

May 8, 2006

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 #25-22, 2,164' FNL, 1,799' FWL, SE/4 NW/4,  
Section 25, T20S, R21E, SLB&M, Grand County, Utah

Dear Rich:

On behalf of Elk Production, LLC (Elk), Buys & Associates, Inc. respectfully submits the enclosed original and three 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 Kevin Weller, P.E. of Elk at 303-339-1922 if you have any questions or need additional information.

Sincerely,

*Don Hamilton*

Don Hamilton  
Agent for Elk Production, LLC

cc: Diana Whitney, Division of Oil, Gas and Mining  
Kevin Weller, P.E., Elk Production, LLC  
Karin Kuhn, Elk Production, LLC

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DIV. OF OIL, GAS & MINING

**FILE COPY**

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

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

1a. Type of work: <input checked="" type="checkbox"/> DRILL <input type="checkbox"/> REENTER		5. Lease Serial No. <b>UTU-02139-A</b>
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		6. If Indian, Allottee or Tribe Name N/A
2. Name of Operator <b>Elk Production, LLC</b>		7. If Unit or CA Agreement, Name and No. <b>undesignated</b>
3a. Address <b>1401 - 17th Street, Suite 700 Denver, Colorado 80202</b>		8. Lease Name and Well No. <b>Federal 25-22</b>
3b. Phone No. (include area code) <b>303-339-1922</b>		9. API Well No. <b>43019-31480</b>
4. Location of Well (Report location clearly and in accordance with any State requirements.) At surface <b>2,164' FNL, 1,799' FWL, SE/4 NW/4, 625644, 109.548226</b> At proposed prod. zone <b>2,164' FNL, 1,799' FWL, SE/4 NW/4, 43218854</b>		10. Field and Pool, or Exploratory <b>Greater Cisco</b>
14. Distance in miles and direction from nearest town or post office* <b>14.28 miles northwest of Cisco, Utah</b>		11. Sec., T. R. M. or Blk. and Survey or Area <b>Section 25, T20S, R21E, SLB&amp;M</b>
15. Distance from proposed* location to nearest property or lease line, ft. (Also to nearest drig. unit line, if any) <b>841'</b>	16. No. of acres in lease	12. County or Parish <b>Grand</b>
17. Spacing Unit dedicated to this well <b>40 acres</b>	18. Distance from proposed location* to nearest well, drilling, completed, applied for, on this lease, ft. <b>1,150'</b>	13. State <b>UT</b>
19. Proposed Depth <b>4,000'</b>	20. BLM/BIA Bond No. on file <b>B 000971</b>	
21. Elevations (Show whether DF, KDB, RT, GL, etc.) <b>5,040' GR</b>	22. Approximate date work will start* <b>06/15/2006</b>	23. Estimated duration <b>9 days</b>

**24. Attachments**

The following, completed in accordance with the requirements of Onshore Oil and Gas Order No.1, must 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 must be filed with the appropriate Forest Service Office). | 6. Such other site specific information and/or plans as may be required by the BLM.             |

25. Signature <i>Don Hamilton</i>	Name (Printed/Typed) <b>Don Hamilton</b>	Date <b>05/08/2006</b>
--------------------------------------	---	---------------------------

Title  
**Agent for Elk Production, LLC**

Approved by (Signature) <i>Bradley G. Hill</i>	Name (Printed/Typed) <b>BRADLEY G. HILL</b>	Date <b>05-25-06</b>
Title	<b>ENVIRONMENTAL MANAGER</b>	

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)

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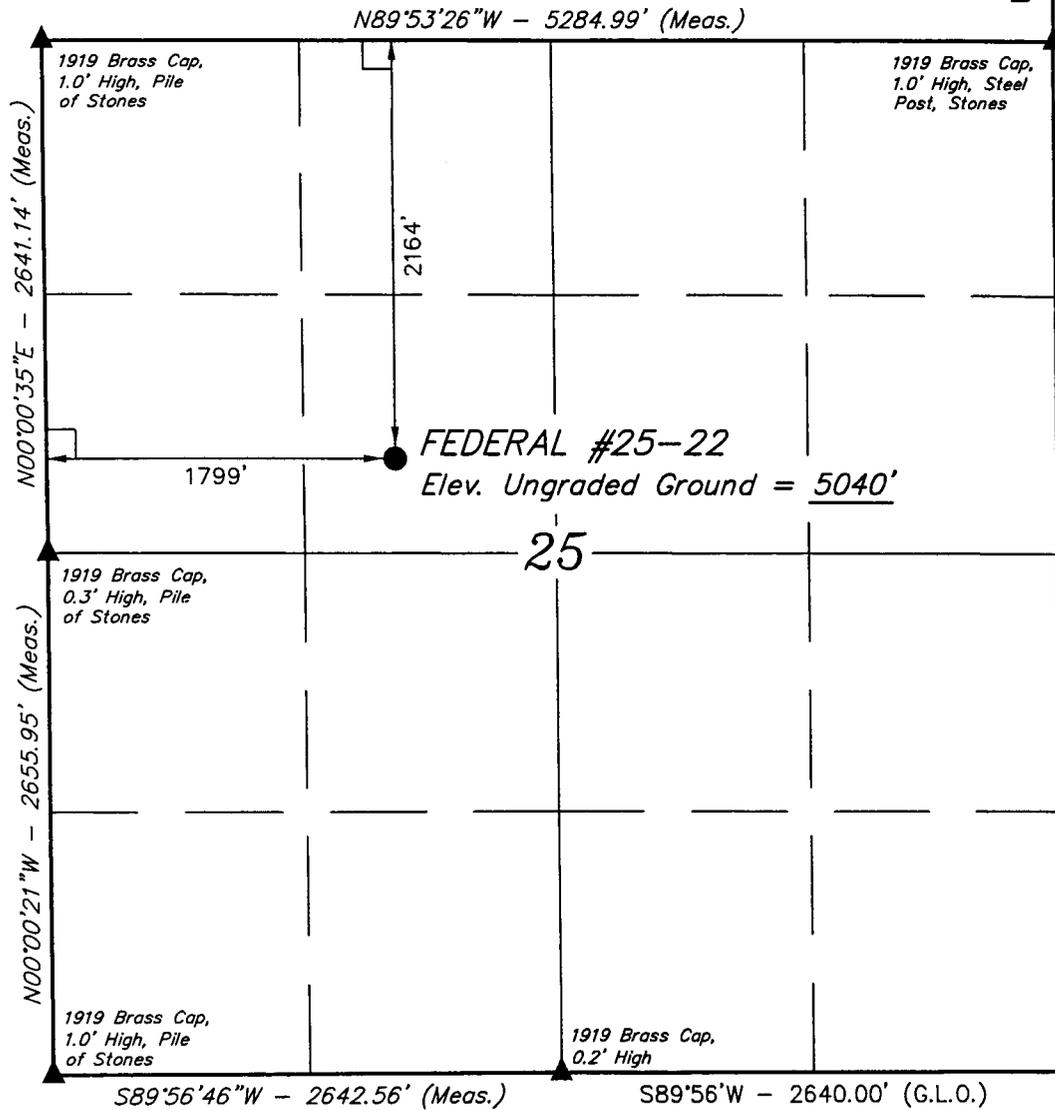
DIV. OF OIL, GAS & MINING

**Federal Approval of this  
Action is Necessary**

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

R  
21  
E

R  
22  
E

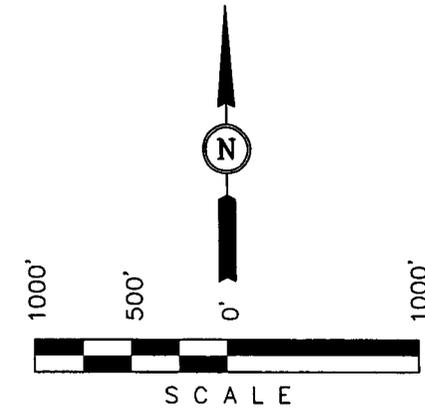


ELK PRODUCTION, LLC

Well location, FEDERAL #25-22, located as shown in the SE 1/4 NW 1/4 of Section 25, T20S, R21E, S.L.B.&M. Grand County, Utah.

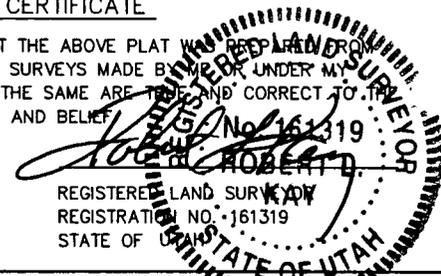
BASIS OF ELEVATION

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°02'19.71" (39.038808)  
LONGITUDE = 109°32'55.96" (109.548878)  
(AUTONOMOUS NAD 27)  
LATITUDE = 39°02'19.80" (39.038833)  
LONGITUDE = 109°32'53.52" (109.548200)

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: 3-21-06	DATE DRAWN: 3-24-06
PARTY N.H. D.S. K.G.	REFERENCES G.L.O. PLAT	
WEATHER COOL	FILE ELK PRODUCTION, LLC	

## DRILLING PLAN

Elk Production, LLC  
Federal #25-22  
SENW of Section 25, 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

<u>Formation</u>	<u>Depth</u>
Mancos Shale	Surface
Greenhorn	1772'
Graneros	1852'
Dakota	1882'*
Cedar Mountain	1931'*
Morrison-Brushy Basin	1990'*
Summerville	2515'*
Curtis Entrada	2550'***
Carmel	3050'
Navajo	3100'
Kayenta	3220'
Wingate	3350'*
PROPOSED TD	4000'

PROSPECTIVE PAY\* oil and gas

\*\* POSSIBLE OIL OR WATER

#### 4 Casing Program

<u>HOLE</u>	<u>SETTING DEPTH</u>		<u>SIZE</u>	<u>WEIGHT</u>	<u>GRADE</u>	<u>THREAD</u>	<u>COND.</u>
<u>SIZE</u>	<u>from</u>	<u>to</u>					
11"	surface	250'	8 5/8"	24#	J55	N-80	New
7 7/8"	surface	4,000'	5 1/2"	15.5#	J55	N-80	New

#### 5 Cementing Program

8 5/8" Surface Casing approximately 100 sx Portland cement containing 2% gel and 3% salt. Mixed at 14.8 ppg (yield – 1.37 ft<sup>3</sup>/sx). To be circulated to surface (calculated @ 100% excess).

