

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. NM-078863 | |
| 1b. Type of Well: <input type="checkbox"/> Oil Well <input checked="" type="checkbox"/> Gas Well <input type="checkbox"/> Other <input type="checkbox"/> Single Zone <input type="checkbox"/> Multiple Zone | | 6. If Indian, Allottee or Tribe Name | |
| 2. Name of Operator M&G Drilling Company Inc. | | 7. If Unit or CA, Agreement, Name and No. | |
| 3a. Address c/o Mike Pippin LLC 3104 N. Sullivan, Farmington, NM 87401 | | 8. Lease Name and Well No. KRAUSE 33 #103 | |
| 3b. Phone Number (505) 327-4873 | | 9. API Well No. 30045 32494 | |
| 4. Location of Well (Footage, Sec, T, R., M, or Survey Description) At surface: Unit H, 1980' FNL, 665' FEL At proposed prod. Zone: Same | | 10. Field and Pool, or Exploratory Basin Fruitland Coal | |
| 14. Distance in miles and direction from nearest town or post office* 8 Miles South of Bloomfield, NM | | 11. Sec., T., R., M., or Blk. and Survey or Area Sec 33, T-28-N, R-11-W | |
| 15. Distance from proposed* location to nearest 665' property or lease line, ft. (Also to nearest drlg. Unit line, if any) | | 12. County or Parish, San Juan ✓ 13. State New Mexico | |
| 16. No. of Acres in lease 2560 | | 17. Spacing Unit dedicated to this well 320 Acres N/2 | |
| 18. Distance from proposed* location to nearest well 1499' | | 20. BLM/BIA Bond No. on file | |
| 19. Proposed Depth 1700' | | 23. Estimated duration 30 days | |
| 21. Elevation (Show whether DF, KDB, RT, GL, etc.) 5749' | | 22. Approximate date work will start* November 19, 2004 | |

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 |
|--------------|-----------------------|-----------------|---------------|--------------------------------|
| 12-1/4" | 8-5/8" LS | 23# | 200' | 140 Sxs, 165 ft3 - 100% Excess |
| 6-1/4" | 4-1/2" K-55 | 10.5# | 1700' | 134 Sxs, 253 ft3 - 45% Excess |

The on-site inspection was on 6/31/04 by Brice Barlan
Archy is by DCA.
EA & TE are by Permits West.

SEE ATTACHED APD INFORMATION

Latitude: 36 Deg, 37 Min, 14 Sec N
Longitude: 108 Deg, 00 Min, 09 Sec W

| | | |
|--|------------------------------------|-----------------------|
| 25. Signature <i>Mike Pippin</i> | Name(Printed/Typed) Mike Pippin | Date July 28, 2004 |
| Title Petroleum Engineer | | |
| Approved by (Signature) <i>Charles Buchan</i> | Name(Printed/Typed) | Date 11/3/04 |
| Title ACTING AFM | Office PFO | |

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)

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

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

NMOC

DISTRICT I
1625 N. French Dr., Hobbs, N.M. 88240

State of New Mexico
Energy, Minerals & Natural Resources Department

Form C-102
Revised August 15, 2000

DISTRICT II
811 South First, Artesia, N.M. 88210

OIL CONSERVATION DIVISION

Submit to Appropriate District Office
State Lease - 4 Copies
Fee Lease - 3 Copies

DISTRICT III
1000 Rio Brazos Rd., Aztec, N.M. 87410

2040 South Pacheco
Santa Fe, NM 87505

DISTRICT IV
2040 South Pacheco, Santa Fe, NM 87505

☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

| | | |
|----------------------------|---|------------------------------------|
| *API Number 30045-32494 | *Pool Code 71629 | *Pool Name BASIN FRUITLAND CORL |
| *Property Code 34405 | *Property Name KRAUSE 33 | *Well Number 103 |
| *GRID No. 141852 | *Operator Name M & G DRILLING COMPANY INC. | *Elevation 5749' |

¹⁰ Surface Location

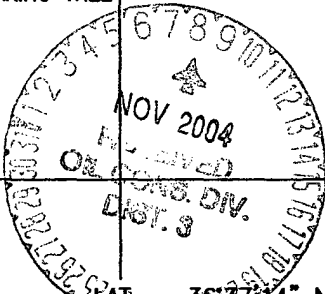
| UL or lot no. | Section | Township | Range | Lot Idn | Feet from the | North/South line | Feet from the | East/West line | County |
|---------------|---------|----------|-------|---------|---------------|------------------|---------------|----------------|----------|
| H | 33 | 28-N | 11-W | | 1980 | NORTH | 665 | EAST | SAN JUAN |

