

State of New Mexico
Energy, Minerals and Natural Resources Department

Susana Martinez
Governor

David Martin
Cabinet Secretary-Designate

Brett F. Woods, Ph.D.
Deputy Cabinet Secretary

Jami Bailey, Division Director
Oil Conservation Division



New Mexico Oil Conservation Division approval and conditions listed below are made in accordance with OCD Rule 19.15.7.11 and are in addition to the actions approved by BLM on the following 3160-3 APD form.

Operator Signature Date: 2-4-14

Well information:

Operator Elm Ridge Well Name and Number Chacon Amigas # 13

API# 30-043-21203, Section 12, Township 22 NS, Range 3 EW

Conditions of Approval:

(See the below checked and handwritten conditions)

- Notify Aztec OCD 24hrs prior to casing & cement.
- Hold C-104 for directional survey & "As Drilled" Plat
- Hold C-104 for NSL, NSP, DHC
- Spacing rule violation. Operator must follow up with change of status notification on other well to be shut in or abandoned
- Regarding the use of a pit, closed loop system or below grade tank, the operator must comply with the following as applicable:
 - A pit requires a complete C-144 be submitted and approved prior to the construction or use of the pit, pursuant to 19.15.17.8.A
 - A closed loop system requires notification prior to use, pursuant to 19.15.17.9.A
 - A below grade tank requires a registration be filed prior to the construction or use of the below grade tank, pursuant to 19.15.17.8.C
- Once the well is spud, to prevent ground water contamination through whole or partial conduits from the surface, the operator shall drill without interruption through the fresh water zone or zones and shall immediately set in cement the water protection string
- Oil base muds are not to be used until fresh water zones are cased and cemented providing isolation from the oil or diesel. This includes synthetic oils. Oil based mud, drilling fluids and solids must be contained in a steel closed loop system.

Chastin
NMOCD Approved by Signature

4-24-14
Date

RECEIVED

Form 3160-3
(March 2012)

FEB 19 2014

FORM APPROVED
OMB No. 1004-0137
Expires October 31, 2014

UNITED STATES
DEPARTMENT OF THE INTERIOR **Farmington Field Office**
BUREAU OF LAND MANAGEMENT **Bureau of Land Management**

Lease Serial No.
BIA-360

APPLICATION FOR PERMIT TO DRILL OR REENTER

1a. Type of work: <input checked="" type="checkbox"/> DRILL <input type="checkbox"/> REENTER		7. If Unit or CA Agreement, Name and No. N/A	
1b. Type of Well: <input checked="" type="checkbox"/> Oil Well <input type="checkbox"/> Gas Well <input type="checkbox"/> Other <input type="checkbox"/> Single Zone <input checked="" type="checkbox"/> Multiple Zone		8. Lease Name and Well No. CHACON AMIGOS 13	
2. Name of Operator ELM RIDGE EXPLORATION COMPANY, LLC		9. API Well No. 30-043- 21203	
3a. Address P. O. BOX 156 BLOOMFIELD, NM 87413	3b. Phone No. (include area code) (505) 632-3476	10. Field and Pool, or Exploratory LINDITH GALLUP-DAKOTA, WEST	
4. Location of Well (Report location clearly and in accordance with any State requirements.)* At surface F 1980' FNL & 1980' FWL At proposed prod. zone		11. Sec., T. R. M. or Blk. and Survey or Area SENW 12-22N-3W	
14. Distance in miles and direction from nearest town or post office* 12 AIR MILES NW OF CUBA, NM		12. County or Parish SANDOVAL	13. State NM
15. Distance from proposed* location to nearest property or lease line, ft. (Also to nearest drig. unit line, if any) 3300'	16. No. of acres in lease 2541	17. Spacing Unit dedicated to this well NW4	
18. Distance from proposed location* to nearest well, drilling, completed, applied for, on this lease, ft. 998' (Chacon Amigos 3)	19. Proposed Depth 7250'	20. BLM/BIA Bond No. on file BIA nationwide OKC 606114	
21. Elevations (Show whether DF, KDB, RT, GL, etc.) 7,167' UNGRADED	22. Approximate date work will start* 03/01/2014	23. Estimated duration 1 MONTH	

