

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

APPLICATION FOR PERMIT TO DRILL OR REENTER

RECEIVED

OCT 19 2007

Bureau of Land Management
Farmington Field Office

FORM APPROVED
OMB No. 1004-0137
Expires July 31, 2010

1a. Type of work. <input checked="" type="checkbox"/> DRILL <input type="checkbox"/> REENTER		6. If Indian, Allottee or Tribe Name
1b. Type of Well: <input type="checkbox"/> Oil Well <input checked="" type="checkbox"/> Gas Well <input type="checkbox"/> Other <input type="checkbox"/> Single Zone <input checked="" type="checkbox"/> Multiple Zone		7. If Unit or CA Agreement, Name and No. NMM-9 9478-FC
2. Name of Operator McElvain Oil & Gas Properties, Inc.		8. Lease Name and Well No. Reya No. 2
3a. Address 1050 17th Street, Suite 1800 Denver, CO 80265-1801	3b. Phone No. (include area code) 303.893.0933X302	9. API Well No. 30-045-34472
4. Location of Well (Report location clearly and in accordance with any State requirements.) At surface 683' FSL - 711' FWL, Section 20, T30N, R13W, NMPM At proposed prod. zone same		10. Field and Pool, or Exploratory Basin Fruitland Coal/Hagerman Fld PG
14. Distance in miles and direction from nearest town or post office* 5 miles northwest of Farmington, NM		11. Sec., T. R. M. or Blk. and Survey or Area M
15. Distance from proposed* location to nearest property or lease line, ft. 634 ft. (Also to nearest drg. unit line, if any) 683 ft.	16. No. of acres in lease 2553.94	12. County or Parish San Juan
18. Distance from proposed location* to nearest well, drilling, completed, applied for, on this lease, ft. 1200	19. Proposed Depth 1409 ft	13. State NM
21. Elevations (Show whether DF, KDB, RT, GL, etc.) 5460' GL	22. Approximate date work will start* 11/01/2007	17. Spacing Unit dedicated to this well S/2-320.0 acs/ SW4- 160.0 acs
24. Attachments		20. BLM/BIA Bond No. on file COB00010 000009
		23. Estimated duration 10 days DIST. 3

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.
2. A Drilling Plan.
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).
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 BLM.

25. Signature Robert E. Fielder	Name (Printed/Typed) Robert E. Fielder	Date 10/18/2007
Title Agent		
Approved by (Signature) Wayne Townsend	Name (Printed/Typed) Wayne Townsend	Date 11/2/07
Title 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.

NOTIFY AZTEC OGB 24 HRS. PRIOR TO CASING & CELEBRATE

Obtain a pit permit from NMOCD prior to constructing location

NMOCD

NOV 2 16 2007

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

*(Instructions on page 2)
ACCEPTANCE OF THIS ACTION DOES NOT RELIEVE THE LESSEE AND OPERATOR FROM OBTAINING ANY OTHER AUTHORIZATION REQUIRED FOR OPERATIONS ON FEDERAL AND INDIAN LANDS

DRILLING OPERATIONS AUTHORIZED ARE SUBJECT TO COMPLIANCE WITH ATTACHED "GENERAL REQUIREMENTS".

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 & Mining Resources Department
OIL CONSERVATION DIVISION
2040 South Pacheco
Santa Fe, NM 87505

Form C - 102
Revised October 12, 2005
Submit to Appropriate District Office
State Lease - 4 Copies
Fee Lease - 3 Copies

☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

APA Number 30-045-34472	Pool Code 71629/78160	Pool Name Basin Fruitland Coal/Harper Hill Fruitland Sand PC
Property Code 36593	Property Name Reya	Well Number 2
GRID No. 22044	Operator Name McElvain Oil & Gas Properties, Inc.	Elevation 5460' GL

UL or Lot	Sec.	Twp.	Rge.	Lot Lh.	Feet from >	North/South	Feet from >	East/West	County
M	20	30 N.	13 W.		683'	SOUTH	71'	West	SAN JUAN

Bottom Hole Location if Different From Surface

UL or Lot	Sec.	Twp.	Rge.	Lot Lh.	Feet from >	North/South	Feet from >	East/West	County

