ATS-07-458

Form 3160-3
(April 2004)

OCD-HOBBS

Received JUL 2007 Hobbs OCD

FORM APPROVED
OMB No. 1004-0137
Expires March 31, 2007

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

APPLICATION FOR PERMIT TO DRILL OR REENTER

5. Lease Serial No. NM-0245247

6. If Indian, Allotee or Tribe Name ----------

1a. Type of work: [X] DRILL [ ] REENTER

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

1b. Type of Well: [X] Oil Well [ ] Gas Well [ ] Other [X] Single Zone [ ] Multiple Zone

8. Lease Name and Well No. (302305) McElvain # 9

2. Name of Operator (22044)
McElvain Oil & Gas Properties (REED FISCHER 303-893-0933 Ext.330)

9. API Well No. 30-025-38481

3a. Address 1050 17th STREET SUITE 1800 DENVER, COLORADO 80265

3b. Phone No. *(include area code)* 303-893-0933 Ext. 330

10. Field and Pool, or Exploratory EK DELAWARE (21655)

4. Location of Well *(Report location clearly and in accordance with any State requirements.*)* Unit F
At surface 1980' FNL & 1980' FWL SECTION 25 T18S-R33E
At proposed prod. zone SAME
CAPITAN CONTROLLED WATER BASIN

11. Sec., T. R. M. or Blk. and Survey or Area SECTION 25 T18S-R33E

14. Distance in miles and direction from nearest town or post office*
Approximately 35 miles West of Hobbs New Mexico

12. County or Parish LEA CO.

13. State NM

15. Distance from proposed* location to nearest property or lease line, ft. (Also to nearest drig. unit line, if any)	16. No. of acres in lease	17. Spacing Unit dedicated to this well
1980'	480	40
18. Distance from proposed location* to nearest well, drilling, completed, applied for, on this lease, ft.	**19. Proposed Depth**	**20. BLM/BIA Bond No. on file**
1320'	6000'	NATION WIDE COB000009
21. Elevations (Show whether DF, KDB, RT, GL, etc.)	**22. Approximate date work will start***	**23. Estimated duration**
3866' GL	WHEN APPROVED	45 days to drill

24. Attachments

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)*	Date
Joe T. Janica	Joe T. Janica	06/08/07
Title Agent		

Approved by *(Signature)*	Name *(Printed/Typed)*	Date
/s/ Don Peterson	/s/ Don Peterson	JUL 17 2007
Title FIELD MANAGER	Office CARLSBAD FIELD OFFICE	

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.

APPROVAL FOR TWO YEARS

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)

SEE ATTACHED FOR CONDITIONS OF APPROVAL

APPROVAL SUBJECT TO GENERAL REQUIREMENTS AND SPECIAL STIPULATIONS ATTACHED

DISTRICT I
1625 N. FRENCH DR., HOBBS, NM 88240

DISTRICT II
1301 W. GRAND AVENUE, ARTESIA, NM 88210

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

DISTRICT IV
1220 S. ST. FRANCIS DR., SANTA FE, NM 87505

State of New Mexico
Energy, Minerals and Natural Resources Department

OIL CONSERVATION DIVISION
1220 SOUTH ST. FRANCIS DR.
Santa Fe, New Mexico 87505

Form C-102
Revised October 12, 2005
Submit to Appropriate District Office
State Lease – 4 Copies
Fee Lease – 3 Copies

WELL LOCATION AND ACREAGE DEDICATION PLAT

☐ AMENDED REPORT

API Number	Pool Code	Pool Name
30-025-38481	21655	EK-DELAWARE

Property Code	Property Name	Well Number
302305	McELVAIN FEDERAL	9

OGRID No.	Operator Name	Elevation
22044	McELVAIN OIL & GAS PROPERTIES, INC.	3866'

