

# CARBON COUNTY PLANNING AND BUILDING DEPARTMENTS

120 East Main Street • Price, Utah 84501 • (435) 636-3260 • Fax (435) 636-3264

February 9, 2006

Scott Jacoby  
Marion Energy, Inc.  
119 South Tennessee, Suite 200  
McKinney, TX 75069

Re: Zone change request and conditional use permit request for six (6) gas wells in the Clear Creek area: Alpine School District 3-17, Oman 14-20, Jacob 5-5, Madsen 2-30, Woolsey 3-31, and Oman 7-19.

Dear Mr. Jacoby:

This is to confirm that the Carbon County Planning Commission met in a regularly scheduled meeting February 7, 2006 to consider Marion Energy, Inc.'s request for a zone change from WS to MR, and for a conditional use permit for six (6) gas wells, as mentioned above.

As you know from having attended this meeting, the requests were approved, with the following additional conditions:

- Use liners for containment ponds, and any diesel tanks
- Berms around sites
- No noise emitted beyond 55 db at 100' from well head; baffle is necessary
- Keep truck traffic through Clear Creek to a minimum
- Control erosion
- No open fires allowed on site, unless attended

We will now submit an ad for the public notice to the Sun Advocate, for which you will be billed, for a public hearing to be held before the County Commission Wednesday March 1, 2006 at 4:30 p.m. in the Courthouse. You may want to attend this meeting to answer any questions which may arise.

Please contact our office if you have any questions.

Sincerely,

Gayla M. Williams  
Zoning Administrator

Cc: Mel Coonrod, EIS

Dave Levanger  
Building Official/Director of Planning  
636-3261

Lew Korenko  
Deputy Building Official  
636-3262

Gayla Williams  
Zoning Administrator  
636-3710

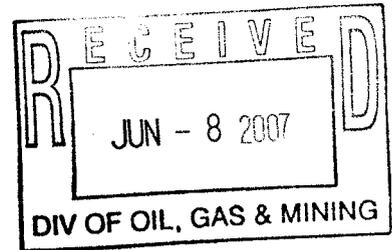
Rex Sacco  
Lands and Access Coordinator  
636-3712

Ann Price  
Administrative Assistant  
636-3260



June 7, 2007

Utah Division of Oil Gas and Mining  
ATTN: Diana Whitney  
1594 West North Temple, Suite 1210  
Salt Lake City, Utah  
84116



RE: Madsen 11-20  
Marion Energy Inc. Application for Permit to Drill  
Clear Creek Federal Unit, Carbon County Utah

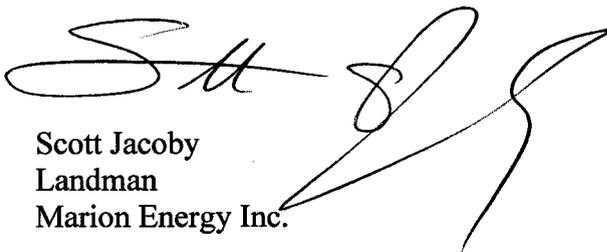
Oman 7-19  
Marion Energy Inc. Application for Permit to Drill  
Clear Creek Federal Unit, Carbon County Utah

Dear Ms. Whitney

Please find enclosed two copies of the above referenced well APD's that are to be drilled in our Clear Creek Federal Unit located in 13S-7E and Carbon County, Utah.

If you require any further information, please do not hesitate to contact me at (972) 540-2967 ext. 3008 or email [sjacoby@marionenergy.com](mailto:sjacoby@marionenergy.com)

Sincerely,



Scott Jacoby  
Landman  
Marion Energy Inc.

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

FORM 3

AMENDED REPORT   
(highlight changes)

APPLICATION FOR PERMIT TO DRILL

1A. TYPE OF WORK: DRILL <input checked="" type="checkbox"/> REENTER <input type="checkbox"/> DEEPEN <input type="checkbox"/>		5. MINERAL LEASE NO: ML-1256	6. SURFACE: Fee
B. TYPE OF WELL: OIL <input type="checkbox"/> GAS <input checked="" type="checkbox"/> OTHER _____ SINGLE ZONE <input checked="" type="checkbox"/> MULTIPLE ZONE <input type="checkbox"/>		7. IF INDIAN, ALLOTTEE OR TRIBE NAME:	
2. NAME OF OPERATOR: Marion Energy Inc.		8. UNIT or CA AGREEMENT NAME: Clear Creek Unit	
3. ADDRESS OF OPERATOR: 119 S. Tennessee CITY McKinney STATE TX ZIP 75069		PHONE NUMBER: (972) 540-2967	9. WELL NAME and NUMBER: Madsen 11-20
4. LOCATION OF WELL (FOOTAGES): AT SURFACE: 818.18' FSL 707.62' FEL SE/4 Section 19 T13S - 7E AT PROPOSED PRODUCING ZONE: 2437' FNL 2119' FWL NW/4 Section 20 T13S - 7E		10. FIELD AND POOL, OR WILDCAT: Clear Creek 10	
14. DISTANCE IN MILES AND DIRECTION FROM NEAREST TOWN OR POST OFFICE: Approximately 2 Miles Northwest of the Town of Clear Creek		12. COUNTY: Carbon	13. STATE: UTAH
15. DISTANCE TO NEAREST PROPERTY OR LEASE LINE (FEET): 598.06 to the west	16. NUMBER OF ACRES IN LEASE: 480.00	17. NUMBER OF ACRES ASSIGNED TO THIS WELL: 40	
18. DISTANCE TO NEAREST WELL (DRILLING, COMPLETED, OR APPLIED FOR) ON THIS LEASE (FEET): 20'	19. PROPOSED DEPTH: 90 Scott 11/08/08 6633 7.073	20. BOND DESCRIPTION: see attached Bond documents	
21. ELEVATIONS (SHOW WHETHER DF, RT, GR, ETC.): 9442.8 feet GR	22. APPROXIMATE DATE WORK WILL START: 07/01/2007	23. ESTIMATED DURATION: 30 Days	

PROPOSED CASING AND CEMENTING PROGRAM

SIZE OF HOLE	CASING SIZE, GRADE, AND WEIGHT PER FOOT			SETTING DEPTH	CEMENT TYPE, QUANTITY, YIELD, AND SLURRY WEIGHT			
14 1/4"	10 3/4"	J-55	40.50	500	Prem Plus III	323 sx	1.41cuft/sk	14.20 ppq
9 7/8"	7 5/8"	J-55	26.40	3,100	Lead: Prem. Lite	207 sx	3.82 cuft/sk	11.0 ppq
					Tail: 50/50 Poz	267 sx	1.41cuft/sk	14.20 ppq
6 3/4"	5 1/2"	J-55	17.0	6633 7.073	Lead: Prem. Lite	122 sx	3.82 cuft/sk	11.0 ppq
	Liner top @ 2900' full string				Tail: 50/50 Poz	103 sx	1.41cuft/sk	14.20 ppq

ATTACHMENTS

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

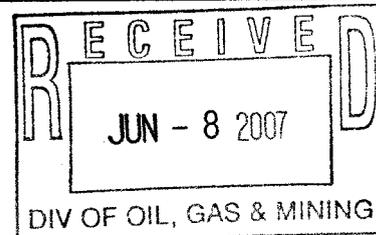
- |  |  |
|--|--|
| <input checked="" type="checkbox"/> WELL PLAT OR MAP PREPARED BY LICENSED SURVEYOR OR ENGINEER | <input checked="" type="checkbox"/> COMPLETE DRILLING PLAN                                   |
| <input type="checkbox"/> EVIDENCE OF DIVISION OF WATER RIGHTS APPROVAL FOR USE OF WATER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

NAME (PLEASE PRINT) SCOTT JACOBY ext 3008 TITLE LANDMAN  
SIGNATURE Scott Jacoby DATE 06/07/2007

(This space for State use only)

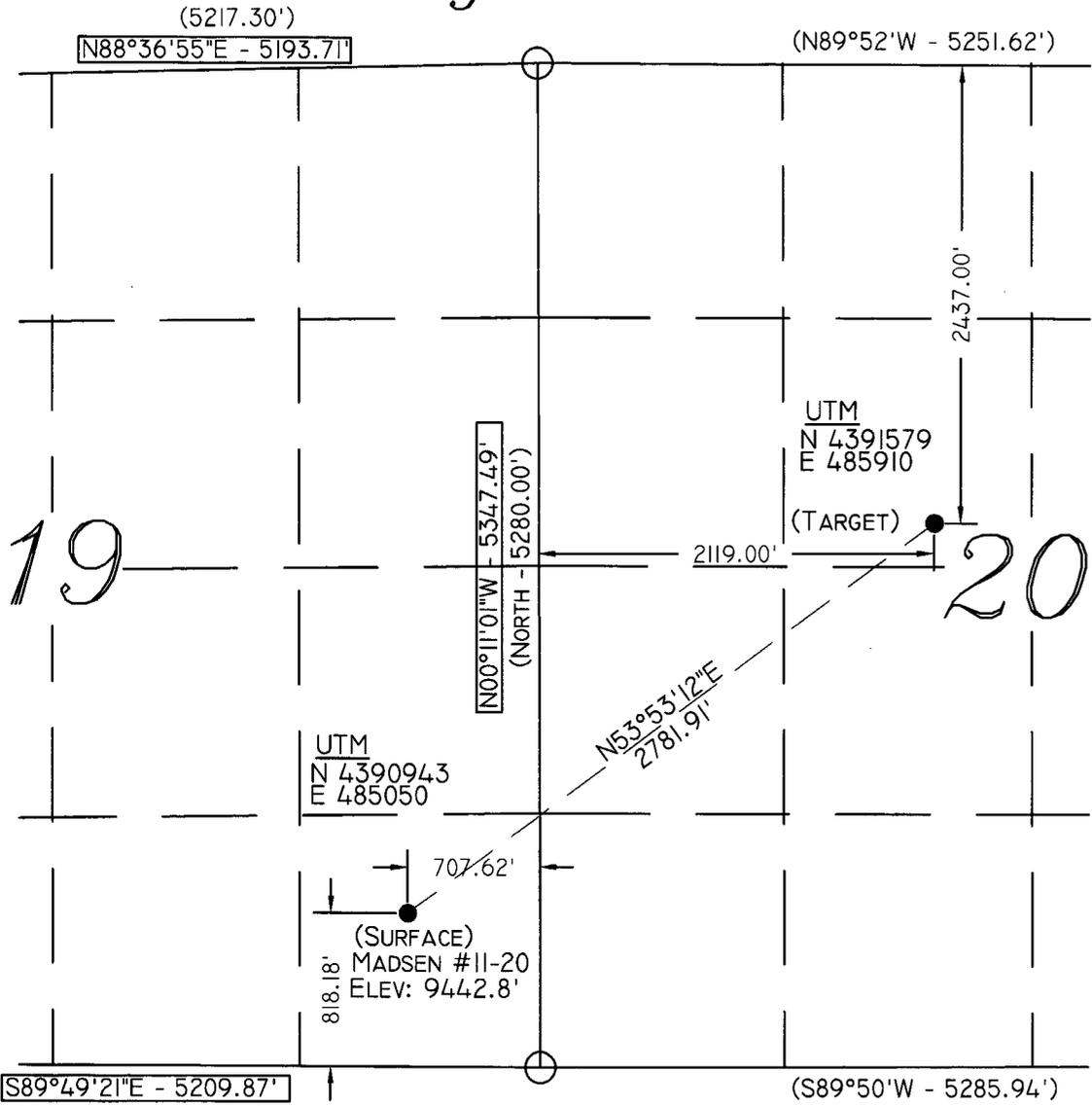
API NUMBER ASSIGNED: 43-007-31297

APPROVAL:



# Range 7 East

Township 13 South



**Location:**  
The well location was determined using a Trimble 5700 GPS survey grade unit.

**Basis of Bearing:**  
The Basis of Bearing is GPS Measured.

**GLO Bearing:**  
The Bearings indicated are per the recorded plat obtained from the U.S. Land Office.

**Basis of Elevation:**  
Basis of Elevation of 9350' being at the Northwest Section Corner of Section 30, Township 13 South, Range 7 East, Salt Lake Base and Meridian, as shown on the Scofield Quadrangle 7.5 minute series map.

**Description of Location:**  
Surface Location  
Proposed Drill Hole located in the SE/4 SE/4 of Section 19, T13S, R7E, S.L.B.&M., being North 818.18' from South Line and West 707.62' from East Line of Section 19, T13S, R7E, Salt Lake Base & Meridian.

Target Location  
Proposed Target located in the SE/4 NW/4 of Section 20, T13S, R7E, S.L.B.&M., being South 2437.00' from North Line and East 2119.00' from West Line of Section 20, T13S, R7E, Salt Lake Base & Meridian.

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





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



**Marion Energy Inc.**

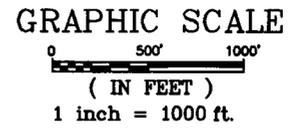
**MADSEN #11-20**  
Section 19, T13S, R7E, S.L.B.&M.  
Carbon County, Utah

Drawn By: <b>N. BUTKOVICH</b>	Checked By: <b>L.W.J./A.J.S.</b>
Drawing No. <b>A-1</b>	Date: <b>8/22/06</b>
	Scale: <b>1" = 1000'</b>
Sheet <b>1</b> of <b>4</b>	Job No. <b>2525-B</b>

- Legend**
- Drill Hole Location
  - ⊕ Metal Cap (Found)
  - Rock (Found)
  - △ Rebar (Found)
  - ( ) GLO
  - ⎓ GPS Measured

**NOTES:**  
1. UTM and Latitude / Longitude Coordinates are derived using a GPS Pathfinder and are shown in NAD 27 Datum.

SURFACE	TARGET
LAT / LONG 39°40'12.207"N 111°10'27.482"W	LAT / LONG 39°40'32.890"N 111°09'51.435"W



REVISION: 9/20/06

**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: ML-1256	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 _____ SINGLE ZONE <input checked="" type="checkbox"/> MULTIPLE ZONE <input type="checkbox"/>				8. UNIT or CA AGREEMENT NAME: Clear Creek Unit	
2. NAME OF OPERATOR: Marion Energy Inc.				9. WELL NAME and NUMBER: Madsen 11-20	
3. ADDRESS OF OPERATOR: 119 S. Tennessee CITY McKinney STATE TX ZIP 75069			PHONE NUMBER: (972) 540-2967	10. FIELD AND POOL, OR WILDCAT: Wildcat	
4. LOCATION OF WELL (FOOTAGES) AT SURFACE: 485.052' x 439.045' 39.676071 -111.174280 818.18' FSL 707.62' FEL SE/4 Section 19 T13S - 7E				11. QTR/QTR, SECTION, TOWNSHIP, RANGE, MERIDIAN: SESE 19 13S 7E	
AT PROPOSED PRODUCING ZONE: 2104.00' FSL 2321' FWL NW/4 Section 20 T13S - 7E 485.976' x 439.1335' 39.673602 -111.163513				12. COUNTY: Carbon	
14. DISTANCE IN MILES AND DIRECTION FROM NEAREST TOWN OR POST OFFICE: Approximately 2 Miles Northwest of the Town of Clear Creek				13. STATE: UTAH	
15. DISTANCE TO NEAREST PROPERTY OR LEASE LINE (FEET) 598.06 to the west		16. NUMBER OF ACRES IN LEASE: 480.00		17. NUMBER OF ACRES ASSIGNED TO THIS WELL: 40	
18. DISTANCE TO NEAREST WELL (DRILLING, COMPLETED, OR APPLIED FOR) ON THIS LEASE (FEET) 20'		19. PROPOSED DEPTH: 7,055		20. BOND DESCRIPTION: see attached Bond documents	
21. ELEVATIONS (SHOW WHETHER DF, RT, GR, ETC.): 9442.8 feet GR		22. APPROXIMATE DATE WORK WILL START: 5/15/2007		23. ESTIMATED DURATION: 30 Days	

24. **PROPOSED CASING AND CEMENTING PROGRAM**

SIZE OF HOLE	CASING SIZE, GRADE, AND WEIGHT PER FOOT	SETTING DEPTH	CEMENT TYPE, QUANTITY, YIELD, AND SLURRY WEIGHT
14 1/4"	10 3/4" J-55 40.50	500	Prem Plus III 323 sx 1.41cuft/sk 14.20 ppg
9 7/8"	7 5/8" J-55 26.40	3,600	Lead: Prem. Lite 250 sx 3.82 cuft/sk 11.0 ppg Tail: 50/50 Poz 317 sx 1.41cuft/sk 14.20 ppg
6 3/4"	5 1/2" J-55 17.0	7,055	Lead: Prem. Lite 122 sx 3.82 cuft/sk 11.0 ppg Tail: 50/50 Poz 103 sx 1.41cuft/sk 14.20 ppg
	Liner top @ 2900'		

25. **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 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) Scott Jacoby TITLE Landman  
SIGNATURE *Scott Jacoby* DATE 6/3/2008

(This space for State use only)

API NUMBER ASSIGNED: 43007-31297

**Approved by the  
Utah Division of  
Oil, Gas and Mining**

APPROVAL:

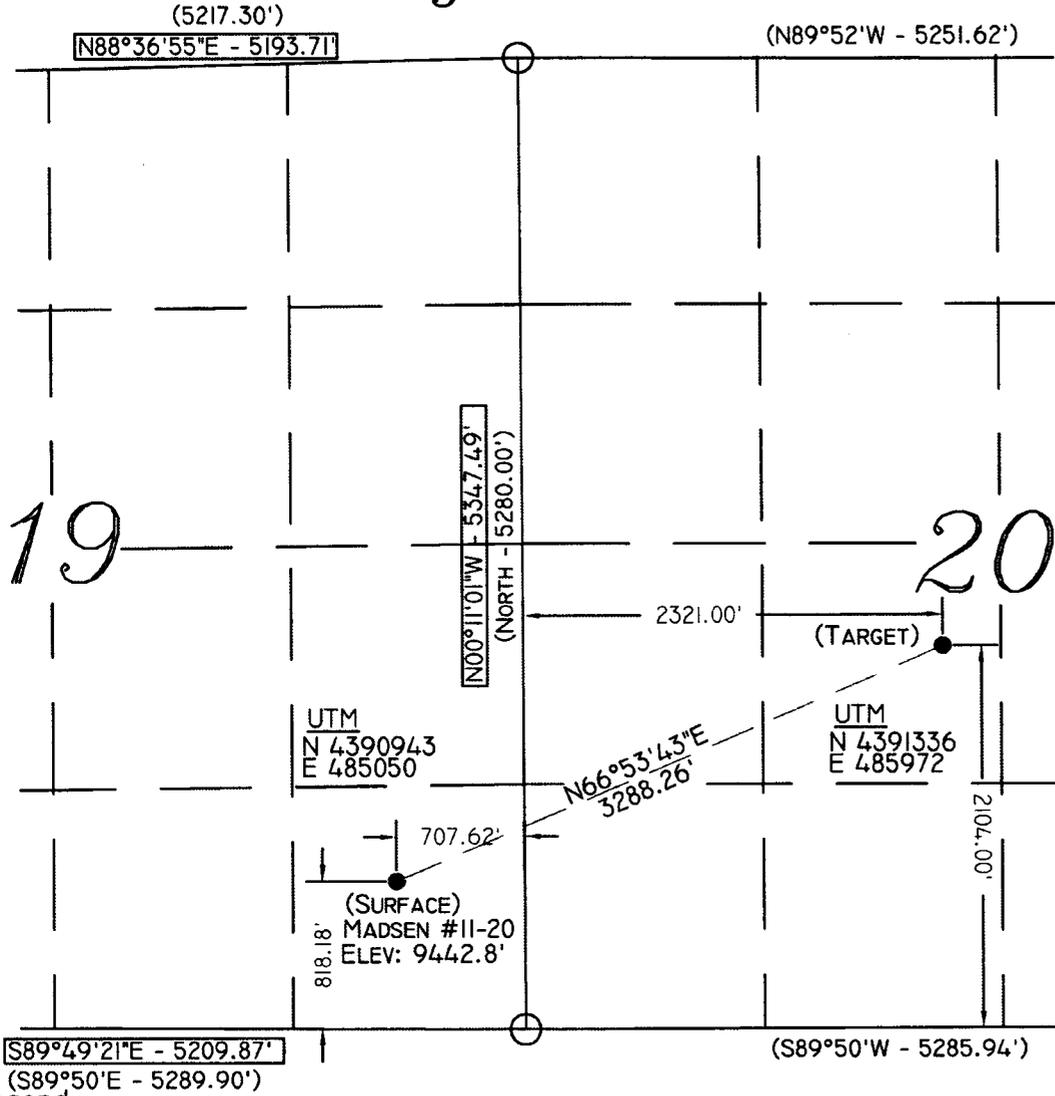
Date: 08-05-08  
By: *[Signature]*

(11/2001)

**RECEIVED**  
**JUN 03 2008**  
DIV. OF OIL, GAS & MINING

# Range 7 East

Township 13 South



**Location:**  
The well location was determined using a Trimble 5700 GPS survey grade unit.

**Basis of Bearing:**  
The Basis of Bearing is GPS Measured.

**GLO Bearing:**  
The Bearings indicated are per the recorded plat obtained from the U.S. Land Office.

**Basis of Elevation:**  
Basis of Elevation of 9350' being at the Northwest Section Corner of Section 30, Township 13 South, Range 7 East, Salt Lake Base and Meridian, as shown on the Scofield Quadrangle 7.5 minute series map.

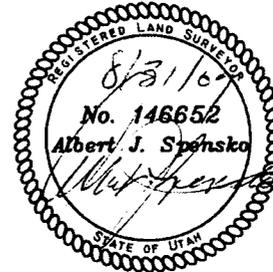
**Description of Location:**

**Surface Location**  
Proposed Drill Hole located in the SE/4 SE/4 of Section 19, T13S, R7E, S.L.B.&M., being North 818.18' from South Line and West 707.62' from East Line of Section 19, T13S, R7E, Salt Lake Base & Meridian.

**Target Location**  
Proposed Target located in the NE/4 SW/4 of Section 20, T13S, R7E, S.L.B.&M., being North 2104.00' from South Line and East 2321.00' from West Line of Section 20, T13S, R7E, Salt Lake Base & Meridian.

**Surveyor's Certificate:**

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



**TALON RESOURCES, INC.**

615 North 400 East P.O. Box 1230  
Huntington, Utah 84528  
Phone (435)687-5310 Fax (435)687-5311  
E-Mail talonactv.net

**Marion Energy Inc.**

**MADSEN #11-20**  
Section 19, T13S, R7E, S.L.B.&M.  
Carbon County, Utah

Drawn By: N. BUTKOVICH	Checked By: L.W.J./A.J.S.
Drawing No. A-1	Date: 8/30/07
	Scale: 1" = 1000'
Sheet 1 of 1	Job No. 3035

**Legend**

- Drill Hole Location
- ⊙ Metal Cap (Found)
- Rock (Found)
- △ Rebar (Found)
- ( ) GLO
- GPS Measured

**RECEIVED**

**JUN 03 2008**

DIV. OF OIL, GAS & MINING

**NOTES:**

1. UTM and Latitude / Longitude Coordinates are derived using a GPS Pathfinder and are shown in NAD 27 Datum.

SURFACE	
LAT / LONG	
39°40'12.207"N	
111°10'27.482"W	

TARGET	
LAT / LONG	
39°40'25.011"N	
111°09'48.814"W	

**GRAPHIC SCALE**



( IN FEET )

1 inch = 1000 ft.

REVISION: 8/30/07  
REVISION: 1/3/07  
REVISION: 8/20/06

ONSHORE OIL & GAS ORDER NO. 1  
Drilling Plan  
**Madsen #11-20**

All lease and/or unit operations will be conducted in such a manner that full compliance is made with applicable laws, regulations (43 CFR 3100), Onshore Oil and Gas Order No. 1, and the approved plan of operations. The operator is fully responsible for the actions of his subcontractors. A copy of these conditions will be furnished the field representative to insure compliance.

1. Estimated Tops/Geologic Markers

The estimated tops of important geologic markers are as follows:

<u>Name</u>	<u>TVD</u>	<u>MD</u>	<u>Production Phase</u>
Top of Blue Gate	2936ft	3033ft	Gas
Top of Ferron	4961ft	6140ft	Gas
Tunnock	5500ft	646ft	
TD	5641	6633ft	

2. Estimated Depth of Oil, Gas Water and Other Mineral Bearing Zones

The estimated depths at which the top and bottom of the anticipated water, oil, gas or other mineral bearing formations are expected to be encountered are as follows:

<u>Substance</u>	<u>Formation</u>	<u>Depth</u>
Gas	Ferron	4961'

All fresh water and prospectively valuable minerals encountered during drilling, will be recorded by depth and adequately protected. All oil and gas shows will be tested to determine commercial potential.

