

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

APPLICATION FOR PERMIT TO DRILL OR REENTER

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

5. Lease Serial No.
NMSF-0 078064

6. If Indian, Allottee or Tribe Name
N/A

7. If Unit or CA Agreement, Name and No.
N/A

8. Lease Name and Well No.
PETE MORROW 2-T

9. API Well No.
30-045- 32463

10. Field and Pool, or Exploratory
BASIN FRUITLAND COAL

11. Sec., T., R., M., or Blk. and Survey or Area
D 1-25n-12w NMPM

12. County or Parish
SAN JUAN

13. State
NM

1a. Type of Work: ☒ DRILL

☐ REENTER

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

☒ Single Zone ☐ Multiple-Zone

2. Name of Operator
ELM RIDGE RESOURCES, INC.

3a. Address
**P. O. BOX 156
BLOOMFIELD, NM 87413**

3b. Phone No. (include area code)
(505) 632-3476

4. Location of Well (Report location clearly and in accordance with any State requirements. *)

At surface **950' FNL & 1215' FWL**
At proposed prod. zone **SAME**

14. Distance in miles and direction from nearest town or post office*
22 AIR MILES SE OF FARMINGTON

15. Distance from proposed*
location to nearest
property or lease line, ft.
(Also to nearest drig. unit line, if any) **950'**

16. No. of Acres in lease
2,559.60

17. Spacing Unit dedicated to this well
N2 = 319.60 ACRES

18. Distance from proposed location*
to nearest well, drilling, completed,
applied for, on this lease, ft. **2,204'**

19. Proposed Depth
1,350'

20. BLM/BIA Bond No. on file
#886201C (BLM - STATE WIDE)

21. Elevations (Show whether DF, KDB, RT, GL, etc.)
6,300' GL

22. Approximate date work will start*
UPON APPROVAL

23. Estimated duration
2 WEEKS

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.

Comments

DRILLING OPERATIONS AUTHORIZED ARE
SUBJECT TO COMPLIANCE WITH ATTACHED
"GENERAL REQUIREMENTS".

This action is subject to technical and
procedural review pursuant to 43 CFR 3165.3
and appeal pursuant to 43 CFR 3165.4

Elm Ridge well #3651
Elm Ridge lease #734

cc:BLM (&OCD), Elm (D & F), Tribe

25. Signature

Name (Printed/Typed)

BRIAN WOOD

Date

7-9-04

Title

CONSULTANT

PHONE: 505 466-8120

FAX: 505 466-9682

Approved by (Signature)

Name (Printed/Typed)

Date

5-11-05

Title

Office

FFO

Application approval does not warrant or certify the 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.

NMOCD

State of New Mexico
Energy, Minerals & Mining Resources Department
OIL CONSERVATION DIVISION
2040 South Pacheco
Santa Fe, NM 87505

