

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

APPLICATION FOR PERMIT TO DRILL OR REENTER

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

5. Lease Serial No.
NOG 01101556

6. If Indian, Allottee or Tribe Name
Navajo Allotment 011394

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

8. Lease Name and Well No.
Blanco Wash 27-1

9. API Well No.
30-045-34096

10. Field and Pool, or Exploratory
Lybrook Gallup oil

11. Sec., T., R., M., or 131k. and Survey or Area

A Section 27, T24N, R8W

12. County or Parish
San Juan

13. State
NM

1a. Type of Work: ☒ DRILL

☐ REENTER

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

☐ Single Zone ☐ Multiple Zone

2. Name of Operator
D.J. Simmons, Inc.

3a. Address
1009 Ridgeway Place, Suite 200, Farmington N.M. 87401

3b. Phone No. (include area code)
(505) 326-3753

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

At surface 890' FNL x 450' FEL

At proposed prod. zone same

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

15. Distance from proposed*
location to nearest
property or lease line, ft.
(Also to nearest drig. unit line, if any)
450'

16. No. of Acres in lease
160

17. Spacing Unit dedicated to this well
40 AC

18. Distance from proposed location*
to nearest well, drilling, completed,
applied for, on this lease, ft.
2000'

19. Proposed Depth
5650

20. BLJIA/BIA Bond No. on file
BIA Bond No. RLB 0002876

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

GL 6844.48'

22. Approximate date work will start*

02/21/07

23. Estimated duration

20 days

24. Attachments Well Plat, Drilling Plan, Surface use 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.
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

John A. Byrom

11/27/06

Title

President

Approved by (Signature)

Name (Printed/Typed)

Date

Title

Office

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. Mun. BOPE 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 FEB14'07
OIL CONS. DIV.
DIST. 3

NOTIFY AZTEC OCD
IN TIME TO WITNESS

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

B 2/15/07

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

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

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

OIL CONSERVATION DIVISION

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

2006 DEC 4 PM 1 36

☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

RCVD FEB14'07
OIL CONS. DIV.
DIST. 3

| | | |
|---|--|--|
| ¹ API Number 30-045-34096 | ² Pool Code 42289 | ³ Pool Name LYBROOK GALLUP OIL |
| ⁴ Property Code 36312 | ⁵ Property Name BLANCO WASH 27 | ⁶ Well Number 1 |
| ⁷ OGRID No. 5578 | ⁸ Operator Name D. J. SIMMONS INC. | ⁹ Elevation 6844.48' |

