

RECEIVED

SEP 02 2009

FORM APPROVED
OMB No 1004-0137
Expires July 31, 2010

UNITED STATES
DEPARTMENT OF THE INTERIOR
Bureau of Land Management
Farmington Field Office

APPLICATION FOR PERMIT TO DRILL OR REENTER

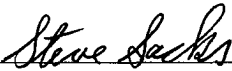
1a. Type of work: <input checked="" type="checkbox"/> DRILL <input type="checkbox"/> REENTER		5. Lease Serial No. NO-G-0110-1554
1b. Type of Well: <input checked="" type="checkbox"/> Oil Well <input type="checkbox"/> Gas Well <input type="checkbox"/> Other <input checked="" type="checkbox"/> Single Zone <input type="checkbox"/> Multiple Zone		6. If Indian, Allottee or Tribe Name Navajo Allottee #011389
2. Name of Operator DJ Simmons, Inc.		7. If Unit or CA Agreement, Name and No. None
3a. Address 1009 Ridgeway Place Farmington, NM 87401		8. Lease Name and Well No. Blanco Wash 26-2 Well
3b. Phone No. (include area code) 505-326-3753 X127		9. API Well No. 3004535019
4. Location of Well (Report location clearly and in accordance with any State requirements *) At surface 3,096.34' FNL and 431' FWL At proposed prod. zone Same as above		10. Field and Pool, or Exploratory Lybrook Gallup
14. Distance in miles and direction from nearest town or post office* 5 miles northeast of Nageezi, NM and 6 miles northwest of Lybrook, NM.		11. Sec., T. R. M. or Blk. and Survey or Area L Sec. 26, T24N, R8W, NMPM
15. Distance from proposed* location to nearest property or lease line, ft (Also to nearest drig. unit line, if any) 431.04'	16. No of acres in lease 160 Acres	17. Spacing Unit dedicated to this well 40 Acres
18. Distance from proposed location* to nearest well, drilling, completed, applied for, on this lease, ft 1,200'	19. Proposed Depth 5,800'	20. BLM/BIA Bond No. on file BIA Bond No. RLB 0002876
21. Elevations (Show whether DF, KDB, RT, GL, etc.) 6,797.34 GL	22. Approximate date work will start* 01/15/2010	23. Estimated duration 30 days

24. Attachments

RCVD JAN 21 '10
OIL CONS. DIV.

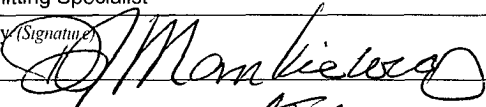
The following, completed in accordance with the requirements of Onshore Oil and Gas Order No. 1, must be attached to this form:

- | | |
|---|---|
| 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 must be filed with the appropriate Forest Service Office) | 6. Such other site specific information and/or plans as may be required by the BLM |
- DIST. 3**

25. Signature 	Name (Printed/Typed) Steve Sacks	Date 9/2/2009
---	-------------------------------------	------------------

Title

Permitting Specialist

Approved by (Signature) 	Name (Printed/Typed) D. Manley	Date 1/15/2010
---	-----------------------------------	-------------------

Title

Office

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 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.

(Continued on page 2)

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

*(Instructions on page 2)

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

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

FEB 25 2010

NMOC

NOTIFY AZTEC OCD 24 HRS.
PRIOR TO CASING & CEMENT
DRILLING OPERATIONS AUTHORIZED ARE
SUBJECT TO COMPLIANCE WITH ATTACHED
"GENERAL REQUIREMENTS".

DISTRICT I
1625 N. French Dr., Hobbs, NM 88240

State of New Mexico
Energy, Minerals & Natural Resources Department

Form C-102
Revised October 15, 2009

DISTRICT II
1301 W. Grand Avenue Artesia, NM 88210

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

Submit to Appropriate District Office
State Lease - 4 Copies
Fee Lease - 3 Copies

DISTRICT III
1000 Rio Brazos Rd., Aztec, N.M. 87410

DISTRICT IV
1220 S. St. Francis Dr., Santa Fe, NM 87505

☒ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

¹ API Number 3004535019	² Pool Code 42289	³ Pool Name LYBROOK GALLUP OIL
⁴ Property Code 36632	⁵ Property Name BLANCO WASH	⁶ Well Number 26-2
⁷ OGRID No. 5578	⁸ Operator Name D. J. SIMMONS INC.	⁹ Elevation 6797.34

