Form 3160-3
(August 1999)

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

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

APPLICATION FOR PERMIT TO DRILL OR REENTER

5. Lease Serial No.: SF-079380

6. If Indian, Allottee or Tribe Name:

1a. Type of Work: ☒ DRILL ☐ REENTER

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

1b. Type of Well: ☐ Oil Well ☒ Gas Well ☐ Other ☐ Single Zone ☒ Multiple Zone

8. Lease Name and Well No.: SAN JUAN 32-8 UNIT 263A

2. Name of Operator: CONOCOPHILLIPS COMPANY
Contact: VICKI WESTBY
E-Mail: VICKI.R.WESTBY@CONOCOPHILLIPS.COM

9. API Well No.: 30-045-32796

3a. Address: 4001 PENBROOK, ODESSA, TX 79762

3b. Phone No. (include area code): Ph: 915.368.1352

10. Field and Pool, or Exploratory: BASIN FRUITLAND COAL

4. Location of Well *(Report location clearly and in accordance with any State requirements.*)*

At surface: SESE 999FSL 1152FEL

At proposed prod. zone: SESE 999FSL 1152FEL

11. Sec., T., R., M., or Blk. and Survey or Area: Sec 15 T32N R8W Mer NMP

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

12. County or Parish: SAN JUAN

13. State: NM

15. Distance from proposed location to nearest property or lease line, ft. (Also to nearest drig. unit line, if any)

16. No. of Acres in Lease: 1760.00

17. Spacing Unit dedicated to this well: E/2 320

18. Distance from proposed location to nearest well, drilling, completed, applied for, on this lease, ft.

19. Proposed Depth: 3898 MD

20. BLM/BIA Bond No. on file

21. Elevations (Show whether DF, KB, RT, GL, etc.): 6980 GL

22. Approximate date work will start

23. Estimated duration

RECEIVED
JAN 2005
OIL CONS. DIV.
Dist. 3

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.

25. Signature: (Electronic Submission)
Name (Printed/Typed): VICKI WESTBY Ph: 915.368.1352
Date: 01/07/2005

Title: AGENT

Approved by (Signature): /s/ Manuel Name (Printed/Typed): Date: 1-28-05

Title: AFM Office: FFO

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.

Additional Operator Remarks (see next page)

Electronic Submission #52716 verified by the BLM Well Information System
For CONOCOPHILLIPS COMPANY, sent to the Farmington

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

**** OPERATOR-SUBMITTED ** OPERATOR-SUBMITTED ** OPERATOR-SUBMITTED ****

NMOCD

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

State of New Mexico
Energy, Minerals & Natural Resources Department
OIL CONSERVATION DIVISION
1220 South St. Francis Dr.
Santa Fe, NM 87505

Form C-102
Revised June 10, 2003
Submit to Appropriate District Office
State Lease – 4 Copies
Fee Lease – 3 Copies

☐ AMMENDED REPORT

District I
1625 N. French Dr., Hobbs, NM 88240
District II
1301 W. Grand Avenue, Artesia, NM 88210
District III
1000 Rio Brazos Rd., Aztec, NM 87410
District IV
1220 S. St. Francis Dr., Santa Fe, NM 87505

WELL LOCATION AND ACREAGE DEDICATION PLAT

[1] API Number	[2] Pool Code	[3] Pool Name
30-045-32796	71629	BASIN FRUITLAND COAL (GAS)

[4] Property Code	[5] Property Name	[6] Well Number
31330	SAN JUAN 32-8 UNIT	263A

[7] OGRID No.	[8] Operator Name	[9] Elevation
217817	CONOCOPHILLIPS COMPANY	6980

[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
P	15	32N	08W		999	SOUTH	1152	EAST	SAN JUAN

