RECEIVED

Form 3160-3 (August 2007)

OCT 2 5 2007

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

DEPARTMENT OF THE INTERIOR au of Land Management BUREAU OF LAND MANAGEMENT armington Field Office

5. Lease Serial No NMSF078977

APPLICATION	FOR PERMIT	TO DRILL	OR REENTER

UNITED STATES

6. If Indian, Allotee or Tribe Name

RCUD NOV 30 '07

la. Type of work	NTER			7. If Unit or CA Agree	ment, Name and No.
lb. Type of Well. On Well Gas Well Other	✓ Si	ngle Zone 🔲 Multıp	le Zone	& Lease Name and W	
Name of Operator McElvain Oil & Gas Properties, Inc.				9. API Well No. 30 -045	7-34483
3a. Address 1050 17th Street, Suite 1800). (inchide area code)		10 Field and Pool, or E	xploratory
Denver, CO 80265-1801	303.893.09	933X302		Basin Fruitland Coal	
4. Location of Well (Report location clearly and in accordance with	h arry State requiren	ients.*)		11. Sec., T. R. M. or Bl	k. and Survey or Area
At surface 790' FSL - 1580' FEL, Section 19, T30N, F At proposed prod. zone same	R13W, NMPM			Section 19, T30N, F	R13W, NMPM
14. Distance in miles and direction from nearest town or post office* 5 miles northwest of Farmington, NM				12 County or Parish San Juan	13. State NM
15. Distance from proposed* 790 location to nearest property or lease line, ft. (Also to nearest drig. unit line, if any)	16. No of a 2553.94	acres in lease	S/2 - 2 6	ng Unit dedicated to this was the second of	rell
18. Distance from proposed location* to nearest well. drilling, completed, applied for, on this lease, ft	19. Propose 1544'	d Depth	20. BLM/BIA Bond No. on file COB00010		
21 Elevations (Show whether DF, KDB, RT, GL, etc.) 5605' GL	••	22 Approximate date work will start* 12/01/2007		23. Estimated duration 10 days	
	24. Atta	chments			
The following, completed in accordance with the requirements of Or	nshore Oil and Gas	Order No.1, must be a	ttached to th	is form:	
 Well plat certified by a registered surveyor. A Drilling Plan A Surface Use Plan (if the location is on National Forest Sys 			he operatio	ons unless covered by an	existing bond on file (see
SUPO must be filed with the appropriate Forest Service Office)				ormation and/or plans as	may be required by the
25. Signature Pahut & Filds		(Printed/Typed) ert E. Fielder			Date 10/25/2007
Title Agent					
Approved by (Signature)	Name	(Printed/Typed)			Date // 29/0
Title AFM	Office	FE	 ල		
Application approval does not warrant or certify that the applicant conduct operations thereon. Conditions of approval, if any, are attached.	holds legal or equ	ntable title to those righ	its in the sul	bject lease which would e	ntitle the applicant to
Title 18 U.S.C. Section 1001 and Title 43 U.S.C. Section 1212, make i States any false, fictitious or fraudulent statements or representation	t a crime for any pass as to any matter	person knowingly and within its jurisdiction.	willfully to 1	make to any department o	r agency of the United
(Continued on page 2)				*(Inst	ructions on page 2)

NMOCD

BLM'S APPROVAL OR ACCEPTANCE OF THIS ACTION DOES NOT RELIEVE THE LESSEE AND OPERATOR FROM OBTAINING ANY OTHER AUTHORIZATION REQUIRED FOR OPERATIONS ON FEDERAL AND INDIAN LANDS

DEC 0 4 2007

M.

