

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

| | | |
|--|---|---|
| 1a. Type of work: <input checked="" type="checkbox"/> DRILL <input type="checkbox"/> REENTER | | 5. Lease Serial No. IMDA 751-05-1025, Tract C |
| 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 Ute Mountain Ute |
| 2. Name of Operator Elk San Juan, Inc. | | 7. If Unit or CA Agreement, Name and No. |
| 3a. Address 1401 17th Street, Suite 700 Denver, CO 80202 | | 8. Lease Name and Well No. Ute Mountain Tribal No. 22-D |
| 3b. Phone No. (include area code) 303.296.4505 | | 9. API Well No. 30-045-33423 |
| 4. Location of Well (Report location clearly and in accordance with any State requirements.) At surface 1990' FSL - 1545' FEL, Section 22, T31N, R14W At proposed prod. zone Same | | 10. Field and Pool, or Exploratory Basin Dakota |
| 11. Sec., T. R. M. or Blk. and Survey or Area J Section 22, T31N, R14W, NMPM | | 12. County or Parish San Juan |
| 13. State NM | | 14. Distance in miles and direction from nearest town or post office* 12 miles North of Kirtland, New Mexico |
| 15. Distance from proposed* location to nearest property or lease line, ft. (Also to nearest drig. unit line, if any) 1545 1095 | 16. No. of acres in lease 6400 | 17. Spacing Unit dedicated to this well E/2 - 320.0 acs. |
| 18. Distance from proposed location* to nearest well, drilling, completed, applied for, on this lease, ft. 1300(P&A) | 19. Proposed Depth 4541' | 20. BLM/BIA Bond No. on file B001404 |
| 21. Elevations (Show whether DF, KDB, RT, GL, etc.) 5667' GL | 22. Approximate date work will start* 12/01/2005 | 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:

- Well plat certified by a registered surveyor.
- A Drilling Plan.
- A Surface Use Plan (if the location is on National Forest System Lands, the SUPO shall be filed with the appropriate Forest Service Office).
- Bond to cover the operations unless covered by an existing bond on file (see Item 20 above).
- Operator certification.
- 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 11/03/2005 * |
| Title Agent | | |
| * original submitted 08/04/05 | | |
| Approved by (Signature) | Name (Printed/Typed) | Date |
| Title | 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)



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Bureau of Land Management
Durango Colorado

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Bureau of Land Management
Durango Colorado

District I
PO Box 1980, Hobbs, NM 88241-1980

District II
PO Drawer 00, Artesia, NM 88211-0719

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

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

State of New Mexico
Energy, Minerals & Natural Resources Department

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

Form C-102
Revised February 21, 1994
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 30-045-33423 | *Pool Code 71599 | *Pool Name BASIN DAKOTA |
| *Property Code 35229 | *Property Name UTE MOUNTAIN TRIBAL | *Well Number 22D |
| *GRID No. 234144 | *Operator Name ELK SAN JUAN, INC. | *Elevation 5667' |

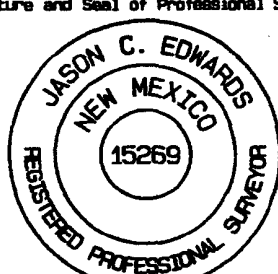
¹⁰ Surface Location

| UL or lot no. | Section | Township | Range | Lot Idn | Feet from the | North/South line | Feet from the | East/West line | County |
|---------------|---------|----------|-------|---------|---------------|------------------|---------------|----------------|----------|
| J | 22 | 31N | 14W | | 1990 | SOUTH | 1545 | 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 320.0 Acres - E/2 | | | | | 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

