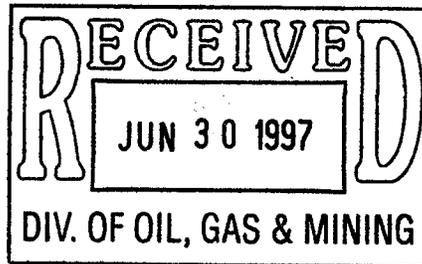


LONE MOUNTAIN PRODUCTION COMPANY

1622 16 Road
Loma, CO 81524

Phone & Fax (303) 858-7546
Mobile (303) 244-6238



Mike Hebertson
Division Oil, Gas, and Mining
1594 West North Temple
Salt Lake City, Utah 84180

June 20, 1997

Dear Mike,

I am sending you three copies of a drilling permit application for the Utah State No. 3 well. This well is located in Grand County, Utah approximately 45 miles north west of Grand Junction, Colorado. The ROW has been applied for that portion of the access road crossing federal lands. An onsite was held with the BLM-Moab for the road ROW on June 13, 1997. The archeology survey was conducted on June 19, 1997 for the road access, drilling pad and pipeline route. It has been submitted to the Utah Division of State History.

Please call me to schedule an onsite inspection at your earliest convenience.

Sincerely,

Joe Dyk, P.E. 
Lone Mountain Production Company

Blm R.O.W. Amendment Granted 6/23/97

Water Permit is in process from Grand Valley Water Users.

Statewide Letter of Credit on file for \$80,000 as Bond.

STATE OF UTAH
DIVISION OF OIL, GAS AND MINING

APPLICATION FOR PERMIT TO DRILL, DEEPEN, OR PLUG BACK

5. Lease Designation and Serial No. ML-34629

6. If Indian, Allottee or Tribe Name _____

7. Unit Agreement Name _____

8. Farm or Lease Name Utah State

9. Well No. No. 3

10. Field and Pool, or Wildcat San Arroyo

11. 00, Sec., T., R., H., or Blk. and Survey or Area Sec. 32-T16S-R25E

12. County or Parrish Grand 13. State Utah

1a. Type of Work
 DRILL DEEPEN PLUG BACK

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

2. Name of Operator Lone Mountain Production Company

3. Address of Operator P. O. Box 3394, Billings, Montana 59103

4. Location of Well (Report location clearly and in accordance with any State requirements.)*
 At surface 19³600' FEL, 1200' FNL (NE $\frac{1}{4}$ NE $\frac{1}{4}$)
 At proposed prod. zone 3^{bb} Same

14. Distance in miles and direction from nearest town or post office*
27 miles northwest of Mack, Colorado

15. Distance from proposed location to nearest property or lease line, ft. (Also to nearest driz. line, if any) 600'

16. No. of acres in lease 600 acres

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

18. Distance from proposed location* to nearest well, drilling, completed, or applied for, on this lease, ft. 3443'

19. Proposed depth 5780' Morrison

20. Rotary or cable tools Rotary

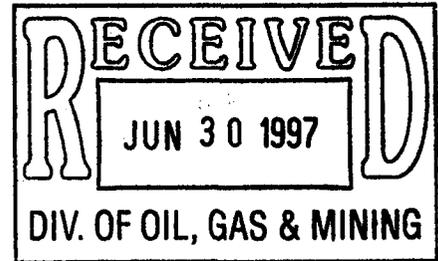
21. Elevations (Show whether DF, RT, GR, etc.) 6788 GL 6799 KB (est.)

22. Approx. date work will start* July 20, 1997

PROPOSED CASING AND CEMENTING PROGRAM

Size of Hole	Size of Casing	Weight per Foot	Setting Depth	Quantity of Cement
12 $\frac{1}{2}$ "	9 5/8" used	36# J-55	150'	80 sx. (70 surf.) Class G, 3% CaCl ₂
8" 3/4	7" used	20# J-55	2050'	100 sx. Class G, 3% CaCl ₂
6 $\frac{1}{2}$ "	4 $\frac{1}{2}$ " new	10.5# J-55	5780'	175 sx. 10-0 Thixotropic ²

See Attachments



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

24. I hereby certify that this report is true and complete to the best of my knowledge.

Signed: [Signature] Title Petroleum Engineer Date June 20, 1997

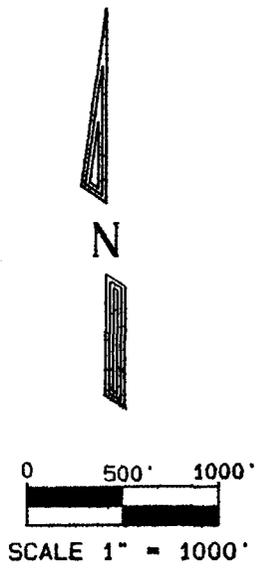
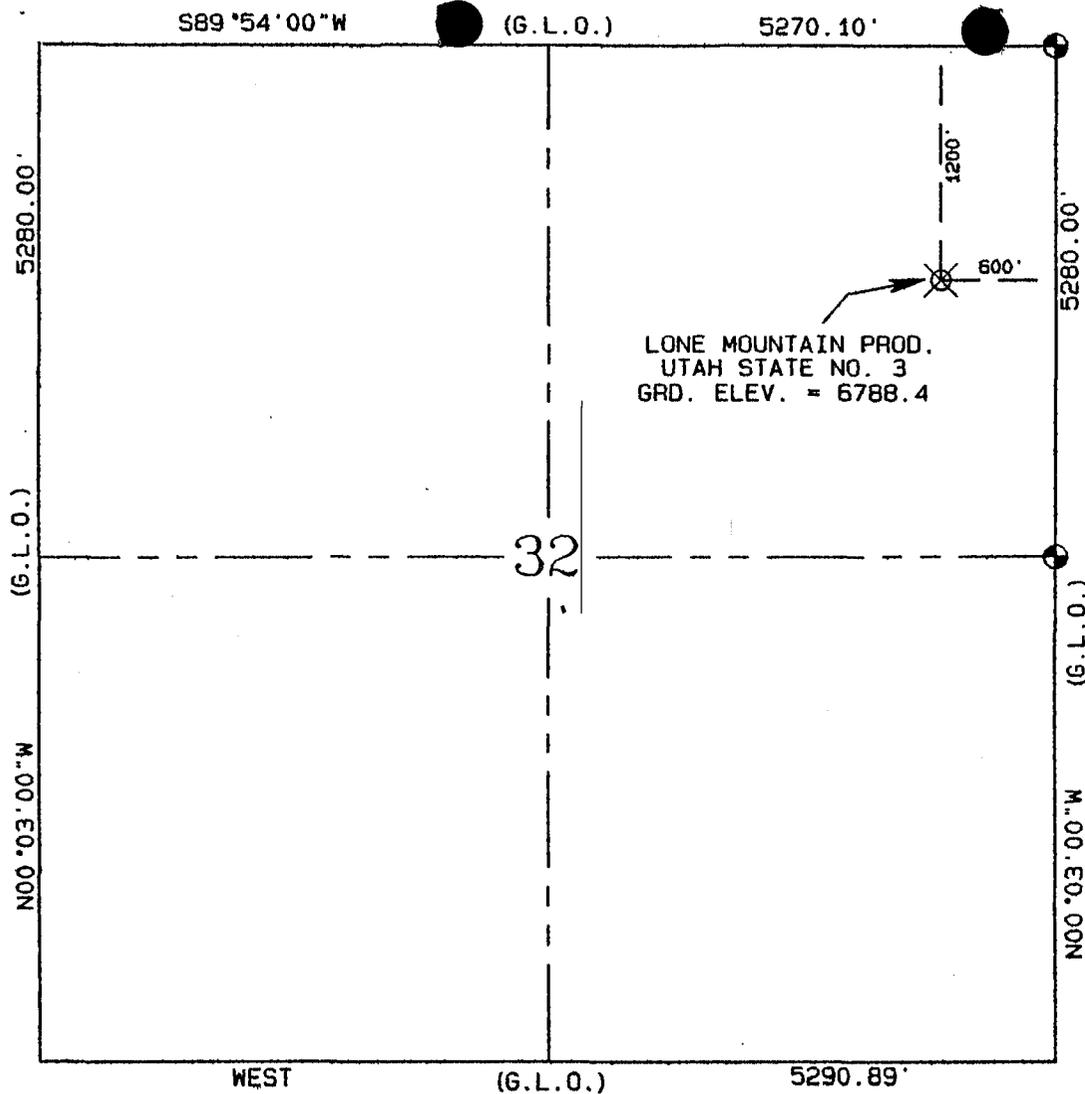
(This space for Federal or State office use)

API NO. 43-019-31360 Approval Date _____

Approved by [Signature] Title Associate Director Date 8/2/97

Conditions of approval, if any: _____

*See Instructions On Reverse Side

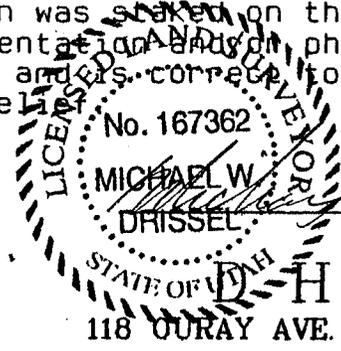


- LEGEND**
- G.L.O. BRASS CAP
 - ⊗ SET #5 REBAR

WELL LOCATION
 1200 FT. FNL - 600 FT. FEL
 SECTION 32, T16S, R25E, S.L.B. & M.
 GRAND COUNTY, UTAH

SURVEYOR'S STATEMENT

I, MICHAEL W. DRISSEL, a registered Land Surveyor in the State of Utah, do hereby state that the well location shown hereon was ~~marked~~ based on existing monumentation and/or physical evidence found in the field and is correct to the best of my knowledge, and belief.



Michael W. Drissel 6-11-97

D H SURVEYS INC.
 118 OURAY AVE.
 Grand Junction, CO. 81501-6572
 (303) 245-8749

STATE OF UTAH
DIVISION OF OIL, GAS AND MINING

APPLICATION FOR PERMIT TO DRILL, DEEPEN, OR PLUG BACK

1a. Type of Work
 DRILL DEEPEN PLUG BACK

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

2. Name of Operator
 Lone Mountain Production Company

3. Address of Operator
 P. O. Box 3394, Billings, Montana 59103

4. Location of Well (Report location clearly and in accordance with any State requirements.)*
 At surface 600' FEL, 1200' FNL (NE $\frac{1}{4}$ NE $\frac{1}{4}$)
 At proposed prod. zone Same

5. Lease Designation and Serial No.
 ML-34629

6. If Indian, Allottee or Tribe Name

7. Unit Agreement Name

8. Farm or Lease Name
 Utah State

9. Well No.
 No. 3

10. Field and Pool, or Wildcat
 San Arroyo

11. 00, Sec., T., R., N., or S1k. and Survey or Area
 Sec. 32-T16S-R25E

12. County or Parrish
 Grand

13. State
 Utah

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 27 miles northwest of Mack, Colorado

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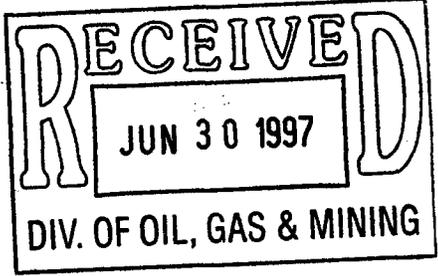
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 July 20, 1997

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See Attachments



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

24. I hereby certify that this report is true and complete to the best of my knowledge.

Signed: [Signature] Title: Petroleum Engineer Date: June 20, 1997

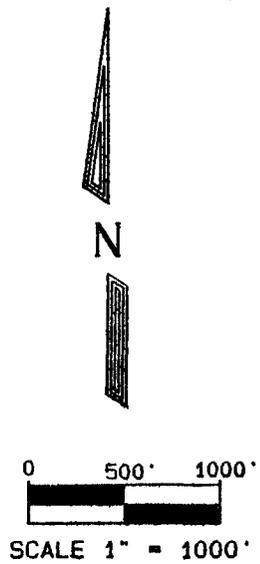
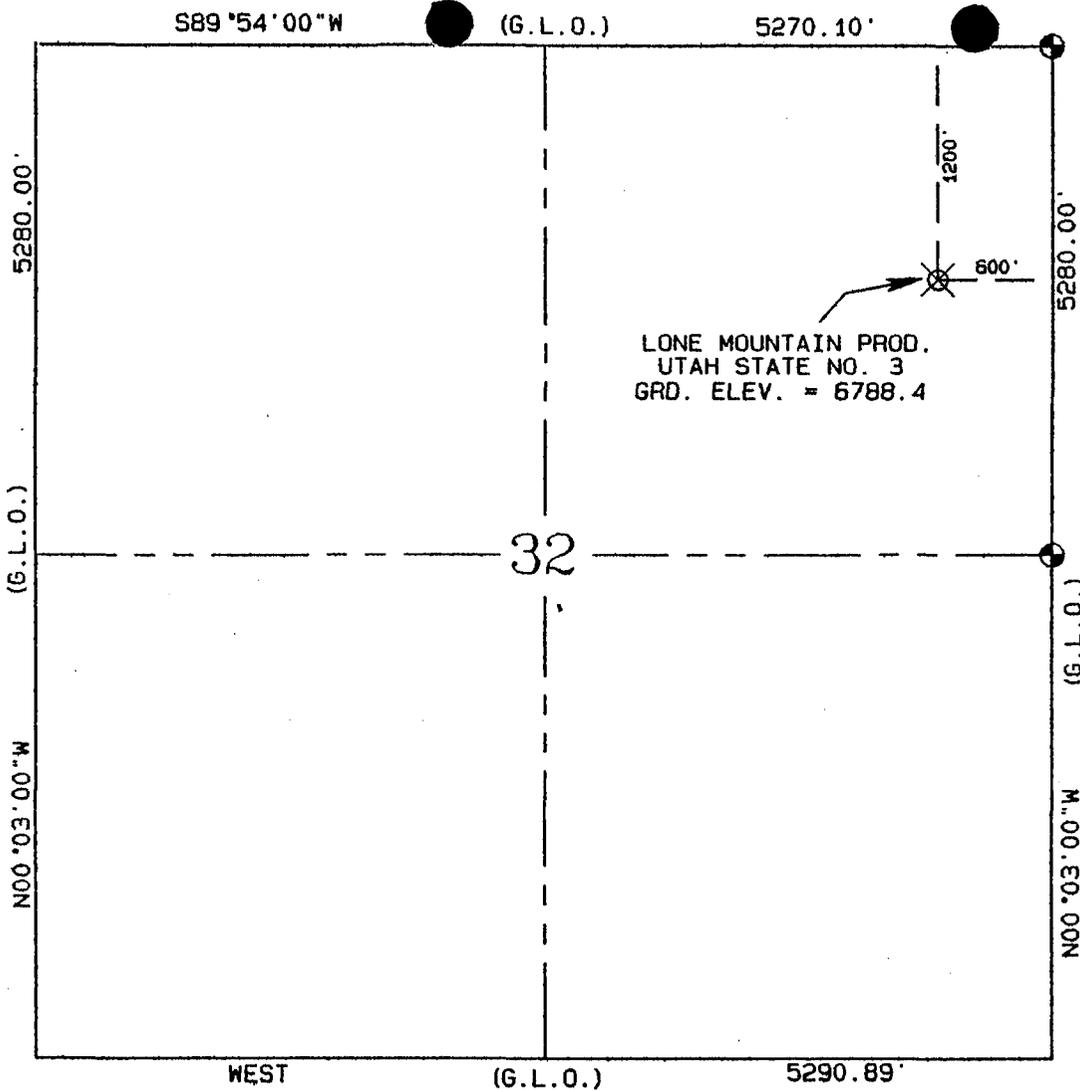
(This space for Federal or State office use)

