DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

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.

5. Lease Serial No.
SF065557

6. If Indian, Allottee or Tribe Name

SUBMIT IN TRIPLICATE - Other instructions on reverse side

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

1. Type of Well
☐ Oil Well ☑ Gas Well ☐ Other

2005 JAN 12 PM 3 2

8. Well Name and No.
PRI No. 1

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

RECEIVED
070 FARMINGTON NM

9. API Well No.
30045326605

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

3b. Phone No. *(include area code)*
303.893.0933 x 302

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

4. Location of Well *(Footage, Sec., T, R., M., or Survey Description)*
795' FNL - 2430' FWL, Section 12, T29N, R12W, NMPM

11. County or Parish, State
San Juan, New Mexico

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

TYPE OF SUBMISSION	TYPE OF ACTION			
☑ Notice of Intent	☐ Acidize	☐ Deepen	☐ Production (Start/Resume)	☐ Water Shut-Off
☐ Subsequent Report	☐ Alter Casing	☐ Fracture Treat	☐ Reclamation	☐ Well Integrity
☐ Final Abandonment Notice	☐ Casing Repair	☐ New Construction	☐ Recomplete	☑ Other Move location
	☐ Change Plans	☐ Plug and Abandon	☐ Temporarily Abandon	
	☐ Convert to Injection	☐ Plug Back	☐ Water Disposal	

13. Describe Proposed or Completed Operation (clearly state all pertinent details, including estimated starting date of any proposed work and approximate duration thereo If the proposal is to deepen directionally or recomplete 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 recompletion 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.)

McElvain Oil & Gas Properties, Inc. proposes to move the PRI No. 1 to the footage described above. Footage for the previously staked location was 1545' FNL - 1170' FWL. A new plat, drilling program, surface use plan and maps are attached reflecting the new location. A cultural resources survey of this location has been completed and the report filed. A third party EA is being completed and should be filed shortly. The new location has been inspected by Mr. Roger Herrera of the BLM-FFO.
The location was moved for geologic reasons due to recent offset development.

RECEIVED JAN 2005 OIL CONS. DIV. DIST. 3

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

Title Agent

Signature Robert E. Fielder

Date January 12, 2005

THIS SPACE FOR FEDERAL OR STATE OFFICE USE

Approved by *(Signature)* Jim Lovato

Name *(Printed/Typed)*

Title Petr. Eng

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

Date 1/18/05

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 next page)

NMOCD

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

District II
PO Drawer DD, 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

2005 JAN 12 PM 3 42

☐ AMENDED REPORT

RECEIVED

WELL LOCATION AND ACREAGE DEDICATION PLAT

¹API Number	²Pool Code	³Pool Name
30-045-32665	71629	BASIN FRUITLAND COAL

⁴Property Code	⁵Property Name	⁶Well Number
	PRI	1

⁷OGRID No.	⁸Operator Name	⁹Elevation
22044	McELVAIN OIL & GAS PROPERTIES, INC.	5783'

¹⁰ Surface Location

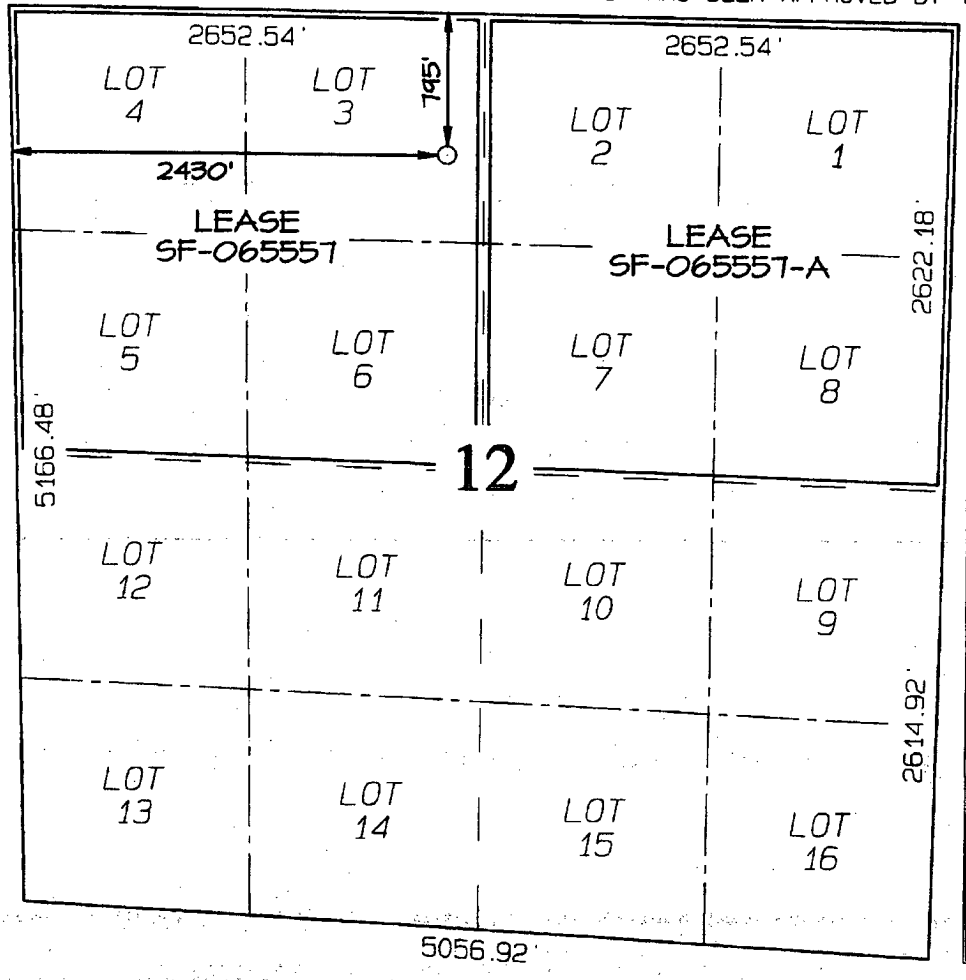
UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
C	12	29N	12W		795	NORTH	2430	WEST	SAN JUAN

