

N.M. Oil Cons. DIV-Dist. 2

1301 W. Grand Avenue

Artesia, NM 88210

FORM APPROVED
OMB No. 1004-0136
Expires November 30, 2000

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

APPLICATION FOR PERMIT TO DRILL OR REENTER

1a. Type of Work: <input checked="" type="checkbox"/> DRILL <input type="checkbox"/> REENTER		5. Lease Serial No. NM-0559993	
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 McClellan Oil Corporation		7. If Unit or CA Agreement, Name and No.	
3a. Address P.O. Box 730 Roswell, NM 88202		8. Lease Name and Well No. Jack Federal, Well No. 1	
3b. Phone No. (include area code) (505) 622-3200		9. API Well No. 30-005-63700	
4. Location of Well (Report location clearly and in accordance with any State requirements. *) At surface 1980' FSL & 1980' FEL At proposed prod. zone same		10. Field and Pool, or Exploratory Four Ranch Wolfcamp	
14. Distance in miles and direction from nearest town or post office* 17 road miles northeast of Roswell, NM		11. Sec., T., R., M., or Blk. and Survey or Area Sec. 25-T9S-R25E	
15. Distance from proposed* location to nearest property or lease line, ft. (Also to nearest drig. unit line, if any) 1980'	16. No. of Acres in lease 1,872.48	17. Spacing Unit dedicated to this well 320	12. County or Parish Chaves
18. Distance from proposed location* to nearest well, drilling, completed, applied for, on this lease, ft. 1361'	19. Proposed Depth 5500'	20. BLM/BIA Bond No. on file NM-2301	13. State NM
21. Elevations (Show whether DF, KDB, RT, GL, etc.) 3663' GL	22. Approximate date work will start* July 5, 2004	23. Estimated duration 3 - 4 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. | 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 shall be filed with the appropriate Forest Service Office). | 6. Such other site specific information and/or plans as may be required by the authorized officer. |

25. Signature <i>George R. Smith</i>	Name (Printed/Typed) George R. Smith	Date 05/28/04
Title Agent for McClellan Oil Corp.		
Approved by (Signature) /S/LARRY D. BRAY	Name (Printed/Typed) /S/LARRY D. BRAY	Date JUN 28 2004
Title Assistant Field Manager, Lands And Minerals	Office ROSWELL FIELD OFFICE	APPROVED FOR 1 YEAR

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 reverse)

Lease Responsibility Statement: McClellan Oil Corporation accepts all applicable terms, conditions, stipulations and restrictions concerning operations conducted on the leased land or portion thereof.

CEMENT TO COVER ALL OIL,
GAS AND WATER BEARING
ZONES i.e.; 6101111111
OCD

APPROVAL SUBJECT TO
GENERAL REQUIREMENTS AND
SPECIAL STIPULATIONS ATTACHED

George R. Smith
George R. Smith, agent

**APPLICATION FOR DRILLING
MCCLELLAN OIL CORPORATION**
Jack Federal, Well No. 1
1980' FSL & 1980' FEL, Sec. 25-T9S-R25E
Chaves County, New Mexico
Lease No.: NM-0559993
(Development Well)

In conjunction with Form 3160-3, Application for Permit to Drill subject well, McClellan Oil Corporation submits the following items of pertinent information in accordance with BLM requirements:

1. The geologic surface formation is recent Permian with quaternary alluvium and other surficial deposits.
2. The estimated tops of geologic markers are as follows:

San Andres	610'	Penn Lime	5,183
Glorieta	1,692'	Strawn	5,305'
Tubb	3,184'	Granite Wash	5,366'
Abo	3,935'	T.D.	5,500'
Wolfcamp	4,609'		
Wolfcamp 3	4,962'		

3. The estimated depths at which water, oil or gas formations are anticipated to be encountered:

Water: Surface water in the Triassic between 80' - 230'.
Oil: Possible in San Andres
Gas: Possible in the Abo, Wolfcamp or Penn.

