

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT
APPLICATION FOR PERMIT TO DRILL OR REENTER

2007 MAY 17 AM 11:00

FORM APPROVED
OMB No. 1004-0137
Expires March 31, 2007

6. Lease Serial No.
NMSF078977

6. If Indian, Allottee or Tribe Name

7. If Unit or CA Agreement, Name and No.

8. Lease Name and Well No.
Dewey No. 1

9. API Well No.
30-045-34323

10. Field and Pool, or Exploratory
Basin Fruitland Coal

11. Sec., T. R. M. or Blk. and Survey or Area
Section 19, T30N, R13W, 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
McElvain Oil & Gas Properties, Inc.

3a. Address 1050 17th Street, Suite 1800
Denver, CO 80265-1801

3b. Phone No (include area code)
303.893.0933x302

4. Location of Well (Report location clearly and in accordance with any State requirements.)*
At surface 760' FNL - 1095' FEL, Section 19, T30N, R13W, NMPM
At proposed prod. zone same

14. Distance in miles and direction from nearest town or post office*
2.0 miles northwest of Farmington, NM

15. Distance from proposed* location to nearest property or lease line, ft. 760
(Also to nearest drig. unit line, if any) 760

16. No. of acres in lease
2553.94

17. Spacing Unit dedicated to this well
251.6
N/2 - 259.05 acs.

18. Distance from proposed location* to nearest well, drilling, completed, applied for, on this lease, ft. 400

19. Proposed Depth
1545'

20. BLM/BIA Bond No. on file
LPM4138223

21. Elevations (Show whether DF, KDB, RT, GL, etc.)
5601' GL

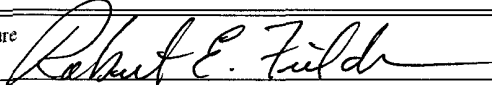
22. Approximate date work will start*
06/15/2007

23. Estimated duration
11 days

24. Attachments

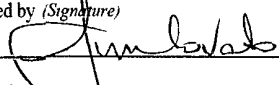
The following, completed in accordance with the requirements of Onshore Oil and Gas Order No.1, must be attached to this form:

- | | |
|---|---|
| 1. Well plat certified by a registered surveyor | 4. Bond to cover the operations unless covered by an existing bond on file (see Item 20 above). |
| 2. A Drilling Plan | 5. Operator certification |
| 3. A Surface Use Plan (if the location is on National Forest System Lands, the SUPO must be filed with the appropriate Forest Service Office) | 6. Such other site specific information and/or plans as may be required by the BLM. |

25. Signature 
Title Agent

Name (Printed/Typed)
Robert E. Fielder

Date
05/11/2007

Approved by (Signature) 
Title Adam AFM Minerals

Name (Printed/Typed)
Office

Date
6/28/07

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)

RCVD JUN29'07
OIL CONS. DIV.
DIST. 3

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

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

NMOCD 07-17-07
BH

DISTRICT I
1625 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

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

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

OIL CONSERVATION DIVISION

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

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

707 MAY 17 AM 11:34

☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

| | | |
|---|---|--|
| ¹ API Number 30-045-34323 | ² Pool Code 71629 | ³ Pool Name 210 BASIN FRUITLAND COAL |
| ⁴ Property Code 23368 36586 | ⁵ Property Name DEWEY | ⁶ Well Number 1 |
| ⁷ OGRID No. 22044 | ⁸ Operator Name McELVAIN OIL AND GAS PROPERTIES, INC. | ⁹ Elevation 5601' |

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 |
|---------------|---------|----------|-------|---------|---------------|------------------|---------------|----------------|----------|
| A | 19 | 30N | 13W | | 760' | NORTH | 1095' | EAST | SAN JUAN |

