

UNITED STATES 2006 DEC 11 PM 1 12
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT RECEIVED

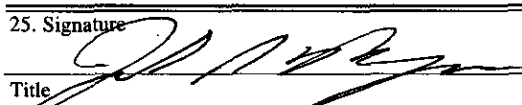
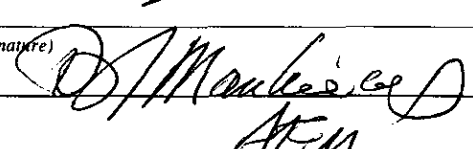
APPLICATION FOR PERMIT TO DRILL OR REENTER

FORM APPROVED
OMB No. 1004-0136
Expires November 30, 2000

1a. Type of Work: <input checked="" type="checkbox"/> DRILL <input type="checkbox"/> REENTER		5. Lease Serial No. NOG 01101555
1b. Type of Well: <input checked="" type="checkbox"/> Oil Well <input type="checkbox"/> Gas Well <input type="checkbox"/> Other <input type="checkbox"/> Single Zone <input type="checkbox"/> Multiple Zone		6. If Indian, Allottee or Tribe Name Allotment 011391
2. Name of Operator D.J. Simmons, Inc.		7. If Unit or CA Agreement, Name and No.
3a. Address 1009 Ridgeway Place, Suite 200, Farmington N.M. 87401		8. Lease Name and Well No. Blanco Wash 275
3b. Phone No. (include area code) (505) 326-3753		9. API Well No. 30-045-34107
4. Location of Well (Report location clearly and in accordance with any State requirements. *) At surface 642' FNL x 1741' FWL At proposed prod. zone same		10. Field and Pool, or Exploratory Lybook Gallup
14. Distance in miles and direction from nearest town or post office* 4.5 miles east of Nageezi, NM and approx. 3 miles north of US Highway 550		11. Sec., T., R., M., or 131k. and Survey or Area C Section 27, T24N, R8W, NMPM
15. Distance from proposed* location to nearest property or lease line, ft. (Also to nearest drig. unit line, if any) 642'	16. No. of Acres in lease 160	17. Spacing Unit dedicated to this well 40 - VL &
18. Distance from proposed location* to nearest well, drilling, completed, applied for, on this lease, ft. 2000'	19. Proposed Depth 5525'	20. BLJA/BIA Bond No. on file BIA Bond RLB0002876
21. Elevations (Show whether DF, KDB, RT, GL, etc.) 6720'	22. Approximate date work will start* 03/11/07	23. Estimated duration 20 days
24. Attachments Drilling Plan, Well Plat and Surface Plan		

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. | 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 shall be filed with the appropriate Forest Service Office). | 6. Such other site specific information and/or plans as may be required by the authorized officer. |

25. Signature 	Name (Printed/Typed) John A. Byrom	Date 11/30/06
Title President		
Approved by (Signature) 	Name (Printed/Typed) D.J. Simmons	Date 5/31/07
Title AFM	Office PEO	

Application approval does not warrant or certify the 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. Min. BOPS test pressure : 1500#

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 reverse)

RCVD JUN 1 07

NOTIFY AZTEC OCD 24 HRS.
PRIOR TO CASING & CEMENT

OIL CONS. DIV.

DIST. 3

DRILLING OPERATIONS AUTHORIZED ARE
SUBJECT TO COMPLIANCE WITH ATTACHED
"GENERAL REQUIREMENTS".

NMOCD



This action is subject to technical and
procedural review pursuant to 43 CFR 3165.3
and appeal pursuant to 43 CFR 3165.4

DISTRICT I
P.O. Box 1980, Hobbs, N.M. 88241-1980

State of New Mexico
Energy, Minerals & Natural Resources Department

Form C-102
Revised February 21, 1994
Instructions on back
Submit to Appropriate District Office
State Lease - 4 Copies
Fee Lease - 3 Copies

