

District I
1625 N. French Dr., Hobbs, NM 88240
District II
1301 W. Grand Avenue, Artesia, NM 88210
District III
1000 Rio Brazos Road, Aztec, NM 87410
District IV
1220 S. Francis Dr., Santa Fe, NM 87505

State of New Mexico
Energy Minerals and Natural Resources

Form C-101
Revised March 17, 1999

Oil Conservation Division
1220 S. St. Francis Dr.
Santa Fe, NM 87505

Submit to appropriate District Office
State Lease - 6 Copies
Fee Lease - 5 Copies

AMENDED REPORT

APPLICATION FOR PERMIT TO DRILL, RE-ENTER, DEEPEN, PLUGBACK, OR ADD A ZONE

¹ Operator Name and Address Zia Energy, Inc. 2203 Timberloch Place Suite 229 The Woodlands, TX 77380		² OGRID Number 025616
		³ API Number 30 - 025-06394
⁴ Property Code 26985	⁵ Property Name Hill	⁶ Well No. 1

⁷ Surface Location

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
J	4	21S	37E	10	3300	North	1730	East	Lea

⁸ Proposed 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
⁹ Proposed Pool 1 Penrose Skelly Grayburg					¹⁰ Proposed Pool 2 Blinebry/Tubb Oil & Gas				

¹¹ Work Type Code D	¹² Well Type Code M	¹³ Cable/Rotary R	¹⁴ Lease Type Code P	¹⁵ Ground Level Elevation 3445' GL
¹⁶ Multiple Yes	¹⁷ Proposed Depth 6394'	¹⁸ Formation Tubb	¹⁹ Contractor Mesa Well Serv	²⁰ Spud Date ASAP

²¹ Proposed Casing and Cement Program

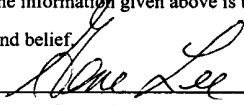
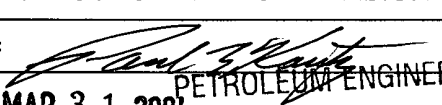
Hole Size	Casing Size	Casing weight/foot	Setting Depth	Sacks of Cement	Estimated TOC
17 1/2	13 3/8	48	330	200 sx	Surface
10 3/4	8 5/8	32	2840	200	1000
7 7/8	5 1/2	15.50	6394	600/1000	2600

²² Describe the proposed program. If this application is to DEEPEN or PLUG BACK, give the data on the present productive zone and proposed new productive zone. Describe the blowout prevention program, if any. Use additional sheets if necessary.

Operator proposes to work over above well and clean out to 6394' and commingle the Grayburg, Blinebry & Tubb formations. All casing is in place. See original completion report.

A double ram BOP rated at 3000 psi WP will be installed and tested daily. See attached diagram. Well will be cleaned out using 2% KCL water.

Well is currently producing from the Grayburg Formation. CIBP's are set at 5550' & 6155' covering old perforations.

²³ I hereby certify that the information given above is true and complete to the best of my knowledge and belief. Signature: 	OIL CONSERVATION DIVISION	
	Approved by: 	PETROLEUM ENGINEER
Printed name: Gene Lee	Title: MAR 31 2004	Approval Date: MAR 31 2004
Title: Agent	Approval Date:	Expiration Date:
Date: 03/22/04	Phone: 505-626-4292	Conditions of Approval: Attached <input type="checkbox"/>

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State of New Mexico
 Energy, Minerals & Natural Resources Department
OIL CONSERVATION DIVISION
 1220 South St. Francis Dr.
 Santa Fe, NM 87505

Form C-102
 Revised June 10, 2003
 Submit to Appropriate District Office
 State Lease - 4 Copies
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AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

¹ API Number 30-025-06394		² Pool Code 50350		³ Pool Name Penrose Skelly Grayburg	
⁴ Property Code 26985		⁵ Property Name Hill			⁶ Well Number 1
⁷ OGRID No. 025616		⁸ Operator Name Zia Energy, Inc.			⁹ Elevation 3445' GL

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
J-10	4	21S	37E		3300'	North	1730'	East	Lea

