

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

APPLICATION FOR PERMIT TO DRILL, DEEPEN, OR PLUG BACK.

| | |
|--|--|
| 1a. Type of Work DRILL | 5. Lease Number NO-G-9811-1312 Unit Reporting Number |
| 1B. TYPE OF WELL GAS | 6. If Indian, All. or Tribe INDIAN ALLOTTED |
| 2. Operator ELM RIDGE RESOURCES, INC. 505-632-9476 | 7. Unit Agreement Name |
| 3. Address & Phone No. of Operator PO Box 189 Farmington, NM 87499 | 8. Farm or Lease Name KELLY IND. 27508 |
| | 9. Well Number # 1-R |
| 4. Location of Well 780' FWL, 780' FSL This action is subject to technical and procedural review pursuant to 43 CFR 3165.2 and 3165.4. | 10. Field, Pool Wildcat BASIN DAKOTA |
| | 11. Sec., Twn, Rge, Mer. (NMPM) SW SW SEC. 12, T27N, R13W API # 30045- 31030 |
| 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 780' | |
| 16. Acres in Lease 160 | 17. Acres Assigned to Well 320 W/2 |
| 18. Distance from Proposed Location to Nearest Well, Drig, 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 MARCH |
| 23. Proposed Casing and Cementing Program SEE OPERATIONS PLAN ATTACHED | |
| 24. Authorized by: <u>Patrick Hegarty</u> Patrick Hegarty, Agent | <u>3-8-02</u> Date |

PERMIT NO. _____

APPROVAL DATE

3/21/02

APPROVED BY _____

TITLE _____

DATE 3/21/02

Archaeological Report attached

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 any department or agency of the United States any false, fictitious or fraudulent statements or presentations as to any matter within its jurisdiction.

NM000

ORIGINAL

District II

811 South First, Artesia, NM 88210

District III

1000 Rio Huerfano Rd., Aztec, NM 87410

District IV

2040 South Pacheco, Santa Fe, NM 87505

OIL CONSERVATION DIVISION

2040 South Pacheco

Santa Fe, NM 87505

Revised October 18, 19

Instructions on back

Submit to Appropriate District Office

State Lease - 4 Copies

Fee Lease - 3 Copies

☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

| | | |
|-----------------------------------|---|---|
| APL Number 30-045-31030 | Pool Code 71829 | Well Name Basin Basin Dakota |
| Property Code 27508 | Property Name Kelly Indian | Well Number 1-R |
| OGRID No. 149052 | Operator Name Elm Ridge Resources, Inc. | Elevation 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 | | 780' | SOUTH | 780' | 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: <i>Patrick Hegarty</i> Printed Name: PATRICK HEGARTY Title: AGENT Date: 3-8-02 |
| | 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. Date of Survey: 10/06/00 Signature and Seal of Professional Surveyor: |

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

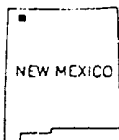
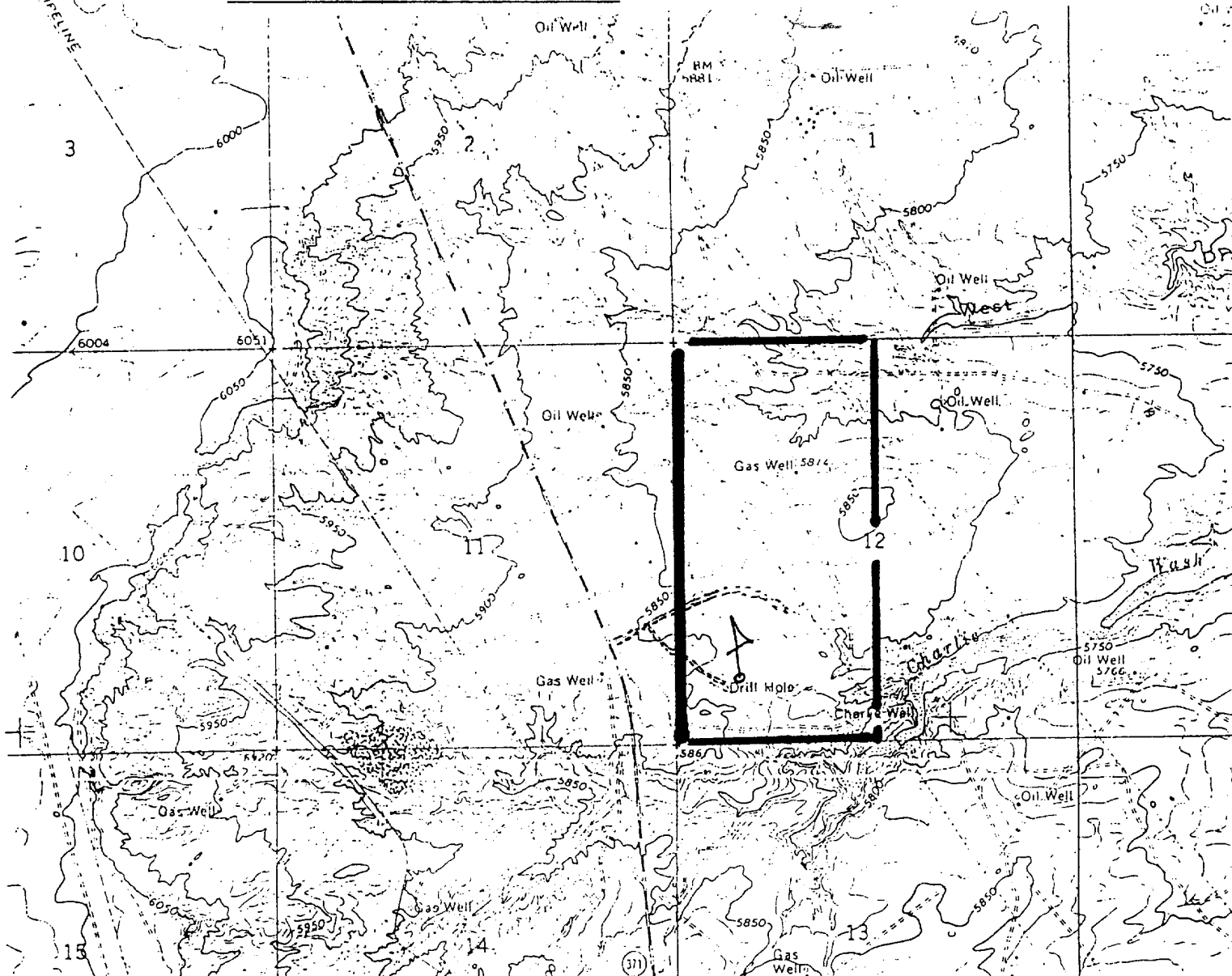
Drainage design as required

