

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

FORM 3

AMENDED REPORT
(highlight changes)

APPLICATION FOR PERMIT TO DRILL		5. MINERAL LEASE NO: UTU 81437	6. SURFACE: Federal
1A. TYPE OF WORK: DRILL <input checked="" type="checkbox"/> REENTER <input type="checkbox"/> DEEPEN <input type="checkbox"/>		7. IF INDIAN, ALLOTTEE OR TRIBE NAME:	
B. TYPE OF WELL: OIL <input checked="" type="checkbox"/> GAS <input type="checkbox"/> OTHER _____ SINGLE ZONE <input type="checkbox"/> MULTIPLE ZONE <input checked="" type="checkbox"/>		8. UNIT or CA AGREEMENT NAME:	
2. NAME OF OPERATOR: TIDEWATER OIL & GAS, LLC		9. WELL NAME and NUMBER: Old Sagers Federal 13-32-2222	
3. ADDRESS OF OPERATOR: 1645 COURT PL #301 DENVER CO 80202		PHONE NUMBER: (303) 468-0656	10. FIELD AND POOL, OR WILDCAT: wildcat
4. LOCATION OF WELL (FOOTAGES) AT SURFACE: 1984.7 FNL 2025.0 FEL <i>636078x 38.203122</i> AT PROPOSED PRODUCING ZONE: 1984.7 FNL 2025.0 FEL <i>4305986y -109.430450</i>		11. QTR/QTR, SECTION, TOWNSHIP, RANGE, MERIDIAN: SWNE 13 22S 22E	
14. DISTANCE IN MILES AND DIRECTION FROM NEAREST TOWN OR POST OFFICE: 6 MI WEST AND 2.5 MI SOUTH OF CISCO, UT OFF GRAND CO RD 163		12. COUNTY: GRAND	13. STATE: UTAH
15. DISTANCE TO NEAREST PROPERTY OR LEASE LINE (FEET) 1984.7'	16. NUMBER OF ACRES IN LEASE: 1920.0	17. NUMBER OF ACRES ASSIGNED TO THIS WELL: 160	
18. DISTANCE TO NEAREST WELL (DRILLING, COMPLETED, OR APPLIED FOR) ON THIS LEASE (FEET) NONE	19. PROPOSED DEPTH: 10,000	20. BOND DESCRIPTION: FEDERAL	
21. ELEVATIONS (SHOW WHETHER DF, RT, GR, ETC.): 4488.6' GL	22. APPROXIMATE DATE WORK WILL START: 11/10/2006	23. ESTIMATED DURATION: 28 DAYS	

24. PROPOSED CASING AND CEMENTING PROGRAM

SIZE OF HOLE	CASING SIZE, GRADE, AND WEIGHT PER FOOT			SETTING DEPTH	CEMENT TYPE, QUANTITY, YIELD, AND SLURRY WEIGHT		
12.25	8 5/8"	J55	32	500	PREM LITE	125 SX 2.28 CF/SX	12 PPG
					TYPE III	100 SX 1.41 CF/SX	14.5 PPG
7 7/8"	5 1/2"	P110	17	10,000	50-50 POZ	370 SX 1.41 CF/SX	13.5 PPG
					EXACT VOL	TBD AFTER LOGGING	

25. ATTACHMENTS

VERIFY THE FOLLOWING ARE ATTACHED IN ACCORDANCE WITH THE UTAH OIL AND GAS CONSERVATION GENERAL RULES:

- | | |
|--|---|
| <input checked="" type="checkbox"/> WELL PLAT OR MAP PREPARED BY LICENSED SURVEYOR OR ENGINEER | <input checked="" type="checkbox"/> COMPLETE DRILLING PLAN |
| <input checked="" type="checkbox"/> EVIDENCE OF DIVISION OF WATER RIGHTS APPROVAL FOR USE OF WATER | <input checked="" type="checkbox"/> FORM 5, IF OPERATOR IS PERSON OR COMPANY OTHER THAN THE LEASE OWNER |

NAME (PLEASE PRINT) R.E. KNIGHT TITLE AGENT
SIGNATURE *R.E. Knight* DATE 8/8/2006

(This space for State use only)

API NUMBER ASSIGNED: 13-019-31497

APPROVAL:

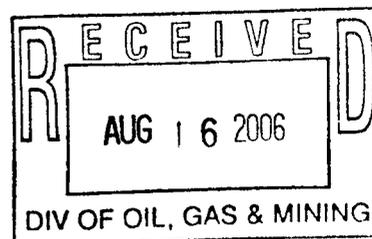
(11/2001)

Approved by the
Utah Division of
Oil, Gas and Mining

(See Instructions on Reverse Side)

Date: 08-17-06

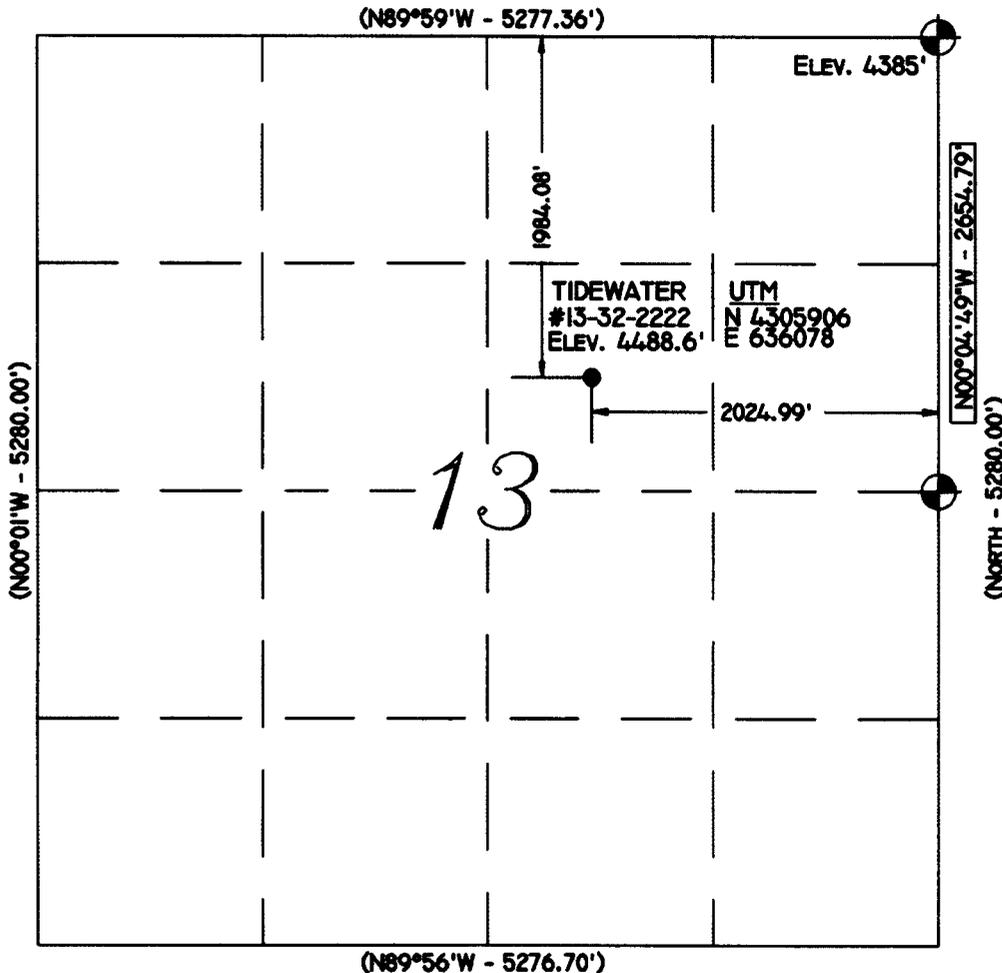
By: *R.E. Knight*



Federal Approval of this
Action is Necessary

Range 22 East

Township 22 South



Location:

The well location was determined using a Trimble 5700 GPS survey grade unit.

Basis of Bearing:

The Basis of Bearing is GPS Measured.

GLO Bearing:

The Bearings indicated are per the recorded plat obtained from the U.S. Land Office.

Basis of Elevation:

Basis of Elevation of 4385', being at the Northeast Section Corner of Section 13, Township 22 South, Range 22 East, Salt Lake Base and Meridian, as shown on the White House Quadrangle 7.5 minute series map.

Description of Location:

Proposed Drill Hole located in the SW/4 NE/4 of Section 13, T22S, R22E, S.L.B.&M., being 1984.08' South and 2024.99' West from the Northeast Section Corner of Section 13, T22S, R22E, Salt Lake Base & Meridian.

