Form 3160-3
(August 1999)

FORM APPROVED
OMB No. 1004-0136
Expires November 30, 2000

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

APPLICATION FOR PERMIT TO DRILL OR REENTER

1a. Type of Work: ☒ DRILL ☐ REENTER	5. Lease Serial No. NMSF078996
	6. If Indian, Allottee or Tribe Name
	7. If Unit or CA Agreement, Name and No. 31329
1b. Type of Well: ☐ Oil Well ☐ Gas Well ☒ Other: CBM ☒ Single Zone ☐ Multiple Zone	8. Lease Name and Well No. SAN JUAN 32-7 UNIT 232A
2. Name of Operator CONOCOPHILLIPS COMPANY Contact: PATSY CLUGSTON E-Mail: pclugs@ppco.com	9. API Well No. 30045 31738
3a. Address 5525 HWY. 64 FARMINGTON, NM 87401	3b. Phone No. (include area code) Ph: 505.599.3454 Fx: 505-599-3442
	10. Field and Pool, or Exploratory BASIN FRUITLAND COAL
4. Location of Well *(Report location clearly and in accordance with any State requirements.*)* At surface NENW 1170FNL 1330FWL 36.91806 N Lat, 107.75981 W Lon At proposed prod. zone	11. Sec., T., R., M., or Blk. and Survey or Area C Sec 8 T31N R7W Mer NMP SME: BLM
14. Distance in miles and direction from nearest town or post office* 20.3 MILES FROM IGNACIO, CO	12. County or Parish SAN JUAN / 13. State NM
15. Distance from proposed location to nearest property or lease line, ft. (Also to nearest drig. unit line, if any) 1170	16. No. of Acres in Lease 2537.37 / 17. Spacing Unit dedicated to this well 320.00 W/2
18. Distance from proposed location to nearest well, drilling, completed, applied for, on this lease, ft.	19. Proposed Depth 3745 MD 3745 TVD / 20. BLM/BIA Bond No. on file ES0085
21. Elevations (Show whether DF, KB, RT, GL, etc. 6642 GL	22. Approximate date work will start 09/01/2003 / 23. Estimated duration 30 DAYS

JUL 2003 RECEIVED OIL CONS. DIV. DIST. 3

24. Attachments

The following, completed in accordance with the requirements of Onshore Oil and Gas Order No. 1, shall be attached to this form:

1. Well plat certified by a registered surveyor.
2. A Drilling Plan.
3. A Surface Use Plan (if the location is on National Forest System Lands, the SUPO shall be filed with the appropriate Forest Service Office).
4. Bond to cover the operations unless covered by an existing bond on file (see Item 20 above).
5. Operator certification
6. Such other site specific information and/or plans as may be required by the authorized officer.

25. Signature	Name (Printed/Typed)	Date
(Electronic Submission)	PATSY CLUGSTON	06/19/2003

Title: AUTHORIZED REPRESENTATIVE

Approved by (Signature)	Name (Printed/Typed)	Date
/s/ David J. Mankiewicz		JUL 16 2003
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.

Additional Operator Remarks (see next page)

Electronic Submission #23455 verified by the BLM Well Information System
For CONOCOPHILLIPS COMPANY, sent to the Farmington

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

**** OPERATOR-SUBMITTED ** OPERATOR-SUBMITTED ** OPERATOR-SUBMITTED ****

NMOCD

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., Aztec, 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 Febuary 21, 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

[1] API Number	[2] Pool Code	[3] Pool Name	
30-045-31738	71629	Basin Fruitland Coal	
[4] Property Code	[5] Property Name		[6] Well Number
~~009260~~ 31329	SAN JUAN 32-7 UNIT		232A
[7] OGRID No.	[8] Operator Name		[9] Elevation
~~017654~~ 217817	PHILLIPS PETROLEUM COMPANY		6642

