Form 3160-5
(August 1999)

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

FORM APPROVED
OMB NO. 1004-0135
Expires: November 30, 2000

SUNDRY NOTICES AND REPORTS ON WELLS

Do not use this form for proposals to drill or to re-enter an abandoned well. Use form 3160-3 (APD) for such proposals.

SUBMIT IN TRIPLICATE - Other instructions on reverse side.

5. Lease Serial No.
NMSF079004

6. If Indian, Allottee or Tribe Name

7. If Unit or CA/Agreement, Name and/or No.
NMNM78424B

1. Type of Well
☐ Oil Well ☒ Gas Well ☐ Other

8. Well Name and No.
SJ 32-8 223

2. Name of Operator
CONOCOPHILLIPS COMPANY
Contact: DEBORAH MARBERRY
E-Mail: deborah.marberry@conocophillips.com

9. API Well No.
30-045-27869-00-S1

3a. Address
5525 HWY
FARMINGTON, NM 87401

3b. Phone No. (include area code)
Ph: 832.486.2326
Fx: 832.486.2688

10. Field and Pool, or Exploratory
BASIN FRUITLAND COAL

4. Location of Well *(Footage, Sec., T., R., M., or Survey Description)*
Sec 10 T31N R8W SESW 1229FSL 1506FWL
36.90767 N Lat, 107.66576 W Lon

11. County or Parish, and State
SAN JUAN COUNTY, NM

12. CHECK APPROPRIATE BOX(ES) TO INDICATE NATURE OF NOTICE, REPORT, OR OTHER DATA

TYPE OF SUBMISSION	TYPE OF ACTION			
☒ Notice of Intent	☐ Acidize	☒ Deepen	☐ Production (Start/Resume)	☐ Water Shut-Off
☐ Subsequent Report	☐ Alter Casing	☐ Fracture Treat	☐ Reclamation	☐ Well Integrity
☐ Final Abandonment Notice	☐ Casing Repair	☐ New Construction	☐ Recomplete	☐ Other
	☐ Change Plans	☐ Plug and Abandon	☐ Temporarily Abandon	
	☐ Convert to Injection	☐ Plug Back	☐ Water Disposal	

13. Describe Proposed or Completed Operation (clearly state all pertinent details, including estimated starting date of any proposed work and approximate duration thereof. If the proposal is to deepen directionally or recomplete horizontally, give subsurface locations and measured and true vertical depths of all pertinent markers and zones. Attach the Bond under which the work will be performed or provide the Bond No. on file with BLM/BIA. Required subsequent reports shall be filed within 30 days following completion of the involved operations. If the operation results in a multiple completion or recompletion in a new interval, a Form 3160-4 shall be filed once testing has been completed. Final Abandonment Notices shall be filed only after all requirements, including reclamation, have been completed, and the operator has determined that the site is ready for final inspection.)

ConocoPhillips proposes to deepen this well to allow for sump/rathole in non-producing Pictures Cliffs formation.

The maximum depth we would deepen is to 3610'.

Once TD is reached a mud log will be faxed to Chip Harraden with the BLM to make a determination for approval or denial. If approval is granted, sump will be utilized as intended. If denied the well will be plugged-back to a depth above the main PC sandstone or run additional open-hole logs or prodution tests to verify initial mud log data.

Attached is our procedure and a BOP schematic.

JUN 2004

14. I hereby certify that the foregoing is true and correct.
Electronic Submission #31162 verified by the BLM Well Information System
For CONOCOPHILLIPS COMPANY, sent to the Farmington
Committed to AFMSS for processing by ADRIENNE GARCIA on 05/26/2004 (04AXG2512SE)

Name *(Printed/Typed)* DEBORAH MARBERRY — Title SUBMITTING CONTACT

Signature (Electronic Submission) — Date 05/26/2004

THIS SPACE FOR FEDERAL OR STATE OFFICE USE

Approved By Jim Lovato — Title Petr. Eng. — Date 5/27/04

Conditions of approval, if any, are attached. Approval of this notice does not warrant or certify that the applicant holds legal or equitable title to those rights in the subject lease which would entitle the applicant to conduct operations thereon.

Office

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.

