

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

2006 DEC 15 PM 3:52

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

APPLICATION FOR PERMIT TO DRILL OR REENTER

RECEIVED

070 FARMINGTON NM

Lease Serial No.
NOG 01101554

6. If Indian, Allottee or Tribe Name
Navajo Alloment 011389

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

8. Lease Name and Well No.
Blanco Wash 261

9. API Well No.
30-045-3419

10. Field and Pool, or Exploratory
Lybrook Gallup oil

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

K Section 26, 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 1773' FSL x 1593' FWL

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. 2.25 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

18. Distance from proposed location*
to nearest well, drilling, completed,
applied for, on this lease, ft.
3800'

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 6787.75'

22. Approximate date work will start*
02/21/07

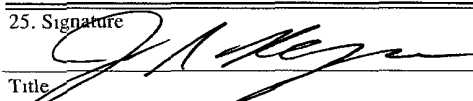
23. Estimated duration
20 days

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

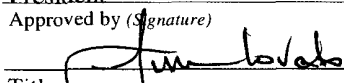
The following, completed in accordance with the requirements of Onshore Oil and Gas Order No. 1, shall be attached to this form:

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) John A. Byrom Date 12/04/06

Title President

Approved by (Signature)  Name (Printed/Typed) Date 7/26/07

Title Acting AFM Minerals 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.

Min. 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)

NOTIFY AZTEC OCD 24 HRS.
PRIOR TO CASING & CEMENT

RCVD JUL 30/07
OIL CONS. DIV.
DIST. 3

HOLD 0104 FOR NSL

NMOCD 8-01-07



BH

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

OIL CONSERVATION DIVISION
P.O. Box 2088
Santa Fe, NM 87504-2088

☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

¹ API Number 30-045-34119	² Pool Code 42289	³ Pool Name LYBROOK GALLUP OIL
⁴ Property Code 36632	⁵ Property Name BLANCO WASH 26	⁶ Well Number 26 1
⁷ GRID No 5578	⁸ Operator Name D. J. SIMMONS INC.	⁹ Elevation 6787.75'

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
K	26	24N	8W		1773.06	SOUTH	1593.33	WEST	SAN JUAN

¹¹ Bottom Hole Location If Different From Surface

UL or lot no.	Section	Township	Range	Lot ldn	Feet from the	North/South line	Feet from the	East/West line	County
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¹² Dedicated Acres 100 40	¹³ Joint or Infill	¹⁴ Consolidation Code	¹⁵ Order No
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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

<p>16</p>	<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><i>[Signature]</i></p> <p>Signature John A. Byrom Printed Name President Title Dec. 4, 2006 Date</p>
<p>SECTION 26</p> <p>NAVAJO ALLOTMENT 011389</p> <p>1593.33'</p> <p>LEASE 01101554</p> <p>1773.06'</p> <p>LAT=N36.282968° LONG=W107.654759° NAD83 GPS=PODP#4</p> <p><i>[Well Location Marked with 'W' in a circle]</i></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 1, 2006</p> <p>Date of Survey</p> <p>Signature and Seal of Professional Surveyor</p> <p><i>[Signature]</i></p> <p>Certificate Number N.M. 1088-79673</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