4. Proposed Casing Program:

HOLE SIZE	CASING SIZE	WEIGHT	GRADE	JOINT	SETTING DEPTH	QUANTITY OF CEMENT
12 1/4"	8 5/8 "	24.0#	J-55	ST&C	900'	Circ. 500 sx "C"
7 7/8"	5 1/2"	15.5#	J-55	ST&C	5,500'	500 sx "C"

5. Proposed Control Equipment: See Exhibit "E":

BOP Program:

A 10" 3000 psi wp Shaffer, Type E, double ram BOP, will be installed on the 8 5/8" casing and used as a 2000 psi wp system. Casing and BOP will be tested before drilling out with 7 7/8". ~~Request waiver to test to a maximum of 1000 psi wp with a rig pump.~~

6. Mud Program:		MUD WEIGHT	VIS.	W/L CONTROL
0' - 900':	Fresh water with native mud	8.8 - 9.2 ppg	36 - 40	No W/L control
900' - 3800':	Use 10# brine mud to top of Abo	10.0 - 10.2 ppg	28 - 30	No W/L control
3800' - 5500':	Brine mud w/6 % diesel:	9.8 - 10.2 ppg	40 - 45	W/L control <10 cc

7. Auxiliary Equipment: Blowout Preventer, gas detector, Kelly cock,.

8. Testing, Logging, and Coring Program:

Drill Stem Tests: None planned.

Logging: T.D. to 1100': Schlumberger Platform Express: 3 Detector Litho Density, Azimuthal Laterlog
Micro-CFL/NGT, Borehole Compensated Sonic Natural Gamma Ray Logs
1100' to surface: GR/Neutron

Coring: None planned.

McCLELLAN OIL CORPORATION

Jack Federal, Well No. 1

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9. No abnormal pressures or temperatures are anticipated. In the event abnormal pressures are encountered, the proposed mud program will be modified to increase the mud weight. Estimated surface pressure = 1210 psi (evac. hole) with BH temperature of 115°.
10. H₂S: None expected. None in previously drilled wells.
11. Anticipated starting date: July 5, 2004.
Anticipated completion of drilling operations: Approx. 4 weeks.

MULTI POINT SURFACE USE AND OPERATIONS PLAN

MCCLELLAN OIL CORPORATION

Jack Federal, Well No 1
1980' FSL & 1980' FEL, Sec. 25-T9S-R25E
Chaves County, New Mexico
Lease No.: NM-0559993
(Foor Ranch Wolfcamp)

This plan is submitted with the Application for Permit to Drill the above described well. The purpose of the plan is to describe the location of the proposed well, the proposed construction activities and operations plan, to be followed in rehabilitating the surface environmental effects associated with the operations.

1. EXISTING ROADS:

- A. Exhibit "A" is a portion of a BLM Comanche Spring Topo map showing the location of the proposed well as staked. The well site location is approximately 17 road miles northeast of Roswell, NM. Traveling east of Roswell on U.S. Highway 380 there will be 10 miles of paved road and 7 miles of gravel county/ ranch roads.
- B. Directions: Travel east of Roswell, NM on U. S. Highway #380 for 10 miles to the Bottomless Lakes turnoff. Turn north on gravel county road for approximately 5 miles and cross a cattle guard that is approximately 1500 feet east of the ranch house and windmill. Continue northwest for .2 mile to a road intersection; turn left (northwest) along oilfield pipeline for approximately 1.2 miles to a road on the right (north). Turn northeast on this road for .3 mile, passing the MM Federal #7 well site on the right. The proposed access road will start on the north side of this pad, running east for 900 feet to the southwest corner of the proposed well site.

2. PLANNED ACCESS ROAD:

- A. Length and Width: The proposed access road will be approximately 900 feet in length, 12 feet wide (24' Max.). The proposed and existing roads are color coded on Exhibit "A".
- B. Construction: The new access road will be constructed by grading and topping with compacted caliche. The surface will be properly drained.
- C. Turnouts: There may be one turnout at the midpoint increasing the width to 20 feet for passing.
- D. Culverts: None required.
- E. Cuts and Fills: None required.
- F. Gates, Cattle guards: None required.
- G. Off Lease ROW: None required.