API NO. 43-019-31360 Approval Date _____

Approved by: [Signature] Title: Associate Director Date: 8/7/97

Conditions of approval, if any:

*See Instructions On Reverse Side

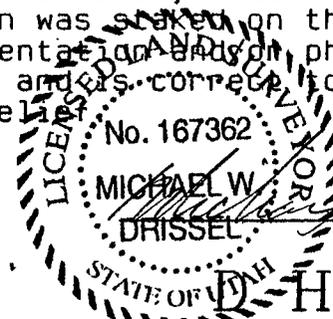


- LEGEND**
- G.L.O. BRASS CAP
 - SET #5 REBAR

WELL LOCATION
 1200 FT. FNL - 600 FT. FEL
 SECTION 32, T16S, R25E, S.L.B. & M.
 GRAND COUNTY, UTAH

SURVEYOR'S STATEMENT

I, MICHAEL W. DRISSEL, a registered Land Surveyor in the State of Utah, do hereby state that the well location shown hereon was staked on the ground based on existing monumentation and/or physical evidence found in the field and is correct to the best of my knowledge, and believe



Michael W. Drissel 6-11-97

M W H SURVEYS INC.
 118 CURAY AVE.
 Grand Junction, CO. 81501-6572
 (303) 245-8749

FORM 3160-3 ADDENDUM
Utah State No. 3
Section 32, T16S-R25E
Grand County, Utah

1. SURFACE FORMATION: Mesaverde

2. ESTIMATED FORMATION TOPS:

Mesaverde	Surface
Castlegate	1749'
Dakota Silt	5329'
Dakota Sand	5436'
Morrison	5582'
TD	5780'

3. DEPTH AT WHICH OIL, GAS, WATER OR OTHER MINERAL BEARING ZONES WILL BE ENCOUNTERED:

Gas Zones:	Dakota	5436'
	Morrison	5582'

4. DIRECTIONAL DRILL PROGRAM: N/A

5. CASING PROGRAM: As per Form 3160-3, Item #23

6. PRESSURE CONTROL EQUIPMENT:

See attached Well Control Plan and schematic of contractor's BOP stack. BOP's will be tested before drilling out from under the surface casing and function tested daily. See Exhibit 1 of Well Control Plan.

7. MUD PROGRAM:

Air or mist drilling will be used to drill the surface hole unless water is encountered. If water is encountered, chemical/gel mud will be used. The well will be air drilled from under surface casing to TD.

8. AUXILIARY EQUIPMENT:

A. A kelly cock will be used.

B. A sub with full opening valve will be kept on the derrick floor to stab into the drill pipe when the kelly is not in use.

9. CORING, LOGGING AND TESTING PROGRAM:

A. No coring is planned.

B. The logging program will consist of a DIL log from TD to base of surface casing and GR-FDC-CNL logs across the bottom 1000 feet of hole.

C. No DST's are planned.

10. ABNORMAL DRILLING CONDITIONS

- A. No abnormal pressures or temperatures are expected.
- B. No hazardous gases such as H₂S are expected.

11. ANTICIPATED START DATES

Spud date:	July 20, 1997
Completed drilling:	July 27, 1997
Completed, ready for pipeline:	August 31, 1997

12. Production zones will be perforated, tested and treated as necessary. Gas will be flared during testing. Produced water will be contained in the unlined drilling reserve pit. The extent of treatment of a zone (acidizing and/or fracing) can only be determined after the zone has been tested. A completion program will be furnished after drilling.

13. Lone Mountain Production Company's Statewide Bond No. is UT0719

**FORM 3160-3 ADDENDUM
WELL CONTROL PLAN
Utah State No. 3
Section 32, T16S-R25E
Grand County, Utah**

1. Surface casing: 9 5/8", 36#, J-55 set @ 150' and cemented back to surface with 80 sacks Class "G" + 3% CaCl₂.
2. Intermediate casing: Intermediate casing will only be run if water is encountered in the Mesaverde or Castlegate formations. If needed, the intermediate string will be 7", 20#, J-55 set @ 2050' and cemented with 100 sacks Class "G" + 3% CaCl₂.
3. Casinghead Flange: 9 5/8" X 4 1/2" 600 series casinghead with two, 2", 2000 psi L.P. outlets.
4. Blowout Preventer: The drilling rig is equipped with a 10", 3000 psi W.P. double gate hydraulic BOP with drill pipe rams and blind rams to meet requirements for a 2000 psi stack as indicated in Onshore Order No. 2. All fill, kill and choke lines will be a minimum of 2", 2000 psi W.P. A rotating head will be used while air and mist drilling. A new rubber will be installed before drilling through the Dakota. Pipe rams will be function tested daily and blind rams on each trip when out of the hole. BOP's will be tested to 2000 psi but not more than 70% of the casing burst pressure prior to drilling the shoe joint.
5. Auxiliary Equipment:
 - (a) Drill pipe floats will be allowed at contractor's discretion.
 - (b) Visual monitoring of air returns will be maintained.
 - (c) Upper kelly cock will be used.
 - (d) Stabbing valve will be kept on the rig floor.
6. Anticipated bottom hole pressure is less than 1000 psi, for a gradient of approximately 0.20 psi/ft. No abnormal temperatures or hydrogen sulfide gas are anticipated.

LONE MOUNTAIN PRODUCTION COMPANY

By: _____


Joel V. Dyk
Petroleum Engineer

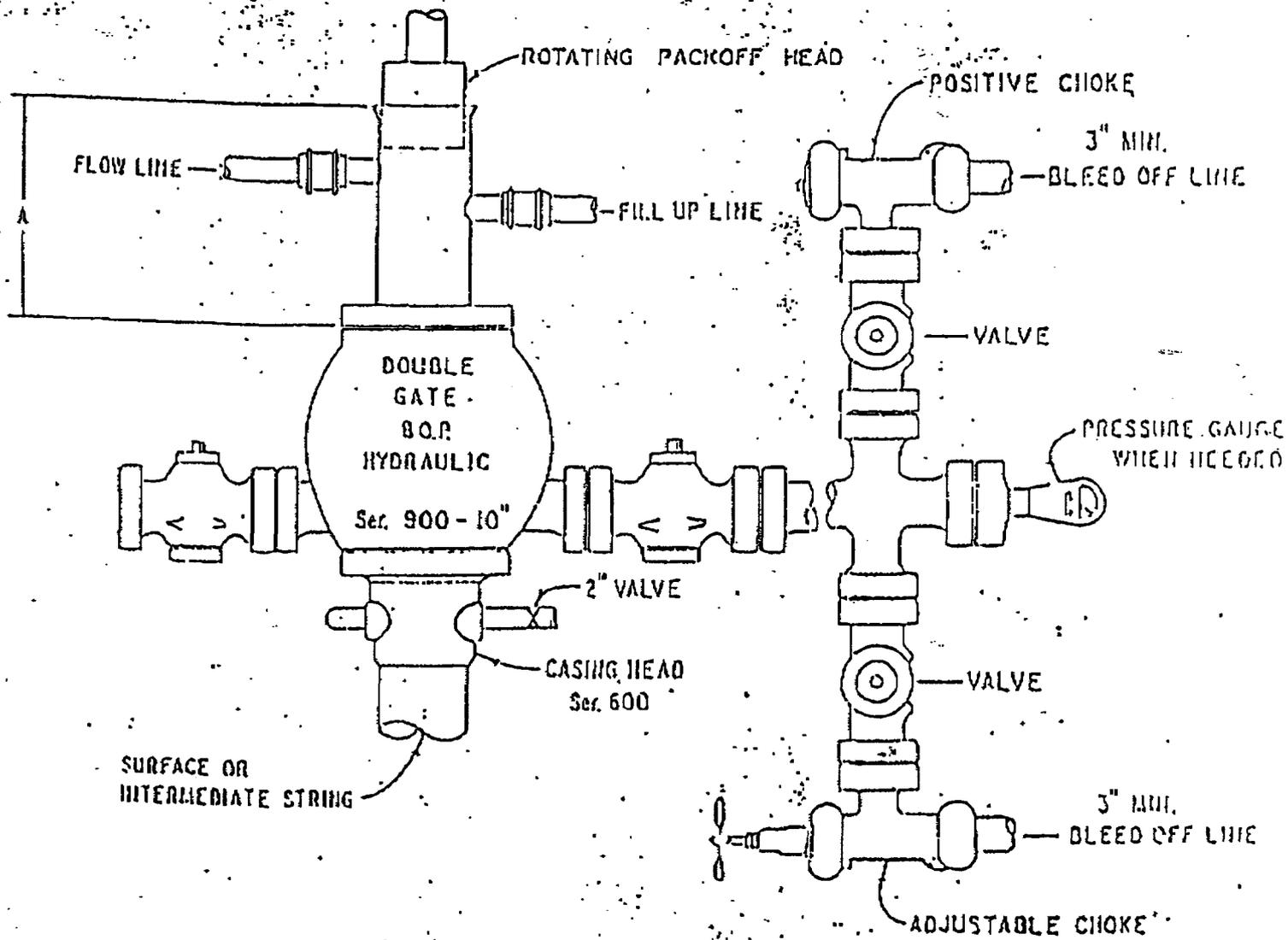


EXHIBIT I
BLOWOUT PREVENTER DIAGRAM

FROM : LONE MOUNTAIN PRODUCTION CO.
 Attn: John Baza
 801 359-3940

PHONE NO. : 9708594163
 EXHIBIT 1
 Lone Mountain Production Co
 Utah State No. 3, Grand Co., Utah

**LONE MOUNTAIN PRODUCTION COMPANY
MULTIPOINT SURFACE USE AND OPERATION PLAN**

DATE: June 20, 1997

WELL NAME: Utah State No. 3

LOCATION: 1200' FNL, 600' FEL, Section 32, T16S-R25E
Grand County, Utah

STATE OIL & GAS LEASE NO: ML-34629

1. EXISTING ROADS

- A. Maps 1 and 2 indicate existing and new roads to the proposed well. An existing road runs South from the Grynberg No. 1 well to the Hancock No. 2 well. The new road takes off to the right of this existing road about 1/2 mile south of the Grynberg No. 1 well.
- B. Route and distance from nearest town or locatable reference point to where proposed access route leaves existing road: From Mack, Colorado, proceed west 8.3 miles on State Highway 6 & 50 to Two Road in Colorado. Turn right on Two Road and proceed northwest 10.2 miles. Turn right up Bitter Creek Road and proceed 11.6 miles to the new road which y's to the right. (1/2 mile south of the Grynberg No. 1 well).
- C. The existing roads are all weather surfaces and should not require upgrading.

2. PLANNED ACCESS ROAD

From 1/2 mile south of the Grynberg No. 1 well, the new access road will proceed south, approximately 2000 feet to the Utah State No. 3 location. (See Map 2) The Northern 1200 feet of this road crosses Federal land and a ROW has been applied for. The last 800 feet crosses the state section 32 to the well pad.

- A. The proposed 2000 feet of access road will be constructed with an 24 foot travel width. Total disturbance width will be 36 feet. This will be a cut and fill road on side slopes.

3. LOCATION OF EXISTING WELLS

Map 3 is a one mile radius locating and identifying the following:

- A. Water wells - None
- B. Abandoned wells - None
- C. Temporarily abandoned wells - None
- D. Disposal wells - None
- E. Drilling wells - None
- F. Producing wells - Lauck No. A-1
Lauck No. 2
Utah State No. 2
Utah State No. 1
Federal No. 33-16
Federal No. 33-8

Nicor No. 2
Grynberg No. 1

- G. Shut-in wells - None
- H. Injection wells - None
- I. Monitoring or observation wells for other reasons - None

4. LOCATION OF EXISTING AND /OR PROPOSED FACILITIES

- A. Map 3 is a one mile radius locating the following existing facilities owned by the lessee/operator.