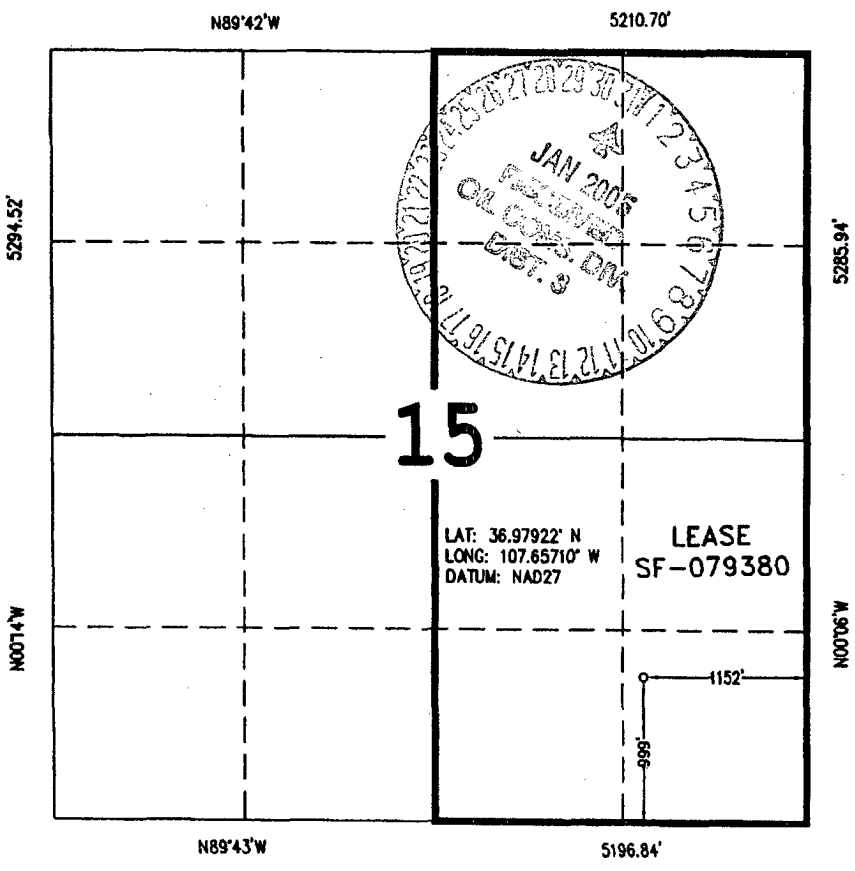
[11] Bottom Hole Location If Different From Surface

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County

[12] Dedicated Acres	[13] Joint or Infill	[14] Consolidation Code	[15] Order No.
E/2 320.0			

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

[16]



[17] OPERATOR CERTIFICATION

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

Vicki Westby (pj)
Signature

Vicki Westby
Printed Name

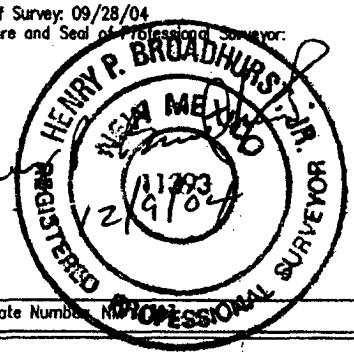
Staff Agent
Title and E-mail Address

1/7/05
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.

Date of Survey: 09/28/04
Signature and Seal of Professional Surveyor:



Certificate Number NM 11393

Submit 3 Copies To Appropriate District Office
District I
1625 N. French Dr., Hobbs, NM 88240
District II
1301 W. Grand Ave., Artesia, NM 882 1 0
District III
1 000 Rio Brazos Rd., Aztec, NM 8741 0
District IV
1220 S. St. Francis Dr., Santa I e, NM 87505

State of New Mexico
Energy, Minerals and Natural Resources

OIL CONSERVATION DIVISION
1220 South St. Francis Dr.
Santa Fe, NM 87505

Form C- 1 03
May 27, 2004

WELL API NO.

5. Indicate Type of Lease STATE ☐ FEE ☐

6. State Oil & Gas Lease No.

SUNDRY NOTICES AND REPORTS ON WELLS
(DO NOT USE THIS FORM FOR PROPOSALS TO DRILL OR TO DEEPEN OR PLUG BACK TO A DIFFERENT RESERVOIR. USE "APPLICATION FOR PERMIT" (FORM C-101) FOR SUCH PROPOSALS)

7. Lease Name or Unit Agreement Name: SAN JUAN 32-8

1. Type of Well: Oil Well ☐ Gas Well ☒ Other

8. Well Number: 263A

2. Name of Operator: ConocoPhillips Company

9. OGRID Number: 217817

3. Address of Operator: 4001 Penbrook, Odessa, TX 79762

10. Pool name or Wildcat: Basin Fruitland Coal

4. Well Location
Unit Letter P 999 feet from the South line and 1152 feet from the East line
Section 15 Township 32N Range 8W NMPM SAN JUAN County

11. Elevation *(Show whether DR, RKB, RT, GR, etc.)* 6980 GL

Pit or Below -grade Tank Application ☒ Closure ☐
Pit type DRILL Depth to Groundwater 180' Distance from nearest fresh water well >1 MILE Distance from nearest surface water 500'
Liner Thickness: mil Below-Grade Tank: Volume bbls; Construction Material

12. Check Appropriate Box to Indicate Nature of Notice, Report or Other Data

NOTICE OF INTENTION TO:				SUBSEQUENT REPORT OF:			
PERFORM REMEDIAL WORK	☐	PLUG AND ABANDON	☐	REMEDIAL WORK	☐	ALTERING CASING	☐
TEMPORARILY ABANDON	☐	CHANGE PLANS	☐	COMMENCE DRILLING OPNS.	☐	P AND A	☐
PULL OR ALTER CASING	☐	MULTIPLE COMPL	☐	CASING/CEMENT JOB	☐		
OTHER:	☐			OTHER:	☐		

13. Describe proposed or completed operations. (Clearly state all pertinent details, and give pertinent dates, including estimated date of starting any proposed work). SEE RULE I 1 03. For Multiple Completions: Attach wellbore diagram of proposed completion or recompletion.

