

District I

1301 French Dr., Hobbs, NM 88240

District II

1301 W. Grand Avenue, Artesia, NM 88210

District III

1000 Rio Brazos Road, Aztec, NM 87410

District IV

1220 S. St. Francis Dr., Santa Fe, NM 87505

State of New Mexico
Energy Minerals and Natural Resources

Form C-101

May 27, 2004

Oil Conservation Division

1220 South St. Francis Dr.

Santa Fe, NM 87505

Submit to appropriate District Office

☐ AMENDED REPORT

APPLICATION FOR PERMIT TO DRILL, RE-ENTER, DEEPEN, PLUGBACK, OR ADD A ZONE

Operator Name and Address Coleman Oil & Gas, Inc. P.O. Drawer 3337 Farmington, NM 87499-3337		OGRID Number 04838
Property Code 26418	Property Name Payne	API Number 32517 Well No. #221S
Proposed Pool 1 Basin Fruitland Coal		Proposed Pool 2

7 Surface Location

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
J	22	32N	10W		2445	South	1630	East	San Juan

8 Proposed 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
J	22	32N	10W		1650	South	1400	East	San Juan

Additional Well Information

Work Type Code N	Well Type Code G	Cable/Rotary R	Lease Type Code P	Ground Level Elevation 5929
Multiple N	Proposed Depth 2900 MD	Formation Pictured Cliffs	Contractor TBD	Spud Date 09/15/04
Depth to Groundwater Sec #22 Avg. Depth to water 34 feet		Distance from nearest fresh water well 1500 Feet NWNWSE Sec 22, 32N, 10W		Distance from nearest surface water Animas River 400 Ft.
Pit: Liner: Synthetic <input checked="" type="checkbox"/> 12 mils thick Clay <input type="checkbox"/> Pit Volume: 4350 bbls		Drilling Method: Fresh Water <input checked="" type="checkbox"/> Brine <input type="checkbox"/> Diesel/Oil-based <input type="checkbox"/> Gas/Air <input checked="" type="checkbox"/>		
Closed-Loop System <input type="checkbox"/>				

21 Proposed Casing and Cement Program

Hole Size	Casing Size	Casing weight/foot	Setting Depth	Sacks of Cement	Estimated TOC
15	10 3/4	40.50	250	275 Class B	Surface
9 7/8	7 5/8	26.40	2542	Two Stage - 450 Lite	Surface
				200 Class G	
6 1/4	5 1/2	15.50	2542-2900	None	

22 Describe the proposed program. If this application is to DEEPEN or PLUG BACK, give the data on the present productive zone and proposed new productive zone. Describe the blowout prevention program, if any. Use additional sheets if necessary.

***SEE ATTACHED DRILLING PROGNOSIS AND SCHEMATICS FOR BLOW OUT PREVENTION PROGRAM.

*** IF COAL IS CLEATED A 5 1/2" LINER WILL BE RUN IN THE OPEN HOLE WITHOUT BEING CEMENTED. IF THE COAL IS NOT CLEATED, THE WELL WILL BE STIMULATED AND OPEN HOLE COMPLETED. THE PAYNE #221S WILL BE DIRECTIONALLY DRILLED FROM BOTTOM OF SURFACE PIPE TO 7" CASING SETTING DEPTH. DRILLING PLAN WILL BE AN S CURVE. RESERVE PIT WILL BE LINED WITH MINIMUM 12 MIL LINER. SEE ATTACHED DRILLING PROGNOSIS FOR BOP DESCRIPTION (SEE SCHEMATICS).

HOLD C104 FOR

Directional survey

23 I hereby certify that the information given above is true and complete to the best of my knowledge and belief. I further certify that the drilling pit will be constructed according to NMOCD guidelines ☒, a general permit ☐, or an (attached) alternative OCD approved plan ☐.

Printed name: Michael T. Hanson

Title: Operation Engineer

E-mail Address: cogmhanson@sprynet.com

Date: August 12, 2004

Phone: (505) 327 - 0356

OIL CONSERVATION DIVISION

Approved by:

Title: Deputy Oil & Gas Inspector, Dist. III

Approval Date: AUG 13 2004

Expiration Date: AUG 13 2005

Conditions of Approval Attached ☐

well is in vulnerable area - pits must be closed according to guidelines

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

*API Number 30045-32517		*Pool Code 71629	*Pool Name BASIN FRUITLAND COAL
*Property Code 26418	*Property Name PAYNE		*Well Number 221S
*GRID No. 4838	*Operator Name COLEMAN OIL & GAS, INC.		*Elevation 5929'

