

ATT-5-10-467

OCD-HOBBS

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FORM APPROVED
OMB No. 1004-0137
Expires July 31, 2010

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

JUL 16 2010

APPLICATION FOR PERMIT TO DRILL OR REENTER

HOBBSOCD

1a. Type of work: <input checked="" type="checkbox"/> DRILL <input type="checkbox"/> REENTER		5. Lease Serial No. LC-0245247	
1b. Type of Well: <input checked="" type="checkbox"/> Oil Well <input 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 -----	
2. Name of Operator McELVAIN OIL & GAS PROPERTIES (REED FISCHER 303-893-0933)		7. If Unit or CA Agreement, Name and No. -----	
3a. Address 1050 17th STREET SUITE 1800 DENVER, COLORADO 80265		8. Lease Name and Well No. McElvain # 11 <302305>	
3b. Phone No. (include area code) 303-893-0933		9. API Well No. 30-025-48108	
4. Location of Well (Report location clearly and in accordance with any State requirements.) At surface 900' FNL & 1170' FWL SECTION 31 T18S-R34E Lea Co At proposed prod. zone Same		10. Field and Pool or Exploratory EKBONE SPRING <21650>	
14. Distance in miles and direction from nearest town or post office* Approximately 30 miles West of Hobbs, New Mexico		11. Sec., T. R. M. or Blk. and Survey or Area SECTION 31 T18S-R34E	
15. Distance from proposed* location to nearest property or lease line, ft. (Also to nearest drig. unit line, if any) 900'		12. County or Parish LEA CO.	
16. No. of acres in lease 1111		13. State NM	
17. Spacing Unit dedicated to this well 80			
18. Distance from proposed location* to nearest well, drilling, completed, applied for, on this lease, ft. 2100'		20. BLM/BIA Bond No. on file NATION WIDE COB000009	
21. Elevations (Show whether DF, KDB, RT, GL, etc.) 3860' GL.		22. Approximate date work will start* WHEN APPROVED	
		23. Estimated duration 32	

24. Attachments

The following, completed in accordance with the requirements of Onshore Oil and Gas Order No.1, must be attached to this form:

- | | |
|--|---|
| 1. Well plat certified by a registered surveyor. | 4. Bond to cover the operations unless covered by an existing bond on file (see Item 20 above). |
| 2. A Drilling Plan. | 5. Operator certification |
| 3. A Surface Use Plan (if the location is on National Forest System Lands, the SUPO must be filed with the appropriate Forest Service Office). | 6. Such other site specific information and/or plans as may be required by the BLM. |

25. Signature <i>Joe T. Janica</i>	Name (Printed/Typed) Joe T. Janica	Date 05/04/10
Title Permit Engineer		
Approved by (Signature) <i>/s/ Don Peterson</i>	Name (Printed/Typed) <i>/s/ Don Peterson</i>	Date JUL 15 2010
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.

(Continued on page 2)

Capitan Controlled Water Basin

KZ 04/01/11

*(Instructions on page 2)

SEE ATTACHED FOR
CONDITIONS OF APPROVAL

Approval Subject to General Requirements
& 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

Form C-102
Revised October 15, 2009

OIL CONSERVATION DIVISION

1220 South St. Francis Dr.
Santa Fe, New Mexico 87505

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JUL 16 2010

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Submit one copy to appropriate
District Office

AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

API Number 30-025-40108	Pool Code 21650 ✓	Pool Name EK-BONE SPRING
Property Code 302305	Property Name McELVAIN	Well Number 11
OGRID No. 22044	Operator Name McELVAIN OIL & GAS PROPERTIES	Elevation 3860'

Surface Location

UL or lot No. D	Section 31	Township 18 S	Range 34 E	Lot Idn	Feet from the 900	North/South line NORTH	Feet from the 1170	East/West line WEST	County LEA
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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
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Dedicated Acres 80.7588	Joint or Infill	Consolidation Code	Order No.
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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

