

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

FORM APPROVED
OMB No. 1004-0136
Expires January 31, 2004

APPLICATION FOR PERMIT TO DRILL OR REENTER

1a. Type of work: <input checked="" type="checkbox"/> DRILL <input type="checkbox"/> REENTER		5. Lease Serial No. SF065557-A	
1b. Type of Well: <input type="checkbox"/> Oil Well <input checked="" type="checkbox"/> Gas Well <input type="checkbox"/> Other		6. If Indian, Allottee or Tribe Name	
2. Name of Operator McElvain Oil & Gas Properties, Inc.		7. If Unit or CA Agreement, Name and No.	
3a. Address 1050 17th Street, Suite 1800 Denver, CO 80265-1801		8. Lease Name and Well No. PRI No. 2	
3b. Phone No. (include area code) 303.893.0933 x302		9. API Well No. 30-045-32466	
4. Location of Well (Report location clearly and in accordance with any State requirements*) At surface 765' FSL - 1105' FWL, Section 12, T29N, R12W, NMPM At proposed prod. zone Same		10. Field and Pool, or Exploratory Basin Fruitland Coal	
14. Distance in miles and direction from nearest town or post office* 4.5 miles southeast of Flora Vista, New Mexico		11. Sec., T. R. M. or Blk. and Survey or Area Section 12, T29N, R12W, NMPM	
15. Distance from proposed* location to nearest property or lease line, ft. (Also to nearest drig. unit line, if any) 765		12. County or Parish San Juan	
16. No. of acres in lease 427.53		13. State NM	
17. Spacing Unit dedicated to this well S/2 - 305.30 acs.			
18. Distance from proposed location* to nearest well, drilling, completed, applied for, on this lease, ft. 200		20. BLM/BIA Bond No. on file LPM4138223	
21. Elevations (Show whether DF, KDB, RT, GL, etc.) 5754' GL		22. Approximate date work will start* 11/30/2004	
		23. Estimated duration 10 days	

24. Attachments

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.

25. Signature <i>Robert E. Fielder</i>	Name (Printed/Typed) Robert E. Fielder	Date 11/04/2004
Title Agent		
Approved by (Signature) <i>Stephen M. Mason</i>	Name (Printed/Typed) Stephen M. Mason	Date DEC 08 2004
Title AFM		

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)

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

State of New Mexico
Energy, Minerals & Natural Resources Department

Form C-102

Revised February 21, 1994

Instructions on back

Submit to Appropriate District Office

State Lease - 4 Copies

Fee Lease - 3 Copies

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

OIL CONSERVATION DIVISION

PO Box 2088

Santa Fe, NM 87504-2088

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

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

2004 NOV 5 AM 11:18 AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

*API Number 30-045-32666	*Pool Code 71629	*Pool Name BASIN FRUITLAND COAL
*Property Code 34482	*Property Name PRI	*Well Number 2
*GRID No. 22044	*Operator Name McELVAIN OIL & GAS PROPERTIES, INC.	*Elevation 5754'

