

RECEIVED

JUL 08 2008

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

UNITED STATES
DEPARTMENT OF THE INTERIOR Bureau of Land Management
BUREAU OF LAND MANAGEMENT Farmington Field Office

APPLICATION FOR PERMIT TO DRILL OR REENTER

1a. Type of work: <input type="checkbox"/> DRILL <input checked="" type="checkbox"/> REENTER		5. Lease Serial No. NMNM-104606
1b. Type of Well: <input type="checkbox"/> Oil Well <input type="checkbox"/> Gas Well <input checked="" type="checkbox"/> Other <input checked="" type="checkbox"/> Single Zone <input type="checkbox"/> Multiple Zone		6. If Indian, Allottee or Tribe Name N/A
2. Name of Operator COLEMAN OIL & GAS, INC.		7. If Unit or CA Agreement, Name and No. N/A
3a. Address P. O. DRAWER 3337 FARMINGTON, NM 87499		8. Lease Name and Well No. MONUMENT #1
3b. Phone No. (include area code) (505) 327-0356		9. API Well No. 30-045-21912
4. Location of Well (Report location clearly and in accordance with any State requirements.) At surface 1656' FNL & 942' FEL At proposed prod. zone SAME		10. Field and Pool, or Exploratory SWD; ENTRADA
14. Distance in miles and direction from nearest town or post office* 10 AIR MILES NW OF NAGEEZI, NM		11. Sec., T. R. M. or Blk. and Survey or Area 17-24N-10W NMPM
15. Distance from proposed* location to nearest property or lease line, ft. (Also to nearest drig. unit line, if any) 984'	16. No. of acres in lease 1,120	17. Spacing Unit dedicated to this well N/A
18. Distance from proposed location* to nearest well, drilling, completed, applied for, on this lease, ft. 781' (17 #41)	19. Proposed Depth 7,460'	20. BLM/BIA Bond No. on file BLM BLANKET NM-2817
21. Elevations (Show whether DF, KDB, RT, GL, etc.) 6,769' GL This action is subject to technical and procedural review pursuant to 43 CFR 3165.3 and appeal pursuant to 43 CFR 3165.4	22. Approximate date work will start* 12/31/2008	23. Estimated duration 4 WEEKS
24. Attachments		DRILLING OPERATIONS AUTHORIZED ARE SUBJECT TO COMPLIANCE WITH ATTACHED "GENERAL REQUIREMENTS".

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 *Brian Wood* Name (Printed/Typed) BRIAN WOOD Date 07/04/2008

Title CONSULTANT PHONE: (505) 466-8120 FAX: (505) 466-9682

Approved by (Signature) *D. Manley* Name (Printed/Typed) Date 10/23/09

Title *AFM* Office *FTO*

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)

SwD 137 - expired - get new order prior to injecting
NOTIFY AZTEC OCD 24 HRS

PRIOR TO CASING & CEMENT
Requires ANNUAL BHIT Report

BLM'S APPROVAL OR ACCEPTANCE OF THIS ACTION DOES NOT RELIEVE THE LESSEE AND OPERATOR FROM OBTAINING ANY OTHER AUTHORIZATION REQUIRED FOR OPERATIONS ON FEDERAL AND INDIAN LANDS

NOV 02 2009

NMOCD

Not Posted - Currently Pre Onward

DISTRICT I
1625 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 S. St. Francis Dr., Santa Fe, N.M. 87505

State of New Mexico
Energy, Minerals & Natural Resources Department

Form C-102
Revised October 12, 2005

OIL CONSERVATION DIVISION
1220 South St. Francis Dr.
Santa Fe, N.M. 87505

Submit to Appropriate District Office
State Lease - 4 Copies
Fee Lease - 3 Copies

JUL 08 2008

☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

¹ API Number 30-045-21912	² Pool Code 96436	³ Pool Name SWD; ENTRADA
⁴ Property Code 37896	⁵ Property Name MONUMENT	⁶ Well Number 1
⁷ GRID No. 4838	⁸ Operator Name COLEMAN OIL & GAS, INC.	⁹ Elevation 6769

¹⁰ Surface Location

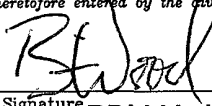
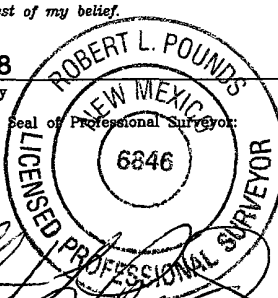
UL or lot no. H	Section 17	Township 24 N	Range 10 W	Lot Idn	Feet from the 1656	North/South line NORTH	Feet from the 942	East/West line EAST	County SAN JUAN
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¹¹ Bottom Hole Location If Different From Surface

