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OIL CONS. DIV.
DIST. 3

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Bureau of Land Management
Farmington Field Office

Form 3160-3
(April 2004)

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

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

APPLICATION FOR PERMIT TO DRILL OR REENTER

1a. Type of work: ☑ DRILL ☐ REENTER	5. Lease Serial No. **NMNM-58876**
	6. If Indian, Allotee or Tribe Name **N/A**
	7. If Unit or CA Agreement, Name and No. **N/A**
1b. Type of Well: ☑ Oil Well ☐ Gas Well ☐ Other ☑ Single Zone ☐ Multiple Zone	8. Lease Name and Well No. **ERIC HIXON #2**
2. Name of Operator **ELM RIDGE EXPLORATION COMPANY, LLC**	9. API Well No. **30-045-03 9-30444**
3a. Address **P. O. BOX 156 BLOOMFIELD, NM 87413** / 3b. Phone No. *(include area code)* **(505) 632-3476**	10. Field and Pool, or Exploratory **LYBROOK GALLUP**
4. Location of Well *(Report location clearly and in accordance with any State requirements.*)* At surface **660' FSL & 660' FWL** At proposed prod. zone **SAME**	11. Sec., T. R. M. or Blk. and Survey or Area **M 15-23N-7W NMPM**
14. Distance in miles and direction from nearest town or post office* **1 AIR MILE SOUTH OF LYBROOK**	12. County or Parish **RIO ARRIBA** / 13. State **NM**

15. Distance from proposed* location to nearest property or lease line, ft (Also to nearest drig. unit line, if any) **660'**	16. No. of acres in lease **480**	17. Spacing Unit dedicated to this well **SWSW (= 40 acres)**
18. Distance from proposed location* to nearest well, drilling, completed, applied for, on this lease, ft. **4,850'**	19. Proposed Depth **5,875'**	20. BLM/BIA Bond No. on file **BLM STATE WIDE 886201C NM2858**
21. Elevations (Show whether DF, KDB, RT, GL, etc.) **7,323' GL**	22. Approximate date work will start* **01/21/2008**	23. Estimated duration **3 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.

25. Signature	Name *(Printed/Typed)* **BRIAN WOOD**	Date **12/24/2007**
Title **CONSULTANT**	**PHONE: (505) 466-8120**	**FAX: (505) 466-9682**
Approved by *(Signature)*	Name *(Printed/Typed)*	Date **8/6/08**
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)

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.

AUG 11 2008
NMOCD

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

NOTIFY AZTEC OCD 24 HRS. PRIOR TO CASING & CEMENT

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".

DISTRICT I
1625 N. French Dr., Hobbs, N.M. 88240
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, N.M. 87505

State of New Mexico
Energy, Minerals & Natural Resources Department

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

Form C-102
Revised October 12, 2005
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~~-39-30444	42289	LYBROOK GALLUP