**** BLM REVISED ** BLM REVISED ** BLM REVISED ** BLM REVISED ** BLM REVISED ****

NMOCD

ConocoPhillips

ConocoPhillips Company
San Juan Area

Deepening and Recavitation Proposal:
Date: 24-May-2004

1. Well Name: San Juan 32-8 # 223

2. API #: 30-045-27869

3. Location: Unit N, 1229' FSL & 1506' FWL, Sec. 10 – T31N – R8W
   San Juan County, New Mexico

4. Elevation: 6552' (GL Elevation) Original RKB = GL + 12' = 6564'

5. Field: Basin Fruitland Coal

6. APD: Bureau of Land Management

7. Surface Land Owner: Bureau of Land Management

8. Current Status:
   - Current TD is 3467'
   - The well is currently completed in pumping configuration with 2-7/8" tubing and insert pump & rods.

9. **Proposed new drilling depth: We propose to deepen this well 143' to a new total depth (TD) of 3610' MD Originial RKB** in order to access additional coal intervals that were not reached in the original drilling and completion of this well and to provide sump hole to optimize the performance of the planned pumping completion for this well.

10. Estimated tops of important geologic markers are as follows:

Fruitland formation:	3140 ft MD Original RKB
Current TD:	3467 ft MD Original RKB
Base of lowest coal:	3527 ft MD Original RKB
New Proposed Total Depth:	3610 ft MD Original RKB

The new proposed TD includes 83' of sump/rathole. ConocoPhillips Company will comply with the BLM / NMOCD's Conditions of Approval for the proposed sump/rathole in this non-producing Pictured Cliffs formation.

11. Summary of Proposed Work:
    - Pull pump & rods,
    - Pull 2-7/8" tubing,
    - Screw into Liner Hanger with Running Tool and Release Liner Hanger. Alternatively, mill up the liner hanger if required to release the slips.
    - Pull liner,
    - Clean out to TD
    - Deepen 143' to new proposed TD of 3610' MD Original RKB
    - Underream 6-1/4" hole to 9.5"
    - Conduct flow test and shut-in pressure build up test
    - Cavitate / Recavitate with air assisted and/or natural surges
    - Clean out,
    - Run new 5-1/2" liner,
    - Perforate 5-1/2" liner in the coal intervals,
    - Re-run 2-7/8" tubing,
    - Run pump & rods,
    - Return well to production.

12. Type of drilling tools will be rotary . A power swivel will be used to provide rotation. (We will not use a kelly).

13. Estimated depths at which anticipated water, oil, gas or other mineral bearing formations are expected to be encountered are as follows:

    Oil: None
    Gas & Water: Fruitland Coal from 3140 ft MD RKB to proposed new TD at 3610' MD RKB

14. Estimated Reservior Pressure: 300 - 350 psi

15. Anticipated no abnormal pressures or temperatures to be encountered or any other potential hazards such as Hydrogen Sulfide Gas.

16. The testing, logging, and coring programs are as follows:
    - **We will obtain a Mud Log of the deepened hole interval.**
    - No electric logs
    - No cores
    - Flow tests with pipe in the hole or out of the hole will be performed taking returns via the blooie lines and / or via the choke manifold and 2" vent line.
    - Shut in Pressure Build-Up tests will be performed with pipe in the hole and/or with pipe out of the hole.

17. Current Wellbore Configuration:

Surface Casing:
9-5/8", 36, K-55, ST&C was set at 276 ft and cemented to surface on 10-July-1990

8-3/4" hole was drilled to 3335' MD RKB

Intermediate Casing:
7", 20# J-55 STC was set at 3335' and cemented to surface on 13-July-1990

6-1/4" Hole:
- 6-1/4" hole was drilled to TD of 3467' on 8-August-1990.
- The 6-1/4" hole was NOT underreamed.

Surges were performed to cavitate the well (August 11 – 18, 1990)

Liner (uncemented)
5-1/2" 23# P-110 LT&C liner with hanger was set on 19-August-1990 as follows:
- 5 1/2" V-SHOE SET @ 3466'
- 5 JTS of 5 1/2", 23#, P-110, LT&C
- TIW 7" X 5 1/2" JGS Mech with Pac-Off, Top of hanger set @ 3253'

Perforations: 0.75" diameter holes, 4 shots per ft, 120 degree phasing
- 3354' – 3362', 8 ft, 32 holes
- 3392' – 3406', 14 ft, 56 holes
- 3440' – 3454', 14 ft, 56 holes
- 3454' – 3468', 14 ft, 56 holes

Total = 50 ft, 200 holes

Current Wellbore Configuration (cont):

Tubing (from bottom to top) was run on 20-Mar-2002 (workover):

- 2-7/8" Bull Plug
- 1 jt 2-7/8" tubing
- 1 ea Stanley Gas Separator, 2-7/8" EUE 8rd conn, 4" OD Body, 80" Length
- 2-7/8" OD x 2.25" ID F-Nipple
- 112 jts, 2-7/8" 6.5 # J-55 EUE 8rd tubing
- Spaced out with 2 ea 10 ft and 1 ea 2 ft tubing sub (below top jt)

