Form 3160-3
(September 2001)

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

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

2006 JAN 13 PM 2 25

RECEIVED
070 FARMINGTON NM

APPLICATION FOR PERMIT TO DRILL OR REENTER

5. Lease Serial No.
NM01397

6. If Indian, Allotee or Tribe Name

1a. Type of work: ☑ DRILL ☐ REENTER

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

1b. Type of Well: ☐ Oil Well ☑ Gas Well ☐ Other ☑ Single Zone ☐ Multiple Zone

8. Lease Name and Well No.
Elk Com 34 No. 2

2. Name of Operator
McElvain Oil & Gas Properties, Inc.

9. API Well No.
30-039-29746

3a. Address **1050 17th Street, Suite 1800**
Denver, CO 80265-1801

3b. Phone No. *(include area code)*
303.893.0933x302

10. Field and Pool, or Exploratory
Blanco Mesa Verde

4. Location of Well *(Report location clearly and in accordance with any State requirements.*)*
At surface **680' FSL - 1800' FEL, Section 34, T26N, R2W, NMPM**
At proposed prod. zone **same**

11. Sec., T. R. M. or Blk. and Survey or Area
Section 34, T26N, R2W, NMPM

14. Distance in miles and direction from nearest town or post office*
Nine miles North of Lindrith, New Mexico

12. County or Parish
Rio Arriba

13. State
NM

15. Distance from proposed* location to nearest property or lease line, ft. (Also to nearest drig. unit line, if any)	16. No. of acres in lease	17. Spacing Unit dedicated to this well
680 ft. / **680 ft.**	**400**	**E/2 - 320.0 acs.**
18. Distance from proposed location* to nearest well, drilling, completed, applied for, on this lease, ft.	19. Proposed Depth	20. BLM/BIA Bond No. on file
NA	**6407 ft.**	~~LPM4138223~~ COB000009
21. Elevations (Show whether DF, KDB, RT, GL, etc.)	22. Approximate date work will start*	23. Estimated duration
7653' GL	**02/10/2006**	**20 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	Name *(Printed/Typed)*	Date
Robert E. Fielder	**Robert E. Fielder**	**01/11/2006**
Title **Agent**		

Approved by *(Signature)*	Name *(Printed/Typed)*	Date
/s/ Duane W. Spencer		2/24/06
Title 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.

**(Instructions on page 2)*

FEB 2006
OIL CON. DIV.
DIST. 3

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

NMOCD

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

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

State of New Mexico
Energy, Minerals & Natural Resources Department

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

Form C-10
Revised February 21, 199
Instructions on back
Submit to Appropriate District Office
State Lease - 4 Copies
Fee Lease - 3 Copies

