

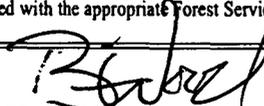
UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT
APPLICATION FOR PERMIT TO DRILL OR REENTER

5. Lease Serial No. UTU-073490	
6. If Indian, Allottee or Tribe Name N/A	
7. If Unit or CA Agreement, Name and No. CACTUS ROSE UNIT	
8. Lease Name and Well No. LITTLE GRAND 35-1	
9. API Well No. 43-019- 31456	
1a. Type of work: <input checked="" type="checkbox"/> DRILL <input type="checkbox"/> REENTER	10. Field and Pool, or Exploratory WILDCAT
1b. Type of Well: <input checked="" type="checkbox"/> Oil Well <input type="checkbox"/> Gas Well <input type="checkbox"/> Other <input type="checkbox"/> Single Zone <input checked="" type="checkbox"/> Multiple Zone	11. Sec., T. R. M. or Blk. and Survey or Area 35-22S-18E SLM
2. Name of Operator MSC EXPLORATION L. P.	
3a. Address 16800 IMPERIAL VALLEY DR., #380 HOUSTON, TX 77060	3b. Phone No. (include area code) (281) 931-8933
4. Location of Well (Report location clearly and in accordance with any State requirements.)* At surface SWSE 895' FSL & 1970' FEL 595507X 38.849514 At proposed prod. zone SAME 4300445Y -109.899415	
12. County or Parish GRAND	
13. State UT	
14. Distance in miles and direction from nearest town or post office* 8 AIR MILES SW OF CRESCENT JUNCTION	
15. Distance from proposed* location to nearest property or lease line, ft. (Also to nearest drig. unit line, if any) 895'	16. No. of acres in lease 1,440
17. Spacing Unit dedicated to this well SW4SE4	18. Distance from proposed location* to nearest well, drilling, completed, applied for, on this lease, ft. N/A
19. Proposed Depth 4,000'	20. BLM/BIA Bond No. on file UTB000113
21. Elevations (Show whether DF, KDB, RT, GL, etc.) 4,557' GL	22. Approximate date work will start* 11/01/2005
23. Estimated duration 4 WEEKS	

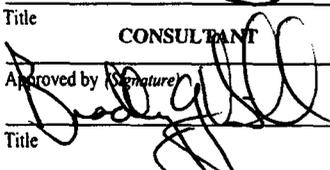
24. Attachments

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 	Name (Printed/Typed) BRIAN WOOD	Date 09/17/2005
---	---	---------------------------

Title CONSULTANT	PHONE: (505) 466-8120 FAX: (505) 466-9682
----------------------------	---

Approved by (Signature) 	Name (Printed/Typed) BRADLEY G. HILL	Date 09-22-05
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.

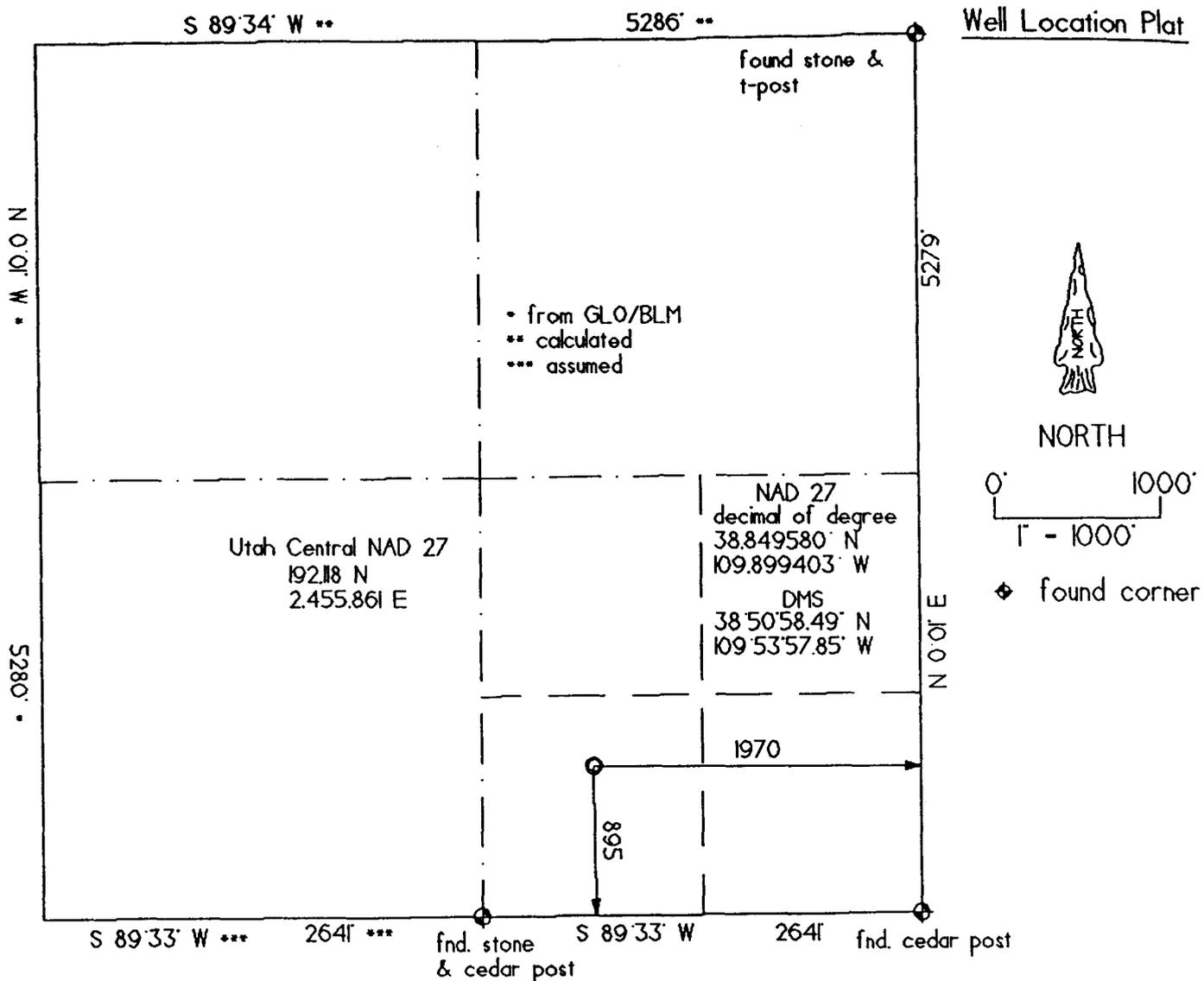
*(Instructions on page 2)

**Federal Approval of this
Action is Necessary**

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**RECEIVED
SEP 21 2005**

DIV. OF OIL, GAS & MINING



Well Location Description

MSC EXPLORATION, L.P.
 Little Grand # 35-1
 895' FSL & 1970' FEL
 Section 35, T.22 S., R.18 E., SLM
 Grand County, UT
 4557' grd. el. (from GPS)



08/11/05

Gerald G. Huddleston, LS

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

United States Department of the Interior

BUREAU OF LAND MANAGEMENT

Utah State Office
P.O. Box 45155
Salt Lake City, Utah 84145-0155

IN REPLY REFER TO:
3160
(UT-922)

September 21, 2005

Memorandum

To: AFM-Resources, Moab Field Office
From: Michael Coulthard, Petroleum Engineer
Subject: 2005 Plan of Development Cactus Rose Unit Grand County,
Utah.

Pursuant to email between Diana Whitney, Division of Oil, Gas and Mining, and Mickey Coulthard, Utah State Office, Bureau of Land Management, the following well is planned for calendar year 2005 within the Cactus Rose Unit, Grand County, Utah.

API #	WELL NAME	LOCATION
	(Proposed PZ Wingate)	
43-019-31456	Little Grand	35-1 Sec 35 T22S R18E 0895 FSL 1970 FEL

The well must be drilled to test the upper 10 feet of the Chinle formation or a depth of 3000 feet to serve as an obligation well for the unit. This office has no objection to permitting the well at this time.