Surface Location

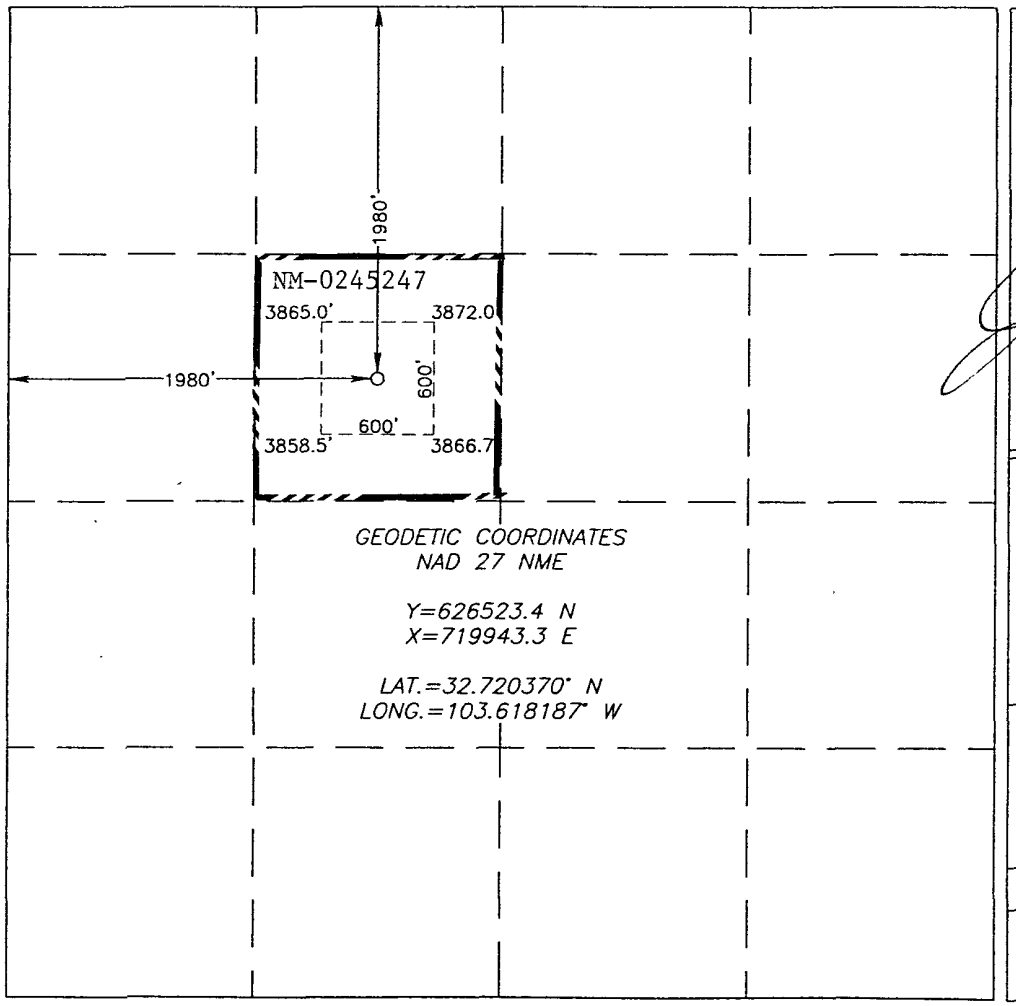
UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
F	25	18-S	33-E		1980	NORTH	1980	WEST	LEA

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	Joint or Infill	Consolidation Code	Order No.
40			

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



OPERATOR CERTIFICATION

I hereby certify that the information herein is true and complete to the best of my knowledge and belief, and that this organization either owns a working interest or unleased mineral interest in the land including the proposed bottom hole location or has a right to drill this well at this location pursuant to a contract with an owner of such mineral or working interest, or to a voluntary pooling agreement or a compulsory pooling order heretofore entered by the division.

Joe T. Janica
Signature Date

Joe T. Janica 06/08/07
Printed Name

Agent

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.

