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

FEB 2003

1a. Type of Work: ☒ DRILL ☐ REENTER	5. Lease Serial No. NMSF078543
	6. If Indian, Allottee or Tribe Name
	7. If Unit or CA Agreement, Name and No. NMNM78423A
1b. Type of Well: ☐ Oil Well ☐ Gas Well ☒ Other: CBM ☒ Single Zone ☐ Multiple Zone	8. Lease Name and Well No. SAN JUAN 32-7 UNIT 242A
2. Name of Operator PHILLIPS PETROLEUM COMPANY (Conoco) Contact: PATSY CLUGSTON E-Mail: plclugs@ppco.com	9. API Well No. 30-045-31371-00-X1
3a. Address 5525 HIGHWAY 64 NBU 3004 FARMINGTON,, NM 87401 / 3b. Phone No. (include area code) Ph: 505.599.3454 Fx: 505-599-3442	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 NENE 810FNL 1095FEL 36.94250 N Lat, 107.56670 W Lon At proposed prod. zone	11. Sec., T., R., M., or Blk. and Survey or Area A Sec 33 T32N R7W Mer NMP
14. Distance in miles and direction from nearest town or post office* 18.6 MILES FROM IGNACIO, CO	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) 810 / 16. No. of Acres in Lease 953.48	17. Spacing Unit dedicated to this well 320.00 N/2
18. Distance from proposed location to nearest well, drilling, completed, applied for, on this lease, ft. / 19. Proposed Depth 3391 MD 3391 TVD	20. BLM/BIA Bond No. on file ES0048
21. Elevations (Show whether DF, KB, RT, GL, etc. 6655 GL / 22. Approximate date work will start 03/01/2003	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:

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	Name (Printed/Typed)	Date
(Electronic Submission)	PATSY CLUGSTON	02/04/2003

Title: AUTHORIZED REPRESENTATIVE

Approved by (Signature)	Name (Printed/Typed)	Date
(Electronic Submission)	DAVID J MANKIEWICZ	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 #18277 verified by the BLM Well Information System
For PHILLIPS PETROLEUM COMPANY, sent to the Farmington
Committed to AFMSS for processing by Margie Dupre on 02/05/2003 (03MXD0475AE)

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

NMOCD

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 Febuary 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

[1] API Number	[2] Pool Code	[3] Pool Name
30-045-31371	71629	Basin Fruitland Coal

[4] Property Code	[5] Property Name	[6] Well Number
31329	SAN JUAN 32-7 UNIT	242A

[7] OGRID No.	[8] Operator Name	[9] Elevation
217817	CONOCOPHILLIPS COMPANY	6655

[10] Surface Location

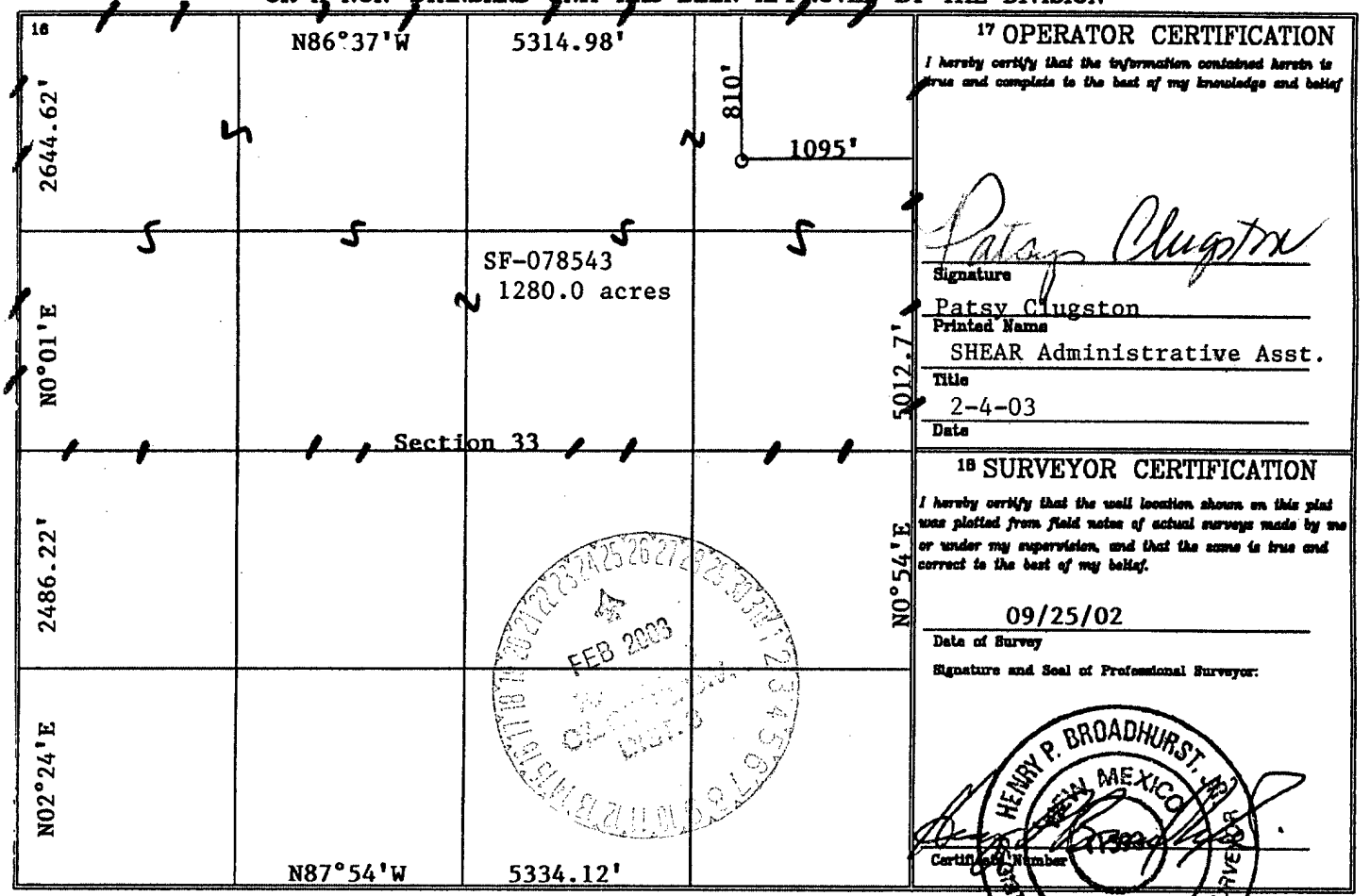
UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
A	33	32N	7W		810	NORTH	1095	EAST	SAN JUAN