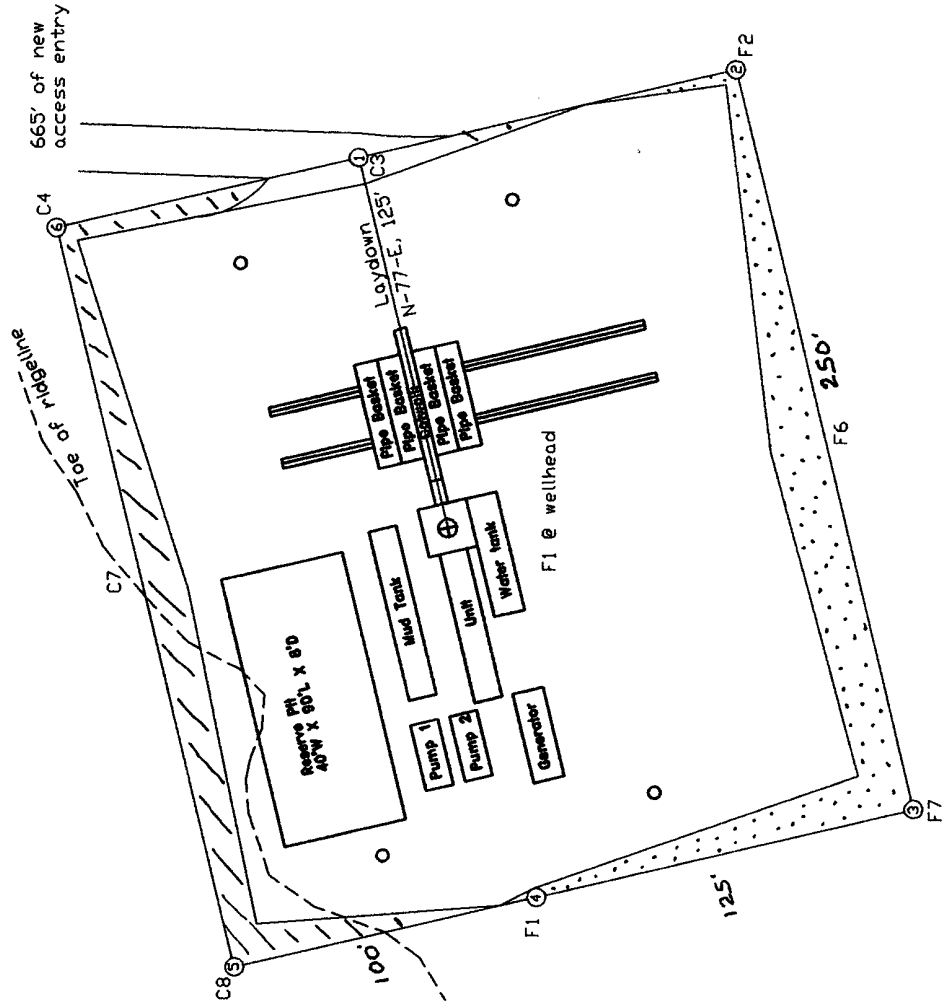
| | | | | | | | | | |
|---|----------|--|----------|----------|----------|-------|--------|----------|----|
| 16 | 5280.00' | RECEIVED NOV 4 2005 Bureau of Land Management Durango Colorado IMDA 751-05-1025 Tract C LAT: 36°53.0803' N LONG: 108°17.5257' W DATUM: NAD27 | 5280.00' | 5280.00' | 5280.00' | 1545' | 10661' | 5280.00' | 16 |
| | | | | | | | | | |
| ¹⁷ OPERATOR CERTIFICATION I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief. <i>Robert E. Fielder</i> Signature Robert E. Fielder Printed Name Agent Title November 3, 2005 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. Survey Date: OCTOBER 31, 2005 Signature and Seal of Professional Surveyor  JASON C. EDWARDS Certificate Number 15269 | | | | | | | | | |



Scale: 1 inch = 60 feet

Elk San Juan, Inc.

Drilling Wellsite Layout
Ute Mountain Tribal No. 22-D
1990' FSL & 1545' FEL
Section 22, T31N, R14W, NMPM
San Juan Co., New Mexico