This action is subject to technical and procedural review pursuant to 43 CFR 3165 3 and appeal pursuant to 43 CFR 3165 4

DISTRICT I 1625 N. French Dr., Hobbs, N.M. 88240 State of New Mexico Energy, Minerals & Natural Resources Department

OIL CONSERVATION DIVISION

1220 South St. 7

Revised October 12, 2005

Form C-102

DISTRICT II 1301 W. Grand Avenue, Artesia, N.M. 88210

DISTRICT III 1000 Rio Brazos Rd., Aztec, N.M. 87410

1220 South St. FrancisuDrau of Land Management Santa Fe, NM 87505 Farmington Field Office

☐ AMENDED REPORT

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

WELL LOCATION AND ACREAGE DEDICATION PLAT

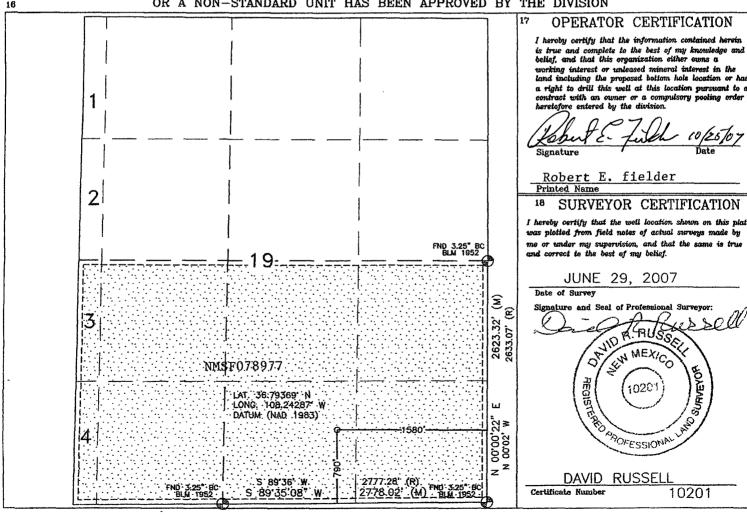
36.045. 3	1483 Pool Code 71269 1/6	629 Asin Fruitland C	
'Property Code		⁶ Well Number	
36586		2 S	
OGRID No.		⁸ Operator Name	⁰ Elevation
22044	McELVAIN O	5605'	

¹⁰ Surface Location North/South line Feet from the East/West line UL or lot no. Feet from the Section Township Lot Idn Range County 790' **EAST** SAN JUAN SOUTH 1580' 0 30N 19 13W

> 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
¹⁹ Dedicated Acre 2-50. ¶ 2-61.57	Acres -	(S/2)	15 Joint or	infill	¹⁴ Consolidation C	ode	¹⁸ Order No.		1

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



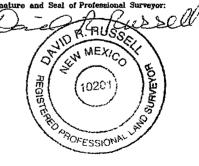
OPERATOR CERTIFICATION

is true and complete to the best of my knowledge and belief, and that this organization either ewns 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 or a compulsory pooling order relafore entered by the division

SURVEYOR CERTIFICATION

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.

