

TALON RESOURCES INC

May 18, 2004

Mr. Eric Jones
 Petroleum Engineer
 Bureau of Land Management
 82 East Dogwood
 Moab, Utah 84532

RE: Application for Permit to Drill—WhitMar Exploration Company
 SWD #1, 727' FNL, 1,628' FWL, SE/4 SW/4, Section 10, T14S, R11E, SLB&M, Carbon County, Utah

Dear Mr. Jones:

On behalf of WhitMar Exploration Company (WhitMar), Talon Resources, Inc. respectfully submits the enclosed original and one copy of the *Application for Permit to Drill (APD)* for the above referenced water disposal well. A request for exception to spacing (R649-3-2) based on topography is hereby requested since the well is located within 460' of the drilling unit boundary. WhitMar is the only owner and operator within 460' of the proposed well. The well, once completed will not be capable of any production and will only be utilized for water disposal purposes. 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.

Please accept this letter as WhitMar's, written request for confidential treatment of all information contained in and pertaining to this application.

Thank you very much for your timely consideration of this application. Please feel free to contact myself or Whitney Marvin of WhitMar at 713-739-7300 if you have any questions or need additional information.

Sincerely,


 Larry Johnson
 Agent for WhitMar

cc: Whitney Marvin, WhitMar
 Don Stephens, BLM, Price Field Office
 Diana Whitney, DOGM, State Office

RECEIVED

MAY 21 2004

DIV. OF OIL, GAS & MINING

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001

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

APPLICATION FOR PERMIT TO DRILL OR DEEPEN

1a. TYPE OF WORK
 DRILL DEEPEN

b. TYPE OF WELL
 OIL WELL GAS WELL OTHER SINGLE ZONE MULTIPLE ZONE

2. NAME OF OPERATOR
 WhitMar Exploration Company

3. ADDRESS AND TELEPHONE NO.
 1021 Main Street, Suite 1100, Houston, TX 77002 (713) 739-7300

4. LOCATION OF WELL (Report location clearly and in accordance with any State requirements.)
 At surface: 527763 Y 39.61751
 At proposed prod. zone: 727' FSL, 1,628' FWL 4385147 Y -110.67656

5. LEASE DESIGNATION AND SERIAL NO.
 UTL-80559

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

7. UNIT AGREEMENT NAME
 N/A

8. FARM OR LEASE NAME, WELL NO.
 SWD #1

9. API WELL NO.
 43-007-30964

10. FIELD AND POOL, OR WILDCAT
 undesignated Wildcat

11. SEC., T., R., M., OR BLK.
 SE/4 SW/4, Section 10, T14S, R11E, S1B&M

12. COUNTY OR PARISH
 Carbon

13. STATE
 Utah

14. DISTANCE IN MILES AND DIRECTION FROM NEAREST TOWN OR POST OFFICE*
 6.06 miles northeast of Wellington, Utah

15. DISTANCE FROM PROPOSED* LOCATION TO NEAREST PROPERTY OR LEASE LINE, FT. (Also to nearest drig. unit line, if any)
 727'

16. NO. OF ACRES IN LEASE
 1,970.26

17. NO. OF ACRES ASSIGNED TO THIS WELL
 160 acres

18. DISTANCE FROM PROPOSED LOCATION TO NEAREST WELL, DRILLING, COMPLETED, OR APPLIED FOR, ON THIS LEASE, FT.
 1,650'

19. PROPOSED DEPTH
 5,600'

20. ROTARY OR CABLE TOOLS
 Rotary

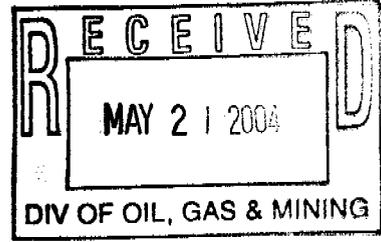
21. ELEVATIONS (Show whether DF, RT, GR, etc.)
 5,703' GR

22. APPROX. DATE WORK WILL START*
 July 15, 2004

23. PROPOSED CASING AND CEMENTING PROGRAM

| SIZE OF HOLE | GRADE, SIZE OF CASING | WEIGHT PER FOOT | SETTING DEPTH | QUANTITY OF CEMENT |
|--------------|-----------------------|-----------------|---------------|---|
| 12-1/4" | 8-5/8" J-55 ST&C | 24 | 750' | 465 sacks Howco Prem Plus + 2% CaCl ₂ + 0.25 lb/sk flocele |
| 7-7/8" | 5-1/2" J-55 ST&C | 15.5 | 5,500' | 175 sacks Howco CBM Light LCM / 155 sacks Howco CBM Light |

Federal Approval of this Action is Necessary



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IN ABOVE SPACE DESCRIBE PROPOSED PROGRAM: If proposal is to deepen, give data present productive zone and proposed new productive zone. If proposal is to drill or deepen directionally, give pertinent data on subsurface locations and measured and true vertical depth. Give blowout preventer program, if any.

24. SIGNED *[Signature]* TITLE Agent for WhitMar DATE May 18, 2004

(This space for Federal or State office use)
 PERMIT NO. 43-007-30964 APPROVAL DATE

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.

APPROVED BY *[Signature]* TITLE BRADLEY G. HILL ENVIRONMENTAL SCIENTIST III DATE 06-24-04

*See Instructions On Reverse Side

Title 18 U.S.C. Section 1001, makes it a crime for any person knowingly and willfully to make to any department or agency or the

Range 11 East

Township 14 South

10

N89°14'54"E - 2683.87'
(N89°55'W - 2586.54')

S88°02'42"E - 2661.91'
(N89°59'E - 2690.82')

(N00°13'E - 2651.22')
N00°09'50"W - 2767.87'

(N00°31'E - 2658.48')
N00°01'13"W - 2744.29'

(N00°04'E - 2620.2')
N00°09'50"W - 2769.96'

(N00°24'E - 2647.26')
N00°02'08"W - 2737.42'

(N89°42'W - 2628.12')

(N89°42'W - 2662.44')

WELL SWD#1
ELEVATION 5703.3'
UTM
N 4385116
E 527523

726.81'

N89°59'40"E - 5330.82'

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 5861' BEING AT THE NORTHEAST CORNER OF SECTION 3, TOWNSHIP 14 SOUTH, RANGE 11 EAST, SALT LAKE BASE & MERIDIAN, AS SHOWN ON THE DEADMAN CANYON QUADRANGLE 7.5 MINUTE SERIES MAP.

Description of Location:

PROPOSED DRILL HOLE LOCATED IN THE SE 1/4, SW 1/4 OF SECTION 10; BEING 726.81' NORTH AND 1628.00' EAST FROM THE SOUTHWEST CORNER OF SECTION 10, T14S, R11E, SALT LAKE BASE AND 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



NOTE:

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

LAT/LONG
39°37'02"N
110°40'33"W



Talon Resources, Inc.

195 North 100 West
Huntington, Utah 84528
Ph: 435-687-5310
Fax: 435-687-5311

WHITMAR EXPLORATION
COMPANY

WELL SWD#1

Section 10, T14S, R11E, S.L.B.&M.
Carbon County, Utah

Drawn By
J. STANSFIELD

Checked By
L.W.J./A.P.C.

Drawing No.
A-1

Date:
04/07/04

Scale:
1" = 1000'

Sheet 1 of 4

Job No.
1292

Legend

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

GPS Measured

Drilling Program
Exhibit "D"

Attached to BLM Form 3
WhitMar Exploration Company
SWD #1
SE/4 SW/4, Sec. 10, T14S, R11E, SLB & M
727' FSL, 1,628' FWL
Carbon County, Utah
June 15, 2004

1. The Geologic Surface Formation

Blue Gate Shale Member of the Mancos Shale

2. Estimated Tops of Important Geologic Markers

| <u>Marker</u> | <u>Depth (MD)</u> |
|-------------------------|-------------------|
| Mancos Blue Gate Marker | 2,200' |
| Ferron Sandstone | 2,500' |
| Total Depth | 5,600' |

3. Projected Gas & Water Zones

Ferron coals and sandstones 2,500' to 2,760'

No groundwater is expected to be encountered. 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 1000 psi.

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4. The Proposed Casing and Cementing Programs

| <u>HOLE SIZE</u> | <u>SETTING DEPTH (INTERVAL)</u> | <u>SIZE (OD)</u> | <u>WEIGHT, GRADE & JOINT</u> | <u>CONDITION</u> |
|----------------------|-------------------------------------|----------------------|--------------------------------------|------------------|
| 17- 1/2" | 405' | 13-3/8" | 54.50# J-55 ST&C | New |
| 12-1/4" | 2400' | 9-5/8" | 36.00# J-55 ST&C | New |
| 8-3/4" | 5700' | 7" | 29.0# N-80 LTC | New |

Cement Program – Every attempt will be made to bring cement back to surface

Surface Casing: 500 sacks Halliburton Premium Plus V Cement +
2% CaCl + 0.25 lb/sk Flocele;

Weight: 15.6 #/gal

Yield: 1.20 cu.ft/sk

Intermediate Casing Lead: 200 sacks Halliburton Hi-Fill;

Weight: 11 #/gal

Yield: 3.86 cu.ft/sk

Tail: 405 sacks Halliburton Premium AG + 1% CaCl + 0.25 lb/sk Flocele
+ 10% Cal-Seal;

Weight: 14.20#/gal

Yield: 1.61 cu.ft/sk

Production Casing: Lead: 465 sacks 50/50 Poz Premium AG + 8% Bentonite + 8% Cal-Seal +
0.25 #/sk Flocele;

Weight: 12.50 #/gal

Yield: 1.94 cu.ft/sk

Tail: 70 sacks Halliburton Premium AG + 1% CaCl + 0.25 #/sk Flocele;

Weight: 15.80 #/gal

Yield: 1.16 cu.ft/sk

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.;

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- 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 - 750' 12-1/4" hole Drill with air, will mud-up if necessary.