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.
313.18 Acres - (N/2)			

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

Signature

Robert E. Fielder
Printed Name

Agent
Title

January 12, 2005
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: DECEMBER 30, 2004

Signature and Seal of Professional Surveyor

JASON C. EDWARDS
NEW MEXICO
15269
REGISTERED PROFESSIONAL SURVEYOR

JASON C. EDWARDS
Certificate Number 15269

McElvain Oil & Gas Properties, Inc.
PRI No. 1
795' FNL & 2430' FWL
Section 12, T29N, R12W, NMPM
San Juan County, New Mexico

TEN POINT DRILLING PROGRAM

1. **Surface Formation:** Nacimiento

2. **Surface Elevation:** 5783'GL.

3. **Estimated Formation Tops:**

Formation	Top - feet	Expected Production
Nacimiento	surface	
Ojo Alamo	489	
Kirtland	674	
Farmington	1384	
Fruitland	1624	GAS
Pictured Cliffs	1904	GAS
TOTAL DEPTH	2054	

4. **Surface Hole Program:**

Bit: Drill an 8¾" 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:

Interval (ft)	Weight (ppg)	Ph	Vis(sec/qt)	Water Loss
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% $CaCl_2$ 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 8¾" 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 8¾" 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.

5. Production Hole Program:

Bit: Drill a 6¼" hole to 2054' 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:

Interval (ft)	Weight (ppg)	Ph	Vis(sec/qt)	Water Loss
200 - 2054	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 ppf J-55 production casing from surface to TD and cement in a single stage with 100 sacks (255.0 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.

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 2 - 4½" X 6¼" turbolizers will be spaced such that one (1)is 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.

