

98-92

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

APPLICATION FOR PERMIT TO DRILL OR DEEPEN

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

b. TYPE OF WELL
 OIL WELL GAS WELL OTHER BIOMIN MULTIPLE

2. NAME OF OPERATOR
LONE MOUNTAIN PRODUCTION COMPANY

3. ADDRESS AND TELEPHONE NO.
P. O. BOX 3394 BILLINGS, MT 59103

4. LOCATION OF WELL (Report location clearly and in accordance with any State requirements.)
 At surface: **1900' FWL & 300' FNL**
 At proposed prod. zone: **SAME** *679 & 91*

14. DISTANCE IN MILES AND DIRECTION FROM NEAREST TOWN OR POST OFFICE
FROM MACK, COLORADO - 19.5 MILES NORTHWEST

15. DISTANCE FROM PROPOSED LOCATION TO NEAREST PROPERTY OR LEASE LINE, FT. (Also to nearest drilg. unit line, if any)
740' (LSE)

16. DISTANCE FROM PROPOSED LOCATION TO NEAREST WELL, DRILLING COMPLETED, OR APPLYING FOR, ON THIS LEASE, FT.
2281'

17. NO. OF ACRES IN LEASE
1280

18. NO. OF ACRES ASSIGNED TO THIS WELL
NA

19. IMPROVED DEPTH
ROTARY

20. ROTARY OR CABLE TOOLS
ROTARY

21. ELEVATIONS (Show whether DP, RT, GE, etc.)

22. APPROX. DATE WORK WILL START
8/1/98

5. LEASE DESIGNATION AND SERIAL NO.
SL-064806

6. IF INDIAN, ALLOTTEE OR TRIBE NAME
NA

7. UNIT AGREEMENT NAME
BAR-X

8. FARMER (LEASE NAME WELL NO.)
FEDERAL

9. APWELL NO.
NO. 22

10. FIELD AND POOL, OR WILDCAT
BAR-X

11. SEC., T., E., M., OR BLM. AND SURVEY OR AREA
SEC 13; T17S-R25E

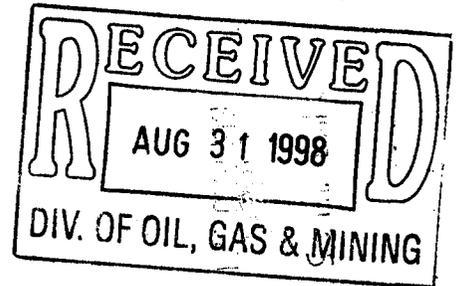
12. COUNTY OR PARISH 13. STATE
GRAND UT

BING AND CEMENTING PROGRAM

SIZE OF HOLE	CRASH, SIZE OF CASING	WEIGHT PER FOOT	SETTING DEPTH	QUANTITY OF CEMENT
8 3/4"	7"	20#	300'	90 sx 'G' +3% CaCl
6 1/4"	4 1/2"	10.5	3320'	175 sx 10-0 THIXOTROPIC

SEE ATTACHMENTS

*663714.43
4355441.0*



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

SIGNED: *[Signature]* TITLE: PETROLEUM ENGINEER DATE: 8/23/98

(This space for Federal or State office use)

PERMIT NO. _____ APPROVAL DATE _____

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

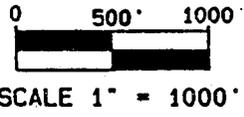
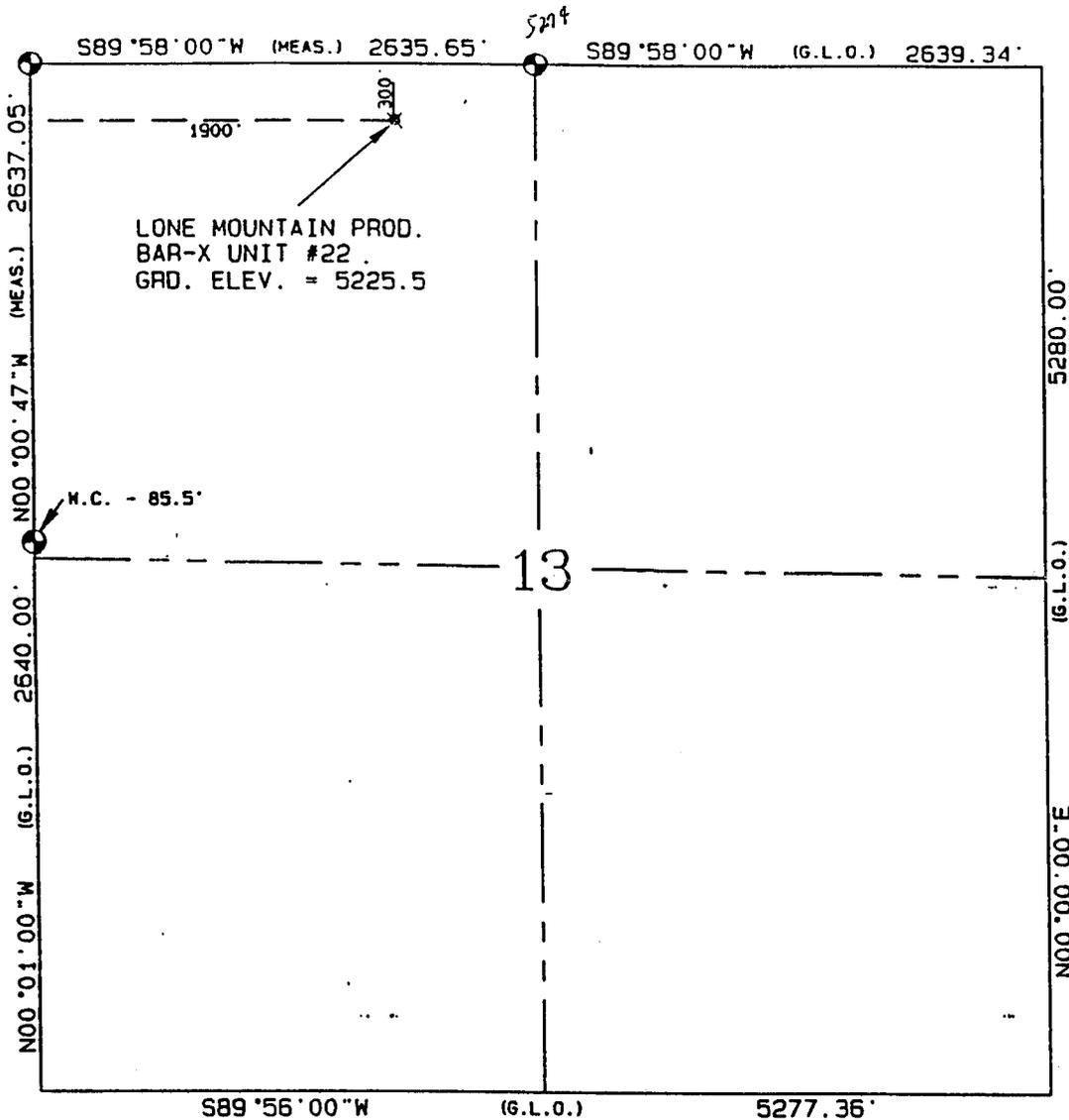
APPROVED BY: William C. Stringer TITLE: Assistant Field Manager, Resource Management DATE: AUG 26 1998

*See Instructions On Reverse Side

Title 18 U.S.C. Section 1001, makes it a crime for any person knowingly and willfully to make to any department or agency of the United States any false, fictitious or fraudulent statement.

CC: 117062

PLAT #4
BAR-X 22



LEGEND

- ⊙ G.L.O. BRASS CAP
- ⊗ SET #5 REBAR

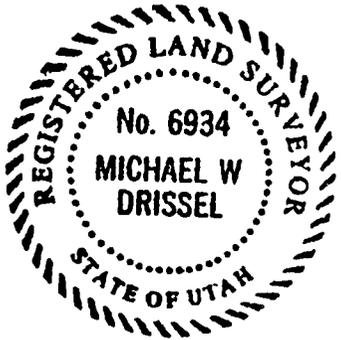
WELL LOCATION

300 FT. FNL - 1900 FT. FWL
SECTION 13, T17S, 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 belief.

Michael W. Drissel 9-12-94



D H SURVEYS INC.

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

JOB NO. 244-94-0

LONE MOUNTAIN PRODUCTION COMPANY
Federal No. 22
Lease SL-064806
NENW Section 13, T. 17 S., R. 25 E.
Grand County, Utah

CONDITIONS OF APPROVAL

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

Be advised that Lone Mountain Production Company is considered to be the operator of the above well and is responsible under the terms and conditions of the lease for the operations conducted on the leased lands.

