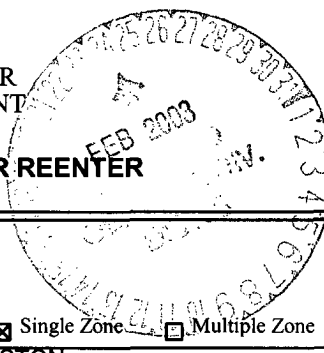


UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

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

APPLICATION FOR PERMIT TO DRILL OR REENTER



1a. Type of Work: ☒ DRILL ☐ REENTER

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

2. Name of Operator **PHILLIPS PETROLEUM COMPANY** Contact: **PATSY CLUGSTON**
E-Mail: **pclugs@ppco.com**

3a. Address
5525 HIGHWAY 64 NBU 3004
FARMINGTON, NM 87401

3b. Phone No. (include area code)
Ph: 505.599.3454
Fx: 505-599-3442

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

At surface **NWNW 1220FNL 1205FWL 36.90333 N Lat, 107.59830 W Lon**
At proposed prod. zone

14. Distance in miles and direction from nearest town or post office*
20.7 MILES FROM IGNACIO, COLORADO

15. Distance from proposed location to nearest property or lease line, ft. (Also to nearest drig. unit line, if any)
1205

16. No. of Acres in Lease

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

19. Proposed Depth
3396 MD
3396 TVD

21. Elevations (Show whether DF, KB, RT, GL, etc.)
6491 GL

22. Approximate date work will start
03/01/2003

5. Lease Serial No.
NMSF078998

6. If Indian, Allottee or Tribe Name

7. If Unit or CA Agreement, Name and No.
NMNM78423A

8. Lease Name and Well No.
SAN JUAN 32-7 UNIT 231A

9. API Well No.
30-045-31319-00-X1

10. Field and Pool, or Exploratory
BASIN FRUITLAND COAL

11. Sec., T., R., M., or Blk. and Survey or Area
0 Sec 17 T31N R7W Mer NMP

12. County or Parish
SAN JUAN

13. State
NM

17. Spacing Unit dedicated to this well
320.00 w/a

20. BLM/BIA Bond No. on file
ES0048

23. Estimated duration
30 DAYS

24. Attachments

The following, completed in accordance with the requirements of Onshore Oil and Gas Order No. 1, shall be attached to this form:

- Well plat certified by a registered surveyor.
- A Drilling Plan.
- A Surface Use Plan (if the location is on National Forest System Lands, the SUPO shall be filed with the appropriate Forest Service Office).
- Bond to cover the operations unless covered by an existing bond on file (see Item 20 above).
- Operator certification
- Such other site specific information and/or plans as may be required by the authorized officer.

25. Signature (Electronic Submission) Name (Printed/Typed) **PATSY CLUGSTON** Date **01/08/2003**

Title
AUTHORIZED REPRESENTATIVE

Approved by (Signature) (Electronic Submission) Name (Printed/Typed) **DAVID J MANKIEWICZ** Date **02/19/2003**

Title
ACTING FIELD MANAGER Office
Farmington

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 #17452 verified by the BLM Well Information System
For PHILLIPS PETROLEUM COMPANY, sent to the Farmington
Committed to AFMSS for processing by Margie Dupre on 01/10/2003 (03MXD0334AE)

** REVISED ** REVISED ** REVISED ** REVISED ** REVISED ** REVISED ** REVISED **

NMOC

District I
151 Box 1980, Hobbs, NM 88241-1980
District II
811 South First, Artesia, NM 88210
District III
1000 Rio Brazos Rd., Aztec, NM 87410
District IV
2040 South Pacheco, Santa Fe, NM 87505

State of New Mexico
Energy, Minerals & Natural Resources Department

OIL CONSERVATION DIVISION
2040 South Pacheco
Santa Fe, NM 87505

Form C-102
Revised October 18, 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