24. Attachments

The following, completed in accordance with the requirements of Onshore Oil and Gas Order No. 1, must 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 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 <i>B. Wood</i>	Name (Printed/Typed) BRIAN WOOD (PHONE: 505 466-8120)	Date 02/04/2014
Title CONSULTANT (FAX: 505 466-9682)		

Approved by (Signature) <i>Troy Salyers</i>	Name (Printed/Typed) Troy Salyers	Date 4/17/2014
Title Petroleum Engineer (Acting AFM)	Office FFO	

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

BLM'S APPROVAL OR ACCEPTANCE OF THIS ACTION DOES NOT RELIEVE THE LESSEE AND OPERATOR FROM OBTAINING ANY OTHER AUTHORIZATION REQUIRED FOR OPERATIONS ON FEDERAL AND INDIAN LANDS
*(Instructions on page 2) DRILLING OPERATIONS AUTHORIZED ARE SUBJECT TO COMPLIANCE WITH ATTACHED "GENERAL REQUIREMENTS"

NMCCD

DISTRICT I
 1825 N. French Dr., Hobbs, N.M. 88240
 Phone: (575) 393-6161 Fax: (575) 393-0720

DISTRICT II
 811 S. First St., Artesia, N.M. 88210
 Phone: (575) 748-1283 Fax: (575) 748-9720

DISTRICT III
 1000 Rio Brazos Rd., Aztec, N.M. 87410
 Phone: (505) 334-6178 Fax: (505) 334-6170

DISTRICT IV
 1220 S. St. Francis Dr., Santa Fe, N.M. 87505
 Phone: (505) 478-3480 Fax: (505) 478-3482

State of New Mexico
 Energy, Minerals & Natural Resources Department

Form C-102

RECEIVED

Revised August 1, 2011

Submit one copy to appropriate

District Office

OIL CONSERVATION DIVISION

1220 South St. Francis Dr. **FEB 19 2014**
 Santa Fe, N.M. 87505

Farrington Field Office AMENDED REPORT
 Bureau of Land Management

WELL LOCATION AND ACREAGE DEDICATION PLAT

30-043- ¹ API Number 21203	39189	LINDRITH GALLUP-DAKOTA, WEST
22998	⁹ Property Name CHACON AMIGOS	⁸ Well Number 13
⁷ OGRID No. 149052	⁹ Operator Name ELM RIDGE EXPLORATION COMPANY, LLC	⁸ Elevation 7167

