

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT
APPLICATION FOR PERMIT TO DRILL OR REENTER

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

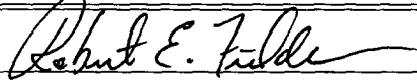
| | | |
|--|--|--|
| 1a. Type of work: <input checked="" type="checkbox"/> DRILL <input type="checkbox"/> REENTER | | 5. Lease Serial No. IMDA 751-05-1025, Tract A |
| 1b. Type of Well: <input type="checkbox"/> Oil Well <input checked="" type="checkbox"/> Gas Well <input type="checkbox"/> Other <input checked="" type="checkbox"/> Single Zone <input type="checkbox"/> Multiple Zone | | 6. If Indian, Allottee or Tribe Name Ute Mountain Ute |
| 2. Name of Operator Elk San Juan, Inc. | | 7. If Unit or CA Agreement, Name and No. |
| 3a. Address 1401 17th Street, Suite 700 Denver, CO 80202 | | 8. Lease Name and Well No. 35229 Ute Mountain Tribal No. 35-D |
| 3b. Phone No. (include area code) 234144 303.296.4505 | | 9. API Well No. 30-045-33562 |
| 4. Location of Well (Report location clearly and in accordance with any State requirements.) At surface 1605' FSL - 945' FEL, Section 35, T31N, R15W, NMPM At proposed prod. zone Same | | 10. Field and Pool, or Exploratory Basin Dakota 71599 |
| 14. Distance in miles and direction from nearest town or post office* 12 miles North of Kirtland, New Mexico | | 11. Sec., T. R. M. or Blk. and Survey or Area I Section 35, T31N, R15W, NMPM |
| 15. Distance from proposed* location to nearest property or lease line, ft. (Also to nearest drig. unit line, if any) 1605 945 | 16. No. of acres in lease 7040 | 17. Spacing Unit dedicated to this well E/2-319.90 acs. |
| 18. Distance from proposed location* to nearest well, drilling, completed, applied for, on this lease, ft. 1750 | 19. Proposed Depth 5500' | 20. BLM/BIA Bond No. on file B001404 |
| 21. Elevations (Show whether DF, KDB, RT, GL, etc.) 5418' GL | 22. Approximate date work will start* 01/01/2006 | 23. Estimated duration 35 days |

24. Attachments

Venting / Flaring approved for 30 days per NTL-4A

The following, completed in accordance with the requirements of Onshore Oil and Gas Order No. 1, shall 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 shall 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 authorized officer.

| | | |
|--|--|---------------------------|
| 25. Signature  | Name (Printed/Typed) Robert E. Fielder | Date 12/14/2005 |
| Title Agent | | |

| | | |
|--|--|----------------------------|
| Approved by (Signature) /s/ Brian W. Davis | Name (Printed/Typed) Acting Field Office Manager | Date JAN 26 2006 |
| Title Office | | |

**APPROVED FOR A PERIOD
NOT TO EXCEED 1 YEAR.**

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.

**SEE ATTACHED
CONDITIONS OF APPROVAL**

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)

Approval of this agreement does not warrant or certify that the operator thereof and other holders of operating rights hold legal or equitable title to those rights in the subject lease which are committed hereto...



RECEIVED

RECEIVED

DEC 19 2005

**Bureau of Land Management
Durango, Colorado**

District II
PO Drawer UD, Artesia, NM 88211-0719District III
1000 Rio Brazos Rd., Aztec, NM 87410District IV
PO Box 2088, Santa Fe, NM 87504-2088OIL CONSERVATION DIVISION
PO Box 2088
Santa Fe, NM 87504-2088Submit to Appropriate District Office
State Lease - 4 Copies
Fee Lease - 3 Copies☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

| | | | |
|-----------------------------|---------------------------------------|---------------------|----------------------------|
| *API Number 30-045-33562 | | *Pool Code 71599 | *Pool Name BASIN DAKOTA |
| *Property Code 35229 | *Property Name UTE MOUNTAIN TRIBAL | | *Well Number 35D |
| *GRID No. 234144 | *Operator Name ELK SAN JUAN, INC. | | *Elevation 5418' |