2006 JAN 13 AM 8 25

RECEIVED

☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

1 API Number	2 Pool Code	3 Pool Name
30-039-29746	72319	BLANCO MESAVERDE

4 Property Code	5 Property Name	6 Well Number
23816	ELK COM 34	2

7 OGRID No.	8 Operator Name	9 Elevation
22044	McELVAIN OIL & GAS PROPERTIES	7653'

10 Surface Location

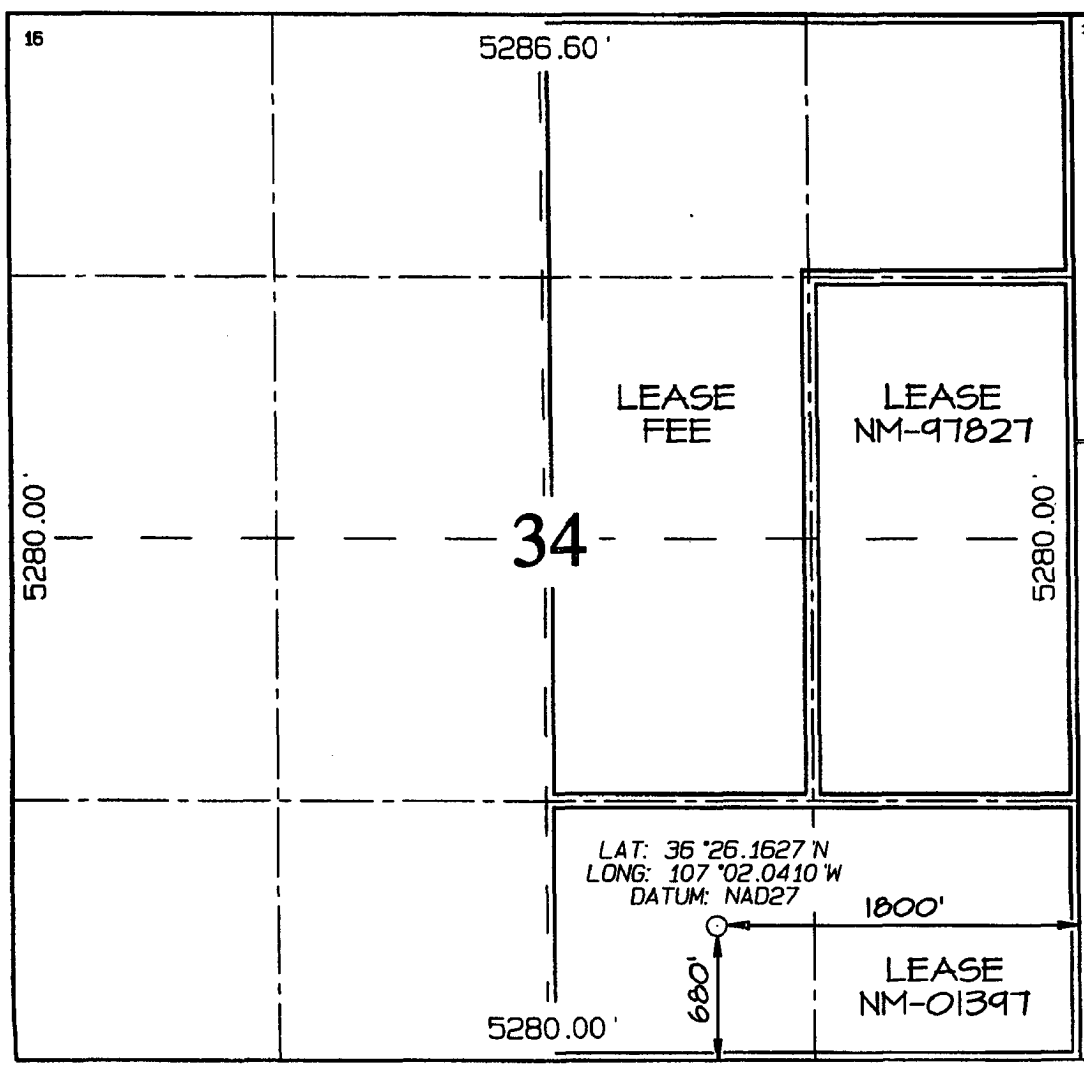
UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
O	34	26N	2W		680	SOUTH	1800	EAST	RIO ARRIBA

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	13 Joint or Infill	14 Consolidation Code	15 Order No.
320.0 Acres - E/2	Y	C	

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

Signature

Robert E. Fielder

Printed Name

Agent

Title

January 11, 2006

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 24, 2005

Signature and Seal of Professional Surveyor

JASON C. EDWARDS
NEW MEXICO
15269
REGISTERED PROFESSIONAL SURVEYOR

JASON C. EDWARDS

Certificate Number 15269

Submit 3 Copies To Appropriate District Office
District I
1625 N. French Dr., Hobbs, NM 88240
District II
1301 W. Grand Ave., Artesia, NM 88210
District III
1000 Rio Brazos Rd., 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-103
May 27, 2004

WELL API NO. 30-039-29746

5. Indicate Type of Lease STATE ☐ FEE ☐

6. State Oil & Gas Lease No.

SUNDRY NOTICES AND REPORTS ON WELLS
(DO NOT USE THIS FORM FOR PROPOSALS TO DRILL OR TO DEEPEN OR PLUG BACK TO A DIFFERENT RESERVOIR. USE "APPLICATION FOR PERMIT" (FORM C-101) FOR SUCH PROPOSALS.)