Surveyor's Certificate:

I, Albert J. Spensko, a Registered Professional Land Surveyor, holding Certificate 146652 State of Utah, do hereby certify that the information on this drawing is a true and accurate survey based on data of record and was conducted under my personal direction and supervision as shown hereon.



TALON RESOURCES, INC.

195 North 100 West P.O. Box 1230

Huntington, Utah 84030

Phone (435) 937-4300 Fax (435) 937-4311

E-Mail talon@talon.com

TIDEWATER

Federal Well #13-32-2222

Section 13, T22S, R22E, S.L.B.&M.

Grand County, Utah

Drawn By N. BUTKOVICH	Checked By L.W.J./A.J.S.
Drawing No. A-1	Date: 6/13/06
	Scale: 1" = 1000'
Sheet 1 of 4	Job No. 2475

Legend

- Drill Hole Location
- ⊗ Metal Cap (Found)
- Brass Cap (Searched for, but not found)
- △ Calculated Corner
- () GLO

GPS Measured

NOTES:

1. UTM and Latitude / Longitude Coordinates are derived using a GPS Pathfinder and are shown in NAD 27 Datum.

LAT / LONG
38°53'36.129"N
109°25'51.418"W

GRAPHIC SCALE



(IN FEET)

1 inch = 1000 ft.

Bureau of Land Management
Price, Moab and Monticello Field Offices, Utah
Application for Permit to Drill
On-Site Inspection Checklist

Company Tidewater Oil & Gas, LLC Well No. Old Sagers Federal 13-32-2222
Location: Sec. 13, T. 22S, R. 22E, Lease No. UTU-81437
On-Site Inspection Date MAY 17, 2006

All operations will be conducted in such a manner that full compliance is made with applicable laws, regulations (43 CFR § 3100 & 43 CFR § 3160), Onshore Oil and Gas Orders, the approved plan of operations and the conditions of approval. The operator is fully responsible for the actions of his subcontractors. A copy of these conditions will be furnished to the field representative to ensure compliance.

A. DRILLING PROGRAM

1. Surface Formation and Estimated Formation Tops: _____
_____ Mancos - surface _____
_____ Morrison - 380 _____
_____ Moab Tongue 940 _____
_____ Carmel 1380 _____
_____ Navajo 1455 _____
_____ Kayenta 1555 _____
_____ Wingate 1731 _____
_____ Chinle 1382' _____
_____ Pennsylvannian Top 2630' _____
_____ TD 10000 _____

2. Estimated Depth at Which Oil, Gas, Water or Other Mineral Bearing Zones are Expected to be Encountered

Depth/Formation
Expected Oil Zones: Moab Tongue 940, Carmel 1380, Navajo 1455 Kayenta - 1555', Wingate - 1731', Chinle - 1382'

Expected Gas Zones: _____

Expected Water Zones: _____

Expected Mineral Zones: _____

All fresh water and prospectively valuable minerals encountered during drilling will be recorded by depth and will be cased and cemented. When possible, water flow rates will be measured and samples will be taken and analyzed with the results being submitted to BLM. All oil and gas shows will be tested to determine commercial potential.

3. Pressure Control Equipment -include schematics of the BOP and choke manifold, and describe testing procedures: _____
5000 psi BOP

All BOP rams will be tested to 3500 psi. All valves and the choke manifold will also be tested to 5000 psi

BOP systems will be consistent with API RP 53 and Onshore Oil and Gas Order No. 2. Pressure tests of the surface casing and all BOP equipment potentially subject to pressure will be conducted before drilling the surface casing shoe. Blowout preventer controls will be installed prior to drilling the surface casing shoe and will remain in use until the well is completed or abandoned. Ram preventers shall be inspected and operated each trip (no more than once a day is necessary), and annular preventers shall be inspected and operated weekly to ensure good mechanical working order. These inspections shall be recorded in the drilling log and in the daily drilling report.

4. Casing Program and Auxiliary Equipment -include casing size, weight, grade, thread and coupling, setting depth and condition (new or acceptably reconditioned): _____

Surface Casing: 8 5/8", 32 #/ft, J55, STC new pipe set @ 500'

Production String: 5 1/2", 17#/ft, P110, STC, new pipe set @ 10000'

5. Cement -include the cement type, density, yield, additives and amount used in setting each casing string. Also include the anticipated cement fill-up. If stage cementing, describe techniques: _____ Surface Pipe: _____ Lead = 125 sx, 287 cf, 51 bbl, Prem lite +8% bentonite

+2% cc+ .25 #/sx cello flake, 2.28 cf/sx, 12 ppg Tail = 100 sx, 141 cf, 25 bbl, Type III + .5 #/sx cello flake + 2% CC, 1.41 cf/sx, 14.5 ppg

Production Casing: Lead = 371 sacks (50:50) Poz (Fly Ash): Type III Cement + 0.2% bwoc R-3 + 0.7% bwoc FL-62 + 1% bwoc Sodium Metasilicate + 1 gals/100 sack FP-13L + 68.1% Fresh Water, 13.5 ppg, 1.41 cf/sx. Centralizers will be run on bottom 3 joints & across any potential producing zone. Volumes will be adjusted from log measurements.

Surface casing shall be cemented back to surface. Centralizers shall be run, at a minimum, on the bottom three joints of each casing string.

6. Mud Program and Circulating Medium -include mud components and weights. When air drilling, also include: length and location of blooie line; description of the auto ignitor; description of the deduster equipment; and amounts, types and characteristics of stand-by mud: _____ Air drilling is planned for the surface hole and down to the Dakota formation. A low solids fresh water mud system is planned from that point to TD.

A gel/soda ash (no caustic) mud with Drispac-R, use about 7-10 #/BBL GEL & Pac to get a 32-34 funnel vis. A WL around 10-12 will be programmed. 2% CaCl will be used for shale inhibition. Additional inert, non-toxic additives could be utilized if conditions dictate.

Due to potential for contamination of usable quality water aquifers, chromates are banned from Federal leases.

Sufficient mud materials will be stored on location to maintain well control and combat lost circulation problems that might reasonable be expected.

7. Coring, Logging and Testing Program: _____
A Resistivity log, Gamma Ray, Neutron Log, Sonic and Dip meter logs from total depth to surface casing are planned to be run on this well.

No DSTs are scheduled on this well.

Initial opening of drill stem test tools will be restricted to daylight hours.
8. Abnormal Conditions, Bottom Hole Pressures and Potential Hazards -include anticipated bottomhole pressure and/or pressure gradient. Also list anticipated lost circulation zones, abnormal temperature zones and possible hydrogen sulfide bearing zones: _____
Bottom hole pressures are anticipated to be below hydrostatic gradient. No Abnormal pressures are anticipated.

9. Any Other Aspects of this Proposal that should be Addressed: _____

B. THIRTEEN POINT SURFACE USE PLAN

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

1. Existing Roads:
- a. Proposed route to location (submit a map depicting access and well location).
 - b. Location of proposed well in relation to town or other reference point:
Proposed well is located approximately 6 mi. west and 2.5 mi south of Cisco, Utah off Co. Rd. 163. The well is located ±25 miles north of Moab, UT & south of I-70 Highway.

 - c. Not applicaible.
 - d. Plans for improvement and/or maintenance of existing roads: _____
No improvement is required or anticipated for existing roads.
All damage will be repaired to existing condition prior to drilling activity.

 - e. Other: _____

2. Planned Access Roads: New Construction
- a. Location (centerline): New construction is flagged and shown on attached surveyed map

- b. Length of new access to be constructed: ±2700' of new road construction is required
- c. Length of existing roads to be upgraded: None
- d. Maximum total disturbed width: 25 ft at necessary curves
- e. Maximum travel surface width: 15-20 ft at necessary curves
- f. Maximum grades: NA
- g. Turnouts: at road intersections, none required for this well
- h. Surface materials: Native materials will be used for the surface. If required, crushed gravel will be placed in strategic locations.
- i. Drainage (crowning, ditching, culverts, etc): The road will be flat bladed during drilling. It is estimated that approximately 1 culvert (18') will be necessary. Low water crossings will be used at all points when possible. Road will be upgraded as needed for production.
- j. Cattleguards: One cattle guard will be required on west fence line
- k. Length of new and/or existing roads which lie outside the lease or unit boundary for which a BLM right-of-way is required: New: approx 2700' of off lease ROW to the west of the well pad is required. Existing: the APD is being used as the right-of-way application. The off-lease road would be constructed as specified in the APD.
- l. Other: Calcium Chloride or Mag Chloride will be used on the new road construction to stabilize the soils.

Surface disturbance and vehicular travel will be limited to the approved location and access road. Any additional area needed must be approved by BLM in advance.

