

UNITED STATES  
DEPARTMENT OF THE INTERIOR  
BUREAU OF LAND MANAGEMENT

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

APPLICATION FOR PERMIT TO DRILL OR REENTER

RECEIVED  
070 FARMINGTON NM

|  |  |  |
|--|--|--|
| 1a. Type of work: <input checked="" type="checkbox"/> DRILL <input type="checkbox"/> REENTER   |  | 7. Lease Serial No.<br><b>BIA CONTRACT 78</b>                            |
| 1b. Type of Well: <input type="checkbox"/> Oil Well <input checked="" 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<br><b>JICARILLA APACHE NATION</b>   |
| 2. Name of Operator<br><b>ELM RIDGE EXPLORATION COMPANY, LLC</b>   |  | 7. If Unit or CA Agreement, Name and No.<br><b>N/A</b>                   |
| 3a. Address <b>P. O. BOX 156<br/>BLOOMFIELD, NM 87413</b>  | 3b. Phone No. (include area code)<br><b>(505) 632-3476</b> | 8. Lease Name and Well No.<br><b>JICARILLA 78 PC #3</b>                  |
| 4. Location of Well (Report location clearly and in accordance with any State requirements.)<br>At surface <b>1700' FNL &amp; 1700' FWL</b><br>At proposed prod. zone <b>SAME</b>                                      |  | 9. API Well No.<br><b>30-039- 29811</b>                                  |
| 14. Distance in miles and direction from nearest town or post office*<br><b>7 AIR MILES NE OF COUNSELOR, NM</b>  |  | 10. Field and Pool, or Exploratory<br><b>BALLARD PICTURED CLIFFS</b>     |
| 15. Distance from proposed* location to nearest property or lease line, ft. (Also to nearest drig. unit line, if any) <b>1,700'</b>  | 16. No. of acres in lease<br><b>2,560</b>                  | 11. Sec., T. R. M. or Blk. and Survey or Area<br><b>F 11-23N-5W NMPM</b> |
| 18. Distance from proposed location* to nearest well, drilling, completed, approved for, on this lease, ft. <b>2,673' (AXI F 8)</b>  | 19. Proposed Depth<br><b>2,500'</b>                        | 12. County or Parish<br><b>RIO ARriba</b>                                |
| 21. Elevations (Show whether DF, KDB, RT, GL, etc.)<br><b>6,771' GL</b>  | 22. Approximate date work will start*<br><b>04/20/2006</b> | 13. State<br><b>NM</b>   |
| 23. Estimated duration<br><b>3 WEEKS</b>   |  |  |

24. Attachments

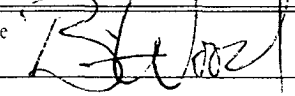
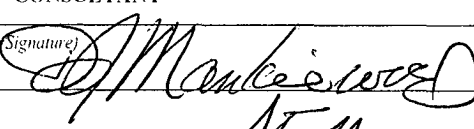
RCVD MAR 29 '11

The following, completed in accordance with the requirements of Onshore Oil and Gas Order No.1, shall be attached to this form:

- Well plat certified by a registered surveyor.
- A Drilling Plan.
- A Surface Use Plan (if the location is on National Forest System Lands, the SUPO shall be filed with the appropriate Forest Service Office).
- Bond to cover the operations unless covered by an existing bond on file (see Item 20 above).
- Operator certification
- Such other site specific information and/or plans as may be required by the authorized officer.

OIL CONS. DIV.

DIST. 3

|   |   |                           |
|---|---|---------------------------|
| 25. Signature            | Name (Printed/Typed)<br><b>BRIAN WOOD</b> | Date<br><b>02/09/2006</b> |
| Title<br><b>CONSULTANT</b>  | PHONE: (505) 466-8120 FAX: (505) 466-9682 |                           |
| Approved by (Signature)  | Name (Printed/Typed)<br><b>AFM</b>        | Date<br><b>3/17/11</b>    |
| Title<br><b>AFM</b>   | Office<br><b>FFO</b>                      |                           |

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.

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.

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

HOLD C104 FOR 5.9 Compliance

APR 07 2011

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

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

NMOCD

District I  
PO Box 1980, Hobbs, NM 88241-1980

District II  
PO Drawer 00, Artesia, NM 88211-0719

District III  
1000 Rio Brazos Rd., Aztec, NM 87410

District IV  
PO Box 2088, Santa Fe, NM 87504-2088

State of New Mexico  
Energy, Minerals & Natural Resources Department

OIL CONSERVATION DIVISION  
PO Box 2088  
Santa Fe, NM 87504-2088

Form C-102  
Revised February 21, 1994  
Instructions on back  
Submit to Appropriate District Office  
State Lease - 4 Copies  
Fee Lease - 3 Copies

2006 FEB 16 AM 9 49

AMENDED REPORT

RECEIVED

070 FARMINGTON NM

WELL LOCATION AND ACREAGE DEDICATION PLAT

|                                    |  |  |
|------------------------------------|--|--|
| 'API Number<br><b>30-039-29811</b> | 'Pool Code<br><b>71439</b>                                   | 'Pool Name<br><b>BALLARD PICTURED CLIFFS</b> |
| 'Property Code<br><b>38100</b>     | 'Property Name<br><b>JICARILLA 78 PC</b>                     | 'Well Number<br><b>3</b>                     |
| 'OGRID No.<br><b>149052</b>        | 'Operator Name<br><b>ELM RIDGE EXPLORATION COMPANY, LLC.</b> | 'Elevation<br><b>6771'</b>                   |

