

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

APPLICATION FOR PERMIT TO DRILL OR REENTER

FORM APPROVED
OMB No. 1004-0136
Expires January 31, 2004

RECEIVED
2004 MAY 25 PM 12:15

1a. Type of work: <input checked="" type="checkbox"/> DRILL <input type="checkbox"/> REENTER		5. Lease Serial No. SF079048	
1b. Type of Well: <input type="checkbox"/> Oil Well <input checked="" type="checkbox"/> Gas Well <input type="checkbox"/> Other <input type="checkbox"/> Single Zone <input checked="" type="checkbox"/> Multiple Zone		6. If Indian, Allottee or Tribe Name	
2. Name of Operator McElvain Oil & Gas Properties, Inc.		7. If Unit or CA Agreement, Name and No.	
3a. Address 1050 17th Street, Suite 1800 Denver, CO 80265		8. Lease Name and Well No. Stateline Com No. 1B	
3b. Phone No. (include area code) 303.893.0933 X302		9. API Well No. 30-045-32378	
4. Location of Well (Report location clearly and in accordance with any State requirements) At surface 2250' FSL - 2050' FEL, Section 7, T32N, R9W, NMPM At proposed prod. zone Same		10. Field and Pool, or Exploratory Blanco Mesa Verde/Basin Dakota	
11. Sec., T. R. M. or Blk. and Survey or Area Sec. 7, T32N, R9W, NMPM		12. County or Parish San Juan	
13. State NM		14. Distance in miles and direction from nearest town or post office* 15.5 miles northeast of Aztec, NM	
15. Distance from proposed* location to nearest property or lease line, ft. (Also to nearest drig. unit line, if any) 395' 660'		16. No. of acres in lease 160	
17. Spacing Unit dedicated to this well 288.73 acs		18. Distance from proposed location* to nearest well, drilling, completed, applied for, on this lease, ft. 1250'	
19. Proposed Depth 8455'		20. BLM/BIA Bond No. on file LPM4138223	
21. Elevations (Show whether DF, KDB, RT, GL, etc.) 6958' GL		22. Approximate date work will start* 09/01/2004	
23. Estimated duration 25 days		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 <i>Robert E. Fielder</i>	Name (Printed/Typed) Robert E. Fielder	Date 05/24/2004
Title Agent		
Approved by (Signature) <i>Charlie Brecher</i>	Name (Printed/Typed)	Date 11/1/04
Title ACTING AFM MINERALS		
Office		

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)

RECEIVED

DRILLING OPERATIONS AUTHORIZED ARE
IN COMPLIANCE WITH ATTACHED
"MINERAL RIGHTS"

This action is subject to technical and
procedural review pursuant to 43 CFR 3165.6
and appeal pursuant to 43 CFR 3165.4

District II
PO Drawer DD, Artesia, NM 88211-0719

District III
1000 Rio Brazos Rd., Aztec, NM 87410

District IV
PO Box 2088, Santa Fe, NM 87504-2088

OIL CONSERVATION DIVISION
PO Box 2088
Santa Fe, NM 87504-2088

Instructions on back
Submit to Appropriate District Office
State Lease - 4 Copies
Fee Lease - 3 Copies

☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

*API Number 30-05-32378		*Pool Code 72319 / 71599		*Pool Name BLANCO MESAVERDE / BASIN DAKOTA	
*Property Code 21011		*Property Name STATELINE COM			*Well Number 1B
*OGRID No. 22044		*Operator Name McELVAIN OIL & GAS PROPERTIES			*Elevation 6958'