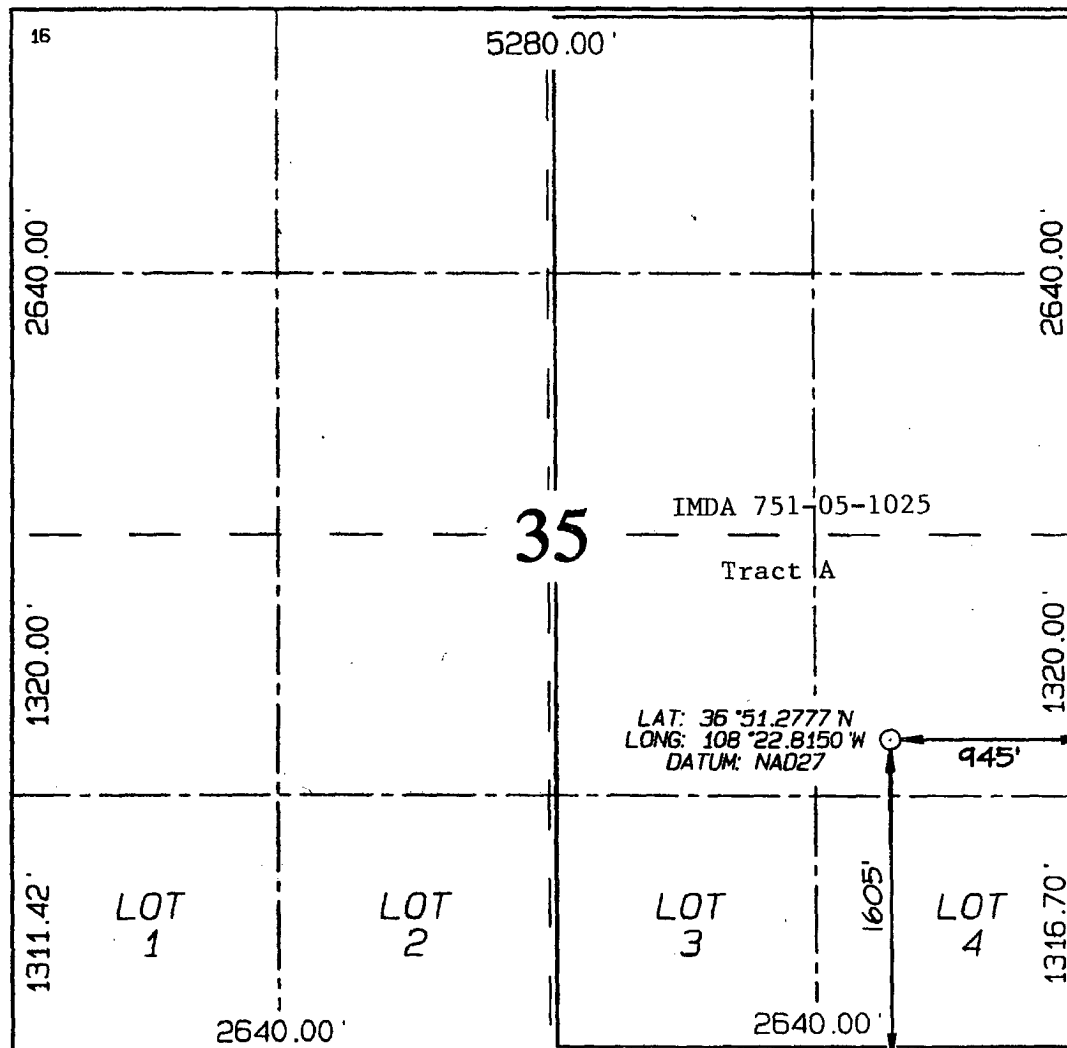
10 Surface Location

| UL or lot no. | Section | Township | Range | Lot Idn | Feet from the | North/South line | Feet from the | East/West line | County |
|---------------|---------|----------|-------|---------|---------------|------------------|---------------|----------------|----------|
| I | 35 | 31N | 15W | | 1605 | SOUTH | 945 | EAST | 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 319.90 Acres - E/2 | 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

