

001

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

FORM 3

AMENDED REPORT   
(highlight changes)

<b>APPLICATION FOR PERMIT TO DRILL</b>			5. MINERAL LEASE NO: <b>UTU-80566</b>	6. SURFACE: <b>FED</b>
1A. TYPE OF WORK: DRILL <input checked="" type="checkbox"/> REENTER <input type="checkbox"/> DEEPEN <input type="checkbox"/>			7. IF INDIAN, ALLOTTEE OR TRIBE NAME: <b>FED</b>	
B. TYPE OF WELL: OIL <input type="checkbox"/> GAS <input type="checkbox"/> OTHER _____ SINGLE ZONE <input type="checkbox"/> MULTIPLE ZONE <input type="checkbox"/>			8. UNIT or CA AGREEMENT NAME: <b>FED</b>	
2. NAME OF OPERATOR: <b>QUINEX ENERGY CORPORATION</b>			9. WELL NAME and NUMBER: <b>J&amp;J FED 20-2</b>	
3. ADDRESS OF OPERATOR: <b>465 South 200 West, Bountiful, UT 84010</b>		PHONE NUMBER: <b>292-3800</b>	10. FIELD AND POOL, OR WILDCAT: <b>WILDCAT</b>	
4. LOCATION OF WELL (FOOTAGES) AT SURFACE: <b>2209' FNL, 1598' FEL Section 29, T9S, R17E 4428361Y 583125X</b> AT PROPOSED PRODUCING ZONE: <b>2209' FNL, 1598' FEL Section 29, T6S, R17E 40.00324 9 -110.02617</b>			11. QTR/QTR, SECTION, TOWNSHIP, RANGE, MERIDIAN: <b>SW, NE Section 29</b>	
14. DISTANCE IN MILES AND DIRECTION FROM NEAREST TOWN OR POST OFFICE: <b>13 1/2 Miles south of Miton, Duchesne Co., Utah</b>			12. COUNTY: <b>Duchesne</b>	13. STATE: <b>UT UTAH</b>
15. DISTANCE TO NEAREST PROPERTY OR LEASE LINE (FEET) <b>2209'</b>	16. NUMBER OF ACRES IN LEASE: <b>1800</b>	17. NUMBER OF ACRES ASSIGNED TO THIS WELL: <b>40</b>		
18. DISTANCE TO NEAREST WELL (DRILLING, COMPLETED, OR APPLIED FOR) ON THIS LEASE (FEET) <b>1/2 mile</b>	19. PROPOSED DEPTH: <b>12,500'</b>	20. BOND DESCRIPTION: <b>Wells Fargo letter of credit</b>		
21. ELEVATIONS (SHOW WHETHER DF, RT, GR, ETC.): <b>GR. 5390'</b>	22. APPROXIMATE DATE WORK WILL START: <b>3/15, 2004</b>	23. ESTIMATED DURATION: <b>30 days</b>		

24. **PROPOSED CASING AND CEMENTING PROGRAM**

SIZE OF HOLE	CASING SIZE, GRADE, AND WEIGHT PER FOOT	SETTING DEPTH	CEMENT TYPE, QUANTITY, YIELD, AND SLURRY WEIGHT
18 3/4"	13 3/8"	48-52'	226 Sacks
12 3/4"	8 5/8"	3500'	660 sks lite
7 5/8"	5 1/2"	12,500'	3000 sks lite

25. **ATTACHMENTS**

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

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

NAME (PLEASE PRINT) DeForrest Smouse TITLE President

SIGNATURE *DeForrest Smouse* DATE December 29, 2003

(This space for State use only)

**Federal Approval of this Action is Necessary**

API NUMBER ASSIGNED: 43-013-32519

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

**RECEIVED  
DEC 31 2003**

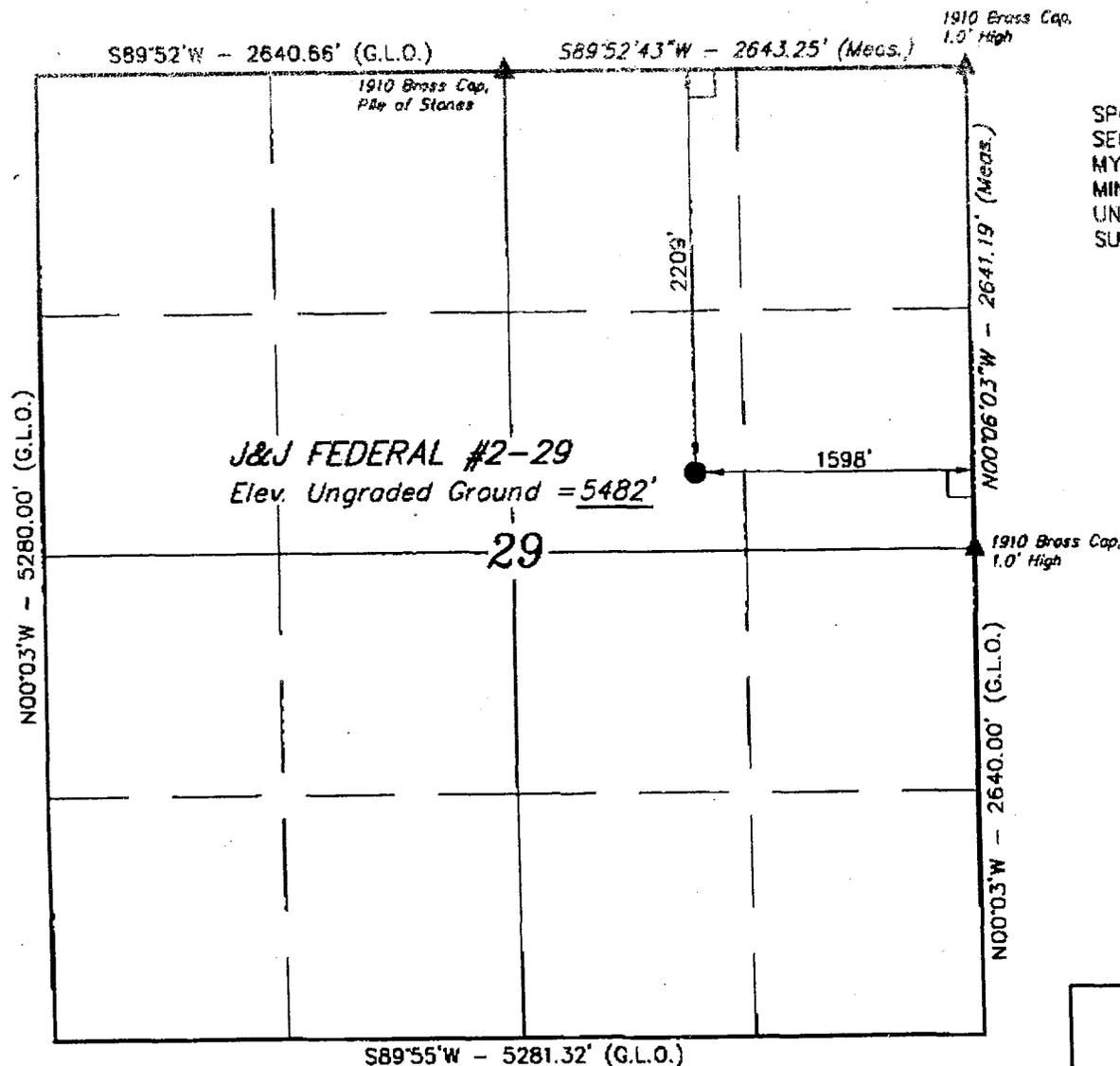
Date: 01-30-04  
By: *[Signature]*

DIV. OF OIL, GAS & MINING

T9S, R17E, S.L.B.&M.

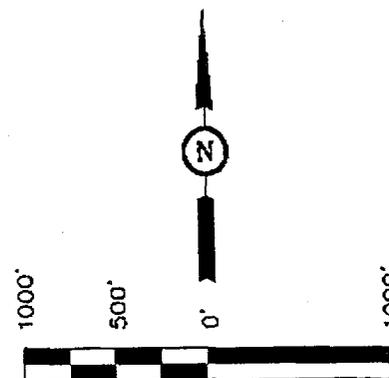
QUINEX ENERGY CORP.

Well location, J&J FEDERAL #2-29, located as shown in the SW 1/4 NE 1/4 of Section 29, T9S, R17E, S.L.B.&M. Duchesne County, Utah.



BASIS OF ELEVATION

SPOT ELEVATION LOCATED AT THE NORTHEAST CORNER OF SECTION 29, T9S, R17E, S.L.B.&M. TAKEN FROM THE MYTON SE QUADRANGLE, UTAH, DUCHESNE COUNTY, 7.5 MINUTE SERIES (TOPOGRAPHICAL MAP) PUBLISHED BY THE UNITED STATES DEPARTMENT OF THE INTERIOR, GEOLOGICAL SURVEY. SAID ELEVATION IS MARKED AS BEING 5414 FEET.



