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

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

NOV 26 2008

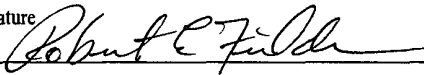
Bureau of Land Management
Albuquerque Field Office

APPLICATION FOR PERMIT TO DRILL OR REENTER

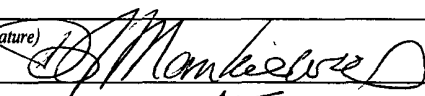
1a. Type of work: <input checked="" type="checkbox"/> DRILL <input type="checkbox"/> REENTER		5. Lease Serial No. NMSF078584	
1b. Type of Well: <input type="checkbox"/> Oil Well <input checked="" type="checkbox"/> Gas Well <input type="checkbox"/> Other <input checked="" type="checkbox"/> Single Zone <input type="checkbox"/> Multiple Zone		7. If Unit or CA Agreement, Name and No.	
2. Name of Operator McElvain Oil & Gas Properties, Inc.		8. Lease Name and Well No. Miller A No. 1E	
3a. Address 1050 17th Street, Suite 1800 Denver, CO 80265-1801		9. API Well No. 30-039-30594	
3b. Phone No. (include area code) 303.893.0933X375		10. Field and Pool, or Exploratory Basin Dakota	
4. Location of Well (Report location clearly and in accordance with any State requirements.)* At surface 1980' FNL - 660' FWL, Section 17, T24N, R7W, NMPM At proposed prod. zone same 13		11. Sec., T. R. M. or Blk. and Survey or Area Section 13, T24N, R7W, NMPM	
14. Distance in miles and direction from nearest town or post office* 5 miles northwest of Lybrook, NM		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 / 660	16. No. of acres in lease 920.0	17. Spacing Unit dedicated to this well N/2-320.0 acs	
18. Distance from proposed location* to nearest well, drilling, completed, applied for, on this lease, ft. 2800	19. Proposed Depth 6733'	20. BLM/BIA Bond No. on file NM0253	
21. Elevations (Show whether DF, KDB, RT, GL, etc.) 6679' GL This action is subject to technical and procedural review pursuant to 43 CFR 3165.3 and appeal pursuant to 43 CFR 3165.4	22. Approximate date work will start* 12/15/2008	23. Estimated duration 30 days	
24. Attachments		DRILLING OPERATIONS AUTHORIZED ARE SUBJECT TO COMPLIANCE WITH ATTACHED "GENERAL REQUIREMENTS".	

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

- | | |
|--|---|
| 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 	Name (Printed/Typed) Robert E. Fielder	Date 11/25/2008
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Title
Agent

Approved by (Signature) 	Name (Printed/Typed) J. Montecinos	Date 12/31/08
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Title AFU	Office FFO
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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)

*(Instructions on page 2)

NOTIFY AZTEC OCD 24 HRS.
PRIOR TO CASING & CEMENT

JAN 07 2009

AW

NMOCD

to

District I
1625 N. Pecos Dr., Hobbs, NM 88240
District II
1301 W. Grand Avenue, Artesia, NM 88210
District III
1000 Rio Pecos Rd., Aztec, NM 87410
District IV
1220 S. St. Francis Dr., Santa Fe, NM 87505

State of New Mexico
Energy, Minerals & Natural Resources Department
OIL CONSERVATION DIVISION
1220 South St. Francis Dr.
Santa Fe, NM 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 30039-30594		2 Pool Code 71599		3 Pool Name Basin Dakota	
4 Property Code 6655		5 Property Name MILLER A			6 Well Number 1E
7 OGRID No. 22044		8 Operator Name McELVAIN OIL & GAS PROPERTIES, INC.			9 Elevation 6679

10 Surface Location

UL or Lot No. E	Section 13	Township 24 N	Range 7 W	Lot Id. 1980	Feet from the North	North/South Line 660	East/West Line West	County Rio Arriba
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11 Bottom Hole Location If Different From Surface

UL or Lot No.	Section	Township	Range	Lot Id.	Feet from the	North/South Line	Feet from the	East/West Line	County
12 Dedicated Acres (N/2) 320		13 Joint or Infill Y		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		N 87° 25' W		79.53 Ch.		17 OPERATOR CERTIFICATION	
80.49 Ch.		1980'				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 retained 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 interest or working interest, or to a voluntary pooling agreement or a compulsory pooling order.	
660'		Lat. 36.31472° N Long. 107.63422° W		Sec.		Signature: <i>Robert E. Fielder</i> 11/25/08 Printed Name: Robert E. Fielder Date:	
		13				18 SURVEYOR CERTIFICATION	
N 0° 21' E						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: 24 Sep 2008 Signature: <i>William E. Mannke II</i> Printed Name: William E. Mannke II Certificate Number: 8466	
		N 86° 54' W		79.20 Ch.			