5 1/2" Prod. Csg. approximately 520 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<sup>3</sup>/sx). Estimated TOC 1500'.

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**6 Mud Program**

<u>INTERVAL</u>	<u>WEIGHT</u>	<u>VISCOSITY</u>	<u>FLUID LOSS</u>	<u>REMARKS</u>
Surf. - 250'	NA/Air drilled			
250' – TD	NA/Air drilled			

Sufficient KC1 brine water to contain “kick” will be available at wellsite.

**7 BOP and Pressure Containment Data**

<u>Depth Intervals</u>	<u>BOP Equipment</u>
Surf. – 250'	No pressure control required
250' – TD	10” 3000# 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 3000#  
ALL BOP AND BOPE TESTS WILL BE IN ACCORDANCE WITH THE REQUIREMENTS  
OF ONSHORE ORDER NO. 2. PLAN TO TEST BOP TO 1500 PSI, TWICE THE POSSIBLE  
SHUT-IN PRESSURE AMOUNT.

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 #25-22

Elk Production, 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, 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.

## SURFACE USE PLAN

Elk Production, LLC  
Federal #25-22  
SENW of Section 25, 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 Monday, May 1, 2006.

1. Existing Roads:

- a. The proposed well site is located approximately 14.28 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 Cisco Dome Field. 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 entirely on-lease.

2. Planned Access Roads:

- a. From the existing Federal 25-5 access road an access is proposed trending northwest approximately 0.3 miles to the proposed well site. The access consists of 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 0.3 miles long and adequate site distance exists in all directions.
- f. One 18" or larger culvert as the access road enters the well pad and one low-water crossing half way along the access road are anticipated at this time. Adequate drainage structures will be incorporated into the remainder of the road.

- g. No surfacing material will come from federal 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 Carlsbad Canyon color 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 southeast side of the well site and traverse

1,799' southeast to the existing pipeline corridor that services the existing Federal 25-5.

- i. The gas pipeline will be installed immediately adjacent to the access road approximately 15' from the centerline of the road.
- j. 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 1,799' is associated with this well.
- k. Elk Production, 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, 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. A reserve pit is not anticipated at this time and will be constructed only if necessary.
- d. The reserve pit will be located inboard of the location and along the southeast side of the pad.
- e. The reserve pit will be constructed so as not to leak, break, or allow any discharge.
- f. 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.
- g. 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.

- h. 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.
- i. 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 an approved landfill.
- j. 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.
- k. After initial clean-up, a 400 bbl tank will be installed. The contents will be transported by truck from the tank to an approved disposal facility for disposal.
- l. 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.
- m. 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 an approved 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 southeast.
- 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 200' X 275'; 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 from 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 has conducted a Class III archeological survey. A

copy of the report has been 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.
  - e. Published Best Management Practices will be adhered to when constructing the diversion ditches and erosion control structures that will divert surface runoff around the wellsite.
  - f. The northwestern drainage ditch will divert from the edge of the pad at an angle to reduce the slope and minimize the runoff energy within the drainage ditch.

13. Operator's Representative and Certification

<u>Title</u>	<u>Name</u>	<u>Office Phone</u>
Company Representative	Kevin Weller, P.E.	1-303-339-1922
Agent for Elk Production, LLC	Don Hamilton	1-435-719-2018

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, 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: 5-8-06

**ELK PRODUCTION, LLC  
FEDERAL #25-22  
SECTION 25, 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 RIGHT 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 12.0 MILES TO THE JUNCTION OF THIS ROAD AND AN EXISTING ROAD TO THE SOUTHWEST; TURN LEFT AND PROCEED IN A SOUTHWESTERLY DIRECTION APPROXIMATELY 0.1 MILES TO THE JUNCTION OF THIS ROAD AND AN EXISTING ROAD TO THE SOUTH; TURN LEFT AND PROCEED IN A SOUTHERLY DIRECTION APPROXIMATELY 0.6 MILES TO THE BEGINNING OF THE PROPOSED ACCESS TO THE NORTHWEST; FOLLOW ROAD FLAGS IN A NORTHWESTERLY DIRECTION APPROXIMATELY 0.3 MILES TO THE PROPOSED LOCATION.

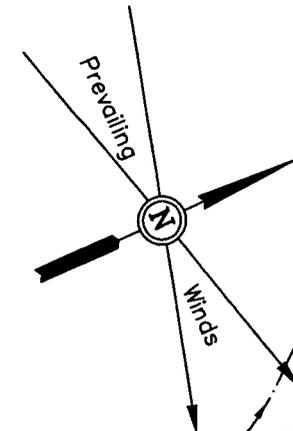
TOTAL DISTANCE FROM GREEN RIVER, UTAH TO THE PROPOSED WELL LOCATION IS APPROXIMATELY 57.7 MILES.

# ELK PRODUCTION, LLC

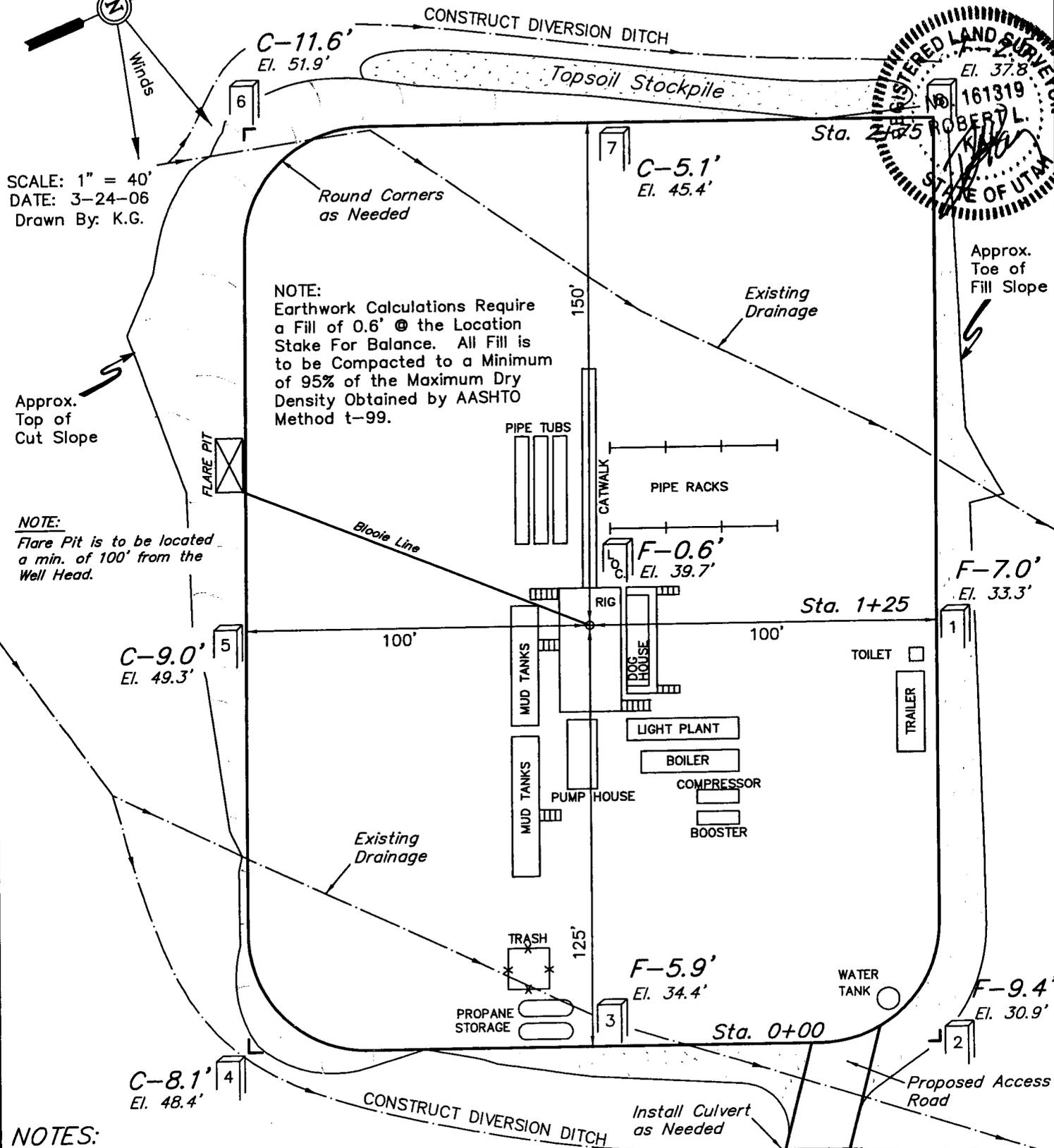
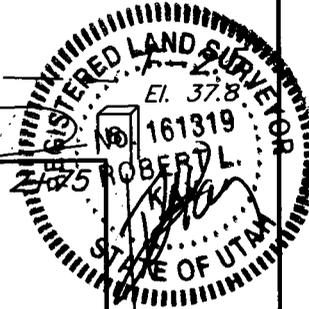
FIGURE #1

## LOCATION LAYOUT FOR

FEDERAL #25-22  
SECTION 25, T20S, R21E, S.L.B.&M.  
2164' FNL 1799' FWL



SCALE: 1" = 40'  
DATE: 3-24-06  
Drawn By: K.G.



**NOTE:**  
Earthwork Calculations Require a Fill of 0.6' @ the Location Stake For Balance. All Fill is to be Compacted to a Minimum of 95% of the Maximum Dry Density Obtained by AASHTO Method t-99.

