

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

Form C-
May 27, 2

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

Submit to appropriate District Of

AMENDED REPC

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

¹ Operator Name and Address McElvain Oil & Gas Properties, Inc. 1050 17 th Street, Suite 1800 Denver, CO 80265-1801		² OGRID Number 22044	
³ Property Code 6663		⁵ Property Name Hutchinson	
⁹ Proposed Pool 1 Basin Fruitland Coal		¹⁰ Proposed Pool 2	
		³ API Number 30 - 045 - 34241	
		⁶ Well No. 2	

⁷ Surface Location

UL or lot no. C	Section 1	Township 29N	Range 13W	Lot Idn 3	Feet from the 705	North/South line North	Feet from the 1315	East/West line West	County San Juan
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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
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Additional Well Information

¹¹ Work Type Code N	¹² Well Type Code G	¹³ Cable/Rotary R	¹⁴ Lease Type Code P	¹⁵ Ground Level Elevation 5587'
¹⁶ Multiple No	¹⁷ Proposed Depth 1716'	¹⁸ Formation Pictured Cliffs	¹⁹ Contractor D&D Services	²⁰ Spud Date April 15, 2007
Depth to Groundwater > 100 ft		Distance from nearest fresh water well < 1000 ft		Distance from nearest surface water < 400 ft
Pit: Liner: Synthetic <input type="checkbox"/> _____ miles thick Clay <input type="checkbox"/>		Pit Volume: _____ bbls		Drilling Method:
Closed-Loop System <input checked="" type="checkbox"/>				Fresh Water <input checked="" type="checkbox"/> Brine <input type="checkbox"/> Diesel/Oil-based <input type="checkbox"/> Gas/Air <input type="checkbox"/>

²¹ Proposed Casing and Cement Program

Hole Size	Casing Size	Casing weight/foot	Setting Depth	Sacks of Cement	Estimated TOC
12.250"	8.625"	24	300	210	surface
7.875"	5.500"	15.5	1716	210	surface

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.
Blowout prevention program described in attached drilling program
BOPE schematic attached

RCVD MAR15'07

OIL CONS. DIV.

DIST. 3

²³ 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 X, a general permit , or an (attached) alternative OCD-approved plan .

Signature: *Robert E. Fielder*

Printed name: Robert E. Fielder

Title: Agent

E-mail Address: pmci@advantas.net

Date: March 8, 2007

Phone: 505.320.1435

OIL CONSERVATION DIVISION

Approved by:

[Signature]

Title: DEPUTY OIL & GAS INSPECTOR, DIST. 3

Approval Date: MAR 26 2007

Expiration Date: MAR 26 2008

Conditions of Approval Attached Vulnerable areas

close loop mud system required

3/26/07

DISTRICT I
1825 N. French Dr., Hobbs, N.M. 88240

State of New Mexico
Energy, Minerals & Natural Resources Department

Form C-102
Revised October 12, 2005

DISTRICT II
1301 W. Grand Avenue, Artesia, N.M. 88210

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
1220 South St. Francis Dr.
Santa Fe, NM 87505

AMENDED REPORT

DISTRICT IV
1220 S. St. Francis Dr., Santa Fe, NM 87505

WELL LOCATION AND ACREAGE DEDICATION PLAT

¹ API Number 30-045-34241		² Pool Code 71629	³ Pool Name FRUITLAND COAL
⁴ Property Code 6663	⁵ Property Name HUTCHINSON		⁶ Well Number 2
⁷ GRID No. 22044	⁸ Operator Name McELVAIN OIL AND GAS PROPERTIES, INC.		⁹ Elevation 5587'

