RCVD DEC21'06

OIL CONS. DIV.

DIST. 3

Form 3160-3
(September 2001)

FORM APPROVED
OMB No. 1004-0136
Expires January 31, 2004

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

APPLICATION FOR PERMIT TO DRILL OR REENTER

2006 SEP 1 PM 12 14

RECEIVED
070 FARMINGTON NM

5. Lease Serial No.: 701-02-0014

6. If Indian, Allottee or Tribe Name: Jicarilla Apache Nation

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

8. Lease Name and Well No.: JAECO 26-3 15 #1 COM

1a. Type of Work: ☒ DRILL ☐ REENTER

1b. Type of Well: ☐ Oil Well ☒ Gas Well ☐ Other ☐ Single Zone ☒ Multiple Zone

2. Name of Operator: Williams Production Company, LLC

9. API Well No.: 30-039-30066

3a. Address: P.O. Box 640 Aztec, NM 87410

3b. Phone No. *(include area code)*: (505) 634-4208

10. Field and Pool, or Exploratory: Blanco MV/Basin Dakota

4. Location of Well *(Report location clearly and in accordance with any State requirements. *)*

At surface: 1720' FSL & 1295'FEL

At proposed prod. zone: same

11. Sec., T., R., M., or Blk. and Survey or Area: I Section 15, T26N R3W

14. Distance in miles and direction from nearest town or post office*: 16 miles from Lindrith,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)	16. No. of Acres in lease	17. Spacing Unit dedicated to this well
1295'	320	320 (E/2)
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**
2900'	8,420'	B001576
21. Elevations (Show whether DF, KDB, RT, GL, etc.)	**22. Approximate date work will start* **	**23. Estimated duration**
7,196' GR	November 1, 2006	1 month

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: Larry Higgins — Name *(Printed/Typed)*: Larry Higgins — Date: 8-31-06

Title: Drilling COM

Approved by *(Signature)*: /s/ Matthew Mavrot — Name *(Printed/Typed)*: — Date: 12/19/06

Title: AFM — Office: FFO

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.

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)*

Williams Production Company, LLC, proposes to drill a vertical well to develop the Blanco Mesa Verde/Basin Dakota formation at the above described location in accordance with the attached drilling and surface use plans.

The surface is located on Jicarilla Apache Nation lands.

This location has been archaeologically surveyed by Velarde Energy.

A 3236.2 foot pipeline tie would be required for this location and it is also located on Jicarilla Apache Nation Lands.

1931' of new & 605' of existing access road will be needed to access this well.

NMOCD ✓ B 12/22/06

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

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

RCVD DEC21'06

OIL CONS. DIV.
DIST. 3

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 June 10, 2003
Submit to Appropriate District Office
State Lease - 4 Copies
Fee Lease - 3 Copies

☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

1 API Number	2 Pool Code	3 Pool Name
30-039-30006	72319	BLANCO MESAVERDE / BASIN DAKOTA

4 Property Code	5 Property Name	6 Well Number
36208	JAECO 26-3 15	1 ~~COM~~

7 OGRID No.	8 Operator Name	9 Elevation
120782	Williams Production ~~JAECO~~ Company, LLC	7196

10 Surface Location

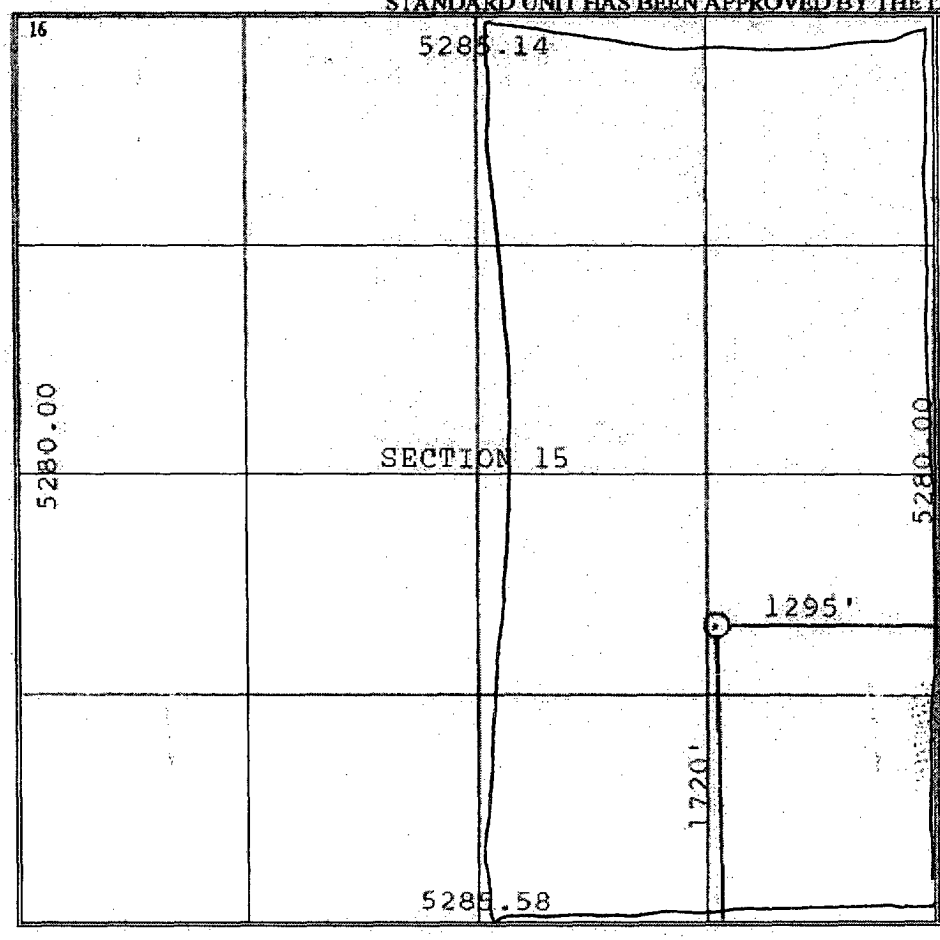
UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
I	15	26N	3W		1720	SOUTH	1295	EAST	RIO ARRIBA

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	13 Joint or Infill	14 Consolidation Code	15 Order No.
E/2 320			

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

Larry Higgins
Printed Name

Drilling Com
Title and E-mail Address

8-31-06
Date

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.

MAY 4, 2006
Date of Survey

Signature and Seal of Professional Surveyor

CERTIFICATE NUMBER 9672

Certificate Number 9672

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

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

Form C-103
May 27, 2004

WELL API NO. 30-039-30066

5. Indicate Type of Lease
Federal (Indian)

6. State Oil & Gas Lease No.

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.)

7. Lease Name or Unit Agreement Name
701-02-0014

1. Type of Well: Gas Well X☐

8. Well Number
JAECO 26-3 15 #1 COM

2. Name of Operator
Williams Production Company

9. OGRID Number 120782

3. Address of Operator
P.O. Box 640, Aztec, NM 87410

10. Pool name or Wildcat
Blanco MV/Basin Dakota

4. Well Location
Unit Letter J : 1720 feet from the South line and 1295 feet from the East line
Section 15 Township 26N Range 3W NMPM County Rio Arriba

11. Elevation *(Show whether DR, RKB, RT, GR, etc.)*
7070' GR

Pit or Below-grade Tank Application X☐

Pit type Drilling Depth to Groundwater >100' Distance from nearest fresh water well >1000' Distance from nearest surface water >300'<1000'

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

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

NOTICE OF INTENTION TO:				SUBSEQUENT REPORT OF:			
PERFORM REMEDIAL WORK	☐	PLUG AND ABANDON	☐	REMEDIAL WORK	☐	ALTERING CASING	☐
TEMPORARILY ABANDON	☐	CHANGE PLANS	☐	COMMENCE DRILLING OPNS.	☐	P AND A	☐
PULL OR ALTER CASING	☐	MULTIPLE COMPL	☐	CASING/CEMENT JOB	☐		
OTHER:	☐			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.

Drilling/Completion pit to be located approximately 50-75 feet from well head. Pit multi-use drilling and completion to avoid additional site disturbance and pit will be considered out of service once production tubing set. Reserve pit to be constructed in accordance with NMOCD Interim Pit and Below-Grade Tank 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 ☐.**

