Form 3160-3
(September 2001)

FORM APPROVED
OMB No. 1004-0136
Expires January 31, 2004

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

2005 APR 6 PM 12 48
RECEIVED
070 FARMINGTON NM

APPLICATION FOR PERMIT TO DRILL OR REENTER

5. Lease Serial No. **SF065557**	
6. If Indian, Allotee or Tribe Name	
1a. Type of work: ☑ DRILL ☐ REENTER	7. If Unit or CA Agreement, Name and No.
1b. Type of Well: ☐ Oil Well ☑ Gas Well ☐ Other ☑ Single Zone ☐ Multiple Zone	8. Lease Name and Well No. **PRI No. 2S**
2. Name of Operator **McElvain Oil & Gas Properties, Inc.**	9. API Well No. 30-045-33013
3a. Address **1050 17th Street, Suite 1800 Denver, CO 80265-1801**	3b. Phone No. *(include area code)* **303.893.0933X302**
	10. Field and Pool, or Exploratory **Basin Fruitland Coal**
4. Location of Well *(Report location clearly and in accordance with any State requirements.*)* At surface **1455' FSL - 1805' FEL, Section 12, T29N, R12W, NMPM** At proposed prod. zone **Same**	11. Sec., T. R. M. or Blk. and Survey or Area **Section 12, T29N, R12W, NMPM**
14. Distance in miles and direction from nearest town or post office* **4.5 miles southeast of Flora Vista, New Mexico**	12. County or Parish **San Juan** / 13. State **NM**
15. Distance from proposed* location to nearest property or lease line, ft. (Also to nearest drig. unit line, if any) **723 / 1160**	16. No. of acres in lease **626.48** / 17. Spacing Unit dedicated to this well **S/2 - 305.30 acs**
18. Distance from proposed location* to nearest well, drilling, completed, applied for, on this lease, ft. **400**	19. Proposed Depth **2169'** / 20. BLM/BIA Bond No. on file **LPM4138223**
21. Elevations (Show whether DF, KDB, RT, GL, etc.) **5693' GL**	22. Approximate date work will start* **05/15/2005** / 23. Estimated duration **10 days**

MAY 2005

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.

25. Signature Robert E. Fielder	Name *(Printed/Typed)* **Robert E. Fielder**	Date **04/05/2005**
Title **Agent**		
Approved by *(Signature)* Matthew	Name *(Printed/Typed)*	Date 5-23-05
Title AFM	Office FFO	

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)*

NMOCD

District I
PO Box 1980, Hobbs, NM 88241-1980

District II
PO Drawer DD, Artesia, NM 88211-0719

District III
1000 Rio Brazos Rd., Aztec, NM 87410

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

State of New Mexico
Energy, Minerals & Natural Resources Department

OIL CONSERVATION DIVISION
PO Box 2088
Santa Fe, NM 87504-2088

Form C-102
Revised February 21, 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	[2] Pool Code	[3] Pool Name
30-045-33013	71629	BASIN FRUITLAND COAL

[4] Property Code	[5] Property Name	[6] Well Number
34482	PRI	2S

[7] OGRID No.	[8] Operator Name	[9] Elevation
22044	McELVAIN OIL & GAS PROPERTIES, INC.	5693'