Bond coverage for this well is provided by UT-0719 (Principal - Lone Mountain Production Company) via surety consent as provided for in 43 CFR § 3104.2.

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

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

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

A. DRILLING PROGRAM

1. The BOP system shall be rated to 2M as proposed. Installation, testing and operation of the system shall be in conformance with Onshore Oil and Gas Order No. 2.
2. Air drilling must be done in accordance with Onshore Oil and Gas Order No. 2, III.E. As a minimum use of a rotating head, spark arresters, blooie line, float valve, and automatic igniter is required.
3. In accordance with the proposal, cement for the 7" casing shall be circulated to surface. If the cement does not circulate, a CBL or other appropriate tool must be run to determine the top-of-cement.
4. Any fluid bearing zones or lost circulation zones encountered while drilling will be isolated behind casing and cement.
5. The surface location of this well does not fall within a "spacing window as specified by the State of Utah. Concurrent approval from the State of Utah, Division of Oil, Gas and Mining (DOGM) is required prior to conducting surface disturbing activities.

B. SURFACE USE PLAN

1. In order to protect deer winter range, no drilling will be allowed from December 1 through April 15. The limitation does not apply to maintenance and operation of producing wells. Exceptions to this limitation may be specified in writing by the authorized officer.
2. No construction or drilling operations will be authorized between February 1 and July 15, unless additional raptor surveys are completed prior to conducting operations to identify and avoid raptor nesting sites within 1/2 mile of the proposed action. Any peregrine falcon nesting areas identified within the project area will be avoided by 1 mile. These limitations do not apply to maintenance and operation of existing wells.
3. Surface disturbance and vehicular travel will be limited to the approved location and access route. Any additional area needed will be approved in advance.
4. The access road will be rehabilitated or brought to Resource (Class III) Road Standards within sixty (60) days of dismantling the drilling rig. If upgraded, the road must be maintained at these standards until the well is properly abandoned. If this time frame cannot be met, the Area Manager will be notified so that temporary drainage control can be installed along the access road.
5. The reserve pit will be located in cut material, with at least 50% of the pit volume below original ground level.
6. To minimize the amount of fugitive dust and spray escaping from the blooie pit, the blooie line will be directed into a sloped bank of soil material.
7. All wells, whether drilling, producing, suspended, or abandoned, will be identified in accordance with 43 CFR 3162.6. When the well is abandoned, the abandonment marker must be at least four feet above restored ground level and must be inscribed with the following: operator name, lease number, well name and surveyed description (township, range, section and either quarter-quarter or footages).
8. At the end of drilling operations and prior to reclamation of the reserve pit, the fourth side of the pit will be fenced and the top of the pit will be covered with netting of one inch or less to prevent access by birds.
9. The reserve pit and blooie pit will be dry prior to being covered and recontoured.
10. Pipeline installation involving cross-country traffic will be suspended during periods of wet weather to reduce soil rutting and soil compaction.
11. In the event the well pad or road is graveled or surfaced, the material will be removed prior to recontouring the surface for rehabilitation.

C. REQUIRED APPROVALS, REPORTS AND NOTIFICATIONS

Required verbal notifications are summarized in Table 1, attached.

Building Location- Contact the Moab BLM Office at least 48 hours prior to commencing construction of location.

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

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

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

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

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

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

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

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

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

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

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

Produced Water- Produced waste water may be confined to an unlined pit for a period not to exceed 90 days after initial production. During the 90 day period, an application for approval of a permanent disposal method and location, along with the required water analysis, will be submitted to the Moab BLM Office for approval pursuant to Onshore Oil and Gas Order No. 7.

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

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

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

TABLE 1 NOTIFICATIONS

Notify Jack Johnson at the Moab BLM Office 435-259-2129, or at home 435-259-4800 for the following:

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

1 day prior to spudding;

50 feet prior to the surface casing setting depth;

3 hours prior to testing BOPE

If the person at the above number cannot be reached, notify the Moab BLM Office at (435) 259-2100. If unsuccessful, contact one of the people listed below.

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

Eric Jones, Petroleum Engineer	Office: (435) 259-2117
	Home: (435) 259-2214
Gary Torres, Petroleum Engineer	Office: (435) 587-1524
	Home: (435) 587-2705

WORKSHEET
APPLICATION FOR PERMIT TO DRILL

APD RECEIVED: 08/31/98

API NO. ASSIGNED: 43-019-31369

WELL NAME: BAR-X UNIT 22
 OPERATOR: LONE MOUNTAIN PROD. CO. (N7210)
 CONTACT: Joel Dyk (970) 858-7546

PROPOSED LOCATION:
 NENW 13 - T17S - R25E
 SURFACE: 0300-FNL-1900-FWL
 BOTTOM: 0300-FNL-1900-FWL
 GRAND COUNTY
 BAR-X FIELD (160)

INSPECT LOCATION BY: / /		
TECH REVIEW	Initials	Date
Engineering		
Geology		
Surface		

LEASE TYPE: FED
 LEASE NUMBER: SL-064806
 SURFACE OWNER: Federal

PROPOSED FORMATION: MRSN

RECEIVED AND/OR REVIEWED:

Plat

Bond: Federal State Fee
 (No. UT-0719)

Potash (Y/N)

Oil Shale (Y/N) *190-5(B)

Water Permit
 (No. Wt Water Tap - Mack, CO)

RDCC Review (Y/N)
 (Date: _____)

St/Fee Surf Agreement (Y/N)

LOCATION AND SITING:

R649-2-3. Unit Bar X

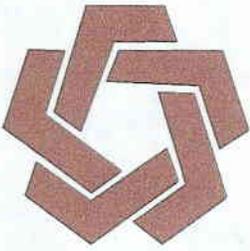
R649-3-2. General

R649-3-3. Exception

Drilling Unit
 Board Cause No: _____
 Date: _____

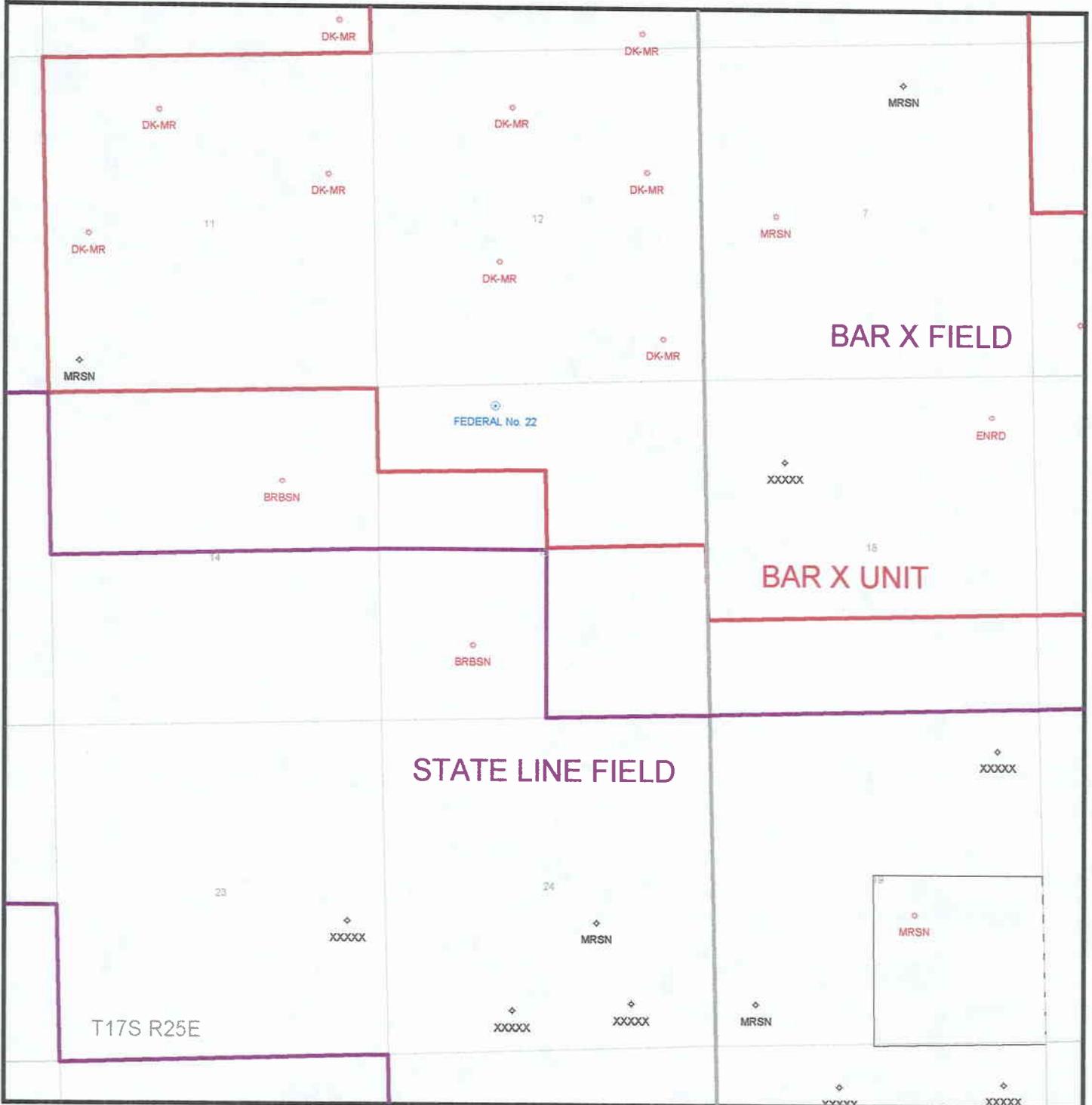
COMMENTS: * BLM Aprv. 8-26-98.

