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Form 3160-3
(August 2007)

NOV 30 2009

Bureau of Land Management
Farmington Field Office

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

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

APPLICATION FOR PERMIT TO DRILL OR REENTER

5. Lease Serial No.
NMNM09867

6. If Indian, Allotee or Tribe Name

1a. Type of work: ☑ DRILL ☐ REENTER

7. If Unit or CA Agreement, Name and No.

1b. Type of Well: ☐ Oil Well ☑ Gas Well ☐ Other ☑ Single Zone ☐ Multiple Zone

8. Lease Name and Well No.
Big Gulp SWD No. 1

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

9. API Well No.
30-045-35043

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

3b Phone No. *(include area code)*
303.893.0933X375

10. Field and Pool, or Exploratory
Mesa Verde

4. Location of Well *(Report location clearly and in accordance with any State requirements *)*
At surface 1807' FSL - 1117' FWL, Section 20, T30N, R13W, NMPM
At proposed prod. zone same

11. Sec., T. R. M. or Blk. and Survey or Area
Section 20, T30N, R13W, NMPM
L

14. Distance in miles and direction from nearest town or post office*
3 miles northwest of Farmington, NM

12 County or Parish
San Juan

13. State
NM

15. Distance from proposed* location to nearest property or lease line, ft (Also to nearest drig. unit line, if any)	16. No. of acres in lease	17. Spacing Unit dedicated to this well
201 / 201	160.0	NA

18 Distance from proposed location* to nearest well, drilling, completed, applied for, on this lease, ft	19. Proposed Depth	20. BLM/BIA Bond No. on file
35	4270'	NM0253

21. Elevations (Show whether DF, KDB, RT, GL, etc.)	22. Approximate date work will start*	23. Estimated duration
5525' GL	01/01/2010	30 days

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

24. Attachments

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

RCVD FEB 2'10

OIL CONS. DIV.

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	Name *(Printed/Typed)*	Date
Robert E. Fielder	Robert E. Fielder	11/25/2009

Title
Agent

Approved by *(Signature)*	Name *(Printed/Typed)*	Date
/s/ Manuel Gonzales		1/27/2010
Title 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.

(Continued on page 2)

*(Instructions on page 2)

SWD order required from OCD Santa Fe

FEB 12 2010

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

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Bureau of Land Management
Farmington Field Office

District I
1625 N. French Dr, Hobbs, NM 88240
District II
1301 W. Grand Avenue, 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 & 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	2 Pool Code	3 Pool Name
30-045-35043	96160-SWD	Mesa Verde SWD

4 Property Code	5 Property Name	6 Well Number
38023	BIG GULP SWD	1

7 OGRID No.	8 Operator Name	9 Elevation
22044	McELVAIN OIL & GAS PROPERTIES, INC.	5525

10 Surface Location

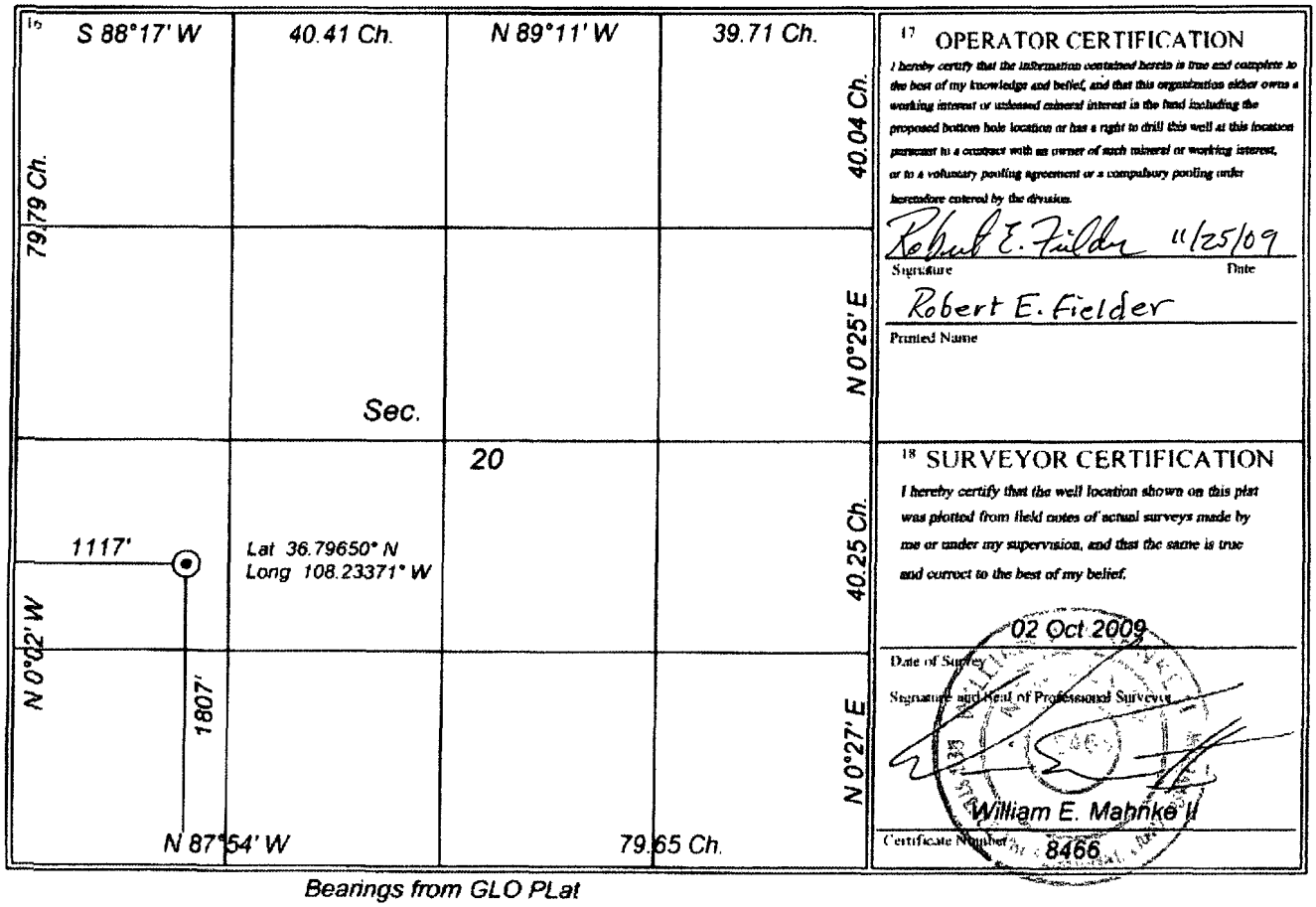
UL or Lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South Line	Feet from the	East/West Line	County
L	20	30 N	13 W		1807	South	1117	West	San Juan