¹⁰ Surface Location

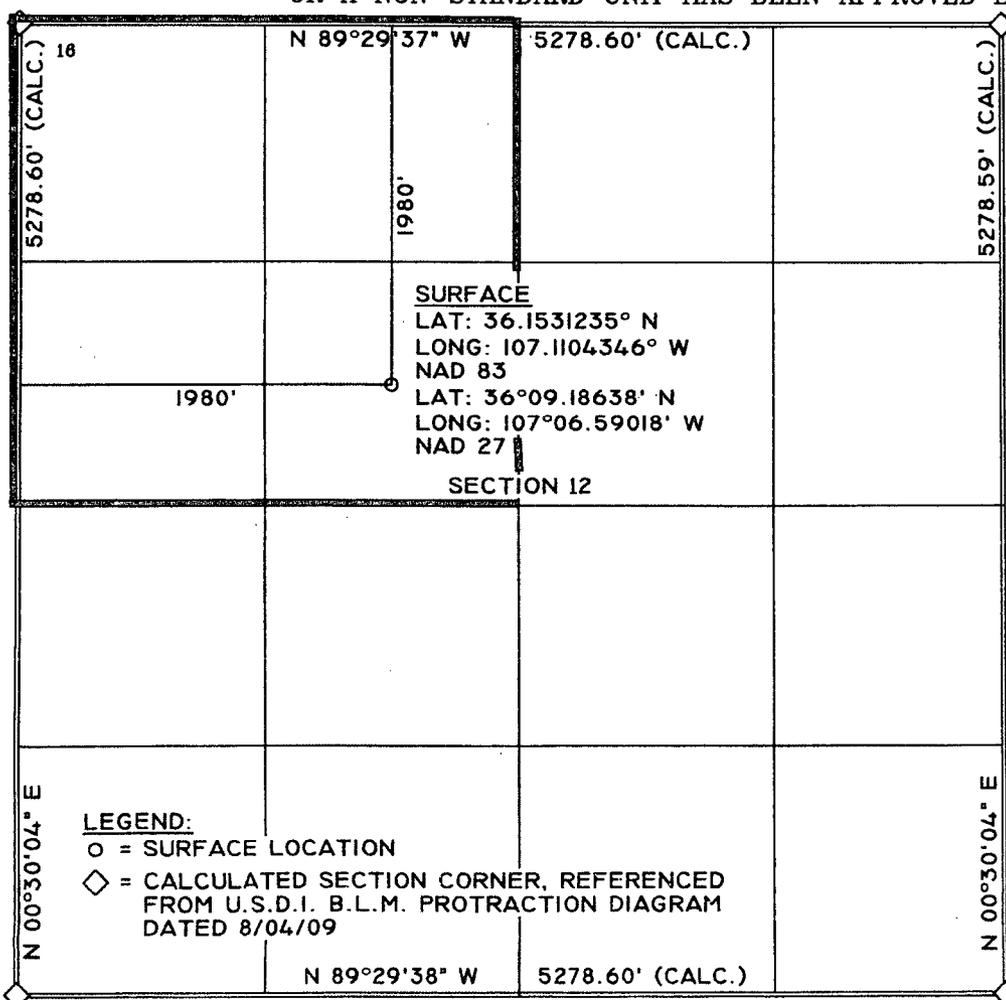
UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
F	12	22 N	3 W	200	1980	NORTH	1980	WEST	SANDOVAL

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 160	¹³ Joint or Infill	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



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

Brian Wood 2-4-14
 Signature Date
BRIAN WOOD
 E-mail Address
 brian@permitswest.com

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 knowledge and belief.

03/13/13
 Date of Survey
 Signature and Seal

 Certificate Number
3-212013

Elm Ridge Exploration Company, LLC
 Chacon Amigos 13
 1980 FNL & 1980 FWL
 Sec. 12, T. 22 N., R. 3 W.
 Sandoval County, NM

Drilling Program

1. ESTIMATED FORMATION TOPS

<u>Formation Name</u>	<u>TVD</u>	<u>KB Depth</u>	<u>Elevation</u>
San Jose	0'	10'	+7,196'
Ojo Alamo	2,286'	2,296'	+4,910'
Kirtland	2,396'	2,406'	+4,800'
Fruitland	2,506'	2,516'	+4,690'
Pictured Cliffs Ss	2,611'	2,611'	+4,585'
Lewis Shale	2,741'	2,751'	+4,455'
Chacra	3,336'	3,346'	+3,860'
Cliff House Ss	4,121'	4,131'	+3,075'
Menefee	4,211'	4,221'	+2,985'
Point Lookout Ss	4,691'	4,701'	+2,505'
Mancos Shale	4,906'	4,916'	+2,290'
Gallup Ss	5,751'	5,761'	+1,445'
Greenhorn	6,736'	6,746'	+460'
Dakota	6,806'	6,816'	+390'
Morrison	7,206'	7,216'	-10'
Total Depth	7,250'	7,260'	-54'

2. NOTABLE ZONES

Oil & Gas Zones

Ojo Alamo
 Pictured Cliffs
 Chacra
 Gallup
 Graneros
 Dakota

Water Zones

San Jose
 Ojo Alamo
 Fruitland

Coal Zone

Fruitland

Elm Ridge Exploration Company, LLC
 Chacon Amigos 13
 1980 FNL & 1980 FWL
 Sec. 12, T. 22 N., R. 3 W.
 Sandoval County, NM

All water zones will be protected with casing, cement, and weighted mud. Fresh water will be recorded by depth. Oil and gas shows will be tested for commercial potential based on the well site geologist's recommendations.

3. PRESSURE CONTROL

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. The $\geq 3,000$ -psi BOP and choke manifold system will be installed and tested to 2,000-psi before drilling the 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 the 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 that are set and cemented in place.

