

CONFIDENTIAL

Form 3160-3
December 1990)

SUBMIT IN TRIPLICATE*
(Other instructions on
reverse side)

Form approved.
Budget Bureau No. 1004-0136
Expires: December 31, 1991

**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 SINGLE ZONE MULTIPLE ZONE

2. NAME OF OPERATOR
 RIATA ENERGY, INC.

5. LEASE DESIGNATION AND SERIAL NO.
 UTU-75891

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

7. UNIT AGREEMENT NAME
 N/A

8. FARMOR LEASE NAME WELL NO.
 Government 2318

9. AP WELL NO.
 #9-3

3. ADDRESS AND TELEPHONE NO.
 5912 Amarillo Blvd West, Amarillo, TX 79106 (806) 352-2926

4. LOCATION OF WELL (Report location clearly and in accordance with any State requirements.)
 At surface 5912 698-968' FNL and 1,694' PERFWL
 At proposed prod. zone NW-NW Sec. 9, T23S-R18E
 NENW

10. FIELD AND POOL, OR WILDCAT
 WILDCAT

11. SEC., T., R., M., OR BLM. AND SURVEY OR AREA
 Sec 9, T23S - R18E

14. DISTANCE IN MILES AND DIRECTION FROM NEAREST TOWN OR POST OFFICE
 13.9 miles southwest of Crescent Junction, Utah

15. DISTANCE FROM PROPOSED LOCATION TO NEAREST PROPERTY OR LEASE LINE, FT. (Also to nearest drlg. unit line, if any)
 698'

16. DISTANCE FROM PROPOSED LOCATION TO NEAREST WELL, DRILLING COMPLETED OR APPLIED FOR, ON THIS LEASE, FT.
 2,712'

17. DIV OF OIL, GAS & MINING
 2555.87

18. PROPOSED DEPTH
 2,000'

19. COUNTY OR PARISH
 Grand

20. ROTARY OR CABLE TOOLS
 Rotary

21. ELEVATIONS (Show whether DF, RT, GR, etc.)
 4,618' GR

22. APPROX. DATE WORK WILL START*
 Upon approval of this app.

12. COUNTY OR PARISH
 Grand

13. STATE
 Utah

14. ACRES ASSIGNED TO THIS WELL
 40

23. PROPOSED CASING AND CEMENTING PROGRAM

SIZE OF HOLE	GRADE SIZE OF CASING	WEIGHT PER FOOT	SETTING DEPTH	QUANTITY OF CEMENT
12-1/4"	8-5/8"	24#	200'	355 Sx Class "G" - Circ to surf
7-7/8"	5-1/2"	10.5#	2000'	300 Sx Class "G" & Poz w/ additives

Riata Energy, Inc. proposes to drill a well to 2,000' to test the Navajo. If productive, casing will be run and the well completed. If dry, the well will be plugged and abandoned as per BLM and State of Utah requirements.

See Onshore Order No. 1 attached.

Please be advised that Riata Energy, Inc. is considered to be the Operator of the above mentioned well. Riata Energy, Inc. agrees to be responsible under the terms and conditions of the lease for the operations conducted upon the lease lands.

Bond coverage for this well is provided by Riata Energy, Inc. under their Statewide BLM Bond #UT-1006.

Federal Approval of this
Action is Necessary

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

24. SIGNED [Signature] TITLE Production Manager DATE April 9, 1999

(This space for Federal or State office use)

PERMIT NO. 43-019-31373 APPROVAL DATE _____

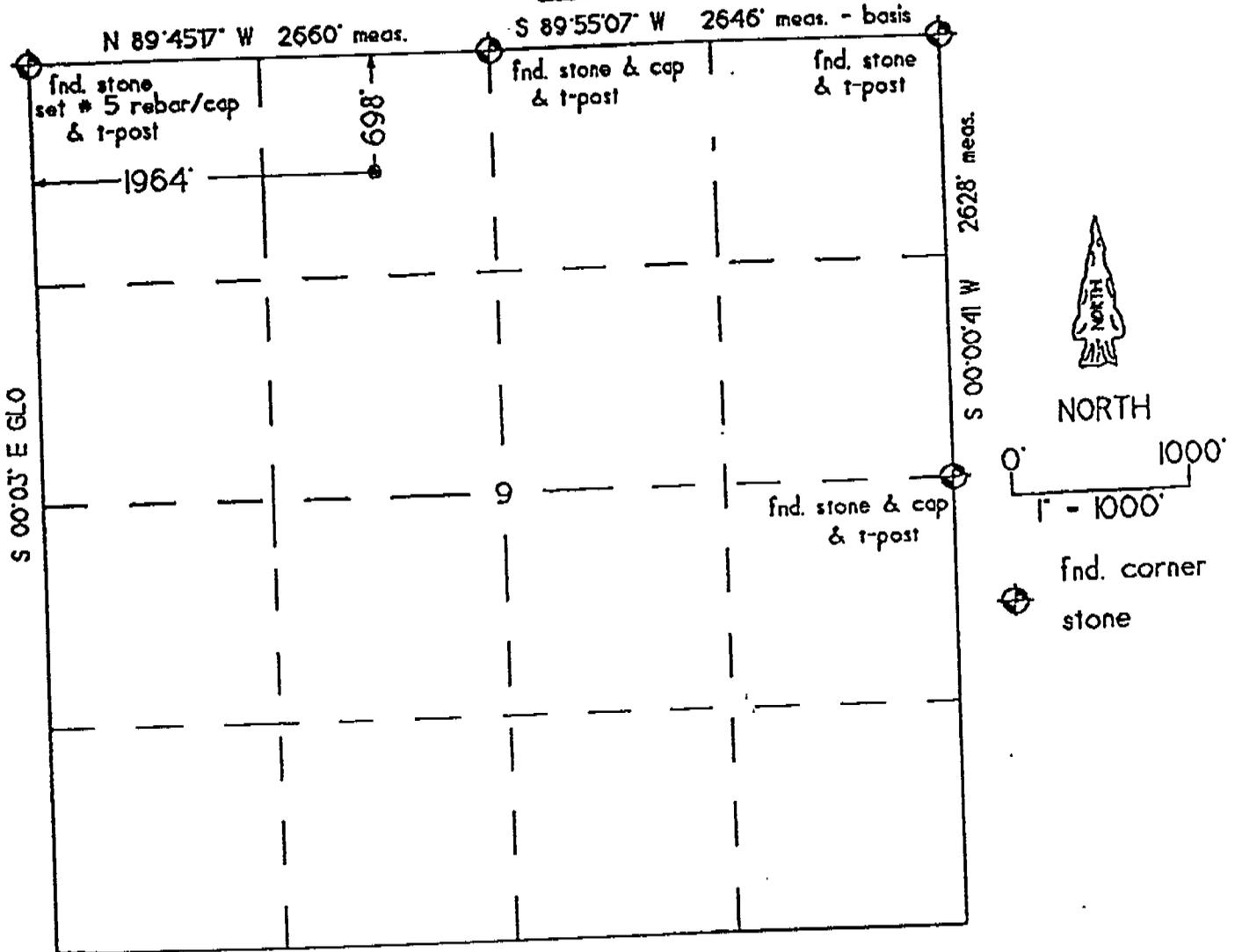
Application approval does not warrant or certify that the applicant holds legal or equitable title to those rights in the subject lease which would entitle the applicant to conduct operations thereon.

CONDITIONS OF APPROVAL, IF ANY:

APPROVED BY [Signature] TITLE BRADLEY G. HILL RECLAMATION SPECIALIST III DATE 5/11/99

*See Instructions On Reverse Side

Well Location Plat



Well Location Description

RIATA ENERGY, INC.
 Government 2318 # 9 - 3
 698' FNL & 1964' FWL
 Section 9, T.23 S., R.18 E., SLM
 Grand County, UT
 4618' grd. el. (from grd @ 9 - 1)



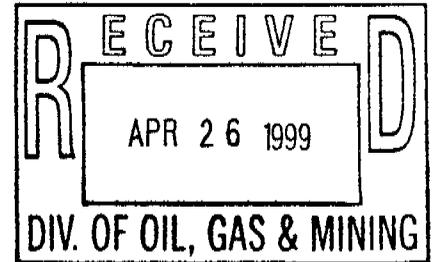
rev: 24 February 1999

Gerald G. Huddleston
 Gerald G. Huddleston, LS

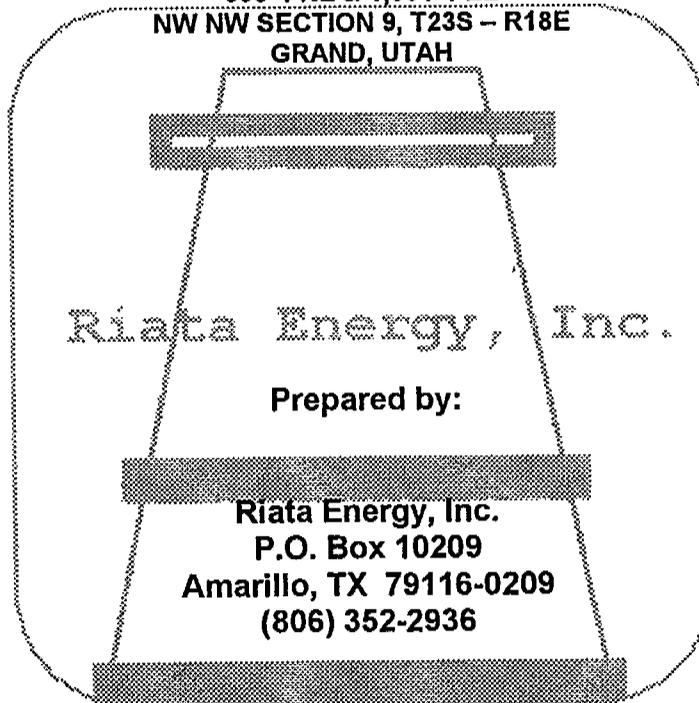
The above is true and correct to my knowledge and belief.

ONSHORE OIL & GAS ORDER NO. 1

**Approval of Operations on Onshore
Federal and Indian Oil & Gas Leases**



**GOVERNMENT 2318 #9-3
698' FNL & 1,964' FEL
NW NW SECTION 9, T23S - R18E
GRAND, UTAH**



Copies Sent to:

- 4 - BLM - Moab, UT
- 1 - Utah Division of Oil, Gas & Mining - SLC, UT

CONFIDENTIAL - TIGHT HOLE

SELF CERTIFICATION

Be advised that Riata Energy, Inc. is considered to be the operator of the following well, located as follows:

**Government 2318 #9-3
698' FNL & 1,964' FEL
NW NW Sec. 9, T23S-R18E
Grand County, UT**

and is responsible under the terms and conditions of the lease for the operations conducted on the leased lands.

Bond coverage for this well has been provided by Riata Energy, Inc. The BLM Statewide bond number is UT-1006. The principal is Riata Energy, Inc. via surety consent as provided in 43 CFR 3104.2.

It is understood that the Bureau of Land Management will hold the aforementioned operator and bond liable until the provisions of 43 CFR 3106.7-2 continuing responsibility are met.

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ONSHORE OIL & GAS ORDER NO. 1
Approval of Operations on Onshore
Federal and Indian Oil and Gas Leases

All lease and/or unit operations will be conducted in such a manner that full compliance is made with applicable laws, regulations (43 CFR 3100), Onshore Oil and Gas Order No. 1, and the approved plan of operations. The operator is fully responsible for the actions of his subcontractors. A copy of these conditions will be furnished the field representative to insure compliance.

1. Estimated Tops/ Geologic Markers

The estimated tops of important geologic markers are as follows:

<u>Formation</u>	<u>Depth</u>	<u>Subsea</u>
Morrison Sand	840'	+3,778
Moab Tongue	1,428'	+3,190
Navajo	1,800'	+2,818
TD	2,000'	+2,608

2. Estimated Depth of Oil, Gas, Water and Other Mineral Bearing Zones

The estimated depths at which the top and bottom of the anticipated water, oil, gas or other mineral bearing formations are expected to be encountered are as follows:

<u>Substance</u>	<u>Formation</u>	<u>Depth</u>
Water		0 – 200'
Oil/Gas	Navajo	1800'
TD		2000'

All fresh water and prospectively valuable minerals encountered during drilling will be recorded by depth and will be cased and cemented. When possible, water flow rates will be measured and samples will be taken and analyzed with the results being submitted to the BLM. All oil and gas shows will be tested to determine commercial potential.



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3. BOP Equipment

Riata Energy, Inc.'s minimum specifications for pressure control equipment are as follows:

Ram type: 10" Hydraulic double, 2000 psi w.p.

BOP systems will be consistent with API RP 53 and Onshore Oil and Gas Order No. 2. Pressure tests of the surface casing and all BOP equipment potentially subject to pressure will be conducted before drilling the surface casing shoe. Blowout preventer controls will be installed prior to drilling the surface casing shoe and will remain in use until the well is completed or abandoned. Ram preventers will be inspected and operated each trip (no more than once a day is necessary), and annular preventers will be inspected and operated weekly to insure good mechanical working order. These inspections shall be recorded in the drilling log and in the daily drilling report.

Ram type preventers and associated equipment shall be tested to approved stack working pressure if isolated by test plug or to 70 percent of internal yield pressure of casing. Pressure shall be maintained for at least 10 minutes or until requirements of test are met, whichever is longer. If a test plug is utilized, no bleed-off pressure is acceptable. For a test not utilizing a test plug, if a decline in pressure of more than 10 percent in 30 minutes occurs, the test shall be considered to have failed. Valve on casing head below test plug shall be open during test of BOP stack.

Annular type preventers (if used) shall be tested to 50 percent of rated working pressure. Pressure shall be maintained at least 10 minutes or until provisions of test are met, whichever is longer.

Valves shall be tested from working pressure side during BOPE tests with all down stream valves open.

When testing the kill line valve(s) the check valve shall be held open or the ball removed.

A BOPE pit level drill shall be conducted weekly for each drilling crew.



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

Pressure tests shall apply to all related well control equipment.

All of the above described tests and/or drills shall be recorded in the drilling log. Test charts, with individual test results identified, shall be maintained on location while drilling and shall be made available to a BLM representative upon request. Pressure tests shall apply to all related well control equipment.

- a. The size and rating of the BOP stack is shown on the attached diagram. Although a rig has not been chosen to drill this well, most of the equipment for this depth of hole in the area use a 10', 2000 psi working pressure blowout preventer.
- b. A choke line and a kill line are to be properly installed. The kill line is not to be used as a fill-up line.
- c. The accumulator system shall have a pressure capacity to provide for repeated operation of hydraulic preventers.
- d. Drill string safety valve(s), to fit all tools in the drill string, are to be maintained on the rig floor while drilling operations are in progress.

4. Casing and Cementing Program

A. The proposed casing and cementing program shall be conducted as approved to protect and/or isolate all usable water zones, potentially productive zones, lost circulation zones, abnormally pressured zones, and any prospectively valuable deposits of minerals. Any isolating medium other than cement shall receive approval prior to use.



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The casing setting depth shall be calculated to position the casing seat opposite a competent formation, which will contain the maximum pressure to which it will be exposed during normal drilling operations. Determination of casing setting depth shall be based on all relevant factors, including: presence/ absence of hydrocarbons; fracture gradients; usable water zones; formation pressures; lost circulation zones; other minerals; or other unusual characteristics. All indications of usable water shall be reported.

- b. Casing design shall assume formation pressure gradients of 0.44 to 0.50 psi per foot for exploratory wells (lacking better data).**
- c. Casing design shall assume fracture gradients from 0.70 to 1.00 psi per foot for exploratory wells (lacking better data)**
- d. Casing collars shall have a minimum clearance of 0.422 inches of all sides in the hole/casing annulus, with recognition that variances can be granted for justified exceptions.**
- e. All waiting on cement times shall be adequate to achieve a minimum of 500 psi compressive strength at the casing shoe prior to drilling out.**
- f. All casing except the conductor casing, shall be new or reconditioned and tested used casing that meets or exceeds API standards for new casing.**
- g. The surface casing shall be cemented back to surface either during the primary cement job or by remedial cementing.**
- h. All indications of usable water shall be reported to the authorized officer prior to running the next string of casing or before plugging orders are requested, whichever occurs first.**
- i. Three centralizers will be run on the bottom three joints of surface casing with a minimum of one centralizer per joint starting with the shoe joint.**
- j. Top plugs shall be used to reduce contamination of cement by displacement fluid. A bottom plug or other acceptable technique, such as a suitable preflush fluid, inner string cement method, etc. shall be utilized to help isolate the cement from contamination by the mud fluid being displaced ahead of the cement slurry.**



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- k. All casing strings below the conductor shall be pressure tested to 0.22 psi per foot of casing string length or 1500 psi, whichever is greater, but not to exceed 70 percent of the minimum internal yield. If pressure declines more than 10 percent in 30 minutes, corrective action shall be taken.
- l. On all exploratory wells, and on that portion of any well approved for a 5M BOPE system or greater, a pressure integrity test of each casing shoe shall be performed. Formation at the shoe shall be tested to a minimum of the mud weight equivalent anticipated to control the formation pressure to the next casing depth or at total depth of the well. This test shall be performed before drilling more than 20 ft. of the new hole.
- m. The proposed casing program will be as follows:

<u>Purpose</u>	<u>Depth</u>	<u>Hole Size</u>	<u>O.D.</u>	<u>Weight</u>	<u>Grade</u>	<u>Type</u>	<u>New Or Used</u>
Surface	0-200	12-1/4"	8-5/8"	24#	J-55	ST&C	New/Used
Production	0-2000'	7-7/8"	5-1/2"	10.5#	J-55	LT&C	New/Used

Used casing will be white band and will be tested to API standards for new casing.

- n. Casing design subject to revision based on geologic conditions encountered.
- o. The cement program will be as follows:

Surface
 0-200' Type and Amount
 355 Sx Class "G" w/ additives or sufficient volume to circulate to surface

Production
 0-2000' Type and Amount
 300 Sx Class "G" and 75 Sx Poz w/additives or sufficient volume to circulate to surface

- p. After cementing but before commencing any test, the casing string shall stand cemented until the cement has reached a compressive strength of at least 500 psi at the shoe. WOC time shall be recorded in the driller's log.



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q. The following reports shall be filed with the District Manager within 30 days after the work is completed.

1. Progress reports, Form 3160-5 (formerly 9-331) "Sundry Notices and Reports on Wells", must include complete information concerning:

a. Setting of each string of casing, showing size, grade, weight, hole size, setting depth, amounts and type of cement used, whether cement circulated or the top of the cement behind the casing, depth of cementing tools used, casing test method and results, and the date work was done. Shoe the spud date on the first reports submitted.

b. Temperature or bond logs must be submitted for each well where the casing cement was not circulated to surface.

r. Auxiliary equipment to be used is as follows:

1. Kelly cock
2. No bit float is deemed necessary.
3. A sub with a full opening valve.

5. Mud Program

a. The proposed circulating mediums to be employed in drilling are as follows:

<u>Interval</u>	<u>Mud Type</u>	<u>Mud Wt.</u>	<u>Visc.</u>	<u>F/L</u>	<u>PH</u>
0-TD	Produced water & KCL w/ air	9.0	34	12	8.0

Sufficient mud materials will be stored on location to maintain well control and combat lost circulation problems that might reasonably be expected.



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- b. Due to potential for contamination of usable quality water aquifers, chromates are banned from Federal leases.
- c. Hazardous substances specifically listed by the EPA as a hazardous waste or demonstrating a characteristic of a hazardous waste will not be used in drilling, testing or completion operations.