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

December 13, 2005

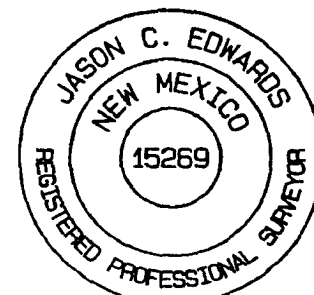
Date

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: OCTOBER 31, 2005

Signature and Seal of Professional Surveyor

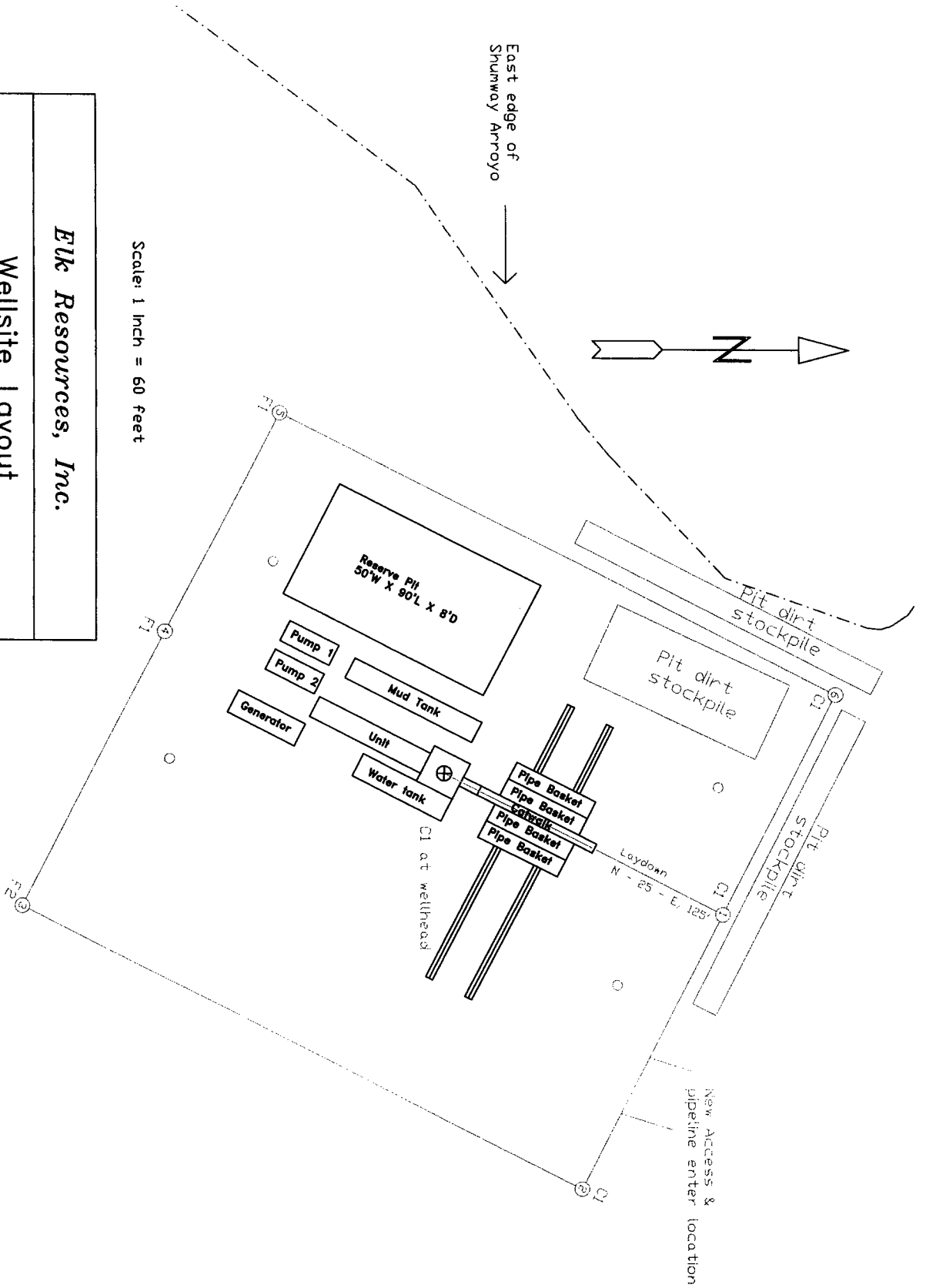


Certificate Number 15269

Elk Resources, Inc.