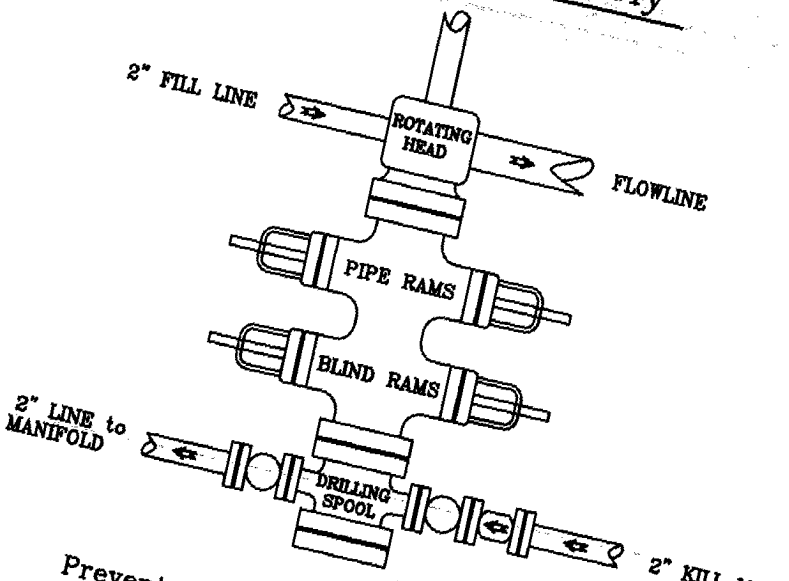
9. **Anticipated Starting Date:**

January 30, 2005

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

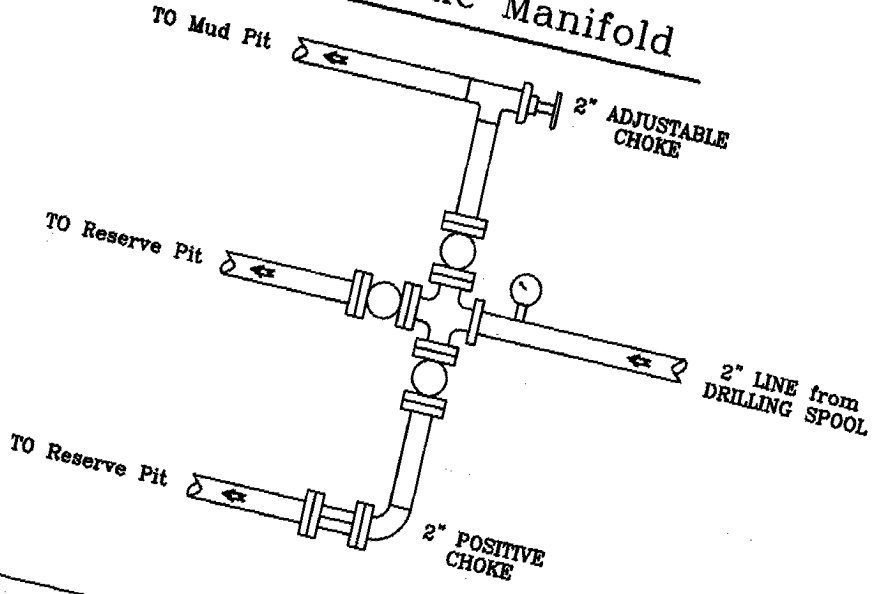
PRESSURE CONTROL

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. 1

795' FNL – 2430' FWL

Section 12, T29N, R12W, NMPM

San Juan County, New Mexico

Surface Use Plan

Operator: McElvain Oil & Gas Properties, Inc.
Well Name: PRI No. 1
Location: 795' FNL - 2430' FWL, Section 12, T29N, R12W, NMPM, San Juan Co., New Mexico.
Lease Number: SF065557

1. Existing Roads:

A. See Attached Area and Vicinity Map for route.

B. Follow New Mexico Highway 64 east from Farmington to intersection with SJ County road 3500/3569 at McGee Park. Turn left onto CR 3500/3569 and follow north for 4.0 miles. Turn right onto SJ CR 3100 and follow for 0.4 miles to intersection. Turn right onto SJ CR 3150 and follow for 0.8 miles to intersection. Turn left on SJ CR 5030 and follow for 0.15 miles to intersection. Turn left onto lease road and follow for 0.2 miles. New access exits to the left.

All of the existing lease access road (0.2 miles) is on Federal surface from its origin in NW/NW of 12-29-12 to the proposed new access road. The access route is shown on the Area Map. McElvain applies for an existing road right of way for this 0.2 mile section of road.

C. This well will require 50 feet of new access road.

D. Exploratory Well - NA

E. Development Well - All existing roads are shown on the attached Area and Vicinity Maps.

F. Plans for Improvement and Maintenance - Existing roads are bladed dirt and gravel. All existing roads will be maintained in their present condition during the drilling and completion of this well.

2. Access Road:

A. Width: 16 foot running surface.

B. Maximum Grade: 1%.

C. Turnouts - None.

D. Drainage Design - The new access road will be constructed in accordance with BLM standards. It will be built up over the EPFS right of way. Drain ditches will be established on each side of road draining into culverts and/or turn outs.

E. Upgrade Existing Road - none

F. Location and Size of Culverts - One 18" X 40' at exit from existing road to maintain existing drainage.

G. Surface Materials : Gates - none. Cattle guards - none. Fence cuts - none. Road Base - none during the drilling and completion phase of the operation. Road base will be installed as necessary to insure access without destroying road bed integrity after well is completed as commercial producer.

H. Center Line flagging - Road route is centerline flagged with red ribbon.

3. Location of Existing Wells:

This is a development location. All existing and proposed wells within a one mile radius are shown on the Vicinity Map.

4. Location of Existing and Proposed Production Facilities:

A. Existing Facilities: There are nineteen gas / oil wells operated by various companies and eight plugged and abandoned wells within a one mile radius of the proposed location. The producing wells have production facilities including separators, condensate storage tanks, dehydrators, pumping units, compressors and location drips. The area also contains gas gathering facilities operated by El Paso Field Services. The gathering facilities include pipelines, meter runs, and pigging stations.

B. Proposed Facilities: The actual equipment used and it's configuration will be determined after the well is completed. At a minimum the facilities will include a pumping unit, separator, produced water storage tank, and compressor.

C. Plans for Rehabilitation of the Surface: All areas not needed for the operation of the well will be contoured to blend with the existing topography and seeded with the appropriate seed mix. All pits will be fenced until they are covered.

5. Location and Type of Water Supply:

A. Location: A designated access point on the water supply system of Lee Acres Water Users Association.

B. Supply Source: Lee Acres Water Users Association water supply system.

C. Transportation: Truck

D. Water wells to be drilled: None

6. Source of Construction Materials:

All construction materials will come from the location except for the gravel for tank bases and surface equipment, which will come from a commercial quarry. Any material needed for road base will come from a commercial quarry in the area.