7. Lease Name or Unit Agreement Name
Elk Com 34

1. Type of Well: Oil Well ☐ Gas Well X Other

8. Well Number 2

2. Name of Operator
McElvain Oil & Gas Properties, Inc.

9. OGRID Number
22044

3. Address of Operator
1050 17th Street, Suite 1800, Denver, CO 80265-1801

10. Pool name or Wildcat
Blanco Mesa Verde

4. Well Location
Unit Letter O : 680 feet from the South line and 1800 feet from the East line
Section 34 Township 26N Range 2W NMPM Rio Arriba County

11. Elevation *(Show whether DR, RKB, RT, GR, etc.)*
7653' GL

Pit or Below-grade Tank Application X or Closure ☐

Pit type Drilling Depth to Groundwater >100 ft Distance from nearest fresh water well >1000 ft Distance from nearest surface water >250 ft

Pit Liner Thickness: 12 mil Below-Grade Tank: Volume _____ bbls; Construction Material _____

12. Check Appropriate Box to Indicate Nature of Notice, Report or Other Data

NOTICE OF INTENTION TO:		SUBSEQUENT REPORT OF:	
PERFORM REMEDIAL WORK ☐	PLUG AND ABANDON ☐	REMEDIAL WORK ☐	ALTERING CASING ☐
TEMPORARILY ABANDON ☐	CHANGE PLANS ☐	COMMENCE DRILLING OPNS. ☐	P AND A ☐
PULL OR ALTER CASING ☐	MULTIPLE COMPL ☐	CASING/CEMENT JOB ☐	
OTHER: Construct Drilling reserve pit X		OTHER: ☐	

13. Describe proposed or completed operations. (Clearly state all pertinent details, and give pertinent dates, including estimated date of starting any proposed work). SEE RULE 1103. For Multiple Completions: Attach wellbore diagram of proposed completion or recompletion.

McElvain Oil & Gas Properties, Inc. requests a permit to construct a lined reserve and blow pit in conjunction with the location construction. Pits will be constructed in accordance with NMOCD guidelines. Pit size and location are shown on the attached Wellsite Layout. Pits will be closed within six months of cessation of operations.