JUNE 29, 2007



DAVID RUSSELL

10201

Office Office	State of New Me			orm C-103
District I	Energy, Minerals and Natu	ral Resources		May 27, 2004
1625 N French Dr , Hobbs, NM 88240 District II	OIL COMPENS	30	ELL API NO. 0-045- 34483	
1301 W Grand Ave, Artesia, NM 88210	OIL CONSERVATION	DIVISION	Indicate Type of Lease	
<u>District III</u> 1000 Rio Brazos Rd., Aztec, NM 87410	1220 South St. Fran	ncis Dr.	STATE FED	X
District IV	Santa Fe, NM 87	/505 6.	State Oil & Gas Lease No.	
1220 S St. Francis Dr , Santa Fe, NM 87505				
SUNDRY NOTIC	CES AND REPORTS ON WELLS		Lease Name or Unit Agreen	nent Name
(DO NOT USE THIS FORM FOR PROPOS DIFFERENT RESERVOIR. USE "APPLIC. PROPOSALS)		OR SUCH	ewey	
1	Gas Well X Other	8.	Well Number 2S	
2. Name of Operator	,		OGRID Number	
McElvain Oil & Gas Properties, Inc	·		2044 D. Pool name or Wildcat	
3. Address of Operator 1050 17 th Street, Suite 1800, Denvei	r CO 80265-1801		asin Fruitland Coal	
4. Well Location	,, 00 00203 1001			
1	790 feet from the South	line and 1580	feet from theEast	line
Section 19	Township 30N		MPM San Juan County	
Section 19	11. Elevation (Show whether DR)		vii jui Sail Juan County	
	5605' GL			
Pit or Below-grade Tank Application X or	Closure 🗌			
Pit type_DrillingDepth to Groundwate	r_30-70 ft_Distance from nearest fresh v	vater well_>1000 ft Distar	ace from nearest surface water_>1	000 ft
Pit Liner Thickness: 12 mil	Below-Grade Tank: Volume	bbls; Constr	uction Material	
12. Check A	ppropriate Box to Indicate N	lature of Notice, Rep	port or Other Data	
NOTICE OF IN	TENTION TO:	SUBSE	QUENT REPORT OF	
PERFORM REMEDIAL WORK	PLUG AND ABANDON	REMEDIAL WORK	☐ ALTERING (CASING 🗌
TEMPORARILY ABANDON	CHANGE PLANS	COMMENCE DRILLIN	<u></u>	
PULL OR ALTER CASING	MULTIPLE COMPL	CASING/CEMENT JC	DB 📙	
OTHER: Pit Permit	X	OTHER:		
	eted operations. (Clearly state all rk). SEE RULE 1103. For Multip			
McElvain Oil & Gas Properties, Inc. this location	proposes to construct a 30' W X 9	0' L X 10' D lined reser	rve pit in conjunction with co	onstruction of
			DALIN MALL O	ለ ነለ።
			RCVD NOV 3	:
			OIL CONS. D)IV.
	•		DIST. 3	ı
	2	,		
Verbal to construct you	t from C. Perrin 12/2	3/07		
I hereby certify that the information a	above is true and complete to the b	est of my knowledge an	nd belief. I further certify that a	ny pit or below-
grade tank has been/will be constructed or o				
SIGNATURE Keput E.	Fill TITLE A	gent	DATE_11/2	26/07
Type or print name Robert E. Fielde For State Use Only	1	ddress: pmci@advantas	·	.320.1435
//	' , () D	eputy Oil & Gas	Inspector,	1 1
APPROVED BY: Approval (if any):	Manueva TITLE_	District #	DATE /2	13/07

McElvain Oil & Gas Properties, Inc. Dewey No. 2S 790' FSL & 1580' FEL Section 19, T30N, R13W, NMPM San Juan County, New Mexico

TEN POINT DRILLING PROGRAM

- 1. Surface Formation: Ojo Alamo
- 2. Surface Elevation: 5605'GL.

3. Estimated Formation Tops:

Formation	Top - feet	Expected Production
Ojo Alamo	surface	
Kirtland	744	
Fruitland	1144	GAS
Pictured Cliffs	1394	GAS
TOTAL DEPTH	1544	

4. Surface Hole Program:

Bit: Drill an 124" 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:

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

Casing and Cementing: A string of 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%" by 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%" X 124" 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.
Dewey No. 2S
Page Two

5. Production Hole Program:

Bit: Drill a 7%" hole to 1544' 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:

Interval (ft)	Weight (ppg)	<u>Ph</u>	Vis(sec/qt)	Water Loss
200 - 1544	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.

 $\underline{\text{Note:}}$ 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.

<u>Lost Circulation</u> 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 surface casing. Mechanical operation of pipe rams will be checked daily and blind rams will be checked on each trip out of hole. 5½" 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 5½" 15.5 ppf J-55 production casing from surface to TD and cement in a single stage with 115 sacks (293.25 cf) of Class B containing 3% sodium metasilicate extender, 5 pps Gilsonite and 1/4 pps celloflake. Lead slurry mixed at 11.8 PPG to yield 2.55 cf/sk. Tail in with 90 sacks (107.1 cf) of Class B with 0.25 pps celloflake, 0.3% FLA and 5 pps gilsonite mixed at 15.6 PPG to yield 1.19 cf/sk.