CERTIFICATE OF SURVEY

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.

ROBERT L. [Signature]

REGISTERED LAND SURVEYOR  
REGISTRATION NO. 1981319  
STATE OF UTAH

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

SCALE 1" = 1000'	DATE SURVEYED: 12-19-03	DATE DRAWN: 12-24-03
PARTY J.F. A.F. C.G.	REFERENCES G.L.O. PLAT	
WEATHER COLD	FILE QUINEX ENERGY CORP.	

LEGEND:

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

BASIS OF BEARINGS

BASIS OF BEARINGS IS A G.P.S. OBSERVATION.  
(AUTONOMOUS NAD 83)  
LATITUDE = 40°00'11.31" (40.003142)  
LONGITUDE = 110°01'35.95" (110.026653)

12/24/03 13:19 FAX 801 789 1813 801 789 1813

U.E.L.S., INC.

**EIGHT POINT PLAN**

2-201  
**QUINEX ENERGY J&J Fed 29-2 E**  
**SE,SW,NE, SECTION 29, T9S, R17E**  
**DUCHESNE COUNTY, UTAH**

**1 & 2. ESTIMATED TOPS 7 ANTICIPATED OIL,GAS 7 WATER ZONES**

<u>FORMATION</u>	<u>DEPTH</u>	<u>TYPE ZONES</u>	<u>MAX. PRESSURE</u>
Uintah Formation	Surface	Fresh Water	
Green River Fm.	1,160'	Oil & Gas	1500#
Wasatch Formation	5812'	Oil & Gas	2500#
Mesa Verde Fm.	9070'	Gas	3500#
Castle Gate Sand	12050'	Gas	6500#
EST. TD	12,500'		Anticipated BHP 6500 PSI.

**3. PRESSURE CONTROL EQUIPMENT**

. BOP Schematic Diagram attached

**4. CASING PROGRAM:**

<u>HOLE SIZE</u>	<u>INTERVAL</u>	<u>LENGTH</u>	<u>SIZE</u>	<u>WEIGHT</u>	<u>GRADE</u>	<u>THREAD</u>	<u>COLLAPSE</u>	<u>BURST.</u>	<u>CEMENT</u>
12 3/4"	0-3500'	3500'	8 5/8"	24#	J55	8 ROUND	1580#	3130#	Class G
7 7/8"	3500-12500'	12500'	5 1/2"	17#	N80	8 ROUND	6280#	7740#	Class G

All casing will be new or inspected.

**5. MUD PROGRAM:**

<u>INTERVAL</u>	<u>MUD TYPE</u>	<u>Weight</u>
0-8000'	WATERGEL	8.5#
8000-12,500'	Low Solids	9.5#

Lost circulation zones are not anticipated.

Sufficient mud inventory will be maintained on location during drilling to handle any adverse conditions that may arise.

**6. VARIANCE REQUESTS:**

The J&J FED 29-2 well is designated as a Mesa Verde Formation test.

7. **EVALUATION PROGRAM:**

**Logs : SCHLUMBERGER WIRELINE:**

DIL-SFL 2500'-12500'

CNL-FDC 6000'-12500'

FW SONIC 6000'-12500'

MUDLOG 6000'-12500'

Additional logs as needed to evaluate formation 6000-TD.

Cores: None Programmed

DST's None Programmed

Completion: To be submitted at a later date.

8. **ABNORMAL CONDITIONS:**

None anticipated.

9. **STANDARD REQUIRED EQUIPMENT:**

- a. Choke Manifold
- b. Gas Buster
- c. Visual Mud Monitoring

10. **HAZARDOUS CHEMICALS:**

No chemicals subject to reporting under SARA Title III in an amount to or greater than 10,000 pounds will be used, produced, stored, transported, or disposed of annually in association with the drilling of this well. Furthermore, no extremely hazardous substances, as defined in 40 CFR 355, in threshold planning quantities, will be used, produced, stored, transported, or disposed of in association with the drilling of this well.

( Attachment: BOP Schematic Diagram)

**THIRTEEN POINT PLAN**

**J&J FED 2-29** 2-29

~~2-29~~

**GENERAL Requirements for working on BLM Lands**

- 1 Cultural resources are not expected to be disrupted, as the location is on the same wellsite used for the Conoco- Kralovic #1 well that was drilled in 1952. No additional land will be excavated on either access road or on the wellsite.
- 2 The area is grassland with minor sagebrush and other desert vegetation.

1. **Existing Roads** - See Location Map.

- A. Wellsite: 2209' FNL, 1598' FEL, (SE SW NE Section 29) T9S R17E.
- B. Travel 1 1/2 mile east of Myton , Utah and turn south (left) on graded road then 13 miles on Pariette road to old Castle Peak mine-site then left on graded road. At 1.4 miles the road turns south for 4 miles passing the deserted Snyder Spring Ranch. The road to the wellsite is located 3/4 mile past the ranch on maintained road then west on old wellsite road 0.2 miles to the location.
- C. Roads: The route is over paved US 40 to turnoff about 1.5 miles west of Myton. All other roads are graded, many with fair gravel topping. An additional access road exits US 40 through Myton.
- D. Other existing roads as marked on Topo map.
- E. Existing roads will be maintained by the county. The old access road to the J&J Fed 29-2 well will be re-built to meet BLM specifications and be maintained as required, for all weather use, by the operator. (See engineer survey plat.)

2. **General:**

- (1) The Vernal District BLM will be notified 48 hours prior to commencing work on BLM Lands.
- (2) The dirt contractor will be furnished a copy of this Surface Use Plan, and along with any additional BLM stipulations, prior to the work.
- (3) The all topsoil removed for reserve pits will be stockpiled on the NW corner of the location.

- (4) The reserve pit will be lined with native clay materials and water-proofed.

**B. Planned Access Roads:**

The rebuilt access road will follow the road to the Kralovick well. The subject road will be improved to BLM specifications (from 6, p. 26, "Surface Operating Standards for Oil and Gas Exploration and Development" as follows:

- (1) Width: 16' at crown:  
Total disturbed Width 30'.
- (2) Maximum Grades: 3% Maximum.
- (3) Turnouts: None Required.
- (4) Drainage: Borrow pit on south side.
- (5) Culverts: none needed.
- (6) Surface material: The roads surface will be covered with 6 inches of roadbase and 2" inches of 1 1/2" gravel topping as required for traction and erosion control.
- (7) Gates/Cattle-guards: The location is in open unfenced grand with minor sagebrush & native grasses. No gates or cattle-guards needed.

**3. Location of Existing Wells: See Topographic Map.**

Wells within one mile radius:

- (1) Water wells: None
- (2) Abandoned Oil Wells:
- (3) Temporarily Abandoned Wells: None
- (4) Disposal Wells: None
- (5) Drilling Wells: None
- (6) Producing Wells: 1  
Inland Production Co.  
Fed. 41-30 - Green River Formation Production
- (7) Shut in wells: None
- (8) Injection Wells: None
- (9) Monitoring Wells: None

**4. Location of Existing and/or Proposed Facilities: - See Survey & Topo. Plat.**

**A. Within 1-mile radius of location, existing facilities owned or operated by Inland Production Co.**

- (1) Tank Batteries : Same as 6 above.**
- (2) Production Facilities: Same as above.**
- (3) Oil Gathering Lines : None**
- (4) Gas Gathering Lines: Inland**
- (5) Injection Lines: None**
- (6) Disposal Lines : None**

**B. New Facilities Contemplated:**

- (1) Off Well Pad: A gas line tie-in to WEXPRO or gas line On Inland well and Electric tie-in to Moon Lake Electric are anticipated. Agreements with and Moon Lake will be executed prior to completion.**
- (2) Well Pad Dimensions: Rig Layout Plat will be provided when drilling contract is signed..**
- (3) Construction Methods: Tanks are to be welded. Battery grade will be less than 3' above well pad grade. All equipment will be painted medium sand brown.**
- (4) Protective Measures: There will be no open vessels or permanent storage of fluids in open pits. Storage Tanks will be diked to provide emergency containment of a potential tank failure.**

**C. Location and Type of Water Supply**

**A. Water Source:**

**Approximately ten acre-feet of water will be required to drill and complete the well. Water is to be hauled from the Parriett wet lands by Dave Murray. Proper water right will be obtained from a State Engineer prior to spudding.**

**B. Transportation: Water will be trucked.**

**C. Water Well: None Proposed.**

**6. Source of Construction Materials:**

- A. Source: Materials from cuts will be used in fills. No additional requirements are anticipated.**

- B. Ownership:** The access road and location are on BLM Lands.
- C. Outside Materials:** Road-base will be obtained from commercial gravel pits in the Myton, Utah area.
- D. Access:** No additional access roads will be required excepting the Up-graded road to the location from the graded field road. (See plat above).