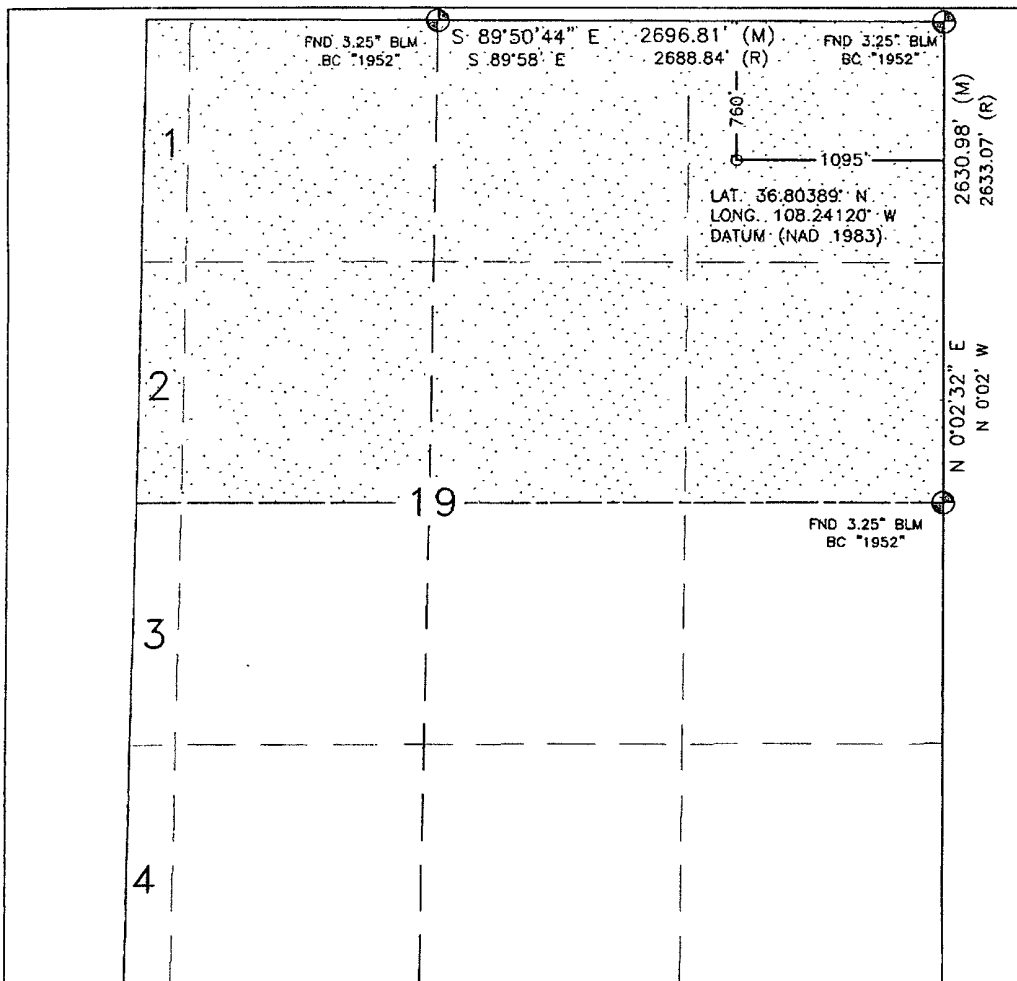
¹¹ Bottom Hole Location If Different From Surface

| 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 251.6 259.05 ACRES - N/2 | ¹³ Joint or Infill | 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

16



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 5/11/07
Signature Date

Robert E. Fielder
Printed Name

¹⁸ SURVEYOR CERTIFICATION

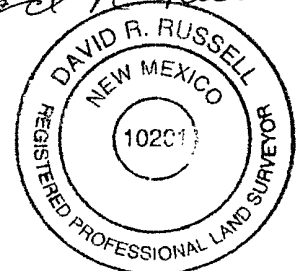
I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my belief.

APRIL 20, 2007

Date of Survey

Signature and Seal of Professional Surveyor:

David R. Russell



DAVID RUSSELL

Certificate Number 10201

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

Form C-103
May 27, 2004

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

| |
|---|
| WELL API NO. 30-045-34323 |
| 5. Indicate Type of Lease STATE <input type="checkbox"/> FED <input checked="" type="checkbox"/> X |
| 6. State Oil & Gas Lease No. |
| 7. Lease Name or Unit Agreement Name Dewey |
| 8. Well Number 1 |
| 9. OGRID Number 22044 |
| 10. Pool name or Wildcat Basin Fruitland Coal |

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
McElvain Oil & Gas Properties, Inc.