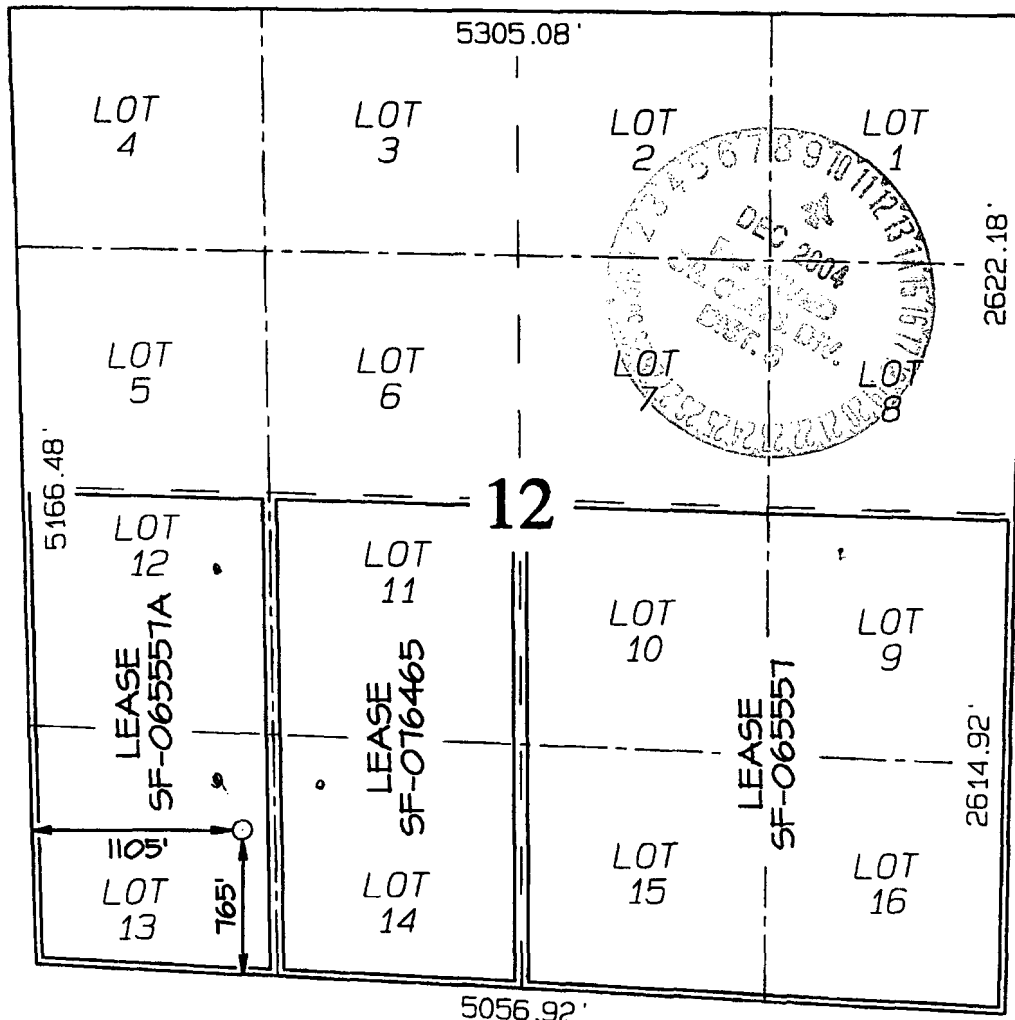
10 Surface Location

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
M	12	29N	12W		765	SOUTH	1105	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
* Dedicated Acres 305.30 Acres - (S/2)					* Joint or Infill	* Consolidation Code	* 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



17 OPERATOR CERTIFICATION

I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief

Robert E. Fielder

Signature

Robert E. Fielder

Printed Name

Agent

Title

November 4, 2004

Date

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.