7. Methods of Handling Waste Disposal:

A. Cuttings and drilling fluids: Drilling fluids will be stored in a lined reserve pit. Cuttings will be discharged into the reserve pit from the flow line during drilling. The drilling fluid will be allowed to dry in the reserve pit and the cuttings and drilling fluid solids will be buried during the clean up operation.

B. Produced Fluids: Tanks will be used for the storage of all produced liquids during testing and production. Oil will be retained in the tanks until it can be treated and sold. Water from testing operations will be drained into the reserve pit. Produced water will be stored in a tank on location and hauled to a commercial disposal facility. Gas will be flared during testing and sold to EPFS during production.

C. Sewage: Sewage will be contained in a portable latrine.

D. Garbage: Garbage will be contained in a trash basket. This will be hauled to the nearest dump facility and disposed upon completion of the well.

E. Wellsite Clean Up: Upon completion of the drilling operation, all trash will be gathered and placed in the trash basket. The pits will be fenced with woven wire on three sides during drilling. The fourth side will be fenced upon completion of the drilling phase. The pits will remain fenced until they have dried enough to backfill.

8. Ancillary Facilities:

None

9. Wellsite Layout:

Cuts and fills, location of pits and drilling equipment, and orientation are shown on the attached Wellsite Layout and Cut / Fill cross section. Cut and fill slopes will be outside the staked perimeter on all sides except corner 3. This corner will be rounded in to permit building the 3:1 cut slope without cutting into the crest of the small ridge. A drainage diversion ditch will be cut along side 3-4, draining east, and along side 2-3, draining south. Access road will come onto location between corners 1 and 2 and will be constructed by pushing excess fill dirt over pipeline right of way to pad pipeline. Trees and brush will be pushed to corner 6 and walked down to compact and use for fill.

10. Plans for Restoration of the Surface:

A. Backfilling of the pits will be done as soon they dry sufficiently. Contouring of unused area will be done in conjunction with the backfilling. Waste disposal will commence as soon as the drilling is complete.

B. Seeding will be done during the appropriate season with a BLM specified mix. All areas not needed for production operations will be seeded.

C. All drilling pits will be fenced until they are covered. Any oil accumulation will be removed or overhead flagging installed to protect waterfowl.

D. Rehabilitation will commence when drilling is completed. Completion of the rehabilitation depends on the weather and the time it takes the pits to dry.

11. Other Information:

A. This location is on Crouch Mesa adjacent to the High Line Road. Drainage is to the east. The soils are clay loam. The vegetation is juniper scrubland.

B. Surface use and Ownership: Grazing/Recreation - BLM

C. Proximity of water, dwelling, etc.:

Nearest water: three miles south, irrigation ditch.
Nearest dwelling: one half mile north.

12. Lessee or Operators Field Representatives:

Mr. John Steuble
McElvain Oil & Gas Properties, Inc.
1050 17th St., Suite 1800
Denver, CO
80265-1801
(303) 893 - 0933 X 302

