

**STATE OF UTAH**  
DEPARTMENT OF NATURAL RESOURCES  
DIVISION OF OIL, GAS AND MINING

FORM 3

AMENDED REPORT

<b>APPLICATION FOR PERMIT TO DRILL</b>		<b>1. WELL NAME and NUMBER</b> UTE CANYON 25 G-O
<b>2. TYPE OF WORK</b> DRILL NEW WELL <input checked="" type="checkbox"/> REENTER P&A WELL <input type="checkbox"/> DEEPEN WELL <input type="checkbox"/>		<b>3. FIELD OR WILDCAT</b> TOHONADLA
<b>4. TYPE OF WELL</b> Oil Well Coalbed Methane Well: NO		<b>5. UNIT or COMMUNITIZATION AGREEMENT NAME</b>
<b>6. NAME OF OPERATOR</b> NAVAJO NATION OIL & GAS CO		<b>7. OPERATOR PHONE</b> 303 534-8300
<b>8. ADDRESS OF OPERATOR</b> P.O. Box 4439, Window Rock, AZ, 86515		<b>9. OPERATOR E-MAIL</b> LGerminario@nngoc.com
<b>10. MINERAL LEASE NUMBER (FEDERAL, INDIAN, OR STATE)</b> 1420603229	<b>11. MINERAL OWNERSHIP</b> FEDERAL <input type="checkbox"/> INDIAN <input checked="" type="checkbox"/> STATE <input type="checkbox"/> FEE <input type="checkbox"/>	
<b>12. SURFACE OWNERSHIP</b> FEDERAL <input type="checkbox"/> INDIAN <input checked="" type="checkbox"/> STATE <input type="checkbox"/> FEE <input type="checkbox"/>		<b>13. NAME OF SURFACE OWNER (if box 12 = 'fee')</b>
<b>14. SURFACE OWNER PHONE (if box 12 = 'fee')</b>		<b>15. ADDRESS OF SURFACE OWNER (if box 12 = 'fee')</b>
<b>16. SURFACE OWNER E-MAIL (if box 12 = 'fee')</b>		<b>17. INDIAN ALLOTTEE OR TRIBE NAME (if box 12 = 'INDIAN')</b> NAVAJO
<b>18. INTEND TO COMMINGLE PRODUCTION FROM MULTIPLE FORMATIONS</b> YES <input type="checkbox"/> (Submit Commingling Application) NO <input checked="" type="checkbox"/>		<b>19. SLANT</b> VERTICAL <input type="checkbox"/> DIRECTIONAL <input type="checkbox"/> HORIZONTAL <input checked="" type="checkbox"/>

20. LOCATION OF WELL	FOOTAGES	QTR-QTR	SECTION	TOWNSHIP	RANGE	MERIDIAN
LOCATION AT SURFACE	2024 FNL 1987 FEL	SWNE	25	41.0 S	21.0 E	S
Top of Uppermost Producing Zone	438 FSL 2421 FEL	SWSE	24	41.0 S	21.0 E	S
At Total Depth	438 FSL 2421 FEL	SWSE	24	41.0 S	21.0 E	S

<b>21. COUNTY</b> SAN JUAN	<b>22. DISTANCE TO NEAREST LEASE LINE (Feet)</b> 2421	<b>23. NUMBER OF ACRES IN DRILLING UNIT</b> 640
<b>24. DISTANCE TO NEAREST WELL IN SAME POOL (Applied For Drilling or Completed)</b> 1915	<b>25. DISTANCE TO NEAREST WELL IN SAME POOL (Applied For Drilling or Completed)</b> 1915	<b>26. PROPOSED DEPTH</b> MD: 8120 TVD: 5620
<b>27. ELEVATION - GROUND LEVEL</b> 4870	<b>28. BOND NUMBER</b> BIA RLB0006712	<b>29. SOURCE OF DRILLING WATER / WATER RIGHTS APPROVAL NUMBER IF APPLICABLE</b> FRESH WATER RIGHTS NO. 09-135

Hole, Casing, and Cement Information										
String	Hole Size	Casing Size	Length	Weight	Grade&Thread	Max Mud Wt.	Cement	Sacks	Yield	Weight
Surf	20	13.375	0-1675	23.0	J-55 ST&C	0.0	Light (Hibond)	318	0.0	0.0
			1675-6250	26.0	J-55 LT&C	0.0	None			

**ATTACHMENTS**

**VERIFY THE FOLLOWING ARE ATTACHED IN ACCORCANCE WITH THE UTAH OIL AND GAS CONSERVATION GENERAL RULES**

<input checked="" type="checkbox"/> WELL PLAT OR MAP PREPARED BY LICENSED SURVEYOR OR ENGINEER	<input checked="" type="checkbox"/> COMPLETE DRILLING PLAN
<input type="checkbox"/> AFFIDAVIT OF STATUS OF SURFACE OWNER AGREEMENT (IF FEE SURFACE)	<input type="checkbox"/> FORM 5. IF OPERATOR IS OTHER THAN THE LEASE OWNER
<input type="checkbox"/> DIRECTIONAL SURVEY PLAN (IF DIRECTIONALLY OR HORIZONTALLY DRILLED)	<input checked="" type="checkbox"/> TOPOGRAPHICAL MAP

<b>NAME</b> Wayne Williams	<b>TITLE</b> VP- Exploration & Production	<b>PHONE</b> 303 534-8300
<b>SIGNATURE</b>	<b>DATE</b> 05/24/2011	<b>EMAIL</b> lgerminario@nngoc.com

**API NUMBER ASSIGNED** 43037500090000 **APPROVAL**

Drilling Program

1. FORMATION TOPS

The log tops of important geologic markers are:

<b>Formation</b>	<b>Lithology</b>	<b>Prognosed (Subsea Top)</b>	<b>Top MD ( R GEL)</b>
Bluff Ss	Ss	4870'	Surface
Carmel	Ss/Slt	4799'	96'
Navajo	Ss	4210'	660'
Wingate	Ss/Slt	4005'	865'
Chinle	Ss/Mdst	3395'	1475'
Shinarump	Ss	2885'	1975'
De Chelly	Ss/Mdst/Sh	2495'	2375'
Organ Rock	Sh/Sltst/Ss	2310'	2560'
L. Cutler Fm	Sltst/Ss/Sh	1590'	3280'
Honaker Trail	Ls/ Siltst/Sh	490'	4380'
Paradox Fm.	Ls/Sltst/Marls/Sh	-63'	4933'
Ismay Mmbr	Ls/Dolo/Marls/Sh	-420'	5290'
L. Ismay Mmbr	Ls/Dolo/Marls/Sh	-506'	5376'
Desert Creek	Ls/Dolo/Marls/Sh	-566'	5436'
Akah Mmbr	Ls/Dolo/Anhy/Sh	-757'	5627'
Barker Creek	Ls/Dolo/Anhy/Sh	-978'	5818'
Pinkerton Trail	Ls/Dolo/Anhy/Sh	-1129'	5909'
Proposed Depth (TD)		-750'	5620'

2. NOTABLE ZONES

The Desert Creek is the primary interval of interest, the horizontal hole will be in this zone. This is a pre-determined interval for the exploitation of the less permeable oil zone. All fresh water and prospectively valuable mineral water will be recorded by depth and protected with casing and cement. Likely fresh water zones are the Glen Canyon group of sandstones.

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### 3. PRESSURE CONTROL

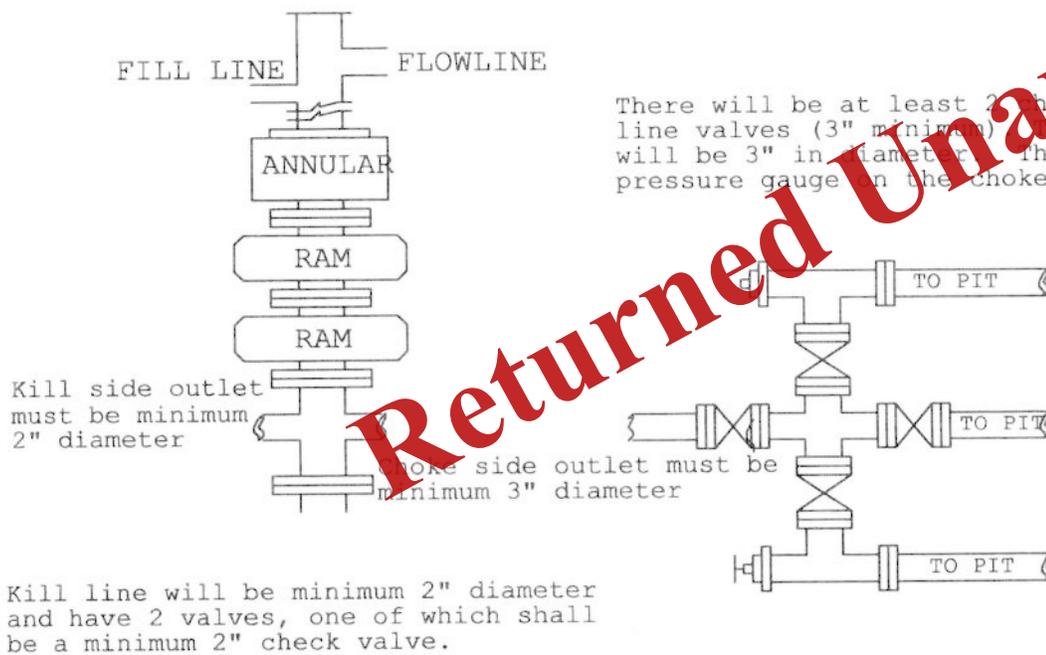
A 13 5/8" 3,000 psi double ram and annular preventer with a 3,000 psi choke manifold will be used. A diagram of a typical BOP is on page 3. Actual model will not be known until a bid for a drilling contractor is let. Procedures are:

- Nipple up BOP and all equipment
  - Test to 250 #/3,000#
  - Test Hydril to 2,000 psi
  - Log test in IADC book
- Drill ½ of shoe joint
  - Test to 1500 psi for 30 minutes
  - Log test in IADC book
- Activate BOP's every 24 hours or on trips and log in IADC book
- Install hand wheels and lay straight flare line before drilling out
- Conduct weekly BOP drills with each crew and log in IADC book
- Have floor valve and wrench on floor at all times
  - Floor valve must be in open position
- Before drilling surface casing shoes, blind rams will be closed. BOP and surface casing will be pressure tested to 1,500 psi for a total test time of 30 minutes if not previously tested by Cementing Company during cement job.
- Studs on all well head and BOP flanges will be checked for tightness weekly
- Hand wheel for locking screws will be installed and operational
- Entire BOP and well head assembly will be kept clean of mud
- A drill stem safety valve in the open position will be available
- Call BLM at (505-599-8900) and the Utah Division of Oil, Gas, & Mining at (801 538-5340) before testing BOP's

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Navajo Nation Oil & Gas Co.Inc.  
Ute Canyon 25 G-0  
2024' FNL, 1987 FEL  
Section 25, T41N, R21E  
San Juan County, Utah

### TYPICAL BOP STACK & CHOKE MANIFOLD



Upper kelly cock will have handle available.

Safety valve and subs will fit all drill string connections in use.

All BPOE connections subjected to well pressure will be flanged, welded, or clamped.

