~~Submit 3~~ Copies To Appropriate District Office
District I
1625 N. French Dr., Hobbs, NM 88240
District II
1301 W. Grand Ave., Artesia, NM 88210
District III
1000 Rio Brazos Rd., Aztec, NM 87410
District IV
1220 S. St. Francis Dr., Santa Fe, 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-103
May 27, 2004

WELL API NO. 30-045-32517	
5. Indicate Type of Lease STATE ☐ FEE ☒	
6. State Oil & Gas Lease No. Fee CA-NMNM 103093	
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 Payne
1. Type of Well: Oil Well ☐ Gas Well ☒ Other	8. Well Number 221S
2. Name of Operator Coleman Oil & Gas, Inc.	9. OGRID Number 004838
3. Address of Operator P.O. Drawer 3337 Farmington, NM 87499	10. Pool name or Wildcat Basin Fruitland Coal

4. Well Location
Unit Letter : J : 2445 feet from the South line and 1630 feet from the East line
Section 22 Township 32N Range 10W NMPM County San Juan

11. Elevation *(Show whether DR, RKB, RT, GR, etc.)* 5929' GR.

Pit or Below-grade Tank Application ☐ or Closure ☒

Pit type: LINED EARTHEN Depth to Groundwater: 100 feet. Distance from nearest fresh water well one mile. Distance from nearest surface water 800 feet.

Pit Liner Thickness: 12 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: Rotate Reserve Pit	☒			OTHER: Reclaimed reserve pit	☐		

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 1103. For Multiple Completions: Attach wellbore diagram of proposed completion or recompletion.

Dig Earthen pit and line with 12 mil thick reinforced plastic for drilling reserve pit as per approved APD from New Mexico OCD, Aztec District Office. Reserve pit will be rotated 180 degrees to cut side of location from original approved APD as per phone conversation with Denny Foust with Aztec District Office. See attached Cut and Fill Diagram.

Coleman Oil & Gas, Inc. plans on reclaiming reserve pit as soon as possible. Free liquids will be pulled and hauled to approved disposal. Cuttings will be dried, removed and hauled to approved disposal. Liner will be removed with cuttings and hauled off.

Change operations plans: 7 5/8" casing will be cemented with Single Stage instead of Two Stage with 150 percent excess. See attached operations plan.

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 and closed according to NMOCD guidelines ☒, a general permit ☐ or an (attached) alternative OCD-approved plan ☐.**

SIGNATURE Michael T. Hanson TITLE: Operations Engineer DATE: April 8, 2005

Michael T. Hanson cogmhanson@sprynet.com (505) 327-0356

For State Use Only

APPROVED BY: _____ TITLE DEPUTY OIL & GAS INSPECTOR, DIST. #3 DATE JUN - 8 2005

Monday, June 06, 2005

OPERATIONS PLAN

Well Name: Payne #221S
Location: 2445' FSL, 1630' FEL Section 22, T-32-N, R-10-W, NMPM
San Juan County, NM
Formation: Basin Fruitland Coal
Elevation: 5929' GL

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

Formation Depths Are True Vertical Depths Not Measured Depths
Drilling Contractor: Availability

Mud Program:

Interval	Type	Weight	Vis.	Fluid Loss
0' - 250'	Spud	8.4 - 9.0	40 - 50	no control
250' – 2542"	Non-dispersed	8.4 - 9.0	30 - 60	6cc or less
2542' – 2900"	Water or Air Mist			

Depths Are True Vertical Depths Not Measured Depths

Logging Program: Correlation Density Log.

Coring Program: None

Casing Program:

Hole Size	Depth Interval	Csg. Size	Wt.	Grade
15"	0' - 250'	10 3/4"	40.50#	J-55 or K-55
9 7/8"	250' - 2542'	7 5/8"	26.40#	J-55 or K-55
6 1/4"	2542' – 2900'	5 1/2"	15.50#	J-55 or K-55

Depths Are True Vertical Depths Not Measured Depths. Overlap 5 1/2" Liner Minimum 75"

Tubing Program:

	0' - 2800'	2 7/8"	6.50#	J-55

Float Equipment:
10 3/4" surface casing – Insert float with saw tooth guide shoe and three centralizers.

