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Form 3160-3
(April 2004)

SEP 07 2006

FORM APPROVED
OMB No. 1004-0137
Expires March 31, 2007

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT
Durango, Colorado

APPLICATION FOR PERMIT TO DRILL OR REENTER

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. 21-D
3b. Phone No. (include area code) 303.296.4505		9. API Well No. 30-045-34113
4. Location of Well (Report location clearly and in accordance with any State requirements.) At surface 1700' FSL - 1645' FEL, Section 21, T31N, R14W, NMPM At proposed prod. zone same		10. Field and Pool, or Exploratory Basin Dakota
14. Distance in miles and direction from nearest town or post office* 12 miles North of Kirtland, New Mexico		11. Sec., T. R. M. or Blk. and Survey or Area Section 21, T31N, R14W, NMPM
15. Distance from proposed* location to nearest property or lease line, ft. (Also to nearest drig. unit line, if any) 1700 ft. 995 ft.	16. No. of acres in lease 6360 acs.	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. 1000 ft(P&A)	19. Proposed Depth 4500 ft	20. BLM/BIA Bond No. on file B001404
21. Elevations (Show whether DF, KDB, RT, GL, etc.) 5594' GL	22. Approximate date work will start* 01/01/2007	23. Estimated duration 25 days

*Valid / Permit approved for 30 days
for NTL-4A*

24. Attachments

*APPROVED FOR A PERIOD
NOT TO EXCEED 1 YEAR*

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 09/06/2006
Title Agent		

Approved by (Signature) <i>Michael J. [Signature]</i>	Name (Printed/Typed) Acting Field Office Manager	DEC 14 2006
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)

*File Application for pit permit on NMOC Form C-103 prior to
Constructing Location*

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.

SEE ATTACHED
CONDITIONS OF APPROVAL

12/22/06

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-102
Revised February 21, 1994
Instructions on back
Submit to Appropriate District Office
State Lease - 4 Copies
Fee Lease - 3 Copies

☐ AMENDED REPORT

RCVD DEC18'06
OIL CONS. DIV.
DIST. 3

WELL LOCATION AND ACREAGE DEDICATION PLAT

*API Number 30-045-34113		*Pool Code 71599	*Pool Name BASIN DAKOTA
*Property Code 35229	*Property Name UTE MOUNTAIN TRIBAL		*Well Number 21D
*GRID No. 234144	*Operator Name ELK SAN JUAN, INC.		*Elevation 5594'

