A COMPLETE C-144 MUST BE SUBMITTED TO AND APPROVED BY THE NMOCD FOR: A PIT, CLOSED LOOP SYSTEM, BELOW GRADE TANK, OR PROPOSED ALTERNATIVE METHOD. PURSUANT TO NMOCD PART 19.15.17, PRIOR TO THE USE OR CONSTRUCTION OF THE ABOVE APPLICATIONS.

RECEIVED

JAN 14 2009

Bureau of Land Management
Farmington Field Office

RCVD MAR 5 '09
OIL CONS. DIV.
DIST. 3

Form 3160-3
(August 1999)

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

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

APPLICATION FOR PERMIT TO DRILL OR REENTER

5 Lease Serial No: NM - 4457

6 If Indian, Allottee or Tribe Name:

1a Type of Work: [X] DRILL [ ] REENTER

7 If Unit or CA Agreement, Name and No:

b Type of Well: [ ] Oil Well [X] Gas Well [ ] Other [X] Single Zone [ ] Multiple Zone

8. Lease Name and Well No: Schalk 57 #200S

2 Name of Operator: Schalk Development Company

9 API Well No: 30-039-30654

3A Address: c/o Walsh Engineering,7415 E. Main, Farmington, NM 87402

3b Phone No *(include area code)*: (505) 327-4892

10. Field and Pool, or Exploratory: Basin Fruitland Coal

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

At surface: 745' FNL and 1615' FWL

At proposed prod. Zone:

11 Sec , T., R , M , or Blk, and Survey or Area: C Sec. 12, T30N, R5W

14 Distance in miles and direction from nearest town or post office*: 50 miles east of Farmington, 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
745'	200	N/2 268.63 acres
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**
38'	3410 +/-	
21 Elevations (Show whether DF, KDB, RT, GL, etc.)	**22. Approximate date work will start***	**23 Estimated duration**
6591' GR	June 2009	4 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
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 office

25 Signature	Name *(Printed/Typed)*	Date
Paul C. Thompson	Paul C. Thompson, P.E.	1/9/2009

Title: Agent

Approved by *(Signature)*	Name *(Printed/Typed)*	Date
Wayne Townsend	Wayne Townsend	3/4/09
Title	**Office**	
Acting AFM	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 1001and 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

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

NMOCD

BLM'S APPROVAL OR ACCEPTANCE OF THIS ACTION DOES NOT RELIEVE THE LESSEE AND OPERATOR FROM OBTAINING ANY OTHER AUTHORIZATION REQUIRED FOR OPERATIONS ON FEDERAL AND INDIAN LANDS

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

MAR 0 9 2009

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

RECEIVED
JAN 14 2009
Bureau of Land Management
Farmington Field Office

Form C-102
Revised October 12, 2005
Instructions on back
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
30-039-30654	71629	BASIN FRUITLAND COAL

