Form 3160-3
(April 2004)

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

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

APPLICATION FOR PERMIT TO DRILL OR REENTER

5. Lease Serial No. SF 078204

1a. Type of Work [X] DRILL [ ] REENTER

6. If Indian, Allotee or Tribe Name

1b. Type of Well [ ] Oil Well [X] Gas Well [ ] Other [X] Single Zone [ ] Multiple Zone

2006 JUN 15 PM 2 25

7. Unit or CA Agreement Name and No.

2. Name of Operator
Energen Resources Corporation

RECEIVED
070 FARMINGTON NM

8. Lease Name and Well No.
Sunray D #225S

3a. Address
2198 Bloomfield Highway Farmington, New Mexico 87401

3b. Phone No. (include area code)
(505) 325-6800

9. API Well No.
30-045-33799

4. Location of Well (*Report location clearly and in accordance with any State equirements*)*

At surface 1425' fsl, 1455' fel

At proposed prod. zone Lot 10

10. Field and Pool, or Exploratory
Basin Fruitland Coal

11. Sec., T., R., M., or Blk. and Survey or Area
J S21 T30N, R10W

14. Distance in miles and direction from nearest town or post office*
Approximately 7 miles south east of Aztec

12. County or Parish: San Juan

13. State: NM

15. Distance from proposed* location to nearest property or lease line, ft. (Also to nearest drg. unit line, if any)	16. No. of Acres in lease	17. Spacing Unit dedicated to this well
1425'	645.32	320.44 S 1/2
18. Distance from proposed location* to nearest well, drilling, completed, applied for, on this lease, ft.	**19. Proposed Depth**	**20. BLM/BIA Bond No. on file**
Approx. 850'	3075 +/-	
21. Elevations (Show whether DF, KDB, RT, GL, etc.	**22. Approximate date work will start***	**23. Estimated duration**
GL 6307'	10/05/06	14 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.
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
	Nathan Smith	6/12/06

Title: Drilling Engineer

Approved by (Signature)	Name (*Printed/Typed*)	Date
		9/6/06
Title	**Office**	
AFM	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 knowlingly 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)

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

NMOCD

District I
1625 N. French Dr., Hobbs, NM 88240
District II
1301 W. Grand Avenue, Artesia, NM 88210
District III
1000 Rio Brazos Rd., Aztec, NM 87410
District IV
1220 S. St. Francis Dr., Santa Fe, NM 87505

State of New Mexico
Energy, Minerals & Natural Resources Department
OIL CONSERVATION DIVISION
1220 South St. Francis Dr.
Santa Fe, NM 87505

Form C-102
Revised October 12, 2005
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
30-045-33799	71629	Basin Fruitland Coal

[4] Property Code	[5] Property Name	[6] Well Number
21411	SUNRAY D	225S

[7] OGRID No.	[8] Operator Name	[9] Elevation
162928	ENERGEN RESOURCES CORPORATION	6307'