3. LOCATION OF EXISTING WELLS:

- A. Existing wells within a two-mile radius are shown on Exhibit "C".

McCLELLAN OIL CORPORATION

Jack Federal, Well No 1

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4. LOCATION OF EXISTING AND/OR PROPOSED FACILITIES;

- A. McClellan Oil Corporation has no production facilities on the lease at this time.
- B. If the well proves to be commercial, the necessary production facilities and gas production-process equipment and tank battery, if required, will be installed on the drilling pad. The gas purchaser will run the gas lines to the well site.

5. LOCATION AND TYPE OF WATER SUPPLY:

- A. It is planned to drill the proposed well with fresh water that will be obtained from private or commercial sources and will be transported over the existing and proposed access roads.

6. SOURCE OF CONSTRUCTION MATERIALS:

- A. Caliche for surfacing the proposed access road and well site pad will be obtained from a pit on the location if available or from a Federal pit in the SW¼NE¼, Sec. 25-T9S-R25E. No surface materials will be disturbed except those necessary for actual grading and leveling of the drill site and access roads.

7. METHODS OF HANDLING WASTE DISPOSAL:

- A. Drill cuttings will be disposed of in the reserve pits.
- B. Drilling fluids will be allowed to evaporate in the reserve pits until the pits are dry.
- C. All pits will be fenced with normal fencing materials to prevent livestock from entering the area.
- D. Water produced during operations will be collected in tanks until hauled to an approved disposal system, or a separate disposal application will be submitted to the BLM for approval.
- E. Oil produced during operations will be stored in tanks until sold.
- F. Current laws and regulations pertaining to the disposal of human waste will be complied with.
- G. Trash, waste paper, garbage and junk will be contained in trash bins to prevent scattering by the wind and will be removed for deposit in an approved sanitary landfill within 30 days after finishing drilling and/or completion operations.

8. ANCILLARY FACILITIES:

- A. None required.

McCLELLAN OIL CORPORATION

Jack Federal, Well No 1

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9. WELL SITE LAYOUT:

- A. Exhibit "D" shows the relative location and dimensions of the well pad, reserve pits, and major rig components. The original pad and pit area was staked and flagged, 500' X 500' for archaeological clearance.
- B. Mat Size: 260' X 185', plus 100' X 100' reserve pits on the north
- C. Cut & Fill: The center of the pad will be cut 3 – 4 feet with fill to the south, west, north and northwest.
- D. The surface will be topped with compacted caliche and the reserve pits will be plastic lined.

10. PLANS FOR RESTORATION OF THE SURFACE:

- A. After completion of drilling and/or completion operations, all equipment and other material not required for operations will be removed. Pits will be filled and the location cleaned of all trash and junk to leave the well site in an aesthetically pleasing condition as possible.
- B. Any unguarded pits containing fluids will be fenced until they are filled.
- C. If the proposed well is non-productive, all rehabilitation and/or vegetation requirements of the Bureau of Land Management will be complied with and will be accomplished as expeditiously as possible. All pits will be filled and leveled as soon as they are dry enough to be worked.

11. OTHER INFORMATION:

- A. Topography: The well site and access road are located in an area that has a southwest facing slope that drains toward the Pecos River. There is an overall 1.33% slope to the southwest from an elevation of 3663' GL.
- B. Soil: The topsoil at the well site is a light brown colored loam with scatter of gravel. The soil is of the Holloman-Gypsum land complex series.
- C. Flora and Fauna: The vegetation cover is a fairly good grass cover of threeawn, grama, dropseed, sacaton, bush muhly along with plants of mesquite, broomweed, yucca, cacti and miscellaneous weeds and wildflowers. The wildlife consists of rabbits, antelope, deer, coyotes, rattlesnakes, lizards, dove, quail and other wildlife typical of the semi-arid desert land.
- D. Ponds and Streams: None in the immediate vicinity except an intermittent spring fed draw .5 miles southwest.
- E. Residences and Other Structures: None in immediate vicinity except oilfield production equipment.
- F. Land Use: Cattle grazing.
- G. Surface Ownership: The proposed well site and access road are on Federal surface.
- H. There is no evidence of any archaeological, historical or cultural sites in the area. Archaeological Survey Consultants, P. O. Box D, Roswell, NM 88202 is conducting an archaeological survey and their report was submitted to the appropriate government agencies.