STIPULATIONS: ① FEDERAL APPROVAL



DIVISION OF OIL, GAS & MINING

OPERATOR: LONE MOUNTAIN (N7210)
FIELD: BAR-X FIELD (160)
SEC. 13, TWP 17S, RNG 25E
COUNTY: GRAND UNIT: BAR-X UNIT



DATE PREPARED:
-14SEP-1998

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

SUBMIT IN TRIPLICATE*
(Other instructions
reverse side)

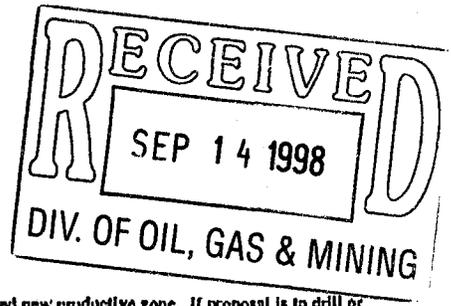
FORM APPROVED
OMB NO. 1004-0136
Expires: February 28, 1995

APPLICATION FOR PERMIT TO DRILL OR DEEPEN		5. LEASE DESIGNATION AND SERIAL NO. SL-064806
1a. TYPE OF WORK DRILL <input checked="" type="checkbox"/> DEEPEN <input type="checkbox"/>		6. IF INDIAN, ALLOTTEE OR TRIBE NAME NA
b. TYPE OF WELL OIL WELL <input type="checkbox"/> GAS WELL <input checked="" type="checkbox"/> OTHER <input type="checkbox"/> SINGLE ZONE <input type="checkbox"/> MULTIPLE ZONE <input type="checkbox"/>		7. UNIT AGREEMENT NAME BAR-X
2. NAME OF OPERATOR LONE MOUNTAIN PRODUCTION COMPANY		8. FARMER LEASE NAME WELL NO. FEDERAL
3. ADDRESS AND TELEPHONING P. O. BOX 3394 BILLINGS, MT 59103		9. APWELL NO. NO. 22
4. LOCATION OF WELL (Report location clearly and in accordance with any State requirements.) At surface 1900' FWL & 300' FNL At proposed prod. zone SAME		10. FIELD AND POOL, OR WILDCAT BAR-X
13. DISTANCE IN MILES AND DIRECTION FROM NEAREST TOWN OR POST OFFICE* FROM MACK, COLORADO - 19.5 MILES NORTHWEST		11. SEC., T., R., W., OR BLE. AND SUBVY OR AREA SEC 13; T17S-R25E
16. DISTANCE FROM PROPOSED LOCATION TO NEAREST PROPERTY OR LEASE LINE, FT. (Also to nearest drig. unit lpt. if any) 740' (LSE)	18. NO. OF ACRES IN LEASE 1280	17. NO. OF ACRES ASSIGNED TO THIS WELL NA
18. DISTANCE FROM PROPOSED LOCATION TO NEAREST WELL, DRILLING, COMPLETED, OR APPLIED FOR, ON THIS LEASE, FT. 2281'	19. PROPOSED DEPTH 3320' MORRISON	20. ROTARY OR CABLE TOOL ROTARY
21. ELEVATIONS (Show whether DF, RT, GE, etc.) 5225.5' GR, 5236' KB (EST.)		22. APPROX. DATE WORK WILL START* 8/1/98

PROPOSED CASING AND CEMENTING PROGRAM

SIZE OF HOLE	DRAIN SIZE OF CASING	WEIGHT PER FOOT	SETTING DEPTH	QUANTITY OF CEMENT
8 3/4"	7"	20#	300'	90 sx 'G' +3% CaCl
6 1/4"	4 1/2"	10.5	3320'	175 sx 10-0 THIXOTROPIC

SEE ATTACHMENTS



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

34. SIGNED: [Signature] TITLE PETROLEUM ENGINEER DATE 6/23/98

(This space for Federal or State office use)
PERMIT NO. 43-019-31369 APPROVAL DATE _____

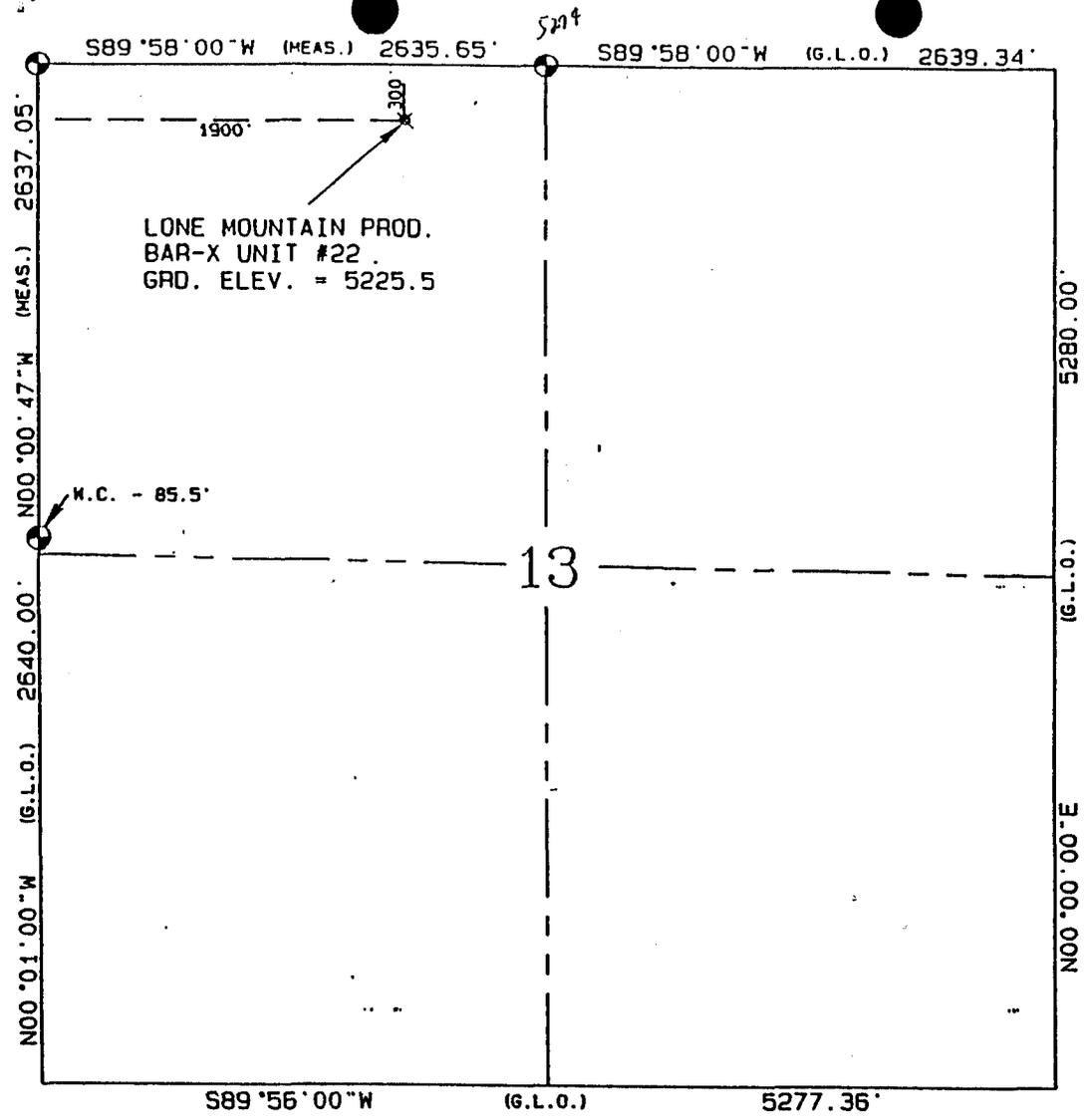
Application approval does not warrant or certify that the applicant holds legal or equitable title to those rights in the subject lease which would entitle the applicant to conduct operations thereon.
CONDITIONS OF APPROVAL, IF ANY:
APPROVED BY: [Signature] TITLE BRADLEY G. HILL RECLAMATION SPECIALIST III DATE 9/15/98

*See Instructions On Reverse Side

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

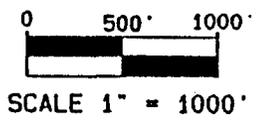
**Federal Approval of this
Action is Necessary**

PLAT #4
BAR-X 22



LONE MOUNTAIN PROD.
BAR-X UNIT #22
GRD. ELEV. = 5225.5

M.C. - 85.5'



LEGEND

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

WELL LOCATION

300 FT. FNL - 1900 FT. FWL
SECTION 13, T17S, 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 belief.

Michael W. Drissel 9-12-94



D H SURVEYS INC.

