

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

OPERATOR: Chevron USA
WELL NAME & NUMBER: Zions Federal 35-135
API NUMBER: 43-01530422
LEASE: Federal FIELD/UNIT: _____
LOCATION: 1/4, 1/4 NESW Sec: 35 TWP: 16S RNG: 7E 1324' FSL 1638' FWL
LEGAL WELL SITING: 460 F SEC. LINE; 460 F 1/4, 1/4 LINE; 920 F ANOTHER WELL.
GPS COORD (UTM): X = 490695 E; Y = 4359294 N SURFACE OWNER: Zions Bank.

PARTICIPANTS

M. Jones (DOGM), Jason Postma (ZIONS Bank/surface), D. Hamilton & A. Childs (Talon), R. Wirth (Chevron USA), R. Petersen (Emery County), M. Kaminski (BLM), and W. Luddington (USFS), was in attendance for this pre-site meeting. DWR was invited to attend this on-site evaluation however chose not to attend.

REGIONAL/LOCAL SETTING & TOPOGRAPHY

Proposed location is located ~7 miles Northwest of Huntington Utah, and ~24 miles Southwest of Price, Utah. Drainage of the site is to the northeast into Huntington Creek, a year-round live water source, which lies northeast of the location ~.5 miles. The soil is gravely sandy clay loam. Dry washes that have the potential of carrying large amounts of water during seasonal thunderstorms are common throughout the area and it's immediate surroundings. One large rock on Northeast side of location has some writings on it, which the Archeologists have classified as "not eligible" as NHRP.

SURFACE USE PLAN

CURRENT SURFACE USE: Wildlife habitat and grazing.
PROPOSED SURFACE DISTURBANCE: 260' x 150' with a pit included.
LOCATION OF EXISTING WELLS WITHIN A 1 MILE RADIUS: 3 proposed and 2 producing gas wells are within a 1 mile radius.
LOCATION OF PRODUCTION FACILITIES AND PIPELINES: Along roadways.
SOURCE OF CONSTRUCTION MATERIAL: Locally and transported in.
ANCILLARY FACILITIES: None.

WASTE MANAGEMENT PLAN:

Portable chemical toilets which will be emptied into the municipal waste treatment system; garbage cans on location will be emptied into centralized dumpsters which will be emptied into an approved landfill. Crude oil production is unlikely. Drilling fluid, completion / frac fluid and cuttings will be buried in the pit after evaporation and slashing the pit liner. Produced water will be gathered to the evaporation pit and eventually injected into the Navajo Sandstone via a salt-water disposal well. Used oil from drilling operations and support is hauled to a used oil recycler and reused.

ENVIRONMENTAL PARAMETERS

AFFECTED FLOODPLAINS AND/OR WETLANDS: Dry washes are typical throughout the area and immediate surroundings. Meetinghouse Canyon drainage is located East of the proposed location and access route.

FLORA/FAUNA: Pinion Juniper, Sagebrush, rabbit brush, grasses, deer, small game, rodents, birds.

SOIL TYPE AND CHARACTERISTICS: Gravelly sandy clay loam.

EROSION/SEDIMENTATION/STABILITY: Stable until disturbed.

PALEONTOLOGICAL POTENTIAL: None observed.

RESERVE PIT

CHARACTERISTICS: Dugout Earthen Pit.

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

SURFACE RESTORATION/RECLAMATION PLAN

As per surface use agreement.

SURFACE AGREEMENT: As per Zions Bank.

CULTURAL RESOURCES/ARCHAEOLOGY: On file with the State.

OTHER OBSERVATIONS/COMMENTS

- Access and pipelines along the roadway with the access continuing further south to another proposed Chevron USA well.
- No raptor issues (USFS).
- Big Game Winter Range (USFS).
- Old "inactive" power line pole located at the NW corner of location was discussed. At time of on-site inspection the power line status was unknown therefore the location was pulled to the south enough to avoid the power-line and pole entirely in construction of the location. Since the on-site meeting the line has been found to be completely "inactive".
- "The Big Rock" at the NE corner of the location has some names and writing's painted on it. The archeologists have classified this site as "not eligible" for NHRP status therefore is a non-issue for construction, drilling, and operation of the above proposed well-site.

ATTACHMENTS

Photos of this location were taken and placed on file.

Mark L. Jones
DOG M REPRESENTATIVE

November 13, 2002 / 2:30 pm
DATE/TIME

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

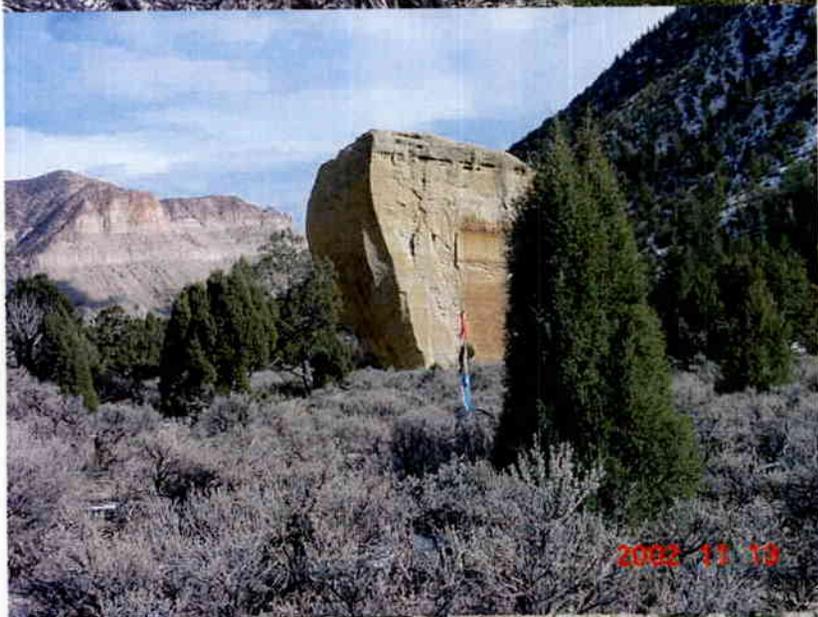
<u>Site-Specific Factors</u>	<u>Ranking</u>	<u>Site Ranking</u>
Distance to Groundwater (feet)		
>200	0	
100 to 200	5	
75 to 100	10	
25 to 75	15	
<25 or recharge area	20	<u>0</u>
Distance to Surf. Water (feet)		
>1000	0	
300 to 1000	2	
200 to 300	10	
100 to 200	15	
< 100	20	<u>0</u>
Distance to Nearest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

Final Score 40 (Level I Sensitivity)

Sensitivity Level I = 20 or more; total containment is required.

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

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



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P.O. Box 1230
195 North 100 West
Huntington, Utah 84528
Phone: 435-687-5310

Cell: 435-650-1886
Fax: 435-687-5311
Email: talon@etv.net

January 21, 2003

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

RE: Application for Permit to Drill—Chevron USA, Inc.
Zion's Federal 35-135, 1,324' FSL, 1,638' FWL, NE/4 SW/4
Section 35, T16S, R7E, SLB&M, Emery County, Utah

Dear Mr. Jones:

On behalf of Chevron USA, Inc, (Chevron), Talon Resources, Inc. respectfully submits the enclosed original and two copies of the *Application for Permit to Drill (APD)* for the above referenced well. The location is an exception to spacing in which a request for exception to spacing and supporting information will be submitted under separate cover from Chevron or Talon in the future. Included with the APD is the following supplemental information:

- Exhibit "A" - Survey plats and layouts of the proposed well site;
- Exhibit "B" - Proposed location maps with pipe, power, and road corridors;
- Exhibit "C" - Drilling site layout;
- Exhibit "D" - Onsite Inspection Checklist, 8 Point Drilling Program;
- Exhibit "E" - Production Site Layout;
- Exhibit "F" - Typical road cross-section;
- Exhibit "G" - Typical BOP diagram;
- Exhibit "H" - Typical wellhead manifold diagram.

RECEIVED
JAN 24 2003
DIV. OF OIL, GAS & MINING

FILE COPY
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Please accept this letter as Chevron's written request for confidential treatment of all information contained in and pertaining to this application, if said information is eligible for such consideration.

Thank you very much for your timely consideration of this application. Please feel free to contact myself, or Mr. Ron Wirth of Chevron at 435-748-5395 if you have any questions or need additional information.

Sincerely,

Don Hamilton

Don Hamilton
Agent for Chevron USA, Inc.

cc: Mr. Don Stephens, BLM-Price Field Office
Mr. Mark Jones, Oil, Gas and Mining
Mr. Bryant Anderson, Emery County
Mr. Ron Wirth, Chevron
Mr. Ian Kephart, Chevron
Mr. Gene Herrington, Chevron
Mrs. Julia Caldaro-Baird, Chevron
Chevron Well Files

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**UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT**

APPLICATION FOR PERMIT TO DRILL OR DEEPEN

5. LEASE DESIGNATION AND SERIAL NO. **UTU-73085**

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

7. UNIT AGREEMENT NAME **N/A**

8. FARM OR LEASE NAME, WELL NO. **Zion's Federal 35-135**

9. API WELL NO. **43-015-30422**

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

11. SEC., T., R., M., OR BLK. **NE/4 SW/4, Section 35, T16S, R7E, SLB&M**

12. COUNTY OR PARISH **Emery** 13. STATE **Utah**

1a. TYPE OF WORK **DRILL** **DEEPEN**

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

2. NAME OF OPERATOR **Chevron USA, Inc.**

3. ADDRESS AND TELEPHONE NO. **P.O. Box 618, Orangeville, Utah 84537; 435-748-5395**

4. LOCATION OF WELL (Report location clearly and in accordance with any State requirements.)
At surface **4359307Y 39.38508**
At proposed prod. zone **1,324' FSL, 1,638' FWL 490Ld9X -111.10835**

14. DISTANCE IN MILES AND DIRECTION FROM NEAREST TOWN OR POST OFFICE* **8.7 miles northwest of Huntington, Utah**

15. DISTANCE FROM PROPOSED* LOCATION TO NEAREST PROPERTY OR LEASE LINE, FT. (Also to nearest drig. unit line, if any) **1,638'**

16. NO. OF ACRES IN LEASE **440**

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

18. DISTANCE FROM PROPOSED LOCATION TO NEAREST WELL, DRILLING, COMPLETED, OR APPLIED FOR, ON THIS LEASE, FT. **2,900'**

19. PROPOSED DEPTH **4,700'**

20. ROTARY OR CABLE TOOLS **Rotary**

21. ELEVATIONS (Show whether DF, RT, GR, etc.) **6,875' GR**

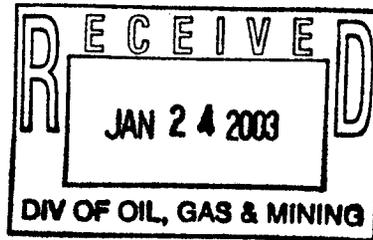
22. APPROX. DATE WORK WILL START* **May 2003**

23. PROPOSED CASING AND CEMENTING PROGRAM

SIZE OF HOLE	GRADE, SIZE OF CASING	WEIGHT PER FOOT	SETTING DEPTH	QUANTITY OF CEMENT
12-1/4"	8-5/8" K-55 ST&C	24	300'	230 sacks Class G cement + 2% CaCl ₂ + 0.25 pps cellophane flakes
7-7/8"	5-1/2" N-80 LT&C	17	4,600'	135 sacks 10:1 RFC Class G cement + 0.25 pps cellophane flakes

Surface Owner: **Zion's Bank—P.O. Box 30880, Salt Lake City, Utah 84130**
Surface Representative: **Kurt Froerer 1-801-594-8332**

Federal Bond Number: **S 304604**
Fee Bond Number: **6027949**



Federal Approval of this Action is Necessary

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

24. SIGNED Don Hamilton Don Hamilton TITLE Agent for Chevron DATE 1-21-03

(This space for Federal or State office use)
PERMIT NO. 43-015-30422 APPROVAL DATE _____

Application approval does not warrant or certify that the applicant holds legal or equitable title to those rights in the subject lease which would entitle the applicant to conduct operations thereon.
CONDITIONS OF APPROVAL, IF ANY:
APPROVED BY [Signature] TITLE **BRADLEY G. HILL ENVIRONMENTAL SCIENTIST III** DATE 05-15-03

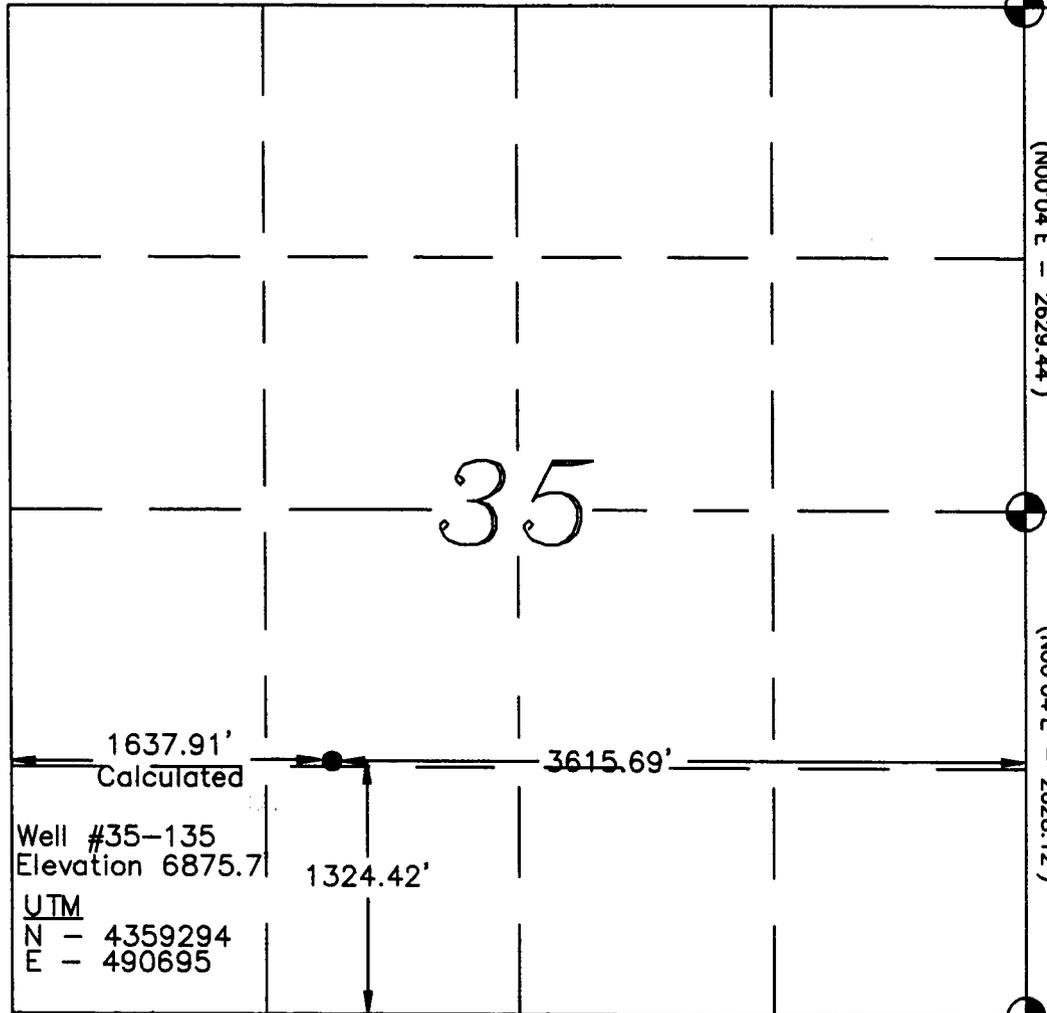
***See Instructions On Reverse Side**

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

Range 7 East

(N89°59'W - 2638.02')

Township 16 South



Well #35-135
Elevation 6875.7'

UTM

N - 4359294
E - 490695

(N88°26'W - 5253.6')

S00°04'00"W - 2628.12'
(N00°04'E - 2628.44')

N00°13'03"W - 2628.12'
(N00°04'E - 2628.12')

Legend

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

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

Lat / Long
39°23'06"
111°06'27"

REVISION 01/02/03

Location:

The well location was determined using a Trimble 4700 GPS survey grade unit.

Basis of Bearing:

The Basis of Bearing is GPS Measured.

GLO Bearing:

The Bearings indicated are per the recorded plat obtained from the U.S. Land Office.

Basis of Elevation:

Basis of Elevation of 6395.0' being at the Southeast Section corner of Section 36, Township 16 South, Range 7 East, Salt Lake Base & Meridian, as shown on the Red Point Quadrangle 7.5 Minute Series Map.

Description of Location:

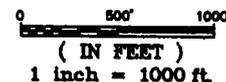
Proposed Drill Hole located in the NE1/4, SW1/4 of Section 35; being 1324.42' North and 3615.69' West from the Southeast Corner of Section 35, T16S., R7E., Salt Lake Base and Meridian.