## **7. Methods of Handling Waste Disposal**

**Disposal will be handled as follows:**

- (1) Cuttings :** Drill cuttings are to be buried in the reserve pit.
- (2) Drilling Fluids:** Drilling fluids are to be removed to a commercial disposal pit within 90 days of completion.
- (3) Produced Fluids:** Produced oil will be sold to an authorized oil buyer. Produced water will be hauled to an authorized disposal. Gas produced will be sold to WEXPRO.
- (4) Sewage:** Chemical Toilets will be provided for the drilling crew.
- (5) Trash and Garbage:** Trash will be accumulated in a wire mesh receptacle and hauled to a sanitary land fill.
- (6) Post Drilling cleanup:** After drilling operations cease, the access road and location will be cleaned up and graded. The reserve pit will be covered and re-seeded to BLM specifications within 90 days.

## **8. Ancillary Facilities**

**No camp facilities are planned or required. Plat of site will be provided when drilling contract is signed.**

### **8. Cross Sections: Old wellsite of Kralovick #1 will be used.**

**(1) Equipment Layout: (see above)**

**Rig Orientation: (see above).**

**Pits: All pits are to be sealed.**

Location will be fenced on four sides - see survey plat.

#### **10. Plans for Restoration of Surface.**

Upon completion of drilling operations, the location is to be restored as follows.

- (1) Initial Cleanup:** Location and surrounding area are to be cleaned of all debris resulting from the drilling operation. All trash is to be hauled to a local sanitary landfill.
- (2) The Vernal BLM will be notified 48 hours prior to any surface restoration requiring earth moving equipment, and upon completion of the work.**
- (3) Topography:** Within ninety days of completion (weather permitting) the well, the reserve pit is to be dried, filled and re-contoured to original shape. All spoil material is to be buried a minimum of five feet deep. All trash will be removed prior to burial. All disturbed areas, not required for continued operations, are to be re-contoured to original shape.
- (4) Stockpiled topsoil will be evenly distributed back over reclaimed areas.**
- (5) Re-vegetation:** Reclaimed areas will be scarified and seeded by broadcasting or drilling.
- (6) Unused areas will be blocked from vehicular access.**
- (7) Pits:** Pits will be fenced until cleanup, using wire mesh fence with 2 strands of barbed wire.
- (8) Oil on pits:** Any oil on the pits will be removed to a commercial disposal when rig is released.
- (9) Timetable:** Reserve pit is to be reclaimed within 90 days of completion date. Other areas will be reclaimed within six months of discontinued use.

#### **11. Other Information**

##### **A. Ownership and Right-of-ways:**

Both the surface and minerals are owned by the Bureau of Land Management. Right-of-ways for road, location, gas gathering lines, and power lines will be requested from the BIA.

**B. General Description of Area:**

- (1) Topography: Semi-arid with sagebrush and native grasses.  
No irrigation.**
- (2) Surface Use Activity: The surface is presently used for cattle grazing**
- (3) Water, Dwellings, Archeology: Water is available in the Parriette Slough. There are no dwellings within ½ mile.**

**12. Production Operations**

- A. Notification: A first production report will be sent to the BLM within 5 days of first production to establish site security and APD compliance.**
- B. Site Security: Site security plan will be submitted within thirty days of completion.**
- C. Water Production: NTL-2B will be submitted within 60 days of completion. It is anticipated that the water produced will be hauled to a disposal pit or injection well.**
- D. Weed Control: The road and location will be professionally sprayed annually, using EPA approved chemicals, to control noxious weeds.**
- E. The tank battery if needed is to be built along the north side of the location. All permanent structures will be painted an approved earthtone color within six months of installation, OSHA required markings are excepted.**

**13. Lessee's or Operator's Representative**

**DeForrest Smouse  
465 South 200 West, Suite 300  
Bountiful, Utah 84010  
Phone: (801) 292-3800 or 292-2554**

**Certification**

**I hereby certify that I, or persons under my direct supervision, have inspected the proposed drillsite and access route: that I am familiar with**

the conditions which presently exist: that the statements made in this plan are, to the best of my knowledge, true and correct: and the work associated will be performed by Quinex Energy and its contractors and subcontractors in conformity with this plan and the terms and conditions under which it is approved.

Date: December 29, 2003

  
DeForrest Smouse  
Quinex Energy Corporation

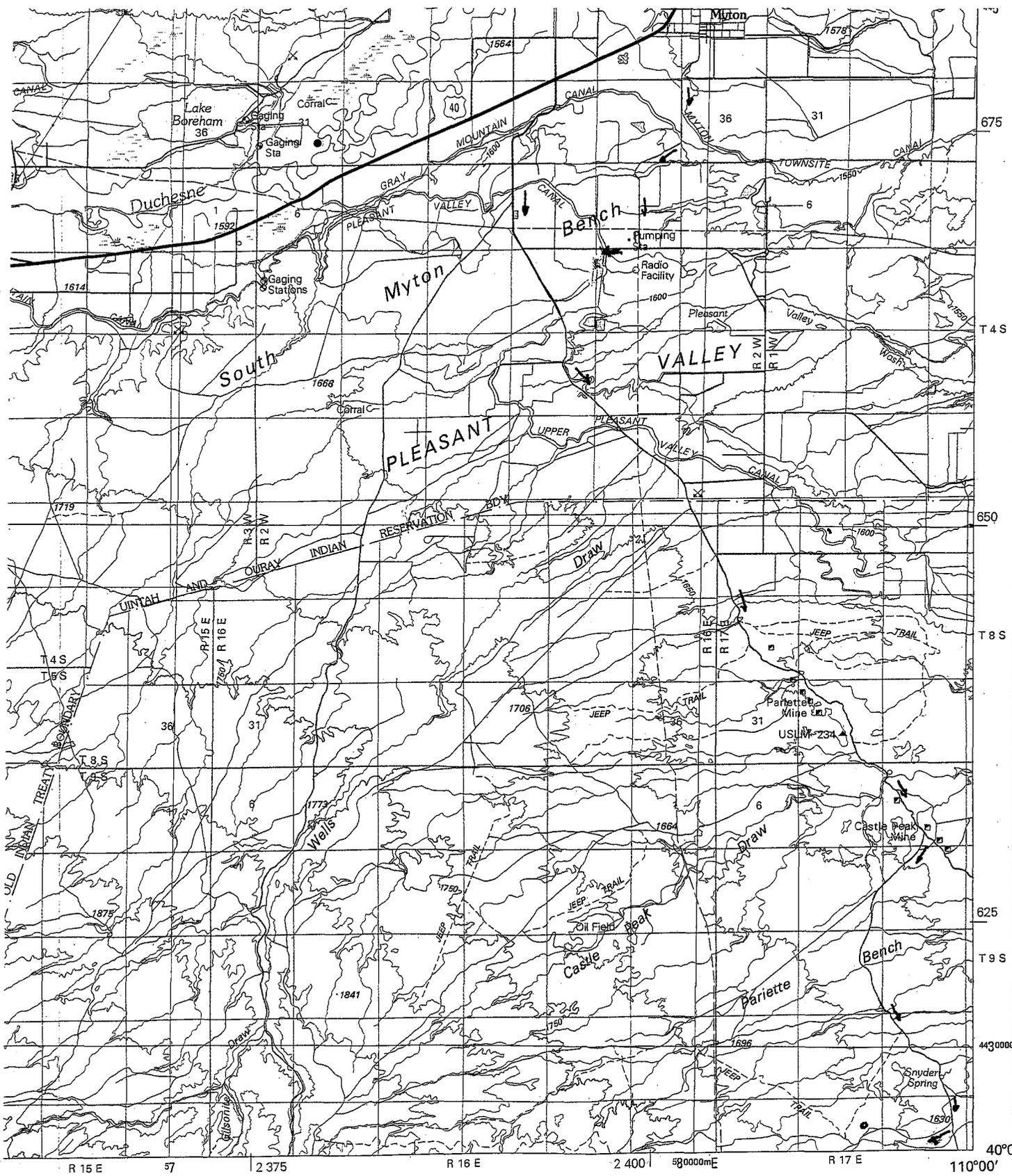
SELF-CERTIFICATION STATEMENT Please be advised that Quinex Energy Corporation is considered to be the operator of J&J Fed 29-2; SE ¼ SW ¼ NE, Section 29, Township 9 S, Range 17 W, Lease UTU- 80566; Duchesne County, Utah; and is responsible under the terms and conditions of the lease for the operations conducted upon the leased lands. Bond coverage is provided by Wells Fargo Bank, N.A. Irrevocable Documentary of Credit Number NZS499876..

