



DIST. 3

Form 3160-3
(August 1999)

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

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

2006 MAY 15 PM 12:12

Lease Serial No.

SF078897-A

APPLICATION FOR PERMIT TO DRILL OR REENTER

RECEIVED

FARMINGTON

1a. Type of Work: <input checked="" type="checkbox"/> DRILL <input type="checkbox"/> REENTER		5. Lease Serial No. SF078897-A	
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 checked="" type="checkbox"/> Multiple Zone		6. If Indian, Allotted or Tribe Name	
2. Name of Operator Pro NM Energy, Inc.		7. If Unit or CA Agreement, Name and No.	
3a. Address 460 St. Michael's Drive, Suite 300 Santa Fe, NM 87505		8. Lease Name and Well No. Gracia Federal 181 No. 1S	
3b. Phone No. (include area code) (505) 988-4171		9. API Well No. 30-045-33468	
4. Location of Well (Report location clearly and in accordance with any State requirements.)* At surface 730' FNL, 1495' FEL At proposed prod. zone Same		10. Field and Pool, or Exploratory Basin Fruitland Coal	
14. Distance in miles and direction from nearest town or post office* Twenty-five miles southeast of Farmington, NM		11. Sec., T., R., M., or Blk. and Survey or Area B Sec. 18, T 26 N, R 11 W	
15. Distance from proposed* location to nearest property or lease line, ft. (Also to nearest orig. unit line, if any) 730'		12. County or Parish San Juan	
16. No. of Acres in lease 80		13. State New Mexico	
17. Spacing Unit dedicated to this well E2 320		18. Distance from proposed location* to nearest well, drilling, completed, applied for, on this lease, ft. N/A	
19. Proposed Depth 1457'		20. BLM/BIA Bond No. on file B03641	
21. Elevations (Show whether DF, KDB, RT, GL, etc.) 6100' GL		22. Approximate date work will start* As soon as permitted	
		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:

- | | |
|---|--|
| 1. Well plat certified by a registered surveyor. | 4. Bond to cover the operations unless covered by and 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 <i>Dana L. Delventhal</i>	Name (Printed/Typed) Dana L. Delventhal	Date 12-May-06
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Title Agent		
Approved by (Signature) <i>[Signature]</i>	Name (Printed/Typed) APM	Date 2/22/07
Title APM		Office FFO

Application approval does not warrant or certify that the applicant holds legal or quitable 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)

File Application for a pit permit w/ NM OCD, Aztec on Form C-103 prior to constructing location.

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".

NOTIFY AZTEC OCD 24 hrs IN TIME TO WITNESS C&G Cement NMOCD

2/26/07

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

DISTRICT II
1301 W. Grand Ave., Artesia, N.M. 88210

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

DISTRICT IV
1220 South 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 October 12, 2005
Submit to Appropriate District Office
State Lease - 4 Copies
Fee Lease - 3 Copies

2006 MAY 15 PM 12 22

AMENDED REPORT

RECEIVED RCVD FEB23'07

WELL LOCATION AND ACREAGE DEDICATION **PLAT** CONS. DIV.

¹ API Number 30-045-33468		² Pool Code 71629	³ Pool Name Basin Fruitland Coal	DIST. 3
⁴ Property Code 35711	⁵ Property Name GRACIA FEDERAL 18I			⁶ Well Number 1S
⁷ GRID No. 018118	⁸ Operator Name PRO NEW MEXICO ENERGY			⁹ Elevation 6100

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
B	18	26-N	11-W		730	NORTH	1495	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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¹² Dedicated Acres 320	¹³ Joint or Infill Y	¹⁴ Consolidation Code C	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

16

FD 8" IRON PIPE IN FENCE	FD 2 1/2" BC 1965 BOR BM	N 89-49-11 W 2643.5' (C)	730'	CALC'D COR. DBL. PROP
LOT 1	LAT. 36.49336° N. (NAD 83) LONG. 108.04123° W. (NAD 83)	SF-78897-A		SF-78897
Basin Fruitland Coal				
LOT 2				
			18	
LOT 3		SF-78899		SF-78899-A
LOT 4				

¹⁷ OPERATOR CERTIFICATION

I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief, and that this organization either owns a working interest or unleased mineral interest in the land including the proposed bottom hole location or has a right to drill this well at this location pursuant to a contract with an owner of such a mineral or working interest, or to a voluntary pooling agreement or a compulsory pooling order heretofore entered by the division.