DISTRICT II
P.O. Drawer DD, Artesia, N.M. 88211-0719

DISTRICT III
1000 Rio Brazos Rd., Aztec, N.M. 87410

DISTRICT IV
PO Box 2088, Santa Fe, NM 87504-2088

OIL CONSERVATION DIVISION

P.O. Box 2088
Santa Fe, NM 87504-2088

DEC 11 PM 1 12

RECEIVED

☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

RCVD JUN1'07

¹ API Number 30-045-34107	² Pool Code 42289	³ Pool Name LYBROOK GALLUP OIL	OIL CONS. DIV. DIST. 3
⁴ Property Code 36312	⁵ Property Name BLANCO WASH 27		⁶ Well Number 272
⁷ OGRID No. 5578	⁸ Operator Name D. J. SIMMONS INC.		⁹ Elevation 6719.99'

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
C	27	24N	8W		641.71	NORTH	1741.30	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 160.40	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

<p>16</p> <p>NAVAJO ALLOTMENT 011391 LEASE 01101555</p> <p>LAT=N36.290871 LONG=W-107.672122 GPS=PODP#4 NAD83</p> <p>SECTION 27</p>	<p>17 OPERATOR CERTIFICATION</p> <p>I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief</p> <p>Signature </p> <p>Printed Name John A. Byrom</p> <p>Title President</p> <p>Date 11/30/06</p> <p>18 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>OCTOBER 9, 2006</p> <p>Date of Revision JULY 30, 2006</p> <p>Date of Survey</p> <p>Signature and Seal </p> <p>Certificate Number N.M. 012-#9673</p>
---	---

Submit 3 Copies To Appropriate District
Office
District I
1625 N. French Dr., Hobbs, NM 88240
District II
1301 W. Grand Ave., 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

Form C-103
May 27, 2004

OIL CONSERVATION DIVISION
1220 South St. Francis Dr.
Santa Fe, NM 87505

WELL API NO.

5. Indicate Type of Lease

STATE ☐ FEE ☐

6. State Oil & Gas Lease No.

NOG 01101555

Navajo Allotment 011391

7. Lease Name or Unit Agreement Name

Blanco Wash

8. Well Number 27-2

9. OGRID Number

5578

10. Pool name or Wildcat

Lybrook Gallup, Oil

SUNDRY NOTICES AND REPORTS ON WELLS

(DO NOT USE THIS FORM FOR PROPOSALS TO DRILL OR TO DEEPEN OR PLUG BACK TO A DIFFERENT RESERVOIR. USE "APPLICATION FOR PERMIT" (FORM C-101) FOR SUCH PROPOSALS.)

1. Type of Well: Oil Well ☒ Gas Well ☐ Other

2. Name of Operator

DJ Simmons, Inc.

3. Address of Operator

1009 Ridgeway Place Suite 200, Farmington, New Mexico 87401

4. Well Location

Unit Letter C : 642 feet from the North line and 1741 feet from the West line

Section 27 Township 24N Range 8W NMPM San Juan County

11. Elevation (Show whether DR, RKB, RT, GR, etc.)

6720 GL

Pit or Below-grade Tank Application ☒ or Closure ☐

Pit type Reserve Pit Depth to Groundwater 10' Distance from nearest fresh water well >1000' Distance from nearest surface water <1000'

Pit Liner Thickness: 12 mil Below-Grade Tank: Volume bbls; Construction Material Earthen Bermed

12. Check Appropriate Box to Indicate Nature of Notice, Report or Other Data

NOTICE OF INTENTION TO:

PERFORM REMEDIAL WORK ☐ PLUG AND ABANDON ☐

TEMPORARILY ABANDON ☐ CHANGE PLANS ☐

PULL OR ALTER CASING ☐ MULTIPLE COMPL ☐

OTHER: New well with reserve pit location. ☒

SUBSEQUENT REPORT OF:

REMEDIAL WORK ☐ ALTERING CASING ☐

COMMENCE DRILLING OPNS. ☐ P AND A ☐

CASING/CEMENT JOB ☐

OTHER: ☐

13. Describe proposed or completed operations. (Clearly state all pertinent details, and give pertinent dates, including estimated date of starting any proposed work). SEE RULE 1103. For Multiple Completions: Attach wellbore diagram of proposed completion or recompletion.