Surveyor's Certificate:

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



GRAPHIC SCALE



TALON RESOURCES, INC.

Price - Huntington, Utah
Phone (435)637-8781 Fax (435)636-8603
E-Mail talon@castnet.com

ChevronTexaco

WELL #35-135

Section 35, T16S., R7E., S.L.B.&M.
Emery County, Utah

Drawn by BEN SCOTT	Checked by L.W.J./A.J.S.
Drawing No. A-1	Date 01/02/03
	Scale 1" = 1000'
Sheet 1 of 4	Job No. 490

8 Point Drilling Program

Attached to BLM Form 3
Chevron USA, Inc.
Zion's Federal 35-135
NE/4 SW/4, Sec. 35, T16S, R7E, SLB & M
1,324' FSL, 1,638' FWL
Emery County, Utah

1. The Geologic Surface Formation

Blue Gate Shale Member of the Mancos Shale

2. Estimated Tops of Important Geologic Markers

<u>Marker</u>	<u>SL</u>	<u>MD</u>
Ferron Top	2,660'	4,200'

3. Projected Gas & H2O zones (Ferron Formation)

Coals and sandstones – 2,660' – 4,600'

No groundwater is expected to be encountered.

Casing & cementing will be done to protect potentially productive hydrocarbons, groundwater resources, lost circulation zones, abnormal pressure zones, and prospectively valuable mineral deposits. All indications of usable water will be reported.

Surface casing will be tested to 1000 psi.

4. The Proposed Casing and Cementing Programs

<u>HOLE SIZE</u>	<u>SETTING DEPTH (INTERVAL)</u>	<u>SIZE (OD)</u>	<u>WEIGHT, GRADE & JOINT</u>	<u>CONDITION</u>
12-1/4"	300'	8-5/8"	24# K-55 ST&C	New
7-7/8"	4,600'	5-1/2"	17# N-80 LT&C	New

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

Surface Casing: 230 sacks G + 2 % CaCl₂ + 0.25 pps cellophane flakes;
Weight: 15.8 #/gal
Yield: 1.16 cu.ft/sk

Production Casing: 135 sacks 10:1 RFC Class G cement + 0.25 pps cellophane flakes;
Weight: 14.2 #/gal,
Yield: 1.62 cu.ft/sk yield.

The following shall be entered in the driller's log:

- 1) Blowout preventer pressure tests, including test pressures and results;
- 2) Blowout preventer tests for proper functioning;
- 3) Blowout prevention drills conducted;
- 4) Casing run, including size, grade, weight, and depth set;
- 5) How the pipe was cemented, including amount of cement, type, whether cement circulated, location of the cementing tools, etc.;
- 6) Waiting on cement time for each casing string;
- 7) Casing pressure tests after cementing, including test pressures and results.

5. **The Operator's Minimum Specifications for Pressure Control**

Exhibit "G" is a schematic diagram of the blowout preventer equipment. A double gate 3000 psi BOP will be used with a rotating head. This equipment will be tested to 2000 psi. All tests will be recorded in a Driller's Report Book. Physical operation of BOP's will be checked on each trip.

6. **The Type and Characteristics of the Proposed Circulating Muds**

0-300	12-1/4" hole	Drill with air, will mud-up if necessary.
300-TD	7-7/8" hole	Drill with air. 400 psi @ 1500-1800 Scf.

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

300-TD Gamma Ray, Density, Neutron Porosity, Induction, Caliper

Any Anticipated Abnormal Pressures or Temperatures

No abnormal pressures or temperatures have been noted or reported in wells drilled in the area nor at the depths anticipated in this well. Bottom hole pressure expected is approximately 1000 psi max. No hydrogen sulfide or other hazardous gases or fluids have been found, reported or are known to exist at these depths in the area.

8. Anticipated Starting Date and Duration of the Operations.

The well will be drilled approx.: May 2003.

Verbal and/or written notifications listed below shall be submitted in accordance with instructions from the Bureau of Land Management and Division of Oil, Gas & Mining:

- (a) prior to beginning construction;
- (b) prior to spudding;
- (c) prior to running any casing or BOP tests;
- (d) prior to plugging the well, for verbal plugging instructions.

Spills, blowouts, fires, leaks, accidents or other unusual occurrences shall be reported to the Bureau of Land Management and Division of Oil, Gas & Mining immediately.

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

Company: Chevron USA, Inc. Well No.: Zion's Federal 35-135

Location: Section 35, T16S, R7E SLB & M

Lease No.: Federal UTU-73085

On-Site Inspection Date: 11-13-02

B. THIRTEEN POINT SURFACE USE PLAN

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

1. Existing Roads:

- a. Proposed route to location: *From Huntington, Utah proceed northwest along SR-31 for approximately 7.5 miles. Turn left off of SR-31 just past the plant onto County Road 304 (Deer Creek Road). Just past the substation approximately 0.3 miles southwest of the intersection with SR-31 turn right onto the gravel road. Follow the gravel road around the pond and past the existing 36-138 well. From this well travel southwest approximately one mile to the proposed well Zion's Federal 35-135 at the confluence of Meetinghouse Canyon with North Fork Canyon (See Exhibit "B").*
- b. Location of proposed well in relation to town or other reference point: *Approximately 8.7 miles northwest of Huntington, UT.*
- c. Contact the County Road Department for use of county roads. The use of Emery County roads will require an encroachment permit from the Emery County Road Department: *Encroachment permit is presently in place for County Road #304 (Deer Creek Road)*
- d. Plans for improvement and/or maintenance of existing roads: *Approximately 2,100' of two-track access will be improved from the 36-138 to the proposed well site.*
- e. Other:

2. Planned Access Roads:

- a. Location (centerline): *From the existing well 36-138 continue southwest along the flagged existing two-track route to the proposed well site. Planned access begins at a point approximately 1,650' FNL, 850' FWL, Section 36, T16S, R7E.*
- b. Length of new access to be constructed: *Approximately 60'*
- c. Length of existing roads to be upgraded: *Approximately 1 mile*
- d. Maximum total disturbed width: *60'*
- e. Maximum travel surface width: *25'*

- f. Maximum grades: 10%
- g. Turnouts: None
- h. Surface materials: Native
- i. Drainage (crowning, ditching, culverts, etc): Roads will be crowned with bar ditches on both sides with approximately 5 culverts placed along the upgraded road.
- i. Cattleguards: No cattleguards will be needed, Additional gates will be installed if required by the landowner representative
- k. Length of new and/or existing roads which lie outside the lease boundary for which a BLM right-of-way is required: 450' across lease UTU-73872
- l. Other:

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

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

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

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

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

All permanent (in place for six months or longer) structures constructed or installed (including oil well pump jacks) will be painted a flat, nonreflective color to match the standard environmental colors, as determined by the Rocky Mountain Five-State Interagency Committee. All facilities will be painted within six months of installation. Facilities required to comply with the Occupational Safety and Health Act (OSHA) may be excluded. Colors will be as follows: *olive black*

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

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

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

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

5. Location and Type of Water Supply:

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

6. Source of Construction Material:

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

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

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

7. Methods of Handling Waste Disposal:

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

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

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

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

The reserve pit shall be located in cut material, with at least 50% of the pit volume being below original ground level. Three sides of the reserve pit will be fenced before drilling starts. The

fourth side will be fenced as soon as drilling is completed, and shall remain until the pit is dry. As soon as the reserve pit has dried, all areas not needed for production will be rehabilitated.

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

8. Ancillary Facilities: Garbage Containers and Portable Toilets

9. Well Site Layout - The pit, rig, cut and fill, topsoil, etc. on a plat with a scale of at least 1" = 50'.

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

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

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

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

10. Plans for Restoration of the Surface:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

11. **Surface and Mineral Ownership:**
Surface Owner: **Zion's Bank—P.O. Box 30880, Salt Lake City, Utah 84130**
Surface Representative: **Kurt Froerer 1-801-594-8332**

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

12. **Other Information:**

- a. **Archeological Concerns:** *None that the operator is aware of.*

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

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

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

- b. **Threatened and Endangered Species Concerns:** *None that the operator is aware of.*
- c. **Wildlife Seasonal Restrictions (yes/no):** *See Environmental Impact Statement (EIS)*
- d. **Off Location Geophysical Testing:** *N/A*
- e. **Drainage crossings that require additional State or Federal approval:** *None*
- f. **Other:**

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

Representative: Chevron USA, Inc.

Name: Ron Wirth – Operations Supervisor

Address: P.O. Box 618
Orangeville, Utah 84537

Phone No: 435-748-5395

Certification:

I hereby certify that I, or persons under my direct supervision, have inspected the proposed drill site and access route; that I am familiar with the conditions which currently exists; that the statements made in this APD package are, to the best of my knowledge, true and correct; and that the work associated with the operations proposed herein will be performed by Chevron and its contractors and subcontractors in conformity with this APD package and the terms and conditions under which it is approved. I also certify responsibility for the operations conducted on that portion of the leased lands associated with this application, with bond coverage being provided under Chevron's BLM bond. This statement is subject to the provisions of 18 U.S.C. 1001 for the filing of a false statement.

Signature: Don Hamilton Date: 1-21-03

C. REQUIRED APPROVALS, REPORTS AND NOTIFICATIONS

Required verbal notifications are summarized in Table 1, attached.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

TABLE 1
NOTIFICATIONS

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

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

1 day prior to spudding

50 feet prior to reaching surface and intermediate casing depths;

3 hours prior to testing BOPE;

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

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

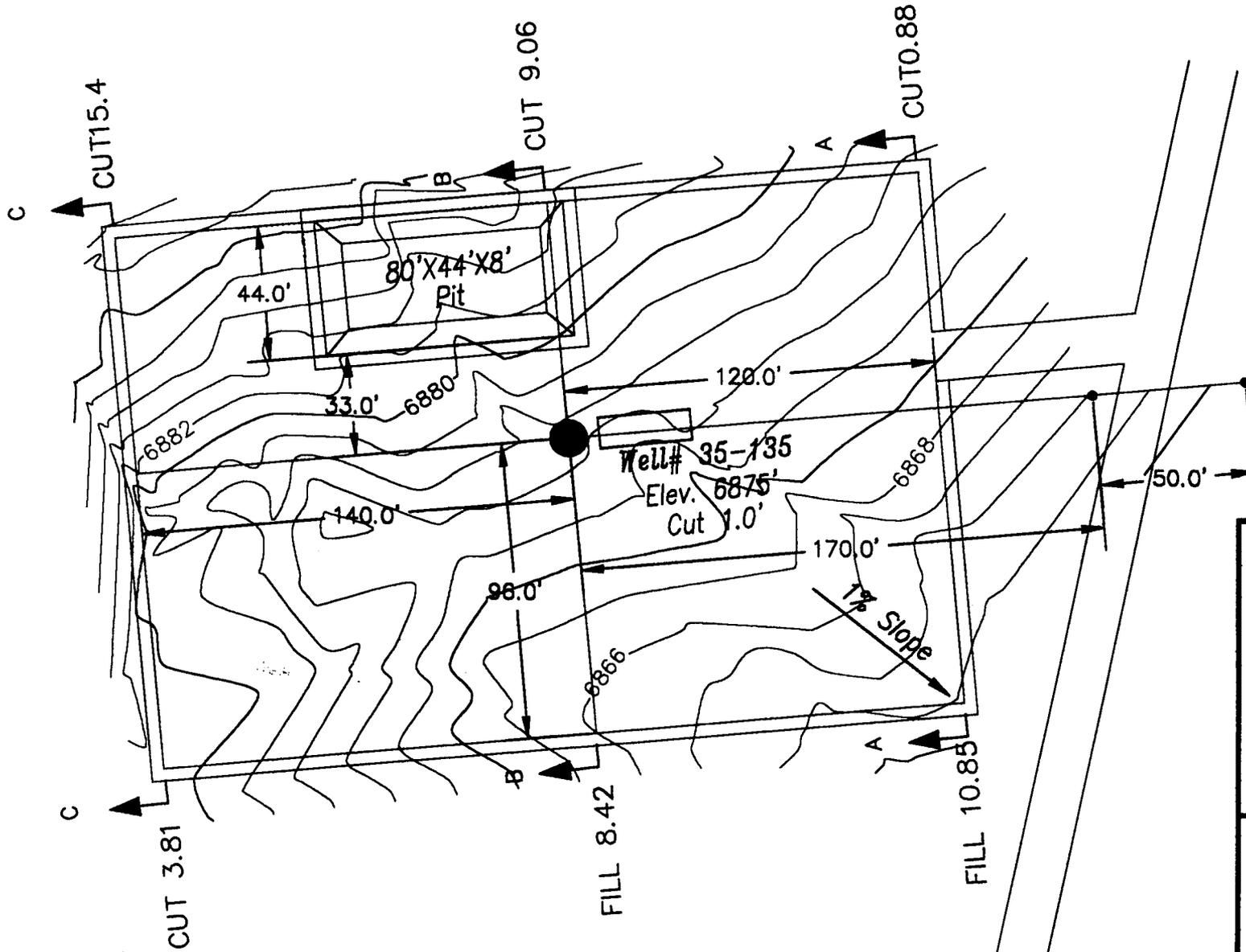
Well abandonment operations require 24 hour advance notice and prior approval. In the case of newly drilled dry holes, verbal approval can be obtained by calling the Moab District Office, Branch of Fluid Minerals at (435) 259-6111. If approval is needed after work hours, you may contact the following:

Eric Jones, Petroleum Engineer

Office: (435) 259-6111

Home: (435) 259-2214

Elevation of Ungraded Ground at Location Stake = 6875'
 Elavation of Graded Ground at Location Stake = 6874'

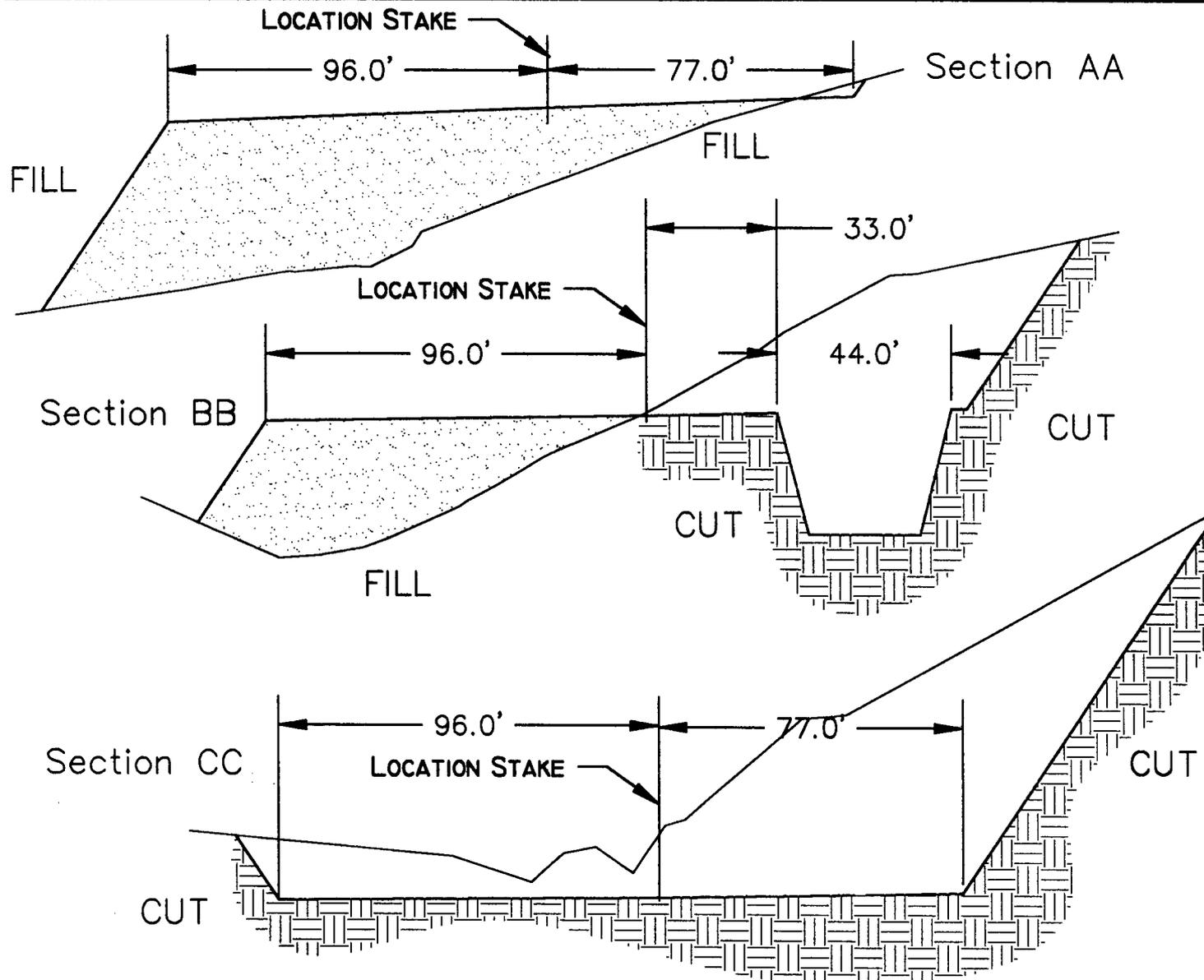


Talon Resources, Inc.
 195 North 100 West P.O. Box 1230
 Huntington, Utah 84028
 Phone (435)887-6311 Fax (435)887-6311
 E-Mail talon@stv.net