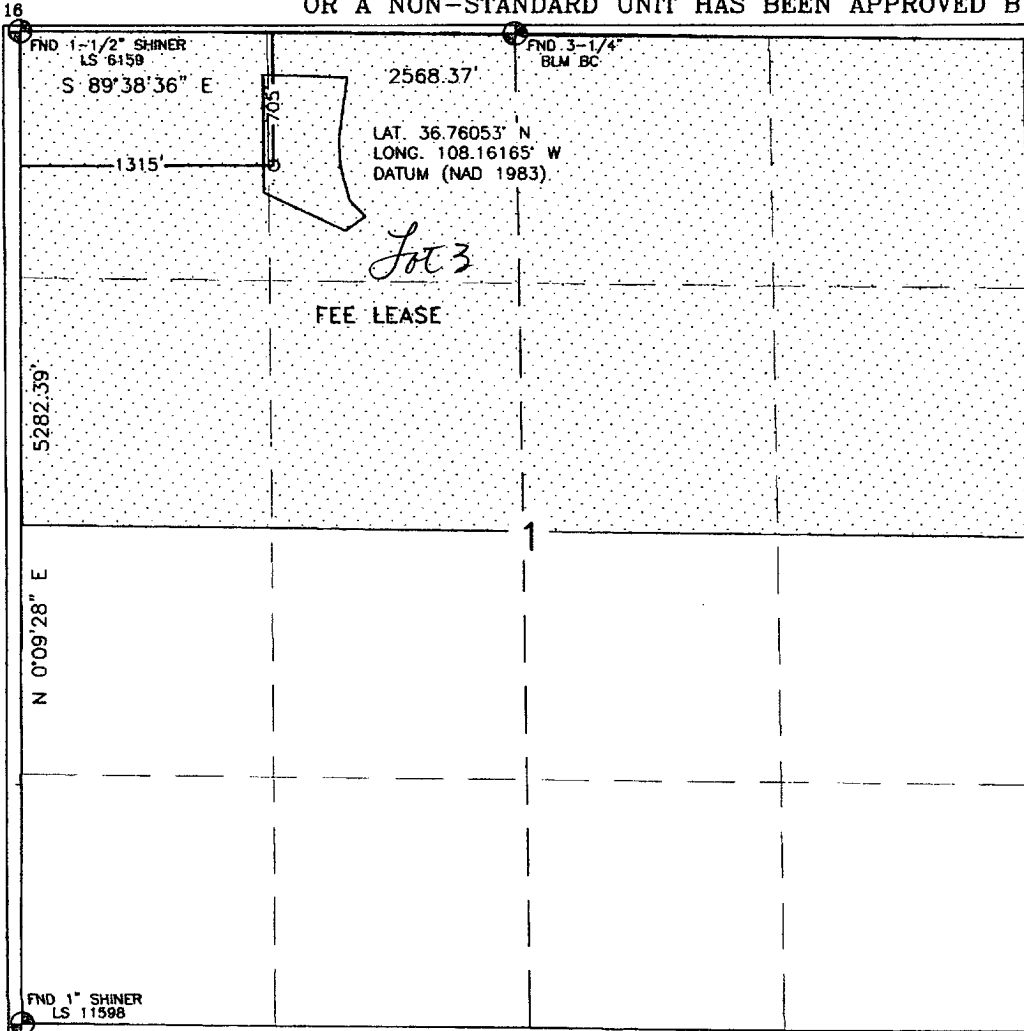
¹⁰ Surface Location

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
C	1	29N	13W	3	705'	NORTH	1315'	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
								ROAD MAR 15 '07	
¹² Dedicated Acres 318.4 315.51 N/2				¹³ Joint or Infill	¹⁴ Consolidation Code		¹⁵ Order No. OIL CONS. DIV.		

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, and that this organization either owns a working interest or unleased mineral interest in the land including the proposed bottom hole location or has a right to drill this well at this location pursuant to a contract with an owner or a compulsory pooling order heretofore entered by the division.

Robert E. Fielder 03/06/2007
Signature Date

Robert E. Fielder
Printed Name

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.

OCTOBER 19, 2006
Date of Survey

Signature and Seal of Professional Surveyor:
Paul P. Russell

**McElvain Oil & Gas Properties, Inc.
Hutchinson No. 2
705' FNL & 1315' FWL
Section 1, T29N, R13W, NMPM
San Juan County, New Mexico**

TEN POINT DRILLING PROGRAM

1. **Surface Formation:** Ojo Alamo
2. **Surface Elevation:** 5587' GL.
3. **Estimated Formation Tops:**

<u>Formation</u>	<u>Top - feet</u>	<u>Expected Production</u>
Ojo Alamo	surface	
Kirtland	1316	
Fruitland	1466	GAS
Pictured Cliffs	1566	GAS
TOTAL DEPTH	1716	

4. **Surface Hole Program:**

Bit: Drill an 12 $\frac{1}{4}$ " hole to 300' 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:

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

Casing and Cementing: A string of 8 $\frac{5}{8}$ " 24 ppf J-55 or K-55 ST&C casing will be set and cemented to the surface in a single stage with 210 sacks (247.8 cf) of Class "B" cement (yield = 1.18 cf/sk) containing 3% CaCl₂ 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 12 $\frac{1}{4}$ " by 8 $\frac{5}{8}$ " annulus. Minimum clearance between couplings and hole is 1.3125". 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.

WOC 12 HOURS. Nipple up 11" 2000# BOPE. Pressure test surface stack to Full working pressure using test plug. Drill out cement to within 5 feet (\pm) of shoe. Pressure test surface casing to a minimum of 600 psig for 15 minutes.

Centralizers: Run two (3) 8 $\frac{5}{8}$ " X 12 $\frac{1}{4}$ " 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.

Drilling Program
McElvain Oil & Gas Properties, Inc.
Hutchinson No. 2
Page Two

5. Production Hole Program:

Bit: Drill a 7½" hole to 1716' using a TCI, IADC Class 447 bit. WOB: 30-35K. RPM: 60 - 75.