¹⁰ Surface Location

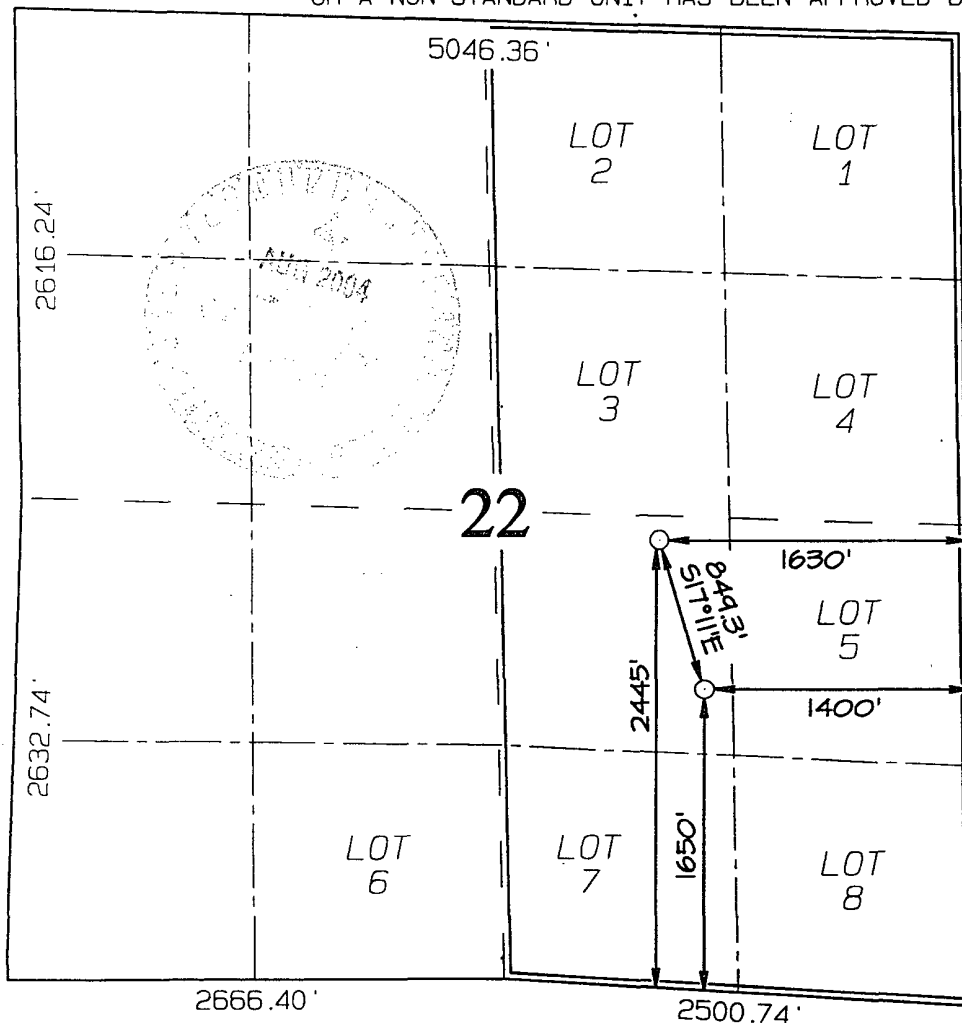
UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
J	22	32N	10W		2445	SOUTH	1630	EAST	SAN JUAN

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
J	22	32N	10W		1650	SOUTH	1400	EAST	SAN JUAN

¹² Dedicated Acres 302.97 Acres - (E/2)	¹³ Joint or Infill	¹⁴ Consolidation Code	¹⁵ Order No.
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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

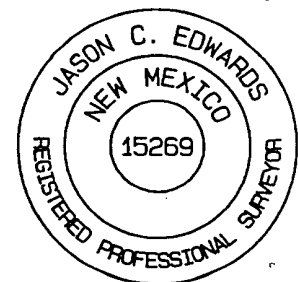
Michael T. Hanson
Signature
Michael T. Hanson
Printed Name
Engineer
Title
Aug 12, 2004
Date

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.

