APPLICATION FOR DRILLING
CORONADO EXPLORATION CORP.
MARTINEZ FEDERAL #1 SEC. 22-6N-17E
GUADALUPE COUNTY, NEW MEXICO

In conjunction with From 9-331C, Application for Permit to Drill subject well, Coronado Exploration Corporation submits the following ten items of pertinent information in accordance with U.S.G.S. requirements.

1. The geologic surface formation is the San Andres
2. The estimated tops of geologic markers are as follows:

San Andres	Surface
Glorieta	250
Yeso	680
Abo	2165
Penn	3254
PC	4500

3. The estimated depths at which anticipated water oil or gas formations are expected to be encountered:

Water	Approximately 600 feet
	Approximately 2180 feet
Oil or Gas	Yeso - 2000-2100'
	Abo - 3000-3200'
	Penn - 3200-4500'

4. Proposed casing program - See 9-331C and Exhibit "D".
5. Pressure Control Equipment - 8" Reagen 6000# Hydril
6. Mud Program - See Exhibit "G"
7. Auxiliary Equipment - See Exhibit "H"
8. Testing, logging and coring program
   DST (to be justified by a valid oil show)
   Abo - 2165'
   Penn - 1275'
   Logging
   CNL, Density, DLL, SWN, Gamma Ray, Dipmeter, Acoustilog (TD to 800')
9. No abnormal pressures or temperatures are anticipated.
10. Anticipated starting date: As soon as possible.

MULTI-POINT SURFACE USE AND OPERATIONS PLAN

CORONADO EXPLORATION CORPORATION
WELL NO. 1 MARTINEZ FEDERAL
660 FNL & 660 FWL SEC. 22-T6N-R17E
GUADALUPE CO., NM LEASE NM 16034

This plan is submitted with the Application for Permit to Drill the above described well. The purpose of the plan is to describe the location of the proposed well, the proposed construction activities and operations plan, the magnitude of necessary surface disturbance involved, and the procedures to be followed in rehabilitating the surface after completion of the operation so that a complete appraisal can be made of the environmental effects associated with the operation.

1. EXISTING ROADS

   A. Exhibit "A" is a portion of two topo sheets showing the location of proposed well as staked, From Vaughn, go northeast towards Pastura approximately 8.5 miles, go northeast through a gate off the highway. Go through a gate on each side of the railroad and continue to Fogon windmill and head northeast approximately two miles to a point 600' from and on the other side of a fence from proposed location.

   B. Exhibit "B' is a plat showing existing roads within a one mile radius of the proposed well site and planned access road.

   C. Minor repairs to existing roads is necessary in some rocky spots. The road will just be smoothed out.

2. PLANNED ACCESS ROAD

   A. Length and Width: The new road will be 10' wide and 600' long as shown on Exhibit "B".

   B. Surfacing Material: None required

   C. Maximum Grade: One percent

   D. Turnouts: None required

   E. Drainage Design: None

   F. Culverts: None required

   G. Cuts and Fills: None necessary

   H. Gates and Cattle Guards: There are 4 existing gates on the way to the location and one will have to be installed in the fence between Sections 21 and 22 as shown on Exhibit "B".

3. LOCATION OF EXISTING WELLS

A. There is only a water well in this area. It is shown on Exhibit "B".

4. LOCATION OF EXISTING AND/OR PROPOSED FACILITIES

A. This lease is undeveloped and there are no existing production facilities on the lease.

B. If the well is productive, the tank battery and flow line will be located on the well pad and no additional surface disturbance will be necessary.

5. LOCATION AND TYPE OF WATER SUPPLY

A. Water necessary for drilling will be purchased and hauled to the site over existing and proposed roads shown on Exhibit "A".

6. SOURCE OF CONSTRUCTION MATERIALS

N/A

7. METHODS OF HANDLING WATER DISPOSAL

A. Drill cuttings will be disposed of in the drilling pits

B. Drilling fluids will be allowed to evaporate in the drilling pits until the pits are dry.

C. Water produced in the drilling pits will be disposed of in the drilling pits.

D. Current laws and regulations pertaining to the disposal of human waste will be complied with.

E. Trash, waste paper, garbage, and junk will be buried in a separate trash pit and covered with a minimum of 24 inches of dirt. All waste material will be contained to prevent scattering by the wind. Location of the trash pit is shown on Exhibit "C".

