

TALON RESOURCES INC

May 30, 2003

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

RE: Application for Permit to Drill—Fortuna (U.S.), Inc.
Flat Canyon State #36-3, 843' FNL, 2,042' FWL, NE/4 NW/4
Section 36, T16S, R6E, SLB&M, Emery County, Utah

Dear Mrs. Mason:

On behalf of Fortuna (U.S.), Inc, (Fortuna), Talon Resources, Inc. respectfully submits the enclosed original and one copy of the *Application for Permit to Drill (APD)* for the above referenced well. The location of the well is no closer than 460' from the drilling unit boundary. 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" - Surface Pad layout;

Exhibit "D" - Drilling Program Schematic;

Exhibit "E" - Multi Point Surface Use Plan;

Exhibit "F" - Typical road cross-section;

Exhibit "G" - Typical BOP diagram;

Exhibit "H" - Typical wellhead manifold diagram.

RECEIVED
JUN 09 2003
DIV. OF OIL, GAS & MINING
CONFIDENTIAL

Please accept this letter as Fortuna'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. Blaine MacInnes of Fortuna at 403-693-2278 if you have any questions or need additional information.

Sincerely,

Don Hamilton
Don Hamilton
Agent for Fortuna

cc: Mr. Mark Jones, Division of Oil, Gas and Mining
Mr. Ed Bonner, SITLA
Mr. Carter Reed, USDA Forest Service – Price SO
Mr. Tom Lloyd, USDA Forest Service – Ferron DO
Mr. Blaine MacInnes, Fortuna
Mr. Mike Morrison, Fortuna
Fortuna Well Files

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

FORM 3

AMENDED REPORT
(highlight changes)

001

APPLICATION FOR PERMIT TO DRILL			5. MINERAL LEASE NO: ML-48141	6. SURFACE: State
1A. TYPE OF WORK: DRILL <input checked="" type="checkbox"/> REENTER <input type="checkbox"/> DEEPEN <input type="checkbox"/>			7. IF INDIAN, ALLOTTEE OR TRIBE NAME: N/A	
B. TYPE OF WELL: OIL <input type="checkbox"/> GAS <input checked="" type="checkbox"/> OTHER _____ SINGLE ZONE <input checked="" type="checkbox"/> MULTIPLE ZONE <input type="checkbox"/>			8. UNIT or CA AGREEMENT NAME: Undesignated	
2. NAME OF OPERATOR: Fortuna (U.S.), Inc.			9. WELL NAME and NUMBER: Flat Canyon State #36-3	
3. ADDRESS OF OPERATOR: 3400, 888-3rd St, SW		CITY Calgary, Alberta STATE CA ZIP T2P5C5	PHONE NUMBER: (403) 693-2278	10. FIELD AND POOL, OR WILDCAT: Wildcat
4. LOCATION OF WELL (FOOTAGES) AT SURFACE: 843' FNL 2,042' FWL AT PROPOSED PRODUCING ZONE: 843' FNL 2,042' FWL			11. QTR/QTR, SECTION, TOWNSHIP, RANGE, MERIDIAN: NENW 36 16S 6E	
14. DISTANCE IN MILES AND DIRECTION FROM NEAREST TOWN OR POST OFFICE: 13.73 miles northwest of Orangeville, Utah			12. COUNTY: Emery	13. STATE: UTAH
15. DISTANCE TO NEAREST PROPERTY OR LEASE LINE (FEET) 843'		16. NUMBER OF ACRES IN LEASE: 640	17. NUMBER OF ACRES ASSIGNED TO THIS WELL: 40	
18. DISTANCE TO NEAREST WELL (DRILLING, COMPLETED, OR APPLIED FOR) ON THIS LEASE (FEET) None		19. PROPOSED DEPTH: 7,842	20. BOND DESCRIPTION: Letter of Credit 33632617 (\$80 K)	
21. ELEVATIONS (SHOW WHETHER DF, RT, GR, ETC.): 10,297' GR		22. APPROXIMATE DATE WORK WILL START: 8/1/2003	23. ESTIMATED DURATION: 50 days	

24. **PROPOSED CASING AND CEMENTING PROGRAM**

SIZE OF HOLE	CASING SIZE, GRADE, AND WEIGHT PER FOOT			SETTING DEPTH	CEMENT TYPE, QUANTITY, YIELD, AND SLURRY WEIGHT			
17-1/2"	13-3/8"	J-55 ST	48 lb/ft	500	Class G	590 sacks	1.18 cuft/sk	15.6 lb/gal
12-1/4"	9-5/8"	J-55 ST	36 lb/ft	4,000	Class G / Lite	210 / 770	3.14 / 1.53	11.2 / 14.1
8-3/4"	7"	J-55 ST	26 lb/ft	7,400	Class G / Lite	320 / 280	3.14 / 1.53	11.2 / 14.1
6-1/4"	4-1/2"	N-80	11.6 lb/ft	7,842	Class G / Lite	229 / 50	3.14 / 1.53	11.2 / 14.1

25. **ATTACHMENTS**

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

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

CONFIDENTIAL

NAME (PLEASE PRINT) Don Hamilton TITLE Agent for Fortuna (US), Inc.

SIGNATURE Don Hamilton DATE 8/30/2003

(This space for State use only)

API NUMBER ASSIGNED: 43-015-30524

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

RECEIVED
JUN - 9 2003
DIV OF OIL, GAS & MINING

(11/2001)

Date: 08-12-03
By: [Signature]

T16S, R6E, S.L.B.&M.

FORTUNA (U.S.) INC.

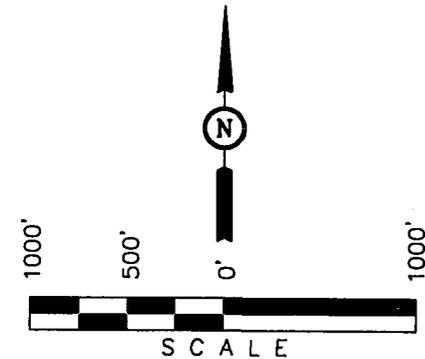
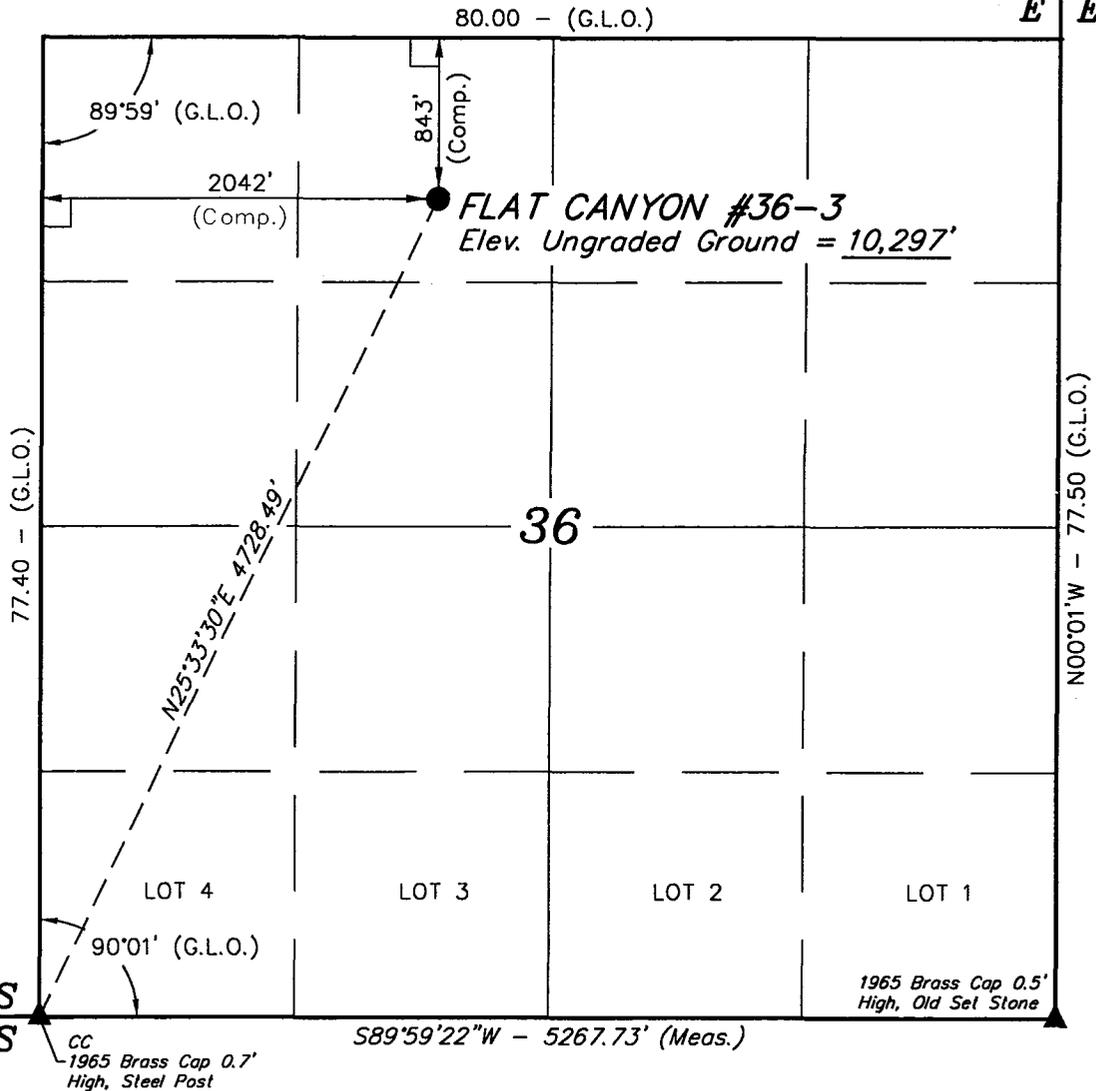
Well location, FLAT CANYON #36-3, located as shown in the NE 1/4 NW 1/4 of Section 36, T16S, R6E, S.L.B.&M., Emery County, Utah.

BASIS OF ELEVATION

SPOT ELEVATION LOCATED ON A RIDGE TOP IN THE NW 1/4 SE 1/4 OF SECTION 36, T16S, R6E, S.L.B.&M., TAKEN FROM THE RILDA CANYON, QUADRANGLE, UTAH, EMERY COUNTY, 7.5 MINUTE QUAD. (TOPOGRAPHIC MAP) PUBLISHED BY THE UNITED STATES DEPARTMENT OF THE INTERIOR, GEOLOGICAL SURVEY. SAID ELEVATION IS MARKED AS BEING 10283 FEET.

BASIS OF BEARINGS

BASIS OF BEARINGS IS A G.P.S. OBSERVATION.



CERTIFICATE

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

Robert Hay
 REGISTERED LAND SURVEYOR
 REGISTRATION NO. 1161319
 STATE OF UTAH

T16S
T17S

S89°59'22"W - 5267.73' (Meas.)

LEGEND:

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

(AUTONOMOUS NAD 83)

LATITUDE = 39°23'29.74" (39.391594)
 LONGITUDE = 111°11'39.78" (111.194383)

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

SCALE 1" = 1000'	DATE SURVEYED: 09-24-02	DATE DRAWN: 09-30-02
PARTY K.K. G.O. D.COX	REFERENCES G.L.O. PLAT	
WEATHER WARM	FILE FORTUNA (U.S.) INC.	

Attached to UDOGM Form 3

Fortuna (U.S.), Inc.

Flat Canyon State 36-3

843' FNL, 2,042' FWL, NE/4 NW/4, Section 36, T16S, R6E, SLB&M

Emery County, Utah

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. The proposed well site is located approximately 13.73 miles northwest of Orangeville, Utah.
- b. As you are leaving the prominent intersection north of Orangeville, Utah proceed north along SR-29 approximately 7.62 miles to the Cottonwood Canyon intersection. Proceed north along the Cottonwood Canyon paved road to the USDA Forest Service boundary located approximately 2.37 miles along the paved road. Follow the paved road past the now abandon Trail Mountain Mine and onto the improved gravel surface. Follow the gravel surface north approximately 7.59 miles from the forest boundary to the four-way intersection at Flat Canyon. Follow the Vortt Energy improved Forest Road east approximately 2.86 miles staying on the improved gravel surface to the intersection top of Flat Canyon. From the paved surface to this unimproved road is presently at forest service specifications with only maintenance being required during development activities at the proposed well.
- c. At the prominent intersection turn south and follow the unimproved staked route approximately 1.73 miles to state surface Section 36. A road use permit and complete road design package have previously been submitted for approval to upgrade this unimproved surface and allow new construction on the native surface to Forest Service specifications and is presently pending approval concurrent with this application.
- d. Another 0.16 miles of unimproved road will be upgraded across SITLA surface in which approval to upgrade is being requested with the application.
- e. All existing Forest Service roads will be maintained and kept in good repair during all phases of operation.
- f. Vehicle operators will obey posted speed restrictions and observe safe speeds commensurate with road and weather conditions.
- g. Since no improvements are anticipated to the state access roads no encroachment is being secured at this time.
- h. Move-in and Move-out of the drill rig will not be allowed during holiday weekends and will be restricted during the big game hunting seasons as specified by the Forest Service as conditions for approval of the pending Road Use Permit.

2. Planned Access Roads:

- a. From the forest boundary to the well site will cross numerous Forest Service Roads. Roads requiring upgrade will be upgraded to forest specifications prior to the move in of drilling equipment.
- b. A road design package has previously been submitted and additional engineering work is not anticipated at this time but can be provided if requested by representatives of the Forest Service.
- c. Utilization of Forest Service Roads is pending approval of a previously submitted Road Use Permit and Road Design Plan that further detail proposed improvements and use of existing Forest Service Roads. Utilization of the existing on-lease access road across SITLA surface is being requested with this application.
- d. A maximum grade of 13% will be maintained throughout the project.
- e. Adequate drainage structures will be incorporated into the road and will meet Forest Service and SITLA specifications and approval prior to any construction.
- f. No gates or cattle guards are anticipated at this time.
- g. Surface disturbance and vehicular travel will be limited to the approved location access road. Any additional area needed must be approved by the Forest Service or SITLA in advance.
- h. If new and/or existing roads lie outside the lease boundary a right-of-way will be obtained.
- i. Unauthorized off-road vehicular travel is prohibited.
- j. Adequate signs will be posted along Forest Service Development Roads and as appropriate along the state road to warn the public of project related traffic.

3. Location of Existing Wells:

- a. Following is a list of existing wells within a one mile radius of the proposed well:
 - i. Water wells None
 - ii. Injection wells None
 - iii. Producing wells None
 - Temp. shut-in wells None
 - v. P & A wells None
- b. Numerous abandon coal exploration holes exist in the area and have not been shown on the maps since they are not classified as wells.

4. Location of Production Facilities:

- a. All permanent structures (in place for six months or longer) constructed or installed (including pump jacks and separators) will be painted a flat, non-reflective olive black (or as determined by the SITLA) to match the standard environmental colors, as determined by the approving agency. 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.

- b. No pipelines or power lines are proposed with this application, once the well is productive pipelines and power lines may be applied for in a subsequent application.
- c. Any necessary pits will be properly fenced to prevent any wildlife and livestock entry.
- d. All access roads will be maintained as necessary to prevent erosion and accommodate year-round traffic. The road will be maintained in a safe useable condition.
- e. The site will require periodic maintenance to ensure that drainages are kept open and free of debris, ice, and snow, and that surfaces are properly treated to reduce erosion, fugitive dust, and impacts to adjacent areas.
- f. All gasoline and diesel-powered equipment will be equipped with effective spark arresters or mufflers. Spark arresters will meet Forest Service specifications discussed in the USDA Forest Service Spark Arrester Guide. In addition, all electrical equipment must be properly insulated to prevent sparks.

5. Location and Type of Water Supply:

- a. All water needed for drilling and construction purposes will be provided by *Application for Temporary Change of Water #127043* evidenced by *Water Right #93-2175* that was approved on August 30, 2002. The approved application allows for the withdrawal of water from Cottonwood Creek for use in oil and gas related activities.
- b. Should this water source not be adequate, water will be purchased on a quantity basis from the municipal water supply through Castle Valley Special Service District (a supplier of municipal water in Emery County)
- c. Additional waters, if available, will be properly and legally obtained according to State water laws. The location of diversion, if on Nation Forest System lands, is subject to State approval.
- d. Because of the drought situation this year no other source of water is being pursued at this time.

6. Source of Construction Material:

- a. Pad construction material will be obtained from a Private Owner near Orangeville, Utah.
- b. No construction materials will be removed from State or Federal lands
- c. Any gravel used will be obtained from a state approved gravel pit.