ChevronTexaco

LOCATION LAYOUT
 Section 35 , T16S, R7E, S.L.B.&M.
 WELL #35-135

Drawn By: BEN SCOTT	Checked By: L.W.J.
Drawing No. A-2	Date: 01/08/03
	Scale: 1" = 50'
Sheet 2 of 4	Job No. 490



1" = 10'
 X-Section Scale
 1" = 40'

Slope = 1 1/2 : 1
 (Except Pit)
 Pit Slope = 1 ; 1



Talon Resources, Inc.
 195 North 100 West P.O. Box 1250
 Huntington, Utah 84328
 Phone (435)687-5310 Fax (435)687-5311
 E-Mail talonretv.net

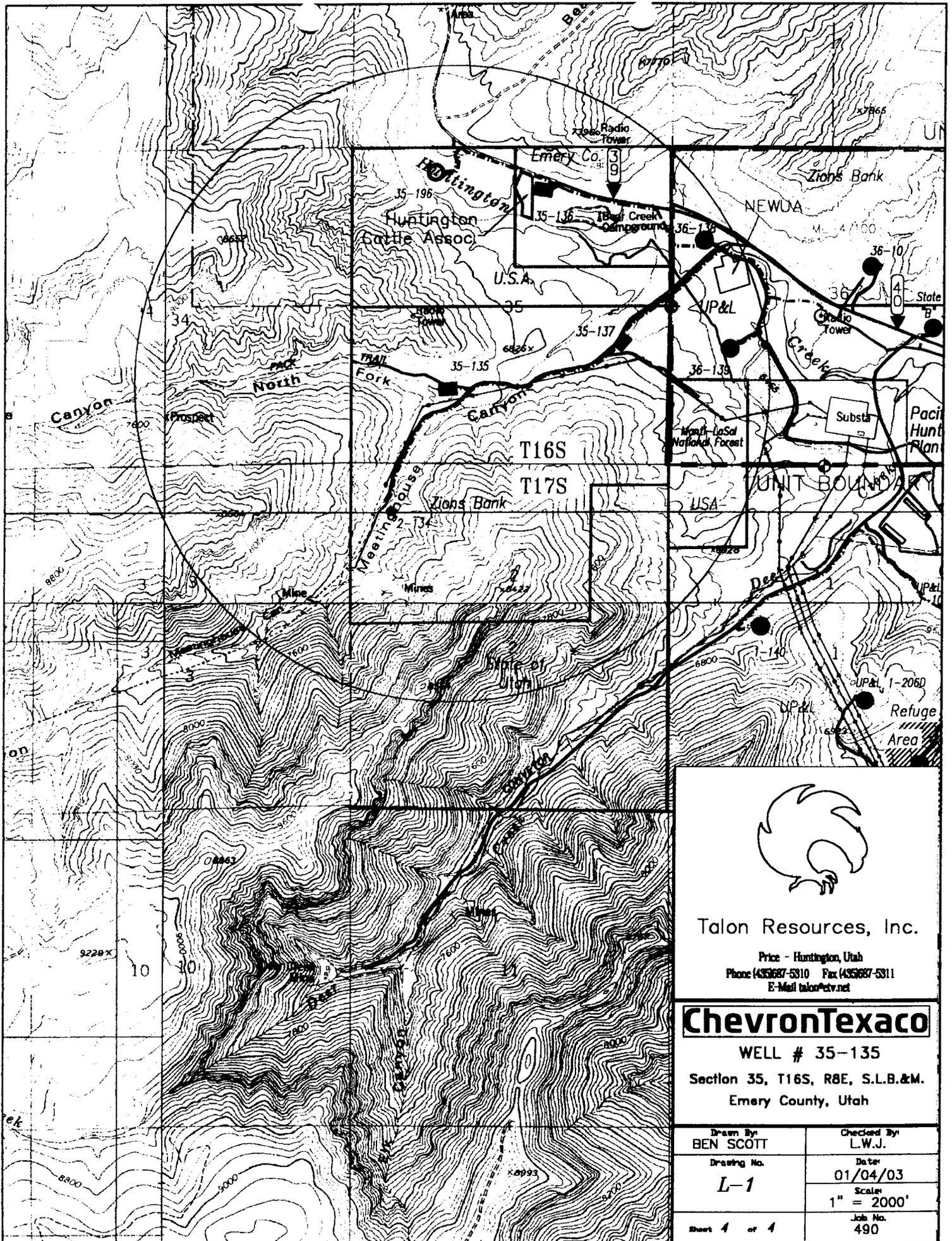
ChevronTexaco

TYPICAL CROSS SECTION
 Section 35 , T16S, R7E, S.L.B.&M.
 WELL #35-135

Drawn By: BEN SCOTT	Checked By: L.W.J.
Drawing No. C-1	Date: 01/08/03
	Scale: 1" = 40'
Sheet 3 of 4	Job No. 490

APPROXIMATE YARDAGES

CUT
 (6") Topsoil Stripping = 750 Cu. Yds.
 Remaining Location = 5177.22 Cu, Yds.
 TOTAL CUT = 4716.61 Cu. Yds.
 TOTAL FILL = 4505.93 Cu. Yds.



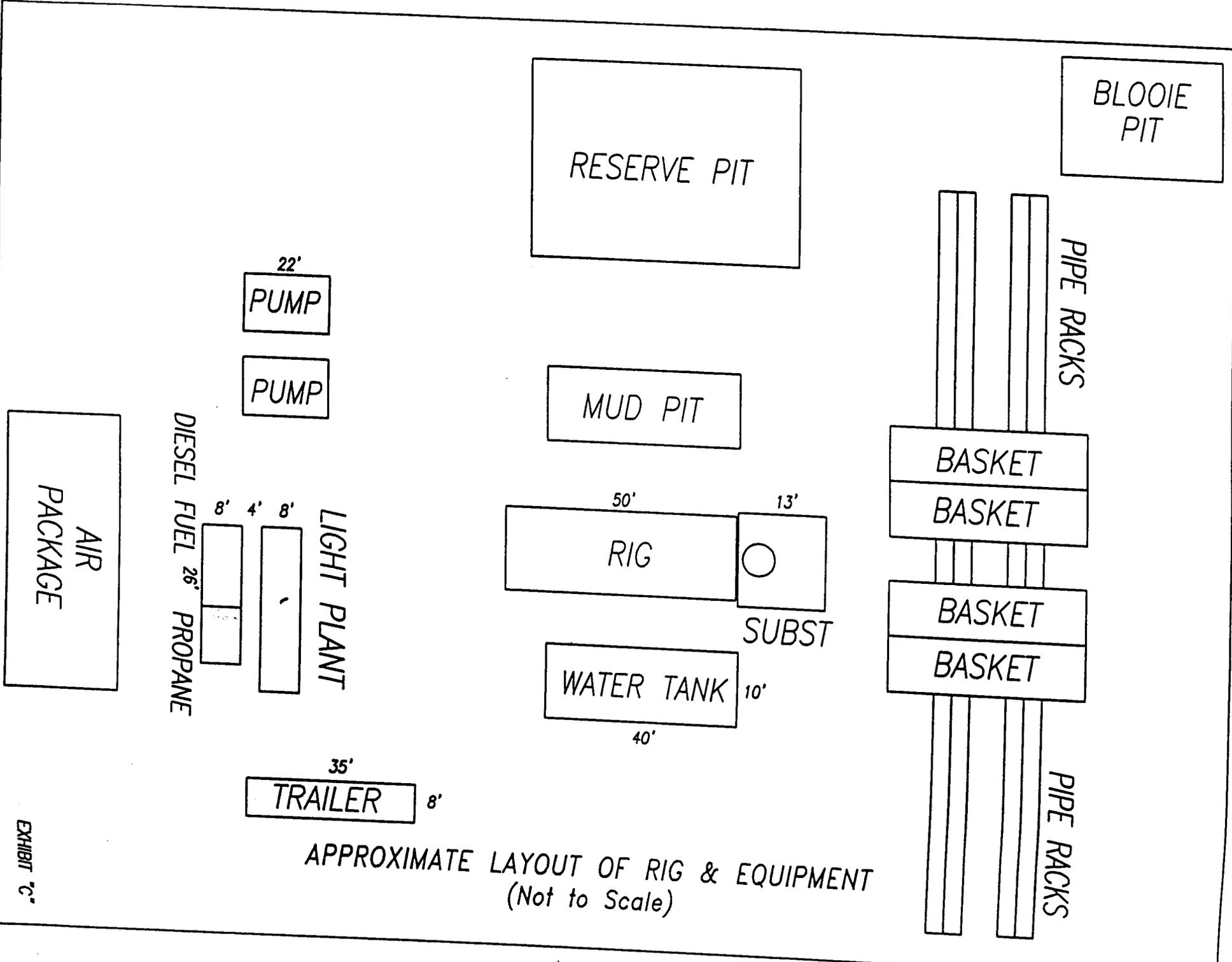
Talon Resources, Inc.

Price - Huntington, Utah
 Phone (435)687-5310 Fax (435)687-5311
 E-Mail talon@trv.net

ChevronTexaco

WELL # 35-135
 Section 35, T16S, R8E, S.L.B.&M.
 Emery County, Utah

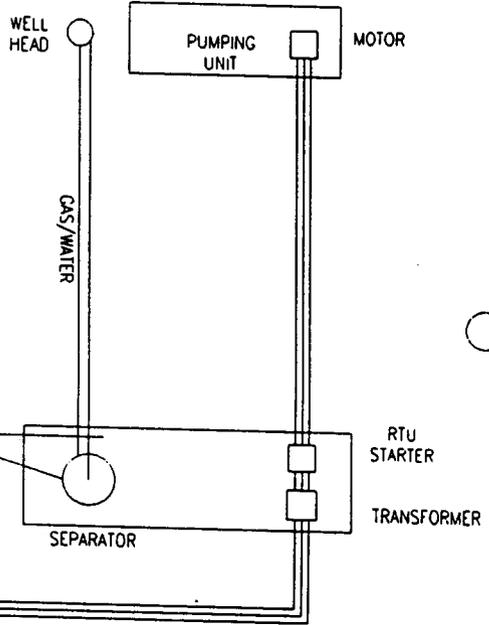
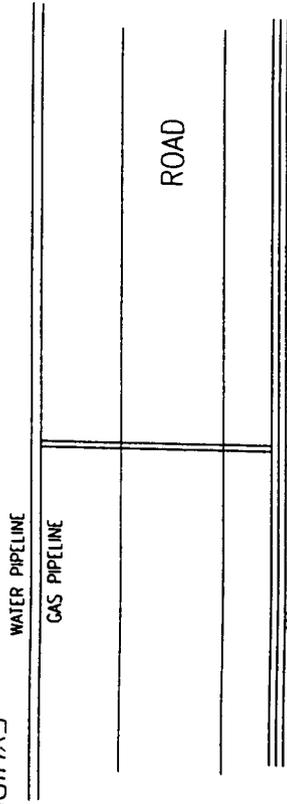
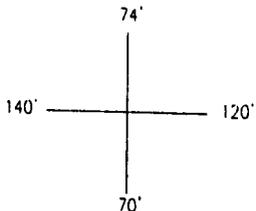
Drawn By BEN SCOTT	Checked By L.W.J.
Drawing No. L-1	Date 01/04/03
Sheet 4 of 4	Scale 1" = 2000'
	Job No. 490



APPROXIMATE LAYOUT OF RIG & EQUIPMENT
(Not to Scale)

EXHIBIT 'C'

ANCHOR (Typ. 4 Pl)



3-PHASE
ELECTRIC

EXHIBIT "E"

WELL SITE LAYOUT
260' X 144'

TYPICAL ROAD CROSS-SECTION

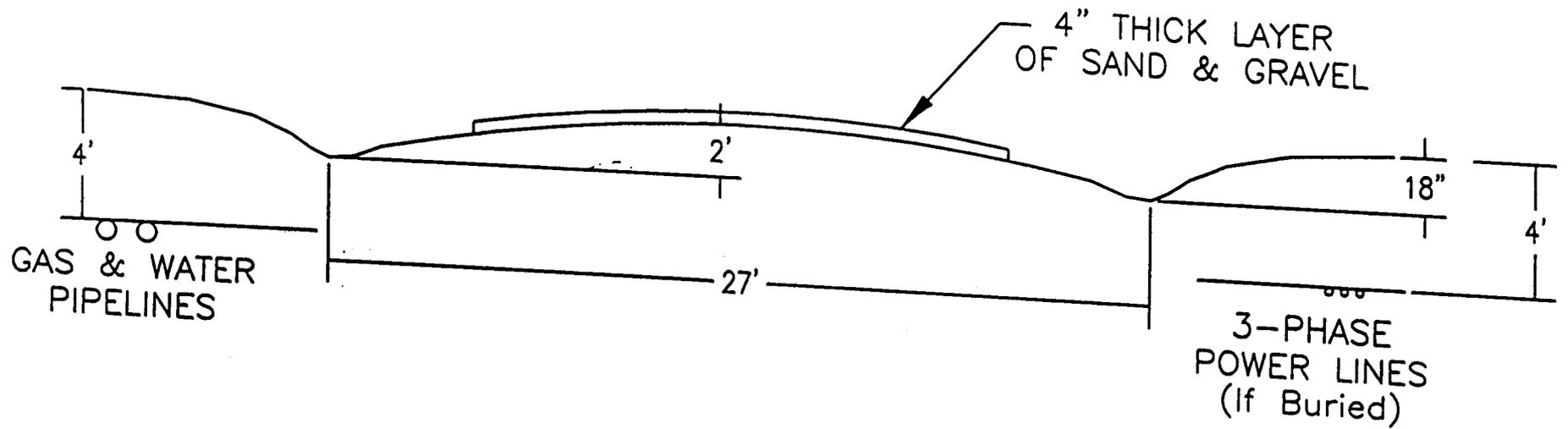


EXHIBIT "F"

BOP Equipment

3000psi WP

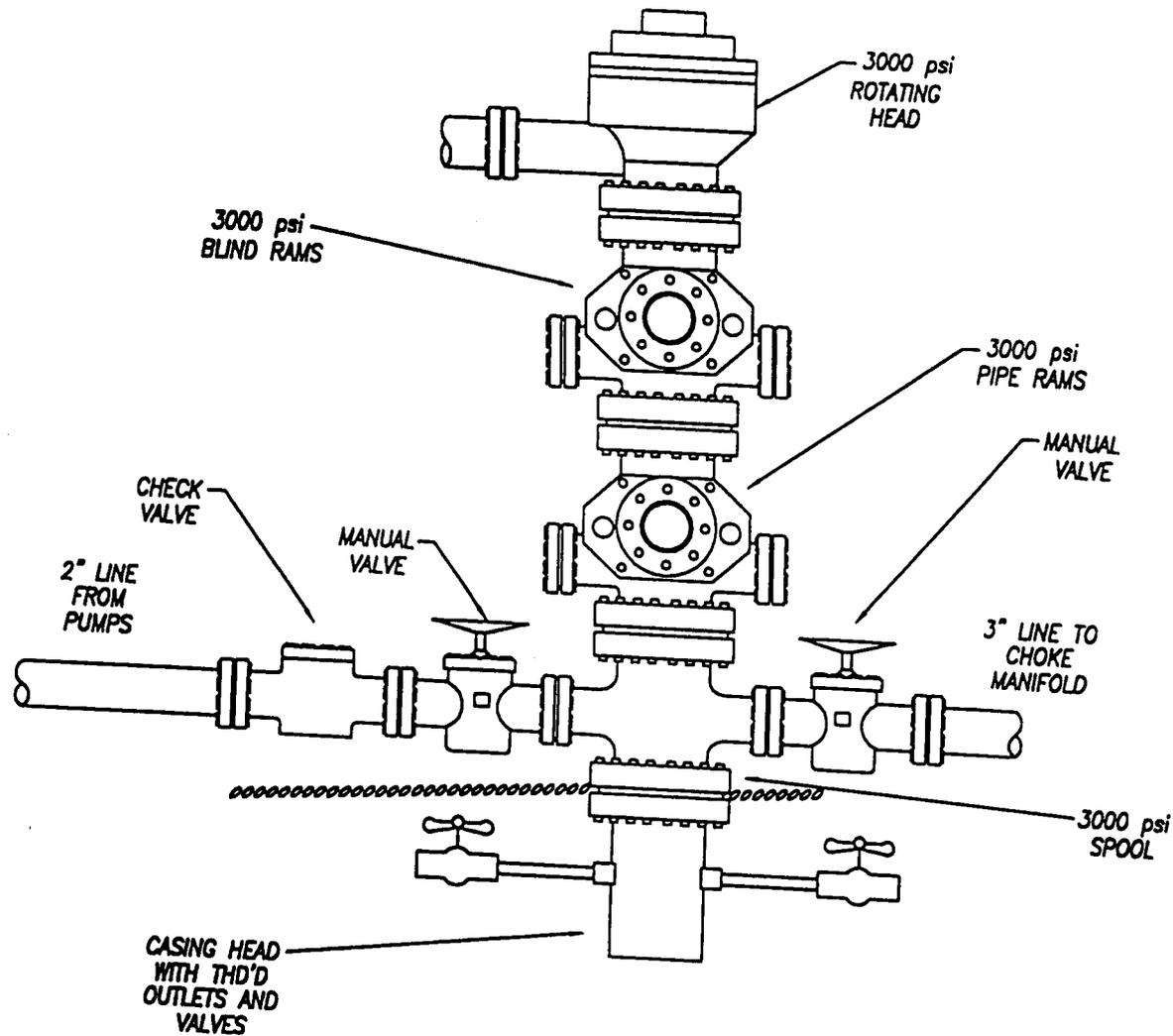


EXHIBIT "C"

