

RECEIVED

JAN 19 2011

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

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

Farmington Field Office
Bureau of Land Management

APPLICATION FOR PERMIT TO DRILL OR REENTER

1a. Type of work: <input checked="" type="checkbox"/> DRILL <input type="checkbox"/> REENTER		5. Lease Serial No. NM 070361	
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	
2. Name of Operator Benson-Montin-Greer Drilling Corporation		7. If Unit or CA Agreement, Name and No. Canada Ojitos Unit	
3a. Address 4900 College Blvd Farmington, NM 87402		8. Lease Name and Well No. # 46Y	
3b. Phone No. (include area code) (505) 325-8874		9. API Well No. 30-039-31016	
4. Location of Well (Report location clearly and in accordance with any State requirements.) At surface 449' FSL and 281' FEL, Unit P At proposed prod. zone (Same)		10. Field and Pool, or Exploratory Puerto Chiquito Mancos West	
14. Distance in miles and direction from nearest town or post office* approximately 4 miles north and 5 miles east of Lindrieth, NM		11. Sec., T. R. M. or Blk. and Survey or Area Sec 27, T 25N, R 1W	
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 480.00	17. Spacing Unit dedicated to this well 640	12. County or Parish Rio Arriba
18. Distance from proposed location* to nearest well, drilling, completed, applied for, on this lease, ft.	19. Proposed Depth 7550'	20. BLM/BIA Bond No. on file NM 0092	13. State NM
21. Elevations (Show whether DF, KDB, RT, GL, etc.) 7296 GL	22. Approximate date work will start* 01/17/2011	23. Estimated duration 3 weeks	
24. Attachments			

RCVD JAN 26 '11
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) Loren Diede	Date 01/17/2011
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Title Drilling and Completions	
Approved by (Signature) 	Name (Printed/Typed) AFU
Title AFU	Office FFO
	Date 1/21/2011

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)

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.

Hold C104* (Instructions on page 2)

~~For Directional Survey~~
~~and "As Drilled" plat~~

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

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

NMOCD
NSL 6234A

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

Benson-Montin-Greer Drilling Corporation

449' Canada Ojitos Unit # 46 46 Y
424' FSL, 281' FEL Unit P Sec. 27, T25N R01W Rio Arriba County, NM
GL Elev: 7296'

Drilling Program

1. ESTIMATED FORMATION TOPS: (KB)

<u>Formation Name</u>	<u>Depth</u>
San Jose	Surface
Ojo Alamo	2876'
Kirtland	2949'
Fruitland	3014'
Pictured Cliffs	3074'
Lewis	3229'
Cliffhouse	4904'
Menefee	4987'
Point Lookout	5363'
Mancos	5542'
Niobrara "A"	6600'
Niobrara "B"	6663'
Niobrara "C"	6794'
Greenhorn	7448'
Graneros	7519'
 Total Depth	 7550'
 Intermediate TD (7 5/8" Csg)	 6350'
 Production TD (5 1/2" Liner)	
Top	6150'
Bottom	7550'

2. NOTABLE ZONES (with oil, gas or mineral potential)

Fruitland	Coal / Water / Gas
Pictured Cliffs	Water / Oil / Gas
Cliffhouse	Water / Gas
Menefee	Water / Gas
Point Lookout	Water / Gas
Mancos	Oil / Gas / Water
Greenhorn	Oil / Water

Water zones will be protected by setting and cementing the 10 3/4" surface casing at 500ft. All zones containing commercial quantities of oil or gas will be cased and cemented with either the 7 5/8" intermediate casing or the 5 1/2" production liner.

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3. PRESSURE CONTROL: Maximum expected pressure is ~1000 psi. The drilling contract has not yet been awarded, thus the exact BOP and Choke Manifold model to be used is not yet known. A typical 2,000 psi model is pictured in Exhibits A & B. A remote accumulator will be used, the pressures, capacities location of the remote and manual controls will be identified at the time of the BLM supervised BOP test.

BOP equipment, accumulator, choke manifold and all accessories will meet or exceed BLM requirements as listed in Onshore Order #2 for the 2M systems. The pressure control equipment considerations include but will not be limited to:

1. BOP will be either double gate rams or an annular preventer.
2. Accumulator will have sufficient capacity to close all BOPs and retain 200 psi above pre charge.
3. 2" kill line and kill line valve.
4. Choke manifold (2" lines) with 2 chokes with valves and gauge.
5. Upper Kelly cock with handle available.
6. Safety valve and sub(s) available for all drill strings used.
7. Fill line above the upper-most BOP.