DJ Simmons, Inc., intends to drill the above mentioned well, see attached Plat 1E for reserve pit location. Pit will be closed per NMOCD guidelines.

I hereby certify that the information above is true and complete to the best of my knowledge and belief. I further certify that any 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 ☐.

SIGNATURE Rodney L. Seale TITLE Operations Engineer DATE 12/05/06

Type or print name Rodney L. Seale

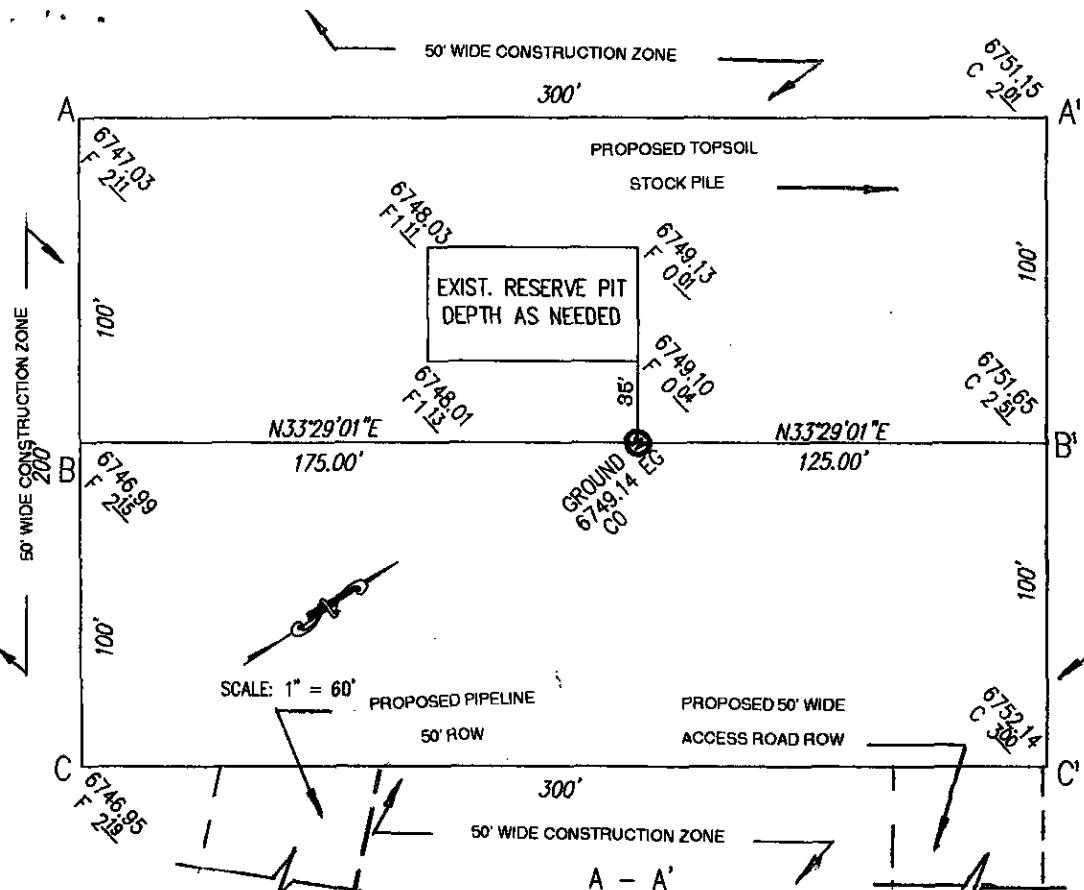
E-mail address: rseale@djsimmons.com

Telephone No. 505 326 3753

For State Use Only

APPROVED BY: [Signature] TITLE DEPUTY OIL & GAS INSPECTOR, DIST. 8 DATE JUN 07 2007

Conditions of Approval (if any):



