

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

FORM 3

AMENDED REPORT   
(highlight changes)

<b>APPLICATION FOR PERMIT TO DRILL</b>			5. MINERAL LEASE NO: <b>ML48133</b>	6. SURFACE: Fee
1A. TYPE OF WORK: DRILL <input checked="" type="checkbox"/> REENTER <input type="checkbox"/> DEEPEN <input type="checkbox"/>			7. IF INDIAN, ALLOTTEE OR TRIBE NAME:	
B. TYPE OF WELL: OIL <input type="checkbox"/> GAS <input checked="" type="checkbox"/> OTHER <u>CBM</u> SINGLE ZONE <input checked="" type="checkbox"/> MULTIPLE ZONE <input type="checkbox"/>			8. UNIT or CA AGREEMENT NAME:	
2. NAME OF OPERATOR: <b>Marion Energy, Inc</b>			9. WELL NAME and NUMBER: <b>Cordingly Canyon 15-1</b>	
3. ADDRESS OF OPERATOR: <b>119 So. Tennessee#20C</b> CITY <b>McKinney</b> STATE <b>TX</b> ZIP <b>75069</b>			PHONE NUMBER: <b>(972) 540-2967</b>	10. FIELD AND POOL, OR WILDCAT: <b>Helper Field</b>
4. LOCATION OF WELL (FOOTAGES) AT SURFACE: <b>1394' FSL &amp; 1442' FEL</b> <b>518583X 39.691954</b> AT PROPOSED PRODUCING ZONE: <b>439 3381Y -110.783275</b>			11. QTR/QTR, SECTION, TOWNSHIP, RANGE, MERIDIAN: <b>SESE 15 13S 10E</b>	
14. DISTANCE IN MILES AND DIRECTION FROM NEAREST TOWN OR POST OFFICE: <b>Approximately 1 1/2 miles east of Kenilworth</b>			12. COUNTY: <b>Carbon</b>	13. STATE: <b>UTAH</b>
15. DISTANCE TO NEAREST PROPERTY OR LEASE LINE (FEET) <b>1394'</b>	16. NUMBER OF ACRES IN LEASE:	17. NUMBER OF ACRES ASSIGNED TO THIS WELL: <b>160</b>		
18. DISTANCE TO NEAREST WELL (DRILLING, COMPLETED, OR APPLIED FOR) ON THIS LEASE (FEET)	19. PROPOSED DEPTH: <b>4,600</b>	20. BOND DESCRIPTION: <b>Surety Bond # B001632</b>		
21. ELEVATIONS (SHOW WHETHER DF, RT, GR, ETC.): <b>GR = 6830'</b>	22. APPROXIMATE DATE WORK WILL START: <b>11/30/2005</b>	23. ESTIMATED DURATION: <b>2 weeks</b>		

**PROPOSED CASING AND CEMENTING PROGRAM**

SIZE OF HOLE	CASING SIZE, GRADE, AND WEIGHT PER FOOT			SETTING DEPTH	CEMENT TYPE, QUANTITY, YIELD, AND SLURRY WEIGHT			
<b>12 1/4"</b>	<b>8 5/8"</b>	<b>J-55</b>	<b>24 #/ft</b>	<b>460</b>	<b>Class G+ 2% CACL2</b>	<b>240 sacks</b>	<b>1.15 cu.ft/sk</b>	<b>15.8ppg,</b>
					<b>plus FL additive</b>	<b>75% excess</b>		
<b>7 7/8"</b>	<b>5 1/2"</b>	<b>J-55</b>	<b>17 #/ft</b>	<b>4,680</b>	<b>Lead: Lite Wt. cement</b>	<b>332 sacks</b>	<b>3.36 cu.ft./sk</b>	<b>10.5 ppg</b>
					<b>Tail: Cem Crete blend</b>	<b>146 sacks</b>	<b>2.07 cu.ft./sk</b>	<b>10.5ppg</b>

**ATTACHMENTS**

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

- |  |  |
|--|--|
| <input checked="" type="checkbox"/> WELL PLAT OR MAP PREPARED BY LICENSED SURVEYOR OR ENGINEER     | <input checked="" type="checkbox"/> COMPLETE DRILLING PLAN                                   |
| <input checked="" type="checkbox"/> EVIDENCE OF DIVISION OF WATER RIGHTS APPROVAL FOR USE OF WATER | <input type="checkbox"/> FORM 5, IF OPERATOR IS PERSON OR COMPANY OTHER THAN THE LEASE OWNER |

NAME (PLEASE PRINT) Doug Endsley TITLE VP Operations  
SIGNATURE *Doug Endsley* DATE 10/17/05

(This space for State use only)

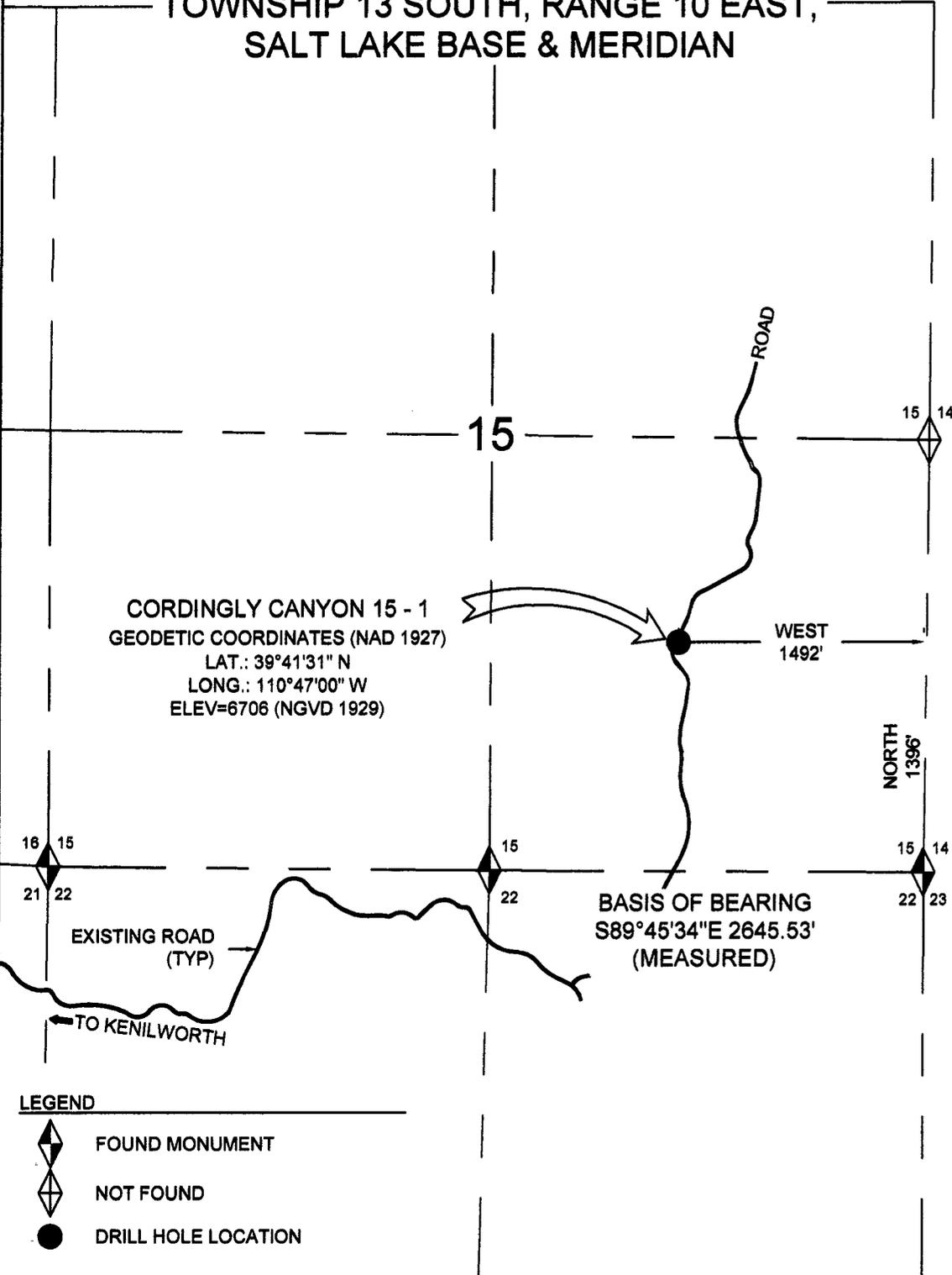
API NUMBER ASSIGNED: 43-007-3 1065

**Approved by the**  
**Utah Division of**  
**Oil, Gas and Mining**  
APPROVAL:  
Date: 12-13-05  
By: *[Signature]*

**RECEIVED**  
**OCT 21 2005**

DIV. OF OIL, GAS & MINING

TOWNSHIP 13 SOUTH, RANGE 10 EAST,  
SALT LAKE BASE & MERIDIAN



**NARRATIVE**

THE PURPOSE OF THIS SURVEY IS TO LOCATE AND DESCRIBE A WELL SITE FOR MARION ENERGY INC., AND IS SITUATED IN THE SOUTHEAST QUARTER OF SECTION 15, TOWNSHIP 13 SOUTH, RANGE 10 EAST, SALT LAKE BASE AND MERIDIAN, CARBON COUNTY, UTAH.

THE BASIS OF BEARING USED FOR THIS SURVEY IS SOUTH 89°45'34" EAST BETWEEN THE SOUTH QUARTER CORNER AND THE SOUTHEAST CORNER OF SAID SECTION 15.

THE BASIS OF ELEVATION USED FOR THIS SURVEY IS 6561 FEET (NGVD 1929) AT THE SOUTHWEST CORNER OF SECTION 16, TOWNSHIP 13 SOUTH, RANGE 10 EAST, SALT LAKE BASE AND MERIDIAN, AS SHOWN ON THE HELPER, UTAH 7.5' QUADRANGLE.

**SITE DESCRIPTION**

A PROPOSED DRILL HOLE SITUATED IN THE SOUTHEAST QUARTER OF SECTION 15, TOWNSHIP 13 SOUTH, RANGE 10 EAST, SALT LAKE BASE AND MERIDIAN, CARBON COUNTY, STATE OF UTAH, SAID DRILL HOLE IS LOCATED 1396 FEET NORTH AND 1492 FEET WEST FROM THE SOUTHEAST CORNER OF SAID SECTION 15.

**CERTIFICATE OF SURVEY**

I, M. CODY WARE, DO HEREBY CERTIFY THAT I AM A REGISTERED LAND SURVEYOR, LICENSE NO. 4940688 AS PRESCRIBED BY THE LAWS OF THE STATE OF UTAH. I FURTHER CERTIFY THAT I HAVE MADE A SURVEY OF THE LOCATION SHOWN AND THAT IT IS TRUE AND CORRECT TO THE BEST OF MY KNOWLEDGE.

DATE: 10-19-2005

*M. Cody Ware*  
 M. CODY WARE



**WARE SURVEYING, L.L.C.**

Phone: 435-613-1266 1344 North 1000 West  
 Email: waresurveying@emerytelcom.net Price, Utah 84501

SURVEY FOR:  
**MARION ENERGY INC.**

CORDINGLY 15-1  
 NEAR KENILWORTH, CARBON COUNTY, UTAH  
 S.E. 1/4 - SECTION 15, T. 13 S., R. 10 E., S.L.B. & M.

DRAWN BY: MCW SCALE: 1" = 1000'

DATE: 10-19-05

REVISIONS: 0 DRAWING NO. P-1



## OIL, GAS AND COALBED METHANE LEASE

This agreement ("Lease") is effective this 15<sup>th</sup> day of JUNE, 2004, by and between **BLACKHAWK COAL COMPANY**, a Utah corporation with an address at 700 Morrison Road, Gahanna, Ohio 43230 ("Lessor") and **UTE OIL COMPANY**, a Texas corporation, dba A.C.T. OPERATING COMPANY, whose address is 201 W. Wall Street, Suite 806, Midland, TX 79701 ("Lessee");

1. **GRANTING CLAUSE:** Lessor, for and in consideration of Ten Dollars (\$10.00) per net mineral acre and other valuable consideration, the receipt of which is hereby acknowledged, and for and in consideration of the covenants and agreements hereinafter contained on the part of Lessee, has granted, demised, leased and let and by these presents does grant, demise, lease and let exclusively unto Lessee all of Lessor's right, title and interest in the lands located in the Utah County of Carbon described in EXHIBIT A attached hereto and made a part hereof, consisting of 3,000 mineral acres and 480 surface acres, more or less, including any interests therein which Lessor may hereafter acquire in Township 13 South 10 East, Carbon County, Utah, by reversion, prescription or otherwise, and also including any accretions and any small strips or parcels of land now or hereafter owned by Lessor which are contiguous or adjacent to the subject lands, (the "Leased Premises") for the purpose of exploring (including the right to conduct geophysical surveys), drilling, operating, producing, saving, taking care of, treating, processing, storing on the surface and transporting and marketing coalbed methane, oil, liquid hydrocarbons, gas, or any of their constituent products, including injecting gas, waters, other fluids and air into all subsurface, coal strata horizons and formations

without liability to Lessor for migration; and laying pipelines, storing hydrocarbons above ground in a manner that will not interfere with Lessor's use of the surface, building tanks, setting up pumping units, and constructing all improvements necessary in the production and transportation of coalbed methane, oil, liquid hydrocarbons, gas, or any of their constituent products (collectively the "Minerals"); **together with water rights necessary for Lessee's activities and, on a non-exclusive basis, all the rights of ingress or egress, and all other appurtenant easements and right-of-way Lessor may hold to the surface, subject to all terms and conditions** of this Lease. For the purposes of this Lease, "coalbed methane" means methane gas from coal formations, coal seams or abandoned coal mine workings and all zones in communication therewith.

2. **LEASE TERM:** Subject to the other provisions of this Lease and specifically but not limited to the provisions of paragraph 3, this Lease shall commence on the date hereof and remain in full force and effect for a primary term expiring at 11:59 p.m. on the date that is five (5) years from the date hereof (the "Primary Term"), during which time the Lessee shall use its best efforts to explore for Minerals on the Leased land, and produce and sell Minerals underlying the Leased Premises. The Primary Term may not be extended by payment of shut-in royalty.

3. **EXTENDED TERM:**

(a) Provided the Lessee has, during the Primary Term, diligently and in good faith explored the Leased Premises for Minerals and, where warranted, drilled and, where appropriate, completed a well or wells to commercially produce Minerals from the Leased Premises, Lessee

Surface Use Plan  
Marion Energy, Inc.  
Cordingly Canyon 15-1

1. Existing Road:
  - a. Topo Map 'A' is the vicinity map showing the access route from Spring Glen, Utah.
  - b. Topo Map 'B' shows the proposed access road to each well. It also shows existing roads in the immediate area.
  - c. The existing and proposed access road, unless otherwise stated, shall be crowned, ditched, and dipped from the nearest improved road.
  - d. Occasional maintenance blading and storm repairs will keep roads in good condition.
  - e. There shall be no mud blading on the access road. Vehicles may be towed through the mud provided they stay on the roadway.
  
2. Planned Access Roads:
  - a. Maximum grade will be 8% or less.
  - b. No turnouts are required.
  - c. Low water crossings to be placed in the proposed access road during drilling process and culverts may be installed at a later date.
  - d. Road surface material will be that native to the area.
  - e. No cattleguards are required.
  - f. The proposed access road was flagged at the time the location was staked.
  - g. The back slopes of the proposed access road will be no steeper than vertical or ¼:1 in rock and 2:1 elsewhere.
  
3. Location of Existing Wells:
  - a. See Topo Map 'B'
  
4. Location of Existing and/or Proposed Facilities:
  - a. All Petroleum Production Facilities are to be contained within the proposed location sites.
  - b. In the event that production of these wells is established, the following will be shown:
    - i. Proposed location and attendant lines, by flagging, if off well pad.
    - ii. Dimensions of facilities.
    - iii. Construction methods and materials.
  - c. The area used to contain the proposed production facilities will be built using native materials. If these materials are not acceptable, then other arrangements will be made to acquire them from private sources. These facilities will be constructed using bulldozers, graders, and workman crews to construct and place the proposed facilities.
  - d. All permanent facilities placed on the locations shall be painted a non-reflective color, which will blend with the natural environment.
  - e. A dike shall be constructed around the tank battery, of sufficient capacity to adequately contain at least 110 percent of the storage capacity of the largest tank within the dike.
  - f. All buried pipelines shall be covered to a depth of 3 feet except at road crossings where they shall be covered to a depth of 4 feet.

- g. Construction width of the right-of-way/pipeline route shall be restricted to 50 feet of disturbance.
- h. Pipeline location warning signs shall be installed within 90 days upon completion of construction.

5. Location and Water Supply:

- a. Any water to be used for the drilling of this well will be from the Price River Water Improvement District (an adjudicated industrial water source) and transported by a local trucking company (Nielson Construction).
- b. No water wells are to be drilled.

6. Source of Construction Materials:

- a. No construction materials are needed for drilling operations. In the event of production, the small amount of gravel needed for facilities will be hauled in by truck from a local gravel pit over existing access roads from the area. No special access other than for drilling operations and pipeline construction is needed.
- b. All access roads crossing BLM land is shown on Topo Map 'B'.
- c. All well pad surface disturbance areas are on AEP/Blackhawk Coal Company lands.

7. Methods for Handling Waste Disposal:

- a. Drill cuttings will be buried in the reserve pit when covered.
- b. Drilling fluids will be contained in the reserve pit.
- c. Any hydrocarbon liquids produced while production testing will be contained in a test tank. Any unavoidable spills of oil or other adverse substances or materials will be removed immediately during drilling progress or during completion operations.
- d. Portable chemical toilets will be provided and services by a local commercial sanitary service.
- e. Garbage and trash will be collected in a trash cage and its contents hauled to a sanitary landfill. All wastes caused by the construction activities shall be promptly removed and disposed of in a sanitary landfill or as directed by the company representative.
- f. Prior to commencement of drilling, the reserve pit will be fenced on three sides using 39-inch net wire with at least one (1) strand of barbed wire. All wire is to be stretched before attaching to corner posts. When drilling activities are completed it will be fenced on the fourth side and allowed to dry (if liquids are present). After drying, the fences will be removed and the pits shall be buried. Reclamation will be undertaken no later than the fall of the year after all drilling activity has ceased.

8. Ancillary Facilities:

- a. No airstrips, camps, or other living facilities will be built off the locations. Housing and office trailers will be on the location as seen on the location layout.

9. Well Site Layout:

- a. See attached cut sheet.
- b. Company representatives will determine if the pit is to be lined, and if so, the type of material to be used.

- c. Topsoil shall be stripped to a depth of 4 to 6 inches and stockpiled as shown on the location layout plat.
- d. The back slopes of the locations will be no steeper than vertical or ¼:1 in rock and 2:1 elsewhere.
- e. The upper edges of all cut banks on the access roads and well pads will be rounded.
- f. Catchment ponds to be placed as required to intercept drainage re-routes.

10. Plans for Restoration:

- a. Immediately upon completion, the location and surrounding area will be cleared of all debris, materials, trash and junk not required for production.
- b. Before any dirt work to restore the location takes place, the reserve pit must be completely dry. The reserve pit will be reclaimed within one (1) year from the date of well completion.
- c. All disturbed areas will be seeded with the mixture, which is found suitable by the Utah Division of Wildlife Resources and the landowner.
- d. The seedbed will be prepared by disking, following the natural contour. Drill seed on contour at a depth no greater than ½ inch. In areas that cannot be drilled, the seed will be broadcast at double the seeding rate and harrowed into soils. Certified seed is recommended.
- e. Fall seeding will be completed after September, and prior to prolonged ground frost.
- f. If the well is a producer, access roads will be upgraded and maintained as necessary to prevent soil erosion, and accommodate year round traffic. Areas unnecessary to operations will be reshaped, topsoil distributed, and seed distributed according to the above mixtures. Perennial vegetation would be established. Additional work may be required in case of seeding failures, etc.
- g. If the well is abandoned or is a dry hole, the access road and location will be restored to approximate the original contours. During reclamation of the site, the fill material will be pushed into cuts and up over the back slope. No depressions will be left that would trap water or form ponds. Topsoil will be distributed evenly over the location and seeded according to the above mixture. The access road and the location shall be ripped or disked prior to seeding. Perennial vegetation must be established. Additional work shall be required in case of seeding failures, etc.
- h. Annual or noxious weeds shall be controlled on all disturbed areas. Method of control shall be by an approved mechanical method or an Environmental Protection Agency (EPA) registered herbicide. All herbicide application will be in cooperation with Carbon County Weed Control personnel.

11. Other Information:

- a. Man uses the area for the primary purpose of grazing domestic livestock.
  - i. All activity shall cease when soils or road surfaces become saturated to a depth of three inches, unless otherwise approved by the company representative.
  - ii. If any fossils are discovered during construction, the operator shall cease construction immediately and notify the company representative so as to determine the significance of the discovery.
- b. A Class III cultural resource inventory was completed prior to disturbance by a qualified professional 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 State Historic Preservation Office (SHPO). The SHPO Officer will outline (if any) what mitigation is appropriate.

- i. If the operator wished, at any time, to relocate activities to avoid the expense of mitigation and/or delays associate with this process, the SHPO 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 SHPO will provide technical and procedural guidelines for the conduct of mitigation. Upon verification from the State that the required mitigation has been completed, the operator will be allowed to resume construction.
- d. Less than 10,000 pounds of any chemical(s) from the EPA's Consolidated list of Chemicals Subject to Reporting Under Title III of the Superfund Amendments and Reauthorization Act (SARA) of 1986, and less then threshold planning quantity (TPQ) of any extremely hazardous substance(s), as defined in 40 CFR, would be used, produced, transported, stored, disposed, or associated with the proposed action.

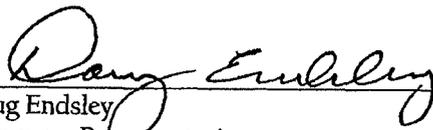
12. Lessee's or Operator's Representative:

Marion Energy, Inc.  
 Mr. Doug Endsley  
 2901 East 20<sup>th</sup> Street, Suite 106  
 Farmington, New Mexico 87402  
 (505) 564-8005

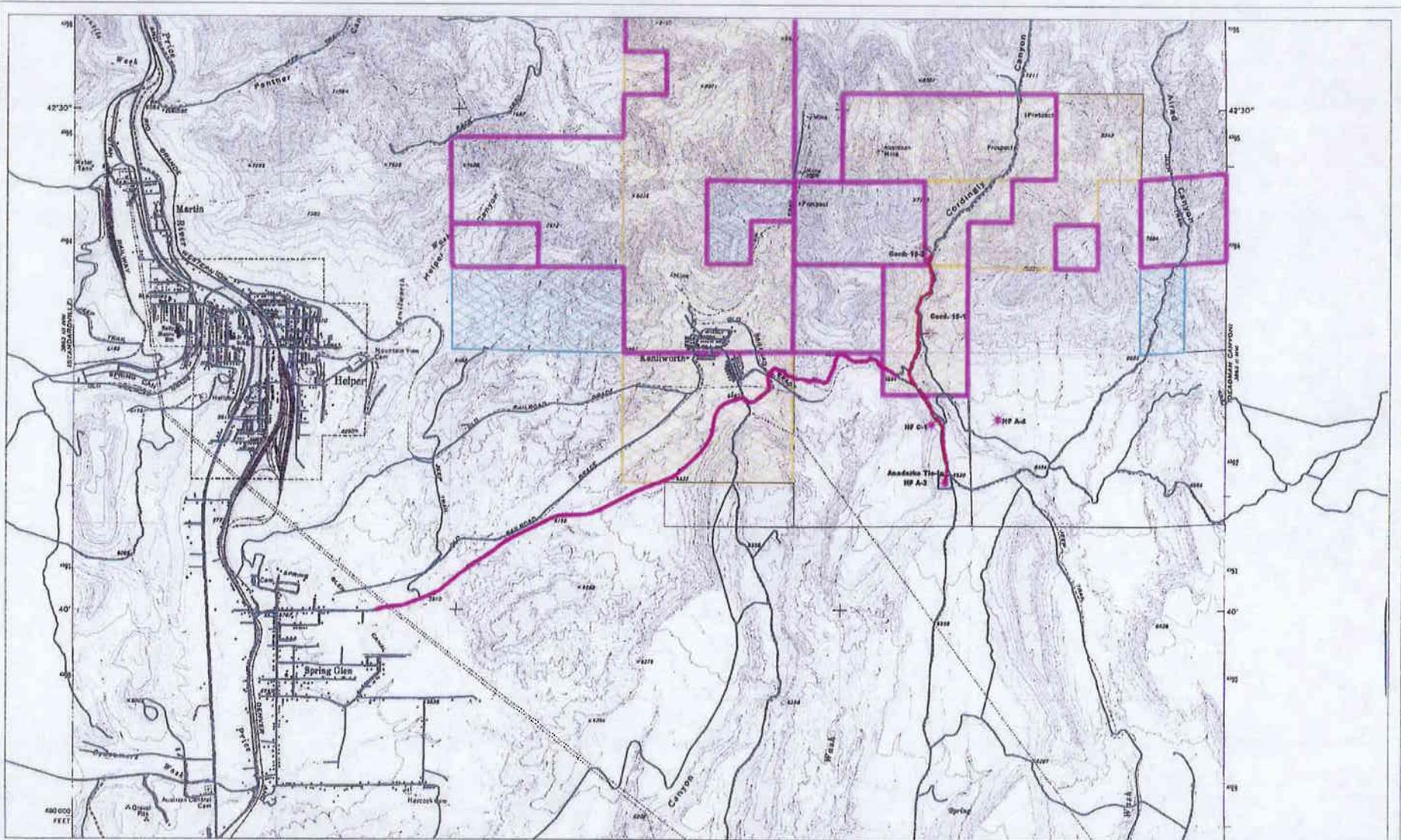
13. Certification:

I hereby certify that I, or persons under my direct supervision, have inspected the proposed drill site(s) and access route(s); 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 Marion Energy, Inc. and its contractors and subcontractors in conformity with the plan and the terms and conditions under which it is approved.

