

14421 Weld County Rd.10 • Ft. Lupton, Colorado 80621 • (303) 857-9999 • FAX (303) 857-0577 • E-MAIL Permitco 1@aol.com

July 27, 1998

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

Attn: Mike Hebertson

Re: Mission Energy, L.L.C.
Krause #1-33
860' FSL and 460' FWL
SW SW Sec. 33, T11S - R14E
Duchesne Carbon County, Utah
Lease No. UTML-43889

Dear Mike,

Enclosed please find three copies of the Application for Permit to drill and associated drilling program for the above mentioned well. One additional copy has been forwarded to your office in Roosevelt, Utah.

The onsite inspection for this well has been scheduled for Monday, July 27, 1998 with Dennis Ingram. If you should have any questions regarding the enclosed material, please don't hesitate to contact me. Your early approval of this application would be greatly appreciated.

Sincerely,

PERMITCO INC.

Lisa L. Smith
Consultant for:
Mission Energy, L.L.C.

Enc.

cc: Mission Energy, L.L.C. - Denver, CO

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

5. Lease Designation and Serial No.
State UTML-43889

APPLICATION FOR PERMIT TO DRILL, DEEPEN, OR PLUG BACK

1a. Type of Work
DRILL DEEPEN PLUG BACK

6. If Indian, Allottee or Tribe Name
N/A

b. Type of Well
Oil Well Gas Well Other
Single Zone Multiple Zone

7. Unit Agreement Name
N/A

8. Farm or Lease Name
Krause

2. Name of Operator 303/292-9775 621 17th St., Suite 2450
MISSION ENERGY, L. L. C. Denver, CO 80293
3. Address of Operator 303/857-9999 14421 Weld County Road 10
PERMITCO INC. - Agent Fort Lupton, CO 80621

9. Well No.
#1-33

10. Field and Pool, or Wildcat
Wildcat

4. Location of Well (Report location clearly and in accordance with any State requirements. *)
At surface 915 860' FSL 310 460' FWL

11. Sec., T., R., M., OR Bk.
and Survey or Area

At proposed prod. zone SW SW Sec. 33

CONFIDENTIAL

Sec. 33, T11S - R14E

14. Distance in miles and direction from nearest town or post office*
Approximately 39.2 miles southwest of Myton, Utah

12. County or Parish Duchesne
13. State Carbon Utah

15. Distance from proposed* location to nearest property or lease line, ft.
(Also to nearest drlg. line, if any) 460'

16. No. of acres in lease 24 Leases Comprising 40

17. No. of acres assigned to this well 320 Acres

18. Distance from proposed location* to nearest well, drilling, completed, or applied for, on this lease, ft. None

19. Proposed depth 5,850'

20. Rotary or cable tools Rotary

21. Elevations (Show whether DF, RT, GR, etc.) 6150' GR

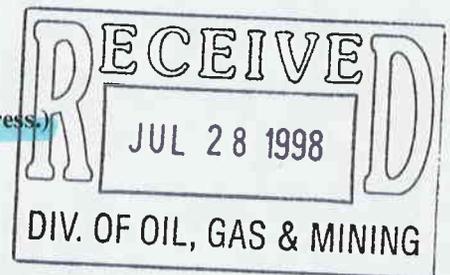
22. Approx. date work will start* August 15, 1997

23. PROPOSED CASING AND CEMENTING PROGRAM				
Size of Hole	Size of Casing	Weight per Foot	Setting Depth	Quantity of Cement
12 1/4"	8-5/8"	24#	375'	210 sx Circ to surf.
7-7/8"	5 1/2"	15.5 & 17#	5,850'	594 sx Circ to 1200'

Mission Energy, L. L. C. proposes to drill a well to 5,850' to test the Wasatch formation. If productive casing will be run and the well completed. If dry, the well will be plugged and abandoned as per State of Utah requirements.

See Drilling Program attached.

Bonding for this location has been covered by Mission Energy, L.L.C.. (Bonding is in progress.)



CC: 3 - Division of Oil, Gas & Mining - SLC, Utah
5 - Mission Energy, L.L.C. - Denver, CO
1 - Division of Oil, Gas & Mining - Roosevelt, UT

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

24. Consultant for:
Signed Sean G. Smith Title Mission Energy, L. L. C. Date 07/24/98

(This space for Federal or State office use)

Permit No. 43-013-32092 Approval Date _____

Approved by Bradley G. Hill Title RECLAMATION SPECIALIST III Date 9/29/98

Conditions of approval, if any.

Application for Permit to Drill
Mission Energy, L.L.C.

Krause #1-33 310

915-860⁺ FSL and 460⁺ FWL

SW SW Sec. 33, T11S - R14E

Duchesne Carbon County, Utah

CONFIDENTIAL - TIGHT HOLE

Lease No. UTML-43889

DRILLING PROGRAM

Page 1

The proposed wellsite is located on Fee Surface/State Minerals. Access roads are maintained by the County Road Department or are existing roads located on BLM or State lands.

1. Estimated Tops/Geologic Markers

The estimated tops of important geologic markers are as follows:

<u>Formation</u>	<u>Measured Depth</u>	<u>True Vertical Depth</u>
Green River	Surface	+6150
Wasatch	1750'	+4450'
Mesa Verde	5750'	+ 450'
T.D.	5850'	+ 350

2. Estimated Depths and Names of Anticipated Water, Oil, Gas or Other Minerals Bearing Formations.

<u>Substance</u>	<u>Formation</u>	<u>Depth</u>
Water	Green River	200'
Oil	Green River	800'
Gas	Wasatch	1750'

3. Well Control Equipment & Testing Procedures

Mission Energy's minimum specifications for pressure control equipment are as follows:

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



Application for Permit to Drill
Mission Energy, L.L.C.

CONFIDENTIAL - TIGHT HOLE

Lease No. UTML-43889

DRILLING PROGRAM

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Krause #1-33 310
915-~~860~~' FSL and ~~460~~' FWL
SW SW Sec. 33, T11S - R14E
Carbon County, Utah
Duchesne

Ram type preventers and associated equipment shall be tested to approved 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.

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 30-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.

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

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.

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.



Krause #1-33 ³¹⁰

Lease No. UTML-43889

915-860' FSL and 460' FWL

SW SW Sec. 33, T11S - R14E

DRILLING PROGRAM

Carbon County, Utah

Page 3

Duchesne

- a. The size and rating of the BOP stack is shown on the attached diagram.
- 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 Program

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	0-375'	12-1/4"	8-5/8"	24#	J-55	ST&C	New
Produc.	0-5850'	7-7/8"	5-1/2"	15.5#	J-55	LT&C	Used*

* If used casing is specified, it will meet or exceed API standards for new yellow band casing.

Casing design subject to revision based on geologic conditions encountered.

5. Cement Program

Surface

0-375'

Type and Amount

+ 210 sx 25:75 Poz cement with 2% CaCl₂, 0.25#/sk D29. Weight 15.4 ppg, Yield 1.11 cu. ft. Circulate to surface.

Production

Type and Amount

Lead with 90 sacks Highlift (Weight 11.0 ppg, Yield 4.01 cu. ft. Tail in with 504 sacks 10-0 RFC + 10 #/sk D42 Kolite. Weight 14.0 ppg, Yield 1.66 cu. ft. Circulate to 1200'.

Note: Actual volumes to be calculated from caliper log.



Krause #1-33 310

Lease No. UTML-43889

915-860' FSL and 460' FWL

SW SW Sec. 33, T11S - R14E

DRILLING PROGRAM

~~Carbon~~ County, Utah

Page 4

Duchesne

6. Drilling Fluids

The proposed 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>
0-5850'	KCL/Gel	9.0	60+	10	10

7. Testing, Logging and Coring

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

- a. No drill stem tests are anticipated.
- b. The logging program will consist of a Dual Induction, Density Neutron Porosity, Gamma Ray and an MRI (Optional) to be run from 375' to T.D.
- c. No cores are anticipated.

8. Anticipated Pressures and H₂S

- a. The maximum anticipated bottom hole pressure is 2300 psi.

9. Other Information

- a. Drilling is planned to commence immediately upon approval of this application due to a September 30, 1997 lease expiration.
- b. It is anticipated that the drilling of this well will take approximately 10 days.
- c. The need for a reserve pit liner will be determined by a representative of the Division of Oil, Gas and Mining.



Application for Permit to Drill
Mission Energy, L.L.C.

CONFIDENTIAL - TIGHT HOLE

Lease No. UTML-43889

DRILLING PROGRAM

Page 5

915 - Krause #1-33 *316*
~~860'~~ FSL and ~~460'~~ FWL
SW SW Sec. 33, T11S - R14E
Carbon County, Utah

Duchesne

- d. The anticipated water source has not been determined at this time, however, all necessary permits will be filed with the Division of Water Resources once the source has been determined.

10. Water Source and Sanitation Facilities

- a. Drilling water for this location will be purchased from the Price River Water Improvement District. The Division of Water Rights does not assign a water permit number for this water source.
- b. All sewage and wastewater from this location will be hauled to an approved disposal source by Ameri-Kan, Inc. located at 2220 W. Highway 40, Duchesne, UT 84021. All necessary sanitation permits will be submitted to the County Health Dept. by Ameri-Kan, Inc.

11. Bonding

- a. Bonding will be provided by Mission Energy, LLC. An additional CD in the amount of \$20,000 will be forwarded to Ed Bonner of the School & Institutional Trust Lands Administration.



CONFIDENTIAL - TIGHT HOLE

Krause #1-33 310
915 - 860' FSL and 460' FWL
SW SW Section 33, T11S - R14E
Duchesne Carbon County, Utah

Prepared For:

MISSION ENERGY, L.L.C.

By:

PERMITCO INC.
14421 Weld County Road
Fort Lupton, Colorado 80621
303/857-9999

Copies Sent To:

- 3 - Division of Oil, Gas & Mining - SLC, UT
- 5 - Mission Energy, L.L.C. - Denver, CO
- 1 - Division of Oil, Gas & Mining - Roosevelt, UT



WORKSHEET
APPLICATION FOR PERMIT TO DRILL

APD RECEIVED: 07/28/98

API NO. ASSIGNED: 43-013-32092

WELL NAME: KRAUSE 1-33
 OPERATOR: MISSION ENERGY LLC (N6010)
 CONTACT: Lisa Smith (303)857-9999

PROPOSED LOCATION:
 SWSW 33 - T11S - R14E
 SURFACE: 0915-FSL-0310-FWL
 BOTTOM: 0915-FSL-0310-FWL
 DUCHESNE COUNTY
 UNDESIGNATED FIELD (002)

INSPECT LOCATION BY: 08/12/98		
TECH REVIEW	Initials	Date
Engineering	<i>RSK</i>	9-28-98 ^①
Geology		
Surface		

LEASE TYPE: STA
 LEASE NUMBER: ML-43889
 SURFACE OWNER: Fee

PROPOSED FORMATION: WSTC

RECEIVED AND/OR REVIEWED:

Plat
 Bond: Federal State Fee
 (No. 002939285-9)
 Potash (Y/N)
 Oil Shale (Y/N) *190-5(B)
 Water Permit
 (No. PRW10 / City of Price)
 RDCC Review (Y/N)
 (Date: _____)
 St/Fee Surf Agreement (Y/N)

LOCATION AND SITING:

___ R649-2-3. Unit _____
 ___ R649-3-2. General
 R649-3-3. Exception
 ___ Drilling Unit
 Board Cause No: _____
 Date: _____

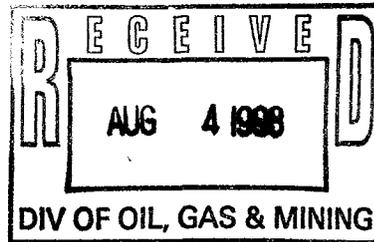
COMMENTS: * Need add'l info. "Except. Loc." (Rec'd 8-31-98)
* Need Presite. (Conducted 8-12-98)
* DOBm Surf. Agreement

STIPULATIONS: ① ENGR - NONE
① STATEMENT OF BASIS

8002 WCR 24H
 Loveland, CO. 80538
 Ph. (970) 669-8217
 Fax (970) 635-9337
 E-Mail jwfisher@sprynet.com

Fisher Consulting

Fax



To: BRAD HILL From: Wayne Fisher
 Fax: 801) 359-3940 Date: 7/27/98
 Phone: 801) 538-5315 Pages 2
 Re: NOTIFICATIONS CC: JERRY BERGESON

Urgent For Review Please Comment Please Reply Please Recycle

•Comments:

BRAD,
 I'VE EXPRESSED MAILED THIS TO LILY
 WIMMER AND FAXED A COPY TO JERRY
 BERGESON @ MISSION ENERGY

THANKS

Wayne

J. WAYNE FISHER

*Oilfield Consultant
8002 W CR 24H
Loveland, CO 80538*

July 27, 1998

Lily Mae Wimmer
7819 Ravenhollow Lane
Las Vegas, NV. 89128-2970

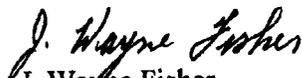
Dear, Ms. Lily Wimmer

I'm writing you this letter in regards to land located in the SW/SW 1/4 of SEC. 33 - T11S- R14E Duchesne Co. UTAH.

I represent Mission Energy LLC of Denver CO. We wish to notify you that Mission Energy plans to drill an exploration well for Natural gas on this property. We would like to speak with you as the county records show you to be trustee of this land. The state of Utah requires that you be notified so you or your representative may be present at the proposed location on site inspection with representatives from the Utah Division Oil, Gas and Mining and from Mission Energy LLC.

If you would call myself at (970) 669-8217 or Ms. Kelly Williams at (303) 292-9775 it would be greatly appreciated. At the time you contact one of use we will notify the Utah Division of Oil, Gas and Mining so as to schedule the on site inspection. This letter will serve as our official notification. Please contact one of us ASAP.

Sincerely:


J. Wayne Fisher

cc. Jerry Bergeson, Mission Energy LLC.
Brad Hill, Utah Division of Oil, Gas and Mining

Office: (970) 669-8217 / Fax: (970) 635-9337 / Cell: (970) 217-8525
jwfisher@sprynet.com

T11S, R14E, S.L.B.&M.

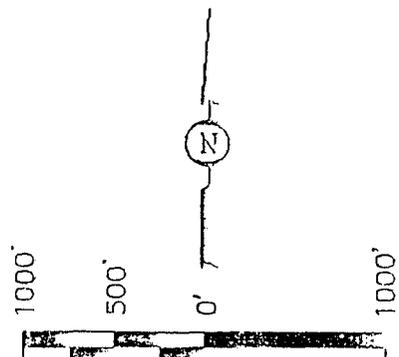
MISSION ENERGY, L.L.C.

Well Location, KRAUSE #1-33, located as shown in SW 1/4 SW 1/4 of Section 33, T11S, R14E, S.L.B.&M. Duchesne County, Utah.

WEST -- 80.04 (G.L.O.)

BASIS OF ELEVATION

SPOT ELEVATION LOCATED IN THE SE 1/4 OF SECTION 32, T11S, R14E, S.L.B.&M. TAKEN FROM THE CARRANT CANYON, QUADRANGLE, UTAH, 7.5 MINUTE SERIES (TOPOGRAPHICAL MAP) PUBLISHED BY THE UNITED STATES DEPARTMENT OF THE INTERIOR, GEOLOGICAL SURVEY. SAID ELEVATION IS MARKED AS BEING 6105 FEET.



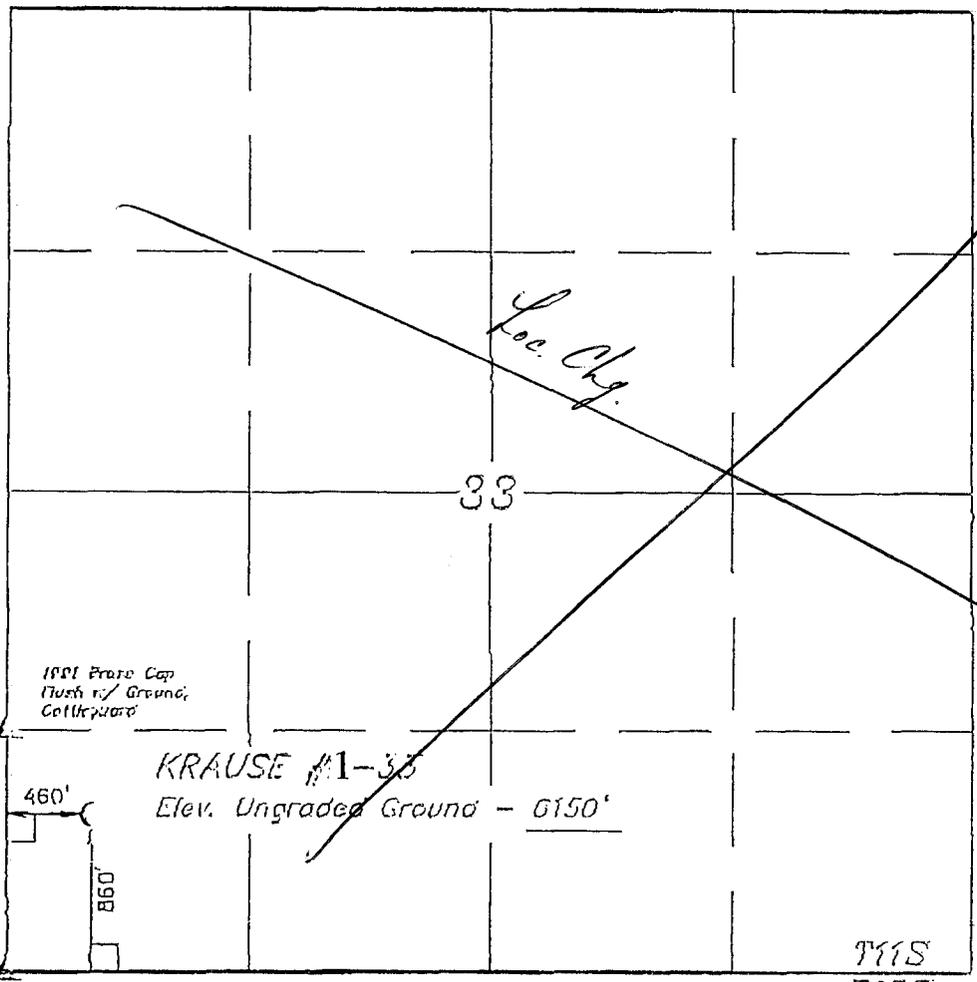
SCALE
CERTIFICATE

THIS IS TO CERTIFY THAT THE ABOVE DRAWING WAS PREPARED FROM FIELD NOTES OF ACTUAL SURVEYS MADE BY ME OR UNDER MY SUPERVISION AND THAT THE SAME ARE TRUE AND CORRECT TO THE BEST OF MY KNOWLEDGE AND BELIEF.

[Signature]
REGISTERED LAND SURVEYOR
REGISTRATION NO. 161319
STATE OF UTAH

UTAH ENGINEERING & LAND SURVEYING
85 SOUTH 200 EAST - VERRILL, UTAH 84076
(435) 788-1017

SCALE 1" = 1000'	DATE SURVEYED: 07-20-98	DATE DRAWN: 07-22-98
PARTY G.S. J.K. D.R.B.	REFERENCES S.L.O. PLAT	
WEATHER WARM	FILE MISSION ENERGY, L.L.C.	



LEGEND:

- = 90° SYMBOL
- = PROPOSED WELL HEAD.
- = SECTION CORNERS LOCATED.

NOTE:
THE PROPOSED WELL HEAD BEARS N28°04'54"E 975.55' FROM THE SOUTHWEST CORNER OF SECTION 33, T11S, R14E, S.L.B.&M.

R=96%
801 789 1813
07-23-98 08:43AM P001 #42

07/23/98 08:24 FAX 801 789 1813 U.E.L.S., INC. *** Lisa Permittco 2101

Mission Energy, LLC
621 17th Street, Suite 2450
Denver, CO 80293
Phone: 303-292-9775
Fax: 303-292-9280

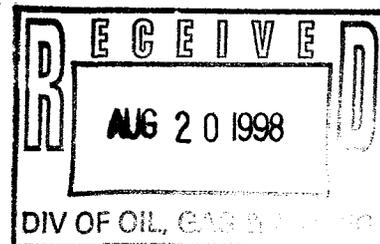
.....
facsimile transmittal

To: LISHA CORDOVA Fax: 801-359-3940
From: WAYNE FISHER Date: 08/20/98
Re: KRANSE # 1-33 Pages: 8/ WITH COVER
CC: _____

Urgent For Review Please Comment Please Reply Please Recycle

.....
LISHA, (HOPE I SPELLED YOU NAME RIGHT)

HERE'S THE SURVEY'S FOR KRANSE # 1-33
COPY OF EXCEPTION LETTER
COPY OF LETTER TO SURFACE OWNER



.....

J. WAYNE FISHER

*Oilfield Consultant
8002 W CR 24H
Loveland, CO 80538*

July 27, 1998

Lily Mae Wimmer *(2nd Reg.)*
7819 Ravenhollow Lane
Las Vegas, NV. 89128-2970

Dear, Ms. Lily Wimmer

I'm writing you this letter as a follow up to our previous letter dated July 27, 1998 and mailed to your Las Vegas address in regards to land that you are listed as the trustee for, which is located in the SW/SW 1/4 of SEC. 33 - T11S- R14E Duchesne Co. UTAH. See attached map.

We wish to contact you either by phone or through the mails, as we are obligated by law to make every attempt to reach you direct and negotiate a surface owner use agreement. We again wish to notify you that Mission Energy plans to drill an exploration well for Natural gas on this property. Our plans call for a well to be drilled between the irrigation ditch and the county road known as Argyle Canyon road.

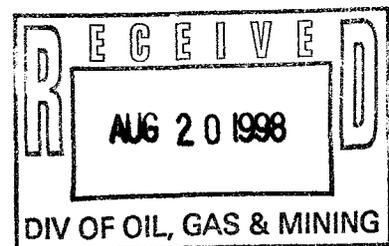
If we can not come to terms on a land use/damage settlement within the time frame allowed by Utah state law the Utah Division Oil, Gas and Mining will establish a settlement in place of our two party's coming to an agreement. We at Mission Energy LLC have found it beneficial to both parties when we can work together directly. Also we would like to obtain water use rights for a ten (10) to twelve (12) day period beginning approximately September 6, 1998 from you or your lease holder.

Again if you would call Wayne Fisher at (970) 669-8217 or Jerry Bergeson at (303) 292-9775 it would be greatly appreciated. At the time you contact one of us we will notify the Utah Division of Oil, Gas and Mining that contact has been made. As I believe if we do not notify the UDOGM by August 27 they will intervene on our behalf and issue a use agreement. This letter will serve as our official notification. Please contact one of us ASAP or you may contact Brad Hill of the Utah Division of Oil, Gas and mining at (801) 538-5315.

Sincerely:

J. Wayne Fisher
J. Wayne Fisher

cc. Jerry Bergeson, Mission Energy LLC.
Brad Hill, Utah Division of Oil, Gas and Mining



Office: (970) 669-8217 / Fax: (970) 635-9337 / Cell: (970) 217-8525

jwfisher@sprynet.com

SEGO RESOURCES

AN EXPLORATION AND PRODUCTION COMPANY

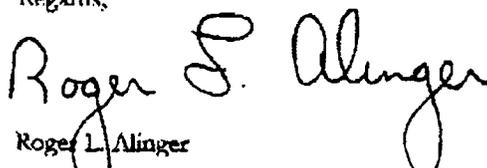
August 18, 1998

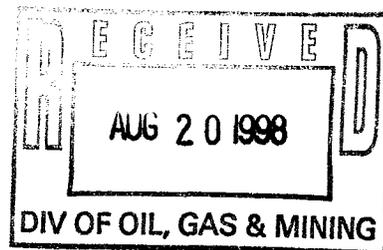
Mr. Jerry R. Bergeson
Mission Energy LLC
621 17th Street, Suite 2450
Denver, CO 80293

Dear Mr. Bergeson:

Please be advised that Sego Resources, as lessee of record on Section 32, Township 11 South, Range 14 East, has no objection to Mission Energy drilling at a location 310' FWL and 915' FSL, Section 33, Township 11 South, Range 14 East.

Regards,


Roger L. Alinger



8137 EAST MINERAL CIRCLE, SUITE 250 • ENGLEWOOD, CO • 80112-3423
PHONE: (303) 799-0322 • FAX: (303) 799-0333

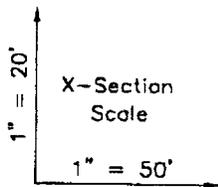
MISSION ENERGY, L.L.C.