All water shows and water-bearing sand will be reported to the BLM in Moab, Utah. Copies of State of Utah form OGC-8-X are acceptable. If noticeable water flows are detected, samples will be submitted to the BLM along with any water analyses conducted.

3. BOP Equipment

Marion Energy Inc's minimum specifications for pressure to control equipment are as follows:

Ram Type: 11" Hydraulic double, 3000 psi w.p.

Ram type preventers and associated equipment shall be tested to approve stack working pressure if isolated by test plug or to 70 percent of internal yield pressure

of casing. Pressure shall be maintained for at least 10 minutes or until requirements of test are met, whichever is longer. If a test plug is utilized, no bleed-off pressure is acceptable. For a test not utilizing a test plug, if a decline in pressure of more than 10 percent in 30 minutes occurs, the test shall be considered to have failed. Valve on casing head below test plug shall be open during test of BOP stack.

Annular type preventers (if used) shall be tested to 60 percent of rated working pressure. Pressure shall be maintained at least 10 minutes or until provisions of test are met, whichever is longer.

As a minimum, the above test shall be performed:

- a. when initially installed;
- b. whenever any seal subject to test pressure is broken
- c. following related repairs; and
- d. at 40-day intervals

Valves shall be tested from working pressure side during BOPE tests with all down stream valves open.

When testing the kill line valve(s) the check valve shall be held open or the ball removed.

Annular preventers (if used) shall be functionally operated at least weekly.

Pipe and blind rams shall be activated each trip, however, this function need not be performed more than once a day.

A BOPE pit level drill shall be conducted weekly for each drilling crew.

The BOP and related equipment shall meet the minimum requirements of Onshore Oil and Gas Order No. 2 for equipment and testing requirements, procedures, etc., and individual components shall be operable as designed. Chart recorders shall be used for all pressure tests.

Pressure tests shall apply to all related well control equipment.

All of the above described tests and/or drills shall be recorded in the drilling log. Test charts, with individual test results identified, shall be maintained on location while drilling and shall be made available to a BLM representative upon request. Pressure tests shall apply to all related well control equipment.

BOP systems shall be consistent with API RP53. Pressure tests will be conducted before drilling out from under casing strings which have been set and cemented in place. Blowout preventer controls will be installed prior to drilling the surface

casing plug and will remain in use until the well is completed or abandoned. Preventers will be inspected and operated at least daily to ensure good mechanical working order, and this inspection will be recorded on the daily drilling report. Preventers will be pressure tested before drilling casing cement plugs.

The Price River Resource Area Office shall be notified, at least 24 hours prior to initiating the pressure test, in order to have a BLM representative on location during pressure testing.

- a. The size and rating of the BOP stack is shown on the attached diagram. Although a rig has not been chosen to drill this well, most of the equipment for this depth of hole in the area use a 11", 3000 psi working pressure blowout preventor.
  - b. A choke line and a kill line are to be properly installed. The kill line is not to be used as a fill-up line.
  - c. The accumulator system shall have a pressure capacity to provide for repeated operation of hydraulic preventers.
  - d. Drill string safety valve(s), to fit all tools in the drill string, are to be maintained on the rig floor while drilling operations are in progress.
4. Casing and Cementing Program
- a. The proposed casing and cementing program shall be conducted as approved to protect and/or isolate all usable water zones, potentially productive zones, lost circulation zones, abnormally pressured zones, and any prospectively valuable deposits of minerals. Any isolating medium other than cement shall receive approval prior to use. The casing setting depth shall be calculated to position the casing seat opposite a competent formation which will contain the maximum pressure to which it will be exposed during normal drilling operations. Determination of casing setting depth shall be based on all relevant factors, including; presence/absence of hydrocarbons; fractured gradients; usable water zones; formation pressures; lost circulation zones; other minerals; or other unusual characteristics. All indications of usable water shall be reported
  - b. Casing design shall assume formation pressure gradients of 0.44 to 0.50 psi per foot for exploratory wells (lacking better data).
  - c. Casing design shall assume fracture gradients from 0.70 to 1.00 psi per foot for exploratory wells (lacking better data)
  - d. Casing collars shall have a minimum clearance of 0.422 inches of all sides in the hole/casing annulus, with recognition that variances can be granted for justified exceptions.

- e. All waiting on cement times shall be adequate to achieve a minimum of 500 psi compressive strength at the casing shoe prior to drilling out.
- f. All casing except the conductor casing, shall be new or reconditioned and tested used casing that meets or exceeds API standards for new casing.
- g. The surface casing shall be cemented back to surface either during the primary cement job or by remedial cementing.
- h. All indications of usable water shall be reported to the authorized officer prior to running the next string of casing or before plugging orders are requested, whichever occurs first.
- i. Three centralizers will be run on the bottom three joints of surface casing with a minimum of one centralizer per joint starting with the shoe joint.
- j. Top plugs shall be used to reduce contamination of cement by displacement fluid. A bottom plug or other acceptable technique, such as a suitable preflush fluid, inner string cement method, etc. shall be utilized to help isolate the cement from contamination by the mud fluid being displaced ahead of the cement slurry.
- k. All casing strings below the conductor shall be pressured tested to 0.22 psi per foot of casing string length or 1500 psi, whichever is greater, but not to exceed 70 percent of the minimum internal yield. If pressure declines more than 10 percent in 30 minutes, corrective action shall be taken.
- m. On all exploratory wells, and on that portion of any well approved for 5M BOPE system or greater, a pressure integrity test of each casing shoe shall be performed. Formation at the shoe shall be tested to a minimum of the mud weight equivalent anticipated to control the formation pressure to the next casing depth or at total depth of the well. This test shall be performed before drilling more than 20 feet of new hole.

n. The proposed casing program will be as follows:

<u>Purpose</u>	<u>Depth</u>	<u>Hole Size</u>	<u>O.D.</u>	<u>Weight</u>	<u>Grade</u>	<u>Type</u>	<u>New or Used</u>
Surface	0-500'	14 1/4"	10 3/4"	40.50#	J-55	ST&C	New
Intermed.	0-3100'	9 7/8"	7-5/8"	26.4#	J-55	LT&C	New
Produc.	0- <del>2073</del> 6633'	6 3/4"	5-1/2"	17#	J-55	LT&C	New

- o. Casing design subject to revision based on geologic conditions encountered.
- p. Please refer to DOGM Form 3 for the Cement program associated with this well.

- q. The price River Resource Area Office should be notified, with sufficient lead time, in order to have a BLM representative on location while running all casing strings and cementing.
- r. After cementing but before commencing any test, the casing string shall stand cemented until the cement has reached a compressive strength of at least 500 psi at the shoe. WOC time shall be recorded in the driller's log.
- s. The following reports shall be filed with the District Manager within 30 days after the work is completed.
  - 1. Progress reports, Form 3160-5 (formerly 9-331) "Sundry Notices and Reports on Wells", must include complete information concerning:
    - a. Setting of each string of casing, showing the size, grade, weight of casing set, hole size, setting depth, amounts and type of cement used, whether cement circulated or the top of the cement behind the casing, depth of cementing tools used, casing test method and results, and the date work was done. Show the spud date on the first reports submitted.
    - b. Temperature of bond logs must be submitted for each well where the casing cement was not circulated to the surface.
- t. Auxiliary equipment to be used is as follows:
  - 1. Kelly cock
  - 2. No bit float is deemed necessary.
  - 3. A sub with a full opening valve.

5. Mud Program

- a. The purpose circulating mediums to be employed in drilling are as follows:

<u>Interval</u>	<u>Mud Type</u>	<u>Mud Wt.</u>	<u>Visc.</u>	<u>F/L</u>	<u>PH</u>
0-TD	Air/Foam	N/A	N/A	N/A	--

There will be sufficient mud on location to control a blowout should one occur.

- b. Hazardous substances specifically listed by the EPA as a hazardous waste or demonstrating a characteristic of a hazardous waste will not be used in drilling, testing or completion operations.

## 6. Evaluation Program

The anticipated type of amount of testing, logging and coring are as follows:

- a. No drill stem tests are anticipated, however, if DST's are run, the following requirements will be adhered to:

Initial opening of drill stem test tools shall be restricted to daylight hours unless specific approval to start during other hours is obtained from the authorized officer. However, DST's may be allowed to continue at night if the test was initiated during daylight hours and the rate of flow is stabilized and if adequate lighting is available (i.e. lighting which is adequate for visibility and vapor-proof for safe operations). Packers can be released, but tripping shall not begin before daylight, unless prior approval is obtained from the authorized officer. Closed chamber DSTs may be accomplished day or night.

A DST that flows to the surface with evidence of hydrocarbons shall be either reversed out of the testing string under controlled surface conditions. This would involve provided some means for reverse circulation.

Separation equipment required for the anticipated recovery shall be properly installed before a test starts.

All engines within 100 feet of the wellbore that are required to "run" during the test shall have spark arresters or water cooled exhausts.

- b. The logging program will consist of a DIL- GR-SP-CAL-ML-PE and a Compensated Neutron/Density will be run from surface to 7073'
- c. Whether the well is completed as a dry hole or as a producer, "Well Completion and Recompletion Report and Log' (Form 3160-4) will be submitted no later than 30 days after completion of the well or after completion of operations being performed, in accordance with 43 CFR 3164. Two copies of all logs, core descriptions, core analyses, well-test data, geologic summaries, sample description, and all other surveys or data obtained and compiled during the drilling, workover, and/or completion operations, will be filed with form 3160-4. Samples (cuttings, fluids, and/or gases) will be submitted when requested by the authorized officer (AO).
- d. The anticipated completion program is as follows:

Perforate Ferron w/ 3-3/8" casing gun @ 6 jspf using 23 gram charges. Break down formation with 2000 gallons of Formic acid. Fracture stimulate formation w/ 25# Cross linked x-Linked Gel and 200,000lbs of 16/30 mesh sand.

1. Anticipated Pressures and H,S

- a. The expected bottom hole pressure is 1200 psi. Low pressures are anticipated.
- b. No hydrogen sulfide gas is anticipated.

2. Other Information and Notification Requirements

- a. Should the well be successfully completed for production, the AO will be notified when the well is placed in a producing status. Such notification will be sent by telegram or other written communications, not later than 5 days following the date on which the well is placed on production.
- b. Production data shall be reported to the MMS pursuant to 30 CFR 216.5 using form MMS/3160.
- c. The data on which production is commenced or resumed will be construed for oil wells as the date on which liquid hydrocarbons are first sold or shipped from a temporary storage facility, such as a test tank, and for which a run ticket is required to be generated or, the date on which liquid hydrocarbons are first produced into a permanent storage facility, whichever first occurs; and, for gas wells as the date on which associated liquid hydrocarbons are first sold or shipped from a temporary storage facility, such as a test tank, and for which a run ticket is required to be generated or the date on which gas is first measured through permanent metering facilities, whichever first occurs.
- d. Pursuant to NTL-4A, lessees or operators are authorized to vent/flare gas during initial well evaluation tests, not exceeding a period of 30 days or the production of 50 MMCF of gas, whichever occurs first. An application must be filed with the District Engineer and approval received, for any venting/flaring of gas beyond the initial 30 day or authorized test period.
- e. Gas produced from this well may not be vented or flared beyond an initial authorized test period of 30 days or 50 MMCF following its completion, whichever occurs first, without the prior written approval of the Authorized Officer. Should gas be vented or flared without approval beyond the authorized test period, the operator may be directed to shut-in the well until the gas can be captured or the operator shall be required to compensate the lesser for that portion of the gas vented or flared without approval which is determined to have been avoidably lost.

- f. A schematic facilities diagram as required by 43 CFR 3162.7-2, 3162.7-3 and 3162.7-4 shall be submitted to the appropriate District Office within 30 days of installation or first production, whichever occurs first. All site security regulations as specified in 43 CFR 3162.7 and Onshore Order No.3 shall be adhered to. All product lines entering and leaving hydrocarbon storage tanks will be effectively sealed in accordance with 43 CFR 3162.7-4.
- g. Section 102(b)(3) of the Federal Oil and Gas Royalty Management Act of 1982, as implemented by the applicable provisions of the operating regulations at Title 43 CFR 3162.4-1(c), requires that “not later than the 5<sup>th</sup> business day after any well begins production on which royalty is due anywhere on a lease site or allocated to a lease site, or resumes production in the case of a well which has been off production for more than 90 days, the operator shall notify the authorized officer by letter or sundry notice, Form 3160-5, or orally to be followed by a letter or sundry notice, of the date on which such production has begun or resumed.”

If you fail to comply with this requirement in the manner and time allowed, you shall be liable for a civil penalty of up to \$10,000 per violation for each day such violation continues, not to exceed a maximum of 20 days. See Section 109 (3) of the Federal Oil and Gas Royalty Management Act of 1982 and the implementing regulations at Title 43 CFR 3162.4-1(b)(5)(ii).

- h. Drilling will commence on approximately July 1, 2007
- i. It is anticipated that the drilling of this well will take approximately 30 days.
- j. No location will be constructed or moved, no well will be plugged, and no drilling or workover equipment will be removed from a well to be placed in a suspended status without prior approval of the AO. If operations are to be suspended, prior approval of the AO will be obtained and notification given before resumption of operations.
- k. Immediate Report: Spills, blowouts, fires, leaks, accidents, or any other unusual occurrences shall be promptly reported in accordance with the requirements of NTL-3A or its revision.
- l. If a replacement rig is contemplated for completion operations, a “Sundry Notice” Form 3160-5 to that effect will be filed, for prior approval of the AO, and all conditions of this approved plan are applicable during all operations conducted with the replacement rig.
- m. Pursuant to Onshore Order No. 7, with the approval of the District Engineer, produced water may be temporarily disposed of into unlined pits for a period of up to 90 days. During the period so authorized, and application for

approval of the permanent disposal method, along with the required water analysis and other information must be submitted to the District Engineer.

- n. No well abandonment operations will be commenced without the prior approval of the AO. In the case of newly drilled dry holes or failures, and in emergency situations, oral approval will be obtained from the SO> A “Subsequent Report of Abandonment” Form 3160-5, will be filed with the AO within 30 days following completion of the well for abandonment. This report will indicate where plugs were placed and the current status of surface restoration. Final abandonment will not be approved until the surface reclamation work required by the approved APD or approved abandonment notice has been completed to the satisfaction of the AO or his representative or the appropriate Surface Managing Agency.

Surface Use Plan  
Mid-Power Resource Corporation  
**Madsen #11-20**

Thirteen Point Surface Use Plan

1. Existing Roads

- a. The proposed well site is located approximately 2 miles northwest of Clear Creek, Utah and approximately 4 miles Southwest of Scofield, Utah..
- b. Directions to the location from Scofield, Utah are as follows:  
  
Head south from Scofield Utah on Highway 96, approximately ½ mile north of the Village of Clear Creek you will turn right onto Boardinhouse Canyon Road (which is a private road owned by numerous individuals) You will follow Boardinghouse Canyon Road for approximately 3 ½ miles to the pad location
- c. For location of access roads see Maps A & B.
- d. Top map A is the vicinity map showing the access route from Clear Creek, Utah.
- e. Topo map B shows the proposed access road to each well. It also shows existing roads in the immediate area
- f. All existing roads will be maintained and kept in good repair during all drilling and completion operations associated with this well.
- g. Existing roads and newly constructed roads on surface under the jurisdiction of any Surface Managing Agency shall be maintained in accordance with the standards of the SMA.

2. Planned Access Roads

- a. The access roads to this location will be using an existing private road up the Boardinghouse Canyon
- b. Surface disturbance and vehicular travel will be limited to the approved location and approved access route. Any additional area needed will be approved in advance.

3. Location of Existing Wells Within a 1-Mile Radius of the Proposed Location

- a. Water wells – none
- b. Injection wells – none
- c. Producing wells – Please see topo location map L-1
- d. Drilling wells – Oman 7-19, Madsen 16-19
- e. Shut-in wells – Utah Fuel #4; Utah State #1; Utah Fuel #8
- f. For reference please see topo map B

4. Location of Tank Batteries and Production Facilities

- a. All permanent structures (onsite for six months or longer) constructed or installed (including pump jacks) will be painted a neutral color to blend with the surrounding environment. Facilities required to comply with the Occupational Safety and Health Act (OSHA) will be excluded.
- b. If storage facilities/tank batteries are constructed on this lease, the facility/battery or the wellpad shall be surrounded by a containment dike or sufficient capacity to contain at a minimum, the entire content of the largest tank within the facility/battery, unless more stringent protective requirements are deemed necessary by the authorized officer.
- c. All loading lines will be placed inside the berm surrounding the tank battery
- d. Gas meter runs for each well will be located within 500 feet of the wellhead. The gas flowline will be buried or anchored down from the wellhead to the meter and 500 feet downstream of the meter run or any production facilities. Meter runs will be housed and/or fenced. All buried pipelines shall be covered to a depth of 3ft except at road crossings where they shall be covered to a depth of 4ft.

- e. The oil and gas measurement facilities will be installed on the well location. The oil and gas meters will be calibrated in place prior to any deliveries. Tests for meter accuracy will be conducted monthly for the first three months on new meter installations and at least quarterly thereafter. The AO will be provided with a date and time for the initial meter calibration and all future meter proving schedules. A copy of the meter calibration reports will be submitted to the Vernal District Office. All meter measurement facilities will conform with Onshore Oil and Gas Order No. 4 for liquid hydrocarbons and Onshore Oil and Gas Order No. 5 for natural gas measurement.
- f. Any necessary pits will be properly fenced to prevent any wildlife entry.
- g. All site security guidelines identified in 43 CFR 3162.7 regulations will be adhered to.
- h. All access roads will be maintained as necessary to prevent erosion and accommodate year-round traffic.
- i. The road will be maintained in a safe useable condition.
- j. The site will require periodic maintenance to ensure that drainages are kept open and free of debris, ice, and snow, and that surfaces are properly treated to reduce erosion, fugitive dust, and impacts to adjacent areas.
- k. 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.

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 Material

- a. Surface and subsoil materials in the immediate area will be utilized.
- b. 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 in the area. No special access other than for drilling operations and pipeline construction is needed.

- c. The use of materials under BLM jurisdiction will conform with 43 CFR 3610.2.3. Construction material will not be located on lease.
- d. No construction materials will be removed from Federal land.

7. Methods of Handling Waste Disposal

- a. The reserve pit will be constructed so as not to leak, break, or allow discharge. The reserve pit will be lined with a minimum 10mil plastic liner.
- b. The reserve pit will be constructed of sufficient size and capacity for the necessary fluids for drilling and to contain any runoff from the drill site. Pits will not be constructed within intermittent or perennial stream channels.
- c. No trash, scrap pipe, etc., that could puncture the liner will be disposed of in the pit. 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.
- d. The reserve pit will be constructed in undisturbed material and below the natural ground level.
- e. A minimum 2-foot freeboard will be maintained in the pit at all times during the drilling operation and the pit will be fenced during drilling and completion operations.
- e. Burning will not be allowed. All trash will be contained in a trash cage and its contents removed at the end of drilling operations and hauled to an approved disposal sight.
- f. After first production, produced waste water will be confined to a unlined pit or storage tank for a period not to exceed ninety (90) days. During the 90-day period, in accordance with Onshore Order No. 7, an application for approval of a permanent disposal method and location, along with the required water analysis, will be submitted for the AO's approval. Failure to file an application within the time allowed will be considered an incident of noncompliance.
- g. Drill cuttings are to be contained and buried in the reserve pit.
- h. Any salts and/or chemicals which are an integral part of the drilling system will be disposed of in the same manner as the drilling fluid.

- i. Sewage will be placed in a portable chemical toilet or holding tank and disposed of in accordance with state and county regulations.
- j. The produced fluids (other than water) will be produced into a test tank until such time as construction of production facilities is completed. Any spills of oil, gas, salt water or other produced fluids will be cleaned up and removed.

8. Ancillary Facilities

There are no airstrips, camps, or other facilities planned during the drilling of the proposed well.

9. Well Site Layout

- a. All cut and fill slopes will be such that stability can be maintained for the life of the activity. The upper edges of all cut banks on the access roads and well pads will be rounded. Cut and fill slopes will be constructed as follows:

<u>Height of Slope</u>	<u>Slope</u>
0-5 feet	3:1
6-10 feet	2:1
Over 10 feet	1-1/2:1

- b. All fills will be free from vegetative materials and will be compacted in lifts no greater than 12 inches in thickness to a minimum of 90 percent Proctor dry density sufficient to prevent excessive settlement.
- c. The working surface of the drill site will be surfaced with crushed gravel to a depth sufficient to support anticipated loads throughout the life of the well. Usually a depth of 12 inches of gravel is anticipated.
- d. A diversion ditch having the minimum dimensions of 3 feet horizontal to 1 foot vertical (3:1 ditch), will be constructed around the site to divert surface waters from flowing onto the site. The ditch will be located at the base of the cut slope and around the toe of the fill slopes (see Drawing No. 1 – Construction Requirements of Typical Well Sites). A straw dike will be constructed in the ditch outflow to trap any sediment produced from the raw slopes. A culvert will be necessary where the access road enters the site.
- e. A berm will be constructed around the perimeter of the site to contain all precipitation, spills, and other fluids from leaving the site. The berm will be a minimum of 18 inches high, 12 inches wide at the top, and having 1-1/2:1 side slopes. The site surface will be graded to drain to the reserve pit. The drainage pattern to be constructed will be modified for each site, depending on the site specific conditions.

- f. The reserve pit will be located on the Northeast side of the location.
- g. The stockpiled topsoil (first six inches or maximum available) will be stored along the perimeter of the location as shown on the location plat.
- j. All pits will be fenced to prevent wildlife entry.
- k. The reserve pit fencing will be on three sides during drilling operations and on the fourth side when the rig moves off the location. Pits will be fenced and maintained until cleanup. Reclamation will be undertaken no later than the fall of the year after all drilling activity has ceased.

#### 10. Plans for Restoration of Surface

##### Dry Hole

- a. Rehabilitation of the entire site will be required and will commence immediately after the drilling is complete. The site will be restored as nearly practical to its original condition. Cut and fill slopes will be reduced and graded to conform to the adjacent terrain.
- b. Drainages will be reestablished and temporary measures will be required to prevent erosion to the site until vegetation is established.
- c. Generally speaking, the standpipe for well identifications will be removed on National Forest lands. A final determination will be made on a case-by-case basis.
- d. After final grading and before the replacement of topsoil, the entire surface of the site shall be scarified to eliminate slippage surfaces and to promote root penetration. Topsoil will then be spread over the site to achieve an approximate uniform, stable thickness consistent with the established contours.
- e. A temporary fence will be constructed around the site until vegetation is established. The fence will then be removed.
- f. At such time as the well is plugged and abandoned, the operator shall submit a subsequent report of abandonment.

##### Producing Location

- a. Site reclamation for producing wells will be accomplished for portions of the site not required for the continued operation of the well. All disturbed surface will be treated to prevent erosion and to complement the esthetics of the area.

A new site plan will be required encompassing the facilities required for operation and interim reclamation measures.

- b. Immediately upon well completion, the location and surrounding area will be cleared of all unused tubing, equipment, debris, materials, trash and junk not required for production.
- c. Immediately upon well completion, any hydrocarbons on the pit shall be removed in accordance with 43 CFR 3162.7-1.
- d. The plastic nylon reinforced liner shall be torn and perforated before backfilling of the reserve pit.
- e. At the end of drilling operations, drilling fluids will be hauled to an approved disposal site. All polluting substances or contaminated materials, such as oil, oil-saturated soil, and gravel, will be buried within a minimum of 2 feet of clean soil as cover or be removed from the Forest.
- f. Once the reserve pit is dry, the reserve pit and that portion of the location not needed for production facilities/operations will be recontoured to the approximate natural contours.
- g. The cut and fill slopes and all other disturbed areas not needed for the production operation will be topsoiled and re-vegetated. The berm will be removed and the site graded to drain.
- h. The site will be seeded and/or planted as prescribed by the surface owner. This prescription will be determined prior to site construction on a site specific basis. Nutrients and soil amendments will be applied to the redistributed surface soil later as necessary to meet the re-vegetation requirements. Fall seeding will be completed after September, and prior to prolonged ground frost.
- i. Annual or noxious weeds shall be controlled on all disturbed areas. Method of control shall be by approved mechanical method or an Environmental Protection Agency (EPA) registered herbicide. All herbicide application will be in cooperation with Forest Service personnel.

