

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

RECEIVED

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

APPLICATION FOR PERMIT TO DRILL OR REENTER

5. Lease Designation and Serial No.

SF 078481-A

6. If Indian, Allottee or Tribe Name

7. If Unit or CA, Agreement, Name and No.

33274

8. Lease Name and Well No.

GRAHAM 4716

9. API Well No.

3004531999

10. Field and Pool, or Exploratory

Blanco MV & Basin DK

11. Sec., T., R., M., or Blk. and Survey or Area

Sec 04, T-27-N, R-08-W

12. County or Parish,

San Juan

13. State

New Mexico

1a. Type of Work



DRILL



REENTER

1b. Type of Well:



Oil Well



Gas Well



Other



Single Zone



Multiple Zone

2. Name of Operator

M&G Drilling Company Inc.

NM OGRID # 141852

3a. Address

PO Box 2406
Farmington, NM 87499

3b. Phone Number

(505) 325-5449

4. Location of Well (Footage, Sec, T. R., M., or Survey Description)

At surface: Unit Letter P, 790' FSL, 680' FEL

At proposed prod. Zone: Unit Letter J, 1980' FSL, 1980' FEL

14. Distance in miles and direction from nearest town or post office*

13 Miles South of Blanco

15. Distance from proposed*

location to nearest 790' Feet from South Line
property or lease line, ft.

(Also to nearest drlg. Unit line, if any)

16. No of Acres in lease

320 Acres

17. Spacing Unit dedicated to this well

320 Acres E/2

18. Distance from proposed*

location to nearest 675' Feet from East Line
property or lease line, ft.

19. Proposed Depth

6976' MDTD
6736' TVDTD

20. BLM/BIA Bond No. on file

21. Elevation (Show whether DF, KDB, RT, GL, etc.)

5959' Ground Level

22. Approximate date work will start*

2/16/2004

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:

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

Size of Hole	Grade, Size of Casing	Weight per Foot	Setting Depth	Quantity of Cement
12-1/4"	9-5/8" K-55	36 #	280'	126 Sxs, 175 ft3 - 100% Excess
8-3/4"	7" K-55	20#	2620'	283 Sxs, 551 ft3 - 40% Excess
6-1/4"	4-1/2" N-80	11.6#	6976'	241 Sxs, 587 ft3 - 25% Excess

SEE ATTACHED APD INFORMATION

Latitude: 36 Deg, 36 Min, 33 Sec N
Longitude: 107 Deg, 41 Min, 19 Sec W

25. Signature

Mike Pippin

Name(Printed/Typed)

Mike Pippin

Date

11/10/03

Title

Petroleum Engineer

Approved by (Signature)

David J. Mankiewicz

Name(Printed/Typed)

Date

JAN - 6 2004

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.

*(Instructions on reverse)

This action is subject to technical and
per. 31.101 review pursuant to 43 CFR 3165.2
and appeal pursuant to 43 CFR 3165.4

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

NMOC

HOLD C104 FOR

Directional Survey

16	N 89° 32' W	40.04m	N 89° 29' W	28.25m	17	OPERATOR CERTIFICATION I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief. Signature: <u>Mike Pippin</u> Printed Name: <u>MIKE PIPPIN</u> Title: <u>PETR. ENGR.</u> Date: <u>11/14/03</u>	
20.12	20.62	21.25m	20.62	21.25m	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: <u>26 Nov 2003</u> Signature: <u>William E. Mahunke II</u> Printed Name: <u>William E. Mahunke II</u> Certificate Number: <u>8466</u>	
(20.12)	(20.62)	(21.25m)	(20.62)	(21.25m)			
21.25m	20.62	21.25m	20.62	21.25m	Sec. <u>4</u> BOTTOM HOLE 1980' LAT. 36.59081° N LONG. 107.67994° W SURFACE 790' N 89° 03' W 78.95m		

M&G Drilling Company Inc.
Graham #4-16 MV/DK
790' FSL, 680' FEL
Sec. 4 T27N R08W
San Juan County, NM