7 5/8" production casing – Cement guide shoe and self fill insert float collar. Place float one joint above shoe. One turbolizing type centralizer below and three standard through the Ojo Alamo @ 925 TVD. Standard centralizers thereafter spaced every fourth up to base of surface pipe.

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

Cementing:

10 3/4" Surface Casing -
Cement with 275 sacks Class "B" cement with 1/4# celloflake/sx and 2% calcium chloride (325 cu. ft. of slurry, 100% excess to circulate to surface). WOC 12 hrs. Test casing to 750 psi/30 minutes.

7 5/8" Production Casing -
Before cementing circulate hole with at least 1 1/2 hole volumes of mud. Precede cement with 30 bbls of fresh water. Lead with 100 sacks (126 cu. ft) of Class "G" with 3% D79 and 1/4# Per sack D29. (Yield = 2.61 cu. ft. /sack; slurry weight = 11.7 PPG). Tail with 485 sacks (1266 cu. ft.) of Class "G" 50/50 POZ with 2% GEL D-20, 5# Per sack Gilsonite, .1% D46, 1% S-1 and 1/4# Per sack D29. (Yield = 1.26 cu. ft./sack; slurry weight = 13.5 PPG). Total cement volume is 1392 cu. ft. (150% excess on open hole, calculated on cement volumes).

BOP and Tests:

Surface to Surface Total Depth – None

Surface TD to Total Depth – Annular or Double Ram Type 2000 psi (minimum) double gate BOP stack (Reference Figure #1, #2, #3). Prior to drilling out surface casing, test blind rams and casing to 750 psig for 30 minutes; all pipe rams and choke assembly to 750 psig for 15 minutes each.

Production Casing to TD. – 7 1/16" 3000 psi (minimum) double gate BOP stack (Reference Figure #2). Prior to drilling out production casing, test blind rams and casing to 1500 psi for 30 minutes; all pipe rams and choke assembly to 1500 psig for 15 minutes each.

From Surface TD to Total Depth - choke manifold (Reference Figure #3).

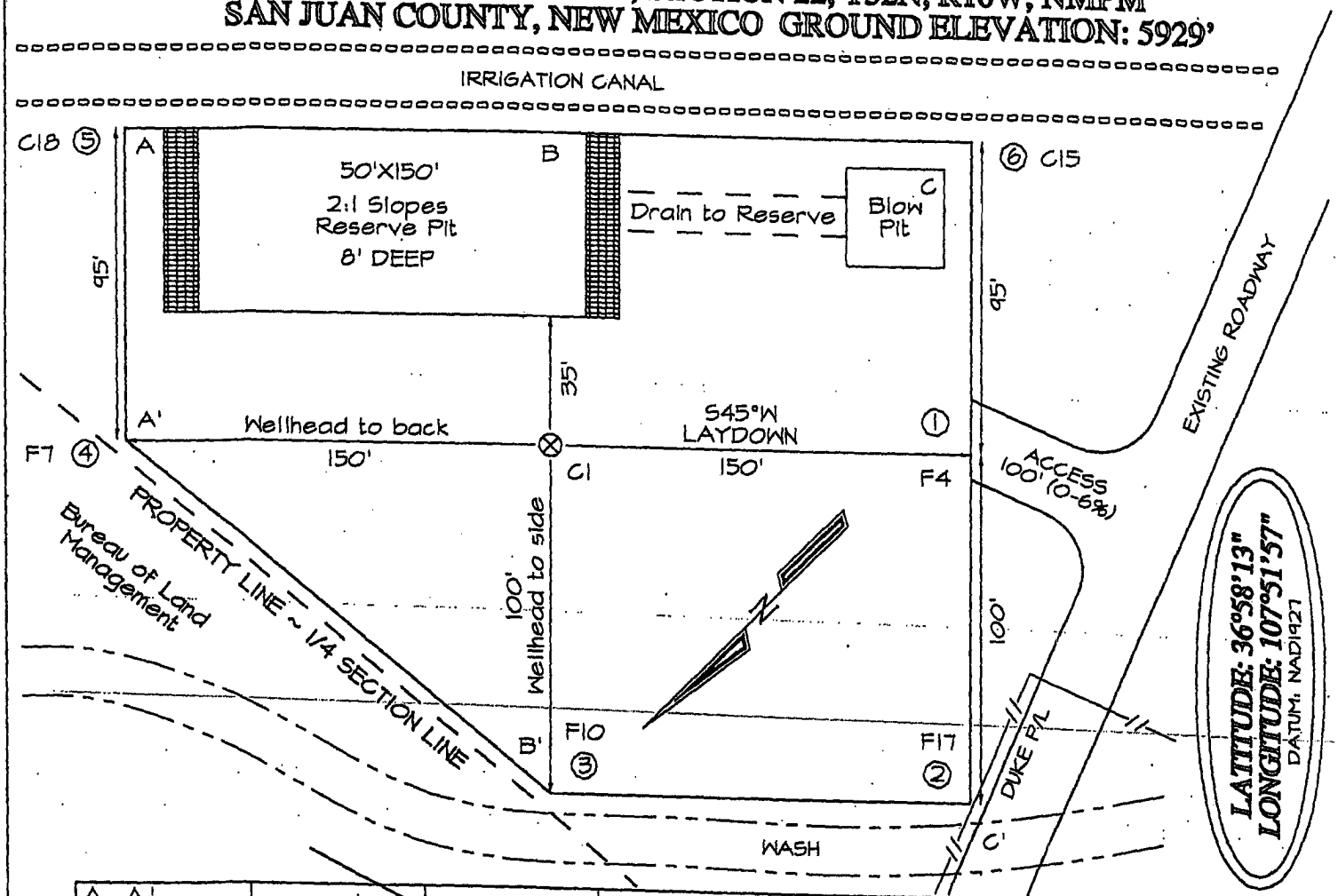
Pipe rams will be actuated at least once each day and blind rams actuated once each trip to test proper functioning. An upper kelly cock valve with handle and drill string safety valves to fit each drill string will be maintained and available on the rig floor.

