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Form 3160-3
(August 1999)

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

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

APPLICATION FOR PERMIT TO DRILL OR REENTER

Bureau of Land Management
Farmington Field Office

1a. Type of Work <input checked="" type="checkbox"/> DRILL <input type="checkbox"/> REENTER		5. Lease Designation and Serial No. NM-077281	
1b. Type of Well: <input checked="" type="checkbox"/> Oil Well <input type="checkbox"/> Gas Well <input type="checkbox"/> Other <input type="checkbox"/> Single Zone <input type="checkbox"/> Multiple Zone		6. If Indian, Allottee or Tribe Name Navajo Tribe (Surface)	
2. Name of Operator PARAWON OPERATING LLC NM OGRID # 225465		7. If Unit or CA, Agreement, Name and No. NE HOGBACK UNIT NMNM-78403A	
3a. Address c/o Mike Pippin, LLC 3104 N. Sullivan Ave., Farmington, NM 87401		8. Lease Name and Well No. NE HOGBACK UNIT #74	
3b. Phone Number (505) 327-4573		9. API Well No. 30-045-34755	
4. Location of Well (Footage, Sec. T. R., M. or Survey Description) At surface: Unit Letter H, 2270' FNL, 330' FEL At proposed prod. Zone:		10. Field and Pool, or Exploratory Horseshoe Gallup	
14. Distance in miles and direction from nearest town or post office* 25 Miles East of Farmington		11. Sec., T., R., M., or Blk. and Survey or Area H Sec 10, T-30-N, R-16-W	
15. Distance from proposed* location to nearest property or lease line, ft. (Also to nearest drlg. Unit line, if any) 330'	16. No of Acres in lease 633.02 317.040	17. Spacing Unit dedicated to this well SE1/4 NE1/4 HDAC	
18. Distance from proposed* location to nearest well 478'	19. Proposed Depth 1750'	20. BLM/BIA Bond No. on file NM8000163	
21. Elevation (Show whether DF, KDB, RT, GL, etc.) 5432' Ground Level	22. Approximate date work will start* 11/1/08	23. Estimated duration 20 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

Size of Hole	Grade, Size of Casing	Weight per Foot	Setting Depth	Quantity of Cement
12-1/4"	8-5/8" H-40 J-55	24#	200'	140 Sxs, 165 ft3 - 100% Excess
7-7/8"	4-1/2" J-55	10.5#	1750'	286 Sxs, 563 ft3 - 50% Excess

On site inspection with Burtha Spencer & Ester Key 6/25/08
Archy by DCA.
EA & TE by Nelson.

SEE ATTACHED APD INFORMATION

Latitude: 36.82969 N
Longitude: -108.50436 W

25. Signature <i>Mike Pippin</i>	Name(Printed/Typed) Mike Pippin	Date 7/1/2008
Title Agent - Petroleum Engineer		
Approved by (Signature) <i>D. Manlius</i>	Name(Printed/Typed) AFN	Date 8/31/09
Title AFN	Office FFO	

Application approval does not warrant or certify 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)



H₂S POTENTIAL EXIST

NMOCD

NOTIFY AZTEC OCD 24 HRS
PRIOR TO CASING & CEMENT

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

SEP 1 1 2009

BLM'S APPROVAL OR ACCEPTANCE OF THIS ACTION DOES NOT RELIEVE THE LESSEE AND OPERATOR FROM OBTAINING ANY OTHER AUTHORIZATION REQUIRED FOR OPERATIONS ON FEDERAL AND INDIAN LANDS.

This action is subject to technical and procedural review pursuant to 43 CFR 3165.9 and appeal pursuant to 43 CFR 3165.4

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

Bureau of Land Management
Farmington Field Office

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

Form C-102

Revised October 12, 2005

☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

¹ API Number 30045-34755	² Pool Code 32870	³ Pool Name HORSESHOE GALLUP
⁴ Property Code 300241	⁵ Property Name NE HOGBACK UNIT	⁶ Well Number 74
⁷ GRID No. 225465	⁸ Operator Name PARAWON OPERATING, LLC	⁹ Elevation 5432'

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
H	10	30-N	16-W		2270	NORTH	330	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 40 ACRES SE 1/4 NE 1/4			¹³ Joint or Infill		¹⁴ Consolidation Code		¹⁵ Order No.		