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

4. Well Location
Unit Letter A : 760 feet from the North line and 1095 feet from the East line
Section 19 Township 29N Range 13W NMPM San Juan County

11. Elevation (Show whether DR, RKB, RT, GR, etc.)
5601' GL

Pit or Below-grade Tank Application ☒ or Closure ☐

Pit type Drilling Depth to Groundwater 200+ Distance from nearest fresh water well >1000' Distance from nearest surface water >1000'

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:

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

OTHER: Pit Permit X

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.

McElvain Oil & Gas Properties, Inc. proposes to construct a 80' L X 20' W X 6' D lined reserve pit in conjunction with construction of this location.

RCUD JUN29'07
OIL CONS. DIV.
DIST. 3

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 June 28, 2007

Type or print name Robert E. Fielder

E-mail address: pmci@advantas.net

Telephone No. 505.320.1435

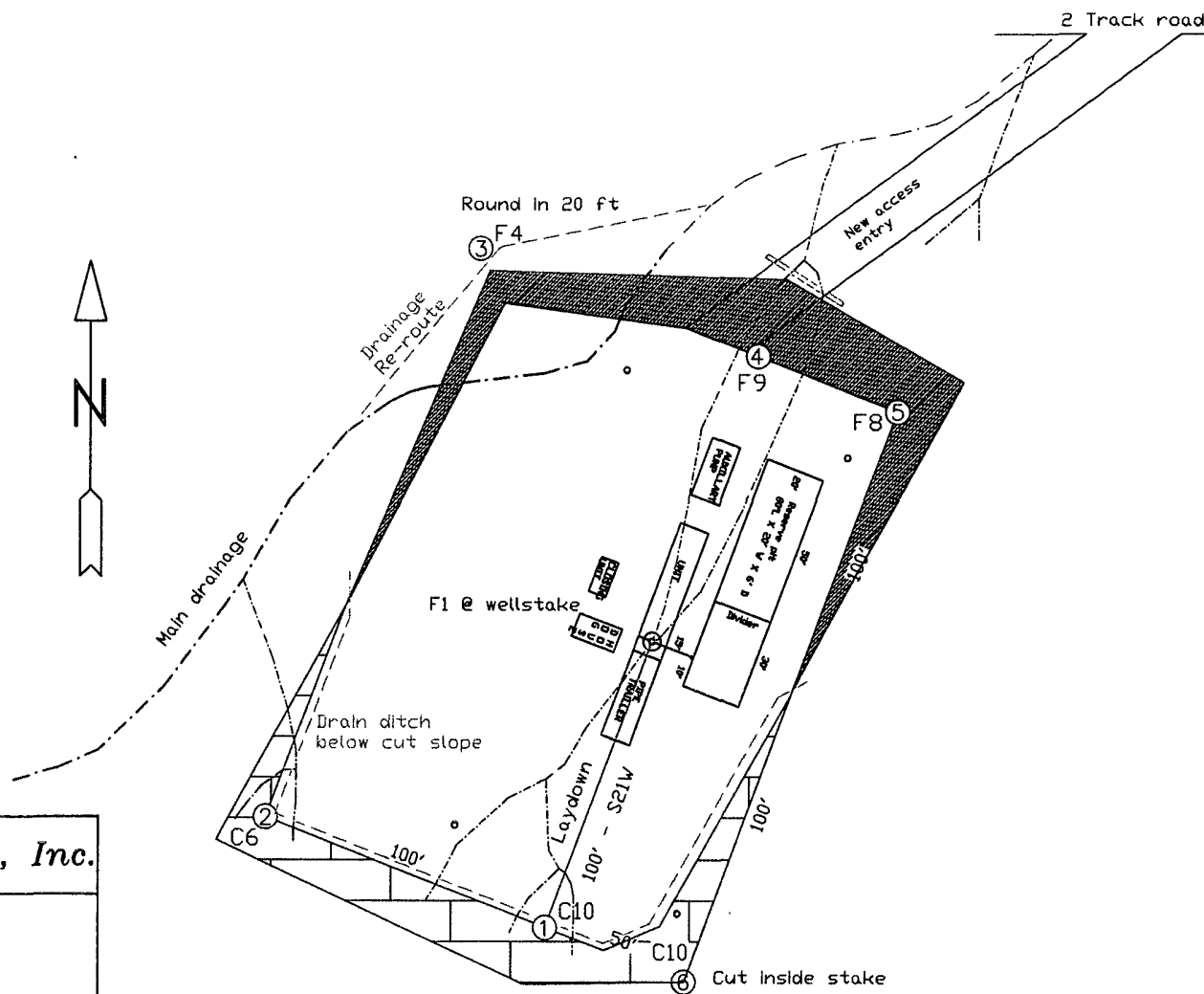
For State Use Only

APPROVED BY: Brandon Russell TITLE Deputy Oil & Gas Inspector,
Conditions of Approval (if any): District #3 DATE JUL 17 2007