¹¹ 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 |
|--|---------|----------|------------------------------------|---------|----------------------------------|------------------|-------------------------|----------------|--------|
| | | | | | | | | | |
| ¹² Dedicated Acres 320 N/2 | | | ¹³ Joint or Infill Y | | ¹⁴ Consolidation Code | | ¹⁵ Order No. | | |

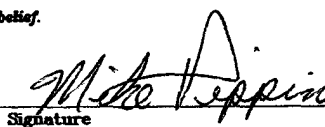
NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED
OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION

16

| | | |
|---|-----------------------------|----------------------------------|
| FD. 2 1/2" N 89-51-00 W FD. 2 1/2" BC. BRASS CAP 2643.1' (M) B.O.R. AND 1913 GLO BEARING TREE | S 89-51-03 W 2638.0' (M) | FD. 2 1/2" BRASS CAP 1913 GLO |
|  LAT. = 36°37'14" N. (NAD 83) LONG. = 108°00'09" W. (NAD 83) | | |
| 33 | | |
| 1980' | | |
| N 00-02-10 E 5279.6' (M) | | |
| FD. 2 1/2" BC. 1913 GLO | | |

17 OPERATOR CERTIFICATION

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


Signature

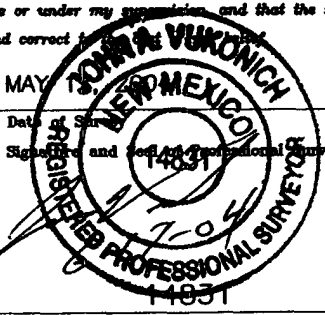
MIKE PIPPIN
Printed Name

AGENT-PETR. ENGR.
Title

7-28-04
Date

18 SURVEYOR CERTIFICATION

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.


Date of Survey

Signature and Seal of Registered Surveyor.

Certificate Number

State of New Mexico
Energy, Minerals and Natural ResourcesOIL CONSERVATION DIVISION
1220 South St. Francis Dr.
Santa Fe, NM 87505

| | | |
|---|--|--|
| SUNDRY NOTICES AND REPORTS ON WELLS (DO NOT USE THIS FORM FOR PROPOSALS TO DRILL OR TO DEEPEN OR PLUG BACK TO A DIFFERENT RESERVOIR. USE "APPLICATION FOR PERMIT" (FORM C-101) FOR SUCH PROPOSALS.) 1. Type of Well: Oil Well <input type="checkbox"/> Gas Well <input checked="" type="checkbox"/> Other | | WELL API NO. 5. Indicate Type of Lease Federal STATE <input type="checkbox"/> FEE <input type="checkbox"/> 6. State Oil & Gas Lease No. Federal: NM-078863 |
| 2. Name of Operator M & G DRILLING COMPANY | | 7. Lease Name or Unit Agreement Name KRAUSE 33 |
| 3. Address of Operator c/o Agent, Mike Pippin LLC 3104 N. Sullivan, Farmington, NM 87401 505-327-4573 | | 8. Well Number #103 |
| 4. Well Location Unit Letter <u>H:</u> <u>1980</u> feet from the <u>North</u> line and <u>665</u> feet from the <u>East</u> line Section <u>33</u> Township <u>28N</u> Range <u>11W</u> NMPM San Juan County | | 9. OGRID Number <u>141852</u> |
| 11. Elevation (Show whether DR, RKB, RT, GR, etc.) <u>5749' GL</u> | | 10. Pool name or Wildcat Basin Fruitland Coal |
| Pit or Below-grade Tank Application (For pit or below-grade tank closures, a form C-144 must be attached) Pit Location: UL <u>H</u> Sect <u>33</u> Twp <u>28N</u> Rng <u>11W</u> Pit type: <u>Drilling</u> Depth to Groundwater <u>>100'</u> Distance from nearest fresh water well <u>>1000'</u> Distance from nearest surface water <u>200' - 1000'</u> Below-grade Tank Location UL <u> </u> Sect <u> </u> Twp <u> </u> Rng <u> </u> ; <u> </u> feet from the <u> </u> line and <u> </u> feet from the <u> </u> line | | |

