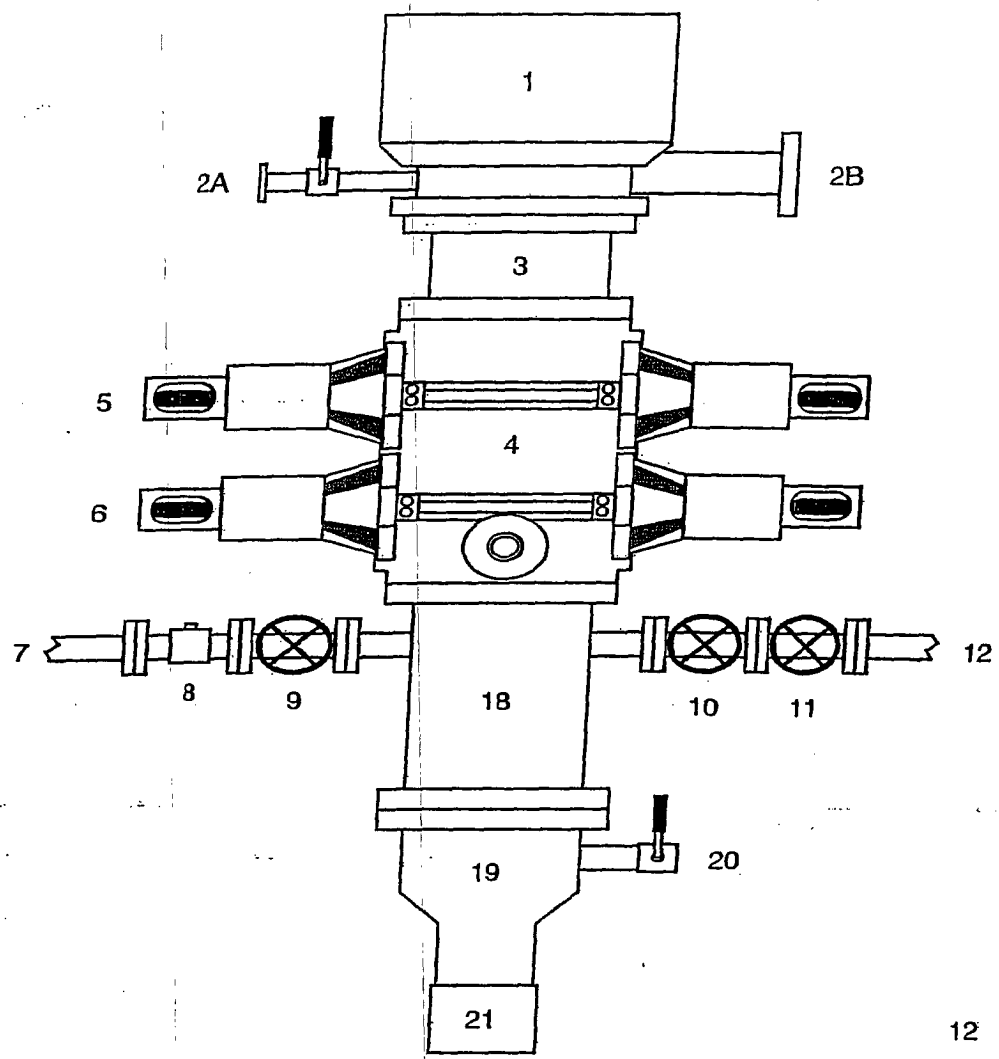
INTERMEDIATE LEAD:

Option 4			Option 5		
453 sx	Comp. Strength		**621 sx**	Comp. Strength	
232.4 bbls	1:47	50 psi	232.4 bbls	10:56	500 psi
1304.8 cuft	12 hrs	350 psi	1304.8 cuft	42 hrs	1012 psi
2.88 ft^3/sx	24 hrs	450 psi	2.10 ft^3/sx		
11.5 ppg			11.7 ppg		
16.85 gal/sx			11.724 gal/sx		
Standard Cement			75% Type XI / 25% Class G Cement		
+ 3% Econolite (Extender)			+ 0.25 lb/sx D029 Cellophane Flakes		
+ 10 lb/sx Phenoseal			+ 3% D079 Extender		
			+ 0.20% D046 Antifoam		