If a right-of-way is necessary, no surface disturbing activities shall take place on the subject right-of-way until the associated APD is approved. The holder will adhere to conditions of approval in the Surface Use Program of the approved APD, relevant to any right-of-way facilities.

If a right-of-way is secured, boundary adjustments in the lease or unit shall automatically amend this right-of-way to include that portion of the facility no longer contained within the lease or unit. In the event of an automatic amendment to this right-of-way grant, the prior on-lease/unit conditions of approval of this facility will not be affected even though they would now apply to facilities outside of the lease/unit as a result of a boundary adjustment. Rental fees, if appropriate shall be recalculated based on the conditions of this grant and the

regulations in effect at the time of an automatic amendment.

If at any time the facilities located on public lands authorized by the terms of the lease are no longer included in the lease (due to a contraction in the unit or other lease or unit boundary change) the BLM will process a change in authorization to the appropriate statute. The authorization will be subject to appropriate rental, or other financial obligations determined by the BLM.

If the well is productive, the access road will be rehabilitated or brought to Resource (Class III) Road Standards within 60 days of dismantling the rig. If upgraded, the access road must be maintained at these standards until the well is properly abandoned. If this time frame cannot be met, the Field Office Manager will be notified so that temporary drainage control can be installed along the access road.

3. Location of Existing Wells -on a map, show the location of all water, injection, disposal, producing and drilling wells within a one mile radius of the proposed well, and describe the status of each: there are no wells within one mile of the proposed well

4. Location of Production Facilities:

- a. On-site facilities: Not known at this time. Possible facilities are oil tanks, water tank, dehydrator, meter run, pipelines and separator

- b. Off-site facilities: Unknown at this time

- c. Pipelines: Unknown at this time.

All permanent (in place for six months or longer) structures constructed or installed (including oil well pump jacks) will be painted a flat, nonreflective color to match the standard environmental colors, as determined by the Rocky Mountain Five-State Interagency Committee. 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. Colors will be as follows: match the soils and vegetation

All site security guidelines identified in 43 CFR § 3162.7-5 and Onshore Oil and Gas Order No. 3 shall be followed.

If a gas meter run is constructed, it will be located on lease within 500 feet of the wellhead. The gas flowline will be buried from the wellhead to the meter and will be buried downstream of the meter until it leaves the pad. Meter runs will be housed and/or fenced. The gas meter shall be calibrated prior to first sales and shall be calibrated quarterly thereafter. All gas production and measurement shall comply with the provisions of 43 CFR § 3162.7, Onshore Oil and Gas Order No. 5, and American Gas Association (AGA) Report No. 3.

If a tank battery is constructed on this lease, it will be surrounded by a berm of sufficient

capacity to contain 1½ times the storage capacity of the largest tank. All loading lines and valves will be placed inside the berm surrounding the tank battery. All oil production and measurement shall conform to the provisions of 43 CFR § 3162.7 and Onshore Oil and Gas Order No. 4.

Production facilities on location may include a lined or unlined produced water pit as specified in Onshore Oil and Gas Order No. 7. If water is produced from the well, an application in conformance with Order No. 7 must be submitted.

5. Location and Type of Water Supply:

All water needed for drilling purposes will be obtained from (describe location and/or show on a map): Water will be obtained from the City of Thompson Springs, Ut

A temporary water use permit for this operation will be obtained from the Utah State Engineer in Price, Utah at (801) 637-1303

Water obtained on private land, or land administered by another agency, will require approval from the owner or agency for use of the land.

6. Source of Construction Material:

Pad construction material will be obtained from (if the source is Federally owned, show location on a map): Construction material will come from native material obtained from cut and fill. Additional material or gravel will be obtained from a commercial facility in Green River or Moab Utah

The use of materials under BLM jurisdiction will conform to 43 CFR § 3610.2-3.

7. Methods of Handling Waste Disposal:

Describe the methods and locations proposed for safe containment and disposal of waste material, e.g. cuttings, produced water, garbage, sewage, chemicals, etc.

The reserve pit will be lined with (native material, bentonite, synthetic material): native on-site clay soils is planned to be used.

The reserve pit will be located: see diagram

The reserve pit shall be located in cut material, with at least 50% of the pit volume being below original ground level. 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. As soon as the reserve pit has dried, all areas not needed for production will be rehabilitated.

Trash must 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.

8. Ancillary Facilities: None

-
-
-
9. Well Site Layout -depict the pit, rig, cut and fill, topsoil, etc. on a plat with a scale of at least 1"=50'.

All wells, whether drilling, producing, suspended, or abandoned, will be identified in accordance with 43 CFR § 3162.6.

Access to the well pad will be from: the access road entering from the northerly direction.
Access is depicted on plat

The blooie line will be located: from rotating head and proceed at an angle past the mud pit to a blooie pit, at least 100 feet from the well head.

To minimize the amount of fugitive dust and spray escaping from the blooie pit, the following blooie line deflection method will be employed: Water spray to wet dust

10. Plans for Restoration of the Surface:

The top 2 inches of topsoil material will be removed from the location and stockpiled separately on: edge of well pad

Topsoil along the access road will be reserved in place adjacent to the road.

Immediately upon completion of drilling, all equipment that is not necessary for production shall be removed.

The reserve pit and that portion of the location not needed for production will be reclaimed.

Before any dirt work to restore the location takes place, the reserve pit must be completely dry.

All road surfacing will be removed prior to the rehabilitation of roads.

Reclaimed roads will have the berms and cuts reduced and will be closed to vehicle use.

All disturbed areas will be recontoured to replicate the natural slope.

The stockpiled topsoil will be evenly distributed over the disturbed area.

Prior to reseeding, all disturbed areas, including the access roads, will be scarified and left with a rough surface.

Seed will be broadcast or drilled between Oct 1 and Dec 15, or at a time specified by the BLM. If broadcast, a harrow or some other implement will be dragged over the seeded area to assure seed coverage.

The following seed mixture will be used: fourwings saltbush, shadscale, nuffalls saltbush and Indian rinegrass - all @ 3#/ac
Pure line seeds (PLS) will be used

The abandonment marker will be one of the following, as specified by BLM:

- 1) at least four feet above ground level,
- 2) at restored ground level, or
- 3) below ground level.

In any case the marker shall be inscribed with the following: operator name, lease number, well name and surveyed description (township, range, section and either quarter-quarter or footages).

Additional requirements: _____

11. Surface and Mineral Ownership: Federal surface and minerals

12. Other Information:

a. Archeological Concerns: There are no archeological concerns at this location or on the access route proposed. Montgomery Arch Consultants performed a survey with nothing being found. Survey on file.

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.

b. Other: _____

13. Lessee's or Operator's Representative and Certification

Representative:

Name: R. E. Knight

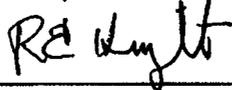
Title: Operations Engineer

Address: 1645 Court Pl., Suite 301, Denver, Colorado 80202

Phone No.: 303-808-5672

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 exist; 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 Tidewater Oil & Gas, 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 BLM bond no. UTB-000211. This statement is subject to the provisions of 18 U.S.C. § 1001 for the filing of a false statement.



