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B&A Buys & Associates, Inc.
Environmental Consultants

P.O. Box 164
Wellington, Utah 84542
435/637-4075 435/637-4073 Fax

February 1, 2005

Rich McClure
Bureau of Land Management
Moab Field Office
82 East Dogwood
Moab, Utah 84532

RE: Application for Permit to Drill—Elk Production Company, LLC
Federal #10-3, 714' FSL, 2,037' FWL, SE/4 SW/4
Section 10, T20S, R21E, SLB&M, Grand County, Utah

Dear Rich:

On behalf of Elk Production Company, LLC (Elk Production), Buys & Associates, Inc. respectfully submits the enclosed original and two copies of the *Application for Permit to Drill (APD)* for the above referenced well. Included with the APD is the following supplemental information:

Exhibit "A" - Survey plats, layouts and photos of the proposed well site;

Exhibit "B" - Proposed location maps with access and utility corridors;

Exhibit "C" - Drilling Plan;

Exhibit "D" - Surface Use Plan;

Exhibit "E" - Typical BOP and Choke Manifold diagrams.

Please accept this letter as Elk Production's, written request for confidential treatment of all information contained in and pertaining to this application.

Thank you very much for your timely consideration of this application. Please feel free to contact myself or Tom Young of Elk Production at 303-296-4505 if you have any questions or need additional information.

Sincerely,

Don Hamilton

Don Hamilton
Agent for Elk Production Company, LLC

cc: Diana Whitney, Division of Oil, Gas and Mining
Tom Young, Elk Production Company, LLC

Form 3160-3
(December 1990)

SUBMIT IN TRIPLICATE*
(Other instructions on reverse side)

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

001

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

APPLICATION FOR PERMIT TO DRILL OR DEEPEN

5. LEASE DESIGNATION AND SERIAL NO.: UTU-02140-A

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

1a. TYPE OF WORK: DRILL [X] DEEPEN [ ]

7. UNIT AGREEMENT NAME: ~~Greater Cisco Dome Unit~~

b. TYPE OF WELL: OIL WELL [ ] GAS WELL [X] OTHER — SINGLE ZONE [ ] MULTIPLE ZONE [X]

8. FARM OR LEASE NAME, WELL NO.: Federal #10-3

2. NAME OF OPERATOR: Elk Production Company, LLC

9. API WELL NO.: 43-019-31438

3. ADDRESS AND TELEPHONE NO.: 1401-17th Street, Suite 700, Denver, Colorado 80202 303-296-4505

10. FIELD AND POOL, OR WILDCAT: Cisco Dome 305

4. LOCATION OF WELL (Report location clearly and in accordance with any State requirements.*)
At surface: 622433X 714' FSL, 2,037' FWL SE/4 SW/4 39.075823 -109.584646
At proposed prod. zone: 4325936

11. SEC., T., R., M., OR BLK. A: Section 10, T20S, R21E, SLB&M

14. DISTANCE IN MILES AND DIRECTION FROM NEAREST TOWN OR POST OFFICE*: 16.19 miles northwest of Cisco, Utah

12. COUNTY OR PARISH: Grand

13. STATE: Utah

15. DISTANCE FROM PROPOSED* LOCATION TO NEAREST PROPERTY OR LEASE LINE, FT. (Also to nearest drlg. unit line, if any)	16. NO. OF ACRES IN LEASE	17. NO. OF ACRES ASSIGNED TO THIS WELL
610'		160 acres
18. DISTANCE FROM PROPOSED LOCATION TO NEAREST WELL, DRILLING, COMPLETED, OR APPLIED FOR, ON THIS LEASE, FT.	**19. PROPOSED DEPTH**	**20. ROTARY OR CABLE TOOLS**
+/- 1,500'	3,400'	Rotary

21. ELEVATIONS (Show whether DF, RT, GR, etc.): 5,499' GR

22. APPROX. DATE WORK WILL START*: As soon as approved

23. PROPOSED CASING AND CEMENTING PROGRAM

SIZE OF HOLE	GRADE, SIZE OF CASING	WEIGHT PER FOOT	SETTING DEPTH	QUANTITY OF CEMENT
9-1/2"	7" H-40 ST&C	17#	250'	100 sx Halliburton Type 5 with additives—see attached Drilling Plan
6-1/2"	4-1/2" K-55 LT&C	10.5#	3,400'	160 sx 50/50 Class "G" Poz with additives—see attached Drilling Plan

Bond Information:

Bond coverage is provided by US Specialty Insurance Company, Bond #B 000971

Other Information:

Drilling Plan and Surface Use Plan are attached.
Elk Production Company, LLC requests that this complete application for permit to drill be held confidential.

Federal Approval of this Action is Necessary

RECEIVED
FEB 03 2005
DIV. OF OIL, GAS & MINING

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

24.

SIGNED Don Hamilton Don Hamilton TITLE Agent for Elk Production Company, LLC DATE February 1, 2005

(This space for Federal or State office use)

PERMIT NO. 43-019-31438 APPROVAL DATE

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

APPROVED BY: BRADLEY G. HILL TITLE ENVIRONMENTAL SCIENTIST III DATE 02-07-05

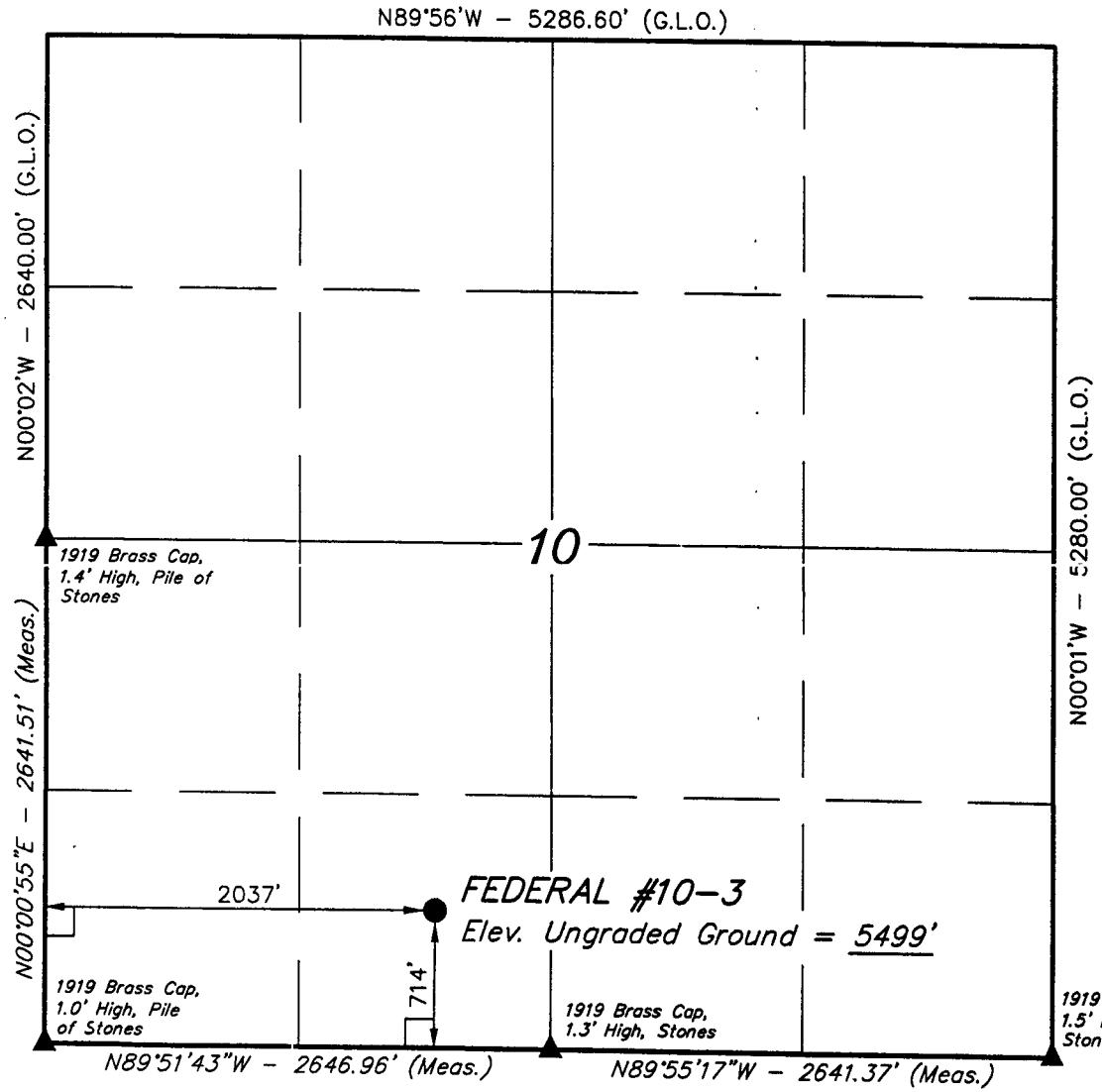
***See Instructions On Reverse Side**

Title 18 U.S.C. Section 1001, makes it a crime for any person knowingly and willfully to make to any department or agency or the

T20S, R21E, S.L.B.&M.

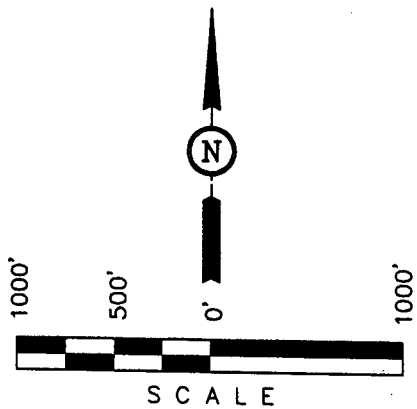
ELK PRODUCTION, LLC

Well location, FEDERAL #10-3, located as shown in the SE 1/4 SW 1/4 of Section 10, T20S, R21E, S.L.B.&M. Grand County, Utah.



BASIS OF ELEVATION

SPOT ELEVATION LOCATED AT THE SOUTHEAST CORNER OF SECTION 24, T20S, R21E, S.L.B.&M. TAKEN FROM THE CALF CANYON, QUADRANGLE, UTAH, GRAND COUNTY, 7.5 MINUTE QUAD. (TOPOGRAPHIC MAP) PUBLISHED BY THE UNITED STATES DEPARTMENT OF THE INTERIOR, GEOLOGICAL SURVEY. SAID ELEVATION IS MARKED AS BEING 5084 FEET.



CERTIFICATE

THIS IS TO CERTIFY THAT THE ABOVE PLAT WAS PREPARED FROM FIELD NOTES OF ACTUAL SURVEYS MADE BY ME OR UNDER MY SUPERVISION AND THAT THE SAME ARE TRUE AND CORRECT TO THE BEST OF MY KNOWLEDGE AND BELIEF.

REGISTERED LAND SURVEYOR
REGISTRATION NO. 161319
STATE OF UTAH

BASIS OF BEARINGS

BASIS OF BEARINGS IS A G.P.S. OBSERVATION.