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

**NOTES:**

Elev. Ungraded Ground At Loc. Stake = 5039.7'  
FINISHED GRADE ELEV. AT LOC. STAKE = 5040.3'

ELK PRODUCTION, LLC

TYPICAL CROSS SECTIONS FOR

FEDERAL #25-22

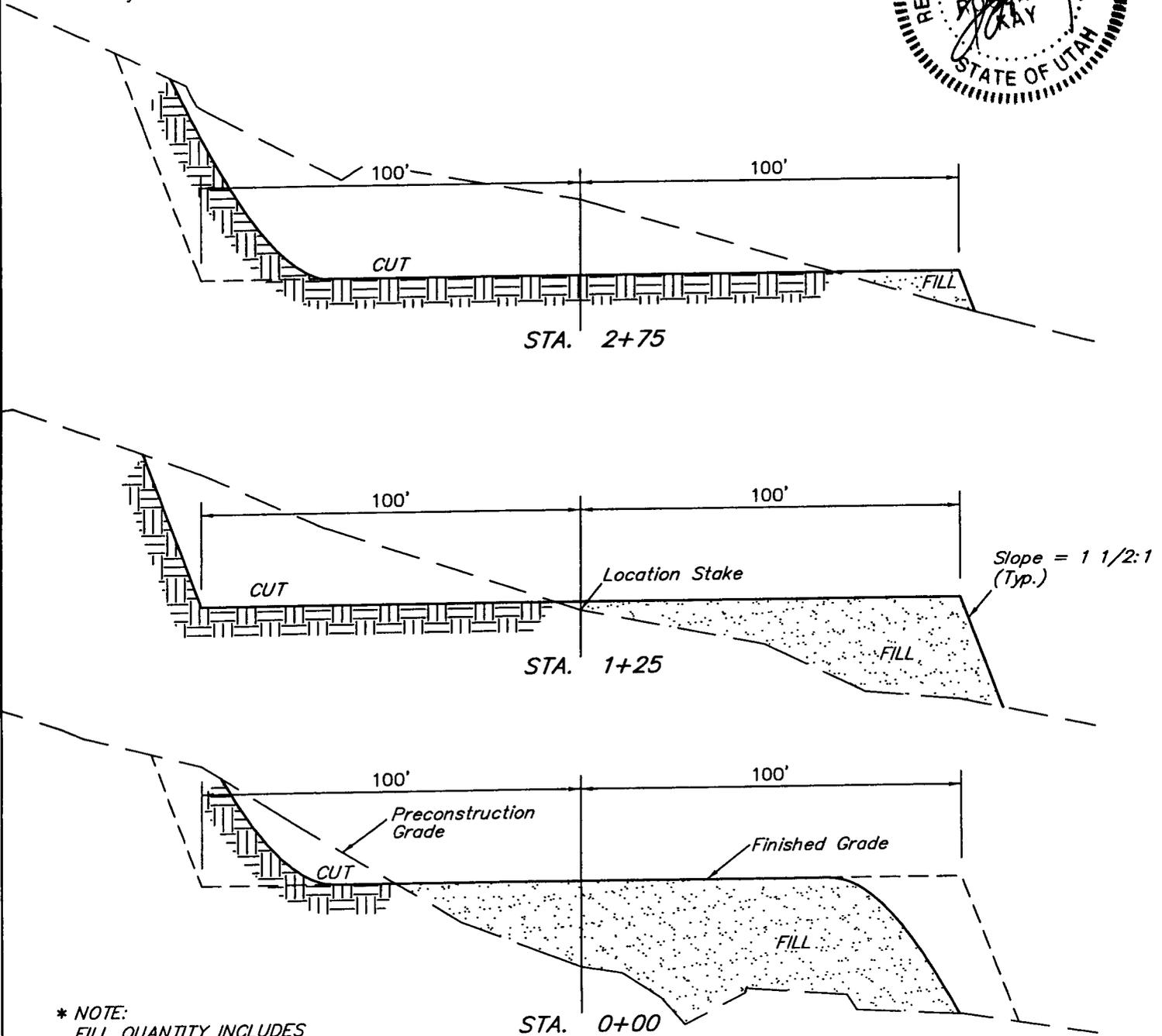
SECTION 25, T20S, R21E, S.L.B.&M.

2164' FNL 1799' FWL

FIGURE #2

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

DATE: 3-24-06  
Drawn By: K.G.



\* NOTE:  
FILL QUANTITY INCLUDES  
5% FOR COMPACTION

APPROXIMATE YARDAGES

CUT	
(6") Topsoil Stripping	= 1,240 Cu. Yds.
Remaining Location	= 5,490 Cu. Yds.
<b>TOTAL CUT</b>	<b>= 6,730 CU.YDS.</b>
<b>FILL</b>	<b>= 5,490 CU.YDS.</b>

EXCESS MATERIAL	= 1,240 Cu. Yds.
Topsoil	= 1,240 Cu. Yds.

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

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

# ELK PRODUCTION, LLC

FEDERAL #25-22

LOCATED IN GRAND COUNTY, UTAH

SECTION 25, T20S, R21E, S.L.B.&M.



