

PERMITS WEST, INC.
PROVIDING PERMITS for LAND USERS
37 Verano Loop, Santa Fe, New Mexico 87508 (505) 466-8120

July 3, 2004

Diana Whitney
Utah Div. of Oil, Gas, & Mining
P. O. Box 145801
Salt Lake City, Ut. 84114-5801

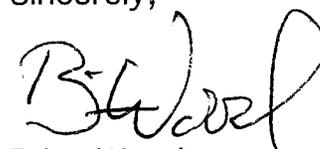
Dear Diana,

On behalf of MSC Exploration L. P., I am applying for approval of an exception location for their Federal MSC 31-1 wildcat gas well in Section 31, T. 21 S., R. 20 E., Grand County. It is 305' too far west. I am requesting an exception because of geology (see seismic line on plan view of pad).

The well is staked at 785' FSL & 2485' FEL on a 1,114.00 acre BLM lease. MSC is requesting permission to drill at 785' FSL & 2485' FEL 31-21s-20e. This is the only oil or gas well, existing or planned, in the quarter-quarter. Furthermore, there are no other wells of any type within a 1 mile radius. Closest lease line is 785' south. MSC is owner of all drilling units within a minimum 785' radius of the proposed exception. Indeed, 5 of the 8 offset quarter-quarters are part of the same MSC lease. The drilling unit (SESW Sec. 31) toward which the well encroaches is part of the same MSC lease.

Please keep this well "CONFIDENTIAL".

Sincerely,



Brian Wood

cc: Faust

RECEIVED

JUL 07 2004

DIV. OF OIL, GAS & MINING

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

001

APPLICATION FOR PERMIT TO DRILL OR REENTER

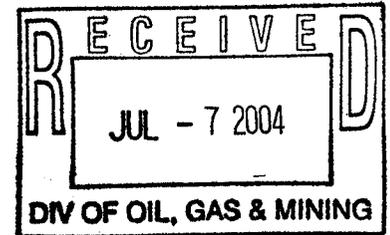
| | | |
|--|--|---|
| 1a. Type of Work: <input checked="" type="checkbox"/> DRILL <input type="checkbox"/> REENTER | | 5. Lease Serial No. UTU-80461 |
| 1b. Type of Well: <input type="checkbox"/> Oil Well <input checked="" type="checkbox"/> Gas Well <input type="checkbox"/> Other <input type="checkbox"/> Single Zone <input checked="" type="checkbox"/> Multiple Zone | | 6. If Indian, Allottee or Tribe Name N/A |
| 2. Name of Operator MSC Exploration L. P. | | 7. If Unit or CA Agreement, Name and No. N/A |
| 3a. Address 16800 Imperial Valley Dr., #380 Houston, TX 77060 | 3b. Phone No. (include area code) (281) 931-8933 | 8. Lease Name and Well No. Federal MSC 31-1 |
| 4. Location of Well (Report location clearly and in accordance with any State requirements. *) At surface 785' FSL & 2485' FEL SWSE 38.93653 608429X -109.74898 4310269Y At proposed prod. zone Same | | 9. API Well No. 43-019-31406 |
| 14. Distance in miles and direction from nearest town or post office* 5 air miles E of Crescent Junction, UT | | 10. Field and Pool, or Exploratory Wildcat |
| 15. Distance from proposed* location to nearest property or lease line, ft. (Also to nearest drig. unit line, if any) 785' | 16. No. of Acres in lease 1,114.00 | 11. Sec., T., R., M., or Blk. and Survey or Area 31-21s-20e SLM |
| 17. Spacing Unit dedicated to this well SWSE Sec. 31 (= 40 acres) | 18. Distance from proposed location* to nearest well, drilling, completed, applied for, on this lease, ft. N/A | 12. County or Parish Grand |
| 19. Proposed Depth 7,000' | 20. BLM/BIA Bond No. on file BLM state wide (UTB000113) | 13. State UT |
| 21. Elevations (Show whether DF, KDB, RT, GL, etc.) GL: 4,918' | 22. Approximate date work will start* Sept. 15, 2004 | 23. Estimated duration 6 weeks |

24. Attachments

The following, completed in accordance with the requirements of Onshore Oil and Gas Order No.1, shall be attached to this form:

- | | |
|---|--|
| 1. Well plat certified by a registered surveyor. | 4. Bond to cover the operations unless covered by an existing bond on file (see Item 20 above). |
| 2. A Drilling Plan. | 5. Operator certification. |
| 3. A Surface Use Plan (if the location is on National Forest System Lands, the SUPO shall be filed with the appropriate Forest Service Office). | 6. Such other site specific information and/or plans as may be required by the authorized officer. |