Survey Date: FEBRUARY 24, 2004

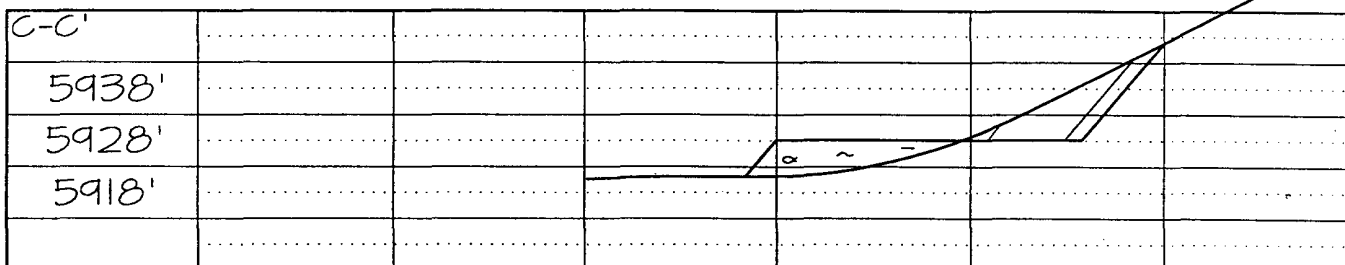
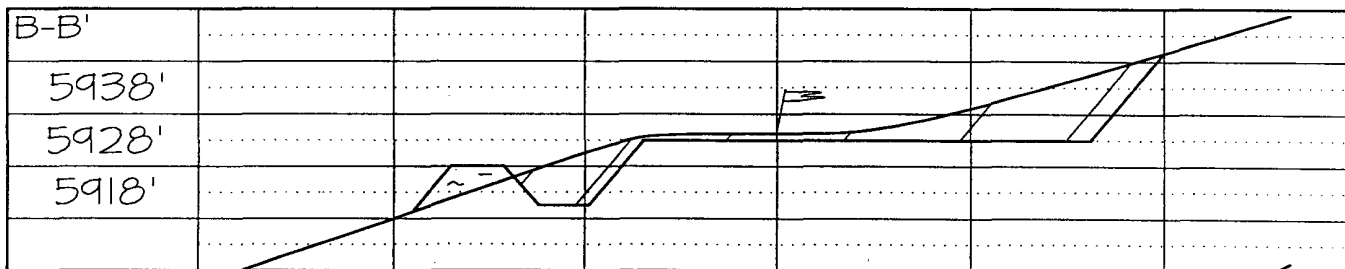
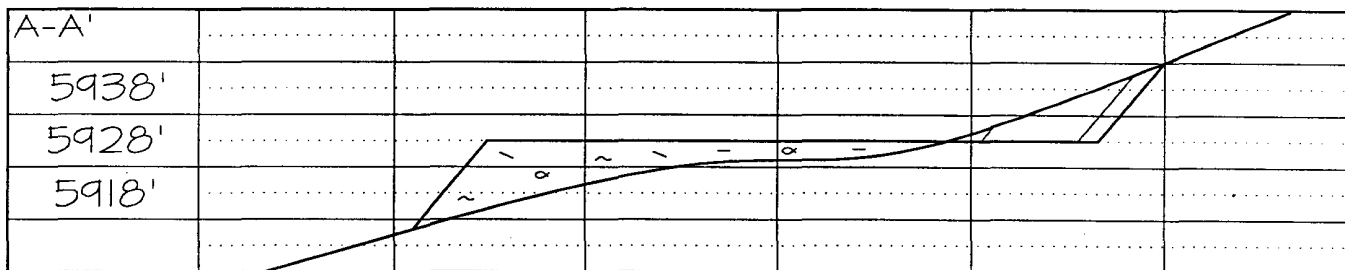
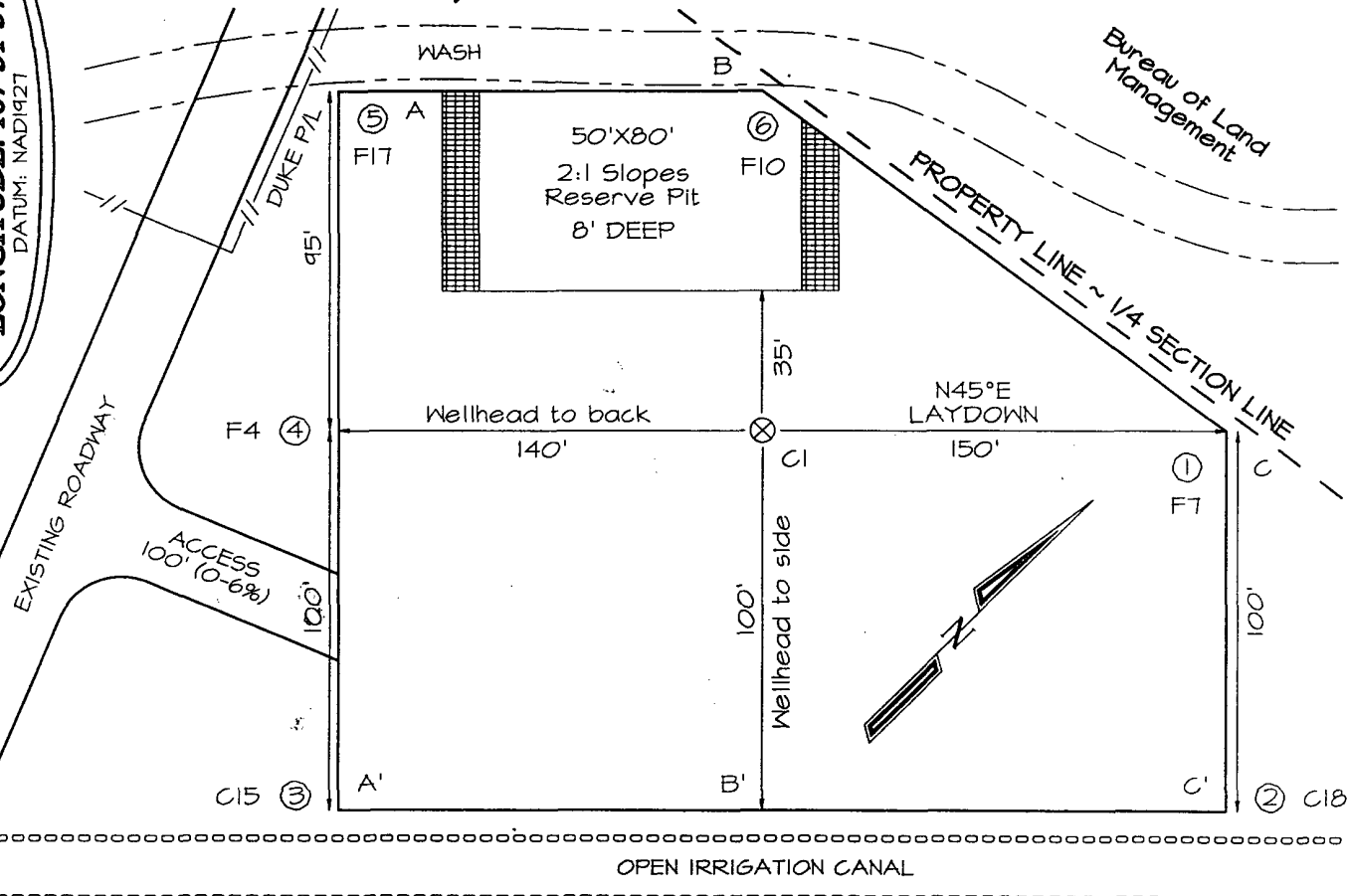
Signature and Seal of Professional Surveyor