750' - TD 7-7/8" hole Drill with air, will mud-up if necessary.
500 psi @ 1500-2300 Scf.

If fluid is necessary it will be fresh water + Quik-Gel + Pac-R + Therma-Thin + Barolift at 8.5 - 8.8 #/gal maximum.

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

750-TD Schlumberger Neutron-Density, PEX-AITH

Overpressuring

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.

Lost Circulation

Previous drilling records in this area indicate potential lost circulation while drilling or cementing the production casing for the wells. We plan to include lost circulation material in the production cement and have lost circulation material /additives on location while drilling.

8. Anticipated Starting Date and Duration of the Operations.

The well will be drilled approx.: July 15, 2004.

Verbal and/or written notifications listed below shall be submitted in accordance with instructions from the Bureau of Land Management:

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- (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 Bureau of Land Management and the Division of Oil, Gas & Mining immediately.

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Bureau of Land Management
Moab District / Price Field Office
Application for Permit to Drill
On-Site Inspection Checklist

Company: WhitMar Exploration Company Well No.: SWD #1

Location: Section 10, ⁴T14S, R11E SLB & M

Lease No.: *Federal UTU-80559*

On-Site Inspection Date: 03-23-04

B. THIRTEEN POINT SURFACE USE PLAN

The dirt contractor will be provided with an approved copy of the surface use plan of operations before initiating construction.

1. Existing Roads:

- a. Proposed route to location: *From Wellington, Utah proceed east along SR-6 for approximately 2.35 miles. Turn left off of SR-6 onto East Coal Creek Road, proceed north on East Coal Creek Road 3.17 miles to the Knight Ideal Mine Road. Proceed north on the Knight Ideal Mine Road for 2.52 miles to the existing flagged access road leaving the road surface east to the proposed well. (See Exhibit "B").*
- b. Location of proposed well in relation to town or other reference point: *Approximately 6.06 miles northeast of Wellington, UT.*
- c. Contact the County Road Department for use of county roads. The use of Carbon County roads will require an encroachment permit from the Carbon County Road Department:
Encroachment permit is presently pending for the Knight Ideal Mine Road.

2. Planned Access Roads:

- a. Location (centerline): *From the existing Knight Ideal Mine road continue southeast approximately 150' along the, flagged existing route to the proposed SWD #1 well. Planned access begins at a point approximately 1,100' FSL 1,500' FEL, Section 10, T14S, R11E.*
- b. Length of new access to be constructed: *None*
- c. Length of existing roads to be upgraded: *Approximately 150'*
- d. Maximum total disturbed width: *60'*
- e. Maximum travel surface width: *25'*
- f. Maximum grades: *10%*
- g. Turnouts: *None*

- h. Surface materials: *Native*
- i. Drainage (crowning, ditching, culverts, etc): *Roads will be crowned with bar ditches on both sides and approximately 1 culvert placed along the upgraded road.*
- i. Cattleguards: *One cattleguard is proposed at the fence near the county road.*
- k. Length of new and/or existing roads which lie outside the lease boundary for which a BLM right-of-way is required: *None.*
- l. Other:

Surface disturbance and vehicular travel will be limited to the approved location access road. Any additional area needed must be approved by the Area Manager in advance.

If a right-a-way is necessary, no surface disturbing activities shall take place on the subject right-of-way until the associated APD is approved. The holder will adhere to conditions of approval in the Surface Use Program of the approved APD, relevant to any right-of-way facilities.

If a right-of-way is secured, boundary adjustments in the lease or unit shall automatically amend this right-of-way to include that portion of the facility no longer contained within the lease or unit. In the event of an automatic amendment to this right-of way grant, the prior on-lease/unit conditions of approval of this facility will not be affected even though they would now apply to facilities outside of the lease/unit as a result of a boundary adjustment. Rental fees, if appropriate shall be recalculated based on the conditions of this grant and the regulations in effect at the time of an automatic amendment.

If the well is productive, the access road will be rehabilitated or brought to Resource (Class III) Road standards within 60 days of dismantling the rig. If upgraded, the access road must be maintained at these standards until the well is properly abandoned. If this time frame cannot be met, the Area Manager will be notified so that temporary drainage control can be installed along the access road.

- 3. Location of Existing Wells - on a map, show the location of all water, injection, disposal, producing and drilling wells within a one mile radius of the proposed well, and describe the status of each: *See Exhibit "B"*
- 4. Location of Production Facilities:
 - a. On-site facilities: *See Exhibit "E"*
 - b. Off-site facilities: *None except for the buried power line and pipelines*
 - c. Pipelines: *Approximately 150' of pipeline corridor containing 2 (gas and water) 4" to 8" pipelines will be installed along the north and east side of the proposed road in the same trench as the power line.*
 - d. Power lines: *Approximately 150' of power line corridor containing one 3-phase power line will be installed along the north and east side of the proposed road in the same trench as the pipelines.*

All permanent (in place for six months or longer) structures constructed or installed (including oil well pump jacks) will be painted a flat, non-reflective color to match the

standard environmental colors, as determined by the Rocky Mountain Five-State Interagency Committee. All facilities will be painted within six months of installation. Facilities required to comply with Occupational Safety and Health Act (OSHA) may be excluded. Colors will be as follows: *slate grey*

All site security guidelines identified in 43 CFR 3163.7-5 and Onshore Oil and Gas Order No. 3 Colors will be as follows: *slate grey*

If a gas meter run is constructed, it will be located on lease within 500 feet of the wellhead. The gas flowline will be buried from the wellhead to the meter and will be buried downstream of the meter until it leaves the pad. Meter runs will be housed and/or fenced. The gas meter shall be calibrated prior to first sales and shall be calibrated quarterly thereafter. All gas production and measurement shall comply with the provisions of 43 CFR 3162.7-3, Onshore Oil and Gas Order No. 5, and American Gas Association (AGA) Report No. 3.

If a tank battery is constructed on this lease, it will be surrounded by a dike of sufficient capacity to contain 1 ½ times the storage capacity of the largest tank. All loading lines and valves will be placed inside the berm surrounding the tank battery. All oil production and measurement shall conform to the provisions of 43 CFR 3162.7-3 and Onshore Oil and Gas Order No. 4.

Production facilities on location may include a lined or unlined produced water pit. If water is produced from the well, an application must be submitted.

5. Location and Type of Water Supply:

All water needed for drilling purposes will be obtained from (describe location and/or show on A map): *All water needed for drilling will be obtained from a local municipal water source, Since this well will be primarily drilled with air, minimal water will be needed.*

6. Source of Construction Material:

Pad construction material will be obtained from (if the source is federally owned, show location on a map): *Private Owner in Wellington, Utah*

The use of materials under BLM jurisdiction will conform to 43 CFR 3610.2-3.

Any gravel used will be obtained from a state approved gravel pit.

7. Methods of Handling Waste Disposal:

Describe the methods and locations proposed for safe containment and disposal of waste material, e.g. cuttings, produced water, garbage, sewage, chemicals, etc.

The reserve pit will be located: *Inbound and along the east side of the pad.*

The reserve pit will be constructed so as not to leak, break, or allow discharge.

The reserve pit will be lined with native material unless designated otherwise by BLM officers prior to construction. Pit walls will be sloped no greater than 2 to 1.

The reserve pit shall be located in cut material, with at least 50% of the pit volume being below original ground level. Three sides of the reserve pit will be fenced before drilling starts. The fourth side will be fenced as soon as drilling is completed, and shall remain until the pit is dry. As soon as the reserve pit has dried, all areas not needed for production will be rehabilitated.

Trash must be contained in a trash cage and hauled away to an approved disposal site as necessary but no later than at the completion of drilling operations.

8. Ancillary Facilities: Garbage Containers and Portable Toilets
9. Well Site Layout - The pit, rig, cut and fill, topsoil, etc. on a plat with a scale of at least 1" = 50'.

All well, whether drilling, producing, suspended, or abandoned, will be identified in accordance with 43 CFR 3162.6.

Access to the well pad will be from: *north*.

The blooie line will be located: *At least 100 feet from the well head*.

To minimize the amount of fugitive dust and spray escaping from the blooie pit, the following blooie line deflection method will be employed: *Water Injection*.

10. Plans for Restoration of the Surface:

The top 6 inches of topsoil material will be removed from the location and stockpiled separately on: *Adjacent undisturbed land in a windrow fashion*.

Topsoil along the access road will be reserved in place adjacent to the road.

Immediately upon completion of drilling, all equipment that is not necessary for production shall be removed.

The reserve pit and that portion of the location not needed for production will be reclaimed.

Before any dirt work to restore the location takes place, the reserve pit must be completely dry.

Reclaimed roads will have the berms and cuts reduced and will be closed to vehicle use.

