UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

APPLICATION FOR PERMIT TO DRILL, DEEPEN, OR PLUG BACK

1a. Type of Work
DRILL

5. Lease Number
NMNM-03402
Unit Reporting Number
NMNM-079424B-FC

1b. Type of Well
GAS

6. If Indian, All. or Tribe

2. Operator
ConocoPhillips

7. Unit Agreement Name
San Juan 32-8 Unit

3. Address & Phone No. of Operator
PO Box 4289, Farmington, NM 87499
(505) 326-9700

8. Farm or Lease Name

9. Well Number
SJ 32-8 Unit #207A

4. Location of Well
Surface - Unit H (SENE), 1825' FNL & 170' FEL,
Est. BH - Unit D (NWNW), 1285' FNL & 660' FWL,
Latitude 36° 81188'N
Longitude 107° 98426'W

10. Field, Pool, Wildcat
Basin Fruitland Coal

11. Sec., Twn, Rge, Mer. (NMPM)
Surf - Sec. 21, T31N, R08W
Est. BH - Sec. 22, T31N, R08W
API # 30-045-33898

14. Distance in Miles from Nearest Town

12. County
San Juan

13. State
NM

15. Distance from Proposed Location to Nearest Property or Lease Line
660'

16. Acres in Lease

17. Acres Assigned to Well
~~MV & DK 314.26 E/2~~
FC 320 W/2

18. Distance from Proposed Location to Nearest Well, Drlg, Compl, or Applied for on this Lease

19. Proposed Depth
3506'

20. Rotary or Cable Tools
Rotary

21. Elevations (DF, FT, GR, Etc.)
6530' GL

22. Approx. Date Work will Start

23. Proposed Casing and Cementing Program
See Operations Plan attached

24. Authorized by: Patsy Clugston
Sr. Regulatory Analyst

8/16/06
Date

PERMIT NO.

APPROVAL DATE

APPROVED BY

TITLE AFM

DATE 9/28/06

NOTE: This format is issued in lieu of U.S. BLM Form 3160-3
Title 18 U.S.C. Section 1001, makes 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 presentations as to any matter within its jurisdiction.

HOLD C104 FOR directional survey + BH survey

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

NMOCD

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

District I
PO Box 1980, Hobbs, NM 88241-1980

District II
PO Drawer DD, Artesia, NM 88211-0719

District III
1000 Rio Brazos Rd., Aztec, NM 87410

District IV
PO Box 2088, Santa Fe, NM 87504-2088

State of New Mexico
Energy, Minerals & Natural Resources Department

OIL CONSERVATION DIVISION
PO 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

☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

1 API Number	2 Pool Code	3 Pool Name
30-045-33898	71629	BASIN FRUITLAND COAL

4 Property Code	5 Property Name	6 Well Number
31330	SAN JUAN 32-8 UNIT	207A

7 OGRID No.	8 Operator Name	9 Elevation
217817	CONOCOPHILLIPS COMPANY	6530'

10 Surface Location

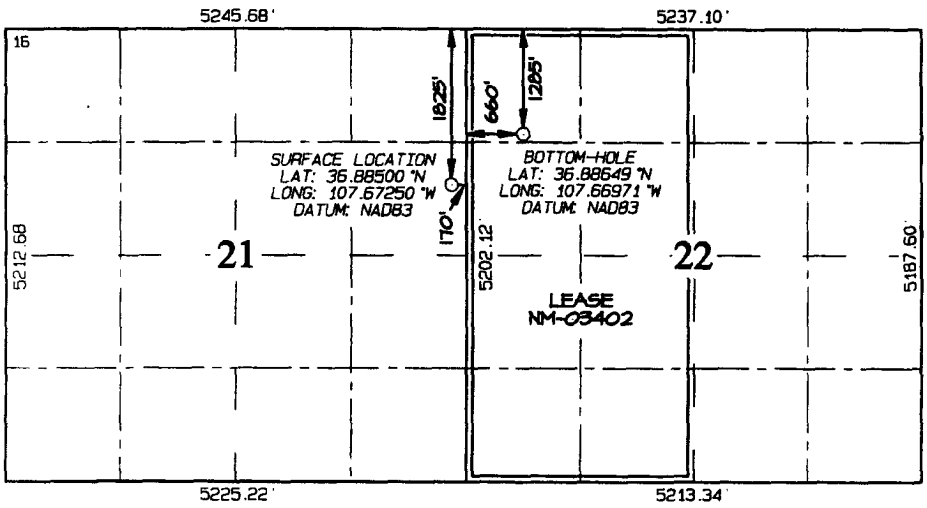
UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
H	21	31N	8W		1825	NORTH	170	EAST	SAN JUAN

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
D	22	31N	8W		1285	NORTH	660	WEST	SAN JUAN

