

*Petroleum and Energy Consultants
Registered in Rocky Mountain States
Oil & Gas Production*

BURKHALTER ENGINEERING, INC.

751 Horizon Ct., Suite 245
P.O. Box 60095
Grand Junction, Co 81506
Telephone (970) 243-6060
Fax (970) 243-6015
Mobile (970) 260-0765

December 23, 2004

Ms. Carol Daniels
Division of Oil, Gas & Mining
P.O. Box 145801
Salt Lake City, UT 84114-5801

Re: APD's
Nine San Arroyo Wells (All Federal)
Grand County, UT

Dear Ms. Daniels:

Enclosed are complete copies of APD's filed with the Moab office of the BLM for Drilling Permits for the following Unit wells:

San Arroyo Unit #51 (Directional); All others, Vertical: San Arroyo Unit Nos. 52, 53, 54, 55, 56, 57, 58 and 59.

Please have a look and assign API numbers. If you have questions, or need further information, please call.

Very truly yours,


J. N. Burkhalter, PE

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DEC 28 2004
DIV. OF OIL, GAS & MINING

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DEC 28 2004

Form 3160-3
(April 2004)

DIV. OF OIL, GAS & MINING

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

FORM APPROVED
OMB No. 1004-0137
Expires March 31, 2007

APPLICATION FOR PERMIT TO DRILL OR REENTER

001

| | | |
|--|--|--|
| 1a. Type of work: <input checked="" type="checkbox"/> DRILL <input type="checkbox"/> REENTER | | 7. If Unit or CA Agreement, Name and No. San Arroyo Unit |
| 1b. Type of Well: <input type="checkbox"/> Oil Well <input checked="" type="checkbox"/> Gas Well <input type="checkbox"/> Other <input checked="" type="checkbox"/> Single Zone <input type="checkbox"/> Multiple Zone | | 8. Lease Name and Well No. San Arroyo Unit #57 |
| 2. Name of Operator Crescendo Energy, LLC | | 9. API Well No. 43-019-31432 |
| 3a. Address P.O. Box 1814, Midland, TX 79702 | 3b. Phone No. (include area code) 432-697-7221 | 10. Field and Pool, or Exploratory San Arroyo |
| 4. Location of Well (Report location clearly and in accordance with any State requirements.)* At surface 328 FSL, 658 FEL SESE 660541X 39.380564 At proposed prod. zone Same as Surface 4360458Y-109.136087 | | 11. Sec., T. R. M. or Blk. and Survey or Area Sec 27, T16S, R25E, SLM |
| 14. Distance in miles and direction from nearest town or post office* Approx 23 mi NW of Mack, CO | | 12. County or Parish Grand |
| 15. Distance from proposed* location to nearest property or lease line, ft. (Also to nearest drig. unit line, if any) 332 | | 13. State UT |
| 16. No. of acres in lease 480 | 17. Spacing Unit dedicated to this well San Arroyo Unit | |
| 18. Distance from proposed location* to nearest well, drilling, completed, applied for, on this lease, ft. 3500' | 19. Proposed Depth 5300 | 20. BLM/BIA Bond No. on file BLM Bond 0437483 |
| 21. Elevations (Show whether DF, KDB, RT, GL, etc.) 6110 Grnd | 22. Approximate date work will start* 05/01/2005 | 23. Estimated duration 3 to 4 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. |

| | | |
|--------------------------------------|--|-----------------|
| 25. Signature <i>J.N. Burkhalter</i> | Name (Printed/Typed) J. N. Burkhalter | Date 12-9-04 |
|--------------------------------------|--|-----------------|

| | | |
|------------------------------------|--|--|
| Title Consulting Engineer/Agent | | |
|------------------------------------|--|--|

| | | |
|--|---|------------------|
| Approved by (Signature) <i>Bradley G. Hill</i> | Name (Printed/Typed) BRADLEY G. HILL | Date 01-05-05 |
|--|---|------------------|

| | | |
|--------------------------------------|--|--|
| Title ENVIRONMENTAL SCIENTIST III | | |
|--------------------------------------|--|--|

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, are attached.

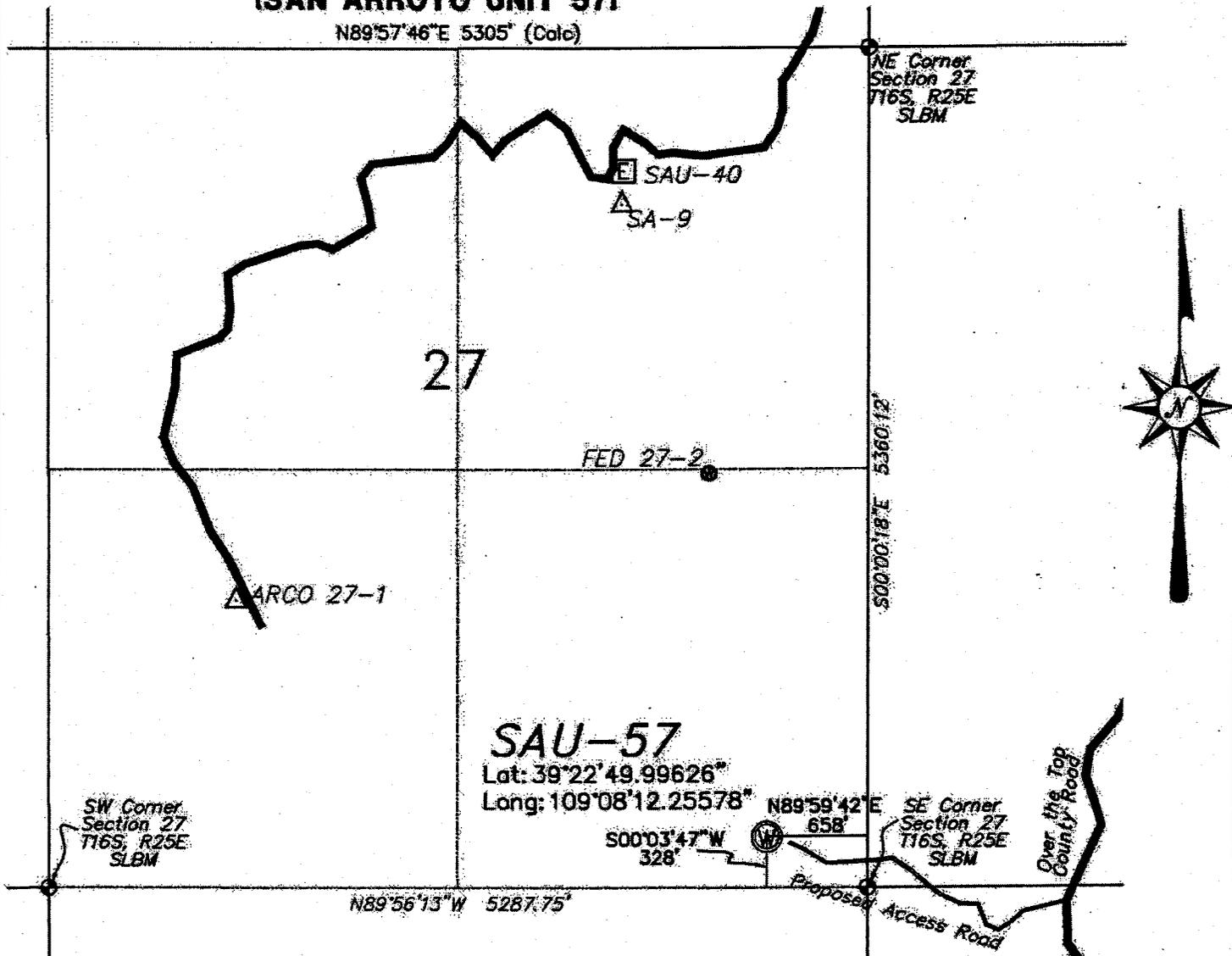
Title 18 U.S.C. Section 1001 and Title 43 U.S.C. Section 1212, make it a crime for any person knowingly and willfully to make to any department or agency of the United States any false, fictitious or fraudulent statements or representations as to any matter within its jurisdiction.

*(Instructions on page 2)

Federal Approval of this
Action is Necessary

LOCATION EXHIBIT - PLAT 1 OF PARCEL LOCATED IN SECTION 27, T16S, R25E, SLBM (SAN ARROYO UNIT 57)

N89°57'46"E 5305' (Cote)

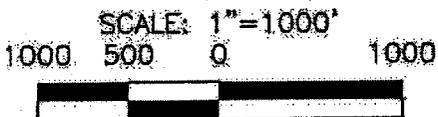


SAU-57

Lat: 39°22'49.99626"
Long: 109°08'12.25578"

This Well Location Plat was prepared for Crescendo Energy, LLC to show the location of San Arroyo SAU-57 which is located 658 feet West and 328 feet North from the position of the Southeast corner of Section 27, T16S, R26E, SLBM, based on the Northeast corner, the Southeast corner, and the Southwest corner of Section 27, T16S, R26E, SLBM. Latitude and Longitude are based on NAD 83. Elevations are based on NAVD 88.

Well ties measured 90° to Section Lines



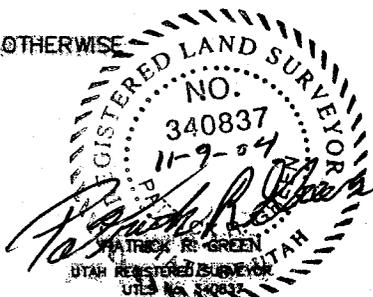
SURVEYOR'S CERTIFICATION

I hereby certify that this plat represents a field survey completed under my direct supervision during October, 2004, and that both have been completed according to the standards of practice and the laws of the State of Utah, and are correct to the best of my knowledge.

CERTIFIED THIS 9 DAY OF Nov, 2004.

LEGEND:

- FOUND GLO SURVEY MARKER, UNLESS NOTED OTHERWISE
- FOUND REBAR, AS NOTED
- STAKED WELL SITE



LOCATION EXHIBIT - PLAT 1
SECTION 27
T16S, R25E, SLBM
GRAND COUNTY, UTAH

LANDesign

| | | | | | |
|---|----------|-------|---------|-------|----|
| ENGINEER SURVEYOR PLANNER | | | | | |
| 244 NORTH 7th STREET GRAND JUNCTION, COLORADO 81501 (970) 245-4095 | | | | | |
| PROJ. NO. 2004-02 | SURVEYED | DRAWN | CHECKED | SHEET | OF |
| DATE: Nov, 2004 | RAD/LED | FSR | ARC | 1 | 1 |

SAN ARROYO UNIT #57

FEDERAL LEASE

1. DRILLING PLAN

- a. **Name of Well:** San Arroyo Unit #57
- b. **Surface Location of Well:** 328 FSL, 658 FEL, Sec 27, T16S, R25E, SLM
Grand County, Utah
- c. **Federal Lease No.** UTU-29645
- d. **Ungraded ground elevation:** 6110' above sea level
- e. **The surface formation:** Cretaceous Mesa Verde
- f. **Drilling Equipment:** Rotary drilling equipment will be used to drill the well to a TD of 5300' TVD and run casing. Standard 9" 3000 lb BOP double ram stack will be employed. A completion rig will be employed to complete the well.
- g. **The Total Depth** of the well is planned to be 5300'.
- h. **Tops of Geologic Markers:**

| | |
|----------------|----------------------|
| Surface: | Mesa Verde Formation |
| Castle Gate | 1200 |
| Dakota | 4600 |
| Cedar Mountain | 4800 |
| Morrison | 4900 |
| Total Depth | 5300 |

- i. **Estimated depths of fluid-bearing formations:**

Castle Gate: gas/water 1200
Dakota: gas/water 4600
Cedar Mountain: gas/water 4800
Morrison: gas/water 4900

- j. **The primary geologic objective is:**

Morrison: 4900 to 5300

- k. **Casing:**

Surface: A 12 1/4" surface hole will be drilled to 250' and 8 5/8" 36 lb new J55, API 8rnd ST&C csg will be run to 250' and cemented to surface with 150 sx regular cement mixed as follows: Class "G" (regular) cement containing 2% CaCl, 1/8 lb/sk Floseal, density 15.6 lb/gal, yield 1.18 cuft/sk. Cement will circulate.

