

TALON RESOURCES INC

February 19, 2003

Mrs. Diana Mason
State of Utah
Division of Oil Gas and Mining
P.O. Box 145801
Salt Lake City, Utah 84114-5801

RE: Application for Permit to Drill—Klabzuba Oil and Gas, Inc.
Gordon Creek, State 3-7-14-8 884' FSL, 2003' FWL, SE/4 SW/4
Section 7, T14S, R8E, SLB&M, Carbon County, Utah

Dear Mrs. Mason:

On behalf of Klabzuba Oil and Gas, Inc. (Klabzuba), Talon Resources, Inc. respectfully submits the enclosed original and one copy of the *Application for Permit to Drill (APD)* for the above referenced well. The location of the well is no closer than 460' from the drilling unit boundary. Included with the APD is the following supplemental information:

Exhibit "A" - Survey plats and layouts of the proposed well site;

Exhibit "B" - Proposed location maps with pipe, power, and road corridors;

Exhibit "C" - Drilling site layout;

Exhibit "D" - Drilling Program;

Exhibit "E" - Multi Point Surface Use Plan;

Exhibit "F" - Typical road cross-section;

Exhibit "G" - Typical BOP diagram;

Exhibit "H" - Typical wellhead manifold diagram.

RECEIVED

FEB 20 2003

DIV. OF OIL, GAS & MINING

ORIGINAL

CONFIDENTIAL

Please accept this letter as Klabzuba's written request for confidential treatment of all information contained in and pertaining to this application, if said information is eligible for such consideration.

Thank you very much for your timely consideration of this application. Please feel free to contact myself, or Mr. George Rooney of Klabzuba at 303-382-2177 if you have any questions or need additional information.

Sincerely,

Don Hamilton

Agent for Klabzuba Oil and Gas, Inc.
Don Hamilton

cc: Mr. Mark Jones, Oil, Gas and Mining
Mr. Ed Bonner, SITLA
Mr. George Rooney, Klabzuba
Mr. Tom Siirola, Klabzuba
Mr. Mark Caldwell, Klabzuba
Klabzuba Well Files

001

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

FORM 3

AMENDED REPORT
(highlight changes)

APPLICATION FOR PERMIT TO DRILL		5. MINERAL LEASE NO: ML- 46537	6. SURFACE: State
1A. TYPE OF WORK: DRILL <input checked="" type="checkbox"/> REENTER <input type="checkbox"/> DEEPEN <input type="checkbox"/>		7. IF INDIAN, ALLOTTEE OR TRIBE NAME: N/A	
B. TYPE OF WELL: OIL <input type="checkbox"/> GAS <input checked="" type="checkbox"/> OTHER _____ SINGLE ZONE <input checked="" type="checkbox"/> MULTIPLE ZONE <input type="checkbox"/>		8. UNIT or CA AGREEMENT NAME: N/A	
2. NAME OF OPERATOR: Klabzuba Oil and Gas, Inc.		9. WELL NAME and NUMBER: Gordon Creek, State 3-7-14-8	
3. ADDRESS OF OPERATOR: 700-17th Street, S. 1300 CITY Denver STATE CO ZIP 80202		PHONE NUMBER: (303) 382-2177	10. FIELD AND POOL, OR WILDCAT: Gordon Creek
4. LOCATION OF WELL (FOOTAGES) AT SURFACE: 884' FSL, 2,003' FWL AT PROPOSED PRODUCING ZONE: Same		11. QTR/QTR, SECTION, TOWNSHIP, RANGE, MERIDIAN: SESW 7 14 8 S	
14. DISTANCE IN MILES AND DIRECTION FROM NEAREST TOWN OR POST OFFICE: 14.08 miles northwest of Price, Utah		12. COUNTY: Carbon	13. STATE: UTAH
15. DISTANCE TO NEAREST PROPERTY OR LEASE LINE (FEET) 884'	16. NUMBER OF ACRES IN LEASE: 1,679.36	17. NUMBER OF ACRES ASSIGNED TO THIS WELL: 160	
18. DISTANCE TO NEAREST WELL (DRILLING, COMPLETED, OR APPLIED FOR) ON THIS LEASE (FEET) 2,800'	19. PROPOSED DEPTH: 4,000	20. BOND DESCRIPTION: Blanket B32644629	
21. ELEVATIONS (SHOW WHETHER DF, RT, GR, ETC.): 7,538'	22. APPROXIMATE DATE WORK WILL START: 4/15/2003	23. ESTIMATED DURATION: 6 months	

24. PROPOSED CASING AND CEMENTING PROGRAM

SIZE OF HOLE	CASING SIZE, GRADE, AND WEIGHT PER FOOT	SETTING DEPTH	CEMENT TYPE, QUANTITY, YIELD, AND SLURRY WEIGHT		
12-1/4"	8-5/8" J-55 ST 24 #	2,000	Class G	300 sacks 1.15 cu.ft/sk	15.8 ppg
7-7/8"	5-1/2" J-55 ST 15.5 #	4,000	50/50 Poz	230 sacks 2.08 cu.ft/sk	12.5 ppg
			10-1 RFC	395 sacks 1.61 cu.ft/sk	14.2 ppg

25. ATTACHMENTS

VERIFY THE FOLLOWING ARE ATTACHED IN ACCORDANCE WITH THE UTAH OIL AND GAS CONSERVATION GENERAL RULES:

ORIGINAL

- WELL PLAT OR MAP PREPARED BY LICENSED SURVEYOR OR ENGINEER
- COMPLETE DRILLING PLAN
- EVIDENCE OF DIVISION OF WATER RIGHTS APPROVAL FOR USE OF WATER
- FORM 5, IF OPERATOR IS PERSON OR COMPANY OTHER THAN THE LEASE OWNER

NAME (PLEASE PRINT) Don Hamilton TITLE Agent for Klabzuba Oil and Gas, Inc.

SIGNATURE Don Hamilton DATE 2/19/2003

(This space for State use only)

API NUMBER ASSIGNED: 43-007-30903

(11/2001)

APPROVAL:
Approved by the
Utah Division of
Oil, Gas and Mining

Date: 04-09-03
By: [Signature]

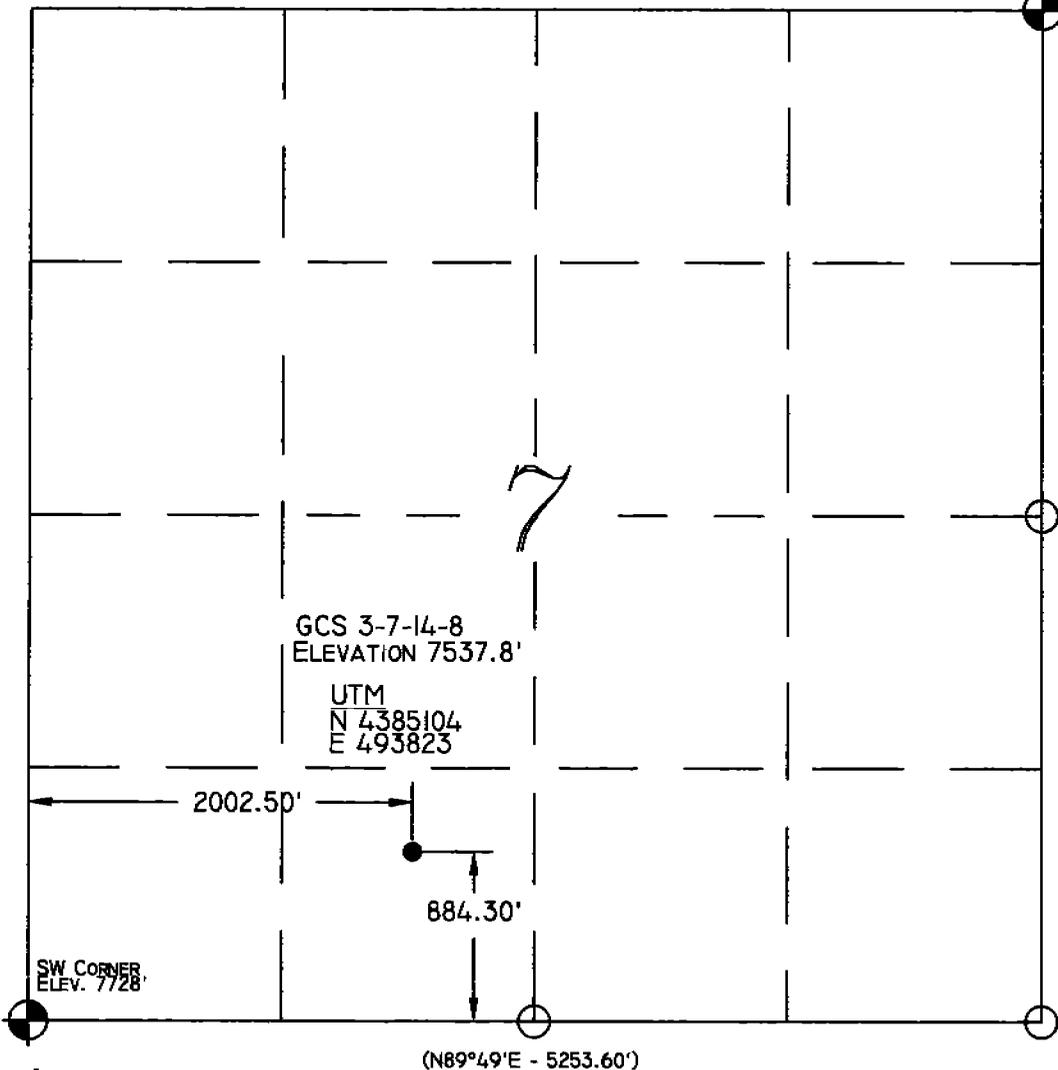
RECEIVED
FEB 20 2003
DIV OF OIL, GAS & MINING

CONFIDENTIAL

Range 8 East

(EAST - 5261.52')

Township 14 South



GCS 3-7-14-8
ELEVATION 7537.8'

UTM
N 4385104
E 493823

2002.50'

884.30'

SW CORNER
ELEV. 7728'

(N89°49'E - 5253.60')

Legend

- Drill Hole Location
- ⊕ Brass Cap (Found)
- Brass Cap (Searched for, but not found)
- △ Calculated Corner
- () GLO

GPS Measured

NOTES:

1. UTM AND LATITUDE / LONGITUDE COORDINATES ARE DERIVED USING A GPS PATHFINDER AND ARE SHOWN IN NAD 27 DATUM.

LAT / LONG
39°37'03"N
111°04'19"W

ORIGINAL

Location:

THE WELL LOCATION WAS DETERMINED USING A TRIMBLE 4700 GPS SURVEY GRADE UNIT.

Basis of Bearing:

THE BASIS OF BEARING IS GPS MEASURED.

GLO Bearing:

THE BEARINGS INDICATED ARE PER THE RECORDED PLAT OBTAINED FROM THE U.S. LAND OFFICE.

Basis of Elevation:

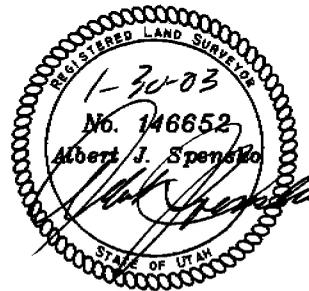
BASIS OF ELEVATION OF 7728' BEING AT THE SOUTHWEST SECTION CORNER OF SECTION 7, TOWNSHIP 14 SOUTH, RANGE 8 EAST, SALT LAKE BASE AND MERIDIAN, AS SHOWN ON THE WATTIS QUADRANGLE 7.5 MINUTE SERIES MAP.

Description of Location:

PROPOSED DRILL HOLE LOCATED IN THE SE1/4 SW1/4 OF SECTION 7, T14S, R8E, S.L.B.&M., BEING 884.30' NORTH AND 2002.50' EAST FROM THE SOUTHWEST CORNER OF SECTION 7, T14S, R8E, SALT LAKE BASE & MERIDIAN.

Surveyor's Certificate:

I, Albert J. Spensko, a Registered Professional Land Surveyor, holding Certificate 146652 State of Utah, do hereby certify that the information on this drawing is a true and accurate survey based on data of record and was conducted under my personal direction and supervision as shown hereon.



GRAPHIC SCALE

0 500' 1000'

(IN FEET)

1 inch = 1000 ft.



Talon Resources, Inc.

195 N. 100 W., P.O. Box 1230
Huntington, Utah 84528
Ph: 435-687-5310
Fax: 435-687-5311

KLABZUBA OIL & GAS

GCS 3-7-14-8

Section 7, T14S, R8E, S.L.B.&M.
Carbon County, Utah

Drawn By:
J. STANSFIELD

Drawing No.

A-1

Checked By:
L.W.J. / A.J.S.

Date:
01/30/03

Scale:
1" = 1000'

Job No.
875

Sheet 1 of 4

EXHIBIT "D"
Drilling Program

Attached to UDOGM Form 3
Klabzuba Oil and Gas, Inc.
Gordon Creek, State 3-7-14-8
SE/4 SW/4, Sec. 7, T14S, R8E, SLB & M
884' FSL, 2,003' FWL
Carbon County, Utah

1. The Geologic Surface Formation

Emery Sandstone Member of the Mancos Shale

2. Estimated Tops of Important Geologic Markers

Mancos Blue Gate Marker	<u>MD</u> 3,325'
-------------------------	---------------------

3. Projected Gas & Water Zones

Mancos Gas Zone:	2,100' – 2,875'
Ferron Sands:	3,420' – 3,740'

Groundwater may be encountered within the Emery Sandstone Member of the Mancos Shale. Water encountered will be reported on a Form 7 "Report of Water Encountered During Drilling".

Casing & cementing will be done to protect potentially productive hydrocarbons, lost circulation zones, abnormal pressure zones, and prospectively valuable mineral deposits. All indications of usable water will be reported.

Surface casing will be tested to 2000 psi.