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:

<u>Interval (ft)</u>	<u>Weight (ppg)</u>	<u>Ph</u>	<u>Vis(sec/qt)</u>	<u>Water Loss</u>
200 - 1665	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 full working pressure and to a minimum of 600 psig prior to drilling the surface casing shoe. Mechanical operation of pipe rams will be checked daily and blind rams will be checked on each trip out of hole. 5½" 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 Epithermal Neutron/Formation Density logs will be run from TD to the surface casing shoe.

Casing and Cementing Program: Run 5½" 10.5 ppg J-55 production casing from surface to TD and cement in a single stage with 150 sacks (382.5 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 60 sacks (71.4 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.

Drilling Program
McElvain Oil & Gas Properties, Inc.
Hutchinson No. 2
Page Three

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 1.8250". Safety factors utilized in the design of this casing string were: burst = 1.1; collapse = 1.125; and tension = 1.8.

Centralizers: 5 - 5½" X 7¾" bowspring centralizers will be run across all prospective pays and 2 - 5½" X 7¾" turbolizers will be spaced such that one (1) is just below the base of the Fruitland coal and one (1) in the Fruitland Coal.

Float Equipment: Cement nose guide shoe, 1 joint 5½" 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 Epithermal 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:

500 - 750 psig.

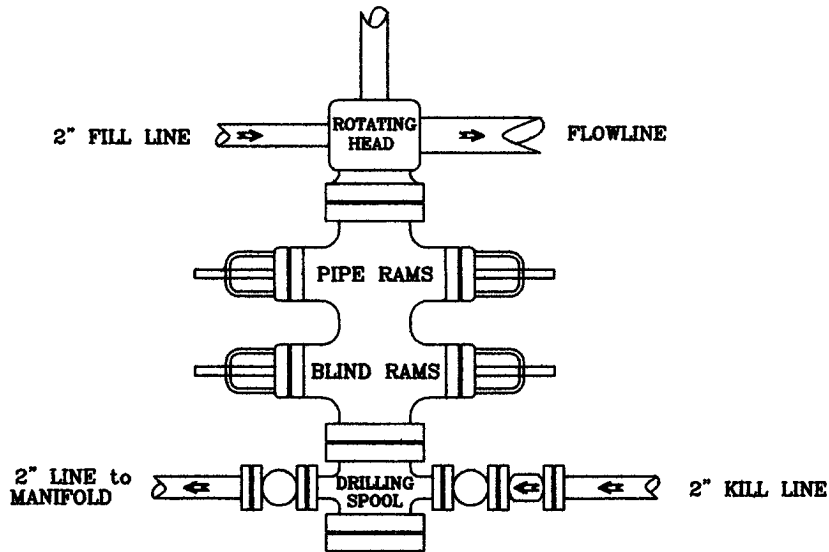
9. **Anticipated Starting Date:**

April 15, 2007

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

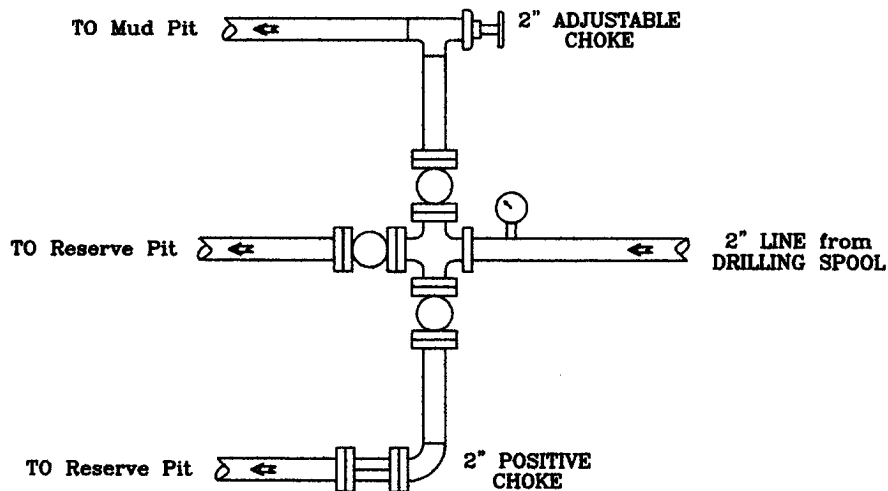
PRESSURE CONTROL

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.