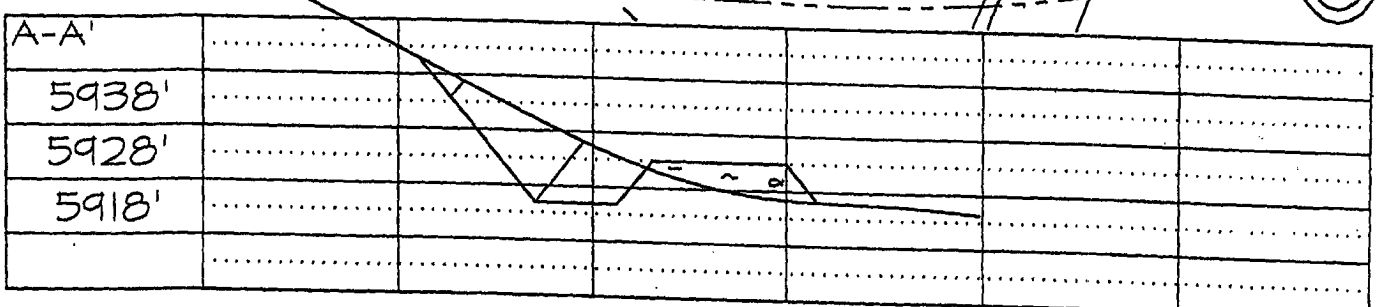
Additional information:

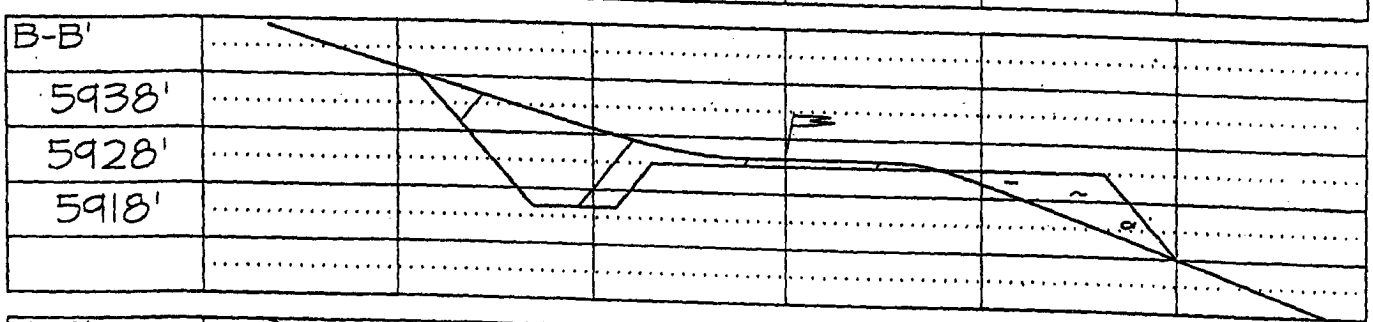
- The Fruitland Coal formation will be completed.
- Anticipated pore pressure for the Fruitland is 300 psi.
- New casing will be utilized.
- Pipe movement (either rotation or reciprocation) will be done if hole conditions permit.

