

Submit to Appropriate District Office
 State Lease - 6 copies
 Fee Lease - 5 copies

State of New Mexico
 Energy, Minerals and Natural Resources Department

Form C-101
 Revised 1-1-89

OIL CONSERVATION DIVISION
 P.O. Box 2088
 Santa Fe, New Mexico 87504-2088

DISTRICT I
 P.O. Box 1980, Hobbs, NM 88240

DISTRICT II
 P.O. Drawer DD, Artesia, NM 88210

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

API NO. (assigned by OCD on New Wells) <i>32-139-2488</i>
5. Indicate Type of Lease STATE <input checked="" type="checkbox"/> FEE <input type="checkbox"/>
6. State Oil & Gas Lease No. E-6833

APPLICATION FOR PERMIT TO DRILL, DEEPEN, OR PLUG BACK					
1a. Type of Work: DRILL <input checked="" type="checkbox"/> RE-ENTER <input type="checkbox"/> DEEPEN <input type="checkbox"/> PLUG BACK <input type="checkbox"/>			7. Lease Name or Unit Agreement Name STATE 32		
b. Type of Well: OIL WELL <input checked="" type="checkbox"/> GAS WELL <input type="checkbox"/> OTHER <input type="checkbox"/>			SINGLE ZONE <input checked="" type="checkbox"/> MULTIPLE ZONE <input type="checkbox"/>		
2. Name of Operator Bannon Energy, Inc., C/o Daggett & Chenault, Inc.			8. Well No. 3		
3. Address of Operator 3539 E. 30th, Suite 7B, Farmington, NM 87401			9. Pool name or Wildcat Lybrook/Gallup Ext.		
4. Well Location Unit Letter <i>BJ</i> : 1697 Feet From The South Line and 1663 Feet From The East Line Section 32 Township 24 N Range 7 W NMPM Rio Arriba County					
10. Proposed Depth 5800'		11. Formation Gallup		12. Rotary or C.T. Rotary	
13. Elevations (Show whether DF, RT, GR, etc.) 7456 GL		14. Kind & Status Plug. Bond		15. Drilling Contractor	
16. Approx. Date Work will start August 30, 1990					
17. PROPOSED CASING AND CEMENT PROGRAM					
SIZE OF HOLE	SIZE OF CASING	WEIGHT PER FOOT	SETTING DEPTH	SACKS OF CEMENT	EST. TOP
12 1/4"	8 5/8"	24.0 lb. J-55	300'	Cement to surface	
7 7/8"	4 1/2"	11.6 lb. K-55	5800'	800 SX-Vol. to be	
				calculated subsequent to logging & circulated to surface.	

Well to be drilled to penetrate the Gallup formation. All producing intervals in the Gallup will be stimulated as necessary.

EXHIBITS:

- "A" Topo map
- "B" BOP
- BOP = API series 2000'

RECEIVED
 AUG 20 1990
 OIL CON. DIV.
 DIST. 3

IN ABOVE SPACE DESCRIBE PROPOSED PROGRAM: IF PROPOSAL IS TO DEEPEN OR PLUG BACK, GIVE DATA ON PRESENT PRODUCTIVE ZONE AND PROPOSED NEW PRODUCTIVE ZONE. GIVE BLOWOUT PREVENTER PROGRAM, IF ANY.

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

SIGNATURE *Robert J. Larson* TITLE Agent, Daggett & Chenault DATE 8/15/90

TYPE OR PRINT NAME _____ TELEPHONE NO. 505/326-1732

(This space for State Use)

APPROVED BY *Ernie Buech* DEPUTY OIL & GAS INSPECTOR, DIST. #3 DATE _____

CONDITIONS OF APPROVAL, IF ANY:

APPROVAL EXPIRES 2-20-90
 UNLESS DRILLING IS COMMENCED.
 SPUD NOTICE MUST BE SUBMITTED
 WITHIN 10 DAYS.

AUG 20 1990

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

State of New Mexico
 Energy, Minerals and Natural Resources Department

Form C-102
 Revised 1-1-89

OIL CONSERVATION DIVISION

DISTRICT I
 P.O. Box 1980, Hobbs, NM 88240

P.O. Box 2088
 Santa Fe, New Mexico 87504-2088

DISTRICT II
 P.O. Drawer DD, Artesia, NM 88210

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

WELL LOCATION AND ACREAGE DEDICATION PLAT
 All Distances must be from the outer boundaries of the section

