

RECEIVED

AUG 13 2009

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

UNITED STATES  
DEPARTMENT OF THE INTERIOR  
BUREAU OF LAND MANAGEMENT

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-0110-1556
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 Allotment # 011394
2. Name of Operator DJ Simmons, Inc.		7. If Unit or CA Agreement, Name and No. None
3a. Address 1009 Ridgeway Place, Suite 200 Farmington, NM 87401	3b. Phone No. (include area code) 505-326-3753	8. Lease Name and Well No. Blanco Wash 27-3
4. Location of Well (Report location clearly and in accordance with any State requirements.) At surface 1,301.06' FNL & 1,698.21' FEL At proposed prod. zone Same as above		9. API Well No. 3004535011
11. Sec., T. R. M. or Blk. and Survey or Area B Sec. 27, T24N, R8W, NMPM		10. Field and Pool, or Exploratory Lybrook Gallup Oil
12. Distance in miles and direction from nearest town or post office* 5 miles from Nageezi, NM.		12. County or Parish San Juan
13. State NM		13. State NM
15. Distance from proposed* location to nearest property or lease line, ft (Also to nearest drg. unit line, if any) 1,301.06' FNL	16. No. of acres in lease 160 acres	17. Spacing Unit dedicated to this well 40 acres (NWNE)
18. Distance from proposed location* to nearest well, drilling, completed, applied for, on this lease, ft 699'	19. Proposed Depth 5,800'	20. BLM/BIA Bond No. on file BIA Bond RLB0002876
21. Elevations (Show whether DF, KDB, RT, GL, etc.) 6797.52 GL	22. Approximate date work will start* 01/15/2010	23. Estimated duration 30 days

24. Attachments

RCVD MAY 5 '10

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

OIL CONS. DIV.

- |   |   |
|---|---|
| 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              |

25. Signature <i>Rodney L. Seale</i>	Name (Printed/Typed) Rodney L. Seale	Date August 7, 2009
Title Engineering & Production Manager		
Approved by (signature) <i>[Signature]</i>	Name (Printed/Typed)	Date 4/29/10
Title Acting AFM Minerals	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 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 unlawful 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)

THIS IS A PERMIT TO DRILL OR REENTER  
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)

MAY 13 2010

NMOCD

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

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

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

<sup>1</sup> API Number <b>30-045-35011</b>	<sup>2</sup> Pool Code <b>42289</b>	<sup>3</sup> Pool Name <b>LYBROOK GALLUP OIL</b>
<sup>4</sup> Property Code <b>36312</b>	<sup>5</sup> Property Name <b>BLANCO WASH 27</b>	<sup>6</sup> Well Number <b>27-3</b>
<sup>7</sup> GRID No. <b>5578</b>	<sup>8</sup> Operator Name <b>D. J. SIMMONS INC.</b>	<sup>9</sup> Elevation <b>6797.52</b>

<sup>10</sup> Surface Location

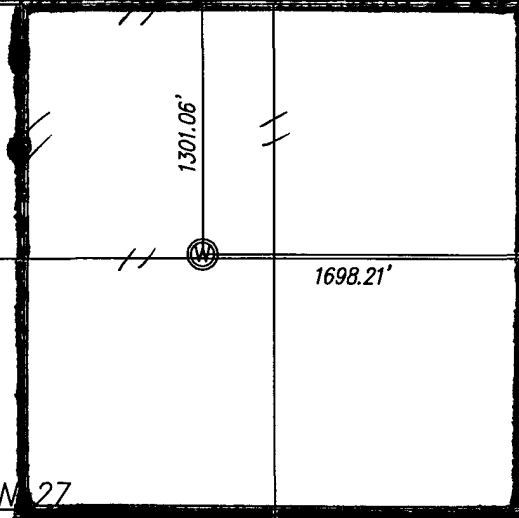
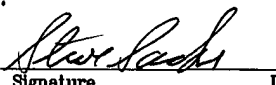
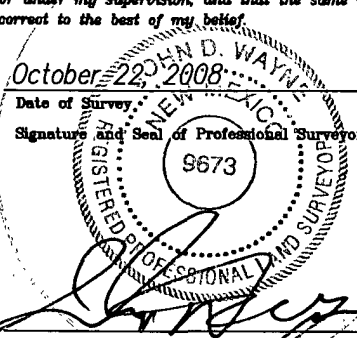

