

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

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

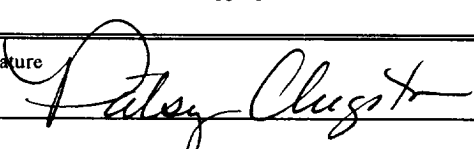

APPLICATION FOR PERMIT TO DRILL OR REENTER

1a. Type of Work <input checked="" type="checkbox"/> DRILL <input type="checkbox"/> REENTER		5. Lease Serial No. SF-079381	
1b. Type of Well <input type="checkbox"/> Oil Well <input checked="" type="checkbox"/> Gas Well <input type="checkbox"/> Other <input type="checkbox"/> Single Zone <input type="checkbox"/> Multiple Zone		6. If Indian, Allottee or Tribe Name	
2. Name of Operator Phillips Petroleum Company		7. Unit or CA Agreement Name and No. San Juan 32-8 Unit	
3a. Address 5525 Highway 64, NBU 3004, Farmington, NM 87401		8. Lease Name and Well No. SJ 32-8 Unit #255	
3b. Phone No. (include area code) 505-599-3454		9. API Well No. 30-045-30424	
4. Location of Well (Report location clearly and in accordance with any State requirements) At surface Unit H, 2050' FNL & 970' FEL At proposed prod. zone Same as above		10. Field and Pool, or Exploratory Basin Fruitland Coal Sec., T., R., M., or Blk. and Survey or Area Sec. 24, T32N, R8W	
14. Distance in miles and direction from nearest town or post office* 11-1/2 miles north of Navajo Dam, NM		12. County or Parish San Juan, NM	
15. Distance from proposed* location to nearest property or lease line, ft. (Also to nearest drg. unit line, if any) 970'		16. No. of Acres in lease 2240 acres	
18. Distance from proposed location* to nearest well, drilling, completed, applied for, on this lease, ft.		17. Spacing Unit dedicated to this well 320 E/2	
21. Elevations (Show whether DF, KDB, RT, GL, etc.) 6997' GL		20. BLM/BIA Bond No. on file ES0048	
22. Approximate date work will start* 1st or 2nd Qtr 2001		23. Estimated duration 1 month	

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 	Name (Printed/Typed) Patsy Clugston	Date 11/9/00
Title Sr. Regulatory/Proration Clerk		
Approved by (Signature) 	Name (Printed/Typed) Jim Lovato	Date 11/9/00
Title Office		

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)

This notice is subject to technical and procedural rules pursuant to 43 CFR 3165.3 and 43 CFR 3165.4.

ONLY AGENTS AUTHORIZED ARE
PERMITTED TO SIGN WITH ATTACHED
"GENERAL REQUIREMENTS"

District I
101 Box 1980, Hobbs, NM 88241-1980
District II
111 South First, Artesia, NM 88210
District III
1000 Rio Brazos Rd., Aztec, NM 87410
District IV
2040 South Pacheco, Santa Fe, NM 87505

State of New Mexico
Energy, Minerals & Natural Resources Department

OIL CONSERVATION DIVISION
2040 South Pacheco
Santa Fe, NM 87505

Form C-10
Revised October 18, 1995
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. All Number 30-045-30424		2. Pool Code 71629		3. Pool Name Basin Fruitland Coal	
4. Property Code 009261		5. Property Name SAN JUAN 32-8			6. Well Number 255
7. OGRID No. 017654		8. Operator Name PHILLIPS PETROLEUM COMPANY			9. Elevation 6997'

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	24	32N	8W		2050'	NORTH	970'	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
H									
12. Dedicated Acres 320 E/2		13. Joint or Infill Y		14. Consolidation Code U		15. Order No.			