[4] Property Code	[5] Property Name	[6] Well Number
29527	ERIC HIXON	2

[7] OGRID No.	[8] Operator Name	[9] Elevation
149052	ELM RIDGE EXPLORATION	7323

[10] Surface Location

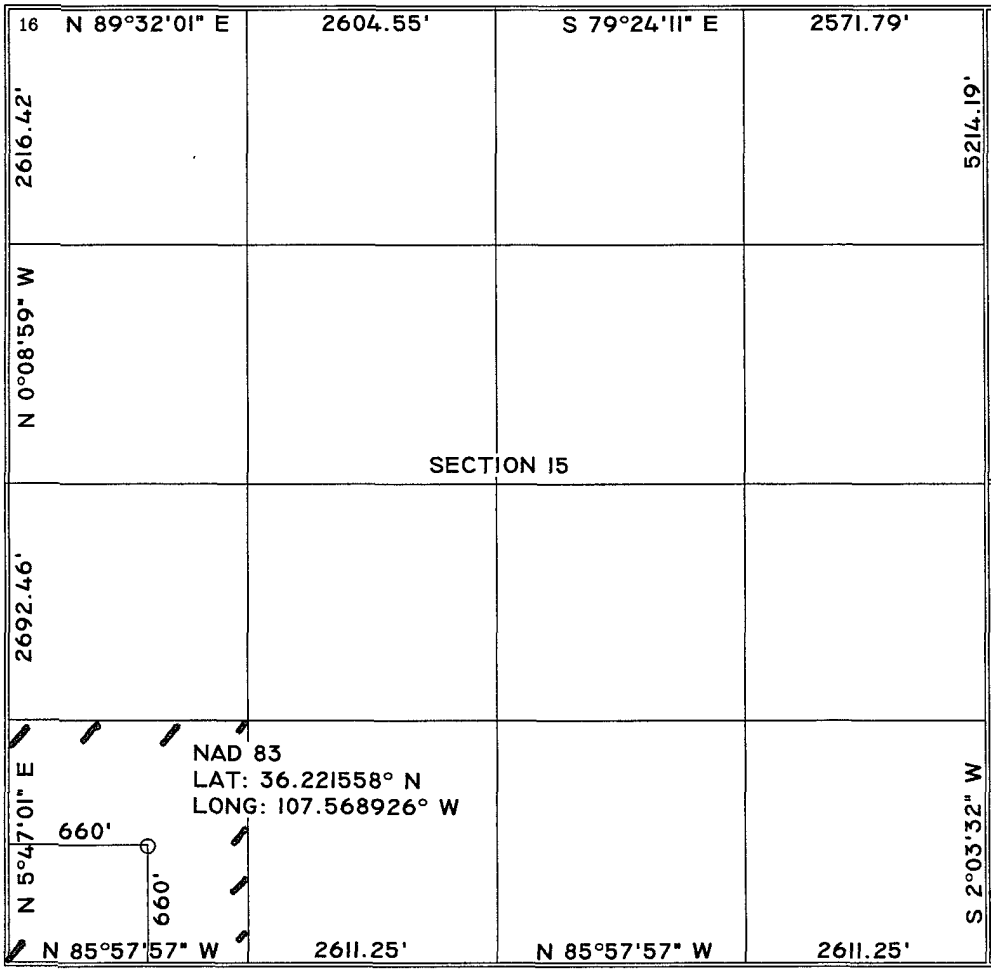
UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
M	15	23 N	7 W		660	SOUTH	660	WEST	RIO ARRIBA

[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.
40			

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 of such a mineral or working interest, or to a voluntary pooling agreement or a compulsory pooling order heretofore entered by the division.

B. Wood 12-24-07
Signature Date

BRIAN WOOD
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.

6/29/07
Date of Survey

Signature and Seal of Professional Surveyor:

ROBERT L. BOUNDS
NEW MEXICO
6846
LICENSED PROFESSIONAL SURVEYOR

Certificate Number 6846

Elm Ridge Exploration Company, LLC
Eric Hixon 2
660' FSL & 660' FWL
Sec. 15, T. 23 N., R. 7 W.
Rio Arriba County, New Mexico

Drilling Program

1. ESTIMATED FORMATION TOPS

Formation	GL Depth	KB Depth	Elevation
Nacimiento	0'	12'	+7,323'
Ojo Alamo Sandstone	1,558'	1,570'	+5,765'
Kirtland Shale	1,673'	1,685'	+5,650'
Fruitland Formation	1,883'	1,895'	+5,440'
Pictured Cliffs Sandstone	2,143'	2,155'	+5,180'
Chacra Sandstone	2,623'	2,635'	+4,700'
Cliff House Sandstone	3,683'	3,695'	+3,640'
Menefee Shale	3,712'	3,724'	+3,611'
Point Lookout Sandstone	4,513'	4,525'	+2,810'
Mancos Shale	4,698'	4,710'	+2,625'
Gallup Sandstone	5,388'	5,400'	+1,935'
Skelly	5,573'	5,585'	+1,750'
Mayre	5,688'	5,700'	+1,635'
Total Depth	5,875'	5,887'	+1,448'

2. NOTABLE ZONES

Oil &/or Gas Zones	Water Zones	Coal Zone
Fruitland	Nacimiento	Fruitland
Pictured Cliffs	Fruitland	
Gallup	Pictured Cliffs	

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 drilling contract has not yet been awarded. Thus the exact BOP model to be used is not yet known. A typical 2,000 psi model is on PAGE 3.