[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
A									

[12] Dedicated Acres	[13] Joint or Infill	[14] Consolidation Code	[15] Order No.
320 N/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



[17] OPERATOR CERTIFICATION

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

Signature

Patsy Clugston
Printed Name

SHEAR Administrative Asst.
Title

2-4-03
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.

09/25/02
Date of Survey

Signature and Seal of Professional Surveyor:

HENRY P. BROADHURST, JR. NEW MEXICO REGISTERED PROFESSIONAL SURVEYOR

Certificate Number

PHILLIPS PETROLEUM COMPANY

WELL NAME: San Juan 32-7 Unit #242A

DRILLING PROGNOSIS

Location of Proposed Well Unit A, 810' FNL & 1095' FEL
Section 33, T32N, R7W

2. Unprepared Ground Elevation: @ 6655'.

3. The geological name of the surface formation is San Jose

4. Type of drilling tools will be rotary

5 Proposed drilling depth is 3391'

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

Naciamento - 984'	Base Coal Interval – 3327'
Ojo Alamo - 2411'	Pictured Cliffs Tongue- 3439'
Kirtland - 2531'	Picture Cliffs - 3531'
Fruitland - 3091'	Interm. Casing - 3227'
Top of Coal - 3259'	T. D. - 3391'

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 - 2411' - 2531'
Oil:	none
Gas:	Fruitland Coal - 3091' – 3327'
Gas & Water	Fruitland Coal - 3091' - 3327'

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 @ 3227'
Production Liner: 5-1/2", 15.5# J/K-55 @ 3207' - 3391' (see details below)

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

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 1)

Intermediate String: **Lead Cement:** 367.9 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 = 927)

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. Our Cementing Service Companies are 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 :

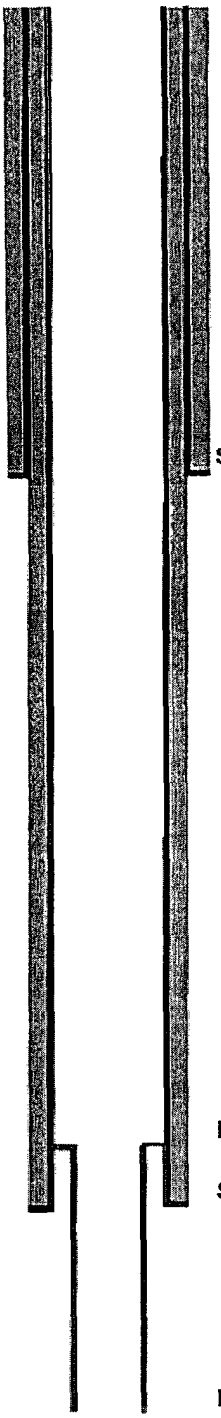
If the coal is cleated a 5 ½" 15.5# liner will be run in the open hole without being cemented.