12. OPERATOR'S REPRESENTATIVE:

- A. The field representative for assuring compliance with the approved use and operations plan is as follows:

Mark McClellan
McCLELLAN OIL CORPORATION
P. O. Box 730
Roswell, NM 88202
Office Phone: (505) 622-3200
Home Phone: (505) 622-2128

13. CERTIFICATION:

I hereby certify that I have inspected the proposed drill site and access route; that I am familiar with the conditions which presently exist; that the statements made in the plan are, to the best of my knowledge, true and correct; and, that the work associated with the operations proposed herein will be performed by McClellan Oil Corporation and its contractors and subcontractors in conformity with this plan and the terms and conditions under which it is approved. This statement is subject to the provisions of 18 U.S.C. 1001 for the filing of a false statement.

May 28, 2004



George R. Smith
Agent for: McClellan Oil Corporation

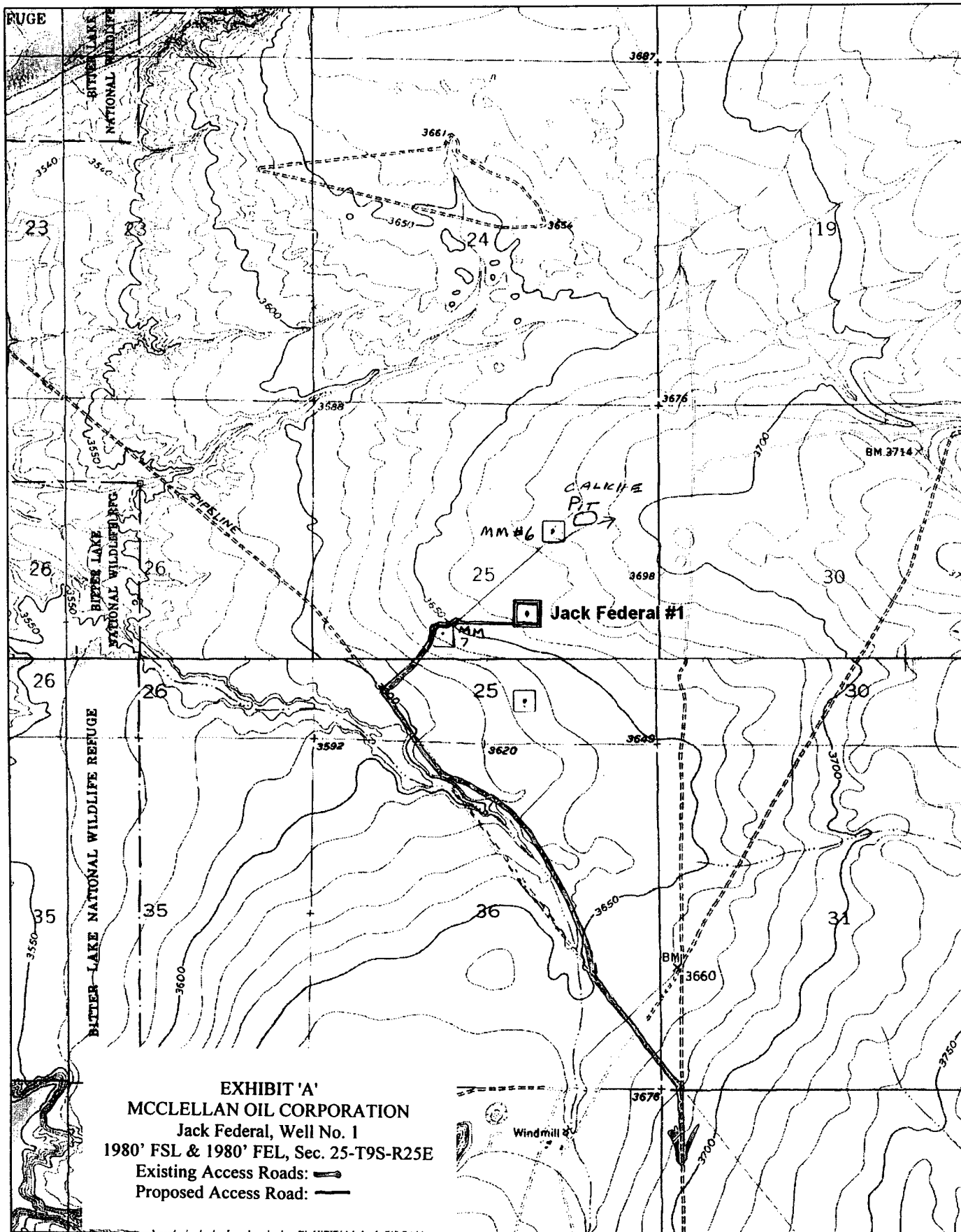


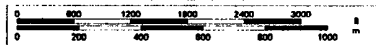


EXHIBIT 'A'
MCCLELLAN OIL CORPORATION
 Jack Federal, Well No. 1
 1980' FSL & 1980' FEL, Sec. 25-T9S-R25E
 Existing Access Roads: 
 Proposed Access Road: 

DELORME

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Scale 1 : 24,000
 1" = 2000 ft