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

SIGNATURE Robert E. Fielder TITLE Agent DATE 11/21/05

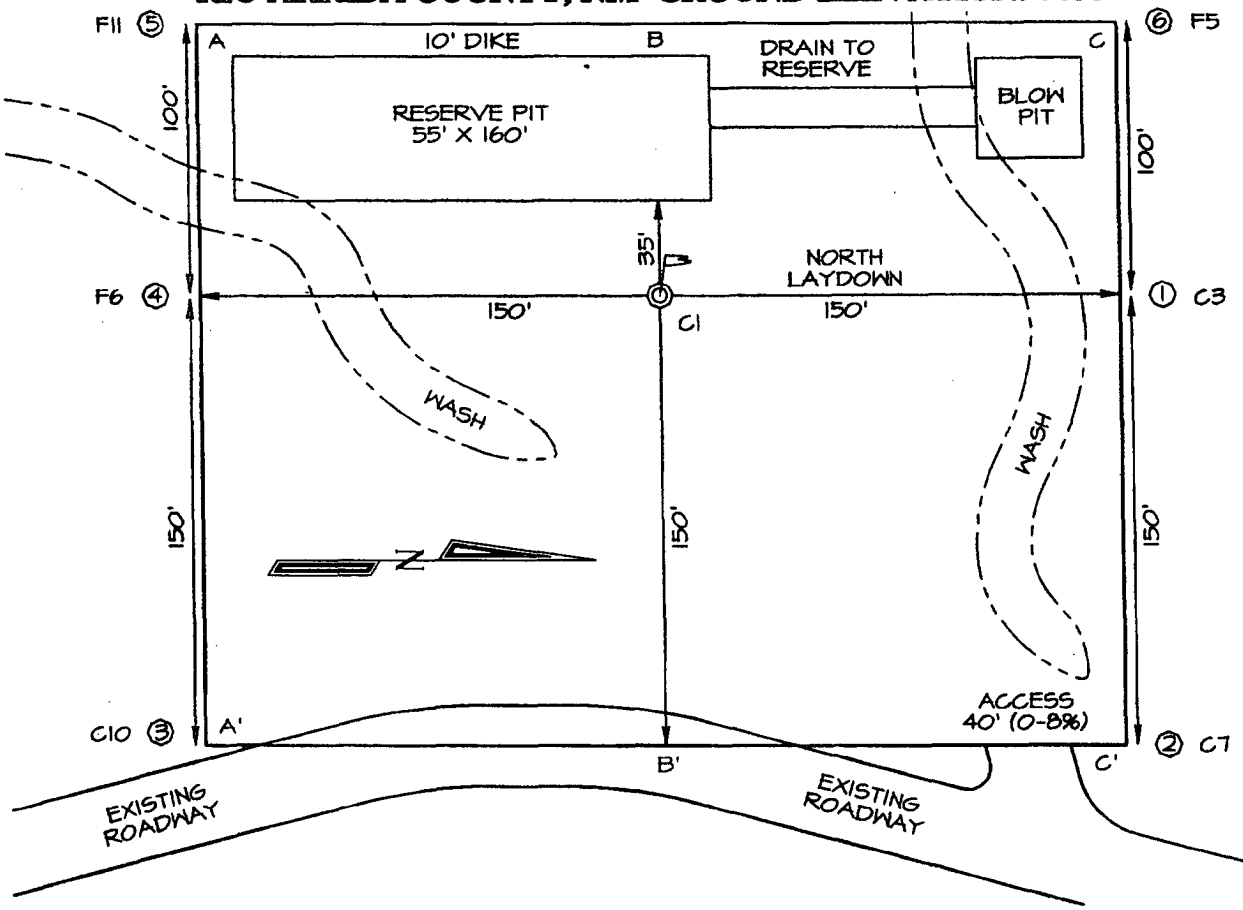
Type or print name Robert E. Fielder E-mail address: pmci@acs-online.net Telephone No. (505)632.3869