GARY G. EIDSON
NEW MEXICO
12641
REGISTERED PROFESSIONAL SURVEYOR

Date Surveyed MAY 22, 2007 LA

Signature & Seal of Professional Surveyor

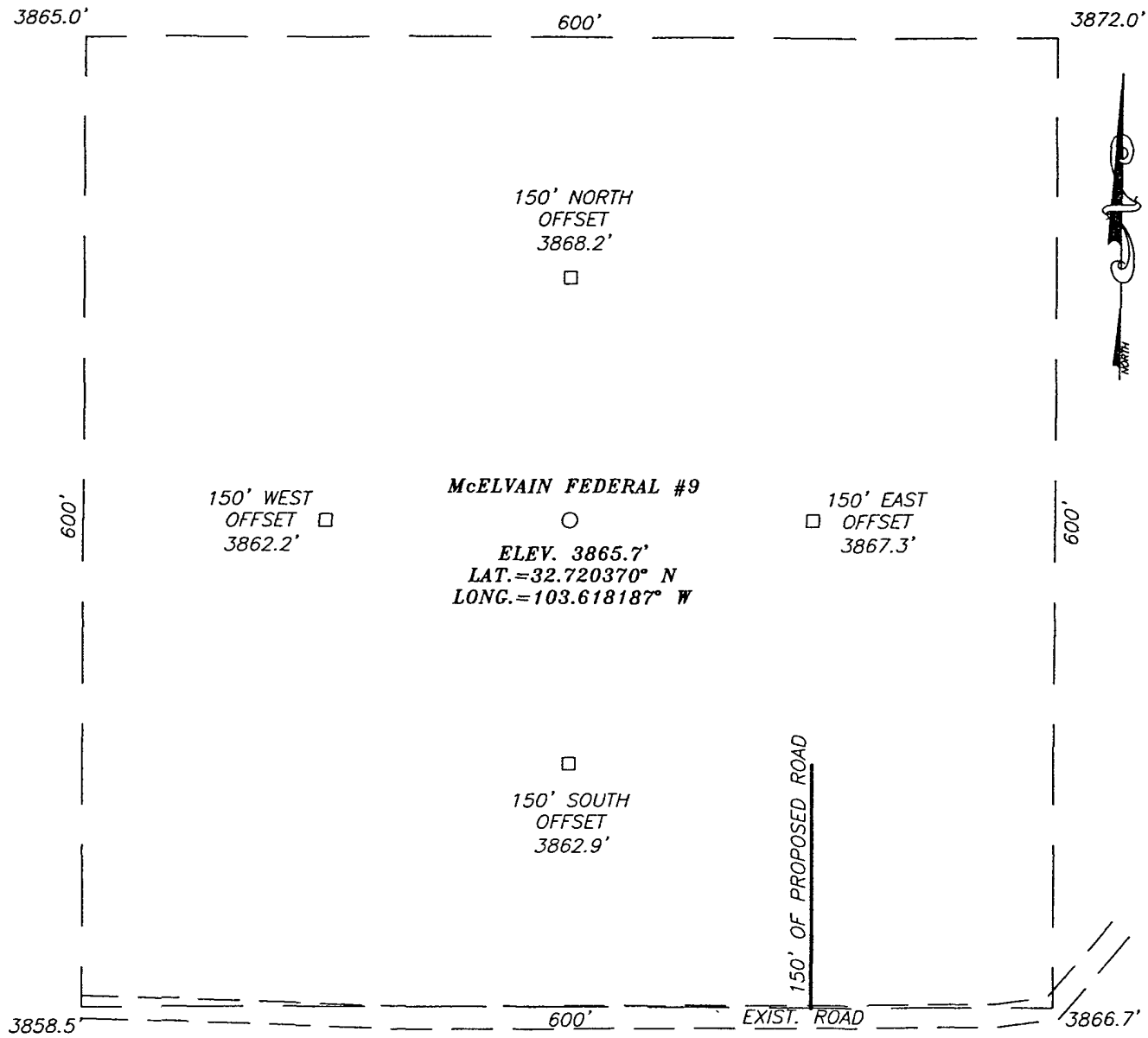
05/30/07

07.11.0650

Certificate No. GARY EIDSON 12641
RONALD J. EIDSON 3239

EXHIBIT "A"

SECTION 25, TOWNSHIP 18 SOUTH, RANGE 33 EAST, N.M.P.M.,
LEA COUNTY, NEW MEXICO



DIRECTIONS TO LOCATION

FROM THE INTERSECTION OF ST. HWY. #529 AND CO. RD. L-125 (QUERECHO RD) GO SOUTH APPROX. 2.3 MILES. TURN RIGHT AND GO WEST APPROX. 150 FEET TO A PROPOSED ROAD SURVEY. FOLLOW ROAD SRUVEY NORTH APPROX. 150 FEET TO THIS LOCATION.

100 0 100 200 Feet
Scale: 1"=100'

