

RCVD MAR 19 '07

OIL CONS. DIV.

DIST. 3

Form 3160-3
(August 1999)

UNITED STATES ^{2006 AUG 4 PM 12 31}
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT RECEIVED

APPLICATION FOR PERMIT TO DRILL OR REENTER

1a. Type of Work <input checked="" type="checkbox"/> DRILL <input type="checkbox"/> REENTER		FORM APPROVED OMB No. 1004-0136 Expires November 30, 2000	
b. Type of Well <input type="checkbox"/> Oil Well <input checked="" type="checkbox"/> Gas Well <input type="checkbox"/> Other <input checked="" type="checkbox"/> Single Zone <input type="checkbox"/> Multiple Zone		5. Lease Serial No. NM - 4455	
2. Name of Operator Schalk Development Company		6. If Indian, Allottee or Tribe Name	
3A. Address c/o Walsh Engineering, 7415 E. Main, Farmington, NM 87402		7. If Unit or CA Agreement, Name and	
3b. Phone No. (include area code) (505) 327-4892		8. Lease Name and Well No. Schalk 55 #2B	
4. Location of Well (Report location clearly and in accordance with any State requirements. *) At surface 1945' FNL and 1950' FWL At proposed prod. 2		9. API Well No. 30-039-30019	
14. Distance in miles and direction from nearest town or post office* 30 miles east of Farmington, NM		10. Field and Pool, or Exploratory Blanco Mesa Verde	
15. Distance from proposed* location to nearest property or lease line, ft. (Also to nearest drig. unit line, if any) 695'		11. Sec., T., R., M., or Blk, and Survey F Sec. 3, T30N, R5W	
16. No. of Acres in lease 397.6 acres		12. County or Parish Rio Arriba	
17. Spacing Unit dedicated to this well N/2 317.6 acres		13. State NM	
18. Distance from proposed location* to nearest well, drilling, completed, applied for, on this lease, ft. 150'		20. BLM/BIA Bond No. on file NM 1791	
21. Elevations (Show whether DF, KDB, RT, GL, etc.) 6468' GR 6467		22. Approximate date work will start* October 1, 2006	
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. | 4. Bond to cover the operations unless covered by an existing bond Item 20 above). |
| 2. A Drilling Plan. | 5. Operator certification. |
| 3. A Surface Use Plan (if the location is on National Forest Sy. SUPO shall be filed with the appropriate Forest Service Off | 6. Such other site specific information and/or plans as may be required by the authorized office. |

25. Signature <i>Paul C. Thompson</i>	Name (Printed/Typed) Paul C. Thompson, P.E.	Date 8/2/2006
Title Agent		
Approved by (Signature) <i>Jim Bulato</i>	Name (Printed/Typed)	Date 3/15/07
Title <i>Acting AFM Minerals</i>	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 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 any false, fictitious or fraudulent statements or representations as to any matter within its jurisdiction.

*(Instructions on reverse) submit application for pit permit on OGD Form C-103 prior to construction location

NOTIFY AZTEC OGD
IN TIME TO WITNESS24 hrs
CSG & cementDRILLING OPERATIONS AUTHORIZED ARE
SUBJECT TO COMPLIANCE WITH ATTACHED
"GENERAL REQUIREMENTS".

NM/OC

3/22/07

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
PO Box 1980, Hobbs, NM 88241-1980

District II
PO Drawer 00, Artesia, NM 88211-0719

District III
1000 Rio Brazos Rd., Aztec, NM 87410

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

State of New Mexico
Energy, Minerals & Natural Resources Department

OIL CONSERVATION DIVISION
PO Box 2088
Santa Fe, NM 87504-2088

Form C-102
Revised February 21, 1994
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 30-039-30019		*Pool Code 72319	*Pool Name BLANCO MESAVERDE
*Property Code 10044	*Property Name SCHALK 55		*Well Number 2B
*GRID No. 020389	*Operator Name SCHALK DEVELOPMENT COMPANY		*Elevation 6467'