JASON C. EDWARDS
Certificate Number 15269

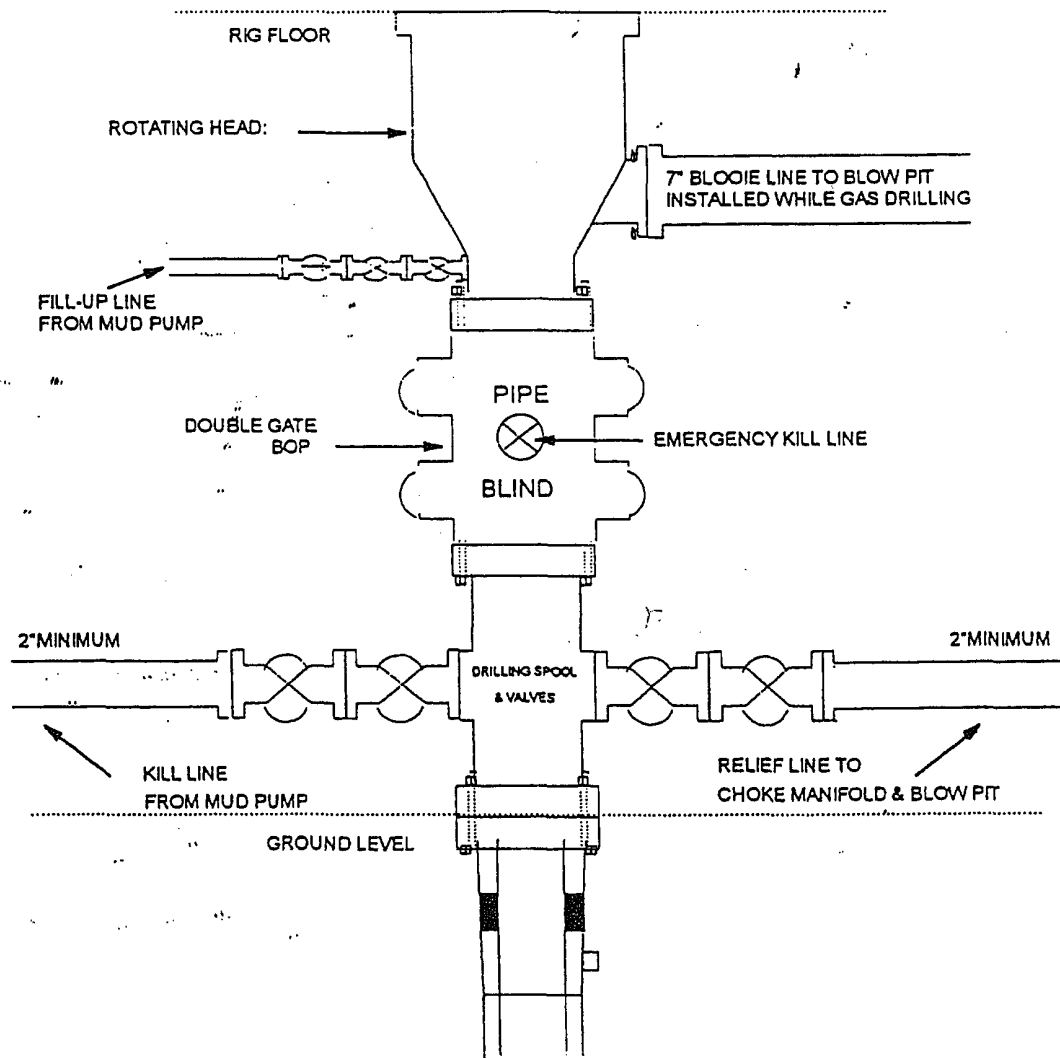
COLEMAN OIL & GAS, INC. PAYNE #221S
2445' FSL & 1630' FEL, SECTION 22, T32N, R10W, NMPM
SAN JUAN COUNTY, NEW MEXICO GROUND ELEVATION: 5929'