Signature

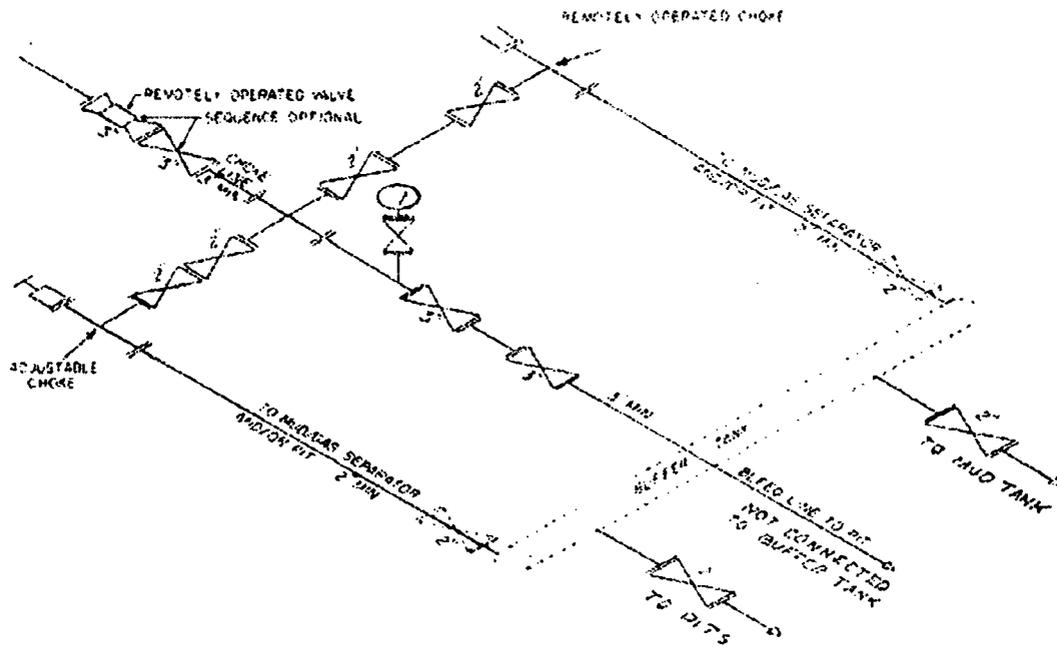
Operations Engineer

Title

July 24, 2006

Date

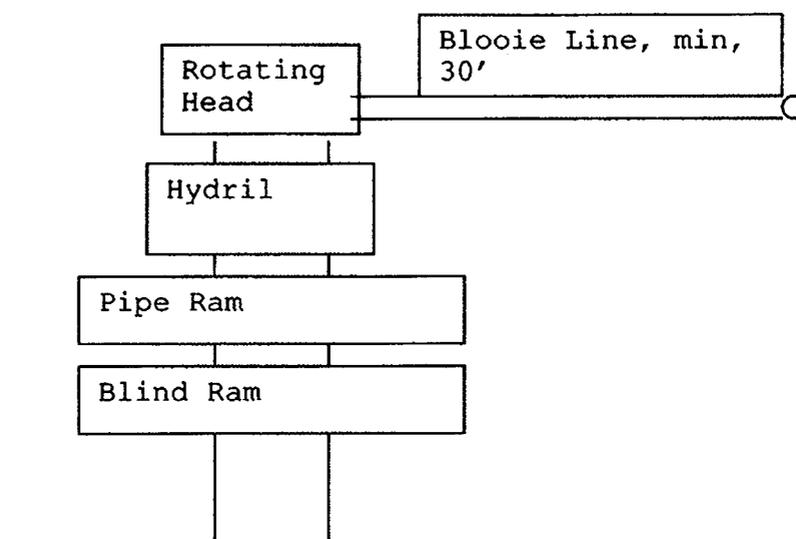
Black Hat Federal 18-43-2224
NWSE Sec 18, T22S, R24E
UTU- 81754



5M CHOKES MANIFOLD EQUIPMENT — CONFIGURATION MAY VARY

Black Hat Federal 18-43-2224
NWSE Sec 18, T22S, R24E
UTU- 81754

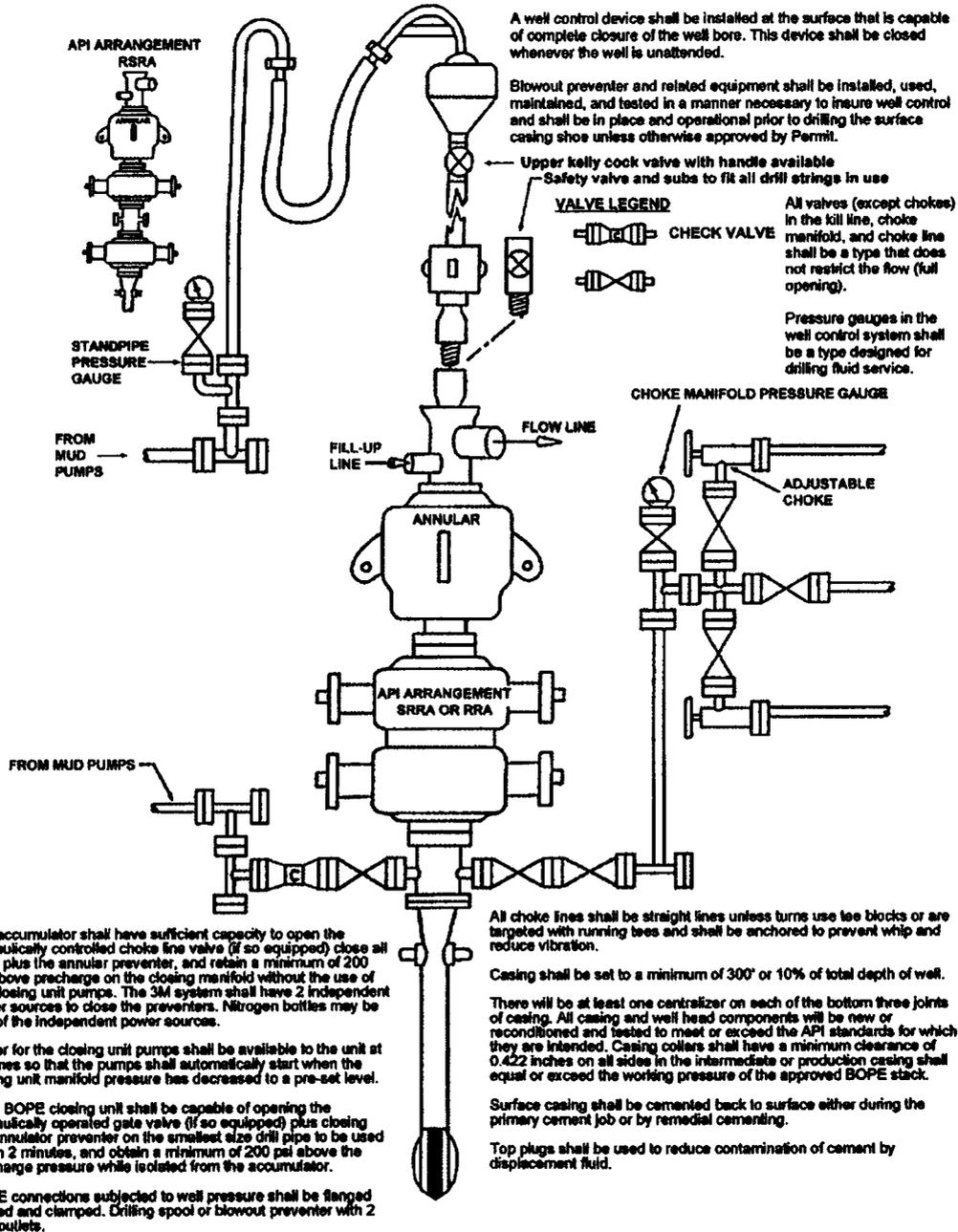
Tidewater BOP Schematic while Air Drilling



Tidewater and Drilling Contractor will take all precautions required to maintain control of the well during drilling.

An automatic igniter will be installed when drilling potential producing zones.

Minimum Standards for Well Control Equipment 4000' to 10,000': API 3M RRA or RSRA



iv. 5M system:

- Annular preventer *
- Pipe ram, blind ram, and, if conditions warrant, as specified by the authorized officer, another pipe ram shall also be required *
- A second pipe ram preventer or variable bore pipe ram preventer shall be used with a tapered drill string
- Drilling spool, or blowout preventer with 2 side outlets (choke side shall be a 3-inch minimum diameter, kill side shall be at least 2-inch diameter) *
- 3 inch diameter choke line
- 2 choke line valves (3 inch minimum) *
- Kill line (2-inch minimum)
- 2 chokes with 1 remotely controlled from-rig floor (refer to diagram in Attachment 1)
- 2 kill line valves and a check valve (2 inch minimum) *
- Upper kelly cock valve with hand available
- When the expected pressures approach working pressure of the system, 1 remote kill line tested to stack pressure (which shall run to the outer edge of the substructure and be unobstructed)
- Lower kelly cock valve with handle available
- Safety valve(s) and subs to fit all drill string connections in use
- Inside BOP or float sub available
- Pressure gauge on choke manifold
- All BOPE connections subjected to well pressure shall be flanged, welded, or clamped *
- Fill-up line above the uppermost preventer.

Violation: Minor (all items unless marked by asterisk).
Corrective Action: Install the equipment as specified.
Normal Abatement Period: 24 hours.
* Violation: Major.
Corrective Action: Install the equipment as specified.
Normal Abatement Period: Prompt correction required.

Old Sagers Federal 13-32-2222

SWNE Sec 13, T22S, R22E

1984 FNL 2025 FEL

UTU- 81437

Elevation = 4488.6' ground level

Tidewater Oil & Gas, LLC

James Jones, Manager

1645 Court Pl, Ste 301

Denver, Co. 80202

303-468-0656

Black Hat Federal 13-32-2222

Contact Phone Number

R.E. Knight - 303-808-5672

Lease Type

Federal Lease - UTU-81437

Water Rights

Water used for drilling and completion operations will be purchased from the City of Thompson Springs for this project.