Form C-103
May 27, 2004

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

WELL API NO. 30-045-34119
5. Indicate Type of Lease STATE <input type="checkbox"/> FEE <input type="checkbox"/>
6. State Oil & Gas Lease No. NOG 01101554 Navajo Allotment 011389
7. Lease Name or Unit Agreement Name Blanco Wash
8. Well Number 26-1
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 <input checked="" type="checkbox"/> Gas Well <input type="checkbox"/> Other <input type="checkbox"/>	
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 K : 1773 feet from the South line and 1593 feet from the West line Section 26 Township 24N Range 8W NMPM San Juan County	
11. Elevation (Show whether DR, RKB, RT, GR, etc.) 6788 GL	
Pit or Below-grade Tank Application <input checked="" type="checkbox"/> or Closure <input type="checkbox"/>	
Pit type <u>Reserve Pit</u> 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:		SUBSEQUENT REPORT OF:	
PERFORM REMEDIAL WORK <input type="checkbox"/>	PLUG AND ABANDON <input type="checkbox"/>	REMEDIAL WORK <input type="checkbox"/>	ALTERING CASING <input type="checkbox"/>
TEMPORARILY ABANDON <input type="checkbox"/>	CHANGE PLANS <input type="checkbox"/>	COMMENCE DRILLING OPNS. <input type="checkbox"/>	P AND A <input type="checkbox"/>
PULL OR ALTER CASING <input type="checkbox"/>	MULTIPLE COMPL <input type="checkbox"/>	CASING/CEMENT JOB <input type="checkbox"/>	
OTHER: New well with reserve pit location. <input checked="" type="checkbox"/>		OTHER: <input type="checkbox"/>	

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.

DJ Simmons, Inc., intends to drill the above mentioned well, see attached Plat 1E for reserve pit 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 ☐.

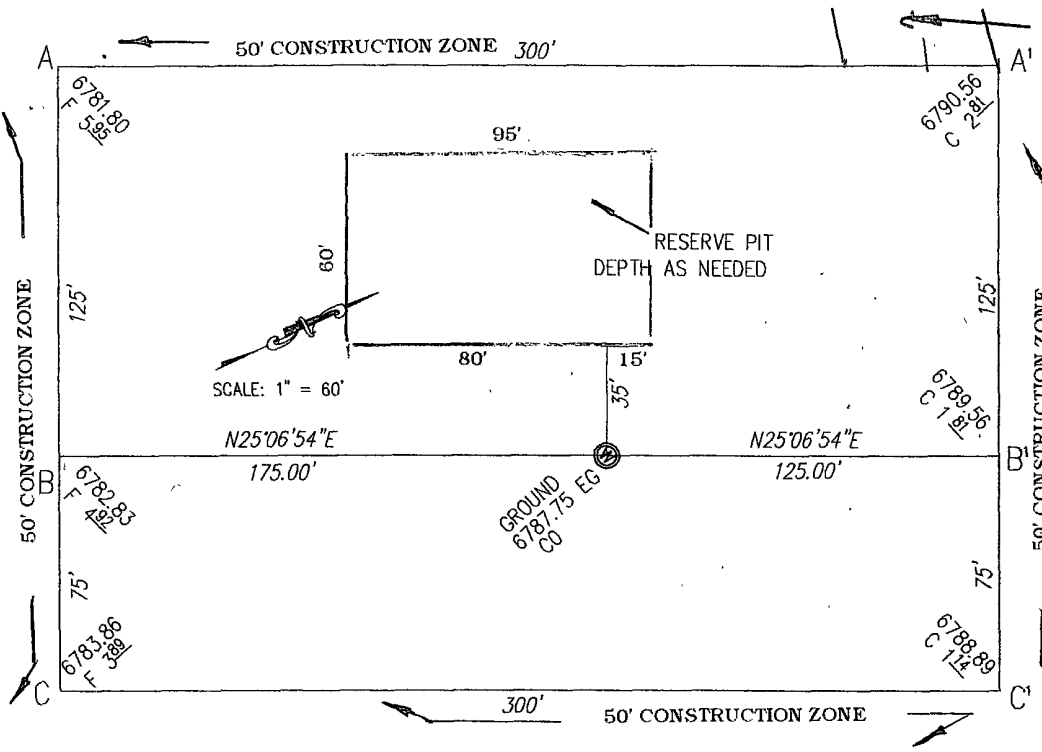
SIGNATURE Rodney L. Seale TITLE Operations Engineer DATE 12/11/06

Type or print name Rodney L. Seale E-mail address: rseale@djsimmons.com Telephone No. 505 326 3753

For State Use Only

APPROVED BY: [Signature] TITLE Deputy Oil & Gas Inspector, District #3 DATE AUG 01 2007

