

2006 JAN 9 AM 6 31

FORM APPROVED
OMB No. 1004-0137
Expires March 31, 2007

UNITED STATES
DEPARTMENT OF THE INTERIOR RECEIVED
BUREAU OF LAND MANAGEMENT

APPLICATION FOR PERMIT TO DRILL OR REENTER

1a. Type of work: <input checked="" type="checkbox"/> DRILL <input type="checkbox"/> REENTER		5. Lease Serial No. SF-078511
1b. Type of Well: <input type="checkbox"/> Oil Well <input checked="" type="checkbox"/> Gas Well <input type="checkbox"/> Other <input checked="" type="checkbox"/> Single Zone <input type="checkbox"/> Multiple Zone		6. If Indian, Allottee or Tribe Name NA
2. Name of Operator Koch Exploration Company, LLC		7. If Unit or CA Agreement, Name and No. NA
3a. Address PO Box 489, Aztec, NM 87410		8. Lease Name and Well No. Quinn 3375
3b. Phone No. (include area code) 505-334-9111		9. API Well No. 30-045-33510
4. Location of Well (Report location clearly and in accordance with any State requirements.) At surface 675' FSL & 900' FEL SE/4, SE/4 At proposed prod. zone same		10. Field and Pool, or Exploratory Basin Fruitland Coal
11. Sec., T. R. M. or Blk. and Survey or Area S18, T31N, R8W "P"		12. County or Parish San Juan
13. State NM		14. Distance in miles and direction from nearest town or post office*
15. Distance from proposed* location to nearest property or lease line, ft. (Also to nearest drig. unit line, if any)	16. No. of acres in lease 320.00	17. Spacing Unit dedicated to this well 320.00 E/2
18. Distance from proposed location* to nearest well, drilling, completed, applied for, on this lease, ft.	19. Proposed Depth 3385'	20. BLM/BIA Bond No. on file 104128366
21. Elevations (Show whether DF, KDB, RT, GL, etc.) 6423' GL	22. Approximate date work will start* 05/01/2006	23. Estimated duration 30 days

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.

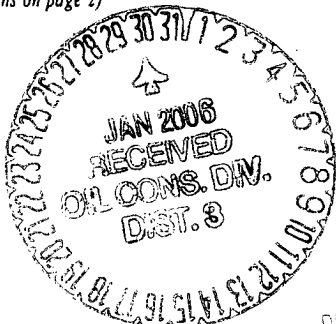
25. Signature <i>John Clark</i>	Name (Printed/Typed) John Clark	Date 01/05/2006
Title District Superintendent		

Approved by (Signature) <i>John Clark</i>	Name (Printed/Typed) John Clark	Date 1/27/06
Title Acting AFM		

Application approval 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.
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 page 2)



NMOCD

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

DISTRICT I
P.O. Box 1980, Hobbs, N.M. 88241-1980

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

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

DISTRICT IV
2040 South Pacheco, Santa Fe, NM 87504-2088

State of New Mexico
Energy, Minerals & Natural Resources Department

OIL CONSERVATION DIVISION

P.O. Box 2088
Santa Fe, NM 87504-2088

Form C-102
Revised February 21, 1994
Instructions on back
Submit to Appropriate District Office
State Lease - 4 Copies
Fee Lease - 3 Copies

RECEIVED
070 FARMINGTON NM

☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

¹ API Number 30-045-33510	² Pool Code 71629	³ Pool Name BASIN Fruitland Coal
⁴ Property Code 7407 301237	⁵ Property Name QUINN	⁶ Well Number 337S
⁷ OGRID No. 12807	⁸ Operator Name KOCH EXPLORATION	⁹ Elevation 6423