Survey Date: **SEPTEMBER 16, 2004**

Signature and Seal of Professional Surveyor

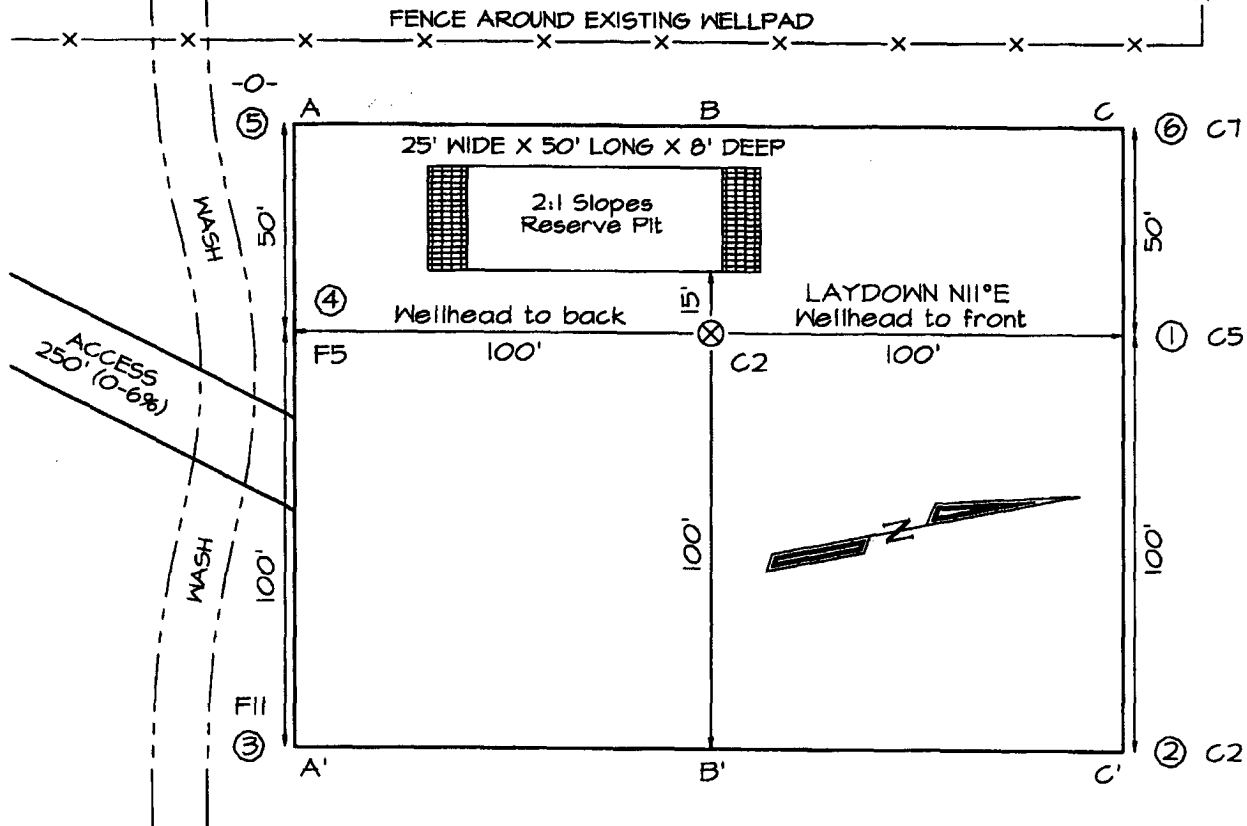


JASON C. EDWARDS

Certificate Number

15269

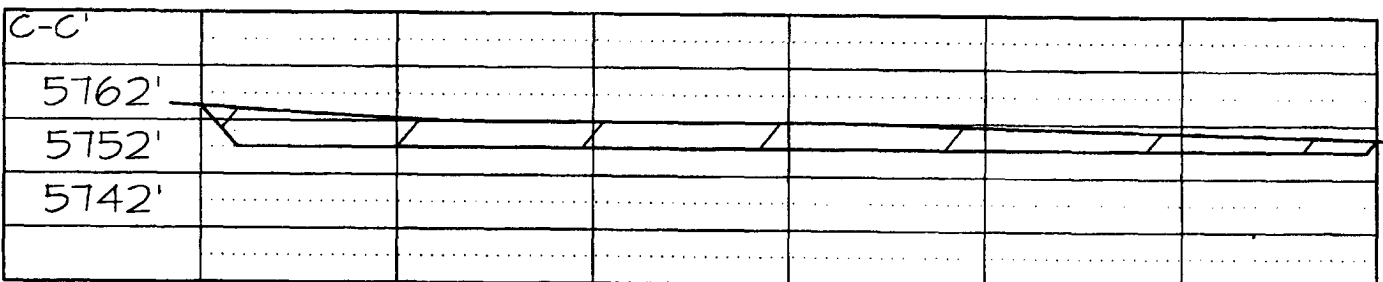
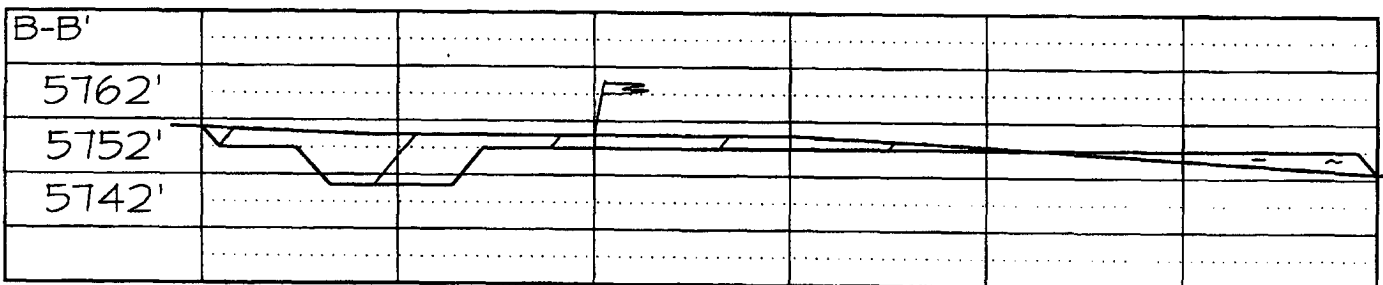
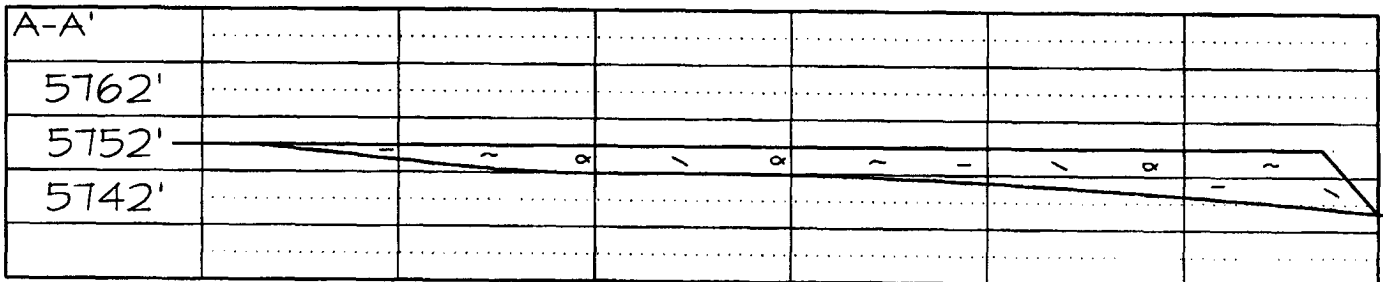
McELVAIN OIL & GAS PROPERTIES PRI #2
765' FSL & 1105' FWL, SECTION 12, T29N, R12W, NMPM
SAN JUAN COUNTY, NEW MEXICO ELEVATION: 5754'
DATE: SEPTEMBER 16, 2004