TYPICAL CROSS SECTIONS FOR

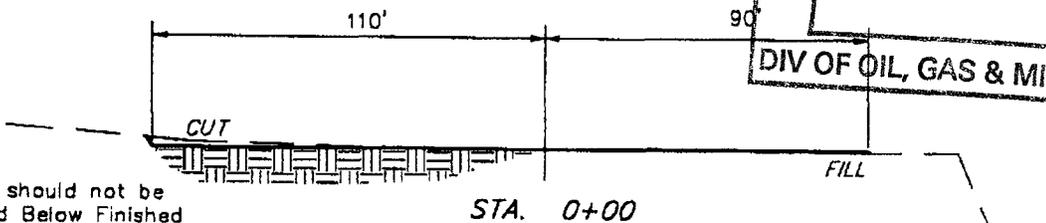
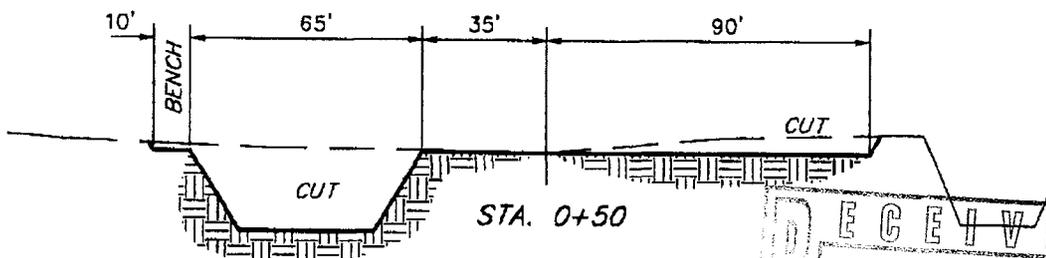
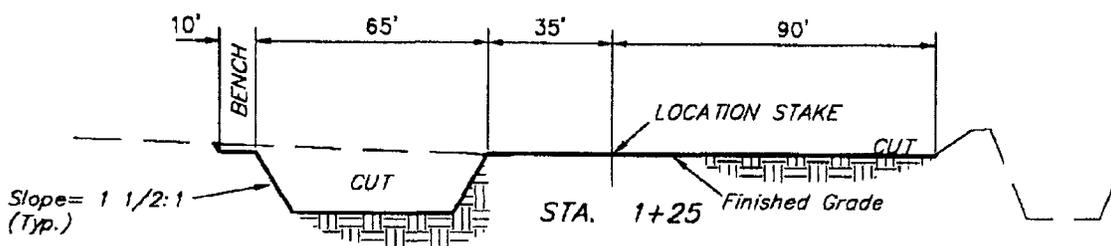
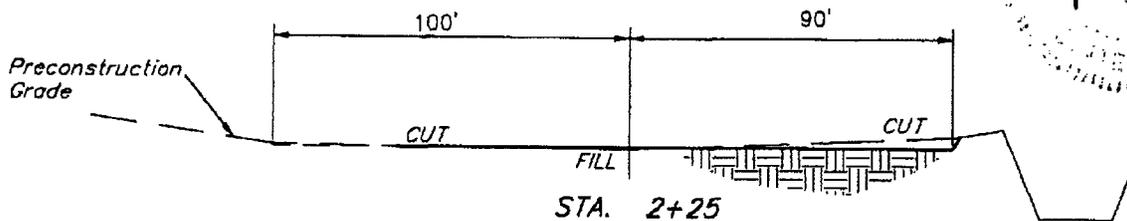
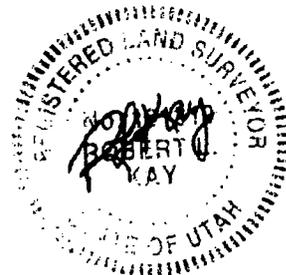
KRAUSE #2-33

SECTION 33, T11S, R14E, S.L.B.&M.

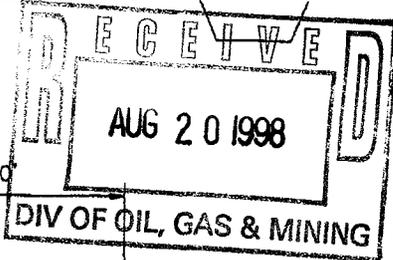
915' FSL 310' FWL



DATE: 08-11-98
Drawn By: D.R.B.



NOTE:
Topsoil should not be Stripped Below Finished Grade on Substructure Area.

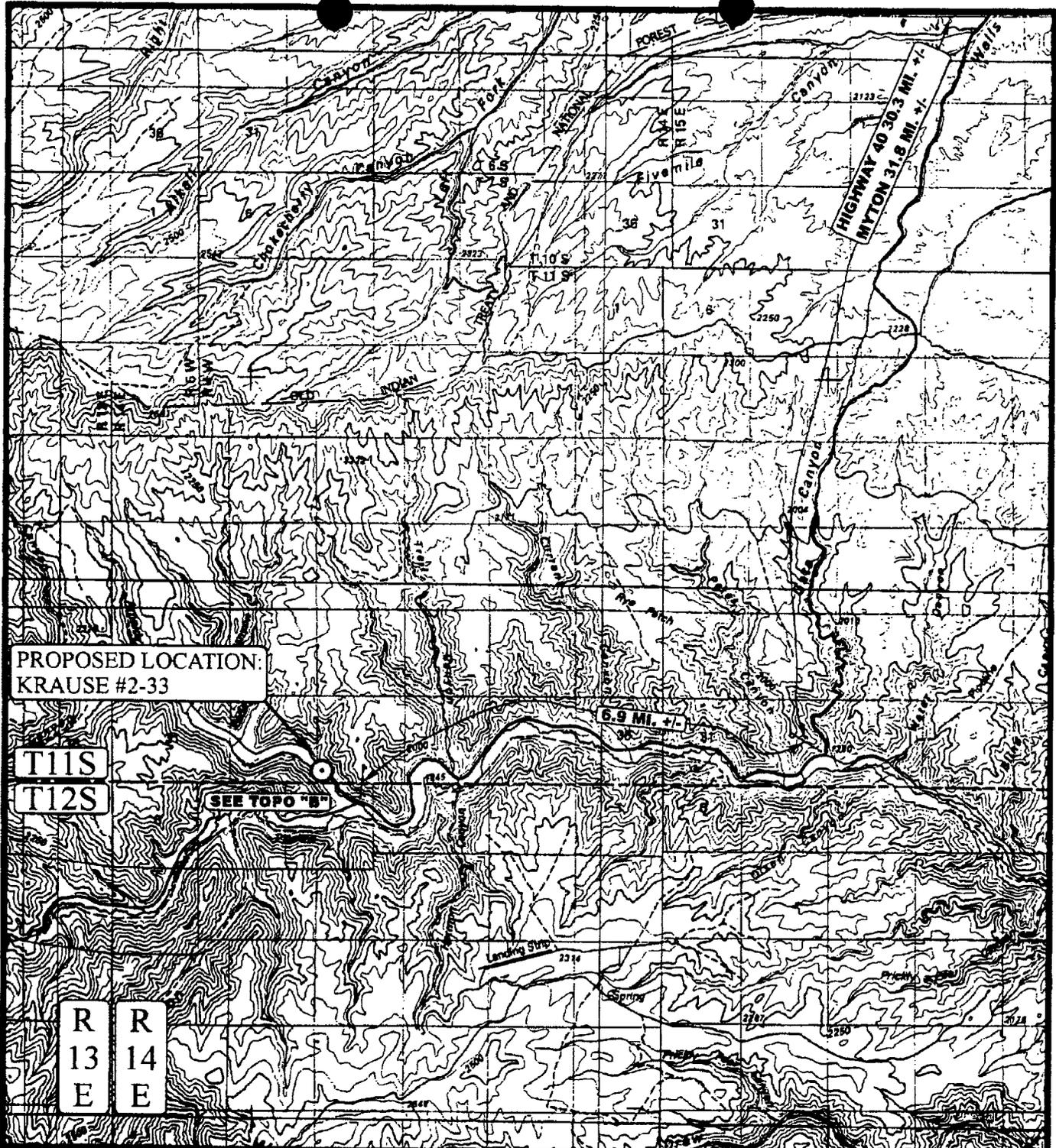


APPROXIMATE YARDAGES

(6") Topsoil Stripping	=	790	Cu. Yds.
Remaining Location	=	2,290	Cu. Yds.
TOTAL CUT	=	3,080	CU.YDS.
FILL	=	470	CU.YDS.

EXCESS MATERIAL AFTER 5% COMPACTION	=	2,590	Cu. Yds.
Topsoil & Pit Backfill (1/2 Pit Vol.)	=	1,840	Cu. Yds.
EXCESS UNBALANCE (After Rehabilitation)	=	750	Cu. Yds.

UINTAH ENGINEERING & LAND SURVEYING
86 So. 200 East • Vernal, Utah 84078 • (435) 789-1017



PROPOSED LOCATION:
KRAUSE #2-33

T11S
T12S

SEE TOPO "B"

R
13
E R
14
E

LEGEND:

⊙ PROPOSED LOCATION



MISSION ENERGY L.L.C.

KRAUSE #2-33

SECTION 33, T11S, R14E, S.L.B.&M.

915' FSL 310' FWL

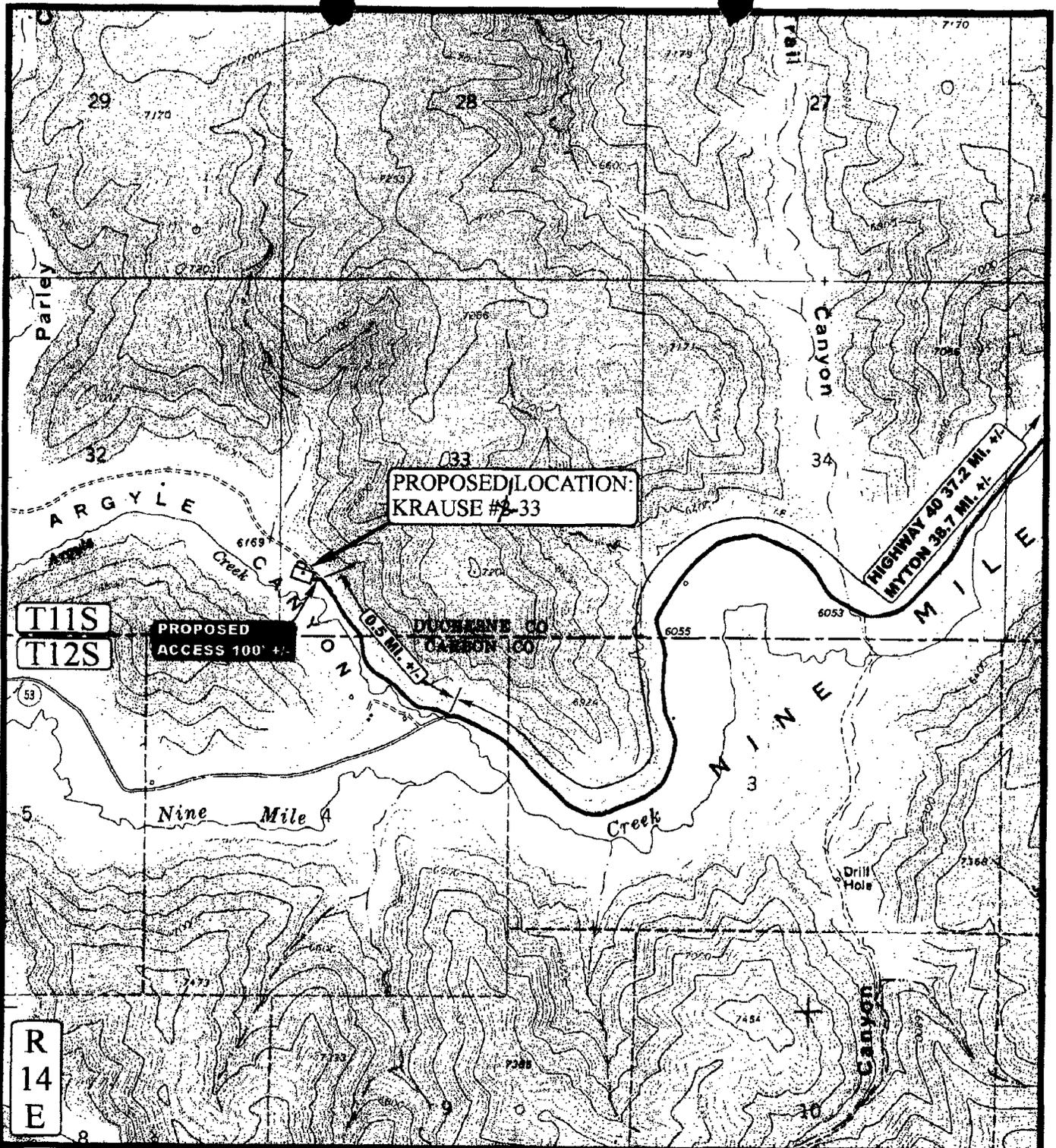


Uintah Engineering & Land Surveying
85 South 200 East Vernal, Utah 84078
(435) 789-1017 * FAX (435) 789-1813

TOPOGRAPHIC	7	22	98
MAP	MONTH	DAY	YEAR
SCALE: 1:100,000	DRAWN BY: J.L.G.		REVISED: 8-11-98



REGISTRE
AUG 20 1998
DIV OF OIL, GAS & MINING



LEGEND:

- - - - - PROPOSED ACCESS ROAD
- EXISTING ROAD



MISSION ENERGY L.L.C.

KRAUSE #2-33
 SECTION 33, T11S, R14E, S.L.B.&M.
 915' FSL 310' FWL



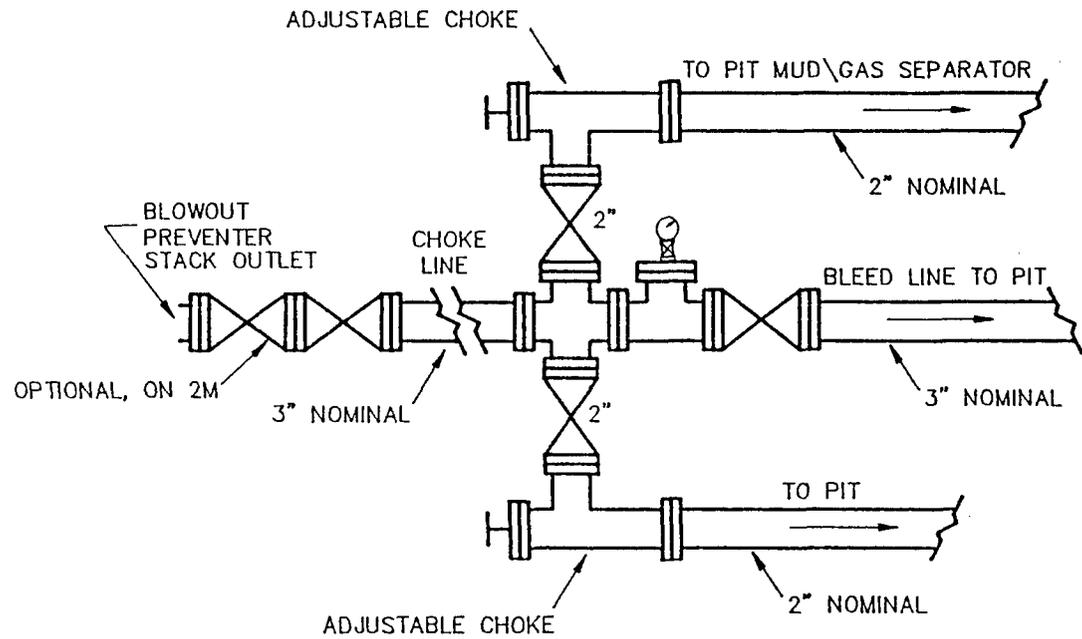
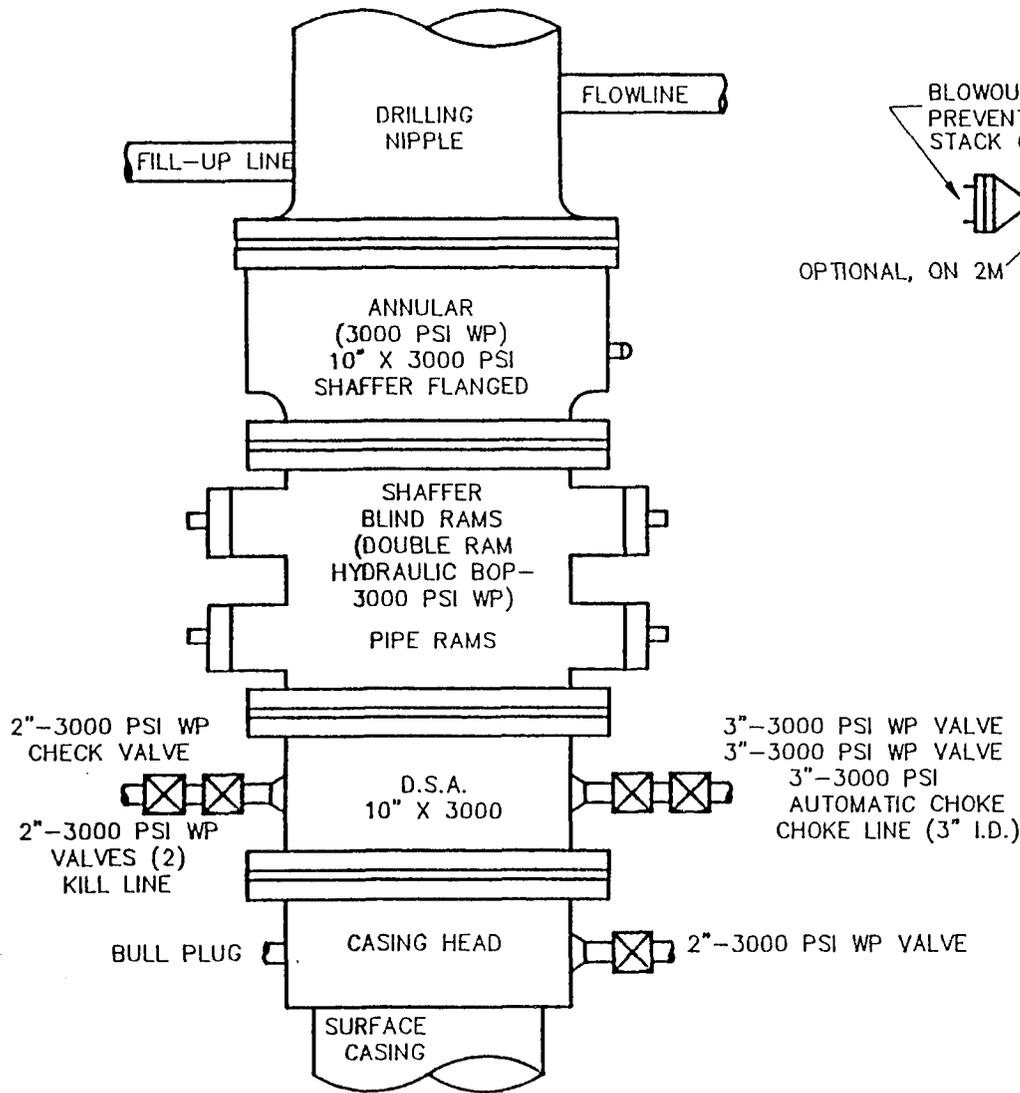
Utah Engineering & Land Surveying
 85 South 200 East Vernal, Utah 84078
 (435) 789-1017 * FAX (435) 789-1813

TOPOGRAPHIC MAP
 7 22 98
 MONTH DAY YEAR
 SCALE: 1" = 2000' DRAWN BY: J.L.G. REVISED: 8-11-98

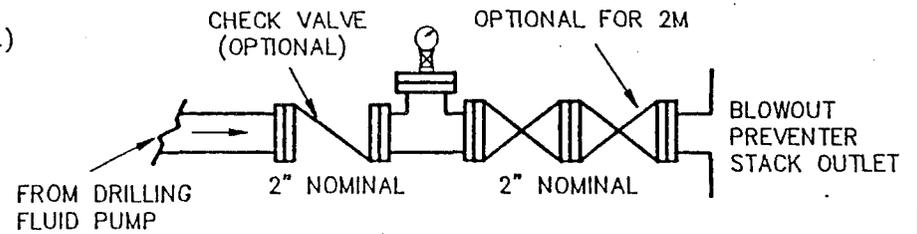


RECEIVED
 AUG 20 1998
 DIV OF OIL, GAS & MINING

BOP SCHEMATIC
3000 PSI WORKING PRESSURE



TYPICAL CHOKE MANIFOLD ASSEMBLY
FOR 3M RATED WORKING
PRESSURE SERVICE - SURFACE INSTALLATION



TYPICAL KILL LINE ASSEMBLY FOR 3M RATED
WORKING PRESSURE SERVICE - SURFACE INSTALLATION

T11S, R14E, S.L.B.&M.

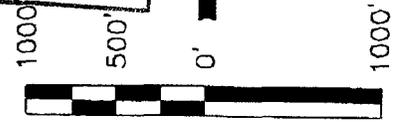
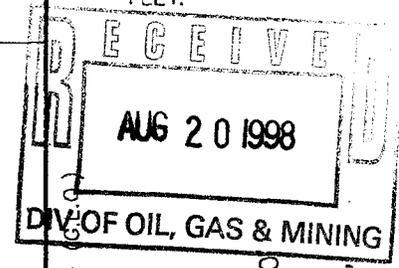
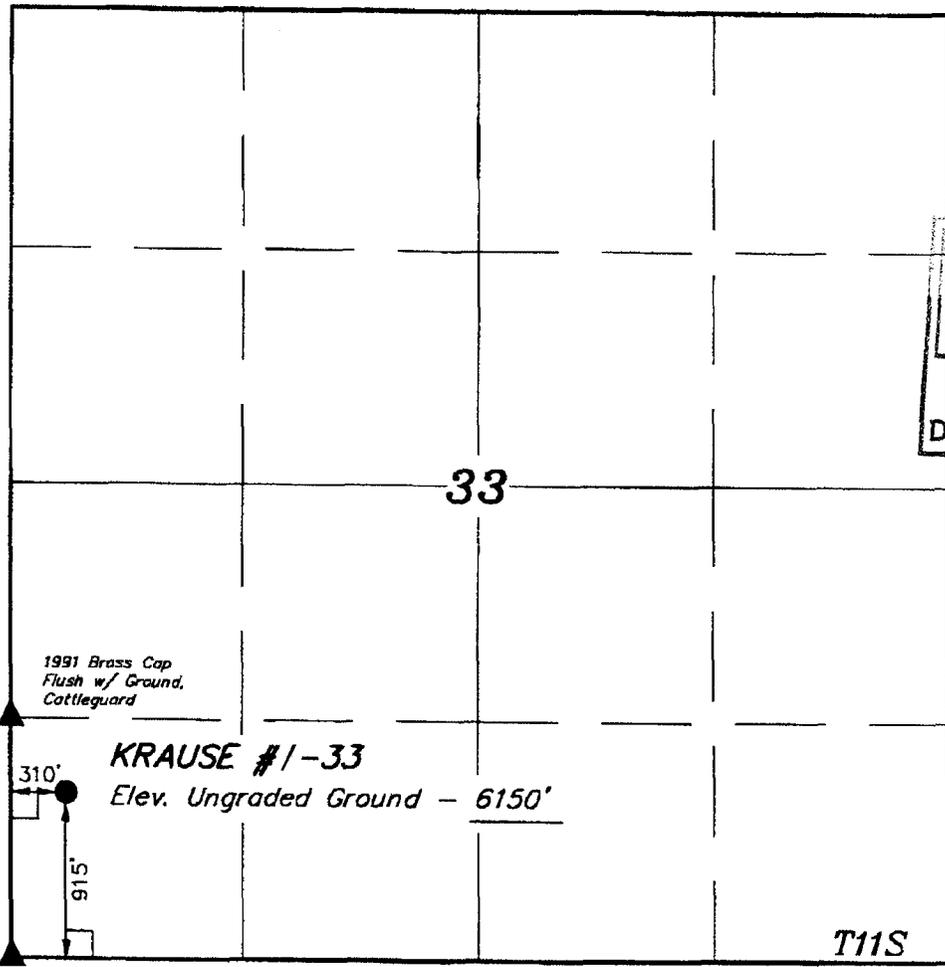
MISSION ENERGY, L.L.C.

Well Location, KRAUSE #1-33, located as shown in SW 1/4 SW 1/4 of Section 33, T11S, R14E, S.L.B.&M. Duchsene County, Utah.

WEST - 80.04 (G.L.O.)

BASIS OF ELEVATION

SPOT ELEVATION LOCATED IN THE SE 1/4 OF SECTION 32, T11S, R14E, S.L.B.&M. TAKEN FROM THE CURRANT CANYON, QUADRANGLE, UTAH, 7.5 MINUTE SERIES (TOPOGRAPHICAL MAP) PUBLISHED BY THE UNITED STATES DEPARTMENT OF THE INTERIOR, GEOLOGICAL SURVEY. SAID ELEVATION IS MARKED AS BEING 6169 FEET.



SCALE

CERTIFICATE

THIS IS TO CERTIFY THAT THE ABOVE PLAT WAS PREPARED FROM FIELD NOTES OF ACTUAL SURVEYS MADE BY ME OR UNDER MY SUPERVISION AND THAT THE SAME ARE TRUE AND CORRECT TO THE BEST OF MY KNOWLEDGE AND BELIEF. NO. 161319

Robert J. Kay
 REGISTERED LAND SURVEYOR
 REGISTRATION NO. 161319
 STATE OF UTAH

Revised: 08-11-98 D.R.B.

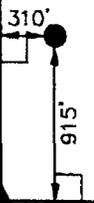
UNTAH ENGINEERING & LAND SURVEYING
 85 SOUTH 200 EAST - VERNAL, UTAH 84078
 (435) 789-1017

SCALE 1" = 1000'	DATE SURVEYED: 07-20-98	DATE DRAWN: 07-22-98
PARTY G.S. J.K. D.R.B.	REFERENCES G.L.O. PLAT	
WEATHER WARM	FILE MISSION ENERGY, L.L.C.	