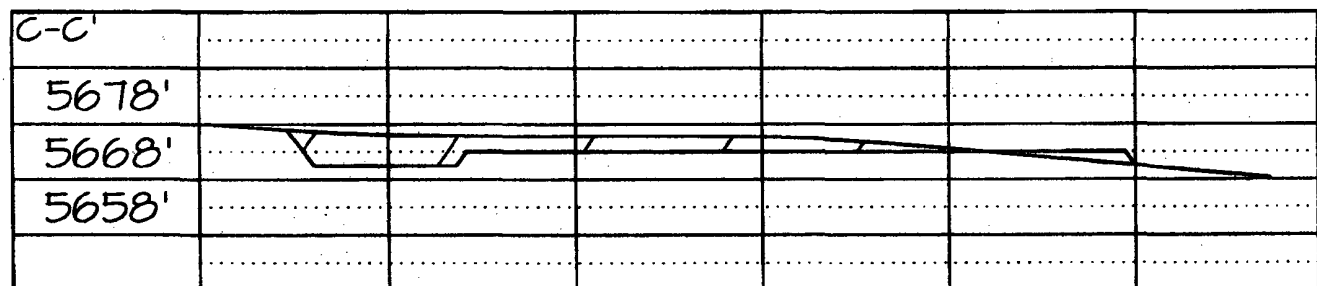
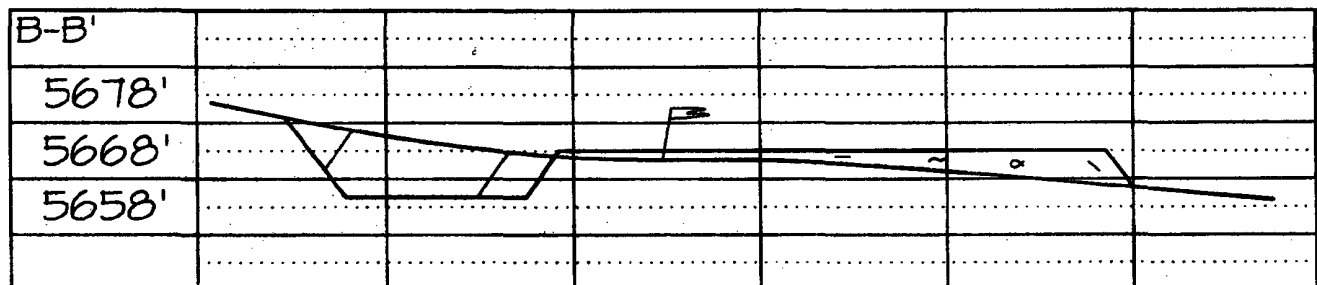
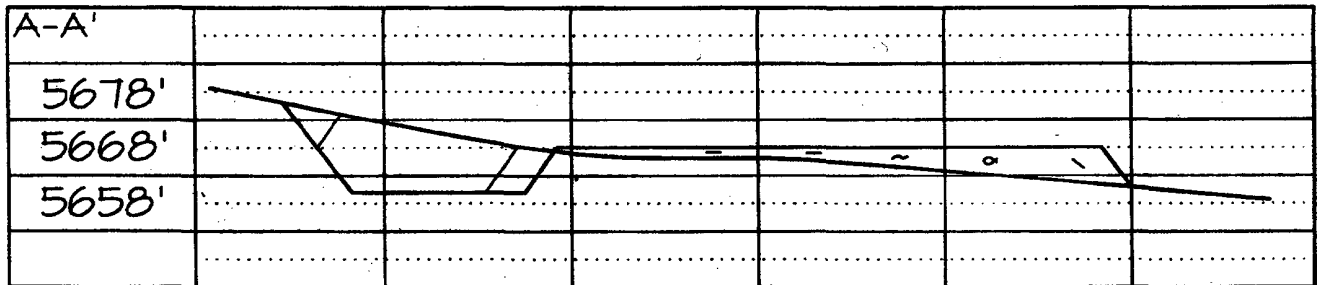
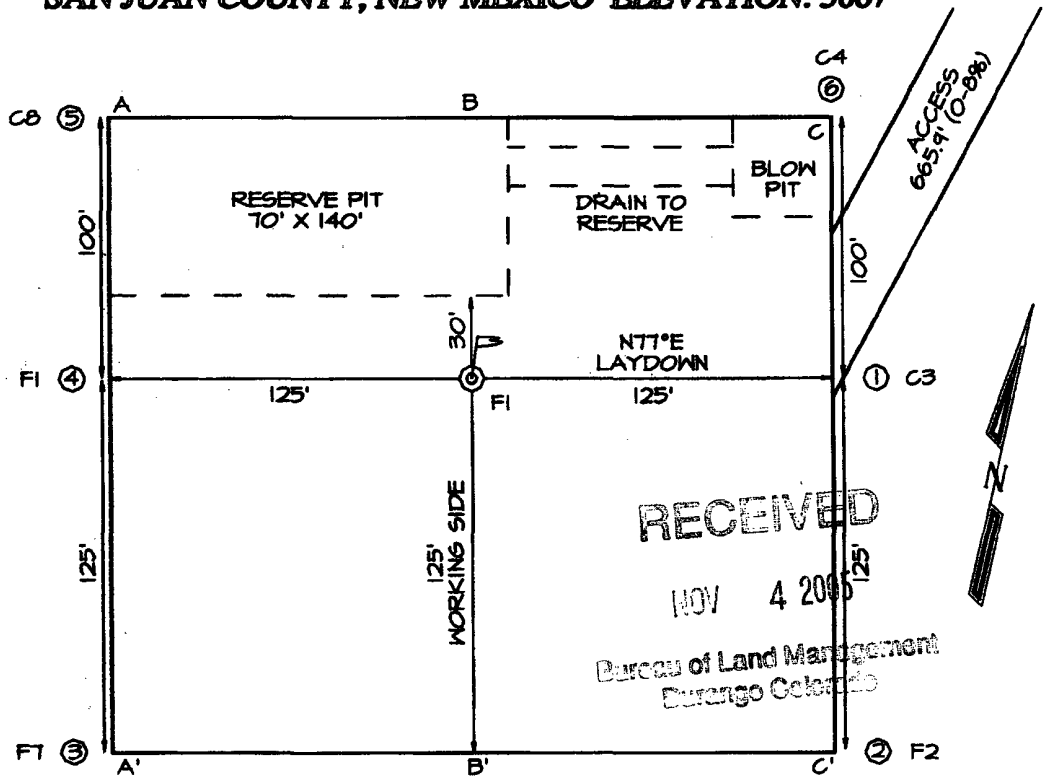
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Bureau of Land Management
U.S. Department of the Interior