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
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¹² Dedicated Acres	¹³ Joint or Infill	¹⁴ Consolidation Code	¹⁵ 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°28'46" E 2635.63'	2651.25'	N 87°13'46" E 1656'	2617.92'	17 OPERATOR CERTIFICATION I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief, and that this organization either owns a working interest or unleased mineral interest in the land including the proposed bottom hole location or has a right to drill this well at this location pursuant to a contract with an owner of such a mineral or working interest, or to a voluntary pooling agreement or a compulsory pooling order heretofore entered by the division.  Signature BRIAN WOOD Date 7-4-08 Printed Name	
N 0°50'17" E 2624.66'		NAD 83 LAT: 36.316050° N LONG: 107.913017° W SECTION 17	942'	S 0°03'18" W 2699.28'	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 of Survey 1/15/08 Signature and Seal of Professional Surveyor:  Certificate Number 6846
N 0°04'57" E 2677.20'		N 89°52'47" W 2626.94'		S 0°02'15" W	

Coleman Oil & Gas, Inc.
 Monument #1
 1656'* FNL & 942'* FEL
 Sec. 17, T. 24 N., R. 10 W.
 San Juan County, New Mexico

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1. ESTIMATED FORMATION TOPS

<u>Formation</u>	<u>GL Depth</u>	<u>KB Depth</u>	<u>Elevation</u>
Nacimiento formation	0'	10'	6,769'
<i>current plug: 5' - 50'</i>			
<i>current plug: 350' - 550'</i>			
Ojo Alamo sandstone	589'	599'	6,180'
Kirtland shale	678'	688'	6,091'
Fruitland formation	1,143'	1,153'	5,626'
<i>current plug: 1,300' - 1,500'</i>			
Pictured Cliffs sandstone	1,384'	1,394'	5,385'
Lewis shale	1,610'	1,620'	5,159'
<i>current plug: 1,700' - 1,900'</i>			
Cliff House sandstone	1,745'	1,755'	5,024'
La Ventana sandstone	2,126'	2,136'	4,643'
Menefee shale	2,836'	2,846'	3,933'
Point Lookout sandstone	3,805'	3,815'	2,964'
<i>current plug: 3,900 - 4,100'</i>			
Mancos shale	4,011'	4,021'	2,758'
Gallup sandstone	4,846'	4,856'	1,923'
<i>current plug: 4,900' - 5,100'</i>			
Greenhorn limestone	5,756'	5,766'	1,013'
<i>current plug: 5,800' - 6,100'</i>			
Graneros shale	5,806'	5,816'	963'
Dakota sandstone	5,852'	5,862'	917'
<i>current total depth</i>	<i>6,100'</i>	<i>6,110'</i>	<i>669'</i>
Morrison formation	6,135'	6,145'	634'
Bluff sandstone	6,690'	6,700'	79'
Todilto limestone	7,060'	7,070'	-291'
Entrada sandstone	7,100'	7,110'	-331'
Chinle shale	7,360'	7,370'	-591'
Total Depth	7,460'	7,470'	-691'

Well was drilled by Lynco Oil Corporation in 1975 to 6,100' as a Dakota test and subsequently plugged and abandoned in 1975. No long string was run.

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2. NOTABLE ZONES

Gas & Oil Zones

Fruitland
Pictured Cliffs
Gallup
Dakota

Water Zones

Nacimiento
Ojo Alamo
Fruitland
Entrada

Coal Zone

Fruitland

3. PRESSURE CONTROL (See PAGES 3 & 4)

The drilling contract has not yet been awarded, thus the exact BOP model to be used is not yet known. Diagrams of a typical 2,000 psi follow on the next two pages. Annular or double ram type 2,000 psi (minimum) double gate BOP stack will be installed. Blind rams and casing will be tested to ≈ 750 psi for 30 minutes before drilling out of the surface casing. All pipe rams and the choke assembly will be tested to ≈ 750 psi for 30 minutes each.

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. Maximum expected bottom hole pressure will be $< 3,230$ psi.

4. CASING & CEMENT

<u>Hole Size</u>	<u>O. D.</u>	<u>Pounds per foot</u>	<u>Grade</u>	<u>Coupling</u>	<u>Age</u>	<u>Depth Set</u>
12-1/4"	8-5/8"	20	A	ST & C	1975	0' - 227'
7-7/8"	5-1/2"	15.5	K-55	LT & C	New	0' - 6,200'
7-7/8"	5-1/2"	17	K-55	LT & C	New	6,200' - 7,460'

Surface casing was cemented with 100 sacks (118 cubic feet), which circulated to the surface.