A ≥2,000 psi BOP and choke manifold system will be installed and tested to ≈2,000 psi before drilling the 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.

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

Hole Size	O. D.	Pounds/Foot	Grade	Type	Age	Depth Set
12-1/4"	8-5/8"	24	J-55 or K-55	S T & C	New	350'
7-7/8"	5-1/2"	10.5 15.5#	J-55	L T & C	New	5,875'

Surface casing will be cemented to the surface with ≈290 cubic feet (≈245 sacks) Class B with 1/4 pound per sack cellophane + 2% $CaCl_2$. Yield = 1.18 cubic feet per sack. Weight = 15.2 pounds per gallon. Volume = 100% excess. Centralizers will be installed on the middle of the shoe joint and every other centralizer thereafter.

Production casing will be cemented to the surface in 2 stages with a stage tool set @ ≈3,800'. Centralizers will be installed on the middle of the shoe joint and on every joint thereafter (≥2 dozen centralizers). Thread lock the guide shoe, bottom of float collar, and bottom of stage tool only. Use API casing dope.

First stage volume will be ≈740 cubic feet consisting of ≈175 sacks of Halliburton light with 65/35 poz mix + 1/4 pound per sack cellophane + 2% $CaCl_2$ (yield = 1.87 cubic feet per sack, weight = 12.7 pounds per gallon) followed by ≈350 sacks Class B with 2% $CaCl_2$ (yield = 1.18 cubic feet per sack, weight = 15.2 pounds per gallon). Volume calculated at >100% excess, but caliper logs will be used to determine actual volume needed.

Second stage volume will be ≈1,330 cubic feet consisting of ≈680 sacks of Halliburton light with 65/35 poz mix + 1/4 pound per sack cellophane + 2% $CaCl_2$ (yield = 1.87 cubic feet per sack, weight = 12.7 pounds per gallon) followed by ≈50 sacks of Class B with 2% $CaCl_2$ (yield = 1.18 cubic feet per sack, weight = 15.2 pounds per gallon). Volume calculated at >100% excess, but caliper logs will be used to determine actual volume needed.

5. MUD PROGRAM

Depth	Type	ppg	Viscosity	Fluid Loss	pH
0' - 350'	Fresh water gel	9.0	50	NC	9
350' - TD	Fresh water gel	9.0	38 - 50	6.0	9

Enough material to maintain mud properties, control lost circulation, and contain a blowout will be at the well site while drilling. Mud will be checked hourly by rig personnel. Material to soak up possible oil or fuel spills will be on site.

6. CORES, TESTS, & LOGS

No cores or drill stem tests are planned. DIL/GR logs will be run from TD to the surface. CNL/FDC logs may be run over selected segments. Samples will be collected every ≈10' through the Gallup. Samples will be collected every ≈30' elsewhere.

7. DOWN HOLE CONDITIONS

No abnormal pressures, temperatures, or hydrogen sulfide are expected. Maximum expected bottom hole pressure will be ≤2,350 psi.