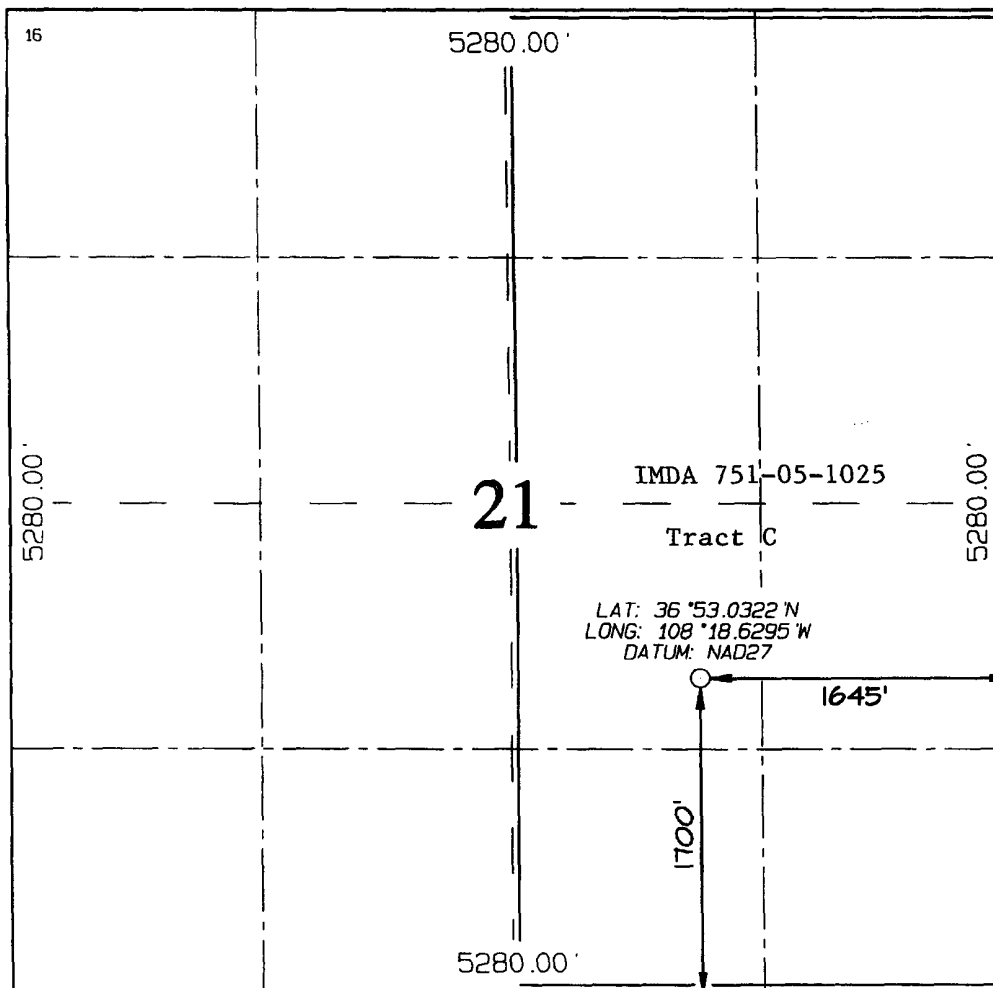
¹⁰ Surface Location

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
J	21	31N	14W		1700	SOUTH	1645	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



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
September 6, 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.

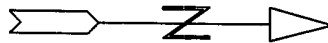
Date of Survey: JUNE 22, 2005

Signature and Seal of Professional Surveyor



JASON C. EDWARDS
Certificate Number 15269

6

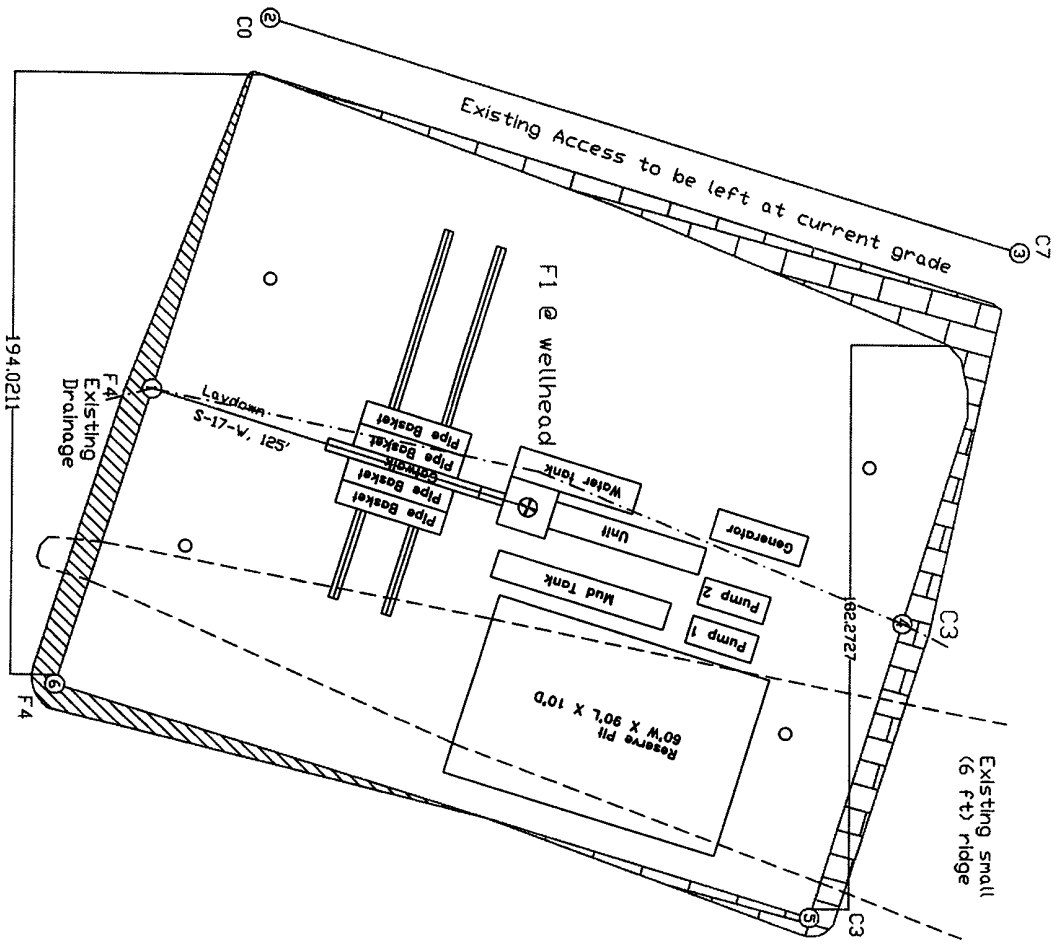


Scale: 1 inch = 60 feet

Elk San Juan, Inc.