12. Check Appropriate Box to Indicate Nature of Notice, Report or Other Data

NOTICE OF INTENTION TO:

PERFORM REMEDIAL WORK ☐ PLUG AND ABANDON ☐TEMPORARILY ABANDON ☐ CHANGE PLANS ☐PULL OR ALTER CASING ☐ MULTIPLE COMPLETION ☐OTHER: Drilling Pit Registration ☒

SUBSEQUENT REPORT OF:

REMEDIAL WORK ☐ ALTERING CASING ☐COMMENCE DRILLING OPNS. ☐ PLUG AND ABANDONMENT ☐CASING TEST AND CEMENT JOB ☐OTHER: ☐

13. Describe proposed or completed operations. (Clearly state all pertinent details, and give pertinent dates, including estimated date of starting any proposed work). SEE RULE 1103. For Multiple Completions: Attach wellbore diagram of proposed completion or recompletion.

We intend to drill a new FRTC well. The drilling pit will be built and lined according to our general pit guidelines on file at the NMOCD in Aztec, NM.

When this drilling pit is closed, it will be closed as per our general pit closing guidelines on file at the NMOCD.

I hereby certify that the information above is true and complete to the best of my knowledge and belief. I further certify that any pit or below-grade tank has been/will be constructed or closed according to NMOCD guidelines ☒ a general permit ☐ or an (attached) alternative OCD-approved plan ☐.

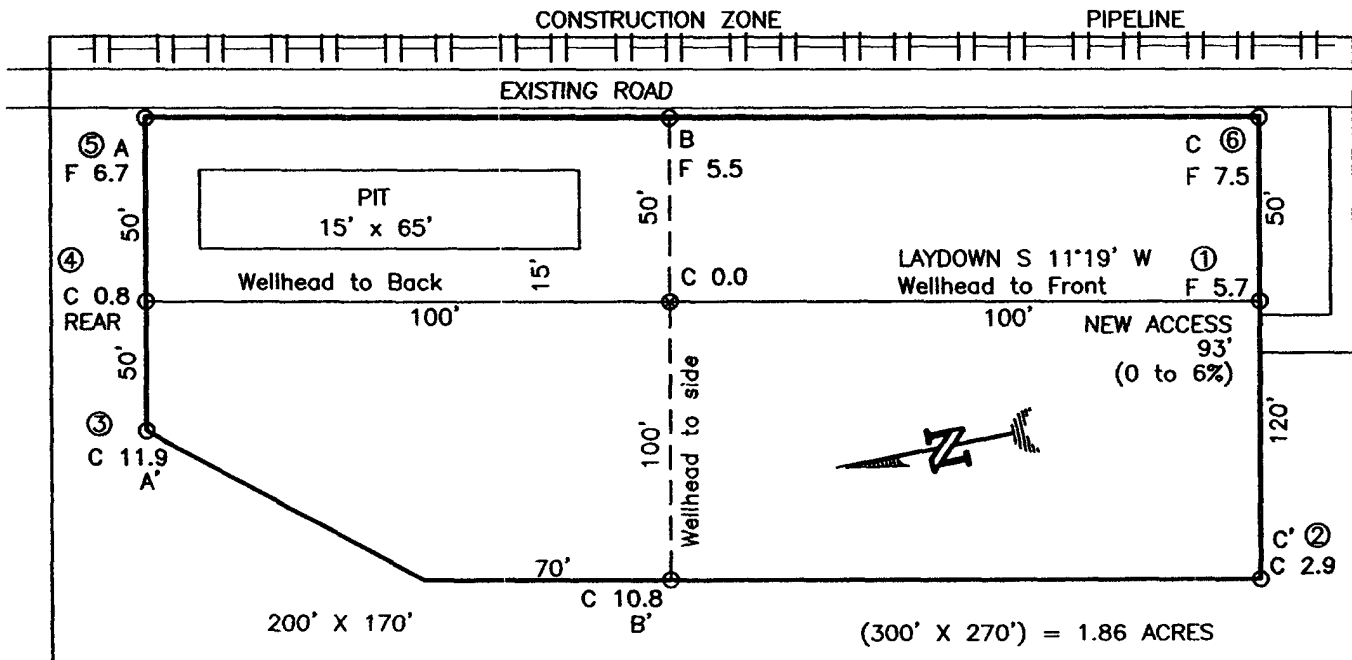
SIGNATURE Mike Pippin TITLE Agent - Petroleum Engineer DATE July 28, 2004Type or print name Mike Pippin E-mail address: mpippin@ddbroadband.net Telephone No. 505-327-4573