D. J. Simmons Inc.
 OPERATOR

Blanco Wash #27-2
 WELL NAME and NUMBER

641.71' F/NL 1741.30' F/WL
 FOOTAGES

27	24N	8W
SEC.	TWP.	RGE.
N36.290871'	W107.672122"	83
LAT.	LONG.	NAD

PODP #4
 GPS

San Juan, New Mexico
 COUNTY STATE

October 9, 2006
 REVISED DATE:

July 30, 2006
 DATE

SCALE
 Horiz. 1" = 50'
 Vert. 1" = 30'

A - A'						
6779						
6769						
6759						
6749						6749
6739						
6729						

B - B'						
6759						
6749						6749
6739						
6729						

C - C'						
6769						
6759						
6749						6749
6739						
6729						

D.J. SIMMONS INC.
BLANCO WASH 27 #2
642' FNL, 1741' FWL
Unit C Sec. 27 T24N R8W
San Juan County, NM

Drilling Program

1. **ESTIMATED FORMATION TOPS: (KB)**

<u>Formation Name</u>	<u>Depth</u>
Kirtland	1249'
Fruitland	1400'
Pictured Cliffs	1758'
Chacra	2135'
Cliffhouse	2513'
Menefee	3217'
Point Lookout	4129'
Mancos	4335'
Upper Gallup	4704'
Lower Gallup	5163'
Carlile	5477'
TD (5-1/2")	5525'

2. **NOTABLE ZONES**

Gas or Oil Zones

Point Lookout
Upper Gallup
Lower Gallup

Water Zones

Fruitland
Pictured Cliffs
Cliffhouse

Water zones will be protected with casing, cement, and weighted mud. Fresh water found while drilling will be recorded. Oil or gas shows will be tested for commercial potential based on the engineer's recommendations.

85

D.J. SIMMONS INC.
BLANCO WASH 27 #2
642' FNL, 1741' FWL
Unit C Sec. 27 T24N R8W
San Juan County, NM

3. PRESSURE CONTROL:

Maximum expected pressure is ~2000 psi. The drilling contract has not yet been awarded, thus the exact BOP model to be used is not yet known. A diagram of a typical 11" 3,000 psi model BOP is attached.

BOP equipment and all accessories will meet or exceed BLM requirements in 43 CFR Part 3160 for a 3000 psi system. A 3000 psi double ram hydraulic BOP will be used. Accumulator system capacity will be sufficient to close all BOPE with a 50% safety factor. Fill, kill, and choke manifold lines will be 2". Accessories will include upper and lower Kelly cocks with handles, stabbing valve to fit drill pipe on floor at all times, 3000 psi choke manifold with 2" adjustable and 2" positive chokes, and pressure gauge. BOPs will be cycled every 24 hours. Tests will be recorded on IADC log.

4. CASING & CEMENT

<u>Hole Size</u>	<u>O.D.</u>	<u>Weight (lb/ft)</u>	<u>Grade</u>	<u>Age</u>	<u>Connection</u>	<u>GL Setting Depth</u>
12-1/4"	9-5/8"	36#	LS X-42	New	ST&C	350'
7-7/8"	5-1/2"	15.5#	J-55	New	ST&C	5525'
A 5-1/2" stage tool will be set @						4230'

Surface casing will be cemented to the surface with ~438 cu. ft. (~345 sx) Type III cmt or equivalent (1.27 ft³/sx yield, 15.2 ppg, & 5.8 gps) with 2% CaCl₂ and ¼#/sx celloflake. Volume based on 200% excess. We plan to run a minimum of at least 3 centralizers. A wiper plug will be displaced to within 20' of the shoe. WOC = 12 hours. Surface casing will be tested to 500 psi for 30 minutes.

Production casing will be cemented to surface ensuring cement coverage inside the surface casing with a two stage cement job. Total cement = 1363 cu. ft. (642 sx). Volumes are calculated at 50% excess for the first stage and 40% excess for the second stage. If necessary, a CBL will be run during completion operations to insure cement coverage. Casing will be pressure tested to 3000 psi for 30 minutes during completion operations.