12 Dedicated Acres	13 Joint or Infill	14 Consolidation Code	15 Order No.
320.0 Acres - (W/2)			

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

Signature

Patsy Clugston

Printed Name

Sr Regulatory

Title

8-8-06

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

Date of Survey: MAY 26, 2006

Signature and Seal of Professional Surveyor

JASON C. EDWARDS
NEW MEXICO
15269
REGISTERED PROFESSIONAL SURVEYOR

JASON C. EDWARDS

Certificate Number 15269

Submit 3 Copies To Appropriate District Office
District I
1625 N. French Dr., Hobbs, NM 88240
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- 33898
5. Indicate Type of Lease STATE ☐ FEE ☐
6. State Oil & Gas Lease No. NMNM-03402

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: San Juan 32-8 Unit

1. Type of Well: Oil Well ☐ Gas Well ☒ Other
8. Well Number: #207A

2. Name of Operator: ConocoPhillips Company
9. OGRID Number: 217817

3. Address of Operator: 3401 E. 30TH STREET, FARMINGTON, NM 87402
10. Pool name or Wildcat: Basin Fruitland Coal

4. Well Location
Unit Letter H : 1825' feet from the North line and 170 feet from the East line
Section 21 Township 31N Rng 8W NMPM County San Juan

11. Elevation *(Show whether DR, RKB, RT, GR, etc.)* 6530' GL

Pit or Below-grade Tank Application ☐ or Closure ☐

Pit type New Drill Depth to Groundwater >100' Distance from nearest fresh water well >1000' Distance from nearest surface water >1000'
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.	☐	P AND A	☐
PULL OR ALTER CASING	☐	MULTIPLE COMPL	☐	CASING/CEMENT JOB	☐		
OTHER:		New Drill	☒	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 are constructing Drilling and workover pits as per our General plan on file with the OCD dated June 2005 and we are closing all pits as per the November 1, 2004 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 Patsy Clugston TITLE Sr. Regulatory Specialist DATE 8/8/2006

Type or print name Patsy Clugston E-mail address: plclugston@br-inc.com Telephone No. 505-326-9518