6. Evaluation Program

The anticipated type and amount of testing, logging and coring are as follows:

- a. No drill stem tests are anticipated, however, if DST's are run, the following requirements will be adhered to:

Initial opening of drill stem test tools shall be restricted to daylight hours unless specific approval to start during other hours is obtained from the authorized officer. However, DST's may be allowed to continue at night if the test was initiated during daylight hours and the rate of flow is stabilized and if adequate lighting is available (i.e. lighting which is adequate for visibility and vapor-proof for safe operations). Packers can be released, but tripping shall not begin before daylight, unless prior approval is obtained from the authorized officer. Closed chamber DST's may be accomplished day or night.

A DST that flows to the surface with evidence of hydrocarbons shall be either reversed out of the testing string under controlled surface conditions. This would involve provided some means for reverse circulation.

Separation equipment required for the anticipated recovery shall be properly installed before a test starts.

All engines within 100 feet of the wellbore that are required to "run" during the test shall have spark arresters or water cooled exhausts.



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- b. The logging program will consist of a GR-CNL-Temp from T.D. to base of surface casing.
- c. No cores are anticipated.
- d. Whether the well is completed as a dry hole or as a producer, "Well Completion and Recompletion Report and Log" (Form 3160-4) will be submitted not later than 30 days after completion of the well or after completion of operations being performed, in accordance with 43 CFR 3164. Two copies of all logs, core descriptions, core analyses, well-test data, geologic summaries, sample description, and all other surveys or data obtained and compiled during the drilling, workover, and/or completion operations, will be filed with form 3160-4. Samples (cuttings, fluids, and/or gases) will be submitted when requested by the authorized officer (AO).
- e. The anticipated completion program is as follows:

Perforate and acidize Navajo formation. Produce up tubing with artificial lift, if needed.

7. Anticipated Pressures and H₂S.

- 1. The expected maximum bottom hole pressure is 1675 psi. No abnormal pressures are anticipated.
- 2. No hydrogen sulfide gas is anticipated.

8. Other Information and Notification Requirements

- 1. Should the well be successfully completed for production, the AO will be notified when the well is placed in a producing status. Such notification will be sent by telegram or other written communications, not later than 5 days following the date on which the well is placed on production.



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2. **Production data shall be reported to the MMS pursuant to 30 CFR 216.5 using form MMS/3160.**
3. **The date on which production is commenced or resumed will be construed for oil wells as the date on which liquid hydrocarbons are first sold or shipped from a temporary storage facility, such as a test tank, and for which a run ticket is required to be generated or, the date on which liquid hydrocarbons are first produced into a permanent storage facility, whichever first occurs; and, for gas wells as the date on which associated liquid hydrocarbons are first sold or shipped from a temporary storage facility, such as a test tank, and for which a run ticket is required to be generated or the date on which gas is first measured through permanent metering facilities, whichever first occurs.**
4. **Pursuant to NTL-4A, lessees or operators are authorized to vent/flare gas during initial well evaluation tests, not exceeding a period of 30 days or the production of 50 MMCF of gas, whichever occurs first. An application must be filed with the District Engineer and approval received, for any venting/ flaring of gas beyond the initial 30 day or authorized test period.**
5. **Gas produced from this well may not be vented or flared beyond an initial authorized test period of 30 days or 50 MMCF following it's completion, whichever occurs first, without prior written approval of the Authorized Officer. Should gas be vented or flared without approval beyond the authorized test period, the operator may be directed to shut-in the well until the gas can be captured or the operator shall be required to compensate the lessor for that portion of the gas vented or flared without approval which is determined to have been avoidably lost.**
6. **A schematic facilities diagram as required by 43 CFR 3162.7-2, 3162.7-3 and 3162.7-4 shall be submitted to the appropriate District Office within 30 days of installation or first production, whichever occurs first. All site security regulations as specified in 43 CFR 3162.7 and Onshore Order No. 3 shall be adhered to. All product lines entering and leaving hydrocarbon storage tanks will be effectively sealed in accordance with 43 CFR 3162.7-4.**



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6. Section 102(b)(3) of the Federal Oil and Gas Royalty Management Act of 1982, as implemented by the applicable provisions of the operating regulations at Title 43 CFR 3162.4-1(c), requires that "not later than the 5th business day after any well begins production on which royalty is due anywhere on a lease site or allocated to a lease site, or resumes production in the case of a well which has been off production for more than 90 days, the operator shall notify the authorized officer by letter or sundry notice, Form 3160-5, or orally to be followed by a letter or sundry notice, of the date on which such production has begun or resumed."

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

7. Drilling operations are planned to commence immediately upon approval of this application.
8. It is anticipated that the drilling of this well will take approximately 4 days.
9. No location will be constructed or moved, no well will be plugged and no drilling or workover equipment will be removed from a well to be placed in a suspended status without prior approval of the AO. If operations are to be suspended, prior approval of the AO will be obtained and notification given before resumption of operations.
10. Immediate Report: Spills, blowouts, fires, leaks, accidents, or any other unusual occurrences shall be promptly reported in accordance with the requirements of NTL-3A or it's revision.
11. If a replacement rig is contemplated for completion operations, a "Sundry Notice" Form 3160-5 to that effect will be filed, for prior approval of the AO, and all conditions of this approved plan are applicable during all operations conducted with the replacement rig.



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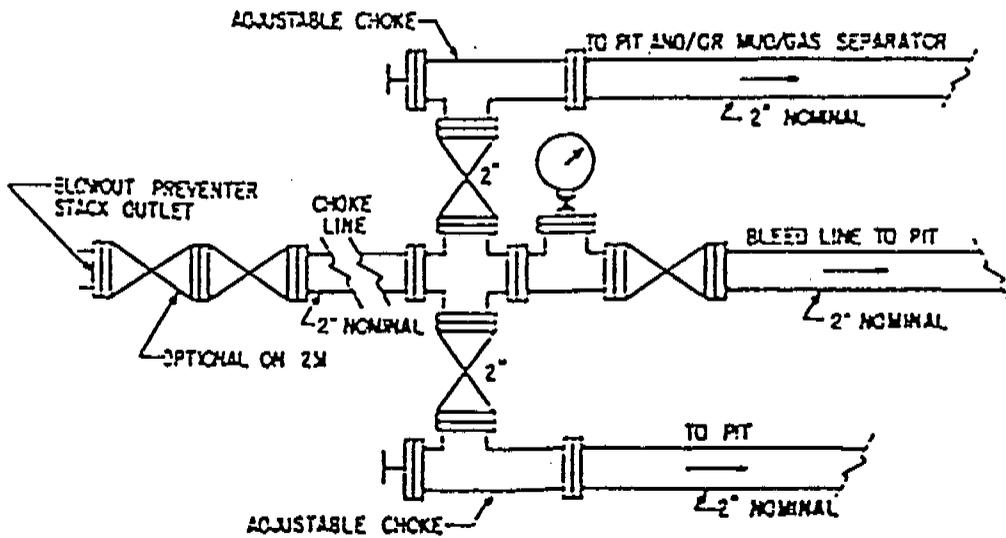
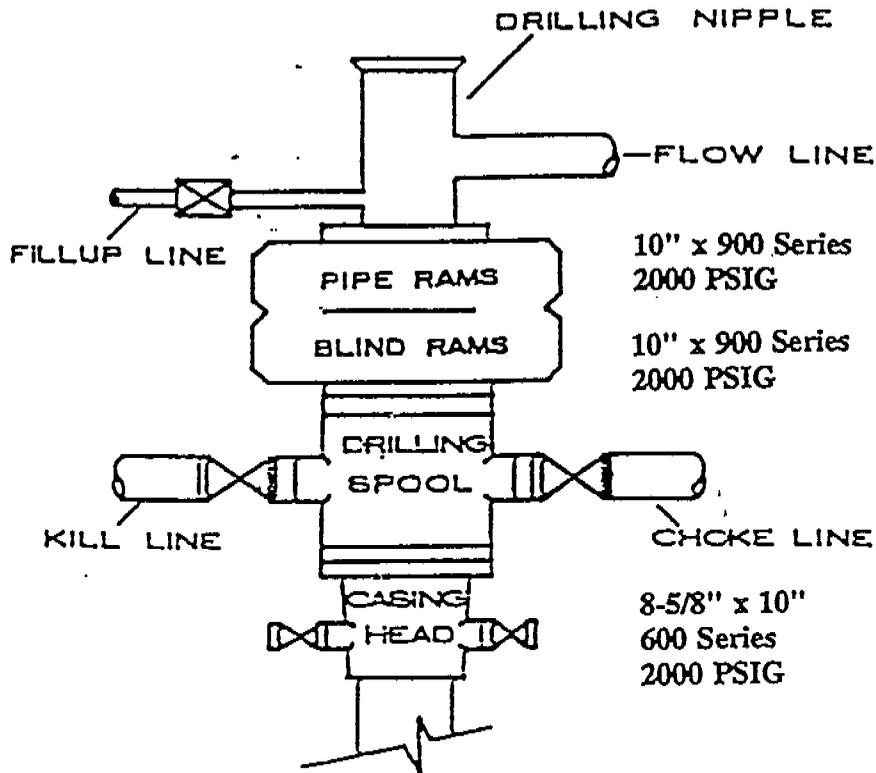
- 12. Pursuant to Onshore Order No. 7, with the approval of the District Engineer, produced water may be temporarily disposed of into unlined pits for a period of up to 90 days. During that period so authorized, an application for approval of the permanent disposal method, along with the required water analysis and other information, must be submitted to the District Engineer.**

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



BOP STACK

2,000 PSI



2,000 PSI CHOKER MANIFOLD

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**Surface Use Plan
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ONSHORE OIL & GAS ORDER NO. 1

Thirteen Point Surface Use Plan

An onsite inspection of the subject well was conducted on Wednesday, April 7, 1999 at approximately 1:30 p.m. Weather conditions were cool and overcast. In attendance at the onsite inspection were the following individuals:

**Rich McClure
Eric Jones
Sonny Busch**

**Bureau of Land Management
Bureau of Land Management
Riata Energy, Inc.**

1. Existing Roads

- a. The proposed well site is located approximately 14 miles southwest of Crescent Junction, Utah.
- b. Directions to the location from Crescent Junction are as follows:

Proceed westerly on Interstate 70 for 6.6 miles. Exit off of I-70 at the Floy exit and proceed southerly along a county road for 4.2 miles. Turn left, continuing on a county road for 3.1 miles. Turn right onto the existing two track, then turn south onto new access, flagged and proceed to the location.
- c. For location of access roads within a 2-Mile radius, see Maps & Diagrams.
- d. Improvement to the existing access will not be necessary since this is a county maintained road.
- e. All existing roads will be maintained and kept in good repair during all drilling and completion operations associated with this well.
- f. Existing roads and newly constructed roads on surface under the jurisdiction of any Surface Managing Agency shall be maintained in accordance with the standards of the SMA.



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2. Planned Access Roads

- a. There will be approximately 600 feet of new access road to be constructed and 1200 ft. of existing trail. The access will be flatbladed with a running surface of approximately 18 feet with a 35' maximum disturbed width. The maximum travel surface will be 18-20 feet.
- b. The maximum grade of the access is <5%.
- c. May need to construct a turning radius for trucks using the existing dirt road that leaves the county road.
- d. No culverts will be necessary during drilling.
- e. The new access road was centerline flagged at the time of staking.
- f. The need for surfacing material during drilling is not anticipated, however, should it become necessary, it will be installed at the discretion of the operator.
- g. Surface disturbance and vehicular travel will be limited to the approved location and approved access route. Any additional area needed will be approved by the Area Manager in advance.
- h. If at any time the facilities located on public lands authorized by the terms of the lease are no longer included in the lease (due to a contraction in the unit or other lease or unit boundary change) the BLM will process a change in authorization to the appropriate statute. The authorization will be subject to appropriate rental, or other financial obligations determined by the authorized officer.
- i. If the well is productive, the access road will be rehabilitated or brought to Resource (Class III) Road Standards within 60 days of dismantling the rig. If upgraded, the access road must be maintained at these standards until the well is properly abandoned. If this time frame cannot be met, the Area manager will be notified so that temporary drainage control can be installed along the access road.



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Riata Energy, Inc.
Government 2318 #9-3
698' FNL & 1,964' FEL
NW NW Sec. 9, T23S-R18E
Grand County, UT

CONFIDENTIAL – TIGHT HOLE

Lease No. UTU-75891

Surface Use Plan
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3. Location of Existing Wells Within a 1-Mile Radius of the Proposed Location.

- a. Water wells – none
- b. Injection wells – none
- c. Producing wells – none
- d. Drilling wells – none

4. Location of Tank Batteries and Production Facilities.

- a. All production facilities will be located at the wellsite. If the well is productive, a Sundry Notice will be submitted prior to production showing the placement of proposed facilities.
- b. All permanent structures (onsite for six months or longer) constructed or installed (including oil well pump jacks) will be painted a flat, nonreflective color to match the standard environmental colors, as determined by the Rocky Mountain Five-State Interagency Committee. All facilities will be painted within six months of installation. Facilities required to comply with the Occupational Safety and Health Act (OSHA) may be excluded. Colors will match the soil or rocks in the area.
- c. All site security guidelines identified in 43 CFR 3162.7-5 and Onshore Oil and Gas Order No. 3 shall be followed.
- d. If a gas meter run is constructed, it will be located within 500 feet of the wellhead. The gas flowline will be buried from the wellhead to the meter and will be buried downstream of the meter until it leaves the pad. Meter runs will be housed and/or fenced. The gas meter shall be calibrated prior to first sales and shall be calibrated quarterly thereafter. All gas production and measurement shall comply with the provision of 43 CFR 3162.7-3, Onshore Order No. 5 and American Gas Association (AGA) Report No. 3.



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- e. If a tank battery is constructed on this lease, it will be surrounded by a berm of sufficient capacity to contain 1-1/2 times the storage capacity of the largest tank. All loading lines and valves will be placed inside the berm surrounding the tank battery. All oil production and measurement shall conform to the provisions of 43 CFR 3162.7-3 and Onshore Oil and Gas Order No. 4.
 - f. Production facilities on location may include a lined or unlined produced water pit as specified in Onshore Order No. 7. If water is produced from the well, an Onshore Order No. 7 application must be submitted.
 - g. Any necessary pits will be properly fenced to prevent wildlife entry.
 - h. All off-lease storage, off-lease measurement, or commingling on-lease or off-lease will have prior written approval from the Authorized Officer.
 - i. All access roads will be maintained as necessary to prevent erosion and accommodate year-round traffic.
 - j. The road will be maintained in a safe useable condition.
5. Location and Type of Water Supply *X City of Moab*
- a. All water needed for drilling purposes will be obtained from either the Green River or a water source located on the Ruby Ranch.
 - b. Water will be hauled to location over the roads marked on Maps A and B.
 - c. No water well is to be drilled on this lease.
 - d. A temporary water use permit for this operation will be obtained from the Utah State Engineer in Price, Utah at 801/637-1303.



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6. Source of Construction Material

- a. Pad construction material will be native (that found in the wellpad).
- b. Any gravel used will be obtained from a private or commercial source.
- c. The use of materials under BLM jurisdiction will conform with 43 CFR 3610.2-3.
- d. No construction materials will be removed from Federal land.

7. Methods of Handling Waste Disposal

- a. The reserve pit will be constructed so as not to leak, break, or allow discharge.
- b.
- c. The reserve pit will not be lined. The soil contains sufficient bentonite to prevent seepage of drilling fluids.
- d. The reserve pit will be located next to the drilling location. See location plat.
- e. The reserve pit will be located in cut material, with at least 50% of the pit volume being below original ground level. Three sides of the reserve pit will be fenced before drilling starts. The fourth side will be fenced as soon as drilling is completed, and shall remain until the pit is dry. As soon as the reserve pit has dried, all areas not needed for production will be rehabilitated.
- f. Burning will not be allowed. All trash will be contained in a trash cage and it's contents removed at the end of drilling operations and hauled to an approved disposal sight. Trash will be hauled as necessary, but not later than at the completion of drilling operations.
- g. Drill cuttings are to be contained and buried in the reserve pit.



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- g. Any salts and/or chemicals which are an integral part of the drilling system will be disposed of in the same manner as the drilling fluid.**
- h. Sewage will be placed in a portable chemical toilet or holding tank and disposed of in accordance with state and county regulations.**
- i. The produced fluids (other than water) will be produced into a test tank until such time as construction of production facilities is completed. Any spills of oil, gas, salt water or other produced fluids will be cleaned up and removed.**

8. Ancillary Facilities

There are no airstrips, camps or other facilities planned during the drilling of the proposed well.

9. Well Site Layout

- a. See Location Layout for orientation of rig, cross section of drill pad and cuts and fills.**
- b. All wells, whether drilling, producing, suspended, or abandoned, will be identified in accordance with 43 CFR 3162.6**
- c. The location of mud tanks; reserve pit, trash cage; pipe racks; living facilities and soil stockpiles will be shown on the Location Layout.**
- d. To minimize the amount of fugitive dust and spray escaping from the blooie pit, cuttings will be directed into the dirt bank. See location layout for location of flare/blooie pit.**
- e. All pits will be fenced to prevent wildlife entry.**
- f. The reserve pit fencing will be on three sides during drilling operations and on the fourth side when the rig moves off the location. Pits will be fenced and maintained until cleanup.**



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10. Plans for the Restoration of Surface

- a. **The top 2-3 inches of topsoil material will be removed from the location and stockpiled separately on either end of the wellsite.**
- b. **Topsoil along the access road will be reserve in place adjacent to the road.**
- c. **Immediately upon completion of drilling, all equipment that is not necessary for production shall be removed.**
- d. **The reserve pit and that portion of the location not needed for production will be reclaimed.**
- e. **Immediately upon well completion, the location and surrounding area will be cleared of all unused tubing, equipment, debris, materials, trash and junk not required for production.**
- f. **Immediately upon well completion, any hydrocarbons on the pit shall be removed in accordance with 43 CFR 3162.7-1.**
- g. **Before any dirt work to restore the location takes place, the reserve pit must be completely dry. Once the reserve pit is dry, the reserve pit and that portion of the location not needed for production facilities/operations will be recontoured to the approximate natural contours.**
- h. **All road surfacing will be removed prior to the rehabilitation of roads.**
- i. **The stockpiled topsoil will be evenly distributed over the disturbed area.**
- j. **Prior to reseeding, all disturbed areas, including the access roads, will be scarified and left with a rough surface.**
- k. **Seed will be broadcast or drilled between October 1 and December 31, or at a time specified by the BLM. If broadcast, a harrow or some other implement will be dragged over the seeded area to assure seed cover.**



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i. The following seed mixture has been requested by the BLM:

<u>Species</u>	<u>#'s PLS/Acre</u>
Indian Ricegrass	4
Galleta	2
Fourwing Saltbush	4

- m. The abandonment marker will be at least four feet above ground level and will be inscribed with the following: operator name, lease number, well name and surveyed description (township, range, section and either quarter-quarter or footages).**
- n. At such time as the well is plugged and abandoned, the operator shall submit a subsequent report of abandonment.**

11. Surface Ownership

Access Roads – All roads are County maintained or are located on lands managed by the BLM.

Wellpad – The well pad is located on lands managed by the BLM.

12. Other Information

- a. A Class III archeological survey was conducted by 4 Corners Archeological Services. No significant cultural resources were found and clearance has been recommended. A copy of this report will be submitted to the appropriate agencies by 4 Corners Archeological Services.**
- b. The operator is responsible for informing all persons in the areas who are associated with this project that they will be subject to prosecution for knowingly disturbing historic or archaeological sites, or for collecting artifacts. If historic or archaeological materials are uncovered during construction, the operator is to immediately stop work that might further disturb such materials, and contact the authorized officer (AO). Within five working days the AO will inform the operator as to:**



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

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

- c. All lease and/or unit operations will be conducted in such a manner that full compliance is made with all applicable laws, regulations, Onshore Oil and Gas Orders, the approved plan of operations, and any applicable Notice to Lessees. The operator is fully responsible for the actions of his subcontractors. A copy of these conditions will be furnished the field representative to insure compliance.
- d. A complete copy of the approved APD shall be on location during construction of the location and drilling activities.
- e. There will be no deviation from the proposed drilling and/or workover program without prior approval from the AO. Safe drilling and operating practices must be observed. All wells, whether drilling, producing, suspended, or abandoned will be identified in accordance with 43 CFR 3162.h.



