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Form 3160-3
(August 1999)

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

Bureau of Land Management
Farmington Field Office

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

APPLICATION FOR PERMIT TO DRILL OR REENTER

1a. Type of Well DRILL REENTER
b. Type of Well Oil Well Gas Well Other Single Zone Multiple Zone

5. Lease Serial No
SF 080538
6. If Indian, Allottee or Tribe Name
7. If Unit or CA Agreement, Name and
8. Lease Name and Well No.
Schalk 57 #2B

2. Name of Operator
Schalk Development Company

9. API Well No.
30-039-30640

3A. Address
c/o Walsh Engineering, 7415 E. Main, Farmington, NM 87402

3b. Phone No. (include area code)
(505) 327-4892

10. Field and Pool, or Exploratory
Blanco Mesa Verde

4. Location of Well (Report location clearly and in accordance with any State requirements. *)
At surface **1785' FNL and 1775' FEL**
At proposed prod. **7**

11. Sec., T., R., M., or Blk, and Survey
G Sec. 12, T30N, R5W

14. Distance in miles and direction from nearest town or post office*
32 miles east of Farmington, NM

12. County or Parish
Rio Arriba
13. State
NM

15. Distance from proposed* location to nearest property or lease line, ft. (Also to nearest drig. unit line, if any)
855'

16. No. of Acres in lease
1886.39
200

17. Spacing Unit dedicated to this well
N/2 268.63 acres

18. Distance from proposed location* to nearest well, drilling, completed, applied for, on this lease, ft.
1400'

19. Proposed Depth
6035' +/-

20. BLM/BIA Bond No. on file

21. Elevations (Show whether DF, KDB, RT, GL, etc)
6614' GR

22. Approximate date work will start*
June 1, 2009

23. Estimated duration
2 weeks

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 Sy. SUPO shall be filed with the appropriate Forest Service Off
- 4. Bond to cover the operations unless covered by an existing bond Item 20 above).
- 5. Operator certification.
- 6. Such other site specific information and/or plans as may be required by the authorized office

25. Signature *Paul C. Thompson* Name (Printed/Typed) **Paul C. Thompson, P.E.** Date **1/5/2009**

Title **Agent**

Approved by (Signature) *[Signature]* Name (Printed/Typed) **[Name]** Date **3/25/09**

Title **Acting AFM Minerals** 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 be necessary to conduct operations thereon

Conditions of approval, if any, are attached. ***Test BOPF minimum: 1200 psi**

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)

NOTIFY AZTEC OCD 24 HRS.
PRIOR TO CASING & CEMENT

Note: An APD for this location was previously applied for and approved in 2001, however was not drilled. The previous API # was 30-039-26755.

This action is subject to technical and procedural review pursuant to 43 CFR 3165.9 and appeal pursuant to 43 CFR 3169.4

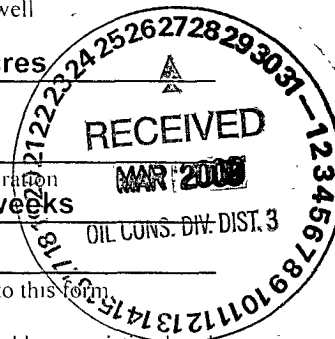
DRILLING OPERATIONS AUTHORIZED ARE SUBJECT TO COMPLIANCE WITH ATTACHED "GENERAL REQUIREMENTS".

APR 01 2009

[Signature]

NMOCD

BLM'S APPROVAL OR ACCEPTANCE OF THIS ACTION DOES NOT RELIEVE THE LESSEE AND OPERATOR FROM OBTAINING ANY OTHER AUTHORIZATION REQUIRED FOR OPERATIONS ON FEDERAL AND INDIAN LANDS



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 & Natural Resources Department

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

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

AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

*API Number 30039.38040		*Pool Code 72319	*Pool Name BLANCO MESAVERDE
*Property Code 10045	*Property Name SCHALK 57		*Well Number 2B
*GRID No. 20389	*Operator Name SCHALK DEVELOPMENT COMPANY		*Elevation 6614'