N00°03'W - G.L.O.
 (Basis of Bearings)
 1323.20' - (Measured)

1991 Brass Cap
 Flush w/ Ground,
 Cattleguard

KRAUSE #1-33
 Elev. Ungraded Ground - 6150'



1911 Brass Cap
 Steel Post, Pile
 of Stones, Wooden
 Post

LEGEND:

- └─┘ = 90° SYMBOL
- = PROPOSED WELL HEAD.
- ▲ = SECTION CORNERS LOCATED.

NOTE:
 THE PROPOSED WELL HEAD BEARS N18°39'11"E 966.1' FROM THE SOUTHWEST CORNER OF SECTION 33, T11S, R14E, S.L.B.&M.

Aug-20-98 13:30 Mission Energy, L.L.C. 303 292 9280 P.04

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

SUNDRY NOTICES AND REPORTS ON WELLS
Do not use this form for proposals to drill new wells, deepen existing wells, or to reenter plugged and abandoned wells.
Use APPLICATION FOR PERMIT -- for such proposals

6. Lease Designation and Serial Number UTML-43889
7. Indian Allottee or Tribe Name N/A
8. Unit or Communitization Agreement N/A
9. Well Name and Number Krause
10. API Well Number #1-33
11. Field and Pool, or Wildcat Wildcat

1. Type of Well <input type="checkbox"/> Oil Well <input checked="" type="checkbox"/> Gas Well <input type="checkbox"/> Other (specify)
2. Name of Operator 303/292-9775 621-17th Street, Suite 2450 Mission Energy, L.L.C. Denver, CO 80293
3. Address of Operator 14421 Weld County Road 10 Permitco Inc. Fort Lupton, CO 80621
4. Telephone Number 303/857-9999
5. Location of Well Footage : 915' FSL and 310' FWL (New Footages) County : Carbon Duchesne QQ, Sec, T., R., M. : SW SW Sec. 33, T11S - R14E State : Utah

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

NOTICE OF INTENT
(Submit in Duplicate)

<input type="checkbox"/> Abandonment	<input type="checkbox"/> New Construction
<input type="checkbox"/> Casing Repair	<input type="checkbox"/> Pull or Alter Casing
<input type="checkbox"/> Change of Plans	<input type="checkbox"/> Recompletion
<input type="checkbox"/> Conversion to Injection	<input type="checkbox"/> Shoot or Acidize
<input type="checkbox"/> Fracture Treat	<input type="checkbox"/> Vent or Flare
<input type="checkbox"/> Multiple Completion	<input type="checkbox"/> Water Shut-Off
<input checked="" type="checkbox"/> Other <u>Move Location</u>	

Approximate Date Work Will Start Immediately upon approval

SUBSEQUENT REPORT
(Submit Original Form Only)

<input type="checkbox"/> Abandonment *	<input type="checkbox"/> New Construction
<input type="checkbox"/> Casing Repair	<input type="checkbox"/> Pull or Alter Casing
<input type="checkbox"/> Change of Plans	<input type="checkbox"/> Shoot or Acidize
<input type="checkbox"/> Conversion to Injection	<input type="checkbox"/> Vent or Flare
<input type="checkbox"/> Fracture Treat	<input type="checkbox"/> Water Shut-Off
<input type="checkbox"/> Other _____	

Date of Work Completion _____

Report results of Multiple Completions and Recompletions to different reservoirs on WELL COMPLETION OR RECOMPLETION AND LOG form.
* Must be accompanied by a cement verification report.

13. DESCRIBE PROPOSED OR COMPLETED OPERATIONS (Clearly state all pertinent details, and give pertinent dates. If well is directionally drilled, give subsurface locations and measured and true vertical depths for all markers and zones pertinent to this work.)

As requested by Dennis Ingram this location was moved to the new footages shown above.

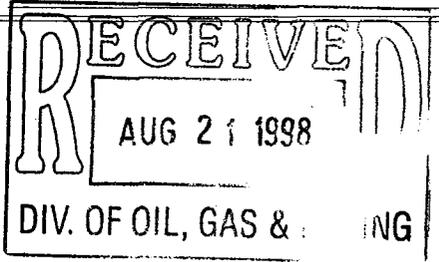
The original location was staked at 860' FSL and 460' FWL but was unacceptable due to topography. See revised survey plat and maps attached.

An exception to spacing waiver/communitization agreement will be filed under separate cover by Seigo Resources, the adjacent mineral lessee.

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

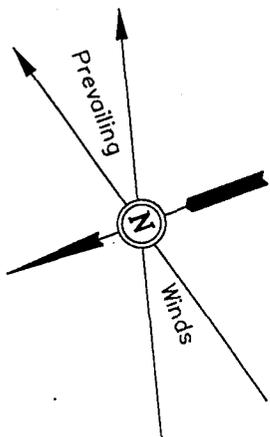
Name & Signature *Gene G. Smith* Title Consultant Date 8/18/98

(State Use Only)



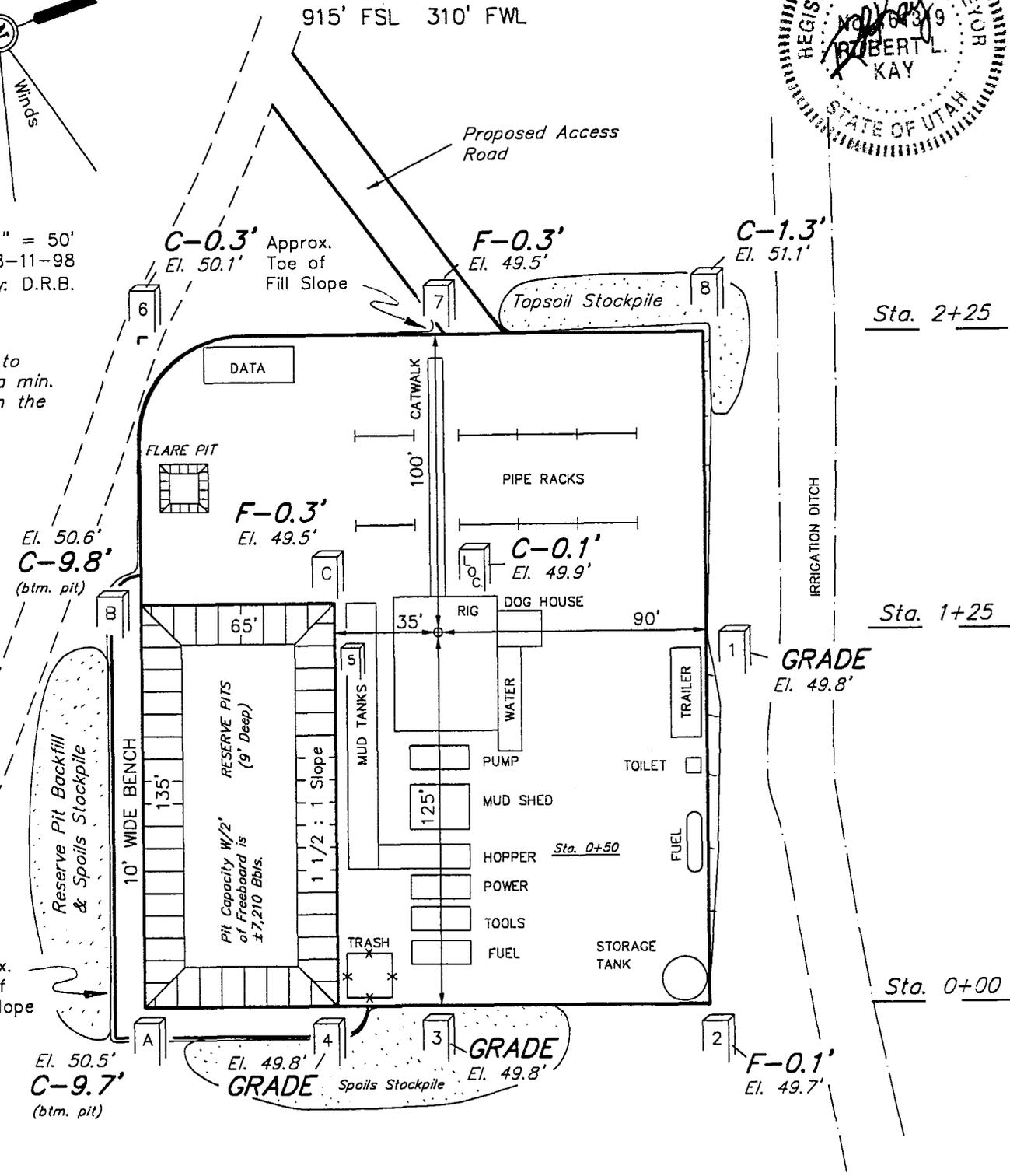
MISSION ENERGY, L.L.C.
LOCATION LAYOUT FOR

KRAUSE # 1-33
SECTION 33, T11S, R14E, S.L.B.&M.
915' FSL 310' FWL



SCALE: 1" = 50'
DATE: 08-11-98
Drawn By: D.R.B.

NOTE:
Flare Pit is to be located a min. of 100' from the Well Head.



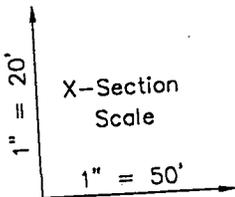
Elev. Ungraded Ground at Location Stake = 6149.9'
Elev. Graded Ground at Location Stake = 6149.8'

UINTAH ENGINEERING & LAND SURVEYING
85 So. 200 East • Vernal, Utah 84078 • (435) 789-1017

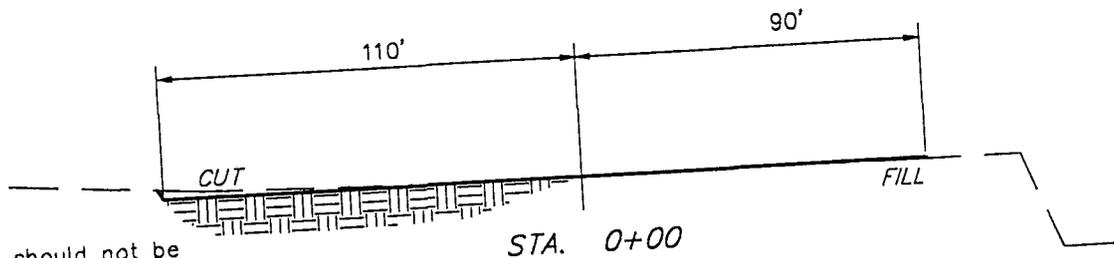
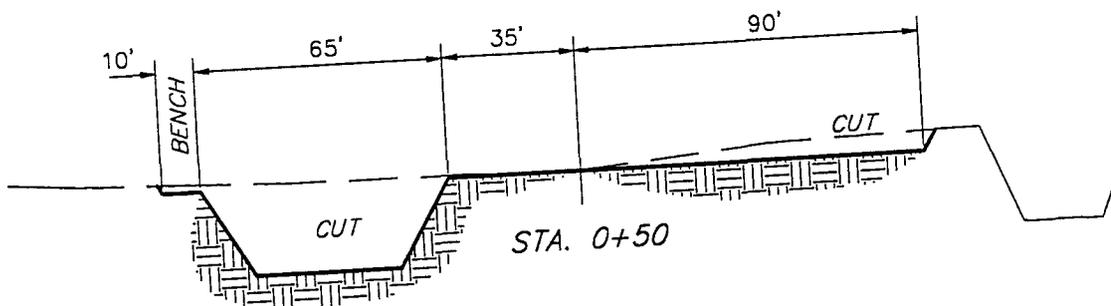
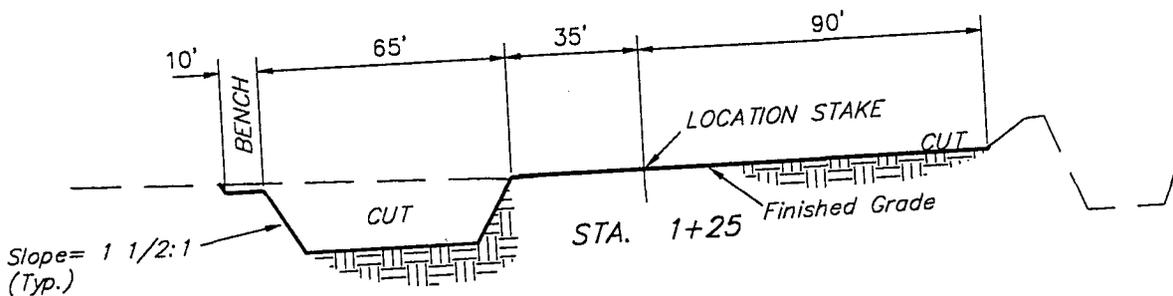
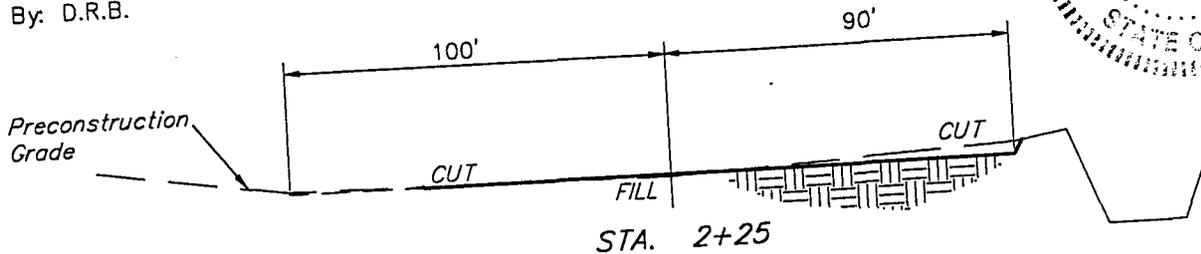
MISSION ENERGY, L.L.C.

TYPICAL CROSS SECTIONS FOR

KRAUSE #1-33
SECTION 33, T11S, R14E, S.L.B.&M.
915' FSL 310' FWL



DATE: 08-11-98
Drawn By: D.R.B.



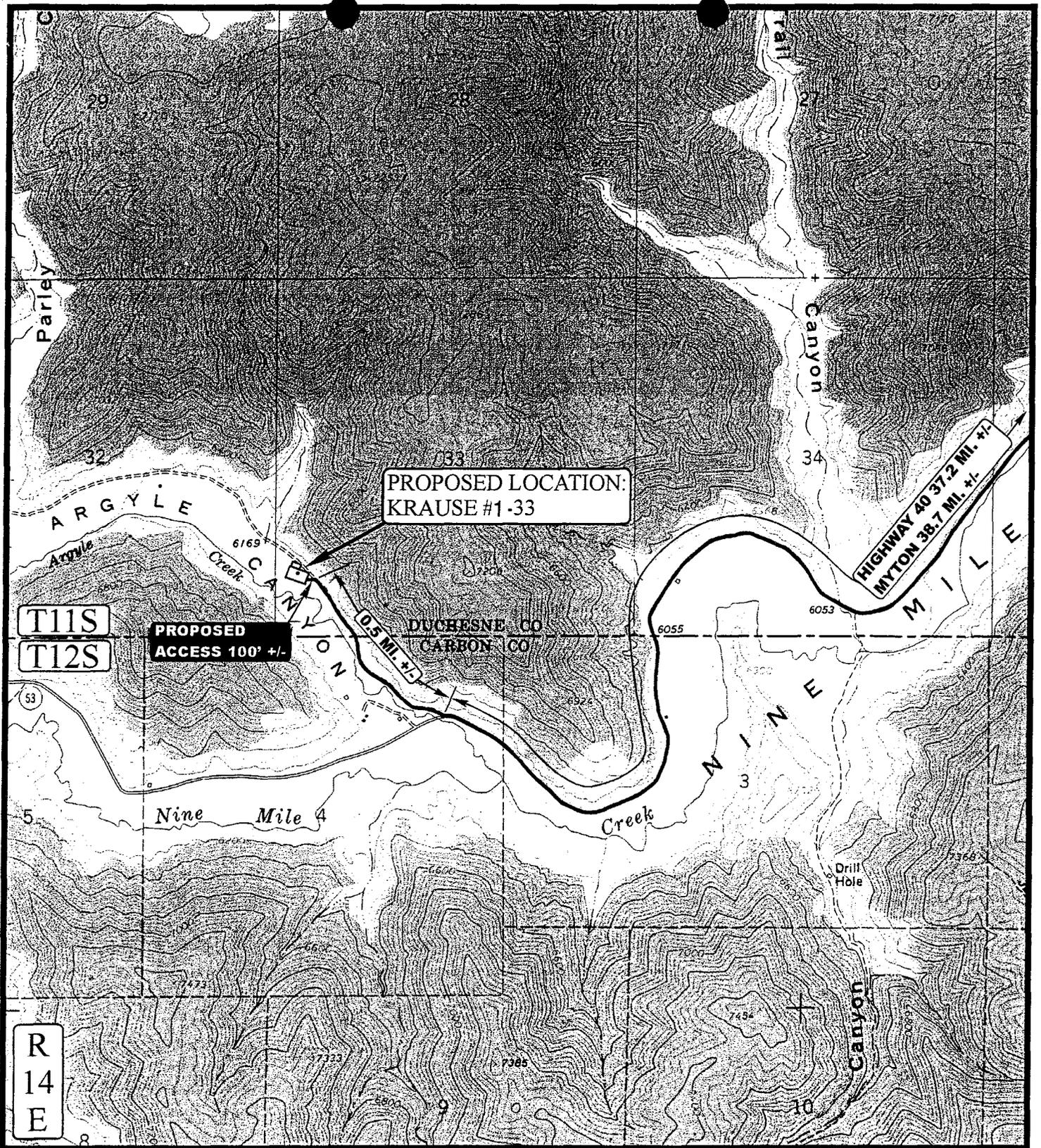
NOTE:
Topsoil should not be Stripped Below Finished Grade on Substructure Area.

APPROXIMATE YARDAGES

(6") Topsoil Stripping	= 790 Cu. Yds.
Remaining Location	= 2,290 Cu. Yds.
TOTAL CUT	= 3,080 CU.YDS.
FILL	= 470 CU.YDS.

EXCESS MATERIAL AFTER 5% COMPACTION	= 2,590 Cu. Yds.
Topsoil & Pit Backfill (1/2 Pit Vol.)	= 1,840 Cu. Yds.
EXCESS UNBALANCE (After Rehabilitation)	= 750 Cu. Yds.

UINTAH ENGINEERING & LAND SURVEYING
85 So. 200 East • Vernal, Utah 84078 • (435) 789-1017



PROPOSED LOCATION:
KRAUSE #1-33

PROPOSED
ACCESS 100' +/-

HIGHWAY 40 37.2 MI. +/-
MYTON 38.7 MI. +/-

T11S
T12S

R
14
E

LEGEND:

- PROPOSED ACCESS ROAD
- EXISTING ROAD



MISSION ENERGY L.L.C.

KRAUSE #1 33
SECTION 33, T11S, R14E, S.L.B.&M.
915' FSL 310' FWL



Utah Engineering & Land Surveying
85 South 200 East Vernal, Utah 84078
(435) 789-1017 * FAX (435) 789-1813

TOPOGRAPHIC
MAP

7 22 98
MONTH DAY YEAR

SCALE: 1" = 2000' DRAWN BY: J.L.G. REVISED: 8-11-98



8002 WCR 24H
Loveland, CO. 80538
Ph. (970) 669-8217
Fax (970) 635-9337
E-Mail jwfisher@sprynet.com

Fisher Consulting

Fax

To: BRAD HILL c/o LISA GORDON From: Wayne Fisher
Fax: 801) 359-3940 Date: 8/31/98
Phone: 801) 538-5296 Pages 4 W/COVER
Re: KRANSE EXCEPTION LOC. CC: LISA SMITH - PERMITTED

Urgent For Review Please Comment Please Reply Please Recycle

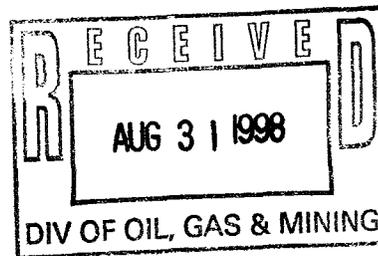
•Comments:

BRAD,

THE ORIGINALS WILL BE MAILED 9/1/98

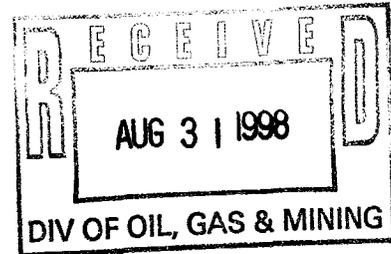
THANKS,

Wayne



J. WAYNE FISHER
Oilfield Consultant
8002 W CR 24H
Loveland, CO 80538

Date: August 28, 1998
To: Brad Hill
Utah State Oil, Gas and Mining Division
From: Wayne Fisher
Re: Krause State #1-33 exception location



Dear Mr. Hill

This letter is to Document Mission Energy's reasoning in asking for an exception location for the Krause State #1-33 well.

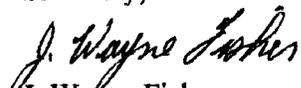
The original location was staked at 860' FSL and 460' FWL that was not acceptable to anyone involved with the initial on site inspection.

1. Topography would have required a large cut into a rock ledge, positioned the location too close to a irrigation ditch and overlapped into a county road.
2. Current county road would have to be relocated at great expense and would have raised many legal questions due to the fact that a realigned road would end up running through the location when this well was completed as a producer.
3. Our position of moving the location and getting approval from Segro resources for an exception location was justified due to the probability that Segro would share in drilling this well and jointly developing surrounding acreage.
4. By moving to this new location, which is staked at 915' FSL and 310' FWL we feel all of the above concerns and interests are satisfactorily addressed.

See the attachments:

1. Exception location request submitted to Segro Resources.
2. Segro Resources letter of approval.

Sincerely;


J. Wayne Fisher

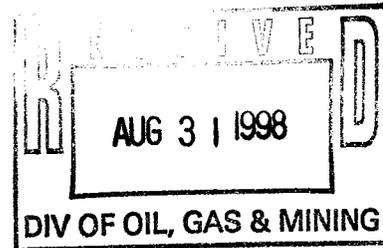
Agent for Mission Energy LLC.

Office: (970) 669-8217 / Fax: (970) 635-9337 / Cell: (970) 217-8525
jwfisher@sprynet.com

J. WAYNE FISHER*Oilfield Consultant**8002 W CR 24H**Loveland, CO 80538*

August 17, 1998

Mr. Roger L. Alinger
Sego Resources
9137 East Mineral Circle, Suite 250
Englewood, CO. 80112-3423



Dear Mr. Alinger:

I'm writing this letter as agent for Mission Energy LLC to request an exception location for the proposed Krause State #1-33 which is to be drilled in the SW/SW 915' FSL, 310" FWL, Sec. 33, T11S, R14E.

Due to serious topography considerations it was decided that the best course of action would be to move to the above-described location. Some of the issues are: realigning a county road, high construction costs due to extensive rockwork and the close proximity to the irrigation ditch.

If you approve our request, please advise Mr. Jerry Bergeson by phone at your earliest convenience and follow up with a confirmation letter.

Respectfully:

J. Wayne Fisher
J. Wayne Fisher

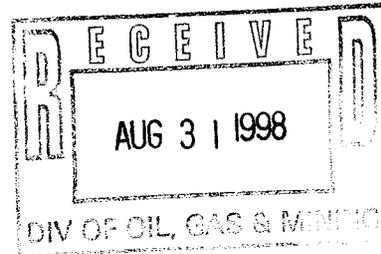
Office: (970) 669-8217 / Fax: (970) 635-9337 / Cell: (970) 217-8525
jwfisher@sprynet.com

SEGO RESOURCES

AN EXPLORATION AND PRODUCTION COMPANY

August 18, 1998

Mr. Jerry R. Bergeson
Mission Energy LLC
621 17th Street, Suite 2450
Denver, CO 80293



Dear Mr. Bergeson:

Please be advised that Sego Resources, as lessee of record on Section 32, Township 11 South, Range 14 East, has no objection to Mission Energy drilling at a location 310' FWL and 915' FSL, Section 33, Township 11 South, Range 14 East.

Regards,

Roger L. Alinger
Roger L. Alinger

9137 EAST MINERAL CIRCLE, SUITE 250 • ENGLEWOOD, CO • 80113-3423
PHONE: (303) 799-0322 • FAX: (303) 799-0333

RECEIVED
SEP 24 1998
DIV OF OIL, GAS & MINING

ZIONS BANK

Account Number: 002939285-9

Date: 08-26-98

TIME DEPOSIT CONFIRMATION

Ownership: STATE OF UTAH, SCHOOL AND INSTITUTIONAL TRUST LAD

MISSION ENERGY, LLC

Purchase Amount: ****20,000.00

Term: 012

Months Days

Interest Rate: 05.00

Annual Percentage Yield: 05.09

Maturity Date: 8-26-99

Interest Payment Frequency: At Maturity Annually Quarterly Monthly

Interest Payment Method: Add to Deposit Issue Check Transfer to Account Number:

Checking/MMDA Savings

Zions Bank Representative Signature:

This confirmation is not negotiable. This confirmation is not transferable except on the records of Zions Bank. The Certificate of Deposit is issued in accordance with Zions Bank Rules and Regulations.

303-0013-12294

Mission Energy, LLC
621 17th Street, Suite 2450
Denver, Colorado 80293
Phone (303) 292-9775
Fax (303) 292-9280

.....
facsimile transmittal

To: Lisha Cordova **Fax:** (801) 359-3940

From: Maria Sutton **Date:** 09/24/98

Re: CD-Krause State #1-33 **Pages:** 2

CC:

- Urgent For Review Please Comment Please Reply Please Recycle
-

.....
Copy of CD for Krause State #1-33 as requested. Thank you so much for your
help!