<p>Lot 1</p> <p>3858.5' 3865.6'</p> <p>1170'</p> <p>3854.2' 3857.9'</p> <p>Lot 2 NM-0245247</p> <p>SURFACE LOCATION Lat - N 32°42'32.36" Long - W 103°36'14.99" NMSPCE- N 622433.092 E 765617.473 (NAD-83)</p>	<p>EXHIBIT "A"</p>	<p>OPERATOR CERTIFICATION</p> <p>I hereby certify that the information contained 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 a mineral or working interest, or to a voluntary pooling agreement or a compulsory pooling order heretofore entered by the division.</p> <p>Signature <i>Joe T. Janica</i></p> <p>Date 05/04/10</p> <p>Printed Name Joe T. Janica</p> <p>SURVEYOR CERTIFICATION</p> <p>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.</p> <p>APRIL 7, 2010</p> <p>Date Surveyed</p> <p>Signature & Seal of Professional Surveyor <i>Gary L. Jones</i></p> <p>W.O. No. 22633</p> <p>Certificate No. Gary L. Jones 7977</p> <p>BASIN SURVEYS</p>
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McELVAIN OIL & GAS PROPERTIES, INC.

McELVAIN #11

UNIT "D"
T18S-R34ESECTION 31
LEA CO. NM

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

1. LOCATION: 900' FNL & 1170' FWL SECTION 31 T18S-R34E LEA CO. NM
2. ELEVATION ABOVE SEA LEVEL: 3860' GL.
3. GEOLOGICAL NAME OF SURFACE FORMATION: Quaternary Aeolian Deposits;
4. DRILLING TOOLS AND ASSOCIATED EQUIPMENT: Conventional rotary drilling rig using drilling mud as a circulating medium for the removal of solids from the hole.

5. PROPOSED DRILLING DEPTH: 10,100'

6. ESTIMATED TOPS OF GEOLOGICAL FORMATIONS:

Rustler Anhydrite	1702'	Delaware	5427'
Yates	3252'	Bone Spring	8187'
Queen	4402'	1st Bone Spring Sd.	8977'
Penrose	4677'	2nd Bone Spring Sd.	9502'

7. POSSIBLE MINERAL BEARING FORMATIONS:

Queen	Oil	1st Bone Spring Sd.	Oil
Penrose	Oil	2nd Bone Spring Sd.	Oil
2nd Delaware Sd	Oil		

8. CASING PROGRAM:

HOLE SIZE	INTERVAL	CASING OD	WEIGHT	THREAD	COLLAR	GRADE	CONDITION
26"	0-40'	20"	NA	NA	NA	Conductor	New
17½"	0-1000'	13 3/8"	48#	8-R	ST&C	H-40	New
500 10A	1000-1625' 1750'	13 3/8"	54.5#	8-R	ST&C	J-55	New
11"	0-3450'	8 5/8"	32#	8-R	ST&C	J-55	New
7 7/8"	0-10,000'	5½"	17#	8-R	LT&C	I-80	New

SAFETY FACTORS:

Burst	1.0	Collapse	1.125	Body Yield	1.5	Joint Strength	8-R	1.8
						Buttress		1.6

APPLICATION TO DRILL

McELVAIN OIL & GAS PROPERTIES, INC.

McELVAIN #11

UNIT "D"
T18S-R34E

SECTION 31
LEA CO. NM

9. CASING SETTING DEPTHS AND CEMENTING:

20"	Conductor	Set 40' of 20" conductor pipe and cement to surface with Redi-mix.
13 3/8"	Surface	Run and set 4625' of 13 3/8" casing as follows: 625' of 13 3/8" 54.5# J-55 ST&C, 1000' of 13 3/8" 49# h-40 ST&C CASING. Cement with 1000 Sx. of Class "C" cement + additives Yield 1.75, tail in with 200 Sx. of Class "C" cement + additives, Yield 1.35, circulate cement to surface.
8 5/8"	Intermediate	Run and set 3450' of 8 5/8" 32# J-55 ST&C casing. Cement with 800 Sx. of Class "C" cement + additives, Yield 1.84, tail in with 200 Sx. of Class "C" cement + additives, Yield 1.35, circulate cement to surface.
5 1/2"	Production	Run and set 10,100' of 5 1/2" 17# I-80 LT&C casing. Cement in 2 stages with DV Tool at 6750±'. Cement 1st stage with 550 Sx. of Class "H" cement + additives, Yield 1.27, cement 2nd stage with 350 Sx. of Class "H" cement + additives, Yield 2.42, tail in with 550 Sx. of Class "H" cement + additives, Yield 1.27, circulate cement to surface.