[10] Surface Location

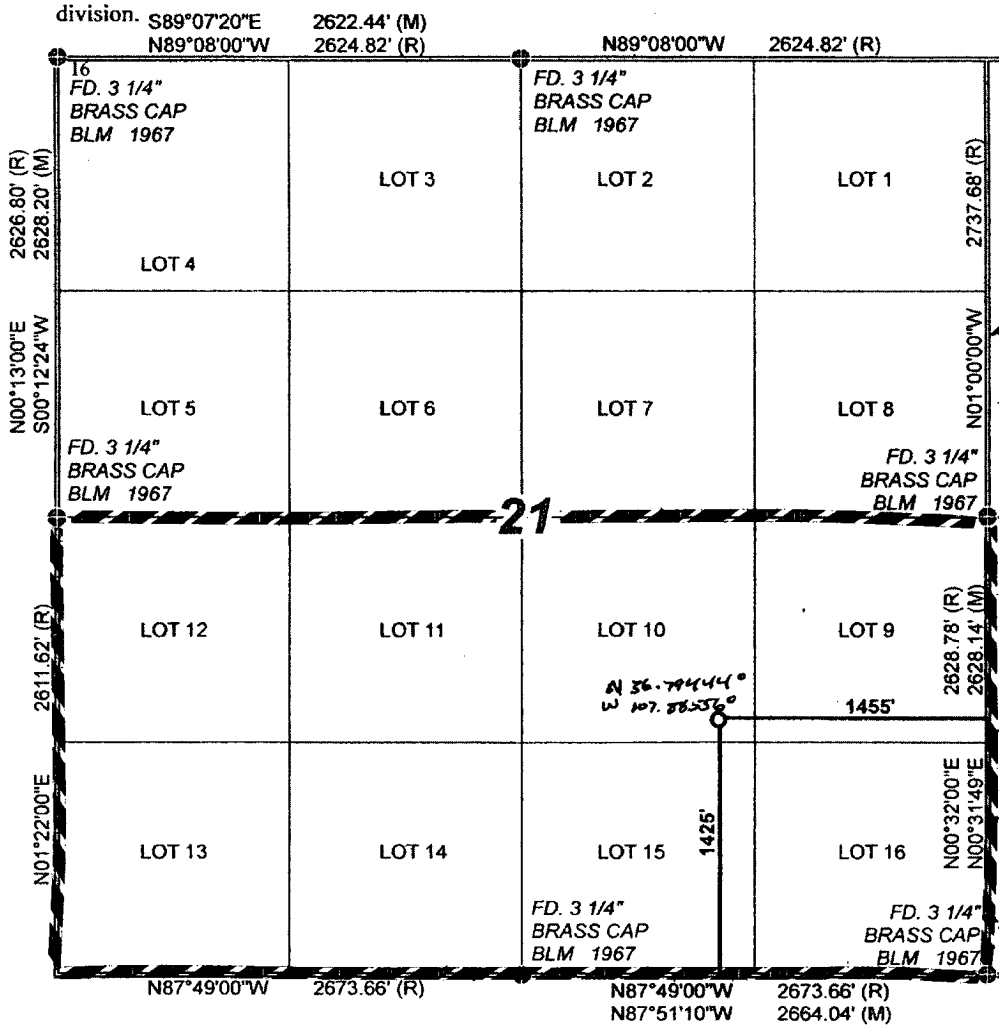
UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
J	21	30N	10W	(10)	1425	SOUTH	1455	EAST	SAN JUAN

[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	[13] Joint or Infill	[14] Consolidation Code	[15] Order No.
S/2 320.44			

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, and that this organization either owns a working interest or unleased mineral interest in the land including the proposed bottom hole location or has a right to drill this well at this location pursuant to a contract with an owner of such a mineral or working interest, or to a voluntary pooling agreement or a compulsory pooling order heretofore entered by the division.

Signature — Date: 6/9/06

Nathan Smith
Printed Name

[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: 6/6/06

Signature and Seal of Professional Surveyor:

DAVID A. JOHNSON
NEW MEXICO
14827
REGISTERED PROFESSIONAL SURVEYOR

NM #14287
Certificate Number

Submit 3 Copies To Appropriate District Office
District I
1625 N. French Dr., Hobbs, NM 87240
District II
1301 W. Grand Ave., Artesia, NM 88210
District III
1000 Rio Brazos Rd., Aztec, NM 87410
District IV
1220 S. St. Francis Dr., Santa Fe, NM 87505

State of New Mexico
Energy, Minerals and Natural Resources

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

Form C-103
May 27, 2004

WELL API NO. 30-045-33799

5. Indicate Type of Lease STATE ☐ FEE ☐

6. State Oil & Gas Lease No.

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.)

7. Lease Name or Unit Agreement Name: Sunray D

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

8. Well Number 225S

2. Name of Operator: Energen Resources Corporation

9. OGRID Number 162928

3. Address of Operator: 2198 Bloomfield Highway, Farmington, NM 87401

10. Pool name or Wildcat: Basin Fruitland Coal

4. Well Location

Unit Letter J : 1425' feet from the South line and 1455' feet from the East line

Section 21 Township 30N Range 10W NMPM County San Juan

11. Elevation *(Show whether DR, RKB, RT, GR, etc.)* 6307' GL

Pit or Below-grade Tank Application ☒ **or Closure** ☐

Pit type Drill **Depth to Groundwater** >100' **Distance from nearest fresh water well** >1000' **Distance from nearest surface water** >250'

Pit Liner Thickness: 12 **mil** **Below-Grade Tank: Volume** _____ **bbls; Construction Material** _____

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

NOTICE OF INTENTION TO:				SUBSEQUENT REPORT OF:			
PERFORM REMEDIAL WORK	☐	PLUG AND ABANDON	☐	REMEDIAL WORK	☐	ALTERING CASING	☐
TEMPORARILY ABANDON	☐	CHANGE PLANS	☐	COMMENCE DRILLING OPNS.	☐	PLUG AND ABANDONMENT	☐
PULL OR ALTER CASING	☐	MULTIPLE COMPLETION	☐	CASING TEST AND CEMENT JOB	☐		
OTHER: Build drilling pit	☒			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.