[10] Surface Location

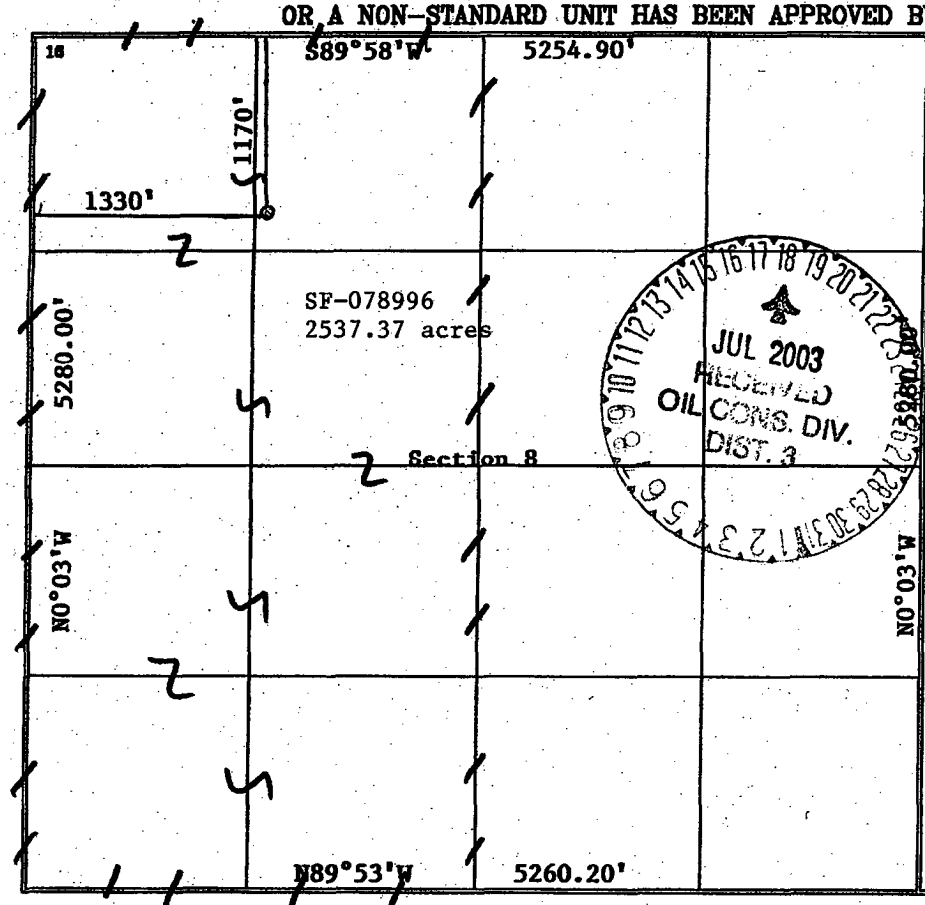
UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
C	8	31N	7W		1170	NORTH	1330	WEST	SAN JUAN

[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
C									

[12] Dedicated Acres	[13] Joint or Infill	[14] Consolidation Code	[15] Order No.
320 W/2	Y	U	

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



[17] OPERATOR CERTIFICATION

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

Patsy Clugston
Signature

Patsy Clugston
Printed Name

SHEAR Administrative Asst.
Title

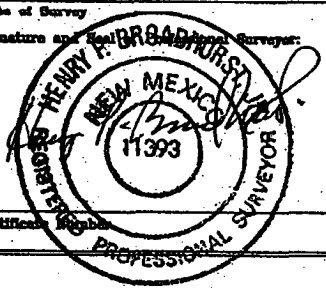
11/8/02
Date

[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 to the best of my belief.

09/05/02
Date of Survey

Signature and Seal of Professional Surveyor:



Certificate Number

PHILLIPS PETROLEUM COMPANY

WELL NAME: San Juan 32-7 Unit #232A

DRILLING PROGNOSIS

1. Location of Proposed Well: Unit C, 1170' FNL & 1330' FWL
   Section 8, T31N, R7W

2. Unprepared Ground Elevation: @ 6642'.

3. The geological name of the surface formation is San Jose.

4. Type of drilling tools will be rotary.

5. Proposed drilling depth is 3745'.

6. The estimated tops of important geologic markers are as follows:

Naciamento - 1025'	PC Tongue – 3433'
Ojo Alamo - 2402'	Base Lowest Coal - 3545'
Kirtland - 2505'	Pictured Cliffs – 3550'
Fruitland - 3062'	T. D. - 3745'
Base Coal Interval – 3365'	

TD includes 200' of sump/rathole & COPC will comply with the BLM/OCD's Conditions of Approval for the proposed sump/rathole in this non-producing Pictured Cliffs Formation.