This statement is subject to the provision of 18 U.S.C. 1001 for the filing of a false statement.

  
 \_\_\_\_\_  
 Doug Endsley  
 Company Representative

10/26/05  
 \_\_\_\_\_  
 Date



0.02 0 0.02 0.04 Miles

**LEGEND:**

- Lease Area:**  
 Marion Energy Lease Area
- Pipelines:**  
 Proposed Pipeline ROW  
 Road  
 Access Road

- Wells:**  
 Marion Energy Proposed Well  
 Anadarko Existing Well  
 Anadarko Tie-In Location
- Ownership**  
 Private  
 Federal

**Marion Energy, Inc.**

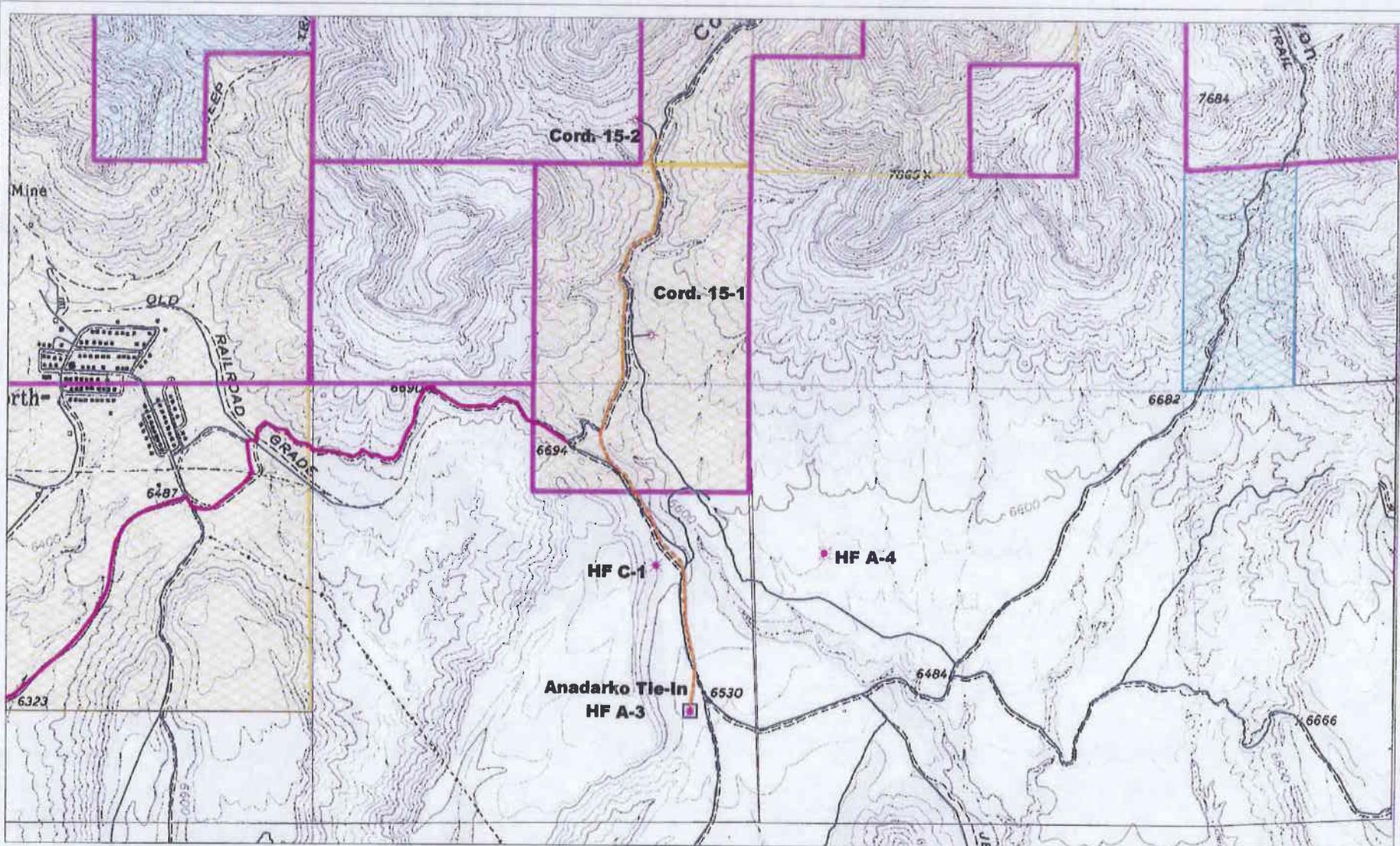
TOPO MAP 'A'

General Location Area



Created By: Katie J. Nash  
 Date: October 26, 2005

EIS Environmental  
 & Engineering Consulting  
 31 North Main Street  
 Helper, Utah 84526  
 Office - (435) 472-3814  
 eis.gis@preciscom.net



**LEGEND:**

- Lease Area:**  
 Marion Energy Lease Area
- Pipelines:**  
 Proposed Pipeline ROW  
 Road  
 Access Road

- Wells:**  
 Marion Energy Proposed Well  
 Anadarko Existing Well  
 Anadarko Tie-In Location
- Ownership**  
 Private  
 Federal

**Marion Energy, Inc.**

TOPO MAP 'B'

General Location Area



Created By: Katie J. Nash  
 Date: October 26, 2005

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 & Engineering Consulting  
 31 North Main Street  
 Helper, Utah 84526  
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 eis.gis@preciscom.net

**Drilling Plan  
Marion Energy, Inc.  
Cordingly Canyon 15-1**

1. Geologic Surface Formation
  - a. Quaternary

2. Estimated Tops

Name	Depth	Production Phase
Top of Ferron	3900'	Gas
Base of Ferron	4250'	
TD	4600'	

3. Casing Program

- a. See Form #3 Section 24.

4. Operators Specifications for Pressure Control Equipment

- a. 2000 psi WP Double Gate BOP or Single Gate BOP (Schematic Attached).
  - b. Functional test daily.
  - c. All casing strings shall be pressure tested (0.2psi/foot or 1500 psi, whichever is greater) prior to drilling the plug after cementing; test pressure shall not exceed the internal yield pressure of the casing.
  - d. All ram-type preventers and related control equipment shall be tested at the rated working pressure of the stack assembly or at 70 percent of the minimum internal yield pressure of the casing, whichever is less. Tests shall be done at the time of installation, prior to drilling out, and weekly. All testes shall be for a period of 15 minutes.

5. Auxiliary Equipment

- a. Kelly Cock – Yes
  - b. Float at the bit – No
  - c. Monitoring Equipment on the mud system – visually
  - d. Full opening safety valve on rig floor – Yes
  - e. Rotating head – Yes
  - f. The blooie line shall be at least 6 inches in diameter and extend at least 100 feet from the well bore into the reserve/blooie pit.
  - g. Blooie line ignition shall be provided by a continuous pilot (ignited when drilling below 500 feet).

**Drilling Plan  
Marion Energy, Inc.  
Cordingly Canyon 15-1**

- h. Compressor shall be tied directly to the blooie line through a manifold.
- i. A mistor with a continuous stream of water shall be installed near the end of the blooie lines for dust suppression.

**6. Proposed Circulating Medium**

Depth	Mud Type
0 to TD Air / Mist	

**7. Testing, Logging, and Coring Program**

- a. Cores - Possible core of Ferron Sand
- b. DST - None anticipated
- c. Logging - DIL-GR (TD to base of surface casing).
  - a. FDC-CNL-GR-Cal (TD to base of surface casing).
- d. Formation and Completion Interval: Ferron interval, final determination of completion will be made by analysis of logs.  
Simulation: Simulation will be designed for the particular area of interest as encountered.
- e. Frac gradient: Approximately 0.80 psi/ft.

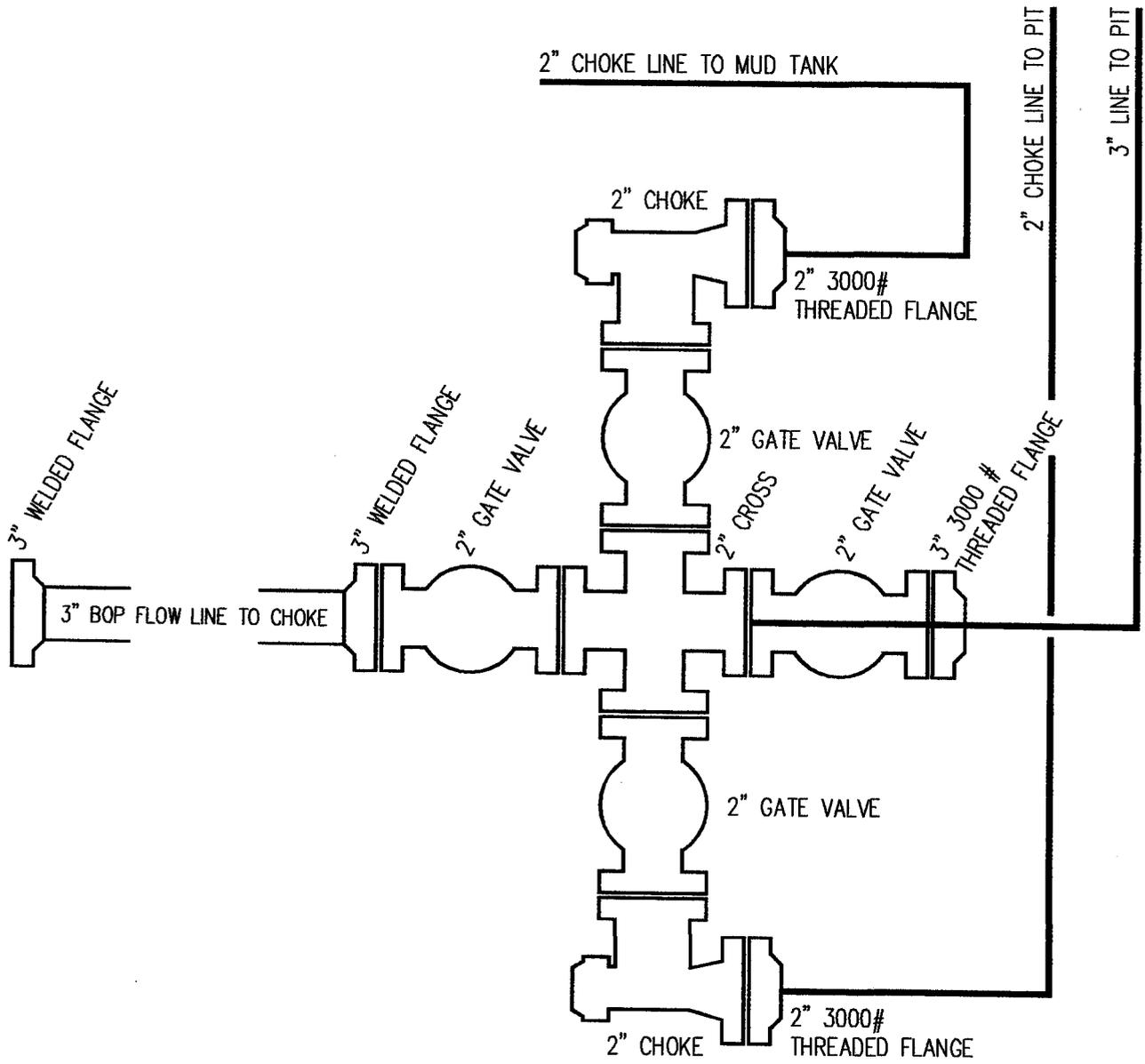
**8. Anticipated Cementing Program:**

- a. See Form #3, Section 24.

Final cement volumes to be calculated from caliper log with an attempt to be made to circulate cement to the surface. A bond log will be run across the zone of interest and across zones as required by the authorized officer to insure protection of natural resources.

**9. Anticipated Abnormal Pressures and Temperatures, Other Potential Hazards:**

No abnormal temperatures or pressures are anticipated. No H<sub>2</sub>S has been encountered in or known to exist from previous wells drilled to similar depths in the general area. Maximum anticipated bottom hole pressure equals approximately 1500 psi (calculated 0.517 psi/ft) and maximum anticipated surface pressure equals approximately 862 psi (bottom hole pressure minus the pressure of a partially evacuated hole calculated at 0.22 psi/ft).

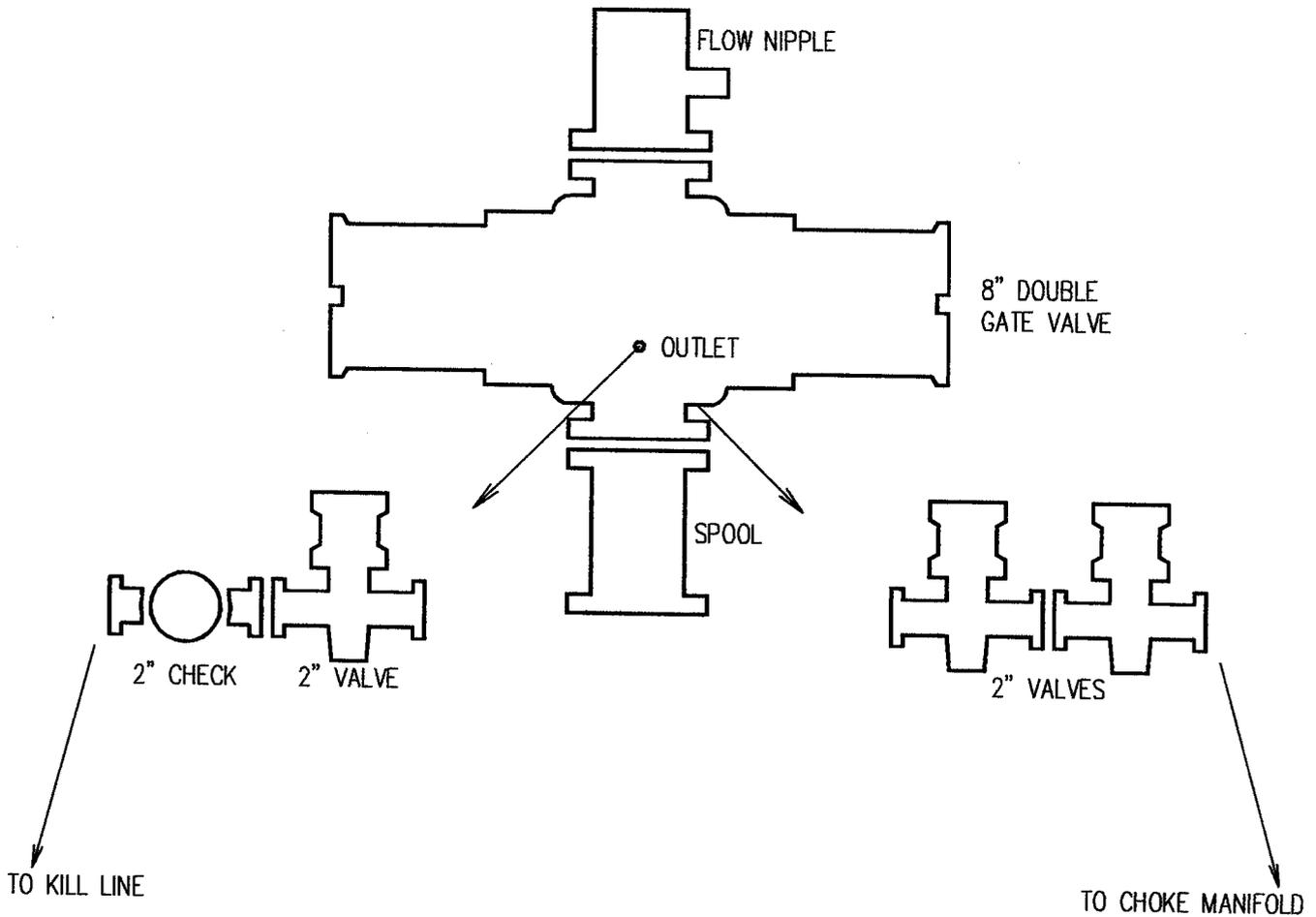


REVISIONS		
#	DATE	BY

**Environmental Industrial Services**  
*Environmental & Engineering Consulting*  
 31 NORTH MAIN STREET  
 HELPER, UTAH 84526  
 (435) 472-3814

**MARION ENERGY, INC.**  
 119 SOUTH TENNESSEE #200  
 MCKINNEY, TEXAS

DRAWING NAME:		TYPICAL RIG
DRAWN BY:	PJJ	SCALE: NONE
APPROVED BY:	EIS	DATE: 10/17/05
SHEET:		<b>FIGURE 1</b>



**REVISIONS**

#	DATE	BY



**Environmental  
Industrial  
Services**

*Environmental & Engineering Consulting*  
31 NORTH MAIN STREET  
HELPER, UTAH 84526  
(435) 472-3814

**MARION ENERGY, INC.**

119 SOUTH TENNESSEE #200  
MCKINNEY, TEXAS

DRAWING NAME:		TYPICAL RIG	
DRAWN BY:	PJJ	SCALE:	NONE
APPROVED BY:	EIS	DATE:	10/17/05
SHEET:		FIGURE 2	

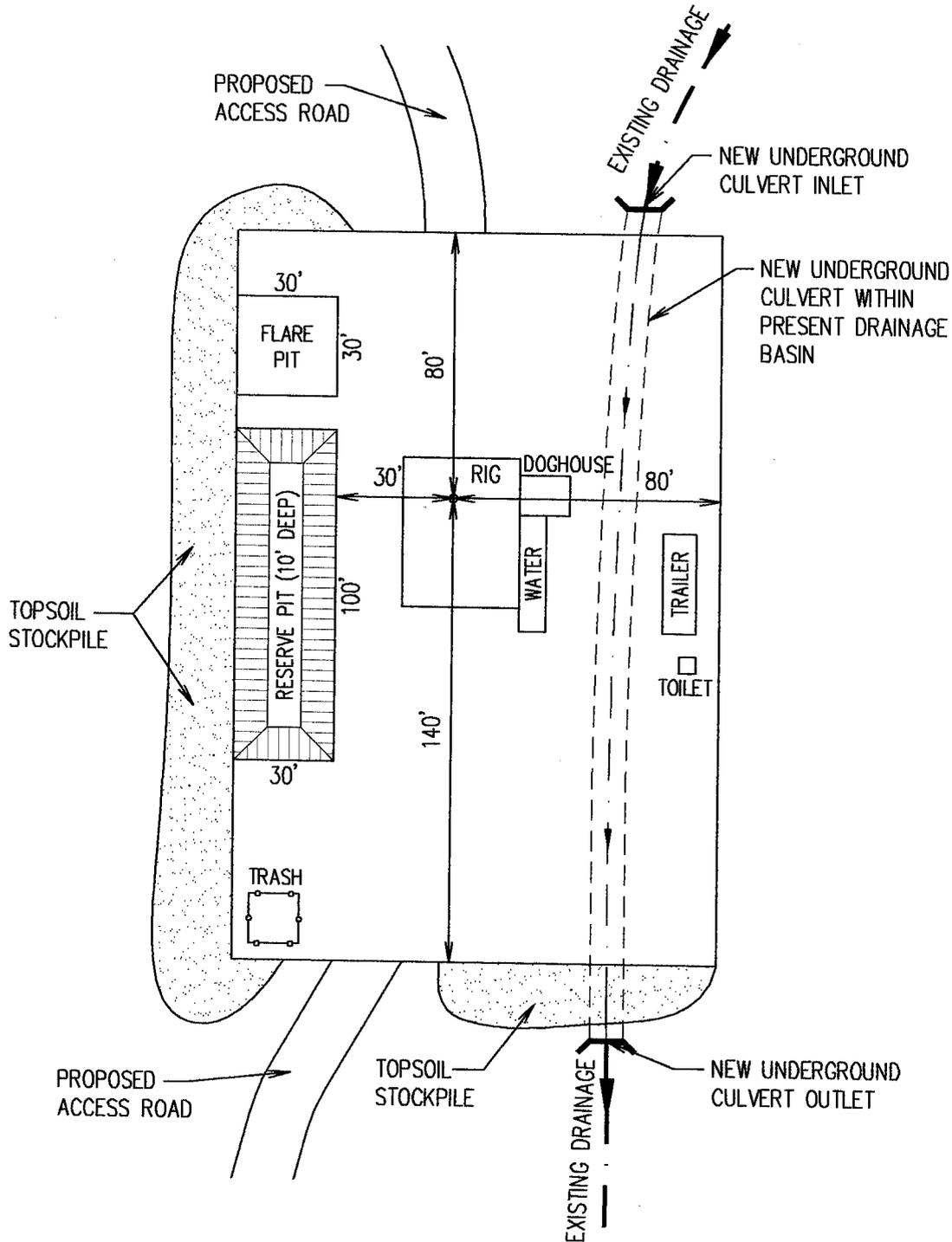
# CORDINGLY CANYON #15-1

SE1/4 OF SE1/4 SECTION 15, T13S, R10E S.L.B.&M.

MINERAL LEASE # ML48133

600' FSL & 1200' FEL

-- HELPER FIELD --



REVISIONS		
#	DATE	BY



**Environmental  
Industrial  
Services**

*Environmental & Engineering Consulting*

31 NORTH MAIN STREET  
HELPER, UTAH 84526

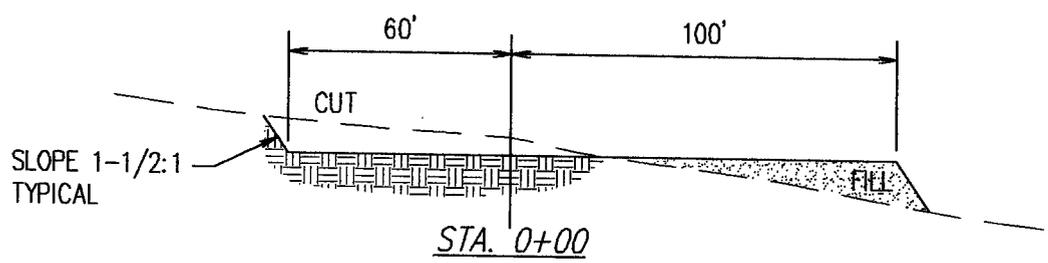
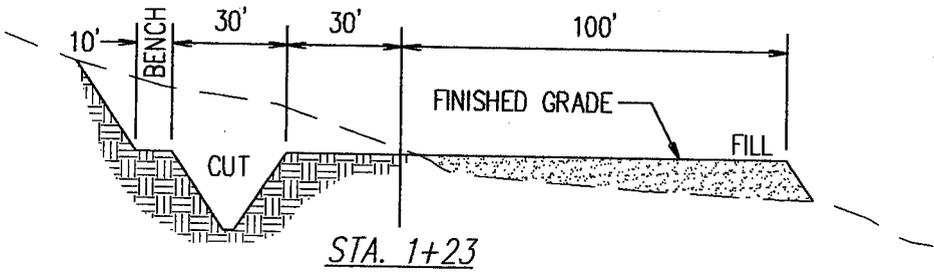
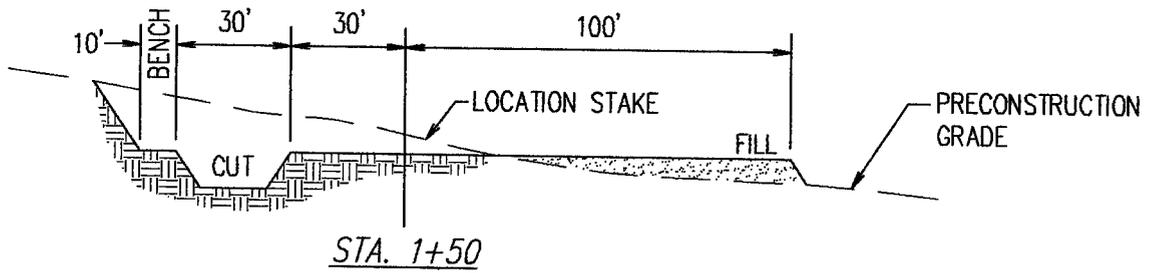
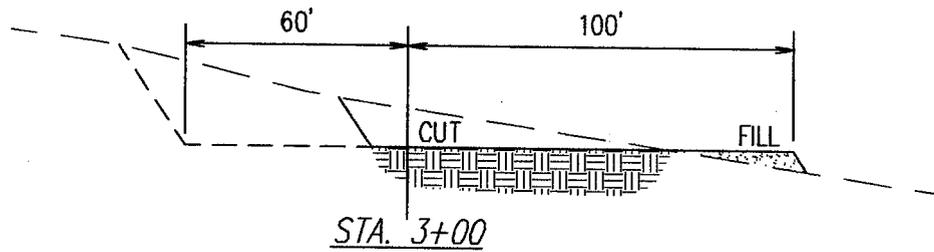
(435) 472-3814

**MARION ENERGY, INC.**

119 SOUTH TENNESSEE #200  
MCKINNEY, TEXAS

DRAWING NAME:		RIG SITE PLAN	
DRAWN BY:	PJJ	SCALE:	1" = 50'
APPROVED BY:	EIS	DATE:	10/17/05
SHEET:		<b>FIGURE 3</b>	

X-SECTION SCALE  
 1" = 20'  
 1" = 50'