APN Number 30-045-31319		Pool Code 71629	Pool Name Basin Fruitland Coal
Property Code 009260	Property Name SAN JUAN 32-7 UNIT		Well Number 231A
OGUID No. 017654	Operator Name PHILLIPS PETROLEUM COMPANY		Elevation 6491

Surface Location

UI, or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
D	17	31N	7W		1220	NORTH	1205	WEST	SAN JUAN

Bottom Hole Location If Different From Surface

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

Dedicated Acres	Joint or Infill	Consolidation Code	Order No.
320 W/2.	Y	U	

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

<p>SF-078998 2138.91 acres</p> <p>Section 17</p>	<p>17 OPERATOR CERTIFICATION I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief</p> <p>Signature <i>Patsy Clugston</i> Patsy Clugston Printed Name SHEAR Administrative Asst. Title 11-26-02 Date</p>
	<p>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.</p> <p>10/31/02 Date of Survey Signature and Title of Professional Surveyor: <i>[Signature]</i> Certificate Number 11393</p>

PHILLIPS PETROLEUM COMPANY

WELL NAME: San Juan 327 Unit #231A

DRILLING PROGNOSIS

1 Location of Proposed Well Unit D, 1220' FNL & 1205' FWL
Section 17, T31N, R7W

2 Unprepared Ground Elevation @ 6491'

3 The geological name of the surface formation is San Jose

4 Type of drilling tools will be rotary

5 Proposed drilling depth is 3396'

6 The estimated tops of important geologic markers are as follows:

Nacimiento - 1106'

Ojo Alamo - 2261'

Kirtland - 2361'

Top of Coal - 3096'

Base of Coal - 3396'

Picture Cliffs - 3396'

Interm. Casing - 3076'

T. D. - 3396'

7 The estimated depths at which anticipated water, oil, gas or other mineral bearing formations are expected to be encountered are as follows:

Water: Ojo Alamo - 2261' - 2361'

Oil: none

Gas: Fruitland Coal - 3096' - 3396'

Gas & Water: Fruitland Coal - 3096' - 3396'

8 The proposed casing program is as follows:

Surface String: 9-5/8", 32.3#, H-40 @ 200' *

Intermediate String: 7", 20#, J/K-55 @ 3076'

Production Liner: 5-1/2", 15.5# J/K-55 @ 3056' - 3396' (see details below)

* The surface casing will be set at a minimum of 200', but could be set deeper if required to maintain hole stability.

9 Cement Program:

Surface String: 102.7 sx Type III cement. Cement to surface w/110% excess of casing/hole annulus volume w/Type III cement + 2% bwoc Calcium Chloride + 0.25#/sx Cello-flake + 60.6% Fresh water (14.5 ppg). (1.41 cf/sx yield = 145 cf)

9. Cement program: (continued from Page

Intermediate String: Lead Cement: 349.0 sx Type III cement. Cement to surface - 110% excess casing/hole annular volume w/ Type III cement + 0.25#/sx Cello-flake + 5#/sx Gilsonite + 6% bwoc Bentonite + 10#/sx CSE + 3% bwow KCL + 0.4% bwoc FL-25 mixed + 0.02#/sx static free mixed at 12.0 ppg. (2.52 cf/sx yield = 879cf)

Tail: 50 sx Type III cement + 0.25#/sx Cello-flake + 1% Calcium Chloride mixed at 14.5 ppg. (1.40 cf/sx yield = 70 cf)

Note: Phillips Petroleum continually works to improve the cement slurries on our wells. BJ Services is currently trying to improve what we are using now and before we would use a new cement program it would have to have stronger properties than we are currently using.

Centralizer Program:

Surface: Total four (4) - 10' above shoe and top of 2nd, 3rd, & 4th jts.

Intermediate: Total seven (7) - 10' above shoe and top of 1st, 2nd, 4th, 6th, 8th, & 1st jt. into shoe.

urbulators: Total three (3) - one at 1st jt below Ojo Alamo and next 2 jts up.