Drilling Wellsite Layout

Ute Mountain Tribal No. 21-D
1700' FSL & 1645' FEL
Section 21, T31N, R14W, NMPM
San Juan Co., New Mexico



Elk San Juan, Inc.
Ute Mountain Tribal No. 21-D
1700' FSL & 1645' FEL
Section 21, T31N, R14W, NMPM
San Juan County, New Mexico

TEN POINT DRILLING PROGRAM

1. Surface Formation: Lewis
2. Surface Elevation: 5594' GL.
3. Estimated Formation Tops:

<u>Formation</u>	<u>Top - feet</u>	<u>Expected Production</u>
Lewis	surface	
Cliff House	750	
Menefee	905	
Pt. Lookout	1652	
Upper Mancos	2009	
Gallup	3045	GAS/OIL
Tocito	3119	
Sanastee	3301	
Lower Mancos	3498	
Greenhorn	3879	
Graneros	3945	GAS
Dakota	4000	GAS
Burro Canyon	4110	
Morrison	4215	
TOTAL DEPTH	4500	

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.

Drilling Program
Elk San Juan, Inc.
Ute Mountain Tribal No. 21-D
Page Two

4. Surface Hole Program: - continued

Centralizers: Run three (3) 8 $\frac{3}{4}$ " 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 thread locked. Also thread lock connection between first and second joint run.

5. Production Hole Program:

Bit: Drill a 7 $\frac{1}{4}$ " hole to 4500' 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 - 3498	8.6 - 8.8	9.0-9.5	28 - 35	10 - 12
3498 - 4500	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. 21-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 500 sacks (920.0 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.

Drilling Program
Elk San Juan, Inc.
Ute Mountain Tribal No. 21-D
Page Four

Coring and Testing Program:

No cores or drill stem tests are planned.

8. Abnormal Pressure:

None anticipated.

Estimated Bottom Hole Pressure:

1500 - 2000 psig.

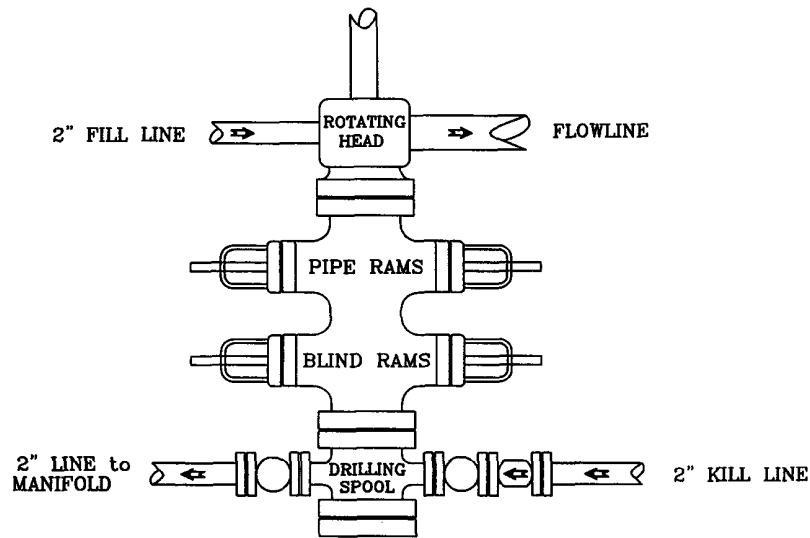
9. Anticipated Starting Date:

January 1, 2007

Duration of Operations: It is estimated a total of 15 days will be required for drilling operations and 10 days for the completion operation.

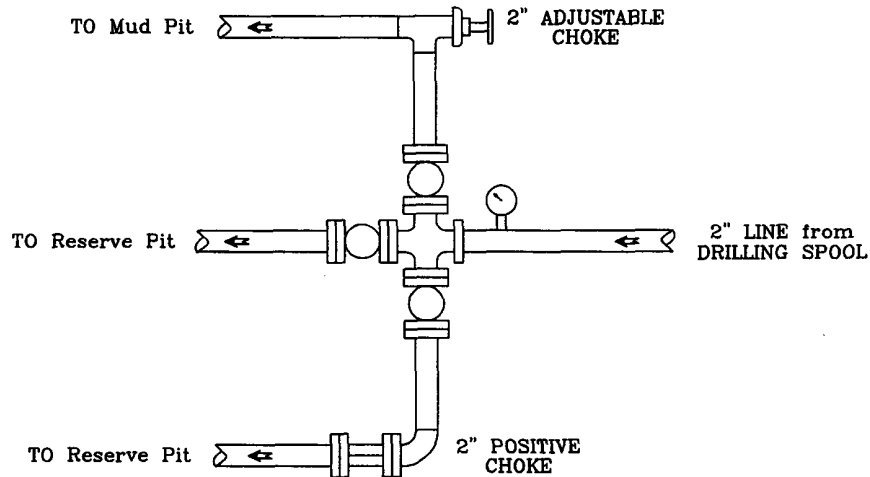
PRESSURE CONTROL

Wellhead Assembly



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

Choke Manifold



Elk San Juan, Inc.

Ute Mountain Tribal No. 21-D

1700' FSL - 1645' FEL

Section 21, T31N, R14W, NMPM

San Juan Co., New Mexico