¹⁰ Surface Location

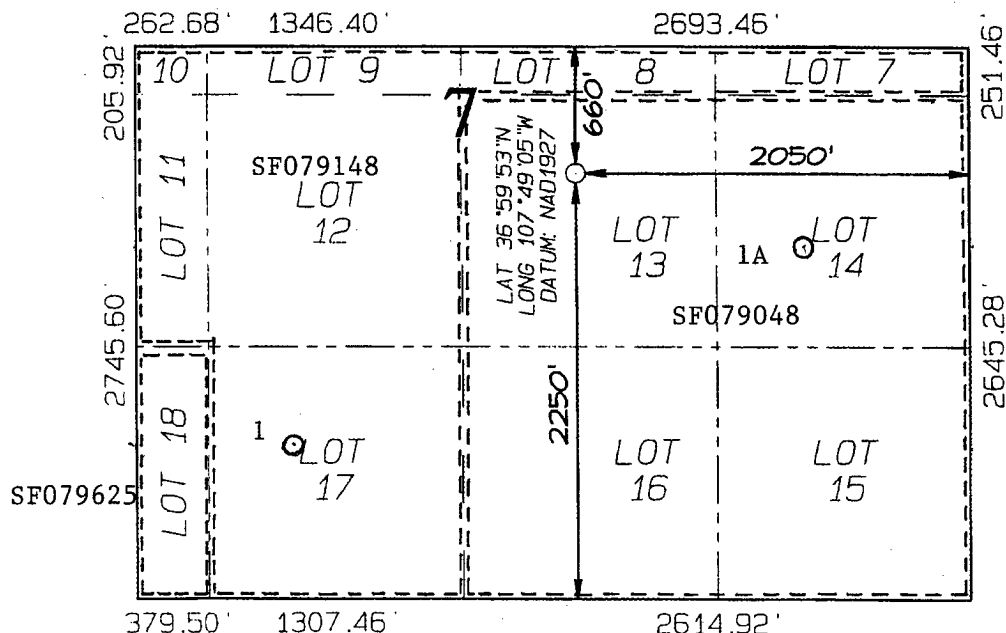
UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
J	7	32N	9W		2250	SOUTH	2050	EAST	SAN JUAN

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 288.73 Acres - Entire Section	¹³ Joint or Infill Y	¹⁴ Consolidation Code	¹⁵ Order No.
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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.

Robert E. Fielder

Signature

Robert E. Fielder

Printed Name

Agent

Title

May 21, 2004

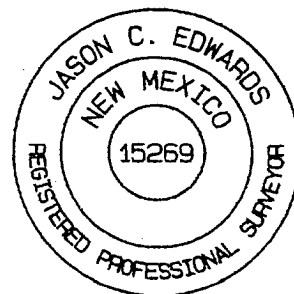
Date

¹⁸ SURVEYOR CERTIFICATION

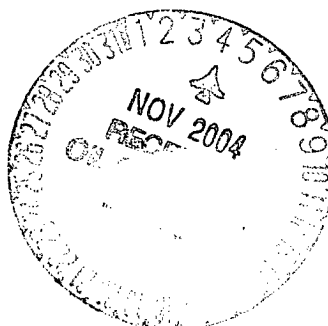
I hereby certify that the well location
shown on this plat was plotted from field
notes of actual surveys made by me or under
my supervision, and that the same is true
and correct to the best of my belief.