Estimated Formation Tops

Mancos - surface
Morrison - 417
Moab Tongue 1040
Carmel 1520
Navajo 1590
Kaventa 1790
Wingate 1990
Chinle 2320'
Cutler 3120'
TD 10000

Any anticipated water would be covered by the surface casing set at 500'

Old Sagers Federal 13-32-2222
SWNE Sec 13, T22S, R22E
1984 FNL 2025 FEL
UTU- 81437
Elevation = 4488.6' ground level

Drilling Program

1. Set and cement conductor pipe to 12'. Cement pipe with cement to surface.
2. Move in. Rig up
3. Drill 12 ½" hole to ±500 ft. using air/mist/fresh water system. Take directional survey at 250' and at 500'. Rig up mud logging equipment. Samples will be taken every 15' from surface casing to total depth.
4. Run surface pipe to ±500'. Cement casing in hole from TD to surface. Estimate 300 cf of cement required. Surface Pipe: Lead =125 sx, 287 cf, 51 bbl, Prem lite +8% bentonite +2% cc+.25 #/sx cello flake, 2.28 cf/sx, 12 ppg _ Tail = 100 sx, 141 cf, 25 bbl, Type III + .5 #/sx cello flake + 2% CC, 1.41 cf/sx, 14.5 ppg_
5. Wait 12 hours on cement. Install casing head.
6. Rig up BOPE equipment. Test BOPs to 3500 psi. Test casing to 3000 psi. Rig up mud logging equipment. Samples will be taken every 15' from surface casing to total depth.
7. Drill 7 7/8" hole from 500' to 10000' using air/ air mist/ or low solids dispersed mud from 500' to TD. Take deviation survey every 250'. Drill hole to match casing length.
8. Circulate hole with a low solids dispersed mud. Run Resistivity log, Gamma Ray, Neutron Log, Sonic, and Dip Log from total depth to surface casing.
9. Run production casing to TD. Cement casing from TD to surface casing with 480 cubic feet of Production Casing: Lead = 371 sacks (50:50) Poz (Fly Ash):Type III Cement + 0.2% bwoc R-3 + 0.7% bwoc FL-62 + 1% bwoc Sodium Metasilicate + 1 gals/100 sack FP-13L + 68.1% Fresh Water, 13.5 ppg_1.41 cf/sx. Centralizers will be run on bottom 3 joints & across any potential producing zone. Land casing with Model R casing head.
10. Rig down. Move rig off location.

Old Sagers Federal 13-32-2222
SWNE Sec 13, T22S, R22E
1984 FNL 2025 FEL
UTU- 81437
Elevation = 4488.6' ground level

Well Equipment and Procedures

Anticipated Water bearing formations

Surface casing set and cemented to 500' will isolate and protect any potential fresh water zones encountered. Any other water or hydrocarbon bearing zones below 500' will be isolated with casing and cement when the well is cased.

Pressure Control Equipment

Well will utilize a 5000 psi BOP. The BOP will have a pipe rams, blind rams and a hydril. A rotating head will be utilized while drilling with air. All BOPs will be tested to 3500 psi when the equipment is installed and if the integrity of the pressure control system is compromised during drilling operations.

Casing Program

Casing

Run guide shoe and fill-up collar one joint above bottom. Install centralizers on every other joint of casing. Add centralizer across all productive zones.

Surface pipe – 8 5/8", 32 #/ft, J55

Production – 5 1/2", 17 #/ft, P110

Cementing

Surface pipe will be cemented to surface using redi-mix cement or Surface Pipe: ___ Lead = 125 sx, 287 cf, 51 bbl, Prem lite +8% bentonite +2% cc+.25 #/sx cello flake, 2.28 cf/sx, 12 ppg _ Tail = 100 sx, 141 cf, 25 bbl, Type III + .5 #/sx cello flake + 2% CC, 1.41 cf/sx, 14.5 ppg.

Production string will be cemented from TD to Surface pipe using Production Casing: Lead = ___ 371 sacks (50:50) Poz (Fly Ash):Type III Cement + 0.2% bwoc R-3 + 0.7% bwoc FL-62 + 1% bwoc Sodium Metasilicate + 1 gals/100 sack FP-13L + 68.1% Fresh Water, 13.5 ppg. 1.41 cf/sx. Centralizers will be run on bottom 3 joints & across any potential producing zone. Cement volumes to be confirmed from logs. Fifty percent excess will be included in calculations. An estimated 480 cu. ft of 12 ppg cement will be used to cement the casing. All potential producing zones will be covered with cement. Cement volume will be adjusted to log caliper.

Circulating Medium

The well will be drilled utilizing air or air mist. If required, a nondispersed, low solids 9.0 ppg mud will be used in the well. Adequate weight material will be on location to be able to contain any unforeseen formation pressures during the drilling operations. Viscosity will be maintained at 40 for logging.

Old Sagers Federal 13-32-2222

SWNE Sec 13, T22S, R22E

1984 FNL 2025 FEL

UTU- 81437

Elevation = 4488.6' ground level

A gel/soda ash (no caustic) mud with Drispac-R, use about 7-10 #/BBL GEL & Pac to get a 32-34 funnel vis. A WL around 10-12 will be programmed. 2% CaCl will be used for shale inhibition. Additional inert, non-toxic additives could be utilized if conditions dictate. _

Well Testing

Mud Logging

An on-site geologist will be on location from surface to total depth. Take samples every 15 feet while drilling. Hydrocarbon monitoring and detection equipment will be utilized during drilling operations.

Logging Program

The well will be logged from TD to surface casing with a Resistivity log, Gamma Ray log and Compensated Neutron Log, Sonic and Dip Meter.

Deviation

Take deviation survey every 250'. Maximum change will be 2° between surveys. This will be a vertical well.

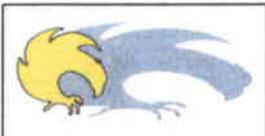
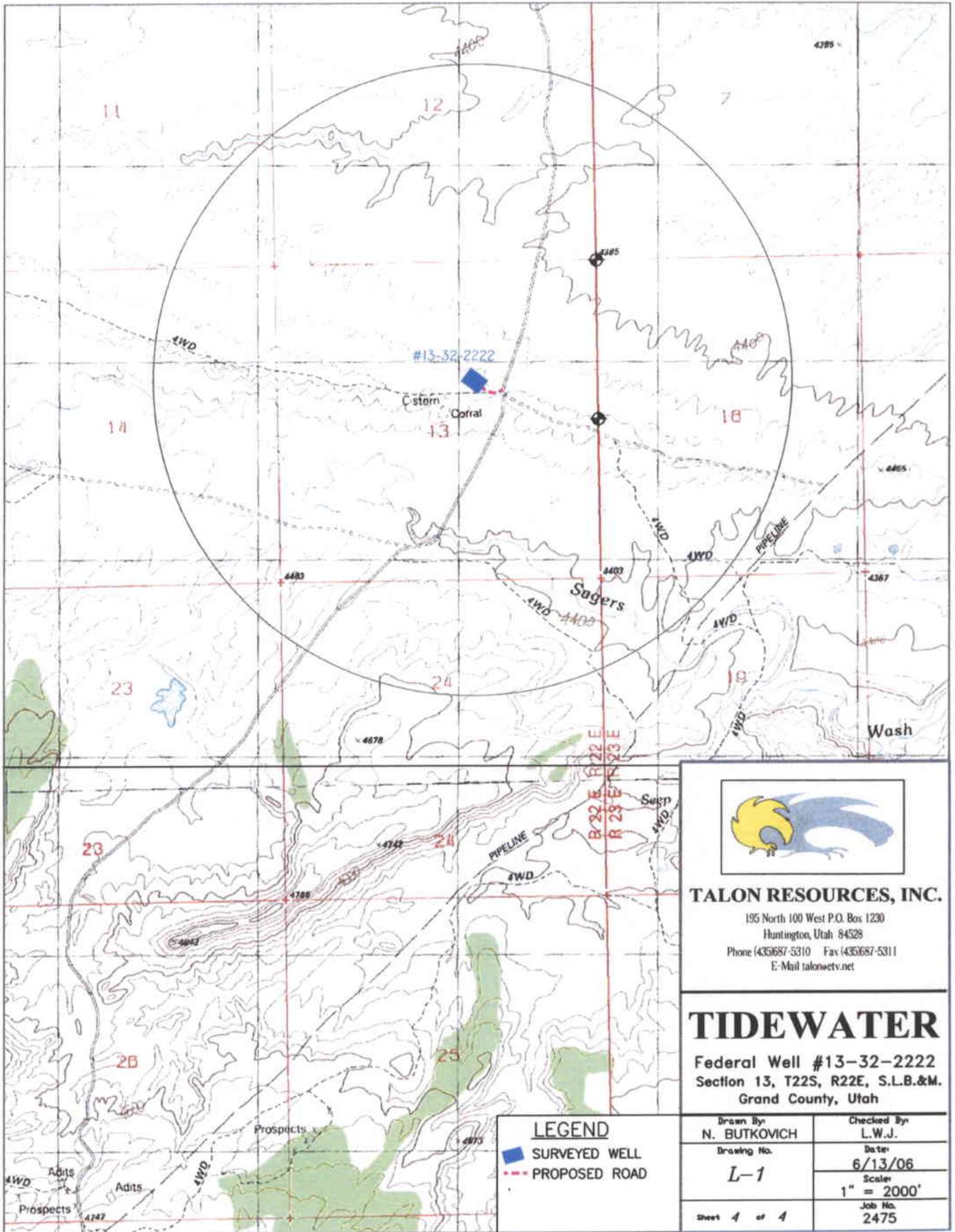
Anticipated Pressures & Potential hazardous conditions