7. Methods of Handling Waste Disposal:

- a. All wastes associated with this application will be contained and disposed of utilizing approved facilities designed for the safe storage and disposal of the waste material.
- b. Drill cutting will be contained and buried on site.
- c. The reserve pit will be located inboard of the location and along the northeast side of the pad.
- d. The reserve pit will be constructed so as not to leak, break, or allow any discharge.

- e. The reserve pit will be lined with 12 mil minimum thickness synthetic liner material unless designated otherwise by the DOGM representative prior to construction. Pit walls will be sloped no greater than 2:1. A minimum 2-foot freeboard will be maintained in the pit at all times during the drilling and completion operation.
- f. 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.
- g. 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. The contents of the trash container will be hauled off periodically to the approved Emery County Landfill near Castle Dale, Utah. Burning of trash and debris is prohibited.
- h. Any salts and/or chemicals, which are an integral part of the drilling system, will be disposed of in the same manner as the drilling fluid.
- i. Sanitary facilities are required on site at all times during operations. Sewage will be placed in a portable chemical toilet or holding tank and disposed of in accordance with state and county regulations. The installation of facilities, other than self-contained chemical toilets, is subject to State approval.
- j. The produced fluids (other than water) will be produced into a test tank until such time as construction of production facilities is completed. Any spills of oil, gas, salt water or other produced fluids will be cleaned up and removed following the previously submitted Fortuna Spill Emergency Response Plan

8. Ancillary Facilities:

- a. Garbage Containers and Portable Toilets are the only ancillary facilities proposed in this application

9. Well Site Layout :

- a. The well, whether drilling, producing, suspended, or abandoned, will be properly identified.
- b. Access to the well pad will be from the north.
- c. A pre-construction meeting including the responsible company representative(s), contractors, DOGM and the Forest Service must be conducted at the project site prior to commencement of surface-disturbing activities. The pad and road must be construction-staked prior to this meeting. Site specific requirements will be discussed at that time.
- d. The pad has been staked at its maximum size of 400' X 245', however it will be constructed smaller if possible, depending upon rig availability. Should the layout change this application will be amended and approved utilizing a sundry notice.
- e. The operator will acquire appropriate permission to utilize non-State and Forest Service Roads.
- f. The project engineer and surveyors must be certified by the State in which they reside or maintain their business.

- g. Establishment of campsites on the pad or at other locations on National Forest System lands by the operator or his contractors is subject to Forest Service approval.
- h. All surface disturbing activities, including reclamation, will be supervised by a qualified, responsible official or company representative who is aware of the terms and conditions of the APD and specifications in the approved plans.
- i. All cut and fill slopes will be such that stability can be maintained for the life of the activity.
- j. All fills will be free from vegetative materials and will be compacted in lifts no greater than 12 inches in thickness to a minimum of 90 percent Proctor dry density sufficient to prevent excessive settling.
- k. If the well is productive, the working surface of the drill site will be surfaced with gravel to a depth sufficient to support anticipated loads throughout the life of the well.
- l. Diversion ditches will be constructed as necessary and practical around the well site to prevent surface waters from entering the well site area. Energy dissipating structures will be utilized to prevent excessive erosion at the outflow and trap any sediment produced from the raw slopes and prevent excessive erosion.
- m. A berm will be constructed around the perimeter of the site to contain all precipitation, spills, and other fluids from leaving the site. The berm will be 18 inches high, 12 inches wide at the top, and having a 1-1/2:1 side slopes. The site surface will be graded to drain to a low corner to avoid pit spillage during large storm events. The drainage pattern to be constructed can be modified for the site depending on site-specific conditions.
- n. The stockpiled topsoil (first 12 inches or maximum available) will be stored in a windrow on the uphill side of the location to prevent any possible contamination. All topsoil must be stripped from areas to be disturbed and stockpiled for reclamation in such a way as to prevent soil loss and contamination.
- o. Pits will remain fenced until site cleanup.
- p. The blooie line will be located: At least 100 feet from the well head.
- q. To minimize the amount of fugitive dust and spray escaping from the blooie pit water injection will be implemented

10. Plans for Restoration of the Surface:

DRY HOLE

- a. Rehabilitation of the entire site will be required and will commence immediately after the drilling is complete. The site will be restored as nearly practical to its original condition. Cut and fill slopes will be reduced and graded to conform to the adjacent terrain.
- b. Fluids in the reserve pit will be pumped off and hauled to an approved disposal source, or re-used at another drill site. The operator will attempt to reclaim the reserve pit prior to winter, or the following summer.
- c. Drainages will be reestablished and temporary measures will be required to prevent erosion to the site until vegetation is established.
- d. The abandonment marker will be specified by the State

- e. After final grading and before the replacement of topsoil, the entire surface of the site shall be scarified to eliminate slippage surfaces and to promote root penetration. Topsoil will then be spread over the site to achieve an approximate uniform, stable thickness consistent with the established contours.
- f. A temporary fence (let down fence) will be constructed around the drill site to prevent continued use until the required reclamation standards are successfully achieved. The fence will then be removed.
- g. In general, the disturbed areas will be considered adequately re-vegetated when at least 90 percent of the original ground cover is re-established over 90 percent of the seeded area, within three years of planting, consisting of seeded and desirable species. Maximum allowable non-noxious weeds is 10 percent of the total ground cover at any time. No noxious weeds will be allowed on the site; they must be treated as they occur. The operator is responsible for maintenance of reclamation facilities such as fences, barricades and temporary drainage structures until the desired reclaimed conditions are achieved. If the desired ground cover is not established at the end of each 3 year period, an analysis of why the areas has not recovered will be performed by the operator and additional treatment and seeding will be required based on the results of the analysis.
- h. Straw, hay, feed, or pellets used on the National Forests of Utah must be certified weed-free by the State of Utah.
- i. At such time as the well is plugged and abandoned, the operator shall submit a subsequent report of abandonment.
- j. The well pad and access road will be reclaimed as per SITLA, Forest Service, and DOGM. The operator will be informed of the requirements within 2 weeks following completion of the well to determine if the Forest Service can utilize the access road and/or well pad for recreational purposes. If the Forest Service agrees to take over the access and/or well pad, they also agree to take full responsibility for continued use and maintenance of the area and all liability associated with the same.

PRODUCING WELL

- a. Site reclamation for producing wells will be accomplished for portions of the site not required for the continued operation of the well. All disturbed surface will be treated to prevent erosion and to complement the esthetics of the area. A new site plan will be required encompassing the facilities required for operation and interim reclamation measures.
- b. Before any dirt work to restore the location takes place, the reserve pit must be completely dry. Once the reserve pit is dry, the reserve pit and that portion of the location not needed for production facilities/operations will be recontoured to the approximate natural contours.
- c. Immediately upon completion of drilling, all equipment that is not necessary for production shall be removed.
- d. Immediately upon well completion, any hydrocarbons in the pit shall be removed.
- e. The plastic nylon reinforced liner shall be torn and perforated before backfilling of the reserve pit.
- f. At the end of drilling operations, drilling fluids will be hauled to an approved disposal site. All polluting substances or contaminated materials, such as oil, oil-saturated soils, and gravel, will be removed.
- g. The cut and fill slopes and all other disturbed areas not needed for the production operation will be

top soiled and revegetated. The berm will be removed and the drill site graded to drain.

- h. The stockpiled topsoil will be evenly distributed over the disturbed area.
- i. Prior to reseeding, all disturbed areas, including the access roads, will be scarified and left with a rough surface.
- j. The site will be seeded and/or planted as prescribed by the SITLA. Nutrients and soil amendments will be applied to the redistributed surface soil later as necessary to meet the revegetation requirements. Seed will be broadcast or drilled between Sept. and Nov., or at a time specified by the SITLA. If broadcast, a harrow or some other implement will be dragged over the seeded area to assure seed coverage.

11. Surface and Mineral Ownership:

- a. Surface Ownership is SITLA – 675 East 500 South, Salt Lake City, Utah 84102, 801-538-5100.
- b. Mineral Ownership is SITLA – 675 East 500 South, Salt Lake City, Utah 84102, 801-538-5100.

12. Other Information:

- a. A Class III archeological survey was conducted by Montgomery Archaeological Consultants, No significant cultural resources were found and clearance has been recommended. A copy of this report is being submitted to the appropriate agencies by Montgomery Archaeological Consultants.
- b. Buys & Associates conducted a Threatened and Endangered flora and fauna survey, No significant species were found and clearance has been recommended. A copy of this report has been submitted to the appropriate agencies by Buys & Associates.
- c. Talon Resources, Inc, conducted an aerial raptor survey, No significant nesting raptors species were found in the immediate area and clearance has been recommended. Talon Resources, Inc has submitted a copy of the produced data to the appropriate agencies.
- d. Wildlife Seasonal Restrictions will be stipulated by the Forest Service biologist and the pending EIS document.
- e. No off location Geophysical Testing will be completed as part of this project.
- f. No drainage crossings that require additional State or Federal approval are being crossed
- g. Fire suppression equipment must be available to all personnel on the project site. Equipment will include a minimum of one hand tool per crewmember consisting of shovels, pulaskis, and chainsaws and one properly rated fire extinguisher per vehicle and/ or internal combustion engine.
- h. The operator will be held responsible for damage and suppression costs for fires started as a result of operations. Fires must be reported to the Forest Service as soon as possible.
- i. All accidents or mishaps resulting in resource damage and/or serious personal injury must be reported to the Forest Service as soon as possible.
- j. Harassment of wildlife and livestock is prohibited.
- k. All merchantable timber removed or destroyed by construction or other project related activities

will be purchased by the operator at fair market value. The Forest Service will conduct a timber cruise and appraisal after the final clearing limits have been staked. Slash burning will be conducted only at locations approved by the Forest Service under authorization or a burning permit

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

Fortuna (U.S.) Inc.
Suite 3400, 888 3rd Street SW
Calgary, Alberta, Canada T2P5C5

<u>Title</u>	<u>Name</u>	<u>Office Phone</u>
Exploration Manager	Mike Morrison	1-403-237-1163
Engineer, Drilling & Comp.	Blaine MacInnes, P. Eng.	1-403-693-2278
Environmental Specialist	Leslie Zilm	1-403-237-4866
Construction Manager	Don Jackson	1-780-621-6900
Permitting Agent	Don Hamilton	1-435-687-5310

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 Fortuna (U.S.), Inc. 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 Fortuna (U.S.), Inc. existing SITLA bond. This statement is subject to the provisions of 18 U.S.C. 1001 for the filing of a false statement.

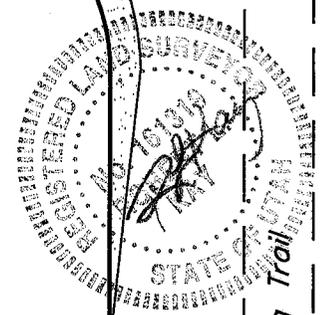
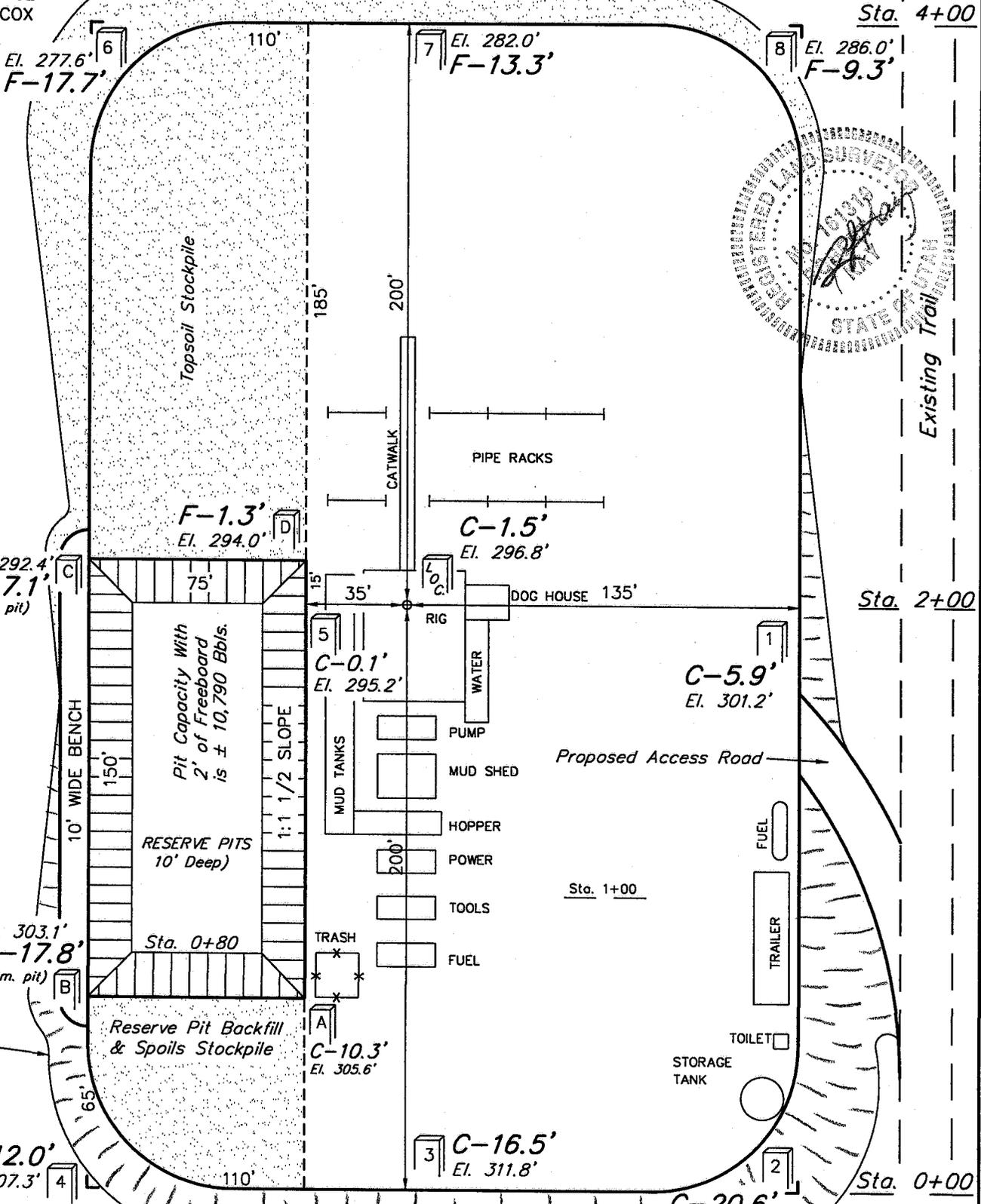
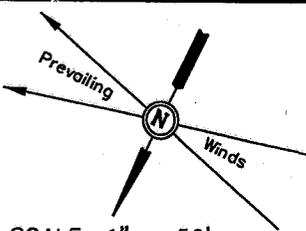
Signature: Don Hamilton Date: 5-30-03

FORTUNA (U.S.) INC.

LOCATION LAYOUT FOR
 FLAT CANYON #36-3
 SECTION 36, T16S, R6E, S.L.B.&M.
 843' FNL 2042' FWL

APPROX.
 TOE OF
 FILL SLOPE

SCALE: 1" = 50'
 DATE: 09-30-02
 Drawn By: D.COX



Existing Trail

Elev. Ungraded Ground at Location Stake = 10,296.8'
 Elev. Graded Ground at Location Stake = 10,295.3'

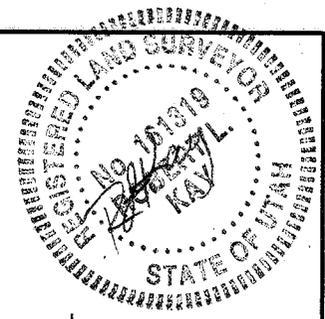
FORTUNA (U.S.) INC.