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

¹² Dedicated Acres 40	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

	<p>¹⁷ OPERATOR CERTIFICATION</p> <p><i>I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.</i></p> <p><i>Gene Lee</i> Signature</p> <p>Gene Lee Printed Name</p> <p>Agent Email--leeconinc@aol.com</p> <p>Title and E-mail Address</p> <p>March 22-, 2004 Date</p>
	<p>¹⁸ SURVEYOR CERTIFICATION</p> <p><i>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.</i></p> <p>See Original Survey</p> <p>Date of Survey</p> <p>Signature and Seal of Professional Surveyor:</p> <p>See Original Survey</p> <p>Certificate Number</p>

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AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

¹ API Number 30-025-06394		² Pool Code 6660		³ Pool Name Blinebry Oil & Gas	
⁴ Property Code 26985		⁵ Property Name Hill			⁶ Well Number 1
⁷ OGRID No. 025616		⁸ Operator Name Zia Energy, Inc.			⁹ Elevation 3445' GL

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
J-10	4	21S	37E		3300'	North	1730'	East	Lea

¹¹ Bottom Hole Location If Different From Surface

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AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

¹ API Number 30-025-06394		² Pool Code 60240		³ Pool Name Tubb Oil & Gas	
⁴ Property Code 26985		⁵ Property Name Hill			⁶ Well Number 1
⁷ OGRID No. 025616		⁸ Operator Name Zia Energy, Inc.			⁹ Elevation 3445' GL

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
J-10	4	21S	37E		3300'	North	1730'	East	Lea

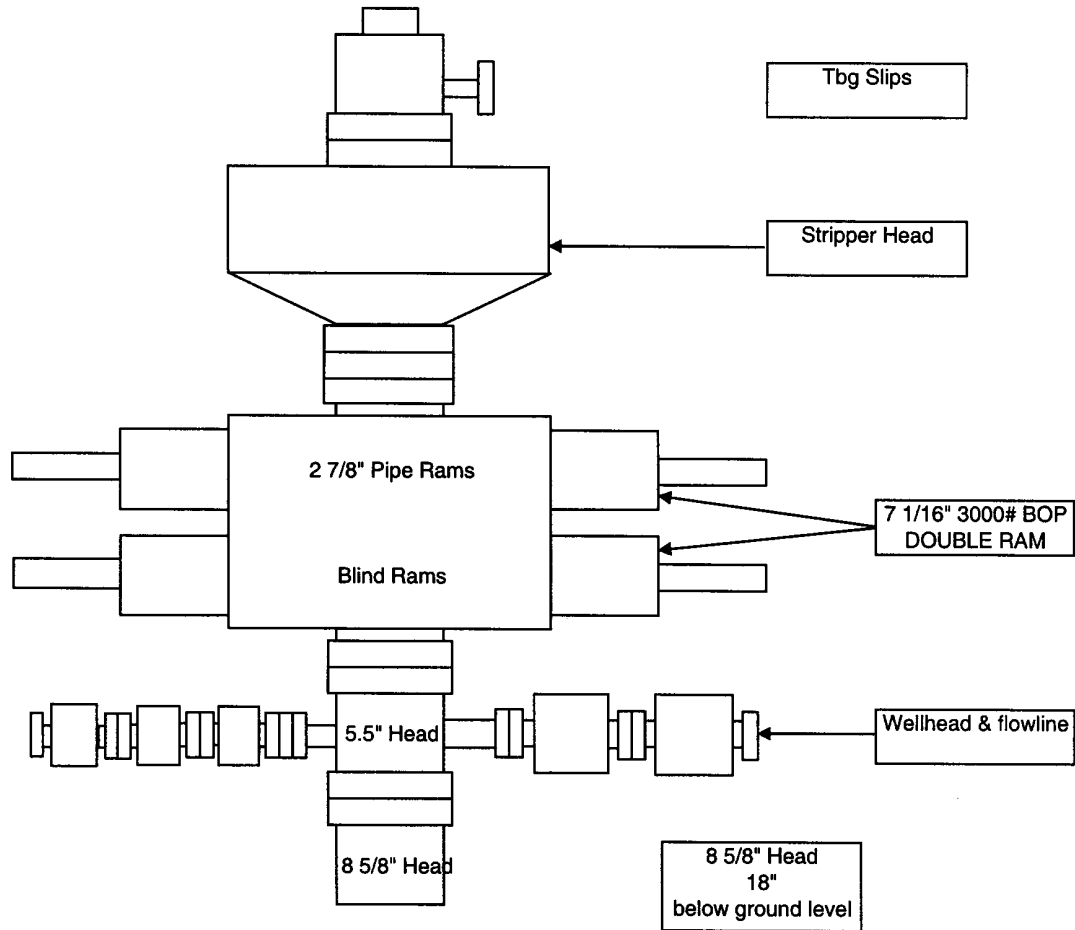
¹¹ Bottom Hole Location If Different From Surface									
UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County