Drilling Program McElvain Oil & Gas Properties, Inc. Dewey No. 2S

Page Three

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: 5-5%" X 7%" bowspring centralizers will be run across all prospective pays and 3-5%" X 7%" 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 $4\frac{1}{2}$ " 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 $\operatorname{Fruitland}$ formation.

Estimated Bottom Hole Pressure:

250 - 300 psig.

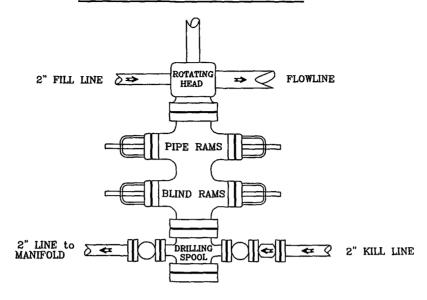
9. Anticipated Starting Date:

December 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.

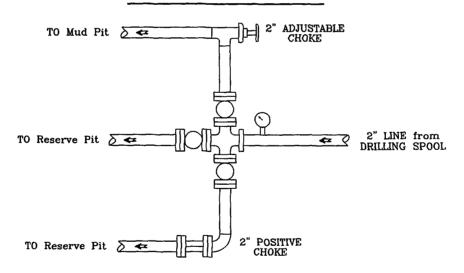
PRESSURE CONTROL

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.

Dewey No. 2S 790' FSL - 1580' FEL Section 19, T30N, R13W, NMPM San Juan County, New Mexico Surface Use Plan

Operator: McElvain Oil & Gas Properties, Inc.

Well Name: Dewey No. 2S

Location: 790' FSL - 1580' FEL, Section 19, T30N, R13W, NMPM, San Juan

> 10 %

Co., New Mexico.

Lease Number: NMSF078977

1. Existing Roads:

A. See Attached Area and Vicinity Map for route.

B. Follow New Mexico Highway 170 north from Pinon Hills Bypass intersection for 2.6 miles. Turn left onto lease road and follow for 0.6 miles to "Y" intersection. Stay left at "Y" and continue on lease road for 0.9 miles. Turn left on lease road and follow for 0.1 miles. New access exits to right.

All of the existing lease access road in Section 19, T30N, R13W (0.3 miles) is on Federal surface. The first 1.0 miles is fee surface. The access route is shown on the Area Map. McElvain Oil & Gas Properties, Inc. applied for an existing road right of way in previous apd's.

- C. This well will require 20 feet of new access road.
- D. Exploratory Well NA
- ${f E.}$ Development Well All existing roads are shown on the attached Area and Vicinity Maps.
- F. Plans for Improvement and Maintenance Existing roads are bladed dirt and gravel. All existing roads will be maintained in their present condition during the drilling and completion of this well.

2. Access Road:

- A. Width: 16 foot running surface.
- B. Maximum Grade: 2%. Average is 2%
- C. Turnouts None.
- D. Drainage Design The existing drainage turnout at Corner 3 will be retained and routed around the corner. The new access will cross the EFS pipeline right of way uphill of the existing turnout. A $18^{\prime\prime}$ X 40^{\prime} cmp will be installed at the exit from the existing access to maintain drainage pattern for the existing road.
- E. Upgrade Existing Road None.
- ${f F.}$ Location and Size of Culverts One anticipated in new access section.

Surface Use Plan McElvain Oil & Gas Properties, Inc. Dewey No. 2S Page Two

G. Surface Materials: Gates - none. Cattle guards - none. Fence cuts - none. Road Base - none during the drilling and completion phase of the operation. Road base will be installed as necessary to insure access without destroying road bed integrity after well is completed as commercial producer. The proposed location is within a BLM designated recreation area and a chain link security fence with locked gates will be installed to prevent unauthorized access.