Comments



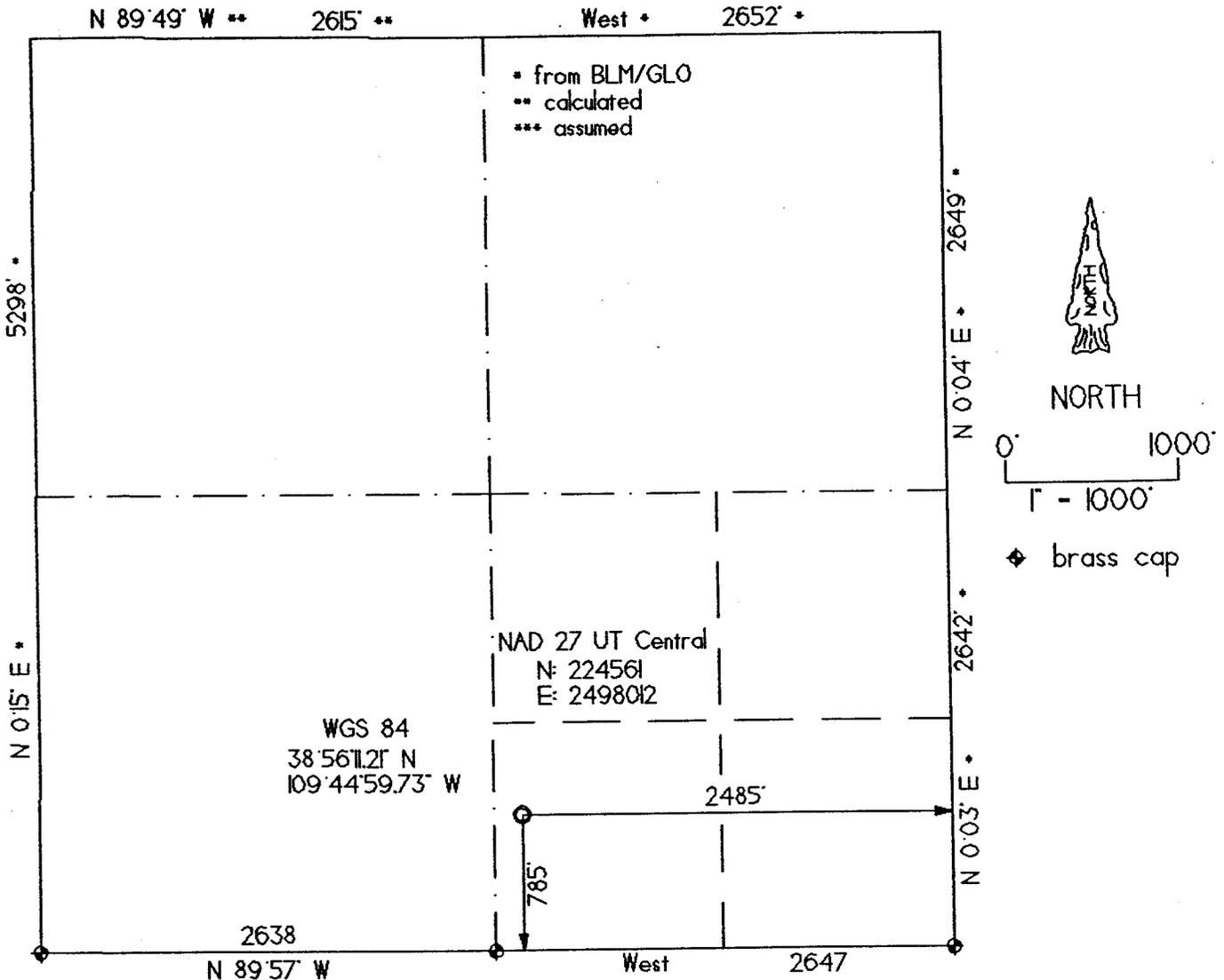
cc: BLM, Stanley, UDOGM

| | | |
|---|--|--------------------------|
| 25. Signature <i>[Signature]</i> | Name (Printed/Typed) Brian Wood | Date 7-3-04 |
| Title Consultant | Phone: 505 466-8120 | FAX: 505 466-9682 |
| Approved by (Signature) <i>[Signature]</i> | Name (Printed/Typed) BRADLEY G. HILL | Date 07-14-04 |
| Title ENVIRONMENTAL SCIENTIST III | <p>Federal Approval of this Action is Necessary</p> | |

Application approval does not warrant or certify the 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, are attached.

Title 18 U.S.C. Section 1001 and Title 43 U.S.C. Section 1212, make it a crime for any person knowingly and willfully to make to any department or agency of the United States any false, fictitious or fraudulent statements or representations as to any matter within its jurisdiction.

Well Location Plat



Well Location Description

MSC EXPLORATION, L.P.
 Federal MSC # 31 - 1
 785' FSL & 2485' FEL
 Section 31, T.21 S., R.20 E., SLM
 Grand County, UT
 4918' grd. el. (from GPS)



05/12/04

Gerald G. Huddleston
 Gerald G. Huddleston, LS

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

MSC Exploration L. P.
 Federal MSC 31-1
 785' FSL & 2485' FEL
 Sec. 31, T. 21 S., R. 20 E.
 Grand County, Utah

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Drilling Program

1. FORMATION TOPS

The estimated tops of important geologic markers are:

| <u>Formation Name</u> | <u>GL Depth</u> | <u>KB Depth</u> | <u>Elevation</u> |
|-----------------------|-----------------|-----------------|------------------|
| Mancos Shale | 0' | 12' | +4,918' |
| Dakota Sandstone | 1,498' | 1,510' | +3,420' |
| Morrison | 1,993' | 2,005' | +2,985' |
| Moab Tongue | 2,558' | 2,570' | +2,360' |
| Wingate Sandstone | 3,978' | 3,990' | +940' |
| White Rim Sandstone | 5,403' | 5,415' | -485' |
| Total Depth (TD)* | 7,000' | 7,012' | -2,082' |

* all elevations reflect the proposed graded ground level of 4,918'

2. NOTABLE ZONES

Potential oil or gas zones are the Dakota, Moab, Wingate, and White Rim. The Glen Canyon group of sandstones are possible water zones. Oil and gas shows which appear to the well site geologist to be commercial will be tested. All fresh water and prospectively valuable minerals will be recorded by depth and protected with casing and cement. When possible, water flow rates will be measured, samples taken and analyzed, and the results submitted to BLM.

3. PRESSURE CONTROL

An 8-5/8" x 11" casing head and 3,000 psi double ram and annular preventer with a 3,000 psi choke manifold will be used. A diagram of a typical BOP is on Page 2. Actual model will not be known until bid is let.

MSC Exploration L. P.
Federal MSC 31-1
785' FSL & 2485' FEL
Sec. 31, T. 21 S., R. 20 E.
Grand County, Utah

CONFIDENTIAL

BOP systems will be consistent with API 53 and Onshore Order 2. Pressure tests of the surface casing and all BOP equipment potentially subject to pressure will be conducted before drilling the surface casing shoe. BOP controls will be installed before drilling the casing shoe and will remain in use until the well is completed or P & A. Ram preventers will be inspected and operated on each trip (no more than once a day is necessary). Annular preventers will be inspected and operated weekly to ensure good mechanical working order. Inspections will be recorded in the drilling log and daily drilling report. Call BLM (435 259-2100) before BOP tests.

4. CASING & CEMENT

Call BLM (435 259-2100) before running casing.

| <u>Hole Size</u> | <u>O. D.</u> | <u>Weight</u> | <u>Grade</u> | <u>Type</u> | <u>Age</u> | <u>Setting Depth</u> |
|------------------|--------------|---------------|--------------|-------------|------------|----------------------|
| 12-1/4" | 8-5/8" | 24 | K-55 | S T & C | New | 500' |
| 7-7/8" | 5-1/2" | 17 | N-80 | L T & C | New | 7,000' |

All tubular goods will be new or inspected to premium specifications. Casing strings will be pressure tested to 0.22 psi/ft of casing string length or to 1,500 psi whichever is greater (not to exceed 70% of the internal yield strength of the casing), after cementing and prior to drilling out from under the casing shoe. Surface casing shoe will be set in a competent formation. 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 feet of new hole. Centralizers will be installed on at least the bottom 3 joints of each casing string.