McElvain Oil & Gas Properties, Inc.

Wellsite Layout
Dewey No. 1
760' FNL & 1095' FEL
Section 19, T30N, R13W, NMPM
San Juan Co., New Mexico

Scale: 1 Inch = 60 feet



McELVAIN OIL AND GAS PROPERTIES, INC.

DEWEY #1

760' FNL & 1095' FEL

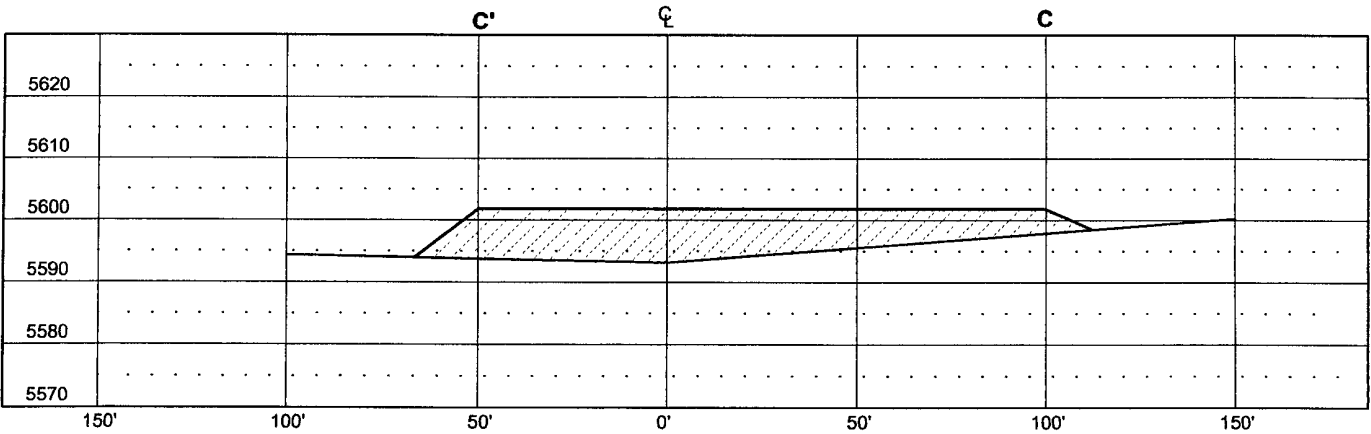
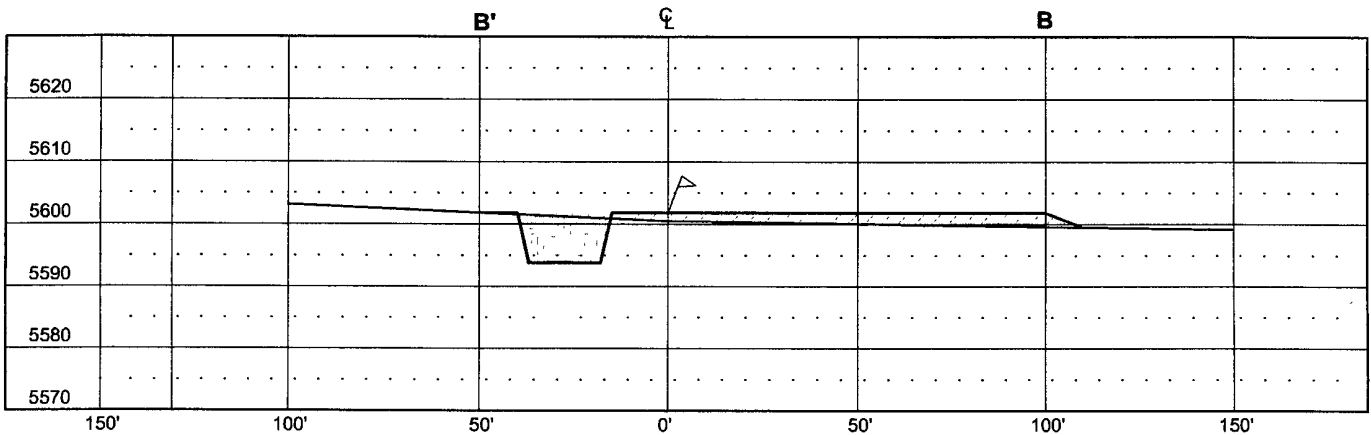
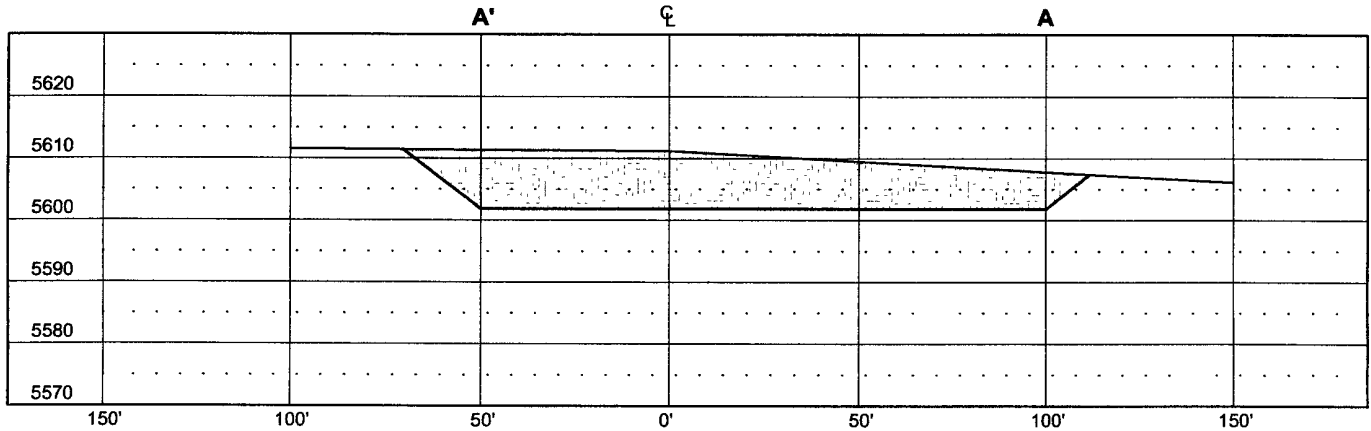
LOCATED IN THE NE/4 NE/4 OF