ELK SAN JUAN, INC. UTE MOUNTAIN TRIBAL #22D
1990' FSL & 1545' FEL, SECTION 22, T31N, R14W, NMPM
SAN JUAN COUNTY, NEW MEXICO ELEVATION: 5667'

LATITUDE: 36°53'05"
 LONGITUDE: 108°17'32"
 DATUM: NAD1927



UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENTFORM APPROVED
OMB No. 1004-0135
Expires: January 31, 2004**SUNDRY NOTICES AND REPORTS ON WELLS**
Do not use this form for proposals to drill or to re-enter an abandoned well. Use Form 3160-3 (APD) for such proposals.

5. Lease Serial No.
IMDA 751-05-1025, Tract C

6. If Indian, Allottee or Tribe Name
Ute Mountain Ute

7. If Unit or CA/Agreement, Name and/or No.

8. Well Name and No.
Ute Mountain Tribal No. 22-D

9. API Well No.
30-045-33423

10. Field and Pool, or Exploratory Area
Basin Dakota

11. County or Parish, State
San Juan, New Mexico

SUBMIT IN TRIPLICATE - Other instructions on reverse side

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

2. Name of Operator
Elk San Juan, Inc.

3a. Address
1401 17th Street, Suite 700, Denver, CO 80202

3b. Phone No. (include area code)
303.296.4505

4. Location of Well (Footage, Sec., T, R., M., or Survey Description)
1990' FSL - 1545' FEL, Section 22, T31N, R14W, NMPM

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

| TYPE OF SUBMISSION | TYPE OF ACTION | | | |
|---|---|---|--|--|
| <input type="checkbox"/> Notice of Intent | <input type="checkbox"/> Acidize | <input type="checkbox"/> Deepen | <input type="checkbox"/> Production (Start/Resume) | <input type="checkbox"/> Water Shut-Off |
| <input checked="" type="checkbox"/> Subsequent Report | <input type="checkbox"/> Alter Casing | <input type="checkbox"/> Fracture Treat | <input type="checkbox"/> Reclamation | <input type="checkbox"/> Well Integrity |
| <input type="checkbox"/> Final Abandonment Notice | <input type="checkbox"/> Casing Repair | <input type="checkbox"/> New Construction | <input type="checkbox"/> Recomplete | <input checked="" type="checkbox"/> Other <u>Move location</u> |
| | <input type="checkbox"/> Change Plans | <input type="checkbox"/> Plug and Abandon | <input type="checkbox"/> Temporarily Abandon | |
| | <input type="checkbox"/> Convert to Injection | <input type="checkbox"/> Plug Back | <input type="checkbox"/> Water Disposal | |

3. Describe Proposed or Completed Operation (clearly state all pertinent details, including estimated starting date of any proposed work and approximate duration thereof. If the proposal is to deepen directionally or recompleat horizontally, give subsurface locations and measured and true vertical depths of all pertinent markers and zones. Attach the Bond under which the work will be performed or provide the Bond No. on file with BLM/BIA. Required subsequent reports shall be filed within 30 days following completion of the involved operations. If the operation results in a multiple completion or recompleat in a new interval, a Form 3160-4 shall be filed once testing has been completed. Final Abandonment Notices shall be filed only after all requirements, including reclamation, have been completed, and the operator has determined that the site is ready for final inspection.)