*See
COR*

10. PRESSURE CONTROL EQUIPMENT: Exhibit "E" shows a 900 Series 3000 PSI working pressure B.O.P. consisting of an annular bag type preventor. Middle blind rams, and bottom pipe rams. The B.O.P. will be mipped up on the 13 3/8" casinghead, tested to API specifications. The B.O.P. will be operated at least once in each 24 hour period; 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 available on the derrick floor at all times. Exhibit "E-1" shows a hydraulically operated closing unit and a 3000 PSI working pressure choke manifold with adjustable chokes. No abnormal temperatures or pressures are expected while drilling this well.

APPLICATION TO DRILL

McELVAIN OIL & GAS PROPERTIES, INC.

McELVAIN #11

UNIT "D"
T18S-R34ESECTION 31
LEA CO. NM11. PROPOSED MUD CIRCULATING SYSTEM:

DEPHT	MUD WT.	VISC.	FLUID LOSS	TYPE MUD SYSTEM
See COA 40-1625'	8.4-9.4	32-36	NC	Fresh water use paper to control seepage
1625-3450'	10.0-10.2	28-30	NC	Brine water use paper to control seepage and high viscosity sweeps to clean hole.
3450-10,100'	8.9-9.6	29-34	12-15 or less	Brine and cut brine Chlorides 65-80K use high viscosity sweeps to clean hole.

Sufficient mud materials will be kept on location at all times in order to combat lost circulation or unexpected kicks. In order to run open hole logs and /or casing water loss may have to be adjusted in order to meet these needs.

THIS WELL WILL BE DRILLED USING A CLOSED MUD SYSTEM

APPLICATION TO DRILL

McELVAIN OIL & GAS PROPERTIES, INC.

McELVAIN #11

UNIT "D"

SECTION 31

T18S-R34E

LEA CO. NM

12. LOGGING, CORING, AND TESTING PROGRAM:

See COA

A. Open hole logs: GammaRay from TD to surface, Density/Neutron from TD back to 8 5/8" casing shoe, HRLA from TD back to 8 5/8" casing shoe.

B. Rig up mud logger on hole at 3600'

C. No Cores, DST"s are planned at this time.

13. POTENTIAL HAZARDS:

No abnormal pressures or temperatures are expected. There is no known presence of H²S in this area. If H²S 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 4000 PSI, and Estimated BHT 145°.