/s/ Michael L. Coulthard

bcc: File – Cactus Rose Unit
Division of Oil Gas and Mining
Central Files
Agr. Sec. Chron
Fluid Chron

MCoulthard:mc:9-21-05

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Drilling Program

1. FORMATION TOPS

<u>Formation Name</u>	<u>GL Depth</u>	<u>KB Depth</u>	<u>Elevation</u>
Mancos Shale	0'	10'	+4,557'
Moab Tongue	1,200'	1,210'	+3,357'
Carmel Sandstone	1,970'	1,980'	+2,587'
Navajo Sandstone	2,110'	2,120'	+2,447'
Kayenta Sandstone	3,025'	3,035'	+1,532'
Wingate Sandstone	3,435'	3,445'	+1,122'
Chinle Shale	3,803'	3,813'	+754'
Total Depth (TD)*	4,000'	4,010'	+557'

2. NOTABLE ZONES

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

3. PRESSURE CONTROL

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

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

4. CASING & CEMENT

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

<u>Hole Size</u>	<u>O. D.</u>	<u>Weight</u>	<u>Grade</u>	<u>Type</u>	<u>Age</u>	<u>Setting Depth</u>
12-1/4"	8-5/8"	24	K-55	S T & C	New	350'
7-7/8"	5-1/2"	15.5	K-55	S T & C	New	4,000'

Casing strings will be pressure tested to 0.22 psi/ft of casing string length or to 1,500 psi whichever is greater (not to exceed 70% of the internal yield strength of the casing), after cementing and prior to drilling out from under the casing shoe. Surface casing shoe will be set in a competent formation. A pressure integrity test of each casing shoe shall be performed. Formation at the shoe shall be tested to a minimum of the mud weight equivalent anticipated to control the formation pressure to the next casing depth or at total depth of the well. This test shall be performed before drilling more than 20 feet of new hole. Centralizers will be installed on at least the bottom 3 joints of each casing string.

Surface casing will be cemented to the surface with \approx 290 cubic feet (\approx 250 sacks Class G + 2% CaCl₂ + 1/4 pound per sack cello flake (or equivalent slurry). Weight = 15.8 pounds per gallon. Yield = 1.17 cubic feet per sack. Excess = 100%.

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Production casing will be cemented to the surface with ≈ 832 cubic feet (≈ 660 sacks) 50/50 poz + 3% KCl + 1.4 pound per sack cello flake + 4 pounds per sack Flow Seal + 0.5% FL-52 + 2% bentonite (or equivalent slurry). Weight = 14.4 pounds per gallon. Yield = 1.26 cubic feet per sack. Excess = 20%. Wait on cement, set slips with casing in full tension. Actual volume will be determined after reviewing logs and shows. All potentially productive zones will be covered with cement.

5. MUD PROGRAM

Will drill from surface to $\approx 350'$ with air and/or fresh water mud system. Will drill from $\approx 350'$ to $\approx 2,000'$ with air mist. Will drill remainder of hole with aerated LSND. No chromate will be used. Sufficient mud will be on location to control well and combat lost circulation. See plan view of pad for blow pit location, which will be $\geq 100'$ from the well head. Mist will be used to control dust.

6. CORES, TESTS, & LOGS

No cores or drill stem tests are planned. Mud loggers will be on site from $\approx 350'$ to TD and will collect samples every $\approx 10'$. They will have FID and chromatograph unit. Will run resistivity and porosity with gamma ray open hole logs.

7. DOWN HOLE CONDITIONS

No abnormal temperatures or pressures or hydrogen sulfide are expected. Maximum bottom hole pressure will be $\approx 1,600$ psi.

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8. OTHER INFORMATION

The anticipated spud date is November 1, 2005. It is expected it will take $\approx 1\frac{1}{2}$ weeks to drill and $\approx 2\frac{1}{2}$ weeks to complete the well.

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

This APD is also an application for approval of an exception location. The well is staked 35' too far north. I am requesting an exception because of topography (a wash is south of the pad).

The well is staked at 895' FSL & 1970' FEL on a 1,440.00 acre BLM lease and within a 50,889.385 acre unit. MSC is requesting permission to drill at 895' FSL & 1970' FEL 35-22s-18e. This is the only oil or gas well, existing or planned, in the quarter-quarter. Furthermore, there are no other existing wells of any type within a 1 mile radius. Closest lease line is 895' south. MSC is the owner of all drilling units within a minimum 895' radius of the proposed exception. Five of the 8 offset quarter-quarters are part of the same MSC lease. The quarter-quarter (NW4SE4 Sec. 35) toward which the well encroaches is part of the same MSC lease and within the unit.

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Surface Use Plan

1. DIRECTIONS (See PAGES 13 - 16)

From the closed gas station at Crescent Junction (Exit 180 on I-70) ...
Go South 5-1/4 miles on US 191 to the equivalent of Mile Post 151.95
Then turn right at a gate onto dirt and lightly graveled County Road 334
Then go NW 3.3 miles on crowned and ditched County Road 334 to a hill top
Then turn left at the top of the hill and go SW 1.9 miles on a dirt road
Then turn right and follow stakes cross country SW 5,623.92' to the well

Roads will be maintained to a standard at least equal to their present condition. If roads become too muddy (i. e., >6" deep ruts), then construction or travel will stop until they are dry, frozen, or surfaced where needed. There will be no mud rolling.

If roads become too dusty, then the dusty portions of the roads will be treated with magnesium chloride water. Magnesium chloride water will be sprayed onto the road surface. A grader will work the water into the upper few inches of the road.

This APD is also doubling as a BLM road right-of-way application for that portion of the existing road between the county road and the unit boundary. That segment crosses 19 & 30 of 22s-19e. Width = 30'. Length = 2,000'. Area = 1.38 acres.

2. ROAD TO BE UPGRADED & BUILT (See PAGES 14 - 16)

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

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Upgrading will initially consist of installing three 18' wide heavy duty cattle guards on County Road 334. Wire gates will be installed beside the cattle guards. Fences will be braced and tied off before cutting. The 1.9 miles of road south from the county road will not be upgraded.

The east most 847.16' and west most 488.24' of new road will initially be flat bladed. The remaining 4,288.52' of new road (PI 1 to PI 2) will be crowned and ditched. Seven $\geq 18''$ x $\geq 20'$ culverts will be installed at $\approx 600'$ intervals on the crowned and ditched segment. The 5,623.92' of of new road will be have a $\approx 18'$ wide running surface. Maximum disturbed width = 30' between PI 1 and PI 2. Maximum disturbed width for the remainder of the new road = 35'. Maximum grade = 5%. Maximum cut or fill = 3'. No cattle guard, gate, or turnout is needed.

If the well is a producer, the new road will be upgraded to Class 3 Road Standards within 60 days of dismantling the rig. If the deadline cannot be met, BLM will be notified so temporary drainage control can be installed. Class 3 Road Standards control drainage by using topography, ditch turnouts, dips, out sloping, crowning, low water crossings, rock surfacing, and culverts. Crowning and ditching may use a 50' wide corridor on slopes.

3. EXISTING WELLS

There are no existing wells within a mile.

4. PROPOSED PRODUCTION FACILITIES

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

No gas line is planned at this time. However, if a gas line is applied for,

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approved, and installed; then the meter will be within 500' of the well head. The gas line will be buried from the well head to the meter and downstream until it exists the pad. Meter run will be housed or fenced. The meter will be calibrated before the first sale and quarterly thereafter. All gas production and measurement will comply with 43 CFR 3162.7, Onshore Order 5, and American Gas Association Report 3.

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

Production facilities on the pad may include a lined or unlined produced water pit as allowed in Onshore Order 7. If water is produced from the well, an application in conformance with Order 7 will be submitted.

5. WATER SUPPLY

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

6. CONSTRUCTION MATERIALS & METHODS (See PAGES 17 & 18)

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

Top 3" of soil and brush will be stripped and piled west of the pad. Pit subsoil will be stored east of the pit. A ditch will be cut south of the pad.

The reserve pit will be lined with at least 12 mil liner or 24 tons of commercial bentonite worked into 3:1 slopes. No liquid hydrocarbons will be discharged onto the pit, pad, or road. Should hydrocarbons escape, they will be cleaned and removed within 48 hours.

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Pit will be fenced 48" high on 3 sides with 32" high woven wire topped with 2 smooth wires 4" and 16" above the woven wire. Steel posts will be set 16.5' apart. Two stays will be used between posts. Corner posts will be ≥ 6 " diameter wood and anchored with dead men. The fourth side will be similarly fenced when drilling stops. Fence will be kept repaired while the pit dries.

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

7. WASTE DISPOSAL

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

8. ANCILLARY FACILITIES

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

9. WELL SITE LAYOUT

See PAGES 17 and 18 for depictions of the well pad, cross section, cut and fill diagram, reserve pit, trash cage, access onto the location, parking, living facilities, and rig orientation.