LATITUDE: 36°58'13"
LONGITUDE: 107°51'57"
 DATUM: NAD1927



Note: Contractor should call One-Call for location of any marked or unmarked buried pipelines or cables on well pad and/or access road at least two (2) working days prior to construction

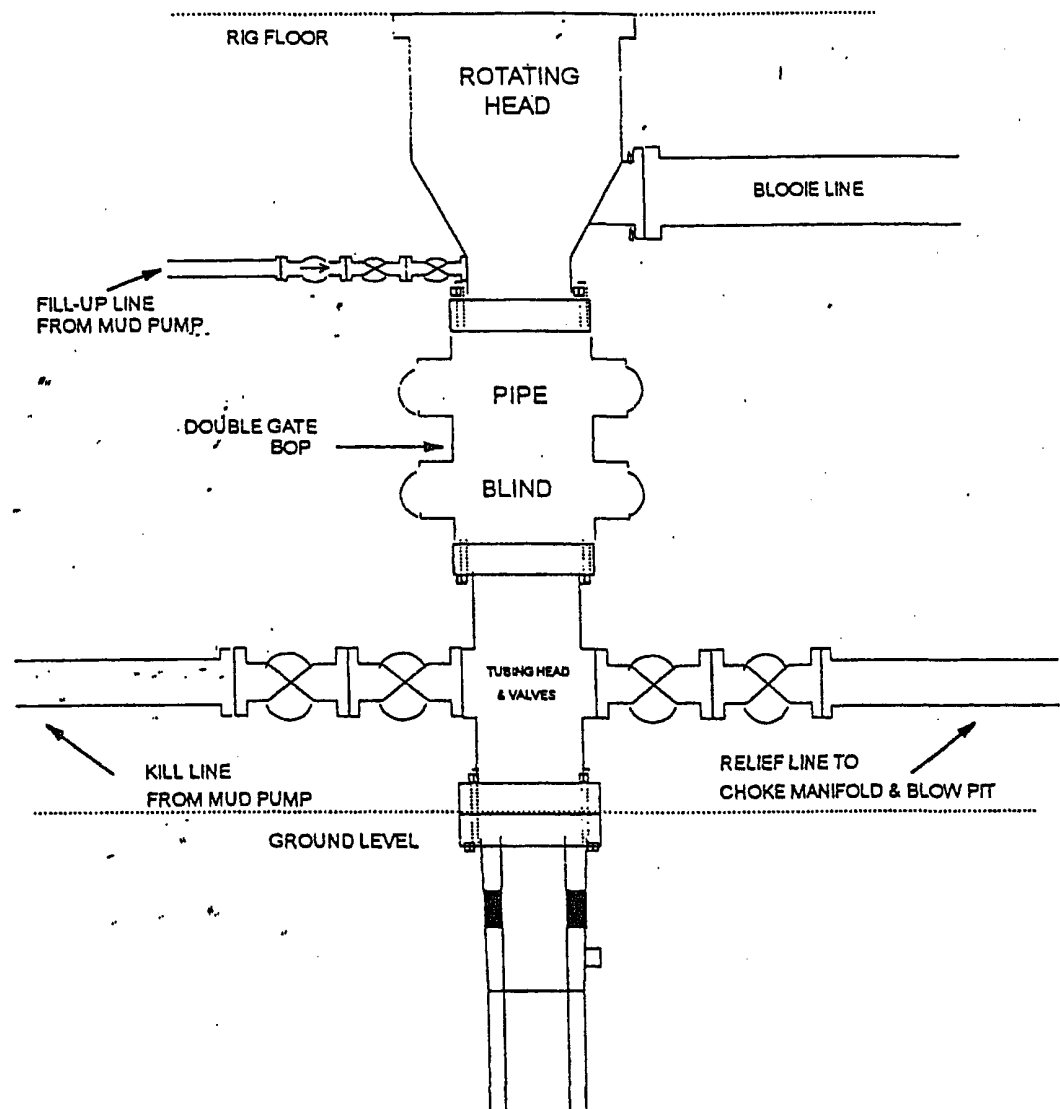
BOP Configuration 2M psi System



13 5/8" and 11" Bore, 2000psi minimum working pressure double gate BOP to be equipped with blind and pipe rams. A Schaffer Type 50 or equivalent rotating head to be installed on the top of the BOP. All equipment is 2000psi working pressure/ or greater.