The pit will be constructed and closed in accordance with Rule 50 and as per the Nov. 1, 2004 Guidelines. See the attached diagram that details the location of the pit in reference to the proposed wellhead. The drill pit will be lined. The drill pit will be closed after the well has been completed. The solids left after the water has been disposed of will be sampled and NMOCD approval will be obtained prior to closure of this pit.

I hereby certify that the information above is true and complete to the best of my knowledge and belief. I further certify that any pit or below-grade tank has been/will be constructed or closed according to NMOCD guidelines ☐, a general permit ☐ or an (attached) alternative OCD-approved plan ☐

SIGNATURE Vicki Westby TITLE Staff Agent DATE 01/07/05

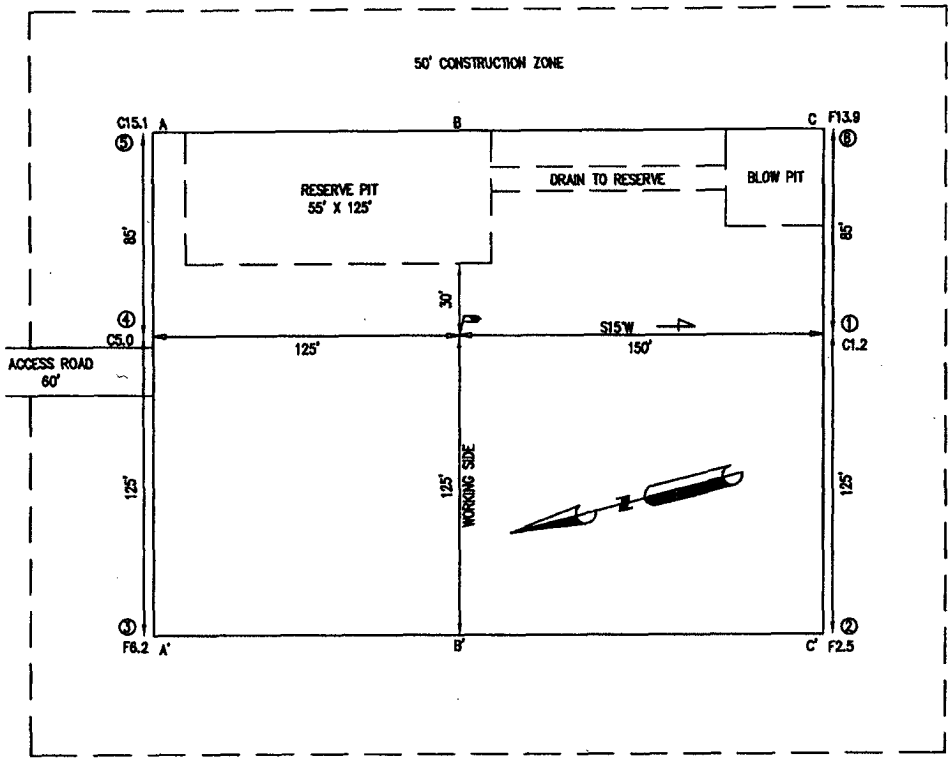
Type or print name E-mail address: Telephone No.

For State Use Only

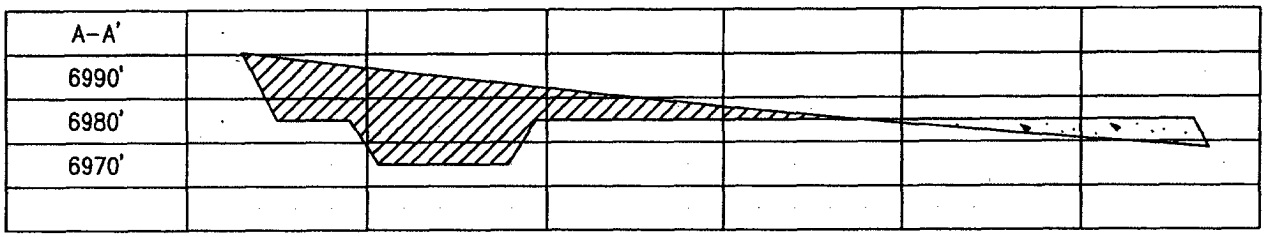
APPROVED BY: TITLE DEPUTY OIL & GAS INSPECTOR, DIST. #3 DATE JAN 31 2005
Conditions of Approval (if any):