4. CASING & CEMENT

<u>Hole Size</u>	<u>O. D.</u>	<u>Weight (lb/ft)</u>	<u>Grade</u>	<u>Type</u>	<u>Age</u>	<u>Setting Depth</u>
12-1/4"	8-5/8"	24	J-55	S T & C	New	500'
7-7/8"	5-1/2"	15.5	J-55	L T & C	New	7,250'

	<u>Drift</u>	<u>Torque</u>	<u>Burst</u>	<u>Collapse</u>	<u>Tension</u>	<u>Pressure Test</u>
	<u>inch</u>	<u>feet-pounds</u>	<u>psi</u>	<u>psi</u>	<u>1000 psi</u>	<u>psi</u>
Surface	7.972	3070	2950	1370	381	1000
Production	4.653	2020	4810	4040	248	3500

Elm Ridge Exploration Company, LLC
Chacon Amigos 13
1980 FNL & 1980 FWL
Sec. 12, T. 22 N., R. 3 W.
Sandoval County, NM

Surface casing will be cemented to the surface with ≈ 430 cubic feet (≈ 364 sacks) Class B with 1/4 pound per sack cellophane + 2% CaCl_2 . Yield = 1.18 cubic feet per sack. Weight = 15.2 pounds per gallon. Volume = 100% 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. Will test to ≈ 800 psi for ≈ 30 minutes.

Production casing will be cemented to the surface in two stages with $\geq 75\%$ excess. A stage tool will be set at $\approx 4,700'$ ($\approx 200'$ above the Mancos). Will pressure test to 2,000-psi for 30-minutes.

First stage volume will be 1,472 cubic feet. First stage will consist of 365 sacks (682 cubic feet) Halliburton light with 65/35 poz mix + 1/4 pound per sack cello flake + 2% CaCl_2 mixed at a yield of 1.87 cubic feet per sack and a weight of 12.7 pounds per gallon. That will be followed by 670 sacks (790 cubic feet) Class B + 2% CaCl_2 mixed at a yield of 1.18 cubic feet per sack and a weight of 15.2 pounds per gallon.

Second stage volume will be 1,555 cubic feet. Second stage will consist of 800 sacks (1,496 cubic feet) of Halliburton light with 65/35 poz mix + 1/4 pound per sack cello flake + 2% CaCl_2 mixed at a yield of 1.87 cubic feet per sack and a weight of 12.7 pounds per gallon. That will be followed by 50 sacks (59 cubic feet) Class B + 2% CaCl_2 mixed at a yield of 1.18 cubic feet per sack and a weight of 15.2 pounds per gallon.

5. MUD PROGRAM

<u>Depth</u>	<u>Type</u>	<u>ppg</u>	<u>Viscosity</u>	<u>Fluid Loss</u>	<u>pH</u>
0' - 500'	Fresh water gel	9.0	50	NC	9
500' - TD'	Fresh water gel	9.0	38-50	6.0	9

Elm Ridge Exploration Company, LLC
Chacon Amigos 13
1980 FNL & 1980 FWL
Sec. 12, T. 22 N., R. 3 W.
Sandoval County, NM

PAGE 5

Sufficient material to maintain mud properties, control lost circulation, and contain a blowout will be available at the well site while drilling. Rig personnel will check the mud hourly. Material to soak up possible oil or fuel spills will be on site. System will be closed loop.

6. CORES, TESTS, & LOGS

No core or drill stem test is planned. Spectral density, high-resolution induction, and cement bond logs will be run the base of the surface casing to TD. Samples will be collected every $\approx 10'$ from $\approx 200'$ above the Point Lookout to and through the Gallup and Dakota.

7. DOWN HOLE CONDITIONS

No abnormal pressures, temperatures, nor hydrogen sulfide are expected. Maximum bottom hole pressure will be $\leq 3,139$ psi.

8. OTHER INFORMATION

The anticipated spud date is upon approval. It is expected it will take ≈ 2 weeks to drill and ≈ 3 weeks to complete the well.