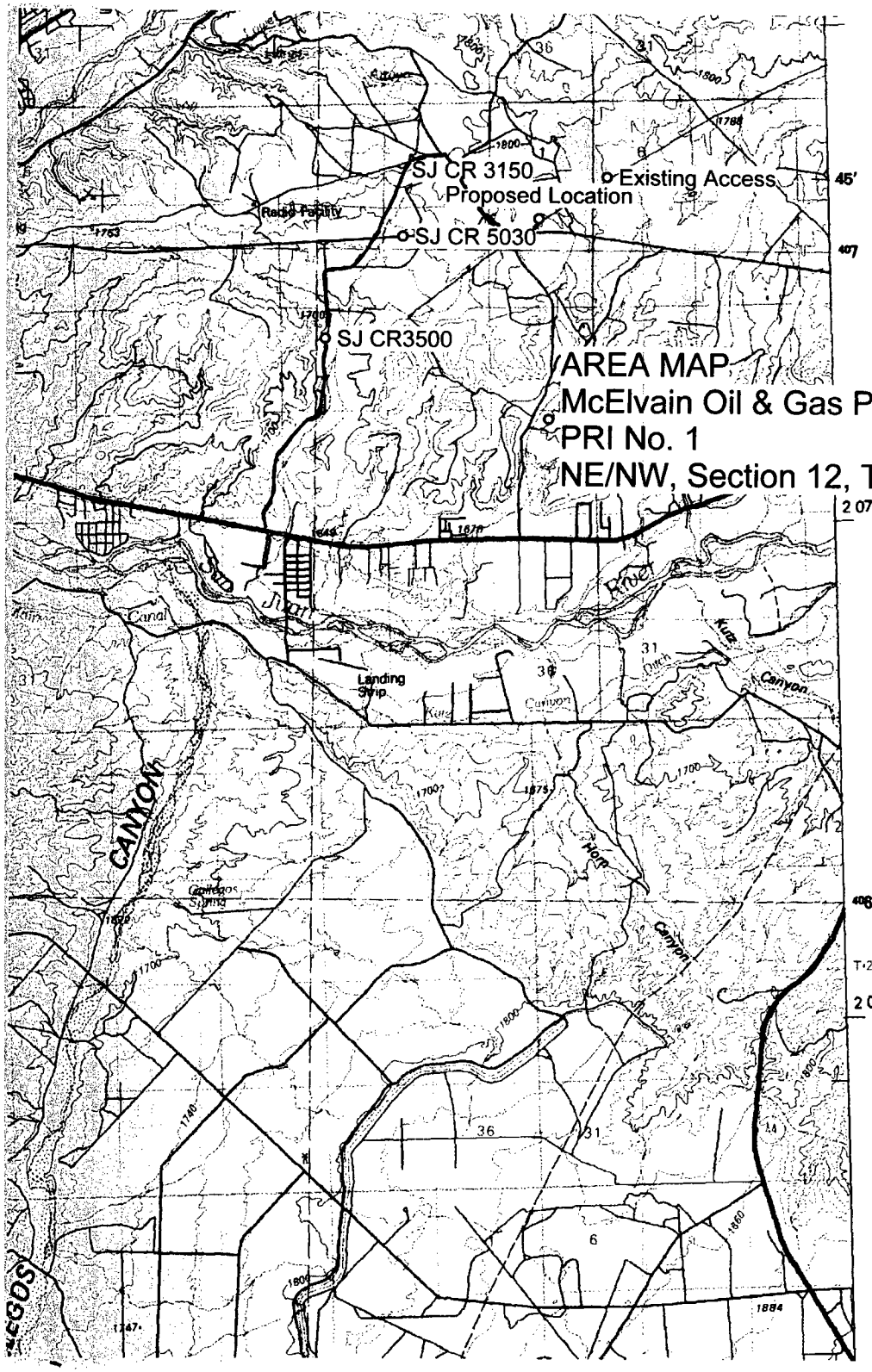
Mr. R.E. Fielder
Property Management &
Consulting Inc.
P. O. Box 2596
Farmington, NM 87499
(505) 325 - 5220

13. Certification:

I hereby certify that I, or persons under my supervision, have inspected the proposed location drill site; that I am familiar with the conditions which presently exist; that the statements in this plan are, to the best of my knowledge, true and correct; and that the work associated with the proposed operation herein will be performed by West Largo Corp. and it's contractors and subcontractors in conformity with this plan and the terms and conditions under which it is approved.

1/12/05
Date

Robert E. Fielder
Robert. E. Fielder



ELEVATIONS SHOWN TO THE NEAREST METER

THIS MAP COMPLIES WITH NATIONAL MAP ACCURACY STANDARDS

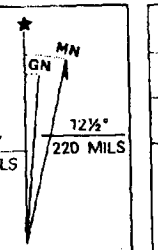
CONVERSION TABLE

Meters	Feet
1	3.2808
2	6.5617
3	9.8425
4	13.1234
5	16.4042
6	19.6850
7	22.9659
8	26.2467
9	29.5276
10	32.8084

To convert meters to feet multiply by 3.2808

To convert feet to meters multiply by 0.3048

DECLINATION DIAGRAM



UTM grid convergence (GN) and 1980 magnetic declination (MN) at center of map
Diagram is approximate