H. Center Line flagging - New access route is centerline flagged from take off to location with red flagging.

3. Location of Existing Wells:

This is a development location. All existing and proposed wells within a one mile radius are shown on the Vicinity Map.

4. Location of Existing and Proposed Production Facilities:

- A. Existing Facilities: There are twelve gas / oil wells operated by various companies and four plugged and abandoned wells within a one mile radius of the proposed location. The producing wells have production facilities including separators, condensate storage tanks, dehydrators, pumping units, compressors and location drips. The area also contains gas gathering facilities operated by Enterprise Field Services. The gathering facilities include pipelines, meter runs, and pigging stations.
- B. Proposed Facilities: The actual equipment used and its configuration will be determined after the well is completed. At a minimum the facilities will include a separator, produced water storage tank, pumping unit and compressor.
- C. Plans for Rehabilitation of the Surface: All areas not needed for the operation of the well will be contoured to blend with the existing topography and seeded with the appropriate seed mix. All pits will be fenced until they are covered.

5. Location and Type of Water Supply:

- A. Location: A City of Farmington designated access point to the city water supply system.
- B. Supply Source: City of Farmington water supply system.
- C. Transportation: Truck
- D. Water wells to be drilled: None

Surface Use Plan
McElvain Oil & Gas Properties, Inc.
Dewey No.2S
Page Three

6. Source of Construction Materials:

All construction materials will come from the location except for the gravel for tank bases and surface equipment, which will come from a commercial quarry. Any material needed for road base will come from a commercial quarry in the area.

7. Methods of Handling Waste Disposal:

- A. Cuttings and drilling fluids: Drilling fluids will be stored in a lined reserve pit. Cuttings will be discharged into the reserve pit from the flow line during drilling. The drilling fluid will be allowed to dry in the reserve pit and the cuttings and drilling fluid solids will be buried during the clean up operation.
- B. Produced Fluids: Tanks will be used for the storage of all produced liquids during testing and production. Oil will be retained in the tanks until it can be treated and sold. Water from testing operations will be drained into the reserve pit. Produced water will be stored in a tank on location and hauled to a commercial disposal facility. Gas will be flared during testing and sold to EFS during production.
- C. Sewage: Sewage will be contained in a portable latrine.
- D. Garbage: Garbage will be contained in a trash basket. This will be hauled to the nearest dump facility and disposed upon completion of the well.
- E. Wellsite Clean Up: Upon completion of the drilling operation, all trash will be gathered and placed in the trash basket. The pits will be fenced with woven wire on three sides during drilling. The fourth side will be fenced upon completion of the drilling phase. The pits will remain fenced until they have dried enough to backfill.

8. Ancillary Facilities:

None

9. Wellsite Layout:

Cuts and fills, location of pits and drilling equipment, and orientation are shown on the attached Wellsite Layout and Cut / Fill cross section. Cut and fill slopes will be outside the staked perimeter on all sides except Corner 2. Corner 5 and 6 will be rounded in to avoid excessive fills. A drainage re-route will be constructed around the fill slope toe at Corners 1, 3 and 6 to maintain existing drainage patterns. A drain ditch will be constructed at the base of the cut slope around Corner 2, draining west and south. The reserve pit will be stepped down as necessary to insure it is in 50% cut. Topsoil will be stockpiled as berms above the cut slopes. Cut and fill slopes will be constructed on 3:1 slopes during construction.

