

February 18, 2008

Division of Oil, Gas and Mining
West North Temple, Suite 1210
Box 145801
Salt Lake City, Utah 84114-5801

Attention: Diana Mason

RE: CRU 31-24-2218
Surface Location: SESW Sec. 31-T22S-R18E
680' FSL – 1950' FWL
Lease Serial No.: UTU-073489
Grand County, Utah

Dear Ms. Mason:

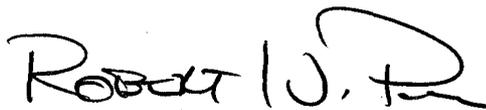
Enclosed is the application to drill concerning the above-referenced proposed well. This information was also submitted to the Bureau of Land Management.

NAE, LLC is requesting this application and all future information be held as confidential as long as permitted.

If any questions arise or additional information is required, please contact me at 970-241-7146 x309.

Very truly yours,

WOLCOTT, LLC



Robert W. Peck
Landman-Permitting Agent

729 Bookcliff Avenue
Grand Junction, CO
81501

/rwp
Enclosures as stated:

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: UTU073489	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 checked="" type="checkbox"/> MULTIPLE ZONE <input type="checkbox"/>				8. UNIT or CA AGREEMENT NAME: Cactus Rose Unit	
2. NAME OF OPERATOR: NAE, LLC				9. WELL NAME and NUMBER: CRU 31-24-2218	
3. ADDRESS OF OPERATOR: 110 16th St., Suite 1220 CITY Denver STATE CO ZIP 80202			PHONE NUMBER: (303) 327-7145	10. FIELD AND POOL, OR WILDCAT: undesignated Wildcat	
4. LOCATION OF WELL (FOOTAGES) AT SURFACE: 680' FSL 1950' FWL 588689X 38.848946 AT PROPOSED PRODUCING ZONE: same 43603034 -109.977990				11. QTR/QTR, SECTION, TOWNSHIP, RANGE, MERIDIAN: SESW 31 22S 18E S	
14. DISTANCE IN MILES AND DIRECTION FROM NEAREST TOWN OR POST OFFICE: 22 miles southeast of Green River, Utah				12. COUNTY: Grand	13. STATE: UTAH
15. DISTANCE TO NEAREST PROPERTY OR LEASE LINE (FEET) 680'		16. NUMBER OF ACRES IN LEASE: 1250.84		17. NUMBER OF ACRES ASSIGNED TO THIS WELL: 40	
18. DISTANCE TO NEAREST WELL (DRILLING, COMPLETED, OR APPLIED FOR) ON THIS LEASE (FEET) .65 mile to PA		19. PROPOSED DEPTH: 2,325		20. BOND DESCRIPTION: UTB000296	
21. ELEVATIONS (SHOW WHETHER DF, RT, GR, ETC.): 4449' GL ungraded		22. APPROXIMATE DATE WORK WILL START: 3/1/2008		23. ESTIMATED DURATION: 20 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		
20"	16" OD	40	3 yards	Ready Mix	
12-1/4"	8-5/8" J-55 24#	400	Howco Rockies LT	160 sxs	2.08 12.8
7-7/8"	5-1/2" K-55 15.5#	1,125	Howco Rockies LT	140 sxs	2.08 12.8
		1,200	Howco Rockies LT	140 sxs	2.08 12.8

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 type="checkbox"/> EVIDENCE OF DIVISION OF WATER RIGHTS APPROVAL FOR USE OF WATER	<input type="checkbox"/> FORM 5, IF OPERATOR IS PERSON OR COMPANY OTHER THAN THE LEASE OWNER

NAME (PLEASE PRINT) Robert W. Peck TITLE Landman Permitting Agent
SIGNATURE *Robert W. Peck* DATE 2/16/2008

(This space for State use only)

Approved by the Utah Division of Oil, Gas and Mining

CONFIDENTIAL

API NUMBER ASSIGNED: 43-019-31572 APPROVAL: _____

Date: 04-06-08
(See Instructions on Reverse Side)

By: *[Signature]*

FEDERAL APPROVAL OF THIS ACTION IS NECESSARY

RECEIVED FEB 19 2008
DIV. OF OIL, GAS & MINING

26 | 30
36 | 31

30 | 28
31 | 32

S89°52'32"E 2524'

S89°52'47"E 2644'

N0°00'17"W 5288'

S0°02'00"E 5280'

SECTION 31

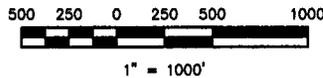
1950'

680'

2585'

2585'

S89°57'43"E



BASIS OF BEARING:

True North Based Upon GPS Observations.

BASIS OF ELEVATION:

WGS 84 Autonomous GPS Position.

WELL HEAD LOCATION NAD83:

Grid Coordinates
 Northing: 4300513.098
 Easting: 588617.420
 Datum Elevation 1355.917 M

NOTES:

All dimensions as shown are based on the approved USGLO plat.

There are no visible improvements within two-hundred (200) feet of the wellhead.

The surface ground is range land.

Date of Survey: January 21, 2008

Date of Plat: February 18, 2008



FOUND STONE



WELL SITE



ENGINEERING DESIGN SERVICES BY
DEL-MONT CONSULTANTS, INC.
 ENGINEERING • SURVEYING • PLANNING
 125 Colorado Ave. • Montrose, CO 81401 • (970) 249-2251 • (970) 249-2342 fax
 www.del-mont.com • service@del-mont.com

WELL PAD TEMPLATE (400x300) 31 SIDES
 RIG TEMPLATE, BLACKHAWK (BLACK GOLD EQUIPMENT NT RIG 20X)

DESIGNED BY: SNS AS NOTED

CHECKED BY: SNS FILE NAME: 08021C_CRU_31-24-22-18

DRILL PAD LOCATION MAP

CRU 31-24-22-18

T22S, R18E, Section 31; S,L,B&M

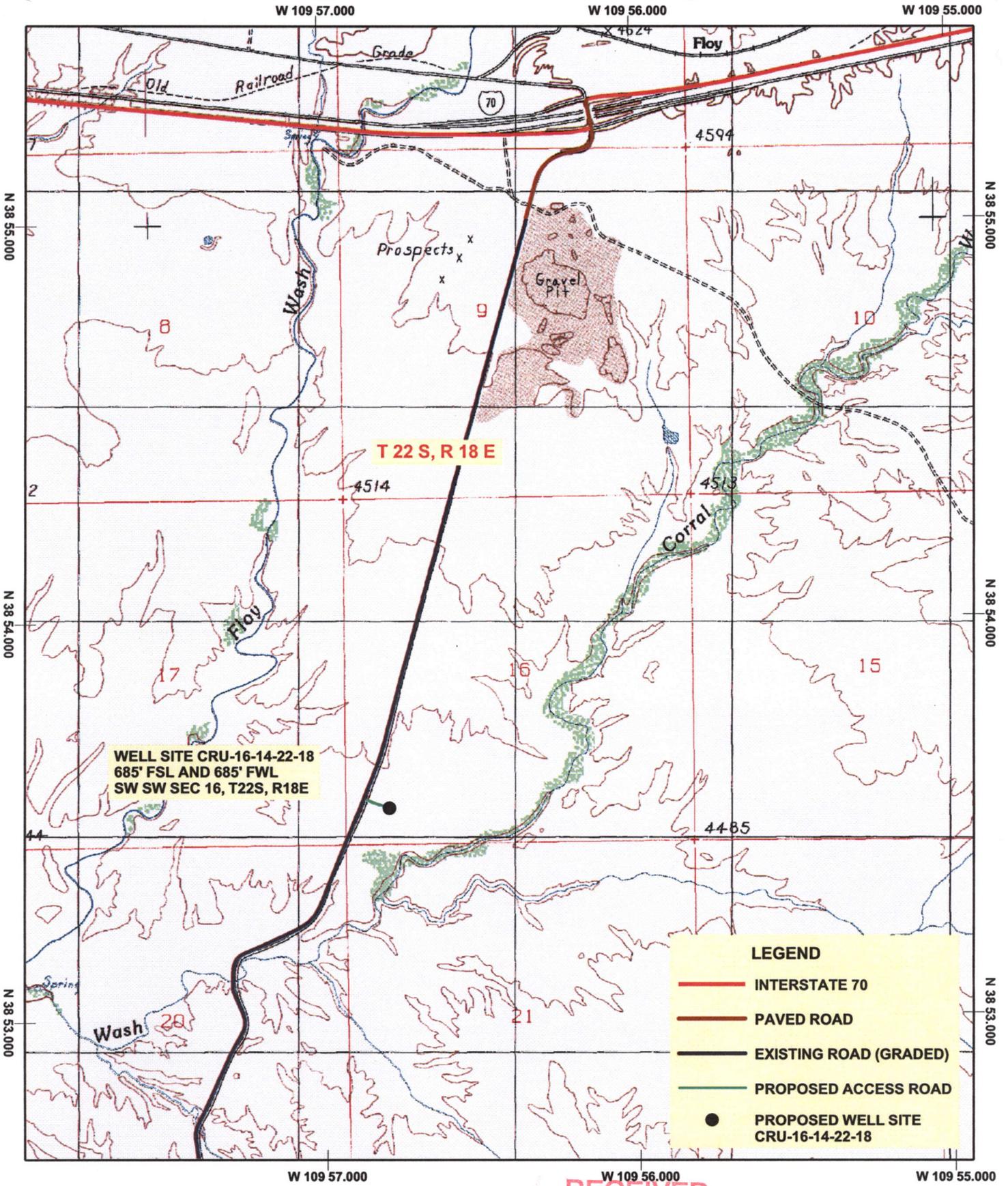
Grand County, Utah

D.M. JOB NO.: 08021

DATE ISSUED: 2008-02-18

SHEET: 1

FIELD SURVEYING SERVICES BY
SOUTHWEST LAND SURVEYING LLC
 1315 Snowden St., Silverton, CO 81433
 (970) 367-0600...Silverton (970) 874-2880...Delta
 (970) 874-0883...fax EMAIL: kenschnig@swl.com

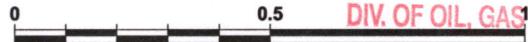


PORTIONS OF THE HATCH MESA
 USGS 1:24,000 QUADRANGLE
 DATUM: NAD83
 PROJECTION: UTM
 LATITUDE-LONGITUDE (NAD83)
 DECIMAL MINUTE GRID



RECEIVED

MAR 03 2008



SCALE 1:24,000 1" = 2000'

NORTH AMERICAN EXPLORATION, LLC
 PROPOSED WELL SITE CRU-16-14-22-18
 SW SW SEC 16, T. 22 S., R. 18 E.
 GRAND COUNTY, UT
 FEBRUARY, 2008

DIV. OF OIL, GAS & MINING

North American Exploration, LLC
CRU (Cactus Rose Unit) 31-24-2218
SESW Sec. 31-T22S-R18E
Grand County, Utah
Lease # UTU 073489

ONSHORE ORDER 1 - DRILLING PLAN

1. Estimated Tops of Geological Markers:

Formation	Depth (K.B.)
Morrison Brushy Basin Member	Surface
Moab Tongue	560'
Entrada Earthy	580'
Entrada Slick Rock	690'
Carmel	1075'
Navajo	1205'
Kayenta	1750'
Wingate	1930'
Chinle	2175'

**2. Estimated Depths of Anticipated Water, Oil, Gas or Other Minerals:
(per Proposed Wellbore Construction Diagram attached)**

Formation	Depth (K.B.)	Substance
Moab Tongue	560'	Oil/Gas/Water
Entrada Earthy	580'	Oil/Gas/Water
Entrada Slick Rock	690'	Oil/Gas/Water
Carmel	1075'	Oil/Gas/Water
Navajo	1205'	Oil/Gas/Water
Kayenta	1750'	Oil/Gas/Water
Wingate	1930'	Oil/Gas/Water
Chinle	2175'	Oil/Gas/Water
	Estimated TD	2325'

3. Pressure Control Equipment: (3000 psi schematic attached)

- A. Type: Eleven (11) inch double gate hydraulic BOP with eleven (11) inch annular preventer on 3,000 psi casinghead, with 3,000 psi choke manifold equipped per the attached diagram. BOPE as specified in *Onshore Oil & Gas Order Number*.
- B. A PVT, stroke counter and flow sensor will be installed to check for flow and monitor pit volume.
- C. Pressure Rating: 3,000 psi BOPE.
- D. Kelly will be equipped with upper and lower Kelly valves.
- E. Testing Procedure:

Annular Preventer

At a minimum, the annular preventer will be pressure tested to 50% of the stack rated working pressure for a period of ten (10) minutes or until provisions of the test are met, whichever is longer.

At a minimum, the above pressure test will be performed:

1. When the annular preventer is initially installed;
2. Whenever any seal subject to test pressure is broken;
3. Following related repairs; and
4. At thirty (30) day intervals.

In addition to the above, the annular preventer will be functionally operated at least weekly.

Blow-Out Preventer (Pipe Rams and Blind Rams)

At a minimum, the BOP, choke manifold, and related equipment will be pressure tested to the approved working pressure of the BOP stack (if isolated from the surface casing by a test plug) or to 70% of the internal yield strength of the surface casing (if the BOP is not isolated from the casing by a test plug). Pressure will be maintained for a period of at least ten (10) minutes or until the requirements of the test are met, whichever is longer.

At a minimum, the above pressure test will be performed:

1. When the BOP is initially installed;
2. Whenever any seal subject to test pressure is broken;
3. Following related repairs; and
4. At thirty (30) day intervals.

In addition to the above, the pipe and blind rams will be activated each trip, but not more than once each day. All BOP drills and tests will be recorded in the IADC driller's log.

E. Miscellaneous Information:

The blowout preventer and related pressure control equipment will be installed, tested and maintained in compliance with the specifications in and requirements of *Onshore Oil & Gas Order Number 2*.

4. Proposed Casing & Cementing Program:

A. Casing Program: All New

Hole Size	Casing Size	Wt./Ft.	Grade	Joint	Depth Set (MD)
20"	16" O.D.	0.25" w.t.			40' (BGL)
12-1/4"	8-5/8" O.D.	24#	J-55	ST&C	0 – 400' (KB) est.
7-7/8"	5-1/2"	15.5#	K-55	LT&C	0 – 2,325' (KB) est.

The surface casing will have guide shoe, 1 joint, and float collar. Centralize the shoe joint with bowspring centralizers in the middle and top of the joint and then place bowspring centralizers on every other collar to surface (~6 centralizers total). Thread lock guide shoe and bottom of float collar.

Casing string(s) will be pressure tested to 0.22 psi/foot of casing string length or 1500 psi, whichever is greater (not to exceed 70% of the internal yield strength of the casing), after cementing and prior to drilling out from under the casing shoe.