ADJOINING MAPS

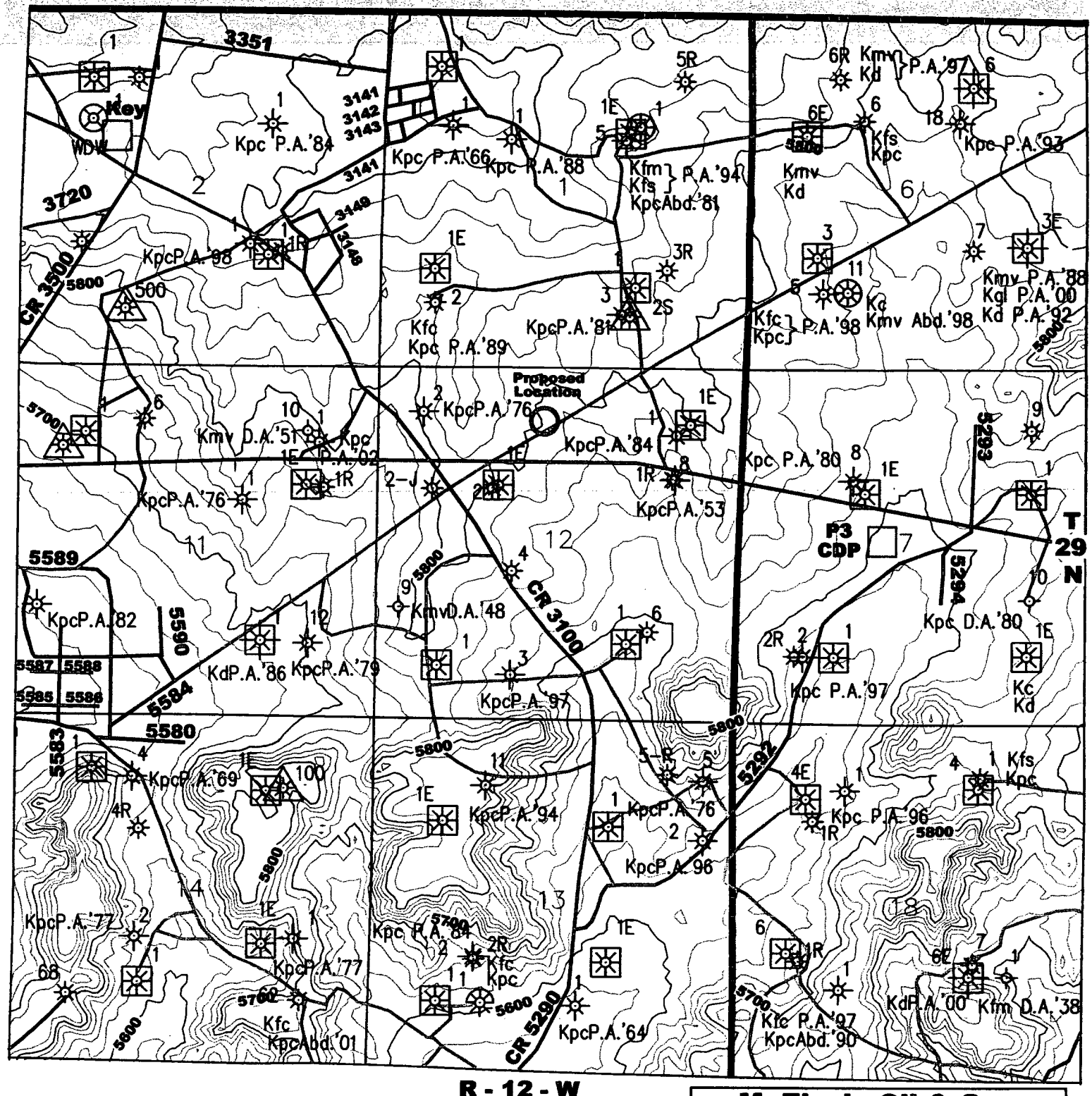
1	2	3
4		5
6	7	8

1 Bluff
2 Cortez
3 Durango
4 Rock Point
5 Navajo Reservoir
6 Canyon de Chelly
7 Toadlena
8 Chaco Canyon

FOR SALE BY U. S. GEOLOGICAL SURVEY,
DENVER, COLORADO 80225, OR RESTON, VIRGINIA 22092

Topographic Map Symbols

Primary highway, hard surface
Secondary highway, hard surface
Light duty road, principal street, hard or improved surface
Other road or street; trail
Route marker: Interstate; U. S.; State
Railroad: standard gage; narrow gage
Bridge; overpass; underpass
Tunnel: road; railroad
Built up area; locality; elevation
Airport; landing field; landing strip
National boundary
State boundary
County boundary
National or State reservation boundary
Land grant boundary



McElvain Oil & Gas Properities, Inc.