4. CASING & CEMENT

Hole Size	O.D.	Weight	Grade	Age	Coupling	Burst/Collapse	Depth Set
20"	13 3/8"	In Place					158'
12 1/4"	9 5/8"	36#	J or K-55	New	ST&C	3,520/2,575	1,675'
8 3/4"	7"	23#	J or K-55	New	LT&C	4,360/3,270	
8 3/4"	7"	26#	J or K-55	New	LT&C	4,980/4,320	6,250'

Surface casing will be set at least 200' into the Chinle and cemented to the surface with  $\pm 50\%$  excess. Lead with  $\pm 318$  sacks ( $\pm 620$  cubic feet) Light Cement with 5 pounds per sack gilsonite +  $\frac{1}{4}$  pound per sack cellophane flakes mixed at 12.4 pounds per gallon and 1.95 cubic feet per sack. Tail with  $\pm 200$  sacks ( $\pm 238$  cubic feet) Standard Cement with 1%  $\text{CaCl}_2$  +  $\frac{1}{4}$  pound per sack cellophane flakes mixed at 15.6 pounds per gallon and 1.19 cubic feet per sack. Centralizers will be placed  $\pm 5'$  off bottom and on first three joints and fifth joint.

Production casing will be cemented with  $\pm 40\%$  excess to  $\pm 1200'$  (i.e.,  $\geq 200'$  above the surface casing shoe). Lead with  $\pm 270$  sacks ( $\pm 567$  cubic feet) Light Cement with 5 pounds per sack gilsonite +  $\frac{1}{4}$  pound per sack cellophane flakes mixed at 12.4 pounds per gallon and 1.95 cubic feet per sack. Tail with  $\pm 270$  sacks ( $\pm 238$  cubic feet) Premium Cement with 5 pounds per sack Gilsonite, 0.6% retarder, 0.2% friction reducer at 15.2 pounds per gallon and 1.26 cubic feet per sack. Centralizers set on the shoe joint, top of second and third joints, and continue through and above pay zones at  $\pm 90'$  intervals.

5. MUD PROGRAM

Interval	Weight	Viscosity	Fluid Loss	Type
0 - 1,675'	8.3 to 8.7	27 to 32	N/C	Fresh water gel lining mud ph 9.0 or below
1,675' - TD	8.4 to 10.0	38 to 40	8 cc	Fresh water gel & PHPA, SAPP, etc

Cutting will be collected every 30' from surface to 7' casing setting depth. Cutting will be collected every 10' in horizontal hole.

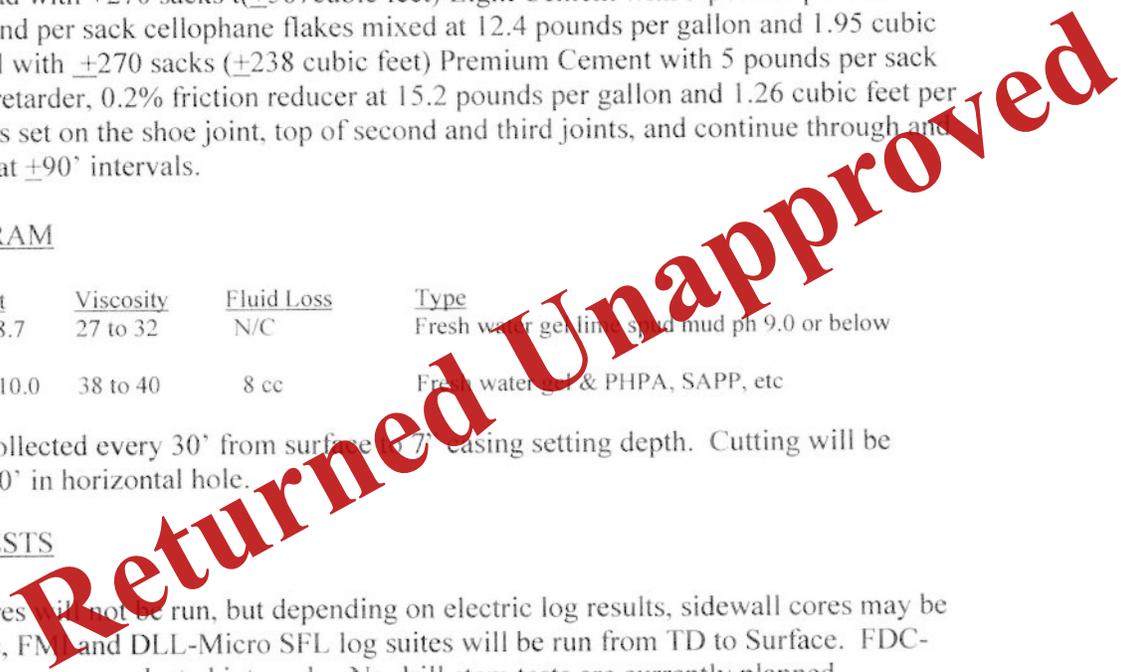
6. CORES & TESTS

Conventional cores will not be run, but depending on electric log results, sidewall cores may be taken. GR-Sonic, FM, and DLL-Micro SFL log suites will be run from TD to Surface. FDC-CNL logs will be run over selected intervals. No drill stem tests are currently planned.

A geologist and/or mudlogger will be on site from  $\pm 4000'$  to TD.

7. DOWN HOLE CONDITIONS

No abnormal temperatures or abnormal pressures are expected. Maximum expected bottom hole pressure will be  $\pm 2450$  psi. Hydrogen sulfide is not expected to be encountered.



Navajo Nation Oil & Gas Co., Inc.  
Ute Canyon 25-G-O  
2024' FNL, 1987' FEL  
Section 25, T41, R21E  
San Juan County, Utah

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8. OTHER INFORMATION

The anticipated spud date is August 1, 2010. It is expected it will take  $\pm 3$  weeks to drill and  $\pm 2$  weeks to complete the well.

The well is to be a horizontal well drilled from an existing dry hole drilled by Ladd and Lewis in 1967. In order to run sufficient surface casing the hole will be reamed to 12 1/4" to 1675' to enable running 9 5/8" surface casing. The hole from the base of the surface casing will be reamed to 8 3/4" to enable the running of 7" casing to allow running directional tools. The horizontal hole will be drilled in the Desert Creek interval with a cement plug be used as a kick off point at +5300'. After the curve is completed, 7" casing will be run and cemented. The horizontal hole will then be drilled to the north  $\pm 2500'$ .