For State Use Only

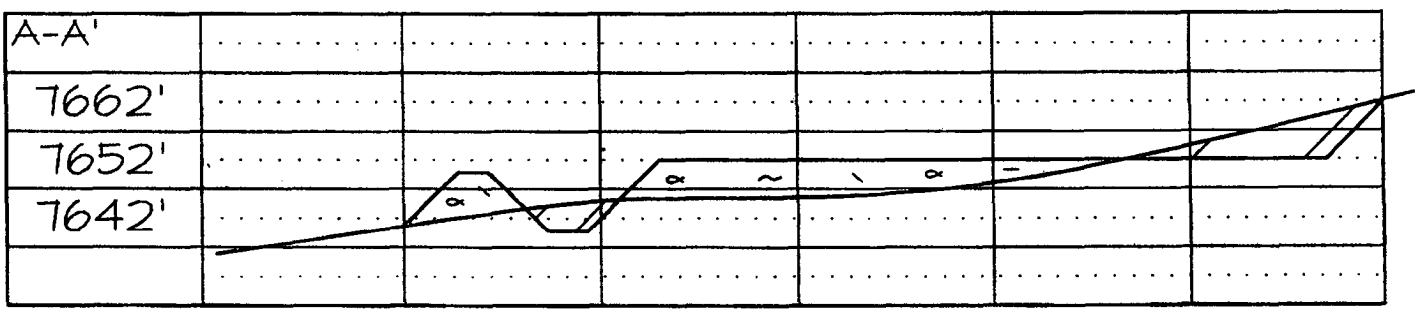
APPROVED BY: _____ TITLE DEPUTY OIL & GAS INSPECTOR DIST. #3 DATE FEB 27 2006

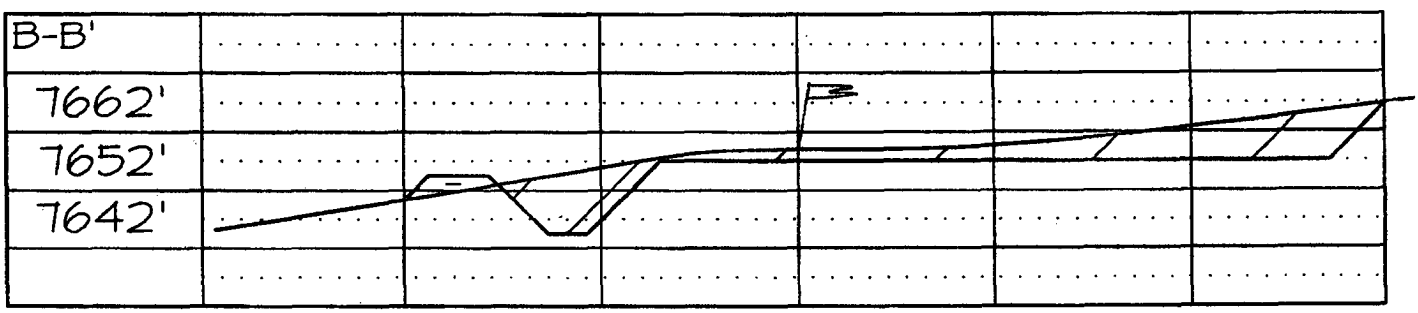
Conditions of Approval (if any):

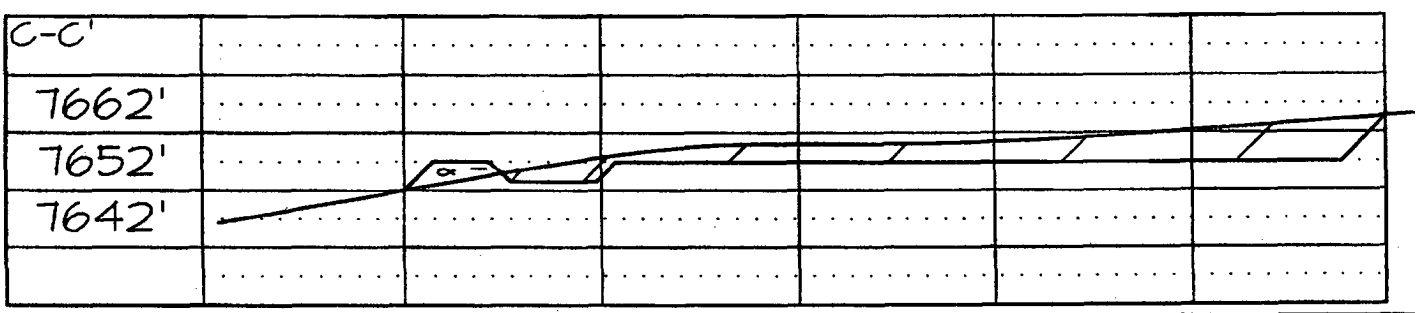
McELVAIN OIL & GAS PROPERTIES ELK COM 34 #2
680' FSL, 1800' FEL, SECTION 34, T26N, R2W, NMPM
RIO ARRIBA COUNTY, NM GROUND ELEVATION: 7653'