14. ANTICIPATED STARTING DATE AND DURATION OF OPERATION:

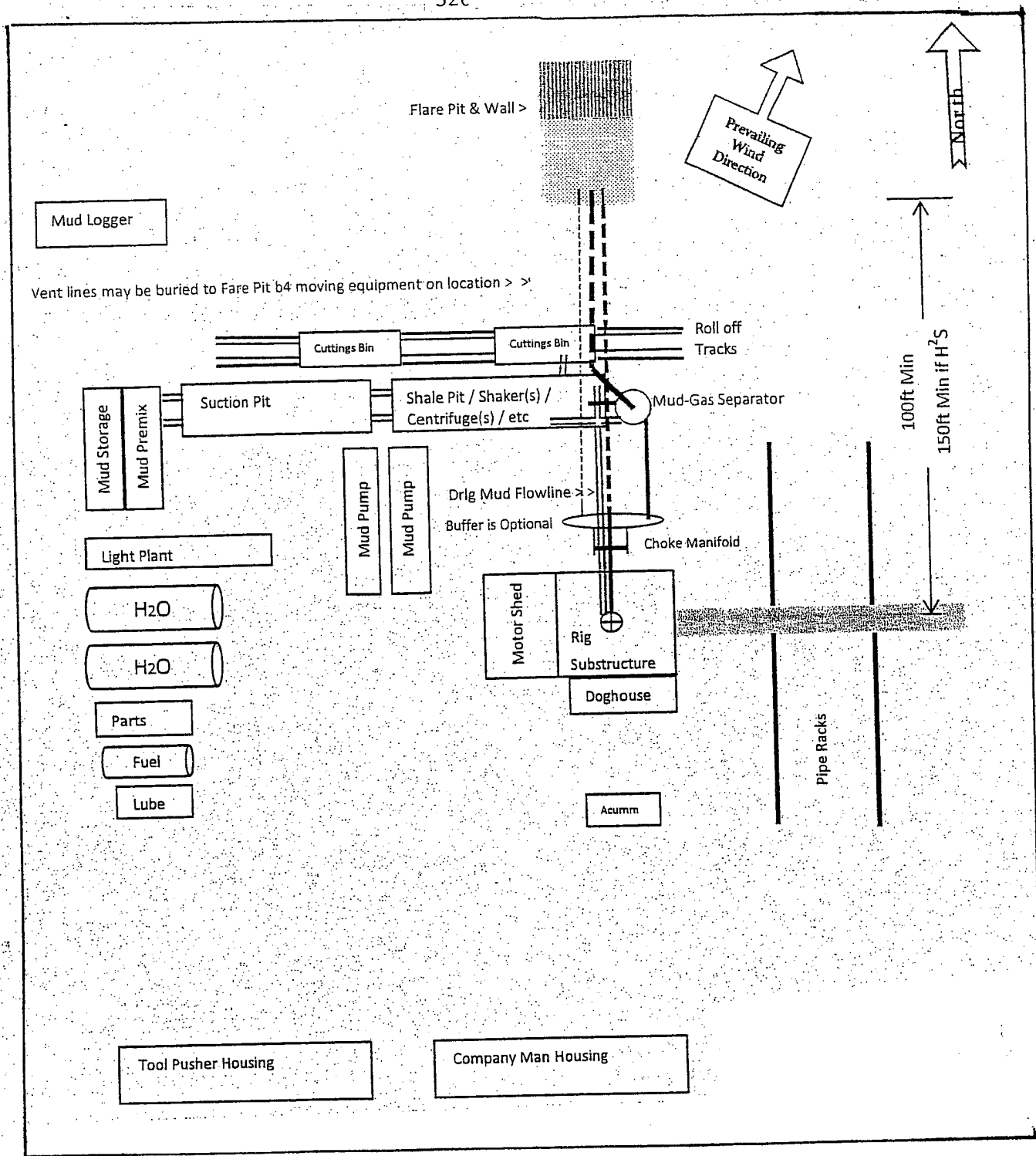
Road and location construction will begin after the BLM has approved the APD. Anticipated spud date will be as soon after BLM approval and as soon as a rig will be available. Move in operation and drilling is expected to take 30 days. If production casing is run then an additional 45 days will be needed 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 Collar logs will be run over all possible productive zones. The Bone Spring formation will be perforated and stimulated in order to establish production. The well will be tested and potentialed as an oil well.

**P.O. Box 1670
Regina, Saskatchewan S4P 3C7
Phone: (306) 924-7700
Toll Free: 1-800-667-1616**

300'