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	<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 style="text-align: center;">See Original Survey</p> <p>Date of Survey _____ Signature and Seal of Professional Surveyor: _____</p> <p style="text-align: center;">See Original Survey</p> <p>Certificate Number _____</p>

ZIA ENERGY, INC
Hill #1
Workover BOP Diagram
Nipped up on 5.5" Casing Head
3000 psi Working Pressure Setup



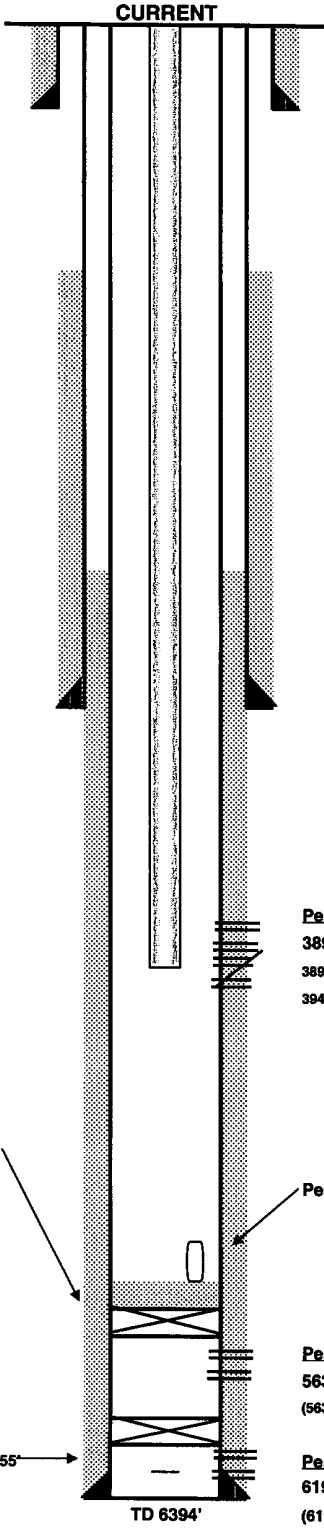
Well Name: Hill #1 Zia Lease Number: 06394
 Location: 3300' FNL & 1730' FEL Sec: 4 (J10) Township: 21S
 County: Lea State: NM API: 30-025-06394

Lease Type: Fee
 Range: 37E
 Formation: Pnrs-Skly-Grbrg

Surface Csg
 Size: 13 3/8"
 Wt.&Thrd: 56#
 Grade: _____
 Set @: 330'
 Sxs cmt: 200
 Circ: Yes
 TOC: Surface
 Hole Size: 17 1/4"

Intermediate Csg
 Size: 8 5/8"
 Wt.&Thrd: 32#
 Grade: _____
 Set @: 2840'
 Sxs Cmt: 200
 Circ: No
 TOC: _____
 Hole Size: 10 3/4"

Production Csg
 Size: 5 1/2"
 Wt.&Thrd: 15.5#
 Grade: _____
 Set @: 6394'
 Sxs Cmt: 600-1000
 Circ: _____
 TOC: _____
 Hole Size: 7 7/8"



