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Form 3160-3
(August 2007)

FEB 29 2008

FORM APPROVED
OMB No. 1004-0137
Expires July 31, 2010

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

Bureau of Land Management
Farmington Field Office

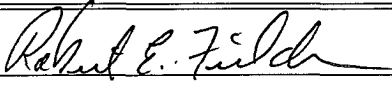
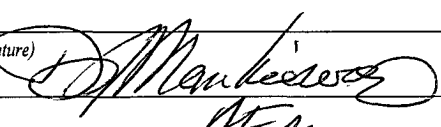
APPLICATION FOR PERMIT TO DRILL OR REENTER

1a. Type of work: <input checked="" type="checkbox"/> DRILL <input type="checkbox"/> REENTER		5. Lease Serial No. NMSF078977	
1b. Type of Well: <input type="checkbox"/> Oil Well <input checked="" type="checkbox"/> Gas Well <input type="checkbox"/> Other <input checked="" type="checkbox"/> Single Zone <input type="checkbox"/> Multiple Zone		6. If Indian, Allottee or Tribe Name	
2. Name of Operator: McElvain Oil & Gas Properties, Inc.		7. If Unit or CA Agreement, Name and No.	
3a. Address: 1050 17th Street, Suite 1800 Denver, CO 80265-1801		8. Lease Name and Well No. Dewey No. 1S	
3b. Phone No. (include area code) 303.893.0933X302		9. API Well No. 30-045-34618	
4. Location of Well (Report location clearly and in accordance with any State requirements.)* At surface 1101' FNL - 473' FWL, Section 19, T30N, R13W, NMPM At proposed prod. zone same		10. Field and Pool, or Exploratory Basin Fruitland Coal	
14. Distance in miles and direction from nearest town or post office* 2 miles northwest of Farmington, New Mexico		11. Sec., T. R. M. or Blk. and Survey or Area Section 19, T30N, R13W, NMPM	
15. Distance from proposed* location to nearest property or lease line, ft. (Also to nearest drig. unit line, if any) 473 ft	16. No. of acres in lease 2553.94	17. Spacing Unit dedicated to this well N/2 - 251.60 acs.	
18. Distance from proposed location* to nearest well, drilling, completed, applied for, on this lease, ft. 800 ft	19. Proposed Depth 1703'	20. BLM/BIA Bond No. on file CGB-00040 NM 6253	
21. Elevations (Show whether DF, KDB, RT, GL, etc.) 5746' GL	22. Approximate date work will start* 04/01/2008	23. Estimated duration 10 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:

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

25. Signature: 	Name (Printed/Typed) Robert E. Fielder	Date 02/25/2008
Title Agent		
Approved by (Signature): 	Name (Printed/Typed) D. Manke	Date 7/28/08
Title 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.

(Continued on page 2)

**NOTIFY AZTEC OCD 24 HRS.
PRIOR TO CASING & CEMENT**

JUL 30 2008 

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

A COMPLETE C-144 MUST BE SUBMITTED TO AND
APPROVED BY THE NMOCD FOR: A PIT, CLOSED
LOOP SYSTEM, BELOW GRADE TANK, OR
PROPOSED ALTERNATIVE METHOD, PURSUANT TO
NMOCD PART 19.15.17, PRIOR TO THE USE OR
CONSTRUCTION OF THE ABOVE APPLICATIONS.

*(Instructions on page 2)
**BLM'S APPROVAL OR ACCEPTANCE OF THIS
ACTION DOES NOT RELIEVE THE LESSEE AND
OPERATOR FROM OBTAINING ANY OTHER
AUTHORIZATION REQUIRED FOR OPERATIONS
ON FEDERAL AND INDIAN LANDS**

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

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

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. FEB 29 2008
Santa Fe, NM 87505

RECEIVED

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

Bureau of Land Management ☐ AMENDED REPORT
Farmington Field Office

WELL LOCATION AND ACREAGE DEDICATION PLAT

¹ API Number 30-045-34618	² Pool Code 71629	³ Pool Name Basin FRUITLAND COAL
⁴ Property Code 23368 36586	⁵ Property Name DEWEY	⁶ Well Number 1 S
⁷ OGRID No. 22044	⁸ Operator Name McELVAIN OIL AND GAS PROPERTIES, INC.	⁹ Elevation 5746'

