

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. St. Francis Dr., Santa Fe, NM 87505

State of New Mexico
Energy Minerals and Natural Resources

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

Form C-101
May 27, 2004

Submit to appropriate District Office

☐ AMENDED REPORT

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

Operator Name and Address Manana Gas, Inc. c/o Walsh Engineering 7415 E. Main St., Farmington, NM 87402		OGRID Number 13931
Property Code 33160	Property Name Hidden Assets	API Number 30 - 45 - 32880
Proposed Pool 1 Basin Fruitland Coal		Proposed Pool 2 Aztec Pictured Cliffs

Surface Location

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
M	23	30N	12W		938'	South	635'	West	San Juan

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

Additional Well Information

Work Type Code N	Well Type Code G	Cable/Rotary R	Lease Type Code P	Ground Level Elevation 5506'
Multiple Y	Proposed Depth 1950'	Formation Pictured Cliffs	Contractor	Spud Date
Depth to Groundwater 6'		Distance from nearest fresh water well 500'		Distance from nearest surface water 50'
Pit: Liner: Synthetic <input checked="" type="checkbox"/> 12 mils thick Clay <input type="checkbox"/> Pit Volume: 1250 bbls Drilling Method: Closed-Loop System <input type="checkbox"/> Fresh Water <input checked="" type="checkbox"/> Brine <input type="checkbox"/> Diesel/Oil-based <input type="checkbox"/> Gas/Air <input type="checkbox"/>				

Proposed Casing and Cement Program

Hole Size	Casing Size	Casing weight/foot	Setting Depth	Sacks of Cement	Estimated TOC
8-3/4"	7"	20.0#	120'	30 sx (36 cu.ft.)	Surface
6-1/4"	4-1/2"	10.5#	1950'	145sx & 100sx	Surface

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.

Manana Gas, Inc. proposes to drill a vertical well at the above listed location and test the Fruitland Coal and Pictured Cliffs formations. A 8-3/4" surface hole will be drilled to approx. 120' with spud mud. 7", 20# casing will be set and cemented to surface with 30 sx (36 cu.ft.) of CI "B" with 3% CaCl₂ and 1/4#/sk CF. A double ram, 2000 psi rated BOP will be installed and pressure tested to 600 psi. A 6-1/4" hole will be drilled using a fresh water - polymer mud system to approx. 1950'. 4-1/2", 10.5# casing will be set and cemented to surface with 145 sx (292 cu.ft.) of CI "B" cement with 2% SMS, 1/4 #/sk. celloflake and 5 #/sk gilsonite followed by 100 sx (118 cu.ft.) of CI "B" with 2% CaCl₂, 1/4 #/sk celloflake and 5 #/sk gilsonite. Open hole DIL and FDC/CNL/GR/SP logs will be run. Surveys will be run every 500'. The W/2 of Section 23 (320 acres) is dedicated to the Fruitland and the SW/4 is dedicated to the Pictured Cliffs. Formation tops: Ojo Alamo - 355', Kirtland - 405', FT -1375', PC - 1750'.

HOLD C104 FOR NSL

I hereby certify that the information given above is true and complete to the best of my knowledge and belief. I further certify that the drilling pit will be constructed according to NMOCD guidelines ☒, a general permit ☐, or an (attached) alternative OCD-approved plan ☐.