FIGURE #1

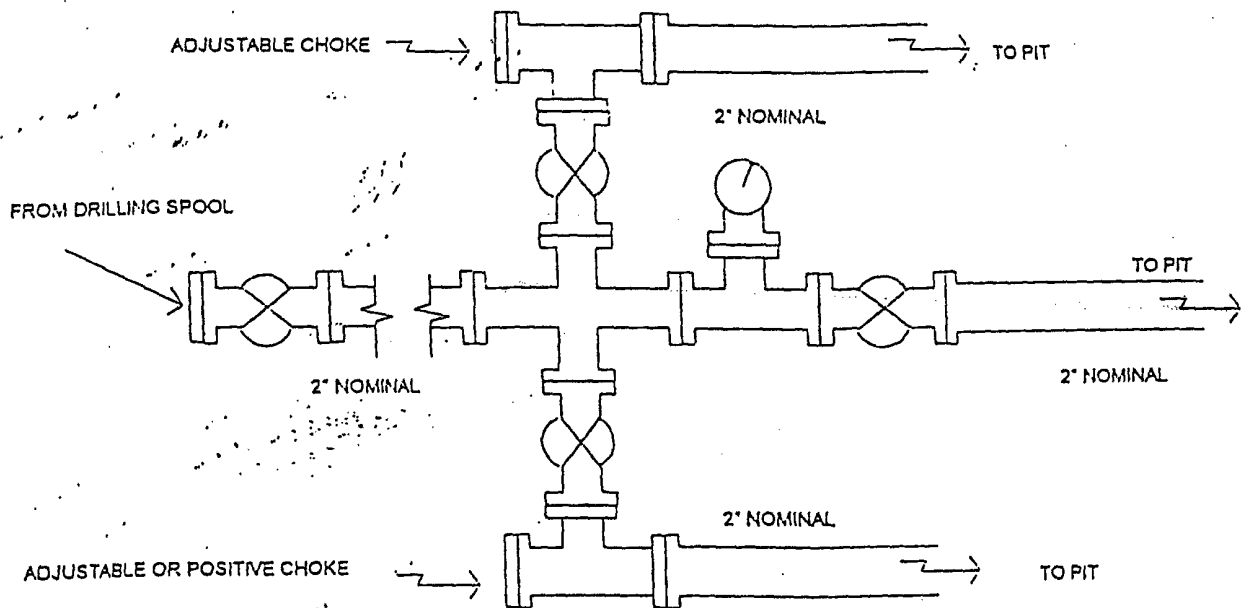
BOP Configuration 2M psi System



Minimum BOP installation for Completion operations. 7 1/16" Bore (6" Nominal), 3000 psi minimum working pressure double gate BOP to be equipped with blind and pipe rams.

FIGURE #2

Choke Manifold Configuration 2M System



Minimum choke manifold installation from surface to Total Depth.
2" minimum, 2000psi working pressure equipment with two chokes.

Figure #3

Thursday, August 12, 2004

OPERATIONS PLAN

Well Name: Payne #221S
Location: 2445' FSL, 1630' FEL Section 22, T-32-N, R-10-W
Latitude 36° 58' 13", Longitude 107° 51' 57"
San Juan County, NM
Bottom Hole: 1650' FSL, 1400' FEL Section 22, T-32-N, R-10-W
San Juan County, NM
Formation: Basin Fruitland Coal
Elevation: 5929' GL

Formation (TVD):	Top	Bottom	Contents
Surface	Nacimiento	925'	
Ojo Alamo	925'	1035'	
Kirtland	1035'	2335'	
Fruitland	2335'	2385'	gas
Fruitland Coal	2385'	2735'	gas
Pictured Cliffs	2735'	2735'	gas
Total Depth	2735'		

Logging Program (MD): Mud Logs from 2000' to Total Depth.

Coring Program: none

Mud Program (MD):

Interval	Type	Weight	Vis.	Fluid Loss
0 - 250'	Spud	8.4 - 9.5	40 - 50	no control
250' - 2542'	Non - Dispersed	8.4 - 9.5	32 - 60	6 - 12
2542' - 2900'	Air Mist			

Casing Program (MD):

Hole Size	Depth Interval MD	Csg. Size	Wt.	Grade
15"	0' - 250'	10 3/4"	36#	J-55 or K-55
9 7/8"	250' - 2542'	7 5/8"	20#	J-55 or K-55
6 1/4"	2542' - 2900'	5 1/2"	15.5#	J-55 or K-55

Tubing Program (MD):

0' - 2850'	2 7/8"	6.50#	J-55
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Float Equipment: 10 3/4" surface casing - saw tooth guide shoe.

7 5/8" intermediate casing - guide shoe and self-fill float collar with stage collar at 1,250'. Three centralizers run every other joint above shoe. One turbolizing type centralizer - One turbolizing below and Three standard through the Ojo Alamo @ 925' TVD. Standard centralizers thereafter every fourth joint up to the base of the surface pipe.

5 1/2" production casing - float shoe on bottom and pre-drilled liner run to the 7 5/8" casing with a minimum 100' overlap. Liner hanger is a double slip grip type.

Wellhead Equipment: 10 3/4" x 7 5/8" x 2 7/8" x 10 3/4" 2000 psi xmas tree assembly.

