Form 3160
(July 1992)

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

SUBMIT IN TRIPLICATE

FORM APPROVED
OMB NO. 1004-0136

EXPEDITED Right-of-Way

APPLICATION FOR PERMIT TO DRILL OR DEEPEN

1a. TYPE OF WORK
DRILL [X] DEEPEN [ ]

b. TYPE OF WELL
OIL WELL [ ] GAS WELL [X] OTHER SINGLE ZONE [X] MULTIPLE ZONE [ ]

2. NAME OF OPERATOR
Koch Exploration Company

3. ADDRESS AND TELEPHONE NO.
P.O. Box 489, Aztec, NM (505) 334-9111

4. LOCATION OF WELL (Report location clearly and in accordance with any State requirements.*)
At surface 1815' FNL & 1395' FWL
At proposed prod. zone Same

5. LEASE DESIGNATION AND SERIAL NO.
NM-013642

6. IF INDIAN, ALLOTTEE OR TRIBE NAME
NA

7. UNIT AGREEMENT NAME
NA

8. FARM OR LEASE NAME, WELL NO.
Gardner 7

9. API WELL NO.
30-045-30749

10. FIELD AND POOL, OR WILDCAT
Blanco Mesa Verde

11. SEC., T., R., M., OR BLK AND SURVEY OR AREA
S26, T32N, R9W (F) F

12. COUNTY OR PARISH
San Juan

13. STATE
NM

14. DISTANCE IN MILES AND DIRECTION FROM NEAREST TOWN OR POST OFFICE*
Approx. 17 Miles NE of Aztec, NM

15. DISTANCE FROM PROPOSED* LOCATION TO NEAREST PROPERTY OR LEASE LINE, FT. (Also to nearest drlg. unit line, if any)	1395'	16. NO. OF ACRES IN LEASE	319.08	17. NO. OF ACRES ASSIGNED TO THIS WELL	319.08 N/2
18. DISTANCE FROM PROPOSED* LOCATION TO NEAREST WELL, DRILLING, COMPLETED, OR APPLIED FOR ON THE LEASE, FT.	1522'	19. PROPOSED DEPTH	6200'	20. ROTARY OR CABLE TOOLS	Rotary

21. ELEVATIONS (Show whether DF, RT, GR, etc.)
6620' GR

22. APPROXIMATE DATE WORK WILL START*
10/1/2001

23. PROPOSED CASING AND CEMENTING PROGRAM

SIZE OF HOLE	GRADE, SIZE OF CASING	WEIGHT PER FOOT	SETTING DEPTH	QUANTITY OF CEMENT
12 1/4"	9 5/8" J-55	36#	220 +/-	112 sacks Circulate
8 3/4"	7" J-55	23#	3950' +/-	479 sacks Circulate
	6 1/4" J-55	10.5#	6200'	203 sacks To at least 3850'

See Attached

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

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

OCT 2001
RECEIVED
OIL CON. DIV.
DIST. 3

IN ABOVE SPACE DESCRIBE PROPOSED PROGRAM. If proposal is to deepen, give data on present productive zone and proposed new productive zone. If proposal is to drill or deepen directionally, give pertinent data on subsurface locations and measured and true vertical depths. Give blowout preventer program, if any.

24
SIGNED _____ TITLE Operations Manager DATE 7/20/01

(This space for Federal or State office use)

PERMIT NO. _____ APPROVAL DATE 10/2/01

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

APPROVED BY _____ TITLE AFM (minerals) DATE 10/2/01

NMOCD

District I
PO Box 1980, Hobbs, NM 88241-1980
District II
811 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-102
Revised October 18, 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
30-045-30749		Blanco Mesa Verde