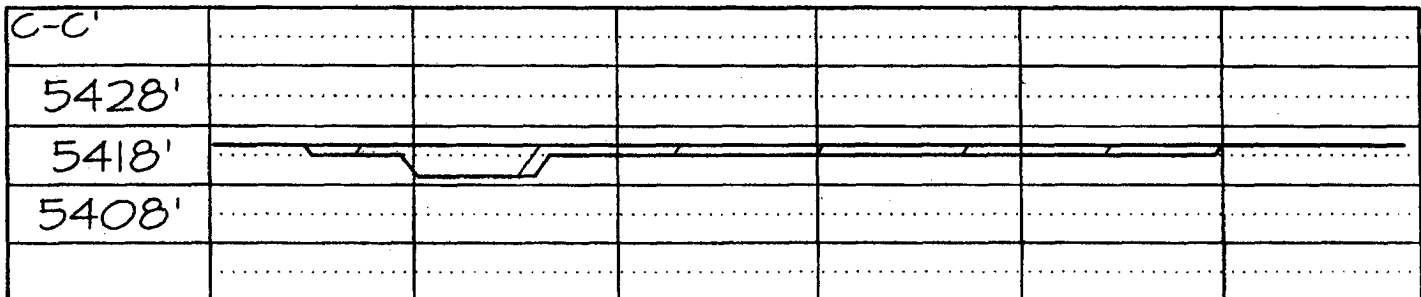
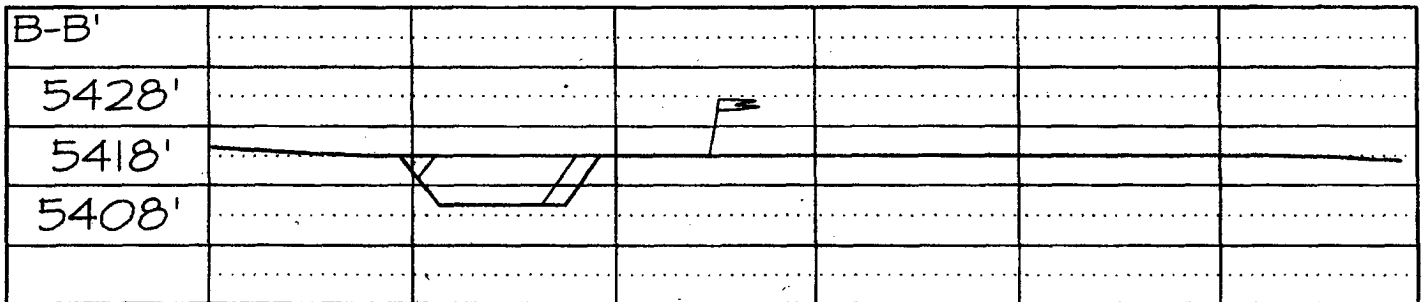