4. The Proposed Casing and Cementing Programs

HOLE SIZE	SETTING DEPTH (INTERVAL)	SIZE (OD)	WEIGHT, GRADE & JOINT	CONDITION
12-1/4"	2000'	8-5/8"	24# J-55 ST&C	New
7-7/8"	2000' - TD ($\pm 4000'$)	5-1/2"	15.50# J-55 ST&C	New

Cement Program -

Surface Casing: 300 sacks G + 2 % CaCl₂ + 0.25 pps cellophane flakes;
Weight: 15.8 #/gal
Yield: 1.15 cu.ft/sk
Excess: 125%

Tap out - 300' to surface (casing packer set @ 300') George Rooney 4/8/2003

Production Casing: 230 sacks 50/50 pozmix + 8% gel + 10% salt + 0.25 pps cellophane flake
Weight: 12.5 #/gal
Yield: 2.08 cu.ft/sk
Excess: 25%

395 sacks 10-1 RFC with 0.25 pps cellophane flakes
Weight: 14.2 #/gal
Yield: 1.61 cu.ft/sk
Excess: 25%

The following shall be entered in the driller's log:

- 1) Blowout preventer pressure tests, including test pressures and results;
- 2) Blowout preventer tests for proper functioning;
- 3) Blowout prevention drills conducted;
- 4) Casing run, including size, grade, weight, and depth set;
- 5) How the pipe was cemented, including amount of cement, type, whether cement circulated, location of the cementing tools, etc.;
- 6) Waiting on cement time for each casing string;
- 7) Casing pressure tests after cementing, including test pressures and results.

5. The Operator's Minimum Specifications for Pressure Control

Exhibit "G" is a schematic diagram of the blowout preventer equipment. A double gate 2000 psi BOP will be used with a rotating head. This equipment will be tested to 2000 psi. All tests will be recorded in a Driller's Report Book. Physical operation of BOP's will be checked on each trip.

6. The Type and Characteristics of the Proposed Circulating Muds

0-2000	12-1/4" hole	Drill with air, will mud-up if necessary.
2000-TD	7-7/8" hole	Drill with air, will mud-up if necessary. 500 psi @ 1500-2300 Scf.

7. The Testing, Logging and Coring Programs are as followed

2000-TD Gamma Ray, Density, Neutron Porosity, Induction, Caliper

Any Anticipated Abnormal Pressures or Temperatures

No abnormal pressures or temperatures have been noted or reported in wells drilled in The area nor at the depths anticipated in this well. Bottom hole pressure expected is 1000 psi max. No hydrogen sulfide or other hazardous gases or fluids have been found, reported or are known to exist at these depths in the area.

8. Anticipated Starting Date and Duration of the Operations.

The well will be drilled approx.: April 2003.

Verbal and/or written notifications listed below shall be submitted in accordance with instructions from the Division of Oil, Gas & Mining:

- (a) prior to beginning construction;
- (b) prior to spudding;
- (c) prior to running any casing or BOP tests;
- (d) prior to plugging the well, for verbal plugging instructions.

Spills, blowouts, fires, leaks, accidents or other unusual occurrences shall be reported to the Division of Oil, Gas & Mining immediately.

EXHIBIT "E"
Multipoint Surface Use Plan

Attached to UDOGM Form 3
Klabzuba Oil and Gas, Inc.
Gordon Creek, State 3-7-14-8
SE/4 SW/4, Sec. 7, T14S, R8E, SLB & M
884' FSL, 2,003' FWL
Carbon County, Utah

1. Existing Roads

- a. The proposed access road will encroach the gravel-surfaced Haley Canyon Road under Carbon County Maintenance in which approval to utilize and encroach has previously been received. An existing approach will be utilized that presently accesses the Gordon Creek, State 1A-18-14-8 (see Exhibit "B").
- b. The proposed access road will utilize the existing access road for the Gordon Creek, State 1A-18-14-8 well site in its entirety.
- c. We do not plan to change, alter or improve upon any other existing state or county roads. Existing roads will be maintained in the same or better condition.

2. Planned Access

- a. Approximately 0.49 miles of new access and 0.78 miles of upgraded two-track access will be required (see Exhibit "B").
- b. Maximum Width: 20' travel surface with a 27' base.
- c. Maximum grade: 13%.
- d. Turnouts: None.
- e. Drainage design: approximately 6 -- 18" culverts may be required. Water will be diverted away from the planned access as necessary and practical.
- f. If the well is productive, the road will be surfaced and maintained as necessary to prevent soil erosion and accommodate year-round traffic.

3. Location of Existing Wells

- a. There are two proposed wells and three existing wells within a one mile radius of the proposed well site (see Exhibit "B").

4. Location of Existing and/or Proposed Facilities

- a. If the well is a producer, installation of production facilities will follow.
- b. Buried powerlines and gathering lines will follow the proposed access road to the existing Gordon Creek, State 1A-18-14-8 then follow the existing road east and connect to the existing Pipeline Corridor (see Exhibit "B").
- c. Rehabilitation of all pad areas not used for production facilities will be made in accordance with landowner stipulations.

5. Location and Type of Water Supply

- a. Water to be used for drilling and completion activities may be obtained from one or all of the following sources:
 - Price River Water Improvement District, a local source of municipal water.
 - The existing water well near the Gordon Creek Unit #1
 - Ditch or creek water
- b. If water is obtained from the well, ditch or creek they will be properly permitted with the Utah State Division of Water Rights and a copy of the permit and pertinent information supplied to the Utah Division of Oil, Gas and Mining.
- c. Water will be transported by truck over approved access roads.
- d. No new water well is to be drilled for this location.

6. Source of Construction Materials

- a. All necessary construction materials needed will be obtained locally and hauled to the location on existing roads.
- b. No construction or surfacing materials will be taken from Federal/Indian land.

7. Methods for Handling Waste Disposal

- a. Since the well will be air drilled, a small reserve pit will be constructed with a minimum of one-half the total depth below the original ground surface on the lowest point within the pit. The pit will not be lined unless conditions encountered during construction warrant it or if deemed necessary by the DOGM representative during the pre-site inspection. Three sides of the reserve pit will be fenced within 24 hours after completion of construction and the fourth side within 24 hours after drilling operation cease with four strands of barbed wire, or woven wire topped with barbed wire to a height of not less than four feet. The fence will be kept in good repair while the pit is drying.
- b. Following drilling, the liquid waste will be evaporated from the pit and the pit backfilled and returned to natural grade. No liquid hydrocarbons will be discharged to the reserve pit or pad location
- c. In the event fluids are produced, any oil will be retained in tankage until sold and any water produced will be retained until its quality can be determined. The quality and quantity of the water will determine the method of disposal.
- d. Trash will be contained in a portable metal container and will be hauled from location periodically and disposed of at an approved disposal site. Chemical toilets will be placed on location and sewage will be disposed of at an appropriate disposal site.

8. Ancillary Facilities

- a. We anticipate no need for ancillary facilities with the exception of trailers to be located on the drill site.

9. Wellsite Layout

- a. Available topsoil will be removed from the location and stockpiled. The location of mud tanks, reserve and bermed pits, and soil stockpiles will be located as shown on Exhibit "C".
- b. A blooie pit will be located 100' from the drill hole. A line will be placed on the surface from the center hole to the flare pit. The flare pit will not be lined, but will be fenced on four sides to protect livestock/wildlife.
- c. Access to the well pad will be as shown on Exhibit "B".
- d. Natural runoff will be diverted around the well pad.

10. Plans for Restoration of Surface

- a. All surface areas not required for producing operations will be graded to as near original condition as possible and recontoured to minimize possible erosion.
- b. Available topsoil will be stockpiled and will be evenly distributed over the disturbed areas and the area will be reseeded as prescribed by the landowner.
- c. Pits and any other area that would present a hazard to wildlife or livestock will be fenced off when the rig is released and removed.
- d. Any oil accumulation on the pit will be removed or overhead flagged as dictated by the existing conditions.
- e. Rehabilitation will commence following completion of the well. Rat and mouse holes will be filled immediately upon release of the drilling rig from the location. If the wellsite is to be abandoned, all disturbed areas will be recontoured.

11. Surface Ownership

- a. The wellsite will be constructed on lands owned by the School and Institutional Trust Lands Administration, 675 East 500 South, SLC, Utah 84102-2818; 801-538-5100. The operator shall contact the landowner and the Division of Oil, Gas and Mining 48 hours prior to beginning construction activities.

12. Other Information:

- a. The primary surface use is wildlife habitat. The nearest dwelling is approximately 7.17 miles southeast. Nearest live water is Summerhouse Spring approximately 1.04 miles northeast.
- b. If there is snow on the ground when construction begins, it will be removed before the soil is disturbed, and piled downhill from the topsoil stockpile location.
- c. The backslope and foreslope will be constructed no steeper than 4:1.
- d. All equipment and vehicles will be confined to the access road and well pad.
- e. A complete copy of the approved Application for Permit to Drill (APD) including conditions and stipulations, shall be at the well site during construction and drilling operations.
- f. There will be no deviation from the proposed construction, drilling, and/or workover program without prior approval from the Division of Oil, Gas & Mining.

13. **Company Representative**

George Rooney
Klabzuba Oil and Gas, Inc
700 – 17th Street
Suite 1300
Denver, Colorado 80202
1-303-382-2177
1-303-619-1908

Permitting Consultant

Don Hamilton
Environ. Man. / Proj. Coord.
Talon Resources, Inc.
195 North 100 West; P.O. Box 1230
Huntington, Utah 84528
1-435-650-1886
1-435-687-5310

Excavation Contractor

Dennis Jensen
Vice President
JNR Construction
P.O. Box 1598
Roosevelt, Utah 84066
1-435-722-3996
1-435-823-6590

Mail Approved A.P.D. To:

Company Representative

14. **Certification**

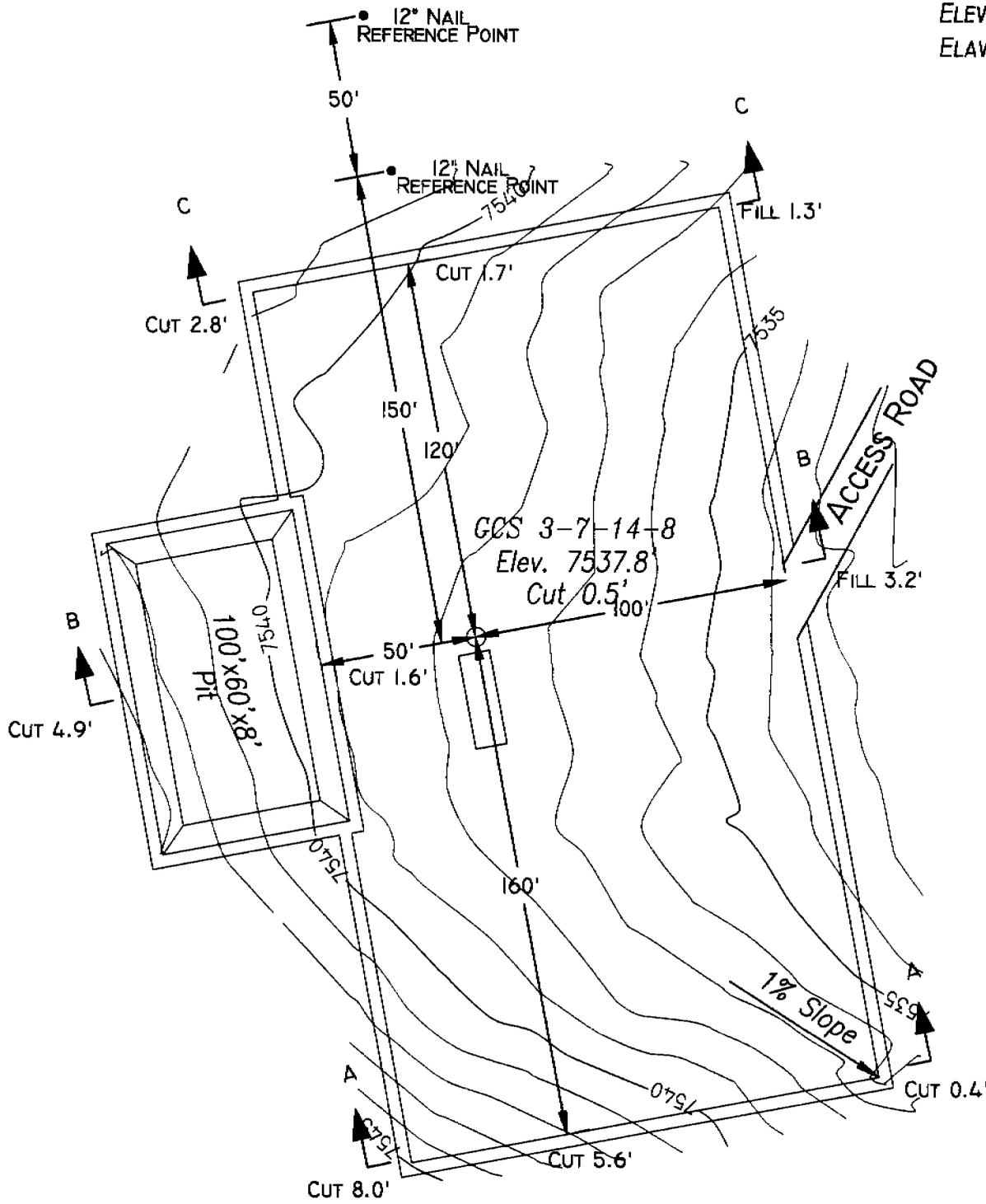
I hereby certify that I, or persons under my direct supervision have inspected the proposed drill site and access route; that I am familiar with the conditions which presently exist; that the statements made in this plan are, to the best of my knowledge, true and correct, and that the work associated with the operations proposed herein will be performed by Klabzuba Oil and Gas, Inc. and its subcontractors in conformity with this plan and the terms and conditions under which it is approved.

2-19-03
Date

Don Hamilton
Don Hamilton
Agent for Klabzuba Oil and Gas, Inc.