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

Application for Permit to Drill
Bar-X Federal No. 22
NENW Section 13, T17S-R25E
Grand County, Utah

1. Surface formation is the Mancos shale.
2. Anticipated Geologic Markers: Mancos at surface, Dakota silt at 2816', Dakota sand at 2900', Morrison at 3048'.
3. Gas is anticipated in the Dakota and Morrison. No oil or other minerals are anticipated. No water sands are expected.
4. Proposed casing program: See item #23 of form 3160-3.
5. Pressure Control equipment: See attached Well Control Plan and schematic of contractor's BOP stack. BOP's will be tested prior to drilling out from surface casing and checked daily:
6. Air or mist drilling will be used to drill the surface hole and casing will be set and cemented with a rathole rig. Then the drilling rig will be moved in to air drill out under the surface casing.
7. Auxiliary Equipment: See Well Control Plan.
8. The electric logging program will consist of a DIL log from TD to the base of the surface casing and GR-CNL-FDC log on the bottom 1000 feet of the well. No cores or drill stem tests are planned.
9. No abnormal pressures or temperatures are anticipated. No poisonous gas is anticipated.
10. Anticipated spud date is September 1, 1998. Completion operations should commence within 30 days of drilling rig release.
11. Survey plats are attached.
12. The gas is not dedicated at this time.
13. Lone Mountain Production Company's Statewide Bond is UT0719.
14. The completion program will be designed after the logs have been evaluated.

WELL CONTROL PLAN

1. Surface casing: 7", 23#/ft, STC, K55 set at 300 feet and cemented back to surface with 90 sacks Class G + 3% CaCl₂ + ¼ #/sk celloflake. (Yield is 1.18 cu ft/sk)
2. Casing head Flange: 7" by 4-1/2" 600 series casing head with two 2" 2000 psi outlets.
3. Blow out preventer: The drilling rig is equipped with a 10", 3000 psi double gate hydraulic Shaffer BOP (or equivalent) with drill pipe rams and blind rams to meet requirements for a 2000 psi stack as indicated in On Shore Order No. 2. All fill, kill, and choke lines will be a minimum of 2", 2000 psi WP. A rotating head will be used while air or mist drilling. A new rubber will be installed before drilling through the Dakota. Pipe rams and Hydril will be function tested daily and blind rams on each trip when out of the hole with drill string. BOP's will be tested to 2000 psi but not more than 70% of the casing burst pressure prior to drilling the surface casing shoe joint.
5. Anticipated bottom hole pressure gradient is less than 0.23 psi/ft. No abnormal temperatures or hydrogen sulfide gas are anticipated.

LONE MOUNTAIN PRODUCTION COMPANY

By: _____


Joe Dyk, Petroleum Engineer

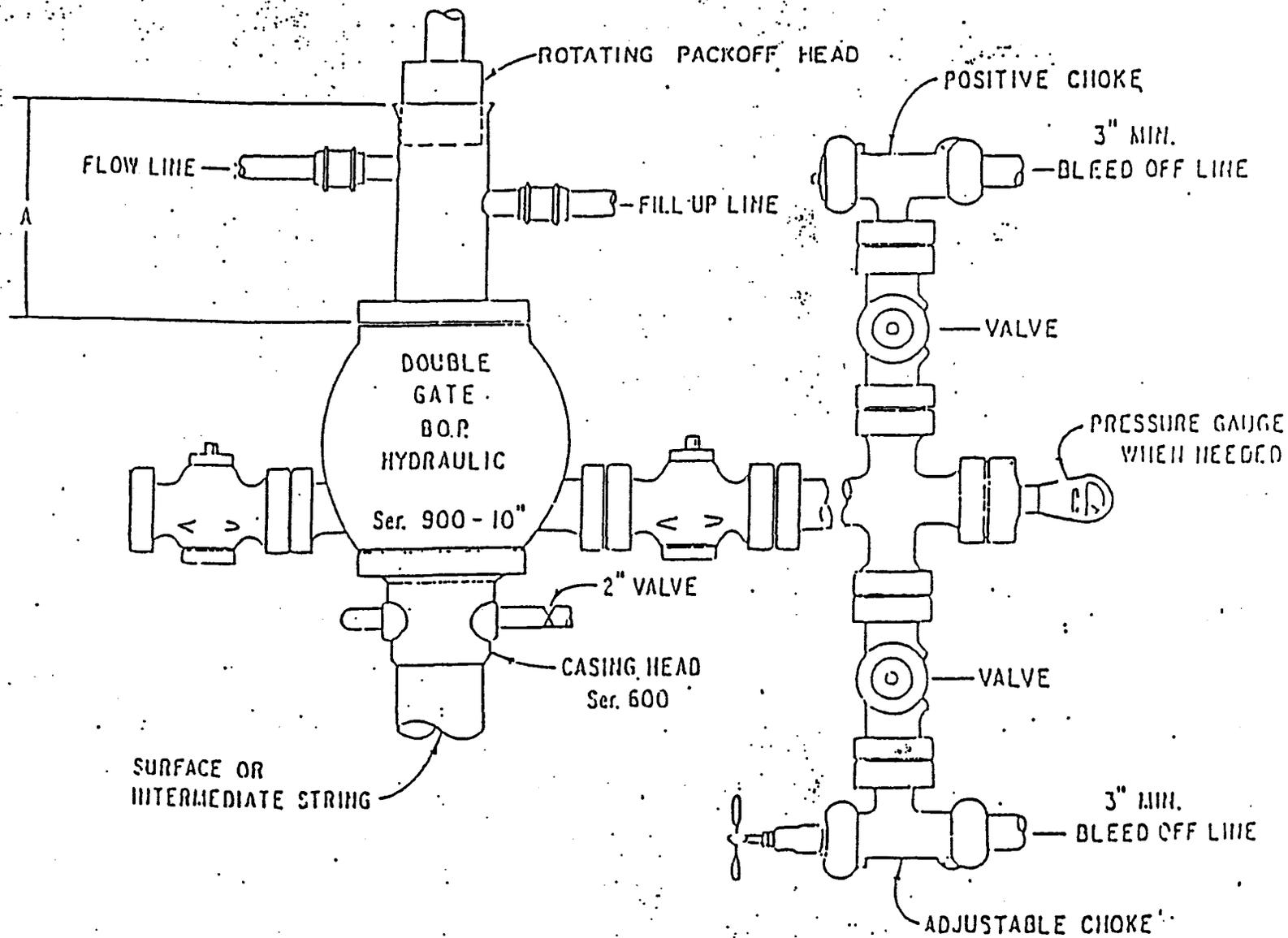


EXHIBIT I
 BLOWOUT PREVENTER DIAGRAM

SURFACE USE PLAN

Lone Mountain Production Company
Bar-X Federal No. 22
NENW Sec. 13, T17S-R25E
Grand County, Utah

1. EXISTING ROADS

See maps #1 and #2 and plat #4. This proposed well is located 19.5 miles from Mack, Colorado. Proceed 9.1 miles west of Mack on Highway 6 & 50. Turn right on 2 Road and go 4.2 mile to the State line. Turn right on the State line fence road and go 3.3 miles north. Turn left and go 2.9 miles west to the new road access to the well. Turn left and go 0.1 mile to the well.

2. NEW ROADS

The proposed 0.15 miles of new road will be constructed with an 18 foot travel width. Total disturbance width will be 30 feet. All of the proposed access road is within the Bar-X unit boundary. A cultural survey has been performed on the new road and location area. The topsoil will be wind rowed on the north side of the road.

3. LOCATION OF EXISTING ROADS

6 producing wells and 2 dry holes are located within a one mile radius. See map #3.