Surface casing will be cemented to the surface with \approx 413 cubic feet (353 sacks Class G + 2% CaCl₂ + 1/4 pound per sack cello flake. Weight = 15.8 pounds per gallon. Yield 1.17 cubic feet per sack. Excess = 100%.

MSC Exploration L. P.
Federal MSC 31-1
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Sec. 31, T. 21 S., R. 20 E.
Grand County, Utah

PAGE 4

CONFIDENTIAL

Production casing will be cemented to $\approx 5,000'$ with ≈ 425 cubic feet (337 sacks) 50/50 poz + 3% KCl + 1.4 pound per sack cello flake + 4 pounds per sack Flow Seal + 0.5% FL-52 + 2% bentonite. Weight = 14.4 pounds per gallon. Yield = 1.26 cubic feet per sack. Excess = 20%. Wait on cement, set slips with casing in full tension. Actual volumes will be determined after reviewing logs and shows. All potentially productive zones will be covered with cement.

5. MUD PROGRAM

Will drill from surface to $\approx 500'$ with air and/or fresh water mud system. Will drill from $\approx 500'$ to $\approx 3,000'$ with air mist. Will drill remainder of hole with aerated LSND. No chromate will be used. Sufficient mud will be on location to control well and combat lost circulation. See plan view of pad for blow pit location, which will be $\geq 100'$ from the well head. Mist will be used to control dust.

6. CORES, TESTS, & LOGS

May cut cores or may run drill stem tests depending on shows. Initial opening of drill stem test tools will be during daylight only. Mud loggers will be on site from $\approx 500'$ to TD and will collect samples every $\approx 10'$. They will have FID and chromatograph unit. Will run following logs:

GR/Dual Induction - SFL
GR/Bore Hole Compensated Sonic
GR/Neutron Density
Continuous Dip meter - FMI
Gamma Ray - Directional

MSC Exploration L. P.
Federal MSC 31-1
785' FSL & 2485' FEL
Sec. 31, T. 21 S., R. 20 E.
Grand County, Utah

PAGE 5

CONFIDENTIAL

7. DOWN HOLE CONDITIONS

No abnormal temperatures or pressures or hydrogen sulfide are expected. Maximum bottom hole pressure will be $\approx 3,030$ psi.

8. OTHER INFORMATION

The anticipated spud date is September 15, 2004. It is expected it will take ≈ 4 weeks to drill and ≈ 2 weeks to complete the well.

Call BLM (435 259-2100) or the Utah Division of Oil, Gas, & Mining (801 538-5340) before plugging and abandoning the well.

MSC Exploration L. P.
Federal MSC 31-1
785' FSL & 2485' FEL
Sec. 31, T. 21 S., R. 20 E.
Grand County, Utah

PAGE 6

CONFIDENTIAL

Surface Use Plan

1. DIRECTIONS (See Pages 12, 13, & 16)

From the North side of the gas station in Thompson Springs (Exit 185) ...
Go Southwest 2.3 miles on a county road 144
Then turn left and follow stakes cross country S 2,367.28' to the well

OR

From the closed gas station at Crescent Junction (Exit 180 on I-70) ...
Go South 4.4 miles on US 191 to the equivalent of Mile Post 152.7
Then turn left and go NE 5.6 miles on county road 144
Then turn right and follow stakes cross country S 2,367.28' to the well

Roads will be maintained to a standard at least equal to their present condition.

2. ROAD TO BE BUILT (See PAGES 13 & 16)

Dirt contractor will call BLM (435 259-2100) ≥ 48 hours before starting construction. Surface disturbance and vehicle travel will be limited to the pad and road. Any additional area needed must be approved in advance by BLM.

No upgrade is needed if the county weight limit is obeyed. An 18" x 50' culvert will be installed in the borrow ditch on the south side of the county road. All other drainage crossings will be low water style. There will be at least 5' of cover on the pipelines which are crossed. The 2,367.28' of new road will be flat bladed with a $\approx 16'$ wide running surface. Maximum disturbed width = 20' (except at culvert where it will be 50'). Maximum grade = 7%. Maximum cut or fill = 5'. No cattle guard, gate, or turnout is needed. Dust will be controlled as needed.

MSC Exploration L. P.
Federal MSC 31-1
785' FSL & 2485' FEL
Sec. 31, T. 21 S., R. 20 E.
Grand County, Utah

PAGE 7

CONFIDENTIAL

If the well is a producer, the new road will be upgraded to Class 3 Road Standards within 60 days of dismantling the rig. If the deadline cannot be met, BLM will be notified so temporary drainage control can be installed. Class 3 Road Standards control drainage by using topography, ditch turnouts, dips, out sloping, crowning, low water crossings, rock surfacing, and culverts. Crowning and ditching may use a 35' wide corridor.

3. EXISTING WELLS

There are no wells of any type within a mile.

4. PROPOSED PRODUCTION FACILITIES

A well head, pump, separator, dehydrator, and tank battery will be installed. All will be painted a flat tan or juniper green color within 6 months of installation. Site security rules in 43 CFR 3162.7-5 and Onshore Order 3 will be obeyed.

No gas line is planned at this time. However, if a gas line is applied for, approved, and installed; then the meter will be within 500' of the well head. The gas line will be buried from the well head to the meter and downstream until it exists the pad. Meter run will be housed or fenced. The meter will be calibrated before the first sale and quarterly thereafter. All gas production and measurement will comply with 43 CFR 3162.7, Onshore Order 5, and American Gas Association Report 3.

Tanks will be surrounded by an impermeable dike with sufficient capacity to hold 150% of the volume of the largest tank within the dike. All load lines and valves will be inside the dike. All oil production and measurement will comply with 43 CFR 3162.7 and Onshore Order 4.

Production facilities on the pad may include a lined or unlined produced water

MSC Exploration L. P.
Federal MSC 31-1
785' FSL & 2485' FEL
Sec. 31, T. 21 S., R. 20 E.
Grand County, Utah

PAGE 8

CONFIDENTIAL

pit as allowed in Onshore Order 7. If water is produced from the well, an application in conformance with Order 7 will be submitted.

5. WATER SUPPLY

Water will be trucked from the Thompson Special Service District (right #92-180) load point northeast of the post office in Thompson Springs.

6. CONSTRUCTION MATERIALS & METHODS (See Pages 14 & 15)

Dirt contractor will have an approved copy of the surface use plan on site.