¹⁰ Surface Location

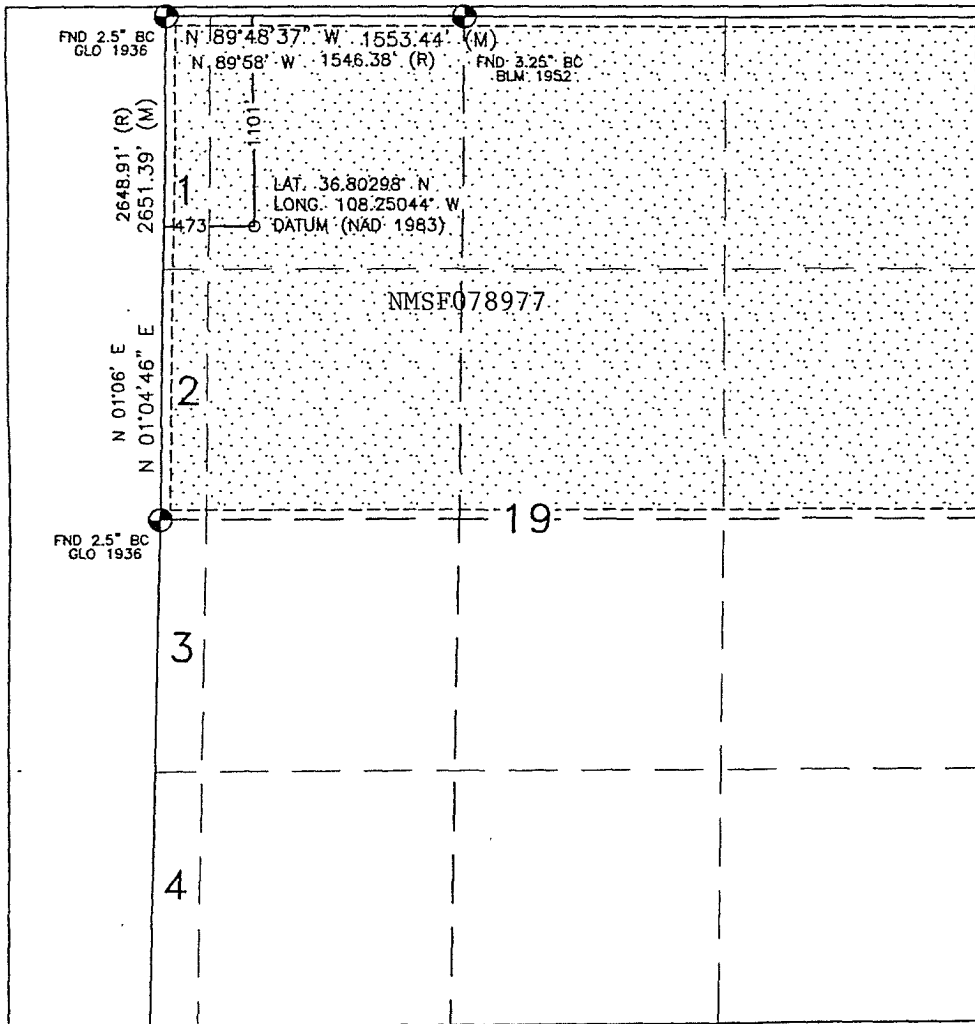
UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
C	19	30N	13W		1101'	NORTH	473'	WEST	SAN JUAN

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 251.60 259.49 Acres - (N/2)			¹³ Joint or Infill		¹⁴ Consolidation Code		¹⁵ Order No. NSL-5747		

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

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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
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 18, 2007

Date of Survey

Signature and Seal of Professional Surveyor:

David Russell
Seal of Professional Surveyor

DAVID RUSSELL

Certificate Number

10201

McElvain Oil & Gas Properties, Inc.
Dewey No. 1S
1101' FNL & 473' FWL
Section 19, T30N, R13W, NMPM
San Juan County, New Mexico

TEN POINT DRILLING PROGRAM

1. **Surface Formation:** Ojo Alamo
2. **Surface Elevation:** 5764' GL.
3. **Estimated Formation Tops:**

<u>Formation</u>	<u>Top - feet</u>	<u>Expected Production</u>
Ojo Alamo	surface	
Kirtland	903	
Fruitland	1303	GAS
Pictured Cliffs	1553	GAS
TOTAL DEPTH	1703	

4. **Surface Hole Program:**

Bit: Drill an 12¼" hole to 500' 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 - 500	8.6 or less	9.0-9.5	40 - 50	No Control

Casing and Cementing: A string of 8½" 24 ppf J-55 or K-55 ST&C casing will be set and cemented to the surface in a single stage with 350 sacks (413.0 cf) of Class "B" cement (yield = 1.18 cf/sk) containing 2% 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 12¼" by 8½" 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.