.....

MISSION ENERGY, LLC

September 25, 1998

Ms. Lisha Cordova
Division of Oil, Gas & Mining
1594 West North Temple, Suite 1210
Salt Lake City, Utah 84114
Fax: (801) 359-3940

Dear Ms. Cordova:

This is an Affidavit to verify Mission Energy LLC's continued attempts with all reasonable efforts to strike and agreement with Mr. Michael Carlson, a surface owner, in order to access the drill-site labeled Krause State #1-33.

Letter dated September 25, 1998 to Mr. Brad Hill summarizes the efforts made to resolve the surface land owner's concerns.

We appreciate the Division of Oil, Gas and Mining Agency's efforts in assisting with the coordination of this matter.

Sincerely,

Jerry R. Bergeson
Jerry R. Bergeson
Manager of Operations

STATE OF COLORADO)
)
CITY AND COUNTY OF DENVER) SS.

The foregoing was acknowledged before me by Jerry R. Bergeson on this seventh (7) day of October, 1998.

WITNESS MY HAND AND OFFICIAL SEAL.

Dorothy A. Hancock, Notary Public



621 17th Street • Suite 2450 • Denver, CO 80293
Ph. (303) 292-9775 • Fax: (303) 292-9280

My Commission Expires *May 11 1999*

Mission Energy, LLC
621 17th Street, Suite 2450
Denver, Colorado 80293
Phone (303) 292-9775
Fax (303) 292-9280

.....
facsimile transmittal

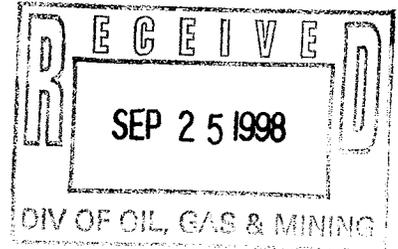
To: Lisha Cordova **Fax:** (801) 359-3940

From: Maria Sutton **Date:** 09/25/98

Re: State #1-33 Access **Pages:** 10

CC: Mr. Brad Hill

Urgent For Review Please Comment Please Reply Please Recycle

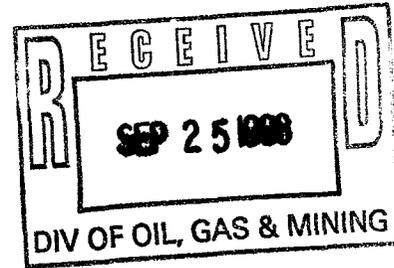


.....

MISSION ENERGY, LLC

September 25, 1998

Mr. Brad Hill
Division of Oil, Gas & Mining
1594 West North Temple, Suite 1210
Salt Lake City, Utah 84114
Fax: (801) 359-3940



Re: Krause State #1-33 Access

Dear Mr. Hill:

Per my conversation with Lisha Cordova of your office, I am forwarding to you Mission Energy, LLC correspondence with Mr. Michael Carlson in regards to access to drill above referenced well. As you are aware, we attempted to contact the original land owner of record on several occasions with no response to our letters. At the time, we thought we has made reasonable attempts to make contact and were prepared to ask for State granted access so as to move forward with this drilling program.

As we were preparing our request we became aware that the said property had been sold to Mr. Carlson. At the time we contacted him by phone and followed up with a letter that same day (see attached copy of letter dated August 31, 1998) to make Mr. Carlson aware of our desire to negotiate a surface use agreement. At that time he agreed to meet with me on-site at 12:30 p.m., September 6, 1998. This meeting lasted approximately forty-five (45) minutes. It is our opinion that Mr. Carlson was not receptive to Mission being anywhere in the county, much less on his property (see attached minutes to this meeting dated September 8, 1998).

I called Mr. Carlson on September 10, 1998 to discuss a means of moving forward with some type of good faith negotiations. After our conversation I sent a proposal to Mr. Carlson for his review and asked him to respond either by phone and follow up in writing his ideas on a way to move forward (see attached letter dated September 10, 1998) with this matter. As of September 24, 1998, Mr. Carlson has failed to return my last phone call or written request for assistance in this matter.

I inspected the drill site at 3:30 p.m. on September 24, 1998, and at that time it was discovered that the survey stakes had been removed from this location. This survey work cost Mission Energy, LLC about \$1,800.00. Due to our desire to work with your office and keep surface impact to a minimum, we re-surveyed this location a second time at an additional cost of \$900.00, for a total expense of \$2,700.00 which will have to be repeated yet again. Our thoughts on this matter are that if Mr. Carlson ever had any intentions of negotiating in good faith this act makes it questionable.

621 17th Street • Suite 2450 • Denver, CO 80293
Ph. (303) 292-9775 • Fax: (303) 292-9280

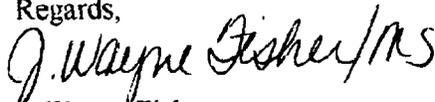
Mr. Brad Hill
Division of Oil, Gas and Mining
September 25, 1998

At this time, Mission Energy, LLC requests that the State Division of Oil, Gas and Mining issue an access waiver and the corresponding drilling permit so we may go forward with this well. Time is of the essence, as this lease has an expiration date of 2,400 hours (midnight) September 30, 1998.

Mission Energy, LLC would like to move in a spud rig to drill and set conductor pipe on this well. The spud rig is scheduled to be on-site at 0800 hours September 30, 1998, pending permit approval (surveying crew will have re-surveyed the afternoon of September 29, 1998). As soon as this is completed we would move in construction equipment and build the location, which is estimated to take plus two (2) days. As soon as a rig can be mobilized we would do so and drill this well. As soon as the drilling permit is issued, I will forward a sundry notice with the well plan change involving pre-setting conductor pipe and extending surface pipe to 560 feet.

Thanks for your cooperation in this matter. This letter is being faxed to your office c/o Lisha Cordova today, September 25, 1998. We will follow up with your office by phone on Monday, September 28, 1998 to check the status of this action.

Regards,

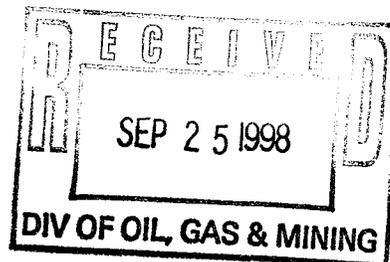


J. Wayne Fisher
Agent for Mission Energy, LLC

JWF/ms
Attachments

J. WAYNE FISHER

*Oilfield Consultant
8002 W CR 24H
Loveland, CO 80538*



August 31, 1998

Mr. Michael M. Carlson
14800 South 1300 West
Bluffdale, Utah 84065

Dear, Mr. Carlson

I'm writing you this letter in regards to land located in the SW/SW 1/4 of SEC. 33 - T11S- R14E Duchesne Co. UTAH. Which, our understanding is you have just acquired ownership of this land.

I represent Mission Energy LLC of Denver CO. We wish to notify you that Mission Energy plans to drill an exploration well for Natural gas on this property. We would like to speak with you, as the county records show you to be the owner of this parcel of land. The state of Utah requires that you be notified so you or your representative may be present at the proposed location when the on-site inspection is done with representatives from the Utah Division Oil, Gas and Mining and from Mission Energy LLC. Due to the fact that at the time of original staking our understanding was Ms. Lily Wimmer was the trustee of this land, we made several attempts to contact her with no results. At that time Mission Energy staked a drilling location and held the on-site inspections with Dennis Ingram of the UDOGM.

We were just made aware that this property had changed ownership. At this time Mission Energy would like to meet with you in person or by phone to arrange a surface use and a property damage settlement. Initial surface use will require approximately 2.5 acres of land disturbance. When this well is proved to be a producer the land would be partially reclaimed with approximately 1 acre used to support production facilities. If this well is not determined a commercial success the location would be totally reclaimed back to present condition as prescribed by law or to your satisfaction if you wished to leave it in some sort of developed state. It is our desire to move forward with this project in a timely manner. I have attempted to reach you by phone at your home and business earlier today. At that time I left a message with my office phone number with hopes that you will call at your earliest convenience.

When you contact us we will prepare a document and check that will address the legal issues and best meet both parties needs.

If you would call me at (970) 669-8217 or Mr. Jerry Bergeson at (303) 292-9775 it would be greatly appreciated. This letter will serve as our official notification. Please contact one of us ASAP.

Sincerely:

J. Wayne Fisher
J. Wayne Fisher

cc. Jerry Bergeson, Mission Energy LLC.
Brad Hill, Utah Division of Oil, Gas and Mining

Office: (970) 669-8217 / Fax: (970) 635-9337 / Cell: (970) 217-8525
jwfisher@sprynet.com

J. WAYNE FISHER

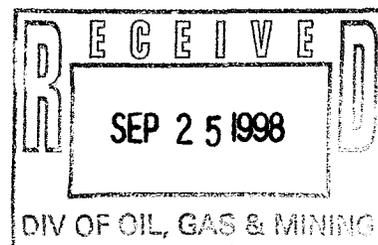
*Oilfield Consultant
8002 W CR 24H
Loveland, CO 80538*

Date: September 8, 1998

To: Jerry Bergeson

From: Wayne Fisher

Re: Landowner meeting Krause location



Jerry, the onsite with Michael Carlson did not go very well. He was very difficult from the minute he drove up.

The issues are as follows.

1. Damage settlement offer of \$1000 insulted his intelligence.
2. He said \$10,000 would nit reclaim this site to his satisfaction (I think he meant settle the damages. He didn't want to understand the difference)
3. Concerns about the aesthetic value and loss of it. He stated that when he brought in one of his \$10,000 *Eastern Elk Hunters* would not understand seeing industrial development and would loose the quality of their experience.
4. Wants cutaway drawings of location when production equipment is installed.
5. Wants to know what the proposed pipe line route will be, where tie-in will be made and equipment involved for connection.
6. He owns +/- 7000 acres in the valley (his group) and wants to preserve its quality.
7. Did not like the looks of the equipment, buildings and pipelines in Cottonwood Canyon. Says he will not allow that type of thing on his property's
8. Wants guarantees of the time frame involved.
 - Drilling phase (Elk season).
 - Completion, testing.
 - Construction of on site production equipment.
 - Development phase (if good well).
 - Production, (how long well/wells be active).
 - Maximum life of field.
9. Wants written guarantees that if he sees something he doesn't like that Mission will respond quickly and to his satisfaction (if he doesn't like agreement he can change his mind).
10. Wants reserve pit clayed and lined (is very concerned about contaminating the irrigation ditch). All fluids to be removed immediately and reclaimed as soon as production testing is completed with out drying out time.

P.S. He's a really nice guy.

*Office: (970) 669-8217 / Fax: (970) 635-9337 / Cell: (970) 217-8525
jwfisher@sprynet.com*

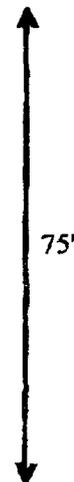
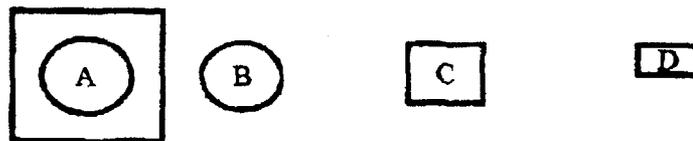
KRAUSE STATE #1-33

- A - 10'x12' - 210 BBL CONDENSATE TANK
- B - 10'x6' - 120 BBL WATER TANK
- C - 8'x10' HEATER/TREATER
- D - 4'x8' METER HOUSE
- E - WELLHEAD W/6'x6' FENCE



KRAUSE STATE #1-33

- A - 10'x12' - 210 BBL CONDENSATE TANK
- B - 10'x6' - 120 BBL WATER TANK
- C - 8'x10' HEATER/TREATER
- D - 4'x8' METER HOUSE
- E - WELLHEAD W/6'x6' FENCE

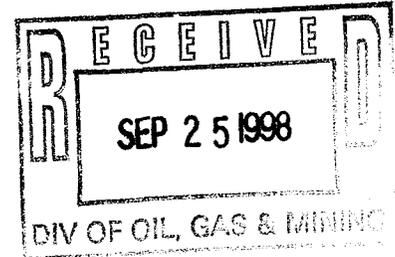


J. WAYNE FISHER

*Oilfield Consultant
8002 W CR 24H
Loveland, CO 80538*

September 10, 1998

Mr. Michael M. Carlson
14800 South 1300 West
Bluffdale, Utah 84065



Dear Mr. Carlson:

Pursuant to our meeting on Sunday and telephone conversation today, I am sending this letter to confirm my understanding and submit Mission Energy's site access settlement offer. Now that we better understand your concerns and future plans for this particular parcel of ground, we submit our offer of \$1,000 for access to a location on this 40-acre parcel of land. The normal and acceptable surface use agreement fee for this area is \$150 per used acre of ground; and we feel that our offer of \$1,000 for using approximately 2-1/2 acres is a fair amount.

Our desire is to work with you and your schedule where possible concerning your paying hunters/guests. Please advise us of a time frame from your standpoint so we can build a location and have a drilling rig on site for approximately a two to three week period. It is our desire to move in, start construction and drill this well at the earliest possible date due to lease requirements and restrictions.

It is not clear where a pipeline and proposed tie-in to the main trunk line will be until such time as a final location and a right-of-way are established. See attached drawings that would represent a worst-case scenario for on-site surface equipment, based on this location being a producing well site. Mission Energy will use its utmost effort to limit the amount of surface equipment that will be used based on well demands and safety.

Mission Energy has posted a \$20,000 bond to cover reclamation of this location with the State of Utah Oil, Gas & Mining Division. This bond stays in effect for the life of the well to guarantee that the location is cleaned up and reclaimed per our agreement with you and State law. Reclamation, by law, requires six inches of topsoil to be stripped and stockpiled on site for the purpose of reclaiming the location back to its native state. Intermediate reclamation, including pit draining and backfill, and surface grading and reseeding will be done immediately following completion of the well when weather and surface conditions allow. In reference to the reserve pit, our plan is to line the pit with straw and a 20 mil liner, which after review by the State permitting officials and Mission was found sufficient, being double the standard weight liner normally required.

Office: (970) 669-8217 / Fax: (970) 635-9337 / Cell: (970) 217-8525
jwfisher@sprynet.com

After reviewing this letter, please contact me by phone for any additional information you may require. Please advise me in writing of your ideas of how to proceed with good-faith negotiations.

Sincerely,

J. Wayne Fisher, Agent
Mission Energy, LLC

Office: (970) 669-8217 / Fax: (970) 635-9337 / Cell: (970) 217-8525
jwfisher@sprynet.com

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

Operator Name: Mission Energy
Name & Number: KRAUSE #2-33
API Number: 43-013-32902
Location: 1/4,1/4 SW/SW Sec. 33 T. 11S R. 14E

Geology/Ground Water:

The base of the moderately saline water is at approximately 2500 feet in this area. This location lies in the Argyle Creek drainage and fresh water will probably be found in the surface alluvium of the drainage. The Green River Formation outcrops along the drainage and underlies the surface alluvium. The proposed location is in a recharge area for the aquifers of the Green River Formation and fresh water can be expected to be found in the upper portion of the Green River Formation. The proposed casing and cement program should adequately protect surface and ground-water.

Reviewer: Brad Hill
Date: 9/21/98

Surface:

State Lands were notified about onsite as state minerals are involved. Surface owner could not be reached by telephone so letters were sent seeking a response, no response in two weeks so onsite visit to permit well was completed. Nearby conduits were identified as irrigation ditch just south of location and Argyle Creek further south. County road is located approximately 8' north of pit corner B. Location corner number 6 will be rounded to accommodate county road, keeping through traffic off location.

Reviewer: Dennis L. Ingram
Date: August 13, 1998

Surface Owner Issues:

The surface owner has been notified of Mission's intention to drill this well. I personally spoke to the landowner (Mike Carson) approximately two weeks ago and told him that if a surface agreement was not made with the operator that DOGM would have to issue a Permit to Drill under the condition that DOGM would stipulate reclamation requirements at the time the well was plugged and abandoned.

Reviewer: Brad Hill
Date: September 29, 1998

Conditions of Approval/Application for Permit to Drill:

1. A 20 mil liner shall be installed in the reserve pit to prevent any seepage from occurring.
2. DOGM will stipulate reclamation requirements at the time the well is plugged and abandoned.

Well name:	Mission Krause #1-33	
Operator:	Mission Energy, LLC	Project ID:
String type:	Surface	43-013-32092
Location:	Duchesne Co.	

Design parameters:

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

Minimum design factors:

Collapse:
Design factor 1.125

Environment:

H2S considered? No
Surface temperature: 75 °F
Bottom hole temperature: 80 °F
Temperature gradient: 1.40 °F/100ft
Minimum section length: 375 ft

Burst:
Design factor 1.00

Cement top: Surface

Burst

Max anticipated surface pressure: 0 psi
Internal gradient: 0.468 psi/ft
Calculated BHP: 175 psi

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

Non-directional string.

No backup mud specified.

Tension is based on buoyed weight.
Neutral point: 324 ft

Re subsequent strings:

Next setting depth: 7,500 ft
Next mud weight: 9.000 ppg
Next setting BHP: 3,506 psi
Fracture mud wt: 19.250 ppg
Fracture depth: 7,500 ft
Injection pressure: 7,500 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)	Est. Cost (\$)
1	375	8.625	24.00	J-55	ST&C	375	375	7.972	1930
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	175	1370	7.81	175	2950	16.83	7.8	244	31.35 J

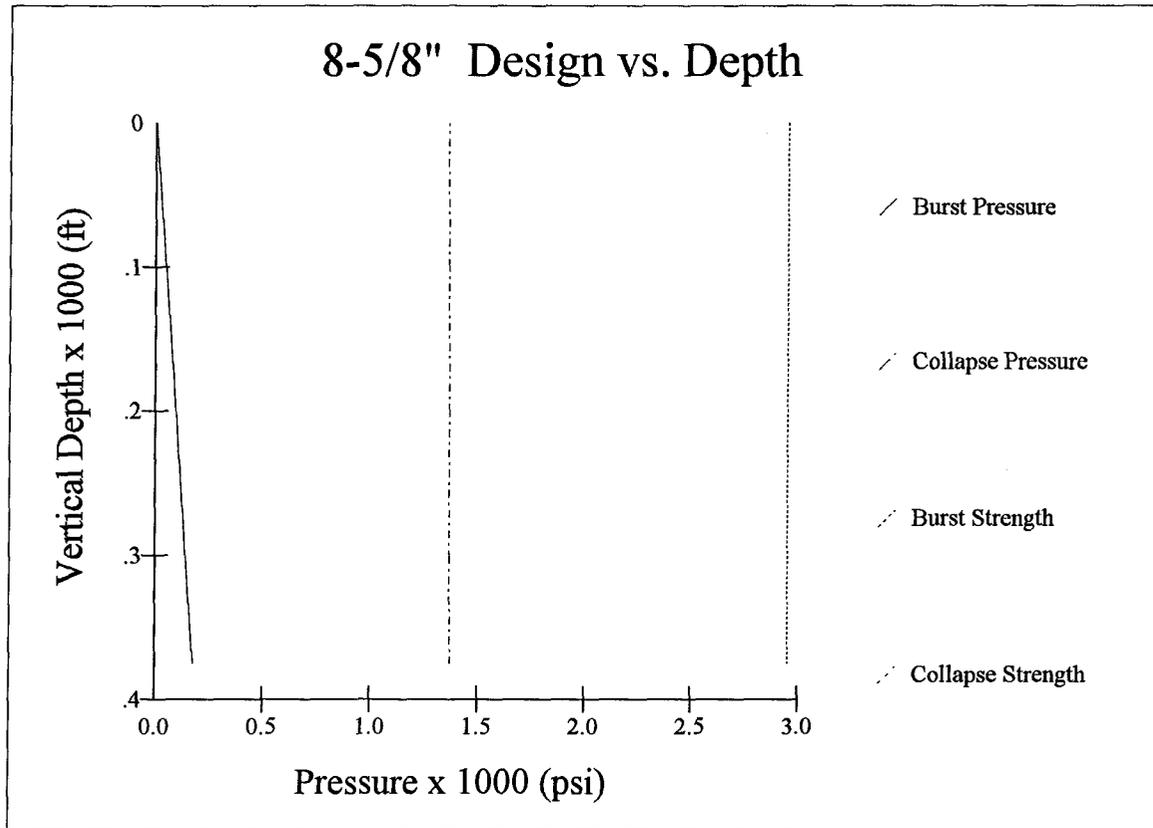
Prepared by: RJK
Department of Natural Resources FAX:

Date: September 28, 1998
State of 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 375 ft, a mud weight of 9 ppg. The casing is considered to be evacuated for collapse purposes.
Burst strength is not adjusted for tension.

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

Mission Krause #1-33 - Surface



Well name:	Mission Krause #1-33	
Operator:	Mission Energy, LLC	Project ID:
String type:	Production	43-013-32092
Location:	Duchesne Co.	

Design parameters:

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

Minimum design factors:

Collapse:
 Design factor 1.125

Environment:

H2S considered? No
 Surface temperature: 75 °F
 Bottom hole temperature: 157 °F
 Temperature gradient: 1.40 °F/100ft
 Minimum section length: 375 ft

Burst:
 Design factor 1.00

Cement top: Surface

Burst

Max anticipated surface pressure: 0 psi
 Internal gradient: 0.468 psi/ft
 Calculated BHP: 2,735 psi

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

Non-directional string.

No backup mud specified.

Tension is based on buoyed weight.
 Neutral point: 5,053 ft

Run Seq	Segment Length (ft)	Size (in)	Nominal Weight (lbs/ft)	Grade	End Finish	True Vert Depth (ft)	Measured Depth (ft)	Drift Diameter (in)	Est. Cost (\$)
1	5850	5.5	15.50	J-55	LT&C	5850	5850	4.825	20656

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	2735	4040	1.48	2735	4810	1.76	78.3	217	2.77 J

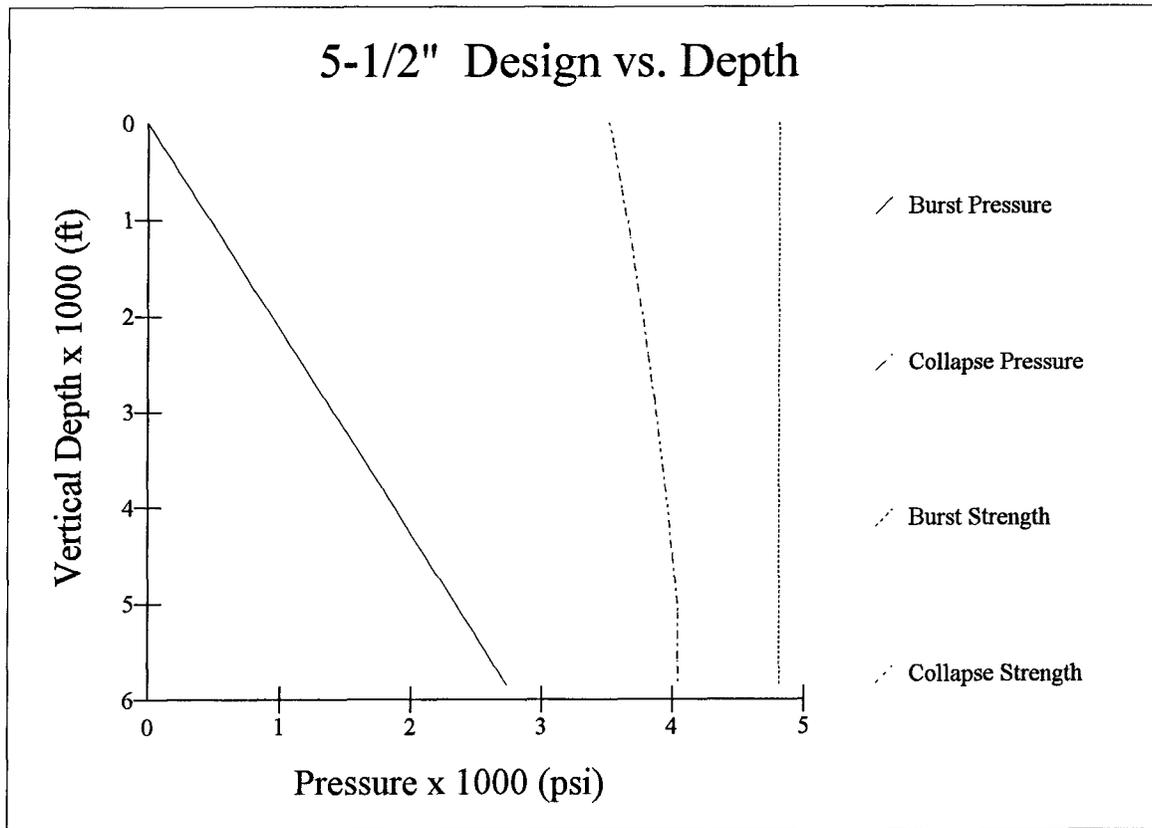
Prepared by: RJK
 Department of Natural Resources FAX:

Date: September 28, 1998
 State of 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 5850 ft, a mud weight of 9 ppg. The casing is considered to be evacuated for collapse purposes.
 Burst strength is not adjusted for tension.