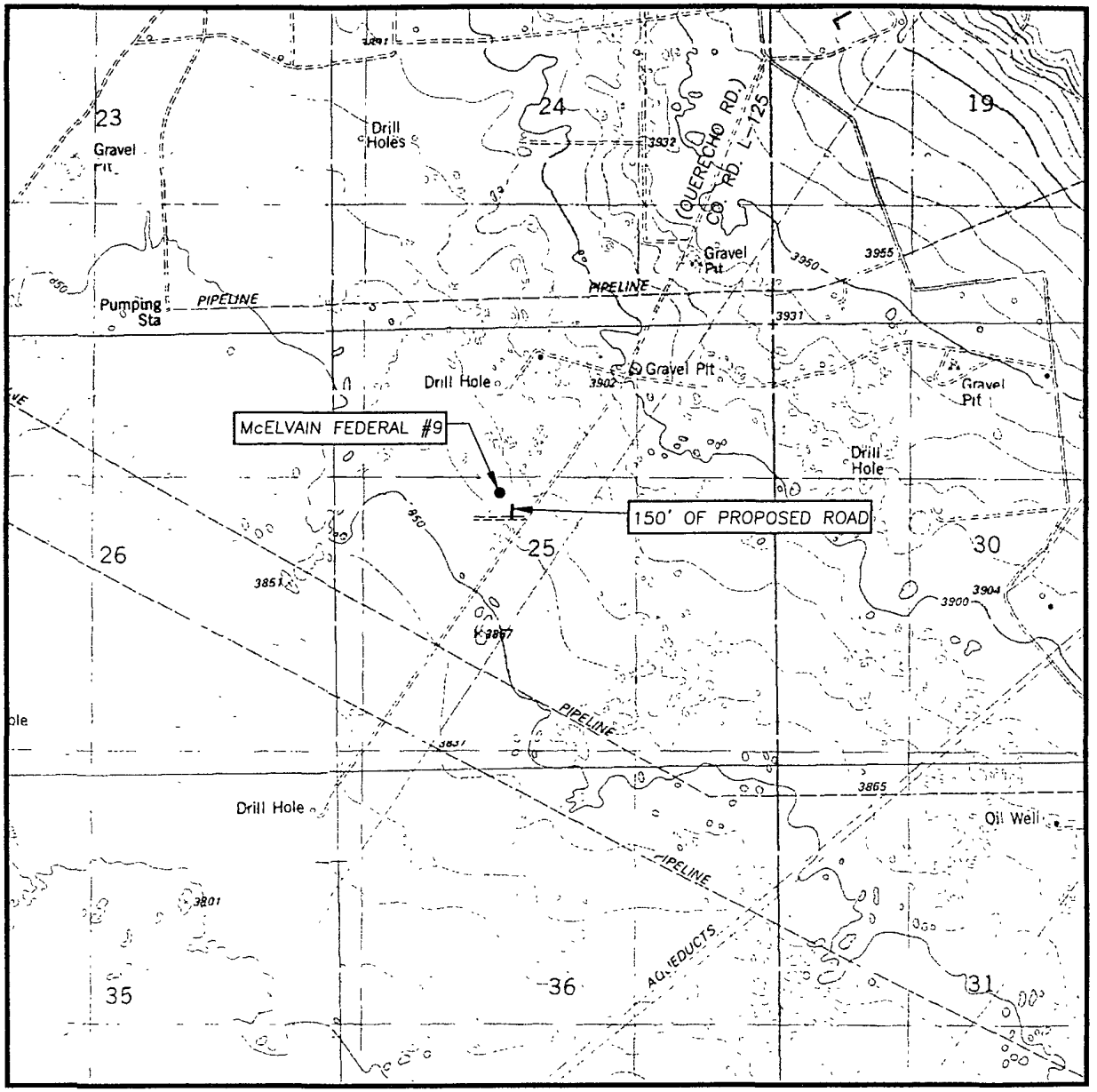
PROVIDING SURVEYING SERVICES
SINCE 1946
JOHN WEST SURVEYING COMPANY
412 N. DAL PASO
HOBBS, N.M. 88240
(505) 393-3117

McELVAIN OIL & GAS PROPERTIES, INC.

McELVAIN FEDERAL #9 WELL
LOCATED 1980 FEET FROM THE NORTH LINE
AND 1980 FEET FROM THE WEST LINE OF SECTION 25,
TOWNSHIP 18 SOUTH, RANGE 33 EAST, N.M.P.M.,
LEA COUNTY, NEW MEXICO.

Survey Date: 5/22/07	Sheet 1 of 1 Sheets		
W.O. Number: 07.11.0650	Dr By: LA	Rev 1:N/A	
Date: 5/29/07	Disk:	07110650	Scale: 1"=100'

LOCATION VERIFICATION MAP



SCALE: 1" = 2000'

CONTOUR INTERVAL:
IRONHOUSE WELL, N.M. – 10'
LAGUNA GATUNA NW, N.M. – 10'

SEC. 25 TWP. 18-S RGE. 33-E

SURVEY N.M.P.M.

COUNTY LEA STATE NEW MEXICO

DESCRIPTION 1980' FNL & 1980' FWL

ELEVATION 3866'

OPERATOR McELVAIN OIL & GAS PROPERTIES, INC.

LEASE McELVAIN FEDERAL

U.S.G.S. TOPOGRAPHIC MAP
IRONHOUSE WELL, N.M.

PROVIDING SURVEYING SERVICES
SINCE 1946
JOHN WEST SURVEYING COMPANY
412 N. DAL PASO
HOBBS, N.M. 88240
(505) 393-3117

APPLICATION TO DRILL

McELVAIN OIL & GAS PROPERTIES
McELVAIN # 9
UNIT "F" SECTION 25
T18S-R33E LEA CO. NM

In response to questions asked under Section II of Bulletin NTL-6, the following information on the above will is provided for your information.

1. LOCATION: 1980' FNL & 1980' FWL SECTION 25 T18S-R33E LEA CO. NM

2. ELEVATION ABOVE SEA LEVEL: 3866' GL

3. GEOLOGIC NAME OF SURFACE FORMATION: Quaternery Aeolian Deposits.

4. DRILLING TOOLS AND ASSOCIATED EQUIPMENT: Conventional rotary drilling rig using drilling mud as a circulating medium for solids removal from hole.