(AUTONOMOUS NAD 83)
LATITUDE = 39°04'32.47" (39.075686)
LONGITUDE = 109°35'06.96" (109.585267)
(AUTONOMOUS NAD 27)
LATITUDE = 39°04'32.57" (39.075714)
LONGITUDE = 109°35'04.51" (109.584586)

LEGEND:

└ = 90° SYMBOL
● = PROPOSED WELL HEAD.
▲ = SECTION CORNERS LOCATED.

UINTAH ENGINEERING & LAND SURVEYING
85 SOUTH 200 EAST - VERNAL, UTAH 84078
(435) 789-1017

SCALE: 1" = 1000'	DATE SURVEYED: 12-21-04	DATE DRAWN: 01-05-05
PARTY: G.O. B.C. P.M.	REFERENCES: G.L.O. PLAT	
WEATHER: COLD	FILE: ELK PRODUCTION, LLC	

DRILLING PLAN

Elk Production Company LLC
Federal #10-3
SE/SW of Section 10, T-20-S, R-21-E
Grand County, UT

1,2,3 **Estimated Tops of Geological Markers and Formations Expected to Contain Water, Oil and Gas and Other Minerals**

Formation	Depth
Mancos Shale	Surface
Greenhorn	2514'
Graneros	2539'
Dakota	2569'*
Cedar Mountain	2654'*
Morrison-Brushy Basin	2721'*
Morrison Salt Wash	2977'*
Summerville	3239'
Curtis Entrada	3319'**

PROSPECTIVE PAY* oil and gas

** POSSIBLE OIL OR WATER

4 **Casing Program**

HOLE	SETTING DEPTH						
SIZE	from	to	SIZE	WEIGHT	GRADE	THREAD	COND.
9-1/2	surface	250'	7"	17#	H40	ST&C	Recond.
6-1/4	surface	3,400'	4-1/2"	10.5#	K55	LT&C	New

5 **Cementing Program**

7" Surface Casing — approximately 100 sx Halliburton Type 5 containing 2% gel and 3% salt. Mixed at 14.8 ppg (yield – 1.37 ft^3/sx) To be circulated to surface with 100% excess

4-1/2" Prod. Csg. — approximately 160 sx 50/50 Class "G" Poz cement containing 2% gel, .3% Halad 322, .6% Halad 23, .3% Versaset, and .2% Super CBL. To be mixed at 14.2 ppg (yield – 1.33 ft^3/sx). Estimated TOC 1500'.

6 **Mud Program**

INTERVAL	WEIGHT	VISCOSITY	FLUID LOSS	REMARKS
Surf. - 250'	NA/Air drilled			
250' – 3400'	NA/Air drilled			

Sufficient KCl brine water to contain "kick" will be available at wellsite.

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7 **BOP and Pressure Containment Data**

Depth Intervals	BOP Equipment
Surf. – 250'	No pressure control required
250' – TD	10" 2000# Ram Type double BOP
	8" 2000# Rotating Head

Drilling spool to accommodate choke and kill lines.
Anticipated bottom hole pressure to be less than 1000 PSI

ANCILLARY EQUIPMENT AND CHOKE MANIFOLD RATED AT 2000#
ALL BOP AND BOPE TESTS WILL BE IN ACCORDANCE WITH THE REQUIREMENTS OF ONSHORE ORDER NO. 2

THE BLM AND THE STATE OF UTAH DIVISION OF OIL, GAS AND MINING WILL BE NOTIFIED 24 HOURS IN ADVANCE OF ALL BOP PRESSURE TESTS.

8 **Auxiliary equipment**

a) Lower Kelly cock will be installed while drilling
b) Floor stabbing valve 5000#
c) Safety valve(s) and subs to fit all string connections in use

9 **Testing, Logging and Core Programs**

Cores	None anticipated
Testing	None anticipated
Sampling	30' samples; surface casing to TD
Surveys	Run every 1000' and on trips
Logging	Resistivity, neutron density, temperature, gamma ray, and caliper from TD to surface casing

10 **Anticipated Abnormal Pressures or Temperatures**

No abnormal pressures or temperatures or other hazards are anticipated

11 **Drilling Schedule**

Spud	As soon as permits can be obtained
Duration	4 - 5 days drilling time
	4 days completion time

HAZARDOUS MATERIAL DECLARATION

Federal #10-3

Elk Production Company, LLC guarantees that during the drilling and completion of the above referenced well, we will not use, produce, or store, transport or dispose 10,000# annually of any of the hazardous chemicals contained in the Environmental Protection Agency's consolidated list of chemicals subject to reporting under Title III Super Amendments and Reauthorization Act (SARA) of 1986.

Elk Production Company, LLC guarantees that during the drilling and completion of the above referenced well, we will use, produce, store, transport, or dispose less than the threshold planning quantity (TPQ) of any extremely hazardous substances as defined in 40 CFR 355.

HALLIBURTON

Following is a summary of Cement Slurries developed in the Piceance Basin by the Casper and Vernal Labs. Theses slurries were developed as a result of the depletion of the Type III Cement typically used in the basin. The slurries were also developed with costs to Williams in mind while meeting the slurry specifications that Williams and the state require. More lab tests have been completed in this process but this report was put together to summarize the chosen slurries for Williams Production RMT. Please refer to the listed lab reports for additional slurries if this information is desired.

More testing is underway to continue to optimize the slurries for both cost and performance. As these results become available they will be shared with Williams for discussion purposes and to determine if a switch in slurry design is warranted.

Surface Pipe Slurries

Lead – Using Ashgrove Type V

SLURRY COMPOSITION **#12 (from Lab Report HES C04-0414)**

Modified Mid-Con II

Ashgrove Type V	**#/sk**	**94.00**
CalSeal	% bwc	2.00
EX-1	% bwc	2.00
Salt	% bww	4.92
Versaset	% bwc	0.30

Lab Tap Water	gal/sk	13.77
Slurry Weight	#/gal	12.30
Slurry Volume	ft3/sk	2.38

THICKENING TIME TEST

Initial Viscosity:	Bc
Final Temperature:	80 F
Final Pressure:	1200 psi
Time to Temperature:	0:17
Time to 70 Bc:	4:41

FREE WATER TEST

0.23% at no angle at 80 F
No settling observed

UCA COMPRESSIVE STRENGTH TEST

Pressure:	800 psi
Temperature:	95 F

396 psi in 12 hours
724 psi in 24 hours
943 psi in 48 hours
1057 psi in 72 hours

Set Time 50 psi	5:28
WOC Time 500 psi	14:32
Time to 800 psi	29:15

Discounted, Delivered, Cost per Barrel	**$53.30**
Discounted, Delivered, Cost per Barrel Type III HLC	**$43.18**

HALLIBURTON

Tail – Using Ashgrove Type V

SLURRY COMPOSITION **#4 (from Lab Report HES C04-0414)**

Modified Mid-Con II		
Ashgrove Type V	**#/sk**	**94.00**
CalSeal	% bwc	2.00
EX-1	% bwc	2.00
Salt	% bwc	6.00
Versaset	% bwc	0.30
Lab Tap Water	gal/sk	11.86
Slurry Weight	**#/gal**	**12.78**
Slurry Volume	ft3/sk	2.13

THICKENING TIME TEST

Initial Viscosity:	10 Bc
Final Temperature:	80 F
Final Pressure:	1200 psi
Time to Temperature:	0:17
Time to 70 Bc:	5:25

FREE WATER TEST

0.0% at no angle at 80 F
No settling observed

UCA COMPRESSIVE STRENGTH TEST #1

Start Date:	**8 Oct 04**
Pressure:	800 psi
Temperature:	95 F

525 psi in 12 hours
914 psi in 24 hours
1210 psi In 48 hours
1362 psi in 72 hours

Set Time 50 psi	5:06
WOC Time 500 psi	11:32
Time to 800 psi	19:22

UCA COMPRESSIVE STRENGTH TEST #2

Start Date:	**29 Oct 04**
Pressure:	800 psi
Temperature:	95 F

534 psi in 12 hours
914 psi in 24 hours
1212 psi In 48 hours
psi in 72 hours

Set Time 50 psi	4:58
WOC Time 500 psi	11:22
Time to 800 psi	19:14

Discounted, Delivered, Cost per Barrel **$59.62**
Discounted, Delivered, Cost per Barrel Type III **$63.94**

HALLIBURTON

Tail – Using Ashgrove Type V. To be used when a heavy weight tail slurry is desired for surface pipes.

SLURRY COMPOSITION		**#11 (from Lab Report HES C04-0414)**
Ashgrove Type V	#/sk	94.00
Gel	% bwc	2.00
Salt	% bww	3.00
Lab Tap Water	gal/sk	6.53
Slurry Weight	#/gal	14.80
Slurry Volume	ft3/sk	1.37

FREE WATER TEST
0.3% at no angle at 80 F
No settling observed

RHEOLOGY TESTS

RPM	surf.
600	124
300	94
200	90
100	86

UCA COMPRESSIVE STRENGTH TEST

Pressure:	800 psi
Temperature:	95 F

1167 psi in 12 hours
1726 psi in 18 hours

Set Time 50 psi	3:48
WOC Time 500 psi	7:06
Time to 800 psi	8:57

Discounted, Delivered, Cost per Barrel **$68.77**

Discounted, Delivered, Cost per Barrel Type III **$63.94**

HALLIBURTON

Long String Slurries

Lead Cement – Using Ashgrove Type V

SLURRY COMPOSITION **#1-4 (from Lab Report HES C04-04161)**

LEAD

HLC	#/sk	85.78
Halad 322	% bwc	0.60
Versaset	% bwc	0.20
FWCA	% bwc	0.10
HR-5 (see below)		
Lab Tap Water	gal/sk	9.70
Slurry Weight	#/gal	12.70
Slurry Volume	ft3/sk	1.82

THICKENING TIME TEST

Final Temperature:	140 F
Final Pressure:	4500 psi
Time to Temperature:	0:39

HR-5	Visc.	Time to 70 Bc
0.30	14 Bc	6:00+
0.10	7 Bc	4:15

FLUID LOSS TEST
368 cc/30 minutes at 140 F

FREE WATER TEST
0.36% at no angle at 140 F

RHEOLOGY TEST w/ 0.1% HR-5

RPM	surf.	110 F	140 F
600	66	44	34
300	36	22	18
200	24	14	12
100	14	8	6

UCA COMPRESSIVE STRENGTH TEST

Pressure:	3000 psi
Temperature:	206 F

842 psi in 12 hours
1093 psi in 24 hours
1178 psi in 48 hours
1200 psi in 60 hours

Set Time	50 psi	5:28
WOC Time	500 psi	9:00

Discounted, Delivered, Cost per Barrel **$61.97**

Discounted, Delivered, Cost per Barrel Dakota G 50/50 Poz Lead **$63.94**

HALLIBURTON

Tail Cement – Using Mountain Class G

Tail #1 – To be used when short transition times are desired and the Mud Weight is > 11 ppg