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10. RECLAMATION

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

Reclamation will start when the reserve pit is dry. All areas not needed for production will be back filled, contoured to a natural shape, and reserved topsoil spread. (If the well is a producer, then enough topsoil will be saved to reclaim the rest of the pad.) All bare areas will be broadcast seeded between October 1 and December 15 with the following mix. Sown areas will be left rough and lightly harrowed (4" deep) after seeding. Maximum span between harrow or ripped furrows will be 6".

4 pounds pure live seed per acre four wing saltbush
4 pounds pure live seed per acre Nuttall saltbush
4 pounds pure live seed per acre galleta grass

When the well is plugged, no reclamation will be required on Grand County Road 334. The other existing road will be restored to its original width. Road surfacing will be removed from this non-county road. One or both sides of the road will be scarified and seeded as described above.

All of the new road construction will be reclaimed. Any surfacing material will be removed prior to reclamation and spread on county roads. The new road will be contoured to approximately the original contours of the land. All compacted soils will be scarified. Water bars will be constructed on all disturbed areas to the spacing and cross sections specified by BLM. Water bars will be at least half in cut and simulate the contour lines of the slope. The new road seed bed will be prepared and seeded as described above.

11. SURFACE OWNER

All construction is within the unit and on either BLM (2,342.37') or SITLA

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Sec. 35, T. 22 S., R. 18 E.
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(3,281.55') surface.

12. OTHER INFORMATION

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

CASA submitted its archaeology report (CASA 05-114) on August 20, 2005.

13. REPRESENTATION & CERTIFICATION

Anyone having questions concerning the APD should call:

Brian Wood, Consultant
Permits West, Inc.
37 Verano Loop
Santa Fe, NM 87508
(505) 466-8120 FAX: (505) 466-9682 Cellular: (505) 699-2276

The field representative will be:

Ron Turell
(970) 257-9105 FAX (970) 257-9310 Mobile: (970) 261-0795

MSC Exploration L. P. is considered to be the operator of the Little Grand 35-1 well in the SWSE 35-22s-18e, Lease UTU-73490, Grand County, Utah, and is responsible under the terms and conditions of the lease for the operations conducted on the leased lands. Bond (\$25,000 statewide bond (#UTB000113 on file with BLM in Salt Lake City) coverage for this well will be provided via surety consent as provided for in 43 CFR 3104.2. BLM will hold the aforementioned operator and bond liable until the provisions of 43 CFR 3106.7-2 continuing responsibility are met.

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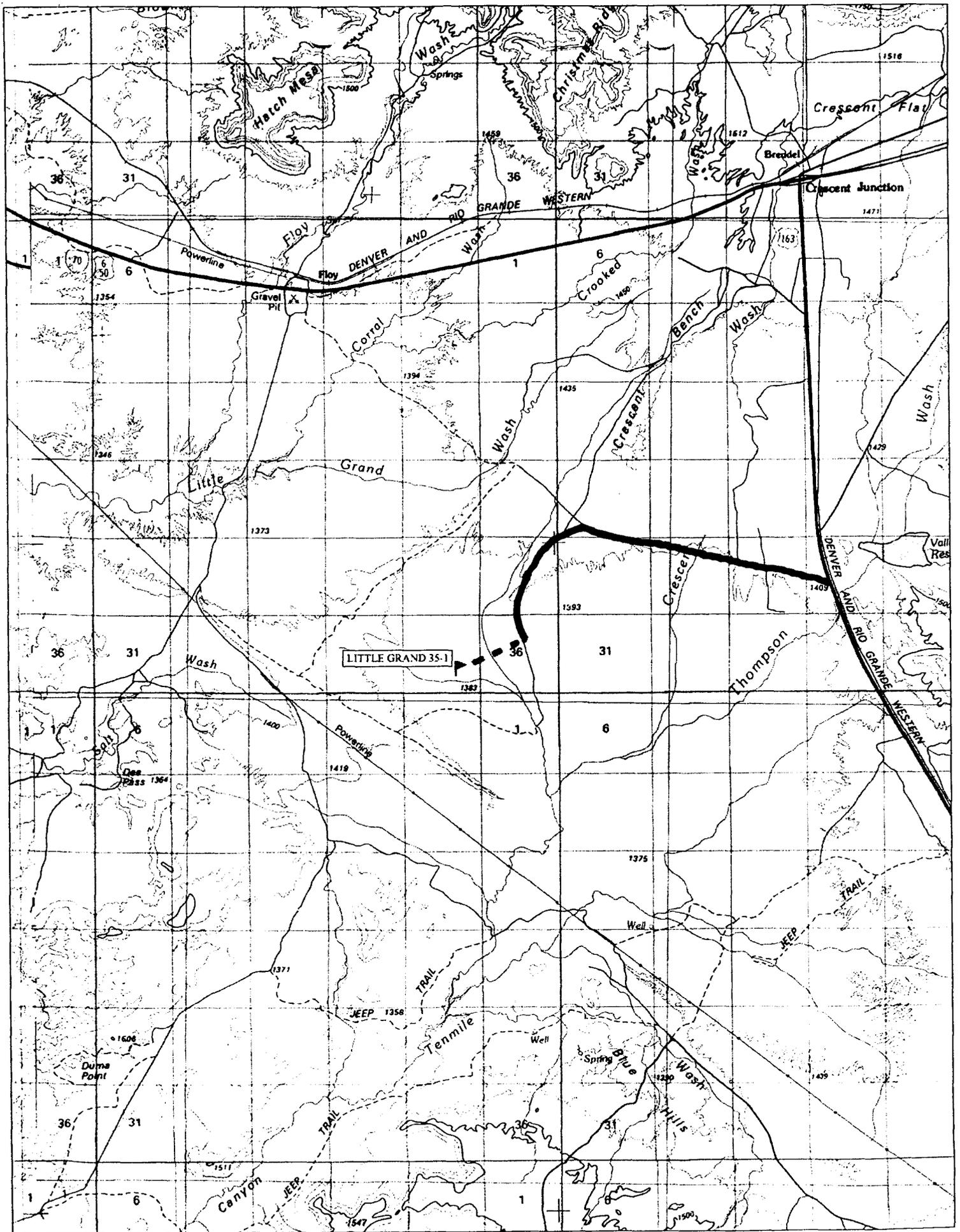
PAGE 12

I hereby certify MSC Exploration L. P. has the necessary consents from the proper lease and unit interest owners to conduct lease operations in conjunction with this APD. Bond coverage *per* 43 CFR 3104 for lease activities will be provided by MSC Exploration L. P. I hereby certify I have inspected the proposed drill site and access route; that I am familiar with the conditions which currently exist; that the statements made in this plan are, to the best of my knowledge, true and correct; and that the work associated with operations proposed herein will be performed by MSC Exploration L. P. and its contractors and subcontractors in conformity with this plan and the terms and conditions under which it is approved. This statement is subject to the provisions of 18 U. S. C. 1001 for the filing of a false statement.