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- f. "Sundry Notice and Report on Wells" (From 3160-5) will be filed for approval for all changes of plans and other operations in accordance with 43 CFR 3162.3-2.
- g. This permit will be valid for a period of one year from the date of approval. An extension period may be granted, if requested, prior to the expiration of the original approval period.
- h. The operator or his contractor shall contact the BLM offices at 801/977-4300 48 hours prior to construction activities.

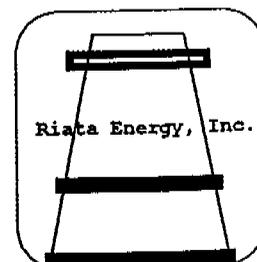
13. Lessee's or Operator's Representative and Certification

Permit Matters
Riata Energy, Inc.
Terry D. Pope
Susan J Prosser
P.O. Box 10209
Amarillo, TX 79116-0209
(806) 352-2936

Drilling & Completion Matters
Riata Energy, Inc.
James Follis (H) 806/ 733-3353
Terry D. Pope (H) 806/ 467-2568
P.O. Box 10209
Amarillo, TX 79116-0209
(806) 352-2936

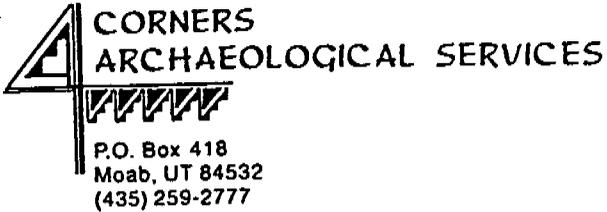
CERTIFICATION

I hereby certify that I, or persons under my direct supervision, have inspected the proposed drill site and access route; that I am familiar with the conditions which currently exist; that the statements made in this plan are, to the best of my knowledge, true and correct; and that the work associated with the operations proposed herein will be performed by Riata Energy Inc. and their contractors and subcontractors in conformity with this plan and the terms and conditions under which it is approved.



There are no federal stipulations at this time.





Mr. Bruce Louthan, District Archaeologist
Bureau of Land Management
Grand Resource Area - Moab District
82 E. Dogwood Avenue
Moab, Utah 84532

March 24, 1999

Dear Bruce,

Enclosed please find two copies of our archaeological survey report for Riata Energy's proposed Government 2318 #9-2 & #9-3 well locations and access route in Grand County, Utah. The survey was conducted on lands administered by the Bureau of Land Management -Grand Resource Area. A total of 29.1 acres were inventoried for cultural resources.

No cultural resources were found in the project area and archaeological clearance is recommended.

Sincerely,

Carol S. DeFrancia
P.I./4-CAS

CSD/distribution:
Mr. Terry Pope, Riata Energy, Amarillo.

ARCHAEOLOGICAL SURVEY OF
RIATA ENERGY, INC. COMPANY'S PROPOSED
GOVERNMENT 2318 #9-2 & #9-3 WELL PADS & ACCESS ROUTE
GRAND COUNTY, UTAH

4-CAS REPORT 9910

by
Carol S. DeFrancia

4-CORNERS ARCHAEOLOGICAL SERVICES
76 S. Main Street
Moab, Utah 84532
(435) 259-2777

March 24, 1999

FEDERAL ANTIQUITIES PERMIT 98UT62712
Utah State Permit No. U-99-FE-0010b

Prepared For:
Riata Energy, Inc.
5912 Amarillo Blvd. W.
Amarillo, TX 79106

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Conclusion	5
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ABSTRACT

The archaeological survey of Riata Energy, Inc. Company's proposed Government 2318 #9-2 and #9-3 well pads and access route was conducted by personnel of 4-Corners Archaeological Services on March 23, 1999. The project is located east of Dee Pass in Grand County, Utah, approximately thirty miles northwest of the town of Moab. A total of 29.1 acres were inventoried for cultural resources.

No cultural resources were found in the project area and archaeological clearance is the recommended procedure.

INTRODUCTION

The archaeological survey of Riata Energy, Inc. Company's proposed Government 2318 #9-2 and #9-3 well pads and access route was conducted by Carol DeFrancia of 4-Corners Archaeological Services on March 23, 1999. The project is located along a gentle southeast-trending slope of a salt wash valley and northwestern tributary of Thompson Wash (Figure 1). The project is entirely on lands administered by the Bureau of Land Management, Grand Resource Area Office, Moab. The survey was requested by Mr. Terry Pope of Riata Energy, Inc. Huddleston Land Surveying personnel staked and flagged the well pads and access routes prior to the survey. The proposed well locations are situated west of a main access route that extends southeast from the Ruby Ranch Road, adjacent to a major transmission line, and connects to US highway 191 just south of the Moab Airport. Approximately one-half mile (2,650') of access was surveyed for cultural resources for the two well sites. A total of 29.1 acres were inventoried for cultural resources (Figure 2).

Federal and state governments have enacted legislation that is designed to conserve and protect cultural resources. The principal federal legislation includes the Antiquities Act of 1906 (PL 52-209), the National Historic Preservation Act of 1966 (PL 89-665), the National Environmental Policy Act of 1969 (PL 91-190), the 1971 Executive Order No. 11593, the Archaeological and Historical Conservation Act of 1974 (PL 93-291), and the Archaeological Resource Protection Act (ARPA) of 1978 (PL 95-96).

No cultural resources were found in the project area.

PROJECT AREA

Map Reference: Dee Pass, UT, 1991 (7.5' series maps)

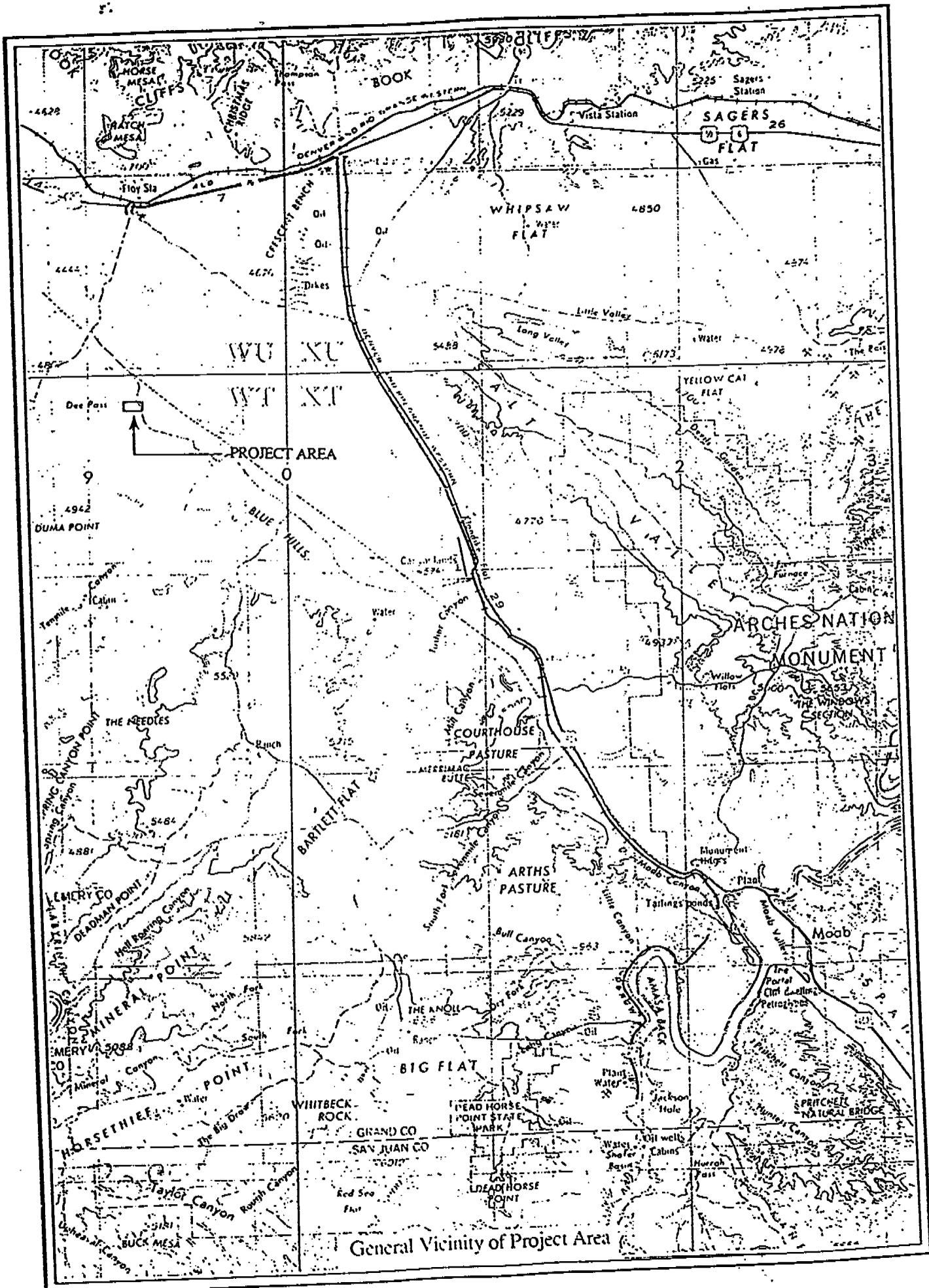
Total Project Area: 5.8 acres; area surveyed 29.1 acres

Government 2318 #9-2 Well Pad

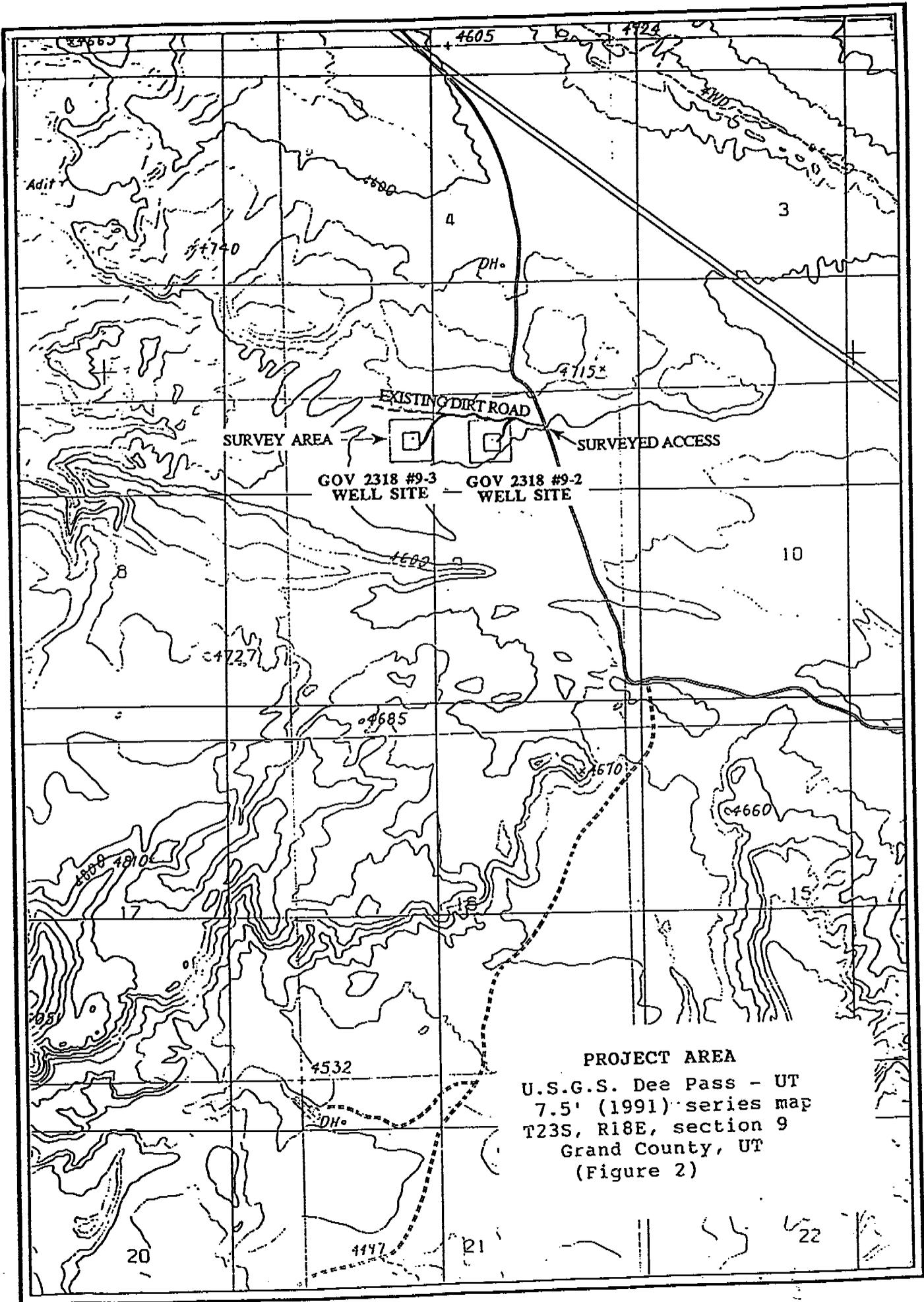
Legal Description: T23S, R18E: Section 9

Center Stake: 738' FNL, 2033' FEL; NW, NE

UTM Coordinates:		Easting	Northing
(Surveyed Area)	NW Corner	592180	4298340
	NE Corner	592380	4298340
	SE Corner	592380	4298140
	SW Corner	592180	4298140



General Vicinity of Project Area



Project Area: Well Pad 300 x 165'; (1.1 acres)
 Surveyed Area: 660 x 660' (10 acres)
 Results: No cultural resources were found in the project area

Government 2318 #9-3 Well Pad

Legal Description: T23S, R18E: Section 9
 Center Stake: 698' FNL, 1964' FWL; NE, NW
 UTM Coordinates: Easting Northing
 (Surveyed Area) NW Corner 591790 4298360
 NE Corner 591995 4298360
 SE Corner 591995 4298160
 SW Corner 591790 4298160

Project Area: Well Pad 300 x 165'; (1.1 acres)
 Surveyed Area: 660 x 660' (10 acres)
 Results: No cultural resources were found in the project area

Well Pad Access

Legal Description: T23S, R18E; Section 9, NE, NW,
 NE 1/4;

UTM Coordinates:		Easting	Northing
(Zone 12)	BOL	592540	4298320 (2-track road/main access)
	bend	592380	4298360 (take off to #9-2 well site)
	bend	592340	4298330
	bend	592330	4298260
	bend	592320	4298240 (east edge of #9-2 well site)
	bend	592380	4298360 (2-track road west)
	bend	592190	4298380
	bend	592150	4298360
	bend	592050	4298370 (take off to #9-3 well site)
	bend	592000	4298330
	bend	591960	4298240
	bend	591940	4298230 (southeast edge of #9-3 well site)

Project Area: 2,650' long, maximum 60' wide (3.6 acres)
 Surveyed Area: 2,650' x 150' (9.1 acres)
 Results: No cultural resources were found in the project area

PHYSIOGRAPHY AND ENVIRONMENT

The project area is located in Grand County, Utah, a few miles east of Dee Pass, approximately thirty miles northwest of the town of Moab. The area lies in the Northern Colorado Plateau physiographic province and is a structural element of the Green River Desert, a physiographic subdivision of the Canyonlands Section (Rigby 1976; Stokes 1987). Much of the area is relatively flat along the salt wash valley and covered in various thicknesses of sediments, including scattered remnants of isolated ridges and buttes derived from Cretaceous age shales and sandstones. Sediments are predominately light grayish-brown aeolian sands and clayey loams (derived from Mancos Shale) containing fragments of gypsum and sandstone.

Vegetation in the project area is sparse and consists of a cold desert shrub association, including shadscale, greasewood, and occasional grasses. A permanent water source in the area is the Green River, approximately ten miles southwest of the location.

Reptilian, avian, and mammalian associations are consistent with those of the Upper Sonoran Life Zone throughout the Colorado Plateau.

Currently, most of the area is used for recreation and limited oil and gas development.

PREVIOUS RESEARCH

A file search was conducted in March of 1999 at the BLM Grand Resource Area Office in Moab. The results of the review indicated that a small number of oil and gas related surveys have been conducted in the vicinity between the 1980's and 1990's (DeFrancia 1998; Lee 1983; and Graham 1997). The file search indicated that no archaeological sites are documented within or around the project area. Sites documented over two miles east and south have included open lithic scatters and isolated rock shelters related to the Archaic cultural tradition, as well as isolated finds of early Ute or Numic origin.

EXAMINATION PROCEDURES

Prior to the field investigations the well pads were staked and flagged. A 660 x 660' area surrounding the well center stake (10 acres) was inventoried by walking a series of parallel transects spaced 15m apart. Two parallel zig-zag transects were walked along the 2,650' of access route (9.1 acres), covering a 150' wide corridor. This effectively gives a minimal 60' buffer on either side of the access route.

SURVEY RESULTS

No cultural resources were found in the project area.

