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

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

2004 MAY -7 PM 2:50

APPLICATION FOR PERMIT TO DRILL OR REENTER

1a. Type of Work: <input checked="" type="checkbox"/> DRILL <input type="checkbox"/> REENTER		5. Lease Serial No. NMNM 94827
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
2. Name of Operator Redwolf Production, Inc.		7. If Unit or CA Agreement, Name and No.
3a. Address P. O. Box 1915 Farmington, NM 87499		8. Lease Name and Well No. Sandy No. 1S
3b. Phone No. (include area code) (505) 326-4125		9. API Well No. 3004532348
4. Location of Well (Report location clearly and in accordance with any State requirements. *) At surface 1070' FSL, 1145' FWL 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* Twenty miles south east of Farmington, New Mexico		11. Sec., T., R., M., or Blk. and Survey or Area M Sec. 32, T 27 N, R 12 W
15. Distance from proposed* location to nearest property or lease line, ft. (Also to nearest drlg. unit line, if any) 1070'	16. No. of Acres in lease 480	17. Spacing Unit dedicated to this well 320 5/2
18. Distance from proposed location* to nearest well, drilling, completed, applied for, on this lease, ft. 430'	19. Proposed Depth 1353'	20. BLM/BIA Bond No. on file 2048
21. Elevations (Show whether DF, KDB, RT, GL, etc.) 5859' GL	22. Approximate date work will start* As soon as permitted	23. Estimated duration 15 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:

- | | |
|---|--|
| 1. Well plat certified by a registered surveyor. | 4. Bond to cover the operations unless covered by an existing bond on file (see Item 20 above). |
| 2. A Drilling Plan. | 5. Operator certification. |
| 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). | 6. Such other site specific information and/or plans as may be required by the authorized officer. |

25. Signature <i>Dana L. Delventhal</i>	Name (Printed/Typed) Dana L. Delventhal	Date 7-May-04
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Title Vice President		
Approved by (Signature) <i>[Signature]</i>	Name (Printed/Typed)	Date 6/2/06
Title AFM		
Office FFO		

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.

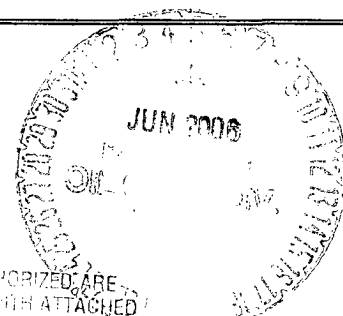
Title 18 U.S.C. Section 1001 and Title 43 U.S.C. Section 1212, make it a crime for any person knowingly and willfully to make to any department or agency of the United States any false, fictitious or fraudulent statements or representations as to any matter within its jurisdiction.

*(Instructions on reverse)

NMOCD

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DRILLING OPERATIONS AUTHORIZED ARE
IN COMPLIANCE WITH ATTACHED
TECHNICAL REQUIREMENTS.



DISTRICT II
1301 W. Grand Avenue, Artesia, N.M. 88210

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

DISTRICT IV
1220 South St. Francis Dr., Santa Fe, NM 87505

OIL CONSERVATION DIVISION
1220 South St. Francis Dr.
Santa Fe, NM 87505

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

☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

*API Number 30-045-32348		*Pool Code 71629	*Pool Name BASIN FRUITLAND COAL
*Property Code 25743	*Property Name SANDY		*Well Number 1S
*OGRID No. 018973	*Operator Name REDWOLF PRODUCTION, INC.		*Elevation 5859'

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
M	32	27-N	12-W		1070'	SOUTH	1145'	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
³³ Dedicated Acres			³⁴ Joint or Infill		³⁵ Consolidation Code		³⁶ Order No.		
320			Y						