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 #242A



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 :

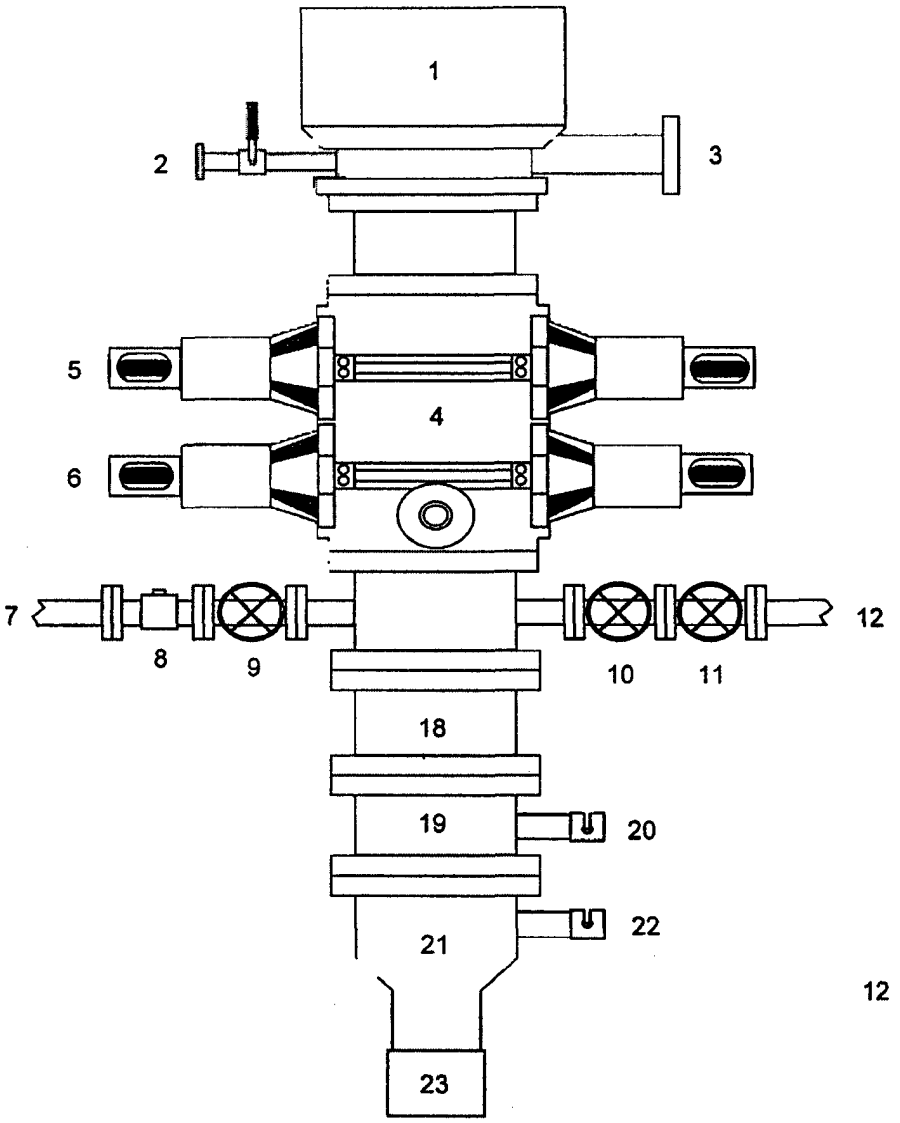
Drill Bit Diameter	8.75 "		
Casing Outside Diameter	7 "	6.455	
Casing Weight	20 ppf		
Casing Grade	J-55		
Shoe Depth	3227 '		
Lead Cement Yield	2.52 cuft/sk		
Lead Cement Excess	110 %		
Tail Cement Length	200	30 '	
Tail Cement Yield	1.4 cuft/sk		
Tail Cement Excess	110 %		
Casing Capacity	0.0405 bbl/ft	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	**367.9 sx**		
Tail Cement Required	**50.0 sx**		

LINER TOP 3207 '

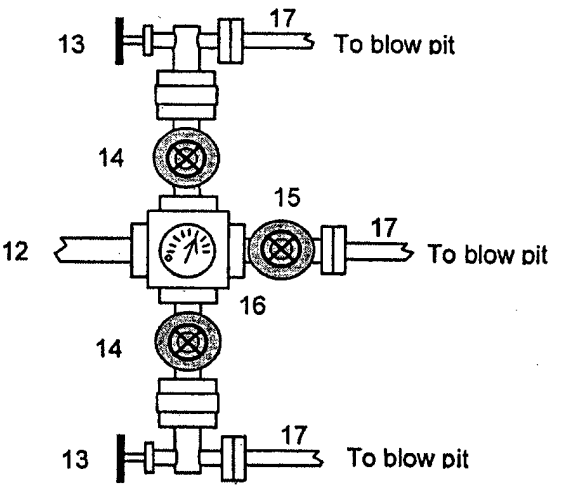
SHOE 3227 ', 7 ", 20 ppf, J-55

LINER BOTTOM 3391 '

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 suppy 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 thought 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

The BOPs will be pressure tested according to Onshore Order #2III, A1 and 30% Safety factor.

San Juan 32-7 Unit #242A
SF-078543; Unit A, 810' FNL 7 1095' FEL
Section 33, T32N, 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.