Cuts & Fills as required

Surfacing material none

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

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



QUADRANGLE LOCATION

HUGH LAKE, N. MEX.
N3630-W10807.5/7.5

1:24 000

1965
PHOTOREVISED 1979
DMA 4357 II SW-SERIES V881

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 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.

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

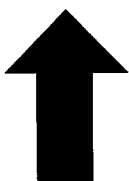
Exhibit "C" - Typical Location Plat

Exhibit "D" - Pressure Control Equipment

Exhibit "E" - Existing & Planned Access Roads

Exhibit "F" - Location of Existing Wells & Facilities

Exhibit "G" - Vicinity Map



LTR



Job separation sheet

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT
SUNDRY NOTICES AND REPORTS ON WELLS

FORM APPROVED
OMB No. 1004-0135
Expires July 31, 1996

Do not use this form for proposals to drill or reenter 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
Elm Ridge Resources, Inc.

3a. Address
PO Box 189 Farmington, NM 87499

3b. Phone No. (include area code)
505-632-3476

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

Sec. 12-T27N-R13W

5. Lease Serial No.
NO-G-9811-1312

6. If Indian, Allottee or Tribe Name
28

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

8. Well Name and No.
Kelly Indian #1R

9. API Well No.
30045-31030

10. Field and Pool, or Exploratory Area
Basin Dakota

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 | | | |
|--|---|---|--|--|
| <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 checked="" type="checkbox"/> Other Drilling |
| | <input 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 | |

13. Describe Proposed or Completed Operations (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 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.)

Spud well @ 4:30 AM on 04-20-02. Drilled 12-1/4 hole to 374' KB. Ran 8-jts 8-5/8, 24# J-55 STC casing - set @ 366.57' KB. Cemented w/250 sx Class "B" cement, 3% CC, 1/4# Celloflake, 15.6 PPG @ 150 to 175 PSI, 4 BPM, Displace w/ 21 bbls water. Plug down @ 5:10 PM on 4-20-02. Circulate 20 bbls cement to pit. Drilled 7-7/8 hole to 6106' KB. TD reached @ 9:30 PM on 04-28-02. Ran 149-joints, 4-1/2, 11.6#, J-55 LTC casing - set @ 6106.01' KB. Stage tool set @ 4224' KB. Cemented first stage w/530 sx H POZ, 2% gel, 5# gilsonite, 1/4# flocele, .5% HALAD-9, .2% CFR3, .1% HR5. Displace w/24 bbls water @ 100 to 700 PSI, 5 BPM. Bump plug w/1500 PSI - floats held. Plug down @ 1:25 PM on 04-28-02 - good circulation throughout. Drop bomb and open stage tool. Circulate 20 bbl mud flush & trace cement off stage tool. Circulate 4 hrs. Cement 2nd stage w/950 sx 65/35 POZ, 6% gel, 1/4# flocele, 10# gilsonite, 1% CC. Pump 50 sx 50/50 H POZ, 2% gel, 5# gilsonite, 1/4# flocele, .5% HALAD-9, .2% CFR3, .1% HR5. Displace w/65-1/2 bbls water @ 150 to 950 PSI, 5 BPM. Close stage tool w/2700 PSI @ 7:35 PM on 04-28-02 - good circulation throughout. Rig down cementers. Set slips. Cut off casing. Release rig. I

Certified Return Receipt # 7001 0320 0002 6707 1033

14. Thereby certify that the foregoing is true and correct

| | |
|--|--------------------------------|
| Name (Printed/Typed) Trudy Grubelnik | Title Production Technician |
| Signature <i>Trudy Grubelnik</i> | Date April 30, 2002 |
| THIS SPACE FOR FEDERAL OR STATE USE | |
| Approved by | Date MAY 21 2002 |
| 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 property which would entitle the applicant to conduct operations thereon. | |
| Office | |

Title 18 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 representations as to any matter within its jurisdiction.

(Instructions on reverse)

NMOCD