All disturbed areas will be re-contoured to replicate the natural slope.

The stockpiled topsoil will be evenly distributed over the disturbed area.

Prior to reseeding, all disturbed areas, including the access roads, will be scarified and left with a rough surface.

Seed will be broadcast or drilled between Sept. and Nov., or at a time specified by the BLM. If broadcast, a harrow or some other implement will be dragged over the seeded area to assure seed coverage.

The following seed mixture will be used: *BLM-recommended mixture*.

The abandonment marker will be one of the following, as specified by BLM:

- 1) at least four feet above ground level,
- 2) at restored ground level, or
- 3) below ground level.

In any case the marker shall be inscribed with the following: operator name, lease number, Well name and surveyed description (township, range, section and either quarter-quarter or

footage.).

11. Surface and Mineral Ownership:

Surface Owner: **Federal; Bureau of Land Management**

Surface Representative: **Don Stephens can be reached at 435-636-3608.**

Mineral Ownership: **Federal; Bureau of Land Management**

12. Other Information:

- a. *Archeological Concerns: A Cultural Resource evaluation is complete from Senco-Phenix Archaeological Consultants and a report will be submitted, when prepared, to the BLM archaeologist.*

The operator is responsible for informing all persons in the area who are associated with this project that they will be subject to prosecution for knowingly disturbing historic or archaeological sites, or for collecting artifacts. If historic or archaeological materials are uncovered during construction, the operator is to immediately stop work That might further disturb such materials, and contact the authorized officer (AO). Within five (5) working days, the AO will inform the operator as to:

1. whether the materials appear eligible for the National Register of Historic Places;
2. the mitigation measures the operator will likely have to undertake before the site can be used (assuming in situ preservation is not necessary); and
3. a time frame for the AO to complete an expedited review under 36 CFR 800.11 to confirm, through the State Historic Preservation Officer, that the findings of the AO are correct and that mitigation is appropriate.

If the operator wishes, at any time, to relocate activities to avoid the expense of mitigation and/or the delays associated with this process, the AO will assume responsibility for whatever recordation and stabilization of the exposed materials may be required. Otherwise, the operator will be responsible for mitigation costs. The AO will provide technical and procedural guidelines for the conduct of mitigation. Upon verification from the AO that the required mitigation has been completed, the operator will then be allowed to resume construction.

- b. *Threatened and Endangered Species Concerns: Prior to any surface disturbing activities an on-the-ground survey will be completed by Buys & Associates, Inc. in May 2004 with a report to be submitted to the BLM wildlife biologist.*
- c. **Wildlife Seasonal Restrictions (yes/no): See Environmental Impact Statement (EIS)**
- d. **Off Location Geophysical Testing: N/A**
- e. **Drainage crossings that require additional State or Federal approval: None**
- f. **Other:**

13. Lessee's or Operator's Representative and Certification

Representative: Whitney Marvin – Landman, President and Chairman

Name: WhitMar Exploration Company

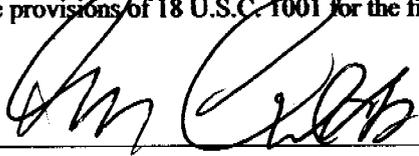
Address: 1021 Main Street, Suite 1100, Houston, Texas 77002

Phone No: (713) 739-7300 office
(713) 739-7333 fax

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 currently exists; 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 by Whitmar and its contractors and subcontractors in conformity with this APD package and the terms and conditions under which it is approved. I also certify responsibility for the operations conducted on that portion of the leased lands associated with this application, with bond coverage being provided under WhitMar's pending BLM bond. This statement is subject to the provisions of 18 U.S.C. 1001 for the filing of a false statement.

Signature: _____



Date: _____

5/13/04

C. REQUIRED APPROVALS, REPORTS AND NOTIFICATIONS

Required verbal notifications are summarized in Table 1, attached.

Building Location - Contact the Resource Area, Natural Resource Protection Specialist at least 24 hours prior to commencing construction of location.

Spud - The spud date will be reported to the Resource Area Office 24 hours prior to spudding. Written notification in the form of a Sundry Notice (Form 3160-5) will be submitted the District Office within 24 hours after spudding, regardless of whether spud was made with a dry hold digger or big rig.

Daily Drilling Reports - Daily drilling reports shall detail the progress and status of the well and shall be submitted to the District Office on a weekly basis.

Monthly Reports of Operations - In accordance with Onshore Oil and Gas Order No. 1, this well shall be reported on Minerals Management Service (MMS) Form 3160, "Monthly Report of Operations," starting the month in which operations commence and continuing each month until the well is physically plugged and abandoned. This report will be filed directly with MMS.

Sundry Notices - There will be no deviation from the proposed drilling and/or workover program without prior approval from the Assistant District Manager. "Sundry Notices and Reports on Wells: (Form 3160-5) will be filed for approval for all changes of plans and other operations in accordance with 43 CFR 3162.3-2. Safe drilling and operating practices must be observed.

Drilling suspensions - Operations authorized by this permit shall not be suspended for more than 30 days without prior approval of the Authorized Officer. All conditions of this approval shall be applicable during any operations conducted with a replacement rig.

Undesirable Events - Spills, blowouts, fires, leaks, accidents, or any other unusual occurrences shall be immediately reported to the Resource Area in accordance with requirements of NTLA.

Cultural Resources - If cultural resources are discovered during construction, work that might disturb the resources is to stop, and the Area Manager is to be notified.

First production - Should the well be successfully completed for production, the Assistant District Manager, Minerals Division will be notified when the well is placed in producing status. Such notification may be made by phone, but must be followed by a sundry notice or letter not later than five (5) business days following the date on which the well is placed into production.

A first production conference will be scheduled as soon as the productivity of the well is apparent. This conference should be coordinated through the Resource Area Office. The Resource Area Office shall be notified prior to the first sale.

Well Completion Report - Whether the well is completed as a dry hole or as a producer, "Well Completion and Re-completion Report and Log" (Form 3160-4) will be submitted to the District Office not later than thirty (30) days after completion of the well or after completion operations being performed, in accordance with 43 CFR 3162.4-1. Two copies of all logs, core descriptions, core analysis, well test data, geologic summaries, sample description, and all other surveys or data obtained and compiled during the drilling, workover, and/or completion operations, will be filed with Form 3160-4. Samples (cuttings and/or samples) will be submitted when requested by the Assistant District Manager.

Venting/Flaring of Gas - NTL-4A allows venting/flaring of gas during the initial well evaluation period not to exceed 30 days or 50 Mmcf. Venting/flaring beyond the initial test period threshold must be approved by the District Office.

Produced Water - Produced waste water may be confined to an unlined pit for a period not to exceed 90 days after initial production. During the 90 day period, an application for approval of a permanent disposal method and location, along with the required water analysis, will be submitted to the Assistant District Manager for approval.

Off-Lease Measurement, Storage, Commingling - Prior approval must be obtained from the Assistant District Manager for off-lease measurement, off-lease storage and/or commingling (either down-hole or at the surface).

Plugging and Abandonment - If the well is completed as a dry hole, plugging instructions must be obtained from the BLM, Moab District Office prior to initiating plugging operations. Table 1 of this document provides the after-hours phone numbers of personnel who are authorized to give plugging instructions.

A "Subsequent Report of Abandonment" (Form 3160-5) will be filed with the Assistant District Manager, Minerals Divisions within thirty (30) days following completion of the well for abandonment. This report will indicate where plugs were placed and the current status of surface restoration. Upon completion of approved plugging, a regulation marker will be erected in accordance with 43 CFR 3162.6. Final abandonment will not be approved until the surface reclamation work required by the approved APD or approved abandonment notice has been completed to the satisfaction of the Area Manager or his representative, or the appropriate surface managing agency.

TABLE 1
NOTIFICATIONS

Notify Don Stephens of the Price Resource Area, at (435) 636-3608 for the following:

2 days prior to commencement of dirt work construction or reclamation;

1 day prior to spudding

50 feet prior to reaching surface and intermediate casing depths;

3 hours prior to testing BOPE;

12 hours prior to reaching kickoff point depth (if applicable).

