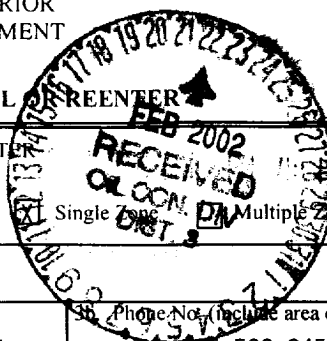


UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

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

APPLICATION FOR PERMIT TO DRILL REENTER



1a. Type of Work ☒ DRILL ☐ REENTER
1b. Type of Well ☐ Oil Well ☒ Gas Well ☐ Other
Single Zone ☐ Multiple Zone

2. Name of Operator
Phillips Petroleum Company 17654
3a. Address
5525 Highway 64, NBU 3004, Farmington, NM 87401
3b. Phone No. (include area code)
505-599-3454

4. Location of Well (Report location clearly and in accordance with any State requirements)*
At surface G (SWNE), 1705' FNL & 1965' FEL-Lat. -36.98472, Long-107.5878
At proposed prod. zone Same as above

14. Distance in miles and direction from nearest town or post office*
10 miles south of Ignacio, CO

15. Distance from proposed*
location to nearest
property or lease line, ft.
(Also to nearest drg. unit line, if any)
1705'

16. No. of Acres in lease
2562.30 acres

17. Spacing Unit dedicated to this well
346.12 E/2

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

19. Proposed Depth
3286'

20. BLM/BIA Bond No. on file
ES0048

21. Elevations (Show whether DF, KDB, RT, GL, etc.)
6529'

22. Approximate date work will start*
4/15/02

23. Estimated duration
1 month

~~This action is subject to technical and procedural review pursuant to 43 CFR 3160.3 and appeal pursuant to 43 CFR 3160.4.~~

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.

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
Patsy Clugston
Title
Sr. Regulatory/Proration Clerk

Name (Printed/Typed)
Patsy Clugston

Date
1/31/02

Approved by (Signature)
/s/ Jim Lovato

Name (Printed/Typed)
Office
BLM-FFO

Date
2/19/02

Title
Acting AFM Minerals

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)

District I
140 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-
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

| | | | | | | | |
|-------------------------------------|--|--|--|--|--|-----------------------------|--|
| 1 API Number 30-045-30986 | | 1 Pool Code 71629 | | 1 Pool Name Basin Fruitland Coal | | | |
| 4 Property Code 009260 | | 2 Property Name SAN JUAN 32-7 UNIT | | | | 5 Well Number 245 | |
| 7 OGRID No. 017654 | | 3 Operator Name PHILLIPS PETROLEUM COMPANY | | | | 6 Elevation 6529 | |

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 |
|---------------|-----------|------------|-----------|---------|---------------|------------------|---------------|----------------|-----------------|
| G | 17 | 32N | 7W | | 1705 | NORTH | 1965 | EAST | SAN JUAN |

11 Bottom Hole Location If Different From Surface

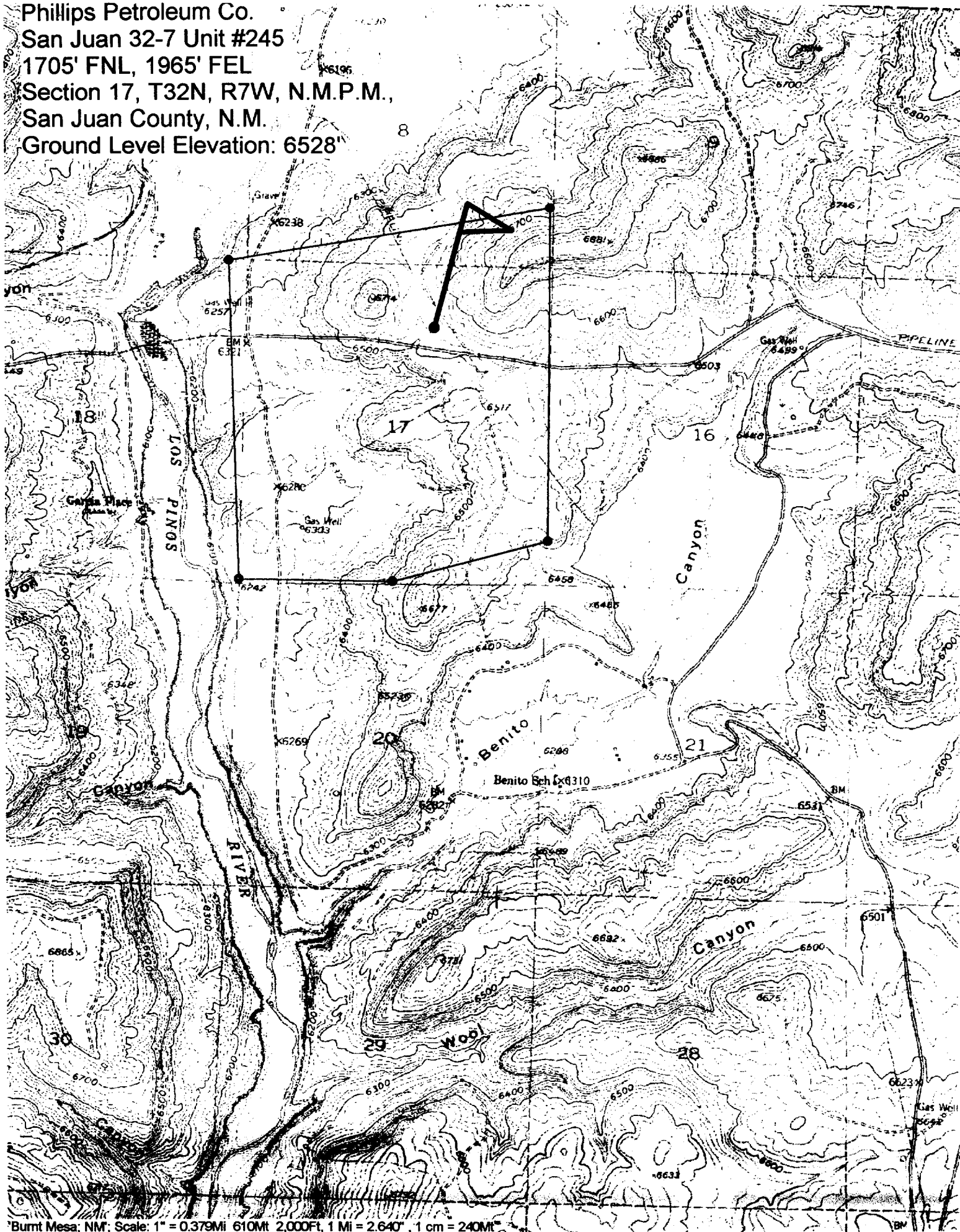
| UL or lot no. | Section | Township | Range | Lot Idn | Feet from the | North/South line | Feet from the | East/West line | County |
|---------------|---------|----------|-------|---------|---------------|------------------|---------------|----------------|--------|
| G | | | | | | | | | |