¹⁰ Surface Location

UL or lot no. P	Section 18	Township 31 N	Range 8 W	Lot Idn	Feet from the 675	North/South line SOUTH	Feet from the 900	East/West line EAST	County SAN JUAN
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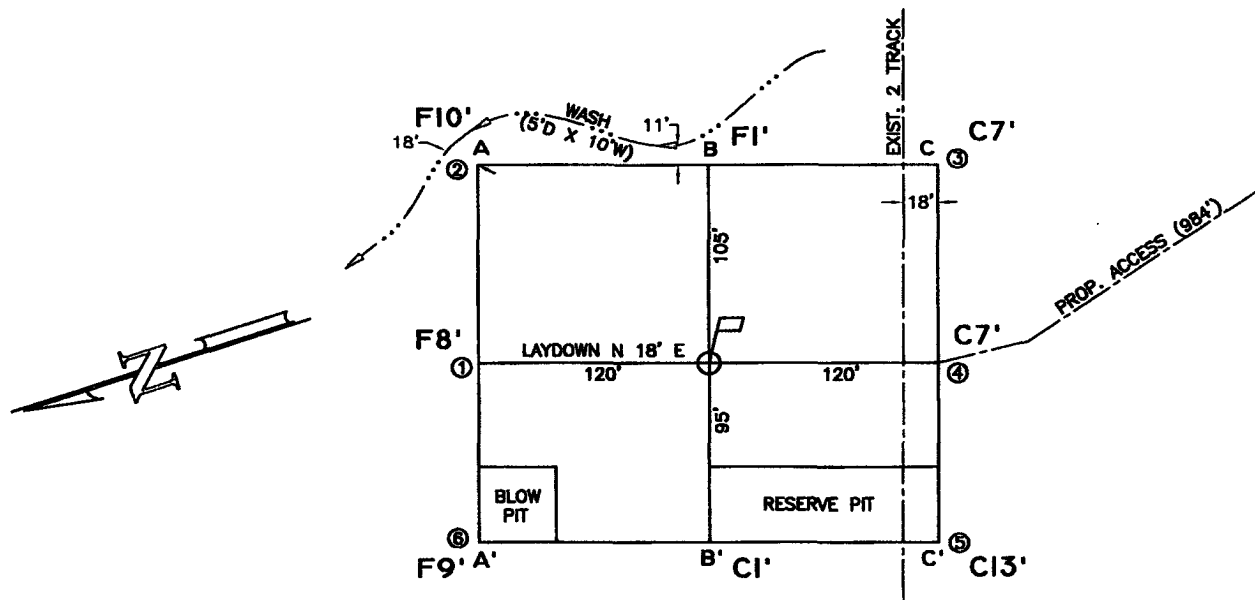
¹¹ Bottom Hole Location If Different From Surface

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
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¹² Dedicated Acres 320	¹³ Joint or Infill	¹⁴ Consolidation Code	¹⁵ 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

¹⁶ SECTION 18 N 89°51'41" W 1833.48' 2583.24' N 2°14'41" W 2645.28' N 0°41'19" E N 89°42'41" W 1782.66'	¹⁷ OPERATOR CERTIFICATION I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief. Signature: Donald L. Johnson Printed Name: Donald L. Johnson Title: Field Operations Manager Date: 12/10/05
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 to the best of my belief. Date of Survey: 11/19/05 Signature and Seal of Professional Surveyor: Robert L. Pounds Certificate Number: 6846	¹⁹ 2657.82 Lease #SF-078511 Quinn 337 1185' FNL & 1210' FEL 5228.64' 900' 2616.90'



ELEVATION A-A'

℄

6440	.....	.....	.....	.....
6430	.....	.....	.....	.....
6420	.....	.....	.....	.....
6410	.....	.....	.....	.....
6400	.....	.....	.....	.....

B-B'

℄

6440	.....	.....	.....	.....
6430	.....	.....	.....	.....
6420	.....	.....	.....	.....
6410	.....	.....	.....	.....
6400	.....	.....	.....	.....

C-C'

℄

6440	.....	.....	.....	.....
6430	.....	.....	.....	.....
6420	.....	.....	.....	.....
6410	.....	.....	.....	.....
6400	.....	.....	.....	.....

LEASE: QUINN #337S

FOOTAGE: 675' FSL, 900' FEL

SEC. 18 TWN. 31 N RNG. 8 W N.M.P.M.

LATITUDE: 36°53'33.2" LONGITUDE: 107°42'39.5"

ELEVATION: 6423

KOCH EXPLORATION AZTEC, NEW MEXICO

SURVEYED: 11/19/05

REV. DATE:

APP. BY R.P.

DRAWN BY: A.D.