Elm Ridge Exploration Company, LLC
Chacon Amigos 13
1980 FNL & 1980 FWL
Sec. 12, T. 22 N., R. 3 W.
Sandoval County, NM

PAGE 6

Surface Use Plan

1. DIRECTIONS & EXISTING ROADS (See PAGES 10 - 12)

From the equivalent of Mile Post 80.5 on US 550...
Go Northeast 2.9 miles on gravel J-37
Then turn right and go ESE 1.3 miles on dirt J-38 to just past a cattle guard
Turn left and go Northeast 1-1/2 mile on a dirt road
Then turn right and go southeast $\frac{3}{4}$ mile on a dirt road
Then turn right and go cross country south 346' to the proposed pad

Roads will be maintained to at least equal to their present condition.

2. ROAD TO BE BUILT OR UPGRADED (PAGES 11 & 12)

Upgrades will consist of repairing potholes. The 346' of new road will be built to BLM Gold Book standards. Road will be crowned and ditched, have a $\approx 14'$ wide running surface, and will be rocked where needed. Drainage crossing will be a rocked low water crossing. No culvert or cattle guard is needed. Maximum disturbed width = 20'. Maximum cut or fill = 1'. Maximum grade = 2%.

3. EXISTING WELLS (See PAGE 11)

Fifteen gas or oil wells and three plugged and abandoned wells are within a mile radius of the wellbore. There are no water or injection wells within a mile.

4. PROPOSED PRODUCTION FACILITIES (See PAGE 12)

Production facilities will include a separator, dehydrator, meter run, and two ≈ 300 bbl tanks. All of the equipment will be painted a flat juniper green.

Elm Ridge Exploration Company, LLC
Chacon Amigos 13
1980 FNL & 1980 FWL
Sec. 12, T. 22 N., R. 3 W.
Sandoval County, NM

PAGE 7

A 1,404.85' long steel 4-1/2" O. D. natural gas pipeline will be laid east to an existing pipeline on Elm Ridge's producing Bonanza 5 pad. The pipeline will be buried ≈ 36 " deep and ≈ 15 ' from the parallel existing road and 23' from an existing parallel pipeline.

5. WATER SUPPLY

Water will be trucked from the Tribal water well that is one mile northwest of the junction of NM 537 and US 550.

6. CONSTRUCTION MATERIALS & METHODS (See PAGES 13 & 14)

Sagebrush will be brush hogged. The top 6" of soil and will be bladed and piled south of the pad. A diversion ditch will be cut south of the pile and east of the pad. A silt basin will be dug northeast of the pad and east of the road, both within the buffer zone.

7. WASTE DISPOSAL

✓ A closed loop system will be used instead of a reserve pit. Cuttings and mud will be hauled to a state approved facility off the Jicarilla Apache Nation.

All trash will be placed in a portable trash cage. It will be hauled to an approved landfill. Human waste will be disposed of in chemical toilets.

8. ANCILLARY FACILITIES

There will be no airstrip or man camp. Camper trailers will be on location for the company man, tool pusher, and mud logger.

Elm Ridge Exploration Company, LLC
Chacon Amigos 13
1980 FNL & 1980 FWL
Sec. 12, T. 22 N., R. 3 W.
Sandoval County, NM

PAGE 9

13. REPRESENTATION

I hereby certify that I, or someone under my direct supervision, have inspected the drill site and access route proposed herein; that I am familiar with the conditions which currently exist; that I have full knowledge of state and Federal laws applicable to this operation; that the statements made in this APD package are, to the best of my knowledge, true and correct; and that the work associated with the operations proposed herein will be performed in conformity with this APD package and the terms and conditions under which it is approved. I also certify that I, or the company I represent, am responsible for the operations conducted under this application. These statements are subject to the provisions of 18 U. S. C. 1001 for the filing of false statements. Executed this 4th day of February, 2014.



Brian Wood, Consultant

Permits West, Inc.