Centralizers: Run two (4) 8½" X 12¼" regular bowspring centralizers. Install first one on stop ring in middle of shoe joint.

Float Equipment: Cement nose guide shoe thread locked. Self fill insert float valve run one joint above bottom. Thread lock connection between first and second joint run.

Drilling Program
McElvain Oil & Gas Properties, Inc.
Dewey No. 1S
Page Two

5. Production Hole Program:

Bit: Drill a 7½" hole to 1703' 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>
500 - 1703	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 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. 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" 15.5 ppg J-55 production casing from surface to TD and cement in a single stage with 135 sacks (344.25 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.
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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 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:

250 - 300 psig.

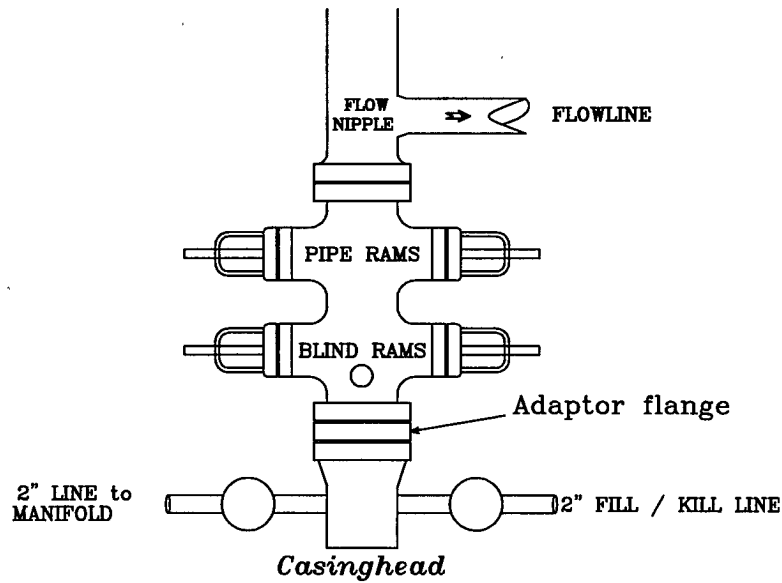
9. Anticipated Starting Date:

April 1, 2008

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

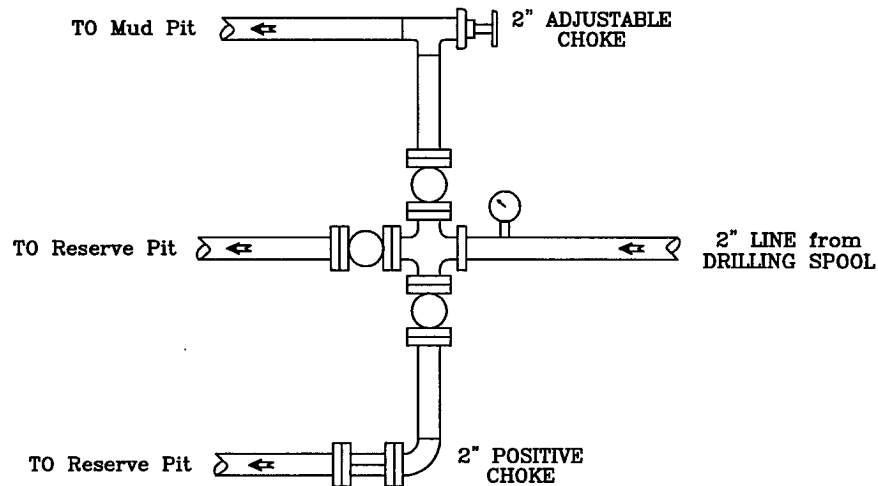
PRESSURE CONTROL

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. 1S

1101' FNL - 473' FWL

Section 19, T30N, R13W, NMPM

San Juan County, New Mexico