B. Casing Design Parameters:

Depth (MD)	Casing	Collapse (psi)/SF	Burst (psi)/SF	Tension (Mlbs)/SF
40' (GL)	16" OD	NA	NA	NA
400' (KB)	8-5/8", 24#/ft, J55, STC	1370/7.66(a)	2950/2.65(b)	244M/39.35(c)
2325' (KB)	5-1/2", 15.5#/ft, K55, STC	4040/3.34 (d)	4810/4.32 (e)	222M/6.16 (f)

- (a.) based on full evacuation of pipe with 8.6 ppg fluid on annulus
- (b.) based on 8.6 ppg gradient with no fluid on annulus
- (c.) based on casing string weight in air
- (d.) based on full evacuation of pipe with 10.0 ppg fluid on annulus
- (e.) based on 9.2 ppg gradient, gas to surface, with no fluid on annulus, no gas gradient
- (f.) based on casing string weight in air

PROPOSED CEMENTING PROGRAM

Surface Casing (if well will circulate)-Cemented to surface

CASING	SLURRY	FT. of FILL	CEMENT TYPE	SXS	EXCESS (%)	WEIGHT (ppg)	YIELD (ft ³ /sx)
8-5/8"	Lead/Tail	400	Howco Rockies LT cement + 0.25 pps Poly-E-Flake	160	100%	12.8	2.08

A cement top job is required if cement fallback is greater than 10' below ground level. Top job (weight 15.8 ppg, yield 1.15 ft³/sx) cement will be premium cement w/ 3% CaCl₂+ 0.25 pps celloflake. Volume as required.

Production Casing - Cemented TD to surface

CASING	SLURRY	FT. of FILL	CEMENT TYPE	SXS	EXCESS (%)	WEIGHT (ppg)	YIELD (ft ³ /sx)
5-1/2"	Stage 1	1125	Howco Rockies LT + 0.25 pps celloflake	140	40% over caliper	12.8	2.08
5-1/2"	Stage 2	1200	Howco Rockies LT + 0.25 pps celloflake	140	40% over caliper	12.8	2.08

Cement volumes for the 5-1/2" Production Casing will be calculated to provide a top of cement to surface. Cement volumes are approximate and were calculated under the assumption that a gauge hole will be achieved. Actual cement volumes may vary due to variations in the actual hole size and will be determined by running a caliper log on the drilled hole and adding 40% excess. Actual cement types may vary due to hole conditions and cement contractor used.

All waiting on cement (WOC) times will be adequate to achieve a minimum of 500 psi compressive strength at the casing shoe prior to drilling out.

5. Drilling Fluids (mud) Program:

Interval (MD)	Mud Weight	Fluid Loss	Viscosity	Mud Type
0' - 40' (KB)	<8.4	No cntrl	28	Water
40'-400' (KB)	8.4-8.6	No cntrl	28-36	FW Gel/Lime
400'-2325' (KB)	8.4-9.0	8 - 10 ml	32-42	Gel/Polymer Fresh Water Base

Sufficient mud material(s) to maintain mud properties, control lost circulation and contain a blowout will be available at the well site during drilling operations.

6. Evaluation Program:

Tests: As required.

Coring: No cores are currently planned.

Samples: Two (2) sets of cleaned, dried, labeled formation samples will be taken not less than every 20' from the top of the Dakota Sandstone (~1550' TVD RKB) to Total Depth. One (1) set of samples will be sent to the Utah Division of Oil, Gas and Mining at the completion of the well.

Logging

Dual Induction – Triple Combo (CNL/FDC/DIL/GR/CAL)

- Cement Bond Log / Gamma Ray:

TD to Base of Surface Casing or Top of Cement if below Base of Surface Casing

Stimulation: A stimulation or frac treatment will be designed for completion of this well based on openhole log analysis. The drill site, as approved, will be sufficient size to accommodate all completion activities.

7. Abnormal Conditions:

No abnormal temperatures or pressures are anticipated. No H₂S has been encountered or known to exist from previous wells drilled to similar depths in the general area.

Maximum anticipated bottom hole pressure equals approximately 1112 psi (calculated at 0.52 psi/ft of hole) and maximum anticipated surface pressure equals approximately 601 psi (anticipated bottom hole pressure minus the pressure of a partially evacuated hole calculated at 0.22 psi/foot of hole).

8. Anticipated Starting Dates:

- Anticipated Commencement Date- Within one year of APD issue.
- Drilling Days- Approximately 10 days
- Completion Days - Approximately 5 days
- Anticipate location construction within 30 days of permit issue.

9. Variances:

None anticipated

10. Other:

A Cultural Resource Inventory and Paleontology reconnaissance shall be conducted for the well location, access route and pipeline. The reports shall be submitted to the Division of Oil, Gas and Mining and the Bureau of Land Management upon their receipt.

Single Shot directional surveys will be dropped on every bit trip or will be run on slick line not less than every 1000' of hole drilled, and a survey will be dropped at TD.

**North American Exploration, LLC
Cactus Rose Unit CRU 31-24-2218
SESW Sec. 31, T.22S., R.18E.
Grand County, Utah
Lease # UTU 073489**

MULTI-POINT SURFACE USE & OPERATIONS PLAN

1. Existing Roads:

Directions to the CRU 31-24-2218 Well Pad:

As proceeding west on I-70 from Moab, Utah: Leaving the interstate, take exit #175. Turn left and go over I-70 on the overpass. The road is asphalted and curves to the right, then left at .2 mile. This is the Ranch Exit #175, A.K.A. County Road 147. Proceeding in a southerly direction along this road for 6 miles to the well site access road which will be on the left. Turn left onto well site access road 300' to the proposed well pad.

Total distance from exit #175 stop sign 6.1 miles in a southerly direction.

2. Planned Access Roads:

The proposed access road will be approximately 300 feet of new construction (ON-LEASE). The balance of the ON-LEASE road is the Ranch Exit #175, A.K.A. County Road 147 and will not have to be improved. No new road will have to be built OFF-LEASE. Please refer to Topo Map "B" for the takeoff point for the new ON-LEASE road construction.

The proposed access road will be utilized to transport personnel, equipment and supplies to and from the proposed well site during drilling, completion and production operations. The road will be utilized year round.

The access road will be crowned 2% to 3%, ditched and constructed with a running surface of 18 feet and a maximum disturbed width of 30 feet right-of-way. Maximum grade of road is 5% or less. Graveling or capping the roadbed will be performed as necessary to provided a well constructed, safe road. No fence crossings, culverts, turnouts, cattle guards or major cuts and fills are required. Prior to construction or upgrading, the proposed road shall be cleared of any snow and allowed to dry completely.

Surface disturbance and vehicular traffic will be limited to the proposed location and proposed access route. Any additional area needed will be approved in advance. All construction shall be in conformance with the standards outlined in the BLM and Forest Service publication: Surface Operating Standards for Oil and Gas Exploration and Development. 1989.

The road surface and shoulders will be kept in a safe usable condition and will be maintained in accordance with the original construction standards. All drainage ditches will be kept clear and free flowing and will be maintained according to original construction standards. The access road surface will be kept free of trash during

operations. All traffic will be confined to the approved disturbed surface. Road drainage crossings shall be designed so they will not cause siltation or accumulation of debris in the drainage crossing nor shall the drainages be blocked by the road bed. Erosion of drainage ditches by runoff water shall be prevented by diverting water off at frequent intervals by means of cutouts. Upgrading shall not be allowed during muddy conditions. Should mud holes develop, they shall be filled in and detours around them avoided. When snow is removed from the road during the winter months, the snow shall be pushed outside of the borrow ditches and the turnouts kept clear so that snowmelt will be channeled away from the road.

3. Location of Existing Wells within a One-Mile radius (See "Topo" Map attached):

The following wells are wells located within a one (1) mile or greater radius of the proposed location.

Plugged & Abandoned Wells:

- a. Cactus Rose Unit, NESE of Sec 36-T22S-R17E, API 43-019-31535, Operator: N3000, Name: Cactus Rose 36-43-2217
- b. NESW of Sec 5-T23S-R18E, API 43-019-31362, Operator: N8265, Name: Government 2318 5-1

4. Location of Existing and/or Proposed Facilities:

All production facilities will be located on the disturbed portion of the well pad and at a minimum of 25 feet from the toe of the back slope or the top of the fill slope.

A dike will be constructed completely around those production facilities which contain fluids (i.e. production tanks, produced water tanks and/or heater treater). These dikes will be constructed of compacted subsoil, be impervious, hold 100% of the capacity of the largest tank and be independent of the back cut.

All permanent (on site for six months or longer) above the ground structures constructed or installed, including pumping units, will be painted a flat, non-reflective, earth tone color to match one of the standard environmental colors, as determined by the rocky Mountain Five State Inter-Agency Committee

All facilities will be painted within 6 months of installation. The color shall be Desert Tan. Facilities required to comply with the Occupational Safety and Health Act (OSHA) will be excluded.

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

No pipelines are located or planned at this time

Upon plugging and abandonment, the disturbed area will be re-contoured and restored as near as practical to the original condition. If necessary, re-seeding operations will be performed after completion of other reclamation operations.

5. Location and Type of Water Supply:

Water will be hauled to the location over the roads marked on the enclosed maps. The drilling operator will acquire non-potable water on an as-need basis from local sub-contractors.

No water well is to be drilled on this lease.

6 Source of Construction Materials:

Surface and subsoil materials in the immediate area will be utilized from location and access road construction.

Any gravel will be obtained from a commercial source; however, gravel sized rock debris associated with location and access road construction may be used as access road surfacing material.

7. Methods of Handling Waste Materials:

Drill cuttings will be contained and buried in the reserve pit.

Drilling fluids, including salts and chemicals, will be contained in an evaporative pit.

The reserve pit will be constructed on the location and will not be located within natural drainage, where a flood hazard exists or surface runoff will destroy or damage the pit walls. The reserve pit will be constructed so that it will not leak, break or allow discharge of liquids.

The reserve pit will be lined with ¼ felt and a minimum of 16 mm plastic with sufficient bedding used to cover any rocks. The liner will overlap the pit walls and be covered with dirt and/or rocks to hold it in place. No trash or scrap that could puncture the liner will be disposed of in the pit.

A chemical portable toilet will be furnished with the drilling rig. The toilet will be replaced periodically utilizing a licensed contractor to transport by truck the portable chemical toilet so that its contents can be delivered to the Vernal Wastewater Treatment Facility in accordance with state and county regulations.

Garbage, trash and other waste materials will be collected in a portable, self-contained, fully enclosed trash container during operations. No trash will be burned on location.

All debris and other waste material not contained in the trash container will be cleaned up and removed from the location immediately after removal of the drilling rig.

Any open pits will be fenced during the operations. The fencing will be maintained until such time as the pits are backfilled.

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 in association with the drilling, completion or testing of this 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, completion or testing of this well.

Produced oil will be stored in an oil tank and then hauled by truck to a crude purchaser facility. Any produced water from the proposed well will be contained in an evaporative pit.

8. Ancillary Facilities:

During drilling operations, approximately 20 days, the site will be a manned camp. Three or four additional trailers will be on location to serve as the crews' housing and eating facilities. These will be located on the perimeter of the pad site within the topsoil stockpiles. Refer to Sheet 4.

9. Well Site Layout: (Refer to Sheets #2, #3, and #4)

The attached Location Layout Diagrams describes drill pad cross-sections, cuts and fills and locations of the mud tanks, reserve pit, flare pit, pipe racks, trailer parking, spoil dirt stockpile(s) and surface material stockpiles(s).

Please see the attached diagram for rig orientation and access roads.

The top soil will be windrowed rather than piled. It will be reseeded and track walker at the time the location is constructed. Seeding will be with the determined during the onsite. (Refer to "Seed Mixture for Windrowed Top Soil Will included:" following herein.

The top soil removed from the pit area will be stored separately and will not be reseeded until the pit is reclaimed.

All pits shall be fenced to the following minimum standards:

- a. 39 inch net wire shall be used with at least one strand of barbed wire on top of the net wire. Barbed wire is not necessary if pipe or some type of reinforcement rod is attached to the top of the entire fence.
- b. The net wire shall be no more than 2 inches above the ground. The barbed wire shall be 3 inches over the new wire. Total height of the fence shall be at least 42 inches.
- c. Corner posts shall be cemented and/or braced in such a manner to keep the fence tight at all times.

- d. Standard steel, wood or pipe posts shall be used between the corner braces. Maximum distance between any two fence posts shall be no greater than 16 feet.
- e. All wire shall be stretched by, using a stretching device, before it is attached to corner posts.
- f. The reserve pit fencing will be on three sides during drilling operations and on the fourth side when the rig moves off location. Pits will be fenced and maintained until cleanup.
- g. Location size may change prior to drilling the well due to the current rig availability. If the proposed location is not large enough to accommodate the drilling, the location will be re-surveyed and a Form 9 will be submitted.

10. **Plans for Surface Reclamation:**

Producing Location:

- a. Immediately upon well completion, the location and surrounding area will be cleared of all unused tubing, equipment, materials, trash and debris not required for production.
- b. Immediately upon well completion, any hydrocarbons in the pit shall be removed in accordance with 40 CFR 3162.7.
- c. Before any dirt work associated with location restoration takes place, the reserve pit shall be as dry as possible. All debris in it will be removed. Other waste and spoil materials will be disposed of immediately upon completion of operations.
- d. The reserve pit and that portion of the location not needed for production facilities/operations will be re-contoured to the approximated natural contours. The reserve pit will be reclaimed within 90 days from the date of well completion, weather permitting.
- e. To prevent surface water(s) from standing (ponding) on the reclaimed reserve pit area, final reclamation of the reserve pit will consist of "mounding" the surface 3 feet above surrounding round surface to allow the reclaimed pit area to drain effectively.
- f. Upon completion of back filling, leveling and re-contouring, the stockpiled topsoil will be spread evenly over the reclaimed area(s).

Dry Hole/Abandoned Location:

- i. Abandoned well sites, roads and other disturbed areas will be restored as nearly as practical to their original condition. Where applicable, these conditions include the re-establishment of irrigation systems, the re-establishment of appropriate soil conditions and re-establishment of vegetation as specified.
- ii. All disturbed surfaces will be re-contoured to the approximated natural contours with reclamation of the well pad and access road to be performed as soon as practical after final abandonment. If necessary, re-seeding operations will be performed after completion of other reclamation operations.

Seed Mixture for Windrowed Top Soil Will Include:

To be provided by the Bureau of Land Management.

11. Surface Ownership: Location and Access Route:

Wellsite: Bureau of Land Management

Access: Bureau of Land Management

12. Other Information**On-site Inspection for Location, Access and Pipeline Route:**

The on-site was conducted February xx, 2008.