[10] Surface Location

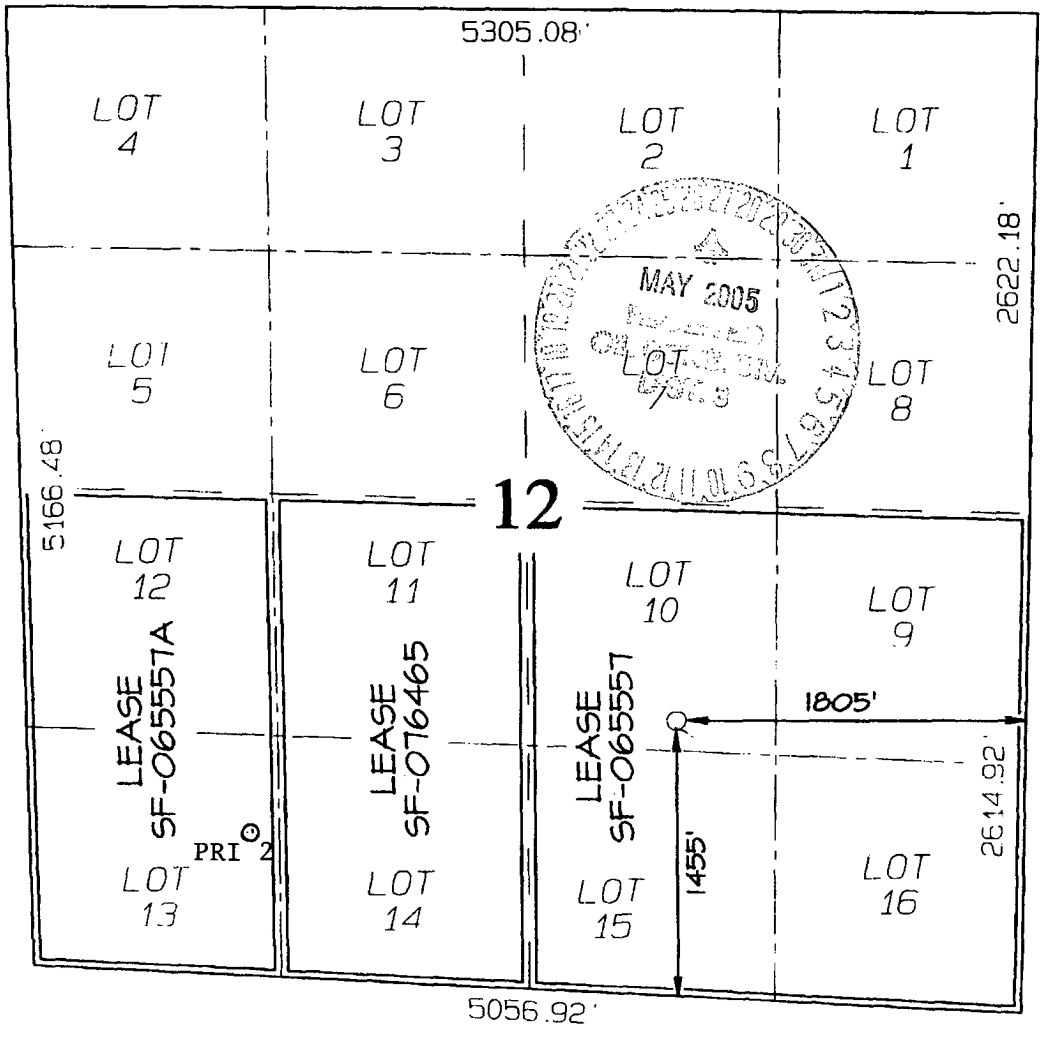
UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
J	12	29N	12W		1455	SOUTH	1805	EAST	SAN JUAN

[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

[12] Dedicated Acres	[13] Joint or Infill	[14] Consolidation Code	[15] Order No.
305.30 Acres - (S/2)			

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



[17] OPERATOR CERTIFICATION

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

Robert E. Fielder
Signature

Robert E. Fielder
Printed Name

Agent
Title

April 5, 2005
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.

Date of Survey: MARCH 11, 2005

Signature and Seal of Professional Surveyor

JASON C. EDWARDS
NEW MEXICO
15269
REGISTERED PROFESSIONAL SURVEYOR

JASON C. EDWARDS
Certificate Number 15269

Submit 3 Copies To Appropriate District Office
District I
1625 N. French Dr., Hobbs, NM 88240
District II
1301 W. Grand Ave., Artesia, NM 88210
District III
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

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

Form C-103
May 27, 2004

WELL API NO.

5. Indicate Type of Lease STATE ☐ FEE ☐

6. State Oil & Gas Lease No.

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.)

7. Lease Name or Unit Agreement Name
PRI

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

8. Well Number 2S

2. Name of Operator
McElvain Oil & Gas Properties, Inc

9. OGRID Number
22044

3. Address of Operator
1050 17th St., Suite 1800 Denver, CO 80265-1801

10. Pool name or Wildcat
Basin Fruitland Coal

4. Well Location
Unit Letter J : 1455 feet from the South line and 1805 feet from the East line
Section 12 Township 29N Range 12W NMPM San Juan County

11. Elevation *(Show whether DR, RKB, RT, GR, etc.)*
5693' GL

Pit or Below-grade Tank Application ☑ or Closure ☐

Pit type Drilling Depth to Groundwater >100 ft. Distance from nearest fresh water well > 1000 ft Distance from nearest surface water > 1000ft

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

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

NOTICE OF INTENTION TO:		SUBSEQUENT REPORT OF:	
PERFORM REMEDIAL WORK ☐	PLUG AND ABANDON ☐	REMEDIAL WORK ☐	ALTERING CASING ☐
TEMPORARILY ABANDON ☐	CHANGE PLANS ☐	COMMENCE DRILLING OPNS. ☐	P AND A ☐
PULL OR ALTER CASING ☐	MULTIPLE COMPL ☐	CASING/CEMENT JOB ☐	
OTHER: Request for pit permit ☑		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.