4. LOCATION OF PRODUCTION FACILITIES

Upon completion of the well as a producing gas well, sufficient facilities to handle gas production will be installed. This includes a heated separator, a meter run and an evaporation pit constructed with an 8' dia. Culvert buried 8' in the ground. A submittal in accordance with Onshore Order #7 will be completed at that time. All facilities will be painted Pinyon Green to blend in with the natural surroundings.

5. LOCATION AND TYPE OF WATER SUPPLY

Water will be pulled from the Ute water tap at Mack, Colorado.

6. SOURCE OF CONSTRUCTION MATERIALS

No construction materials will be used other than native materials. Soils from cuts will be used as fills. Only upon completion will outside material be brought in if deemed necessary for production operations.

7. METHODS FOR HANDLING WASTE MATERIALS

Cuttings will be buried in the reserve pit at cleanup. Garbage and other waste material will be contained in a trash cage which will be dumped at an approved sanitary land fill. Human waste will be contained in chemically treated porta-potties.

Drilling fluids will be contained in the reserve pit and left to dry out before reclamation of the pit. Flow back from completion operations will also be contained in the reserve pit. Oil will not be put in the reserve pit.

If the well is productive, produced water will be disposed of on site for 30 days or 90 days with the permission of the State Petroleum Engineer. After that time, application will be made for the approval of a permanent disposal method in compliance with the rules and regulations of the State of Utah and Onshore Order No. 7.

8. ANCILLARY FACILITIES

A 2-7/8" welded steel surface pipeline will be lain across to the Crittenden No. 1 well approximately 2400 feet northeast of the Bar-X No. 22. Construction will commence upon approval of the Sundry notice for this line.

9. WELLSITE LAYOUT

See plat #2 - Pit and pad layout

See plat #3 - Cross sections of pit and pad

This location will be constructed large enough to accommodate the drilling rig and associated equipment with allowance made for future completion and production equipment. In addition to the location indicated on the attached plat, it is proposed to remove existing grass and vegetation 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.

Top soil will be stripped to a depth of 4" and stockpiled on the north edge of the location. No top soil stripping will be done when soils are saturated to a depth of 3" or frozen below the stripping depth.

The reserve pit will be fenced on three sides prior to drilling activity and closed off on the fourth side after drilling is finished. 52" by 16' livestock panels will be used to fence the pit.

All construction activities will be confined to the minimum area necessary. The exterior boundaries of the construction area will clearly marked prior to any surface disturbing activities or vegetation removal.

All brush will be cleared prior to removing any soil and stockpiled on the northeast and southwest edges of the location and will be kept separate from the topsoil stockpiles. The brush will be used for mulch after the disturbed area has been reseeded.

10. PLANS FOR RECLAMATION OF THE SURFACE

A biodegradable mulch may be required if soil erosion or vegetation establishment is determined to be a problem by the authorized officer on the access or location reclamation.

All disturbed areas will be seeded with the approved seed mixture. Seed tags will be submitted to the area manager within 30 days of seeding.

Seed bed will be prepared by contour cultivating 4 - 6" deep and drilling seed ½ to 1" deep following the contour. In areas that cannot be drilled, seed will be broadcast at 1.5 times the application rate and then dragged for cover.

Seeding will be completed after September 15, 1998 and prior to October 31, 1998, if feasible, but no later than the fall of 1999.

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. Areas unnecessary to production operations will be reshaped, cultivated on the contour, and seeded with the approved seed mixture with a drill ½ to 1" deep. Areas where seed cannot be drilled will be broadcast seeded at 1.5 times the approved application rate and dragged for seed cover. The top soil will be saved for use during 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 the case of seeding failures. All permanent facilities will be painted Pinyon green to blend with the natural environment.

If the well is abandoned/dryhole:

Lone Mountain will restore the access road and location to blend with the natural topography. During reclamation of the site, fill material will be pushed into cuts and up over the back slope. No depressions will be left that could trap water or form ponds. Top soil will be distributed evenly over the location and seeding according to the approved 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 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 federal lands.

12. NOTIFICATIONS

Lone Mountain will contact the Grand Resource Area Manager 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 a 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 recovery and/or salvage operations.

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

13. LESSEE'S OR OPERATOR'S REPRESENTATIVES AND CERTIFICATION

Joel V. Dyk
Lone Mountain Production Company
1360 Highway 6 & 50
Loma, Colorado 81524
Office Phone: (970) 858-7546
Home Phone: (970) 858-0536
Cell Phone: (970) 250-9770

Jim Routson
Lone Mountain Production Company
P. O. Box 3394
Billings, Montana 59103
Office Phone: (406) 245-5077
Home Phone: (406) 656-4325

I hereby certify that I, or persons under my direct supervision, have inspected the proposed drillsite and access route; that I am familiar with the conditions that currently exist; that the statements made in this plan are, to the best of my knowledge, true and correct; and that the work associated with operations proposed herein will be performed

by Lone Mountain Production Company and its contractors and subcontractors in conformity with this plan and the terms and conditions under which it is approved.