## 11. Surface Ownership

Access Roads – All roads to the location are located within the area of ownership of Clear Creek Home Association, Oman Ranches, Mr. John Woolsey and Madsen Et Al. C/O Hilda Hammond and are deemed private lands.

Well Pad – The well pad is located on lands owned by the Madsen Et Al. C/O Hilda Hammond

## 12. Other Information

- a. A Class III cultural resource inventory will be completed prior to disturbance by a qualified professional archaeologist.
- b. The operator is responsible for informing all persons in the area who are associated with this project that they will be subject to prosecution for knowingly disturbing historic or archaeological sites, or for collecting artifacts. If historic or archaeological materials are uncovered during construction, the operator is to immediately stop work that might further disturb such materials, and contact the authorized officer (AO). Within five working days the AO will inform the operator to:
  - i. whether the materials appear eligible for the National Register of Historic Places;
  - ii. the mitigation measures the operator will likely have to undertake before the site can be used (assuming the site preservation is not necessary); and
  - iii. a time frame for the AO to complete and expedited review under 36 CFR 800.11 to confirm, through the State Historic Preservation Officer, that the findings of the AO are correct and that mitigation is appropriate. If the operator wishes, at any time, to relocate activities to avoid the expense of mitigation and/or the delays associated with this process, the AO will assume responsibility for whatever recordation and stabilization of the exposed materials may be required. Otherwise, the operator will be responsible for mitigation costs. The AO will provide technical and procedural guidelines for the conduct of mitigation. Upon verification from the AO that required mitigation has been completed, the operator will then be allowed to resume construction.
- c. 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, as defined in 40 CFR, would be used, produces, transported, stored, disposed, or associated with the proposed action.
- d. All lease and/or unit operations will be conducted in such a manner that full compliance is made with all applicable laws, regulations, Onshore Oil and Gas Orders, the approved plan of operations, and any applicable Notice to Lessees. The operator is fully responsible for the actions of his subcontractors. A copy of these conditions will be furnished the field representative to insure compliance.

- e. A complete copy of the approved APD shall be on location during construction of the location and drilling activities.
- f. There will be no deviation from the proposed drilling and/or workover program without prior approval from the AO. Safe drilling and operating practices must be observed. All wells, whether drilling, producing, suspended, or abandoned will be identified in accordance with 43 CFR 3162.h.
- g. "Sundry Notice and Report on Wells" (Form 3160-5) will be filed for approval for all changes of plans and other operations in accordance with 43 CFR 3162.3-2.
- h. This permit will be valid for a period of one year from the date of approval. An extension period may be granted, if requested, prior to the expiration of the original approval period.

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

Permit Matters

Marion Energy Inc  
Keri Clarke  
119 S. Tennessee Suite 200  
McKinney, TX, 75069  
(972)540-2967

Drilling & Completion Matters

Marion Energy Inc  
2901 East 20<sup>th</sup> Street  
Farmington, NM, 87402  
Doug Endsley – V P Operations  
(505)564-8005

Certification

Certification

I hereby certify that I, or Persons under my direct supervision, have inspected the proposed drill site and access rout; 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 it's contractors and subcontractors in conformity with the plan and the terms and conditions under which it is approved.

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

06/07/2007  
Date

Scott J. J. J.  
Name

Ent 121285 Bk 636 Pg 790  
Date: 16-JAN-2007 1:46PM  
Fee: \$17.00 Check  
Filed By: KR  
VIKKI BARNETT, Recorder  
CARBON COUNTY CORPORATION  
For: MEL COONROD

MEMORANDUM OF SURFACE USE AGREEMENT

KNOW ALL MEN BY THESE PRESENTS:

That Hilda M. Hammond, signing individually and as sole heir of Della Madsen, and whose address is 2912 Redwood Avenue, Costa Mesa, CA 92626 ("Grantor"), and Marion Energy Inc., a TEXAS corporation, whose address is 119 South Tennessee, Suite 200, McKinney, Texas 75069 ("Grantee"), have entered into a Surface Use Agreement dated effective as of ~~September 29~~ December, 2006 ("Agreement").

The Agreement, which is unrecorded and may be found in the files of the Grantor and Grantee, is adopted herein and made a part hereof by reference to the same full extent as if all its provisions were copied in full in this Memorandum.

Pursuant to the terms of the Agreement, Grantor recognizes the represented right of Grantee to a right-of-way to use portions of the real property described and depicted on Exhibit A, attached hereto and made a part of this Memorandum ("Property"), for the limited purpose of access to surface locations from which Grantee will develop federally-owned minerals underlying the Clear Creek Unit of which Grantee is the Operator.

The Agreement and the encumbrance of this Memorandum of Surface Use Agreement will automatically terminate, without the necessity of a recorded instrument executed and acknowledged by Grantor and Grantee, once the two wells to be installed at the Property within twelve (12) months of the recordation of this Memorandum, if at all, have been plugged and abandoned and reclamation has been completed, or otherwise in accordance with the Agreement.

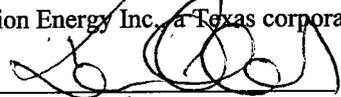
This Memorandum shall be binding on and inure to the benefit of Grantor and Grantee, their respective heirs, administrators, successors and assigns.

The parties hereto have executed this Memorandum as of the dates of the respective acknowledgements.

GRANTOR:

  
Hilda M. Hammond  
Signing Individually and  
As sole heir of Della Madsen  
2912 Redwood Avenue  
Costa Mesa, CA 92626

GRANTEE:

Marion Energy Inc., a Texas corporation  
By:   
Name: KERI CLARKE  
Its: V.P. LAND

119 S. Tennessee  
McKinney, TX 75069

STATE OF California }  
COUNTY OF El Dorado }  
:SS

The foregoing instrument was acknowledged before me on this 29th day of December, 2006 by Hilda M. Hammond, individually and as sole heir of Della Madsen, personally known to me who acknowledged before me that she executed the foregoing instrument for the uses and purposes set forth herein individually and on behalf of said Della Madsen Et Al.

WITNESS my hand and seal.

My Commission Expires:

10/20/10

Amy M. Bunkhoff  
Notary Public

**SEE ATTACHED  
NOTARY CERTIFICATE**

STATE OF Texas }  
COUNTY OF Collin }  
:SS

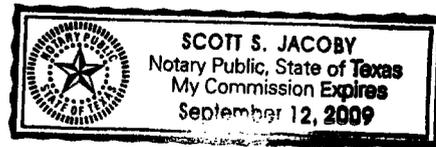
The foregoing instrument was acknowledged before me on this 3<sup>RD</sup> day of January, <sup>2007</sup> ~~2006~~ by Keri Clarke, on behalf of said company.

WITNESS my hand and seal.

My Commission Expires:

September 12, 2009

Scott Jacoby  
Notary Public



**CALIFORNIA ALL-PURPOSE ACKNOWLEDGMENT**

State of California

County of EL DORADO

} SS.

On 12/29/2006, before me, AMY M BURKHART, NOTARY PUBLIC  
Date Name and Title of Officer (e.g., "Jane Doe, Notary Public")

personally appeared Hilda M. Hammond  
Name(s) of Signer(s)

personally known to me

proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.



Place Notary Seal Above

WITNESS my hand and official seal.

Amy M. Burkhart  
Signature of Notary Public

**OPTIONAL**

*Though the information below is not required by law, it may prove valuable to persons relying on the document and could prevent fraudulent removal and reattachment of this form to another document.*

**Description of Attached Document**

Title or Type of Document: \_\_\_\_\_

Document Date: \_\_\_\_\_ Number of Pages: \_\_\_\_\_

Signer(s) Other Than Named Above: \_\_\_\_\_

**Capacity(ies) Claimed by Signer(s)**

Signer's Name: \_\_\_\_\_

- Individual
- Corporate Officer — Title(s): \_\_\_\_\_
- Partner —  Limited  General
- Attorney in Fact
- Trustee
- Guardian or Conservator
- Other: \_\_\_\_\_

RIGHT THUMBPRINT OF SIGNER  
Top of thumb here

Signer Is Representing: \_\_\_\_\_

Signer's Name: \_\_\_\_\_

- Individual
- Corporate Officer — Title(s): \_\_\_\_\_
- Partner —  Limited  General
- Attorney in Fact
- Trustee
- Guardian or Conservator
- Other: \_\_\_\_\_

RIGHT THUMBPRINT OF SIGNER  
Top of thumb here

Signer Is Representing: \_\_\_\_\_

**Surface Owners of Madsen 16-19 and Madsen 11-20**

Della Madsen Et al.  
Attn: Hilda Hammond  
2912 Redwood  
Costa Mesa, CA 92626

Phone: 714-557-5806

**PERFORMANCE BOND**  
(See instructions on reverse)

DATE BOND EXECUTED (Must be same or later than date of contract)

04/12/06

OMB No.: 9000-0045

Public reporting burden for this collection of information is estimated to average 25 minutes per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. Send comments regarding this burden estimate or any other aspect of this collection of information, including suggestions for reducing this burden, to the FAR Secretariat (MVR), Federal Acquisition Policy Division, GSA, Washington, DC 20405

PRINCIPAL (Legal name and business address)

Marion Energy Inc.  
119 South Tennessee, Suite 200  
McKinney, Texas 75069

TYPE OF ORGANIZATION ("X" one)

INDIVIDUAL       PARTNERSHIP  
 JOINT VENTURE       CORPORATION

STATE OF INCORPORATION

SURETY(IES) (Name(s) and business address(es))

U.S. Specialty Insurance Company  
13403 Northwest Freeway  
Houston, Texas 77040

PENAL SUM OF BOND

MILLION(S)	THOUSAND(S)	HUNDRED(S)	CENTS
	103	000	00

CONTRACT DATE

09/06/02

CONTRACT NO.

0410-03-13

OBLIGATION:

We, the Principal and Surety(ies), are firmly bound to the United States of America (hereinafter called the Government) in the above penal sum. For payment of the penal sum, we bind ourselves, our heirs, executors, administrators, and successors, jointly and severally. However, where the Sureties are corporations acting as co-sureties, we, the Sureties, bind ourselves in such sum "jointly and severally" as well as "severally" only for the purpose of allowing a joint action or actions against any or all of us. For all other purposes, each Surety binds itself, jointly and severally with the Principal, for the payment of the sum shown opposite the name of the Surety. If no limit of liability is indicated, the limit of liability is the full amount of the penal sum.

CONDITIONS:

The Principal has entered into the contract identified above.

THEREFORE:

The above obligation is void if the Principal -

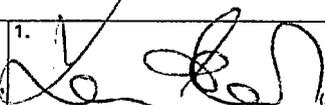
(a)(1) Performs and fulfills all the undertakings, covenants, terms, conditions, and agreements of the contract during the original term of the contract and any extensions thereof that are granted by the Government, with or without notice to the Surety(ies), and during the life of any guaranty required under the contract, and (2) performs and fulfills all the undertakings, covenants, terms conditions, and agreements of any and all duly authorized modifications of the contract that hereafter are made. Notice of those modifications to the Surety(ies) are waived.

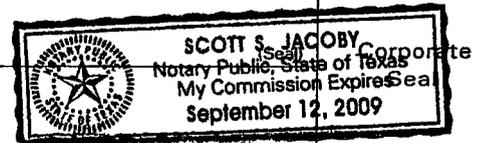
(b) Pays to the Government the full amount of the taxes imposed by the Government, if the said contract is subject to the Miller Act, (40 U.S.C. 270a-270e), which are collected, deducted, or withheld from wages paid by the Principal in carrying out the construction contract with respect to which this bond is furnished.

WITNESS:

The Principal and Surety(ies) executed this performance bond and affixed their seals on the above date.

PRINCIPAL

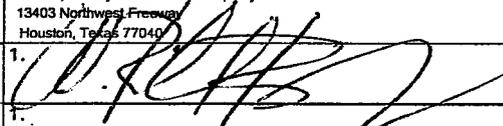
SIGNATURE(S)	1.  (Seal)	2. _____ (Seal)	3. _____ (Seal)
	NAME(S) & TITLE(S) (Typed)	1. KERI CLARKE VICE PRESIDENT - LAND	2. _____



INDIVIDUAL SURETY(IES)

SIGNATURE(S)	1. _____ (Seal)	2. _____ (Seal)
	NAME(S) (Typed)	1. _____

CORPORATE SURETY(IES)

SURETY A	NAME & ADDRESS	U.S. Specialty Insurance Company 13403 Northwest Freeway Houston, Texas 77040	STATE OF INC.	Texas	LIABILITY LIMIT	\$ 103,000.00	Corporate Seal
	SIGNATURE(S)		2. _____	2. _____	2. _____	2. _____	
	NAME(S) & TITLE(S) (Typed)	W. Russell Brown, Jr., Attorney-in-Fact	2. _____	2. _____	2. _____	2. _____	

**POWER OF ATTORNEY**

(To be used with bonds issued on behalf of U. S. SPECIALTY INSURANCE COMPANY)

**Know All Men by These Presents** That, U. S. SPECIALTY INSURANCE COMPANY (the "Company"), a corporation duly organized and existing under the laws of the State of Texas, and having its principal office in Houston, Harris County, Texas, does by these presents make, constitute and appoint

**Edwin H. Frank III, W. Russell Brown, Jr.**

its true and lawful Attorney-in-fact, with full power and authority hereby conferred in its name, place and stead, to execute, acknowledge and deliver any and all bonds, recognizances, undertakings or other instruments or contracts of suretyship to include riders, amendments, and consents of surety, providing the bond penalty does not exceed Three Million Dollars (\$3,000,000) and to bind the Company thereby as fully and to the same extent as if such bonds were signed by the President, sealed with the corporate seal of the Company and duly attested by its Secretary, hereby ratifying and confirming that the said Attorney-in-Fact may do in the premises. Said appointment is made under and by authority of the following resolutions of the Board of Directors of the U. S. Specialty Insurance Company:

*Be it Resolved*, that the President, any Vice-President, any Assistant Vice-President, any Secretary or any Assistant Secretary shall be and is hereby vested with full power and authority to appoint any one or more suitable persons as Attorney(s)-in-Fact to represent and act for and on behalf of the Company subject to the following provisions:

*Attorney-in-Fact* may be given full power and authority for and in the name of and of behalf of the Company, to execute, acknowledge and deliver, any and all bonds, recognizances, contracts, agreements or indemnity and other conditional or obligatory undertakings and any and all notices and documents canceling or terminating the Company's liability thereunder, and any such instruments so executed by any such Attorney-in-Fact shall be binding upon the Company as if signed by the President and sealed and effected by the Corporate Secretary.

*Be it Resolved*, that the signature of any authorized officer and seal of the Company heretofore or hereafter affixed to any power of attorney or any certificate relating thereto by facsimile, and any power of attorney or certificate bearing facsimile signature or facsimile seal shall be valid and binding upon the Company with respect to any bond or undertaking to which it is attached. (Adopted by unanimous written consent in lieu of meeting on July 7, 2003.)

**In Witness Whereof**, U. S. SPECIALTY INSURANCE COMPANY has caused these presents to be signed by its President, and its corporate seal to be hereto affixed this 19<sup>th</sup> day of January, 2006.

Corporate Seal

**U. S. SPECIALTY INSURANCE COMPANY**

By

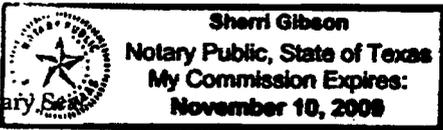
State of Texas

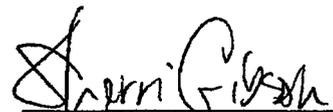


County of Harris ss:

**Michael J. Schell, President**

On this 19<sup>th</sup> day of January, 2006 before me personally came Michael J. Schell, to me known, who, being by me duly sworn, did depose and say, that he resides in Houston, Texas, that he is President of U. S. SPECIALTY INSURANCE COMPANY, the company described in and which executed the above instrument; that he knows the seal of said Company; that the seal affixed to said instrument is such corporate seal; that it was so affixed by order of the Board of Directors of said Company; and that he signed his name thereto by like order.

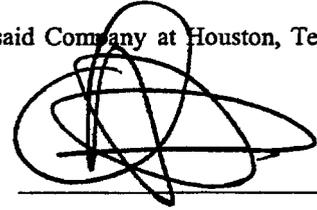


 , Notary Public  
My commission expires 11-10-09

I, Christopher L. Martin, Secretary of U. S. SPECIALTY INSURANCE COMPANY, do hereby certify that the above and foregoing is a true and correct copy of a Power of Attorney, executed by said Company, which is still in full force and effect; furthermore, the resolutions of the Board of Directors, set out in the Power of Attorney are in full force and effect.

In Witness Whereof, I have hereunto set my hand and affixed the seal of said Company at Houston, Texas this 12th day of April, 2006.

Corporate Seal



**Christopher L. Martin, Secretary**

Bond No. B002776

**SURETY RIDER**

To be attached to and form a part of Bond No. B002776 on behalf of Marion Energy Inc. as principal and executed by U.S. Specialty Insurance Company, as surety.

Effective date of bond: 04/12/2006

Effective date of change: 05/31/2006

In consideration of the mutual agreement herein contained, the principal and the surety hereby consent to the following changes:

The **penalty amount** has increased from:

\$103,000.00

**TO:**

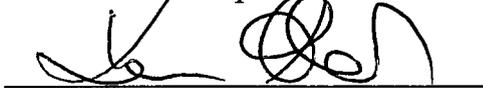
\$128,000.00

Nothing herein contained shall vary, alter, or extend any provision or condition of this bond except as herein expressly stated.

SIGNED, SEALED AND DATED THIS: May 31, 2006

Marion Energy Inc.

Name of Principal



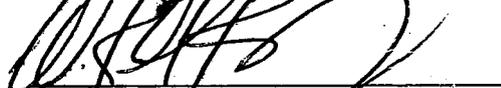
Signature

KERI CLARKE  
VICE PRESIDENT - LAND

Name and title of person  
executing for Principal

U.S. Specialty Insurance Company

Name of Surety



Signature

W. Russell Brown, Jr. Attorney-in-Fact

Name and title of person  
executing for Surety

**POWER OF ATTORNEY**

(To be used with bonds issued on behalf of U. S. SPECIALTY INSURANCE COMPANY)

*Know All Men by These Presents* That, U. S. SPECIALTY INSURANCE COMPANY (the "Company"), a corporation duly organized and existing under the laws of the State of Texas, and having its principal office in Houston, Harris County, Texas, does by these presents make, constitute and appoint

**Edwin H. Frank III, W. Russell Brown, Jr.**

its true and lawful Attorney-in-fact, with full power and authority hereby conferred in its name, place and stead, to execute, acknowledge and deliver any and all bonds, recognizances, undertakings or other instruments or contracts of suretyship to include riders, amendments, and consents of surety, providing the bond penalty does not exceed Three Million Dollars (\$3,000,000) and to bind the Company thereby as fully and to the same extent as if such bonds were signed by the President, sealed with the corporate seal of the Company and duly attested by its Secretary, hereby ratifying and confirming that the said Attorney-in-Fact may do in the premises. Said appointment is made under and by authority of the following resolutions of the Board of Directors of the U. S. Specialty Insurance Company:

*Be it Resolved*, that the President, any Vice-President, any Assistant Vice-President, any Secretary or any Assistant Secretary shall be and is hereby vested with full power and authority to appoint any one or more suitable persons as Attorney(s)-in-Fact to represent and act for and on behalf of the Company subject to the following provisions:

*Attorney-in-Fact* may be given full power and authority for and in the name of and of behalf of the Company, to execute, acknowledge and deliver, any and all bonds, recognizances, contracts, agreements or indemnity and other conditional or obligatory undertakings and any and all notices and documents canceling or terminating the Company's liability thereunder, and any such instruments so executed by any such Attorney-in-Fact shall be binding upon the Company as if signed by the President and sealed and effected by the Corporate Secretary.

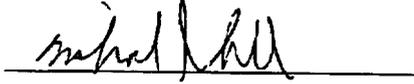
*Be it Resolved*, that the signature of any authorized officer and seal of the Company heretofore or hereafter affixed to any power of attorney or any certificate relating thereto by facsimile, and any power of attorney or certificate bearing facsimile signature or facsimile seal shall be valid and binding upon the Company with respect to any bond or undertaking to which it is attached. (Adopted by unanimous written consent in lieu of meeting on July 7, 2003.)

*In Witness Whereof*, U. S. SPECIALTY INSURANCE COMPANY has caused these presents to be signed by its President, and its corporate seal to be hereto affixed this 19<sup>th</sup> day of January, 2006.

Corporate Seal

**U. S. SPECIALTY INSURANCE COMPANY**  
By

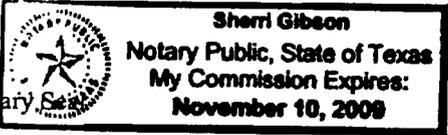
State of Texas



County of Harris ss:

**Michael J. Schell, President**

On this 19<sup>th</sup> day of January, 2006 before me personally came Michael J. Schell, to me known, who, being by me duly sworn, did depose and say, that he resides in Houston, Texas, that he is President of U. S. SPECIALTY INSURANCE COMPANY, the company described in and which executed the above instrument; that he knows the seal of said Company; that the seal affixed to said instrument is such corporate seal; that it was so affixed by order of the Board of Directors of said Company; and that he signed his name thereto by like order.



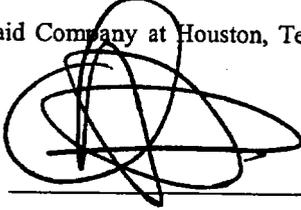
Notary Seal

 , Notary Public  
My commission expires 11-10-09

I, Christopher L. Martin, Secretary of U. S. SPECIALTY INSURANCE COMPANY, do hereby certify that the above and foregoing is a true and correct copy of a Power of Attorney, executed by said Company, which is still in full force and effect; furthermore, the resolutions of the Board of Directors, set out in the Power of Attorney are in full force and effect.

In Witness Whereof, I have hereunto set my hand and affixed the seal of said Company at Houston, Texas this 31st day of May, 2006.

Corporate Seal



**Christopher L. Martin, Secretary**



# United States Department of the Interior

## BUREAU OF LAND MANAGEMENT

Utah State Office  
P.O. Box 45155  
Salt Lake City, UT 84145-0155  
www.ut.blm.gov

MAY 04 2005

IN REPLY REFER TO:  
3104  
(UT-924)

### DECISION

Principal:	:	
Marion Energy Inc.	:	Bond Amount: \$25,000
119 S. Tennessee, Suite 200	:	
McKinney, TX 75069	:	Bond Type: Statewide
	:	
Surety:	:	Bond Surety No.: B001632
U. S. Specialty Insurance Company	:	
13403 Northwest Freeway	:	BLM Bond No.: UTB000179
Houston, TX 77040	:	

### Statewide Oil and Gas Surety Bond Accepted

On April 12, 2005, this office received a \$25,000 statewide oil and gas bond for the principal named above. The bond has been examined, found satisfactory, and is accepted effective the date of filing.

The bond constitutes coverage of all operations conducted by the principal on Federal leases in Utah. The bond provides coverage for the principal where that principal has interest, and or responsibility for operations on, leases issued under the authority of any of the Acts cited on the bond form. Please note that Federal leases do not include Indian leases.

The bond will be maintained by this office. Termination of liability under the bond will be permitted only after this office is satisfied that there are no outstanding liabilities against the bond or until a satisfactory replacement bond is furnished.

Terry Catlin  
Acting Chief, Branch of  
Fluid Minerals

UNITED STATES  
DEPARTMENT OF THE INTERIOR  
BUREAU OF LAND MANAGEMENT

Bond Number

B001632

**OIL AND GAS OR GEOTHERMAL LEASE BOND**

Act of February 25, 1920 (30 U.S.C. 181 et seq.)  
Act of August 7, 1947 (30 U.S.C. 351-359)  
Department of the Interior Appropriations Act, FY 1981 (42 U.S.C. 6508)  
Act of December 24, 1970 (30 U.S.C. 1001-1025)  
Other Oil and Gas and Geothermal Leasing Authorities as Applicable

Lease Serial Number (For Individual Bond Only)

CHECK ONE:  OIL AND GAS  GEOTHERMAL RESOURCES

CHECK ONE:

SURETY BOND

KNOW ALL BY THESE PRESENTS, THAT Marion Energy Inc.

(name)

of 119 S. Tennessee, Suite 200, McKinney, Texas 75069

(address)

as principal, and U.S. Specialty Insurance Company

(name)

of 13403 Northwest Freeway, Houston, Texas 77040

(address)

, as surety,

are held and firmly bound unto the United States of America in the sum of Twenty-five Thousand and no/100

dollars (\$ 25,000.00 ),

lawful money of the United States, which may be increased or decreased by a rider hereto executed in the same manner as this bond.