Special Conditions of Approval:

All production equipment shall be painted Desert Tan.

Archeology:

- a. A Cultural Resource Inventory Report is pending and to be prepared by Grand River Institute, Grand Junction, CO.

Paleontology:

- a. A Paleontology Reconnaissance Report is pending and to be prepared by Uinta Paleontological Associates, Inc, Vernal, UT.

If during operations, any archaeological or historical sites, or any objects of antiquity (subject to the Antiquities Act of June 8, 1906) are discovered, all operations which would affect such sites will be suspended and the discovery reported promptly to the surface management agency.

13. Lessee's or Operator's Representatives:**North American Exploration, LLC Representative:**

Erik Larsen
Land & Environmental Specialist
North American Exploration, LLC
110 16th Street, Suite 1220
Denver, Colorado 80202
Office Tel: 303-327-7144
Fax Tel: 303-534-1400
elarsen@naexp.com

Permitting Agent for North American Exploration, LLC:

Robert Peck
Landman – Permitting Agent
Wolcott, LLC
729 Bookcliff Ave., Unit B
Grand Junction, Colorado 81501
Office Tel: 970-241-7146 x309
Fax Tel: 970-241-2039
rpeck@wolcottllc.net



United States Department of the Interior

BUREAU OF LAND MANAGEMENT
Utah State Office
P.O. Box 45155
Salt Lake City, UT 84145-0155
<http://www.blm.gov>



C. Slaw
1/14/08

IN REPLY REFER TO:
3104
(UT922)

JAN 14 2008

DECISION

Obligor:

NAE, LLC	:	Bond Amount: \$25,000
369 Florida Hill Road	:	
Ridgefield, CT 06877	:	Bond Type: Statewide Oil and Gas
	:	
	:	BLM Bond No.: UTB000296

Statewide Personal Oil and Gas Bond Accepted

On January 14, 2008, this office received an executed bond form and cashier's check in the amount of \$25,000. The bond has been examined, found to be satisfactory, and is accepted January 14, 2008, the date of filing.

The funds will be retained in a suspense account until all terms and conditions of your Federal leases have been fulfilled or until a satisfactory replacement bond has been accepted, at which time a refund of the cash deposit will be authorized.

The bond will be maintained by this office. The bond constitutes coverage of all operations by or on behalf of the obligor on Federal leases in the State of Utah and where the obligor has interest in, or responsibility for operations on leases issued under the authority of any of the Acts cited on the bond form. Please note that Federal leases do not include Indian leases.

Terry Cutlin

for Becky J. Hammond
Chief, Branch of Fluid Minerals

bcc: Moab and Vernal Field Office
Fluid Minerals, Al McKee
Reading File
CSeare:cs (01/14/08)NAE

CRU 31-24-2118
Proposed Well Prognosis
Rig _____

Well: CRU 31-24-2218
Well Type: Vertical
Surface Location: 680' FSL, 1950' FWL, Sec.31, T22S, R18E
Latitude / Longitude:
Bottom Hole Location: 680' FSL, 1950' FWL, Sec.31, T22S, R18E
Permitted TD: 2325'
Author-Version-Date: WDL - Rev 0 - 01-16-08

AFE Number: XXXX
Field: Cactus Rose Unit
API Well Number: XX-XXX-XXXX
Elevation (ft): ~4444'
KB to GL (ft): ~10'
Objectives: Drill & evaluate Wingate Formation.

Geology Logs	BOP Testing Requirements	Casing and Cement	Depth (ft, MD)	Hole Size	Bit Run	Directional and Mud Data		
Surface is the Brushy Eiasin Member of the Jurassic Morrison			8.625" 3M screw-on Larkin head	40' of 16" 0.25" w.t. conductor in 20" hole with 6' diameter x 4' deep cellar				
	Cmt to surface is BLM Requirement		400' MD/TVD	12 1/4" Hole	Bit #1 12.25" Use retip bit or air/mining bit is drilled with air.	<p>Preferred Procedure: FW Gel/Lime spud mud + hi-vis PHPA Sweeps Use fibrous LCM (sawdust, cedar fiber) to control LC "Dry drilling" should be considered if LC persists.</p> <p>Alternative 1: Preset surface with mining rig (e.g., Lange) utilizing air/mist and concentric drill pipe to eliminate lost circulation concerns.</p> <p>Alternative 2: Drill surface with conventional trailer mounted rig with air compressor package & air hammer using air/mist drilling fluid</p> <p>Offset well (CRU 36-43-2217) attempted to drill to 400' w/ air & encountered water at 172' requiring mist to TD.</p> <p>Drop Inclination survey prior to POOH to run casing.</p>		
	<p>Surface Casing Cement: Pump 10 bbl water spacer. Pump 160 sx (2.08 cf/sx) mixed @ 12.8 ppg Howco Rockies LT cement + 0.125 #/sx Poly-E-Flake. 100% excess, cement designed to return to surface. Perform top job w/ Premium cement + 2% CaCl₂ @ 15.8 ppg, if necessary.</p> <p>Test casing to 1500 psi / 10 min prior to drill out.</p>	8 5/8", 24#, J55, STC						
Moab Tongue @ 560' TVD		RU 3M BOP stack per BLM requirements w/ pipe rams, blind rams and annular preventer.	2325' MD/TVD	7-7/8" Hole	Bit #2	(No Formation Integrity Test required)		
Entrada Earthy Member @ 580' TVD								<p>Drilling Fluids for Production Hole: Gel/Polymer Water Base Mud. Mud up with prehydrated gel/polymer (PHPA) mud in fresh water. Run Hi-Viscosity gel sweeps every 200-300 ft. and/or for tight hole. Utilize Fed Pac-R for FL control and Fed Rheosmart for rheology control</p>
Entrada Slick Rock @ 690' TVD	Test Ramschoko to: 250 psi / 10 min 3000 psi / 10 min							
Carmel @ 1075' TVD	Test Annular to: 1500 psi / 10 min							
Navajo @ 1205'				Stage Collar @ 1200'	Bit #3	Drop survey tool on TFNB.		
Kayenta @ 1750'								
Wingate @ 1930'								
Chinle @ 2175'								
TD 2325' MD/TVD		5-1/2", 17#, K55, LTC (0'-2325')				Drop survey tool on TOOH for logs.		

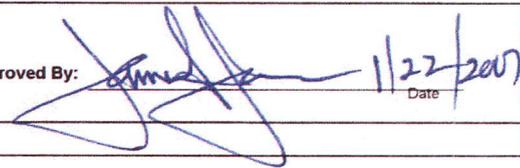
Surface Casing Cement: Pump 10 bbl water spacer. Pump 160 sx (2.08 cf/sx) mixed @ 12.8 ppg Howco Rockies LT cement + 0.125 #/sx Poly-E-Flake. 100% excess, cement designed to return to surface. Perform top job w/ Premium cement + 2% CaCl₂ @ 15.8 ppg, if necessary.

Longstring Cement: Pump 20 bbl FW spacer. Mix all blends 40% excess over caliper volume, cement designed to return to surface. **1st Stage:** Pump 140 sx Howco Rockies LT Cement (2.08 cf/sx) + 0.125 #/sx Poly-E-Flake mixed @ 12.8 ppg. Displace w/ FW. Open Stage Tool. **2nd Stage:** Pump 20 bbl FW spacer. Pump 140 sx Howco Rockies LT Cement + 0.125 #/sx Poly-E-Flake mixed @ 12.8 ppg. Displace w/ ~28 bbls FW

**Open Hole
Logs: DIL/
CNL/FDC/GR**

APPROVALS

Prepared By:  January 22, 2007
Date

Approved By:  1/22/2007
Date

PALEONTOLOGY EVALUATION SHEET

PROJECT: NORTH AMERICAN EXPLORATION - Well- Cactus Rose Unit 31-24-2218.

LOCATION: Approximately 13 miles southeast of Green River, Utah. 680' FSL 1950' FWL, Section 31, T22S, R18E, S.L.B.&M., Grand County, Utah

OWNERSHIP: PRIV[] STATE[] BLM[X] USFS[] NPS[] IND[] MIL[] OTHER[]

DATE: February 20, 2008

GEOLOGY/TOPOGRAPHY: Brushy Basin Member of the Morrison. The well pad is south of the existing county road with a short access road in from the north. General area slopes to the south, but there is a small drainage running southwest along the northwest side of the proposed location. This creates a small rise or hill along the southeast side of the well pad. The area has a thin alluvial cover of red eroded formation.

PALEONTOLOGY SURVEY: YES [X] NO Survey [] PARTIAL Survey []
Surveyed well pad and area beyond where construction impacts might occur. Surveyed while archaeologists were there.

SURVEY RESULTS: Invertebrate [] Plant [] Vertebrate [] Trace [] No Fossils Found [X]

PALEONTOLOGY SENSITIVITY: HIGH [] MEDIUM [x] LOW [X] (PROJECT SPECIFIC)
No fossils were found during the survey, but there was much ground cover in the area.

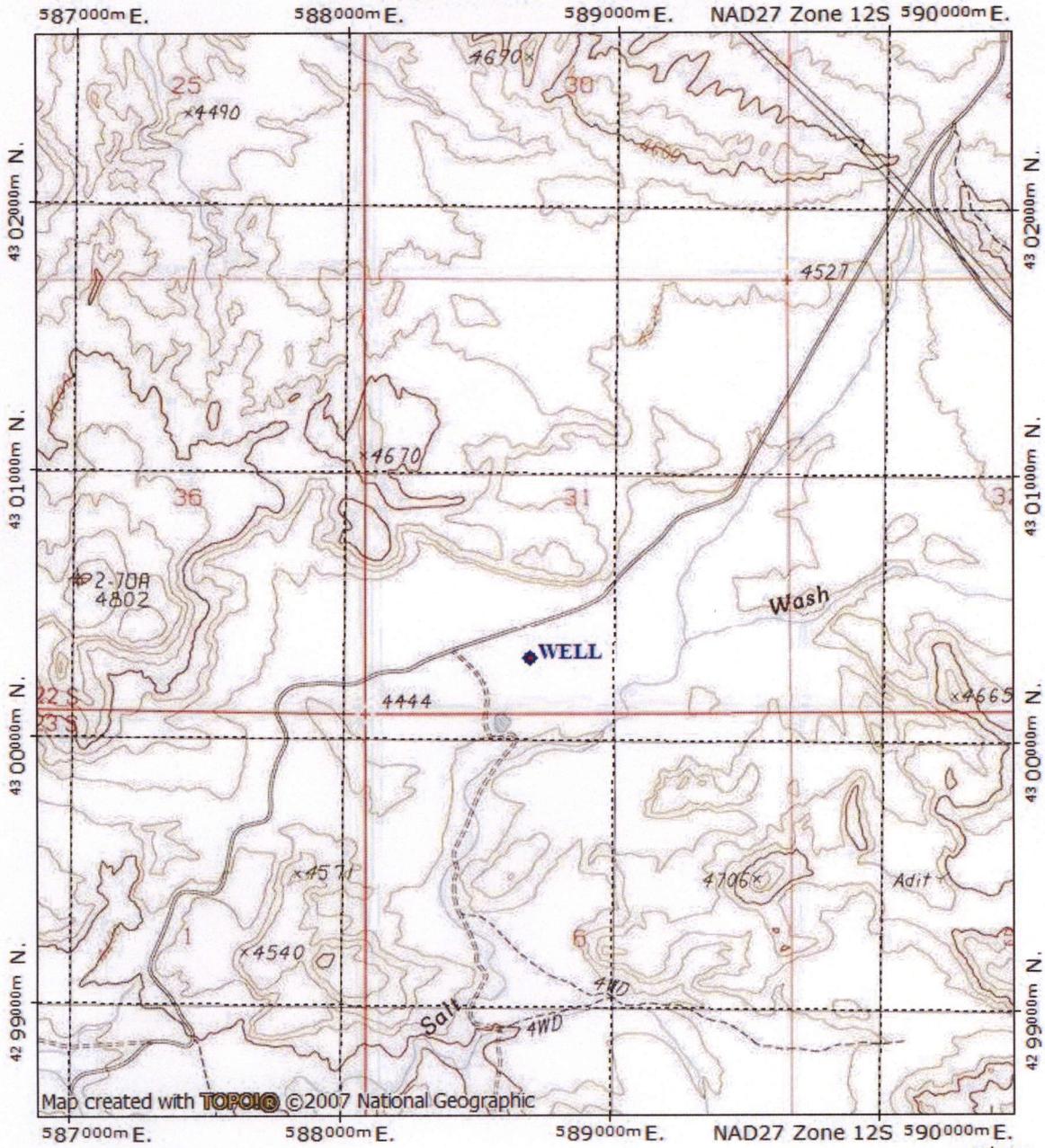
MITIGATION RECOMMENDATIONS: NONE [] OTHER [] (SEE BELOW)
No recommendations are being made for this well location concerning paleontology.

However, this is the Morrison Formation, well known for dinosaur fossils. If any fossil material is encountered during construction, a paleontologist should be called to examine and evaluate the discovery.

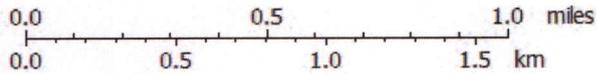
PALEONTOLOGIST: Alden H. Hamblin

A.H. Hamblin Paleontological Consulting, 3793 N. Minersville Highway, Cedar City, Utah 84720 (435) 867-8355
Utah State Paleontological Permit # 07-355, BLM paleontological Resources Permit # UT-S-05-02. Utah Professional Geologist License – 5223011-2250.