- 1. Tank batteries - None
- 2. Production facilities - Lauck No. A-1
Lauck No. 2
Utah State No. 2
Utah State No. 1
Federal No. 33-16
Federal No. 33-8
Nicor No. 2
Grynberg No. 1
- 3. Oil gathering lines - None
- 4. Gas gathering lines - Various 2", 3" and 4" steel lines
- 5. Injection lines - None
- 6. Disposal lines - None

- B. Proposed new production facilities, together with relative dimensions are shown in relation to the well pad in Exhibit 2. The production facilities will include a production pit, blowdown pit, separator and metering facility. These facilities will be painted either a dark green or desert tan in accordance with BLM specified colors of the Book Cliffs area. The pit will be located in cut and will contain all water production and will be constructed in accordance with Onshore Oil & Gas Rule No. 7 specifications. All connection work will be done by an oil field service company using standard oil field materials. The water production pit will be fenced suitably to protect livestock and wildlife.

5. LOCATION AND TYPE OF WATER SUPPLY

- A. Water will be obtained from West Salt Wash in Colorado and will be hauled by a certified water hauler along the routes shown on Map 1. No water well will be drilled.

6. SOURCES OF CONSTRUCTION MATERIALS

- A. Exhibit 3, "Cross Sections" indicate the cut and fill requirements for the location.
- B. All affected land is State and Federal and under the management of the Utah State DOGM and the BLM.
- C. Materials other than that on location should not be required to construct the pad.
- D. The access road crosses BLM administered land in Section 33, T16S-R25E.

7. METHODS OF HANDLING WATER DISPOSAL

- A. Drill cuttings will be contained and disposed of in the reserve pit.
- B. Drilling fluids will be contained and disposed of in the reserve pit.
- C. Produced fracturing fluids will be directed to the reserve pit for evaporation.
- D. A portable chemical toilet will be on location during operations.
- E. Garbage and other trash will be placed in a trash bin and removed to a sanitary landfill upon completion.
- F. A flare pit will be fenced with 4 strand wire and flagged to protect livestock and wildlife. The drilling reserve pit will be fenced on three sides during drilling and on the fourth side after the drilling rig moves off location.
- G. When the rig moves off location, all trash and refuse will be removed from the location and hauled to a sanitary land fill. All pits will be filled after drying and the area restored as under Item 10 of this plan.

8. ANCILLARY FACILITIES

No ancillary facilities (camps or airstrips) are planned. A 3" welded steel line will be laid to the bottom of the canyon to tie in to an existing 3" surface line belonging to Lone Mountain. A sundry notice will be submitted prior to commencement of this work.

9. WELL SITE LAYOUT ATTACHMENT AND PROPOSED RIG LAYOUT

- A. Exhibit 4 shows drill pad cross section, rig orientation, parking area, location of mud tank, reserve pit, trash bin, pipe rack and other facilities. The reserve pit will be unlined.
- B. It is proposed to remove existing grass and vegetation from the surface a radial distance of 75 feet from the reserve pit. This will act as a fire barrier in the event gas flaring while drilling is necessary.
- C. Topsoil will be stripped to a depth of 4" and stockpiled on the west side of the location. No topsoil stripping will be done when soils are moisture saturated to a depth of 3" or frozen below the stripping depth.

10. PLANS FOR RESTORATION OF SURFACE

- A. Upon completion of the well, the site will be cleared of all debris and the mouse and rat holes filled. The reserve pit will be dried and backfilled. Disturbed areas of the pad not needed for production facilities will be graded to an appearance consistent with the adjacent natural contours to the extent practicable. These areas will then be covered with topsoil or biodegradable mulch, disked and reseeded with a seed mixture recommended by the BLM. Seed tags will be submitted to the area manager within 30 days of seeding. The seedbed will be prepared by contour cultivating 4-6" deep and drilling seed 1/2 to 1" deep following the contour. In areas that cannot be drilled, seed will be broadcast at 1.5 times the application rate and covered 1/2 to 1" deep with a harrow or drag bar. Seeding will be completed after August 15/September 1, 1997 and prior to October 1, 1997, if feasible, but not later than the fall of 1998.

- B. Prior to rig release, pits will be fenced and so maintained until cleanup can be properly done.
- C. If any oil is in the pit, it will be removed or overhead flagging will be installed.
- D. Rehabilitation will commence within 120 days of when drilling and completion operations are completed; approximately August 31, 1997, and will be completed within approximately one year.
- E. If the well is a producer, Lone Mountain will upgrade and maintain access roads as necessary to prevent soil erosion and accommodate year-round traffic. Lone Mountain will reshape areas unnecessary to operation, rip or disk on the contour and seed all disturbed areas outside the work area according to the above seed mixture. The top soil will be saved for use during the final reclamation unless the site can be recontoured to blend with the natural topography as required for the final abandonment. Perennial vegetation will be established. Additional work will be required in case of seeding failures.
- F. If the well is abandoned as a dry hole, Lone Mountain will restore the access road and location to blend with the natural topography. During reclamation of the site, till material will be pushed into cuts and up over the backslope. No depressions will be left that could trap water to form ponds. Topsoil will be distributed evenly over the location and seeding according to the above seed mixture. The access road and location will be ripped or disked prior to seeding.

The area is considered to be satisfactorily reclaimed when:

- A. Soil erosion resulting from the operation has been stabilized.
- B. A vegetative cover at least equal to that present prior to disturbance and a plant species composition at least as desirable as that present prior to disturbance has been established. Establishment of seeded species in the approved seed formula will be considered as acceptance.

Additional work will be required until these conditions are satisfied.

11. SURFACE OWNERSHIP

All lands involving new construction are State and Federal lands.

Lone Mountain will contact the Grand Resource Area Manager and the State of Utah DOGM at least 24 hours prior to commencing construction or maintenance of the access road and/or well pad.

Lone Mountain will immediately bring to the attention of the Grand Resource Area Manager any and all antiquities or other objects of historic or prehistoric ruins, artifacts or fossils discovered as a result of operations under this permit. Lone Mountain will immediately suspend all activities in the area of the object and will leave such discoveries intact until told to proceed by the Area Manager. Notice to proceed will be based upon the evaluation of the cultural significance of the object. Evaluation will be by a qualified professional selected by the Area Manager from the federal agency insofar as practical. When not practical, Lone Mountain will follow the mitigation requirements set forth by the Area Manager concerning protection, preservation or disposition of any sites or material discovered. In those situations where the Area Manager

determines that data recovery and/or salvage excavations are necessary, Lone Mountain will bear the cost of such data recover and /or salvage operations.

The Grand Resource Area Manager will be notified at least 24 hours prior to commencing reclamation work.

12. OTHER INFORMATION

The drill site is located on an exposed ridge. The soil in the area consists of a silty loam. Vegetation is comprised of pinion pine, juniper, oak brush, sagebrush, herbs and native grasses and covers approximately 60% of the ground. Animals include deer, small mammals and birds. The affected land is state and federally owned and the primary surface uses are oil and gas production and ranching. There are no live streams in the immediate area. An ephemeral stream flows through West Say Arroyo Canyon. An archeological report will be performed prior to commencement of operations and will be filed at the Moab office of the BLM.

13. LESSEE'S OR OPERATOR'S REPRESENTATIVES

James G. Routson
P. O. Box 3394
Billings, MT 59103
(406) 245-5077

Joel V. Dyk
1360 Hiway 6 & 50
Loma, CO 81524
(970) 858-7546

14. SELF CERTIFICATION STATEMENT

Be advised that Lone Mountain Production Company is considered to be the operator of the Utah State No. 3, NE1/4 NE1/4 Sec. 32, T16S-R25E, Lease No. ML-34629, Grand County, Utah and is responsible under the terms and conditions of the lease for the operations conducted on the leased lands.

Bond coverage for this lease is provided by Statewide Bond No. UT0719 via surety consent as provided for in 43 CFR 3104.2.

This office will hold the aforementioned operator and bond liable until the provision of 43 CFR3106-7.2 continuing responsibility are met.

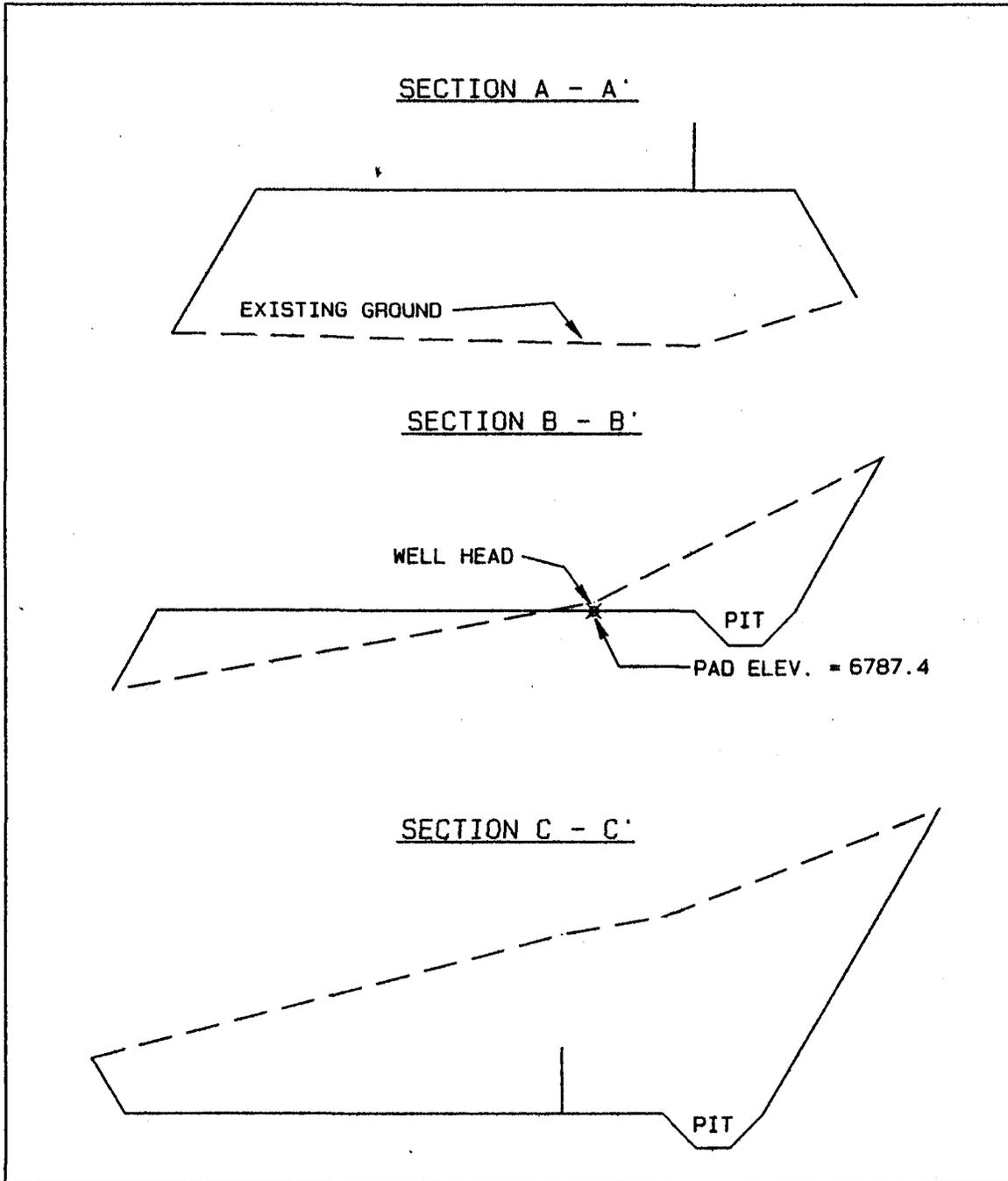
DATE: June 20, 1997



Joel V. Dyk
Petroleum Engineer

CROSS SECTIONS

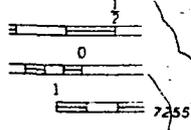
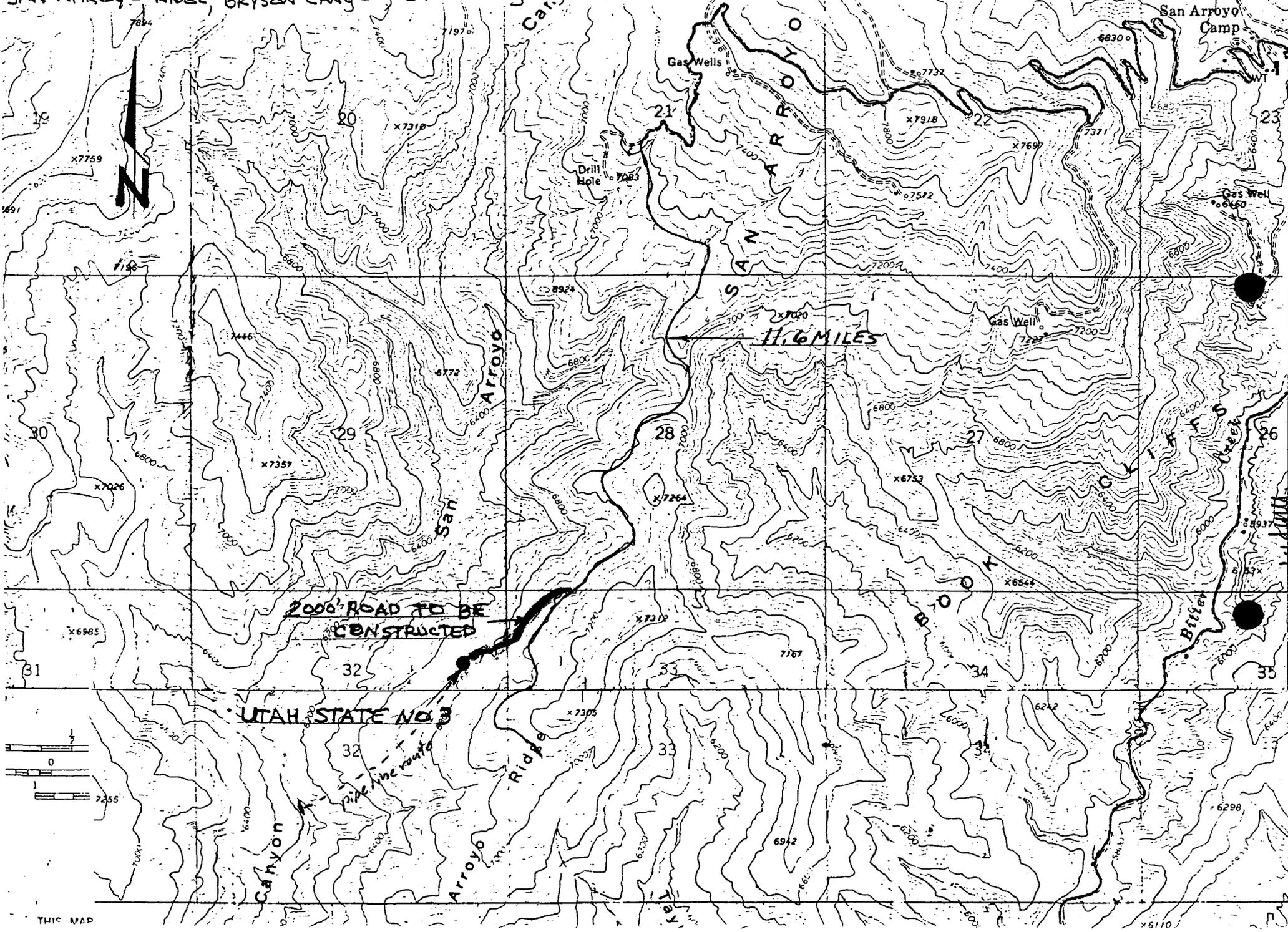
LONE MOUNTAIN PROD.
UTAH STATE NO. 3