Liner :

- If the coal is cleated a 5 1/2" 15.5# liner will be run in the open hole without being cemented.

If the coal is NOT cleated, a 4-1/2" 11.6# liner will be run & cemented. The well will then be completed by fracture stimulation. The top of the liner will be set approx. 200' into the 7" casing and be set @ TD and be cement in place as follows:

Lead Cement: Type III cement - 150% excess casing/hole annular volume w/Type III cement + 0.25#/sx Cello-flake + 5#/sx Gilsonite + 6% bwoc Bentonite + 10#/sx CSE + 3% bwow KCL + 0.4% bwoc FL-25 mixed + 0.02#/sx static free mixed at 12.0 ppg. (2.52 cf/sx yield)

Tail: 50 sx Type III cement + 0.25#/sx Cello-flake + 1% Calcium Chloride mixed at 14.5 ppg. (1.40 cf/sx yield = 70 cf)

San Juan 32-7 Unit #231A

SURFACE CASING :

Drill Bit Diameter	12.25 "	
Casing Outside Diameter	9.625 "	8.989
Casing Weight	32.3 ppf	
Casing Grade	H-40	
Shoe Depth	200 '	30 '
Cement Yield	1.41 cuft/sk	
Excess Cement	110 %	
Casing Capacity	0.0785 bbl/ft	0.4407 cuft/ft
Hole / Casing Annulus Capacity	0.0558 bbl/ft	0.3132 cuft/ft
Cement Required	102.7 sx	
SHOE	200 ', 9.625 ", 32.3 ppf,	H-40

INTERMEDIATE CASING :

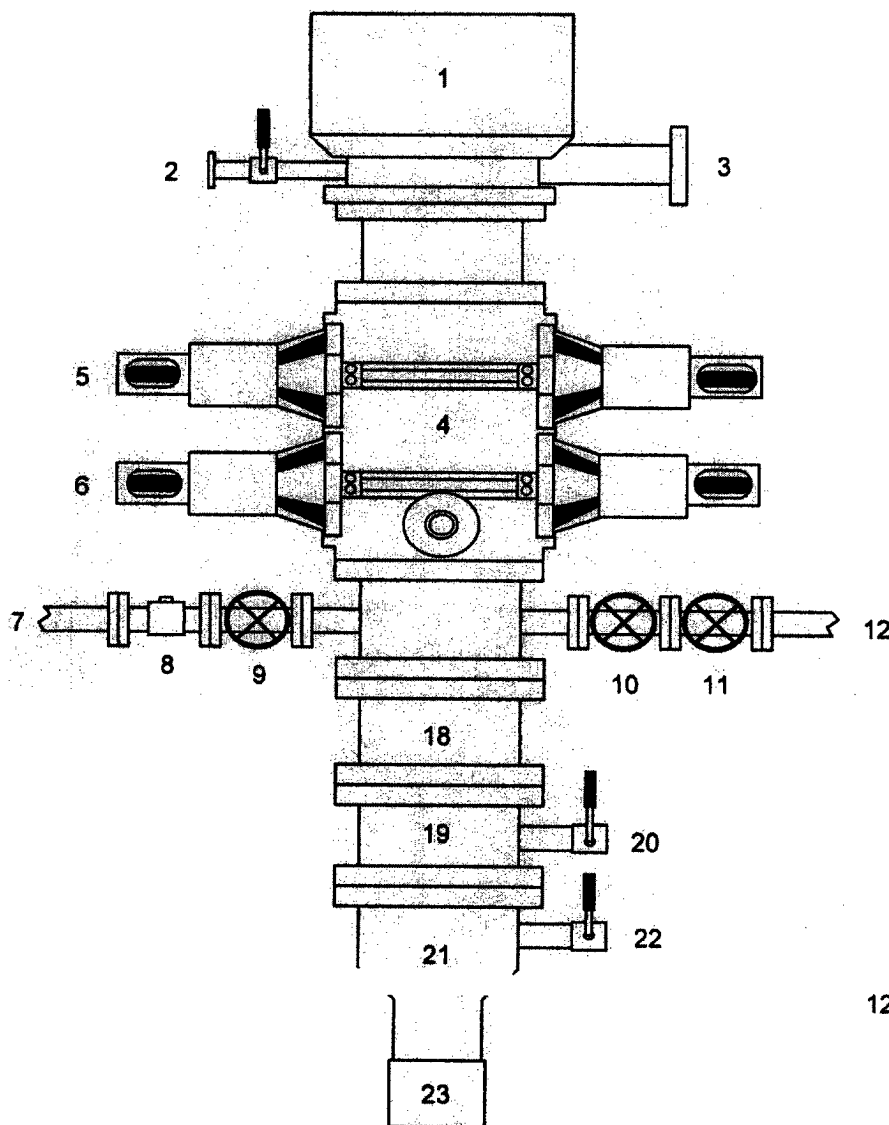
Drill Bit Diameter	8.75 "	
Casing Outside Diameter	7 "	6.455
Casing Weight	20 ppf	
Casing Grade	J-55	
Shoe Depth	3076 '	
Lead Cement Yield	2.52 cuft/sk	
Lead Cement Excess	110 %	
Tail Cement Length	200 '	30
Tail Cement Yield	1.4 cuft/sk	
Tail Cement Excess	110 %	
Casing Capacity	0.0405 bbl/ft	0.2272 cuft/ft
Casing / Casing Annulus Capacity	0.0309 bbl/ft	0.1734 cuft/ft
Hole / Casing Annulus Capacity	0.0268 bbl/ft	0.1503 cuft/ft
Lead Cement Required	349.0 sx	
Tail Cement Required	50.0 sx	