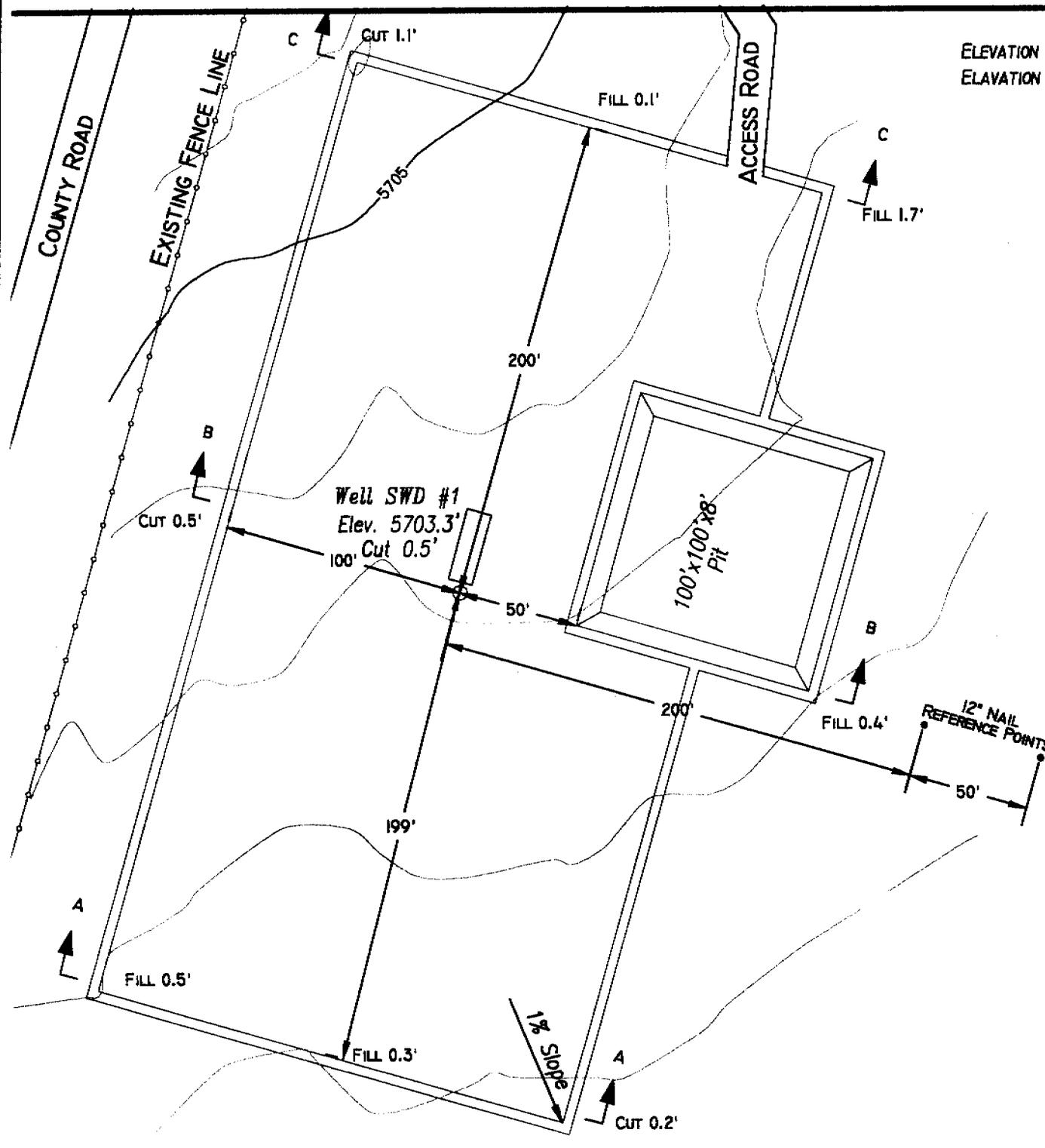
If the person at the above number cannot be reached, notify the Moab District Office at (435) 259-6111. If unsuccessful, notify one of the people listed below.

Well abandonment operations require 24 hour advance notice and prior approval. In the case of newly drilled dry holes, verbal approval can be obtained by calling the Moab District Office, Branch of Fluid Minerals at (435) 259-6111. If approval is needed after work hours, you may contact the following:

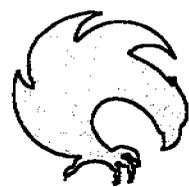
Eric Jones, Petroleum Engineer

Office: (435) 259-6111

Home: (435) 259-2214



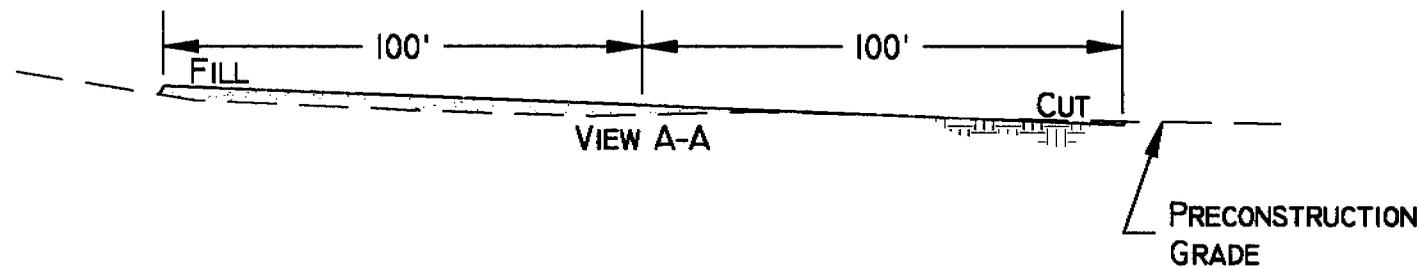
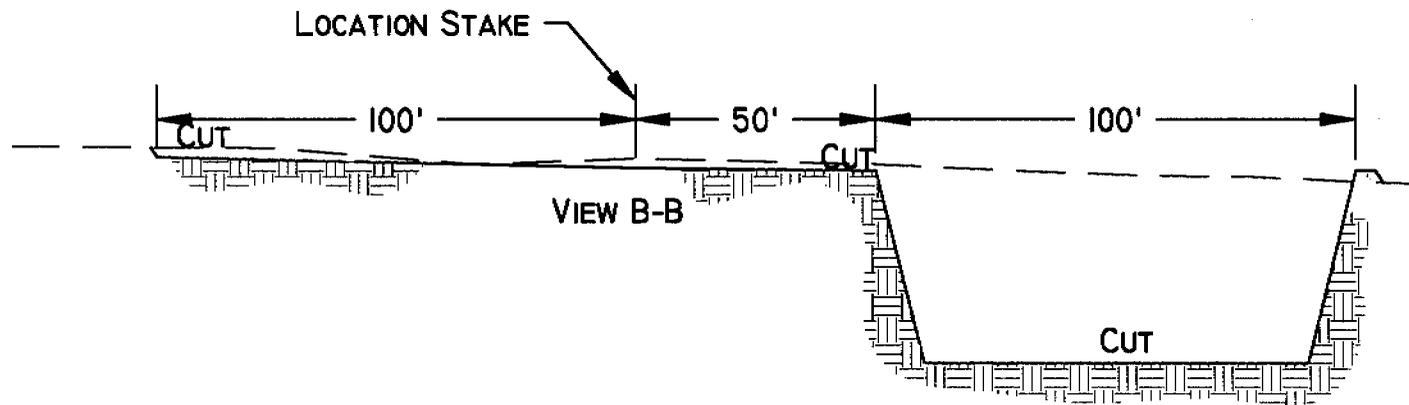
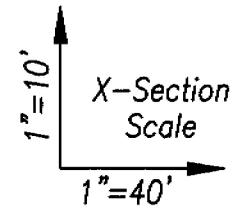
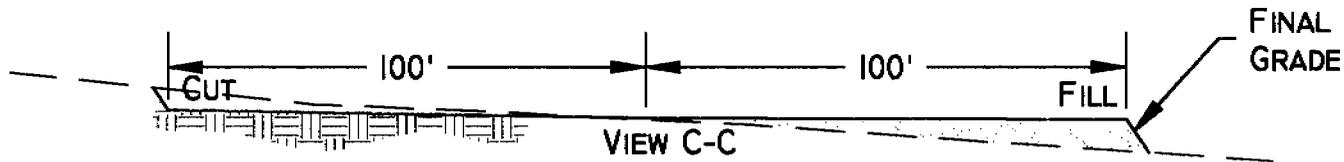
ELEVATION OF UNGRADED GROUND AT LOCATION STAKE = 5703.3'
 ELEVATION OF GRADED GROUND AT LOCATION STAKE = 5702.8'



TALON RESOURCES, INC.
 195 North 100 West P.O. Box 1230
 Huntington, Utah 84028
 Phone (435)687-6310 Fax (435)687-6311
 E-Mail talon@tv.net

WHITMAR EXPLORATION COMPANY
 LOCATION LAYOUT
 Section 10, T14S, R11E, S.L.B.&M.
 WELL SWD #1

| | |
|----------------------------|-----------------------|
| Drawn By: J. STANSFIELD | Checked By: L.W.J. |
| Drawing No. A-2 | Date: 03/22/04 |
| | Scale: 1" = 60' |
| Sheet 2 of 4 | Job No. 1292 |



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



TALON RESOURCES, INC

195 North 100 West P.O. Box 1230
 Huntington, Utah 84326
 Phone (435)687-5310 Fax (435)687-5311
 E-Mail talonres@v.net

**WHITMAR EXPLORATION
 COMPANY**

TYPICAL CROSS SECTION
 Section 10, T14S, R11E, S.L.B.&M.
 WELL SWD#1

| | |
|----------------------------|-----------------------|
| Drawn By: J. STANSFIELD | Checked By: L.W.J. |
| Drawing No. C-1 | Date: 03/22/04 |
| | Scale: 1" = 40' |
| Sheet 3 of 4 | Job No. 1292 |