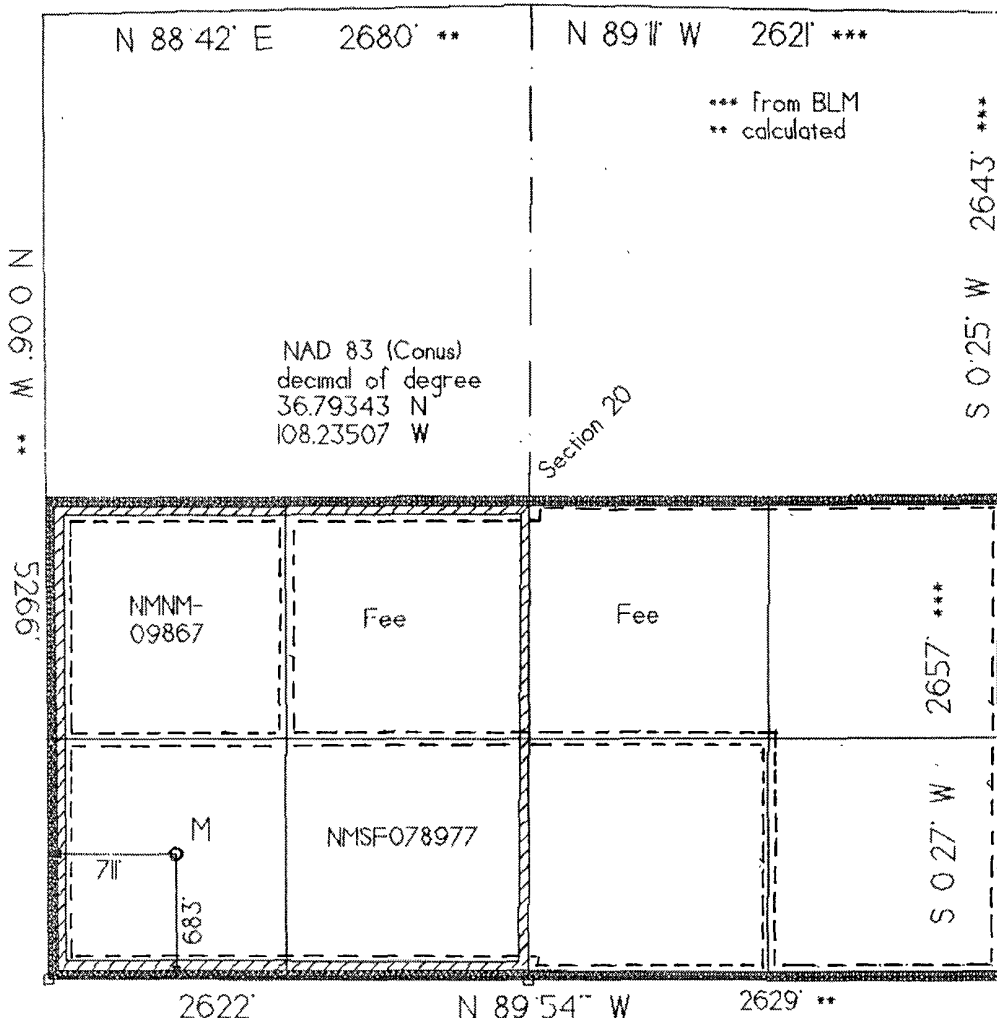
Dedicated Acres S2-320/SW4-160	Joint or Infill Y	Consolidation Code	Order No.
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RCUD NOV 19 '07
OIL CONS. DIV.
DIST. 3

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.