(This space for State use)

APPROVED BY [Signature] TITLE DEPUTY OIL & GAS INSPECTOR, DIST. 33 DATE NOV - 8 2004

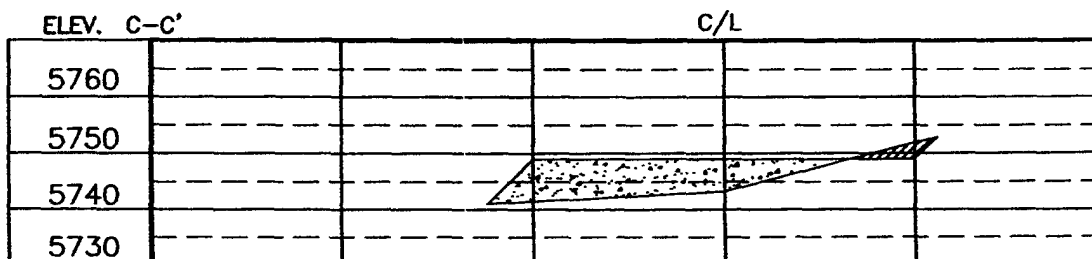
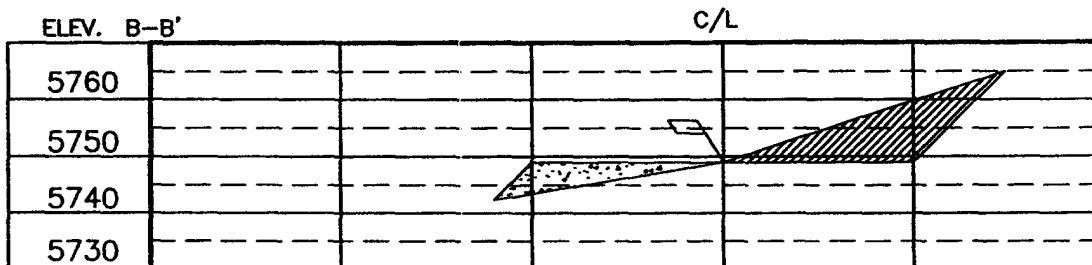
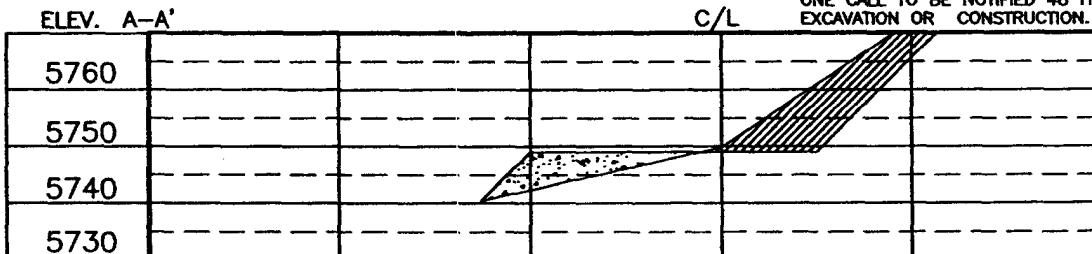
Conditions of approval, if any:

M & G DRILLING COMPANY INC.
 KRAUSE 33 No. 103, 1980 FNL 665 FEL
 SECTION 33, T28N, R11W, N.M.P.M., SAN JUAN COUNTY, N. M.
 GROUND ELEVATION: 5749, DATE: MAY 17, 2004



NOTE:

DAGGETT ENTERPRISES, INC. IS NOT LIABLE FOR
 UNDERGROUND UTILITIES OR PIPELINES. NEW MEXICO
 ONE CALL TO BE NOTIFIED 48 HOURS PRIOR TO
 EXCAVATION OR CONSTRUCTION.



NOTE: CONTRACTOR SHOULD CALL ONE-CALL FOR LOCATION OF ANY MARKED OR UNMARKED BURIED PIPELINES
 OR CABLES ON WELL PAD AND OR ACCESS ROAD AT LEAST TWO (2) WORKING DAYS PRIOR TO CONSTRUCTION.