6/23/98
Date

Joel W. Dyk
Joel W. Dyk, Petroleum Engineer

MAP
BAR-X-12

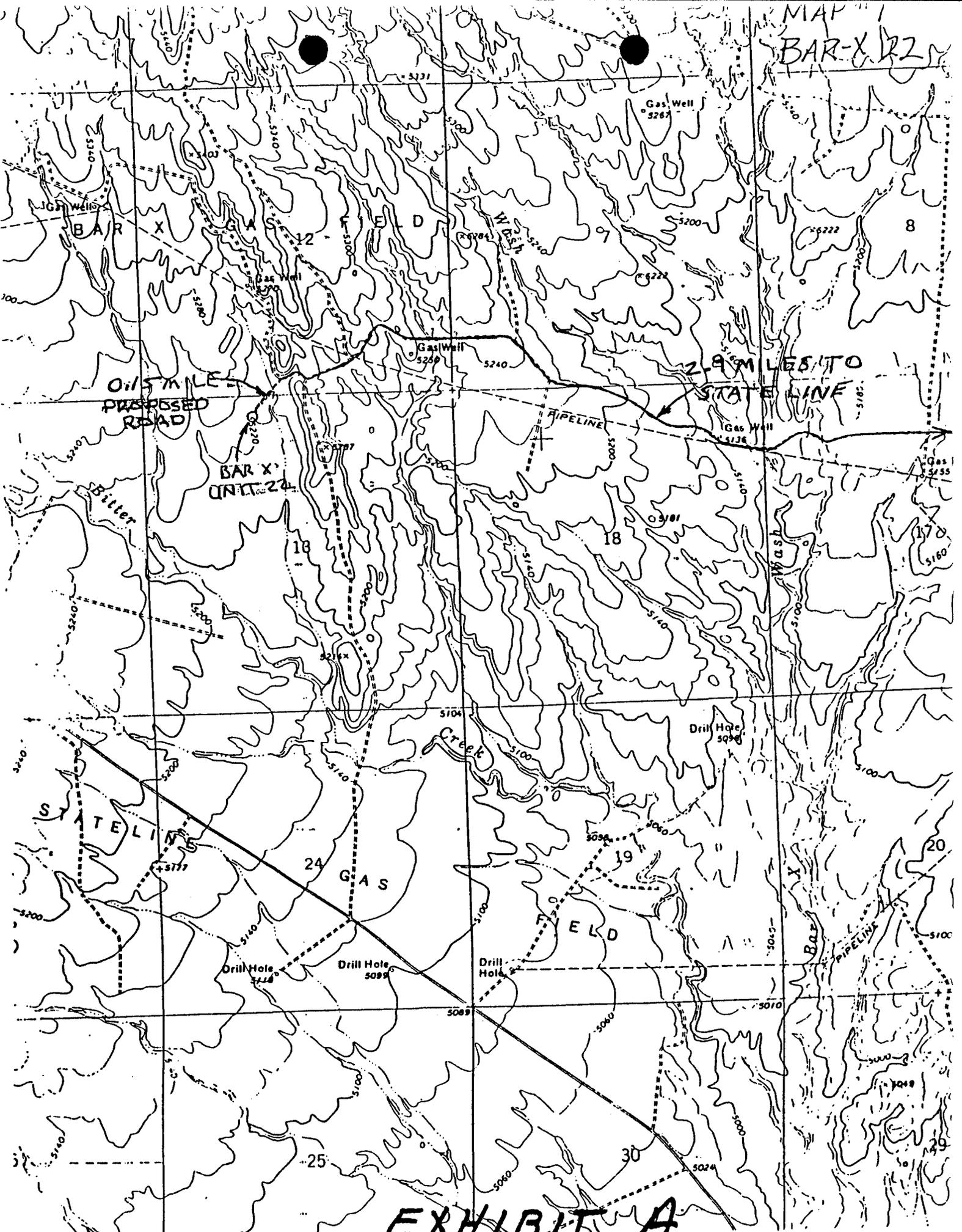


EXHIBIT A

MAP #2
BAR 22

COLORADO

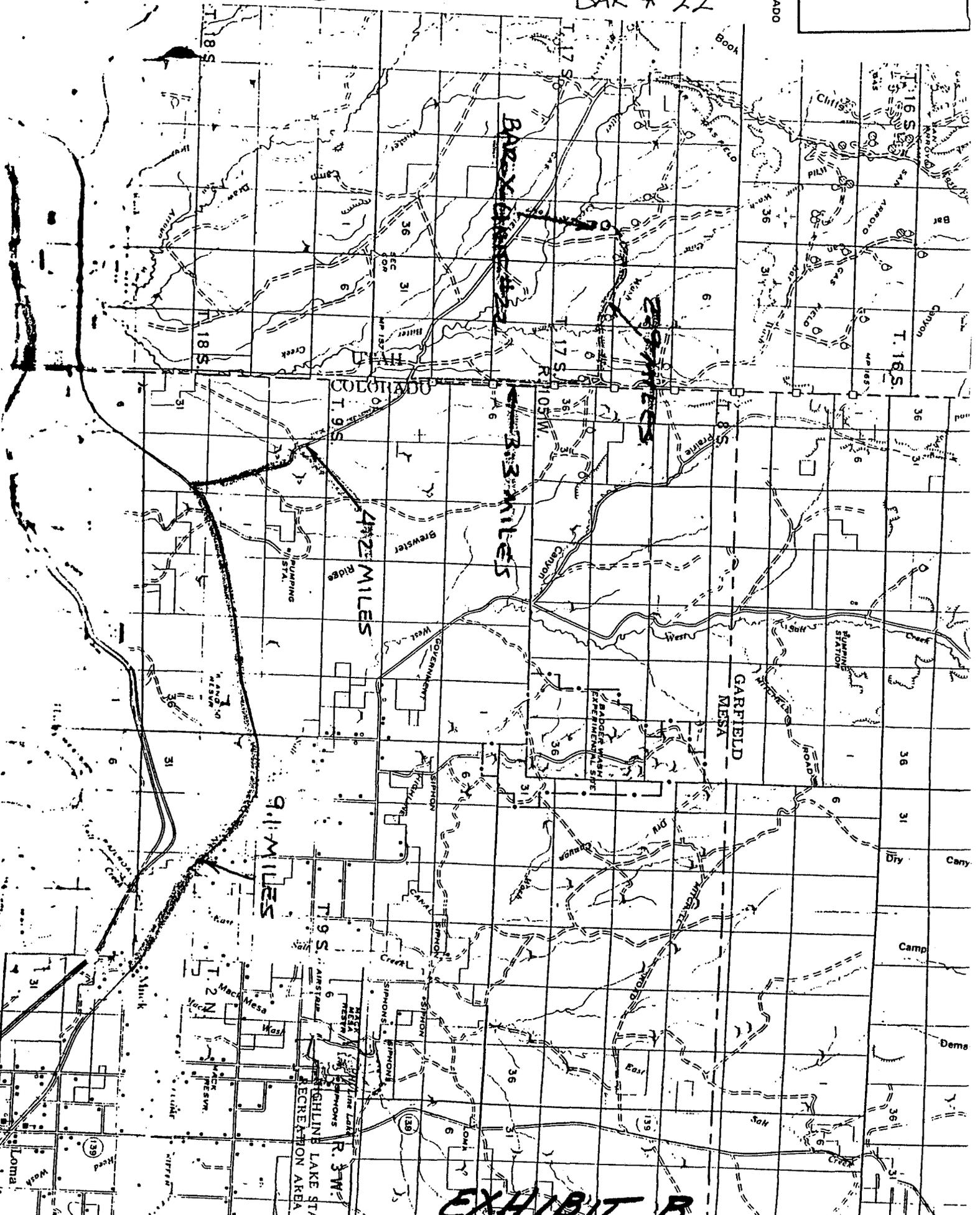
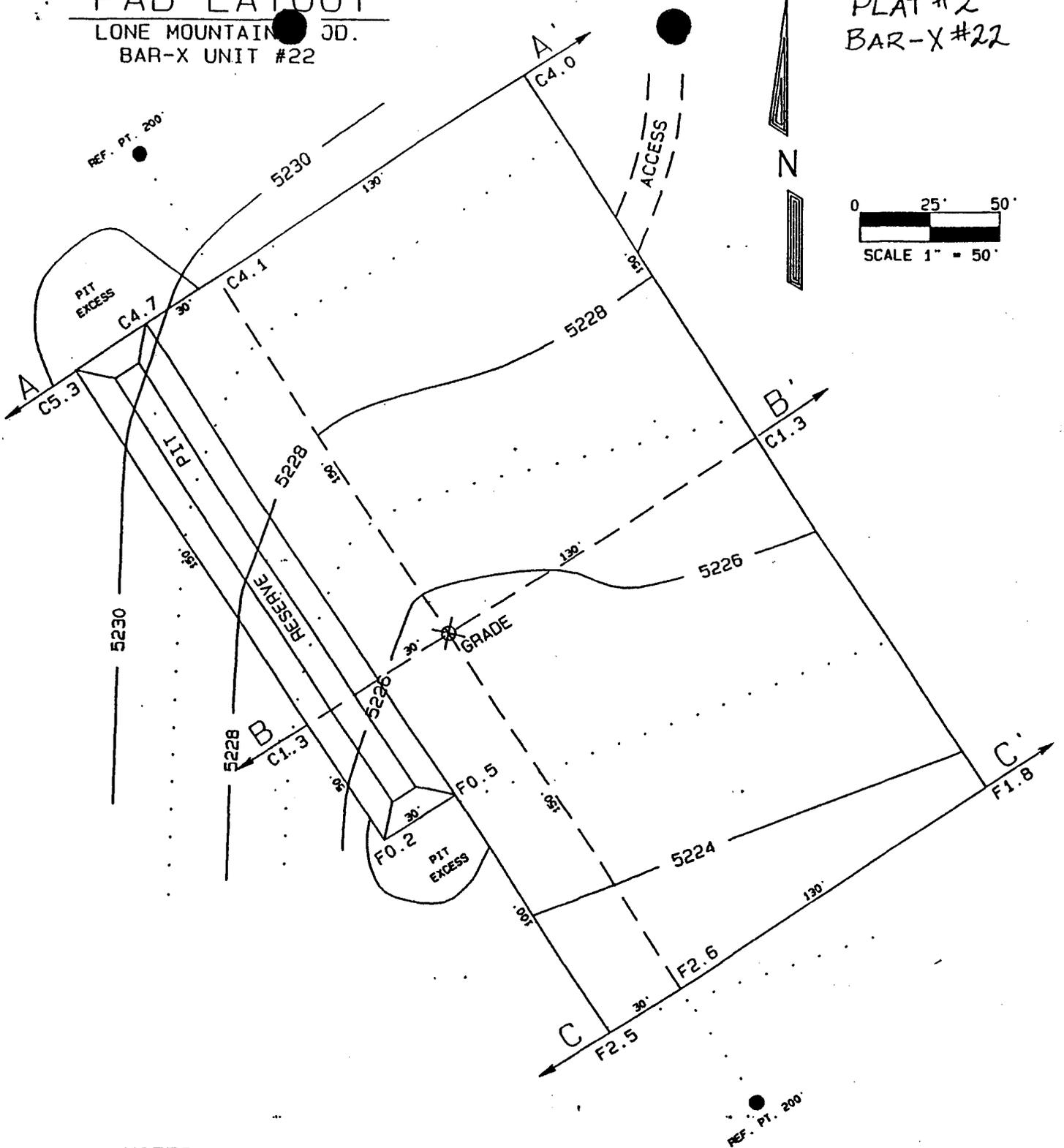