Conditions of Approval (if any):



PROPOSED 50' ACCESS ROAD

AND PIPELINE ROW

D. J. Simmons Inc.

OPERATOR

Blanco Wash #26-1

WELL NAME and NUMBER

1773.06' F/SL 1593.33' F/WL

FOOTAGES

26	24N	8W
SEC.	TWP.	RGE.
N36.282968°	W107.654759°	83
LAT.	LONG.	NAD

PODP #4

GPS

San Juan, New Mexico
COUNTY STATE

December 11, 2006

REVISED DATE:

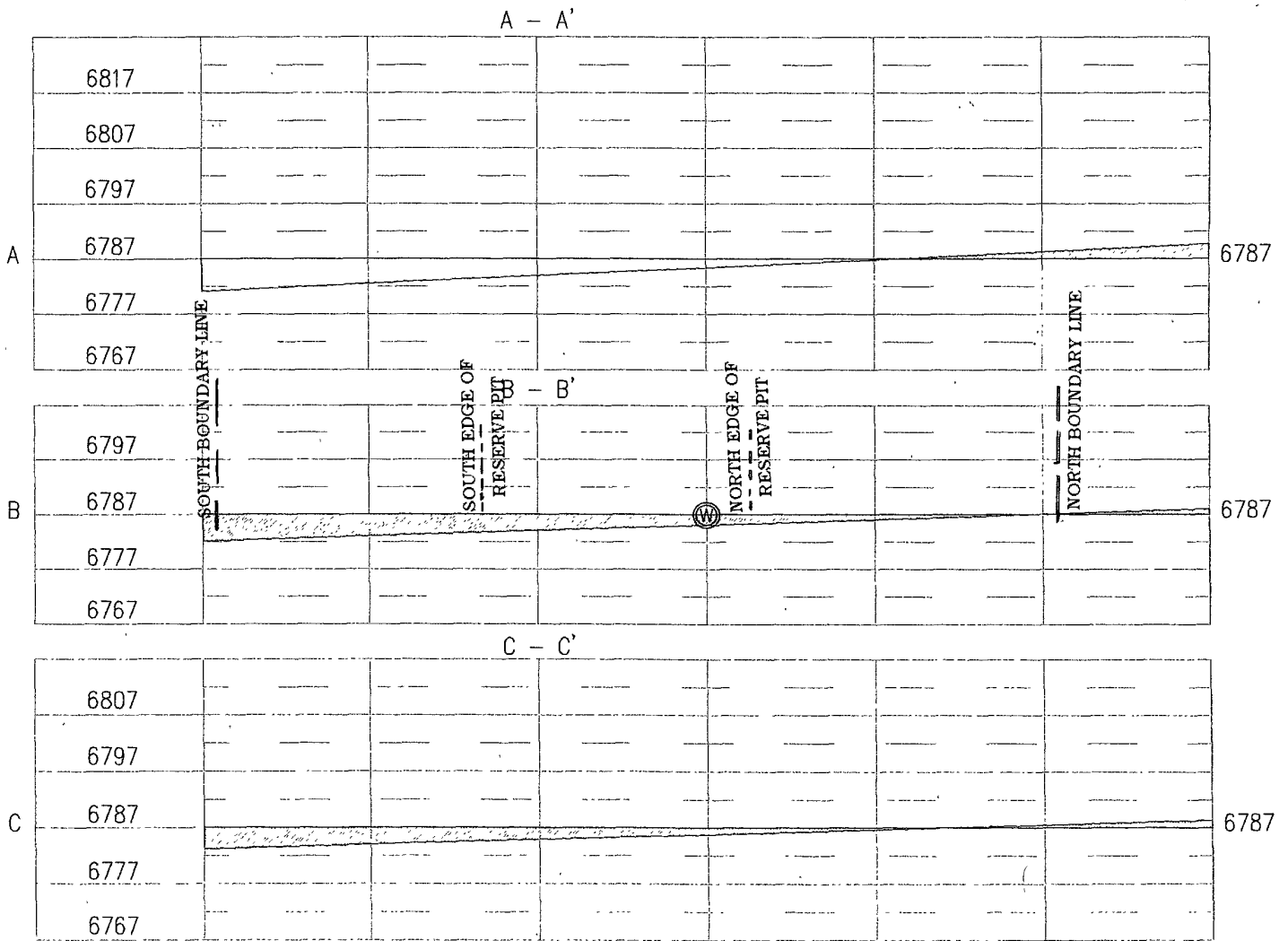
September 1, 2006

DATE

SCALE

Horiz. 1" = 60'

Vert. 1" = 30'



D.J. SIMMONS INC.
BLANCO WASH 26 #1
1773' FSL, 1593' FWL
Unit K Sec. 26 T24N R08W
San Juan County, NM

Drilling Program

1. ESTIMATED FORMATION TOPS: (KB)

<u>Formation Name</u>	<u>Depth</u>
Kirtland	1356'
Fruitland	1493'
Pictured Cliffs	1817'
Chacra	2230'
Cliffhouse	2602'
Menefee	3309'
Point Lookout	4180'
Mancos	4428'
Upper Gallup	4765'
Lower Gallup	5232'
Carlile	5610'
TD (5-1/2")	5600'

2. NOTABLE ZONES

<u>Gas or Oil Zones</u>	<u>Water Zones</u>
	Fruitland
	Pictured Cliffs
	Cliffhouse
Point Lookout	
Upper Gallup	
Lower Gallup	

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 26 #1
1773' FSL, 1593' FWL
Unit K Sec. 26 T24N R08W
San Juan County, NM

3. PRESSURE CONTROL:

Maximum expected pressure is 2200 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. BOPs will be tested 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"	8-5/8"	23#	LS X-42	New	ST&C	350'
7-7/8"	5-1/2"	15.5#	J-55	New	ST&C	5600'

A 5-1/2" stage tool will be set @ 4300'

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 20' 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.

D.J. SIMMONS INC.
BLANCO WASH 26 #1
1773' FSL, 1593' FWL
Unit K Sec. 26 T24N R08W
San Juan County, NM

2nd Stage: A 5-1/2" stage tool will be set @ 4350'. Lead cement will be ~834 cu. ft. (~379 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.

Tail cement will be ~209 cu. ft. (~104 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 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'-5600'	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 will be 2200 psi.

8. OTHER INFORMATION

The anticipated spud date is February 28, 2007. It is expected it will take ~10 days to drill and ~12 days to complete the well. Completion will start about one month after the spud and will include hydraulic fracturing.