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

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SEC. CORNER FD 2 1/2" BC W/ 2" PIPE 1911 GLO		RECEIVED 2004 MAY -7 PM 2:50 070 Farmington, NM		17 OPERATOR CERTIFICATION I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief. Dana L. Delventhal Signature Dana L. Delventhal Printed Name Vice President Title 5/7/04 Date	
N 00-2-00 W 5283.6' (C)		NMNM 94827		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 knowledge and belief. JOHN A. VUKOBICH NEW MEXICO 14831 Date of Survey March 20, 2004 Signature and Seal of Professional Surveyor: 14831 Certificate Number	
1145'		LAT. 36°31'39" N (NAD 83) LONG. 108°08'24" W (NAD 83)		SEC. CORNER FD 2 1/2" BC W/ 2" PIPE 1911 GLO	
CALC. CORNER SINGLE PROP.		N 89-56-27 W 5283.0' (C)			

Drilling Program

1. Formation Tops

The estimated tops of important geologic markers are:

<u>Formation Name</u>	<u>GL Depth</u>	<u>KB Depth</u>	<u>SS Elev.</u>
Fruitland Coal	1129'	1133'	4730'
Pictured Cliffs	1159'	1163'	4700'
Total Depth (TD)	1349'	1353'	4510'

*All elevations reflect the ungraded ground level of 5859'.

2. Notable Zones

Oil and Gas Zones

Fruitland Coal (1133')
Pictured Cliffs (1163')

The primary objective is the Basin Fruitland Coal formation. Completion may require fracturing. The entire wellbore will be cased. Water zones will be protected with casing, cement, and weighted mud. Oil and gas shows will be tested for commercial potential based on the well site geologist's recommendations.

3. Pressure Control

BOP systems will follow Onshore Order No. 2. The drilling contract has not yet been awarded, thus the exact BOP model to be used is not yet known. A typical model is shown on the attached page.

Once out from under the surface casing, a minimum 2000 psi BOP and choke manifold system will be used. BOP controls will be installed before drilling the surface casing plug and used until the well is completed or abandoned.

Pressure tests to 1,500 psi will be conducted with a BOP tester. All BOP mechanical and pressure tests will be recorded on the driller's log. BOPs will be inspected and operated at least daily to assure good mechanical working order. The inspection will be recorded on the daily drilling report.

4. Casing and Cement

<u>Hole Size</u>	<u>OD</u>	<u>Weight (lb/ft)</u>	<u>Grade</u>	<u>Depth</u>
8 3/4"	7"	20.00	J-55	120'
6 1/4"	4 1/2"	10.50	J-55	1353'

Surface casing will be cemented to surface with 50 sx (59 cf) of Class B cement containing 2% CaCl and 1/4 #/sk cello flakes. Production casing will be cemented to surface in one stage using 80 sx (165 cf) of Class B cement containing 2% Sodium Metasilicate and 1/4 #/sk cello flakes followed by 100 sx (118 cf) of Class B cement containing 2% CaCl and 1/4 #/sk cello flakes. The entire wellbore will be cased. Water zones will be protected with casing, cement, and weighted mud.

5. Mud Program

The proposed mud program is:

<u>Depth</u>	<u>Type</u>	<u>ppg</u>	<u>Vis(cp)</u>	<u>F1(cc)</u>
0-120'	Spud mud and Gel Lime	8.8	50	N/A
120'-TD	LSND	9.0	45	10