Intermediate: An 8 3/4" hole will be drilled through Castlegate to approximately 1300' depending on geology and 7" 23 lb new J55, API 8rnd ST&C csg will be run and cemented with 90 sx Halliburton Light Cement containing 23.5 lb/sk Class "G" cement, 52.375 lb/sk Poz, 7.64 lb/sk Lime, 6.11 lb/sk Gel, 0.25 lb/sk poly-e-flake. Slurry weight 11.00 lb/gal, yield 2.73 cuft/sk. Cement to surface.

Production: A 6 1/2" hole will be drilled to projected depth of 5300'± depending on geology, and 4 1/2" 11.6 lb new J55 API 8rnd ST&C csg will be run to TD and cemented with 125 sx thixotropic cement comprised of Class "G" (regular) cement containing 10.0 lb/sk Calseal, 0.2 lb/sk Halad 344, 5 lb/sk gilsonite, density 14.2 lb/gal, yield 1.44 cuft/sk to cover all possible porous zones with a minimum of 200' of cement.

l. Pressure Control: A standard 9" 3000 lb double ram BOP will be flanged up and tested initially and monthly thereafter to TD. Rams will be operated during trips.

m. Mud Program: Fresh gel mud consisting of native clays, fresh water and bentonite will be used for the surface hole. Mud with at least 2% KCl (potassium chloride) will be used for the intermediate and production holes.

n. Testing, Logging and Coring Programs:

Testing: If returns indicate the need for a DST, testers will be called.

Mud Logging: A mud logging unit will be employed from 100' above the Castlegate.

Open Hole Logging: Electric and porosity logs will be run in open hole after intermediate casing depth is reached and after TD is reached.

Cased Hole Logging: A Gamma ray correlation and cement bond log will be run prior to perforating in cased hole.

Coring Program: No coring is planned for this well.

o. No abnormal pressures or H₂S is anticipated in this well. Bottom Hole Pressure is estimated to be 1800 psi.

p. Anticipated spud date is May 1, 2005. Drilling time will be approximately three weeks from spud to move off of the drilling rig.

2. BOP TEST PROCEDURES: Immediately after nipping up the double ram BOP to the surface pipe, professional testers will be called to the location and BOP tested to 2500 psi, both sets of rams and flanges.

3. MULTI-POINT SURFACE USE PLAN (13-Point Plan)

a. The land survey for the location was performed by LANDesign of Grand Junction, Colorado. Cultural resources were cleared by Mike Piontkowski of Uncompahgre Archaeological Consultants, Grand Junction, CO.

b. **(See Map) To reach the location** from Mack, CO, proceed westerly on old Hwy 6 approximately 10.0 miles to San Arroyo Road, turn right (north), stay on main traveled road for approximately 12.3 mi to junction with San Arroyo #57 access road.

c. **Access Road:** See Map. Approximately 0.30 mi of Access Road will be required for this well.

d. **Planned Access Road:** Approximately 0.30 mi of Access road is planned for this location. Grades will be kept 8% or less.

e. **Wells within a one-mile radius of proposed well:**

- 1) There are no known water wells within the one-mile radius.
- 2) There are no known P&A wells within the one-mile radius.
- 3) There are no known salt water disposal wells in the one-mile radius
- 4) There are ten (10) known producing wells in the one-mile radius:
 - SENESE Sec 34, T16S, R25E, SLM
 - SESW Sec 34, T16S, R25E, SLM
 - NESENW Sec 34, T16S, R25E, SLM
 - SWNESW Sec 27, T16S, R25E, SLM
 - SENWNE Sec 27(2wells), T16S, R25E, SLM
 - SENWNE Sec 26, T16S, R25E, SLM
 - NESWNE Sec 26, T16S, R25E, SLM
 - NESESW Sec 26, T16S, R25E, SLM
 - NESWNW Sec 35, T16S, R25E, SLM
- 5) There are no known currently permitted wells in the one-mile radius.
- 6) There are no known monitoring wells in the one-mile radius

f. **Production facilities** such as separators, dehydrators, flow meters and tanks will be located on the disturbed portion of the well pad. If gravel is needed for foundation under tanks or gas processing equipment, it will be hauled in. All other material will be obtained from the site such as dirt for the dikes around tanks.

g. **Above ground structures** will be painted according to BLM selected colors. BLM states colors will be selected at onsite and included in stipulations with permit.

h. **Reserve Pit:** Will be fenced on three sides during drilling. After the drilling rig is moved out, Reserve Pit will be fenced on fourth side and fence maintained for the life of the pit – until final reclamation.

i. **Tanks or Tank Batteries:** A tank or tank battery will be surrounded by an impervious dike of sufficient size and height to contain 110% of the largest tank in the battery.

j. **If any oil/liquid hydrocarbons** resulting from drilling or completion end up in the pit, the pit will be flagged/netted.

k. Off-Site Facilities: No off-drill pad facilities are anticipated for the well. Condensate will be stored on the drill pad and gas piped off to the sales pipeline nearby.

l. Proposed Pipeline Facilities: The Sales Gas line will be installed to the east, staying on the Access Road and hook up to existing pipeline in Sec 35. After completion and testing, a Sundry Notice will be filed describing the pipeline needed to produce this well.

m. Location and Type of Water Supply: Water for mixing drilling mud and cement will be trucked from the Ute Water facility at Mack, CO, approximately 23 miles from the location. Ute water is purified domestic water and will not cause any deleterious affects to the environment. Water will be bought under Ute Water Permit No. B004.

n. Source of Construction Materials: No material will be removed from Federally owned sources. If gravel is needed for foundation under production facilities, there are several commercial gravel pits in the area. The dike around the tank will be constructed from dirt found on the location.

o. Methods of handling waste disposal: Design of pit and its usage. Sewage disposal. Garbage and trash handling.

- A. The reserve pit will be designed to prevent the collection of surface runoff. The pit will be lined with a 12-mil or thicker polyethylene to prevent leakage of fluids. The liner will be rolled in place and recurred at the ends, i.e. buried on the top of the pit berms. Prior to use, the reserve pit will fenced "stock tight" on three sides, the fourth side will be fenced at the time of rig release and removal, at which time the pit will be flagged. Drilling fluids and cuttings will be constrained in the reserve pit.

Fluids in the reserve pit will be allowed to evaporate prior to being backfilled. Pit will remain fenced until backfilled.

- B. Produced liquid hydrocarbons will be constrained in test tank(s) during completion and testing.
- C. Sewage will be handled in self-contained, chemically treated portable toilets and contents hauled off location to an authorized facility in accordance with State and local regulations.
- D. Garbage and other trash will be contained in an acceptable trash receptacle, which will be enclosed. Refuse will be transported to an approved sanitary landfill upon completion of operations.
- E. Trash will be picked up if scattered and contained in receptacles during drilling/completion/construction operations.

p. Ancillary Facilities: None Required.

q. Well site layout including plats, cuts, fills, cross sections, parking for vehicles, top soil storage, location of pits including reserve pit, erosion control.

- A. See Survey Plats.
- B. Cut and fill cross sections indicated on survey exhibits. Sufficient material will be available to backfill the reserve pit after drilling and completion activities.
- C. All equipment will be confined to the access road, pad and areas specified in the APD.
- D. Prior to construction, all topsoil will be removed from the entire site and stockpiled as directed by the BLM during the onsite. Topsoil will be stripped to a depth of 6 to 8 inches where possible.
- E. Soil material and overburden will not be pushed over side slopes or into drainages. All soil material disturbed will be placed in an area where it can be retrieved.
- F. The location (including reserve pit) will be designed to prevent the collection of surface runoff.
- G. Adequate erosion control barriers will be installed at the drill pad to minimize storm water runoff. Water drainage upslope from the drill pad will be addressed at the time of construction to keep it from ponding on the pad.

r. Surface Reclamation Plans:

- A. Rat and mouse holes will be backfilled and compacted from bottom to top immediately upon release of the drilling rig from the location.
- B. Backfilling of the pit will be done when the contents have been sufficiently dewatered.
- C. Production Operations:
 - a. If the well is productive, areas not required for operations will be contoured and water barred to support vegetation and reduce erosion. All disturbed areas will be seeded with seed mixture prescribed by BLM. Seeding will be done after September 15th and/or prior to ground frost or seed will be planted after the last frost and before May 15th. Slopes too steep for machinery will be hand broadcast and raked with twice the specified amount of seed.
 - b. Noxious weeds will be controlled on the location in accordance with BLM guidelines.
 - c. Rehabilitation will begin upon the completion of the well. Complete rehabilitation will depend on weather conditions and the amount of time required to sufficiently dewater the reserve pit.

s. Abandoned Well Plans:

- A. In the event of a dry hole, the location will be re-contoured, the top soil will be distributed evenly over the entire location. The seed bed will be prepared by disking to a depth of four(4) to six(6) inches following the contour. Seed will be drilled on the contour to a depth of 0.5 inches, followed by cultipaction to compact the seed bed, preventing soil loss. Certified seed will be used with a minimum germination rate of 80% and minimum purity of 90%.
- B. Water bars, either for a producing well or a dry hole, will be constructed at least one(1) foot deep on the contour with approximately two(2) feet of drop per 100 feet of waterbed to ensure drainage and extend into established vegetation. All water bars will be constructed with berm on the downhill side to prevent erosion from occurring and sitting in the trench.

Water bar spacing on the location will be as follows:

| <u>% Slope</u> | <u>Spacing Interval</u> |
|----------------|-------------------------|
| 2 or < | 200' |
| 2 to 4 | 100' |
| 4 or 5 | 75' |
| 5 or > | 50' |

- C. Notice of Intent to Abandon and Subsequent Report of Abandonment will be submitted for approval.

t. Surface Ownership and ROW Ownership:

Surface Ownership: U.S. Department of Interior, Bureau of Land Management

ROW Ownership: U.S. Department of Interior, Bureau of Land Management

u. Other:

- A. Cultural Resource Inventory: A Class III Cultural Resource Inventory has been conducted by Mike Piontkowski of Uncompahgre Archaeological Consultants.

The survey finding was that no cultural resources were found on or near the location.

- B. Surface use of Area: Surface use of area is for grazing livestock and production of oil & gas.
- C. Fire Suppression: Operator will be responsible for the prevention and suppression of fires on public lands caused by its employees, contractors, or subcontractors.

- D. Hazmat: Operator maintains a file, per 29 CFR 1910.1200 (g) containing current Material Safety Data Sheets (MSDS) for all chemicals, compounds and/or substances which are used during the course of construction, drilling, completion and production operations for this project. Hazardous materials (substances) which may be transported across these lands may include drilling mud, cementing products which are primarily inhalation hazards, fuels (flammable and/or combustible), materials that may be necessary for well completion/stimulation activities such as flammable or Combustible products and acids/gels (corrosives).

The opportunity for Superfund Amendments and Reauthorization ACT (SARA) listed Extremely Hazardous Substances (EHS) at the site is generally limited to proprietary treating chemicals. All hazardous substances, EHS, and commercial preparations will be handled in an appropriate manner to minimize the potential for leaks or spills to the environment.

u. Operators Representative and Address and a Certification:

J. N. Burkhalter
Consulting Engineer/Agent for
Crescendo Energy, LLC
P.O. Box 60095
Grand Junction, CO 81506
Office: 970-243-6060; Cell: 970-260-0765

CERTIFICATION: 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.

Crescendo Energy, LLC is considered to be the operator of the subject well. Crescendo Energy, LLC agrees to be responsible under terms and conditions of the lease for the operations conducted upon leased lands.

The Operator will be fully responsible for the actions of its subcontractors. A complete copy of the approved "Application for Permit to Drill" will be furnished to the field representative(s) to ensure compliance and shall be on location during all construction and drilling operations.

Bond coverage pursuant to 43 CFR 3104 for lease activities is being provided by BLM Utah Statewide Bond No. 0437483.

