Form 3160-3
(July 1992)

SUBMIT IN TRIPLICATE*
(Other instructions on reverse side)

FORM APPROVED
OMB NO. 1004-0136
Expires: February 28, 1995

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

APPLICATION FOR PERMIT TO DRILL OR DEEPEN

5. LEASE DESIGNATION AND SERIAL NO.: NMNM-25451

6. IF INDIAN, ALLOTTEE OR TRIBE NAME: N/A

7. UNIT AGREEMENT NAME: N/A

1a. TYPE OF WORK: DRILL ☑ DEEPEN ☐

b. TYPE OF WELL: OIL WELL ☑ GAS WELL ☐ OTHER — SINGLE ZONE ☑ MULTIPLE ZONE ☐

8. FARM OR LEASE NAME, WELL NO.: ~~James Douglas #1~~ Lee Nixon #2

2. NAME OF OPERATOR: Elm Ridge Resources, Inc. (505) 632-3476

9. API WELL NO.: 30 045 31157

3. ADDRESS AND TELEPHONE NO.: P. O. Box 189, Farmington, NM 87499

10. FIELD AND POOL, OR WILDCAT: Bisti Lower Gallup

4. LOCATION OF WELL (Report location clearly and in accordance with any State requirements.*)
At surface: 1806' FNL & 1845' FWL

11. SEC., T., R., M., OR BLK. AND SURVEY OR AREA

At proposed prod. zone: Same

F 26-25n-12w NMPM

14. DISTANCE IN MILES AND DIRECTION FROM NEAREST TOWN OR POST OFFICE*: 25 air miles SSW of Bloomfield

12. COUNTY OR PARISH: San Juan | 13. STATE: NM

15. DISTANCE FROM PROPOSED* LOCATION TO NEAREST PROPERTY OR LEASE LINE, FT. (Also to nearest drlg. unit line, if any): 834'

16. NO. OF ACRES IN LEASE: 480

17. NO. OF ACRES ASSIGNED TO THIS WELL: S/2, NW/4 80

18. DISTANCE FROM PROPOSED LOCATION* TO NEAREST WELL, DRILLING, COMPLETED, OR APPLIED FOR, ON THIS LEASE, FT.: 1,157'

19. PROPOSED DEPTH: 5,000'

20. ROTARY OR CABLE TOOLS: Rotary

21. ELEVATIONS (Show whether DF, RT, GR, etc.): 6,375' ungraded

22. APPROX. DATE WORK WILL START*: June 1, 2002

23. PROPOSED CASING AND CEMENTING PROGRAM

SIZE OF HOLE	GRADE, SIZE OF CASING	WEIGHT PER FOOT	SETTING DEPTH	QUANTITY OF CEMENT
12-1/4"	K-55 8-5/8"	24	350'	≈300 cu. ft. & to surface
7-7/8"	J-55 4-1/2"	10.5	5,000'	≈2,335 cu. ft. & to surface

On site inspection with Kathy Ollom.
Archaeology report CASA 02-34 filed 3-26-02.

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

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

070 FARMINGTON NM 10:11 AM 8-1-02

cc: BLM, Elm (D&F), OCD (via BLM)

IN ABOVE SPACE DESCRIBE PROPOSED PROGRAM: If proposal is to deepen, give data on present productive zone and proposed new productive zone. If proposal is to drill or deepen directionally, give pertinent data on subsurface locations and measured and true vertical depths. Give blowout preventer program, if any.

24.

SIGNED _____ TITLE Consultant (505) 466-8120 DATE 5-6-02

(This space for Federal or State office use)

PERMIT NO. _____ APPROVAL DATE _____

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:

AUG - 8 2002

APPROVED BY Ad Charlie Beecham TITLE _____ DATE _____

*See Instructions On Reverse Side

NMOCD

Title 18 U.S.C. Section 1001, makes it a crime for any person knowingly and willfully to make to any department or agency of

State of New Mexico
Energy. Minerals & Mining Resources Department
OIL CONSERVATION DIVISION
2040 South Pacheco
Santa Fe. NM 87505