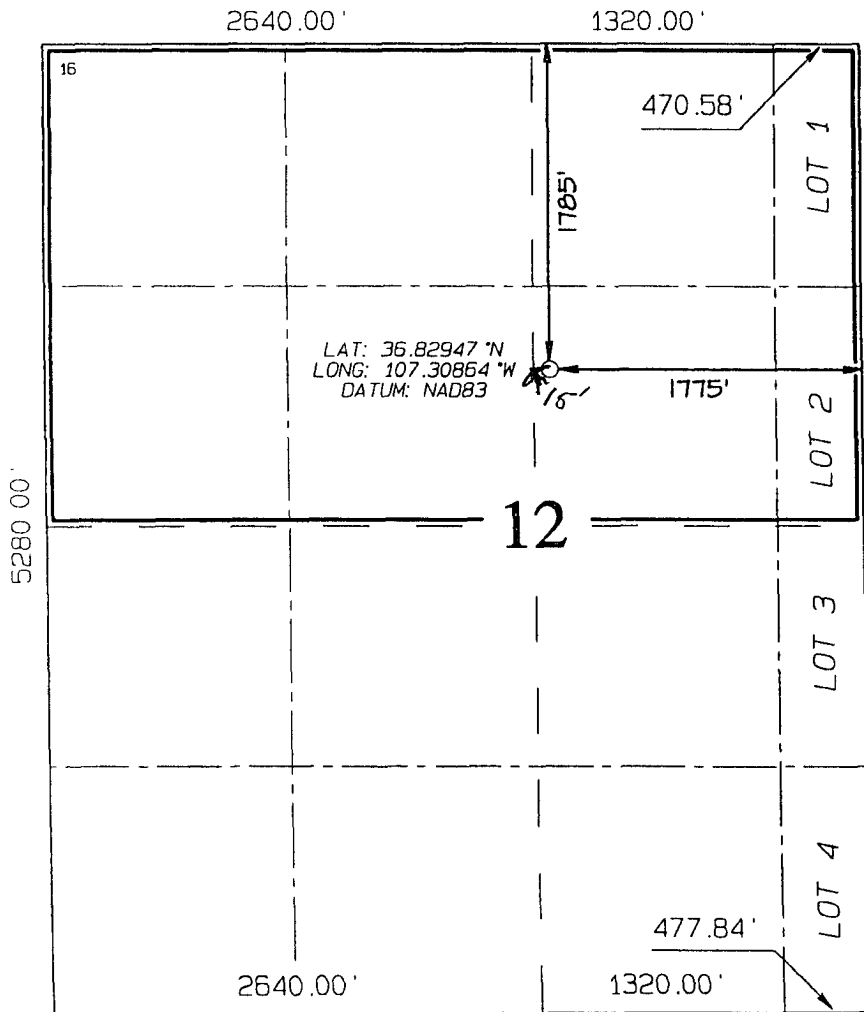
¹⁰ Surface Location

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
G	12	30N	5W		1785	NORTH	1775	EAST	RIO ARRIBA

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 268.63 Acres - N/2					¹³ Joint or Infill Y	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



¹⁷ OPERATOR CERTIFICATION

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.

Paul C. Thompson 1/6/09
Signature Date

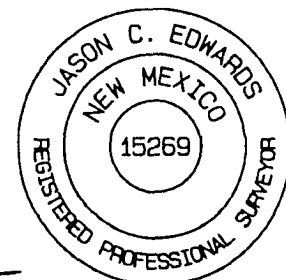
PAUL C. THOMPSON
Printed Name

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: JULY 23, 2008

Signature and Seal of Professional Surveyor



JASON C. EDWARDS
Certificate Number 15269

SCHALK DEVELOPMENT CORPORATION
OPERATIONS PLAN
Schalk 57 #2B

I. Location: 1785' FNL & 1775' FEL Date: January 5, 2009
 Sec 12 T30N R5W
 Rio Arriba County, NM

Field: Blanco Mesa Verde Elev: GL 6614'
Surface: Carson Nat'l Forest
Minerals: SF -080538

II. Geology: Surface formation _ Nacimiento

<u>Formation Tops</u>	<u>Depths</u>
Ojo Alamo	2845'
Kirtland	2905'
Pictured Cliffs	3385'
Lewis	3620'
Cliff House	5560'
Point Lookout	5805'
Total Depth	6035'

Estimated depths of anticipated water, oil, gas, and other mineral bearing formations which are expected to be encountered:

Water and gas - 3385', 5560', 5805'.

B. Logging Program: CDL/CNL/GR/SP DIL logs at TD.

C. No over pressured zones are expected in this well. No H₂S zones will be penetrated in this well. Max. BHP = 2500 psig.

III. Drilling

A. Contractor:

B. Mud Program:

The surface hole will be drilled with a fresh water mud.

The intermediate hole will be drilled with a fresh water polymer mud. The weighting material will be drill solids or if conditions dictate, barite. The maximum mud weight expected is 8.5 ppg.

The production hole will be drilled with air or air/mist.

C. Minimum Blowout Control Specifications:

Double ram type 2000 psi working pressure BOP with a rotating head. See the attached Exhibit #1 for details on the BOP equipment. All ram type preventers and related equipment will be hydraulically tested at nipple-up and after any use under pressure to 1500 psi.

The blind rams will be hydraulically activated and checked for operational readiness each time pipe is pulled out of the hole. All checks of the BOP stack and equipment will be noted on the daily drilling report. The BOP equipment will include a kelly cock, floor safety valve, and choke manifold all rated to 2000 psi.