KB: _____
 DF: _____
 GL: 3445'
 Spud Date: 7/28/1954
 Compl. Date: 8/27/1954

History - Highlights

- 2/23/01: Tubing ran in hole
- 11/5/01: Rod part
- 7/1/02: Acidize with 4000 gals
- 3/25/03: Rod part
- 4/26/03: Rod Part
- 4/30/03: Changed from 74" stroke to 44" stroke
- 8/16/03: Pulling job; pump full of paraffin
- 10/17/03: Pulling job; barrell split

Perfs Status

3890-3908' Penrose-Skelly-Grayburg - active
 3896-3922' Penrose-Skelly-Grayburg - squeezed
 3948-3958' Penrose-Skelly-Grayburg - squeezed

Perfs Status

5630-5870' Blinebry - below CIBP
 (5630-5780', 5800-70')

Perfs Status

6195-6394' Tubb - below CIBP
 (6195-6230', 6278-6318', 6345-55', 6374-94')

CIBP set @ 5550'

Perf Gun left in hole.

Retainer set @ 6155'

TD 6394'

Tubulars - Capacities and Performance							
	bb/ft	cf/ft	Tensile (lbs)	Burst (psi)	Collapse (psi)	ID(in)	Drift (in)
2-3/8" 4.7# J55 Tubing	0.00387	0.02171	71730	7700	8100	1.995	1.901
5-1/2" 15.5# J55 Casing	0.02380	0.1336	217000	4360	3270	4.950	4.825
Annular 2-3/8"-5-1/2"	0.01830	0.1029					

Well Name: Hill #1 Zia Lease Number: 06394
 Location: 3300' FNL & 1730' FEL Sec: 4 (J10) Township: 21S
 County: Lea State: NM API: 30-025-06394

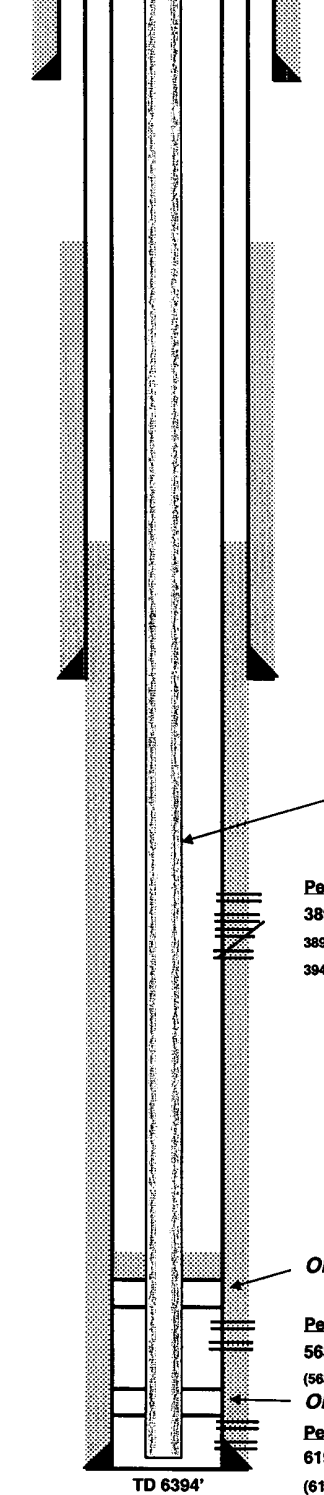
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 Wt.&Thrd: 56#
 Grade: _____
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 TOC: Surface
 Hole Size: 17 1/4"

Intermediate Csg
 Size: 8 5/8"
 Wt.&Thrd: 32#
 Grade: _____
 Set @: 2840'
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 Circ: No
 TOC: _____
 Hole Size: 10 3/4"

Production Csg
 Size: 5 1/2"
 Wt.&Thrd: 15.5#
 Grade: _____
 Set @: 6394'
 Sxs Cmt: 600-1000
 Circ: _____
 TOC: _____
 Hole Size: 7 7/8"

PROPOSED WELLBORE



Perfs	Status
3890-3908'	Penrose-Skelly-Grayburg - active
3896-3922'	Penrose-Skelly-Grayburg - squeezed
3948-3958'	Penrose-Skelly-Grayburg - squeezed