Navajo Nation Oil & Gas Co., Inc. is requesting a spacing unit of 640 acres, as required by the Utah Division of Oil, Gas, and Mining, for this drilling project. The spacing unit will comprise the North 1/2 of section 25 and the South 1/2 of section 24. The horizontal hole will go North 10 deg West from the existing well bore located at 1987' fel x 2024' fnl of section 25, T41S, R21E and end at 438' fsl x 2421' fel of section 24, T41S, R21E, San Juan County, Utah. (See attached plats)

The drilling spacing unit is on two separate leases. Both are of the half sections are on lease owned by Navajo Nation Oil & Gas Co., Inc. and Genesis-ST Operating, LLC.

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Surface Use Plan

1. DIRECTIONS (See pages 9-11)

From the junction of US 163 and 191 west of Bluff, Utah  
Go South 7 1/2 miles on US 191 to the equivalent of mile marker 13.8  
Then turn left and go Northeast 2.3 miles on County Road 441/N-5063  
Turn left and go North West 565 feet on old access road to the old location

2. ROAD WORK (See pages 11 & 12)

No upgrade is needed for the existing county road. The 565 feet of access will be built to BLM Gold Book standards. The road will have +14' wide running surface and will be from natural material. No culverts, vehicle turn outs, or cattle guards are required. Maximum disturbed width will 20'. Maximum cut or fill = 3'. Maximum grade = 1%.

3. EXISTING WELLS (See page 15)

There are 2 plugged and abandoned oil wells, 1 producing oil well, and no water wells within a 1 mile radius. (See page 15)

4. PROPOSED PRODUCTION FACILITIES (See page 14)

A well head, pumping unit, heater-treater and three tank (2 oil & 1 water) will be installed on the pad. All will be painted a flat Carlsbad Tan.

5. WATER SUPPLY

Water (fresh) will be trucked from Monument Resources' well on private land in Section 30, T40S, R22E near Bluff Utah. Water Right number is 09-135.

6. CONSTRUCTION METHODS & MATERIALS

The top 6" of soil and brush will be stripped and stockpiled North of the pad. The pit subsoil will be piled south of the pad. No diversion ditches will be necessary, since the pad is higher than the surroundings. A minimum 12 mill plastic liner will be installed in the reserve pit. Geotextile or sand will be used to pad the liner. The reserve pit will be fenced sheep tight on 3 sides with woven wire fence topped with barbed wire. The fourth side will be fenced once the rig moves off. The fence will be kept in good repair while the pit dries. Once dry, contents of the reserve pit will be buried in place.

Rock necessary for road or pad will be brought and trucked from private land near Bluff, Utah.

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Navajo Nation Oil & Gas Co., Inc.  
Ute Canyon 25-G-O  
2024' FNL, 1987' FEL  
Section 25, T41, R21E  
San Juan County, Utah

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#### 7. WASTE DISPOSAL

All trash will be placed in a portable trash cage and hauled to the county landfill. Human waste will be disposed of in chemical toilets. Toilets contents will be hauled to a state approve dump station off the reservation.

#### 8. ANCILLARY FACILITIES

There will be no air strip or camp. Camp trailers will be parked on the pad for the company man, tool pusher, and mud logger.

#### 9. WELL SITE LAYOUT

See pages 12, 13 and 14 for drawings of the well pad, cross section, cut and fill diagram, reserve pit, trash cage, access onto location, parking, living facilities and rig orientation.

#### 10. RECLAMATION

Reclamation starts once the reserve pit is dry, at which point it will be back filled. Liner top folded over contents and covered with  $\geq 24''$  of dirt. The reserve pit and any pad areas not needed for producing the well will be reclaimed as an interim measure. Once the well is plugged, the remainder of the pad and road will be reclaimed.

All reclamation will leave the terrain with a natural shape, slopes will be no steeper than 3 to 1, subsoil will be used to fill the reserve pit, all compacted areas will be ripped  $\geq 12''$  deep with the contour. A seed mix will be drilled as prescribed by BLM, BIA or the Navajo Nation. Weeds will be controlled in accordance with BLM, BIA or Tribal requirements.

#### 11. SURFACE OWNER

All construction will be on Navajo Tribal surface. Tribal Project Review Office phone is (928) 871-6447. Address is P.O. Box 2219, Window Rock, AZ 86515.

#### 12. OTHER INFORMATION

The nearest hospital is a 1 ¼ hour drive away in Monticello, Utah. It is 3 blocks Northwest of the intersection of US 491 and US 163/191. Hospital phone number is (435) 587-2116. Or dial 1-800-332-1911 from anywhere in the county. Give the operator the latitude and longitude (see section plat, which is second page of APD) of the well.

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Navajo Nation Oil & Gas Co., Inc.  
Ute Canyon 25-G-O  
2024' FNL, 1987' FEL  
Section 25, T41, R21E  
San Juan County, Utah

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13. REPRESENTATION & CERTIFICATION

I hereby certify that I, or someone under my direct supervision, have inspected the drill site and access route herein; that I am familiar with the conditions which currently exist; that I have full knowledge of State and Federal laws applicable to this operation; that the statements made in this APD package are, to the best of my knowledge, true and correct; and that the work associated with the operations proposed herein will be performed in conformity with this APD package and the terms and conditions under which it is approved. I also certify that I, or the company I represent, am responsible for the operations conducted under this application. These statements are subject to the provisions of 18 U.S.C. 1001 for filing of false statements. Executed this 22nd day of March 2010.