McElvain Oil & Gas Properties, Inc. requests permission to construct a lined drilling pit in conjunction with the construction of this well location. The pit dimensions and location are shown on the attached Wellsite Layout drawing. The pit will be constructed in accordance with NMOCD guidelines. A closure permit will be submitted within six months of cessation of operations.

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 Robert E. Fielder TITLE Agent DATE 04/05/2005

Type or print name Robert E. Fielder E-mail address: pmci@acs-online.net Telephone No. 505.632.3869

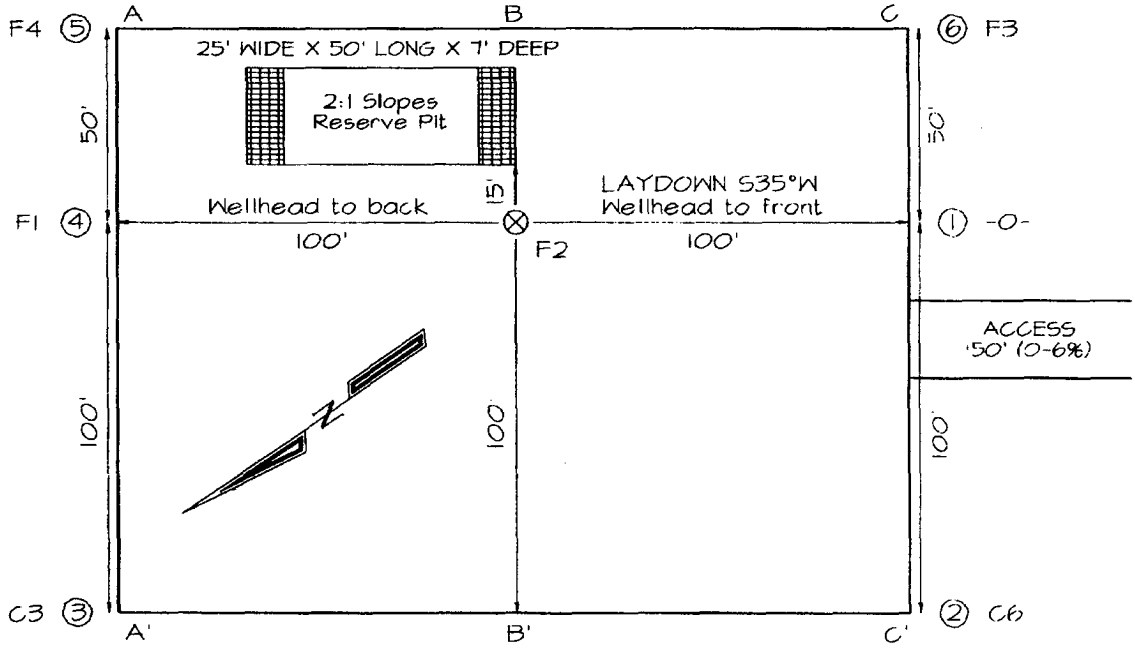
For State Use Only

APPROVED BY: DEPUTY OIL & GAS INSPECTOR, DIST. #3 TITLE DATE MAY 27 2005

Conditions of Approval (if any):

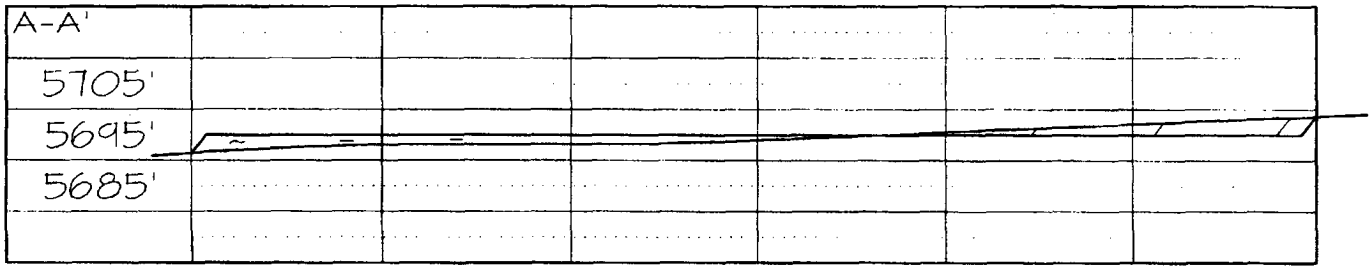
McELVAIN OIL & GAS PROPERTIES PRI #2S
1455' FSL & 1805' FEL, SECTION 12, T29N, R12W, NMPM
SAN JUAN COUNTY, NEW MEXICO GROUND ELEVATION: 5693'
DATE: MARCH 11, 2005