PERSONAL BOND

KNOW ALL BY THESE PRESENTS, That \_\_\_\_\_

(name)

of \_\_\_\_\_, as principal, is held and firmly

(address)

bound unto the United States of America in the sum of \_\_\_\_\_

dollars (\$ \_\_\_\_\_ ). lawful money of the United States which sum may be

increased or decreased by a rider hereto executed in the same manner as this bond.

The principal, in order to more fully secure the United States in the payment of the aforesaid sum, hereby pledges as security therefore United States negotiable securities of a par value equal to the amount specified. The principal, pursuant to the authority conferred by Section 1 of the Act of September 13, 1982 (31 U.S.C. 9303), does hereby constitute and appoint the Secretary of the Interior to act as his attorney. The interest accruing on the United States securities deposited, in the absence of any default in the performance of any of the conditions, or stipulations set forth in this bond and the instrument(s) granting rights and interests in Federal lands, must be paid to the principal. The principal hereby for himself/herself, any heirs, executors, administrators, successors, and assigns, joint and severally, ratifies and confirms whatever the Secretary shall do by virtue of these presents.

The principal/surety shall apply this bond or the Secretary shall transfer this deposit as security for the faithful performance of any and all of the conditions and stipulations as set forth in this bond and the instruments granting rights and interests in Federal lands. In the case of any default in the performance of the conditions and stipulations of such undertaking, it is agreed that: (1) for a Surety Bond, the surety/principal shall apply the bond or any portion thereof; (2) for a Personal Bond, the Secretary shall have full power to assign, appropriate, apply or transfer the deposit or any portion thereof, to the satisfaction of any damages, assessments, late payment charges, penalties, or deficiencies arising by reason of such default.

This bond is required for the use and benefit of (1) the United States, (2) the owner of any of the land subject to the coverage of this bond, who has a statutory right to compensation in connection with a reservation of the oil and gas and geothermal deposits to the United States; (3) any lessee, permittee, or contractor, under a lease, permit, or resource sale contract issued, or to be issued, by the United States covering the same land subject to this bond, covering the use of the surface or the prospecting for, or the development of other mineral deposits in any portion of such land, to be paid to the United States. For such payment, well and truly to be made, we bind ourselves and each of our heirs, executors, administrators, successors, and assigns, jointly and severally.

This bond shall cover all surface disturbing activities related to drilling operations on a Federal leasehold(s) in accordance with authorization(s) granted under the Acts cited above for:

CHECK ONE:

- NATIONWIDE BOND** — Operations conducted by or on behalf of the principal(s) or on the leasehold(s) of the principal(s) in the United States including the National Petroleum Reserve in Alaska (NPR-A) when a rider sufficient to bring the amount in conformance with 43 CFR 3134 is provided, and provided a rider is obtained, also coverage of multiple exploration operations
- STATEWIDE BOND** — Operations conducted by or on behalf of the principal(s) or on the leasehold(s) of the principal(s), except the NPR-A, and, provided a rider is obtained, also coverage of multiple exploration operations within the single state of Utah
- INDIVIDUAL BOND** — Operations conducted by or on behalf of the principal or on the leasehold of the principal on the single lease identified by the serial number above.
- NATIONAL PETROLEUM RESERVE IN ALASKA (NPR-A) BOND** — This bond shall cover
- NPR-A LEASE BOND** — The terms and conditions of a single lease
- NPR-A WIDE BOND** — The terms and conditions of all leases, and provided a rider is obtained, coverage of multiple exploration operations

(Continued on reverse)

BOND CONDITIONS

The conditions of the foregoing obligations are such that

1. WHEREAS the principal has an interest in a lease(s) and/or responsibility for operations on a lease(s) issued under the Acts cited in this bond, and

2. WHEREAS the principal and surety agree(s) that with notice to the surety the coverage of this bond, in addition to the present holding(s) of and/or authorization(s) granted to the principal, shall extend to and include

a Any lease(s) hereafter issued to or acquired by the obligor/principal, except under individual lease bonds, the coverage is to be confined to the principal's holding(s) and/or authorization(s) granted under the Acts cited in this bond, and to become effective immediately upon such authorization, approval or issuance of a transfer in favor of the principal; and

b Any transfer(s) of operating rights hereafter entered into or acquired by the principal affecting lease(s), and

c Any activity subsequent hereto of the principal as operator under a lease(s) issued pursuant to the Acts cited in this bond, and

Provided, That the surety may elect to terminate the additional coverage authorized under this paragraph. Such termination will become effective 30 days after the BLM receives notice of the election to terminate. After the termination becomes effective, the additional interest(s) identified in this paragraph will not be covered by this bond, and

3. WHEREAS the principal and surety agree(s) that with notice to the surety that this bond shall remain in full force and effect notwithstanding. Any assignment(s) of an undivided interest in any part or all of the lands in the lease(s) in which event the assignee(s) shall be considered to be coprincipal(s) on an individual or NPR-A bond as fully and to the same extent as though his/her or their duly, authenticated signatures appeared thereon, and

4. WHEREAS the obligor/surety hereby waives any right to notice of, and agrees that this bond shall remain in full force and effect notwithstanding.

a Any assignment(s) of 100% of some of the lands described in the lease(s), the bond to remain in full force and effect only as to the lands retained in the lease(s), and

b Any transfer(s) either in whole or in part, of any or all of the operating rights and further agrees to remain bound under this bond as to the interests in the operating rights retained by the principal, and

c Any modification of a lease or operating right, or obligation thereunder, whether made or effected by commitment of lease or operating right to unit, cooperative, communitization or storage agreements, or development contracts, suspensions of oper-

ations or production, waivers, suspensions or changes in rental, minimum royalty and royalties, compensatory royalty payments, or otherwise, and

d. Any extension of a lease(s) covered by this bond, such coverage to continue without any interruption due to the expiration of the term set forth in the lease(s); and

5. WHEREAS the principal and surety hereby agree(s) that notwithstanding the termination, expiration, cancellation or relinquishment of any lease(s), whether by operation of law or otherwise, the bond shall remain in full force and effect as to the terms and conditions of all remaining leases and obligations covered by the bond, and

6. WHEREAS the principal, as to any lease or part of a lease for land on which he/she is the operator, in consideration of being permitted to furnish this bond in lieu of the lessee(s) or operating rights owner(s), agrees and by these presents does hereby bind himself/herself to fulfill on behalf of each lessee or operating rights owner all obligations of such for the entire leasehold in the same manner and to the same extent as though he/she were lessee or operating rights owner, and

7. WHEREAS the obligor/principal and surety agree(s) that the neglect or forbearance of said lessor in enforcing, as against any responsible party, the payment of rentals or royalties or the performance of any other term or condition of the lease(s) shall not, in any way, release the principal and surety, or either of them from any liability under this bond; and

8. WHEREAS the principal and surety agree(s) that in the event of any default under the lease(s) the lessor may commence and prosecute any claim, suit, or other proceeding against the principal and surety or either of them, without the necessity of joining the lessee(s), and

9. WHEREAS if the principal fails to comply with any provisions of an oil and gas lease, and the noncompliance continues for thirty (30) days after written notice thereof, such lease shall be subject to cancellation and the principal shall also be subject to applicable provisions and penalties of the Federal Oil and Gas Royalty Management Act (30 U S C 1701 et seq ) or the Federal Onshore Oil and Gas Leasing Reform Act. This provision shall not be construed to prevent the exercise by the United States of any other legal and equitable remedy, including waiver of the default.

10. NOW, THEREFORE If said principal, his/her heirs, executors, administrators, successors, or assigns shall in all respects faithfully comply with all of the provisions of the instrument(s) granting rights and interests in Federal lands referred to above, then the obligations are to be void, otherwise to remain in full force and effect.

Signed this 7th day of April, 2005, in the presence of

NAMES AND ADDRESSES OF WITNESSES

B J Evans (MARION ENERGY)

R C Evans (MARION ENERGY)

Molly Battenfield

Diane E. Carey

Marion Energy Inc. (L.S.)

119 S. Tennessee, Suite 200, McKinney, Texas 75069 (Business Address)

W. Russell Brown, Jr., Attorney-in-Fact/Surety (L.S.)

13403 Northwest Freeway, Houston, Texas 77040 (Business Address)

If this bond is executed by a corporation, it must bear the seal of that corporation

**Important Notice Regarding  
Terrorism Risk Insurance Act of 2002**

In accordance with the Terrorism Risk Insurance Act of 2002 (the "Act"), this disclosure notice is provided for surety bonds on which U.S. Specialty Insurance Company is the issuing surety.

The premium attributable to any bond coverage for "acts of terrorism" as defined in Section 102(1) of the Act is Zero Dollars (\$0.00).

The United States will reimburse the Issuing Sureties for ninety percent (90%) of any covered losses from terrorist acts certified under the Act exceeding the applicable surety deductible.

The actual coverage provided by your bond for acts of terrorism, as is true for all coverages, is limited by the terms, conditions, exclusions, penalties, limits, other provisions of your bond and the underlying contract, any endorsements to the bond and generally applicable rules of law. This Important Notice Regarding Terrorism Insurance Risk Act of 2002 is for informational purposes only and does not create coverage nor become a part or condition of the attached document.

**YOU SHOULD KNOW THAT COVERAGE PROVIDED BY THIS POLICY, IF WRITTEN, FOR LOSSES CAUSED BY CERTIFIED ACTS OF TERRORISM, WILL BE EXCLUDED IF THE U.S. GOVERNMENT FAILS TO ENACT AN EXTENSION TO TRIA OR ENACTS CHANGES TO TRIA THAT SUBSTANTIALLY CHANGE THE RISK OF LOSS THAT AN INSURER OR POLICYHOLDER HAS ASSUMED.**

The rest of this page is intentionally left blank.

**POWER OF ATTORNEY**

**PA001632**

(To be used with bonds issued on behalf of U. S. SPECIALTY INSURANCE COMPANY)

**Know All Men by These Presents** That, U. S. SPECIALTY INSURANCE COMPANY (the "Company"), a corporation duly organized and existing under the laws of the State of Texas, and having its principal office in Houston, Harris County, Texas, does by these presents make, constitute and appoint

**Edwin H. Frank III, W. Russell Brown, Jr.**

its true and lawful Attorney-in-fact, with full power and authority hereby conferred in its name, place and stead, to execute, acknowledge and deliver **any and all bonds, recognizances, undertakings or other instruments or contracts of suretyship to include riders, amendments, and consents of surety, providing the bond penalty does not exceed Three Million Dollars (\$3,000,000)** and to bind the Company thereby as fully and to the same extent as if such bonds were signed by the Executive Vice President, sealed with the corporate seal of the Company and duly attested by its Secretary, hereby ratifying and confirming that the said Attorney-in-Fact may do in the premises. Said appointment is made under and by authority of the following resolutions of the Board of Directors of the U. S. Specialty Insurance Company:

*Be it Resolved*, that the President, any Vice-President, any Assistant Vice-President, any Secretary or any Assistant Secretary shall be and is hereby vested with full power and authority to appoint any one or more suitable persons as Attorney(s)-in-Fact to represent and act for and on behalf of the Company subject to the following provisions:

*Attorney-in-Fact* may be given full power and authority for and in the name of and of behalf of the Company, to execute, acknowledge and deliver, any and all bonds, recognizances, contracts, agreements or indemnity and other conditional or obligatory undertakings and any and all notices and documents canceling or terminating the Company's liability thereunder, and any such instruments so executed by any such Attorney-in-Fact shall be binding upon the Company as if signed by the President and sealed and effected by the Corporate Secretary.

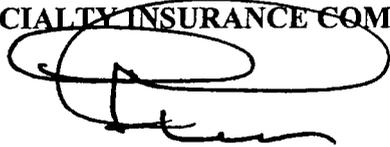
*Be it Resolved*, that the signature of any authorized officer and seal of the Company heretofore or hereafter affixed to any power of attorney or any certificate relating thereto by facsimile, and any power of attorney or certificate bearing facsimile signature or facsimile seal shall be valid and binding upon the Company with respect to any bond or undertaking to which it is attached. (Adopted by unanimous written consent in lieu of meeting on July 7, 2003.)

**In Witness Whereof**, U. S. SPECIALTY INSURANCE COMPANY has caused these presents to be signed by its Executive Vice President, and its corporate seal to be hereto affixed this 15<sup>th</sup> day of March, 2005.

Corporate Seal

**U. S. SPECIALTY INSURANCE COMPANY**

By



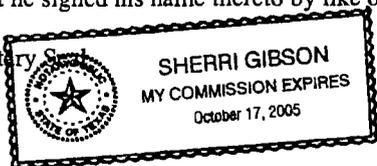
**Edward H. Ellis, Jr., Executive Vice President**

State of Texas

County of Harris ss:

On this 15<sup>th</sup> day of March, 2005 before me personally came Edward H. Ellis, Jr., to me known, who, being by me duly sworn, did depose and say, that he resides in Houston, Texas, that he is Executive Vice President of U. S. SPECIALTY INSURANCE COMPANY, the company described in and which executed the above instrument; that he knows the seal of said Company; that the seal affixed to said instrument is such corporate seal; that it was so affixed by order of the Board of Directors of said Company; and that he signed his name thereto by like order.

Notary Seal



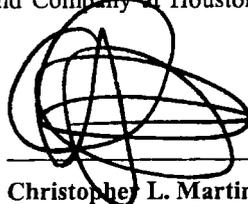
 Notary Public

My commission expires 10-17-05

I, Christopher L. Martin, Secretary of U. S. SPECIALTY INSURANCE COMPANY, do hereby certify that the above and foregoing is a true and correct copy of a Power of Attorney, executed by said Company, which is still in full force and effect; furthermore, the resolutions of the Board of Directors, set out in the Power of Attorney are in full force and effect.

In Witness Whereof, I have hereunto set my hand and affixed the seal of said Company at Houston, Texas this 7th day of April, 2005.

Corporate Seal



**Christopher L. Martin, Secretary**

Corporate Surety Bond

STATE OF UTAH  
BOND OF LESSEE

KNOW ALL MEN BY THESE PRESENTS, that we Marion Energy Inc. of 119 South Tennessee, Suite 200, McKinney, Texas 75069 as principal and U.S. Specialty Insurance Company as surety are held and firmly bound unto the State of Utah in the sum of Fifteen Thousand and no/100 Dollars(\$15,000.00) lawful money of the United States to be paid to the School & Institutional Trust Lands Administration, as agent for the State of Utah, for the use and benefit of the State of Utah, and of any patentee or purchaser of any portion of the land covered by the hereinafter described lease heretofore sold or which may hereafter be sold with a reservation to the State of Utah, on the surface or of other mineral deposits of any pordon of such lands, for which payment, well and truly to he made, we bind ourselves, and each of us, and each of our heirs, executors, administrators, successors, sublessees, and assignees, jointly and severally by these presents.

Signed with our hands and sealed this 12<sup>th</sup> day of April, 2006.

The condition of the foregoing obligation is such that,

WHEREAS, The State of Utah, as Lessor, issued a(n) \_\_\_\_\_ lease, Lease Number \_\_\_\_\_ and dated \_\_\_\_\_, to \_\_\_\_\_ as lessee (and said lease has been duly assigned under date of \_\_\_\_\_ to \_\_\_\_\_)to drill for, mine, extract, and remove all of the deposits \_\_\_\_\_ in and under the following described lands, to wit:

NOW, THEREFORE, the principal and surety shall be obligated to pay all monies, rentals, royalties, cost of reclamation , damages to the surface and improvements thereon and any other damages, costs, expensed, penalties, interest or liabilities which arise by operation of or in connection with the above described lease(s) accruing to the Lessor and shall fully comply with all other terms and conditions of said lease, the rules, regulations and polices relating thereto of the School & Institutional Trust Lands Administration, the Board of Oil, Gas and Mining, and the Division of Oil, Gas and Mining as they may now exist or may from time to time be modified or amended. This obligation is in effect even if the principal has conveyed part of its interest to a successor in interest. If the principal fully satisfies the above described obligations, then the surety's obligation to make payment to the State of Utah is void and of no effect, otherwise, it shall remain in full force and effect until released by the School & Institutional Trust Lands Administration.

\_\_\_\_\_  
Witness

Marion Energy Inc. (SEAL)  
Principal

BONDING COMPANY

Molly Reagan  
Witness Molly Reagan

By: U.S. Specialty Insurance Company  
Attest: W. Russell Brown, Jr., Attorney-in-Fact

Resident Agent: Edwin H. Frank III, 207768

Bonding Address: 13403 Northwest Freeway  
Houston, Texas 77040

**POWER OF ATTORNEY**

(To be used with bonds issued on behalf of U. S. SPECIALTY INSURANCE COMPANY)

**Know All Men by These Presents** That, U. S. SPECIALTY INSURANCE COMPANY (the "Company"), a corporation duly organized and existing under the laws of the State of Texas, and having its principal office in Houston, Harris County, Texas, does by these presents make, constitute and appoint

**Edwin H. Frank III, W. Russell Brown, Jr.**

its true and lawful Attorney-in-fact, with full power and authority hereby conferred in its name, place and stead, to execute, acknowledge and deliver any and all bonds, recognizances, undertakings or other instruments or contracts of suretyship to include riders, amendments, and consents of surety, providing the bond penalty does not exceed Three Million Dollars (\$3,000,000) and to bind the Company thereby as fully and to the same extent as if such bonds were signed by the President, sealed with the corporate seal of the Company and duly attested by its Secretary, hereby ratifying and confirming that the said Attorney-in-Fact may do in the premises. Said appointment is made under and by authority of the following resolutions of the Board of Directors of the U. S. Specialty Insurance Company:

*Be it Resolved*, that the President, any Vice-President, any Assistant Vice-President, any Secretary or any Assistant Secretary shall be and is hereby vested with full power and authority to appoint any one or more suitable persons as Attorney(s)-in-Fact to represent and act for and on behalf of the Company subject to the following provisions:

*Attorney-in-Fact* may be given full power and authority for and in the name of and of behalf of the Company, to execute, acknowledge and deliver, any and all bonds, recognizances, contracts, agreements or indemnity and other conditional or obligatory undertakings and any and all notices and documents canceling or terminating the Company's liability thereunder, and any such instruments so executed by any such Attorney-in-Fact shall be binding upon the Company as if signed by the President and sealed and effected by the Corporate Secretary.

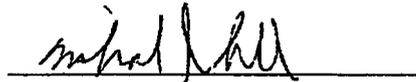
*Be it Resolved*, that the signature of any authorized officer and seal of the Company heretofore or hereafter affixed to any power of attorney or any certificate relating thereto by facsimile, and any power of attorney or certificate bearing facsimile signature or facsimile seal shall be valid and binding upon the Company with respect to any bond or undertaking to which it is attached. (Adopted by unanimous written consent in lieu of meeting on July 7, 2003.)

**In Witness Whereof**, U. S. SPECIALTY INSURANCE COMPANY has caused these presents to be signed by its President, and its corporate seal to be hereto affixed this 19<sup>th</sup> day of January, 2006.

Corporate Seal

**U. S. SPECIALTY INSURANCE COMPANY**  
By

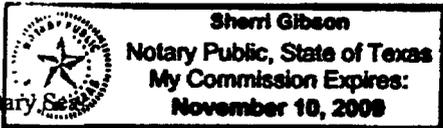
State of Texas



County of Harris ss:

**Michael J. Schell, President**

On this 19<sup>th</sup> day of January, 2006 before me personally came Michael J. Schell, to me known, who, being by me duly sworn, did depose and say, that he resides in Houston, Texas, that he is President of U. S. SPECIALTY INSURANCE COMPANY, the company described in and which executed the above instrument; that he knows the seal of said Company; that the seal affixed to said instrument is such corporate seal; that it was so affixed by order of the Board of Directors of said Company; and that he signed his name thereto by like order.



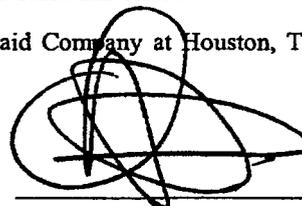
Notary Seal

 Sherri Gibson, Notary Public  
My commission expires 11-10-09

I, Christopher L. Martin, Secretary of U. S. SPECIALTY INSURANCE COMPANY, do hereby certify that the above and foregoing is a true and correct copy of a Power of Attorney, executed by said Company, which is still in full force and effect; furthermore, the resolutions of the Board of Directors, set out in the Power of Attorney are in full force and effect.

In Witness Whereof, I have hereunto set my hand and affixed the seal of said Company at Houston, Texas this 12th day of April, 2006.

Corporate Seal



**Christopher L. Martin, Secretary**

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

FORM 4A

Bond No. B002775

**SURETY BOND**

**KNOW ALL MEN BY THESE PRESENTS:**

That we (operator name) Marion Energy Inc. as Principal,  
and

(surety name) U.S. Specialty Insurance Company as Surety, duly authorized  
and qualified to do business in the State of Utah, are held and firmly bound unto the State of Utah in the sum of:

On Hundred Eighty-four Thousand One Hundred Eighty and no/100 dollars (\$ \$184,180.00 )  
lawful money of the United States, payable to the Director of the Division of Oil, Gas and Mining, as agent of the State of Utah, for the use and  
benefit of the State of Utah for the faithful payment of which we bind ourselves, our heirs, executors, administrators and successors, jointly and  
severally by these presents.

**THE CONDITION OF THIS OBLIGATION IS SUCH THAT, WHEREAS** the Principal is or will be engaged in the drilling, redrilling, deepening,  
repairing, operating, and plugging and abandonment of a well or wells and restoring the well site or sites in the State of Utah for the purposes of  
oil or gas production and/or the injection and disposal of fluids in connection therewith for the following described land or well:

- Blanket Bond: To cover all wells drilled in the State of Utah
- Individual Bond: Well No: \_\_\_\_\_  
Section: \_\_\_\_\_ Township: \_\_\_\_\_ Range: \_\_\_\_\_  
County: \_\_\_\_\_, Utah

**NOW, THEREFORE**, if the above bounden Principal shall comply with all the provisions of the laws of the State of Utah and the rules, orders and  
requirements of the Board of Oil, Gas and Mining of the State of Utah, including, but not limited to the proper plugging and abandonment of wells  
and well site restoration, then this obligation is void; otherwise, the same shall be and remain in full force and effect.

**IN TESTIMONY WHEREOF**, said Principal has hereunto subscribed its name and has caused this instrument to be signed by its duly authorized  
officers and its corporate or notary seal to be affixed this

\_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_\_.

(Corporate or Notary Seal here)  
  
Attestee: \_\_\_\_\_ Date: \_\_\_\_\_

Marion Energy Inc.  
Principal (company name)  
By KERI CLARKE VICE PRESIDENT (AND)  
Name (print) Title  
[Signature]  
Signature

**IN TESTIMONY WHEREOF**, said Surety has caused this instrument to be signed by its duly authorized officers and its corporate or notary seal  
to be affixed this

12 day of April, 2006.