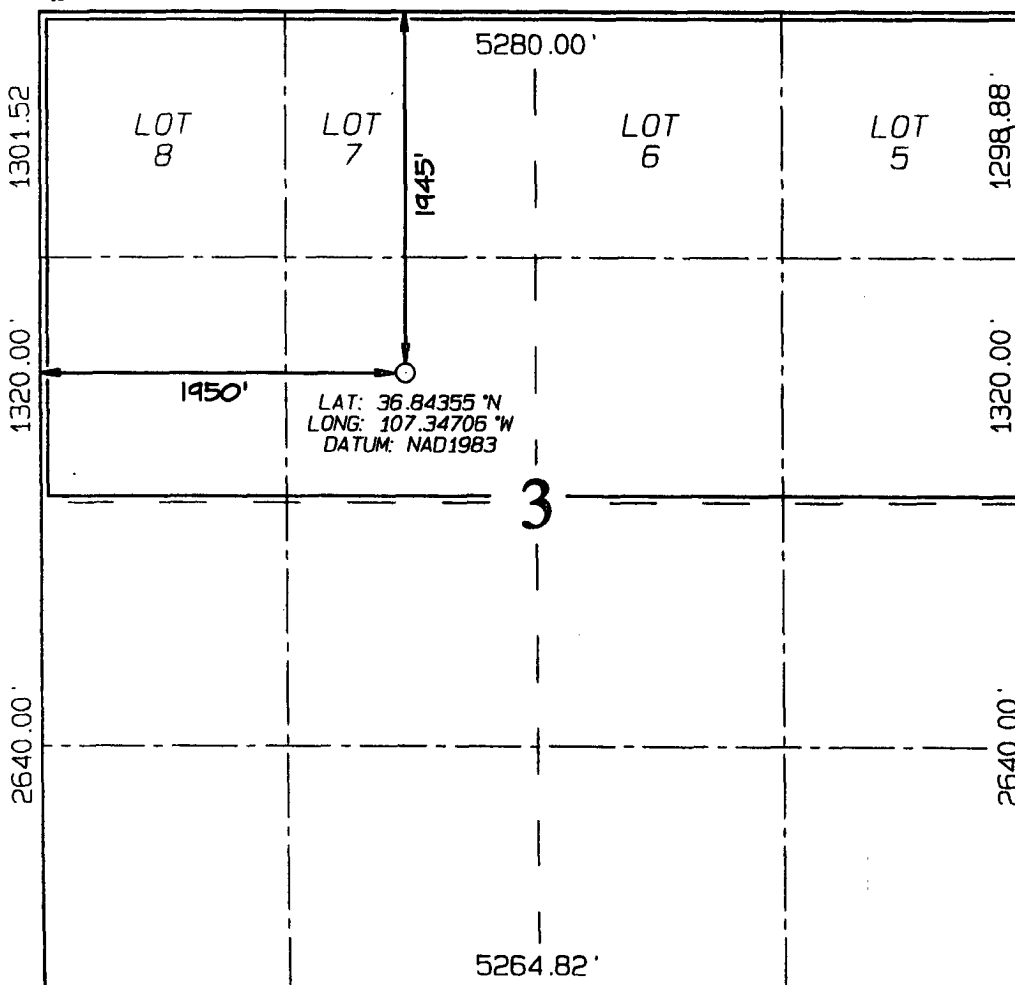
¹⁰ Surface Location

UL or lot no. F	Section 3	Township 30N	Range 5W	Lot Idn	Feet from the 1945	North/South line NORTH	Feet from the 1950	East/West line WEST	County RIO ARriba
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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
								RCVD MAR 18 '07	
¹² Dedicated Acres N/2 317.6 Acres				¹³ Joint or Infill Y	¹⁴ Consolidation Code		¹⁵ Order No. OIL CONS. DIV. DIST. 3		

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

Paul C. Thompson
Signature
Paul C. Thompson
Printed Name
AGENT
Title
8/2/06
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.