Printed name: Paul C. Thompson, P.E. *Paul C. Thompson*

Title: Agent

E-mail Address: paul@walsheng.net

Date: 2/8/05

Phone: (505) 327-4892

OIL CONSERVATION DIVISION

Approved by: *[Signature]*

Title: DEPUTY OIL & GAS INSPECTOR, DIST. #2

Approval Date: FEB 10 2005

Expiration Date: FEB 10 2006

Conditions of Approval Attached ☐

No below grade pits or tanks will be allowed on this well

DISTRICT I
P.O. Box 1980, Hobbs, N.M. 88241-1980

DISTRICT II
P.O. Drawer DD, Artesia, N.M. 86211-0719

DISTRICT III
1000 Rio Brazos Rd., Aztec, N.M. 87410

DISTRICT IV
PO Box 2086, Santa Fe, NM 87504-2086

State of New Mexico
Energy, Minerals & Natural Resources Department

Form C-102
Revised February 21, 1994

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

OIL CONSERVATION DIVISION

P.O. Box 2088
Santa Fe, NM 87504-2088

☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

¹ API Number 30-045-32880	² Pool Code 71629	³ Pool Name BASIN FRUITLAND COAL
⁴ Property Code 33160	⁵ Property Name HIDDEN ASSETTS	⁶ Well Number 2
⁷ GRID No. 13931	⁸ Operator Name MANANA GAS, INC.	⁹ Elevation 5506.08

¹⁰ Surface Location

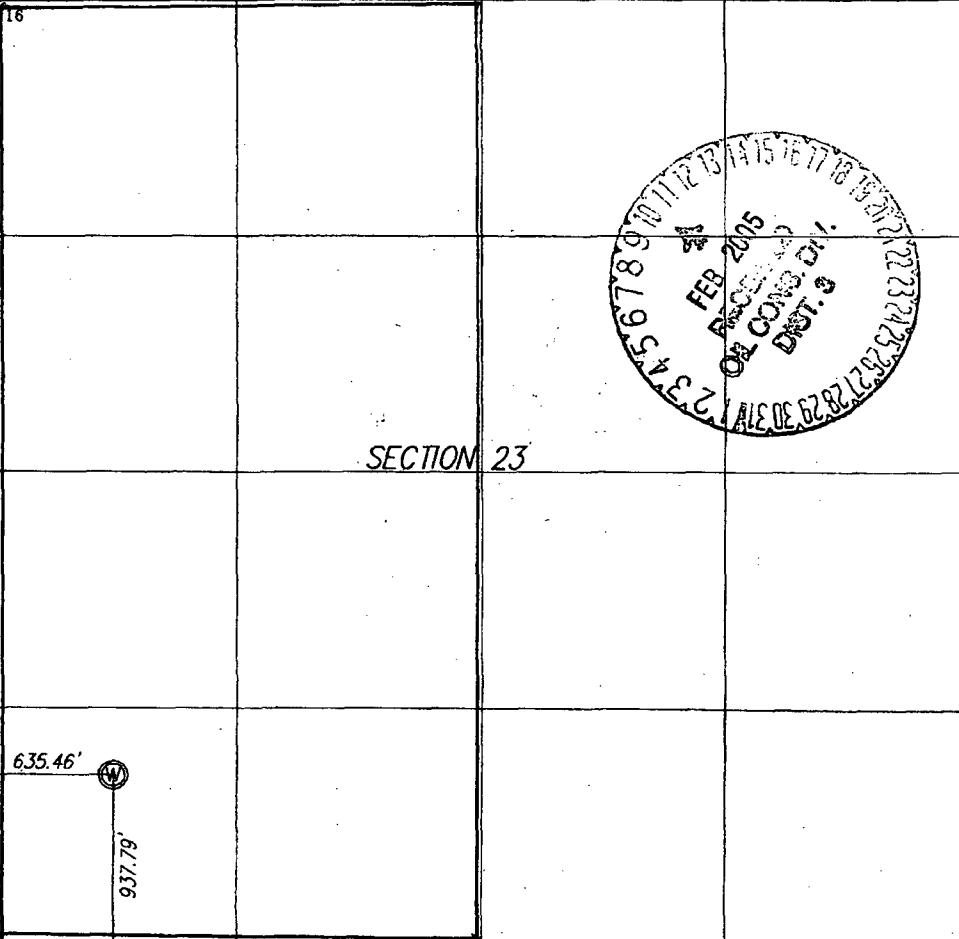


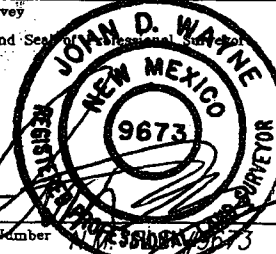
UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
m	23	30N	12W		937.79	SOUTH	635.46	WEST	SAN JUAN

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

¹² Dedicated Acres 320 w/2	¹³ Joint or Infill Y	¹⁴ Consolidation Code	¹⁵ Order No.