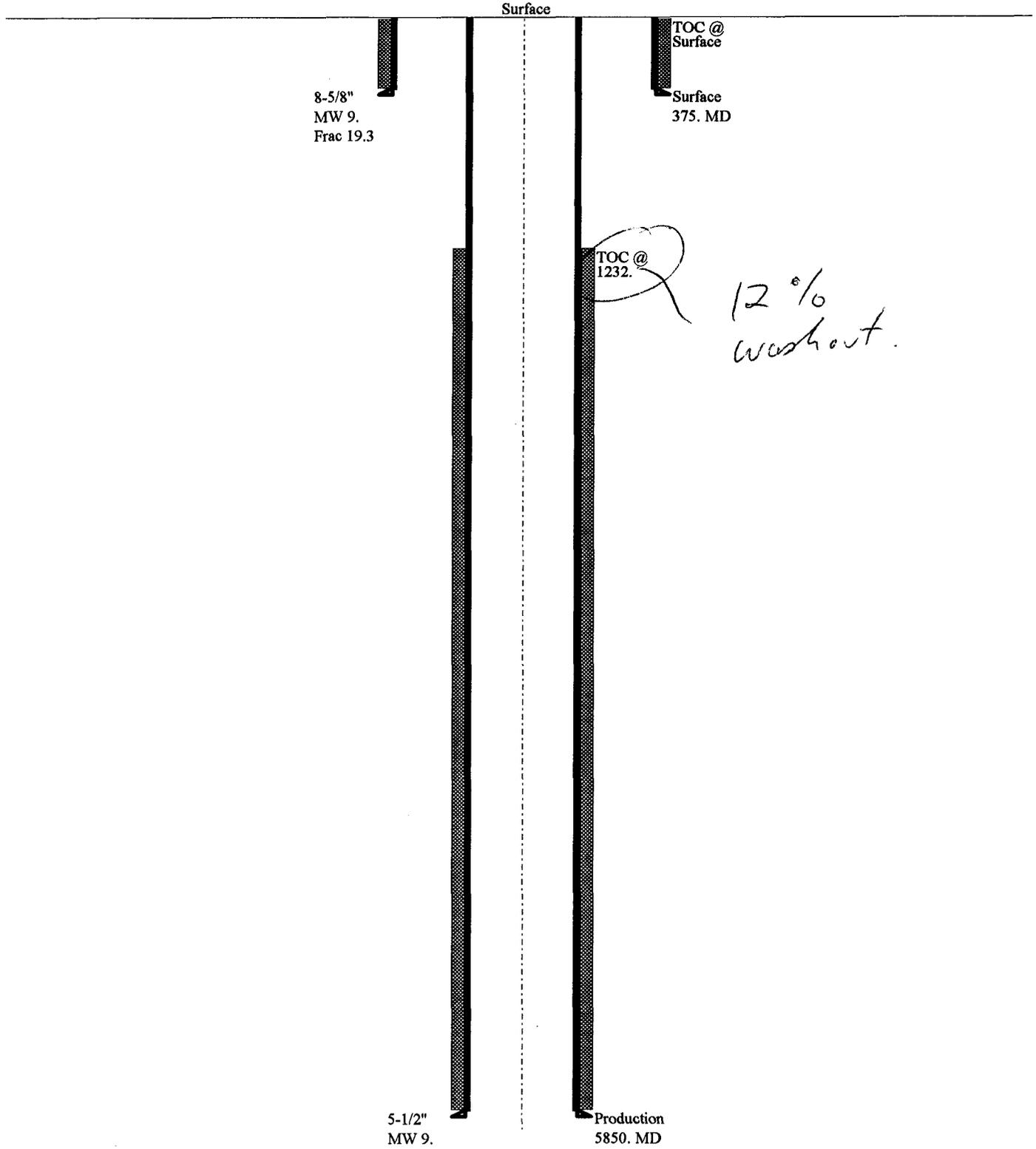
Engineering responsibility for use of this design will be that of the purchaser.

Mission Krause #1-33 - Production



Mission Krause #1-33

Casing Schematic



8-5/8"
MW 9.
Frac 19.3

TOC @
Surface

Surface
375. MD

TOC @
1232.

12%
washout.

5-1/2"
MW 9.

Production
5850. MD

ON-SITE PREDRILL EVALUATION

Division of Oil, Gas and Mining

OPERATOR: MISSION ENERGY
WELL NAME & NUMBER: KRAUSE #1-33
API NUMBER: 43-013-32092
LEASE: STATE MINERAL/FEE SURFACE FIELD/UNIT:
LOCATION: 1/4, 1/4 SW/SW Sec: 33 TWP: 11S RNG: 14E 310' FWL 915' FSL
GPS COORD (UTM): 12 659207E; 4399629N
SURFACE OWNER: Lily Mae Wimmer

PARTICIPANTS

WAYNE FISHER (MISSION), DENNIS L. INGRAM (DOGM)

REGIONAL/LOCAL SETTING & TOPOGRAPHY

Located approximately 1/2 mile northwest of Nine Mile Canyon in Argyle Canyon, (6.9 miles west of the mouth of Gate Canyon and 31.8 miles south of Myton, Utah), just south of a county road in a relatively flat canyon bottom. The proposed location is located in a grass covered area just north of an irrigation ditch and Argyle Creek.

SURFACE USE PLAN

CURRENT SURFACE USE: Cattle grazing/wildlife use.

PROPOSED SURFACE DISTURBANCE: 225'X 190' plus 100' of new access road which will be an upgrade of an old two-track used for irrigation access. Reserve pit spoils shall be stored north of the location and between the reserve pit and the county road. Topsoil spoils shall be stored southeast of the location between the access road and location corner #8.

LOCATION OF EXISTING WELLS WITHIN A 1 MILE RADIUS: See GIS Data base map in well file.

LOCATION OF PRODUCTION FACILITIES AND PIPELINES: Proposed as a gas well. All equipment shall remain on location. Sales line for gas will either tap into old gas line southeast of location or the 12" Questar line in Nine Mile Canyon.

SOURCE OF CONSTRUCTION MATERIAL: Native cut and fill borrowed from pad.

ANCILLARY FACILITIES: None anticipated.

WASTE MANAGEMENT PLAN:

Attached to APD

ENVIRONMENTAL PARAMETERS

AFFECTED FLOODPLAINS AND/OR WETLANDS: Irrigation ditch immediately south of location. Argyle Creek 100' plus also south of irrigation ditch.

FLORA/FAUNA: Winter range for mule deer, elk, mountain lions, bobcat, rabbits, and potential rapture nesting site along canyon wall. Surface is pasture grass with sagebrush and greasewood.

SOIL TYPE AND CHARACTERISTICS: Light brown to tan sandy loam

SURFACE FORMATION & CHARACTERISTICS: Upper Green River Formation

EROSION/SEDIMENTATION/STABILITY: Erosion potential, no stability Problems anticipated.

PALEONTOLOGICAL POTENTIAL: Yes, none observed

RESERVE PIT

CHARACTERISTICS: 135'x 65'x 9' deep, uphill from location in cut with prevailing cross winds.

LINER REQUIREMENTS (Site Ranking Form attached): 75 points, Liner Req.

SURFACE RESTORATION/RECLAMATION PLAN

Submitted with APD

SURFACE AGREEMENT: No response from landowner, (letter was sent).

CULTURAL RESOURCES/ARCHAEOLOGY: Arch survey was done.

OTHER OBSERVATIONS/COMMENTS

Location is out of window of tolerance and requires an exception on spacing. Well originally staked up southeast above Argyle Canyon county road just below vertical canyon wall in an area too small for location--county road needed moved down onto wetland/floodplain area. Shallow ground water potential, nearby irrigation ditch and Argyle Creek, plus canyon floor.

ATTACHMENTS:

Photographs of surface.

Dennis L. Ingram
DOGM REPRESENTATIVE

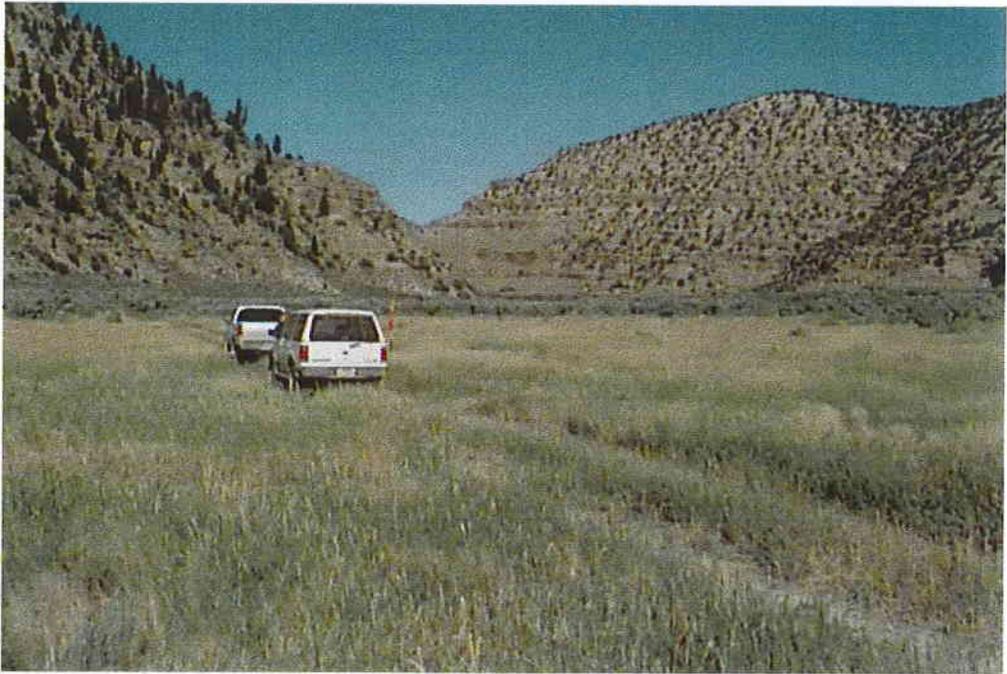
8/12/98, 9:30 AM
DATE/TIME

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

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



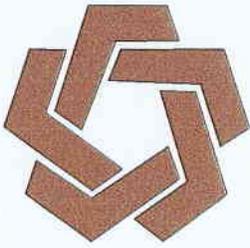






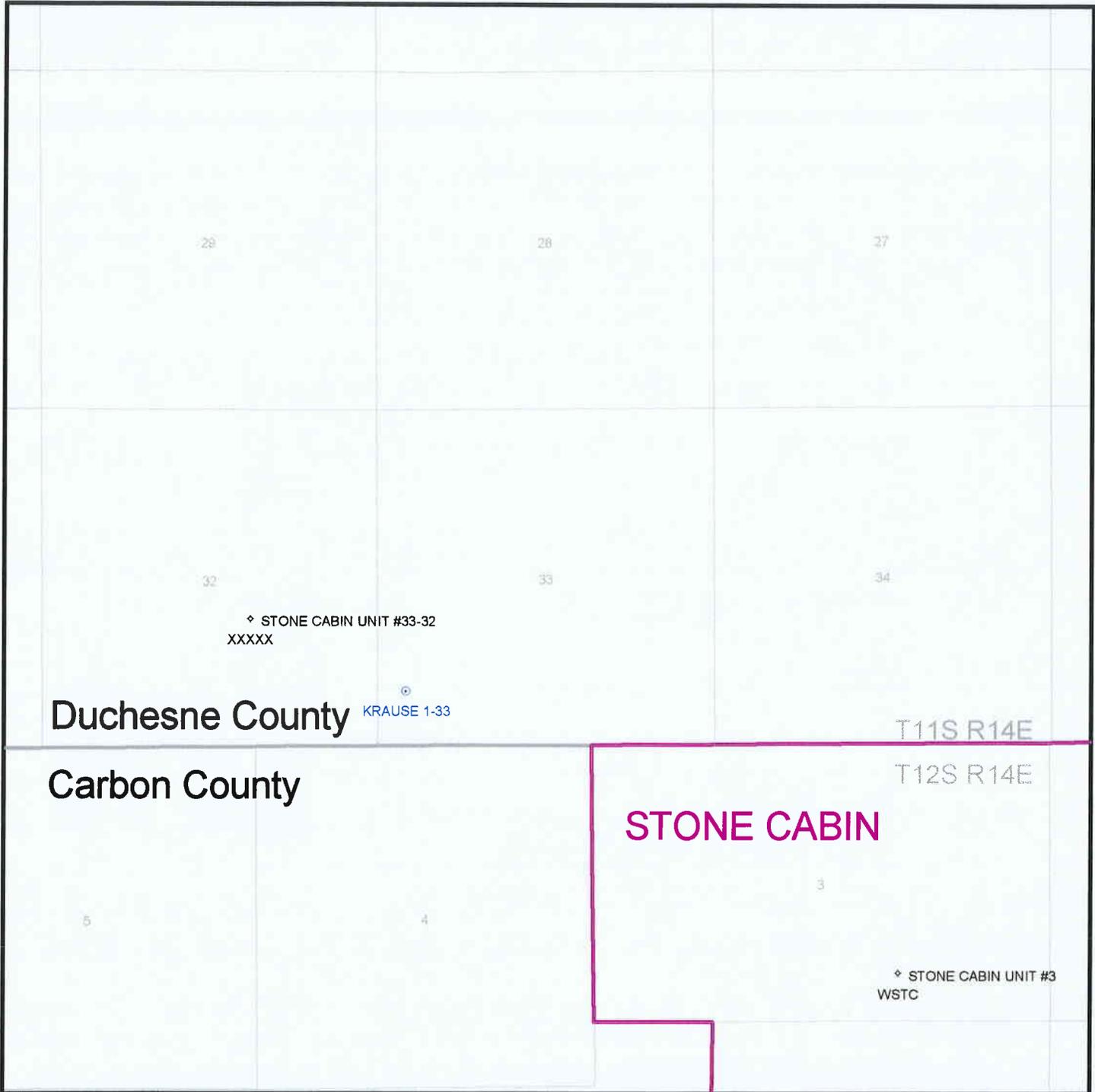






DIVISION OF OIL, GAS & MINING

OPERATOR: MISSION ENERGY L.L.C. (N6010)
FIELD: UNDESIGNATED (002)
SEC. 33, TWP 11S, RNG 14E
COUNTY: DUCHESNE UAC: R649-3-2 STATEWIDE SPACING



DATE PREPARED:
29-JULY-1998

Division of Oil, Gas and Mining
PHONE CONVERSATION DOCUMENTATION FORM

Route original/copy to:

Well File MISSION
KRAUSE 1-33
(Loc.) Sec 33 Twp 11S Rng. 14E
(API No.) 43-013-32092

Suspense
(Return Date) _____
(To-Initials) _____

Other

1. Date of Phone Call: 9/29/98 Time: 9:00 AM

2. DOGM Employee (name) BRAD HILL (Initiated Call)
Talked to:
Name MIKE CARLSON (Initiated Call) - Phone No. (801) 254-2140
of (Company/Organization) LAND OWNER

3. Topic of Conversation: PERMIT FOR KRAUSE 1-33
NO AGREEMENT HAS BEEN REACHED BETWEEN
OPERATOR AND SURFACE OWNER. THIS WAS
A FOLLOW UP CALL AFTER A CONVERSATION I HAD
WITH MR. CARLSON ABOUT 2 WEEKS AGO

4. Highlights of Conversation: INFORMED MR. CARLSON THAT
DOGM WAS ABOUT TO ISSUE THE
PERMIT TO DRILL ON THE KRAUSE 1-33.
I TOLD MR CARLSON WHAT THE CONDITIONS
OF APPROVAL WOULD BE AND THAT DOGM
WOULD STIPULATE RECLAMATION REQUIREMENTS
WHEN THE WELL WAS PLUGGED AND
ABANDONED.



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

1594 West North Temple, Suite 1210

PO Box 145801

Salt Lake City, Utah 84114-5801

801-538-5340

801-359-3940 (Fax)

801-538-7223 (TDD)

Michael O. Leavitt
Governor

Lowell P. Braxton
Division Director

September 29, 1998

Mission Energy, L.L.C.
621 17th Street, Suite 2450
Denver, Colorado 80293

Re: Krause 1-33 Well, 915' FSL, 310' FWL, SW SW, Sec. 33,
T. 11 S., R. 14 E., Duchesne 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 43-013-32092.

Sincerely,

A handwritten signature in black ink that reads "John R. Baza".

John R. Baza
Associate Director

lwp

Enclosures

cc: Duchesne County Assessor

Bureau of Land Management, Vernal District Office

Operator: Mission Energy, L.L.C.
Well Name & Number: Krause 1-33
API Number: 43-013-32092
Lease: UTML-43889
Location: SW SW Sec. 33 T. 11 S. R. 14 E.

Conditions of Approval

1. General

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

2. Notification Requirements

Notify the Division within 24 hours prior to spudding the well. Contact Jim Thompson at (801)538-5336.

Notify the Division prior to commencing operations to plug and abandon the well. Contact Dan Jarvis at (801) 538-5338 or Robert Krueger at (801) 538-5274.

3. Reporting Requirements

All required reports, forms and submittals shall 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 Conditions of Approval/Application for Permit to Drill outlined in the Statement of Basis (copy attached).

DIVISION OF OIL, GAS AND MINING

SPUDDING INFORMATION

CONFIDENTIAL

Name of Company: MISSION ENERGY LLC

Well Name: KRAUSE 1-33

Api No. 43-013-32092 Lease Type: FEE

Section 33 Township 11S Range 14E County DUCHESNE

Drilling Contractor CAZA RIG# 56

SPUDDED:

Date 9/30/98

Time _____

How DRY HOLE

Drilling will commence _____

Reported by WAYNE FISHER

Telephone # _____

Date: 10/1/98 Signed: JLT

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

6. Lease Designation and Serial Number
 UTML-43889

SUNDRY NOTICES AND REPORTS ON WELLS

Do not use this form for proposals to drill new wells, deepen existing wells, or to reenter plugged and abandoned wells.
 Use APPLICATION FOR PERMIT - for such proposals

7. Indian, Allottee or Tribe Name
 N/A

8. Unit or Communitization Agreement
 N/A

1. Type of Well
 Oil Well Gas Well Other (specify)

CONFIDENTIAL

9. Well Name and Number
 Krause #1-33

2. Name of Operator
 Mission Energy, LLC

10. API Well Number
 43-013-32092

3. Address of Operator
 621-17th Street, Suite 2450, Denver, CO 80293

4. Telephone Number
 303-292-9775

11. Field and Pool, or Wildcat
 Wildcat

5. Location of Well

Footage : 915' FSL, 310' FWL
 QQ, Sec. T., R., M : SW/SW SEC. 33, T11S, R14E

County : Duchesne
 State : Utah

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

NOTICE OF INTENT

(Submit in Duplicate)

- | | |
|---|---|
| <input type="checkbox"/> Abandonment | <input type="checkbox"/> New Construction |
| <input type="checkbox"/> Casing Repair | <input type="checkbox"/> Pull or Alter Casing |
| <input checked="" type="checkbox"/> Change of Plans | <input type="checkbox"/> Recompletion |
| <input type="checkbox"/> Conversion to Injection | <input type="checkbox"/> Shoot or Acidize |
| <input type="checkbox"/> Fracture Treat | <input type="checkbox"/> Vent or Flare |
| <input type="checkbox"/> Multiple Completion | <input type="checkbox"/> Water Shut-Off |
| <input type="checkbox"/> Other _____ | |

- | | |
|--|---|
| <input type="checkbox"/> Abandonment * | <input type="checkbox"/> New Construction |
| <input type="checkbox"/> Casing Repair | <input type="checkbox"/> Pull or Alter Casing |
| <input type="checkbox"/> Change of Plans | <input type="checkbox"/> Shoot or Acidize |
| <input type="checkbox"/> Conversion to Injection | <input type="checkbox"/> Vent or Flare |
| <input type="checkbox"/> Fracture Treat | <input type="checkbox"/> Water Shut-Off |
| <input type="checkbox"/> Other _____ | |

Approximate Date Work Will Start September 30, 1998

Date of Work Completion :

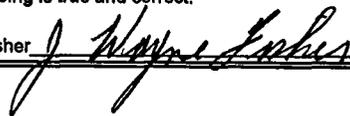
Report results of Multiple Completions and Recompletions to different reserves on WELL COMPLETION OR RECOMPLETION AND LOG form.
 * Must be accompanied by a cement verification report.

13 DESCRIBE PROPOSED OR COMPLETED OPERATIONS (Clearly state all pertinent details, and give pertinent dates. If well is directionally drilled, give subsurface locations and measured and true vertical depths for all markers and zones pertinent to this work).

- A. Pre-set 60' 14" Conductor with Spud Rig.
 B. Change surface casing to 560' 24# 8 5/8" from original 375'.

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

Name & Signature : J. Wayne Fisher
 (State Use Only)



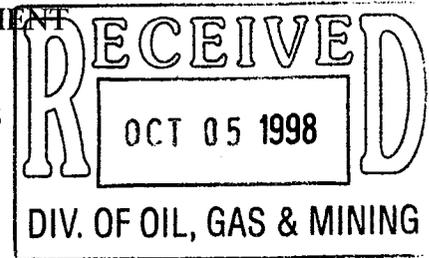
Title : Agent For Mission Energy Date : Sept. 30, 1998



United States Department of the Interior

BUREAU OF LAND MANAGEMENT

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



IN REPLY REFER TO
UT-931

September 30, 1998

Mission Energy, LLC
c/o Burns, Wall, Smith & Mueller, P.C.
303 East Seventeenth Avenue, Suite 800
Denver, Colorado 80203-1260

Gentlemen:

Enclosed is one approved copy of Communitization Agreement No. UTU77379. This agreement communitizes all rights as to natural gas and associated liquid hydrocarbons producible from the Wasatch and Mesaverde Formations, covering W $\frac{1}{2}$ of Section 33, Township 11 South, Range 14 East, SLB&M, Duchesne County, Utah.

This agreement is effective as of September 30, 1998. The communitized area covers 320.00 acres and includes portions of Federal Oil and Gas Lease UTU64518.

Approval of this agreement does not warrant or certify that the operator thereof and other holders of operating rights hold legal or equitable title to those rights in the subject leases which are committed hereto.

Minerals Management Service Form MMS-3160, "Monthly Report of Operations", must be submitted for this agreement beginning with the month in which drilling operations commence for Well No. 1-33, SW $\frac{1}{4}$ SW $\frac{1}{4}$, Section 33, Township 11 South, Range 14 East, SLB&M, Duchesne County, Utah, API No. 43-013-32092 on a State Lease. Form MMS-3160 is to be mailed to the Minerals Management Service, Production Accounting Division, P. O. Box 17110, Denver, Colorado 80217.

If this well is producing, this approval requires the submission of a Payor Information Form MMS-4025 to the Minerals Management Service (MMS) within 30 days (30 CFR 210.51). Please notify the designated payor or payors (purchasers, working interest owners, or others) as soon as possible regarding this requirement. Any production royalties that are due must be reported and paid within 90 days of the Bureau of Land Management's approval date or the payors will be assessed interest for late payment under the Federal Oil and Gas Royalty Management Act of 1982 (See 30 CFR 218.54). If you need assistance or clarification, please contact the Minerals Management Service at 1-800-525-9167 or 303-231-3504.

Please furnish all interested principals with necessary evidence of this approval.

Sincerely,

/s/ Robert A. Henricks

Robert A. Henricks
Chief, Branch of Fluid Minerals

Enclosure

bcc: Mineral Adjudication Group w/enclosure
District Manager - Vernal w/enclosure
~~Division of Gas & Mining~~
File - UTU77379
MMS - Data Management Division (Attn: Rose Davalos)
Agr. Sec. Chron.
Fluid Chron.

UT931:TATHOMPSON:tt:9/30/98

PARR WADDOUPS BROWN GEE & LOVELESS

A Professional Corporation

Attorneys at Law

CLAYTON J. PARR
CLARK WADDOUPS
RICHARD G. BROWN
DAVID E. GEE
SCOTT W. LOVELESS
PATRICIA W. CHRISTENSEN
ROBERT B. LOCHHEAD
GARY A. DODGE
ROBERT S. CLARK
ALAN R. ANDERSEN
KENT H. COLLINS
MICHAEL M. LATER
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STEVEN J. CHRISTIANSEN
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RONALD G. RUSSELL
ROGER D. HENRIKSEN
BRIAN J. ROMRIEL
HEIDI E. C. LEITHEAD
JOHN M. BURKE
STEPHEN E. W. HALE
DANIEL A. JENSEN
BRIAN G. LLOYD
GREGORY M. HESS
TERRY E. WELCH

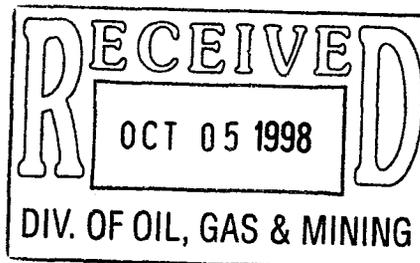
JEFFREY J. HUNT
JONATHAN O. HAFEN
MARK A. WAGNER
ROBERT A. MCCONNELL
BENTLEY J. TOLK
STEPHEN M. SARGENT
D. CRAIG PARRY
ERIC W. PEARSON
BRYAN T. ALLEN
ERIC D. BAWDEN
BRETT J. SWANSON
D. KYLE SAMPSON
STEVEN E. HUGIE

OF COUNSEL
CHARLES L. MAAK
BRUCE A. MAAK
BRENT M. STEVENSON
KENT W. LARSEN

October 5, 1998

HAND DELIVERED

Utah Division of Oil, Gas & Mining
1594 West North Temple, Suite 1210
P.O. Box 145801
Salt Lake City, UT 84114-5801



Re: API No. 43-013-32092
Mission Energy, LLC
Krause State #1-33
SW/SW Sec. 33, T11S, R14E
Duchesne County, Utah

Ladies and Gentlemen:

As you can see from the enclosed correspondence, Mission Energy has not obtained an agreement with the private surface owner (Michael Carlson) for use and disturbance of the surface for the referenced well. Negotiations are ongoing. Mr. Carlson intends to oppose any effort by Mission Energy to drill without a surface use agreement in place. Consequently, this is my official request that I be notified immediately, as Mr. Carlson's attorney, of any decision by your office to issue a permit to drill on the referenced lands.