For State Use Only

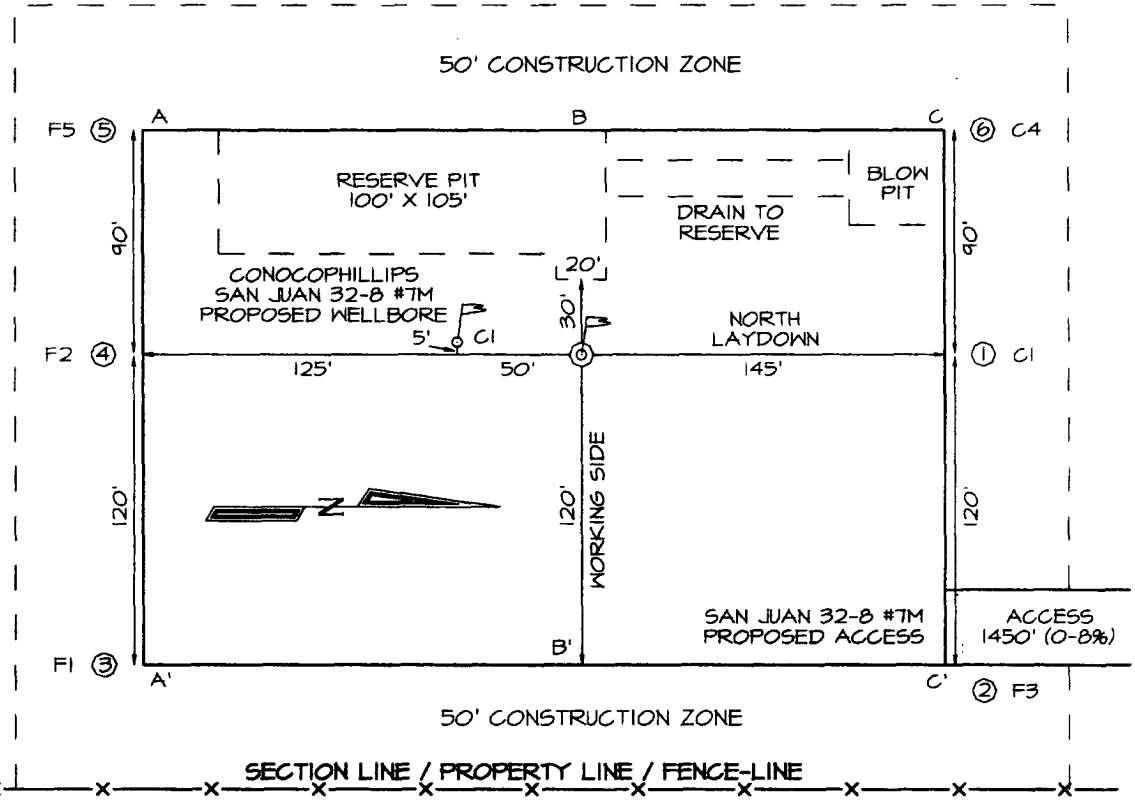
APPPROVED BY _____ TITLE DEPUTY OIL & GAS INSPECTOR, DIST. #3 DATE SEP 28 2006

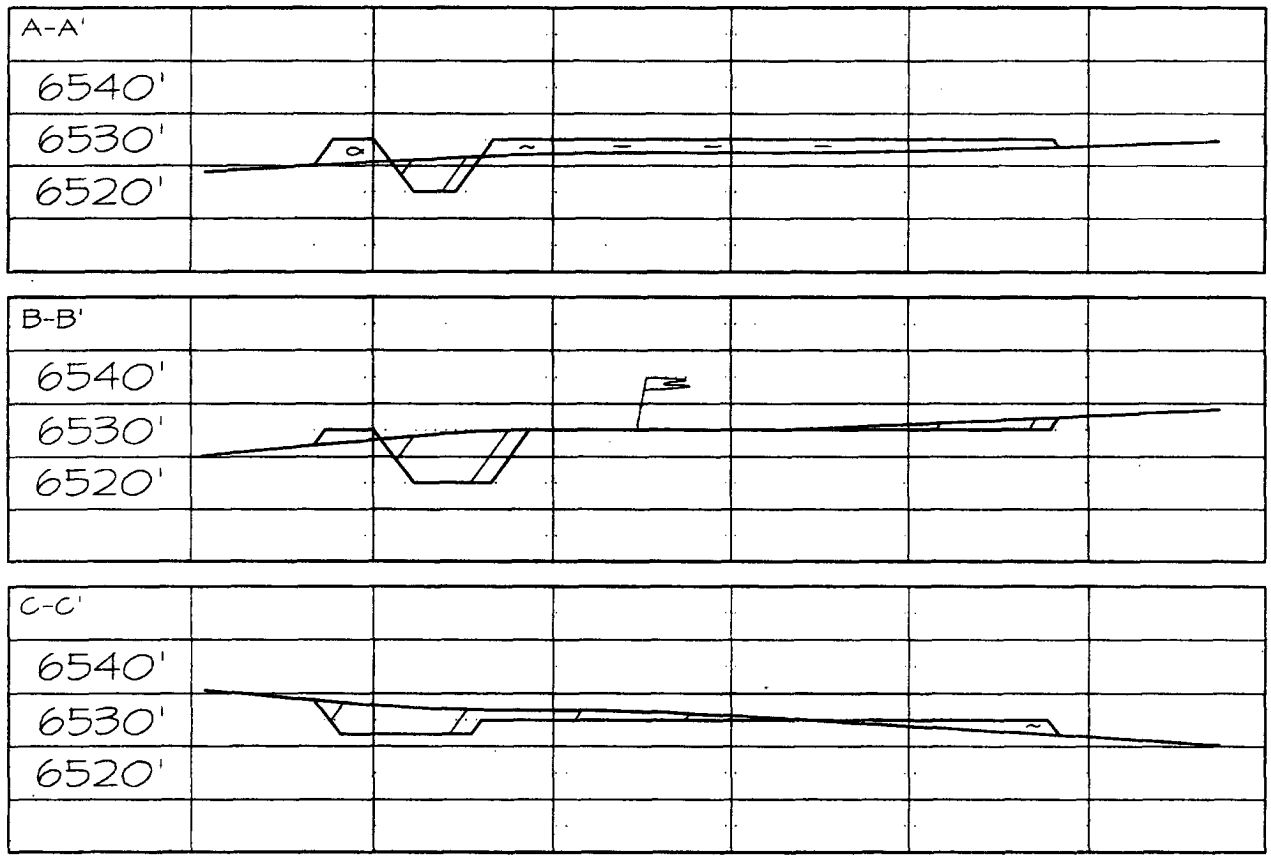
Conditions of Approval (if any):

CONOCOPHILLIPS COMPANY SAN JUAN 32-8 UNIT #207A
1825' FNL & 170' FEL, SECTION 21, T31N, R8W, NMPM
SAN JUAN COUNTY, NEW MEXICO ELEVATION: 6530'

LATITUDE: 36.88500° N
LONGITUDE: 107.67250° W
DATUM: NAD1983

PLAT NOTE:
SURFACE OWNER FEE: Marcella and Diolinda Jaquez





FILENAME: 31821T2	SHEET 2 OF 6	NCE SURVEYS, INC.	DRAWN BY: EDO	CHECKED BY: JCE

ConocoPhillips

San Juan Business Unit

PROJECT PROPOSAL - New Drill / Sidetrack

SAN JUAN 32-8 207A

Lease:	AFE #: WAN.CBM.5116			AFE $:
Field Name: 32-8	Rig: Patterson Rig 749	State: NM	County: SAN JUAN	API #:
Geoscientist: Glaser, Terry J	Phone: (832)486-2332	Prod. Engineer: Limb, H G		Phone: 1-832-486-2427
Res. Engineer: Peterson, Brad T	Phone: 486-2055	Proj. Field Lead:		Phone:

Primary Objective (Zones):

Zone	Zone Name
JCV	BASIN FRUITLAND COAL (GAS)