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/Proration Clerk Title November 9, 2000 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. 04/20/99 Date of Survey Signature and Seal of Professional Surveyor:
	California Number

PHILLIPS PETROLEUM COMPANY

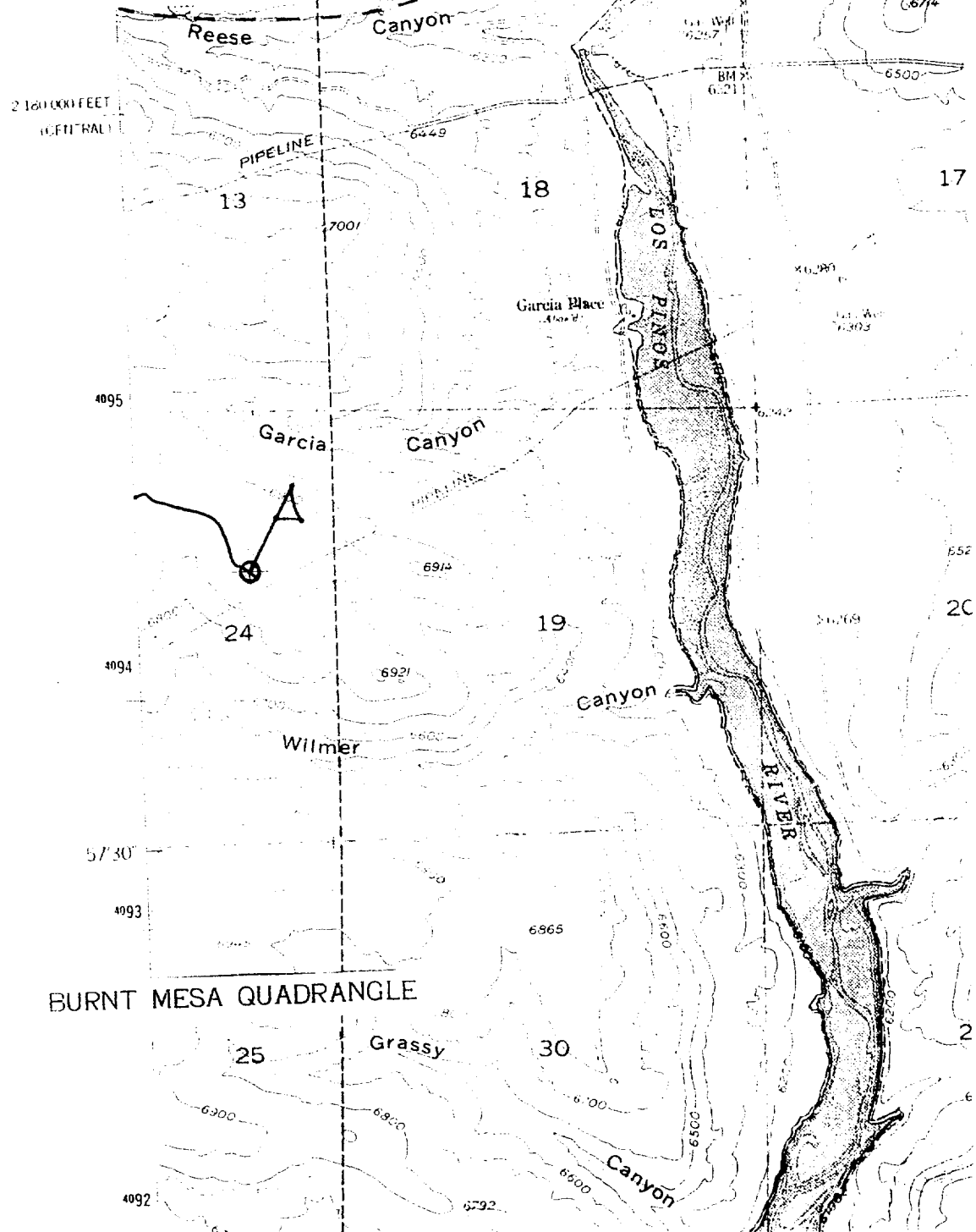
SAN JUAN 32-8 UNIT No.255

2050' FNL, 970' FEL

NW/4 SEC.24, T-32-N, R-08-W, N.M.P.M.,

SAN JUAN COUNTY, NEW MEXICO

GROUND LEVEL ELEVATION: 6997



PHILLIPS PETROLEUM COMPANY

WELL NAME: San Juan 32-8 Unit #255

DRILLING PROGNOSIS

1. Location of Proposed Well: Unit H, 2050' FNL & 970' FEL
Section 24, T32N, R8W
2. Unprepared Ground Elevation: @ 6997'
3. The geological name of the surface formation is San Jose.
4. Type of drilling tools will be rotary.
5. Proposed drilling depth is 3727'.
6. The estimated tops of important geologic markers are as follows:

<u>Nacimiento - 1197'</u>	
<u>Ojo Alamo - 2617'</u>	<u>Base of Coal - 3687'</u>
<u>Kirtland - 2677'</u>	<u>Picture Cliffs - 3792'</u>
<u>Fruitland - 3452'</u>	<u>Interm. Casing - 3547'</u>
<u>Top of Coal - 3567'</u>	<u>T. D. - 3727'</u>
7. The estimated depths at which anticipated water, oil, gas or other mineral bearing formations are expected to be encountered are as follows:

Water:	<u>Ojo Alamo - 2617' - 2677'</u>
Oil:	<u>none</u>
Gas:	<u>Fruitland Coal - 3567' - 3687'</u>
Gas & Water:	<u>Fruitland Coal - 3567' - 3687'</u>
8. The proposed casing program is as follows:

Surface String: 9-5/8", 36#, J/K-55 @ 200' *

Intermediate String: 7", 20#, J/K-55 @ 3547'

Production Liner: 5-1/2", 3527' - TD (see details below)

* The surface casing will be set at a minimum of 200', but could be set deeper if required to maintain hole stability.

9. Cement Program:

Surface String: 102.7 sx Type III cement. Cement to surface w/110% excess of casing/hole annulus volume w/Type III cement + 2% bwoc Calcium Chloride + 0.25#/sx Cello-flake + 60.6% Fresh water (14.5 ppg). (1.41 cf/sx yield = 145 cf)

Intermediate String: **Lead Cement:** 433.8 sx Type III cement. Cement to surface - 110% excess casing/hole annular volume w/ Type III cement + 0.25#/sx Cello-flake + 5#/sx Gilsonite + 6% bwoc Bentonite + 10#/sx CSE + 3% bwow KCL + 0.4% bwoc FL-25 mixed + 0.02#/sx static free mixed at 12.0 ppg. (2.37 cf/sx yield = 1028 cf)

Tail: 50 sx Type III cement + 0.25#/sx Cello-flake + 1% Calcium Chloride mixed at 14.5 ppg. (1.40 cf/sx yield = 70 cf)

In the event we encounter fluid loss during drilling operations, a contingency plan for cementing the intermediate casing may required a stage collar. Phillips cannot predict exact volumes. However, the 1st stage will be C1 H cement w/5#/sx Gilsonite, 0.25#/sx Cello-flake, 0.3% FL-25 & 2% CaCl₂ mixed at 15.2 ppg 1.28 yield. Stage 2 – lead slurry: 65% Class H & 35% POZ w/6% Bentonite mixed at 12.6 ppg 1.79 cf/sx. Tail slurry – Class H w/2% CaCl₂ mixed at 15.6 ppg 1.20 yield. All attempt to be circulated to surface.

Liner:

- If the coal is cleated a 5-1/2" 15.5# liner will be run in the open hole without being cemented.
- If the coal is not cleated, a 4-1/2" 11.6# liner will run and cemented. The well will then be completed by fracture stimulation.

Note: Phillips Petroleum continually works to improve the cement slurries on our wells. BJ Services is currently trying to improve what we are using now and before we would use a new cement program it would have to have stronger properties than we are currently using.

Centralizer Program:

Surface: Total four (4) - 10' above shoe and top of 2nd, 3rd, & 4th jts.

Intermediate: Total seven (7) - 10' above shoe and top of 1st, 2nd, 4th, 6th, 8th, & 1st jt. into shoe.

Production: None planned.

Turbulators: Total three (3) - one at 1st jt below Ojo Alamo and next 2 jts up.

BOP AND RELATED EQUIPMENT CHECK LIST

2M SYSTEM:

2 hydr. rams (pipe & blind) or hydr. ram and annular with blind ram on bottom

Kill Line (2-inch minimum)

1 kill line valve (2-inch minimum)

1 choke line valve

2 chokes (refer to diagram in attachment 1) on choke manifold

Upper kelly cock valve in open position with handle available

Safety valve (in open position) and subs to fit all drill strings in use (with handle available)

Pressure gauged on choke manifold

2 inch minimum choke line

Fill-up line above the uppermost preventer

The BOPs will be pressure tested according to Onshore Order #2 III, A 1 and 30% safety factor.