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

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

FEB 2001
RECEIVED
OIL CON. DIV
DIST. 3

APPLICATION FOR PERMIT TO DRILL, DEEPEN, OR PLUG BACK

1a. Type of Work
DRILL

1B. TYPE OF WELL
GAS

5. Lease Number
NO-G-9811-1312

Unit Reporting Number

6. If Indian, All. or Tribe
INDIAN ALLOTTED

2. Operator
ELM RIDGE RESOURCES, INC. 505-632-3476
149052

7. Unit Agreement Name
27508

3. Address & Phone No. of Operator
PO Box 189 Farmington, NM 87499

8. Farm or Lease Name
KELLY IND.

9. Well Number
#1

4. Location of Well
820' FWL, 720' FSL

10. Field, Pool Wildcat
BASIN DAKOTA

11. Sec., Twn, Rge, Mer. (NMPM)
M SW SW SEC. 12, T27N, R13W

API # 30045- 30473

14. Distance in Miles from Nearest Town
13 MILES SOUTH OF FARMINGTON

12. County 13. State
SAN JUAN, N.M.

15. Distance from Proposed Location to Nearest Property or Lease Line
720'

16. Acres in Lease
160

17. Acres Assigned to Well
320

18. Distance from Proposed Location to Nearest Well, Drlg, Compl or Applied for on this Lease
1800'

19. Proposed Depth
6070'

20. Rotary or Cable Tools
ROTARY

21. Elevations (DF, FT, GR, Etc.)
5861' GL

22. Approx. Date Work will Start
LATE FEBRUARY

23. Proposed Casing and Cementing Program
SEE OPERATIONS PLAN ATTACHED

24. Authorized by: Patrick Hegarty 12-20-00
PATRICK HEGARTY, Agent Date

PERMIT NO. _____ APPROVAL DATE _____

APPROVED BY Chip Hanadel TITLE PMT-Geologist ~~Acting Team Lead~~ DATE 2/20/01

Archaeological Report to be submitted
Threatened and Endangered Species Report to be submitted
NOTE: This format is issued in lieu of U.S. BLM Form 3160--3
Title 1 U.S.C. Section 1001, makes 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 presentations as to any matter within its jurisdiction.

NMOCD

District I
PO Box 1980, Hobbs, NM 88241-1980
District II
811 South First, Artesia, NM 88210
District III
1000 Rio Brazos Rd., Aztec, NM 87410
District IV
2040 South Pacheco, Santa Fe, NM 87505

State of New Mexico
Energy, Minerals & Natural Resources Department

OIL CONSERVATION DIVISION
2040 South Pacheco
Santa Fe, NM 87505

Form C-102
Revised October 18, 1994
Instructions on back
Submit to Appropriate District Office
State Lease - 4 Copies
Fee Lease - 3 Copies

☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

¹ API Number	² Pool Code	³ Pool Name
30-045-30473	71599	BASIN DAKOTA

⁴ Property Code	⁵ Property Name	⁶ Well Number
27528	KELLY IND.	I

⁷ OGRID No.	⁸ Operator Name	⁹ Elevation
149052	DELHI-TRADING INCORPORATED	5861'

