

A COMPLETE C-144 MUST BE SUBMITTED TO AND APPROVED BY THE NMOCD FOR: A PIT, CLOSED LOOP SYSTEM, BELOW GRADE TANK, OR PROPOSED ALTERNATIVE METHOD, PURSUANT TO NMOCD PART 19.15.17, PRIOR TO THE USE OR CONSTRUCTION OF THE ABOVE APPLICATIONS.

(April 2004)

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

APPLICATION FOR PERMIT TO DRILL OR REENTER

RECEIVED

DEC 11 2008

Bureau of Land Management
Farmington Field Office

RCVD APR 20 '09

OIL CONS. DIV.

DIST. 3

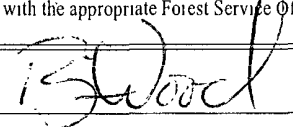
FORM APPROVED
OMB No 1004-0137
Expires March 31, 2007

1a Type of work <input checked="" type="checkbox"/> DRILL <input type="checkbox"/> REENTER			5 Lease Serial No. NMSF-078532
1b. Type of Well <input checked="" type="checkbox"/> Oil Well <input 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 N/A
2 Name of Operator ELM RIDGE EXPLORATION COMPANY, LLC			7 If Unit or CA Agreement, Name and No N/A
3a Address P. O. BOX 156 BLOOMFIELD, NM 87413		3b. Phone No (include area code) (505) 632-3476	8 Lease Name and Well No RINCON B 2
4 Location of Well (Report location clearly and in accordance with any State requirements *) At surface 1680' FSL & 1865' FWL At proposed prod. zone SAME			9 API Well No 30-039- 30615
10 Field and Pool, or Exploratory ESCRITO GALLUP (ASSOC.)			11 Sec., T. R. M. or Blk and Survey or Area K30-24N-6W NMPM
14 Distance in miles and direction from nearest town or post office* 4 AIR MILES NNE OF LYBROOK			12 County or Parish RIO ARriba
13 State NM			
15 Distance from proposed* location to nearest property or lease line, ft (Also to nearest drg. unit line, if any) 960'		16 No. of acres in lease 1,079.56	17 Spacing Unit dedicated to this well E2SW4 (= 80 acres)
18 Distance from proposed location* to nearest well, drilling, completed, applied for, on this lease, ft. 2,369' (25 #5)		19. Proposed Depth 5,800'	20. BLM/BIA Bond No on file BLM STATE WIDE 446201C
21 Elevations (Show whether DF, KDB, RT, GL, etc) 6,674' GL		22 Approximate date work will start* 12/31/2008	23 Estimated duration 3 WEEKS

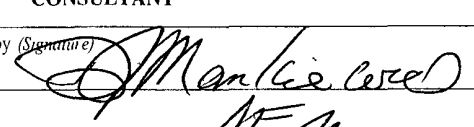
24. Attachments

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) BRIAN WOOD	Date 12/03/2008
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Title CONSULTANT	PHONE: (505) 466-8120	FAX: (505) 466-9682
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Approved by (Signature) 	Name (Printed/Typed)	Date 4/16/09
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Title AFM	Office FFO
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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)

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

APR 24 2009

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

NMOCD

16

NOTIFY AZTEC OCD 24 HRS.
PRIOR TO CASING & CEMENT

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

DISTRICT II
1348 W. Grand Avenue, Artesia, N.M. 88480

DISTRICT III
1000 Rio Brazos Rd., Aztec, N.M. 87480

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

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

Submit to Appropriate District Office
State Lease - 4 Copies
Fee Lease - 3 Copies

☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

¹ API Number 30-039-30015		² Pool Code 22619	³ Pool Name ESCRITO GALLUP (ASSOCIATED)
⁴ Property Code 37611	⁵ Property Name RINCON B		⁶ Well Number 2
⁷ UGRID No. 149052	⁸ Operator Name ELM RIDGE EXPLORATION, LLC		⁹ Elevation 6674'

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
K	30	24N	6W		1680'	SOUTH	1865'	WEST	RIO ARRIBA

^{#8}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
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¹² Dedicated Acres 80	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

16

FND 3/4" BC
BLM 1984

1

2

3

4

5382.50' (R)

5365.02' (M)

N 0°34' E

N 00°36'37" E

1865'

1880'

S 89°24'18" W

5320.25' (M)

LAT. 36.28004° N
LONG. 107.51280° W
DATUM (NAD 1983)

30

FND 3/4" BC
BLM 1984

FND 3/4" BC
BLM 1984

17 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 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 heretofore entered by the division.

Signature Brian Wood Date 12-3-08
BRIAN WOOD

Printed Name _____

18 SURVEYOR CERTIFICATION

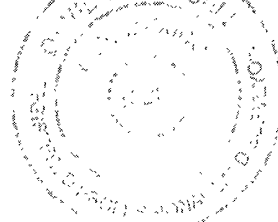
I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my belief.