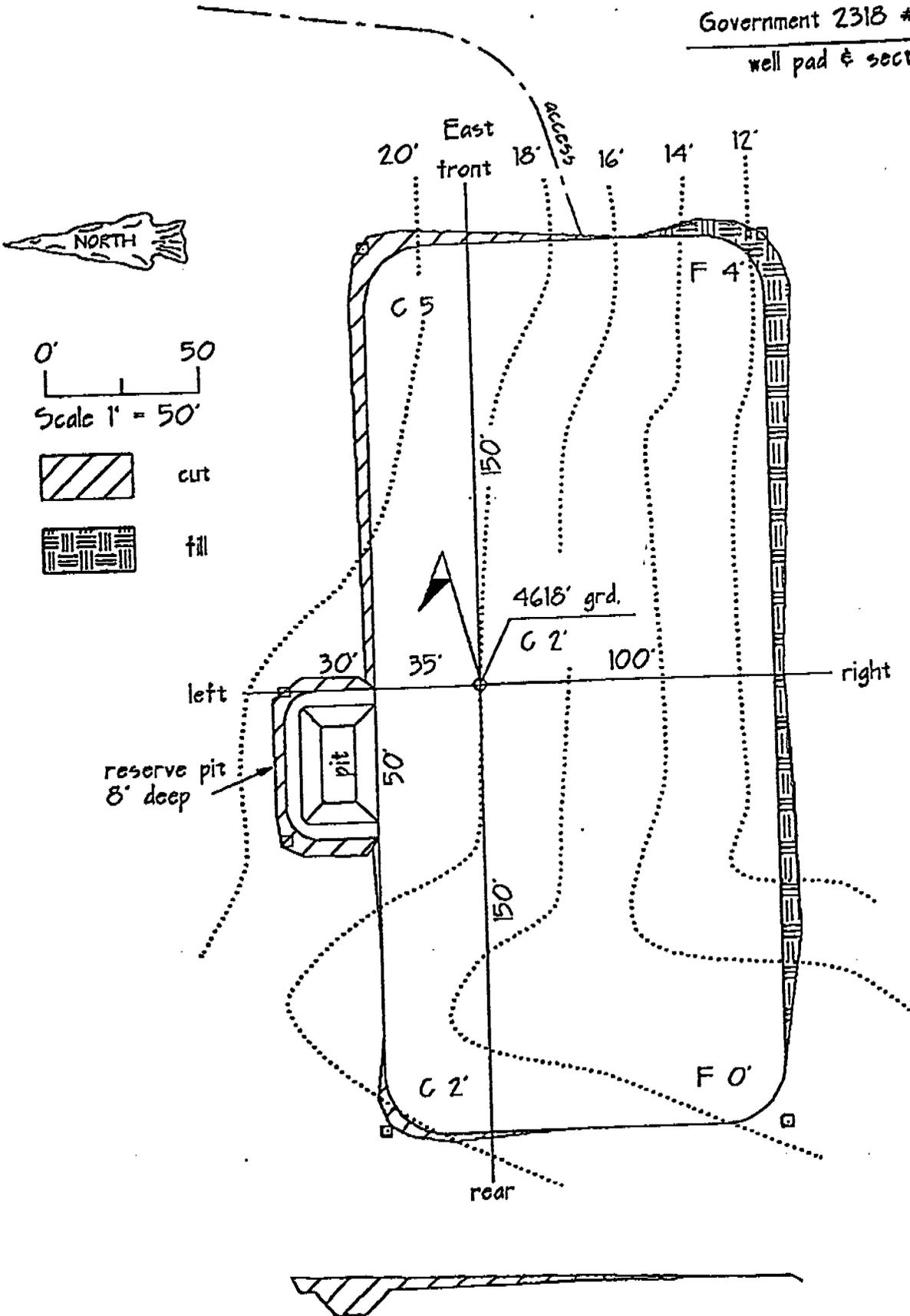
CONCLUSION AND RECOMMENDATIONS

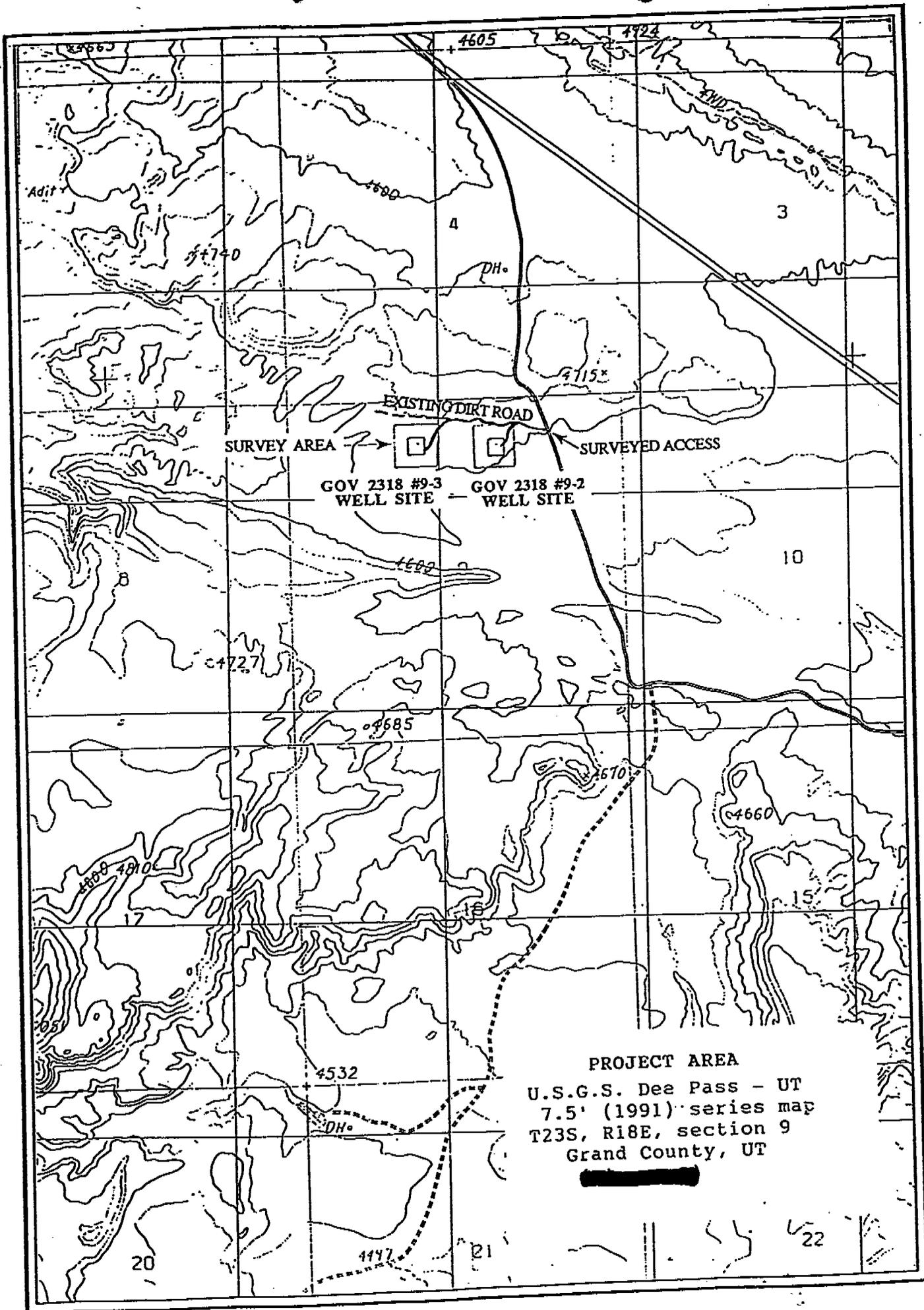
The archaeological survey of Riata Energy, Inc. Company's proposed Government 2318 #9-2 and #9-3 well pada and access route was conducted by personnel of 4-Corners Archaeological Services on March 23, 1999. The project is located along a salt wash drainage basin and tributary drainage of Thompson Wash on lands administered by the Bureau of Land Management, Grand Resource Area Office, Moab. A total of 29.1 acres were inventoried for cultural resources. No cultural resources were found in the project area and archaeological clearance is recommended for the project.

REFERENCES

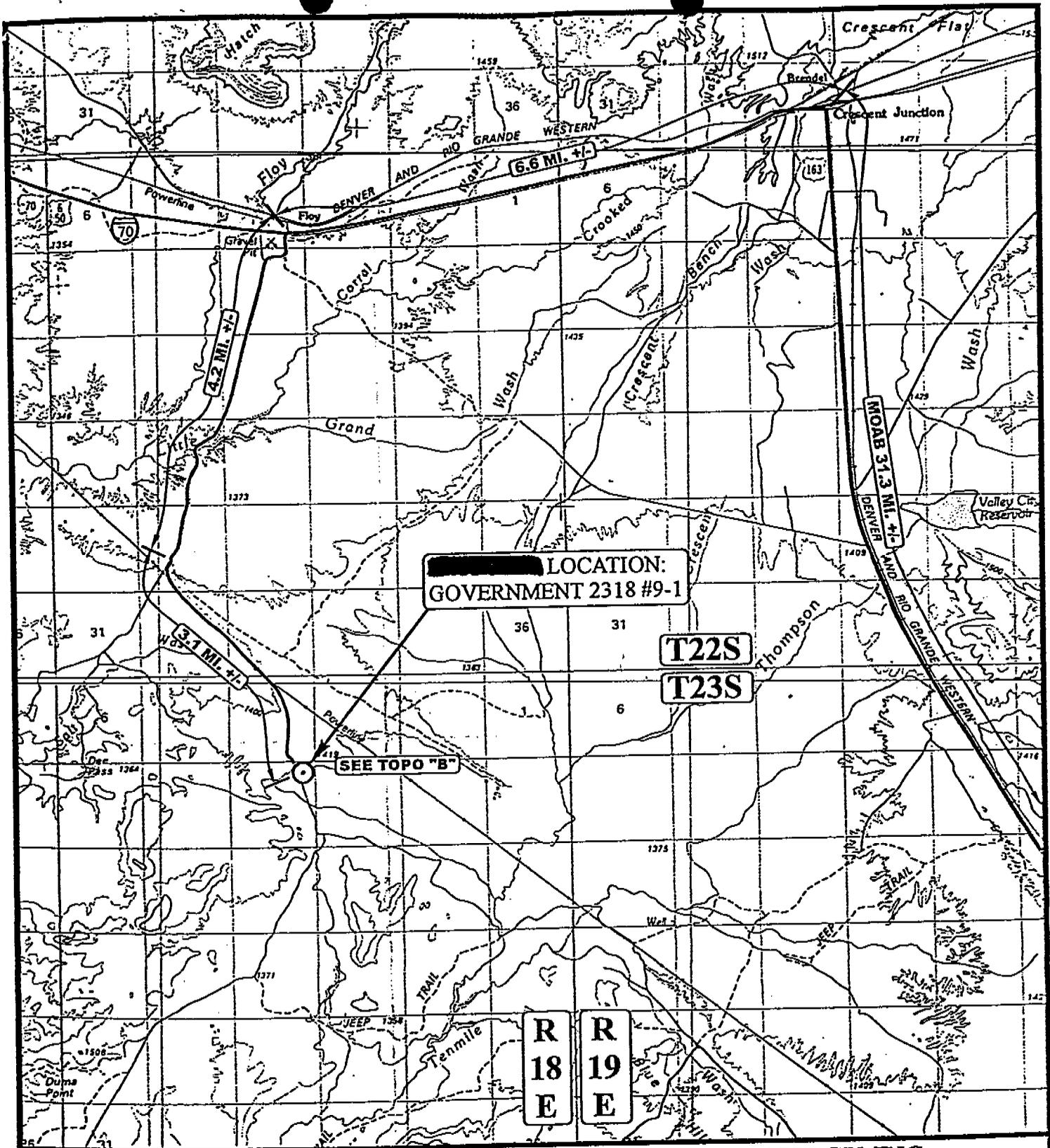
- DeFrancia, Carol
1998 Archaeological Survey of Riata Energy, Inc. Company's Proposed Government 2318 #5-1 Well Pad & Access Route, Grand County, Utah. 4-CAS Report 9811, Moab.
- Graham, Carole
1997 Riata Energy's Proposed Government 2318 #9-1 Well Pad and Access Route, Grand County, Utah. Utah State #U97-MM-0599b. Manuscript on file at Grand Resource BLM office, Moab.
- Lee, Susan K.
1983 A Cultural Resource Survey of Sixteen Seismic Lines in Grand, Emery, and Carbon Counties, Utah. Manuscript on file at Grand Resource BLM office, Moab.
- Stokes, William Lee
1987 Geology of Utah. Occasional Paper Number 6. Utah Museum of Natural History, University of Utah, Salt Lake City.

Government 2318 # 9 - 3
well pad & section





PROJECT AREA
U.S.G.S. Dee Pass - UT
7.5' (1991) series map
T23S, R18E, section 9
Grand County, UT



**LOCATION:
GOVERNMENT 2318 #9-1**

T22S

T23S

SEE TOPO "B"

**R
18
E**

**R
19
E**

LEGEND:

○ **LOCATION**



RIATA ENERGY, INC.

**GOVERNMENT 2318 #9-1
SECTION 9, T23S, R18E, S.L.B.&M.
738' FNL 678' FEL**



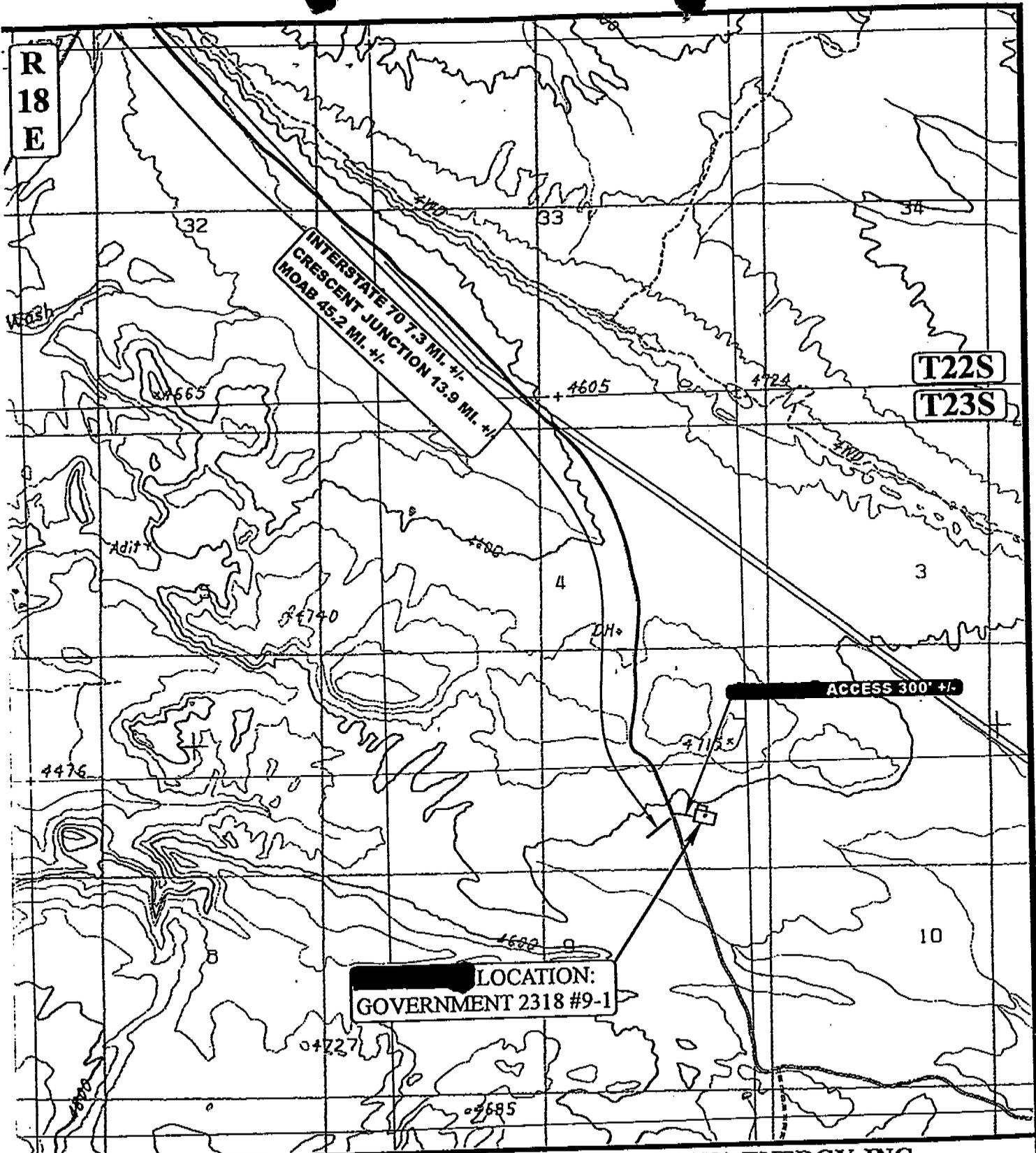
Utah Engineering & Land Surveying
85 South 200 East Vernal, Utah 84078
(801) 789-1017 * FAX (801) 789-1813
Email: uels@eastlink.com

**TOPOGRAPHIC
MAP**

9 22 97
MONTH DAY YEAR

**A
TOPO**

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



LOCATION:
GOVERNMENT 2318 #9-1

LEGEND:

- ACCESS ROAD
- EXISTING ROAD



RIATA ENERGY, INC.
GOVERNMENT 2318 #9-1
SECTION 9, T23S, R18E, S.L.B.&M.
738' FNL 678' FEL

UCL S Uintah Engineering & Land Surveying
 85 South 200 East Vernal, Utah 84078
 (801) 789-1017 * FAX (801) 789-1813
 Email: ucls@caslink.com

TOPOGRAPHIC 9 22 97
MAP MONTH DAY YEAR
 SCALE: 1" = 2000' DRAWN BY: C.G. REVISED: 00-00-00 **B**
 TOPO

WORKSHEET
APPLICATION FOR PERMIT TO DRILL

APD RECEIVED: 04/26/1999

API NO. ASSIGNED: 43-019-31373

WELL NAME: GOVT 2318 9-3
 OPERATOR: RIATA ENERGY INC (N8265)
 CONTACT: Terry Pope (806) 352-2936

PROPOSED LOCATION:
 NENW 09 - T23S - R18E
 SURFACE: 0698-FNL-1964-FWL
 BOTTOM: 0698-FNL-1964-FWL
 GRAND COUNTY
 WILDCAT FIELD (001)

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

LEASE TYPE: FED
 LEASE NUMBER: UTU-75891
 SURFACE OWNER: Federal

PROPOSED FORMATION: NAVA

RECEIVED AND/OR REVIEWED:

Plat

Bond: Fed Ind Sta Fee
 (No. KT-1006)

Potash (Y/N)

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

Water Permit
 (No. City of Moab)

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

Fee Surf Agreement (Y/N)

LOCATION AND SITING:

R649-2-3. Unit _____

R649-3-2. General

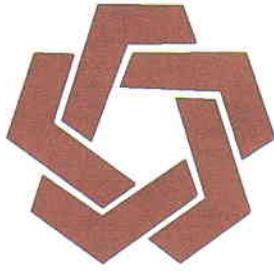
R649-3-3. Exception

Drilling Unit
 Board Cause No: _____
 Date: _____

R649-3-11. Directional Drill

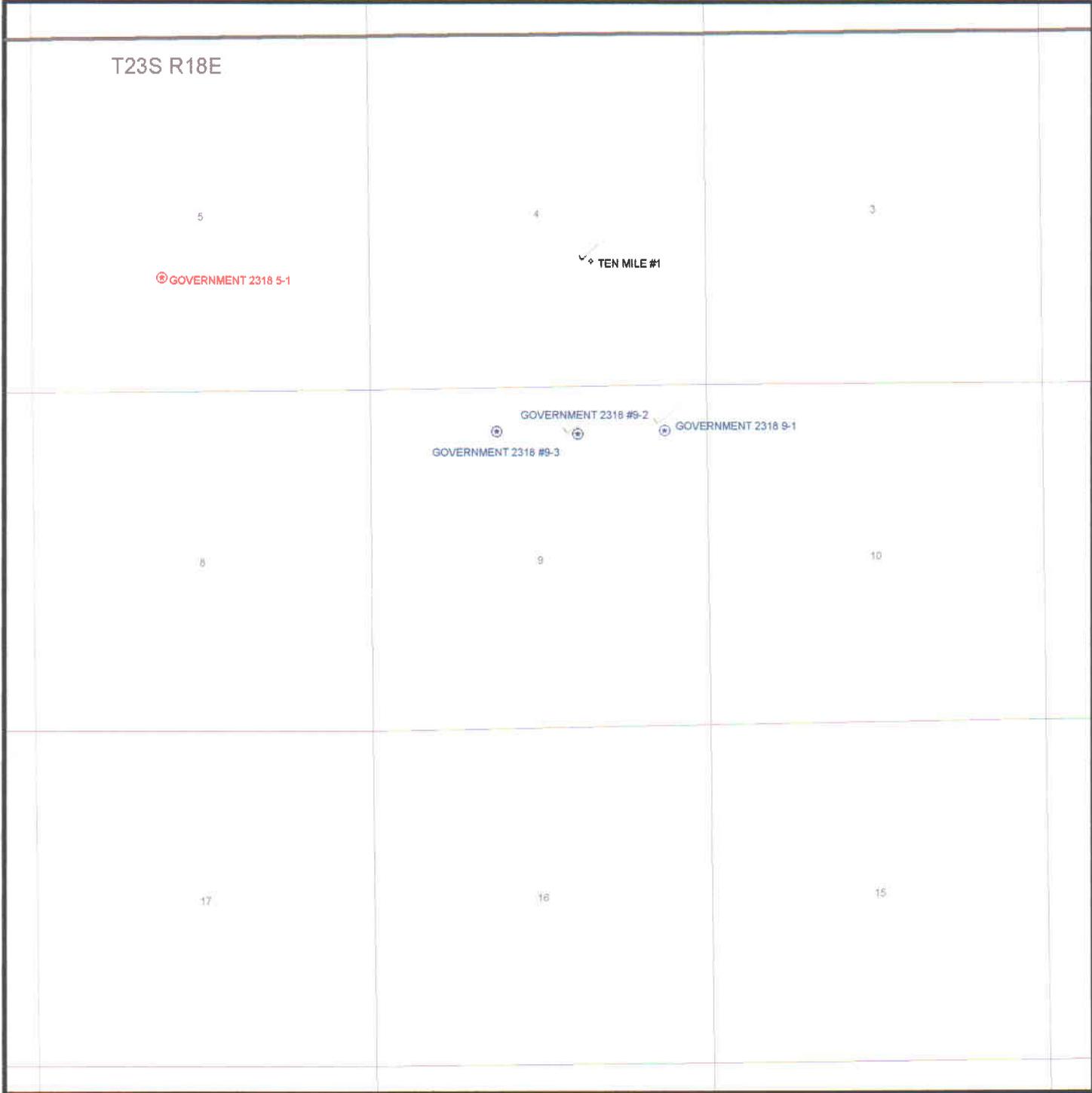
COMMENTS: _____

STIPULATIONS: ① FEDERAL APPROVAL

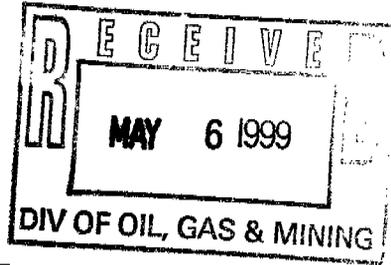


Division of Oil, Gas & Mining

OPERATOR: RIATA ENERGY INC. (N8265)
FIELD: WILDCAT (001)
SEC. 9, TWP 23S, RNG 18E
COUNTY: GRAND UNIT: NONE SPACING: NONE



PREPARED
DATE: 28APR-1999



FACSIMILE COVER PAGE

DATE: Thur 5/6/1999
 TIME: 2:43PM CST

Please deliver the following pages to:

NAME: Lisha Cordaug
 FIRM: Utah O.G
 CITY: S.L.C., Utah
 PHONE: _____
 FAX: 801 / 359-3940

The following material is from:

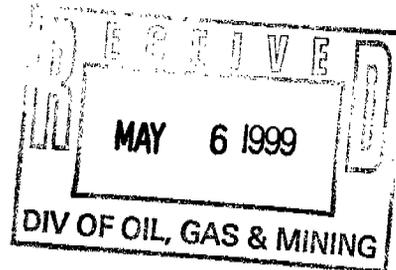
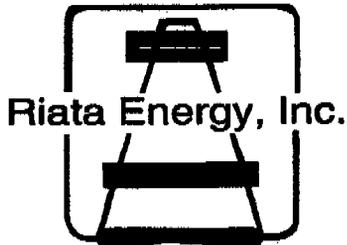
NAME: Terry D. Pope
 DIVISION: Drilling

We are transmitting 2 pages, including the cover page.