1st Stage:

Cement will be ~337 cu. ft. (~167 sx) Premium Lite High Strength FM w/2% KCl, ¼#/sx Cello flake, 0.2% CD-32, 3# LCM-1, 5#/sx Pheno Seal, 0.5% FL-52 or equal, mixed at 10.32 gps, 12.5 ppg for a yield of 2.01 cu. ft. per sx. Volume based on 50% excess.



D.J. SIMMONS INC.
BLANCO WASH 27 #2
642' FNL, 1741' FWL
Unit C Sec. 27 T24N R8W
San Juan County, NM

2nd Stage: A 5-1/2" stage tool will be set @ 4230'

Lead cement will be ~821 cu. ft. (~373 sx) Premium Lite FM w/3% Cacl₂, 1/4#/sx Cello flake, 0.4% FL-52, 0.4% SM, 3#/sx Pheno Seal, or equal, mixed at 12.12 gps, 12 ppg for a yield of 2.2 cu. ft. per sx. Volume based on 40% excess.

Tail cement will be ~205 cu. ft. (~102 sx) Premium Lite High Strength FM w/2% KCl, 1/4#/sx Cello flake, 0.2% CD-32, 3#/sx LCM-1, 0.5% FL-52, or equal, mixed at 10.32 gps, 12.5 ppg for a yield of 2.01 cu. ft. per sx. Volume based on 40% excess.

Cementing equipment will include a guide shoe, and float collar will be run with a centralized shoe joint and next five joints. Centralizers will be run across the producing zones.

5. MUD PROGRAM

<u>Depth</u>	<u>Type</u>	<u>Wt./ppg.</u>	<u>Vis.</u>	<u>Fluid Loss</u>	<u>PH</u>
0'-350'	FW gel/lime spud mud	8.4-8.7	30-50	NC	10
350'-5525'	FW gel/Polymer	8.3-8.6	30-35	<20cc's	9.5

Lost circulation and absorption material will be on location.

6. CORING, TESTING, & LOGGING

No cores or drill stem tests are planned. Open hole Induction and Neutron -Density logs will be run from 350' to TD. This well will be mud logged from 350' to TD.

7. DOWN HOLE CONDITIONS

No abnormal pressures, temperatures, nor hydrogen sulfide are expected. Maximum pressure will be ~2000 psi.

8. OTHER INFORMATION

The anticipated spud date is February 11, 2007. It is expected it will take ~10 days to drill and ~12 days to complete the well. Completion will start about one month after the spud and will include hydraulic fracturing.