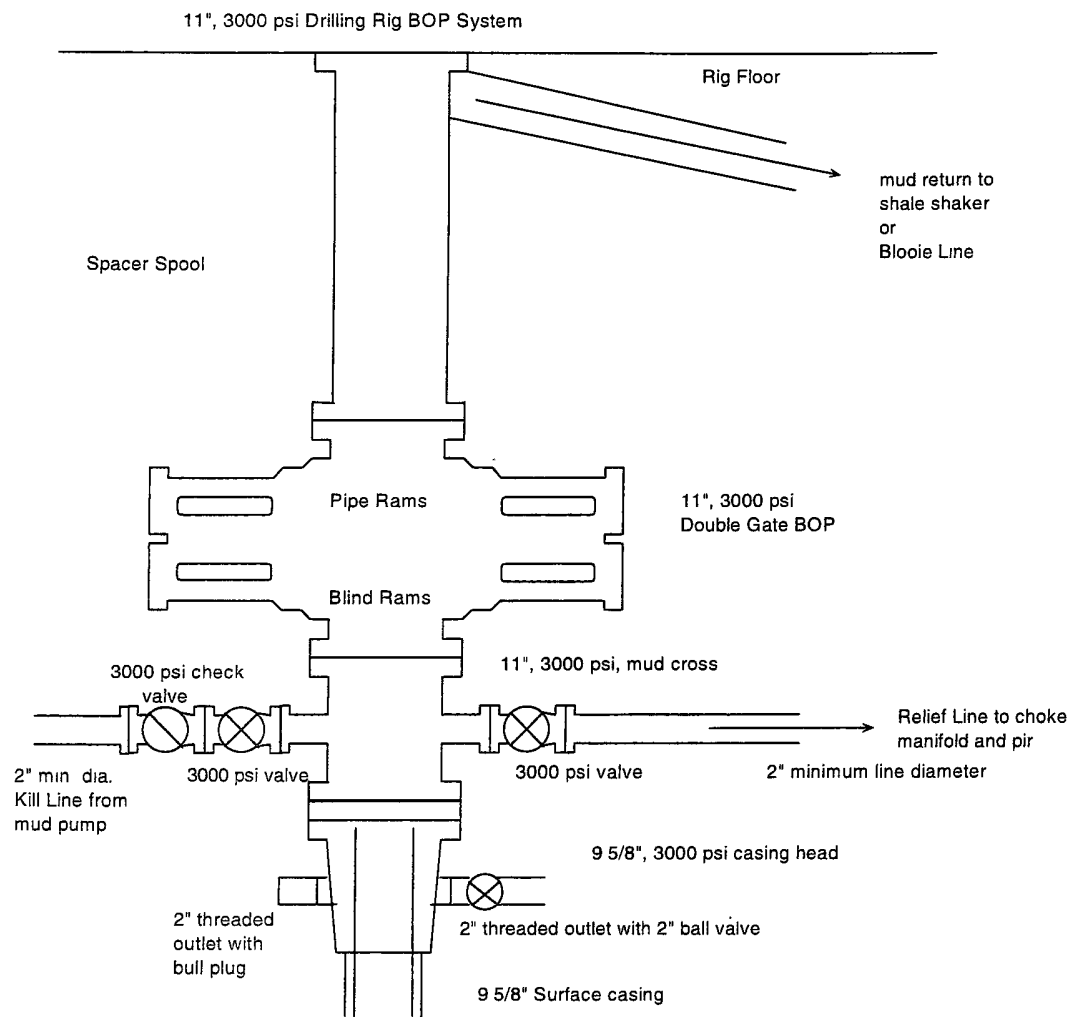
Prepared By:



Rodney L. Seale
Operations Engineer

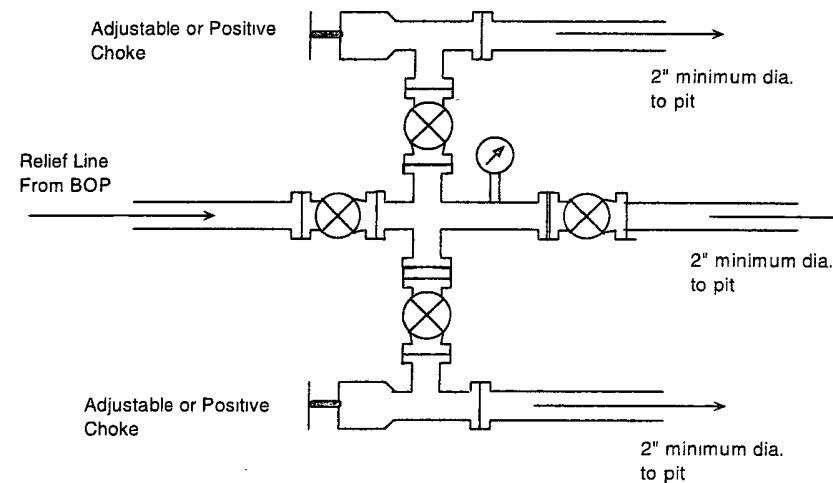
Date: December 11, 2006

Figure 1



BOP Installation from Surface Casing depth (300') to TD (5050'). 9 5/8", 3000 psi double gate BOP equipped with blind and pipe rams and rotating head. All equipment rated at 3000 psi or greater working pressure.

Figure 2



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