(Corporate or Notary Seal here)  
  
Attestee: Macey Reagen Date: 4/12/06

U.S. Specialty Insurance Company  
Surety Company (Attach Power of Attorney)  
By W. Russell Brown, Jr. Attorney-in-Fact  
Name (print) Title  
[Signature]  
Signature  
13403 Northwest Freeway  
Surety Mailing Address  
Houston Texas 77040  
City State Zip

Exhibit "A"  
 Bond Coverage (Surety Bond # B002775)  
 MArion Energy Inc., Operator

API Well Number	Well Name	Well Status	Field Name	County	Section	Location	Qtr/Qtr	Last produced	Years Shut-in
43-007-16009-00-00	Utah Fuel #1	Shut-in	Clear Creek	Carbon	5	14S-7E	SESW	Dec-69	36 years
43-007-16010-00-00	Utah Fuel #2	Shut-in	Clear Creek	Carbon	32	13S-7E	SWSW	Nov-64	40 years
43-007-16011-00-00	Utah Fuel #3	Shut-in	Clear Creek	Carbon	32	13S-7E	NWSE	Dec-73	32 years
43-007-16012-00-00	Utah Fuel #4	Shut-in	Clear Creek	Carbon	30	13S-7E	SWSW	Dec-58	47 years
43-007-16016-00-00	Utah Fuel #10	Shut-in	Clear Creek	Carbon	5	14S-7E	NWNE	Jan-67	39 years
43-007-30102-00-00	Utah Mineral State	Shut-in	Clear Creek	Carbon	29	13S-7E	SWNW	Jul-72	33 years
43-007-30289-00-00	Oman #2-20	Shut-in	Clear Creek	Carbon	20	13S-7E	NWNE	Mar-96	10 years
43-007-16015-00-00	Utah Fuel #8	Producing	Clear Creek	Carbon	19	13S-7E	NENW	n/a	n/a
43-007-16013-00-00	Utah Fuel #5	PA	Clear Creek	Carbon	31	13S-7E	SWSW	n/a	n/a
43-015-16021-00-00	Utah Fuel #A-1	PA	Clear Creek	Emery	6	14S-7E	SWSW	n/a	n/a

**POWER OF ATTORNEY**

(To be used with bonds issued on behalf of U. S. SPECIALTY INSURANCE COMPANY)

*Know All Men by These Presents* That, U. S. SPECIALTY INSURANCE COMPANY (the "Company"), a corporation duly organized and existing under the laws of the State of Texas, and having its principal office in Houston, Harris County, Texas, does by these presents make, constitute and appoint

**Edwin H. Frank III, W. Russell Brown, Jr.**

its true and lawful Attorney-in-fact, with full power and authority hereby conferred in its name, place and stead, to execute, acknowledge and deliver any and all bonds, recognizances, undertakings or other instruments or contracts of suretyship to include riders, amendments, and consents of surety, providing the bond penalty does not exceed Three Million Dollars (\$3,000,000) and to bind the Company thereby as fully and to the same extent as if such bonds were signed by the President, sealed with the corporate seal of the Company and duly attested by its Secretary, hereby ratifying and confirming that the said Attorney-in-Fact may do in the premises. Said appointment is made under and by authority of the following resolutions of the Board of Directors of the U. S. Specialty Insurance Company:

*Be it Resolved*, that the President, any Vice-President, any Assistant Vice-President, any Secretary or any Assistant Secretary shall be and is hereby vested with full power and authority to appoint any one or more suitable persons as Attorney(s)-in-Fact to represent and act for and on behalf of the Company subject to the following provisions:

*Attorney-in-Fact* may be given full power and authority for and in the name of and of behalf of the Company, to execute, acknowledge and deliver, any and all bonds, recognizances, contracts, agreements or indemnity and other conditional or obligatory undertakings and any and all notices and documents canceling or terminating the Company's liability thereunder, and any such instruments so executed by any such Attorney-in-Fact shall be binding upon the Company as if signed by the President and sealed and effected by the Corporate Secretary.

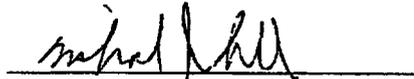
*Be it Resolved*, that the signature of any authorized officer and seal of the Company heretofore or hereafter affixed to any power of attorney or any certificate relating thereto by facsimile, and any power of attorney or certificate bearing facsimile signature or facsimile seal shall be valid and binding upon the Company with respect to any bond or undertaking to which it is attached. (Adopted by unanimous written consent in lieu of meeting on July 7, 2003.)

*In Witness Whereof*, U. S. SPECIALTY INSURANCE COMPANY has caused these presents to be signed by its President, and its corporate seal to be hereto affixed this 19<sup>th</sup> day of January, 2006.

Corporate Seal

**U. S. SPECIALTY INSURANCE COMPANY**  
By

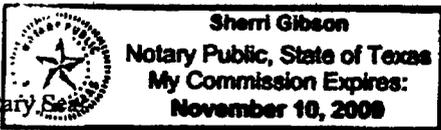
State of Texas



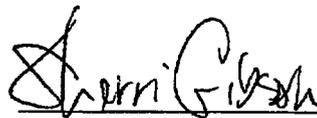
County of Harris ss:

Michael J. Schell, President

On this 19<sup>th</sup> day of January, 2006 before me personally came Michael J. Schell, to me known, who, being by me duly sworn, did depose and say, that he resides in Houston, Texas, that he is President of U. S. SPECIALTY INSURANCE COMPANY, the company described in and which executed the above instrument; that he knows the seal of said Company; that the seal affixed to said instrument is such corporate seal; that it was so affixed by order of the Board of Directors of said Company; and that he signed his name thereto by like order.



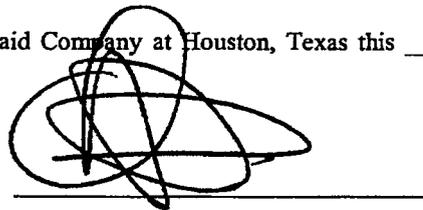
Notary Seal

  
My commission expires 11-10-09

I, Christopher L. Martin, Secretary of U. S. SPECIALTY INSURANCE COMPANY, do hereby certify that the above and foregoing is a true and correct copy of a Power of Attorney, executed by said Company, which is still in full force and effect; furthermore, the resolutions of the Board of Directors, set out in the Power of Attorney are in full force and effect.

In Witness Whereof, I have hereunto set my hand and affixed the seal of said Company at Houston, Texas this 12th day of April, 2006.

Corporate Seal



Christopher L. Martin, Secretary

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

FORM 4A

Bond No. B001617

**SURETY BOND**

**KNOW ALL MEN BY THESE PRESENTS:**

That we (operator name) Marion Energy Inc. as Principal,  
and

(surety name) U.S. Specialty Insurance Company as Surety, duly authorized  
and qualified to do business in the State of Utah, are held and firmly bound unto the State of Utah in the sum of:

One Hundred Fifty Thousand and no/100 dollars (\$ \$150,000.00 )  
lawful money of the United States, payable to the Director of the Division of Oil, Gas and Mining, as agent of the State of Utah, for the use and  
benefit of the State of Utah for the faithful payment of which we bind ourselves, our heirs, executors, administrators and successors, jointly and  
severally by these presents.

**THE CONDITION OF THIS OBLIGATION IS SUCH THAT, WHEREAS** the Principal is or will be engaged in the drilling, redrilling, deepening,  
repairing, operating, and plugging and abandonment of a well or wells and restoring the well site or sites in the State of Utah for the purposes of  
oil or gas production and/or the injection and disposal of fluids in connection therewith for the following described land or well:

- Blanket Bond: To cover all wells drilled in the State of Utah
- Individual Bond: Well No: \_\_\_\_\_  
Section: \_\_\_\_\_ Township: \_\_\_\_\_ Range: \_\_\_\_\_  
County: \_\_\_\_\_, Utah

**NOW, THEREFORE**, if the above bounden Principal shall comply with all the provisions of the laws of the State of Utah and the rules, orders and  
requirements of the Board of Oil, Gas and Mining of the State of Utah, including, but not limited to the proper plugging and abandonment of wells  
and well site restoration, then this obligation is void; otherwise, the same shall be and remain in full force and effect.

**IN TESTIMONY WHEREOF**, said Principal has hereunto subscribed its name and has caused this instrument to be signed by its duly authorized  
officers and its corporate or notary seal to be affixed this

31 day of March, 20 05.

(Corporate or Notary Seal here)



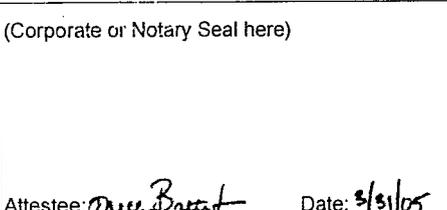
Attestee: Mary Lou Holder Date: 4/5/05

Marion Energy Inc.  
Principal (company name)  
By KERI CLARKE VICE PRESIDENT LAND  
Name (print) Title  
[Signature]  
Signature

**IN TESTIMONY WHEREOF**, said Surety has caused this instrument to be signed by its duly authorized officers and its corporate or notary seal  
to be affixed this

31 day of March, 20 05.

(Corporate or Notary Seal here)



Attestee: Edwin H. Frank, III Date: 3/31/05

U.S. Specialty Insurance Company  
Surety Company (Attach Power of Attorney)  
By Edwin H. Frank, III Attorney-in-Fact  
Name (print) Title  
[Signature]  
Signature  
13403 Northwest Freeway  
Surety Mailing Address  
Houston Texas 77040  
City State Zip

**Important Notice Regarding  
Terrorism Risk Insurance Act of 2002**

In accordance with the Terrorism Risk Insurance Act of 2002 (the "Act"), this disclosure notice is provided for surety bonds on which U.S. Specialty Insurance Company is the issuing surety.

The premium attributable to any bond coverage for "acts of terrorism" as defined in Section 102(1) of the Act is Zero Dollars (\$0.00).

The United States will reimburse the Issuing Sureties for ninety percent (90%) of any covered losses from terrorist acts certified under the Act exceeding the applicable surety deductible.

The actual coverage provided by your bond for acts of terrorism, as is true for all coverages, is limited by the terms, conditions, exclusions, penalties, limits, other provisions of your bond and the underlying contract, any endorsements to the bond and generally applicable rules of law. This Important Notice Regarding Terrorism Insurance Risk Act of 2002 is for informational purposes only and does not create coverage nor become a part or condition of the attached document.

**YOU SHOULD KNOW THAT COVERAGE PROVIDED BY THIS POLICY, IF WRITTEN, FOR LOSSES CAUSED BY CERTIFIED ACTS OF TERRORISM, WILL BE EXCLUDED IF THE U.S. GOVERNMENT FAILS TO ENACT AN EXTENSION TO TRIA OR ENACTS CHANGES TO TRIA THAT SUBSTANTIALLY CHANGE THE RISK OF LOSS THAT AN INSURER OR POLICYHOLDER HAS ASSUMED.**

The rest of this page is intentionally left blank.

**POWER OF ATTORNEY**

**PA001617**

(To be used with bonds issued on behalf of U. S. SPECIALTY INSURANCE COMPANY)

*Know All Men by These Presents* That, U. S. SPECIALTY INSURANCE COMPANY (the "Company"), a corporation duly organized and existing under the laws of the State of Texas, and having its principal office in Houston, Harris County, Texas, does by these presents make, constitute and appoint

**Edwin H. Frank III, W. Russell Brown, Jr.**

its true and lawful Attorney-in-fact, with full power and authority hereby conferred in its name, place and stead, to execute, acknowledge and deliver any and all bonds, recognizances, undertakings or other instruments or contracts of suretyship to include riders, amendments, and consents of surety, providing the bond penalty does not exceed Three Million Dollars (\$3,000,000) and to bind the Company thereby as fully and to the same extent as if such bonds were signed by the Executive Vice President, sealed with the corporate seal of the Company and duly attested by its Secretary, hereby ratifying and confirming that the said Attorney-in-Fact may do in the premises. Said appointment is made under and by authority of the following resolutions of the Board of Directors of the U. S. Specialty Insurance Company:

*Be it Resolved*, that the President, any Vice-President, any Assistant Vice-President, any Secretary or any Assistant Secretary shall be and is hereby vested with full power and authority to appoint any one or more suitable persons as Attorney(s)-in-Fact to represent and act for and on behalf of the Company subject to the following provisions:

*Attorney-in-Fact* may be given full power and authority for and in the name of and of behalf of the Company, to execute, acknowledge and deliver, any and all bonds, recognizances, contracts, agreements or indemnity and other conditional or obligatory undertakings and any and all notices and documents canceling or terminating the Company's liability thereunder, and any such instruments so executed by any such Attorney-in-Fact shall be binding upon the Company as if signed by the President and sealed and effected by the Corporate Secretary.

*Be it Resolved*, that the signature of any authorized officer and seal of the Company heretofore or hereafter affixed to any power of attorney or any certificate relating thereto by facsimile, and any power of attorney or certificate bearing facsimile signature or facsimile seal shall be valid and binding upon the Company with respect to any bond or undertaking to which it is attached. (Adopted by unanimous written consent in lieu of meeting on July 7, 2003.)

*In Witness Whereof*, U. S. SPECIALTY INSURANCE COMPANY has caused these presents to be signed by its Executive Vice President, and its corporate seal to be hereto affixed this 15<sup>th</sup> day of March, 2005.

Corporate Seal

**U. S. SPECIALTY INSURANCE COMPANY**

By



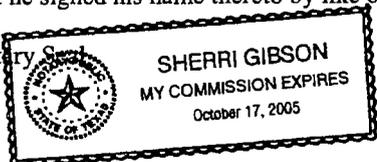
**Edward H. Ellis, Jr., Executive Vice President**

State of Texas

County of Harris ss:

On this 15<sup>th</sup> day of March, 2005 before me personally came Edward H. Ellis, Jr., to me known, who, being by me duly sworn, did depose and say, that he resides in Houston, Texas, that he is Executive Vice President of U. S. SPECIALTY INSURANCE COMPANY, the company described in and which executed the above instrument; that he knows the seal of said Company; that the seal affixed to said instrument is such corporate seal; that it was so affixed by order of the Board of Directors of said Company; and that he signed his name thereto by like order.

Notary Seal



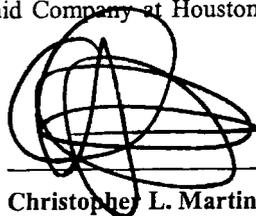
*Sherrri Gibson*, Notary Public

My commission expires 10-17-05

I, Christopher L. Martin, Secretary of U. S. SPECIALTY INSURANCE COMPANY, do hereby certify that the above and foregoing is a true and correct copy of a Power of Attorney, executed by said Company, which is still in full force and effect; furthermore, the resolutions of the Board of Directors, set out in the Power of Attorney are in full force and effect.

In Witness Whereof, I have hereunto set my hand and affixed the seal of said Company at Houston, Texas this 31st day of March, 20 05.

Corporate Seal



**Christopher L. Martin, Secretary**

Bond No. B001617R04-05-05

RECEIVED

APR 06 2005

SURETY RIDER

DIV. OF OIL, GAS & MINING

To be attached to and form a part of Bond No. B001617 on behalf of Marion Energy Inc., as principal and executed by U.S. Specialty Insurance Company, as surety.

Effective date of bond: March 31, 2005

Effective date of change: March 31, 2005

In consideration of the mutual agreement herein contained, the principal and the surety hereby consent to the following changes:

The penalty amount of the bond has changed from:

\$150,000.00

TO:

\$120,000.00

Nothing herein contained shall vary, alter, or extend any provision or condition of this bond except as herein expressly stated.

SIGNED, SEALED AND DATED THIS: April 5, 2005

State of Utah  
Dept. of Natural Resources  
Division of Oil, Gas and Mining  
Name of Obligee

Earlene Russell  
Signature

EARLENE RUSSELL  
ENGINEERING TECHNICIAN, BONDING  
Name and title of person  
executing for Principal

U.S. Specialty Insurance Company  
Name of Surety

W. Russell Brown, Jr.  
Signature

W. Russell Brown, Jr. Attorney-in-Fact  
Name and title of person  
executing for Surety

Bond No. B001617R04-05-05

RECEIVED

APR 06 2005

**SURETY RIDER**

DIV. OF OIL, GAS & MINING

To be attached to and form a part of Bond No. B001617 on behalf of Marion Energy Inc., as principal and executed by U.S. Specialty Insurance Company, as surety.

Effective date of bond: March 31, 2005

Effective date of change: March 31, 2005

In consideration of the mutual agreement herein contained, the principal and the surety hereby consent to the following changes:

The penalty amount of the bond has changed from:

\$150,000.00

**TO:**

\$120,000.00

Nothing herein contained shall vary, alter, or extend any provision or condition of this bond except as herein expressly stated.

SIGNED, SEALED AND DATED THIS: April 5, 2005

State of Utah  
Dept. of Natural Resources  
Division of Oil, Gas and Mining  
Name of Obligee

Earlene Russell  
Signature

EARLENE RUSSELL  
ENGINEERING TECHNICIAN, BONDING  
Name and title of person  
executing for Principal

U.S. Specialty Insurance Company  
Name of Surety

W. Russell Brown, Jr.  
Signature

W. Russell Brown, Jr. Attorney-in-Fact  
Name and title of person  
executing for Surety

**POWER OF ATTORNEY**

PA001617

(To be used with bonds issued on behalf of U. S. SPECIALTY INSURANCE COMPANY)

**Know All Men by These Presents** That, U. S. SPECIALTY INSURANCE COMPANY (the "Company"), a corporation duly organized and existing under the laws of the State of Texas, and having its principal office in Houston, Harris County, Texas, does by these presents make, constitute and appoint

**Edwin H. Frank III, W. Russell Brown, Jr.**

its true and lawful Attorney-in-fact, with full power and authority hereby conferred in its name, place and stead, to execute, acknowledge and deliver any and all bonds, recognizances, undertakings or other instruments or contracts of suretyship to include riders, amendments, and consents of surety, providing the bond penalty does not exceed Three Million Dollars (\$3,000,000) and to bind the Company thereby as fully and to the same extent as if such bonds were signed by the Executive Vice President, sealed with the corporate seal of the Company and duly attested by its Secretary, hereby ratifying and confirming that the said Attorney-in-Fact may do in the premises. Said appointment is made under and by authority of the following resolutions of the Board of Directors of the U. S. Specialty Insurance Company:

*Be it Resolved*, that the President, any Vice-President, any Assistant Vice-President, any Secretary or any Assistant Secretary shall be and is hereby vested with full power and authority to appoint any one or more suitable persons as Attorney(s)-in-Fact to represent and act for and on behalf of the Company subject to the following provisions:

*Attorney-in-Fact* may be given full power and authority for and in the name of and of behalf of the Company, to execute, acknowledge and deliver, any and all bonds, recognizances, contracts, agreements or indemnity and other conditional or obligatory undertakings and any and all notices and documents canceling or terminating the Company's liability thereunder, and any such instruments so executed by any such Attorney-in-Fact shall be binding upon the Company as if signed by the President and sealed and effected by the Corporate Secretary.

*Be it Resolved*, that the signature of any authorized officer and seal of the Company heretofore or hereafter affixed to any power of attorney or any certificate relating thereto by facsimile, and any power of attorney or certificate bearing facsimile signature or facsimile seal shall be valid and binding upon the Company with respect to any bond or undertaking to which it is attached. (Adopted by unanimous written consent in lieu of meeting on July 7, 2003.)

**In Witness Whereof**, U. S. SPECIALTY INSURANCE COMPANY has caused these presents to be signed by its Executive Vice President, and its corporate seal to be hereto affixed this 15<sup>th</sup> day of March, 2005.

Corporate Seal

U. S. SPECIALTY INSURANCE COMPANY

By



Edward H. Ellis, Jr., Executive Vice President

State of Texas

County of Harris ss:

On this 15<sup>th</sup> day of March, 2005 before me personally came Edward H. Ellis, Jr., to me known, who, being by me duly sworn, did depose and say, that he resides in Houston, Texas, that he is Executive Vice President of U. S. SPECIALTY INSURANCE COMPANY, the company described in and which executed the above instrument; that he knows the seal of said Company; that the seal affixed to said instrument is such corporate seal; that it was so affixed by order of the Board of Directors of said Company; and that he signed his name thereto by like order.

Notary Seal



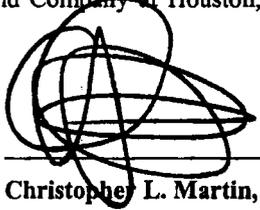
, Notary Public

My commission expires 10-17-05

I, Christopher L. Martin, Secretary of U. S. SPECIALTY INSURANCE COMPANY, do hereby certify that the above and foregoing is a true and correct copy of a Power of Attorney, executed by said Company, which is still in full force and effect; furthermore, the resolutions of the Board of Directors, set out in the Power of Attorney are in full force and effect.

In Witness Whereof, I have hereunto set my hand and affixed the seal of said Company at Houston, Texas this 31<sup>st</sup> day of March, 2005.

Corporate Seal



Christopher L. Martin, Secretary

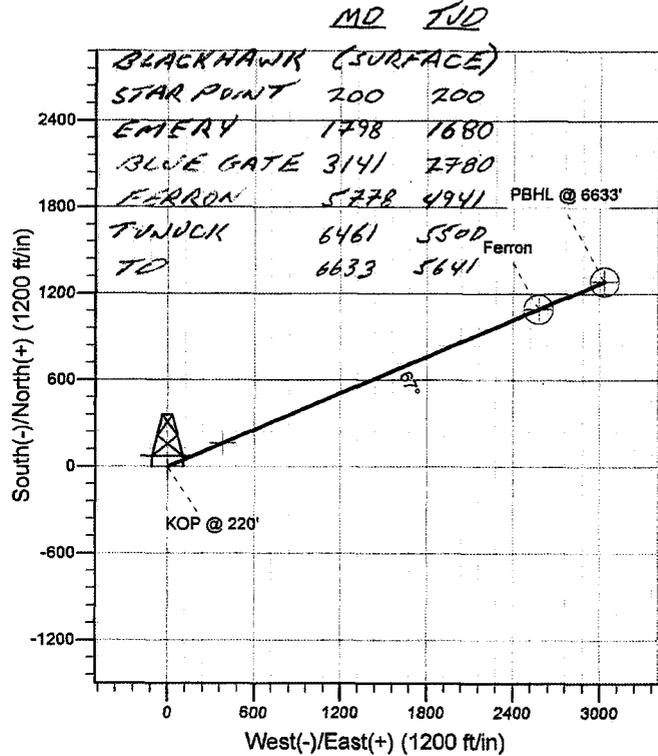
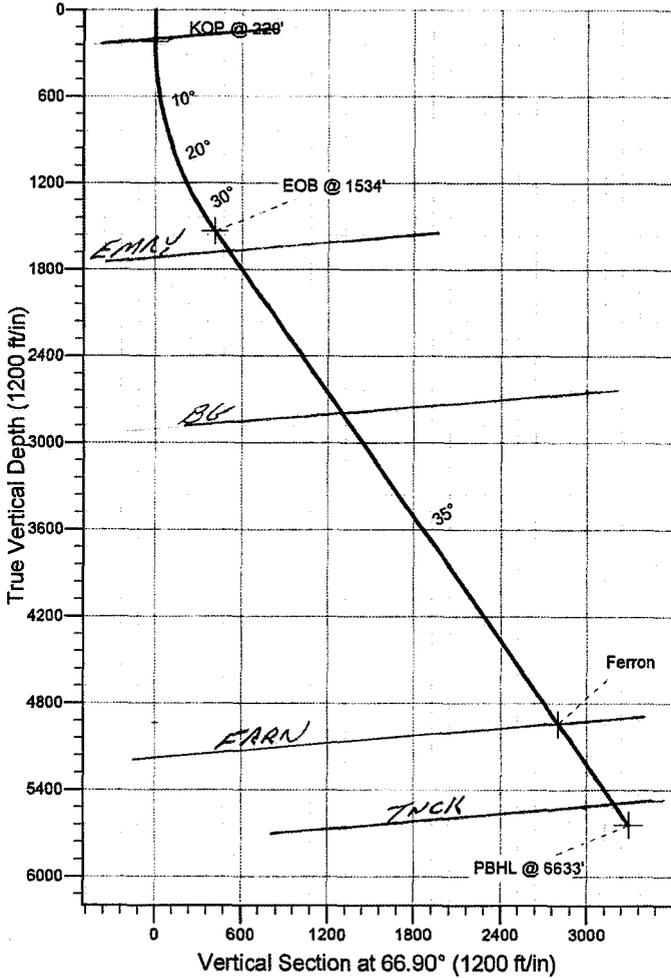


# MARION ENERGY, INC.

adsen # 11-20  
Clear Creek Federal Unit  
Carbon County, Utah  
Plan #2

### SECTION DETAILS

Sec	MD	Inc	Azi	TVD	+N/-S	+E/-W	DLeg	TFace	VSec	Target
1	0.0	0.00	0.00	0.0	0.0	0.0	0.00	0.00	0.0	
2	219.6	0.00	0.00	219.6	0.0	0.0	0.00	0.00	0.0	
3	1619.6	35.00	67.00	1534.1	161.9	381.5	2.50	67.00	414.5	
4	5778.6	35.00	67.00	4941.0	1094.1	2577.4	0.00	0.00	2800.0	
5	6633.2	35.00	67.00	5641.0	1285.6	3028.6	0.00	0.00	3290.1	



### WELLBORE TARGET DETAILS

Name	TVD	+N/-S	+E/-W	Shape
KOP @ 220'	219.6	0.0	0.0	Point
EOB @ 1534'	1534.1	161.9	381.5	Point
Ferron	4941.0	1094.1	2577.4	Circle (Radius: 100.0)
PBHL @ 6633'	5641.0	1285.6	3028.6	Circle (Radius: 100.0)

**SITE DETAILS:** Clear Creek Federal Unit

Site Centre Latitude: 39° 41' 41.969 N  
Longitude: 111° 9' 37.071 W

Positional Uncertainty: 0.0  
Convergence: -0.10  
Local North: True

**REFERENCE INFORMATION**

Co-ordinate (N/E) Reference: Site Clear Creek Federal Unit, True North  
Vertical (TVD) Reference: WELL @ 0.0ft (Original Well Elev)  
Section (VS) Reference: Slot - (0.0N, 0.0E)  
Measured Depth Reference: WELL @ 0.0ft (Original Well Elev)  
Calculation Method: Minimum Curvature

