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

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

Form C-101
June 16, 2008

Submit to appropriate District Office

☐ AMENDED REPORT

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

[1] Operator Name and Address	[2] OGRID Number
McElvain Oil & Gas Properties, Inc. 1050 17th Street, Suite 2500 Denver, CO 80265-2080	22044
	[3] API Number 30 - 045 - 35209

[3] Property Code	[5] Property Name	[6] Well No.
38390	Pepper	1S

[9] Proposed Pool 1	[10] Proposed Pool 2
Basin Fruitland Coal	

[7] Surface Location

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North line	Feet from the	West line	County
E	32	31N	13W		1980	N	684	W	San Juan

[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

Additional Well Information

[11] Work Type Code	[12] Well Type Code	[13] Cable/Rotary	[14] Lease Type Code	[15] Ground Level Elevation
N	G	R	S	5702'
[16] Multiple	**[17] Proposed Depth**	**[18] Formation**	**[19] Contractor**	**[20] Spud Date**
No	1786'	Lewis	D & D Services	11/15/2010

[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	500	350	Surface
7.875"	5.500"	15.5	1786	230	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.
Well will be drilled in accordance with the attached drilling program. Blowout prevention equipment is described in the drilling program. A schematic of the well control equipment is attached.

RCVD OCT 25 '10
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.

Signature: Robert E. Fielder

Printed name: Robert E. Fielder

Title: Agent

E-mail Address: pmci@advantas.net

Date: October 22, 2010

Phone: 505.320.1435

OIL CONSERVATION DIVISION

Approved by: Charlie Perrin

Title:

Approval Date: NOV 18 2010

Expiration Date: 11-18-11

☐ Conditions of Approval Attached

NOV 18 2010

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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	2 Pool Code	3 Pool Name
30-045-35209	71629	Basin Fruitland Coal

4 Property Code	5 Property Name	6 Well Number
38390	PEPPER	1S

7 OGRID No.	8 Operator Name	9 Elevation
22044	McELVAIN OIL & GAS PROPERTIES, INC.	5702

10 Surface Location

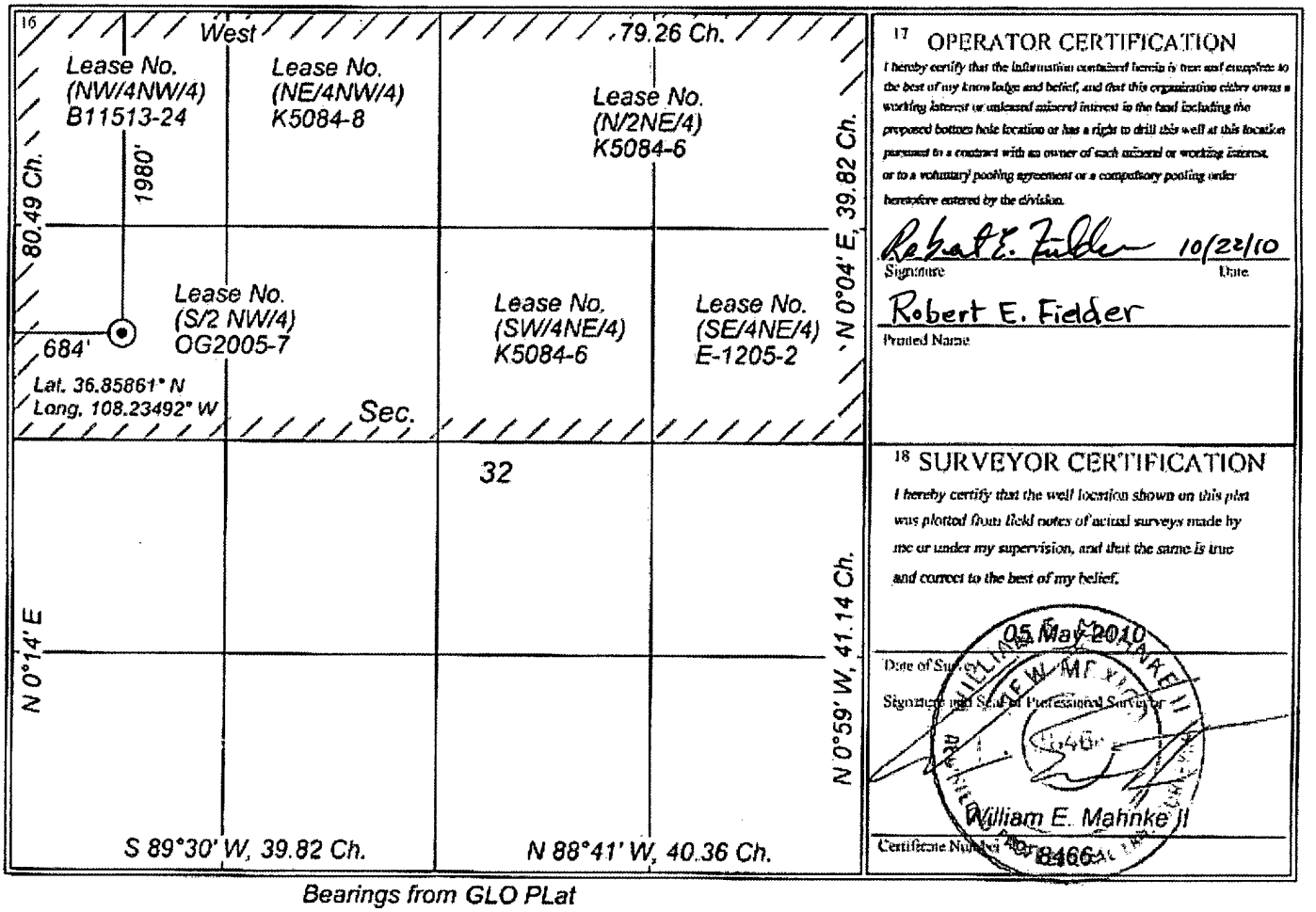
UL or Lot No.	Section	Township	Range	Lot Idn.	Feet from the	North/South Line	Feet from the	East/West Line	County
E	32	31 N	13 W		1980	North	684	West	San Juan

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	13 Joint or Infill	14 Consolidation Code	15 Order No.
320			

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.