Top 3" of soil and brush will be stripped and piled north of the pad. Pit subsoil will be stored north of the pit and separate from the topsoil. A ditch will be cut east of the pad.

There are no plans to line the reserve pit at this time. However, if excavation reveals otherwise, the reserve pit will be lined with at least 24 tons of commercial bentonite worked into 3:1 slopes. No liquid hydrocarbons will be discharged onto the pit, pad, or road. Should hydrocarbons escape, they will be cleaned and removed within 48 hours.

Pit will be fenced 48" high on 3 sides with 32" high woven wire topped with 2 smooth wire stands 4" and 16" above the woven wire. Steel posts will be set $\approx 16.5'$ apart. Two stays will be used between posts. Corner posts will be $\geq 6"$ diameter wood and anchored with dead men. The fourth side will be similarly fenced when drilling stops. The fence will be kept in good repair while the pit dries.

Gravel or pit run, if needed, will be bought from a commercial source.

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7. WASTE DISPOSAL

Human waste will be disposed of in chemical toilets, which will be hauled to a state approved dump station. All trash will be placed in a portable trash cage. It will be hauled to the county landfill. There will be no trash burial or burning.

8. ANCILLARY FACILITIES

There will be no air strips or camps. Camper trailers may be on location for the company man, tool pusher, and mud loggers.

9. WELL SITE LAYOUT

See PAGES 14 and 15 for depictions of the well pad, cross section, cut and fill diagram, reserve pit, trash cage, access onto the location, parking, living facilities, and rig orientation.

10. RECLAMATION & REVEGETATION

Upon completion of drilling, the well site will be cleared of all debris, material, and junk not needed for production.

Reclamation will start when the reserve pit is dry. All areas not needed for production will be back filled, contoured to natural contours, and reserved topsoil spread. If the well is a producer, then enough topsoil will be saved to reclaim the rest of the pad. The topsoil pile and all reclaimed areas will be broadcast seeded between October 1 and February 28 with the following mix. Sown areas will be left rough and lightly harrowed (4" deep) after seeding. Maximum span between harrow or ripped furrows will be 6".

MSC Exploration L. P.
Federal MSC 31-1
785' FSL & 2485' FEL
Sec. 31, T. 21 S., R. 20 E.
Grand County, Utah

PAGE 10

CONFIDENTIAL

4 pounds per acre four wing saltbush
4 pounds per acre Indian ricegrass

11. SURFACE OWNER

All construction is on lease and on BLM surface.

12. OTHER INFORMATION

Closest first aid is the Green River Medical Center at 305 West Main in Green River, Utah. Its phone number is (435) 564-3434. It is a ≈25 minute drive.

Closest hospital is Allen Memorial Hospital at 719 West 400 North in Moab. Its phone number is (435) 259-7191. It is a ≈30 minute drive.

Archaeology report submitted by Grand River.

13. REPRESENTATION & CERTIFICATION

Anyone having questions concerning the APD should call:

Brian Wood, Consultant

Permits West, Inc.

37 Verano Loop

Santa Fe, NM 87508

(505) 466-8120

FAX: (505) 466-9682

Cellular: (505) 699-2276

The field representative will be:

Lynn Faust or Jack Stanley

MSC Exploration L. P.

16800 Imperial Valley Dr., Suite 380

MSC Exploration L. P.
Federal MSC 31-1
785' FSL & 2485' FEL
Sec. 31, T. 21 S., R. 20 E.
Grand County, Utah

PAGE 11

CONFIDENTIAL

Houston, TX 77060

(281) 931-8933

FAX (281) 931-8655

Mobile: (832) 434-9900

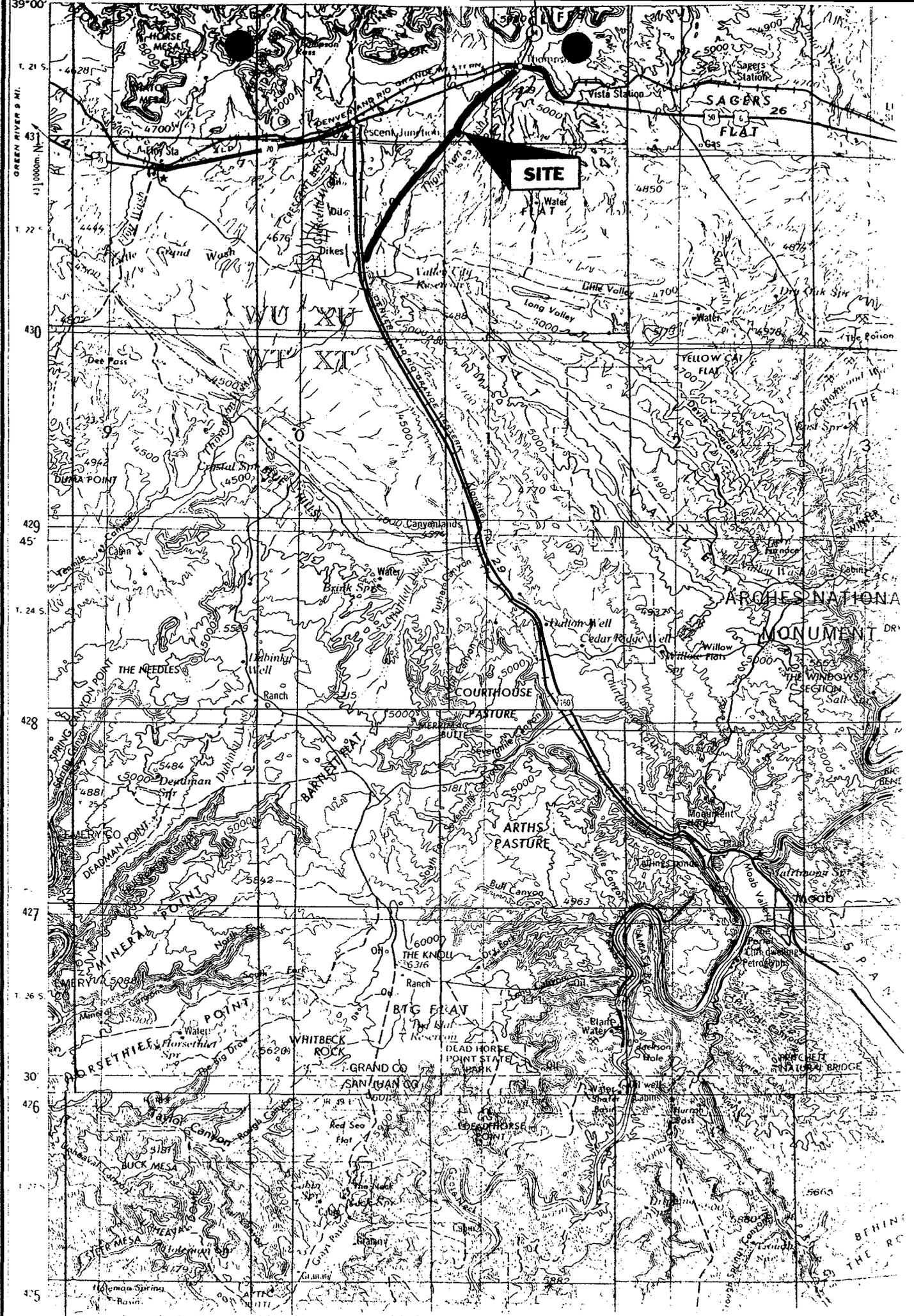
MSC Exploration L. P. is considered to be the operator of the Federal MSC 31-1 well in the SWSE 31-21s-20e, Lease UTU-80461, Grand County, Utah, and is responsible under the terms and conditions of the lease for the operations conducted on the leased lands. Bond (\$25,000 statewide bond (#UTB000113 on file with BLM in Salt Lake City) coverage for this well will be provided via surety consent as provided for in 43 CFR 3104.2. BLM will hold the aforementioned operator and bond liable until the provisions of 43 CFR 3106.7-2 continuing responsibility are met.