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

Water:	Ojo Alamo - 2402' - 2505'
Oil:	none
Gas:	Fruitland Coal - 3062' - 3545'
Gas & Water:	Fruitland Coal - 3062' - 3545'

8. The proposed casing program is as follows:

   Surface String: 9-5/8", 32.3#, H-40 @ 200' *
   Production String: 5-1/2", 17#, J-55 STC @ 3745'

   * The surface casing will be set at a minimum of 200', but could be set deeper if required to maintain hole stability.

9. Cement Program:
   Surface String: Circulate Cement
   150 sx – 15.8 ppg Class G cement + 2% S001 CaCl2, + 0.25#/sx D029 Cellophane Flakes. Water required – 4.983 gal/sx . Yield – 1.16 cf/sx (174.27 cf.)

9. Cement program: (continued from Page 1) TOC at least 100' inside Surface

Production String: Lead – 493 sx – 11.7 ppg, Class G cement + 3% D079 (Extender) + 0.25#/sx D029 (Cellophane Flakes) + 5#/sx Pheno Seal, + 0.2% D046 Antifoam. Mix water = 15.876 gal/sx. Yield – 2.61 ft3/sx (1287.54 cf)

Tail – 243 sx – 13.5 ppg, 50/50 Class G/POZ + 2% D029 (Bentonite) + 2% S001 (CaCl2) + 0.25#/sx D029 (Cellophane Flakes), + 5#/sx Gilsonite extender, + 2.5#/sx Pheno Seal, # 0.2% D046 Antifoam.) Mix water = 5.182 gal/sx. Yield = 1.27 ft3/sx (308.67 cf

Note: ConocoPhillips Company continually works to improve the cement slurries on our wells. Our Cementing Service Companies are currently trying to improve what we are using now and before we would use a new cement program it would have to have stronger properties than we are currently using.

Centralizer Program:

Surface: Total four (4) - 10' above shoe and top of 2nd, 3rd, & 4th jts.

Production : Total seven (7) - 10' above shoe and top of 1st, 2nd, 4th, 6th, 8th, & 1st jt. into shoe.

Turbulators: Total three (3) - one at 1st jt below Ojo Alamo and next 2 jts up.

The well will be completed by fracture stimulation.

10. The minimum specifications for pressure control equipment which are to be used, a schematic diagram thereof showing sizes, pressure ratings (or) API series and the testing procedure and testing frequency are enclosed within the APD packet.

11. Drilling Mud Prognosis: Surface - spud mud on surface casing.
Production - fresh water w/polymer sweeps. Bentonite as required for viscosity w/LCM for lost circulation.

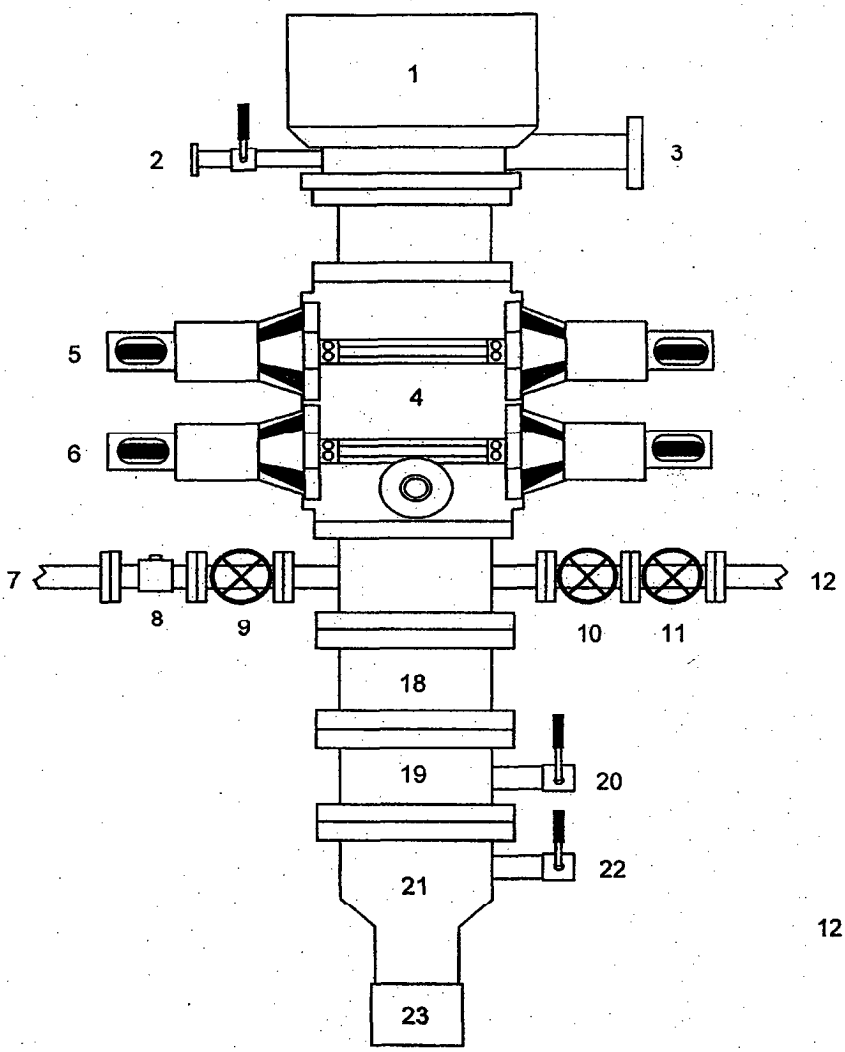
12. The testing, logging, and coring programs are as follows:
D.S.T.s or cores:
Logs: GR/CCL/CBL & GSL over zones of interest