Anticipated formation pressures will be under hydrostatic gradient. Expected bottom hole pressure is estimated to be 3000 psi.

No abnormal pressures or temperatures are anticipated.

No hydrogen sulfide gas is anticipated.

Adequate weight material will be on location to be able to contain any unforeseen formation pressures during the drilling operations.



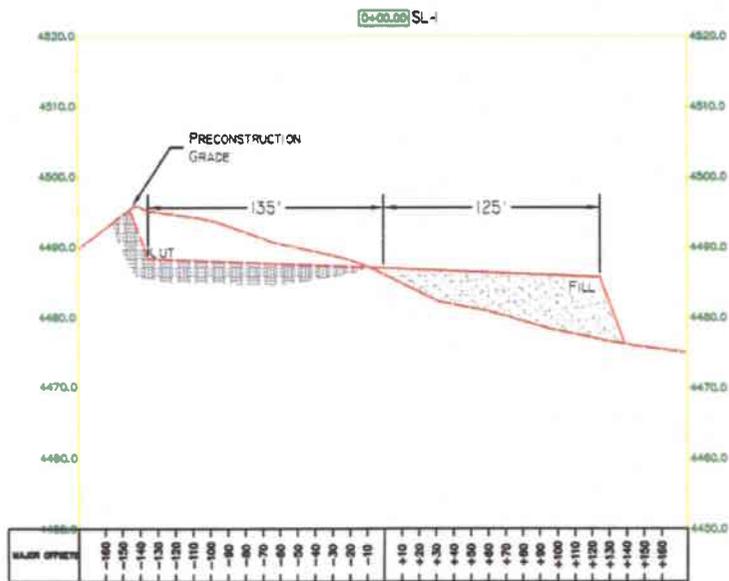
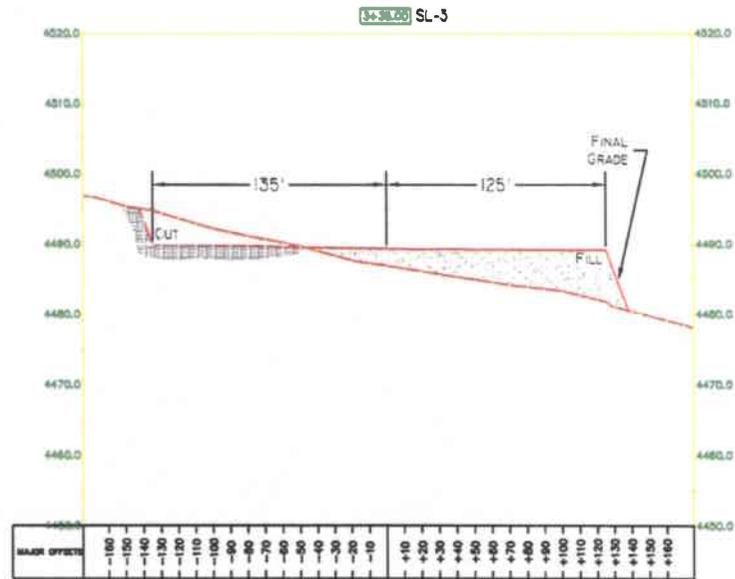
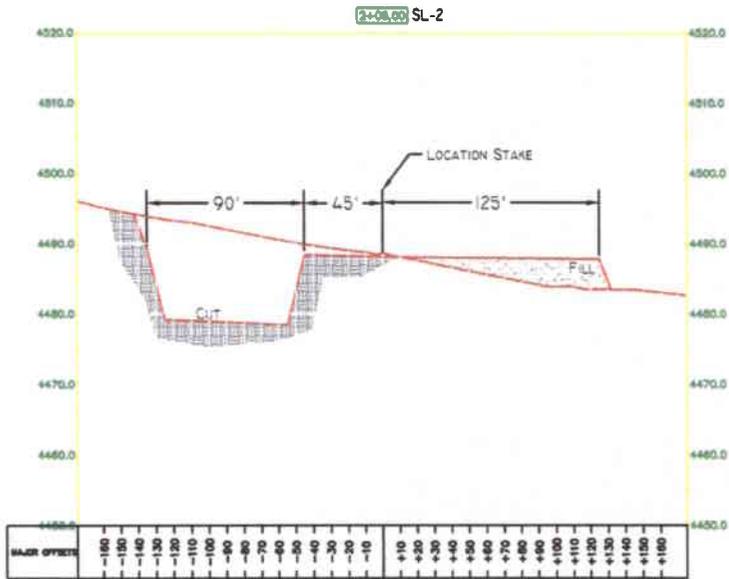
TALON RESOURCES, INC.
 195 North 100 West P.O. Box 1230
 Huntington, Utah 84528
 Phone (435)687-5310 Fax (435)687-5311
 E-Mail talonnetv.net

TIDEWATER
 Federal Well #13-32-2222
 Section 13, T22S, R22E, S.L.B.&M.
 Grand County, Utah

LEGEND
 SURVEYED WELL
 PROPOSED ROAD

Drawn By N. BUTKOVICH	Checked By L.W.J.
Drawing No. L-1	Date 6/13/06
	Scale 1" = 2000'
Sheet 4 of 4	Job No. 2475

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



SLOPE = 1 1/2 : 1
(EXCEPT PIT)
PIT SLOPE = 1 : 1

APPROXIMATE YARDAGES

CUT

(6") TOPSOIL STRIPPING = 1,615 CU. YDS.
TOTAL CUT (INCLUDING PIT) = 8,955 CU. YDS.
TOTAL FILL = 7,225 CU. YDS.



TALON RESOURCES, INC.

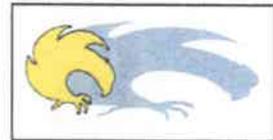
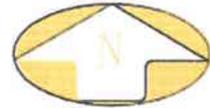
195 North 100 West P.O. Box 1230
Huntington, Utah 84528
Phone (435)687-5310 Fax (435)687-5311
E-Mail talon@rtv.net

TIDEWATER

TYPICAL CROSS SECTION
Section 13, T22S, R22E, S.L.B.&M.
FEDERAL WELL #13-32-2222

Drawn By: N. BUTKOVICH	Checked By: L.W.J.
Drawing No. C-1	Date: 6/13/06
	Scale: 1" = 100'
Sheet 3 of 4	Job No. 2475

ELEVATION OF UNGRADED GROUND AT LOCATION STAKE = 4488.6'
 ELEVATION OF GRADED GROUND AT LOCATION STAKE = 4488.1'



TALON RESOURCES, INC.

