

UNITED STATES
 DEPARTMENT OF THE INTERIOR
 BUREAU OF LAND MANAGEMENT

APPLICATION FOR PERMIT TO DRILL, DEEPEN, OR PLUG BACK

1a. TYPE OF WORK
 DRILL DEEPEN PLUG BACK

b. TYPE OF WELL
 OIL WELL GAS WELL OTHER

2. NAME OF OPERATOR
 Bannon Energy, Inc.

3. ADDRESS OF OPERATOR
 P.O. Box 2058, Farmington NM 87499

4. LOCATION OF WELL (Report location clearly and in accordance with any State requirements.*)
 At surface 500' FSL, 500' FWL
 At proposed prod. zone same

14. DISTANCE IN MILES AND DIRECTION FROM NEAREST TOWN OR POST OFFICE*
 4 1/2 miles from Counselors Trading Post (NW)

5. LEASE DESIGNATION AND SERIAL NO.
 Sfo78362

6. IF INDIAN, ALLOTTEE OR TRIBE NAME

7. UNIT AGREEMENT NAME

8. FARM OR LEASE NAME
 Grace Federal

9. WELL NO.
 52

10. FIELD AND POOL, OR WILDCAT
 Lybrook Gallup

11. SEC. T., E., M., OR BLK. AND SURVEY OR AREA
 Sec. 6 T23N, R6W

12. COUNTY OR PARISH 13. STATE
 Rio Arriba N.M.

15. DISTANCE FROM PROPOSED* LOCATION TO NEAREST PROPERTY OR LEASE LINE, FT. (Also to nearest drlg. unit line, if any)

16. NO. OF ACRES IN LEASE
 2557.2567.37

17. NO. OF ACRES ASSIGNED TO THIS WELL
 40.57

18. DISTANCE FROM PROPOSED LOCATION* TO NEAREST WELL, DRILLING, COMPLETED, OR APPLIED FOR, ON THIS LEASE, FT.

19. PROPOSED DEPTH
 5800'

20. ROTARY OR CABLE TOOLS
 Rotary

21. ELEVATIONS (Show whether DF, RT, GR, etc.)
 6898' GR

22. APPROX. DATE WORK WILL START*
 September 20, 1989

23. PROPOSED CASING AND CEMENTING PROGRAM

SIZE OF HOLE	SIZE OF CASING	WEIGHT PER FOOT	SETTING DEPTH
12 1/4"	8 5/8"	24.0 lb. J-55	300'
7 7/8"	4 1/2"	10.5 lb. J-55	5800'

This action is subject to procedural review pursuant to 43 CFR 3165.2 and appeal pursuant to 43 CFR 3165.4.

QUANTITY OF CEMENT
 Cement to Surface
 800 sx - volumes to be calculated subsequent to logging.

RECEIVED
 SEP 20 1989
 OIL & GAS DIV.

Well to be drilled to penetrate the Gallup Formation. All producing intervals in the Gallup will be stimulated as necessary.

EXHIBITS:

- "A" Location and Elevation Plat
- "B" Ten point compliance program
- "C" Blowout preventor diagram
- "D" Multi-point requirements of APD
- The gas from this lease is committed.
- "E" Site specific checklist for roads
- "F" Drill rig layout
- "G" Completion program layout
- "H" Location Profile
- "I" Proposed Pipeline

IN ABOVE SPACE DESCRIBE PROPOSED PROGRAM: If proposal is to deepen or plug back, give data on present productive zone and proposed new productive zone. If proposal is to drill or deepen directionally, give pertinent data on subsurface locations and measured and true vertical depths. Give blowout preventer program, if any.

SIGNED B. J. Salzman TITLE Agent for Bannon Energy Inc. DATE July 26, 1989

(This space for Federal or State office use)

PERMIT NO. _____ APPROVAL DATE _____

APPROVED BY _____ TITLE _____ DATE _____

CONDITIONS OF APPROVAL, IF ANY:

ok

APPROVED
 AS AMENDED

SEP 05 1989
 John Kelly
 MANAGER

*See Instructions On Reverse Side

All distances must be from the outer boundaries of the Section.