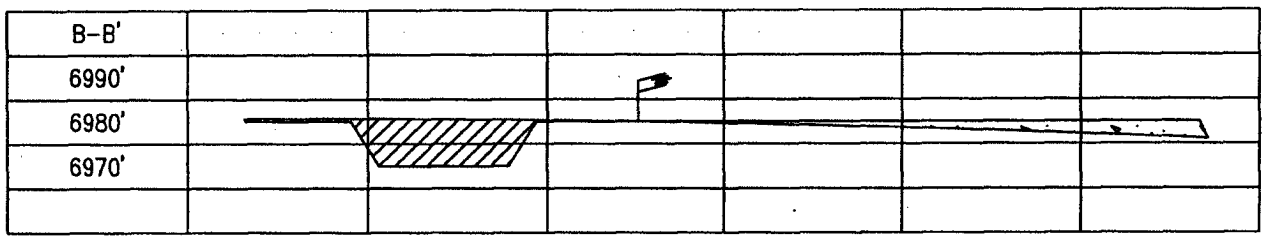
CONOCOPHILLIPS COMPANY SAN JUAN 32-8 UNIT #263A
999' FSL & 1152' FEL, SECTION 15, T32N, R08W, NMPM
SAN JUAN COUNTY, NEW MEXICO ELEVATION: 6980'

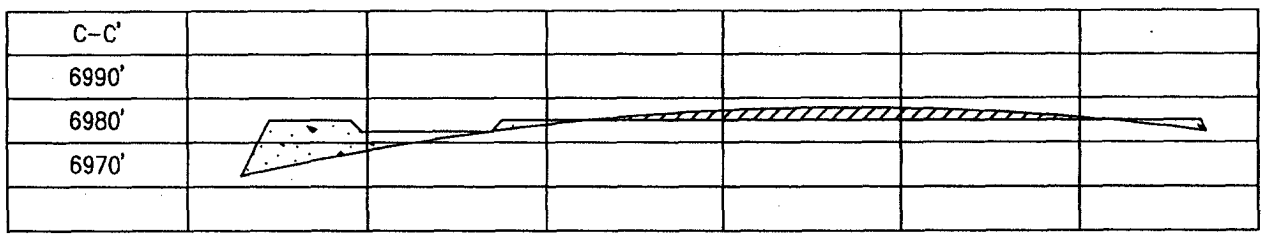
LATITUDE: 36.97922° N
LONGITUDE: 107.65710° W
DATUM: NAD27



PLAT NOTE:
SURFACE OWNER BLM







FILENAME: SJ32-8 263A.dwg	SHEET 2 OF 6	CHENAULT CONSULTING INC.	DRAWN BY: J. FUNK	CHECKED BY: G. CHENAULT

ConocoPhillips

PROJECT PROPOSAL - New Drill / Sidetrack

San Juan Business Unit

SAN JUAN 32-8 263A

Lease:	AFE #:			AFE $:
Field Name: hPHILLIPS 32-8	Rig:	State: NM	County: SAN JUAN	API #:
Geoscientist: Cloud, Tom A	Phone: +1 832 486-2377	Prod. Engineer:		Phone: 832-486-2254
Res. Engineer: Peterson, Brad T	Phone: 486-2055	Proj. Field Lead:		Phone:

Primary Objective (Zones):

Zone	Zone Name
JCV	BASIN FRUITLAND COAL (GAS)

Location: Surface — **Straight Hole**

Latitude: 36.98	Longitude: -107.66	X:	Y:	Section: 15	Range: 8W
Footage X: 1152 FEL	Footage Y: 999 FSL	Elevation: 6980 (FT)	Township: 32N		
Tolerance:					

Location Type:	Start Date (Est.):	Completion Date:	Date In Operation:

Formation Data: Assume KB = 6993 Units = FT

Formation Call & Casing Points	Depth (TVD in Ft)	SS (Ft)	Depletion (Yes/No)	BHP (PSIG)	BHT	Remarks
SAN JOSE	13	6980	☐			
Surface Casing	213	6780	☐			12-1/4 hole. 9 5/8" 32.3 ppf, H-40, STC casing. Circulate cement to surface.
NCMT	1018	5975	☐			
OJAM	2423	4570	☐			Possible water flows.
KRLD	3033	3960	☐			
FRLD	3443	3550	☐			Possible gas.
Intermediate Casing	3511	3482	☐			8 3/4" Hole. 7", 20 ppf, J-55, STC Casing. Circulate cement to surface.
TOP COAL	3541	3452	☐			
BASE MAIN COAL	3661	3332	☐	1250		
PC TONGUE	3701	3292	☐			
BASE LOWEST COAL	3873	3120	☐			
PCCF	3879	3114	☐			
Total Depth	3898	3095	☐			6-1/4" hole possibly underreamed to 9.5". Optional Liner: 5.5", 15.5#, J-55 LTC - left uncemented.