Cactus Rose Unit #31-24-22-18



Map created with **TOPOLIC** ©2007 National Geographic



TN * MN
11 1/2
02/23/08



**Summary Report of Cultural
Resources Inspection**

Project No.: U08-GB-0025bs [GRI No. 2807]

1. Report Title: **Class III Cultural Resource Inventory Report for the Proposed State CRU 16-14-22-18 and Federal CRU 31-24-22-18 Well Locations in Grand County, Utah, for North American Exploration, LLC**
2. Report Date: **2/27/08**
3. Date(s) of Survey: **2/20/08**
4. Development Company: **North American Exploration [as represented by Wolcott, LLC]**
5. Responsible Institution: **BLM Moab Field Office**
6. Responsible Individuals Principal Investigator: Field Supervisor: **Carl E. Conner**
Report Author(s): **Carl E. Conner**
7. BLM Field Office: **Moab Field Office**
8. County(ies): **Grand**
9. Fieldwork Location: **T. 22 S., R. 18 E., Section 16, SW ¼ SW ¼ ; and T. 22 S., R. 18 E., Section 31 SE ¼ SW ¼; SLBM**
10. Record Search:
Location of Records Searched for BLM: **UDSH /BLM Moab Date: 1/23/08 and 2/20/08**
11. Description of Proposed Project: **Two proposed well locations along existing improved roads**
12. Description of Examination Procedures: **A Class III, 100% pedestrian, cultural resources survey of the proposed well locations was made by a two-person crew walking east-west transects spaced at 15 meter intervals to cover 10-acre block areas centered on the proposed center stake. A total of about 20 acres (BLM 10 acres and State 10 acres) was intensively surveyed. The basic approach to the data collection was the continuous mapping of observed artifacts and features by recording UTM coordinates (NAD 83 Datum) using a Trimble Geo XT. Site maps were created using differentially corrected data together with ArcMap. Photographs were taken at each site and include general views and specific artifacts or features. Field notes and photo negatives are filed at Grand River Institute, while the photographs are submitted to the BLM and UDSH. No artifacts were collected.**

13. Area Surveyed:	BLM	OTHER FED	STATE	PRI.
Linear Miles Intensive:				
Recon/Intuitive:				
Acreage Intensive:	10		10	
Recon/Intuitive:				

14. Sites Recorded:

Smithsonian Site Numbers	#	BLM	OTHER FED	STATE	PRI.
Revisits NR Eligible	0				
(no IMACS form) Not Eligible	0				
Revisits NR Eligible	0				
updated IMACS) Not Eligible	0				
New Recordings NR Eligible	0				
Not Eligible	1	42GR3968			
Total Number of Archaeological Sites	1	42GR3968			
Historic Structures (USHS Form)	0				
Total National Register Eligible Sites	0				

15. Description of Findings: (see attached report) **Files searches conducted through the BLM and UDSH indicated no sites were previously recorded in the study areas. As a result of the field inventory, one recent historic herder camp, (42GR3968) was recorded near the Federal well location. It was field evaluated as non-significant and not eligible for listing on the National Register of Historic Places. No cultural resources were found in the State land study block. Accordingly, archaeological clearance is recommended.**

16. Collection Yes No

17. Conclusion/Recommendations: **Accordingly, since no significant historical properties will be affected by the project, archaeological clearance is recommended for the proposed wells.**

UTAH STATE COVER PAGE

Must Accompany All Project Reports
Submitted to Utah SHPO

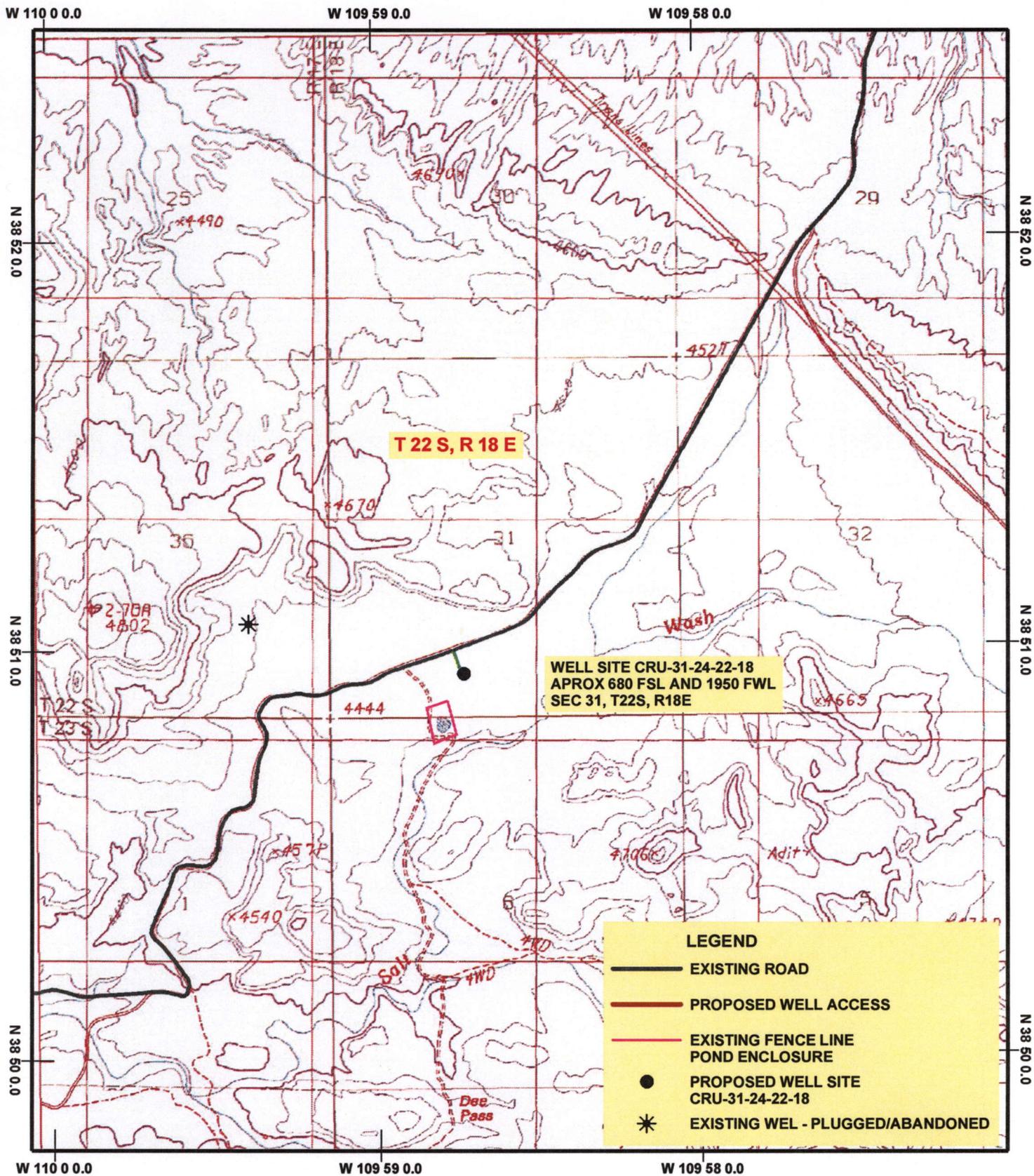
Project Name: **Class III Cultural Resource Inventory Report for the Proposed State CRU 16-14-22-18 and Federal CRU 31-24-22-18 Well Locations in Grand County, Utah, for North American Exploration, LLC [as represented by Wolcott, LLC]**
State Project. No. **U08-GB-0025bs**

Report Date: **2/27/2008** County(ies): **Grand**
Principal Investigator: **Carl E. Conner** Field Supervisor(s): **Carl E. Conner**
Records search completed at: **UDSH** Record search date(s): **1/23/2008**
Acreage Surveyed ~ Intensive: **20 acres** Recon/Intuitive: **0 acres**
7.5' Series USGS Map Reference(s): **Dee Pass 1991**

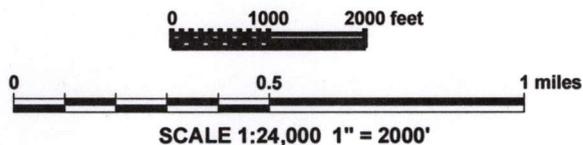
Sites Reported	Count	Smithsonian Site Numbers
Archaeological Sites	0	
Revisits (no inventory form update)		
Revisits (updated IMACS site inventory form attached)	0	
New recordings (IMACS site inventory form attached)	1	42GR3968
Total Count of Archaeological Sites	1	42GR3968
Historic Structures (USHS 106 site info form attached)		
Total National Register Eligible Sites	0	

-----Checklist of Required Items-----

1. Copy of the Final Report
2. Copy of 7.5' Series USGS Map with Surveyed/Excavated Area Clearly Identified.
3. Completed IMACS Site Inventory Forms, Including
 - Parts A and B or C, The IMACS Encoding Form,
 - Site Sketch Map, Photographs
 - Copy of the appropriate 7.5' Series USGS Map w/ the Site Location Clearly Marked and Labeled with the Smithsonian Site Number
4. Completed "Cover Sheet" Accompanying Final Report and Survey Materials (Please make certain all of your checked items are attached.)



PORTIONS OF THE DEE PASS
 USGS 1:24,000 QUADRANGLE
 DATUM: NAD83
 PROJECTION: UTM
 LATITUDE-LONGITUDE (NAD83)
 DECIMAL MINUTE GRID



NORTH AMERICAN EXPLORATION, LLC
 PROPOSED WELL SITE CRU-31-24-22-18
 SE SW SEC 31, T. 22 S., R. 18 E.
 GRAND COUNTY, UTAH
 JANUARY, 2008

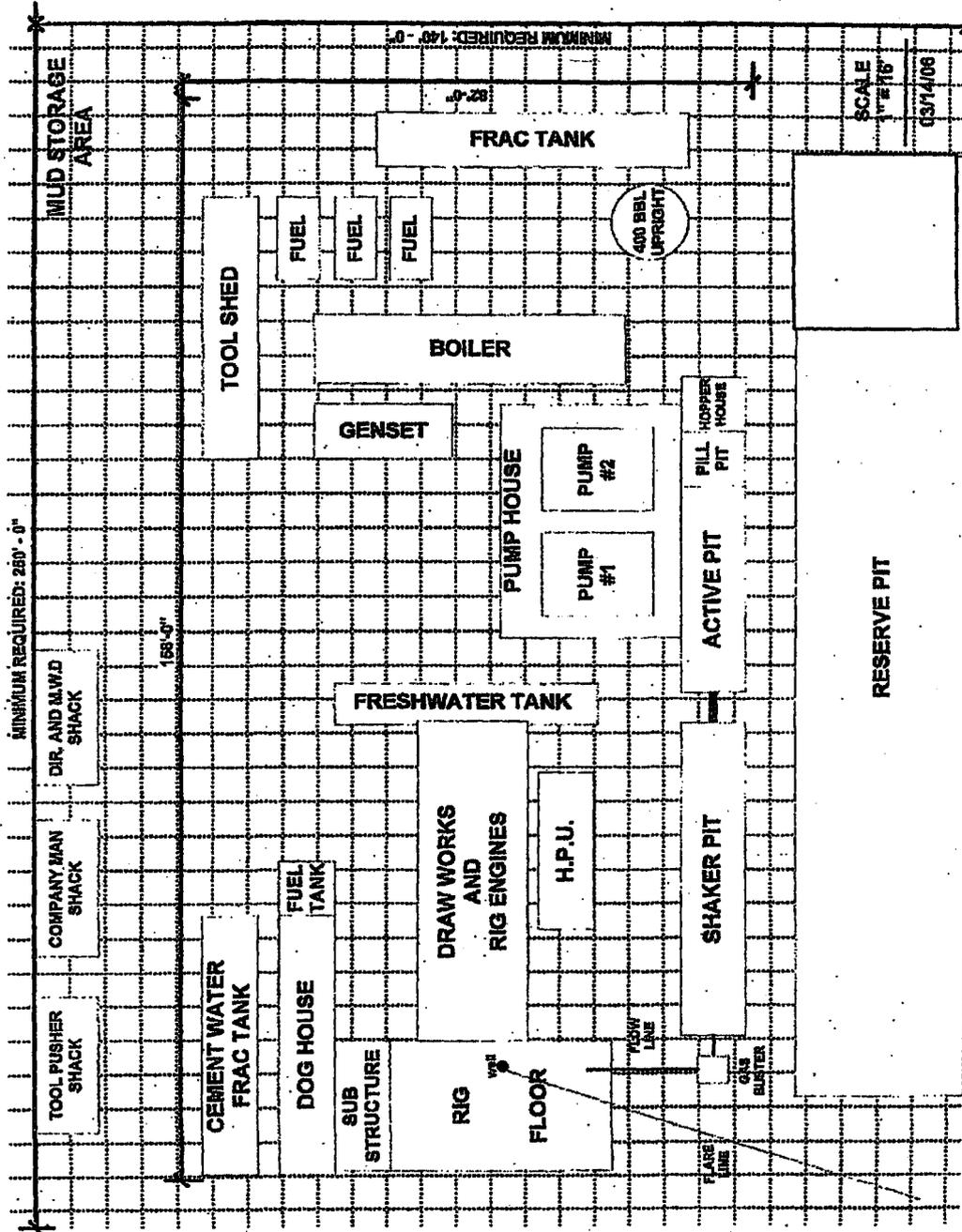
GENERIC DRILLING PAD LAYOUT

Cactus Rose Unit (CRU) 31-24-2218

SESW Section 31-T22S-R18E

680 FSL, 1950 FWL

Ungraded GL Elevation: ~4444'

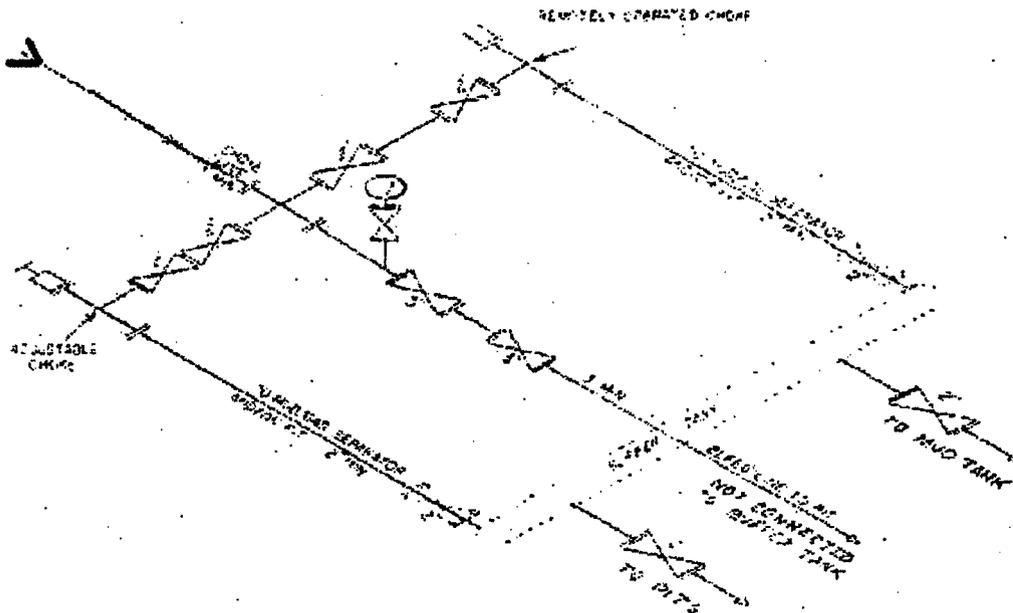


Cactus Rose Unit (CRU) 31-24-2218
SESW Section 31-T22S-R18E
680 FSL, 1950 FWL
Ungraded GL Elevation: ~4444 feet

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.