EXHIBIT B

PAD LAYOUT

LONE MOUNTAIN JD.
BAR-X UNIT #22

PLAT #2
BAR-X #22



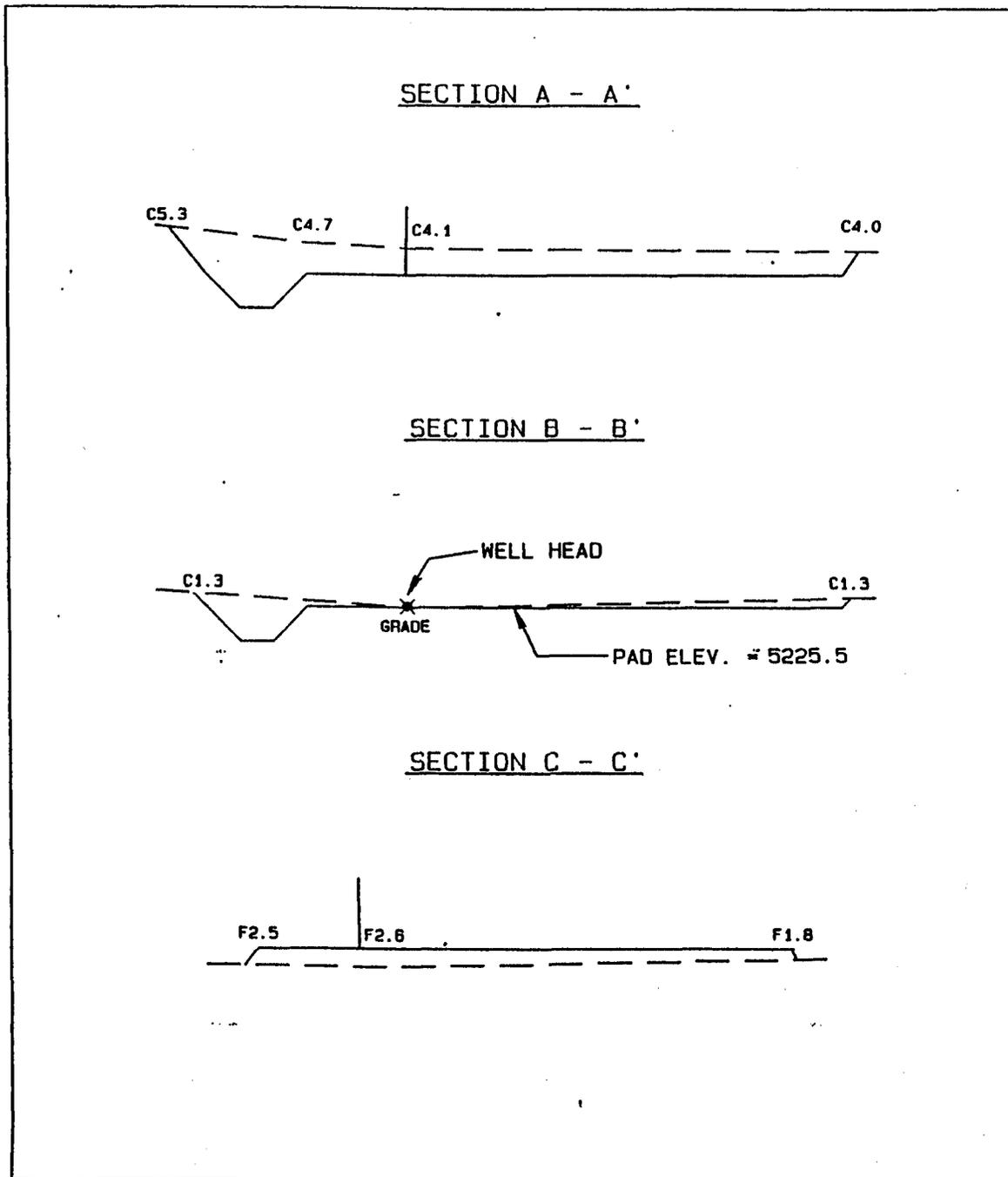
NOTES

1. ELEVATIONS ARE DETERMINED FROM USGS 7.5 MINUTE QUADRANGLE
2. CONTOUR INTERVAL = 1 FOOT
3. TOPSOIL TO BE STOCKPILED ON EXTERIOR OF WELL PAD

FILL = 870 cu. yds.
CUT = 4,929 cu. yds.

CROSS SECTIONS

LONE MOUNTAIN PROD.
BAR-X UNIT #22



HORIZ. SCALE 1" = 50'
VERT. SCALE 1" = 10'

D H SURVEYS INC.
JOB NO. 244-94-01



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

1594 West North Temple, Suite 1210

PO Box 145801

Salt Lake City, Utah 84114-5801

801-538-5340

801-359-3940 (Fax)

801-538-7223 (TDD)

Michael O. Leavitt
Governor

Lowell P. Braxton
Division Director

September 15, 1998

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

Re: Bar X Federal #22 Well, 300' FNL, 1900' FWL, NE NW, Sec. 13,
T. 17 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 43-019-31369.

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: Bar X Federal #22
API Number: 43-019-31369
Lease: SL-064806
Location: NE NW Sec. 13 T. 17 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 prior to spudding the well. Contact Jim Thompson at (801)538-5336.

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

3. Reporting Requirements

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

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

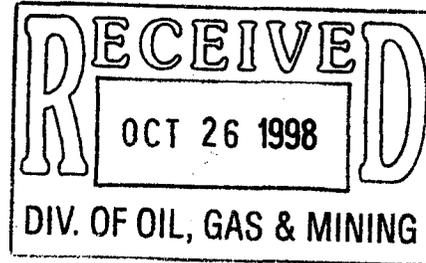
LONE MOUNTAIN PRODUCTION COMPANY

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 22, 1998



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

RE: SUNDRY NOTICE
BAR-X UNIT NO. 22 WELL
NENW SECTION 13: T17S-R25E
GRAND COUNTY, UTAH

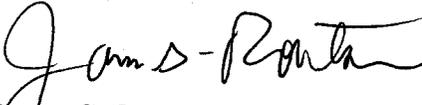
Gentlemen:

Enclosed is a sundry notice, in duplicate, for the Bar-X Unit No. 22 well which was spud at 9:00 p.m. on October 20, 1998.

Should you have any questions or need further information you may contact me at (406) 245-5077 or Joe Dyk at (970) 858-7546 (office) or (970) 250-9770 (cell).

Sincerely,

LONE MOUNTAIN PRODUCTION COMPANY


James G. Routson
President

Enclosures

cc: Joe Dyk

OPERATOR Lone Mountain Production Company

OPERATOR ACCT. NO. N 7210

ADDRESS P. O. Box 3394

Billings, Montana 59103

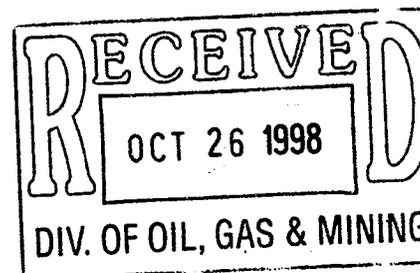
ACTION CODE	CURRENT ENTITY NO.	NEW ENTITY NO.	API NUMBER	WELL NAME	WELL LOCATION					SPUD DATE	EFFECTIVE DATE
					QQ	SC	TP	RG	COUNTY		
A	99999	455	43-019-31369	Bar-X Unit No. 22	NENW	13	17S	25E	Grand	10/20/98	
WELL 1 COMMENTS: <u>981030 entity added; (Bar XU/DK-MRB) KDR</u>											
WELL 2 COMMENTS:											
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.

(3/89)



Jim D. Ranta
Signature
President 10/22/98
Title Date
Phone No. (406) 245-5077

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

SUBMIT IN
TRIPLICATE*
(Other Instructions on
reverse side)

Form Approved
Budget Bureau No. 1004-0135
Expires : March 31, 1993

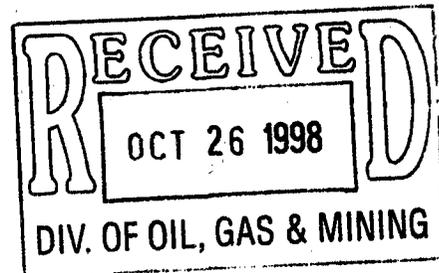
	5. LEASE DESIGNATION AND SERIAL NO. SL-064806
SUNDRY NOTICES AND REPORTS ON WELLS Do not use this form for proposals to drill or to deepen or reentry to a different reservoir. Use "APPLICATION FOR PERMIT—" for such proposals	6. IF INDIAN, ALLOTEE OR TRIBE NAME
SUBMIT IN TRIPLICATE	7. IF UNIT OR CA, AGREEMENT DESIGNATION 14-08-001-324
b. TYPE OF WELL OIL WELL <input type="checkbox"/> GAS WELL <input checked="" type="checkbox"/> OTHER <input type="checkbox"/> SINGLE ZONE <input type="checkbox"/> MULTIPLE ZONE <input type="checkbox"/>	8. WELL NAME and No. Bar-X Unit No. 22
2. NAME OF OPERATOR Lone Mountain Production Company	9. API WELL NO. 43-019-31369
3. ADDRESS OF OPERATOR P. O. Box 3394, Billings, Montana 59103 (406) 245-5077	10. Field and Pool, or Exploratory Area Bar-X
4. LOCATION OF WELL (Footage, Sec, T., R., M., or Survey Description) 300' FNL, 1900' FWL Section 13-T17S-R25E (NENW)	11. County or Parish, State Grand County, Utah

12. CHECK APPROPRIATE BOX(S) TO INDICATE NATURE OF NOTICE, REPORT, OR OTHER DATA		
TYPE OF SUBMISSION	TYPE OF ACTION	
<input type="checkbox"/> Notice of Intent <input checked="" type="checkbox"/> Subsequent Report <input type="checkbox"/> Final Abandonment Notice	<input type="checkbox"/> Abandonment <input type="checkbox"/> Recompletion <input type="checkbox"/> Plugging Back <input type="checkbox"/> Casing Repair <input type="checkbox"/> Altering Casing <input checked="" type="checkbox"/> Other <u>Notice of Spud</u>	<input type="checkbox"/> Change of Plans <input type="checkbox"/> New Construction <input type="checkbox"/> Non-Routine Fracturing <input type="checkbox"/> Water Shut-Off <input type="checkbox"/> Conversion to Injection <input type="checkbox"/> Dispose of Water <small>(Note: Report results of multiple completion on Well Completion or Recompletion Report and Log Form)</small>

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

The Bar-X Unit No. 22 well was spud at 9:00 p.m., October 20, 1998.