ORIGINAL

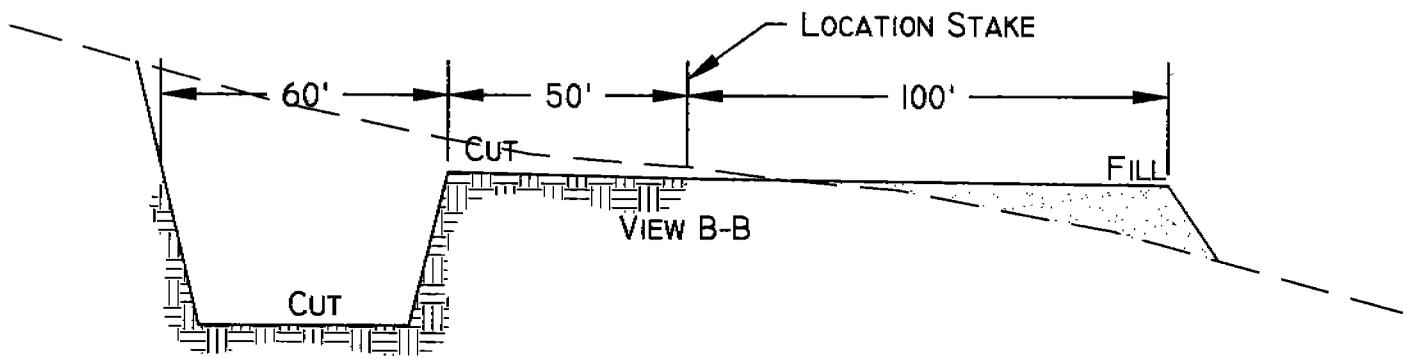
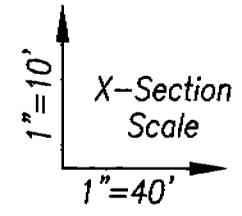
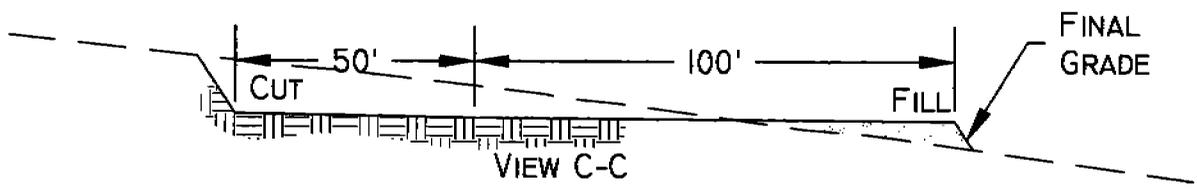
ELEVATION OF UNGRADED GROUND AT LOCATION STAKE = 7537.8'
 ELAVATION OF GRADED GROUND AT LOCATION STAKE = 7537.3'



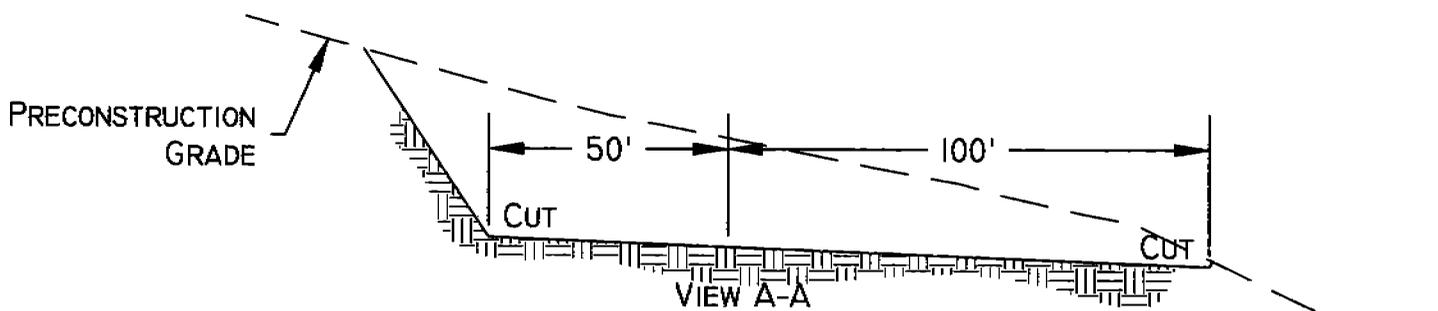
TALON RESOURCES, INC.
 195 North 100 West P.O. Box 1230
 Huntington, Utah 84528
 Phone (435)687-5310 Fax (435)687-5311
 E-Mail talonnetv.net

KLABZUBA OIL & GAS
 LOCATION LAYOUT
 Section 7, T14S, R8E, S.L.B.&M.
 GCS 3-7-14-8

Drawn By: J. STANSFIELD	Checked By: L.W.J.
Drawing No. A-2	Date: 01/30/03
	Scale: 1" = 50'
Sheet 2 of 4	Job No. 875



SLOPE = 1 1/2 : 1
 (EXCEPT PIT)
 PIT SLOPE = 1 ; 1



TALON RESOURCES, INC.
 195 North 100 West P.O. Box 1230
 Huntington, Utah 84528
 Phone (435)687-5310 Fax (435)687-5311
 E-Mail talonnetv.net

KLABZUBA OIL & GAS
 TYPICAL CROSS SECTION
 Section 7, T14S, R8E, S.L.B.&M.
 GCS 3-7-14-8

Drawn By: J. STANSFIELD	Checked By: L.W.J.
Drawing No. C-1	Date: 01/30/03
	Scale: 1" = 40'
Sheet 3 of 4	Job No. 875

APPROXIMATE YARDAGES
 CUT
 (6") TOPSOIL STRIPPING = 750 CU. YDS.
 REMAINING LOCATION = 2,710 CU, YDS.
 TOTAL CUT = 5,005 CU. YDS.
 TOTAL FILL = 580 CU. YDS.

111°04'00" W

111°03'00" W

NAD27 111°02'00" W

39°37'00" N

39°37'00" N

39°36'00" N

39°36'00" N

39°35'00" N

39°35'00" N

111°04'00" W

111°03'00" W

NAD27 111°02'00" W

Klabzuba Oil and Gas, Inc.

Proposed 2003 Development Project

- Proposed Location
- New Drilled or Re-entry Well
- Old Well or Plugged Well
- + Gate
- x Future
- ↑ Launcher-Receiver
- Pre-Klabzuba Road
- Existing Road
- Existing Pipeline
- - - Proposed Pipeline
- - - Proposed Road

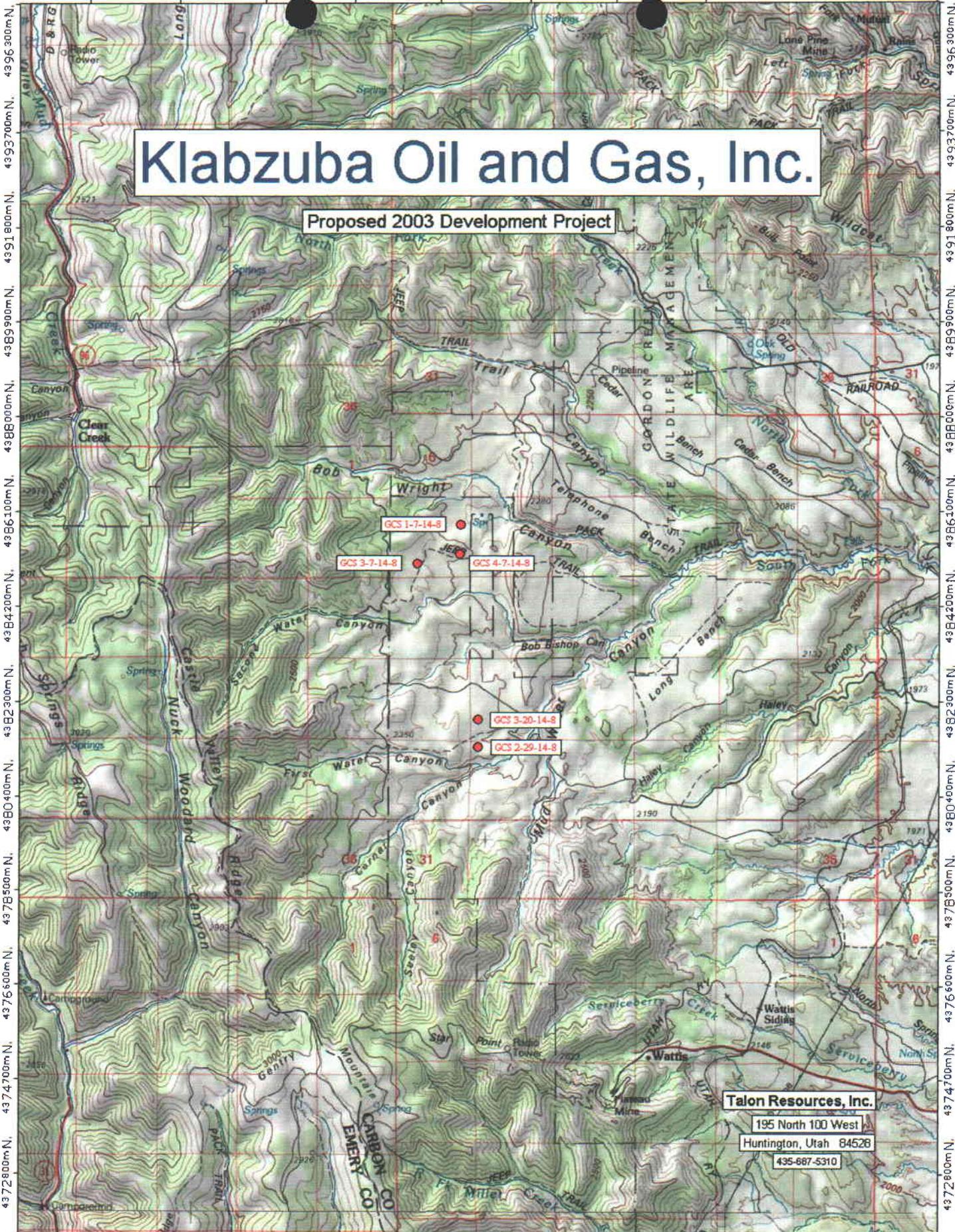
Talon Resources, Inc.
 195 North 100 West
 Huntington, Utah 84528
 435-687-5310



0 1000 FEET 0 500 1000 METERS

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487300mE, 489100mE, 490800mE, 492600mE, 494300mE, 496100mE, 497800mE, 499600mE, NAD27 Zone 12S 504200mE,



Klabzuba Oil and Gas, Inc.

Proposed 2003 Development Project

GCS 1-7-14-8

GCS 3-7-14-8

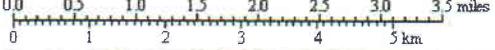
GCS 4-7-14-8

GCS 3-20-14-8

GCS 2-29-14-8

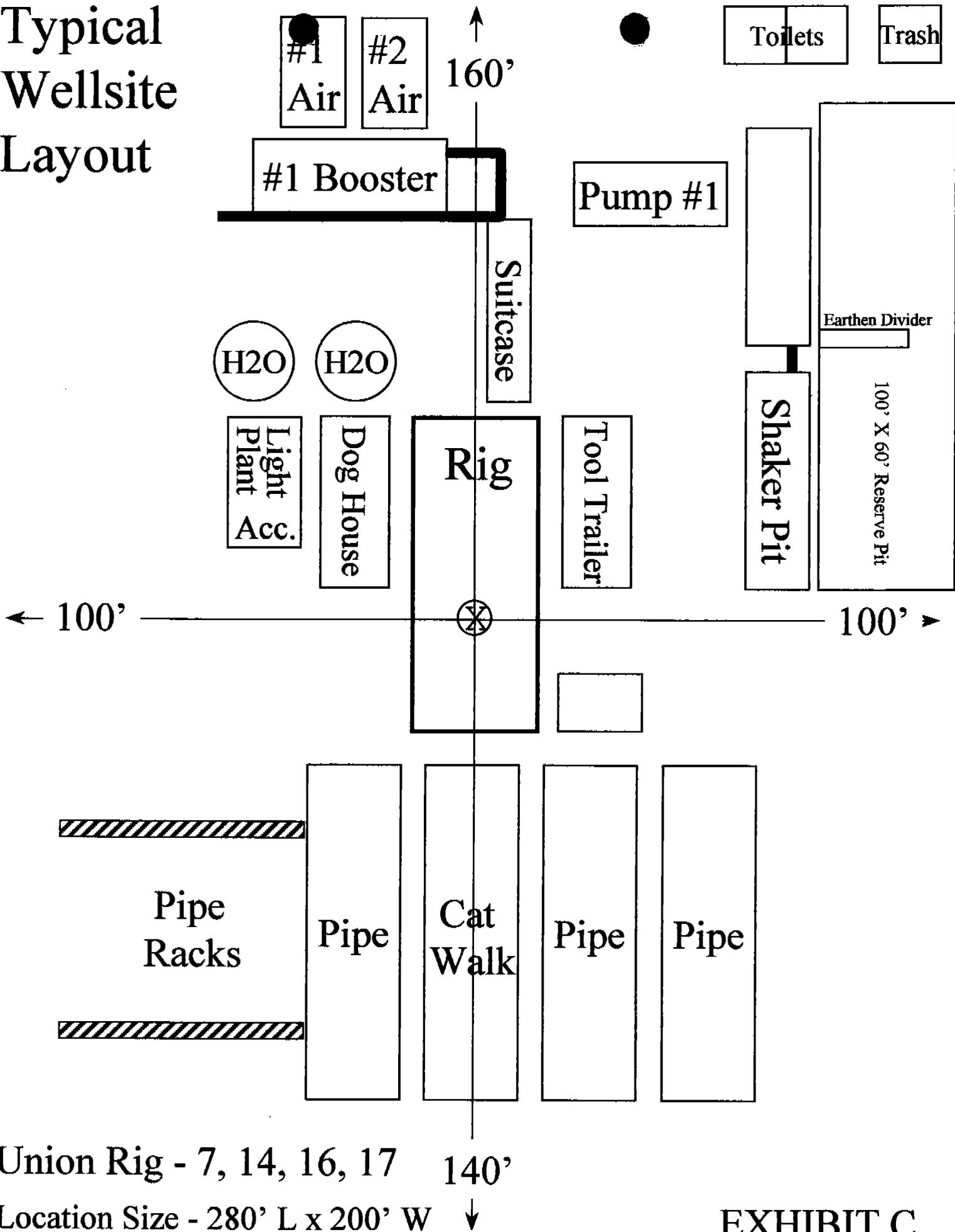
Talon Resources, Inc.
195 North 100 West
Huntington, Utah 84528
435-687-5310

487000mE, 488800mE, 490600mE, 492400mE, 494200mE, 496000mE, 497800mE, 499600mE, NAD27 Zone 12S 504200mE,