SECTION 19, T30N, R13W, N.M.P.M.,

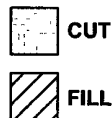
SAN JUAN COUNTY, NEW MEXICO

GROUND ELEVATION: 5601', NAVD 88

FINISHED PAD ELEVATION: 5601.8', NAVD 88



VERT. SCALE: 1" = 30'
HORZ. SCALE: 1" = 50'
JOB No.: MCLV004
DATE: 04/25/07



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

McElvain Oil & Gas Properties, Inc.
Dewey No. 1
760' FNL & 1095' FEL
Section 19, T30N, R13W, NMPM
San Juan County, New Mexico

TEN POINT DRILLING PROGRAM

1. **Surface Formation:** Ojo Alamo
2. **Surface Elevation:** 5601' GL.
3. **Estimated Formation Tops:**

| <u>Formation</u> | <u>Top - feet</u> | <u>Expected Production</u> |
|------------------|-------------------|----------------------------|
| Ojo Alamo | surface | |
| Kirtland | 745 | |
| Fruitland | 1145 | GAS |
| Pictured Cliffs | 1395 | GAS |
| TOTAL DEPTH | 1545 | |

4. **Surface Hole Program:**

Bit: Drill an 12 $\frac{3}{4}$ " 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:

| <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 140 sacks (165.2 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 $\frac{3}{4}$ " 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 BOPE to full working pressure using a test plug. Drill out cement to within five feet of surface casing shoe. Test surface casing and BOPE to a minimum of 600 psig for 15 minutes.