78160 spacing unit

71629 spacing unit



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 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 pool agreement or a compulsory pooling order heretofore entered by the division.	
Date	11/17/07
Signature	Robert E. Fielder
Printed Name	
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	rev. 11/16/07
Signature and Seal of Professional Surveyor	
Certificate Number 6844	

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1220 S. St. Francis Dr., Santa Fe, NM 87505

State of New Mexico

Energy, Minerals & Natural Resources Department

OIL CONSERVATION DIVISION

1220 South St. Francis Dr.

Santa Fe, NM 87505

Form C-102

Revised October 12, 2005

Submit to Appropriate District Office

State Lease - 4 Copies

Fee Lease - 3 Copies

☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

¹ API Number 30-045- 34472	² Pool Code 71629/71600 77260	³ Pool Name Basin Fruitland Coal/Harper-Hill Fruitland Sand PG Fulcher Rutz PL.
⁴ Property Code 36593	⁵ Property Name Reya	⁶ Well Number 2
⁷ OGRID No. 22044	⁸ Operator Name McElvain Oil & Gas Properties, Inc. Bureau of Land Management Sanmington Field Office	⁹ Elevation 5460' GL

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
M	20	30N	13W		683	South	711	West	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 S2-320/SW4-160	¹³ Joint or Infill Y	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.

 78160 spacing unit  71629 spacing unit

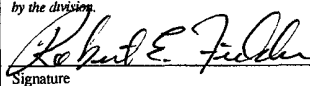
¹⁶ 2667.06'	588°17'W	2620.86'	N89°11'W	¹⁷ OPERATOR CERTIFICATION I hereby certify that the information contained herein is true and complete in the best of my knowledge and belief, and that this organization either owns a working interest or unleased mineral interest in the land including the proposed 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.  Signature Robert E. Fielder Printed Name Date 10/18/07
N0°02'W				
				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. 5/15/2003 Date of Survey Signature and Seal of Professional Surveyor: Location originally surveyed by Gerald Huddelston 6844 Certificate Number

Diagram details: A well location diagram showing a 20-acre section. The well is located 711' from the North line and 683' from the West line. The section is divided into four 5-acre units. The bottom-left unit is labeled NMNM-09867. The bottom-right unit is labeled NMSF078977. The bottom-right unit is also labeled FEE. The bottom-right unit is also labeled 5256.90'. The bottom-right unit is also labeled N89°54'W. The bottom-right unit is also labeled 2656.50'. The bottom-right unit is also labeled N0°27'E. The bottom-right unit is also labeled 2642.64'. The bottom-right unit is also labeled N0°25'E.

Submit 3 Copies To Appropriate District Office
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District IV
1220 S. St Francis Dr., Santa Fe, NM 87505

State of New Mexico
Energy, Minerals and Natural Resources

Form C-103
May 27, 2004

OIL CONSERVATION DIVISION
1220 South St. Francis Dr.
Santa Fe, NM 87505

WELL API NO. 30-045-34472
5. Indicate Type of Lease STATE <input type="checkbox"/> FED <input checked="" type="checkbox"/>
6. State Oil & Gas Lease No.
7. Lease Name or Unit Agreement Name Reya
8. Well Number 2
9. OGRID Number 22044
10. Pool name or Wildcat Basin Fruitland Coal/Harper Hill Frt. PC

Pit or Below-grade Tank Application X or Closure ☐

Pit type Drilling Depth to Groundwater 30-70 ft Distance from nearest fresh water well >1000 ft Distance from nearest surface water 400 ft

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

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.)

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

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

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

4. Well Location
Unit Letter M : 683 feet from the South line and 711 feet from the West line
Section 20 Township 30N Range 13W NMPM San Juan County

11. Elevation (Show whether DR, RKB, RT, GR, etc.)
5460' GL

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

NOTICE OF INTENTION TO:

PERFORM REMEDIAL WORK ☐ PLUG AND ABANDON ☐
TEMPORARILY ABANDON ☐ CHANGE PLANS ☐
PULL OR ALTER CASING ☐ MULTIPLE COMPL ☐

OTHER: Pit Permit ☒

SUBSEQUENT REPORT OF:

REMEDIAL WORK ☐ ALTERING CASING ☐
COMMENCE DRILLING OPNS. ☐ P AND A ☐
CASING/CEMENT JOB ☐

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. proposes to construct a lined 25' W X 80' L X 8' D reserve pit in conjunction with the construction of this location.

RCVD NOV 13 '07
OIL CONS. DIV.
DIST. 3

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 ☐, a general permit ☐ or an (attached) alternative OCD-approved plan ☐.