REVISIONS		
#	DATE	BY

**Environmental Industrial Services**

*Environmental & Engineering Consulting*

31 NORTH MAIN STREET  
 HELPER, UTAH 84526

(435) 472-3814

**MARION ENERGY, INC.**  
 119 SOUTH TENNESSEE #200  
 MCKINNEY, TEXAS

DRAWING NAME: TYPICAL CROSS SECTIONS	
DRAWN BY: PJJ	SCALE: AS SHOWN
APPROVED BY: EIS	DATE: 10/17/05
SHEET: <b>FIGURE 4</b>	

**Marion Energy**



Looking East Toward 15-1



Looking North Toward 15-1

**WORKSHEET  
APPLICATION FOR PERMIT TO DRILL**

APD RECEIVED: 10/21/2005

API NO. ASSIGNED: 43-007-31065
--------------------------------

WELL NAME: CORDINGLY CYN 15-1  
 OPERATOR: MARION ENERGY INC ( N2740 )  
 CONTACT: DOUG ENDSLEY

PHONE NUMBER: 972-540-2967

PROPOSED LOCATION:

SESE 15 130S 100E  
 SURFACE: 1396 FSL 1492 FEL  
 BOTTOM: 1396 FSL 1492 FEL  
 CARBON  
 HELPER ( 18 )

INSPECT LOCATN BY: / /		
Tech Review	Initials	Date
Engineering	DVED	12/13/05
Geology		
Surface		

LEASE TYPE: 3 - State  
 LEASE NUMBER: ML48133  
 SURFACE OWNER: 4 - Fee  
 PROPOSED FORMATION: FRSD  
 COALBED METHANE WELL? NO

LATITUDE: 39.69195  
 LONGITUDE: -110.7833

RECEIVED AND/OR REVIEWED:

- Plat
- Bond: Fed[] Ind[] Sta[] Fee[]  
(No. B001617 )
- Potash (Y/N)
- Oil Shale 190-5 (B) or 190-3 or 190-13
- Water Permit  
(No. PRV )
- RDCC Review (Y/N)  
(Date: \_\_\_\_\_ )
- Fee Surf Agreement (Y/N)
- Intent to Commingle (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: 241-4  
Eff Date: 9-26-00  
Siting: 460' fr outer ledrg. 920' fr other wells.
- \_\_\_ R649-3-11. Directional Drill

COMMENTS: Needs Permit (11-14-05)

STIPULATIONS: 1- STATEMENT OF BASIS  
2- Surface Csg Cont St. P

T13S R10E

# HELPER FIELD

CAUSE: 241-4 / 9-26-2000

KENNELWORTH  
RR #2

CORDINGLY  
CYN 15-2

CORDINGLY  
CYN 15-1

BLACKHAWK  
A-4

OPERATOR: MARION ENERGY (N2740)

SEC: 15 T. 13S R. 10E

FIELD: HELPER (18)

COUNTY: CARBON

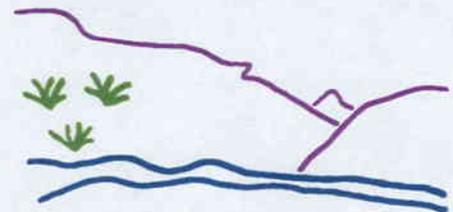
CAUSE: 241-4 / 9-26-2000

- Field Status**
- ABANDONED
  - ACTIVE
  - COMBINED
  - INACTIVE
  - PROPOSED
  - STORAGE
  - TERMINATED

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

**Wells 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
- DRILLING



Utah Oil Gas and Mining



PREPARED BY: DIANA WHITNEY  
DATE: 24-OCTOBER-2005

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

**OPERATOR:** Marion Energy, Inc.  
**WELL NAME & NUMBER:** Cordingly Canyon 15-1  
**API NUMBER:** 43-007-31065  
**LOCATION:** 1/4,1/4 SESE Sec:15 TWP: 13 S RNG: 10 E 1396 FSL 1492 FEL

**Geology/Ground Water:**

Significant volumes of high quality ground water are unlikely to be encountered at this location. A poorly permeable soil is likely to be developed on the Blue Gate Member of the Mancos Shale, but it is unlikely to be charged with any significant volume of groundwater. The proposed casing and cementing program should adequately isolate any zones of fresh water that may be penetrated. No water rights have been filed within a mile of the location.

**Reviewer:** Christopher J. Kierst

**Date:** 12/2/2005

**Surface:**

Proposed location is ~1.5 miles east of Kenilworth, Carbon County, Utah. The immediate area surrounding the proposed well is mining activities, grazing, and wildlife habitat. Location is staked on property owned by American Electric Power. Access to this well will be along existing County maintained roads and upgraded two-track roads. The direct area drains to the south into dry wash drainages, eventually making its way into the Price River, a year-round live water source, ~8 miles south. Dry washes are common throughout the area. The submitted plan involves routing the existing drainage under the well pad through a 30" culvert. The Division of Water Rights Regional Engineer, Mark Page, has been made aware of the plans and has given the operator clearance to proceed without a stream alteration permit. However, adequate drainage and erosion protection for the location and existing drainages must be provided upon construction and maintained thereafter. Other issues talked about were; location layout, lining the reserve pit, access and right-of-ways, as well as concerns and potential concerns of nearby residents. M. Jones (DOGM), Doug Endsley, Erik Norton, Keri Clark, Ben Evans (Marion), Mel Coonrod (EIS), and Tonya Hammond (AEP) were all in attendance for this on-site. Carbon County was invited but chose not to attend.

**Reviewer:** Mark L. Jones

**Date:** November 30, 2005

**Conditions of Approval/Application for Permit to Drill:**

1. Reserve pit liner optional.
2. Provide adequate drainage and erosion protection for the location and existing drainages.

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

**OPERATOR:** Marion Energy, Inc.  
**WELL NAME & NUMBER:** Cordingly Canyon 15-1  
**API NUMBER:** 43-007-31065  
**LEASE:** State **FIELD/UNIT:** \_\_\_\_\_  
**LOCATION:** 1/4,1/4 SENE **Sec:** 15 **TWP:** 13S **RNG:** 10E 1396 **FSL** 1492 **FEL**  
**LEGAL WELL SITING:** 460' from outer boundary and 920' from another well.  
**GPS COORD (UTM):** X= 518581 E; Y= 4393377 N **SURFACE OWNER:** American Electric Power.

**PARTICIPANTS**

M. Jones (DOGM), Doug Endsley, Erik Norton, Keri Clark, Ben Evans (Marion), Mel Coonrod (EIS), and Tonya Hammond (AEP). Carbon County was invited but chose not to attend.

**REGIONAL/LOCAL SETTING & TOPOGRAPHY**

Proposed location is ~1.5 miles east of Kenilworth, Carbon County, Utah. The immediate area surrounding the proposed well is mining activities, grazing, and wildlife habitat. Location is staked on property owned by American Electric Power. Access to this well will be along existing County maintained roads and upgraded two-track roads. The direct area drains to the south into dry wash drainages, eventually making its way into the Price River, a year-round live water source, ~8 miles south. Dry washes are common throughout the area.

**SURFACE USE PLAN**

**CURRENT SURFACE USE:** Mining, grazing, and wildlife habitat.

**PROPOSED SURFACE DISTURBANCE:** 220' x 140' w/ 100' x 30' x 10' included pit. The plan involves routing the existing drainage through a 30" cmt culvert under the well pad.

**LOCATION OF EXISTING WELLS WITHIN A 1-MILE RADIUS:** 7 producing, proposed, shut-in, injection, and/or PA wells are within a 1 mile radius of the above proposed well.

**LOCATION OF PRODUCTION FACILITIES AND PIPELINES:** On location and along roadway.

**SOURCE OF CONSTRUCTION MATERIAL:** Obtained locally and trucked to site.

**ANCILLARY FACILITIES:** None anticipated.

**WILL DRILLING AT THIS LOCATION GENERATE PUBLIC INTEREST OR CONCERNS? (EXPLAIN):** No.

**WASTE MANAGEMENT PLAN:**

Garbage - All garbage will be removed from site and disposed at the

appropriate disposal facility.

Reserve pit contents - ECDC Environmental of Carbon County. Will haul and test as necessary all contents of reserve pit.

Produced Water - Will be hauled from site and disposed of in the appropriate disposal facility, unless agreements with other operators can be made to dispose produced water in existing disposal well.

Sanitation Facilities - Will be supplied and cleaned as necessary during drilling operations.

#### **ENVIRONMENTAL PARAMETERS**

AFFECTED FLOODPLAINS AND/OR WETLANDS: Dry washes are prominent throughout the immediate area of the proposed well location.

FLORA/FAUNA: Sagebrush, pinion, deer, rodents, fowl.

SOIL TYPE AND CHARACTERISTICS: Rocky clay.

EROSION/SEDIMENTATION/STABILITY: Erosive upon disturbance.

PALEONTOLOGICAL POTENTIAL: None observed.

#### **RESERVE PIT**

CHARACTERISTICS: Dugout earthen, 100'x30'x10', included w/in location.

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

#### **SURFACE RESTORATION/RECLAMATION PLAN**

As per surface use agreement.

SURFACE AGREEMENT: Signed.

CULTURAL RESOURCES/ARCHAEOLOGY: None requested by landowner.

#### **OTHER OBSERVATIONS/COMMENTS**

I suggested that this site be reviewed by the Division of Water Rights in regards to any stream alteration permits that might be necessary, as the plans are to divert the drainage under the well pad. Mark Page w/ the Division of Water Rights has since reviewed the plans and the drainage and has determined that a stream alteration permit is not required for this drainage.

#### **ATTACHMENTS**

Photos of this location were taken and placed on file.

Mark L. Jones  
DOGM REPRESENTATIVE

November 14, 2005 / 9:15 am  
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>10</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>5</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>

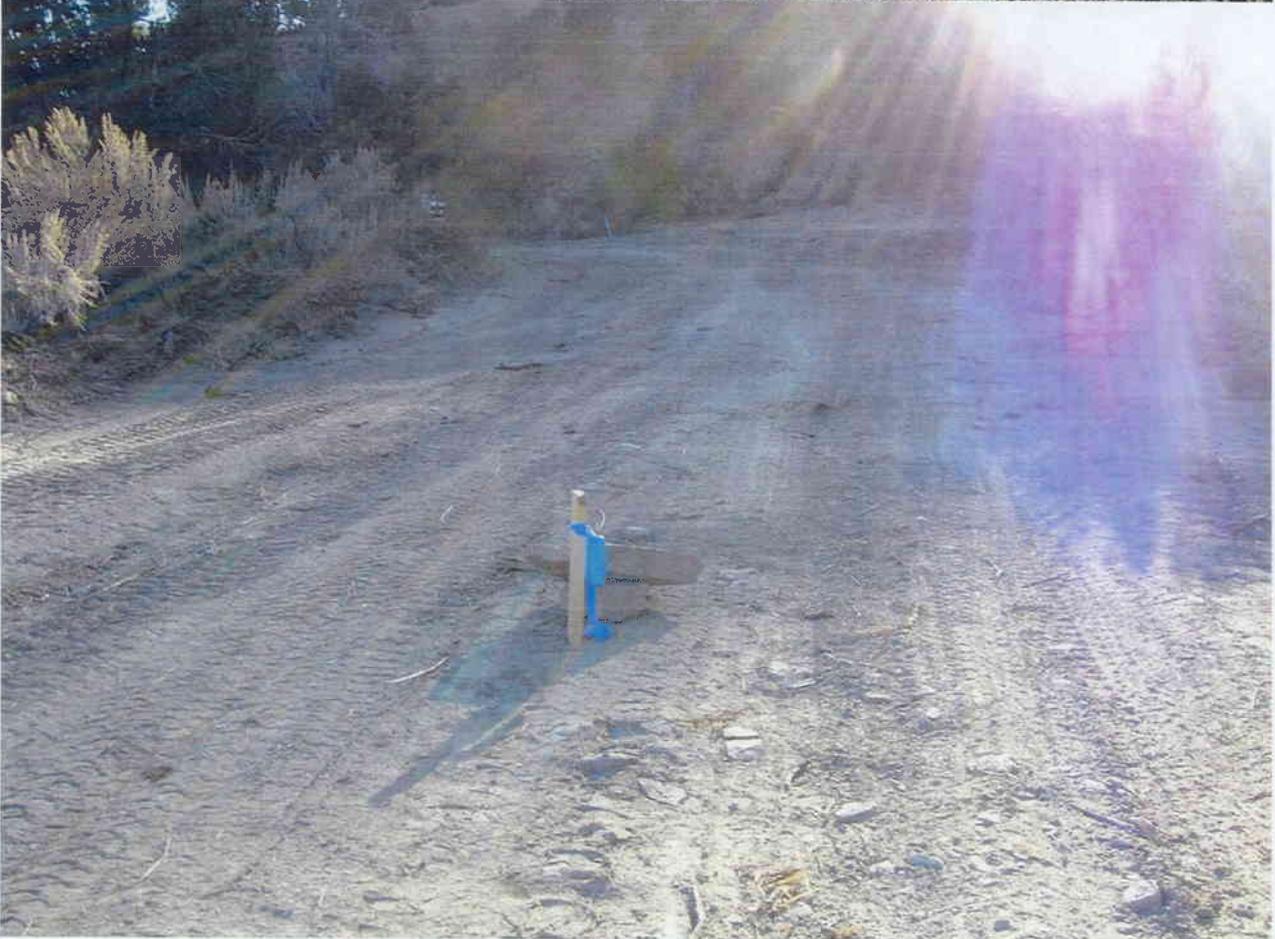
**Final Score**      15      (Level II Sensitivity)

Sensitivity Level I = 20 or more; total containment is required, consider criteria for excluding pit use.

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

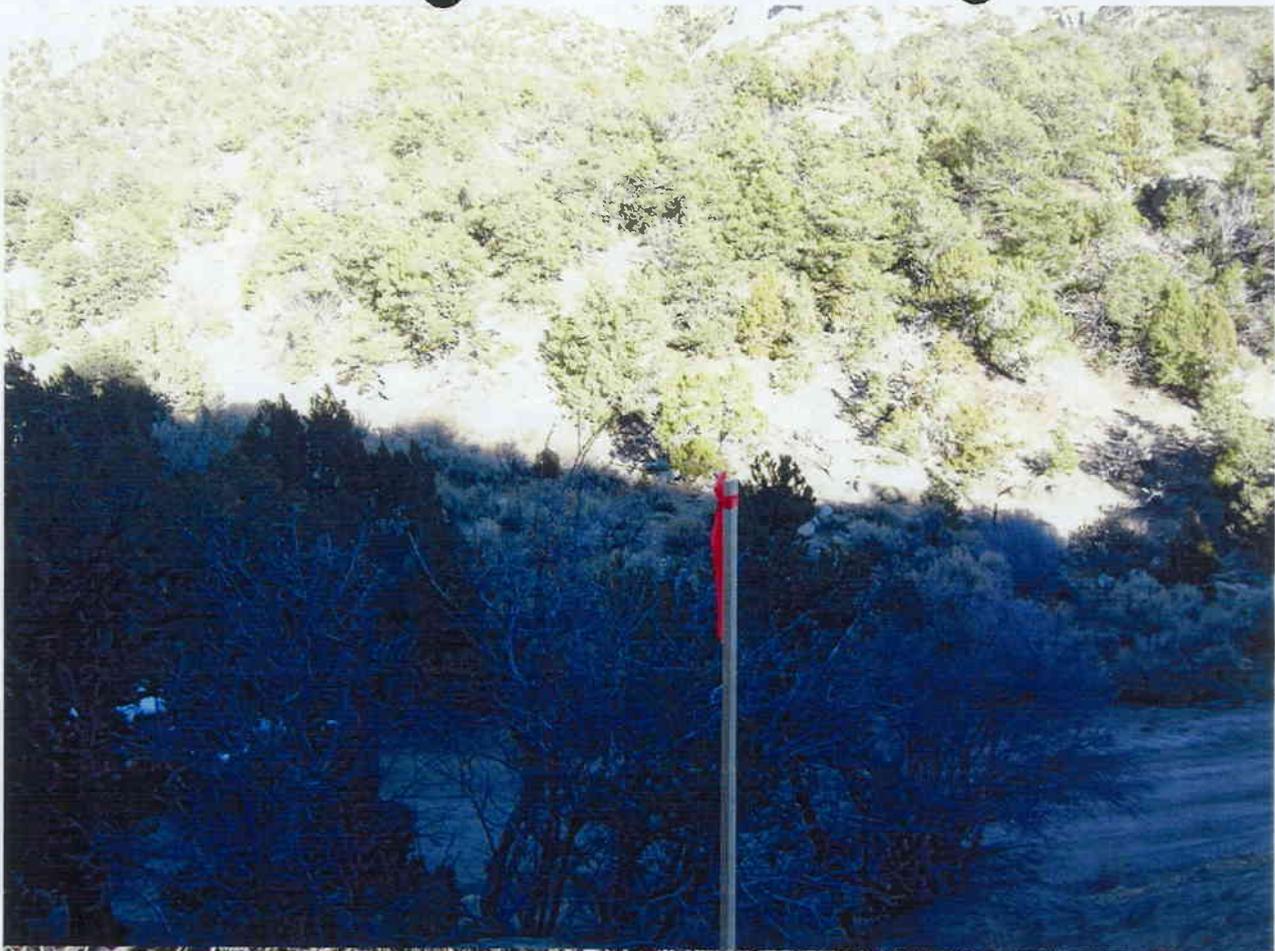
Sensitivity Level III = below 15; no specific lining is required.













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Agency List

Business.utah.gov

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GO

# UTAH DIVISION OF WATER RIGHTS

**Sorry. No diversion points. Try browsing!**

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# UTAH DIVISION OF WATER RIGHTS

## WRPLAT Point of Diversion Query Program

Version: 2004.12.30.00      Rundate: 12/02/2005 07:59 AM

### Section Query Page

- 

Fill in the information below and press either the **Search** or **Browse** button to perform a point of diversion search using a radius from a point.

Hint: Browse allows you to zoom and pan to customize the map display area before printing, Search goes straight to the print ready screen.

Search Radius (feet): 5280

from a point located North  feet West  feet

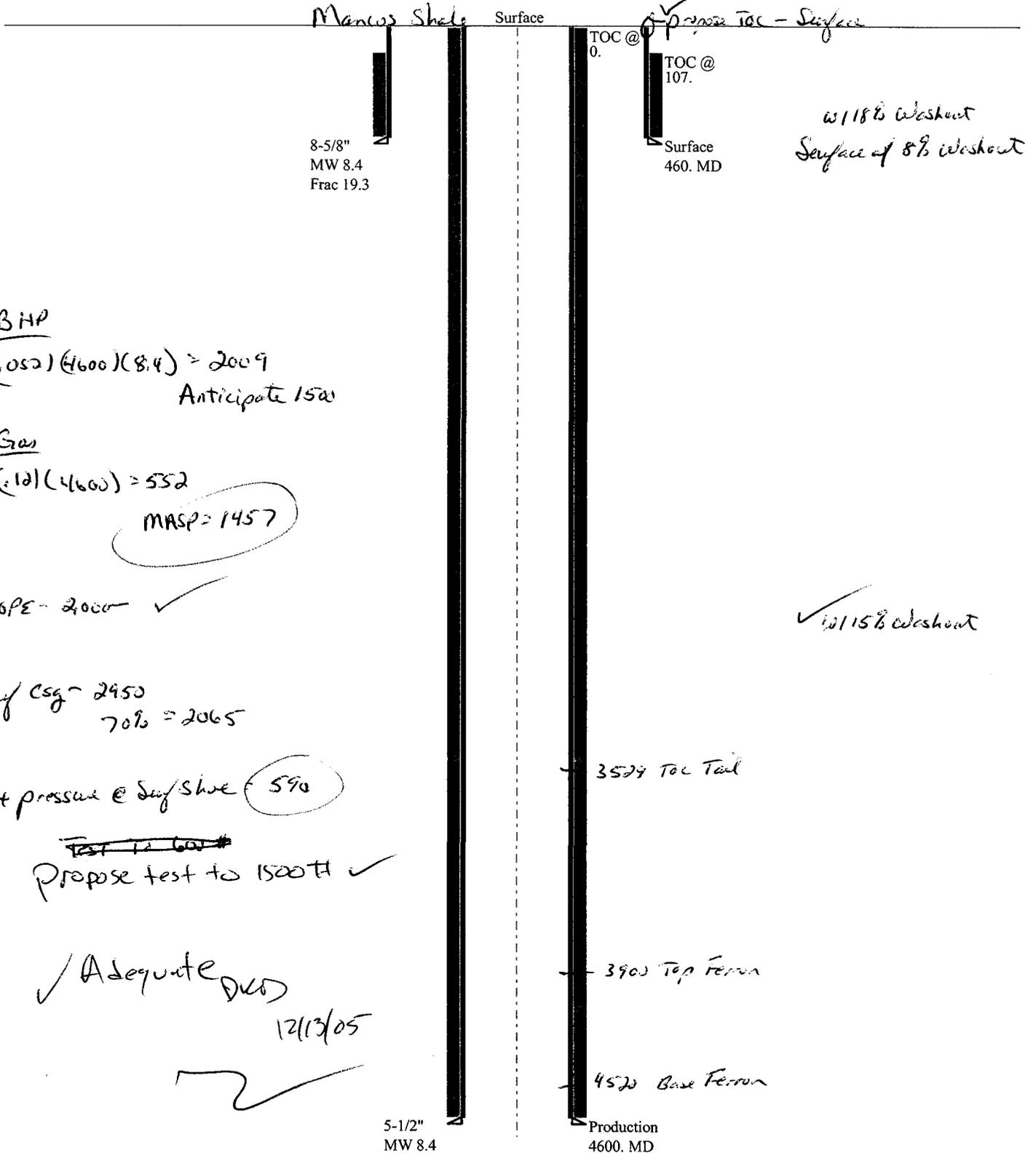
from the SE  Corner, Section 15

Township 13S  , Range 10E  , SL  b&m.

QUERY TYPE LIMITATIONS			
STATUS OF RIGHT	TYPE OF DIVERSION	APPLICATION TYPE	WATER USE TYPE
<input checked="" type="checkbox"/> Unapproved	<input checked="" type="checkbox"/> Underground	<input checked="" type="checkbox"/> Water Right	<input checked="" type="checkbox"/> Irrigation
<input checked="" type="checkbox"/> Approved	<input checked="" type="checkbox"/> Surface	<input checked="" type="checkbox"/> Changes	<input checked="" type="checkbox"/> Stock Water
<input checked="" type="checkbox"/> Perfected	<input checked="" type="checkbox"/> Springs	<input checked="" type="checkbox"/> Exchanges	<input checked="" type="checkbox"/> Domestic
<input type="checkbox"/> Terminated	<input checked="" type="checkbox"/> Drains	<input type="checkbox"/> Test Wells	<input checked="" type="checkbox"/> Municipal
	<input checked="" type="checkbox"/> Point to Point	<input type="checkbox"/> Sewage Reuse	<input checked="" type="checkbox"/> Mining
	<input type="checkbox"/> Rediversion		<input checked="" type="checkbox"/> Power
			<input checked="" type="checkbox"/> Other

# 12-05 Marion Cordingly Cyl 15-1

## Casing Schematic



BHP

$$(.052)(4600)(8.4) = 2009$$

Anticipate 1500

G<sub>as</sub>

$$(.12)(4600) = 552$$

$$\text{MASP} = 1457$$

BOPE - 2000 ✓

Surf csg - 2450

$$70\% = 2065$$

Max pressure @ Surf shoe 590

~~Test to 600~~

Propose test to 1500 ft ✓

✓ Adequate DUD

12/13/05

Well name:	<b>12-05 Marion Cordingly Cyn 15-1</b>		
Operator:	<b>Marion Energy Inc.</b>		
String type:	Surface	Project ID:	43-007-31065
Location:	Carbon County, Utah		

**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: 71 °F  
 Temperature gradient: 1.40 °F/100ft  
 Minimum section length: 299 ft

Cement top: 107 ft

**Burst**

Max anticipated surface pressure: 0 psi  
 Internal gradient: 0.436 psi/ft  
 Calculated BHP 201 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: 402 ft

Non-directional string.

**Re subsequent strings:**

Next setting depth: 4,600 ft  
 Next mud weight: 8.400 ppg  
 Next setting BHP: 2,007 psi  
 Fracture mud wt: 19.250 ppg  
 Fracture depth: 460 ft  
 Injection pressure 460 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)	Internal Capacity (ft³)
1	460	8.625	24.00	J-55	ST&C	460	460	7.972	22.2
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	201	1370	6.825	201	2950	14.70	11	244	22.10 J

Prepared by: Clinton Dworshak  
 Utah Div. of Oil & Mining

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

Date: December 5,2005  
 Salt Lake City, Utah

**ENGINEERING STIPULATIONS -**

Collapse strength is based on the Westcott, Dunlop & Kemler method of biaxial correction for tension.

Burst strength is not adjusted for tension.

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

Well name:	<b>12-05 Marion Cordingly Cyn 15-1</b>		
Operator:	<b>Marion Energy Inc.</b>	Project ID:	43-007-31065
String type:	Production		
Location:	Carbon County, Utah		

**Design parameters:**

**Collapse**

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

**Burst**

Max anticipated surface pressure: 0 psi  
 Internal gradient: 0.436 psi/ft  
 Calculated BHP: 2,007 psi  
  
 No backup mud specified.

**Minimum design factors:**

**Collapse:**

Design factor 1.125

**Burst:**

Design factor 1.00

**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: 4,015 ft

**Environment:**

H2S considered? No  
 Surface temperature: 65 °F  
 Bottom hole temperature: 129 °F  
 Temperature gradient: 1.40 °F/100ft  
 Minimum section length: 1,500 ft

Cement top: Surface

Non-directional string.