⁴ Property Code	⁵ Property Name	⁶ Well Number
5658	GARDNER	7

⁷ OGRID No.	⁸ Operator Name	⁹ Elevation
12807	KOCH EXPLORATION CO.	6620

¹⁰ Surface Location

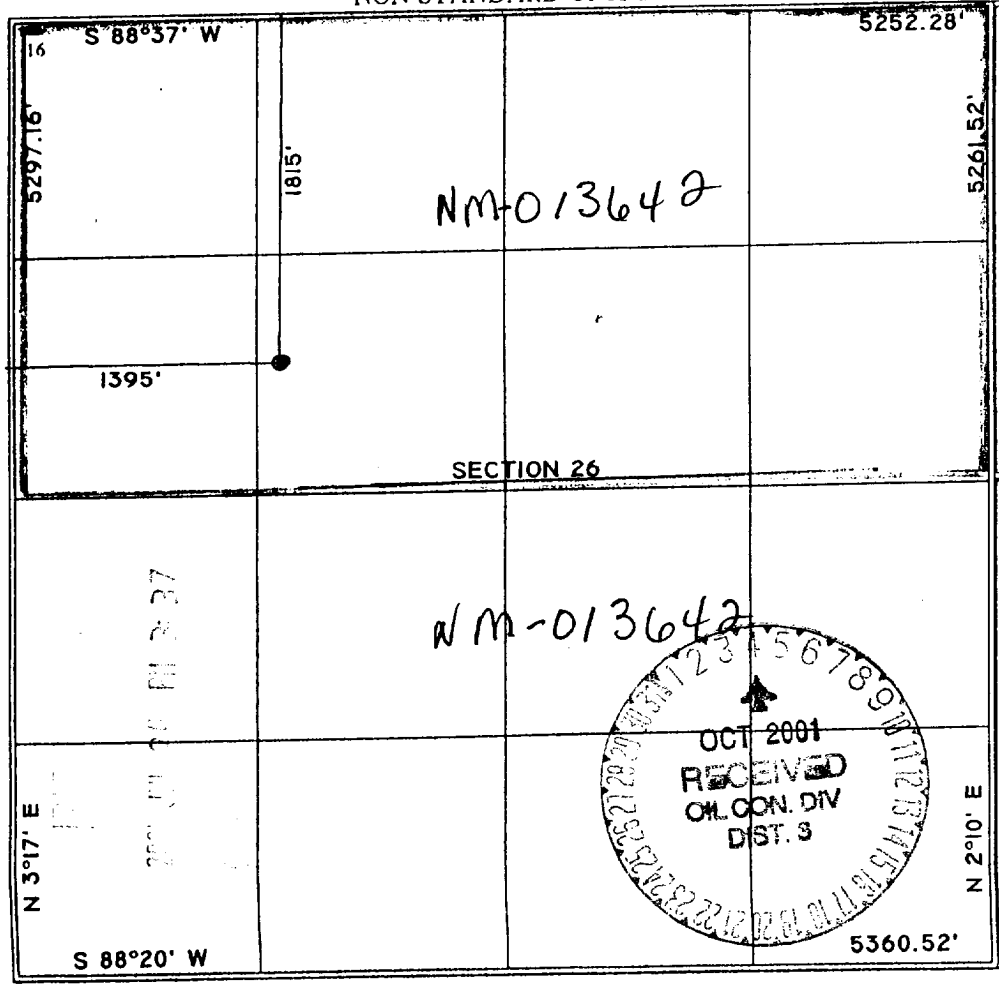
UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
F	26	32 N	9 W		1815	NORTH	1395	WEST	SAN JUAN