Form C - 102

☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

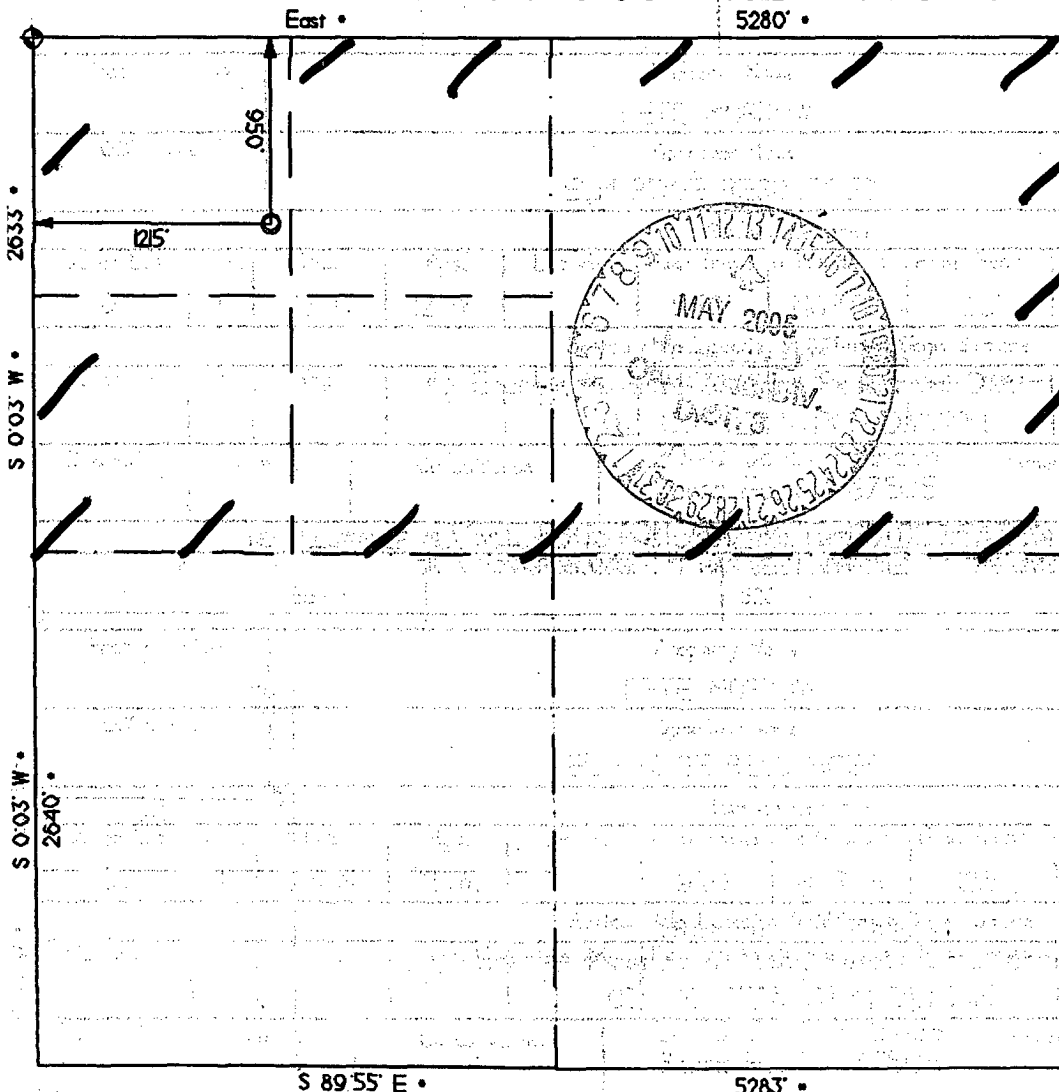
APA Number 30-045-32463	Pool Code 71629	Pool Name BASIN FRUITLAND COAL
Property Code 27246	Property Name PETE MORROW	Well Number 2 T
OGRD No. 149052	Operator Name ELM RIDGE RESOURCES	Elevation 6300'

Surface Location									County
UL or Lot	Sec.	Twp.	Rge.	Lot Lch.	Feet from >	North/South	Feet from >	East/West	
D	I	25 N.	12 W.		950'	NORTH	1215'	WEST	SAN JUAN

Bottom Hole Location if Different From Surface									County
UL or Lot	Sec.	Twp.	Rge.	Lot Lch.	Feet from >	North/South	Feet from >	East/West	

Dedication 319.6	Joint ? .	Consolidation .	Order No. 2040 South Pacheco Santa Fe, NM 87505
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NO ALLOWABLE WILL ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED
OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION

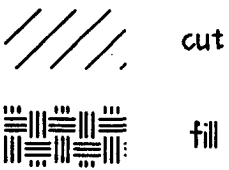


OPERATOR CERTIFICATION	
I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.	
Signature	<i>B. Wood</i>
Printed Name	BRIAN WOOD
Title	CONSULTANT
Date	JULY 9, 2004
SURVEYOR CERTIFICATION	
I hereby certify that the well location on this plat 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	
Signature and Seal of Professional Surveyor	<i>[Signature]</i>