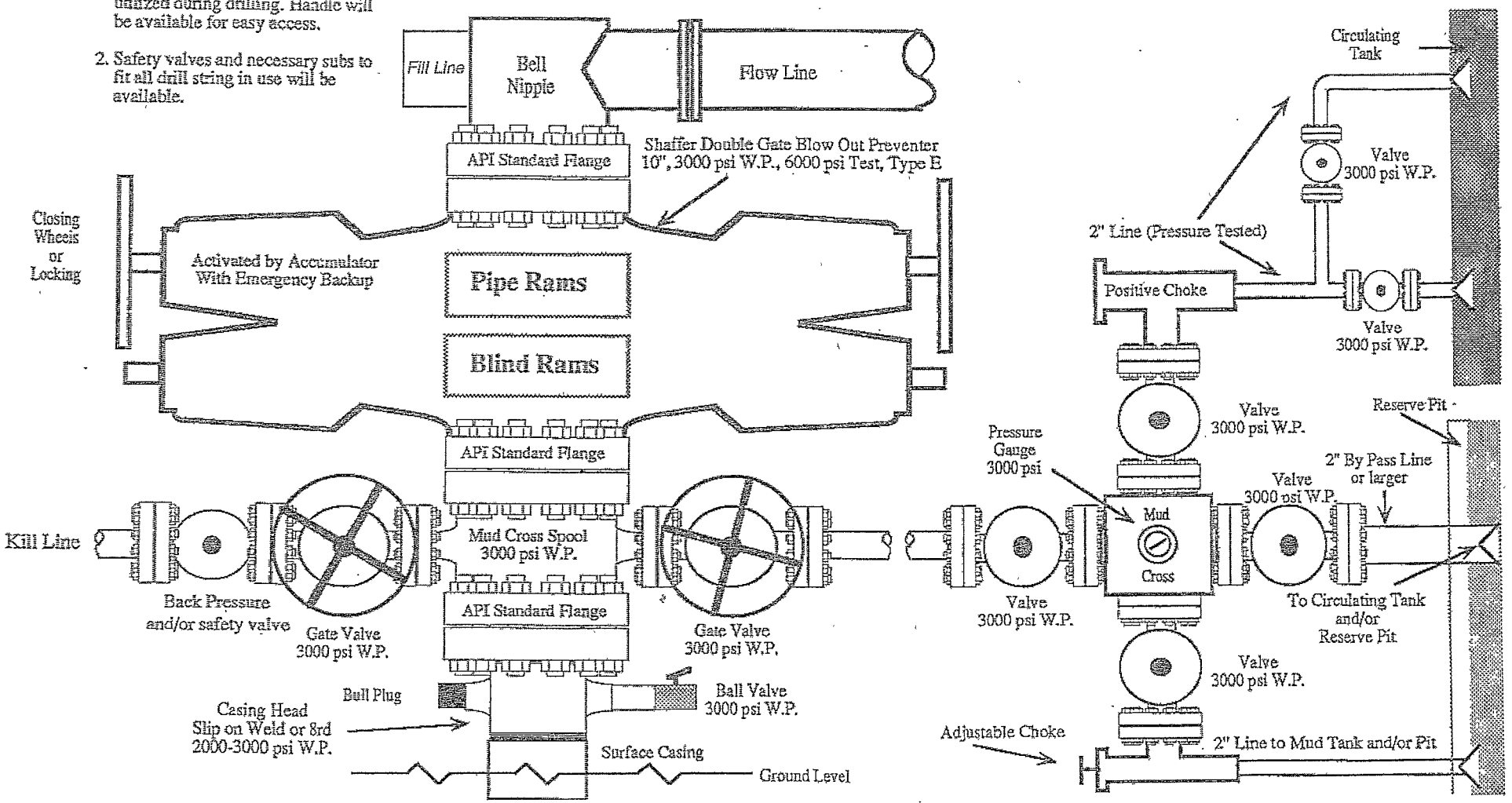
8. OTHER INFORMATION

The anticipated spud date is January 21, 2007. It is expected it will take 1 week to drill and 2 weeks to complete the well.

2,000 PSI BOP SYSTEM

Note: 1. An upper Kelly cock valve will be utilized during drilling. Handle will be available for easy access.

2. Safety valves and necessary subs to fit all drill string in use will be available.



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.