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
<b>B</b>	<b>27</b>	<b>24N</b>	<b>8W</b>		<b>1301.06</b>	<b>NORTH</b>	<b>1698.21</b>	<b>EAST</b>	<b>SAN JUAN</b>

<sup>11</sup> 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
								<b>RCVD MAY 7 '10</b>	

<sup>12</sup> Dedicated Acres <b>40</b>	<sup>13</sup> Joint or Infill	<sup>14</sup> Consolidation Code	<sup>15</sup> Order No. <b>NSL-6133</b>	<b>OIL CONS. DIV.</b>
				<b>DIST. 3</b>

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

<b>16</b>					<b><sup>17</sup> OPERATOR CERTIFICATION</b>  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.   <b>8/10/2009</b> Signature Date <b>Steve Sacks</b> Printed Name
				<b><sup>18</sup> SURVEYOR CERTIFICATION</b>  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 Signature and Seal of Professional Surveyor:  Certificate Number <b>N.M. PLS #9673</b>	

# NEW MEXICO WELL LOCATION PLAT

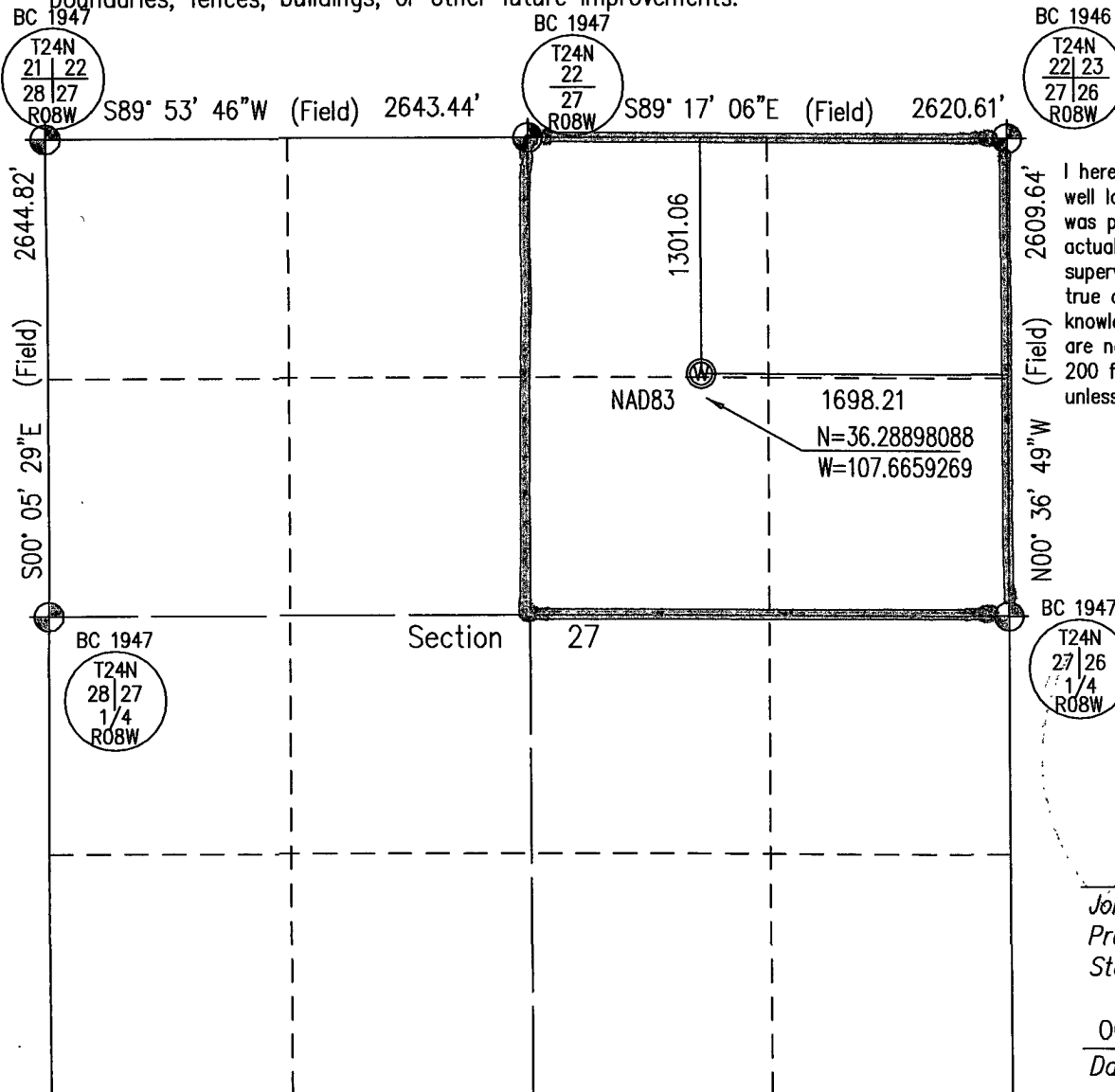
OPERATOR DJ SIMMONS INC.  
 LEASE BLANCO WASH WELL NO. 27-3  
 SECTION 27 TOWNSHIP 24 North RANGE 8 West N.M.P.M.  
 COUNTY San Juan NEW MEXICO  
 FOOTAGE LOCATION OF WELL: 1301.06 FEET FROM THE North LINE and  
1698.21 FEET FROM THE East LINE and  
 GROUND LEVEL ELEVATION: 6797.52  
 SURFACE USE WITHIN 200' RADIUS: No Improvements Within 200'  
 BASIS OF BEARING: GPS Data  
 BASIS OF ELEVATION: GPS Data - NAD 83 - PDOP #1.3