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

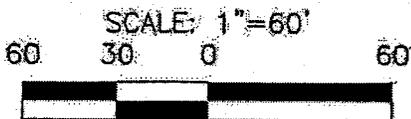
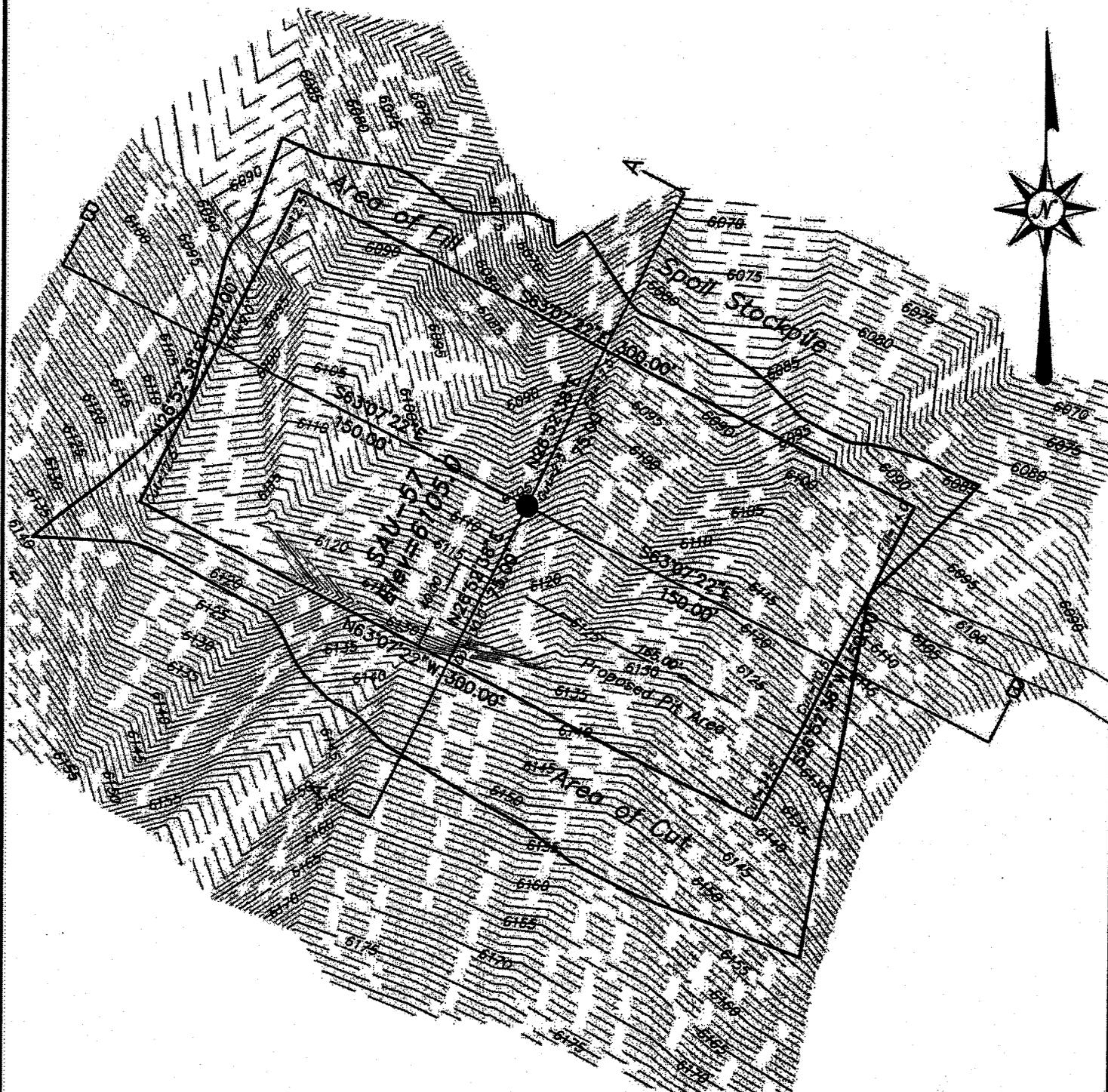

J. N. Burkhalter


Date

4. Plats/Maps Provided:

- a. Plat 1: Certified Location Plat
- b. Plat 2: Pit and Pad Layout
- c. Plat 3: Pit & Pad Cross Section
- d. Plat 4: Rig Layout
- e. Platt 5: Topo & Access
- f. Road Map
- g. One Mile Radius Map
- h. Schematic of BOPE

PAD & PIT LAYOUT - PLAT 2
OF PARCEL LOCATED IN
SECTION 27, T16S, R25E, SLBM
ISAN ARROYO UNIT 571



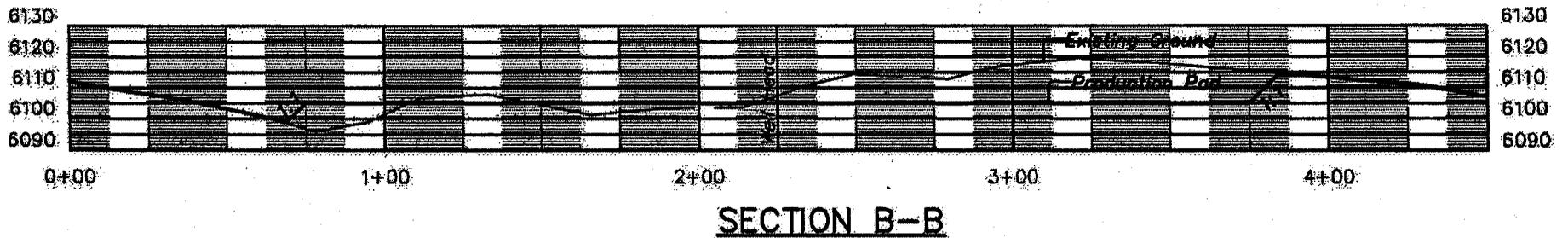
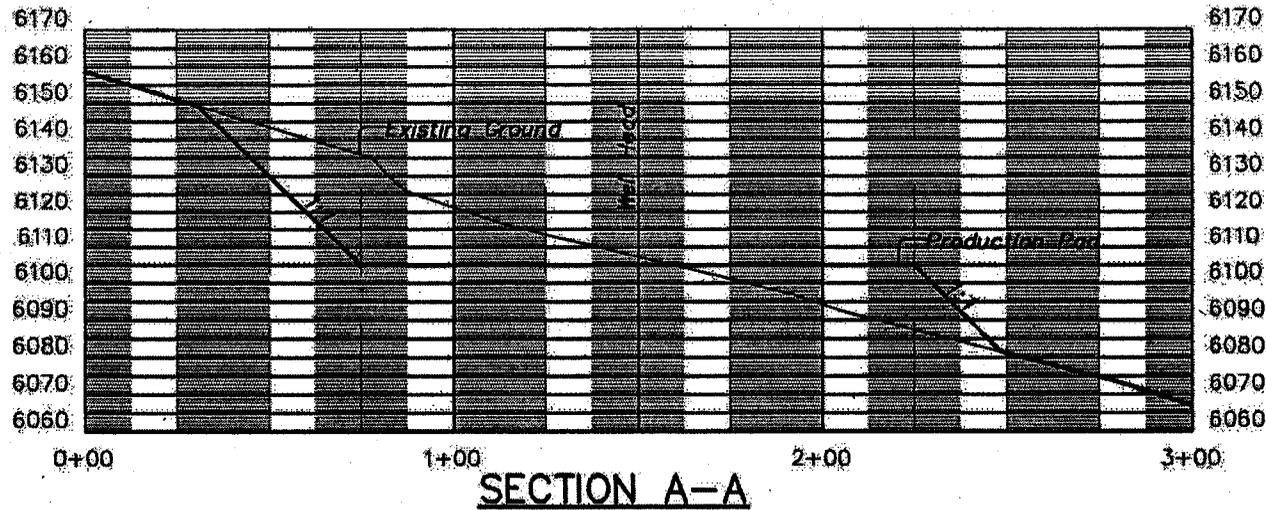
PAD & PIT LAYOUT - PLAT 2
 SECTION 27
 T16S, R25E, SLBM
 GRAND COUNTY, UTAH

LANDesign

ENGINEERS SURVEYORS PLANNERS
 244 NORTH 7th STREET
 GRAND JUNCTION, COLORADO 81501 (970) 245-1099

| | | | | | |
|-------------------|----------|-------|---------|-------|----|
| PROJ. NO. 2004-82 | SURVEYED | DRAWN | CHECKED | SHEET | OF |
| DATE: MAR, 2004 | RAD/LED | RSK | PRC | 1 | 1 |

PAD & PIT CROSS SECTION - PLAT 3
OF PARCEL LOCATED IN
SECTION 27, T16S, R25E, SLBM
ISAN ARROYO UNIT 571



SCALE: 1"=50' H
 SCALE: 1"=50' V

PAD & PIT CROSS SECTION
PLAT 3
 SECTION 27,
 T16S, R25E, SLBM
 GRAND COUNTY, UTAH

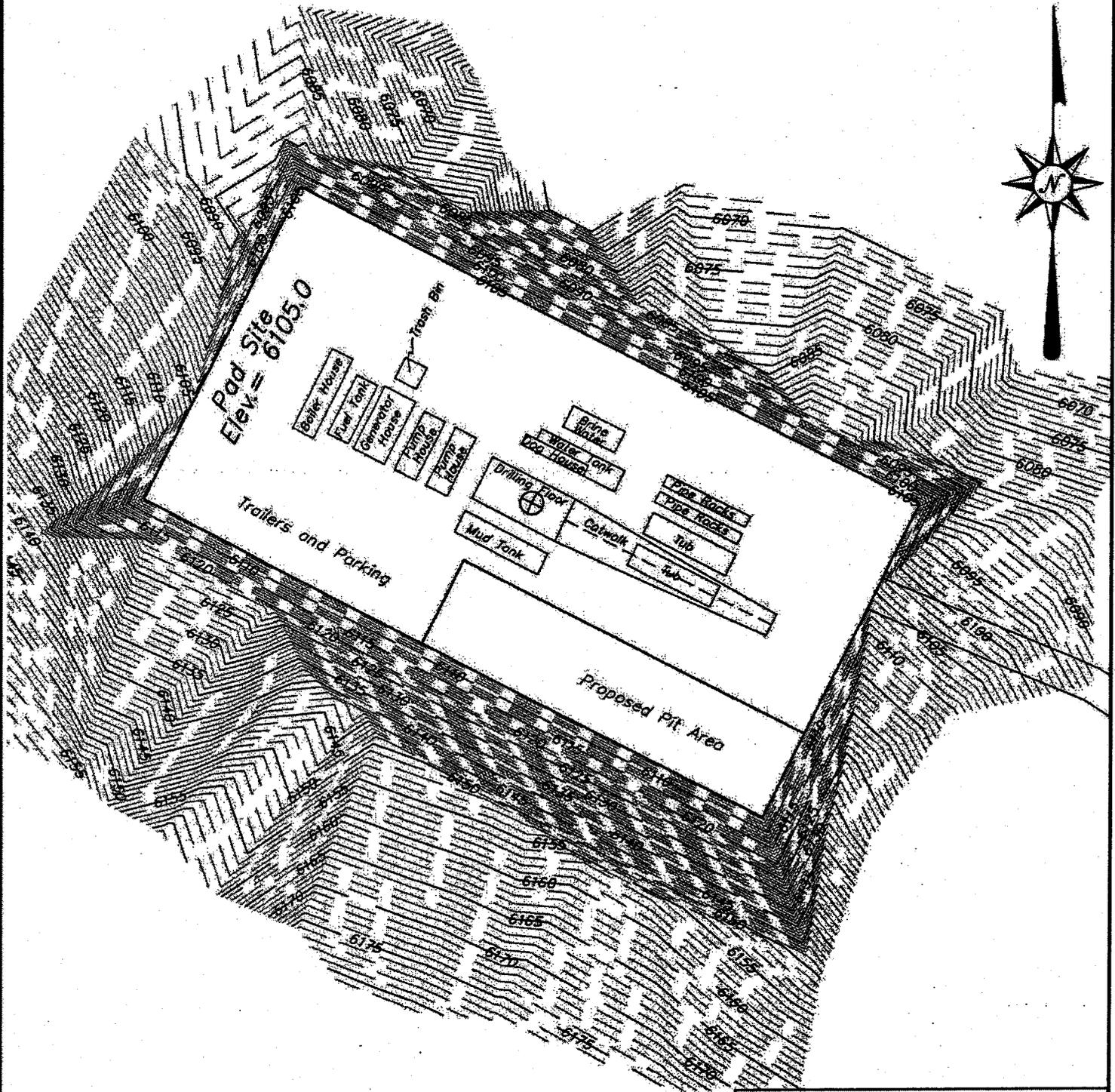
LANDesign

ENGINEERS - SURVEYORS - PLANNERS
 244 NORTH 7th STREET
 GRAND JUNCTION, COLORADO 81501 (970) 245-4099

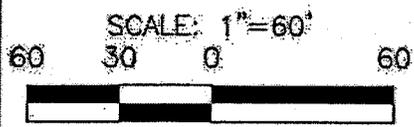
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| NO. 2004-02 | | | | 1 | 1 |