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John Hatch  
Operations Engineer  
Navajo Nation Oil and Gas Company, Inc.  
1675 Broadway, Suite 1100  
Denver, CO 80202  
(303) 534-8300 Office  
(303) 534-1405 Fax  
(303) 887-3684 Cell

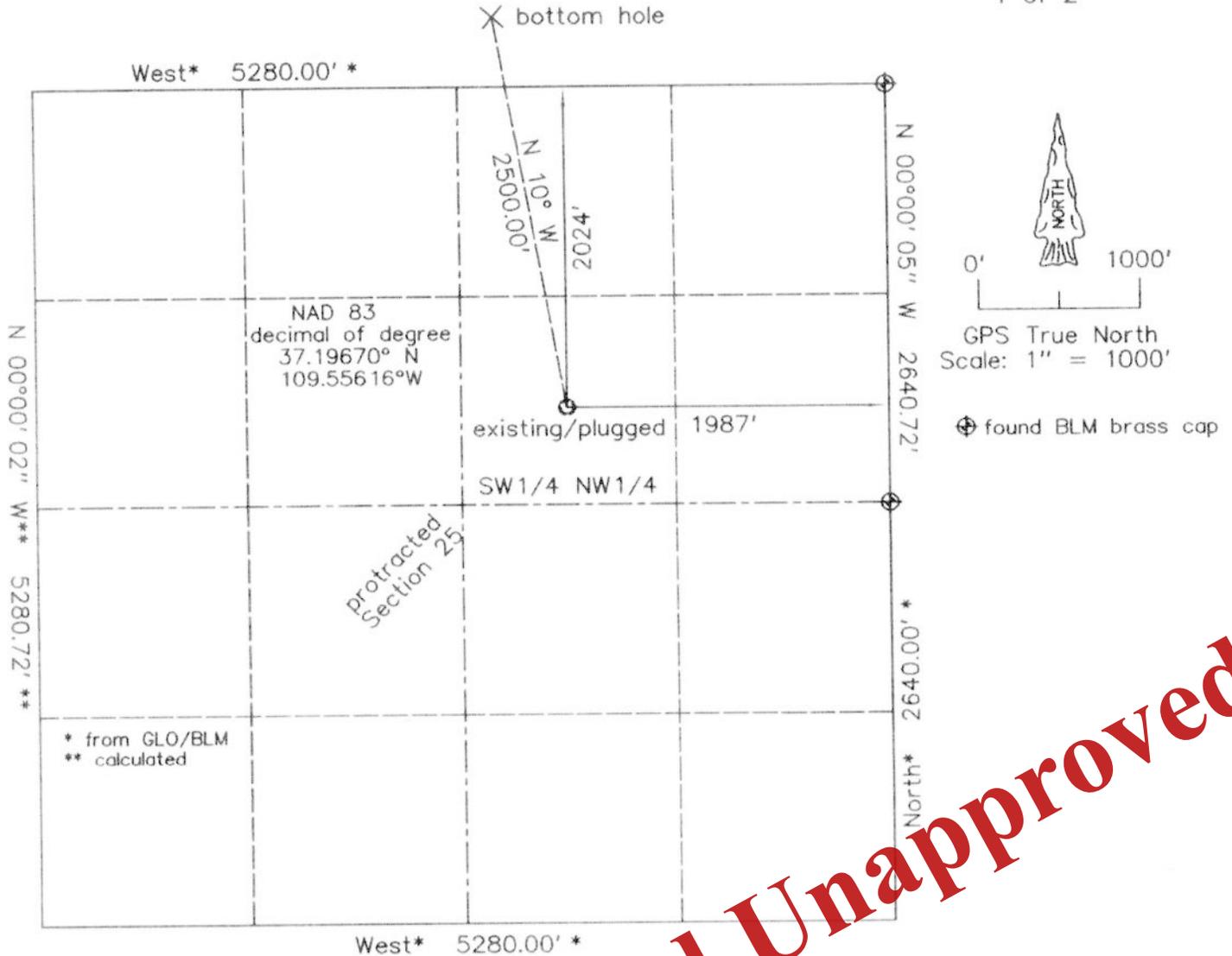
The Field representative will be:

Chalmers Bitson  
Navajo Nation Oil & Gas Co., Inc.  
P.O. Box 4439  
Window Rock, AZ 86515  
(928) 871-4880

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Well Location Plat

surface location  
1 of 2



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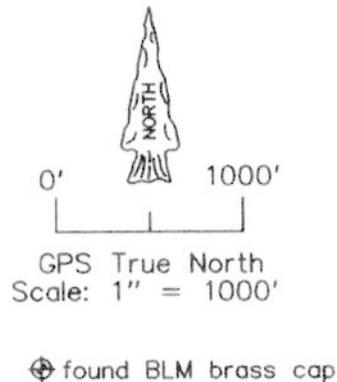
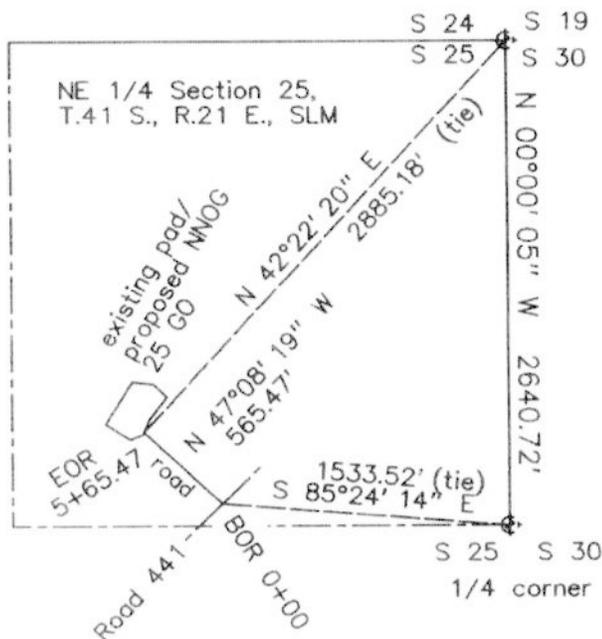
Location Description -  
Navajo Nation Oil & Gas Co. Inc.  
Ute Canyon 25-G-2  
2024' FNL & 1987' FEL surface location  
Section 25, T.41 S., R.21 E., SLM  
4870' ground elevation NAVD' 88  
438' FSL & 2421' FEL bottom hole  
Section 24, T.41 S., R.21 E., SLM  
San Juan County, UT



The above and plat is correct to my knowledge and belief  
Utah Land Surveyor 161297.

revised: 09 29 '09

Ute Canyon 25-G-0  
access road



Road description -

An existing road contained in the NE 1/4 of Section 25, T.41 S., R.21 E., SLM, San Juan County, UT, and more particularly described as follows:

Beginning at a point from which the east 1/4 corner of said Section 25 bears S 85°24' 14" E a distance of 1533.52 feet, thence, N 47°08' 18" W a distance of 565.47 feet, along said existing road to an existing well pad, a point from which the NE corner of said Section 25 bears N 42°22' 20" E a distance of 2885.18 feet.