TYPICAL CROSS SECTIONS FOR

FLAT CANYON #36-3

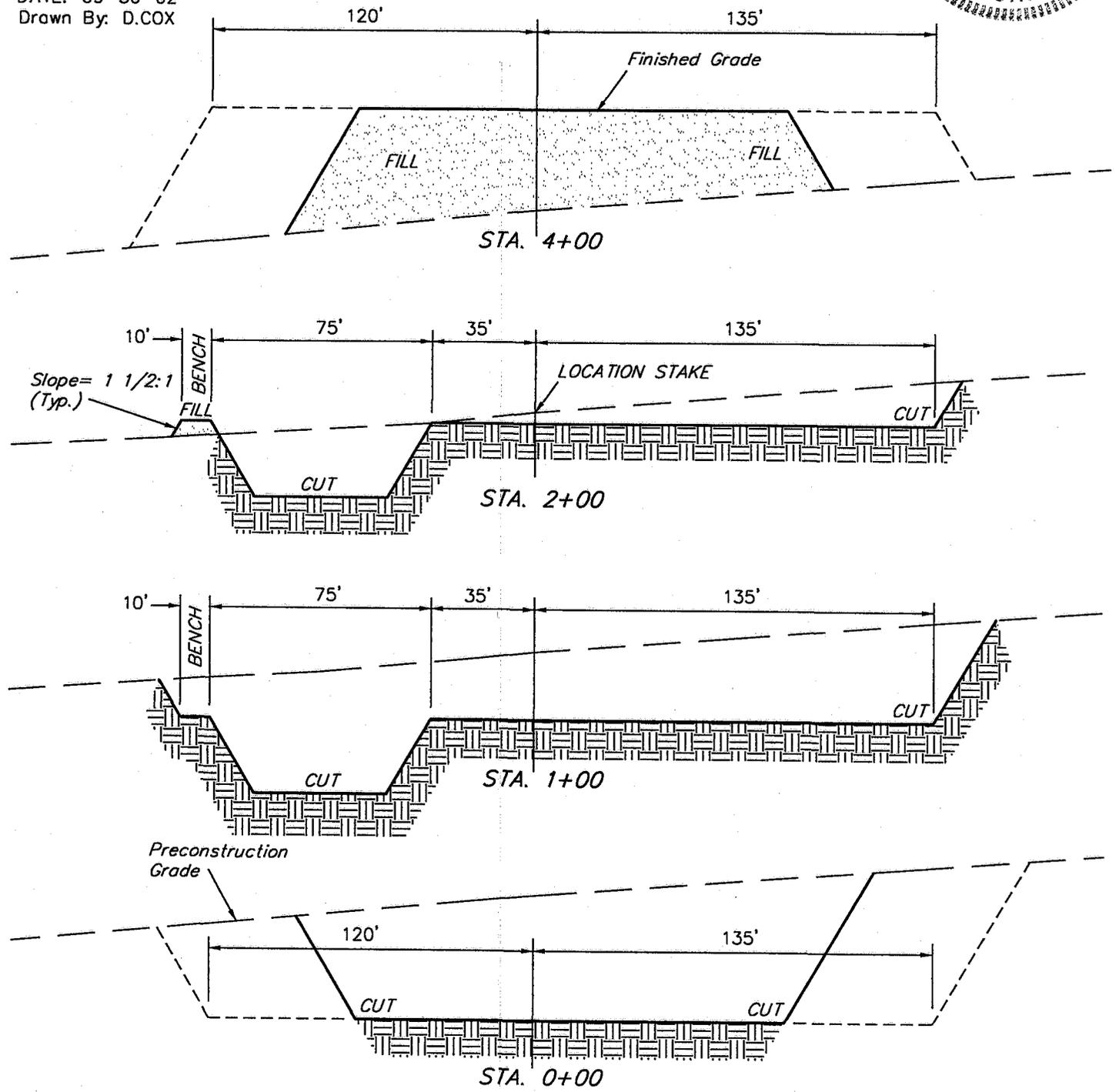
SECTION 36, T16S, R6E, S.L.B.&M.

843' FNL 2042' FWL



1" = 20'
X-Section
Scale
1" = 50'

DATE: 09-30-02
Drawn By: D.COX

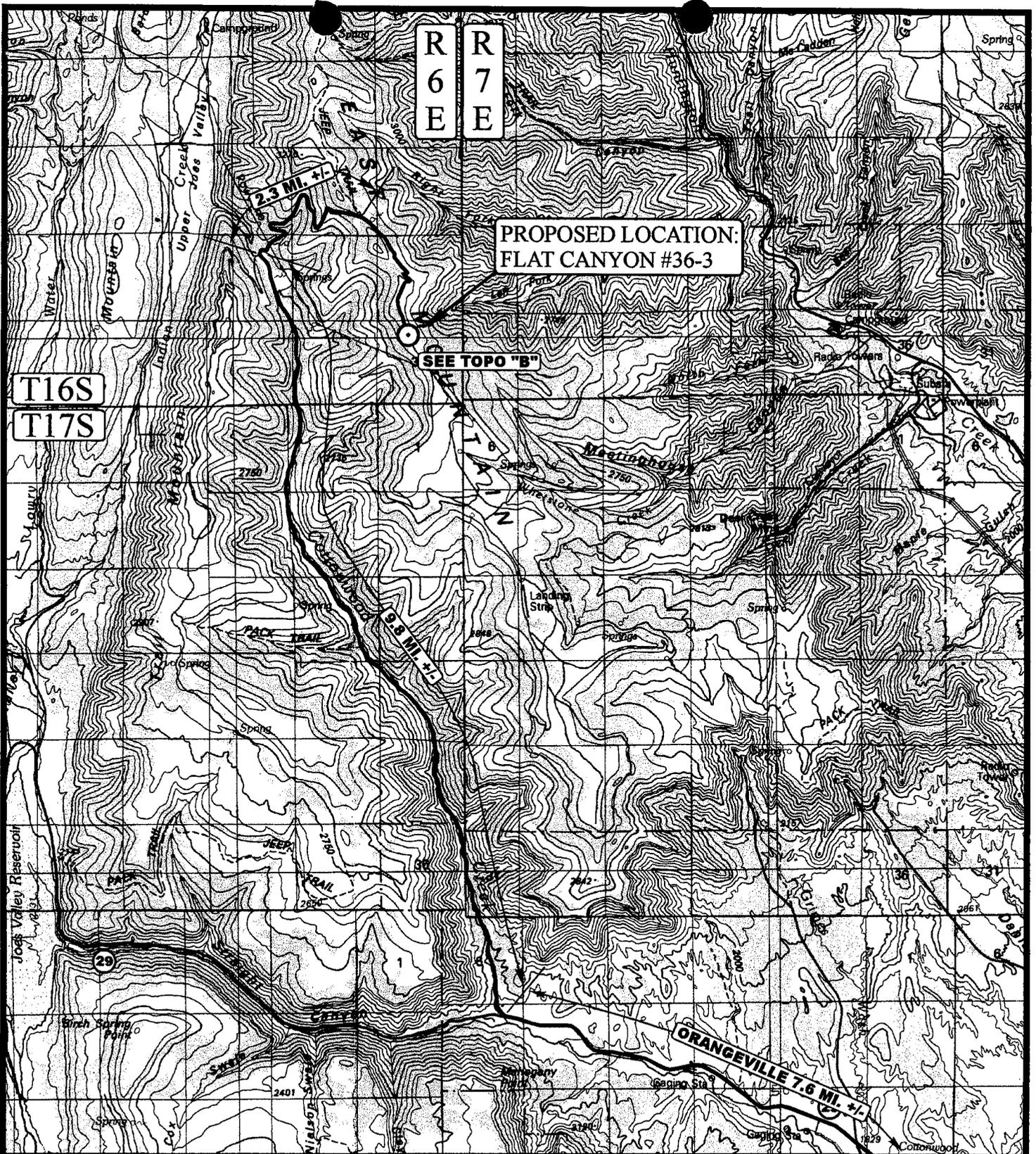


APPROXIMATE YARDAGES

CUT	
(6") Topsoil Stripping	= 1,850 Cu. Yds.
Remaining Location	= 22,750 Cu. Yds.
TOTAL CUT	= 24,600 CU.YDS.
FILL	= 13,780 CU.YDS.

EXCESS MATERIAL AFTER 5% COMPACTION	= 10,100 Cu. Yds.
Topsoil & Pit Backfill (Total Pit Vol.)	= 4,880 Cu. Yds.
EXCESS UNBALANCE (After Rehabilitation)	= 5,220 Cu. Yds.

UINTAH ENGINEERING & LAND SURVEYING
85 South 200 East Vernal, Utah (435) 789-1017



LEGEND:

⊙ PROPOSED LOCATION

N



FORTUNA (U.S.) INC.

FLAT CANYON #36-3
SECTION 36, T16S, R6E, S.L.B.&M.
843' FNL 2042' FWL



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

TOPOGRAPHIC
MAP

9 30 02
 MONTH DAY YEAR



SCALE: 1:100,000 DRAWN BY: J.L.G REVISED: 00-00-00

FORTUNA (U.S.) INC.
FLAT CANYON #36-3
 LOCATED IN EMERY COUNTY, UTAH
 SECTION 36, T16S, R6E, S.L.B.&M.



PHOTO: VIEW FROM CORNER #5 TO LOCATION STAKE

CAMERA ANGLE: SOUTHWESTERLY

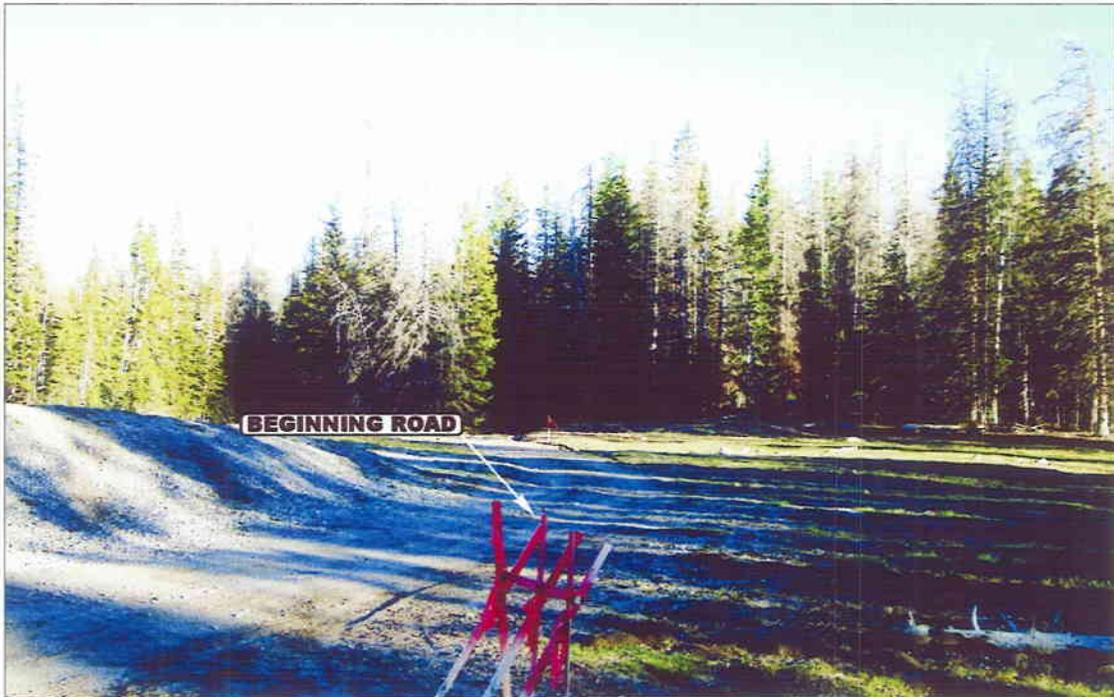


PHOTO: VIEW FROM BEGINNING OF PROPOSED ROAD

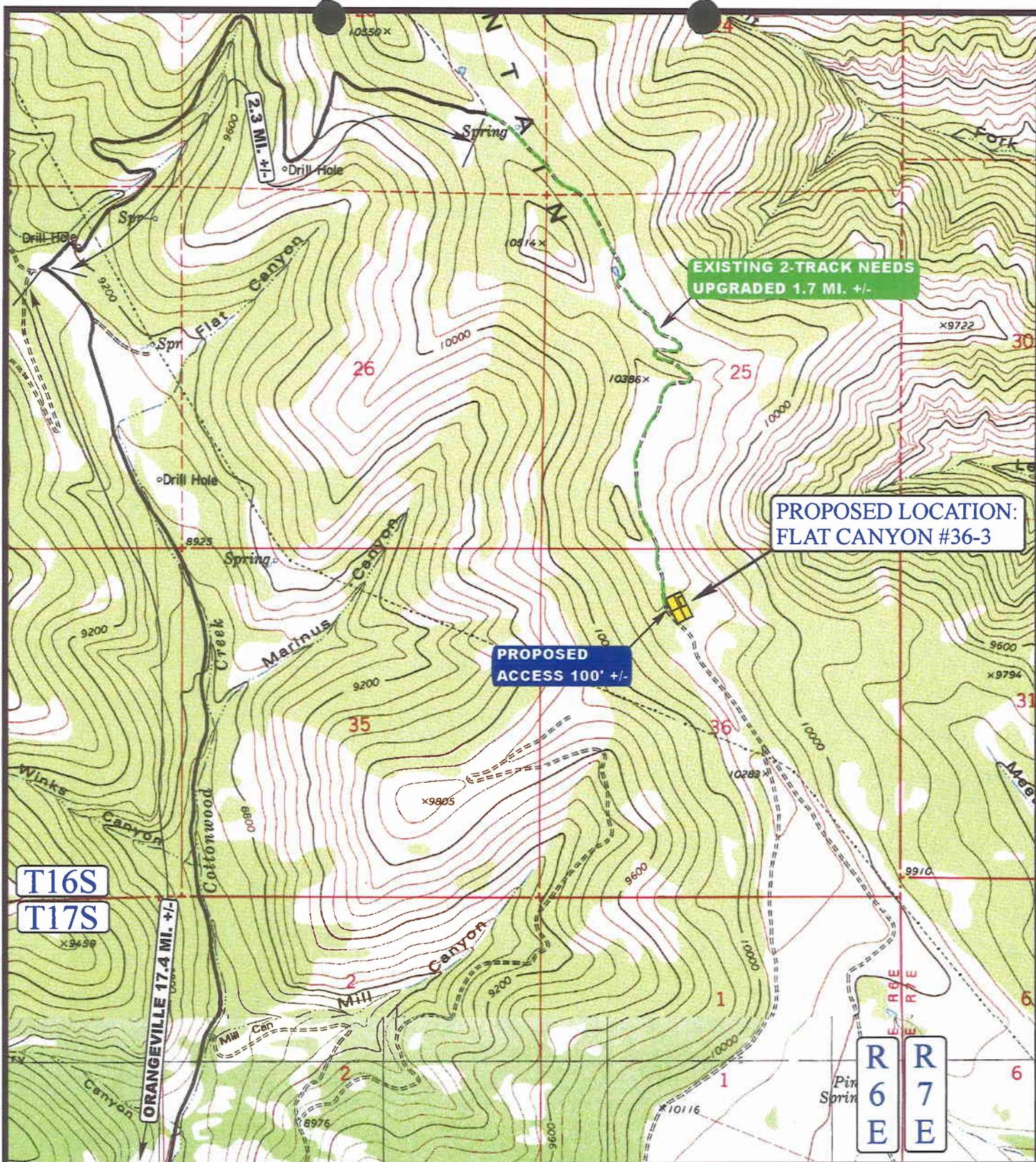
CAMERA ANGLE: SOUTHEASTERLY



UELS Uintah Engineering & Land Surveying
 85 South 200 East Vernal, Utah 84078
 435-789-1017 uels@uelsinc.com

- Since 1964 -

LOCATION PHOTOS			9	30	02	PHOTO
			MONTH	DAY	YEAR	
TAKEN BY: K.K.		DRAWN BY: J.L.G		REVISED: 00-00-00		



LEGEND:

- PROPOSED ACCESS ROAD
- EXISTING ROAD



FORTUNA (U.S.) INC.