TN
 MN
 9.3°E

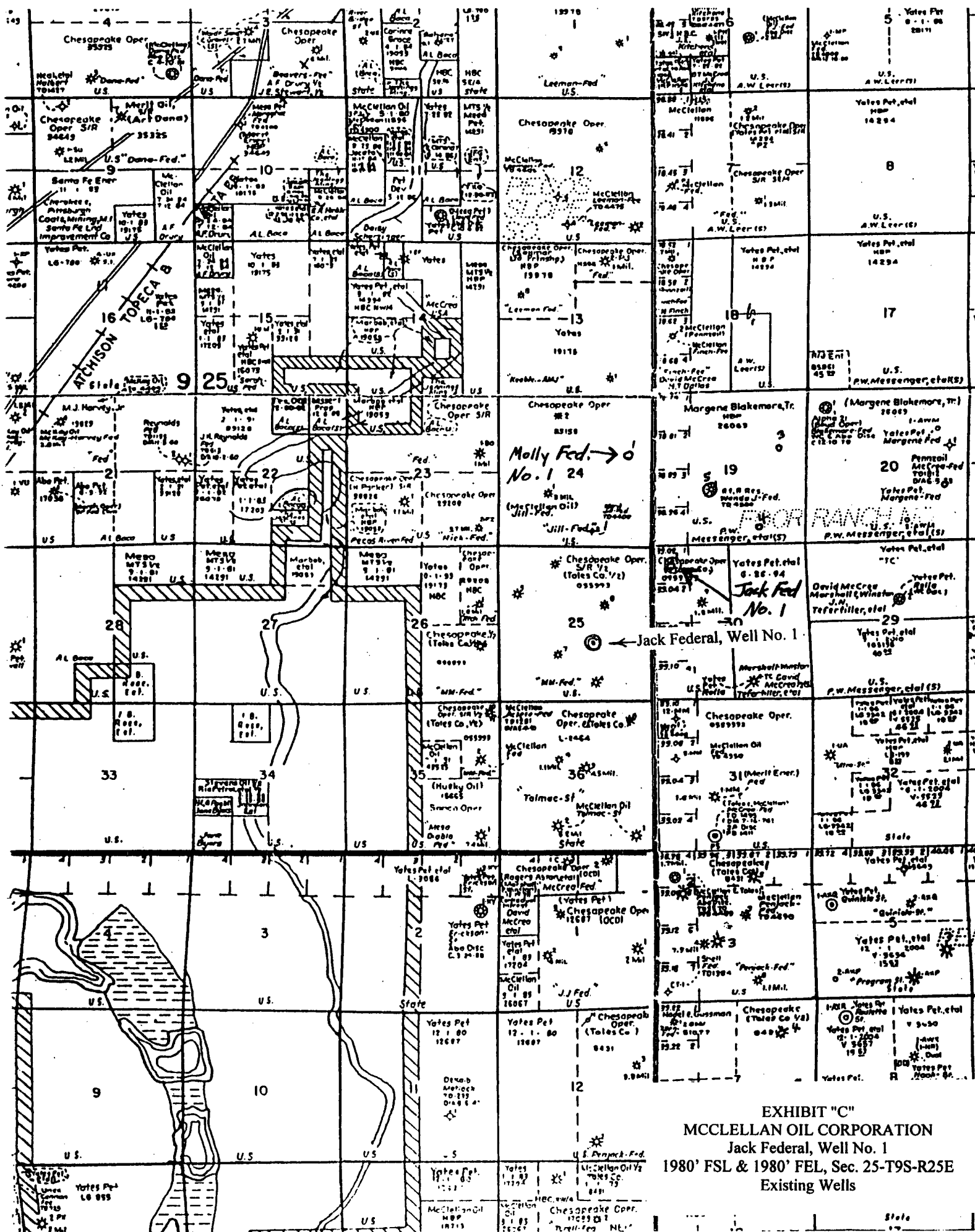