SLURRY COMPOSITION **#2-7 (from Lab Report HES C04-04161)**

TAIL #1		
50-50 Poz	#/sk	82.25
Gel	% bwc	2.00
Halad 322	% bwc	0.30
Halad 23	% bwc	0.60
Versaset	% bwc	0.30
Super CBL	% bwc	0.20
HR-5	% bwc	0.10

Lab Tap Water	gal/sk	5.42
Slurry Weight	#/gal	14.20
Slurry Volume	ft3/sk	1.23

THICKENING TIME TEST

Initial Viscosity	18 Bc
Final Temperature:	140 F
Final Pressure:	4500 psi
Time to Temperature:	0:39
Time to 70 Bc:	3:18

FLUID LOSS TEST
92 cc/30 minutes at 140 F

FREE WATER TEST
Trace at no angle at 140 F
No settling observed

RHEOLOGY TEST

RPM	surf.	140 F
600	221	121
300	135	72
200	96	50
100	54	28

MARSH FUNNEL TEST
250 ml in 38 seconds

UCA COMPRESSIVE STRENGTH TEST **Transition Time**

Pressure:	3000 psi
Temperature:	206 F

15 minutes

1228 psi in 12 hours
1767 psi in 24 hours
1887 psi in 48 hours

Set Time 50 psi	9:00	**Discounted, Delivered, Cost per Barrel**	**$107.09**
WOC Time 500 psi	10:10	**Discounted, Delivered, Cost per Barrel Dakota G**	**$105.79**

HALLIBURTON

Tail #2 – To be used when short bonding times are not requested, e.g. the first well of a two well Pad.

SLURRY COMPOSITION **#2-8 (from Lab Report HES C04-04161)**

TAIL #2

50-50 Poz	#/sk	82.25
Gel	% bwc	2.00
CalSeal	#/sk	5.00
Comp. Silica.	#/sk	3.00
Halad 322	% bwc	0.70

Lab Tap Water	gal/sk	5.88
Slurry Weight	#/gal	14.20
Slurry Volume	ft3/sk	1.33

THICKENING TIME TEST

Initial Viscosity	10 Bc
Final Temperature:	140 F
Final Pressure:	4500 psi
Time to Temperature:	0:39
Time to 70 Bc:	3:26

FLUID LOSS TEST

355 cc/30 minutes at 140 F

FREE WATER TEST

Trace at no angle at 140 F
No settling observed

RHEOLOGY TEST

RPM	surf.	110 F	140 F
600	60	64	66
300	30	34	40
200	20	24	28
100	12	13	16

UCA COMPRESSIVE STRENGTH TEST

Pressure:	3000 psi
Temperature:	206 F

1757 psi in 12 hours
2012 psi in 24 hours
2089 psi in 48 hours

Set Time	50 psi	3:50
WOC Time	500 psi	5:48

Discounted, Delivered, Cost per Barrel **$91.79**

Discounted, Delivered, Cost per Barrel Dakota G **$91.79**

HALLIBURTON

Tail #3 – Tail #1 with 8 lb/sack Gilsonite; were using this on Trail Ridge only

**This slurry is still being tested and will be updated as results become available.

HALLIBURTON

Tail #4 – To be used in Place of Tail #1 when short transition times are desired and the Mud Weight is ≤ 11 ppg.

SLURRY COMPOSITION **(from Lab Report Williams C04-0442)**

TAIL

50-50 Poz	#/sk	82.25
(Prem MT G/JB Flyash)		
Gel	% bwc	2.00
Gilsonite	#/sk	5.00
Comp. Silica.	#/sk	3.00
Halad 322	% bwc	0.30
Halad 23	% bwc	0.60
Versaset	% bwc	0.30
Super CBL	% bwc	0.20
HR-5	% bwc	0.10

Lab Tap Water	gal/sk	6.37
Slurry Weight	#/gal	13.50
Slurry Volume	ft3/sk	1.45

THICKENING TIME TEST

Initial Viscosity:	22 Bc
Final Temperature:	146 F
Final Pressure:	4500 psi
Time to Temperature:	0:39
Time to 70 Bc:	3:08

FLUID LOSS TEST

108 cc/30 minutes at 146 F

FREE WATER TEST

Trace at no angle at 146 F

RHEOLOGY TEST

RPM	surf.	146 F
600	264	74
300	104	52
200	70	36
100	38	20

MARSH FUNNEL TEST

29 seconds for 250 ml

UCA COMPRESSIVE STRENGTH TEST

Pressure:	3000 psi
Temperature:	212 F

1393 psi in 12 hours
1605 psi in 24 hours
1696 psi in 48 hours

Set Time	50 psi	5:52
WOC Time	500 psi	7:00

SURFACE USE PLAN

Elk Production Company LLC
Federal #10-3
SE/SW of Section 10, T-20-S, R-21-E
Grand County, UT

The dirt contractor will be provided with an approved copy of the surface use plan of operations before initiating construction.

The onsite inspection for the referenced well was conducted on Wednesday, October 13, 2004.

1. Existing Roads:

   a. The proposed well site is located approximately 16.19 miles northwest of Cisco, Utah.

   b. Directions to the proposed well site have been attached at the end of Exhibit B.

   c. The use of roads under State and County Road Department maintenance are necessary to access the Greater Cisco Dome Unit. However, an encroachment permit is not anticipated since no upgrades to the State or County Road system are proposed at this time.

   d. All existing roads will be maintained and kept in good repair during all phases of operation.

   e. Vehicle operators will obey posted speed restrictions and observe safe speeds commensurate with road and weather conditions.

   f. Since no improvements are anticipated to the State, County or BLM access roads no topsoil striping will occur.

   g. An off-lease federal Right-of-Way is not anticipated for the access road or utility corridor since both are located on-lease and within in the Greater Cisco Dome Unit boundary.

2. Planned Access Roads:

   a. From the existing #1-10 access road an access is proposed trending northeast approximately 0.5 miles to the proposed well site. The access consists of utilization of an existing abandon road cut and new disturbance that crosses no significant drainages. A road design plan is not anticipated at this time.

   b. The proposed access road will consist of a 14' travel surface within a 30' disturbed area.

   c. BLM approval to construct and utilize the proposed access road is requested with this application.

   d. A maximum grade of 10% will be maintained throughout the project with no cuts and fills required to access the well.

   e. No turnouts are proposed since the access road is only 0.5 miles long and adequate site distance exists in all directions.

   f. Several culverts and a low-water crossing is anticipated at this time. Adequate drainage structures will be incorporated into the remainder of the road.

g. No surfacing material will come from federal or Indian lands.

h. No gates or cattle guards are anticipated at this time.

i. Surface disturbance and vehicular travel will be limited to the approved location access road.

j. All access roads and surface disturbing activities will conform to the standards outlined in the Bureau of Land Management and Forest Service publication: Surface Operating Standards for Oil and Gas Exploration and Development, (1989).

k. The operator will be responsible for all maintenance of the access road including drainage structures.

3. Location of Existing Wells:

a. Topo C of Exhibit B has a map reflecting existing wells within a one mile radius of the proposed well.

4. Location of Production Facilities:

a. All permanent structures will be painted a flat, non-reflective Olive Black to match the standard environmental colors. All facilities will be painted within six months of installation. Facilities required to comply with the Occupational Safety and Health Act (OSHA) may be excluded.

b. Site security guidelines identified in 43 CFR 3163.7-5 and Onshore Oil and Gas Order No. 3 will be adhered to.

c. A gas meter run will be constructed and located on lease within 500 feet of the wellhead. Meter runs will be housed and/or fenced. All gas production and measurement shall comply with the provisions of 43 CFR 3162. 7-3, Onshore Oil and Gas Order No. 5, and American Gas Association (AGA) Report No. 3.

d. A tank battery will be constructed on this lease, it will be surrounded by a dike of sufficient capacity to contain the storage capacity of the largest tank. All loading lines and valves will be placed inside the berm surrounding the tank battery. All liquid hydrocarbons production and measurement shall conform to the provisions of 43 CFR 3162.7-3 and Onshore Oil and Gas Order No. 4 and Onshore Oil and Gas Order No. 5 for natural gas production and measurement.

e. Any necessary pits will be properly fenced to prevent any wildlife and livestock entry.

f. All access roads will be maintained as necessary to prevent erosion and accommodate year-round traffic. The road will be maintained in a safe useable condition.

g. The site will require periodic maintenance to ensure that drainages are kept open and free of debris, ice, and snow, and that surfaces are properly treated to reduce erosion, fugitive dust, and impacts to adjacent areas.

h. A gas pipeline is associated with this application and is being applied for at this time. The proposed gas pipeline corridor will leave the north side of the well site and traverse 1,600'

southwest to the existing pipeline corridor that services the existing #1-10.

i. The gas pipeline will be a 4" or less steel surface line within a 20' wide utility corridor. The use of the proposed well site and access roads will facilitate the staging of the pipeline construction. A new pipeline length of approximately 1,600' is associated with this well.

j. Elk Production Company, LLC intends on installing the pipeline on the surface by welding many joints into long lengths, dragging the long lengths into position and then completing a final welding pass to join the long lengths together. Elk Production Company, LLC intends on connecting the pipeline together utilizing conventional welding technology.

5. Location and Type of Water Supply:

a. Since this well will be air drilled the use of water for drilling is not anticipated.

b. Water for drilling and completion operations, if necessary, will be trucked over approved access roads from Thompson, Utah. The water will be obtained through a direction purchase agreement with a private owner.

6. Source of Construction Material:

a. The use of materials will conform to 43 CFR 3610.2-3.

b. No construction materials will be removed from BLM lands.

c. If any gravel is used, it will be obtained from a state approved gravel pit.

7. Methods of Handling Waste Disposal:

a. All wastes associated with this application will be contained and disposed of utilizing approved facilities.

b. Drill cuttings will be contained and buried on site.

c. The reserve pit will be located inboard of the location and along the south side of the pad.

d. The reserve pit will be constructed so as not to leak, break, or allow any discharge.

e. The reserve pit will be constructed of native material and will not be lined. Pit walls will be sloped no greater than 2:1. A minimum 2-foot freeboard will be maintained in the pit at all times during the drilling and completion operation.

f. The reserve pit has been located in cut material. Three sides of the reserve pit will be fenced before drilling starts. The fourth side will be fenced as soon as drilling is completed, and shall remain until the pit is dry. After the reserve pit has dried, all areas not needed for production will be rehabilitated.

g. No chemicals subject to reporting under SARA Title III (hazardous materials) in an amount greater than 10,000 pounds will be used, produced, stored, transported, or disposed of annually in association with the drilling, testing, or completion of the well. Furthermore, no extremely hazardous substances, as defined in 40 CFR 355, in threshold planning quantities,

will be used, produced, stored, transported, or disposed of in association with the drilling, testing, or completion of the well.

h. Trash will be contained in a trash cage and hauled away to an approved disposal site as necessary but no later than at the completion of drilling operations. The contents of the trash container will be hauled off periodically to the approved Emery County Landfill near Green River, Utah.

i. Produced fluids from the well other than water will be produced into a test tank until such time as construction of production facilities is completed. Any spills of oil, gas, salt water or other produced fluids will be cleaned up and removed.

j. After initial clean-up, a 400 bbl tank will be installed. This contents will be transported by truck from the tank to an approved disposal facility for disposal.

k. Any salts and/or chemicals, which are an integral part of the drilling system, will be disposed of in the same manner as the drilling fluid.

l. Sanitary facilities will be on site at all times during operations. Sewage will be placed in a portable chemical toilet and the toilet replaced periodically utilizing a licensed contractor to transport by truck the portable chemical toilet so that its contents can be delivered to the Green River Wastewater Treatment Facility in accordance with state and county regulations.