FLAT CANYON #36-3
SECTION 36, T16S, R6E, S.L.B.&M.
843' FNL 2042' FWL



Uintah Engineering & Land Surveying
 85 South 200 East Vernal, Utah 84078
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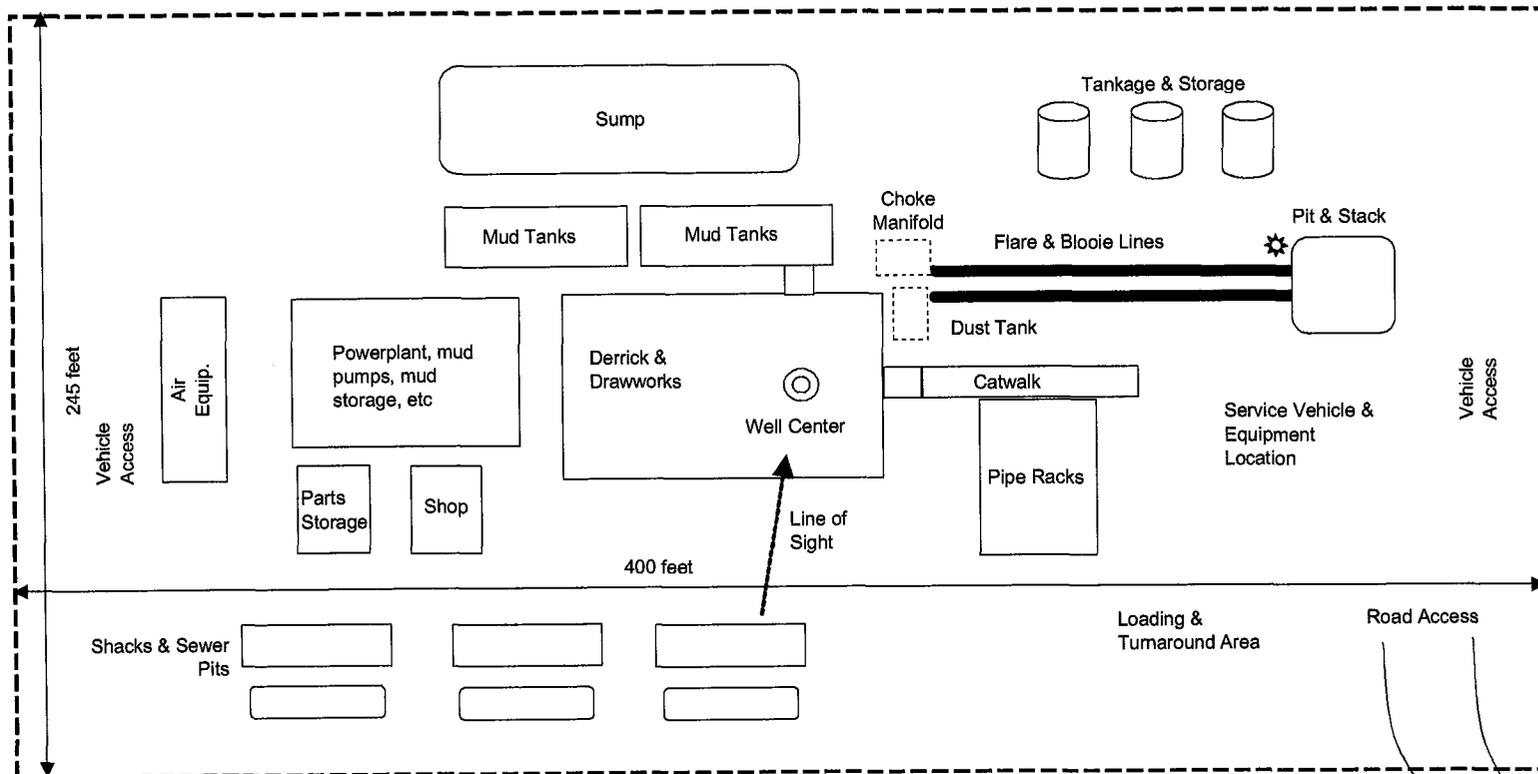
TOPOGRAPHIC
MAP

9 30 02
 MONTH DAY YEAR

SCALE: 1" = 2000' DRAWN BY: J.L.G. REVISED: 00-00-00



Surface Pad Layout



FORTUNA

FORTUNA

FORTUNA FLAT CANYON STATE # 36-3

NE/NW, SECTION 36, TOWNSHIP 16 SOUTH, RANGE 6 EAST

VERTICAL WELL

AFE:
 WORKING INTEREST: 100%
 RIG:
 DRILL DAYS: 50

GE: 10297 ft ASL
 KB: 10314 ft ASL
 KB-GE: 17 ft (est)

BOP'S
 11", 5000 #
 CASING BOWL
 11", 5000 #

* PRIMARY OBJECTIVE

20" Conductor Set @ 30 ft

17 1/2" Surface Hole

TVD
 ft MD

possible water flows from surface

FLAGSTAFF LIMESTONE 0 LS
 NORTH HORN 25 SS/SH

13 3/8" Casing
 Set @ 500 ft

PRICE RIVER 925 SS/SH

12 1/4" Intermediate Hole

CASTLEGATE 1417 SS

BLACKHAWK 1745 SS

possible water flows & sloughing

STAR POINT 2647 SS

UPPER BLUEGATE 2812 SH

possible sloughing shale

EMERY 3952 SS

9 5/8" Casing
 Set @ 4000 ft

8 3/4" Intermediate Hole

LOWER BLUEGATE 5432 SH

*FERRON 7342 SS
 1200 psi (estimated)
 EMW < 8.3 ppg (water gradient)

7" Casing Set @
 7400 ft

6 1/4" Main
 Hole

TUNUNK 7792 SH

TD 7842

4 1/2" Casing set to FTD

EMERGENCY PLANNING ZONE SUMMARY

SWEET WELL: H2S IS NOT EXPECTED TO BE ENCOUNTERED

FORTUNA CORPORATE EMERGENCY RESPONSE PLAN APPLIES

CASING DETAILS

Surface: 13 3/8", 48#, J-55, ST&C, 0 to ± 500 ft KB
 Cemented to surface.

Intermediate1: 9 5/8", 36#, J-55, ST&C, 0 to ± 4000 ft KB
 Cemented to surface.

Intermediate2: 7", 26#, J-55, LT&C, 0 to ± 7400 ft KB
 Cemented to surface.

Production: 4.5", 11.6#, N-80 to surface, 0 to ± 7842 ft KB
 Cemented full length. Ensure that a marker joint is placed in the casing string.

CEMENT DETAILS

	Interval (ft)	Type	Yield (ft ³ /sk)	Density (lb/gal)	# of Sacks	OH XS (%)
Surface	0 - 500	G'	1.18	15.6	590	100
Intermediate1	0 - 1500	lite	3.14	11.2	210	50
	1500 - 4000	G'	1.53	14.1	770	60
Intermediate2	0 - 5500	lite	3.14	11.2	320	50
	5500 - 7400	G'	1.53	14.1	280	50
Production	0 - 6900	lite	3.14	11.2	229	50
	6900 - 7842	G'	1.53	14.1	50	50

LOST CIRCULATION and/or WATER FLOWS are possible from surface to TD.

AIR DRILLING will be attempted until excessive water flows are encountered.

MISTING or FOAMING may be required depending on water flows.

NOTE: Have LCM and BARITE on location prior to spud.

COAL may be encountered throughout the well, occurring in all sequences.

All zones are underpressured, excepting possible artesian water flows.

Gas may be encountered in the Blackhawk and Emery formations.

H2S is not expected to be encountered.

TYPICAL ROAD CROSS-SECTION

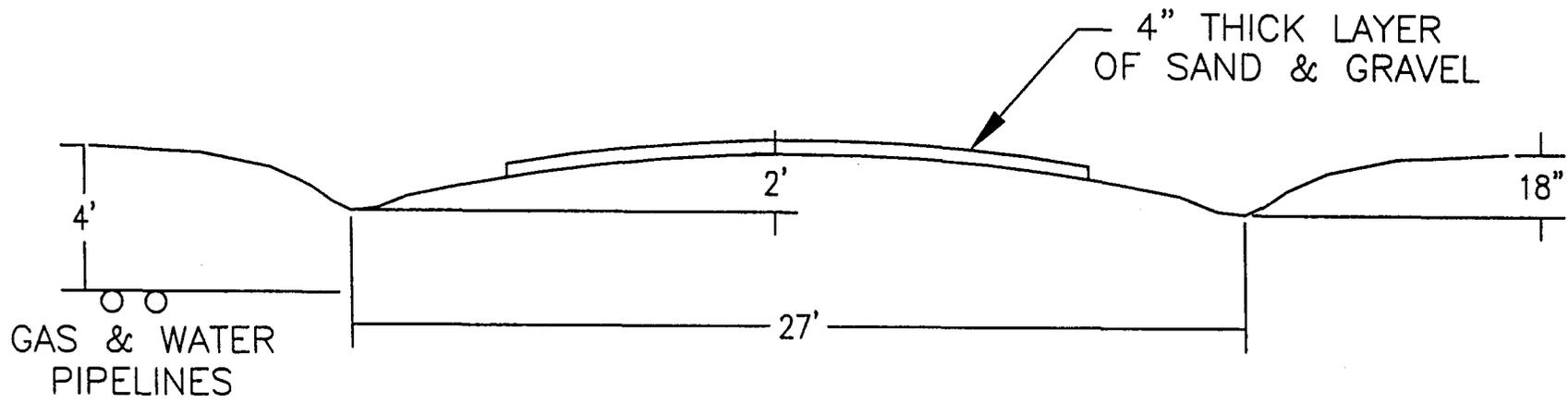


EXHIBIT "F"

BOP Equipment

5000psi WP

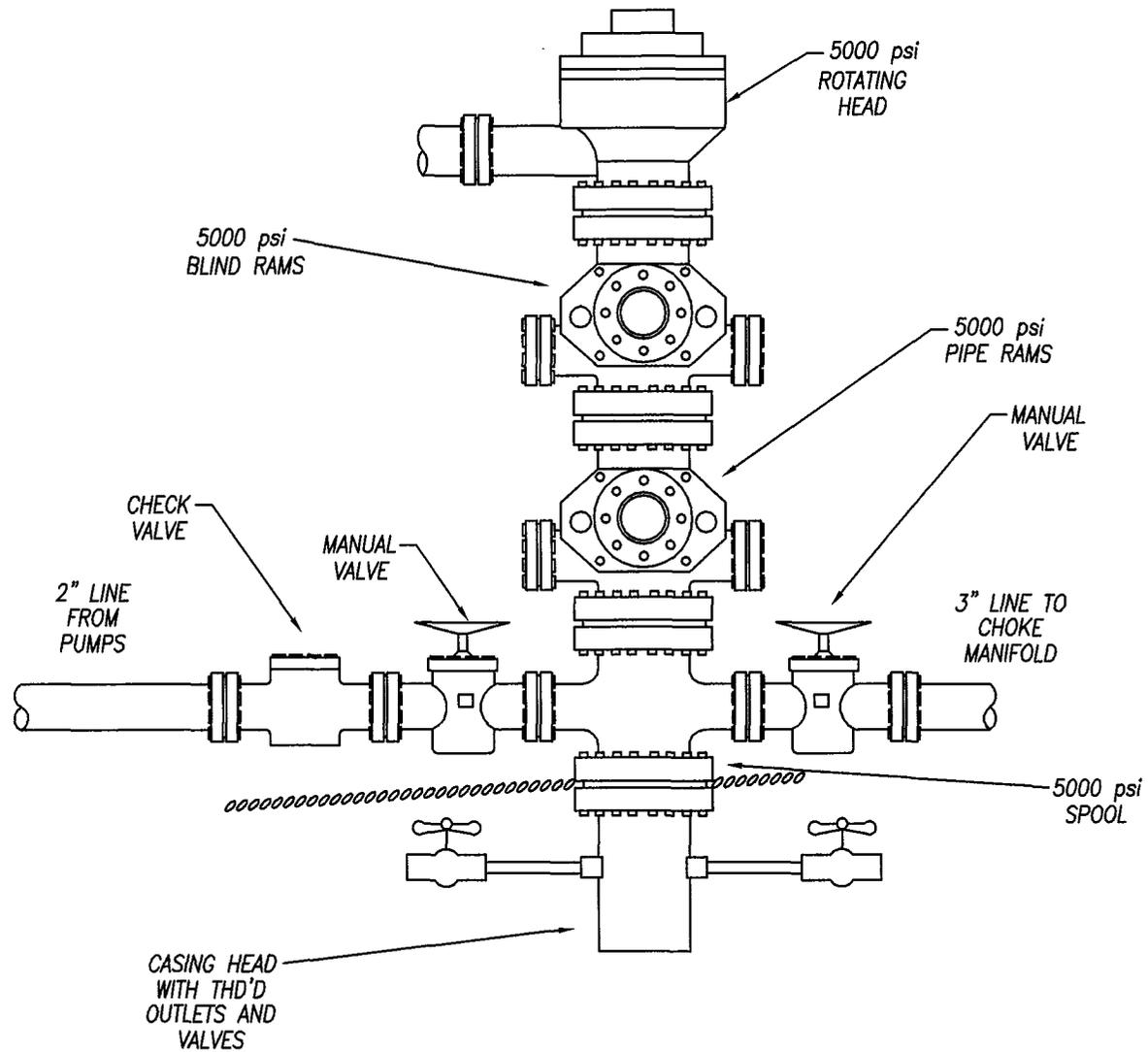
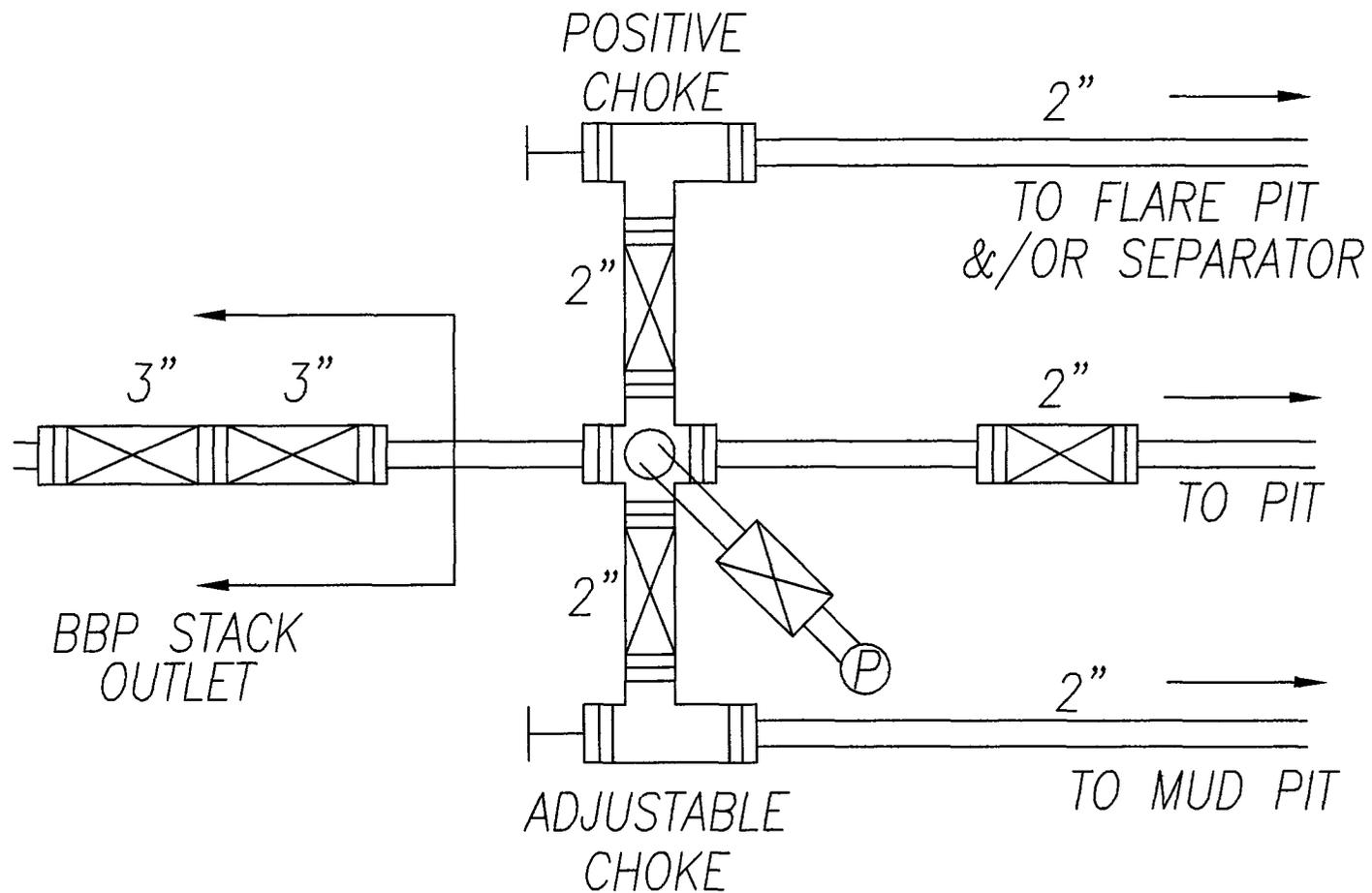


EXHIBIT "G"

CHOKE MANIFOLD



WORKSHEET
APPLICATION FOR PERMIT TO DRILL

APD RECEIVED: 06/09/2003

API NO. ASSIGNED: 43-015-30524

WELL NAME: FLAT CYN ST 36-3
OPERATOR: FORTUNA (U. S.) INC (N2160)
CONTACT: DON HAMILTON

PHONE NUMBER: 435-687-5310

PROPOSED LOCATION:

NENW 36 160S 060E
SURFACE: 0843 FNL 2042 FWL
BOTTOM: 0843 FNL 2042 FWL
EMERY
UNDESIGNATED (2)

INSPECT LOCATN BY: / /		
Tech Review	Initials	Date
Engineering	DKD	8/12/03
Geology		
Surface		

LEASE TYPE: 3 - State
LEASE NUMBER: ML-48140 ⁶¹²
SURFACE OWNER: 3 - State

LATITUDE: 39.39155
LONGITUDE: 111.19358

PROPOSED FORMATION: FRSD

RECEIVED AND/OR REVIEWED:

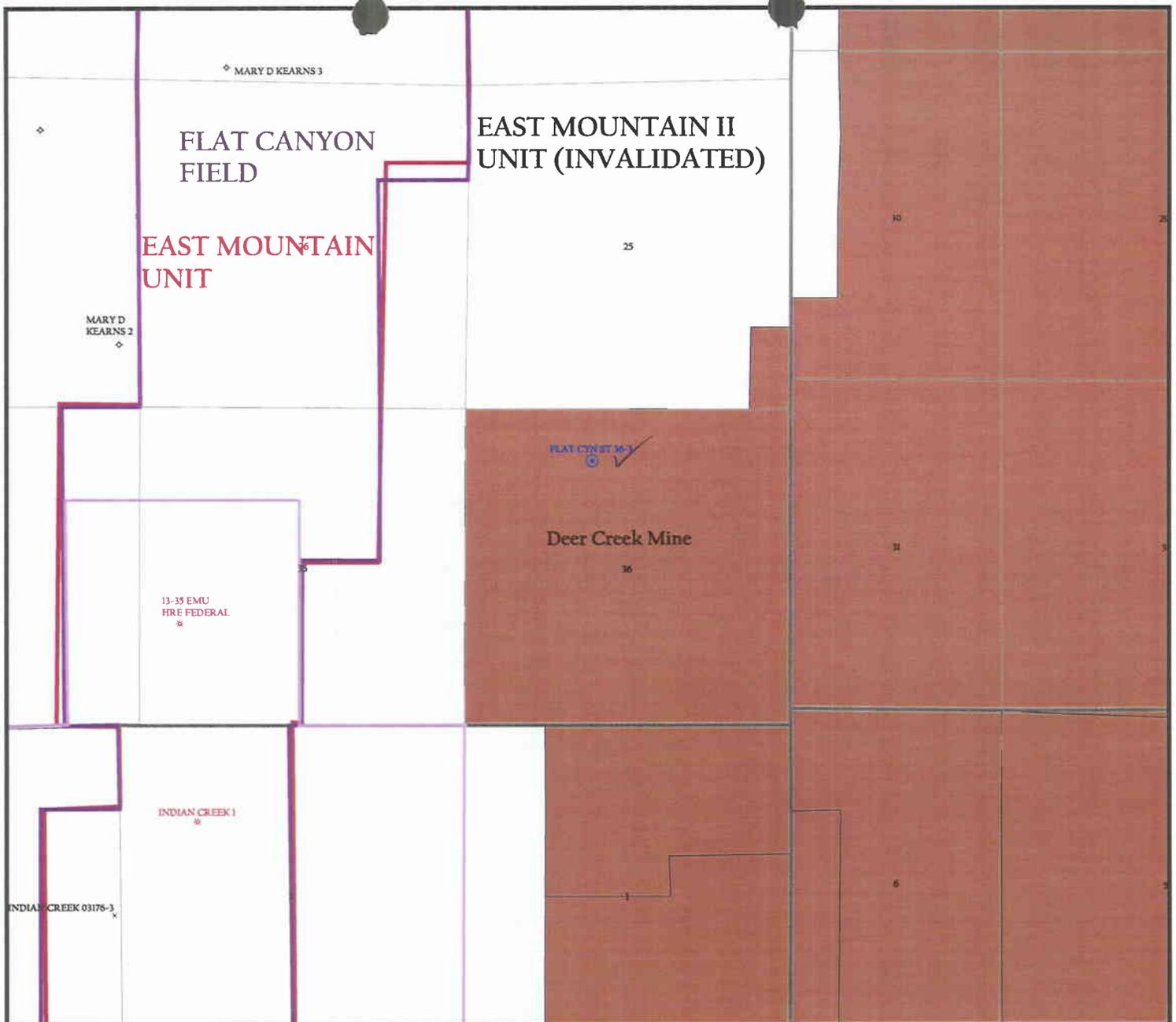
- Plat
- Bond: Fed[] Ind[] Sta[3] Fee[]
(No. ~~096116886~~ 096116886 ⁶¹²)
- Potash (Y/N)
- Oil Shale 190-5 (B) or 190-3 or 190-13
- Water Permit
(No: 93-2175)
- RDCC Review (Y/N)
(Date: _____)
- Fee Surf Agreement (Y/N)

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: Needs Presite (Recd 7/15/03)
Workable coal bed area (APD sent to mine operator by Fortuna)

STIPULATIONS: 1- Spacing Slip
2. STATEMENT OF BASIS



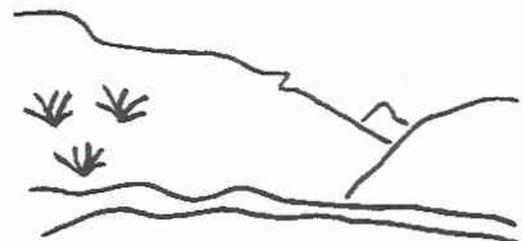
OPERATOR: FORTUNA (US) INC (N2160)

SEC. 36 T.16S, R.6E

FIELD: UNDESIGNATED (002)

COUNTY: EMERY

SPACING: R649-3-2 / GENERAL SITING



Utah Oil Gas and Mining

Wells

- GAS INJECTION
- GAS STORAGE
- LOCATION ABANDONED
- ⊙ NEW LOCATION
- PLUGGED & ABANDONED
- PRODUCING GAS
- PRODUCING OIL
- SHUT-IN GAS
- SHUT-IN OIL
- x TEMP. ABANDONED
- TEST WELL
- ▲ WATER INJECTION
- WATER SUPPLY
- ∇ WATER DISPOSAL

Unit Status

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

Field Status

- ABANDONED
- ACTIVE
- COMBINED
- INACTIVE
- PROPOSED
- STORAGE
- TERMINATED



PREPARED BY: DIANA MASON
DATE: 12-JUNE-2003

Well name:	08-03 Fortuna Flat Canyon St 36-3	
Operator:	Fortuna (US)	Project ID:
String type:	Surface	43-015-30524
Location:	Emery County	

Design parameters:

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

Minimum design factors:

Collapse:
Design factor 1.125

Environment:

H2S considered? No
Surface temperature: 65 °F
Bottom hole temperature: 72 °F
Temperature gradient: 1.40 °F/100ft
Minimum section length: 185 ft

Burst:
Design factor 1.00

Cement top: Surface

Burst

Max anticipated surface pressure: 0 psi
Internal gradient: 0.447 psi/ft
Calculated BHP 223 psi

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

Non-directional string.

No backup mud specified.

Tension is based on air weight.
Neutral point: 438 ft

Re subsequent strings:

Next setting depth: 4,000 ft
Next mud weight: 8.600 ppg
Next setting BHP: 1,787 psi
Fracture mud wt: 19.250 ppg
Fracture depth: 1,000 ft
Injection pressure 1,000 psi

Run Seq	Segment Length (ft)	Size (in)	Nominal Weight (lbs/ft)	Grade	End Finish	True Vert Depth (ft)	Measured Depth (ft)	Drift Diameter (in)	Internal Capacity (ft³)
1	500	13.375 ✓	48.00 ✓	H-40 ✓	ST&C ✓	500	500	12.59	46.9
Run Seq	Collapse Load (psi)	Collapse Strength (psi)	Collapse Design Factor	Burst Load (psi)	Burst Strength (psi)	Burst Design Factor	Tension Load (Kips)	Tension Strength (Kips)	Tension Design Factor
1	218	740	3.395	223	1730	7.75	24	322	13.43 J

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

Date: August 7, 2003
Salt Lake City, Utah

ENGINEERING STIPULATIONS: NONE
Collapse strength is based on the Westcott, Dunlop & Kemler method of biaxial correction for tension.
Collapse is based on a vertical depth of 500 ft, a mud weight of 8.4 ppg The casing is considered to be evacuated for collapse purposes.
Burst strength is not adjusted for tension.

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

Well name:	08-03 Fortuna Flat Canyon St 36-3		
Operator:	Fortuna (US)	Project ID:	43-015-30524
String type:	Intermediate		
Location:	Emery County		

Design parameters:

Collapse

Mud weight: 8.600 ppg
Design is based on evacuated pipe.

Burst

Max anticipated surface pressure: 2,495 psi
Internal gradient: 0.120 psi/ft
Calculated BHP: 2,975 psi

No backup mud specified.

Minimum design factors:

Collapse:

Design factor 1.125

Burst:

Design factor 1.00

Tension:

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

Tension is based on air weight.
Neutral point: 3,491 ft

Environment:

H2S considered? No
Surface temperature: 65 °F
Bottom hole temperature: 121 °F
Temperature gradient: 1.40 °F/100ft
Minimum section length: 500 ft

Cement top: 816 ft

Non-directional string.

Re subsequent strings:

Next setting depth: 7,400 ft
Next mud weight: 8.800 ppg
Next setting BHP: 3,383 psi
Fracture mud wt: 19.250 ppg
Fracture depth: 4,000 ft
Injection pressure: 4,000 psi

Run Seq	Segment Length (ft)	Size (in)	Nominal Weight (lbs/ft)	Grade	End Finish	True Vert Depth (ft)	Measured Depth (ft)	Drift Diameter (in)	Internal Capacity (ft³)
1	4000 ✓	9.625 ✓	36.00 ✓	J-55 ✓	ST&C ✓	4000	4000	8.796	284.8
Run Seq	Collapse Load (psi)	Collapse Strength (psi)	Collapse Design Factor	Burst Load (psi)	Burst Strength (psi)	Burst Design Factor	Tension Load (Kips)	Tension Strength (Kips)	Tension Design Factor
1	1787	2020	1.131 ✓	2975	3520	1.18 ✓	144	394	2.74 J ✓

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

Date: August 7, 2003
Salt Lake City, Utah

ENGINEERING STIPULATIONS: NONE

Collapse strength is based on the Westcott, Dunlop & Kemler method of biaxial correction for tension.
Collapse is based on a vertical depth of 4000 ft, a mud weight of 8.6 ppg. The casing is considered to be evacuated for collapse purposes.
Burst strength is not adjusted for tension.

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

Well name:	08-03 Fortuna Flat Canyon St 36-3		
Operator:	Fortuna (US)	Project ID:	43-015-30524
String type:	Intermediate (2)		
Location:	Emery County		

Design parameters:

Collapse
Mud weight: 8.800 ppg
Design is based on evacuated pipe.

Minimum design factors:

Collapse:
Design factor 1.125

Environment:

H2S considered? No
Surface temperature: 65 °F
Bottom hole temperature: 169 °F
Temperature gradient: 1.40 °F/100ft
Minimum section length: 1,500 ft

Burst

Max anticipated surface pressure: 2,644 psi
Internal gradient: 0.120 psi/ft
Calculated BHP 3,532 psi

Burst:

Design factor 1.00

Cement top: 2,371 ft

No backup mud specified.

Tension:

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

Non-directional string.

Re subsequent strings:

Next setting depth: 7,842 ft
Next mud weight: 8.800 ppg
Next setting BHP: 3,585 psi
Fracture mud wt: 19.250 ppg
Fracture depth: 7,842 ft
Injection pressure 7,842 psi

Run Seq	Segment Length (ft)	Size (in)	Nominal Weight (lbs/ft)	Grade	End Finish	True Vert Depth (ft)	Measured Depth (ft)	Drift Diameter (in)	Internal Capacity (ft³)
1	7400 ✓	7 ✓	26.00 ✓	J-55 ✓	LT&C	7400	7400	6.151	387.9
Run Seq	Collapse Load (psi)	Collapse Strength (psi)	Collapse Design Factor	Burst Load (psi)	Burst Strength (psi)	Burst Design Factor	Tension Load (Kips)	Tension Strength (Kips)	Tension Design Factor
1	3383	4320	1.277 ✓	3532	4980	1.41 ✓	192	367	1.91 J ✓

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

Date: August 7, 2003
Salt Lake City, Utah

ENGINEERING STIPULATIONS: NONE
Collapse strength is based on the Westcott, Dunlop & Kemler method of biaxial correction for tension.
Collapse is based on a vertical depth of 7400 ft, a mud weight of 8.8 ppg The casing is considered to be evacuated for collapse purposes.
Burst strength is not adjusted for tension.

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

Well name:

08-03 Fortuna Flat Canyon St 36-3

Operator: **Fortuna (US)**
String type: Production

Project ID:
43-015-30524

Location: Emery County

Design parameters:

Collapse

Mud weight: 8.800 ppg
Design is based on evacuated pipe.

Minimum design factors:

Collapse:

Design factor 1.125

Burst:

Design factor 1.00

Environment:

H2S considered? No
Surface temperature: 65 °F
Bottom hole temperature: 175 °F
Temperature gradient: 1.40 °F/100ft
Minimum section length: 368 ft

Cement top: 3,198 ft

Burst

Max anticipated surface pressure: 0 psi
Internal gradient: 0.457 psi/ft
Calculated BHP 3,585 psi

No backup mud specified.

Tension:

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

Non-directional string.

Tension is based on air weight.
Neutral point: 6,810 ft

Run Seq	Segment Length (ft)	Size (in)	Nominal Weight (lbs/ft)	Grade	End Finish	True Vert Depth (ft)	Measured Depth (ft)	Drift Diameter (in)	Internal Capacity (ft³)
1	7842 ✓	4.5 ✓	11.60 ✓	N-80 ✓	LT&C ✓	7842	7842	3.875	181.8
Run Seq	Collapse Load (psi)	Collapse Strength (psi)	Collapse Design Factor	Burst Load (psi)	Burst Strength (psi)	Burst Design Factor	Tension Load (Kips)	Tension Strength (Kips)	Tension Design Factor
1	3585	6350	1.771	3585	7780	2.17	91	223	2.45 J

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

Date: August 7, 2003
Salt Lake City, Utah

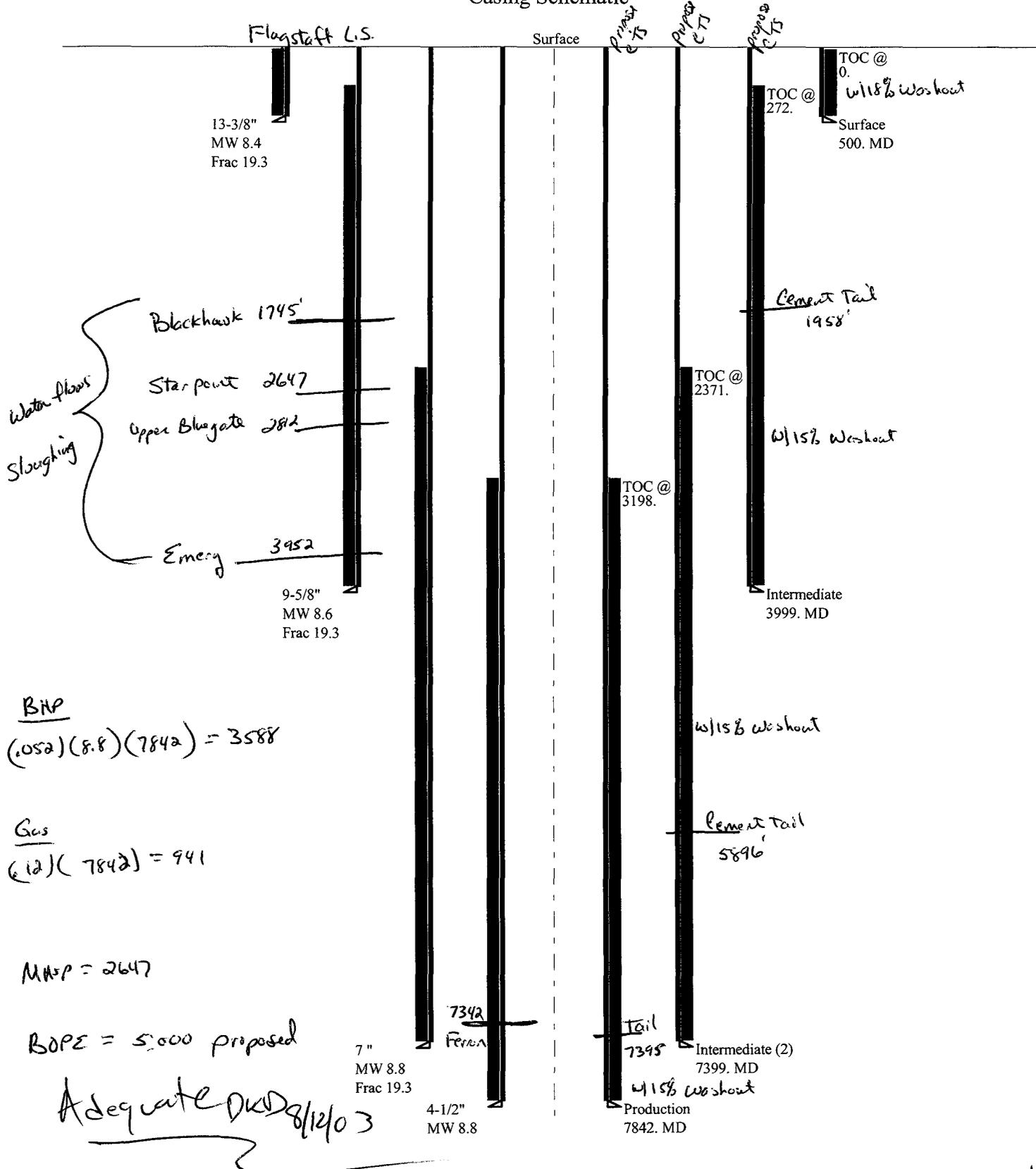
ENGINEERING STIPULATIONS: NONE

Collapse strength is based on the Westcott, Dunlop & Kemler method of biaxial correction for tension.
Collapse is based on a vertical depth of 7842 ft, a mud weight of 8.8 ppg. The casing is considered to be evacuated for collapse purposes.
Burst strength is not adjusted for tension.