Location: Surface	Datum Code: NAD 27				**Deviated**
Latitude: 36.885000	Longitude: -107.672500	X:	Y:	Section: 21	Range: 8W
Footage X: 170 FEL	Footage Y: 1825 FNL	Elevation: 6530 (FT)	Township: 31N		
Tolerance:					
Location: Bottom Hole	Datum Code: NAD 27				**Deviated**
Latitude: 36.886489	Longitude: -107.669191	X:	Y:	Section: 22	Range: 8W
Footage X: 660 FWL	Footage Y: 1285 FNL	Elevation: (FT)	Township: 31N		
Tolerance:					

Location Type: Summer Only | Start Date (Est.): | Completion Date: | Date In Operation:

Formation Data: Assume KB = 6546 Units = FT

Formation Call & Casing Points	Depth (TVD in Ft)	SS (Ft)	Depletion (Yes/No)	BHP (PSIG)	BHT	Remarks
SAN JOSE	16	6530	☐			
Surface Casing	216	6330	☐			12-1/4 hole. 9 5/8" 32.3 ppf, H-40, STC casing. Circulate cement to surface.
NCMT	671	5875	☐			
OJAM	2206	4340	☐			Possible water flows.
KRLD	2316	4230	☐			
FRLD	3046	3500	☐			Possible gas.
Intermediate Casing	3146	3400	☐			8 3/4" Hole. 7" ~~23~~ 20 ppf, J-55, ~~LTC~~ STC Casing. Special Drift to 6.25". Circulate cement to surface.
TOP COAL	3176	3370	☐			uncemented 6 1/4" liner
BASE LOWEST COAL	3426	3120	☐			
PCCF	3436	3110	☐			
Total Depth	3506	3040	☐			

Reference Wells:

Reference Type	Well Name	Comments
Intermediate	32-8 #207	
Intermediate	32-8 #236A	
Intermediate	32-8 #228A	
Intermediate	Hale #2R	
Intermediate	32-8 #238A	

Logging Program:

Intermediate Logs: ☐ Log only if show ☐ GR/ILD ☐ Triple Combo

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ConocoPhillips

San Juan Business Unit

PROJECT PROPOSAL - New Drill / Sidetrack

SAN JUAN 32-8 207A

TD Logs: ☐ Triple Combo ☐ Dipmeter ☐ RFT ☐ Sonic ☐ VSP ☐ TDT

Additional Information:

Log Type	Stage	From (Ft)	To (Ft)	Tool Type/Name	Remarks

Comments: Location/Tops/Logging - HPA No PCCF PA or gas pool.

Zones - HPA

Drill and complete Fruitland coal well.
Obtain mudlog from intermediate casing to TD.

General/Work Description - Provide funds to drill and complete the Fruitland Coal formation in the San Juan 32-8 # 207A. The well will be drilled deviated from the NE1/4 of section 21, 31N and R8W to a bottom-hole location in the NW 1/4 of Section 22, T31N,R8W, Basin Fruitland Coal Field, San Juan County, New Mexico.