DATE: Nov., 2004 RAD/LED RSK PRG

RIG LAYOUT - PLAT 4
OF PARCEL LOCATED IN
SECTION 27, T16S, R25E, SLBM
ISAN ARROYO UNIT 571



Ground Level = 6105.0
 Drilling Floor = 6118.0
 Kelley Bushing = 6119.0



RIG LAYOUT - PLAT 4

SECTION 27
 T16S, R25E, SLBM
 GRAND COUNTY, UTAH

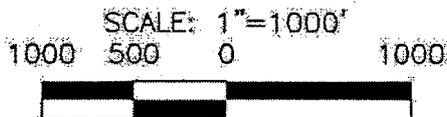
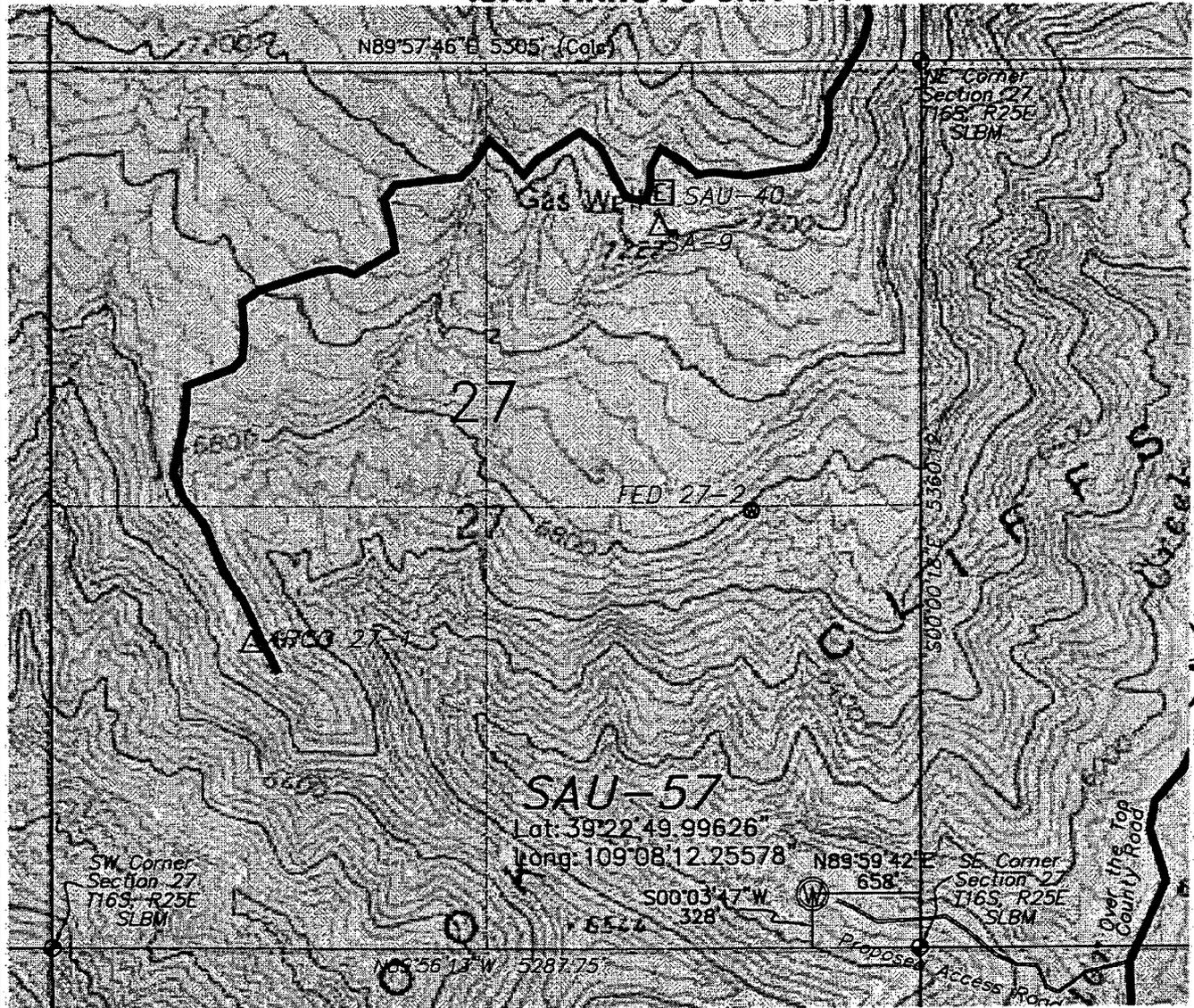
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ENGINEERS SURVEYORS PLANNERS
 244 NORTH 7th STREET
 GRAND JUNCTION, COLORADO 81501 (970) 245-4086

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|-------------------|----------|-------|---------|-------|----|
| PROJ. NO. 2004-82 | SURVEYED | DRAWN | CHECKED | SHEET | OF |
| DATE: Rev., 2004 | RAV/LED | JSK | PRG | 1 | 1 |

TOPOGRAPHY & ACCESS EXHIBIT - PLAT 5

OF PARCEL LOCATED IN SECTION 27, T16S, R25E, SLBM ISAN ARROYO UNIT 57I



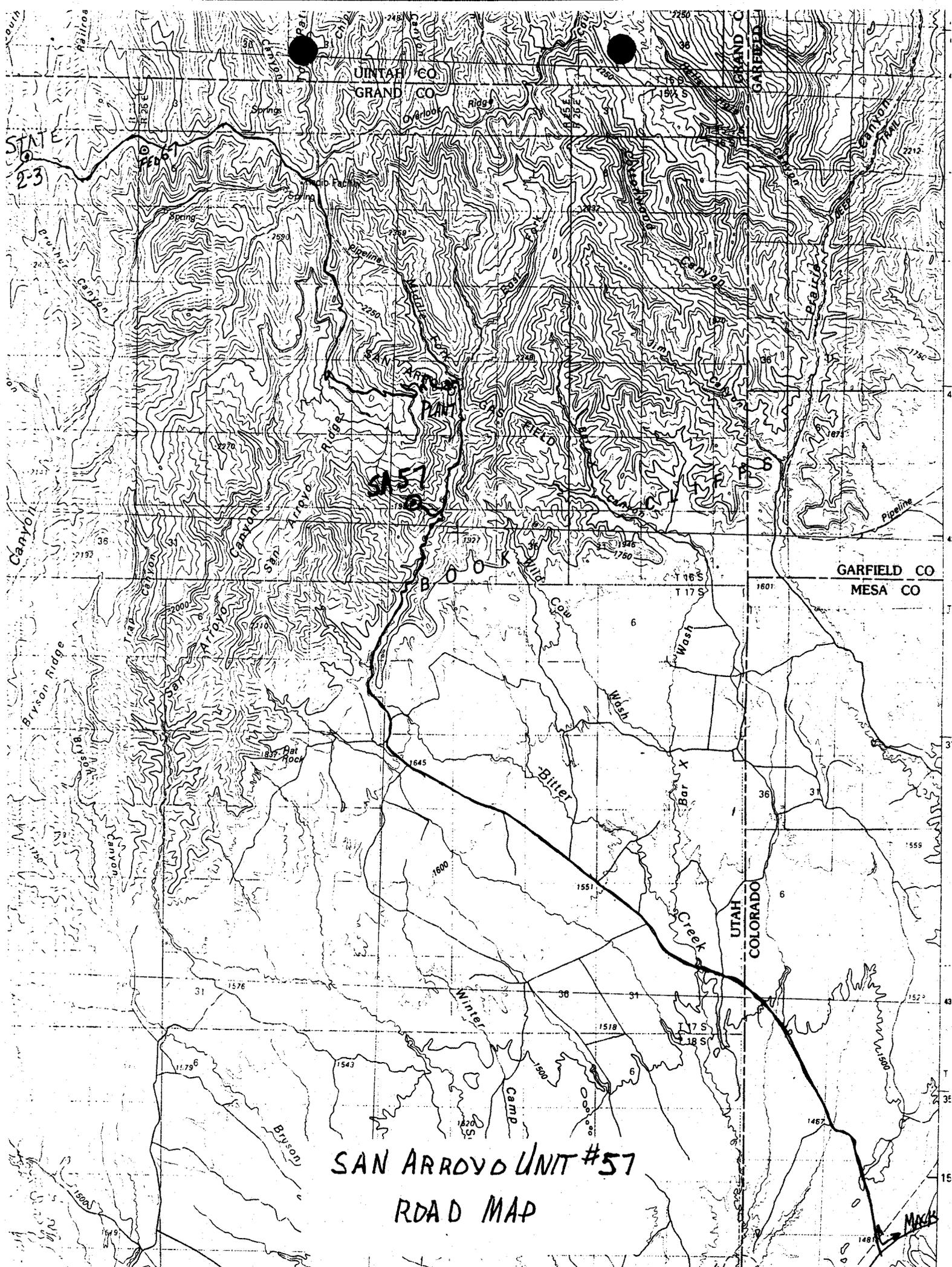
**TOPOGRAPHY & ACCESS
EXHIBIT - PLAT 5**