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. 2 1/2" BC. 1926 G.L.O.	N 89-52-48 W 2636.92' (M)	FD. 3 1/4" BC. 2008 B.L.M.	17
LOT 1 38.42 AC.				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. Signature <u>Mike Pippin</u> Date <u>7-1-08</u> Printed Name <u>MIKE PIPPIN</u>
LOT 2 38.46 AC.		S 00-09-11 W 2601.68' (C)		
LOT 3 38.50 AC.		SURFACE: LAT: 36.82969° N. (NAD 83) LONG: 108.50436° W. (NAD 83) LAT: 36°49'46.89130" N. (NAD 27) LONG: 108°30'15.68648" W. (NAD 27)		
LOT 4 38.54 AC.				
		10		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 knowledge and belief. Date of Survey <u>MARCH 13, 2008</u> Signature and Seal of Professional Land Surveyor: <u>[Signature]</u> Certificate Number <u>04</u>

PARAWON OPERATING LLC
NE HOGBACK UNIT #74
2270' FNL, 330' FEL
Unit H Sec. 10 T30N R16W
San Juan County, NM

Drilling Program

1. ESTIMATED FORMATION TOPS (KB)

<u>Formation Name</u>	<u>Depth</u>
Point Lookout	0'
Upper Mancos Shale	250'
Upper Gallup	1537'
Lower Gallup	1612'
TD (4-1/2")	1750'

2. NOTABLE ZONES

<u>Gas or Oil Zones</u>	<u>Water Zones</u>
Gallup	

Water zones will be protected with casing, cement, and weighted mud. Fresh water found while drilling will be recorded. Oil or gas shows will be tested for commercial potential based on the engineer's recommendations.

3. PRESSURE CONTROL

Maximum expected pressure is ~100 psi. The drilling contract has not yet been awarded, thus the exact BOP model to be used is not yet known. A typical 7-1/16" 3,000 psi annular is on PAGE #5 & #6.

BOP equipment and all accessories will meet or exceed BLM requirements in 43 CFR Part 3160 for a 3000 psi system. A 3000 psi annular BOP will be used. Accumulator system capacity will be sufficient to close all BOPE with a 50% safety factor. Fill, kill, and choke manifold lines will be 2". Accessories will include an upper Kelly cock with a handle, stabbing valve to fit drill pipe on floor at all times, string float at bit, 3000 psi choke manifold with 2" adjustable and 2" positive chokes, and pressure gauge. BOPs will be tested every 24 hours. Tests will be recorded on IADC log.

PARAWON OPERATING LLC

NE HOGBACK UNIT #74

2270' FNL, 330' FEL

Unit H Sec. 10 T30N R16W

San Juan County, NM

4. CASING & CEMENT

<u>Hole Size</u>	<u>O.D.</u>	<u>Weight (lb/ft)</u>	<u>Grade</u>	<u>Age</u>	<u>Connection</u>	<u>GL Setting Depth</u>
12-1/4"	8-5/8"	24#	H-40 J-55	New	ST&C	200'
7-7/8"	4-1/2"	10.5#	J-55	New	ST&C	1750'

Surface Casing will be cemented to the surface with ~165 cu. ft. (~140 sx) Class "B" cmt or equivalent (1.18 ft³/sx yield, 15.6 ppg, & 5.2 gps) with 2% CaCl₂ and 1/4#/sx celloflake. Volume based on 100% excess. We plan to run a minimum of at least 3 centralizers. A wooden wiper plug will be displaced to within 20' of the shoe. WOC = 12 hours. Surface casing will be tested to 500 psi for 30 minutes.

Production Casing will be cemented to surface with a single stage. Total cement = ~563 cu. ft. (~286 sx). Volumes are calculated at 50% excess in the lead cmt. If cement does not circulate to surface, then a temperature survey or CBL will be run to determine the actual cement top as needed. WOC = 12 hours. Casing will be tested to 3000 psi for 30 minutes during completion operations.

Lead cement will be ~495 cu. ft. (~237 sx) Class "B" cmt or equivalent w/2% SM, 1/4#/sx cello flake, 3#/sx gilsonite mixed at 11.9 gps, 12.5 ppg for a yield of 2.09 cu. ft. per sx.

Tail cement will be ~68 cu. ft. (~49 sx) Class "B" cmt or equivalent w/1% gel, 2% Cacl₂, 1/4#/sx cello flake, 3#/sx gilsonite mixed at 6.8 gps, 14.5 ppg for a yield of 1.4 cu. ft. per sx.

Cementing equipment will include a guide shoe, and autofill float collar will be run 20' off bottom. We plan on running at least 10 centralizers.

5. MUD PROGRAM

<u>Depth</u>	<u>Type</u>	<u>Wt./ppg.</u>	<u>Vis.</u>	<u>Fluid Loss</u>	<u>PH</u>
0'-200'	FW gel/lime spud mud	8.4-8.7	30-50	NC	10
200'- 2400' 1750'	FW gel/Polymer	8.3-8.6	30-35	<20cc's	9.5

Lost circulation and absorption material will be on location.