500' 500'  
 1" = 1000'

Some information on this plat is based on information taken from previous surveys, record information, or collateral evidence and may not reflect that which may be disclosed by a complete boundary survey. This plat is not to be relied on for the establishment of surface boundaries, fences, buildings, or other future improvements.

- GLO BC (1912)
- WELL Location
- STONE Marked
- ALUMINUM CAP



I hereby certify that the proposed well location shown on this plat was prepared from field notes of an actual survey by me or under my supervision, and that the same is true and correct to the best of my knowledge and belief, and that there are no visible improvements within 200 feet of this proposed wellhead, unless noted otherwise.

John D. Wayne  
 Professional L.S. #9673  
 State of New Mexico

OCTOBER 22, 2008

Date Surveyed:

NOVEMBER 20, 2008

Date Platted:

SCALE: 1" = 1000'

**D.J. SIMMONS INC.**  
**Blanco Wash No. 27-3**  
**1301' FNL, 1698' FWL**  
**Sec. 27 T24N R8W**  
**San Juan County, NM**

**Drilling Program**

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

<b>Formation Name</b>	<b>Expected Depth</b>	<b>Top Subsea</b>	<b>Lithology</b>	<b>Contents</b>
Kirtland	1270'	5540'	Sandstone, shale & siltstone, minor coal	
Fruitland	1614'	5196'	Coal beds, sandstones, silts, carbonaceous shale	gas, water
Pictured Cliffs	1954'	4856'	Sandstone & siltstone	Water
Lewis	2055'	4755'	Dark gray marine shale	
Chacra	2228'	4582'	Fine grained sandstone, siltstone	
Cliff House	2614'	4196'	Sandstone, interbedded shale & silt	
Menefee	3332'	3478'	Sandstone, coal beds, mudstone, siltstone	water, gas
Point Lookout	4188'	2622'	Sandstone	Water, gas
Mancos	4440'	2370'	Dark marine shale	
Gallup	4998'	1812'	Siltstone, shale, occ. fine grained sandstone	oil with associated gas
Total Depth	5800'	1010'	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. 27-3**  
**1301' FNL, 1698' FWL**  
**Sec. 27 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 ft<sup>3</sup>/sx yield, 15.2 ppg, & 5.8 gps) with 2% CaCl<sub>2</sub> 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 = 1568 cu. ft. (1110 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.

**1<sup>st</sup> Stage:**

Cement will be 680 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. 27-3  
1301' FNL, 1698' FWL  
Sec. 27 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 1<sup>st</sup>, 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 30, 2009 ✓