8. Ancillary Facilities:

a. Garbage Containers and Portable Toilets are the only ancillary facilities proposed in this application.

9. Well Site Layout: (See Exhibit B)

a. The well will be properly identified in accordance with 43 CFR 3162.6.

b. Access to the well pad will be from the north.

c. The pad and road designs are consistent with BLM specification

d. A pre-construction meeting with responsible company representative, contractors, and the BLM will be conducted at the project site prior to commencement of surface-disturbing activities. The pad and road will be construction-staked prior to this meeting.

e. The pad has been staked at its maximum size of 150' X 200'; however it will be constructed smaller if possible, depending upon rig availability. Should the layout change, this application will be amended and approved utilizing a sundry notice.

f. All surface disturbing activities, will be supervised by a qualified, responsible company representative who is aware of the terms and conditions of the APD and specifications in the approved plans.

g. All cut and fill slopes will be such that stability can be maintained for the life of the activity.

h. Diversion ditches will be constructed as shown around the well site to prevent surface waters form

entering the well site area.

i. The site surface will be graded to drain away from the pit to avoid pit spillage during large storm events.

j. The stockpiled topsoil (first 6 inches or maximum available) will be stored in a windrow on the uphill side of the location to prevent any possible contamination. All topsoil will be stockpiled for reclamation in such a way as to prevent soil loss and contamination.

k. Pits will remain fenced until site cleanup.

l. The blooie line will be located at least 100 feet from the well head.

m. Water injection may be implemented if necessary to minimize the amount of fugitive dust.

10. Plans for Restoration of the Surface:

a. Site reclamation for a producing well will be accomplished for portions of the site not required for the continued operation of the well.

b. The Operator will control noxious weeds along access road use authorizations, pipeline route authorizations, well sites, or other applicable facilities by spraying or mechanical removal. A list of noxious weeds may be obtained from the BLM or the appropriate County Extension Office. On BLM administered land, it is required that a Pesticide Use Proposal be submitted and approved prior to the application of herbicides, pesticides or possibly hazardous chemicals.

c. Upon well completion, any hydrocarbons in the pit shall be removed in accordance with 43 CFR 3162.7-1.Once the reserve pit is dry, the plastic nylon reinforced liner shall be torn and perforated before backfilling of the reserve pit. The reserve pit and that portion of the location not needed for production facilities/operations will be recontoured to the approximate natural contours.

d. The cut and fill slopes and all other disturbed areas not needed for the production operation will be top soiled and re-vegetated. The stockpiled topsoil will be evenly distributed over the disturbed area.

e. Prior to reseeding the site, all disturbed areas, including the access road, will be scarified and left with a rough surface. The site will then be seeded and/or planted as prescribed by the BLM. The BLM recommended seed mix will be detailed within their approval documents.

11. Surface and Mineral Ownership:

a. Surface Ownership – Federal under the management of the Bureau of Land Management - Moab Field Office, 82 East Dogwood, Moab, Utah 84532; 435-259-2127.
b. Surface Ownership – Federal under the management of the Bureau of Land Management - Moab Field Office, 82 East Dogwood, Moab, Utah 84532; 435-259-2127.

12. Other Information:

a. Senco-Phenix Archaeological Consultants will conduct a Class III archeological survey when weather permits. A copy of the report will be submitted under separate cover to the appropriate agencies by Senco-Phenix Archaeological Consultants.

b. Our understanding of the results of the onsite inspection are:

a. No Threatened and Endangered flora and fauna species were found during the onsite inspection.
b. No raptor habitat is know to exist within 1 mile of the proposed wellsite.
c. No additional surface use agreements are necessary for the construction of this wellsite
d. No drainage crossings that require additional State or Federal approval are being crossed.

13. Operator's Representative and Certification

Title	Name	Office Phone
Company Representative	Tom Young	1-303-339-1920
Agent for Elk Production Company, LLC	Don Hamilton	1-435-637-4075

Certification:

I hereby certify that I, or persons under my direct supervision, have inspected the proposed drill site and access route; that I am familiar with the conditions which currently exists; that the statements made in this APD package are, to the best of my knowledge, true and correct; and that the work associated with the operations proposed herein will be performed by Elk Production Company, LLC and its contractors and subcontractors in conformity with this APD package and the terms and conditions under which it is approved. I also certify responsibility for the operations conducted on that portion of the leased lands associated with this application, with bond coverage being provided under Elk Production's BLM bond. This statement is subject to the provisions of 18 U.S.C. 1001 for the filing of a false statement.

Signature: Don Hamilton Date: 2-1-05

ELK PRODUCTION, LLC
FEDERAL #10-3
SECTION 10, T20S, R21E, S.L.B.&M.

PROCEED IN AN EASTERLY DIRECTION FROM GREEN RIVER, UTAH ALONG INTERSTATE-70 APPROXIMATELY 43.2 MILES TO THE WHITE HOUSE EXIT; EXIT AND PROCEED IN AN EASTERLY DIRECTION APPROXIMATELY 1.5 MILES TO THE JUNCTION OF THIS ROAD AND AN EXISTING ROAD TO THE NORTHWEST; TURN LEFT AND PROCEED IN A NORTHWESTERLY DIRECTION APPROXIMATELY 16.4 MILES TO THE JUNCTION OF THIS ROAD AND AN EXISTING ROAD TO THE NORTH; TURN RIGHT AND PROCEED IN A NORTHERLY DIRECTION APPROXIMATELY 0.4 MILES TO THE BEGINNING OF THE PROPOSED ACCESS TO THE NORTH; FOLLOW ROAD FLAGS IN A NORTHERLY, THEN EASTERLY, THEN SOUTHWESTERLY DIRECTION APPROXIMATELY 0.5 MILES TO THE PROPOSED LOCATION.

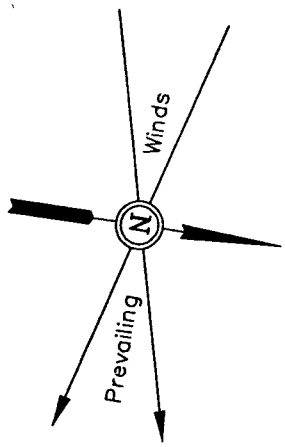
TOTAL DISTANCE FROM GREEN RIVER, UTAH TO THE PROPOSED WELL LOCATION IS APPROXIMATELY 62.0 MILES.

ELK PRODUCTION, LLC

LOCATION LAYOUT FOR

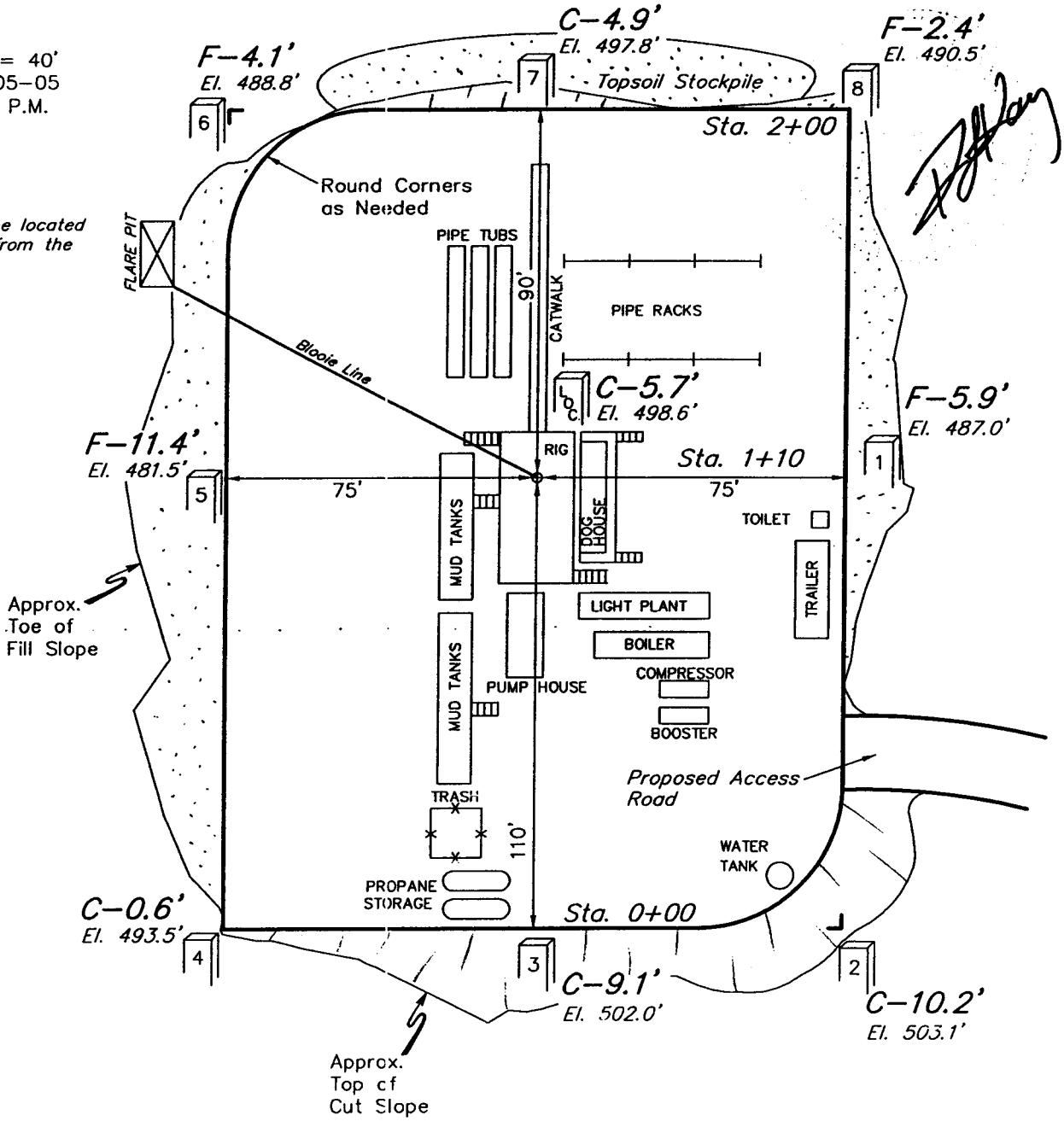
FEDERAL #10-3
SECTION 10, T20S, R21E, S.L.B.&M.
714' FSL 2037' FWL

FIGURE #1



SCALE: 1" = 40'
DATE: 01-05-05
Drawn By: P.M.