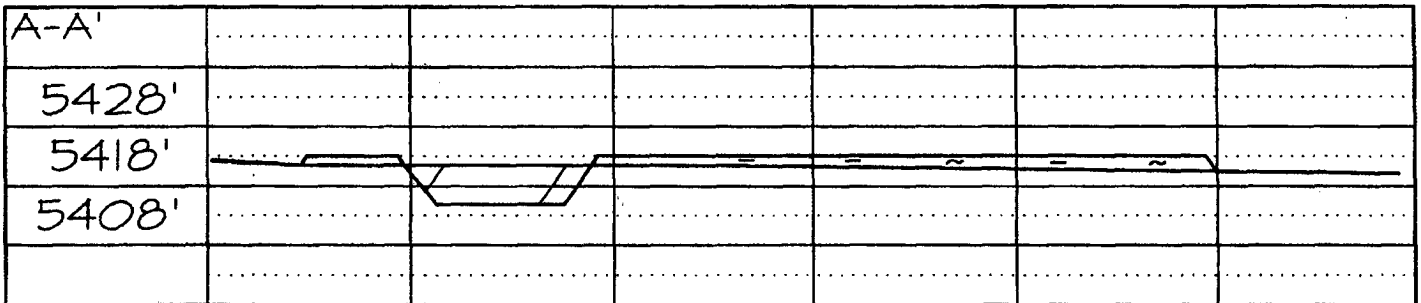
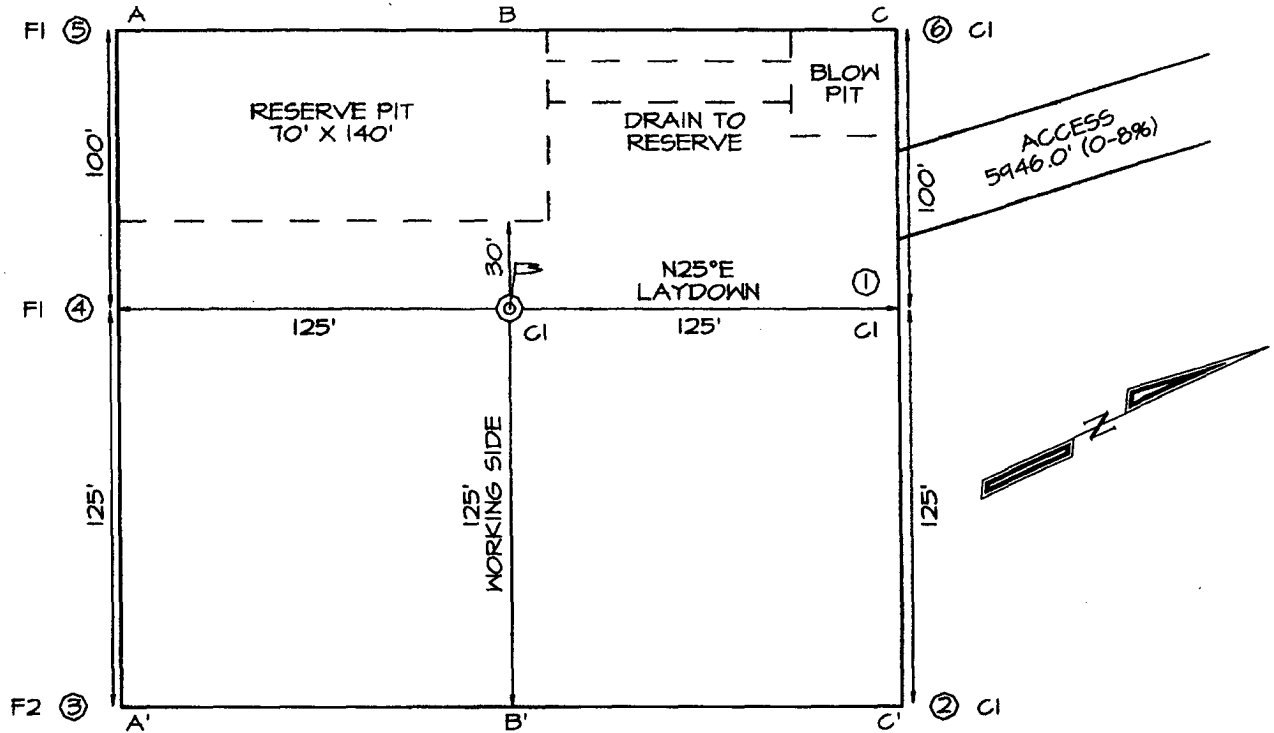
Wellsite Layout