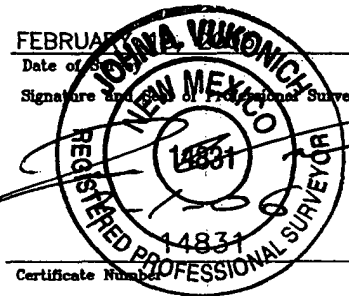
Dana J. Delventhal
Signature
5/12/06
Date

Dana L. Delventhal
Printed Name

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.

FEBRUARY
Date of
Signature and Title of Professional Surveyor:



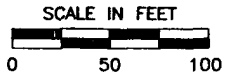
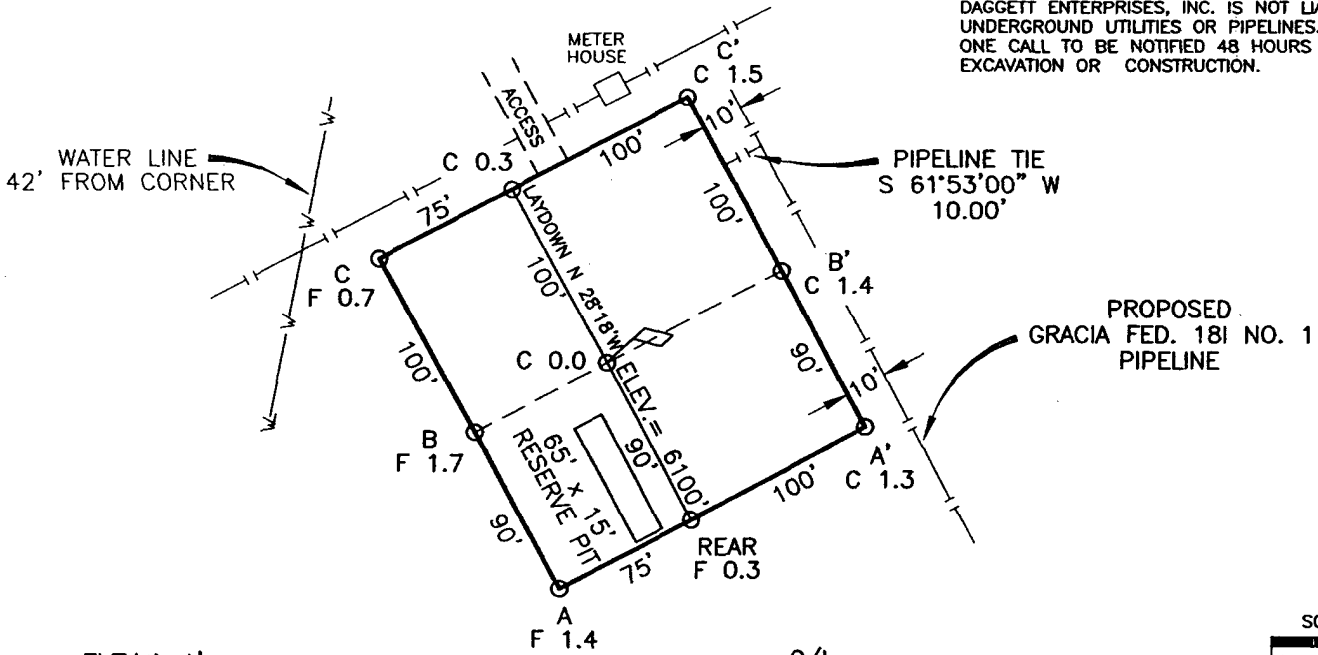
CALC'D COR. DBL. PROP

Certificate Number

COMPANY: PRO NEW MEXICO ENERGY
 LEASE: GRACIA FEDERAL 18I No. 1S
 FOOTAGE: 730' FNL, 1495' FEL
 SEC.: 18 TWN: 26-N RNG: 11-W NMPM
 ELEVATION: 6100'

NOTE:

DAGGETT ENTERPRISES, INC. IS NOT LIABLE FOR UNDERGROUND UTILITIES OR PIPELINES. NEW MEXICO ONE CALL TO BE NOTIFIED 48 HOURS PRIOR TO EXCAVATION OR CONSTRUCTION.



