

May 15, 2008

Fluid Minerals Group  
Bureau of Land Management  
82 East Dogwood  
Moab, Utah 84532

RE: Application for Permit to Drill – Elk Production LLC  
Federal 25-8– 2,255' FSL & 708' FWL, NW/4 SW/4,  
Section 25, T20S, R21E, SLB&M, Grand County, Utah

Dear Fluid Minerals Group:

On behalf of Elk Production LLC, (Elk Production), Buys & Associates, Inc. respectfully submits the enclosed original and three copies of the Application for Permit to Drill (APD) for the above referenced federal surface and mineral vertical well. A check from Elk Production in the amount of \$4,000.00 immediately follows this letter for application fees required under the Fiscal Year 2008 Consolidated Appropriations Act. A request for exception to spacing (R649-3-2) is hereby requested based on topography since the well is located within 460' of the drilling unit boundary. Elk Production is the only owner and operator within 460' of the proposed well and all points along the intended well bore path. Included with the APD is the following supplemental information:

- Survey plats, layouts and photos of the proposed well site;
- Proposed location maps with access & pipeline corridor;
- Drilling Plan;
- Surface Use Plan
- APD Certification;
- Typical BOP and Choke Manifold diagram.

RECEIVED

MAY 19 2008

DIV. OF OIL, GAS & MINING

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

Thank you very much for your timely consideration of this application. Please feel free to contact myself or Karin Kuhn of Elk Production at 303-339-1919 if you have any questions or need additional information.

Sincerely,

*Don Hamilton*  
Don Hamilton  
Agent for Elk Production, LLC

cc: Karin Kuhn, Elk Production, LLC  
Diana Whiney, Division of Oil, Gas & Mining

FILE COPY

UNITED STATES  
DEPARTMENT OF THE INTERIOR  
BUREAU OF LAND MANAGEMENT

**APPLICATION FOR PERMIT TO DRILL OR REENTER**

|  |  |  |  |   |  |
|--|--|--|--|---|--|
| 5a. Address <b>1401 - 17th Street, Suite 700<br/>Denver, Colorado 80202</b>  |  | 3b. Phone No. (include area code)<br><b>303-339-1919</b>   |  | 10. Field and Pool<br><i>Greater Cisco 205</i>                  |  |
| 1a. Type of work: <input checked="" type="checkbox"/> DRILL <input type="checkbox"/> REENTER   |  | 1b. Type of Well: <input type="checkbox"/> Oil Well <input checked="" type="checkbox"/> Gas Well <input type="checkbox"/> Other <input checked="" type="checkbox"/> Single Zone <input type="checkbox"/> Multiple Zone |  | 7. If Unit or CA Agreement, Name and No.<br><b>undesignated</b> |  |
| 2. Name of Operator<br><b>Elk Production LLC</b>   |  | 9. API Well No.<br><b>43-019-31578</b>   |  | 8. Lease Name and Well No.<br><b>Federal 25-8</b>               |  |
| 4. Location of Well (Report location clearly and in accordance with any State requirements. *)<br>At surface <i>62531<sup>5</sup> 2255' FSL &amp; 708' FWL, NW/4 SW/4,</i><br>At proposed prod. zone <i>43216144 39.036479 -109.552131</i> |  | 11. Sec., T. R. M. or Blk. and Survey or Area<br><b>Section 25, T20S, R21E, SLB&amp;M</b>  |  | 12. County or Parish<br><b>Grand</b>                            |  |
| 14. Distance in miles and direction from nearest town or post office*<br><b>13.43 miles northwest of Cisco, Utah</b>   |  | 13. State<br><b>UT</b>   |  | 17. Spacing Unit dedicated to this well<br><b>40 acres</b>      |  |
| 15. Distance from proposed* location to nearest property or lease line, ft. (Also to nearest drig. unit line, if any) <b>708'</b>  |  | 16. No. of acres in lease<br><b>2,040</b>  |  | 20. BLM/BIA Bond No. on file<br><b>B 000971</b>                 |  |
| 18. Distance from proposed location* to nearest well, drilling, completed, applied for, on this lease, ft. <b>1,150'</b>   |  | 19. Proposed Depth<br><b>3,600'</b>  |  | 23. Estimated duration<br><b>9 days</b>                         |  |
| 21. Elevations (Show whether DF, KDB, RT, GL, etc.)<br><b>5,085' GR</b>  |  | 22. Approximate date work will start*<br><b>06/30/2008</b>   |  | 24. Attachments   |  |

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

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

|                                   |   |                           |
|-----------------------------------|---|---------------------------|
| 25. Signature <i>Don Hamilton</i> | Name (Printed/Typed)<br><b>Don Hamilton</b> | Date<br><b>05/15/2008</b> |
|-----------------------------------|---|---------------------------|

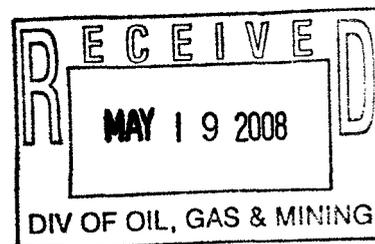
Title **Agent for Elk Production LLC**

|  |  |                         |
|--|--|-------------------------|
| Approved by (Signature) <i>[Signature]</i> | Name (Printed/Typed)<br><b>BRADLEY G. HILL</b> | Date<br><b>05-22-08</b> |
| Title                                      | Office<br><b>ENVIRONMENTAL MANAGER</b>         |                         |

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

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

\*(Instructions on page 2)