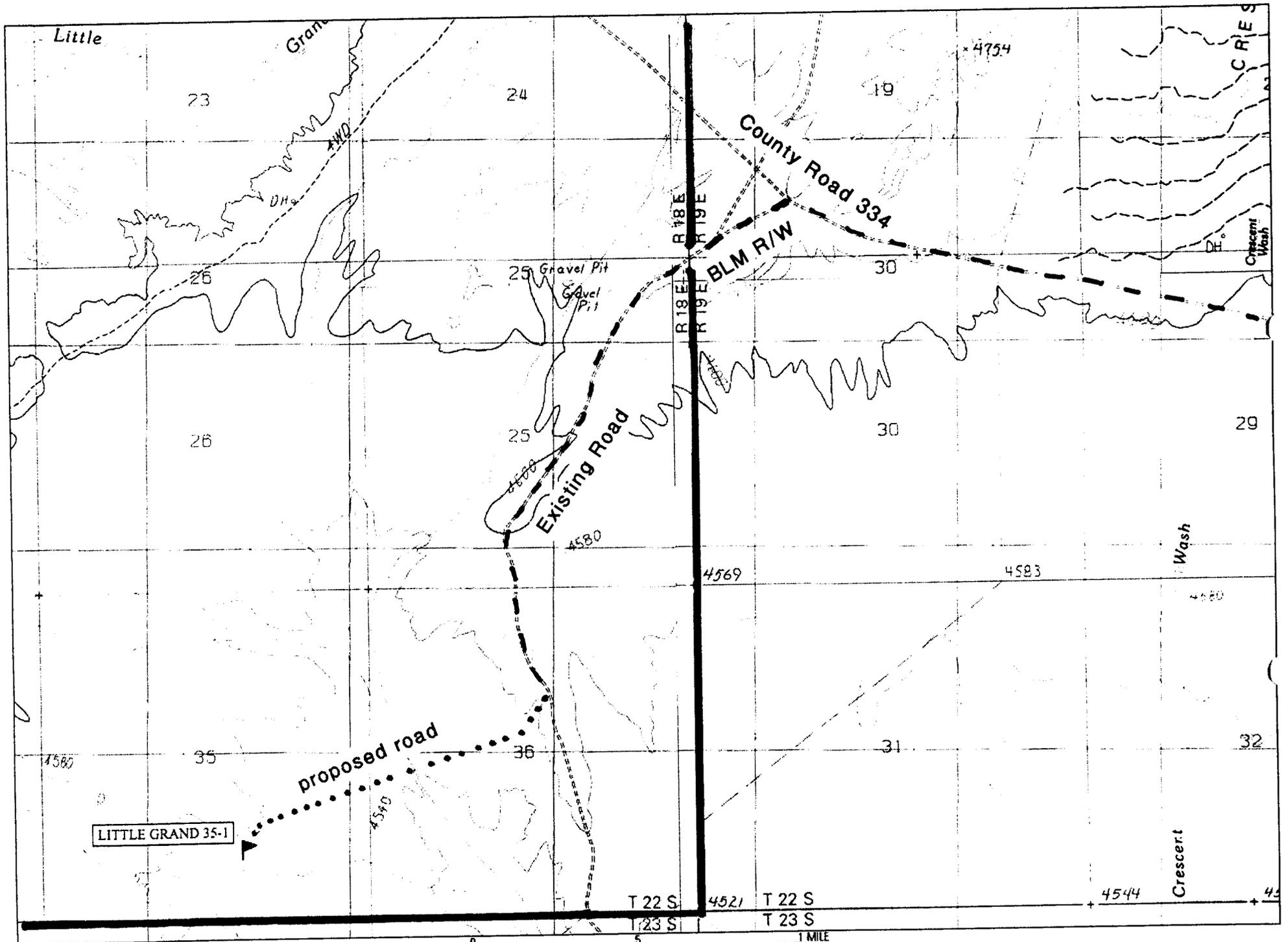
Brian Wood, Consultant

September 17, 2005

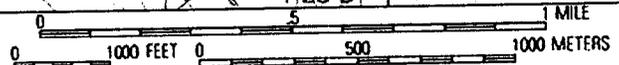


TN MN

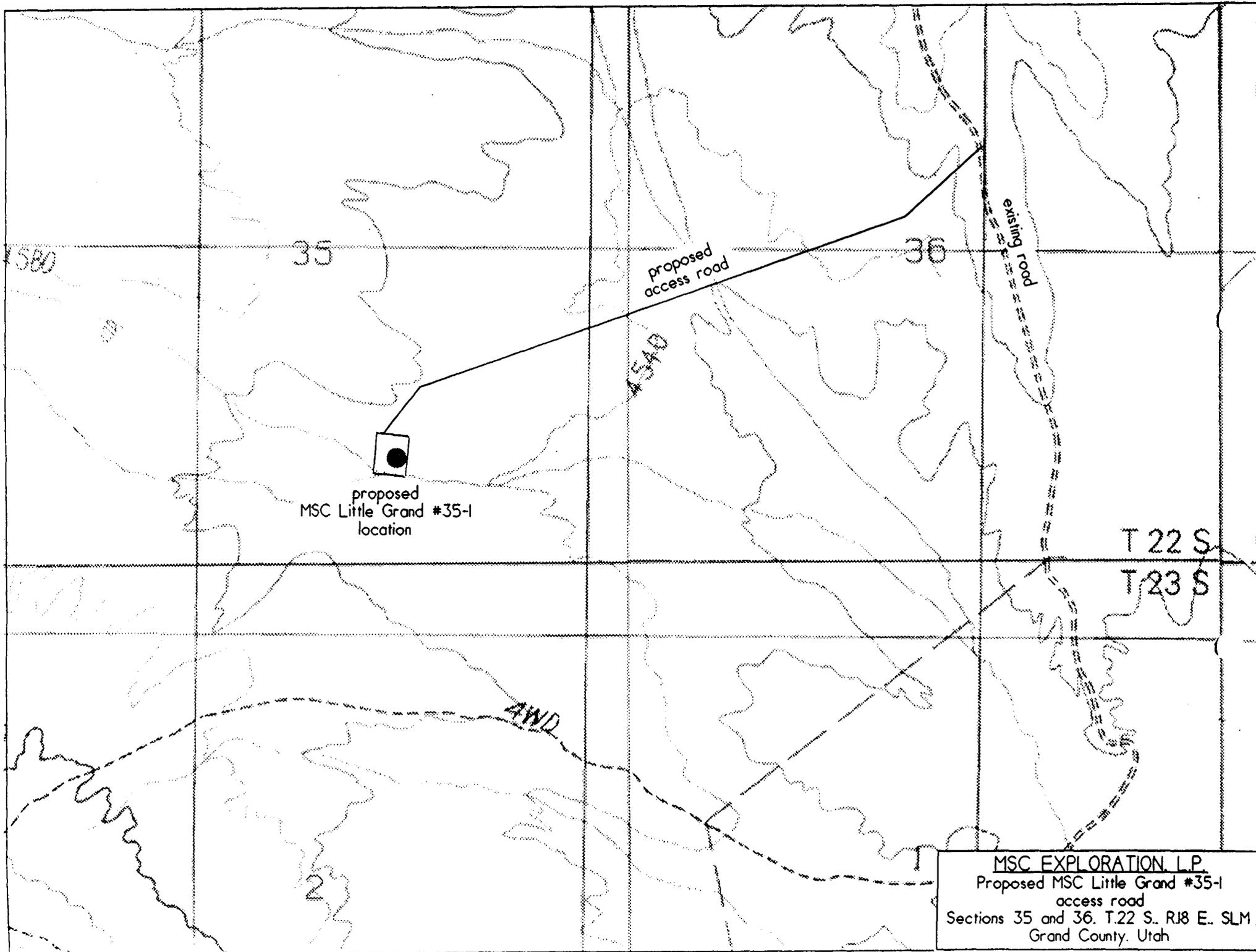
0.0 0.5 1.0 1.5 2.0 2.5 3.0 3.5 miles

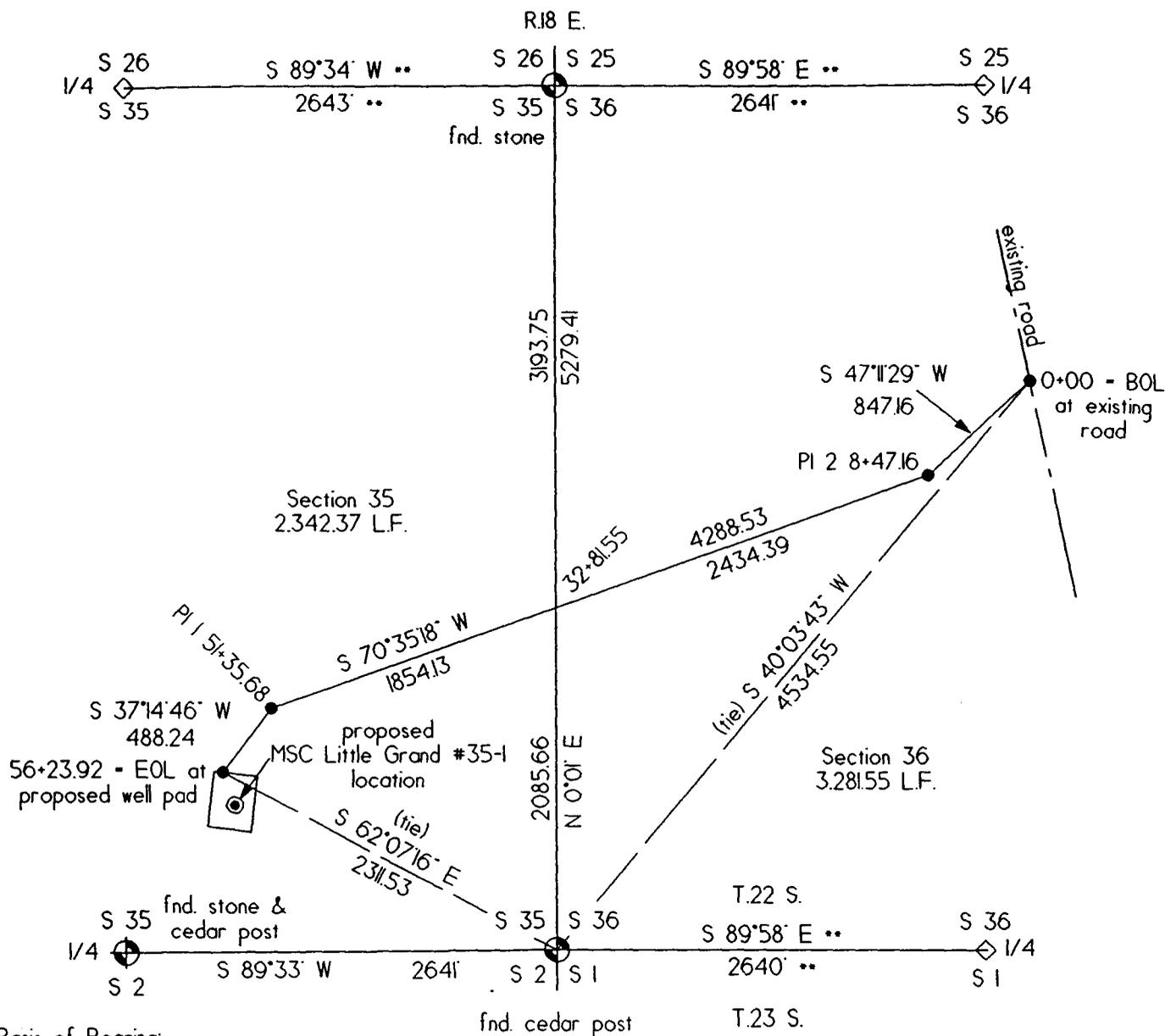


TN * MN
12°

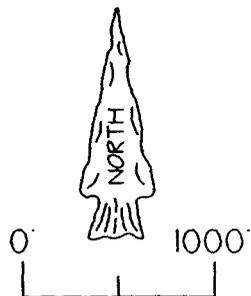


Map created with TOPO!® ©2003 National Geographic (www.nationalgeographic.com/topo)