Please check the page count and call back immediately if it is in error.

Our FAX Number is 806/352-3225, 24 hrs. a day

*Thanks,
TDP*



DATE : MAY 6, 1999

TO: LISHA CORDOVA
STATE OF UTAH - DEPT. OF NATURAL RESOURCES
DIVISION OF OIL, GAS AND MINING

FROM: TERRY D. POPE

RE: GOVERNMENT 2318 #9-2
GOVERNMENT 2318 #9-3

WATER FOR THE DRILLING OF THE WELLS NOTED ABOVE WILL BE HAULED BY:

**JTJ TRANSPORTATION COMPANY
P.O. BOX 495
MOAB, UTAH 84532
435/2597420**

WATER WILL BE PURCHASED FROM:

CITY OF MOAB, UTAH

WE DO NOT PLAN TO USE WATER FROM ANY LOCAL POND, STREAM, RIVER OR LAKE IN THE AREA.

SINCERELY,

TERRY D. POPE



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

Michael O. Leavitt
Governor

Kathleen Clarke
Executive Director

Lowell P. Braxton
Division Director

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)

May 11, 1999

Riata Energy, Inc.
5912 Amarillo Boulevard West
Amarillo, Texas 79106

Re: Government 2318 #9-3 Well, 698' FNL, 1964' FWL, NE NW, Sec. 9, T.23 S., R. 18 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 43-019-31373.

Sincerely,

A handwritten signature in black ink, appearing to read "John R. Baza".

John R. Baza
Associate Director

lwp

Enclosures

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

Operator: Riata Energy, Inc.

Well Name & Number: Government 2318 #9-3

API Number: 43-019-31373

Lease: Federal **Surface Owner:** Federal

Location: NE NW **Sec.** 9 **T.** 23 S. **R.** 18 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 of spudding the well. Contact Carol Daniels at (801)538-5284.

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



United States Department of the Interior

BUREAU OF LAND MANAGEMENT

Moab Field Office
82 East Dogwood Avenue
Moab, Utah 84532

1790
UTU-75891
(UT-062)

JUL - 9 1999

CONFIDENTIAL

Dear Reader:

Attached is a copy of a proposed action for an environmental assessment (EA) being prepared by the BLM Moab Field Office. EA# UT-062-99-124 will analyze the impacts of drilling two oil and gas wells in the Dee Pass area of Grand County, Utah.

The proposed action is available for a 30-day public comment period. The review of the proposed action provides an opportunity for the public to identify resource issues in the area where the activity would occur. Comments must be submitted in writing to the Moab Field Office by 4:30 p.m. on August 13, 1999 to be considered. Thank you for your participation.

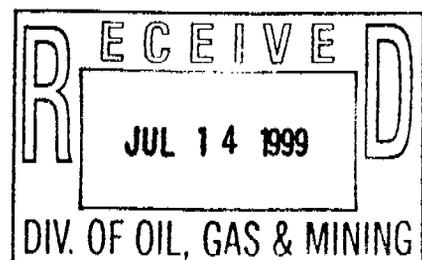
Sincerely yours,

William Stunzer

Assistant Field Manager
Division of Resources

Enclosure

1. Proposed Action for EA# UT-062-99-124 (9 pages)



INTRODUCTION

43-019-31372/9-2, 43-019-31373/9-3

Applications for Permit to Drill (APD) were submitted by Riata Energy Inc. for the 9-3 Well on April 26, 1999, and for the 9-2 Well on April 27, 1999. The 9-2 and 9-3 Wells would be in T. 23 S., R. 18 E., section 9. Both of the wells would be on Federal lands administered by the Bureau of Land Management (BLM) on Oil and Gas Lease UTU-75891.

Riata Energy drilled the 9-1 Well in 1998. There was a show of oil at the Riata 9-1 Well; however, there was not adequate production to warrant construction of facilities for producing a single well. The 9-1 Well is not being produced and is temporarily abandoned. The Riata 9-2 and 9-3 Wells would be exploratory wells to determine if it would be feasible to economically produce oil in this portion of section 9. An Environmental Assessment (EA), EA# UT-062-99-124, will be prepared by BLM to analyze potential impacts from approving the APDs and drilling the 9-2 and 9-3 Wells.

Although the Riata wells would not be drilled into the Paradox Formation, the wells would be within the area of the Paradox Fold and Fault Belt as described in the Oil and Gas Supplemental EA, EA# UT-060-89-025, December 1988. The previous drilling within the Paradox Fold and Fault Belt is included as part of the INTRODUCTION. The sections identified as NEED FOR THE PROPOSED ACTION, CONFORMANCE WITH THE LAND USE PLAN, and RELATIONSHIP TO STATUTES, REGULATIONS, OR OTHER PLANS provide additional information that BLM reviews when processing an EA. The PROPOSED ACTION AND ALTERNATIVES begin on page 5.

Drilling Within the Paradox Fold and Fault Belt, 1988-1993

The Grand Resource Area Resource Management Plan (RMP) was approved in June 1985, and Alternative C from the 1983 Environmental Impact Statement (EIS) was selected as the RMP. Alternative C analyzed the impacts of drilling 145 wells annually throughout the Grand Resource Area (RMP, Appendix A, page A-11). In December 1988, the RMP Oil and Gas Supplemental EA, EA# UT-060-89-025, was approved. The EA incorporated the Supplemental Program Guidance from Bureau of Land Management (BLM) Manual 1624.2 that was adopted in 1986. The Supplemental Program Guidance included the preparation of a Reasonable Foreseeable Development (RFD) based on historic drilling, current market trends, and industry forecasts. During the preparation of EA# UT-060-89-025, it was assumed that 248 wells would be drilled within the Grand Resource Area between 1989 and 1995. The RFD for EA# UT-060-89-025 projected or estimated 10 wells would be drilled within the Paradox Fold and Fault Belt between 1989 and 1995.

In June 1993, with the drilling of the Kane Springs 20-1 well, ten well sites had been constructed and nine wells had been drilled. When Applications for Permit to Drill (APDs) were submitted on Federal oil and gas leases after the drilling of the 20-1 well, the BLM (Grand Resource Area Office) notified the operator that processing of the APD would be delayed: "any additional wells within the greater Big Flat area will be postponed until an EIS is prepared to address impacts from full field development." BLM further advised operators that future APDs could "conceivably result in the drilling of an 11th well in this area, putting us beyond the cumulative well threshold." However, BLM has always held that the ten well threshold could be exceeded to obtain information to prepare a field development EIS.

BLM tried to delineate a portion of the Paradox Fold and Fault Belt where oil and gas resources could be developed to prepare a National Environmental Policy Act (NEPA) document for full field development. The Paradox Fold and Fault Belt covers approximately 1/2 of the Grand Resource Area, and the drilling had been spread over 1/3 or more of the Paradox Fold and Fault Belt. It is not feasible to accurately analyze full field development over an area of 250,000 acres without parameters for locating oil and gas reservoirs.

While lessees, operators and the BLM had several years to interpret data obtained in the early 1990's and the successful horizontal wells established a production history, we are still unable to define a reasonable scenario for future development to be carried forward in a NEPA document. Based on current information, any RFD or NEPA analysis prepared at this time would be short-sighted. Prior to initiating an amendment to the RMP (including new RFD and a long range NEPA document), it would be beneficial to gather additional geologic data on the limits of the Paradox Fold and Fault Belt or on the existing producing reservoirs. Without additional information on the extent of the producible reservoirs or the parameters of the existing reservoirs; a NEPA analysis at this time would have to be of broad scope, would not be prepared on the actual potential for field developments, and would not have specific locations where wells or fields would be developed.

Additional Exploratory Drilling Within the Paradox Fold and Fault Belt

In order to develop a new RFD to focus the scope of future development, additional geologic information would be required. Based on this information, BLM reconsidered options for approving additional exploratory drilling to help collect geologic data on the extent of the oil and gas reserves within the Paradox Fold and Fault Belt and the parameters of the existing oil reservoirs which may be more isolated than originally assumed.

In 1998, Moab BLM processed EA# UT-062-98-054 to provide an analysis for drilling five more wells within the Paradox Fold and Fault Belt. Two APDs were approved for Riata. The Riata 5-1 and 9-1 Wells were drilled in 1998. The Riata 5-1 Well was plugged and abandoned, and the 9-1 Well is temporarily abandoned.

There are currently four producing wells within the Paradox Fold and Fault Belt of the Grand Resource Area that have been drilled since 1988. All four of these wells are within the Kane Springs Unit operated by Avicara Energy Corporation (formerly operated by Columbia Gas Development):

Kane Springs Unit 19-1A, T. 26 S., R. 20 E., section 19;

Kane Springs Unit 27-1, T. 25 S., R. 19 E., section 27;

Kane Springs Unit 34-1, T. 25 S., R. 19 E., section 34;

Kane Springs Unit 10-1, T. 25 S., R. 18 E., section 10;

(Note: The Kane Springs 34-1 is actually a non-unit well within the boundaries of the Kane Springs Unit, based on paying well determinations for the unit.)

There is one water disposal well operated by Coastal within the Kane Springs Unit boundary, the Coastal 16-1, T. 25 S., R. 18 E., section 16 (State Lease).

There are four wells that have been drilled and temporarily abandoned since 1988:

Kane Springs Unit 28-1, T. 25 S., R. 19 E., section 28;
Kane Springs Unit 20-1, T. 26 S., R. 19 E., section 20;
Central Resources (drilled by Giant) Hatch Point #1, T. 29 S., R. 21 E., section 14;
Riata 2318 #9-1, T. 23 S., R. 18 E., section 9.

There have been 3 wells drilled, plugged, and reclaimed since 1988:

Chevron 1-36, T. 27 S., R. 20 E., section 36 (State Lease);
Burlington Resources 22-33H, T. 27 S., R. 21 E., section 33;
Riata 2318 #5-1, T. 23 S., R. 18 E., section 5.

One well site was constructed, not drilled, and reclaimed:

Exxon (constructed by Meridian) 33-4H, T. 26 S., R. 19 E., section 4.

In addition to the above referenced wells, three APDs were approved for Aviara Energy after preparation of EA# UT-062-98-054 in 1998. As of June 30, 1999, none of the well sites for the three Aviara wells had been constructed or drilled.

NEED FOR THE PROPOSED ACTION

Riata submitted APDs for the 9-2 and 9-3 Wells on Federal Oil and Gas Lease UTU-75891.

The APD is the mechanism whereby the lessee/operator requests approval to exercise their lease rights to explore for and possibly develop Federal oil and gas resources. The drilling of the proposed wells would determine if oil and gas reserves could be recovered at the proposed locations.

In addition to testing the feasibility of producing oil and gas reserves at the proposed locations, the proposed wells would provide additional geologic and reservoir data. The drilling of the two wells would be 5 miles away from the nearest producing oil field (Salt Wash), and these wells would test a new horizon. As indicated in the Introduction, additional geologic and reservoir information is needed for establishing a new RFD and for determining the boundaries of the productive areas within the Paradox Fold and Fault Belt.

CONFORMANCE WITH LAND USE PLAN

This proposed action has been determined to be in conformance with the terms and conditions of the Grand Resource Area Resource Management Plan (RMP), approved July 1985, as required by 43 CFR 1610.5. This is shown on page 15 of the plan and reads as follows: "to keep public lands open for exploration and development of mineral resources while protecting areas with sensitive resource values."

The proposed locations for the two Riata wells are in an area with no special oil and gas leasing stipulations identified in the RMP (Category 1 area).

The Record of Decision for the EIS prepared in 1983 adopted Alternative C for the Grand Resource Area RMP. Alternative C from the EIS analyzed the cumulative impacts of drilling 145 wells annually throughout the Grand Resource Area (RMP, Appendix A, page A-11 and EIS, page S-14) and impacts to vegetation occurring over 300 to 400 acres per year (RMP, Appendix A, page A-5 and EIS, page S-12).

The Supplemental Program Guidance (SPG) for fluid minerals (BLM Manual 1624.22 C.) specify RFDs should be projected as number of wells and fields. The RFD projections are also linked to cumulative impacts, which are generally measured in acreage of surface disturbance for the construction of well sites, roads, and pipelines. The 1988 RMP Oil and Gas Supplemental EA estimated an average well would result in 6.5 acres of surface disturbance. In May of 1998, the average surface disturbance for a well within the Paradox Fold and Fault Belt was approximately 4.5 acres (EA# UT-062-98-054). Two wells were drilled after the preparation of EA# UT-062-98-054, and the total surface disturbance from the construction of 13 well sites (12 wells actually drilled, 10 Federal and 2 State) is estimated at 57 acres.

EA# UT-062-99-124 will update and modify the RFD for drilling two exploratory wells, the Riata 9-2 and 9-3 Wells.

The 1988 RMP Oil and Gas Supplemental EA assumed that 50 percent of the wells would be productive and 50 percent would be abandoned and reclaimed. The EA also assumed revegetation would be successful within a scope of 10 years. Based on the drilling that has occurred within the Paradox Fold and Fault Belt since 1988, these assumptions from the existing RFD would still be valid.

The Potash-Confluence Habitat Management Plan (HMP) encompasses the areas of the proposed actions. The goals and objectives for the Potash-Confluence HMP have been developed to protect and enhance habitat for desert bighorn sheep, peregrine falcon, riparian habitat, Cycladenia humilis which is an endangered plant, deer, and elk.

All of the proposed wells would be in areas grazed as part of the Big Flat - Ten Mile allotment, and an Allotment Management Plan (AMP) has been developed for the area. The implementation of the AMP would not be affected by the proposed actions as long as the surface impacts from the proposed actions were properly mitigated.

This EA tiers to the Environmental Analysis Record for Proposed Oil and Gas Leasing in the Grand Resource Area (1975), the EIS for the Grand Resource Area Management Plan (1983), and the RMP Oil and Gas Supplemental EA# UT-060-89-025 (December 14, 1988). The EA prepared for the previous Riata wells, EA# UT-062-98-054, provides the estimates for the existing and proposed disturbances for the APDs approved in May and June of 1998.

EA# UT-068-91-079 for the Western Gas Gathering Pipeline, EA# UT-068-91-080 for the Chevron Green River Federal #1-20 Exploratory Well, EA# UT-068-91-082 for the Columbia Gas Development Corporation Kane Springs Federal #10-1 and #20-1 Exploratory Oil Wells, and EA# UT-068-93-031 for the Kane Springs Federal 25-19-34-1 Well (34-1 Well) provide additional information on affected environments and potential impacts from similar projects.

RELATIONSHIP TO STATUTES, REGULATIONS, OR OTHER PLANS

The exploration, development and production of Federal oil and gas leases is regulated by 43 CFR 3160, Onshore Oil and Gas Orders, and Notices to Lessees and operators (NTLs).

The Grand County General Plan of 1996 does not have any specific policies addressing oil and gas development. The management of public lands would be affected by Policies 4, 5, and 7. Policy 4 promotes intergovernmental coordination, including planning for the management of the public lands. The protection of sensitive lands (public watersheds, floodplains, riparian habitats, biological and archaeological sites) is addressed in Policy 5. Policy 7 is to build a strong economy. The proposed action would not conflict with the Grand County General Plan of 1996.

The proposed action would meet the BLM's policy to manage energy and mineral resources on public lands in accordance with the provisions of the Mining and Minerals Policy Act of 1970 and the Federal Land Policy and Management Act of 1976 (FLPMA). The Mining and Minerals Policy Act of 1970 declares that it is the continuing policy of the Federal Government to foster private enterprise in the development of a stable domestic minerals industry and the orderly and economic development of domestic mineral resources. FLPMA reiterates the Nation's need for domestic sources of mineral and other resources and requires that public lands be managed accordingly. In keeping with these policies, the BLM actively facilitates the development by private industry of public land mineral resources in a manner that provides for economically and environmentally sound exploration, extraction, and reclamation practices (BLM Manual Section 3000.06).

This EA will analyze the impacts and mitigation for drilling two exploratory wells, update the current RFD and document the cumulative impacts of drilling the two wells within the Paradox Fold and Fault Belt of the Grand Resource Area. BLM is preparing the EA to meet the requirement of the National Environmental Policy Act (NEPA). In the event that one or both of these Riata wells are productive, it would be likely that another NEPA document would be prepared to analyze field development on the lands within Oil and Gas Lease UTU-75891 or a larger area with similar geologic characteristics.

PROPOSED ACTION AND ALTERNATIVES

PROPOSED ACTION

The proposed action would require the construction and maintenance of a well pad to drill, produce and eventually plug/abandon an oil well at each of the proposed locations. The Surface Use Plans submitted with the APDs provide specifications for construction, operation, maintenance and restoration of the well sites. The Surface Use Plans were developed during onsite inspections of the proposed well sites. Representatives from the oil companies and BLM participated in the onsite inspections. Road routes, anticipated level of road development, production routes, and the option of centralizing production facilities were discussed during the onsite inspection.

Attached is a map of the proposed wells and access routes.