NOTE:
Flare Pit is to be located a min. of 100' from the Well Head.



NOTES:

Elev. Ungraded Ground At Loc. Stake = 5498.6'
FINISHED GRADE ELEV. AT LOC. STAKE = 5492.9'

UINTAH ENGINEERING & LAND SURVEYING
85 So. 200 East * Vernal, Utah 84078 * (435) 789-1017

ELK PRODUCTION, LLC

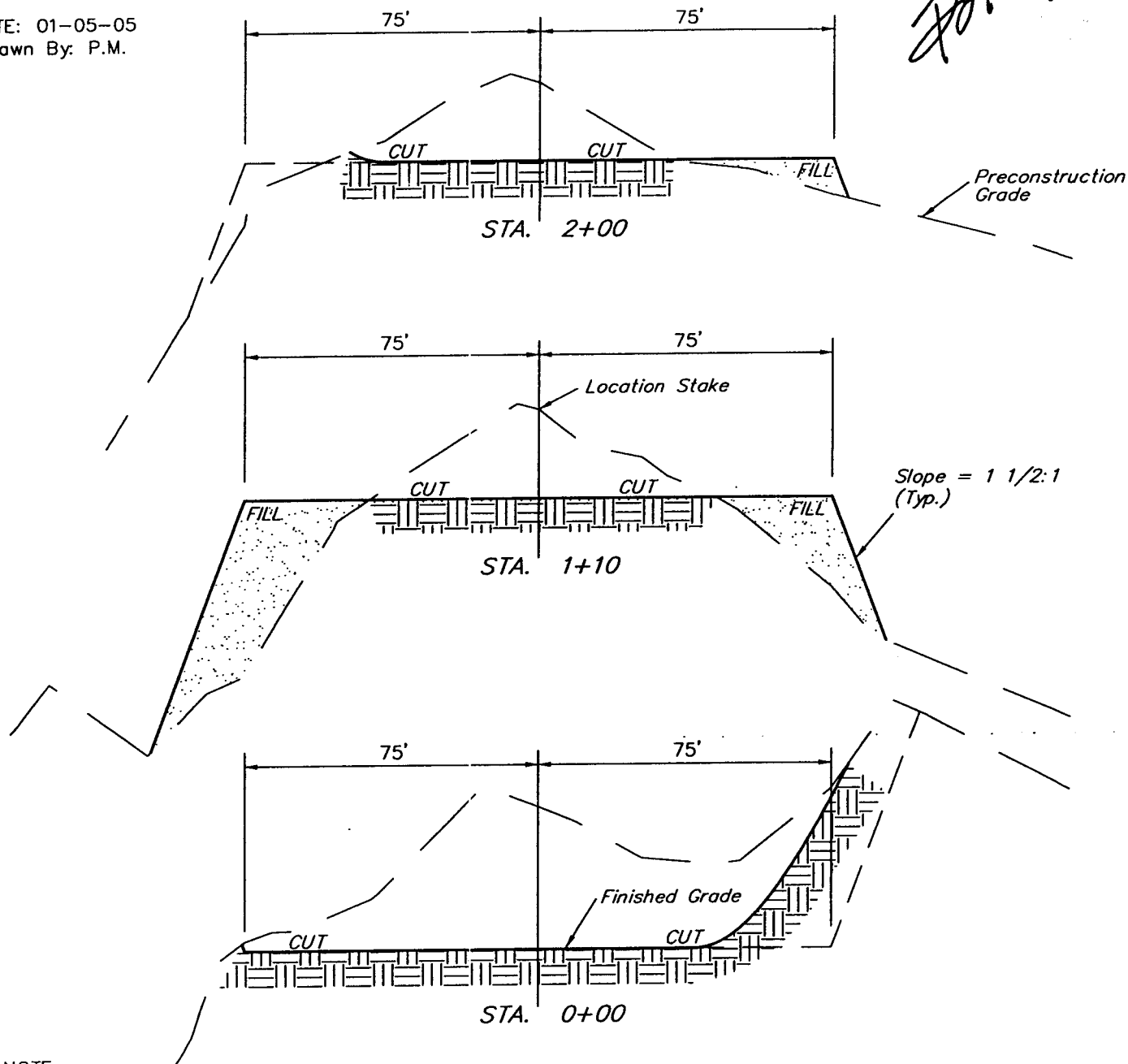
TYPICAL CROSS SECTIONS FOR

FEDERAL #10-3
SECTION 10, T20S, R21E, S.L.B.&M.
714' FSL 2037' FWL

FIGURE #2

1" = 10'
X-Section Scale
1" = 40'

DATE: 01-05-05
Drawn By: P.M.



NOTE:
Topsoil should not be Stripped Below Finished Grade on Substructure Area.

* NOTE:
FILL QUANTITY INCLUDES 5% FOR COMPACTION

APPROXIMATE YARDAGES

CUT
(6") Topsoil Stripping = 710 Cu. Yds.
Remaining Location = 2,150 Cu. Yds.

TOTAL CUT = 2,860 CU.YDS.
FILL = 2,150 CU.YDS.

EXCESS MATERIAL = 710 Cu. Yds.
Topsoil = 710 Cu. Yds.

EXCESS UNBALANCE (After Rehabilitation) = 0 Cu. Yds.

UINTAH ENGINEERING & LAND SURVEYING
*85 So. 200 East * Vernal, Utah 84078 * (435) 789-1017*

ELK PRODUCTION, LLC

FEDERAL #10-3

LOCATED IN GRAND COUNTY, UTAH
SECTION 10, T20S, R21E, S.L.B.&M.

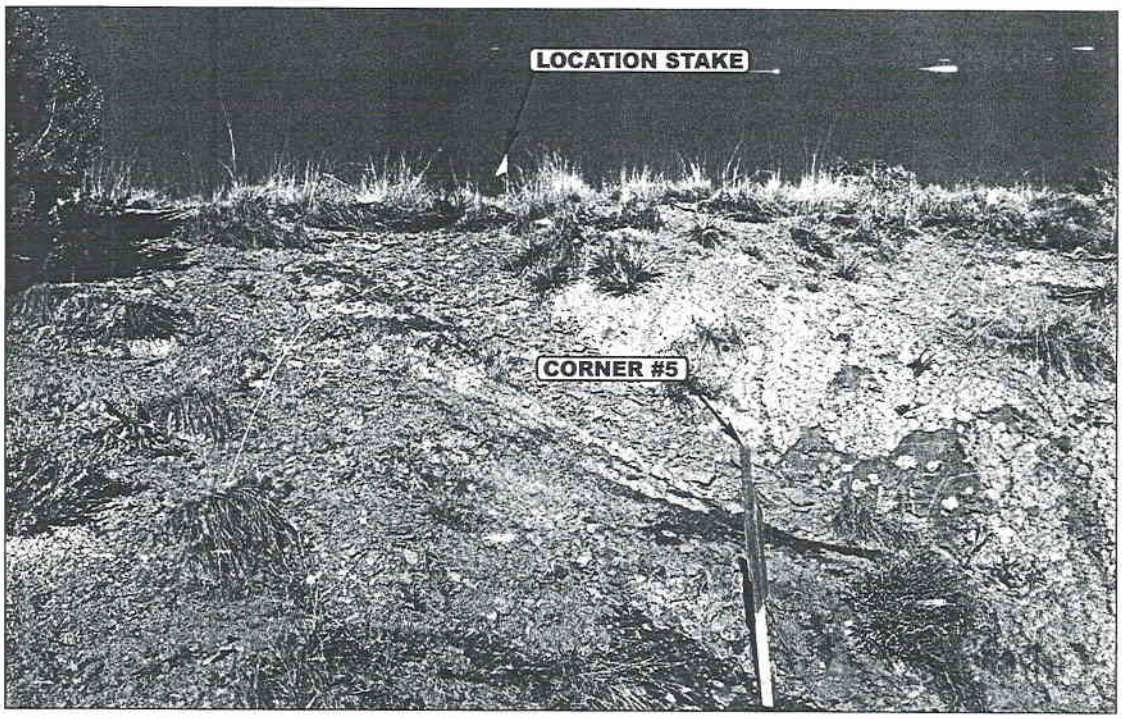
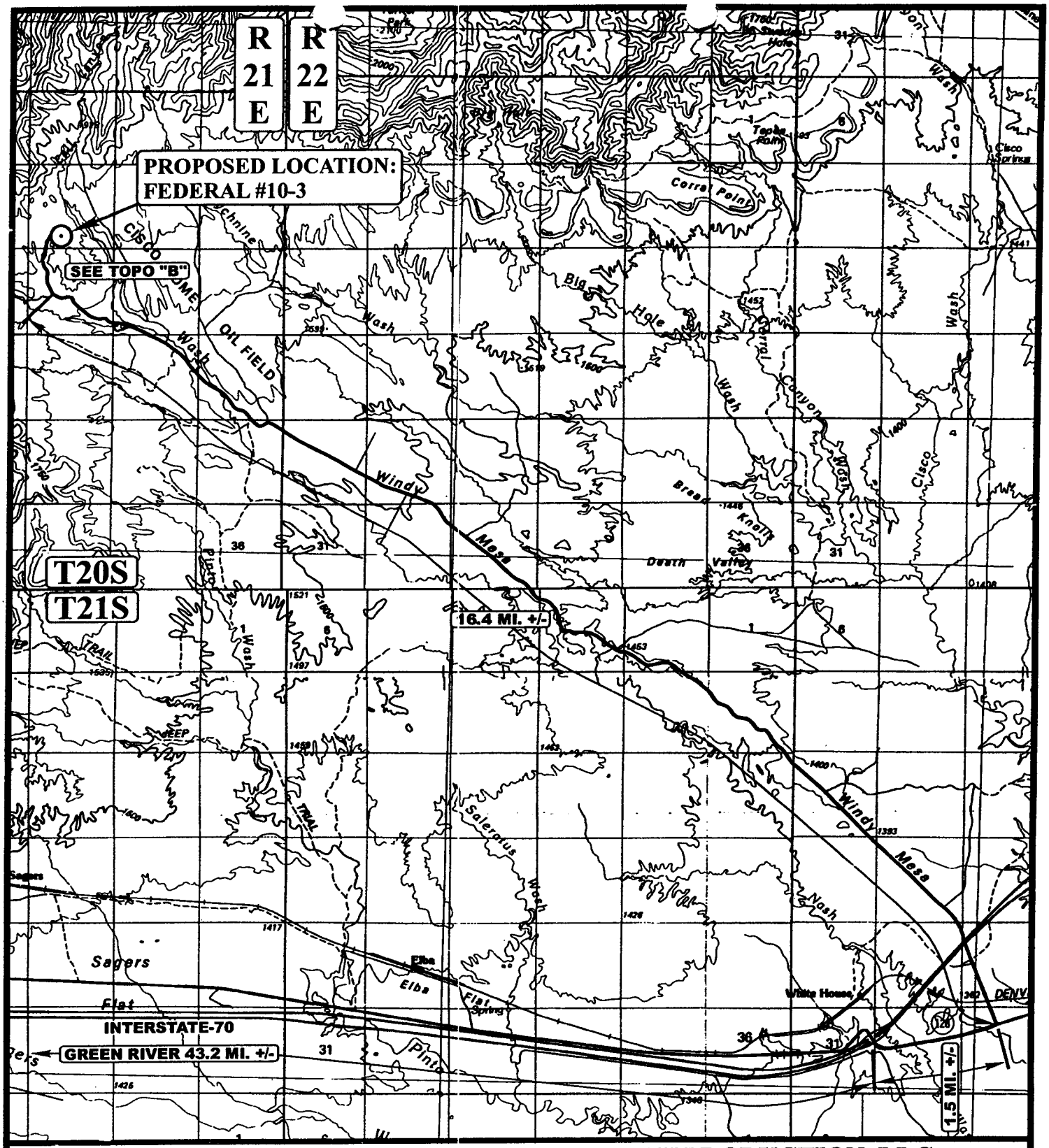