SECTION 27
T16S, R25E, SLBM
GRAND COUNTY, UTAH

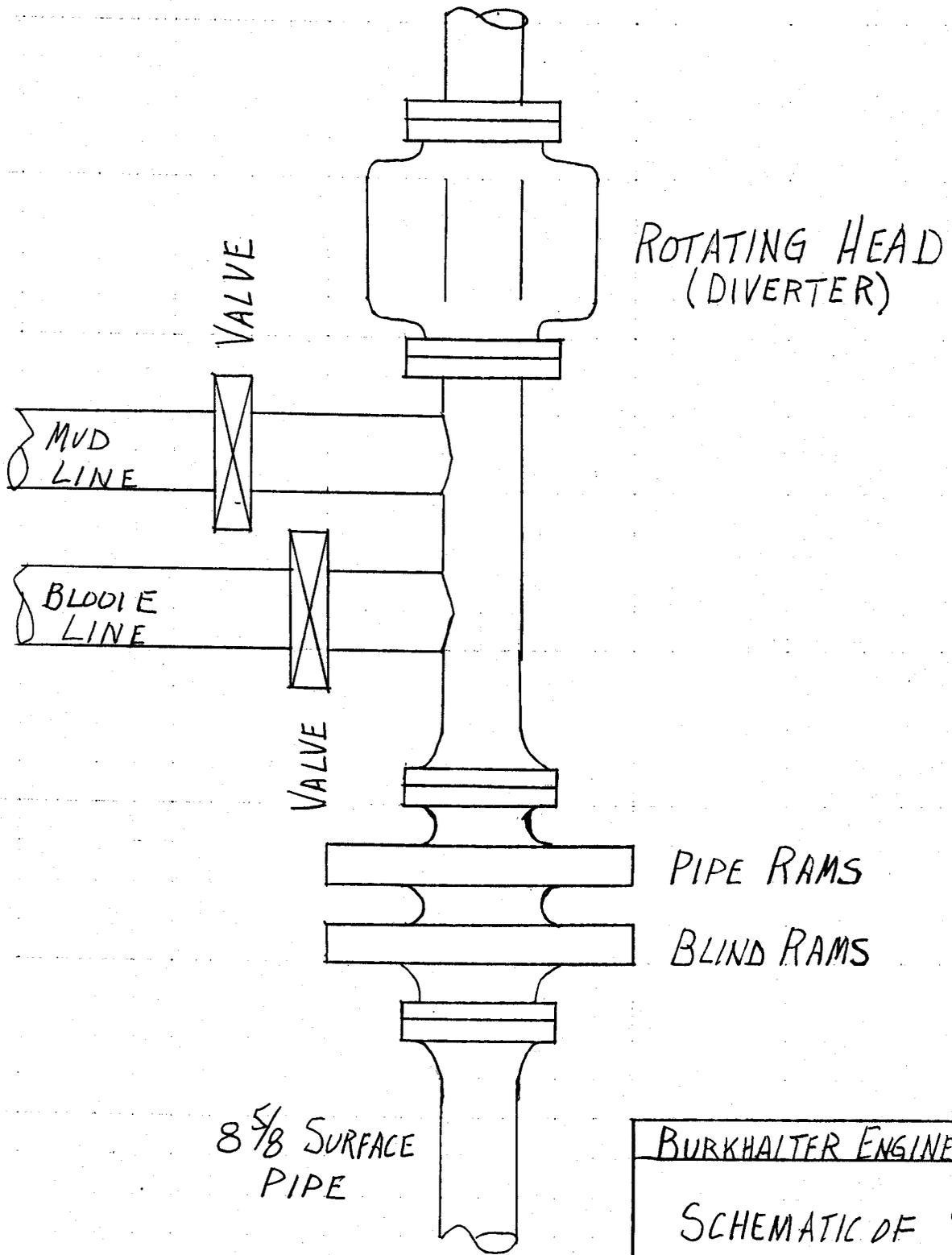
LANDesign

ENGINEERS SURVEYORS PLANNERS
244 NORTH 7th STREET
GRAND JUNCTION, COLORADO 81501 (970) 245-4099

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| PROJ. NO. 2004-82 | SURVEYED | DRAWN | CHECKED | SHEET | OF |
| DATE: Nov., 2004 | RAD/LED | RSK | PRG | 1 | 1 |



SAN ARROYO UNIT #57
ROAD MAP



SAN ARROYO UNIT # 57

BURKHALTER ENGINEERING, INC

SCHEMATIC OF 9"
STANDARD 3000 LB
BOP STACK

WORKSHEET
APPLICATION FOR PERMIT TO DRILL

APD RECEIVED: 12/28/2004

API NO. ASSIGNED: 43-019-31432

WELL NAME: SAN ARROYO U #57

OPERATOR: CRESCENDO ENERGY LLC (N1365)

CONTACT: J.N. BURKHALTER

PHONE NUMBER: 432-697-7221

PROPOSED LOCATION:

SESE 27 160S 250E
SURFACE: 0328 FSL 0658 FEL
BOTTOM: 0328 FSL 0658 FEL
GRAND
SAN ARROYO (250)

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

LEASE TYPE: 1 - Federal

LEASE NUMBER: UTU-29645

SURFACE OWNER: 1 - Federal

PROPOSED FORMATION: MRSN

COALBED METHANE WELL? NO

LATITUDE: 39.38056

LONGITUDE: -109.1361

RECEIVED AND/OR REVIEWED:

- Plat
- Bond: Fed[1] Ind[] Sta[] Fee[]
(No. 0437483)
- Potash (Y/N)
- Oil Shale 190-5 (B) or 190-3 or 190-13
- Water Permit
(No. B004)
- RDCC Review (Y/N)
(Date:)
- Fee Surf Agreement (Y/N)

LOCATION AND SITING:

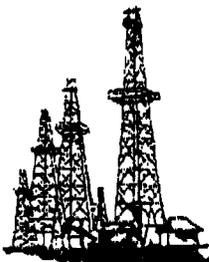
- R649-2-3.
- Unit _____
- R649-3-2. General
- Siting: 460 From Qtr/Qtr & 920' Between Wells
- R649-3-3. Exception
- Drilling Unit
- Board Cause No: 149-1 & 149-1B
- Eff Date: 3-14-1973
- Siting: 500' fr d r l u b d r y f 2000' fr other wells
- R649-3-11. Directional Drill

COMMENTS:

STIPULATIONS:

1 - Federal Approval

002



*Petroleum and Energy Consultants
Registered in Rocky Mountain States
Oil & Gas Production*

BURKHALTER ENGINEERING, INC.

751 Horizon Ct., Suite 245
P.O. Box 60095
Grand Junction, Co 81506
Telephone (970) 243-6060
Fax (970) 243-6015
Mobile (970) 260-0765

January 5, 2005

Ms. Diana Whitney
Division of Oil, Gas & Mining
P.O. Box 145801
Salt Lake City, UT 84114-5801

Re: APD
Exception Location
San Arroyo Unit #57
328 FSL, 658 FEL, Sec 27, T16S, R25E, SLM
Grand County, UT

Dear Ms. Whitney:

San Arroyo Unit #57 is an exception to Cause No. 149-1 in that it is only 328' north of the south line of Zone II, Drilling Unit No.40, S1/2, Sec 27, T16S, R25E. Cause No. 149-1 requires 500' from a Drilling Zone boundary. Due to rough and steep terrain, it was necessary to stake SA 57 only 328 feet north of the Drilling Unit No. 40 south boundary. Crescendo Energy, LLC is the 100% Owner and 100% Operator of all Oil & Gas Leases within 500 feet of the proposed location.

We respectfully request an exception to the 500-foot stipulation in Cause No. 149-1 due to topography.

Please call if you have other concerns.

Very truly yours,

J. N. Burkhalter
J. N. Burkhalter, PE

cc: Jim Osborne

RECEIVED
JAN 05 2005
DIV. OF OIL, GAS & MINING



State of Utah

Department of
Natural Resources

ROBERT L. MORGAN
Executive Director

Division of
Oil, Gas & Mining

MARY ANN WRIGHT
Acting Division Director

OLENE S. WALKER
Governor

GAYLE F. McKEACHNIE
Lieutenant Governor

January 5, 2005

Crescendo Energy, LLC
P O Box 1814
Midland, TX 79702

Re: San Arroyo Unit #57 Well, 328' FSL, 658' FEL, SE SE, Sec. 27, T. 16 South, R. 25 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 43-019-31432.

Sincerely,

John R. Baza
Associate Director

pab
Enclosures

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

Operator: Crescendo Energy, LLC
Well Name & Number San Arroyo Unit #57
API Number: 43-019-31432
Lease: UTU-29645

Location: SE SE Sec. 27 T. 16 South R. 25 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.

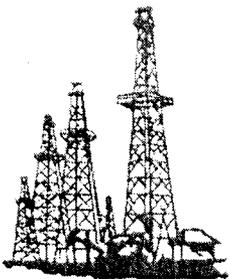
Notify the Division prior to commencing operations to plug and abandon the well.

- 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.



*Petroleum and Energy Consultants
Registered in Rocky Mountain States
Oil & Gas Production*

BURKHALTER ENGINEERING, INC.

751 Horizon Ct., Suite 245
P.O. Box 60095
Grand Junction, Co 81506
Telephone (970) 243-6060
Fax (970) 243-6015
Mobile (970) 260-0765

February 9, 2005

Bureau of Land Management
Moab District
82 East Dogwood
Moab, UT 84532

Re: Crescendo Energy, LLC
San Arroyo Unit #57 (Federal 27-2)
SESE Sec 27, T16S, R25E
Grand County, UT

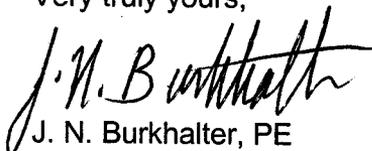
To Whom It May Concern:

It has been discovered that the well designated San Arroyo #57 is not in the San Arroyo Unit. Therefore Crescendo wishes to change the name of the well to:

Federal 27-2

All other things remain the same. A Sundry in triplicate is enclosed for your records.

Very truly yours,


J. N. Burkhalter, PE

cc: Crescendo Energy
State of Utah

RECEIVED
FEB 15 2005
DIV. OF OIL, GAS & MINING

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

FORM APPROVED
OMB No. 1004-0137
Expires: March 31, 2007

SUNDRY NOTICES AND REPORTS ON WELLS

Do not use this form for proposals to drill or to re-enter an abandoned well. Use Form 3160-3 (APD) for such proposals.

006

SUBMIT IN TRIPLICATE- Other instructions on reverse side.

1. Type of Well
 Oil Well Gas Well Other

2. Name of Operator
Crescendo Energy, LLC

3a. Address
P.O. Box 1814, Midland, TX 79702

3b. Phone No. (include area code)
432-697-7221

4. Location of Well (Footage, Sec., T., R., M., or Survey Description)
328 FSL, 658FEL, Sec 27, T16S, R25E, SLM

5. Lease Serial No.
UTU-29645

6. If Indian, Allottee or Tribe Name

7. If Unit or CA/Agreement, Name and/or No.

8. Well Name and No.
Federal 27-2 (SAU #57)

9. API Well No.
43-019-31432

10. Field and Pool, or Exploratory Area
San Arroyo Field

11. County or Parish, State
Grand County, UT

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

| TYPE OF SUBMISSION | TYPE OF ACTION | | | | | |
|--|---|---|--|--|--|--|
| <input checked="" type="checkbox"/> Notice of Intent | <input type="checkbox"/> Acidize | <input type="checkbox"/> Deepen | <input type="checkbox"/> Production (Start/Resume) | <input type="checkbox"/> Water Shut-Off | | |
| <input type="checkbox"/> Subsequent Report | <input type="checkbox"/> Alter Casing | <input type="checkbox"/> Fracture Treat | <input type="checkbox"/> Reclamation | <input type="checkbox"/> Well Integrity | | |
| <input type="checkbox"/> Final Abandonment Notice | <input type="checkbox"/> Casing Repair | <input type="checkbox"/> New Construction | <input type="checkbox"/> Recomplete | <input checked="" type="checkbox"/> Other Change Name | | |
| | <input type="checkbox"/> Change Plans | <input type="checkbox"/> Plug and Abandon | <input type="checkbox"/> Temporarily Abandon | | | |
| | <input type="checkbox"/> Convert to Injection | <input type="checkbox"/> Plug Back | <input type="checkbox"/> Water Disposal | | | |

13. Describe Proposed or Completed Operation (clearly state all pertinent details, including estimated starting date of any proposed work and approximate duration thereof. If the proposal is to deepen directionally or recomplete horizontally, give subsurface locations and measured and true vertical depths of all pertinent markers and zones. Attach the Bond under which the work will be performed or provide the Bond No. on file with BLM/BIA. Required subsequent reports shall be filed within 30 days following completion of the involved operations. If the operation results in a multiple completion or recompletion in a new interval, a Form 3160-4 shall be filed once testing has been completed. Final Abandonment Notices shall be filed only after all requirements, including reclamation, have been completed, and the operator has determined that the site is ready for final inspection.)

1 Discovered San Arroyo Unit #57 not in San Arroyo Unit Area.

2 Change name of Well to:

Federal 27-2

14. I hereby certify that the foregoing is true and correct
 Name (Printed/Typed)

J. N. Burkhalter

Title **Consulting Engineer/Agent**

Signature



Date

2/9/05

RECEIVED

FEB 15 2005

DIV. OF OIL, GAS & MINING

THIS SPACE FOR FEDERAL OR STATE OFFICE USE

Approved by _____

Conditions of approval, if any, are attached. Approval of this notice 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.

Title

Date

Office

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.

(Instructions on page 2)

007



United States Department of the Interior

BUREAU OF LAND MANAGEMENT

Moab Field Office
82 East Dogwood
Moab, Utah 84532



TAKE PRIDE
IN AMERICA

43.019.31432
16S. 25E 27

RECEIVED
FEB 22 2005

3160
UTU29645
(UT-062)

DIV. OF OIL, GAS & MINING

FEB 16 2005

Mr. J.N. Burkhalter
Burkhalter Engineering, Inc.
P. O. Box 60095
Grand Junction, Colorado 81506

Re: Well No. San Arroyo Unit 57
SESE Sec. 27, T16S, R25E
Lease UTU29645
Grand County, Utah

Dear Mr. Burkhalter:

In a letter date February 9, 2005, you requested a well name and number change on behalf of Crescendo Energy, LLC for a proposed location in Grand County, Utah. The requested modification would change San Arroyo Unit 57 to Federal 27-2.