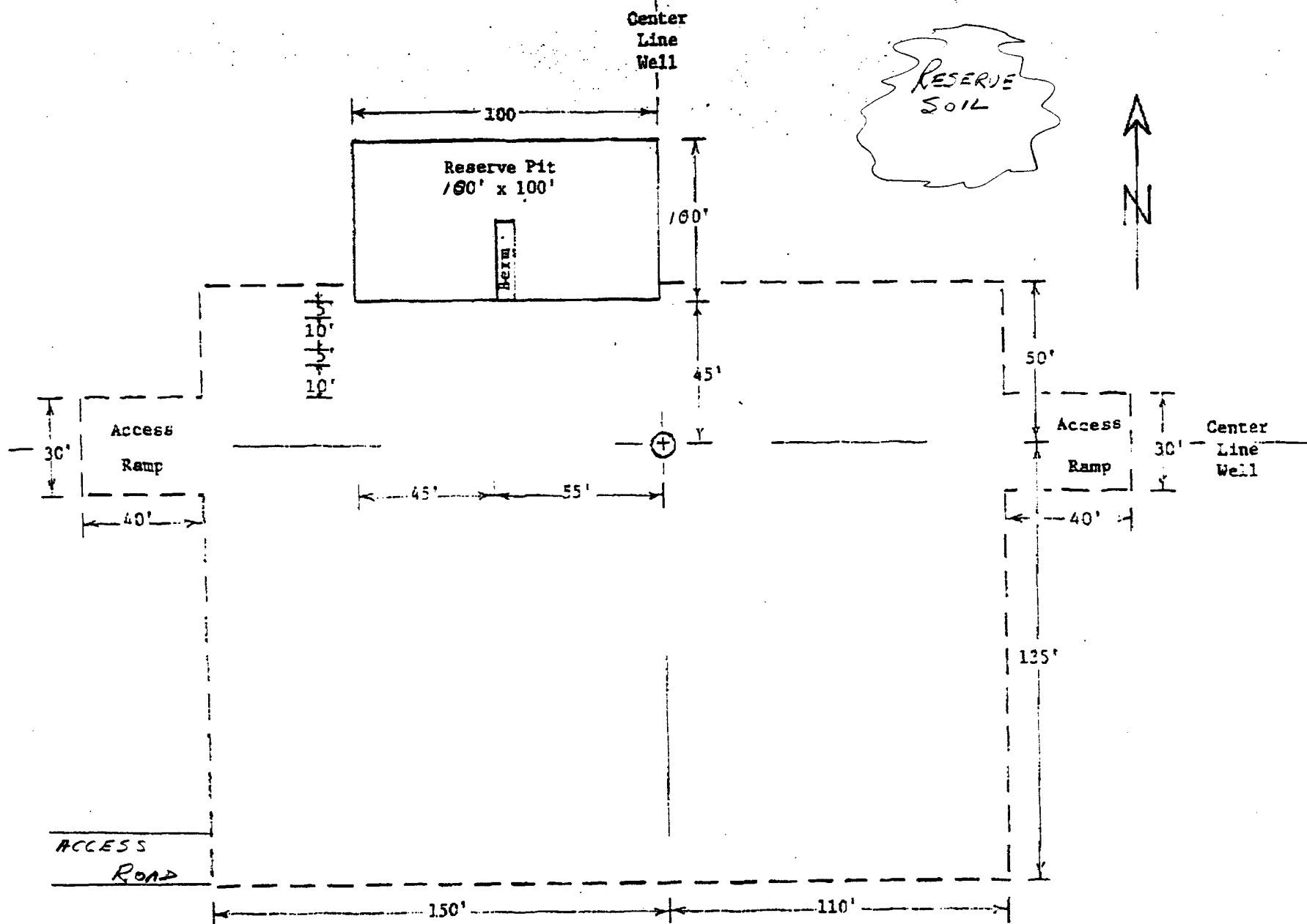