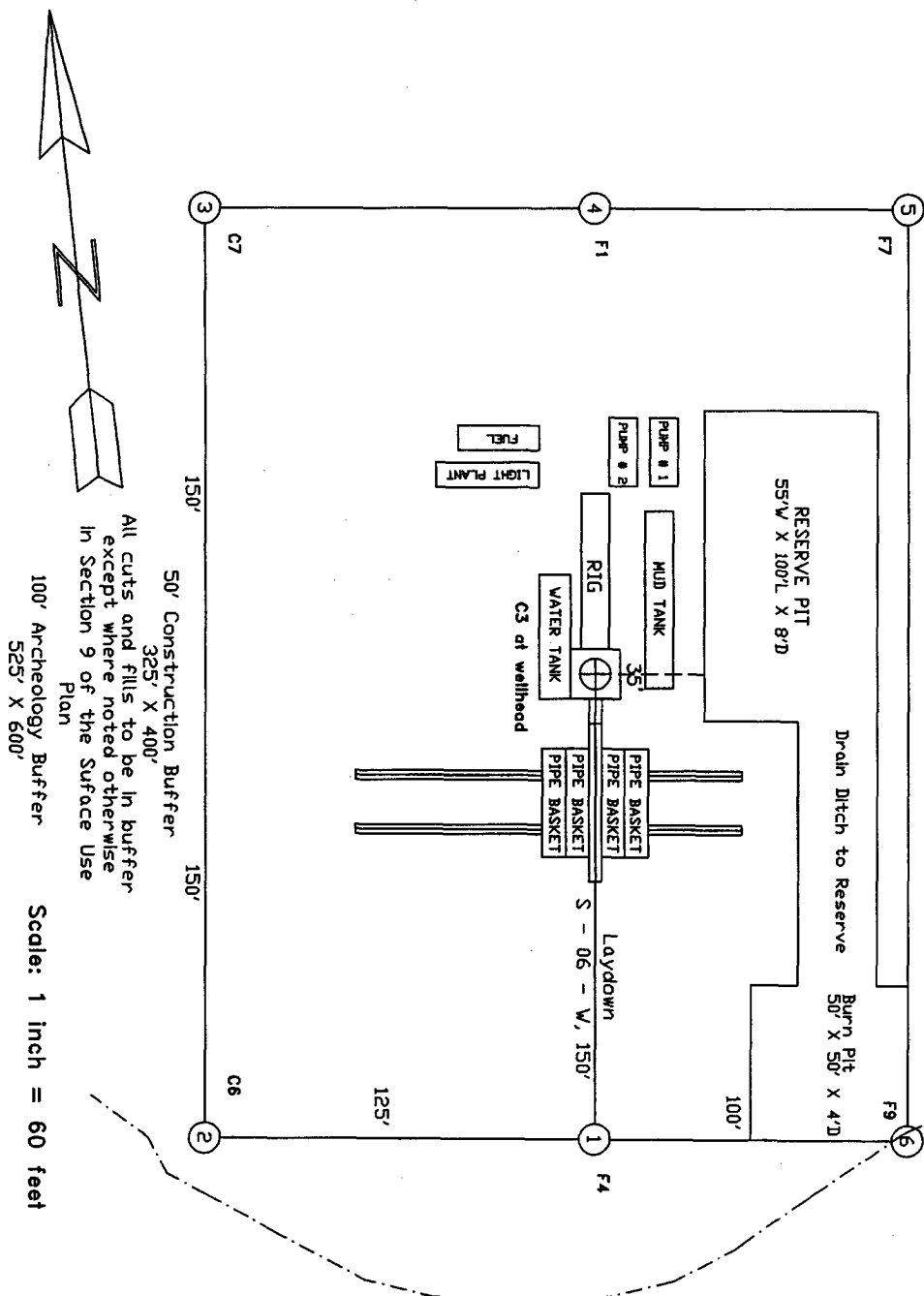
Date of Survey: MARCH 24, 2004

Signature and Seal of Professional Surveyor



JASON C. EDWARDS
Certificate Number 15269





McElvain Oil & Gas Properties, Inc.