5. PROPOSED DRILLING DEPTH: 6000'

6. ESTIMATED TOPS OF GELOOGICAL MARKERS:

Rustler Anhydrite	1679'	Penrose	4604'
Salt	1929'	San Andres	4999'
Yates	3429'	Delaware	5299'
Seven Rivers	3629'	2nd Delaware Sd.	5624'
Queen	4329'	TD	6000'

7. POSSIBLE MINERAL BEARING FORMATION:

Queen	Oil	Delaware	Oil
San Andres	Oil	2nd Delaware Sd.	Oil

8. CASING PROGRAM:

Hole Size	Interval	OD of Casing	Weight	Thread	Collar	Grade
17½"	0-40'	14"	NA	NA	NA	Conductor
11"	0-1700'	8 5/8"	32#	8-R	ST&C	J-55
7 7/8"	0-6000'	5½"	17#	8-R	LT&C	J-55

Collapse	1.125	Tension	1.8
Burst	1.00	Body	1.5

APPLICATION TO DRILL

McELVAIN OIL & GAS PROPERTIES
McELVAIN # 9
UNIT "F" SECTION 25
T18S-R33E LEA CO. NM

9. CEMENTING & CASING SETTING DEPTHS:

14"	Conductor	Set 40' of 14" conductor pipe and cement to surface with Redi-mix.
8 5/8"	Surface	Set 1700' of 8 5/8" 32# J-55 ST&C casing. Cement with 250 Sx. of Class "C" cement + additives mixed at 14.8 PPG, yield 1.43 cuft/Sx., tail in with 200 Sx. of Class "C" mixed at 14.8 PPG, yield 1.34 cuft/Sx. circulate cement to surface.
5½"	Production	Set 6000' of 5½" 17# J-55 LT&C casing. Cement in two stages with DV Tool at 3000'±. Cement 1st stage with 375 Sx. of Class "C" 35/65 POZ cement + additives, mix at 12.8 PPG, yield 1.89, cement 2nd stage with 375 Sx. of Class "C" 50/50 POZ + additives, mixed at 14.4 PPG yield 1.23, circulate cement to surface.

10. PRESSURE CONTROL EQUIPMENT: Exhibit "E" shows a 2000 PSI working pressure B.O.P. consisting of pipe rams, blind rams, and a packoff instead of an annular preventor. This B.O.P. will be nippled up on the 8 5/8" casing and tested to API specifications. The B.O.P. will be operated at least once each 24 hour day, and the blind rams will be operated when the drill pipe is out of the hole on trips. Full opening stabbing valve and upper kelly cock will be utilized. Exhibit "E-1" shows a manually operated choke manifold, Exhibit "F" shows a hydraucally operated closing unit. Bottom hole pressure is not expected to exceed 2600 PSI, this well is in an existing field, pressure and temperatures are not expected to be a problem.

11. PROPOSED MUD CIRCULATING SYSTEM:

DEPTH	MUD WT.	VISCOSITY	FLUID LOSS	TYPE MUD
40-1700'	8.4-9.4	29-34	NC	Fresh water Spud mud add paper to control seepage.
1700-5000'	9.9-10.1	28-32	NC	Brine water use paper to control seepage, and high viscosity sweeps to clean hole.
5000-6000'	10.0-10.2	28-34	10-12 cc	Brine water, continue to use paper to control seepage, use caustic soda to control pH, use high viscosity sweeps to clean hole, use starch to control water loss.

Sufficient mud mateerials will be kept on location at all times in order to combat lost circulation, or unexpected kicks.

APPLICATION TO DRILL

McELVAIN OIL & GAS PROPERTIES
McELVAIN # 9
UNIT "F" SECTION 25
T18S-R33E LEA CO. NM

12. LOGGING, CORING & TESTING PROGRAM:

A. Open hole logs: Dual Laterolog, LDT CNL, Density/Neutron, Gamma Ray, Caliper from TD back to 8 5/8" casing shoe. Run Gamma Ray, Neutron fron 8 5/8" casing shoe back to surface.

B. Rig up mud logger on the hole 100' above the Yates formation (3300'±)

C. No DST's or cores are planned at this time.

13. POTENTIAL HAZARDS:

No abnormal pressures or temperatures are expected. There is no known presence of H^2S in this area. If H^2S is encountered the operator will comply with the provisions of Onshore Oil and Gas Order No. 6. No lost circulation is expected to occur. All personnel will be familiar with all aspects of safe operation of equipment being used to drill this well. Estimated BHP 2600 PSI, and Estimated BHT 165°.

14. ANTICIPATED STARTING DATE AND DURATION OF OPERATION:

Road and location construction will begin after the BLM has approved the APD. Anticipated spud date will be as soon after BLM approval and as soon as a rig will be available. Move in operation and drilling is expected to take 45 days. If production casing is run then an additional 30 days will be needed to complete well and construct surface facilities and/or lay flowlines in order to place well on production.

15. OTHER FACETS OF OPERATIONS:

After running casing, cased hole Gamma Ray, Neutron Collar logs will be run from TD back to all possible productive zones. The Delaware formation will be perforated and stimulated in order to establish production. The well will be swab tested and potentialed as an oil well.