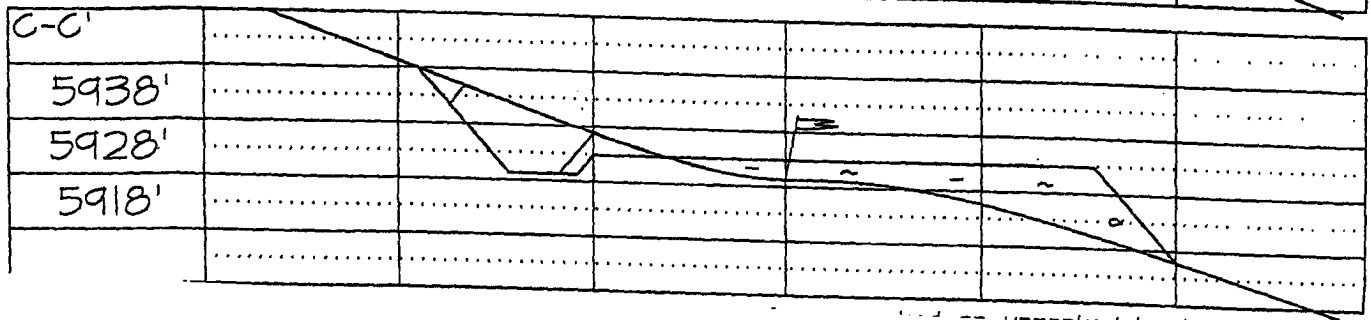
Date: June 6, 2005 Drilling Engineer: Michael T. Hanson