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

<div>16</div> <div></div> <div>SECTION 23</div>	<div>¹⁷ OPERATOR CERTIFICATION</div> <div>I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief</div> <div> Signature PAUL C. THOMPSON Printed Name AGENT Title 2/9/05 Date</div>
	<div>¹⁸ SURVEYOR CERTIFICATION</div> <div>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.</div> <div>JANUARY 22, 2005 Date of Survey  Signature and Seal of Surveyor  Certificate Number 9673</div>

DISTRICT I
P.O. Box 1980, Hobbs, N.M. 88241-1980

State of New Mexico
Energy, Minerals & Natural Resources Department

Form C-102
Revised February 21, 1994

DISTRICT II
P.O. Drawer DD, Artesia, N.M. 88211-0719

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

DISTRICT III
1000 Rio Brazos Rd., Aztec, N.M. 87410

OIL CONSERVATION DIVISION

P.O. Box 2088
Santa Fe, NM 87504-2088

☐ AMENDED REPORT

DISTRICT IV
PO Box 2088, Santa Fe, NM 87504-2088

WELL LOCATION AND ACREAGE DEDICATION PLAT

¹ API Number 30-045 32880		² Pool Code 71280	³ Pool Name AZTEC PICTURED CLIFFS
⁴ Property Code 33160	⁵ Property Name HIDDEN ASSETTS		⁶ Well Number 2
⁷ OCRID No. 13931	⁸ Operator Name MANANA GAS, INC.		⁹ Elevation 5506.08

¹⁰ Surface Location

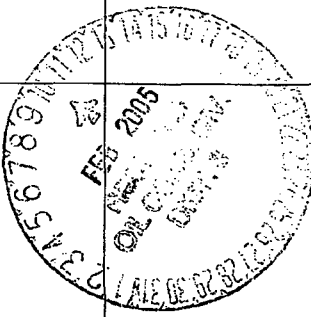
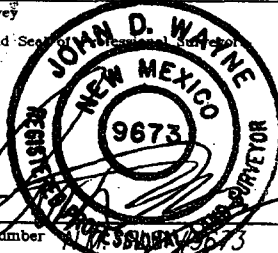
UL or lot no. M	Section 23	Township 30N	Range 12W	Lot Idn	Feet from the 937.79	North/South line SOUTH	Feet from the 635.46	East/West line WEST	County SAN JUAN
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¹¹ Bottom Hole Location If Different From Surface

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 160 SW/4	¹³ Joint or Infill Y	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	SECTION 23		¹⁷ OPERATOR CERTIFICATION I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief. Paul C. Thompson Signature PAUL C. THOMPSON Printed Name AGENT Title 2/9/05 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. JANUARY 22, 2005 Date of Survey JOHN D. WAYNE Signature and Seal  Certificate Number 9673	

Submit 3 Copies To Appropriate District
Office
District I
6325 N. French Dr., Hobbs, NM 88240
District II
1301 W. Grand Ave., Artesia, NM 88210
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1000 Rio Brazos Rd., Aztec, NM 87410
District IV
1220 S. St. Francis Dr., Santa Fe, NM
87505

State of New Mexico
Energy, Minerals and Natural Resources

Form C-103
May 27, 2004

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

WELL API NO. 30-045-32880
5. Indicate Type of Lease STATE <input type="checkbox"/> FEE <input checked="" type="checkbox"/>
6. State Oil & Gas Lease No.
7. Lease Name or Unit Agreement Name Hidden Assets
8. Well Number #2
9. OGRID Number 13931
10. Pool name or Wildcat Basin Fruitland Coal - Aztec PC

11. Elevation (Show whether DR, RKB, RT, GR, etc.)
5506' GR

Pit or Below-grade Tank Application ☒ or Closure ☐

Pit type Drig Depth to Groundwater 8' Distance from nearest fresh water well 1000' Distance from nearest surface water 120'

Pit Liner Thickness: 12 mil Below-Grade Tank: Volume 1070 bbls; Construction Material

SUNDRY NOTICES AND REPORTS ON WELLS
(DO NOT USE THIS FORM FOR PROPOSALS TO DRILL OR TO DEEPEN OR PLUG A WELL OR TO A
DIFFERENT RESERVOIR. USE "APPLICATION FOR PERMIT" (FORM C-101) FOR SUCH
PROPOSALS.)