7 - Pressure Control Equipment

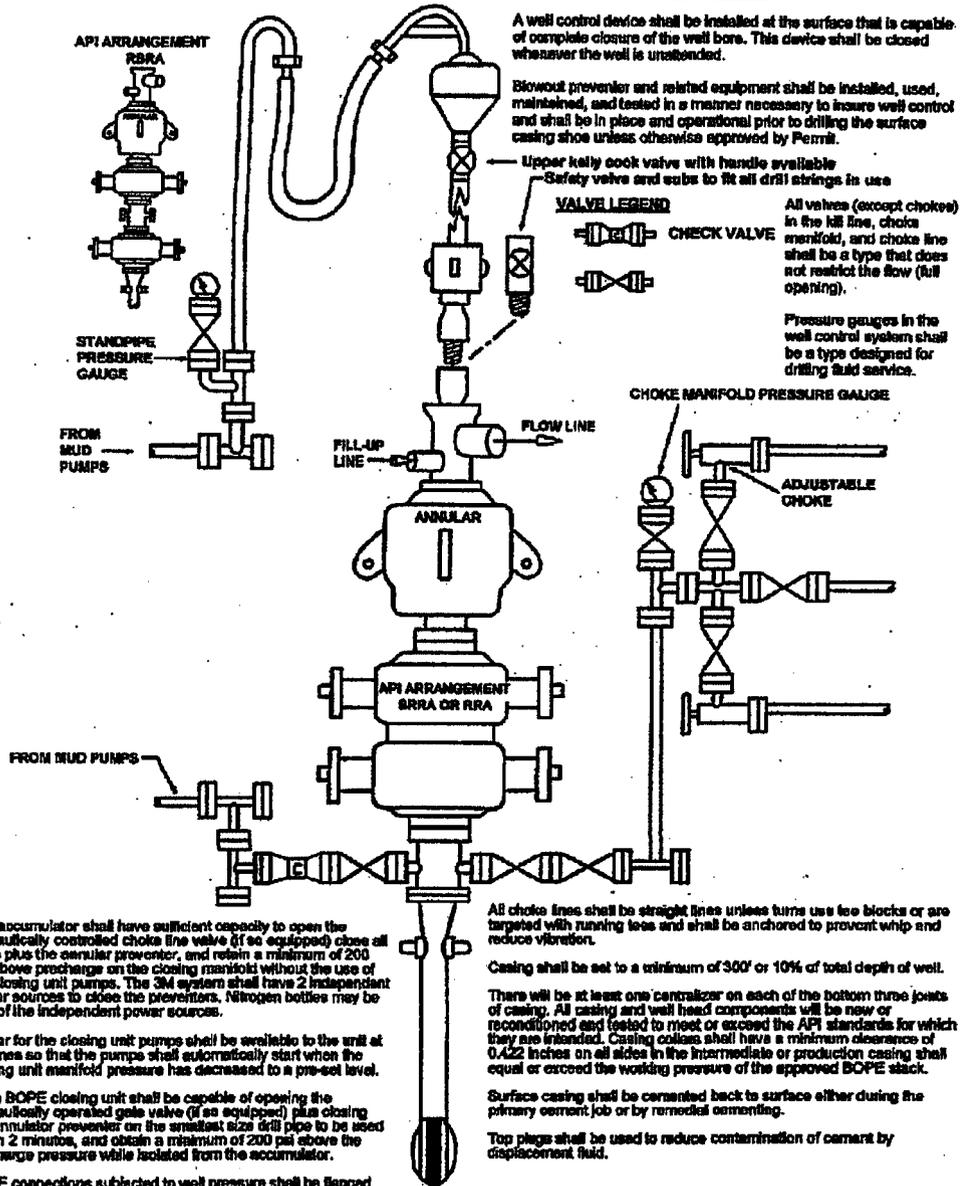
Well will utilize a 3000 psi BOP. The BOP will have a pipe rams, blind rams and a hydril. A rotating head will be utilized while drilling with air. All BOPs will be tested to 3000 psi when the equipment is installed and if the integrity of the pressure control system is compromised during drilling operations.



3M CHOKES MANIFOLD EQUIPMENT — CONFIGURATION MAY VARY

**Cactus Rose Unit (CRU) 31-24-2218
 SESW Section 31-T22S-R18E
 680 FSL, 1950 FWL
 Ungraded GL Elevation: ~4444 feet**

Minimum Standards for Well Control Equipment 4000' to 10,000' API SM RRA or RRRA



**Cactus Rose Unit (CRU) 31-24-2218
SESW Section 31-T22S-R18E
680 FSL, 1950 FWL
Ungraded GL Elevation: ~4444 feet**

iii. 3M system:

- Annular preventers ***
- Double ram with blind rams and pipe rams ***
- Drilling spool, or blowout preventer with 2 side outlets (choke side shall be 3-inch minimum diameter, kill side shall be at least 2-inch diameter) ***
- Kill line (2 inch minimum)**
- A minimum of 2 choke line valves (2 inch minimum) ***
- 3 inch diameter choke line**
- 2 kill line valves, one of which shall be a check valve (2 inch minimum) ***
- 2 chokes (refer to diagram in Attachment 1)**
- Pressure gauge on choke manifold**
- Upper kelly cock valve with handle available**
- Safety valve and subs to fit all drill string connections in use**
- 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.

**WORKSHEET
APPLICATION FOR PERMIT TO DRILL**

APD RECEIVED: 02/19/2008

API NO. ASSIGNED: 43-019-31572

WELL NAME: CRU 31-24-2218
 OPERATOR: NAE, LLC (N3440)
 CONTACT: ROBERT PECK

PHONE NUMBER: 303-327-7145

PROPOSED LOCATION:

SESW 31 220S 180E
 SURFACE: 0680 FSL 1950 FWL
 BOTTOM: 0680 FSL 1950 FWL
 COUNTY: GRAND
 LATITUDE: 38.84895 LONGITUDE: -109.9780
 UTM SURF EASTINGS: 588689 NORTHINGS: 4300303
 FIELD NAME: WILDCAT (1)

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

LEASE TYPE: 1 - Federal
 LEASE NUMBER: UTU073489
 SURFACE OWNER: 1 - Federal

PROPOSED FORMATION: CHIN
 COALBED METHANE WELL? NO

RECEIVED AND/OR REVIEWED:

- Plat
- Bond: Fed[1] Ind[] Sta[] Fee[]
(No. UTB000296)
- Potash (Y/N)
- Oil Shale 190-5 (B) or 190-3 or 190-13
- Water Permit
(No. 92-180)
- RDCC Review (Y/N)
(Date: _____)
- Fee Surf Agreement (Y/N)
- Intent to Commingle (Y/N)

LOCATION AND SITING:

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

COMMENTS: _____

STIPULATIONS: 1- Federal Approval
2- Spacing Slip

T22S R17E T22S R18E

36

31

32

CACTUS ROSE 36-43-2217

CACTUS ROSE UNIT

CRU 31-24-2218

T23S R17E T23S R18E

1

6

5

OPERATOR: NAE LLC (N3440)

SEC: 31 T.22S R. 18E

FIELD: WILDCAT (001)

COUNTY: GRAND

SPACING: R649-3-2 / GENERAL SITING

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

- 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



OIL, GAS & MINING



PREPARED BY: DIANA MASON
DATE: 25-FEBRUARY-2008

February 28, 2008

Utah Division of Oil, Gas and Mining
1594 West North Temple, Suite 1210
P.O. Box 145801
Salt Lake City, Utah 84114-5801

Attention: Diana Mason

RE: CRU 16-14-2218
Surface Location: SWSW Sec. 16-T22S-R18E
685' FSL – 685' FWL
Lease Serial No.: ML 46664
Grand County, Utah

Dear Ms. Mason:

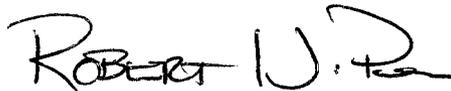
We have acquired the water rights for the drilling operations from Thompson Springs for this well. The Thompson Springs water right number is 92-180. Additionally, this water will be hauled in a tanker truck by Dalvo from Vernal, UT. Dalvo's operator number is 04271. It is about 15.5 miles from the Thompson Springs water source to the well site.

NAE, LLC is requesting this application and all future information be held as confidential as long as permitted.

If any questions arise or additional information is required, please contact me at 970-241-7146 x309.

Very truly yours,

WOLCOTT, LLC



Robert W. Peck
Landman-Permitting Agent

729 Bookcliff Avenue
Grand Junction, CO
81501

/rwp

RECEIVED

MAR 03 2008

DIV. OF OIL, GAS & MINING

From: Ed Bonner
To: Mason, Diana
Date: 3/20/2008 1:24 PM
Subject: Well Clearance

CC: Curry, Kristine; Davis, Jim; Garrison, LaVonne; Hill, Brad; Jarvis, Dan
The following wells have been given cultural resources and paleontological resources clearance by the Trust Lands Administration:

Fidelity Exploration & Production

Cane Creek 2-2 (API 43 019 31568)

- * SITLA is requiring a paleontologist to be on site at the beginning of road and well location construction as recommended in the paleo report.
- * SITLA is requiring that the operator keep to the existing road alignment. Should archeological sites be encountered during the construction of the road and well location, work needs to cease and SITLA personnel notified. It is highly recommended that an archeologist be on site during the construction of road and well location construction.

NAE, LLC

CRU 16-14-2218 (API 43 019 31571)

If you have any questions regarding this matter please give me a call.

United States Department of the Interior

BUREAU OF LAND MANAGEMENT

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

IN REPLY REFER TO:
3160
(UT-922)

March 27, 2008

Memorandum

To: AFM-Resources, Moab Field Office
From: Michael Coulthard, Petroleum Engineer
Subject: 2008 Plan of Development Cactus Rose Unit
Grand County, Utah.

Pursuant to email between Diana Whitney, Division of Oil, Gas and Mining, and Mickey Coulthard, Utah State Office, Bureau of Land Management, the following well is planned for calendar year 2008 within the Cactus Rose Unit, Grand County, Utah.

API#	WELL NAME	LOCATION
------	-----------	----------

(Proposed PZ Chinle)

43-019-31572 CRU 31-24-2218 Sec 31 T22S R18E 0680 FSL 1950 FWL

Our office approved a "Designation of Agent" from MSC Exp. LP to NAE, LLC on March 25, 2008. This office has no objection to permitting the well at this time.

/s/ Michael L. Coulthard

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

MCoulthard:mc:3-27-08



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

April 8, 2008

NAE, LLC
110 16th St., Ste. 1220
Denver, CO 80202

Re: CRU 31-24-2218 Well, 680' FSL, 1950' FWL, SE SW, Sec. 31, T. 22 South, R. 18 East, Grand County, Utah

Gentlemen:

Pursuant to the provisions and requirements of Utah Code Ann. § 40-6-1 *et seq.*, Utah Administrative Code R649-3-1 *et seq.*, and the attached Conditions of Approval, approval to drill the referenced well is granted.

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 43-019-31572.

Sincerely,

Gil Hunt
Associate Director

pab
Enclosures

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

Operator: NAE, LLC
Well Name & Number CRU 31-24-2218
API Number: 43-019-31572
Lease: UTU073489

Location: SE SW **Sec.** 31 **T.** 22 South **R.** 18 East

Conditions of Approval

1. General

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

2. Notification Requirements

Notify the Division within 24 hours of spudding the well.

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

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

- Contact Dustin Doucet at (801) 538-5281 office (801) 733-0983 home

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

APPLICATION FOR PERMIT TO DRILL OR REENTER

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

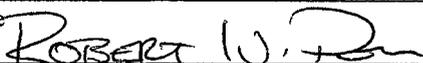
RECEIVED
 BUREAU OF LAND MANAGEMENT
 2008 FEB 20 11:02 AM

5. Lease Serial No. UTU073489	
6. If Indian, Allottee or Tribe Name	
7. If Unit or CA Agreement, Name and No. Cactus Rose Unit	
8. Lease Name and Well No. CRU 31-24-2218	
9. API Well No. 4301931572	
1a. Type of work: <input checked="" type="checkbox"/> DRILL <input type="checkbox"/> REENTER	10. Field and Pool, or Exploratory undesignated
1b. Type of Well: <input checked="" type="checkbox"/> Oil Well <input 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 Sec.31, T.22S., R.18E., SLM
2. Name of Operator NAE, LLC	
3a. Address 110 16th St., Suite 1220 Denver, CO 80202	3b. Phone No. (include area code) (303) 327-7145
4. Location of Well (Report location clearly and in accordance with any State requirements.)* At surface 680' FSL 1950' FWL At proposed prod. zone same	
14. Distance in miles and direction from nearest town or post office* 22 miles southeast of Green River, Utah	
12. County or Parish Grand	13. State UT
15. Distance from proposed* location to nearest property or lease line, ft. (Also to nearest drig. unit line, if any) 680' n/a	16. No. of acres in lease 1250.84
17. Spacing Unit dedicated to this well 40	18. Distance from proposed location* to nearest well, drilling, completed, applied for, on this lease, ft. n/a
19. Proposed Depth 2325'	20. BLM/BIA Bond No. on file UTB000296
21. Elevations (Show whether DF, KDB, RT, GL, etc.) 4449' GL ungraded	22. Approximate date work will start* 03/01/2008
23. Estimated duration 20 days	

24. Attachments

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

- | | |
|---|--|
| 1. Well plat certified by a registered surveyor. | 4. Bond to cover the operations unless covered by an existing bond on file (see Item 20 above). |
| 2. A Drilling Plan. | 5. Operator certification |
| 3. A Surface Use Plan (if the location is on National Forest System Lands, the SUPO shall be filed with the appropriate Forest Service Office). | 6. Such other site specific information and/or plans as may be required by the authorized officer. |

25. Signature 	Name (Printed/Typed) Robert W. Peck	Date 02/16/2008
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Title **Landman-Permitting Agent**

Approved by (Signature) <i>/s/ A. Lynn Jackson</i>	Name (Printed/Typed) <i>/s/ A. Lynn Jackson</i>	Date 4/14/08
--	--	------------------------

Title **Assistant Field Manager,
Division of Resources**
Office **Division of Resources**

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

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

*(Instructions on page 2)

CONDITIONS OF APPROVAL ATTACHED

RECEIVED
APR 18 2008
DIV. OF OIL, GAS & MINING

25 | 30
36 | 31

30 | 28
31 | 32

S89°52'32"E 2524'

S89°52'47"E 2644'

N0°00'17"W 5288'

S0°02'00"E 5280'

SECTION 31

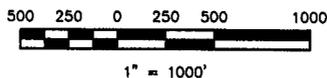
1950'

680'

2585'

2585'

S89°57'43"E



BASIS OF BEARING:

True North Based Upon GPS Observations.