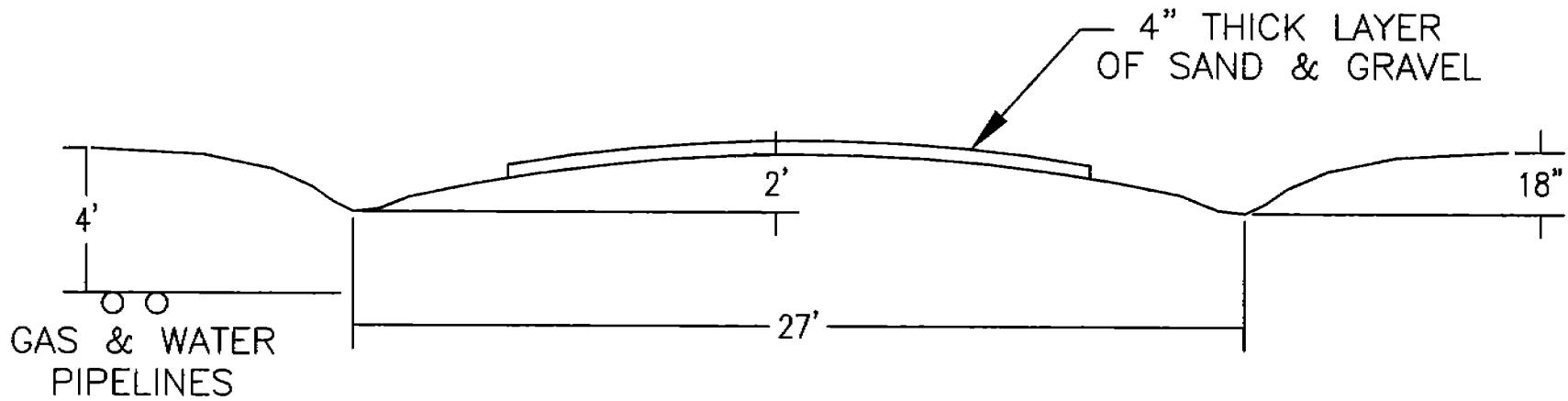
Printed from TOPO! ©2000 National Geographic Holdings (www.topo.com)

Typical Wellsite Layout



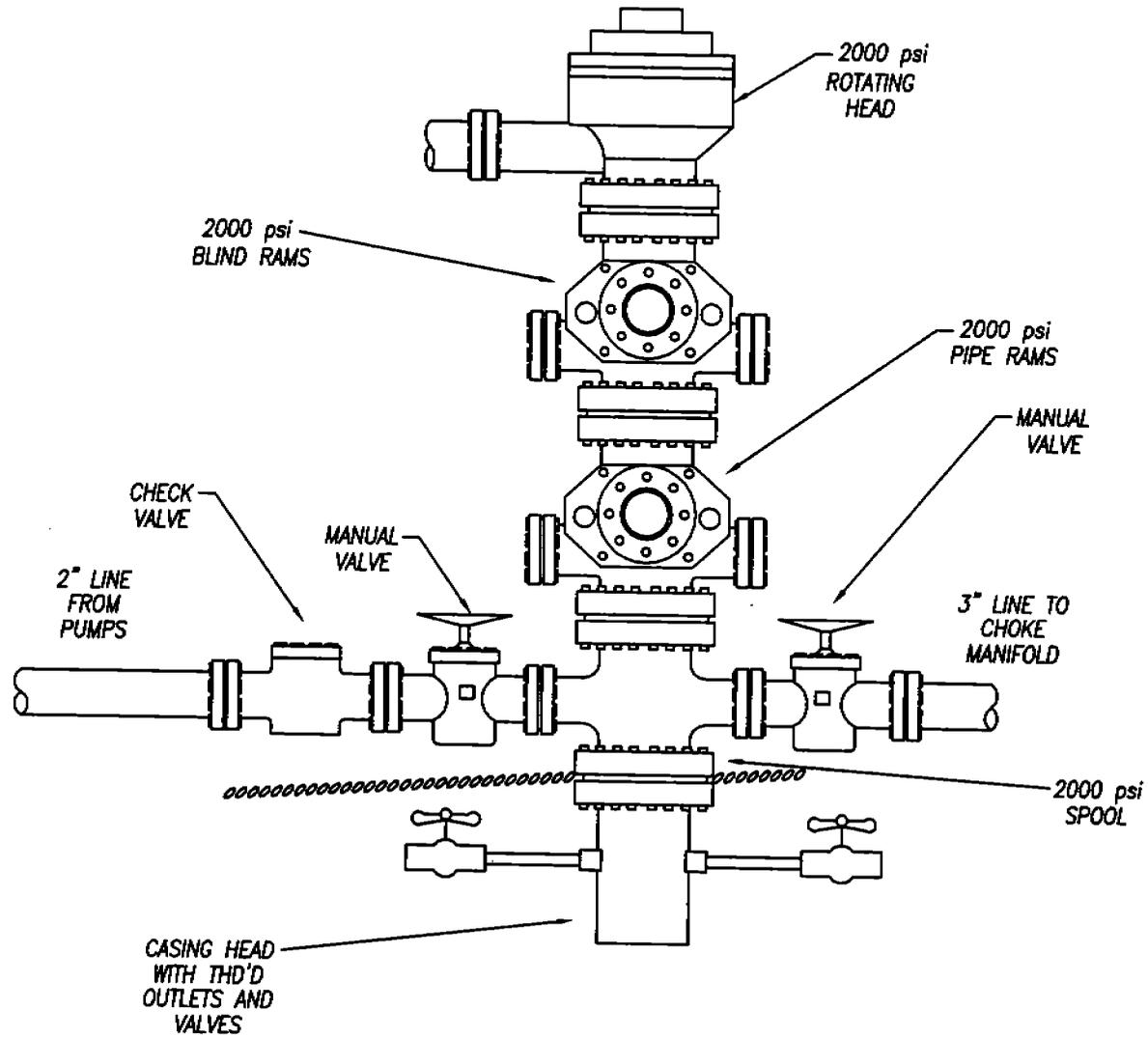
Union Rig - 7, 14, 16, 17 140'
 Location Size - 280' L x 200' W ↓

TYPICAL ROAD CROSS-SECTION

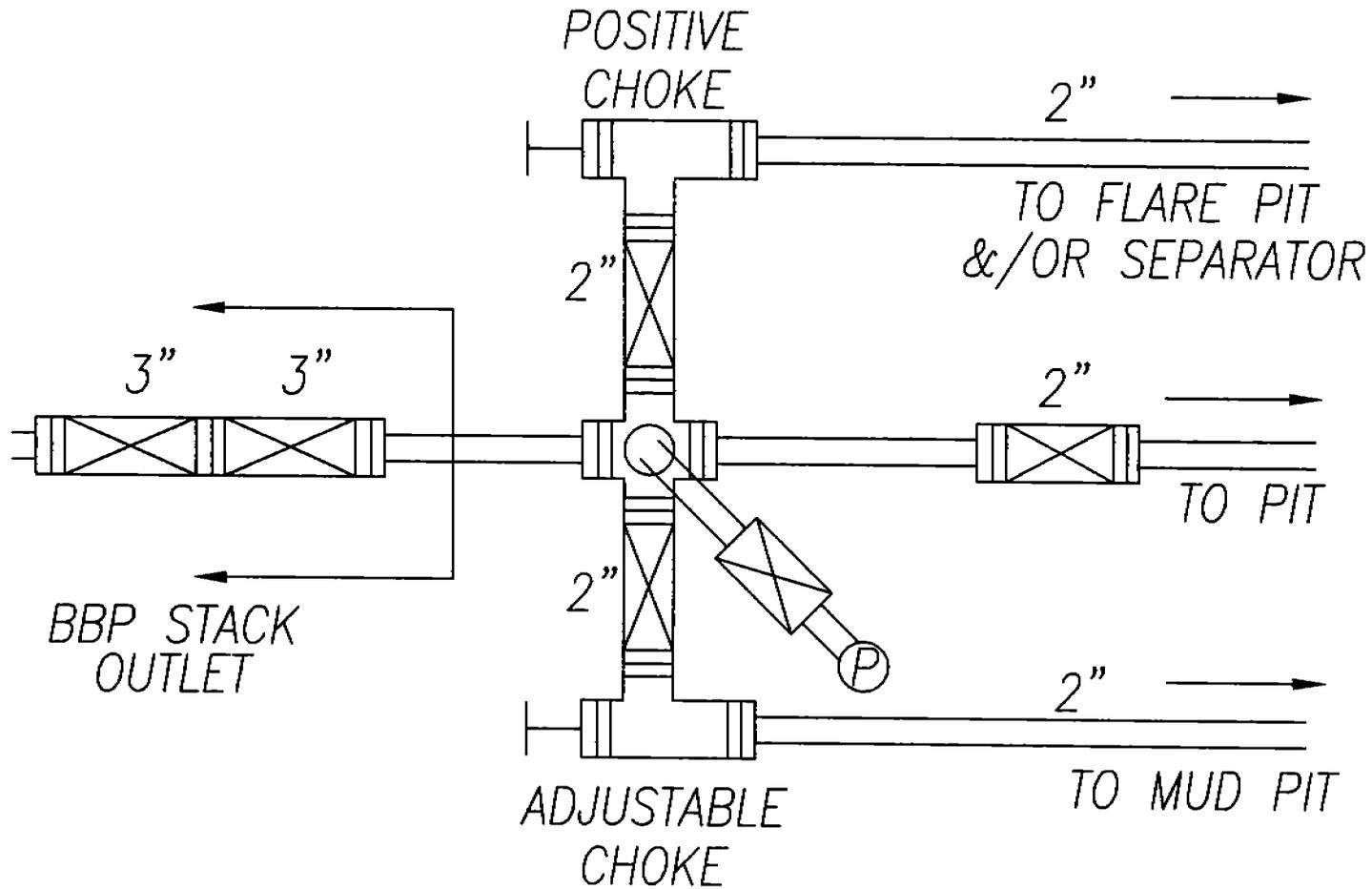


BOP Equipment

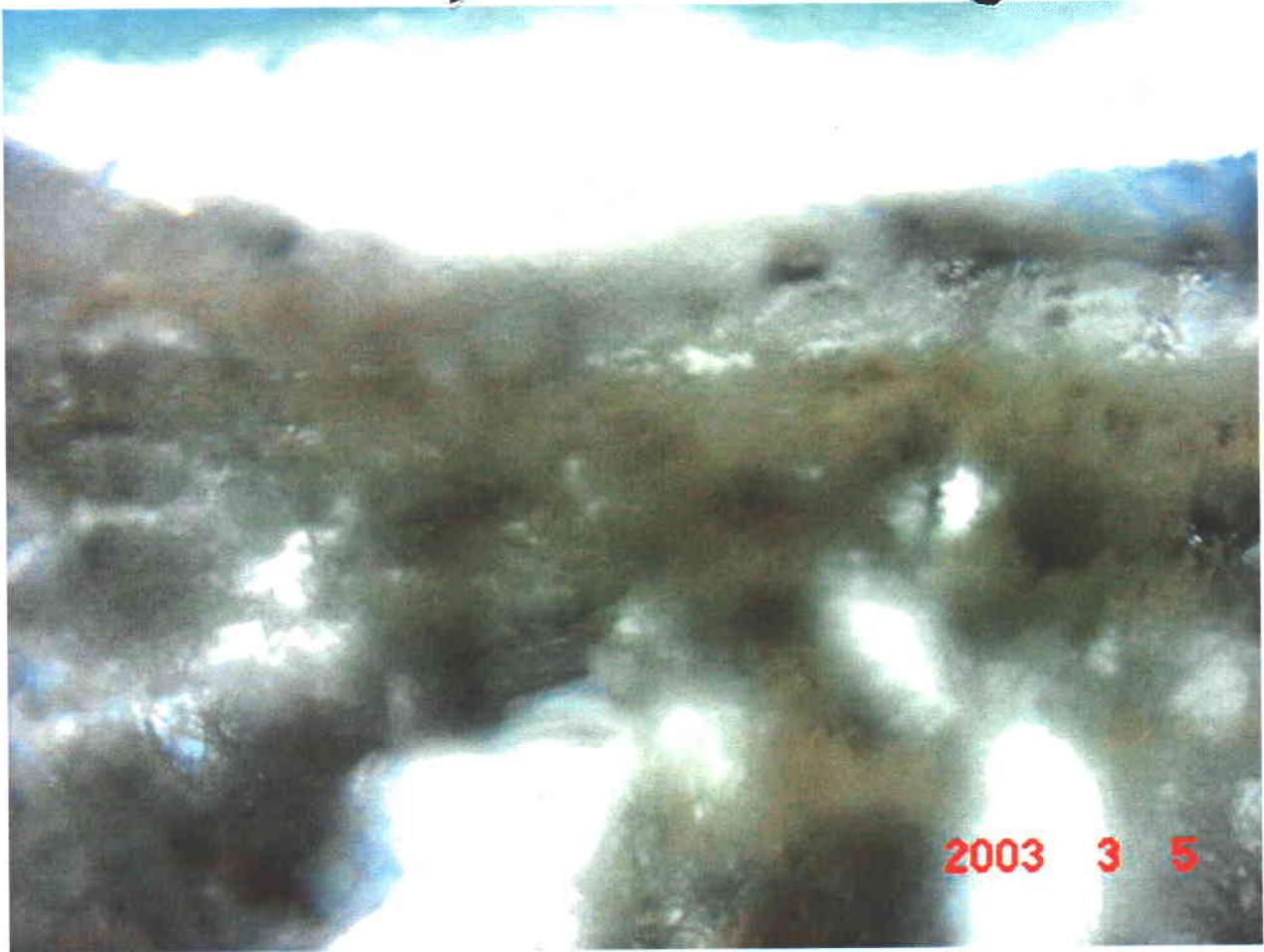
2000psi WP



CHOKE MANIFOLD







WORKSHEET
APPLICATION FOR PERMIT TO DRILL

APD RECEIVED: 02/20/2003

API NO. ASSIGNED: 43-007-30903

WELL NAME: GORDON CREEK ST 3-7-14-8

OPERATOR: KLABZUBA OIL & GAS INC (N1325)

CONTACT: DON HAMILTON/AGENT

PHONE NUMBER: 435-687-5310

PROPOSED LOCATION:

SESW 07 140S 080E
SURFACE: 0884 FSL 2003 FWL
BOTTOM: 0884 FSL 2003 FWL
CARBON
UNDESIGNATED (2)

INSPECT LOCATN BY: / /		
Tech Review	Initials	Date
Engineering	Dkd	4/9/03
Geology		
Surface		

LEASE TYPE: 3 - State

LEASE NUMBER: ML-46537

SURFACE OWNER: 3 - State

LATITUDE: 39.61759

PROPOSED FORMATION: FRSD

LONGITUDE: 111.07189

RECEIVED AND/OR REVIEWED:

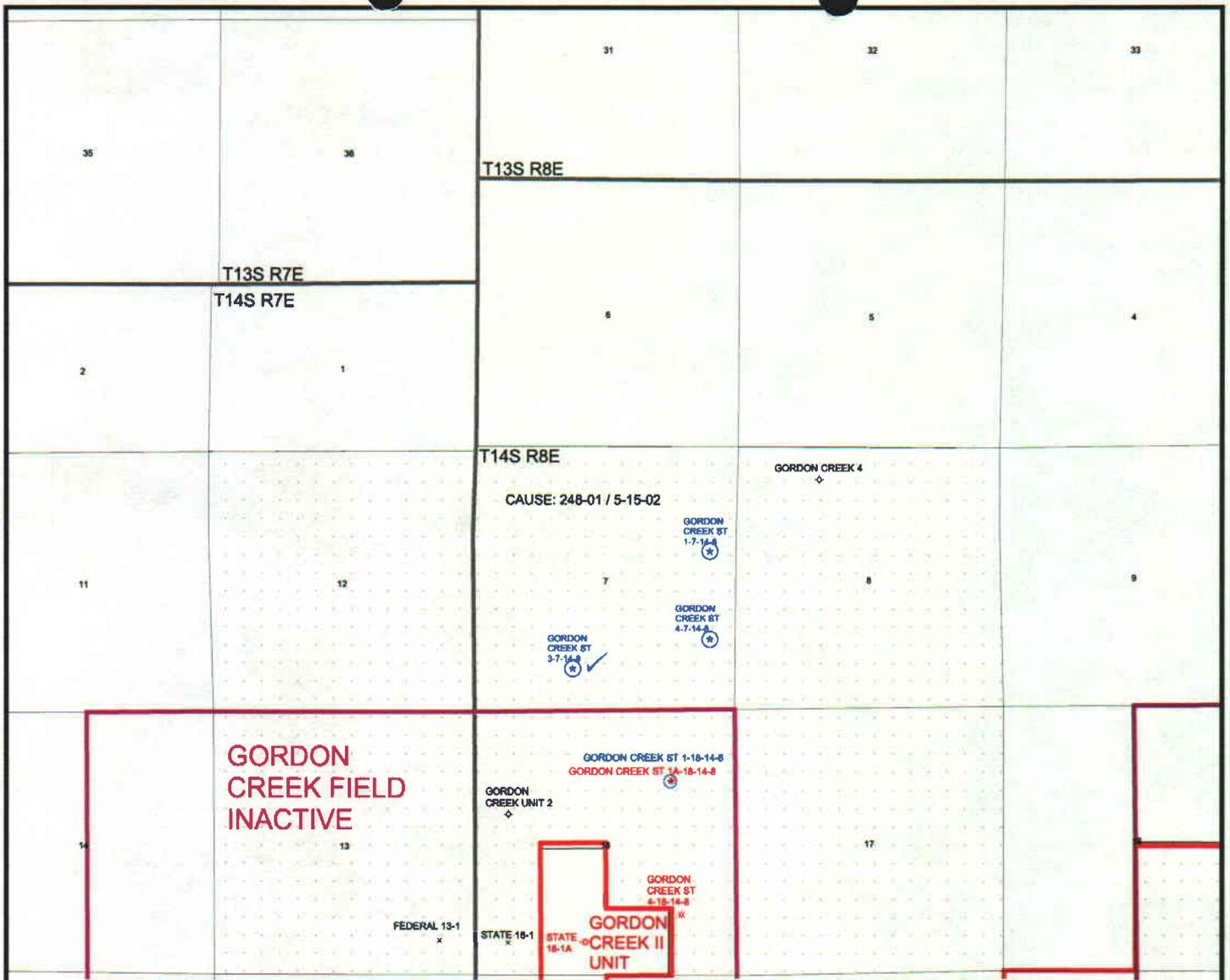
- Plat
- Bond: Fed[] Ind[] Sta[3] Fee[]
(No. B326446⁴⁴)
- Potash (Y/N)
- Oil Shale 190-5 (B) or 190-3 or 190-13
- Water Permit
(No. MUNICIPAL)
- RDCC Review (Y/N)
(Date:)
- Fee Surf Agreement (Y/N)

LOCATION AND SITING:

- R649-2-3.
Unit _____
- R649-3-2. General
Siting: 460 From Qtr/Qtr & 920' Between Wells
- R649-3-3. Exception
- Drilling Unit
Board Cause No: 248-01 (140')
Eff Date: 5-15-02
Siting: 460' fr owner boundary, 920' fr other well
- R649-3-11. Directional Drill

COMMENTS: Need Permit (Recd 3/21/03)

STIPULATIONS: ① Surface Casing Cont Stop
② STATEMENT OF BASIS



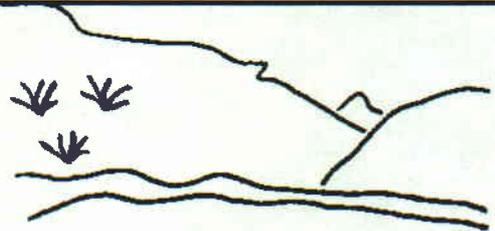
OPERATOR: KLABZUBA O&G INC (N1325)

SEC. 7 T14S, R8E

FIELD: UNDESIGNATED (002)

COUNTY: CARBON

CAUSE: 248-01 / 5-15-02



Utah Oil Gas and Mining

WELLS

- ⚡ GAS INJECTION
- GAS STORAGE
- * LOCATION ABANDONED
- ⊙ NEW LOCATION
- ◇ PLUGGED & ABANDONED
- * PRODUCING GAS
- PRODUCING OIL
- SHUT-IN GAS
- ⚡ SHUT-IN OIL
- × TEMP. ABANDONED
- TEST WELL
- △ WATER INJECTION
- ◆ WATER SUPPLY
- ⚡ WATER DISPOSAL

UNIT STATUS

- EXPLORATORY
- GAS STORAGE
- NF PP OIL
- NF SECONDARY
- PENDING
- PI OIL
- PP GAS
- PP GEOTHERML
- PP OIL
- SECONDARY
- TERMINATED

FIELD STATUS

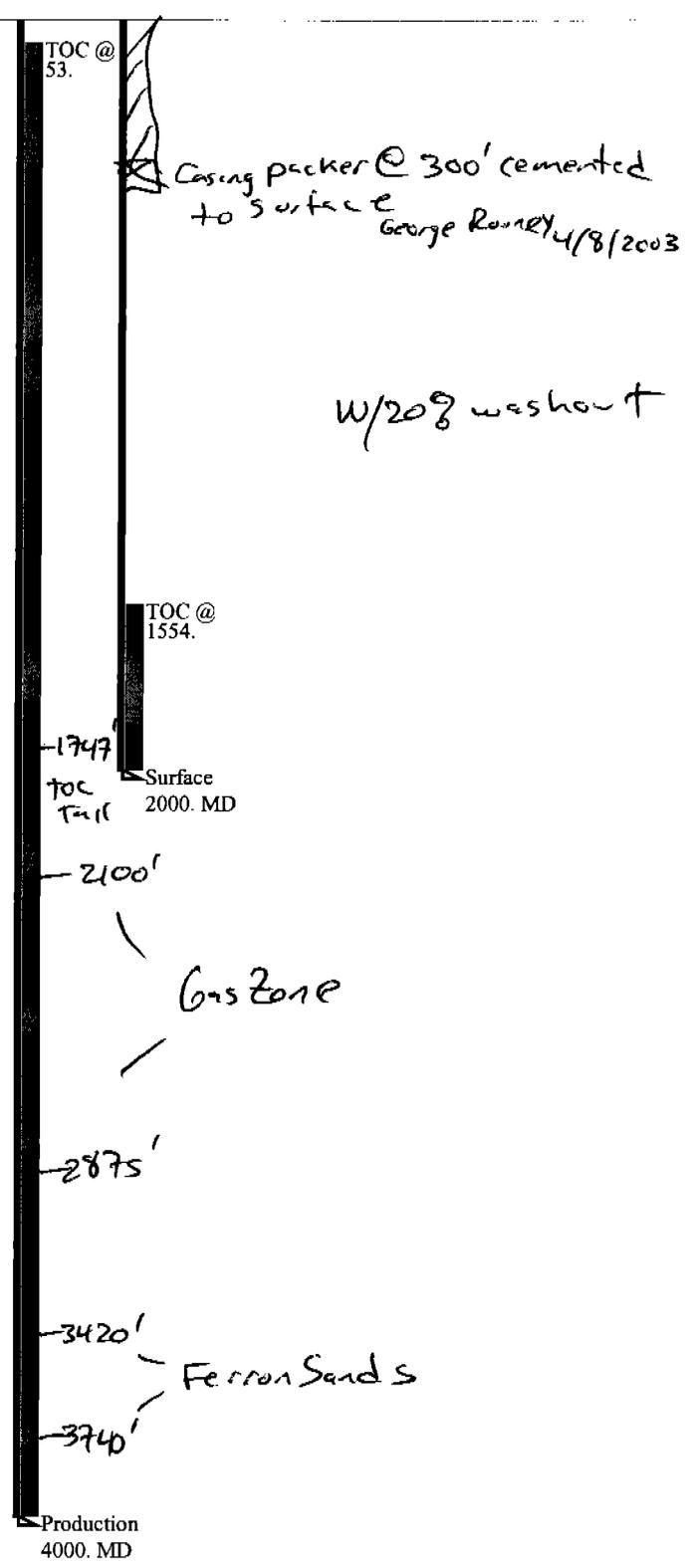
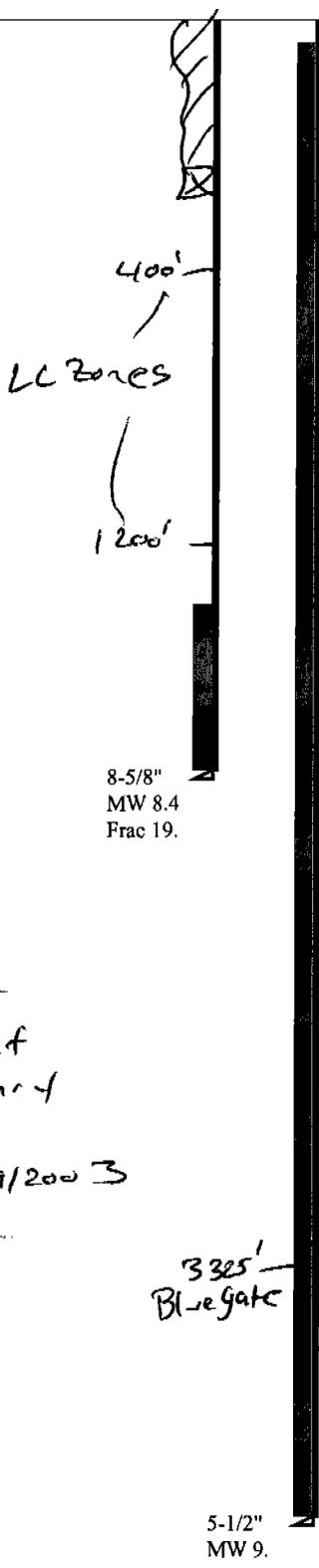
- ABANDONED
- ACTIVE
- COMBINED
- INACTIVE
- PROPOSED
- STORAGE
- TERMINATED
- COUNTY BOUNDARY
- SECTION LINES
- TOWNSHIP LINES



PREPARED BY: DIANA MASON
DATE: 21-FEBRUARY-2003

Casing Schematic

Surface



BOP
BOP
 $(0.052)(9)(4000) = 1872 \text{ psi}$
Anticipated = 1000 psi

Gas
 $(0.12)(4000) = 480 \text{ psi}$
MdsP = 1392 psi

2 m BOP proposed

Drill w/Air 1500-2300 scf
1100-1300 CFM necessary

Adequate DRD 4/9/2003

Well name:	04-03 Klabzuba Gordon Creek 3-7-14-8		Project ID:
Operator:	Klabzuba Oil & Gas Inc.		43-007-30903
String type:	Production		
Location:	Carbon County		

Design parameters:

Collapse
 Mud weight: 9.000 ppg
 Design is based on evacuated pipe.

Minimum design factors:

Collapse:
 Design factor 1.125

Environment:

H2S considered? No
 Surface temperature: 65 °F
 Bottom hole temperature: 121 °F
 Temperature gradient: 1.40 °F/100ft
 Minimum section length: 250 ft

Burst

Max anticipated surface pressure: 0 psi
 Internal gradient: 0.468 psi/ft
 Calculated BHP: 1,870 psi

Burst:

Design factor 1.00

Cement top: 53 ft

No backup mud specified.

Tension:

8 Round STC: 1.80 (J)
 8 Round LTC: 1.80 (J)
 Buttress: 1.60 (J)
 Premium: 1.50 (J)
 Body yield: 1.50 (B)

Non-directional string.

Tension is based on air weight.
 Neutral point: 3,455 ft

Run Seq	Segment Length (ft)	Size (in)	Nominal Weight (lbs/ft)	Grade	End Finish	True Vert Depth (ft)	Measured Depth (ft)	Drift Diameter (In)	Est. Cost ()
1	4000	5.5	15.50	J-55	ST&C	4000	4000	4.825	16933

Run Seq	Collapse Load (psi)	Collapse Strength (psi)	Collapse Design Factor	Burst Load (psi)	Burst Strength (psi)	Burst Design Factor	Tension Load (Kips)	Tension Strength (Kips)	Tension Design Factor
1	1870	4040	2.16	1870	4810	2.57	62	202	3.26 J

Prepared by: Dustin Doucet
 Utah Dept. of Natural Resources

Phone: 801-538-5281
 FAX: 801-359-3940

Date: April 1,2003
 Salt Lake City, Utah

ENGINEERING STIPULATIONS: NONE
 Collapse strength is based on the Westcott, Dunlop & Kemler method of biaxial correction for tension.
 Collapse is based on a vertical depth of 4000 ft, a mud weight of 9 ppg The casing is considered to be evacuated for collapse purposes.
 Burst strength is not adjusted for tension.

Engineering responsibility for use of this design will be that of the purchaser.

Well name:

04-03 Klabzuba Gordon Creek 3-7-14-8

Operator:

Klabzuba Oil & Gas Inc.

String type:

Surface

Project ID:

43-007-30903

Location:

Carbon County

Design parameters:

Collapse

Mud weight: 8.400 ppg
Design is based on evacuated pipe.

Minimum design factors:

Collapse:

Design factor 1.125

Burst:

Design factor 1.00

Environment:

H2S considered? No
Surface temperature: 65 °F
Bottom hole temperature: 93 °F
Temperature gradient: 1.40 °F/100ft
Minimum section length: 250 ft

Cement top:

1,554 ft

Surface Strip
As discussed d*

Burst

Max anticipated surface pressure: 0 psi
Internal gradient: 0.468 psi/ft
Calculated BHP 935 psi

No backup mud specified.