1. Type of Well: Oil Well ☐ Gas Well ☒ Other ☐

2. Name of Operator
Manana Gas, Inc, c/o Walsh Engineering

3. Address of Operator
7415 E. Main St., Farmington, NM 87402

4. Well Location
Unit Letter M: 938' feet from the South line and 635' feet from the West line
Section 23 Township 30 N Range 12 W NMPM San Juan County

12. Check Appropriate Box to Indicate Nature of Notice, Report or Other Data

NOTICE OF INTENTION TO:		SUBSEQUENT REPORT OF:	
PERFORM REMEDIAL WORK <input type="checkbox"/>	PLUG AND ABANDON <input type="checkbox"/>	REMEDIAL WORK <input type="checkbox"/>	ALTERING CASING <input type="checkbox"/>
TEMPORARILY ABANDON <input type="checkbox"/>	CHANGE PLANS <input type="checkbox"/>	COMMENCE DRILLING OPNS. <input type="checkbox"/>	P AND A <input type="checkbox"/>
PULL OR ALTER CASING <input type="checkbox"/>	MULTIPLE COMPL <input type="checkbox"/>	CASING/CEMENT JOB <input type="checkbox"/>	
OTHER: Pit Registration <input checked="" type="checkbox"/>		OTHER: <input type="checkbox"/>	

13. Describe proposed or completed operations. (Clearly state all pertinent details, and give pertinent dates, including estimated date of starting any proposed work). SEE RULE 1103. For Multiple Completions: Attach wellbore diagram of proposed completion or recompletion.

A wide shallow pit (25' X 60' X 4') will be lined with a 12 mil liner. After completion, the fluids will be removed and the cuttings will be allowed to dry. When the cuttings are dry the liner will be removed and the cuttings will be buried at the site. A ditch will be dug between the pit and the Animas River as a secondary / emergency containment facility.

I hereby certify that the information above is true and complete to the best of my knowledge and belief. I further certify that any pit or below-grade tank has been/will be constructed or closed according to NMOCD guidelines ☒ a general permit ☐ or an (attached) alternative OCD-approved plan ☐.

SIGNATURE Paul C. Thompson TITLE President DATE 3/3/05

Type or print name Paul C. Thompson, P.E. E-mail address: paul@walsheng.net Telephone No. 505.327.4892

For State Use Only

APPROVED BY: Denny Faint TITLE DEPUTY OIL & GAS INSPECTOR, DIST. 29 DATE MAR 11 2005
Conditions of Approval (if any) Design after onsite inspection.

Submit 3 Copies To Appropriate District
Office
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State of New Mexico
Energy, Minerals and Natural Resources

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

Form C-103
May 27, 2004

WELL API NO. 30-045-32880
5. Indicate Type of Lease STATE <input type="checkbox"/> FEE <input checked="" type="checkbox"/>
6. State Oil & Gas Lease No.
7. Lease Name or Unit Agreement Name Hidden Assets
8. Well Number #2
9. OGRID Number 13931
10. Pool name or Wildcat Basin Fruitland Coal-Aztec PC
11. Elevation (Show whether DR, RKB, RT, GR, etc.) 5506' GR

SUNDRY NOTICES AND REPORTS ON WELLS
(DO NOT USE THIS FORM FOR PROPOSALS TO DRILL OR TO DEEPEN OR PLUG-BACK TO A
DIFFERENT RESERVOIR. USE "APPLICATION FOR PERMIT" (FORM C-101) FOR SUCH
PROPOSALS.)