LINER TOP 3056 '

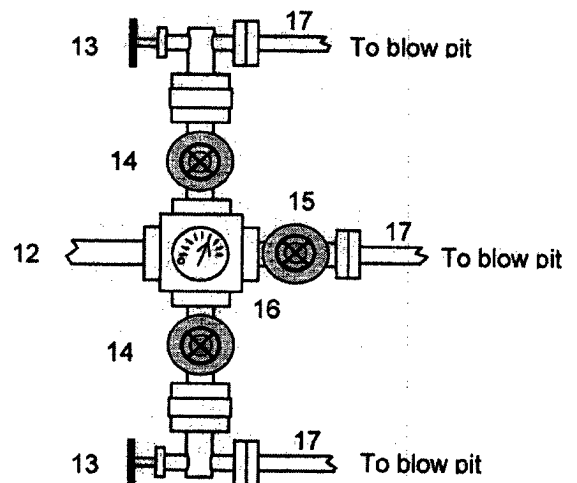
SHOE 3076 ', 7 ", 20 ppf, J-55

LINER BOTTOM 3396

BLOWOUT PREVENTER HOOKUP



1. Rotating Head
2. Fill-up Line & valve
3. Flowline
4. Blowout Preventer (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. Spacer Spool
19. Casing Spool "B" Section
20. Casing Spool "B" Section 2" Valve
21. Casing Head "A" Section
22. Casing Head "A" Section 2" Valve
23. 9 5/8" Casing Collar



Drilling contractors used in the San Juan Basin supply 3000 psi equipment, but cannot provide annular preventors because of sub-structure limitations. Maximum anticipated surface pressures for this well will not exceed the working pressure of the proposed BOP system. The above diagram of the BOP system details 2000 psi equipment according to Onshore Order No. 2 even though the equipment will test to 3000 psi. The 2000 psi system allows deletion of the annular preventor and fulfills your requirements.

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

**San Juan 32-7 Unit #231A
SF-078998; Unit D, 1220' FNL & 1205' FWL
Section 17, T31N, R7W; San Juan County, NM**

Cathodic Protection

Phillips proposes to drill a cathodic protection deep well groundbed for the subject well. 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 existing well pad and a Farmington based company will be doing the drilling for Phillips.