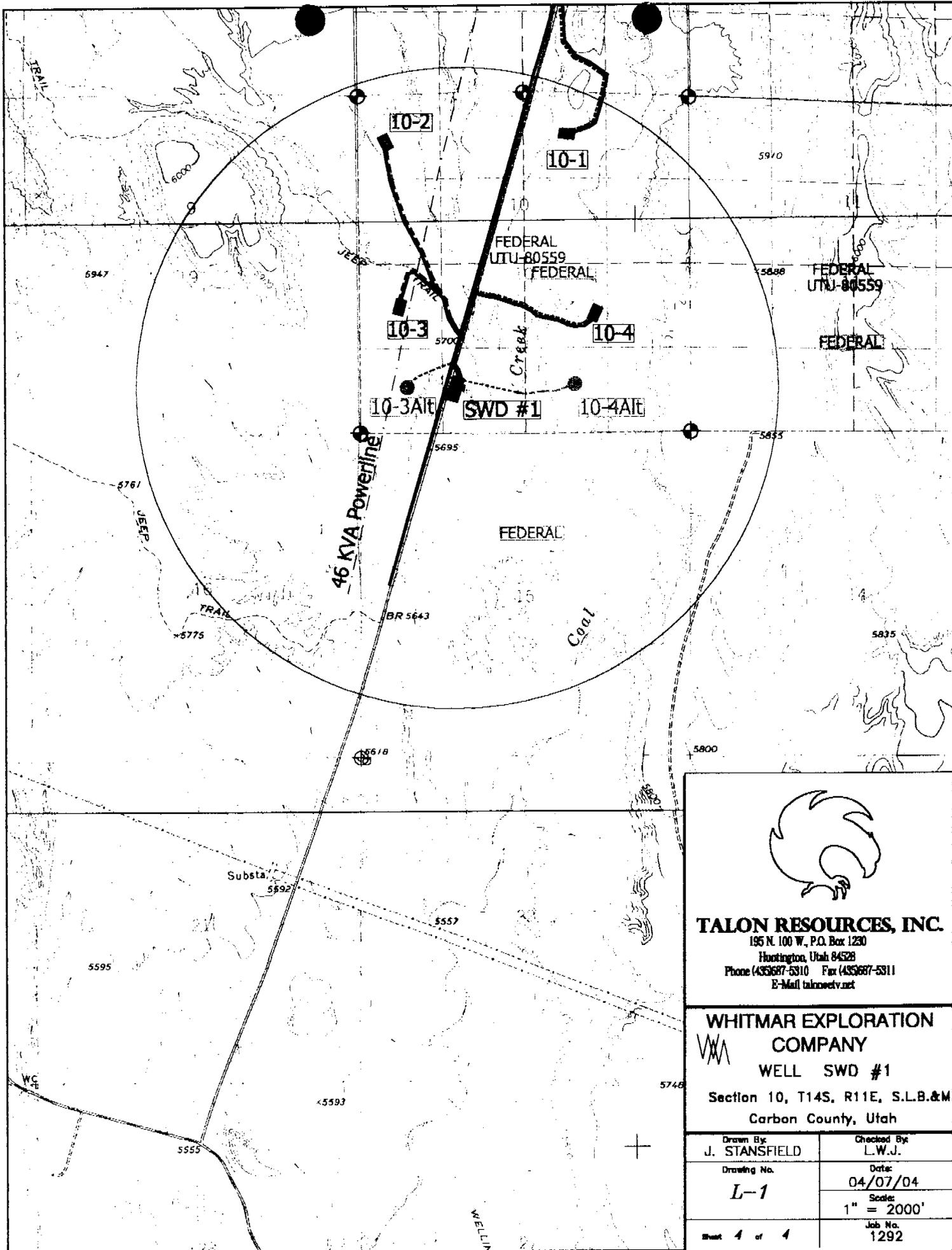
APPROXIMATE YARDAGES

(6") TOPSOIL STRIPPING = 750 CU. YDS.

REMAINING LOCATION = 540 CU. YDS.
 (INCLUDING TOPSOIL STRIPPING)

TOTAL CUT = (INCLUDING PIT) 3,830 CU. YDS.

TOTAL FILL = 590 CU. YDS.



TALON RESOURCES, INC.

195 N. 100 W., P.O. Box 1230
 Huntington, Utah 84528
 Phone (435)687-5310 Fax (435)687-5311
 E-Mail talon@tv.net

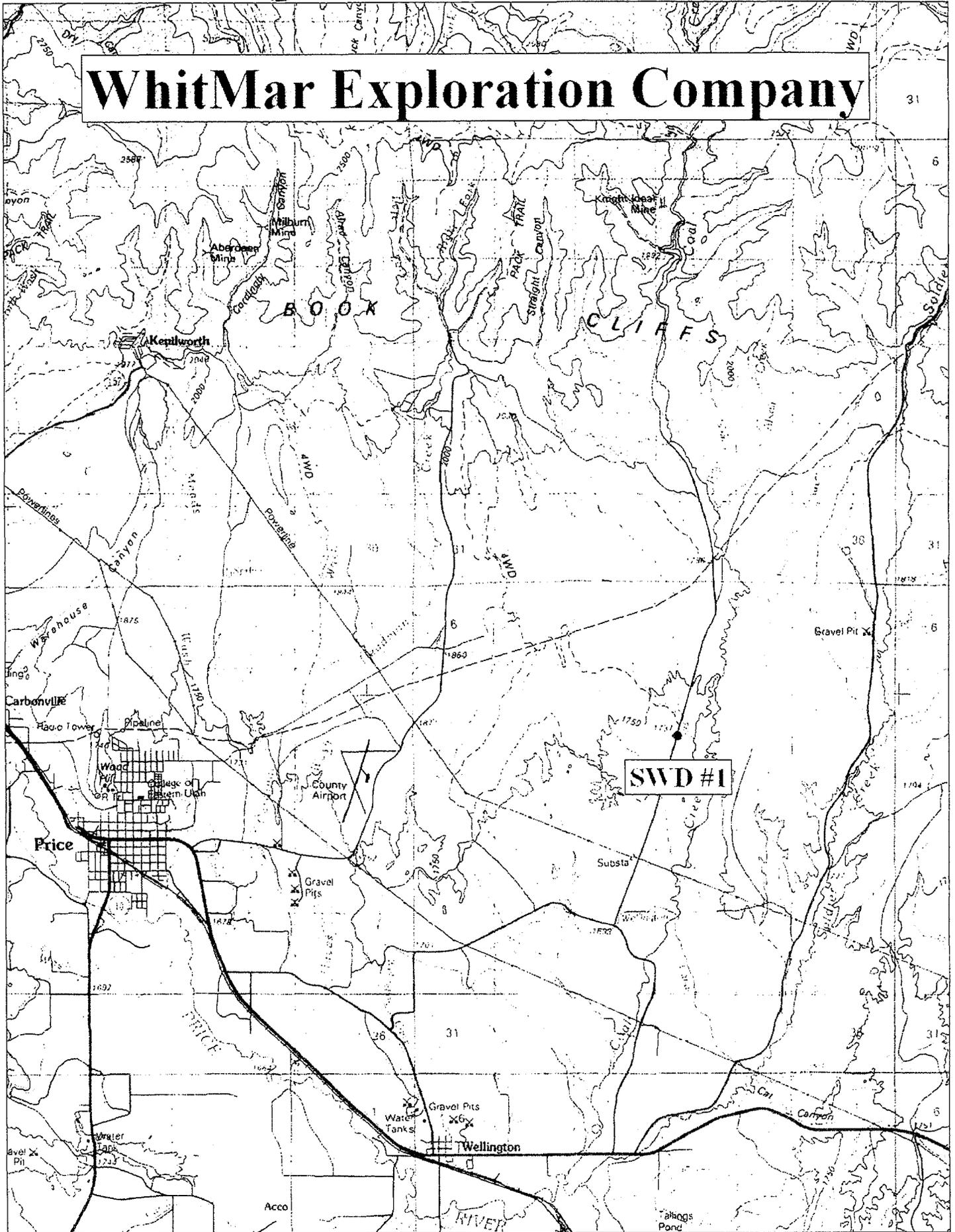
**WHITMAR EXPLORATION
 COMPANY**

WELL SWD #1

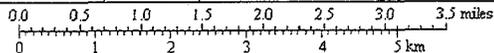
Section 10, T14S, R11E, S.L.B.&M.
 Carbon County, Utah

| | |
|----------------------------|-----------------------|
| Drawn By: J. STANSFIELD | Checked By: L.W.J. |
| Drawing No. L-1 | Date: 04/07/04 |
| | Scale: 1" = 2000' |
| Sheet 4 of 4 | Job No. 1292 |