1. Type of Well: Oil Well ☐ Gas Well ☒ Other

2. Name of Operator
Manana Gas Inc.

3. Address of Operator c/o Walsh Engineering
7415 East Main Street, Farmington, NM 87402

4. Well Location

Unit Letter M : 938' feet from the South line and 635' feet from the West line
Section 23 Township 30N Range 12W NMPM County San Juan

11. Elevation (Show whether DR, RKB, RT, GR, etc.)
5506' GR

Pit or Below-grade Tank Application ☐ or Closure ☐

Pit type Depth to Groundwater Distance from nearest fresh water well Distance from nearest surface water

Pit Liner Thickness: mbl Below-Grade Tank: Volume bbls; Construction Material

12. Check Appropriate Box to Indicate Nature of Notice, Report or Other Data

NOTICE OF INTENTION TO:

PERFORM REMEDIAL WORK ☐ PLUG AND ABANDON ☐
TEMPORARILY ABANDON ☐ CHANGE PLANS ☐
PULL OR ALTER CASING ☐ MULTIPLE COMPL ☐

OTHER: ☒ Drilling Report

SUBSEQUENT REPORT OF:

REMEDIAL WORK ☐ ALTERING CASING ☐
COMMENCE DRILLING OPNS. ☐ P AND A ☐
CASING/CEMENT JOB ☐

OTHER: ☐

13. Describe proposed or completed operations. (Clearly state all pertinent details, and give pertinent dates, including estimated date of starting any proposed work). SEE RULE 1103. For Multiple Completions: Attach wellbore diagram of proposed completion or recompletion.

04/16/05 Spud surface hole (8-3/4", Varel, L116-RR). Drilled to 135' KB and ran 3jts (124.80') of 7", 20#, J-55, ST&C casing and set at 134' KB. Cemented with 75 sx (106 cu.ft.) of Cl "B" with 2% CaCl₂ and 1/4 # sk celloflake. Circulated 5 bbls of good cement to surface. Hole was staying full.

04/18/05 Nippled up the BOP and pressure tested the casing and BOP to 600 psi.

04/20/05 TD well at 1890' KB.

04/21/05 Ran 49 jts (1879.22) of 4-1/2", 10.5#, J-55, ST&C casing and landed at 1887' KB. Insert float is at 1867' KB. Cemented with 225 sx (467 cu.ft.) of Cl "B" w/2% SMS, 5#/sx of gilsonite & 1/4#/sx of celloflake. Tailed with 100 sx (118 cu.ft.) of Class "B" w/2% CaCl₂ & 1/4#/sx of celloflake. Circulated 20bbls of cement to surface.

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SIGNATURE Paul C. Thompson TITLE Agent DATE 04/28/05

Type or print name Paul C. Thompson, P.E.
For State Use Only

E-mail address: paul@walsheng.net

Telephone No. 505-327-4892

APPROVED BY: Chad
Conditions of Approval (if any):