CHOKE MANIFOLD

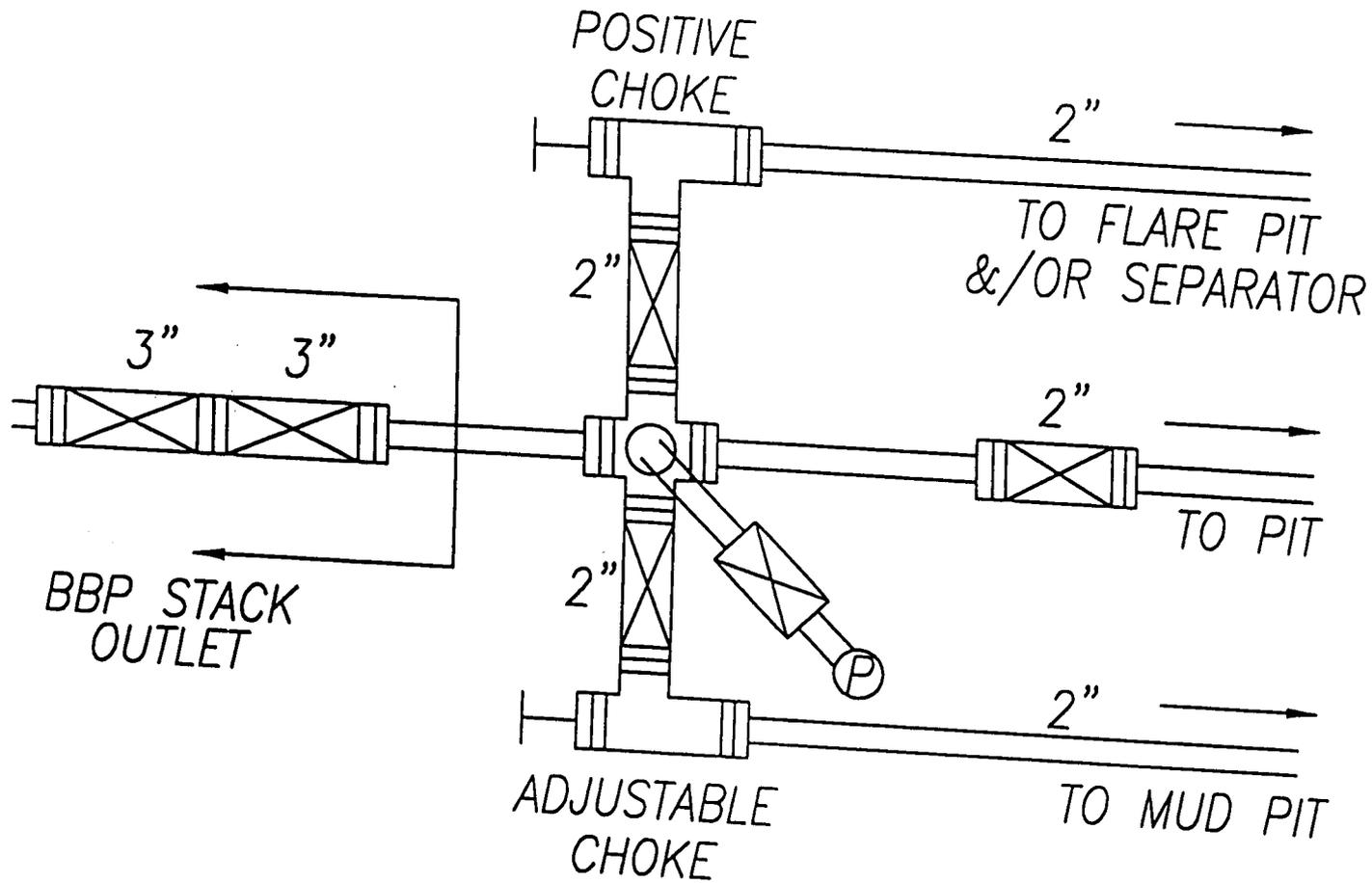


EXHIBIT "H"

WORKSHEET
APPLICATION FOR PERMIT TO DRILL

APD RECEIVED: 01/24/2003

API NO. ASSIGNED: 43-015-30422

WELL NAME: ZIONS FED 35-135

OPERATOR: CHEVRON USA INC (N0210)

CONTACT: DON HAMILTON

PHONE NUMBER: 435-687-5310

PROPOSED LOCATION:

NESW 35 160S 070E

SURFACE: 1324 FSL 1638 FWL

BOTTOM: 1324 FSL 1638 FWL

EMERY

UNDESIGNATED (2)

LEASE TYPE: 1 - Federal

LEASE NUMBER: UTU-73085

SURFACE OWNER: 4 - Fee

PROPOSED FORMATION: FRSD

INSPECT LOCATN BY: / /

Tech Review	Initials	Date
Engineering		
Geology		
Surface		

LATITUDE: 39.38508

LONGITUDE: 111.10835

RECEIVED AND/OR REVIEWED:

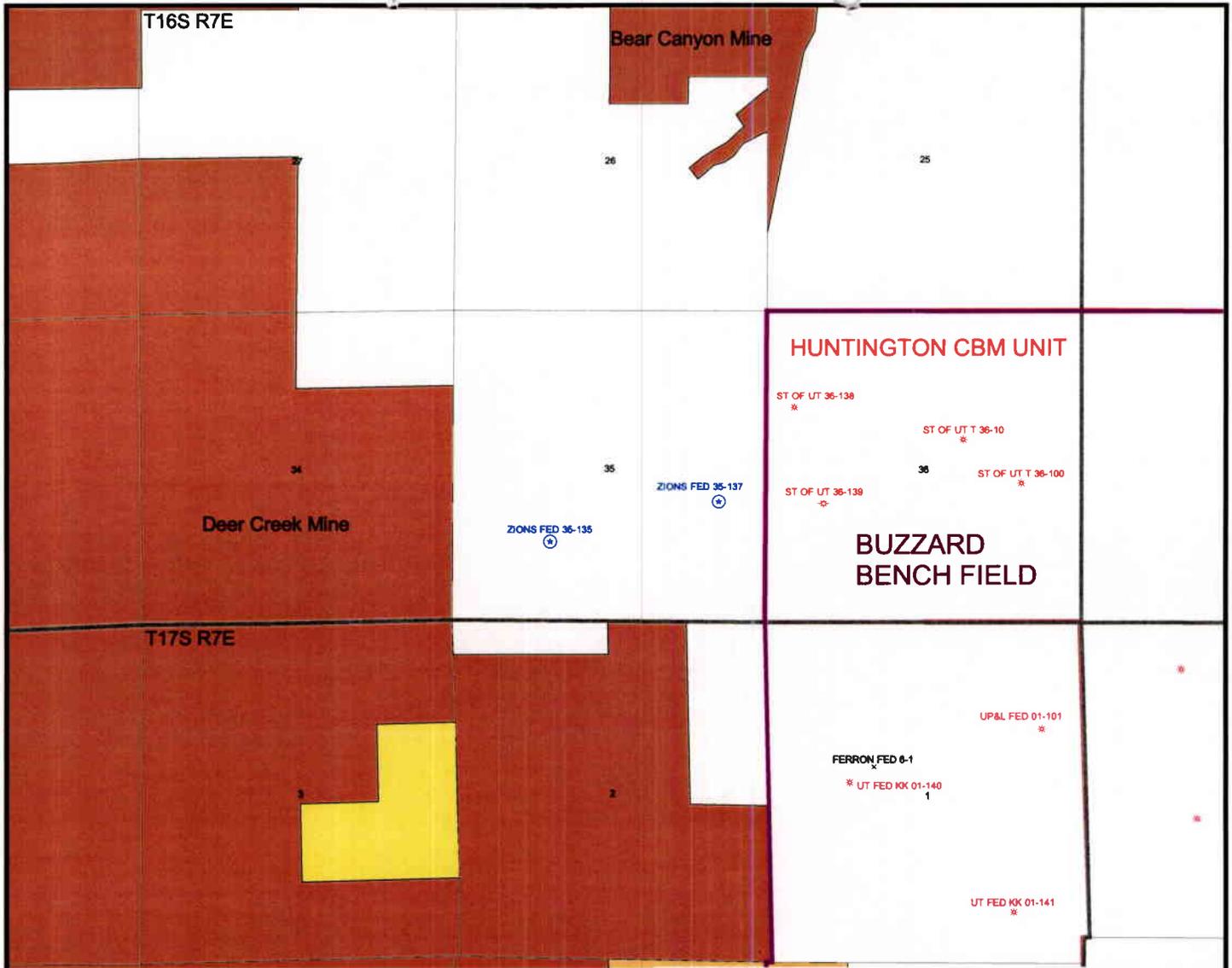
- Plat
- Bond: Fed[1] Ind[] Sta[] Fee[]
(No. S 304604)
- Potash (Y/N)
- Oil Shale 190-5 (B) or 190-3 or 190-13
- Water Permit
(No. MUNICIPAL)
- RDCC Review (Y/N)
(Date:)
- Fee Surf Agreement (Y/N)

LOCATION AND SITING:

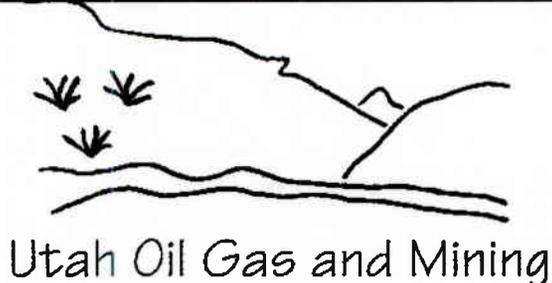
- R649-2-3.
Unit _____
- R649-3-2. General
Siting: 460 From Qtr/Qtr & 920' Between Wells
- R649-3-3. ~~Exception~~
- Drilling Unit
Board Cause No: _____
Eff Date: _____
Siting: _____
- R649-3-11. Directional Drill

COMMENTS: Need Permit (11-13-02)

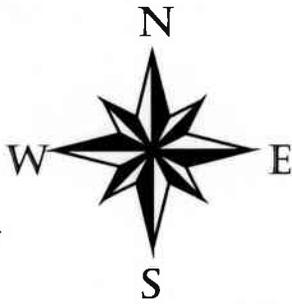
STIPULATIONS: 1- Federal Approval
2- Spacing Stip
3- STATEMENT OF BASIS



OPERATOR: CHEVRON USA INC (N0210)
 SEC. 35 T16S, R7E
 FIELD: UNDESIGNATED (002)
 COUNTY: EMERY
 SPACING: R649-3-3 / EX LOCATION



WELLS	UNIT STATUS	FIELD STATUS
⚡ 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	□ COUNTY BOUNDARY
• SHUT-IN OIL	□ PP OIL	□ SECTION LINES
✱ TEMP. ABANDONED	□ SECONDARY	□ TOWNSHIP LINES
◦ TEST WELL	□ TERMINATED	
⚡ WATER INJECTION		
⚡ WATER SUPPLY		
⚡ WATER DISPOSAL		



PREPARED BY: DIANA MASON
 DATE: 31-JANUARY-2003

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

OPERATOR: Chevron USA
WELL NAME & NUMBER: Zions Federal 35-135
API NUMBER: 43-015-30422
LOCATION: 1/4,1/4 NESW Sec: 35 TWP: 16S RNG: 7E 1324' FSL 1638' FWL

Geology/Ground Water:

The minerals at this proposed location are owned by the Federal government. The casing and cementing program will be evaluated and approved by the BLM.

Reviewer: Brad Hill **Date:** 02-27-2003

Surface:

Proposed location is located ~7 miles Northwest of Huntington Utah, and ~24 miles Southwest of Price, Utah. Drainage of the site is to the northeast into Huntington Creek, a year-round live water source, which lies northeast of the location ~.5 miles. The soil is gravely sandy clay loam. Dry washes that have the potential of carrying large amounts of water during seasonal thunderstorms are common throughout the area and it's immediate surroundings. One large rock on Northeast side of location has some writings on it, which the Archeologists have classified as "not eligible" for NHRP. The area of the proposed location and access route has been cleared by the archeologists. Erosion control, litter and waste disposal, access routes, well-site location and orientation, wildlife concerns, as well as surface owner requests, suggestions, and questions were discussed and agreements were made in regards to during the on-site inspection. BLM and USFS were in attendance at this on-site as was Emery County and a Zions Bank representative. DWR was invited to the on-site inspection but did not attend.

Reviewer: Mark L. Jones **Date:** February 26, 2003.

Conditions of Approval/Application for Permit to Drill:

1. Berm the location and reserve pit.
2. Culverts as needed to deflect and collect runoff.
3. A synthetic liner with a minimum thickness of 12 mils shall be properly installed and maintained in the reserve pit.

004

SUNDRY NOTICES AND REPORTS ON WELLS

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

SUBMIT IN TRIPLICATE

1. Type of Well
 Oil Gas

2. Name of Operator
 Chevron USA, Inc.

3. Address and Telephone No.
 P.O. Box 618, Orangeville, Utah 84537 435-748-5395

4. Location of Well (Footage, Sec., T., R., M., or Survey Description)
 1.324' FSL, 1.638' FWL
 NE/4 SW/4, Section 35, T16S, R7E, SLB&M

5. Lease Designation and Serial No.
 UTU-73085

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

7. If Unit or CA, Agreement Designation
 N/A

8. Well Name and No.
 Zion's Federal 35-135

9. API Well No.
 43-015-30422

10. Field and Pool, or Exploratory Area
 Undesignated

11. County or Parish, State
 Emery County, Utah

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

TYPE OF SUBMISSION	TYPE OF ACTION	
<input type="checkbox"/> Notice of Intent	<input type="checkbox"/> Change of Name	<input type="checkbox"/> Pipeline, Powerline, Maintenance Corridor Construction
<input checked="" type="checkbox"/> Subsequent Report	<input type="checkbox"/> Recompletion	<input type="checkbox"/> Change of Plans
<input type="checkbox"/> Final Abandonment Notice	<input type="checkbox"/> Plugging Back	<input type="checkbox"/> New Construction
	<input type="checkbox"/> Casing Repair	<input type="checkbox"/> Non-Routine Fracturing
	<input type="checkbox"/> Altering Casing	<input type="checkbox"/> Water Shut-Off
	<input checked="" type="checkbox"/> Drilling Program Changes	<input type="checkbox"/> Conversion to Injection
		<input type="checkbox"/> Dispose Water

13. Describe Proposed or Completed Operations (Clearly state all pertinent details, and give pertinent dates, including estimated date of starting any proposed work. If well is directionally drilled, give subsurface locations and measured and true vertical depths for all markers and zones pertinent to this work.)*

The drilling program for the referenced well has changed to include the utilization of 8-5/8" 23# WC-50 casing. Following is the updated casing and cement program for the well:

HOLE SIZE	SETTING DEPTH (INTERVAL)	SIZE (OD)	WEIGHT, GRADE & JOINT	CONDITION
12-1/4"	300'	8-5/8"	23# WC-50 ST&C	New
7-7/8"	TD	5-1/2"	17# L-80 LT&C	New

MAR 26 2003

Surface Casing: 225 sacks G + 2 % CaCl₂ + 0.25 pps cellophane flakes;
 Weight: 15.8 #/gal; Yield: 1.16 cu.ft/sk

DIV. OF OIL, GAS & MINING

Production Casing: 138 sacks 10:2 RFC Class G cement + 0.25 pps cellophane flakes;
 Weight: 14.2 #/gal; Yield: 1.61 cu.ft/sk yield.