Hutchinson No. 2

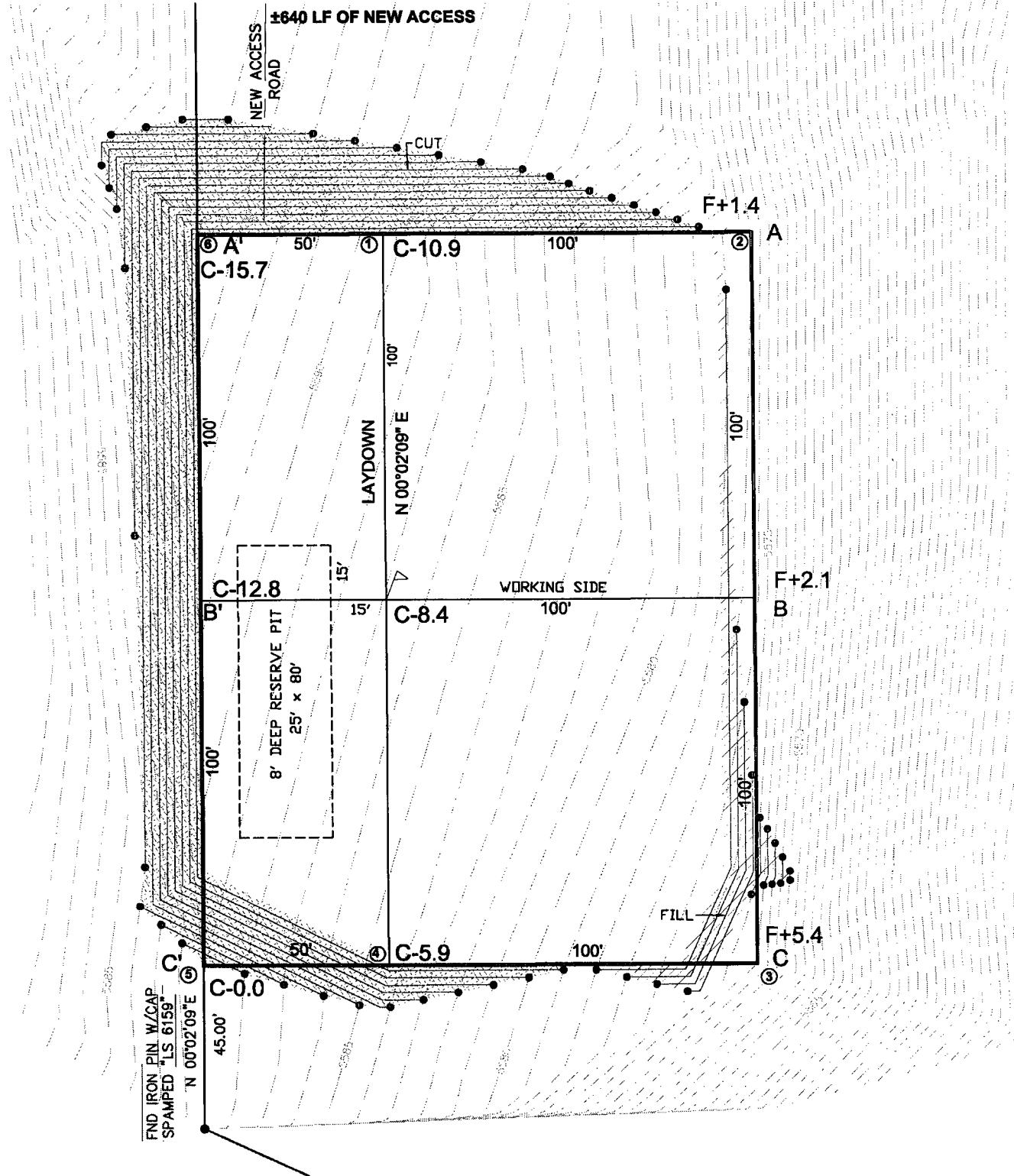
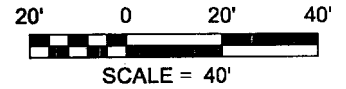
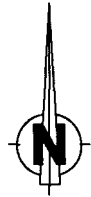
705' FNL - 1315' FWL

Section 1, T29N, R13W, NMPM
San Juan County, New Mexico

LATITUDE: 36.78053°N
LONGITUDE: 108.16165°W
DATUM: NAD 83

McELVAIN OIL AND GAS PROPERTIES, INC.

HUTCHINSON #2
705' FNL & 1315' FWL
LOCATED IN THE NE/4 NW/4 OF SECTION 1,
T29N, R13W, N.M.P.M.,
SAN JUAN COUNTY, NEW MEXICO
GROUND ELEVATION: 5587', NAVD 88
FINISHED PAD ELEVATION: 5578.5', NAVD 88



1 FOOT CONTOUR INTERVAL SHOWN
SCALE: 1" = 40'
JOB No.: MCLV001
DATE: 10/24/06



Russell Surveying
1409 W. Aztec Blvd. #5
Aztec, New Mexico 87410
(505) 334-8637