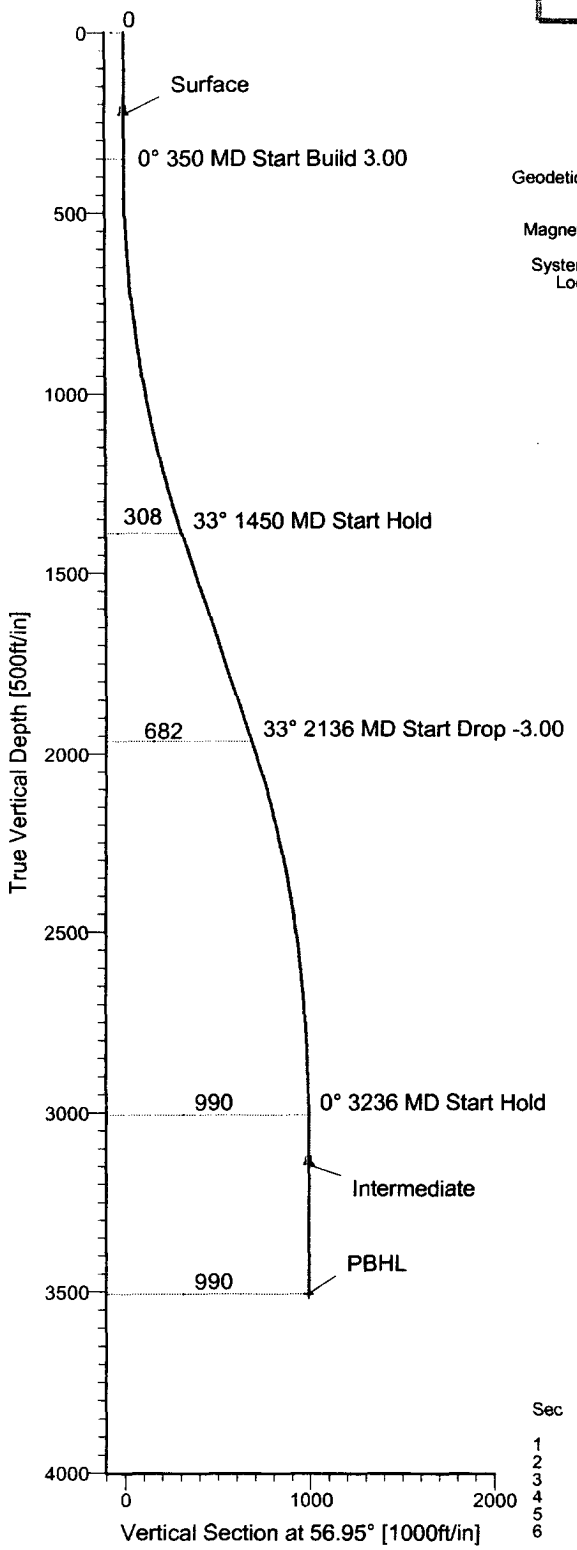
ConocoPhillips

ConocoPhillips

Field: San Juan County, NM
Site: San Juan32-8 # 207A
Well: Well # 207A
Wellpath: Original Hole
Plan: Plan #1

Azimuths to Grid North
True North: -0.06°
Magnetic North: 10.43°

Magnetic Field
Strength: 51356nT
Dip Angle: 63.69°
Date: 8/1/2006
Model: igrf2005



FIELD DETAILS

San Juan County, NM
New Mexico
USA

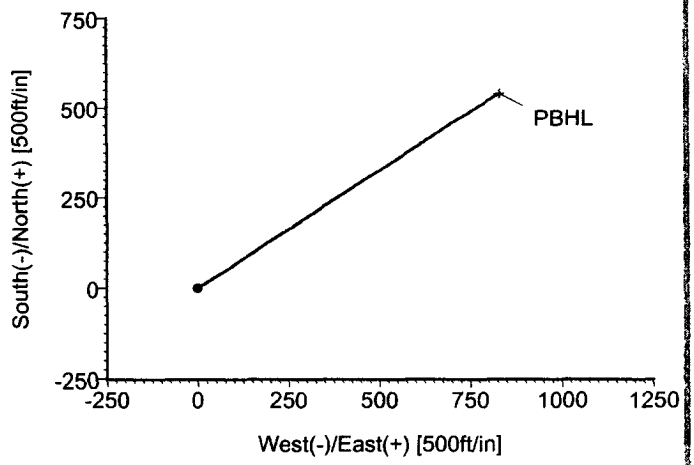
Geodetic System: US State Plane Coordinate System 1927
Ellipsoid: NAD27 (Clarke 1866)
Zone: New Mexico, Western Zone
Magnetic Model: igrf2005

System Datum: Mean Sea Level
Local North: Grid North

SITE DETAILS

San Juan32-8 # 207A
Sec 21-T31N-R8W

Water Depth: 0.00
Positional Uncertainty: 0.00
Convergence: 0.00



TARGET DETAILS

Name	TVD	+N/-S	+E/-W	Northing	Easting	Shape
PBHL	3506.00	540.00	830.00	0.00	0.00	Point

WELLPATH DETAILS

Original Hole

Rig:
Ref. Datum: SITE 0.00ft

V.Section Angle	Origin +N/-S	Origin +E/-W	Starting From TVD
56.95°	0.00	0.00	3506.00

CASING DETAILS

No.	TVD	MD	Name	Size
1	230.00	230.00	Surface	9.625
2	3146.00	3376.44	Intermediate	7.000

SECTION DETAILS

Sec	MD	Inc	Azi	TVD	+N/-S	+E/-W	DLeg	TFace	VSec	Target
1	0.00	0.00	56.95	0.00	0.00	0.00	0.00	0.00	0.00	
2	350.00	0.00	56.95	350.00	0.00	0.00	0.00	0.00	0.00	
3	1450.35	33.01	56.95	1390.48	168.13	258.43	3.00	56.95	308.31	
4	2136.10	33.01	56.95	1965.52	371.87	571.57	0.00	0.00	681.90	
5	3236.44	0.00	56.95	3006.00	540.00	830.00	3.00	180.00	990.20	
6	3736.44	0.00	56.95	3506.00	540.00	830.00	0.00	0.00	990.20	PBHL

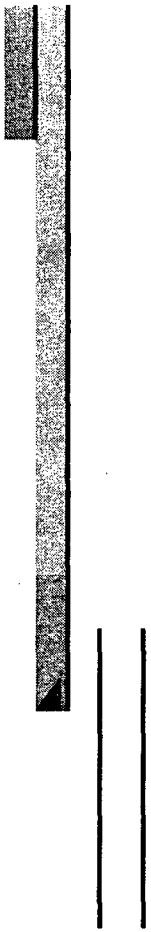
Ryan Energy Technology
19510 Oil Center Blvd
Houston, TX 77073
Ph: 281-443-1414
Fx: 281-443-1676

Ryan The leader in UNDERGROUND INTELLIGENCE™

Plan: Plan #1 (Well # 207A/Original Hole)
Created By: Alexis Gonzalez Date: 8/1/2006
Checked: _____ Date: _____
Reviewed: _____ Date: _____
Approved: _____ Date: _____