Drilled 8-3/4" surface hole to 310' with air. Notified Moab BLM. Ran 7 jts 7", 23# casing to 305' KB. Cemented with 90 sx. Class "G", 3% CaCl₂, cement to surface. Tested BOP's and lines to 2000 psi. Tested casing to 1600 psi. Cementing and testing witnessed by Jack Johnson, BLM, Moab.



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

Signed: James - Routh

Title: **President**

Date: **October 22, 1998**

(This space for Federal or State office use)

APPROVED BY: _____ TITLE: _____ DATE: _____
CONDITIONS OF APPROVAL IF ANY

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

*See Instructions of Reverse Side

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

SUBMIT IN DUPLICATE

Form approved
Budget Bureau No. 1004-0137
Expires August 31, 1985

LEASE DESIGNATION AND SERIAL NO.

SL-064806

IF BY INDIAN, ALLOTTEE OR TRIBE NAME

UNIT AGREEMENT NAME

Bar-X 14-08-001-324

BAR OR LEASE NAME

Federal

WELL NO.

No. 22

FIELD AND POOL, OR WILDCAT

Bar-X

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

Sec. 13-T17S-R25E

(NE 1/4)

COUNTY OR PARISH

Grand

STATE

Utah

WELL COMPLETION OR RECOMPLETION REPORT AND LOG *

1a. TYPE OF WELL: OIL WELL GAS WELL DRY Other _____

b. TYPE OF COMPLETION: NEW WELL WORK OVER DEEP-EN PILE BACK DIFF. RESVR.

2. NAME OF OPERATOR

Lone Mountain Production Company

3. ADDRESS OF OPERATOR

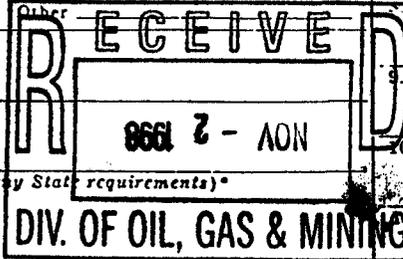
P. O. Box 3394, Billings, MT 59103

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

At surface 300' FNL, 1900' FWL

At top prod. interval reported below same

At total depth same



14. PERMIT NO. 43-019-31369 DATE ISSUED 9/15/98

15. DATE SPUDDED 10/20/98 16. DATE T.D. REACHED 10/26/98 17. DATE COMPL. (Ready to prod.) 10/28/98 18. ELEVATIONS (DF, RKB, RT, GR, ETC.)* 5226 GL 5233 KB 19. ELEV. CASINGHEAD -----

20. TOTAL DEPTH, MD & TVD 3184' 21. PLUG, BACK T.D., MD & TVD surface 22. IF MULTIPLE COMPL., HOW MANY* ----- 23. INTERVALS DRILLED BY ----- ROTARY TOOLS 0-TD CABLE TOOLS -----

24. PRODUCING INTERVAL(S), OF THIS COMPLETION—TOP, BOTTOM, NAME (MD AND TVD)* None 25. WAS DIRECTIONAL SURVEY MADE No

26. TYPE ELECTRIC AND OTHER LOGS RUN GR-FDC-CNL, GR-DIL 27. WAS WELL CORED No

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

CASING SIZE	WEIGHT, LB./FT.	DEPTH SET (MD)	HOLE SIZE	CEMENTING RECORD	AMOUNT PULLED
7"	23#	305'	8-3/4"	90 sx. Class "G", 3% CaCl ₂ (to surface)	None

29. LINER RECORD 30. TUBING RECORD

SIZE	TOP (MD)	BOTTOM (MD)	SACKS CEMENT*	SCREEN (MD)	SIZE	DEPTH SET (MD)	PACKER SET (MD)
None					None		

31. PERFORATION RECORD (Interval, size and number) None

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

DEPTH INTERVAL (MD)	AMOUNT AND KIND OF MATERIAL USED
2870' - 2670'	Plug 1, 40 sx. cement
355' - 255'	Plug 2, 20' sx. cement
55' - surface	Plug 3, 10 sx. cement

33. PRODUCTION

DATE FIRST PRODUCTION	PRODUCTION METHOD (Flowing, gas lift, pumping—size and type of pump)	WELL STATUS (Producing or shut-in)
None		P & A

DATE OF TEST	HOURS TESTED	CHOKE SIZE	PROD'N. FOR TEST PERIOD	OIL—BBL.	GAS—MCF.	WATER—BBL.	GAS-OIL RATIO
-----	-----	-----	-----	-----	-----	-----	-----

FLOW. TUBING PRESS.	CASING PRESSURE	CALCULATED 24-HOUR RATE	OIL—BBL.	GAS—MCF.	WATER—BBL.	OIL GRAVITY-API (CORR.)
-----	-----	-----	-----	-----	-----	-----

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

35. LIST OF ATTACHMENTS None

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

SIGNED James R. Porter TITLE President DATE 10/30/98

*(See Instructions and Spaces for Additional Data on Reverse Side)

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.	NAME	MEAS. DEPTH	TOPI	VERT. DEPTII
Dakota Sand	2906'	2930'	Tight sand, contents not determined	Mancos Dakota Silt	surface 2769'		surface (+2464')
Dakota Sand				Dakota Sand	2870'		(+2363')

GEOLOGIC MARKERS

38.

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

5. LEASE DESIGNATION AND SERIAL NO.
SL-064806

SUNDRY NOTICES AND REPORTS ON WELLS

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

6. IF INDIAN, ALLOTTEE OR TRIBE NAME

SUBMIT IN TRIPLICATE

7. IF UNIT OR CA, AGREEMENT DESIGNATION
14-08-001-324

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

8. WELL NAME and No.
Bar-X Unit No. 22

2. NAME OF OPERATOR
Lone Mountain Production Company

9. API WELL NO.
43-019-31369

3. ADDRESS OF OPERATOR
P. O. Box 3394, Billings, Montana 59103 (406) 245-5077

10. Field and Pool, or Exploratory Area
Bar-X

4. LOCATION OF WELL (Footage, Sec, T, R., M., or Survey Description)
300' FNL, 1900' FWL Section 13-T17S-R25E (NENW)

11. County or Parish, State
Grand County, Utah

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

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

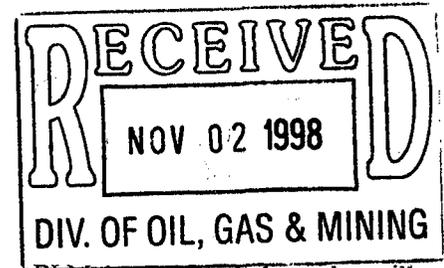
(Note: Report results of multiple completion on Well Completion or Recompletion Report and Log Form)

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

Air and mist drilled 6-1/4" hole to 3184'. Minor oil show encountered in the Mancos @ 1577'. No gas shows in Dakota or Morrison.

Log Tops: Dakota Silt 2769' (+2464')
Dakota Sand 2870' (+2363')
Logs would not go below 2980'.

Plugged and abandoned as follows: Plug #1: 2870' - 2670' with 40 sacks.
Plug #2: 355' - 255' with 20 sacks.
Plug #3: 55' - surface with 10 sacks.



Finished plugging at 9:30 p.m., October 28, 1998. Plugging witnessed by Jack Johnson, BLM, Moab. Dry hole marker will be installed and rehab work will begin when Pit dries up.

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

Signed: *James S. Rountree*

Title: **President**

Date: **October 30, 1998**

(This space for Federal or State office use)

APPROVED BY: _____ TITLE: _____ DATE: _____
CONDITIONS OF APPROVAL IF ANY

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

*See Instructions of Reverse Side