

Form 3160-3
(April 2004)

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

APPLICATION FOR PERMIT TO DRILL OR REENTER

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

1a. Type of work: <input checked="" type="checkbox"/> DRILL <input type="checkbox"/> REENTER		5. Lease Serial No. 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 # 29
3b. Phone No. (include area code) 303.296.4505		9. API Well No. 30-045-34123
4. Location of Well (Report location clearly and in accordance with any State requirements.) At surface 990' FSL - 1650' FEL, Section 29, T31N, R14W, NMPM At proposed prod. zone same		10. Field and Pool, or Exploratory Basin Dakota
11. Sec., T. R. M. or Blk. and Survey or Area Section 29, 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) 1650 990 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. 1250	19. Proposed Depth 5400 ft
20. BLM/BIA Bond No. on file B001404	21. Elevations (Show whether DF, KDB, RT, GL, etc.) 5523' GL	22. Approximate date work will start* 01/01/2007
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 surveying / Flaring approved for 30 days per NML-CA
- 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 11/27/2006
Title Agent	SEE ATTACHED CONDITIONS OF APPROVAL	
Approved by (Signature) <i>Brian W. Davis</i>	Name (Printed/Typed) Brian W. Davis	Date DEC 18 2006
Title Acting Field Office Manager	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 pit permit application on NM OGD 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...

RECEIVED

NOV 30 2006

Bureau of Land Management
Durango, Colorado

B 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 DEC20'06

OIL CONS. DIV.

WELL LOCATION AND ACREAGE DEDICATION PLAT

*API Number 30-045-34123		*Pool Code 71599	*Pool Name BASIN DAKOTA	DIST. 3
*Property Code 35229	*Property Name UTE MOUNTAIN TRIBAL			*Well Number 2908
*OGRID No. 234144	*Operator Name ELK SAN JUAN, INC.			*Elevation 5523'

¹⁰ Surface Location

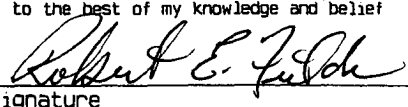

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
0	29	31N	14W		990	SOUTH	1650	EAST	SAN JUAN

¹¹ Bottom Hole Location If Different From Surface

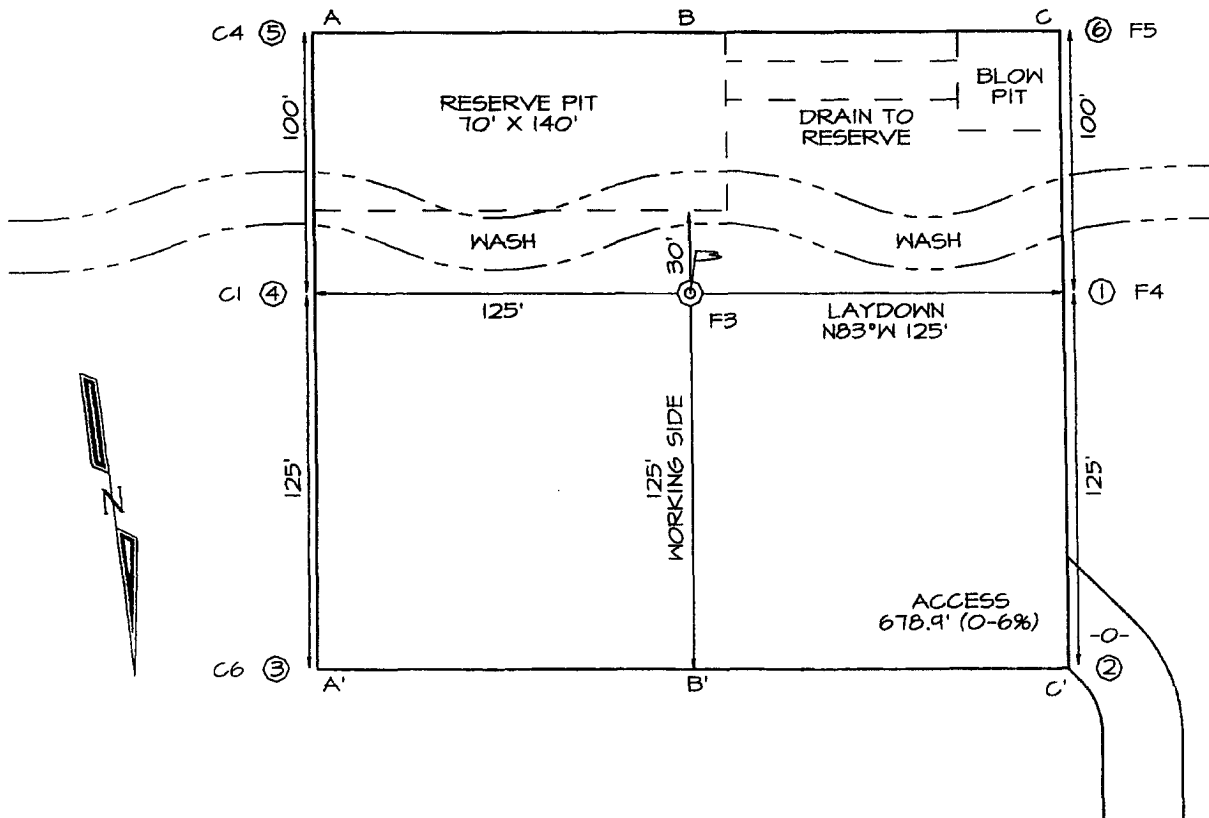
UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County