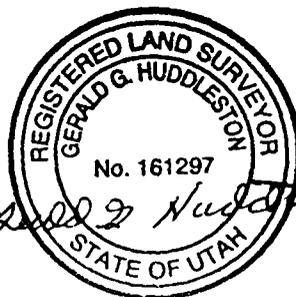


Basis of Bearing:
GPS state plane coordinates rotated.



Scale: 1" = 1000'

- ⊕ fnd. monument, as shown
- ◇ calculated corner
- .. calculated/from GLO plat of record
- survey centerline PI



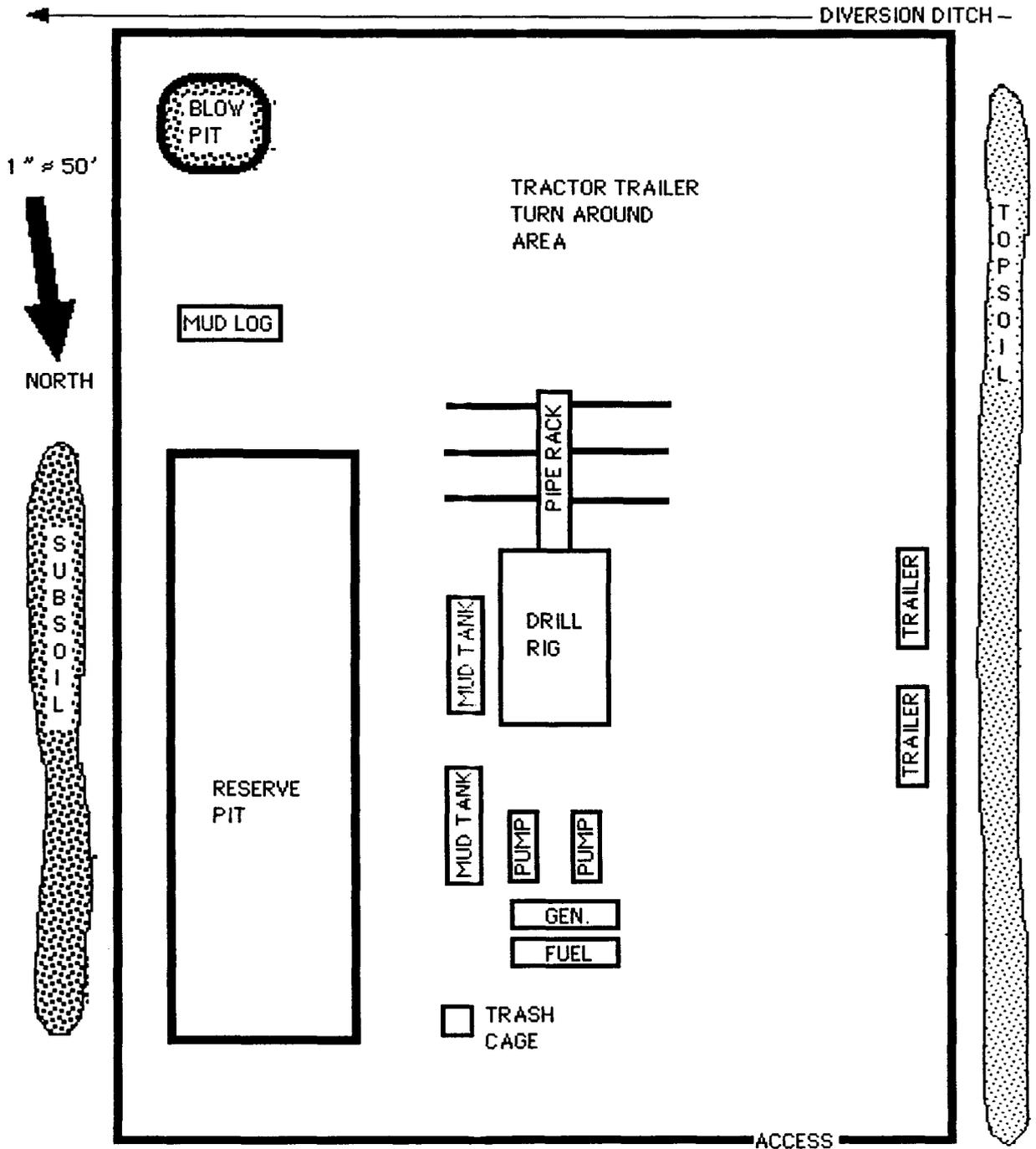
MSC EXPLORATION, L.P.

Proposed MSC Little Grand #35-1 access road -
Sections 35 and 36,
T.22 S., R.18 E., SLM,
Grand County, Utah