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Production casing will be cemented to the surface in two stages. Stage collar will be set at $\approx 4,061'$. A cement guide shoe and self fill insert float collar will be used. The float will be placed one joint above the shoe. Five centralizers will be spaced every other joint above the shoe. Three centralizers will be set across the stage collar and three will be spaced evenly across the Ojo Alamo.

Stage #1:

- 1) circulate the hole with $\geq 150\%$ hole volume with mud
- 2) precede cement with ≈ 20 barrels of fresh water
- 3) lead with ≈ 455 sacks (823.55 cubic feet) Class G 35/65 poz with 2% GEL D-20, 5 pounds per sack gilsonite + 0.1% D46 + 1% S-1 + 1/4 pound per sack D29 (yield = 1.81 cubic feet per sack; slurry weight = 12.4 pounds per gallon)
- 4) tail with ≈ 100 sacks (126 cubic feet) Class G 50/50 poz with 2% gel D-20 + 5 pounds per sack gilsonite + 0.1% D46 + 1% S-1 + 1/4 pound per sack D29 (yield = 1.26 cubic feet per sack; slurry weight = 13.5 pounds per gallon)
- 5) total stage 1 cement volume = 949.55 cubic feet ($\approx 60\%$ excess on open hole, calculated on cement volumes on lower stage)

Stage #2:

- 1) open stage tool and circulate minimum 4 hours
- 2) circulate hole with $\geq 150\%$ hole volume with mud
- 3) precede cement with 20 barrels of fresh water
- 4) lead with ≈ 402 sacks (1049.22 cubic feet) Class G with 3% D79 + 1/4 pound per sack D29 (yield = 2.61 cubic feet per sack; slurry weight = 11.7 pounds per gallon)
- 5) tail with ≈ 50 sacks (63.00 cubic feet) Class G 50/50 poz with 2% gel D-20 + 5 pounds per sack Gilsonite + 0.1% D46 + 1% S-1 + 1/4 pound per sack D29 (yield = 1.26 cubic feet per sack; slurry weight = 13.5 pounds per gallon)
- 6) total stage cement volume = 1,112.22 cubic feet ($\approx 60\%$ excess on open hole, calculated on cement volumes on upper stage)

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5. MUD PROGRAM

<u>Interval</u>	<u>Type</u>	<u>Weight</u>	<u>Viscosity</u>	<u>Fluid Loss</u>
0' - 227'	Spud	8.4 - 9.0	40 - 50	no control
227' - 7460'	Non-dispersed	8.4 - 9.0	30 - 60	6 cc or less

6. CORES, TESTS, & LOGS

No cores or drill stem tests are planned. These logs will be run from the base of the surface casing to TD:

Porosity log - triple litho density with GR and CAL
Induction log - array induction with GR and SP
cement bond log

7. DOWN HOLE CONDITIONS

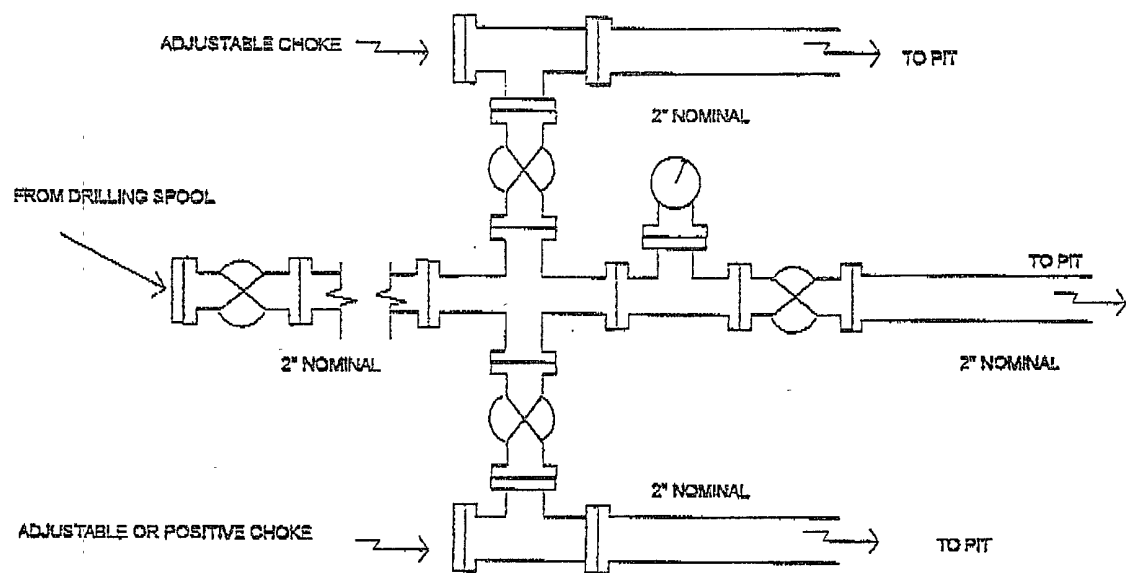
No abnormal pressures, temperatures, nor hydrogen sulfide are expected.

