

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

APPLICATION FOR PERMIT TO DRILL OR REENTER

FORM APPROVED
OMB No. 1004-0137
Expires March 31, 2007

RECEIVED
JUL 27 AM 9 50

5a. Type of work: <input checked="" type="checkbox"/> DRILL <input type="checkbox"/> REENTER		070 FARMINGTON N		5. Lease Serial No. NO-G-0402-1710
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 checked="" type="checkbox"/> Multiple Zone				6. If Indian, Allottee or Tribe Name NAVAJO NATION
2. Name of Operator NAVAJO NATION OIL & GAS CO., INC.				7. If Unit or CA Agreement, Name and No. N/A
3a. Address P. O. BOX 4439 WINDOW ROCK, AZ 86515		3b. Phone No. (include area code) (928) 871-4880		8. Lease Name and Well No. FALCON 6-I #1
4. Location of Well (Report location clearly and in accordance with any State requirements.)* At surface 2322' FSL & 207' FEL At proposed prod. zone SAME				9. API Well No. 30-045-33867
14. Distance in miles and direction from nearest town or post office* 15 AIR MILES NW OF SHIPROCK, NM				10. Field and Pool, or Exploratory WCB 19 NW 1/4; Leadville 905
15. Distance from proposed* location to nearest property or lease line, ft. (Also to nearest drig. unit line, if any) 5,487'		16. No. of acres in lease 12,160		11. Sec., T. R. M. or Blk. and Survey or Area 6-31N-19W NMPM
18. Distance from proposed location* to nearest well, drilling, completed, applied for, on this lease, ft. 3,914' (HAWK)		19. Proposed Depth 7,200'		12. County or Parish SAN JUAN
21. Elevations (Show whether DF, KDB, RT, GL, etc.) 5,085' GL		22. Approximate date work will start* 09/21/2006		13. State NM
		23. Estimated duration 5 WEEKS		

H

160 BLE/4

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 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 <i>Brian Wood</i>	Name (Printed/Typed) BRIAN WOOD	Date 07/22/2006
Title CONSULTANT	PHONE: (505) 466-8120	FAX: (505) 466-9682
Approved by (Signature) <i>D. Mankie</i>	Name (Printed/Typed)	Date 6/11/07
Title AFM	Office FPO	

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 page 2)

HOLD CASE FOR NSL

RCVD JUN 12 '07
OIL CONS. DIV.

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

DRILLING OPERATIONS AUTHORIZED ARE SUBJECT TO COMPLIANCE WITH ATTACHED "GENERAL REQUIREMENTS". DIST. 3

NMOCD 06-15-07
B BH

State of New Mexico
 Energy, Minerals & Mining Resources Department
 OIL CONSERVATION DIVISION
 2040 South Pacheco
 Santa Fe, NM 87505