PAGE #11

| | | |
|----------|------|-------------|
| REVISION | DATE | REVISION BY |
| | | |

Daggett Enterprises, Inc.
 Surveying and Oil Field Services
 P. O. Box 15068 • Farmington, NM 87401
 Phone (505) 326-1772 • Fax (505) 326-6019
 NEW MEXICO L.S. No. 14831
 DRAWN BY: A.G. DATE: 06/03/04
 ROWA: MAG008

M & G DRILLING COMPANY

KRAUSE 33 #103 FRTC

1980' FNL, 665' FEL

Unit H Sec. 33 T28N R11W

San Juan County, NM

Drilling Program

1. ESTIMATED FORMATION TOPS (KB)

| <u>Formation Name</u> | <u>Depth</u> |
|-----------------------|--------------|
| Ojo Alamo | 325' |
| Kirtland | 585' |
| Fruitland | 1353' |
| Pictured Cliffs | 1628' |
| TD (4-1/2") | 1700' |

2. NOTABLE ZONES

Gas or Oil Zones

Fruitland
Pictured Cliffs

Water Zones

Ojo Alamo
Kirtland

Coal Zone

Fruitland

Water zones will be protected with casing, cement, and weighted mud. Fresh water found while drilling will be recorded. Oil or gas shows will be tested for commercial potential based on the engineer's recommendations.

3. PRESSURE CONTROL

Maximum expected pressure is ~400 psi. The drilling contract has not yet been awarded, thus the exact BOP model to be used is not yet known. A typical 7-1/16" 3,000 psi annular is on PAGE #5.

BOP equipment and all accessories will meet or exceed BLM requirements in 43 CFR Part 3160 for a 3000 psi system. A 3000 psi annular BOP will be used. Accumulator system capacity will be sufficient to close all BOPE with a 50% safety factor. Fill, kill, and choke manifold lines will be 2". Accessories will include an upper Kelly cock with a handle, stabbing valve to fit drill pipe on floor at all times, string float at bit, 3000 psi choke manifold with 2" adjustable and 2" positive chokes, and pressure gauge. BOPs will be tested every 24 hours. Tests will be recorded on IADC log.

M & G DRILLING COMPANY

KRAUSE 33 #103 FRTC

1980' FNL, 665' FEL

Unit H Sec. 33 T28N R11W

San Juan County, NM

4. CASING & CEMENT

| <u>Hole Size</u> | <u>O.D.</u> | <u>Weight (lb/ft)</u> | <u>Grade</u> | <u>Age</u> | <u>Connection</u> | <u>GL Setting Depth</u> |
|------------------|-------------|-----------------------|--------------|------------|-------------------|-------------------------|
| 12-1/4" | 8-5/8" | 23# | LS | New | ST&C | 200' |
| 6-1/4" | 4-1/2" | 10.5# | K-55 | New | ST&C | 1700' |

Surface Casing will be cemented to the surface with ~165 cu. ft. (~140 sx) Class "B" cmt or equivalent (1.18 ft³/sx yield, 15.6 ppg, & 5.2 gps) with 2% CaCl₂ and 1/4#/sx celloflake. Volume based on 100% excess. We plan to run a minimum of at least 3 centralizers. A wooden wiper plug will be displaced to within 20' of the shoe. WOC = 12 hours. Surface casing will be tested to 500 psi for 15 minutes.

Production Casing will be cemented to surface with a single stage. Total cement = ~253 cu. ft. (~134sx). Volumes are calculated at 45% excess in the lead cmt. If cement does not circulate to surface, then a temperature survey or CBL will be run to determine the actual cement top as needed. WOC = 12 hours. Casing will be tested to 3800 psi for 15 minutes during completion operations.

Lead cement will be ~197 cu. ft. (~94 sx) Class "B" cmt or equivalent w/2% SM, 1/4#/sx cello flake, 3#/sx gilsonite mixed at 11.9 gps, 12.5 ppg for a yield of 2.09 cu. ft. per sx.

Tail cement will be ~56 cu. ft. (~40 sx) Class "B" cmt or equivalent w/1% gel, 2% Cacl₂, 1/4#/sx cello flake, 3#/sx gilsonite mixed at 6.8 gps, 14.5 ppg for a yield of 1.4 cu. ft. per sx.

Cementing equipment will include a guide shoe, and autofill float collar will be run 20' off bottom. We plan on running at least 10 centralizers.