DATE DRAWN: 11/23/05

FILE NAME: 8289C01



P.O. BOX 3651
FARMINGTON, NM 87499
OFFICE: (505) 334-0408

QUINN 337S
S18 T31N R8W, 675' FSL & 900' FEL
San Juan Co., New Mexico
Lease SF 078511

Drilling Program

1) Geological name of surface formation -

Estimated tops of important geological markers:

San Jose	Surface
Ojo	2073'
Kirtland Shale	2123'
Fruitland Coal	2933'
Pict. Cliff	3285'
TD	3385'

2) Estimated depths at which oil, gas, water, and mineral bearing formation will be found:

Useable Water	0' to 2073'
Salt Water	2073' to 2933'
Oil and Gas	2933' to 3285'*

*NOTE: We will be drilling 100' into Pictured Cliffs formation, which is a non-producing zone in this area, to allow completions with a sump.

3) Pressure Control Equipment:

- a. 10-inch 900 series or 2,000 psi test double gate hydraulic with 4-1/2" pipe rams and 10-inch series 900 hydril above 10-inch series casinghead and cross spool with flanged outlets. See BOP diagram at **Exhibit F-1** for drawing of choke lines, kill lines and choke manifold. Procedures will include waiting on cement until cement cures to compressive strength. Nipple up blowout preventer (BOP) assembly and test 2,000 psi maximum with plug. The production casinghead pressure rating will be 3,000 psi.
- b. Type of BOP rams: Blind rams and pipe rams are used as shown on the BOP diagram at **Exhibit F-1**. Occasionally, the position of the rams is reversed depending on the drilling contractor's methods.
- c. The choke manifold and header will have 2-inch choke outlets, a 2-inch straight through the line with 2-inch adjustable chokes installed. The inlet line will be a 2-inch line. All of the above are rated at a minimum 2,000 psi working pressure (WP). The choke manifold and header system will have manual control valves; no hydraulic valves will be installed. Casing testing procedure – Surface casing will be tested to 600 psi for 30 minutes, after cementing in place and before drilling out of shoe. 7" production casing will be tested to 1,500 psi for 30 minutes, after cementing in place and after drilling to the required depth.
- d. Hydraulic controls to close the BOPs are located on the rig floor; the hydraulic remote control is located in the bottom doghouse. There will be no manual controls on the BOP.

QUINN 337S

S18 T31N R8W, 675' FSL & 900' FEL

San Juan Co., New Mexico

Lease SF 078511

e. BOP testing procedures and frequency:

BOP tests will be performed using an appropriately sized test plug. The test will be performed and recorded using a test pump, calibrated test gauges, and a properly calibrated strip or chart recorder. The test will be recorded in the driller's log and will include a low pressure test of 250 psi held for five minutes and a high pressure test for ten minutes as described in Onshore Order No. 2.

- f. Casinghead connections will be 2-inch; these outlets will usually be bull plugged during drilling operations. No pumping through these connections is allowed except in emergency to keep from wearing out the head.
- g. The drilling spool will be a series 900 2,000 psi WP with a 2-inch kill line and a 2-inch outlet.

4) Proposed Casing Program:

Surface Casing Program:	<u>Hole Size</u>				<u>Depth</u>
Surface Casing	12 1/4"	9 5/8"	36.0#	J-55 STC	New @ 350'
Production Casing	8 3/4"	7"	23#	J-55 LTC	New @ 2975'
Production Liner	6 1/4"	5 1/2"	15.5#	J-55 LTC	New @ 3385'

Proposed setting depth, amount and type of cement including additives:

9 5/8" Surface Casing – Surface to 350' – Cement with 264 sks Type III (15.2 ppg, yield 1.28 cf/sk) Cement + 3% Calcium Chloride + 0.25 lbs/sk. Celloflake, volume: 337.54 cf., includes 200% excess. Centralizers will be run on all joints.

*Cmt to surface
Both 5x11's*

7" Production Casing – Surface to 2975' –

Lead cement with 367 sks. Premium Lite FM + 3% Calcium Chloride + 0.25 lb/sk Celloflake, (wt. 12.1 ppg, yield 1.75) volume: 641.11 cf. Tail 72 sks. Type III cement + 1% Calcium Chloride + 0.25 lb sk Celloflake + 0.2% FL-52 (wt 14.6 ppg, yield 1.38), volume: 99.48 cf. includes 50% excess. Centralizers will be run every other joint above the shoe to the turbolizers then every 4th joint to the surface pipe. Turbolizers, to impact a swirling action, will be placed at the base of the Ojo Alamo, and 1 joint up in the Ojo Alamo.