CONFIDENTIAL

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

Signed Don Hamilton Don Hamilton Title Agent for Chevron, USA, Inc. Date March 25, 2003

(This space for Federal or State office use)

Approved by _____ Title _____ Date _____

Conditions of approval, if any:

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

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

SUNDRY NOTICES AND REPORTS ON WELLS

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

003

SUBMIT IN TRIPLICATE

1. Type of Well

Oil Gas

2. Name of Operator

Chevron USA, Inc.

3. Address and Telephone No.

P.O. Box 618, Orangeville, Utah 84537 435-748-5395

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

1.324' FSL, 1.638' FWL
NE/4 SW/4, Section 35, T16S, R7E, SLB&M

5. Lease Designation and Serial No.

UTU-73085

6. If Indian, Allottee or Tribe Name

N/A

7. If Unit or CA, Agreement Designation

N/A

8. Well Name and No.

Zion's Federal 35-135

9. API Well No.

43-015-30422

10. Field and Pool, or Exploratory Area

Undesignated

11. County or Parish, State

Emery County, Utah

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

TYPE OF SUBMISSION	TYPE OF ACTION	
<input type="checkbox"/> Notice of Intent	<input type="checkbox"/> Change of Name	<input type="checkbox"/> Pipeline, Powerline, Maintenance Corridor Construction
<input checked="" type="checkbox"/> Subsequent Report	<input type="checkbox"/> Recompletion	<input type="checkbox"/> Change of Plans
<input type="checkbox"/> Final Abandonment Notice	<input type="checkbox"/> Plugging Back	<input type="checkbox"/> New Construction
	<input type="checkbox"/> Casing Repair	<input type="checkbox"/> Non-Routine Fracturing
	<input type="checkbox"/> Altering Casing	<input type="checkbox"/> Water Shut-Off
	<input checked="" type="checkbox"/> Affidavit of Surface Use	<input type="checkbox"/> Conversion to Injection
		<input type="checkbox"/> Dispose Water

13. Describe Proposed or Completed Operations (Clearly state all pertinent details, and give pertinent dates, including estimated date of starting any proposed work. If well is directionally drilled, give subsurface locations and measured and true vertical depths for all markers and zones pertinent to this work.)*

Attached please find an *Affidavit of Surface Use* for the reference well.

FILE COPY

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

Signed Don Hamilton Don Hamilton Title Agent for Chevron, USA, Inc. Date April 14, 2003

(This space for Federal or State office use)

Approved by _____ Title _____ Date _____
Conditions of approval, if any:

RECEIVED

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 a false, fictitious or fraudulent statements or representations as to any matter within its jurisdiction.

APR 17 2003
DIV. OF OIL, GAS & MINING

AFFIDAVIT

W. E. Herrington, of lawful age, being first duly sworn, on oath deposes and says that he is familiar with the following well to be located and drilled in Township 16 South, Range 7 East, Emery County, Utah:

WELL: Zions - Federal 35-135

and that he is also familiar with Zions First National Bank, Trustee who on the 27th day of March, 2003, entered into a Surface Damage Agreement with Chevron U.S.A. Inc. and that said Surface Damage Agreement granted Chevron U.S.A. Inc. the full use of certain surface parcels, roads and pipeline access to said 35-135 well for the consideration stated therein.

Further affiant saith not.



W. E. Herrington
Landman – Price/Ferron
Coalbed Methane Group

STATE OF TEXAS §
 §
COUNTY OF HARRIS §

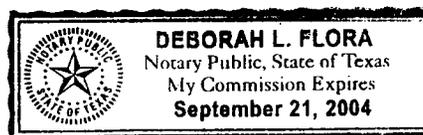
This instrument was acknowledged before me this 9th day of April, 2003, by W.E. Herrington

WITNESS my hand and official seal.



Notary Public, State of Texas

My Commission expires:



008

**UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT**

5. LEASE DESIGNATION AND SERIAL NO.

UTU-73085

APPLICATION FOR PERMIT TO DRILL OR DEEPEN

6. IF INDIAN, ALLOTTEE OR TRIBE NAME

N/A

1a. TYPE OF WORK

DRILL

DEEPEN

MOAB FIELD OFFICE

7. UNIT AGREEMENT NAME

N/A

b. TYPE OF WELL
OIL WELL

GAS WELL

OTHER

2003 JAN 23 P 12: 46

SINGLE ZONE

MULTIPLE ZONE

8. FARM OR LEASE NAME, WELL NO.

Zion's Federal 35-135

2. NAME OF OPERATOR

Chevron USA, Inc. DEPT OF THE INTERIOR BUREAU OF LAND MGMT

9. API WELL NO.

43-015-30422

3. ADDRESS AND TELEPHONE NO.

P.O. Box 618, Orangeville, Utah 84537; 435-748-5395

10. FIELD AND POOL, OR WILDCAT

Undesignated

4. LOCATION OF WELL (Report location clearly and in accordance with any State requirements.)
At surface

1,324' FSL, 1,638' FWL

11. SEC., T., R., M., OR BLK.

NE/4 SW/4, Section 35, T16S, R7E, SLB&M

14. DISTANCE IN MILES AND DIRECTION FROM NEAREST TOWN OR POST OFFICE*

8.7 miles northwest of Huntington, Utah

12. COUNTY OR PARISH

Emery

13. STATE

Utah

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

1,638'

16. NO. OF ACRES IN LEASE

440

17. NO. OF ACRES ASSIGNED TO THIS WELL

160 acres

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

2,900'

19. PROPOSED DEPTH

4,700'

20. ROTARY OR CABLE TOOLS

Rotary

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

6,875' GR

22. APPROX. DATE WORK WILL START*

May 2003

23. PROPOSED CASING AND CEMENTING PROGRAM

SIZE OF HOLE	GRADE, SIZE OF CASING	WEIGHT PER FOOT	SETTING DEPTH	QUANTITY OF CEMENT
12-1/4"	8-5/8" K-55 ^{WC-50} ST&C	24 23	300'	250 ²³⁵ sacks Class G cement + 2% CaCl ₂ + 0.25 pps cellophane flakes 1.116/13/sack
7-7/8"	5-1/2" N-80 ^{L-80} LT&C	17	4,600'	135 ¹³² sacks 10:1 RFC Class G cement + 0.25 pps cellophane flakes 1.116/17/sack

Surface Owner:

Zion's Bank—P.O. Box 30880, Salt Lake City, Utah 84130

Surface Representative:

Kurt Froerer 1-801-594-8332

Federal Bond Number:

~~5-304604~~ E.S.0022

Fee Bond Number:

6027949

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ORIGINAL

MAY 14 2003

CONFIDENTIAL

DIV. OF OIL, GAS & MINING

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

24. SIGNED Don Hamilton Don Hamilton TITLE Agent for Chevron

DATE 1-21-03

(This space for Federal or State office use)

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 William Stringer Assistant Field Manager, Division of Resources DATE MAY 12 2003

*See Instructions On Reverse Side

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

CONDITIONS OF APPROVAL ATTACHED

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

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

SUNDRY NOTICES AND REPORTS ON WELLS
Do not use this form for proposals to drill or to deepen or reenter a different reservoir.
Use "APPLICATION FOR PERMIT—" for such proposals

RECEIVED
FIELD OFFICE

SUBMIT IN TRIPLICATE 2003 MAR 25 P 1:32

1. Type of Well
 Oil Gas Other

2. Name of Operator
 Chevron USA, Inc.

3. Address and Telephone No.
 P.O. Box 618, Orangeville, Utah 84537 435-748-5395

4. Location of Well (Footage, Sec., T., R., M., or Survey Description)
 1.324' FSL, 1,638' FWL
 NE/4 SW/4, Section 35, T16S, R7E, SLB&M

5. Lease Designation and Serial No.
 UTU-73085

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

7. If Unit or CA, Agreement Designation
 N/A

8. Well Name and No.
 Zion's Federal 35-135

9. API Well No.
 43-015-30422

10. Field and Pool, or Exploratory Area
 Undesignated

11. County or Parish, State
 Emery County, Utah

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

TYPE OF SUBMISSION	TYPE OF ACTION	
<input type="checkbox"/> Notice of Intent <input checked="" type="checkbox"/> Subsequent Report <input type="checkbox"/> Final Abandonment Notice	<input type="checkbox"/> Change of Name <input type="checkbox"/> Recompletion <input type="checkbox"/> Plugging Back <input type="checkbox"/> Casing Repair <input type="checkbox"/> Altering Casing <input checked="" type="checkbox"/> Drilling Program Changes	<input type="checkbox"/> Pipeline, Powerline, Maintenance Corridor Construction <input type="checkbox"/> Change of Plans <input type="checkbox"/> New Construction <input type="checkbox"/> Non-Routine Fracturing <input type="checkbox"/> Water Shut-Off <input type="checkbox"/> Conversion to Injection <input type="checkbox"/> Dispose Water

13. Describe Proposed or Completed Operations (Clearly state all pertinent details, and give pertinent dates, including estimated date of starting any proposed work. If well is directionally drilled, give subsurface locations and measured and true vertical depths for all markers and zones pertinent to this work.)*

The drilling program for the referenced well has changed to include the utilization of 8-5/8" 23# WC-50 casing. Following is the updated casing and cement program for the well:

HOLE SIZE	SETTING DEPTH (INTERVAL)	SIZE (OD)	WEIGHT, GRADE & JOINT	CONDITION
12-1/4"	300'	8-5/8"	23# WC-50 ST&C	New
7-7/8"	TD	5-1/2"	17# L-80 LT&C	New

Surface Casing: 225 sacks G + 2 % CaCl₂ + 0.25 pps cellophane flakes;
 Weight: 15.8 #/gal; Yield: 1.16 cu.ft/sk

Production Casing: 138 sacks 10:2 RFC Class G cement + 0.25 pps cellophane flakes;
 Weight: 14.2 #/gal; Yield: 1.61 cu.ft/sk yield.

RECEIVED
MAY 14 2003

DIV. OF OIL, GAS & MINING

CONFIDENTIAL

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

Signed Don Hamilton Don Hamilton Title Agent for Chevron, USA, Inc. Date March 25, 2003

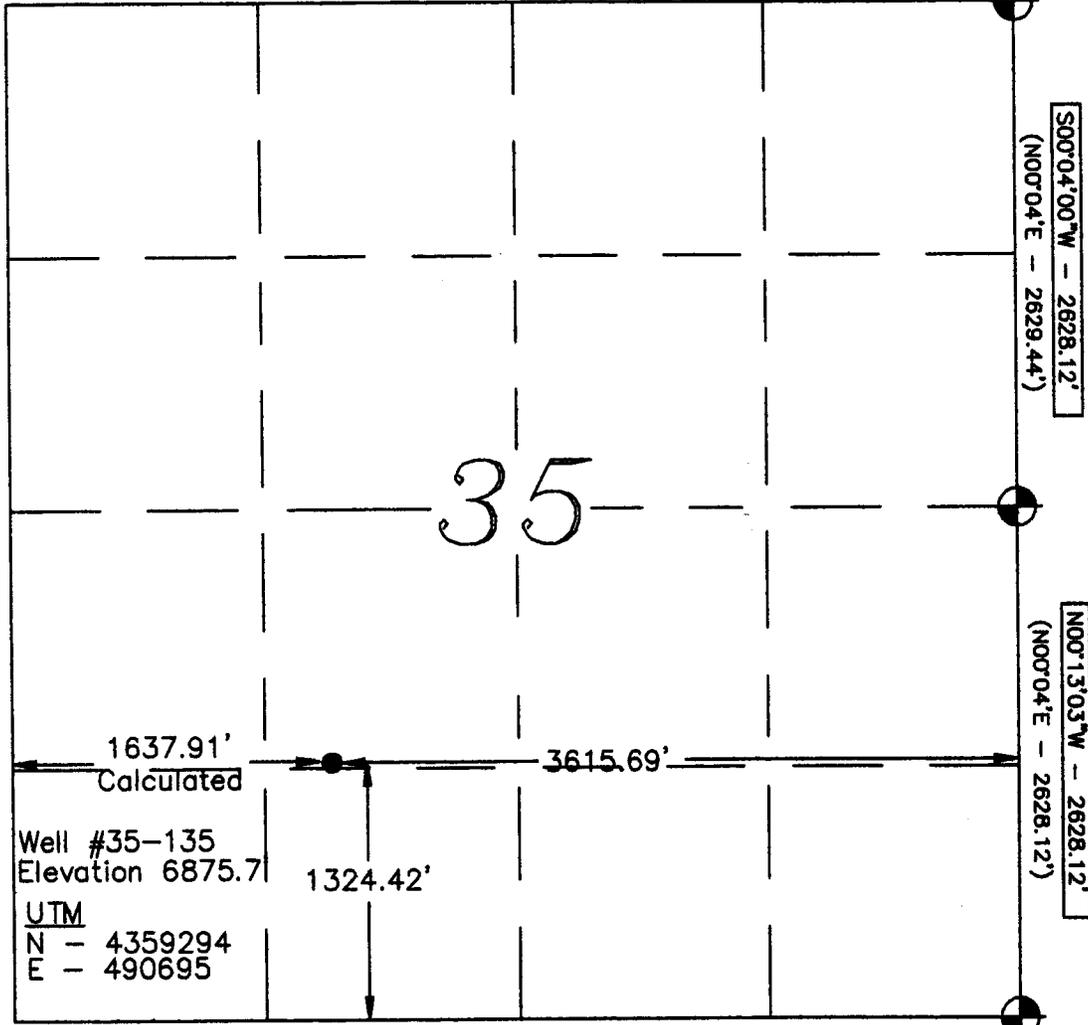
(This space for Federal or State office use)

Approved by _____ Title _____ Date _____
 Conditions of approval, if any: _____

Range 7 East

(N89°59'W - 2638.02')

Township 16 South



Location:
The well location was determined using a Trimble 4700 GPS survey grade unit.

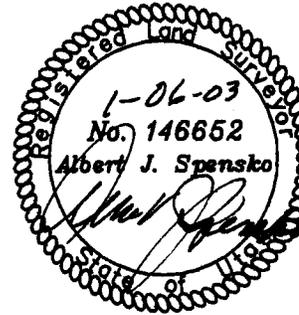
Basis of Bearing:
The Basis of Bearing is GPS Measured.

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

Basis of Elevation:
Basis of Elevation of 6395.0' being at the Southeast Section corner of Section 36, Township 16 South, Range 7 East, Salt Lake Base & Meridian, as shown on the Red Point Quadrangle 7.5 Minute Series Map.

Description of Location:
Proposed Drill Hole located in the NE1/4, SW1/4 of Section 35; being 1324.42' North and 3615.69' West from the Southeast Corner of Section 35, T16S., R7E., Salt Lake Base and Meridian.

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



TALON RESOURCES, INC.
Price - Huntington, Utah
Phone (435)637-8781 Fax (435)636-8603
E-Mail taloncastnet.com

ChevronTexaco

WELL #35-135
Section 35, T16S., R7E., S.L.B.&M.
Emery County, Utah

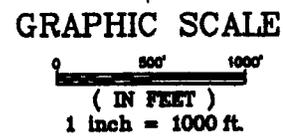
Drawn By: BEN SCOTT	Checked By: L.W.J./A.J.S.
Drawing No. A-1	Date: 01/02/03
	Scale: 1" = 1000'
Sheet 1 of 4	Job No. 490

- Legend**
- Drill Hole Location
 - ⊕ Brass Cap (Found)
 - Brass Cap (Searched for, but not found)
 - △ Calculated Corner
 - () GLO
 - ▭ GPS Measured

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

Lat / Long
39°23'06"
111°06'27"

ORIGINAL
REVISION 01/02/03



Chevron USA, Inc.
Zion's Federal 35-135
Lease U-73085
NE/SW Section 35, T16S, R7E
Emery County, Utah

A COMPLETE COPY OF THIS PERMIT SHALL BE KEPT ON LOCATION from the beginning of site construction through well completion, and shall be available to contractors to ensure compliance.

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 advised that Chevron USA, Inc. considered to be the operator of the above well and is responsible under the terms and conditions of the lease for the operations conducted on the leased lands.

Bond coverage for this well is provided by **ES0022** (Principal – Chevron USA, Inc.) via surety consent as provided for in 43 CFR 3104.2.

This office will hold the aforementioned operator and bond liable until the provisions of 43 CFR 3106.7-2 continuing responsibility are met.

This permit will be valid for a period of one year from the date of approval. After permit termination, a new application must be filed for approval.

All lease operations will be conducted in full compliance with applicable regulations (43 CFR 3100), Onshore Oil and Gas Orders, lease terms, notices to lessees, and the approved plan of operations. The operator is fully responsible for the actions of his subcontractors.