Energen Resources plans to build a lined pit according to "OCD Pit and Below-grade Tank Guidelines", as issued on November 1,2004. Energen anticipates the submittal of a C-144 for closure of this pit in accordance with BLM and "OCD Pit and Below-grade Tank Guidelines".

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 _____ TITLE Drilling Engineer DATE 06/08/06

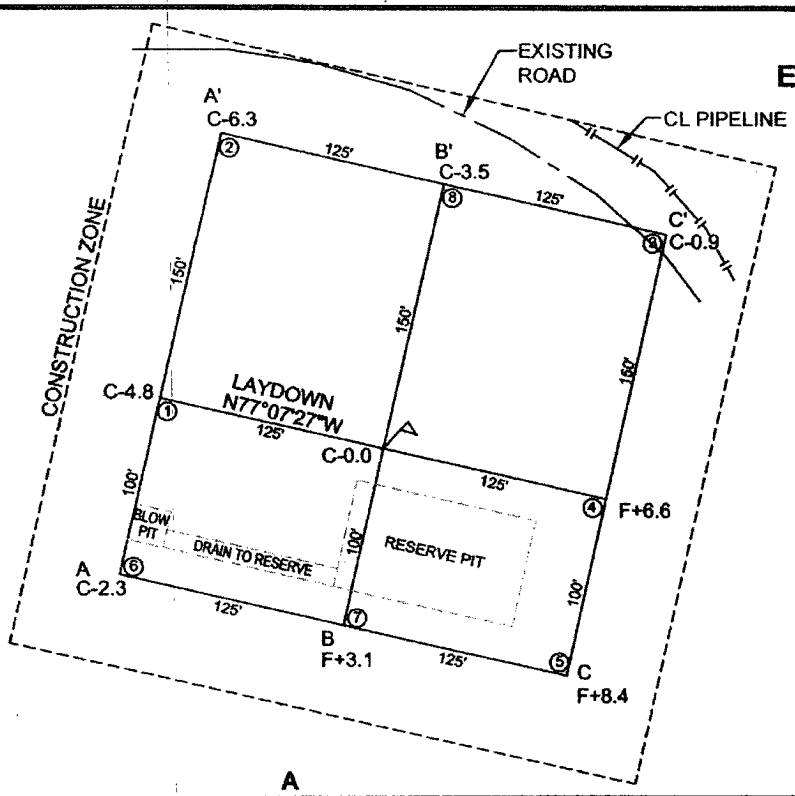
E-mail address: nsmith@energen.com

Type or print name Nathan Smith Telephone No. 505.325.6800

For State Use Only

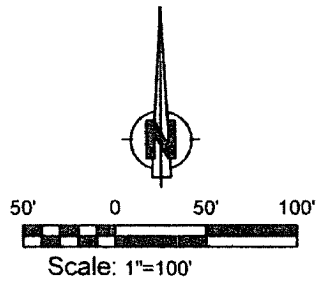
APPROVED BY _____ TITLE DEPUTY OIL & GAS INSPECTOR, DIST. #3 DATE SEP 08 2006

Conditions of Approval, if any:

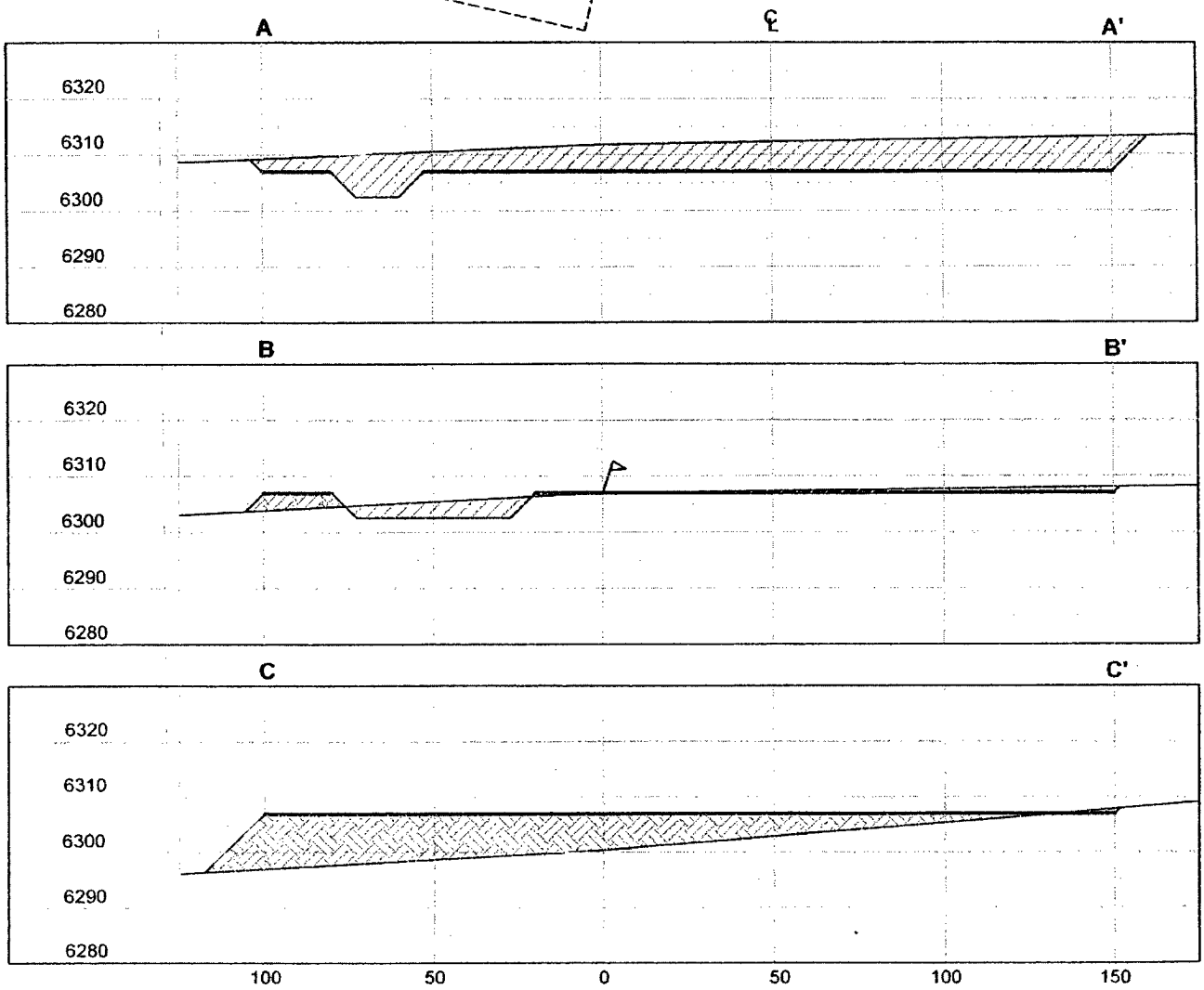


ENERGEN RESOURCES CORPORATION

SUNRAY D 225S
1425' FSL & 1455' FEL
LOCATED IN LOT 10 OF SECTION 21,
T30N, R10W, N.M.P.M.,
SAN JUAN COUNTY, NEW MEXICO
ELEVATION: 6307', NAVD 88



LATITUDE: 36°47'40"N 36.79444°
LONGITUDE: 107°53'08"W 107.88556°
DATUM: NAD 83



HORIZ. SCALE: 1"=50'
VERT. SCALE: 1"=30'

7 miles SE of Aztec
850 ft NW of GW

Red Skies Surveying & Mapping, Inc.
A Native American Owned Company
101 Fauver Lane, Bloomfield, New Mexico 87413
Phone/Fax: (505) 632-8906 Cell No: (505) 793-5325

Operations Plan

June 7, 2006

Sunray D # 225S

General Information

Location	1425' fsl, 1455' fel nwse S21, T30N, R10W San Juan County, New Mexico
Elevations	6307' GL
Total Depth	3069' (MD)
Formation Objective	Basin Fruitland Coal

Formation Tops

Nacimiento	Surface
Ojo Alamo Ss	1615'
Kirtland Sh	1685'
Fruitland Fm	2562'
Top Coal	2690'
Bottom Coal	2889'
Pictured Cliffs Ss	2900'
Total Depth	**3069'**

Drilling

The 12 ¼" wellbore will be drilled with a fresh water mud system.
The 7 7/8" wellbore will be drilled with a low solids fresh water/polymer mud system. Weighting materials will be drill cuttings and if needed barite. Mud density is expected to range from 8.3 ppg to 8.9 ppg.
Blowout Control Specifications:

A 2000 psi minimum double ram or annulus BOP stack (figure 1) will be used following nipple up of casing head. A 2" nominal, 2000 psi minimum choke manifold will also be used. An upper Kelly Cock valve handle and drill string valve should be available to fit each drill string and be available on the rig floor during drilling operations.