Azimuths to True North  
Magnetic North: 12.16°

Magnetic Field  
Strength: 52357.7nT  
Dip Angle: 65.38°  
Date: 8/18/2007  
Model: IGRF200510

# **MARION ENERGY, INC.**

**Carbon County, Utah  
Clear Creek Federal Unit  
Madsen 11-20  
Original Hole**

**Plan: Plan #2**

## **Standard Planning Report**

**18 August, 2007**

# Nevis

## Planning Report

<b>Database:</b> EDM 2003.14 Single User Db	<b>Local Co-ordinate Reference:</b> Site Clear Creek Federal Unit	
<b>Company:</b> MARION ENERGY, INC.	<b>TVD Reference:</b> WELL @ 0.0ft (Original Well Elev)	
<b>Project:</b> Carbon County, Utah	<b>MD Reference:</b> WELL @ 0.0ft (Original Well Elev)	
<b>Site:</b> Clear Creek Federal Unit	<b>North Reference:</b> True	
<b>Well:</b> Madsen 11-20	<b>Survey Calculation Method:</b> Minimum Curvature	
<b>Wellbore:</b> Original Hole		
<b>Design:</b> Plan #2		

<b>Project</b>	Carbon County, Utah, Sec. 17, T13S, R7E		
<b>Map System:</b>	Universal Transverse Mercator	<b>System Datum:</b>	Mean Sea Level
<b>Geo Datum:</b>	NAD 1927 - Alaska		
<b>Map Zone:</b>	Zone 12N (114 W to 108 W)		

<b>Site</b> Clear Creek Federal Unit			
<b>Site Position:</b>		<b>Northing:</b>	14,415,023.63 ft
<b>From:</b>	Lat/Long	<b>Easting:</b>	1,595,324.92 ft
<b>Position Uncertainty:</b>	0.0 ft	<b>Slot Radius:</b>	"
		<b>Latitude:</b>	39° 41' 41.969 N
		<b>Longitude:</b>	111° 9' 37.071 W
		<b>Grid Convergence:</b>	-0.10 °

<b>Well</b> Madsen 11-20			
<b>Well Position</b>	+N/-S	0.0 ft	<b>Northing:</b> 14,415,023.63 ft
	+E/-W	0.0 ft	<b>Easting:</b> 1,595,324.92 ft
<b>Position Uncertainty</b>	0.0 ft	<b>Wellhead Elevation:</b>	ft
		<b>Latitude:</b>	39° 41' 41.969 N
		<b>Longitude:</b>	111° 9' 37.071 W
		<b>Ground Level:</b>	0.0 ft

<b>Wellbore</b> Original Hole					
<b>Magnetics</b>	<b>Model Name</b>	<b>Sample Date</b>	<b>Declination</b>	<b>Dip Angle</b>	<b>Field Strength</b>
	IGRF200510	8/18/2007	(°)	(°)	(nT)
			12.16	65.38	52,358

<b>Design</b> Plan #2				
<b>Audit Notes:</b>				
<b>Version:</b>	<b>Phase:</b>	PROTOTYPE	<b>Tie On Depth:</b>	0.0
<b>Vertical Section:</b>	<b>Depth From (TVD)</b>	<b>+N/-S</b>	<b>+E/-W</b>	<b>Direction</b>
	(ft)	(ft)	(ft)	(°)
	0.0	0.0	0.0	66.90

<b>Plan Sections</b>										
Measured Depth (ft)	Inclination (°)	Azimuth (°)	Vertical Depth (ft)	+N/-S (ft)	+E/-W (ft)	Dogleg Rate (°/100ft)	Build Rate (°/100ft)	Turn Rate (°/100ft)	TFO (°)	Target
0.0	0.00	0.00	0.0	0.0	0.0	0.00	0.00	0.00	0.00	
219.6	0.00	0.00	219.6	0.0	0.0	0.00	0.00	0.00	0.00	
1,619.6	35.00	67.00	1,534.1	161.9	381.5	2.50	2.50	0.00	67.00	
5,778.6	35.00	67.00	4,941.0	1,094.1	2,577.4	0.00	0.00	0.00	0.00	
6,633.2	35.00	67.00	5,641.0	1,285.6	3,028.6	0.00	0.00	0.00	0.00	

# Nevis Planning Report

**Database:** EDM 2003.14 Single User Db  
**Company:** MARION ENERGY, INC.  
**Project:** Carbon County, Utah  
**Site:** Clear Creek Federal Unit  
**Well:** Madsen 11-20  
**Wellbore:** Original Hole  
**Design:** Plan #2

**Local Co-ordinate Reference:** Site Clear Creek Federal Unit  
**TVD Reference:** WELL @ 0.0ft (Original Well Elev)  
**MD Reference:** WELL @ 0.0ft (Original Well Elev)  
**North Reference:** True  
**Survey Calculation Method:** Minimum Curvature

## Planned Survey

Measured Depth (ft)	Inclination (°)	Azimuth (°)	Vertical Depth (ft)	+N/-S (ft)	+E/-W (ft)	Vertical Section (ft)	Dogleg Rate (°/100ft)	Build Rate (°/100ft)	Turn Rate (°/100ft)
0.0	0.00	0.00	0.0	0.0	0.0	0.0	0.00	0.00	0.00
100.0	0.00	0.00	100.0	0.0	0.0	0.0	0.00	0.00	0.00
200.0	0.00	0.00	200.0	0.0	0.0	0.0	0.00	0.00	0.00
219.6	0.00	0.00	219.6	0.0	0.0	0.0	0.00	0.00	0.00
<b>KOP @ 220'</b>									
300.0	2.01	67.00	300.0	0.6	1.3	1.4	2.50	2.50	0.00
400.0	4.51	67.00	399.8	2.8	6.5	7.1	2.50	2.50	0.00
500.0	7.01	67.00	499.3	6.7	15.8	17.1	2.50	2.50	0.00
600.0	9.51	67.00	598.3	12.3	29.0	31.5	2.50	2.50	0.00
700.0	12.01	67.00	696.5	19.6	46.2	50.2	2.50	2.50	0.00
800.0	14.51	67.00	793.8	28.6	67.3	73.1	2.50	2.50	0.00
900.0	17.01	67.00	890.0	39.2	92.3	100.3	2.50	2.50	0.00
1,000.0	19.51	67.00	985.0	51.4	121.1	131.6	2.50	2.50	0.00
1,100.0	22.01	67.00	1,078.5	65.3	153.8	167.0	2.50	2.50	0.00
1,200.0	24.51	67.00	1,170.4	80.7	190.1	206.5	2.50	2.50	0.00
1,300.0	27.01	67.00	1,260.4	97.7	230.1	250.0	2.50	2.50	0.00
1,400.0	29.51	67.00	1,348.5	116.2	273.7	297.3	2.50	2.50	0.00
1,500.0	32.01	67.00	1,434.4	136.2	320.8	348.5	2.50	2.50	0.00
1,600.0	34.51	67.00	1,518.0	157.6	371.3	403.3	2.50	2.50	0.00
1,619.6	35.00	67.00	1,534.1	161.9	381.5	414.5	2.50	2.50	0.00
<b>EOB @ 1634'</b>									
1,700.0	35.00	67.00	1,600.0	180.0	424.0	460.6	0.00	0.00	0.00
1,800.0	35.00	67.00	1,681.9	202.4	476.8	518.0	0.00	0.00	0.00
1,900.0	35.00	67.00	1,763.8	224.8	529.6	575.3	0.00	0.00	0.00
2,000.0	35.00	67.00	1,845.7	247.2	582.4	632.7	0.00	0.00	0.00
2,100.0	35.00	67.00	1,927.7	269.6	635.2	690.0	0.00	0.00	0.00
2,200.0	35.00	67.00	2,009.6	292.0	688.0	747.4	0.00	0.00	0.00
2,300.0	35.00	67.00	2,091.5	314.4	740.8	804.7	0.00	0.00	0.00
2,400.0	35.00	67.00	2,173.4	336.9	793.6	862.1	0.00	0.00	0.00
2,500.0	35.00	67.00	2,255.3	359.3	846.4	919.5	0.00	0.00	0.00
2,600.0	35.00	67.00	2,337.2	381.7	899.2	976.8	0.00	0.00	0.00
2,700.0	35.00	67.00	2,419.1	404.1	952.0	1,034.2	0.00	0.00	0.00
2,800.0	35.00	67.00	2,501.1	426.5	1,004.8	1,091.5	0.00	0.00	0.00
2,900.0	35.00	67.00	2,583.0	448.9	1,057.6	1,148.9	0.00	0.00	0.00
3,000.0	35.00	67.00	2,664.9	471.3	1,110.4	1,206.2	0.00	0.00	0.00
3,100.0	35.00	67.00	2,746.8	493.7	1,163.2	1,263.6	0.00	0.00	0.00
3,200.0	35.00	67.00	2,828.7	516.1	1,216.0	1,321.0	0.00	0.00	0.00
3,300.0	35.00	67.00	2,910.6	538.6	1,268.8	1,378.3	0.00	0.00	0.00
3,400.0	35.00	67.00	2,992.6	561.0	1,321.6	1,435.7	0.00	0.00	0.00
3,500.0	35.00	67.00	3,074.5	583.4	1,374.3	1,493.0	0.00	0.00	0.00
3,600.0	35.00	67.00	3,156.4	605.8	1,427.1	1,550.4	0.00	0.00	0.00
3,700.0	35.00	67.00	3,238.3	628.2	1,479.9	1,607.8	0.00	0.00	0.00
3,800.0	35.00	67.00	3,320.2	650.6	1,532.7	1,665.1	0.00	0.00	0.00
3,900.0	35.00	67.00	3,402.1	673.0	1,585.5	1,722.5	0.00	0.00	0.00
4,000.0	35.00	67.00	3,484.0	695.4	1,638.3	1,779.8	0.00	0.00	0.00
4,100.0	35.00	67.00	3,566.0	717.8	1,691.1	1,837.2	0.00	0.00	0.00
4,200.0	35.00	67.00	3,647.9	740.3	1,743.9	1,894.5	0.00	0.00	0.00
4,300.0	35.00	67.00	3,729.8	762.7	1,796.7	1,951.9	0.00	0.00	0.00
4,400.0	35.00	67.00	3,811.7	785.1	1,849.5	2,009.3	0.00	0.00	0.00
4,500.0	35.00	67.00	3,893.6	807.5	1,902.3	2,066.6	0.00	0.00	0.00
4,600.0	35.00	67.00	3,975.5	829.9	1,955.1	2,124.0	0.00	0.00	0.00
4,700.0	35.00	67.00	4,057.5	852.3	2,007.9	2,181.3	0.00	0.00	0.00
4,800.0	35.00	67.00	4,139.4	874.7	2,060.7	2,238.7	0.00	0.00	0.00

3141

## Nevis Planning Report

**Database:** EDM 2003.14 Single User Db  
**Company:** MARION ENERGY, INC.  
**Project:** Carbon County, Utah  
**Site:** Clear Creek Federal Unit  
**Well:** Madsen 11-20  
**Wellbore:** Original Hole  
**Design:** Plan #2

**Local Co-ordinate Reference:** Site Clear Creek Federal Unit  
**TVD Reference:** WELL @ 0.0ft (Original Well Elev)  
**MD Reference:** WELL @ 0.0ft (Original Well Elev)  
**North Reference:** True  
**Survey Calculation Method:** Minimum Curvature

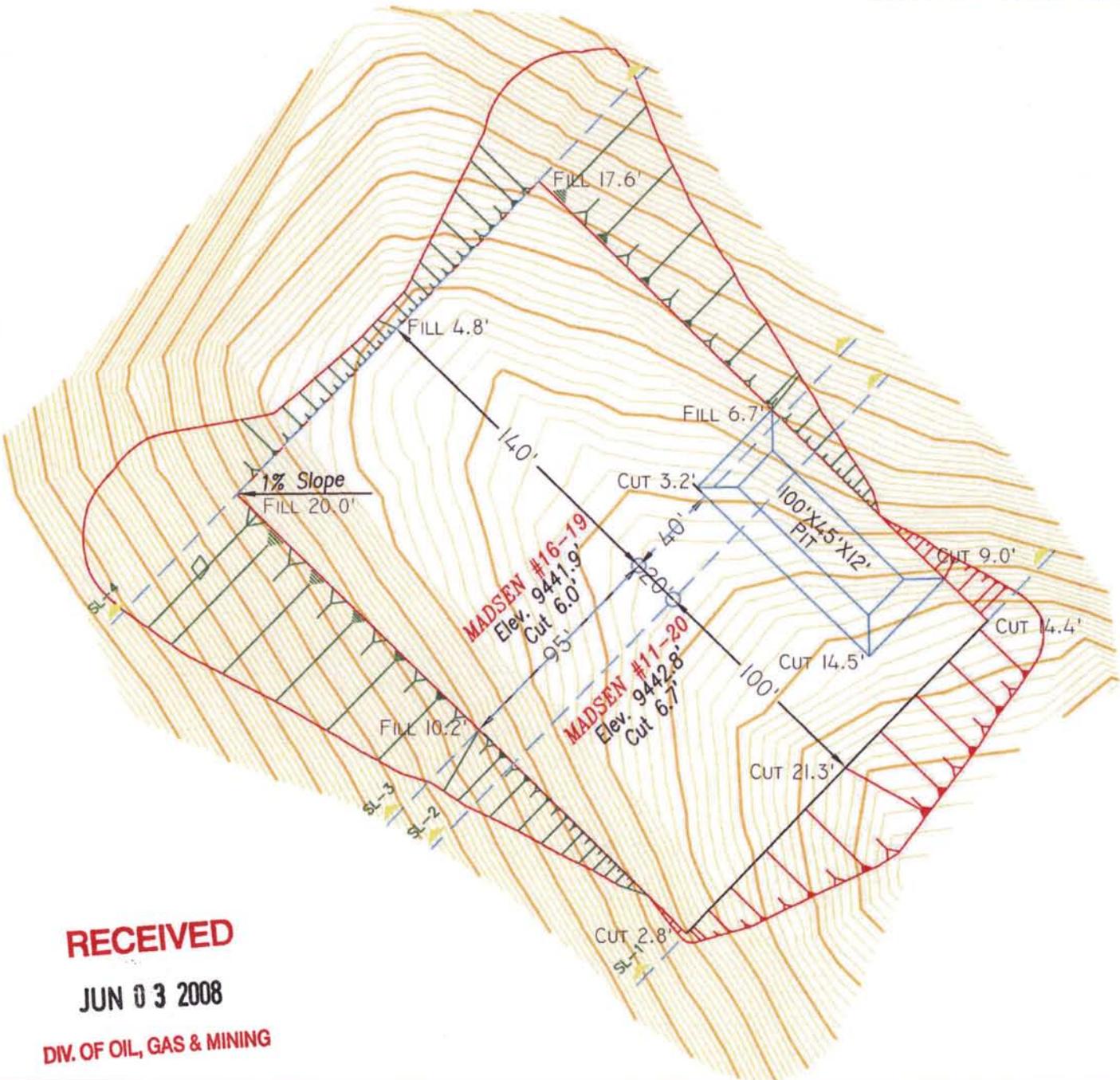
### Planned Survey

Measured Depth (ft)	Inclination (°)	Azimuth (°)	Vertical Depth (ft)	+N/-S (ft)	+E/-W (ft)	Vertical Section (ft)	Dogleg Rate (°/100ft)	Build Rate (°/100ft)	Turn Rate (°/100ft)
4,900.0	35.00	67.00	4,221.3	897.1	2,113.5	2,296.0	0.00	0.00	0.00
5,000.0	35.00	67.00	4,303.2	919.6	2,166.3	2,353.4	0.00	0.00	0.00
5,100.0	35.00	67.00	4,385.1	942.0	2,219.1	2,410.8	0.00	0.00	0.00
5,200.0	35.00	67.00	4,467.0	964.4	2,271.9	2,468.1	0.00	0.00	0.00
5,300.0	35.00	67.00	4,548.9	986.8	2,324.7	2,525.5	0.00	0.00	0.00
5,400.0	35.00	67.00	4,630.9	1,009.2	2,377.5	2,582.8	0.00	0.00	0.00
5,500.0	35.00	67.00	4,712.8	1,031.6	2,430.3	2,640.2	0.00	0.00	0.00
5,600.0	35.00	67.00	4,794.7	1,054.0	2,483.1	2,697.5	0.00	0.00	0.00
5,700.0	35.00	67.00	4,876.6	1,076.4	2,535.9	2,754.9	0.00	0.00	0.00
5,778.6	35.00	67.00	4,941.0	1,094.0	2,577.4	2,800.0	0.00	0.00	0.00
<b>Ferron</b>									
5,800.0	35.00	67.00	4,958.5	1,098.8	2,588.7	2,812.3	0.00	0.00	0.00
5,900.0	35.00	67.00	5,040.4	1,121.3	2,641.5	2,869.6	0.00	0.00	0.00
6,000.0	35.00	67.00	5,122.3	1,143.7	2,694.3	2,927.0	0.00	0.00	0.00
6,100.0	35.00	67.00	5,204.3	1,166.1	2,747.1	2,984.3	0.00	0.00	0.00
6,200.0	35.00	67.00	5,286.2	1,188.5	2,799.9	3,041.7	0.00	0.00	0.00
6,300.0	35.00	67.00	5,368.1	1,210.9	2,852.7	3,099.0	0.00	0.00	0.00
6,400.0	35.00	67.00	5,450.0	1,233.3	2,905.5	3,156.4	0.00	0.00	0.00
6,500.0	35.00	67.00	5,531.9	1,255.7	2,958.3	3,213.8	0.00	0.00	0.00
6,600.0	35.00	67.00	5,613.8	1,278.1	3,011.1	3,271.1	0.00	0.00	0.00
6,633.2	35.00	67.00	5,641.0	1,285.6	3,028.6	3,290.1	0.00	0.00	0.00
<b>PBHL @ 6633'</b>									

### Targets

Target Name	Dip Angle (°)	Dip Dir. (°)	TVD (ft)	+N/-S (ft)	+E/-W (ft)	Northing (ft)	Easting (ft)	Latitude	Longitude
PBHL @ 6633' - hit/miss target - Shape - Circle (radius 100.0)	0.00	359.90	5,641.0	1,285.6	3,028.6	14,416,303.82	1,598,355.81	39° 41' 54.678 N	111° 8' 58.310 W
EOB @ 1534' - plan hits target - Point	0.00	359.90	1,534.1	161.9	381.5	14,415,184.85	1,595,706.71	39° 41' 43.570 N	111° 9' 32.189 W
KOP @ 220' - plan hits target - Point	0.00	359.90	219.6	0.0	0.0	14,415,023.63	1,595,324.92	39° 41' 41.969 N	111° 9' 37.071 W
Ferron - plan hits target - Circle (radius 100.0)	0.00	359.90	4,941.0	1,094.1	2,577.4	14,416,113.13	1,597,904.28	39° 41' 52.785 N	111° 9' 4.085 W

ELEVATION OF UNGRADED GROUND AT LOCATION STAKE = 9442.8'  
 ELEVATION OF GRADED GROUND AT LOCATION STAKE = 9436.1'



**TALON RESOURCES, INC.**

615 North 400 East P.O. Box 1230  
 Huntington, Utah 84528  
 Phone (435)687-5310 Fax (435)687-5311  
 E-Mail talonsetv.net

**Marion Energy Inc.**

**LOCATION LAYOUT**  
 Section 19, T13S, R7, S.L.B.&M.  
 MADSEN #11-20

Drawn By: N. BUTKOVICH	Checked By: L.W.J.
Drawing No. A-2	Date: 8/30/07
	Scale: 1" = 60'
Sheet 2 of 4	Job No. 3035

**RECEIVED**

JUN 03 2008

DIV. OF OIL, GAS & MINING

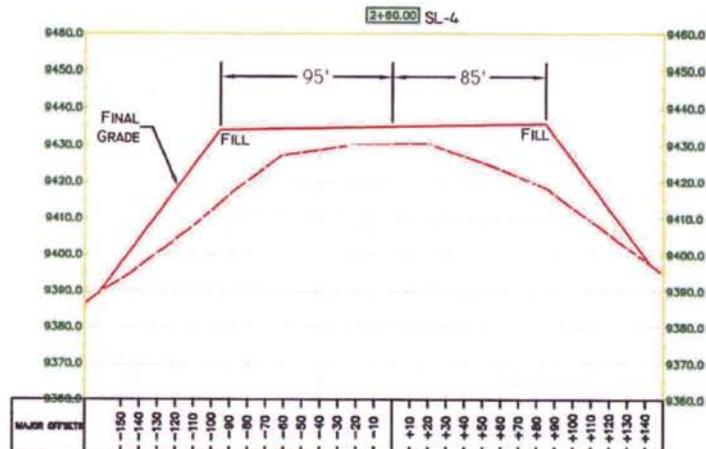
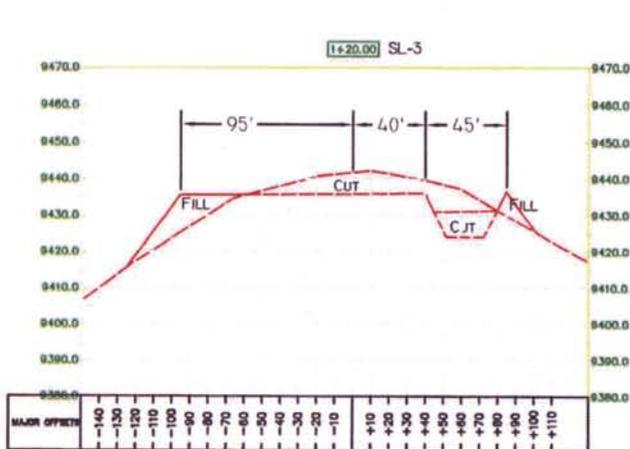
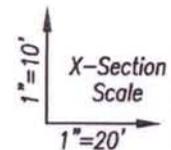
APPROXIMATE YARDAGES

CUT

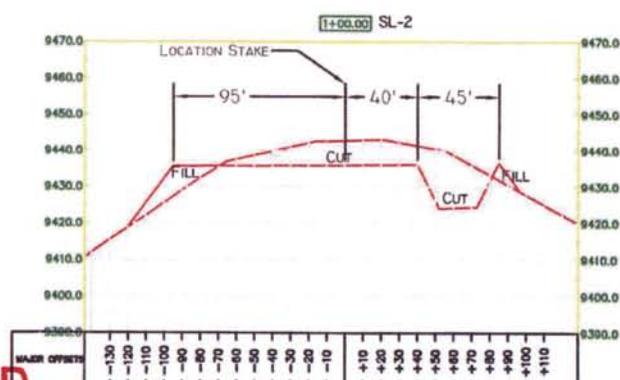
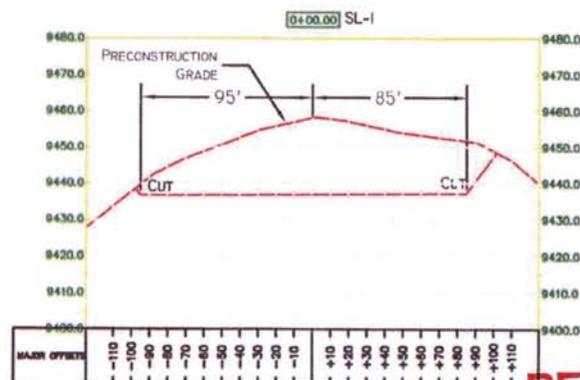
(6") TOPSOIL STRIPPING = 870 CU. YDS.

TOTAL CUT (INCLUDING PIT) = 10,240 CU. YDS.

TOTAL FILL = 9,610 CU. YDS.