11 August 2005

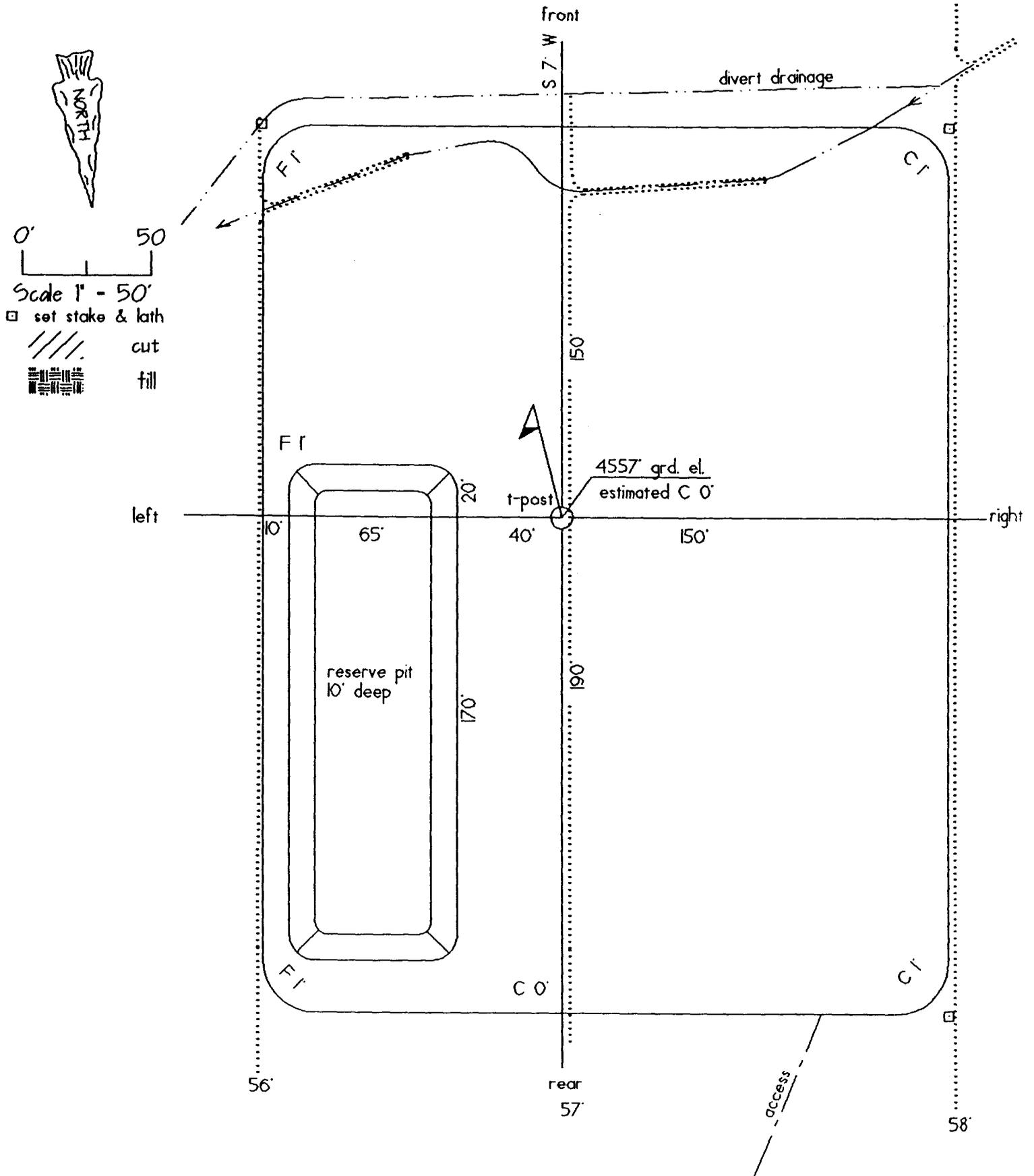
HUDDLESTON LAND SURVEYING
P.O. DRAWER KK / CORTEZ, CO 81321 / 970-565-3330

MSC Exploration L. P.
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895' FSL & 1970' FEL
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Little Grand # 35-1

well pad & section



Scale 1" = 50'

- set stake & lath
- /// cut
- ▨ fill

left

right

front

rear

access

reserve pit
10' deep

4557' grd. el.
estimated C 0'

t-post

divert drainage

56'

57'

58'

FI

C 1

FI

C 1

C 0'

FI

S 7 W

40'

150'

190'

150'

170'

10'

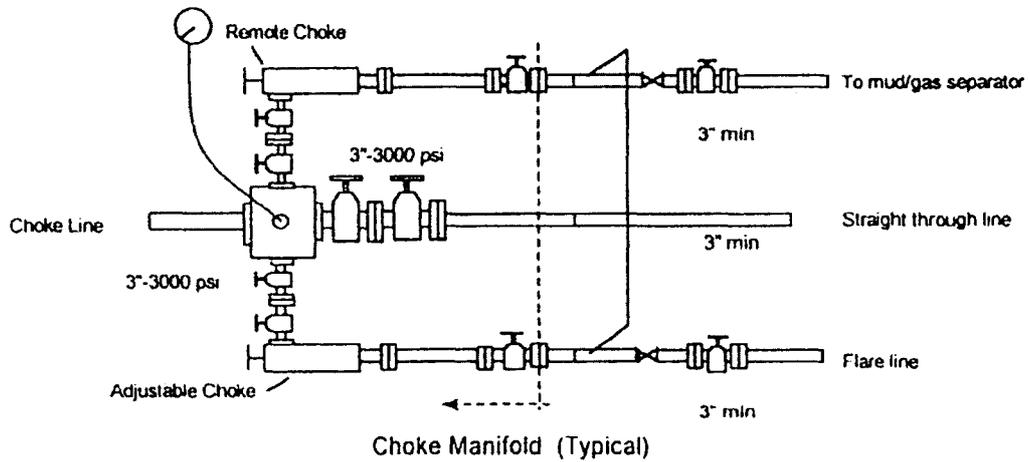
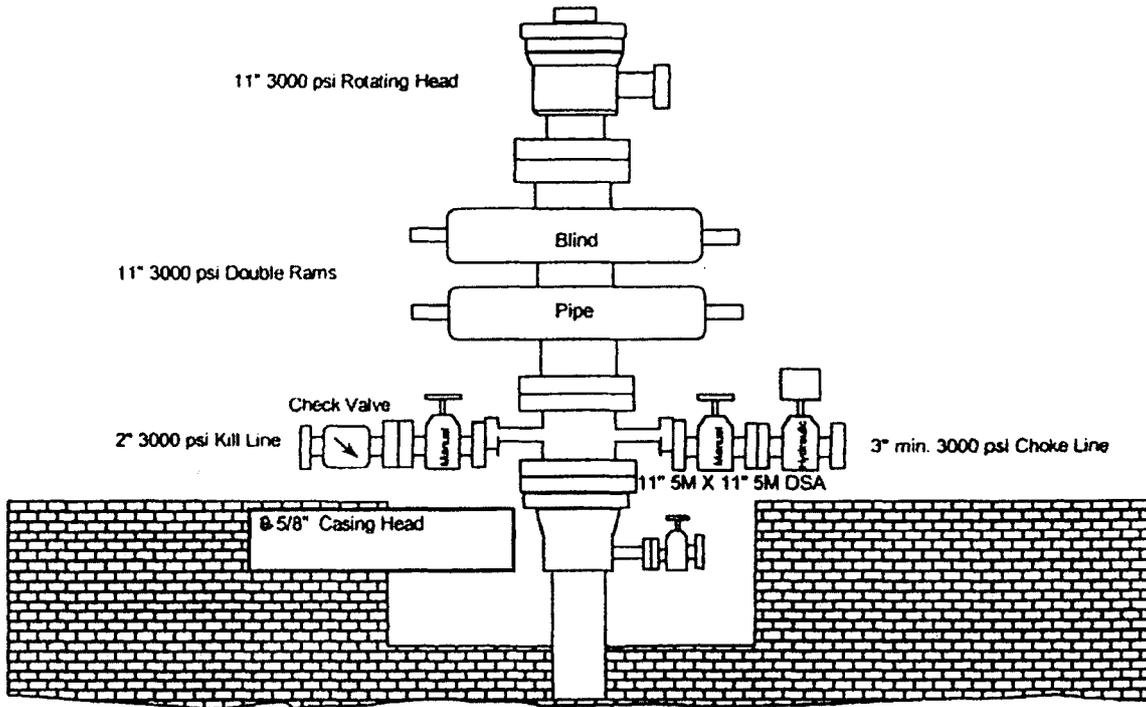
65'

20'

0'

50'

BOPE Diagram 3000 psi WP



**WORKSHEET
APPLICATION FOR PERMIT TO DRILL**

APD RECEIVED: 09/21/2005

API NO. ASSIGNED: 43-019-31456

WELL NAME: LITTLE GRAND 35-1
 OPERATOR: MSC EXPLORATION, LP (N2595)
 CONTACT: BRIAN WOOD

PHONE NUMBER: 505-466-9682

PROPOSED LOCATION:

SWSE 35 220S 180E
 SURFACE: 0895 FSL 1970 FEL
 BOTTOM: 0895 FSL 1970 FEL
 GRAND
 WILDCAT (1)

LEASE TYPE: 1 - Federal
 LEASE NUMBER: UTU-073490
 SURFACE OWNER: 1 - Federal
 PROPOSED FORMATION: WINGT
 COALBED METHANE WELL? NO

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

LATITUDE: 38.84951
 LONGITUDE: -109.8994

RECEIVED AND/OR REVIEWED:

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

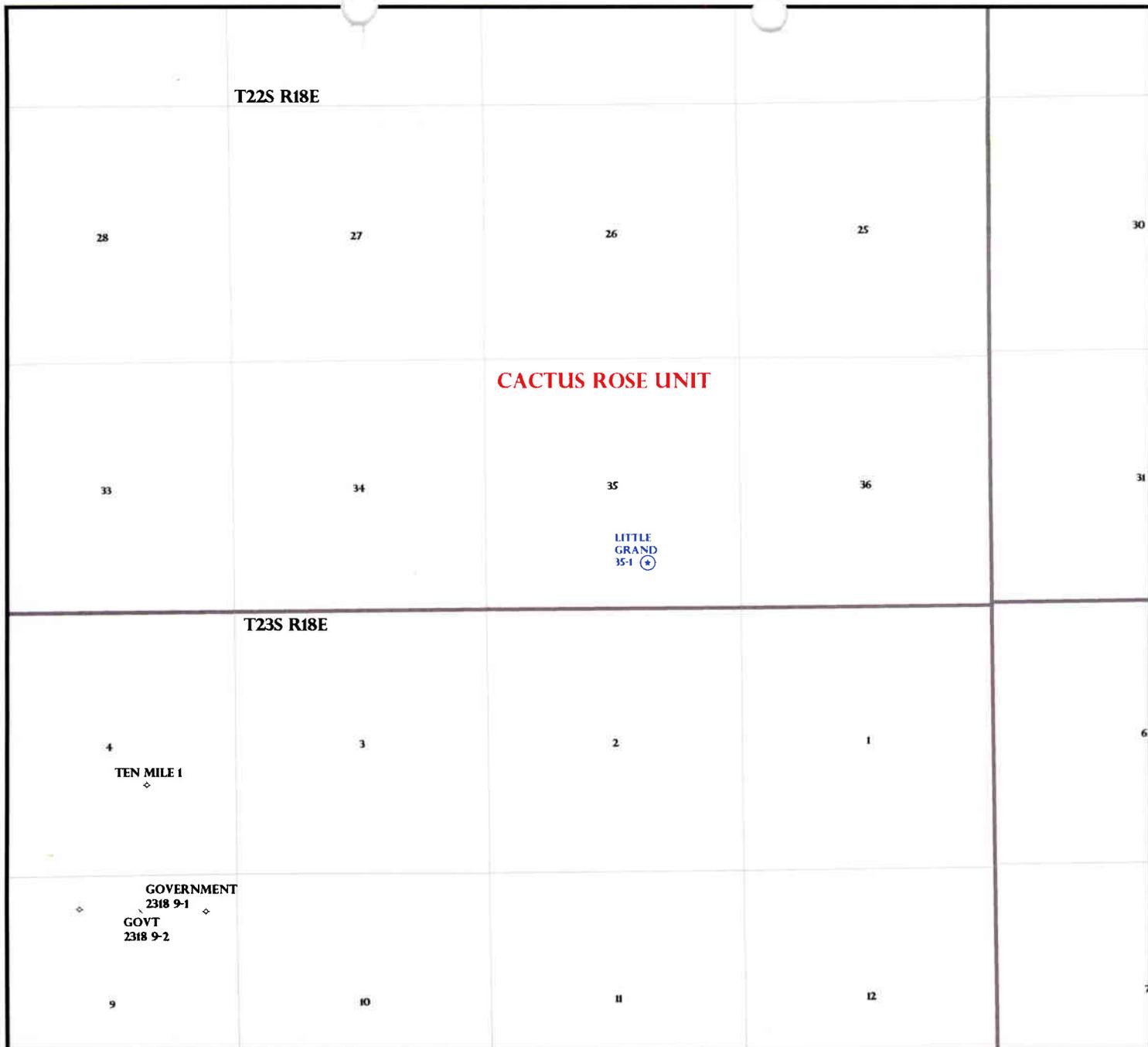
LOCATION AND SITING:

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

COMMENTS: _____

STIPULATIONS: 1- Federal Approval

2- Spacing Strip



OPERATOR: MSC EXPLORATION LP (N2595)

SEC: 35 T. 22S R. 18E

FIELD: WILDCAT (001)

COUNTY: GRAND

SPACING: R649-3-3 / EXCEPTION LOCATION

Field Status

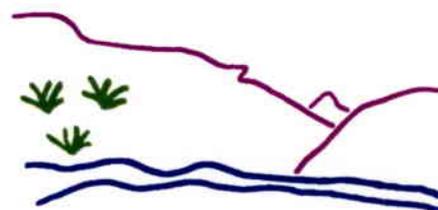
- ABANDONED
- ACTIVE
- COMBINED
- INACTIVE
- PROPOSED
- STORAGE
- TERMINATED

Unit Status

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

Wells Status

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



Utah Oil Gas and Mining



PREPARED BY: DIANA WHITNEY
DATE: 21-SEPTEMBER-2005



State of Utah

**Department of
Natural Resources**

MICHAEL R. STYLER
Executive Director

**Division of
Oil, Gas & Mining**

JOHN R. BAZA
Division Director

JON M. HUNTSMAN, JR.
Governor

GARY R. HERBERT
Lieutenant Governor

September 22, 2005

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

Re: Little Grand 35-1 Well, 895' FSL, 1970' FEL, SW SE, Sec. 35, T. 22 South,
R. 18 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 43-019-31456.

Sincerely,

Gil Hunt
Associate Director

pab
Enclosures

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

Operator: MSC Exploration, LP
Well Name & Number Little Grand 35-1
API Number: 43-019-31456
Lease: UTU-073490

Location: SW SE Sec. 35 T. 22 South R. 18 East

Conditions of Approval

1. General

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

2. Notification Requirements

Notify the Division within 24 hours of spudding the well.

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

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

- Contact Dan Jarvis at (801) 538-5338

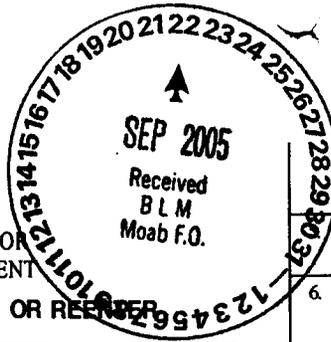
3. Reporting Requirements

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

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

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

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

1a. Type of work: <input checked="" type="checkbox"/> DRILL <input type="checkbox"/> REENTER		6. If Indian, Allottee or Tribe Name N/A
1b. Type of Well: <input checked="" type="checkbox"/> Oil Well <input type="checkbox"/> Gas Well <input type="checkbox"/> Other <input type="checkbox"/> Single Zone <input checked="" type="checkbox"/> Multiple Zone		7. If Unit or CA Agreement, Name and No. CACTUS ROSE UNIT
2. Name of Operator MSC EXPLORATION L. P.		8. Lease Name and Well No. LITTLE GRAND 35-1
3a. Address 16800 IMPERIAL VALLEY DR., #380 HOUSTON, TX 77060		9. API Well No. 43-019-3456
3b. Phone No. (include area code) (281) 931-8933		10. Field and Pool, or Exploratory WILDCAT
4. Location of Well (Report location clearly and in accordance with any State requirements.)* At surface 895' FSL & 1970' FEL At proposed prod. zone SAME		11. Sec., T. R. M. or Blk. and Survey or Area 35-22S-18E SLM
14. Distance in miles and direction from nearest town or post office* 8 AIR MILES SW OF CRESCENT JUNCTION		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) 895'		13. State UT
16. No. of acres in lease 1,440	17. Spacing Unit dedicated to this well SW4SE4	
18. Distance from proposed location* to nearest well, drilling, completed, applied for, on this lease, ft. N/A	19. Proposed Depth 4,000'	20. BLM/BIA Bond No. on file UTB000113
21. Elevations (Show whether DF, KDB, RT, GL, etc.) 4,557' GL	22. Approximate date work will start* 11/01/2005	23. Estimated duration 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	Name (Printed/Typed) BRIAN WOOD	Date 09/17/2005
---------------	------------------------------------	--------------------

Title CONSULTANT PHONE: (505) 466-8120 FAX: (505) 466-9682

Approved by (Signature)	Name (Printed/Typed) A. Lynn Jackson	Date OCT 21 2005
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Title Assistant Field Manager, Division of Resources Office Moab Field Office