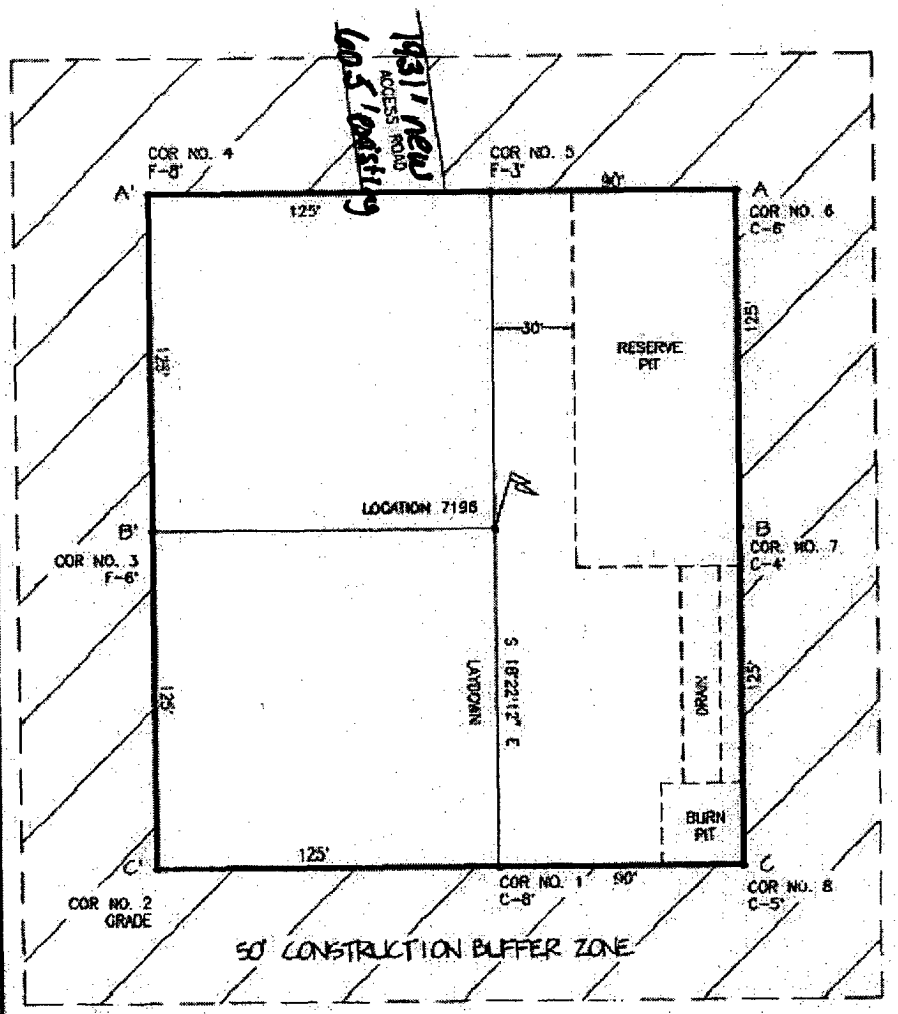
SIGNATURE Larry Higgins TITLE Drilling COM DATE 8-31-06

Type or print name Larry Higgins E-mail address: larry.higgins@williams.com Telephone No. (970) 563-3308