F. All trash and debris will be buried or removed from the well site within 30 days after finished drilling and/or completion operations.

8. ANCILLARY FACILITIES

A. None required

9. WELL SITE LAYOUT

A. Exhibit "C" shows relative location and dimensions of the well pad.

B. Only minor levelling of the well site will be required.

C. The pad and pit area has been flagged.

10. PLANS FOR RESTORATION OF THE SURFACE

A. After completion of drilling and/or completion operations, all equipment and other material not needed for operations will be removed. Pits will be filled and the location cleaned of all trash and junk to leave the well site in an as aesthetically pleasing condition as possible.

B. Any unguarded pits containing fluids will be fenced until they are filled.

C. After abandonment, all equipment, trash and junk will be removed and location cleaned.

11. OTHER INFORMATION

A. Topography: The land surface is level

B. Soil: Soil in this case is a sandy, calcareous loam. Inclusions consist of large numbers of large limestone fragments.

C. Flora and Fauna: Vegetative cover has been previously removed. Wildlife in the general area is that typical of semi-arid desert land and includes coyotes, rabbits, rodents, reptiles, dove and quail.

D. Ponds and Streams: There are no fresh water rivers, streams, lakes or ponds in the area.

E. Residences and Other Structures: There are no occupied dwellings or windmills within a mile of the proposed well site.

F. Archaeological, Historical and Other Cultural Sites: None observed in the area.

G. Land Use: Grazing and hunting in season.

H. Surface Ownership: Julian Martinez

12. OPERATOR'S REPRESENTATIVE

Representative responsible for assuring compliance with the approved Surface Use Plan is:

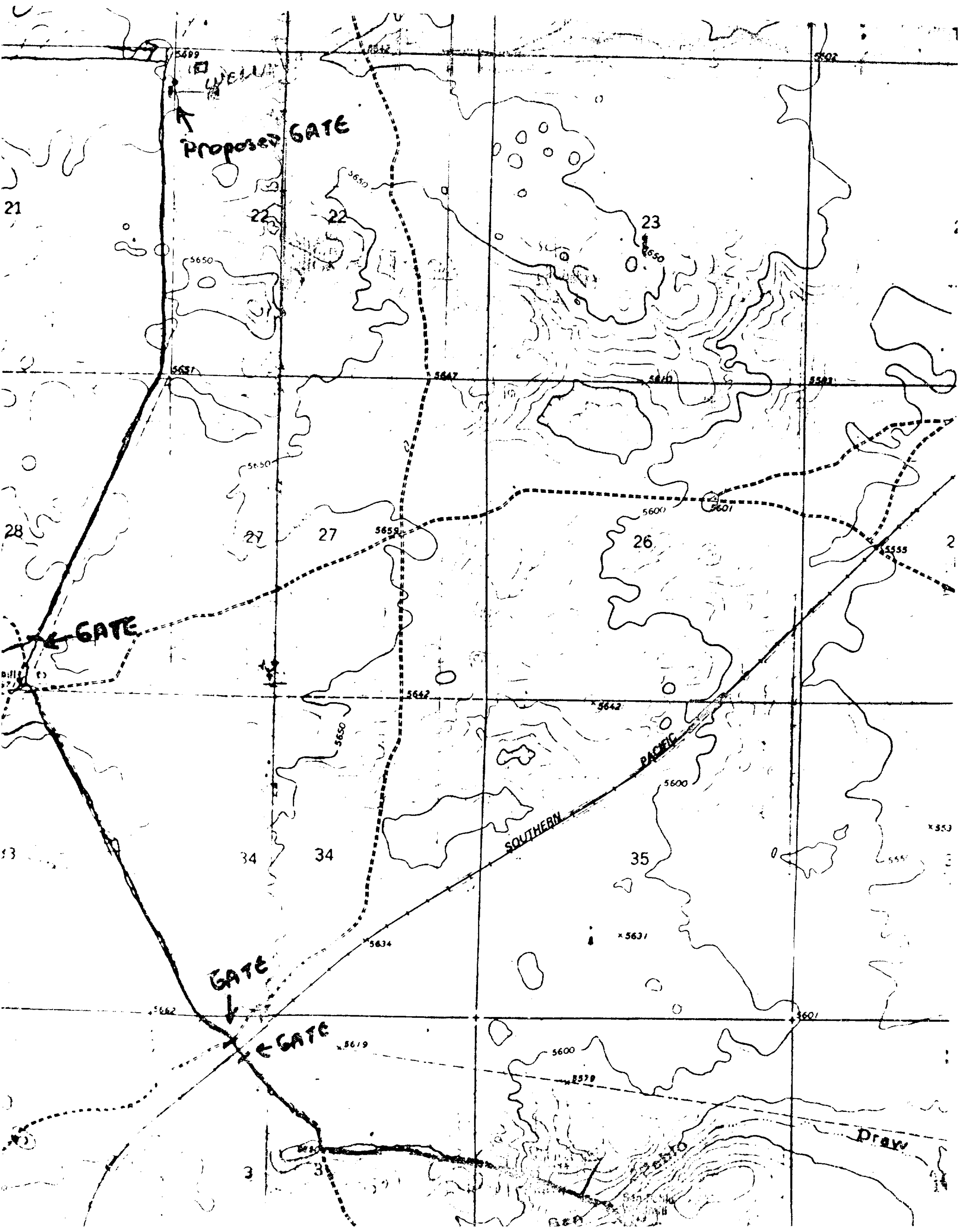
Phillip White
4007 Marquette NW
Albuquerque, New Mexico 87102
Office Phone: (505) 242-2050
Mobil Phone: (505) 623-0989 unit 4135