Reference Wells:

Reference Type	Well Name	Comments
Intermediate	Phillips SJ 32-8 #4-15	

Logging Program:

Intermediate Logs: ☐ Log only if show ☐ GR/ILD ☐ Triple Combo

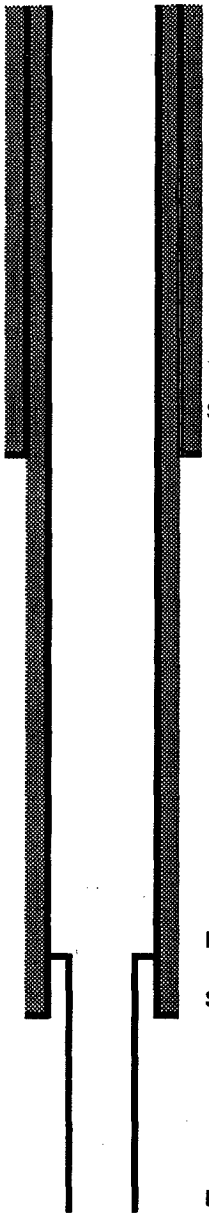
TD Logs: ☐ Triple Combo ☐ Dipmeter ☐ RFT ☐ Sonic ☐ VSP ☐ TDT

Additional Information: TD includes 80 feet sump/rathole & COPC will comply with the BLM's Conditions of Approval for the proposed sump/rathole in this non-producing Pictured Cliffs formation

Log Type	Stage	From (Ft)	To (Ft)	Tool Type/Name	Remarks

Printed on: 1/5/2005 8:25:12 AM

San Juan 32-8 # 263A



SURFACE CASING :

Drill Bit Diameter	12.25	"
Casing Outside Diameter	9.625	" Casing Inside Diam. 9.001 "
Casing Weight	32.3	ppf
Casing Grade	H-40	
Shoe Depth	230	'
Cement Yield	1.21	cuft/sk
Excess Cement	125	%
Cement Required	147	**sx**

SHOE 230 ', 9.625 ", 32.3 ppf, H-40 STC

INTERMEDIATE CASING :

Drill Bit Diameter	8.75	"
Casing Outside Diameter	7	" Casing Inside Diam. 6.456 "
Casing Weight	20	ppf
Casing Grade	J-55	
Shoe Depth	3511	'
Lead Cement Yield	2.91	cuft/sk
Lead Cement Excess	160	%
Tail Cement Length	315	'
Tail Cement Yield	1.33	cuft/sk
Tail Cement Excess	160	%
Lead Cement Required	412	**sx**
Tail Cement Required	100	**sx**

LINER TOP 3491 '

SHOE 3511 ', 7 ", 20 ppf, J-55

LINER BOTTOM 3898 ' (Uncemented)

SAN JUAN 32-8 #263A

OPTION 1

9-5/8 Surface Casing		
Cement Recipe	Class C Standard Cement	
	+ 3% Calcium Chloride	
	+0.25 lb/sx Flocele	
Cement Volume	147	sx
Cement Yield	1.21	cuft/sx
Slurry Volume	179.8	cuft
	32.0	bbls
Cement Density	15.6	ppg
Water Required	5.29	gal/sx

7" Intermediate Casing		
Lead Slurry		
Cement Recipe	Standard Cement	
	+ 3% Econolite (Lost Circulation Additiv	
	+ 10 lb/sx Gilsonite (Lost Circ. Additvie	
	+ 0.25 lb/sx Flocele (Lost Circ. Additive	
Cement Required	412	sx
Cement Yield	2.91	cuft/sx
Slurry Volume	1198.2	cuft
	213.4	bbls
Cement Density	11.5	ppg
Water Required	16.88	gal/sx

7" Intermediate Casing		
Tail Slurry		
Cement Slurry	50 / 50 POZ:Standard Cement	
	+ 2% Bentonite (Light Weight Additive)	
	+ 5 lbm/sk Gilsonite (Lost Circ. Additive	
	+ 0.25 lbm/sk Flocele (lost Circ. Additiv	
	+ 2% Calcium Chloride (Accelerator)	
Cement Required	100	sx
Cement Yield	1.33	cuft/sx
Slurry Volume	132.7	cuft
	23.6	bbls
Cement Density	13.5	ppg
Water Required	5.36	gal/sx