  
DeForrest Smouse  
Quinex Energy Corporation

# CONEX ENERGY CORPORATION

## J & J Federal 29-2

### ACCESS



R 15 E

57

2 375

R 16 E

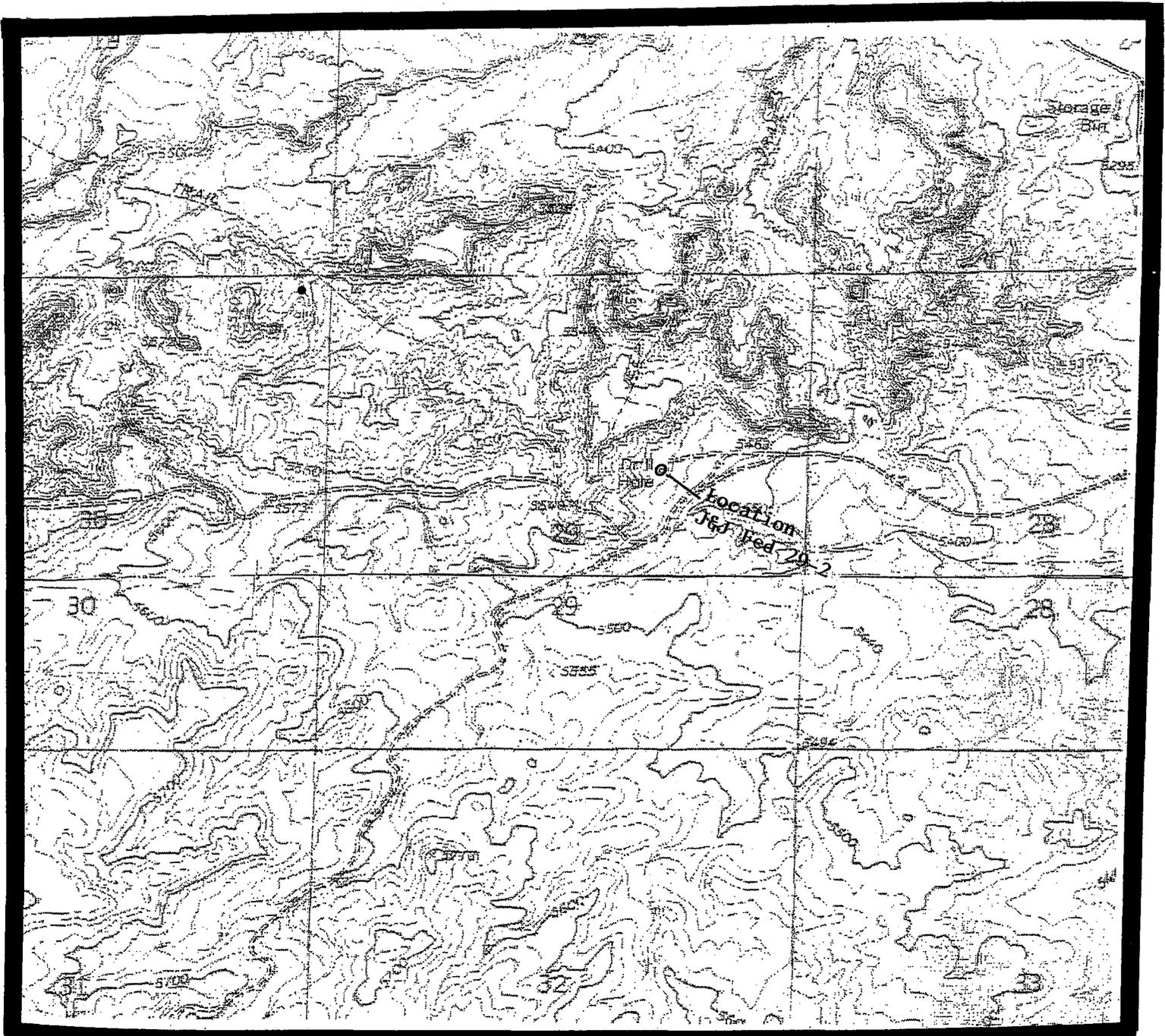
2 400 | 58000mE

R 17 E

110°00'

40°00'

**QUINEX ENERGY CORPORATION**  
**J & J Federal 29-2 2-24**  
**LOCATION MAP**







WORKSHEET  
APPLICATION FOR PERMIT TO DRILL

APD RECEIVED: 01/02/2004

API NO. ASSIGNED: 43-013-32519

WELL NAME: J&J FED <sup>2-29</sup>~~29-2~~  
OPERATOR: QUINEX ENERGY CORP ( N9995 )  
CONTACT: DEFORREST SMOUSE

PHONE NUMBER: 801-292-3800

PROPOSED LOCATION:

SWNE 29 090S 170E  
SURFACE: 2209 FNL 1598 FEL  
BOTTOM: 2209 FNL 1598 FEL  
DUCHESNE  
UNDESIGNATED ( 2 )

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

LEASE TYPE: 1 - Federal  
LEASE NUMBER: UTU-80566  
SURFACE OWNER: 1 - Federal  
PROPOSED FORMATION: CSLGT

LATITUDE: 40.00324  
LONGITUDE: 110.02617

RECEIVED AND/OR REVIEWED:

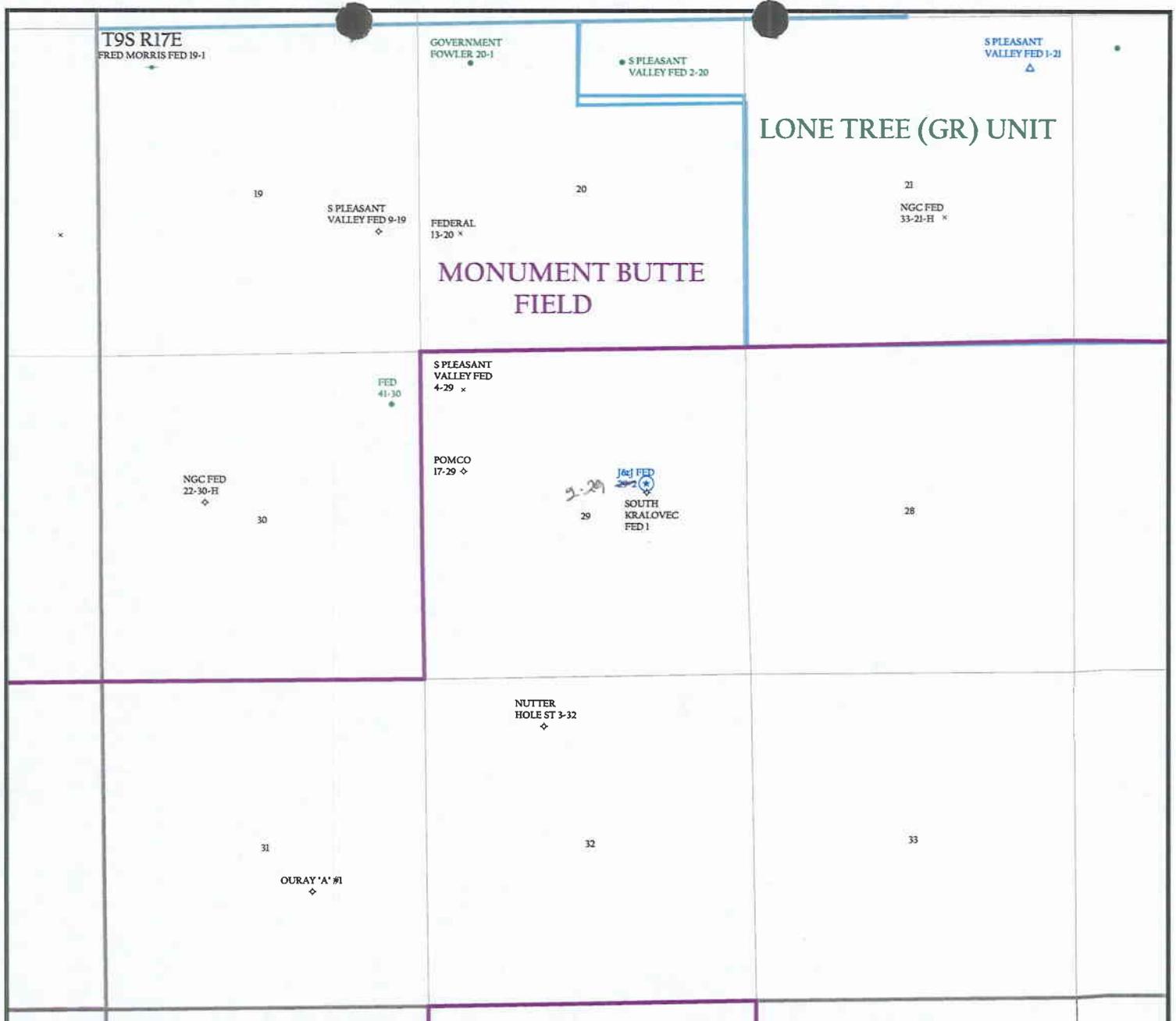
- Plat
- Bond: Fed[1] Ind[] Sta[] Fee[]  
(No. NZS499876 )
- Potash (Y/N)
- Oil Shale 190-5 (B) or 190-3 or 190-13
- Water Permit  
(No. 49-2142 )
- RDCC Review (Y/N)  
(Date: \_\_\_\_\_ )
- Fee Surf Agreement (Y/N)