Bottom of Bull Plug at 3462.18' MD RKB
F-Nipple at 3424.68' MD RKB

Pump and Rods

- Insert Pump
- 1 ea 4 ft x ¾" OD pony rod
- 136 ea ¾" OD rods
- 1-1/4" OD x 22 ft long polished rod

18. Proposed Wellbore Configuration

- Surface Casing: 9-5/8", 36, K-55, ST&C as originally set and cemented to surface at 276 ft MD RKB
- Intermediate Casing: 7", 20# J-55 ST&C as originally set and cemented to surface at 3335' MD RKB.
- Production liner: We propose to run a 5-1/2" 15.5# J-55 LT&C liner either with or without a liner hanger from approximately 3315' MD RKB to the new proposed TD of 3610' MD RKB. This liner would be left uncemented.
- Perforations: We propose to perforate the uncemented 5-1/2" liner in the Fruitland Coal intervals using electric line perforating guns. The perforation configuration would be 4 shots per ft, 0.75 inch diameter holes, 120 degree phasing.
- Tubing: We propose a pumping well configuration as follows:
  - Mud Anchor consisting of one joint 2-7/8" tubing, orange peeled, with slots in the upper 2' of the joint below the upset.
  - 2-7/8" OD x 2.25" ID F-Nipple
  - 2-7/8", 6.5#, J-55, EUE 8RD tubing to surface
- Pump and Rods: We propose to run an insert pump on rods and set the insert pump in the F-Nipple.

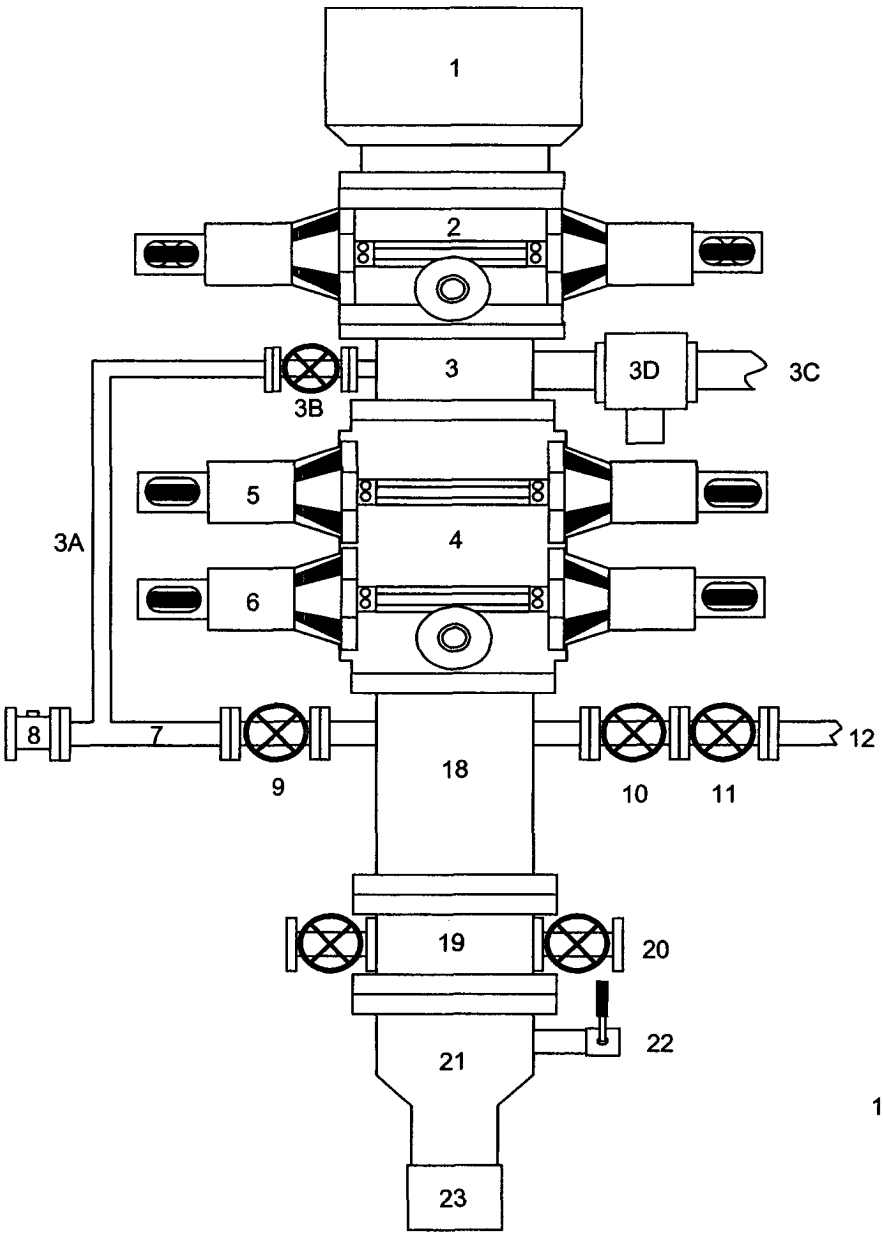
19. Proposed Wellhead: (pumping configuration)
  - 7-1/16" 3M x 2-7/8" EUE 8rd Bonnet
  - 11" 3M x 7-1/16" 3M Tubing Head
  - 9-5/8" 8rd x 11" 3M Casing Head