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

08-03 Fortuna Flat Canyon 36-3

Casing Schematic



workable coal Bed - mine contacted - no problem per Mark Jones
 sent APD to Chuck Sembriski Per Don Hamilton 8/12/03

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

OPERATOR: Fortuna (US) Inc.
WELL NAME & NUMBER: Flat Canyon State 36-3
API NUMBER: 43-015-30524
LOCATION: 1/4,1/4 NENW Sec: 36 TWP: 16S RNG: 6E 843 FNL 2042 FWL

Geology/Ground Water:

This well will likely spud into a moderately permeable soil developed at an alpine elevation on a thin erosional remnant of Tertiary-age Flagstaff Limestone that caps the Tertiary/Cretaceous-age North Horn Formation, which forms much of the slopes of East Mountain. Several springs emerge from the Price River and North Horn Formations within about 2 miles of the location. It is likely that water may be encountered in the permeable strata of these and subjacent formations owing to the advantages for ground water infiltration, which are attributable to elevation. Four stock watering water rights are recorded within a mile of the location of the proposed well. The proposed casing and cementing program should serve to protect the groundwater resource. I do not find an explicit statement revealing the details of the mud program, although statements regarding the circulating system are included on the wellbore diagram. It is anticipated that a benign mud system will be utilized to avoid contamination of the high quality water resources that are likely to be encountered above the Lower Portion of the Blue Gate Member of the Mancos Shale. I consulted with Daron Haddock of the DOGM Coal Program and determined that Deer Creek Mine workings came within 2000' of the proposed location and that area of the mine was worked in the Blackhawk Formation as recently 2000. This may aggravate lost circulation if fractures or jointing have occurred.

Reviewer: Christopher J. Kierst **Date:** 8/6/2003

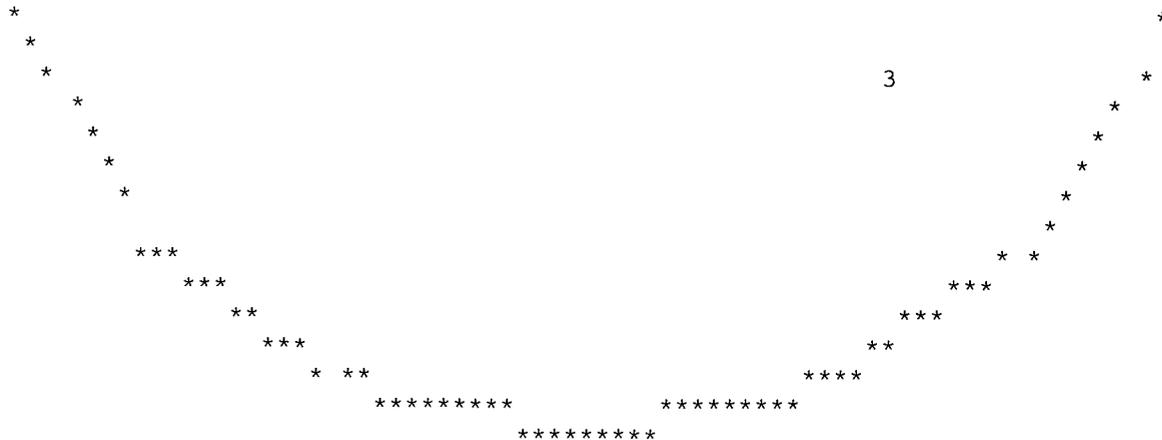
Surface:

Proposed location is ~14 miles northwest of Orangeville, Utah and ~13 miles west of Huntington, Utah near the head of Flat Canyon on East Mountain. Proposed location lies on top of the ridge, from which the area drains predominately southeast. The location is heavily forested, therefore timber will need to be removed to construct the location. This should be done to SITLA's approval. The soil is a sandy clay loam and is erosive when disturbed. Proposed access will be from the north using roads on forest service land, and existing county and state roads. Access issues across forest service are currently being negotiated. This well site is located on State surface and State minerals. Pacific Corp. Deer Creek Mine has the entire State Section (36) contained w/in their mining permit. I checked w/ Chuck Semborski (Pacific Corp.) regarding the location of this proposed well. Section 36 16S 6E was, or is in the process of being, pulled out of the Deer Creek Mine permit and relinquished back to SITLA, according to Chuck Semborski. Therefore, there are no conflicts with the proposed well and any current or future mine workings. DWR made multiple comments and recommendations during the on-site in regards to wildlife impacts while drilling. The APD calls for a very large pad in relation to other operations in the local area, I asked for some justification for this size of pad. DWR and Emery County were in attendance for the on-site, SITLA was invited but chose not to attend.

Reviewer: Mark L. Jones **Date:** July 24, 2003

Conditions of Approval/Application for Permit to Drill:

1. Culverts as needed where crossing drainages sufficient to handle run-off.
2. Berm the location and pit.
3. A synthetic liner with a minimum thickness of 12 mils shall be properly installed and maintained in the reserve pit.
4. Fence all 4 sides of the reserve pit.
5. Coordinate construction and drilling activities with other government agencies involved (SITLA, DWR, Forest Service, and Emery County).



UTAH DIVISION OF WATER RIGHTS
 NWPLAT POINT OF DIVERSION LOCATION PROGRAM

MAP CHAR	WATER RIGHT	QUANTITY CFS	AND/OR AC-FT	SOURCE DESCRIPTION or WELL INFO	POINT OF DIVERSION DESCRIPTION	U A N P
CHAR	RIGHT	CFS	AND/OR AC-FT	DIAMETER DEPTH YEAR LOG NORTH EAST	CNR SEC TWN RNG B&M	N P
0	93 1591	.0000	.00	Marinus Canyon Creek		
		WATER USE(S): STOCKWATERING				PRIORITY DATE: 00/00/1875
		USA Forest Service			324 25th Street	Ogden UT 8
1	93 730	.0110	.00	Grant Spring #1		
		WATER USE(S): STOCKWATERING				PRIORITY DATE: 00/00/1875
		USA Forest Service			324 25th Street	Ogden UT 8
2	93 609	.0000	.00	Left Fork Rilda Canyon Creek		
		WATER USE(S): STOCKWATERING				PRIORITY DATE: 00/00/1875
		USA Forest Service			324 25th Street	Ogden UT 8
3	93 717	.0000	.00	Mill Canyon Fork of Cottonwood		
		WATER USE(S): STOCKWATERING				PRIORITY DATE: 00/00/1875
		State of Utah School & Institutional Tru			675 East 500 South, 5th Floor	Salt Lake City UT 8

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

OPERATOR: Fortuna (US) Inc.
WELL NAME & NUMBER: Flat Canyon State 36-3
API NUMBER: 43-015-30524
LEASE: State FIELD/UNIT: _____
LOCATION: 1/4, 1/4 NENW Sec: 36 TWP: 16S RNG: 6E 843 FNL 2042 FWL
LEGAL WELL SITING: 460 F SEC. LINE; 460 F 1/4, 1/4 LINE; 920 F ANOTHER WELL.
GPS COORD (UTM): X = 483324 E; Y = 4360052 N SURFACE OWNER: SITLA

PARTICIPANTS

M. Jones (DOGM), D. Hamilton (Talon), R. Petersen (Emery County), T. Wright (DWR). SITLA was invited but chose not to attend the onsite.

REGIONAL/LOCAL SETTING & TOPOGRAPHY

Proposed location is ~14 miles northwest of Orangeville, Utah and ~13 miles west of Huntington, Utah near the head of Flat Canyon on East Mountain. Proposed location lies on top of the ridge, from which the area drains predominately southeast. The location is heavily forested and timber will need to be removed to construct the location. This should be done to SITLA's approval. The soil is a clay loam and is erosive when disturbed. Proposed access will be from the north using roads on forest service land, and existing county and state roads. Access issues across forest service are currently being negotiated.

SURFACE USE PLAN

CURRENT SURFACE USE: Grazing, wildlife, and recreation activities.

PROPOSED SURFACE DISTURBANCE: 235' x 175' and a 50' x 50' x 10' pit.

LOCATION OF EXISTING WELLS WITHIN A 1 MILE RADIUS: No proposed or existing gas or oil wells are within a 1 mile radius of the above proposed well.

LOCATION OF PRODUCTION FACILITIES AND PIPELINES: Along roadside.

SOURCE OF CONSTRUCTION MATERIAL: Obtained locally and transported in.

ANCILLARY FACILITIES: Garbage containers, portable toilets, temporary crew camp during drilling operations.

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: None.

FLORA/FAUNA: Pines, quacking aspen, grasses, sagebrush, shrubs and brush, Elk, deer, small game, rodents, birds.

SOIL TYPE AND CHARACTERISTICS: Clay loam.

EROSION/SEDIMENTATION/STABILITY: erosive upon disturbance.

PALEONTOLOGICAL POTENTIAL: None observed.

RESERVE PIT

CHARACTERISTICS: Dugout earthen pit.

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

SURFACE RESTORATION/RECLAMATION PLAN

As per SITLA lease agreement.

SURFACE AGREEMENT: As per SITLA lease agreement.

CULTURAL RESOURCES/ARCHAEOLOGY: Completed 9/28/2002, on-file, and is clear.

OTHER OBSERVATIONS/COMMENTS

This well site is located on State surface and State minerals. Pacific Corp. Deer Creek Mine has the entire State Section (36) contained w/in their mining permit. I checked w/ Chuck Semborski (Pacific Corp.) regarding the location of this proposed well. Section 36 16S 6E was, or is in the process of being, pulled out of the Deer Creek Mine permit and relinquished back to SITLA, according to Chuck Semborski. Therefore, there are no conflicts with the proposed well and any current or future mine workings. DWR made multiple comments and recommendations during the on-site in regards to wildlife impacts while drilling. The APD calls for a very large pad in relation to other operations in the local area, I asked for some justification for this size of pad.

ATTACHMENTS

Photos of this location were taken and placed on file.

Mark L. Jones
DOGM REPRESENTATIVE

July 15, 2003 / 2:00 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>10</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>10</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.

Service, and Emery County).







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

003

SUNDRY NOTICES AND REPORTS ON WELLS		5. LEASE DESIGNATION AND SERIAL NUMBER: ML-48140
Do not use this form for proposals to drill new wells, significantly deepen existing wells below current bottom-hole depth, reenter plugged wells, or to drill horizontal laterals. Use APPLICATION FOR PERMIT TO DRILL form for such proposals.		6. IF INDIAN, ALLOTTEE OR TRIBE NAME: N/A
1. TYPE OF WELL OIL WELL <input type="checkbox"/> GAS WELL <input checked="" type="checkbox"/> OTHER _____		7. UNIT or CA AGREEMENT NAME: Undesignated
2. NAME OF OPERATOR: Fortuna (U.S.), Inc.		8. WELL NAME and NUMBER: Flat Canyon State #36-3
3. ADDRESS OF OPERATOR: 3400, 888-3rd St, SW CITY Calgary, Alberta STATE CA ZIP T2P5C5		9. API NUMBER: 4301530524
PHONE NUMBER: (403) 693-2278		10. FIELD AND POOL, OR WILDCAT: Wildcat
4. LOCATION OF WELL		
FOOTAGES AT SURFACE: 843' FNL 2,042' FWL		COUNTY: Emery
QTR/QTR, SECTION, TOWNSHIP, RANGE, MERIDIAN: NENW 36 16S 6E S		STATE: UTAH

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

TYPE OF SUBMISSION	TYPE OF ACTION		
<input checked="" type="checkbox"/> NOTICE OF INTENT (Submit in Duplicate) Approximate date work will start: 9/1/2003	<input type="checkbox"/> ACIDIZE	<input type="checkbox"/> DEEPEN	<input type="checkbox"/> REPERFORATE CURRENT FORMATION
<input type="checkbox"/> SUBSEQUENT REPORT (Submit Original Form Only) Date of work completion:	<input type="checkbox"/> ALTER CASING	<input type="checkbox"/> FRACTURE TREAT	<input type="checkbox"/> SIDETRACK TO REPAIR WELL
	<input type="checkbox"/> CASING REPAIR	<input type="checkbox"/> NEW CONSTRUCTION	<input type="checkbox"/> TEMPORARILY ABANDON
	<input type="checkbox"/> CHANGE TO PREVIOUS PLANS	<input type="checkbox"/> OPERATOR CHANGE	<input type="checkbox"/> TUBING REPAIR
	<input type="checkbox"/> CHANGE TUBING	<input type="checkbox"/> PLUG AND ABANDON	<input type="checkbox"/> VENT OR FLARE
	<input type="checkbox"/> CHANGE WELL NAME	<input type="checkbox"/> PLUG BACK	<input type="checkbox"/> WATER DISPOSAL
	<input type="checkbox"/> CHANGE WELL STATUS	<input type="checkbox"/> PRODUCTION (START/RESUME)	<input type="checkbox"/> WATER SHUT-OFF
	<input type="checkbox"/> COMMINGLE PRODUCING FORMATIONS	<input type="checkbox"/> RECLAMATION OF WELL SITE	<input checked="" type="checkbox"/> OTHER: App for Crew Camp
	<input type="checkbox"/> CONVERT WELL TYPE	<input type="checkbox"/> RECOMPLETE - DIFFERENT FORMATION	

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

Fortuna (US), Inc. hereby makes application to utilize an on-location self-contained six-unit Crew Camp immediately adjacent to the drilling location on undisturbed lands for the drilling and completion of the Flat Canyon State #36-3 well. The crew will be shuttled to and from the Crew Camp considerably reducing traffic on the roads resulting in less impacts and increased safety on the associated forest development road system.

No additional surface disturbance will be required, all waste products associated with this crew camp will be trucked off of State and Forest Service Lands as specified in the previously approved surface use plan and subsequent authorizations. The camp will be spotted in a mutually agreed upon location adjacent to the proposed drill site during the upcoming onsite.

Attached please find an Camp Layout drawing reflecting the approximate layout of the camp.