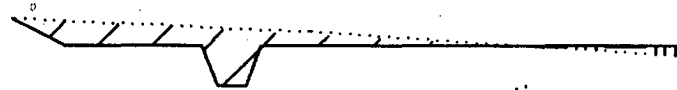
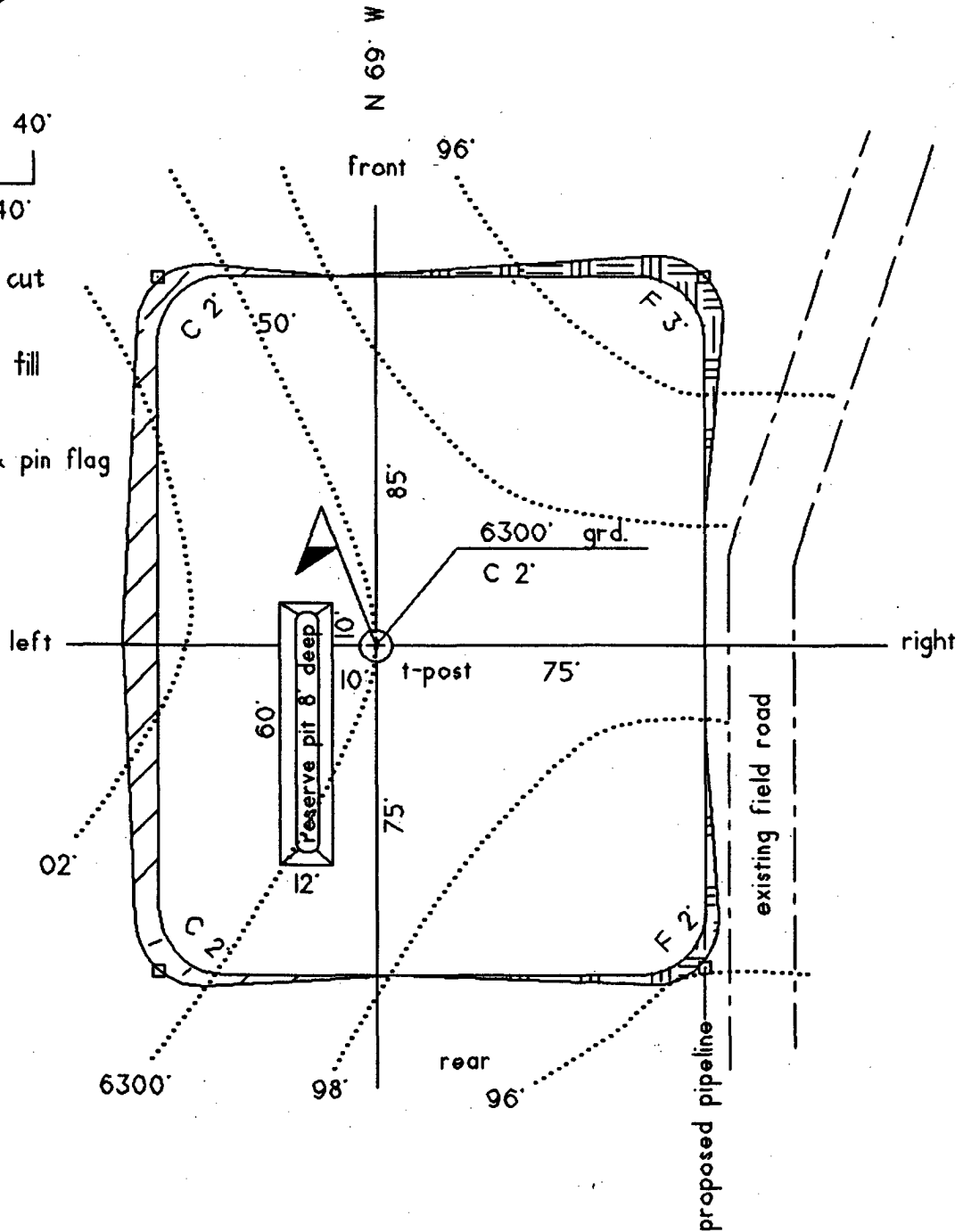
Pete Morrow # 2 T
well pad and section



Scale 1" = 40'



□ set stake & pin flag



section

Elm Ridge Resources, Inc.
Pete Morrow 2-T
950' FNL & 1215' FWL
Sec. 1, T. 25 N., R. 12 W.
San Juan County, New Mexico

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Drilling Program

1. ESTIMATED FORMATION TOPS

<u>Formation Name</u>	<u>GL Depth</u>	<u>KB Depth</u>	<u>Elevation</u>
Nacimiento	000'	5'	+6,300'
Fruitland Formation	1,100'	1,105'	+5,200'
Basal Fruitland Coal	1,200'	1,205'	+5,100'
Pictured Cliffs	1,225'	1,230'	+5,075'
Total Depth (TD)*	1,350'	1,355'	+4,950'

* all elevations reflect the ungraded ground level of 6,300'

2. NOTABLE ZONES

Oil & Gas Zones
Fruitland Coal
Pictured Cliffs

Water Zones
Nacimiento

Coal Zones
Fruitland

Water zones will be protected with casing, cement, and weighted mud. Fresh water encountered during drilling will be recorded by depth, cased, and cemented. Oil and gas shows will be tested for commercial potential based on the well site geologist's recommendations.

