

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

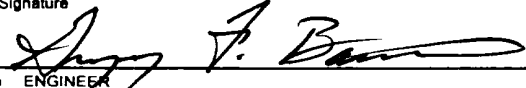
1a. Type of Work <input checked="" type="checkbox"/> DRILL <input type="checkbox"/> REENTER		5. Lease Designation and Serial No. <b>NMSF078476 NMNM 05791</b>	
1b. Type of Well: Oil Well <input type="checkbox"/> Gas Well <input checked="" type="checkbox"/> Other <input type="checkbox"/> Single Zone <input checked="" type="checkbox"/> Multiple Zone <input type="checkbox"/>		6. If Indian, Allottee or Tribe Name	
2. Name of Operator <b>PHOENIX HYDROCARBONS OPERATING CORPORATION</b>		7. If Unit or CA, Agreement, Name and No. <b>26852</b>	
3a. Address <b>P O BOX 3638, MIDLAND, TX 79705</b>		8. Lease Name and Well No. <b>FEDERAL M #1B</b>	
3b. Phone Number <b>915 682-1186</b>		9. API Well No. <b>30-045-30807</b>	
4. Location of Well (Footage, Sec., T., R., M., or Survey Description) At surface: <b>1850' FSL &amp; 1850' FWL; K; SEC 3; T-27N; R-8W</b> At proposed prod. Zone: <b>Same</b>		10. Field and Pool, or Exploratory <b>BLANCO MESAVERDE</b>	
14. Distance in miles and direction from nearest town or post office <b>8 MILES SOUTH OF BLANCO</b>		11. Sec., T., R., M., or Blk. and Survey or Area <b>K SEC 3; T-27N; R-8W</b>	
15. Distance from proposed* location to nearest property or lease line, ft. (Also to nearest drig. Unit line, if any) <b>N/A</b>		12. County or Parish <b>SAN JUAN</b>	
16. No of Acres in lease <b>320</b>		13. State <b>New Mexico</b>	
17. Spacing Unit dedicated to this well <b>320,62 w/2</b>		20. BLM/BIA Bond No. on file <b>BLM NM2887</b>	
18. Distance from proposed* location to nearest property or lease line, ft. <b>N/A</b>		21. Estimated duration <b>8 DAYS</b>	
21. Elevation (Show whether DF, KDB, RT, GL, etc.) <b>GL 5844'</b>		22. Approximate date work will start <b>12/18/2001</b>	
23. Estimated duration <b>8 DAYS</b>		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
11"	8-5/8"	24#	230'	100 sks Halliburton Class "B", curc to surf
7-7/8"	4-1/2"	1050#	4720'	1235 sks Halliburton Class "A", w/2% CaCl2, circ to surf

SEE ATTACHED APD INFORMATION

25. Signature 	Name (Printed/Typed) <b>GREGG BIANO</b>	Date <b>8/20/01</b>
Title <b>ENGINEER</b>		
Approved by (Signature) <b>/s/ Jim Lovato</b>	Name (Printed/Typed)	Date <b>NOV - 9</b>
Title	Office	

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)

This action is subject to technical and procedural review pursuant to 43 CFR 3165.3 and appeal pursuant to 43 CFR 3165.4.

NMOCD

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

MAY 07 2001

District I  
PO Box 1980, Hobbs, NM 88241-1980  
District II  
811 South First, Artesia, NM 88210  
District III  
1000 Rio Brazos Rd., Aztec, NM 87410  
District IV  
2040 South Pacheco, Santa Fe, NM 87505

State of New Mexico  
Energy, Minerals & Natural Resources Department

OIL CONSERVATION DIVISION  
2040 South Pacheco  
Santa Fe, NM 87505

Form C-102  
Revised October 18, 1994  
Instructions on back  
Submit to Appropriate District Office  
State Lease - 4 Copies  
Fee Lease - 3 Copies

☐ AMENDED REPORT

### WELL LOCATION AND ACREAGE DEDICATION PLAT

<sup>1</sup> APL Number 30-045-30807		<sup>2</sup> Pool Code 72319	<sup>3</sup> Pool Name BLANCO MESAVERDE
<sup>4</sup> Property Code 26852	<sup>5</sup> Property Name FEDERAL		<sup>6</sup> Well Number M1 B
<sup>7</sup> OGRID No. 188483	<sup>8</sup> Operator Name PHOENIX HYDROCARBONS OPERATION CORP.		<sup>9</sup> Elevation 5844

#### <sup>10</sup> Surface Location

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
K	3	27N	8W		1850	SOUTH	1850	WEST	SAN JUAN

#### <sup>11</sup> 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

<sup>12</sup> Dedicated Acres 320.62	<sup>13</sup> Joint or Infill	<sup>14</sup> Consolidation Code	<sup>15</sup> 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

<div data-bbox="87 948 1041 1875"> </div>	<h4><sup>17</sup> OPERATOR CERTIFICATION</h4> <p>I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief</p> <p><i>Gregg Baiano</i> Signature GREGG BAIANO Printed Name ENGINEER Title 8/20/01 Date</p>
	<h4><sup>18</sup> SURVEYOR CERTIFICATION</h4> <p>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.</p> <p>April 4, 2001 Date of Survey Signature and Seal of Professional Surveyor: <i>Carol B. Tullis</i> Certificate Number 9672</p>

IF THIS IS AN AMENDED REPORT, CHECK THE BOX LABELED "AMENDED REPORT" AT THE TOP OF THIS DOCUMENT.