Drilling Program

1. **ESTIMATED FORMATION TOPS (KB)**

(Assumed 1700' deviation at TD, 14 degrees average over depth of well)

<u>Formation Name</u>	<u>Depth (TVD)</u>	<u>Depth (Subsea)</u>	<u>Depth (MD)</u>
Nacimeinto	Surface		
Ojo Alamo	1827'	4642'	1368'
Kirtland	1377'	4592'	1420'
Fruitland	1947'	4022'	2007'
Pictured Cliffs	2172'	3797'	2238'
Lewis	2252'	3717'	2320'
Chacra	3139'	2830'	3235'
Cliffhouse	3839'	2130'	3956'
Menefee	3859'	2110'	3977'
Point Lookout	4409'	1560'	4543'
Greenhorn	6351'	-382'	6545'
Dakota	6536''	-567'	6736'
TD	6736'	-767'	6976'

2. **NOTABLE ZONES**

Gas or Oil Zones

Fruitland
Pictured Cliffs
Chacra
Cliffhouse
Menefee
Point Lookout
Dakota

Water Zones

Nacimienta
Ojo Alamo
Kirtland
Fruitland

Coal Zone

Fruitland

Water zones will be protected with casing, cement, and weighted mud. Fresh water found while drilling will be recorded. Oil or gas shows will be tested for commercial potential based on the engineer's recommendations.

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3. PRESSURE CONTROL

Maximum expected pressure is ~2700 psi. The drilling contract has not yet been awarded, thus the exact BOP model to be used is not yet known. A typical 11" 3,000 psi model is on PAGE #5.

BOP equipment and all accessories will meet or exceed BLM requirements in 43 CFR Part 3160 for a 3000 psi system. A 3000 psi double ram hydraulic BOP will be used. Accumulator system capacity will be sufficient to close all BOPE with a 50% safety factor. Fill, kill, and choke manifold lines will be 2". Accessories will include upper and lower Kelly cocks with handles, stabbing valve to fit drill pipe on floor at all times, string float at bit, 3000 psi choke manifold with 2" adjustable and 2" positive chokes, and pressure gauge. BOPs will be tested every 24 hours. Tests will be recorded on IADC log.

4. CASING & CEMENT (See Page 15)

<u>Hole Size</u>	<u>O.D.</u>	<u>Weight (lb/ft)</u>	<u>Grade</u>	<u>Age</u>	<u>Connection</u>	<u>GL Setting Depth</u>
12-1/4"	9-5/8"	36#	K-55	New	ST&C	280' (MD)
8-3/4"	7"	20#	K-55	New	ST&C	2620' (MD)
6-1/4"	4-1/2"	11.6#	N-80	New	ST&C	6976' (MD)

Surface casing will be cemented to the surface with ~175 cu. ft. (~126 sx) ^{Type III} CPB or equivalent (1.39 ft³/sx yield, 14.6 ppg) with 2% CaCl₂ in mix water and 1/4#/sx celloflake. Volume based on 100% excess. We plan to run a minimum of 8 centralizers. A wooden wiper plug will be displaced within 20' of the shoe. WOC = 12 hours. Surface casing will be tested to 500 psi for 15 minutes.

Intermediate casing will be cemented to surface with a single stage. Total cement = 551 cu. ft.. Volumes are calculated at 40% excess. If cement does not circulate to surface, then a temperature survey will be run to determine the actual cement top as needed. WOC = 12 hours. Test to 1000 psi for 15 minutes.

Lead cement will be ~463 cu. ft. (~220 sx) Premium Lite FM w/2% CaCl₂, 1/4#/sx cello flake, 4#/sx Pheno Seal, 8% gel mixed at 12.1 ppg for a yield of 2.13 cu. ft. per sx.

Tail cement will be ~88 cu. ft. (~63 sx) Type III w/2% CaCl₂, 1/4#/sx Cello flake mixed at 14.6 ppg for a yield of 1.39 cu. ft. per sx.