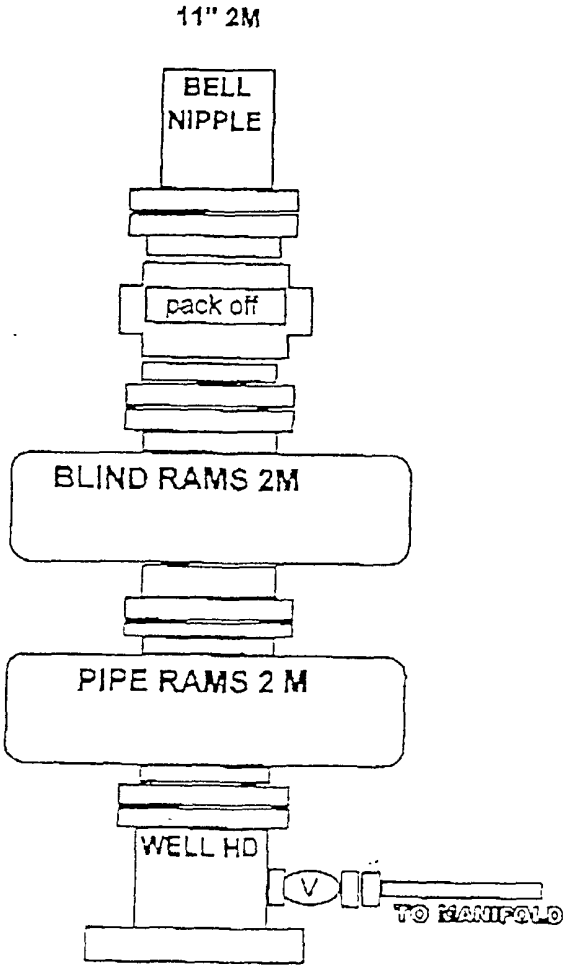


EXHIBIT "E"
SKETCH OF B.O.P. TO BE USED ON

McELVAIN OIL & GAS PROPERTIES
McELVAIN # 9
UNIT "F" SECTION 25
T18S-R33E LEA CO. NM

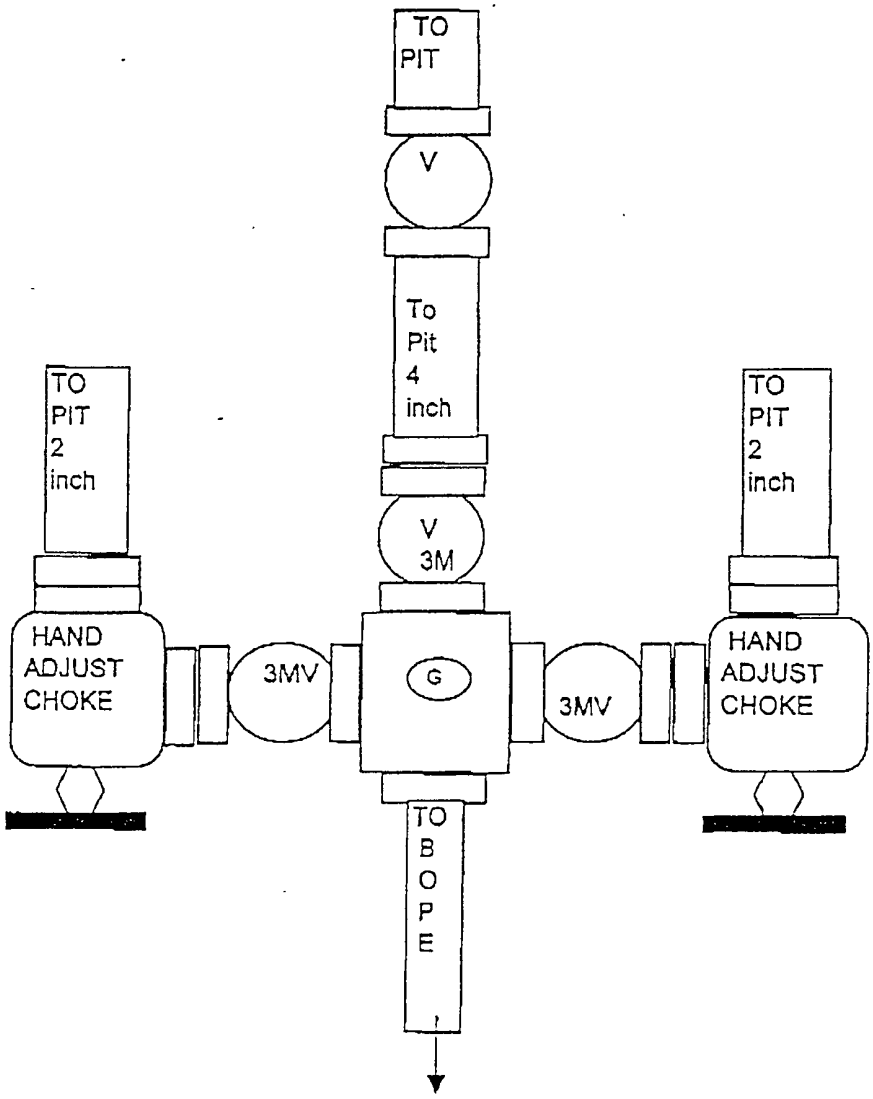


EXHIBIT "E-1"
CHOKE MANIFOLD & CLOSING UNIT

McELVAIN OIL & GAS PROPERTIES
McELVAIN # 9
UNIT "F" SECTION 25
T18S-R33E LEA CO. NM

HYDROGEN SULFIDE DRILLING OPERATIONS PLAN

1. All Company and Contract personnel admitted on location must be trained by a qualified H_2S safety instructor to the following:

   A. Characteristics of H_2S
   B. Physical effects and hazzards
   C. Proper use of safety equipment and life support systems.
   D. Principle and operation of H_2S detectors, warning system and briefing areas.
   E. Evacuation procedure, routes and first aid.
   F. Proper use of 30 minute pressure demand air pack.

2. H_2S Detection and Alarm Systems

   A. H_2S detectors and audio alarm system to be located at bell nipple, end of blooie line (mud pit) and on derrick floor or doghouse.

3. Windsock and/or wind streamers

   A. Windsock at mudpit area should be high enough to be visible.
   B. Windsock at briefing area should be high enough to be visible.
   C. There should be a windsock at entrance to location.

4. Condition Flags and Signs

   A. Warning sign on access road to location.
   B. Flags to be displayed on sign at entrance to location. Green flag, normal safe condition. Yellow flag indicates potential pressure and danger. Red flag, danger, H_2S present in dangerous concentration. Only emergency personnel admitted to location.

5. Well control equipment

   A. See exhibit "E"

6. Communication

   A. While working under masks chalkboards will be used for communication.
   B. Hand signals will be used where chalk board is inappropriate.
   C. Two way radio will be used to communicate off location in case of emergency help is required. In most cases cellular telephoned will be available at most drilling foreman's trailer or living quarters.

7. Drillstem Testing

   A. Exhausts will be watered.
   B. Flare line will be equipped with an electric ignitor or a propane pilot light in case gas reaches the surface.
   C. If location is near any dwelling a closed D.S.T. will be performed.