LOCATION AND SITING:

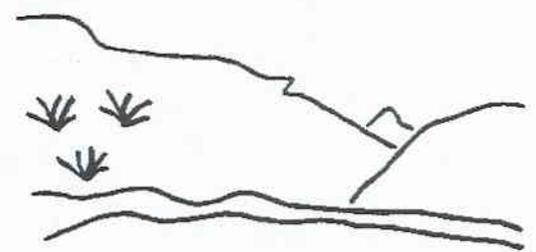
- R649-2-3.  
Unit \_\_\_\_\_
- R649-3-2. General  
Siting: 460 From Qtr/Qtr & 920' Between Wells
- R649-3-3. Exception
- Drilling Unit  
Board Cause No: \_\_\_\_\_  
Eff Date: \_\_\_\_\_  
Siting: \_\_\_\_\_
- R649-3-11. Directional Drill

COMMENTS: \_\_\_\_\_

STIPULATIONS: 1- Federal Approval  
2- Spring 874



OPERATOR: QUINEX ENERGY CORP (N9995)  
 SEC. 29 T.9S, R.17E  
 FIELD: UNDESIGNATED (002)  
 COUNTY: DUCHESNE  
 SPACING: R649-3-3 / EXCEPTION LOCATION

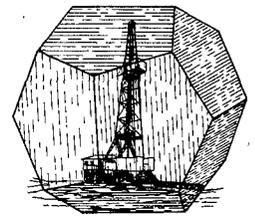


Utah Oil Gas and Mining

- |              |                     |                    |              |                     |            |
|--------------|---------------------|--------------------|--------------|---------------------|------------|
| <b>Wells</b> |                     | <b>Unit Status</b> |              | <b>Field Status</b> |            |
| ✓            | GAS INJECTION       | □                  | EXPLORATORY  | □                   | ABANDONED  |
| •            | GAS STORAGE         | □                  | GAS STORAGE  | □                   | ACTIVE     |
| •            | LOCATION ABANDONED  | □                  | NF PP OIL    | □                   | COMBINED   |
| ⊙            | NEW LOCATION        | □                  | NF SECONDARY | □                   | INACTIVE   |
| •            | PLUGGED & ABANDONED | □                  | PENDING      | □                   | PROPOSED   |
| •            | PRODUCING GAS       | □                  | PI OIL       | □                   | STORAGE    |
| •            | PRODUCING OIL       | □                  | PP GAS       | □                   | TERMINATED |
| •            | SHUT-IN GAS         | □                  | PP GEOTHERML |                     |            |
| •            | SHUT-IN OIL         | □                  | PP OIL       |                     |            |
| ×            | TEMP. ABANDONED     | □                  | SECONDARY    |                     |            |
| •            | TEST WELL           | □                  | TERMINATED   |                     |            |
| ▲            | WATER INJECTION     |                    |              |                     |            |
| •            | WATER SUPPLY        |                    |              |                     |            |
| ✓            | WATER DISPOSAL      |                    |              |                     |            |



PREPARED BY: DIANA WHITNEY  
 DATE: 2-JANUARY-2004

**QUINEX ENERGY CORPORATION**

465 South 200 West • Suite 300 • Bountiful, Utah 84010 • (801) 292-3800 • FAX (801) 295-5858

January 9, 2004

Utah Division of Oil, Gas & Mining  
1594 W. North Temple  
P.O. Box 145801  
Salt Lake City, Utah 84114-5801  
Attn, Diane Whitney

Dear Ms Whitney:

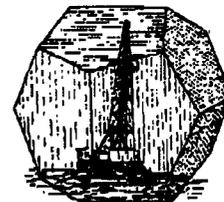
The APD submitted for the Federal 29-2 should be changed to read Fed. 2-29.  
When the surveyors surveyed the location he reversed the number. As the survey shows  
Federal 2-29 the APD will follow the survey plat.

Sincerely,

DeForrest Smouse, PhD  
President

RECEIVED  
JAN 13 2004  
DIV. OF OIL, GAS & MINING

002

**QUINEX ENERGY CORPORATION**

465 South 200 West • Suite 300 • Bountiful, Utah 84010 • (801) 292-3800 • FAX (801) 295-5858

January 12, 2004

Division of Oil Gas & Mining  
1594W. North Temple St. 1210  
Salt Lake City, Utah 84114-5801  
Attn. Diana Whitney

To Whom it May Concern:

In reference to the State Oil and Gas Conservation rule R649-'3-3' the location of the J. & J. Federal 2-29 well is an exception to this rule due to the use of an old prepared drilling pad.

There are no additional lease owners within 460' of the prepared & proposed location. If you have any questions please contact DeForrest Smouse, Quinex Energy Corp. 801 292-3800.

Sincerely,

DeForrest Smouse, PhD  
President

RECEIVED  
JAN 13 2004  
DIV. OF OIL, GAS & MINING



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

1594 West North Temple, Suite 1210  
 PO Box 145801  
 Salt Lake City, Utah 84114-5801  
 (801) 538-5340 telephone  
 (801) 359-3940 fax  
 (801) 538-7223 TTY  
 www.nr.utah.gov

Michael O. Leavitt  
 Governor  
 Robert L. Morgan  
 Executive Director  
 Lowell P. Braxton  
 Division Director

January 20, 2004

Quinex Energy Corporation  
 465 South 200 West  
 Bountiful, UT 84010

Re: J & J Federal 2-29 Well, 2209' FNL, 1598' FEL, SW NE, Sec. 29, T. 9 South, R. 17 East, 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.

Appropriate information has been submitted to DOGM and administrative approval of the requested exception location is hereby granted.

This approval shall expire one year from the above date unless substantial and continuous operation is underway, or a request for extension is made prior to the expiration date. The API identification number assigned to this well is 43-013-32519.

Sincerely,

(for) John R. Baza  
 Associate Director

pab  
 Enclosures

cc: Duchesne County Assessor  
 Bureau of Land Management, Vernal District Office

Operator: Quinex Energy Corporation

Well Name & Number J & J Federal 2-29

API Number: 43-013-32519

Lease: UTU-80566

Location: SW NE                      Sec. 29                      T. 9 South                      R. 17 East

### Conditions of Approval

1. General

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

2. Notification Requirements

Notify the Division within 24 hours of spudding the well.

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

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

- Contact Dan Jarvis at (801) 538-5338

3. Reporting Requirements

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

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

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

RECEIVED

SUBMIT IN TRIPLICATE  
Other instructions on reverse side  
JAN 05 2004

FORM APPROVED  
OMB NO. 1004-0136  
Expires: February 28, 1995

Form 3160-3  
(July 1992)

UNITED STATES  
DEPARTMENT OF THE INTERIOR  
BUREAU OF LAND MANAGEMENT  
BLM VERNAL, UTAH

006

APPLICATION FOR PERMIT TO DRILL OR DEEPEN

1a. TYPE OF WORK  
 DRILL  DEEPEN

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

2. NAME OF OPERATOR  
 QUINEX ENERGY CORPORATION

3. ADDRESS AND TELEPHONE NO.  
 465 South 200 West, Bountiful, Utah 84010 (801) 292-3800

4. LOCATION OF WELL (Report location clearly and in accordance with any State requirements.\*)  
 At surface  
 2209' FNL & 1598' FEL, Section 29, T.9 S., R. 17 E.  
 At proposed prod. zone  
 Same

14. DISTANCE IN MILES AND DIRECTION FROM NEAREST TOWN OR POST OFFICE\*  
 13 1/2 Miles south of Myton, Duchesne County, Utah

15. DISTANCE FROM PROPOSED\* LOCATION TO NEAREST PROPERTY OR LEASE LINE, FT. (Also to nearest drlg. unit line, if any)  
 1/2 mile  
 1590'W, Sec 28

16. NO. OF ACRES IN LEASE  
 1800

17. NO. OF ACRES ASSIGNED TO THIS WELL  
 40

18. DISTANCE FROM PROPOSED LOCATION\* TO NEAREST WELL, DRILLING, COMPLETED, OR APPLIED FOR, ON THIS LEASE, FT.  
 1598' FEL