6. CORING, TESTING, & LOGGING

An open hole Induction and Density/Neutron log will be run at TD. No cores or drill stem tests are planned.

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San Juan County, NM

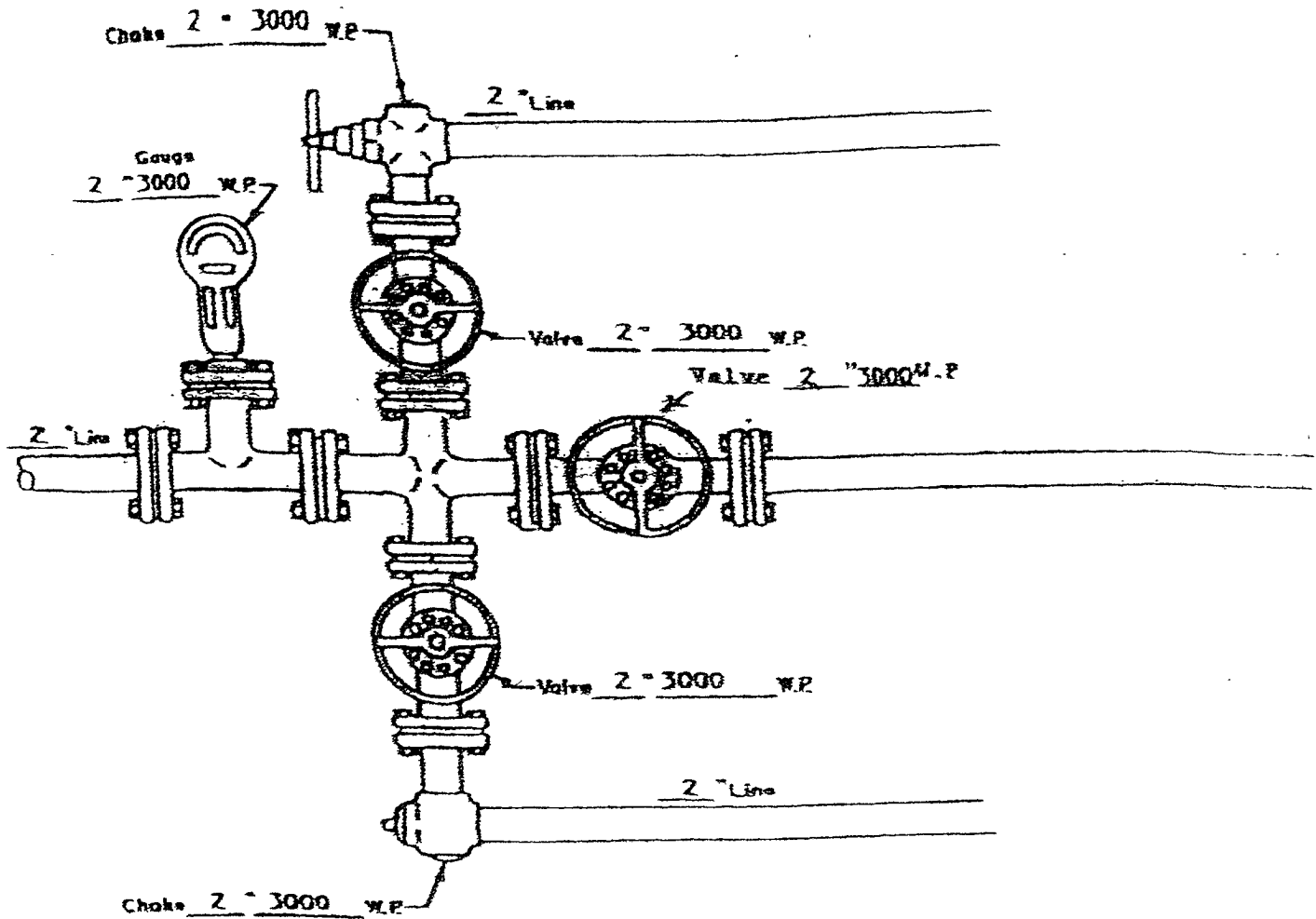
7. DOWN HOLE CONDITIONS

No abnormal pressures, temperatures, nor hydrogen sulfide are expected.
Maximum pressure will be ~100 psi.

8. OTHER INFORMATION

The anticipated spud date is November 1, 2008. It is expected it will take ~6 days to drill and ~10 days to complete the well. Completion will start about one month after the spud and will include hydraulic fracturing.

DRILLING RIG



MANIFOLD
3000 # W.P.

☒ Manual
☐ Hydraulic

PAGE #6

ATTACHMENT NO. 2

Drilling Rig

3000 psi BOP System