Form C - 102

AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

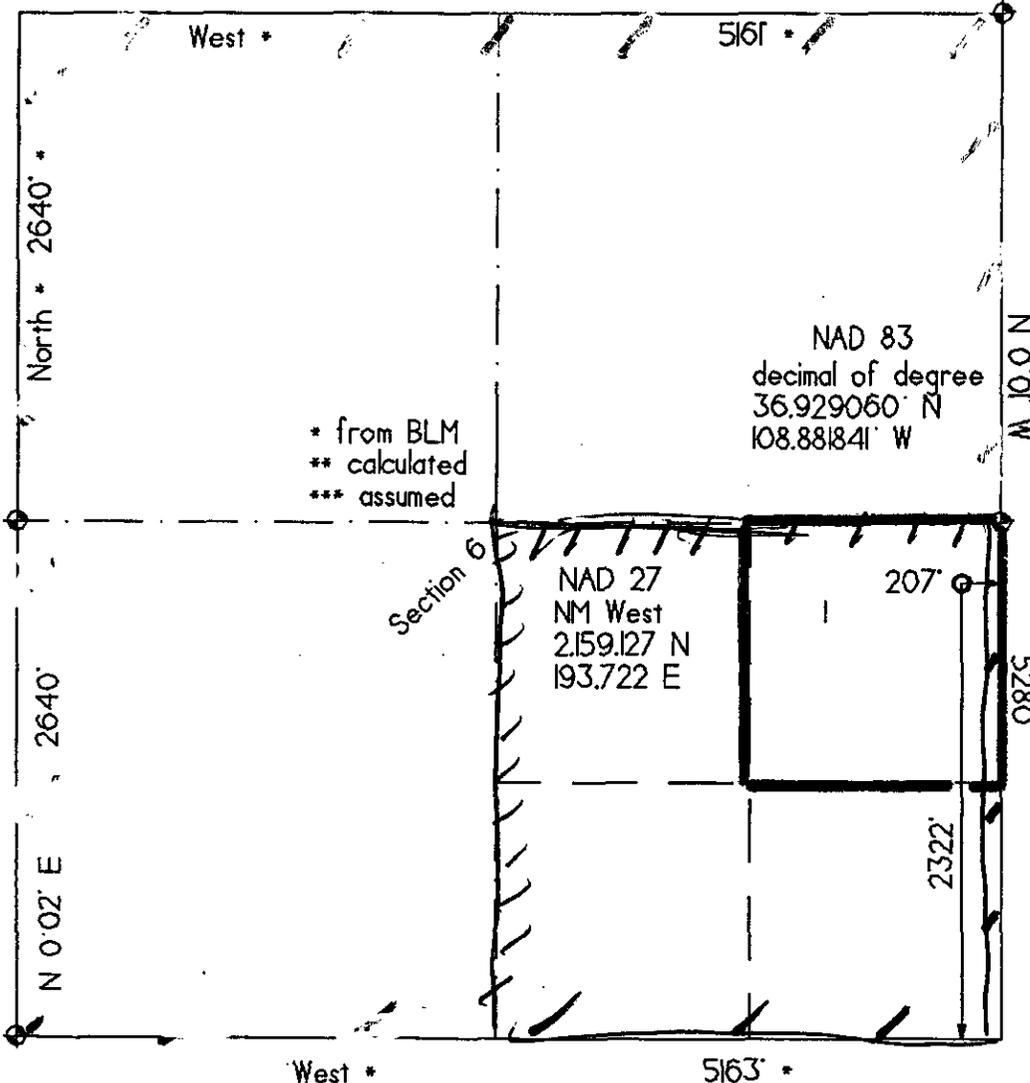
APA Number 30-045-33867	Pool Code 97616 97819	Pool Name WC 31N19W6; ^{oil} Paradek WC 31N19W6; Leadville gas
Property Code 3654	Property Name FALCON 6#1	Well Number 1
OGRID No. 242841	Operator Name NAVAJO NATION OIL & GAS CO., INC.	Elevation 5085'

Surface Location									
UL or Lot	Sec.	Twp.	Rge.	Lot ln.	Feet from >	North/South	Feet from >	East/West	County
1	6	31 N.	19 W.		2322'	SOUTH	207'	EAST	SAN JUAN

Bottom Hole Location If Different From Surface									
UL or Lot	Sec.	Twp.	Rge.	Lot ln.	Feet from >	North/South	Feet from >	East/West	County

Dedication 40 & 60	Joint ?	Consolidation	Order No.
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NO ALLOWABLE WILL ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED
 OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION



OPERATOR CERTIFICATION
 I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.
 Signature *Brian Wood*
 Printed Name **BRIAN WOOD**
 Title **CONSULTANT**
 Date **JULY 22, 2006**

SURVEYOR CERTIFICATION
 I hereby certify that the well location 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 **02/22/06**
 Signature and Seal of Professional Surveyor *Gerald Woodleston*

GERALD WOODLESTON
 NEW MEXICO
 6844
 REGISTERED LAND SURVEYOR

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

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

WELL API NO. 30-045-33867
5. Indicate Type of Lease STATE [] FEE []
6. State Oil & Gas Lease No. NO-G-0402-1710
7. Lease Name or Unit Agreement Name FALCON 6-I
8. Well Number #1
9. OGRID Number 242841
10. Pool name or Wildcat WC DESERT CREEK, ISMAY, & LEADVILLE