The 9-2 Well would be located approximately 1100 feet from Grand County Road #138 (road between the Ruby Ranch Road and the Moab Airport). There is an existing trail that would be used for approximately 600 feet of access, and there would be approximately 500 feet of new construction to reach the 9-2 Well. The access for the 9-3 Well would follow the same existing trail as used for the 9-2 Well. The existing trail would be followed for approximately 1200 feet, 600 feet past the 9-2 Well, and approximately 600 feet of new road would be constructed to the 9-3 Well. The existing roads and new roads would be flatbladed approximately 15-18 feet wide for the drilling operations. If a well was completed for production, the roads would require a road width of 35 feet to include the travel surface of 18-20 feet wide, ditches and topsoil berms.

The construction of a drilling location and well site would involve a surface disturbance of approximately 300 feet by 175 feet. The top 2-3 inches of soil would be removed and stockpiled. A reserve pit of 50 feet by 30 feet would be constructed adjacent to the proposed well site.

The construction of a well site would require 2-5 days, and the drilling operations would take 5-10. Well testing and completion activities could take another 20-30 days.

During the drilling phase, there would be 3-5 vehicles driving to the well site each day. Trucks hauling water for drilling would also be using the Grand County roads. One or two vehicles would travel to the well each day during production to inspect and maintain equipment. Depending on oil production and facilities constructed for production handling, one tanker truck would transport oil every 1-2 weeks.

The Riata wells would be vertical wells, and an air drilling system would probably be used for all of the drilling operations. The blowby line would be misted with water to control dust, and cuttings would be contained in a pit. All fluids used during the drilling or testing of the well would be contained in a fenced reserve pit. The reserve pit would be fenced on three sides during drilling operations and the fourth side would be fenced when the rig moves off the location. After the fluids have been removed or evaporated, the reserve pit contents would be covered with the subsoil stockpiled during construction of the pit, and reclaimed. Trash would be stored in a portable self-contained trash cage and hauled to an approved sanitary landfill when the drilling is completed.

If commercial production is established, the production facilities would probably be located on the well pad. An area of approximately 300 feet by 160 feet (1.1 acres) would be needed for production operations. The majority of this area would be occupied by production facilities. It is anticipated that a wireline truck would be needed periodically to remove paraffin from the well. The entire well pad may be required during future down-hole maintenance operations.

The specific design and layout of a production facility would be based on the volume of production during the well tests, cut and fill logistics at the well site, and potential visual impacts from the equipment. The anticipated production facilities would probably include a pumping unit, tank battery, heater treater, separator, circulation pump and flare pit.

A typical tank battery would include 2-3 tanks (200-500 barrel capacity per tank) to contain oil and an additional tank for produced water. The tank battery and production equipment would be surrounded by a berm adequate to contain any fluids lost during production handling or discharged in the event of a spill.

It is anticipated that a pumping unit would be needed to produce the well either initially or after 2 years of production. All permanent production facilities would be painted a neutral non-reflective color. If the well is a producer, additional upgrading and maintenance would be needed for drainage control on the new road. Oil production would be hauled from the well site by tanker trucks, and gas would be flared pursuant to the guidelines in NTL-4A. Any salt water produced at the well would be hauled to an approved disposal site unless alternate disposal methods were authorized according to Onshore Oil and Gas Order 7.

If 2-3 wells were being produced in the area of the 9-1, 9-2, and 9-3 Wells; a centralized production facility would be considered. It may be feasible to install a pipeline from the producing wells to a central facility located next to County Road #138. A central facility would consolidate all production tanks at a single location and would allow additional portions of each well site to be reclaimed. The feasibility would depend upon the volume of production, the rate of flow, the viscosity of the oil, and paraffin associated with the oil. If the viscosity of the production fluids is low and there is high content of paraffin, it may not be possible to transport the oil through the pipeline without providing additional production equipment along the pipeline route. It is not possible to fully assess the potential for using a pipeline until the well is drilled and the content of oil and paraffin can be determined. Therefore, this analysis assumes all of the proposed production facilities would be located at the well sites constructed for drilling. If a centralized production facility is feasible for the Riata Wells, a supplemental analysis may be required to assess the potential impacts of the facilities along with surface or buried pipelines.

If the well is not developed into a producing well or when it is no longer commercially productive, the well would be plugged. Gravel or other road surfacing would be removed from the areas requiring reclamation. The well pad and access road would be recontoured, topsoil replaced, scarified, and seeded as specified by BLM.

In addition to the Surface Use Plan, the APD includes a Drilling Program that provides specifications and mitigation for drilling through potential water and hydrocarbon zones, casing and cementing programs, pressure control equipment, drilling fluid programs, and well evaluation programs. The proposed Riata wells would be drilled as vertical wells. The drilling information would be reviewed by a Geologist and Petroleum Engineer in the Moab District Office prior to the approval of the APD. The Moab District Engineer would also provide specifications for plugging the wells.

NO ACTION ALTERNATIVE

Under the no action alternative, one or both of the APDs would not be approved for the proposed locations. The existing environment would remain in its current condition, and there would be no new environmental consequences as a result of this alternative.

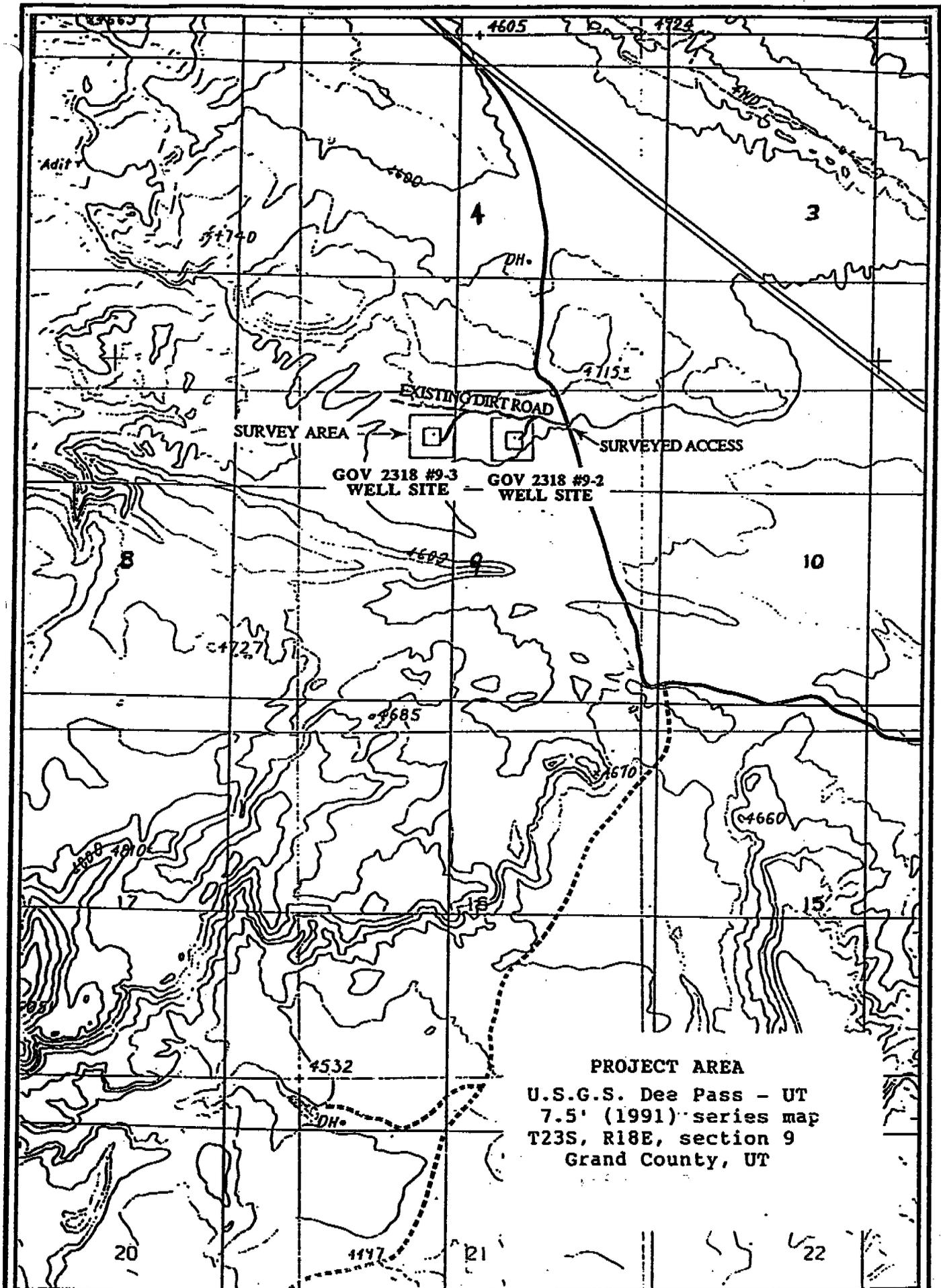
The lessee has the legal right to explore and develop oil and gas resources underlying the lease. Therefore, denying all efforts to exercise these lease rights is not a viable alternative. Selection of the no action alternative would likely result in the applicant selecting a new surface location and submitting a new APD. A new APD would be treated as a new proposed action requiring a separate analysis.

ISSUE IDENTIFICATION AND ASSUMPTIONS

The potential impacts from drilling two previous wells within UTU-75891 (Riata 5-1 and 9-1 Wells) were addressed in EA# UT-062-98-054. During the public review of the proposed action for EA# UT-062-98-054 in 1998, BLM received 5 comment letters. Several of the comments were related to potential impacts to recreational and visual resources. These comments were similar to the comments received from previous public reviews for drilling other oil and gas wells northwest of Moab.

EA# UT-062-99-124 is being prepared for drilling the Riata 9-2 and 9-3 Wells. The EA would document the affected environment and environmental impacts to each affected resource. At this time, it is anticipated that the EA would address issues similar to the ones addressed in EA# UT-062-98-054 and would follow the same format as used for EA# UT-062-98-054. There would be specific sections for Vegetation and Soil, Recreation, Visual Resources, Air Quality and Noise, Livestock Grazing, Wildlife/T&E Species, and Cultural Resources. Under the analysis for each resource, there would be headings for Affected Environment, Impacts, Mitigation, and Residual Impacts for the Proposed Action and No Action Alternatives. The cumulative impacts would be covered in a separate section of the EA.

The information presented with this proposed action would be included in the EA, and public comments received on the proposed action would be addressed in EA# UT-062-99-124.



PROJECT AREA
U.S.G.S. Dee Pass - UT
7.5' (1991) series map
T23S, R18E, section 9
Grand County, UT

RECEIVED

CONFIDENTIAL

Form 3160-3
December 1990)

MAR 06 2000
MONTEZUMA OFFICE
DIVISION OF CATE
OIL, GAS AND MINING
APR 25 1999

Form approved,
Budget Bureau No. 1004-0136
Expires: December 31, 1991

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 SINGLE ZONE MULTIPLE ZONE

2. NAME OF OPERATOR
 RIATA ENERGY, INC.

3. ADDRESS AND TELEPHONE NO.
 5912 Amarillo Blvd West, Amarillo, TX 79106 (806)352-2936

4. LOCATION OF WELL (Report location clearly and in accordance with any State requirements.)
 At surface: 698' -968' FNL and 1,694' FEL
 At proposed prod. zone: NW-NW Sec. 9, T23S-R18E
 NE NW

14. DISTANCE IN MILES AND DIRECTION FROM NEAREST TOWN OR POST OFFICE
 13.9 miles southwest of Crescent Junction, Utah

15. DISTANCE FROM PROPOSED LOCATION TO NEAREST PROPERTY OR LEASE LINE, FT. (Also to nearest drlg. unit line, if any) 698'

16. NO. OF ACRES IN LEASE 2555.87

17. NO. OF ACRES ASSIGNED TO THIS WELL 40

18. DISTANCE FROM PROPOSED LOCATION TO NEAREST WELL, DRILLING, COMPLETED, OR APPLIED FOR, ON THIS LEASE, FT. 2,712'

19. PROPOSED DEPTH 2,000'

20. ROTARY OR CABLE TOOLS Rotary

21. ELEVATIONS (Show whether DF, RT, GR, etc.) 4,618' GR

22. APPROX. DATE WORK WILL START Upon approval of this app.

5. LEASE DESIGNATION AND SERIAL NO.
 UTU-75891

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

7. UNIT AGREEMENT NAME
 N/A

8. FARMOR LEASE NAME, WELL NO.
 Government 2318

9. ARWELL NO.
 #9-3 430931373

10. FIELD AND POOL, OR WILDCAT
 WILDCAT

11. SEC., T., R., M., OR BLK. AND SURVEY OF AREA
 Sec 9, T23S - R18E

12. COUNTY OR PARISH 13. STATE
 Grand Utah

23. PROPOSED CASING AND CEMENTING PROGRAM

SIZE OF HOLE	GRADE SIZE OF CASING	WEIGHT PER FOOT	SETTING DEPTH	QUANTITY OF CEMENT
12-1/4"	8-5/8"	24#	200'	355 Sx Class "G" - Circ to surf
7-7/8"	5-1/2"	10-5# 15.5#	2000'	300 Sx Class "G" & Poz w/ additives

Riata Energy, Inc. proposes to drill a well to 2,000' to test the Navajo. If productive, casing will be run and the well completed. If dry, the well will be plugged and abandoned as per BLM and State of Utah requirements.

See Onshore Order No. 1 attached.

Please be advised that Riata Energy, Inc. is considered to be the Operator of the above mentioned well. Riata Energy, Inc. agrees to be responsible under the terms and conditions of the lease for the operations conducted upon the lease lands.

Bond coverage for this well is provided by Riata Energy, Inc. under their Statewide BLM Bond #UT-1006.

FLARING OR VENTING OF
GAS IS SUBJECT TO NTLA-A
D-Dated 1/1/80

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.

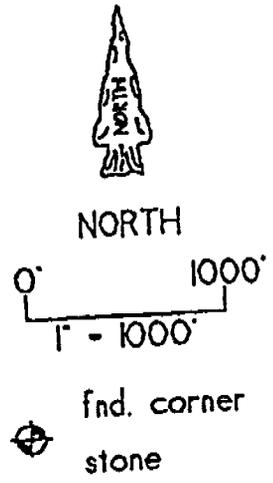
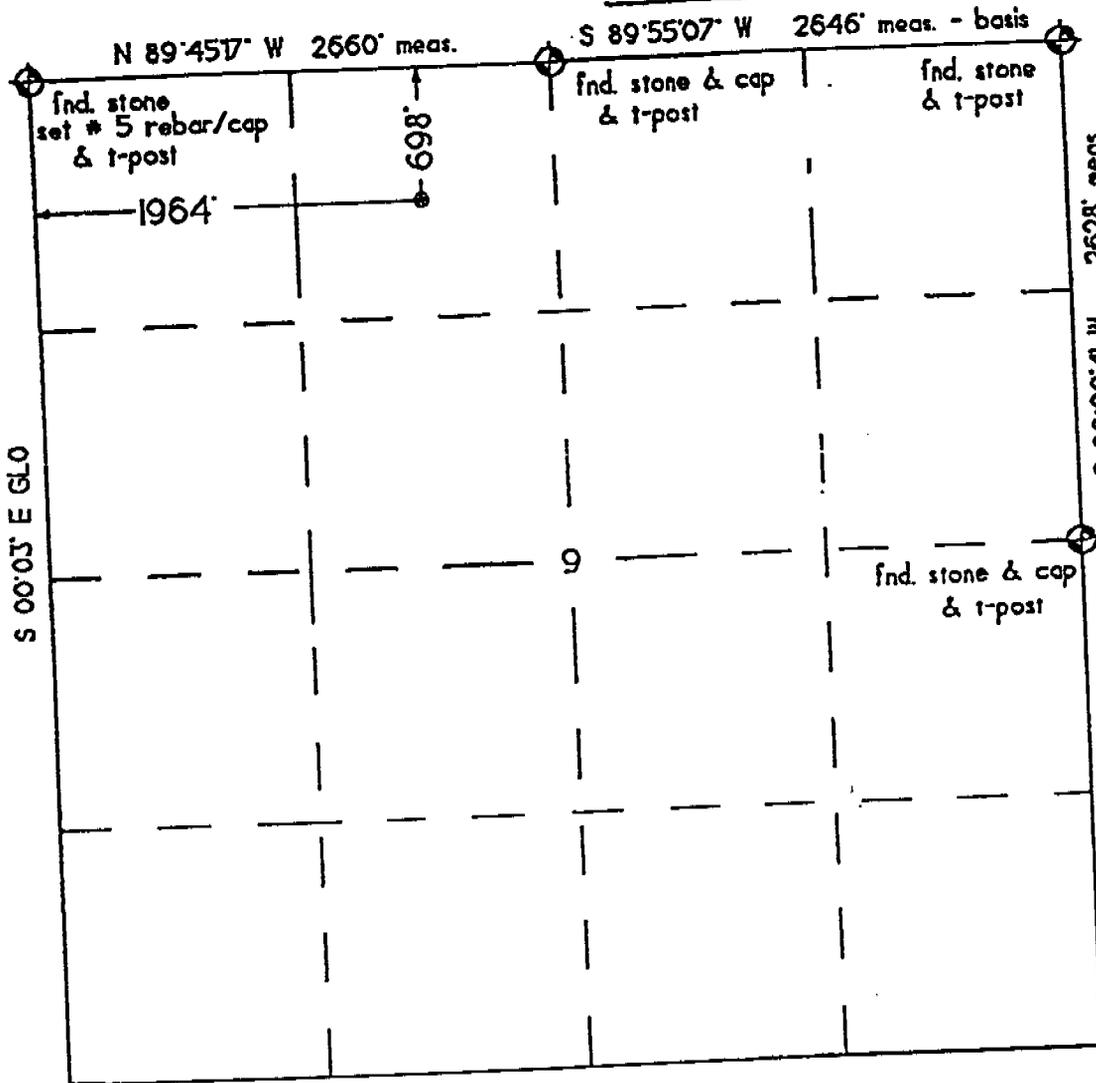
SIGNED: [Signature] TITLE: Production Manager DATE: April 9, 1999

(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.

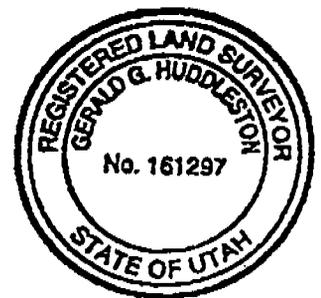
CONDITIONS OF APPROVAL, IF ANY:
 /S/ WILLIAM C. STRINGER Assistant Field Manager,
 Division of Resources
 APPROVED BY _____ TITLE _____ DATE FEB 29 2000

Well Location Plat



Well Location Description

RIATA ENERGY, INC.
 Government 2318 # 9 - 3
 698' FNL & 1964' FWL
 Section 9, T.23 S., R.18 E., SLM
 Grand County, UT
 4618' grd. el. (from grd @ 9 - 1)



rev: 24 February 1999

Gerald G. Huddleston
 Gerald G. Huddleston, LS

The above is true and correct to my knowledge and belief.

Riata Energy, Inc.
Government 2318 No. 9-3
Lease U-75891
NE/NW Sec. 9, T23S, R18E
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 Riata Energy, Inc. 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 1081 (Principal - Riata Energy, Inc.) via surety consent as provided for in 43 CFR § 3104.2.

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

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

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

A. DRILLING PROGRAM

1. The proposed BOPE is in a 2M configuration, and is adequate for this depth in this area. Installation, testing and operation of the system shall be in conformance with Onshore Oil and Gas Order No. 2.
2. It is understood that the production casing will be 5½ inch, **15.5 lb/ft**, J-55. Any modification to the approved casing/cement design must be approved via sundry notice prior to use.
3. Concurrent APD approval from the State of Utah, Division of Oil, Gas & Mining is required before conducting any surface disturbing activities.