TITLE SUPERVISOR DISTRICT #3

MAY - 2 2005
DATE

77200

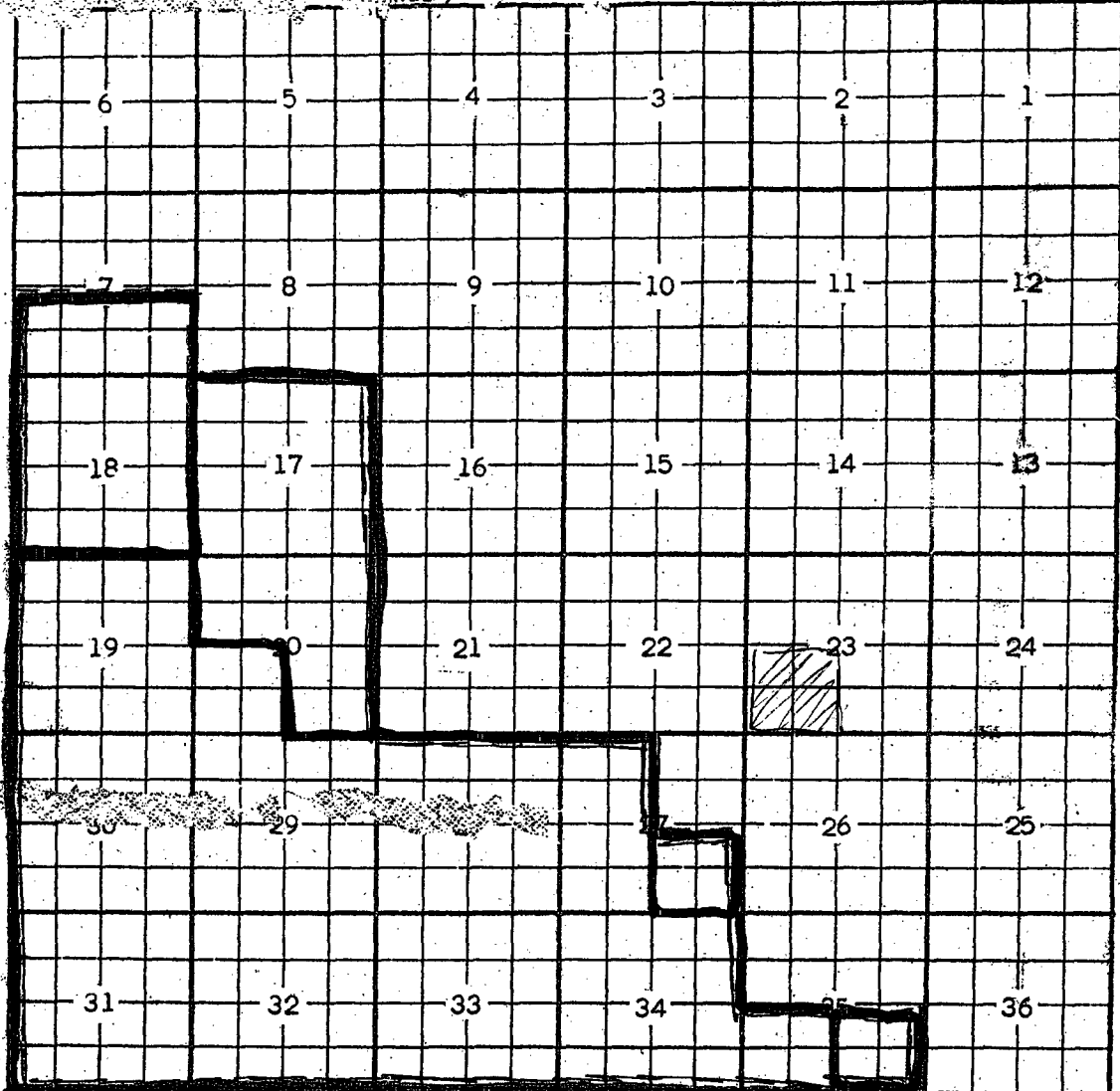
160

County San Juan Pool Fulcher Kutz - Pictured Cliffs

30° 46'

