

UNITED STATES  
DEPARTMENT OF THE INTERIOR  
BUREAU OF LAND MANAGEMENT

APPLICATION FOR PERMIT TO DRILL OR REENTER

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

1a. Type of Work: <input checked="" type="checkbox"/> DRILL <input type="checkbox"/> REENTER		5. Lease Serial No. <b>SF-78899-A</b>
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 checked="" type="checkbox"/> Multiple Zone		6. If Indian, Allottee or Tribe Name
2. Name of Operator <b>Pro NM Energy, Inc.</b>		7. If Unit or CA Agreement, Name and No.
3a. Address <b>460 St. Michael's Drive, Suite 300 Santa Fe, NM 87505</b>		8. Lease Name and Well No. <b>Gracia Federal 18I No. 1</b>
3b. Phone No. (include area code) <b>(505) 988-4171</b>		9. API Well No. <b>30-045-37857</b>
4. Location of Well (Report location clearly and in accordance with any State requirements. *) At surface <b>1495' FSL, 660' FEL</b> At proposed prod. zone <b>Same</b>		10. Field and Pool, or Exploratory <b>Basin Fruitland Coal/So. Gallegos Fr PC</b>
11. Sec., T., R., M., or Blk. and Survey or Area <b>I Sec. 18, T 26 N, R 11 W</b>		
14. Distance in miles and direction from nearest town or post office* <b>Twenty-five miles southeast of Farmington, NM</b>		12. County or Parish <b>San Juan</b>
15. Distance from proposed* location to nearest property or lease line, ft. (Also to nearest orig. unit line, if any) <b>660'</b>		13. State <b>New Mexico</b>
16. No. of Acres in lease <b>80</b>		17. Spacing Unit dedicated to this well <b>320 520 E/L - FC 160 SE/4 - F&amp;PC</b>
18. Distance from proposed location* to nearest well, drilling, completed, applied for, on this lease, ft. <b>N/A</b>		20. BLM/BIA Bond No. on file <b>B03641</b>
21. Elevations (Show whether DF, KDB, RT, GL, etc.) <b>6103' GL</b>		22. Approximate date work will start* <b>As soon as permitted</b>
23. Estimated duration <b>30 days</b>		

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 and 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 <i>Dana L. Delventhal</i>	Name (Printed/Typed) <b>Dana L. Delventhal</b>	Date <b>26-Jan-05</b>
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Title <b>Agent</b>		
Approved by (Signature) <i>[Signature]</i>	Name (Printed/Typed)	Date <b>5/18/06</b>
Title <b>AFM</b>	Office <b>PFO</b>	

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)

NMOCB

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

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

DISTRICT I  
1825 N. French Dr., Hobbs, N.M. 88240

DISTRICT II  
1301 W. Grand Avenue, Artesia, N.M. 88210

DISTRICT III  
1000 Rio Brazos Rd., Aztec, N.M. 87410

DISTRICT IV  
1220 South St. Francis Dr., Santa Fe, NM 87505

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

☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

<sup>1</sup> API Number <b>30-045-32857</b>	<sup>2</sup> Pool Code <b>77310/71629</b>	<sup>3</sup> Pool Name <b>So. Gallegos Fr PC / Basin Fruitland Coal</b>
<sup>4</sup> Property Code <b>35711</b>	<sup>6</sup> Property Name <b>GRACIA FEDERAL 181</b>	<sup>5</sup> Well Number <b>1</b>
<sup>7</sup> GRID No. <b>018118</b>	<sup>8</sup> Operator Name <b>PRO NM ENERGY, INC.</b>	<sup>9</sup> Elevation <b>6103'</b>

<sup>10</sup> Surface Location

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
1	18	26-N	11-W		1495	SOUTH	660	EAST	SAN JUAN

<sup>11</sup> 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
<sup>12</sup> Dedicated Acres <b>160 / 320</b>			<sup>13</sup> Joint or Infill <b>N</b>		<sup>14</sup> Consolidation Code <b>C</b>		<sup>15</sup> 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

16	LOT 1	SF-78897-A	SF-78897	5289.2' (R)
	Basin Fruitland Coal →			N 00°03'00" W
	LOT 2			
	LOT 3	SF-78899	SF-78899-A	
		LAT 36°29'05.8" N (NAD 83) LONG 108°02'18.3" W (NAD 83)	660'	
	So. Gallegos Fr PC →			
	LOT 4			
	FD. 3 1/4" U.S.G.L.O. BC 1911	N 89°43'00" W	5270.8' (C)	CAL'C. CORNER

17 OPERATOR CERTIFICATION

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

Dana L. Delventhal  
Signature

Dana L. Delventhal  
Printed Name

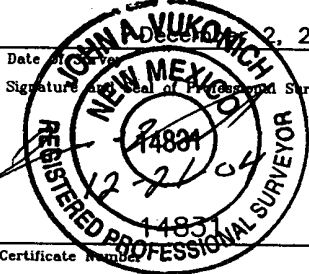
Agent  
Title

01/26/05  
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 December 2, 2004

