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070 Farmington, NM

FORM APPROVED
OMB No. 1004-0136
Expires November 30, 2000

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-078707
b. 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
2. Name of Operator CORDILLERA ENERGY, INC.		7. If Unit or CA Agreement, Name and No. 25127
3A. Address c/o Walsh Engineering, 7415 E. Main, Farmington, NM 87402		8. Lease Name and Well No. El Dorado #2
3b. Phone No. (include area code) (505) 327-4892		9. API Well No. 3004531801
4. Location of Well (Report location clearly and in accordance with any State requirements. *) At surface 1250' FNL and 880' FWL 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* 2 miles north of Farmington, NM		11. Sec., T., R., M., or Blk, and Survey or Area D Sec. 13, T31N, R13W
15. Distance from proposed* location to nearest property or lease line, ft. (Also to nearest drig. unit line, if any) 880'	16. No. of Acres in lease 320+	12. County or Parish San Juan
17. Spacing Unit dedicated to this well 320 acres (west half)	18. Distance from proposed* location to nearest well, drilling, completed, applied for, on this lease, ft. 76'	13. State NM
19. Proposed Depth 2090 +/-	20. BLM/BIA Bond No. on file	
21. Elevations (Show whether DF, KDB, RT, GL, etc.) 5733' GL	22. Approximate date work will start* August 15, 2003	23. Estimated duration 1 week

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 office. |

25. Signature <i>Paul C. Thompson</i>	Name (Printed/Typed) Paul C. Thompson, P.E.	Date 7/21/03
Agent		
Approved by (Signature) <i>/s/ David J. Mankiewicz</i>	Name (Printed/Typed)	Date AUG 22 2003
Title	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 reverse)

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

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

DMC

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

State of New Mexico
Energy, Minerals & Natural Resources Department

Form C-102
Revised February 21, 1994

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

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

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

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

AMENDED REPORT

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

WELL LOCATION AND ACREAGE DEDICATION PLAT

*API Number 30-045-31801		*Pool Code 71629	*Pool Name BASIN FRUITLAND COAL
*Property Code 25127	*Property Name EL DORADO		*Well Number 2
*OGRID No. 173252	*Operator Name CORDILLERA ENERGY, INC.		*Elevation 5733'

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
D	13	31N	13W		1250	NORTH	880	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 320.0 Acres - (W/2)	¹³ Joint or Infill Y	¹⁴ Consolidation Code	¹⁵ 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

¹⁷ OPERATOR CERTIFICATION

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

Paul C. Thompson
Signature

PAUL C. THOMPSON
Printed Name

AGENT
Title

7/21/03
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.

Date of Survey: **APRIL 30, 2003**

Signature and Seal of Professional Surveyor

JASON C. EDWARDS
Certificate Number 15269

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020 FARMINGTON, NM

CORDILLERA ENERGY, INC.
OPERATIONS PLAN
El Dorado #2

I. Location: 1250' FNL & 880' FWL Date: July 21, 2003
Sec 13 T31N R13W
San Juan County, NM

Field: Basin Fruitland Coal Elev: GL 5733'
Surface: BLM
Minerals: SF 078707

II. Geology: Surface formation _ Nacimiento

A. Formation Tops	Depths
Ojo Alamo	1190'
Kirtland	1230'
Fruitland	1400'
Pictured Cliffs	1940'
Total Depth	2090'

Estimated depths of anticipated water, oil, gas, and other mineral bearing formations which are expected to be encountered:

Water and gas - 1400' and 1940'.

B. Logging Program: Induction/GR and density logs at TD.

C. No over pressured zones are expected in this well. No H₂S zones will be penetrated in this well. Max. BHP = 2500 psig.

III. Drilling

A. Contractor:

B. Mud Program:

The surface hole will be drilled with a fresh water mud.

The production hole will be drilled with a fresh water polymer mud. The weighting material will be drill solids or if conditions dictate, barite. The maximum mud weight expected is 8.5 ppg.

C. Minimum Blowout Control Specifications:

Double ram type 2000 psi working pressure BOP with a rotating head. See the attached Exhibit #1 for details on the BOP equipment. All ram type preventers and related equipment will be hydraulically tested at nipple-up and after any use under pressure to 1000 psi.

The blind rams will be hydraulically activated and checked for operational readiness each time pipe is pulled out of the hole. All checks of the BOP stack and equipment will be noted on the daily drilling report. The BOP equipment will include a kelly cock, floor safety valve, and choke manifold all rated to 2000 psi.

IV. Materials

A. Casing Program:

Hole Size	Depth	Casing Size	Wt. & Grade
8-3/4"	120'	7"	20# J-55
6-1/4"	2090'	4-1/2"	10.5# K-55

B. Float Equipment:

a) Surface Casing: None.

b) Production Casing: 4-1/2" cement guide shoe and self fill insert float. Place float one joint above shoe. Five centralizers spaced every other joint above shoe and five turbolizers placed across the Ojo Alamo.

V. Cementing:

Surface casing: 7" - Use 30 sx (36 cu. ft.) of C1 "B" with 2% CaCl₂ (Yield = 1.18 cu. ft./sk; slurry weight = 15.6 PPG). 100% excess to circulate cement to surface. WOC 12 hours. Pressure test surface casing to 600 psi for 30 min.

Production Casing: 4-1/2" - Before cementing circulate hole with at least 1-1/2 hole volumes of mud. Precede cement with 30 bbls of fresh water. Lead with 155x(319 cu.ft) of C1 "B" with 2% SMS, 1/4#/sk. celloflake. (Yield = 2.06 cu.ft./sk; slurry weight = 12.5 PPG). Tail with 100 sx (118 cu.ft.) of C1 "B" with 2% CaCl₂, and 1/4#/sk. celloflake/sk. (Yield = 1.18 cu. ft./sk; slurry weight = 15.6 PPG) Total cement volume is 437 cu.ft. (100% excess to circulate cement to surface).



Paul C. Thompson, P.E.