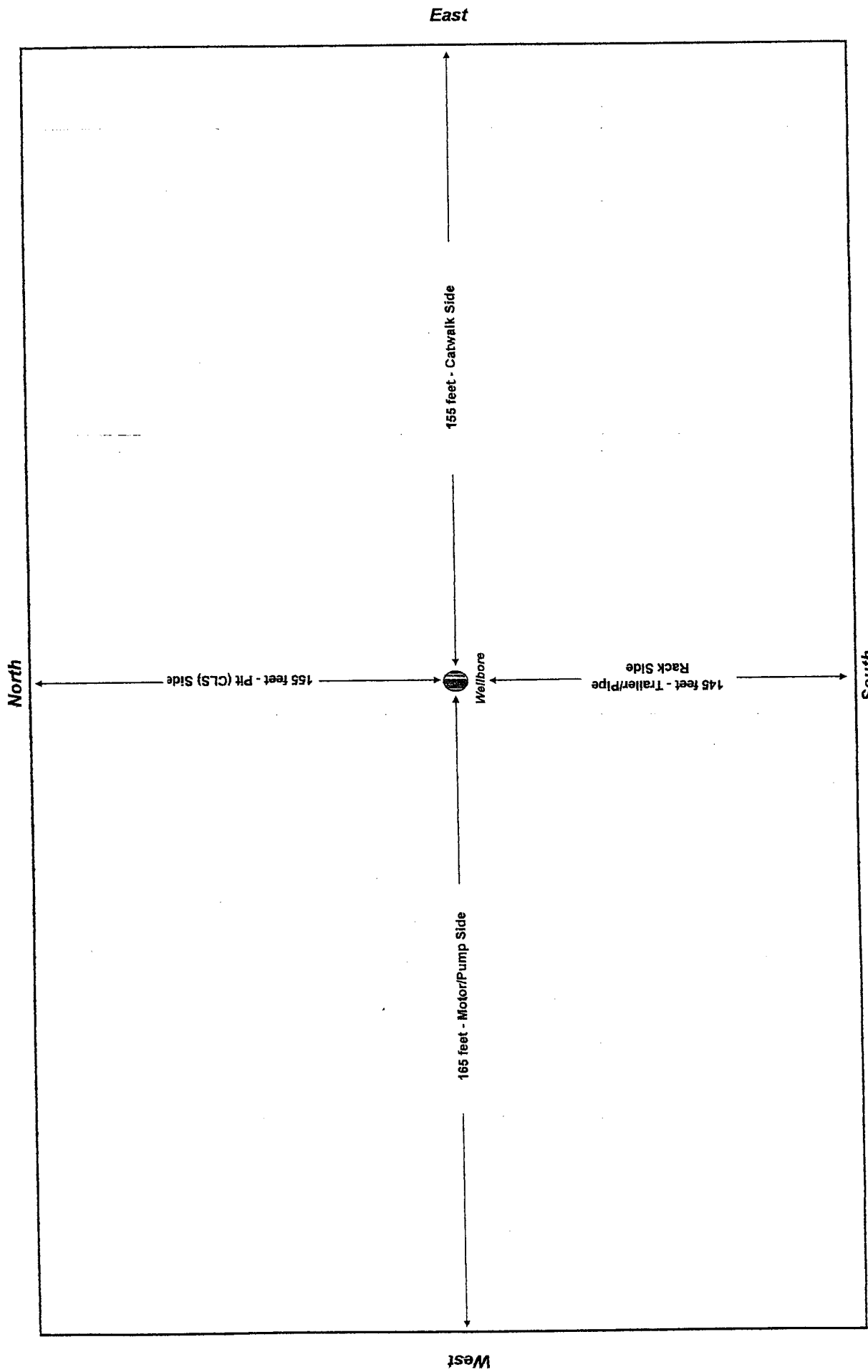
Preplanning reasonable spacing accommodations for a useable "Closed Loop" drillsite layout is challenging. Particular site specific conflicts need to be resolved. This generic APD plat was prepared to demonstrate several necessary elements. The plat should include: a north arrow, prevailing wind direction, spacing access for truck removal of cutting bins, flare pit location, and piping provision to vent all combustible gas to the flare pit. Include the choke manifold and mud-gas separator location and their connection routing.