I hereby certify MSC Exploration L. P. has the necessary consents from the proper lease and unit interest owners to conduct lease operations in conjunction with this APD. Bond coverage *per* 43 CFR 3104 for lease activities will be provided by MSC Exploration L. P. I hereby certify I 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 operations proposed herein will be performed by MSC Exploration L. P. and its contractors and subcontractors in conformity with this plan and the terms and conditions under which it is approved. This statement is subject to the provisions of 18 U. S. C. 1001 for the filing of a false statement.



Brian Wood, Consultant

July 3, 2004



SITE

SAGERS
FLAT

COURTHOUSE
PASTURE

ARCHES NATIONAL
MONUMENT

ARTH'S
PASTURE

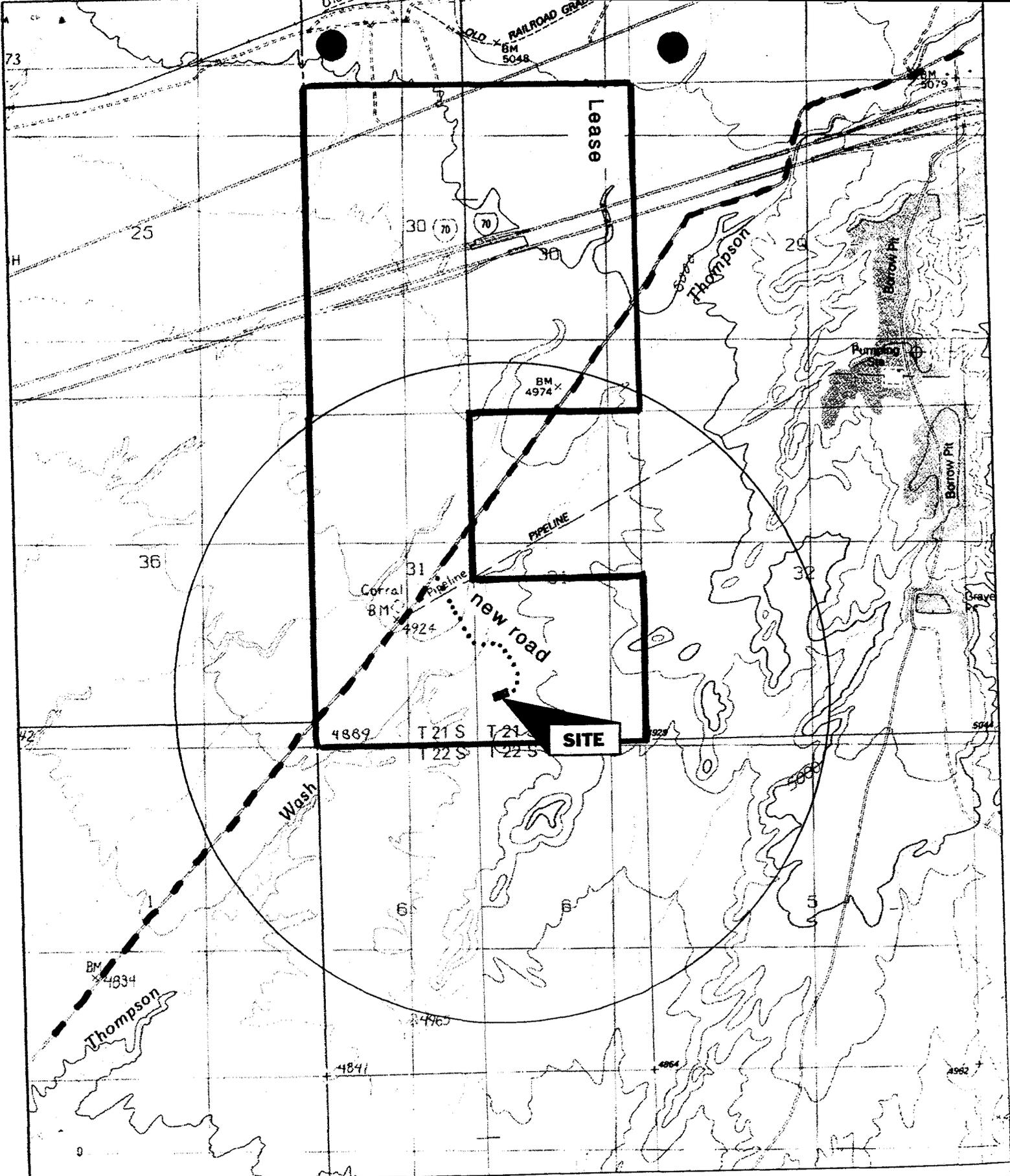
THE KNOLL
RANCH

GRAND CO
SAN JUAN CO

GREEN RIVER S. MI.
1:10,000

39° 00'
41° 00'
1 21 S
1 22 S
430
429
45
1 24 S
428
427
1 26 S
30
426
45

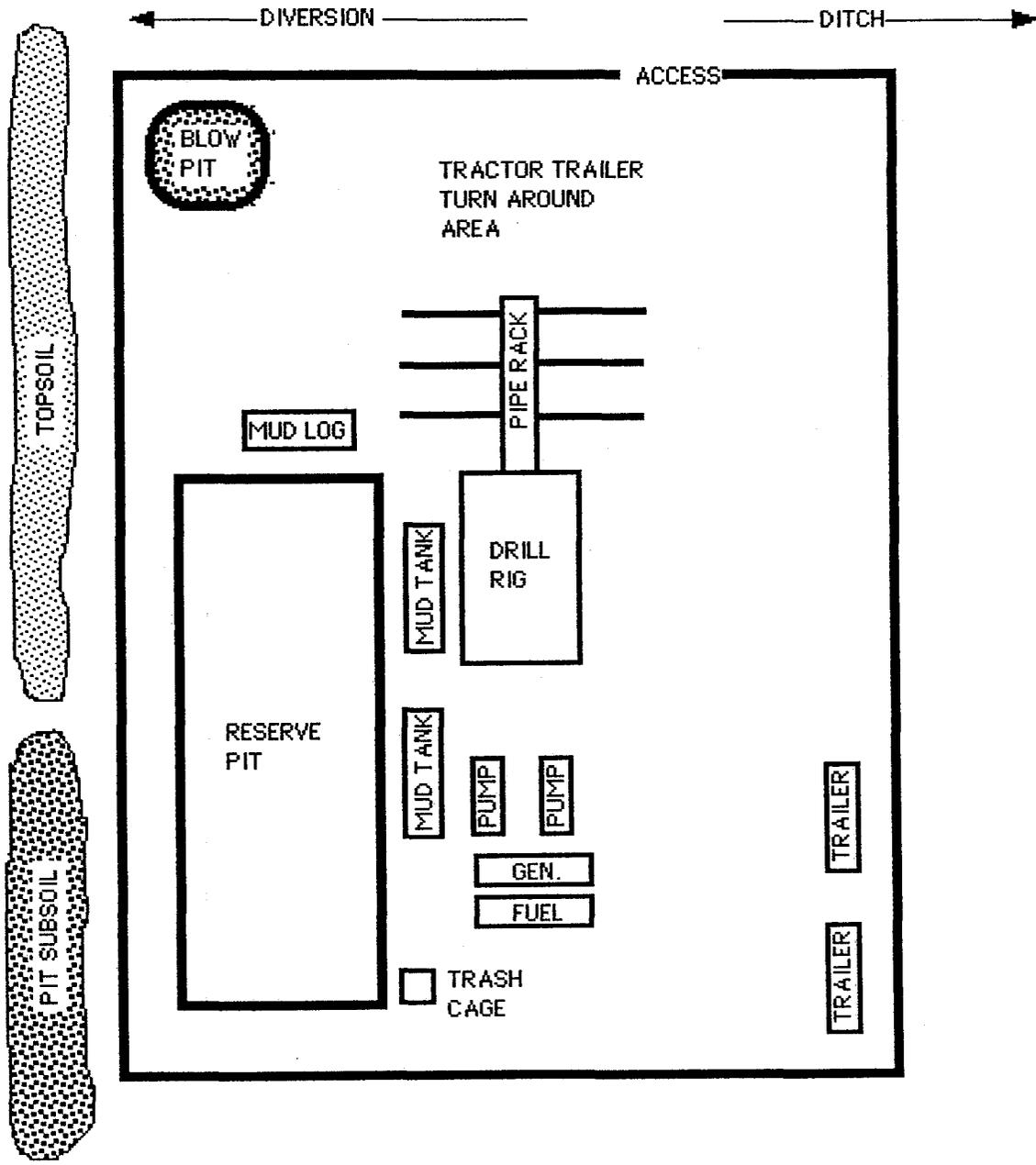
BEHIND
THE RC



Name: THOMPSON SPRINGS
 Date: 5/12/2004
 Scale: 1 inch equals 2000 feet

Location: 038.9411307° N 109.7488716° W
 Caption: 31, 21S-20E

NORTH  1" = 50'