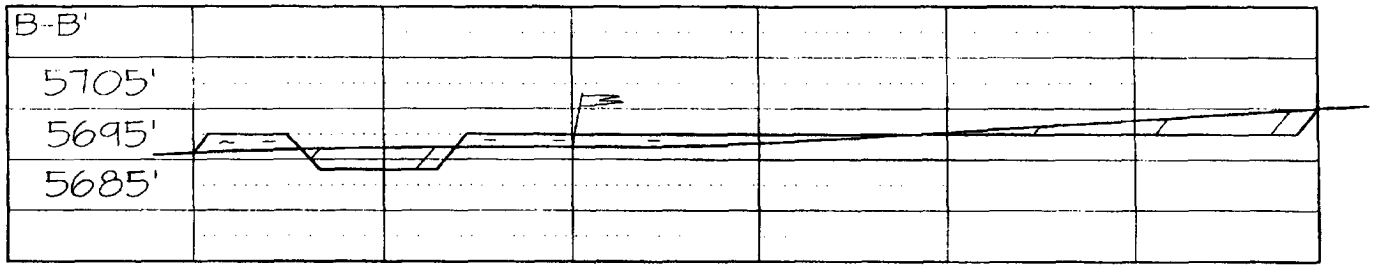
LATITUDE: 36°44'14"
LONGITUDE: 108°02'50"
DATUM: NAD1927

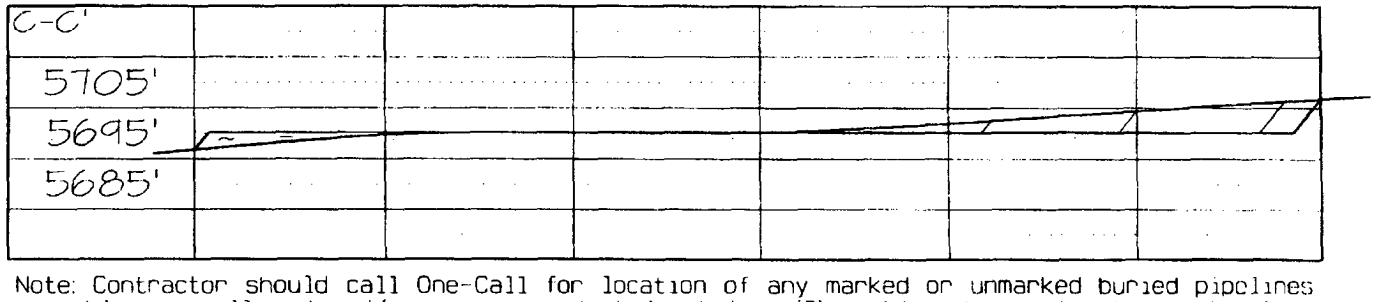


PLAT NOTE:

SURFACE OWNER Bureau of Land Management







Note: Contractor should call One-Call for location of any marked or unmarked buried pipelines or cables on well pad and/or access road at least two (2) working days prior to construction

McElvain Oil & Gas Properties, Inc.
PRI No. 2S
1455' FSL & 1805' FEL
Section 12, T29N, R12W, NMPM
San Juan County, New Mexico

TEN POINT DRILLING PROGRAM

1. **Surface Formation:** Nacimiento

2. **Surface Elevation:** 5693'GL.