Ute Mountain Tribal No. 35-D
 1605' FSL & 945' FEL
 Section 35, T31N, R15W, NMPM
 San Juan Co., New Mexico



ELK SAN JUAN, INC. UTE MOUNTAIN TRIBAL #35D
1605' FSL & 945' FEL, SECTION 35, T31N, R15W, NMPM
SAN JUAN COUNTY, NEW MEXICO ELEVATION: 5418'

LATITUDE: 36°51'17"
 LONGITUDE: 108°22'49"
 DATUM: NAD1921



Elk San Juan, Inc.
Ute Mountain Tribal No. 35-D
1605' FSL & 945' FEL
Section 35, T31N, R15W, NMPM
San Juan County, New Mexico

TEN POINT DRILLING PROGRAM

1. Surface Formation: Fruitland
2. Surface Elevation: 5418' GL.
3. Estimated Formation Tops:

| <u>Formation</u> | <u>Top - feet</u> | <u>Expected Production</u> |
|------------------|-------------------|----------------------------|
| Fruitland | surface | |
| Pictured Cliffs | 508 | |
| Lewis | 670 | |
| Cliff House | 2022 | |
| Menefee | 2222 | |
| Pt. Lookout | 3024 | |
| Upper Mancos | 3360 | |
| Gallup | 4358 | GAS/OIL |
| Tocito | 4414 | |
| Sanastee | 4612 | |
| Lower Mancos | 4641 | |
| Greenhorn | 5124 | |
| Graneros | 5186 | GAS |
| Dakota | 5236 | GAS |
| Burro Canyon | 5397 | |
| Morrison | 5474 | |
| TOTAL DEPTH | 5500 | |

4. Surface Hole Program:

Bit: Drill a 12 1/4" hole to 350' using a mill tooth, IADC Class 116 or 117 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 - 350 | 8.6 or less | 9.0-9.5 | 40 - 50 | No Control |

Casing and Cementing: A string of 8 5/8" 24# J-55 or K-55 ST&C casing will be set and cemented to the surface in a single stage with 245 sacks of Class "B" cement (yield = 1.18 cf/sk) containing 3% CaCl₂ and 0.25 pps 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 12 1/4" by 8 5/8" annulus. Minimum clearance between couplings and hole is 1.3125". 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" 3000# BOPE. Pressure test wellhead and surface BOPE to full working pressure. Pressure test surface casing and BOPE to 600 psi for 15 minutes prior to drilling surface shoe.

Drilling Program

Elk San Juan, Inc.

Ute Mountain Tribal No. 35-D

Page Two

4. Surface Hole Program: - continued

Centralizers: Run three (3) 8 $\frac{3}{4}$ " X 12 $\frac{1}{4}$ " 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.

5. Production Hole Program:

Bit: Drill a 7 $\frac{7}{8}$ " hole to 5500' using TCI, IADC Class 447 bit. WOB: 35-45K. RPM: 60 - 75.

Mud: Use 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> |
|----------------------|---------------------|-----------|--------------------|-------------------|
| 350 - 3300 | 8.6 - 8.8 | 9.0-9.5 | 28 - 35 | 10 - 12 |
| 3300 - 5500 | 8.9 - 9.2 | 9.0-9.5 | 35 - 50 | 8 - 10 |

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 rig pits 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.

Hole will be drilled to top of Upper Mancos using polymer and drispac additions to water if possible. Mud up before drilling into Upper Mancos.

Lost Circulation is expected and can occur in the Gallup/Tocito/Sanastee interval. 5 - 10% LCM will be added to the system as soon as mud up is complete and before drilling into the Tocito. Mud weights should be controlled as low as possible with solids control equipment then as low as practical with water dilution.

Pressure Control: A 3M psi BOP well control system will be utilized. BOP's and choke manifold will be installed and pressure tested to full working pressure 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. 5 $\frac{1}{2}$ " 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.

Drilling Program
Elk San Juan, Inc.
Ute Mountain Tribal No. 35-D
Page Three

5. Production Hole Program: - continued

Logging Program: Dual Induction and Formation Density/Compensated Neutron logs will be run from TD to surface casing shoe.

Casing and Cementing Program: Run 5½" 15.5 ppf J-55 production casing from surface to TD and cement in two stages with a mechanical DV tool set at ± 4358'. **Stage One:** (TD - 4358') Cement with 100 sacks (184.0 cf) of 65/35 Class G Poz containing 6% gel, 5 pps gilsonite, 0.25 pps celloflake and 0.5% FLA mixed at 12.4 PPG to yield 1.84 cf/sk. Tail in with 210 sacks (260.4 cf) of 50/50 Class G Poz with 2% gel, 5 pps gilsonite, 0.25 pps celloflake, 0.2% FLA and 0.1% dispersant mixed at 13.5 PPG to yield 1.24 cf/sk. **Stage Two:** (4358' - surface) Cement with 505 sacks (1070.6 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 Class B containing 2% CaCl₂, 5 pps gilsonite and 0.25 pps celloflake mixed at 15.26 ppg to yield 1.26 cf/sk.