5. MUD PROGRAM

| <u>Depth</u> | <u>Type</u> | <u>Wt./ppg.</u> | <u>Vis.</u> | <u>Fluid Loss</u> | <u>PH</u> |
|--------------|----------------------|-----------------|-------------|-------------------|-----------|
| 0'-200' | FW gel/lime spud mud | 8.4-8.7 | 30-50 | NC | 10 |
| 200'-1700' | FW gel/Polymer | 8.3-8.6 | 30-35 | <20cc's | 9.5 |

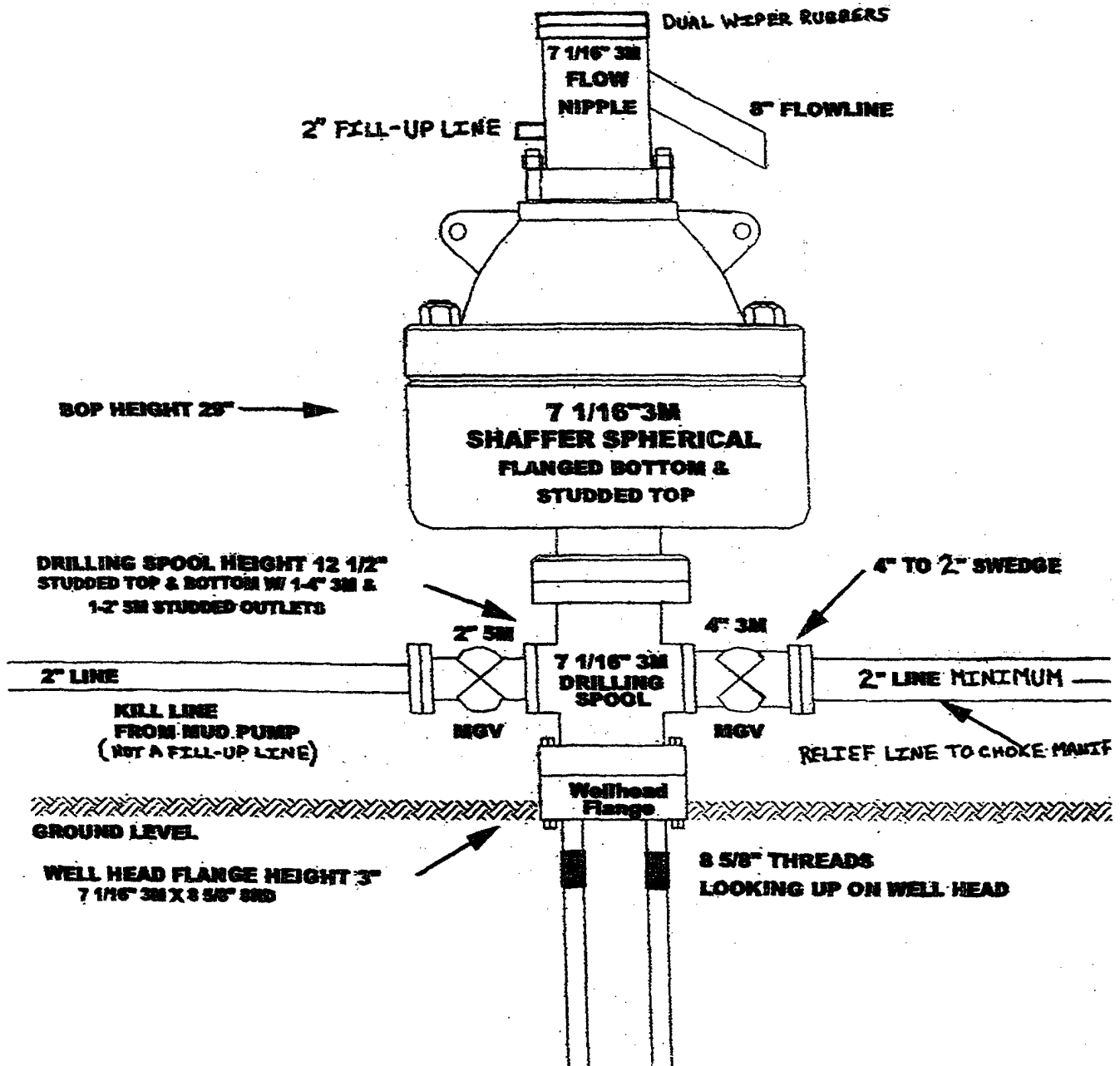
Lost circulation and absorption material will be on location.

6. CORING, TESTING, & LOGGING

No cores or drill stem tests are planned. No open hole logs will run on this well. We plan to run a cased hole GR-neutron log during completion operations.