Survey Date: NOVEMBER 18, 2005

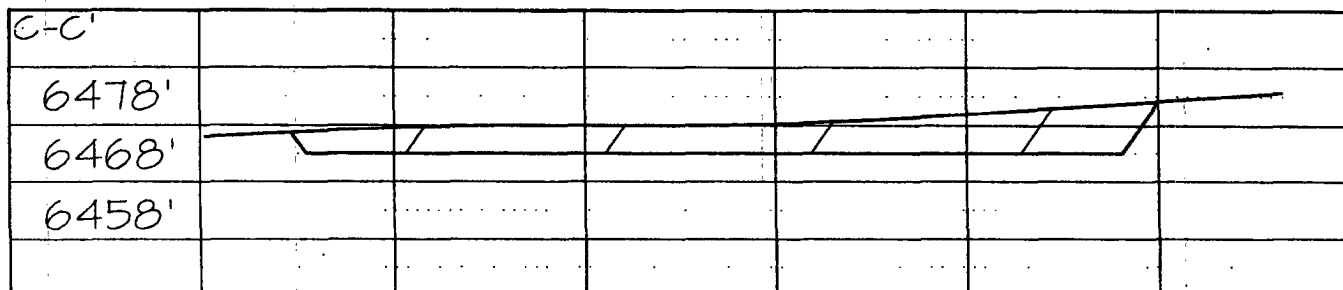
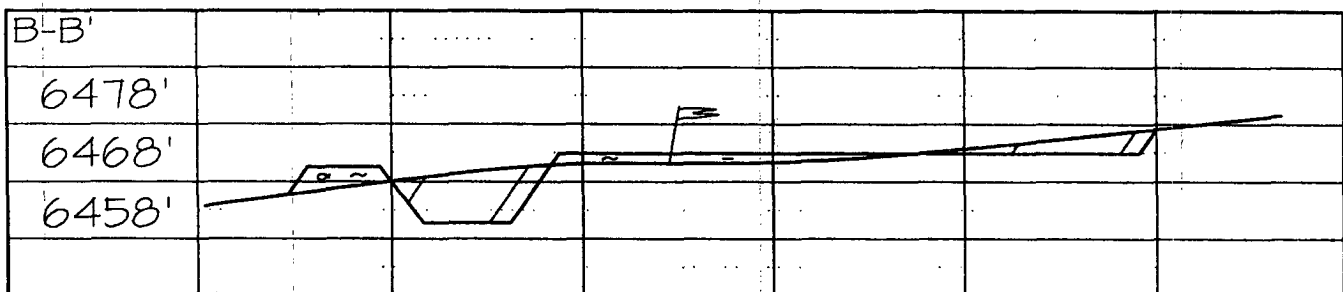
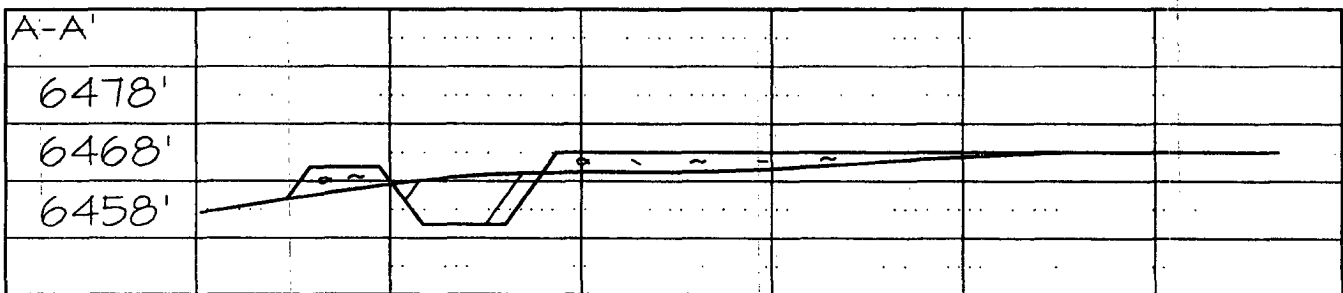
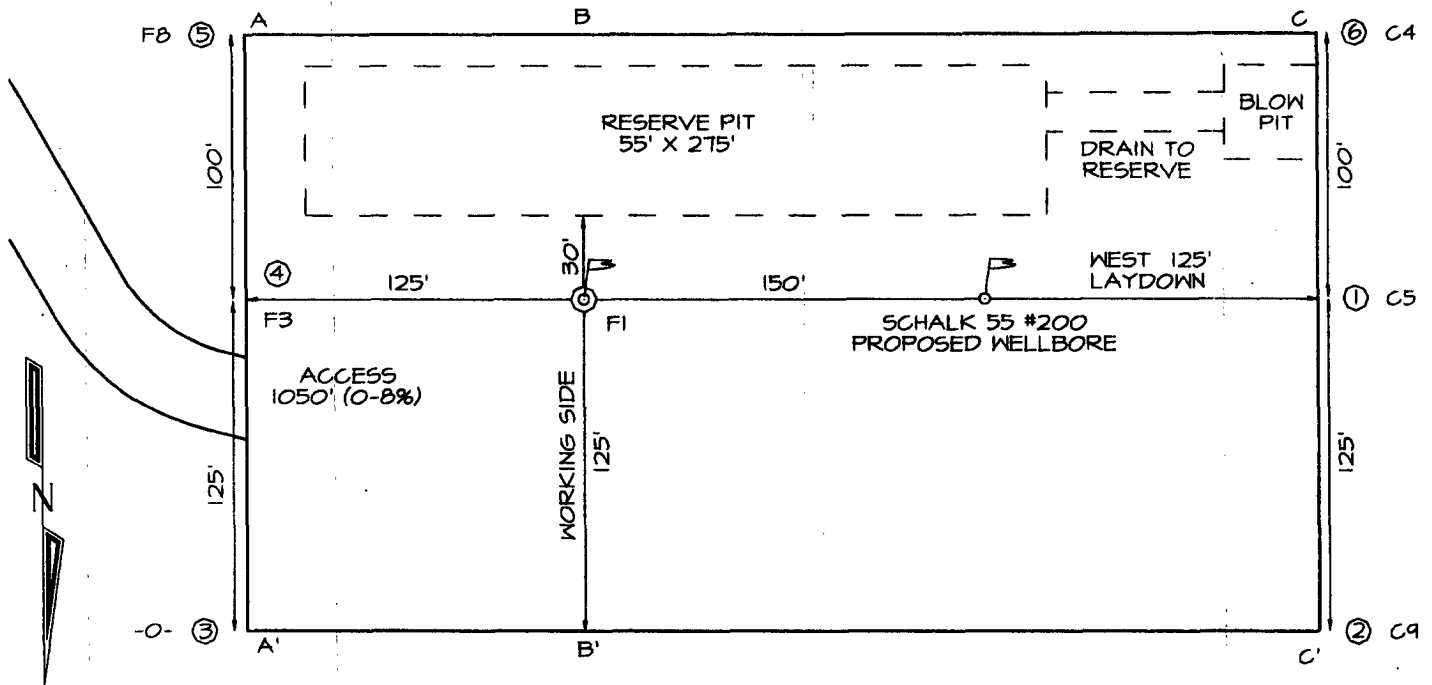
Signature and Seal of Professional Surveyor