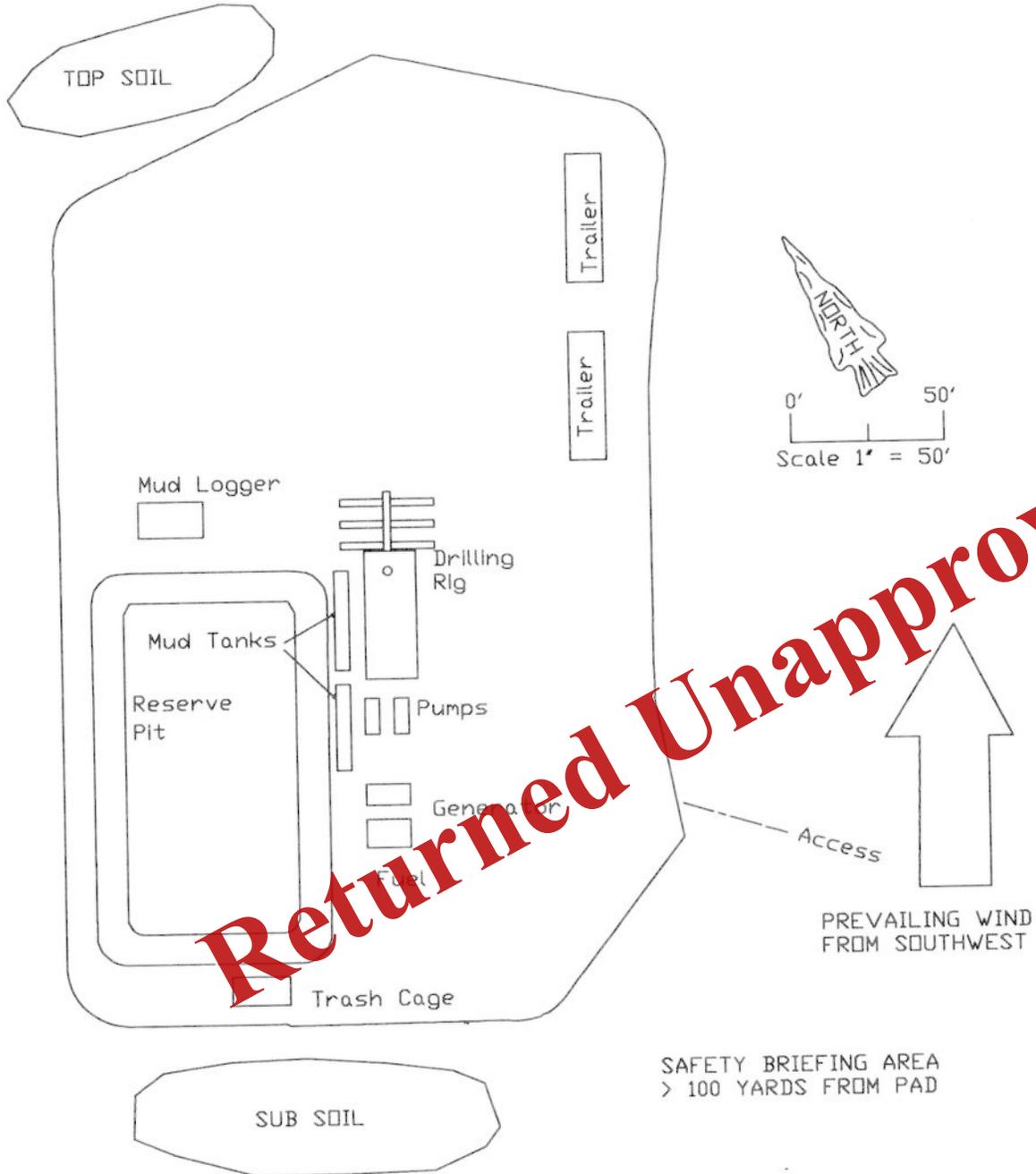
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Utah Land Surveyor 161297.