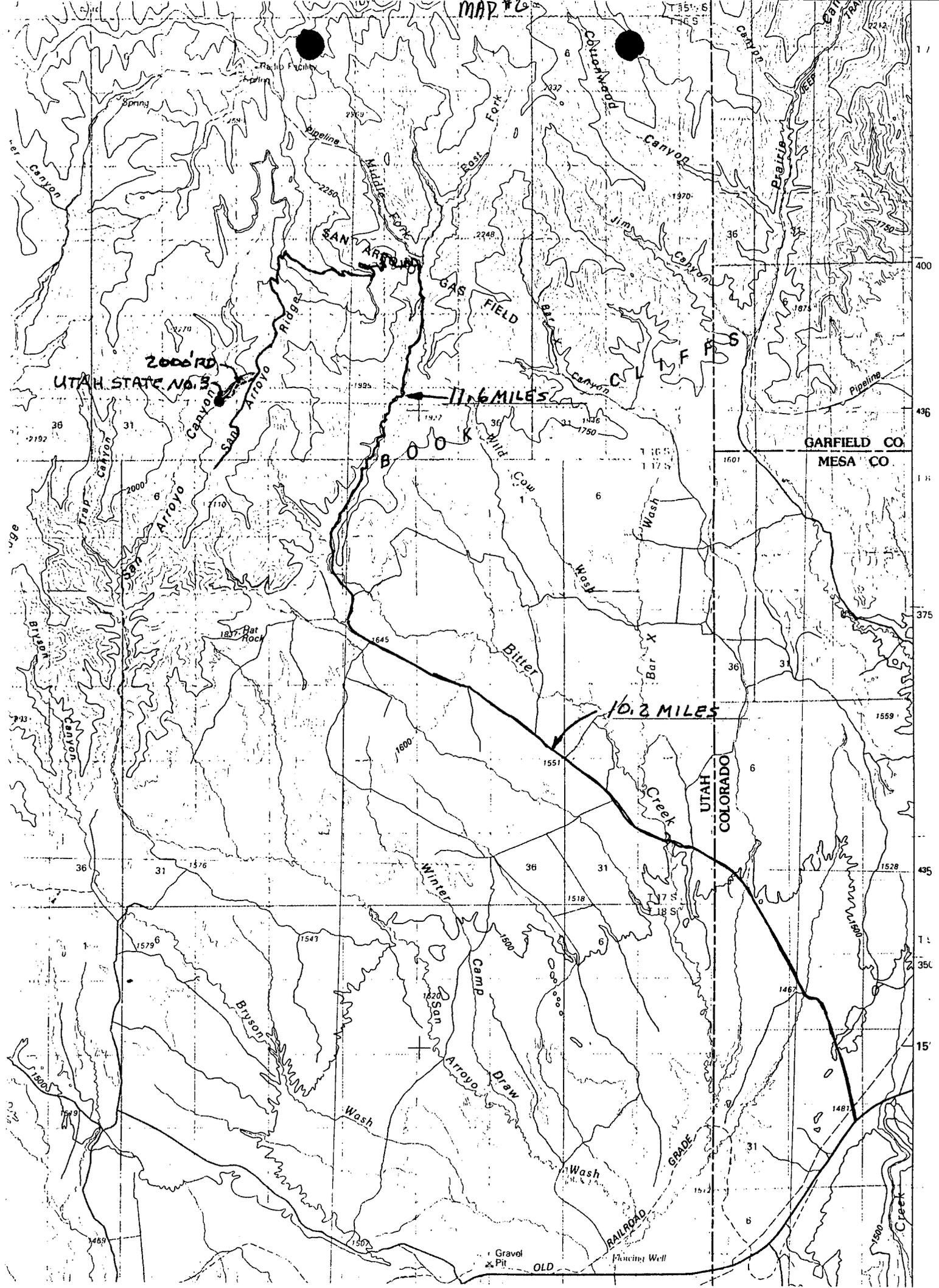


HORIZ. SCALE 1" = 50'
VERT. SCALE 1" = 20'

D H SURVEYS INC.
JOB NO. 244-97-04

TOPO AND ACCESS ROAD MAP
U.S.G.S. QUADRANGLE MAPS:
SAN ARROYO RIDGE, BRYSON CANYON, JIM CANYON, + BAR X WASH





2000' RD
UTAH STATE No. 3

11.6 MILES

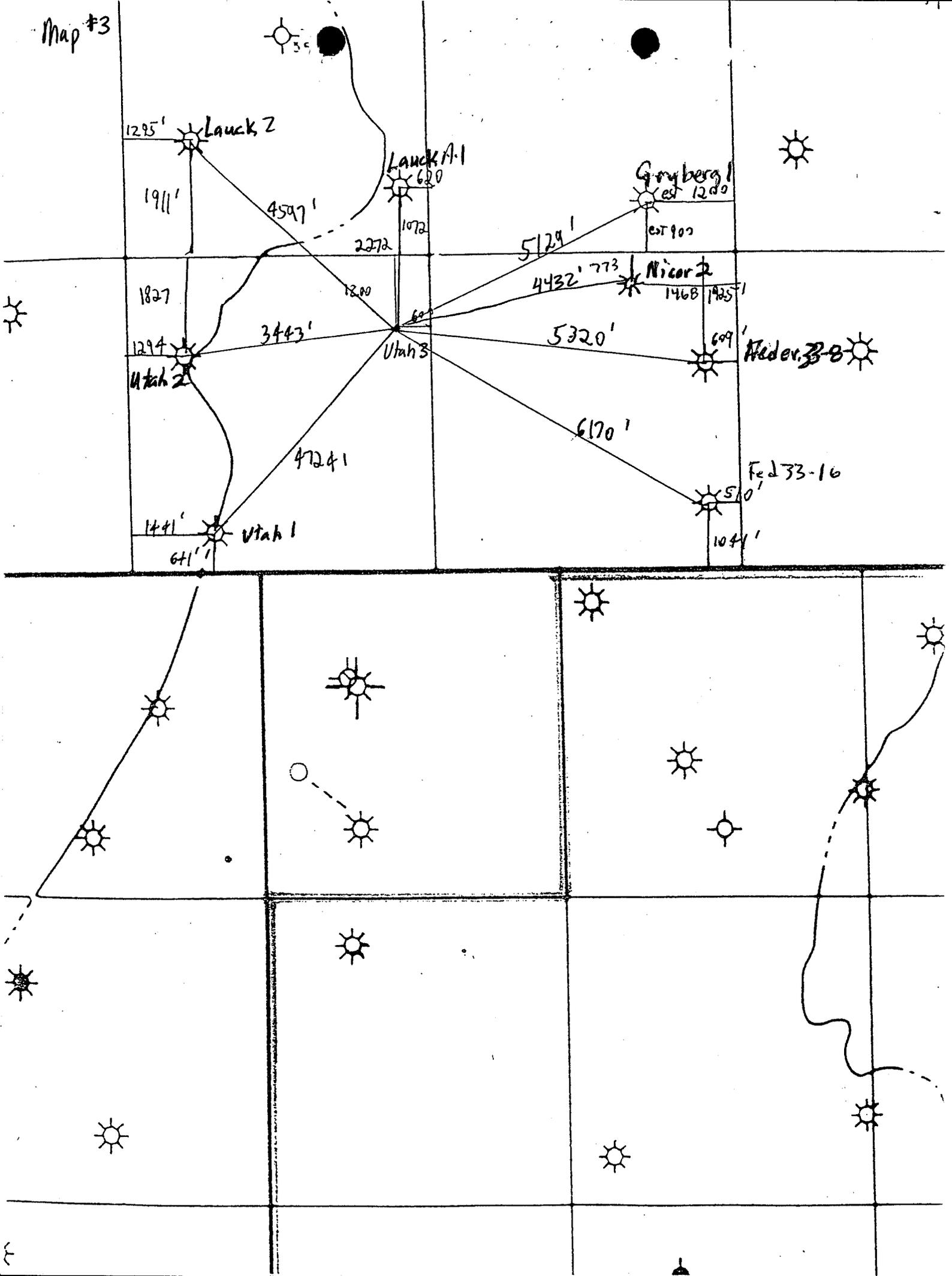
10.2 MILES

GARFIELD CO.
MESA CO.

UTAH
COLORADO

Gravel
x Pit
OLD
Flowing Well

Map #3



WORKSHEET
APPLICATION FOR PERMIT TO DRILL

APD RECEIVED: 06/30/97

API NO. ASSIGNED: 43-019-31360

WELL NAME: UTAH STATE #3
 OPERATOR: LONE MOUNTAIN PRODUCTION (N7210)

PROPOSED LOCATION:
 NENE 32 - T16S - R25E
 SURFACE: 1200-FNL-0600-FEL
 BOTTOM: 1200-FNL-0600-FEL
 GRAND COUNTY
 SAN ARROYO FIELD (250)

INSPECT LOCATION BY: / /		
TECH REVIEW	Initials	Date
Engineering	JCB	8/1/97
Geology		
Surface		

LEASE TYPE: STA
 LEASE NUMBER: ML - 34629

PROPOSED PRODUCING FORMATION: MRSN

RECEIVED AND/OR REVIEWED:

- Plat
- Bond: Federal State Fee
 (Number 470719)
- Potash (Y/N)
- Oil shale (Y/N)
- Water permit
 (Number COMMERCIAL SUPPLY)
- RDCC Review (Y/N)
 (Date: _____)

LOCATION AND SITING:

- R649-2-3. Unit: _____
- R649-3-2. General.
- R649-3-3. Exception.
- Drilling Unit. 13-6(1)
 Board Cause no: 1495
 Date: 9-26-86

COMMENTS: Casing OK, cement slip. needed, BOP OK.

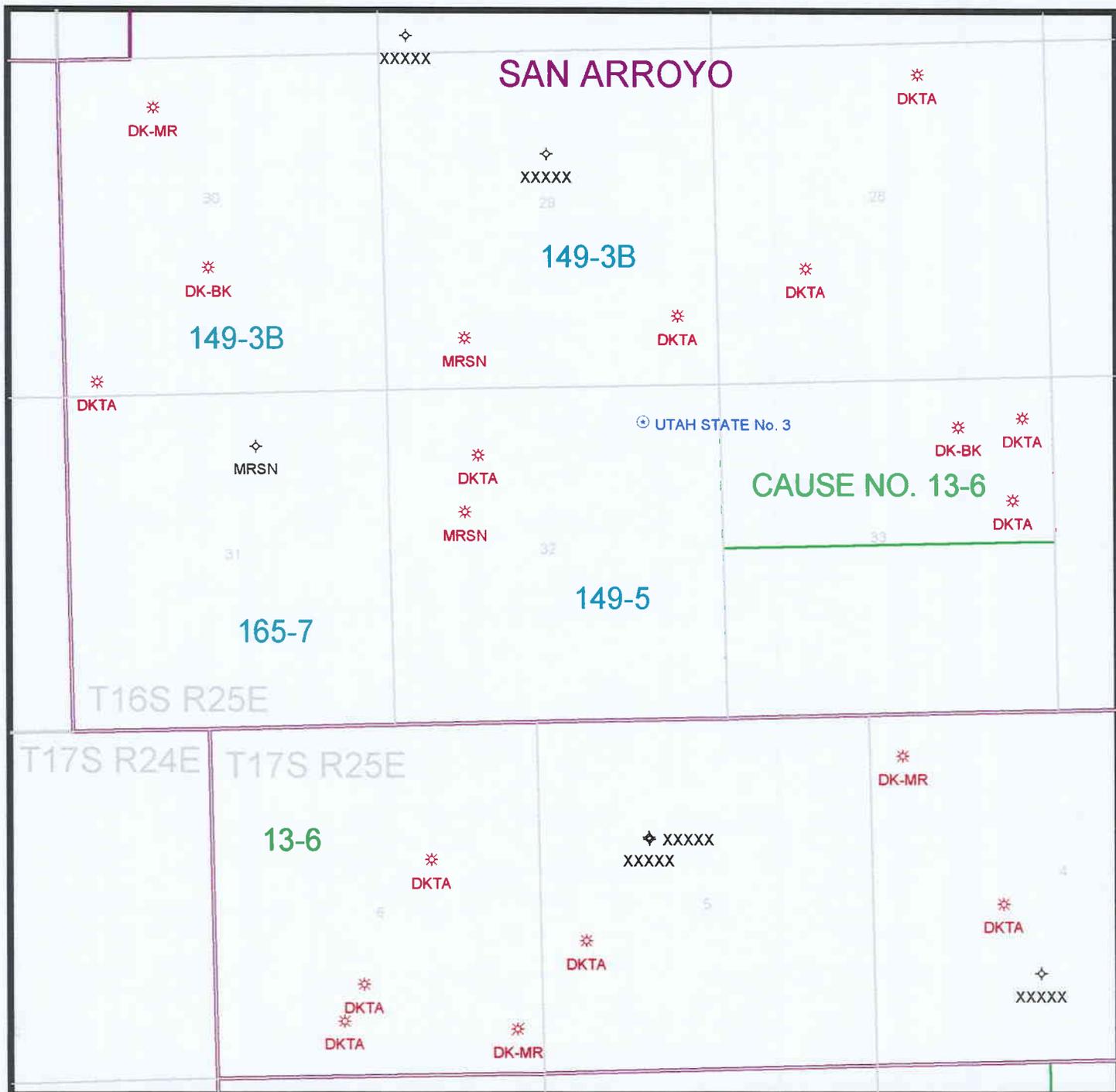
STIPULATIONS: 1. Statement of Basis
As a requirement of this approval,
2. The operator must set ~~and cement~~ the proposed 7" intermediate casing with an adequate volume and type of cement to isolate and seal off all water zones encountered.