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	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.



Bearings from GLO Plat

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 of such mineral or working interest, or to a voluntary pooling agreement or a compulsory pooling order heretofore entered by the division.

Robert E. Fielder 11/25/09
Signature Date

Robert E. Fielder
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.

02 Oct 2009
Date of Survey

Signature and Seal of Professional Surveyor

William E. Mahnke II

Certificate Number 8466

McElvain Oil & Gas Properties, Inc.
Big Gulp SWD No. 1
1807' FSL & 1117' FWL
Section 20, T30N, R13W, NMPM
San Juan County, New Mexico

TEN POINT DRILLING PROGRAM

1. **Surface Formation:** Ojo Alamo

2. **Surface Elevation:** 5524'GR.

3. **Estimated Formation Tops:**

Formation	Top - feet	Expected Production
Ojo Alamo	surface	
Kirtland	661	
Fruitland	1106	GAS/WATER
Pictured Cliffs	1346	GAS
Lewis	1571	
Cliff House	2881	GAS/WATER
Menefee	3036	GAS/WATER
Pt. Lookout	3746	GAS/WATER
Mancos	4121	
TOTAL DEPTH	4270	

4. **Surface Hole Program:**

Bit: Drill an 12¼" hole to 700' 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 - 700	8.6 or less	9.0-9.5	40 - 50	No Control

Casing and Cementing: A string of 9⅝" 36 ppf J-55 or K-55 ST&C casing will be set and cemented to the surface in a single stage with 375 sacks (442.5 cf) of Class "B" cement (yield = 1.18 cf/sk) containing 2% $CaCl_2$ 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 12¼" by 9⅝" annulus~~. Minimum clearance between couplings and hole is 0.8125". 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.

contact OCD

Centralizers: Run four (6) 9⅝" X 12¼" regular bowspring centralizers. Install first one on stop ring in middle of shoe joint.

4. Surface Hole Program: -cont'd

Float Equipment: Cement nose guide shoe thread locked. Self fill insert float valve run one joint above bottom. Thread lock connection between first and second joint run.

5. Production Hole Program:

Bit: Drill an 8¾" hole to 4270'± using TCI, IADC Class 447 bits. WOB: 30-35K. RPM: 60 - 75.

Mud: Use a fresh water base LSND mud system with the following properties to drill this section.

Interval (ft)	Weight (ppg)	Ph	Vis(sec/qt)	Water Loss
700 - 1100	8.6 - 8.8	9.0-9.5	32 - 35	8 - 10
1100 - TD	8.8 - 9.0	9.0-9.5	35 - 45	6 - 8

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: 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. Fluid loss control is important and should be established in mud system and maintained for the entire length of this section of the hole.

Lost Circulation can occur in the Fruitland Coal, Pictured Cliffs, and Mesa Verde group. Mud weights should be controlled as low as possible 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. 7" 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.