Tension:

8 Round STC: 1.80 (J)
8 Round LTC: 1.80 (J)
Buttress: 1.60 (J)
Premium: 1.50 (J)
Body yield: 1.50 (B)

Tension is based on air weight.
Neutral point: 1,748 ft

Non-directional string.

Re subsequent strings:

Next setting depth: 4,000 ft
Next mud weight: 9.000 ppg
Next setting BHP: 1,870 psi
Fracture mud wt: 19.000 ppg
Fracture depth: 2,000 ft
Injection pressure 1,974 psi

Run Seq	Segment Length (ft)	Size (in)	Nominal Weight (lbs/ft)	Grade	End Finish	True Vert Depth (ft)	Measured Depth (ft)	Drift Diameter (in)	Est. Cost ()
1	2000	8.625	24.00	J-55	ST&C	2000	2000	7.972	13103

Run Seq	Collapse Load (psi)	Collapse Strength (psi)	Collapse Design Factor	Burst Load (psi)	Burst Strength (psi)	Burst Design Factor	Tension Load (Kips)	Tension Strength (Kips)	Tension Design Factor
1	873	1370	1.57	935	2950	3.16	48	244	5.08 J

Prepared by: Dustin Doucet
Utah Dept. of Natural Resources

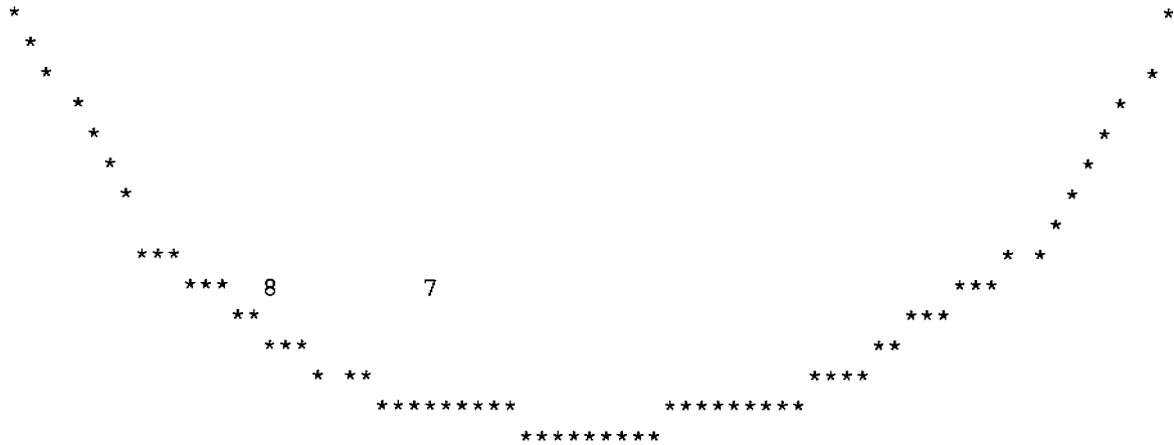
Phone: 801-538-5281
FAX: 801-359-3940

Date: April 9, 2003
Salt Lake City, Utah

ENGINEERING STIPULATIONS: NONE

Collapse strength is based on the Westcott, Dunlop & Kemler method of biaxial correction for tension.
Collapse is based on a vertical depth of 2000 ft, a mud weight of 8.4 ppg The casing is considered to be evacuated for collapse purposes.
Burst strength is not adjusted for tension.

Engineering responsibility for use of this design will be that of the purchaser.



UTAH DIVISION OF WATER RIGHTS
 NWPLAT POINT OF DIVERSION LOCATION PROGRAM

MAP CHAR	WATER RIGHT	QUANTITY CFS	AND/OR	AC-FT	SOURCE DESCRIPTION or WELL INFO DIAMETER	DEPTH	YEAR LOG	POINT OF DIVERSION DESCRIPTION NORTH	EAST	CNR	SEC	TWN	RNG	B&M	U A N P
0	91 3113	.0000		.00	Unnamed Stream										
		WATER USE(S): Oman, Milton A. 717 Continental Bank Building										PRIORITY DATE: 00/00/1869	UT		
0	91 3113	.0000		.00	Unnamed Stream										
		WATER USE(S): Oman, Milton A. 717 Continental Bank Building										PRIORITY DATE: 00/00/1869	UT		
1	91 3714	.0000		.00	Unnamed Stream										
		WATER USE(S): STOCKWATERING State of Utah School & Institutional Tru 675 East 500 South, 5th Floor										PRIORITY DATE: 00/00/1869	UT 8		
2	91 3714	.0000		.00	Unnamed Stream										
		WATER USE(S): STOCKWATERING State of Utah School & Institutional Tru 675 East 500 South, 5th Floor										PRIORITY DATE: 00/00/1869	UT 8		

3	<u>91 994</u>	.0000	.00 Tirb. to Bob Wright Canyon Cre				
			WATER USE(S):			PRIORITY DATE: 00/00/1869	
			USA Forest Service	324 35th Street		Ogden	UT 8
4	<u>91 982</u>	.0000	.00 Right Fork Miller Creek				
			WATER USE(S): STOCKWATERING			PRIORITY DATE: 00/00/1869	
			USA Forest Service	324 25th Street		Ogden,	UT 8
5	<u>91 3217</u>	.0000	.00 Second Water Canyon Creek				
			WATER USE(S): STOCKWATERING			PRIORITY DATE: 00/00/1869	
			State of Utah School & Institutional Tru	675 East 500 South, 5th Floor		Salt Lake City	UT 8
6	<u>91 3103</u>	.0000	.00 Second Water Canyon Creek				
			WATER USE(S): DOMESTIC			PRIORITY DATE: 00/00/1869	
			Oman, Milton A.	717 Continental Bank Building		Salt Lake City	UT
7	<u>91 3217</u>	.0000	.00 Second Water Canyon Creek				
			WATER USE(S): STOCKWATERING			PRIORITY DATE: 00/00/1869	
			State of Utah School & Institutional Tru	675 East 500 South, 5th Floor		Salt Lake City	UT 8
8	<u>91 992</u>	.0000	.00 Second Water Canyon Creek				
			WATER USE(S):			PRIORITY DATE: 00/00/1869	
			USA Forest Service	324 25th Street		Ogden	UT 8

**DIVISION OF OIL, GAS AND MINING
APPLICATION FOR PERMIT TO DRILL
STATEMENT OF BASIS**

OPERATOR: Klabzuba Oil and Gas
WELL NAME & NUMBER: Gordon Creek State 3-7-14-8
API NUMBER: 43-007-30903
LOCATION: 1/4,1/4 SESW Sec: 7 TWP: 14S RNG: 8E 884 FSL 2003 FWL

Geology/Ground Water:

This location is on the west-side hanging wall of a small, north-south trending graben valley, the west-side bounding fault of which is ~1,600 feet east. The silty, poorly permeable soil is developed on the Upper Portion of the Blue Gate Member of the Mancos Shale. Several units of the Emery Sandstone Member of the Mancos Shale are likely to be present at this location. If the Garley Canyon Sandstone and other superjacent units of the Emery Sandstone Member are present (probable) and wet (possible - standing water was found in upper Garley Canyon Beds in Pinnacle Canyon ~7 miles east southeast), these strata should be included within the interval protected by the surface casing string. The operator should be informed of the likelihood of these units being saturated and respond to protect the zones by extending the surface casing string as needed. Extending the proposed casing and cement will adequately isolate any shallow zones containing water. Within a mile of the location ten water rights have been filed, however, none of these involve subsurface water resources.

Reviewer: Christopher J. Kierst **Date:** 3/31/2003

Surface:

Proposed location is ~14 miles NW of Price, Utah. Staked location lies on a jeep trail just north of Second Water Canyon in the Gordon Creek Drainage area. The direct area drains south into Water Canyon, then east into Corner Canyon, then further east into Gordon Creek and eventually into the Price River, a year-round live water source 12 miles east of the proposed location. Dry washes are typical throughout the area. DWR, SITLA, and Carbon County were invited but chose not to attend the onsite.

Reviewer: Mark L. Jones **Date:** March 21, 2003

Conditions of Approval/Application for Permit to Drill:

1. A synthetic liner with a minimum thickness of 12 mils shall be properly installed and maintained in the reserve pit.
2. Berm the location and pit.
3. Diversion ditches and culverts where necessary to control run-off.

ON-SITE PREDRILL EVALUATION
Division of Oil, Gas and Mining

OPERATOR: Klabzuba Oil and Gas
WELL NAME & NUMBER: Gordon Creek State 3-7-14-8
API NUMBER: 43-007-30903
LEASE: State FIELD/UNIT: _____
LOCATION: 1/4, 1/4 SESW Sec: 7 TWP: 14S RNG: 8E 884 FSL 2003 FWL
LEGAL WELL SITING: 460 F SEC. LINE; 460 F 1/4 LINE; 920 F ANOTHER WELL.
GPS COORD (UTM): X = 493822 E; Y = 4385104 N SURFACE OWNER: SITLA

PARTICIPANTS

M. Jones (DOGM), George Rooney (Klabzuba), D. Hamilton (TALON), and Lee Schultz (Diamondback Services), were in attendance for the on-site of this well. DWR, SITLA, and Carbon County were invited but chose not to attend the onsite.

REGIONAL/LOCAL SETTING & TOPOGRAPHY

Proposed location is ~14 miles NW of Price, Utah. Staked location lies on a jeep trail just north of Second Water Canyon in the Gordon Creek Drainage area. The direct area drains south into Water Canyon, then east into Corner Canyon, then further east into Gordon Creek and eventually into the Price River, a year-round live water source 12 miles east of the proposed location. Dry washes are typical throughout the area.

SURFACE USE PLAN

CURRENT SURFACE USE: Wildlife habitat and grazing.

PROPOSED SURFACE DISTURBANCE: 280' x 150' and a 100' x 60' x 10' pit.

LOCATION OF EXISTING WELLS WITHIN A 1 MILE RADIUS: 1 producing, 2 proposed, and 1 PA well is within a 1 mile radius of the above proposed well.

LOCATION OF PRODUCTION FACILITIES AND PIPELINES: Along roadside.

SOURCE OF CONSTRUCTION MATERIAL: Obtained locally and transported in.

ANCILLARY FACILITIES: None anticipated.

WASTE MANAGEMENT PLAN:

Portable chemical toilets which will be emptied into the municipal waste treatment system; garbage cans on location will be emptied into centralized dumpsters which will be emptied into an approved landfill. Crude oil production is unlikely. Drilling fluid, completion / frac fluid and cuttings will be buried in the pit after evaporation and slashing the pit liner. Produced water will be gathered to the evaporation pit, then into storage tanks, and trucked to a proper disposal site. Eventually, produced water may be re-injected into other zones via a salt-water disposal well. Used oil from drilling operations and support will be hauled to a used oil recycler and reused.

ENVIRONMENTAL PARAMETERS

AFFECTED FLOODPLAINS AND/OR WETLANDS: Dry washes.

FLORA/FAUNA: Sagebrush, grasses, mountain mahogany, Elk, deer, moose, small game, rodents.

SOIL TYPE AND CHARACTERISTICS: Clay loam.

SURFACE FORMATION & CHARACTERISTICS: _____

EROSION/SEDIMENTATION/STABILITY: Erosive upon disturbance.

PALEONTOLOGICAL POTENTIAL: None observed.

RESERVE PIT

CHARACTERISTICS: Dugout earthen pit.

LINER REQUIREMENTS (Site Ranking Form attached): Liner required.

SURFACE RESTORATION/RECLAMATION PLAN

As per surface use agreement.

SURFACE AGREEMENT: As per SITLA.

CULTURAL RESOURCES/ARCHAEOLOGY: Completed and placed on file with SITLA.

OTHER OBSERVATIONS/COMMENTS

ATTACHMENTS

Photos of this location were taken and placed on file.

Mark L. Jones
DOGM REPRESENTATIVE

March 5, 2003 / 12:30 pm
DATE/TIME

**Evaluation Ranking Criteria and Ranking Score
For Reserve and Onsite Pit Liner Requirements**

<u>Site-Specific Factors</u>	<u>Ranking</u>	<u>Site Ranking</u>
Distance to Groundwater (feet)		
>200	0	
100 to 200	5	
75 to 100	10	
25 to 75	15	
<25 or recharge area	20	<u>0</u>
Distance to Surf. Water (feet)		
>1000	0	
300 to 1000	2	
200 to 300	10	
100 to 200	15	
< 100	20	<u>0</u>
Distance to Nearest Municipal Well (feet)		
>5280	0	
1320 to 5280	5	
500 to 1320	10	
<500	20	<u>0</u>
Distance to Other Wells (feet)		
>1320	0	
300 to 1320	10	
<300	20	<u>0</u>
Native Soil Type		
Low permeability	0	
Mod. permeability	10	
High permeability	20	<u>15</u>
Fluid Type		
Air/mist	0	
Fresh Water	5	
TDS >5000 and <10000	10	
TDS >10000 or Oil Base Mud Fluid	15	
containing significant levels of hazardous constituents	20	<u>0</u>
Drill Cuttings		
Normal Rock	0	
Salt or detrimental	10	<u>0</u>
Annual Precipitation (inches)		
<10	0	
10 to 20	5	
>20	10	<u>10</u>
Affected Populations		
<10	0	
10 to 30	6	
30 to 50	8	
>50	10	<u>0</u>
Presence of Nearby Utility Conduits		
Not Present	0	
Unknown	10	
Present	15	<u>0</u>

Final Score 25 (Level I Sensitivity)

Sensitivity Level I = 20 or more; total containment is required.

Sensitivity Level II = 15-19; lining is discretionary.

Sensitivity Level III = below 15; no specific lining is required.



State of Utah
DEPARTMENT OF NATURAL RESOURCES
DIVISION OF OIL, GAS AND MINING

1594 West North Temple, Suite 1210

PO Box 145801

Salt Lake City, Utah 84114-5801

(801) 538-5340 telephone

(801) 359-3940 fax

(801) 538-7223 TTY

www.nr.utah.gov

Michael O. Leavitt
Governor

Robert L. Morgan
Executive Director

Lowell P. Braxton
Division Director

April 9, 2003

Klabzuba Oil & Gas Inc.
700 17th Street, Suite 1300
Denver, CO 80202

Re: Gordon Creek, State 3-7-14-8 Well, 884' FSL, 2003' FWL, SE SW, Sec. 7, T. 14 South,
R. 8 East, Carbon County, Utah

Gentlemen:

Pursuant to the provisions and requirements of Utah Code Ann. § 40-6-1 *et seq.*, Utah Administrative Code R649-3-1 *et seq.*, and the attached Conditions of Approval, approval to drill the referenced well is granted.