Run Seq	Segment Length (ft)	Size (in)	Nominal Weight (lbs/ft)	Grade	End Finish	True Vert Depth (ft)	Measured Depth (ft)	Drift Diameter (in)	Internal Capacity (ft³)
1	4600	5.5	15.50	J-55	LT&C	4600	4600	4.825	144.2
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	2007	4040	2.013	2007	4810	2.40	71	217	3.04 J

Prepared by: Clinton Dworshak  
 Utah Div. of Oil & Mining

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

Date: December 5,2005  
 Salt Lake City, Utah

**ENGINEERING STIPULATIONS -**

Collapse strength is based on the Westcott, Dunlop & Kemler method of biaxial correction for tension.

Burst strength is not adjusted for tension.

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

**From:** "Office" <eisec@preciscom.net>  
**To:** "Diana Whitney" <dianawhitney@utah.gov>  
**Date:** 10/27/2005 9:33:57 AM  
**Subject:** Marion Energy, Inc. Cordingly Canyon 15-1 Location

Dear Ms. Whitney:

Please find attached a signed/scanned copy of the Surface Use Plan for Marion Energy, Inc. Cordingly Canyon #15-1 location in Carbon County, Utah. This should complete the APD's that you already received. The Water Supply information for this project is located in Section 5. of the Surface Use Plan. Also, please let me know if you require a hard copy of this information. I can get it into FedEx this afternoon.

Following this email will be the same information for the Cordingly Canyon #15-2 location.

If you have any other questions or comments, please feel free to call us at one of the numbers listed below.

Thank you in advance,

Katie J. Nash  
Sr. Environmental Analyst

Attachments:

Surface Use Plan Cordingly Canyon 15-1  
Cordingly 15-1 Topo Map A  
Cordingly 15-1 Topo Map B

EIS Environmental & Engineering Consulting  
31 North Main Street \* Helper, Utah 84526  
Office - (435) 472-3814 \* Fax - (435) 472-8780  
Tollfree - (800) 641-2927 \* Mobile (435) 650-6379  
eisec@preciscom.net \* knash@preciscom.net

**CC:** "Doug Endsley" <dendsley@marionenergy.com>



**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*

December 13, 2005

Marion Energy, Inc.  
119 S Tennessee #200  
McKinney, TX 75069

Re: Cordingly Canyon 15-1 Well, 1396' FSL, 1492' FEL, SE SE, Sec. 15,  
T. 13 South, R. 10 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 43-007-31065.

Sincerely,

Gil Hunt  
Associate Director

pab  
Enclosures

cc: Carbon County Assessor  
SITLA

Operator: Marion Energy, Inc.  
Well Name & Number Cordingly Canyon 15-1  
API Number: 43-007-31065  
Lease: ML-48133

Location: SE SE Sec. 15 T. 13 South R. 10 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.

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

FORM 9

4. LEASE DESIGNATION AND SERIAL NUMBER  
ML48133

SUNDRY NOTICES AND REPORTS ON WELLS

5. INDIAN ALLOTTEE OR TRIBE NAME

7. UNIT OR CO. AGREEMENT NAME

Do not use this form for proposals to drill new wells, significantly deepen existing wells, change current production depth, reenter plugged wells, or to  
and horizontal lateral). Use APPLICATION FOR PERMIT TO DRILL form for such proposals.

2. WELL NAME AND NUMBER  
Cordingly Canyon 15-1

9. API NUMBER  
43-007-31065

10. FIELD AND POOL OR W/CD/CAT  
Helper Field

1. TYPE OF WELL OIL WELL  GAS WELL  OTHER \_\_\_\_\_

3. NAME OF OPERATOR  
Marion Energy, Inc.

11. ADDRESS OF OPERATOR  
119 So. Tennessee # 200 McKinney TX 75069

PHONE NUMBER  
(972) 540-2967

4. LOCATION OF WELL 1396 FSL 1492 FEL  
FOOTAGES AT SURFACE 600' FSL & 1200' FEL

COUNTY Carbon

QTR/CR. SECTION/TOWNSHIP/RANGE/MERIDIAN SESE 15 13S 10E

STATE UTAH

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"/> ADDIZE	<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: 12/20/2005	<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"/> COMINGLE PRODUCING FORMATIONS	<input type="checkbox"/> RECLAMATION OF WELL SITE	<input checked="" type="checkbox"/> OTHER Spud & set surface pipe
	<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.

12/19/2005: MIRU Beeman Brothers Drilling. Spud well @ 10:00 am. Drilled to a total depth of 476'.  
12/20/2005: Ran 473' of 8 5/8", 24# /foot, J-55, ST&C casing & cement with 300 cu. ft of Class H cement. Circulated to surface, but cement fell back approximately 10 feet. Mark Jones with DOGM requires cement be topped off. Will top off cement prior to moving drilling rig in.

RECEIVED

DEC 29 2005

DIV. OF OIL, GAS & MINING

NAME (PLEASE PRINT) Doug Endsley

TITLE VP of Operations

SIGNATURE

DATE 12/29/2005

(This space for State use only)



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

3. LEASE DESIGNATION AND SERIAL NUMBER  
ML48133

SUNDRY NOTICES AND REPORTS ON WELLS

5. FEDERAL ACQUISITION OR TRUST NAME

6. UNIT OR DATA AGREEMENT NAME

Do not use this form for proposals to drill new wells, significantly deepen existing wells, change bottomhole 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  GAS WELL  OTHER \_\_\_\_\_

2. WELL NAME AND NUMBER  
Cordingly Canyon 15-1

7. NAME OF OPERATOR  
Marion Energy, Inc.

8. API NUMBER  
43-009-31065

9. ADDRESS OF OPERATOR  
119 So. Tennessee # 200 McKinney TX 75069

10. FIELD AND POOL OR WILDCAT  
Helper Field

4. LOCATION OF WELL 1396 FSL 1492 FEL  
EQUIDISTANT SURFACE 600' FSL & 1200' FEL

COUNTY Carbon

OTHER SECTION, TOWNSHIP, RANGE, MERIDIAN SESE 15 13S 10E

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 duplicate) See surface logs & well log	<input type="checkbox"/> ABANDON	<input type="checkbox"/> REFRACK	<input type="checkbox"/> REPERFORATE CLARIFIED 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"/> WELT OR PLATE
<input checked="" type="checkbox"/> SUBSEQUENT REPORT (Submit Original Form Only) Date of report submitted 12/20/2005	<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"/> COMPLETE PRODUCTION INFORMATION	<input type="checkbox"/> RECLAMATION OF WELL SITE	<input checked="" type="checkbox"/> OTHER <u>Spud &amp; set surface pipe</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.  
12/19/2005; MIRU Beeman Brothers Drilling. Spud well @ 10:00 am. Drilled to a total depth of 476'.  
12/20/2005; Ran 473' of 8 5/8", 24# /foot, J-55, ST&C casing & cement with 300 cu.ft of Class H cement. Circulated to surface, but cement fell back approximately 10 feet. Mark Jones with DOGM requires cement be topped off. Will top off cement prior to moving drilling rig in.

NAME (PLEASE PRINT) Doug Endsley TITLE VP of Operations  
SIGNATURE *Doug Endsley* DATE 12/29/2005

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DIV. OF OIL, GAS & MINING

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

FORM 9

<b>SUNDRY NOTICES AND REPORTS ON WELLS</b>		5. LEASE DESIGNATION AND SERIAL NUMBER <b>ML48133</b>
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 wells. Use APPLICATION FOR PERMIT TO DRILL form for such proposals.		6. IF INDIAN, ALLOTTEE OR TRIBE NAME:
1. TYPE OF WELL OIL WELL <input type="checkbox"/> GAS WELL <input checked="" type="checkbox"/> OTHER _____		7. UNIT OR CO-AGREEMENT NAME:
2. NAME OF OPERATOR <b>Marion Energy, Inc.</b>		8. WELL NAME AND NUMBER <b>Cordingly Canyon 15-1</b>
3. ADDRESS OF OPERATOR 119 So. Tennessee Ste 200 McKinney TX 75069		9. API NUMBER <b>4300731065</b>
4. LOCATION OF WELL FOOTAGES AT SURFACE <b>1396 1492</b> <b>600' FSL and 4200' FEL</b>		10. FIELD AND POOL OR WILDCAT <b>Helper Field</b>
QUOTR SECTION TOWNSHIP, RANGE, MERIDIAN: <b>SESE 15 13S 10E</b>		COUNTY: <b>Carbon</b>
		STATE: <b>UTAH</b>

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: <b>1/26/2006</b>	<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"/> COMBINGLE PRODUCING FORMATIONS	<input type="checkbox"/> RECLAMATION OF WELL SITE	<input checked="" type="checkbox"/> OTHER: <u>Final Cement Sundry</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.

1/26/2006: Drilled to TD of 4775' KB. Ran 116 joints, 51/2", 17#, J-55 casing set at 4772' KB. Rig up BJ Services and cement with 410 sacks PREMLITE with lost circulation and fluid loss additives. Followed with 252 sacks 50/50 Poz with loss circulation and fluid loss additives. Circulated water to surface but no indication of cement. Plug down at 5:00am 1/26/2006. Rig down and move off.

NAME (PLEASE PRINT): <b>Doug Endsley</b>	TITLE: <b>VP Operations</b>
SIGNATURE:	DATE: <b>2/20/2006</b>

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**RECEIVED**  
**FEB 21 2006**

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

FORM 9

<b>SUNDRY NOTICES AND REPORTS ON WELLS</b>		5. LEASE DESIGNATION AND SERIAL NUMBER: <b>ML48133</b>
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:
		7. UNIT or CA AGREEMENT NAME:
1. TYPE OF WELL OIL WELL <input type="checkbox"/> GAS WELL <input checked="" type="checkbox"/> OTHER _____	8. WELL NAME and NUMBER: <b>Cordingly Canyon 15-1</b>	
2. NAME OF OPERATOR: <b>Marion Energy, Inc.</b>		9. API NUMBER: <b>4300731065</b>
3. ADDRESS OF OPERATOR: <b>119 So. Tennessee Ste 200</b> CITY <b>McKinney</b> STATE <b>TX</b> ZIP <b>75069</b>		10. FIELD AND POOL, OR WILDCAT: <b>Helper Field</b>
4. LOCATION OF WELL FOOTAGES AT SURFACE: <sup>1396</sup> <del>600</del> ' FSL and <sup>1492</sup> <del>4200</del> ' FEL		COUNTY: <b>Carbon</b>
QTR/QTR, SECTION, TOWNSHIP, RANGE, MERIDIAN: <b>SESE 15 13S 10E</b>		STATE: <b>UTAH</b>

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 checked="" type="checkbox"/> SUBSEQUENT REPORT (Submit Original Form Only)  Date of work completion: <b>1/26/2006</b>	<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 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 checked="" type="checkbox"/> OTHER: <b>Final Cement Sundry</b>
	<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.

**1/26/2006: Drilled to TD of 4775' KB. Ran 116 joints, 51/2", 17#, J-55 casing set at 4772' KB. Rig up BJ Services and cement with 410 sacks PREMLITE with lost circulation and fluid loss additives. Followed with 252 sacks 50/50 Poz with loss circulation and fluid loss additives. Circulated water to surface but no indication of cement. Plug down at 5:00am 1/26/2006. Rig down and move off.**

NAME (PLEASE PRINT) <b>Doug Endsley</b>	TITLE <b>VP Operations</b>
SIGNATURE	DATE <b>2/20/2006</b>

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FEB 27 2006

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

FORM 9

5. LEASE DESIGNATION AND SERIAL NUMBER:

ML48133

6. IF INDIAN, ALLOTTEE OR TRIBE NAME:

7. UNIT or CA AGREEMENT NAME:

**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  GAS WELL  OTHER \_\_\_\_\_

8. WELL NAME and NUMBER:

Cordingly Canyon 15-1

2. NAME OF OPERATOR:  
Marion Energy, Inc.

9. API NUMBER:

4300731065

3. ADDRESS OF OPERATOR:  
119 So. Tennessee #200 CITY McKinney STATE TX ZIP 75069

PHONE NUMBER:  
(972) 574-9001

10. FIELD AND POOL, OR WILDCAT:  
Helper

4. LOCATION OF WELL  
FOOTAGES AT SURFACE: 1396' FSL and 1492' FEL

COUNTY: Carbon

QTR/QTR, SECTION, TOWNSHIP, RANGE, MERIDIAN: SESE 15 13S 10E

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 checked="" 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: 5/4/2006	<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	

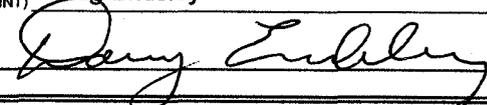
12. DESCRIBE PROPOSED OR COMPLETED OPERATIONS. Clearly show all pertinent details including dates, depths, volumes, etc.

MIRU wireline services. Perforate Ferron interval from 4413' to 4558' gross with 4 shots per foot 0.43" 25 gram charge. RU Superior Well Service and fracture treat Ferron interval with 85,000 gallons of 20 # X-Link gel and 170,000 # 16-30 Bradysand. ATP 2677 psi AIR 55 bpm, ISIP 3005 psi. RD Superior Well Service and move in completion unit and clean out frac. Current status-waiting on pipeline connection.

NAME (PLEASE PRINT) Doug Endsley

TITLE VP Operations

SIGNATURE



DATE 5/22/2006

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MAY 26 2006

DIV. OF OIL, GAS & MINING

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

AMENDED REPORT  FORM 8  
(highlight changes)

**WELL COMPLETION OR RECOMPLETION REPORT AND LOG**

5. LEASE DESIGNATION AND SERIAL NUMBER:  
**ML48133**

6. IF INDIAN, ALLOTTEE OR TRIBE NAME

7. UNIT or CA AGREEMENT NAME

8. WELL NAME and NUMBER:  
**Cordingly Canyon 15-1**

9. API NUMBER:  
**4300731065**

10. FIELD AND POOL, OR WLD/CAT  
**Helper**

11. QTR/QR, SECTION, TOWNSHIP, RANGE, MERIDIAN:  
**SESE 15 13S 10E**

12. COUNTY  
**Carbon**

13. STATE  
**UTAH**

14. DATE SPUDDED: **12/19/2005**

15. DATE T.D. REACHED: **1/26/2006**

16. DATE COMPLETED: **5/4/2006**

ABANDONED  READY TO PRODUCE

17. ELEVATIONS (DF, RKB, RT, GL):  
**6830' GL**

18. TOTAL DEPTH: MD  
**TVD 4,775**

19. PLUG BACK T.D.: MD  
**TVD 4,735**

20. IF MULTIPLE COMPLETIONS, HOW MANY? \*

21. DEPTH BRIDGE MD  
PLUG SET: **TVD**

22. TYPE ELECTRIC AND OTHER MECHANICAL LOGS RUN (Submit copy of each)  
**Cased Hole Neutron  
CBL**

23.  
WAS WELL CORED? NO  YES  (Submit analysis)  
WAS DST RUN? NO  YES  (Submit report)  
DIRECTIONAL SURVEY? NO  YES  (Submit copy)

24. CASING AND LINER RECORD (Report all strings set in well)

HOLE SIZE	SIZE/GRADE	WEIGHT (#/L)	TOP (MD)	BOTTOM (MD)	STAGE CEMENTER DEPTH	CEMENT TYPE & NO. OF SACKS	SLURRY VOLUME (BBL)	CEMENT TOP **	AMOUNT PULLED
12 1/4"	8 5/8 J-55	24	0	473		"G" 235		Surf-Circ	
7 7/8"	5 1/2 J-55	17	0	4,772		Lite 410		1800'-CBL	
						50/50 252			

25. TUBING RECORD

SIZE	DEPTH SET (MD)	PACKER SET (MD)	SIZE	DEPTH SET (MD)	PACKER SET (MD)	SIZE	DEPTH SET (MD)	PACKER SET (MD)
2 3/8	4,615							

26. PRODUCING INTERVALS

FORMATION NAME	TOP (MD)	BOTTOM (MD)	TOP (TVD)	BOTTOM (TVD)	INTERVAL (Top/Bot - MD)	SIZE	NO. HOLES	PERFORATION STATUS
(A) Ferron			4,400	4,648	4,413 4,558	0.43"	96	Open <input checked="" type="checkbox"/> Squeezed <input type="checkbox"/>
(B)								Open <input type="checkbox"/> Squeezed <input type="checkbox"/>
(C)								Open <input type="checkbox"/> Squeezed <input type="checkbox"/>
(D)								Open <input type="checkbox"/> Squeezed <input type="checkbox"/>

28. ACID, FRACTURE, TREATMENT, CEMENT SQUEEZE, ETC.

DEPTH INTERVAL	AMOUNT AND TYPE OF MATERIAL
4413-4558	85,000 gals 20# X-linked gel & 170,000 # 16/30 Brady sand

29. ENCLOSED ATTACHMENTS:

ELECTRICAL/MECHANICAL LOGS

SUNDRY NOTICE FOR PLUGGING AND CEMENT VERIFICATION

GEOLOGIC REPORT

CORE ANALYSIS

DST REPORT

OTHER:

DIRECTIONAL SURVEY

30. WELL STATUS:  
**Producing**

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(CONTINUED ON BACK)

MAR 27 2007

DIV. OF OIL, GAS & MINING

3. INITIAL PRODUCTION

INTERVAL A (As shown in Item #26)

DATE FIRST PRODUCED: 6/1/2006	TEST DATE: 6/1/2006	HOURS TESTED: 24	TEST PRODUCTION RATES: →	OIL - BBL:	GAS - MCF: 50	WATER - BBL: 120	PROD. METHOD: Pumping
CHOKE SIZE:	TBG. PRESS.	CSG. PRESS.	API GRAVITY	BTU - GAS	GAS/OIL RATIO	24 HR PRODUCTION RATES: →	INTERVAL STATUS: Producing

INTERVAL B (As shown in Item #26)

DATE FIRST PRODUCED:	TEST DATE:	HOURS TESTED:	TEST PRODUCTION RATES: →	OIL - BBL:	GAS - MCF:	WATER - BBL:	PROD. METHOD:
CHOKE SIZE:	TBG. PRESS.	CSG. PRESS.	API GRAVITY	BTU - GAS	GAS/OIL RATIO	24 HR PRODUCTION RATES: →	INTERVAL STATUS:

INTERVAL C (As shown in Item #26)

DATE FIRST PRODUCED:	TEST DATE:	HOURS TESTED:	TEST PRODUCTION RATES: →	OIL - BBL:	GAS - MCF:	WATER - BBL:	PROD. METHOD:
CHOKE SIZE:	TBG. PRESS.	CSG. PRESS.	API GRAVITY	BTU - GAS	GAS/OIL RATIO	24 HR PRODUCTION RATES: →	INTERVAL STATUS:

INTERVAL D (As shown in Item #26)

DATE FIRST PRODUCED:	TEST DATE:	HOURS TESTED:	TEST PRODUCTION RATES: →	OIL - BBL:	GAS - MCF:	WATER - BBL:	PROD. METHOD:
CHOKE SIZE:	TBG. PRESS.	CSG. PRESS.	API GRAVITY	BTU - GAS	GAS/OIL RATIO	24 HR PRODUCTION RATES: →	INTERVAL STATUS:

32. DISPOSITION OF GAS (Sold, Used for Fuel, Vented, Etc.)

33. SUMMARY OF POROUS ZONES (Include Aquifers):

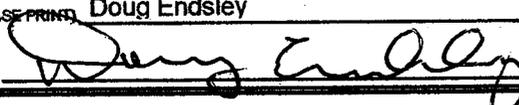
Show all important zones of porosity and contents thereof. Cored intervals and all drill-stem tests, including depth interval tested, cushion used, time tool open, flowing and shut-in pressures and recoveries.

34. FORMATION (Log) MARKERS:

Formation	Top (MD)	Bottom (MD)	Descriptions, Contents, etc.	Name	Top (Measured Depth)
Mancos Ferron	0 4,400	4,400 4,648	Shale Sand, Coal		

35. ADDITIONAL REMARKS (Include plugging procedure)

36. I hereby certify that the foregoing and attached information is complete and correct as determined from all available records.

NAME (PLEASE PRINT) Doug Endsley TITLE VP Operations  
 SIGNATURE  DATE 6/3/2006

This report must be submitted within 30 days of

- completing or plugging a new well
- drilling horizontal laterals from an existing well bore
- recompleting to a different producing formation
- reentering a previously plugged and abandoned well
- significantly deepening an existing well bore below the previous bottom-hole depth
- drilling hydrocarbon exploratory holes, such as core samples and stratigraphic tests

\* ITEM 20: Show the number of completions if production is measured separately from two or more formations.

\*\* ITEM 24: Cement Top - Show how reported top(s) of cement were determined (circulated (CIR), calculated (CAL), cement bond log (CBL), temperature survey (TS)).

Send to: Utah Division of Oil, Gas and Mining  
 1594 West North Temple, Suite 1210  
 Box 145801  
 Salt Lake City, Utah 84114-5801

Phone: 801-538-5340  
 Fax: 801-359-3940

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

FORM 9

<b>SUNDRY NOTICES AND REPORTS ON WELLS</b>		5. LEASE DESIGNATION AND SERIAL NUMBER: ML48133
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		7. UNIT or CA AGREEMENT NAME:
1. TYPE OF WELL OIL WELL <input type="checkbox"/> GAS WELL <input checked="" type="checkbox"/> OTHER _____	8. WELL NAME and NUMBER: Cordingly Canyon 15-1	
2. NAME OF OPERATOR: Marion Energy, Inc.	9. API NUMBER: 4300731065	
3. ADDRESS OF OPERATOR: 119 So. Tennessee #200    CITY McKinney    STATE TX    ZIP 75069	PHONE NUMBER: (972) 574-9001	10. FIELD AND POOL, OR WILDCAT: Helper
4. LOCATION OF WELL FOOTAGES AT SURFACE: 1396' FSL and 1492' FEL		COUNTY: Carbon
QTR/CTR, SECTION, TOWNSHIP, RANGE, MERIDIAN: SESE 15 13S 10E		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: 2/23/2007	<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 checked="" type="checkbox"/> OTHER: Reserve Pit Clean-Up
	<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.  
 As follow up to a phone conversation with DOGM in February, the Cordingly Canyon 15-1 reserve pit was cleaned up by Nelco, Inc. All liquid was suctioned from the pit and hauled to RNI's disposal facility. All solid waste was hauled by Nelco, Inc. to the county landfill. The aforementioned was completed 2/23/2007.

**FOR RECORD ONLY**  
Accepted by the  
Utah Division of  
Oil, Gas and Mining

NAME (PLEASE PRINT) <u>Doug Endsley</u>	TITLE <u>VP Operations</u>
SIGNATURE	DATE <u>3/28/2007</u>

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**MAR 30 2007**

DIV. OF OIL, GAS & MINING

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

FORM 6

**ENTITY ACTION FORM**

Operator: Marion Energy Inc Operator Account Number: N 2740  
 Address: 119 S Tennessee, Suite 200  
city McKinney  
state TX zip 75069 Phone Number: (972) 540-2967

**Well 1**

API Number	Well Name		QQ	Sec	Twp	Rng	County
4300731064	Cordingly Cyn 15-2		SENE	15	13S	10E	Carbon
Action Code	Current Entity Number	New Entity Number	Spud Date			Entity Assignment Effective Date	
E	15161	15160				5/9/2006	
<b>Comments:</b> Correction of data entry error by DOGM to match production reporting. No amendments to reporting needed.							

**Well 2**

API Number	Well Name		QQ	Sec	Twp	Rng	County
4300731065	Cordingly Cyn 15-1		SESE	15	13S	10E	Carbon
Action Code	Current Entity Number	New Entity Number	Spud Date			Entity Assignment Effective Date	
E	15160	15161				5/4/2006	
<b>Comments:</b> Correction of data entry error by DOGM to match production reporting. No amendments to reporting needed.							