PHOTO: VIEW FROM CORNER #5 TO LOCATION STAKE

CAMERA ANGLE: SOUTHWESTERLY



PHOTO: VIEW FROM BEGINNING OF PROPOSED ACCESS

CAMERA ANGLE: WESTERLY



- Since 1964 -

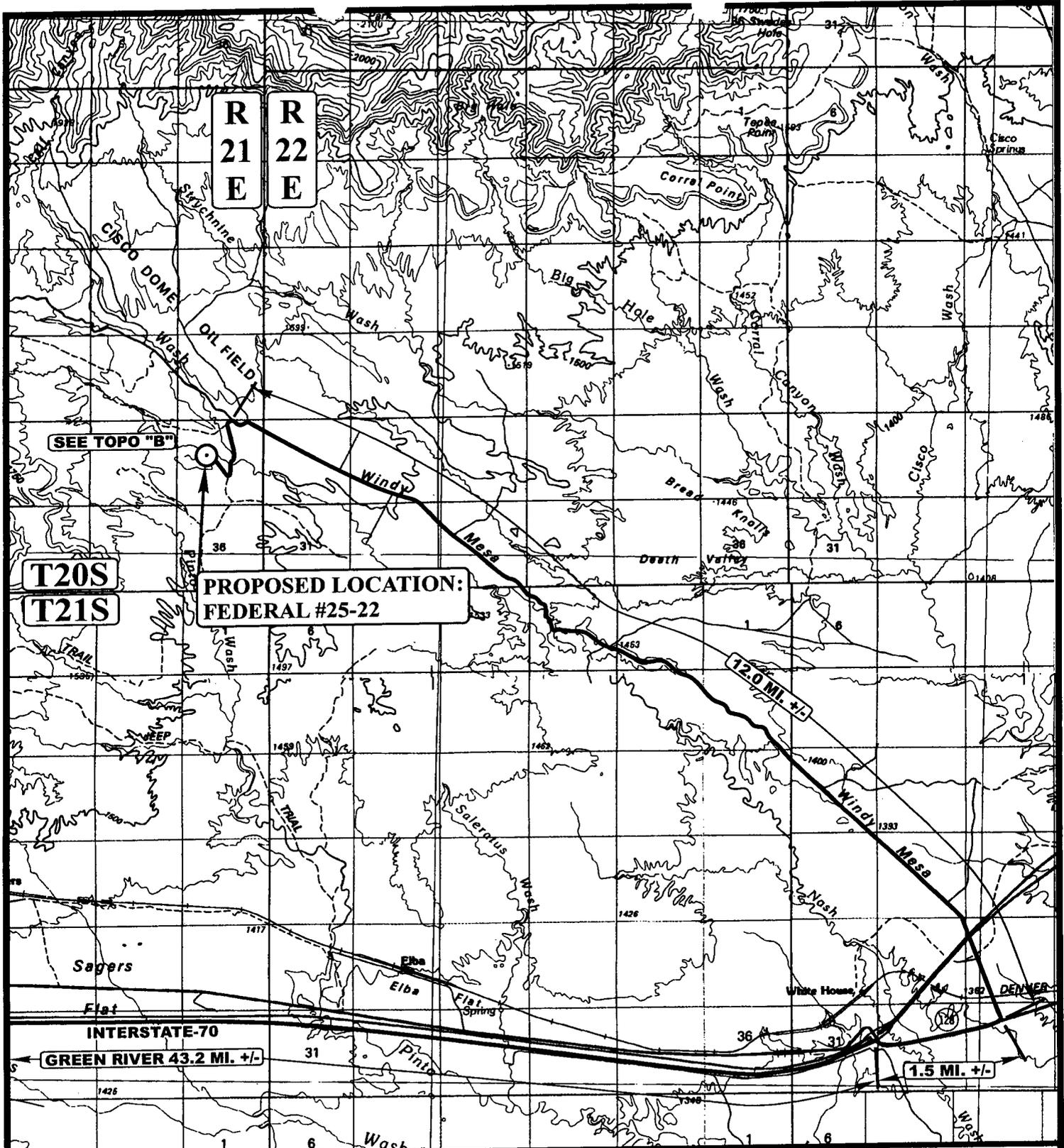
**UELS**

Uintah Engineering & Land Surveying

85 South 200 East Vernal, Utah 84078

435-789-1017 uels@uelsinc.com

LOCATION PHOTOS	03	27	06	PHOTO
	MONTH	DAY	YEAR	
TAKEN BY: N.H.	DRAWN BY: C.P.		REVISED: 00-00-00	



**LEGEND:**

⊙ PROPOSED LOCATION

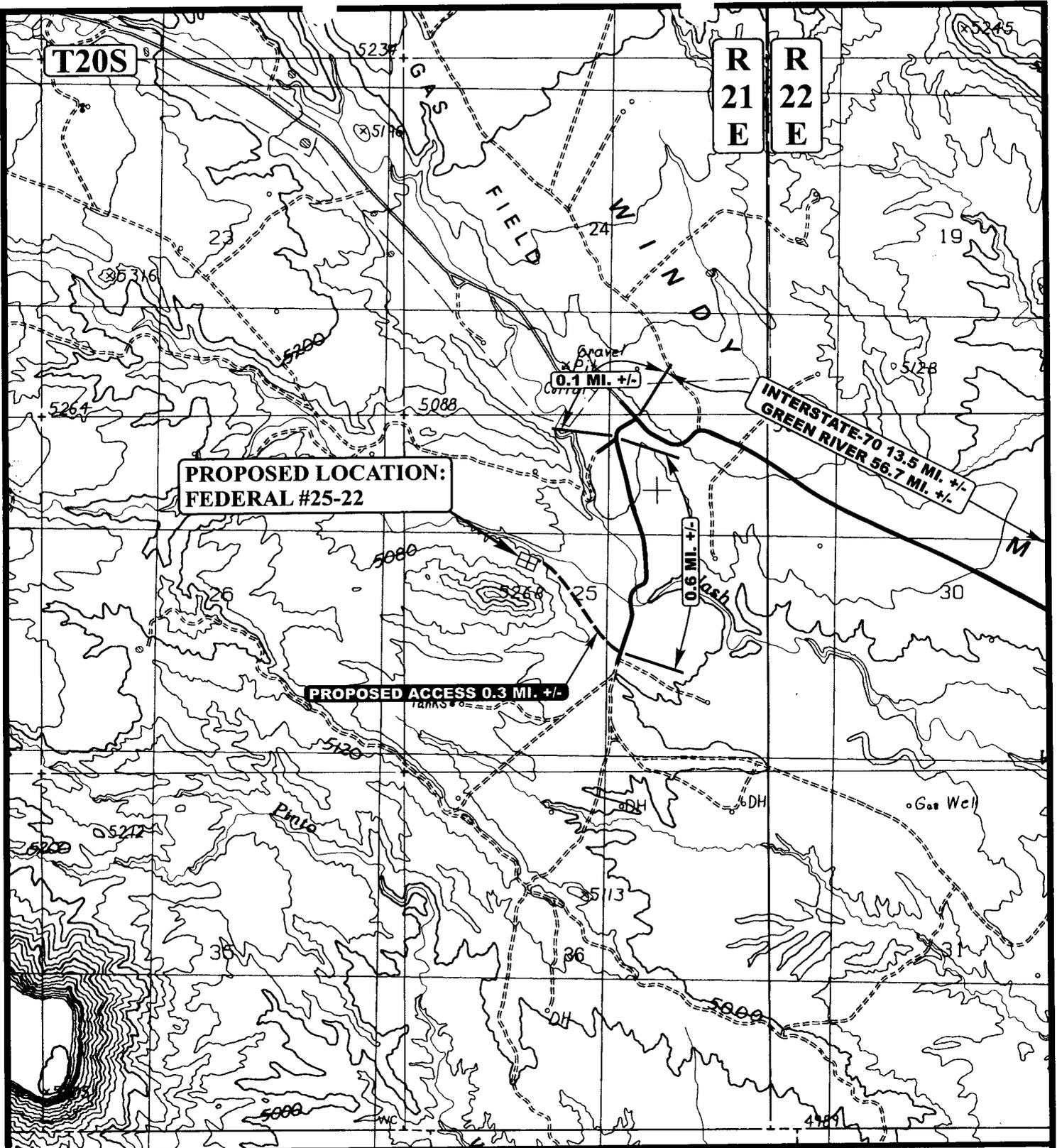
**ELK PRODUCTION, LLC**

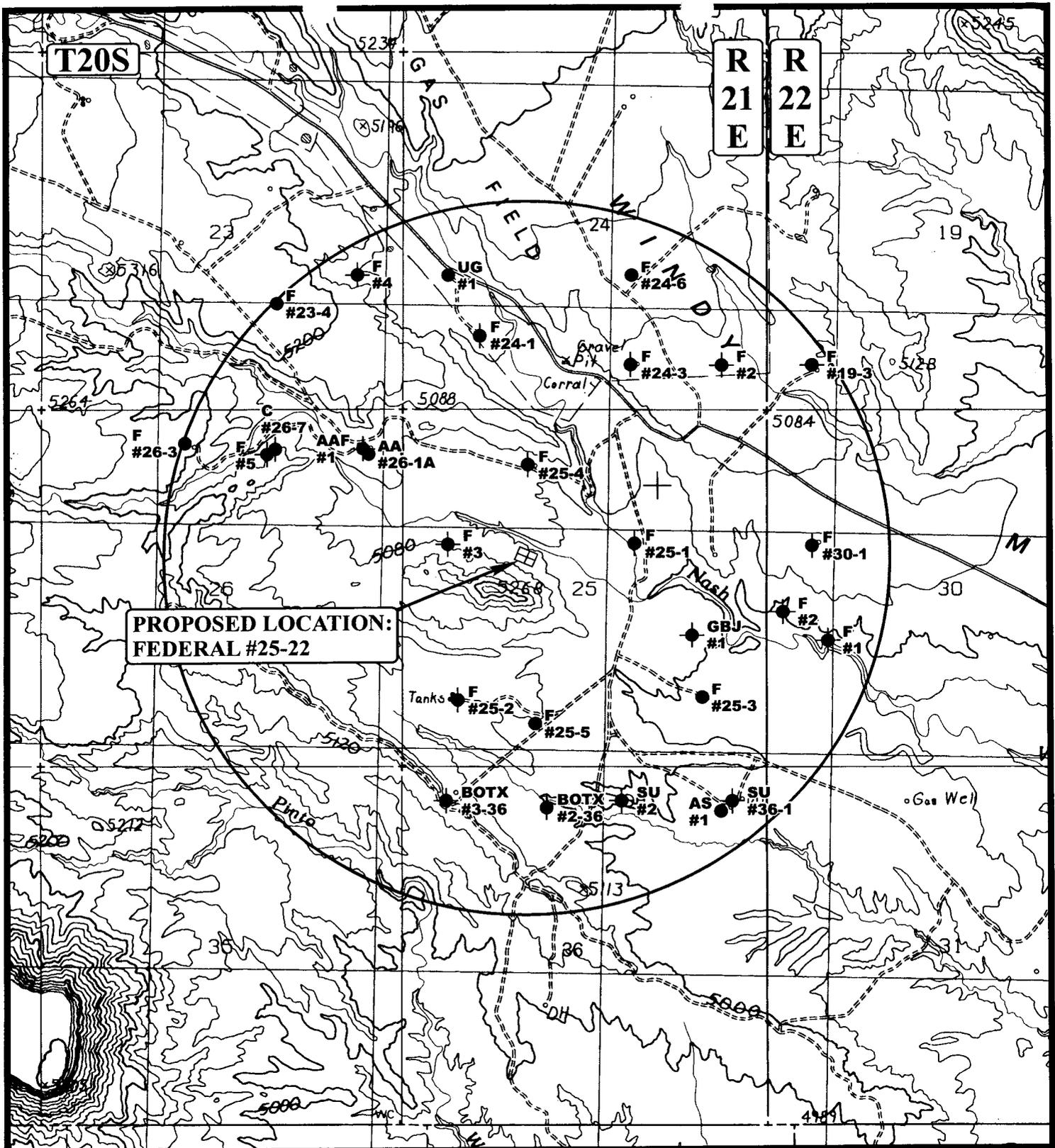
FEDERAL #25-22  
SECTION 25, T20S, R21E, S.L.B.&M.  
2164' FNL 1799' FWL

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



TOPOGRAPHIC			03	27	06	<b>A</b> TOPO
MAP			MONTH	DAY	YEAR	
SCALE: 1:100,000		DRAWN BY: C.P.		REVISED: 00-00-00		





**PROPOSED LOCATION:  
FEDERAL #25-22**

**LEGEND:**

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

**ELK PRODUCTION, LLC**

**FEDERAL #25-22  
SECTION 25, T20S, R21E, S.L.B.&M.  
2164' FNL 1799' FWL**



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85 South 200 East Vernal, Utah 84078  
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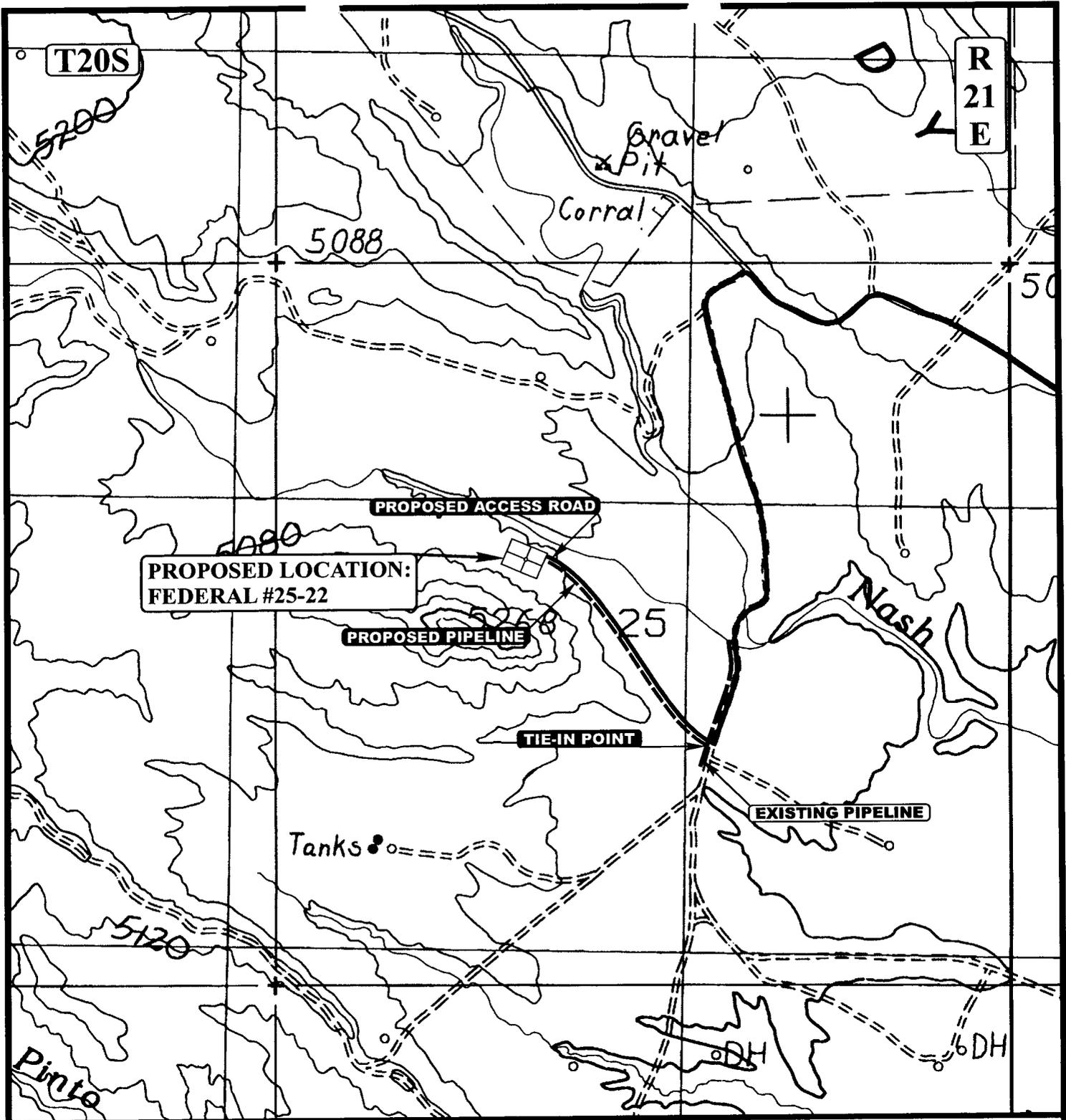