13. CERTIFICATION

I hereby certify that I, or persons under my direct supervision, have inspected the proposed drill site and access route; that I am familiar with the conditions which presently exist; that the statements made in this plan are, to the best of my knowledge, true and correct; and, that the work associated with the operations proposed herein will be performed by Coronado Exploration Corporation and its contractors and sub-contractors in conformity with this plan and the terms and conditions under which it is approved.

September 18, 1980
DATE

PHELPS WHITE


WELL
Proposed GATE
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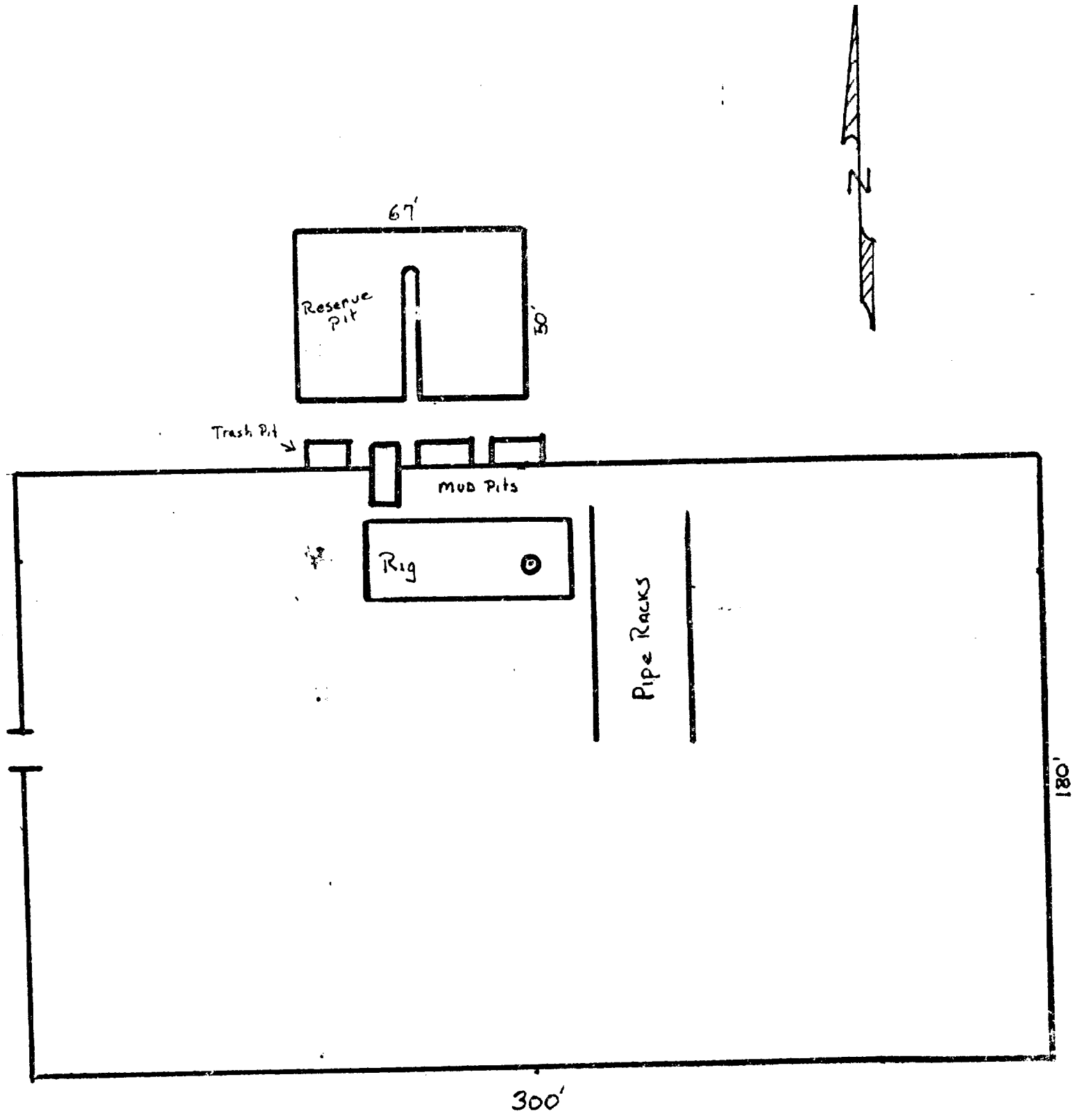
N
67'
Reserve Pit
50'
Trash Pit
Mud Pits
Rig
Pipe Racks
180'
300'

DRILLING, CASING and CEMENTING PROGRAM

1. Drill a 15' hole with a cable tool rig to 250' or through the San Andres.
2. Cement 13 3/8" 48# J-55 casing with 200 sx Dowell Class 'H" cement with 2% CaCl. With the casing will be run a Texas pattern guide shoe and an insert float inserted 1 joint from bottom. Cement will follow 10 bbls of mud with 8 sacks of Quickseal to stop any loss circulation which may be encountered.
3. WOC 18 hrs then bail the hole dry and let set for 1 hr. If no water enters the casing, we will continue to drill.
4. Drill a 10" hole to 800' through the unconsolidated sand zone expected in the Glorieta.
5. Cement 8 5/8" 28# J-55 casing with 150 sx Dowell Class "C" cement with 2% CaCl. Run guide shoe and insert float on bottom joint and 2 centralizers. WOC 18 hrs. and rig down cable tool.
6. Drill a 7 7/8" hole to TD at 4500'. Air will be used as long as possible. When excess torque, drag, fill or water is encountered, we will mud up to control problems. See program attached.
7. Run 4 1/2" 9.5# casing and cement with 700 sacks Dowell Class "C" cement with 2% CaCl. Use guide shoe and centralizers where necessary. Use top and bottom plugs and displace with fresh water.
8. Perforations, acid job and additional stimulation to be determined after completion.

EXHIBIT "D"

Magcobar | DRESSER

SUGGESTED DRILLING FLUID PROGRAM

September 10, 1980

Mr. Phillip White
Coronado Exploration Company
1007 Marquette N.W.
Albuquerque, New Mexico 87102

Dear Mr. White:

Thank you for giving Magcobar this opportunity to be of service to you and to Coronado Exploration Company.

