

Form 3160-3  
(April 2004)

SEP 2006

UNITED STATES  
DEPARTMENT OF THE INTERIOR  
BUREAU OF LAND MANAGEMENT

APPLICATION FOR PERMIT TO DRILL OR REENTER

*Expedited Right of Way*

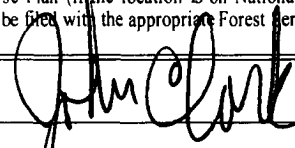
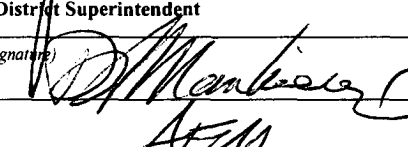
FORM APPROVED  
OMB No. 1004-0137  
Expires March 31, 2007

1a. Type of work: <input checked="" type="checkbox"/> DRILL <input type="checkbox"/> REENTER		5. Lease Serial No. <b>SF-078505</b>
1b. Type of Well: <input type="checkbox"/> Oil Well <input checked="" type="checkbox"/> Gas Well <input type="checkbox"/> Other <input checked="" type="checkbox"/> Single Zone <input type="checkbox"/> Multiple Zone		6. If Indian, Allottee or Tribe Name <b>NA</b>
2. Name of Operator <b>Koch Exploration Company, LLC</b>		7. If Unit or CA Agreement, Name and No. <b>NA</b>
3a. Address <b>PO Box 489, Aztec, NM 87410</b>		8. Lease Name and Well No. <b>Seymour 721S 301240</b>
3b. Phone No. (include area code) <b>505-334-9111</b>		9. API Well No. <b>30-045- 33909</b>
4. Location of Well (Report location clearly and in accordance with any State requirements.) At surface <b>1275' FSL &amp; 830' FEL SE/4, SE/4</b> At proposed prod. zone <b>same</b>		10. Field and Pool, or Exploratory <b>Basin Fruitland Coal 71629</b>
14. Distance in miles and direction from nearest town or post office*		11. Sec., T. R. M. or Blk. and Survey or Area <b>S24, T31N, R9W "P"</b>
15. Distance from proposed* location to nearest property or lease line, ft. (Also to nearest drg. unit line, if any)	16. No. of acres in lease <b>319.37</b>	17. Spacing Unit dedicated to this well <b>319.37 E/2</b>
18. Distance from proposed location* to nearest well, drilling, completed, applied for, on this lease, ft.	19. Proposed Depth <b>2960'</b>	20. BLM/BIA Bond No. on file <b>104128366</b>
21. Elevations (Show whether DF, KDB, RT, GL, etc.) <b>6020' GL</b>	22. Approximate date work will start* <b>05/01/2006</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 an 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 	Name (Printed/Typed) <b>John Clark</b>	Date <b>08/16/2006</b>
Title <b>District Superintendent</b>		
Approved by (Signature) 	Name (Printed/Typed) <b>[illegible]</b>	Date <b>9/7/06</b>
Title <b>FFB</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 page 2)

**APA 01/10-15-06**

*Provide pit permit application prior to construction*

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

**APA  
NMOCD**

**B 1/18**

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  
P.O. Box 1980, Hobbs, N.M. 88241-1980

DISTRICT II  
811 South First, Artesia, N.M. 88210

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

DISTRICT IV  
2040 South Pacheco, Santa Fe, NM 87504-2088

State of New Mexico  
Energy, Minerals & Natural Resources Department

OIL CONSERVATION DIVISION

P.O. 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 30-045-33909		*Pool Code 71629	*Pool Name Basin Fruitland Coal
*Property Code 7499-301240	*Property Name SEYMOUR		*Well Number 721S
*OGRID No. 12807	*Operator Name KOCH EXPLORATION Co, LLC		*Elevation 6020

<sup>10</sup> Surface Location

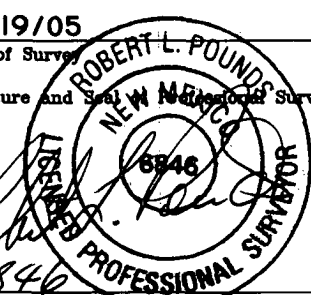
UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
P	24	31 N	9 W		1275	SOUTH	830	EAST	SAN JUAN