**TOPOGRAPHIC  
MAP**

**03 27 06**  
MONTH DAY YEAR

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





APPROXIMATE TOTAL PIPELINE DISTANCE = 1,799' +/-

**LEGEND:**

- PROPOSED ACCESS ROAD
- EXISTING PIPELINE
- PROPOSED PIPELINE



**ELK PRODUCTION, LLC**

FEDERAL #25-22  
SECTION 25, T20S, R21E, S.L.B.&M.  
2164' FNL 1799' FWL



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

TOPOGRAPHIC  
MAP

03	27	06
MONTH	DAY	YEAR

SCALE: 1" = 1000' DRAWN BY: C.P. REVISED: 00-00-00



# BOP Equipment

3000psi WP

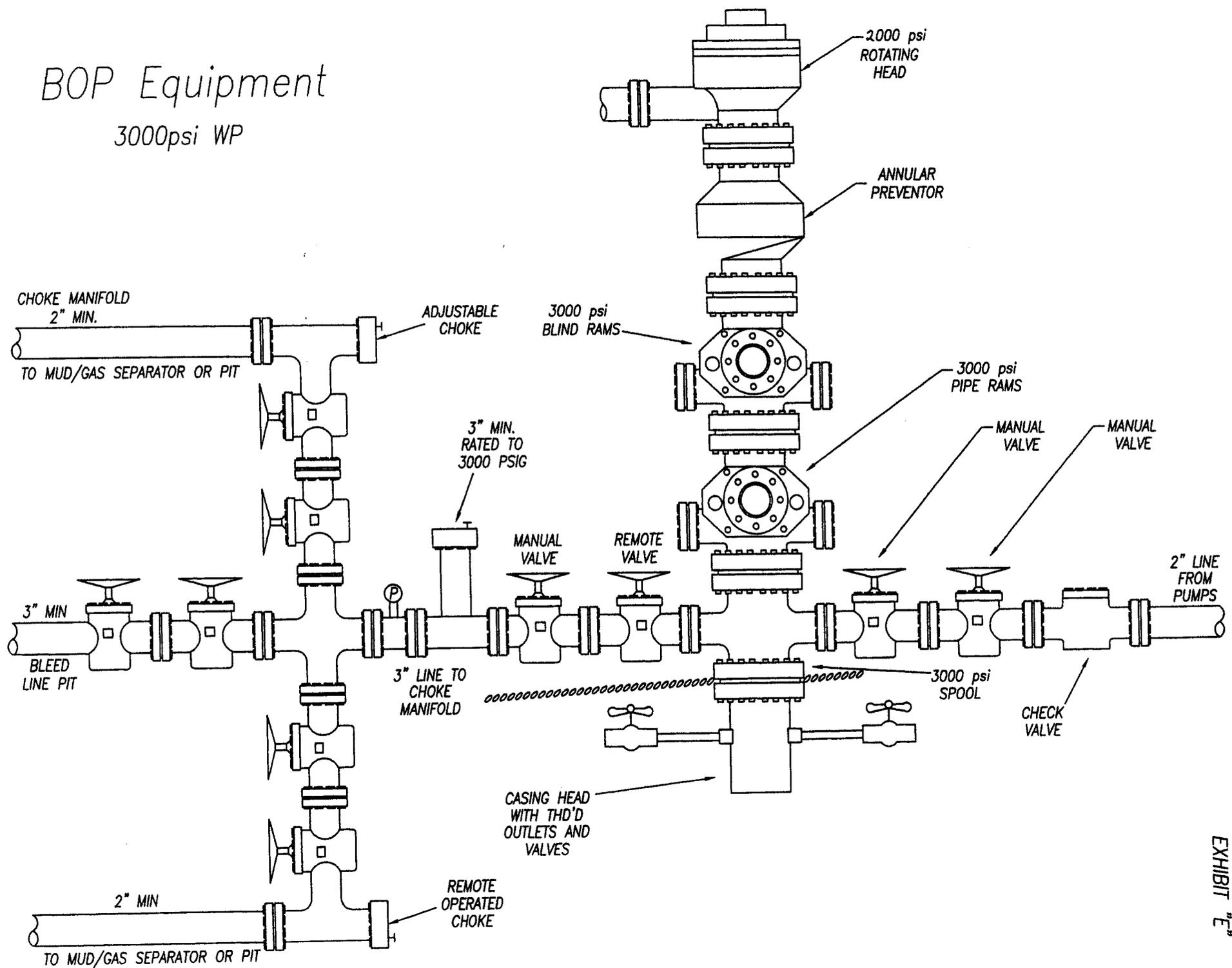


EXHIBIT "E"

**WORKSHEET  
APPLICATION FOR PERMIT TO DRILL**

APD RECEIVED: 05/12/2006

API NO. ASSIGNED: 43-019-31480

WELL NAME: FEDERAL 25-22

OPERATOR: ELK PRODUCTION LLC ( N2650 )

PHONE NUMBER: 435-650-1886

CONTACT: DON HAMILTON

PROPOSED LOCATION:

SENW 25 200S 210E  
 SURFACE: 2164 FNL 1799 FWL  
 BOTTOM: 2164 FNL 1799 FWL  
 COUNTY: GRAND  
 LATITUDE: 39.03887 LONGITUDE: -109.5483  
 UTM SURF EASTINGS: 625644 NORTHINGS: 4321885  
 FIELD NAME: GREATER CISCO ( 205 )

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

LEASE TYPE: 1 - Federal  
 LEASE NUMBER: UTU-02139-A  
 SURFACE OWNER: 1 - Federal

PROPOSED FORMATION: WINGT  
 COALBED METHANE WELL? NO

RECEIVED AND/OR REVIEWED:

- Plat
- Bond: Fed[1] Ind[] Sta[] Fee[]  
(No. B 000971 )
- Potash (Y/N)
- Oil Shale 190-5 (B) or 190-3 or 190-13
- Water Permit  
(No. AIR DRILLE )
- RDCC Review (Y/N)  
(Date: \_\_\_\_\_ )
- Fee Surf Agreement (Y/N)
- Intent to Commingle (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: 102-16(B)  
Eff Date: 11-15-1979  
Siting: See Cause Order
- R649-3-11. Directional Drill