San Juan 32-8 #207A

APD Cement Calculations **Directional Well**



HOLE:	12.25 "
CSG OD:	9.625 "
CSG ID:	9.001 "
WGT:	32.3 ppf
GRADE:	H-40
EXCESS:	125 %
DEPTH:	**235** '

HOLE:	8.75 "
CSG OD:	7 "
CSG ID:	6.456 "
WGT:	20 ppf
GRADE:	J-55
EXCESS:	160 %
TAIL:	300 '
DEPTH:	**3377** '

DEPTH:	**3738** '

SURFACE:

Option 1

148 sx	Comp. Strength		
30.8 bbls	6 hrs	250	psi
172.9 cuft	8 hrs	500	psi
1.17 ft^3/sx			psi
15.8 ppg			
4.973 gal/sx			

Class G Cement
+ 3% S001 Calcium Chloride
+ 0.25 lb/sx D029 Cellophane Flakes

Option 2

143 sx	Comp. Strength		
30.8 bbls	6 hrs	250	psi
172.9 cuft	8 hrs	500	psi
1.21 ft^3/sx			
15.6 ppg			
5.29 gal/sx			

Standard Cement
+ 3% Calcium Chloride
+ 0.25 lb/sx Flocele

INTERMEDIATE LEAD:

Option 1

441 sx	Comp. Strength		
205.2 bbls	2:37	50	psi
1152.3 cuft	40 hrs	500	psi
2.61 ft^3/sx			
11.7 ppg			
15.876 gal/sx			

Class G Cement
+ 0.25 lb/sx D029 Cellophane Flakes
+ 3% D079 Extender
+ 0.20% D046 Antifoam

Option 2

396 sx	Comp. Strength		
205.2 bbls	12 hrs	306	psi
1152.3 cuft	24 hrs	433	psi
2.91 ft^3/sx	48 hrs	531	psi
11.5 ppg			
16.88 gal/sx			

Standard Cement
+ 3% Econolite (Extender)
+ 0.25 lb/sx Flocele
+ 10 lb/sx Gilsonite

INTERMEDIATE TAIL:

Option 1

100 sx	Comp. Strength		
22.6 bbls	24 hrs	908	psi
126.9 cuft	48 hrs	1950	psi
1.27 ft^3/sx			
13.5 ppg			
5.182 gal/sx			

50/50 Poz: Class G Cement
+ 0.25 lb/sx D029 Cellophane Flakes
+ 2% S001 Calcium Chloride
+ 2% D020 Bentonite
+ 5.0 lb/sx D024 Gilsonite Extender
+ 0.2% D046 Antifoamer

Option 2

95 sx	Comp. Strength		
22.6 bbls	3:50	500	psi
126.9 cuft	12 hrs	1281	psi
1.33 ft^3/sx	24hrs	1950	psi
13.5 ppg			
5.36 gal/sx			

50/50 Poz: Standard Cement
+ 2% Bentonite
+ 0.25 lb/sx Flocele
+ 5.0 lb/sx Gilsonite
+ 2% Calcium Chloride