Our records indicate that on October 28, 2004, Crescendo Energy, LLC submitted a Notice of Staking (NOS) for a location identified as Federal 27-2. Since we already recognize a proposed well location as Federal 27-2, we cannot comply with your request. Should Crescendo Energy, LLC intend to rename San Arroyo Unit 57 to Federal 27-2, you must first withdraw the original NOS. If you do not wish to withdraw the Federal 27-2 NOS a different number should be selected.

While we do not object to changing the well name and number of the San Arroyo Unit 57, we will continue to recognize the subject location as the San Arroyo Unit 57 until we've received clarification. If you have any questions, please contact Marie McGann at 435-259-2135.

Sincerely,

Eric C. Jones

Acting Assistant Field Manager
Division of Resources

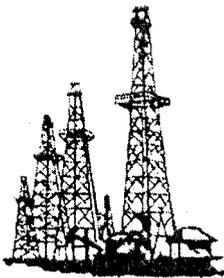
Enclosure

February 9, 2005 letter (1p)

cc: Crescendo Energy, LLC (Midland, TX) (w/Enclosure)

Diana Whitney, UDOGM (w/Enclosure)

MMcGann:mm:2/15/05



*Petroleum and Energy Consultants
Registered in Rocky Mountain States
Oil & Gas Production*

BURKHALTER ENGINEERING, INC.

751 Horizon Ct., Suite 245
P.O. Box 60095
Grand Junction, Co 81506
Telephone (970) 243-6060
Fax (970) 243-6015
Mobile (970) 260-0765

RECEIVED
MOAB FIELD OFFICE

2005 FEB 10 A 10:30

DEPT OF THE INTERIOR
BUREAU OF LAND MGMT

February 9, 2005

Bureau of Land Management
Moab District
82 East Dogwood
Moab, UT 84532

Re: Crescendo Energy, LLC
San Arroyo Unit #57 (Federal 27-2)
SESE Sec 27, T16S, R25E
Grand County, UT

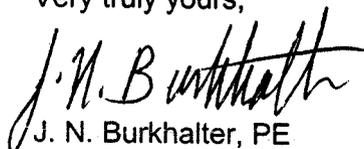
To Whom It May Concern:

It has been discovered that the well designated San Arroyo #57 is not in the San Arroyo Unit. Therefore Crescendo wishes to change the name of the well to:

Federal 27-2

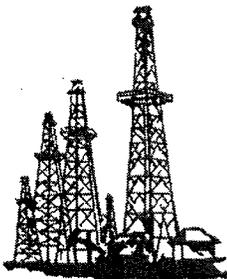
All other things remain the same. A Sundry in triplicate is enclosed for your records.

Very truly yours,


J. N. Burkhalter, PE

*(Sundry Notices were not included
with letter).*

cc: Crescendo Energy
State of Utah



*Petroleum and Energy Consultants
Registered in Rocky Mountain States
Oil & Gas Production*

BURKHALTER ENGINEERING, INC.

751 Horizon Ct., Suite 245
P.O. Box 60095
Grand Junction, Co 81506
Telephone (970) 243-6060
Fax (970) 243-6015
Mobile (970) 260-0765

February 18, 2005

Bureau of Land Management
Moab District
82 East Dogwood
Moab, UT 84532

Re: Crescendo Energy, LLC
San Arroyo Unit #57 (Federal 27-2)
SESE Sec 27, T16S, R25E
Grand County, UT

To Whom It May Concern:

In accordance with your letter dated February 16, 2005, Crescendo Energy, LLC, hereby withdraws the original NOS for Federal 27-2 in the SWNE Sec 27, T16S, R25E, SLM. Crescendo wishes to rename this well the San Arroyo Unit #57.

Concurrently, Crescendo Energy wishes to rename the staked well known as the San Arroyo Unit #57 as Federal #27-2 in the SESE Sec 27, T16S, R25E, SLM.

This name change request follows discovery that the original Fed 27-2 was INSIDE the Unit while the original SA 57 was OUTSIDE the Unit. Please see the enclosed copy of map with Unit boundary (recently obtained from State) plotted on it.

I am enclosing Sundries in triplicate for each Location with request for name change thereon. Hopefully this will satisfy all the requirements for getting the name change accomplished, but if it doesn't, please call / write and we will do what is necessary to comply.

Very truly yours,


J. N. Burkhalter, PE

cc: Crescendo Energy
State of Utah ✓

RECEIVED

FEB 23 2005

DIV. OF OIL, GAS & MINING

ER

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

FORM APPROVED
OMB No. 1004-0137
Expires: March 31, 2007

008

SUNDRY NOTICES AND REPORTS ON WELLS
Do not use this form for proposals to drill or to re-enter an abandoned well. Use Form 3160-3 (APD) for such proposals.

SUBMIT IN TRIPLICATE- Other instructions on reverse side.

| | | |
|--|---|---|
| 1. Type of Well <input type="checkbox"/> Oil Well <input checked="" type="checkbox"/> Gas Well <input type="checkbox"/> Other | | 5. Lease Serial No. UTU-29645 |
| 2. Name of Operator Crescendo Energy, LLC | | 6. If Indian, Allottee or Tribe Name _____ |
| 3a. Address P.O. Box 1814, Midland, TX 79702 | 3b. Phone No. (include area code) 432-697-7221 | 7. If Unit or CA/Agreement, Name and/or No. _____ |
| 4. Location of Well (Footage, Sec., T., R., M., or Survey Description) 328 FSL, 658FEL, Sec 27, T16S, R25E, SLM | | 8. Well Name and No. Federal 27-2 (SAU #57) |
| | | 9. API Well No. 43-019-31432 |
| | | 10. Field and Pool, or Exploratory Area San Arroyo Field |
| | | 11. County or Parish, State Grand County, UT |

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

| TYPE OF SUBMISSION | TYPE OF ACTION | | | |
|--|---|---|--|--|
| <input checked="" type="checkbox"/> Notice of Intent | <input type="checkbox"/> Acidize | <input type="checkbox"/> Deepen | <input type="checkbox"/> Production (Start/Resume) | <input type="checkbox"/> Water Shut-Off |
| <input type="checkbox"/> Subsequent Report | <input type="checkbox"/> Alter Casing | <input type="checkbox"/> Fracture Treat | <input type="checkbox"/> Reclamation | <input type="checkbox"/> Well Integrity |
| <input type="checkbox"/> Final Abandonment Notice | <input type="checkbox"/> Casing Repair | <input type="checkbox"/> New Construction | <input type="checkbox"/> Recomplete | <input checked="" type="checkbox"/> Other <u>Change Name</u> |
| | <input type="checkbox"/> Change Plans | <input type="checkbox"/> Plug and Abandon | <input type="checkbox"/> Temporarily Abandon | |
| | <input type="checkbox"/> Convert to Injection | <input type="checkbox"/> Plug Back | <input type="checkbox"/> Water Disposal | |

13. Describe Proposed or Completed Operation (clearly state all pertinent details, including estimated starting date of any proposed work and approximate duration thereof. If the proposal is to deepen directionally or recomplete horizontally, give subsurface locations and measured and true vertical depths of all pertinent markers and zones Attach the Bond under which the work will be performed or provide the Bond No. on file with BLM/BIA. Required subsequent reports shall be filed within 30 days following completion of the involved operations. If the operation results in a multiple completion or recompletion in a new interval, a Form 3160-4 shall be filed once testing has been completed. Final Abandonment Notices shall be filed only after all requirements, including reclamation, have been completed, and the operator has determined that the site is ready for final inspection.)

1 Discovered San Arroyo Unit #57 not in San Arroyo Unit Area.

2 Change name of Well to:

Federal 27-2

14. I hereby certify that the foregoing is true and correct
Name (Printed/Typed)

J. N. Burkhalter

Title Consulting Engineer/Agent

Signature

J. N. Burkhalter

Date

2/9/05

THIS SPACE FOR FEDERAL OR STATE OFFICE USE

Approved by _____

Conditions of approval, if any, are attached. Approval of this notice 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.

Title _____

Date _____

Office _____

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.

(Instructions on page 2)

RECEIVED

FEB 23 2005

DIV. OF OIL, GAS & MINING

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

FORM 9

| | | |
|--|---|---|
| SUNDRY NOTICES AND REPORTS ON WELLS | | 5. LEASE DESIGNATION AND SERIAL NUMBER: See attached |
| Do not use this form for proposals to drill new wells, significantly deepen existing wells below current bottom-hole depth, reenter plugged wells, or to drill horizontal laterals. Use APPLICATION FOR PERMIT TO DRILL form for such proposals. | | 6. IF INDIAN, ALLOTTEE OR TRIBE NAME: |
| | | 7. UNIT or CA AGREEMENT NAME: San Arroyo Unit and other wells |
| 1. TYPE OF WELL OIL WELL <input type="checkbox"/> GAS WELL <input checked="" type="checkbox"/> OTHER _____ | 8. WELL NAME and NUMBER: See attached | |
| 2. NAME OF OPERATOR: Slate River Resources, LLC N2725 | | 9. API NUMBER: See attach |
| 3. ADDRESS OF OPERATOR: 418 Main Street, Ste. 18 CITY Vernal STATE UT ZIP 84078 | PHONE NUMBER: (435) 781-1870 | 10. FIELD AND POOL, OR WILDCAT: See attached |
| 4. LOCATION OF WELL FOOTAGES AT SURFACE: See attached schedule of wells | | COUNTY: Grand |
| QTR/QTR, SECTION, TOWNSHIP, RANGE, MERIDIAN: | | STATE: UTAH |

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

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

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

Crescendo Energy, LLC is a wholly owned subsidiary of Slate River Resources, LLC. All the wells, properties and leasehold interest of Crescendo Energy, LLC has been assigned to Slate River Resources, LLC. We request a change of Operator from Crescendo Energy, LLC to Slate River Resources, LLC on the wells listed on the attached schedule, including a change of Operator of the San Arroyo Unit Area effective November 1, 2005.

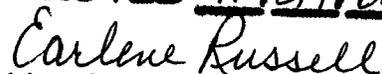
The Bond numbers for Slate River Resources, LLC are:
 State of Utah DOGM Bond B001556 \$120,000
 State of Utah Bond of Lessee B001760 \$ 15,000 being transferred from Crescendo to Slate River Resources, LLC
 Federal Utah Statewide Bond UTB000187 \$ 25,000 being transferred from Crescendo to Slate River Resources, LLC

Crescendo Energy, LLC **N1365**


 Carter G. Mathies, President

NAME (PLEASE PRINT) Gary D. Davis TITLE President, Slate River Resources, LLC
 SIGNATURE  DATE 11/10/2005

(This space for State use only)

APPROVED 11/29/05

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

(5/2000)

(See Instructions on Reverse Side)