Generic Drill Site
Layout

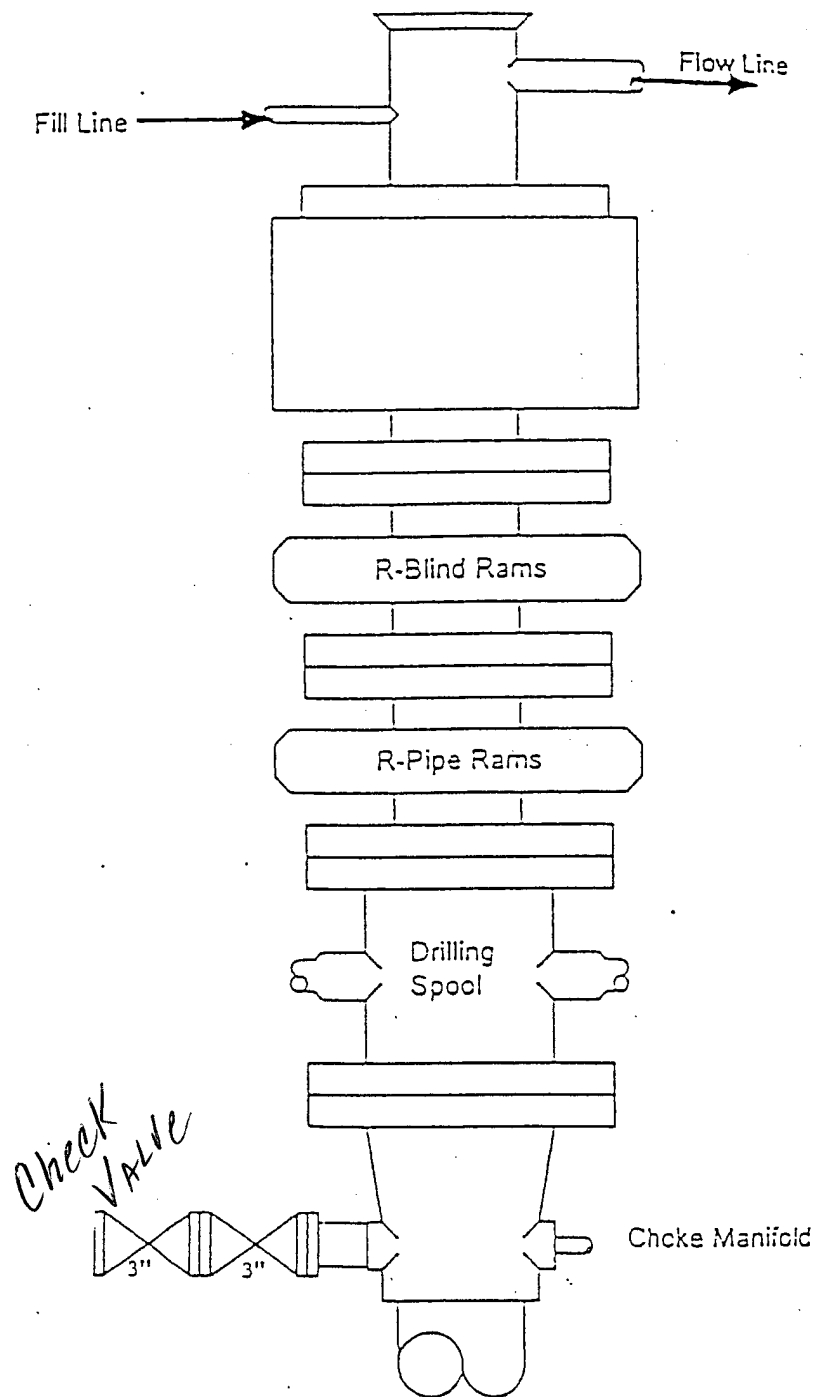
EXHIBIT "D"
RIG LAY OUT PLAT

McELVAIN OIL & GAS PROPERTIES, INC.
McELVAIN #11
UNIT "D"
T18S-R34E
SECTION 31
LEA CO. NM

McElvain Oil & Gas Properties, Inc. - Generic Well Pad for ± 10,000 Foot Single Well Pad with Closed Loop Mud System



Overall Pad Dimensions 320' (East-West) x 300' (North-South)