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 [x] Gas Well [] Other []
2. Name of Operator NAVAJO NATION OIL & GAS CO., INC.
3. Address of Operator P. O. BOX 4439, WINDOW ROCK, AZ 86515
4. Well Location Unit Letter: L 2322' FSL & 207' FEL Section 6 Township 31 N Range 19 W NMPM SAN JUAN County
11. Elevation (Show whether DR, RKB, RT, GR, etc.) 5,085' GL
Pit or Below-grade Tank Application [x] or Closure []
Pit type: DRILLING Depth to Groundwater: >100' Distance from nearest fresh water well: >5,000' Distance from nearest surface water: >10'
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: PERFORM REMEDIAL WORK [] PLUG AND ABANDON [] TEMPORARILY ABANDON [] CHANGE PLANS [] PULL OR ALTER CASING [] MULTIPLE COMPL [] OTHER: DRILLING PIT [x]
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.

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 [x], a general permit [] or an (attached) alternative OCD-approved plan [].

SIGNATURE [Signature] TITLE: CONSULTANT DATE: JULY 22, 2006

Type or print name: BRIAN WOOD E-mail address: brian@permitswest.com Telephone No.: (505) 466-8120
For State Use Only Deputy Oil & Gas Inspector, District #3

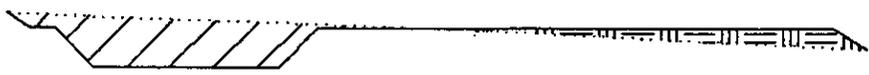
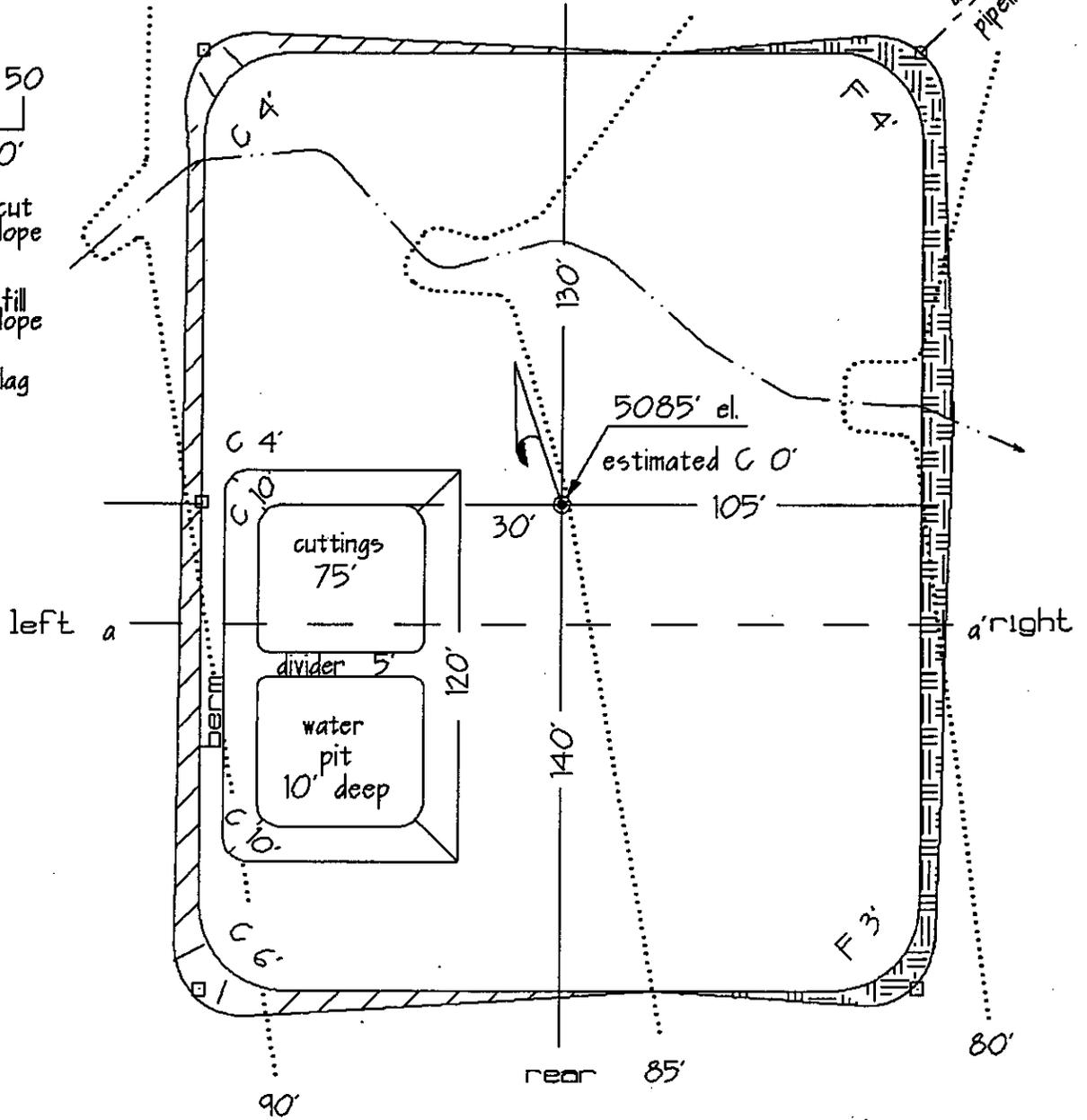
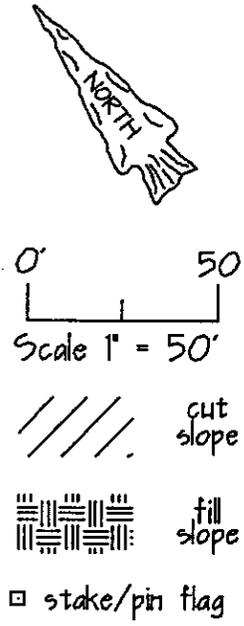
APPROVED BY: [Signature] TITLE DATE: JUN 15 2007
Conditions of Approval (if any):