COMMENTS: \_\_\_\_\_

STIPULATIONS: 1-Federal Approval

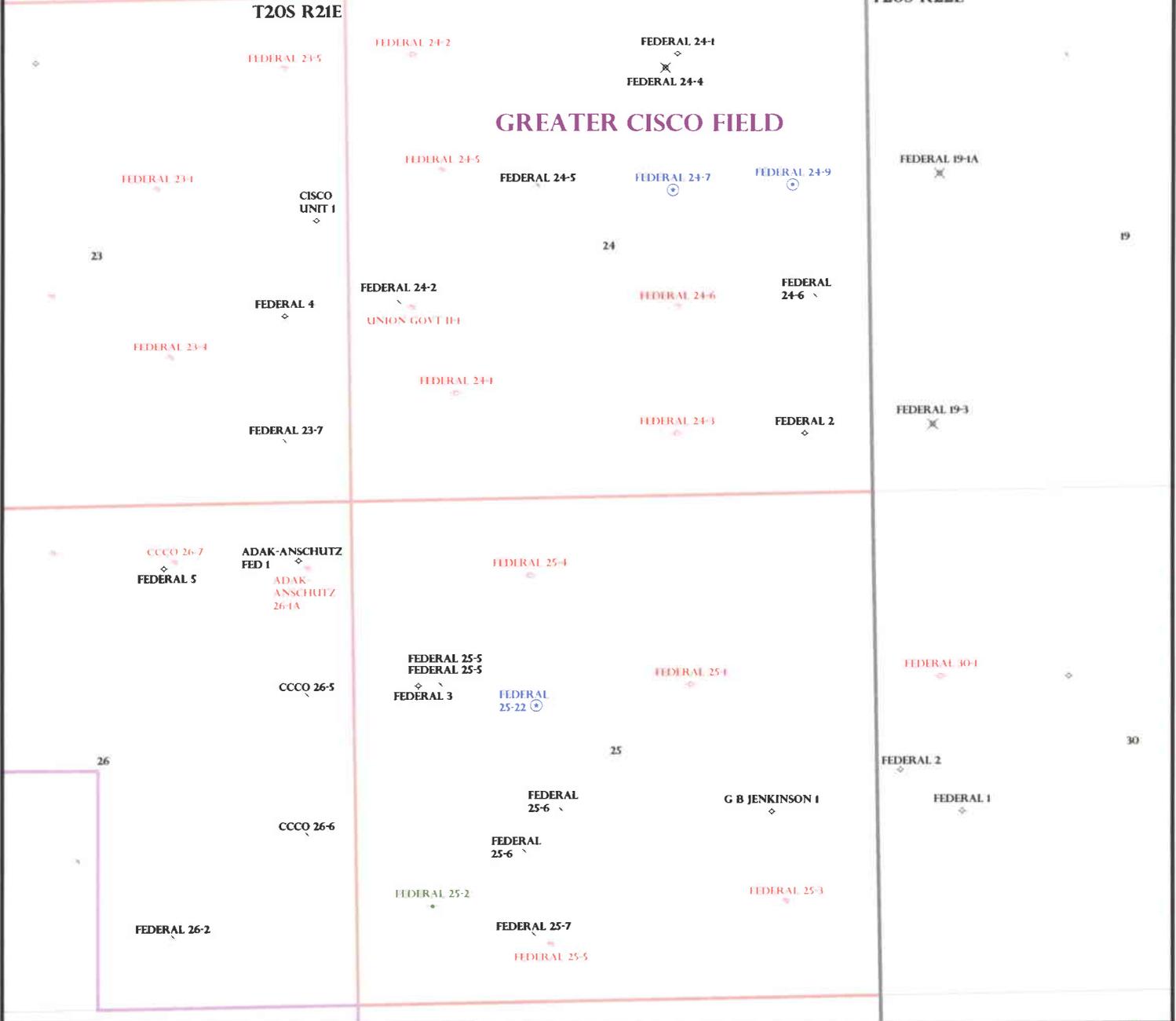
UTAH OIL  
REFINING CO 3

FEDERAL 14-8

T20S R21E

T20S R22E

# GREATER CISCO FIELD



OPERATOR: ELK PROD LLC (N2650)

SEC: 24,25 T. 20S R. 21E

FIELD: GREATER CISCO (205)

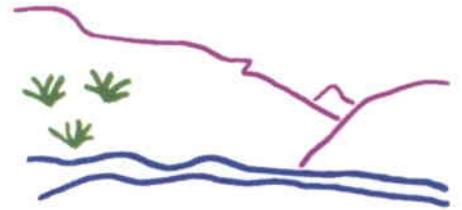
COUNTY: GRAND

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

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



Utah Oil Gas and Mining



PREPARED BY: DIANA WHITNEY  
DATE: 24-MAY-2006



**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*

May 25, 2006

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

Re: Federal 25-22 Well, 2164' FNL, 1799' FWL, SE NW, Sec. 25, 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 43-019-31480.

Sincerely,

Gil Hunt  
Associate Director

pab  
Enclosures

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

**Operator:** Elk Production, LLC  
**Well Name & Number** Federal 25-22  
**API Number:** 43-019-31480  
**Lease:** UTU-02139-A

**Location:** SE NW                      **Sec.** 25                      **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.

UNITED STATES  
DEPARTMENT OF THE INTERIOR  
BUREAU OF LAND MANAGEMENT

**APPLICATION FOR PERMIT TO DRILL OR REENTER**

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

5. Lease Serial No. <b>UTU-02139-A</b>	
6. If Indian, Allottee or Tribe Name N/A	
7. If Unit or CA Agreement, Name and No. <b>undesignated</b>	
8. Lease Name and Well No. <b>Federal 25-22</b>	
9. API Well No. <b>4301931480</b>	
1a. Type of work: <input checked="" type="checkbox"/> DRILL <input type="checkbox"/> REENTER	10. Field and Pool, or Exploratory <b>Cisco Dome</b>
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	11. Sec., T. R. M. or Blk. and Survey or Area <b>Section 25, T20S, R21E, SLB&amp;M</b>
2. Name of Operator <b>Elk Production, LLC</b>	12. County or Parish <b>Grand</b>
3a. Address <b>1401 - 17th Street, Suite 700 Denver, Colorado 80202</b>	13. State <b>UT</b>
3b. Phone No. (include area code) <b>303-339-1922</b>	14. Distance in miles and direction from nearest town or post office* <b>14.28 miles northwest of Cisco, Utah</b>
4. Location of Well (Report location clearly and in accordance with any State requirements.)* At surface <b>2,164' FNL, 1,799' FWL, SE/4 NW/4,</b> At proposed prod. zone <b>2,164' FNL, 1,799' FWL, SE/4 NW/4,</b>	15. Distance from proposed* location to nearest property or lease line, ft. (Also to nearest drig. unit line, if any) <b>841'</b>
16. No. of acres in lease	17. Spacing Unit dedicated to this well <b>40 acres</b>
18. Distance from proposed location* to nearest well, drilling, completed, applied for, on this lease, ft. <b>1,150'</b>	19. Proposed Depth <b>4,000'</b>
20. BLM/BIA Bond No. on file <b>B-000971 UTB000135</b>	21. Elevations (Show whether DF, KDB, RT, GL, etc.) <b>5,040' GR</b>
22. Approximate date work will start* <b>06/15/2006</b>	23. Estimated duration <b>9 days</b>

24. Attachments

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

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

25. Signature <b>Don Hamilton</b>	Name (Printed/Typed) <b>Don Hamilton</b>	Date <b>05/08/2006</b>
--------------------------------------	---	---------------------------

Title <b>Agent for Elk Production, LLC</b>
---

Approved by (Signature) <b>[Signature]</b>	Name (Printed/Typed) <b>A. Lynn Jackson</b>	Date <b>7/17/06</b>
---	--	------------------------

Title <b>Assistant Field Manager, Division of Resources</b>	Office <b>Moab Field Office</b>
--	------------------------------------

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

**CONFIDENTIAL**

ORIGINAL

RECEIVED  
JUL 21 2006

DIV. OF OIL, GAS & MINING

2006 MAY 10 A 8:24

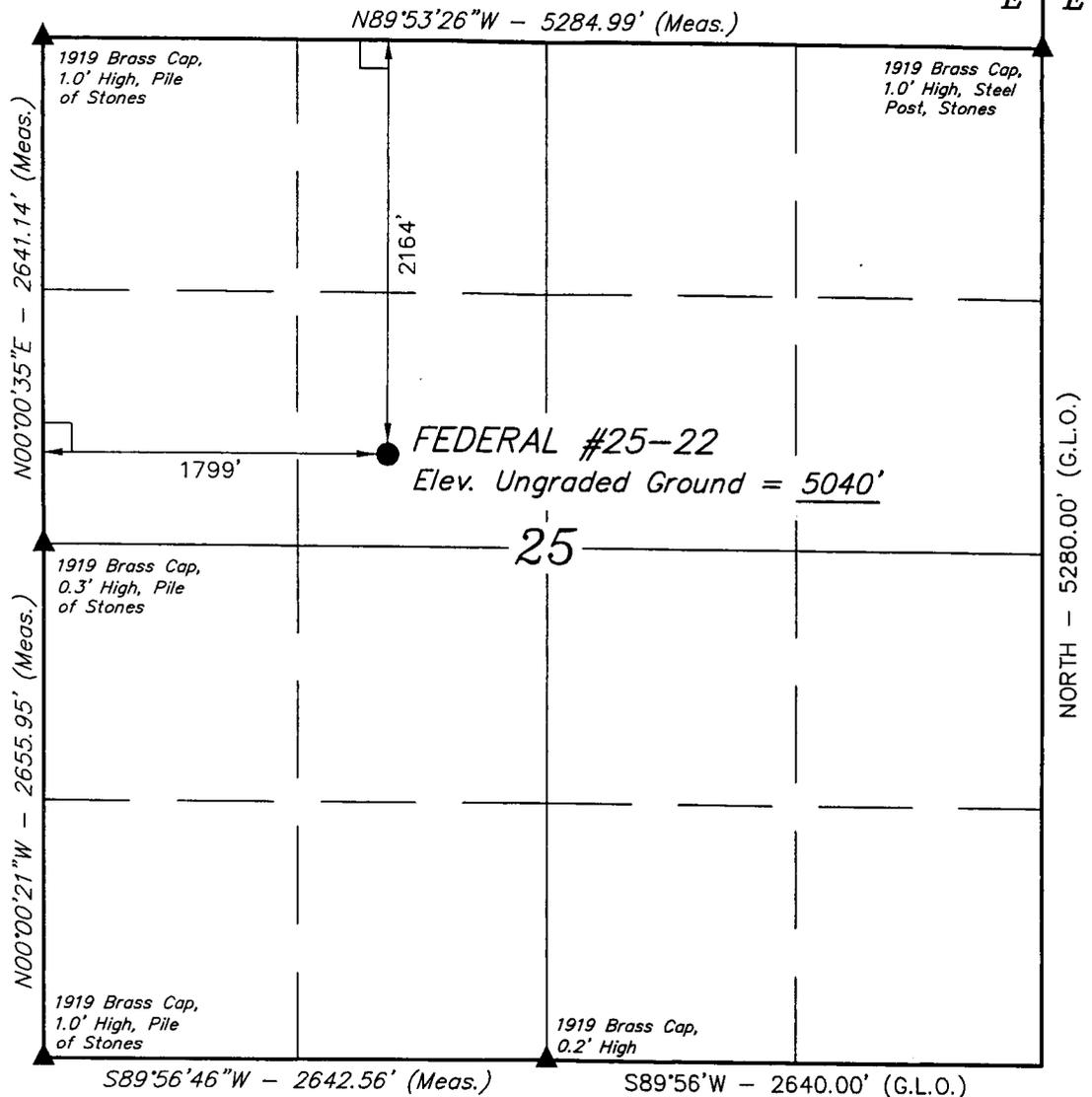
RECEIVED  
MOAB FIELD OFFICE

APPROVED BY THE  
DIVISION OF OIL, GAS & MINING  
MAY 10 2006

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

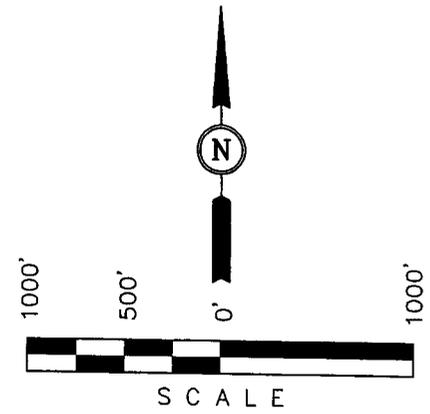
R  
21  
E

R  
22  
E



**ELK PRODUCTION, LLC**  
 Well location, FEDERAL #25-22, located as shown in the SE 1/4 NW 1/4 of Section 25, 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°02'19.71" (39.038808)  
 LONGITUDE = 109°32'55.96" (109.548878)  
 (AUTONOMOUS NAD 27)  
 LATITUDE = 39°02'19.80" (39.038833)  
 LONGITUDE = 109°32'53.52" (109.548200)

- LEGEND:**
- └─┘ = 90° SYMBOL
  - = PROPOSED WELL HEAD.
  - ▲ = SECTION CORNERS LOCATED.