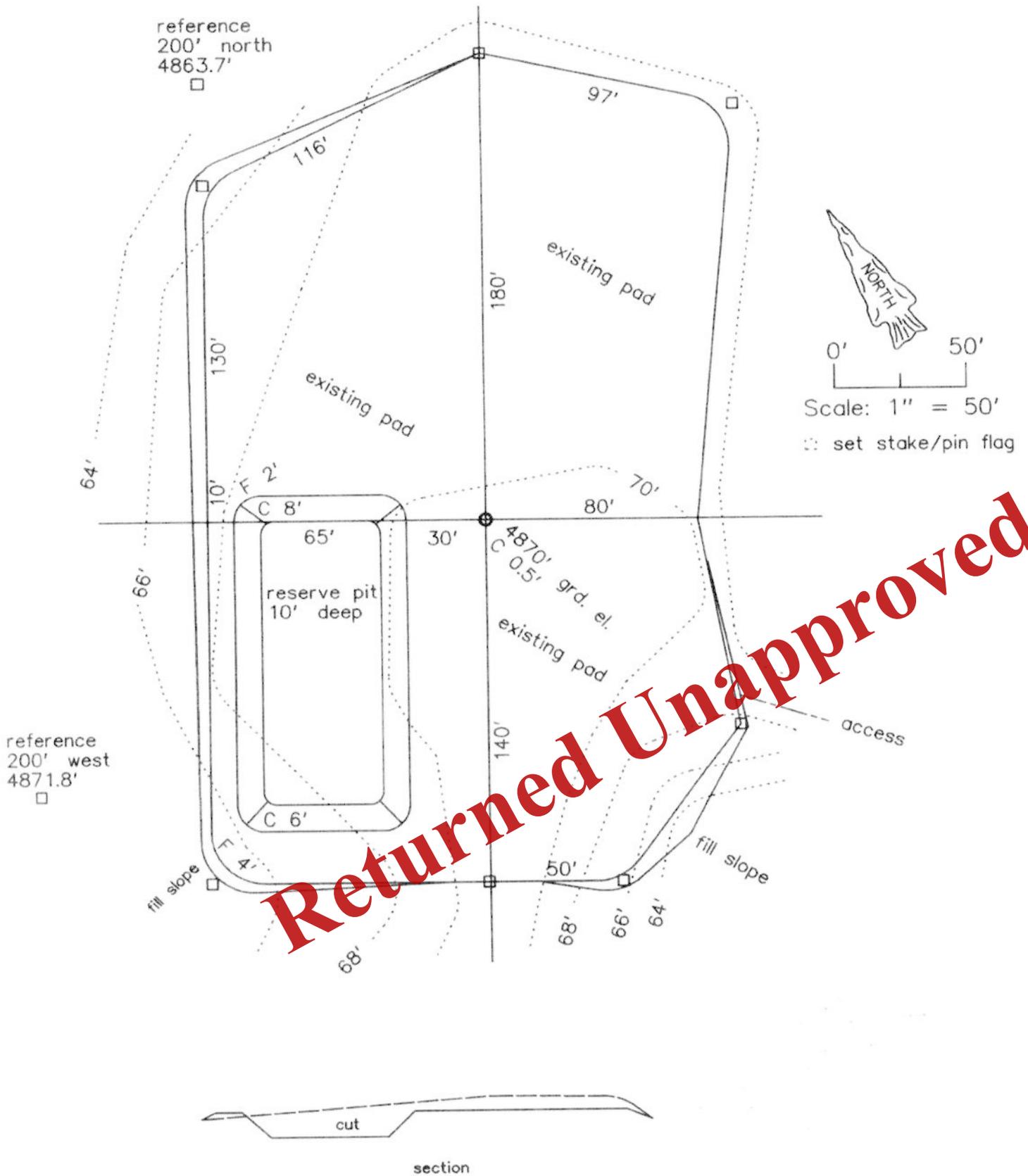
Navajo Nation Oil & Gas Co.Inc.  
Ute Canyon 25 G-□  
2024' FNL, 1987 FEL  
Section 25, T41N, R21E  
San Juan County, Utah

Ute Canyon 25-G-□  
Well Pad with Drilling Rig



SAFETY BRIEFING AREA  
> 100 YARDS FROM PAD

Ute Canyon 25-G-0  
well pad & section

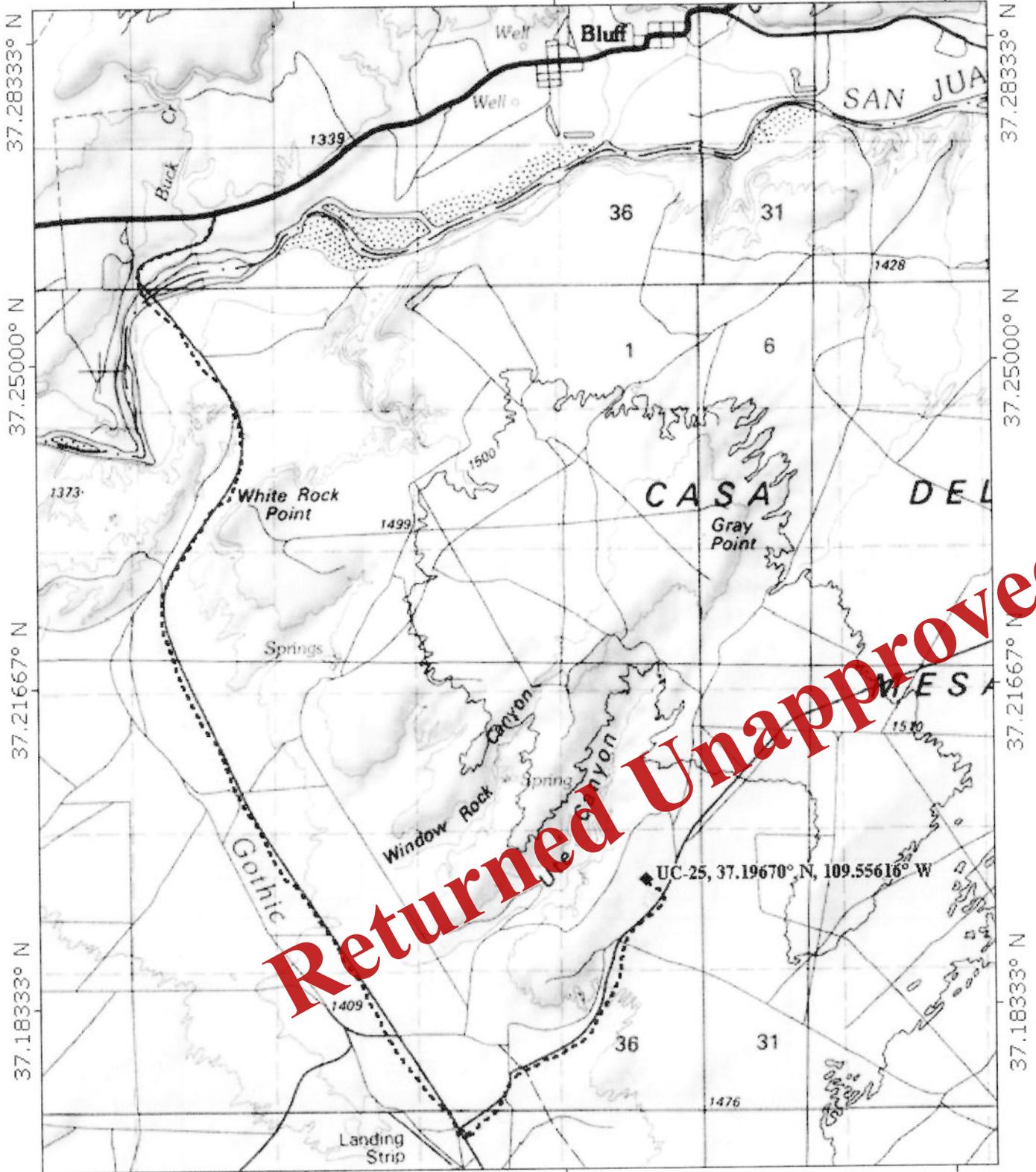


TOPO! map printed on 01/11/10 from "UTAH.TPO" and "Untitled.tpg"