SIGNATURE Robert E. Fielder TITLE Agent DATE 11/12/07

Type or print name Robert E. Fielder
For State Use Only

E-mail address: pmci@advantas.net

Telephone No. 505.320.1435

APPROVED BY: Brandon Powell TITLE Deputy Oil & Gas Inspector, District #3 DATE NOV 19 2007

Conditions of Approval (if any):

McElvain Oil & Gas Properties, Inc.
Reya No. 2
683' FSL & 711' FWL
Section 20, T30N, R13W, NMPM
San Juan County, New Mexico

TEN POINT DRILLING PROGRAM

1. Surface Formation: Ojo Alamo
2. Surface Elevation: 5460' GL.
3. Estimated Formation Tops:

<u>Formation</u>	<u>Top - feet</u>	<u>Expected Production</u>
Ojo Alamo	surface	
Kirtland	609	
Fruitland	1009	GAS
Pictured Cliffs	1259	GAS
TOTAL DEPTH	1409	

4. Surface Hole Program:

Bit: Drill an 12 $\frac{1}{4}$ " hole to 200' 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:

<u>Interval (ft)</u>	<u>Weight (ppg)</u>	<u>Ph</u>	<u>Vis(sec/qt)</u>	<u>Water Loss</u>
0 - 200	8.6 or less	9.0-9.5	40 - 50	No Control

Casing and Cementing: A string of 8 $\frac{5}{8}$ " 24 ppf J-55 or K-55 ST&C casing will be set and cemented to the surface in a single stage with 140 sacks (165.2 cf) 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 $\frac{1}{4}$ " by 8 $\frac{5}{8}$ " 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" 2000# BOPE. Pressure test BOPE to full working pressure using a test plug. Drill out cement to within five feet of surface casing shoe. Test surface casing and BOPE to a minimum of 600 psig for 15 minutes.

Centralizers: Run two (2) 8 $\frac{5}{8}$ " 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.

Drilling Program
McElvain Oil & Gas Properties, Inc.
Reya No. 2
Page Two

5. Production Hole Program:

Bit: Drill a 7 $\frac{1}{2}$ " hole to 1409' using a TCI, IADC Class 447 bit. WOB: 30-35K. RPM: 60 - 75. Hold RPM at 55 - 65 through Ojo Alamo.

Mud: Use a fresh water base polymer and water system to drill this section. If hole conditions dictate, mud up with 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>
200 - 1409	8.6 - 8.8	9.0-9.5	28 - 35	10 - 12

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 surface pit will be visually monitored and recorded on a routine basis.

Note: If mud up is required, 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.

Lost Circulation 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.

Pressure Control: A 2M psi BOP well control system will be utilized. BOP's and choke manifold will be installed and pressure tested to full working pressure. Surface casing and BOPE will be tested to a minimum of 600 psig before drilling out from under surfac4 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.

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

Casing and Cementing Program: Run 5 $\frac{1}{2}$ " 15.5 ppf J-55 production casing from surface to TD and cement in a single stage with 100 sacks (212.0 cf) of 65/35 Class B Poz containing 5 pps Gilsonite and 0.25 pps celloflake. Lead slurry mixed at 12.1 PPG to yield 2.12 cf/sk. Tail in with 130 sacks (153.4 cf) of Class B with 2% CaCl₂ and 0.25 pps celloflake mixed at 15.6 PPG to yield 1.18 cf/sk.

5. Production Hole Program: -continued

Slurry volumes assume a 50% excess over gauge hole volume to circulate to surface. 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: 5 - 5½" X 7¾" bowspring centralizers will be run across all prospective pays and 3 - 5½" X 7¾" turbolizers will be spaced such that one (1) is just below the base of the Fruitland coal, one just below the base of the Ojo Alamo and one (1) in the Ojo Alamo.

Float Equipment: Cement nose guide shoe, 1 joint 4½" casing, and float collar.