LATITUDE: 36°44'08"
LONGITUDE: 108°03'17"
 DATUM: NAD1927

PLAT NOTE:

SURFACE OWNER
 Bureau of Land
 Management



Note: Contractor should call One-Call for location of any marked or unmarked buried pipelines or cables on well pad and/or access road at least two (2) working days prior to construction

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

FORM APPROVED
OMB No. 1004-0135
Expires: January 31, 2004

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.

SUBMIT IN TRIPLICATE - Other instructions on reverse side

1. Type of Well

☐ Oil Well ☒ Gas Well ☐ Other

2. Name of Operator

McElvain Oil & Gas Properties, Inc.

3a. Address

1050 17th St, Suite 1800 Denver, CO 80265-1801

3b. Phone No. (include area code)

303.890.0933 x 302

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

765' FSL-1105' FWL, Section 12, T29N, R12W, NMPM

5. Lease Serial No.

SF065557-A

6. If Indian, Allottee or Tribe Name

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

8. Well Name and No.

PRI No.2

9. API Well No.

30045 32666

10. Field and Pool, or Exploratory Area
Basin Fruitland Coal

11. County or Parish, State

San Juan Co., New Mexico

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

TYPE OF SUBMISSION	TYPE OF ACTION			
<input checked="" 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 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 checked="" type="checkbox"/> Change Plans	<input 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	

3. 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 shall 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 shall be filed once testing has been completed. Final Abandonment Notices shall be filed only after all requirements, including reclamation, have been completed, and the operator has determined that the site is ready for final inspection.)

Propose to change the TD on this well to 2010'.

Propose to change the cement program for the 4 1/2" production casing to:

Cement in a single stage with 100 sacks(255.0 cf) of Class B containing 3% sodium metasilicate extender, 5 pps gilsonite and 0.25 pps celloflake mixed at 11.8 ppg to yield 2.55 cf/sk. Tail in with 55 sacks(65.45 cf) of Class B with 5 pps gilsonite, 0.25 pps celloflake and 0.3% FLA mixed at 15.6 ppg to yield 1.19 cf/sk.

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

Robert E. Fielder

Title Agent

Signature

Robert E. Fielder

Date November 5, 2004

THIS SPACE FOR FEDERAL OR STATE OFFICE USE

Approved by (Signature)

[Signature]

Name Stephen M. Mason
(Printed/Typed)

Title AFM

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 FDO

Date DEC 08 2004

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(Continued on next page)

NMOCD

McElvain Oil & Gas Properties, Inc.
PRI No. 2
756' FSL & 1105' FWL
Section 12, T29N, R12W, NMPM
San Juan County, New Mexico

TEN POINT DRILLING PROGRAM

1. **Surface Formation:** Nacimiento
2. **Surface Elevation:** 5754' GL.
3. **Estimated Formation Tops:**

<u>Formation</u>	<u>Top - feet</u>	<u>Expected Production</u>
Ojo Alamo	445	
Kirtland	630	
Farmington	1340	
Fruitland	1580	GAS
Pictured Cliffs	1860	GAS
Lewis	2060	
TOTAL DEPTH	2210	

4. **Surface Hole Program:**

Bit: Drill an 8 $\frac{3}{4}$ " 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:

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

Casing and Cementing: A string of 7" 20 ppf J-55 or K-55 ST&C casing will be set and cemented to the surface in a single stage with 50 sacks (59.0 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 8 $\frac{3}{4}$ " by 7" annulus. Minimum clearance between couplings and hole is 0.5470". 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 or 100,000 lb overpull, whichever is greater.

WOC 12 HOURS. Nipple up 7 1/16" 2000# BOPE. Pressure test surface casing and BOPE to 600 psi for 15 minutes.