<b>UINTAH ENGINEERING &amp; LAND SURVEYING</b>		
85 SOUTH 200 EAST - VERNAL, UTAH 84078		
(435) 789-1017		
SCALE 1" = 1000'	DATE SURVEYED: 3-21-06	DATE DRAWN: 3-24-06
PARTY N.H.    D.S.    K.G.	REFERENCES G.L.O. PLAT	
WEATHER COOL	FILE ELK PRODUCTION, LLC	

Elk Production Company, LLC  
Well No. Federal 25-22  
Lease U-02139-A  
SE/NW Section 25, T20S, R21E  
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 Elk Production Company, LLC 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 **UTB000135** (Principal – Elk Production Company, LLC) 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 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. When drilling with air, the requirements of Onshore Oil and Gas Order No. 2, part III, E, Special Drilling Operations, shall apply. Among the requirements in this section are:
  - Spark arresters
  - Deduster equipment
  - Float valve above bit
  - Automatic igniter on the blooie line

## B. SURFACE USE PLAN

1. In order to protect watershed values, no road/well pad construction or drilling operations will be authorized between November 1 and April 30. 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.
2. In order to protect wintering bald eagles and big game animals, no road/well pad construction or drilling operations will be authorized between November 1 and May 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.
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.
4. No road/well pad construction or drilling operations will be authorized within 0.5 mile of raptor nesting sites between March 1 and August 31 (or January 1 to August 31 for golden eagles). 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.

Note: Elk Production completed a raptor survey with the Utah Division of Wildlife Resources in 2006, and no nesting raptors were identified near the No. 25-22 Well. Based on the survey, an exception to the Condition of Approval for nesting raptors will be granted at the No. 25-22 Well, through February 28, 2007.

5. The erosion control specifications in the Storm Water Management Plan dated June, 2006, will be implemented at the No. 25-22 well pad prior to spudding the well.
6. Dust control will be provided during construction and drilling operations by spraying fresh water on new road construction, roads being maintained, and the well pad.
7. If water is produced from the well, an application in conformance with Onshore Oil and Gas Order No. 7 will be submitted. The specifications for the pits or tanks used for the storage of produced water will be determined from the information in the application.
8. The operator will be responsible for weed control on the disturbed areas within the limits of the well pad and road construction. The operator will be responsible for consultation with the authorized officer and/or local authorities for acceptable weed control methods.

9. The operator is responsible for informing all persons in the area who are associated with this project that they will be subject to prosecution for knowingly disturbing historic or archaeological sites, or for collecting artifacts. If historic or archaeological materials are uncovered during construction, the operator is to immediately stop work that might further disturb such materials, and contact the BLM Field Office. Within five (5) working days, the BLM will inform the operator as to:

- whether the materials appear eligible for the National Register of Historic Places;

- the mitigation measures the operator will likely have to undertake before the site can be used (assuming in situ preservation is not necessary); and

- a time frame for the BLM to complete an expedited review under 36 CFR § 800.11 to confirm, through the State Historic Preservation Officer, that the findings of the BLM are correct and that mitigation is appropriate.

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

### C. REQUIRED APPROVALS, REPORTS AND NOTIFICATIONS

Required verbal notifications are summarized in Table 1, attached.

Building Location- Notify the Moab Field Office at least 48-hours prior to commencing construction of location.

Spud- Notify the Moab Field Office 24-hours prior to spudding. Submit written notification of spud (Sundry Notice, Form 3160-5) 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 that describe the progress and status of the well shall be submitted to the Moab Field Office on a weekly basis. This report may be in any format customarily used by the operator.

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

Sundry Notices- Any modification to the proposed drilling program shall be submitted to the Moab Field Office on a Sundry Notice (Form 3160-5). Regulations at 43 CFR 3162.3-2 describe which operations require prior approval, and which require notification.

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, immediately notify the Moab Field Office, and work that might disturb the cultural resources shall cease.

First 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.

Notify the Moab Field Office when the well is placed into production. Initial notification may be verbal, but must be confirmed in writing within five business days. Please include the date production started, the producing formation and production volumes.

Well Completion Report- Whether the well is completed as a dry hole or as a producer, a *Well Completion or Recompletion Report and Log* (Form 3160-4) shall be submitted to the Moab Field Office within thirty-days after completion of the well. 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 to be shut-in until the gas can be captured or until approval to continue the venting/flaring pursuant to NTL-4A is granted. Compensation shall be due for gas that is vented/flared without approval.

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 of production prior to the sales measurement point. The term "commingling" describes both the combining of production from different geologic zones and/or combining production from different leases or agreement areas.

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

A "Subsequent Report of Abandonment" (Sundry Notice, 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 constructing the location (McClure);
- 1 day prior to spudding (Johnson);
- 50 feet prior to reaching the surface casing setting depth (Johnson);
- 3 hours prior to testing BOPE (Johnson)

If the person at the above number cannot be reached, notify the BLM Moab Field Office at 435-259-2100.

Well abandonment operations require 24-hour advance notice and prior approval. In the case of newly drilled dry holes, verbal approval can be obtained from:

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

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

**CONFIDENTIAL**

FORM 9

<b>SUNDRY NOTICES AND REPORTS ON WELLS</b>		5. LEASE DESIGNATION AND SERIAL NUMBER: UTU-02139-A
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: NA
1. TYPE OF WELL OIL WELL <input type="checkbox"/> GAS WELL <input checked="" type="checkbox"/> OTHER _____		7. UNIT or CA AGREEMENT NAME: NA
2. NAME OF OPERATOR: Elk Production, LLC		8. WELL NAME and NUMBER: Federal 25-22
3. ADDRESS OF OPERATOR: 1401 17th. St., Suite 700 CITY Denver STATE CO ZIP 80202		9. API NUMBER: 4301931480
4. LOCATION OF WELL FOOTAGES AT SURFACE: 2164' FNL, 1799' FWL COUNTY: Grand QTR/QTR, SECTION, TOWNSHIP, RANGE, MERIDIAN: SENW 25 20S 21E S STATE: UTAH		10. FIELD AND POOL, OR WILDCAT: Greater Cisco
11. CHECK APPROPRIATE BOXES TO INDICATE NATURE OF NOTICE, REPORT, OR OTHER DATA		

TYPE OF SUBMISSION	TYPE OF ACTION		
<input checked="" type="checkbox"/> NOTICE OF INTENT (Submit in Duplicate) Approximate date work will start: _____  <input type="checkbox"/> SUBSEQUENT REPORT (Submit Original Form Only) Date of work completion: _____	<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 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"/> 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 checked="" type="checkbox"/> OTHER: <u>Extend APD</u>
	<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.

Elk requests to extend APD expiration date for one year (expiring 5/25/08). See attached APD Request for Permit Extension Validation; there has been no changes to the original APD.

Approved by the  
Utah Division of  
Oil, Gas and Mining

Date: 6-29-07  
By: [Signature]

6-29-07  
RM

NAME (PLEASE PRINT) <u>Karin Kuhn</u>	TITLE <u>Sr. Engineering Technician</u>
SIGNATURE <u>[Signature]</u>	DATE <u>6/27/2007</u>

(This space for State use only)

**RECEIVED**  
**JUN 28 2007**

**Application for Permit to Drill  
Request for Permit Extension  
Validation**

(this form should accompany the Sundry Notice requesting permit extension)

**API:** 4301931480  
**Well Name:** Federal 25-22  
**Location:** SENW Section 25-T20S-R21E, Grand County, UT  
**Company Permit Issued to:** Elk Production, LLC  
**Date Original Permit Issued:** 5/25/2006

The undersigned as owner with legal rights to drill on the property as permitted above, 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.