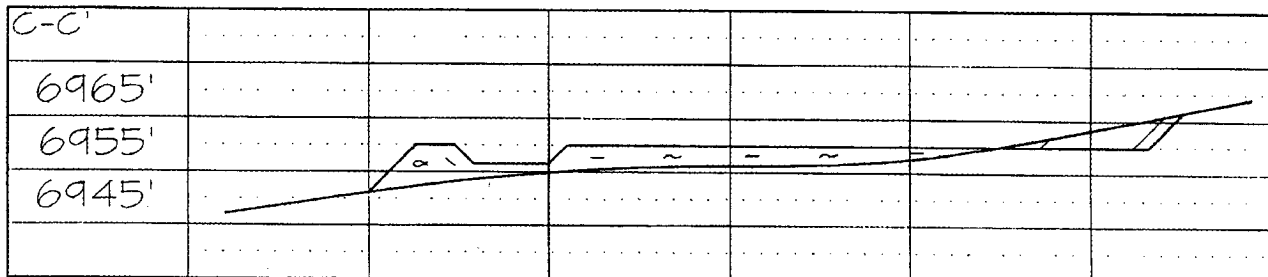
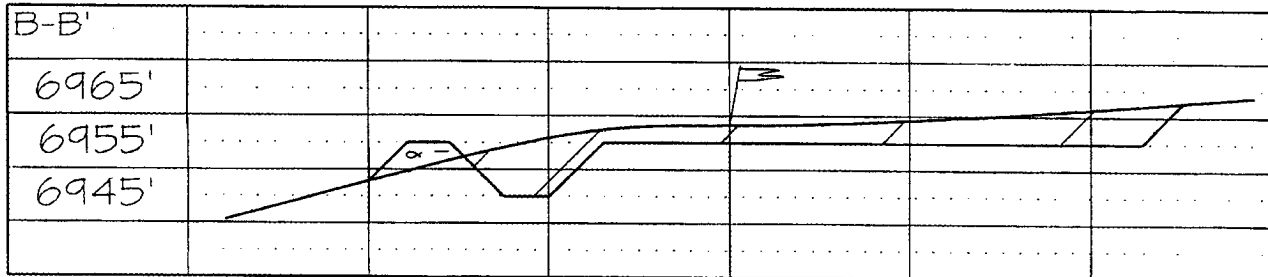
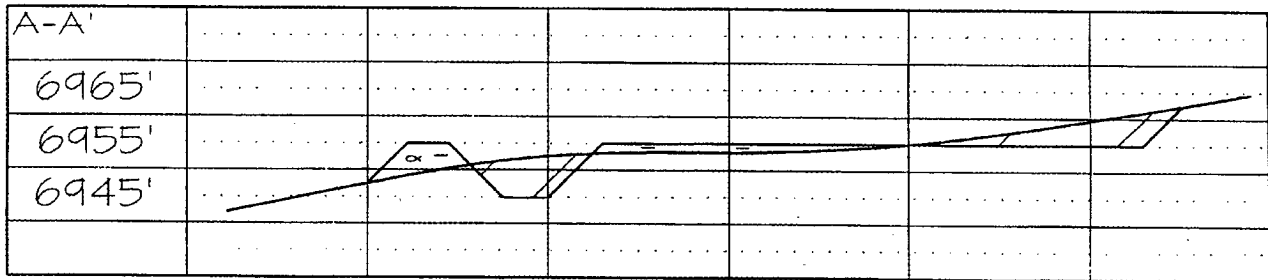
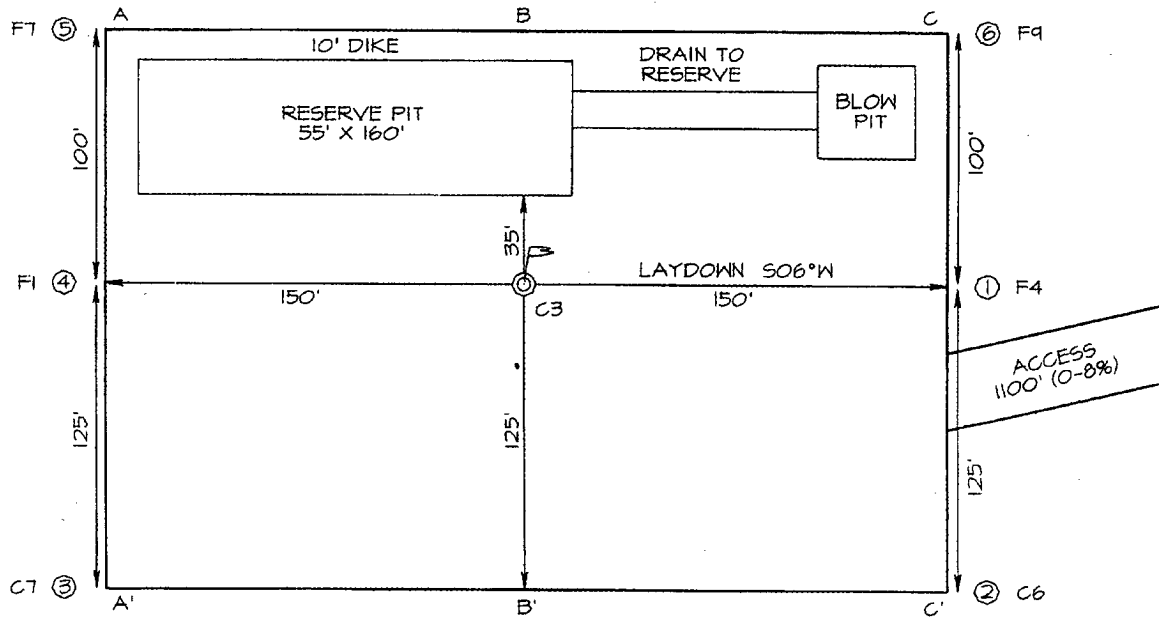
Wellsite Layout
 Stateline Com No. 1B
 2250' FSL - 2050' FEL
 Section 7, T32N, R9W, NMPM
 San Juan Co., New Mexico

Scale: 1 inch = 60 feet

McELVAIN OIL & GAS PROPERTIES STATELINE COM #1B
2250' FSL, 2050' FEL, SECTION 7, T32N, R9W, NMPM
SAN JUAN COUNTY, NM GROUND ELEVATION: 6958'



LATITUDE: 36°59'53"
LONGITUDE: 107°49'05"
 DATUM: NAD1927



McElvain Oil & Gas Properties, Inc.