ELEV. A-A'	C/L			
6120				
6110				
6100				
6090				
6080				

ELEV. B-B'	C/L			
6120				
6110				
6100				
6090				
6080				

ELEV. C-C'	C/L			
6120				
6110				
6100				
6090				
6080				

REVISION: LOCATION RESTAKED	DATE: 2/23/05	REVISION BY: G.V.
Daggett Enterprises, Inc. Surveying and Oil Field Services P. O. Box 15068 • Farmington, NM 87401 Phone (505) 326-1772 • Fax (505) 326-6019 NEW MEXICO L.S. No. 14831		
DRAWN BY: A.G.	CADFILE: RW023CFB	DATE: 11/14/05
ROW#: RW023		



Drilling Program

1. Formation Tops

The estimated tops of important geologic markers are:

<u>Formation Name</u>	<u>GL Depth</u>	<u>KB Depth</u>	<u>SS Elev.</u>
Fruitland	1087'	1093'	5007'
Basin Fruitland Coal	1291'	1297'	4803'
Pictured Cliffs	1307'	1313'	4787'
Total Depth (TD)	1451'	1457'	4643'

*All elevations reflect the ungraded ground level of 6100'.

2. Notable Zones

Oil and Gas Zones

Fruitland (1093')
Basin Fruitland Coal (1297')
Pictured Cliffs (1313')

The primary objective is the Basin Fruitland Coal formation. Completion may require fracturing. The entire wellbore will be cased. Water zones will be protected with casing, cement, and weighted mud. Oil and gas shows will be tested for commercial potential based on the well site geologist's recommendations.

3. Pressure Control

BOP systems will follow Onshore Order No. 2. The drilling contract has not yet been awarded, thus the exact BOP model to be used is not yet known. A typical model is shown on the attached page.

Once out from under the surface casing, a minimum 2000 psi BOP and choke manifold system will be used. BOP controls will be installed before drilling the surface casing and used until the well is completed or abandoned.

Pressure tests to 1,500 psi will be conducted with a BOP tester. All BOP mechanical and pressure tests will be recorded on the driller's log. BOPs will be inspected and operated at least daily to assure good mechanical working order. The inspection will be recorded on the daily drilling report.

4. Casing and Cement

<u>Hole Size</u>	<u>OD</u>	<u>Weight (lb/ft)</u>	<u>Grade</u>	<u>Depth</u>
12 1/4"	8 5/8"	24.00	J-55	120'
7 7/8"	5 1/2"	15.50	J-55	1457'

Surface casing will be cemented to surface with 150 sx (177 cf) of Class B cement containing 2% CaCl and 1/4 #/sk cello flakes. Production casing will be cemented to surface in one stage using 180 sx (370.8 cf) of Class B cement containing 2% Sodium Metasilicate and 1/4 #/sk cello flakes followed by 100 sx (118 cf) of Class B cement containing 2% CaCl and 1/4 #/sk cello flakes. The entire wellbore will be cased. Water zones will be protected with casing, cement, and weighted mud.

Circ cmt to surface on both strings

5. Mud Program

The proposed mud program is:

<u>Depth</u>	<u>Type</u>	<u>ppg</u>	<u>Vis(cp)</u>	<u>F1(cc)</u>
0-120'	Spud mud and Gel Lime	8.8	50	N/A
120'-TD	LSND	9.0	45	10

6. Coring, Testing, and Logging

No cores are planned. The following logs are likely to be run:

Dual Induction, Formation Density,
Compensated Neutron, SP, Gamma Ray

7. Downhole Conditions

Neither abnormal temperatures nor hydrogen sulfide are anticipated. Maximum pressure will be approximately 250 psi.