OPERATOR: LONE MOUNTAIN (N7210)

FIELD: SAN ARROYO (250)

SEC, TWP, RNG: 32 T16S, R25E

COUNTY: GRAND UAC: CAUSE 13-6-2 160 ACRES MVRD-MRSN



PREPARED:
DATE: 1-JULY-97

State of Utah
On-Site Evaluation
Division of Oil, Gas and Mining

OPERATOR: Lone Mountain Production Compay

WELL NAME & NUMBER: Utah State No. 3

API NUMBER: 43-019-31360

LEASE: ML - 34629 FIELD/UNIT: San Arroyo

LOCATION: 1/4, 1/4 NE NE Sec: 32 TWP: 16S RNG: 25E 660 FEL 1200 FNL

LEGAL WELL SITING: 500 F SEC. LINE; 500 F 1/4, 1/4 LINE; 2500F ANOTHER WELL.

GPS COORD (UTM): 657396 E, & 4359885 N

SURFACE OWNER: State of Utah School & Institutional Trust Lands

PARTICIPANTS:

Mike Hebertson, DOGM Joel Dyke Lone Mountain Production

REGIONAL/LOCAL SETTING & TOPOGRAPHY:

This well is located in the Book Cliffs of Eastern Utah North of the leading edge of the Uncompahgre Uplift and West of the Douglas Creek Arch of Western Colorado. The Book Cliffs are an area of vertical sandstone cliffs underlain by Mancos Shale slopes ranging in height up to 1,000-1,500'. The entire area is incised by canyons and arroyos. Generally the North facing slopes have more gentle grades and are not as steep as the more highly weathered South facing slope. The well is located on one of the North facing slopes.

SURFACE USE PLAN:

CURRENT SURFACE USE: Wildlife Habitat

PROPOSED SURFACE DISTURBANCE: 300' X 160' pad with a 150' X 30' X 7' pit which will be outboard and placed in the cut side of the pad. The access road is ~2500' long and enters from the NE corner of the pad.

LOCATION OF EXISTING WELLS WITHIN A 1 MILE RADIUS: See the attached Map . Eight existing gas wells.

LOCATION OF PRODUCTION FACILITIES AND PIPELINES: All pipelines and facilities are in place along existing roads.

SOURCE OF CONSTRUCTION MATERIAL: Borrowed from the construction of the pad.

ANCILLARY FACILITIES: None.

WASTE MANAGEMENT PLAN:

See the waste management plan submitted with the APD.

ENVIRONMENTAL PARAMETERS:

AFFECTED FLOOD PLAINS AND/OR WETLANDS: None

FLORA/FAUNA: Deer, Elk, Rabbits, Raptors, and indigenous birds.
Pinion, Juniper, Sagebrush, Scrub Oak, Mountain Mahogany, Various
Grasses, Serviceberry, Choke Cherry, and wild flowers

SOIL TYPE AND CHARACTERISTICS: decomposed sandstone mixed with
weathered shale, only moderately permeable.

SURFACE FORMATION & CHARACTERISTICS: Cretaceous age Mesa Verde
sandstone light orange, pink and buff in color mixed with transition
Shales from the Mancos.

EROSION/SEDIMENTATION/STABILITY: moderate erosion in the drainage
areas, however the location appears to be stable.

PALEONTOLOGICAL POTENTIAL: A survey has been conducted and filed.

RESERVE PIT:

CHARACTERISTICS: pit will be in cut material on the uphill side of the
location. It will be 150' X 30' X 7'.

LINER REQUIREMENTS (Site Ranking Form attached): None required.
Although the pit ranking form scored a 30 this location is remote
enough and the drilling fluids benign enough that no liner should be
imposed for this location. The BLM does not require liners in this
area

SURFACE RESTORATION/RECLAMATION PLAN:

The surface will be restored as the lease stipulations require in
Accordance with SITLA regulations.

SURFACE AGREEMENT: State Lease

CULTURAL RESOURCES/ARCHAEOLOGY: None found

OTHER OBSERVATIONS/COMMENTS:

None

ATTACHMENTS:

Pictures were take of this location.

K. Michael Hebertson

DOGM REPRESENTATIVE

July 10, 1997

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		
100 to 200	5	
75 to 100	10	
25 to 75	15	
<25 or recharge area	20	<u>5</u>
Distance to Surf. Water (feet)		
>1000	0	
300 to 1000	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	15	<u> </u>
Distance to Other Wells (feet)		
>1320	0	
300 to 1320	10	
<300	20	<u>0</u>
Native Soil Type		
Low permeability	0	
Mod. permeability	10	
High permeability	20	<u>10</u>
Fluid Type		
Air/mist	0	
Fresh Water	5	
TDS >5000 and <10000	15	
TDS >10000 or Oil Base	20	
Mud Fluid containing high levels of hazardous constituents		<u>5</u>
Drill Cuttings		
Normal Rock, Salt	0	
	10	<u> </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> </u>
Presence of Nearby Utility Conduits		
Not Present	0	
Unknown	10	
Present	15	<u> </u>
Final Score		<u>30</u>

From: Walt Donaldson
To: NROGM(MHEBERTS)
Date: 7/11/97 3:02pm
Subject: PRE-SITE IN THE BOOK CLIFFS AREA OF GRAND COUNTY SAN ARROYO -Reply -Reply -Reply

I doubt that we will be able to provide you with much of a response given the short notice. To be frank, 1-2 days is completely unworkable. In fact, we would prefer 1-2 months notification in order to accomodate the heavy work schedules of our field biologists.

Also, I believe the San Arroyo field is on the south slope of the Book Cliffs, so I will forward this reponse to Bill Bates in the Price, UT office.

Considerable more lead time would be appreciated for a DWR response on future oil/gas activities. thanx

CC: Bbates, Elarson, Mmoretti

From: Walt Donaldson
To: NROGM(MHEBERTS)
Date: 7/11/97 8:22am
Subject: PRE-SITE IN THE BOOK CLIFFS AREA OF GRAND COUNTY SAN ARROYO -Reply

I have no knowledge of this issue. Please explain. thanx

CC: Elarson

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

Operator Name: Lone Mountain Production Company

Name & Number: Utah State No. 3

API Number: 43-019-31360

Location: 1/4, 1/4 NE NE Sec. 32 T. 16 S R. 25 E County: Grand

Geology/Ground Water:

High quality ground water may be encountered in the Mesa Verde Group and in the Castlegate. The proposed casing program calls for 150 feet of surface pipe and states that an intermediate casing will be set only if water is encountered in either of the above zones. It should be stipulated that intermediate casing will be set and cemented to protect and isolate all water zones encountered.

Reviewer: D. Jarvis

Date: 7-28-97

Surface:

A surface inspection of the site was conducted with the Operators representative on Thursday July 10, 1997. The BLM in Moab has inspected and approved the Road Right-of-Way and has approved the for a grade not to exceed 10%. Construction activity on the pipeline has caused a small slide 400 yards from the location to the south and west but this should not impact the site. Two small Sandstone ledges will be cut through on the access road and one gully will be crossed with a low Water crossing however no major drainage will be crossed or impacted. This location appears to Have no major problems. Both SITLA and DWR were contacted but did not attend. They have however been notified that they may comment if they so desire. The well is in an active area and does not require RDCC review or filing.

Reviewer: K. Michael Hebertson

Date: 16-July-1997

Conditions of Approval/Application for Permit to Drill:

1. Access road will not exceed 10% grade.
2. No drilling activity Dec. 1 through April 15 during any year.
3. Location will be bermed on all sides to contain waste on location.
4. Pit will be fenced to prevent wildlife from entering the pit



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

Michael O. Leavitt
Governor
Ted Stewart
Executive Director
James W. Carter
Division Director

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

August 7, 1997

Lone Mountain Production Company
P.O. Box 3394
Billings, Montana 59103

Re: Utah State #3 Well, 1200' FNL, 600' FEL, NE NE, Sec. 32,
T. 16 S., R. 25 E., Grand 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 43-019-31360.

Sincerely,

A handwritten signature in cursive script that reads "John R. Baza".

John R. Baza
Associate Director

lwp

Enclosures

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

Operator: Lone Mountain Production Company
Well Name & Number: Utah State #3
API Number: 43-019-31360
Lease: ML-34629
Location: NE NE Sec. 32 T. 16 S. R. 25 E.

Conditions of Approval

1. General

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

2. Notification Requirements

Notify the Division within 24 hours following spudding the well or commencing drilling operations. Contact Jimmie Thompson at (801)538-5336.

Notify the Division prior to commencing operations to plug and abandon the well. Contact John R. Baza at (801)538-5334.

3. Reporting Requirements

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

4. Compliance with the Conditions of Approval/Application for Permit to Drill outlined in the Statement of Basis dated July 28, 1997 (copy attached).

5. As a requirement of this approval, the operator must set the proposed 7" intermediate casing. The casing shall be cemented with an adequate volume and type of cement to isolate and seal off all water zones encountered.

Casing & Cement designUtah State No. 3 well - Lone Mountain Prod. Co.

I. Intermediate: 7", 20# J-55 used (optional casing string)
 $\xrightarrow{0.7 \text{ sf}}$

Max mud wt. = air

$$\text{Anticip. BHP} \Rightarrow (0.2 \text{ psi/ft}) \times (2050) = 410 \text{ psi}$$

$$\text{Coll. str.} = (2270 \times 0.10) = 1589 \quad \text{collapse SF} = \frac{1589}{410} = 3.88$$

$$\text{Burst. str.} = (3740 \times 0.70) = 2618 \quad \text{burst SF} = \frac{2618}{410} = 6.39$$

$$\text{Jt. str.} = (234,000 \times 0.10) = 163,800 \text{ lbs.}$$

$$\text{Wt. of pipe} = (2050' \times 20) = 41,000 \text{ lbs.} \quad \text{tension SF} = \frac{163,800}{41,000} = 4.00$$

$$\text{Vol. \& height bet. csg. \& hole} = 0.3006 \text{ ft}^3/\text{ft.} \\ (100\% \text{ excess})$$

$$\text{Cement yield (est.)} = 1.15 \text{ ft}^3/\text{sk} (100 \text{ sk})$$

$$\text{Height of column} = \frac{(100 \text{ sk})(1.15)}{0.3006} = \underline{\underline{383 \text{ ft}}}$$

II. Production: 4 1/2", 10.5#, J-55

$$\text{Anticip. BHP} = (0.2 \text{ psi/ft}) \times (5780) = 1156 \text{ psi}$$

$$\text{Coll. str.} = 4010 \text{ psi} \quad \text{collapse SF} = \frac{4010}{1156} = 3.47$$

$$\text{Burst str.} = 4790 \text{ psi} \quad \text{burst SF} = \frac{4790}{1156} = 4.14$$

$$\text{Jt. str.} = 146,000 \#$$

$$\text{Wt. of pipe} = (5780 \times 10.5) = 60,690 \#$$

$$\text{tension SF} = \frac{146,000}{60,690} = \underline{\underline{2.41}}$$

$$\text{Vol. \& height bet. cmt. \& hole} = 0.1884 \text{ ft}^3/\text{lin. ft.} \\ (100\% \text{ excess})$$

Cement yield (est.) = 1.15 ft³/sk (175 sk)

$$\text{Height of column} = \frac{(175)(1.15)}{0.1884} = 1068'$$

22-141 50 SHEETS
22-142 100 SHEETS
22-144 200 SHEETS

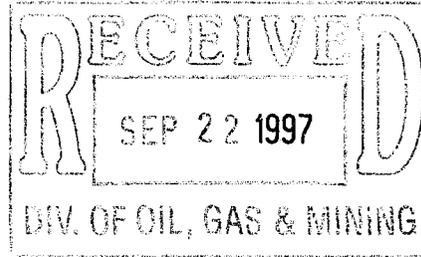


LONE MOUNTAIN PRODUCTION COMPANY

Mailing Address:
P.O. Box 3394
Billings, MT 59103-3394

(406) 245-5077
FAX 248-6321

Shipping Address:
100 North 27th Street
Suite 650
Billings, MT 59101



September 19, 1997

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

RE: ENTITY ACTION FORM - FORM 6
UTAH STATE NO. 3 WELL
NENE SECTION 32: T16S-R25E
GRAND COUNTY, UTAH

Gentlemen:

Enclosed is an entity action form, in duplicate, for one new well spud on September 18, 1997 by Lone Mountain Production Company.