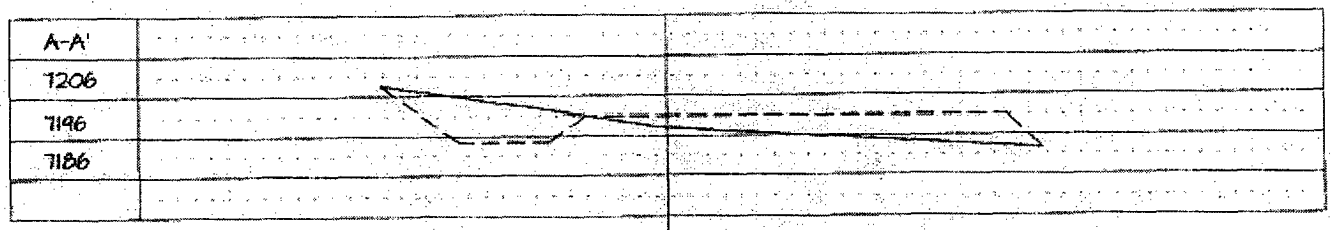
For State Use Only

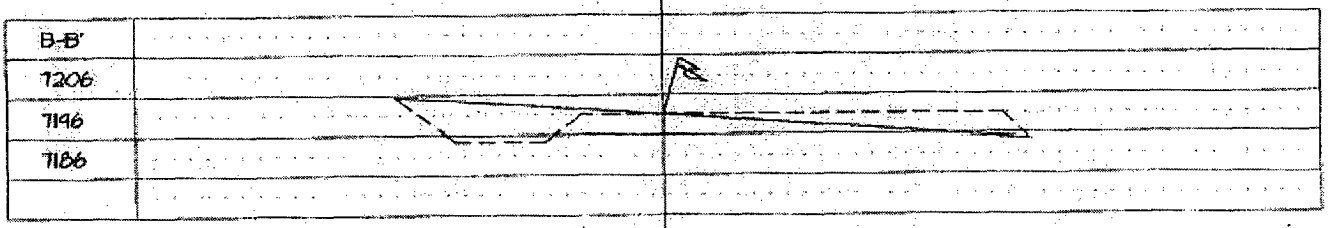
APPROVED BY: [signature] TITLE DEPUTY OIL & GAS INSPECTOR, DIST. #3 DATE DEC 22 2006

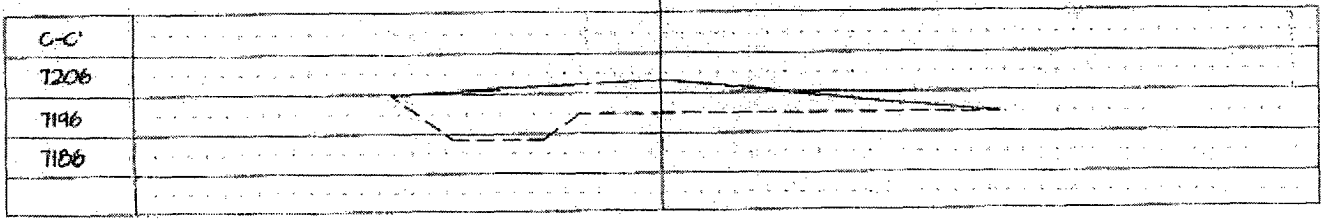
JAECO
26-3 15 #1 COM
1720 FSL & 1295 FEL
SECTION 15 T26N R3W NMPM
RIO ARRIBA COUNTY, NEW MEXICO
ELEVATION: 7196



LATITUDE: 36°29'03" N
LONGITUDE: 107°07'40" W
NGS 84
VERT. DATUM: NAD 1927







FILENAME: JAECOTAP	SHEET 2 OF 3	High Country Surveys	DRAWN BY: CRT	CHECKED BY: CBT

WILLIAMS PRODUCTION COMPANY

Operations Plan

(Note: This procedure will be adjusted on site based upon actual conditions)

DATE:	8/29/2006	**FIELD:**	BlancoMV/BasinDK
WELL NAME:	JAECO 26-3 15 #1Com	**SURFACE:**	BOIA
BH LOCATION:	NESE Sec 15-26N-3W Rio Arriba, NM	**MINERALS:**	Jicarilla Apache
ELEVATION:	7,196' GR	**LEASE #**	MDA#701-02-0014
MEASURED DEPTH:	**8,420'**		

I. GEOLOGY: Surface formation - San Jose

A. FORMATION TOPS: (KB)

Name	MD	Name	MD
Nacimiento	2,550	Cliff House	5,470
Ojo Alamo	3,445	Menefee	5,585
Kirtland	3,615	Point Lookout	5,915
Fruitland	3,645	Mancos	6,215
Pictured Cliffs	3,805	Gallup	6,925
Lewis	3,990	Greenhorn	7,875
Huerfanito Bentonite	4,290	Graneros	7,940
		Dakota	7,985
		Morrison	8,320
		TD	**8,420**

B. MUD LOGGING PROGRAM: Mud log from 300' above Ojo Alamo to TD. Mud logger to pick TD.

C. LOGGING PROGRAM: HRI from surface casing to TD. SDL/DSN/DSEN over zones of interest. Onsite geologist to pick intervals.

D. NATURAL GAUGES: Gauge any noticeable increases in gas flow. Record all gauges in Tour book and on morning reports.

II. DRILLING:

A. MUD PROGRAM: Clear water with benex to 7" casing point. Convert to a LSND mud to log and run pipe. Treat for lost circulation as necessary. Obtain 100% returns prior to cementing. Notify Engineering of any mud losses. Use air w/Air Hammer from 7 in. csg.to TD.