APRIL 17, 2008

Date of Survey

Signature and Seal of Professional Surveyor

W. R. Russell



DAVID RUSSELL

Certificate Number 102#8

Elm Ridge Exploration Company, LLC
Rincon B 2
1680' FSL & 1865' FWL
Sec. 30, T. 24 N., R. 6 W.
Rio Arriba County, New Mexico

PAGE 1

Drilling Program

1. ESTIMATED FORMATION TOPS

<u>Formation</u>	<u>GL Depth</u>	<u>KB Depth</u>	<u>Elevation</u>
San Jose	0'	12'	+6,674'
Ojo Alamo Sandstone	1,174'	1,186'	+5,500'
Pictured Cliffs Sandstone	2,024'	2,036'	+4,650'
Cliff House Sandstone	3,449'	3,461'	+3,225'
Point Lookout Sandstone	4,174'	4,186'	+2,500'
Mancos Shale	4,414'	4,426'	+2,260'
Gallup Sandstone	5,239'	5,251'	+1,435'
Total Depth	5,800'	5,812'	+874'

2. NOTABLE ZONES

<u>Oil &/or Gas Zones</u>	<u>Water Zones</u>	<u>Coal Zone</u>
Fruitland	Ojo Alamo	Fruitland
Pictured Cliffs	Fruitland	
Gallup		

Water zones will be protected with casing, cement, and weighted mud. Fresh water encountered during drilling will be recorded by depth, cased, and cemented. Oil and gas shows will be tested for commercial potential based on the well site geologist's recommendations.

3. PRESSURE CONTROL

The drilling contract has not yet been awarded. Thus the exact BOP model to be used is not yet known. A typical 2,000 psi model is on PAGE 3.

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PAGE 2

A $\geq 2,000$ psi BOP and choke manifold system will be installed and tested to $\approx 2,000$ psi before drilling the surface casing plug. It will remain in use until the well is completed or abandoned. A safety valve and sub with a full opening valve to fit the drill pipe and collars will be available on the rig floor in the open position at all times for use when kelly is not in use.

All BOP mechanical and pressure tests will be recorded on the driller's log. BOPs will be inspected and opened and closed at least daily to assure good mechanical working order. Inspections will be recorded on the daily drilling report. Pressure tests will be conducted before drilling out from under all casing strings which are set and cemented in place.

4. CASING & CEMENT

<u>Hole Size</u>	<u>O. D.</u>	<u>Pounds/Foot</u>	<u>Grade</u>	<u>Type</u>	<u>Age</u>	<u>Depth Set</u>
12-1/4"	8-5/8"	24	J-55 or K-55	S T & C	New	350'
7-7/8"	5-1/2"	10.5 15.5	J-55	L T & C	New	5,800'

Surface casing will be cemented to the surface with ≈ 290 cubic feet (≈ 245 sacks) Class B with 1/4 pound per sack cellophane + 2% CaCl_2 . Yield = 1.18 cubic feet per sack. Weight = 15.2 pounds per gallon. Volume = 100% excess. Centralizers will be installed on the middle of the shoe joint and every other joint thereafter. 3 minimum

Production casing will be cemented to the surface in 2 stages with a stage tool set @ $\approx 3,800'$. Centralizers will be installed on the middle of the shoe joint and on every joint thereafter (≥ 2 dozen centralizers). Thread lock the guide shoe, bottom of float collar, and bottom of stage tool only. Use API casing dope.

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Rincon B 2
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Sec. 30, T. 24 N., R. 6 W.
Rio Arriba County, New Mexico

PAGE 4

First stage volume will be ≈ 719 cubic feet consisting of ≈ 170 sacks of Halliburton light with 65/35 poz mix + 1/4 pound per sack cellophane + 2% CaCl_2 (yield = 1.87 cubic feet per sack, weight = 12.7 pounds per gallon) followed by ≈ 340 sacks Class B with 2% CaCl_2 (yield = 1.18 cubic feet per sack, weight = 15.2 pounds per gallon). Volume = >100% excess, but caliper logs will be used to determine actual volume needed.

Second stage volume will be $\approx 1,330$ cubic feet consisting of ≈ 680 sacks of Halliburton light with 65/35 poz mix + 1/4 pound per sack cellophane + 2% CaCl_2 (yield = 1.87 cubic feet per sack, weight = 12.7 pounds per gallon) followed by ≈ 50 sacks of Class B with 2% CaCl_2 (yield = 1.18 cubic feet per sack, weight = 15.2 pounds per gallon). Volume = >100% excess, but caliper logs will be used to determine actual volume needed.

5. MUD PROGRAM

<u>Depth</u>	<u>Type</u>	<u>ppg</u>	<u>Viscosity</u>	<u>Fluid Loss</u>	<u>pH</u>
0' - 350'	Fresh water gel	9.0	50	NC	9
350' - TD	Fresh water gel	9.0	38 - 50	6.0	9

Enough material will be at the well site while drilling to maintain mud properties, control lost circulation, and prevent a blowout. Mud will be checked hourly by rig personnel. Material to soak up possible oil or fuel spills will be on site.