19. PROPOSED DEPTH  
 12,500'

20. ROTARY OR CABLE TOOLS  
 ROTARY

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

22. APPROX. DATE WORK WILL START\*  
 3/15/ 2004

5. LEASE DESIGNATION AND SERIAL NO.  
 UTU- 80566

6. IF INDIAN, ALLOTTEE OR TRIBE NAME  
 FED

7. UNIT AGREEMENT NAME  
 FED

8. FARM OR LEASE NAME, WELL NO.  
 J&J Fed 29-2

9. API WELL NO.  
 43-013-32519

10. FIELD AND POOL, OR WILDCAT  
 WILDCAT

11. SEC., T., R., M., OR BLK. AND SURVEY OR AREA  
 SESWNW Sec. 29, T9S, R17E

12. COUNTY OR PARISH  
 DUCHESNE

13. STATE  
 UTAH

23. PROPOSED CASING AND CEMENTING PROGRAM

SIZE OF HOLE	GRADE SIZE OF CASING	WEIGHT PER FOOT	SETTING DEPTH	QUANTITY OF CEMENT
17 3/4"	13 3/8"	48#	200'	225 Sks G, to Surface
12 3/4"	8 5/8"	24#	3500'	660 Class G
7 5/8"	5 1/2"	17#	12500	390 50/50 Poz Class G 390 35/65 Poz Class G

The J&J Fed 29-2 well will be drilled on the same location as the abandoned Conoco Kralovick # 1 well. It is the intention to use the same location and same road into the well. The road will be upgraded to meet BLM standards. REF: inclosed 8 point & 13 point plan.

RECEIVED

MAR 19 2004

DIR. OF OIL, GAS & MINES

CONDITIONS OF APPROVAL ATTACHED

IN ABOVE SPACE DESCRIBE PROPOSED PROGRAM: If proposal is to deepen, 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. SIGNED DeForrest Smouse TITLE President DATE 12/29/03

(This space for Federal or State office use)

NOTICE OF APPROVAL

PERMIT NO. \_\_\_\_\_ APPROVAL DATE \_\_\_\_\_

Application approval does not warrant or certify that the applicant holds legal or equitable title to those rights in the subject lease which would entitle the applicant to conduct operations thereon. CONDITIONS OF APPROVAL, IF ANY:

APPROVED BY [Signature] TITLE Assistant Field Manager Mineral Resources DATE 3/14/04

\*See Instructions On Reverse Side

CONDITIONS OF APPROVAL  
APPLICATION FOR PERMIT TO DRILL

Company/Operator: Quinex Energy Corp.

Well Name & Number: Federal 29-2

Lease Number: U-80566

API Number: 43-013-~~21519~~ 32519

Location: SWNE Sec. 29 T.9S R. 17E

Agreement: N/A

**CONDITIONS OF APPROVAL**

Approval of this application does not warrant or certify that the applicant holds legal or equitable title to those rights in the subject lease which would entitle the applicant to conduct operations thereon.

Be aware fire restrictions may be in effect when location is being constructed and/or when well is being drilled. Contact the appropriate Surface Management Agency for information.

A. DRILLING PROGRAM

1. Estimated Depth at Which Oil, Gas, Water, or Other Mineral Bearing Zones are Expected to be Encountered

Report ALL water shows and water-bearing sands to John Mayers of this office **prior to setting the next casing string or requesting plugging orders**. Faxed copies of State of Utah form OGC-8-X are acceptable. If noticeable water flows are detected, submit samples to this office along with any water analyses conducted.

All usable water and prospectively valuable minerals (as described by BLM at onsite) encountered during drilling, will be recorded by depth and adequately protected. All oil and gas shows will be tested to determine commercial potential.

2. Pressure Control Equipment

The BOP and related equipment shall meet the minimum requirements of Onshore Oil and Gas Order No. 2 for equipment and testing requirements, procedures, etc., for a **5M** system and individual components shall be operable as designed. Chart recorders shall be used for all pressure tests.

Test charts, with individual test results identified, shall be maintained on location while drilling and shall be made available to a BLM representative upon request.

If an air compressor is on location and is being utilized to provide air for the drilling medium while drilling, the special drilling requirements in Onshore Oil and Gas Order No. 2, regarding air or gas drilling shall be adhered to.

### 3. Casing Program and Auxiliary Equipment

The proposed intermediate and surface casings do not meet the minimum requirements for collapse design safety factor. The casing must be of sufficient weight and grade to exceed the anticipated collapse load with a safety factor of 1.125.

Surface casing shall have centralizers on the bottom three joints, with a minimum of one centralizer per joint. Surface casing setting depths are based on ground level elevations only.

All casing strings below the conductor shall be pressure tested to 0.22 psi/ft of casing string length or 1500 psi, whichever is greater but not to exceed 70% of the minimum internal yield.

As a minimum requirement, the cement behind the intermediate casing must extend at least 200' above the base of usable water which has been identified at  $\pm 1054'$ . The cement behind the production casing must extend at least 200' above the top of the Wasatch formation.

### 4. Mud Program and Circulating Medium

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

### 5. Coring, Logging and Testing Program

Daily drilling and completion progress reports shall be submitted to this office on a weekly basis.

A cement bond log (CBL) will be run from the production casing shoe to top of the cement and shall be utilized to determine the bond quality for the production casing. Submit a field copy of the CBL to this office.

**Please submit an electronic copy of all logs run on this well in LAS format. This submission will supercede the requirement for submittal of paper logs to the BLM.**

Whether the well is completed as a dry hole or as a producer, "Well Completion and Recompletion Report and Log" (Form 3160-4) will be submitted not later than 30 days after completion of the well or after completion of operations being performed, in accordance with 43 CFR 3164. Two copies of all logs, core descriptions, core analyses, well-test data, geologic summaries, sample description, and all other surveys or data obtained and compiled during the drilling, workover, and/or completion operations, will be filed with Form 3160-4. Samples (cuttings, fluids, and/or gases) will be submitted when requested by the AO.

6. Notifications of Operations

No location will be constructed or moved, no well will be plugged, and no drilling or workover equipment will be removed from a well to be placed in a suspended status without prior approval of the AO. If operations are to be suspended, prior approval of the AO will be obtained and notification given before resumption of operations.

Operator shall report production data to MMS pursuant to 30 CFR 216.5 using form MMS/3160.

Immediate Report: Spills, blowouts, fires, leaks, accidents, or any other unusual occurrences shall be promptly reported in accordance with the requirements of NTL-3A or its revision. If a replacement rig is contemplated for completion operations, a "Sundry Notice" (Form 3160-5) to that effect will be filed, for prior approval of the AO, and all conditions of this approved plan are applicable during all operations conducted with the replacement rig.

The date on which production is commenced or resumed will be construed for oil wells as the date on which liquid hydrocarbons are first sold or shipped from a temporary storage facility, such as a test tank, and for which a run ticket is required to be generated or, the date on which liquid hydrocarbons are first produced into a permanent storage facility, whichever first occurs; and, for gas wells as the date on which associated liquid hydrocarbons are first sold or shipped from a temporary storage facility, such as a test tank, and for which a run ticket is required to be generated or, the date on which gas is first measured through permanent metering facilities, whichever first occurs.

Should the well be successfully completed for production, the AO will be notified when the well is placed in a producing status. Written notification of such must be submitted to this office not later than five (5) days following the date on which the well is placed on production.

Gas produced from this well may not be vented or flared beyond an initial authorized test period of 30 days or 50 MMCF following its completion, whichever occurs first, without the prior written approval of the Authorized Officer. Should gas be vented or flared without approval beyond the authorized test period, the operator may be directed to shut-in the well until the gas can be captured or approval to continue venting or flaring as uneconomic is granted and the operator shall be required to compensate the lessor for that portion of the gas vented or flared without approval which is determined to have been avoidably lost.

A schematic facilities diagram as required by 43 CFR 3162.7-5(d) shall be submitted to the appropriate Field Office within 60 days of installation or first production, whichever occurs first. All site security regulations as specified in Onshore Oil & Gas Order No. 3 shall be adhered to. All product lines entering and leaving hydrocarbon storage tanks will be effectively sealed in accordance with 43 CFR 3162.7-5 (1).

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

7. Other Information

All loading lines will be placed inside the berm surrounding the tank battery.

All off-lease storage, off-lease measurement, or commingling onlease or off-lease will have prior written approval from the AO.

The oil and gas measurement facilities will be installed on the well location. The oil and gas meters will be calibrated in place prior to any deliveries and tested for meter accuracy at least quarterly thereafter. The AO will be provided with a date and time for the initial meter calibration and all future meter proving schedules. A copy of the meter calibration reports will be submitted to the Vernal District Office. All meter measurement facilities will conform with Onshore Oil & Gas Order No. 4 for liquid hydrocarbons and Onshore Oil & Gas Order No. 5 for natural gas measurement.