¹² Dedicated Acres 320.0 Acres - E/2	¹³ Joint or Infill	¹⁴ Consolidation Code	¹⁵ Order No.
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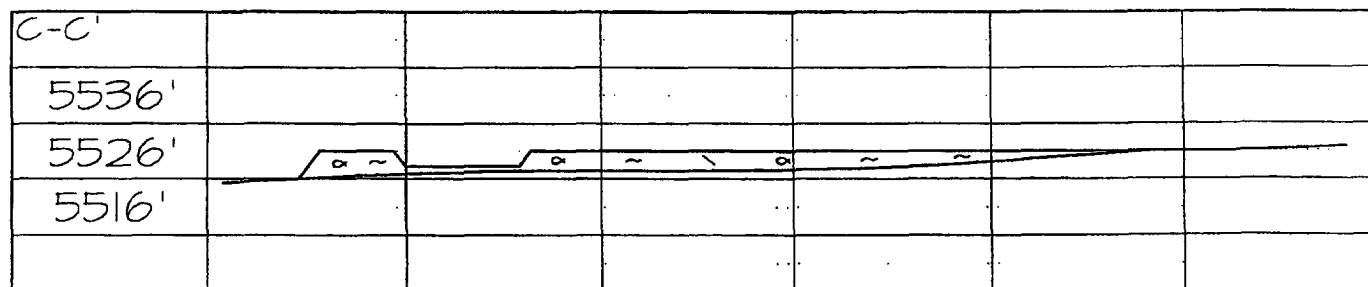
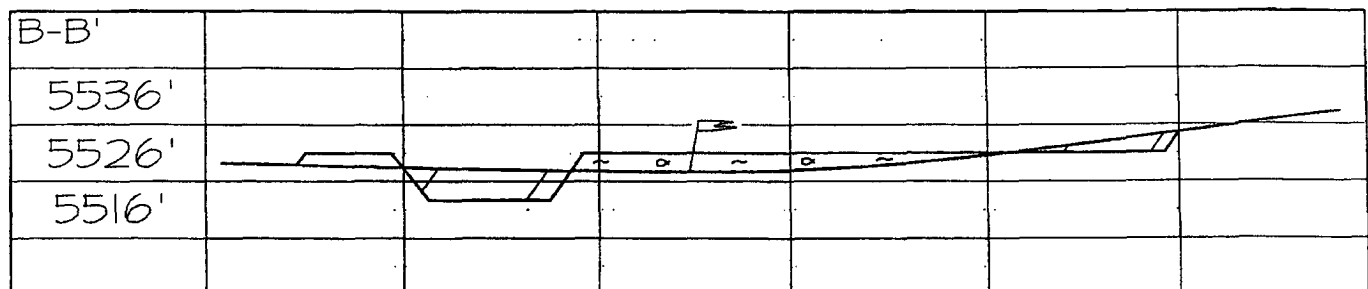
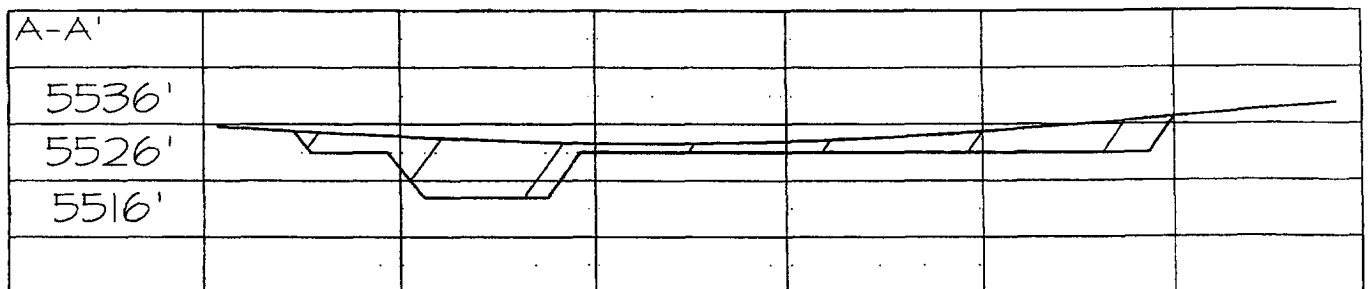
NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED
OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION

<div>15</div> <div>5281.32'</div> <div>5280.00'</div> <div>29</div> <div>5280.00'</div> <div>1650'</div> <div>990'</div> <div>LAT: 36.86743°N LONG: 108.32918°W DATUM: NAD83</div>	<div>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 November 27, 2006 Date</div> <div>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 9, 2006 Signature and Seal of Professional Surveyor  JASON C. EDWARDS Certificate Number 15269</div>
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**ELK SAN JUAN, INC. UTE MOUNTAIN TRIBAL #29D
990' FSL & 1650' FEL, SECTION 29, T31N, R14W, NMPM
SAN JUAN COUNTY, NEW MEXICO ELEVATION: 5523'**



**LATITUDE: 36.86743° N
LONGITUDE: 108.32918° W
DATUM: NAD1983**



Elk San Juan, Inc.
Ute Mountain Tribal No. 29-D
990' FSL & 1650' FEL
Section 29, T31N, R14W, NMPM
San Juan County, New Mexico

TEN POINT DRILLING PROGRAM

1. **Surface Formation:** Fruitland
2. **Surface Elevation:** 5523' GL.
3. **Estimated Formation Tops:**

<u>Formation</u>	<u>Top - feet</u>	<u>Expected Production</u>
Fruitland	surface	
Pictured Cliffs	<100	
Lewis	300	
Cliff House	1450	
Menefee	1605	
Pt. Lookout	2352	
Upper Mancos	2709	
Gallup	3745	GAS/OIL
Tocito	3819	
Sanastee	4001	
Lower Mancos	4198	
Greenhorn	4579	
Graneros	4645	GAS
Dakota	4700	GAS
Burro Canyon	4810	
Morrison	4915	
TOTAL DEPTH	5400	

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.

Drilling Program
Elk San Juan, Inc.
Ute Mountain Tribal No. 29-D
Page Two

Surface Hole Program: - continued

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.

Centralizers: Run three (3) 8 $\frac{3}{8}$ " 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 5400' using TCI, IADC Class 447 bits. 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 - 3700	8.6 - 8.8	9.0-9.5	28 - 35	10 - 12
3700 - 5400	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.

Drilling Program
Elk San Juan, Inc.
Ute Mountain Tribal No. 29-D
Page Three

5. Production Hole Program: - continued

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 ½" 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: 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 two stages with a mechanical DV tool set at 3745'±. **Stage One: (TD -3745')** Cement with 100 sacks (184.0 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. **Stage Two: (3745' - surface)** Cement with 430 sacks (911.6 cf) of 65/35 Class B POZ containing 6% gel, 5 pps gilsonite and 0.25 pps celloflake mixed at 12.1 ppg to yield 2.12 cf/sk. Tail in with 50 sacks (63.0 cf) of Class B with 2% CaCl₂, 5 pps gilsonite and 0.25 pps celloflake mixed at 15.26 ppg to yield 1.26 cf/sk.