**Well 3**

API Number	Well Name		QQ	Sec	Twp	Rng	County
Action Code	Current Entity Number	New Entity Number	Spud Date			Entity Assignment Effective Date	
<b>Comments:</b>							

**ACTION CODES:**

- A - Establish new entity for new well (single well only)
- B - Add new well to existing entity (group or unit well)
- C - Re-assign well from one existing entity to another existing entity
- D - Re-assign well from one existing entity to a new entity
- E - Other (Explain in 'comments' section)

Earlene Russell for DOGM

Name (Please Print)

*Earlene Russell*

Signature

Engineering Technician

9/3/2008

Title

Date

**RECEIVED**

SEP 03 2008

(5/2000)

DIV. OF OIL, GAS & MINING

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

AMENDED REPORT  FORM 8  
(highlight changes)

5. LEASE DESIGNATION AND SERIAL NUMBER:  
**ML48133**

6. IF INDIAN, ALLOTTEE OR TRIBE NAME

**WELL COMPLETION OR RECOMPLETION REPORT AND LOG**

7. UNIT or CA AGREEMENT NAME

8. WELL NAME and NUMBER:  
**Cordingly Canyon 15-1**

9. API NUMBER:  
**4300731065**

10. FIELD AND POOL, OR WILDCAT  
**Helper**

11. QTR/OTR, SECTION, TOWNSHIP, RANGE, MERIDIAN:  
**SESE 15 13S 10E**

12. COUNTY  
**Carbon**

13. STATE  
**UTAH**

17. ELEVATIONS (DF, RKB, RT, GL):  
**6830' GL**

21. DEPTH BRIDGE MD  
PLUG SET: **TVD**

23. WAS WELL CORED? NO  YES  (Submit analysis)  
WAS DST RUN? NO  YES  (Submit report)  
DIRECTIONAL SURVEY? NO  YES  (Submit copy)

24. CASING AND LINER RECORD (Report all strings set in well)

25. TUBING RECORD

26. PRODUCING INTERVALS

27. PERFORATION RECORD

28. ACID, FRACTURE, TREATMENT, CEMENT SQUEEZE, ETC.

29. ENCLOSED ATTACHMENTS:

30. WELL STATUS:  
**Producing**

14. DATE SPUNNED: **12/19/2005**

15. DATE T.D. REACHED: **1/26/2006**

16. DATE COMPLETED: **5/4/2006**

18. TOTAL DEPTH: MD  
**TVD 4,775**

19. PLUG BACK T.D.: MD  
**TVD 4,735**

20. IF MULTIPLE COMPLETIONS, HOW MANY? \*

ABANDONED  READY TO PRODUCE

26. PRODUCING INTERVALS

FORMATION NAME	TOP (MD)	BOTTOM (MD)	TOP (TVD)	BOTTOM (TVD)	INTERVAL (Top/Bot - MD)	SIZE	NO. HOLES	PERFORATION STATUS
(A) Ferron			4,400	4,648	4,413 4,558	0.43"	96	Open <input checked="" type="checkbox"/> Squeezed <input type="checkbox"/>
(B)								Open <input type="checkbox"/> Squeezed <input type="checkbox"/>
(C)								Open <input type="checkbox"/> Squeezed <input type="checkbox"/>
(D)								Open <input type="checkbox"/> Squeezed <input type="checkbox"/>

28. ACID, FRACTURE, TREATMENT, CEMENT SQUEEZE, ETC.

DEPTH INTERVAL	AMOUNT AND TYPE OF MATERIAL
4413-4558	85,000 gals 20# X-linked gel & 170,000 # 16/30 Brady sand

29. ENCLOSED ATTACHMENTS:

ELECTRICAL/MECHANICAL LOGS  
 SUNDRY NOTICE FOR PLUGGING AND CEMENT VERIFICATION

GEOLOGIC REPORT  
 CORE ANALYSIS

DST REPORT  
 OTHER: \_\_\_\_\_

DIRECTIONAL SURVEY

**Producing**

RECEIVED  
MAY 20 2006

DIV. OF OIL, GAS & MINING

WELL PRODUCTION

INTERVAL A (As shown in item #26)

DATE FIRST PRODUCED: 1/1/2006		TEST DATE: 6/1/2006		HOURS TESTED: 3		TEST PRODUCTION RATES: →		OIL - BBL: 0		GAS - MCF: 225		WATER - BBL: 16		PROD. METHOD: Flowing	
CHOKE SIZE: 3/4"	TBG. PRESS. 110	CSG. PRESS. 380	API GRAVITY	BTU - GAS	GAS/OIL RATIO	24 HR PRODUCTION RATES: →	OIL - BBL:	GAS - MCF: 1,800	WATER - BBL: 128	INTERVAL STATUS: Producing					

INTERVAL B (As shown in item #26)

DATE FIRST PRODUCED:		TEST DATE:		HOURS TESTED:		TEST PRODUCTION RATES: →		OIL - BBL:		GAS - MCF:		WATER - BBL:		PROD. METHOD:	
CHOKE SIZE:	TBG. PRESS.	CSG. PRESS.	API GRAVITY	BTU - GAS	GAS/OIL RATIO	24 HR PRODUCTION RATES: →	OIL - BBL:	GAS - MCF:	WATER - BBL:	INTERVAL STATUS:					

INTERVAL C (As shown in item #26)

DATE FIRST PRODUCED:		TEST DATE:		HOURS TESTED:		TEST PRODUCTION RATES: →		OIL - BBL:		GAS - MCF:		WATER - BBL:		PROD. METHOD:	
CHOKE SIZE:	TBG. PRESS.	CSG. PRESS.	API GRAVITY	BTU - GAS	GAS/OIL RATIO	24 HR PRODUCTION RATES: →	OIL - BBL:	GAS - MCF:	WATER - BBL:	INTERVAL STATUS:					

INTERVAL D (As shown in item #26)

DATE FIRST PRODUCED:		TEST DATE:		HOURS TESTED:		TEST PRODUCTION RATES: →		OIL - BBL:		GAS - MCF:		WATER - BBL:		PROD. METHOD:	
CHOKE SIZE:	TBG. PRESS.	CSG. PRESS.	API GRAVITY	BTU - GAS	GAS/OIL RATIO	24 HR PRODUCTION RATES: →	OIL - BBL:	GAS - MCF:	WATER - BBL:	INTERVAL STATUS:					

32. DISPOSITION OF GAS (Sold, Used for Fuel, Vented, Etc.)

33. SUMMARY OF POROUS ZONES (Include Aquifers):

Show all important zones of porosity and contents thereof. Cored intervals and all drill-stem tests, including depth interval tested, cushion used, time tool open, flowing and shut-in pressures and recoveries.

34. FORMATION (Log) MARKERS:

Formation	Top (MD)	Bottom (MD)	Descriptions, Contents, etc.	Name	Top (Measured Depth)
Mancos Ferron	0 4,400	4,400 4,648	Shale Sand, Coal		

35. ADDITIONAL REMARKS (Include plugging procedure)

36. I hereby certify that the foregoing and attached information is complete and correct as determined from all available records.

NAME (PLEASE PRINT) Doug Endsley TITLE VP Operations  
 SIGNATURE *Doug Endsley* DATE 5/4/09

This report must be submitted within 30 days of

- completing or plugging a new well
- reentering a previously plugged and abandoned well
- drilling horizontal laterals from an existing well bore
- significantly deepening an existing well bore below the previous bottom-hole depth
- recompleting to a different producing formation
- drilling hydrocarbon exploratory holes, such as core samples and stratigraphic tests

\* ITEM 20: Show the number of completions if production is measured separately from two or more formations.

\*\* ITEM 24: Cement Top -- Show how reported top(s) of cement were determined (circulated (CIR), calculated (CAL), cement bond log (CBL), temperature survey (TS)).

Send to: Utah Division of Oil, Gas and Mining  
 1594 West North Temple, Suite 1210  
 Box 145801  
 Salt Lake City, Utah 84114-5801

Phone: 801-538-5340  
 Fax: 801-359-3940



JON M. HUNTSMAN, JR.  
Governor

GARY R. HERBERT  
Lieutenant Governor

# State of Utah

## DEPARTMENT OF NATURAL RESOURCES

MICHAEL R. STYLER  
Executive Director

### Division of Oil, Gas and Mining

JOHN R. BAZA  
Division Director

December 9, 2010

Certified Mail No.: 7004 1160 0003 0190 4789

### DIVISION ORDER

Marion Energy, Inc.  
119 South Tennessee, Suite 200  
McKinney, Texas 75069  
Attn: Mr. Keri Clark

43 007 31065  
Cordingly Cyn 15-1  
13S 10E 15

Subject: Bonding for Individual Wells

Dear Mr. Clark:

As of the date of this Order Marion Energy Inc. (Marion) has not satisfactorily demonstrated Marion's financial ability to meet Utah Code §40-6-5(f) and Oil and Gas Conservation General Rule (R649-3-6) requirements for state-wide bonding as requested in the Division of Oil, Gas and Mining (Division) certified letter dated October 25, 2010.

The Division is hereby ordering individual well bonds (R649-3-1.5) for all wells (see Attachment A) currently covered under Marion's \$120,000 blanket bond. The total individual well bond obligation will be \$421,500.

Therefore, Marion has 30 days from the date of this Order to post the additional bonding or enter into an agreement with the Division to satisfy this Order.

Marion has the right to appeal the Division Order by filing to the Board of Oil, Gas and Mining a request for review, according to procedures set forth in Utah Administrative Code R649-10-6. A request for review of a Division Order must be filed with the secretary to the Board, Julie Ann Carter (801) 538-5277, within 30 days of issuance of the Order.

In the event Marion does not comply with this Division Order for Individual Well Bonding the Division will file for a formal hearing before the Board of Oil, Gas and Mining pursuant to Utah §40-6-11(3) & (4).



Page 2

Subject: Division Order – Bonding for Individual Wells.

December 9, 2010

For bonding assistance please contact Randy Thackeray, Lead Auditor at (801) 538-5316. General questions regarding this Order may be directed to Clinton Dworshak, Compliance Manager at (801) 538-5280, or John Rogers, Oil and Gas Associate Director at (801) 538-5349.

Sincerely,



Clinton Dworshak  
Compliance Manager

CLD/js

Exhibits

cc: John Rogers, Associate Director  
Steve Alder, Assistant Attorney General  
Dustin Doucet, Petroleum Engineer  
Randy Thackeray, Lead Auditor  
Compliance File  
Well Files

N:\O&G Reviewed Docs\ChronFile\Enforcement

## Attachment A

<u>Well Name</u>	<u>Well API</u>	<u>Well Depth</u>	<u>Bond</u>
Cordingly Cyn 15-2	43-007-30102	4890	\$30,000
Cordingly Cyn 15-1	43-007-31065	4735	\$30,000
Cordingly Cyn 15-5	43-007-31167	4500	\$30,000
Alpine School District 6-17	43-007-31181	5825	\$30,000
Alpine School District 3-17	43-007-31182	5300	\$30,000
Oman 10-29	43-007-31210	5500	\$30,000
Utah Fuel 8	43-007-16015	4390	\$30,000
Kenilworth RR 1	43-007-31006	4445	\$30,000
Kenilworth RR 2	43-007-31007	5007	\$30,000
Ballpark Cyn 1	43-007-31015	4468	\$30,000
Cordingly Cyn 11-1	43-007-31070	5520	\$30,000
Ballpark Cyn 17-2	43-007-31169	not reported	\$30,000
Cordingly Cyn 10-1	43-007-31173	6435	\$30,000
Ballpark Cyn 16-2X	43-007-31207	489	\$1,500
Kennilworth RR 1-A	43-007-31229	8045	<u>\$30,000</u>
		<b>TOTAL</b>	<b>\$421,500</b>

7004 1160 0003 0190 4789

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Restricted Delivery Fee (Endorsement Required)	

12/9/2010  
Postmark Here

Total Post

Sent To **MR KERI CLARKE**  
**MARION ENERGY INC**  
 Street, Apt. or PO Box | **119 SOUTH TENNESSEE SUITE 200**  
 City, State | **MCKINNEY TX 75069**

PS Form 3800, June 2002 See Reverse for Instructions

**SENDER: COMPLETE THIS SECTION**

- Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:

**MR KERI CLARKE**  
**MARION ENERGY INC**  
**119 SOUTH TENNESSEE SUITE 200**  
**MCKINNEY TX 75069**

2. Article Number  
(Transfer from service label)

**COMPLETE THIS SECTION ON DELIVERY**

A. Signature  
 X *B. Clarke*  Agent  Addressee

B. Received by (Printed Name) *B. Clarke* C. Date of Delivery *12/13/10*

D. Is delivery address different from item 1?  Yes  
 If YES, enter delivery address below:  No

3. Service Type  
 Certified Mail  Express Mail  
 Registered  Return Receipt for Merchandise  
 Insured Mail  C.O.D.

4. Restricted Delivery? (Extra Fee)  Yes

7004 1160 0003 0190 4789

UTAH DEPARTMENT OF NATURAL RESOURCES

Division of Oil, Gas & Mining

Oil and Gas Program

1594 West North Temple, Suite 1210, Box 145801

Salt Lake City, Utah 84114-5801

(801) 538-5340 Phone

(801) 359-3940 Fax

NOTICE OF VIOLATION
STATE OF UTAH
OIL AND GAS CONSERVATION ACT

\*\*\*\*\*

To the following operator:

Name: MARION ENERGY INC.

Table with 2 columns: Well(s) or Site(s) and API #: 1.) BALLPARK CYN 16-2X API #: 43-007-31207, 2.) CORDINGLY CYN 10-1 API #: 43-007-31173, 3.) BALLPARK CYN 17-2 API #: 43-007-31169, 4.) KENILWORTH RR 1-A API #: 43-007-31229, 5.) ALPINE SCHOOL DISTRICT 6-17 API #: 43-007-31181, 6.) OMAN 10-29 API #: 43-007-31210, 7.) BALLPARK CANYON #1 API #: 43-007-31015, 8.) CORDINGLY CYN 15-5 API #: 43-007-31167, 9.) KENILWORTH RR #1 API #: 43-007-31006, 10.) KENILWORTH RR#2 API #: 43-007-31007, 11.) CORDINGLY CYN 15-2 API #: 43-007-31064, 12.) CORDINGLY CYN 15-1 API #: 43-007-31065, 13.) CORDINGLY CYN 11-1 API #: 43-007-31070

Date and Time of Inspection/Violation: December 10, 2012

Mailing Address: Attn: Keri Clarke
3580 Orr Road
Allen, TX 75002

Under the authority of the Utah Oil and Gas Conservation Act, Section 40-6 et. Seq., Utah Code Annotated, 1953, as amended, the undersigned authorized representative of the Division of Oil, Gas and Mining (Division) has conducted an inspection of the above described site and/or records on the above date and has found alleged violation(s) of the act, rules or permit conditions as described below.

Description of Violation(s):

Rule R649-3-36, Shut-in and Temporarily Abandoned Wells - According to Rule R649-3-36, the operator is required to supply the Division with reasons for extended SI/TA, the length of time for extended SI/TA and proof of well bore integrity for every well SI/TA over 12 consecutive months. After 5 years of continued SI/TA, the wells are to be plugged unless good cause is supplied to the Division for extended SI/TA in addition to the required information just mentioned.

Rule R649-3-4.3, Bonding - If the division finds that a well subject to this bonding rule is in violation of Rule R649-3-36., Shut-in and Temporarily Abandoned Wells, the division shall require a bond amount for the applicable well in the amount of actual plugging and site restoration costs.

Rule R649-3-4.4.1. Bonding - Within 30 days of notification by the division, the operator shall submit to the division an estimate of plugging and site restoration costs for division review and approval.

UTAH DEPARTMENT OF NATURAL RESOURCES

Division of Oil, Gas & Mining

Oil and Gas Program

1594 West North Temple, Suite 1210, Box 145801

Salt Lake City, Utah 84114-5801

(801) 538-5340 Phone

(801) 359-3940 Fax

The Division has initiated several contacts with Marion Energy Inc. (Marion) requesting required documents and action per R649-3-36. Wells 1 - 6 have previously been issued SI/TA Notices and Notices of Violation without anything being accomplished to move these wells out of violation. Wells 7 and 8 have also been issued a SI/TA Notice without having met the requirements of R649-3-36. Wells 9 - 13 are also in violation of R649-3-36 having been added to Marion's SI/TA violation list. All wells listed above are currently under a Division Order for individual well bonding.

There has not been any evidence of effort being made to bring these wells into compliance. These wells are in violation of R-649-3-36 as listed above. The Division requires Marion to put up full cost bonding for all wells in violation above per R649-3-4. It is also mandatory that Marion submit all documentation as required by R649-3-36 concerning shut-in and temporarily abandoned wells.

**Immediate Action: For the wells subject to this notice, Marion shall fulfill full cost bonding requirements for each well. Marion shall also submit all information as required by R649-3-36 or plug and abandon or place the wells on production.**

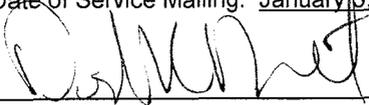
\* **Fines may be levied up to \$10,000.00 per day for every well in violation given the authority provided under U.C.A. 40-6-11, part 4.**

This notice shall remain in effect until it is modified, terminated, or vacated by a written notice of an authorized representative of the director of the Division of Oil, Gas and Mining. Failure to comply with this notice will result in the Division pursuing further actions against said operator. Further actions may include initiation of agency actions to order full cost bonding and plugging and abandonment of wells and requests for bond forfeiture and civil penalties.

**Compliance Deadline: February 8, 2013**

Date of Service Mailing: January 3, 2013

Certified Mail No: 7010 1670 0001 4810 3645



Division's Representative



Operator or Representative

(If presented in person)

cc: Compliance File  
Well Files  
SITLA

6/2005



January 18, 2013

Department of Natural Resources  
Division of Oil and Gas & Mining  
1594 West North Temple, Suite 1210  
Salt Lake City, Utah 84114

Attention: Dustin Doucet

Re: Notice of Violation – Clear Creek and Helper Fields

43 007 31065  
Cordingly Cyn 15-1  
13S 10E 15

Dear Dustin,

In response to your certified letter of January 3, 2013, we are providing you with information for wells that are currently structured as shut in or temporarily abandoned wells (SI/TA) by DOGM. Each well has individual information and is listed below.

As you know, for the last two and a half years Marion Energy Inc. (Marion) has been under financial stress that has not allowed active operations in the Clear Creek and Helper fields, beyond maintaining a field presence and taking some limited, preliminary actions to resuming operations. In the last few months, however, Marion has been able to improve its financial position to the point of resuming active operations in the Clear Creek field, with further financial improvement expected as that field is put back on production.

Marion explained these circumstances to DOGM and the Board of Oil, Gas and Mining at the October 26, 2012 hearing, where Marion sought and obtained Board approval to reinstitute active operations at Clear Creek. As discussed at the hearing, Marion's funding is currently limited to the monies needed to put the Clear Creek field back on production, beginning with the Oman 2-20 and Oman 10-29 wells, but once that occurs Marion expects its financial position to continue to improve to the point it can meet all of its obligations with respect to its SI/TA wells, and to move back into active operations at the Helper Field

Consistent with discussions at the October Board hearing, we have now rehabilitated the water disposal (WD) system in the accessible portion of the Clear Creek field and we are actively working on restoring production at the two initially targeted wells, despite the extreme winter weather conditions that set in several weeks ago.

#### Helper

The wells listed in the NOV for the Helper Field are all modern wells, having been drilled in 2005 or later. This field was in production until October 2010, though the wells are now shut in. All of the Helper wells listed in the NOV are currently attached to a gas and water system (the Anadarko sales and SWD system). This system is controlled entirely by Anadarko. Marion conducted an inspection of the Helper Field on 1-16-13 and confirmed that there is no evidence of any gas or water leaks at any of the wells. We understand that DOGM has also recently inspected the Helper Field and reached the same conclusion. Marion plans to bring this field into operation soon, as finances allow. Please be advised that Marion has already provided wellbore diagrams of all of the wells referenced below.



#### Ballpark Canyon 16-2X

This well is only drilled to 500 feet on the Ballpark site with surface casing set. The casing is 18" above the ground and it has a cap welded on the casing. This well was a replacement for the Ballpark Canyon 16-2 where the drilling was lost on the well while drilling surface pipe. Marion plans to drill this well to the Ferron in the future.

#### Ballpark Canyon 17-2

This well is the same as the 16-2X well, and has been only drilled to 500 feet with surface casing set. It is currently capped on the surface.

#### Ballpark Canyon #1

This well is drilled as a Ferron well and has been completed. It has been producing in the past though it is currently shut in. There is a pumping unit on the well. Among the Helper Field wells, this well is the one that has the closest proximity to occupied structures. We closely inspected this well on 1-16-13 and confirmed that there are no issues.

#### Cordingly Canyon 10-1

This well was drilled as a Ferron producer. However because of hole issues in the deeper section it was expected to be completed as a Mancos well. Marion plans to complete the well, and produce the well in the future.

#### Kenilworth RR#1A

We had originally drilled this well to be a SWD well for Helper. However we had positive response from the Buckhorn Conglomerate and we completed the well in that zone. The well has produced in the past and we will plan to bring it back online soon. A situation regarding the wellhead leaking at the site was handled by our operations people and the well site is now clean of this spill.

#### Kenilworth RR#1

This well was producing until it was shut in. There is a pumping unit on the well. Marion plans to bring this well into production soon.

#### Kenilworth RR#2

This well was producing until it was shut in. There is a pumping unit on the well. Marion plans to bring this well into production soon.

#### Cordingly Canyon 15-5

This well was drilled to the Mancos formation and was completed. It did produce for a short time before being shut in. Marion plans to work on this well and to produce it soon.



#### Cordingly Canyon 15-2

This well was drilled to the Ferron formation and was completed. This well was producing until it was shut in. There is not currently a hydraulic pumping unit on the well. Marion plans to work on the well, replace the pumping unit and bring it back into production soon.

#### Cordingly Canyon 15-1

This well was drilled to the Ferron formation and was completed. This well was producing until it was shut in. It currently has a pumping unit on the well. Marion plans to bring this well into production soon.

#### Cordingly Canyon 11-1

This well was drilled to the Ferron formation and was completed. This well was producing until it was shut in. There is not currently a hydraulic pumping unit on the well. Marion plans to work on the well, replace the pumping unit and bring it into production soon.

#### Clear Creek

The NOV lists two wells in the Clear Creek Field, the ASD 6-17 and the Oman 10-29. Both of these are modern wells drilled after 2005. The Clear Creek Field came off production in July 2011 due to financial issues and a rupture in the water disposal line. We have inspected both of these wells in the last few weeks and neither has any leaks or other problems.

Following the Board hearing in late October, Marion has re-commenced operations in the Clear Creek Field. It has done an MIT on the current SWD well (the ASD 3-17). It has replaced several Air Vacs on the water line in the field, and tested the whole system. It has commenced operations in the field on two wells, the Oman 2-20 and the Oman 10-29. Given its financial situation improving, Marion plans to expand operations to additional Clear Creek wells in the near future. Please be advised that Marion has provided wellbore diagrams on these wells in the past.

#### ASD 6-17

This well was drilled as a Ferron well and was completed. Marion submitted applications to convert this well and the ASD 3-17 well into WD wells, to ensure that at least one WD well was permitted. After the ASD 3-17 was approved, it was determined that it would suffice and another WD well was not needed at that time. The well currently has a rotaflex pumping unit on it. Marion plans to commence operations on this well and bring it on to production soon.

#### Oman 10-29

This well was drilled to the Ferron but was not completed. Since resuming operations in the Clear Creek field in November, Marion has sent in a completion form for the well, and has done a flow test on the well. Recent operations in the last month have seen a production pump placed on the well. As weather improves in the area Marion will produce the well.



**Bonding**

Marion does not currently have the financial wherewithal to undertake full cost bonding of all of the wells listed in the NOV, and will not be in a condition to do so until its financial situation further improves. We note, however, that Marion currently is bonded with DOGM for \$451,500 (\$421,500 surety bond and \$30,000 cash bond), and DOGM holds an additional \$184,000 of cash for reclamation of Marion wells, meaning there is over \$630,000 in place with DOGM for reclamation. When added to Marion's federal and SITLA bonds, there is just under \$1,000,000 currently available for Marion reclamation.

Based on the above information, Marion respectfully requests that DOGM extend the SI/TA status on these wells, and withhold further enforcement action while Marion brings the Clear Creek Field back on production and continues to improve its financial condition to the point it can put move back into the Helper field and put those wells back into production as well, thereby removing the wells from SI/TA status.

We would be happy to meet with you to further discuss this matter. In the meantime, feel free to contact us should you need anything further.

Yours Sincerely,

Keri Clarke



JON M. HUNTSMAN, JR.  
Governor

GARY R. HERBERT  
Lieutenant Governor

# State of Utah

## DEPARTMENT OF NATURAL RESOURCES

MICHAEL R. STYLER  
Executive Director

### Division of Oil, Gas and Mining

JOHN R. BAZA  
Division Director

## DIVISION ORDER

February 22, 2013

Certified Mail #7010 1670 0001 4810 3898

Marion Energy  
Attn: Keri Clarke  
3580 Orr Road  
Allen, TX 75002

13S 10E 15

RE: Division Order to Comply with the Notice of Violation Issued to Marion Energy on January 3, 2013

The Division of Oil, Gas and Mining (Division) memorializes the actions Marion Energy (Marion) is required to perform in order to return the wells listed below to compliance under Utah Admin. Code R649-3-36.

- |                                |                    |
|--------------------------------|--------------------|
| 1) BALLPARK CYN 16-2X          | API # 43-007-31207 |
| 2) CORDINGLY CYN 10-1          | API # 43-007-31173 |
| 3) BALLPARK CYN 17-2           | API # 43-007-31169 |
| 4) KENILWORTH RR 1-A           | API # 43-007-31229 |
| 5) ALPINE SCHOOL DISTRICT 6-17 | API # 43-007-31181 |
| 6) OMAN 10-29                  | API # 43-007-31210 |
| 7) BALLPARK CYN #1             | API # 43-007-31015 |
| 8) CORDINGLY CYN 15-5          | API # 43-007-31167 |
| 9) KENILWORTH RR #1            | API # 43-007-31006 |
| 10) KENILWORTH RR #2           | API # 43-007-31007 |
| 11) CORDINGLY CYN 15-2         | API # 43-007-31064 |
| 12) CORDINGLY CYN 15-1         | API # 43-007-31065 |
| 13) CORDINGLY CYN 11-1         | API # 43-007-31070 |

The Division requires the following actions to be completed by Marion Energy by the prescribed dates listed below:

- 1) Provide the following monthly readings for each well listed above on the first of every month beginning on April 1, 2013.
  - a. Surface Pressure
  - b. Casing Pressure
  - c. Fluid Levels

Page 2

February 22, 2013

Subject: Division Order to Comply with Notice of Violation

2) Plug and abandon the following wells by:

- |                       |              |
|-----------------------|--------------|
| a. BALLPARK CYN 16-2X | July 1, 2013 |
| b. BALLPARK CYN 17-2  | July 1, 2013 |
| c. CORDINGLY CYN 10-1 | July 1, 2013 |

3) Return the remaining wells not listed in Paragraph 2 to compliance by production, a MIT and plan in accordance with U.A.C. R649-3-36, or plug and abandon by July 1, 2013.

Marion has the right to appeal the Division Order by filing to the Board of Oil, Gas and Mining a request for review according to procedures set forth in R649-10-6. A request for review of a Division Order must be filed with the secretary to the Board, Julie Ann Carter (801) 538-5277, within 30 days of issuance of the order.