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

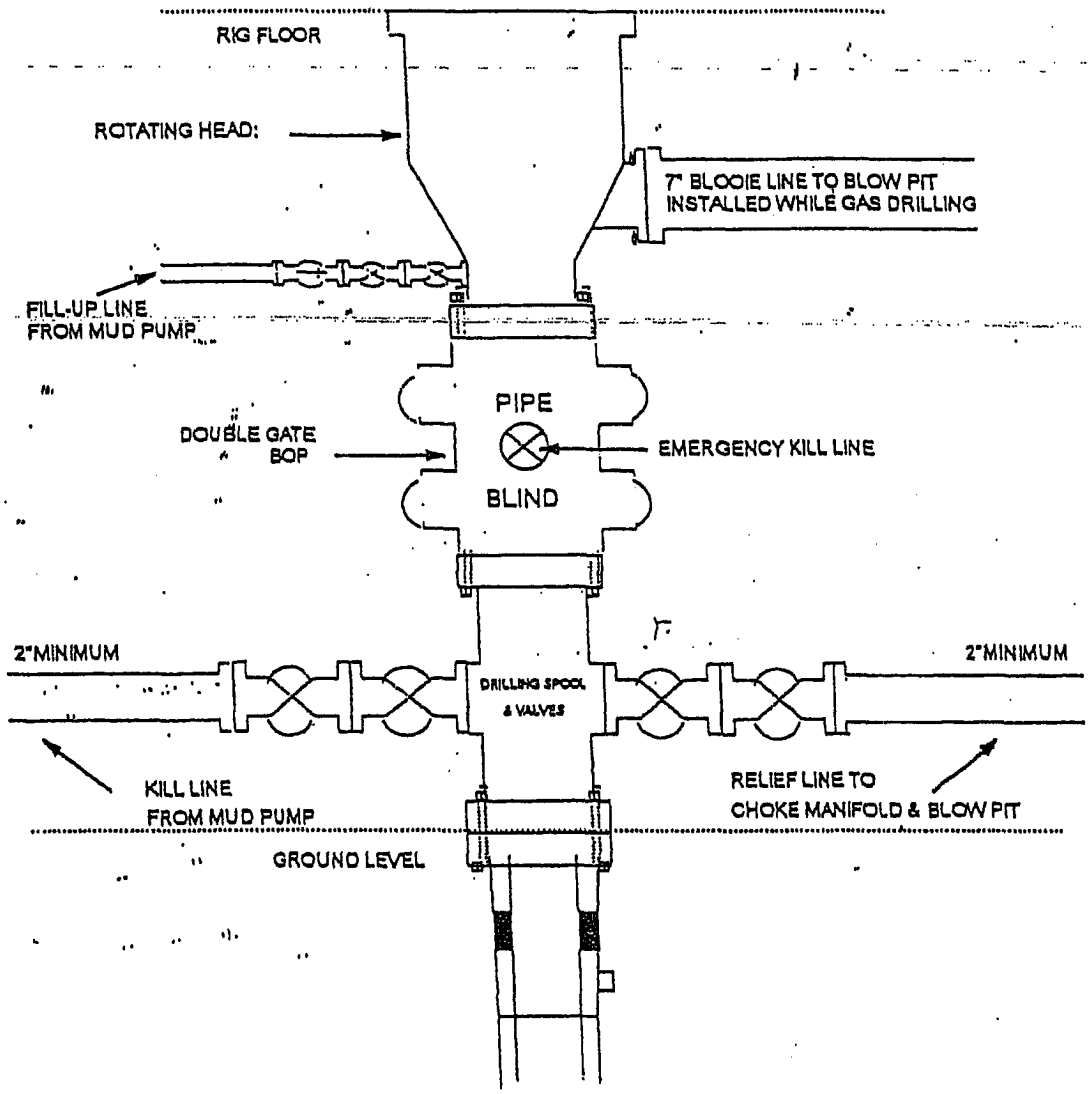








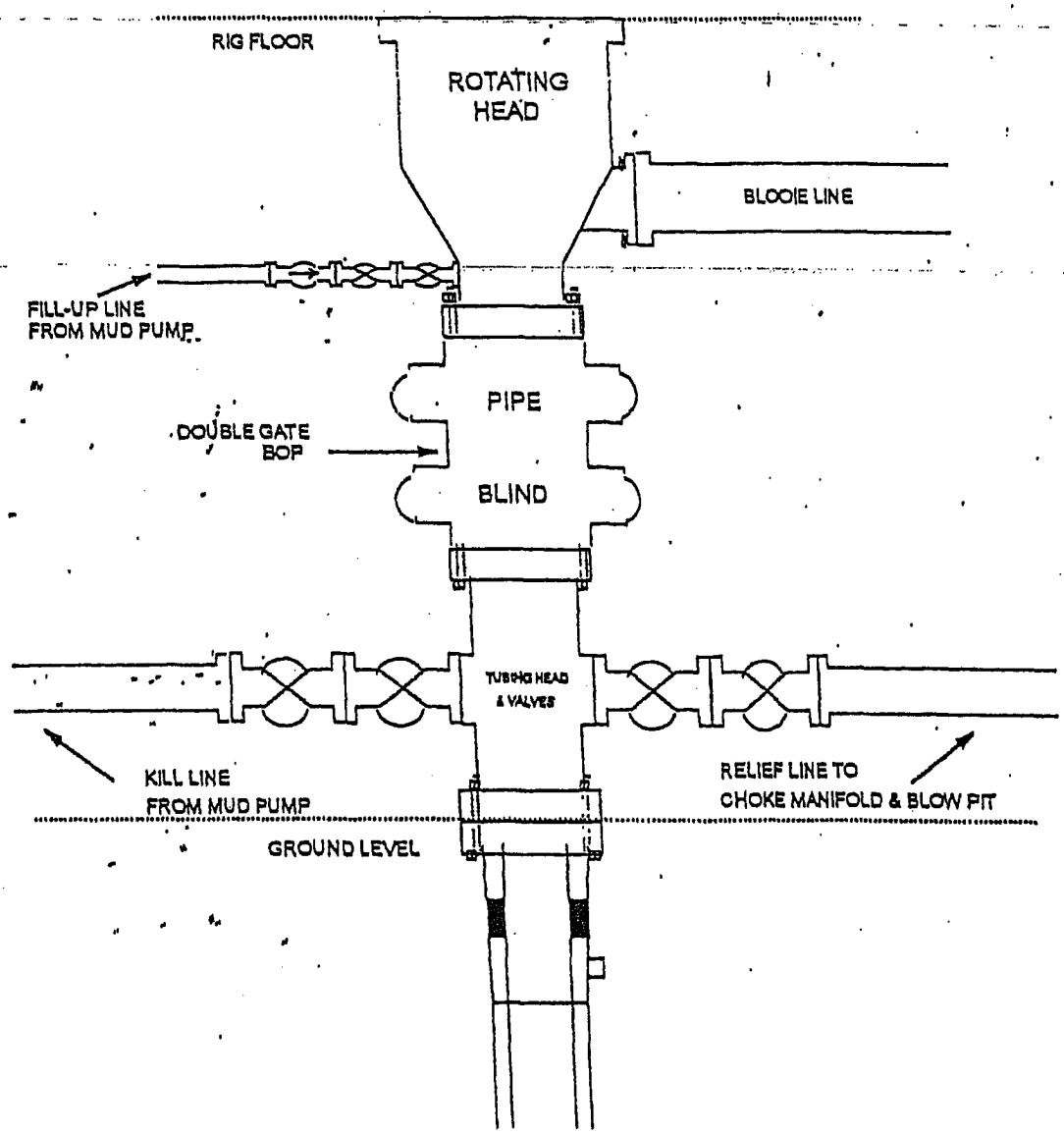
BOP Configuration
2M psi System