Surveyors shall use the latest United States government survey or dependent resurvey. Well locations will be in reference to the New Mexico Principal Meridian. If the land is not surveyed contact the appropriate OCD district office. Independent subdivision surveys will not be acceptable.

1. The OCD assigned API number for this well
2. The pool code for this (proposed) completion
3. The pool name for this (proposed) completion
4. The property code for this (proposed) completion
5. The property name (well name) for this (proposed) completion
6. The well number for this (proposed) completion
7. Operator's OGRID number
8. The operator's name
9. The ground level elevation of this well
10. The surveyed surface location of this well measured from the section lines NOTE: If the United States government survey designates a Lot Number for this location use that number in the 'UL or lot no.' box. Otherwise use the OCD unit letter.
11. Proposed bottom hole location. If this is a horizontal hole indicate the location of the end of the hole.
12. The calculated acreage dedicated to this completion to the nearest hundredth of an acre
13. Put a Y if more than one completion will be sharing this same acreage or N if this is the only completion on this acreage
14. If more than one lease of different ownership has been dedicated to the well show the consolidation code from the following table:

C	Communitization
U	Unitization
F	Forced pooling
O	Other
P	Consolidation pending

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!

15. Write in the OCD order(s) approving a non-standard location, non-standard spacing, or directional or horizontal drilling
16. This grid represents a standard section. You may superimpose a non-standard section over this grid. Outline the dedicated acreage and the separate leases within that dedicated acreage. Show the well surface location and bottom hole location, if it is directionally drilled, with the dimensions from the section lines in the cardinal directions. (Note: A legal location is determined from the perpendicular distance to the edge of the tract.) If this is a high angle or horizontal hole show that portion of the well bore that is

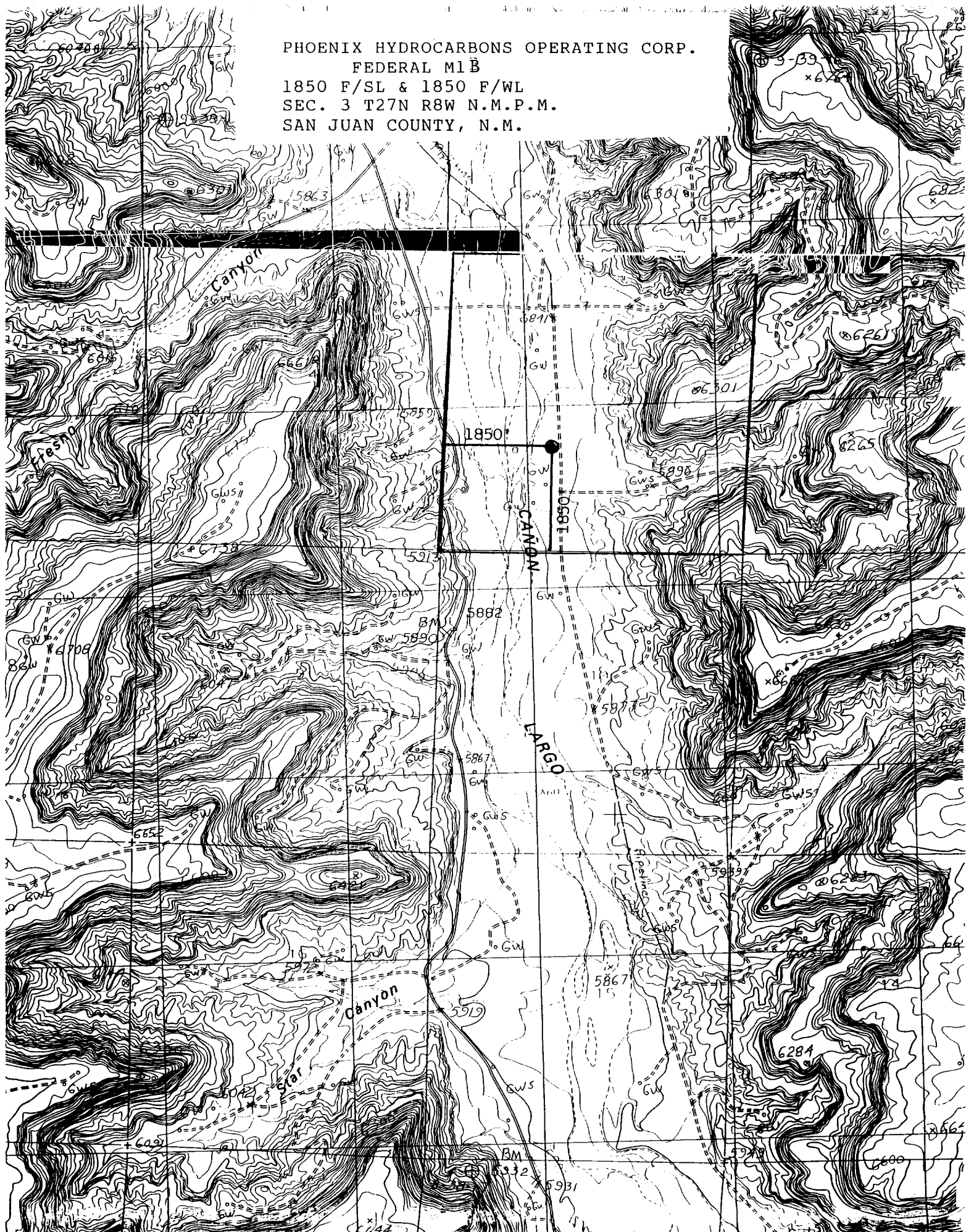
open within this pool.