6. CORES, TESTS, & LOGS

No cores or drill stem tests are planned. DIL/GR logs will be run from TD to surface. CNL/FDC logs may be run over selected segments. Samples will be collected every $\approx 10'$ through the Gallup. Samples will be collected every $\approx 30'$ elsewhere.

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PAGE 5

7. DOWN HOLE CONDITIONS

No abnormal pressures, temperatures, or hydrogen sulfide are expected. Maximum expected bottom hole pressure will be $\leq 2,320$ psi.

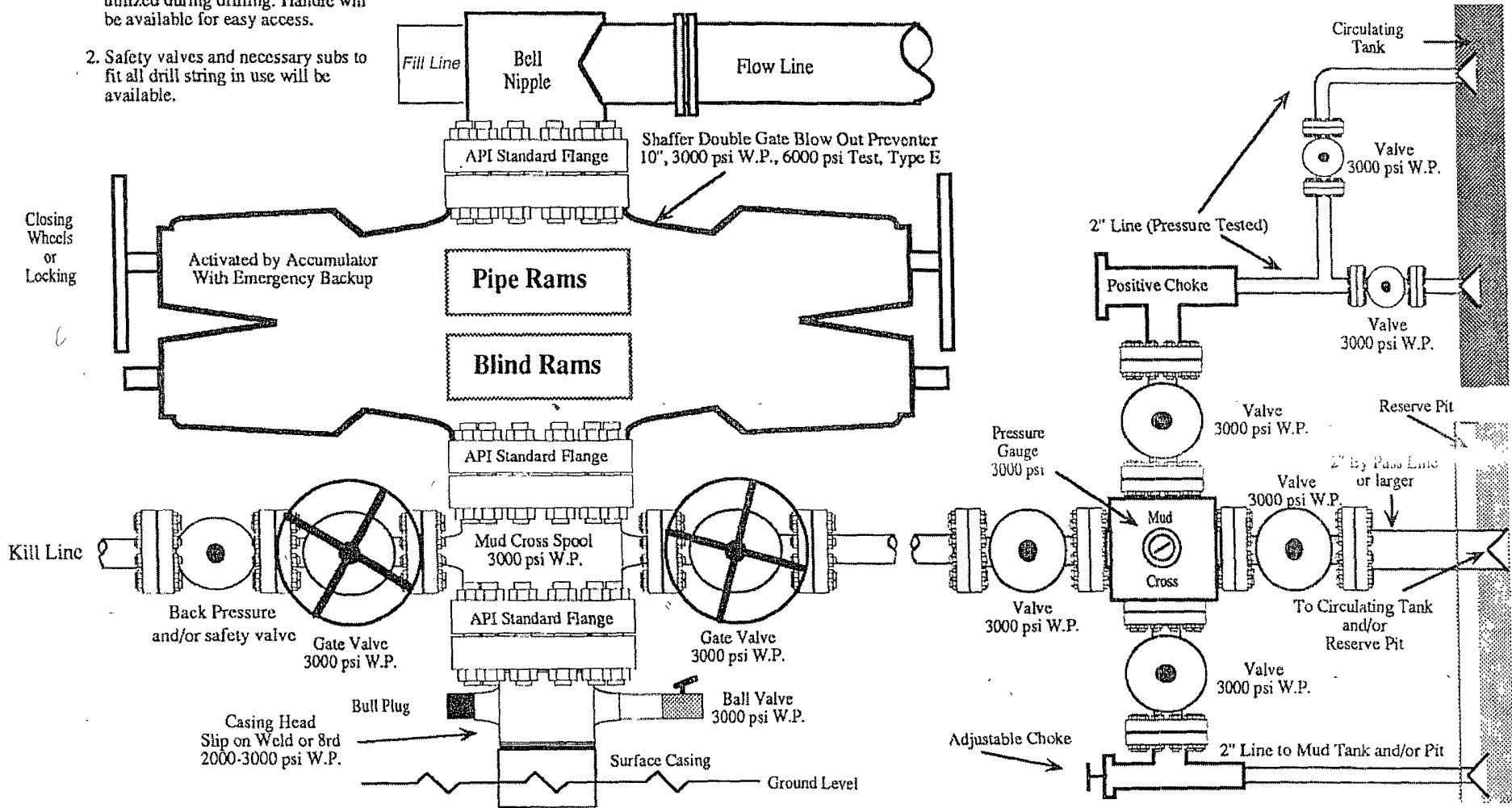
8. OTHER INFORMATION

The anticipated spud date is December 31, 2008. It is expected it will take 1 week to drill and 2 weeks to complete the well.

2,000 PSI BOP SYSTEM

Note: 1. An upper Kelly cock valve will be utilized during drilling. Handle will be available for easy access.

2. Safety valves and necessary subs to fit all drill string in use will be available.



Note: This equipment is designed to meet requirements for a 2-M rating standard per 43 CFR part 3160 (amended). Proper operation and testing of equipment will be carried out per standard. 2,000 psi equipment can be substituted in the drawing to meet minimum requirements per standard.