20. Proposed Blowout Prevention Program: The minimum specifications for pressure control equipment which is to be used, a schematic diagram thereof showing sizes, pressure ratings or API series and the testing procedure and frequency is enclosed as an attachement.

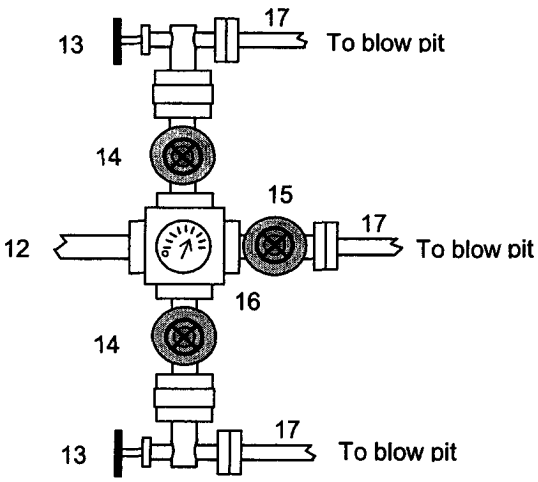
21. Drilling Mud Program: The proposed drilling media is <u>air/mist</u>
- 750 - 1800 scfm air
- 5 - 12 bbls water mist per hr
- 1 gal F-450 foamer per 10 bbls mist
- ¼ gal corrosion inhibitor per 10 bbls mist
- 1 – 4 gal polymer (744) per 10 bbls mist as needed for hole stability

BLOWOUT PREVENTER ARRANGEMENT & PROGRAM

For Cavitation Program



1. Rotating Head
2. Single Ram BOP (7-1/16", 3M)
3. Mud Cross
3A. Equalizing Line (2")
3B. Wing Valve (2-1/16", 3M)
3C. Blooie Line (2 ea, 5" OD)
3D. HCR Valve (1 ea per line, 4-1/16")
4. Double Ram BOP (7-1/16", 3M)
5. Pipe Rams
6. Blind Rams
7. Kill Line
8. Kill Line Check Valve
9. Kill Line Valve
10 Inner Choke Line Valve (3")
11. Outer Choke Line Valve (3")
12. Choke Line (3")
13. Variable Choke
14. Choke Line Valve (2")
15. Panic Line Valve (3")
16. Choke Manifold Pressure Gauge
17. Vent Line (2")
18. Spacer Spool
19. Tubing Head
20. Tubing Head Valves (2- 9/16")
21. Casing Head "A" Section
22. Casing Head "A" Section 2" Valve
23. 9-5/8" Casing Collar



This BOP arrangement and test program is for the cavitation program. The BOP will be installed on the tubing head. The 7" casing will be pressure tested against closed blind rams to 200 psi to 300 psi for 2-3 minutes and to 1800 psi for 30 minutes - this test pressure is 48% of the minimum internal yield strength of 3740 psi for the 7", 20#, J-55, STC casing. The pipe rams and choke manifold will be tested to 200 psi to 300 psi (low pressure test) for 2-3 minutes and to 1800 psi (high pressure test) for 10 minutes - This test will be done with a test plug or possibly without a test plug (ie against casing). If we conduct this test without a test plug we will ensure that we have sufficient drillstring weight in the hole to exceed the upward force generated by the test.

We use a power swivel and air/mist to drill the 6-1/4" hole in our cavitation program. We do not use a kelly. In addition to the equipment in the above diagram the following equipment will comprise the BOP system:

1. String floats will be used inside the drillpipe
2. Stab-in TIW valve for all drillstrings in use
3. Each blooie line is equipped with a hydraulically controlled valve (HCR valve).