Falcon # 1
well pad & section

front

North

access
pipeline



a

Cross section

a'

Navajo Nation Oil & Gas Co., Inc.
Falcon 6-1 #1
2322' FSL & 207' FEL
Sec. 6, T. 31 N., R. 19 W.
San Juan County, New Mexico

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Drilling Program

1. FORMATION TOPS

The estimated tops of important geologic markers are:

<u>Formation Name</u>	<u>GL Depth</u>	<u>KB Depth</u>	<u>Elevation</u>
Mancos Shale	0'	15'	+5,085'
Dakota Sandstone	495'	510'	+4,590'
Morrison Burro Canyon	580'	595'	+4,505'
Chinle Shale	2,670'	2,685'	+2,415'
DeChelly	3,565'	3,570'	+1,520'
Organ Rock	3,790'	3,805'	+1,295'
Cutler Formation	4,340'	4,355'	+745'
Honaker Trail	5,189'	5,204'	-104'
Paradox	5,622'	5,637'	-537'
Ismay	6,065'	6,080'	-980'
Desert Creek	6,180'	6,195'	-1,095'
Akah	6,342'	6,357'	-1,257'
Barker Creek	6,492'	6,507'	-1,407'
Pinkerton Trail	6,752'	6,767'	-1,667'
Molas	6,916'	6,931'	-1,831'
Leadville	7,010'	7,025'	-1,925'
Total Depth (TD)	7,200'	7,215'	-2,115'

2. NOTABLE ZONES

Desert Creek and Ismay oil production is the primary goal. Leadville gas production is the secondary goal. Oil and gas shows which appear to the well site geologist to be commercial will be tested. All fresh water and prospectively valuable minerals will be recorded by depth and protected with casing and cement.

Navajo Nation Oil & Gas Co., Inc.
Falcon 6-I #1
2322' FSL & 207' FEL
Sec. 6, T. 31 N., R. 19 W.
San Juan County, New Mexico

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3. PRESSURE CONTROL

The drilling contract has not yet been awarded, thus the exact BOP model to be used is not yet known. A typical 3,000 psi model is on PAGE 3. An 8-5/8" x 11" 3,000 psi double ram BOP system with a choke manifold and mud cross will be tested to 300 psi and then to 3,000 psi. Upper and lower Kelly cocks with valve handle and subs to fit all drill string connections which are in use will be available on the rig floor.