If I understand the regulations correctly, DOGM will undertake an on-site inspection to formulate appropriate reclamation conditions if Mission Energy and Mr. Carlson are unable to reach an agreement, and that Mr. Carlson has the right to participate in that inspection. Utah Admin. R649-3-34. Please notify me and Mr. Carlson if such an inspection is planned by your office. Mr. Carlson can be contacted at:

Michael M. Carlson
14800 South 1300 West
Bluffdale, Utah 84065
Tele: (801) 254-2140

CARL-DOGM.ca

185 South State Street • Suite 1300 • Salt Lake City, Utah 84111-1537
Telephone (801) 532-7840 • Facsimile (801) 532-7750 • e-mail: info@pwlaw.com

PARR WADDOUPS BROWN GEE & LOVELESS

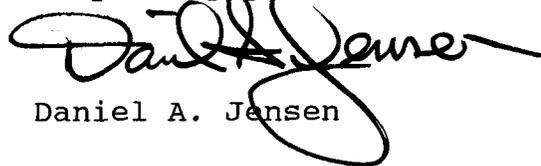
Utah Division of Oil, Gas & Mining
October 5, 1998
Page 2

My address and phone number are set forth at the bottom of the preceding page.

Would you also please let me know whether the \$20,000 bond amount recited by Mission Energy is in accordance with DOGM rules and policies for operations on private surface, and if so the means by which Mr. Carlson can request imposition of an increased bond amount.

Thank you.

Very truly yours,



Daniel A. Jensen

DAJ/ca
Enclosure

cc: Michael M. Carlson

PARR WADDOUPS BROWN
GEE & LOVELESS *A Professional Corporation*

Attorneys at Law

CLAYTON J. PARR
CLARK WADDOUPS
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STEVEN E. HUGIE

OF COUNSEL
CHARLES L. MAAK
BRUCE A. MAAK
BRENT M. STEVENSON
KENT W. LARSEN

October 5, 1998

CERTIFIED MAIL

Mission Energy, LLC
c/o Mr. J. Wayne Fisher
8002 W CR 24H
Loveland, CO 80538

Re: Krause State #1-33
SW/SW Sec. 33, T11S, R14E
Duchesne County, Utah

Dear Mr. Fisher:

This firm represents Michael Carlson, the owner of the land on which Mission Energy wishes to drill a natural gas well. Mr. Carlson has asked us to respond on his behalf to your letters dated August 31, 1998 and September 10, 1998.

I understand from your letters that Mission Energy wishes to drill in the SW $\frac{1}{4}$ SW $\frac{1}{4}$ of Section 33, T11S, R14E. I also understand that you have already employed surveyors to mark the proposed location of the well. Mr. Carlson met with you on-site on September 6, 1998 to review the proposed disturbance area. As Mr. Carlson indicated then, the proposed site is not acceptable because it is prominently located in the center of a very scenic cultivated alfalfa field and immediately adjacent to a stream that provides water for the Carlson property and other downstream users. As you know, Mr. Carlson intends to develop his newly acquired property into a commercial hunting and recreational resort. The presence of a gas well, tanks, power poles, and other associated facilities in the middle of one of the most scenic parts of his property will significantly restrict his ability to develop and use his property. While Mr. Carlson acknowledges the gas owner's right to use as much of the surface as is reasonably necessary to construct, access and operate a gas well, the gas owner must, under Utah law, make reasonable accommodations to allow the surface owner to continue

CARL-JWF.ca2

Mr. J. Wayne Fisher
October 5, 1998
Page 2

his use and enjoyment of the surface estate and must pay the surface owner fair compensation for damage to the surface.

Mr. Carlson believes that a more suitable location for the well would be slightly northeast of your proposed location, on the other side of Argyle Canyon road, beyond the cultivated field, next to the canyon wall, and away from the stream. In fact, there is a small cove there that would allow the well facilities to be mostly sheltered from view. This modification of the well site would be a reasonable and practical alternative to locating the well in the center of the field where it will be visible to everyone in the area and where it will encroach on Argyle Creek.

It is my understanding, however, that Mission Energy is reluctant to use that site because additional earthwork costing approximately \$40,000 would be required. While that cost is significant by itself, it is negligible as compared to the overall expense of drilling a gas well. Thus, the more secluded well site proposed by Mr. Carlson, which would greatly reduce the visibility problems he faces as the surface owner of a recreational property, is a reasonable and practical alternative to the site proposed by Mission Energy.

Nevertheless, Mr. Carlson is willing to allow the well to be located in his alfalfa field on more flat terrain provided the well site is moved as close as possible to the southwest edge of Argyle Canyon road and on the condition that Mission Energy pay Mr. Carlson the sum of \$40,000 for damage to and use of the alfalfa field for the well. The compensation to Mr. Carlson is based on the fact that he will, in all likelihood, end up with a producing well and related facilities on his land for decades to come (based on your statement to him that you fully intend to encounter commercial quantities of natural gas) and on the fact that Mission Energy would have to spend that much money anyway to locate the well beyond Mr. Carlson's field in the cove area on the northeast side of Argyle Canyon road.

The alternative site proposed by Mr. Carlson is shown on the attached topographic map.

With regard to the timing of surface disturbances, Mr. Carlson will have hunters and guests on site using the property through the end of October. He would like to delay any on-site activities until after November 1, 1998.

Mr. J. Wayne Fisher
October 5, 1998
Page 3

As you have noted in your September 10 letter, the initial surface use agreement between Mission Energy and Mr. Carlson will not address the issue of pipeline placement, as that issue will not be relevant unless and until the well proves to be a producer. Consequently, the surface use agreement should clarify that it does not authorize the installation of any pipelines.

Mr. Carlson is understandably concerned about proper reclamation of his land. Your September 10 letter explains that Mission Energy has posted a \$20,000 reclamation bond with the Utah Division of Oil, Gas & Mining, which bond will remain in effect for the life of the well. Mr. Carlson believes that amount is far below the amount that would be necessary to properly reclaim the proposed disturbances if Mission Energy fails to do so. Mr. Carlson intends to discuss with DOGM the appropriateness of a higher bond amount, and requests that Mission Energy voluntarily increase the bond amount to \$50,000. Mr. Carlson also believes the reserve pit should be lined with impervious clay instead of straw, to protect against inevitable leaks in the plastic liner.

Likewise, Mr. Carlson is understandably concerned about liability for Mission Energy's operations on his land. I assume that Mission Energy has general liability insurance coverage of at least \$1 million and that Mission Energy is willing to add surface owners as additional insureds under its insurance policy. Mr. Carlson would like to be added as an additional insured with respect to all operations occurring on his land, with coverage in the amount of at least \$1 million.

Mr. Carlson appreciates your willingness to reach a voluntary agreement regarding well location and related damages. Until an agreement is reached, however, Mr. Carlson is entitled to be notified before you or anyone else on behalf of Mission Energy enters onto his property. While Mr. Carlson intends to continue good faith negotiations for a fair surface use agreement, this letter will serve as notice that Mission Energy may not enter onto the land owned by Mr. Carlson for surveying, road improvements, drill pad preparation, or any other purpose without his written permission. Mr. Carlson wishes to advise you that he is willing to meet with you again on-site to finalize the revised well location as discussed above.

Finally, Mr. Carlson and I are negotiating with you on the assumption that Mission Energy has a valid gas lease for the land

PARR WADDOUPS BROWN GEE & LOVELESS

Mr. J. Wayne Fisher
October 5, 1998
Page 4

in question, and that you are an authorized representative of Mission Energy as stated in your August 31 letter. We have not seen a copy of any such lease, and I request that you send a copy of the relevant lease to me. I would also appreciate receiving copies of all applications and other filings Mission Energy has made to date with DOGM, as well as copies of all future filings.

For communication purposes, Mr. Carlson can be contacted at:

Michael M. Carlson
14800 South 1300 West
Bluffdale, Utah 84065
Tele: (801) 254-2140

My address and phone number are set forth at the bottom of the first page of this letter.

At your earliest convenience, please forward for my review a proposed surface use agreement that incorporates the terms described above.

Thank you again for your efforts to resolve these matters. We look forward to working out a mutually agreeable surface use arrangement.

Very truly yours,

PARR WADDOUPS BROWN GEE & LOVELESS

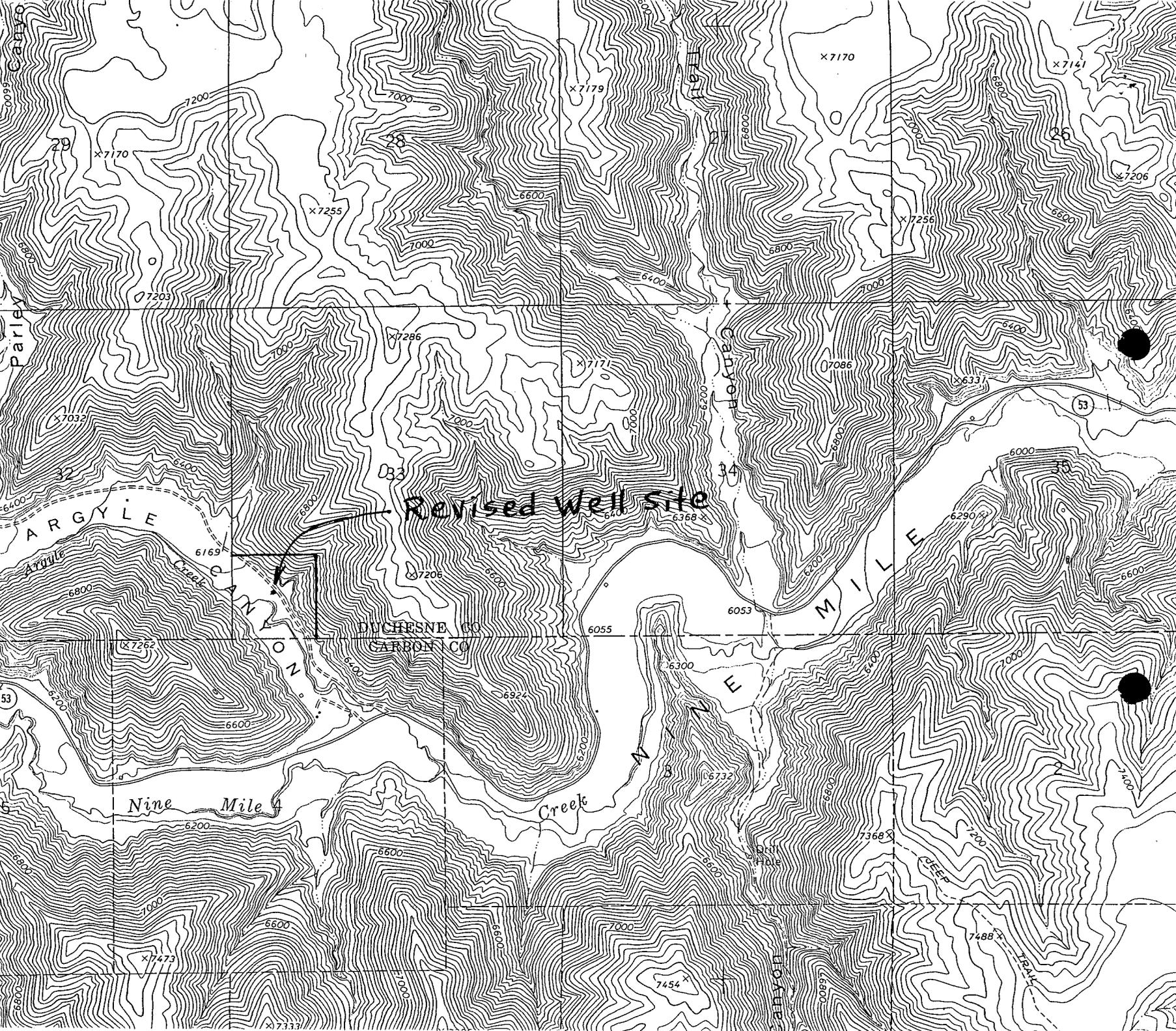
By 
Daniel A. Jensen

DAJ/ca
Enclosure (map)

cc: Michael M. Carlson (w/encl.)
Utah Division of Oil, Gas & Mining (w/encl.)



50'
4409
4408
3963 (V SW (WOOD CANYON)
T. 11 S.
T. 12 S.
32 MI. TO U.S. 6 & 90
4405
47'30"



Revised Well Site

ARGYLE

Nine Mile

Creek

DUCHESNE CO
CARBON CO

NINE

MILE

Parley Canyon

HOKURIS

CANYON

29

28

26

32

33

34

35

53

53

53

X7170

X7255

X7179

X7170

X7141

X7206

7203

X7286

X7171

7086

X6331

X7032

X7206

X6368

6290

X7262

6924

6053

6300

6673

7368

6200

6600

6600

6600

7200

7488

6800

6600

7000

6600

6600

7244

X7473

X7333

7454

7488

7244

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

6. Lease Designation and Serial Number
UTML-43889

SUNDRY NOTICES AND REPORTS ON WELLS

Do not use this form for proposals to drill new wells, deepen existing wells, or to reenter plugged and abandoned wells.

Use APPLICATION FOR PERMIT - for such proposals

7. Indian, Allottee or Tribe Name

N/A

8. Unit or Communitization Agreement

N/A

1. Type of Well

Oil Well

Gas Well

Other (specify) _____

CONFIDENTIAL

9. Well Name and Number

Krause #1-33

2. Name of Operator

Mission Energy, LLC

10. API Well Number

43-013-32092

3. Address of Operator

621-17th Street, Suite 2450, Denver, CO 80293

4. Telephone Number

303-292-9775

11. Field and Pool, or Wildcat

Wildcat

5. Location of Well

Footage : 915' FSL, 310' FWL

County : Duchesne

QQ, Sec. T., R., M : SW/SW SEC. 33, T11S, R14E

State : Utah

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

NOTICE OF INTENT

(Submit In Duplicate)

- | | |
|---|---|
| <input type="checkbox"/> Abandonment | <input type="checkbox"/> New Construction |
| <input type="checkbox"/> Casing Repair | <input type="checkbox"/> Pull or Alter Casing |
| <input checked="" type="checkbox"/> Change of Plans | <input type="checkbox"/> Recompletion |
| <input type="checkbox"/> Conversion to Injection | <input type="checkbox"/> Shoot or Acidize |
| <input type="checkbox"/> Fracture Treat | <input type="checkbox"/> Vent or Flare |
| <input type="checkbox"/> Multiple Completion | <input type="checkbox"/> Water Shut-Off |
| <input type="checkbox"/> Other _____ | |

- | | |
|--|---|
| <input type="checkbox"/> Abandonment * | <input type="checkbox"/> New Construction |
| <input type="checkbox"/> Casing Repair | <input type="checkbox"/> Pull or Alter Casing |
| <input type="checkbox"/> Change of Plans | <input type="checkbox"/> Shoot or Acidize |
| <input type="checkbox"/> Conversion to Injection | <input type="checkbox"/> Vent or Flare |
| <input type="checkbox"/> Fracture Treat | <input type="checkbox"/> Water Shut-Off |
| <input type="checkbox"/> Other _____ | |

Approximate Date Work Will Start

Date of Work Completion : October 3, 1998

Report results of Multiple Completions and Recompletions to different reserves on WELL COMPLETION OR RECOMPLETION AND LOG form.

* Must be accompanied by a cement verification report.

13 DESCRIBE PROPOSED OR COMPLETED OPERATIONS (Clearly state all pertinent details, and give pertinent dates. If well is directionally drilled, give subsurface locations and measured and true vertical depths for all markers and zones pertinent to this work).

A. Pre-set 124' 14" Conductor with Spud Rig instead of 60' that was planned per sundry notice dated 9/30/98. Cemented w/300 sks Class "G" + 2% CACL2 + 1/4#/sk Cello Flake.

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

Name & Signature : J. Wayne Fisher

J. Wayne Fisher

Title : Agent For Mission Energy

Date : Oct. 5, 1998

(State Use Only)

Division of Oil, Gas and Mining
PHONE CONVERSATION DOCUMENTATION FORM

Route original/copy to:

Well File _____

Suspense _____

Other _____

(Loc.) Sec Krouse 1-33

(Return Date) _____

(API No.) 33 Twp 11s Rng 14E

(To-Initials) _____

43-013-32092

1. Date of Phone Call: 10-7-98 Time: 10:15

2. DOGM Employee (name) L. Cordora (Initiated Call)

Talked to:

Name Wayne Fisher (Initiated Call) - Phone No. (970) 217-8525

of (Company/Organization) Mission Energy LLC

3. Topic of Conversation: _____

4. Highlights of Conversation: _____

10:15 msg.

Gerry Bergerson - (303) 292-9775

* will contact W. Fisher & submit via fax & mail

a signed & notarized affidavit regarding surf. agreement

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

6. Lease Designation and Serial Number
 UTML-43889

SUNDRY NOTICES AND REPORTS ON WELLS

Do not use this form for proposals to drill new wells, deepen existing wells, or to reenter plugged and abandoned wells.
 Use APPLICATION FOR PERMIT - for such proposals

7. Indian, Allottee or Tribe Name
 N/A

8. Unit or Communitization Agreement
 N/A

1. Type of Well

Oil Well Gas Well Other (specify) _____

9. Well Name and Number
 Krause #1-33

2. Name of Operator
 Mission Energy, LLC

10. API Well Number
 43-013-32092

3. Address of Operator
 621-17th Street, Suite 2450, Denver, CO 80293

4. Telephone Number
 303-292-9775

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5. Location of Well

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 QQ, Sec, T., R., M : SW/SW SEC. 33, T11S, R14E

County : Duchesne
 State : Utah

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

NOTICE OF INTENT

(Submit in Duplicate)

<input type="checkbox"/> Abandonment	<input type="checkbox"/> New Construction
<input type="checkbox"/> Casing Repair	<input type="checkbox"/> Pull or Alter Casing
<input checked="" type="checkbox"/> Change of Plans	<input type="checkbox"/> Recompletion
<input type="checkbox"/> Conversion to Injection	<input type="checkbox"/> Shoot or Acidize
<input type="checkbox"/> Fracture Treat	<input type="checkbox"/> Vent or Flare
<input type="checkbox"/> Multiple Completion	<input type="checkbox"/> Water Shut-Off
<input type="checkbox"/> Other _____	

<input type="checkbox"/> Abandonment *	<input type="checkbox"/> New Construction
<input type="checkbox"/> Casing Repair	<input type="checkbox"/> Pull or Alter Casing
<input type="checkbox"/> Change of Plans	<input type="checkbox"/> Shoot or Acidize
<input type="checkbox"/> Conversion to Injection	<input type="checkbox"/> Vent or Flare
<input type="checkbox"/> Fracture Treat	<input type="checkbox"/> Water Shut-Off
<input type="checkbox"/> Other _____	

Approximate Date Work Will Start

Date of Work Completion : October 3, 1998

Report results of Multiple Completions and Recompletions to different reserves on WELL COMPLETION OR RECOMPLETION AND LOG form.

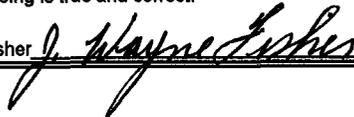
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Name & Signature : J. Wayne Fisher



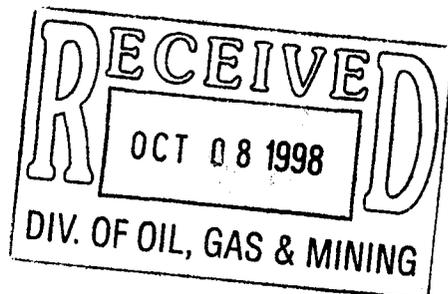
Title : Agent For Mission Energy

Date : Oct. 5, 1998

(State Use Only)

(8/90)

See Instructions on Reverse Side





CEMENT-JOB REPORT

CUSTOMER Mission Energy	DATE 10-3-98	F.R.# 100135905	SERV. SUEV. Scott Timothy
LEASE & WELL NAME-OCSG Krause 2-33	LOCATION Sec. 33 T. 11s R. 14E	COUNTY-PARISH-BLOCK Carbon	
DISTRICT Vernal UT	DRILLING CONTRACTOR RIG# Bill Martin Jr.	TYPE OF JOB Conductor	

TOP	BTM	SIZE & TYPE OF PLUGS	LIST-CSG-HARDWARE	SLURRY WGT PPG	SLURRY YLD RTS	WATER OPS	PUMP TIME HR:MIN	Bbl SLURRY	Bbl MIX WATER
MATERIALS FURNISHED BY BJ									
		300 sks G cmt + 2% CaCl2 + 1/4 lb sk cello flake		15.8	1.14	4.97	2:30	61	35.5

Available Mix Water 75 Bbl. Available Displ. Fluid 40 Bbl. TOTAL **61 35.5**

HOLE			TBG-CSG-O.P.				TBG-CSG-O.P.				COLLAR DEPTHS		
SIZE	% EXCESS	DEPTH	SIZE	WGT.	TYPE	DEPTH	SIZE	WGT.	TYPE	DEPTH	SHOE	FLOAT	STAGE
20"	100	124	14"	---	---	126	---	---	---	---	---	---	---

LAST CASING				PKR-CMT RET-BR PL-LINER		PERF. DEPTH		TOP CONN		WELL FLUID		
SIZE	WGT.	TYPE	DEPTH	BRAND & TYPE		DEPTH	TOP	BTM	SIZE	THREAD	TYPE	WGT.
---	---	---	---	---		---	---	---	2"		H2o	8.4

CAL. DISPL VOL.-Bbl.				CAL. PSI	CAL. MAX PSI	OP. MAX	MAX TBG PSI		MAX CSG PSI		DISPL FLUID		WATER
TBG.	CSG.	CSG.	TOTAL	BUMP PLUG	TO REV.	SQ. PSI	RATED	OP.	RATED	OP.	TYPE	WGT.	SOURCE
---	1730	116	20	45	---	---	---	---	---	---	H2o	8.4	TRK

EXPLANATION: TROUBLE SETTING TOOL, RUNNING CSG, ETC. PRIOR TO CEMENTING:

PRESSURE / RATE DETAIL						EXPLANATION	
TIME HR:MIN.	PRESSURE-PSI		RATE BPM	Bbl. FLUID PUMPED	FLUID TYPE	SAFETY MEETING: BJ CREW <input checked="" type="checkbox"/> CO. REP. <input type="checkbox"/>	
	PIPE	ANNULUS				TEST LINES	
8:26	55	---	1	10	Gel	1000	8:23 pm
8:36	65	---	5	60	Cmt		
8:48	50	---	1.8	17	H2o		
8:57	---	---	---	---	---		
8:58	---	---	---	---	---		

RECEIVED
OCT 08 1998
 DIV. OF OIL, GAS & MINING

BUMPED PLUG	PSI TO BUMP PLUG	TEST FLOAT EQUIP.	Bbl. CMT RETURNS/ REVERSED	TOTAL Bbl. PUMPED	PSI LEFT ON CSG	SPOT TOP CEMENT	SERV. SUPY.
Y N	50	V	30	87	50	Sur	Scott Timothy

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

6. Lease Designation and Serial Number
 UTML-43889

7. Indian, Allottee or Tribe Name
 N/A

8. Unit or Communitization Agreement
 N/A

SUNDRY NOTICES AND REPORTS ON WELLS

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1. Type of Well
 Oil Gas Other (specify) _____
 Well Well

9. Well Name and Number
 Krause #1-33

2. Name of Operator
 Mission Energy, LLC

10. API Well Number
 43-013-32092

3. Address of Operator
 621-17th Street, Suite 2450, Denver, CO 80293

4. Telephone Number
 303-292-9775

11. Field and Pool, or Wildcat
 Wildcat

5. Location of Well
 Footage : 915' FSL, 310' FWL
 QQ, Sec. T., R., M : SW/SW SEC. 33, T11S, R14E

County : Duchesne
 State : Utah

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

NOTICE OF INTENT
 (Submit in Duplicate)

- | | |
|---|---|
| <input type="checkbox"/> Abandonment | <input type="checkbox"/> New Construction |
| <input type="checkbox"/> Casing Repair | <input type="checkbox"/> Pull or Alter Casing |
| <input checked="" type="checkbox"/> Change of Plans | <input type="checkbox"/> Recompletion |
| <input type="checkbox"/> Conversion to Injection | <input type="checkbox"/> Shoot or Acidize |
| <input type="checkbox"/> Fracture Treat | <input type="checkbox"/> Vent or Flare |
| <input type="checkbox"/> Multiple Completion | <input type="checkbox"/> Water Shut-Off |
| <input type="checkbox"/> Other _____ | |

- | | |
|--|---|
| <input type="checkbox"/> Abandonment * | <input type="checkbox"/> New Construction |
| <input type="checkbox"/> Casing Repair | <input type="checkbox"/> Pull or Alter Casing |
| <input type="checkbox"/> Change of Plans | <input type="checkbox"/> Shoot or Acidize |
| <input type="checkbox"/> Conversion to Injection | <input type="checkbox"/> Vent or Flare |
| <input type="checkbox"/> Fracture Treat | <input type="checkbox"/> Water Shut-Off |
| <input type="checkbox"/> Other _____ | |

Approximate Date Work Will Start September 30, 1998

Date of Work Completion :

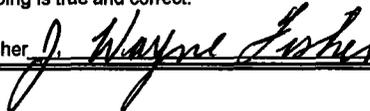
Report results of Multiple Completions and Recompletions to different reserves on WELL COMPLETION OR RECOMPLETION AND LOG form.
 * Must be accompanied by a cement verification report.