Circulate and WOC at least four hours between stages.

TOC to at least 250' - Run Cbl or TS if not circulated
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 7½" bowspring centralizers will be run across all prospective pays and 4 - 5½" X 7½" 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.

6. Auxiliary Equipment:

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

Drilling Program
Elk San Juan, Inc.
Ute Mountain Tribal No. 29-D
Page Four

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.

Coring and Testing Program:

No cores or drill stem tests are planned.

8. Abnormal Pressure:

None anticipated.

Estimated Bottom Hole Pressure:

1700 - 2700 psig.

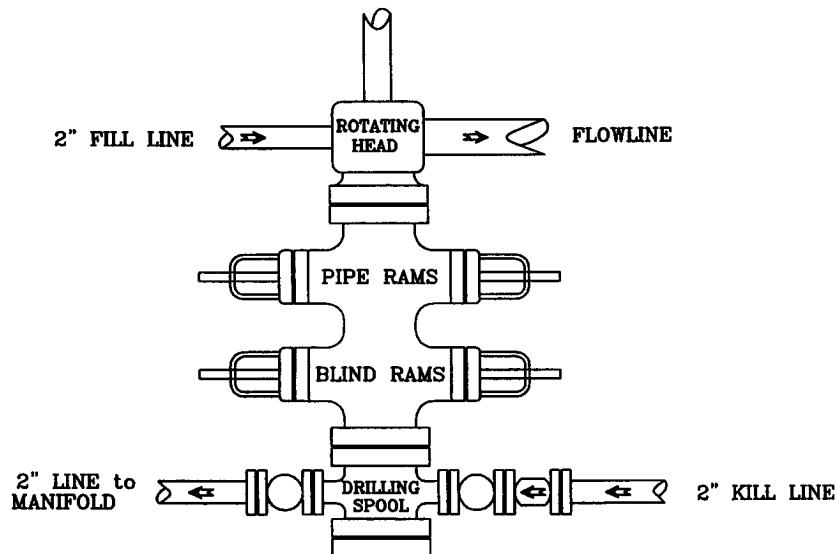
9. Anticipated Starting Date:

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.

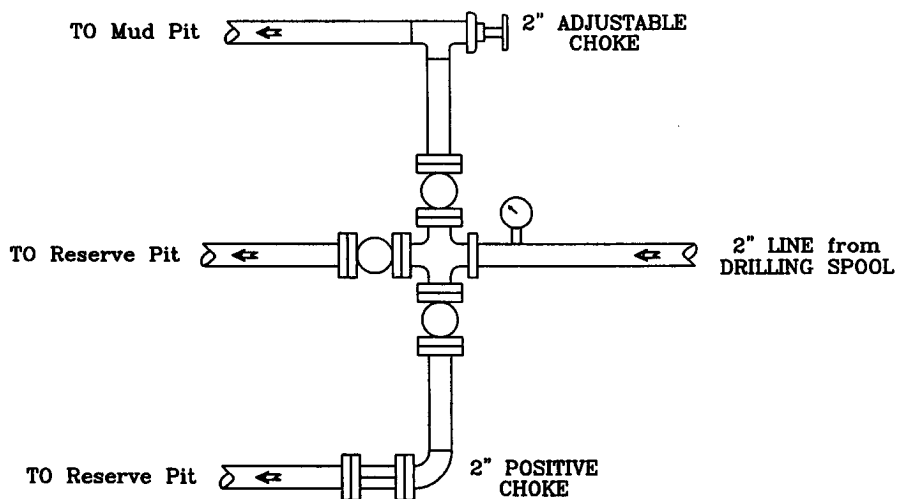
PRESSURE CONTROL

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. 29D

990' FSL - 1650' FEL

Section 29, T31N, R14W, NMPM

San Juan County, New Mexico