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
L	26	24N	8W		3096.34	NORTH	431.04	WEST	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						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 to 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. RCVD FEB 15 '10 OIL CONS. DIV. DIST. 3 Steve Sacks 2/12/2010 Signature Date Steve Sacks Printed Name
	3096.34'					
		SECTION 26				
	431.04'	Dedicated 40 acres				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. October 22, 2008 Date of Survey Signature and Seal of Professional Surveyor: Certificate Number N.M. PLS #9673

D.J. SIMMONS INC.
Blanco Wash No. 26-2
3096' FNL, 431' FWL
Sec. 26 T24N R8W
San Juan County, NM

Drilling Program

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

Formation Name	Expected Depth	Top Subsea	Lithology	Contents
Kirtland	1299'	5510'	Sandstone, shale & siltstone, minor coal	
Fruitland	1643'	5166'	Coal beds, sandstones, silts, carbonaceous shale	gas, water
Pictured Cliffs	1983'	4826'	Sandstone & siltstone	
Lewis	2084'	4725'	Dark gray marine shale	
Chacra	2257'	4552'	Fine grained sandstone, siltstone	
Cliff House	2654'	4155'	Sandstone, interbedded shale & silt	
Menefee	3349'	3460'	Sandstone, coal beds, mudstone, siltstone	water, gas
Point Lookout	4177'	2632'	Sandstone	
Mancos	4433'	2376'	Dark marine shale	
Gallup	5003'	1806'	Siltstone, shale, occ. fine grained sandstone	oil with associated gas
Total Depth	5800'	1009'	Expose Gallup pay to logging	

2. **NOTABLE ZONES**

Potential Gas or Oil Zones

Kirtland
Fruitland
Pictured Cliffs
Point Lookout
Gallup

Potential Water Zones

Fruitland
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 as indicated appropriate by data recovered.

D.J. SIMMONS INC.
Blanco Wash No. 26-2
3096' FNL, 431' FWL
Sec. 26 T24N R8W
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. BOP rams will be cycled at least every 24 hours. BOP cycles and 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#	J-55	New	ST&C	350'
7-7/8"	5-1/2"	17.0#	N-80	New	LT&C	5800'

A 5-1/2" stage tool will be set @ 3800'

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. An insert float will be run in the top of the shoe joint and bumped with a wiper plug. WOC = 12 hours. Surface casing will be tested to 1000 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 = 1386 cu. ft. (984 sx). Volumes are calculated at 35% excess for the first stage and 35% excess for the second stage on a gauge hole. Cement volumes may require adjustment based on the calliper indications of the open hole logs. If necessary, a CBL will be run during completion operations to insure cement coverage. Casing will be pressure tested to 5000 psi for 30 minutes during completion operations.

1st Stage:

Cement will be 480 cu. ft. **LEAD:** 248 sx (63 bbl) 50:50 POZ:Class "G" + 4 LB/SK Gilsonite + 0.2% CD-20 + 0.6% Super FL-300 + 2% Bentonite and 6.87 gal/sx water @ 13.1ppg (1.43 cuft/sx), **TAIL:** 100sx (22 bbl) Class "G" + 0.4% Super FL-300 + 3 LB/SK Gilsonite + 0.1% Super CR-1 + 0.25 LB/SK Super Flake and 5.37 gal/sx water @ 15.20ppg (1.25 cuft/sx)

D.J. SIMMONS INC.
Blanco Wash No. 26-2
3096' FNL, 431' FWL
Sec. 26 T24N R8W
San Juan County, NM

2nd Stage: A 5-1/2" stage tool will be set @ 3800'. Cement will be 636 sx (162 bbl) 50:50 POZ:Class "G" + 4 LB/SK Gilsonite + 0.2% CD-20 + 0.6% Super FL-300 + 2% Bentonite and 6.87 gal/sx water @ 13.1ppg (1.43 cuft/sx).

Cementing equipment will include a float guide shoe, string float in top of shoe joint 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'-5800'	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 may 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 October 1st, 2009. 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: March 26, 2009 ✓