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     |
|---------------|---------|----------|-------|---------|---------------|------------------|---------------|----------------|------------|
| F             | 11      | 23N      | 5W    |         | 1700          | NORTH            | 1700          | WEST           | RIO ARriba |

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<br><b>160.0 Acres - (NW/4)</b> | 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

|   |   |
|---|---|
| <p>16</p> <p>LAT: 36.241641°N<br/>LONG: 107.334466°W<br/>DATUM: NAD1927</p> | <p>17 OPERATOR CERTIFICATION</p> <p>I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.</p> <p>Signature <u>Brian Wood</u><br/><b>BRIAN WOOD</b></p> <p>Printed Name <u>CONSULTANT</u></p> <p>Title <u>FEB. 9, 2006</u></p> <p>Date</p> <p>18 SURVEYOR CERTIFICATION</p> <p>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.</p> <p>Date of Survey: <u>JUNE 20, 2005</u></p> <p>Signature and Seal of Professional Surveyor</p> <p><br/><b>JASON C. EDWARDS</b><br/>Certificate Number 15269</p> |
|---|---|

Elm Ridge Exploration Company, LLC  
Jicarilla 78 PC #3  
1700' FNL & 1700' FWL  
Sec. 11, T. 23 N., R. 5 W.  
Rio Arriba County, New Mexico

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## Drilling Program

### 1. ESTIMATED FORMATION TOPS

| <u>Formation Name</u> | <u>GL Depth</u> | <u>KB Depth</u> | <u>Elevation</u> |
|-----------------------|-----------------|-----------------|------------------|
| San Jose              | 000'            | 5'              | +6,771'          |
| Ojo Alamo Ss          | 1,771'          | 1,776'          | +5,000'          |
| Fruitland             | 1,971'          | 1,976'          | +4,800'          |
| Pictured Cliffs Ss    | 2,271'          | 2,276'          | +4,500'          |
| Total Depth (TD)*     | 2,500'          | 2,505'          | +4,303'          |

### 2. NOTABLE ZONES

| <u>Oil &amp; Gas Zones</u> | <u>Water Zones</u> | <u>Coal Zone</u> |
|----------------------------|--------------------|------------------|
| Ojo Alamo                  | San Jose           | Fruitland        |
| Pictured Cliffs            | Ojo Alamo          |                  |

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.) BOP and choke manifold system will be installed and tested to 500 psi before drilling 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.

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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>Weight (lb/ft)</u> | <u>Grade</u> | <u>Type</u>       | <u>Age</u> | <u>GL Setting Depth</u> |
|------------------|--------------|-----------------------|--------------|-------------------|------------|-------------------------|
| 8-5/8"           | 7"           | 23                    | K-55         | ST & C            | New        | 250'                    |
| 6-3/4"           | 4-1/2"       | 10.5                  | J-55         | <del>ST</del> & C | New        | 2,500'                  |

Surface casing will be cemented to the surface with  $\approx 70$  cubic feet ( $\approx 60$  sacks) Class B with 1/4#/sk Flocele + 2%  $\text{CaCl}_2$ . 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 centralizer thereafter. Thread lock the guide shoe and bottom of float collar only. Use API casing dope.

Production casing will be cemented to the surface with  $\approx 615$  cubic feet ( $\approx 521$  sacks) Class B with 1/4#/sk Flocele + 2%  $\text{CaCl}_2$ . Yield = 1.18 cubic feet per sack. Weight = 15.2 pounds per gallon. Volume = 75% excess. At least six centralizers will be used.

#### 5. MUD PROGRAM

A nine pound polymer and fresh water mud system with a viscosity of  $\approx 35$  will be used. Sufficient material to maintain mud properties, control lost circulation, and contain a blowout will be available at the well while drilling.

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#### 6. CORES, TESTS, & LOGS

No cores or drill stem tests are planned. DIL/GR log may be run from TD to surface. CNL/FSC log may be run over certain intervals.

#### 7. DOWN HOLE CONDITIONS

No abnormal pressures, temperatures, nor hydrogen sulfide are expected. Maximum expected bottom hole pressure will be  $\leq 1,000$  psi.

#### 8. OTHER INFORMATION

The anticipated spud date is upon approval. It is expected it will take <1 week to drill and  $\approx 2$  weeks to complete the well.

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## Surface Use Plan

### 1. DIRECTIONS & EXISTING ROADS (See PAGES 10 & 11)

From the equivalent of Mile Post 90.5 on US 550 ...

Go North 4.0 miles on J-6 to a major junction

Then bear left and go North  $\approx$ 100 yards on J-6

Then turn left and go NW 2,972.9' via a gradually fainter two track to the pad

Roads will be maintained to at least equal to their present condition.

### 2. ROAD TO BE BUILT OR UPGRADED

The final 2,972.9' of access will be crowned and ditched with a 14' wide running surface. Maximum disturbed width will be  $\approx$ 30'. Borrow ditches will be turned out at least once every  $\approx$ 100 yards on each side. The ditch turnouts will be skewed to drain. Maximum cut or fill = 2'. Maximum grade = 3%. No vehicle turn out is needed. No culvert, gate, or upgrade is needed.

### 3. EXISTING WELLS (See PAGE 11)

There are seven gas or oil wells and two plugged and abandoned wells within a one mile radius according to Oil Conservation Division and State Engineer's records. There are no water or injection wells within a mile.

### 4. PROPOSED PRODUCTION FACILITIES (See PAGES 11 - 13)

Production facilities may include a separator, dehydrator, meter run, and  $\approx$ 210 bbl tank. All equipment will be painted a flat juniper green. A SDR-11