VICINITY MAP

PRI #1

795' FNL, 2430' FWL

SECTION 12, T29N / R12W

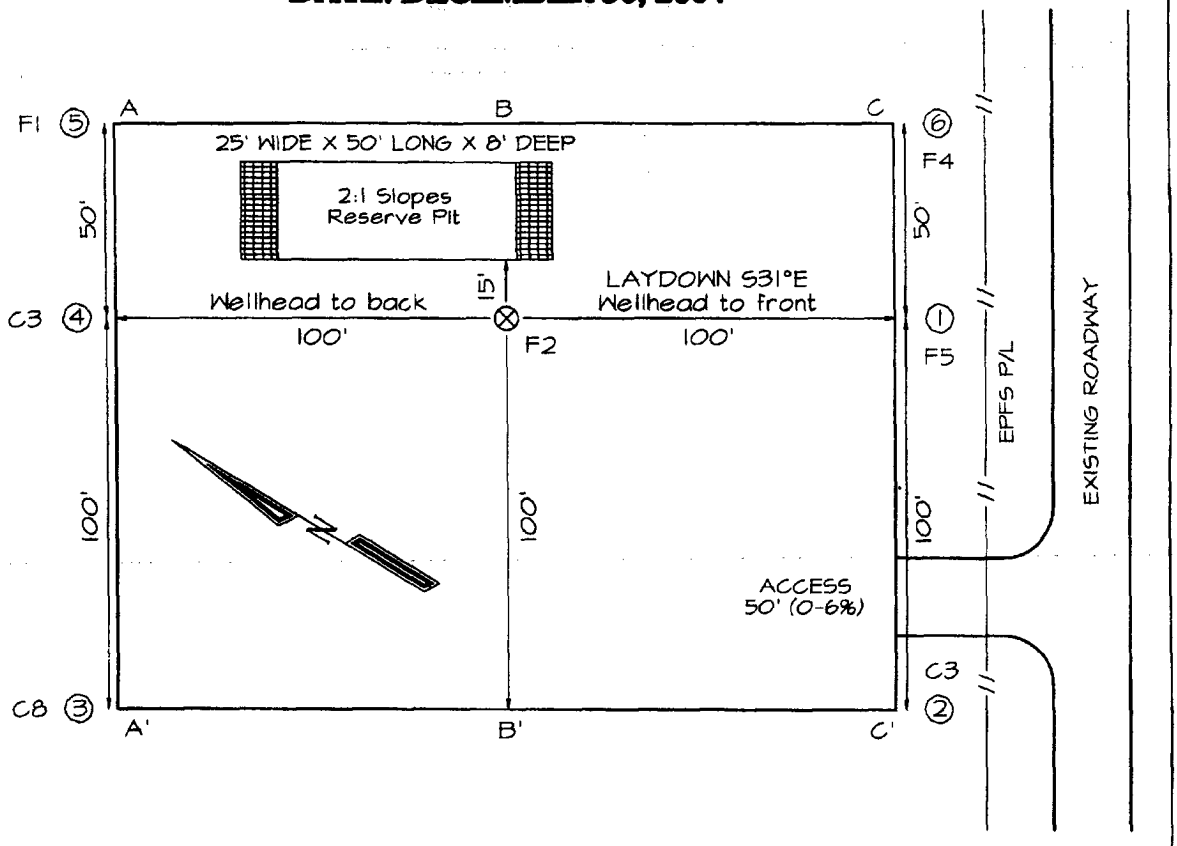
SAN JUAN COUNTY, NEW MEXICO

POSTED TO: 9-10-2004 C.I. = 20' SCALE: 1"=2000'

Prepared by: **HOPKINS MAP SERVICE**
P. O. BOX 536 FARMINGTON, N.M. 87499

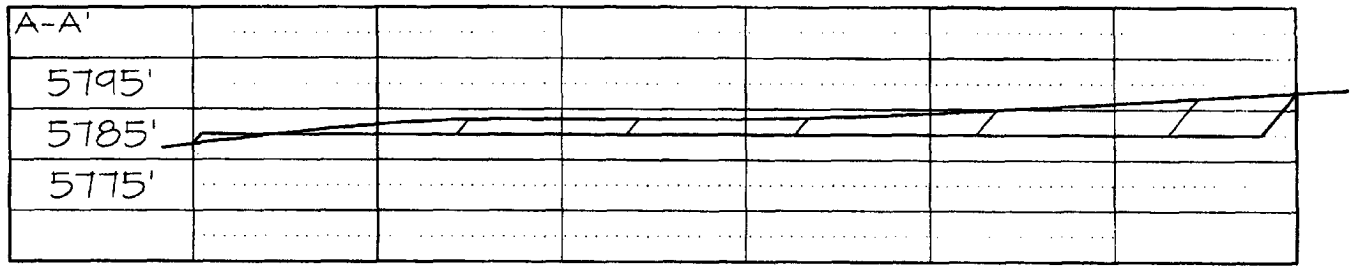
McELVAIN OIL & GAS PROPERTIES PRI #1
795' FNL & 2430' FWL, SECTION 12, T29N, R12W, NMPM
SAN JUAN COUNTY, NEW MEXICO ELEVATION: 5783'
DATE: DECEMBER 30, 2004

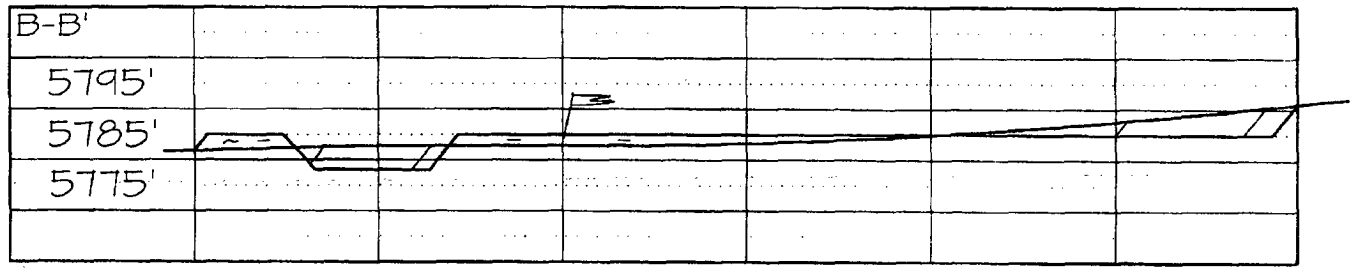
LATITUDE: 36°44'43"
LONGITUDE: 108°03'01"
DATUM: NAD1927