In the event Marion does not comply with the Division Order by the dates listed above, the Division will file for a formal hearing before the Board of Oil, Gas and Mining, as described in the U.A.C. R641, requesting a Board Order to plug and restore the well sites. Should this matter be brought before the Board, the Division will seek bond forfeiture (R649-3-36), liability for plugging costs in excess of bond forfeiture amounts (R649-3-1-4) and civil penalties of up to \$10,000 per day for each day of violation (Utah Code Ann. § 40-6-11).

Questions regarding this order may be directed to Clinton Dworshak, Compliance Manager at (801)-538-5280 or Dustin Doucet, Engineer, at (801) 538-5281.

Sincerely,

  
Clinton Dworshak  
Compliance Manager

CLD/js

Exhibit

cc: John Rogers, Associate Director  
Cameron Johnson, Assistant Attorney General  
Dustin Doucet, Engineer  
Compliance File  
Well Files

UTAH DEPARTMENT OF NATURAL RESOURCES

Division of Oil, Gas & Mining

Oil and Gas Program

1594 West North Temple, Suite 1210, Box 145801

Salt Lake City, Utah 84114-5801

(801) 538-5340 Phone

(801) 359-3940 Fax

**NOTICE OF VIOLATION**  
**STATE OF UTAH**  
**OIL AND GAS CONSERVATION ACT**  
\*\*\*\*\*

To the following operator:

Name: MARION ENERGY INC.

Well(s) or Site(s): 1.) <u>BALLPARK CYN 16-2X</u>	API #: <u>43-007-31207</u>
2.) <u>CORDINGLY CYN 10-1</u>	<u>43-007-31173</u>
3.) <u>BALLPARK CYN 17-2</u>	<u>43-007-31169</u>
4.) <u>KENILWORTH RR 1-A</u>	<u>43-007-31229</u>
5.) <u>ALPINE SCHOOL DISTRICT 6-17</u>	<u>43-007-31181</u>
6.) <u>OMAN 10-29</u>	<u>43-007-31210</u>
7.) <u>BALLPARK CANYON #1</u>	<u>43-007-31015</u>
8.) <u>CORDINGLY CYN 15-5</u>	<u>43-007-31167</u>
9.) <u>KENILWORTH RR #1</u>	<u>43-007-31006</u>
10.) <u>KENILWORTH RR#2</u>	<u>43-007-31007</u>
11.) <u>CORDINGLY CYN 15-2</u>	<u>43-007-31064</u>
12.) <u>CORDINGLY CYN 15-1</u>	<u>43-007-31065</u>
13.) <u>CORDINGLY CYN 11-1</u>	<u>43-007-31070</u>

Date and Time of Inspection/Violation: December 10, 2012

Mailing Address: Attn: Keri Clarke

3580 Orr Road

Allen, TX 75002

Under the authority of the Utah Oil and Gas Conservation Act, Section 40-6 et. Seq., Utah Code Annotated, 1953, as amended, the undersigned authorized representative of the Division of Oil, Gas and Mining (Division) has conducted an inspection of the above described site and/or records on the above date and has found alleged violation(s) of the act, rules or permit conditions as described below.

**Description of Violation(s):**

Rule R649-3-36, Shut-in and Temporarily Abandoned Wells - According to Rule R649-3-36, the operator is required to supply the Division with reasons for extended Si/TA, the length of time for extended Si/TA and proof of well bore integrity for every well Si/TA over 12 consecutive months. After 5 years of continued Si/TA, the wells are to be plugged unless good cause is supplied to the Division for extended Si/TA in addition to the required information just mentioned.

Rule R649-3-4.3, Bonding - If the division finds that a well subject to this bonding rule is in violation of Rule R649-3-36, Shut-in and Temporarily Abandoned Wells, the division shall require a bond amount for the applicable well in the amount of actual plugging and site restoration costs.

Rule R649-3-4.4.1, Bonding - Within 30 days of notification by the division, the operator shall submit to the division an estimate of plugging and site restoration costs for division review and approval.

UTAH DEPARTMENT OF NATURAL RESOURCES

Division of Oil, Gas & Mining

Oil and Gas Program

1594 West North Temple, Suite 1210, Box 145801

Salt Lake City, Utah 84114-5801

(801) 538-5340 Phone

(801) 359-3940 Fax

The Division has initiated several contacts with Marion Energy Inc. (Marion) requesting required documents and action per R649-3-36. Wells 1 - 6 have previously been issued SI/TA Notices and Notices of Violation without anything being accomplished to move these wells out of violation. Wells 7 and 8 have also been issued a SI/TA Notice without having met the requirements of R649-3-36. Wells 9 - 13 are also in violation of R649-3-36 having been added to Marion's SI/TA violation list. All wells listed above are currently under a Division Order for individual well bonding.

There has not been any evidence of effort being made to bring these wells into compliance. These wells are in violation of R-649-3-36 as listed above. The Division requires Marion to put up full cost bonding for all wells in violation above per R649-3-4. It is also mandatory that Marion submit all documentation as required by R649-3-36 concerning shut-in and temporarily abandoned wells.

Immediate Action: For the wells subject to this notice, Marion shall fulfill full cost bonding requirements for each well. Marion shall also submit all information as required by R649-3-36 or plug and abandon or place the wells on production.

- \* Fines may be levied up to \$10,000.00 per day for every well in violation given the authority provided under U.C.A. 40-6-11, part 4.

This notice shall remain in effect until it is modified, terminated, or vacated by a written notice of an authorized representative of the director of the Division of Oil, Gas and Mining. Failure to comply with this notice will result in the Division pursuing further actions against said operator. Further actions may include initiation of agency actions to order full cost bonding and plugging and abandonment of wells and requests for bond forfeiture and civil penalties.

**Compliance Deadline: February 8, 2013**

Date of Service Mailing: January 8, 2013

Certified Mail No: 7010 1670 0001 4810 3645

  
\_\_\_\_\_  
Division's Representative

\_\_\_\_\_  
Operator or Representative

(If presented in person)

cc: Compliance File  
Well Files  
SITLA

6/2005



February 5, 2013

Department of Natural Resources  
Division of Oil Gas and Mining  
1594 West North Temple, Suite 1210  
Price, Utah 84114

Attention: Dustin Doucet  
Petroleum Engineer

Re: Notification of Violation January 3, 2013  
Operation Plan

43 007 31065  
Cordingly Cyn 15-1  
135 10E 15

Dear Dustin,

Following up on our earlier (Jan. 18, 2013) letter to the Division, and subsequent discussions between Marion, Michael Malmquist of Parsons Behle, and Cameron Johnson, attorney for the Division of Oil Gas and Mining, Marion has been asked to put together a plan of operation for the wells mentioned on the referenced violation. As the Division is aware Marion is currently improving its financial situation. This will allow Marion to operate the fields in Utah fully, as it has done so in the past. From this situation Marion will plan to do the following;

#### Helper

Currently all the wells in Helper are connected to the Anadarko gas and water disposal system. Each of the wells on the Kenilworth and Cordingly sides of the field are connected by a closed gas and water pipeline system to the Anadarko connection point, through a Marion right of way. This system is currently shut down. Marion will have to contact Anadarko to set the system operational again. Marion currently has a gas purchase and water disposal agreement in place with Anadarko. Prior to resuming operations Marion will need to inspect each well to determine whether equipment is missing (due to scavenging) or otherwise in need of replacement or rehabilitation before the wells can be turned back on.

#### Ballpark Canyon 16-2X

This well is currently drilled to 500' with surface casing set in the shallow hole. This well will need a rig set to allow Marion to set cement in the hole, reduce the surface casing, cap the well and abandon the well. This well will be abandoned by the date of the June Board hearing being June 26, 2013.

#### Ballpark Canyon 17-2

This well is currently drilled to 500' with surface casing set in the shallow hole. This well will need a rig set to allow Marion to set cement in the hole, reduce the surface casing, cap the well and abandon the well. This well will be abandoned by the date of the June Board hearing being June 26, 2013.



#### Cordingly Canyon 10-1

This well has not been completed in the Mancos section of the well. Because of downhole well problems Marion plans to set a rig, plug the well with cement and abandon the well. This well will be abandoned by the date August 8, 2013.

#### Kenilworth Railroad #1A

This well was last produced in February 2009. It is a Buckhorn Conglomerate well and is capable of production. This well currently has a pumping unit on the well. We will attempt to bring the well on production prior to the end of 2013. If the well is not producing an MIT will be done.

#### Ballpark Canyon #1

This well was last produced in July 2010. It is a Ferron well and currently has a pumping unit on the well. We will attempt to bring the well on production prior to the end of 2013. If the well is not producing an MIT will be done.

#### Kenilworth Railroad #1

This well was last produced in September 2010. It is a Ferron well and currently has a pumping unit on the well. We will attempt to bring the well on production prior to the end of 2013. If the well is not producing an MIT will be done.

#### Kenilworth Railroad #2

This well was last produced in September 2010. It is a Ferron well and currently has a pumping unit on the well. We will attempt to bring the well on production prior to the end of 2013. If the well is not producing an MIT will be done.

#### Cordingly Canyon 15-5

This well was last produced in April 2010. It is a Mancos well, though it does not currently have a pumping unit on the well. Marion will replace the equipment needed and will attempt to bring the well on production prior to the end of 2013. If the well is not producing an MIT will be done.

#### Cordingly Canyon 15-1

This well was last produced in September 2010. This is a Ferron well and currently has a pumping unit on the well. We will attempt to bring the well on production prior to the end of 2013. If the well is not producing an MIT will be done.

#### Cordingly Canyon 15-2

This well was last produced in September 2010. This is a Ferron well, though it does not have a hydraulic pumping unit on the well. Marion will replace the equipment needed, and will attempt to bring the well on production prior to the end of 2013. If the well is not producing an MIT will be done.



Cordingly Canyon 11-1

This well was last produced in September 2010. This is a Ferron well, though it does not have a hydraulic pumping unit on the well. Marion will replace the equipment needed, and will attempt to bring the well on production prior to the end of 2013. If the well is not producing an MIT will be done.

Clear Creek

Oman 10-29.

This well was drilled to the Ferron formation but was not completed. Recent operations in the last month have seen a production pump placed on the well. As weather improves in the area Marion will attempt to produce the well.

Alpine School District 6-17

This well was drilled as a Ferron well and was completed. Marion submitted applications to convert this well and the ASD 3-17 well into water disposal wells. After the ASD 3017 was approved, it was determined that one well was needed, and another WD well was not needed at that time. The well currently has a rotaflex pumping unit on it. Marion plans to attempt production from the well by the end of 2013. If the well is not producing an MIT will be done.

Marion is proposing this plan to address the January 3, 2013 Notice of Violation. Given the constraints of Marion's financial situation, we believe the plan contains reasonable time frames for conducting work either to abandon or put back on production the wells listed in the NOV. We look forward to hearing from you regarding this matter.

Yours Sincerely

A handwritten signature in black ink, appearing to read "Keri Clarke", with a stylized flourish at the end.

Keri Clarke



February 13, 2013

Department of Natural Resources  
Division of Oil Gas and Mining  
1594 West North Temple, Suite 1210  
Salt Lake City, Utah 84114

Attention: Cameron Johnson, Assistant Attorney General

Re: Notification of Violation January 3, 2013  
Operation Plan

Dear Cameron,

This responds to the email you sent to Mike Malmquist on behalf of the Division on February 8, 2013.

Anadarko Gas Purchase and Water Disposal Agreements

Marion has in place a Gas Purchase Agreement with Anadarko to purchase all gas produced in the field. Anadarko has historically purchased gas from the field and will continue to do so in the future. Marion also has a Water Disposal System Agreement with Anadarko for all water produced in the Helper field. Currently, Marion owes Anadarko of \$47,500 for water disposal fees from historical production. As its financial situation improves Marion will settle the account. Beyond settling its account, Marion does not anticipate any commercial issues with Anadarko that could interfere with gas sales or water disposal.

Water Disposal and Gas Gathering System

Once Marion completed its initial drilling program in the Helper Field and established that the wells were productive, two separate HDPE trunk lines were laid, one for gas and one for water. Each of the wells was tied in to the trunk lines utilizing HDPE pipe. The tie lines and trunk lines are owned by Marion. The trunk lines terminate at a facility built and operated by Anadarko near Kenilworth. A free water knock-out was set to drop out any water in suspension with the gas before delivery into Anadarko. The system is a closed system. Natural gas production at the Helper field was suspended when Marion ran into financial issues. This decision to suspend production was made by Marion due to the cash and human resource issues, not by Anadarko locking the company out of the system. Each well was isolated from the gas and water lines by shutting the respective valves at each wellhead. Additionally, at the time the field was shut-in

Anadarko was made aware of the Marion situation. Subsequently, Anadarko field personnel secured the aforementioned equipment. The Helper pipeline system was fully operational and problem free when it was shut down. We would not anticipate any problems with the pipe itself, but here maybe some wellhead valves that will need to be examined before recommencing field operations.

Financial Situation

Marion does not believe that these negotiations are in vain due to its financial condition. Marion has reason to believe that its financial situation will improve within a time frame that accommodates the compliance schedule addressed in this and prior letters. More specifically, Marion expects to have



access to additional funding during the first half of March 2013 that will allow it to begin the work in the Helper field, with another infusion in May 2013.

#### Produce or MIT Wells

Marion does not believe that it can produce the wells by April 1, 2013. Marion accepts the Division's proposal to divide the wells into Pods with associated MIT completion dates, but proposes that an additional month be added to the proposed MIT completion date for each pod, as well as the full cost bonding and backup date. This timing is more consistent with Marion's expectation of when it will have the available financial resources.

Pod 1: Ballpark Canyon #1, Kenilworth Railroad #1A, #1, #2: The MIT date for this pod of wells would be June 1, 2013. The work would begin on the Kenilworth Railroad #1A. The backup date for full cost bonding and showing of well integrity would be July 1, 2013.

Pod 2: Cordingly Canyon 15-5, 15-2, 15-1, 11-1: The MIT date for this pod of wells would be August 1, 2013. The backup date for full cost bonding and showing of well integrity would be September 1, 2013.

#### Pressure and Fluid Level Information

With regard to DOGM's request for information on pressures and fluid levels in the Helper wells, we would like to make the following comments. First, any field data that was acquired while the field was operational will only show what the operating pressure of the system was. Typically, Anadarko was able to keep enough compression operating field-wide to maintain 25-30 psi on our gas system. Second, the water system in essence gravity fed into the Anadarko system, and as such, there was negligible pressure on this line at all times. Third, since the mechanical integrity of the casing is the concern, the tubing pressure would not provide meaningful information.

We are not sure if the sentence is supposed to read "production pressures" and if so what that would mean exactly. As stated before, the field pressure was 25-30 psi when the field was in operation. Since the field is currently shut in there is no production or "production pressure." All previous production has been reported. Concerning the last part of the sentence dealing with surface pressures, fluid levels etc., we see no definitive correlation between those items and casing integrity. Gathering such information now, and particularly given Marion's need to be as efficient as possible with money and personnel, would not appear to be a productive expenditure of resources. Marion proposes that this request be withdrawn, and that we be allowed to focus on putting ourselves in a position to undertake MITs, which are the true measure of well integrity, on the schedule proposed above. We would expect that when Marion enters the Helper field to begin the MIT process the fluid levels and surface wellhead pressure data will be gathered for reservoir engineering reasons, and we would be happy to provide that information to the Division as it is obtained.

Marion hopes this letter addresses the comments and requirements outlined by the Oil and Gas Division in your email from February 8, 2013.

We look forward to hearing from you.

Yours Sincerely

Keri Clarke



January 18, 2013

Department of Natural Resources  
Division of Oil and Gas & Mining  
1594 West North Temple, Suite 1210  
Salt Lake City, Utah 84114

Attention: Dustin Doucet

Re: Notice of Violation – Clear Creek and Helper Fields

43 007 31065  
Cordingly Cyn 15-1  
13S 10E 15

Dear Dustin,

In response to your certified letter of January 3, 2013, we are providing you with information for wells that are currently structured as shut in or temporarily abandoned wells (SI/TA) by DOGM. Each well has individual information and is listed below.

As you know, for the last two and a half years Marion Energy Inc. (Marion) has been under financial stress that has not allowed active operations in the Clear Creek and Helper fields, beyond maintaining a field presence and taking some limited, preliminary actions to resuming operations. In the last few months, however, Marion has been able to improve its financial position to the point of resuming active operations in the Clear Creek field, with further financial improvement expected as that field is put back on production.

Marion explained these circumstances to DOGM and the Board of Oil, Gas and Mining at the October 26, 2012 hearing, where Marion sought and obtained Board approval to reinstitute active operations at Clear Creek. As discussed at the hearing, Marion's funding is currently limited to the monies needed to put the Clear Creek field back on production, beginning with the Oman 2-20 and Oman 10-29 wells, but once that occurs Marion expects its financial position to continue to improve to the point it can meet all of its obligations with respect to its SI/TA wells, and to move back into active operations at the Helper Field

Consistent with discussions at the October Board hearing, we have now rehabilitated the water disposal (WD) system in the accessible portion of the Clear Creek field and we are actively working on restoring production at the two initially targeted wells, despite the extreme winter weather conditions that set in several weeks ago.

#### Helper

The wells listed in the NOV for the Helper Field are all modern wells, having been drilled in 2005 or later. This field was in production until October 2010, though the wells are now shut in. All of the Helper wells listed in the NOV are currently attached to a gas and water system (the Anadarko sales and SWD system). This system is controlled entirely by Anadarko. Marion conducted an inspection of the Helper Field on 1-16-13 and confirmed that there is no evidence of any gas or water leaks at any of the wells. We understand that DOGM has also recently inspected the Helper Field and reached the same conclusion. Marion plans to bring this field into operation soon, as finances allow. Please be advised that Marion has already provided wellbore diagrams of all of the wells referenced below.



#### Ballpark Canyon 16-2X

This well is only drilled to 500 feet on the Ballpark site with surface casing set. The casing is 18" above the ground and it has a cap welded on the casing. This well was a replacement for the Ballpark Canyon 16-2 where the drilling was lost on the well while drilling surface pipe. Marion plans to drill this well to the Ferron in the future.

#### Ballpark Canyon 17-2

This well is the same as the 16-2X well, and has been only drilled to 500 feet with surface casing set. It is currently capped on the surface.

#### Ballpark Canyon #1

This well is drilled as a Ferron well and has been completed. It has been producing in the past though it is currently shut in. There is a pumping unit on the well. Among the Helper Field wells, this well is the one that has the closest proximity to occupied structures. We closely inspected this well on 1-16-13 and confirmed that there are no issues.

#### Cordingly Canyon 10-1

This well was drilled as a Ferron producer. However because of hole issues in the deeper section it was expected to be completed as a Mancos well. Marion plans to complete the well, and produce the well in the future.

#### Kenilworth RR#1A

We had originally drilled this well to be a SWD well for Helper. However we had positive response from the Buckhorn Conglomerate and we completed the well in that zone. The well has produced in the past and we will plan to bring it back online soon. A situation regarding the wellhead leaking at the site was handled by our operations people and the well site is now clean of this spill.

#### Kenilworth RR#1

This well was producing until it was shut in. There is a pumping unit on the well. Marion plans to bring this well into production soon.

#### Kenilworth RR#2

This well was producing until it was shut in. There is a pumping unit on the well. Marion plans to bring this well into production soon.

#### Cordingly Canyon 15-5

This well was drilled to the Mancos formation and was completed. It did produce for a short time before being shut in. Marion plans to work on this well and to produce it soon.



#### Cordingly Canyon 15-2

This well was drilled to the Ferron formation and was completed. This well was producing until it was shut in. There is not currently a hydraulic pumping unit on the well. Marion plans to work on the well, replace the pumping unit and bring it back into production soon.

#### Cordingly Canyon 15-1

This well was drilled to the Ferron formation and was completed. This well was producing until it was shut in. It currently has a pumping unit on the well. Marion plans to bring this well into production soon.

#### Cordingly Canyon 11-1

This well was drilled to the Ferron formation and was completed. This well was producing until it was shut in. There is not currently a hydraulic pumping unit on the well. Marion plans to work on the well, replace the pumping unit and bring it into production soon.

#### Clear Creek

The NOV lists two wells in the Clear Creek Field, the ASD 6-17 and the Oman 10-29. Both of these are modern wells drilled after 2005. The Clear Creek Field came off production in July 2011 due to financial issues and a rupture in the water disposal line. We have inspected both of these wells in the last few weeks and neither has any leaks or other problems.

Following the Board hearing in late October, Marion has re-commenced operations in the Clear Creek Field. It has done an MIT on the current SWD well (the ASD 3-17). It has replaced several Air Vacs on the water line in the field, and tested the whole system. It has commenced operations in the field on two wells, the Oman 2-20 and the Oman 10-29. Given its financial situation improving, Marion plans to expand operations to additional Clear Creek wells in the near future. Please be advised that Marion has provided wellbore diagrams on these wells in the past.

#### ASD 6-17

This well was drilled as a Ferron well and was completed. Marion submitted applications to convert this well and the ASD 3-17 well into WD wells, to ensure that at least one WD well was permitted. After the ASD 3-17 was approved, it was determined that it would suffice and another WD well was not needed at that time. The well currently has a rotaflex pumping unit on it. Marion plans to commence operations on this well and bring it on to production soon.

#### Oman 10-29

This well was drilled to the Ferron but was not completed. Since resuming operations in the Clear Creek field in November, Marion has sent in a completion form for the well, and has done a flow test on the well. Recent operations in the last month have seen a production pump placed on the well. As weather improves in the area Marion will produce the well.



**Bonding**

Marion does not currently have the financial wherewithal to undertake full cost bonding of all of the wells listed in the NOV, and will not be in a condition to do so until its financial situation further improves. We note, however, that Marion currently is bonded with DOGM for \$451,500 (\$421,500 surety bond and \$30,000 cash bond), and DOGM holds an additional \$184,000 of cash for reclamation of Marion wells, meaning there is over \$630,000 in place with DOGM for reclamation. When added to Marion's federal and SITLA bonds, there is just under \$1,000,000 currently available for Marion reclamation.

Based on the above information, Marion respectfully requests that DOGM extend the SI/TA status on these wells, and withhold further enforcement action while Marion brings the Clear Creek Field back on production and continues to improve its financial condition to the point it can put move back into the Helper field and put those wells back into production as well, thereby removing the wells from SI/TA status.

We would be happy to meet with you to further discuss this matter. In the meantime, feel free to contact us should you need anything further.

Yours Sincerely,

Keri Clarke



JON M. HUNTSMAN, JR.  
Governor

GARY R. HERBERT  
Lieutenant Governor

# State of Utah

## DEPARTMENT OF NATURAL RESOURCES

MICHAEL R. STYLER  
Executive Director

### Division of Oil, Gas and Mining

JOHN R. BAZA  
Division Director

## DIVISION ORDER

February 22, 2013

Certified Mail #7010 1670 0001 4810 3898

Marion Energy  
Attn: Keri Clarke  
3580 Orr Road  
Allen, TX 75002

13S 10E 15

RE: Division Order to Comply with the Notice of Violation Issued to Marion Energy on January 3, 2013

The Division of Oil, Gas and Mining (Division) memorializes the actions Marion Energy (Marion) is required to perform in order to return the wells listed below to compliance under Utah Admin. Code R649-3-36.

- |                                |                    |
|--------------------------------|--------------------|
| 1) BALLPARK CYN 16-2X          | API # 43-007-31207 |
| 2) CORDINGLY CYN 10-1          | API # 43-007-31173 |
| 3) BALLPARK CYN 17-2           | API # 43-007-31169 |
| 4) KENILWORTH RR 1-A           | API # 43-007-31229 |
| 5) ALPINE SCHOOL DISTRICT 6-17 | API # 43-007-31181 |
| 6) OMAN 10-29                  | API # 43-007-31210 |
| 7) BALLPARK CYN #1             | API # 43-007-31015 |
| 8) CORDINGLY CYN 15-5          | API # 43-007-31167 |
| 9) KENILWORTH RR #1            | API # 43-007-31006 |
| 10) KENILWORTH RR #2           | API # 43-007-31007 |
| 11) CORDINGLY CYN 15-2         | API # 43-007-31064 |
| 12) CORDINGLY CYN 15-1         | API # 43-007-31065 |
| 13) CORDINGLY CYN 11-1         | API # 43-007-31070 |

The Division requires the following actions to be completed by Marion Energy by the prescribed dates listed below:

- 1) Provide the following monthly readings for each well listed above on the first of every month beginning on April 1, 2013.
  - a. Surface Pressure
  - b. Casing Pressure
  - c. Fluid Levels

Page 2

February 22, 2013

Subject: Division Order to Comply with Notice of Violation

2) Plug and abandon the following wells by:

- |                       |              |
|-----------------------|--------------|
| a. BALLPARK CYN 16-2X | July 1, 2013 |
| b. BALLPARK CYN 17-2  | July 1, 2013 |
| c. CORDINGLY CYN 10-1 | July 1, 2013 |

3) Return the remaining wells not listed in Paragraph 2 to compliance by production, a MIT and plan in accordance with U.A.C. R649-3-36, or plug and abandon by July 1, 2013.

Marion has the right to appeal the Division Order by filing to the Board of Oil, Gas and Mining a request for review according to procedures set forth in R649-10-6. A request for review of a Division Order must be filed with the secretary to the Board, Julie Ann Carter (801) 538-5277, within 30 days of issuance of the order.