4 Property Code	5 Property Name	6 Well Number
10075	SCHALK 57	200S

7 OGRID No.	8 Operator Name	9 Elevation
20389	SCHALK DEVELOPMENT COMPANY	6591'

10 Surface Location

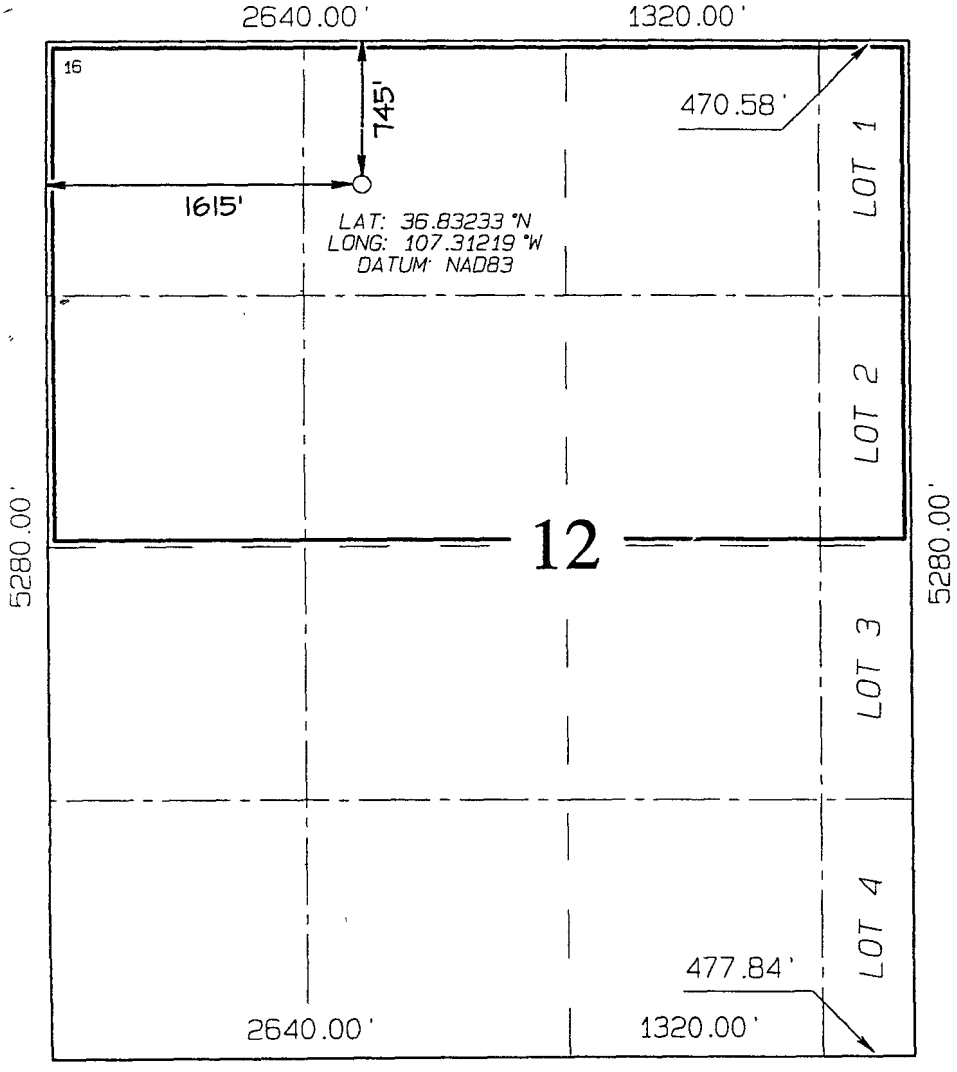
UL or lot no	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
C	12	30N	5W		745	NORTH	1615	WEST	RIO ARRIBA

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
268.63 Acres - N/2	Y		

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, and that this organization either owns a working interest or unleased mineral interest in the land including the proposed bottom-hole location or has a right to drill this well at this location pursuant to a contract with an owner of such a mineral or working interest, or to a voluntary pooling agreement or a compulsory pooling order heretofore entered by the division.

Paul C. Thompson 1/9/09
Signature Date

Paul C. Thompson
Printed Name

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.

Date of Survey: JUNE 23, 2008

Signature and Seal of Professional Surveyor

JASON C. EDWARDS
NEW MEXICO
15269
REGISTERED PROFESSIONAL SURVEYOR

JASON C. EDWARDS

Certificate Number 15269

SCHALK DEVELOPMENT CORPORATION
OPERATIONS PLAN
Schalk 57 #200S

I. Surface Location: 745' FNL & 1615' FWL Sec 12 T30N R5W Rio Arriba County, NM

Date: January 9, 2009

Field: Basin Fruitland Coal
Surface: Carson Nat'l Forest
Minerals: NM-4457

Elev: GL 6591'

II. Geology: Surface formation _ Nacimiento

A.

Formation Tops	Depth
Ojo Alamo	2810'
Kirtland	2925'
Fruitland	3285'
Pictured Cliffs	3410'
Total Depth	3430'

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

Water and gas - 3285', 3410'.

B. Logging Program: CCl & GR through the liner.

C. No over pressured zones are expected in this well. No H_2S zones will be penetrated in this well. Max. BHP = 1500 psig.

III. Drilling

A. Contractor:

B. Mud Program:

The surface hole will be drilled with a fresh water mud.

The intermediate 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.

The production hole will be drilled and under-reamed with air-mist, then open hole cavitated. An uncemented liner will be run across the Fruitland Coal section.