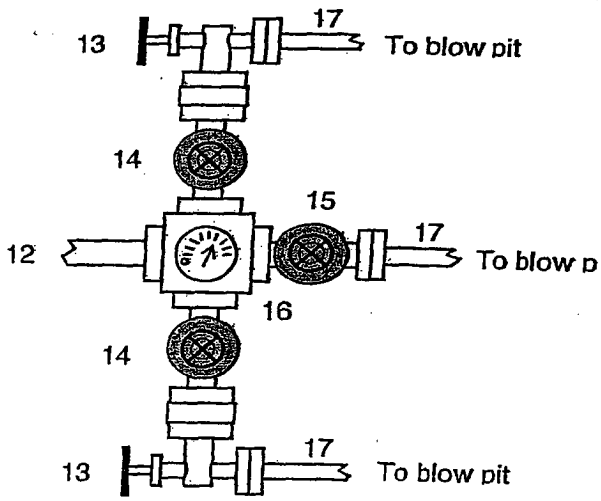
INTERMEDIATE TAIL:

BLOWOUT PREVENTER ARRANGEMENT & PROGRAM

For Drilling to Intermediate Casing Point & Setting 7" Intermediate Casing



1. Rotating Head
2A. Fill-up Line & valve
2B. Flowline
3. Spacer Spool
4. Double Ram BOP (11", 3000 psi)
5. Pipe Rams
6. Blind Rams
7. Kill Line
8. Kill Line Check Valve
9. Kill Line Valve
10 Inner Choke Line Valve (3")
11. Outer Choke Line Valve (3")
12. Choke Line (3")
13. Variable Choke
14. Choke Line Valve (2")
15. Panic Line Valve (3")
16. Choke Manifold Pressure Gauge
17. Choke Line (2")
18. Mud Cross Spacer Spool
19. Casing Head "A" Section
20. Casing Head "A" Section 2" Valve
21. 9 5/8" Casing Collar