LATITUDE: 36°26'10"
LONGITUDE: 107°02'02"
DATUM: NAD1927

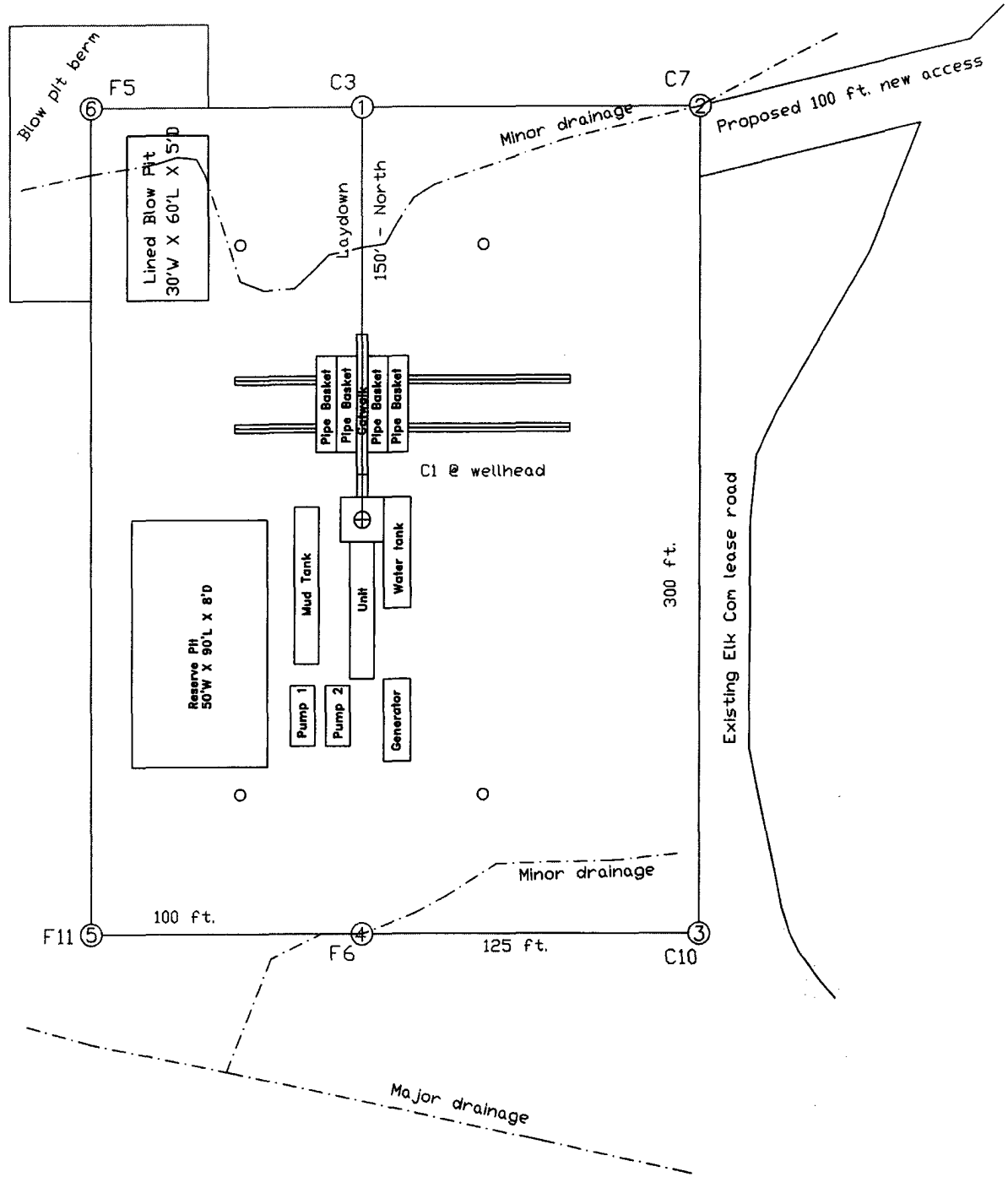






1) Cut wood and haul to Monroe cabin.
2) Stumps and slash pushed to construction buffer outside side 5-6 and winrowed for future reclamation.
3) Topsoil pushed up as temporary drainage diversions above the cut slope along sides 1-2 and 3-4.
4) Side 2-3 rounded in 25 ft. Stakes are currently set at 150 ft.