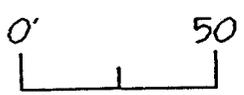


well pad

front

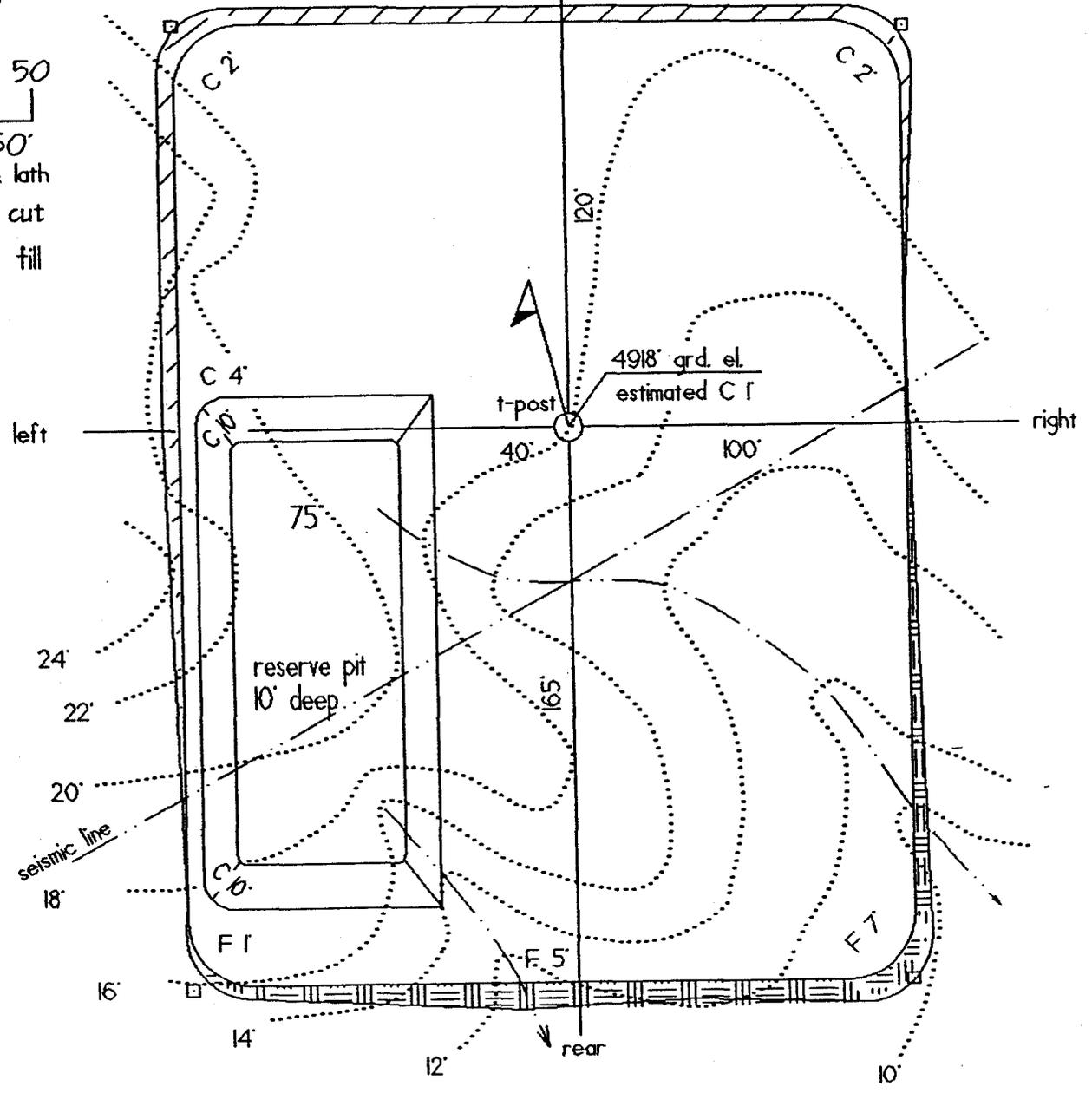
N 66° E

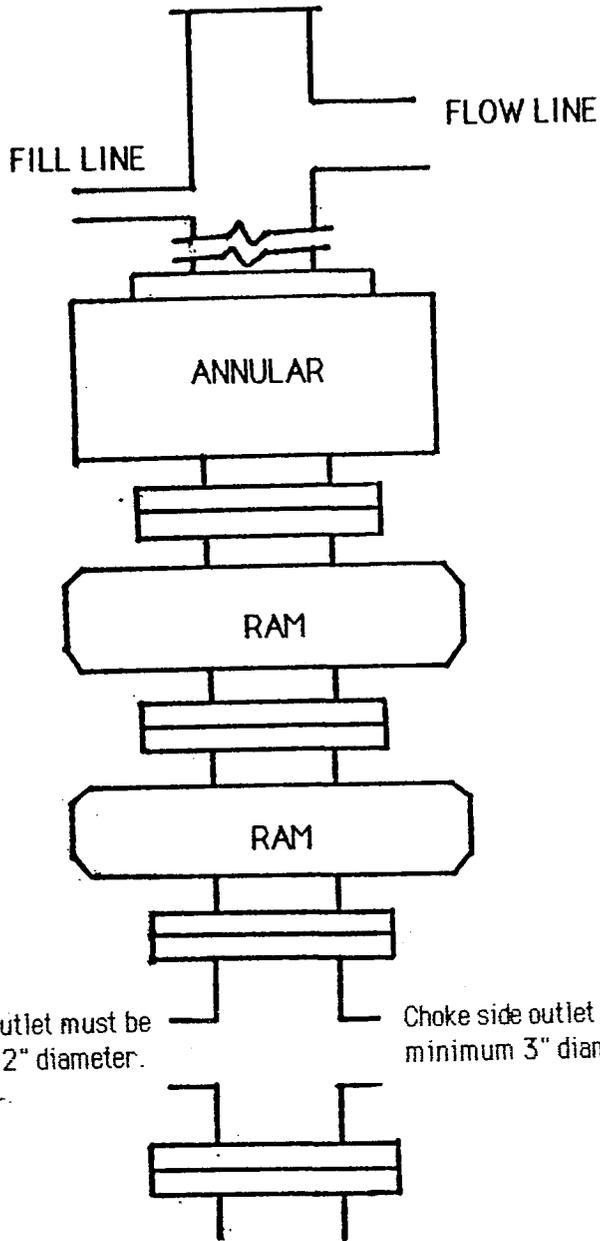
access



Scale 1" = 50'

- set stake & lath
- /// cut
- ▨ fill





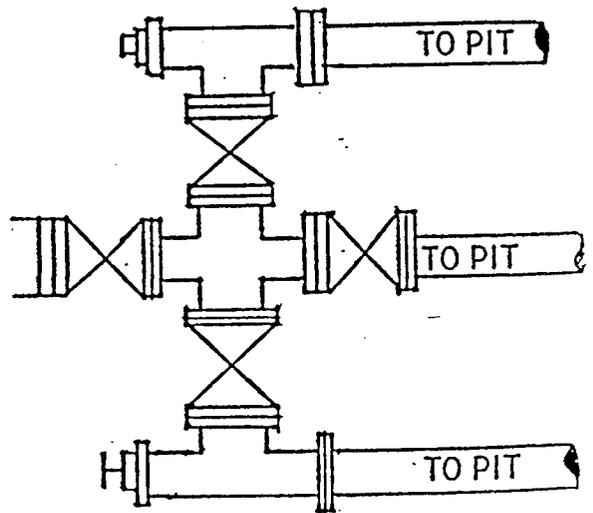
TYPICAL BOP STACK
& CHOKE MANIFOLD

There will be at least 2 chokes and 2 choke line valves (3" minimum). The choke line will be 3" in diameter. There will be a pressure gauge on the choke manifold.

Kill side outlet must be minimum 2" diameter.

Choke side outlet must be minimum 3" diameter.

Kill line will be minimum 2" diameter and have 2 valves, one of which shall be a minimum 2" check valve.



Upper kelly cock will have handle available.
Safety valve and subs will fit all drill string connections in use.
All BOPE connections subjected to well pressure will be flanged, welded, or clamped.