Cementing equipment will include a guide shoe, and autofill float collar will be run 20' off bottom. We plan on running 10 centralizers and 2 turbolators.

Production casing will be cemented to 2400' ensuring cement coverage inside the intermediate casing with a single stage. Total cement = 587 cu. ft.. Volumes are

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Graham #4-16 MV/DK

790' FSL, 680' FEL

Sec. 4 T27N R08W

San Juan County, NM

calculated at 25% excess. If cement does not circulate to surface, then a temperature survey will be run to determine the actual cement top as needed. Casing will be pressure tested during completion operations.

Lead cement will be ²⁴⁴~257 cu. ft. (~79 sx) Premium Lite High Strength FM w/0.3% R-3, 2% KCl, 1/4#/sx Cello flake, 0.3% CD-32, 4#/sx Pheno Seal, 1% FL-52 mixed at 11.0 ppg for a yield of 3.09 cu. ft. per sx.

Tail cement will be ~330 cu. ft. (~162 sx) Premium Lite High Strength FM w/0.3% R-3, 2% KCl, 1/4#/sx Cello flake, 0.3% CD-032, 4#/sx Pheno Seal, 1% FL-52 mixed at 12.5 ppg for a yield of 2.04 cu. ft. per sx.

Cementing equipment will include a guide shoe, and autofill float collar will be run 20' off bottom. We plan on running 1 centralizer inside the 7" intermediate shoe.

5. MUD PROGRAM

<u>Depth</u>	<u>Type</u>	<u>Wt./ppg.</u>	<u>Vis.</u>	<u>Fluid Loss</u>	<u>PH</u>
0'-280'	FW gel/lime spud mud	8.4-8.7	30-50	NC	10
280'-2620'	FW gel/Polymer	8.4-9.0	30-40	<20cc's	9.5
2620'-6976'	Air &/or Air/mist	N/A	N/A	N/A	N/A

Lost circulation and absorption material will be on location.

6. CORING, TESTING, & LOGGING

No cores or drill stem tests are planned. Open hole logs will include GR, Neutron-Density, and Induction. The Neutron-Density Log will be run from TD on the intermediate casing to 1700' and the Induction log from TD to the surface casing shoe. All logs will be run from TD on the production casing to the intermediate casing shoe.

7. DOWN HOLE CONDITIONS

No abnormal pressures, temperatures, nor hydrogen sulfide are expected. Maximum pressure will be ~2700 psi.

8. OTHER INFORMATION

The anticipated spud date is February 17, 2004. It is expected it will take ~16 days to drill and ~10 days to complete the well. Completion will start about one month after the spud and will include hydraulic fracturing.



Scientific
Drilling

Scientific Drilling Planning Report

Company: Synergy Operating Date: 9/17/2003 Time: 00:04:11 Page: 1
Field: San Juan County, NM Co-ordinate(NE) Reference: Site: Graham 4 #16, True North
Site: Graham 4 #16 Vertical (TVD) Reference: SITE 0.0
Well: 4 #16 Section (VS) Reference: Well (0.00N,0.00E,312.47Azi)
Wellpath: OH Plan: Plan #1

Field: San Juan County, NM

Map System: US State Plane Coordinate System 1927
Geo Datum: NAD27 (Clarke 1866)
Sys Datum: Mean Sea Level

Map Zone: New Mexico, Western Zone
Coordinate System: Site Centre
Geomagnetic Model: igrf2000

Site: Graham 4 #16
SHL: Sec. 4, T 27 N, R 8 W; 790' FSL, 680' FEL
PBHL: 1980' FSL, 1980' FEL

Site Position: Northing: 622102.75 m Latitude: 36 36 33.000 N
From: Geographic Easting: 165346.81 m Longitude: 107 41 19.000 W
Position Uncertainty: 0.0 ft North Reference: True
Ground Level: 0.0 ft Grid Convergence: 0.09 deg

Well: 4 #16

Slot Name:

Well Position: +N/-S 0.0 ft Northing: 622102.75 m Latitude: 36 36 33.000 N
+E/-W 0.0 ft Easting: 165346.81 m Longitude: 107 41 19.000 W
Position Uncertainty: 0.0 ft

Wellpath: OH

Current Datum: SITE Height 0.0 ft Drilled From: Surface
Magnetic Data: 9/16/2003 Tie-on Depth: 0.0 ft
Field Strength: 51611 nT Above System Datum: Mean Sea Level
Vertical Section: Depth From (TVD) +N/-S Declination: 10.97 deg
ft ft +E/-W Mag Dip Angle: 63.59 deg
Direction deg
6736.0 0.0 0.0 312.47

Plan: Plan #1

Date Composed: 9/16/2003
Version: 1
Tied-to: From Surface

Plan Section Information

MD ft	Incl deg	Azim deg	TVD ft	+N/-S ft	+E/-W ft	DLS deg/100ft	Build deg/100ft	Turn deg/100ft	TFO deg	Target
0.0	0.00	312.47	0.0	0.0	0.0	0.00	0.00	0.00	0.00	
200.0	0.00	312.47	200.0	0.0	0.0	0.00	0.00	0.00	0.00	
723.1	15.69	312.47	716.6	48.1	-52.5	3.00	3.00	0.00	312.47	
6975.6	15.69	312.47	6736.0	1190.0	-1300.0	0.00	0.00	0.00	0.00	T1

Section 1 : Start Hold

MD ft	Incl deg	Azim deg	TVD ft	+N/-S ft	+E/-W ft	VS ft	DLS deg/100ft	Build deg/100ft	Turn deg/100ft	TFO deg
0.0	0.00	312.47	0.0	0.0	0.0	0.0	0.00	0.00	0.00	0.00
200.0	0.00	312.47	200.0	0.0	0.0	0.0	0.00	0.00	0.00	312.47

Section 2 : Start Build 3.00

MD ft	Incl deg	Azim deg	TVD ft	+N/-S ft	+E/-W ft	VS ft	DLS deg/100ft	Build deg/100ft	Turn deg/100ft	TFO deg
400.0	6.00	312.47	399.6	7.1	-7.7	10.5	3.00	3.00	0.00	0.00
500.0	9.00	312.47	498.8	15.9	-17.3	23.5	3.00	3.00	0.00	0.00
600.0	12.00	312.47	597.1	28.2	-30.8	41.7	3.00	3.00	0.00	0.00
700.0	15.00	312.47	694.3	43.9	-48.0	65.1	3.00	3.00	0.00	0.00
723.1	15.69	312.47	716.6	48.1	-52.5	71.2	3.00	3.00	0.00	0.00

Section 3 : Start Hold

MD ft	Incl deg	Azim deg	TVD ft	+N/-S ft	+E/-W ft	VS ft	DLS deg/100ft	Build deg/100ft	Turn deg/100ft	TFO deg
800.0	15.69	312.47	790.6	62.1	-67.9	92.0	0.00	0.00	0.00	0.00
900.0	15.69	312.47	886.9	80.4	-87.8	119.0	0.00	0.00	0.00	0.00
1000.0	15.69	312.47	983.2	98.6	-107.8	146.1	0.00	0.00	0.00	0.00



Scientific
Drilling

Scientific Drilling Planning Report

Company: Synergy Operating
Field: San Juan County, NM
Site: Graham 4 #16
Well: 4 #16
Wellpath: OH

Date: 9/17/2003 Time: 00:04:11 Page: 2
Co-ordinate(NE) Reference: Site: Graham 4 #16, True North
Vertical (TVD) Reference: SITE 0.0
Section (VS) Reference: Well (0.00N,0.00E,312.47Azi)
Plan: Plan #1