McElvain Oil & Gas Properties, Inc.
Miller A No. 1E
1980' FNL & 660' FWL
Section 13, T24N, R07W, NMPM
Rio Arriba County, New Mexico

TEN POINT DRILLING PROGRAM

1. **Surface Formation:** San Joseo
2. **Surface Elevation:** 6679' GL.
3. **Estimated Formation Tops:**

<u>Formation</u>	<u>Top - feet</u>	<u>Expected Production</u>
San Jose	surface	
Ojo Alamo	1528	
Fruitland	1688	GAS
Pictured Cliffs	2193	GAS
Lewis	2248	
Chacra	2593	GAS
Cliff House	3663	GAS/WATER
Menefee	3713	GAS/WATER
Pt. Lookout	4393	GAS/WATER
Mancos	4578	
Upper Gallup	5148	GAS/OIL
Lower Gallup	5618	GAS/OIL
Greenhorn	6318	
Graneros	6393	GAS/OIL
Dakota	6418	GAS/OIL
Burro Canyon	6658	WATER
TOTAL DEPTH	6733	

4. **Surface Hole Program:**

Bit: Drill an 12 $\frac{1}{4}$ " 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 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 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 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 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.

Drilling Program
McElvain Oil & Gas Properties, Inc.
Miller A No. 1E
Page Two

4. Surface Hole Program: -cont'd

Centralizers: Run four (4) 8 $\frac{3}{4}$ " 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. Self fill insert float valve run one joint above bottom. Thread lock connection between first and second joint run.

5. Production Hole Program:

Bit: Drill a 7 $\frac{1}{8}$ " hole to 2300'± using a TCI, IADC Class 447 bit. WOB: 30-35K. RPM: 60 - 75. Hold RPM at 55 - 65 through Ojo Alamo. Drill to top of Dakota with 7 $\frac{1}{8}$ " 505 Class pdc and mud motor. Drill Dakota with 506 Class pdc and motor.

Mud: Use a fresh water base LSND mud system with the following properties to drill this section.

<u>Interval (ft)</u>	<u>Weight (ppg)</u>	<u>Ph</u>	<u>Vis(sec/qt)</u>	<u>Water Loss</u>
500 - 2200	8.6 - 8.8	9.0-9.5	32 - 35	6 - 8
2200 - 4500	8.8 - 9.0	9.0-9.5	35 - 45	6 - 8
4500 - TD	8.8 - 9.2	9.0-9.5	40 - 45	6 or less

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: 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. Fluid loss control is important and should be established in mud system and maintained for the entire length of this section of the hole.

Lost Circulation can occur in the Fruitland Coal, Pictured Cliffs, Mesa Verde group and Gallup 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. 4 $\frac{1}{2}$ " rams will be installed before running production casing.

Drilling Program
McElvain Oil & Gas Properties, Inc.
Miller A No. 1E
Page Three

5. Production Hole Program: -continued

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 4½" 10.5 ppf J-55 (surface to 6300') and 11.6 ppf J-55 (6300' - TD) production casing with mechanical DV tools at 2300'± and 4600'±. Cement stage 1 (TD - 4600') with 285 sacks (604.2 cf) of 65/35 Class B Poz containing 5 pps Gilsonite, and 0.25 pps celloflake mixed at 12.1 PPG to yield 2.12 cf/sk. Tail in with 100 sacks (126.0 cf) of Type V with 5 pps gilsonite and 0.25 pps celloflake mixed at 15.2 ppg to yield 1.26 cf/sk. Cement stage 2 (4600-2300') with 340 sacks (720.8 cf) of 65/35 Class B Poz containing 5 pps Gilsonite, and 0.25 pps celloflake mixed at 12.1 PPG to yield 2.12 cf/sk. Tail in with 50 sacks (63.0 cf) of Type V with 5 pps gilsonite and 0.25 pps celloflake mixed at 15.2 ppg to yield 1.26 cf/sk. Cement stage 3 (2300' - surface) with 340 sacks (720.8 cf) of 65/35 Class B Poz containing 5 pps Gilsonite, and 0.25 pps celloflake mixed at 12.1 PPG to yield 2.12 cf/sk. Tail in with 50 sacks (63.0 cf) of Type V with 5 pps gilsonite and 0.25 pps celloflake mixed at 15.2 ppg to yield 1.26 cf/sk.

Circulate and WOC for four (4) hours between stages.

Slurry volumes assume a 50% excess over gauge hole volume to circulate to surface. Slurry volume will be adjusted to caliper volume plus 30% excess after logs are run. Minimum clearance between couplings and hole is 1.4375". Safety factors utilized in the design of this casing string were: burst = 1.1; collapse = 1.125; and tension = 1.8.

Centralizers: 21 - 4½" X 7½" bowspring centralizers will be run across all prospective pays, below the DV tools and spaced evenly to the surface casing shoe. 3 - 4½" X 7½" 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 float shoe, 1 joint 4½" casing, and float collar. Mechanical DV tools with cement basket and centralizer on the joint below the DV.

6. Auxiliary Equipment:

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

Drilling Program
McElvain Oil & Gas Properties, Inc.
Miller A No. 1E
Page Four

7. **Logging Program:**

Dual Induction and Epithermal Neutron / Formation Density will be run from TD to surface casing shoe. 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:

2500 - 3000 psig.

9. **Anticipated Starting Date:**

December 1, 2008

Duration of Operations: It is estimated a total of 10 days will be required for drilling operations and 10 days for the completion operation.