WORKSHEET
APPLICATION FOR PERMIT TO DRILL

APD RECEIVED: 07/07/2004

API NO. ASSIGNED: 43-019-31406

WELL NAME: FED MSC 31-1
OPERATOR: MSC EXPLORATION, LP (N2595)
CONTACT: BRIAN WOOD

PHONE NUMBER: 505-466-9682

PROPOSED LOCATION:

SWSE 31 210S 200E
SURFACE: 0785 FSL 2485 FEL
BOTTOM: 0785 FSL 2485 FEL
GRAND
WILDCAT (1)

| INSPECT LOCATN BY: / / | | |
|------------------------|----------|------|
| Tech Review | Initials | Date |
| Engineering | | |
| Geology | | |
| Surface | | |

LEASE TYPE: 1 - Federal
LEASE NUMBER: UTU-80461
SURFACE OWNER: 1 - Federal
PROPOSED FORMATION: WINGT
COALBED METHANE WELL? NO

LATITUDE: 38.93653
LONGITUDE: 109.74898

RECEIVED AND/OR REVIEWED:

- Plat
- Bond: Fed[1] Ind[] Sta[] Fee[]
(No. UTB000113)
- Potash (Y/N)
- Oil Shale 190-5 (B) or 190-3 or 190-13
- Water Permit
(No. 92-180)
- RDCC Review (Y/N)
(Date: _____)
- Fee Surf Agreement (Y/N)

LOCATION AND SITING:

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

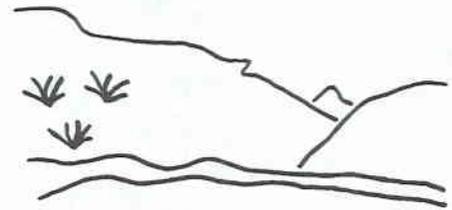
COMMENTS: _____

STIPULATIONS: _____

1- Federal Approval
2- Spacing Strip



OPERATOR: MSC EXPLORATION LP (N2595)
SEC. 31 T.21S R.20E
FIELD: WILDCAT (001)
COUNTY: GRAND
SPACING: R649-3-3/ EXCEPTION LOCATION



Utah Oil Gas and Mining

| Wells | Units.shp | Fields.shp |
|-----------------------|----------------|--------------|
| ⚡ GAS INJECTION | 🔵 EXPLORATORY | ⬛ ABANDONED |
| ⊠ GAS STORAGE | ⚪ GAS STORAGE | 🟪 ACTIVE |
| ✕ LOCATION ABANDONED | 🟩 NF PP OIL | ⚪ COMBINED |
| ⊙ NEW LOCATION | 🔵 NF SECONDARY | 🟪 INACTIVE |
| ⬠ PLUGGED & ABANDONED | 🔵 PENDING | 🔵 PROPOSED |
| ⚡ PRODUCING GAS | 🟩 PI OIL | 🟪 STORAGE |
| ● PRODUCING OIL | 🔴 PP GAS | ⚪ TERMINATED |
| ➡ SHUT-IN GAS | 🟪 PP GEOTHERML | |
| ● SHUT-IN OIL | 🟩 PP OIL | |
| ✕ TEMP. ABANDONED | 🔵 SECONDARY | |
| ⊙ TEST WELL | ⬛ TERMINATED | |
| ⚡ WATER INJECTION | | |
| ⚡ WATER SUPPLY | | |
| ⚡ WATER DISPOSAL | | |



PREPARED BY: DIANA WHITNEY
 DATE: 9-JULY-2004



State of Utah

Department of
Natural ResourcesROBERT L. MORGAN
*Executive Director*Division of
Oil, Gas & MiningLOWELL P. BRAXTON
*Division Director*OLENE S. WALKER
*Governor*GAYLE F. McKEACHNIE
Lieutenant Governor

July 14, 2004

MSC Exploration L P
16800 Imperial Valley Dr., #380
Houston, TX 77060Re: Federal MSC 31-1 Well, 785' FSL, 2485' FEL, SW SE, Sec. 31, T. 21 South,
R. 20 East, Grand County, Utah

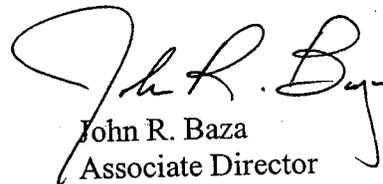
Gentlemen:

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.

Appropriate information has been submitted to DOGM and administrative approval of the requested exception location is hereby granted.

This approval shall expire one year from the above date unless substantial and continuous operation is underway, or a request for extension is made prior to the expiration date. The API identification number assigned to this well is 43-019-31406.

Sincerely,



John R. Baza
Associate Director

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

Operator: MSC Exploration L P
Well Name & Number Federal MSC 31-1
API Number: 43-019-31406
Lease: UTU-80461

Location: SW SE Sec. 31 T. 21 South R. 20 East

Conditions of Approval

1. General

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

2. Notification Requirements

Notify the Division within 24 hours of spudding the well.

- Contact Carol Daniels at (801) 538-5284.

Notify the Division prior to commencing operations to plug and abandon the well.

- Contact Dan Jarvis at (801) 538-5338

3. Reporting Requirements

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

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

5. This proposed well is located in an area for which drilling units (well spacing patterns) have not been established through an order of the Board of Oil, Gas and Mining (the "Board"). In order to avoid the possibility of waste or injury to correlative rights, the operator is requested, once the well has been drilled, completed, and has produced, to analyze geological and engineering data generated therefrom, as well as any similar data from surrounding areas if available. As soon as is practicable after completion of its analysis, and if the analysis suggests an area larger than the quarter-quarter section upon which the well is located is being drained, the operator is requested to seek an appropriate order from the Board establishing drilling and spacing units in conformance with such analysis by filing a Request for Agency Action with the Board.



State of Utah

**Department of
Natural Resources**

MICHAEL R. STYLER
Executive Director

**Division of
Oil, Gas & Mining**

JOHN R. BAZA
Division Director

JON M. HUNTSMAN, JR.
Governor

GARY R. HERBERT
Lieutenant Governor

September 30, 2005

Brian Wood
MSC Exploration LP
16800 Imperial Valley Dr. #380
Houston TX 77060

Re: APD Rescinded –Federal MSC 31-1 Sec. 31, T. 21S, R. 20E
Grand County, Utah API No. 43-019-31406

Dear Mr. Wood:

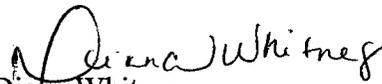
The Application for Permit to Drill (APD) for the subject well was approved by the Division of Oil, Gas and Mining (Division) on July 14, 2004. On September 29, 2005, you requested that the division rescind the state approved APD.

No drilling activity at this location has been reported to the division. Therefore, approval to drill the well is hereby rescinded, effective September 29, 2005.

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

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

Sincerely,


Diana Whitney
Engineering Technician

cc: Well File
Bureau of Land Management, Moab