Form C - 102

☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

API Number	Pool Code	Pool Name
30-045-31157	05890	BISTI LOWER GALLUP

Property Code	Property Name	Well Number
27239	~~JAMES DOUGLAS~~ Lex Hixon	2

OGRID No.	Operator Name	Elevation
149052	ELM RIDGE RESOURCES	6375'

Surface Location

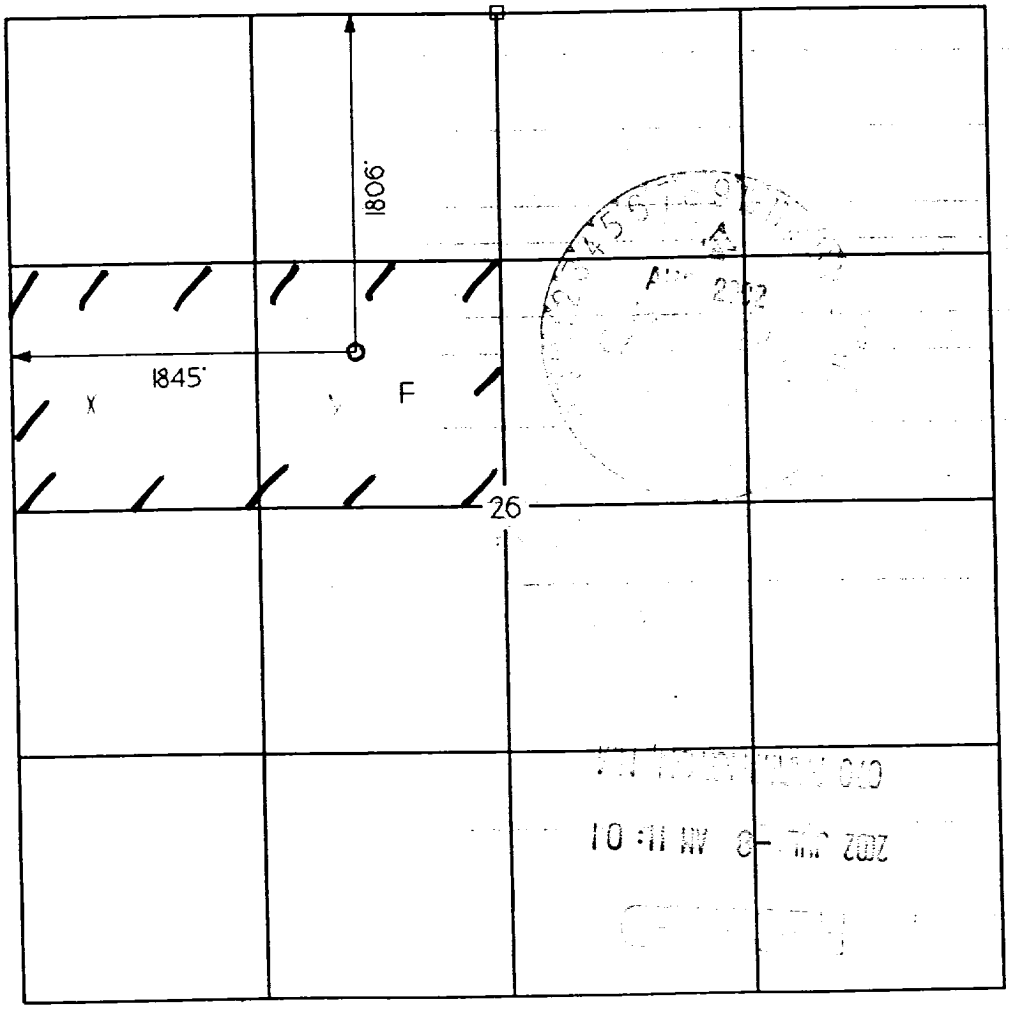
UL or Lot	Sec.	Twp.	Rge.	Lot Idn.	Feet from>	North/South	Feet from>	East/West	County
F	26	25 N.	12 W.		1806'	NORTH	1845'	WEST	SAN JUAN

Bottom Hole Location If Different From Surface

UL or Lot	Sec.	Twp.	Rge.	Lot Idn.	Feet from>	North/South	Feet from>	East/West	County

Dedication	Joint ?	Consolidation	Order No.
80	.	.	.

