

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

2007 FEB 20

Expedited Right-of-Way

FORM 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		11. Sec., T. R. M. or Blk. and Survey or Area M S20, T31N, R8W "M"
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		12. County or Parish San Juan
2. Name of Operator Koch Exploration Company, LLC		13. State NM
3a. Address PO Box 489, Aztec, NM 87410	3b. Phone No. (include area code) 505-334-9111	8. Lease Name and Well No. Quinn 339S
4. Location of Well (Report location clearly and in accordance with any State requirements.) At surface 1210' FSL & 695' FWL SW/4, SW/4 At proposed prod. zone same		9. API Well No. 30-045-34189
14. Distance in miles and direction from nearest town or post office*		10. Field and Pool, or Exploratory Basin Fruitland Coal
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 320.00	17. Spacing Unit dedicated to this well 320.00 W/2
18. Distance from proposed location* to nearest well, drilling, completed, applied for, on this lease, ft.	19. Proposed Depth 3445'	20. BLM/BIA Bond No. on file 104128366 COB 000033
21. Elevations (Show whether DF, KDB, RT, GL, etc.) 6489' GL	22. Approximate date work will start* 05/01/2007	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 *[Signature]* Name (Printed/Typed) **John Clark** Date **2-28-07**

Title **District Superintendent**

Approved by (Signature) *[Signature]* Name (Printed/Typed) **AFM** Date **3/6/07**

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)

Submit application for permit prior to construction location

RCUD MAR7'07
OIL CONS. DIV.
DIST. 3

NOTIFY AZTEC OGD
IN TIME TO WITNESS

24hrs
CSG document

NMOCD

3/8/07

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

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

State of New Mexico

Energy, Minerals & Natural Resources Department

OIL CONSERVATION DIVISION

P.O. 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

2007 FEB 23 PM 4:16 ☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

API Number 30-045-34189		Pool Code 71629		Pool Name BASIN Fruitland Coal	
Property Code 7409		Property Name QUINN		Well Number 339S	
OGRID No. 12807		Operator Name KOCH EXPLORATION		Elevation 6489	

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
M	20	31 N	8 W		1210	SOUTH	695	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

Dedicated Acres 320	Joint or Infill	Consolidation Code	Order No.
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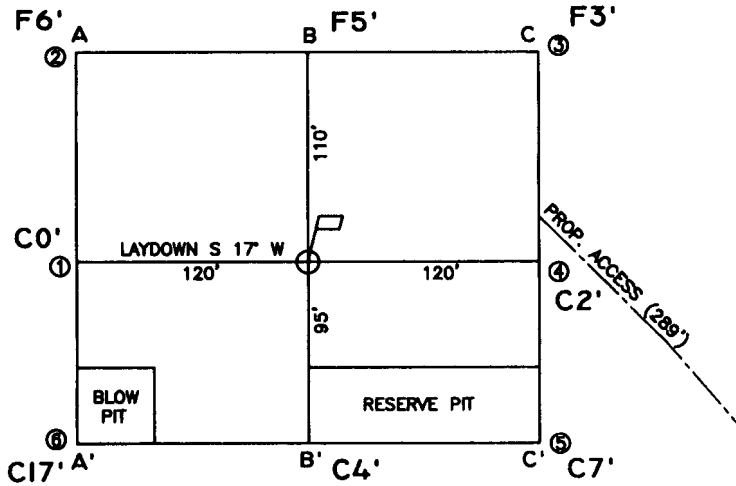
RCVD MAR 7 '07

OIL CONS. DIV.

DIST. 3

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 N 88°08'33" W Lease #SF-078511 Quinn 339R 840' FNL & 1095' FWL		5235.12'		17 OPERATOR CERTIFICATION I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief. Signature <u>Donald L. Johnson</u> Printed Name <u>Donald L. Johnson</u> Title <u>Field Operations Manager</u> Date <u>12/10/05</u>	
SECTION 20					
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 <u>11/25/05</u> Signature and Seal of Professional Surveyor: <u>17078</u> Certificate Number <u>17078</u>					



ELEVATION A-A'

ℰ

6510				
6500				
6490				
6480				
6470				

B-B'

ℰ

6510				
6500				
6490				
6480				
6470				

C-C'

ℰ

6510				
6500				
6490				
6480				
6470				

LEASE: QUINN #339S

FOOTAGE: 1210' FSL, 695' FWL

SEC. 20 TWN. 31 N RNG. 8 W N.M.P.M.

LATITUDE: 36°52'46.6" LONGITUDE: 107°42'18.4"

ELEVATION: 6489

KOCH EXPLORATION

AZTEC, NEW MEXICO

SURVEYED: 11/25/05

REV. DATE:

APP. BY R.P.

DRAWN BY: A.D.