RANGE 12 West

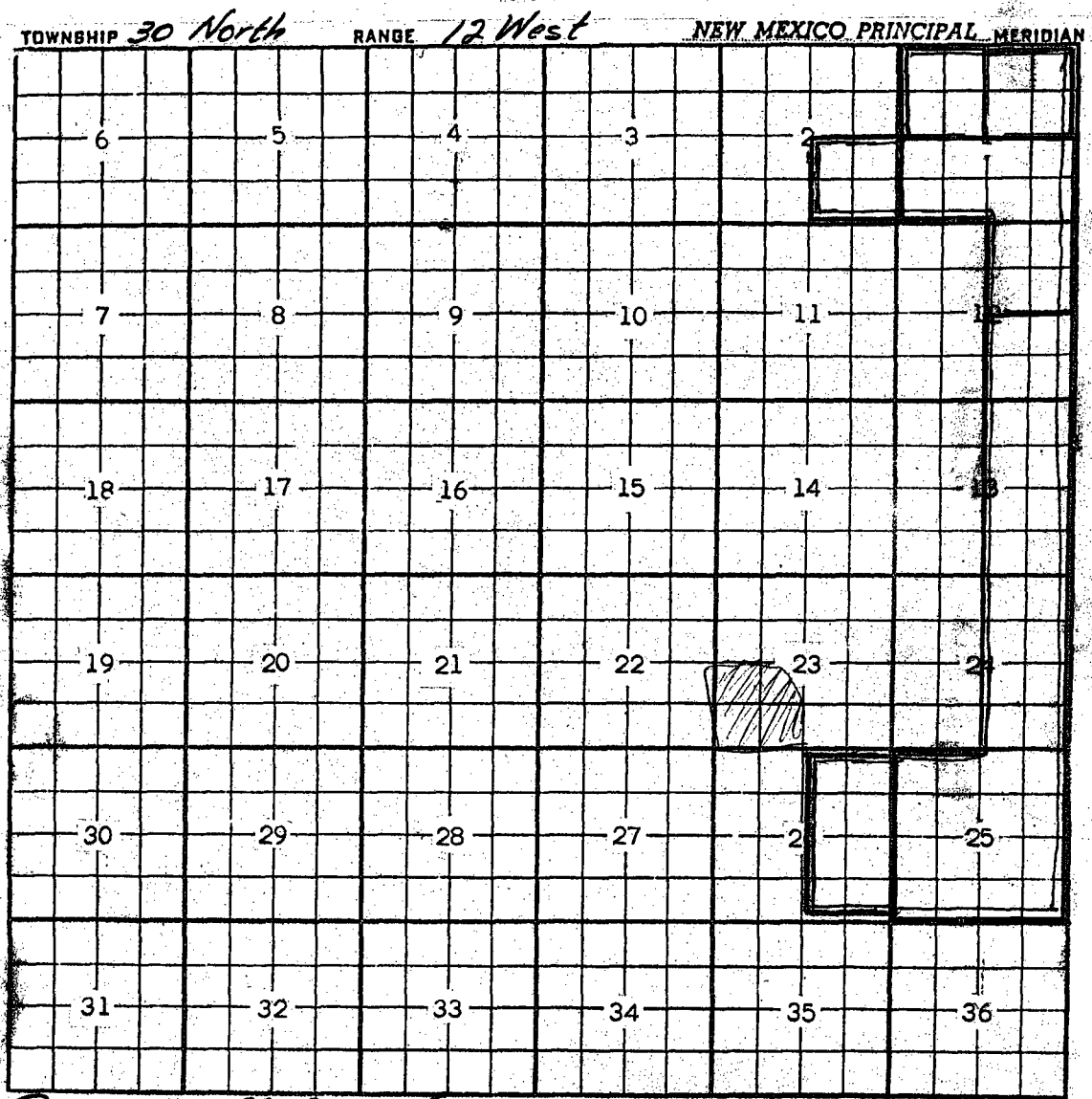
NEW MEXICO PRINCIPAL MERIDIAN



Description: All Sec. 19; $\frac{SW}{4}$ Sec. 20; $\frac{W}{2}$ Sec. 27; All Sec. 28 thru 34; $\frac{SW}{4}$ Sec. 35 (R-565)
 Ext. $\frac{SE}{4}$ Sec. 27, $\frac{SE}{4}$ Sec. 35 (R-10357, 5-2-95) Ext. $\frac{S}{2}$ Sec. 7, All Sec. 18 (R-10980, 5-20-98)
 Ext. All Sec. 17, $\frac{N}{2}$ and $\frac{SE}{4}$ Sec. 20 (R-11540, 2-26-01)

(71280)

County San Juan Pool Aztec - Pictured Cliffs



Description: SE $\frac{1}{4}$ Sec. 12; E $\frac{1}{2}$ Sec. 13; E $\frac{1}{2}$ Sec. 24; All Sec. 25 (R. 565, 12-23-54)
Ext: S $\frac{1}{2}$ Sec. 1; NE $\frac{1}{4}$ Sec. 12 (R. 1211, 6-26-58) - NW $\frac{1}{4}$ Sec. 1 (R. 1222, 8-1-58)
- SE $\frac{1}{4}$ Sec. 2 (R. 1239, 9-1-58) EXT: NE $\frac{1}{4}$ Sec. 1 (R. 8385, 1/1/88)
EXT: E $\frac{1}{2}$ Sec. 26 (R. 11540, 2-26-01)