Scale: 1 inch = 60 feet



McElvain Oil & Gas Properties, Inc.

Wellsite Layout

Elk Com 34 No. 2
680' FSL & 1800' FEL
Section 34, T26N, R2W, NMPM
Rio Arriba Co., New Mexico

McElvain Oil & Gas Properties, Inc.
Elk Com 34 No. 2
680' FSL & 1800' FEL
Section 34, T26N, R2W, NMPM
Rio Arriba County, New Mexico

TEN POINT DRILLING PROGRAM

1. **Surface Formation:** San Jose

2. **Surface Elevation:** 7653'GL.

3. **Estimated Formation Tops:**

Formation	Top - feet	Expected Production
Nacimiento	2002	
Ojo Alamo	3502	
Fruitland	3752	
Pictured Cliffs	3872	GAS
Lewis	4102	
Intermediate TD	4302	
Huerfanito	4367	
Chacra	4867	
Cliff House	5592	GAS
Menefee	5707	GAS
Pt. Lookout	6007	GAS
Upper Mancos	6257	
TOTAL DEPTH	6407	

4. **Surface Hole Program:**

Bit: Drill a 12 1/4" hole to 300' 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:

Interval (ft)	Weight (ppg)	Ph	Vis(sec/qt)	Water Loss
0 - 300	8.6 or less	9.0-9.5	40 - 50	No Control

Casing and Cementing: A string of 9⅝" 36# J-55 or K-55 ST&C casing will be set and cemented to the surface in a single stage with 160 sacks of Class "B" cement (yield = 1.18 cf/sk) containing 3% $CaCl_2$ and 0.25 pps 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 12¼" by 9⅝" 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.

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

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

Centralizers: Run three (3) 9⅝" X 12 ¼" 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 ¾" hole to 4302' 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:

Interval (ft)	Weight (ppg)	Ph	Vis(sec/qt)	Water Loss
300 - 3700	8.6 - 8.8	9.0-9.5	28 - 35	10 - 12
3700 - 4302	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.

5. **Intermediate 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 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.

Logging Program: No logs will be run in this section

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 ± 2152'. **Stage 1** (4302' - 2152') will be cemented with 170 sacks (360.4 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** (2152' - surface) will be cemented with 200 sacks (424.0 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. Follow 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.

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 8¾" bowspring centralizers will be run across all prospective pays and 5 - 7" X 8¾" 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 6407' 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.

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

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: Gamma Ray Induction and Compensated density/Epithermal neutron logs from TD to intermediate casing shoe. Merge deep induction curve onto porosity logs. Pull gamma ray log to surface for correlation purposes.

Casing and Cementing Program: Run 4 ½" 10.5# J-55 production liner from TD to 120 feet into intermediate casing. Cement in a single stage with 120 sacks (241.2 cf) of 65/35 Class H Poz containing 5 pps gilsonite and 0.25 pps celloflake mixed at 12.3 PPG to yield 2.01 cf/sk. Followed with 110 sacks (146.3 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.

Centralizers: 7 - 4½" X 6⅛" rigid centralizers will be run across prospective pays of the Mesa Verde.

Float Equipment: Cement nose float shoe, 1 joint 4 1/2" 10.5 # casing, and plug landing collar. TIW 4½" X 7" liner hanger.