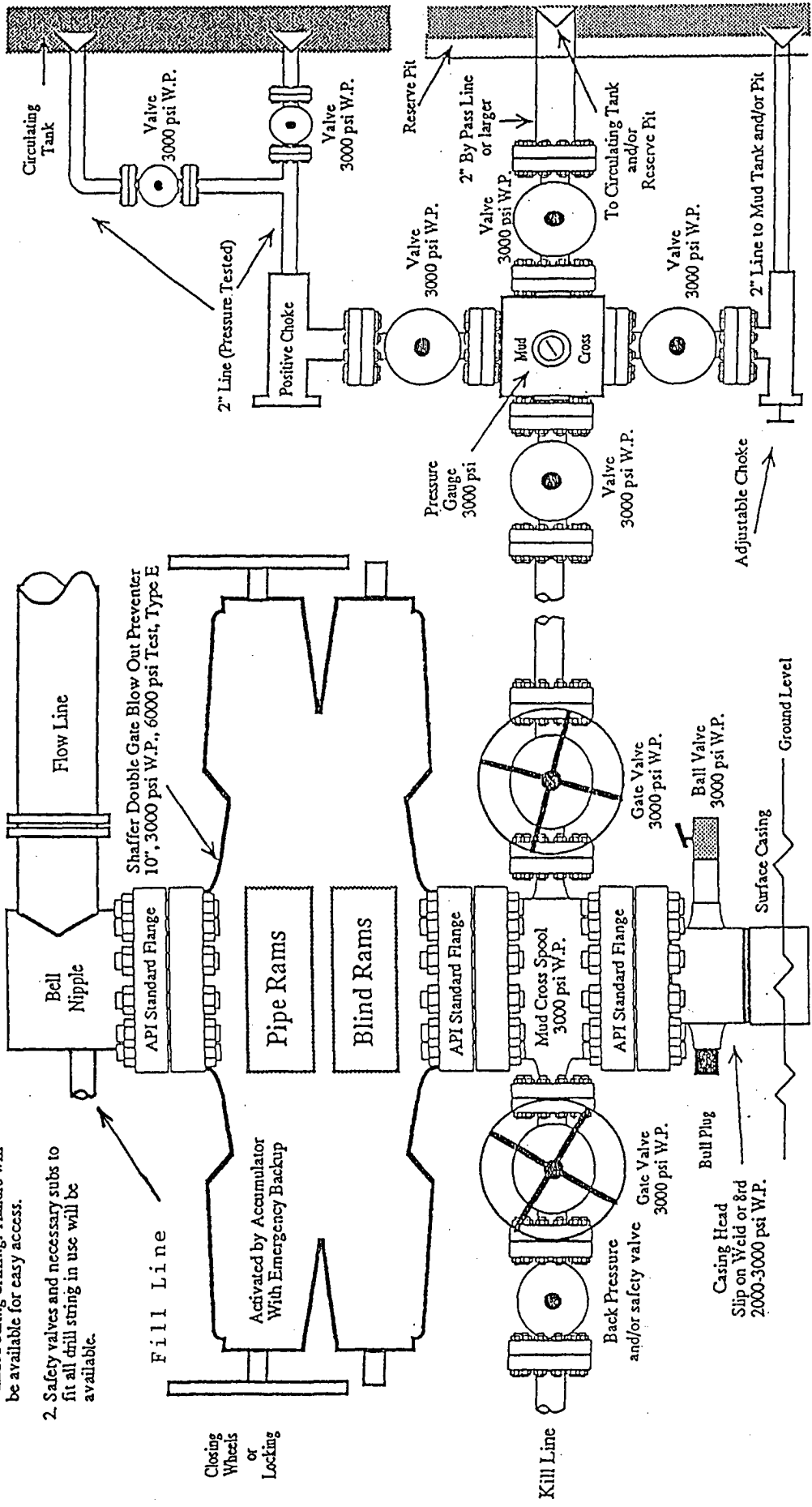
6. Coring, Testing, and Logging

No cores are planned. The following logs are likely to be run:

Dual Induction, Formation Density,
Compensated Neutron, SP, Gamma Ray

Pressure Control Equipment

- Note: 1. An upper Kelly cock valve will be utilized during drilling. Handle will be available for easy access.
2. Safety valves and necessary subs to fit all drill string in use will be available.



Note: This equipment is designed to meet requirements for a 2-M rating standard per 43 CFR part 3160 (amended). Proper operation and testing of equipment will be carried out per standard. 2,000 psi equipment can be substituted in the drawing to meet minimum requirements per standard.

Redwolf Production, Inc.
Sandy No. 1S
SW/4 Sec. 32, T27N, R12W
San Juan County, NM