Rodney L. Seale 12-4-06

Rodney L. Seale
Operations Engineer
12/04/06

Figure 1

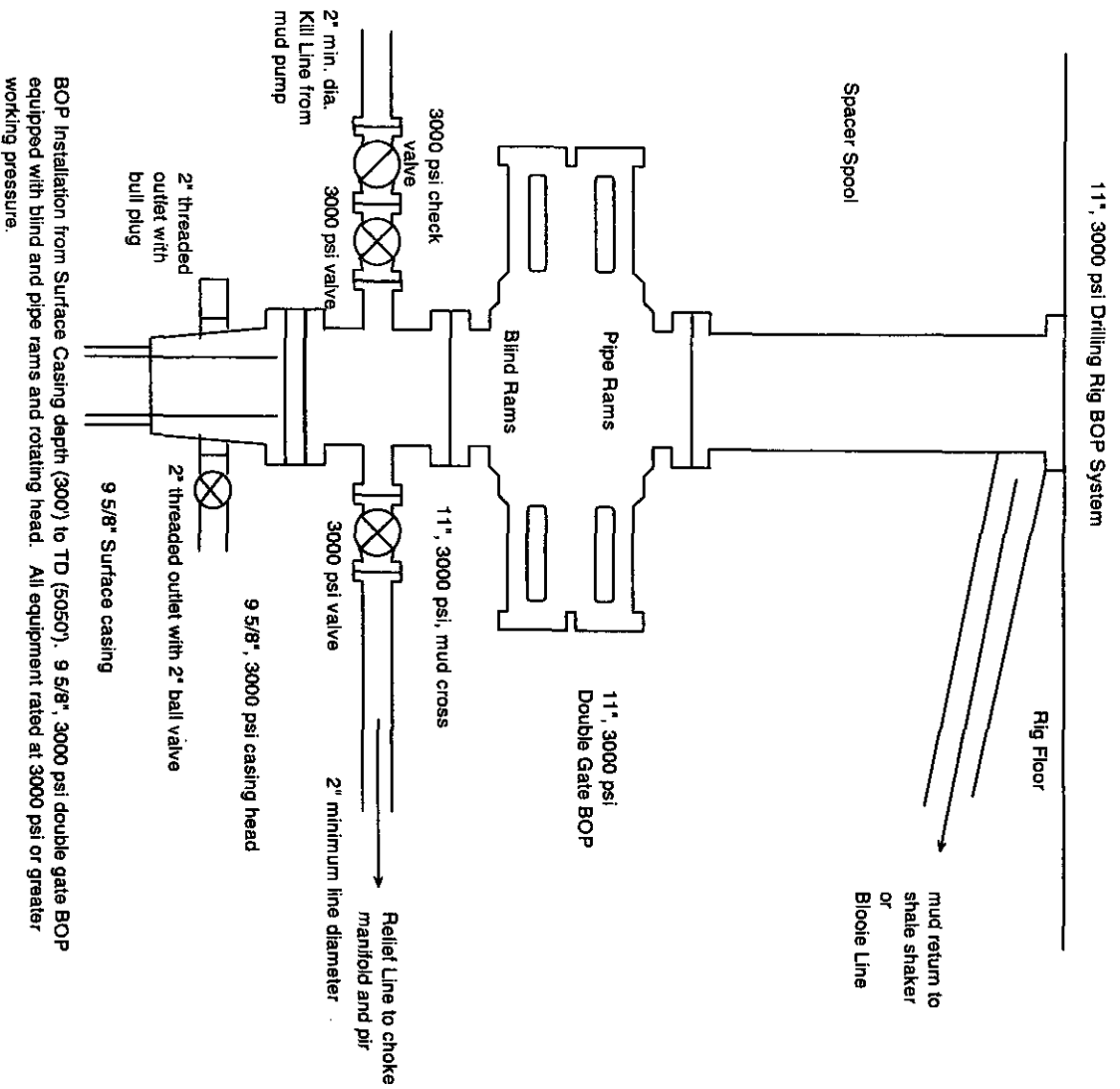
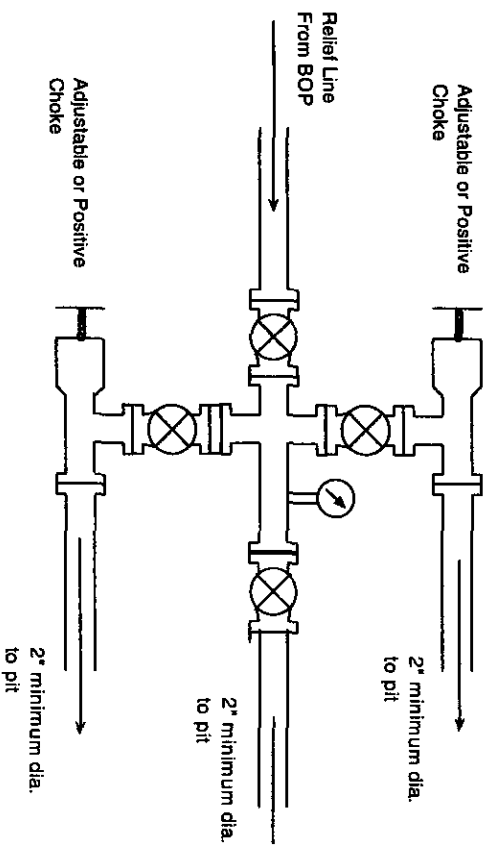


Figure 2



Choke manifold for BOP system shown in Figure 3.
All equipment to be rated at 3000 psi or greater.