This approval shall expire one year from the above date unless substantial and continuous operation is underway, or a request for extension is made prior to the expiration date. The API identification number assigned to this well is 43-007-30903.

Sincerely,

A handwritten signature in black ink, appearing to read 'John R. Baza'.

John R. Baza
Associate Director

pab
Enclosures

cc: Carbon County Assessor
SITLA

Operator: Klabzuba Oil & Gas Inc.
Well Name & Number Gordon Creek, State 3-7-14-8
API Number: 43-007-30903
Lease: ML-46537

Location: SE SW **Sec.** 7 **T.** 14 South **R.** 8 East

Conditions of Approval

1. **General**

Compliance with the requirements of Utah Admin. R. 649-1 *et seq.*, the Oil and Gas Conservation General Rules, and the applicable terms and provisions of the approved Application for permit to drill.

2. **Notification Requirements**

The operator is required to notify the Division of Oil, Gas and Mining of the following actions during drilling of this well:

- 24 hours prior to cementing or testing casing
- 24 hours prior to testing blowout prevention equipment
- 24 hours prior to spudding the well
- within 24 hours of any emergency changes made to the approved drilling program
- prior to commencing operations to plug and abandon the well

The following are Division of Oil, Gas and Mining contacts and their work telephone numbers (please leave a voice mail message if the person is not available to take the call):

- Dan Jarvis at (801) 538-5338
- Carol Daniels at (801) 538-5284 (spud)

3. **Reporting Requirements**

All required reports, forms and submittals will be promptly filed with the Division, including but not limited to the Entity Action Form (Form 6), Report of Water Encountered During Drilling (Form 7), Weekly Progress Reports for drilling and completion operations, and Sundry Notices and Reports on Wells requesting approval of change of plans or other operational actions.

4. Compliance with the State of Utah Antiquities Act forbids disturbance of archeological, historical, or paleontological remains. Should archeological, historical or paleontological remains be encountered during your operations, you are required to immediately suspend all operations and immediately inform the Trust Lands Administration and the Division of State History of the discovery of such remains.

5. Compliance with the Conditions of Approval/Application for Permit to Drill outlined in the Statement of Basis. (Copy Attached)

6. Surface casing shall be cemented to the surface.

005

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

5. LEASE DESIGNATION AND SERIAL NUMBER:
ML-46537

SUNDRY NOTICES AND REPORTS ON WELLS

Do not use this form for proposals to drill new wells, significantly deepen existing wells below current bottom-hole depth, reenter plugged wells, or to drill horizontal laterals. Use APPLICATION FOR PERMIT TO DRILL form for such proposals.

6. IF INDIAN, ALLOTTEE OR TRIBE NAME:
N/A

7. UNIT or CA AGREEMENT NAME:
N/A

1. TYPE OF WELL OIL WELL GAS WELL OTHER _____

8. WELL NAME and NUMBER:
Gordon Creek, State 3-7-14-8

2. NAME OF OPERATOR:
Klabzuba Oil and Gas, Inc.

9. API NUMBER:
4300730903

3. ADDRESS OF OPERATOR:
700-17th St., Ste 1300 CITY Denver STATE CO ZIP 80202

PHONE NUMBER:
(303) 382-2177

10. FIELD AND POOL, OR WILDCAT:
Gordon Creek

4. LOCATION OF WELL
FOOTAGES AT SURFACE: 884' FSL, 2,003' FWL

COUNTY: Carbon

QTR/QTR, SECTION, TOWNSHIP, RANGE, MERIDIAN: SESW 7 14S 8E S

STATE: UTAH

11. CHECK APPROPRIATE BOXES TO INDICATE NATURE OF NOTICE, REPORT, OR OTHER DATA

TYPE OF SUBMISSION	TYPE OF ACTION		
<input type="checkbox"/> NOTICE OF INTENT (Submit in Duplicate) Approximate date work will start: _____	<input type="checkbox"/> ACIDIZE	<input type="checkbox"/> DEEPEN	<input type="checkbox"/> REPERFORATE CURRENT FORMATION
	<input type="checkbox"/> ALTER CASING	<input type="checkbox"/> FRACTURE TREAT	<input type="checkbox"/> SIDETRACK TO REPAIR WELL
	<input type="checkbox"/> CASING REPAIR	<input type="checkbox"/> NEW CONSTRUCTION	<input type="checkbox"/> TEMPORARILY ABANDON
	<input type="checkbox"/> CHANGE TO PREVIOUS PLANS	<input type="checkbox"/> OPERATOR CHANGE	<input type="checkbox"/> TUBING REPAIR
	<input type="checkbox"/> CHANGE TUBING	<input type="checkbox"/> PLUG AND ABANDON	<input type="checkbox"/> VENT OR FLARE
<input checked="" type="checkbox"/> SUBSEQUENT REPORT (Submit Original Form Only) Date of work completion: _____	<input type="checkbox"/> CHANGE WELL NAME	<input type="checkbox"/> PLUG BACK	<input type="checkbox"/> WATER DISPOSAL
	<input type="checkbox"/> CHANGE WELL STATUS	<input type="checkbox"/> PRODUCTION (START/RESUME)	<input type="checkbox"/> WATER SHUT-OFF
	<input type="checkbox"/> COMMINGLE PRODUCING FORMATIONS	<input type="checkbox"/> RECLAMATION OF WELL SITE	<input type="checkbox"/> OTHER: <u>Extend State Permit</u>
	<input type="checkbox"/> CONVERT WELL TYPE	<input type="checkbox"/> RECOMPLETE - DIFFERENT FORMATION	

12. DESCRIBE PROPOSED OR COMPLETED OPERATIONS. Clearly show all pertinent details including dates, depths, volumes, etc.

Klabzuba Oil and Gas, Inc. hereby requests a one year extension of the state permit for the referenced well.

Approved by the
Utah Division of
Oil, Gas and Mining

Date: 05-03-04
By: *[Signature]*

COPY SENT TO OPERATOR
Date: 05-04-04
Initials: CHD

ORIGINAL

NAME (PLEASE PRINT) Don Hamilton

TITLE Agent for Klabzuba Oil and Gas, Inc.

SIGNATURE *Don Hamilton*

DATE 4/16/2004

(This space for State use only)

RECEIVED
APR 21 2004

DIV. OF OIL, GAS & MINING

**Application for Permit to Drill
Request for Permit Extension
Validation**

(this form should accompany the Sundry Notice requesting permit extension)

API: 43-007-30903
Well Name: Gordon Creek, State 3-7-14-8
Location: SE/4 SW/4, Section 7, T14S, R8E, SLB&M
Company Permit Issued to: Klabzuba Oil and Gas, Inc.
Date Original Permit Issued:

The undersigned as owner with legal rights to drill on the property as permitted above, hereby verifies that the information as submitted in the previously approved application to drill, remains valid and does not require revision.

Following is a checklist of some items related to the application, which should be verified.

If located on private land, has the ownership changed, if so, has the surface agreement been updated? Yes No

Have any wells been drilled in the vicinity of the proposed well which would affect the spacing or siting requirements for this location? Yes No

Has there been any unit or other agreements put in place that could affect the permitting or operation of this proposed well? Yes No

Have there been any changes to the access route including ownership, or right-of-way, which could affect the proposed location? Yes No

Has the approved source of water for drilling changed? Yes No

Have there been any physical changes to the surface location or access route which will require a change in plans from what was discussed at the onsite evaluation? Yes No

Is bonding still in place, which covers this proposed well? Yes No

Don Hamilton
Signature

4/16/2004
Date

Title: Agent for Klabzuba

Representing: Klabzuba Oil and Gas, Inc.

ORIGINAL

006

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

FORM 9

SUNDRY NOTICES AND REPORTS ON WELLS

Do not use this form for proposals to drill new wells, significantly deepen existing wells below current bottom-hole depth, reenter plugged wells, or to drill horizontal laterals. Use APPLICATION FOR PERMIT TO DRILL form for such proposals.

1. TYPE OF WELL OIL WELL <input type="checkbox"/> GAS WELL <input checked="" type="checkbox"/> OTHER _____		5. LEASE DESIGNATION AND SERIAL NUMBER: ML-4653
2. NAME OF OPERATOR: Klabzuba Oil and Gas, Inc.		6. IF INDIAN, ALLOTTEE OR TRIBE NAME: N/A
3. ADDRESS OF OPERATOR: 700-17th St., S.1300 CITY Denver STATE CO ZIP 80202		7. UNIT or CA AGREEMENT NAME: undesigned
4. LOCATION OF WELL FOOTAGES AT SURFACE: 884' FSL, 2,003' FWL QTR/QTR, SECTION, TOWNSHIP, RANGE, MERIDIAN: SESW 7 14S 8E S		8. WELL NAME and NUMBER: Gordon Creek, State 3-7-14-8
PHONE NUMBER: (303) 382-2177		9. API NUMBER: 430073090#3
STATE: UTAH		10. FIELD AND POOL, OR WILDCAT: Gordon Creek

11. CHECK APPROPRIATE BOXES TO INDICATE NATURE OF NOTICE, REPORT, OR OTHER DATA

TYPE OF SUBMISSION	TYPE OF ACTION		
<input type="checkbox"/> NOTICE OF INTENT (Submit in Duplicate) Approximate date work will start: _____	<input type="checkbox"/> ACIDIZE	<input type="checkbox"/> DEEPEN	<input type="checkbox"/> REPERFORATE CURRENT FORMATION
<input checked="" type="checkbox"/> SUBSEQUENT REPORT (Submit Original Form Only) Date of work completion: _____	<input type="checkbox"/> ALTER CASING	<input type="checkbox"/> FRACTURE TREAT	<input type="checkbox"/> SIDETRACK TO REPAIR WELL
	<input type="checkbox"/> CASING REPAIR	<input type="checkbox"/> NEW CONSTRUCTION	<input type="checkbox"/> TEMPORARILY ABANDON
	<input type="checkbox"/> CHANGE TO PREVIOUS PLANS	<input type="checkbox"/> OPERATOR CHANGE	<input type="checkbox"/> TUBING REPAIR
	<input type="checkbox"/> CHANGE TUBING	<input type="checkbox"/> PLUG AND ABANDON	<input type="checkbox"/> VENT OR FLARE
	<input type="checkbox"/> CHANGE WELL NAME	<input type="checkbox"/> PLUG BACK	<input type="checkbox"/> WATER DISPOSAL
	<input type="checkbox"/> CHANGE WELL STATUS	<input type="checkbox"/> PRODUCTION (START/RESUME)	<input type="checkbox"/> WATER SHUT-OFF
	<input type="checkbox"/> COMMINGLE PRODUCING FORMATIONS	<input type="checkbox"/> RECLAMATION OF WELL SITE	<input type="checkbox"/> OTHER: <u>Extend State Permit</u>
	<input type="checkbox"/> CONVERT WELL TYPE	<input type="checkbox"/> RECOMPLETE - DIFFERENT FORMATION	

12. DESCRIBE PROPOSED OR COMPLETED OPERATIONS. Clearly show all pertinent details including dates, depths, volumes, etc.

Klabzuba Oil and Gas, Inc. hereby requests a one year extension of the state permit for the Gordon Creek, State 3-7-14-8.

This is the second extension that has been requested.

Approved by the
Utah Division of
Oil, Gas and Mining

Date: 05-19-05
By: [Signature]

SENT TO OPERATOR
DATE: 5-23-05
BY: [Signature]

NAME (PLEASE PRINT) <u>Don Hamilton</u>	TITLE <u>Agent for Klabzuba Oil and Gas, Inc.</u>
SIGNATURE <u>Don Hamilton</u>	DATE <u>5/12/2005</u>

(This space for State use only)

(6/2000)

RECEIVED
(See Instructions on Reverse Side)

MAY 18 2005

DIV. OF OIL, GAS & MINING

ORIGINAL

**Application for Permit to Drill
Request for Permit Extension
Validation**

(this form should accompany the Sundry Notice requesting permit extension)

API: 43-007-30903
Well Name: Gordon Creek, State 3-7-14-8
Location: SE/4 SW/4, Section 7, T14S, R8E, SLB&M
Company Permit Issued to: Klabzuba Oil and Gas, Inc.
Date Original Permit Issued:

The undersigned as owner with legal rights to drill on the property as permitted above, hereby verifies that the information as submitted in the previously approved application to drill, remains valid and does not require revision.

Following is a checklist of some items related to the application, which should be verified.

If located on private land, has the ownership changed, if so, has the surface agreement been updated? Yes No

Have any wells been drilled in the vicinity of the proposed well which would affect the spacing or siting requirements for this location? Yes No

Has there been any unit or other agreements put in place that could affect the permitting or operation of this proposed well? Yes No

Have there been any changes to the access route including ownership, or right-of-way, which could affect the proposed location? Yes No

Has the approved source of water for drilling changed? Yes No

Have there been any physical changes to the surface location or access route which will require a change in plans from what was discussed at the onsite evaluation? Yes No

Is bonding still in place, which covers this proposed well? Yes No

Den Hamilton
Signature

5/12/2005
Date

Title: Agent for Klabzuba Oil and Gas, Inc.

Representing: Klabzuba Oil and Gas, Inc.

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MAY 18 2005

DIV. OF OIL, GAS & MINING

ORIGINAL

OPERATOR CHANGE WORKSHEET

ROUTING

1. DJJ
2. CDW

X Change of Operator (Well Sold)

Designation of Agent/Operator

Operator Name Change

Merger

The operator of the well(s) listed below has changed, effective:

1/1/2006

FROM: (Old Operator): N1325-Klabzuba Oil & Gas, Inc. 700 17th St, Suite 1300 Denver, CO 80202-3512 Phone: 1-(303) 299-9097	TO: (New Operator): N2560-Fellows Energy Ltd. 8716 Arapahoe Road Boulder, CO 80303 Phone: 1-(303) 926-4415
---	--

CA No.