5. **Production Hole Program:** -continued

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 7" 20 ppf J-55 or K-55 production casing from surface to TD with a mechanical DV tool at 1600'±. Cement stage 1 (TD - 1600') with 135 sacks (286.2 cf) of 65/35 Class B Poz containing 5 pps Gilsonite, and 0.25 pps celloflake mixed at 12.1 PPG to yield 2.12 cf/sk. Tail in with 250 sacks (315.0 cf) of Type V with 5 pps gilsonite and 0.25 pps celloflake mixed at 15.2 ppg to yield 1.26 cf/sk. Cement stage 2 (1600-surface) with 140 sacks (296.8 cf) of 65/35 Class B Poz containing 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 Type V with 5 pps gilsonite and 0.25 pps celloflake mixed at 15.2 ppg to yield 1.26 cf/sk.

Circulate and WOC for four (4) hours between stages.

Slurry volumes assume a 50% excess over gauge hole volume to circulate to surface. Slurry volume will be adjusted to caliper volume plus 30% excess after logs are run. Minimum clearance between couplings and hole is 0.5470". Safety factors utilized in the design of this casing string were: burst = 1.1; collapse = 1.125; and tension = 1.8.

Centralizers: 12 - 7" X 8¾" bowspring centralizers will be run across all prospective pays, below the DV tool and spaced evenly to the surface casing shoe. 3 - 7" X 8¾" turbolizers will be spaced with one (1) just below the DV tool, one (1) just below the base of the Fruitland coal and one (1) in the Fruitland coal.

Float Equipment: Cement nose float shoe, 1 joint 7" casing, and float collar. Mechanical DV tool with cement basket and turbolizer on the joint below the DV.

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. 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:

1000 - 1500 psig.

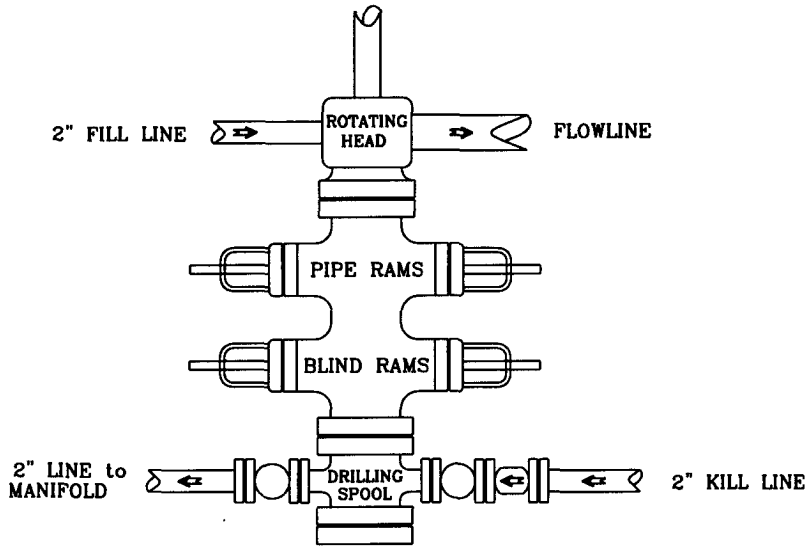
9. **Anticipated Starting Date:**

January 1, 2010

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

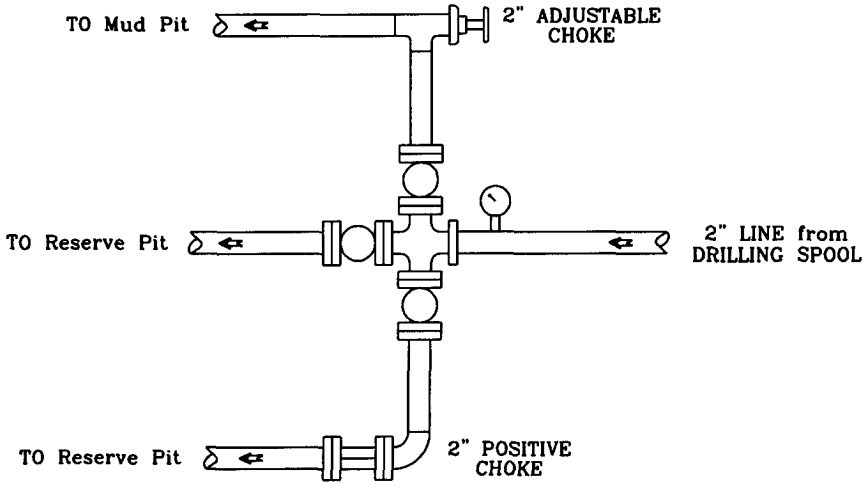
PRESSURE CONTROL

Wellhead Assembly



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

Choke Manifold



McElvain Oil & Gas Properties, Inc.

Big Gulp SWD No. 1

1807' FSL – 1117' FWL

Section 20, T30N, R13W, NMPM

San Juan County, New Mexico