¹⁰ Surface Location

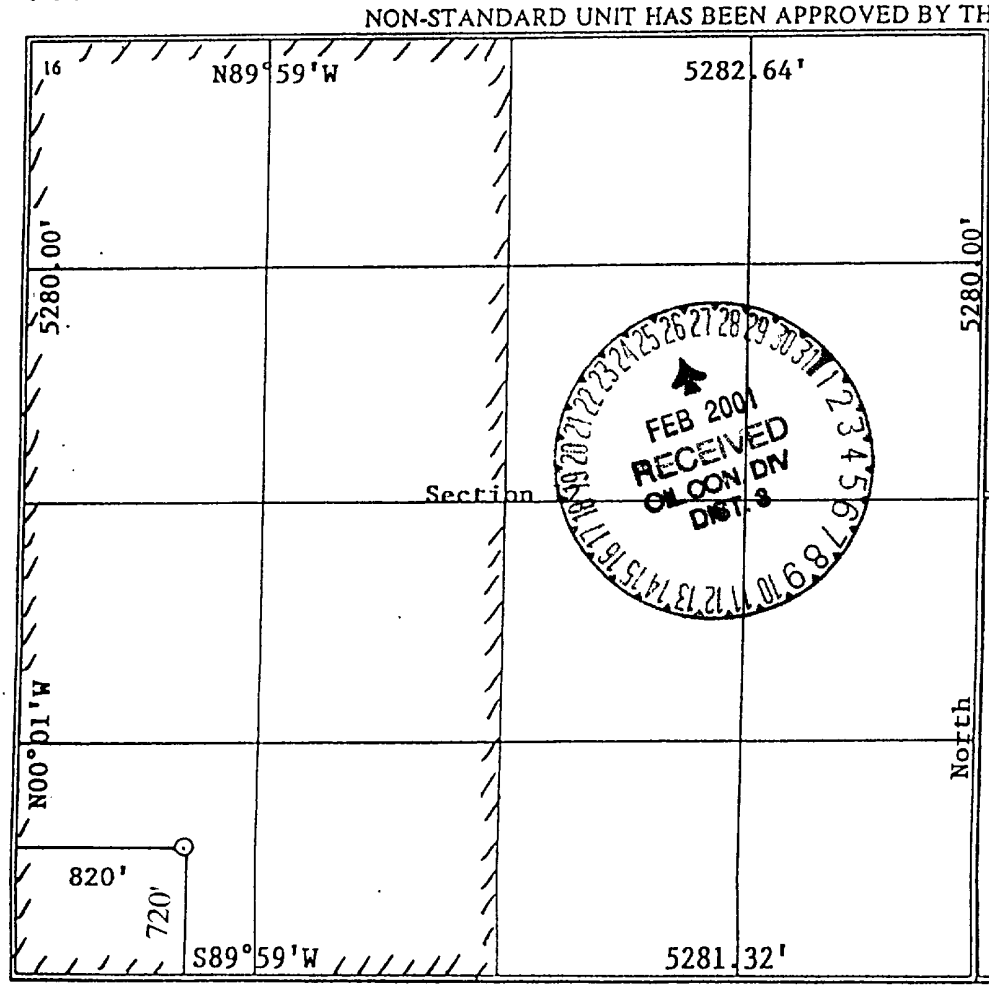
UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
M	12	27N	13W		720'	SOUTH	820'	WEST	SAN JUAN

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.
320			

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

PATRICK HEGARTY
Printed Name

PRESIDENT
Title

10-24-00
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.

10/06/00
Date of Survey

Signature and Seal of Professional Surveyer:

HENRY P. BROADHURST JR.
NEW MEXICO
REGISTERED PROFESSIONAL SURVEYOR

Certificate Number 11393

EXHIBIT "E"

Existing Roads

Vicinity of nearest town or reference pt.

Approx. 6.5 mi NW of Chaco Plant

Type of surface dirt

Conditions good

Other

Reference map: USGS map

Kelly F.C. #1

Planned Access Road((s)