<sup>11</sup> Bottom Hole Location If Different From Surface

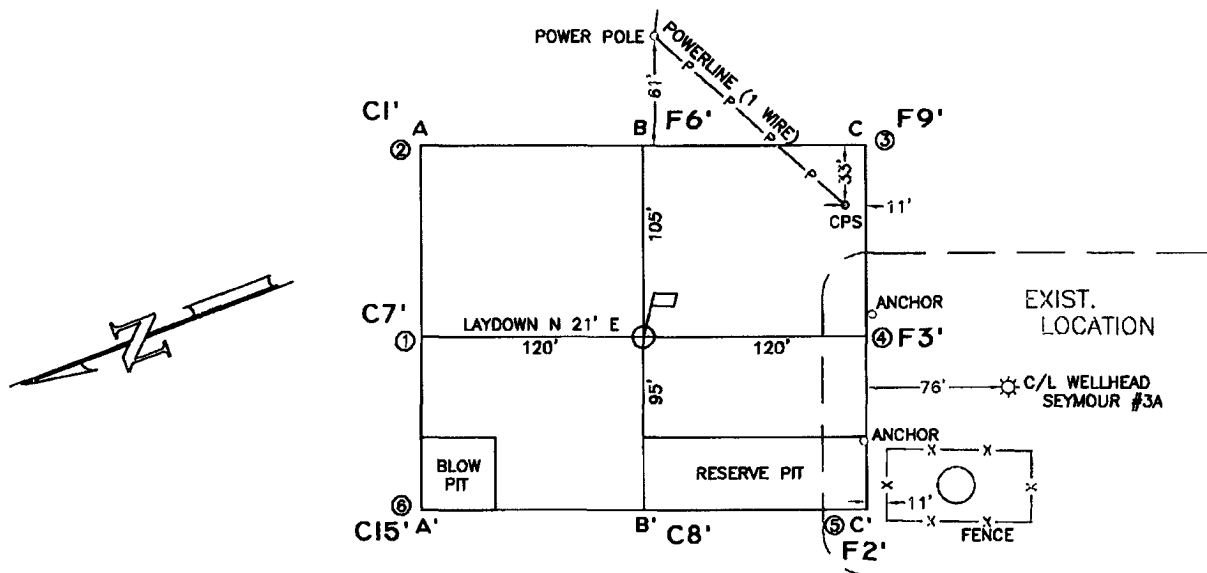
UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County

<sup>12</sup> Dedicated Acres 319.37	<sup>13</sup> Joint or Infill	<sup>14</sup> Consolidation Code	<sup>15</sup> 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

16 S 89°24'53" W 5256.24'		39.67	39.74	5225.88'	17 OPERATOR CERTIFICATION I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.  Signature <u>Donald E. Johnson</u> Printed Name <u>Donald E. Johnson</u> Title <u>Field Operations Manager</u> Date <u>12/10/05</u>
		39.89	39.96		
	SECTION 24				
		39.97	40.14		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.  <u>11/19/05</u> Date of Survey Signature and Seal of Registered Surveyor:  Certificate Number
		40	40 SE/SE	830'	
N 1°17'53" E 2604.36'		N 89°56'06" W	2670.13'		

8



ELEVATION A-A'

6040				
6030				
6020				
6010				
6000				

B-B'

6040				
6030				
6020				
6010				
6000				

C-C'

6040				
6030				
6020				
6010				
6000				

LEASE: SEYMOUR #72IS

FOOTAGE: 1275' FSL, 830' FEL

SEC. 24 TWN. 31 N RNG. 9 W N.M.P.M.

LATITUDE: 36°52'47.1" LONGITUDE: 107°43'33.5"

ELEVATION: 6020

## KOCH EXPLORATION AZTEC, NEW MEXICO

SURVEYED: 11/19/05

REV. DATE:

APP. BY R.P.

DRAWN BY: A.D.

DATE DRAWN: 11/23/05

FILE NAME: 6287C01



P.O. BOX 3851  
FARMINGTON, NM 87499  
OFFICE: (505) 334-0408

## **SEYMOUR 721S**

S24 T31N R9W, 1275' FSL & 830' FEL

San Juan Co., New Mexico

Lease SF 078505

### **Drilling Program**

#### **1) Geological name of surface formation -**

Estimated tops of important geological markers:

San Jose	Surface
Ojo	1620'
Kirtland Shale	1660'
Fruitland Coal	2495'
Pict. Cliff	2860'
TD	2960'

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

Useable Water	0' to 1620'
Salt Water	1620' to 2495'
Oil and Gas	2495' to 2960'*

\*NOTE: We will be drilling 100' into Pictured Cliffs formation, which is a non-producing zone in this area, to allow completions with a sump.