C. Minimum Blowout Control Specifications:

Double ram type 2000 psi working pressure BOP with a rotating head. See 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"	200'	9-5/8"	36# J-55
8-3/4"	3280'	7"	20# J-55
6-1/4"	3410'	5-1/2"	15.5# J-55

B. Float Equipment:

a) Surface Casing: Notched collar and 3 centralizers on the bottom 3 collars.

b) Intermediate Casing: Cement-nosed guide shoe and float collar on top of the bottom joint. Place 5 centralizers on every other collar starting at the float, and 5 turbolizers spaced every 5th collar across the Ojo Alamo.

c) Production casing. Weld 6-1/4" bit to the bottom of the casing. Set the liner with a 7" X 5-1/2" liner hanger without a packoff.

V. Cementing:

Surface casing: 9-5/8" - Use 110 sx (130 cu. ft.) of Type 5 with 3% $CaCl_2$, and ¼ #/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.

Intermediate casing: 7" - - Before cementing circulate hole with at least 1-1/2 hole volumes of mud. Precede cement with 20 bbls of fresh water. **Lead** with 365 sx (763 cu. ft.) of Type 5 65/35 poz with 8% gel, 1% $CaCl_2$, and ¼ #/sk. celloflake. Yield = 2.09 cu. ft./sk; slurry weight = 12.3 PPG). **Tail** with 100 sx (139 cu. ft.) of Type 5 with 1% $CaCl_2$, and ¼ #/sk. celloflake. (Yield = 1.39 cu. ft./sk; slurry weight = 14.5 PPG). Total volume = 902 cu.ft. Use 75% excess in lead and tail to circulate cement to surface.

Production Casing: None

Paul C. Thompson

Paul C. Thompson, P.E.

C. HARRADEN/ January 15, 2009

SCHALK DEVELOPMENT COMPANY/Schalk 57 #200S APD CH

STIPULATION/CONDITION OF APPROVAL

A sump/rathole into the non-productive underlying main P.C. ss is proposed by operator. In order to determine that the P.C. fm. in this wellbore is naturally non-productive, the operator is required to have a mudlogger on location to monitor for gas while drilling the P.C. fm.).

Schalk Development Company

Well Control Equipment Schematic for 2M Service

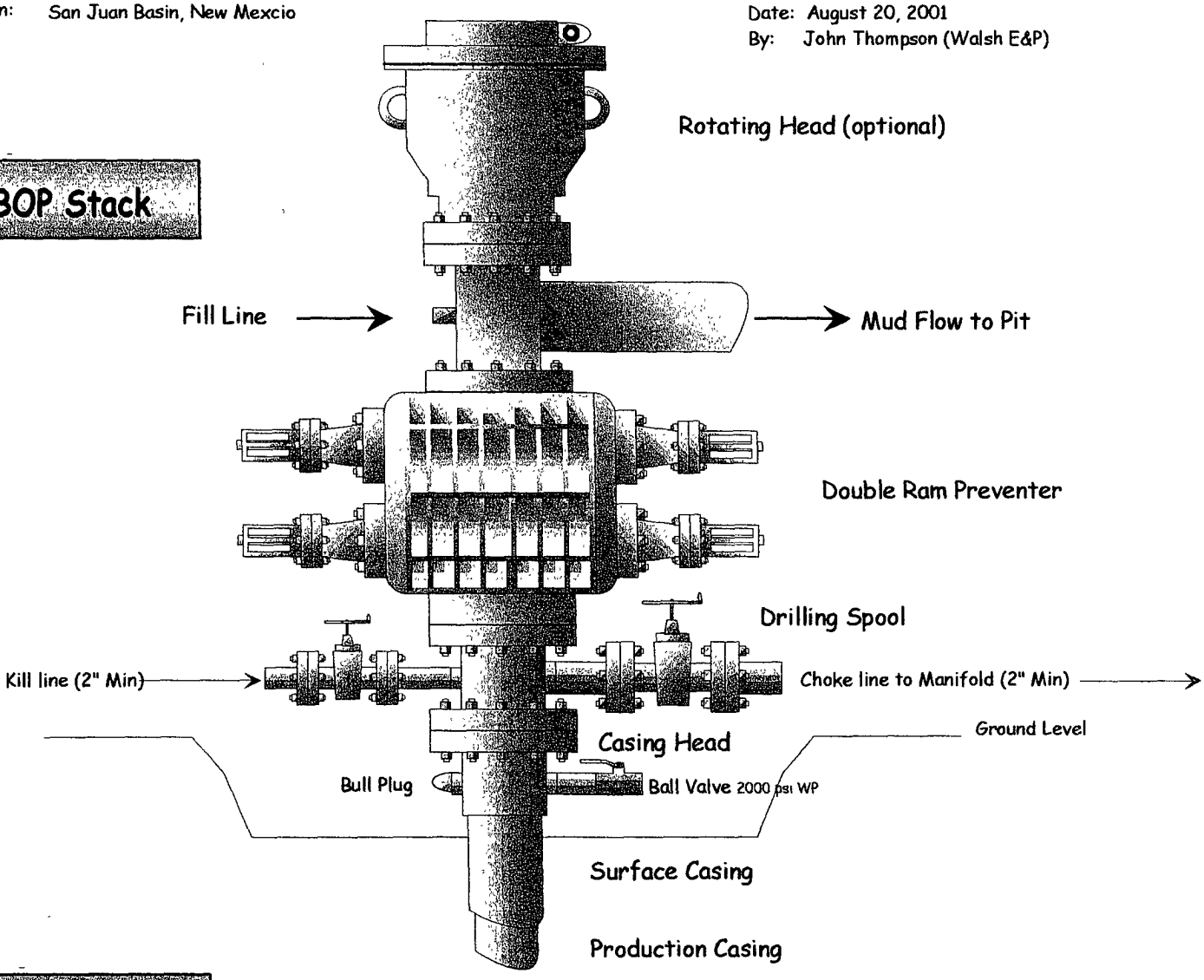
Attachment to Drilling Technical Program