Tests will be run when:

- 1) installed
- 2) anytime a pressure seal is broken (test only affected equipment)
- 3) at least once every 20 days
- 4) blind & pipe rams will be activated each trip, but no more than daily

BOP systems will be consistent with API RP 53. Blowout preventers will be installed and tested before drilling surface casing plug and will remain in use until the well is completed or abandoned. Preventers will be inspected and operated daily to ensure good mechanical working order and this inspection recorded on the daily drilling report. Preventers and casing will be pressure tested before drilling casing cement plugs. Maximum expected bottom hole pressure will be \approx 3,000 psi.

4. CASING & CEMENT

<u>Hole Size</u>	<u>O. D.</u>	<u>Pounds/Foot</u>	<u>Grade</u>	<u>Age</u>	<u>Connections</u>	<u>Depth Set</u>
12-1/4"	8-5/8"	24	K-55	New	ST & C	500'
7-7/8"	5-1/2"	15.5	K-55	New	ST & C	7,200'

Surface casing will be cemented to the surface with \approx 371 sacks (\approx 427 cubic feet) Class G with 2% CaCl₂ + 1/4 pound per sack cello flake. Weight = 15.8 pounds per gallon. Yield = 1.15 cubic feet per sack. Volume calculated at 10% excess over annular volume.

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San Juan County, New Mexico

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A stage collar will be set at $\approx 3,500'$. Weight on cement at least four hours between stages.

First stage of the production casing will be cemented from TD to $\approx 3,500'$. Lead with ≈ 285 sacks (≈ 527 cubic feet) Class G 65:35 poz with 6% gel + 1/4 pound per sack cello flake. Weight = 12.7 pounds per gallon. Yield = 1.85 cubic feet per sack. Tail with ≈ 250 sacks (≈ 287 cubic feet) Class G cement with 2% CaCl_2 . Weight = 15.8 pounds per gallon. Yield = 1.15 cubic feet per sack. Total first stage cement = 814 cubic feet ($\geq 25\%$ excess in open hole).

Second stage will be cemented from $\approx 3,500'$ to the surface. Lead with ≈ 355 sacks (≈ 657 cubic feet) Class G 65:35 poz with 6% gel + 1/4 pound per sack cello flake. Weight = 12.7 pounds per gallon. yield = 1.85 cubic feet per sack. Tail with ≈ 100 sacks (≈ 115 cubic feet) Class G with 2% CaCl_2 . Weight = 15.8 pounds per gallon. Yield = 1.15 cubic feet per sack. Total second stage cement = 772 cubic feet ($\geq 25\%$ excess in open hole).

5. MUD PROGRAM

Fresh water, gel, lime, and native solids with a weight of 8.3 pounds per gallon will be used from the surface to $\approx 3,000'$. Gel/lime sweeps will be used as necessary for hole cleaning.

A low solids, non-dispersed polymer system will be used from $\approx 3,000'$ to TD. Weight = 8.6 to 9.5 pounds per gallon. Gel/lime sweeps will be used as needed to clean the hole. Fluid loss will be maintained at 15 - 20 cc. Fluid loss will be reduced to ≤ 15 cc before coring, logging or drill stem tests.

A two person mud logging unit will be on site from $\approx 4,000'$ to TD. Cuttings will be collected every $\approx 30'$ to the top of the Paradox or $\approx 5,500'$. After that point, cuttings will be collected every $\approx 10'$ to TD.