B. BOP TESTING: While drill pipe is in use, the pipe rams and the blind rams will be function tested once each trip. The anticipated reservoir is expected to be less than 1300 psi, so the BOPE will be tested to **250 psi (Low) for 5 minutes** and **1500 psi (High) for 10 minutes**. Utilize a BOPE Testing Unit with a recording chart and appropriate test plug for testing. The drum brakes will be inspected and tested each tour. **All tests and inspections will be recorded in the tour book as to time and results.**

III. MATERIALS

A. CASING PROGRAM:

CASING TYPE	OH SIZE (IN)	DEPTH (MD) (FT)	CASING SIZE (IN)	WEIGHT(LB)	GRADE
Surface	14 3/4	300	10 3/4	32.75	H-40
Intermediate	9 7/8	4,205	7 5/8	26.4	K-55
Longstring	6 3/4	8,420	5 1/2	17	N-80

B. FLOAT EQUIPMENT:

1. SURFACE CASING: 10-3/4" notched regular pattern guide shoe. Run (1) standard centralizer on each of the bottom (3) joints of Surface Casing.

2. INTERMEDIATE CASING: 7-5/8" cement nose guide shoe with a self-fill insert float. Place float collar one joint above the shoe. Install (1) Turbulent centralizer on each of the bottom (3) joints and one standard centralizer every (3) joints to 2,500 ft. Run (1) Turbulent centralizer at 2,700 ft., 2,500 ft., 2,300ft., 2,000ft., 1,500 ft., and 1,000 ft. **(NTL-FRA 90-1).**

3. PRODUCTION CASING: 5-1/2" whirler type cement nose guide shoe with a latch collar on top of 20' bottom joint. Place marker joint above 5,400'. Place centralizers as needed across selected production intervals.

IV. CEMENTING:

(Note: Volumes may be adjusted onsite due to actual conditions)

1. SURFACE: Slurry: 255sx (356 cu.ft.) of "Type III" + 2% $CaCl_2$ + ¼ # of cello-flake/sk (Yield = 1.39 cu.ft./sk, Weight = 14.5 #/gal.). The 100% excess should circulate cement to the surface. WOC 12 hours. Test csg to 1500psi.

2. INTERMEDIATE: Lead - 735 sx (1528) cu.ft.) of "Type III" 65/35 poz with 8% gel, 1% $CaCl_2$ and 1/4# cello-flake/sk (Yield = 2.09 cu.ft./sk, Weight = 12.1 #/gal.). Tail - 100 sx (139cu.ft.) of "Type III" with 1/4# cello-flake/sk, and 1% $CaCl_2$ (Yield = 1.4 cu.ft./sk, Weight = 14.5#/gal.). Use **100% excess in Lead Slurry** to circulate to surface. **No excess in Tail Slurry.** Total volume = 1,667 cu.ft. Bump Plug to 1,500 psi. Notify engineering if cement is not circulated to surface.

3. PRODUCTION CASING: 10 bbl Gelled Water space. Cement: 205 sx (432 ft^3) of Premium Light HS + 1% FL-52 + .2% CD-32, 0.1% R-3, 3 #/sk CSE, ¼ #/sk cello flake and 4% Phenoseal. (Yield = 2.15 ft^3/sk, Weight = 12.3 #/gal.). Displace cement at a minimum of 8 BPM. The 20% excess in lead and tail should cover 100 ft into intermediate casing. Total volume 432ft^3. WOC 12 hours

V. IV COMPLETION

A. CBL

1. Run Cement Bond Log across all intervals to be perforated and find Top of Cement behind all casing strings if cement is not circulated to surface.

B. PRESSURE TEST

1. Pressure test 5-1/2" casing to 6000 psi for 15 minutes.

C. STIMULATION

1. Stimulate Dakota with approximately 70,000# of 20/40 sand in x-link foam.
2. Isolate Dakota with a RBP.
3. Perforate the Point Lookout as determined from the open hole logs.
4. Stimulate with approximately 9,300# of 14/30 LiteProp™ sand in slick water.
5. Isolate Point Lookout with a CIBP.
6. Perforate the Menefee/Cliff House as determined from the open hole logs.
7. Stimulate with approximately 9,300# of 14/30 LiteProp™ sand in slick water.
8. Test each zone before removing bridge plugs.

D. RUNNING TUBING

1. *Dakota*: Run 2-1/16", 3.25#, J-55, IJ tubing with 1/2 mule shoe on bottom , SN with pump-out plug on top of adeem joint and 5 Seal Units. Land tubing approximately 100' below top Dakota perf.