| 12 Dedicated Acres | 13 Joint or Infill | 14 Consolidation Code | 15 Order No. |
|--------------------|--------------------|-----------------------|--------------|
| 346.12 E/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

| | | | | | | | |
|----------|--|---|--|----------|--|--|--|
| 16 | | S79°04'W | | 5435.76' | | 17 OPERATOR CERTIFICATION | |
| 4 | | 3 | | 2 | | I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief | |
| 5 | | 6 | | 7 | | Signature <i>Patsy Clugston</i> | |
| 5383.62' | | FEB 2002 RECEIVED OIL CON. DIV. SANTA FE, NM | | 1705' | | Printed Name Patsy Clugston | |
| N03°07'W | | 12 | | 10 | | Sr. Regulatory/Proration Clerk | |
| | | 11 | | 9 | | Title 11/28/01 | |
| | | 14 | | 16 | | Date | |
| N89°44'W | | 2601.72' | | S72°40'W | | 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 knowledge and belief | |
| | | | | | | Date of Survey 11/28/01 | |
| | | | | | | Signature and Seal of Registered Professional Surveyor <i>[Signature]</i> | |
| | | | | | | Certificate Number 002501 | |

Phillips Petroleum Co.
San Juan 32-7 Unit #245
1705' FNL, 1965' FEL
Section 17, T32N, R7W, N.M.P.M.,
San Juan County, N.M.
Ground Level Elevation: 6528"



PHILLIPS PETROLEUM COMPANY

WELL NAME: San Juan 32-7 Unit #245

DRILLING PROGNOSIS

1. Location of Proposed Well: Unit G, 1705' FNL & 1965' FEL
Section 17, T32N, R7W
2. Unprepared Ground Elevation: @ 6529'.
3. The geological name of the surface formation is San Jose.
4. Type of drilling tools will be rotary.
5. Proposed drilling depth is 3286'.
6. The estimated tops of important geologic markers are as follows:

| | |
|----------------------------|-------------------------------|
| <u>Nacimiento - 719'</u> | |
| <u>Ojo Alamo - 22204'</u> | <u>Base of Coal - 3219'</u> |
| <u>Kirtland - 2269'</u> | <u>Picture Cliffs - 3396'</u> |
| <u>Fruitland - 3034'</u> | <u>Interm. Casing - 3079'</u> |
| <u>Top of Coal - 3099'</u> | <u>T. D. - 3286'</u> |
7. The estimated depths at which anticipated water, oil, gas or other mineral bearing formations are expected to be encountered are as follows:

| | |
|--------------|---------------------------------------|
| Water: | <u>Ojo Alamo - 2204' - 2269'</u> |
| Oil: | <u>none</u> |
| Gas: | <u>Fruitland Coal - 3099' - 3256'</u> |
| Gas & Water: | <u>Fruitland Coal - 3099' - 3256'</u> |
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 @ 3079'
Production Liner: 5-1/2", 15.5# J/K-55 @ 3059' - 3286' (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 1)

Intermediate String: **Lead Cement:** 349.3 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 = 880 cf)

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 be 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.

Turbulators: 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.

10. The minimum specifications for pressure control equipment which are to be used, a schematic diagram thereof showing sizes, pressure ratings (or) API series and the testing procedure and testing frequency are enclosed within the APD packet.
11. Drilling Mud Prognosis: Surface - spud mud on surface casing.
Intermediate - fresh water w/polymer sweeps. Bentonite as required for viscosity.
Below Intermediate - air drilled.
12. The testing, logging, and coring programs are as follows:
D.S.T.s or cores:
Logs: Mud logs only

BOP AND RELATED EQUIPMENT CHECK LIST

2M SYSTEM:

2 hydr. rams (pipe & blind) or hydr. ram and annular with blind ram on bottom

Kill Line (2-inch minimum)

1 kill line valve (2-inch minimum)

1 choke line valve

2 chokes (refer to diagram in attachment 1) on choke manifold

Upper kelly cock valve in open position with handle available

Safety valve (in open position) and subs to fit all drill strings in use (with handle available)

Pressure gauged on choke manifold

2 inch minimum choke line

Fill-up line above the uppermost preventer

The BOPs will be pressure tested according to Onshore Order #2 III, A 1 and 30% safety factor.