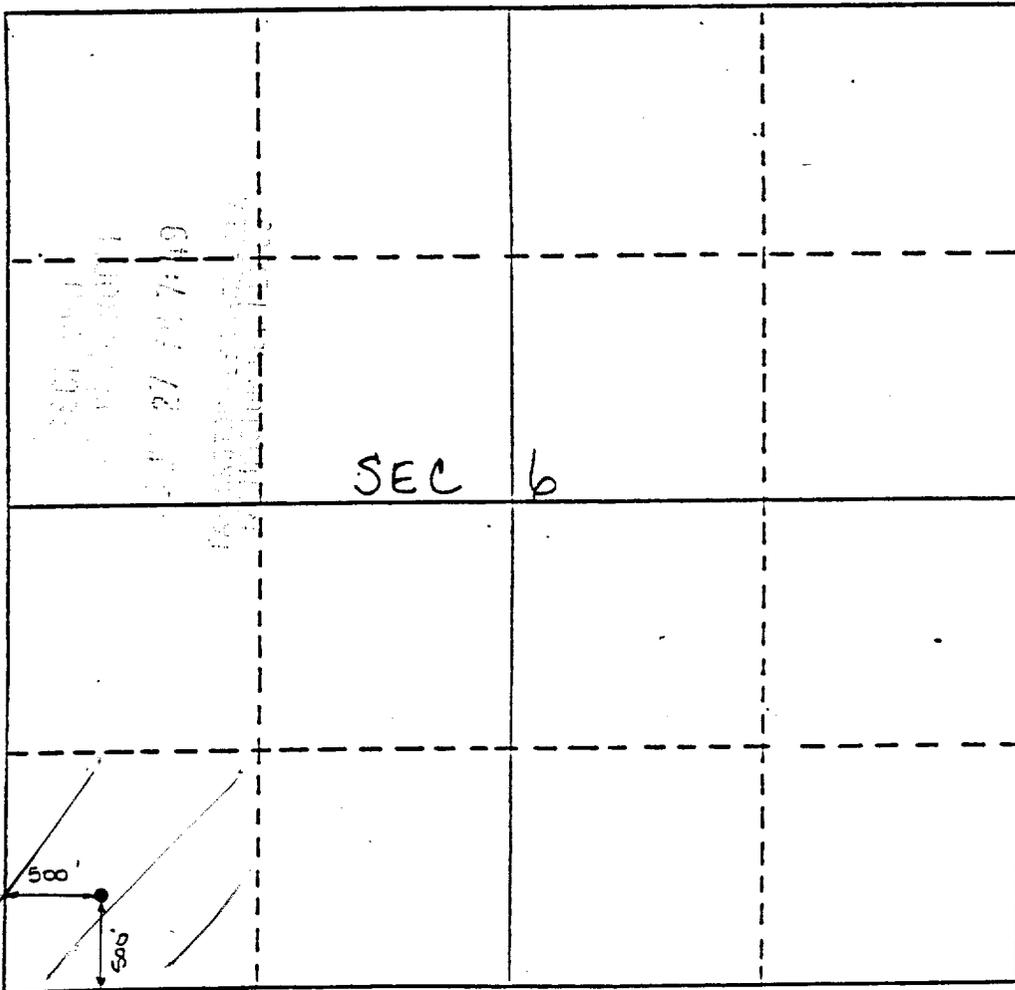
Operator Bannon Energy, Inc.		Lease Grace Federal		Well No. #2
Unit Letter M	Section Sec. 6	Township T-23-N	Range R-6-W	County Rio Arriba County
Actual Footage Location of Well 500 feet from the South line and 500 feet from the West line				
Ground Level Elev. 6898.4 ft.	Producing Formation Gallup	Pool Lybrook	Dedicated Acreages 40.59 Acres	

1. Outline the acreage dedicated to the subject well by colored pencil or hachure marks on the plat below.
2. If more than one lease is dedicated to the well, outline each and identify the ownership thereof (both as to working interest and royalty).
3. If more than one lease of different ownership is dedicated to the well, have the interests of all owners been consolidated by communitization, unitization, force-pooling, etc?

Yes No If answer is "yes," type of consolidation _____

If answer is "no," list the owners and tract descriptions which have actually been consolidated. (Use reverse side of this form if necessary.) _____

No allowable will be assigned to the well until all interests have been consolidated (by communitization, unitization, forced-pooling, or otherwise) or until a non-standard unit, eliminating such interests, has been approved by the Division.



CERTIFICATION

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

B. W. Salyman

Name
 Operating Agent
 Position
 Bannon Energy, Inc.

Company
 July 21, 1989

Date

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.

R. Howard Daggett
 R. Howard Daggett
 Registered Professional Land Surveyor

Certification No. and Date
 NM #9679