2. *Mesa Verde:* Run 2-1/16", 2.9#, J-55, EUE tubing with a SN (1.91" ID) on top of bottom joint. Land tubing approximately 25' above the bottom Point Lookout perforations.

Larry Higgins

FOR Gary Sizemore
Sr. Drilling Engineer

Well Control Equipment Schematic for 2M Service

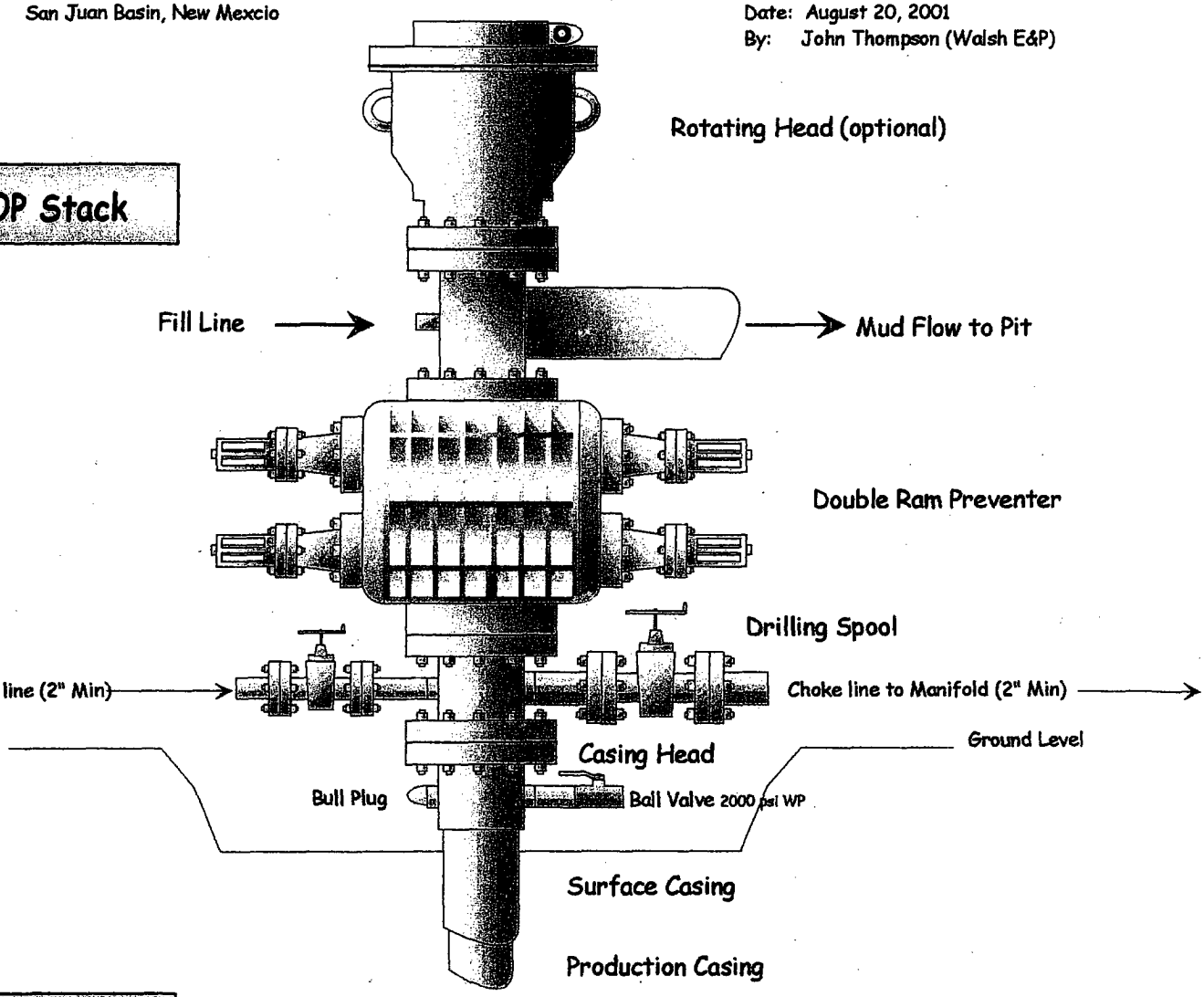
Attachment to Drilling Technical Program

Exhibit #1
Typical BOP setup

Location: San Juan Basin, New Mexcio

Date: August 20, 2001
By: John Thompson (Walsh E&P)

BOP Stack



Choke & Kill Manifold