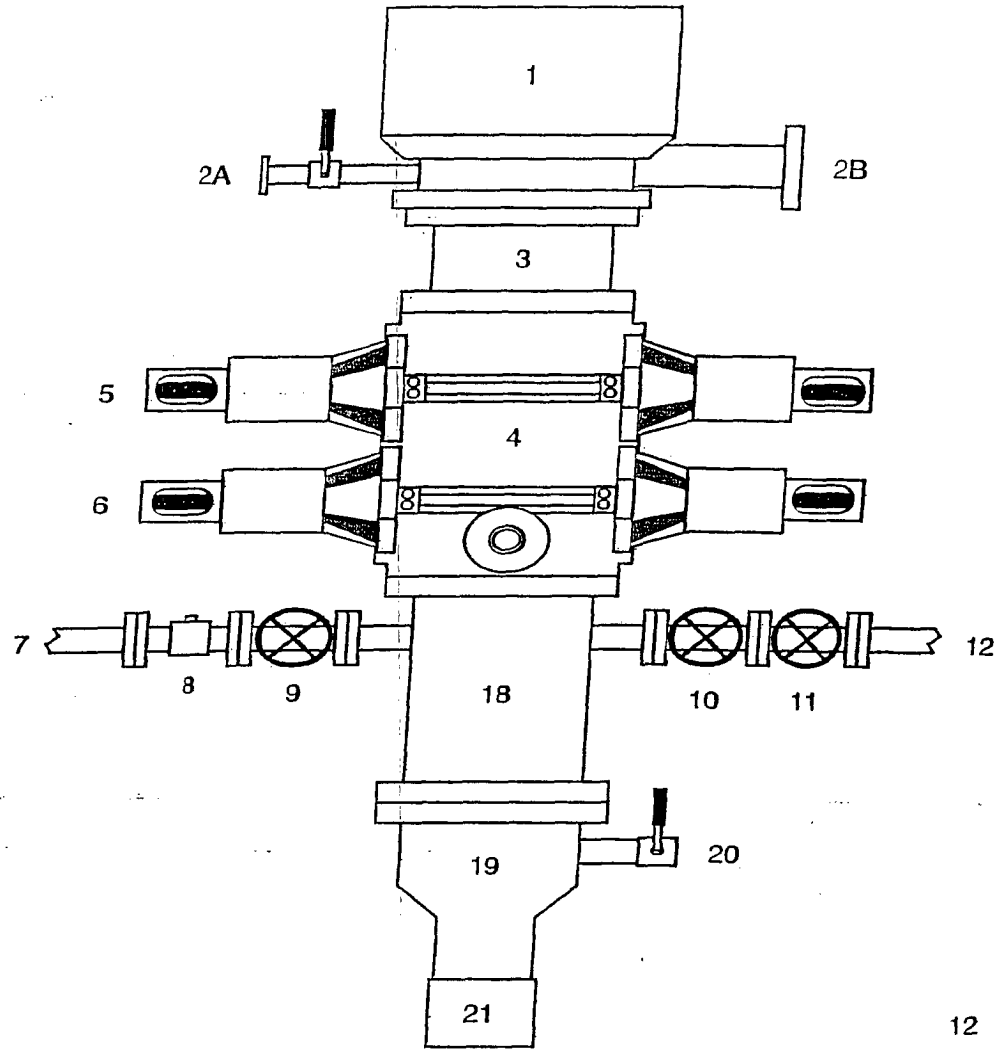
San Juan 32-8 #207A

TVD - MD Formation Tops

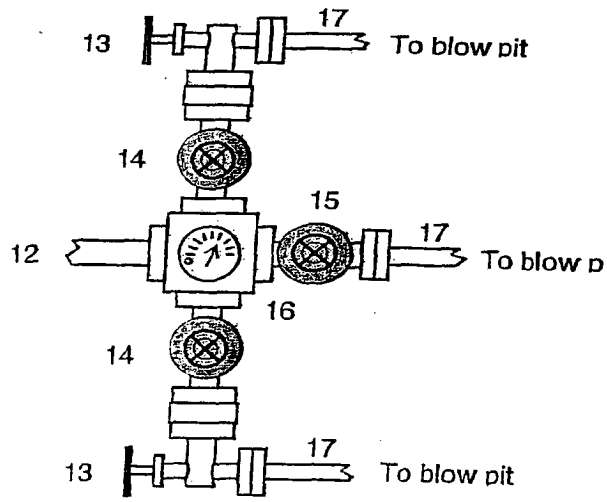
Formation	TVD	MD
San Jose	13	13
Surface Casing	216	213
NCMT	671	672.62
OJAM	2206	2410.87
KRLD	2316	2530.27
FRLD	3046	3276.44
Intermediate Casing	3146	3377.00
TOP COAL	3176	3406.44
Base Lowest Coal	3426	3656.44
PCCF	3436	3666.44
Total Depth	3506	3737.00

BLOWOUT PREVENTER ARRANGEMENT & PROGRAM

For Drilling to Intermediate Casing Point & Setting 7" Intermediate Casing



1. Rotating Head
2A. Fill-up Line & valve
2B. Flowline
3. Spacer Spool
4. Double Ram BOP (11", 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. Mud Cross Spacer Spool
19. Casing Head "A" Section
20. Casing Head "A" Section 2" Valve
21. 9 5/8" Casing Collar