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6. CORES, LOGS, & TESTS

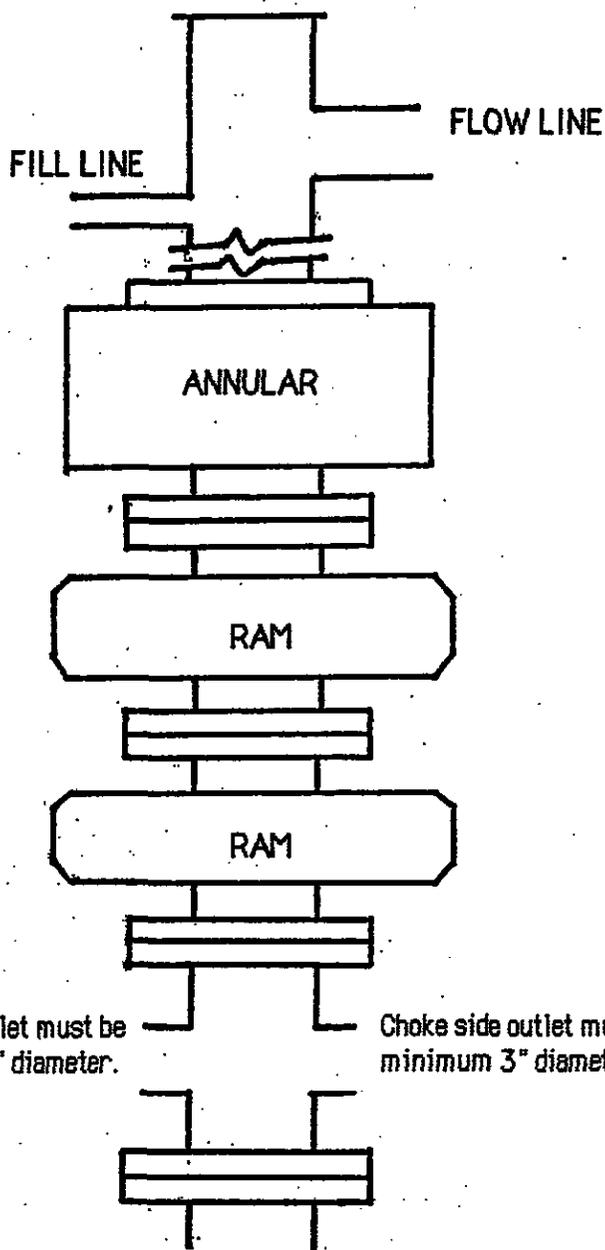
A conventional core may be cut in the Desert Creek or at strong shows. Side wall cores may also be cut. GR - Sonic and DLL-Micro-SFL log suites will be run from TD to the surface. FDC-CNL logs will be run from TD to $\approx 4,000'$. No drill stem tests are currently planned.

7. DOWN HOLE CONDITIONS

No abnormal temperatures or abnormal pressures are expected. No hydrogen sulfide has been found within a ≈ 7 mile radius.

8. OTHER INFORMATION

The anticipated spud date is September 21, 2006. It is expected it will take 3 weeks to drill and 2 weeks to complete the well.



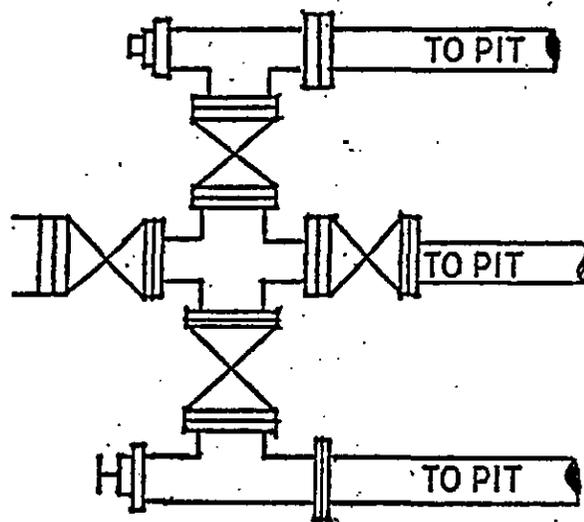
**TYPICAL BOP STACK
& CHOKE MANIFOLD**

There will be at least 2 chokes and 2 choke line valves (3" minimum). The choke line will be 3" in diameter. There will be a pressure gauge on the choke manifold.

Kill side outlet must be minimum 2" diameter.

Choke side outlet must be minimum 3" diameter.

Kill line will be minimum 2" diameter and have 2 valves, one of which shall be a minimum 2" check valve.



Upper kelly cock will have handle available.
 Safety valve and subs will fit all drill string connections in use.
 All BOPE connections subjected to well pressure will be flanged, welded, or clamped.