Perfs	Status
5630-5870'	Blinebry - below CIBP (5630-5780', 5800-70')
6195-6394'	Tubb - below CIBP (6195-6230', 6278-6318', 6345-55', 6374-94')

KB: _____
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State of New Mexico
Energy, Minerals and Natural Resources Department

Form C-107A
Revised June 10, 2003

Oil Conservation Division
1220 South St. Francis Dr.
Santa Fe, New Mexico 87505

APPLICATION TYPE
 Single Well
 Establish Pre-Approved Pools
EXISTING WELLBORE
 Yes No

APPLICATION FOR DOWNHOLE COMMINGLING

Zia Energy, Inc. 2203 Timberloch Place, Site 229 The Woodlands, TX 77380

Operator Address

Hill 1 J-4-T21S-R37E Lea

Lease Well No. Unit Letter-Section-Township-Range County

OGRID No. 025616 Property Code 26985 API No. 30-025-06394 Lease Type: Federal State Fee

DATA ELEMENT	UPPER ZONE	INTERMEDIATE ZONE	LOWER ZONE
Pool Name	Penrose Skelly Grayburg	Blinebry	Tubb
Pool Code	50350	6660	60240
Top and Bottom of Pay Section (Perforated or Open-Hole Interval)	Perfs 3890—3908	Perfs 5630-5870	Perfs 6195-6394
Method of Production (Flowing or Artificial Lift)	Artificial Lift	Flowing	Flowing
Bottomhole Pressure (Note: Pressure data will not be required if the bottom perforation in the lower zone is within 150% of the depth of the top perforation in the upper zone)	810	925	950
Oil Gravity or Gas BTU (Degree API or Gas BTU)	38 Grav oil, 1285 btu	1280 btu	1260 btu
Producing, Shut-In or New Zone	Producing	Shut In	Shut In
Date and Oil/Gas/Water Rates of Last Production. (Note: For new zones with no production history, applicant shall be required to attach production estimates and supporting data.)	Date: 3-01-04 Rates: 5 oil, 2 water, 20 mcf Per Day	Date: Dec 2000. Rates: 5 Oil, 0 water, 20 mcf/ Per Day	Date: Initial Test --1954 Rates: 5 Oil, 0 Water, 25 mcf Per Day
Fixed Allocation Percentage (Note: If allocation is based upon something other than current or past production, supporting data or explanation will be required.)	Oil 33.3 % Gas 33.3 %	Oil 33.3% Gas 33.3%	Oil 33.3% Gas 33.3%

ADDITIONAL DATA

Are all working, royalty and overriding royalty interests identical in all commingled zones? Yes No
 If not, have all working, royalty and overriding royalty interest owners been notified by certified mail? Yes No
 Are all produced fluids from all commingled zones compatible with each other? Yes No
 Will commingling decrease the value of production? Yes No
 If this well is on, or communitized with, state or federal lands, has either the Commissioner of Public Lands or the United States Bureau of Land Management been notified in writing of this application? Yes No
 NMOCD Reference Case No. applicable to this well: _____

Attachments:

- C-102 for each zone to be commingled showing its spacing unit and acreage dedication.
- Production curve for each zone for at least one year. (If not available, attach explanation.)
- For zones with no production history, estimated production rates and supporting data.
- Data to support allocation method or formula.
- Notification list of working, royalty and overriding royalty interests for uncommon interest cases.
- Any additional statements, data or documents required to support commingling.

PRE-APPROVED POOLS

If application is to establish Pre-Approved Pools, the following additional information will be required:

- List of other orders approving downhole commingling within the proposed Pre-Approved Pools
- List of all operators within the proposed Pre-Approved Pools
- Proof that all operators within the proposed Pre-Approved Pools were provided notice of this application.
- Bottomhole pressure data.

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

SIGNATURE Gene Lee TITLE Agent DATE 3-22-04
 TYPE OR PRINT NAME Gene Lee TELEPHONE NO. (505) 626-4292
 E-MAIL ADDRESS leeconinc@aol.com