Exhibit #1
Typical BOP setup

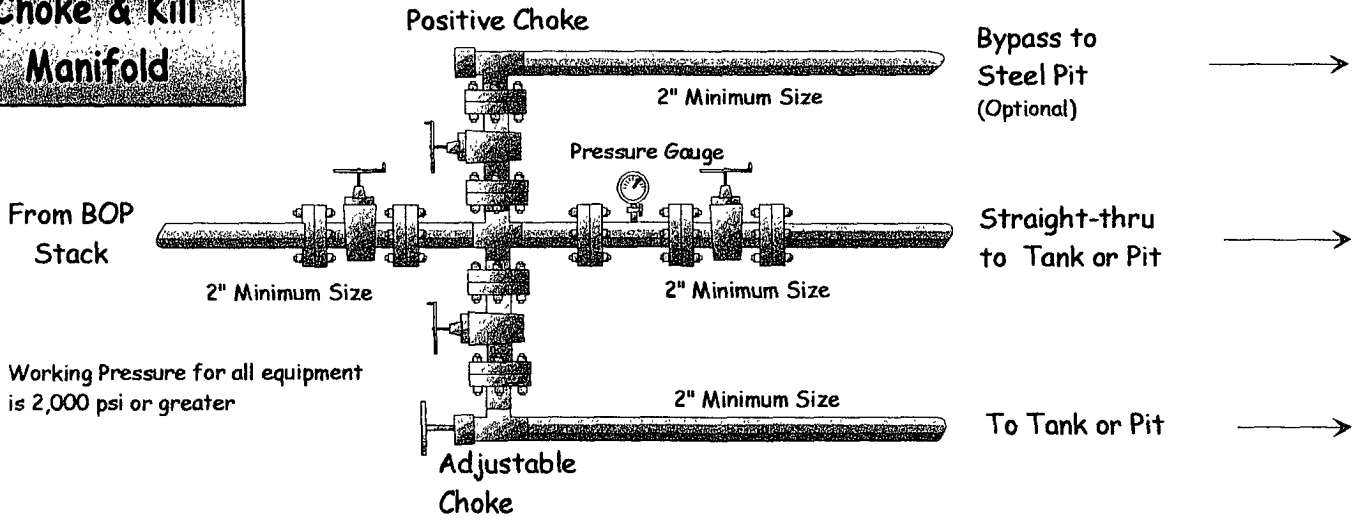
Location: San Juan Basin, New Mexcio

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

BOP Stack



Choke & Kill Manifold



Working Pressure for all equipment is 2,000 psi or greater