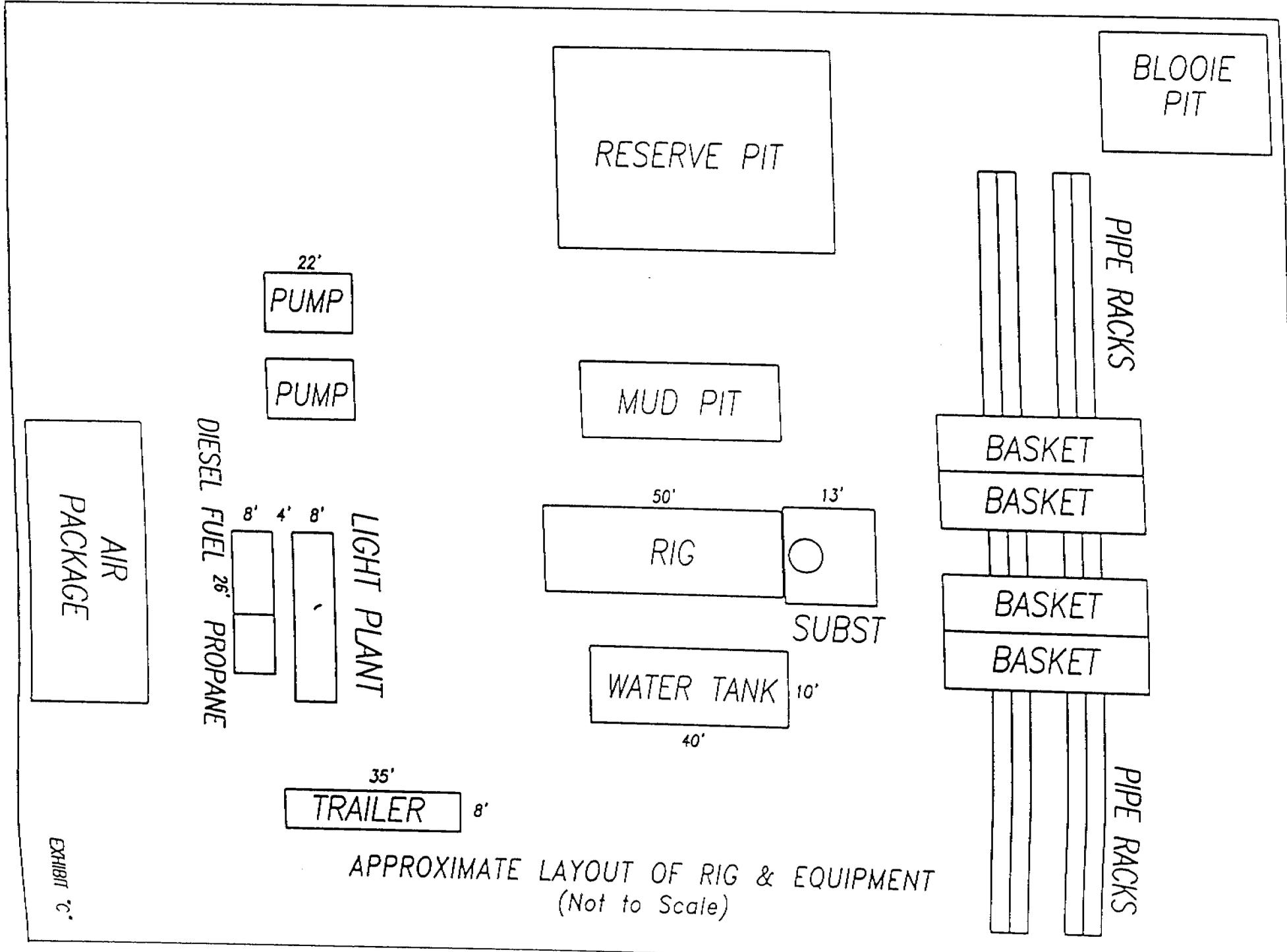
WhitMar Exploration Company



TN MIN
12 1/2°



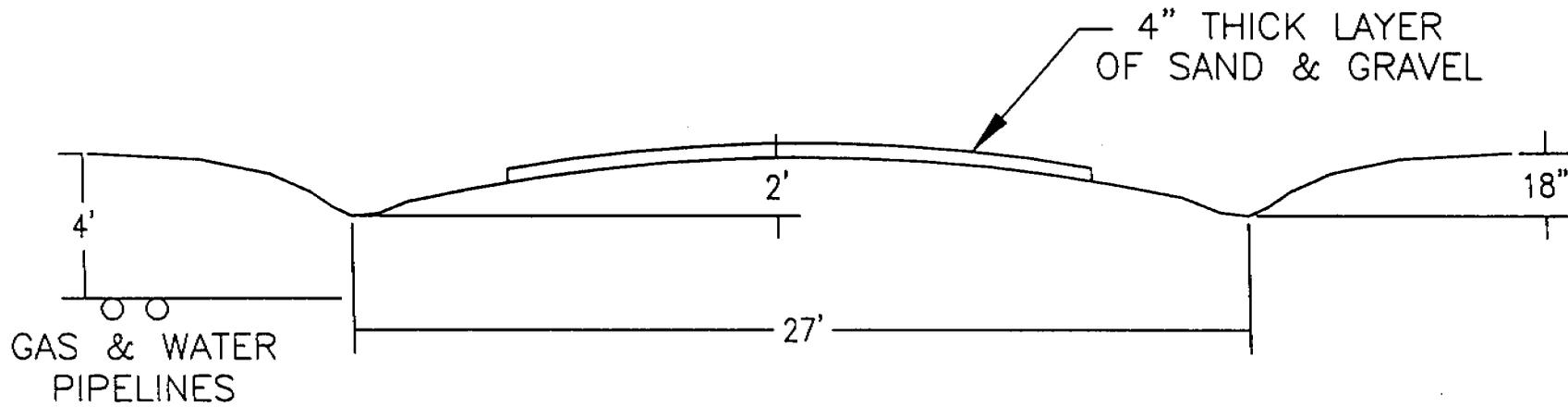
Printed from TOPO! ©2000 National Geographic Holdings (www.topo.com)



APPROXIMATE LAYOUT OF RIG & EQUIPMENT
(Not to Scale)

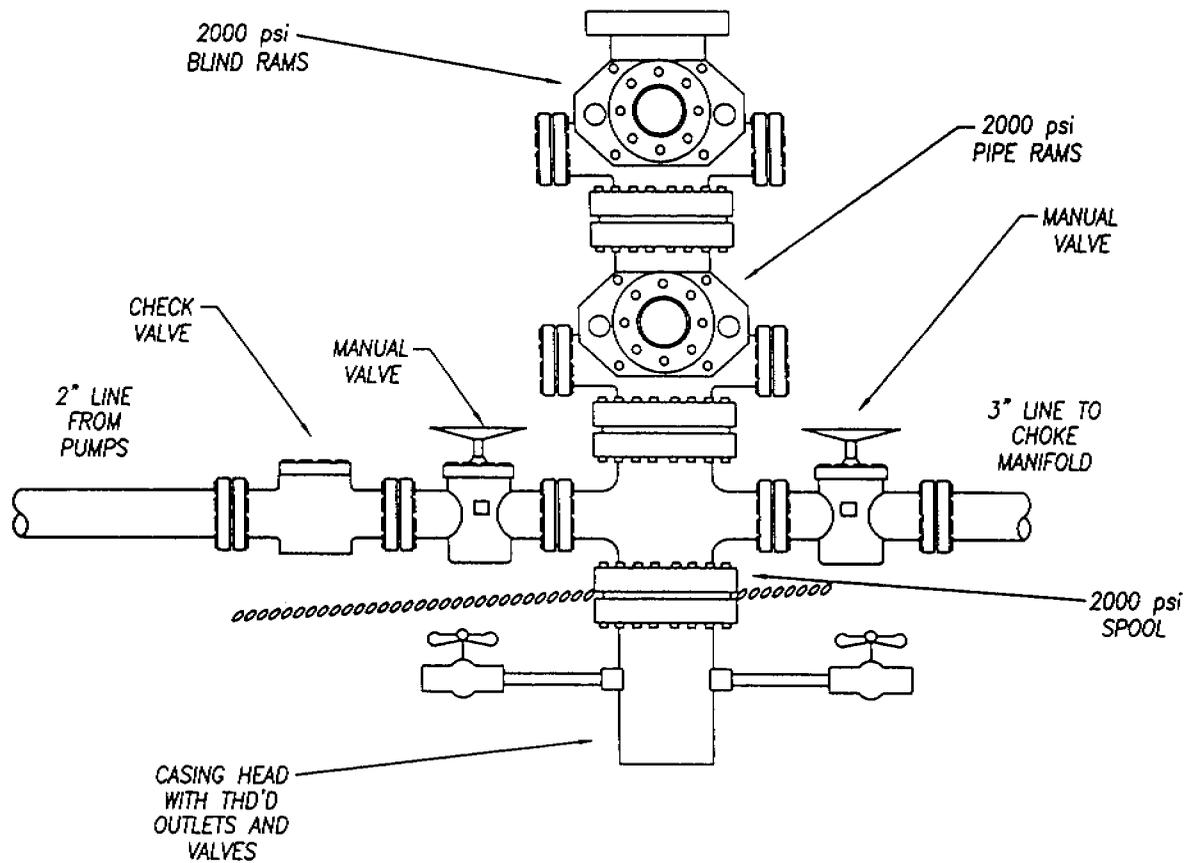
EXHIBIT 'c'