BOPs will be pressure tested; after initial installation, before drilling out from under all set and cemented casing strings, any time a seal is broken.

Ram type preventors and related pressure control equipment will be pressure tested to 1000 psi.

Annular type preventor will be pressure tested to 50% of the rated working pressure, not to exceed 1000 psi. All casing strings will be pressure tested to 0.22 psi/ft or 1000 psi, whichever is greater, not to exceed 70% of internal yield.

Additionally, the BOPs will be operationally checked every 24 hours. The BOPs will also be pressure tested once every 30 days by a 3rd party.

All tests and pressure tests will be recorded on IADC log.

4. CASING & CEMENT

<u>Hole Size</u>	<u>O.D.</u>	<u>Weight (lb/ft)</u>	<u>Grade</u>	<u>Age</u>	<u>Connection</u>	<u>GL Setting Depth</u>
(Conductor Casing will be used if warranted)						
14 3/4"	10 3/4"		40.5# J-55	New	ST&C	500'
9 7/8"	7 5/8"		26.4# N-80	New	LT&C	6350'
6-3/4"	5-1/2"		17# N-80	New	LT&C	6150' to 7550'

Benson-Montin-Greer Drilling Corporation

Canada Ojitos Unit # 46

^{449'}
~~424'~~ FSL, 281' FEL Unit P Sec. 27, T25N R01W Rio Arriba County, NM
GL Elev: 7296'

Surface casing will be cemented to the surface.

Cement and properties; +/- 568 cu. ft. (+/- 409 sx) Type III cement (14.6 ppg density, 1.39 ft³/sx yield) with 2% CaCl₂ and 1/4#/sx celloflake. Volume based on 100% excess.

Two centralizers will be run on the shoe joint, one centralizer each on the next two joints and then one centralizer on every third joint thereafter.

Intermediate casing will be cemented to surface in 2 stages, stage tool to be set at +/- 3150'. Cement will be circulated to surface. Volumes based on 45% excess in OH.

Stage 1:

Lead cement will be +/- 899 cu. ft. (+/- 426 sx) Premium Lite w/2% CaCl₂, 1/4#/sx cello flake, 6-1/4#/sx gilsonite, 8% gel (12.1 ppg density, 2.11 ft³/sx yield).

Tail cement will be +/- 111 cu. ft. (+/- 80 sx) Type III w/2% CaCl₂, 1/4#/sx Cello flake (14.6 ppg density, 1.39 ft³/sx yield).

Stage 2:

Lead cement will be +/- 899 cu. ft. (+/- 426 sx) Premium Lite w/2% CaCl₂, 1/4#/sx cello flake, 6-1/4#/sx gilsonite, 8% gel (12.1 ppg density, 2.11 ft³/sx yield).

Tail cement will be +/- 69 cu. ft. (+/- 50 sx) Type III w/2% CaCl₂, 1/4#/sx Cello flake (14.6 ppg density, 1.39 ft³/sx yield).

Two centralizers will be run on the shoe joint, one centralizer on every other joint for 14 joints and then one centralizer on every third joint thereafter.

Production liner will be cemented to the top of liner ensuring cement coverage inside the intermediate casing with a single stage.

Cement and properties; +/- 184 cu. ft. (+/- 91 sx) Premium Lite High Strength FM w/0.3% retarder, 2% KCl, 1/4#/sx cello flake, 0.3% dispersant, 5#/sx gilsonite, 1% Fluid loss agent (12.5 pps density, 2.02 ft³/sx yield).

Volumes based on 46% excess in OH.

Two centralizers will be run on the shoe joint, one centralizer on every other joint into the intermediate casing.

The production liner will be pressure tested to 5000 psi for 30 minutes during completion operations.

Where cement has not been circulated to surface (or top of liner) a CBL or temperature survey will be run to determine the TOC for that casing string.

Cement specifications may vary slightly due to cement and cement contractor availability.