Drilling Rig

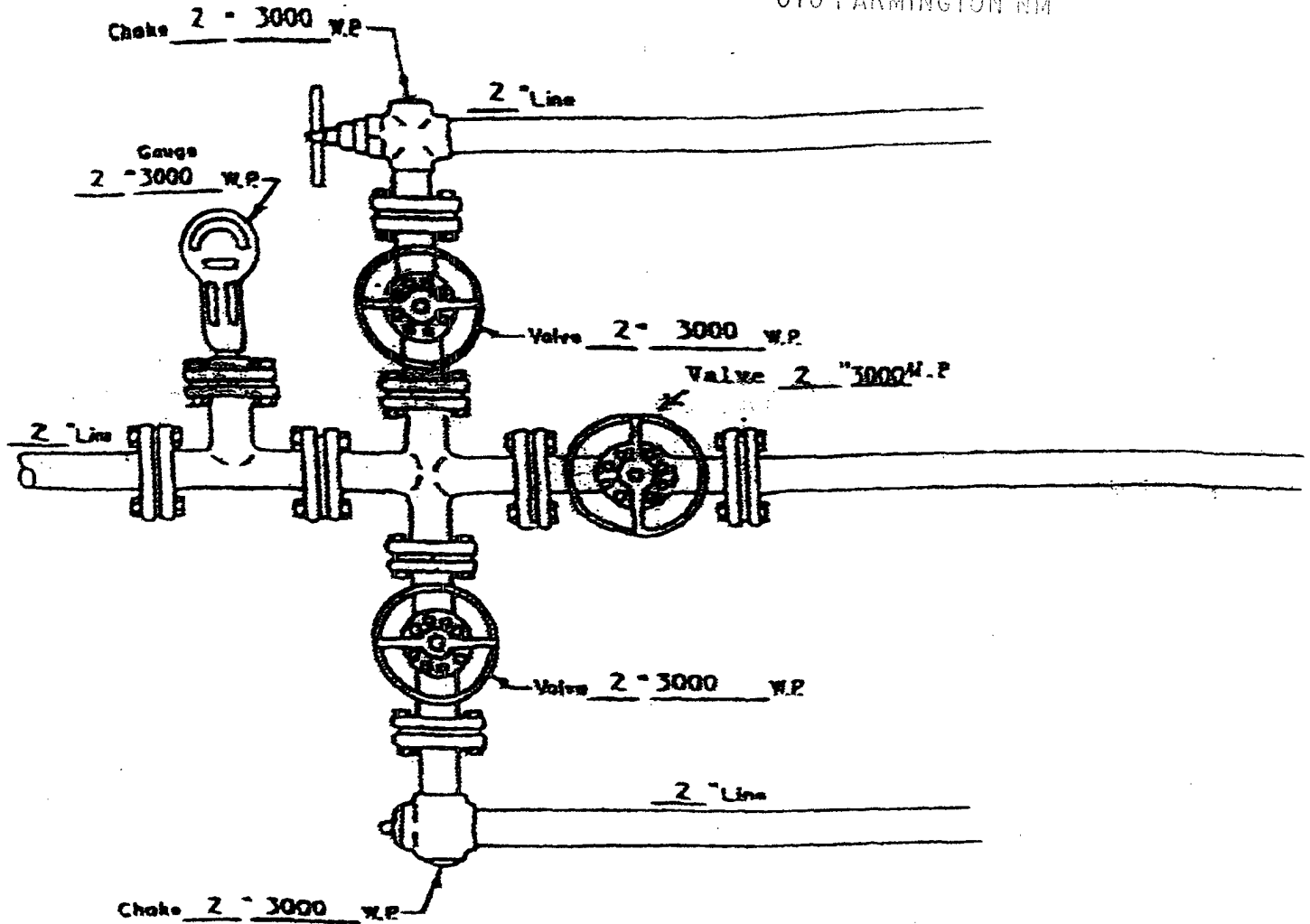
3000 psi BOP System



M & G DRILLING COMPANY
SAN JUAN COUNTY, NM

2004 AUG 5 PM 2 33

RECEIVED
070 FARMINGTON NM



MANIFOLD

3000 #W.P.

☒ Manual

☐ Hydraulic

8-5/8" 23# LS X-42 CASING
0.250" WALL
CALLAPSE = 1016 PSI
INTERNAL YIELD = 1040 PSI

ATTACHMENT NO. 2