3. **Estimated Formation Tops:**

Formation	Top - feet	Expected Production
Nacimiento	surface	
Ojo Alamo	529	
Kirtland	609	
Farmington	1339	
Fruitland	1579	
Pictured Cliffs	1819	GAS
Lewis	2019	
TOTAL DEPTH	2169	

4. **Surface Hole Program:**

Bit: Drill an 8¾" hole to 200' using a retip mill tooth, IADC Class 115 or 116, bit. WOB: all. RPM: 70 - 100.
Mud: Use a fresh water base spud mud with the following properties:

Interval (ft)	Weight (ppg)	Ph	Vis(sec/qt)	Water Loss
0 - 200	8.6 or less	9.0-9.5	40 - 50	No Control

Casing and Cementing: A string of 7" 20 ppf J-55 or K-55 ST&C casing will be set and cemented to the surface in a single stage with 50 sacks (59.0 cf) of Class "B" cement (yield = 1.18 cf/sk) containing 3% $CaCl_2$ and 1/4 lb/sack celloflake. Slurry volume assumes 100% excess over calculated hole volume. If cement does not circulate to surface, cement will be topped off using 1" pipe down the 8¾" by 7" annulus. Minimum clearance between couplings and hole is 0.5470". Prior to drilling out the shoe, casing and BOPE will be tested to a minimum of 600 psig. Safety factors utilized in the design of this casing string were: burst = 1.1; collapse = 1.125; and tension = 1.8 or 100,000 lb overpull, whichever is greater.

WOC 12 HOURS. Nipple up 7 1/16" 2000# BOPE. Pressure test surface casing and BOPE to 600 psi for 15 minutes.

Centralizers: Run two (2) 7" X 8¾" regular bowspring centralizers. Install first one on stop ring in middle of shoe joint.

Float Equipment: Cement nose guide shoe thread locked. Also thread lock connection between first and second joint run.

5. Production Hole Program:

Bit: Drill a 6¼" hole to 2169' using a TCI, IADC Class 447 bit. WOB: 30-35K. RPM: 60 - 75. Reduce RPM to 55 - 65 through Ojo Alamo.

Mud: Use a fresh water base polymer and water system to drill this section. If hole conditions dictate, mud up with a fresh water base LSND mud with the following properties:

Interval (ft)	Weight (ppg)	Ph	Vis(sec/qt)	Water Loss
200 - ~~2010~~ 2169	8.6 - 8.8	9.0-9.5	28 - 35	10 - 12

Fresh water will be used for dilution and building volume. Sufficient materials will be on location at all times to maintain mud properties and to control any lost circulation problem or unforeseen abnormal pressures. The mud volume in the surface pit will be visually monitored and recorded on a routine basis.

Note: If mud up is required, raise **viscosity** to 55 - 60 for logging. Thin to 40 - 45 viscosity to run casing.

pH is to be maintained with lime or caustic soda at the recommended levels to assure drill pipe corrosion protection.

Drispac will be used for control of fluid loss.

Lost Circulation can occur in the Fruitland Coal and Pictured Cliffs formation. Mud weights should be controlled as low as possible with solids control equipment then as low as practical with water dilution.

Pressure Control: A 2M psi BOP well control system will be utilized. BOP's and choke manifold will be installed and pressure tested to a minimum of 600 psig before drilling out from under surface casing. Mechanical operation of pipe rams will be checked daily and blind rams will be checked on each trip out of hole. 4½" rams will be installed before running production casing. A full opening internal blowout preventor or drill pipe safety valve will be on the drill floor at all times and will be capable of fitting all connections.

Logging Program: Dual Induction and Compensated Neutron/Formation Density logs will be run from TD to the surface casing shoe.

Casing and Cementing Program: Run 4½" 10.5 ppf J-55 production casing from surface to TD and cement in a single stage with 95 sacks (242.25 cf) of Class B containing 3% sodium metasilicate extender, 5 pps Gilsonite and 1/4 pps celloflake. Lead slurry mixed at 11.8 PPG to yield 2.55 cf/sk. Tail in with 75 sacks (89.25 cf) of Class B with 0.25 pps celloflake, 0.3% FLA and 5 pps gilsonite mixed at 15.6 PPG to yield 1.19 cf/sk.

5. **Production Hole Program:** -continued

Slurry volumes assume a 50% excess over gauge hole volume to circulate to surface. Minimum clearance between couplings and hole is 0.6250". Safety factors utilized in the design of this casing string were: burst = 1.1; collapse = 1.125; and tension = 1.8 or 100,000 lb over pull, whichever is greater.

Centralizers: 5 - 4½" X 6¼" bowspring centralizers will be run across all prospective pays and 2 - 4½" X 6¼" turbolizers will be spaced such that one (1)is just below the base of the Ojo Alamo and one (1) in the Ojo Alamo.