13 DESCRIBE PROPOSED OR COMPLETED OPERATIONS (Clearly state all pertinent details, and give pertinent dates. If well is directionally drilled, give subsurface locations and measured and true vertical depths for all markers and zones pertinent to this work).

- A. Pre-set 60' 14" Conductor with Spud Rig.
- B. Change surface casing to 560' 24# 8 5/8" from original 375'.

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

Name & Signature : J. Wayne Fisher



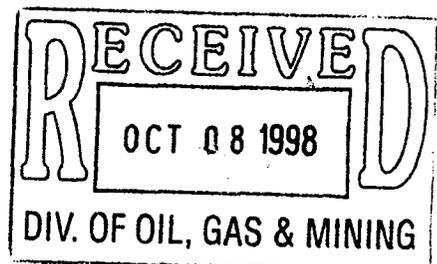
Title : Agent For Misssion Energy

Date : Sept. 30, 1998

(State Use Only)

(8/90)

See Instructions on Reverse Side



From: Gil Hunt
To: ATDOMAIN.ATKEY01.POHARA, JBAZA, BHILL, LCORDOVA
Date: 10/8/98 9:15am
Subject: Krause State 1-33 Well

Just to update everyone on the Mission Energy Krause State 1-33 Well saga -

- Mission has set conductor pipe for the well. They said it was necessary to spud the well by 9/30/98 to hold the lease. In further inquire this was not the whole story. SITLA had issued a new lease with a one year extension until 7/1/99. In checking with BLM, they approved a CA which includes the west half of this section on 9/30/98. Included in the CA is a federal lease that would have expired 10/1/98 had drilling not commenced on the State lease. So suspension of drilling poses some new questions about holding the fed. lease.

- Mission's agent told me yesterday they have not yet built the location and did not intent on doing further work until November 1 because that was the desire of the land owner. I mentioned the possibility of hosting a meeting to bring all parties together as Patrick suggested, they seemed amenable.

- I left a voice message with the land owner's attorney that they had set conductor only and suspended operations.

- We did receive an affidavit yesterday afternoon from Mission.

Division of Oil, Gas and Mining
PHONE CONVERSATION DOCUMENTATION FORM

Route original/copy to:

Well File _____
_____ Krause 1-33 _____
(Loc.) Sec _____ Twp _____ Rng. _____
(API No.) _____

Suspense _____
(Return Date) _____
(To-Initials) _____

Other _____

1. Date of Phone Call: 10-7-98 Time: 4:30

2. DOGM Employee (name) L. Cordova (Initiated Call)
Talked to:
Name Ed Bonner (Initiated Call) - Phone No. () 538-5151
of (Company/Organization) SITLA

3. Topic of Conversation: ML-43889

4. Highlights of Conversation: _____

Lease expired 4-30-98 - mission was trying to get old lease re-instated.

New lease ML-48047 issued to mission ^{aprv} ~~at~~ 6-12-98 eff. 7-1-98

*Operator trying to get a C.A. (320') approved by BLM
A federal lease within the proposed C.A. was going to
exp. end of Sept?

MISSION ENERGY, LLC

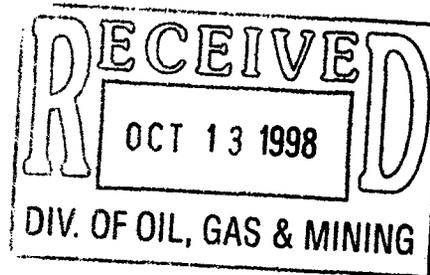
621 17th St., Ste. 2450, Denver, CO 80293



Ms. Lizka Cordova
Division of Oil, Gas & Mining Agency
1594 W. North Temple, Suite 1210
Salt Lake City, Utah 84114



MISSION ENERGY, LLC



October 8, 1998

Ms. Lisha Cordova
Division of Oil, Gas & Mining
1594 West North Temple, Suite 1210
Salt Lake City, Utah 84114
Fax: (801) 359-3940

Re: Krause State #1-33

Dear Ms. Cordova:

Enclosed for your records is the original Affidavit to verify Mission Energy LLC's attempts to strike and agreement with Mr. Michael Carlson, a surface owner, in order to access the drill-site labeled Krause State #1-33.

Thank you for all of your assistance. Please contact me should you require additional information.

Sincerely,
Maria E. Sutton
Maria E. Sutton

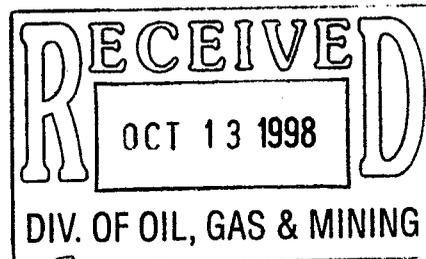
ms/enclosures

621 17th Street, Suite 2450
Denver, CO 80293
Phone: (303) 292-9775
Fax: (303) 292-9280

Mission Energy, LLC

Fax

FAXED



To: Ms Lisha Cordova From: J. R. Bergeron
Fax: (801) 359-3940 Pages: 2
Phone: _____ Date: _____
Re: _____ CC: _____

Urgent For Review Please Comment Please Reply Please Recycle

L,
I hope this is satisfactory. If it is not, please
call on Thursday to specify any changes.

Thank you,
J. R. Bergeron

PARR WADDOUPS BROWN
GEE & LOVELESS *A Professional Corporation*

Attorneys at Law

CLAYTON J. PARR
CLARK WADDOUPS
RICHARD G. BROWN
DAVID E. GEE
SCOTT W. LOVELESS
PATRICIA W. CHRISTENSEN
ROBERT B. LOCHHEAD
GARY A. DODGE
ROBERT S. CLARK
ALAN R. ANDERSEN
KENT H. COLLINS
MICHAEL M. LATER
CAROLYN B. MCHUGH

STEVEN J. CHRISTIANSEN
SCOTT F. YOUNG
VICTOR A. TAYLOR
RONALD G. RUSSELL
ROGER D. HENRIKSEN
BRIAN J. ROMRIEL
HEIDI E. C. LEITHEAD
JOHN M. BURKE
STEPHEN E. W. HALE
DANIEL A. JENSEN
BRIAN G. LLOYD
GREGORY M. HESS
TERRY E. WELCH

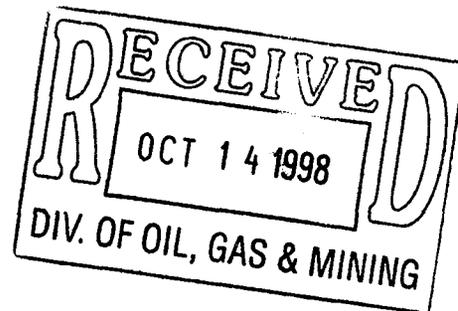
JEFFREY J. HUNT
JONATHAN O. HAFEN
MARK A. WAGNER
ROBERT A. MCCONNELL
BENTLEY J. TOLK
STEPHEN M. SARGENT
D. CRAIG PARRY
ERIC W. PEARSON
BRYAN T. ALLEN
ERIC D. BAWDEN
BRETT J. SWANSON
D. KYLE SAMPSON
STEVEN E. HUGIE

OF COUNSEL
CHARLES L. MAAK
BRUCE A. MAAK
BRENT M. STEVENSON
KENT W. LARSEN

October 14, 1998

HAND DELIVERED

Mr. John R. Baza, Associate Director
Utah Division of Oil, Gas & Mining
1594 West North Temple, Suite 1210
P.O. Box 145801
Salt Lake City, UT 84114-5801



Re: API No. 43-013-32092
Mission Energy, LLC
Krause State #1-33
SW/SW Sec. 33, T11S, R14E
Duchesne County, Utah

Dear John:

Further to my letter dated October 5, 1998, this letter is to request that you withdraw the approval to drill the referenced well granted by your office on September 29, 1998, based on failure by both the operator and DOGM to abide by the requirements of the Utah Administrative Code. Approval was improperly granted for the following reasons, among others:

Michael Carlson, who is represented by this firm, has owned the surface of the property on which Mission Energy wishes to drill since July 27, 1998. Mission Energy has known of Mr. Carlson's ownership since at least August 31, 1998. DOGM staff has known of Mr. Carlson's ownership since at least August 31, 1998. Mr. Carlson is concerned about where the well will be located and about damage that will result to his land, which he is in the process of developing into a recreational resort. For that reason he has retained this law firm. To learn more about the scope and status of Mission Energy's proposed drilling activities, this office requested copies of the permit application and other well file documents on October 2, 1998. We were denied copies of any documents on the basis that the entire file was confidential (despite the fact that the mineral estate is publicly owned by the

Utah Division of Oil, Gas & Mining
October 14, 1998
Page 2

State of Utah and the surface is privately owned by my client). My October 5, 1995 letter was therefore written and delivered to your office without the benefit of any information already on file with your office. Only after my October 5, 1998 letter was delivered was I notified, on October 7, 1998, that approval to drill had already been granted on September 29, 1998. Obviously, it is difficult for a surface owner to agree to mineral operations when he does not even know the details of the proposed operations as reflected in official filings made with the regulating entity. After further discussions with your office and DOGM's attorney, Mr. O'Hara, we were able to obtain copies of a portion of the well file (five pages in total) yesterday. Those documents confirm that necessary procedures were not followed in approving the application to drill.

Utah Admin. R649-3-18.1 requires Mission Energy to include in the APD the name, address and telephone number of the surface owner. Mission Energy's APD does not do so. "Prior to approval of an APD," an on-site pre-drill evaluation must be done by DOGM. Id. The surface owner must be invited by DOGM (not by the operator) to participate in the on-site pre-drill evaluation. Id. Mr. Carlson was never notified of any on-site evaluation and, if one was held, Mr. Carlson was not allowed to participate.

Mission Energy is required to make a reasonable effort to establish a surface use agreement with the surface owner before commencing the drilling of a new well. Utah Admin. R649-3-34.6.1. Mission Energy has not obtained an agreement with the surface owner, Mr. Carlson, for use and disturbance of the surface for the subject well. There have been some discussions, but there is no agreement. Mission Energy has not even tendered to Mr. Carlson any proposed surface use agreement for approval. The only documents received by Mr. Carlson from Mission Energy are the two attached letters, which speak about Mission Energy's intent to prepare a subsequent document that will address the legal issues and best meet both parties' needs and which promise to continue working toward a voluntary agreement. In fact, the last written statement by Mission Energy's agent is a request for "ideas of how to proceed with good faith negotiations." Mission Energy has done nothing more than suggest a few proposed terms in a cursory letter that does not even request or provide for Mr. Carlson's written concurrence.

Utah Division of Oil, Gas & Mining
October 14, 1998
Page 3

Upon applying for approval to drill, Mission Energy is required to certify, in a written affidavit, whether a surface use agreement has been established with and approved by the surface owner, in accordance with Utah Admin. R649-3-34.7. That affidavit must be filed before DOGM can approve the APD. Id. The file documents given to us contain no such affidavit.

Even if Mission Energy had submitted the required affidavit indicating that no agreement had been reached with the surface owner, DOGM would be required to undertake an on-site inspection to formulate appropriate reclamation requirements. Utah Admin. R649-3-34.9, .16, and .17. Mr. Carlson would then have the right to participate in that inspection with DOGM and the right to appeal DOGM's reclamation requirements to the Board and thereafter to the courts. Utah Admin. R649-3-34.19 and .23.

None of these mandatory procedures have been followed. Instead, Mission Energy was given approval to drill on September 29, 1998, without any surface owner identification, without any surface use agreement, without any affidavit, and without any DOGM site inspection involving the surface owner. Approval should not have been given without compliance with these mandatory procedures.

Furthermore, Mission Energy is required to locate its well within a 400 foot window in the center of the SW $\frac{1}{4}$ SW $\frac{1}{4}$ of Section 33, T11S, R14E, unless a variance is specifically applied for and granted by DOGM. Utah Admin. R649-3-2 and 3-3.1. The surveyed well location submitted by Mission Energy and approved by your office is well outside of that 400 foot window. In recognition of this requirement, Mission Energy's application to drill states that the distance to the nearest property line is 460 feet (the minimum allowable distance) when in fact it is only 310 feet. There is no variance request in the DOGM file and no variance approval. Before approval can be given to drill outside the 400 foot window, Mission Energy is required to submit, among other things, written consent from all owners within a 460 foot radius of the proposed well location. Utah Admin. R649-3-3.1. There is no evidence in the DOGM file that such mandatory procedures were followed.

These omissions are more than just "corner cutting." They are a clear violation of rules enacted for the specific purpose of making sure that surface owners such as Mr. Carlson are not ignored and abused in the process of developing the mineral estate. If Mission Energy had followed the established rules, Mr. Carlson

Utah Division of Oil, Gas & Mining
October 14, 1998
Page 4

would have had a full and fair opportunity to be involved in the permitting process and to protect his investment as much as possible. Mission Energy's efforts to skirt the rules should not be allowed to continue. Indeed, one of the express conditions of Mission Energy's approval is "compliance with the requirements of Utah Admin. R. 649-1 et seq." There has not been such compliance.

I understand, based on a phone message from Gil Hunt, that Mission Energy has set conductor pipe at the surveyed (noncomplying) site but has not yet commenced pad preparation, and that Mission Energy has agreed to stop work until this matter is straightened out. We appreciate Mission Energy's willingness to voluntarily cease its activities. However, without revocation of the official approval to drill, Mission Energy is free at any time to resume drilling activities. Because it is clear that proper procedures were not followed by Mission Energy or DOGM, Mr. Carlson requests that you withdraw the approval granted to Mission Energy and allow the parties to negotiate a mutually acceptable surface use agreement. If that effort fails, DOGM can and must proceed in accordance with Utah Admin. R649-3-34.17 to conduct an on-site inspection with Mr. Carlson present so that he can provide relevant input and, if necessary, exercise his appeal rights to the Board and to the courts.

Despite our complaints, we appreciate the responsiveness and the professionalism shown thus far by your staff and your attorney. Please let me know as soon as possible what action DOGM intends to take with regard to this matter. Also, as stated in my prior letter, I would like to know whether the \$20,000 bond apparently posted by Mission Energy (no copy of any such bond was given to us in the file documents provided by your office) is in accordance with DOGM rules and policies for operations on private surface, and if so the means by which Mr. Carlson can request imposition of an increased bond amount.

Very truly yours,


Daniel A. Jensen

Enclosures

cc: Michael M. Carlson
Patrick J. O'Hara, Esq. (w/encls.)

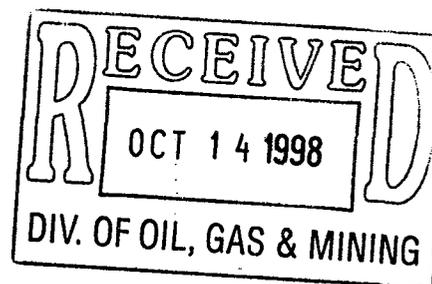
J. WAYNE FISHER

*Oilfield Consultant
8002 W CR 24H
Loveland, CO 80538*

August 31, 1998

Mr. Michael M. Carlson
14800 South 1300 West
Bluffdale, Utah 84065

Dear, Mr. Carlson



I'm writing you this letter in regards to land located in the SW/SW 1/4 of SEC. 33 - T11S- R14E Duchesne Co. UTAH. Which, our understanding is you have just acquired ownership of this land.

I represent Mission Energy LLC of Denver CO. We wish to notify you that Mission Energy plans to drill an exploration well for Natural gas on this property. We would like to speak with you, as the county records show you to be the owner of this parcel of land. The state of Utah requires that you be notified so you or your representative may be present at the proposed location when the on-site inspection is done with representatives from the Utah Division Oil, Gas and Mining and from Mission Energy LLC. Due to the fact that at the time of original staking our understanding was Ms. Lily Wimmer was the trustee of this land, we made several attempts to contact her with no results. At that time Mission Energy staked a drilling location and held the on-site inspections with Dennis Ingram of the UDOGM.

We were just made aware that this property had changed ownership. At this time Mission Energy would like to meet with you in person or by phone to arrange a surface use and a property damage settlement. Initial surface use will require approximately 2.5 acres of land disturbance. When this well is proved to be a producer the land would be partially reclaimed with approximately 1 acre used to support production facilities. If this well is not determined a commercial success the location would be totally reclaimed back to present condition as prescribed by law or to your satisfaction if you wished to leave it in some sort of developed state. It is our desire to move forward with this project in a timely manner. I have attempted to reach you by phone at your home and business earlier today. At that time I left a message with my office phone number with hopes that you will call at your earliest convenience.

When you contact us we will prepare a document and check that will address the legal issues and best meet both parties needs.

If you would call me at (970) 669-8217 or Mr. Jerry Bergeson at (303) 292-9775 it would be greatly appreciated. This letter will serve as our official notification. Please contact one of us ASAP.

Sincerely:

J. Wayne Fisher
J. Wayne Fisher

cc. Jerry Bergeson, Mission Energy LLC.
Brad Hill, Utah Division of Oil, Gas and Mining

538-~~538~~ 40
5315

1 call - 9-10-98 -

Office: (970) 669-8217 / Fax: (970) 635-9337 / Cell: (970) 217-8525
jwfisher@sprynet.com

J. WAYNE FISHER*Oilfield Consultant*

8002 W CR 24H

Loveland, CO 80538

September 10, 1998

Mr. Michael M. Carlson
14800 South 1300 West
Bluffdale, Utah 84065

Dear Mr. Carlson:

Pursuant to our meeting on Sunday and telephone conversation today, I am sending this letter to confirm my understanding and submit Mission Energy's site access settlement offer. Now that we better understand your concerns and future plans for this particular parcel of ground, we submit our offer of \$1,000 for access to a location on this 40-acre parcel of land. The normal and acceptable surface use agreement fee for this area is \$150 per used acre of ground; and we feel that our offer of \$1,000 for using approximately 2-1/2 acres is a fair amount.

Our desire is to work with you and your schedule where possible concerning your paying hunters/guests. Please advise us of a time frame from your standpoint so we can build a location and have a drilling rig on site for approximately a two to three week period. It is our desire to move in, start construction and drill this well at the earliest possible date due to lease requirements and restrictions.

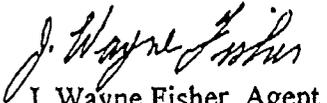
It is not clear where a pipeline and proposed tie-in to the main trunk line will be until such time as a final location and a right-of-way are established. See attached drawings that would represent a worst-case scenario for on-site surface equipment, based on this location being a producing well site. Mission Energy will use its utmost effort to limit the amount of surface equipment that will be used based on well demands and safety.

Mission Energy has posted a \$20,000 bond to cover reclamation of this location with the State of Utah Oil, Gas & Mining Division. This bond stays in effect for the life of the well to guarantee that the location is cleaned up and reclaimed per our agreement with you and State law. Reclamation, by law, requires six inches of topsoil to be stripped and stockpiled on site for the purpose of reclaiming the location back to its native state. Intermediate reclamation, including pit draining and backfill, and surface grading and reseeding will be done immediately following completion of the well when weather and surface conditions allow. In reference to the reserve pit, our plan is to line the pit with ~~straw~~ and a 20 mil liner, which after review by the State permitting officials and Mission was found sufficient, being double the standard weight liner normally required.

Office: (970) 669-8217 / Fax: (970) 635-9337 / Cell: (970) 217-8525
jwfisher@sprynet.com

After reviewing this letter, please contact me by phone for any additional information you may require. Please advise me in writing of your ideas of how to proceed with good-faith negotiations.

Sincerely,


J. Wayne Fisher, Agent
Mission Energy, LLC

Office: (970) 669-8217 / Fax: (970) 635-9337 / Cell: (970) 217-8525
jwfisher@sprynet.com

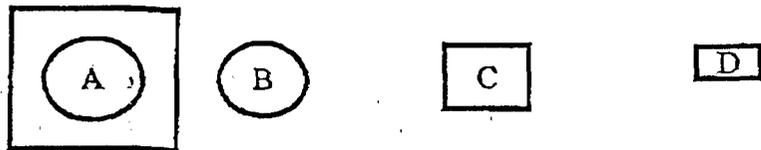
KRAUSE STATE #1-33

- A - 10'x12' - 210 BBL CONDENSATE TANK
- B - 10'x6' - 120 BBL WATER TANK
- C - 8'x10' HEATER/TREATER
- D - 4'x8' METER HOUSE
- E - WELLHEAD W/6'x6' FENCE



KRAUSE STATE #1-33

- A - 10'x12' - 210 BBL CONDENSATE TANK
- B - 10'x6' - 120 BBL WATER TANK
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ROBERT G. PRUITT, JR.
OLIVER W. GUSHEE, JR.
THOMAS W. BACHTELL
A. JOHN DAVIS, III
JOHN W. ANDERSON
FREDERICK M. MACDONALD
JOHN F. WALDO
ANGELA L. FRANKLIN
JOHN S. FLITTON
MICHAEL S. JOHNSON
CHRISTOPHER J. CASTILLO

LAW OFFICES
PRUITT, GUSHEE & BACHTELL
Suite 1850 Beneficial Life Tower
Salt Lake City, Utah 84111-1495
(801) 531-8446

Telecopier
(801) 531-8468

OF COUNSEL

ROBERT G. PRUITT, III
BRENT A. BOHMAN

TELECOPIER TRANSMITTAL COVER SHEET

TO: John Baza DATE: 11/2/90

COMPANY: _____ TELECOPIER NUMBER: 359-3940

CITY/STATE: _____ PAGES (INCLUDING COVER SHEET): 2

FROM: Mike Johnson CLIENT/MATTER NUMBER: _____

MESSAGE:

ORIGINAL TO FOLLOW VIA: U.S. MAIL [] FEDERAL EXPRESS [] NOT TO FOLLOW []

THE INFORMATION CONTAINED IN THIS COMMUNICATION IS CONFIDENTIAL, MAY BE PROTECTED BY THE ATTORNEY-CLIENT PRIVILEGE OR THE WORK PRODUCT DOCTRINE, MAY CONSTITUTE INSIDE INFORMATION, AND IS INTENDED ONLY FOR THE USE OF THE ADDRESSEE. UNAUTHORIZED USE, DISCLOSURE OR COPYING IS STRICTLY PROHIBITED AND MAY BE UNLAWFUL. IF YOU HAVE RECEIVED THIS COMMUNICATION IN ERROR, PLEASE IMMEDIATELY NOTIFY US AT (801) 531-8446.

LAW OFFICES

FRUITT, GUSHEE & BACHTELL

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OLIVER W. GUSHEE, JR.
THOMAS W. BACHTELL
A. JOHN DAVIS, III
JOHN W. ANDERSON
FREDERICK M. MACDONALD
GEORGE S. YOUNG
JOHN F. WALDO
ANGELA L. FRANKLIN
JOHN S. FLITTON
MICHAEL S. JOHNSON
CHRISTOPHER J. CASTILLO

SUITE 1850 BENEFICIAL LIFE TOWER
SALT LAKE CITY, UTAH 84111-1405
(801) 531-8446
E-mail: pgb.law@mccl2000.com

TELECOPIER (801) 531-8468

OF COUNSEL

ROBERT G. FRUITT, III
BRENT A. BOHMAN

November 2, 1998

Mr. John Baza
Associate Director, Oil and Gas
Utah Division of Oil, Gas & Mining
1594 W. North Temple, Suite 1210
Salt Lake City, Utah 84114-5801

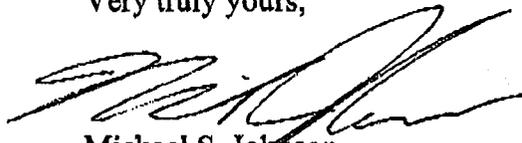
Re: *Consent to providing a copy of API
No. 43-013-32092 Well file to Dan Jensen*

Dear John:

As we discussed at the informal conference on Friday, October 30, 1998, Mission Energy is willing to allow DOGM staff to provide a copy of the well file (API No. 43-013-32092) to Michael Carlson's attorney Dan Jensen. Please consider this letter Mission Energy's written consent to the copying of those materials. The only exception to Mission's consent in this matter is that the geological data within the APD permit application be kept confidential. Mission will therefore request that you provide Mr. Jensen with the cover page of the permit application, and all other documentation contained in the well file.

Mission Energy appreciates the Division's efforts in setting up the informal conference last week and providing us with the opportunity to meet with Mr. Carlson, Mr. Jensen, and the Division staff. We are currently in negotiations with Mr. Carlson regarding this matter, and will keep you apprized of developments as they occur.