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.
319.08			

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: Rolf A. Ornelas

Printed Name: Rolf A. Ornelas

Title: Sr. Engineer

Date: July 11, 2001

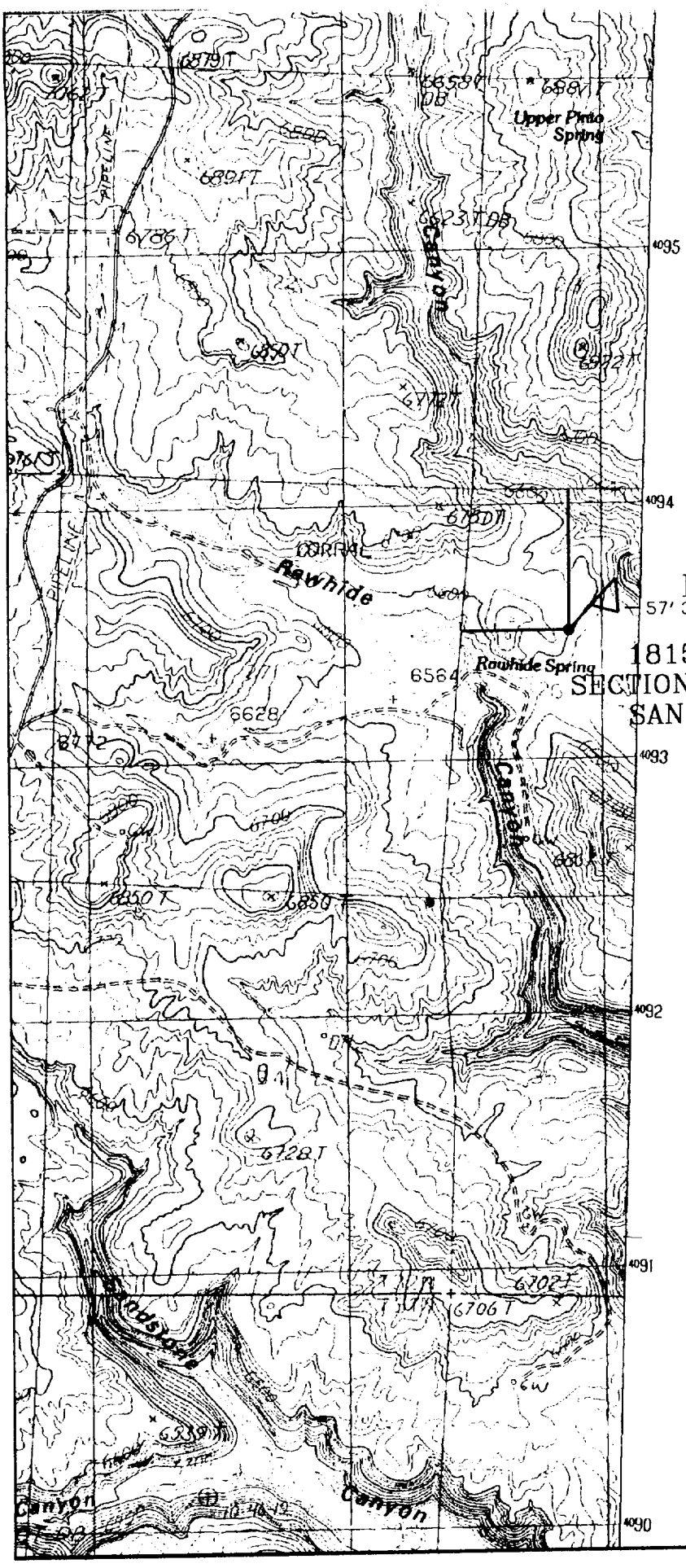
¹⁸ SURVEYOR CERTIFICATION

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: 4/13/01

Signature and Seal of Professional Surveyor: Gary L. Jones

Certificate Number: 11393



KOCH EXPLORATION CO.
GARDNER #7
1815' FNL, 1395' FWL, EL. 6620
SECTION 26, T-32-N, R-9-W, N.M.P.M.,
SAN JUAN COUNTY, NEW MEXICO

MOUNT NEBO, N.M. – COLO.

EXHIBIT A

Gardner #7 ==> EXPEDITED Right-of-Way!
Sec 26-T32N-R9W, 1815' FNL & 1395' FWL
San Juan Co., New Mexico
Lease NM-013642

Drilling Program:

1. **Geological name of surface formation -**
   Estimated tops of important geological markers:

San Jose	Surface
Nacimiento	704 feet
Ojo	1,845 feet
Kirtland Shale	2,093 feet
Fruitland Coal	3,097 feet
Picture Cliff	3,463 feet
TD	6,200 feet

2. **Estimated depths at which oil, gas, water and mineral bearing formation will be found:**

Fresh Water	0 feet to 200 feet
Salt Water	201 feet to 3,000 feet
Oil and Gas	3,001 feet to 6,200 feet