37 Verano Loop, Santa Fe, NM 87508

(505) 466-8120

FAX: (505) 466-9682

Cellular: (505) 699-2276

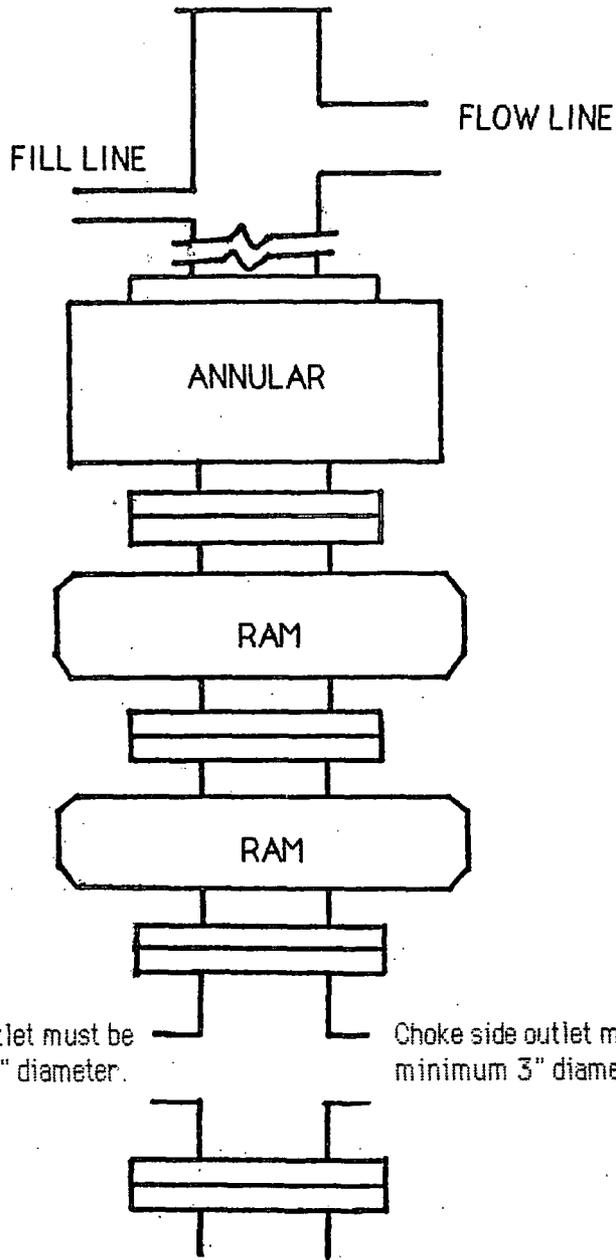
The field representative will be:

Terry Lindeman (505) 632-3476

Elm Ridge Exploration Company, LLC

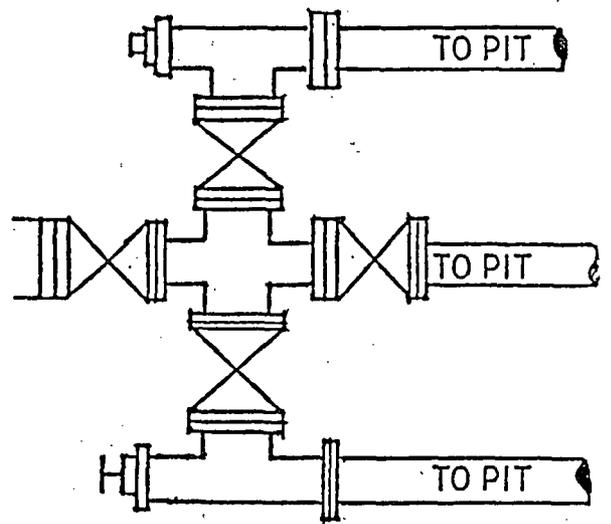
P. O. Box 156

Bloomfield, NM 87413



TYPICAL BOP STACK & CHOKE MANIFOLD

There will be at least 2 chokes and 2 choke line valves (3" minimum). The choke line will be 3" in diameter. There will be a pressure gauge on the choke manifold.



Kill line will be minimum 2" diameter and have 2 valves, one of which shall be a minimum 2" check valve.

Upper kelly cock will have handle available.
 Safety valve and subs will fit all drill string connections in use.
 All BOPE connections subjected to well pressure will be flanged, welded, or clamped.