8. OTHER INFORMATION

The anticipated spud date is upon approval. It is expected it will take about two weeks to drill out the plugs and complete the well.

*Location (1656' FNL & 942') shown in header is as surveyed in 2008. State records from 1975 show location as 1650' FNL & 990' FEL before construction and drilling. However, there is no survey plat in New Mexico Oil Conservation Division on line records.

Choke Manifold Configuration 2M System



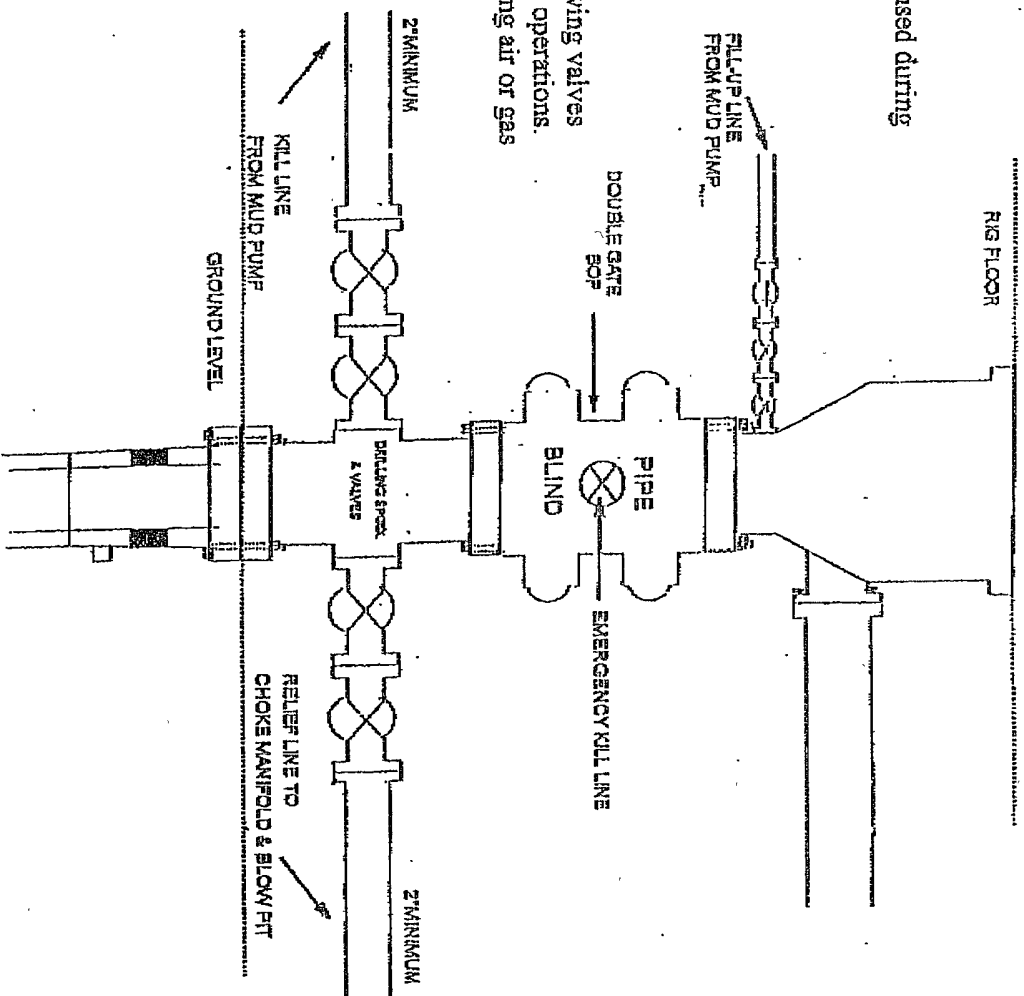
Minimum choke manifold installation from surface to Total Depth.
2" minimum, 2000psi working pressure equipment with two chokes.

FIGURE #2

BOP Configuration 2M psi System

Rotating head will be used during
air or gas drilling only.

Drilling spool single wing valves
during normal drilling operations.
Dual wing valves during air or gas
drilling.



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