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

There will be no deviation from the proposed drilling and/or workover program without prior approval from the AO. Safe drilling and operating practices must be observed. All wells, whether drilling, producing, suspended, or abandoned will be identified in accordance with 43 CFR 3162.

"Sundry Notice and Report on Wells" (Form 3160-5) will be filed for approval for all changes of plans and other operations in accordance with 43 CFR 3162.3-2.

Section 102(b)(3) of the Federal Oil and Gas Royalty Management Act of 1982, as implemented by the applicable provisions of the operating regulations at Title 43 CFR 3162.4-1(c), requires that "not later than the 5th business day after any well begins production on which royalty is due anywhere on a lease site or allocated to a lease site, or resumes production in the case of a well

which has been off production for more than 90 days, the operator shall notify the authorized officer by letter or sundry notice, Form 3160-5, or orally to be followed by a letter or sundry notice, of the date on which such production has begun or resumed."

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

APD approval is valid for a period of one (1) year from the signature date. An extension period may be granted, if requested, prior to the expiration of the original approval period.

In the event after-hours approvals are necessary, you must contact one of the following individuals:

Ed Forsman (435) 828-7874  
Petroleum Engineer

Kirk Fleetwood (435) 828-7875  
Petroleum Engineer

BLM FAX Machine (435) 781-4410

## EPA'S LIST OF NONEXEMPT EXPLORATION AND PRODUCTION WASTES

While the following wastes are nonexempt, they are not necessarily hazardous.

Unused fracturing fluids or acids

Gas plant cooling tower cleaning wastes

Painting wastes

Oil and gas service company wastes, such as empty drums, drum rinsate, vacuum truck rinsate, sandblast media, painting wastes, spent solvents, spilled chemicals, and waste acids

Vacuum truck and drum rinsate from trucks and drums, transporting or containing nonexempt waste

Refinery wastes

Liquid and solid wastes generated by crude oil and tank bottom reclaimers

Used equipment lubrication oils

Waste compressor oil, filters, and blowdown

Used hydraulic fluids

Waste solvents

Waste in transportation pipeline-related pits

Caustic or acid cleaners

Boiler cleaning wastes

Boiler refractory bricks

Incinerator ash

Laboratory wastes

Sanitary wastes

Pesticide wastes

Radioactive tracer wastes

Drums, insulation and miscellaneous solids.

**CONDITIONS OF APPROVAL  
FOR THE SURFACE USE PROGRAM OF THE  
APPLICATION FOR PERMIT TO DRILL**

-The location topsoil (4 to 6 inches) shall be windrowed along the south end of the location instead of as shown on the cut sheet.

-The reserve pit topsoil should be piled separate from the location topsoil.

-The location topsoil pile will be seeded immediately after the soil is piled by broadcasting the seed, then walking the topsoil pile with the dozer to plant the seed. The following seed mix shall be used to seed the topsoil, reserve pit and for final abandonment:

Shadscale	Atriplex confertifolia	4 lbs/acre
Crested wheatgrass	Agropyron cristatum (var. Hycest)	2 lbs/acre
Indian ricegrass	Oryzopsis hymenoides	6 lbs/acre

-All poundages are in Pure Live Seed.

**-Topsoil will not be used for the construction of tank dikes or any other location needs. It shall be left in place for use in the final reclamation process.**

-Once the reserve pit is dry, it should be filled, recontoured, topsoil spread, and seeded in the same manner discussed above.

-The reserve pit shall be lined with a felt liner first, then a one piece, nylon reinforced plastic liner of at least 12 mils shall be installed on top of the felt.

-All permanent (on site for six months or longer) structures constructed or installed on location shall be painted Carlsbad Canyon.

-After first production, produced waste water will be confined to the reserve pit or a storage tank for a period not to exceed ninety (90) days. During the 90 day period, in accordance with Onshore Order No. 7, an application for approval of a permanent disposal method and location, along with required water analysis, shall be submitted for the authorized officer's approval. Failure to file an application within the time allowed will be considered an incident of noncompliance.

-The ADP mentioned that the road and location will be professionally sprayed for weed control annually, using EPA approved chemicals. Prior to applying any chemicals on public lands, the operator shall submit a Pesticide Use Proposal.

DIVISION OF OIL, GAS AND MINING

007

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 To DRILL OR DEEPEN for such Proposals.

5. Lease Designation and Serial Number:

UTU - 80566

6. If Indian, Allottee or Tribe Name

FED

7. Unit Agreement Name,

FED

1. Type of Well: OIL  GAS  OTHER:

8. Well Name and Number:

J & J Federal 2-29

2. Name of Operator:

J QUINEX ENERGY CORPORATION

9. AP Well Number:

APD 43-013-32519

3. Address and Telephone Number:

465 South 200 West, Suite 300, Bountiful, Utah 84010

10. Field and Pool, or Wildcat:

WIL,DCAT

4. Location of Well: 2209' FNL, 1598' FEL, Section 29, Tt 9 S, R 17 E

Footages:

QQ, Sec., T., R., M.: SE,SW,NW Section 29, T 9 S, R 17 E

County: DUCHESNE

State: Utah

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

NOTICE OF INTENT (Submit in Duplicate)

- Abandon, Repair Casing, Change of Plans, Convert to Injection, Fracture Treat or Acidize, Multiple Completion, New Construction, Pull or Alter Casing, Recomplete, Reperforate, Vent or Flare, Water Shut-Off, Other Request to extend APD for J & J Fed 2-29

Approximate date work will start Waiting on final funding

SUBSEQUENT REPORT (Submit Original Form Only)

- Abandon, Repair Casing, Change of Plans, Convert to Injection, Fracture Treat or Acidize, Other, New Construction, Pull or Alter Casing, Reperforate, Vent or Flare, Water Shut-Off

Date of work completion

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

\* Must be accompanied by a cement verification report.

12. 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)

Quenix Energy request an extention of APD 43-013-32519 due to unavalibility of drilling rig and scarcity of tubulars. We also are waiting until final funding is complete.

COPY SENT TO OPERATOR Date: 12-15-04 Initials: CHD

Approved by the Utah Division of Oil, Gas and Mining Date: 12-14-04 By: [Signature]

13.

Name & Signature: DeForrest Smouse, PhD

Title: President, Quinex Energy

Date: 12/7/04

(This space for State use only)

RECEIVED DEC 13 2004 DIV. OF OIL, GAS & MINING

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

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

**API:** 43-013-32519  
**Well Name:** J & J Federal 2-29  
**Location:** SE, SW, NW Section 29, T 9 S, R 17 E  
**Company Permit Issued to:** QUINEX ENERGY CORPORATION  
**Date Original Permit Issued:** 20 January 2004

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

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

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

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

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

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

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

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

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

*Robert Surr*  
Signature

December 9, 2004  
Date

Title: President

Representing: Quinex Energy Corporation

RECEIVED  
DEC 13 2004

DIV. OF OIL, GAS & MINING

UNITED STATES  
DEPARTMENT OF THE INTERIOR  
BUREAU OF LAND MANAGEMENT

FORM APPROVED  
OMB No. 1004-0135  
Expires July 31, 1996

**SUNDRY NOTICES AND REPORTS ON WELLS**

Do not use this form for proposals to drill or to re-enter an abandoned well. Use Form 3160-3 (APD) for such proposals.

008

**SUBMIT IN TRIPLICATE - Other instructions on reverse side**

RECEIVED  
DEC - 8 2004  
By \_\_\_\_\_

1. Type of Well  
 Oil Well  Gas Well  Other WILDCAT

2. Name of Operator  
 QUINEX ENERGY CORPORATION

3a. Address  
 465 SO. 200 WEST, BOUNTIFUL, UT 84010

3b. Phone No. (include area code)  
 (801) 292-3800

4. Location of Well (Footage, Sec., T., R., M., or Survey Description)  
 2209' FNL, 1598' FNL, SEC 20, T 9 S, R 17 E  
 SE, SW, NW SECTION 29, T 9 S, R 17 E