Unit:

WELL(S)

NAME	SEC	TWN	RNG	API NO	ENTITY NO	LEASE TYPE	WELL TYPE	WELL STATUS	
GORDON CREEK ST 3-5-14-8	05	140S	080E	4300730932		State	GW	APD	C
GORDON CREEK ST 1-7-14-8	07	140S	080E	4300730902		State	GW	APD	C
GORDON CREEK ST 3-7-14-8	07	140S	080E	4300730903		State	GW	APD	C
GORDON CREEK ST 4-7-14-8	07	140S	080E	4300730904		State	GW	APD	C
GORDON CREEK ST 4-18-14-8	18	140S	080E	4300730881	13665	State	GW	S	
GORDON CREEK ST 1A-18-14-8	18	140S	080E	4300730892	13709	State	GW	P	
GORDON CREEK U 1	19	140S	080E	4300730044	13707	State	GW	P	
GORDON CREEK ST 19-14-8	19	140S	080E	4300730724	13251	State	GW	P	
GORDON CREEK ST 19-14-8 (B)	19	140S	080E	4300730807	13708	State	GW	S	
GORDON CREEK ST 1-19-14-8	19	140S	080E	4300730874	13646	State	GW	P	
GORDON CREEK ST 2-20-14-8	20	140S	080E	4300730883	13694	State	GW	TA	
GORDON CREEK ST 3-20-14-8	20	140S	080E	4300730905		State	GW	APD	C
BURNSIDE 29-14-8	29	140S	080E	4300730725	13250	Fee	GW	S	
GORDON CREEK ST 2-29-14-8	29	140S	080E	4300730906		State	GW	APD	C
GORDON CREEK ST 1-30-14-8	30	140S	080E	4300730875		State	GW	APD	C

OPERATOR CHANGES DOCUMENTATION

Enter date after each listed item is completed

- (R649-8-10) Sundry or legal documentation was received from the **FORMER** operator on: 3/28/2006
- (R649-8-10) Sundry or legal documentation was received from the **NEW** operator on: 3/28/2006
- The new company was checked on the **Department of Commerce, Division of Corporations Database** on: 5/25/2005
- Is the new operator registered in the State of Utah: YES Business Number: 5589189-0143
- If **NO**, the operator was contacted on:
- (R649-9-2) Waste Management Plan has been received on: Requested 3/29/2006
- Inspections of LA PA state/fee well sites complete on: n/a

15-K

7. **Federal and Indian Lease Wells:** The BLM and or the BIA has approved the merger, name change, or operator change for all wells listed on Federal or Indian leases on: BLM n/a BIA n/a

8. **Federal and Indian Units:**

The BLM or BIA has approved the successor of unit operator for wells listed on: n/a

9. **Federal and Indian Communization Agreements ("CA"):**

The BLM or BIA has approved the operator for all wells listed within a CA on: n/a

10. **Underground Injection Control ("UIC")** The Division has approved UIC Form 5, **Transfer of Authority to Inject**, for the enhanced/secondary recovery unit/project for the water disposal well(s) listed on: n/a

DATA ENTRY:

1. Changes entered in the **Oil and Gas Database** on: 3/29/2006
2. Changes have been entered on the **Monthly Operator Change Spread Sheet** on: 3/29/2006
3. Bond information entered in RBDMS on: 3/29/2006
4. Fee/State wells attached to bond in RBDMS on: 3/29/2006
5. Injection Projects to new operator in RBDMS on: n/a
6. Receipt of Acceptance of Drilling Procedures for APD/New on: 3/28/2006

FEDERAL WELL(S) BOND VERIFICATION:

1. Federal well(s) covered by Bond Number: n/a

INDIAN WELL(S) BOND VERIFICATION:

1. Indian well(s) covered by Bond Number: n/a

FEE & STATE WELL(S) BOND VERIFICATION:

1. (R649-3-1) The **NEW** operator of any fee well(s) listed covered by Bond Number RLB0009012

2. The **FORMER** operator has requested a release of liability from their bond on: not yet
The Division sent response by letter on: _____

LEASE INTEREST OWNER NOTIFICATION:

3. (R649-2-10) The **FORMER** operator of the fee wells has been contacted and informed by a letter from the Division of their responsibility to notify all interest owners of this change on: 3/30/2006

COMMENTS:

EXHIBIT "A"
SUNDRY NOTICES AND REPORTS ON WELLS

CHANGE OF OPERATOR FROM KLABZUBA OIL & GAS, INC. TO FELLOWS ENERGY, LIMITED, EFFECTIVE JANUARY 1, 2006

API #	Well Name	Description	Lease Serial Number
43-007-30044	Gordon Creek Unit #1	NW/4SE/4 of Section 19, T14S-R8E, SLB&M	ML-46539
43-007-30724	Gordon Creek State 19-14-8	SE/4NW/4 of Section 19, T14S-R8E, SLB&M	ML-27908
43-007-30725	Burnside 29-14-8	NW/4NE/4 of Section 29, T14S-R8E, SLB&M	
43-007-30807	Gordon Creek State 19-14-8(B)	NW/4SW/4 of Section 19, T14S-R8E, SLB&M	ML-27908
43-007-30874	Gordon Creek State 1-19-14-8	SE/4NE/4 of Section 19, T14S-R8E, SLB&M	ML-46539
43-007-30881	Gordon Creek State 4-18-14-8	SE/4SE/4 of Section 18, T14S-R8E, SLB&M	ML-46537
43-007-30883	Gordon Creek State 2-20-14-8	NW/4NW/4 of Section 20, T14S-R8E, SLB&M	ML-46539
43-007-30892	Gordon Creek State 1A-18-14-8	SE/4NE/4 of Section 18, T14S-R8E, SLB&M	ML-46537
43-007-30875	Gordon Creek State 1-30-14-8	NE/4NE/4 of Section 30, T14S-R8E, SLB&M	ML-46539
43-007-30902	Gordon Creek State 1-7-14-8	SE/4NE/4 of Section 7, T14S-R8E, SLB&M	ML-46537
43-007-30903	Gordon Creek State 3-7-14-8	SE/4SW/4 of Section 7, T14S-R8E, SLB&M	ML-46537
43-007-30904	Gordon Creek State 4-7-14-8	NE/4SE/4 of Section 7, T14S-R8E, SLB&M	ML-46537
43-007-30905	Gordon Creek State 3-20-14-8	SW/4SW/4 of Section 20, T14S-R8E, SLB&M	ML-46539
43-007-30906	Gordon Creek State 2-29-14-8	NW/4NW/4 of Section 29, T14S-R8E, SLB&M	ML-46539
43-007-30932	Gordon Creek State 3-5-14-8	SE/4SW/4 of Section 5, T14S-R8E, SLB&M	ML-46537

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

Request to Transfer Application or Permit to Drill

(This form should accompany a Sundry Notice, Form 9, requesting APD transfer)

Well name:	Gordon Creek State 3-7-14-8
API number:	4300730903
Location:	Qtr-Qtr: SESW Section: 7 Township: 14S Range: 8E
Company that filed original application:	Klabzuba Oil & Gas, Inc.
Date original permit was issued:	04/09/2003
Company that permit was issued to:	Klabzuba Oil & Gas, Inc.

Check one	Desired Action:
<input type="checkbox"/>	Transfer pending (unapproved) Application for Permit to Drill to new operator
<input type="checkbox"/>	The undersigned as owner with legal rights to drill on the property, hereby verifies that the information as submitted in the pending Application for Permit to Drill, remains valid and does not require revision. The new owner of the application accepts and agrees to the information and procedures as stated in the application.
<input checked="" type="checkbox"/>	Transfer approved Application for Permit to Drill to new operator
<input type="checkbox"/>	The undersigned as owner with legal rights to drill on the property as permitted, hereby verifies that the information as submitted in the previously approved application to drill, remains valid and does not require revision.

Following is a checklist of some items related to the application, which should be verified.	Yes	No
If located on private land, has the ownership changed?	<input type="checkbox"/>	<input checked="" type="checkbox"/>
If so, has the surface agreement been updated?	<input type="checkbox"/>	<input type="checkbox"/>
Have any wells been drilled in the vicinity of the proposed well which would affect the spacing or siting requirements for this location?	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Have there been any unit or other agreements put in place that could affect the permitting or operation of this proposed well?	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Have there been any changes to the access route including ownership or right-of-way, which could affect the proposed location?	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Has the approved source of water for drilling changed?	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Have there been any physical changes to the surface location or access route which will require a change in plans from what was discussed at the onsite evaluation?	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Is bonding still in place, which covers this proposed well? Bond No. _____	<input checked="" type="checkbox"/>	<input type="checkbox"/>

Any desired or necessary changes to either a pending or approved Application for Permit to Drill that is being transferred, should be filed on a Sundry Notice, Form 9, or amended Application for Permit to Drill, Form 3, as appropriate, with necessary supporting information as required.

Name (please print) Steven L. Prince Title Vice-President Operations
 Signature *Steven L. Prince* Date 3-13-06
 Representing (company name) Fellows Energy, Limited

The person signing this form must have legal authority to represent the company or individual(s) to be listed as the new operator on the Application for Permit to Drill.

(3/2004)

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MAR 28 2006

DIV. OF OIL, GAS AND MINING

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

FORM 9

SUNDRY NOTICES AND REPORTS ON WELLS

Do not use this form for proposals to drill new wells, significantly deepen existing wells below current bottom-hole depth, reenter plugged wells, or to drill horizontal laterals. Use APPLICATION FOR PERMIT TO DRILL form for such proposals.

1. TYPE OF WELL OIL WELL <input type="checkbox"/> GAS WELL <input checked="" type="checkbox"/> OTHER _____		6. LEASE DESIGNATION AND SERIAL NUMBER: SEE ATTACHMENT
2. NAME OF OPERATOR: KLABZUBA OIL & GAS, INC.		7. UNIT or CA AGREEMENT NAME: N/A
3. ADDRESS OF OPERATOR: 700 17th St., Suite 1300 CITY Denver STATE CO ZIP 80202-3512 PHONE NUMBER: (303) 299-9097		8. WELL NAME and NUMBER: SEE ATTACHMENT
4. LOCATION OF WELL FOOTAGES AT SURFACE: SEE ATTACHMENT COUNTY: CARBON CTR/CTR, SECTION, TOWNSHIP, RANGE, MERIDIAN: STATE: UTAH		9. API NUMBER:
10. FIELD AND POOL, OR WILDCAT: GORDON CREEK		

11. CHECK APPROPRIATE BOXES TO INDICATE NATURE OF NOTICE, REPORT, OR OTHER DATA

TYPE OF SUBMISSION	TYPE OF ACTION		
<input type="checkbox"/> NOTICE OF INTENT (Submit in Duplicate) Approximate date work will start: _____	<input type="checkbox"/> ACIDIZE	<input type="checkbox"/> DEEPEN	<input type="checkbox"/> REPERFORATE CURRENT FORMATION
<input type="checkbox"/> SUBSEQUENT REPORT (Submit Original Form Only) Date of work completion: _____	<input type="checkbox"/> ALTER CASING	<input type="checkbox"/> FRACTURE TREAT	<input type="checkbox"/> SIDETRACK TO REPAIR WELL
	<input type="checkbox"/> CASING REPAIR	<input type="checkbox"/> NEW CONSTRUCTION	<input type="checkbox"/> TEMPORARILY ABANDON
	<input type="checkbox"/> CHANGE TO PREVIOUS PLANS	<input checked="" type="checkbox"/> OPERATOR CHANGE	<input type="checkbox"/> TUBING REPAIR
	<input type="checkbox"/> CHANGE TUBING	<input type="checkbox"/> PLUG AND ABANDON	<input type="checkbox"/> VENT OR FLARE
	<input type="checkbox"/> CHANGE WELL NAME	<input type="checkbox"/> PLUG BACK	<input type="checkbox"/> WATER DISPOSAL
	<input type="checkbox"/> CHANGE WELL STATUS	<input type="checkbox"/> PRODUCTION (START/RESUME)	<input type="checkbox"/> WATER SHUT-OFF
	<input type="checkbox"/> COMMINGLE PRODUCING FORMATIONS	<input type="checkbox"/> RECLAMATION OF WELL SITE	<input type="checkbox"/> OTHER: _____
	<input type="checkbox"/> CONVERT WELL TYPE	<input type="checkbox"/> RECOMPLETE - DIFFERENT FORMATION	

12. DESCRIBE PROPOSED OR COMPLETED OPERATIONS. Clearly show all pertinent details including dates, depths, volumes, etc.

Change of Operator from Klabzuba Oil & Gas, Inc. to Fellows Energy, Limited, effective January 1, 2006:

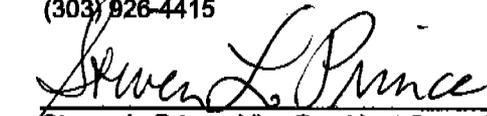
From: **N1325**
Klabzuba Oil & Gas, Inc.
700 17th Street, Suite 200
Denver, Colorado 80202-3512

To: **N2560**
Fellows Energy, Limited
8716 Arapahoe Road
Boulder, Colorado 80303

(303) 299-9097

(303) 926-4415


Stephen K. Frazier, Vice President


Steven L. Prince, Vice President Operations

Date: **3-13-06**

Date: **3-13-06**

NAME (PLEASE PRINT) _____ TITLE _____
SIGNATURE _____ DATE _____

(This space for State use only)

APPROVED **3/29/06**

Earlene Russell, Engineering Technician

(See Instructions on Reverse Side)

RECEIVED
MAR 28 2006

DIV. OF OIL, GAS AND MINING



State of Utah

**Department of
Natural Resources**

MICHAEL R. STYLER
Executive Director

**Division of
Oil, Gas & Mining**

JOHN R. BAZA
Division Director

JON M. HUNTSMAN, JR.
Governor

GARY R. HERBERT
Lieutenant Governor

May 30, 2006

Don Hamilton
Fellows Energy Ltd.
2580 Creek view Road
Moab, UT 84532

Re: APD Rescinded –Gordon Creek St 3-7-14-8 Sec. 7, T. 14S R. 8E
Carbon County, Utah API No. 43-007-30903

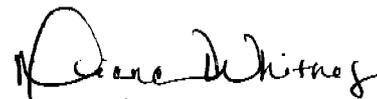
Dear Mr. Hamilton:

The Application for Permit to Drill (APD) for the subject well was approved by the Division of Oil, Gas and Mining (Division) on April 9, 2003. On May 3, 2004 and May 19, 2005 the Division granted a one-year APD extension. No drilling activity at this location has been reported to the division. Therefore, approval to drill the well is hereby rescinded, effective May 30, 2006.

A new APD must be filed with this office for approval prior to the commencement of any future work on the subject location.

If any previously unreported operations have been performed on this well location, it is imperative that you notify the Division immediately.

Sincerely,


Diana Whitney
Engineering Technician

cc: Well File
SITLA, Ed Bonner