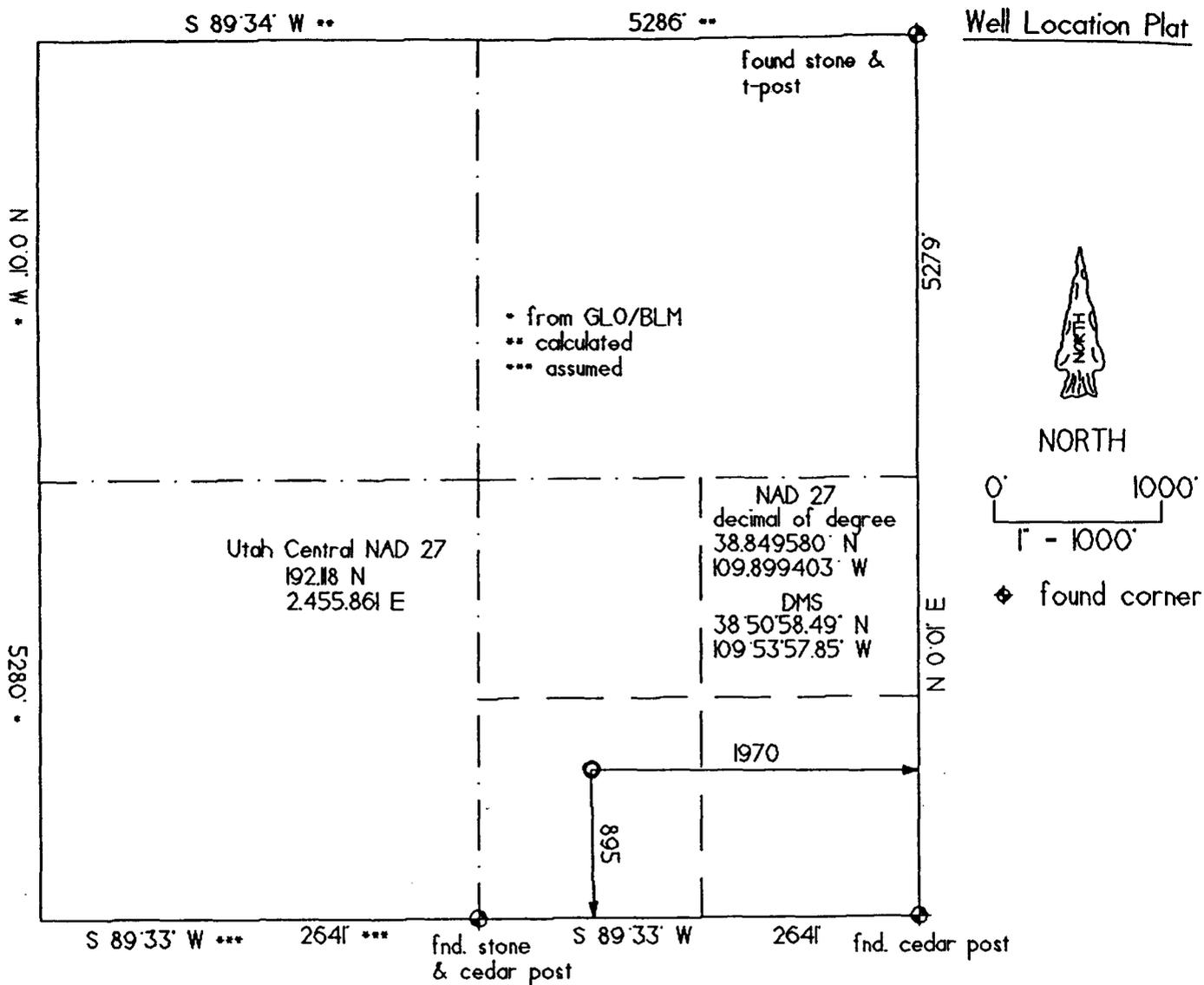
Application approval does not warrant or certify that the applicant holds legal or equitable title to those rights in the subject lease which would entitle the applicant to conduct operations thereon.
Conditions of approval, if any, are attached.

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)

CONDITIONS OF APPROVAL ATTACHED

RECEIVED
OCT 26 2005
DIV. OF OIL, GAS & MINING



Well Location Description

MSC EXPLORATION, L.P.
 Little Grand # 35-1
 895' FSL & 1970' FEL
 Section 35, T.22 S., R.18 E., SLM
 Grand County, UT
 4557' grd. el. (from GPS)



08/11/05

Gerald G. Huddleston, LS

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

MSC Exploration, LP
Little Grand 35-1
Lease UTU-73490
SE/SW Section 35, T22S, R18E
Grand County, Utah

A COMPLETE COPY OF THIS PERMIT SHALL BE KEPT ON LOCATION from the beginning of site construction through well completion, and shall be available to contractors to ensure compliance.

CONDITIONS OF APPROVAL

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

Be advised that MSC Exploration, LP is considered to be the operator of the above well and is responsible under the terms and conditions of the lease for the operations conducted on the leased lands.

Bond coverage for this well is provided by UTB000113 (Principal – MSC Exploration, LP) via surety consent as provided for in 43 CFR 3104.2.

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

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

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

A. DRILLING PROGRAM

1. The proposed 3M BOPE is adequate for anticipated conditions. Testing of BOPE equipment to 2M standards is acceptable. Installation, testing and operation of the system shall be in conformance with Onshore Oil and Gas Order No. 2.
2. Concurrent approval from the State of Utah, Division of Oil, Gas & Mining (DOGGM) is required before conducting any surface disturbing activities.
3. The anticipated depths to the Dakota Ss, Cedar Mountain Fm and Morrison Fm, which are all potentially fluid bearing, were not included in the APD. It is important to be aware of these zones while drilling. Include the formation top depths of these zones in the Completion Report.
4. If cement does not circulate to surface on the production casing, a cement bond log (CBL), or other appropriate tool for determining top-of-cement, shall be run and shall be submitted to BLM.
5. When drilling with air, the requirements of Onshore Oil and Gas Order No. 2, part III, E, *Special Drilling Operations*, shall apply. Requirements in this section include:
 - Rotating Head
 - Spark arresters
 - Blooie line discharge 100 feet from wellbore
 - Straight blooie line
 - Deduster equipment
 - Float valve above bit
 - Automatic igniter on the blooie line
 - Compressors 100 feet from wellbore, opposite the blooie line
 - Available drilling fluid/materials to maintain hole volume

B. SURFACE USE PLAN

1. No surface disturbing activities will take place on the well pad or roads to the subject lease until the associated road right-of-way is approved. The operator will adhere to the specifications in the Surface Use Plan of the approved APD, relevant to any right-of-way facilities.
2. In order to protect nesting raptors, no road/well pad construction or drilling operations will be authorized between March 1 and August 31. The limitation does not apply to maintenance and operation of producing wells. Exceptions to this limitation may be specified in writing by the Moab Field Office.
3. In order to protect pronghorn antelope during the fawning period, no road/well pad construction or drilling operations will be authorized between May 1 and June 15. The limitation does not apply to maintenance and operation of producing wells. Exceptions to this limitation may be specified in writing by the Moab Field Office.

C. REQUIRED APPROVALS, REPORTS AND NOTIFICATIONS

Required verbal notifications are summarized in Table 1, attached.

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

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

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

Oil and Gas Operations Reports (OGORs)- Production from this well shall be reported to Minerals Management Service (MMS) on a monthly basis.

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

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

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

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

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

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

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

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

Produced Water- An application for approval of a permanent disposal method and location will be submitted to the Moab Field Office for approval pursuant to Onshore Oil and Gas Order No.7.

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

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

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

TABLE 1

NOTIFICATIONS

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

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

1 day prior to spudding (Johnson);

50 feet prior to reaching the surface casing setting depth (Johnson);

3 hours prior to testing BOPs (Johnson).

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

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

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



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

October 20, 2006

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

Re: APD Rescinded –Little Grand 35-1 Sec. 35 T. 22S R. 18E
Grand County, Utah API No. 43-019-31456

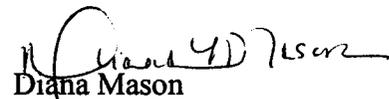
Dear Mr. Wood:

The Application for Permit to Drill (APD) for the subject well was approved by the Division of Oil, Gas and Mining (Division) on September 22, 2005. On October 19, 2006, you requested that the division rescind the approved APD. No drilling activity at this location has been reported to the division. Therefore, approval to drill the well is hereby rescinded, effective October 19, 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 Mason
Engineering Technician

cc: Well File
Bureau of Land Management, Moab