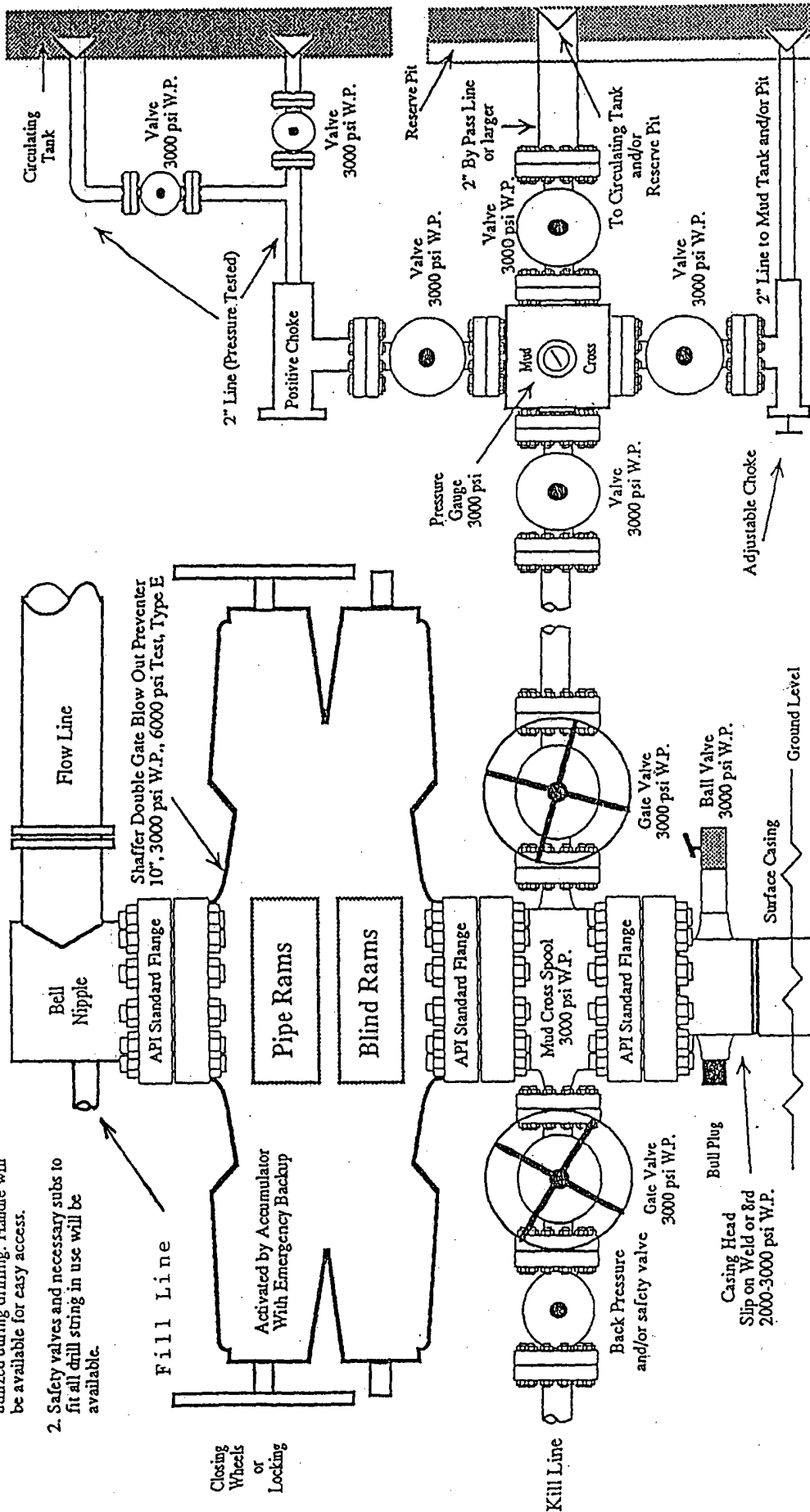
8. Other Information

It is expected to require 15 days to drill and complete this well.

Pressure Control Equipment

Note: 1. An upper Kelly cock valve will be utilized during drilling. Handle will be available for easy access.

2. Safety valves and necessary subs to fit all drill string in use will be available.



Note: This equipment is designed to meet requirements for a 2-M rating standard per 43 CFR part 3160 (amended). Proper operation and testing of equipment will be carried out per standard. 2,000 psi equipment can be substituted in the drawing to meet minimum requirements per standard.

Pro NM Energy, Inc.
 Gracia Federal 181 No. 1S
 730' FNL, 1495' FEL
 Sec. 18, T26N, R11W