A. DRILLING PROGRAM

1. The proposed 3M BOPE is adequate for anticipated conditions. Testing of the BOPE to 2M standards is sufficient. Installation, testing and operation of the system shall be in conformance with Onshore Oil and Gas Order No. 2.
2. Concurrent approval from the State of Utah, Division of Oil, Gas & Mining (DOG M) is required before conducting any surface disturbing activities.
3. When drilling with air, the requirements of Onshore Oil and Gas Order No. 2, part III, E, Special Drilling Operations, shall apply. Among the requirements in this section are:
 - Spark arresters
 - Blooie line discharge 100 feet from wellbore
 - Straight blooie line
 - Deduster equipment
 - Float valve above bit
 - Automatic igniter on the blooie line
4. A cement bond log (CBL) or other appropriate tool for determining top-of-cement, shall be run on the production casing string.
5. The APD has been amended to provide for the use of 8-5/8", 23#, WC-50 surface casing.

SURFACE USE

1. The following appendices are attached for your reference. They are to be followed as conditions of approval:

Table A-1, Seed Mixture for Green Strip Areas

Table A-2, Seed Mixture for Final Reclamation, Pinyon-Juniper Areas

EMP 16 & 17, Winter Seasonal Restriction on Critical & High Priority Winter Range

EMP 21, Surface Disturbance Mitigation for Critical and High Priority Winter Range

2. The mud pit shall be lined.
3. Within six months of installation, surface structures shall be painted in the following flat, earth tone color: Olive Black (5W A 20-6). This Fuller O'Brien color is for reference only. Any brand of paint may be used provided the colors match. Any facilities that must be painted to comply with OSHA standards are exempt.

GENERAL CONSTRUCTION

1. Operator shall contact the Price BLM Office at least forty-eight hours prior to the anticipated start of construction and/or any surface disturbing activities. The BLM may require and schedule a preconstruction conference with the operator prior to the operator commencing construction and/or surface disturbing activities. The operator and the operator's contractor, or agents involved with construction and/or any surface disturbing activities associated with the project, shall attend this conference to review the Conditions of Approval and plan of development. The operator's inspector will be designated at the pre-drill conference, and is to be given an approved copy of all maps, permits and conditions of approval before the start of construction. The BLM will also designate a representative for the project at the preconstruction conference.
2. The operator shall designate a representative(s) who shall have the authority to act upon and to implement instructions from the BLM. The operator's representative shall be available for communication with the BLM within a reasonable time when construction or other surface disturbing activities are underway.
3. Any cultural and/or paleontological resource (historic or prehistoric site or object) discovered by the operator, or any person working on his behalf, on public land is to be immediately reported to the Price BLM Office. The operator will suspend all operations in the immediate area of such discovery until written authorization to

proceed is issued by the Price BLM Office. An evaluation of the discovery will be made by the BLM to determine appropriate actions to prevent the loss of significant cultural or scientific values. The operator is responsible for the cost of evaluation of any site found during construction. The BLM will determine what mitigation is necessary.

4. During project construction, surface disturbance and vehicle travel shall be limited to the approved location and access routes. Any additional area needed must be approved by the Price BLM Office prior to use.
5. The operator must provide a trash cage for the collection and containment of all trash. The trash shall be disposed in an authorized landfill. The location and access roads shall be kept litter free.
6. Vegetation removal necessitated by construction shall be confined to the limits of actual construction. Removed vegetation will be stockpiled for use in reclamation or removed from the construction site at the direction of the BLM.
7. Prior to surface disturbance, topsoil is to be separately removed and segregated from other material. Topsoil depth will be decided onsite by BLM. If the topsoil is less than 6 inches, a 6-inch layer that includes the A horizon and the unconsolidated material immediately below the A horizon shall be removed and the mixture segregated and redistributed as the surface soil layer.

Generally topsoil shall be stored within the pad site or adjacent to access roads. The company in consultation with BLM shall determine stockpile locations and dimensions at the onsite. If the topsoil stockpiles will not be redistributed for a period in excess of one (1) year, the stockpiles are to be seeded with seed mixture Pinyon-Juniper (see attached).

ROAD and PIPELINE CONSTRUCTION

8. Operator shall provide an inspector under the direction of a registered professional engineer (PE) at all times during road construction. A PE shall certify (statement with PE stamp) that the road was constructed to the required Bureau of Land Management (BLM) road standards.
9. Road construction or routine maintenance activities are to be performed during periods when the soil can adequately support construction equipment. If such equipment creates ruts more than 6 inches deep, the soil is deemed too wet to adequately support construction equipment.

10. The operator is responsible for maintenance of all roads authorized through the lease or a right-of-way. Construction and maintenance shall comply with Class II or III Road Standards as described in BLM Manual Section 9113 and the Moab District Road Standards, except as modified by BLM. Maintenance may include but is not limited to grading, applying gravel, snow removal, ditch cleaning, headcut restoration/prevention.
11. Topsoil from access roads and pipelines is to be wind rowed along the uphill side of the road or stored in an approved manner. When the road and pipeline is rehabilitated, this soil will then be used as a top coating for the seed bed.
12. Erosion-control structures such as water bars, diversion channels, and terraces will be constructed to divert water and reduce soil erosion on the disturbed area. Road ditch turnouts shall be equipped with energy dissipators as needed to avoid erosion. Where roads interrupt overland sheet-flow and convert this runoff to channel flow, ditch turnouts shall be designed to reconvert channel flow to sheet flow. Rock energy dissipators and gravel dispersion fans may be used, or any other design which would accomplish the desired reconversion of flow regime. As necessary cut banks, road drainages, and road crossings shall be armored or otherwise engineered to prevent headcutting.

PAD CONSTRUCTION

13. During the construction of the drill pad, suitable topsoil material is to be stripped and conserved in a stockpile on the pad. If stockpiles are to remain for more than a year, they shall be seeded with the seed mixture Pinyon-Juniper (see attached).
14. Generally, drill pads are to be designed to prevent overland flow of water from entering or leaving the site. The pad is to be sloped to drain spills and water into the reserve pit. The drill pad shall be designed to disperse diverted overland flow and to regulate flow velocity so as to prevent or minimize erosion. Well pad diversion outlets shall be equipped with rock energy brakes and gravel-bedded dispersion fans.

REHABILITATION PROCEDURES

Site Preparation

15. The entire roadbed should be obliterated and brought back to the approximate original contour. Drainage control is to be reestablished as necessary. All areas affected by road construction are to be recontoured to blend in with the existing topography. All berms are to be removed unless determined to be beneficial by BLM. In recontouring the disturbed areas, care should be taken to not disturb

additional vegetation.

Seedbed Preparation

16. An adequate seedbed should be prepared for all sites to be seeded. Areas to be revegetated should be chiselled or disked to a depth of at least 12 inches unless restrained by bedrock.
17. Ripping of fill materials should be completed by a bulldozer equipped with single or a twin set of ripper shanks. Ripping should be done on 4-foot centers to a depth of 12 inches. The process should be repeated until the compacted area is loose and friable, then shall be followed by final grading. Seedbed preparation will be considered complete when the soil surface is completely roughened and the number of rocks (if present) on the site is sufficient to cause the site to match the surrounding terrain.
18. After final grading, the stockpiled topsoil shall be spread evenly across the disturbed area.

Fertilization

19. Commercial fertilizer with a formula of 16-16-8 is to be applied at a rate of 200 pounds per acre to the site. The rate may be adjusted depending on soil.
20. Fertilizer is to be applied not more than 48 hours before seeding, and shall be cultivated into the upper 3 inches of soil.
21. Fertilizer is to be broadcast over the soil using hand-operated "cyclone-type" seeders or rotary broadcast equipment attached to construction or revegetation machinery as appropriate to slope. All equipment should be equipped with a metering device. Fertilizer application is to take place before the final seeding preparation treatment. Fertilizer broadcasting operations should not be conducted when wind velocities would interfere with even distribution of the material.

Mulching

22. When it is time to reclaim this location, the Price BLM Office will determine whether it will be necessary to use mulch in the reclamation process. The type of mulch should meet the following requirements: Wood cellulose fiber shall be natural or cooked, shall disperse readily in water, and shall be nontoxic. Mulch shall be thermally produced and air dried. The homogeneous slurry or mixture shall be capable of application with power spray equipment. A colored dye that is noninjurious to plant growth may be used when specified. Wood cellulose fiber is to be packaged in new, labeled containers. A minimum application of 1500 pounds

per acre shall be applied. A suitable tackifier shall be applied with the mulch at a rate of 60 to 80 pounds per acre.

An alternative method of mulching on small sites would be the application of straw or hay mulch at a rate of 2000 pounds per acre. Hay or straw shall be certified weed free. Following the application of straw or hay, crimping shall occur to ensure retention.

Reseeding

23. All disturbed areas are to be seeded with the seed mixture required by the BLM. The seed mixture(s) shall be planted in the fall of the year (Sept-Nov), in the amounts specified in pounds of pure live seed (PLS)/acre. There shall be no noxious weed seed in the seed mixture. Seed will be tested and the viability testing of seed shall be done in accordance with State law(s) and within 12 months prior to planting. Commercial seed will be either certified or registered seed. The seed mixture container shall be tagged in accordance with State law(s) and available for inspection by the BLM. Seed is to be planted using a drill equipped with a depth regulator to ensure proper depth of planting where drilling is possible. The seed mixture shall be evenly and uniformly planted over the disturbed area. (Smaller/heavier seeds tend to drop to the bottom of the drill and are planted first. Appropriate measures should be taken to ensure this does not occur.) Where drilling is not possible, seed is to be broadcast and the area raked or chained to cover the seed. Woody species with seeds that are too large for the drill will be broadcast. When broadcasting the seed, the pounds per acre noted below are to be increased by 50 percent. Reseeding may be required if a satisfactory stand is not established to the surface rights owner's specifications. Evaluation of the seeding's success will not be made before completion of the second growing season after the vegetation becomes established. The Price BLM Office is to be notified a minimum of seven days before seeding a project.
24. The disturbed areas for the road and pipeline must be seeded in the fall of the year, immediately after the topsoil is replaced. The prescribed seed mixture is Pinyon-Juniper (see attached).

General

25. Prior to the use of insecticides, herbicides, fungicides, rodenticides and other similar substances, the operator must obtain from BLM, approval of a written plan. The plan must describe the type and quantity of material to be used, the pest to be controlled, the method of application, the location for storage and disposal of containers, and other information that BLM may require. A pesticide may be used only in accordance with its registered uses and within other agency limitations. Pesticides must not be permanently stored on public lands.

The following seed mixture would be planted along service road borrow ditches, around the edges of drill pads with a production well, and surrounding other production and maintenance facilities. The purpose for this is to provide a “green strip” buffer to minimize fire hazards and prevent invasion and establishment of noxious weeds in areas that will receive continued disturbance for the life of these areas.

Table A-1

Common Plant Name	Scientific Name	Pounds per acre (PLS)
Forage kochia	<i>Kochia prostrata</i>	2
Wyoming big sagebrush	<i>Artemisia tridentata wyomingensis</i> var. Gordon Creek	1
Douglas low rabbitbrush	<i>Chrysothamnus viscidiflorus</i>	1
TOTAL		4

The following seed mixture is for the area that would receive final reclamation. Areas would be planted to protect them from soil erosion and to restore forage production.

Table A-2

Common Plant Name	Scientific Name	Pounds per acre (PLS) ¹
Pinyon Juniper Areas		
<i>Grasses</i>		
Thickspike wheatgrass	<i>Elymus lanceolatus</i>	1.5
Intermediate wheatgrass	<i>Elytrigia intermedia</i>	1.5
Squirreltail	<i>Elymus elymoides</i>	2
Crested wheatgrass	<i>Agropyron desertorum</i>	2
<i>Forbs</i>		
Lewis flax	<i>Linum perenne lewisii</i>	1
Palmer penstemon	<i>Penstemon palmerii</i>	1
<i>Shrubs</i>		
Forage kochia	<i>Kochia prostrata</i>	2
Fourwing saltbrush	<i>Atriplex canescense</i>	2
Wyoming big sagebrush	<i>Artemesia tridentata wyomingensis</i> var. Gordon Creek	1
Antelope bitterbrush	<i>Purshia tridentata</i>	1
TOTAL		15

1. Seeding rate is listed as pounds per acre of pure live seed (PLS) drilled. Rate is increased by 50 percent if broadcast seeded.

Formula: pure live seed (PLS) = % seed purity x % seed germination

FERRON NATURAL GAS PROJECT AREA

PROPONENT: Chevron **WELL #:** 35-135

EPM 16 & 17: WINTER SEASONAL RESTRICTION (DECEMBER 1 to APRIL 15) ON CRUCIAL AND HIGH PRIORITY WINTER RANGE.

Pg 1 of 1

Restrictions on Construction Phase Activity: Prohibit construction phase activity, described below, on big game high value and critical winter range during the period (December 1 - April 15) without regard for land ownership.

This condition would not apply to normal maintenance and operation of producing wells, described below. On nonfederal lands (where the federal government does not have either surface or subsurface ownership) the Companies would be allowed to conduct construction phase activity if needed to avoid breach of contract or loss of lease rights. In the event construction phase activity proceeds into the winter closure period on non federal interest lands, Companies would make available appropriate documentation to UDWR, upon request.

Construction Phase Activity: Construction phase activity is considered to include all work associated with initial drilling and construction of facilities through completion, including installation of pumping equipment, connection with ancillary facilities and tie-in with pipelines necessary for product delivery.

Companies would not be allowed to initiate construction activity unless it is reasonable to believe that such work can be finished to a logical stopping point prior to December 1 of that year. Specific activities considered to be covered by the seasonal closure include all heavy equipment operation including but not limited to the following:

- Mobilization/Demobilization or operation of heavy equipment (crawler tractor, front end loader, backhoe, road grader, etc.)
- Construction activity (road construction or upgrading, pad, pipeline, powerline, ancillary facilities, etc.),
- Drilling activity (Operator would not propose or initiate drilling activity if the project could not reasonably be expected to be finished to a logical stopping point by the December 1 date of that year.)
- Seismic operation, detonation of explosives

This seasonal closure would not apply to reconnaissance, survey/design and/or flagging of project work or other similar activity not requiring actions listed for heavy equipment operation.

Production Phase: A well is considered to be in production phase when the well and ancillary facilities are completed to the point that they are capable of producing and delivering product for sale. It is noted that heavy equipment operation may be necessary in the performance of maintenance and operation of producing wells.

Restriction on Non Emergency Workover Operations: The Companies will schedule non-emergency workover operations (defined below) on big game crucial and high value winter range outside the December 1 to April 15 date of the seasonal closure.

Non-emergency Workover Operations: Workover operations to correct or reverse a gradual loss of production over time (loss of production of 20 percent or less over a 60 day period) is considered to be routine or non-emergency workover operations and would not be permitted during the December 1 to April 15 time frame.

Emergency Workover Operations: Emergency work over operations are defined as downhole equipment failure problems or workover operation necessary to avoid shut in of the well or to avoid an immediate safety or environmental problem. Loss of production greater than 20 percent within a 60 day period is indicative of pump failure and will be treated as an emergency workover operation. The Companies will submit Sundry notices to BLM within five days of the emergency workover operations between December 1 and April 15.

FERRON NATURAL GAS PROJECT AREA

PROPONENT: Chevron **WELL #:** 35-135

EPM 21: SURFACE DISTURBANCE MITIGATION FOR CRITICAL AND HIGH PRIORITY WINTER RANGE

Pg. 1 of 1

The subject permit application is proposed within critical and high priority winter range (FEIS) and subject to EPM 21 requiring acre for acre mitigation for surface disturbance on critical winter range. The following condition comes from a cooperative agreement between the Texaco, Anadarko, Chandler (Companies), BLM-Price Field Office, the Utah Division of Wildlife Resources and the National Fish and Wildlife Foundation. The Companies agreed to the following:

1. Contribute \$1,301.26 (1998 dollars) for each Federal interest well (Federal surface and or subsurface ownership) permitted and drilled by the Companies (or on behalf of Companies by its contractor) on big game critical winter range as depicted in the FEIS Ferron Natural Gas Project Area. (Wells meeting the above criteria for which payment will be required, will be referred to as "subject wells".) This contribution will be adjusted annually for inflation based on the Consumer Price Index (CPI), see Section II.C.6. for the reference source used for the determination of the CPI and the date in which this annual adjustment will go into effect.

Since this mitigation program is designed to address impacts of all big game critical winter range surface disturbance (roads, well pads, pipelines, etc.), contributions will be required regardless of the success or failure of the subject well to produce.

- a. The recorded date for spudding for each subject well (the first boring of a hole during the drilling of a well) will serve as the reference date triggering the requirement for the mitigation contribution.
- b. Contributions will be submitted (in the form of an Company check, cashiers check or wire transfer) directly to the National Fish and Wildlife Foundation by the 1st of August and February for all subject wells spudded in the preceding six months as reported by the Bureau.
- c. All contributions will be made payable to the "National Fish and Wildlife Foundation re, Proj 99-270" and reference the "Ferron Natural Gas Wildlife Habitat Impact Mitigation Fund".