Circulate and WOC at least four hours between stages.

Slurry volumes assume a 50% excess over gauge hole volume. Minimum clearance between couplings and hole is 0.9125". Safety factors utilized in the design of this casing string were: burst = 1.1; collapse = 1.125; and tension = 1.8.

Centralizers: 10 - 5½" X 7½" bowspring centralizers will be run across all prospective pays and 4 - 5½" X 7½" turbolizers will be spaced so that three (3) are through the Gallup - Upper Mancos interval and one is at the base of the Pt. Lookout.

Float Equipment: Cement nose float shoe, 1 joint 5½" casing and float collar.

6. Auxiliary Equipment:

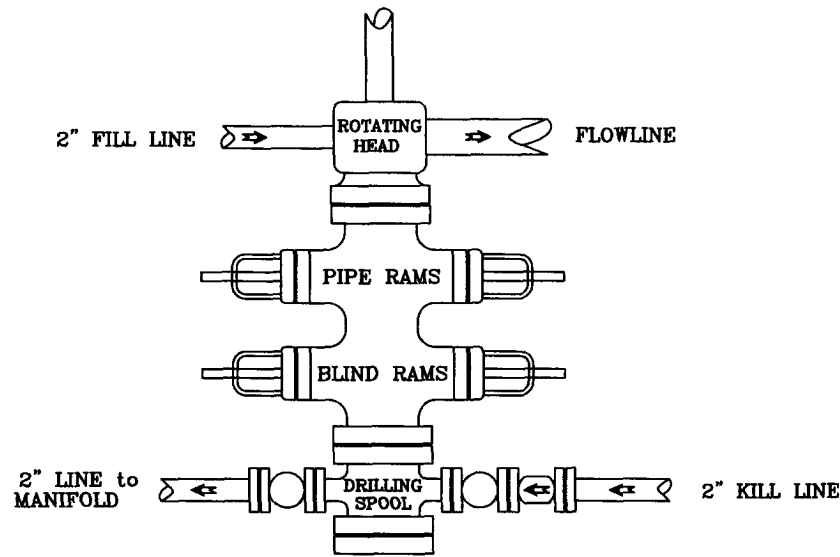
An upper kelly cock will be utilized. The handle will be available on the rig floor at all times

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.

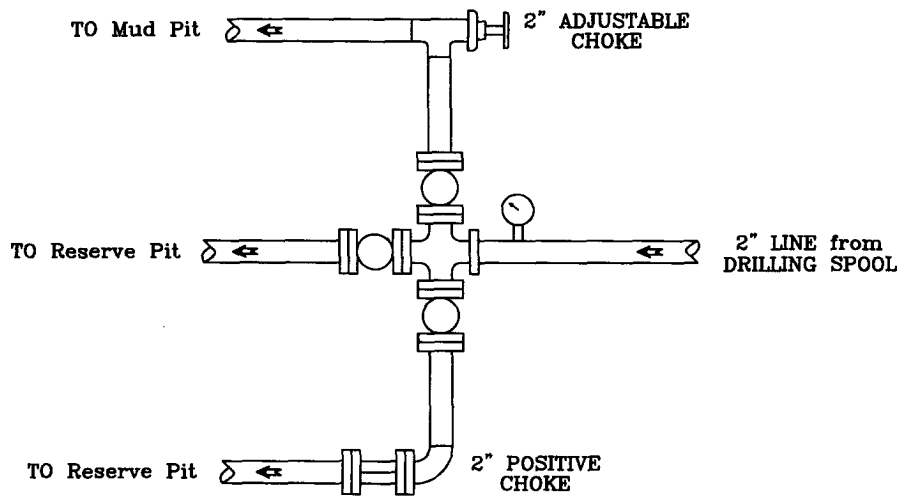
PRESSURE CONTROL

Wellhead Assembly



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

Choke Manifold



Elk San Juan, Inc.

Ute Mountain Tribal No. 22-D

1605' FSL - 945' FEL

Section 35, T31N, R15W, NMPM

San Juan County, New Mexico