Stateline Com No. 1B

2250' FSL & 2050' FEL

Section 7, T32N, R9W, NMPM

San Juan County, New Mexico

TEN POINT DRILLING PROGRAM

1. **Surface Formation:** San Jose

2. **Surface Elevation:** 6958' GL.

3. **Estimated Formation Tops:**

<u>Formation</u>	<u>Top - feet</u>	<u>Expected Production</u>
Ojo Alamo	2570	
Fruitland	3320	
Pictured Cliffs	3720	GAS
Lewis	4028	
Intermediate TD	4088	
Huerfanito	4880	
Cliff House	5460	GAS
Menefee	5560	GAS
Pt. Lookout	5880	GAS
Upper Mancos	6060	
Gallup	7045	GAS
Lower Mancos	7650	
Greenhorn	8140	
Graneros	8205	GAS
Dakota	8305	GAS
TOTAL DEPTH	8455	

4. **Surface Hole Program:**

Bit: Drill a 12 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 9 5/8" 36# J-55 or K-55 ST&C casing will be set and cemented to the surface in a single stage with 265 sacks of Class "B" cement (yield = 1.18 cf/sk) containing 3% 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 1/4" by 9 5/8" annulus. Minimum clearance between couplings and hole is 0.8125". 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 or 100,000 lb overpull, whichever is greater.

WOC 12 HOURS. Nipple up 11" 2000# BOPE. Pressure test surface casing and BOPE to 600 psi for 15 minutes.

Drilling Program

McElvain Oil & Gas Properties, Inc.

Stateline Com No. 1B

Page Two

4. Surface Hole Program: - continued

Centralizers: Run three (3) 9 $\frac{3}{4}$ " 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 run on bottom of first joint. Self fill insert float valve run in top of first joint. Thread lock shoe and connection between first and second joint run.

5. Intermediate Hole Program:

Bit: Drill an 8 $\frac{3}{4}$ " hole to 4088' using TCI, IADC Class 447 bit. WOB: 35-45K. RPM: 60 - 75. Reduce RPM to 55 - 65 through Ojo Alamo.

Mud: Use a fresh water base LSND 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>
500 - 3120	8.6 - 8.8	9.0-9.5	28 - 35	10 - 12
3120 - 4088	8.9 - 9.2	9.0-9.5	35 - 50	8 - 10

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 rig pits 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.

Hole will be drilled to top of Fruitland using polymer and drispac additions to water. Mud up before drilling into Fruitland.

Lost Circulation is expected and can occur in the Fruitland Coal and Pictured Cliffs formation. Mud weights should be controlled as low as possible with solids control equipment then as low as practical 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 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. 7" rams will be installed before running intermediate 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.

Drilling Program
McElvain Oil & Gas Properties, Inc.
Stateline Com No. 1B
Page Three

5. Intermediate Hole Program: - continued

Logging Program: No logs will be run in intermediate hole.

Casing and Cementing Program: Run 7" 20# J-55 production casing from surface to Intermediate TD and cement in 2 stages with a mechanical DV tool installed \pm thirty feet below the Kirtland top. **Stage 1** (4088' - 2681') will be cemented with 90 sacks (190.8 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 100 sacks (126.0 cf) of Class B with 2% CaCl_2 , 5 pps gilsonite and 0.25 pps celloflake mixed at 15.2 ppg to yield 1.26 cf/sk. **Stage 2** (2681' - surface) will be cemented with 160 sacks (339.2 cf) of 65/35 Class B Poz with 5 pps gilsonite and 0.25 pps celloflake mixed at 12.1 PPG to yield 2.12 cf/sk. Followed with 50 sacks (63.0 cf) of Class B with 2% CaCl_2 , 5 pps gilsonite and 0.25 pps celloflake mixed at 15.2 PPG to yield 1.26 cf/sk.

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

Slurry volumes assume a 50% excess over gauge hole volume. Minimum clearance between couplings and hole is 0.5470". Safety factors utilized in the design of this casing string were: burst = 1.1; collapse = 1.125; and tension = 1.8 or 100,000 lb over pull, whichever is greater.

WOC 12 HOURS from plug down on first stage. Pressure test intermediate casing and BOPE to 1500 psi for 15 minutes.

Centralizers: 10 - 7" X 8 3/4" bowspring centralizers will be run across all prospective pays and 5 - 7" X 8 3/4" turbolizers will be spaced such that one (1) is just below the Basal Fruitland Coal, two (2) across base of Ojo Alamo, and two (2) across base of Nacimiento.