Elk San Juan, Inc., at the request of the BLM, has moved this location to the above stated footages. Attachments included with this notice include:

New APD page reflecting new footages

New C-102

New Road survey

New pipeline survey

New Drilling Wellsite Layout diagram

New Producing Wellsite Layout diagram

New Surveyor Cut/Fill x-section

New copies of pages from the Drilling Program and Surface Use Plan reflecting the changed footage location and changes in plans associated with this move.

Approval of this agreement does not warrant or certify that the operator thereof and other holders of operating rights hold legal or equitable title to those rights in the subject lease which are committed hereto.

14. I hereby certify that the foregoing is true and correct
Name (Printed/Typed)

Robert E. Fielder

Title Agent

Signature

Date November 3, 2005

APPROVED FOR A PERIOD
NOT TO EXCEED 1 YEAR

THIS SPACE FOR FEDERAL OR STATE OFFICE USE

Approved by (Signature)

/s/ Brian W. Davis

Name

Acting Field Office Manager

Office

Date

NOV - 9 2005

Conditions of approval, if any, are attached. Approval of this notice 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.

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 next page)

WMOCD

Elk San Juan, Inc.
Ute Mountain Tribal No. 22-D
1990' FSL & 1545' FEL
Section 22, T31N, R14W, NMPM
San Juan County, New Mexico

TEN POINT DRILLING PROGRAM

1. Surface Formation: Lewis
2. Surface Elevation: 5667' GL.
3. Estimated Formation Tops:

| <u>Formation</u> | <u>Top - feet</u> | <u>Expected Production</u> |
|------------------|-------------------|----------------------------|
| Lewis | surface | |
| Cliff House | 1189 | |
| Menefee | 1581 | |
| Pt. Lookout | 2100 | |
| Upper Mancos | 2185 | |
| Gallup | 3473 | GAS/OIL |
| Tocito | 3540 | |
| Sanastee | 3717 | |
| Lower Mancos | 3759 | |
| Greenhorn | 4247 | |
| Graneros | 4309 | GAS |
| Dakota | 4371 | GAS |
| Burro Canyon | 4487 | |
| Morrison | 4541 | |
| TOTAL DEPTH | 4541 | |

4. Surface Hole Program:

Bit: Drill a 12 1/4" hole to 350' using a mill tooth, IADC Class 116 or 117 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 - 350 | 8.6 or less | 9.0-9.5 | 40 - 50 | No Control |

Casing and Cementing: A string of 8 5/8" 24# J-55 or K-55 ST&C casing will be set and cemented to the surface in a single stage with 245 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 8 5/8" 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" 3000# BOPE. Pressure test wellhead and surface BOPE to full working pressure. Pressure test surface casing and BOPE to 600 psi for 15 minutes prior to drilling surface shoe.

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Bureau of Land Management
Durango Colorado

Drilling Program
Elk San Juan, Inc.
Ute Mountain Tribal No. 22-D
Page Two

4. **Surface Hole Program:** - continued

Centralizers: Run three (3) 8 $\frac{1}{2}$ " 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 thread locked. Also thread lock connection between first and second joint run.

5. **Production Hole Program:**

Bit: Drill a 7 $\frac{1}{8}$ " hole to 4541' using TCI, IADC Class 447 bit. WOB: 35-45K. RPM: 60 - 75.

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> |
|----------------------|---------------------|-----------|--------------------|-------------------|
| 350 - 3100 | 8.6 - 8.8 | 9.0-9.5 | 28 - 35 | 10 - 12 |
| 3100 - 4541 | 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 Gallup using polymer and drispac additions to water. Mud up before drilling into Gallup.

Lost Circulation is expected and can occur in the Gallup/Tocito/Sanastee interval. 5 - 10% LCM will be added to the system as soon as mud up is complete and before drilling into the Tocito. Mud weights should be controlled as low as possible with solids control equipment then as low as practical with water dilution.

Pressure Control: A 3M psi BOP well control system will be utilized. BOP's and choke manifold will be installed and pressure tested to full working pressure 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. 5 $\frac{1}{2}$ " 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.

Drilling Program
Elk San Juan, Inc.
Ute Mountain Tribal No. 22-D
Page Three

5. Production Hole Program: - continued

Logging Program: Dual Induction and Formation Density/Compensated Neutron logs will be run from TD to surface casing shoe.