ORIGINAL

NAME (PLEASE PRINT) <u>Don Hamilton</u>	TITLE <u>Agent for Fortuna (US), Inc.</u>
SIGNATURE <u>Don Hamilton</u>	DATE <u>7/10/2003</u>

(This space for State use only)

Accepted by the
Utah Division of
Oil, Gas and Mining

Date: 7/22/03 (See Instructions on Reverse Side)
By: [Signature]

COPY SENT TO OPERATOR
Date: 7-22-03
Initials: CHO

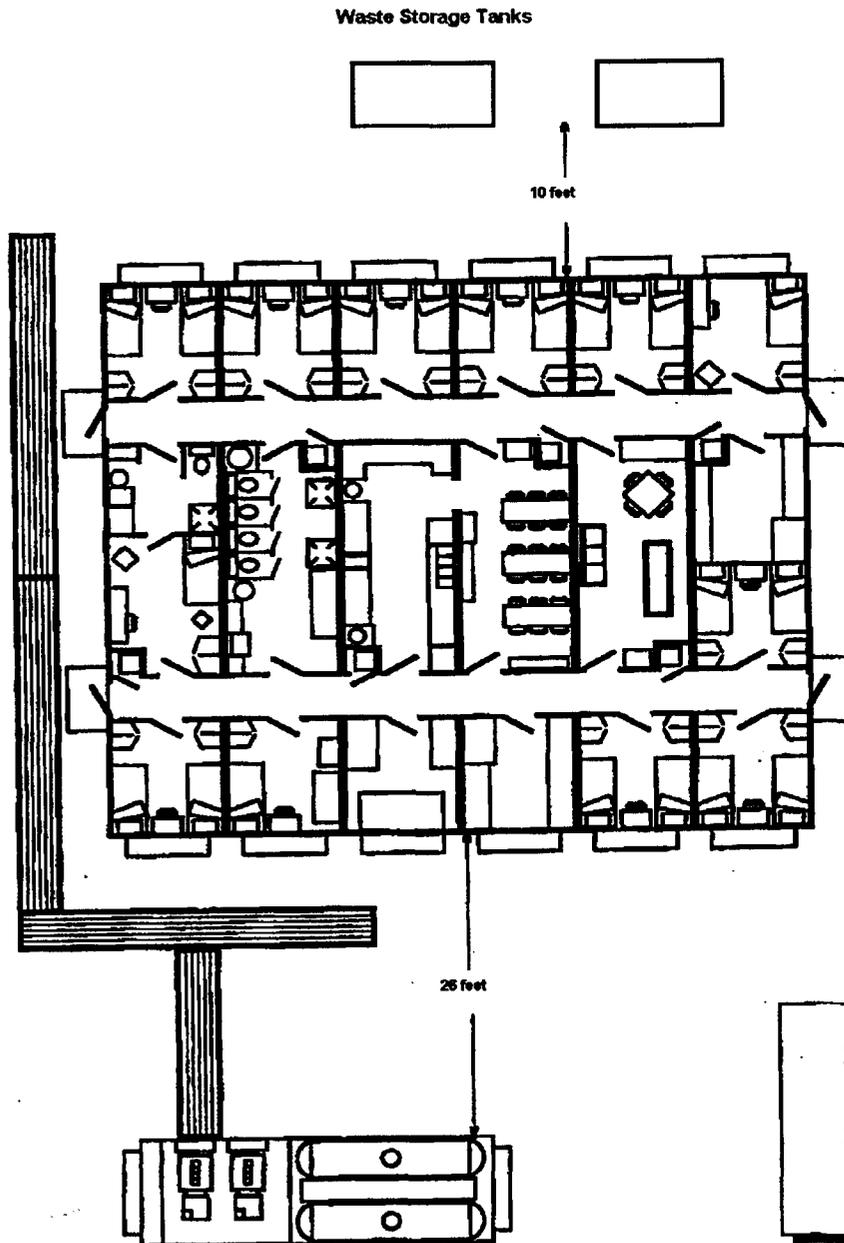
RECEIVED
JUL 14 2003

DIV. OF OIL, GAS & MINING

FORTUNA

CAMP LAYOUT

TYPICAL FOOTPRINT 100' X 200'



Travco 6 Unit Camp

Each Unit -
8 - 3 Man Rooms 10 feet x 52 feet
2 - Cook's Quarter
1 - Camp Attendant
1 - Company Man Room
4 - 40' x 2 1/2' x 6" Walks

Camp Light Plant

1 - D3304 Generator Set
1 - Duetz Generator Set
2 - 1000 Gal. Propane Tanks
1 - 1000 Gal. Diesel Tank
1 - 500 Gal. Fuel Tank



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

August 12, 2003

Fortuna (U.S.), Inc.
888 3rd Street SW, Suite 3400
Calgary, Alberta, Canada T2P5C5

Re: Flat Canyon State 36-3 Well, 843' FNL, 2042' FWL, NE NW, Sec. 36, T. 16 South,
R. 6 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.

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 43-015-30524.

Sincerely,

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

John R. Baza
Associate Director

pab
Enclosures

cc: Emery County Assessor
SITLA

Operator: _____ Fortuna (U.S.), Inc.
Well Name & Number _____ Flat Canyon State 36-3
API Number: _____ 43-015-30524
Lease: _____ ML-48140

Location: NE NW **Sec.** 36 **T.** 16 South **R.** 6 East

Conditions of Approval

1. **General**

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

2. **Notification Requirements**

The operator is required to notify the Division of Oil, Gas and Mining of the following actions during drilling of this well:

- 24 hours prior to cementing or testing casing
- 24 hours prior to testing blowout prevention equipment
- 24 hours prior to spudding the well
- within 24 hours of any emergency changes made to the approved drilling program
- prior to commencing operations to plug and abandon the well

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

- Dan Jarvis at (801) 538-5338
- Carol Daniels at (801) 538-5284 (spud)

3. **Reporting Requirements**

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

4. Compliance with the State of Utah Antiquities Act forbids disturbance of archeological, historical, or paleontological remains. Should archeological, historical or paleontological remains be encountered during your operations, you are required to immediately suspend all operations and immediately inform the Trust Lands Administration and the Division of State History of the discovery of such remains.

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

Page 2

Conditions of Approval API# 43-015-30524

August 12, 2003

6. 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.

TALON RESOURCES INC

August 8, 2003

Mr. Chuck Semborski
Energy West Mining Company
P.O. Box 310
Huntington, Utah 84528

RE: Application for Permit to Drill—Fortuna (U.S.), Inc.
Flat Canyon State #36-3, 843' FNL, 2,042' FWL, NE/4 NW/4
Section 36, T16S, R6E, SLB&M, Emery County, Utah

Dear Chuck:

On behalf of Fortuna (U.S.), Inc. (Fortuna), Talon Resources, Inc. respectfully submits the enclosed copy of the previously submitted *Application for Permit to Drill (APD)* for the above referenced well that is within and area of underground mining interest to Energy West Mining Company.

Please accept this letter as Fortuna's written request for confidential treatment of all information contained in and pertaining to this application. Please feel free to contact me should you have any questions or need additional information with regards to the future permitting and development of the referenced well.

Sincerely,

Don Hamilton
Don Hamilton
Agent for Fortuna (U.S.), Inc.

cc: Christopher Kierst, Utah Division of Oil, Gas and Mining (without APD)

RECEIVED
AUG 13 2003
DIV. OF OIL, GAS & MINING

From: Ed Bonner
To: Mason, Diana
Date: 8/8/03 11:15AM
Subject: Well Clearance

The following wells have been given cultural resource clearance by the Trust Lands Cultural Resources Group:

Fortuna (US), Inc
Flat Canyon State 36-3

Klabzuba
Gordon Creek State 3-5-14-8

Bill Barrett Corporation
Prickly Pear Unit State #13-16

Westport Oil & Gas
NBU 1021-20

If you have any questions regarding this matter please give me a call.

CC: Garrison, LaVonne; Hill, Brad; Hunt, Gil

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

FORM 9

007

SUNDRY NOTICES AND REPORTS ON WELLS

Do not use this form for proposals to drill new wells, significantly deepen existing wells below current bottom-hole depth, reenter plugged wells, or to drill horizontal laterals. Use APPLICATION FOR PERMIT TO DRILL form for such proposals.

1. TYPE OF WELL OIL WELL <input type="checkbox"/> GAS WELL <input checked="" type="checkbox"/> OTHER _____		5. LEASE DESIGNATION AND SERIAL NUMBER: ML-48140
2. NAME OF OPERATOR: Fortuna (US), Inc.		6. IF INDIAN, ALLOTTEE OR TRIBE NAME: N/A
3. ADDRESS OF OPERATOR: 3400, 888-3rd St, SW Calgary, Alberta CA T2P5C5		7. UNIT or CA AGREEMENT NAME: undesignated
PHONE NUMBER: (403) 237-1163		8. WELL NAME and NUMBER: Flat Canyon State 36-3
4. LOCATION OF WELL		9. API NUMBER: 4301530524
FOOTAGES AT SURFACE: 843' FNL 2,042' FWL		10. FIELD AND POOL, OR WILDCAT: Wildcat
QTR/QTR. SECTION. TOWNSHIP. RANGE. MERIDIAN: NENW 36 16S 6E S		COUNTY: Emery
		STATE: UTAH

CONFIDENTIAL

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

TYPE OF SUBMISSION	TYPE OF ACTION		
<input type="checkbox"/> NOTICE OF INTENT (Submit in Duplicate) Approximate date work will start: _____	<input type="checkbox"/> ACIDIZE	<input type="checkbox"/> DEEPEN	<input type="checkbox"/> REPERFORATE CURRENT FORMATION
	<input type="checkbox"/> ALTER CASING	<input type="checkbox"/> FRACTURE TREAT	<input type="checkbox"/> SIDETRACK TO REPAIR WELL
	<input type="checkbox"/> CASING REPAIR	<input type="checkbox"/> NEW CONSTRUCTION	<input type="checkbox"/> TEMPORARILY ABANDON
	<input type="checkbox"/> CHANGE TO PREVIOUS PLANS	<input type="checkbox"/> OPERATOR CHANGE	<input type="checkbox"/> TUBING REPAIR
	<input type="checkbox"/> CHANGE TUBING	<input type="checkbox"/> PLUG AND ABANDON	<input type="checkbox"/> VENT OR FLARE
<input checked="" type="checkbox"/> SUBSEQUENT REPORT (Submit Original Form Only) Date of work completion: _____	<input type="checkbox"/> CHANGE WELL NAME	<input type="checkbox"/> PLUG BACK	<input type="checkbox"/> WATER DISPOSAL
	<input type="checkbox"/> CHANGE WELL STATUS	<input type="checkbox"/> PRODUCTION (START/RESUME)	<input type="checkbox"/> WATER SHUT-OFF
	<input type="checkbox"/> COMMINGLE PRODUCING FORMATIONS	<input type="checkbox"/> RECLAMATION OF WELL SITE	<input type="checkbox"/> OTHER: <u>Extend State Permit</u>
	<input type="checkbox"/> CONVERT WELL TYPE	<input type="checkbox"/> RECOMPLETE - DIFFERENT FORMATION	

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

Fortuna (US), Inc. hereby requests a one year extension of the state permit for the Flat Canyon State 36-3

This is the first extension that has been requested.

Approved by the
Utah Division of
Oil, Gas and Mining
Date: 10-22-04
By: *Bradley Hill*

RECEIVED
OCT 26 2004
DIV. OF OIL, GAS & MINING
ORIGINAL

NAME (PLEASE PRINT) <u>Don Hamilton</u>	TITLE <u>Agent for Fortuna (US), Inc.</u>
SIGNATURE <u><i>Don Hamilton</i></u>	DATE <u>10/22/2004</u>

(This space for State use only)

COF / SENT TO OPERATOR
Date: 10-22-04
Initials: CHD

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

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

API: 43-015-30524
Well Name: Flat Canyon State 36-3
Location: NE/4 NW/4, Section 36, T16S, R6E, SLB&M
Company Permit Issued to: Fortuna (US), Inc.
Date Original Permit Issued: 8/12/2003

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

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

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

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

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

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

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

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

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

Don Hamilton
Signature

10/22/2004
Date

Title: Agent for Fortuna (US), Inc.

Representing: Fortuna (US), Inc.

RECEIVED
OCT 26 2004
DIV. OF OIL, GAS & MINING

ORIGINAL

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

FORM 9

SUNDRY NOTICES AND REPORTS ON WELLS

Do not use this form for proposals to drill new wells, significantly deepen existing wells below current bottom-hole depth, reenter plugged wells, or to drill horizontal laterals. Use APPLICATION FOR PERMIT TO DRILL form for such proposals.

5. LEASE DESIGNATION AND SERIAL NUMBER:
ML-48140

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

7. UNIT or CO AGREEMENT NAME:
Undesignated

8. WELL NAME and NUMBER:
FLAT CANYON STATE # 36-3

9. API NUMBER:
4301530524

10. FIELD AND POOL OR WILDCAT:
Wildcat

1. TYPE OF WELL
OIL WELL GAS WELL OTHER _____

2. NAME OF OPERATOR:
FORTUNA (U.S.) INC

3. ADDRESS OF OPERATOR:
3400-888-3 ST SW CITY CALLARY STATE ALBERTA T2P5C5 ZIP PHONE NUMBER: **403-237-1234**

4. LOCATION OF WELL
FOOTAGES AT SURFACE: **843' FNL 2,042' FWL**

COUNTY: **Emery**

QTR/QTR, SECTION, TOWNSHIP, RANGE, MERIDIAN: **NENW 36 16S 6E S** STATE: **UTAH**

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

TYPE OF SUBMISSION	TYPE OF ACTION		
<input type="checkbox"/> NOTICE OF INTENT (Submit In Duplicate) Approximate date work will start: _____	<input type="checkbox"/> ACIDIZE	<input type="checkbox"/> DEEPEN	<input type="checkbox"/> REPERFORATE CURRENT FORMATION
	<input type="checkbox"/> ALTER CASING	<input type="checkbox"/> FRACTURE TREAT	<input type="checkbox"/> SIDETRACK TO REPAIR WELL
	<input type="checkbox"/> CASING REPAIR	<input type="checkbox"/> NEW CONSTRUCTION	<input type="checkbox"/> TEMPORARILY ABANDON
	<input type="checkbox"/> CHANGE TO PREVIOUS PLANS	<input checked="" type="checkbox"/> OPERATOR CHANGE	<input type="checkbox"/> TUBING REPAIR
	<input type="checkbox"/> CHANGE TUBING	<input type="checkbox"/> PLUG AND ABANDON	<input type="checkbox"/> VENT OR FLARE
<input type="checkbox"/> SUBSEQUENT REPORT (Submit Original Form Only) Date of work completion: _____	<input type="checkbox"/> CHANGE WELL NAME	<input type="checkbox"/> PLUG BACK	<input type="checkbox"/> WATER DISPOSAL
	<input type="checkbox"/> CHANGE WELL STATUS	<input type="checkbox"/> PRODUCTION (START/RESUME)	<input type="checkbox"/> WATER SHUT-OFF
	<input type="checkbox"/> COMMINGLE PRODUCING FORMATIONS	<input type="checkbox"/> RECLAMATION OF WELL SITE	<input type="checkbox"/> OTHER: _____
	<input type="checkbox"/> CONVERT WELL TYPE	<input type="checkbox"/> RECOMPLETE - DIFFERENT FORMATION	

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

Operator change - see attached certificate and articles of merger

The operator name change is as follows:

From: Fortuna (U.S.) Inc

To: FUSI LLC

NAME (PLEASE PRINT) **BLAINE MACINNES** TITLE **DRILLING ENGINEER**

SIGNATURE *[Signature]* DATE **DEC 2 2004**

(This space for State use only)

APPROVED 12/21/04

RECEIVED

ER

DEC 20 2004

(5/2000)

Division of Oil, Gas and Mining (See Instructions on Reverse Side)
Earlene Russell, Engineering Technician

DIV. OF OIL, GAS & MINING

Request to Transfer Application or Permit to Drill

(This form should accompany a Sundry Notice, Form 9, requesting APD transfer)

Well name: <u>FLAT CANYON ST. 36-3</u>	
API number: <u>4301530524</u>	
Location:	Qtr-Qtr: <u>NENW</u> Section: <u>36</u> Township: <u>16S</u> Range: <u>6E S</u>
Company that filed original application:	<u>Fortuna (U.S.) Inc.</u>
Date original permit was issued:	<u>August 12, 2003</u>
Company that permit was issued to:	<u>Fortuna (U.S.) Inc.</u>

Check one	Desired Action:
<input type="checkbox"/>	Transfer pending (unapproved) Application for Permit to Drill to new operator
<input type="checkbox"/>	The undersigned as owner with legal rights to drill on the property, hereby verifies that the information as submitted in the pending Application for Permit to Drill, remains valid and does not require revision. The new owner of the application accepts and agrees to the information and procedures as stated in the application.
<input checked="" type="checkbox"/>	Transfer approved Application for Permit to Drill to new operator
<input type="checkbox"/>	The undersigned as owner with legal rights to drill on the property as permitted, hereby verifies that the information as submitted in the previously approved application to drill, remains valid and does not require revision.