Float Equipment: Cement nose float shoe, 1 joint 7" casing, float collar, and 1 - mechanical DV tool with 2 cement baskets below the DV.

6. Production Hole Program:

Bits: Drill a 6 1/4" hole to 8455' feet using air hammer. WOB: 5 - 25K. RPM: to be determined by drilling conditions. If hole gets wet use TCI, IADC class 637 to finish hole.

Mud: Air from Intermediate casing shoe to TD. If hole gets wet use a fresh water based low solids non dispersed system with the following properties: **Note:** Pull into intermediate casing to mud up.

<u>Interval (ft)</u>	<u>Weight (ppg)</u>	<u>pH</u>	<u>Vis(sec/qt)</u>	<u>Water Loss</u>
? - TD	8.6 - 9.0	9.0-9.5	28 - 40	8 - 10 cc

Drilling Program
McElvain Oil & Gas Properties, Inc.
Stateline Com No. 1B
Page Four

6. Production Hole Program: - continued

Pressure Control: A 2M psi BOP well control system will be utilized. BOP's and choke manifold will be installed and pressure tested to a minimum of 1500 psig before drilling out from under intermediate casing. Mechanical operation of pipe rams will be checked daily and blind rams will be checked on each trip out of hole. 4 1/2" 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: Induction and Compensated density/Epithermal neutron logs from TD to intermediate casing shoe. Pull gamma ray to surface for correlation purposes.

Casing and Cementing Program: Run 4 1/2" 10.5# J-55 (0 - 6700') and 11.6# J-55 (6700' - TD) production casing. Cement in a single stage with 115 sacks (231.15 cf) of 65/35 Class H containing 5 pps gilsonite and 0.25 pps celloflake mixed at 12.3 PPG to yield 2.01 cf/sk. Followed with 420 sacks (558.6 cf) of 50/50 Class H POZ with 2% gel, 5 pps gilsonite, 0.25 pps celloflake, .2% FR and .4% FLA mixed at 13.7 PPG to yield 1.33 cf/sk.

Slurry volumes assume a 70% excess over gauge hole volume to bring cement back into the intermediate casing. Cement volume is subject to change after review of open hole caliper log to caliper volume + 30%. Minimum clearance between couplings and hole is 0.625". Safety factors utilized in the design of this casing string were: burst = 1.1; collapse = 1.125; and tension = 1.8 or 100,000 lb over pull, whichever is greater. **NOTE:** If cement is circulated into the intermediate casing this casing will be cut off inside the intermediate casing and removed after the well is completed.

Centralizers: 11 - 4 1/2" X 6 1/8" rigid centralizers will be run across prospective pays of the Mesa Verde and Dakota.

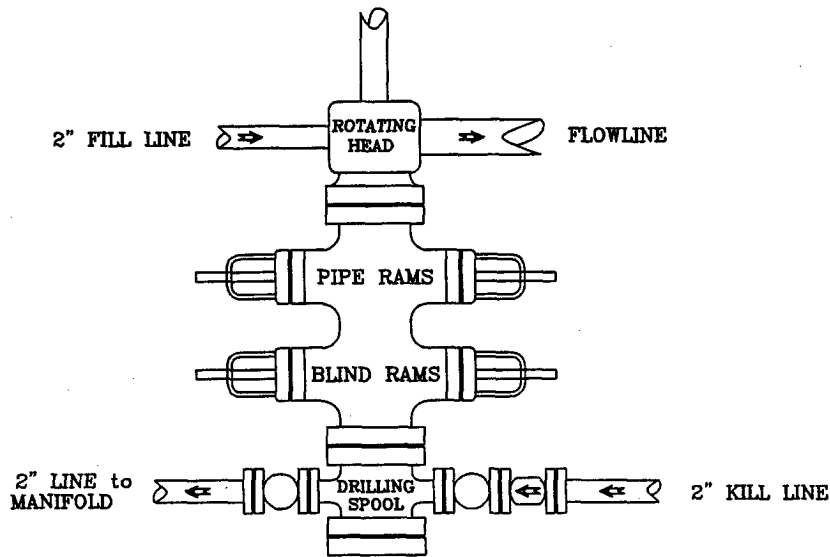
Float Equipment: Cement nose float shoe, 1 joint 4 1/2" 11.6 # casing, and float collar.