EXHIBIT "C"
MCCLELLAN OIL CORPORATION
Jack Federal, Well No. 1
1980' FSL & 1980' FEL, Sec. 25-T9S-R25E
Existing Wells



UNITED DRILLING, INC.

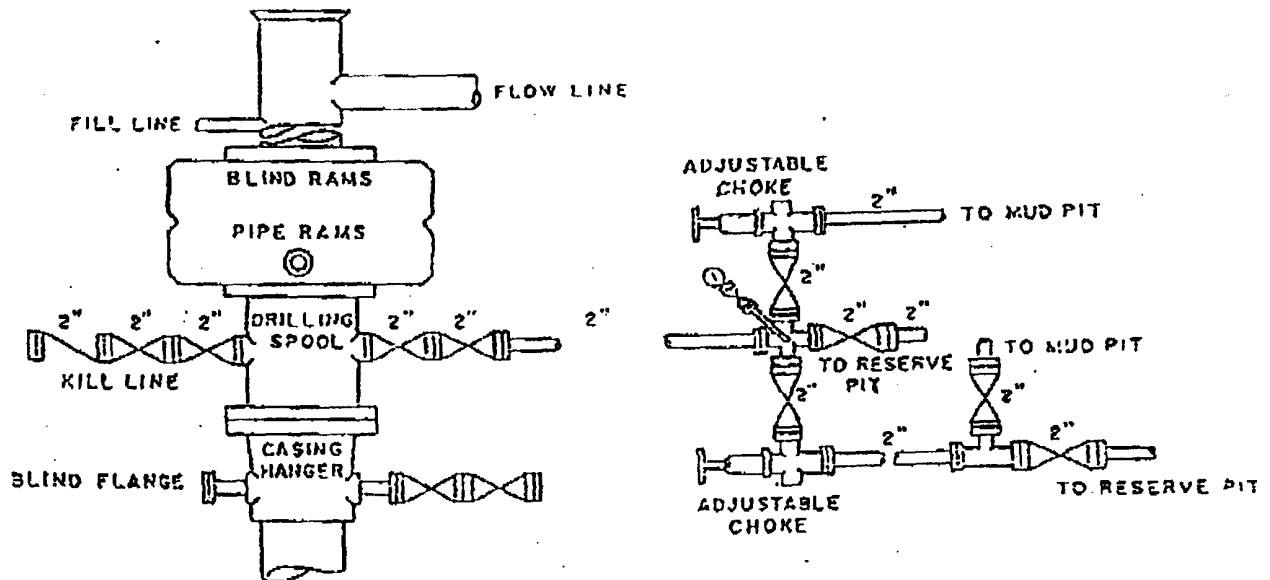
LOCATION PLAT

RIG 5

SECTION 18-101 10 0 00

EXHIBIT "E"
MCCLELLAN OIL CORPORATION
Jack Federal, Well No. 1
BOP Specifications