8. Drilling contractor supervisor will be required to be familiar with the effects H_2S has on tubular goods and other mechanical equipment.

9. If H_2S is encountered, mud system will be altered if necessary to maintain control of formation. A mud gas seperator will be brought into service along with H_2S scavengers if necessary.

CONDITIONS OF APPROVAL - DRILLING

Operator's Name:	**McElvain Oil & Gas Properties**
Well Name & No.	**9 - McElvain**
Location:	**1980' FNL, 1980' FWL, Sec. 25, T-18-S, R-33-E**
Lease:	**NM-0245247**

I. DRILLING OPERATIONS REQUIREMENTS:

A. The Bureau of Land Management (BLM) is to be notified a minimum of 4 hours in advance for a representative to witness:

1. Spudding well
2. Setting and/or Cementing of all casing strings
3. BOPE tests

- Lea County call the Hobbs Field Station, 414 West Taylor, Hobbs NM 88240, (505) 393-3612

B. Although Hydrogen Sulfide has not been reported in this section, it is always a possible hazard. It has been detected in section 13 measuring 500-1000 ppm in gas streams and 250-7000 ppm in STVs.

C. Unless the production casing has been run and cemented or the well has been properly plugged, the drilling rig shall not be removed from over the hole without prior approval.

II. CASING:

A. The **8-5/8** inch surface casing shall be set **a minimum of 25 feet into the Rustler Anhydrite and above the salt at approximately 1700 feet** and cemented to the surface.

1. If cement does not circulate to the surface, the appropriate BLM office shall be notified and a temperature survey utilizing an electronic type temperature survey with a surface log readout will be used or a cement bond log shall be run to verify the top of the cement.
2. Wait on cement (WOC) time for a primary cement job will be a minimum of 18 hours, 24 hours in the potash area or 500 pounds compressive strength, whichever is greater. (This is to include the lead cement)
3. Wait on cement (WOC) time for a remedial job will be a minimum of 4 hours after bringing cement to surface or 500 pounds compressive strength, whichever is greater.
4. **If cement falls back, remedial action will be done prior to drilling out that string.**

Possible lost circulation in the Grayburg and San Andres formations.
Possible water and brine flows in the Salado and Artesia Group.