TYPICAL ROAD CROSS-SECTION

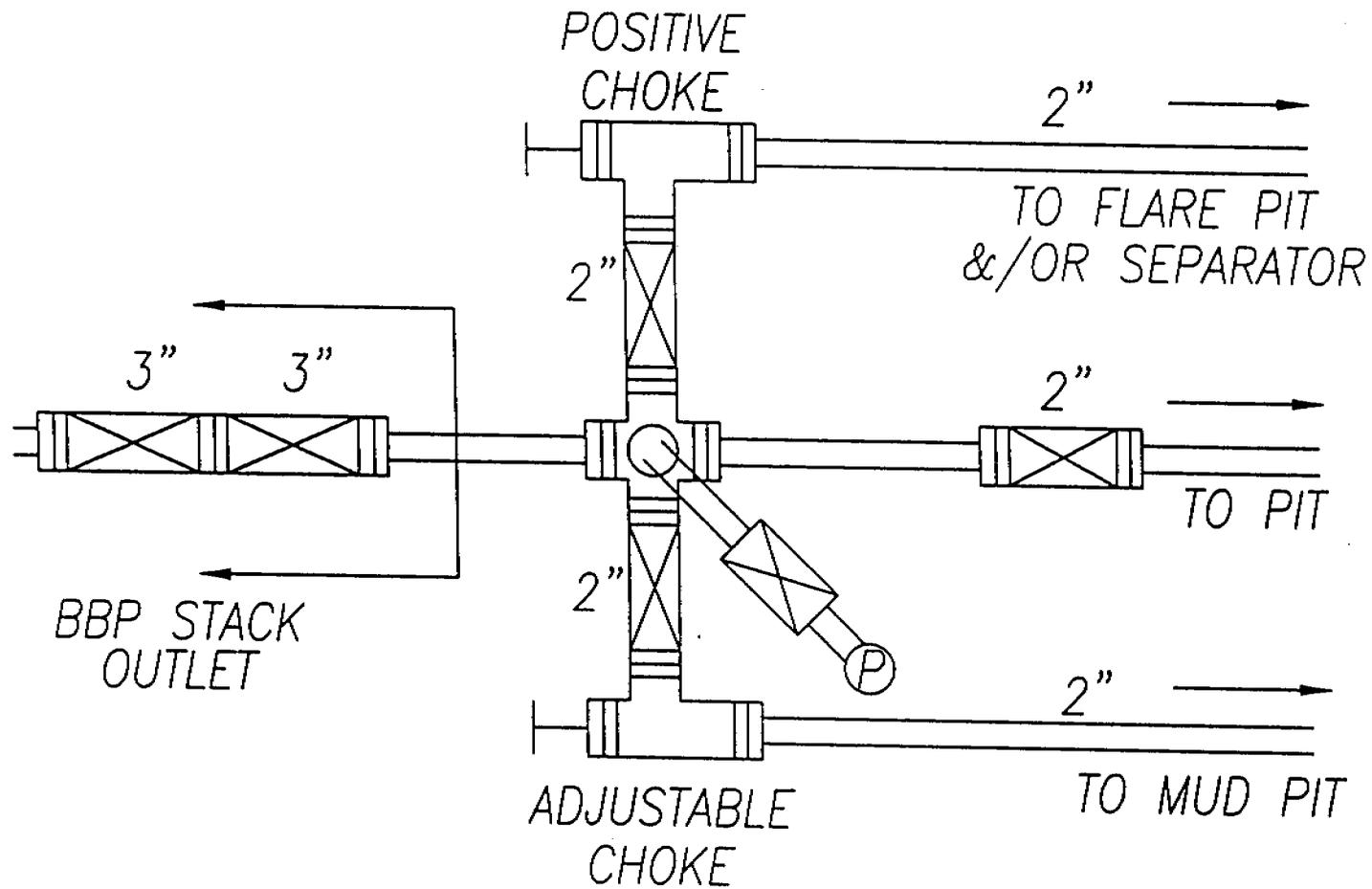


BOP Equipment

2000 psi WP



CHOKE MANIFOLD



WORKSHEET
APPLICATION FOR PERMIT TO DRILL

APD RECEIVED: 05/21/2004

API NO. ASSIGNED: 43-007-30964

WELL NAME: SWD # 1
OPERATOR: WHITMAR EXPLORATION (N2585)
CONTACT: LARRY JOHNSON

PHONE NUMBER: 435-687-5310

PROPOSED LOCATION:

SESW 10 140S 110E
SURFACE: 0727 FSL 1628 FWL
BOTTOM: 0727 FSL 1628 FWL
CARBON
WILDCAT (1)

| INSPECT LOCATN BY: / / | | |
|------------------------|----------|------|
| Tech Review | Initials | Date |
| Engineering | | |
| Geology | | |
| Surface | | |

LEASE TYPE: 1 - Federal
LEASE NUMBER: UTU-80559
SURFACE OWNER: 1 - Federal
PROPOSED FORMATION: ~~FSL~~ Navajo
COALBED METHANE WELL? NO

LATITUDE: 39.61751
LONGITUDE: 110.67656

RECEIVED AND/OR REVIEWED:

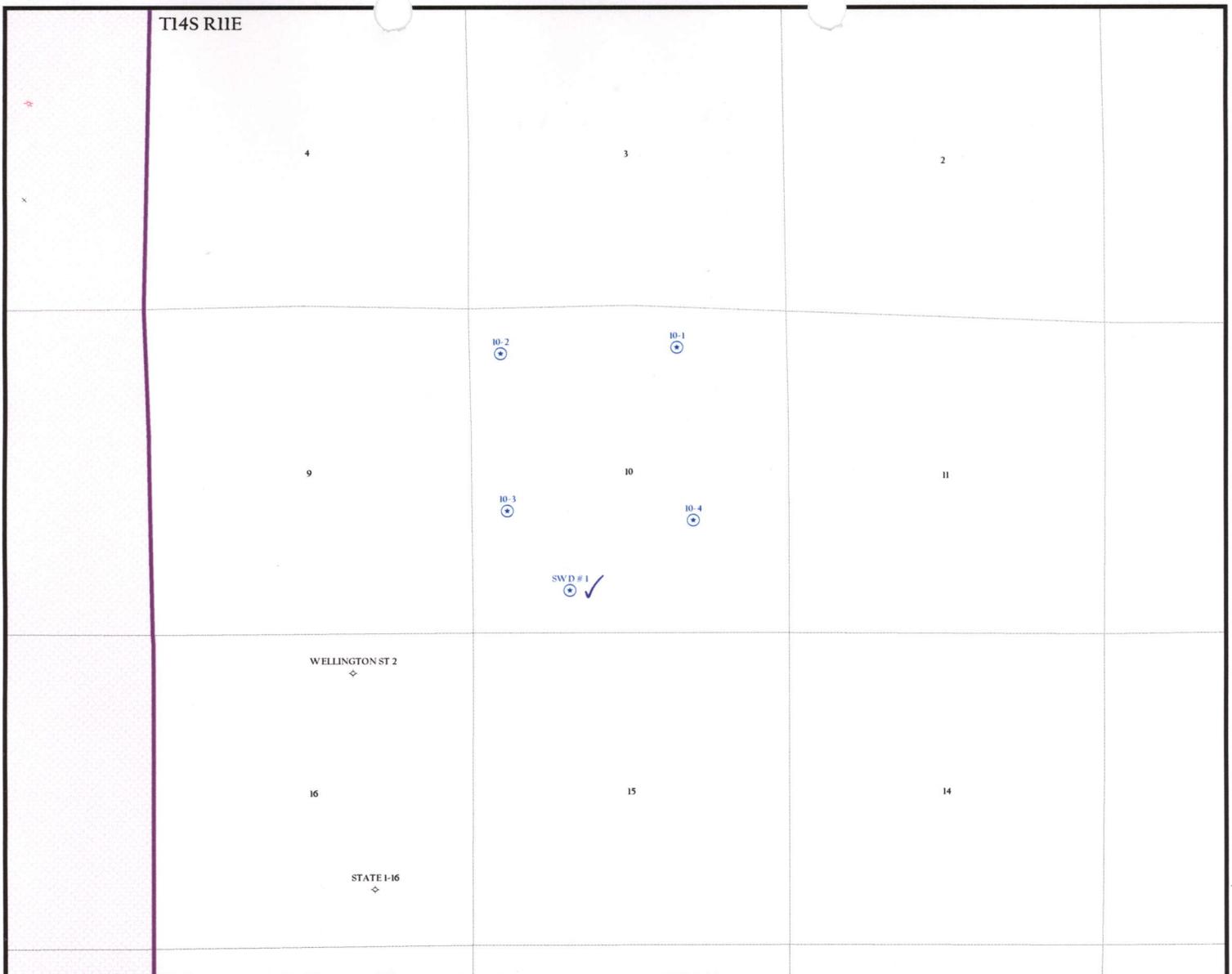
- Plat
- Bond: Fed[1] Ind[] Sta[] Fee[]
(No. 104195928)
- Potash (Y/N)
- Oil Shale 190-5 (B) or 190-3 or 190-13
- Water Permit
(No. MUNICIPAL)
- RDCC Review (Y/N)
(Date: _____)
- Fee Surf Agreement (Y/N)

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: _____
Eff Date: _____
Siting: _____
- R649-3-11. Directional Drill

COMMENTS: _____

STIPULATIONS: 1-Federal approval
2-Spacing SHP



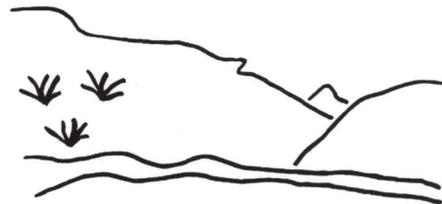
OPERATOR: WHITMAR EXPL CO (N2585)

SEC. 10 T.14S, R.11E

FIELD: WILDCAT (001)

COUNTY: CARBON

CAUSE: R649-3-3 / EXCEPTION LOCATION



Utah Oil Gas and Mining

Well Status

- 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



PREPARED BY: DIANA WHITNEY
DATE: 26-MAY-2004

TALON RESOURCES INC

June 18, 2004

Mr. Eric Jones
Bureau of Land Management
82 East Dogwood
Moab, Utah 84532

Re: Sundry to the APD- Whitmar Exploration Company
SWD #1, 727' FSL 1628' FWL, SE/4|SW/4. Section 10, T14S, R11E, SLB&M

Dear Mr. Jones:

On behalf of Whitmar Exploration, Talon Resources, Inc. respectfully submits the original and one copy of a sundry for the above referenced water disposal well. Changes to the APD are incorporated to Item No. 4 of exhibit D, the Drilling Program.