Section 3 : Start Hold

MD ft	Incl deg	Azim deg	TVD ft	+N/-S ft	+E/-W ft	VS ft	DLS deg/100ft	Build deg/100ft	Turn deg/100ft	TFO deg
1100.0	15.69	312.47	1079.4	116.9	-127.7	173.1	0.00	0.00	0.00	0.00
1200.0	15.69	312.47	1175.7	135.2	-147.7	200.2	0.00	0.00	0.00	0.00
1300.0	15.69	312.47	1272.0	153.4	-167.6	227.2	0.00	0.00	0.00	0.00
1400.0	15.69	312.47	1368.3	171.7	-187.6	254.3	0.00	0.00	0.00	0.00
1500.0	15.69	312.47	1464.5	190.0	-207.5	281.3	0.00	0.00	0.00	0.00
1600.0	15.69	312.47	1560.8	208.2	-227.5	308.4	0.00	0.00	0.00	0.00
1700.0	15.69	312.47	1657.1	226.5	-247.4	335.4	0.00	0.00	0.00	0.00
1800.0	15.69	312.47	1753.3	244.7	-267.4	362.5	0.00	0.00	0.00	0.00
1900.0	15.69	312.47	1849.6	263.0	-287.3	389.5	0.00	0.00	0.00	0.00
2000.0	15.69	312.47	1945.9	281.3	-307.3	416.6	0.00	0.00	0.00	0.00
2100.0	15.69	312.47	2042.2	299.5	-327.2	443.6	0.00	0.00	0.00	0.00
2200.0	15.69	312.47	2138.4	317.8	-347.2	470.7	0.00	0.00	0.00	0.00
2300.0	15.69	312.47	2234.7	336.1	-367.1	497.7	0.00	0.00	0.00	0.00
2400.0	15.69	312.47	2331.0	354.3	-387.1	524.8	0.00	0.00	0.00	0.00
2500.0	15.69	312.47	2427.2	372.6	-407.0	551.8	0.00	0.00	0.00	0.00
2600.0	15.69	312.47	2523.5	390.9	-427.0	578.9	0.00	0.00	0.00	0.00
2700.0	15.69	312.47	2619.8	409.1	-446.9	605.9	0.00	0.00	0.00	0.00
2800.0	15.69	312.47	2716.1	427.4	-466.9	633.0	0.00	0.00	0.00	0.00
2900.0	15.69	312.47	2812.3	445.6	-486.8	660.0	0.00	0.00	0.00	0.00
3000.0	15.69	312.47	2908.6	463.9	-506.8	687.1	0.00	0.00	0.00	0.00
3100.0	15.69	312.47	3004.9	482.2	-526.7	714.1	0.00	0.00	0.00	0.00
3200.0	15.69	312.47	3101.2	500.4	-546.7	741.2	0.00	0.00	0.00	0.00
3300.0	15.69	312.47	3197.4	518.7	-566.7	768.2	0.00	0.00	0.00	0.00
3400.0	15.69	312.47	3293.7	537.0	-586.6	795.3	0.00	0.00	0.00	0.00
3500.0	15.69	312.47	3390.0	555.2	-606.6	822.3	0.00	0.00	0.00	0.00
3600.0	15.69	312.47	3486.2	573.5	-626.5	849.4	0.00	0.00	0.00	0.00
3700.0	15.69	312.47	3582.5	591.8	-646.5	876.4	0.00	0.00	0.00	0.00
3800.0	15.69	312.47	3678.8	610.0	-666.4	903.5	0.00	0.00	0.00	0.00
3900.0	15.69	312.47	3775.1	628.3	-686.4	930.5	0.00	0.00	0.00	0.00
4000.0	15.69	312.47	3871.3	646.5	-706.3	957.6	0.00	0.00	0.00	0.00
4100.0	15.69	312.47	3967.6	664.8	-726.3	984.6	0.00	0.00	0.00	0.00
4200.0	15.69	312.47	4063.9	683.1	-746.2	1011.7	0.00	0.00	0.00	0.00
4300.0	15.69	312.47	4160.1	701.3	-766.2	1038.7	0.00	0.00	0.00	0.00
4400.0	15.69	312.47	4256.4	719.6	-786.1	1065.7	0.00	0.00	0.00	0.00