The following is our suggested drilling fluid and casing program with estimated mud cost for your proposed well to be drilled in Section 22, T-6N, R-17E, Guadalupe County, New Mexico.

SURFACE: 500' of 13 3/8"

We suggest a Magcogel-Lime type drilling fluid be used for drilling surface to 500'.

COMMENTS

1. Seepage to minor loss may be encountered in the upper section of the hole. Dick's Mud Seal should be sufficient to control seepage.

2. We suggest viscous mud sweeps with "bulky type" loss circulation materials for moderate to severe losses.

3. In the event of losses not easily controlled by the addition of 1 or 2 pits of mud loaded with loss circulation materials, we suggest "dry drilling" to casing point, using viscous sweeps to insure a clean hole and prior to running casing.

4. For corrosion control: see CORROSION SECTION.

INTERMEDIATE: 2300' of 8 5/8" (or into the Abo)

We suggest mist drilling or using an aerated fluid for drilling to 2,300'.

We recommend vicous mud sweeps be used to insure a clean hole prior to logs, DST's, and casing.

COMMENTS

1. For corrosion control: see CORROSION SECTION.

2. In the event a mud up is dictated by hole conditions, we suggest mudding up with a Salt Gel, My-Lo-Gel Type drilling fluid having a viscosity in the 40 to 50 sec/1000 cc range and a water loss below 20 cc.

3. We suggest Salt Gel be used for sweeps and for aerated drilling fluid in the event mist drilling is not practical.

PRODUCTION: 5,000' of 5"

We suggest dust drilling as long as hole conditions will allow.

At the first indication of excess torque, drag, fill, indication of water or any other indication of unstable hole conditions, we recommend mudding up with a Salt Gel, My-Lo-Jel type drilling fluid having the following characteristics:

Weight	9.8 to 10.2 lbs/gal.
Viscosity	45 to 55 sec/1000 cc
Plastic Viscosity	12 to 18 CPS
Yield Point	8 to 12 lbs/100 ft^2
Initial Gel	3 to 5
10 Min. Gel	10 to 15
Water Loss	10 cc or less
pH	9 to 10 (Soda Ash)
Chlorides	175,000 ppm Cl (or higher)
KCl	3 to 6% (if desired)

This type drilling fluid with adjustments of weight and viscosity as dictated by hole conditions, should be sufficient to drill to 5,000'.

COMMENTS

1. Soltex can be added to help control drag, torque, etc. We suggest adding 4 to 6 lbs/bbl. after mud up. Oil can be used if preferred, and if allowed.

2. We suggest a Swaco Super Screen Shale Shaker and Super Solids Separator be installed prior to mud up depth, to aid in controlling weight and optimizing drilling fluid performance.

3. We suggest controlling viscosity and water loss as hole conditions dictate.

4. There is a possibility of seepage to major loss at, or near, total depth.

5. For corrosion control: see CORROSION SECTION.

ESTIMATED MUD COST: $12,000.00 to $15,000.00

The above cost is under normal operating conditions and does not include any extensive loss circulation, fishing jobs, etc. This cost is also based on a normal drilling rate per day; therefore, any excessive time spent on drilling due to crooked hole, testing, breakdown, etc. would increase mud cost.

I hope the above information will be of benefit to you and if we may be of further service, please do not hesitate to call.

Sincerely yours,

MAGCOBAR

James O. Garrett

James O. Garrett
Sr. Sales Engineer

AREA MANAGER:

Bob Thurman
Hobbs, New Mexico
Phone: 505-887-5846

ENGINEER:

Warren Emerson
Carlsbad, New Mexico
Phone: 505-887-5846

WAREHOUSE:

Hobbs, New Mexico
Phone: 505-392-5583

EXHIBIT "B" (Continued)

5.1 Drilling Rig:

Complete drilling rig, designated by Contractor as his Rig No. 10, the major items of equipment being:

Drawworks:

(MAKE AND MODEL)

Engines: Make, Model, and H.P. 8V92N Detroit Diesel 360 H.P.