Enclosed is the Sundry Notice, Form 3160-5 and a revised Exhibit D, Drilling Program

Please feel free to contact myself or Mr. Whitney Marvin of WhitMar at 713-739-7300 if you should have any questions or need additional information

Sincerely



Larry W. Johnson
Talon Resources, Inc.

cc. Whitney Marvin, WhitMar
Don Stephens, BLM, Price Offices
Diana Whitney, DOGM, State Office
File

RECEIVED

JUN 23 2004

DIV. OF OIL, GAS & MINING

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

FORM APPROVED
Budget Bureau No. 1004-0135
Expires: March 31, 1993

SUNDRY NOTICES AND REPORTS ON WELLS

Do not use this form for proposals to drill or to deepen or reentry to a different reservoir.
Use "APPLICATION FOR PERMIT--" for such proposals

SUBMIT IN TRIPLICATE

1. Type of Well

Oil Gas

2. Name of Operator

Whitmar Exploration Company

3. Address and Telephone No.

1021 Main Street, Suite 1100, Houston, TX. 77002 (713)739-7300

4. Location of Well (Footage, Sec., T., R., M., or Survey Description)

727' FSL, 1,628' FWL
SE/4 SW/4, Section 10, T14S, R11E, SLB&M

5. Lease Designation and Serial No.

UTU-80559

6. If Indian, Allottee or Tribe Name

N/A

7. If Unit or CA, Agreement Designation

N/A

8. Well Name and No.

SWD #1

9. API Well No.

10. Field and Pool, or Exploratory Area

Undesignated

11. County or Parish, State

Carbon County, Utah

12. CHECK APPROPRIATE BOX(S) TO INDICATE NATURE OF NOTICE, REPORT, OR OTHER DATA

| TYPE OF SUBMISSION | TYPE OF ACTION | |
|---|--|---|
| <input type="checkbox"/> Notice of Intent | <input type="checkbox"/> Change of Name | <input checked="" type="checkbox"/> Change of Plans |
| <input checked="" type="checkbox"/> Subsequent Report | <input type="checkbox"/> Recompletion | <input type="checkbox"/> New Construction |
| <input type="checkbox"/> Final Abandonment Notice | <input type="checkbox"/> Plugging Back | <input type="checkbox"/> Non-Routine Fracturing |
| | <input type="checkbox"/> Casing Repair | <input type="checkbox"/> Water Shut-Off |
| | <input type="checkbox"/> Altering Casing | <input type="checkbox"/> Conversion to Injection |
| | <input type="checkbox"/> Change for Exception to Spacing | <input type="checkbox"/> Dispose Water |

The Drilling Program (Exhibit D) has be revised as Follows:

4. The Proposed Casing and Cementing Programs

| HOLE SIZE | SETTING DEPTH (INTERVAL) | SIZE (OD) | WEIGHT, GRADE & JOINT | CONDITION |
|---------------------|---|-----------|-----------------------|-----------|
| 17-1/2" | 405' | 13-3/8" | 54.50# J-55 ST&C | New |
| 12-1/4" | 2400' | 9-5/8" | 36.00# J-55 ST&C | New |
| 8-3/4" | 5700' | 7" | 29.0# N-80 LTC | New |
| Surface Casing: | 500 sacks Halliburton Premium Plus V Cement + 2% CaCl + 0.25 lb/sk Flocele; Weight: 15.6 #/gal Yield: 1.20 cu.ft/sk | | | |
| Intermediate Casing | Lead: 200 sacks Halliburton Hi-Fill; Weight 11 #/gal Yield: 3.86 cu.ft/sk | | | |
| | Tail: 405 sacks Halliburton Premium AG + 1% CaCl = 0.25 lb/sk Flocele + 10% CaCl | | | |
| | Weight: 14.20 #/gal Yield: 1.61 cu.ft/sk | | | |
| Production Casing | Lead: 465 sacks 50/50 Poz Premium AG+8% Bentonite+8% Cal-Seal+ 0.25#/sk Flocele Weight: 12.50 #/gal Yield: 1.94 cu.ft/sk | | | |
| | Tail: 70 sacks Halliburton Premium AG + 1% CaCl + 0.25 #/sk Flocele Weight: 15.80 #/gal Yield: 1.16 cu.ft/sk | | | |

RECEIVED

JUN 23 2004

DEPT OF OIL, GAS & MINING

14. I hereby certify that the foregoing is true and correct

Larry W. Johnson

Agent for Whitmar Exploration Company

June 15, 2004

(This space for Federal or State office use)

Approved by _____ Title _____ Date _____

Conditions of approval, if any:

Title 18 U.S.C. Section 1001, makes it a crime for any person knowingly and willfully to make to any department or agency of the United States any false, fictitious or fraudulent statements or representations as to any matter within its jurisdiction.

CONFIDENTIAL



State of Utah

Department of
Natural Resources

ROBERT L. MORGAN
Executive Director

Division of
Oil, Gas & Mining

LOWELL P. BRAXTON
Division Director

OLENE S. WALKER
Governor

GAYLE F. McKEACHNIE
Lieutenant Governor

June 24, 2004

Whitmar Exploration Company
1021 Main Street, Suite 1100
Houston, TX 77002

Re: SWD #1 Well, 727' FSL, 1628' FWL, SE SW, Sec. 10, T. 14 South, R. 11
East, Carbon County, Utah

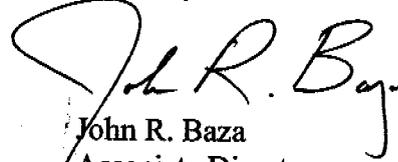
Gentlemen:

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.

Appropriate information has been submitted to DOGM and administrative approval of the requested exception location is hereby 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 43-007-30964.

Sincerely,


John R. Baza
Associate Director

pab
Enclosures

cc: Carbon County Assessor
Bureau of Land Management, Moab District Office

Operator: Whitmar Exploration Company

Well Name & Number SWD #1

API Number: 43-007-30964

Lease: UTU-80559

Location: SE SW Sec. 10 T. 14 South R. 11 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

Notify the Division within 24 hours of spudding the well.

- Contact Carol Daniels at (801) 538-5284.

Notify the Division prior to commencing operations to plug and abandon the well.

- Contact Dan Jarvis at (801) 538-5338

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. State approval of this well does not supersede the required federal approval, which must be obtained prior to drilling.

5. This proposed well is located in an area for which drilling units (well spacing patterns) have not been established through an order of the Board of Oil, Gas and Mining (the "Board"). In order to avoid the possibility of waste or injury to correlative rights, the operator is requested, once the well has been drilled, completed, and has produced, to analyze geological and engineering data generated therefrom, as well as any similar data from surrounding areas if available. As soon as is practicable after completion of its analysis, and if the analysis suggests an area larger than the quarter-quarter section upon which the well is located is being drained, the operator is requested to seek an appropriate order from the Board establishing drilling and spacing units in conformance with such analysis by filing a Request for Agency Action with the Board.



TALON RESOURCES INC

RECEIVED
MAR 04 2005
DIV. OF OIL, GAS & MINING

March 3, 2005

Mr. Eric Jones
Petroleum Engineer
Bureau of Land Management
82 East Dogwood
Moab, Utah 84532

RE: Withdraw of SWD-1 – Whitmar Exploration Company
727' FSL 1628' FWL, SE/4SW/4, Section 10, T14S, R11E, SLB&M
API Number 4300730964

Dear Mr. Jones:

Whitmar Exploration Company wishes to withdraw the Application for Permit to Drill (APD) for the above referenced well.

Please feel free to contact myself or Allen Childs at 435-687-5310 if you have any questions or need additional information.

Sincerely,

Larry W. Johnson
Talon Resources
Agent for Whitmar Exploration Company

Cc Dianna Whitney, DOGM, State Office
Whitney Marvin, Whitmar Exploration



State of Utah

**Department of
Natural Resources**

MICHAEL R. STYLER
Executive Director

**Division of
Oil, Gas & Mining**

MARY ANN WRIGHT
Acting Division Director

JON M. HUNTSMAN, JR.
Governor

GARY R. HERBERT
Lieutenant Governor

March 11, 2005

Larry Johnson
Whitmar Exploration Co.
1021 Main Street, Suite 1100
Houston TX 77002

Re: APD Rescinded – SWD #1, Sec.10, T. 14S, R. 11E
Carbon County, Utah API No. 43-007-30964

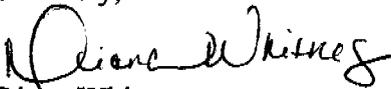
Dear Mr. Johnson:

The Application for Permit to Drill (APD) for the subject well was approved by the Division of Oil, Gas and Mining (Division) on June 24, 2004. On March 3, 2005, you requested that the division rescind the state approved APD.

No drilling activity at this location has been reported to the division. Therefore, approval to drill the well is hereby rescinded, effective March 3, 2005. 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
Bureau of Land Management, Moab