5. Lease Serial No.  
 UTU - 80566

6. If Indian, Allottee or Tribe Name  
 FED

7. If Unit or CA/Agreement, Name and/or No.  
 FED

8. Well Name and No.  
 J & J FEDERAL #29-7 ~~29-2~~ <sup>227 2-29</sup>

9. API Well No.  
 APD 43-013-~~21519~~ <sup>21519</sup>

10. Field and Pool, or Exploratory Area  
 WILDCAT 32519

11. County or Parish, State  
 DUCHESNE - UTAH

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

TYPE OF SUBMISSION	TYPE OF ACTION					
<input checked="" type="checkbox"/> Notice of Intent	<input type="checkbox"/> Acidize	<input type="checkbox"/> Deepen	<input type="checkbox"/> Production (Start/Resume)	<input type="checkbox"/> Water Shut-Off		
<input type="checkbox"/> Subsequent Report	<input type="checkbox"/> Alter Casing	<input type="checkbox"/> Fracture Treat	<input type="checkbox"/> Reclamation	<input type="checkbox"/> Well Integrity		
<input type="checkbox"/> Final Abandonment Notice	<input type="checkbox"/> Casing Repair	<input type="checkbox"/> New Construction	<input type="checkbox"/> Recomplete	<input checked="" type="checkbox"/> Other Request for	extention of APD	
	<input type="checkbox"/> Change Plans	<input type="checkbox"/> Plug and Abandon	<input type="checkbox"/> Temporarily Abandon			
	<input type="checkbox"/> Convert to Injection	<input type="checkbox"/> Plug Back	<input type="checkbox"/> Water Disposal			

13. Describe Proposed or Completed Operation (clearly state all pertinent details, including estimated starting date of any proposed work and approximate duration thereof. If the proposal is to deepen directionally or recompleat horizontally, give subsurface locations and measured and true vertical depths of all pertinent markers and zones. Attach the Bond under which the work will be performed or provide the Bond No. on file with BLM/BIA. Required subsequent reports shall be filed within 30 days following completion of the involved operations. If the operation results in a multiple completion or recompleat in a new interval, a Form 3160-4 shall be filed once testing has been completed. Final Abandonment Notices shall be filed only after all requirements, including reclamation, have been completed, and the operator has determined that the site is ready for final inspection.)

Quinex Energy Corporation requests an extention of APD 43-013-21519 due to unavailability of drilling rig and scarcity of tubulars. We are also waiting for completion of final funding.

JAN 11 2005

DIV. OF OIL, GAS & MINING

**CONDITIONS OF APPROVAL ATTACHED**

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

Name (Printed/Typed)  
 DeForrest Smouse *DeForrest Smouse*

Signature

Title  
 President

Date  
 12/7/04

THIS SPACE FOR FEDERAL OR STATE OFFICE USE

Approved by  
**Michael Lee**

Title  
 Petroleum Engineer

Date  
 12 9 2004

Office

Conditions of approval, if any, are attached. Approval of this notice does not warrant or certify that the applicant holds legal or equitable title to those rights in the subject lease which would entitle the applicant to conduct operations thereon.

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

Quinex Energy Corp.  
APD Extension

Well: J&J Federal 29-2

Location: SESWNW Sec. 29, T9S, R17E

Lease: UTU-80566

**Conditions of Approval**

An extension for the referenced APD is granted with the following condition(s):

1. The extension will expire 03/16/06
2. No other extensions beyond that period will be granted or allowed.

If you have any other questions concerning this matter, please contact Michael Lee at (435) 781-4432.

FORM 9

STATE OF UTAH  
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 TO DRILL OR DEEPEN for such Proposals.

5. Lease Designation and Serial Number:

UTU - 80566

6. If Indian, Allocated or Tribe Name

FED

7. Unit Agreement Name:

FED

8. Well Name and Number:

J & J Federal 2-29

9. AP Well Number:

API 43-013-32519

10. Field and Pool, or Wildcat:

WILDCAT

1. Type of Well: OIL  GAS  OTHER:

2. Name of Operator:

QUINEX ENERGY CORPORATION

3. Address and Telephone Number:

465 South 200 West, Suite 300, Bountiful, Utah 84010

4. Location of Well: 2209' FNL, 1598' FEL, Section 29, T 9 S, R 17 E

Footage:

00, Sec., T., R., M.: SW, NE Section 29, T 9 S, R 17 E

County: DUCHESNE

State: Utah

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

NOTICE OF INTENT  
(Some in Duplicate)

- Abandon
- Repair Casing
- Change of Plans
- Convert to Injection
- Fracture Treat or Acidize
- Multiple Completion
- Other Request to extend APD for J & J Fed 2-29
- New Construction
- Pull or Alter Casing
- Recomplete
- Repair/reat
- Vent or Flare
- Water Shut-Off

Approximate date work will start: Waiting Rig availability

SUBSEQUENT REPORT  
(Submit Original Form Only)

- Abandon \*
- Repair Casing
- Change of Plans
- Convert to Injection
- Fracture Treat or Acidize
- Other \_\_\_\_\_
- New Construction
- Pull or Alter Casing
- Repair/reat
- Vent or Flare
- Water Shut-Off

Date of work completion \_\_\_\_\_

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

\* Must be accompanied by a cement verification report.

12. 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)

Quenix Energy request an extension of APD for # 43-013-32519 waiting for availability of drilling rig.

Approved by the  
Utah Division of  
Oil, Gas and Mining

Date: 11-21-05

By: [Signature]

COPY SENT TO OPERATOR

Date: 11-23-05

Initials: [Signature]

13

Name & Signature: John Walls

Title: Sec/Tres, Quinex Energy

Date: 11/11/05

(This space for State use only)

(494)

(See Instructions on Reverse Side)

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NOV 18 2005

DIV. OF OIL, GAS & MINING



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NOV 17 2005  
DIV. OF OIL, GAS & MINING

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

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

**API:** 43-013-32519  
**Well Name:** J&J Federal 2-29  
**Location:** SW NE Sec. 29, T.9 South R. 17 East, Duchesne Count  
**Company Permit Issued to:** Quinex Energy Corp.  
**Date Original Permit Issued:** 1/20/2004

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

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

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

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

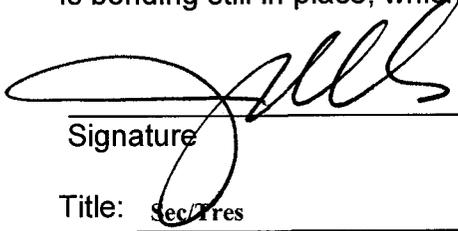
Has there been any unit or other agreements put in place that could affect the permitting or operation of this proposed well? Yes  No

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

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

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

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

  
\_\_\_\_\_  
Signature  
Title: Sec/Tres  
\_\_\_\_\_

11/14/2005  
\_\_\_\_\_  
Date

Representing: Quinex Energy Corp.



## State of Utah

### Department of Natural Resources

MICHAEL R. STYLER  
*Executive Director*

### Division of Oil, Gas & Mining

JOHN R. BAZA  
*Division Director*

JON M. HUNTSMAN, JR.  
*Governor*

GARY R. HERBERT  
*Lieutenant Governor*

December 1, 2006

Quinex Energy Corporation  
465 South 200 West Suite 300  
Bountiful, Utah 84010

Re: APD Rescinded –J&J Federal 2-29 Sec. 29 T. 9S R. 17E  
Duchesne County, Utah API No. 43-013-32519

Dear Gentlemen:

The Application for Permit to Drill (APD) for the subject well was approved by the Division of Oil, Gas and Mining (Division) on January 20, 2004. On December 14, 2004 and November 21, 2005, the Division granted a one-year APD extension. No drilling activity at this location has been reported to the division. Therefore, approval to drill the well is hereby rescinded, effective December 1, 2006.

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

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

Sincerely,

  
Diana Mason  
Environmental Scientist

cc: Well File  
Bureau of Land Management, Vernal



# United States Department of the Interior

BUREAU OF LAND MANAGEMENT

Vernal Field Office

170 South 500 East

Vernal, UT 84078

(435) 781-4400 Fax: (435) 781-4410

<http://www.blm.gov/utah/vernal>



IN REPLY REFER TO:

3160

UT08300

December 7, 2006

DeForrest Smouse  
Quinex Energy Corporation  
465 South 200 West, Suite 300  
Bountiful, Utah 84010

43-013-32519

Re: Notification of Expiration  
Well No.: J&J Federal 29-2  
SWNE, Sec. 29, T9S, R17E  
Duchesne County, Utah  
Lease No. UTU-80566

Dear Mr. Smouse

The Application for Permit to Drill the above-referenced well was approved on March 16, 2004. A one year extension was granted, expiring March 16, 2006. As of this date no known activity has transpired at the approved location. Applications for Permit to Drill are effective for a period of one year. In view of the foregoing, this office is notifying you that the approval of the referenced application has expired. If you intend to drill at this location at a future date, a new Application for Permit to Drill must be submitted.

This office requires a letter confirming that no surface disturbance has been made for this drill site. Any surface disturbance associated with the approved location of this well is to be rehabilitated. A schedule for this rehabilitation must be submitted to this office. Your cooperation in this matter is appreciated.

Sincerely,

/s/ Sandra Sather

Sandra Sather  
Legal Instruments Examiner

cc: UDOGM

bcc: Well File U-922  
Reading file U-924  
ES

**RECEIVED**

**DEC 21 2006**

DIV. OF OIL, GAS & MINING