RECEIVED
NOV 16 2005
 DIV. OF OIL, GAS & MINING

SLATE RIVER RESOURCES, LLC, OPERATOR

| API/WCL Number | Operator | Well Name | Well Type | Well Status | Field Name | County Name | Qtr / Qtr | Section | Township Range | U-# | FNE |
|-------------------|----------------------|-----------------------------|-----------|--------------------------------------|-----------------|-------------|-----------|---------|----------------|--------------|------|
| 43-019-30570-00-0 | CRESCENDO ENERGY LLC | ARCO 27-1 | Gas Well | Producing | SAN ARROYO | GRAND | NWSW | 27 | 16S-25E | U-29645 | 1700 |
| 43-019-31162-00-0 | CRESCENDO ENERGY LLC | ARCO STATE 36-7 | Gas Well | Producing | EAST CANYON | GRAND | SWSE | 36 | 15.5S-24E | ML-22208 | 852 |
| 43-019-31192-00-0 | CRESCENDO ENERGY LLC | ARCO STATE 36-8 | Gas Well | Producing | EAST CANYON | GRAND | SWSW | 36 | 15.5S-24E | ML-22208 | 1285 |
| 43-019-30240-00-0 | CRESCENDO ENERGY LLC | ARCO-STATE 2-1 | Gas Well | Producing | EAST CANYON | GRAND | NESE | 2 | 16S-24E | ML-22208 | 2420 |
| 43-019-30241-00-0 | CRESCENDO ENERGY LLC | ARCO-STATE 2-2 | Gas Well | Shut-In | EAST CANYON | GRAND | NWNW | 2 | 16S-24E | ML-22208 | 1425 |
| 43-019-30047-00-0 | CRESCENDO ENERGY LLC | BITTER CREEK 1 | Gas Well | Producing | SAN ARROYO | GRAND | SWSE | 2 | 16S-25E | ML-25151 | 1080 |
| 43-047-30765-00-0 | CRESCENDO ENERGY LLC | BLACK HORSE CANYON FED 31-1 | Gas Well | Producing | BLACK HORSE CYN | UINTAH | NWSW | 31 | 15S-24E | U-14234 | 2030 |
| 43-019-15884-00-0 | CRESCENDO ENERGY LLC | FEDERAL 174 1 | Gas Well | Producing | SAN ARROYO | GRAND | SESW | 11 | 16S-25E | U-126528 | 1940 |
| 43-019-31432-00-0 | CRESCENDO ENERGY LLC | FEDERAL 27-2 | Gas Well | Approved permit (APD); not yet spudd | SAN ARROYO | GRAND | SESE | 27 | 16S-25E | U-29645 | 1110 |
| 43-019-31318-00-0 | CRESCENDO ENERGY LLC | FEDERAL 47 | Gas Well | Producing | SAN ARROYO | GRAND | NWNE | 31 | 16S-26E | U-6023 | 990 |
| 43-019-31410-00-0 | CRESCENDO ENERGY LLC | FEDERAL 6-1 | Gas Well | Approved permit (APD); not yet spudd | SAN ARROYO | GRAND | SWNW | 6 | 16S-25E | U-9831 | 1760 |
| 43-019-11089-00-0 | CRESCENDO ENERGY LLC | FEDERAL GILBERT 1 | Gas Well | Producing | SAN ARROYO | GRAND | SWNE | 11 | 16S-25E | U-126528 | 1140 |
| 43-019-16532-00-0 | CRESCENDO ENERGY LLC | SAN ARROYO 01 | Gas Well | Shut-In | SAN ARROYO | GRAND | SENW | 26 | 16S-25E | USL-71307 | 1320 |
| 43-019-15885-00-0 | CRESCENDO ENERGY LLC | SAN ARROYO 02 | Gas Well | Shut-In | SAN ARROYO | GRAND | SENW | 22 | 16S-25E | U-370-A | 1125 |
| 43-019-15886-00-0 | CRESCENDO ENERGY LLC | SAN ARROYO 03 | Gas Well | Producing | SAN ARROYO | GRAND | SENW | 23 | 16S-25E | U-369 | 60 |
| 43-019-15887-00-0 | CRESCENDO ENERGY LLC | SAN ARROYO 04 | Gas Well | Producing | SAN ARROYO | GRAND | SESW | 30 | 16S-26E | U-6023 | 660 |
| 43-019-15888-00-0 | CRESCENDO ENERGY LLC | SAN ARROYO 05 | Gas Well | Shut-In | SAN ARROYO | GRAND | NWSE | 25 | 16S-25E | U-369 | 820 |
| 43-019-15889-00-0 | CRESCENDO ENERGY LLC | SAN ARROYO 06 | Gas Well | Shut-In | SAN ARROYO | GRAND | SWNE | 21 | 16S-25E | U-136529 | 1360 |
| 43-019-15890-00-0 | CRESCENDO ENERGY LLC | SAN ARROYO 08 | Gas Well | Producing | SAN ARROYO | GRAND | SWSW | 16 | 16S-25E | ML-4113 | 2066 |
| 43-019-15891-00-0 | CRESCENDO ENERGY LLC | SAN ARROYO 09 | Gas Well | Producing | SAN ARROYO | GRAND | NWNE | 27 | 16S-25E | U-370-A | 1210 |
| 43-019-15892-00-0 | CRESCENDO ENERGY LLC | SAN ARROYO 11 | Gas Well | Producing | SAN ARROYO | GRAND | NESW | 15 | 16S-25E | U-5059-C | 2450 |
| 43-019-15893-00-0 | CRESCENDO ENERGY LLC | SAN ARROYO 12 | Gas Well | Producing | SAN ARROYO | GRAND | SWSW | 23 | 16S-25E | USL-71307 | 1520 |
| 43-019-15894-00-0 | CRESCENDO ENERGY LLC | SAN ARROYO 13 | Gas Well | Producing | SAN ARROYO | GRAND | C-SW | 22 | 16S-25E | U-370-A | 660 |
| 43-019-15896-00-0 | CRESCENDO ENERGY LLC | SAN ARROYO 16 | Gas Well | Producing | SAN ARROYO | GRAND | SESW | 26 | 16S-25E | U-369 | 1990 |
| 43-019-15897-00-0 | CRESCENDO ENERGY LLC | SAN ARROYO 17 | Gas Well | Producing | SAN ARROYO | GRAND | NENE | 24 | 16S-25E | U-25243 | 660 |
| 43-019-15898-00-0 | CRESCENDO ENERGY LLC | SAN ARROYO 18 | Gas Well | Producing | SAN ARROYO | GRAND | NWNW | 30 | 16S-26E | U-6023 | 1300 |
| 43-019-15899-00-0 | CRESCENDO ENERGY LLC | SAN ARROYO 19 | Gas Well | Producing | SAN ARROYO | GRAND | SWSE | 14 | 16S-25E | U-5011-B | 2600 |
| 43-019-15900-00-0 | CRESCENDO ENERGY LLC | SAN ARROYO 20 | Gas Well | Producing | SAN ARROYO | GRAND | SENE | 26 | 16S-25E | USL-71307 | 1710 |
| 43-019-15901-00-0 | CRESCENDO ENERGY LLC | SAN ARROYO 21 | Gas Well | Producing | SAN ARROYO | GRAND | NWSE | 25 | 16S-25E | U-369 | 395 |
| 43-019-15902-00-0 | CRESCENDO ENERGY LLC | SAN ARROYO 22 | Gas Well | Producing | SAN ARROYO | GRAND | NENE | 15 | 16S-25E | U-5011-A | 2190 |
| 43-019-15903-00-0 | CRESCENDO ENERGY LLC | SAN ARROYO 24 | Gas Well | Producing | SAN ARROYO | GRAND | SENW | 19 | 16S-26E | U-6188 | 769 |
| 43-019-15904-00-0 | CRESCENDO ENERGY LLC | SAN ARROYO 25 | Gas Well | Producing | SAN ARROYO | GRAND | SWNE | 21 | 16S-25E | U-136529 | 1110 |
| 43-019-15905-00-0 | CRESCENDO ENERGY LLC | SAN ARROYO 26 | Gas Well | Producing | SAN ARROYO | GRAND | SWSW | 20 | 16S-26E | U-25297 | 78 |
| 43-019-15906-00-0 | CRESCENDO ENERGY LLC | SAN ARROYO 27 | Gas Well | Producing | SAN ARROYO | GRAND | NESW | 29 | 16S-26E | U-6021 | 787 |
| 43-019-15907-00-0 | CRESCENDO ENERGY LLC | SAN ARROYO 28 | Gas Well | Producing | SAN ARROYO | GRAND | NWNE | 29 | 16S-26E | U-5650 | 634 |
| 43-019-15908-00-0 | CRESCENDO ENERGY LLC | SAN ARROYO 29 | Gas Well | Producing | SAN ARROYO | GRAND | NENE | 22 | 16S-25E | U-370-A | 540 |
| 43-019-15909-00-0 | CRESCENDO ENERGY LLC | SAN ARROYO 30 | Gas Well | Producing | SAN ARROYO | GRAND | NWSW | 21 | 16S-26E | U-5650 | 945 |
| 43-019-30527-00-0 | CRESCENDO ENERGY LLC | SAN ARROYO 31 | Gas Well | Shut-In | SAN ARROYO | GRAND | NWNW | 22 | 16S-25E | U-370-A | 739 |
| 43-019-30528-00-0 | CRESCENDO ENERGY LLC | SAN ARROYO 32 | Gas Well | Producing | SAN ARROYO | GRAND | SWSW | 14 | 16S-25E | U-5011-B | 1305 |
| 43-019-30608-00-0 | CRESCENDO ENERGY LLC | SAN ARROYO 33 | Gas Well | Producing | SAN ARROYO | GRAND | SWSW | 25 | 16S-25E | U-369 | 1977 |
| 43-019-11090-00-0 | CRESCENDO ENERGY LLC | SAN ARROYO 35 | Gas Well | Producing | SAN ARROYO | GRAND | SESW | 24 | 16S-25E | U-369 | 1875 |
| 43-019-31251-00-0 | CRESCENDO ENERGY LLC | SAN ARROYO 36-A | Gas Well | Producing | SAN ARROYO | GRAND | SESE | 19 | 16S-26E | U-6188 | 304 |
| 43-019-31252-00-0 | CRESCENDO ENERGY LLC | SAN ARROYO 37 | Gas Well | Producing | SAN ARROYO | GRAND | SWNE | 20 | 16S-26E | U-5650 | 2025 |
| 43-019-31253-00-0 | CRESCENDO ENERGY LLC | SAN ARROYO 38 | Gas Well | Producing | SAN ARROYO | GRAND | SWNE | 16 | 16S-25E | ML-4113 | 1393 |
| 43-019-31250-00-0 | CRESCENDO ENERGY LLC | SAN ARROYO 40 | Gas Well | Shut-In | SAN ARROYO | GRAND | NWNE | 27 | 16S-25E | U-370-A | 1482 |
| 43-019-31289-00-0 | CRESCENDO ENERGY LLC | SAN ARROYO 41 | Gas Well | Producing | SAN ARROYO | GRAND | NENE | 36 | 16S-25E | Not CE Lease | 1342 |
| 43-019-31290-00-0 | CRESCENDO ENERGY LLC | SAN ARROYO 42 | Gas Well | Producing | SAN ARROYO | GRAND | NESE | 30 | 16S-26E | U-6023 | 1300 |
| 43-019-31291-00-0 | CRESCENDO ENERGY LLC | SAN ARROYO 43 | Gas Well | Producing | SAN ARROYO | GRAND | NESE | 29 | 16S-26E | U-6021 | 600 |
| 43-019-31301-00-0 | CRESCENDO ENERGY LLC | SAN ARROYO 44 | Gas Well | Producing | SAN ARROYO | GRAND | SENE | 30 | 16S-26E | U-6023 | |
| 43-019-31299-00-0 | CRESCENDO ENERGY LLC | SAN ARROYO 45 | Gas Well | Producing | SAN ARROYO | GRAND | NWSE | 20 | 16S-26E | U-5650 | 0 |

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

Request to Transfer Application or Permit to Drill

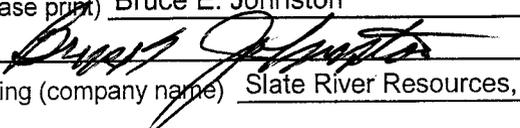
(This form should accompany a Sundry Notice, Form 9, requesting APD transfer)

| | |
|--|--|
| Well name: | Federal 27-2 |
| API number: | 4301931432 |
| Location: | Qtr-Qtr: SESE Section: 27 Township: 16S Range: 25E |
| Company that filed original application: | Crescendo Energy, LLC |
| Date original permit was issued: | 01/05/2005 |
| Company that permit was issued to: | Crescendo Energy, LLC |