C. REQUIRED APPROVALS, REPORTS AND NOTIFICATIONS

Required verbal notifications are summarized in Table 1, attached.

Building Location- Contact the Moab Field Office, Natural Resource Protection Specialist at least 48-hours prior to commencing construction of location.

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

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

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

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

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

Undesirable Events- Spills, blowouts, fires, leaks, accidents, or any other unusual occurrences shall be immediately reported to the BLM in accordance with requirements of NTL-3A.

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

First Production- Should the well be successfully completed for production, the Moab Field Office will be notified when the well is placed in producing status. Such notification may be made by phone, but must be followed by a sundry notice or letter not later than five business days following the date on which the well is placed into production.

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

Well Completion Report- Whether the well is completed as a dry hole or as a producer, "Well Completion and Recompletion Report and Log" (Form 3160-4) will be submitted to the Moab Field Office not later than thirty-days after completion of the well or after completion of operations being performed, in accordance with 43 CFR 3162.4-1. 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. When requested, samples (cuttings and/or samples) will be submitted to the Moab Field Office.

Venting/Flaring of Gas- Gas produced from this well may not be vented/flared beyond an initial, authorized test period of 30 days or 50 MMcf, whichever first occurs, without the prior, written approval of the Moab Field Office. Should gas be vented or flared without approval beyond the authorized test period, the well may be ordered shut-in until the gas can be captured or approval to continue the venting/flaring as uneconomic is granted. In such case, compensation to the lessor (BLM) shall be required for that portion of the gas that is vented/flared without approval and which is determined to have been avoidably lost.

Produced Water- An application for approval of a permanent disposal method and location will be submitted to the Moab Field Office for approval pursuant to Onshore Oil and Gas Order No.7.

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

Plugging and Abandonment- If the well is completed as a dry hole, plugging instructions must be obtained from the Moab Field Office prior to initiating plugging operations.

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

TABLE 1

NOTIFICATIONS

Notify Don Stephens (435-636-3608) of the BLM Price Field Office for the following:

2 days prior to commencement of dirt work, construction and reclamation;

1 day prior to spudding;

50 feet prior to reaching the surface casing setting depth;

If the person at the above number cannot be reached, notify the Moab Field Office at 435-259-2100. If unsuccessful, contact the person listed below.

Well abandonment operations require 24 hour advance notice and prior approval. In the case of newly drilled dry holes, verbal approval can be obtained by calling the Moab Field Office at 435-259-2100. If approval is needed after work hours, you may contact the following:

Eric Jones, Petroleum Engineer

Office: 435-259-2117

Home: 435-259-2214

TALON RESOURCES, INC.

195 North 100 West, Huntington, Utah 84528
Phone: (435) 687-5310 (435) 650-1886 Fax: (435) 687-5311

Fax Transmittal Cover Sheet

Date: 5/14/03

Number of pages: 5

Message To: Diana-- Division of Oil, Gas, and Mining

Telephone Number: 1-801-538-5312

Fax Number: 1-801-359-3940

Diana:

Following is the exception to spacing information still outstanding on the pending Zion's Federal 35-135. Please review the attached and let me know if there are any changes prior to submitting the hard copy to your office since this exception to spacing stuff is still a little confusing to me.

Thank you for your patience. Please feel free to contact me if you have any questions or need additional information.

Don

RECEIVED

MAY 14 2003

DIV. OF OIL, GAS & MINING

Form 3160-5
(June 1990)

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

SUNDRY NOTICES AND REPORTS ON WELLS

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

SUBMIT IN TRIPLICATE

1. Type of Well
 Oil Gas

2. Name of Operator
Chevron USA, Inc.

3. Address and Telephone No.
P.O. Box 618, Orangeville, Utah 84537 435-748-5395

4. Location of Well (Footage, Sec., T., R., M., or Survey Description)
**1,324' FSL, 1,638' FWL
NE/4 SW/4, Section 35, T16S, R7E, SLB&M**

FORM APPROVED
Budget Bureau No. 1004-0135
Expires: March 31, 1995

5. Lease Designation and Serial No.
UTU-73085

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

7. If Unit or C.A. Agreement Designation
N/A

8. Well Name and No.
Zion's Federal 35-135

9. API Well No.
43-015-30422

10. Field and Pool, or Exploratory Area
Undesignated

11. County or Parish, State
Emery County, Utah

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

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

13. Describe Proposed or Completed Operations (Clearly state all pertinent details, and give pertinent dates, including estimated date of starting any proposed work. If well is directionally drilled, give subsurface locations and measured and true vertical depths for all markers and zones pertinent to this work.)

A request for exception to spacing (R649-3-3) is hereby requested based on topography since the well is located within 460' of the drilling unit boundary.

Approval from the offset owners of the working interest is attached.

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

Signed Don Hamilton Don Hamilton Title Agent for Chevron USA, Inc. Date May 14, 2003

(This space for Federal or State office use)

Approved by _____ Title _____ Date _____
Conditions of approval, if any:

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

RECEIVED
MAY 14 2003
DIV. OF OIL, GAS & MINING

002

Mid-Continent Business Unit
 North American Upstream
 11111 S. Wilcrest, Houston, TX 77099
 P. O. Box 35366, Houston, TX 77236
 Tel (281) 861-3415
 Fax (281) 861-3676
 hantec@chevrontexaco.com

W. E. "Gene" Harrington
 Landman, Coalbed Methane Group

April 3, 2003

ChevronTexaco

Mr. Barron U. Kidd
 Kidd Family Partnership Limited
 3838 Oak Lawn, Suite 725
 Dallas, Texas 75219

Mr. David Bruce
 First National Company of Marshall
 225 Baronne Street, 10th Floor
 New Orleans, Louisiana 70160

Re: Application for Exception to Well Locations
 Emery County, Utah

Gentlemen:

In accordance with Rule R649-3-3 of the Oil and Gas Conservation General Rules and Regulations as established by the Utah Board of Oil, Gas and Mining, Chevron U.S.A. Inc. requests a waiver to drill the following wells at the following locations:

1. Zions-Federal #02-134 located in the NW $\frac{1}{4}$ NW $\frac{1}{4}$ of Section 2, being 1,074.34 feet South and 4,696.16 feet West from the Northeast corner of Section 2, Township 17 South, Range 7 East, Emery County, Utah. The well is proposed to be drilled as a straight hole. The primary objective of this well is the Ferron formation.
2. ~~Zions-Federal #35-195~~ located in the NE $\frac{1}{4}$ SW $\frac{1}{4}$ of Section 35, being 1,324.42 feet North and 3,615.69 feet West from the Southeast corner of Section 35, Township 16 South, Range 7 East, Emery County, Utah. The well is proposed to be drilled as a straight hole. The primary objective of this well is the Ferron formation.
3. Utah-Federal #35-136 located in the SW $\frac{1}{4}$ NE $\frac{1}{4}$ of Section 35, being 2,127.12 feet South and 2,413.50 feet West from the Northeast corner of Section 35, Township 16 South, Range 7 East, Emery County, Utah. The well is proposed to be drilled as a straight hole. The primary objective of this well is the Ferron formation.
4. Utah-Federal #35-196 located in the NE $\frac{1}{4}$ NW $\frac{1}{4}$ of Section 35, being 283.52 feet South and 961.49 feet West from the North quarter corner of Section 35, Township 16 South, Range 7 East, Emery County, Utah. The well is proposed to be drilled as a straight hole. The primary objective of this well is the Ferron formation.
5. Utah-Federal #12-197 located in the SE $\frac{1}{4}$ NE $\frac{1}{4}$ of Section 12, being 2,141.80 feet South and 884.30 feet West from the Northeast corner of Section 12, Township 17

RECEIVED

MAY 14 2003

DIV. OF OIL, GAS & MINING

Messrs. Kidd and Bruce
 April 3, 2003
 Page 2 of 2

South, Range 7 East, Emery County, Utah. The well is proposed to be drilled as a straight hole. The primary objective of this well is the Ferron formation.

6. Utah-Federal #12-198D the Surface Location of which is in the SE $\frac{1}{4}$ NE $\frac{1}{4}$ of Section 12, being 2,155.48 feet South and 905.22 feet West from the Northeast corner of Section 12, Township 17 South, Range 7 East, Emery County, Utah. The proposed Target Location is located in the SE $\frac{1}{4}$ NW $\frac{1}{4}$ of Section 12, being 701.98 feet North and 2,815.49 feet West from the surface location of the #12-198D. The primary objective of this well is the Ferron formation.
7. Utah-Federal #12-199 located in the NE $\frac{1}{4}$ SE $\frac{1}{4}$ of Section 12, being 1,476.0 feet North and 418.3 feet West from the Southeast corner of Section 12, Township 17 South, Range 7 East, Emery County, Utah. The well is proposed to be drilled as a straight hole. The primary objective of this well is the Ferron formation.
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An exception to spacing is hereby requested for each well based on topography since each is located within 460 feet of its respective drilling unit boundary. A plat showing the location of each well is enclosed for your file.

If you, as an offset owner of a working interest, have no objection to the Board granting an exception to Rule R649-3-3 for the above cited wells, please signify the same by signing below and returning a duplicate original of this letter to the undersigned. Your cooperation and timely consideration regarding this matter is greatly appreciated.

Very truly,



W. E. "Gene" Herrington

WEH:pc
 corr:apr03-1

WAIVER

Company Name: FIRST NATIONAL COMPANY OF UTAH

Print Name: LYNDAN A. JOE - VP

Signature: [Handwritten Signature]

Date: MAY 15, 2003

RECEIVED

MAY 14 2003

DIV OF OIL & GAS

Messrs. Kidd and Bruce
 April 3, 2003
 Page 2 of 2

South, Range 7 East, Emery County, Utah. The well is proposed to be drilled as a straight hole. The primary objective of this well is the Ferron formation.

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An exception to spacing is hereby requested for each well based on topography since each is located within 460 feet of its respective drilling unit boundary. A plat showing the location of each well is enclosed for your file.

If you, as an offset owner of a working interest, have no objection to the Board granting an exception to Rule R649-3-3 for the above cited wells, please signify the same by signing below and returning a duplicate original of this letter to the undersigned. Your cooperation and timely consideration regarding this matter is greatly appreciated.

Very truly,



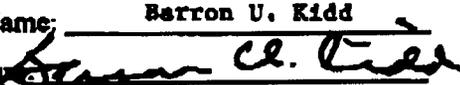
W. E. "Gene" Herrington

WTH:ps
 com:apr03-1

WAIVER

Company Name: Kidd Family Partnership Limited

Print Name: Barron U. Kidd

Signature: 

Date: April 4, 2003

RECEIVED

MAY 14 2003

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

May 15, 2003

Chevron USA, Inc.
P O Box 618
Orangeville, UT 84537

Re: Zions Federal 35-135 Well, 1324' FSL, 1638' FWL, NE SW, Sec. 35, T. 16 South,
R. 7 East, Emery 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 43-015-30422.

Sincerely,

for John R. Baza
Associate Director

pab
Enclosures

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

Operator: Chevron USA, Inc.
Well Name & Number Zions Federal 35-135
API Number: 43-015-30422
Lease: UTU-73085

Location: NE SW **Sec.** 35 **T.** 16 South **R.** 7 East

Conditions of Approval

1. General

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

2. Notification Requirements

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.

6. Compliance with the Conditions of Approval/Application for Permit to Drill outlined in the Statement of Basis. (Copy Attached)

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

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

009

SUNDRY NOTICES AND REPORTS ON WELLS

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

SUBMIT IN TRIPLICATE

1. Type of Well

Oil Gas

2. Name of Operator

Chevron USA, Inc.

3. Address and Telephone No.

P.O. Box 618, Orangeville, Utah 84537 435-748-5395

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

1.324' FSL, 1,638' FWL
NE/4 SW/4, Section 35, T16S, R7E, SLB&M

5. Lease Designation and Serial No.

UTU-73085

6. If Indian, Allottee or Tribe Name

N/A

7. If Unit or CA, Agreement Designation

N/A

8. Well Name and No.

Zion's Federal 35-135

9. API Well No.

43-015-30422

10. Field and Pool, or Exploratory Area

Undesignated

11. County or Parish, State

Emery County, Utah

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

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

13. Describe Proposed or Completed Operations (Clearly state all pertinent details, and give pertinent dates, including estimated date of starting any proposed work. If well is directionally drilled, give subsurface locations and measured and true vertical depths for all markers and zones pertinent to this work.)*

A request for exception to spacing (R649-3-3) is hereby requested based on topography since the well is located within 460' of the drilling unit boundary.

Approval from the offset owners of the working interest are attached

FILE COPY

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

Signed Don Hamilton Don Hamilton Title Agent for Chevron, USA, Inc. Date May 14, 2003

(This space for Federal or State office use)

Approved by _____ Title _____ Date _____

Conditions of approval, if any:

RECEIVED

MAY 20 2003

DIV. OF OIL, GAS & MINING

Mid-Continent Business Unit
North American Upstream
11111 S. Wilcrest, Houston, TX 77099
P. O. Box 36366, Houston, TX 77236
Tel (281) 561-3815
Fax (281) 561-3576
herrwe@chevrontexaco.com

W. E. "Gene" Herrington
Landman, Coalbed Methane Group

April 3, 2003

ChevronTexaco

Mr. Barron U. Kidd
Kidd Family Partnership Limited
3838 Oak Lawn, Suite 725
Dallas, Texas 75219

Mr. David Bruce
First National Company of Marshall
225 Baronne Street, 10th Floor
New Orleans, Louisiana 70160

Re: Application for Exception to Well Locations
Emery County, Utah

Gentlemen:

In accordance with Rule R649-3-3 of the Oil and Gas Conservation General Rules and Regulations as established by the Utah Board of Oil, Gas and Mining, Chevron U.S.A. Inc. requests a waiver to drill the following wells at the following locations:

1. Zions-Federal #02-134 located in the NW $\frac{1}{4}$ NW $\frac{1}{4}$ of Section 2, being 1,074.34 feet South and 4,696.16 feet West from the Northeast corner of Section 2, Township 17 South, Range 7 East, Emery County, Utah. The well is proposed to be drilled as a straight hole. The primary objective of this well is the Ferron formation.
2. Zions-Federal #35-135 located in the NE $\frac{1}{4}$ SW $\frac{1}{4}$ of Section 35, being 1,324.42 feet North and 3,615.69 feet West from the Southeast corner of Section 35, Township 16 South, Range 7 East, Emery County, Utah. The well is proposed to be drilled as a straight hole. The primary objective of this well is the Ferron formation.
3. Utah-Federal #35-136 located in the SW $\frac{1}{4}$ NE $\frac{1}{4}$ of Section 35, being 2,127.12 feet South and 2,413.50 feet West from the Northeast corner of Section 35, Township 16 South, Range 7 East, Emery County, Utah. The well is proposed to be drilled as a straight hole. The primary objective of this well is the Ferron formation.
4. Utah-Federal #35-196 located in the NE $\frac{1}{4}$ NW $\frac{1}{4}$ of Section 35, being 283.52 feet South and 961.49 feet West from the North quarter corner of Section 35, Township 16 South, Range 7 East, Emery County, Utah. The well is proposed to be drilled as a straight hole. The primary objective of this well is the Ferron formation.
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Messrs. Kidd and Bruce
April 3, 2003
Page 2 of 2

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An exception to spacing is hereby requested for each well based on topography since each is located within 460 feet of its respective drilling unit boundary. A plat showing the location of each well is enclosed for your file.

If you, as an offset owner of a working interest, have no objection to the Board granting an exception to Rule R649-3-3 for the above cited wells, please signify the same by signing below and returning a duplicate original of this letter to the undersigned. Your cooperation and timely consideration regarding this matter is greatly appreciated.