JASON C. EDWARDS
Certificate Number 15269

SCHALK DEVELOPMENT COMPANY SCHALK 55 #2B
1945' FNL & 1950' FWL, SECTION 3, T30N, R5W, NMPM
RIO ARriba COUNTY, NEW MEXICO
GROUND ELEVATION: 6467'

LATITUDE: 36.84355° N
LONGITUDE: 107.34706° W
 DATUM: NAD1983



**SCHALK DEVELOPMENT CORPORATION
OPERATIONS PLAN
Schalk 55 #2B**

I. Surface 1945' FNL & 1950' FWL Date: July 26, 2006
Location: Sec 3 T30N R5W
Rio Arriba County, NM

Field: Blanco Mesa Verde Elev: GL 6467'
Surface: Carson Nat'l Forest
Minerals: NM-4455

II. Geology: Surface formation _ Nacimiento

A. Formation Tops	TVD
Ojo Alamo	2610'
Kirtland	2685'
Fruitland	3165'
Pictured Cliffs	3340'
Lewis	3450'
Cliff House	5490'
Point Lookout	5730'
Total Depth	5900'

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

Water and gas - 3165, 3440, 5490, and 5730'.

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 production 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.

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"	320' 200'	8-5/8"	24# J-55
7-7/8"	5900'	4-1/2"	10.5# J-55

B. Float Equipment:

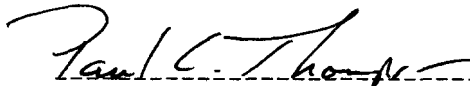
- a) Surface Casing: Notched collar and 3 centralizers on the bottom 3 collars.
- b) Production Casing: Cement-nosed guide shoe and float collar on top of the bottom joint. Place the DV tool at approximately 3500'. Place 10 centralizers on every other collar starting at the float, and a turbolizers above and below the DV tool and on every third collar starting at 2950' to the surface.

V. Cementing:

Surface casing: 8-5/8" - Use 140 sx (165 cu. ft.) of Cl "G" with 3% CaCl_2 , and $\frac{1}{4}$ #/sk. celloflake. (Yield = 1.18 cu. ft./sk; slurry weight = 15.6 PPG). 100% excess to circulate cement to surface. WOC 12 hours. Pressure test surface casing to 1500 psi for 30 min.

Production casing: 4-1/2" - 1st Stage: Lead with 440 sx (833 cu. ft.) of Type 5 65/35 poz with 6% gel, 1% CaCl_2 , 5 #/sk gilsonite, and $\frac{1}{4}$ #/sk. celloflake. Yield = 1.89 cu. ft./sk; slurry weight = 12.5 PPG). **Tail** with 100 sx (123 cu. ft.) of Type 5 with 1% CaCl_2 , 5 #/sk. gilsonite, and $\frac{1}{4}$ #/sk. celloflake. (Yield = 1.23 cu. ft./sk; slurry weight = 15.0 PPG). Total volume = 956 cu.ft. Use 75% excess to circulate cement to the DV tool at 3500'.

2nd Stage: Lead with 670 sx (1266 cu. ft.) of Type 5 65/35 poz with 6% gel, 1% CaCl_2 , 5 #/sk gilsonite, and $\frac{1}{4}$ #/sk. celloflake. Yield = 1.89 cu. ft./sk; slurry weight = 12.5 PPG). **Tail** with 100 sx (123 cu. ft.) of Type 5 with 1% CaCl_2 , 5 #/sk. gilsonite, and $\frac{1}{4}$ #/sk. celloflake. (Yield = 1.23 cu. ft./sk; slurry weight = 15.0 PPG). Total volume = 1390 cu.ft. Use 75% excess to circulate cement to surface.



Paul C. Thompson, P.E.

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 24, 2004

By: John Thompson (Walsh E&P)