IV. Materials

A. Casing Program:

Hole Size	Depth	Casing Size	Wt. & Grade
12-1/4"	200'	9-5/8"	36# J-55
8-3/4"	3825'	7"	20# J-55
6-1/4"	3725' - 6035'	4-1/2"	10.5# J-55

B. Float Equipment:

- a) Surface Casing: Notched collar and 3 centralizers on the bottom 3 collars.
- b) Intermediate Casing: Cement-nosed guide shoe and insert float collar on top of the bottom joint. Place 5 centralizer on every other collar starting at the float, and turbolizers on every third collar starting at 2900' to the surface.
- c) Production Casing: 4-1/2" whirler type cement-nosed guide shoe and a float collar on top of the shoe joint.

Schalk Development Company

Well Control Equipment Schematic for 2M Service

Attachment to Drilling Technical Program

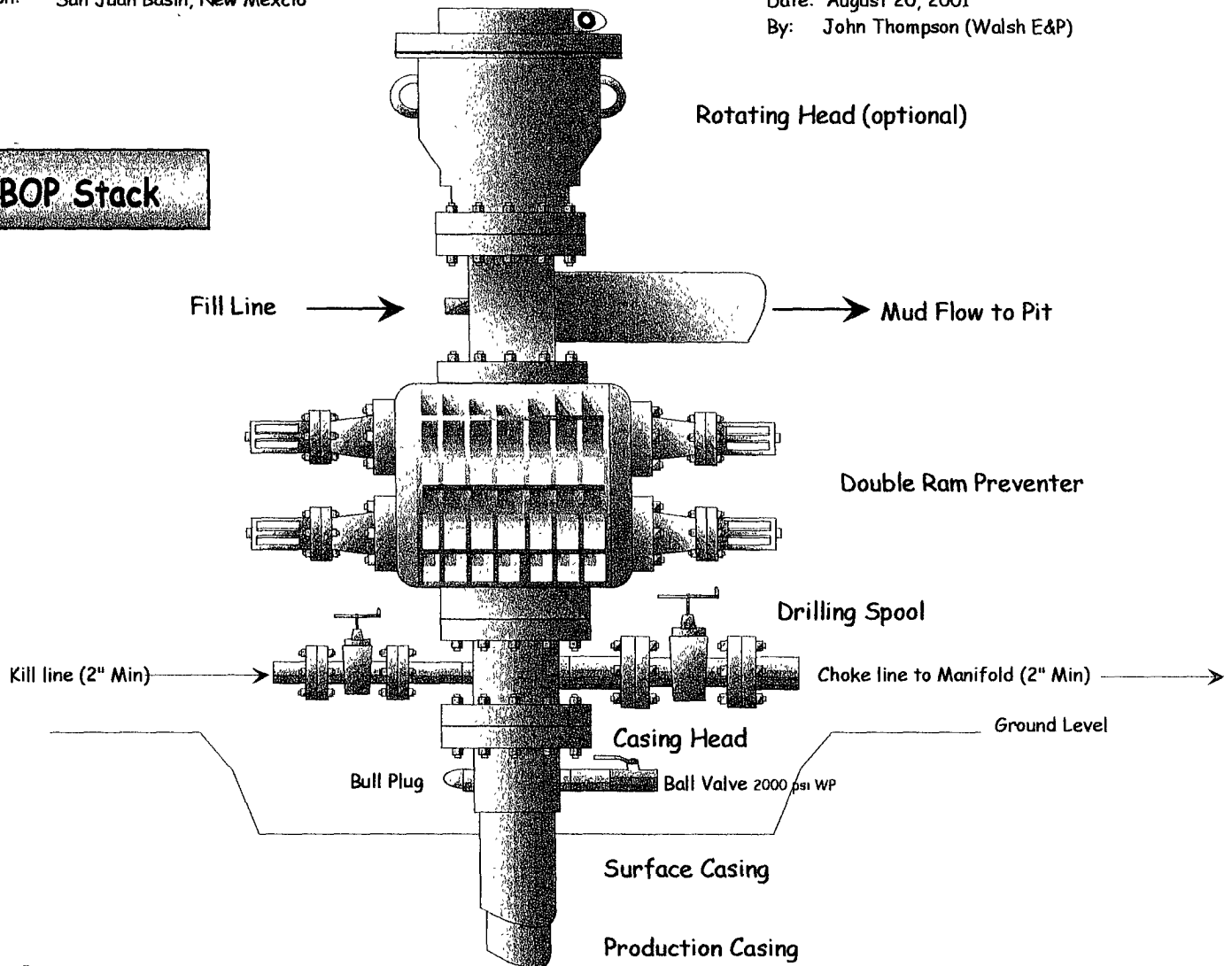
Exhibit #1 Typical BOP setup

Location: San Juan Basin, New Mexico

Date: August 20, 2001

By: John Thompson (Walsh E&P)

BOP Stack



**Choke & Kill
Manifold**