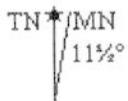
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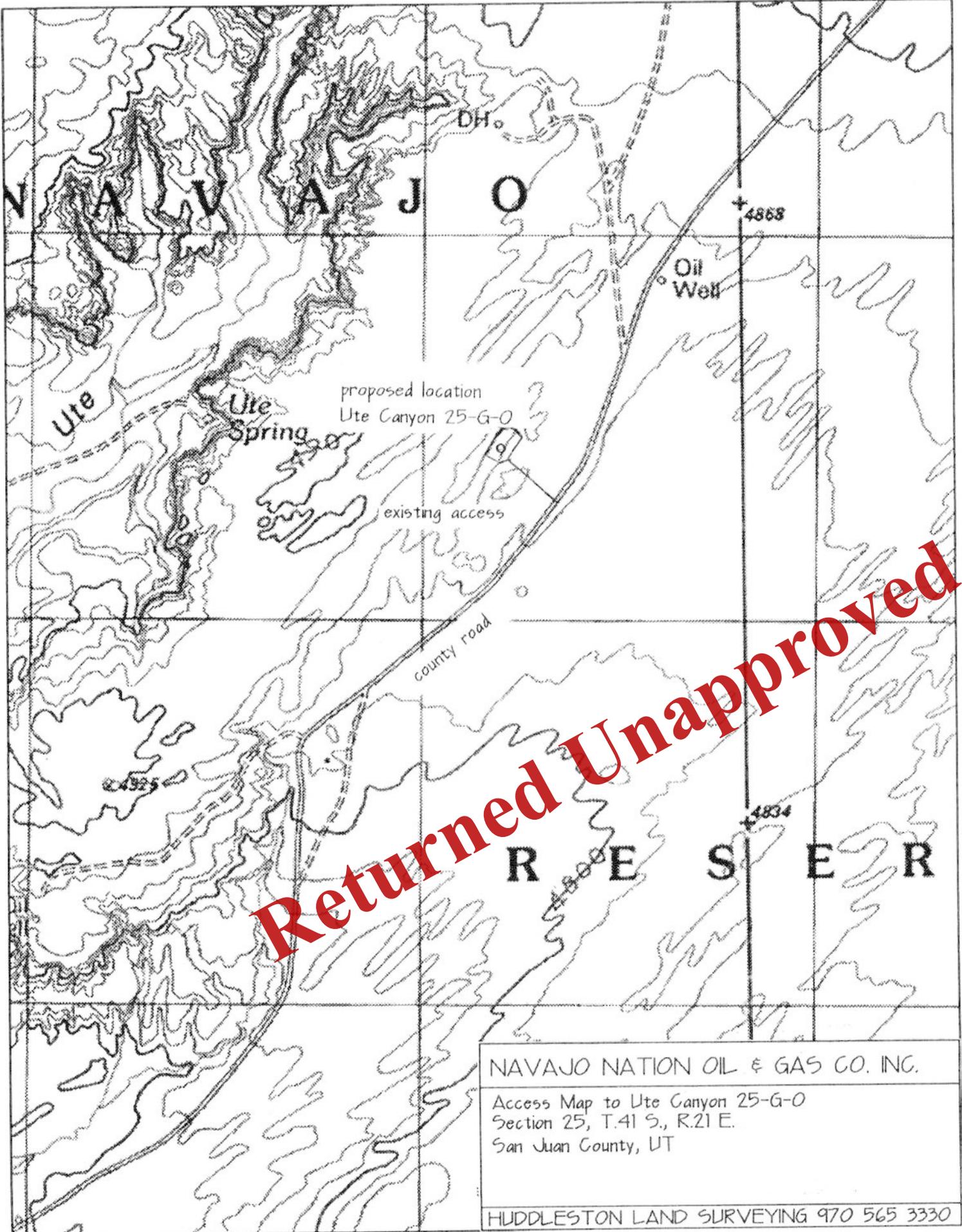
109.56667° W

WGS84 109.51667° W



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NAVAJO NATION OIL & GAS CO. INC.  
 Access Map to Ute Canyon 25-G-0  
 Section 25, T.41 S., R.21 E.  
 San Juan County, UT  
 HUDDLESTON LAND SURVEYING 970 565 3330



GARY R. HERBERT  
*Governor*

GREGORY S. BELL  
*Lieutenant Governor*

# State of Utah

## DEPARTMENT OF NATURAL RESOURCES

MICHAEL R. STYLER  
*Executive Director*

### Division of Oil, Gas and Mining

JOHN R. BAZA  
*Division Director*

May 25, 2011

NAVAJO NATION OIL & GAS CO  
P.O. Box 4439  
Window Rock, AZ 86515

Re: Application for Permit to Drill - SAN JUAN County, Utah

Ladies and Gentlemen:

The Application for Permit to Drill (APD) for the UTE CANYON 25 G-O well, API 43037500090000 that was submitted May 23, 2011 is being returned unapproved. If you plan on drilling this well in the future, you must first submit a new application.

Should you have any questions regarding this matter, please call me at (801) 538-5312.

Sincerely,

Diana Mason  
Environmental Scientist

Enclosure

cc: Bureau of Land Management, Vernal, Utah