

Submit to Appropriate District Office  
 State Lease - 6 copies  
 Fee Lease - 5 copies

State of New Mexico  
 Energy, Minerals and Natural Resources Department

Form C-101  
 Revised 1-1-89

**OIL CONSERVATION DIVISION**  
 P.O. Box 2088  
 Santa Fe, New Mexico 87504-2088

**DISTRICT I**  
 P.O. Box 1980, Hobbs, NM 88240

**DISTRICT II**  
 P.O. Drawer DD, Artesia, NM 88210

**DISTRICT III**  
 1000 Rio Brazos Rd., Aztec, NM 87410

API NO. (assigned by OCD on New Wells) <i>31-139-24549</i>
5. Indicate Type of Lease STATE <input checked="" type="checkbox"/> FEE <input type="checkbox"/>
6. State Oil & Gas Lease No. E-1207-1
7. Lease <b>RECEIVED</b> State <i>16</i> JUL 31 1989
8. Well No. <b>OIL CON. DIV.</b> <i>18-2</i>
9. Pool name or Wildcat <b>DIST. 3</b> Counselor Gallup-Dakota

**APPLICATION FOR PERMIT TO DRILL, DEEPEN, OR PLUG BACK**

1a. Type of Work:  
 DRILL  RE-ENTER  DEEPEN  PLUG BACK

b. Type of Well:  
 OIL WELL  GAS WELL  OTHER   
 SINGLE ZONE  MULTIPLE ZONE

2. Name of Operator  
 Bannone Energy, Inc.

3. Address of Operator  
 P.O. Box 2058, Farmington NM 87499

4. Well Location  
 Unit Letter F : 1672 Feet From The FNL Line and 1722 Feet From The FWL Line  
16 Section 23 Township 6 Range NMPM Rio Arriba County

10. Proposed Depth 5800' 11. Formation GALLUP 12. Rotary or C.T. Rotary

13. Elevations (Show whether DF, RT, GR, etc.) 6851 GR 14. Kind & Status Plug. Bond 15. Drilling Contractor 16. Approx. Date Work will start 10-10-89

17. **PROPOSED CASING AND CEMENT PROGRAM**

SIZE OF HOLE	SIZE OF CASING	WEIGHT PER FOOT	SETTING DEPTH	SACKS OF CEMENT	EST. TOP
12 1/4"	8 5/8"	24.0 lb. J-55	300'	Cement to Surface	
7 7/8"	4 1/2"	10.5 lb. K-55	5800'	800 sx-volumes	to be
				calculated subsequent to logging.	

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

APPROVAL EXPIRES 3-15-90  
 UNLESS DRILLING IS COMMENCED.  
 SPUD NOTICE MUST BE SUBMITTED WITHIN 10 DAYS.

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. GIVE BLOWOUT PREVENTER PROGRAM, IF ANY.

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

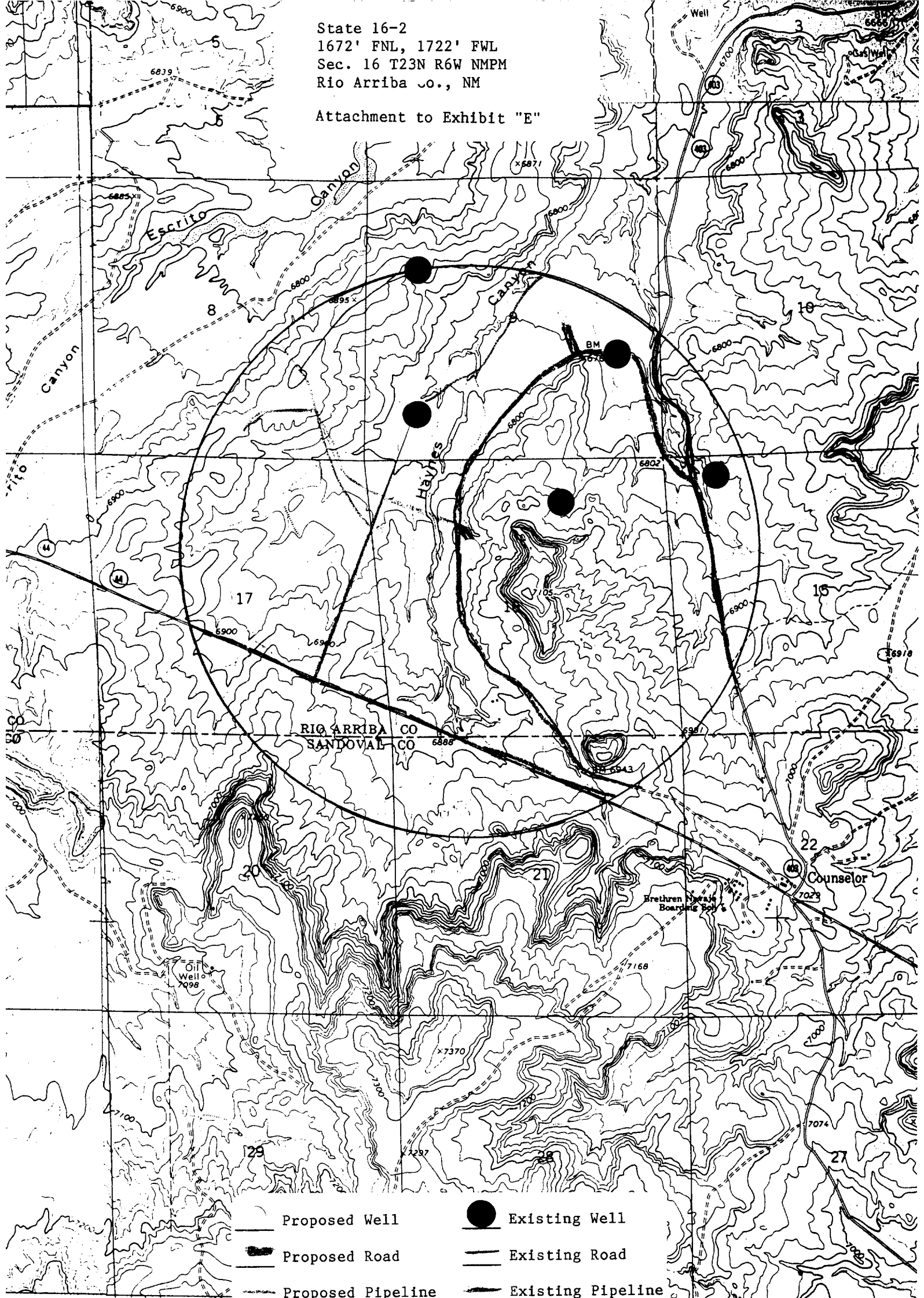
SIGNATURE Bradley D. Salzman TITLE AGENT DATE 7-31-89  
 TYPE OR PRINT NAME BRADLEY SALZMAN TELEPHONE NO. 326-0550










(This space for State Use)

APPROVED BY [Signature] DEPUTY OIL & GAS INSPECTOR, DIST. #3 DATE SEP 15 1989  
 CONDITIONS OF APPROVAL, IF ANY: Bring account on log showing 100' into surface

State 16-2  
 1672' FNL, 1722' FWL  
 Sec. 16 T23N R6W NMPM  
 Rio Arriba Co., NM

Attachment to Exhibit "E"



- |   |                   |   |                   |
|---|-------------------|---|-------------------|
|  | Proposed Well     |  | Existing Well     |
|  | Proposed Road     |  | Existing Road     |
|  | Proposed Pipeline |  | Existing Pipeline |
|  | Drilling Well     |  | Water Well        |
|  | P x A Well        |   |                   |