13. Anticipated no abnormal pressures or temperatures to be encountered or any other potential hazards such as Hydrogen Sulfide Gas. Low risk H_2S equipment will be used.

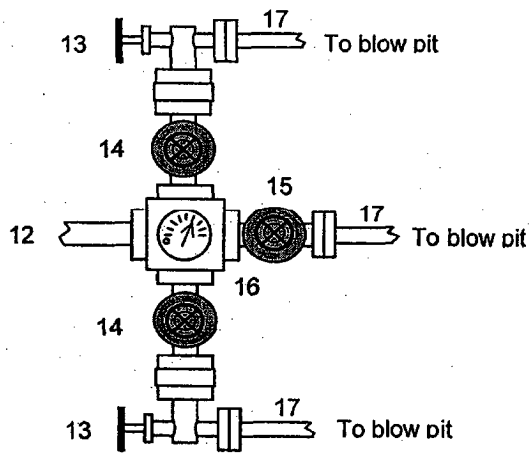
Estimated Bottomhole pressures: Fruitland Coal – 525 psi

14. The anticipated starting date is sometime around September 1, 2003 with duration of drilling/ completion operations for approximately 30 days thereafter.

BLOWOUT PREVENTER HOOKUP



1. Rotating Head
2. Fill-up Line & valve
3. Flowline
4. Blowout Preventer (3000 psi)
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. Choke Line (2")
18. Spacer Spool
19. Casing Spool "B" Section
20. Casing Spool "B" Section 2" Valve
21. Casing Head "A" Section
22. Casing Head "A" Section 2" Valve
23. 9 5/8" Casing Collar



Drilling contractors used in the San Juan Basin suppy 3000 psi equipment, but cannot provide annular preventors because of sub-structure limitations. Maximum anticipated surface pressures for this well will not exceed the working pressure of the proposed BOP system. The above diagram of the BOP system details 2000 psi equipment according to Onshore Order No. 2 even thought the equipment will test to 3000 psi. The 2000 psi system allows deletion of the annular preventor and fulfills your requirements.

In addition to the equipment in the above diagram the following equipment will comprise the BOP system:
1. Upper Kelly cock Valve with handle
2. Stab-in TIW valve for all drillstrings in use

The BOPs will be pressure tested according to Onshore Order #2III, A1 and 30% Safety factor.

San Juan 32-7 Unit #232A
NMSF078996; Unit C, 1170' FNL & 1330' FWL
Section 8, T31N, R7W; San Juan County, NM

Cathodic Protection

ConocoPhillips proposes to drill a cathodic protection deep well groundbed for the subject well. Will drill a 6-7/8" hole to an anticipated minimum depth of 300' (maximum depth of 500'). Cement plugs will not be used unless more than one water zone is encountered. Prior drilling history for the area indicates only one zone to that depth. If more than one water zone is encountered, notification will be made and details of cement and casing will be provided.

All drilling activity will remain on existing well pad and a Farmington based company will be doing the drilling for ConocoPhillips.