4500.0	15.69	312.47	4352.7	737.9	-806.1	1092.8	0.00	0.00	0.00	0.00
4600.0	15.69	312.47	4449.0	756.1	-826.0	1119.8	0.00	0.00	0.00	0.00
4700.0	15.69	312.47	4545.2	774.4	-846.0	1146.9	0.00	0.00	0.00	0.00
4800.0	15.69	312.47	4641.5	792.7	-865.9	1173.9	0.00	0.00	0.00	0.00
4900.0	15.69	312.47	4737.8	810.9	-885.9	1201.0	0.00	0.00	0.00	0.00
5000.0	15.69	312.47	4834.1	829.2	-905.8	1228.0	0.00	0.00	0.00	0.00
5100.0	15.69	312.47	4930.3	847.4	-925.8	1255.1	0.00	0.00	0.00	0.00
5200.0	15.69	312.47	5026.6	865.7	-945.7	1282.1	0.00	0.00	0.00	0.00
5300.0	15.69	312.47	5122.9	884.0	-965.7	1309.2	0.00	0.00	0.00	0.00
5400.0	15.69	312.47	5219.1	902.2	-985.6	1336.2	0.00	0.00	0.00	0.00
5500.0	15.69	312.47	5315.4	920.5	-1005.6	1363.3	0.00	0.00	0.00	0.00
5600.0	15.69	312.47	5411.7	938.8	-1025.5	1390.3	0.00	0.00	0.00	0.00
5700.0	15.69	312.47	5508.0	957.0	-1045.5	1417.4	0.00	0.00	0.00	0.00
5800.0	15.69	312.47	5604.2	975.3	-1065.4	1444.4	0.00	0.00	0.00	0.00
5900.0	15.69	312.47	5700.5	993.6	-1085.4	1471.5	0.00	0.00	0.00	0.00
6000.0	15.69	312.47	5796.8	1011.8	-1105.4	1498.5	0.00	0.00	0.00	0.00
6100.0	15.69	312.47	5893.1	1030.1	-1125.3	1525.6	0.00	0.00	0.00	0.00
6200.0	15.69	312.47	5989.3	1048.3	-1145.3	1552.6	0.00	0.00	0.00	0.00
6300.0	15.69	312.47	6085.6	1066.6	-1165.2	1579.7	0.00	0.00	0.00	0.00
6400.0	15.69	312.47	6181.9	1084.9	-1185.2	1606.7	0.00	0.00	0.00	0.00
6500.0	15.69	312.47	6278.1	1103.1	-1205.1	1633.8	0.00	0.00	0.00	0.00
6600.0	15.69	312.47	6374.4	1121.4	-1225.1	1660.8	0.00	0.00	0.00	0.00
6700.0	15.69	312.47	6470.7	1139.7	-1245.0	1687.9	0.00	0.00	0.00	0.00
6800.0	15.69	312.47	6567.0	1157.9	-1265.0	1714.9	0.00	0.00	0.00	0.00
6900.0	15.69	312.47	6663.2	1176.2	-1284.9	1742.0	0.00	0.00	0.00	0.00
6975.6	15.69	312.47	6736.0	1190.0	-1300.0	1762.4	0.00	0.00	0.00	0.00



Scientific
Drilling

Scientific Drilling Planning Report

Company: Synergy Operating
Field: San Juan County, NM
Site: Graham 4 #16
Well: 4 #16
Wellpath: OH

Date: 9/17/2003 Time: 00:04:11 Page: 3
Co-ordinate(NE) Reference: Site: Graham 4 #16, True North
Vertical (TVD) Reference: SITE 0.0
Section (VS) Reference: Well (0.00N,0.00E,312.47Azi)
Plan: Plan #1

Targets

Name	Description		TVD ft	+N/-S ft	+E/-W ft	Map Northing m	Map Easting m	← Latitude →			← Longitude →		
	Dip.	Dir.						Deg	Min	Sec	Deg	Min	Sec
T1 -Plan hit target			6736.0	1190.0	-1300.0	622464.86	164950.02	36	36	44.768 N	107	41	34.946 W