5 1/2" Production Liner 2935' to 3385' – Will not cement liner.

5) Mud Program:

Mud will be used as designed by Mud Company engineer during drilling process.

6) Testing, Logging, and Coring Program:

No drill stem tests, cores, will be taken, a CBL log will be run if cement does not circulate to surface on intermediate casing.

QUINN 337S

S18 T31N R8W, 675' FSL & 900' FEL

San Juan Co., New Mexico

Lease SF 078511

We will drill through the Fruitland Coal and 100' of non-productive Pictured Cliff with mud loggers.

7) Expected Pressures –

Fruitland Fm. 200 psi

Bottom Hole 200 psi

No abnormal pressures, temperature or poisonous gas anticipated.

8) Drilling Tools: 20 4-3/4" Drill Collars with 3-1/2" IF Connections
3-1/2" Drill Pipe with 3-1/2" IF Connections

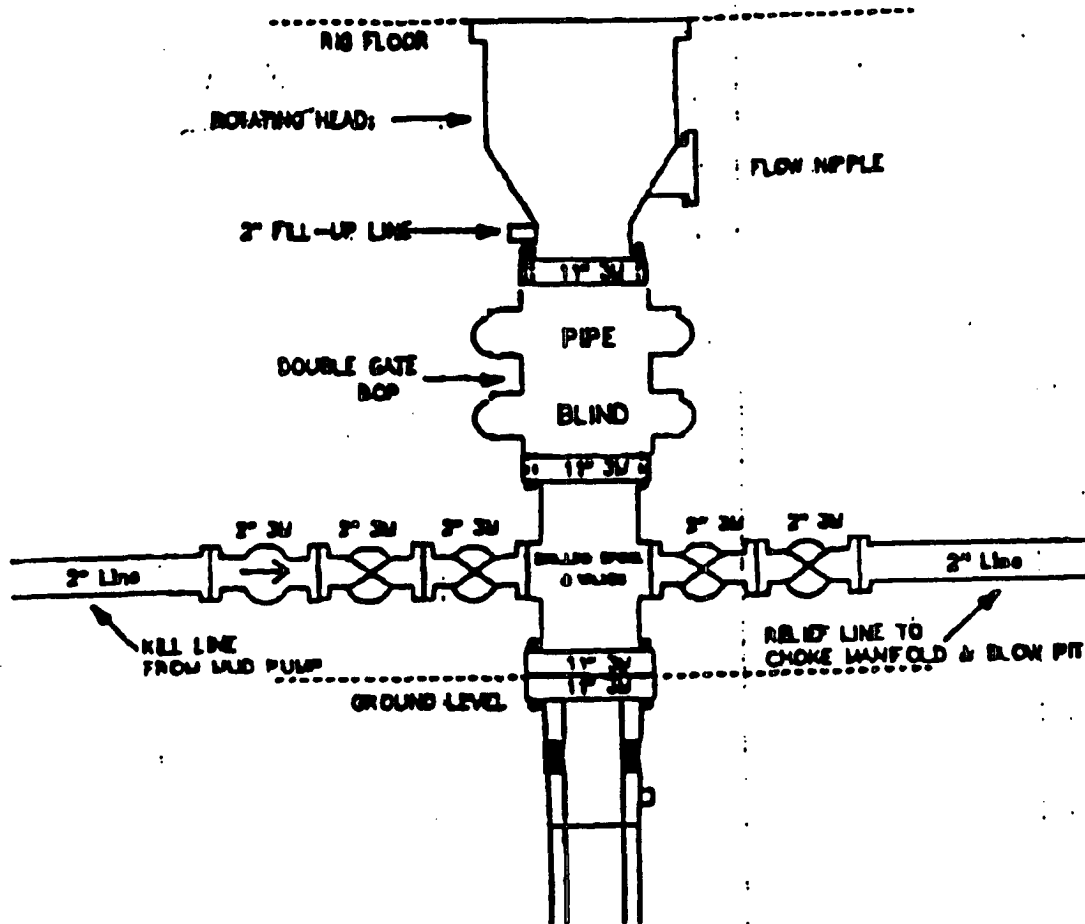