3. PRESSURE CONTROL

The exact drill rig and BOP model to be used are not yet known. (A typical 2,000 psi model is on PAGE 3.) BOP and choke manifold system will be installed and tested to 500 psi before drilling surface casing plug. It will remain in use until the well is completed or abandoned. A safety valve and sub with a full opening valve to fit the drill pipe and collars will be available on the rig floor in the open position at all times for use when kelly is not in use.

Elm Ridge Resources, Inc.
Pete Morrow 2-T
950' FNL & 1215' FWL
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All BOP mechanical and pressure tests will be recorded on the driller's log. BOPs will be inspected and opened and closed at least daily to assure good mechanical working order. Inspections will be recorded on the daily drilling report. Pressure tests will be conducted before drilling out from under all casing strings which are set and cemented in place.

4. CASING & CEMENT

<u>Hole Size</u>	<u>O. D.</u>	<u>Weight (lb/ft)</u>	<u>Grade</u>	<u>Type</u>	<u>Age</u>	<u>GL Setting Depth</u>
8-5/8"	7"	20	K-55	S T & C	New	120'
6-3/4"	4-1/2"	10.5	J-55	L T & C	New	1,350'

Surface casing will be cemented to the surface with ≈ 35 cubic feet (≈ 30 sacks) Class B + 1/4 pound per sack cello flake + 2% CaCl_2 . Yield = 1.18 cubic feet per sack. Weight = 15.2 pounds per gallon. Volume = 100% excess. Two centralizers will be run. Thread lock guide shoe and bottom of float collar.