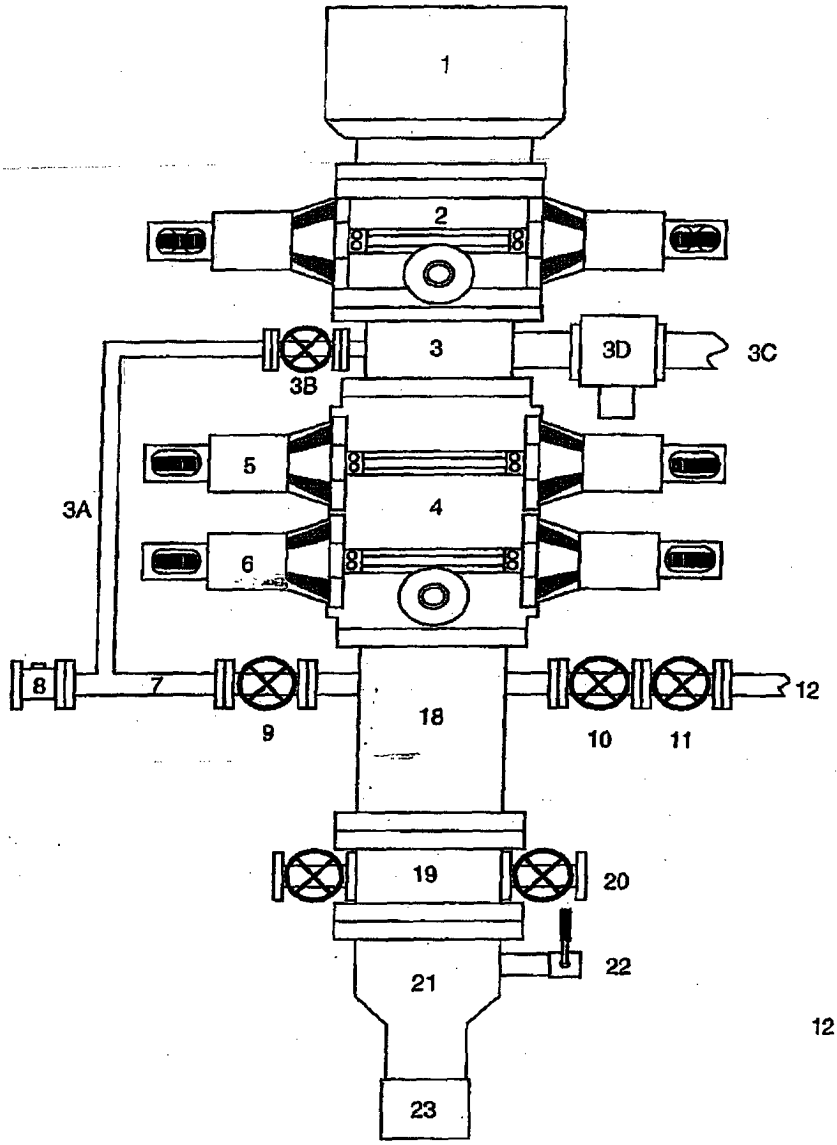


\ 12-1/4" hole will be drilled to approximately 220' and the 9-5/8" surface casing will be run and cemented. The Casing Head A" Section will be screwed onto the 9-5/8" surface casing stub. The BOP will be installed on the Casing Head "A" Section. A est plug will be set in the wellhead and the pipe rams and choke manifold will be tested to 200 psi to 300 psi (low pressure est) for 10 minutes and to 1000 psi (high pressure test) for 10 minutes. Then the test plug will be removed, and the 9-5/8" asing will be pressure tested against closed blind rams to 200 psi to 300 psi for 10 minutes and to 1000 psi for 30 inutes (this value is one 44% of the minimum internal yield pressure of the 9-5/8" casing). (Note: per regulatory equirements we will wait on cement at least 8 hrs after placement before testing the 9-5/8" surface casing). Then an 8-3/4" ole will be drilled to intermediate casing point and 7" intermediate casing will be run and cemented.

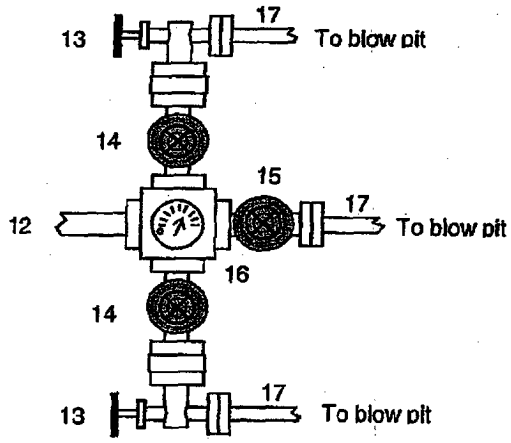
addition to the equipment in the above diagram the following equipment will comprise the BOP system:

BLOWOUT PREVENTER ARRANGEMENT & PROGRAM

For Cavitation Program



1. Stripping Head
2. Single Ram BOP (7-1/16", 3M)
3. Mud Cross
3A. Equalizing Line (2")
3B. Wing Valve (2-1/16", 3M)
3C. Blooie Line (2 ea, 5" OD)
3D. HCR Valve (1 ea per line, 4-1/16")
4. Double Ram BOP (7-1/16", 3M)
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. Vent Line (2")
18. Spacer Spool
19. Tubing Head
20. Tubing Head Valves (2- 9/16")
21. Casing Head "A" Section
22. Casing Head "A" Section 2" Valve
23. 9-5/8" Casing Collar



This BOP arrangement and test program is for the cavitation program. The BOP will be installed on the tubing head. The 7" casing will be pressure tested against closed blind rams to 200 psi to 300 psi for 10 minutes and to 1800 psi for 30 minutes - this test pressure is 48% of the minimum internal yield strength of 3740 psi for the 7", 20#, J-55, STC casing. The pipe rams and choke manifold will be tested to 200 psi to 300 psi (low pressure test) for 10 minutes and to 1800 psi (high pressure test) for 10 minutes - This test will be done with a test plug or possibly without a test plug (ie against casing). If we conduct this test without a test plug we will ensure that we have sufficient drillstring weight in the hole to exceed the upward force generated by the test.

We use a power swivel and air/mist to drill the 6-1/4" hole in our cavitation program. We do not use a kelly. In addition to the equipment in the above diagram the following equipment will comprise the BOP system:

1. String floats will be used inside the drillpipe
2. Stab-in TIW valve for all drillstrings in use
3. Each blooie line is equipped with a hydraulically controlled valve (HCR valve).

Revision Date: September 1, 2004