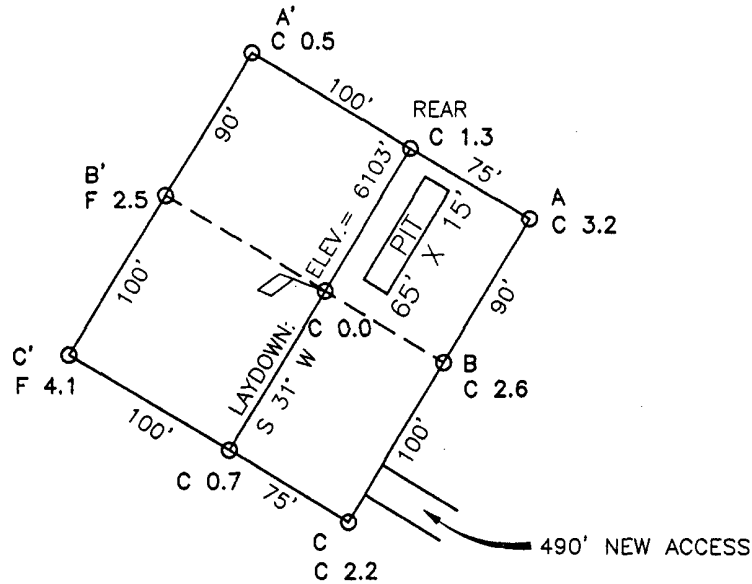
Signature and Seal of Professional Surveyor:  


Certificate Number 14831

COMPANY: PRO NM ENERGY, INC.  
 LEASE: GRACIA FEDERAL 18I No. 1  
 FOOTAGE: 1495 FSL 660 FEL  
 SEC.: 18 TWN: 26-N RNG: 11-W NMPM  
 ELEVATION: 6103'

NOTE:

DAGGETT ENTERPRISES, INC. IS NOT LIABLE FOR UNDERGROUND UTILITIES OR PIPELINES. UTILITY NOTIFICATION CENTER OF COLORADO TO BE NOTIFIED 48 HOURS PRIOR TO EXCAVATION OR CONSTRUCTION.



ELEV. A-A'

C/L

ELEV.	A-A'	C/L
6130		
6120		
6110		
6100		
6090		
6080		
6070		

ELEV. B-B'

C/L

ELEV.	B-B'	C/L
6130		
6120		
6110		
6100		
6090		
6080		
6070		

## Drilling Program

### 1. Formation Tops

The estimated tops of important geologic markers are:

<u>Formation Name</u>	<u>GL Depth</u>	<u>KB Depth</u>	<u>SS Elev.</u>
Fruitland	1098'	1104'	4999'
Basin Fruitland Coal	1302'	1308'	4795'
Pictured Cliffs	1318'	1324'	4779'
Total Depth ( TD )	1462'	1468'	4635'

\*All elevations reflect the ungraded ground level of 6103'.

### 2. Notable Zones

#### Oil and Gas Zones

Fruitland (1104')  
Basin Fruitland Coal (1308')  
Pictured Cliffs (1324')

The primary objectives are the South Gallegos Fruitland, PC and the Basin Fruitland Coal formation. Completion may require fracturing. The entire wellbore will be cased. Water zones will be protected with casing, cement, and weighted mud. Oil and gas shows will be tested for commercial potential based on the well site geologist's recommendations.