Logging Program:

Open hole logs: Induction/Gamma Ray and Density Logs
Coring: None
Surveys: Surface and/or every 500' to TD

Tubulars

Casing, Tubing, & Casing Equipment:

String	Interval	Wellbore	Casing	Csg Wt	Grade
Surface	0'-300'	12 ¼"	8 5/8"	24.0 ppf	J-55 ST&C
Production	300'-3069'	7 7/8"	5 ½"	15.5 ppf	J-55 LT&C
Tubing	0'-3000'		2 3/8"	4.7 ppf	J-55

Casing Equipment:

Surface Casing: Depending on wellbore conditions, a Texas Pattern Guide Shoe on bottom. Casing centralization with standard bow spring centralizers to achieve optimal standoff.

Production Casing: Depending on wellbore conditions, a Cement nose guide shoe with self fill insert float collar on top of bottom joint and casing centralization with standard bow spring centralizers to optimize standoff. Two turbolating centralizers at the base of the Ojo Alamo are recommended.

Wellhead

8 5/8" 2000 x 5 ½" Larkin casing head. 5 ½" 2000 x 2" tubing head.

Cementing

Surface Casing: 225 sks Std (class B) with 2.0 % $CaCl_2$ and ¼ #/sk Flocele (15.6 ppg, 1.18 ft^3/sk 247 ft^3 of slurry, 100% excess to circulate to surface). WOC 12 hours. Pressure test surface casing to 1000 psi for 30 min.

Production Casing: Before cementing, circulate hole at least 1 ½ hole volumes of mud and reduce funnel viscosity to minimum to aide in hole cleanout. Depending on wellbore conditions, cement may consist of 460 sks 65/35 with 6.0 % Bentonite, 2.0 % $CaCl_2$, 10 #/sk Gilsonite, and ½ #/sk Flocele (12.3 ppg, 1.96 ft^3/sk) and a tail of 145 sks of Standard (Class B) cement with 5.0 #/sk Gilsonite, and ¼ #/sk Flocele (15.2ppg, 1.24 ft^3/sk). (1081.6 ft^3 of slurry, 100 % excess to circulate to surface).

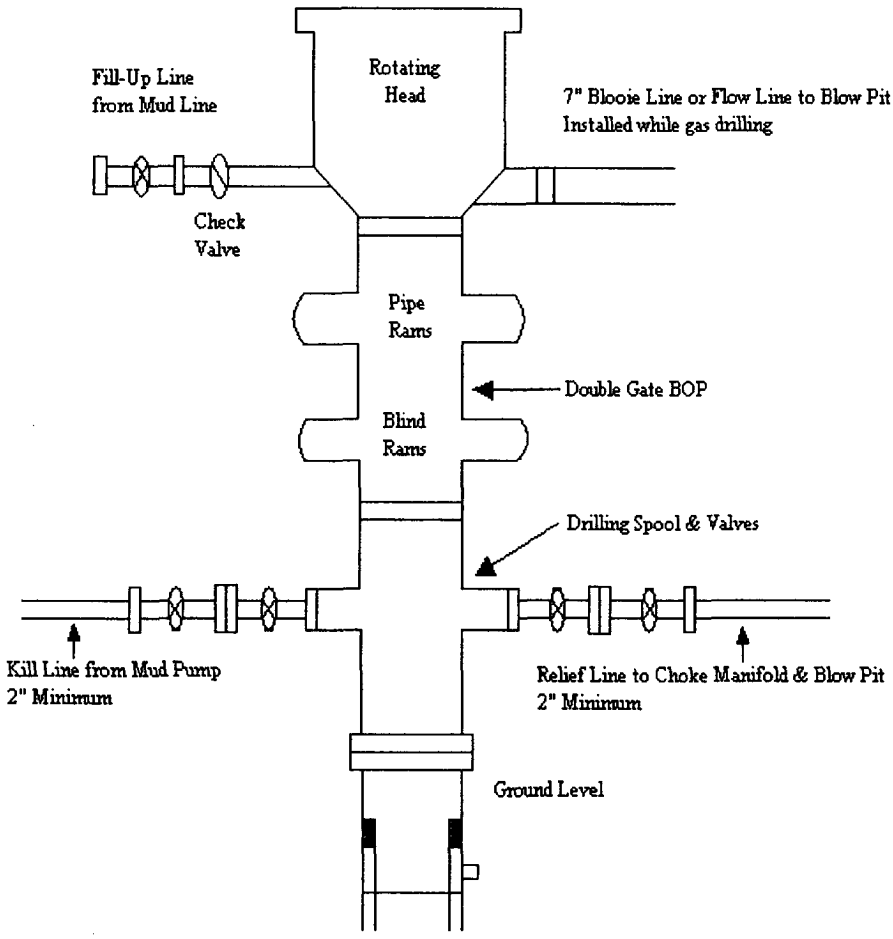
Pump 20 bbls gelled water and 10 bbls fresh water spacer ahead of lead cement.