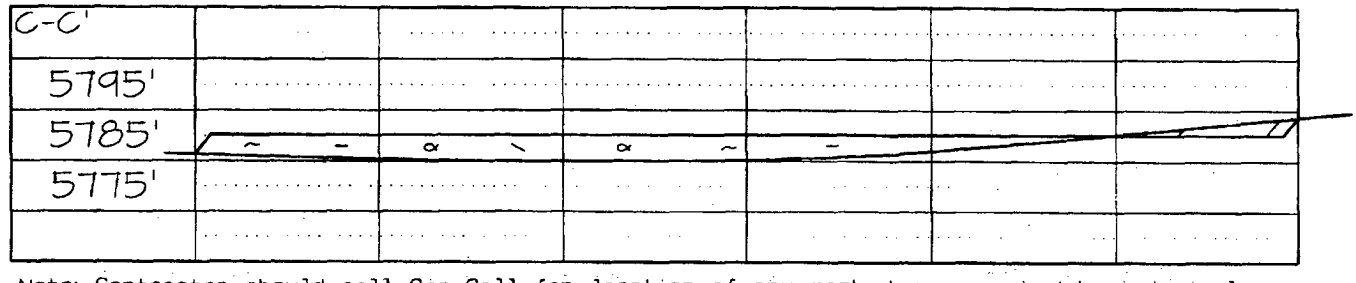


PLAT NOTE:

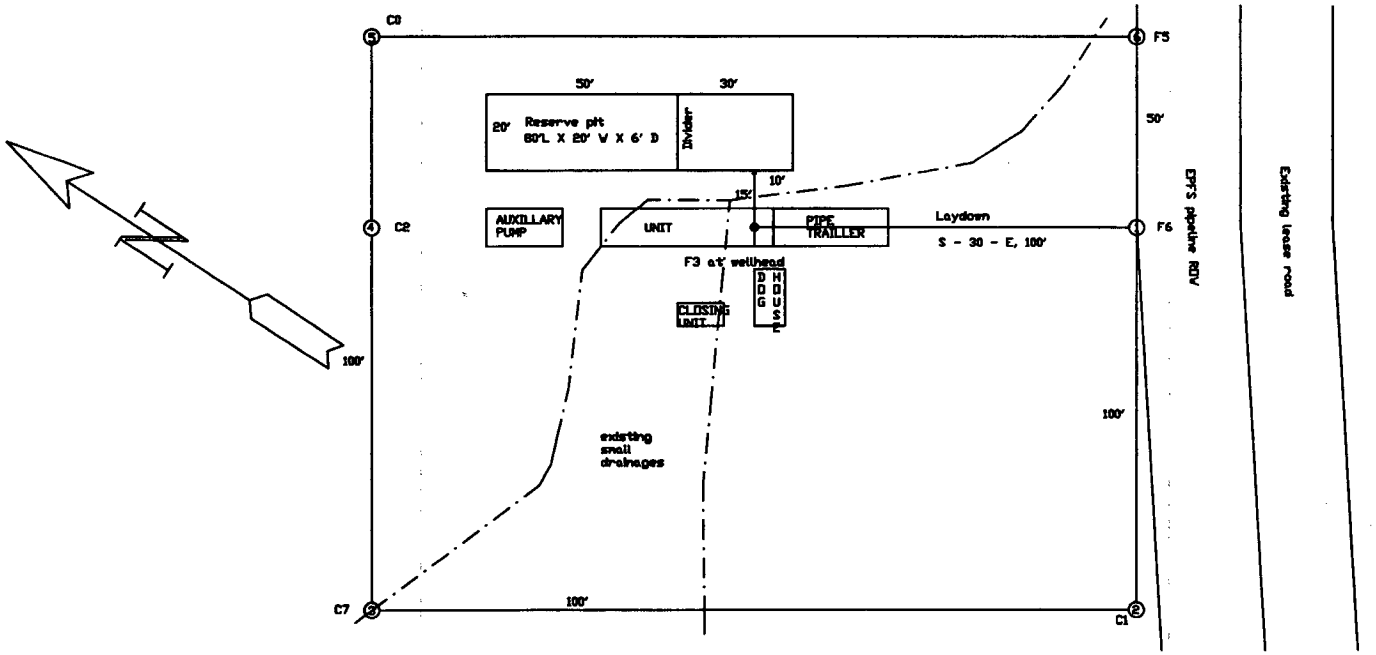
SURFACE OWNER Bureau of Land Management







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



McElvain Oil & Gas Properties, Inc.

Wellsite Layout

PRI No. 1
795' FNL – 2430' FWL
Section 12, T29N, R12W, NMPM
San Juan Co., New Mexico