OPTION 2

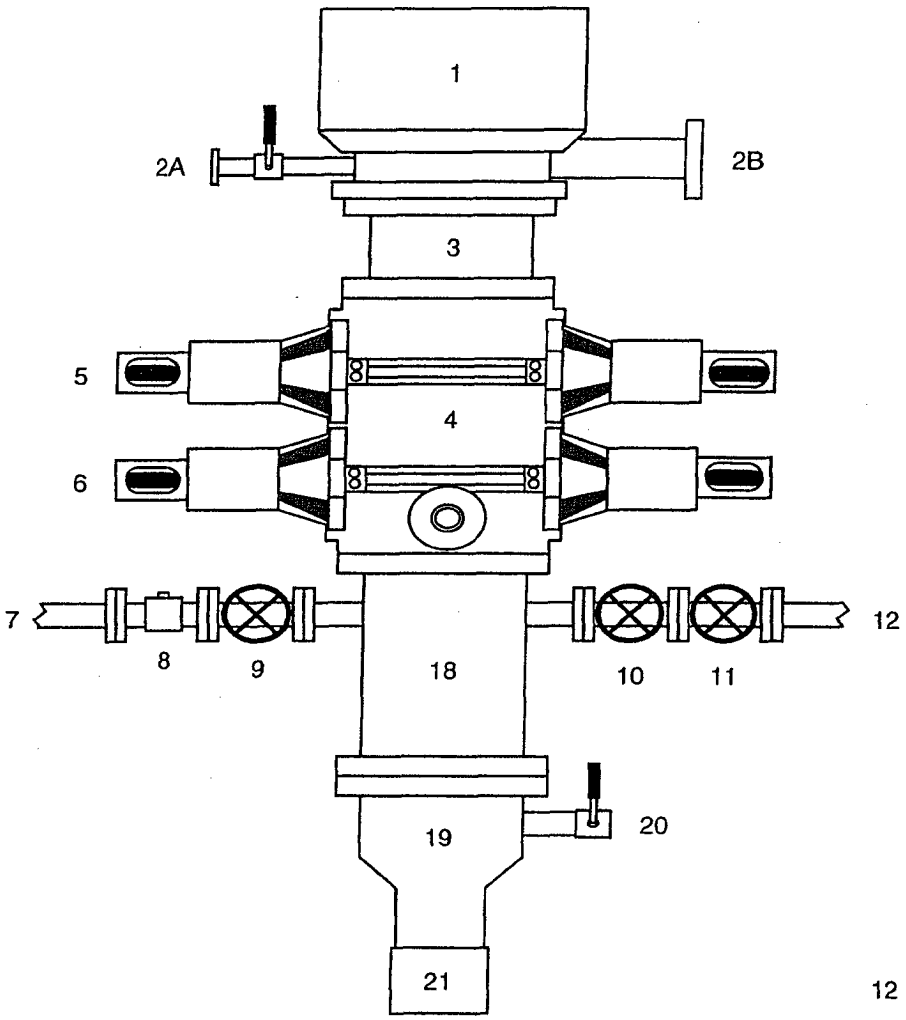
9-5/8" Surface Casing		
Cement Slurry	Class G	
	+ 2% S001 Calcium Chloride	
	+ 0.25 lb/sx D029 Cellophane Flakes	
Cement Volume	147	sx
Cement Yield	1.16	cuft/sx
Cement Volume	170.59	cuft
Cement Density	15.8	ppg
Water Required	4.983	gal/sx

7" Intermediate Casing		
Lead Slurry		
Cement Slurry	Class G	
	+ 3% D079 Extender	
	+ 0.25 lb/sx D029 Cellophane Flakes	
	+ 0.2% D046 Antifoam	
Cement Volume	462	sx
Cement Yield	2.61	cuft/sx
Cement Volume	1205.23	cuft
Cement Density	11.7	ppg
Water Required	15.876	gal/sx

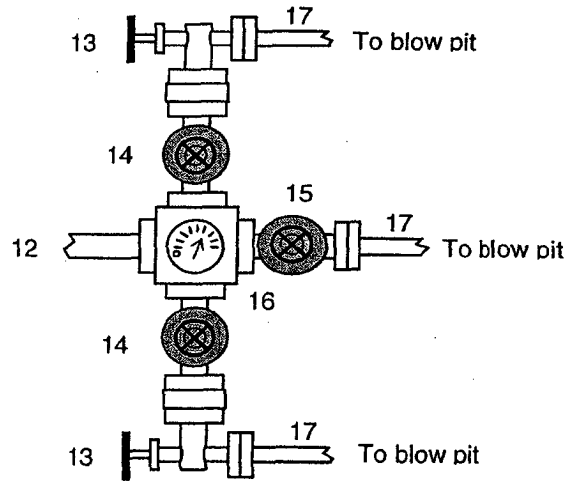
7" Intermediate Casing		
Tail Slurry		
Cement Slurry	50% POZ / 50% Class G cement	
	+ 2% D020 Bentonite	
	+ 2% S001 Calcium Chloride	
	+ 0.25 lb/sx D029 Cellophane Flakes	
	+ 5 lb/sx Gilsonite Extender	
	+ 0.2% D046 Antifoam	
Cement Volume	100	sx
Cement Yield	1.27	cuft/sx
Cement Volume	126.80	cuft
Cement Density	13.5	ppg
Water Required	5.182	gal/sx