No. on Rig one

Pumps: No. 1 Make, Size, and Power Cat D-379 with D-500 EMSCO pump

No. 2 Make, Size, and Power 8V71M Detroit Diesel with D-175 EMSCO

Mud Mixing Pump: Make, Size, and Power Cummins model J.G.P. with 5 X 6 mission

Boilers: Number, Make, H.P. and W.P.

Derrick or Mast: Make, Size, and Capacity

Substructure: Size and Capacity 8' 150,000 lbs.

Rotary Drive: Type Howard Turner 18"

Drill Pipe: Size 3½" in. 4000' ft; Size in. ft.

Drill Collars: Number and Size 14 - 6¼

Blowout Preventers: 1 - 8"

Size	Series or Test Pr.	Make & Model	Number
8"	6000#	Reagen	1
B.O.P. Closing Unit:	Challenger Hydraulic		
B.O.P. Accumulator:			

5.2 Trucking service and other transportation, hauling, or winching services as required to move Contractor's property to location, rig up Contractor's rig, tear down Contractor's rig, and remove all of Contractor's property from location.
5.3 Drilling bits, reamers, stabilizers, reamer cutters, and other drilling tools or devices (except while on daywork).
5.4 Contract fishing tool services and fishing tool rentals (except while on daywork).
5.5 Derrick timbers.
5.6 Normal strings of drill pipe and drill collars specified above.
5.7 Conventional drift indicator.
5.8 Circulating mud pits.
5.9 Necessary pipe racks and rigging up material.
5.10 Normal storage for mud and chemicals.
5.11 Shale Shaker.

6. EQUIPMENT, MATERIALS AND SERVICES TO BE FURNISHED BY OPERATOR:

The machinery equipment, tools, materials, supplies, instruments, services and labor hereinafter listed, including any transportation required for such items, shall be provided at the location at the expense of Operator unless otherwise noted hereon.

6.1 Furnish and maintain adequate roadway and/or canal to location, right-of-way, including rights-of-way for fuel and water lines, river crossings, highway crossings, gates and cattle guards.
6.2 Stake location, clear and grade location, and provide turnaround, including surfacing when necessary.
6.3 Test tanks with pipe and fittings.
6.4 Mud storage tanks with pipe and fittings.
6.5 Separator with pipe and fittings.
6.6 Labor to connect and disconnect mud tank, test tank, and separator.
6.7 Labor to disconnect and clean test tanks and separator.
6.8 Drilling mud, chemicals, lost circulation materials and other additives.
6.9 Pipe and connections for oil circulating lines.
6.10 Labor to lay, bury and recover oil circulating lines.
6.11 Drilling bits, reamers, reamer cutters, stabilizers and special tools while operating on daywork basis.
6.12 Contract fishing tool services and tool rental while operating on a daywork basis.
6.13 Wire line core bits or heads and wire line core catchers if required.
6.14 Conventional core bits and core catchers.
6.15 Diamond core barrel with head.
6.16 Cement and cementing service
6.17 Electrical and Gamma-Neutron and Micro logging services.
6.18 Directional, caliper, or other special services
6.19 Gun or jet perforating services.
6.20 Explosives and shooting devices.
6.21 Formation testing, hydraulic fracturing, acidizing and other related services.
6.22 Equipment for drill stem testing
6.23 Mud logging services.
6.24 Sidewall coring service.
6.25 Welding service for welding bottom joints of casing, guide shoe, float shoe, float collar and in connection with installing of well head equipment if required
6.26 Casing, tubing, liners, screen, float collars, guide and float shoes and associated equipment.
6.27 Casing scratchers and centralizers.
6.28 Well head connections and all equipment to be installed in or on well or on the premises for use in connection with testing, completion and operation of well
6.29 Special or added storage for mud and chemicals.
6.30 Casinghead, API [illegible] other than shown for the blowout preventers specified in Paragraph 5.1 above.