If located on private land, has the ownership changed, if so, has the surface agreement been updated? Yes  No

Have any wells been drilled in the vicinity of the proposed well which would affect the spacing or siting requirements for this location? Yes  No

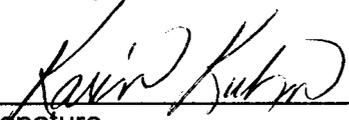
Has there been any unit or other agreements put in place that could affect the permitting or operation of this proposed well? Yes  No

Have there been any changes to the access route including ownership, or right-of-way, which could affect the proposed location? Yes  No

Has the approved source of water for drilling changed? Yes  No

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? Yes  No

Is bonding still in place, which covers this proposed well? Yes  No

  
\_\_\_\_\_  
Signature

6/27/2007

\_\_\_\_\_  
Date

**Title:** Sr. Engineering Technician

**Representing:** Elk Production, LLC

RECEIVED

JUN 28 2007

DIV. OF OIL, GAS & MINING

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

FORM 9

<b>SUNDRY NOTICES AND REPORTS ON WELLS</b>		5. LEASE DESIGNATION AND SERIAL NUMBER: <b>UTU-02139A</b>
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: <b>NA</b>
1. TYPE OF WELL OIL WELL <input type="checkbox"/> GAS WELL <input checked="" type="checkbox"/> OTHER _____		7. UNIT or CA AGREEMENT NAME: <b>NA</b>
2. NAME OF OPERATOR: <b>Elk Production, LLC</b>		8. WELL NAME and NUMBER: <b>Federal 25-22</b>
3. ADDRESS OF OPERATOR: 1401 17th. St., Suite 700      CITY <b>Denver</b> STATE <b>CO</b> ZIP <b>80202</b>		9. API NUMBER: <b>4301931480</b>
4. LOCATION OF WELL FOOTAGES AT SURFACE: <b>2164' FNL, 1799' FWL</b>		10. FIELD AND POOL, OR WILDCAT: <b>Greater Cisco/Kayenta</b>
QTR/QTR, SECTION, TOWNSHIP, RANGE, MERIDIAN: <b>SENW 25 20S 21E S</b>		COUNTY: <b>Grand</b>
		STATE: <b>UTAH</b>

11. CHECK APPROPRIATE BOXES TO INDICATE NATURE OF NOTICE, REPORT, OR OTHER DATA			
TYPE OF SUBMISSION	TYPE OF ACTION		
<input checked="" 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"/> SUBSEQUENT REPORT (Submit Original Form Only)  Date of work completion: _____	<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 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"/> 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 checked="" type="checkbox"/> OTHER: <u>EXTEND APD</u>
	<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.

Elk Production, LLC requests to extend the APD for the subject drilling location for another year (expiring 5/25/2009). There have been no changes to the original APD (approved by the State 5/25/2006). Attached is a Request for Permit Extension Validation checklist.

Approved by the  
Utah Division of  
Oil, Gas and Mining

COPY SENT TO OPERATOR

Date: 5.20.2008

Initials: KS

Date: 05-14-08  
By: [Signature]

NAME (PLEASE PRINT) <u>Karin Kuhn</u>	TITLE <u>Sr. Engineering Technician</u>
SIGNATURE <u>[Signature]</u>	DATE <u>5/5/2008</u>

(This space for State use only)

RECEIVED

MAY 09 2008

DIV. OF OIL, GAS & MINING

**Application for Permit to Drill  
Request for Permit Extension  
Validation**

(this form should accompany the Sundry Notice requesting permit extension)

**API:** 4301931480  
**Well Name:** Federal 25-22  
**Location:** SENW Section 25-T20S-R21E, Grand County, UT  
**Company Permit Issued to:** Elk Production, LLC  
**Date Original Permit Issued:** 5/25/2006

The undersigned as owner with legal rights to drill on the property as permitted above, 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.

If located on private land, has the ownership changed, if so, has the surface agreement been updated? Yes  No

Have any wells been drilled in the vicinity of the proposed well which would affect the spacing or siting requirements for this location? Yes  No

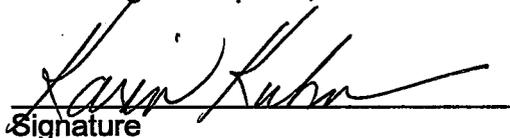
Has there been any unit or other agreements put in place that could affect the permitting or operation of this proposed well? Yes  No

Have there been any changes to the access route including ownership, or right-of-way, which could affect the proposed location? Yes  No

Has the approved source of water for drilling changed? Yes  No

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? Yes  No

Is bonding still in place, which covers this proposed well? Yes  No

  
Signature

5/5/2008

Date

**Title:** Sr. Engineering Technician

**Representing:** Elk Production, LLC

RECEIVED

MAY 09 2008

DIV. OF OIL, GAS & MINING

<b>STATE OF UTAH</b> DEPARTMENT OF NATURAL RESOURCES DIVISION OF OIL, GAS, AND MINING	<b>FORM 9</b>
<b>SUNDRY NOTICES AND REPORTS ON WELLS</b>  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.	<b>5. LEASE DESIGNATION AND SERIAL NUMBER:</b> UTU-02139-A
	<b>6. IF INDIAN, ALLOTTEE OR TRIBE NAME:</b>  <b>7. UNIT or CA AGREEMENT NAME:</b>
<b>1. TYPE OF WELL</b> Gas Well	<b>8. WELL NAME and NUMBER:</b> FEDERAL 25-22
<b>2. NAME OF OPERATOR:</b> ELK PRODUCTION, LLC	<b>9. API NUMBER:</b> 43019314800000
<b>3. ADDRESS OF OPERATOR:</b> 1401 17th Street, Suite 700 , Denver, CO, 80202	<b>PHONE NUMBER:</b> 303 296-4505 Ext
<b>4. LOCATION OF WELL</b> <b>FOOTAGES AT SURFACE:</b> 2164 FNL 1799 FWL <b>QTR/QTR, SECTION, TOWNSHIP, RANGE, MERIDIAN:</b> Qtr/Qtr: SENW Section: 25 Township: 20.0S Range: 21.0E Meridian: S	<b>9. FIELD and POOL or WILDCAT:</b> GREATER CISCO  <b>COUNTY:</b> GRAND  <b>STATE:</b> UTAH

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

TYPE OF SUBMISSION	TYPE OF ACTION		
<input checked="" type="checkbox"/> <b>NOTICE OF INTENT</b> Approximate date work will start: 9/1/2009	<input type="checkbox"/> ACIDIZE	<input type="checkbox"/> ALTER CASING	<input type="checkbox"/> CASING REPAIR
<input type="checkbox"/> <b>SUBSEQUENT REPORT</b> Date of Work Completion:	<input type="checkbox"/> CHANGE TO PREVIOUS PLANS	<input type="checkbox"/> CHANGE TUBING	<input type="checkbox"/> CHANGE WELL NAME
<input type="checkbox"/> <b>SPUD REPORT</b> Date of Spud:	<input type="checkbox"/> CHANGE WELL STATUS	<input type="checkbox"/> COMMINGLE PRODUCING FORMATIONS	<input type="checkbox"/> CONVERT WELL TYPE
<input type="checkbox"/> <b>DRILLING REPORT</b> Report Date:	<input type="checkbox"/> DEEPEN	<input type="checkbox"/> FRACTURE TREAT	<input type="checkbox"/> NEW CONSTRUCTION
	<input type="checkbox"/> OPERATOR CHANGE	<input type="checkbox"/> PLUG AND ABANDON	<input type="checkbox"/> PLUG BACK
	<input type="checkbox"/> PRODUCTION START OR RESUME	<input type="checkbox"/> RECLAMATION OF WELL SITE	<input type="checkbox"/> RECOMPLETE DIFFERENT FORMATION
	<input type="checkbox"/> REPERFORATE CURRENT FORMATION	<input type="checkbox"/> SIDETRACK TO REPAIR WELL	<input type="checkbox"/> TEMPORARY ABANDON
	<input type="checkbox"/> TUBING REPAIR	<input type="checkbox"/> VENT OR FLARE	<input type="checkbox"/> WATER DISPOSAL
	<input type="checkbox"/> WATER SHUTOFF	<input type="checkbox"/> SI TA STATUS EXTENSION	<input checked="" type="checkbox"/> APD EXTENSION
	<input type="checkbox"/> WILDCAT WELL DETERMINATION	<input type="checkbox"/> OTHER	OTHER:

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

Please extend the APD for the subject drilling location for another year. There have been no changes to the original APD. Attached is a Request for Permit Extension Validation checklist.

**Approved by the  
Utah Division of  
Oil, Gas and Mining**

Date: May 11, 2009

By: 

<b>NAME (PLEASE PRINT)</b> Karin Kuhn	<b>PHONE NUMBER</b> 303 296-4505	<b>TITLE</b> Sr. Engineering Technician
<b>SIGNATURE</b> N/A	<b>DATE</b> 5/7/2009	



The Utah Division of Oil, Gas, and Mining

- State of Utah
- Department of Natural Resources

Electronic Permitting System - Sundry Notices

Request for Permit Extension Validation Well Number 43019314800000

API: 43019314800000

Well Name: FEDERAL 25-22

Location: 2164 FNL 1799 FWL QTR SENW SEC 25 TWNP 200S RNG 210E MER S

Company Permit Issued to: ELK PRODUCTION, LLC

Date Original Permit Issued: 5/25/2006

The undersigned as owner with legal rights to drill on the property as permitted above, 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.

- If located on private land, has the ownership changed, if so, has the surface agreement been updated?  Yes  No
- Have any wells been drilled in the vicinity of the proposed well which would affect the spacing or siting requirements for this location?  Yes  No
- Has there been any unit or other agreements put in place that could affect the permitting or operation of this proposed well?  Yes  No
- Have there been any changes to the access route including ownership, or rightof- way, which could affect the proposed location?  Yes  No
- Has the approved source of water for drilling changed?  Yes  No
- 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?  Yes  No
- Is bonding still in place, which covers this proposed well?  Yes  No

Approved by the Utah Division of Oil, Gas and Mining

Signature: Karin Kuhn

Date: 5/7/2009

Title: Sr. Engineering Technician Representing: ELK PRODUCTION, LLC

Date: May 11, 2009

By: [Handwritten Signature]



GARY R. HERBERT  
Governor

GREGORY S. BELL  
Lieutenant Governor

# State of Utah

DEPARTMENT OF NATURAL RESOURCES

MICHAEL R. STYLER  
Executive Director

Division of Oil, Gas and Mining

JOHN R. BAZA  
Division Director

August 5, 2010

Elk Production LLC  
1401-17<sup>th</sup> St., Ste. 700  
Denver, CO 80202

Re: APD Rescinded – Federal 25-22, Sec.25, T.20S, R.21E  
Grand County, Utah API No. 43-019-31480

Ladies and Gentlemen:

The Application for Permit to Drill (APD) for the subject well was approved by the Division of Oil, Gas and Mining (Division) on May 25, 2006. On June 28, 2007, May 14, 2008 and May 11, 2009, the Division granted a one-year APD extension. No drilling activity at this location has been reported to the division. Therefore, approval to drill the well is hereby rescinded, effective August 5, 2010.

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  
Environmental Scientist

cc: Well File  
Bureau of Land Management, Moab