BASIS OF ELEVATION:

WGS 84 Autonomous GPS Position.

WELL HEAD LOCATION NAD83:

Grid Coordinates
 Northing: 4300513.098
 Easting: 588617.420
 Datum Elevation 1355.917 M

NOTES:

All dimensions as shown are based on the approved USGLO plat.

There are no visible improvements within two-hundred (200) feet of the wellhead.

The surface ground is range land.

Date of Survey: January 21, 2008

Date of Plat: February 18, 2008



FOUND STONE



WELL SITE



ENGINEERING DESIGN SERVICES BY
DEL-MONT CONSULTANTS, INC.
 ENGINEERING • SURVEYING • PLANNING
 126 Cokorubo Ave • Montrose, CO 81401 • (970) 249-2291 • (970) 249-2342 fax
 www.del-mont.com • service@del-mont.com

FIELD SURVEYING SERVICES BY
SOUTHWEST LAND SURVEYING LLC
 1315 Snowden St., Silverton, CO 81433
 (970) 347-0600...Silverton (970) 874-2880...Delta (970) 674-0883...Jux EMAIL: kctmrschw@swl.com

WELL PAD TEMPLATE (400x300) 3 1 SIDES (BLACK GOLD EQUIPMENT NT RIG 20X)
 RIG TEMPLATE BLACK-HAWK

DESIGNED BY	SNS	SCALE	AS NOTED
CHECKED BY	SNS	FILE NAME	08021C_CRU_31-24-22-18

DRILL PAD LOCATION MAP

CRU 31-24-22-18

T22S, R18E, Section 31; S,L,B&M

Grand County, Utah

D.M. JOB NO 08021

DATE ISSUED 2008-02-18

SHEET 1

NAE, LLC
CRU 31-24-2218
Cactus Rose Unit
Lease UTU-73489
SE/SW Section 31, T22S, R18E
Grand County, Utah

A COMPLETE COPY OF THIS APPROVED PERMIT and Conditions of Approval shall be maintained on location during all construction and drilling operations, 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 NAE, 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 BLM bond no. **UTB000296** (Principal – NAE, 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 two years 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. Failure to comply with the provisions of this permit, including applicable regulations, stipulations, and/or approval conditions, will be considered a violation subject to the enforcement provisions of 43 CFR Subpart 3163.

A. DRILLING PROGRAM

1. The 3M BOPE, as proposed, 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 (DOG M) is required before conducting any surface disturbing activities.
3. Drilling reports, which describe the activities of each day, shall be submitted to the BLM Moab Field Office on a weekly, or more frequent, basis. In addition to a daily summary of activities, drilling reports shall include the drilling fluid weight, details of casing and cement, water flows, lost circulation zones and any other information that would contribute to our understanding of drilling conditions.

B. SURFACE

1. In order to protect nesting raptors, no road or well pad construction, drilling or well completion operations, or construction of production facilities will be authorized between March 1 and August 31. Most raptors typically require a ½ mile buffer except burrowing owls which require a ¼ mile buffer to protect nest site and nest activity. Raptor and kit fox surveys would be required during breeding and nesting season by a qualified biologist. The restriction would reduce potential impacts to other bird species, prairie dogs and kit fox when the young would be raised. The limitation does not apply to maintenance and operation of producing wells. Exceptions will be granted to this limitation and will be specified in writing by the Moab Field Office.

NOTE: Western Land Services (WLS) has completed a nesting raptor survey of the project area. No nesting raptors were identified within 0.5 miles of the proposed well location. Based on the survey and report from WLS, an exception to the Condition of Approval for nesting raptors is granted through February 28, 2009.

2. No surface disturbing activities would be allowed during the period from December 1 to May 31. This restriction includes heavy equipment traffic on existing roads associated with drilling operations. Exceptions will be granted to this limitation and will be specified in writing by the Moab Field Office.

NOTE: Due to the current ground conditions and recent moisture on this area, an exception to the Condition of Approval for surface disturbing activities is granted through November 30, 2008.

3. 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.
4. No produced water or other fluids will be disposed on the well pad or roads.
5. At the end of drilling operations and prior to reclamation of the reserve pit, the top of the pit will be covered with netting of one inch or less to prevent access by birds while the pit is drying.
6. The pit will not be left open for more than 1 year from the completion of drilling activities. If necessary the pit will be drained by a vac-truck and then closed prior to the 1 year deadline.
7. If the well becomes a producing well, a tank surrounded by an earthen berm will be used to contain produced water. This is in order to eliminate the need for a pit during production.
8. The operator shall maintain the existing roads in a safe, usable condition, as directed by the Moab Field Office and Grand County Road Department. The maintenance program

shall include, but is not limited to, blading, ditching, installing culverts, and if needed, surfacing the road with rock materials. The operator shall conduct all activities associated with the Grand County roads within the existing surface disturbances of the maintained roads. The operator shall repair all damages to the county roads resulting from traffic associated with constructing, drilling, and producing the well.

9. 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.
10. The operator shall salvage the topsoil from entire disturbed area of the location prior to construction of the pad. This includes removal of topsoil from the areas where spoil piles will be stored.
11. The operator will paint all permanent (in place for 6 months or more) above ground structures a color that will match the surrounding environment. The color that has been chosen for this location is Slate Gray (Munsell Soil Color 5Y 6/1).
12. The operator will drill seed on the contour to a depth of 0.5 inch, followed by cultipaction to compact the seedbed, preventing soil and seed losses. To maintain quality and purity, the current years tested, certified seed with a minimum germination rate of 80% and a minimum purity of 90% will be used. Use the following seed mix:

5-8" Precipitation Zone

Species – Cultivar	% in Mix	Lbs PLS*
Indian Ricegrass - <i>Achnatherum hymenoides</i>	35	3.5
Fourwing saltbush – <i>Atriplex canescens</i>	20	2
Crested Wheatgrass - <i>Agropyron cristatum</i>	25	2.5
Shadscale - <i>Atriplex confertifolia</i>	20	2
Totals	100%	10.00 lbs/acre

*PLS = pure live seed

*Double this rate if broadcast seeding

13. Slopes too steep for machinery may be hand broadcast and raked with twice the specified amount of seed.
14. The paleontological resources reports included recommendations for an approved paleontologist to be called if a fossil is found during construction. Conditions of Approval would be added to the APDs to ensure the paleontological resources are avoided, and

the following procedures would be implemented through the Condition of Approval; (1) procedures for stopping work and notifying BLM if paleontological resources were found while working on the project.

15. Impacts from new well pad and road construction would be minimized by appropriate drainage control (ie. water bars, low water crossings in ephemeral drainages, etc). If the wells go into production, mitigation of impacts to soils would include 1) upgrading roads to BLM Gold Book standards if/when the wells go to production and 2) reclamation of any unused areas (ie. well pad, unneeded road access). If the well is not produced, then reclamation would mitigate and reduce impacts to soils.
16. Drill pads and new roads to non-producing wells should be reclaimed. Reclamation should include removal of new road and the incorporation of a seed mix that would provide a vegetation structure as close to the existing plant community as possible.
17. Conditions of Approval to the APD for no road/well pad construction and drilling between April 1 and June 15, would reduce potential impacts to prairie dogs and pronghorn during their breeding/birthing period. The restriction would not apply to maintenance and operation of producing wells, and there would be provision for exceptions if the animals were not utilizing the area during specific years.
18. The operator will monitor for noxious weeds that might move onto the location. If any are discovered a Integrated Pest Management Plan will be created and need BLM approval prior to beginning any treatment program.
19. Please contact Ben Kniola, Natural Resource Specialist, @ (435) 259-2127, Bureau of Land Management, Moab, if there are any questions concerning these surface use COAs.

C. REQUIRED APPROVALS, REPORTS AND NOTIFICATIONS

Required verbal notifications are summarized in Table 1, attached.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

TABLE 1

NOTIFICATIONS

Notify Jack Johnson (435-259-2129) or Ben Kniola (435-259-2127) of the BLM Moab Field Office for the following, as appropriate:

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

1 day prior to spud (Johnson);

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

3 hours prior to testing BOPs (Johnson).

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

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

Eric Jones, Petroleum Engineer

Office: 435-259-2117

Home: 435-259-2214



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

June 18, 2009

NAE, LLC
110 16TH St., Ste. 1220
Denver, CO 80202

Re: APD Rescinded – CRU 31-24-2218, Sec.31, T. 22S, R. 18E,
Grand County, Utah API No. 43-019-31572

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 April 8, 2008. No drilling activity at this location has been reported to the division. Therefore, approval to drill the well is hereby rescinded, effective June 18, 2009.

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



43.019.31572
31 22s 18e

CRU 31-24-2218
CONFIDENTIAL

Present Operations:	02A- Drill Rotating
Days From Spud:	1
Present Depth:	297.00
Footage Last 24 Hours:	
Hours Drilling:	19:15
Daily Well Cost:	\$10,800.00
Cumulative Well Cost:	\$144,556.65

24 hr Activity: 1:30 Finish rigging up Stewart Brothers Rig #51. Construct flowline, change out shaker screens, prime mud pumps. 1:00 Mix spud mud. 0:30 MU 12.25" retip bit, bit sub, and 8" DC's. 19:15 Spud well at 0900 hours 04/24/08. Drill 12.25" hole from 50' to 291'. 1:45 Replace liner on mud pump #1.

4/24/2008

DAILY SUMMARY	
Present Operations:	01 - Rig Up and Tear Down
Days From Spud:	
Present Depth:	50.00
Footage Last 24 Hours:	50.00
Hours Drilling:	
Daily Well Cost:	\$137,946.65
Cumulative Well Cost:	\$144,156.65

24 hr Activity: 24:00 MIRU Stewart Brothers Rig #51. Line reserve pit. Set MI-Swaco steel mud tanks. Weld on bell nipple. Modify flow line. RU Pason. Set rental triplex pump and build pump intake line. Lay out and weld triplex pump discharge line. Fill mud tanks with fresh water. Prepare to spud well.



4/28/2008

DAILY SUMMARY	
Present Operations:	02A- Drill Rotating
Days From Spud:	4
Present Depth:	1,339.00
Footage Last 24 Hours:	
Hours Drilling:	21:30
Daily Well Cost:	\$31,169.37
Cumulative Well Cost:	\$249,704.17

24 hr Activity: 1:00 TIH. 2:30 Drill float collar, cement in shoe joint, and guide shoe. 0:30 Wireline survey- 0 deg. 0:30 Mix mud. 15:15 Drill new formation from 328' to 1220'. 0:30 Wireline survey- 2 deg. 3:45 Drill new formation from 1220' to 1339'.

4/27/2008

DAILY SUMMARY	
Present Operations:	02A- Drill Rotating
Days From Spud:	3
Present Depth:	328.00
Footage Last 24 Hours:	
Hours Drilling:	
Daily Well Cost:	\$19,651.35
Cumulative Well Cost:	\$218,534.80

24 hr Activity: 5:00 WOC. Weld wing valve on mud pit. 4:30 Cut off bell nipple. Cut off 8.625" casing ~1.00' BGL. Make final cut on 8.625" casing. Weld on 8-5/8" SOW x 11" 3M bradenhead with flange at GL. Allow to cool for 1 hour. NU 11" 3M x 9" 3M drilling spool. NU 9" 3M double ram preventers (blind rams on bottom & 3-1/2" pipe rams on top). 2:30 Test pipe rams to 2000 psi for 10 minutes. Test blind rams to 2000 psi for 30 minutes. Test blind rams to 250 psi for 5 minutes. Test casing to 2000 psi for 30 minutes. Test casing to 250 psi for 5 minutes. All tests held. BOP test witnessed by Jack Johnson of Moab BLM Field Office. 5:00 Modify bell nipple and flowline, and install same. 6:30 MU Trendon PDC bit and Hunting Performance downhole motor. PU 14-6.5" DCs and TIH. Tag cement at 278'. 0:30 Run wireline survey for Trendon baseline.

4/26/2008

DAILY SUMMARY	
Present Operations:	13 - Wait on Cement
Days From Spud:	2
Present Depth:	328.00
Footage Last 24 Hours:	
Hours Drilling:	5:00
Daily Well Cost:	\$40,736.80
Cumulative Well Cost:	\$198,883.45

24 hr Activity: 5:00 Drill 12.25" surface hole to 328'. ROP slowed to <5 fph. Permission received from BLM to TD surface hole at 328'. 1:00 Circulate & condition mud to run casing. 4:30 Short trip drill string. No fill. Circulate & condition mud. SLMOOH to run casing. 1:30 Run 8 joints (337.42') of 8-5/8" 24# J55 STC casing with guide shoe, shoe joint, float collar. Tag bottom 9' high. 5:20 RU Halliburton. Computer on mixing truck not working. Troubleshoot computer problem. RU circulating head. Circulate 1-1/2 casing volumes of mud. Mix and pump 160 sx cement. Full returns throughout job. Return 80 sx to surface. Float held. 6:40 WOC.

4/25/2008

DAILY SUMMARY	
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Present Depth:	1,904.00
Footage Last 24 Hours:	
Hours Drilling:	17:45
Daily Well Cost:	\$17,602.38
Cumulative Well Cost:	\$333,157.18

24 hr Activity: 4:15 Work on triplex mud pump. 4:30 Drill 7.875" hole to 1781'. 0:45 Circulate to clean hole. . 3:45 Drill 7.875" hole to 1820'. . 1:15 Repair rig tongs. 9:30 Drill 7.875" hole to 1904'. .

5/1/2008

DAILY SUMMARY	
Present Operations:	08 – Repair Rig
Days From Spud:	7
Present Depth:	1,748.00
Footage Last 24 Hours:	
Hours Drilling:	13:15
Daily Well Cost:	\$17,871.88
Cumulative Well Cost:	\$315,554.80

24 hr Activity: 4:30 Replace swab & liner on Stewart Brothers duplex pump #1. 0:30 TIH 3 stands after repairing pump. 10:15 Drilling 7.875" hole f/ 1563' to 1712'. 2:00 Rig Repair. Work on Stewart Brothers duplex pump #1. 3:00 Drilling 7.875" hole f/ 1712' to 1748'. 3:15 Rig Repair. Work on Stewart Brothers duplex mud pump #2. Replumb discharge line of triplex pump. .