PHOTO: VIEW FROM LOCATION STAKE TO CORNER #5 **CAMERA ANGLE: NORTHERLY**

PHOTO: VIEW FROM BEGINNING OF PROPOSED ACCESS **CAMERA ANGLE: NORTHEASTERLY**

- Since 1964 -
Uintah Engineering & Land Surveying
85 South 200 East Vernal, Utah 84078
435-789-1017 uels@uelsinc.com

LOCATION PHOTOS	12 MONTH	22 DAY	04 YEAR	PHOTO
TAKEN BY: G.O.	DRAWN BY: P.M.	REVISED: 00-00-00		



LEGEND:

⊙ PROPOSED LOCATION

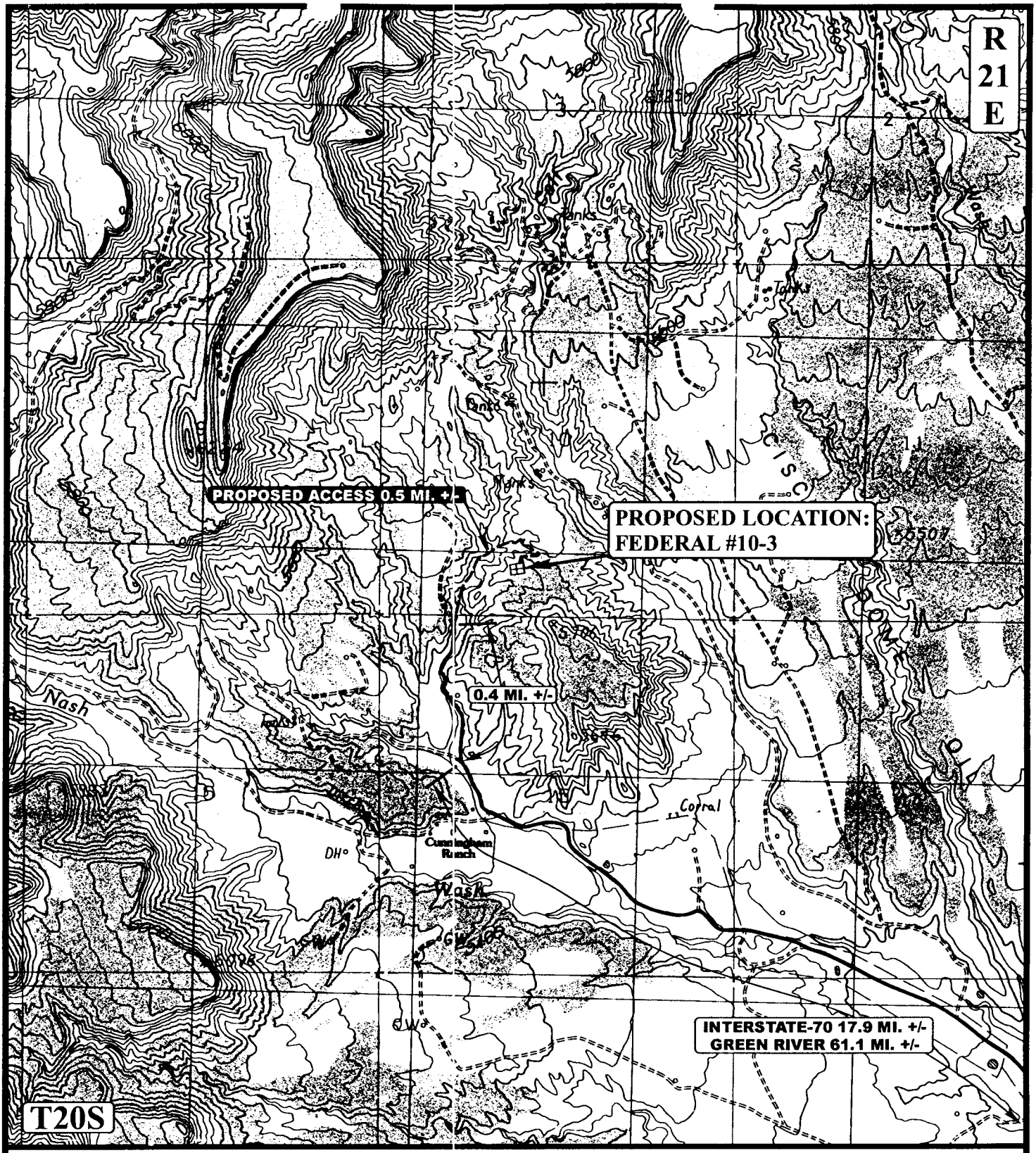
N

ELK PRODUCTION, LLC

FEDERAL #10-3
SECTION 10, T20S, R21E, S.L.B.&M.
714' FSL 2037' FWL

Uintah Engineering & Land Surveying
85 South 200 East Vernal, Utah 84078
(435) 789-1017 * FAX (435) 789-1813

TOPOGRAPHIC MAP	12 MONTH	22 DAY	04 YEAR	A TOPO
SCALE: 1:100,000	DRAWN BY: P.M.	REVISED: 00-00-00		



LEGEND:

EXISTING ROAD

PROPOSED ACCESS ROAD

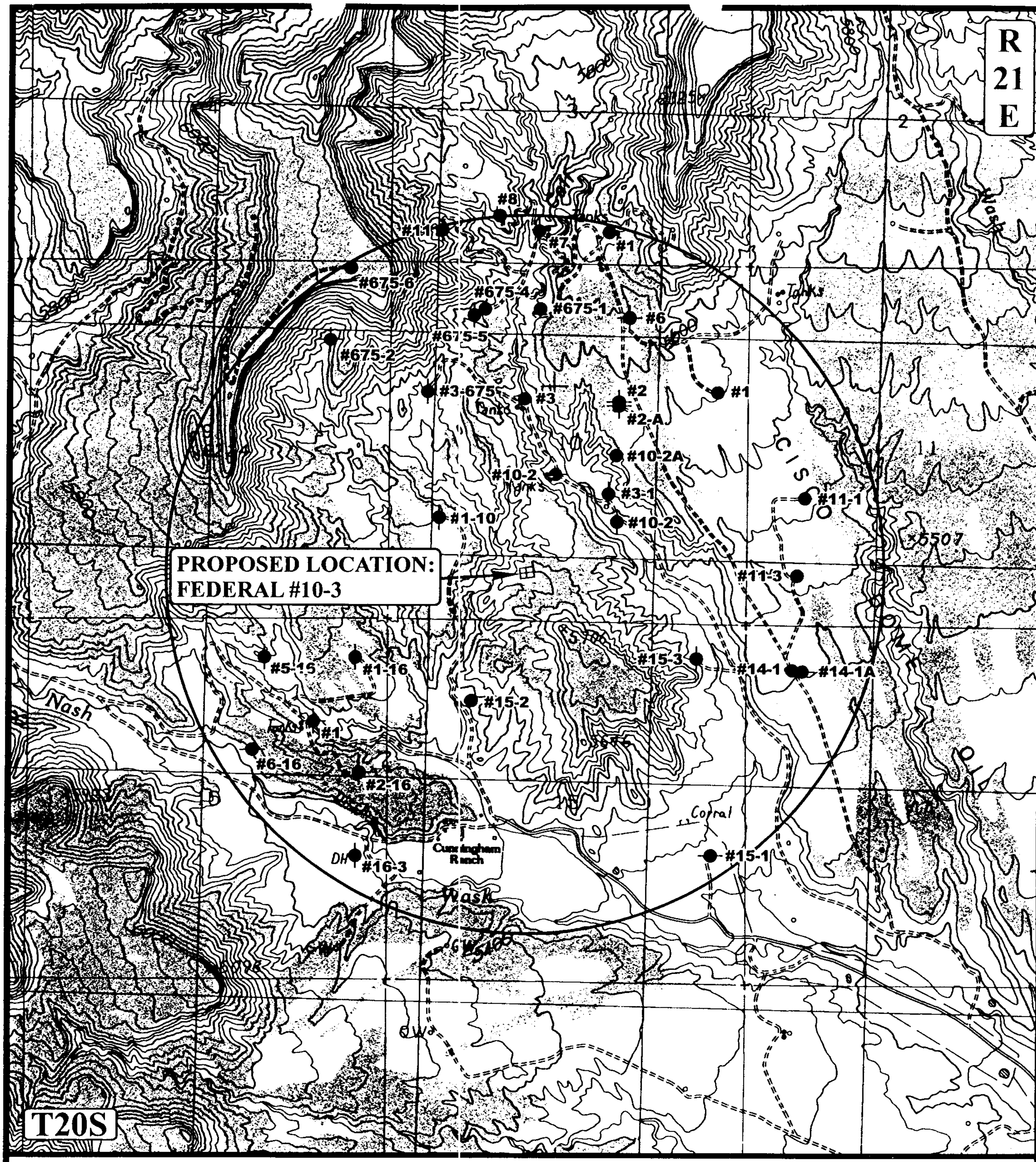
N

ELK PRODUCTION, LLC

FEDERAL #10-3
SECTION 10, T20S, R21E, S.L.B.&M.
714' FSL 2037' FWL

Uintah Engineering & Land Surveying
85 South 200 East Vernal, Utah 84078
(435) 789-1017 * FAX (435) 789-1813

TOPOGRAPHIC MAP	12 MONTH	22 DAY	04 YEAR
SCALE: 1" = 2000'	DRAWN BY: P.M.	REVISED: 00-00-00	B TOPO



LEGEND:

- DISPOSAL WELLS
- PRODUCING WELLS
- SHUT IN WELLS
- WATER WELLS
- ABANDONED WELLS
- TEMPORARILY ABANDONED

N

ELK PRODUCTION, LLC

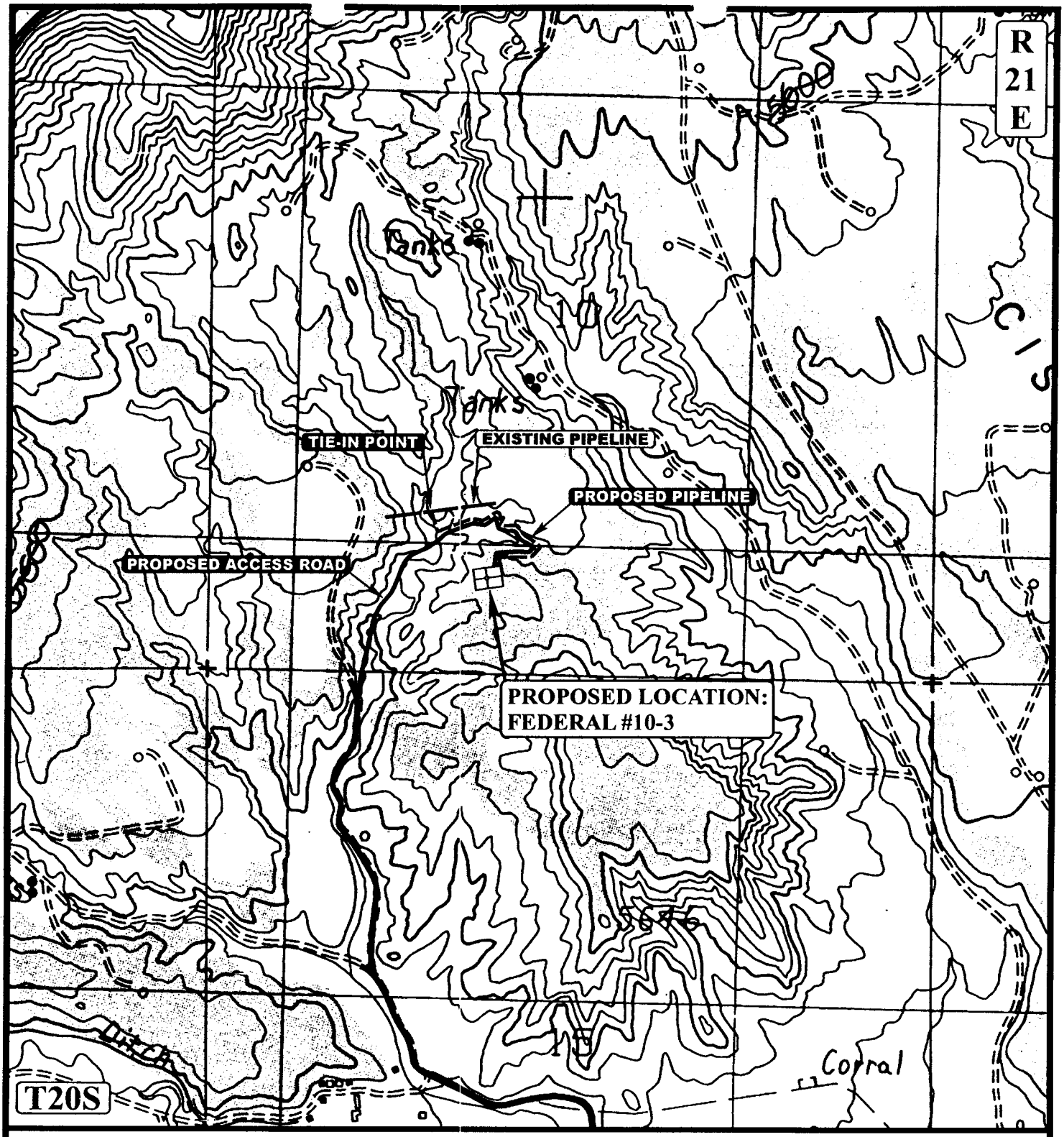
FEDERAL #10-3
SECTION 10, T20S, R21E, S.L.B.&M.
714' FSL 2037' FWL

UELS
Uintah Engineering & Land Surveying
85 South 200 East Vernal, Utah 84078
(435) 789-1017 * FAX (435) 789-1813

TOPOGRAPHIC MAP	12 MONTH	22 DAY	04 YEAR

SCALE: 1" = 2000' DRAWN BY: P.M. REVISED: 00-00-00

C TOPO



APPROXIMATE TOTAL PIPELINE DISTANCE = 1,600' +/-

LEGEND:

PROPOSED ACCESS ROAD
EXISTING PIPELINE
PROPOSED PIPELINE

N

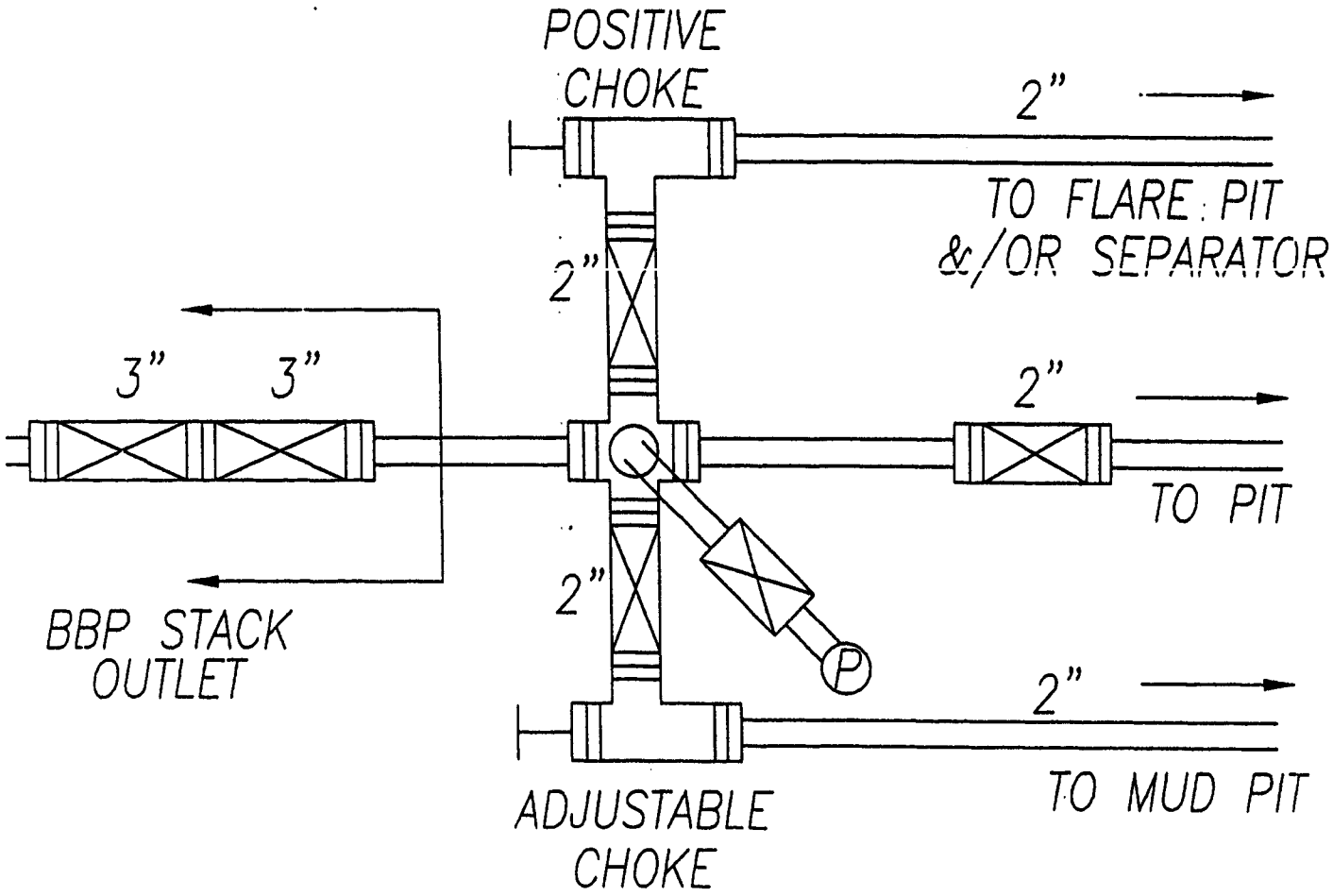
ELK PRODUCTION, LLC

FEDERAL #10-3
SECTION 10, T20S, R21E, S.L.B.&M.
714' FSL 2037' FWL

Uintah Engineering & Land Surveying
85 South 200 East Vernal, Utah 84078
(435) 789-1017 * FAX (435) 789-1813