Width – – Maximum grades – –

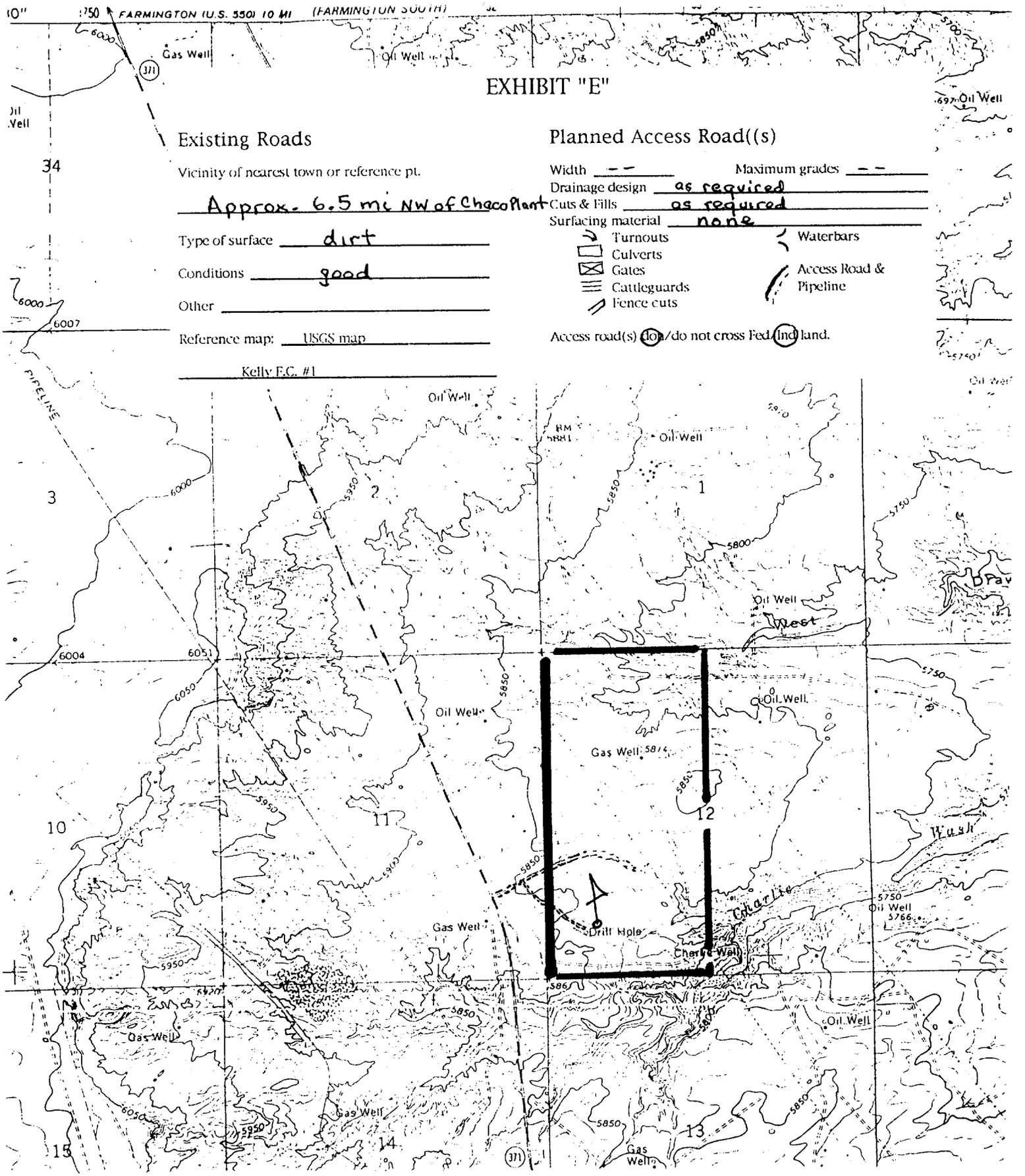
Drainage design as required

Cuts & Fills as required

Surfacing material none

- Turnouts
- Culverts
- Gates
- Cattleguards
- Fence cuts
- Waterbars
- Access Road & Pipeline

Access road(s) (do)/do not cross Fed./(Ind.) land.



HUGH LAKE, N. MEX.
N3630—W10807.5/7.5

1:24 000

1965
PHOTOREVISED 1979
DMA 4357 II SW—SERIES V881

NEW MEXICO
QUADRANGLE LOCATION

ROAD CLASSIFICATION

Medium-duty — — — Light-duty ———

Unimproved dirt - - - - - -

State Route

EXHIBIT "B"
OPERATIONS PLAN
Kelly IND. #1

APPROXIMATE FORMATION TOPS:

Ojo Alamo	<100'
Kirtland	240'
Fruitland	915'
Pictured Cliffs	1269'
Lewis	1440'
Mesa Verde	2155'
Point Lookout	3814'
Mancos	4067'
Gallup	4973'
Sanastee	5376'
Greenhorn	5754'
Graneros	5818'
Dakota	5882'
Total Depth	6070'

LOGGING PROGRAM: Run DIL/GR logs. CNL/FDC logs maybe run over selected segments.