7. **Auxiliary Equipment:**

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

8. **Logging Program:**

Gamma Ray Induction and Epithermal Neutron / Formation Density will be run from TD to intermediate casing shoe. Bulk density will be presented on a 5 " scale through the coals in the Menefee. Deep induction curve will be merged onto the porosity log. Gamma ray will be pulled from intermediate casing shoe to surface casing shoe.

Coring and Testing Program:

No cores or drill stem tests are planned.

9. **Abnormal Pressure:**

Although not expected, abnormal pressures are possible in the Fruitland formation.

Estimated Bottom Hole Pressure:

1500 - 2000 psig.

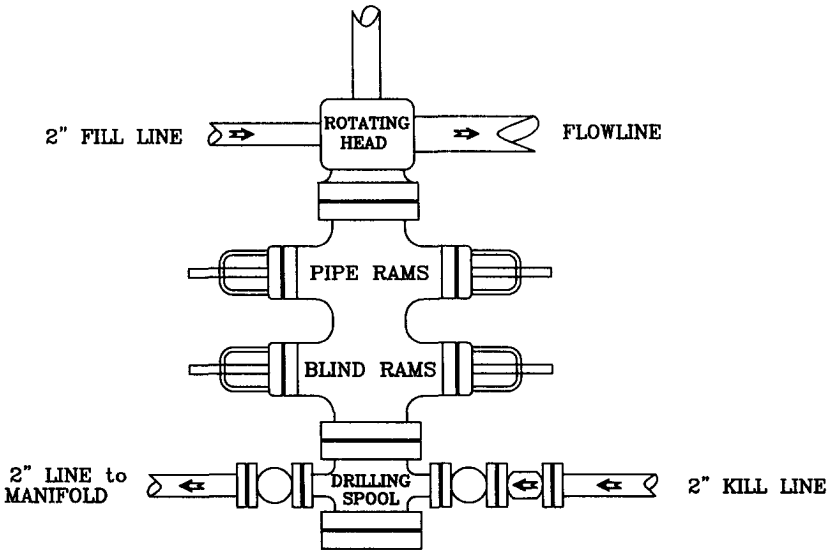
10. **Anticipated Starting Date:**

February 10, 2006

Duration of Operations: It is estimated a total of 10 days will be required for drilling operations and 10 days for the completion operation.

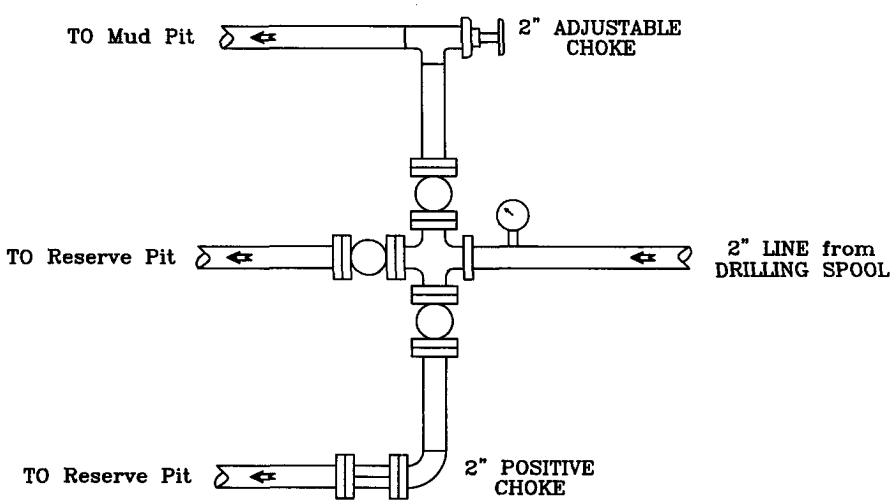
PRESSURE CONTROL

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.

Elk Com 34 No. 2

680' FSL – 1800' FEL

Section 34, T26N, R2W, NMPM

Rio Arriba County, New Mexico