In the event Marion does not comply with the Division Order by the dates listed above, the Division will file for a formal hearing before the Board of Oil, Gas and Mining, as described in the U.A.C. R641, requesting a Board Order to plug and restore the well sites. Should this matter be brought before the Board, the Division will seek bond forfeiture (R649-3-36), liability for plugging costs in excess of bond forfeiture amounts (R649-3-1-4) and civil penalties of up to \$10,000 per day for each day of violation (Utah Code Ann. § 40-6-11).

Questions regarding this order may be directed to Clinton Dworshak, Compliance Manager at (801)-538-5280 or Dustin Doucet, Engineer, at (801) 538-5281.

Sincerely,

  
Clinton Dworshak  
Compliance Manager

CLD/js

Exhibit

cc: John Rogers, Associate Director  
Cameron Johnson, Assistant Attorney General  
Dustin Doucet, Engineer  
Compliance File  
Well Files

UTAH DEPARTMENT OF NATURAL RESOURCES

Division of Oil, Gas & Mining

Oil and Gas Program

1594 West North Temple, Suite 1210, Box 145801

Salt Lake City, Utah 84114-5801

(801) 538-5340 Phone

(801) 359-3940 Fax

**NOTICE OF VIOLATION**  
**STATE OF UTAH**  
**OIL AND GAS CONSERVATION ACT**  
\*\*\*\*\*

To the following operator:

Name: MARION ENERGY INC.

Well(s) or Site(s): 1.) <u>BALLPARK CYN 16-2X</u>	API #: <u>43-007-31207</u>
2.) <u>CORDINGLY CYN 10-1</u>	<u>43-007-31173</u>
3.) <u>BALLPARK CYN 17-2</u>	<u>43-007-31169</u>
4.) <u>KENILWORTH RR 1-A</u>	<u>43-007-31229</u>
5.) <u>ALPINE SCHOOL DISTRICT 6-17</u>	<u>43-007-31181</u>
6.) <u>OMAN 10-29</u>	<u>43-007-31210</u>
7.) <u>BALLPARK CANYON #1</u>	<u>43-007-31015</u>
8.) <u>CORDINGLY CYN 15-5</u>	<u>43-007-31167</u>
9.) <u>KENILWORTH RR #1</u>	<u>43-007-31006</u>
10.) <u>KENILWORTH RR#2</u>	<u>43-007-31007</u>
11.) <u>CORDINGLY CYN 15-2</u>	<u>43-007-31064</u>
12.) <u>CORDINGLY CYN 15-1</u>	<u>43-007-31065</u>
13.) <u>CORDINGLY CYN 11-1</u>	<u>43-007-31070</u>

Date and Time of Inspection/Violation: December 10, 2012

Mailing Address: Attn: Keri Clarke

3580 Orr Road

Allen, TX 75002

Under the authority of the Utah Oil and Gas Conservation Act, Section 40-6 et. Seq., Utah Code Annotated, 1953, as amended, the undersigned authorized representative of the Division of Oil, Gas and Mining (Division) has conducted an inspection of the above described site and/or records on the above date and has found alleged violation(s) of the act, rules or permit conditions as described below.

**Description of Violation(s):**

Rule R649-3-36, Shut-in and Temporarily Abandoned Wells - According to Rule R649-3-36, the operator is required to supply the Division with reasons for extended Si/TA, the length of time for extended Si/TA and proof of well bore integrity for every well Si/TA over 12 consecutive months. After 5 years of continued Si/TA, the wells are to be plugged unless good cause is supplied to the Division for extended Si/TA in addition to the required information just mentioned.

Rule R649-3-4.3, Bonding - If the division finds that a well subject to this bonding rule is in violation of Rule R649-3-36, Shut-in and Temporarily Abandoned Wells, the division shall require a bond amount for the applicable well in the amount of actual plugging and site restoration costs.

Rule R649-3-4.4.1, Bonding - Within 30 days of notification by the division, the operator shall submit to the division an estimate of plugging and site restoration costs for division review and approval.

UTAH DEPARTMENT OF NATURAL RESOURCES

Division of Oil, Gas & Mining

Oil and Gas Program

1594 West North Temple, Suite 1210, Box 145801

Salt Lake City, Utah 84114-5801

(801) 538-5340 Phone

(801) 359-3940 Fax

The Division has initiated several contacts with Marion Energy Inc. (Marion) requesting required documents and action per R649-3-36. Wells 1 - 6 have previously been issued SI/TA Notices and Notices of Violation without anything being accomplished to move these wells out of violation. Wells 7 and 8 have also been issued a SI/TA Notice without having met the requirements of R649-3-36. Wells 9 - 13 are also in violation of R649-3-36 having been added to Marion's SI/TA violation list. All wells listed above are currently under a Division Order for individual well bonding.

There has not been any evidence of effort being made to bring these wells into compliance. These wells are in violation of R-649-3-36 as listed above. The Division requires Marion to put up full cost bonding for all wells in violation above per R649-3-4. It is also mandatory that Marion submit all documentation as required by R649-3-36 concerning shut-in and temporarily abandoned wells.

Immediate Action: For the wells subject to this notice, Marion shall fulfill full cost bonding requirements for each well. Marion shall also submit all information as required by R649-3-36 or plug and abandon or place the wells on production.

- \* Fines may be levied up to \$10,000.00 per day for every well in violation given the authority provided under U.C.A. 40-6-11, part 4.

This notice shall remain in effect until it is modified, terminated, or vacated by a written notice of an authorized representative of the director of the Division of Oil, Gas and Mining. Failure to comply with this notice will result in the Division pursuing further actions against said operator. Further actions may include initiation of agency actions to order full cost bonding and plugging and abandonment of wells and requests for bond forfeiture and civil penalties.

Compliance Deadline: February 8, 2013

Date of Service Mailing: January 8, 2013

Certified Mail No: 7010 1670 0001 4810 3645

  
\_\_\_\_\_  
Division's Representative

\_\_\_\_\_  
Operator or Representative

(If presented in person)

cc: Compliance File  
Well Files  
SITLA

6/2005



February 5, 2013

Department of Natural Resources  
Division of Oil Gas and Mining  
1594 West North Temple, Suite 1210  
Price, Utah 84114

Attention: Dustin Doucet  
Petroleum Engineer

Re: Notification of Violation January 3, 2013  
Operation Plan

43 007 31065  
Cordingly Cyn 15-1  
135 10E 15

Dear Dustin,

Following up on our earlier (Jan. 18, 2013) letter to the Division, and subsequent discussions between Marion, Michael Malmquist of Parsons Behle, and Cameron Johnson, attorney for the Division of Oil Gas and Mining, Marion has been asked to put together a plan of operation for the wells mentioned on the referenced violation. As the Division is aware Marion is currently improving its financial situation. This will allow Marion to operate the fields in Utah fully, as it has done so in the past. From this situation Marion will plan to do the following;

#### Helper

Currently all the wells in Helper are connected to the Anadarko gas and water disposal system. Each of the wells on the Kenilworth and Cordingly sides of the field are connected by a closed gas and water pipeline system to the Anadarko connection point, through a Marion right of way. This system is currently shut down. Marion will have to contact Anadarko to set the system operational again. Marion currently has a gas purchase and water disposal agreement in place with Anadarko. Prior to resuming operations Marion will need to inspect each well to determine whether equipment is missing (due to scavenging) or otherwise in need of replacement or rehabilitation before the wells can be turned back on.

#### Ballpark Canyon 16-2X

This well is currently drilled to 500' with surface casing set in the shallow hole. This well will need a rig set to allow Marion to set cement in the hole, reduce the surface casing, cap the well and abandon the well. This well will be abandoned by the date of the June Board hearing being June 26, 2013.

#### Ballpark Canyon 17-2

This well is currently drilled to 500' with surface casing set in the shallow hole. This well will need a rig set to allow Marion to set cement in the hole, reduce the surface casing, cap the well and abandon the well. This well will be abandoned by the date of the June Board hearing being June 26, 2013.



#### Cordingly Canyon 10-1

This well has not been completed in the Mancos section of the well. Because of downhole well problems Marion plans to set a rig, plug the well with cement and abandon the well. This well will be abandoned by the date August 8, 2013.

#### Kenilworth Railroad #1A

This well was last produced in February 2009. It is a Buckhorn Conglomerate well and is capable of production. This well currently has a pumping unit on the well. We will attempt to bring the well on production prior to the end of 2013. If the well is not producing an MIT will be done.

#### Ballpark Canyon #1

This well was last produced in July 2010. It is a Ferron well and currently has a pumping unit on the well. We will attempt to bring the well on production prior to the end of 2013. If the well is not producing an MIT will be done.

#### Kenilworth Railroad #1

This well was last produced in September 2010. It is a Ferron well and currently has a pumping unit on the well. We will attempt to bring the well on production prior to the end of 2013. If the well is not producing an MIT will be done.

#### Kenilworth Railroad #2

This well was last produced in September 2010. It is a Ferron well and currently has a pumping unit on the well. We will attempt to bring the well on production prior to the end of 2013. If the well is not producing an MIT will be done.

#### Cordingly Canyon 15-5

This well was last produced in April 2010. It is a Mancos well, though it does not currently have a pumping unit on the well. Marion will replace the equipment needed and will attempt to bring the well on production prior to the end of 2013. If the well is not producing an MIT will be done.

#### Cordingly Canyon 15-1

This well was last produced in September 2010. This is a Ferron well and currently has a pumping unit on the well. We will attempt to bring the well on production prior to the end of 2013. If the well is not producing an MIT will be done.

#### Cordingly Canyon 15-2

This well was last produced in September 2010. This is a Ferron well, though it does not have a hydraulic pumping unit on the well. Marion will replace the equipment needed, and will attempt to bring the well on production prior to the end of 2013. If the well is not producing an MIT will be done.



Cordingly Canyon 11-1

This well was last produced in September 2010. This is a Ferron well, though it does not have a hydraulic pumping unit on the well. Marion will replace the equipment needed, and will attempt to bring the well on production prior to the end of 2013. If the well is not producing an MIT will be done.

Clear Creek

Oman 10-29.

This well was drilled to the Ferron formation but was not completed. Recent operations in the last month have seen a production pump placed on the well. As weather improves in the area Marion will attempt to produce the well.

Alpine School District 6-17

This well was drilled as a Ferron well and was completed. Marion submitted applications to convert this well and the ASD 3-17 well into water disposal wells. After the ASD 3017 was approved, it was determined that one well was needed, and another WD well was not needed at that time. The well currently has a rotaflex pumping unit on it. Marion plans to attempt production from the well by the end of 2013. If the well is not producing an MIT will be done.

Marion is proposing this plan to address the January 3, 2013 Notice of Violation. Given the constraints of Marion's financial situation, we believe the plan contains reasonable time frames for conducting work either to abandon or put back on production the wells listed in the NOV. We look forward to hearing from you regarding this matter.

Yours Sincerely

A handwritten signature in black ink, appearing to read "Keri Clarke", with a stylized flourish at the end.

Keri Clarke



February 13, 2013

Department of Natural Resources  
Division of Oil Gas and Mining  
1594 West North Temple, Suite 1210  
Salt Lake City, Utah 84114

Attention: Cameron Johnson, Assistant Attorney General

Re: Notification of Violation January 3, 2013  
Operation Plan

Dear Cameron,

This responds to the email you sent to Mike Malmquist on behalf of the Division on February 8, 2013.

Anadarko Gas Purchase and Water Disposal Agreements

Marion has in place a Gas Purchase Agreement with Anadarko to purchase all gas produced in the field. Anadarko has historically purchased gas from the field and will continue to do so in the future. Marion also has a Water Disposal System Agreement with Anadarko for all water produced in the Helper field. Currently, Marion owes Anadarko of \$47,500 for water disposal fees from historical production. As its financial situation improves Marion will settle the account. Beyond settling its account, Marion does not anticipate any commercial issues with Anadarko that could interfere with gas sales or water disposal.

Water Disposal and Gas Gathering System

Once Marion completed its initial drilling program in the Helper Field and established that the wells were productive, two separate HDPE trunk lines were laid, one for gas and one for water. Each of the wells was tied in to the trunk lines utilizing HDPE pipe. The tie lines and trunk lines are owned by Marion. The trunk lines terminate at a facility built and operated by Anadarko near Kenilworth. A free water knock-out was set to drop out any water in suspension with the gas before delivery into Anadarko. The system is a closed system. Natural gas production at the Helper field was suspended when Marion ran into financial issues. This decision to suspend production was made by Marion due to the cash and human resource issues, not by Anadarko locking the company out of the system. Each well was isolated from the gas and water lines by shutting the respective valves at each wellhead. Additionally, at the time the field was shut-in

Anadarko was made aware of the Marion situation. Subsequently, Anadarko field personnel secured the aforementioned equipment. The Helper pipeline system was fully operational and problem free when it was shut down. We would not anticipate any problems with the pipe itself, but here maybe some wellhead valves that will need to be examined before recommencing field operations.

Financial Situation

Marion does not believe that these negotiations are in vain due to its financial condition. Marion has reason to believe that its financial situation will improve within a time frame that accommodates the compliance schedule addressed in this and prior letters. More specifically, Marion expects to have



access to additional funding during the first half of March 2013 that will allow it to begin the work in the Helper field, with another infusion in May 2013.

#### Produce or MIT Wells

Marion does not believe that it can produce the wells by April 1, 2013. Marion accepts the Division's proposal to divide the wells into Pods with associated MIT completion dates, but proposes that an additional month be added to the proposed MIT completion date for each pod, as well as the full cost bonding and backup date. This timing is more consistent with Marion's expectation of when it will have the available financial resources.

Pod 1: Ballpark Canyon #1, Kenilworth Railroad #1A, #1, #2: The MIT date for this pod of wells would be June 1, 2013. The work would begin on the Kenilworth Railroad #1A. The backup date for full cost bonding and showing of well integrity would be July 1, 2013.

Pod 2: Cordingly Canyon 15-5, 15-2, 15-1, 11-1: The MIT date for this pod of wells would be August 1, 2013. The backup date for full cost bonding and showing of well integrity would be September 1, 2013.

#### Pressure and Fluid Level Information

With regard to DOGM's request for information on pressures and fluid levels in the Helper wells, we would like to make the following comments. First, any field data that was acquired while the field was operational will only show what the operating pressure of the system was. Typically, Anadarko was able to keep enough compression operating field-wide to maintain 25-30 psi on our gas system. Second, the water system in essence gravity fed into the Anadarko system, and as such, there was negligible pressure on this line at all times. Third, since the mechanical integrity of the casing is the concern, the tubing pressure would not provide meaningful information.

We are not sure if the sentence is supposed to read "production pressures" and if so what that would mean exactly. As stated before, the field pressure was 25-30 psi when the field was in operation. Since the field is currently shut in there is no production or "production pressure." All previous production has been reported. Concerning the last part of the sentence dealing with surface pressures, fluid levels etc., we see no definitive correlation between those items and casing integrity. Gathering such information now, and particularly given Marion's need to be as efficient as possible with money and personnel, would not appear to be a productive expenditure of resources. Marion proposes that this request be withdrawn, and that we be allowed to focus on putting ourselves in a position to undertake MITs, which are the true measure of well integrity, on the schedule proposed above. We would expect that when Marion enters the Helper field to begin the MIT process the fluid levels and surface wellhead pressure data will be gathered for reservoir engineering reasons, and we would be happy to provide that information to the Division as it is obtained.

Marion hopes this letter addresses the comments and requirements outlined by the Oil and Gas Division in your email from February 8, 2013.

We look forward to hearing from you.

Yours Sincerely

Keri Clarke

RECEIVED

FORM 9

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

APR 04 2013

DIV. OF OIL, GAS & MINING

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.

5. LEASE DESIGNATION AND SERIAL NUMBER:

6. IF INDIAN, ALLOTTEE OR TRIBE NAME:

7. UNIT or CA AGREEMENT NAME:

8. WELL NAME and NUMBER:  
Kenilworth/Cordingly Field

9. API NUMBER:

1. TYPE OF WELL  
OIL WELL  GAS WELL  OTHER \_\_\_\_\_

2. NAME OF OPERATOR:  
Marion Energy, Inc.

3. ADDRESS OF OPERATOR:  
31 No. Main Street CITY Helper STATE Ut ZIP 84626 PHONE NUMBER: (435) 650-3923

10. FIELD AND POOL, OR WILDCAT:  
Kenilworth/Cordingly Field

4. LOCATION OF WELL  
FOOTAGES AT SURFACE: COUNTY: Carbon  
QTR/QTR, SECTION, TOWNSHIP, RANGE, MERIDIAN: 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 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: _____
	<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.

Kenilworth/Cordingly Field

Well pressures taken and documented. See attachment.

We are currently unable to get fluid levels but are working to correct the issue.

NAME (PLEASE PRINT) Dave Smith TITLE Construction/Maintenance

SIGNATURE *Dave Smith* DATE 4/1/2013

(This space for State use only)

Accepted by the  
Utah Division of  
Oil, Gas and Mining  
For Record Only

Kenilworth/Cordingly

Pressures

15-1

Tubing	0	Casing	5
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15-5

Tubing	0	Casing	0
--------	---	--------	---

15-2

Tubing	0	Casing	0
--------	---	--------	---

10-1

Tubing	0	Casing	15
--------	---	--------	----

Cordingly 11-1

Tubing	0	Casing	80
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Kenilworth RR 1-A

Tubing	400	Casing	1400
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Kenilworth RR 1

Tubing	20	Casing	20
--------	----	--------	----

15-3

Tubing	20	Casing	50
--------	----	--------	----

Ball Park 1

Tubing	0	Casing	0
--------	---	--------	---

Kenilworth RR 2

Tubing	0	Casing	0
--------	---	--------	---

16-2 Not Drilled

17-2 Not Drilled

Kenilworth RR 15-4 Not Drilled

## INSTRUCTIONS

**This form shall be submitted by the operator to show the intention and/or completion of the following:**

- miscellaneous work projects and actions for which other specific report forms do not exist;
- all other work and events as identified in section 11, Type of Action, or as required by the Utah Oil and Gas Conservation General Rules, including:
  - minor deepening of an existing well bore,
  - plugging back a well,
  - recompleting to a different producing formation within an existing well bore (intent only),
  - re-perforating the current producing formation,
  - drilling a sidetrack to repair a well,
  - reporting monthly the status of each drilling well.

**This form is not to be used for proposals to**

- drill new wells,
- reenter previously plugged and abandoned wells,
- significantly deepen existing wells below their current bottom-hole depth,
- drill horizontal laterals from an existing well bore,
- drill hydrocarbon exploratory holes such as core samples and stratigraphic tests.

**Use Form 3, Application for Permit to Drill (APD) for such proposals.**

**NOTICE OF INTENT** - A notice of intention to do work on a well or to change plans previously approved shall be submitted in duplicate and must be received and approved by the division before the work is commenced. The operator is responsible for receipt of the notice by the division in ample time for proper consideration and action. In cases of emergency, the operator may obtain verbal approval to commence work. Within five days after receiving verbal approval, the operator shall submit a Sundry Notice describing the work and acknowledging the verbal approval.

**SUBSEQUENT REPORT** - A subsequent report shall be submitted to the division within 30 days of the completion of the outlined work. Specific details of the work performed should be provided, including dates, well depths, placement of plugs, etc.

**WELL ABANDONMENT** - Proposals to abandon a well and subsequent reports of abandonment should include reasons for the abandonment; data on any former or present productive zones, or other zones with present significant fluid contents not sealed off by cement or otherwise; depths (top and bottom) and method of placement of cement plugs; mud or other material placed below, between and above plugs; amount, size, and method of parting of any casing, liner, or tubing pulled and the depth to top of any left in the hole; method of closing top of well; and date well site conditioned for final inspection looking to approval of the abandonment.

In addition to any Sundry Notice forms submitted, **Form 8, Well Completion or Recompletion Report and Log** must be submitted to the division to report the results of the following operations:

- completing or plugging a new well,
- reentering a previously plugged and abandoned well,
- significantly deepening an existing well bore below the current bottom-hole depth,
- drilling horizontal laterals from an existing well bore,
- drilling hydrocarbon exploratory holes such as core samples and stratigraphic tests,
- recompleting to a different producing formation.

Send to:

Utah Division of Oil, Gas and Mining  
1594 West North Temple, Suite 1210  
Box 145801  
Salt Lake City, Utah 84114-5801

Phone: 801-538-5340

Fax: 801-359-3940

SEND Sundry Attachments to each of the well files  
Listed Below:

- |                                |                    |
|--------------------------------|--------------------|
| 1) BALLPARK CYN 16-2X          | API # 43-007-31207 |
| 2) CORDINGLY CYN 10-1          | API # 43-007-31173 |
| 3) BALLPARK CYN 17-2           | API # 43-007-31169 |
| 4) KENILWORTH RR 1-A           | API # 43-007-31229 |
| 5) ALPINE SCHOOL DISTRICT 6-17 | API # 43-007-31181 |
| 6) OMAN 10-29                  | API # 43-007-31210 |
| 7) BALLPARK CYN #1             | API # 43-007-31015 |
| 8) CORDINGLY CYN 15-5          | API # 43-007-31167 |
| 9) KENILWORTH RR #1            | API # 43-007-31006 |
| 10) KENILWORTH RR #2           | API # 43-007-31007 |
| 11) CORDINGLY CYN 15-2         | API # 43-007-31064 |
| 12) CORDINGLY CYN 15-1         | API # 43-007-31065 |
| 13) CORDINGLY CYN 11-1         | API # 43-007-31070 |
| 14) Kenilworth Railroad 15-3   | API # 43-007-31168 |
| 15) Kenilworth Railroad 15-4   | API # 43-007-31170 |

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:
2 NAME OF OPERATOR Marion Energy, Inc.		6. IF INDIAN, ALLOTTEE OR TRIBE NAME:
3. ADDRESS OF OPERATOR: 31 No. Main St. CITY Helper STATE Ut ZIP 84526		7. UNIT or CA AGREEMENT NAME:
PHONE NUMBER: (435) 650-3923		8. WELL NAME and NUMBER: Kenilworth/Cordingly Canyon
4 LOCATION OF WELL FOOTAGES AT SURFACE _____ COUNTY Carbon		9. API NUMBER:
QTR/QR. SECTION, TOWNSHIP, RANGE, MERIDIAN _____ STATE: UTAH		10. FIELD AND POOL OR WILDCAT Kenilworth

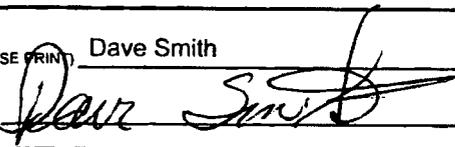
11 CHECK APPROPRIATE BOXES TO INDICATE NATURE OF NOTICE, REPORT, OR OTHER DATA

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: _____
	<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.

See attached documents. Pressures and water and gas for April.

Accepted by the  
Utah Division of  
Oil, Gas and Mining  
For Record Only

NAME (PLEASE PRINT) <u>Dave Smith</u>	TITLE <u>Construction/Maintenance</u>
SIGNATURE 	DATE <u>5/1/2013</u>

(This space for State use only)

RECEIVED

MAY 01 2013

DIV. OF OIL, GAS & MINING

Kenilworth/Cordingly

Pressures

15-1

Tubing	0	Casing	5
--------	---	--------	---

15-5

Tubing	0	Casing	0
--------	---	--------	---

15-2

Tubing	0	Casing	0
--------	---	--------	---

10-1

Tubing	0	Casing	15
--------	---	--------	----

Cordingly 11-1

Tubing	0	Casing	80
--------	---	--------	----

Kenilworth RR 1-A

Tubing	400	Casing	1400
--------	-----	--------	------

Kenilworth RR 1

Tubing	20	Casing	20
--------	----	--------	----

15-3

Tubing	20	Casing	50
--------	----	--------	----

Ball Park 1

Tubing	0	Casing	0
--------	---	--------	---

Kenilworth RR 2

Tubing	0	Casing	0
--------	---	--------	---

16-2 Not Drilled

17-2 Not Drilled

Kenilworth RR 15-4 Not Drilled

---

Clear Creek

10 29

Tubing	0	Casing	0
--------	---	--------	---

Oman 2-20

Tubing	110	Casing	90
--------	-----	--------	----

6-17

Tubing	0	Casing	0
--------	---	--------	---



GARY R. HERBERT  
Governor

SPENCER J. COX  
Lieutenant Governor

# State of Utah

## DEPARTMENT OF NATURAL RESOURCES

MICHAEL R. STYLER  
Executive Director

### Division of Oil, Gas and Mining

JOHN R. BAZA  
Division Director

June 2, 2014

Certified Mail #7003 2260 0003 2358 7004

Jeff Clarke  
Marion Energy, Inc.  
3580 Orr Road  
Allen, Texas 75002

15 13S 10E

Subject: Notice of Violation for Shut-in and Temporarily Abandoned Wells

Dear Mr. Clarke:

The Division of Oil, Gas and Mining (Division) issued Marion Energy, Inc (Marion) a Shut-in and Temporarily Abandoned Notice of Violation (NOV), dated January 3, 2013, for the following thirteen (13) wells.

Ballpark Cyn 16-2X	43-007-31207 Plugged and Abandoned - June 2013
Cordingly Cyn 10-1	43-007-31173 Plugged and Abandoned – October 2012
Ballpark Cyn 17-2	43-007-31169 Plugged and Abandoned – June 2013
Kenilworth RR 1-A	43-007-31229 Last Production – November 2008
Alpine School District 6-17	43-007-31181 Last Production – November 2008
Oman 10-29	43-007-31210 Comp – November 2008, Never Produced
Ballpark Cyn #1	43-007-31015 Last Production - June 2010
Cordingly Cyn 15-5	43-007-31167 Last Production – April 2010
Kenilworth RR #1	43-007-31006 Last Production – August 2010
Kenilworth RR#2	43-007-31007 Last Production – August 2010
Cordingly Cyn 15-2	43-007-31064 Last Production – August 2010
Cordingly Cyn 15-1	43-007-31065 Last Production – August 2010
Cordingly Cyn 11-1	43-007-31070 Last Production – August 2010

Marion plugged and abandoned the Ballpark Cyn 16-2X, Cordingly Cyn 10-1 and Ballpark Cyn 17-2 wells. The other ten (10) wells are still in noncompliance with Rule R64-3-16 Shut-in and Temporarily Abandoned Wells. If work was done on the wells Marion has not submitted notice of intent or subsequent sundry notices to the Division. If any work has been done on the wells please submit sundries immediately for the well files.