Catch samples every 10 feet through Fruitland Gallup and Dakota . Samples will be collected every 30' elsewhere.

CASING PROGRAM:

Hole Size	Casing Size	Wt./Ft.	Setting Depth	Grade and Condition
12-1/4"	8-5/8"	24#	±200'	K-55
7-7/8"	4-1/2"	10.5#	6070'	J-55

The hole size is not smaller than 1-1/2" larger diameter than the casing O.D. across usable water zones.

Plan to drill a 12-1/4" hole and set 200' of 8-5/8" OD, 20#, K-55 surface casing; then plan to drill a 7-7/8" hole to total depth with gel-water-mud program to test Dakota Formation. Plan to run DIL/GR logs. CNL/FDC logs maybe run over selected segments. If determined productive, will run 4-1/2". 10.5#, J-55 casing, selectively perforate, frac, clean out after frac and complete well.

CEMENTING PROGRAM: All volumes are contingent upon Caliper logs.

Surface- Cement with 15 sx (177 cu. ft.) Class "B" with 1/4#/sk Flocele + 2% CaCl2. Bowspring Centralizers will be run in accordance with Onshore Order #2. Circulate to surface.

Production Stage- Cement in two stages with a stage tool set at about 4500'. First stage will consist of 460 sx (650 cu.ft.) Class "B" with 2% gel and 1/4#/sk Flocele to cover the Gallup and Dakota. The second stage will consist of 870 sx(1538 cu ft.) Haliburton Light Standard with 2% gel + Floscele to cover certain zones. Bowspring Centralizers will be run in accordance with Onshore Order #2 . Circulate to surface.

An adequate spacer will be pumped ahead of the cement slurry to help prevent mud contamination of the cement. An adequate number of casing centralizes will be run through usable water zones to ensure that casing is centralized through these zones. The adequate number of centralizes will be determined based on API standards. Centralizes to impart a swirling action around the casing will be used just below and into the base of the lowest usable water zone. These devices will assist mud displacement, increase cement bonding potential and create an effective hydraulic seal. A chronological log will be kept which records the pump rate, pump pressure, slurry density, and slurry volume for the cement job. The log will be sent to the BLM after completion of the job.

WELLHEAD EQUIPMENT - PRESSURE CONTROL: See Exhibit "D"

A typical 3M psi BOP model is shown on Exhibit "D" entitled Pressure Control Equipment. A minimum 3000 psi BOP and choke manifold system will be installed and tested to 2,000 psi before drilling surface casing plug. It will remain in use until the well is completed. A safety value and sub with a full opening value 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.

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.

No abnormal pressures or hazardous zones are anticipated.

Annual preventer, double ram, or 2 rams with one being blind and one being a pipe ram
Kill line (2" minimum)
1 kill line valve (2" minimum)
1 choke line valve
2 chokes
Upper kelly cock valve with handle available
Safety valve and subs to fit all drill string connections in use
Pressure gauge on choke manifold
2" minimum choke line
Fill-up line above the uppermost preventer

BOP equipment will be tested as required in Section III A.1 of Onshore Order 2, plus a 30% safety factor.

The average mud weight is anticipated to be in the range of 8.6 to 9.5 lb/gal.

ATTACHMENTS
Exhibit "A" - Development Plan
Exhibit "B" - Operations Plan
Figure #1 - Anticipated Production Facilities
Figure #2 - Cut & Fill Diagram
Exhibit "C" - Typical Location Plat
Exhibit "D" - Pressure Control Equipment
Exhibit "E" - Existing & Planned Access Roads
Exhibit "F" - Location of Existing Wells & Facilities
Exhibit "G" - Vicinity Map