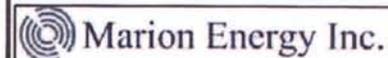


SLOPE = 1 1/2 : 1  
(EXCEPT PIT)  
PIT SLOPE = 1 : 1



**TALON RESOURCES, INC.**

615 North 400 East P.O. Box 1230  
Huntington, Utah 84528  
Phone (435)687-5310 Fax (435)687-5311  
E-Mail talonnetv.net



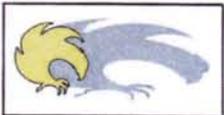
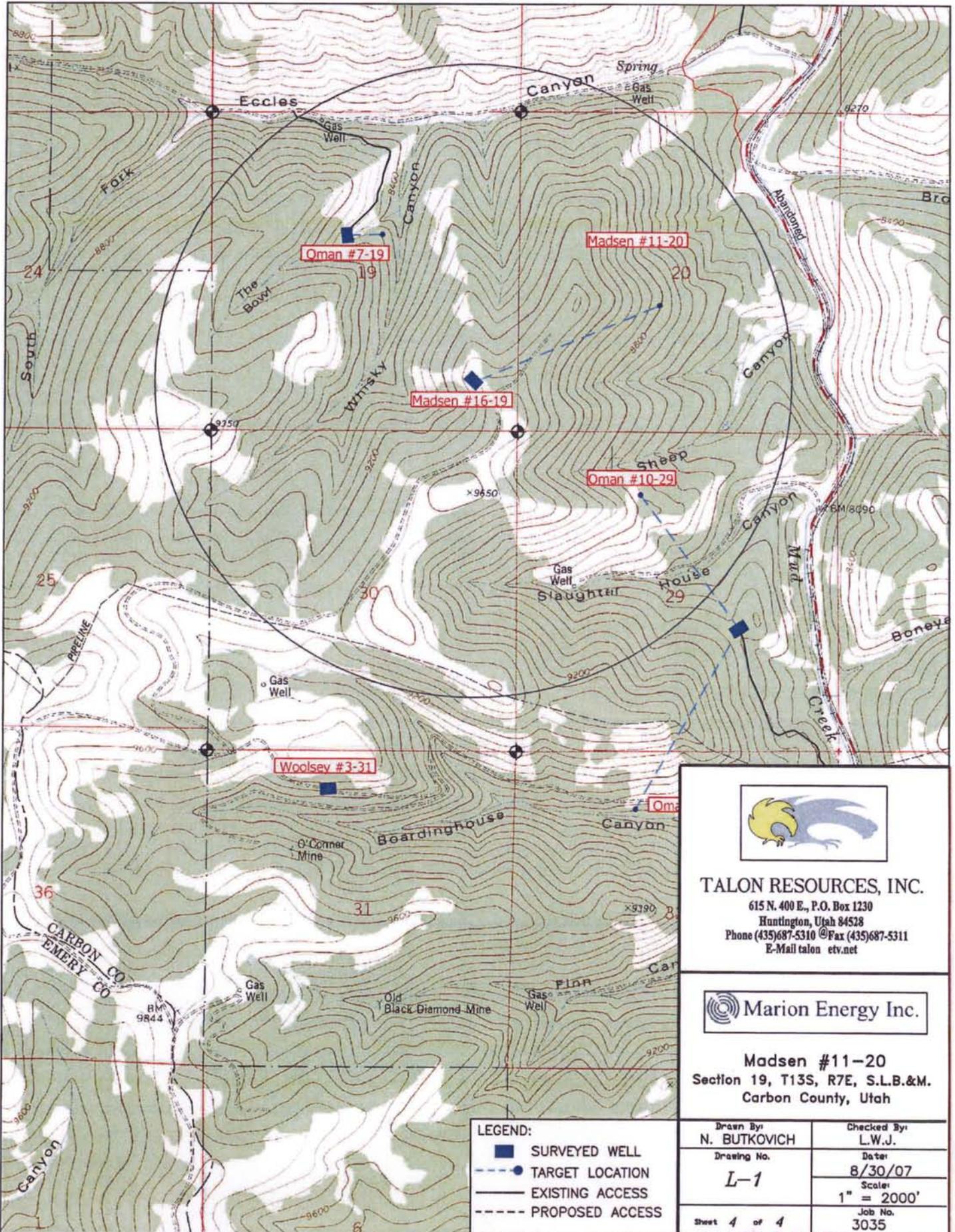
**TYPICAL CROSS SECTION**  
Section 19, T13S, R7E, S.L.B.&M.  
MADSEN #11-20

Drawn By: N. BUTKOVICH	Checked By: L.W.J.
Drawing No. C-1	Date: 8/30/07
	Scale: 1" = 100'
Sheet 3 of 4	Job No. 3035

RECEIVED

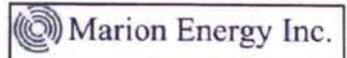
JUN 03 2008

DIV. OF OIL, GAS & MINING



**TALON RESOURCES, INC.**

615 N. 400 E., P.O. Box 1230  
 Huntington, Utah 84528  
 Phone (435)687-5310 @ Fax (435)687-5311  
 E-Mail talon etv.net



**Madsen #11-20**  
 Section 19, T13S, R7E, S.L.B.&M.  
 Carbon County, Utah

- LEGEND:**
- SURVEYED WELL
  - - - ● TARGET LOCATION
  - EXISTING ACCESS
  - - - PROPOSED ACCESS

Drawn By: N. BUTKOVICH	Checked By: L.W.J.
Drawing No. L-1	Date: 8/30/07
	Scale: 1" = 2000'
Sheet 4 of 4	Job No. 3035

**RECEIVED**

JUN 03 2008





Madsen #11-20 (Target)

Madsen #11-20

© 2007 Google™

Pointer 39°40'11.56" N 111°10'13.01" W elev 9188 ft Streaming ||||| 100%

Eye all 19597 ft

RECEIVED

JUN 03 2008



Madsen #11-20

Madsen #11-20 (Target)

Image © 2008 DigitalGlobe

Google

Pointer 39°40'11.56"N 111°10'13.01" W elev 9188 ft Streaming ||||| 100%

Eye alt 12489 ft

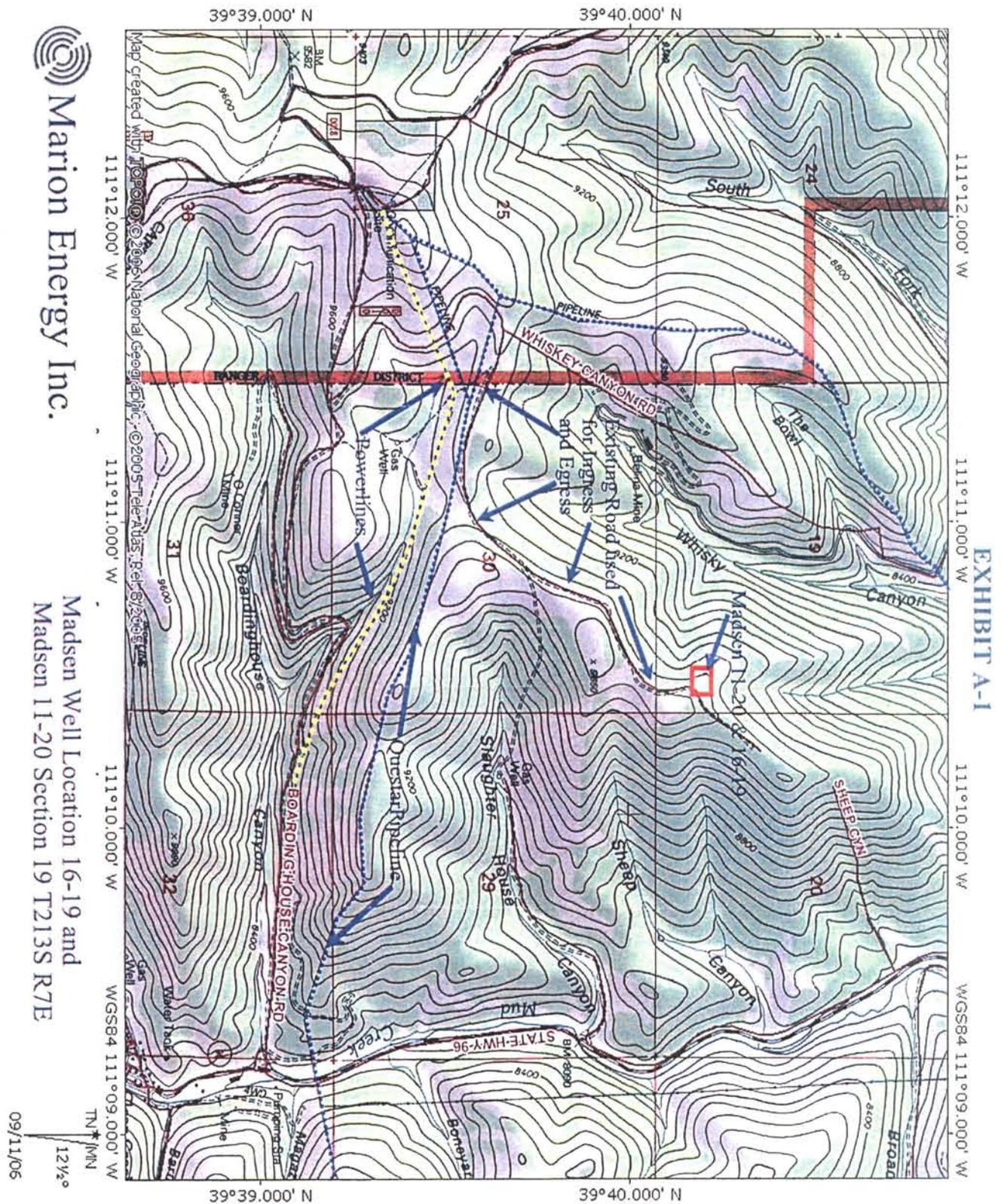
## EXHIBIT A

ATTACHED TO AND MADE A PART OF THAT CERTAIN MEMORANDUM OF SURFACE USE AGREEMENT DATED AS OF SEPTEMBER \_\_, 2006 BY AND BETWEEN Hilda M. Hammond, Individually and as sole heir of Della Madsen., AS GRANTOR, AND Marion Energy Inc., AS GRANTEE.

One two-acre drill/pad site to be constructed for the purpose of drilling two wells on Grantor's property with surface locations located as described below and further illustrated in exhibit A1:

Madsen 11-20 Section 19 T13S-R7E      707.62' FEL, 818.18' FSL / SE/4  
 Madsen 16-19 Section 19 T13S-R7E      721.94' FEL, 832.05' FSL / SE/4

And use of the existing roadway marked below.



**WORKSHEET  
APPLICATION FOR PERMIT TO DRILL**

APD RECEIVED: 06/08/2007

API NO. ASSIGNED: 43-007-31297

WELL NAME: MADSEN 11-20  
 OPERATOR: MARION ENERGY, INC. ( N2740 )  
 CONTACT: SCOTT JACOBY

PHONE NUMBER: 972-540-2967

PROPOSED LOCATION:

INSPECT LOCATN BY: / /		
Tech Review	Initials	Date
Engineering	DKD	6/30/08
Geology		
Surface		

*NE SW*

SESE 19 130S 070E  
 SURFACE: 0818 FSL 707 FEL  
 BOTTOM: 2104 FSL 2321 FWL Sec 20  
 COUNTY: CARBON  
 LATITUDE: 39.67007 LONGITUDE: -111.1743  
 UTM SURF EASTINGS: 485052 NORTHINGS: 4390945  
 FIELD NAME: CLEAR CREEK ( 10 )

LEASE TYPE: 3 - State  
 LEASE NUMBER: ML-1256  
 SURFACE OWNER: 4 - Fee

PROPOSED FORMATION: FRSD  
 COALBED METHANE WELL? NO

RECEIVED AND/OR REVIEWED:

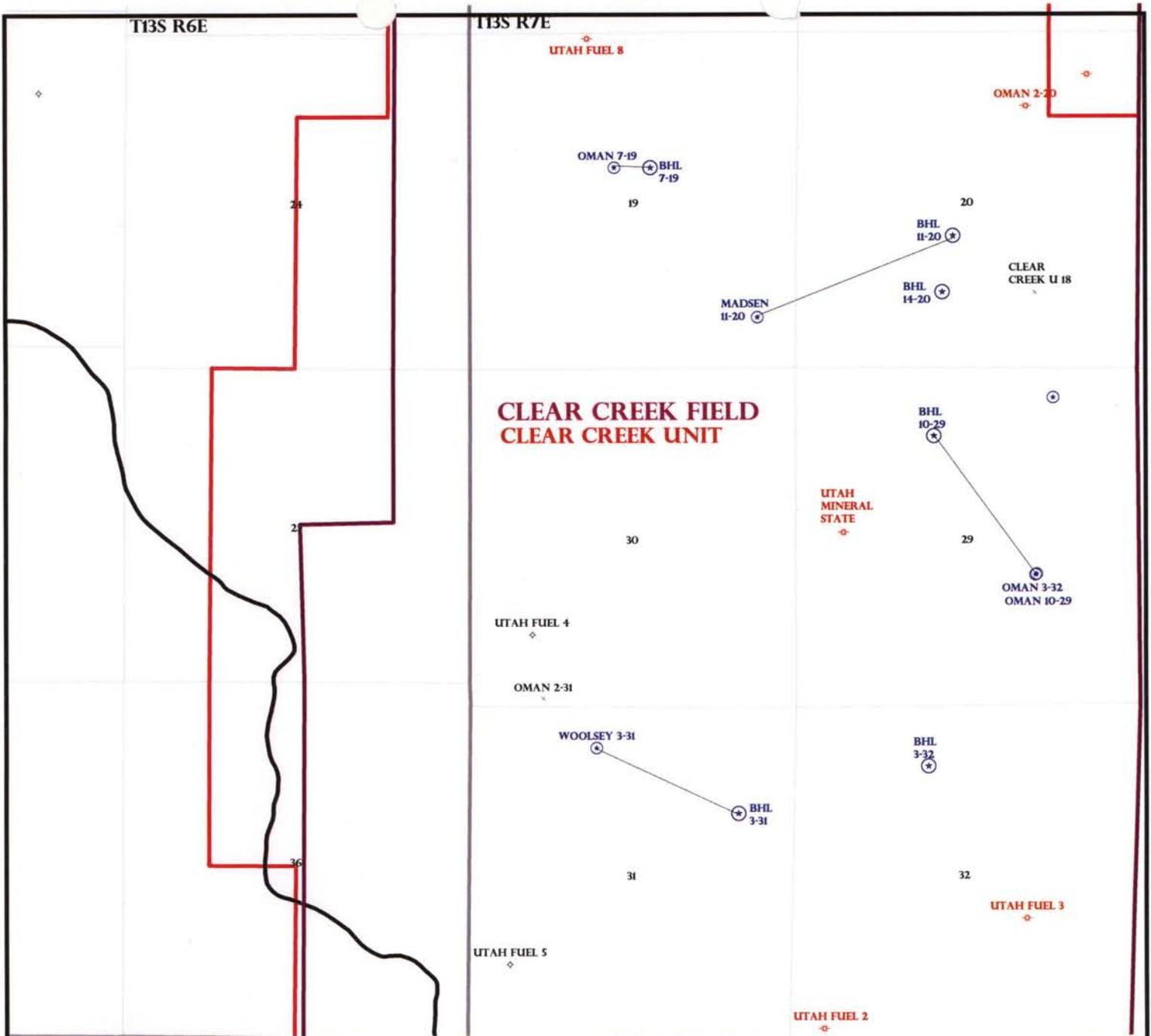
- Plat
- Bond: Fed[] Ind[] Sta[] Fee[]  
(No. B001617 )
- Potash (Y/N)
- Oil Shale 190-5 (B) or 190-3 or 190-13
- Water Permit  
(No. PRRV )
- RDCC Review (Y/N)  
(Date: )
- Fee Surf Agreement (Y/N)
- Intent to Commingle (Y/N)

LOCATION AND SITING:

- R649-2-3.
- Unit: CLEAR CREEK
- R649-3-2. General  
Siting: 460 From Qtr/Qtr & 920' Between Wells
- R649-3-3. Exception
- Drilling Unit
- Board Cause No: \_\_\_\_\_
- Eff Date: \_\_\_\_\_
- Siting: \_\_\_\_\_
- R649-3-11. Directional Drill

COMMENTS: Needs Permit (07-23-07)

STIPULATIONS: 1- Spacing Strip  
2- STATEMENT OF BASIS



**CLEAR CREEK FIELD  
CLEAR CREEK UNIT**

OPERATOR: MARION ENERGY INC (N2740)  
 SEC: 19,31 T.13S R. 7E  
 FIELD: CLEAR CREEK (10)  
 COUNTY: CARBON  
 SPACING: R649-3-11 / DIRECTIONAL DRILLING

Field Status	Unit Status
ABANDONED	EXPLORATORY
ACTIVE	GAS STORAGE
COMBINED	NF PP OIL
INACTIVE	NF SECONDARY
PROPOSED	PENDING
STORAGE	PI OIL
TERMINATED	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



PREPARED BY: DIANA MASON  
 DATE: 10-JUNE-2008

# Application for Permit to Drill

## Statement of Basis

7/31/2007

Utah Division of Oil, Gas and Mining

Page 1

APD No	API WellNo	Status	Well Type	Surf Ownr	CBM
445	43-007-31297-00-00		GW	P	No
<b>Operator</b>	MARION ENERGY, INC.	<b>Surface Owner-APD</b>			
<b>Well Name</b>	MADSEN 11-20	<b>Unit</b>			
<b>Field</b>	UNDESIGNATED	<b>Type of Work</b>			
<b>Location</b>	SESE 19 13S 7E S 818 FSL 707 FLL	GPS Coord (UTM) 485052E 4390945N			

### Geologic Statement of Basis

A well drilled at this location will likely spud into a poorly to moderately permeable soil developed on the Cretaceous age Blackhawk Formation. High quality ground water is likely to be encountered in the sandstones found in this portion of Cretaceous stratigraphic column. Water quality will deteriorate in the deeper strata and the top of the Bluegate Member of the Mancos Shale is expected to occur below 2900' TD. The nearest mapping of the base of moderately saline ground water (~15 miles east northeast) implies that the base of moderately saline ground water is likely to be above sea level and within several thousand feet of the surface. Several filings for subsurface water rights have been made within a mile of the location. The proposed casing and cementing program should be sufficient to protect the shallow ground water resource. The drilling fluid system presently calls for fresh water air/foam system. It is very likely that very permeable sandstones and large fresh water flows will be encountered from near the surface to significant depth as reported from nearby drilling. In any case, the mud system should be benign to protect the ground water resource.

Chris Kierst  
APD Evaluator

7/31/2007  
Date / Time

### Surface Statement of Basis

Pit liner will be required (16 mil minimum), based on pit liner ranking criteria. The reserve pit may be excavated in material (rock) that could decrease the liner integrity upon installation and/or use. Care will need to be taken with pit excavation, (shading or removing rocks). A felt underlayment will be required under the liner to help protect the liner. The Division shall be contacted prior to pit excavation to coordinate inspection of underlayment and liner. It may be necessary to use a thicker liner than is being stipulated. The reserve pit will be fenced immediately upon completion of drilling. Depending on the time of year the well is drilled the Division may require that the reserve pit be closed immediately to eliminate pit overflowing with spring snow melt. Road construction, use, and maintenance into the location must be such that the water sheds be protected. Drainage shall be provided for all storm event and snow melt around and away from the pad and road.

Mark Jones  
Onsite Evaluator

7/23/2007  
Date / Time

### Conditions of Approval / Application for Permit to Drill

Category	Condition
Pits	A synthetic liner with a minimum thickness of 16 mils with a felt subliner shall be properly installed and maintained in the reserve pit.
Surface	The reserve pit shall be fenced upon completion of drilling operations.
Surface	Drainages adjacent to the proposed pad shall be diverted around the location.

# ON-SITE PREDRILL EVALUATION

## Utah Division of Oil, Gas and Mining

**Operator** MARION ENERGY, INC.  
**Well Name** MADSEN 11-20  
**API Number** 43-007-31297-0      **APD No** 445      **Field/Unit** UNDESIGNATED  
**Location:** 1/4,1/4 SESE      **Sec** 19      **Tw** 13S      **Rng** 7E      818 FSL 707 FLL  
**GPS Coord (UTM)** 485064      4390952      **Surface Owner**

### Participants

M. Jones (DOGM), Scott Jacoby, Eric Norten (Marion), Bob Hammond, Robert Aycock (surface).

### Regional/Local Setting & Topography

Scofield/Clear Creek area, Carbon County, Utah. Location is located on top of a ridge east of White Oak mine reclamation in Whiskey Canyon, south of Eccles Canyon, west of Mud Creek. Elevation at drill point is 9441'. Location is staked on a small point of the ridge and elevation drops off drastically at staked pad boundaries.

### Surface Use Plan

#### **Current Surface Use**

Grazing  
Wildlife Habitat  
Recreational

#### **New Road**

<b>Miles</b>	<b>Well Pad</b>	<b>Src Const Material</b>	<b>Surface Formation</b>
	<b>Width 180</b>	<b>Length 240</b>	Onsite

#### **Ancillary Facilities** N

No new road will be built, however upgrading an existing 2-track road will be required. The distance of this upgrade is dependant upon the access that is chosen. Upgrades will be on private and forest service surface.

### Waste Management Plan Adequate?

### Environmental Parameters

**Affected Floodplains and/or Wetland** N

#### **Flora / Fauna**

mixed conifer, aspen, sage, forbs, shrub, grass, elk deer, bear, rodents, fowl, and others.

#### **Soil Type and Characteristics**

clay loam

#### **Erosion Issues** N

#### **Sedimentation Issues** N

#### **Site Stability Issues** Y

stability could become an issue SW corner of the pad with 20' of fill at this point after pad is constructed.

#### **Drainage Diversion Required** N

**Berm Required?** N

**Erosion Sedimentation Control Required?** N

**Paleo Survey Run?** N

**Paleo Potential Observed?** N

**Cultural Survey Run?** N

**Cultural Resources?** N

**Reserve Pit**

**Site-Specific Factors**

**Site Ranking**

<b>Distance to Groundwater (feet)</b>	<25 or recharge area	20
<b>Distance to Surface Water (feet)</b>	>1000	0
<b>Dist. Nearest Municipal Well (ft)</b>	>5280	0
<b>Distance to Other Wells (feet)</b>	>1320	0
<b>Native Soil Type</b>	High permeability	20
<b>Fluid Type</b>	Fresh Water	5
<b>Drill Cuttings</b>	Normal Rock	0
<b>Annual Precipitation (inches)</b>	>20	10
<b>Affected Populations</b>	<10	0
<b>Presence Nearby Utility Conduits</b>	Not Present	0

**Final Score** 55 1 **Sensitivity Level**

**Characteristics / Requirements**

Dugout earthen pit (100x45x12) included within the pad boundaries. The bottom half of the pit is proposed to be entirely in cut. Liner will be required. Marion reps noted at pre-site that they are looking into a closed loop mud system for this well. Site conditions are not such that a closed system would be required, however, a 16 mil (minimum) liner and felt underlayment will be required.

**Closed Loop Mud Required?** N **Liner Required?** Y **Liner Thickness** 16 **Pit Underlayment Required?** Y

**Other Observations / Comments**

Access will be either off the top of the "Ridge Runner" road on Forest Service property, or from Mud Creek up Boardinghouse Canyon. Marion representatives noted that they are pursuing the Forset Service route as the primary option. If Boardinghouse Canyon is used for access protecting the culinary water resources in Boardinghouse will need to be addressed by Marion. Proper R.O.W.'s need to be in place irregardless of route taken.

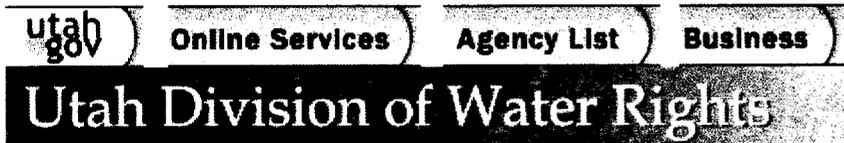
Eric Norten (Marion) noted during the pre-site that they are looking into using a closed loop mud system for this well. The site conditions do not necessitate stipulation of a closed loop system.

Access point onto pad will need to be altered slightly from that shown in APD. The access will be too steep, if accessed as shown in APD. Probably will need to slide access south of existing 20-50' to create a more gradual grade onto location.

Timber harvesting activities currently going on on the property. Location of proposed well pad is being used as a staging area for timber harvest.