three (3)
Centralizers: Run ~~two (2)~~ 8 $\frac{5}{8}$ " X 12 $\frac{3}{4}$ " 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.
Dewey No. 1
Page Two

5. Production Hole Program:

Bit: Drill a 7 $\frac{1}{8}$ " hole to 1545' using a TCI, IADC Class 447 bit. WOB: 30-35K. RPM: 60 - 75. Hold RPM at 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:

| <u>Interval (ft)</u> | <u>Weight (ppg)</u> | <u>Ph</u> | <u>Vis(sec/qt)</u> | <u>Water Loss</u> |
|----------------------|---------------------|-----------|--------------------|-------------------|
| 200 - 1709 | 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.

Driscac 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. Surface casing and BOPE will be 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. 5 $\frac{1}{2}$ " 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 5 $\frac{1}{2}$ " 15.5 ppg J-55 production casing from surface to TD and cement in a single stage with 115 sacks (293.25 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 90 sacks (107.1 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.
Dewey No. 1
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 0.9125". 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 7⅞" bowspring centralizers will be run across all prospective pays and 3 - 5½" X 7⅞" turbolizers will be spaced such that one (1) is just below the base of the Fruitland coal, one 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 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:

250 - 300 psig.

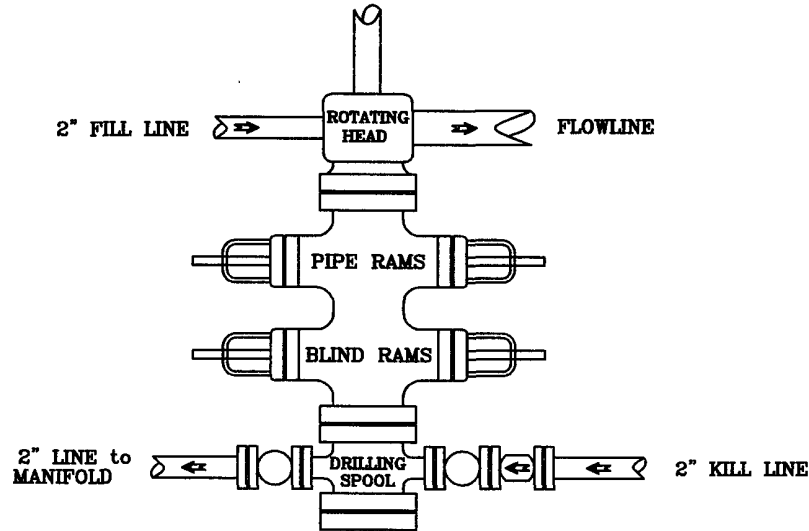
9. Anticipated Starting Date:

June 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.

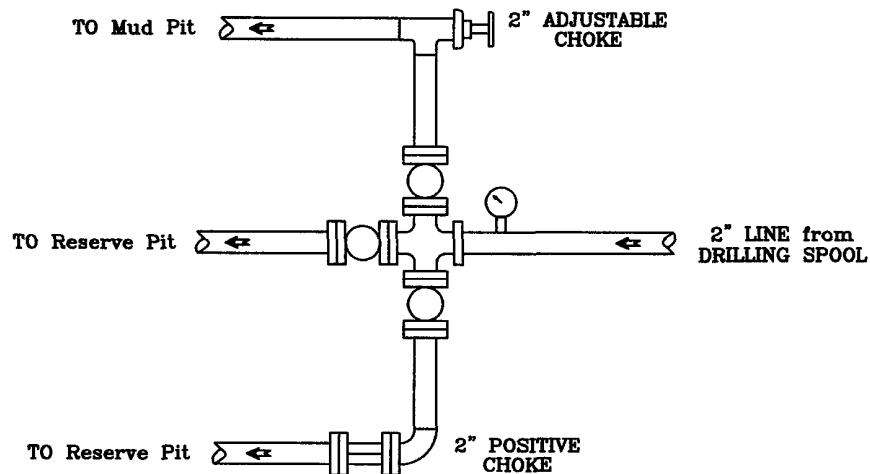
PRESSURE CONTROL

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.

Dewey No. 1

760' FNL - 1095' FEL

Section 19, T30N, R13W, NMPM

San Juan County, New Mexico