BLOWOUT PREVENTER ARRANGEMENT & PROGRAM

For Drilling to Intermediate Casing Point & Setting 7" Intermediate Casing



1. Rotating Head
2A. Fill-up Line & valve
2B. Flowline
3. Spacer Spool
4. Double Ram BOP (11", 3000 psi)
5. Pipe Rams
6. Blind Rams
7. Kill Line
8. Kill Line Check Valve
9. Kill Line Valve
10 Inner Choke Line Valve (3")
11. Outer Choke Line Valve (3")
12. Choke Line (3")
13. Variable Choke
14. Choke Line Valve (2")
15. Panic Line Valve (3")
16. Choke Manifold Pressure Gauge
17. Choke Line (2")
18. Mud Cross Spacer Spool
19. Casing Head "A" Section
20. Casing Head "A" Section 2" Valve
21. 9 5/8" Casing Collar



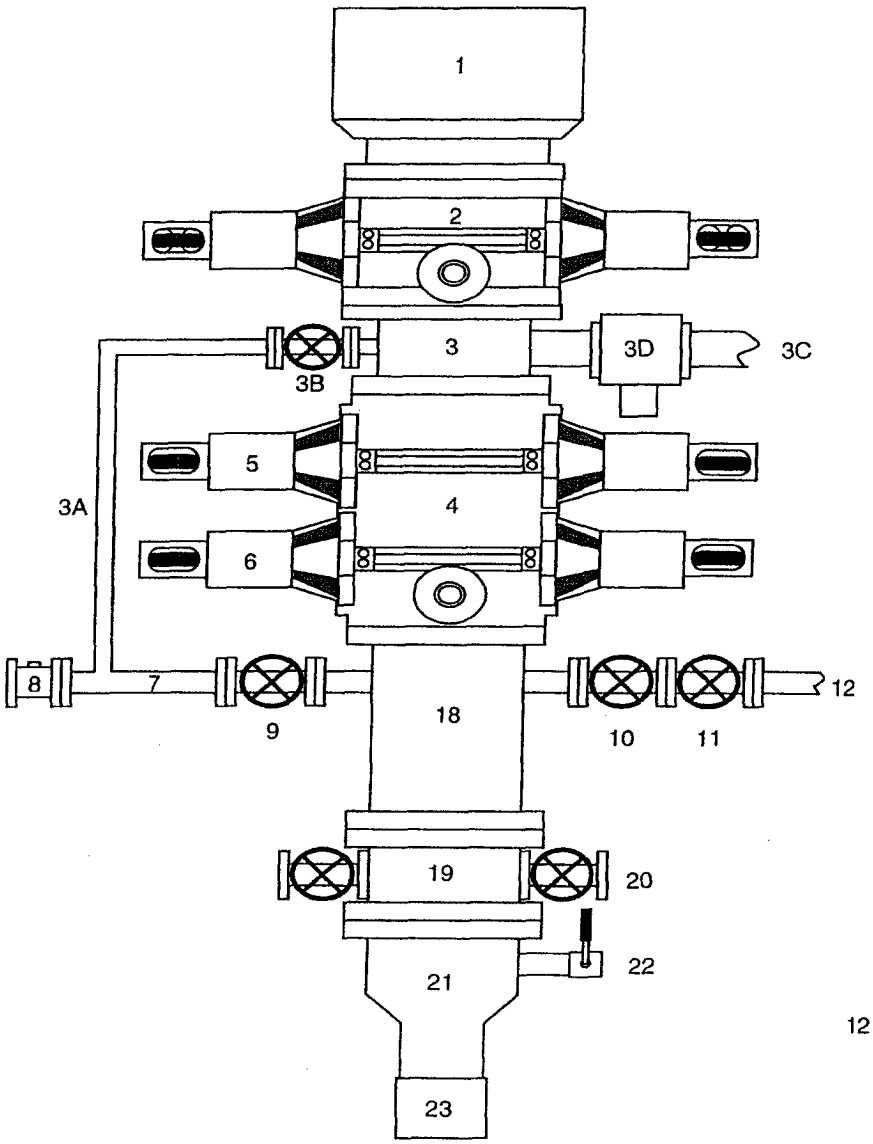
A 12-1/4" hole will be drilled to approximately 220' and the 9-5/8" surface casing will be run and cemented. The Casing Head "A" Section will be screwed onto the 9-5/8" surface casing stub. The BOP will be installed on the Casing Head "A" Section. A test plug will be set in the wellhead and the pipe rams and choke manifold will be tested to 200 psi to 300 psi (low pressure test) for 10 minutes and to 1000 psi (high pressure test) for 10 minutes. Then the test plug will be removed, and the **9-5/8" casing will be pressure tested** against closed blind rams to 200 psi to 300 psi for 10 minutes and **to 1000 psi for 30 minutes** (this value is one 44% of the minimum internal yield pressure of the 9-5/8" casing). (Note: per regulatory requirements we will wait on cement at least 8 hrs after placement before testing the 9-5/8" surface casing). Then an 8-3/4" hole will be drilled to intermediate casing point and 7" intermediate casing will be run and cemented.