195 North 100 West P.O. Box 1230
 Huntington, Utah 84528

Phone (435)687-5310 Fax (435)687-5311
 E-Mail talonsetv.net

TIDEWATER

LOCATION LAYOUT

Section 13, T22S, R22, S.L.B.&M.
 FEDERAL WELL #13-32-2222

Drawn By: N. BUTKOVICH	Checked By: L.W.J.
Drawing No. A-2	Date: 6/13/06
	Scale: 1" = 80'
Sheet 2 of 4	Job No. 2475

**WORKSHEET
APPLICATION FOR PERMIT TO DRILL**

APD RECEIVED: 08/16/2006

API NO. ASSIGNED: 43-019-31497

WELL NAME: OLD SAGERS FED 13-32-2222
 OPERATOR: TIDEWATER OIL & GAS CO (N3000)
 CONTACT: R.E. KNIGHT

PHONE NUMBER: 303-468-0656

PROPOSED LOCATION:

SWNE 13 220S 220E
 SURFACE: 1984 FNL 2025 FEL
 BOTTOM: 1984 FNL 2025 FEL
 COUNTY: GRAND
 LATITUDE: 38.89319 LONGITUDE: -109.4310
 UTM SURF EASTINGS: 636078 NORTHINGS: 4305886
 FIELD NAME: WILDCAT (1)

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

LEASE TYPE: 1 - Federal
 LEASE NUMBER: UTU 81437
 SURFACE OWNER: 1 - Federal

PROPOSED FORMATION: PENN
 COALBED METHANE WELL? NO

RECEIVED AND/OR REVIEWED:

- Plat
- Bond: Fed[1] Ind[] Sta[] Fee[]
(No. UTB-000211)
- Potash (Y/N)
- Oil Shale 190-5 (B) or 190-3 or 190-13
- Water Permit
(No. MUNICIPAL)
- 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: _____
Eff Date: _____
Siting: _____
- R649-3-11. Directional Drill

COMMENTS: _____

STIPULATIONS: 1. Federal Approval

2. Spacing Strip

T22S R22E

T22S R23E

OLD SAGERS
FED B-32-2222
⊙

OPERATOR: TIDEWATER O&G (N3000)

SEC: 13 T.22S R. 22E

FIELD: WILDCAT (001)

COUNTY: GRAND

SPACING: R649-3-2 / GENERAL SITING

Field Status

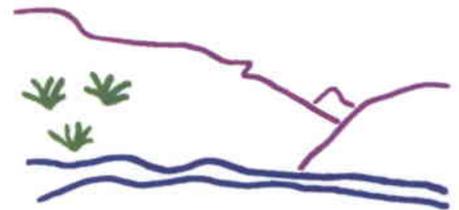
- ABANDONED
- ACTIVE
- COMBINED
- INACTIVE
- PROPOSED
- STORAGE
- TERMINATED

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



Utah Oil Gas and Mining



PREPARED BY: DIANA WHITNEY
DATE: 17-AUGUST-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

August 17, 2006

Tidewater Oil & Gas, LLC
1645 Court Place, Suite 301
Denver, CO 80202

Re: Old Sagers Federal 13-32-2222 Well, 1984' FNL, 2025' FEL, SW NE, Sec. 13,
T. 22 South, R. 22 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 43-019-31497.

Sincerely,

Gil Hunt
Associate Director

pab
Enclosures

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

Operator: Tidewater Oil & Gas, LLC
Well Name & Number Old Sagers Federal 13-32-2222
API Number: 43-019-31497
Lease: UTU-81437

Location: SW NE **Sec.** 13 **T.** 22 South **R.** 22 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
Moab Field Office
82 East Dogwood Avenue
Moab, UT 84532

3160
UTU81437
UTU81754
(UT-062)

JUN 22 2007

Mr. Roger Knight
Tidewater Oil & Gas Company LLC
1645 Court Place, Suite 301
Denver, Colorado 80202

Re: Deficiencies in Applications for Permit to Drill (APDs)
Old Sagers Federal 13-32-2222 Black Hat Federal 18-43-2224
Lease UTU81437 Lease UTU81754
Section 13, T22S, R22E Section 18, T22S, R24E
Grand County, Utah Grand County, Utah

43-019-31497

Dear Mr. Knight:

We are returning the two referenced Applications for Permit to Drill (APDs) without approval. It has become apparent that the design of the two wells does not incorporate the necessary safety factors to drill into largely unknown formations and pressures.

We have reviewed your supplement to the above referenced APDs. You have identified that you do not know what formations might be penetrated in the bottom 3000 feet of hole. We acknowledge that there is limited drilling information available for these depths. Deep exploratory drilling into untested formations warrants a conservative approach to well design to ensure that well control is maintained.

Without knowing what formations will be penetrated, one cannot confidently estimate the pressures that will be encountered. Therefore, the reasonable course would be to err on the side of conservative well design. Your proposed casing design, with only 500 feet of J-55 surface casing, clearly does not provide the level of design strength necessary to confidently drill a deep well into unknown pressures.

RECEIVED

JUN 25 2007

DIV. OF OIL, GAS & MINERAL

Should you elect to re-submit these APDs, in addition to designing the wells to safely accommodate higher down-hole pressure, please give attention to the following points:

-Identify target formations. No oil or gas zones are identified in the lower 7000 feet of the well.

-Clearly identify the size and working pressure of proposed well control equipment. If more than one system is being considered, describe each, and explain what factors the final selection will be based upon.

-If a DV tool is proposed, identify where in the casing string it will be placed, or describe how the location will be determined.

Should you have any questions, please contact Eric Jones at 435-259-2117.

Sincerely,

/s/ A. Lynn Jackson

Assistant Field Manager
Division of Resources

Enclosure

Unapproved Applications for Permit to Drill

cc: State of Utah, Division of Oil, Gas and Mining (wo/Enclosure)

EJones:mm:6/22/07

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

FORM 9

SUNDRY NOTICES AND REPORTS ON WELLS		5. LEASE DESIGNATION AND SERIAL NUMBER: UTU-81437
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:
1. TYPE OF WELL OIL WELL <input checked="" type="checkbox"/> GAS WELL <input type="checkbox"/> OTHER _____		7. UNIT or CA AGREEMENT NAME:
2. NAME OF OPERATOR Tidewater Oil & Gas, LLC		8. WELL NAME and NUMBER Old Sagers Federal 13-32-2222
3. ADDRESS OF OPERATOR 1645 Court Pl., Suite 310 Denver CO 80202		9. API NUMBER: 49-019-31497
		10. FIELD AND POOL, OR WILDCAT WILDCAT
4. LOCATION OF WELL FOOTAGES AT SURFACE 1984 FNL & 2024 FEL		COUNTY: Grand
QTR/QR SECTION, TOWNSHIP, RANGE, MERIDIAN: SWNE 13 22S 22E		STATE: UTAH

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 <small>(Submit in Duplicate)</small> Approximate date work will start _____ <input type="checkbox"/> SUBSEQUENT REPORT <small>(Submit Original Form Only)</small> 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 checked="" 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 type="checkbox"/> OTHER: _____
	<input type="checkbox"/> CONVERT WELL TYPE	<input type="checkbox"/> RECOMPLETE - DIFFERENT FORMATION	

12 DESCRIBE PROPOSED OR COMPLETED OPERATIONS. Clearly show all pertinent details including dates, depths, volumes, etc.
Operator will install 1000 feet of surface casing in well

NAME (PLEASE PRINT) <u>R.E. Knight</u>	TITLE <u>Agent</u>
SIGNATURE <u><i>R.E. Knight</i></u>	DATE <u>7/26/2007</u>

(This space for State use only)

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

FORM 9

SUNDRY NOTICES AND REPORTS ON WELLS		5. LEASE DESIGNATION AND SERIAL NUMBER UTU-81437
Do not use this form for proposals to drill new wells, significantly deepen existing wells below current bottom-hole depth, reenter plugged wells, or to drill horizontal laterals. Use APPLICATION FOR PERMIT TO DRILL form for such proposals.		6. IF INDIAN, ALLOTTEE OR TRIBE NAME:
		7. UNIT or CA AGREEMENT NAME:
1. TYPE OF WELL OIL WELL <input checked="" type="checkbox"/> GAS WELL <input type="checkbox"/> OTHER _____	8. WELL NAME and NUMBER: OLD SAGERS FED 13-32-2222	
2. NAME OF OPERATOR: Tidewater Oil & Gas, LLC		9. API NUMBER: 4301931497
3. ADDRESS OF OPERATOR: 110 16th St., Suite 1220 Denver CO 80202	PHONE NUMBER: (303) 486-0656	10. FIELD AND POOL, OR WILDCAT: WILDCAT

4. LOCATION OF WELL

FOOTAGES AT SURFACE **1984 FNL, 2025 FEL** COUNTY **GRAND**

QTR/QTR, SECTION, TOWNSHIP, RANGE, MERIDIAN: **SWNE 13 22S 22E** STATE: **UTAH**

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: <u>11/1/2007</u>	<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.
TIDEWATER OIL & GAS, LLC REQUESTS AN APD EXTENSION FOR THIS WELL.