-

B. SURFACE

1. No construction or drilling operations will be authorized between February 1 and July 15, unless additional raptor surveys are completed prior to initiating 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, and these limitations do not apply to wells where drilling was initiated between July 16 and January 31.
2. If water is pumped directly from the Colorado or Green Rivers, screening with 1/8" mesh will cover the intake hose to reduce the possibility of "taking" endangered fishes. Intake hoses will not be placed in backwaters or other low-velocity portions of the river; water will be taken from fast-current areas whenever feasible. In areas where pumping is allowed, haulers will not be authorized to pump between 8 pm and 9 am from June through September to avoid larval drift.
3. Prior to using water encountered during drilling operations for dust control, an analysis will be required. BLM will consider the use of produced water on a case by case basis.
4. Any fluids spilled on or off the well pad will be reported to BLM. BLM will provide spill clean-up and restoration procedures on a case by case basis.
5. 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.
6. Prior to installing production facilities, the operator will schedule an on-site inspection of the well site with BLM to determine the locations of the production equipment. The purpose of the on-site inspection is to reduce potential visual impacts to known observation points. During the on-site inspection, the following types of mitigation will be discussed and implemented as needed:
 - a. Selecting neutral, non-reflective colors for the production equipment. Colors will be selected to blend with the surrounding soils, rocks or trees.
 - b. The use of off-site production facilities and pipelines.
 - c. The location and orientation of the equipment to help reduce the height of the facilities above the skyline and to help shield the moving components of the production equipment from view.
 - d. Lowering the flare pipe, raising the pit berm, or shielding the flare from known observation points along well traveled roads.
7. Prior to spraying weeds on public lands, the operator will submit a Pesticide Use Proposal (PUP) to BLM for review and approval of the herbicide and methods to be used.

C. REQUIRED APPROVALS, REPORTS AND NOTIFICATIONS

Required verbal notifications are summarized in Table 1, attached.

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

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

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

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

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

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

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

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

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

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

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

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

Produced Water- An application for approval of a permanent disposal method and location will be submitted to the Moab Field Office for approval pursuant to Onshore Oil and Gas Order 7.

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

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

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

TABLE 1

NOTIFICATIONS

Notify Jack Johnson at 435-259-2129 or Rich McClure at 435-259-2127 of the Moab Field Office for the following:

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

1 day prior to spudding;

50 feet prior to reaching the surface casing setting depth

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

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

Eric Jones, Petroleum Engineer Office: (435) 259-2117
Home: (435) 259-2214

DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT
ROUTING AND TRANSMITTAL SLIP

TO				
CODE	NAME	ORGANIZATION	ACTION	ROOM NO.
	Utah Division			
	Oil, Gas, Mining			

Indicate Action by Number

- | | |
|----------------------------|---------------------|
| 1. Necessary action | 6. Note and sumame |
| 2. Approval | 7. Note and return |
| 3. Signature | 8. Your information |
| 4. Prepare reply | 9. See me |
| 5. Your comment and return | 10. |

From Rich McClure	Date 7/9/99	Room No.
Office BLM - Moab	Phone 435 259-2111	

Remarks

2 proposed wells in
Grand County
Fed. Surface / Fed. Mineral

Please call if any
questions,
Rich



United States Department of the Interior

RECEIVED

BUREAU OF LAND MANAGEMENT

Moab Field Office
82 East Dogwood Avenue
Moab, Utah 84532

MAR 16 2000

DIVISION OF
OIL, GAS AND MINING

1790
UTU-75891
(UT-062)

CONFIDENTIAL

MAR - 1 2000

Dear Interested Party:

Enclosed is a copy of the Decision Record for Environmental Assessment (EA) UT-062-99-124. The EA was prepared by the Moab Field Office of the Bureau of Land Management to analyze the impacts of Riata Energy, Inc. drilling two oil and gas wells in T. ~~23 S., R. 18 E., section 9~~ Grand County, Utah. You are receiving this Decision Record due to your request to be informed during the processing of the EA.

43-019-31372 & 43-019-31373

The Decision Record approves the proposed action to drill the ~~9-2 and 9-3~~ wells. The Applications for Permit to Drill the 9-2 and 9-3 wells were approved on the same date as the Decision Record for the EA, February 29, 2000.

Any party adversely affected by this decision may request an administrative review, before the State Director (43 CFR 3165.3). Such request would have to be filed with the Utah State Director within 20 business days of the date the decision was received or considered to be received.

Thank you for your participation. If you have any questions regarding EA UT-062-99-124 or the Applications for Permit to Drill the Riata wells, please call Rich McClure at (435) 259-2127.

Sincerely yours,

Assistant Field Office Manager
Division of Resources

Enclosure

1. Decision Record for EA# UT-062-99-124 (7 pages)

**DECISION RECORD AND
FINDING OF NO SIGNIFICANT IMPACT**

EA Log No.: UT-062-99-124

Lease No.: UTU-75891

Project: Riata 9-2 and 9-3 Wells

Applicants: Riata Energy, Inc.

Address: Amarillo, Texas

Project Locations: T. 23 S., R. 18 E., section 9; Grand County, Utah

BLM Office: Moab Field Office

Phone No.: (435) 259-6111

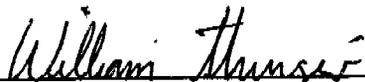
Decision: It is the decision of the Bureau to approve the Applications for Permit to Drill (APDs). The APDs are subject to the terms and provisions of the lease and the Conditions of Approval referenced below.

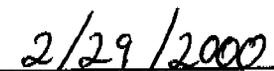
Finding of No Significant Impacts: Based on the analysis of potential environmental impacts contained in the environmental assessment (EA) referenced above, impacts have been determined not to be significant and an environmental impact statement is not required.

Rationale for Decision: The surface use plans of the APDs and the attached Conditions of Approval will prevent significant impacts to the environment. The APDs are in conformance with management actions provided for in the Grand Resource Area RMP and consistent with BLM objectives of 43 CFR 3160 and BLM Mineral Resources Policy (May 29, 1984).

The proposed action for the EA was available, to the public, for issue identification from July 15 through August 13, 1999, and one letter was received. Comments regarding the Duma Point Unit of America's Redrock Wilderness Act (House of Representatives Bill 1732) and the need for preparing an environmental impact statement were addressed in the EA. Two letters were received during the public review of the EA from October 21 through November 22, 1999. A synopsis of the comments received and the BLM responses are attached.

Conditions of Approval: This decision incorporates by reference the attached Conditions of Approval. The Conditions of Approval have been developed to mitigate adverse environmental impacts which may result from the action permitted by this decision.


Assistant Field Manager
Division of Resources


Date

Comments on Review of EA# UT-062-99-124, and BLM Responses

Environmental Assessment (EA) UT-062-99-124 was available for public review and comment from October 21 through November 22, 1999. Two letters were received by the Moab Field Office; a two page letter from an individual and a six page letter from the Southern Utah Wilderness Alliance (SUWA). Responding to the SUWA comments would address all of the written comments received during the public review.

The comments in the SUWA letter dated November 19, 1999, were divided into five headings and a conclusion. Each of the five headings from the SUWA letter are addressed as their major topics, and specific comments from the SUWA letter were paraphrased. BLM has provided a response to each of the major topics.

Topic 1. "The proposed action is highly controversial:"

The proposed wells would be within the Duma Point Unit of HR 1732 which is congressionally proposed for wilderness designation in the Citizens' Wilderness Proposal, America's Redrock Wilderness Act. The proposed action would impact the significant roadless and wilderness character of the area.

Response: In 1980, the area was evaluated for wilderness characteristics during BLM's Intensive Wilderness Inventory, and the area was not designated as a Wilderness Study Area. The area was not identified for the wilderness reinventory in 1996. The area received a site specific analysis in EA# UT-062-99-124, and wilderness was addressed under the section for recreation and wilderness. The analysis in EA# UT-062-99-124 did not identify the area of the proposed wells as having wilderness characteristics (pages 13 and 14 of EA). An existing trail provides access through the area of the proposed action, and vehicles have been using this trail and adjacent areas (page 13 of EA).

Previous Interior Board of Land Appeal (IBLA) decisions have addressed wilderness areas nominated by citizens' groups. BLM is not required to conduct new inventories for wilderness when a citizens' group nominates an area for wilderness designation (Southern Utah Wilderness Alliance, 122 IBLA 17, 21 n.4 (1992); Southern Utah Wilderness Alliance, et al, 128 IBLA 52, 65-66 (1993); Southern Utah Wilderness Alliance, 150 IBLA 263, 266 (1999)).

Topic 2. "The EA failed to adequately analyze the impacts of the proposed action on recreation and wilderness:"

The EA failed to consider wilderness type recreational opportunities. Moab BLM has not formally reviewed this area for wilderness character. Increased truck traffic and equipment used to drill and produce a well would impact solitude in the Duma Point Unit.

Response: Please see BLM response for Topic 1., regarding recreation and wilderness. EA# UT-062-99-124 addresses potential impacts to various resource values. Opportunities for primitive or wilderness type recreation activities would be limited near the county road and existing trail where the proposed action would occur. Pages 13-18 of the EA, and the section on cumulative impacts, provide information on the level of recreational use in this area and the types of impacts that would be anticipated to recreation, wilderness, visual resources, and air quality.

Topic 3. "The EA improperly breaks down the analysis to avoid a 'significant impact' determination:"

The EA is limited to two wells and postpones the analysis of field development. Impacts from a centralized production facility are dismissed, and the EA conveniently avoids a "hard look" at reasonably foreseeable impacts of production.

Response: Tables 1-3, Appendix B, of EA# UT-062-99-124 provide estimates for the level of existing impacts and a level of potential impacts that could occur with the proposed action. As stated on page 5 of the EA, the proposed action analyzes the construction of production facilities at each well site, and recognizes that there could be a potential for a centralized production facility located at one of the well sites. The full potential for utilizing a centralized facility would depend on which wells were productive, and the level of production and viscosity of oil produced. Typical production of a small oil well in Grand County would have production stored in a production tank at the well site, and a tanker truck would drive to the well site to transport the oil. BLM has analyzed the most logical scenario for production of the two wells. The EA also projected a level of surface disturbances that would be involved if pipelines were constructed to a centralized facility at one of the wells (page 11 of EA). The production scenario analyzed would have the same or more impacts than a centralized facility located at one of the wells.

The section on cumulative impacts provides the most up to date scenario that can be provided on the potential for future drilling. As stated on page 25 of the EA, the Riata lease is not in a stage of field development and the scenario presented for future drilling and production is speculative. However, an attempt has been made to provide an estimated level of impacts in the event that other wells are drilled in the future.

Topic 4. "The EA fails to consider the reasonably foreseeable cumulative impacts of these and other proposed wells."

According to the regulations at 40 CFR 1508.7, BLM must consider cumulative impacts, and the EA did not provide adequate analysis of all impacts. There was no indication that EPA was consulted during the preparation of the EA.

Response: Please see BLM response to SUWA Topic 3., regarding anticipated impacts and cumulative impacts. As stated on pages 2 and 3 of the EA, the EA was updating the current RFD and documenting the cumulative impacts for the area of the proposed wells. There would be no impacts to air quality or water quality requiring consultation with EPA. BLM does not generally contact EPA during the preparation of routine EAs.

Topic 5. "The EA failed to adequately consider reasonable alternatives to the proposed action:"

The analysis of the five alternatives under the EA heading of "Alternatives Considered But Rejected" was conclusory and did not consider other alternatives (such as relocating well sites).

The alternative of no action was not given a "hard look". Two no action alternatives were presented in the SUWA letter for precluding lease development: (1) deny the APD due to environmental sensitivity, and (2) indefinite suspension of leases in congressionally proposed wilderness areas (such as the Duma Point Unit) pending exchange of leases, withdrawal of lands from mineral leasing laws, approval of Redrocks Wilderness Act, availability of better data, drilling from outside the Duma Point Unit of HR 1732, or directionally drilling from outside the Duma Point Unit.

Response: The information under the EA section for "Alternatives Considered But Rejected" addresses the majority of the alternatives that BLM considered prior to preparing EA# UT-062-99-124. EA# UT-062-99-124 addresses all of the issues cited in the SUWA letter. One of the purposes of the section on "Alternatives Considered But Rejected" is to help screen alternatives to be analyzed in the EA.

BLM has authority to relocate well sites 200 meters (43 CFR 3101.1-2). The options of shifting the alignment of the well site or moving the well site were considered during the onsite inspection. No reasons for moving the proposed well sites were identified during the onsite inspection. Any location within 200 meters of the proposed wells would have the same level of impacts as at the proposed sites. Relocating the well locations next to the adjacent trail would not be a substantial reduction in surface use and would be locating the wells farther upslope which make them more visible from the county road. No alternate access routes have been identified that would result in a substantial difference in the magnitude of surface impacts analyzed in the EA (page 6).

(Response for Topic 5., continued)

As stated in the EA on page 6, directional drilling would require a well site within 1/4 mile of the proposed locations. There are no existing surface disturbances within 1/4 mile of the proposed wells. Constructing a well site for directional drilling both wells from a single location would require a larger well site than analyzed for the individual vertical wells, and there would be no substantial reduction in surface impacts or change in impacts analyzed for the proposed action. There are constraints associated with directional drilling, and the alternative for directional drilling was not carried forward (pages 6 and 7 of EA).

The option of preparing a separate NEPA document for modifying the RFD was addressed under "Alternatives Considered But Rejected". Additional information regarding the RFD was provided throughout the EA (Need for the Proposed Action, Conformance with Land Use Plan, Cumulative Impacts, Appendix E). As stated on pages 2 and 3, this EA is updating the RFD for drilling two exploratory wells.

The alternative for preparing a NEPA document for field development was considered. The Riata wells would not be drilled in an area of field development, and this alternative was not analyzed (page 8 of the EA). Appendix E. provides a history of previous drilling in this area, and the section on cumulative impacts addresses the potential for future drilling. Please see BLM response to Topic 3. regarding future drilling and production.

The alternative of issuing a suspension of operations was addressed in the EA, and the alternative was not carried forward in the EA (page 9).

The variations presented by SUWA for no action would preclude any drilling on the existing lease within the Duma Point Unit as proposed in the Redrocks Wilderness Act. The alternative of not approving one or both of the APDs was considered as the no action alternative in the EA. The no action alternative in the EA would result in no new surface impacts at the proposed locations and would be the same net result to surface impacts as the no action alternatives proposed by SUWA.

The alternatives from SUWA are total preclusion of drilling and development due to a high level of environmental sensitivity. None of the previous BLM planning processes (Resource Management Plan, Management Framework Plan) or previous NEPA documents have identified this area as having a high level of environmental sensitivity. The EA identified a low level of potential impacts, and the EA provides an analysis for mitigation of the potential impacts. The total preclusion of drilling through lease suspension, withdrawal, etc. is not warranted at the proposed locations. Please refer to BLM responses on Topic 1., regarding citizens' proposals for wilderness.

CONDITIONS OF APPROVAL

EA Log No.: UT-062-99-124

Lease No.: UTU-75891

Project: Riata 9-2 and 9-3 Wells

Applicant: Riata Energy

Address: Amarillo, Texas

Project Location: T. 23 S., R. 18 E., section 9; Grand County, Utah

BLM Office: Moab Field Office

Phone No.: (435) 259-6111

1. No construction or drilling operations will be authorized between February 1 and July 15, unless additional raptor surveys are completed prior to initiating 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, and these limitations do not apply to wells where drilling was initiated between July 16 and January 31.
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 - c. The location and orientation of the equipment to help reduce the height of the facilities above the skyline and to help shield the moving components of the production equipment from view.
 - d. Lowering the flare pipe, raising the pit berm, or shielding the flare from known observation points along well traveled roads.

7. Prior to spraying weeds on public lands, the operator will submit a Pesticide Use Proposal (PUP) to BLM for review and approval of the herbicide and methods to be used.



United States Department of the Interior

RECEIVED

BUREAU OF LAND MANAGEMENT
Moab Field Office
82 East Dogwood Avenue
Moab, Utah 84532

MAR 16 2000

DIVISION OF
OIL, GAS AND MINING

1790
UTU-75891
(UT-062)

CONFIDENTIAL

MAR - 1 2000

Dear Interested Party:

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43-019-31372 & 43-019-31373

The Decision Record approves the proposed action to drill the ~~9-2 and 9-3~~ wells. The Applications for Permit to Drill the 9-2 and 9-3 wells were approved on the same date as the Decision Record for the EA, February 29, 2000.

Any party adversely affected by this decision may request an administrative review, before the State Director (43 CFR 3165.3). Such request would have to be filed with the Utah State Director within 20 business days of the date the decision was received or considered to be received.

Thank you for your participation. If you have any questions regarding EA UT-062-99-124 or the Applications for Permit to Drill the Riata wells, please call Rich McClure at (435) 259-2127.

Sincerely yours,

Assistant Field Office Manager
Division of Resources

Enclosure

1. Decision Record for EA# UT-062-99-124 (7 pages)

**DECISION RECORD AND
FINDING OF NO SIGNIFICANT IMPACT**

EA Log No.: UT-062-99-124

Lease No.: UTU-75891

Project: Riata 9-2 and 9-3 Wells

Applicants: Riata Energy, Inc.

Address: Amarillo, Texas

Project Locations: T. 23 S., R. 18 E., section 9; Grand County, Utah

BLM Office: Moab Field Office

Phone No.: (435) 259-6111

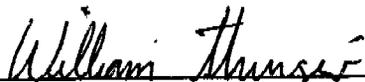
Decision: It is the decision of the Bureau to approve the Applications for Permit to Drill (APDs). The APDs are subject to the terms and provisions of the lease and the Conditions of Approval referenced below.

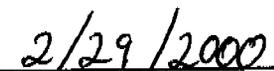
Finding of No Significant Impacts: Based on the analysis of potential environmental impacts contained in the environmental assessment (EA) referenced above, impacts have been determined not to be significant and an environmental impact statement is not required.

Rationale for Decision: The surface use plans of the APDs and the attached Conditions of Approval will prevent significant impacts to the environment. The APDs are in conformance with management actions provided for in the Grand Resource Area RMP and consistent with BLM objectives of 43 CFR 3160 and BLM Mineral Resources Policy (May 29, 1984).

The proposed action for the EA was available, to the public, for issue identification from July 15 through August 13, 1999, and one letter was received. Comments regarding the Duma Point Unit of America's Redrock Wilderness Act (House of Representatives Bill 1732) and the need for preparing an environmental impact statement were addressed in the EA. Two letters were received during the public review of the EA from October 21 through November 22, 1999. A synopsis of the comments received and the BLM responses are attached.

Conditions of Approval: This decision incorporates by reference the attached Conditions of Approval. The Conditions of Approval have been developed to mitigate adverse environmental impacts which may result from the action permitted by this decision.


Assistant Field Manager
Division of Resources


Date

Comments on Review of EA# UT-062-99-124, and BLM Responses

Environmental Assessment (EA) UT-062-99-124 was available for public review and comment from October 21 through November 22, 1999. Two letters were received by the Moab Field Office; a two page letter from an individual and a six page letter from the Southern Utah Wilderness Alliance (SUWA). Responding to the SUWA comments would address all of the written comments received during the public review.

The comments in the SUWA letter dated November 19, 1999, were divided into five headings and a conclusion. Each of the five headings from the SUWA letter are addressed as their major topics, and specific comments from the SUWA letter were paraphrased. BLM has provided a response to each of the major topics.

Topic 1. "The proposed action is highly controversial:"

The proposed wells would be within the Duma Point Unit of HR 1732 which is congressionally proposed for wilderness designation in the Citizens' Wilderness Proposal, America's Redrock Wilderness Act. The proposed action would impact the significant roadless and wilderness character of the area.