Benson-Montin-Greer Drilling Corporation

449' Canada Ojitos Unit # 48 46Y
424' FSL, 281' FEL Unit P Sec. 27, T25N R01W Rio Arriba County, NM
GL Elev: 7296'

5. MUD PROGRAM

<u>Depth</u>	<u>Type</u>	<u>Wt./ppg.</u>	<u>Vis.</u>	<u>Fluid Loss</u>
0'-500'	FW gel/lime spud mud	8.4-9.0	30-40	NC
500'-6350'	FW gel/Polymer	8.5-9.2	28-50	<20cc's
6350-7550'	Air/ Air/mist or Nitrogen	N/A	N/A	N/A

Viscosity, mud weight and other physical and chemical characteristics of the drilling mud will be varied as required to keep the hole clean, circulate drill cuttings, prevent caving, prevent lost circulation and maximize penetration rate.

Air /air mist or nitrogen will be used to drill the 6 3/4" section of the hole to reduce the hydrostatic pressure while drilling the pay zones. It is planned to drill the hole from 6350' to TD with an air hammer and 6 3/4" bit. An alternate plan will be in place to drill this section of the hole with mud should the hole conditions warrant.

Sufficient mud and materials will be kept on site to maintain mud properties and meet lost circulation or mud weight requirements at all times.

6. CORING, TESTING, & LOGGING

No cores or drill stem tests are planned. Open-hole logs to be run are:

500' to 6350'; GR/ Cement Bond Log, if cement is not circulated to surface.

6350 to TD; GR/Induction/Density Neutron and possible fracture identification log (caliper or camera for fracture identification).

7. DOWN HOLE CONDITIONS

- a. Expected bottom hole pressure: +/- 1000 psi
- b. Anticipated abnormal pressure: None
- c. Anticipated abnormal temperatures: None
- d. Anticipated hazardous gas (H2S): None

If any of the foregoing are unexpectedly encountered, suitable steps will be taken to mitigate according to accepted industry best practices.

Benson-Montin-Greer Drilling Corporation

Canada Ojitos Unit #46

^{449'}
~~424'~~ FSL, 281' FEL Unit P Sec. 27, T25N R01W Rio Arriba County, NM
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8. OTHER INFORMATION

The anticipated spud date is November 2010. The spud date will be dependent on the weather conditions, road conditions and the Conditions of Approval as provided by the US Forest Service.

The duration of drilling operations is expected to be from two to three weeks. The drilling rig and associated equipment will be removed and preparations will be made for the completion of the well.

Completion will start about one to two weeks after the finish of the drilling operations. A completion rig will be moved in for the completion phase. The completion phase of the well is expected to +/- two weeks. The completion phase will include; perforating, acidizing, fracture stimulation and well testing.

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

SUNDRY NOTICES AND REPORTS ON WELLS
**Do not use this form for proposals to drill or to re-enter an
abandoned well. Use Form 3160-3 (APD) for such proposals.**

5. Lease Serial No.
NM 070361

6. If Indian, Allottee or Tribe Name
N/A

SUBMIT IN TRIPLICATE – Other instructions on page 2.

1. Type of Well

☒ Oil Well ☐ Gas Well ☐ Other

2. Name of Operator

Benson-Montin-Greer Drilling Corporation

3a. Address

4900 College Blvd
Farmington, NM 87402

3b. Phone No. (include area code)

505-325-8874

7. If Unit of CA/Agreement, Name and/or No.
Canada Ojitos Unit

8. Well Name and No.
#46

9. API Well No.
30-039-30981

4. Location of Well (Footage, Sec., T., R., M., or Survey Description)

424' FSL and 281' FEL, Sec 27, T25N, R1W

10. Field and Pool or Exploratory Area
Puerto Chiquito Mancos West

11. Country or Parish, State
Rio Arriba, NM

12. CHECK THE APPROPRIATE BOX(ES) TO INDICATE NATURE OF NOTICE, REPORT OR OTHER DATA

TYPE OF SUBMISSION	TYPE OF ACTION			
<input type="checkbox"/> Notice of Intent	<input type="checkbox"/> Acidize	<input type="checkbox"/> Deepen	<input type="checkbox"/> Production (Start/Resume)	<input type="checkbox"/> Water Shut-Off
<input checked="" type="checkbox"/> Subsequent Report	<input type="checkbox"/> Alter Casing	<input type="checkbox"/> Fracture Treat	<input type="checkbox"/> Reclamation	<input type="checkbox"/> Well Integrity
<input type="checkbox"/> Final Abandonment Notice	<input type="checkbox"/> Casing Repair	<input type="checkbox"/> New Construction	<input type="checkbox"/> Recomplete	<input type="checkbox"/> Other _____
	<input type="checkbox"/> Change Plans	<input checked="" type="checkbox"/> Plug and Abandon	<input type="checkbox"/> Temporarily Abandon	
	<input type="checkbox"/> Convert to Injection	<input type="checkbox"/> Plug Back	<input type="checkbox"/> Water Disposal	