B. The minimum required fill of cement behind the **5-1/2** inch production casing is cement shall come to surface. If cement does not come to surface see A.1 thru 4. **Both stages to circulate. Second stage may require additional cement.**

C. If hardband drill pipe is rotated inside casing; returns will be monitored for metal. If metal is found in samples, drill pipe will be pulled and rubber protectors which have a larger diameter than the tool joints of the drill pipe will be installed prior to continuing drilling operations.

III. PRESSURE CONTROL:

A. All blowout preventer (BOP) and related equipment (BOPE) shall comply with well control requirements as described in Onshore Oil and Gas Order No. 2 and API RP 53 Sec. 17.

B. The appropriate BLM office shall be notified a minimum of 4 hours in advance for a representative to witness the tests.

1. The tests shall be done by an independent service company.
2. The results of the test shall be reported to the appropriate BLM office.
3. All tests are required to be recorded on a calibrated test chart. A copy of the BOP/BOPE test chart and a copy of independent service company test will be submitted to the appropriate BLM office.
4. The BOP/BOPE test shall include a low pressure test from 250 to 300 psi. The test will be held for a minimum of 10 minutes if test is done with a test plug and 30 minutes without a test plug.

Engineer on call phone (after hours): Carlsbad - 505-706-2779

WWI 071607

District I
1625 N. French Dr., Hobbs, NM 88240
District II
1301 W. Grand Avenue, Artesia, NM 88210
District III
1000 Rio Brazos Road, Aztec, NM 87410
District IV
1220 S. St. Francis Dr., Santa Fe, NM 87505

State of New Mexico
Energy Minerals and Natural Resources

Oil Conservation Division
1220 South St. Francis Dr.
Santa Fe, NM 87505

Form C-144
March 12, 2004

For drilling and production facilities, submit to appropriate NMOCD District Office.
For downstream facilities, submit to Santa Fe office

Pit or Below-Grade Tank Registration or Closure

Is pit or below-grade tank covered by a "general plan"? Yes ☐ No ☐
Type of action: Registration of a pit or below-grade tank ☒ Closure of a pit or below-grade tank ☐

Operator: McELVAIN OIL & GAS PROPERTIES, INC. Telephone: 303-893-0933 e-mail address: _____
Address: 1050 17th STREET SUITE 1800 DENVER, COLORADO 80265
Facility or well name: McELVAIN # 9 API #: _____ U/L or Qtr/Qtr F Sec 25 T 18S R R33E
County: LEA Latitude 32°.720370 Longitude 103.618187 NAD: 1927 ☒ 1983 ☐ Surface Owner Federal ☒ State ☐ Private ☐ Indian ☐

Pit	Below-grade tank
Type: Drilling ☒ Production ☐ Disposal ☐ Workover ☐ Emergency ☐ Lined ☒ Unlined ☐ Liner type: Synthetic ☒ Thickness 12 mil Clay ☐ Volume 18M bbl	Volume: _____ bbl Type of fluid: _____ Construction material: _____ Double-walled, with leak detection? Yes ☐ If not, explain why not. _____

Depth to ground water (vertical distance from bottom of pit to seasonal high water elevation of ground water.) ~~100'+~~ ± 60'	Less than 50 feet 50 feet or more, but less than 100 feet 100 feet or more	(20 points) (10 points) (0 points)	0 / 10
Wellhead protection area: (Less than 200 feet from a private domestic water source, or less than 1000 feet from all other water sources.)	Yes No 0	(20 points) (0 points)	0
Distance to surface water: (horizontal distance to all wetlands, playas, irrigation canals, ditches, and perennial and ephemeral watercourses.)	Less than 200 feet 200 feet or more, but less than 1000 feet 1000 feet or more 0	(20 points) (10 points) (0 points)	0
	Ranking Score (Total Points) 0		/ 10

If this is a pit closure: (1) attach a diagram of the facility showing the pit's relationship to other equipment and tanks. (2) Indicate disposal location: onsite ☐ offsite ☐ If offsite, name of facility_____. (3) Attach a general description of remedial action taken including remediation start date and end date. (4) Groundwater encountered. No ☐ Yes ☐ If yes, show depth below ground surface_____ft. and attach sample results. (5) Attach soil sample results and a diagram of sample locations and excavations.

I hereby certify that the information above is true and complete to the best of my knowledge and belief. I further certify that the above-described pit or below-grade tank has been/will be constructed or closed according to NMOCD guidelines ☒, a general permit ☐, or an (attached) alternative OCD-approved plan ☐.
Date: 06/11/07
Printed Name/Title Joe T. Janica / Agent Signature Joe T. Janica

Your certification and NMOCD approval of this application/closure does not relieve the operator of liability should the contents of the pit or tank contaminate ground water or otherwise endanger public health or the environment. Nor does it relieve the operator of its responsibility for compliance with any other federal, state, or local laws and/or regulations.

Approval:
Date. 7/20/07
Printed Name/Title CHRIS WILLIAMS / DIST. SUPV Signature Chris Williams