The operator is responsible to file, yearly, for extended shut-in or temporary abandonment for wells shut-in or temporarily abandoned for a period of twelve (12) consecutive months. Marion must file a Sundry Notice providing the following information for each of the above ten noncompliance wells; reasons for shut-in or temporarily abandonment of the well, length of time the well is expected to be shut-in or temporarily abandoned and an explanation



Page 2  
Marion Energy, Inc.  
June 2, 2014

and supporting data showing the well has integrity (R649-3-36.1). After review the Division will either approve the continued shut-in or temporarily abandoned status or require remedial action (R649-3-36.2). After five (5) years of non-activity or non-productivity, the well shall be plugged in accordance with R649-3-24, unless approval for extended shut-in time is given by the Division upon a showing of good cause by the operator (R649-3-36.3). Please note, three (3) of the ten noncompliance wells listed above have been shut-in over five (5) years.

Marion has until **June 30, 2014** to submit sundries, for the subject wells, in accordance with **Oil and Gas Conservation General Rule 649-3-36 Shut-in and Temporarily Abandoned Wells**.

Should Marion not meet shut-in and temporarily abandoned well requirements, the Division is prepared to file a Notice of Agency Action (NAA) for Commencement of Informal Adjudicative Proceedings (R649-10-3) for this matter in accordance with Oil and Gas Conservation General Rule R649-10 Administrative Procedures.

If you have any questions or need further assistance, please feel free to contact me at [clintondworshak@utah.gov](mailto:clintondworshak@utah.gov) or 801-538-5280 or Dustin Doucet, Petroleum Engineer, at [dustindoucet@utah.gov](mailto:dustindoucet@utah.gov) or 801-538-5281.

Sincerely,

  
Clinton Dworshak  
Oil and Gas Compliance Manager

CLD/js  
cc: John Rogers, Oil & Gas Associate Director  
Dustin Doucet, Petroleum Engineer  
Well Files  
Compliance File

N:\O&G Reviewed Docs\ChronFile\Compliance

<b>STATE OF UTAH</b> DEPARTMENT OF NATURAL RESOURCES DIVISION OF OIL, GAS, AND MINING		<b>FORM 9</b>
<b>SUNDRY NOTICES AND REPORTS ON WELLS</b>  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.		<b>5. LEASE DESIGNATION AND SERIAL NUMBER:</b> ML48133
		<b>6. IF INDIAN, ALLOTTEE OR TRIBE NAME:</b>
<b>1. TYPE OF WELL</b> Gas Well		<b>7. UNIT or CA AGREEMENT NAME:</b>
<b>2. NAME OF OPERATOR:</b> MARION ENERGY, INC.		<b>8. WELL NAME and NUMBER:</b> CORDINGLY CYN 15-1
<b>3. ADDRESS OF OPERATOR:</b> 2150 South Central Expressway , McKinney, TX, 75070	<b>PHONE NUMBER:</b> 972 540-2967 Ext	<b>9. API NUMBER:</b> 43007310650000
<b>4. LOCATION OF WELL</b> <b>FOOTAGES AT SURFACE:</b> 1396 FSL 1492 FEL <b>QTR/QTR, SECTION, TOWNSHIP, RANGE, MERIDIAN:</b> Qtr/Qtr: SESE Section: 15 Township: 13.0S Range: 10.0E Meridian: S		<b>9. FIELD and POOL or WILDCAT:</b> HELPER
		<b>COUNTY:</b> CARBON
		<b>STATE:</b> UTAH

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

TYPE OF SUBMISSION	TYPE OF ACTION		
<input checked="" type="checkbox"/> <b>NOTICE OF INTENT</b> Approximate date work will start: 10/31/2014	<input type="checkbox"/> ACIDIZE	<input type="checkbox"/> ALTER CASING	<input type="checkbox"/> CASING REPAIR
<input type="checkbox"/> <b>SUBSEQUENT REPORT</b> Date of Work Completion:	<input type="checkbox"/> CHANGE TO PREVIOUS PLANS	<input type="checkbox"/> CHANGE TUBING	<input type="checkbox"/> CHANGE WELL NAME
<input type="checkbox"/> <b>SPUD REPORT</b> Date of Spud:	<input type="checkbox"/> CHANGE WELL STATUS	<input type="checkbox"/> COMMINGLE PRODUCING FORMATIONS	<input type="checkbox"/> CONVERT WELL TYPE
<input type="checkbox"/> <b>DRILLING REPORT</b> Report Date:	<input type="checkbox"/> DEEPEN	<input type="checkbox"/> FRACTURE TREAT	<input type="checkbox"/> NEW CONSTRUCTION
	<input type="checkbox"/> OPERATOR CHANGE	<input type="checkbox"/> PLUG AND ABANDON	<input type="checkbox"/> PLUG BACK
	<input checked="" type="checkbox"/> <b>PRODUCTION START OR RESUME</b>	<input type="checkbox"/> RECLAMATION OF WELL SITE	<input type="checkbox"/> RECOMPLETE DIFFERENT FORMATION
	<input type="checkbox"/> REPERFORATE CURRENT FORMATION	<input type="checkbox"/> SIDETRACK TO REPAIR WELL	<input type="checkbox"/> TEMPORARY ABANDON
	<input type="checkbox"/> TUBING REPAIR	<input type="checkbox"/> VENT OR FLARE	<input type="checkbox"/> WATER DISPOSAL
	<input type="checkbox"/> WATER SHUTOFF	<input type="checkbox"/> SI TA STATUS EXTENSION	<input type="checkbox"/> APD EXTENSION
	<input type="checkbox"/> WILDCAT WELL DETERMINATION	<input type="checkbox"/> OTHER	OTHER: <input style="width: 100px;" type="text"/>

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

The wells in the Helper field continue in temporary shut-in status due to Marion's financial circumstances. Marion recently was recapitalized with funds to put the Clear Creek field on production, when that is accomplished Marion will have income to put the Helper wells back on production. Work was carried out in mid 2013 to replace bad joints of tubing, during this time a new down hole pump was also installed. This well has a casing pressure of 550lbs which was taken on 7/12/2014. This shows that the replacement of the tubing was successful. Marion Energy is planning to install a pumping unit motor on this well. Once the pumping unit motor is delivered and installed the well will be returned to production in October,

**Accepted by the  
Utah Division of  
Oil, Gas and Mining**  
**FOR RECORD ONLY**  
July 23, 2014

<b>NAME (PLEASE PRINT)</b> Ben Evans	<b>PHONE NUMBER</b> 214 592-8615	<b>TITLE</b> Landman
<b>SIGNATURE</b> N/A	<b>DATE</b> 7/14/2014	

<b>STATE OF UTAH</b> DEPARTMENT OF NATURAL RESOURCES DIVISION OF OIL, GAS, AND MINING		FORM 9
<b>SUNDRY NOTICES AND REPORTS ON WELLS</b>  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.		<b>5. LEASE DESIGNATION AND SERIAL NUMBER:</b> ML48133
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<b>1. TYPE OF WELL</b> Gas Well		<b>7. UNIT or CA AGREEMENT NAME:</b>
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<b>3. ADDRESS OF OPERATOR:</b> 2150 South Central Expressway , McKinney, TX, 75070	<b>PHONE NUMBER:</b> 972 540-2967 Ext	<b>9. FIELD and POOL or WILDCAT:</b> HELPER
<b>4. LOCATION OF WELL</b> <b>FOOTAGES AT SURFACE:</b> 1396 FSL 1492 FEL <b>QTR/QTR, SECTION, TOWNSHIP, RANGE, MERIDIAN:</b> Qtr/Qtr: SESE Section: 15 Township: 13.0S Range: 10.0E Meridian: S		<b>COUNTY:</b> CARBON
		<b>STATE:</b> UTAH

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

TYPE OF SUBMISSION	TYPE OF ACTION		
<input checked="" type="checkbox"/> <b>NOTICE OF INTENT</b> Approximate date work will start: 10/31/2014	<input type="checkbox"/> ACIDIZE	<input type="checkbox"/> ALTER CASING	<input type="checkbox"/> CASING REPAIR
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<input type="checkbox"/> <b>DRILLING REPORT</b> Report Date:	<input type="checkbox"/> DEEPEN	<input type="checkbox"/> FRACTURE TREAT	<input type="checkbox"/> NEW CONSTRUCTION
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	<input type="checkbox"/> TUBING REPAIR	<input type="checkbox"/> VENT OR FLARE	<input type="checkbox"/> WATER DISPOSAL
	<input type="checkbox"/> WATER SHUTOFF	<input type="checkbox"/> SI TA STATUS EXTENSION	<input type="checkbox"/> APD EXTENSION
	<input type="checkbox"/> WILDCAT WELL DETERMINATION	<input type="checkbox"/> OTHER	OTHER: <input style="width: 100px;" type="text"/>

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

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<b>NAME (PLEASE PRINT)</b> Ben Evans	<b>PHONE NUMBER</b> 214 592-8615	<b>TITLE</b> Landman
<b>SIGNATURE</b> N/A	<b>DATE</b> 7/14/2014	

Division of Oil, Gas and Mining

Operator Change/Name Change Worksheet-for State use only

Effective Date: 6/1/2015

<b>FORMER OPERATOR:</b>	<b>NEW OPERATOR:</b>
Marion Energy, Inc 1415 N Loop West, Suite 1250 Houston, TX 77008 281-540-0028	Utah Gas Operating Solutision, LLC 1415 N Loop West, Suite 1250 Houston, TX 77008 281-540-0028
CA Number(s):	Unit(s): Clear Creek

**WELL INFORMATION:**

Well Name	Sec	TWN	RNG	API	Entity	Mineral	Surface	Type	Status
See Attache Listq									

**OPERATOR CHANGES DOCUMENTATION:**

1. Sundry or legal documentation was received from the **FORMER** operator on: 6/24/2015
2. Sundry or legal documentation was received from the **NEW** operator on: 6/24/2015
3. New operator Division of Corporations Business Number: 9345770-0161

**REVIEW:**

1. Surface Agreement Sundry from **NEW** operator on Fee Surface wells received on: N/A
2. Receipt of Acceptance of Drilling Procedures for APD on: N/A
3. Reports current for Production/Disposition & Sundries: 6/25/2015
4. OPS/SI/TA well(s) reviewed for full cost bonding: 6/25/2015
5. UIC5 on all disposal/injection/storage well(s) approved on: 7/8/2015
6. Surface Facility(s) included in operator change: Clear Creek Tank Battery
7. Inspections of PA state/fee well sites complete on (only upon operators request): 6/25/2015

**NEW OPERATOR BOND VERIFICATION:**

1. Federal well(s) covered by Bond Number: SU46335
2. Indian well(s) covered by Bond Number: N/A
3. State/fee well(s) covered by Bond Number(s): SU46334 and SU46341

**DATA ENTRY:**

1. Well(s) update in the **OGIS** on: 7/9/2015
2. Entity Number(s) updated in **OGIS** on: 7/9/2015
3. Unit(s) operator number update in **OGIS** on: 7/9/2015
4. Surface Facilities update in **OGIS** on: N/A
5. State/Fee well(s) attached to bond(s) in **RBDMS** on: 7/9/2015
6. Surface Facilities update in **RBDMS** on: 7/9/2015

**LEASE INTEREST OWNER NOTIFICATION:**

1. The **NEW** operator of the Fee (Mineral) wells has been contacted and informed by a letter from the Division of their responsibility to notify all interest owners of this change on: 7/9/2015

**COMMENTS:**

Marion Energy, Inc to  
Utah Gas Operating Solutions, LLC  
Effective 6/1/2015

Well Name	Sec	TWN	RNG	API	Entity	Mineral	Surface	Type	Status	Unit
ALPINE SCHOOL DIST 3-17	17	130S	070E	4300731182	2550	State	Fee	WD	A	CLEAR CREEK
RIDGE RUNNER 8-19	20	140S	070E	4301530682	2550	Federal	Federal	GW	OPS	CLEAR CREEK
RIDGE RUNNER 2-18	17	140S	070E	4301530683	16130	Federal	Federal	GW	OPS	CLEAR CREEK
UTAH FUEL 10	5	140S	070E	4300716016	2550	Fee	Fee	GW	P	CLEAR CREEK
RIDGE RUNNER 13-17	17	140S	070E	4301530269	2550	Federal	Federal	GW	P	CLEAR CREEK
UTAH FUEL 1	5	140S	070E	4300716009	2550	Fee	Fee	GW	PA	CLEAR CREEK
UTAH FUEL 2	32	130S	070E	4300716010	2550	Fee	Fee	GW	PA	CLEAR CREEK
UTAH FUEL 3	32	130S	070E	4300716011	2550	Fee	Fee	GW	PA	CLEAR CREEK
UTAH FUEL 4	30	130S	070E	4300716012	2550	Fee	Fee	GW	PA	CLEAR CREEK
UTAH FUEL 5	31	130S	070E	4300716013	2550	Fee	Fee	GW	PA	CLEAR CREEK
UTAH MINERAL STATE	29	130S	070E	4300730102	2550	State	Fee	GW	PA	CLEAR CREEK
BALLPARK CYN 17-2	16	130S	100E	4300731169	15494	Fee	Fee	D	PA	
KENILWORTH RAILROAD 15-4	16	130S	100E	4300731170	15495	Federal	Fee	D	PA	
BALLPARK CYN 16-2	16	130S	100E	4300731171	15434	Fee	Fee	D	PA	
CORDINGLY CYN 10-1	15	130S	100E	4300731173	15435	Fee	Fee	D	PA	
BALLPARK CYN 16-2X	16	130S	100E	4300731207	15496	Fee	Fee	D	PA	
UTAH FUEL A-1	6	140S	070E	4301516021	2550	Fee	Fee	GW	PA	CLEAR CREEK
UTAH FUEL 8	19	130S	070E	4300716015	2550	Fee	Fee	GW	S	CLEAR CREEK
OMAN 2-20	20	130S	070E	4300730289	2550	State	Fee	GW	S	CLEAR CREEK
KENILWORTH RR #1	16	130S	100E	4300731006	14624	Fee	Fee	GW	S	
KENILWORTH RR #2	16	130S	100E	4300731007	14625	Fee	Fee	GW	S	
BALLPARK CANYON #1	16	130S	100E	4300731015	15159	Fee	Fee	GW	S	
CORDINGLY CYN 15-2	15	130S	100E	4300731064	15160	State	Fee	GW	S	
CORDINGLY CYN 15-1	15	130S	100E	4300731065	15161	State	Fee	GW	S	
CORDINGLY CYN 11-1	11	130S	100E	4300731070	15432	Fee	Fee	GW	S	
CORDINGLY CYN 15-5	15	130S	100E	4300731167	15433	State	Fee	GW	S	
KENILWORTH RAILROAD 15-3	16	130S	100E	4300731168	16041	Federal	Fee	GW	S	
ALPINE SCHOOL DIST 6-17	17	130S	070E	4300731181	2550	State	Fee	GW	S	CLEAR CREEK
OMAN 10-29	29	130S	070E	4300731210	2550	State	Fee	GW	S	CLEAR CREEK
KENILWORTH RR 1-A	16	130S	100E	4300731229	16456	Fee	Fee	GW	S	
RIDGE RUNNER 11-20	20	140S	070E	4301530271	2550	Federal	Federal	GW	S	CLEAR CREEK
RIDGE RUNNER 1-30	20	140S	070E	4301530680	2550	Federal	Federal	GW	S	CLEAR CREEK
RIDGE RUNNER 2-19	17	140S	070E	4301530684	2550	Federal	Federal	GW	S	CLEAR CREEK
RIDGE RUNNER 11-17	17	140S	070E	4301530685	2550	Federal	Federal	GW	S	CLEAR CREEK

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

FORM 9

5. LEASE DESIGNATION AND SERIAL NUMBER:  
**ML-1257**

**SUNDRY NOTICES AND REPORTS ON WELLS**

6. IF INDIAN, ALLOTTEE OR TRIBE NAME:

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.

7. UNIT or CA AGREEMENT NAME:  
**Clear Creek**

1. TYPE OF WELL  
OIL WELL  GAS WELL  OTHER Compressor

8. WELL NAME and NUMBER:

2. NAME OF OPERATOR:  
**Utah Gas Operating Solutions, LLC**

9. API NUMBER:

3. ADDRESS OF OPERATOR:  
**1415 North Loop West, STE** CITY **Houston** STATE **TX** ZIP **77008**

PHONE NUMBER:  
**(281) 540-0028**

10. FIELD AND POOL, OR WILDCAT:

4. LOCATION OF WELL  
FOOTAGES AT SURFACE: COUNTY: **Carbon**

QTR/QTR, SECTION, TOWNSHIP, RANGE, MERIDIAN: **NWNW 33 13S 7E** STATE: **UTAH**

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

TYPE OF SUBMISSION	TYPE OF ACTION		
<input checked="" type="checkbox"/> NOTICE OF INTENT (Submit in Duplicate)  Approximate date work will start: <u>6/1/2015</u>	<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"/> SUBSEQUENT REPORT (Submit Original Form Only)  Date of work completion:	<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.

Please accept this as notice that as of June 1st, 2015, Marion Energy, Inc. is resigning as the operator of the "Clear Creek Compressor Station" and assigning Utah Gas Operating Solutions, LLC. as the successor of operator. This is in conjunction with Utah Gas Operating Solutions, LLC bond number 5040334.  
"Clear Creek Compressor Station"  
Sec 33 13S 7E NWNW

Marion Energy, Inc.

Signature: *Douglas Flannery*

Date: 6/1/15

Name: Douglas Flannery

Title: VP

Utah Gas Operating Solutions, LLC.

Signature: *Patrick W. Merritt*

Date: 6-15-2015

Name: Patrick W. Merritt

Title: AGENT-LIMITED ATTORNEY IN FACT

NAME (PLEASE PRINT) Patrick W. Merritt

TITLE AGENT-LIMITED ATTORNEY IN FACT

SIGNATURE *Patrick W. Merritt*

DATE 6-15-2015

(This space for State use only)

**APPROVED**

JUL 09 2015

DIV. OIL GAS & MINING  
BY: Rachel Medina

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

FORM 9

5. LEASE DESIGNATION AND SERIAL NUMBER:  
**ML-1257**

**SUNDRY NOTICES AND REPORTS ON WELLS**

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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.

7. UNIT or CA AGREEMENT NAME:  
**Clear Creek Unit**

1. TYPE OF WELL      OIL WELL       GAS WELL       OTHER \_\_\_\_\_

8. WELL NAME and NUMBER:

2. NAME OF OPERATOR:  
**Marion Energy, Inc**

9. API NUMBER:

3. ADDRESS OF OPERATOR:  
**1415 N Loop W, STE 1250**      CITY **Houston**      STATE **TX**      ZIP **77008**

PHONE NUMBER:  
**(281) 540-0028**

10. FIELD AND POOL, OR WILDCAT:  
**Helper Field**

4. LOCATION OF WELL  
FOOTAGES AT SURFACE: \_\_\_\_\_      COUNTY: \_\_\_\_\_  
QTR/QTR, SECTION, TOWNSHIP, RANGE, MERIDIAN: \_\_\_\_\_      STATE: **UTAH**

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

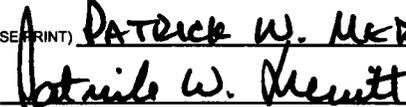
TYPE OF SUBMISSION	TYPE OF ACTION		
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	<input type="checkbox"/> COMMINGLE PRODUCING FORMATIONS	<input type="checkbox"/> RECLAMATION OF WELL SITE	<input type="checkbox"/> OTHER: _____
	<input type="checkbox"/> CONVERT WELL TYPE	<input type="checkbox"/> RECOMPLETE - DIFFERENT FORMATION	

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

As of June 1st, 2015, Marion Energy, Inc. resigns as Operator over its former Clear Creek Unit and Helper Field assets. In conjunction with this resignation, Utah Gas Operating Solutions, LLC. will be taking over as the Successor Operator upon your approval. Please refer to all documents submitted by Utah Gas Operating Solutions, LLC. as successor unit operator and on behalf of Marion Energy, Inc. regarding this change.

Please see the attached Appendix A below for a complete well and facility list that will be transferred upon governing approval. As the Vice President of Marion Energy, Inc. I ask that you accept this letter as Marion Energy's official resignation and request to transfer operating rights to Utah Gas Operating Solutions, LLC.

Signature:       Date: 6/11/15  
Doug Flannery  
Vice President

NAME (PLEASE PRINT) DATRICK W. MERRITT      TITLE AGENT - CONTRACT OPERATOR  
SIGNATURE       DATE 6-15-2015

(This space for State use only)

**APPROVED**

(5/2000)

(See Instructions on Reverse Side)

JUL 09 2015  
DIV. OIL GAS & MINING  
BY: Rachel Medina

APPENDIX A

Well List

Well Name	Sec	TWN	RNG	API	Status
ALPINE SCHOOL DIST 3-17	17	130S	070E	4300731182	A
KENILWORTH RAILROAD 9-1	16	130S	100E	4300731172	LA
JACOB 5-5	5	140S	070E	4300731190	LA
JACOB 4-8	5	140S	070E	4300731191	LA
OMAN 2-31	30	130S	070E	4300731246	LA
OMAN 3-32	29	130S	070E	4300731247	LA
MADSEN 11-20	19	130S	070E	4300731297	LA
OMAN 7-19	19	130S	070E	4300731298	LA
WOOLSEY 3-31	31	130S	070E	4300731305	LA
OLD RAIL ROAD GRADE 17-1	17	130S	100E	4300731354	LA
KENILWORTH WASH 18-1	18	130S	100E	4300731355	LA
ALRAD CYN 13-1	13	130S	100E	4300731357	LA
CORDINGLY CYN 15-6	15	130S	100E	4300731416	LA
RIDGE RUNNER 7-20	20	140S	070E	4301530681	LA
RIDGE RUNNER 8-19	20	140S	070E	4301530682	OPS
RIDGE RUNNER 2-18	17	140S	070E	4301530683	OPS
UTAH FUEL 10	5	140S	070E	4300716016	P
RIDGE RUNNER 13-17	17	140S	070E	4301530269	P
UTAH FUEL 1	5	140S	070E	4300716009	PA
UTAH FUEL 2	32	130S	070E	4300716010	PA
UTAH FUEL 3	32	130S	070E	4300716011	PA
UTAH FUEL 4	30	130S	070E	4300716012	PA
UTAH FUEL 5	31	130S	070E	4300716013	PA
UTAH MINERAL STATE	29	130S	070E	4300730102	PA
BALLPARK CYN 17-2	16	130S	100E	4300731169	PA
KENILWORTH RAILROAD 15-4	16	130S	100E	4300731170	PA
BALLPARK CYN 16-2	16	130S	100E	4300731171	PA
CORDINGLY CYN 10-1	15	130S	100E	4300731173	PA
BALLPARK CYN 16-2X	16	130S	100E	4300731207	PA
UTAH FUEL A-1	6	140S	070E	4301516021	PA
OMAN 14-20	29	130S	070E	4300731209	RET
CORDINGLY CYN 2-1	2	130S	100E	4300731236	RET
SWD 1	28	130S	100E	4300731417	RET
SHIMMIN 33-1	33	120S	110E	4300731431	RET
SEAMONS 5-8	8	130S	070E	4300731432	RET
CRITCHLOW 29-1	29	120S	110E	4300731433	RET
RADAKOVICH 12-5-1	5	130S	070E	4300731434	RET
ALLRED 10-1	10	120S	110E	4300731435	RET

RADAKOVICH 12-5	5	130S	070E	4300731436	RET
SEAMONS 5-8-2	8	130S	070E	4300731437	RET
WOOLSEY 3-31-1	31	130S	070E	4300731438	RET
ALLRED 13-1	13	120S	110E	4300731439	RET
JACOB 5-5	5	140S	070E	4300731513	RET
UTAH FUEL 8	19	130S	070E	4300716015	S
OMAN 2-20	20	130S	070E	4300730289	S
KENILWORTH RR #1	16	130S	100E	4300731006	S
KENILWORTH RR #2	16	130S	100E	4300731007	S
BALLPARK CANYON #1	16	130S	100E	4300731015	S
CORDINGLY CYN 15-2	15	130S	100E	4300731064	S
CORDINGLY CYN 15-1	15	130S	100E	4300731065	S
CORDINGLY CYN 11-1	11	130S	100E	4300731070	S
CORDINGLY CYN 15-5	15	130S	100E	4300731167	S
KENILWORTH RAILROAD 15-3	16	130S	100E	4300731168	S
ALPINE SCHOOL DIST 6-17	17	130S	070E	4300731181	S
OMAN 10-29	29	130S	070E	4300731210	S
KENILWORTH RR 1-A	16	130S	100E	4300731229	S
RIDGE RUNNER 11-20	20	140S	070E	4301530271	S
RIDGE RUNNER 1-30	20	140S	070E	4301530680	S
RIDGE RUNNER 2-19	17	140S	070E	4301530684	S
RIDGE RUNNER 11-17	17	140S	070E	4301530685	S

Facility List

Clear Creek Compressor Station	33	13S	7E
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