Bearings from GLO PLat

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

Robert E. Fielder 10/22/10
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.

05 May 2010
Date of Survey

Signature and Seal of Professional Surveyor

William E. Mahnke II
Certificate Number 8466

McElvain Oil & Gas Properties, Inc.
Pepper No. 1S
1980' FNL & 684' FWL
Section 32, T31N, R13W, NMPM
San Juan County, New Mexico

TEN POINT DRILLING PROGRAM

1. **Surface Formation:** Ojo Alamo

2. **Surface Elevation:** 5702'GL.

3. **Estimated Formation Tops:**

Formation	Top - feet	Expected Production
Ojo Alamo	surface	
Kirtland	949	
Fruitland	1349	GAS
Pictured Cliffs	1634	GAS
TOTAL DEPTH	1786	

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:

Interval (ft)	Weight (ppg)	Ph	Vis(sec/qt)	Water Loss
0 - 500	8.6 or less	9.0-9.5	40 - 50	No Control

Casing and Cementing: A string of 8⅝" 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 3% $CaCl_2$ 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 8⅝" 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 four (4) 8⅝" X 12¼" regular bowspring centralizers. Install first one on stop ring in middle of shoe joint.

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

5. Production Hole Program:

Bit: Drill a 7⅞" hole to 1786' 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:

Interval (ft)	Weight (ppg)	Ph	Vis(sec/qt)	Water Loss
500 - 1546	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 with GR, caliper and Epithermal Neutron/Formation Density logs (triple combo configuration)will be run from TD to the surface casing shoe. GR and Neutron will be pulled to surface.

Casing and Cementing Program: Run 5½" 15.5 ppf J-55 production casing from surface to TD and cement in a single stage with 140 sacks (357.17 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.

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 with GR and caliper and Epithermal Neutron / Formation Density (triple combo configuration) will be run from TD to surface casing shoe. GR and neutron will be pulled to surface. 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.

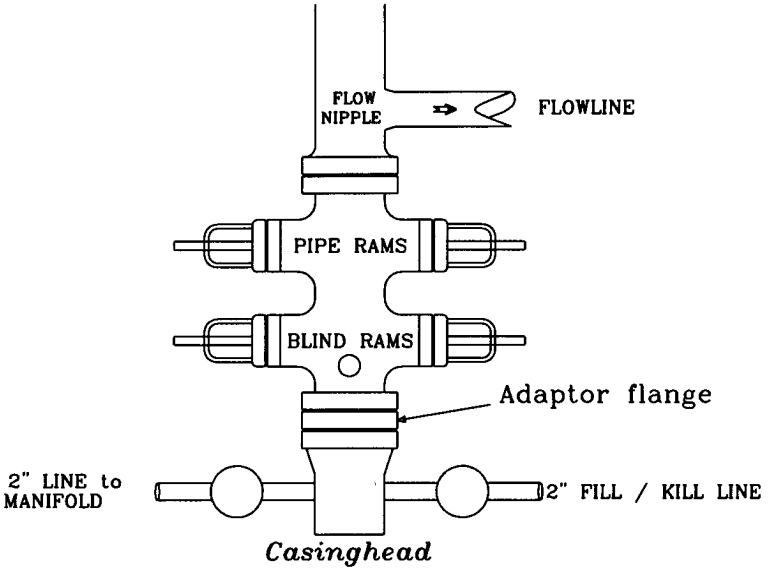
9. **Anticipated Starting Date:**

November 15, 2010

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

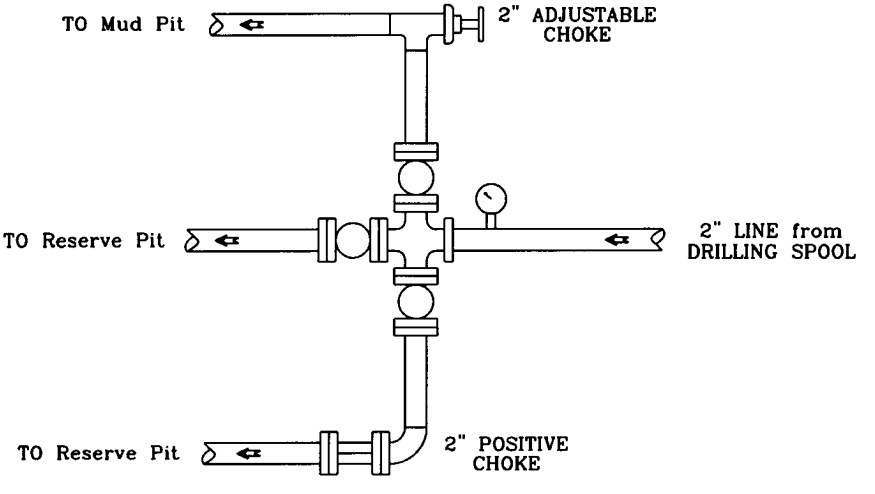
PRESSURE CONTROL

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.

Pepper No. 1S

1980' FNL – 684' FWL

Section 32, T31N, R13W, NMPM

San Juan County, New Mexico

McELVAIN OIL & GAS PROPERTIES, INC.
PEPPER #1S
1980' FNL & 684' FWL
Sec.32, T31N, R13W, NMPM
San Juan Co., NM