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.

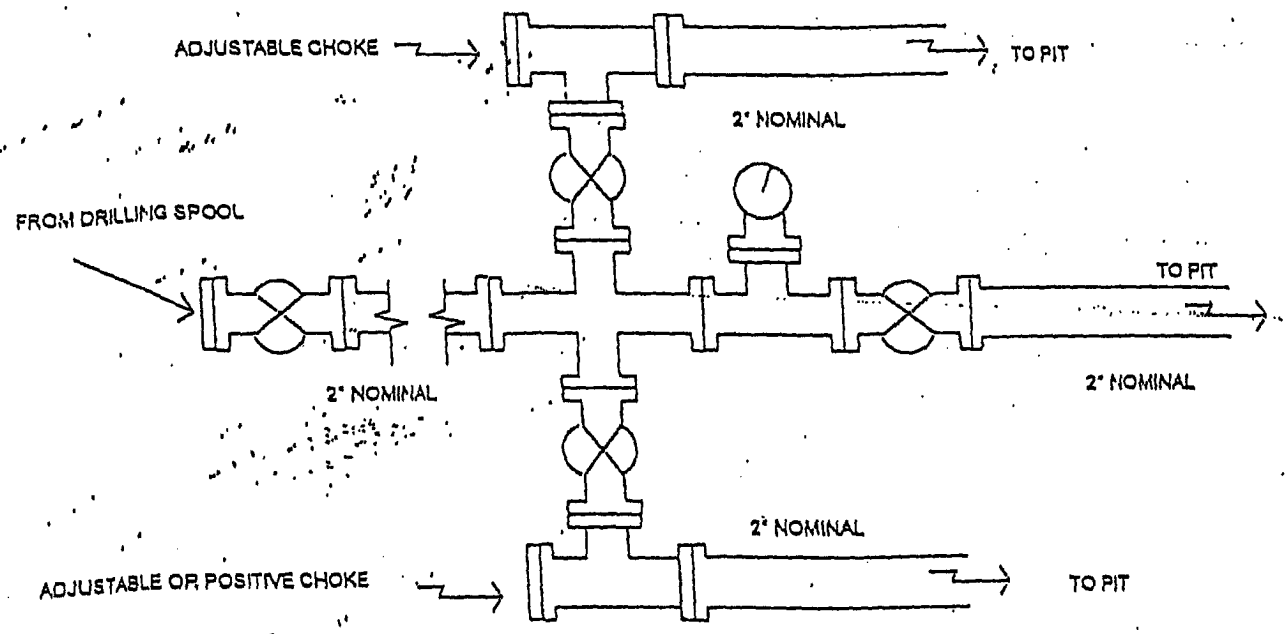
FIGURE #1

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.

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