In addition to the equipment in the above diagram the following equipment will comprise the BOP system:
1. Upper Kelly cock Valve with handle
2. Stab-in TIW valve for all drillstrings in use

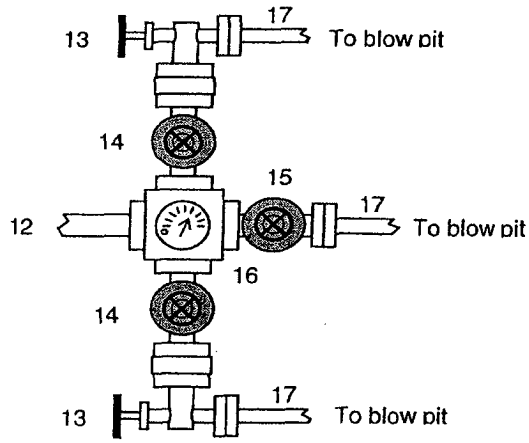
Revision Date: September 1, 2004

BLOWOUT PREVENTER ARRANGEMENT & PROGRAM

For Cavitation Program



1. Stripping Head
2. Single Ram BOP (7-1/16", 3M)
3. Mud Cross
3A. Equalizing Line (2")
3B. Wing Valve (2-1/16", 3M)
3C. Blooie Line (2 ea, 5" OD)
3D. HCR Valve (1 ea per line, 4-1/16")
4. Double Ram BOP (7-1/16", 3M)
5. Pipe Rams
6. Blind Rams
7. Kill Line
8. Kill Line Check Valve
9. Kill Line Valve
10 Inner Choke Line Valve (3")
11. Outer Choke Line Valve (3")
12. Choke Line (3")
13. Variable Choke
14. Choke Line Valve (2")
15. Panic Line Valve (3")
16. Choke Manifold Pressure Gauge
17. Vent Line (2")
18. Spacer Spool
19. Tubing Head
20. Tubing Head Valves (2- 9/16")
21. Casing Head "A" Section
22. Casing Head "A" Section 2" Valve
23. 9-5/8" Casing Collar



This BOP arrangement and test program is for the cavitation program. The BOP will be installed on the tubing head. The 7" casing will be pressure tested against closed blind rams to 200 psi to 300 psi for 10 minutes and to 1800 psi for 30 minutes - this test pressure is 48% of the minimum internal yield strength of 3740 psi for the 7", 20#, J-55, STC casing. The pipe rams and choke manifold will be tested to 200 psi to 300 psi (low pressure test) for 10 minutes and to 1800 psi (high pressure test) for 10 minutes - This test will be done with a test plug or possibly without a test plug (ie against casing). If we conduct this test without a test plug we will ensure that we have sufficient drillstring weight in the hole to exceed the upward force generated by the test.

We use a power swivel and air/mist to drill the 6-1/4" hole in our cavitation program. We do not use a kelly. In addition to the equipment in the above diagram the following equipment will comprise the BOP system:

1. String floats will be used inside the drillpipe
2. Stab-in TIW valve for all drillstrings in use
3. Each blooie line is equipped with a hydraulically controlled valve (HCR valve).

Revision Date: September 1, 2004

Property : SAN JUAN 32-8 **Well #:** 263A

Surface Location:

Unit: P **Section:** 15 **Township:** 32N **Range:** 8W

County: SAN JUAN **State: New Mexico**

Footage: 999 **from the** SOUTH **line,** 1152 **from the** EAST **line.**

CATHODIC PROTECTION

ConocoPhillips (COP) proposes to drill a cathodic protection deep well groundbed for the subject well. COP will drill a hole vertically at the surface large enough to accommodate 20 feet of 8 inch diameter PVC pipe for surface casing to assist in further drilling and loading. Casing may be cemented in place for stability if needed. COP will drill a 6-7/8" hole to an anticipated minimum depth of 300'(maximum depth of 500'). Cement plugs will not be used unless more than one water zone is encountered. Prior drilling history for the area indicates only one zone to that depth. If more than one water zone is encountered, notification will be made and details of cement and casing will be provided.

All drilling activity will remain on the existing well pad and a Farmington based company will be doing the drilling for ConocoPhillips.