#### **3) Pressure Control Equipment:**

- a. 10-inch 900 series or 2,000 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-1** 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 1,500 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-1**. 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 1,500 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 600 psi with 1,000 psi maximum for 30 minutes, after cementing in place and before drilling out of shoe. Intermediate and production casing will be tested to 1,500 psi for 30 minutes, 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.

**SEYMOUR 721S**

S24 T31N R9W, 1275' FSL &amp; 830' FEL

San Juan Co., New Mexico

Lease SF 078505

- e. BOP testing procedures and frequency:

BOP tests will be performed using an appropriately sized test plug. The test will be performed and recorded using a test pump, calibrated test gauges, and a properly calibrated strip or chart recorder. The test will be recorded in the driller's log and will include a low pressure test of 250 psi held for five minutes and a high pressure test for ten minutes as described in Onshore Order No. 2.

- 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 2,000 psi WP with a 2-inch kill line and a 2-inch outlet.

**4) Proposed Casing Program:**

Surface Casing Program:	Hole Size				Depth
Surface Casing	12 1/4"	9 5/8"	36.0#	J-55 STC	New @ 150'
Intermediate Casing	8 3/4"	7"	23#	J-55 LTC	New @ 2520'
Production Liner	6 1/4"	5 1/2"	15.5#	J-55 LTC	New @ 2960'

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

9 5/8" Surface Casing – Surface to 150' – Cement with 117 sks Type III (15.2 ppg, yield 1.28 cf/sk) Cement + 3% Calcium Chloride + 0.25 lbs/sk. Celloflake, volume: 149.62 cf., includes 200% excess. Centralizers will be run on all joints. *Circ to surface cnt*

7" Intermediate Casing – Surface to 2520' – Lead cement with 288 sks. Premium Lite FM + 3% Calcium Chloride + 0.25 lb/sk Celloflake, (wt. 12.1 ppg, yield 1.75) volume: 504.19 cf. Tail with 72 sks. Type III cement + 1% Calcium Chloride + 0.25 lb sk Celloflake + 0.2% FL-52 (wt 14.6 ppg, yield 1.38) volume: 99.5 cf., includes 50% excess. Centralizers will be run every other joint above the shoe to the turbolizers then every 4<sup>th</sup> joint to the surface pipe. Turbolizers, to impact a swirling action, will be placed at the base of the Ojo Alamo, and 1 joint up in the Ojo Alamo. *Circ to surface cnt*

5 1/2" Production Liner 2480' to 2960' – Will not cement liner.

**5) Mud Program:**

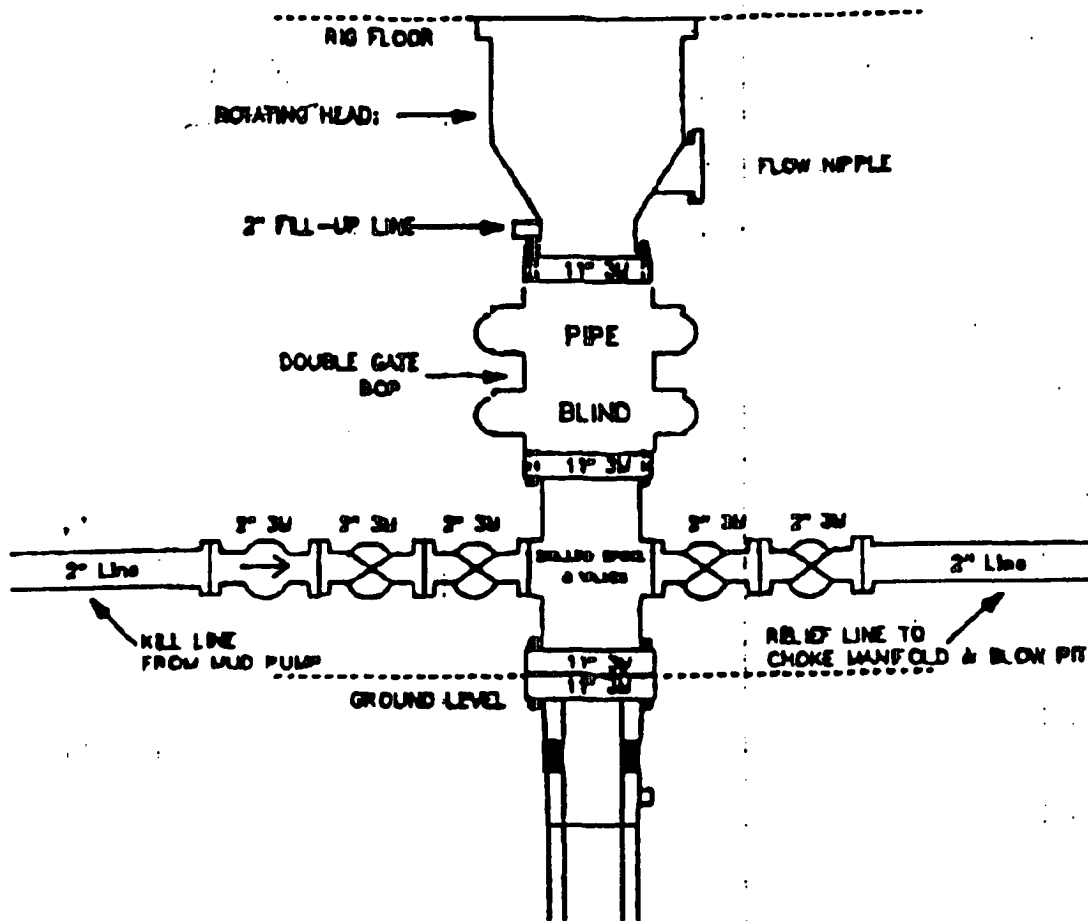
Mud will be used as designed by Mud Company engineer during drilling process.