7. Auxiliary Equipment:

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

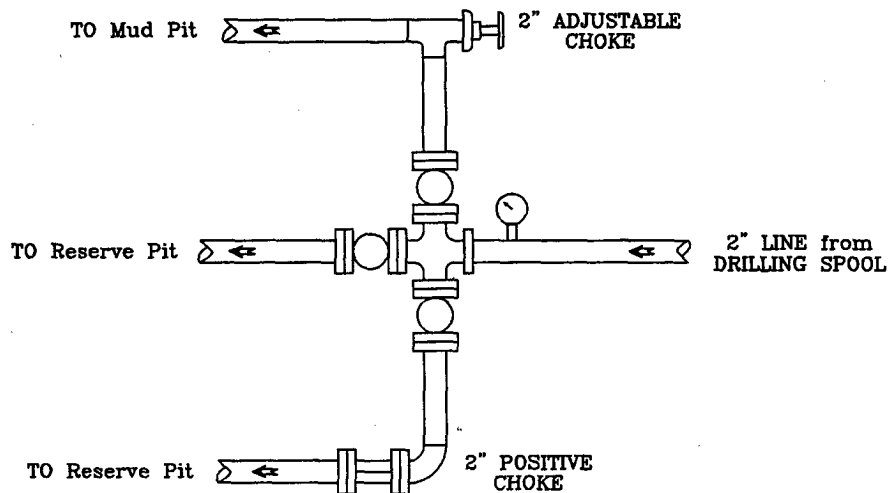
PRESSURE CONTROL

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.

Stateline Com No. 1B

2250' FSL - 2050' FEL

Section 7, T32N, R9W, NMPM
San Juan County, New Mexico

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

SUNDRY NOTICES AND REPORTS ON WELLS

Do not use this form for proposals to drill or to deepen or reentry to a different reservoir.
Use "APPLICATION FOR PERMIT--" for such proposals

SUBMIT IN TRIPLICATE

RECEIVED

070 FARMINGTON NM

1. Type of Well
☐ Oil Well ☒ Gas Well ☐ Other

2. Name of Operator

McElvain Oil & Gas Properties, Inc.

3. Address and Telephone No.

1050 17th Street, Suite 1800 Denver, CO 80265 (303) 893-0933x302

4. Location of Well (Footage, Sec., T., R., M., or Survey Description)

2250' FSL - 2050' FEL, Section 7, T32N, R9W, NMPM

5. Lease Designation and Serial No.
SF079048

6. If Indian, Allottee or Tribe Name

7. If Unit or CA, Agreement Designation

8. Well Name and No.
Stateline Com No. 1B

9. API Well No.
30-045-32378

10. Field and Pool, or Exploratory Area
Blanco Mesa Verde /
Basin Dakota

11. County or Parish, State
San Juan Co., NM

12. CHECK APPROPRIATE BOX(s) TO INDICATE NATURE OF NOTICE, REPORT, OR OTHER DATA

TYPE OF SUBMISSION

- ☐ Notice of Intent
☒ Subsequent Report
☐ Final Abandonment Notice

TYPE OF ACTION

- ☐ Abandonment
☐ Recompletion
☐ Plugging Back
☐ Casing Repair
☐ Altering Casing
☐ Other _____
- ☒ Change of Plans
☐ New Construction
☐ Non-Routine Fracturing
☐ Water Shut-Off
☐ Conversion to Injection
☐ Dispose Water

13. Describe Proposed or Completed Operations (Clearly state all pertinent details, and give pertinent dates, including estimated date of starting any proposed work. If well is directionally drilled, give subsurface locations and measured and true vertical depths for all markers and zones pertinent to this work.)

We changed the length and route of the proposed new access during the onsite inspection to reduce road grades. New route is shown on the attached topographic map section. New Length is 1250 feet. This will not change any of the content of the surface use plan submitted with the APD. The new road segment added has been surveyed by a contract archeologist and is clear. A supplemental report is being prepared.

14. I hereby certify the foregoing is true and correct

Signed

Robert E. Fields

Title Agent

Date August 25, 2004

(This space for Federal or State office use)

Approved by

Charles E. Suchan

Title

ACTING AFM MINERALS

Date

11/1/04

Conditions of approval, if any:

NMOCD

2250' FSL & 2050' FEL, SECTION 7, T32N, R9W, N.M.P.M.
SAN JUAN COUNTY, NEW MEXICO