NO ALLOWABLE WILL ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION



OPERATOR CERTIFICATION

I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.

Signature: Brian Wood

Printed Name: BRIAN WOOD

Title: CONSULTANT

Date: MAY 6, 2002

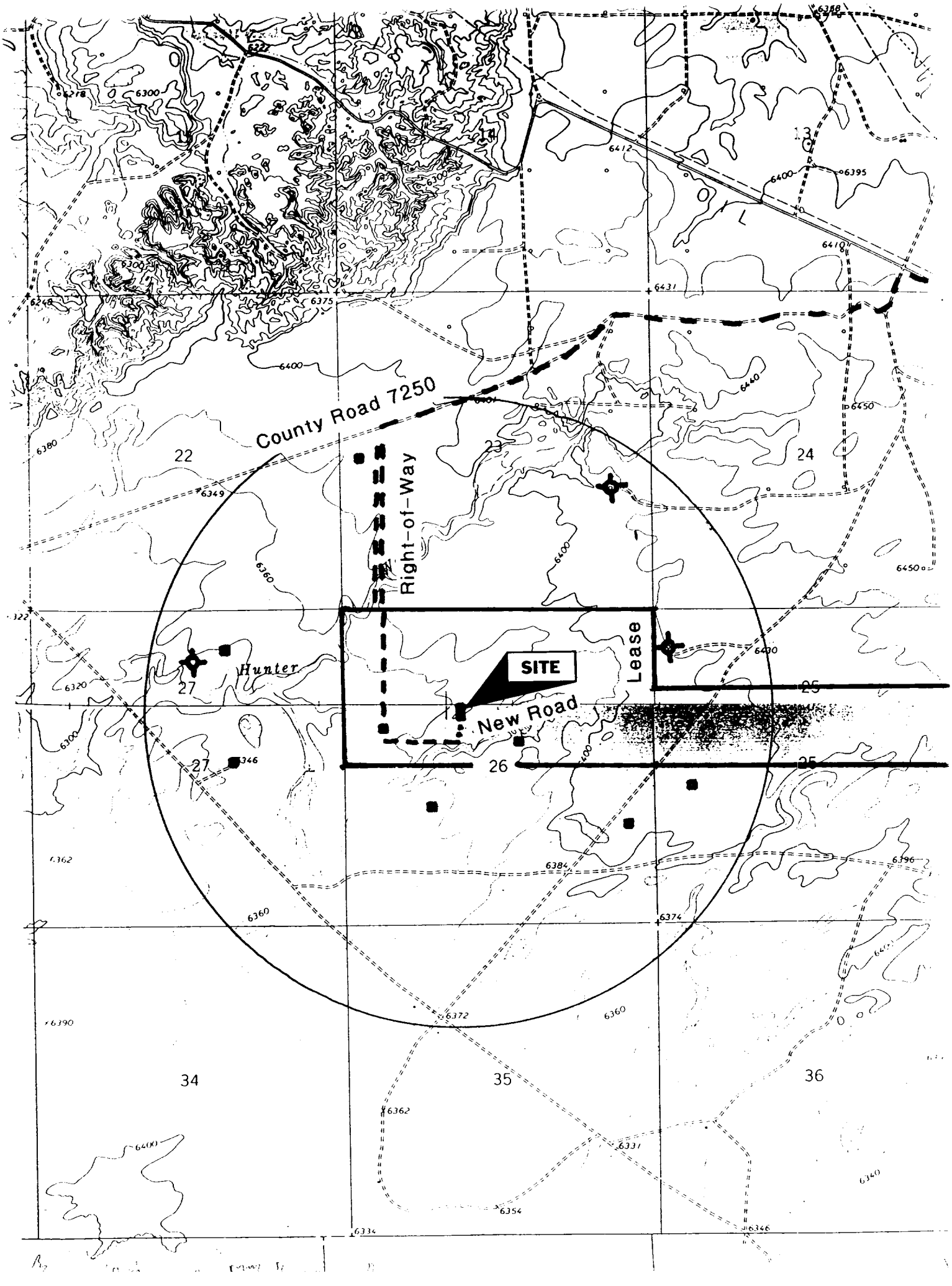
SURVEYOR CERTIFICATION

I hereby certify that the well location 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