¹⁰ Surface Location

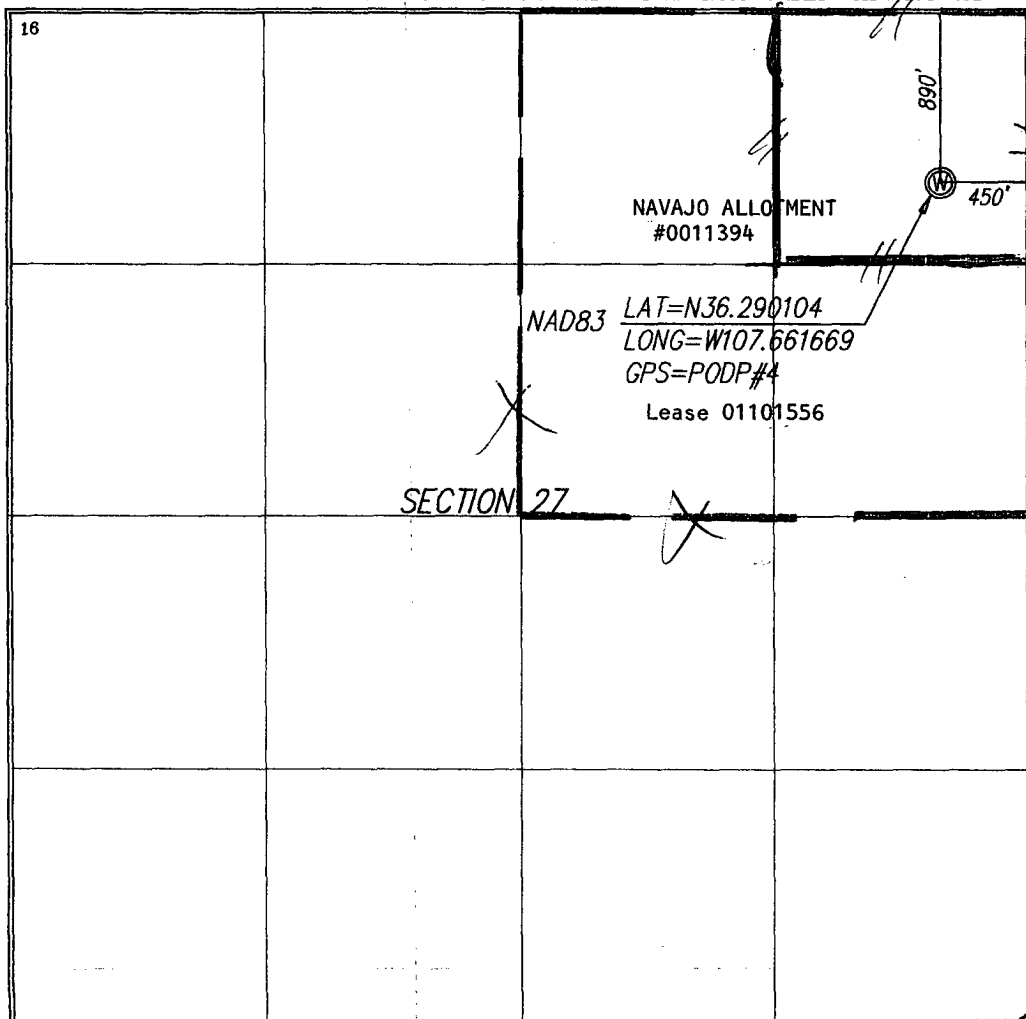
| | | | | | | | | | |
|--------------------|---------------|-----------------|-------------|---------|----------------------|---------------------------|----------------------|------------------------|--------------------|
| UL or lot no. A | Section 27 | Township 24N | Range 8W | Lot Idn | Feet from the 890 | North/South line NORTH | Feet from the 450 | East/West line EAST | County 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 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

| | | |
|----|---|--|
| 16 |  | <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 JOHN A. BYROM</p> <p>Printed Name PRESIDENT</p> <p>Title</p> <p>Date</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 SEPTEMBER 2006</p> <p>Date of Survey</p> <p>Signature and Seal</p> <p>Certificate Number N.M. #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

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

Form C-103

May 27, 2004

WELL API NO.

30-045-34096

5. Indicate Type of Lease

STATE ☐ FEE ☐

6. State Oil & Gas Lease No.

NOG 0110155.6

Navajo Allotment 011394

7. Lease Name or Unit Agreement Name

Blanco Wash

8. Well Number 27-1

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 A : 890 feet from the North line and 450 feet from the East line

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

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

6844.48 GL

Pit or Below-grade Tank Application ☒ or Closure ☐

Pit type Reserve Pit Depth to Groundwater >400' 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: Drill New Well



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.

See: Attached APD, Exhibit 2, Drilling Equipment Layout, for 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

TITLE

DATE

Type or print name John A. Byrom

E-mail address: jbyrom@djsimmons.com

Telephone No. 505 326 3753

For State Use Only

APPROVED BY:

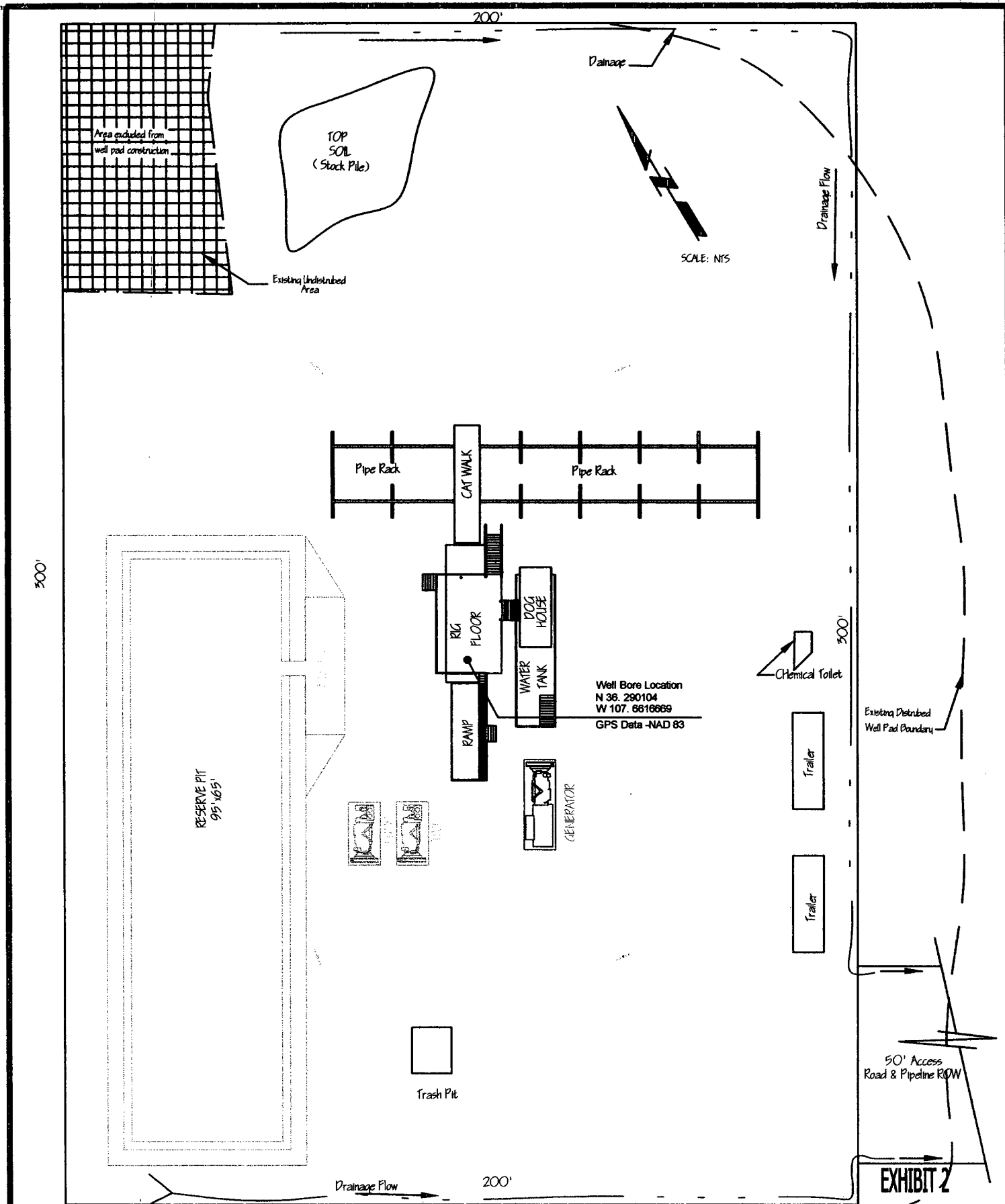
TITLE

DATE

Conditions of Approval (if any):

DEPUTY OIL & GAS INSPECTOR, DIST. 4

FEB 15 2007



DJ SIMMONS, INC.
 1009 Ridgeway Place, Suite 200
 Farmington, NM. 87401
 Phone 505 326-3753
 Fax 505 327-4659

Reviewed By: Ken Manchester
 Drawn By: Craig Starkey
 Approved By: Rod Seale
 Date: Sept 6, 2006