Surface Use Plan McElvain Oil & Gas Properties, Inc. Dewey No. 2S Page Four

10. Plans for Restoration of the Surface:

- A. Backfilling of the pits will be done as soon they dry sufficiently. Contouring of unused area will be done in conjunction with the backfilling. Waste disposal will commence as soon as the drilling is complete.
- B. Seeding will be done during the appropriate season with a BLM specified mix. All areas not needed for production operations will be seeded.
- **C.** All drilling pits will be fenced until they are covered. Any oil accumulation will be removed or overhead flagging installed to protect waterfowl.
- D. Rehabilitation will commence when drilling is completed. Completion of the rehabilitation depends on the weather and the time it takes the pits to dry.

11. Other Information:

- A. This location is on the lower bench flanking Pinon Mesa. Drainage is to the south and west. The soils are residual sands, silts and clays. The vegetation is sparse Pinon / Juniper forest.
- B. Surface use and Ownership: Recreation BLM
- C. Proximity of water, dwelling, etc.:

Nearest water: one half mile northeast, manmade surface water impoundment.

Nearest dwelling: one and a quarter mile northeast near Jackson Lake.

12. Lessee or Operators Field Representatives:

Mr. John Steuble
McElvain Oil & Gas Properties, Inc.
1050 17th St., Suite 1800
Denver, C0
80265-1801
(303) 893 - 0933 x 302

Mr. R.E. Fielder
Property Management &
Consulting Inc.
P. O. Box 2596
Farmington, NM 87499
(505) 325 - 5220

Surface Use Plan McElvain Oil & Gas Properties, Inc. Dewey No. 2S Page Five

13. Certification:

I hereby certify that I, or persons under my supervision, have inspected the proposed location drill site; that I am familiar with the conditions which presently exist; that the statements in this plan are, to the best of my knowledge, true and correct; and that the work associated with the proposed operation herein will be performed by McElvain Oil & Gas Properties, Inc. and it's contractors and subcontractors in conformity with this plan and the terms and conditions under which it is approved.

10/25/07 Date

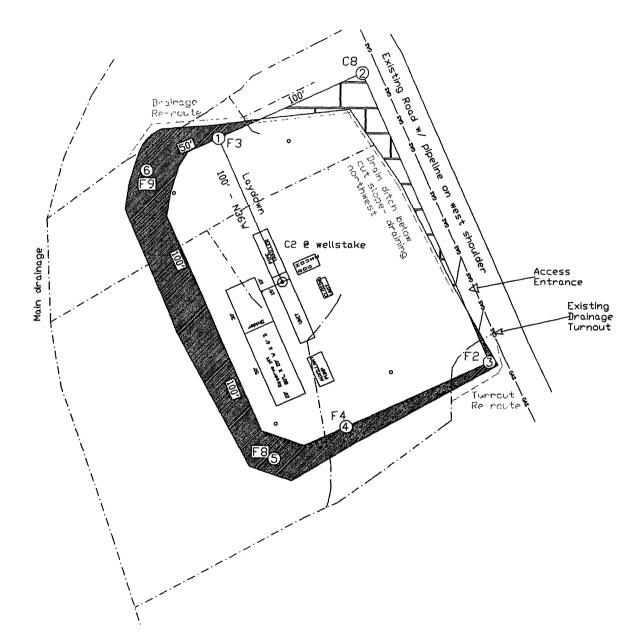
Robert, E. Fielder



Scale: 1 Inch = 60 feet

McElvain Oil & Gas Properties, Inc.

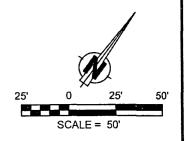
Wellsite Layout
Dewey No. 2S
790' FSL & 1580' FEL
Section 19, T30N, R13W, NMPM
San Juan Co., New Mexico