Should you have any questions or need further information you may contact me at (406) 245-5077 or Joe Dyk in our Loma office at (970) 858-7546.

Sincerely,

LONE MOUNTAIN PRODUCTION COMPANY


James G. Routson
President

Enclosure

cc: Joe Dyk

OPERATOR Lone Mountain Production Company

OPERATOR ACCT. NO. 11 7210

ADDRESS P. O. Box 3394
Billings, Montana 59103-3394

ACTION CODE	CURRENT ENTITY NO.	NEW ENTITY NO.	API NUMBER	WELL NAME	WELL LOCATION					SPUD DATE	EFFECTIVE DATE
					QQ	SC	TP	RG	COUNTY		
A	99999	12223	43-019-31360	Utah State No. 3	NENE	32	16S	25E	Grand	9/18/97	
WELL 1 COMMENTS: <i>Entity added 9-24-97. JPC</i>											
WELL 2 COMMENTS:											
WELL 3 COMMENTS:											
WELL 4 COMMENTS:											
WELL 5 COMMENTS:											

ACTION CODES (See instructions on back of form)

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

NOTE: Use COMMENT section to explain why each Action Code was selected.

James R. ...
Signature
President
Date 9/19/97

Phone No. (406) 245-5077

STATE OF UTAH
DIVISION OF OIL, GAS AND MINING

<p>SUNDRY NOTICES AND REPORTS ON WELLS (Do not use this form for proposals to drill or to deepen or plug back to a different reservoir. Use "APPLICATION FOR PERMIT—" for such proposals.)</p>		<p>3. LEASE DESIGNATION & SERIAL NO. ML-34629</p>
<p>1. OIL WELL <input type="checkbox"/> GAS WELL <input checked="" type="checkbox"/> OTHER</p>		<p>6. IF INDIAN, ALLOTTEE OR TRIBE NAME</p>
<p>2. NAME OF OPERATOR Lone Mountain Production Company</p>		<p>7. UNIT AGREEMENT NAME</p>
<p>3. ADDRESS OF OPERATOR P. O. Box 3394, Billings, Montana 59103</p>		<p>8. FARM OR LEASE NAME Utah State</p>
<p>4. LOCATION OF WELL (Report location clearly and in accordance with any State requirements. See also space 17 below.) At surface 1200' FNL, 600' FEL, Sec. 32, T16S, R25E At proposed prod. zone Same</p>		<p>9. WELL NO. No. 3</p>
<p>14. API NO. 43-019-31360</p>		<p>10. FIELD AND POOL, OR WILDCAT San Arroyo</p>
<p>15. ELEVATIONS (Show whether DF, RT, GR, etc.) 6788' GL, 6801' KB</p>		<p>11. SEC., T., R., M. OR BLK. AND SURVEY OR AREA NENE Sec. 32: T16S-R25E</p>
<p>12. COUNTY Grand</p>		<p>13. STATE Utah</p>

16. Check Appropriate Box To Indicate Nature of Notice, Report or Other Data

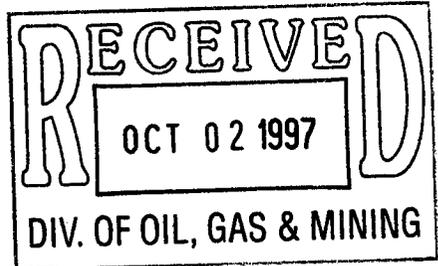
NOTICE OF INTENTION TO:	SUBSEQUENT REPORT OF:
<p>TEST WATER SHUT-OFF <input type="checkbox"/></p> <p>FRACTURE TREAT <input type="checkbox"/></p> <p>SHOOT OR ACIDIZE <input type="checkbox"/></p> <p>REPAIR WELL <input type="checkbox"/></p> <p>(Other) <input type="checkbox"/></p>	<p>WATER SHUT-OFF <input type="checkbox"/></p> <p>FRACTURE TREATMENT <input type="checkbox"/></p> <p>SHOOTING OR ACIDIZING <input type="checkbox"/></p> <p>(Other) <u>Notice of Spud</u> <input checked="" type="checkbox"/></p> <p>(Note: Report results of multiple completion on Well Completion or Recompletion Report and Log form.)</p>
<p>FULL OR ALTER CASING <input type="checkbox"/></p> <p>MULTIPLE COMPLETE <input type="checkbox"/></p> <p>ABANDON <input type="checkbox"/></p> <p>CHANGE PLANS <input type="checkbox"/></p>	<p>REPAIRING WELL <input type="checkbox"/></p> <p>ALTERING CASING <input type="checkbox"/></p> <p>ABANDONMENT* <input type="checkbox"/></p>
APPROX. DATE WORK WILL START _____	DATE OF COMPLETION _____

17. DESCRIBE PROPOSED OR COMPLETED OPERATIONS (Clearly state all pertinent details, and give pertinent dates, including estimated date of starting any proposed work. If well is directionally drilled, give subsurface locations and measured and true vertical depths for all markers and zones pertinent to this work.)

* Must be accompanied by a cement verification report.

The Utah State No. 3 well was spud at 4:00 p.m., September 18, 1997. (Notified Jim Thompson, Utah DOGM)

Drilled 12 1/4" surface hole to 170'. Set 9 5/8", 36#, K-55 casing at 159' GL. Cemented with 130 sx. Class "G", 2% CaCl₂, 1/8# celloflake. Cemented down annulus to surface with 60 sx. Class "G". Finished cementing at 1:00 p.m., 9/23/97.



18. I hereby certify that the foregoing is true and correct:

SIGNED *James S. Ruckman (sg)* TITLE President DATE 9/29/97

(This space for Federal or State office use)

APPROVED BY _____ TITLE _____ DATE _____

CONDITIONS OF APPROVAL, IF ANY: _____

STATE OF UTAH
DIVISION OF OIL, GAS AND MINING

<p>SUNDRY NOTICES AND REPORTS ON WELLS (Do not use this form for proposals to drill or to deepen or plug back to a different reservoir. Use "APPLICATION FOR PERMIT—" for such proposals.)</p>		<p>3. LEASE DESIGNATION & SERIAL NO. ML-34629</p>
<p>1. OIL WELL <input type="checkbox"/> GAS WELL <input type="checkbox"/> OTHER <input checked="" type="checkbox"/></p>		<p>6. IF INDIAN, ALLOTTEE OR TRIBE NAME</p>
<p>2. NAME OF OPERATOR Lone Mountain Production Company</p>		<p>7. UNIT AGREEMENT NAME</p>
<p>3. ADDRESS OF OPERATOR P. O. Box 3394, Billings, Montana 59103</p>		<p>8. FARM OR LEASE NAME Utah State</p>
<p>4. LOCATION OF WELL (Report location clearly and in accordance with any State requirements. See also space 17 below.) At surface 1200' FNL, 600' FEL, Sec. 32, T16S, R25E At proposed prod. zone Same</p>		<p>9. WELL NO. No. 3</p>
<p>14. API NO. 43-019-31360</p>		<p>10. FIELD AND POOL, OR WILDCAT San Arroyo</p>
<p>15. ELEVATIONS (Show whether DF, RT, GR, etc.) 6788' GL, 6801' KB</p>		<p>11. SEC., T., R., M., OR BLK. AND SURVEY OR AREA NENE Sec. 32: T16S-R25E</p>
<p>12. COUNTY Grand</p>		<p>13. STATE Utah</p>

16. Check Appropriate Box To Indicate Nature of Notice, Report or Other Data

NOTICE OF INTENTION TO:	SUBSEQUENT REPORT OF:																		
<table border="0"> <tr> <td>TEST WATER SHUT-OFF <input type="checkbox"/></td> <td>PULL OR ALTER CASING <input type="checkbox"/></td> </tr> <tr> <td>FRACTURE TREAT <input type="checkbox"/></td> <td>MULTIPLE COMPLETE <input type="checkbox"/></td> </tr> <tr> <td>SHOOT OR ACIDIZE <input type="checkbox"/></td> <td>ABANDON <input type="checkbox"/></td> </tr> <tr> <td>REPAIR WELL <input type="checkbox"/></td> <td>CHANGE PLANS <input type="checkbox"/></td> </tr> <tr> <td>(Other) <input type="checkbox"/></td> <td></td> </tr> </table>	TEST WATER SHUT-OFF <input type="checkbox"/>	PULL OR ALTER CASING <input type="checkbox"/>	FRACTURE TREAT <input type="checkbox"/>	MULTIPLE COMPLETE <input type="checkbox"/>	SHOOT OR ACIDIZE <input type="checkbox"/>	ABANDON <input type="checkbox"/>	REPAIR WELL <input type="checkbox"/>	CHANGE PLANS <input type="checkbox"/>	(Other) <input type="checkbox"/>		<table border="0"> <tr> <td>WATER SHUT-OFF <input type="checkbox"/></td> <td>REPAIRING WELL <input type="checkbox"/></td> </tr> <tr> <td>FRACTURE TREATMENT <input type="checkbox"/></td> <td>ALTERING CASING <input type="checkbox"/></td> </tr> <tr> <td>SHOOTING OR ACIDIZING <input type="checkbox"/></td> <td>ABANDONMENT* <input type="checkbox"/></td> </tr> <tr> <td>(Other) <u>RUN CASING</u> <input checked="" type="checkbox"/></td> <td></td> </tr> </table> <p>(Note: Report results of multiple completion on Well Completion or Recompletion Report and Log form.)</p>	WATER SHUT-OFF <input type="checkbox"/>	REPAIRING WELL <input type="checkbox"/>	FRACTURE TREATMENT <input type="checkbox"/>	ALTERING CASING <input type="checkbox"/>	SHOOTING OR ACIDIZING <input type="checkbox"/>	ABANDONMENT* <input type="checkbox"/>	(Other) <u>RUN CASING</u> <input checked="" type="checkbox"/>	
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(Other) <u>RUN CASING</u> <input checked="" type="checkbox"/>																			
APPROX. DATE WORK WILL START _____	DATE OF COMPLETION _____																		

17. DESCRIBE PROPOSED OR COMPLETED OPERATIONS (Clearly state all pertinent details, and give pertinent dates, including estimated date of starting any proposed work. If well is directionally drilled, give subsurface locations and measured and true vertical depths for all markers and zones pertinent to this work.)

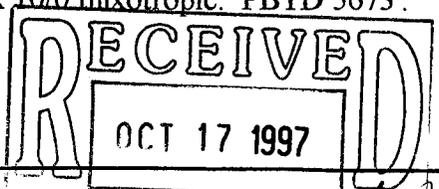
* Must be accompanied by a cement verification report.

Commencing on 10/2/97; Rigged up CAZA Rig No. 56. Drilled 8¾" hole to 2060'. Ran 7", 20# K-55 casing to 2030'. Cemented with 100 sacks Class "G".

Drilled 6¼" hole to 5773', ran GR-FDC-CNL and SP-DIL logs. Log tops: Castlegate 1722' (+5079'), Mancos 1856' (+4945), Dakota Silt 5224' (+1577'), Dakota Sand 5313' (+1488'), Morrison 5488' (+1313').

Ran 4½, 10.5#, J-55 casing to 5718', cemented w/175 sx 10/0 thixotropic. PBTD 5673'.

Rig released @ 11:40 P.M., 10/10/97.



18. I hereby certify that the foregoing is true and correct:

SIGNED James R. [Signature] TITLE President DIV. OF OIL, GAS & MINING 10/14/97

(This space for Federal or State office use)

APPROVED BY _____ TITLE _____ DATE _____

CONDITIONS OF APPROVAL, IF ANY: _____

REPORT OF WATER ENCOUNTERED DURING DRILLING

1. Well name and number: Utah State No. 3

API number: 43-019-31360

2. Well Location: QQ NENE Section 32 Township 16S Range 25E County Grand

3. Well operator: Lone Mountain Production Company

Address: P. O. Box 3394

Billings MT 59103-3394

Phone: (406) 245-5077

4. Drilling contractor: CAZA Drilling Inc.

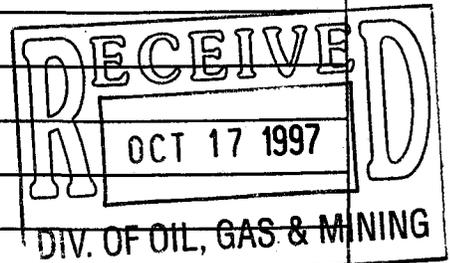
Address: P. O. Box 17805

Denver CO 80217

Phone: (970) 242-6912

5. Water encountered (attach additional pages as needed):

DEPTH		VOLUME (FLOW RATE OR HEAD)	QUALITY (FRESH OR SALTY)
FROM	TO		
1100'	?	Too small to measure	Not determined
(Well became damp while air drilling at 1100')			



6. Formation tops:	<u>Castlegate</u>	<u>1722'</u>	<u>(+5079')</u>
	<u>Mancos</u>	<u>1856'</u>	<u>(+4945')</u>
	<u>Dakota Silt</u>	<u>5224'</u>	<u>(+1577')</u>
	<u>Dakota Sand</u>	<u>5313'</u>	<u>(+1488')</u>
	<u>Morrison</u>	<u>5488'</u>	<u>(+1313')</u>
	<u>TD</u>	<u>5673'</u>	

If an analysis has been made of the water encountered, please attach a copy of the report to this form.