**6) Testing, Logging, and Coring Program:**

No drill stem tests, cores, will be taken, a CBL log will be run if cement does not circulate to surface on intermediate casing.

KEY FOUR CORNERS  
P. O. BOX 1087  
8881 U.S. HWY. 84  
FARMINGTON, NEW MEXICO 87400  
0  
TELEPHONE: (505) 326-3371  
FAX: (505) 326-3370

## Drilling Rig 3000 psi System

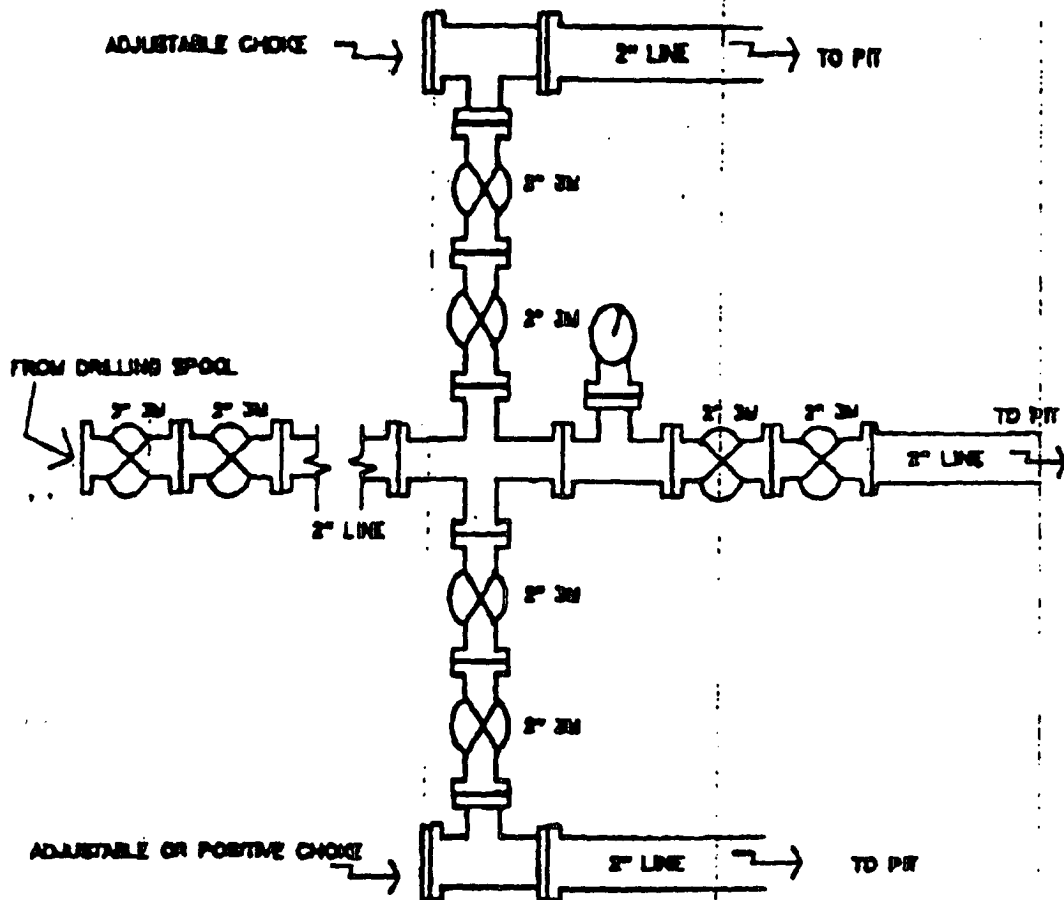


11" Bore (10" Nominal), 3000psi working pressure minimum double gate BOP to be equipped with blind and pipe rams. A rotating head on the top of the rams. All BOP equipment is 3000psi working pressure.