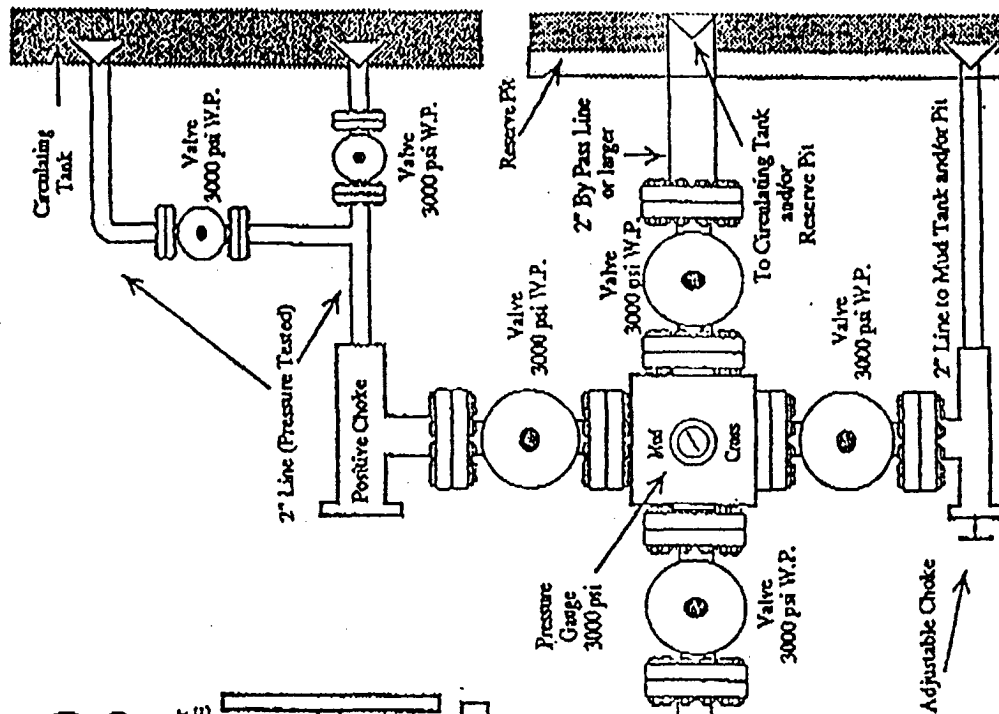
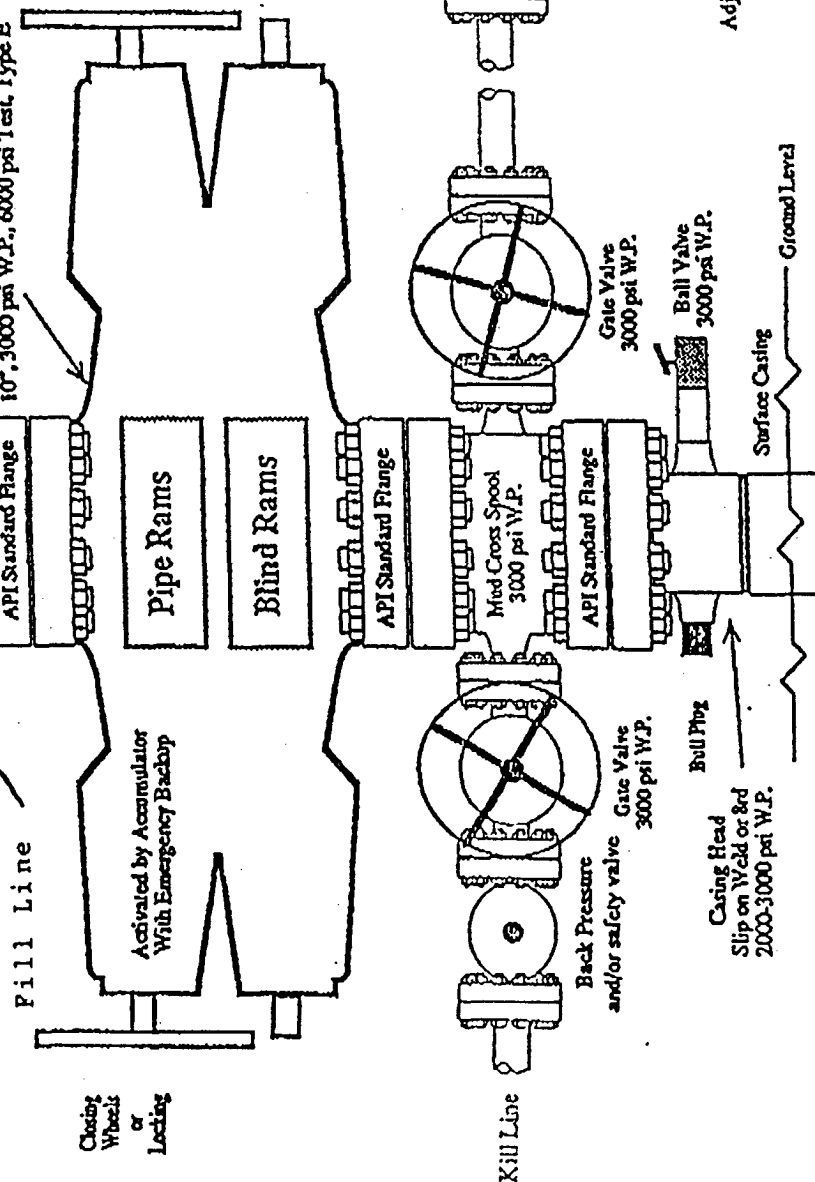
Production casing hole will be cleaned of rock chips by circulating $\geq 150\%$ of the hole volume with mud to the surface. Thirty-five barrels of fresh water will then be circulated. Lead with ≈ 215 cubic feet (≈ 105 sacks) of Class B with 2% metasilicate (yield = 2.06 cubic feet per sack and weight = 12.5 pounds per gallon). Tail with ≈ 125 cubic feet (≈ 105 sacks) of Class B with 2% CaCl_2 (yield = 1.18 cubic feet per sack and weight = 15.2 pounds per gallon). Total cement volume is ~~240~~ ³⁴⁰ cubic feet based on 75% excess and circulating to surface.

5. MUD PROGRAM

A 9 pound polymer and fresh water mud system with a viscosity of ≈ 35 will be used. Sufficient material to maintain mud properties, control lost circulation, and contain a blowout will be available at the well while drilling.

Pressure Control Equipment

Note: 1. An upper Kelly cock valve will be utilized during drilling. Handle will be available for easy access.
2. Safety valves and necessary snbs to fit all drill string in use will be available.



Minimum 2" Choke Line.
Minimum 2" Kill Line.
At Least One 2" Minimum Kill Line Valve.

Note: This equipment is designed to meet requirements for a 2-M rating standard per 43 CFR part 3160 (amended). Proper operation and testing of equipment will be carried out per standard. 2,000 psi equipment can be substituted in the drawing to meet minimum requirements per standard.