I hereby certify that this report is true and complete to the best of my knowledge. Date: 10/14/97

Name & Signature: James G. Routson *James G. Routson* Title: President

STATE OF UTAH
DIVISION OF OIL, GAS AND MINING

<p>SUNDRY NOTICES AND REPORTS ON WELLS (Do not use this form for proposals to drill or to deepen or plug back to a different reservoir. Use "APPLICATION FOR PERMIT—" for such proposals.)</p>		<p>3. LEASE DESIGNATION & SERIAL NO. ML-34629</p>
		<p>5. IF INDIAN ALLOTTEE OR TRIBE NAME</p>
<p>1. OIL WELL <input type="checkbox"/> GAS WELL <input checked="" type="checkbox"/> OTHER</p>	<p>7. UNIT AGREEMENT NAME</p>	
<p>2. NAME OF OPERATOR Lone Mountain Production Company</p>		<p>8. FARM OR LEASE NAME Utah State</p>
<p>3. ADDRESS OF OPERATOR P. O. Box 3394, Billings, Montana 59103</p>		<p>9. WELL NO. No. 3</p>
<p>4. LOCATION OF WELL (Report location clearly and in accordance with any State requirements. See also spaces 17 below.) At surface 1200' FNL, 600' FEL, Sec. 32, T16S, R25E At proposed prod. zone Same</p>		<p>10. FIELD AND POOL, OR WILDCAT San Arroyo</p>
		<p>11. SEC., T., R., M. OR BLK. AND SURVEY OR AREA NENE Sec. 32: T16S-R25E</p>
<p>14. API NO. 43-019-31360</p>	<p>15. ELEVATIONS (Show whether DF, RT, GR, etc.) 6788' GL, 6801' KB</p>	<p>12. COUNTY Grand</p>
		<p>13. STATE Utah</p>

16. Check Appropriate Box To Indicate Nature of Notice, Report or Other Data

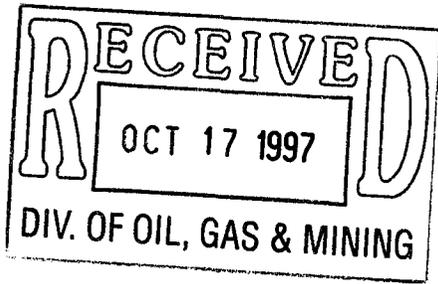
NOTICE OF INTENTION TO:		SUBSEQUENT REPORT OF:	
TEST WATER SHUT-OFF <input type="checkbox"/>	PULL OR ALTER CASING <input type="checkbox"/>	WATER SHUT-OFF <input type="checkbox"/>	REPAIRING WELL <input type="checkbox"/>
FRACTURE TREAT <input type="checkbox"/>	MULTIPLE COMPLETE <input type="checkbox"/>	FRACTURE TREATMENT <input type="checkbox"/>	ALTERING CASING <input type="checkbox"/>
SHOOT OR ACIDIZE <input type="checkbox"/>	ABANDON <input type="checkbox"/>	SHOOTING OR ACIDIZING <input type="checkbox"/>	ABANDONMENT* <input type="checkbox"/>
REPAIR WELL <input type="checkbox"/>	CHANGE PLANS <input type="checkbox"/>	(Other) _____	(Note: Report results of multiple completion on Well Completion or Recompletion Report and Log form.)
(Other) Completion <input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	DATE OF COMPLETION _____	
APPROX. DATE WORK WILL START _____			

17. DESCRIBE PROPOSED OR COMPLETED OPERATIONS (Clearly state all pertinent details, and give pertinent dates, including estimated date of starting any proposed work. If well is directionally drilled, give subsurface locations and measured and true vertical depths for all markers and zones pertinent to this work.)

* Must be accompanied by a cement verification report.

Lone Mountain Production Company intends to complete the Utah State No. 3 well as per the attached completion procedure,

We will commence operations as soon as a rig is available, probably within two to three weeks.



18. I hereby certify that the foregoing is true and correct:

SIGNED <u>James S. Rauten</u>	TITLE <u>President</u>	DATE <u>October 14, 1997</u>
<small>(This space for Federal or State office use)</small>		
APPROVED BY <u>John R. Baya</u>	TITLE <u>Associate Director</u>	DATE <u>10/17/97</u>
CONDITIONS OF APPROVAL, IF ANY:		

LONE MOUNTAIN PRODUCTION COMPANY

Utah State No. 3

NENE Sec. 32: T16S-R25E

Grand County, Utah

GL: 6788' KB: 6801'

4½" J-55 Casing @ 5718', PBSD 5673'.

Cemented with 175 sx.

COMPLETION PROCEDURE

1. Run correlation and bond logs off mast truck.
2. MIRU workover rig. Nipple up tree, BOP's, frac spool.
3. Pick up 3⁷/₈" bit, SN, 4½" csg scraper, 2³/₈" tubing. TIH to PBSD, circulate well clean. Pressure test casing and BOP's to 4000 psi. drop standing valve, pressure test tbg to 6000 psi. Swab well dry, TOH w/ tbg, bit, scraper.
4. Rig up wireline truck. Perforate Morrison 5644'-5652', 2 spf, 17 shots total. Gage gas rate. Perforate Dakota with one .36" diameter hole at each of the following depths: 5390', 5392', 5424', 5426', 5444', 5456', 6 holes total. Set production packer with knockout plug on wireline @ ± 5635'. Rig down wireline truck.
5. TIH w/ 4½" packer on 2³/₈" tubing, set @ ± 5360'. Circulate 2 sacks sand on top of production packer. Acidize Dakota perforations with 500 Gallons 7½% MSR and 18 ball sealers.
6. Run packer past perforations to knock balls off. Swab well to clean up & test. COH & lay down packer.
7. Frac Dakota with 75,000# 20-40 sand in cross linked borate base fluid. Maximum treating pressure 4000 psi. Frac @ 18 BPM
8. TIH w/ 2³/₈" tubing, 1¼" stinger on bottom. Tag sand fill. Land with tbg tail @ ± 5550'. Swab and flow back well to clean up. Run production test.
9. Reverse sand fill and ball sealers with well gas.
10. Sting into production packer and flange well up with tbg tail @ ± 5655'. RDMO service rig.

LONE MOUNTAIN PRODUCTION COMPANY

Mailing Address:
P.O. Box 3394
Billings, MT 59103-3394

(406) 245-5077
FAX 248-6321

Shipping Address:
100 North 27th Street
Suite 650
Billings, MT 59101

October 23, 1997

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

Re: Utah State No. 3
NE/NE Sec. 32-T16S-R25E
Grand County, Utah
Gathering line Sundry Notice

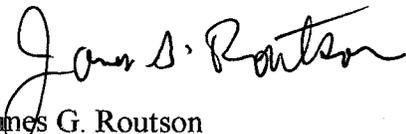
Dear John:

Enclosed in duplicate is a sundry notice to lay 1500' of gathering line for the referenced well which is being completed this week. We request expedient approval of this project so the well can be placed in production before winter weather prevents laying the line.

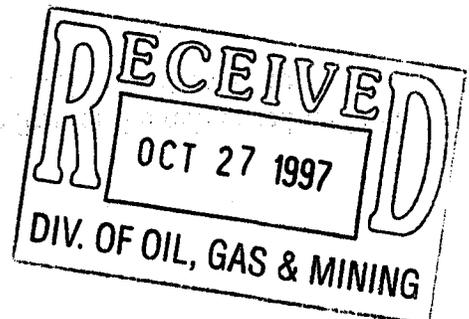
If any further information is needed please advise.

Sincerely,

Lone Mountain Production Company


James G. Routson
President

Enclosures



STATE OF UTAH
DIVISION OF OIL, GAS AND MINING

SUNDRY NOTICES AND REPORTS ON WELLS <small>(Do not use this form for proposals to drill or to deepen or plug back to a different reservoir. Use "APPLICATION FOR PERMIT—" for such proposals.)</small>		3. LEASE DESIGNATION & SERIAL NO. ML-34629
		5. IF INDIAN, ALLOTTEE OR TRIBE NAME
1. OIL WELL <input type="checkbox"/> GAS WELL <input checked="" type="checkbox"/> OTHER		7. UNIT AGREEMENT NAME
2. NAME OF OPERATOR Lone Mountain Production Company		8. FARM OR LEASE NAME Utah State
3. ADDRESS OF OPERATOR P. O. Box 3394, Billings, Montana 59103		9. WELL NO. No. 3
4. LOCATION OF WELL (Report location clearly and in accordance with any State requirements. See also space 17 below.) At surface 1200' FNL, 600' FEL, Sec. 32, T16S, R25E At proposed prod. zone Same		10. FIELD AND POOL, OR WILDCAT San Arroyo
		11. SEC., T., R., M. OR BLK. AND SURVEY OR AREA NENE Sec. 32: T16S-R25E
14. API NO. 43-019-31360	15. ELEVATIONS (Show whether DF, RT, GR, etc.) 6788' GL, 6801' KB	12. COUNTY Grand
		13. STATE Utah

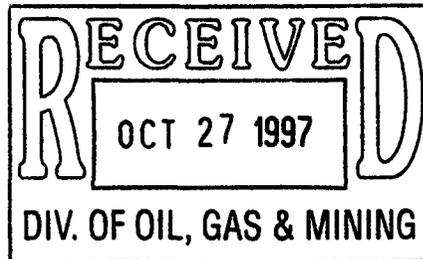
16. Check Appropriate Box To Indicate Nature of Notice, Report or Other Data

NOTICE OF INTENTION TO:	SUBSEQUENT REPORT OF:
TEST WATER SHUT-OFF <input type="checkbox"/> FRACTURE TREAT <input type="checkbox"/> SHOOT OR ACIDIZE <input type="checkbox"/> REPAIR WELL <input type="checkbox"/> (Other) Lay surface line <input checked="" type="checkbox"/>	WATER SHUT-OFF <input type="checkbox"/> FRACTURE TREATMENT <input type="checkbox"/> SHOOTING OR ACIDIZING <input type="checkbox"/> (Other) <input type="checkbox"/> (Note: Report results of multiple completion on Well Completion or Recompletion Report and Log form.)
PULL OR ALTER CASING <input type="checkbox"/> MULTIPLE COMPLETE <input type="checkbox"/> ABANDON <input type="checkbox"/> CHANGE PLANS <input type="checkbox"/>	REPAIRING WELL <input type="checkbox"/> ALTERING CASING <input type="checkbox"/> ABANDONMENT* <input type="checkbox"/>
APPROX. DATE WORK WILL START _____	DATE OF COMPLETION _____

17. DESCRIBE PROPOSED OR COMPLETED OPERATIONS (Clearly state all pertinent details, and give pertinent dates, including estimated date of starting any proposed work. If well is directionally drilled, give subsurface locations and measured and true vertical depths for all markers and zones pertinent to this work.)

* Must be accompanied by a cement verification report.

A surface gas line will be laid from the Utah State No. 3 well to an existing line on the same lease. The line will be 2 7/8", schedule 80, welded steel pipe. Some minor ROW clearing will be done. The flagged route designates the pipeline route as shown on the attached map. The approximate length is 1500'.



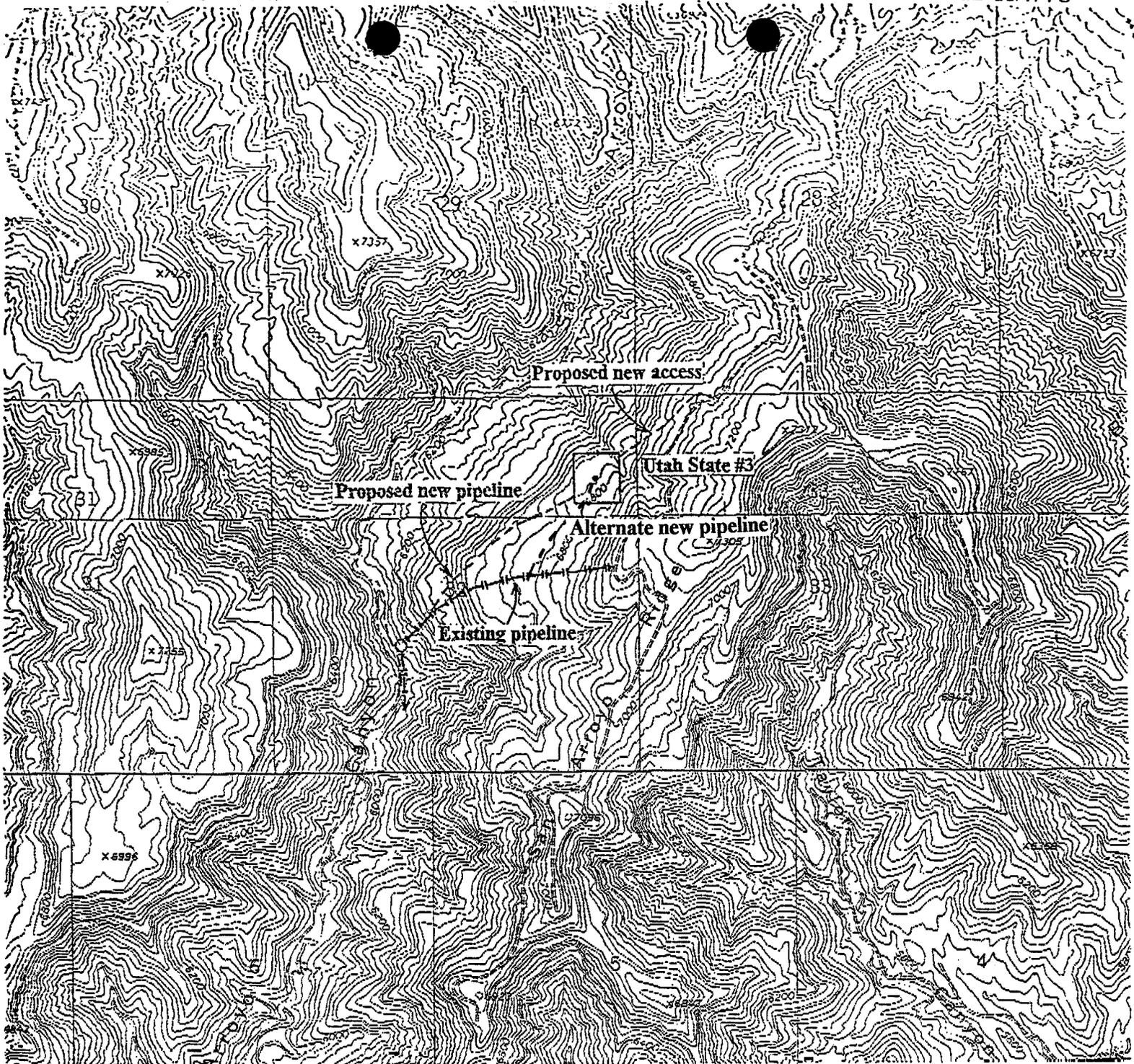
18. I hereby certify that the foregoing is true and correct:

SIGNED James R. Porter TITLE President DATE 10/23/97

(This space for Federal or State office use)

APPROVED BY John R. Baye TITLE Associate Director DATE 11/4/97

CONDITIONS OF APPROVAL, IF ANY:



Composite of San Arroyo Ridge and Bryson Canyon Quadrangles
Utah –Grand County
1987 / USGS 7.5' Series (topographic)
Scale 1:24000 / Contour interval 40 feet
T. 16S., R. 25E., Secs. 32 and 33; SLBM

Location map for the cultural resource inventory report on the proposed Utah State #3 well location, access and pipeline in Grand County, Utah, for Lone Mountain Production. Areas surveyed for cultural resource are highlighted. [GRI Project No. 9721, 6/19/97]

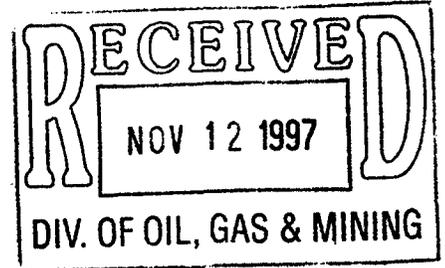


State of Utah
DEPARTMENT OF NATURAL RESOURCES
DIVISION OF OIL, GAS AND MINING

RECEIVED NOV - 7 1997

Michael O. Leavitt
Governor
Ted Stewart
Executive Director
James W. Carter
Division Director

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



November 4, 1997

Mr. James Routson
Lone Mountain Production Company
P. O. Box 3394
Billings, Montana 59103

*Also enclosed are
Utah State #3 DRL
4301931360 lbs 25832
Valentine #4 logs*

Re: Federal # 23, API No. 43-019-31347
Submittal of Electric and Radioactivity Logs

Dear Mr. Routson:

We have received the Compensated Density Compensated Neutron Gamma Ray and Dual Induction Guard Log Gamma Ray Logs for the above referenced well. However, the Well Completion Report indicates that a **CBL/GR Log** was also run. Please submit a copy of that log to our office as soon as possible.

Your help in this matter will be greatly appreciated. If you have questions regarding this request, please contact me at (801) 538-5279.

Sincerely,

Vicky Dyson
Production Group Supervisor

cc: Log File

STATE OF UTAH
DIVISION OF OIL, GAS AND MINING

<p>SUNDRY NOTICES AND REPORTS ON WELLS (Do not use this form for proposals to drill or to deepen or plug back to a different reservoir. Use "APPLICATION FOR PERMIT—" for such proposals.)</p>		<p>3. LEASE DESIGNATION & SERIAL NO. ML-34629</p>
<p>1. OIL WELL <input type="checkbox"/> GAS WELL <input checked="" type="checkbox"/> OTHER</p>		<p>5. IF INDIAN ALLOTTEE OR TRIBE NAME</p>
<p>2. NAME OF OPERATOR Lone Mountain Production Company</p>		<p>7. UNIT AGREEMENT NAME</p>
<p>3. ADDRESS OF OPERATOR P. O. Box 3394, Billings, Montana 59103</p>		<p>8. FARM OR LEASE NAME Utah State</p>
<p>4. LOCATION OF WELL (Report location clearly and in accordance with any State requirements. See also space 17 below.) At surface 1200' FNL, 600' FEL, Sec. 32, T16S, R25E At proposed prod. zone Same</p>		<p>9. WELL NO. No. 3</p>
		<p>10. FIELD AND POOL, OR WILDCAT San Arroyo</p>
		<p>11. SEC., T., R., M. OR BLK. AND SURVEY OR AREA NENE Sec. 32: T16S-R25E</p>
<p>14. API NO. 43-019-31360</p>	<p>15. ELEVATIONS (Show whether DF, RT, GR, etc.) 6788' GL, 6801' KB</p>	<p>12. COUNTY Grand</p>
		<p>13. STATE Utah</p>

16. Check Appropriate Box To Indicate Nature of Notice, Report or Other Data

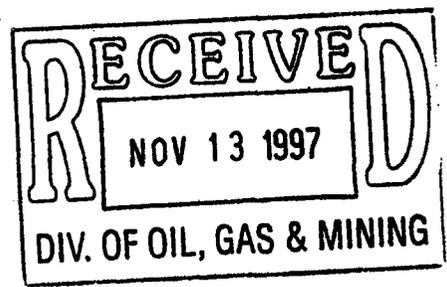
NOTICE OF INTENTION TO:	SUBSEQUENT REPORT OF:
<p>TEST WATER SHUT-OFF <input type="checkbox"/></p> <p>FRACTURE TREAT <input type="checkbox"/></p> <p>SHOOT OR ACIDIZE <input type="checkbox"/></p> <p>REPAIR WELL <input type="checkbox"/></p> <p>(Other)</p>	<p>WATER SHUT-OFF <input type="checkbox"/></p> <p>FRACTURE TREATMENT <input type="checkbox"/></p> <p>SHOOTING OR ACIDIZING <input type="checkbox"/></p> <p>(Other) <u>Report of 1st Production</u> <input checked="" type="checkbox"/></p> <p>(Note: Report results of multiple completion on Well Completion or Recompletion Report and Log form.)</p>
<p>PULL OR ALTER CASING <input type="checkbox"/></p> <p>MULTIPLE COMPLETE <input type="checkbox"/></p> <p>ABANDON <input type="checkbox"/></p> <p>CHANGE PLANS <input type="checkbox"/></p>	<p>REPAIRING WELL <input type="checkbox"/></p> <p>ALTERING CASING <input type="checkbox"/></p> <p>ABANDONMENT* <input type="checkbox"/></p>
<p>APPROX. DATE WORK WILL START _____</p>	<p>DATE OF COMPLETION _____</p>

17. DESCRIBE PROPOSED OR COMPLETED OPERATIONS (Clearly state all pertinent details, and give pertinent dates, including estimated date of starting any proposed work. If well is directionally drilled, give subsurface locations and measured and true vertical depths for all markers and zones pertinent to this work.)

* Must be accompanied by a cement verification report.

Initial production of the Utah State No. 3 well into the Wildhorse pipeline began at 1:00 p.m., 11/7/97.

SICP and SITP 1060 psi, initial rate 417 MCFD.



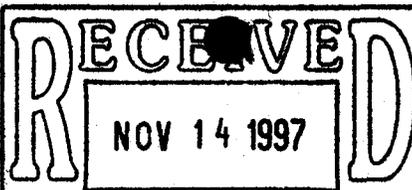
18. I hereby certify that the foregoing is true and correct.

SIGNED James R. Rosten TITLE President DATE 11/10/97

(This space for Federal or State office use)

APPROVED BY _____ TITLE _____ DATE _____

CONDITIONS OF APPROVAL, IF ANY: _____



STATE OF UTAH
DIVISION OF OIL, GAS AND MINING DIV. OF OIL, GAS & MINING

1. SIGNATURE AND SERIAL NO.
ML 34629

WELL COMPLETION OR RECOMPLETION REPORT AND LOG

2. TYPE OF WELL: OIL WELL GAS WELL DRY Other _____
 3. TYPE OF COMPLETION: NEW WELL WORK OVER DEEP-EN PLUG BACK DIFF. RESVR. Other _____

4. NAME OF OPERATOR
Lone Mountain Production Company

5. ADDRESS OF OPERATOR
P. O. Box 3394, Billings, Montana 59103

6. LOCATION OF WELL (Report location clearly and in accordance with any State requirements)
 At surface 1200' FNL, 600' FEL
 At top prod. interval reported below Same
 At total depth Same

7. IF INDIAN, ALLOTTEE OR TRIBE NAME
 8. UNIT AGREEMENT NAME
 9. FARM OR LEASE NAME
 Utah State
 10. WELL NO.
 No. 3/
 11. FIELD AND POOL, OR WILDCAT
 San Arroyo
 12. SEC., T., R., M., OR BLOCK AND SURVEY OR AREA
 Sec. 32: T16S-R25E (NE 1/4 NE 1/4)
 13. COUNTY
 Grand
 14. STATE
 Utah
 14. API NO. 43-019-31360
 DATE ISSUED 8/7/97

15. DATE SPUNDED 9/18/97
 16. DATE T.D. REACHED 10/9/97
 17. DATE COMPL. (Ready to prod.) 10/31/97 (Plug & Abd.)
 18. ELEVATIONS (DF, BER, RT, CR, ETC.) 6788' GL 6801' KB
 19. ELEV. CASINGHEAD 6790'

20. TOTAL DEPTH, MD & TVD 5773'
 21. PLUS BACK T.D., MD & TVD 5673'
 22. IF MULTIPLE COMPL., HOW MANY
 23. INTERVALS DRILLED BY
 24. PRODUCING INTERVAL(S), OF THIS COMPLETION—TOP, BOTTOM, NAME (MD AND TVD)
 Dakota 5384'-5456'
 Morrison 5644'-5654'
 25. WAS DIRECTIONAL SURVEY MADE
 No

26. TYPE ELECTRIC AND OTHER LOGS RUN
 SP-DIL, GR-FDC-CNL, GR-CBL 10-15-97
 27. WAS WELL CORED YES NO (Submit analysis)
 DRILL STEM TEST YES NO (See reverse side)

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

CASING SIZE	WEIGHT, LB./FT.	DEPTH SET (MD)	HOLE SIZE	CEMENTING RECORD	AMOUNT PULLED
9-5/8"	36# J-55	159'	12-1/4"	190 sx. Class "G"	(none)
7"	20# K-55	2030'	8-3/4"	100 sx. Class "G"	(none)
4-1/2"	10.5# J-55	5718'	6-1/4"	175 sx. Thixotropic (top @ 3560')	(none)

29. LINER RECORD

SIZE	TOP (MD)	BOTTOM (MD)	SACKS CEMENT	SCREEN (MD)	SIZE	DEPTH SET (MD)	PACER SET (MD)
None					2-3/8"	5397'	None

30. TUBING RECORD

31. PERFORATION RECORD (Interval, size and number)
 Dakota: 5390', 5392', 5424', 5426', 5444', 5456', 6 holes, .49" EHD
 Morrison: 5644'-5652', 2 SPF, 17 holes, .36" EHD

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

DEPTH INTERVAL (MD)	AMOUNT AND KIND OF MATERIAL USED
5390'-5456'	500 gallons 15% HCl Fract with 2000# 100 mesh sand 75,000# 20-40 sand 904 bbls. X-linked Borate Fluid

33. PRODUCTION
 DATE FIRST PRODUCTION 10/31/97
 PRODUCTION METHOD (Flowing, gas lift, pumping—size and type of pump) Flowing
 WELL STATUS (Producing or Shut-in) Producing

DATE OF TEST	HOURS TESTED	CHOKER SIZE	PROD'N. FOR TEST PERIOD	OIL—BSL.	GAS—MCF.	WATER—BSL.	GAS-OIL RATIO
11/6/97	4	3/4"			172		

FLOW. TUBING PRESS.	CASING PRESSURE	CALCULATED 24-HOUR RATE	OIL—BSL.	GAS—MCF.	WATER—BSL.	OIL GRAVITY-API (CORR.)
72 psig	420 psig			1036		

34. DISPOSITION OF GAS (Sold, used for fuel, vented, etc.)
 Vented
 TEST WITNESSED BY
 Joe Dyk

35. LIST OF ATTACHMENTS
 None

36. I hereby certify that the foregoing and attached information is complete and correct as determined from all available records
 SIGNED James D. Rother TITLE President DATE 11/12/97

See Spaces for Additional Data on Reverse Side

INSTRUCTIONS

This form should be completed in compliance with the Utah Oil and Gas Conservation General Rules. If not filed prior to this time, all logs, tests, and directional surveys as required by Utah Rules should be attached and submitted with this report.

ITEM 18: Indicate which elevation is used as reference for depth measurements given in other spaces on this form and on any attachments.
 ITEMS 22 and 24: If this well is completed for separate production from more than one interval zone (multiple completion), so state in item 22, and in item 24 show the producing interval, or intervals, top(s), bottom(s) and name(s) for only the interval reported in item 33. Submit a separate report (page) on this form, adequately identified, for each additional interval to be separately produced, showing the additional data pertinent to such interval.

ITEM 29: "Sacks Cement": Attached supplemental records for this well should show the details of any multiple stage cementing and the cementing tool.

ITEM 33: Submit a separate completion report on this form for each interval to be separately produced (see instruction for items 22 and 24 above).

37. SUMMARY OF POROUS ZONES:

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

Formation	Top	Bottom	Description, contents, etc.
Dakota Sand Morrison	5384' 5644'	5456' 5654'	Tight gas Gas

38.

GEOLOGIC MARKERS

Name	Top	
	Meas. Depth	True Vert. Depth
Castlegate	1722'	(+5079')
Mancos	1856'	(+4945')
Dakota Silt	5224'	(+1577')
Dakota Sand	5313'	(+1488')
Morrison	5488'	(+1313')