Centralizers: Run two (2) 7" X 8 $\frac{3}{4}$ " 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.
PRI No. 2
Page Two

5. Production Hole Program:

Bit: Drill a 6¼" hole to 2210' using a TCI, IADC Class 447 bit. WOB: 30-35K. RPM: 60 - 75. Reduce RPM to 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:

<u>Interval (ft)</u>	<u>Weight (ppg)</u>	<u>Ph</u>	<u>Vis(sec/qt)</u>	<u>Water Loss</u>
200 - 2210	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.

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.

Lost Circulation 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 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. 4½" 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 Compensated Neutron/Formation Density logs will be run from TD to the surface casing shoe.

Casing and Cementing Program: Run 4½" 10.5 ppg J-55 production casing from surface to TD and cement in a single stage with 95 sacks (242.25 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 85 sacks (101.15 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.
PRI No. 2
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 0.6250". Safety factors utilized in the design of this casing string were: burst = 1.1; collapse = 1.125; and tension = 1.8 or 100,000 lb over pull, whichever is greater.

Centralizers: 5 - 4½" X 6¼" bowspring centralizers will be run across all prospective pays and 3 - 4½" X 6¼" 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 4½" 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 Compensated 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 Fruitland formation.

Estimated Bottom Hole Pressure:

250 - 300 psig.

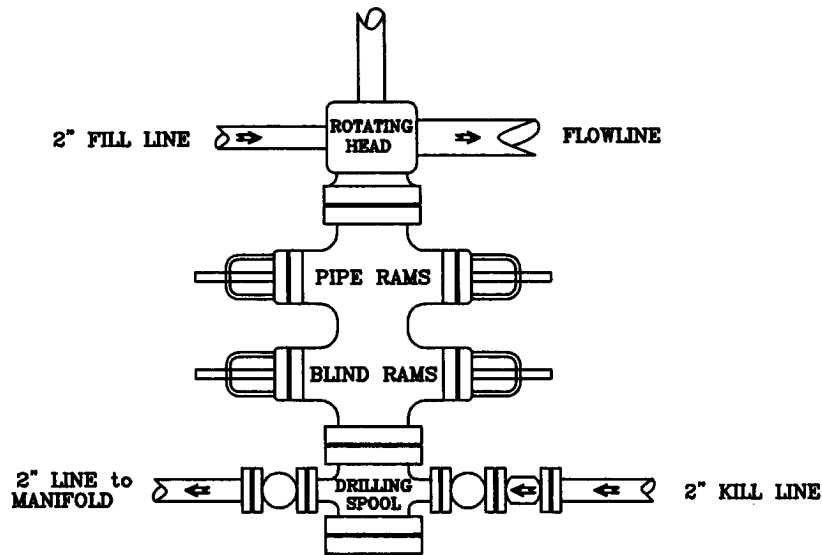
9. Anticipated Starting Date:

November 30, 2004

Duration of Operations: It is estimated a total of 6 days will be required for drilling operations and 5 days for the completion operation.

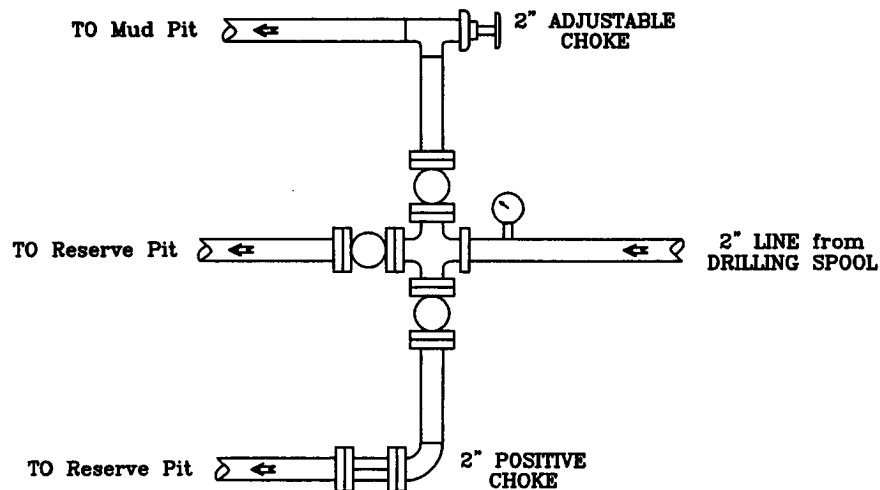
PRESSURE CONTROL

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.

PRI No. 2

765' FSL - 1105' FWL

Section 12, T29N, R12W, NMPM
San Juan County, New Mexico