Cementing: 10 3/4" surface casing - cement with 275 sx Class "B" cement with 1/4# flocele/sx and 3% calcium chloride (325 cu. ft. of slurry, 100% excess to circulate to surface). WOC 12 hrs. Test casing to 600 psi/30 minutes.

7 5/8" intermediate casing - with stage collar at \pm 1,250 ft.

Stage 1:

Before cementing circulate hole with at least 1 1/2 hole volumes of mud. Precede cement with 30 bbls of fresh water. Lead with 275 sx (608 cu. ft.) of CI "G" 65/35 Poz with 12% gel, 5# gilsonite/sk, and 1/4#/sk celloflake. (Yield = 2.21 cu. ft. /sk; slurry weight = 12 PPG). Tail with 100 sx (118 cu. ft.) of CI "G" with 1/4 #/sk celloflake, 5#/sk gilsonite, 0/3% FL-62 and 2% CaC12 (Yield = 1.2 cu. ft. / sk; slurry weight = 15.6 PPG). Total cement volume is 726 cu. ft. (100% excess calculated on cement volumes).

Stage 2:

Before cementing circulate minimum four hours. Precede cement with 30 bbls of fresh water. Lead with 175 sx (387 cu. ft.) of CI "G" 65/35 Poz with 12% gel, 5# gilsonite/sk, and 1/4#/sk celloflake. (Yield = 2.21 cu. ft. /sk; slurry weight = 12 PPG). Tail with 100 sx (118 cu. ft.) of CI "G" with 1/4 #/sk celloflake, 5#/sk gilsonite, 0/3% FL-62 and 2% CaC12 (Yield = 1.2 cu. ft. / sk; slurry weight = 15.6 PPG). Total cement volume is 505 cu. ft. (100% excess to circulate cement to surface).

5 1/2" liner - uncemented.

BOP and Tests: Surface to intermediate TD - 11" 2000 psi (minimum) double gate BOP stack (Reference Figure #1). Prior to drilling out surface casing, test rams to 600# / 30 min.

Intermediate TD to Total Depth - 7 1/16" 3000 psi (minimum) double gate BOP stack (Reference Figure #2). Prior to drilling out intermediate casing, test blind rams and casing to 1500 psi for 30 minutes; all pipe rams and casing to 1500 psi for 30 minutes each.

From surface to TD - choke manifold (Reference Figure #3).

Pipe rams will be actuated at least once each day and blind rams actuated once each trip to test proper functioning. An upper kelly cock valve with handle and drill string safety valves to fit each drill string will be maintained and available on the rig floor.

Additional information:

- The Fruitland Coal formation will be completed.
- Anticipated pore pressure for the Fruitland is 300 psi.
- New casing will be utilized.
- Pipe movement (either rotation or reciprocation) will be done if hole conditions permit.

Date: August 12, 2007 Drilling Engineer: Michael T. Jaro



COLEMAN OIL & GAS, INC.



Bryan Lewis - Landman
E mail: cogblewis@yahoo.com

Thursday, August 12, 2004

CERTIFIED RETURN RECEIPT REQUESTED
7003 3110 0005 8977 3206

CERTIFIED RETURN RECEIPT REQUESTED
7003 3110 0005 8977 3213

BP America Production Company
Post Office Box 22048
Tulsa, OK 74121

Burlington Resources Oil & Gas Co.
801 Cherry Street
Forth Worth, TX 76102

RE: **PAYNE 221 S WELL**
Township 32 North - Range 10 West, NMPM
Section 22: NWSE (K) (E/2 Spacing)
San Juan County, New Mexico

Please be advised that Coleman Oil & Gas, Inc. plans to drill its Payne 221 S well on the referenced legal description as an infill to its Payne 221 well located in the SENE of Section 22, Township 32 North, Range 10 West in San Juan County, New Mexico.

Pursuant to the State of New Mexico, Energy, Minerals and Natural Resources Department Oil Conservation Commission Order No. R-8768-F, Coleman is required to notify you of its intent to drill such infill well and that you have twenty (20) days from the receipt of this letter in which to file with the District Office of the Division written objection to the proposed well. A copy of the NMOCD Application for Permit to Drill including NMOCD form C-102 is attached for your information.