Very truly yours,



Michael S. Johnson

1891.02

orig: Well file
cc: JRB
GLH
BGH
LEC

LAW OFFICES
PRUITT, GUSHEE & BACHTELL

SUITE 1850 BENEFICIAL LIFE TOWER
SALT LAKE CITY, UTAH 84111-1495
(801) 531-8446
E-mail: pgb.law@mcj2000.com

TELECOPIER (801) 531-8468

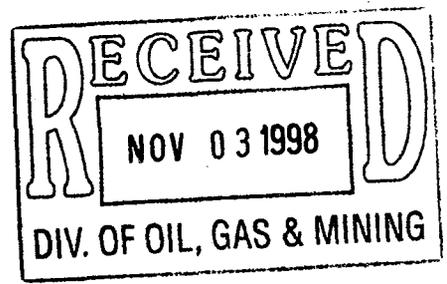
ROBERT G. PRUITT, JR.
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THOMAS W. BACHTELL
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JOHN W. ANDERSON
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GEORGE S. YOUNG
JOHN F. WALDO
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JOHN S. FLITTON
MICHAEL S. JOHNSON
CHRISTOPHER J. CASTILLO

OF COUNSEL

ROBERT G. PRUITT, III
BRENT A. BOHMAN

November 2, 1998

Mr. John Baza
Associate Director, Oil and Gas
Utah Division of Oil, Gas & Mining
1594 W. North Temple, Suite 1210
Salt Lake City, Utah 84114-5801



Re: *Consent to providing a copy of API
No. 43-013-32092 Well file to Dan Jensen*

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Very truly yours,

Michael S. Johnson

MISSION ENERGY, LLC

November 19, 1998

Mr. Michael M. Carlson
14800 South 1300 West
Bluffdale, Utah 84065

Fax: (801) 254-6215

Re: Krause #1-33 Well

Dear Mr. Carlson,

Mission Energy is writing to inform you that after considering your proposed alternate location we find it and the associated costs of moving to that location unacceptable.

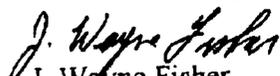
Therefore, we are offering \$2,500.00 as a surface damage settlement. If this is acceptable, please notify Mr. Jerry Bergeson or Mr. Wayne Fisher at your earliest convenience.

This letter will also serve as our notice that we plan to resume operations on November 26, 1998.

If additional information is needed, please call Mr. Bergeson at (303) 292-9775, or Mr. Wayne Fisher at (970) 669-8217.

We are faxing this letter to you and to the recipients listed below.

Regards,


J. Wayne Fisher

ms/JWF

cc: Brad Hill - Utah Division of Oil, Gas and Mining
Dan Jensen - Parr, Waddoups, Brown, Gee & Loveless
Mike Johnson - Pruitt, Gushee & Bachtell
Jerry R. Bergeson - Mission Energy, LLC

621 17th Street • Suite 2450 • Denver, CO 80293
Ph. (303) 292-9775 • Fax: (303) 292-9280

FILED

BEFORE THE BOARD OF OIL, GAS AND MINING
DEPARTMENT OF NATURAL RESOURCES
STATE OF UTAH

DEC 21 1998

SECRETARY, BOARD OF
OIL, GAS & MINING

CONFIDENTIAL

---0000---

IN THE MATTER OF THE REQUEST :
FOR AGENCY ACTION OF MICHAEL :
M. CARLSON FOR REVOCATION OF :
MISSION ENERGY, LLC'S APPROVAL :
TO DRILL KRAUSE STATE #1-33, API :
NO. 43-013-32092, IN THE SW¼SW¼ :
OF SECTION 33, T11S, R14E, SLM, :
DUCHESNE COUNTY, UTAH :

ORDER

DOCKET NO. 98-025

CAUSE NO. 240-3

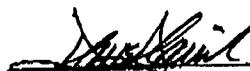
---0000---

Having read the NOTICE AND STIPULATION withdrawing the request for expedited action by the Board and of Oil, Gas and Mining and requesting a January 27, 1999 hearing submitted by Michael M. Carlson and Mission Energy, LLC in the above-referenced matter, the Utah Board of Oil, Gas and Mining hereby grants the parties a withdrawal of the request for expedited action and grants a hearing at the Board's regularly scheduled meeting on January 27, 1999, to provide additional time for the parties to engage in settlement negotiations.

For all purposes, the Chairman's signature on a faxed copy of this Order shall be deemed the equivalent of a signed original.

SO GRANTED this 21st day of December, 1998.

STATE OF UTAH
BOARD OF OIL, GAS AND MINING



Dave D. Lauriski, Chairman

SUNDRY NOTICES AND REPORTS ON WELLS <small>Do not use this form for proposals to drill new wells, deepen existing wells, or to reenter plugged and abandoned wells. Use APPLICATION FOR PERMIT - for such proposals</small>		6. Lease Designation and Serial Number UTML-43689
		7. Indian, Alaska or Tribe Name N/A
1. Type of Well <input type="checkbox"/> Oil Well <input checked="" type="checkbox"/> Gas Well <input type="checkbox"/> Other (specify) _____		8. Unit or Communitization Agreement N/A
2. Name of Operator Mission Energy, LLC		9. Well Name and Number Krause #1-33
3. Address of Operator 621-17th Street, Suite 2450, Denver, CO 80293	4. Telephone Number 303-292-9776	10. API Well Number 43-013-32092
5. Location of Well Footage : 915' FSL, 310' FWL QQ, Sec. T., R., M : 9W/9W SEC. 33, T11S, R14E		11. Field and Pool, or Wildcat Wildcat
		County : Duchesne State : Utah

NOTICE OF INTENT
(Submit in Duplicate)

<input type="checkbox"/> Abandonment	<input type="checkbox"/> New Construction
<input type="checkbox"/> Casing Repair	<input type="checkbox"/> Pull or Alter Casing
<input type="checkbox"/> Change of Plans	<input type="checkbox"/> Recompletion
<input type="checkbox"/> Conversion to Injection	<input type="checkbox"/> Shoot or Acidize
<input type="checkbox"/> Fracture Treat	<input type="checkbox"/> Vent or Flare
<input type="checkbox"/> Multiple Completion	<input type="checkbox"/> Water Shut-Off
<input type="checkbox"/> Other _____	

Approximate Date Work Will Start
April 5, 1999 or sooner if a verbal approval can be obtained.

<input checked="" type="checkbox"/> Abandonment *	<input type="checkbox"/> New Construction
<input type="checkbox"/> Casing Repair	<input type="checkbox"/> Pull or Alter Casing
<input type="checkbox"/> Change of Plans	<input type="checkbox"/> Shoot or Acidize
<input type="checkbox"/> Conversion to Injection	<input type="checkbox"/> Vent or Flare
<input type="checkbox"/> Fracture Treat	<input type="checkbox"/> Water Shut-Off
<input type="checkbox"/> Other _____	

Date of Work Completion :

Report results of Multiple Completions and Recompletions to different reserves on WELL COMPLETION OR RECOMPLETION AND LOG form.
* Must be accompanied by a cement verification report.

13 DESCRIBE PROPOSED OR COMPLETED OPERATIONS (Clearly state all pertinent details, and give pertinent dates. If well is directionally drilled, give subsurface locations and measured and true vertical depths for all markers and zones pertinent to this work).

- Mission Energy will P&A this well as soon as possible. The only work that has been performed on this well as of this date is that 124' of 14" conductor was set with a spud rig and cemented by BJ Services on Oct.3,1998.
- We propose to dig up around the conductor pipe with a backhoe 8/8', cut-off the casing, back fill it with dirt/gravel, weld a plate on top.
- Back fill the hole with the ballings from the original hole.
- Clean ground and re-seed per DOGM stipulations.

**APPROVED BY THE STATE
OF UTAH DIVISION OF
OIL, GAS, AND MINING**
DATE: 3-31-99
BY: [Signature]

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

Name & Signature : J. Wayne Fisher [Signature] Title : Agent For Mission Energy Date : March 31, 1999
(State Use Only)

See Attached conditions

Utah Division of Oil, Gas and Mining

Attachment to **Sundry Notice and Report on Wells**
dated March 31, 1999.

Subject: Proposal of Mission Energy, LLC to plug and abandon the
Krause 1-33 Well
SW/SW, sec. 33, T11S, R14E, Duchesne, County
API = 43-013-32092

Conditions of Approval:

1. Fill conductor pipe with cuttings and clay material, do not excavate site to obtain fill material.
2. Return contour of location to as near original as possible.
3. Apply seed mix at a later date as approved by DOGM.
4. Notify DOGM ASAP when work will be commenced.

8002 WCR 24H
Loveland, CO. 80538
Ph. (970) 669-8217
Fax (970) 635-9337
E-Mail jwfisher@sprynet.com

Fisher Consulting

Fax

To: John Baza	From: Wayne Fisher
Fax: 801-358-3940	Date: 3/31/99
Phone : 801-538-5334	Pages 2 w/cover
Re: Krause #1-33 P&A	CC: Lisha Cordova, Dennis Ingram Jery Bergeson, J C Sutton

Urgent **For Review** **Please Comment** **Please Reply** **Please Recycle**

•Comments:

Dear, Mr. Baza:

Please review this request to abandon the Krause #1-33 well. As you know our efforts to negotiate with Mr. Carlson have not been successful.

This lease expires April 1, 1999 and the other Federal leases and Unit that this well would have saved have been lost.

We would like to complete this work ASAP. If we could obtain verbal consent to go ahead with this work while the surface reclamation stipulations are put together we would like to put this whole thing behind us ASAP.

The originals are being mailed to your office today.

Thank you, for your consideration in this matter.



J. Wayne Fisher, Agent for Mission Energy, LLC

TRANSACTION REPORT

P. 01

MAR-31-99 TUE 04:47 PM

SEND (M)

DATE	START	RECEIVER	TX TIME	PAGES	TYPE	NOTE	M#	DP
MAR-31	04:45 PM	19706359337	1'41"	3	SEND	(M) OK	128	
TOTAL				1M 41S	PAGES:		3	



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

Michael O. Leavitt
 Governor
 Ted Stewart
 Executive Director
 Lowell P. Braxton
 Division Director

1594 West North Temple, Suite 1210
 PO Box 145801
 Salt Lake City, Utah 84114-5801
 801-538-5340
 801-359-3940 (Fax)
 801-538-7223 (TDD)

UTAH DIVISION OF OIL, GAS AND MINING
 FACSIMILE COVER SHEET

DATE: 3-31-99

FAX#: 970-635-9337

ATTN: Wayne Fisher

COMPANY: Mission Energy

DEPARTMENT: _____

NUMBER OF PAGES: (INCLUDING THIS ONE) 3

From: Gil Hunt

G. Hunt

FILED

APR 13 1999

SECRETARY, BOARD OF
OIL, GAS & MINING

BEFORE THE BOARD OF OIL, GAS AND MINING
DEPARTMENT OF NATURAL RESOURCES
STATE OF UTAH

---oo0oo---

IN THE MATTER OF THE REQUEST	:	
FOR AGENCY ACTION OF MICHAEL	:	ORDER TO DISMISS
M. CARLSON FOR REVOCATION OF	:	
MISSION ENERGY, LLC'S APPROVAL	:	
TO DRILL KRAUSE STATE #1-33, API	:	DOCKET NO. 98-025
NO. 43-013-32092, IN THE SW¼SW¼	:	CAUSE NO. 240-3
OF SECTION 33, T11S, R14E, SLM,	:	
DUCHESNE COUNTY, UTAH	:	

---oo0oo---

Having read the STIPULATION OF DISMISSAL WITHOUT PREJUDICE submitted by Petitioner Michael M. Carlson and by Mission Energy, LLC in the above-referenced matter, for good cause, the Utah Board of Oil, Gas and Mining hereby grants the Motion based on the Stipulation and adopts the Stipulation as a Board Order.

SO GRANTED this 13th day of April, 1999.

STATE OF UTAH
BOARD OF OIL, GAS AND MINING



Dave D. Lauriski, Chairman

CERTIFICATE OF SERVICE

I hereby certify that I caused a true and correct copy of the foregoing ORDER TO DISMISS for Docket No. 98-025, Cause No. 240-3 to be mailed, postage prepaid, this 14 day of April, 1999, to the following:

A. John Davis, Esq.
Michael S. Johnson, Esq.
Pruitt, Gushee & Bachtell
Attorneys for Mission Energy, LLC.
36 South State Street, Suite 1850
Salt Lake City, UT 84111-1495

Patrick J. O'Hara, Esq.
Assistant Attorney General
Attorney for Div. of Oil, Gas & Mining
160 East 300 South, 5th Floor
P.O. Box 140857
Salt Lake City, UT 84114-0857

Daniel A. Jensen, Esq.
D. Craig Parry, Esq.
Parr Waddoups Brown Gee & Loveless
Attorneys for Michael M. Carlson
185 South State Street, Suite 1300
Salt Lake City, UT 84111-1537

Michael M. Carlson
14800 South 1300 West
Bluffdale, UT 84065

Sent by Hand Delivery To:

Daniel G. Moquin
Assistant Attorney General
Attorney for Board of Oil, Gas & Mining
1594 West North Temple, Suite 300
P.O. Box 140855
Salt Lake City, UT 84114-0855



Krause I-33 Well Site, before and after plugging.





Krawse # 1-33
sec 33, 115, 146

4/22/99



Krawse 1-33
Sec 33, 115 Range 14E
4/21/99



Krause 1-33
Sec 33, 115 14 E.

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

<p align="center">SUNDRY NOTICES AND REPORTS ON WELLS</p> <p align="center">Do not use this form for proposals to drill new wells, deepen existing wells, or to reenter plugged and abandoned wells. Use APPLICATION FOR PERMIT - for such proposals</p>		6. Lease Designation and Serial Number UTML-43889
		7. Indian, Allottee or Tribe Name N/A
1. Type of Well <input type="checkbox"/> Oil Well <input checked="" type="checkbox"/> Gas Well <input type="checkbox"/> Other (specify) _____		8. Unit or Communitization Agreement N/A
2. Name of Operator Mission Energy, LLC		9. Well Name and Number Krause #1-33
3. Address of Operator 621-17th Street, Suite 2450, Denver, CO 80293	4. Telephone Number 303-292-9775	10. API Well Number 43-013-32092
5. Location of Well Footage : 915' FSL, 310' FWL QQ, Sec. T., R., M SW/SW SEC. 33, T11S, R14E		11. Field and Pool, or Wildcat Wildcat
		County : Duchesne State : Utah

PLEASE CHECK BOXES TO INDICATE NATURE OF NOTICE REPORT

NOTICE OF INTENT
(Submit in Duplicate)

<input type="checkbox"/> Abandonment	<input type="checkbox"/> New Construction
<input type="checkbox"/> Casing Repair	<input type="checkbox"/> Pull or Alter Casing
<input type="checkbox"/> Change of Plans	<input type="checkbox"/> Recompletion
<input type="checkbox"/> Conversion to Injection	<input type="checkbox"/> Shoot or Acidize
<input type="checkbox"/> Fracture Treat	<input type="checkbox"/> Vent or Flare
<input type="checkbox"/> Multiple Completion	<input type="checkbox"/> Water Shut-Off
<input type="checkbox"/> Other _____	

Approximate Date Work Will Start _____

SUBSEQUENT REPORT
(Submit Original Form Only)

<input checked="" type="checkbox"/> Abandonment *	<input type="checkbox"/> New Construction
<input type="checkbox"/> Casing Repair	<input type="checkbox"/> Pull or Alter Casing
<input type="checkbox"/> Change of Plans	<input type="checkbox"/> Shoot or Acidize
<input type="checkbox"/> Conversion to Injection	<input type="checkbox"/> Vent or Flare
<input type="checkbox"/> Fracture Treat	<input type="checkbox"/> Water Shut-Off
<input type="checkbox"/> Other _____	

Date of Work Completion : April 14, 1999

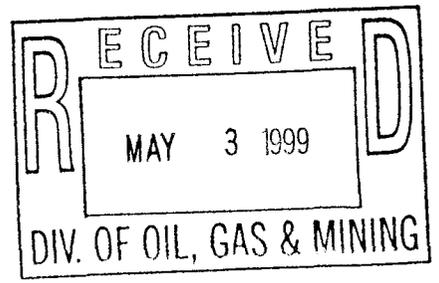
Report results of Multiple Completions and Recompletions to different reserves on WELL COMPLETION OR RECOMPLETION AND LOG form.
* Must be accompanied by a cement verification report.

13 DESCRIBE PROPOSED OR COMPLETED OPERATIONS (Clearly state all pertinent details, and give pertinent dates. If well is directionally drilled, give subsurface locations and measured and true vertical depths for all markers and zones pertinent to this work).

- Used a backhoe and dug down 8', removed cement from around casing. Cut off casing 6' below ground level, Used cement and dirt to back-fill the casing. Welded top plate with well identification on top of casing. Backfilled hole and leveled surface.
- Removed excess material from location and cleaned same. Drug and leveled an area +/- 100' square around the removed wellhead
- Notified Dennis Ingram that work was complete. He inspected the site and called me April 26, 1999 to confirm he had inspected site and approved the work. He advised me that the site would probably not need reseeded and would advise us after the growing season was well under way.

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

Name & Signature : J. Wayne Fisher *J. Wayne Fisher* Title : Agent For Mission Energy Date : April 28, 1999
(State Use Only)



Division of Oil, Gas and Mining
PHONE CONVERSATION DOCUMENTATION FORM

Route original/copy to:

Well File MISSION ENERGY
KRAUSE #1-33
(Loc.) Sec 33 Twp 11S Rng. 14E
(API No.) 43-013-32097

Suspense
(Return Date) _____
(To-Initials) _____
 Other

1. Date of Phone Call: 6/24/99 Time: _____

2. DOGM Employee (name) BRAD HILL (Initiated Call)
Talked to:
Name MIKE CARLSON (Initiated Call) - Phone No. (801) 254-2140
of (Company/Organization) LAND OWNER

3. Topic of Conversation: MISSION ENERGY IS
REQUESTING BOND RELEASE ON
KRAUSE #1-33

4. Highlights of Conversation: LEFT MESSAGE THAT WE
WOULD LIKE TO KNOW IF HE IS
SATISFIED WITH RECLAMATION. SAID THAT
WE WOULD RELEASE BOND IN 1 WEEK
IF WE GET NO RESPONSE. THIS WAS
A FOLLOW UP TO ANOTHER MESSAGE
LEFT 2 WEEKS PREVIOUSLY WHICH WAS
NEVER RESPONDED TO.

Division of Oil, Gas and Mining
PHONE CONVERSATION DOCUMENTATION FORM

Route original/copy to:

Well File MISSION ENERGY
KRAUSE # 1-33
(Loc.) Sec 33 Twp 11S Rng 14E
(API No.) 43-013-32097

Suspense

Other

(Return Date) _____

(To-Initials) _____

1. Date of Phone Call: 6-28-99 Time: _____

2. DOGM Employee (name) BRAD HILL (Initiated Call)

Talked to:

Name MIKE CARLSON (Initiated Call) - Phone No. (801) 254-2190

of (Company/Organization) LAND OWNER

3. Topic of Conversation: MESSAGE FROM MIKE CARLSON
LEFT 6-25-99

4. Highlights of Conversation: TOLD MR CARLSON THAT
I WAS CALLING AS A COURTESY TO HIM
TO GET HIS OPINION ON MISSION'S
RECLAMATION. SINCE THERE WAS NO LANDOWNER
AGREEMENT IT IS DOGM'S RESPONSIBILITY
TO PASS OFF ON RECLAMATION. DENNIS INGRAM
REPORTED THAT IT LOOKED OK TO HIM.
MR CARSON SAID HE WAS GOING TO SITE IN
2-3 DAYS AND WOULD CALL WITH HIS EVALUATION.

Division of Oil, Gas and Mining
PHONE CONVERSATION DOCUMENTATION FORM

Route original/copy to:

Well File MISSION ENERGY Suspense Other
KRAUSE # 1-33 (Return Date) _____
(Loc.) Sec 33 Twp 11S Rng 14E (To-Initials) _____
(API No.) 43-013-32097 _____

1. Date of Phone Call: 6-30-99 Time: 9:47

2. DOGM Employee (name) BRAD HILL (Initiated Call)
Talked to:
Name J.C. SUTTON (Initiated Call) - Phone No. () _____
of (Company/Organization) MISSION ENERGY

3. Topic of Conversation: RELEASE OF BOND ON
KRAUSE # 1-33

4. Highlights of Conversation: MR SUTTON REQUESTED THAT WE
CALL SITLA AND OK BOND RELEASE. AFTER
DISCUSSION WITH GIL HUNT, I CALLED MR SUTTON
BACK AND TOLD HIM WE WOULD TELL SITLA
TO RELEASE BOND WITH THE UNDERSTANDING
THAT MISSION WOULD COMPLY WITH ANY ADDITIONAL
RECLAMATION THAT DOGM FELT WAS REASONABLE
IF MR CARLSON HAD ANY REQUESTS. I
CALLED ED BONNER AND LEFT A MESSAGE TO
CALL. ED RETURNED MY CALL @ 1:30 AND
I TOLD HIM TO RELEASE THE BOND.

NOTE: AS OF 7-8-99 NO RESPONSE HAS BEEN RECEIVED FROM MR. CARLSON

RECEIVED
FORM 8
SEP 7 1999
DIV. OF OIL, GAS & MINING

STATE OF UTAH
DIVISION OF OIL, GAS AND MINING

5. LEASE DESIGNATION AND SERIAL NO.

UTML-43889

6. IF INDIAN, ALLOTTEE OR TRIBE NAME

N/A

7. UNIT AGREEMENT NAME

N/A

8. FARM OR LEASE NAME, WELL NO.

Krause

9. WELL NO.

1-33

10. FIELD AND POOL OR WILDCAT

Wildcat

11. SEC., T., R., M., OR BLOCK AND SURVEY

OR AREA
SW?SW Sec.33, T11S, R14E

12. COUNTY

Dushsene

13. STATE

UTAH

WELL COMPLETION OR RECOMPLETION REPORT AND LOG*

1a. TYPE OF WELL

OIL WELL

GAS WELL

DRY

CONFIDENTIAL

1b. TYPE OF COMPLETION

NEW WELL

WORK OVER

DEEP-EN

PLUG BACK

DIFF. RESVR.

Other P & A

2. NAME OF OPERATOR

Mission Energy, LLC

3. ADDRESS AND TELEPHONE NO.

621 - 17th Street, Suite 1024, Denver, CO 80293

CONFIDENTIAL

4. LOCATION OF WELL (Report locations clearly and in accordance with any State requirement)

At Surface
915, FSL, 310' FWL SW/SW Sec. 33, T11S, R14E

CONFIDENTIAL
PERIOD EXPIRED
ON 5-5-00

At top prod. Interval reported below

N/A

At total depth

N/A

14. API NO.

43-013-32092

DATE ISSUED

9/29/98

15. DATE SPUDDED

9/30/98

16. DATE T.D. REACHED

N/A

17. DATE COMPL. (Ready to prod. or P & A)

P & A 4/5/1999

18. ELEVATIONS (DF, RKB, RT, GR, ETC.)*

6150 GR

19. ELEV. CASINGHEAD

N/A

20. TOTAL DEPTH, MD & TVD

124 MD 124 TVD

21. PLUG, BACK T.D., MD & TVD

n/a TD
n/a MD n/a TVD

22. IF MULTIPLE COMPL., HOW MANY

n/a

23. INTERVALS ROTARY TOOLS

DRILLED BY

-----> |0-124'

CABLE TOOLS

24. PRODUCING INTERVAL(S), OF THIS COMPLETION--TOP, BOTTOM, NAME (MD AND TVD)

Well was P & A per Sundry notice filed 3/31/1999

25. WAS DIRECTIONAL SURVEY MADE

n/a

26. TYPE ELECTRIC AND OTHER LOGS RUN

n/a

27. WAS WELL CORED YE NO (Submit analysis)

DRILL STEM TEST YE NO (See reverse side)

23. CASING RECORD (Report all strings set in well)

CASING SIZE	WEIGHT, LB./FT.	DEPTH SET (MD)	HOLE SIZE	CEMENTING RECORD	AMOUNT PULLED
14" conductor	42	124'	20"	300 sxs Class G w/cello flake and 2% CaCl2	8'

29. LINER RECORD

SIZE	TOP (MD)	BOTTOM (MD)	SACKS CEMENT*	SCREEN (MD)

30. TUBING RECORD

SIZE	DEPTH SET (MD)	PACKER SET (MD)

31. PERFORATION RECORD (Interval, size and number)

INTERVAL SIZE NUMBER

32. ACID, SHOT, FRACTURE, CEMENT SQUEEZE, ETC.

DEPTH INTERVAL (MD) AMOUNT AND KIND OF MATERIAL USED

33.* PRODUCTION

DATE FIRST PRODUCTION

PRODUCTION METHOD (Flowing, gas lift, pumping--size and type of pump)

WELL STATUS (Producing or shut-in)

DATE OF TEST

HOURS TESTED

CHOKE SIZE

PROD.N. FOR TEST PERIOD

OIL--BBL.

GAS--MCF.

WATER--BBL.

GAS-OIL RATIO

FLOW. TUBING PRESS.

CASING PRESSURE

CALCULATED 24-HOUR RATE

OIL--BBL.

GAS--MCF.

WATER--BBL.

OIL GRAVITY-API (CORR.)

34. DISPOSITION OF GAS (Sold, used for fuel, vented, etc.)

TEST WITNESSED BY

35. LIST OF ATTACHMENTS

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

SIGNED

J. Wayne Fisher

TITLE Agent f/Mission Energy, LLC

DATE

9/2/99

See Spaces for Addition Data on Reverse Side