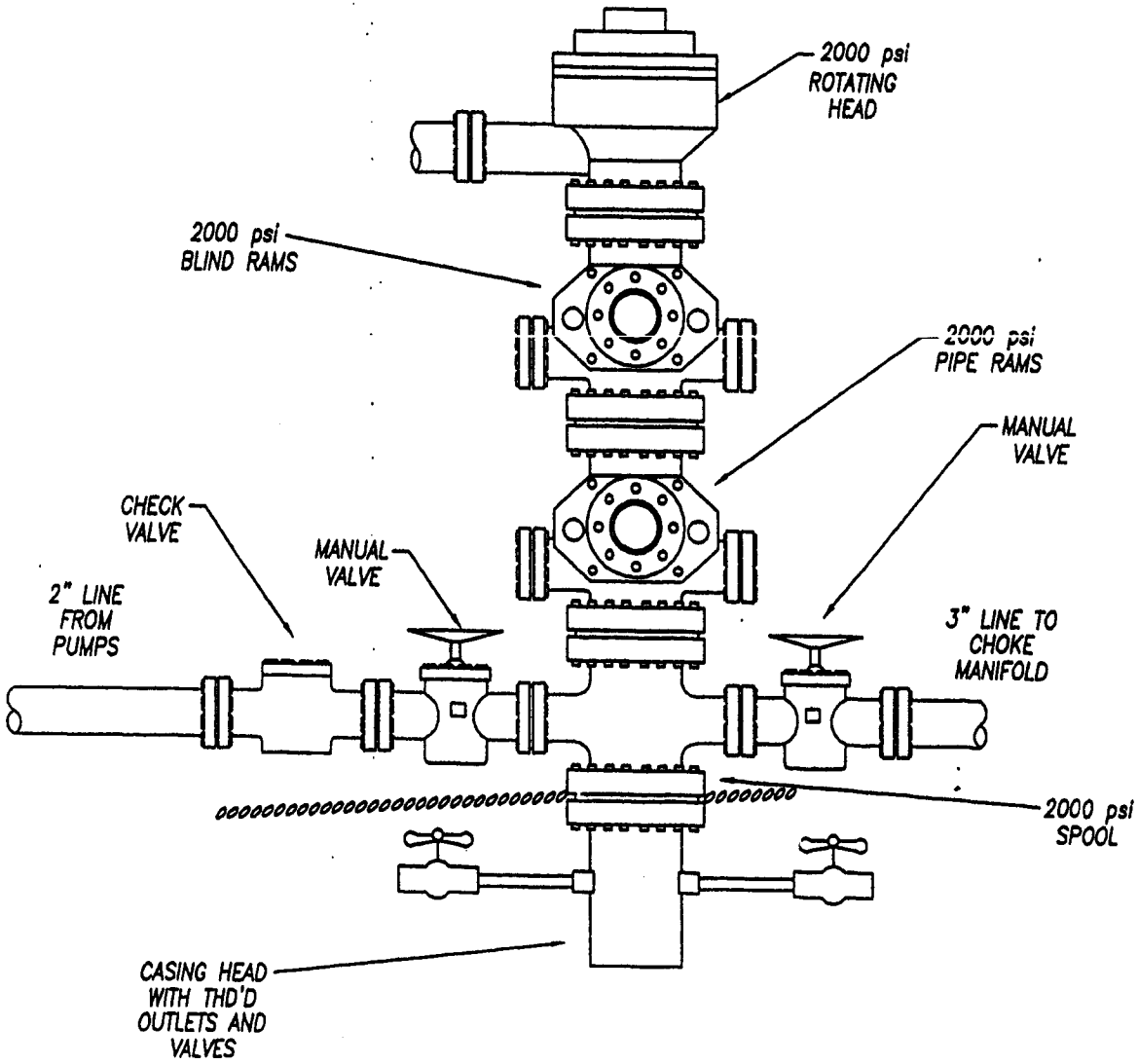
TOPOGRAPHIC MAP	12 MONTH	22 DAY	04 YEAR	D TOPO
SCALE: 1" = 1000'	DRAWN BY: P.M.	REVISED: 00-00-00		

CHOKE MANIFOLD



BOP Equipment

2000psi WP



003

WORKSHEET

APPLICATION FOR PERMIT TO DRILL

APD RECEIVED: 02/03/2005

API NO. ASSIGNED: 43-019-31438

WELL NAME: FEDERAL 10-3

OPERATOR: ELK PRODUCTION LLC (N2650)

CONTACT: DON HAMILTON

PHONE NUMBER: 435-650-1886

PROPOSED LOCATION:

SESW 10 200S 210E

SURFACE: 0714 FSL 2037 FWL

BOTTOM: 0714 FSL 2037 FWL

GRAND

GREATER CISCO (205)

LEASE TYPE: 1 - Federal

LEASE NUMBER: UTU-02140-A

SURFACE OWNER: 1 - Federal

PROPOSED FORMATION: ENRD

COALBED METHANE WELL? NO

INSPECT LOCATN BY: / /

Tech Review	Initials	Date
Engineering		
Geology		
Surface		

LATITUDE: 39.07582

LONGITUDE: -109.5847

RECEIVED AND/OR REVIEWED:

✓ Plat

✓ Bond: Fed[1] Ind[] Sta[] Fee[]
(No. B 000971)

N Potash (Y/N)

N Oil Shale 190-5 (B) or 190-3 or 190-13

✓ Water Permit
(No. AIR DRILLE)

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

NA Fee Surf Agreement (Y/N)

LOCATION AND SITING:

___ R649-2-3.

Unit ___

___ R649-3-2. General
Siting: 460 From Qtr/Qtr & 920' Between Wells

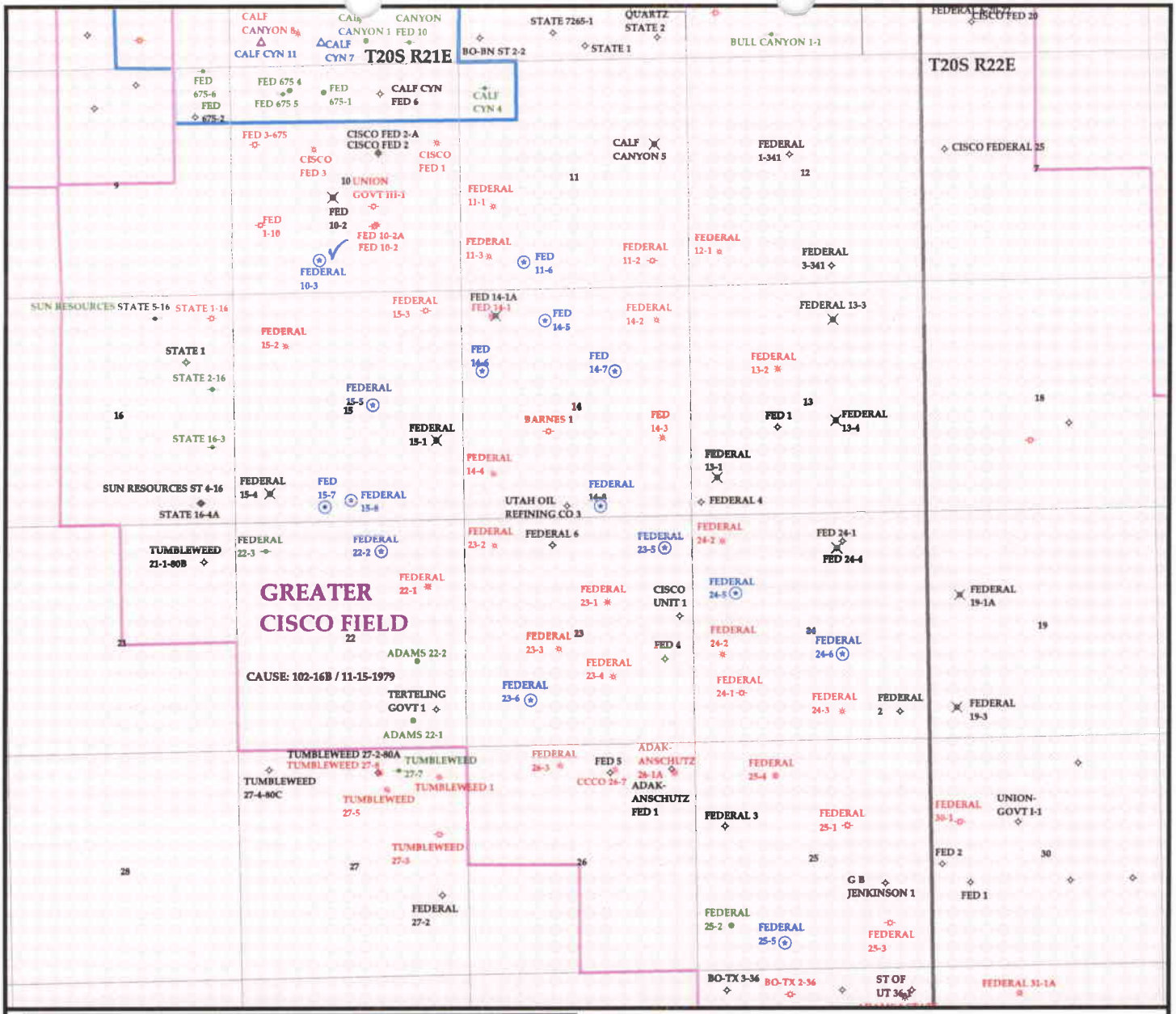
___ R649-3-3. Exception

✓ Drilling Unit
Board Cause No: 102-16B
Eff Date: 11-15-1979
Siting: See Cause Order

___ R649-3-11. Directional Drill

COMMENTS: ___

STIPULATIONS: 1- Federal Approval



OPERATOR: ELK PRODUCTION CO (N2650)

SEC. 10,14,15,22-25 T.20S R.21E

FIELD: GREATER CISCO (205)

COUNTY: GRAND

CAUSE: 102-16B / 11-15-1979

Wells

- GAS INJECTION
- GAS STORAGE
- LOCATION ABANDONED
- NEW LOCATION
- PLUGGED & ABANDONED
- PRODUCING GAS
- PRODUCING OIL
- SHUT-IN GAS
- SHUT-IN OIL
- TEMP. ABANDONED
- TEST WELL
- WATER INJECTION
- WATER SUPPLY
- WATER DISPOSAL

Units.shp

- EXPLORATORY
- GAS STORAGE
- NF PP OIL
- NF SECONDARY
- PENDING
- PI OIL
- PP GAS
- PP GEOTHERML
- PP OIL
- SECONDARY
- TERMINATED

Fields.shp

- ABANDONED
- ACTIVE
- COMBINED
- INACTIVE
- PROPOSED
- STORAGE
- TERMINATED

Utah Oil Gas and Mining

N
W E
S

PREPARED BY: DIANA WHITNEY
DATE: 4-FEBRUARY-2005

004

JON M. HUNTSMAN, JR.
Governor

GARY R. HERBERT
Lieutenant Governor

State of Utah

Department of Natural Resources

MICHAEL R. STYLER
Executive Director

Division of Oil, Gas & Mining

MARY ANN WRIGHT
Acting Division Director

February 7, 2005

Elk Production Company, LLC
1401-17th Street, Suite 700
Denver, CO 80202

Re: Federal 10-3 Well, 714' FSL, 2037' FWL, SE SW, Sec. 10, T. 20 South, R. 21 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.

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 43-019-31438.

Sincerely,

John R. Baza
Associate Director

pab
Enclosures

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

1594 West North Temple, Suite 1210, PO Box 145801, Salt Lake City, UT 84114-5801
telephone (801) 538-5340 • facsimile (801) 359-3940 • TTY (801) 538-7458 • *www.ogm.utah.gov*

Operator: Elk Production Company, LLC

Well Name & Number Federal 10-3

API Number: 43-019-31438

Lease: UTU-02140-A

Location: SE SW **Sec.** 10 **T.** 20 South **R.** 21 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.

JON M. HUNTSMAN, JR.
Governor

GARY R. HERBERT
Lieutenant Governor

State of Utah

Department of Natural Resources

MICHAEL R. STYLER
Executive Director

Division of Oil, Gas & Mining

JOHN R. BAZA
Division Director

March 23, 2006

Don Hamilton
Buys & Associates, Inc.
2580 Creekview Road
Moab, Utah 84532

Re: APD Rescinded -Federal 10-3 Sec. 10, T. 20S R. 21E
Grand County, Utah API No. 43-019-31438

Dear Mr. Hamilton:

The Application for Permit to Drill (APD) for the subject well was approved by the Division of Oil, Gas and Mining (Division) on February 7, 2005. On March 23, 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 March 23, 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

1594 West North Temple, Suite 1210, PO Box 145801, Salt Lake City, UT 84114-5801
telephone (801) 538-5340 • facsimile (801) 359-3940 • TTY (801) 538-7458 • *www.ogm.utah.gov*