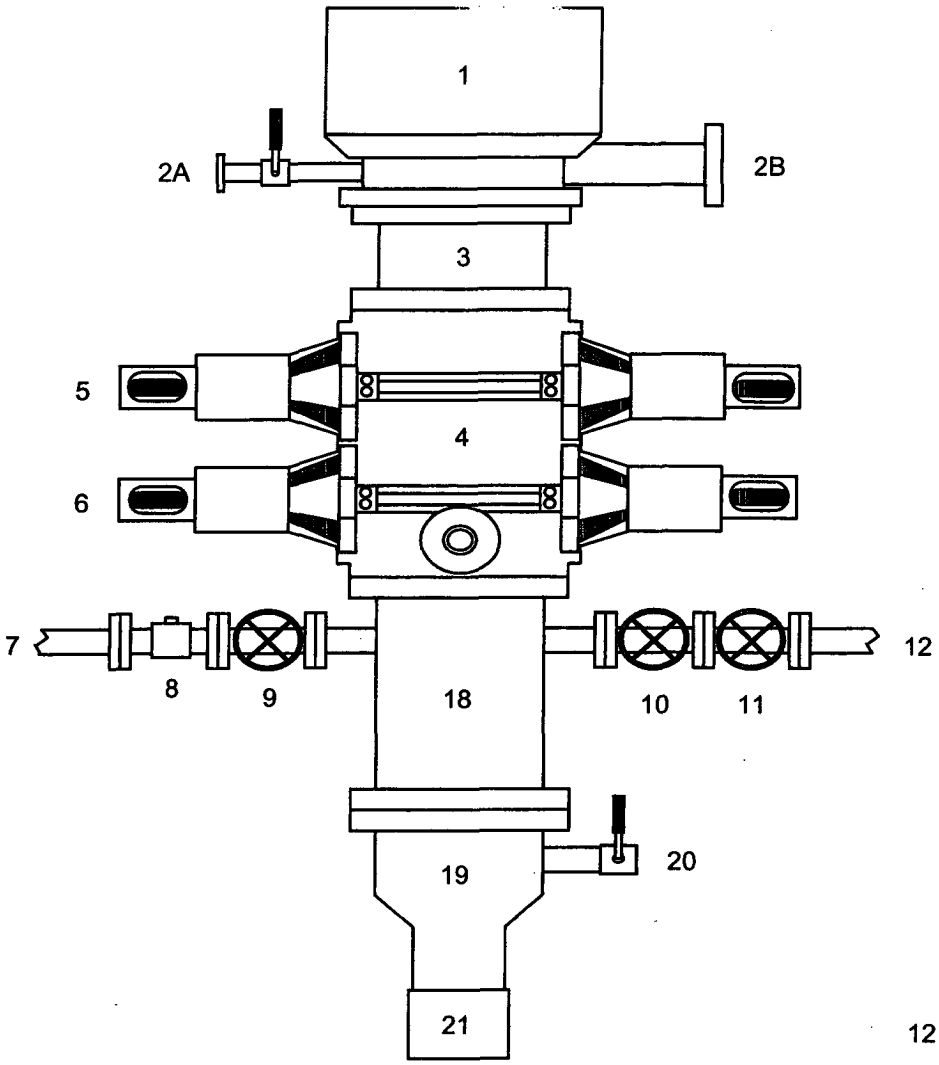


\ 12-1/4" hole will be drilled to approximately 220' and the 9-5/8" surface casing will be run and cemented. The Casing Head A" Section will be screwed onto the 9-5/8" surface casing stub. The BOP will be installed on the Casing Head "A" Section. A ɜst plug will be set in the wellhead and the pipe rams and choke manifold will be tested to 200 psi to 300 psi (low pressure ɜst) for 10 minutes and to 1000 psi (high pressure test) for 10 minutes. Then the test plug will be removed, and the 9-5/8" **asing will be pressure tested** against closed blind rams to 200 psi to 300 psi for 10 minutes and **to 1000 psi for 30 ıinutes** (this value is one 44% of the minimum internal yield pressure of the 9-5/8" casing). (Note: per regulatory ɨquirements we will wait on cement at least 8 hrs after placement before testing the 9-5/8" surface casing). Then an 8-3/4" ɔle will be drilled to intermediate casing point and 7" intermediate casing will be run and cemented.

addition to the equipment in the above diagram the following equipment will comprise the BOP system:

BLOWOUT PREVENTER ARRANGEMENT & PROGRAM

For Drilling to Intermediate Casing Point & Setting 5 1/2" Intermediate Casing



1. Rotating Head
2A. Fill-up Line & valve
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3. Spacer Spool
4. Double Ram BOP (11", 3000 psi)
5. Pipe Rams
6. Blind Rams
7. Kill Line
8. Kill Line Check Valve
9. Kill Line Valve
10 Inner Choke Line Valve (3")
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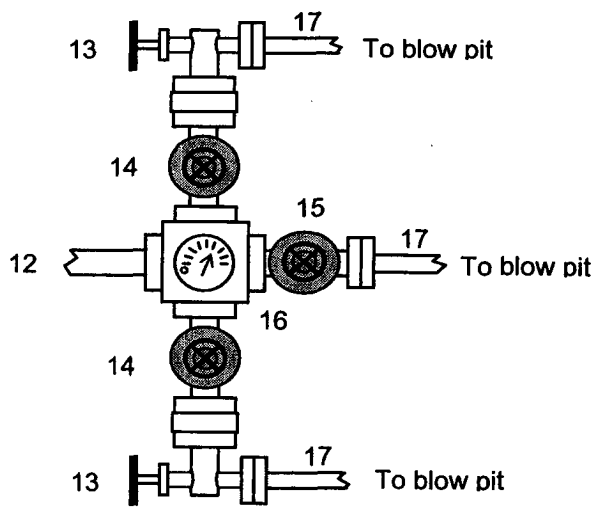
18. Mud Cross Spacer Spool
19. Casing Head "A" Section
20. Casing Head "A" Section 2" Valve
21. 9 5/8" Casing Collar



A 12-1/4" hole will be drilled to approximately 220' and the 9-5/8" surface casing will be run and cemented. The Casing Head "A" Section will be screwed onto the 9-5/8" surface casing stub. The BOP will be installed on the Casing Head "A" Section. A test plug will be set in the wellhead and the pipe rams and choke manifold will be tested to 200 psi to 300 psi (low pressure test) for 10 minutes and to 1000 psi (high pressure test) for 10 minutes. Then the test plug will be removed, and the **9-5/8" casing will be pressure tested** against closed blind rams to 200 psi to 300 psi for 10 minutes and **to 1000 psi for 30 minutes** (this value is one 44% of the minimum internal yield pressure of the 9-5/8" casing). (Note: per regulatory requirements we will wait on cement at least 8 hrs after placement before testing the 9-5/8" surface casing). Then a 7-7/8" hole will be drilled to production casing point and 5 1/2" intermediate casing will be run and cemented.

In addition to the equipment in the above diagram the following equipment will comprise the BOP system:

1. Upper Kelly cock Valve with handle
2. Stab-in TIW valve for all drillstrings in use