Response: In 1980, the area was evaluated for wilderness characteristics during BLM's Intensive Wilderness Inventory, and the area was not designated as a Wilderness Study Area. The area was not identified for the wilderness reinventory in 1996. The area received a site specific analysis in EA# UT-062-99-124, and wilderness was addressed under the section for recreation and wilderness. The analysis in EA# UT-062-99-124 did not identify the area of the proposed wells as having wilderness characteristics (pages 13 and 14 of EA). An existing trail provides access through the area of the proposed action, and vehicles have been using this trail and adjacent areas (page 13 of EA).

Previous Interior Board of Land Appeal (IBLA) decisions have addressed wilderness areas nominated by citizens' groups. BLM is not required to conduct new inventories for wilderness when a citizens' group nominates an area for wilderness designation (Southern Utah Wilderness Alliance, 122 IBLA 17, 21 n.4 (1992); Southern Utah Wilderness Alliance, et al, 128 IBLA 52, 65-66 (1993); Southern Utah Wilderness Alliance, 150 IBLA 263, 266 (1999)).

Topic 2. "The EA failed to adequately analyze the impacts of the proposed action on recreation and wilderness:"

The EA failed to consider wilderness type recreational opportunities. Moab BLM has not formally reviewed this area for wilderness character. Increased truck traffic and equipment used to drill and produce a well would impact solitude in the Duma Point Unit.

Response: Please see BLM response for Topic 1., regarding recreation and wilderness. EA# UT-062-99-124 addresses potential impacts to various resource values. Opportunities for primitive or wilderness type recreation activities would be limited near the county road and existing trail where the proposed action would occur. Pages 13-18 of the EA, and the section on cumulative impacts, provide information on the level of recreational use in this area and the types of impacts that would be anticipated to recreation, wilderness, visual resources, and air quality.

Topic 3. "The EA improperly breaks down the analysis to avoid a 'significant impact' determination:"

The EA is limited to two wells and postpones the analysis of field development. Impacts from a centralized production facility are dismissed, and the EA conveniently avoids a "hard look" at reasonably foreseeable impacts of production.

Response: Tables 1-3, Appendix B, of EA# UT-062-99-124 provide estimates for the level of existing impacts and a level of potential impacts that could occur with the proposed action. As stated on page 5 of the EA, the proposed action analyzes the construction of production facilities at each well site, and recognizes that there could be a potential for a centralized production facility located at one of the well sites. The full potential for utilizing a centralized facility would depend on which wells were productive, and the level of production and viscosity of oil produced. Typical production of a small oil well in Grand County would have production stored in a production tank at the well site, and a tanker truck would drive to the well site to transport the oil. BLM has analyzed the most logical scenario for production of the two wells. The EA also projected a level of surface disturbances that would be involved if pipelines were constructed to a centralized facility at one of the wells (page 11 of EA). The production scenario analyzed would have the same or more impacts than a centralized facility located at one of the wells.

The section on cumulative impacts provides the most up to date scenario that can be provided on the potential for future drilling. As stated on page 25 of the EA, the Riata lease is not in a stage of field development and the scenario presented for future drilling and production is speculative. However, an attempt has been made to provide an estimated level of impacts in the event that other wells are drilled in the future.

Topic 4. "The EA fails to consider the reasonably foreseeable cumulative impacts of these and other proposed wells."

According to the regulations at 40 CFR 1508.7, BLM must consider cumulative impacts, and the EA did not provide adequate analysis of all impacts. There was no indication that EPA was consulted during the preparation of the EA.

Response: Please see BLM response to SUWA Topic 3., regarding anticipated impacts and cumulative impacts. As stated on pages 2 and 3 of the EA, the EA was updating the current RFD and documenting the cumulative impacts for the area of the proposed wells. There would be no impacts to air quality or water quality requiring consultation with EPA. BLM does not generally contact EPA during the preparation of routine EAs.

Topic 5. "The EA failed to adequately consider reasonable alternatives to the proposed action:"

The analysis of the five alternatives under the EA heading of "Alternatives Considered But Rejected" was conclusory and did not consider other alternatives (such as relocating well sites).

The alternative of no action was not given a "hard look". Two no action alternatives were presented in the SUWA letter for precluding lease development: (1) deny the APD due to environmental sensitivity, and (2) indefinite suspension of leases in congressionally proposed wilderness areas (such as the Duma Point Unit) pending exchange of leases, withdrawal of lands from mineral leasing laws, approval of Redrocks Wilderness Act, availability of better data, drilling from outside the Duma Point Unit of HR 1732, or directionally drilling from outside the Duma Point Unit.

Response: The information under the EA section for "Alternatives Considered But Rejected" addresses the majority of the alternatives that BLM considered prior to preparing EA# UT-062-99-124. EA# UT-062-99-124 addresses all of the issues cited in the SUWA letter. One of the purposes of the section on "Alternatives Considered But Rejected" is to help screen alternatives to be analyzed in the EA.

BLM has authority to relocate well sites 200 meters (43 CFR 3101.1-2). The options of shifting the alignment of the well site or moving the well site were considered during the onsite inspection. No reasons for moving the proposed well sites were identified during the onsite inspection. Any location within 200 meters of the proposed wells would have the same level of impacts as at the proposed sites. Relocating the well locations next to the adjacent trail would not be a substantial reduction in surface use and would be locating the wells farther upslope which make them more visible from the county road. No alternate access routes have been identified that would result in a substantial difference in the magnitude of surface impacts analyzed in the EA (page 6).

(Response for Topic 5., continued)

As stated in the EA on page 6, directional drilling would require a well site within 1/4 mile of the proposed locations. There are no existing surface disturbances within 1/4 mile of the proposed wells. Constructing a well site for directional drilling both wells from a single location would require a larger well site than analyzed for the individual vertical wells, and there would be no substantial reduction in surface impacts or change in impacts analyzed for the proposed action. There are constraints associated with directional drilling, and the alternative for directional drilling was not carried forward (pages 6 and 7 of EA).

The option of preparing a separate NEPA document for modifying the RFD was addressed under "Alternatives Considered But Rejected". Additional information regarding the RFD was provided throughout the EA (Need for the Proposed Action, Conformance with Land Use Plan, Cumulative Impacts, Appendix E). As stated on pages 2 and 3, this EA is updating the RFD for drilling two exploratory wells.

The alternative for preparing a NEPA document for field development was considered. The Riata wells would not be drilled in an area of field development, and this alternative was not analyzed (page 8 of the EA). Appendix E. provides a history of previous drilling in this area, and the section on cumulative impacts addresses the potential for future drilling. Please see BLM response to Topic 3. regarding future drilling and production.

The alternative of issuing a suspension of operations was addressed in the EA, and the alternative was not carried forward in the EA (page 9).

The variations presented by SUWA for no action would preclude any drilling on the existing lease within the Duma Point Unit as proposed in the Redrocks Wilderness Act. The alternative of not approving one or both of the APDs was considered as the no action alternative in the EA. The no action alternative in the EA would result in no new surface impacts at the proposed locations and would be the same net result to surface impacts as the no action alternatives proposed by SUWA.

The alternatives from SUWA are total preclusion of drilling and development due to a high level of environmental sensitivity. None of the previous BLM planning processes (Resource Management Plan, Management Framework Plan) or previous NEPA documents have identified this area as having a high level of environmental sensitivity. The EA identified a low level of potential impacts, and the EA provides an analysis for mitigation of the potential impacts. The total preclusion of drilling through lease suspension, withdrawal, etc. is not warranted at the proposed locations. Please refer to BLM responses on Topic 1., regarding citizens' proposals for wilderness.

CONDITIONS OF APPROVAL

EA Log No.: UT-062-99-124

Lease No.: UTU-75891

Project: Riata 9-2 and 9-3 Wells

Applicant: Riata Energy

Address: Amarillo, Texas

Project Location: T. 23 S., R. 18 E., section 9; Grand County, Utah

BLM Office: Moab Field Office

Phone No.: (435) 259-6111

1. No construction or drilling operations will be authorized between February 1 and July 15, unless additional raptor surveys are completed prior to initiating 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, and these limitations do not apply to wells where drilling was initiated between July 16 and January 31.
2. If water is pumped directly from the Colorado or Green Rivers, screening with 1/8" mesh will cover the intake hose to reduce the possibility of "taking" endangered fishes. Intake hoses will not be placed in backwaters or other low-velocity portions of the river; water will be taken from fast-current areas whenever feasible. In areas where pumping is allowed, haulers will not be authorized to pump between 8 pm and 9 am from June through September to avoid larval drift.
3. Prior to using water encountered during drilling operations for dust control, an analysis will be required. BLM will consider the use of produced water on a case by case basis.
4. Any fluids spilled on or off the well pad will be reported to BLM. BLM will provide spill clean-up and restoration procedures on a case by case basis.
5. 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.

6. Prior to installing production facilities, the operator will schedule an on-site inspection of the well site with BLM to determine the locations of the production equipment. The purpose of the on-site inspection is to reduce potential visual impacts to known observation points. During the on-site inspection, the following types of mitigation will be discussed and implemented as needed:
 - a. Selecting neutral, non-reflective colors for the production equipment. Colors will be selected to blend with the surrounding soils, rocks or trees.
 - b. The use of off-site production facilities and pipelines.
 - c. The location and orientation of the equipment to help reduce the height of the facilities above the skyline and to help shield the moving components of the production equipment from view.
 - d. Lowering the flare pipe, raising the pit berm, or shielding the flare from known observation points along well traveled roads.

7. Prior to spraying weeds on public lands, the operator will submit a Pesticide Use Proposal (PUP) to BLM for review and approval of the herbicide and methods to be used.

STATE OF UTAH
DIVISION OF OIL, GAS AND MINING

5. Lease Designation and Serial Number:
UTU75891

6. If Indian, Allottee or Tribe Name:

7. Unit Agreement Name:

SUNDRY NOTICES AND REPORTS ON WELLS

Do not use this form for proposals to drill new wells, deepen existing wells, or to reenter plugged and abandoned wells.
Use APPLICATION FOR PERMIT TO DRILL OR DEEPEN form for such proposals.

1. Type of Well: OIL GAS OTHER:

CONFIDENTIAL

8. Well Name and Number:
Government 2318 #9-3

2. Name of Operator:
RIATA ENERGY, INC.

9. API Well Number:
43-019-31373

3. Address and Telephone Number:
P.O. BOX 10209 AMARILLO, TX 79116-0209 (806) 352-2936

10. Field and Pool, or Wildcat:
Wildcat

4. Location of Well
Footages: **698' FNL & 1,694' EEL**
NE NW Sec 9, T23S-R18E
QQ, Sec., T., R., M. 2

County: **Grand**
State: **UT**

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

NOTICE OF INTENT
(Submit in Duplicate)

- | | |
|--|--|
| <input type="checkbox"/> Abandon | <input checked="" type="checkbox"/> New Construction |
| <input type="checkbox"/> Repair Casing | <input type="checkbox"/> Pull or Alter Casing |
| <input type="checkbox"/> Change of Plans | <input type="checkbox"/> Recomplete |
| <input type="checkbox"/> Convert to Injection | <input type="checkbox"/> Reperforate |
| <input type="checkbox"/> Fracture Treat or Acidize | <input type="checkbox"/> Vent or Flare |
| <input type="checkbox"/> Multiple Completion | <input type="checkbox"/> Water Shut-Off |
| <input type="checkbox"/> Other _____ | |

Approximate date work will start _____

SUBSEQUENT REPORT
(Submit Original Form Only)

- | | |
|--|--|
| <input type="checkbox"/> Abandon * | <input checked="" type="checkbox"/> New Construction |
| <input type="checkbox"/> Repair Casing | <input type="checkbox"/> Pull or Alter Casing |
| <input type="checkbox"/> Change of Plans | <input type="checkbox"/> Reperforate |
| <input type="checkbox"/> Convert to Injection | <input type="checkbox"/> Vent or Flare |
| <input type="checkbox"/> Fracture Treat or Acidize | <input type="checkbox"/> Water Shut-Off |
| <input type="checkbox"/> Other _____ | |

Date of work completion **May 2, 2000**

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

* Must be accompanied by a cement verification report.

12. DESCRIBE PROPOSED OR COMPLETED OPERATIONS (Clearly state all pertinent details, and give pertinent dates. If well is directionally drilled, give subsurface locations and measured and true vertical depths for all markers and zones pertinent to this work.)

**Built location
Waiting on rig to MI.**

RECEIVED

MAY 19 2000

**DIVISION OF
OIL, GAS AND MINING**

13.

Name & Signature: *Susan J Prosser* **Susan J Prosser** Title: Regulatory Coordinator Date: 5/10/00

(This space for State use only)

STATE OF UTAH
DIVISION OF OIL, GAS AND MINING

WELL COMPLETION OR RECOMPLETION REPORT AND LOG

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

2. TYPE OF COMPLETION: NEW WELL WORK OVER DEEP-EN PLUG BACK DIFF. RESVR. Other P&A'd Well

3. NAME OF OPERATOR
RIATA ENERGY, INC.

4. ADDRESS OF OPERATOR
PO BOX 10209 AMARILLO TX 79116-0209

5. LOCATION OF WELL (Report location clearly and in accordance with any State requirements)
At surface 698' FNL & 1,694' FNL
NW NW Sec 9 T23S-R18E
At top prod. interval reported below
At total depth

6. LEASE DESIGNATION AND SERIAL NO.
UTU75891

7. IF INDIAN, ALLOTTEE OR TRIBE NAME

8. UNIT AGREEMENT NAME

9. FARM OR LEASE NAME
GOVERNMENT 2318 #9-3

10. WELL NO.
9-3

11. FIELD AND POOL, OR WILDCAT
WILDCAT

12. SEC., T., R., M., OR BLOCK AND SURVEY OR AREA
NW NW SEC 9 T23S-R18E

CONFIDENTIAL
PERIOD
EXPIRES
ON 7-7-01

13. API NO. 43-019-31373 DATE ISSUED 12. COUNTY GRAND 13. STATE UTAH

14. DATE STUDDER 5/17/00 15. DATE T.D. REACHED 6/1/00 16. DATE COMPL. (Ready to prod.) 6/7/00 (Plug & Abd.) 17. ELEVATIONS (DF, RER, RT, GR, ETC.) 4,618' GR 18. ELEV. CASINGHEAD

19. TOTAL DEPTH, MD & TVD 1880 20. PLUG BACK T.D., MD & TVD 21. IF MULTIPLE COMPL. HOW MANY 22. INTERVALS DRILLED BY 23. ROTARY TOOLS 24. CABLE TOOLS

25. PRODUCING INTERVAL(S), OF THIS COMPLETION—TOP, BOTTOM, NAME (MD AND TVD) Plugged & Abandoned 26. WAS DIRECTIONAL SURVEY MADE No

27. TYPE ELECTRIC AND OTHER LOGS GR, Dipmeter 28. WAS WELL CORED YES NO (Submit analysis) DRILL STEM TEST YES NO (See source side)

CASING RECORD (Report all strings set in well)

CASING SIZE	WEIGHT, LB./FT.	DEPTH SET (MD)	HOLE SIZE	CEMENTING RECORD	AMOUNT PULLED
8-5/8	24#	220'	12-1/4	355 Class "G"	Circ

29. LINER RECORD 30. TUBING RECORD

SIZE	TOP (MD)	BOTTOM (MD)	SACKS CEMENT	SCREEN (MD)	SIZE	DEPTH SET (MD)	PACKER SET (MD)
RECEIVED							

31. PERFORATION RECORD (Interval, size and number) 32. ACID, SHOT, FRACTURE, CEMENT SQUEZZ, ETC.

DEPTH INTERVAL (MD)	AMOUNT AND KIND OF MATERIAL USED
SEP 18 2000 DIVISION OF OIL, GAS AND MINING	

33. PRODUCTION

DATE FIRST PRODUCTION	PRODUCTION METHOD (Flowing, gas lift, pumping—size and type of pump)	WELL STATUS (Producing or shut-in)					
DATE OF TEST	HOURS TESTED	CHOKED SIZE	PROD'N. FOR TEST PERIOD	OIL—BBL.	GAS—MCF.	WATER—BBL.	GAS-OIL RATIO
FLOW, TUBING PRBS.	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

36. I hereby certify that the foregoing and attached information is complete and correct as determined from all available records
SIGNED Susan Prosser TITLE Regulatory Coordinator DATE 9/14/00

See Spaces for Additional Data on Reverse Side

STATE OF UTAH
DIVISION OF OIL, GAS AND MINING

CONFIDENTIAL

5. Lease Description and Serial Number:
UTU75891

6. If Indian, Allottee or Tribe Name:

7. Unit Agreement Name:

8. Well Name and Number:
Government 2318 #9-3

9. API Well Number:

10. Field and Pool, or Wildcat:
WILDCAT

SUNDRY NOTICES AND REPORTS ON WELLS

Do not use this form for proposals to drill new wells, deepen existing wells, or to reenter plugged and abandoned wells. Use APPLICATION FOR PERMIT TO DRILL OR DEEPEN form for such proposals.

1. Type of Well: OIL GAS OTHER: **Plugged Well**

2. Name of Operator: **RIATA ENERGY, INC.**

3. Address and Telephone Number:
P.O. BOX 10209 AMARILLO TX 79116-0209 (806)352-2936

4. Location of Well
Footages: **698' FNL & 1,694' FEL** *1964 pull*
OO, Sec., T., R., M.: **NW NW SEC 9 T23S-R18E**

County: **GRAND**
State: **UT**

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

NOTICE OF INTENT (Submit in Duplicate)	SUBSEQUENT REPORT (Submit Original Form Only)
<input type="checkbox"/> Abandon <input type="checkbox"/> Repair Casing <input type="checkbox"/> Change of Plans <input type="checkbox"/> Convert to Injection <input type="checkbox"/> Fracture Treat or Acidize <input type="checkbox"/> Multiple Completion <input type="checkbox"/> Other _____	<input checked="" type="checkbox"/> Abandon * <input type="checkbox"/> Repair Casing <input type="checkbox"/> Change of Plans <input type="checkbox"/> Convert to Injection <input type="checkbox"/> Fracture Treat or Acidize <input type="checkbox"/> Other _____
<input type="checkbox"/> New Construction <input type="checkbox"/> Pull or Alter Casing <input type="checkbox"/> Recomplete <input type="checkbox"/> Reperforate <input type="checkbox"/> Vent or Flare <input type="checkbox"/> Water Shut-Off	<input type="checkbox"/> New Construction <input type="checkbox"/> Pull or Alter Casing <input type="checkbox"/> Reperforate <input type="checkbox"/> Vent or Flare <input type="checkbox"/> Water Shut-Off
Approximate date work will start _____	Date of work completion <u>June 7, 2000</u> Report results of Multiple Completions and Recompletions to different reservoirs on WELL COMPLETION OR RECOMPLETION REPORT AND LOG form. * Must be accompanied by a cement verification report.

12. DESCRIBE PROPOSED OR COMPLETED OPERATIONS (Clearly state all pertinent details, and give pertinent dates. If well is directionally drilled, give subsurface locations and measured and true vertical depths for all markers and zones pertinent to this work.)

Spud well 5/17/00. Leach Drilling on location.
 Logged well 6/1/00.
 Verbal approval from BLM to P&A well .
 Procedure done 6/7/00: Mr. Jack Johnson on location to observe.
 TIH w/ DP to 1780'
 Mix & pump 20 bbls 38 vis. mud.
 TOH to 260'.
 Mix 20 Sx Glass "G" cement. Pump & displace. Set @ 150' - 250'. TOH w/ DP & LD DC.
 TIH w/ DP to 60'. Mix 15 Sxs Class "G" cement. Pump
 Set @ 0' - 50'. LD 3 jts DP. TOH & clean location.
 Place dry hole marker on well.

13.
Name & Signature: Susan Prosser *Susan Prosser* Title: Regulatory Coordinator Date: 9/14/00

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SEP 14 2000
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