11" Cameron Double Ram BOP



BOP DIAGRAM

3000# Working Pressure
Rams Operated Daily

EXHIBIT "D"
MCCLELLAN OIL CORPORATION
Jack Federal, Well No. 1
Pad & Pit Layout

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-144
March 12, 2004

For drilling and production facilities, submit to appropriate NMOCD District Office.
For downstream facilities, submit to Santa Fe office

Pit or Below-Grade Tank Registration or Closure

Is pit or below-grade tank covered by a "general plan"? Yes ☐ No ☒

Type of action: Registration of a pit or below-grade tank ☒ Closure of a pit or below-grade tank ☐

Operator: McClellan Oil Corporation Telephone: 505-622-3200 e-mail address: _____

Address: P.O. Box 730 Roswell, NM 88202

Facility or well name: Jack Federal, Well #1 API #: _____ U/L or Qtr/Qtr J Sec 25 T 9S R 25E

County: Chaves Latitude _____ Longitude _____ NAD: 1927 ☐ 1983 ☐ Surface Owner Federal ☒ State ☐ Private ☐ Indian ☐

Pit
Type: Drilling ☒ Production ☐ Disposal ☐
Workover ☐ Emergency ☐
Lined ☒ Unlined ☐
Liner type: Synthetic ☐ Thickness brine pit 20 mil Clay ☐ Volume _____ bbl

Below-grade tank

Volume: _____ bbl Type of fluid: _____
Construction material: _____
Double-walled, with leak detection? Yes ☐ If not, explain why not. _____

Depth to ground water (vertical distance from bottom of pit to seasonal high water elevation of ground water. 90')

Less than 50 feet	(20 points)
<u>50 feet or more, but less than 100 feet</u>	(10 points)
100 feet or more	(0 points)

Wellhead protection area: (Less than 200 feet from a private domestic water source, or less than 1000 feet from all other water sources.)

Yes	(20 points)
<u>No</u>	(0 points)

Distance to surface water: (horizontal distance to all wetlands, playas, irrigation canals, ditches, and perennial and ephemeral watercourses.)

Less than 200 feet	(20 points)
200 feet or more, but less than 1000 feet	(10 points)
<u>1000 feet or more</u>	(0 points)

Ranking Score (Total Points)

If this is a pit closure: (1) attach a diagram of the facility showing the pit's relationship to other equipment and tanks. (2) Indicate disposal location:

onsite ☐ offsite ☐ If offsite, name of facility _____ (3) Attach a general description of remedial action taken including remediation start date and end date. (4) Groundwater encountered: No ☐ Yes ☐ If yes, show depth below ground surface _____ ft. and attach sample results. (5) Attach soil sample results and a diagram of sample locations and excavations.

I hereby certify that the information above is true and complete to the best of my knowledge and belief. I further certify that the above-described pit or below-grade tank has been/will be constructed or closed according to NMOCD guidelines ☒, a general permit ☐, or an (attached) alternative OCD-approved plan ☐.

Date: May 28, 2004

Printed Name/Title George R. Smith, agent for McClellan Oil Corporation

Signature George R. Smith

Our certification and NMOCD approval of this application/closure does not relieve the operator of liability should the contents of the pit or tank contaminate ground water or otherwise endanger public health or the environment. Nor does it relieve the operator of its responsibility for compliance with any other federal, state, or local laws and/or regulations.

Approval:

Date: _____

Printed Name/Title _____ Signature _____