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

| Following is a checklist of some items related to the application, which should be verified. | Yes | No |
|---|-------------------------------------|-------------------------------------|
| If located on private land, has the ownership changed? | <input type="checkbox"/> | <input type="checkbox"/> |
| If so, has the surface agreement been updated? | <input type="checkbox"/> | <input type="checkbox"/> |
| Have any wells been drilled in the vicinity of the proposed well which would affect the spacing or siting requirements for this location? | <input type="checkbox"/> | <input checked="" type="checkbox"/> |
| Have there been any unit or other agreements put in place that could affect the permitting or operation of this proposed well? | <input type="checkbox"/> | <input checked="" type="checkbox"/> |
| Have there been any changes to the access route including ownership or right-of-way, which could affect the proposed location? | <input type="checkbox"/> | <input checked="" type="checkbox"/> |
| Has the approved source of water for drilling changed? | <input type="checkbox"/> | <input checked="" type="checkbox"/> |
| Have there been any physical changes to the surface location or access route which will require a change in plans from what was discussed at the onsite evaluation? | <input type="checkbox"/> | <input checked="" type="checkbox"/> |
| Is bonding still in place, which covers this proposed well? Bond No. <u>B001762</u> | <input checked="" type="checkbox"/> | <input type="checkbox"/> |

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

Name (please print) Bruce E. Johnston Title Vice President Land
 Signature  Date 11/23/2005
 Representing (company name) Slate River Resources, LLC

RECEIVED

NOV 25 2005

DIV. OF OIL, GAS & MINING

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

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

8. Federal and Indian Units:

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

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

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

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

DATA ENTRY:

- 1. Changes entered in the Oil and Gas Database on: 11/29/2005
- 2. Changes have been entered on the Monthly Operator Change Spread Sheet on: 11/29/2005
- 3. Bond information entered in RBDMS on: 11/29/2005
- 4. Fee/State wells attached to bond in RBDMS on: 11/29/2005
- 5. Injection Projects to new operator in RBDMS on: n/a
- 6. Receipt of Acceptance of Drilling Procedures for APD/New on: 11/29/2005

FEDERAL WELL(S) BOND VERIFICATION:

1. Federal well(s) covered by Bond Number: UTB000187

INDIAN WELL(S) BOND VERIFICATION:

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

FEE & STATE WELL(S) BOND VERIFICATION:

- 1. (R649-3-1) The NEW operator of any fee well(s) listed covered by Bond Number B001556
- 2. The FORMER operator has requested a release of liability from their bond on: 11/25/2005
The Division sent response by letter on: n/a

LEASE INTEREST OWNER NOTIFICATION:

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

COMMENTS:



United States Department of the Interior

BUREAU OF LAND MANAGEMENT

Utah State Office

P.O. Box 45155

Salt Lake City, UT 84145-0155

<http://www.blm.gov>



4301931432
165 25E 27

IN REPLY REFER TO:
3106
(UT-922)

December 5, 2005

Memorandum

To: Moab Field Office
From: Acting Chief, Branch of Fluid Minerals
Subject: Merger Approval

Attached is an approved copy of the merger recognized by the state of Delaware. We have updated our records to reflect the merger from Crescendo Energy LLC into Slate River Resources LLC. The merger was approved effective October 31, 2005.


for David H. Murphy
Acting Chief, Branch of
Fluid Minerals

Enclosure
Articles of Organization (4 pp)

cc: MMS, Reference Data Branch, James Sykes, PO Box 25165, Denver CO 80225
State of Utah, DOGM, Attn: Earlene Russell, PO Box 145801, SLC UT 84114
Teresa Thompson
Joe Incardine
Connie Seare
Dave Mascarenas
Susan Bauman

RECEIVED

DEC 05 2005

DIV. OF OIL, GAS & MINING

EP

LLC: Judy Nordstrom

MEMO WRITTEN: December 5, 2005

Name of Company:

OLD

NEW NID

Crescendo Energy LLC
418 E. Main Street
Suite 18
Vernal Utah 84078

Slate River Resources LLC
1600 Broadway
Suite 900
Denver CO 80202

_____ (940) NAME CHANGE RECOGNIZED

(DATE)

October 31, 2005

(817) CORPORATE MERGER RECOGNIZED

(DATE)

UTSL-071307

- UTU-0369
- UTU-0370A
- UTU-05011A
- UTU-05011B
- UTU-05059A
- UTU-05059C
- UTU-05059F
- UTU-05650
- UTU-05650A
- UTU-06021
- UTU-06023
- UTU-06188
- UTU-06188B
- UTU-025243
- UTU-025245
- UTU-025243A
- UTU-025297
- UTU-0126528
- UTU-0136529
- UTU-0141420
- UTU-9831
- UTU-14234
- UTU-29645
- UTU-60818
- UTU-63022A

CERTIFICATE OF MERGER
of
CRESCENDO ENERGY, LLC
into
SLATE RIVER RESOURCES, LLC

This **CERTIFICATE OF MERGER**, dated and effective as of October 31, 2005, has been duly authorized and is filed pursuant to Section 18-209 of the Delaware Limited Liability Company Act (the "Act").

1. The name and jurisdiction of formation or organization of the constituent entities of the merger effectuated hereby are:

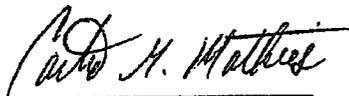
| <u>Name</u> | <u>Jurisdiction of Organization</u> |
|----------------------------|-------------------------------------|
| Slate River Resources, LLC | Delaware |
| Crescendo Energy, LLC | Delaware |

2. An Agreement and Plan of Merger (the "Merger Agreement") has been duly authorized, approved and executed by each of the limited liability companies to merge pursuant hereto.
3. Slate River Resources, LLC shall be the surviving entity and shall maintain its present name.
4. There are no amendments to the certificate of formation of Slate River Resources, LLC resulting from or incidental to the merger.
5. The merger effected hereby shall be effective upon the filing of this Certificate of Merger in the office of the Secretary of State of the State of Delaware.
6. The Merger Agreement is on file in the principal business office of the surviving entity, Slate River Resources, LLC, which is located at 1600 Broadway, Suite 900, Denver, Colorado 80202.
7. The Merger Agreement will be furnished by Slate River Resources, LLC, or its authorized representative, free of cost, to any member of, or any person holding an interest in, any entity to be merged pursuant hereto.

IN WITNESS WHEREOF, Slate River Resources, LLC, the surviving entity, has caused this Certificate of Merger to be executed by an authorized officer as of the date first written above.

SLATE RIVER RESOURCES, LLC

By:



Carter G. Mathies
Chief Executive Officer

**SLATE RIVER HOLDINGS, LLC
UNANIMOUS WRITTEN CONSENT OF
THE BOARD OF DIRECTORS
IN LIEU OF A SPECIAL MEETING**

The undersigned, being all of the Members of the Board of Directors of Slate River Holdings, LLC, a Delaware limited liability company (the "Company"), hereby adopt, by unanimous written consent, in accordance with the Delaware Limited Liability Company Act, the following resolutions with the same force and effect as if they had been adopted at a duly convened meeting of the Board:

WHEREAS, the Company previously acquired all of the outstanding equity and ownership interests in Crescendo Resources, LLC ("Crescendo Resources"); and

WHEREAS, thereafter, the Company consolidated all of the wholly-owned subsidiaries of Crescendo Resources, namely, Crescendo Energy, LLC ("Crescendo Energy") and Entrada Energy Ventures, LLC ("Entrada") (collectively, Crescendo Resources, Crescendo Energy and Entrada are referred to herein as the "Crescendo Entities") into Crescendo Energy; and

WHEREAS, the material assets and operations of all of the Crescendo Entities are held by Crescendo Energy; and

WHEREAS, Slate River Resources, LLC ("Slate River Resources"), a wholly-owned subsidiary of the Company, is intended to be the operating entity for all of the Company's business activities; and

WHEREAS, the Company has determined that it is in the Company's best interest to operate all of its business activities as a single entity and therefore to merge Crescendo Energy into Slate River Resources, with Slate River Resources being the surviving entity.

NOW, THEREFORE, BE IT:

RESOLVED, that the Company hereby is authorized to direct its legal counsel to effectuate the merger of the Crescendo Energy into Slate River Resources, with Slate River Resources as the surviving entity, to be effective on October 31, 2005; and be it further

RESOLVED, that the Company, and any Authorized Officer (as defined below) on behalf of the Company, hereby is authorized to undertake and perform all other acts, transactions or agreements that are necessary, appropriate, desirable or contemplated by the foregoing Resolutions; and be it further

RESOLVED, that all of the acts, transactions, or agreements taken in connection with the foregoing Resolutions hereby are ratified and approved in all respects, and the chief executive officer, chief operating officer, chief financial officer, president, vice president and secretary of the Company, as applicable, (collectively, the "*Authorized Officers*" and each individually, an "*Authorized Officer*") hereby are severally authorized and directed, in the name and on behalf of the Company to negotiate, execute and deliver such instruments, documents, agreements and writings of every kind and character, together with such changes, modifications, additions and deletions as to any or all of the terms and provisions thereof as the Authorized Officer executing such instruments, documents, agreements and

UNANIMOUS WRITTEN CONSENT OF THE BOARD OF DIRECTORS
IN LIEU OF A SPECIAL MEETING
(SLATE RIVER HOLDINGS, LLC)

writings shall deem proper (such execution by such Authorized Officer to be conclusive evidence that such Authorized Officer deems all of the terms and provisions thereof to be proper), and to make such attestations to any signatures of officers of the Company, and to do and perform or cause to be done and performed all such other acts as each Authorized Officer shall from time to time deem necessary, advisable or appropriate in order to consummate the acts, transactions, or agreements contemplated by or described in the foregoing Resolutions; and be it further

RESOLVED, that the Authorized Officers hereby are severally authorized to execute on behalf of the Company from time to time, amendments or supplements to any of the documents related to or contemplated by the foregoing Resolutions as the Authorized Officer or Authorized Officers executing and delivering the same may in his, her, or their sole and absolute discretion deem appropriate to carry out the purpose and intent of the foregoing Resolutions (such execution by such Authorized Officer or Authorized Officers to be conclusive evidence that such Authorized Officer or Authorized Officers deems all of the terms and provisions thereof to be proper); and be it further

RESOLVED, that all acts, transactions, or agreements undertaken prior to the adoption of these Resolutions by any of the officers or representatives of the Company in connection with the foregoing matters hereby are ratified, confirmed and adopted by the Board; and be it further

RESOLVED, that any Authorized Officer hereby is authorized and directed to certify these Resolutions; and be it further

RESOLVED, that the Authorized Officers (together with such other officers and employees of the Company under their supervision as any of them shall direct) hereby are severally authorized and directed in the name and on behalf of the Company to do or cause to be done any and all further acts and things that they may from time to time deem necessary, advisable or appropriate to carry out the purpose and intent of the foregoing Resolutions.

[Remainder of Page Intentionally Left Blank]

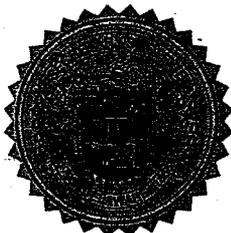
Delaware

PAGE 1

The First State

I, HARRIET SMITH WINDSOR, SECRETARY OF STATE OF THE STATE OF DELAWARE, DO HEREBY CERTIFY THE ATTACHED IS A TRUE AND CORRECT COPY OF THE CERTIFICATE OF FORMATION OF "SLATE RIVER RESOURCES, LLC", FILED IN THIS OFFICE ON THE TWENTY-EIGHTH DAY OF JANUARY, A.D. 2005, AT 9:34 O'CLOCK P.M.

ELM - 01 - 950
2006 NOV - 7 AM 9:50



3919255 8100

050074460

Harriet Smith Windsor

Harriet Smith Windsor, Secretary of State

AUTHENTICATION: 3651875

DATE: 01-31-05



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

January 31, 2006

Ginger Stringham
Slate River Resources, LLC
418 Main St, Suite 18
Vernal, Utah 84078

Re: APD Rescinded –Federal 27-2 Sec. 27, T. 16S R. 25E
Grand County, Utah API No. 43-019-31432

Dear Ms. Stringham:

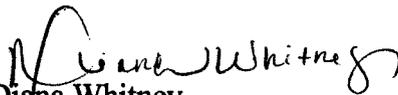
The Application for Permit to Drill (APD) for the subject well was approved by the Division of Oil, Gas and Mining (Division) on January 5, 2005. On January 30, 2006 you requested that the division rescind the state approved APD.

No drilling activity at this location has been reported to the division. Therefore, approval to drill the well is hereby rescinded, effective January 30, 2006.

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

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

Sincerely,


Diana Whitney
Engineering Technician

cc: Well File
Bureau of Land Management, Moab