DATE DRAWN: 11/29/05

FILE NAME: 6290C01

UNITED
FIELD SERVICES INC.

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

QUINN 339S
S20 T31N R8W, 1210' FSL & 695' FWL
San Juan Co., New Mexico
Lease SF 078511

Drilling Program

1) Geological name of surface formation -

Estimated tops of important geological markers:

San Jose	Surface
Ojo	2119'
Kirtland Shale	2189'
Fruitland Coal	2989'
Pict. Cliff	3345'
TD	3445'

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

Useable Water	0' to 2119'
Salt Water	2119' to 2989'
Oil and Gas	2989' to 3445'*

*NOTE: We will be drilling 100' into Pictured Cliffs formation, which is a non-producing zone in this area, with a mud logger, 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 12 hours, nipple up blowout preventer (BOP) assembly and test to 70% of yield of casing or 1,500 psi maximum. 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 1,500 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 at 600 psi with 1,000 psi maximum for 30 minutes, after cementing in place and before drilling out of shoe. Intermediate and 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.

QUINN 339S

S20 T31N R8W, 1210' FSL & 695' FWL

San Juan Co., New Mexico

Lease SF 078511

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 @ 200'
Intermediate Casing	8 3/4"	7"	23#	J-55 LTC	New @ 3080'
Production Liner	6 1/4"	5 1/2"	15.5#	J-55 LTC	New @ 3445'

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

9 5/8" Surface Casing – Surface to 200' – Cement with 154 sks Type III (15.2 ppg, yield 1.28 cf/sk) Cement + 3% Calcium Chloride + 0.25 lbs/sk. Celloflake, volume: 196.6 cf., includes 200% excess. Centralizers will be run on all joints.

7" Intermediate Casing – Surface to 3080' – Lead cement with 365 sks. Premium Lite FM + 3% Calcium Chloride + 0.25 lb/sk Celloflake, (wt. 12.1 ppg, yield 1.75) volume: 639.21 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 3040' to 3445' – Will not cement liner.

5) Mud Program:

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

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.

QUINN 339S

S20 T31N R8W, 1210' FSL & 695' FWL

San Juan Co., New Mexico

Lease SF 078511

We will drill through the Fruitland Coal with mud loggers.

7) Expected Pressures –

Fruitland Fm. 200 psi

Bottom Hole 200 psi

No abnormal pressures, temperature or poisonous gas anticipated.

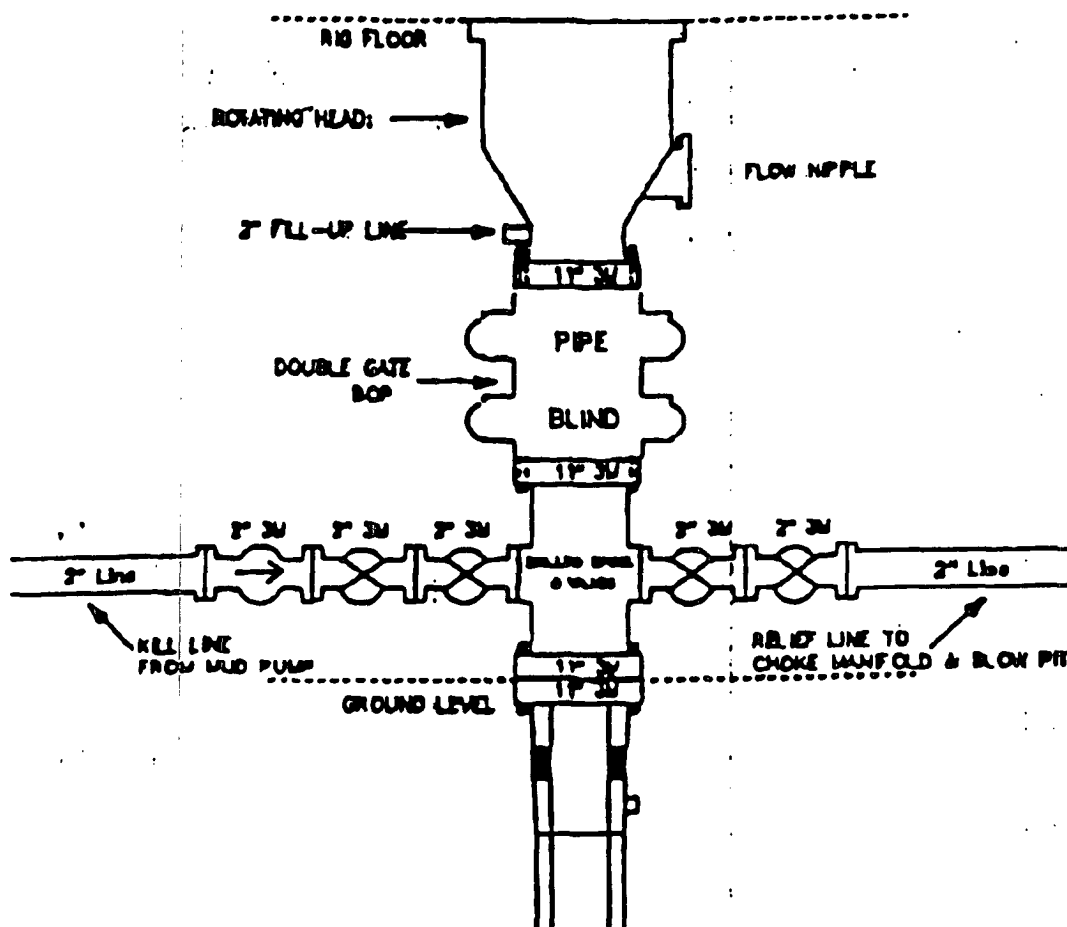
8) Drilling Tools: 20 4-3/4" Drill Collars with 3-1/2" IF Connections
3-1/2" Drill Pipe with 3-1/2" IF Connections