Mark Jones  
**Evaluator**

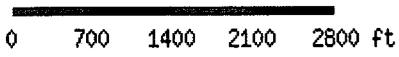
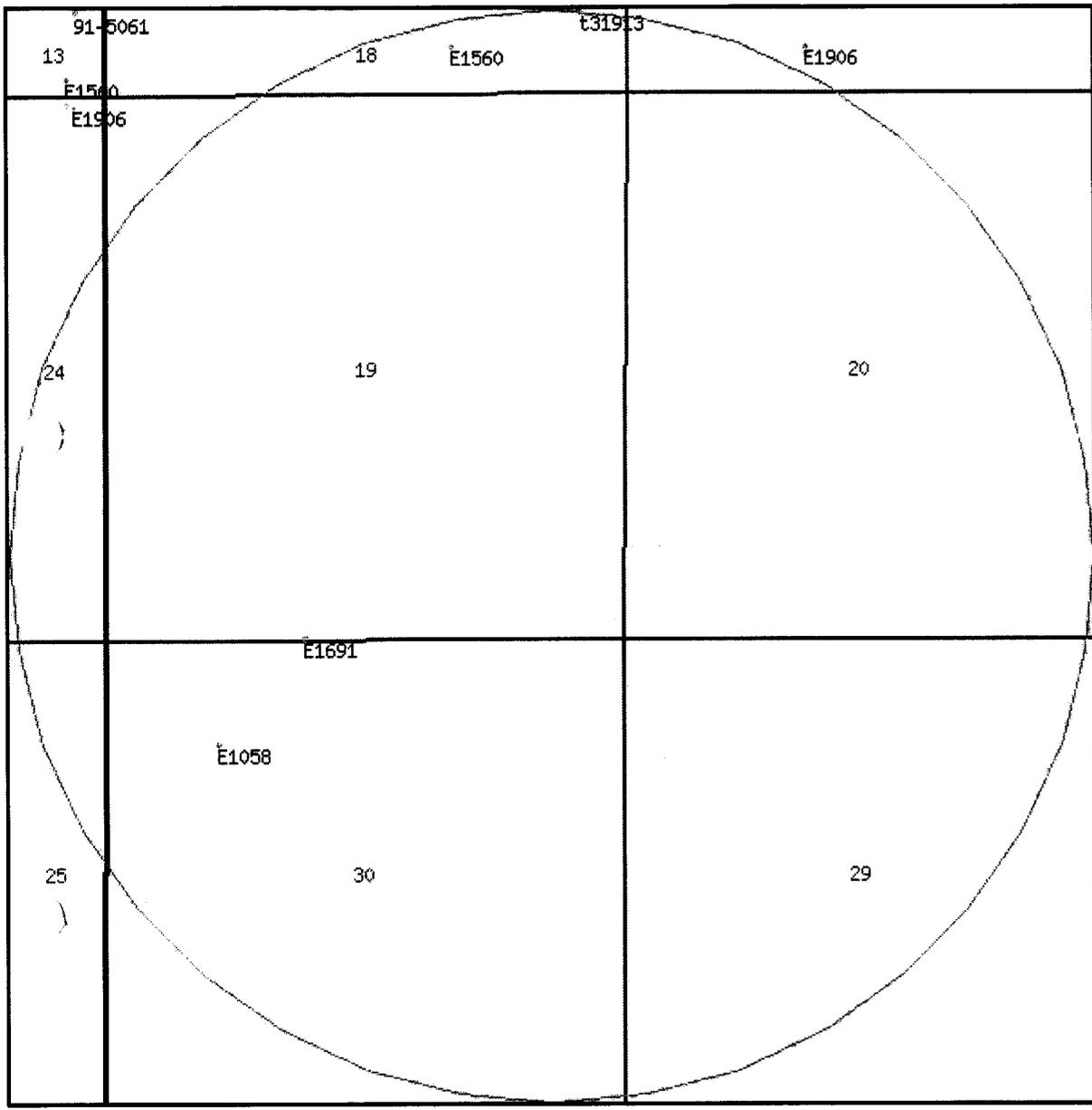
7/23/2007  
**Date / Time**



## WRPLAT Program Output Listing

Version: 2007.04.13.01    Rundate: 07/31/2007 03:58 PM

**Radius search of 5280 feet from a point N818.18 W707.62 from the SE corner, section 19, Township 13S, Range 7E, SL b&m**  
**Criteria: wrtypes=W,C,E podtypes=S,U,Sp status=U,A,P usetypes=all**



**Water Rights**

WR Number	Diversions Type/Location	Well Log	Status	Priority	Uses	CFS	ACFT	Owner Name
<u>91-5061</u>	Underground N795 W278 SE 13 13S 6E SL		U	20020524	M	15.600	0.000	PRICE MUNICIPAL CORPORATION P.O. BOX 893
<u>a21912</u>	Underground S70 W370 NE 24 13S 6E SL		A	19980209	O	0.000	427.000	CANYON FUEL COMPANY LLC ATTN: PROPERTY ADMINISTRATION
<u>a21912</u>	Underground N390 E1730 SW 17 13S 7E SL		A	19980209	O	0.000	427.000	CANYON FUEL COMPANY LLC ATTN: PROPERTY ADMINISTRATION
<u>t31913</u>	Surface N792 W463 SW 17 13S 7E SL		A	20060831	O	0.000	3.000	CARBON COUNTY 120 EAST MAIN STREEET
<u>E1058</u>	Underground S980 E1090 NW 30 13S 7E SL		A	19761027	O	0.000	7.700	PRICE RIVER WATER USER'S ASSOCIATION 375 SOUTH CARBON AVENUE A-10
<u>E1560</u>	Underground N175 W375 SE 13 13S 6E SL		A	19790719	X	0.000	118.000	CANYON FUEL COMPANY LLC. ATTN: PROPERTY ADMINISTRATION
<u>E1560</u>	Underground N460 W1725 SW 17 13S 7E SL		A	19790719	X	0.000	118.000	CANYON FUEL COMPANY LLC. ATTN: PROPERTY ADMINISTRATION
<u>E1691</u>	Underground N50 E1940 SW 19 13S 7E SL	<u>well info</u>	A	19800730	O	0.000	7.700	VALLEY CAMP OF UTAH INC. SCOFIELD ROUTE
<u>E1906</u>	Underground S100 W300 NE 24 13S 6E SL	<u>well info</u>	A	19810528	O	0.000	118.000	CANYON FUEL COMPANY LLC ATTN: PROPERTY ADMINISTRATION
<u>E1906</u>	Underground N460 E1725 SW 17 13S	<u>well info</u>	A	19810528	O	0.000	118.000	CANYON FUEL COMPANY LLC ATTN: PROPERTY

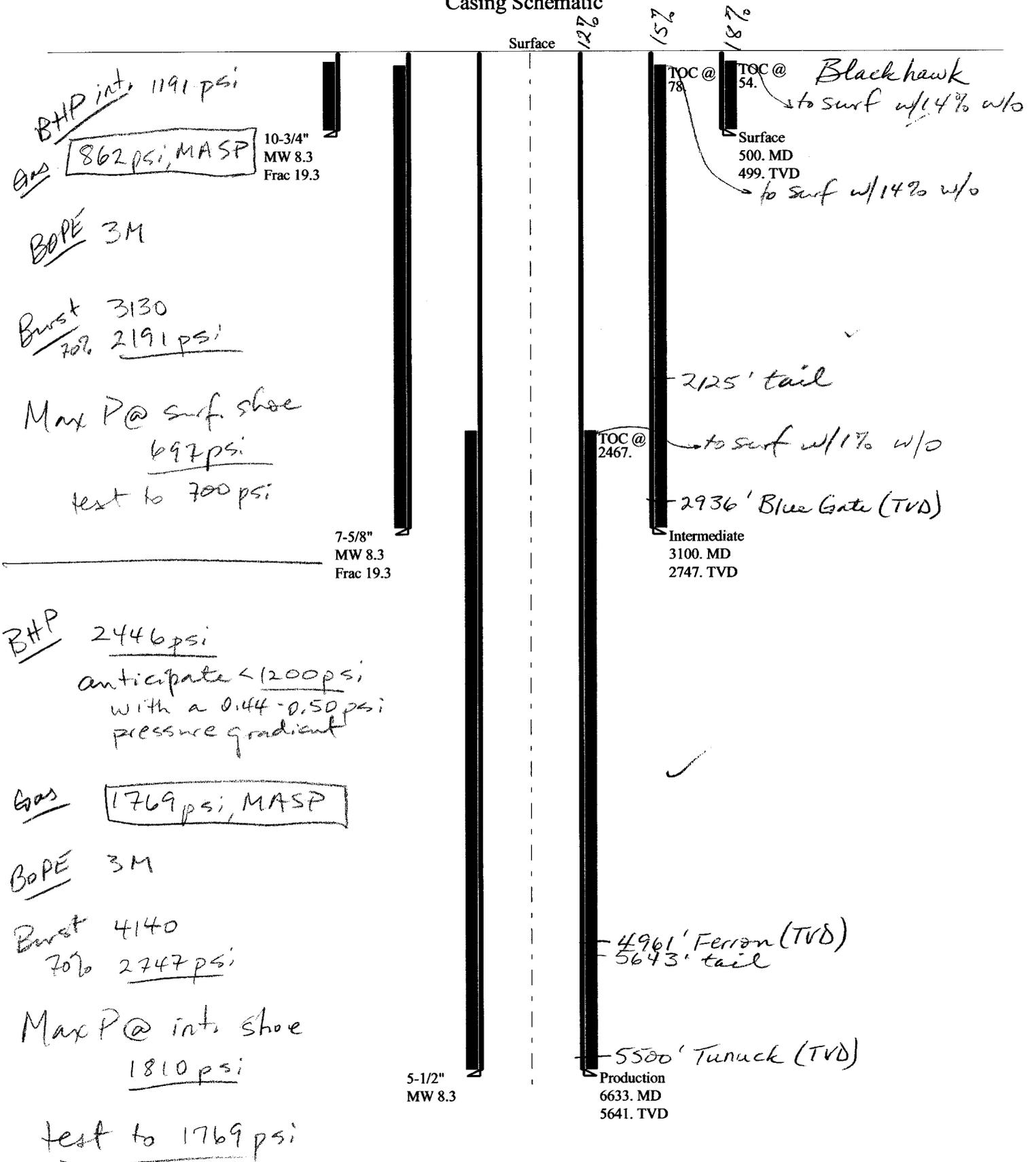
7E SL

ADMINISTRATION

[Natural Resources](#) | [Contact](#) | [Disclaimer](#) | [Privacy Policy](#) | [Accessibility Policy](#)

2008-01 Marion Madsen 11-20

Casing Schematic



Adequate (w/o) 1/24/08

# BOPE REVIEW

<b>Well Name</b>	Marion Energy Madsen 11-20 API# 43-007-31297
------------------	--

<b>INPUT</b>				
Well Name	Marion Energy Madsen 11-20 API# 43-007-31297			
	String 1	String 2	String 3	String 4
Casing Size (")	10 3/4	7 5/8	5 1/2	
Setting Depth (TVD)	499	2747	5641	
Previous Shoe Setting Depth (TVD)	0	499	2747	
Max Mud Weight (ppg)	8.4	8.4	8.4	
BOPE Proposed (psi)	0	3000	3000	
Casing Internal Yield (psi)	3130	4140	5320	

<b>Calculations</b>	<b>String 1</b>	<b>10 3/4 "</b>	
Max BHP [psi]	.052*Setting Depth*MW =		218
			<b>BOPE Adequate For Drilling And Setting Casing at Depth?</b>
MASP (Gas) [psi]	Max BHP-(0.12*Setting Depth) =		158 NO
MASP (Gas/Mud) [psi]	Max BHP-(0.22*Setting Depth) =		108 NO <i>Reasonable depth</i>
			<b>*Can Full Expected Pressure Be Held At Previous Shoe?</b>
Pressure At Previous Shoe	Max BHP-.22*(Setting Depth - Previous Shoe Depth) =		108 NO <i>o.k.</i>
Required Casing/BOPE Test Pressure			499 psi
*Max Pressure Allowed @ Previous Casing Shoe =			0 psi <i>o.k.</i> *Assumes 1psi/ft frac gradient

<b>Calculations</b>	<b>String 2</b>	<b>7 5/8 "</b>	
Max BHP [psi]	.052*Setting Depth*MW =		1200
			<b>BOPE Adequate For Drilling And Setting Casing at Depth?</b>
MASP (Gas) [psi]	Max BHP-(0.12*Setting Depth) =		870 YES ✓
MASP (Gas/Mud) [psi]	Max BHP-(0.22*Setting Depth) =		596 YES
			<b>*Can Full Expected Pressure Be Held At Previous Shoe?</b>
Pressure At Previous Shoe	Max BHP-.22*(Setting Depth - Previous Shoe Depth) =		705 NO
Required Casing/BOPE Test Pressure			2747 psi
*Max Pressure Allowed @ Previous Casing Shoe =			499 psi <i>o.k.</i> *Assumes 1psi/ft frac gradient

<b>Calculations</b>	<b>String 3</b>	<b>5 1/2 "</b>	
Max BHP [psi]	.052*Setting Depth*MW =		2464
			<b>BOPE Adequate For Drilling And Setting Casing at Depth?</b>
MASP (Gas) [psi]	Max BHP-(0.12*Setting Depth) =		1787 YES
MASP (Gas/Mud) [psi]	Max BHP-(0.22*Setting Depth) =		1223 YES ✓
			<b>*Can Full Expected Pressure Be Held At Previous Shoe?</b>
Pressure At Previous Shoe	Max BHP-.22*(Setting Depth - Previous Shoe Depth) =		1827 YES ✓
Required Casing/BOPE Test Pressure			3000 psi
*Max Pressure Allowed @ Previous Casing Shoe =			2747 psi *Assumes 1psi/ft frac gradient

Well name:

**2008-01 Marion Madsen 11-20**

Operator: **Marion Energy Inc**

String type: **Surface**

Project ID:

43-007-31297

Location: **Carbon Co.**

**Design parameters:**

**Collapse**

Mud weight: 8.330 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: 72 °F  
Temperature gradient: 1.40 °F/100ft  
Minimum section length: 185 ft

Cement top: 54 ft

**Burst**

Max anticipated surface pressure: 440 psi  
Internal gradient: 0.120 psi/ft  
Calculated BHP 500 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: 439 ft

**Directional well information:**

Kick-off point 220 ft  
Departure at shoe: 17 ft  
Maximum dogleg: 2.5 °/100ft  
Inclination at shoe: 7 °

**Re subsequent strings:**

Next setting depth: 2,747 ft  
Next mud weight: 8.330 ppg  
Next setting BHP: 1,189 psi  
Fracture mud wt: 19.250 ppg  
Fracture depth: 500 ft  
Injection pressure: 500 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	500	10.75	40.50	J-55	ST&C	499	500	9.925	275.4
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	216	1528	7.073	500	3130	6.26	20	420	20.77 J

Prepared by: Helen Sadik-Macdonald  
Div of Oil, Gas & Minerals

Phone: 801-538-5357  
FAX: 801-359-3940

Date: January 8, 2008  
Salt Lake City, Utah

**ENGINEERING STIPULATIONS: NONE**

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

Collapse is based on a vertical depth of 499 ft, a mud weight of 8.33 ppg. The casing is considered to be evacuated for collapse purposes.

Burst strength is not adjusted for tension.

Collapse strength is (biaxially) derated for doglegs in directional wells by multiplying the tensile stress by the cross section area to calculate a

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

Well name:	<b>2008-01 Marion Madsen 11-20</b>		
Operator:	<b>Marion Energy Inc</b>	Project ID:	43-007-31297
String type:	Intermediate		
Location:	Carbon Co.		

**Design parameters:**

**Collapse**

Mud weight: 8.330 ppg  
 Design is based on evacuated pipe.

**Burst**

Max anticipated surface pressure: 859 psi  
 Internal gradient: 0.120 psi/ft  
 Calculated BHP: 1,189 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: 2,687 ft

**Environment:**

H2S considered? No  
 Surface temperature: 65 °F  
 Bottom hole temperature: 103 °F  
 Temperature gradient: 1.40 °F/100ft  
 Minimum section length: 600 ft

Cement top: 78 ft

**Directional well information:**

Kick-off point: 220 ft  
 Departure at shoe: 1263 ft  
 Maximum dogleg: 2.5 °/100ft  
 Inclination at shoe: 35 °

**Re subsequent strings:**

Next setting depth: 2,747 ft  
 Next mud weight: 8.330 ppg  
 Next setting BHP: 1,189 psi  
 Fracture mud wt: 19.250 ppg  
 Fracture depth: 2,747 ft  
 Injection pressure: 2,747 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	3100	7.625	26.40	J-55	LT&C	2747	3100	6.844	821.2

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	1189	2890	2.431	1189	4140	3.48	73	346	4.77 J

Prepared by: Helen Sadik-Macdonald  
 Div of Oil, Gas & Minerals

Phone: 801-538-5357  
 FAX: 801-359-3940

Date: January 8, 2008  
 Salt Lake City, Utah

**ENGINEERING STIPULATIONS: NONE**

Collapse strength is based on the Westcott, Dunlop & Kemler method of biaxial correction for tension.  
 Collapse is based on a vertical depth of 2747 ft, a mud weight of 8.33 ppg. The casing is considered to be evacuated for collapse purposes.  
 Burst strength is not adjusted for tension.  
 Collapse strength is (biaxially) derated for doglegs in directional wells by multiplying the tensile stress by the cross section area to calculate a

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

Well name:

**2008-01 Marion Madsen 11-20**

Operator: **Marion Energy Inc**

String type: **Production**

Project ID:  
43-007-31297

Location: **Carbon Co.**

**Design parameters:**

**Collapse**

Mud weight: 8.330 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: 144 °F  
Temperature gradient: 1.40 °F/100ft  
Minimum section length: 1,500 ft

Cement top: 2,467 ft

**Burst**

Max anticipated surface pressure: 1,200 psi  
Internal gradient: 0.220 psi/ft  
Calculated BHP 2,441 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)

**Directional well information:**

Kick-off point 220 ft  
Departure at shoe: 3290 ft  
Maximum dogleg: 2.5 °/100ft  
Inclination at shoe: 35 °

Tension is based on air weight.  
Neutral point: 5,775 ft

Run Seq	Segment Length (ft)	Size (in)	Nominal Weight (lbs/ft)	Grade	End Finish	True Vert Depth (ft)	Measured Depth (ft)	Drift Diameter (in)	Internal Capacity (ft³)
1	6633	5.5	14.00	J-55	ST&C	5641	6633	4.887	908.8
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	2441	3120	1.278	2441	4270	1.75	79	172	2.18 J

Prepared by: Helen Sadik-Macdonald  
Div of Oil, Gas & Minerals

Phone: 801-538-5357  
FAX: 801-359-3940

Date: January 8, 2008  
Salt Lake City, Utah

**ENGINEERING STIPULATIONS: NONE**

Collapse strength is based on the Westcott, Dunlop & Kemler method of biaxial correction for tension.  
Collapse is based on a vertical depth of 5641 ft, a mud weight of 8.33 ppg. The casing is considered to be evacuated for collapse purposes.  
Burst strength is not adjusted for tension.  
Collapse strength is (biaxially) derated for doglegs in directional wells by multiplying the tensile stress by the cross section area to calculate a

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

# United States Department of the Interior

## BUREAU OF LAND MANAGEMENT

Utah State Office

P.O. Box 45155

Salt Lake City, Utah 84145-0155

IN REPLY REFER TO:

3160

(UT-922)

June 10, 2008

Memorandum

To: Associate Field Office Manager, Price Field Office  
From: Michael Coulthard, Petroleum Engineer  
Subject: 2008 Plan of Development Clear Creek Unit  
Carbon County, Utah.

Pursuant to email between Diana Whitney, Division of Oil, Gas and Mining, and Mickey Coulthard, Utah State Office, Bureau of Land Management, the bottom hole location for the following wells has changed; see our July 23 and June 15, 2007 memos.

API#	WELL NAME	LOCATION
(Proposed PZ Ferron)		
43-007-31305	Woolsey 3-31 Sec 31 T13S R07E 0660 FNL 2002 FWL	BHL Sec 31 T13S R07E 1701 FNL 0939 FEL
43-007-31297	Madsen 11-20 Sec 19 T13S R07E 0818 FSL 0707 FEL	BHL 20 T13S R07E 2104 FSL 2321 FWL

This office has no objection to permitting the wells at this time.

/s/ Michael L. Coulthard

bcc: File - Clear Creek Unit  
Division of Oil Gas and Mining  
Central Files  
Agr. Sec. Chron  
Fluid Chron

MCoulthard:mc:6-10-08



# Marion Energy Inc.

August 5, 2008

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

Re: Directional Drilling R649-3-11

Madsen 11-20: 818.18' FSL 707.62' FEL SE/4 S 19 T13S – 7E (Surface)  
2104.00' FSL 2321' FWL / NW/4 20 13S-7E (bottom hole)  
Carbon County, UT.

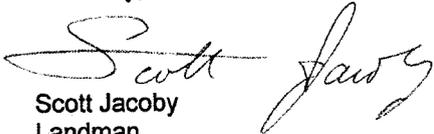
Dear Ms. Whitney

Pursuant to the filing of Marion Energy's Application for Permit to Drill the above referenced well on June 3, 2008, we are hereby submitting this letter in accordance with Oil and Gas Conservation Rule R649-3-11 pertaining to the exception to location and Sitting of wells.

- The Madsen 11-20 well is located within the Clear Creek Federal Unit Area.
- Marion Energy Inc. is permitting this well as a directional well in order to maximize drainage of the reservoir in a topographically challenging area.
- Marion Energy Inc. hereby certifies that it is the sole working interest owner within 460 feet of the entire directional well bore.

Therefore, based upon the above information Marion Energy Inc. requests the permit be granted pursuant to R649-3-11.

Sincerely,



Scott Jacoby  
Landman  
Marion Energy Inc.



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

August 5, 2008

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

Re: Madsen 11-20 Well, 818' FSL, 707' FEL, SE SE, Sec. 19, T. 13 South, R. 7 East,  
Bottom Location 2104' FSL, 2321' FWL, NE SW, Sec. 20, T. 13 South, R. 7 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 43-007-31297.

Sincerely,

Gil Hunt  
Associate Director

pab  
Enclosures

cc: Carbon County Assessor  
SITLA  
Bureau of Land Management, Price Office



Operator: Marion Energy, Inc.  
Well Name & Number Madsen 11-20  
API Number: 43-007-31297  
Lease: ML-1256

Location: SE SE Sec. 19 T. 13 South R. 7 East  
Bottom Location: NE SW Sec. 20 T. 13 South R. 7 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 action during drilling of this well:

- 24 hours prior to cementing or testing casing – contact Dan Jarvis
- 24 hours prior to testing blowout prevention equipment – contact Dan Jarvis
- 24 hours prior to spudding the well – contact Carol Daniels
- Within 24 hours of any emergency changes made to the approved drilling program – contact Dustin Doucet
- Prior to commencing operations to plug and abandon the well – contact Dan Jarvis

The operator is required to get approval from the Division of Oil, Gas and Mining before performing any of the following actions during the drilling of this well:

- Plugging and abandonment or significant plug back of this well – contact Dustin Doucet
- Any changes to the approved drilling plan – contact Dustin Doucet

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

- Dan Jarvis at: (801) 538-5338 office (801) 942-0871 home
- Carol Daniels at: (801) 538-5284 office
- Dustin Doucet at: (801) 538-5281 office (801) 733-0983 home

#### 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. In accordance with Utah Admin. R.649-3-11, Directional Drilling, the operator shall submit a complete angular deviation and directional survey report to the Division within 30 days following completion of the well.
7. This proposed well is located in an area for which drilling units (well spacing patterns) have not been established through an order of the Board of Oil, Gas and Mining (the "Board"). In order to avoid the possibility of waste or injury to correlative rights, the operator is requested, once the well has been drilled, completed, and has produced, to analyze geological and engineering data generated therefrom, as well as any similar data from surrounding areas if available. As soon as is practicable after completion of its analysis, and if the analysis suggests an area larger than the quarter-quarter section upon which the well is located is being drained, the operator is requested to seek an appropriate order from the Board establishing drilling and spacing units in conformance with such analysis by filing a Request for Agency Action with the Board.



GARY R. HERBERT  
*Governor*

GREGORY S. BELL  
*Lieutenant Governor*

# State of Utah

## DEPARTMENT OF NATURAL RESOURCES

MICHAEL R. STYLER  
*Executive Director*

### Division of Oil, Gas and Mining

JOHN R. BAZA  
*Division Director*

September 7, 2010

Marion Energy, Inc.  
119 s. Tennessee  
McKinney, TX 75069

Re: APD Rescinded – Madsen 11-20, Sec. 19, T. 13S, R. 7E  
Carbon County, Utah API No. 43-007-31297

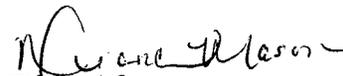
Ladies and Gentlemen:

The Application for Permit to Drill (APD) for the subject well was approved by the Division of Oil, Gas and Mining (Division) on August 5, 2008. No drilling activity at this location has been reported to the division. Therefore, approval to drill the well is hereby rescinded, effective September 7, 2010.

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

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

Sincerely,

  
Diana Mason  
Environmental Scientist

cc: Well File  
SITLA, Ed Bonner