Float Equipment: Cement nose guide shoe, 1 joint 4½" casing, and float collar.

6. **Auxiliary Equipment:**

An upper kelly cock will be utilized. The handle will be available on rig floor at all times

7. **Logging Program:**

Dual Induction and Compensated Neutron / Formation Density will be run from TD to surface casing shoe. Bulk density will be presented on a 5 " scale through the coals. Deep induction curve will be merged onto the porosity log.

Coring and Testing Program:

No cores or drill stem tests are planned.

8. **Abnormal Pressure:**

Although not expected, abnormal pressures are possible in the Fruitland formation.

Estimated Bottom Hole Pressure:

250 - 300 psig.

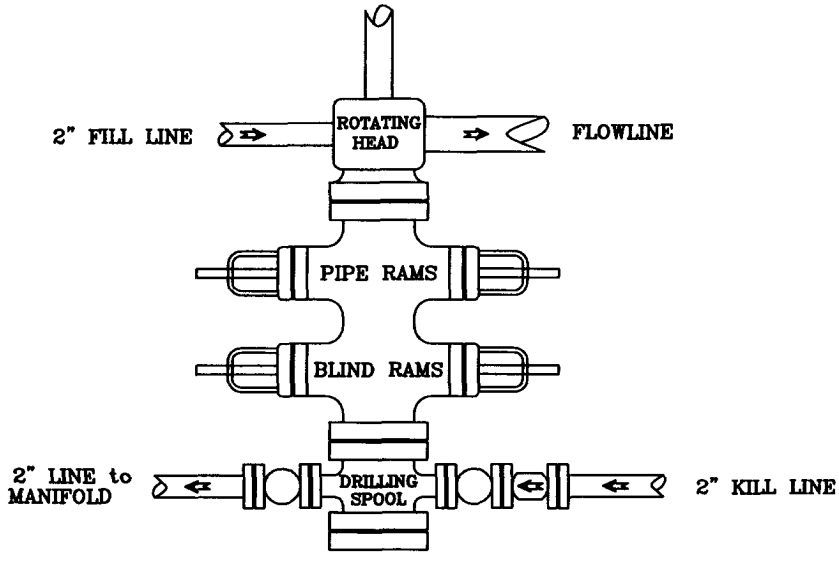
9. **Anticipated Starting Date:**

May 15, 2005

Duration of Operations: It is estimated a total of 6 days will be required for drilling operations and 5 days for the completion operation.

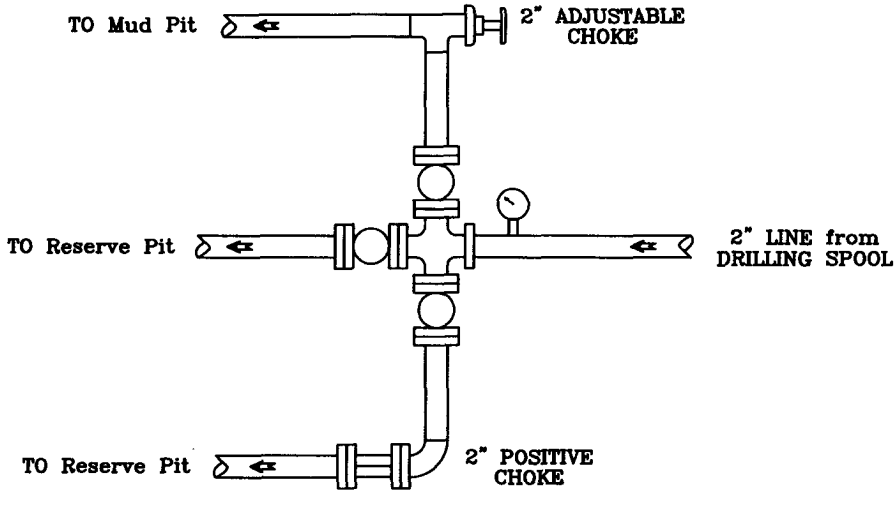
PRESSURE CONTROL

Wellhead Assembly



Preventer and Spools are to have a
6" Bore or larger and a 2000 PSI
or higher Pressure Rating

Choke Manifold



McElvain Oil & Gas Properties, Inc.

PRI No. 2S

1455' FSL – 1805' FEL

Section 12, T29N, R12W, NMPM

San Juan County, New Mexico