4/30/2008

DAILY SUMMARY	
Present Operations:	08 – Repair Rig
Days From Spud:	6
Present Depth:	1,562.00
Footage Last 24 Hours:	
Hours Drilling:	8:30
Daily Well Cost:	\$14,338.50
Cumulative Well Cost:	\$297,682.92

24 hr Activity: 6:30 Work on rented triplex pump & Stewart Brothers mud pump. 1:30 Drill 7.875" hole. 0:30 Work on Stewart Brothers mud pump. 4:45 Drill 7.875" hole. 0:30 Work on Stewart Brothers mud pump. . 2:15 Drill 7.875" hole. . 1:00 Pull 3 stands of drill pipe while working on Stewart Brothers mud pump. 7:30 Work on Stewart Brothers mud pumps.

4/29/2008

DAILY SUMMARY	
Present Operations:	08 – Repair Rig
Days From Spud:	5
Present Depth:	1,420.00
Footage Last 24 Hours:	
Hours Drilling:	4:15
Daily Well Cost:	\$33,640.25
Cumulative Well Cost:	\$283,344.42

24 hr Activity: 14:30 Trip for new bit. . 2:30 Drill f/ 1339'- 1400'. 1:30 Work on mud pump #1. 1:45 Drill f/ 1400'- 1425'. 3:45 Work on mud pump #1.

24 hr Activity: 4:00 Wait on orders to P&A or turn well over to EnCana. 17:45 Circulate & condition mud while waiting on Halliburton to P&A well. 1:00 RU Halliburton to P&A well. 0:45 Set 100' cement plug across Navajo Formation (Glen Canyon Group). 0:30 WOC.

5/5/2008

DAILY SUMMARY	
Present Operations:	11 – Wire Line Logs
Days From Spud:	11
Present Depth:	2,225.00
Footage Last 24 Hours:	
Hours Drilling:	
Daily Well Cost:	\$23,021.46
Cumulative Well Cost:	\$398,208.47

24 hr Activity: 1:30 TIH after short trip. No fill. 1:00 Circulate & condition mud for openhole logs. 6:45 SLMOOH to log. 4:30 RU Halliburton. Run Dual Spaced Neutron/ Spectral Density/ High Resolution Induction/ GR/CAL logs from 2227' (logger's TD) to surface casing shoe at 328' (333' logger's TD of surface casing shoe) w/ GR run to surface. 5:15 LD mud motor and DCs. TIH w/ 7.875" bit and 3.5" DP. No fill. 5:00 Circulate and work drill string while waiting on orders.

5/4/2008

DAILY SUMMARY	
Present Operations:	05 – Condition Mud and Circulate
Days From Spud:	10
Present Depth:	2,225.00
Footage Last 24 Hours:	
Hours Drilling:	22:30
Daily Well Cost:	\$20,456.05
Cumulative Well Cost:	\$375,187.01

24 hr Activity: 22:30 Drill 7.875" hole f/ 1973' to 2225' TD. 1:00 CCM for open hole logs. 0:30 Short trip to check hole conditions and fill.

5/3/2008

DAILY SUMMARY	
Present Operations:	01 – Rig Up and Tear Down
Days From Spud:	9
Present Depth:	1,973.00
Footage Last 24 Hours:	
Hours Drilling:	7:00
Daily Well Cost:	\$21,573.78
Cumulative Well Cost:	\$354,730.96

24 hr Activity: 3:45 Drill 7.875" hole f/ 1904'- 1937'. 17:00 TFNB. Check mud motor. OK. TIH w/ Bit #4. 3:15 Drill 7.875" hole f/ 1937'- 1973'.

5/2/2008

DAILY SUMMARY	
Present Operations:	02A- Drill Rotating
Days From Spud:	8



Drilling/Completion Summary Report

Well Name: CRU 31-24-2218

Field: Wildcat

AFE: 08-007D

County/Parish/State: Grand/Utah

Operator: North American Exploration, LLC

Contractor: Stewart Brothers

Date: 11/11/2008

5/8/2008

DAILY SUMMARY	
Present Operations:	23 – Abandonment
Days From Spud:	14
Present Depth:	0.00
Footage Last 24 Hours:	0.00
Hours Drilling:	
Daily Well Cost:	\$59,599.92
Cumulative Well Cost:	\$492,503.69

24 hr Activity: 1:30 Wait on Orders from EnCana. EnCana gave written notification of their election to not take over the subject well at 0715 hours on May 8, 2008. . 3:00 Mix & pump final cement plug as ordered by Eric Jones of the BLM Moab Field Office. Set 70 sx surface plug using Howco PLUGCEM mixed at 17.0 ppg w/ yield of 1.0 cf/sx. Cement to surface. Cement stayed at surface. 1:30 RD Halliburton. Prepare plate to weld on top of casing as per BLM requirements. Weld informational plate on top of casing which was cut off 3' BGL. Prepare to retrieve cellar ring and close cellar. Clean mud tanks. Release Stewart Brothers Rig #51 at 1200 hours 5/7/2008. .

CRU 31-24-2218 FINAL AFE approved 04-03-08007.pdf CRU 31-24-2218 Drilling Curve Update 05-08-08.xls

5/7/2008

DAILY SUMMARY	
Present Operations:	23 – Abandonment
Days From Spud:	13
Present Depth:	
Footage Last 24 Hours:	0.00
Hours Drilling:	
Daily Well Cost:	\$18,722.65
Cumulative Well Cost:	\$435,873.77

24 hr Activity: 5:00 POOH 500' and wait on P&A plug #1 to set. 0:30 TIH and tag P&A plug #1 at 932'. 1:45 POOH to 380'. Pump P&A plug #2 calculated to be a 100' plug at the surface casing shoe (50' inside shoe and 50' outside shoe). 16:45 Wait on orders from EnCana.

5/6/2008

DAILY SUMMARY	
Present Operations:	23 – Abandonment
Days From Spud:	12
Present Depth:	2,225.00
Footage Last 24 Hours:	
Hours Drilling:	
Daily Well Cost:	\$18,942.65
Cumulative Well Cost:	\$417,151.12



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

AMENDED REPORT () FORM 8
RIGHT OF ACCESS ()

5. LEASE DESIGNATION AND SERIAL NUMBER:
UTU 072439

WELL COMPLETION OR RECOMPLETION REPORT AND LOG

1a. TYPE OF WELL: OIL WELL GAS WELL DRY OTHER _____
b. TYPE OF WORK: NEW WELL HORIZ. LATS. DEEP-EN RE-ENTRY DIFF. RESVR. OTHER P&A

6. IF INDIAN, ALLOTTEE OR TRIBE NAME

7. UNIT or CA AGREEMENT NAME
CACTUS ROSE UNIT

8. WELL NAME and NUMBER:
CRU 31-24-2218

2. NAME OF OPERATOR:
NAE LLC

9. API NUMBER:
4301931572

3. ADDRESS OF OPERATOR:
110 16TH ST, STE 1220 CITY DENVER STATE CO ZIP 80202

PHONE NUMBER:
(303) 327-7169

10 FIELD AND POOL, OR WILDCAT
WILDCAT

4. LOCATION OF WELL (FOOTAGES)
AT SURFACE: 680' FSL, 1950' FWL
AT TOP PRODUCING INTERVAL REPORTED BELOW: AA
AT TOTAL DEPTH: AA

11. QTR/QTR, SECTION, TOWNSHIP, RANGE, MERIDIAN:
SESW 31 22S 18E

12. COUNTY 13. STATE UTAH

14. DATE SPUDDED: 4/25/2008 15. DATE T.D. REACHED: 5/4/2008 16. DATE COMPLETED: 5/8/2008
ABANDONED READY TO PRODUCE

17. ELEVATIONS (DF, RKB, RT, GL):
4,450 KB

18. TOTAL DEPTH: MD 2,225 TVD 2,225
19. PLUG BACK T.D.: MD TVD

20. IF MULTIPLE COMPLETIONS, HOW MANY? *

21. DEPTH BRIDGE MD PLUG SET: TVD

22. TYPE ELECTRIC AND OTHER MECHANICAL LOGS RUN (Submit copy of each)
TRIPLE COMBO, FDC/CNL/INDUCTION

23. WAS WELL CORED? NO YES (Submit analysis)
WAS DST RUN? NO YES (Submit report)
DIRECTIONAL SURVEY? NO YES (Submit copy)

24. CASING AND LINER RECORD (Report all strings set in well)

HOLE SIZE	SIZE/GRADE	WEIGHT (#/ft.)	TOP (MD)	BOTTOM (MD)	STAGE CEMENTER DEPTH	CEMENT TYPE & NO. OF SACKS	SLURRY VOLUME (BBL)	CEMENT TOP **	AMOUNT PULLED
12 1/4	8 5/8 J55					160		SURF	

25. TUBING RECORD

SIZE	DEPTH SET (MD)	PACKER SET (MD)	SIZE	DEPTH SET (MD)	PACKER SET (MD)	SIZE	DEPTH SET (MD)	PACKER SET (MD)

26. PRODUCING INTERVALS

27. PERFORATION RECORD

FORMATION NAME	TOP (MD)	BOTTOM (MD)	TOP (TVD)	BOTTOM (TVD)	INTERVAL (Top/Bot - MD)	SIZE	NO. HOLES	PERFORATION STATUS
(A)								Open <input type="checkbox"/> Squeezed <input type="checkbox"/>
(B)								Open <input type="checkbox"/> Squeezed <input type="checkbox"/>
(C)								Open <input type="checkbox"/> Squeezed <input type="checkbox"/>
(D)								Open <input type="checkbox"/> Squeezed <input type="checkbox"/>

28. ACID, FRACTURE, TREATMENT, CEMENT SQUEEZE, ETC.

DEPTH INTERVAL	AMOUNT AND TYPE OF MATERIAL

29. ENCLOSED ATTACHMENTS:

30. WELL STATUS:

- ELECTRICAL/MECHANICAL LOGS
- SUNDRY NOTICE FOR PLUGGING AND CEMENT VERIFICATION
- GEOLOGIC REPORT
- CORE ANALYSIS
- DST REPORT
- OTHER: _____
- DIRECTIONAL SURVEY

RECEIVED P&A
RECEIVED

AUG 26 2009

AUG 26 2009

31. INITIAL PRODUCTION

INTERVAL A (As shown in item #26)

DATE FIRST PRODUCED:		TEST DATE:		HOURS TESTED:		TEST PRODUCTION RATES: →	OIL – BBL:	GAS – MCF:	WATER – BBL:	PROD. METHOD:
CHOKE SIZE:	TBG. PRESS.	CSG. PRESS.	API GRAVITY	BTU – GAS	GAS/OIL RATIO	24 HR PRODUCTION RATES: →	OIL – BBL:	GAS – MCF:	WATER – BBL:	INTERVAL STATUS:

INTERVAL B (As shown in item #26)

DATE FIRST PRODUCED:		TEST DATE:		HOURS TESTED:		TEST PRODUCTION RATES: →	OIL – BBL:	GAS – MCF:	WATER – BBL:	PROD. METHOD:
CHOKE SIZE:	TBG. PRESS.	CSG. PRESS.	API GRAVITY	BTU – GAS	GAS/OIL RATIO	24 HR PRODUCTION RATES: →	OIL – BBL:	GAS – MCF:	WATER – BBL:	INTERVAL STATUS:

INTERVAL C (As shown in item #26)

DATE FIRST PRODUCED:		TEST DATE:		HOURS TESTED:		TEST PRODUCTION RATES: →	OIL – BBL:	GAS – MCF:	WATER – BBL:	PROD. METHOD:
CHOKE SIZE:	TBG. PRESS.	CSG. PRESS.	API GRAVITY	BTU – GAS	GAS/OIL RATIO	24 HR PRODUCTION RATES: →	OIL – BBL:	GAS – MCF:	WATER – BBL:	INTERVAL STATUS:

INTERVAL D (As shown in item #26)

DATE FIRST PRODUCED:		TEST DATE:		HOURS TESTED:		TEST PRODUCTION RATES: →	OIL – BBL:	GAS – MCF:	WATER – BBL:	PROD. METHOD:
CHOKE SIZE:	TBG. PRESS.	CSG. PRESS.	API GRAVITY	BTU – GAS	GAS/OIL RATIO	24 HR PRODUCTION RATES: →	OIL – BBL:	GAS – MCF:	WATER – BBL:	INTERVAL STATUS:

32. DISPOSITION OF GAS (Sold, Used for Fuel, Vented, Etc.)

33. SUMMARY OF POROUS ZONES (Include Aquifers):

Show all important zones of porosity and contents thereof. Cored intervals and all drill-stem tests, including depth interval tested, cushion used, time tool open, flowing and shut-in pressures and recoveries.

34. FORMATION (Log) MARKERS:

Formation	Top (MD)	Bottom (MD)	Descriptions, Contents, etc.	Name	Top (Measured Depth)

35. ADDITIONAL REMARKS (Include plugging procedure)

P&A w/ 70 sx cement

36. I hereby certify that the foregoing and attached information is complete and correct as determined from all available records.

NAME (PLEASE PRINT) MARK GRUMMON TITLE EXEC VP
 SIGNATURE _____ DATE 8/26/2009

This report must be submitted within 30 days of

- completing or plugging a new well
- drilling horizontal laterals from an existing well bore
- recompleting to a different producing formation
- reentering a previously plugged and abandoned well
- significantly deepening an existing well bore below the previous bottom-hole depth
- drilling hydrocarbon exploratory holes, such as core samples and stratigraphic tests

* ITEM 20: Show the number of completions if production is measured separately from two or more formations.

** ITEM 24: Cement Top – Show how reported top(s) of cement were determined (circulated (CIR), calculated (CAL), cement bond log (CBL), temperature survey (TS)).

Send to: Utah Division of Oil, Gas and Mining
 1594 West North Temple, Suite 1210
 Box 145801
 Salt Lake City, Utah 84114-5801

Phone: 801-538-5340
 Fax: 801-359-3940

CONFIDENTIAL

SUNDRY NOTICES AND REPORTS ON WELLS		5. LEASE DESIGNATION AND SERIAL NUMBER: UTU 073489
		6. IF INDIAN, ALLOTTEE OR TRIBE NAME:
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.		7. UNIT or CA AGREEMENT NAME: CACTUS ROSE UNIT
		8. WELL NAME and NUMBER: CRU 31-24-2218
1. TYPE OF WELL OIL WELL <input checked="" type="checkbox"/> GAS WELL <input type="checkbox"/> OTHER _____	9. API NUMBER: 4301931572	
2. NAME OF OPERATOR: NAE, LLC	10. FIELD AND POOL, OR WILDCAT: WILDCAT	
3. ADDRESS OF OPERATOR: 110 SIXTEENTH ST., STE 1; CITY DENVER STATE CO ZIP 80202	PHONE NUMBER: (303) 327-7169	
4. LOCATION OF WELL FOOTAGES AT SURFACE: 680' FSL; 1950' FWL		COUNTY: GRAND
QTR/QTR, SECTION, TOWNSHIP, RANGE, MERIDIAN: SESW 31 22S 18E		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: 4/24/2008	<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 checked="" type="checkbox"/> SUBSEQUENT REPORT (Submit Original Form Only) Date of work completion:	<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: Drill and complete
	<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.