Blanco 27-1
 Drilling Equipment Layout Plan
 Section 27, T24N, R8W, N.M.P.M.
 890 FNL & 450 FEL
 San Juan, County, New Mexico

D.J. SIMMONS INC.
BLANCO WASH 27 #1
890' FNL, 450' FEL
Unit A Sec. 27 T24N R8W
San Juan County, NM

Drilling Program

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

| <u>Formation Name</u> | <u>Depth</u> |
|-----------------------|--------------|
| Kirtland | 1322' |
| Fruitland | 1553' |
| Pictured Cliffs | 1893' |
| Chacra | 2291' |
| Cliffhouse | 2658' |
| Menefee | 3365' |
| Point Lookout | 4252' |
| Mancos | 4471' |
| Upper Gallup | 5034' |
| Lower Gallup | 5285' |
| Carlile | 5610' |
| TD (5-1/2") | 5650' |

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.

D.J. SIMMONS INC.
BLANCO WASH 27 #1
890' FNL, 450' FEL
Unit A Sec. 27 T24N R8W
San Juan County, NM

3. PRESSURE CONTROL: 2400

Maximum expected pressure is ~1000 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. BOP rams 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 | 5650' |
| A 5-1/2" stage tool will be set @ | | | | | | 4350' |

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 1/4#/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 40' 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 = 1393 cu. ft. (657 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 ~338 cu. ft. (~168 sx) Premium Lite High Strength FM w/2% KCl, 1/4#/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.

2nd Stage: A 5-1/2" stage tool will be set @ 4350'

Lead cement will be ~844 cu. ft. (~384 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.

D.J. SIMMONS INC.
BLANCO WASH 27 #1
890' FNL, 450' FEL
Unit A Sec. 27 T24N R8W
San Juan County, NM

Tail cement will be ~211 cu. ft. (~105 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'-5650' | 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.

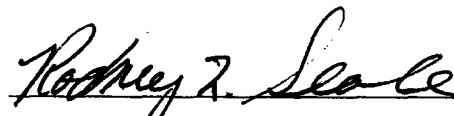
7. DOWN HOLE CONDITIONS

No abnormal pressures, temperatures, nor hydrogen sulfide are expected. Maximum pressure anticipated will be ~2400 psi.

8. ADDITIONAL INFORMATION

This well is to be completed in the Gallup formation. Completion procedures will be prepared after open hole logs are analyzed. The well will be completed by hydraulic frac in two stages.

Prepared by:



Rodney L. Seale
Operations Engineer

Date: 11-30-06



Figure 1

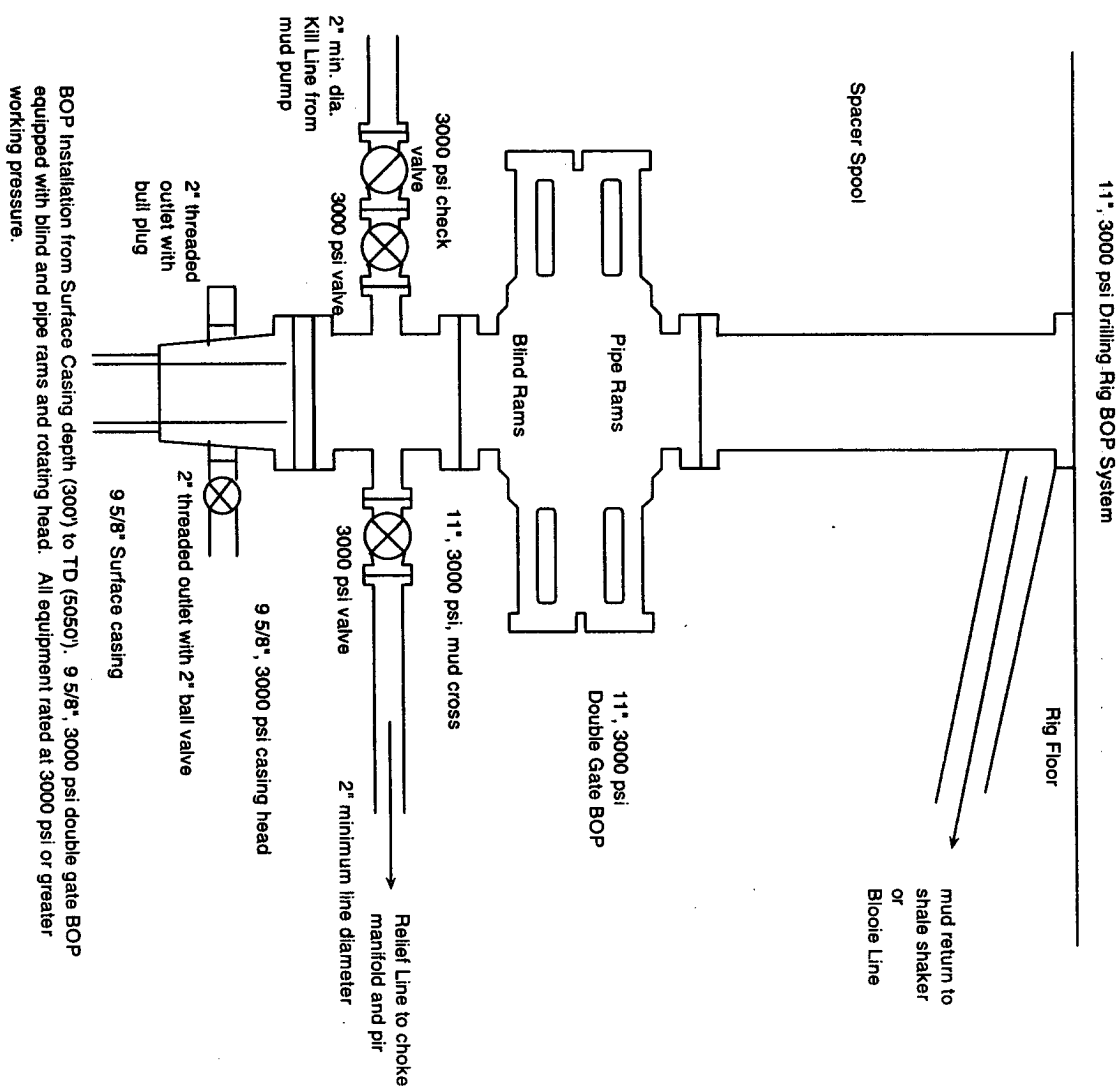
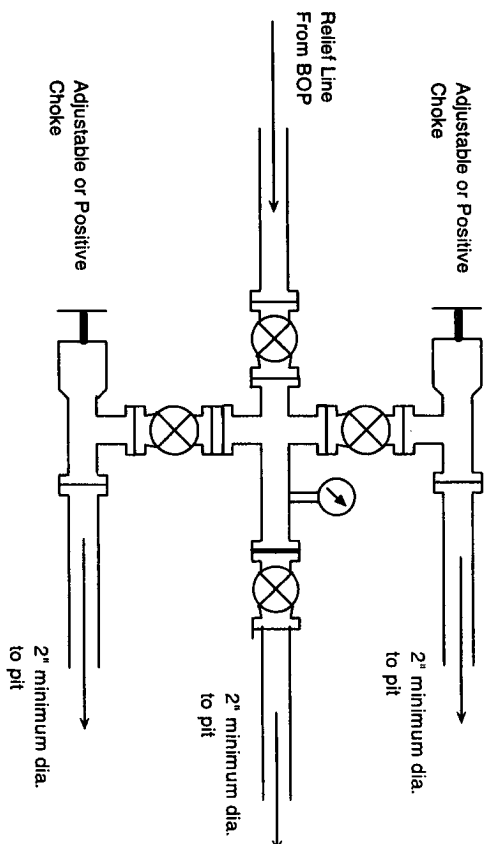


Figure 2



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