Other Information

1) This well will be cased and the Basin Fruitland Coal fracture stimulated.
2) If lost circulation is encountered, sufficient LCM will be added to the mud system to maintain well control. The production string may need to be cemented in multiple stages with a slurry design deviated from that listed above.
3) If high reservoir pressures or water flows are encountered slurry design may need to be deviated to from those listed above to satisfy wellbore and formation conditions.
4) No abnormal temperatures or pressures are anticipated.
5) This gas is dedicated.

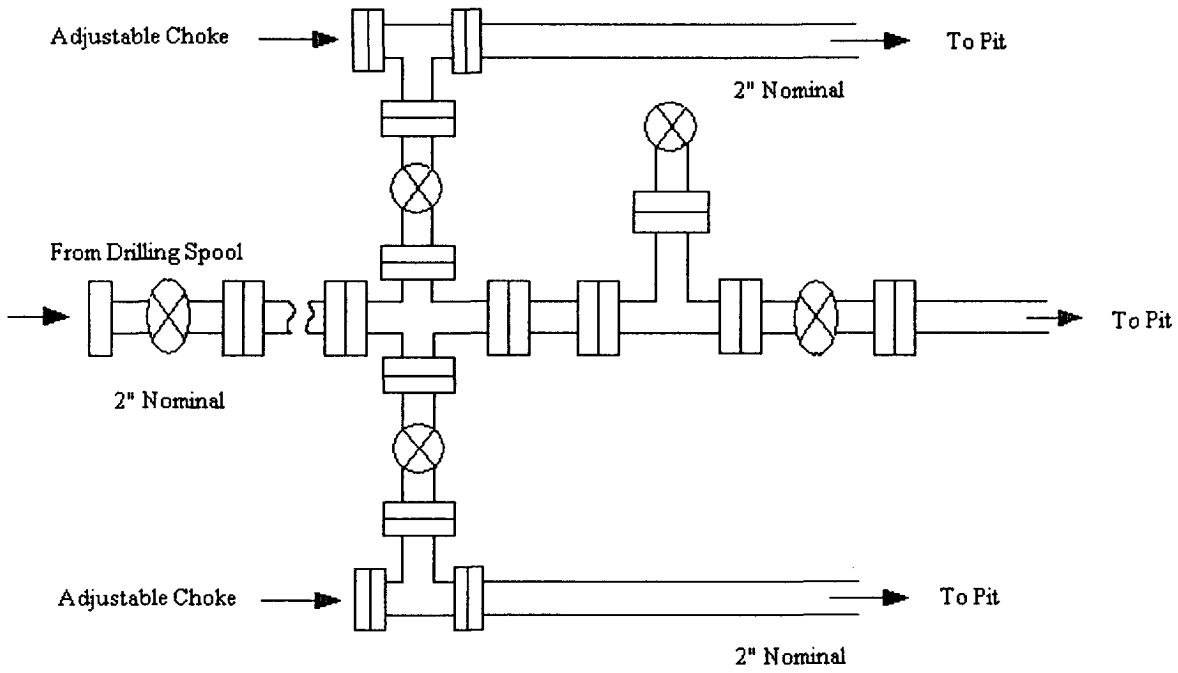
Energen Resources Corporation

Typical BOP Configuration for Gas Drilling



Energen Resources Corporation

Typical 2000 psi Choke Manifold Configuration



Choke manifold installed from surface to TD