Surface Use Plan

Operator: McElvain Oil & Gas Properties, Inc.

Well Name: L Miller A No. 1E

Location: 1980' FNL - 660' FWL, Section 13, T24N, R07W, NMPM, Rio Arriba Co., New Mexico.

Lease Number: NMSF078584

1. Existing Roads:

A. See Attached Area and Vicinity Map for route.

B. Follow New Mexico Highway 550 south from Bloomfield, New Mexico for 47 miles. Turn left onto Rio Arriba county road 378 and follow north for 1.1 miles to "Y" intersection. Stay left at "Y" and continue on lease road for 1.6 miles to "Y" intersection. Stay right at "Y" and follow lease road 0.6 miles to "Y" intersection. Stay left at "Y" and follow lease road 4.8 miles. Turn left onto lease road and follow 0.7 miles to intersection. Go left on lease road and follow 1.8 miles to intersection by water well. Turn right onto lease road and follow for 0.8 miles. New Access exits to right.

All of the existing lease access road shown on the attached Area Map is a part of the Lybrook road use area administered by the BLM. McElvain participates in the construction / maintenance cost share for this area.

C. This well will require 585 feet of new access road.

D. Exploratory Well - NA

E. Development Well - All existing roads are shown on the attached Area and Vicinity Maps.

F. Plans for Improvement and Maintenance - Existing roads are bladed dirt and gravel. All existing roads will be maintained in their present condition during the drilling and completion of this well. That portion of the existing access that begins in the SE/SE/4 of Section 13, T 24N, R7W and ends at the take off of the new access will be upgraded to Gold Book standards. This will include pulling the silted in ditches and cleaning the existing drainage turnouts. Crowning to a minimum 14 foot running surface will be done after the ditches are pulled. A 24" X 40' cmp will be installed in the existing wash out in the SE/NE/SE/4. Sandstone road base will be installed on the running surface if conditions dictate for year round access.

2. Access Road:

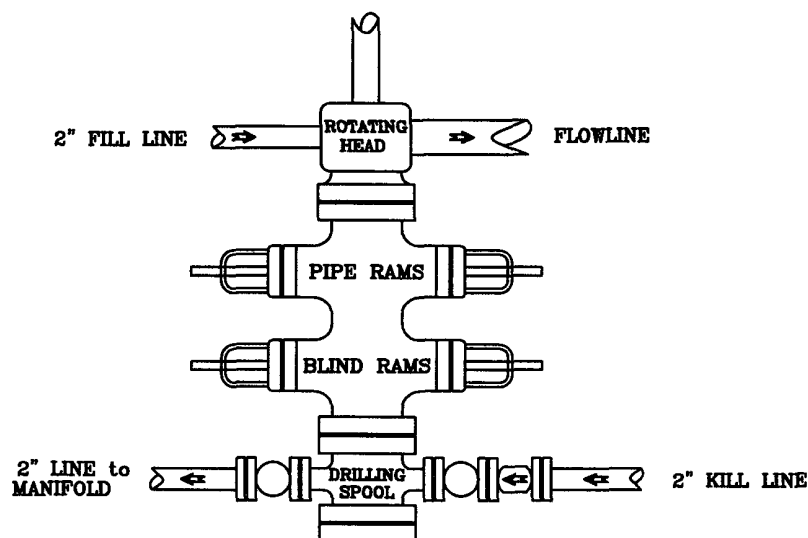
A. Width: 16 foot running surface.

B. Maximum Grade: 2%. Average is 1%

C. Turnouts - Drainage turnouts will be constructed as necessary off the east side drain ditch to insure drainage of run off from roadway.

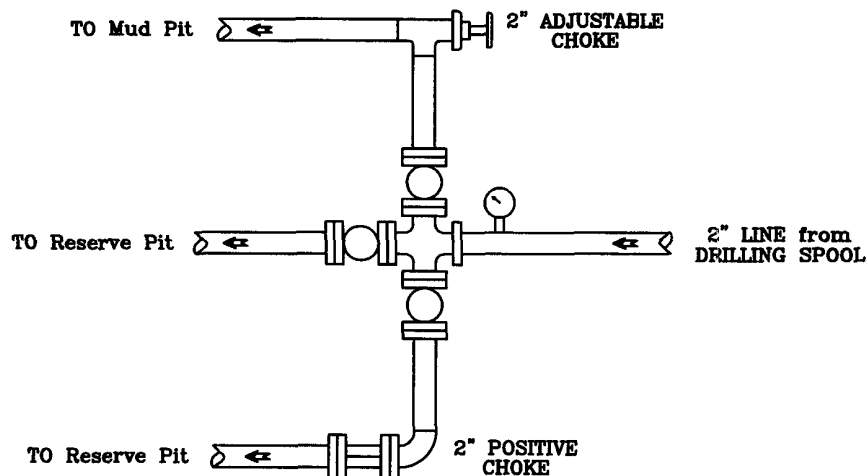
PRESSURE CONTROL

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.

Miller A No. 1E

1980' FNL - 660' FWL

Section 13, T24N, R07W, NMPM

Rio Arriba County, New Mexico