3. **Pressure Control Equipment:**
   a. 10-inch 900 series or 3,000 PSI test double gate hydraulic with 4-1/2" pipe rams and 10-inch series 900 hydril above 10-inch series casinghead and cross spool with flanged outlets. See BOP diagram at **Exhibit F** for drawing of choke lines, kill lines and choke manifold. Procedures will include waiting on cement 12 hours, nipple up blowout preventer (BOP) assembly and test to 70% of yield of casing or 3,000 psi maximum. The production casinghead pressure rating will be 3,000 psi.
   b. Type of BOP rams: Blind rams and pipe rams are used as shown on the BOP diagram at Exhibit F. Occasionally, the position of the rams is reversed depending on the drilling contractor's methods.
   c. The choke manifold and header will have 2-inch choke outlets, a 2-inch straight through the line with 2-inch adjustable chokes installed. The inlet line will be a 2-inch line. All of the above are rated at 3,000 psi working pressure (WP).

   The choke manifold and header system will have manual control valves; no hydraulic valves will be installed.

   Casing testing procedure - Surface casing will be tested at 750 psi with 1,000 psi maximum after cementing in place and before drilling out of shoe. Intermediate and production casing will be tested to 3,000 psi after cementing in place and after drilling to the required depth.

   d. Hydraulic controls to close the BOPs are located on the rig floor; the hydraulic remote control is located in the bottom doghouse. There will be no manual controls on the BOP.

e. BOP testing procedures and frequency:

1. Hydrill (3,000 WP) will be tested to 70% of yield of casing or 3,000 psi maximum.
2. Double ram BOPs will be tested to 70% of yield of casing or 3,000 psi maximum.
3. BOPs will be tested upon installation, after casing is run and on each bit trip.

f. Casinghead connections will be 2-inch; these outlets will usually be bull plugged during drilling operations. No pumping through these connections is allowed except in emergency to keep from wearing out the head.

g. The drilling spool will be a series 900 3,000 psi WP with a 2-inch kill line and a 2-inch outlet.

4. **Proposed Casing Program:**

Surface Casing Program:

Surface Casing	9 5/8 inch	36.0#	J-55 STC	New
Intermediate Casing	7 inch	23.0#	J-55 STC	New
Production Casing	4 ½ inch	10.5#	J-55 STC	New

Proposed setting depth, amount and type of cement including additives:

9-5/8 inch Surface Casing - Surface to 220 feet - Cement with 112 sx "Type III Cement" with 2% $CaCl_2$ + 0.25 lbs/sack Celloflake (14.6 lb/gal; 1.39 cf/sk; 6.67 gal/sk) Volume: 155 scf. 100% Excess. Circulate to surface

7 inch Intermediate Casing – Surface to 3950 feet With DV Stage Tool @ +/- 2900 feet, Stage 1: cement with 170 sacks "Type III Cement" + 0.25 lbs/sk Cello Flake + 1% $CaCl_2$,Volume: 238 scf, (14.5# lb/gal; 1.4 cf/sk; 6.82 gal/sk) Stage 2: Lead cement of 259 sacks Premium Lite FM + 8% Bentonite +0.4% Sodium Metasilicate + 1% $CaCl_2$ Volume: 555 scf, (12.0# lb/gal; 2.15 cf/sk; 12.08 gal/sk), Tail cement of 50 sacks Type III + 1% $CaCl_2$ + 0.25 lbs/sk Cello Flake. Volume: 70 scf, (14.5# lb/gal; 1.4 cf/sk; 6.82 gal/sk). Circulate to surface

4-½ inch Production Casing – Surface to 6500'. Cement 3700' to 6200' – Lead with 30 sacks Premium Lite High Strength FM + 3% Potassium Chloride + 0.25 lbs/sk Cello Flake + 2% Pheno Seal + 0.4% FL-52. Volume: 122 scf, (10.5# lb/gal; 4.06 cf/sk; 25.70 gal/sk). Tail with 173 sacks Premium Lite High Strength FM + 3% Potassium Chloride + 0.25 lbs/sk Cello Flake + 2% Pheno Seal + 0.4% FL-52. Volume: 401 scf, (12.0# lb/gal; 2.32 cf/sk; 12.82 gal/sk).

5. **Mud Program:**

0 feet - 220 feet - Spud mud and water treated with gel lime.
220 feet - 3950 feet - Lime mud, water and polymer.
3950 feet - 6,200 feet - air, produced or fresh water, soap and polymer