Following is a checklist of some items related to the application, which should be verified.	Yes	No
If located on private land, has the ownership changed?		<input checked="" type="checkbox"/>
If so, has the surface agreement been updated?		
Have any wells been drilled in the vicinity of the proposed well which would affect the spacing or siting requirements for this location?		<input checked="" type="checkbox"/>
Have there been any unit or other agreements put in place that could affect the permitting or operation of this proposed well?		<input checked="" type="checkbox"/>
Have there been any changes to the access route including ownership or right-of-way, which could affect the proposed location?		<input checked="" type="checkbox"/>
Has the approved source of water for drilling changed?		<input checked="" type="checkbox"/>
Have there been any physical changes to the surface location or access route which will require a change in plans from what was discussed at the onsite evaluation? <u>road access alignment</u>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Is bonding still in place, which covers this proposed well? Bond No. _____	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>

Any desired or necessary changes to either a pending or approved Application for Permit to Drill that is being transferred, should be filed on a Sundry Notice, Form 9, or amended Application for Permit to Drill, Form 3, as appropriate, with necessary supporting information as required.

Name (please print) BLAINE MACINNES Title DRILLING ENGINEER
 Signature [Signature] Date Dec 7, 2004
 Representing (company name) FUSI LLC

The person signing this form must have legal authority to represent the company or individual(s) to be listed as the new operator on the Application for Permit to Drill.

RECEIVED
 DEC 20 2004

7. **Federal and Indian Lease Wells:** The BLM and of the BIA has approved the merger, name change, or operator change for all wells listed on Federal or Indian leases on: BLM not yet BIA n/a

8. **Federal and Indian Units:**

The BLM or BIA has approved the successor of unit operator for wells listed on: n/a

9. **Federal and Indian Communization Agreements ("CA"):**

The BLM or BIA has approved the operator for all wells listed within a CA on: n/a

10. **Underground Injection Control ("UIC")** The Division has approved UIC Form 5, **Transfer of Authority to Inject**, for the enhanced/secondary recovery unit/project for the water disposal well(s) listed on: n/a

DATA ENTRY:

- Changes entered in the Oil and Gas Database on: 12/22/2004
- Changes have been entered on the Monthly Operator Change Spread Sheet on: 12/22/2004
- Bond information entered in RBDMS on: 12/22/2004
- Fee/State wells attached to bond in RBDMS on: 12/22/2004
- Injection Projects to new operator in RBDMS on: n/a
- Receipt of Acceptance of Drilling Procedures for APD/New on: 12/22/2004

FEDERAL WELL(S) BOND VERIFICATION:

1. Federal well(s) covered by Bond Number: UT 1263

INDIAN WELL(S) BOND VERIFICATION:

1. Indian well(s) covered by Bond Number: n/a

FEE & STATE WELL(S) BOND VERIFICATION:

- (R649-3-1) The **NEW** operator of any fee well(s) listed covered by Bond Number 33632617
- The **FORMER** operator has requested a release of liability from their bond on: n/a
The Division sent response by letter on: n/a

LEASE INTEREST OWNER NOTIFICATION:

3. (R649-2-10) The **FORMER** operator of the fee wells has been contacted and informed by a letter from the Division of their responsibility to notify all interest owners of this change on: n/a

COMMENTS:

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

FORM 9

SUNDRY NOTICES AND REPORTS ON WELLS		5. LEASE DESIGNATION AND SERIAL NUMBER: ML - 48140
Do not use this form for proposals to drill new wells, significantly deepen existing wells below current bottom-hole depth, reenter plugged wells, or to drill horizontal laterals. Use APPLICATION FOR PERMIT TO DRILL form for such proposals.		6. IF INDIAN, ALLOTTEE OR TRIBE NAME: N/A
1. TYPE OF WELL OIL WELL <input type="checkbox"/> GAS WELL <input checked="" type="checkbox"/> OTHER _____		7. UNIT or CA AGREEMENT NAME: UNDESIGNATED
2. NAME OF OPERATOR: FUSI LLC		8. WELL NAME and NUMBER: FLAT CANYON STATE #36-3
3. ADDRESS OF OPERATOR: 3400 - 888 - 3RD STREET CITY CALGARY STATE AB ZIP T2P5C5		9. API NUMBER: 4301530524
4. LOCATION OF WELL FOOTAGES AT SURFACE: 843' FNL 2,042'FWL COUNTY: EMERY QTR/QTR, SECTION, TOWNSHIP, RANGE, MERIDIAN: NENW 36 16S 6E S STATE: UTAH		10. FIELD AND POOL, OR WILDCAT: WILDCAT

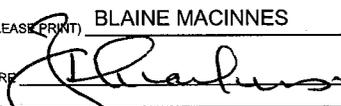
11. CHECK APPROPRIATE BOXES TO INDICATE NATURE OF NOTICE, REPORT, OR OTHER DATA

TYPE OF SUBMISSION	TYPE OF ACTION		
<input type="checkbox"/> NOTICE OF INTENT (Submit in Duplicate) Approximate date work will start: _____	<input type="checkbox"/> ACIDIZE	<input type="checkbox"/> DEEPEN	<input type="checkbox"/> REPERFORATE CURRENT FORMATION
	<input type="checkbox"/> ALTER CASING	<input type="checkbox"/> FRACTURE TREAT	<input type="checkbox"/> SIDETRACK TO REPAIR WELL
	<input type="checkbox"/> CASING REPAIR	<input type="checkbox"/> NEW CONSTRUCTION	<input type="checkbox"/> TEMPORARILY ABANDON
	<input type="checkbox"/> CHANGE TO PREVIOUS PLANS	<input checked="" type="checkbox"/> OPERATOR CHANGE	<input type="checkbox"/> TUBING REPAIR
	<input type="checkbox"/> CHANGE TUBING	<input type="checkbox"/> PLUG AND ABANDON	<input type="checkbox"/> VENT OR FLARE
<input type="checkbox"/> SUBSEQUENT REPORT (Submit Original Form Only) Date of work completion: _____	<input type="checkbox"/> CHANGE WELL NAME	<input type="checkbox"/> PLUG BACK	<input type="checkbox"/> WATER DISPOSAL
	<input type="checkbox"/> CHANGE WELL STATUS	<input type="checkbox"/> PRODUCTION (START/RESUME)	<input type="checkbox"/> WATER SHUT-OFF
	<input type="checkbox"/> COMMINGLE PRODUCING FORMATIONS	<input type="checkbox"/> RECLAMATION OF WELL SITE	<input type="checkbox"/> OTHER: _____
	<input type="checkbox"/> CONVERT WELL TYPE	<input type="checkbox"/> RECOMPLETE - DIFFERENT FORMATION	

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

The operator name change is as follows:

From: FUSI LLC
To: Fortuna (US) L.P.

NAME (PLEASE PRINT) <u>BLAINE MACINNES</u>	TITLE <u>DRILLING ENGINEER</u>
SIGNATURE 	DATE <u>1/5/2005</u>

(This space for State use only)

(5/2000)

(See Instructions on Reverse Side)

APPROVED 2124105

ER
Division of Oil, Gas and Mining
Earlene Russell, Engineering Technician

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JAN 18 2005
DIV. OF OIL, GAS & MINING

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

Request to Transfer Application or Permit to Drill

(This form should accompany a Sundry Notice, Form 9, requesting APD transfer)

Well name:	FLAT CANYON #36-3
API number:	4301530524
Location:	Qtr-Qtr: NENW Section: 36 Township: 16S Range: 6E
Company that filed original application:	Fortuna (U.S.) Inc
Date original permit was issued:	08/12/2003
Company that permit was issued to:	Fortuna (U.S.) Inc

Check one	Desired Action:
<input type="checkbox"/>	Transfer pending (unapproved) Application for Permit to Drill to new operator
<input type="checkbox"/>	The undersigned as owner with legal rights to drill on the property, hereby verifies that the information as submitted in the pending Application for Permit to Drill, remains valid and does not require revision. The new owner of the application accepts and agrees to the information and procedures as stated in the application.
<input checked="" type="checkbox"/>	Transfer approved Application for Permit to Drill to new operator
<input type="checkbox"/>	The undersigned as owner with legal rights to drill on the property as permitted, hereby verifies that the information as submitted in the previously approved application to drill, remains valid and does not require revision.

Following is a checklist of some items related to the application, which should be verified.	Yes	No
If located on private land, has the ownership changed?	<input type="checkbox"/>	<input checked="" type="checkbox"/>
If so, has the surface agreement been updated?	<input type="checkbox"/>	<input type="checkbox"/>
Have any wells been drilled in the vicinity of the proposed well which would affect the spacing or siting requirements for this location?	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Have there been any unit or other agreements put in place that could affect the permitting or operation of this proposed well?	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Have there been any changes to the access route including ownership or right-of-way, which could affect the proposed location?	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Has the approved source of water for drilling changed?	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Have there been any physical changes to the surface location or access route which will require a change in plans from what was discussed at the onsite evaluation? <i>Road access alignment.</i>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Is bonding still in place, which covers this proposed well? Bond No. _____	<input checked="" type="checkbox"/>	<input type="checkbox"/>

Any desired or necessary changes to either a pending or approved Application for Permit to Drill that is being transferred, should be filed on a Sundry Notice, Form 9, or amended Application for Permit to Drill, Form 3, as appropriate, with necessary supporting information as required.

Name (please print) BLAINE MACINNES Title DRILLING ENGINEER
 Signature *Blaine MacInnes* Date 01/05/2005
 Representing (company name) Fortuna (US) L.P.

The person signing this form must have legal authority to represent the company or individual(s) to be listed as the new operator on the Application for Permit to Drill.

(3/2004)

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JAN 18 2005
DIV. OF OIL, GAS & MINING

7. **Federal and Indian Lease Wells:** The BLM and or the BIA has approved the merger, name change, or operator change for all wells listed on Federal or Indian leases on: BLM not yet BIA n/a

8. **Federal and Indian Units:**

The BLM or BIA has approved the successor of unit operator for wells listed on: n/a

9. **Federal and Indian Communization Agreements ("CA"):**

The BLM or BIA has approved the operator for all wells listed within a CA on: n/a

10. **Underground Injection Control ("UIC")** The Division has approved UIC Form 5, **Transfer of Authority to Inject**, for the enhanced/secondary recovery unit/project for the water disposal well(s) listed on: n/a

DATA ENTRY:

- 1. Changes entered in the Oil and Gas Database on: 2/24/2005
- 2. Changes have been entered on the Monthly Operator Change Spread Sheet on: 2/24/2005
- 3. Bond information entered in RBDMS on: 2/24/2005
- 4. Fee/State wells attached to bond in RBDMS on: 2/24/2005
- 5. Injection Projects to new operator in RBDMS on: n/a
- 6. Receipt of Acceptance of Drilling Procedures for APD/New on: 1/20/2005

FEDERAL WELL(S) BOND VERIFICATION:

1. Federal well(s) covered by Bond Number: UT 1263

INDIAN WELL(S) BOND VERIFICATION:

1. Indian well(s) covered by Bond Number: n/a

FEE & STATE WELL(S) BOND VERIFICATION:

1. (R649-3-1) The **NEW** operator of any fee well(s) listed covered by Bond Number 33632617

2. The **FORMER** operator has requested a release of liability from their bond on: n/a
The Division sent response by letter on: n/a

LEASE INTEREST OWNER NOTIFICATION:

3. (R649-2-10) The **FORMER** operator of the fee wells has been contacted and informed by a letter from the Division of their responsibility to notify all interest owners of this change on: n/a

COMMENTS:

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

FORM 9

SUNDRY NOTICES AND REPORTS ON WELLS

Do not use this form for proposals to drill new wells, significantly deepen existing wells below current bottom-hole depth, reenter plugged wells, or to drill horizontal laterals. Use APPLICATION FOR PERMIT TO DRILL form for such proposals.

1. TYPE OF WELL OIL WELL <input type="checkbox"/> GAS WELL <input checked="" type="checkbox"/> OTHER _____		5. LEASE DESIGNATION AND SERIAL NUMBER: ML-48140
2. NAME OF OPERATOR: Fortuna (US), Inc.		6. IF INDIAN, ALLOTTEE OR TRIBE NAME: N/A
3. ADDRESS OF OPERATOR: 3400, 888-3rd St, SW CITY Calgary, Alberta STATE CA ZIP T2P5C5		7. UNIT or CA AGREEMENT NAME: undesigned
4. LOCATION OF WELL FOOTAGES AT SURFACE: 843' FNL 2,042' FWL		8. WELL NAME and NUMBER: Flat Canyon State 36-3
QTR/QTR, SECTION, TOWNSHIP, RANGE, MERIDIAN: NENW 36 16S 6E S		9. API NUMBER: 4301530524
COUNTY: Emery		10. FIELD AND POOL, OR WILDCAT: Wildcat
STATE: UTAH		

CONFIDENTIAL

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

TYPE OF SUBMISSION	TYPE OF ACTION		
<input type="checkbox"/> NOTICE OF INTENT (Submit in Duplicate) Approximate date work will start: _____ <input checked="" type="checkbox"/> SUBSEQUENT REPORT (Submit Original Form Only) Date of work completion: _____	<input type="checkbox"/> ACIDIZE	<input type="checkbox"/> DEEPEN	<input type="checkbox"/> REPERFORATE CURRENT FORMATION
	<input type="checkbox"/> ALTER CASING	<input type="checkbox"/> FRACTURE TREAT	<input type="checkbox"/> SIDETRACK TO REPAIR WELL
	<input type="checkbox"/> CASING REPAIR	<input type="checkbox"/> NEW CONSTRUCTION	<input type="checkbox"/> TEMPORARILY ABANDON
	<input type="checkbox"/> CHANGE TO PREVIOUS PLANS	<input type="checkbox"/> OPERATOR CHANGE	<input type="checkbox"/> TUBING REPAIR
	<input type="checkbox"/> CHANGE TUBING	<input type="checkbox"/> PLUG AND ABANDON	<input type="checkbox"/> VENT OR FLARE
	<input type="checkbox"/> CHANGE WELL NAME	<input type="checkbox"/> PLUG BACK	<input type="checkbox"/> WATER DISPOSAL
	<input type="checkbox"/> CHANGE WELL STATUS	<input type="checkbox"/> PRODUCTION (START/RESUME)	<input type="checkbox"/> WATER SHUT-OFF
	<input type="checkbox"/> COMMINGLE PRODUCING FORMATIONS	<input type="checkbox"/> RECLAMATION OF WELL SITE	<input type="checkbox"/> OTHER: <u>Extend State Permit</u>
	<input type="checkbox"/> CONVERT WELL TYPE	<input type="checkbox"/> RECOMPLETE - DIFFERENT FORMATION	

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

Fortuna (US), Inc. hereby requests a one year extension of the state permit for the Flat Canyon State 36-3
This is the second extension that has been requested.

Approved by the
Utah Division of
Oil, Gas and Mining
Date: 11-22-05
By: [Signature]

COPY SENT TO OPERATOR
Date: 11-25-05
Initials: CHP

ORIGINAL

NAME (PLEASE PRINT) <u>Don Hamilton</u>	TITLE <u>Agent for Fortuna (US), Inc.</u>
SIGNATURE <u>Don Hamilton</u>	DATE <u>11/17/2005</u>

(This space for State use only)

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NOV 22 2005

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

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

API: 43-015-30524
Well Name: Flat Canyon State 36-3
Location: NE/4 NW/4, Section 36, T16S, R6E, SLB&M
Company Permit Issued to: Fortuna (US), Inc.
Date Original Permit Issued: 8/12/2003

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

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

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

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

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

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

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

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

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

Don Hamilton
Signature

11/17/2005
Date

Title: Agent for Fortuna (US), Inc.

Representing: Fortuna (US), Inc.

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NOV 22 2005

DIV. OF OIL, GAS & MINING

ORIGINAL



State of Utah

**Department of
Natural Resources**

MICHAEL R. STYLER
Executive Director

**Division of
Oil, Gas & Mining**

JOHN R. BAZA
Division Director

JON M. HUNTSMAN, JR.
Governor

GARY R. HERBERT
Lieutenant Governor

November 30, 2006

Don Hamilton
Fortuna (US) Inc.
3400, 888 3rd St. SW
Calgary, Alberta, Canada T2P 5C5

Re: APD Rescinded – Flat Canyon State 36-3 Sec. 36 T. 16S R. 6E
Emery County, Utah API No. 43-015-30524

Dear Mr. Hamilton:

The Application for Permit to Drill (APD) for the subject well was approved by the Division of Oil, Gas and Mining (Division) on August 12, 2003. On October 27, 2004 and November 22, 2005, the Division granted a one-year APD extension. No drilling activity at this location has been reported to the division. Therefore, approval to drill the well is hereby rescinded, effective November 30, 2006.

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

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

Sincerely,


Diana Mason
Environmental Scientist

cc: Well File
Brad Hill, Technical Service Manager
SITLA, Ed Bonner