Show all lots, lot numbers, and their respective acreage.

If more than one lease has been dedicated to this completion, outline each one and identify the ownership as to both working interest and royalty.

17. The signature, printed name, and title of the person authorized to make this report, and the date this document was signed.
18. The registered surveyors certification. This section does not have to be completed if this form has been previously accepted by the OCD and is being filed for a change of pool or dedicated acreage.

PHOENIX HYDROCARBONS OPERATING CORP.  
FEDERAL M1B  
1850 F/SL & 1850 F/WL  
SEC. 3 T27N R8W N.M.P.M.  
SAN JUAN COUNTY, N.M.



**PHOENIX HYDROCARBONS OPERATING CORP.**  
**OPERATIONS PLAN**  
**Federal M 1B**

- I.           1850' from South Line  
              1850' from West Line  
              Section 3-27N-8W San Juan County, N.M.

- II.    Field: Blanco Mesaverde Elevation 5844' GR  
          Geology:

A.    Formation Tops:

Nacimiento	Surface	(fresh usable water)
Ojo Alamo	1184'	(fresh water)
Kirtland	1303'	
Fruitland	1857'	(coal)
Pictured Cliffs	2085'	(gas)
Lewis	2202'	
Chacra	3017'	(gas)
Cliff House	3769'	(gas)
Menefee	3791'	(coal)
Point Lookout	4334'	(gas)
Mancos	4716'	
TOTAL DEPTH	4720'	

DO NOT ANTICIPATE ANY ABNORMAL PRESSURE OR H2A

- B.    Logging Program:    IES and GR-NDL & CBL
- C.    Coring Program:     None
- D.    Natural Gauges:     Will record all gauges in daily drilling report.

III.   Drilling:

- A.    Mud Program:        Mud from surface to TD. Will use native mud.  
                              Mud weight 8.8-8.9 pp. w/LCM (cedar chips)  
                              when drilling across Mesaverde.
- B.    Blow Out  
      Preventer System:    A series 900 double gate BOP will be used  
                              with a 2M choke manifold system.  
                              (SEE ATTACHED DIAGRAMS 1 & 2)  
                              The system will include the following items:

- Blind rams
- 1 Kill line (2" min.)
- 1 Choke line valve
- Upper Kelly cock valve w/handle
- Safety valves and subs to fit drill string
- Pressure gauge on choke manifold
- 2" min. choke line
- Fill-up line above uppermost preventer
- Pipe rams
- Choke line valve (2" min.)
- 2 Chokes

#### IV. Materials:

##### A. Casing Program:

<u>Hole Size</u>	<u>Depth</u>	<u>Casing Size</u>	<u>Weight</u>
11"	230'	8-5/8"	24#
7-7/8"	4720'	4-1/2"	10.50#

B. Float Equipment: 8-5/8 surface casing – Larkin Guide Shoe

C. Wellhead Equipment: Casing head rector type "R"  
Nom 8' body x 8-5/8" od.  
Femal

#### V. Cementing:

8-5/8" surface casing – use 58 ft<sup>3</sup> (100 sks) of Halliburton Standard Class B Portland cement with 2% CaC12 and circulate to surface.

4-1/2" production casing – centralizers will be placed across fresh water zones (1 per joint). The cement will be pumped (1235 sks) in two stages with a DV tool set at 2250 ft. Before pumping cement, a 25 bbl mud spaced will be pumped.

1<sup>st</sup> Stage: Pump calculated volume from caliper log plus 25% excess of Class A Portland cement with fluid loss and lost circulation additives. Drop plug, pressure up on multiple stage cementer and circulate upper part of hole for four hours.

2<sup>nd</sup> Stage: Pump calculated volume from caliper log plus 25% excess of light cement and circulate out to clean up hole. Then pump calculated volume from caliper log of Class A Portland cement with 2% CaC12 and LCM. Circulate cement to surface.

\*A CHRONOLOGICAL LOG WILL BE KEPT.

This will include recorded pump rate, pump pressure, slurry density and slurry volume.