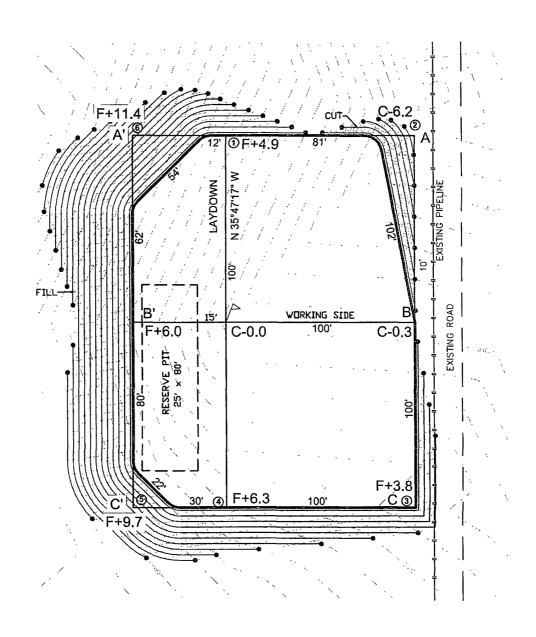


LATITUDE: 36.79369°N .LONGITUDE: 108.24287°W DATUM: NAD 83

McELVAIN OIL AND GAS PROPERTIES, INC.

DEWEY #2S
790' FSL & 1580' FEL
LOCATED IN THE SW/4 SE/4 OF SECTION 19,
T30N, R13W, N.M.P.M.,
SAN JUAN COUNTY, NEW MEXICO
GROUND ELEVATION: 5605', NAVD 88
FINISHED PAD ELEVATION: 5605.3'

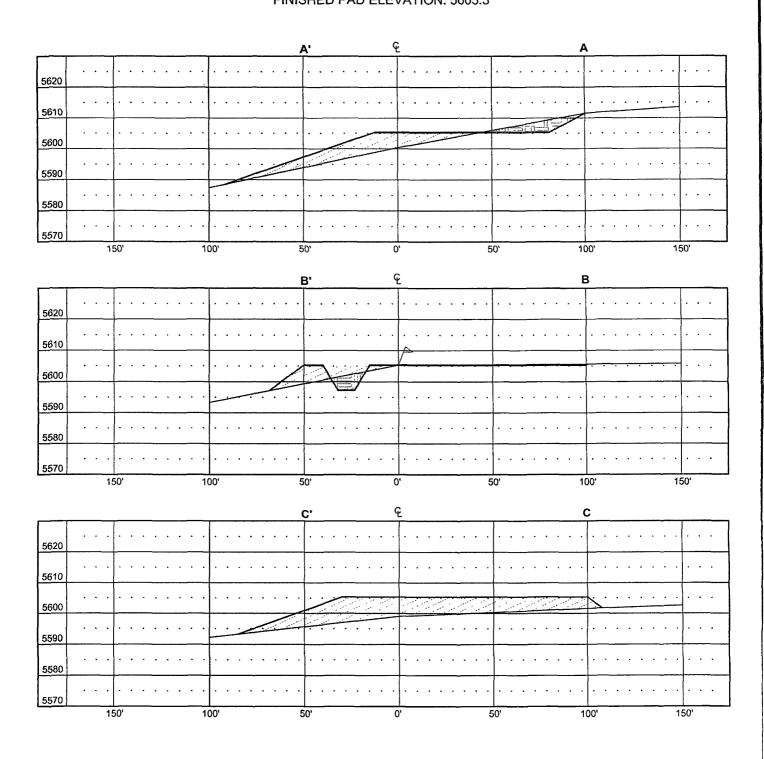






McELVAIN OIL AND GAS PROPERTIES, INC.

DEWEY #2S
790' FSL & 1580' FEL
LOCATED IN THE SW/4 SE/4 OF SECTION 19,
T30N, R13W, N.M.P.M.,
SAN JUAN COUNTY, NEW MEXICO
GROUND ELEVATION: 5605', NAVD 88
FINISHED PAD ELEVATION: 5605.3'



VERT. SCALE: 1" = 30' HORZ. SCALE: 1" = 50' JOB No.; MCLV006 DATE: 08/08/07





Russell Surveying 1409 W. Aztec Blvd. #2 Aztec, New Mexico 87410 (505) 334-8637