Anticipated Spud Date: May 1, 2006

Anticipated Completion Date: May 31, 2006

FOUR CORNERS
P. O. BOX 1057
8851 U.S. HWY. 84
FARMINGTON, NEW MEXICO 87400

TELEPHONE: (806) 336-3371
FAX: (806) 336-3370

Drilling Rig 3000 psi System

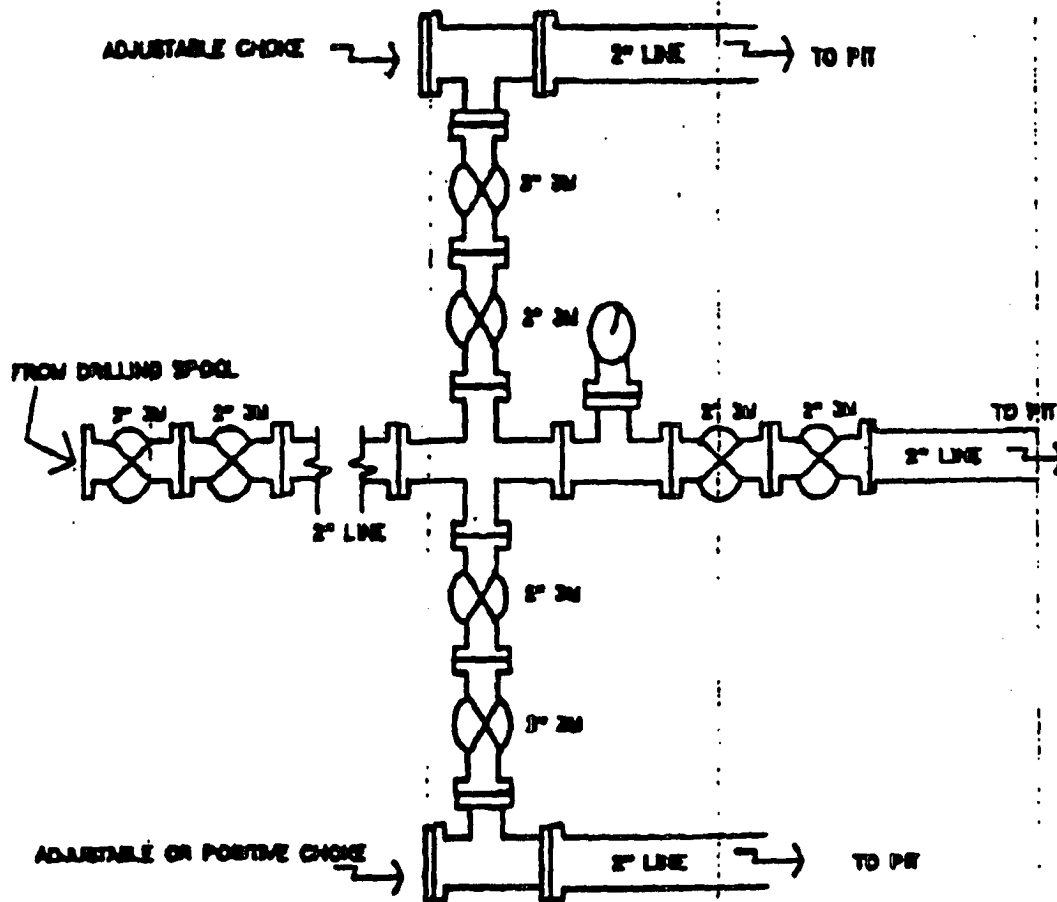


11" Bore (10" Nominal), 3000psi working pressure minimum double gate BOP to be equipped with blind and pipe rams. A rotating head on the top of the rams. All BOP equipment is 3000psi working pressure.

Note: A floor safety valve and upper kelly cock with handle will be available.

Exhibit "F-1"

Drilling Rig Choke Manifold Configuration 3000 psi System



3000psi working pressure equipment with two chokes.

Exhibit "F-2"

KOCH EXPLORATION COMPANY
QUINN 337S
S18, T31N , R8W
675' FSL & 900' FEL - ELEVATION 6423'