Very truly,



W. E. "Gene" Herrington

WEH pc
corr\apr03-1

WAIVER

Company Name: FIRST NATIONAL COMPANY OF MARSHALL
Print Name: LYNDSEY A. JOB - VP
Signature: [Handwritten Signature]
Date: MAY 13, 2003

Messrs. Kidd and Bruce
April 3, 2003
Page 2 of 2

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Very truly,



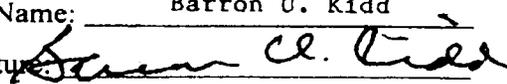
W. E. "Gene" Herrington

WH:1 pc
corr:apr03-1

WAIVER

Company Name: Kidd Family Partnership Limited

Print Name: Barron U. Kidd

Signature: 

Date: April 4, 2003

CONFIDENTIAL

DIVISION OF OIL, GAS AND MINING

SPUDDING INFORMATION

Name of Company: CHEVRON USA INC

Well Name: ZIONS FED 35-135

Api No: 43-015-30422 Lease Type: FEDERAL - FEE SURFACE

Section 35 Township 16S Range 07E County EMERY

Drilling Contractor BILL JR'S RIG # AIR

SPUDDED:

Date 06/05/03

Time _____

How ROTARY

Drilling will commence: _____

Reported by RICKY HUGABEE

Telephone # 1-318-393-9453

Date 06/06/2003 Signed: CHD

CONFIDENTIAL

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

FORM 6

011

ENTITY ACTION FORM

Operator: Chevron U.S.A. Inc. Operator Account Number: N 0210
 Address: P.O. Box 618
city Orangeville
state Ut zip 84537 Phone Number: (435) 748-5395

Well 1

API Number	Well Name		QQ	Sec	Twp	Rng	County
4301530422	Zion's Federal 35-135		NESW	35	16S	7E	Emery
Action Code	Current Entity Number	New Entity Number	Spud Date		Entity Assignment Effective Date		
A	99999	13810	6/5/2003		6/19/03		
Comments: -							

Well 2

API Number	Well Name		QQ	Sec	Twp	Rng	County
4301530587	Zion's Federal 35-137		NESE	35	16S	7E	
Action Code	Current Entity Number	New Entity Number	Spud Date		Entity Assignment Effective Date		
A	99999	13811	6/4/2003		6/19/03		
Comments: -							

Well 3

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

ACTION CODES:

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

Kenneth W. Jackson

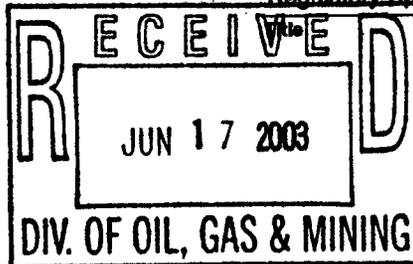
Name (Please Print)

Kenneth W. Jackson
Signature

Regulatory Specialist

6/17/2003
Date

(5/2000)



e

SUNDRY NOTICES AND REPORTS ON WELLS

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

012

SUBMIT IN TRIPLICATE

CONFIDENTIAL

1. Type of Well
 Oil Gas

2. Name of Operator
Chevron USA, Inc.

3. Address and Telephone No.
P.O. Box 618, Orangeville, Utah 84537 435-748-5395

4. Location of Well (Footage, Sec., T., R., M., or Survey Description)
1,324' FSL, 1,638' FWL
NE/4 SW/4, Section 35, T16S, R7E, SLB&M

5. Lease Designation and Serial No.

UTU-73085

6. If Indian, Allottee or Tribe Name

N/A

7. If Unit or CA, Agreement Designation

N/A

8. Well Name and No.

Zion's Federal 35-135

9. API Well No.

43-015-30422

10. Field and Pool, or Exploratory Area

Undesignated

11. County or Parish, State

Emery County, Utah

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

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

13. Describe Proposed or Completed Operations (Clearly state all pertinent details, and give pertinent dates, including estimated date of starting any proposed work. If well is directionally drilled, give subsurface locations and measured and true vertical depths for all markers and zones pertinent to this work.)*

Chevron USA, Inc. requests permission to plug and abandon the Zion's Federal 35-135 well because of surface waters encountered during drilling of an offset well. To insure continued protection of surface water resources it was decided to temporarily move off of the well and in the future drill another well named the Zion's Federal 35-135R at a location approximately 15' east of the existing well. A new APD for the new well will follow once the survey is completed. No additional surface disturbance will be required for the new well.

The Zion's Federal 35-135 presently has 8-5/8", 24#, J-55, STC set @ +/- 300' and is cemented with 225 sacks of cement.

Chevron intends to surface cement plug the Zion's Federal 35-135 well from 100' to surface utilizing 30 sacks of Class G cement.

Chevron will cutoff the casing +/-3' below the graded elevation and weld a steel plate to the 8-5/8" cutoff.

Communications between Chevron and Eric Jones of the BLM gained previous federal verbal approval. Communications between Chevron and Dustin R. Doucet of the DOGM gained previous state verbal approval.

COPIES SENT TO OPERATOR

Date: 6-30-03
Initials: CHD
Date: June 26, 2003

FILE COPY

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

Signed Don Hamilton Don Hamilton Title Agent for Chevron, USA, Inc.

(This space for Federal or State office use)

Approved by General Approval Of This Action Is Necessary Title Oil, Gas and Mining Date 6/30/03

RECEIVED

JUN 30 2003

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

013

43.D15.30A22

ChevronTexaco

Mid-Continent Business Unit Facsimile Transmittal Sheet

DATE: _____

TO:

Company: State of Utah

Name: Carol Daniels

Phone: _____

Fax: 801-359-3940

FROM:

Company: ChevronTexaco

Name: Darla Nelson

Phone: 281-561-3790

Fax: 281-561-3645

No. of pages including cover sheet: _____

MESSAGE: Weekly morning reports

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JUL 14 2003

DIV. OF OIL, GAS & MINING

SUNDRY NOTICES AND REPORTS ON WELLS

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Use "APPLICATION FOR PERMIT--" for such proposals

014

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UTU-73085

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N/A

7. If Unit or CA, Agreement Designation
N/A

8. Well Name and No.
Zion's Federal 35-135

9. API Well No.
43-015-30422

10. Field and Pool, or Exploratory Area
Undesignated

11. County or Parish, State
Emery County, Utah

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

13. Describe Proposed or Completed Operations (Clearly state all pertinent details, and give pertinent dates, including estimated date of starting any proposed work. If well is directionally drilled, give subsurface locations and measured and true vertical depths for all markers and zones pertinent to this work.)*

Chevron USA, Inc. requests a change of well status to Plugged and Abandoned for the Zion's Federal 35-135 well because of anticipated surface waters encountered during drilling of an offset well.

Chevron has set a surface cement plug in the Zion's Federal 35-135 well from 169' to surface utilizing 50 sacks of Class G cement (15.6 ppg weight, 1.18 cu.ft/sk yield). The cementing was witnessed by Don Stephens of the BLM—Price Field Office.

Chevron has cutoff the casing at 3' below the graded elevation and welded a steel plate to the 8-5/8" cutoff.

Chevron drilled within the Blue Gate Shale Member of the Mancos Shale while drilling the surface hole.

Attached please find the Daily Report for the Plugging procedure.

RECEIVED
JUL 17 2003

FILE COPY

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

DIV. OF OIL, GAS & MINING

Signed Don Hamilton Don Hamilton Title Agent for Chevron, USA, Inc. Date July 15, 2003

(This space for Federal or State office use)

Approved by _____ Title _____ Date _____
Conditions of approval, if any:

Zions Federal

35-135

Daily Completion / WO Report Version 3.0

Start Date: 6/30/2003	Actual Days: 2	Auth. Days:	TD: 300'	PBTD: 300'
Job Description: Plug Surface csg.			KB Correction:	Job Code:

Fluid Type: _____ Weight: _____

Prod. Casing Size: 8 5/8" WT: 24# Grade: K55 Set @ MD: 300' Cmt. Top @

Liner OD: N/A WT: _____ Grade: _____ Set @ MD: _____ Top @ MD: _____

Tubing OD	Wt.	Grade	Threads	Depth	Details

Packer @ _____ Packer Make & Model _____ Perforations: N/A Details _____

Fish Top: _____ Details: _____

Hrs. From: _____ To: _____ Operations Covering 24 Hours - Ending at Midnight (24:00 hrs)

07:00 07:30 Safety Meeting: 4 pts tif. JSA: Pinch points, Good communication.

07:30 Rih w/ 4 jts 2 7/8" open end tbg to 126'. Brk circ, hole full, pump 15 bbls fresh water ahead, mix

and pump 50 sx class G cement at 15.6 ppg, 1.18 yield. Circ good cement to surface. Pooh w/

4 jts tbg. Hole standing full cement 4' below ground level. Cut off 8 5/8" surface csg 3' below ground

level and weld on plate on 8 5/8" cut off. Rig down move off location.

11:00

SAFETY MEETINGS HELD: 1 OSHA MAN HRS: _____ RIG: 12 OTHERS: 19 TOTAL: 31

CUMULATIVE SAFETY HOURS: Mtg 2 RIG: 44 36 TOTAL: 80

Fluid Lost To Formation Daily: _____ Cumulative: _____

Hours Charged To: Contractor: _____ Chevron: _____ Other: _____ Total: 0

Remarks: BLM: Don Stephens witnessed cementing.

G&A: _____ H2S: _____ Accidents: N/R Chevron %: _____

Daily Intangible Cost: \$4,401 Daily Tang. Cost: \$0 Daily Comp Cost: \$4,401 WBS Element No. (Capital) UWDCBD2056 DRL

Cum Intangible Cost: \$9,138 Cum Tang Cost: \$0 Cum Comp Cost: \$9,138 WBS Element No. (Exp)

Previous Comp Cst\$ _____ Final Drilling Cost _____ Cum Well Cost: _____ Total Appr: \$ _____

Profit Cntr MCBU Rig: Key Rep Phone: 435/828/6054 WO Rep: Steve Kebert

Field: Huntington Lease: Zions Federal Well #: 35-135 Date: 1-Jul-03

015

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

AMENDED REPORT [] FORM 8
(highlight changes)

5. LEASE DESIGNATION AND SERIAL NUMBER:
UTU-73085

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

7. UNIT or CA AGREEMENT NAME
N/A

8. WELL NAME and NUMBER:
ZION'S FEDERAL 35-135

9. API NUMBER:
4301530422

10. FIELD AND POOL, OR WILDCAT
UNDESIGNATED

11. QTR/QTR, SECTION, TOWNSHIP, RANGE, MERIDIAN:
NESW 35 16S 7E

12. COUNTY EMERY 13. STATE UTAH

17. ELEVATIONS (DF, RKB, RT, GL):
6875 GL

21. DEPTH BRIDGE MD
PLUG SET: TVD

WELL COMPLETION OR RECOMPLETION REPORT AND LOG

1a. TYPE OF WELL: OIL WELL [] GAS WELL [] DRY [x] OTHER []

b. TYPE OF WORK: NEW WELL [] HORIZ. LATS. [] DEEP-EN [] RE-ENTRY [] DIFF. RESVR. [] OTHER []

2. NAME OF OPERATOR: ChevronTexaco

3. ADDRESS OF OPERATOR: 11111 Wilcrest CITY Houston STATE TX ZIP 77099 PHONE NUMBER: (281) 561-3852

4. LOCATION OF WELL (FOOTAGES)
AT SURFACE: 1324 FSL, 1638 FWL
AT TOP PRODUCING INTERVAL REPORTED BELOW: SAME
AT TOTAL DEPTH: SAME

14. DATE SPURRED: 6/5/2003 15. DATE T.D. REACHED: 16. DATE COMPLETED: 6/30/2003 ABANDONED [x] READY TO PRODUCE []

18. TOTAL DEPTH: MD 300 TVD 300 19. PLUG BACK T.D.: MD TVD 20. IF MULTIPLE COMPLETIONS, HOW MANY? *

22. TYPE ELECTRIC AND OTHER MECHANICAL LOGS RUN (Submit copy of each)
NONE
23. WAS WELL CORED? NO [x] YES [] (Submit analysis)
WAS DST RUN? NO [x] YES [] (Submit report)
DIRECTIONAL SURVEY? NO [x] YES [] (Submit copy)

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

Table with 10 columns: HOLE SIZE, SIZE/GRADE, WEIGHT (#ft.), TOP (MD), BOTTOM (MD), STAGE CEMENTER DEPTH, CEMENT TYPE & NO. OF SACKS, SLURRY VOLUME (BBL), CEMENT TOP **, AMOUNT PULLED. Row 1: 12 1/4, 8 5/8 K55, 24, 300, G, 255, CIR.

25. TUBING RECORD

Table with 10 columns: SIZE, DEPTH SET (MD), PACKER SET (MD), SIZE, DEPTH SET (MD), PACKER SET (MD), SIZE, DEPTH SET (MD), PACKER SET (MD)

26. PRODUCING INTERVALS

Table with 5 columns: FORMATION NAME, TOP (MD), BOTTOM (MD), TOP (TVD), BOTTOM (TVD). Rows (A) through (D).

27. PERFORATION RECORD

Table with 4 columns: INTERVAL (Top/Bot - MD), SIZE, NO. HOLES, PERFORATION STATUS. Rows (A) through (D).

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

Table with 2 columns: DEPTH INTERVAL, AMOUNT AND TYPE OF MATERIAL

29. ENCLOSED ATTACHMENTS:

- [] ELECTRICAL/MECHANICAL LOGS [] GEOLOGIC REPORT [] DST REPORT [] DIRECTIONAL SURVEY
[] SUNDRY NOTICE FOR PLUGGING AND CEMENT VERIFICATION [] CORE ANALYSIS [] OTHER:

30. WELL STATUS:

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JUL 25 2003

DIV. OF OIL, GAS & MINING

31. INITIAL PRODUCTION

INTERVAL A (As shown in item #26)

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

INTERVAL B (As shown in item #26)

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

INTERVAL C (As shown in item #26)

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

INTERVAL D (As shown in item #26)

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

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

33. SUMMARY OF POROUS ZONES (Include Aquifers):

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

34. FORMATION (Log) MARKERS:

Formation	Top (MD)	Bottom (MD)	Descriptions, Contents, etc.	Name	Top (Measured Depth)

35. ADDITIONAL REMARKS (Include plugging procedure)

50 sax class G from 169' to surface. Cutoff csg 3' below graded elevation. Weld steel plate to 8 5/8" cutoff. See attached Sundry.

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

NAME (PLEASE PRINT) Nina Kaufmann TITLE GEO/ENG TECHNICIAN
 SIGNATURE *Nina Kaufmann* DATE 7/21/03

This report must be submitted within 30 days of

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

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

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

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

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

RECEIVED
 JUL 25 2003

S
BLM

WELL
J. MICIKAS
J. HOWARD
TALON

SUNDRY NOTICES AND REPORTS ON WELLS

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016

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JUN 30 2003

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RECEIVED

JUL 25 2003

DIV. OF OIL, GAS & MINING

43.015.30A22

017

ChevronTexaco

Mid-Continent Business Unit Facsimile Transmittal Sheet

DATE: _____

TO:

Company: State of Utah

Name: Carol Daniels

Phone: _____

Fax: 801-359-3940

FROM:

Company: ChevronTexaco

Name: Darla Nelson

Phone: 281-561-3790

Fax: 281-561-3645

No. of pages including cover sheet: _____

MESSAGE: Weekly morning reports

ChevronTexaco Daily Completion/WO Report

Spud Date:	Start Date:	Actual Days: 0	Auth. Days:	MD: 4,885	TVD: 4,800	PWD: 4,800
Job Description:				KB Correction:	Orig KB Elev:	
Mud Types:				Wind:	Seas:	Bar:
Mud Chng Size: 5.500				Weight: 17.00	Grade: L-80	Set @ 4,883 MD
Liner Size:				Weight:	Grade:	Set @ MD
Tubing Size	WT.	Grade	Threads	Depth	Details	
Regular Set #	Description			Perforations From	To	Details
Fish Top @ Description:						
BHA No:	Details:			Bit Data		
				Number	Type	Serial Number
Operations Covering 24 Hours Ending at Midnight						Total hours Reported: 6.0
0.00	700	05-62	SAFETY MEETING, DISCUS TIP, WORKING W/ CHANGES, OVERHEAD LOADS, TAG LINES			
1.00	730	05-62	REN W/ GR, TAG TD @ 4830. POOH.			
2.00	830	05-62	REN & FULL CBL, CEMENT GOOD, ESTIMATED TOC 3500, REST CEMENT 3000 TO TD. POOH.			
1.00	1100	05-62	REN & SET CIMP, TOP OF CIMP @ 4800'. POOH			
1.00	1200	05-62	NO SCHEDULED. SECURE WELL.			
CONFIDENTIAL						
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JUL 28 2003						
DIV. OF OIL, GAS & MINING						
Safety:						
24 Hr Summary:						
Projected Ops:						
Fluid Lost To Formation Daily:			Cumulative:		Incidents: NO INCIDENT REPORTED	
Hours Charged To			Hours Used		Other Charges	
Contractor:	Che/Tex:	Travel:	Tongs:	Circ. Equip:	H ₂ S:	
Remarks:						
Daily Mud Cost:	Daily Tangible Cost:	Daily Well Cost:	\$ 4,389	CrvTex @:		
Cum Mud Cost:	Cum Tangible Cost:	Cum Well Cost:	\$ 4,389	Total Appropriated Cost: \$ 0		
Materials On Hand:						
APC Number:			APT Well Number: 4301530472		Well ID: H5999	Project ID:
Country: U.S.A.		Rig:	Rig Phone:		Drilling Rep: BILL WILSON	
Field: OTHER	Lease: GROSS FEDERAL		Well No: 35-135		Date: 24-JUL-2003	
Page: 1 Of 1						

T165 ROPE S-35
43-015-30472