Anticipated Spud Date: May 1, 200~~6~~⁷

Anticipated Completion Date: May 31, 200~~6~~⁷

KEY FOUR CORNERS
P. O. BOX 1067
8881 U.S. HWY. 84
FARMINGTON, NEW MEXICO 87400
TELEPHONE: (505) 336-3371
FAX: (505) 336-3378

Drilling Rig 3000 psi System

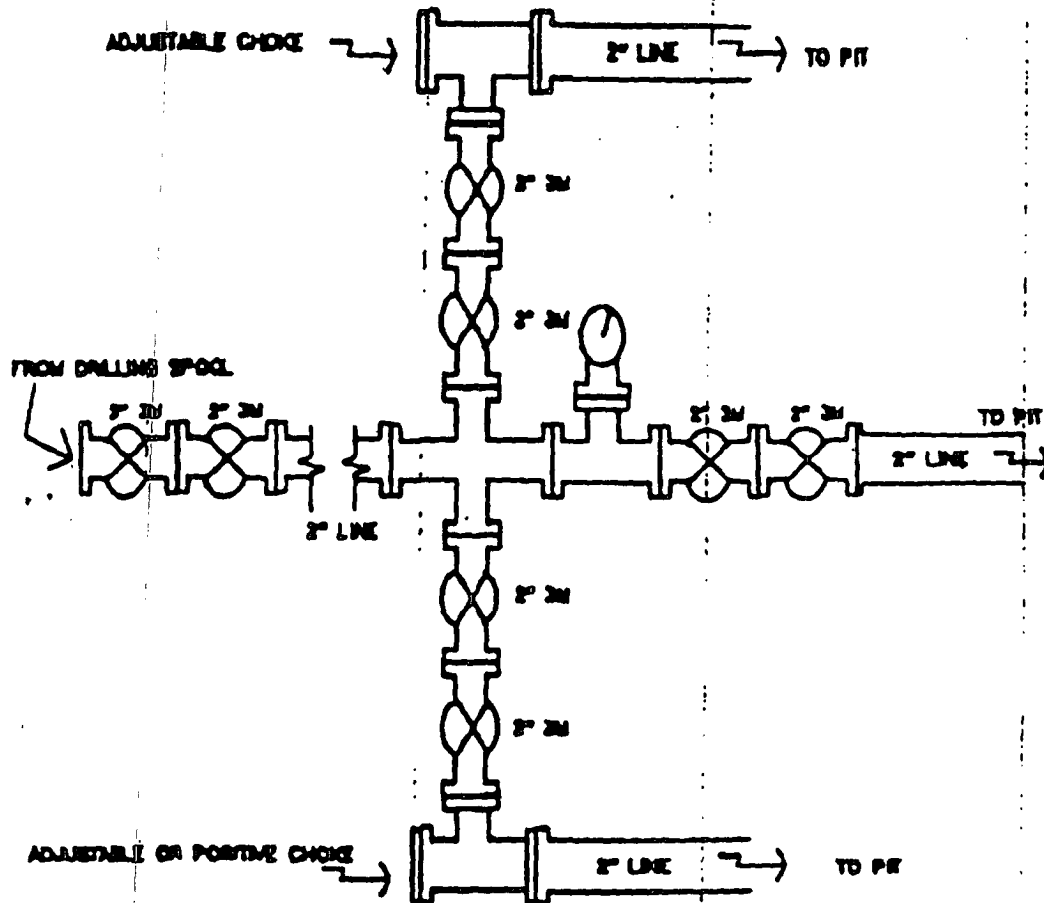


11" Bore (10" Nominal), 3000psi working pressure minimum double gate BOP to be equipped with blind and pipe rams. A rotating head on the top of the rams. All BOP equipment is 3000psi working pressure.

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"