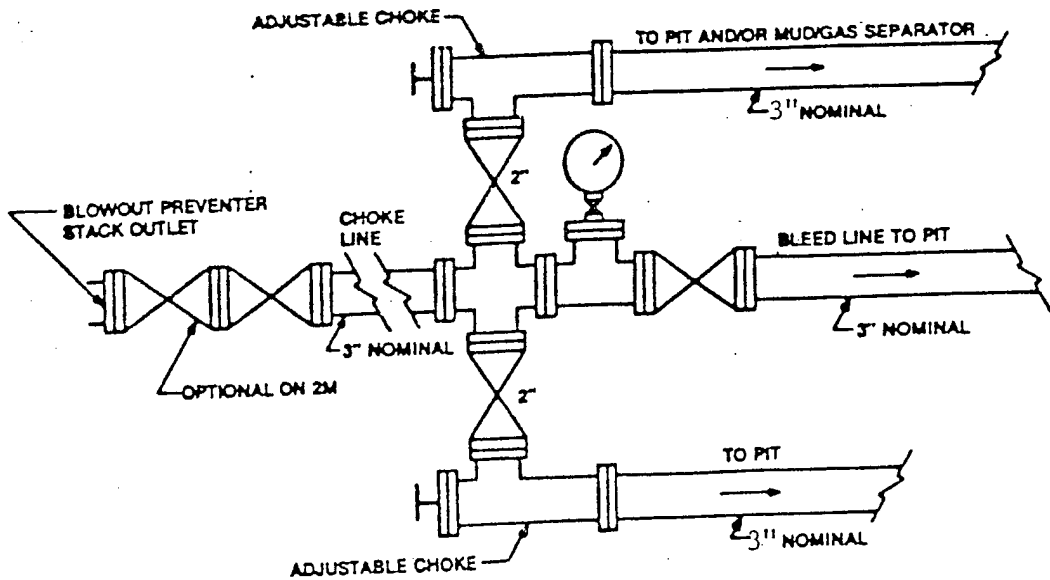
Type 900 Series
3000 psi WP

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

McELVAIN OIL & GAS PROPERTIES, INC.
McELVAIN #11

UNIT "D"
T18S-R34E

SECTION 31
LEA CO. NM



Typical choke manifold assembly for 3M WP system

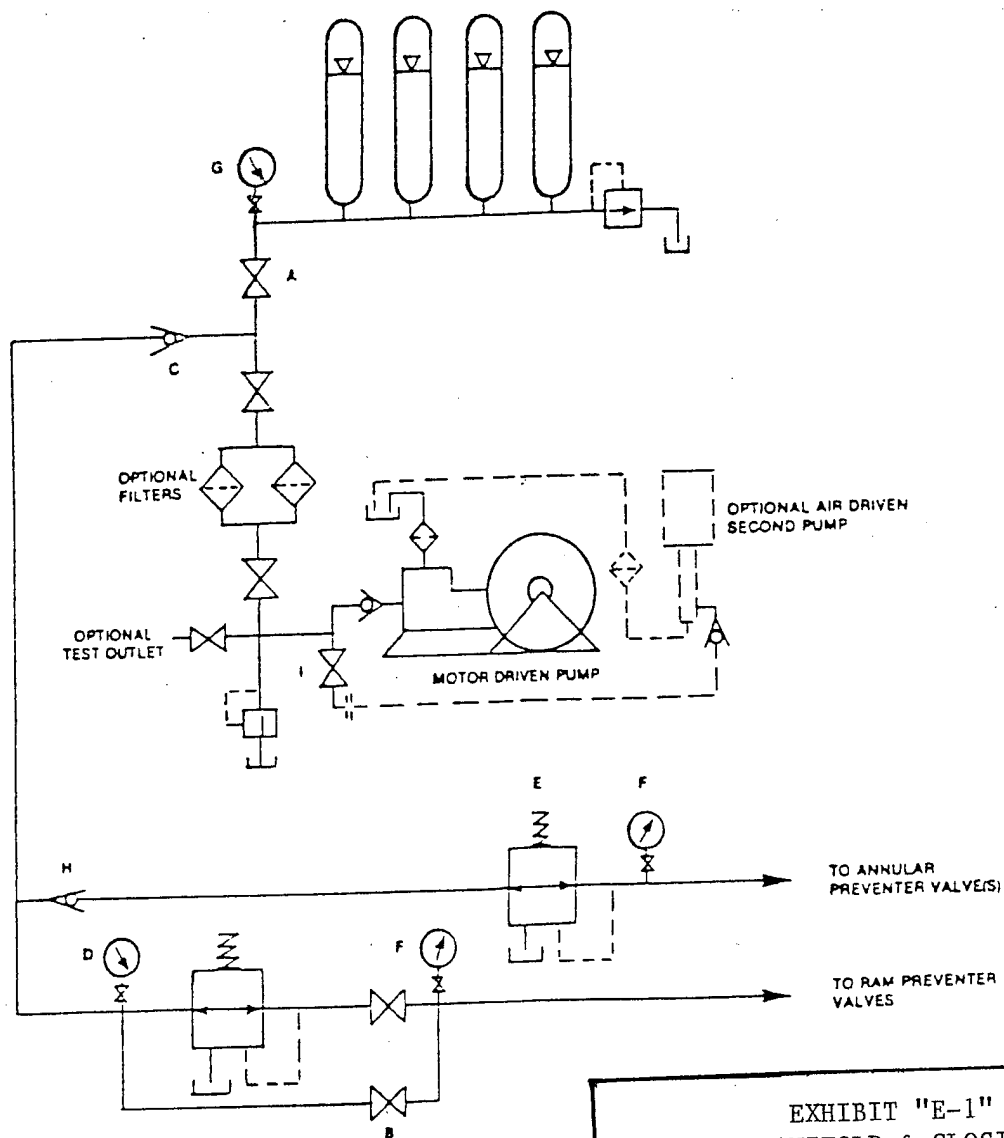


EXHIBIT "E-1"
CHOKE MANIFOLD & CLOSING UNIT

McELVAIN OIL & GAS PROPERTIES, INC.
McELVAIN #11

UNIT "D"
T18S-R34E

SECTION 31
LEA CO. NM