Signature and Seal of Professional Surveyor

GERALD C. HUBBLESTON
NEW MEXICO
6844
REGISTERED LAND SURVEYOR


County Road 7250
Right-of-Way
SITE
Lease
New Road
Hunter
22
23
24
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36

Elm Ridge Resources, Inc.
James Douglas #1
1806' FNL & 1845' FWL
Sec. 26, T. 25 N., R. 12 W.
San Juan County, New Mexico

Drilling Program

1. ESTIMATED FORMATION TOPS

Formation Name	GL Depth	KB Depth	Elevation
Nacimiento	000'	12'	+6,375'
Fruitland	505'	517'	+5,870'
Pictured Cliffs Ss	1,155'	1,167'	+5,220'
Cliff House Ss	1,875'	1,887'	+4,500'
Menefee Sh	2,475'	2,487'	+3,900'
Point Lookout Ss	3,535'	3,547'	+2,840'
Mancos Sh	3,720'	3,732'	+2,655'
Gallup Ss	4,635'	4,647'	+1,740'
Total Depth (TD)*	5,000'	5,012'	+1,375'

* all elevations reflect the ungraded ground level of 6,375'

2. NOTABLE ZONES

Oil & Gas Zones	Water Zones	Coal Zones
Fruitland Coal	Nacimiento	Fruitland
Pictured Cliffs		
Gallup		

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.

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

A $\geq$3,000 psi BOP and choke manifold system will be installed and tested to

2,000 psi before drilling 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.	Weight (lb/ft)	Grade	Type	Age	GL Setting Depth
12-1/4"	8-5/8"	24	K-55	ST&C	New	350'
7-7/8"	4-1/2"	10.5	J-55	LT&C	New	5,000'

Surface casing will be cemented to the surface with ≈300 cubic feet (≈254 sacks) Class B with 1/4#/sk Flocele + 2% $CaCl_2$. Yield = 1.18 cubic feet per sack. Weight = 15.2 pounds per gallon. Volume = 105% excess. Centralizers will be installed on the middle of the shoe joint and every other centralizer thereafter. Thread lock the guide shoe and bottom of float collar only. Use API casing dope.

Production casing will be cemented to the surface in 2 stages with a stage tool set @ ≈3,500'. Centralizers will be installed on the middle of the shoe joint and on every joint thereafter (total ≈21 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 ≈705 cubic feet consisting of ≈169 sacks of Halliburton Lite with 65/35 poz mix + 1/4 #/sk Flocele + 2% $CaCl_2$ (yield = 1.87 cubic feet per sack, weight = 12.7 pounds per gallon) followed by ≈329 sacks Class B with 2% $CaCl_2$ (yield = 1.18 cubic feet per sack, weight = 15.2 pounds per gallon). Volume ≥100% excess, but caliper logs will be used to determine actual volume needed.

Second stage volume will be ≈1,630 cubic feet consisting of ≈844 sacks of Halliburton Lite with 65/35 poz mix + 1/4 #/sk Flocele + 2% $CaCl_2$ (yield = 1.87 cubic feet per sack, weight = 12.7 pounds per gallon) 2% $CaCl_2$ followed by ≈45 sacks of Class B with 2% $CaCl_2$ (yield = 1.18 cubic feet per sack, weight = 15.2 pounds per gallon) to cover the Mesa Verde and Pictured Cliffs. Volume ≥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 chem	9.0	50	NC	9
350' - TD'	Fresh water gel chem	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. CORING, TESTING, & LOGGING

No cores or DSTs are planned. DIL/GR logs will be run from TD to surface. CNL/FDC logs may be run over selected segments. Samples will be collected every 10' from 200' above the Pt. Lookout to the base of the Pt. Lookout and