Approved by the
Utah Division of
Oil, Gas and Mining

Date: 08-14-07
By: [Signature]

NAME (PLEASE PRINT) R.E. KNIGHT	TITLE Agent
SIGNATURE <u>[Signature]</u>	DATE 8/8/2007

(This space for State use only)

COPIES SENT TO OPERATOR
DATE: 8-15-07
BY: [Signature]

(See Instructions on Reverse Side)

(5/2000)



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

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

API: 4301931497
Well Name: OLD SAGERS FED 13-32-2222
Location: SWNE Sec 13, T22S, R22E
Company Permit Issued to: Tidewater Oil & Gas, LLC
Date Original Permit Issued: 8/17/2006

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

RE Knight
Signature

8/12/2007
Date

Title: Agent

Representing: Tidewater Oil & Gas, LLC

Division of Oil, Gas and Mining
OPERATOR CHANGE WORKSHEET

ROUTING
1. DJJ
2. CDW

X - Change of Operator (Well Sold)

Operator Name Change/Merger

The operator of the well(s) listed below has changed, effective:

2/12/2008

FROM: (Old Operator): N3000-Tidewater Oil & Gas Company, LLC 110 16th St, Suite 1200 Denver, CO 80202 Phone: 1 (303) 327-7134	TO: (New Operator): N3440-NAE, LLC 16800 Imperial Valley Dr, Suite 380 Houston, TX 77060 Phone: 1 (281) 931-8933
--	--

CA No.

Unit:

WELL NAME	SEC	TWN	RNG	API NO	ENTITY NO	LEASE TYPE	WELL TYPE	WELL STATUS
SEE ATTACHED LIST								

OPERATOR CHANGES DOCUMENTATION

Enter date after each listed item is completed

- (R649-8-10) Sundry or legal documentation was received from the **FORMER** operator on: 2/26/2008
- (R649-8-10) Sundry or legal documentation was received from the **NEW** operator on: 2/22/2008
- The new company was checked on the **Department of Commerce, Division of Corporations Database** on: 1/15/2008
- Is the new operator registered in the State of Utah: _____ Business Number: 6666480-0161
- If **NO**, the operator was contacted contacted on: _____
- (R649-9-2)Waste Management Plan has been received on: IN PLACE
- Inspections of LA PA state/fee well sites complete on: ok
- Reports current for Production/Disposition & Sundries on: ok
- Federal and Indian Lease Wells:** The BLM and or the BIA has approved the merger, name change, or operator change for all wells listed on Federal or Indian leases on: BLM not yet BIA
- Federal and Indian Units:**
The BLM or BIA has approved the successor of unit operator for wells listed on: not yet
- Federal and Indian Communization Agreements ("CA"):**
The BLM or BIA has approved the operator for all wells listed within a CA on: n/a
- Underground Injection Control ("UIC")** The Division has approved UIC Form 5, **Transfer of Authority to Inject**, for the enhanced/secondary recovery unit/project for the water disposal well(s) listed on: n/a

DATA ENTRY:

- Changes entered in the **Oil and Gas Database** on: 2/27/2008
- Changes have been entered on the **Monthly Operator Change Spread Sheet** on: 2/27/2008
- Bond information entered in RBDMS on: 2/27/2008
- Fee/State wells attached to bond in RBDMS on: 2/27/2008
- Injection Projects to new operator in RBDMS on: n/a
- Receipt of Acceptance of Drilling Procedures for APD/New on: 2/27/2008

BOND VERIFICATION:

- Federal well(s) covered by Bond Number: UTB000296
- Indian well(s) covered by Bond Number: n/a
- (R649-3-1) The **NEW** operator of any fee well(s) listed covered by Bond Number 8030575893
- The **FORMER** operator has requested a release of liability from their bond on: 2/22/2008
The Division sent response by letter on: n/a

LEASE INTEREST OWNER NOTIFICATION:

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

COMMENTS:

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

FORM 9

SUNDRY NOTICES AND REPORTS ON WELLS

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.

5. LEASE DESIGNATION AND SERIAL NUMBER:

6. IF INDIAN, ALLOTTEE OR TRIBE NAME:

7. UNIT or CA AGREEMENT NAME:

1. TYPE OF WELL OIL WELL GAS WELL OTHER _____

8. WELL NAME and NUMBER:

see attached list

9. API NUMBER:

2. NAME OF OPERATOR:
NAE, LLC *N3440*

3. ADDRESS OF OPERATOR:
16800 Imperial Valley Dr. CITY Ste. 380 HOUSTON STATE TX ZIP 77060 PHONE NUMBER: (281) 931-8933

10. FIELD AND POOL, OR WILDCAT:

4. LOCATION OF WELL
FOOTAGES AT SURFACE: _____ COUNTY: _____
QTR/QTR, SECTION, TOWNSHIP, RANGE, MERIDIAN: _____ STATE: **UTAH**

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

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

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

NAE, LLC will be assuming all plugging and reclamation liabilities for the wells on the schedule attached hereto.

Effective Date: 2/12/08

Federal Bond Number: UTB000296

State Bond Number: 8030575893

Name: Tidewater Oil & Gas Company LLC. Address: 110 16th St., Ste 1200, Denver, CO 80202

Signature: *[Signature]* *N3000*
Title: *Manager*
Date: *02/21/08*

NAME (PLEASE PRINT) MICHAEL CORWISH TITLE MANAGER NAE
SIGNATURE [Signature] DATE 2/13/08

(This space for State use only)

(5/2003)

APPROVED 2127108
Earlene Russell
Division of Oil, Gas and Mining
Earlene Russell, Engineering Technician

(See Instructions on Reverse Side)

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FEB 22 2008
DIV. OF OIL, GAS & MINING

well_name	sec	twp	rng	api	entity	lease	well	stat
FEDERAL MSC 26-1	26	210S	190E	4301931407	14785	Federal	GW	S
FEDERAL 7-34-2122	07	210S	220E	4301931484		Federal	OW	APD
BLACK HAT FED 18-43-2224	18	220S	240E	4301931495		Federal	OW	APD
OLD SAGERS FED 13-32-2222	13	220S	220E	4301931497		Federal	OW	APD
STATE 1-32	32	210S	190E	4301931394	13598	State	OW	PA
STATE 21-19 (32-16D)	32	210S	190E	4301931399	13903	State	OW	TA
STATE MSC 16-1	16	210S	200E	4301931401	14166	State	OW	S
STATE MSC 35-1	35	210S	190E	4301931404	14259	State	GW	S
N THOMPSON 2-1	02	210S	200E	4301931412	14376	State	GW	OPS
TIDEWATER ST 23-5	23	210S	230E	4301931466	16258	State	OW	PA
TIDEWATER ST 23-2	23	210S	230E	4301931467		State	GW	APD
TIDEWATER ST 23-1	23	210S	230E	4301931468		State	GW	APD

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

Request to Transfer Application or Permit to Drill

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

Well name:	* Please see attached schedule *
API number:	
Location:	
Company that filed original application:	Tidewater oil + Gas Company
Date original permit was issued:	
Company that permit was issued to:	

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

Following is a checklist of some items related to the application, which should be verified.	Yes	No
If located on private land, has the ownership changed?		<input checked="" type="checkbox"/>
<input type="checkbox"/> If so, has the surface agreement been updated?		
Have any wells been drilled in the vicinity of the proposed well which would affect the spacing or siting requirements for this location?		<input checked="" type="checkbox"/>
Have there been any unit or other agreements put in place that could affect the permitting or operation of this proposed well?		<input checked="" type="checkbox"/>
Have there been any changes to the access route including ownership or right-of-way, which could affect the proposed location?		<input checked="" type="checkbox"/>
Has the approved source of water for drilling changed?		<input checked="" type="checkbox"/>
Have there been any physical changes to the surface location or access route which will require a change in plans from what was discussed at the onsite evaluation?		<input checked="" type="checkbox"/>
Is bonding still in place, which covers this proposed well? Bond No. <u>8030575893</u>	<input checked="" type="checkbox"/>	

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

Name (please print) Michael Carnish Title MANAGER
 Signature [Signature] Date 2-26-08
 Representing (company name) NAE, LLC

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

(3/2004)

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FEB 26 2008

DIV. OF OIL, GAS & MINING



JON M. HUNTSMAN, JR.
Governor

GARY R. HERBERT
Lieutenant Governor

State of Utah

DEPARTMENT OF NATURAL RESOURCES

MICHAEL R. STYLER
Executive Director

Division of Oil, Gas and Mining

JOHN R. BAZA
Division Director

October 23, 2008

R.E. Knight
Tidewater Oil & Gas, LLC
110 16TH Street, Suite 1220
Denver, CO 80202

Re: APD Rescinded – Old Sagers Fed. 13-32-2222 Sec. 13 T. 22 R. 22E
Grand County, Utah API No. 43-019-31497

Dear Mr. Knight:

The Application for Permit to Drill (APD) for the subject well was approved by the Division of Oil, Gas and Mining (Division) on April 17, 2006. On August 14, 2007, 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 October 23, 2008.

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