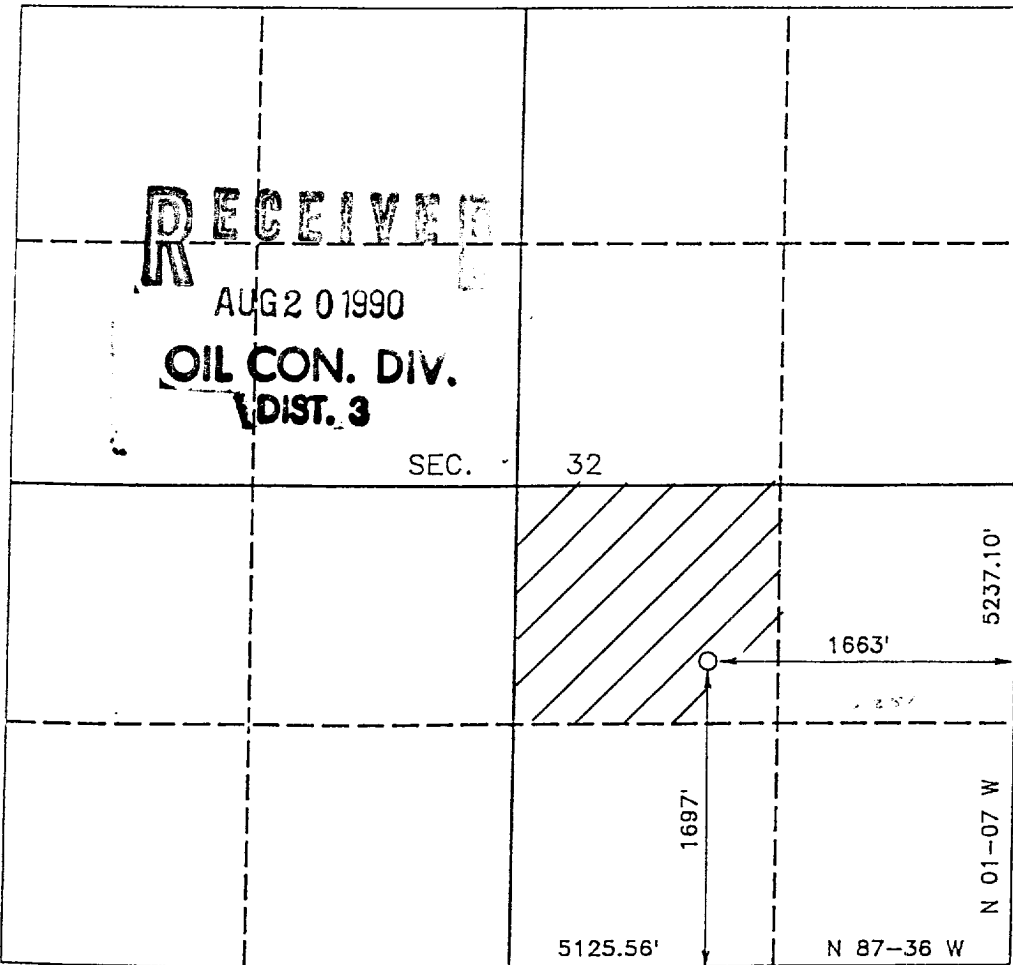
Operator BANNON ENERGY, INC.		Lease STATE 32		Well No. 3
Unit Letter J	Section 32	Township T.24 N.	Range R.7 W.	County RIO ARRIBA COUNTY
Actual Footage Location of Well: 1697 feet from the SOUTH line and 1663 feet from the EAST line				
Ground level Elev. 7456	Producing Formation Gallup	Pool Lybrook Ext.	Dedicated Acreage: 40 Acres	

- Outline the acreage dedicated to the subject well by colored pencil or hatchure marks on the plat below.
- If more than one lease is dedicated to the well, outline each and identify the ownership thereof (both as to working interest and royalty).
- If more than one lease of different ownership is dedicated to the well, have the interest of all owners been consolidated by communitization, unitization, force-pooling, etc.?

 Yes No If answer is "yes" type of consolidation _____

If answer is "no" list the owners and tract descriptions which have actually been consolidated. (Use reverse side of this form if necessary.)

No allowable will be assigned to the well until all interests have been consolidated (by communitization, unitization, forced-pooling, or otherwise) or until a non-standard unit, eliminating such interest, has been approved by the Division.

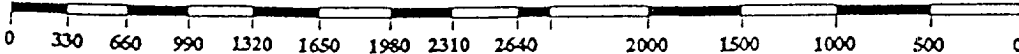


OPERATOR CERTIFICATION
 I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.

Signature: *Robert S. Larson*
 Printed Name: **Robert S. Larson**
 Position: **Right-of-Way Agent**
 Company: **Daggett & Chenault Inc.**
 Date: **Aug. 15, 1990**

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.

Date Surveyed: **AUG 15 1990**
 Signature of Registered Professional Surveyor: *R. Howard Daggett*
 Certificate No.: **9679**
 Registered Professional Land Surveyor



R-7-W

Canyon

T
24
N

State 32-3
1697 FNL, 1663 FEL
Section 32, T24N-R7W
Rio Arriba Co., NM

- Proposed New Well
- Producing Wells
- ⊙ Plugged or Abandoned Wells

- Existing Road
- Proposed New Access Road

GEOLOGICAL SURVEY
 USGS, NOS/NOAA
 1981
 1985
 TRANSVERSE MERCATOR
 ZONE 13
 MEXICO, CENTRAL ZONE
 AND WEST ZONE
 1°31' WEST
 12' EAST
 VERTICAL DATUM OF 1929

NORTH ↑

1 mile to
Highway # 44

100 000 FEET

267

35' 26"

170
100