Note: A floor safety valve and upper kelly cock with handle will be available.

Exhibit "F-1"

# Drilling Rig Choke Manifold Configuration 3000 psi System



3000psi working pressure equipment with two chokes.

Exhibit "F-2"

**KOCH EXPLORATION COMPANY, LLC**  
**SEYMOUR 721S**  
S24 T31N R9W, 1275' FSL & 830' FEL  
San Juan Co., New Mexico  
Lease SF 078505

**Mud Program:**

<u>Interval</u>	<u>Type</u>	<u>Weight</u>	<u>Vis.</u>	<u>Fluid Loss</u>
0'-120'	Spud Mud/Air/Air Mist	8.4-9.0	40-50	no control
120'-Intermediate TD	LSND/Clear Water	8.4-9.0	30-60	no control
Intermediate TD-TD	Air/Mist			
Circulating media will be contractor dependent.				

**Alternate Mud Program:**

<u>Interval</u>	<u>Type</u>	<u>Weight</u>	<u>Vis.</u>	<u>Fluid Loss</u>
0'-200'	Spud Mud/Air/Air Mist	8.4-9.0	40-50	no control
200'-Intermediate TD	LSND/Clear Water	8.4-9.0	30-60	no control
Intermediate TD-TD	Air/Mist			
Circulating media will be contractor dependent.				

Pit levels will be visually monitored to detect gain or loss of fluid control.





KOCH EXPLORATION COMPANY LLC

Sent Certified Mail No. 7003 1010 0002 1431 7451  
Return Receipt Requested

September 18, 2006

*APA notification release  
10/15/06*

BP America Production Company  
Attn: Bryan Anderson, OSO Engineer  
San Juan BU  
West Lake 1 Room 19-114  
501 Westlake Park Blvd.  
Houston, TX 77079

RE: Seymour 721S Well  
Basin Fruitland Coal  
Section 24, Township 32 North – Range 9 West  
San Juan County, New Mexico

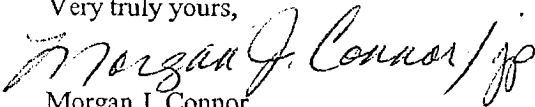
To the Affected Parties:

Koch Exploration Company, LLC ("KEC") is submitting the enclosed Application for Permit to Drill to the appropriate regulatory agency(ies) for approval. This well is located inside the High Productivity Area of the Basin-Fruitland Coal Pool as more fully described in the attached copies of Form C-102, Application for Permit to Drill or Reenter and Plat.. Notice is being made pursuant to New Mexico Oil Conservation Commission Order R-8768-F dated July 17, 2003.

KEC's well is to be drilled in the SE/4 of Section 24 in the already formed E/2 Unit. BP America Production Company is the operator of record of the W/2, Section 25.

The affected parties have twenty (20) days from receipt of this notice in which to file with the District Office of the New Mexico Oil Conservation Division written objection to the proposed Application for Permit to Drill. Please give me a call should you have any questions.

Very truly yours,

  
Morgan J. Connor  
Land Manager

MJC:jp  
Enclosures

xc: Don Johnson

**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:

Bryan Anderson  
BP America Production Co.  
West Lake 1 Room 19-114  
501 Westlake Park Blvd  
Houston, TX 77079

**COMPLETE THIS SECTION ON DELIVERY**

A. Signature ☒ 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

2. Article Number: 7003 1010 0002 143L 745L  
(Transfer from service label)

PS Form 3811, February 2004

Domestic Return Receipt

102395-02-M-1540

UNITED STATES POSTAL SERVICE

SEP 25 2006 PM 10:10

First-Class Mailpiece  
Postage & Fees Paid  
USPS  
Permit No. G-10

• Sender: Please print your name, address, and ZIP+4 in this box •

Morgan J. Connor, Land Manager  
KOEI EXPLORATION COMPANY, LLC  
9777 Pyramid Court, Suite 210  
Englewood, CO 80112-

SEP 25 2006

317 0031

10/10/06 10:10 PM 10:10