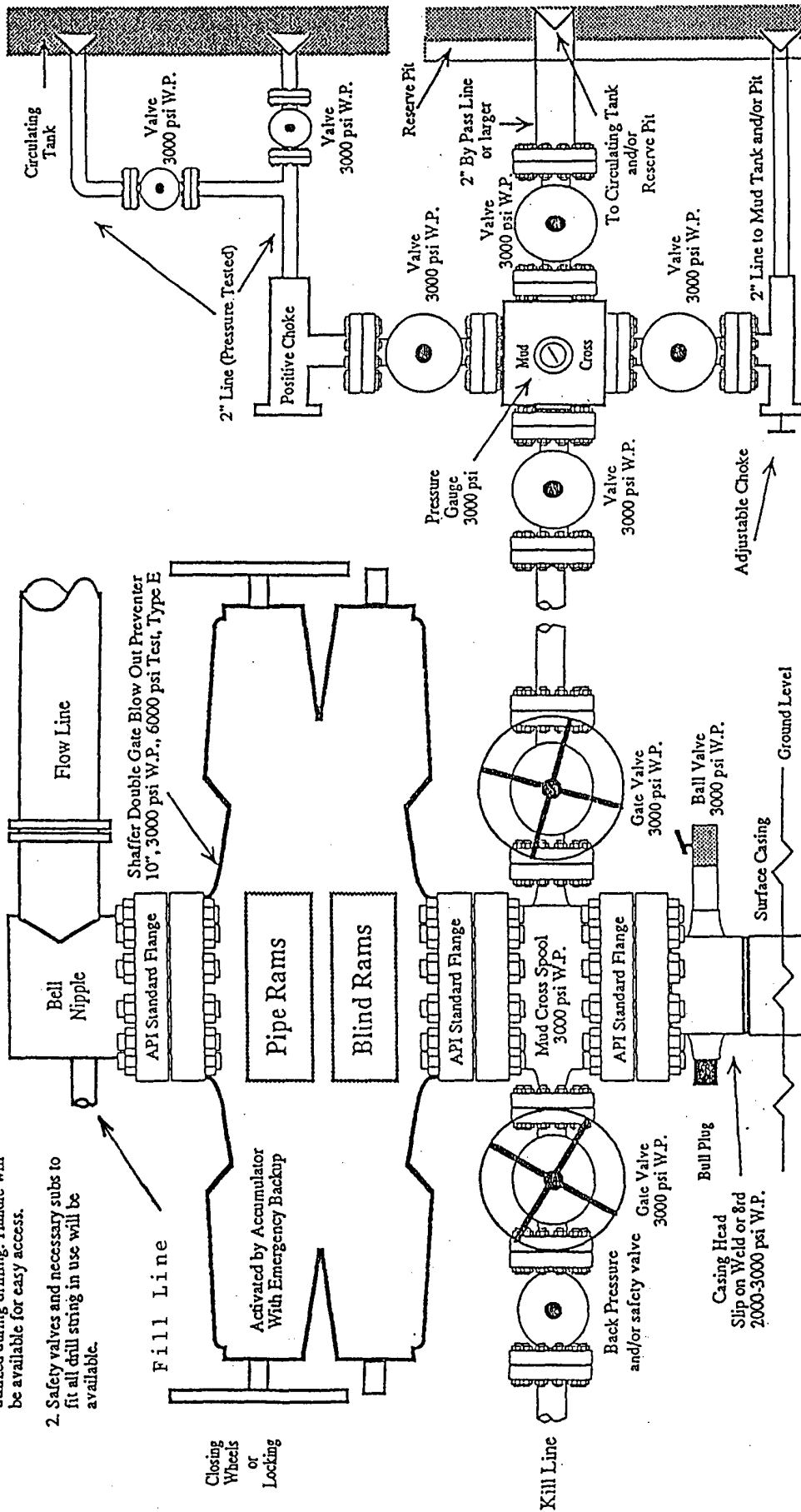
### 3. Pressure Control

BOP systems will follow Onshore Order No. 2. The drilling contract has not yet been awarded, thus the exact BOP model to be used is not yet known. A typical model is shown on the attached page.

Once out from under the surface casing, a minimum 2000 psi BOP and choke manifold system will be used. BOP controls will be installed before drilling the surface casing plug and used until the well is completed or abandoned.

# Pressure Control Equipment

- Note: 1. An upper Kelly cock valve will be utilized during drilling. Handle will be available for easy access.
2. Safety valves and necessary subs to fit all drill string in use will be available.



Note: This equipment is designed to meet requirements for a 2-M rating standard per 43 CFR part 3160 (amended). Proper operation and testing of equipment will be carried out per standard. 2,000 psi equipment can be substituted in the drawing to meet minimum requirements per standard.

Pro NM Energy, Inc.  
Gracia Federal 181 No. 1  
1495' FSL, 660' FEL  
Sec. 18, T26N, R11W

Pressure tests to 1,500 psi will be conducted with a BOP tester. All BOP mechanical and pressure tests will be recorded on the driller's log. BOPs will be inspected and operated at least daily to assure good mechanical working order. The inspection will be recorded on the daily drilling report.

4. Casing and Cement

<u>Hole Size</u>	<u>OD</u>	<u>Weight ( lb/ft )</u>	<u>Grade</u>	<u>Depth</u>
12 1/4"	8 5/8"	24.00	J-55	120'
7 7/8"	5 1/2"	15.50	J-55	1468'

Surface casing will be cemented to surface with 150 sx (177 cf) of Class B cement containing 2% CaCl and 1/4 #/sk cello flakes. Production casing will be cemented to surface in one stage using 180 sx (370.8 cf) of Class B cement containing 2% Sodium Metasilicate and 1/4 #/sk cello flakes followed by 100 sx (118 cf) of Class B cement containing 2% CaCl and 1/4 #/sk cello flakes. The entire wellbore will be cased. Water zones will be protected with casing, cement, and weighted mud.

5. Mud Program

The proposed mud program is:

<u>Depth</u>	<u>Type</u>	<u>ppg</u>	<u>Vis(cp)</u>	<u>F1(cc)</u>
0-120'	Spud mud and Gel Lime	8.8	50	N/A
120'-TD	LSND	9.0	45	10

6. Coring, Testing, and Logging

No cores are planned. The following logs are likely to be run:

Dual Induction, Formation Density,  
Compensated Neutron, SP, Gamma Ray