6. Auxiliary Equipment:

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

7. Logging Program:

Dual Induction and Epithermal Neutron / Formation Density will be run from TD to surface casing shoe. Bulk density will be presented on a 5 " scale through the coals. 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:

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

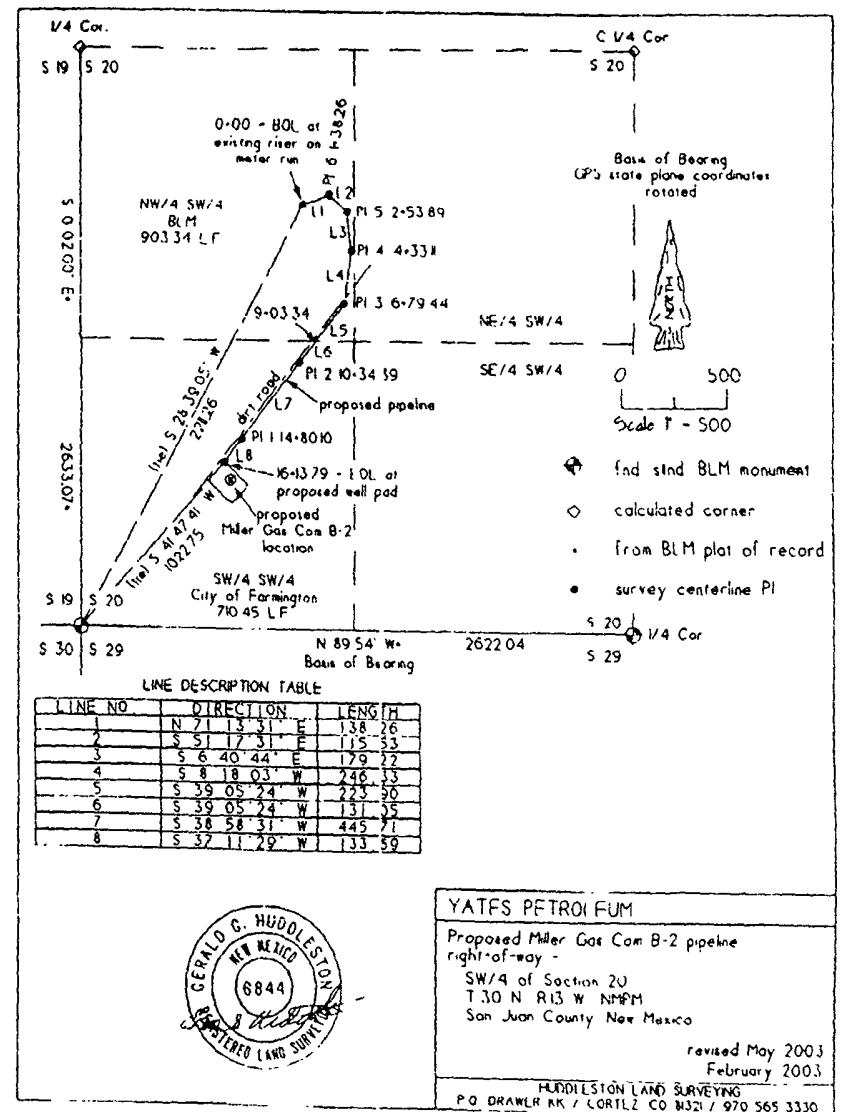
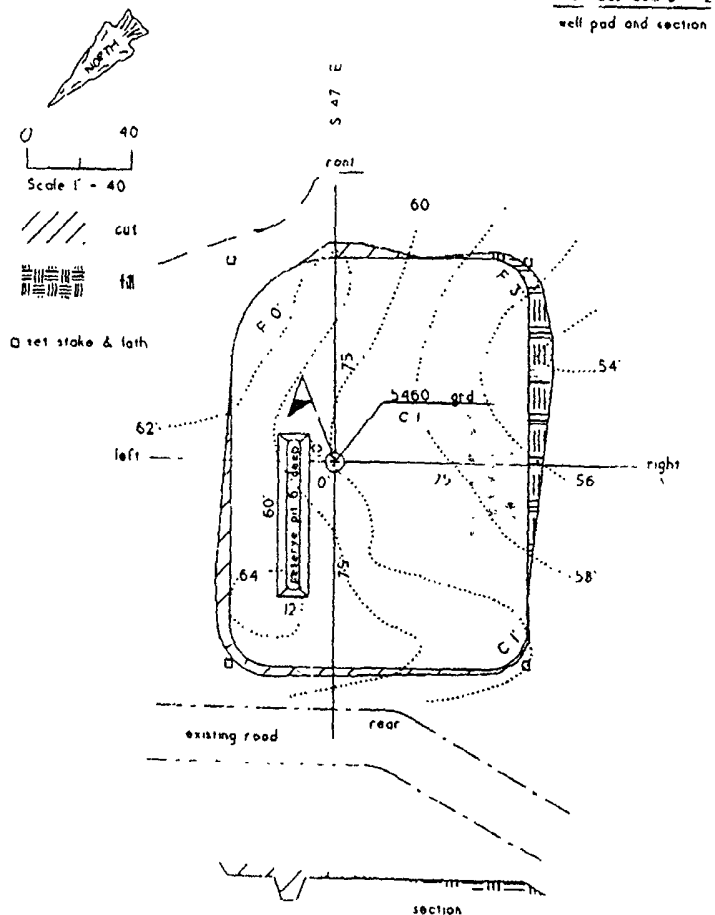
Estimated Bottom Hole Pressure:

250 - 300 psig.

9. Anticipated Starting Date:

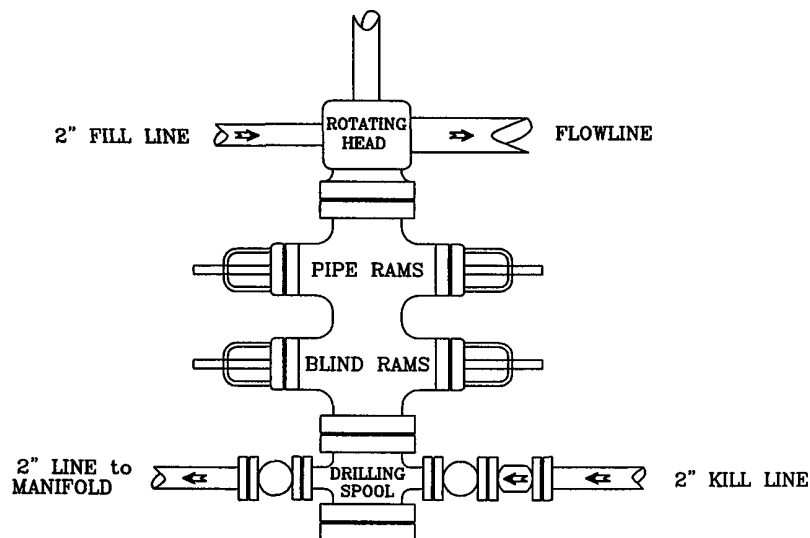
November 1, 2007

Duration of Operations: It is estimated a total of 6 days will be required for drilling operations and 5 days for the completion operation.



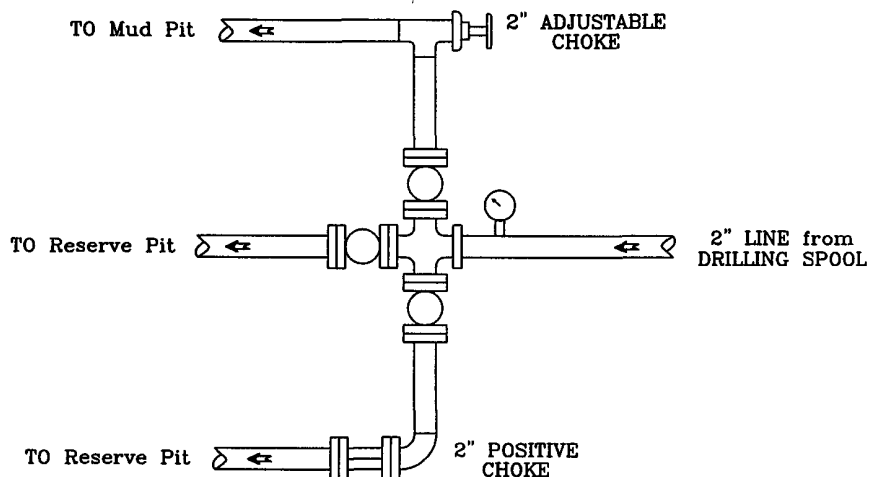
PRESSURE CONTROL

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.

Reya No. 2

683' FSL - 711' FWL

Section 20, T30N, R13W, NMPM

San Juan County, New Mexico