13. Describe Proposed or Completed Operation: Clearly state all pertinent details, including estimated starting date of any proposed work and approximate duration thereof. If the proposal is to deepen directionally or recompleat horizontally, give subsurface locations and measured and true vertical depths of all pertinent markers and zones. Attach the Bond under which the work will be performed or provide the Bond No. on file with BLM/BIA. Required subsequent reports must be filed within 30 days following completion of the involved operations. If the operation results in a multiple completion or recompleat in a new interval, a Form 3160-4 must be filed once testing has been completed. Final Abandonment Notices must be filed only after all requirements, including reclamation, have been completed and the operator has determined that the site is ready for final inspection.)

Benson-Montin-Greer Drilling Corporation spudded the COU #46 on Dec 28, 2010. The hole was dug with backhoe and 16" 42.05 lb/ft J-55 casing was set at a depth of 15 ft below GL. The casing was cemented with 6.5 cu yds ready mix concrete.

The 14 3/4" surface hole was drilled to 510', depth reached on 1-10-2011. When 10 3/4" casing was to be run the hole conditions prevented the casing from being placed in the hole. Upon further investigation the operator determined that the existing hole was too unstable to use and verbal approval from BLM, NMOCD and Santa Fe National Forest was obtained to plug the existing wellbore.

The Canada Ojitos # 46 wellbore was plugged and abandoned as follows: The workover rig was rigged up 1-14-11, 2 7/8" tubing was run to 126', the hole had closed off at that point. The well was cemented on 1-15-11. A cement plug of 15 bbl (85 cu ft) Type III was placed at 120'. The tubing was pulled to 88', a cement plug of 17 bbl (95 cu ft) was pumped with mud returns to surface, an additional 22 bbls (124 cu ft) cement was pumped with cement returns to surface. The tubing was removed from the well and 4 bbls (22 cu ft) cement was used for the top out. The 16" casing was cut off 2' below GL. The Canada Ojitos Unit # 46Y will be drilled 25' due north of the abandoned COU # 46.

14. I hereby certify that the foregoing is true and correct. Name (Printed/Typed)

Loren Dieede

Title Drilling and Completions

Signature

Date 01/17/2011

THIS SPACE FOR FEDERAL OR STATE OFFICE USE

Approved by

Title

Date

Conditions of approval, if any, are attached. Approval of this notice 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.

Office

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(Instructions on page 2)

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Benson-Montin-Greer Drilling Corporation spudded the COU #46 on Dec 28, 2010. The hole was dug with backhoe and 16" 42.05 lb/ft J-55 casing was set at a depth of 15 ft below GL. The casing was cemented with 6.5 cu yds ready mix concrete.

D&D Services rig #1 was moved in and a 14 3/4" hole was drilled to 510'. 10 3/4" casing was to be run as the surface casing, however, hole conditions prevented the casing from being run. Attempts were made to repair the hole but with no success. The operator decided that further attempts to repair the hole may result in the collapse of the alluvium (the top 80') and may then result in the total loss of the hole. The decision was made to plug the existing hole and drill a new hole 25' N/NE of the abandoned hole. The well will be entered with 2 7/8" tubing to TD or as deep as possible, the hole will then be cemented from that point to surface. The cement from 130' to surface (230 cu ft) is to be a Type III cement with CaCl₂ @ 14.5 ppg and yield of 1.39 cu ft/sx.

No new surface disturbance will be needed for the hole move. The new hole may require more 16" conductor casing, but from that point forward the drilling plan will remain the same as the plan submitted with the APD.

Verbal approval for the plugging of the existing hole and drilling of the new hole was obtained from Wayne Townsend from the BLM 1-13-2011 and from Charlie Perrin with NMOC on 1-14-2011. Larry Gore from the Santa Fe National Forest also gave his verbal approval of these plans 1-14-2011.

The new wellbore will be designated as the Canada Ojitos Unit # 46Y. The required documentation for that change will be submitted shortly.

14. I hereby certify that the foregoing is true and correct. Name (Printed/Typed)

Loren Diede

Title Drilling and Completions

Signature

Date 01/14/2011

THIS SPACE FOR FEDERAL OR STATE OFFICE USE

Approved by

Title Pct Eng.

Date 1-14-11

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Office FFO

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OPERATOR