Casing and Cementing Program: Run 5½" 15.5 ppf J-55 production casing from surface to TD and cement in a single stage with 505 sacks (929.2 cf) of 65/35 Class G POZ containing 6% gel, 5 pps gilsonite, 0.25 pps celloflake and 0.5% FLA mixed at 12.4 PPG to yield 1.84 cf/sk. Tail in with 200 sacks (248.0 cf) of 50/50 Class G Poz with 2% gel, 5 pps gilsonite, 0.25 pps celloflake, 0.2% FLA and 0.1% dispersant mixed at 13.5 PPG to yield 1.24 cf/sk.

Slurry volumes assume a 50% excess over gauge hole volume. 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: 10 - 5½" X 7¾" bowspring centralizers will be run across all prospective pays and 4 - 5½" X 7¾" turbolizers will be spaced so that three (3) are through the Gallup - Upper Mancos interval and one is at the base of the Pt. Lookout.

Float Equipment: Cement nose float shoe, 1 joint 5½" casing and float collar.

NOTE: If significant mud losses are encountered in the Gallup/Tocito interval a mechanical DV tool will be run in the casing string and spaced just above the loss zone. The casing will be cemented in two stages with the same slurry types and a volume equivalent to the total volume noted above. The Durango Area BLM office will be notified of this change in plans prior to implementation and the revised stage volumes provided at time of notification.

6. Auxiliary Equipment:

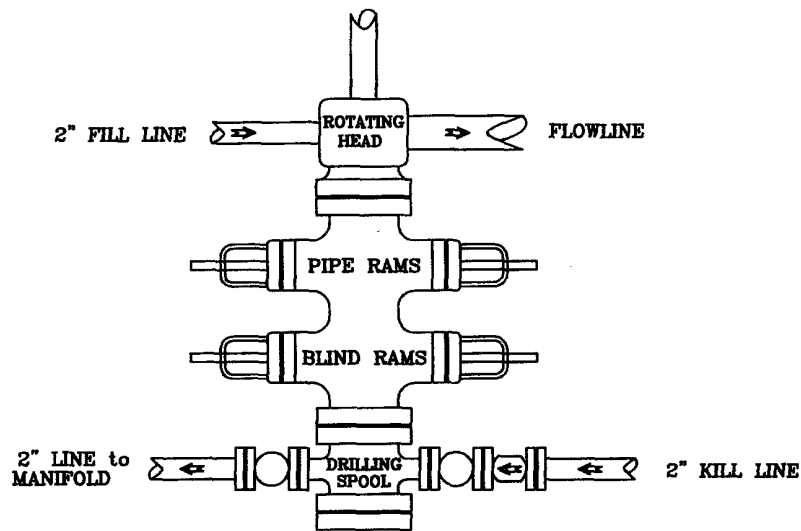
An upper kelly cock will be utilized. The handle will be available on the rig floor at all times

7. Logging Program:

Dual Induction and Epithermal Neutron / Formation Density will be run from TD to surface casing shoe. Deep induction curve will be merged onto the porosity log.

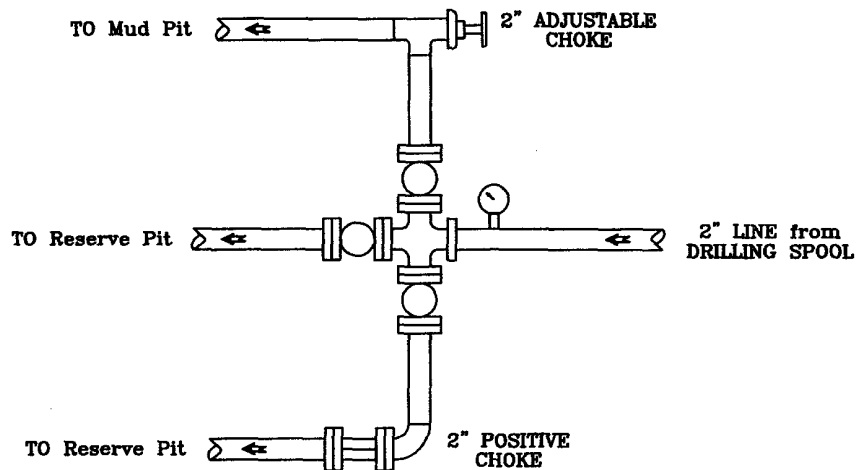
PRESSURE CONTROL

Wellhead Assembly



Preventer and Spools are to have a
6" Bore or larger and a 2000 PSI
or higher Pressure Rating

Choke Manifold



Elk San Juan, Inc.

Ute Mountain Tribal No. 22-D

2040 ' FSL - 1405 ' FEL

Section 22, T31N, R14W, NMPM

San Juan County, New Mexico