4/24/2008 MIRU
 4/25/2008 Spud well
 4/26/2008 Set 337' 8 5/8" J55 casing, cmt to surface w/ 160 sx
 5/4/2008 TD 2225', log hole
 5/8/2008 P&A w/ 70 sx

NAME (PLEASE PRINT) <u>Mark Grummon</u>	TITLE <u>Executive VP</u>
SIGNATURE _____	DATE <u>8/26/2009</u>

(This space for State use only)

RECEIVED
AUG 26 2009
DIV. OF OIL, GAS & MINING



Well Name: CRU 31-24-2218

AFE: 08-007D

Operator: North American Exploration, LLC

Daily Activity Summary

Field: Wilcox
 County/Parish/State: Grand/Dan
 Contractor: Stewart Brothers

Date: 9/9/2008

5/8/2008

DAILY SUMMARY	
Present Operations:	23 – Abandonment
Days From Spud:	14
Present Depth:	0.00
Footage Last 24 Hours:	0.00
Hours Drilling:	
Daily Well Cost:	\$59,599.92
Cumulative Well Cost:	\$492,503.69

24 hr Activity: 1:30 Wait on Orders from EnCana. EnCana gave written notification of their election to not take over the subject well at 0715 hours on May 8, 2008. . 3:00 Mix & pump final cement plug as ordered by Eric Jones of the BLM Moab Field Office. Set 70 sx surface plug using Howco PLUGCEM mixed at 17.0 ppg w/ yield of 1.0 cf/sx. Cement to surface. Cement stayed at surface. 1:30 RD Halliburton. Prepare plate to weld on top of casing as per BLM requirements. Weld informational plate on top of casing which was cut off 3' BGL. Prepare to retrieve cellar ring and close cellar. Clean mud tanks. Release Stewart Brothers Rig #51 at 1200 hours 5/7/2008. .

CRU 31-24-2218 FINAL AFE approved 04-03-08007.pdf CRU 31-24-2218 Drilling Curve Update 05-08-08.xls

5/7/2008

DAILY SUMMARY	
Present Operations:	23 – Abandonment
Days From Spud:	13
Present Depth:	
Footage Last 24 Hours:	0.00
Hours Drilling:	
Daily Well Cost:	\$18,722.65
Cumulative Well Cost:	\$435,873.77

24 hr Activity: 5:00 POOH 500' and wait on P&A plug #1 to set. 0:30 TIH and tag P&A plug #1 at 932'. 1:45 POOH to 380'. Pump P&A plug #2 calculated to be a 100' plug at the surface casing shoe (50' inside shoe and 50' outside shoe). 16:45 Wait on orders from EnCana.

5/6/2008

DAILY SUMMARY	
Present Operations:	23 – Abandonment
Days From Spud:	12
Present Depth:	2,225.00
Footage Last 24 Hours:	
Hours Drilling:	
Daily Well Cost:	\$18,942.65
Cumulative Well Cost:	\$417,151.12

24 hr Activity: 4:00 Wait on orders to P&A or turn well over to EnCana. 17:45 Circulate & condition mud while waiting on Halliburton to P&A well. 1:00 RU Halliburton to P&A well. 0:45 Set 100' cement plug across Navajo Formation (Glen Canyon Group). 0:30 WOC.

5/5/2008

DAILY SUMMARY	
Present Operations:	11 – Wire Line Logs
Days From Spud:	11
Present Depth:	2,225.00
Footage Last 24 Hours:	
Hours Drilling:	
Daily Well Cost:	\$23,021.46
Cumulative Well Cost:	\$398,208.47

24 hr Activity: 1:30 TIH after short trip. No fill. 1:00 Circulate & condition mud for openhole logs. 6:45 SLMOOH to log. 4:30 RU Halliburton. Run Dual Spaced Neutron/ Spectral Density/ High Resolution Induction/ GR/CAL logs from 2227' (logger's TD) to surface casing shoe at 328' (333' logger's TD of surface casing shoe) w/ GR run to surface. 5:15 LD mud motor and DCs. TIH w/ 7.875" bit and 3.5" DP. No fill. 5:00 Circulate and work drill string while waiting on orders.

5/4/2008

DAILY SUMMARY	
Present Operations:	05 – Condition Mud and Circulate
Days From Spud:	10
Present Depth:	2,225.00
Footage Last 24 Hours:	
Hours Drilling:	22:30
Daily Well Cost:	\$20,456.05
Cumulative Well Cost:	\$375,187.01

24 hr Activity: 22:30 Drill 7.875" hole f/ 1973' to 2225' TD. 1:00 CCM for open hole logs. 0:30 Short trip to check hole conditions and fill.

5/3/2008

DAILY SUMMARY	
Present Operations:	01 – Rig Up and Tear Down
Days From Spud:	9
Present Depth:	1,973.00
Footage Last 24 Hours:	
Hours Drilling:	7:00
Daily Well Cost:	\$21,573.78
Cumulative Well Cost:	\$354,730.96

24 hr Activity: 3:45 Drill 7.875" hole f/ 1904'- 1937'. 17:00 TFNB. Check mud motor. OK. TIH w/ Bit #4. 3:15 Drill 7.875" hole f/ 1937'- 1973'.

5/2/2008

DAILY SUMMARY	
Present Operations:	02A- Drill Rotating
Days From Spud:	8

Present Depth:	1,904.00
Footage Last 24 Hours:	
Hours Drilling:	17:45
Daily Well Cost:	\$17,602.38
Cumulative Well Cost:	\$333,157.18

24 hr Activity: 4:15 Work on triplex mud pump. 4:30 Drill 7.875" hole to 1781'. 0:45 Circulate to clean hole. . 3:45 Drill 7.875" hole to 1820'. . 1:15 Repair rig tongs. 9:30 Drill 7.875" hole to 1904' . .

5/1/2008

DAILY SUMMARY	
Present Operations:	08 – Repair Rig
Days From Spud:	7
Present Depth:	1,748.00
Footage Last 24 Hours:	
Hours Drilling:	13:15
Daily Well Cost:	\$17,871.88
Cumulative Well Cost:	\$315,554.80

24 hr Activity: 4:30 Replace swab & liner on Stewart Brothers duplex pump #1. 0:30 TIH 3 stands after repairing pump. 10:15 Drilling 7.875" hole f/ 1563' to 1712' . 2:00 Rig Repair. Work on Stewart Brothers duplex pump #1. 3:00 Drilling 7.875" hole f/ 1712' to 1748' . 3:15 Rig Repair. Work on Stewart Brothers duplex mud pump #2. Replumb discharge line of triplex pump. .

4/30/2008

DAILY SUMMARY	
Present Operations:	08 – Repair Rig
Days From Spud:	6
Present Depth:	1,562.00
Footage Last 24 Hours:	
Hours Drilling:	8:30
Daily Well Cost:	\$14,338.50
Cumulative Well Cost:	\$297,682.92

24 hr Activity: 6:30 Work on rented triplex pump & Stewart Brothers mud pump. 1:30 Drill 7.875" hole. 0:30 Work on Stewart Brothers mud pump. 4:45 Drill 7.875" hole. 0:30 Work on Stewart Brothers mud pump. . 2:15 Drill 7.875" hole. . 1:00 Pull 3 stands of drill pipe while working on Stewart Brothers mud pump. 7:30 Work on Stewart Brothers mud pumps.

4/29/2008

DAILY SUMMARY	
Present Operations:	08 – Repair Rig
Days From Spud:	5
Present Depth:	1,420.00
Footage Last 24 Hours:	
Hours Drilling:	4:15
Daily Well Cost:	\$33,640.25
Cumulative Well Cost:	\$283,344.42

24 hr Activity: 14:30 Trip for new bit. . 2:30 Drill f/ 1339'- 1400'. 1:30 Work on mud pump #1. 1:45 Drill f/ 1400'- 1425'. 3:45 Work on mud pump #1.

4/28/2008

DAILY SUMMARY	
Present Operations:	02A- Drill Rotating
Days From Spud:	4
Present Depth:	1,339.00
Footage Last 24 Hours:	
Hours Drilling:	21:30
Daily Well Cost:	\$31,169.37
Cumulative Well Cost:	\$249,704.17

24 hr Activity: 1:00 TIH. 2:30 Drill float collar, cement in shoe joint, and guide shoe. 0:30 Wireline survey- 0 deg. 0:30 Mix mud. 15:15 Drill new formation from 328' to 1220'. 0:30 Wireline survey- 2 deg. 3:45 Drill new formation from 1220' to 1339'.

4/27/2008

DAILY SUMMARY	
Present Operations:	02A- Drill Rotating
Days From Spud:	3
Present Depth:	328.00
Footage Last 24 Hours:	
Hours Drilling:	
Daily Well Cost:	\$19,651.35
Cumulative Well Cost:	\$218,534.80

24 hr Activity: 5:00 WOC. Weld wing valve on mud pit. 4:30 Cut off bell nipple. Cut off 8.625" casing ~1.00' BGL. Make final cut on 8.625" casing. Weld on 8-5/8" SOW x 11" 3M bradenhead with flange at GL. Allow to cool for 1 hour. NU 11" 3M x 9" 3M drilling spool. NU 9" 3M double ram preventers (blind rams on bottom & 3-1/2" pipe rams on top). . 2:30 Test pipe rams to 2000 psi for 10 minutes. Test blind rams to 2000 psi for 30 minutes. Test blind rams to 250 psi for 5 minutes. Test casing to 2000 psi for 30 minutes. Test casing to 250 psi for 5 minutes. All tests held. BOP test witnessed by Jack Johnson of Moab BLM Field Office. 5:00 Modify bell nipple and flowline, and install same. 6:30 MU Trendon PDC bit and Hunting Performance downhole motor. PU 14-6.5" DCs and TIH. Tag cement at 278'. 0:30 Run wireline survey for Trendon baseline.

4/26/2008

DAILY SUMMARY	
Present Operations:	13 - Wait on Cement
Days From Spud:	2
Present Depth:	328.00
Footage Last 24 Hours:	
Hours Drilling:	5:00
Daily Well Cost:	\$40,736.80
Cumulative Well Cost:	\$198,883.45

24 hr Activity: 5:00 Drill 12.25" surface hole to 328'. ROP slowed to <5 fph. Permission received from BLM to TD surface hole at 328'. 1:00 Circulate & condition mud to run casing. . 4:30 Short trip drill string. No fill. Circulate & condition mud. SLMOOH to run casing. 1:30 Run 8 joints (337.42') of 8-5/8" 24# J55 STC casing with guide shoe, shoe joint, float collar. Tag bottom 9' high. 5:20 RU Halliburton. Computer on mixing truck not working. Troubleshoot computer problem. RU circulating head. Circulate 1-1/2 casing volumes of mud. Mix and pump 160 sx cement. Full returns throughout job. Return 80 sx to surface. Float held. . 6:40 WOC.

4/25/2008

DAILY SUMMARY	
---------------	--

Present Operations:	02A- Drill Rotating
Days From Spud:	1
Present Depth:	297.00
Footage Last 24 Hours:	
Hours Drilling:	19:15
Daily Well Cost:	\$10,800.00
Cumulative Well Cost:	\$144,556.65

24 hr Activity: 1:30 Finish rigging up Stewart Brothers Rig #51. Construct flowline, change out shaker screens, prime mud pumps. 1:00 Mix spud mud. 0:30 MU 12.25" retip bit, bit sub, and 8" DC's. 19:15 Spud well at 0900 hours 04/24/08. Drill 12.25" hole from 50' to 291'. 1:45 Replace liner on mud pump #1.

4/24/2008

DAILY SUMMARY	
Present Operations:	01 – Rig Up and Tear Down
Days From Spud:	
Present Depth:	50.00
Footage Last 24 Hours:	50.00
Hours Drilling:	
Daily Well Cost:	\$137,946.65
Cumulative Well Cost:	\$144,156.65

24 hr Activity: 24:00 MIRU Stewart Brothers Rig #51. Line reserve pit. Set MI-Swaco steel mud tanks. Weld on bell nipple. Modify flow line. RU Pason. Set rental triplex pump and build pump intake line. Lay out and weld triplex pump discharge line. Fill mud tanks with fresh water. Prepare to spud well.

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

FORM 6

ENTITY ACTION FORM

Operator: NAE, LLC Operator Account Number: N 3440
Address: 110 SIXTEENTH ST, SUITE 1220
city DENVER
state CO zip 80202 Phone Number: (303) 327-7169

Well 1

SESE

API Number	Well Name		QQ	Sec	Twp	Rng	County
4301931402	CACTUS ROSE MSC 2-1		NWSW	2	21S	18E	GRAND
Action Code	Current Entity Number	New Entity Number	Spud Date		Entity Assignment Effective Date		
<i>E</i>	<i>14306</i>	<i>14306</i>	9/10/2004		<i>9/2/09</i>		
Comments: <i>WHRM</i> Recompleted in the Mancos formation on 3/5/2007							

Well 2

API Number	Well Name		QQ	Sec	Twp	Rng	County
4301931595	SVA 23-33-2119		NWSW	33	21S	19E	GRAND
Action Code	Current Entity Number	New Entity Number	Spud Date		Entity Assignment Effective Date		
<i>E</i>	<i>17247</i>	<i>17247</i>	9/30/2008		<i>9/2/09</i>		
Comments: <i>CHIN</i> COMPLETE WELL IN THE WINGATE FORMATION <i>BHL = NWNW</i>							

Well 3

API Number	Well Name		QQ	Sec	Twp	Rng	County
4301931572	CRU 31-24-2218		SESW	31	22S	18E	
Action Code	Current Entity Number	New Entity Number	Spud Date		Entity Assignment Effective Date		
<i>A</i>	<i>99999</i>	<i>99998</i>	4/25/2008		<i>9/2/09</i>		
Comments: <i>CHIN - well PA'd 5/8/09</i> CONFIDENTIAL							

ACTION CODES:

- A - Establish new entity for new well (single well only)
- B - Add new well to existing entity (group or unit well)
- C - Re-assign well from one existing entity to another existing entity
- D - Re-assign well from one existing entity to a new entity
- E - Other (Explain in 'comments' section)

Mark Grummon
Name (Please Print)
Mark Grummon
Signature
Exec VP
Title
9/1/2009
Date

(9/2000)

RECEIVED
SEP 02 2009

DIV. OF OIL, GAS & MINING