Sincerely,

Bryan Lewis
Landman

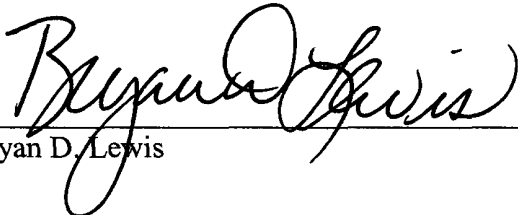
I hereby certify that Connie Whitson placed the original of this document in the United States Postal Service at the Main Post Office in Farmington, New Mexico 87401 on Thursday, August 12, 2004 at approximately 5:15 PM, MST. It was mailed to:

CERTIFIED RETURN RECEIPT REQUESTED
7003 3110 0005 8977 3206

BP America Production Company
Post Office Box 22048
Tulsa OK 74121

CERTIFIED RETURN RECEIPT REQUESTED
7003 3110 0005 8977 3213

Burlington Resources Oil & Gas Co.
801 Cherry Street
Forth Worth TX 76102


Bryan D. Lewis

PLACE STICKER AT TOP OF ENVELOPE TO THE RIGHT
OF THE RETURN ADDRESS, FOLD AT DOTTED LINE

CERTIFIED MAIL™



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Restricted Delivery Fee (Endorsement Required)	
Total Postage & Fees	\$

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Sent By BP American Production Company
 Street Apt. No. Post Office Box 22048
 or P.O. Box No. Tulsa OK 74121
 City, State, ZIP+4

PS Form 3800, June 2002 See Reverse for Instructions

SENDER: COMPLETE THIS SECTION

- Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:

BP American Production Company
Post Office Box 22048
Tulsa OK 74121

COMPLETE THIS SECTION ON DELIVERY

A. Signature

X

☐ Agent

☐ Addressee

B. Received by (Printed Name)

C. Date of Delivery

D. Is delivery address different from item 1? ☐ Yes
 If YES, enter delivery address below: ☐ No

3. Service Type

- | | |
|--|--|
| <input checked="" type="checkbox"/> Certified Mail | <input type="checkbox"/> Express Mail |
| <input type="checkbox"/> Registered | <input checked="" type="checkbox"/> Return Receipt for Merchandise |
| <input type="checkbox"/> Insured Mail | <input type="checkbox"/> C.O.D. |

4. Restricted Delivery? (Extra Fee)

☐ Yes

2. 7003 3110 0005 8977 3206

PLACE STICKER AT TOP OF ENVELOPE TO THE RIGHT
OF THE RETURN ADDRESS; FOLD AT DOTTED LINE.

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Restricted Delivery Fee (Endorsement Required)	
Total Postage & Fees	\$

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Sent To
Burlington Resources Oil & Gas Co.
Street Apt. No.
or P.O. Box No. *801 Cherry Street*
City, State, ZIP+4® *Irving TX 76102*

PS Form 3800, June 2002

See Reverse for Instructions

SENDER: COMPLETE THIS SECTION

- Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:

Burlington Resources Oil & Gas Co.
801 Cherry Street
Irving TX 76102

COMPLETE THIS SECTION ON DELIVERY

A. Signature

X

☐ Agent

☐ Addressee

B. Received by (Printed Name)

C. Date of Delivery

D. Is delivery address different from item 1? ☐ Yes

If YES, enter delivery address below: ☐ No

3. Service Type

☒ Certified Mail

☐ Express Mail

☐ Registered

☒ Return Receipt for Merchandise

☐ Insured Mail

☐ C.O.D.

4. Restricted Delivery? (Extra Fee)

☐ Yes

7003 3110 0005 8977 3213

SENDER: COMPLETE THIS SECTION

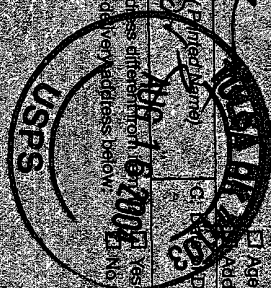
- ☐ Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.
- ☐ Print your name and address on the reverse so that we can return the card to you.
- ☐ Attach this card to the back of the mailpiece, or on the front if space permits.

Article Addressed to:

*BT American Production Company
Post Office Box 22048
Tulsa OK 74121*

COMPLETE THIS SECTION ON DELIVERY

- A. Signature ☒ Agent Addressed
- B. Received by (Printed Name) ☒ Delivery
- C. Is delivery address different from item 1? ☐ Yes ☒ No
- D. If YES, enter delivery address below:



- 3. Service Type: ☒ Certified Mail ☐ Express Mail ☐ Registered ☒ Return Receipt ☐ Insured Mail ☐ C.O.D.
- 4. Restricted Delivery? (Extra Fee) ☐ Yes ☒ No

102595-6200-1540

SENDER: COMPLETE THIS SECTION

- ☐ Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.
- ☐ Print your name and address on the reverse so that we can return the card to you.
- ☐ Attach this card to the back of the mailpiece, or on the front if space permits.

Article Addressed to:

*Birmingham Resources Old World
601 Cherry Street
46 North 78 76102*

COMPLETE THIS SECTION ON DELIVERY

- A. Signature ☒ Agent Addressed
- B. Received by (Printed Name) ☒ Delivery
- C. Is delivery address different from item 1? ☐ Yes ☒ No
- D. If YES, enter delivery address below:

- 3. Service Type: ☒ Certified Mail ☐ Express Mail ☐ Registered ☒ Return Receipt ☐ Insured Mail ☐ C.O.D.
- 4. Restricted Delivery? (Extra Fee) ☐ Yes ☒ No

7003 3110 0005 8977 3213

PS Form 3811, February 2004

Domestic Return Receipt

102595-6200-1540