**Federal Approval of this  
Action is Necessary**

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

R  
21  
E

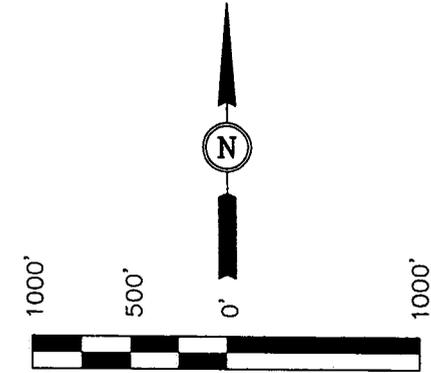
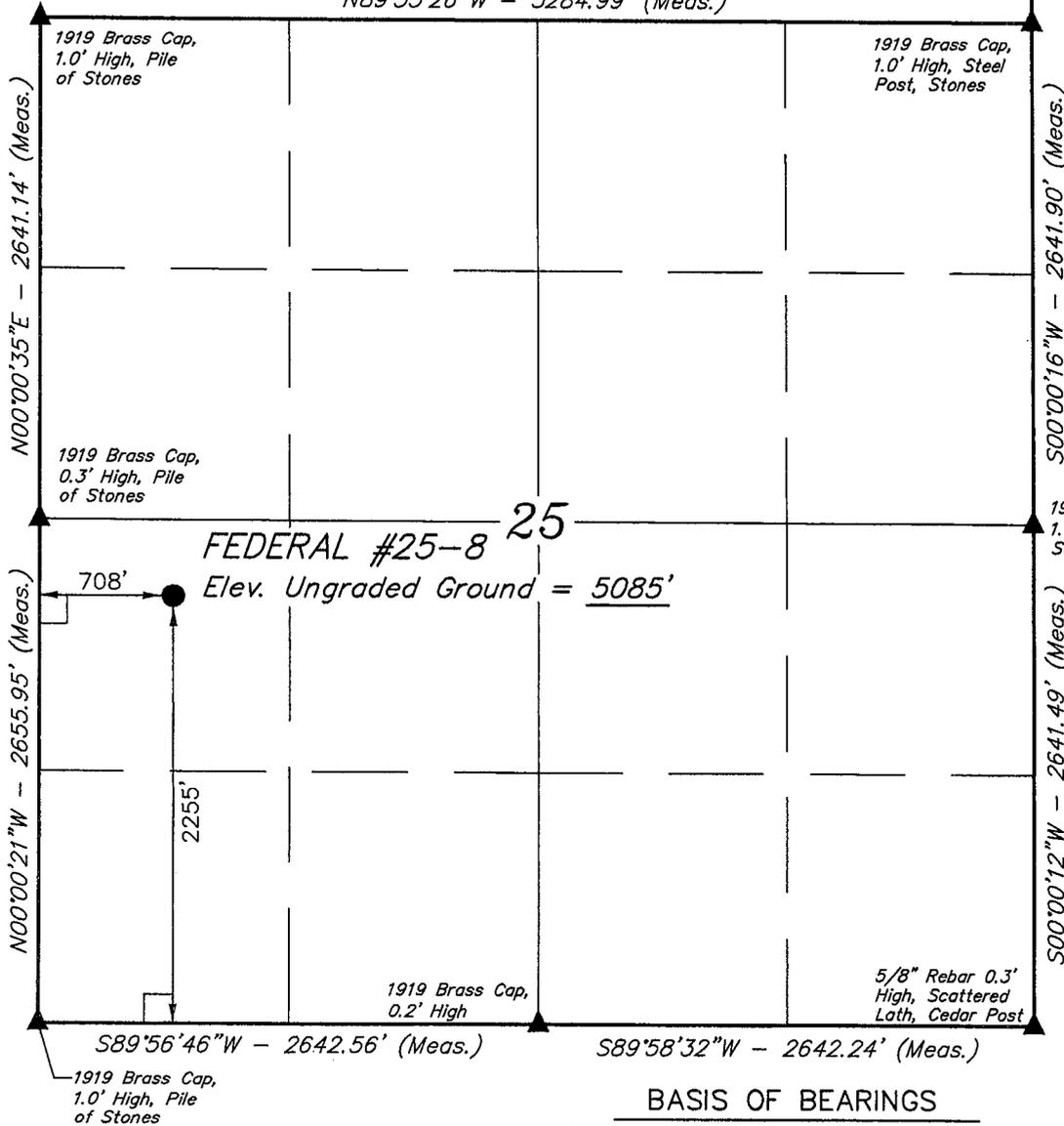
R  
22  
E

ELK PRODUCTION, LLC

Well location, FEDERAL #25-8, located as shown in the NW 1/4 SW 1/4 of Section 25, T20S, R21E, S.L.B.&M. Grand County, Utah.

BASIS OF ELEVATION

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



CERTIFICATE

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

*[Signature]*  
REGISTERED LAND SURVEYOR  
REGISTRATION NO. 161319  
STATE OF UTAH

REVISED: 2-12-08 C.N.

BASIS OF BEARINGS

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

(AUTONOMOUS NAD 83)  
LATITUDE = 39°02'11.07" (39.036408)  
LONGITUDE = 109°33'09.79" (109.552719)  
(AUTONOMOUS NAD 27)  
LATITUDE = 39°02'11.16" (39.036433)  
LONGITUDE = 109°33'07.35" (109.552042)

LEGEND:

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

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

|                         |                             |                         |
|-------------------------|-----------------------------|-------------------------|
| SCALE<br>1" = 1000'     | DATE SURVEYED:<br>01-01-06  | DATE DRAWN:<br>01-08-06 |
| PARTY<br>G.O. B.J. P.M. | REFERENCES<br>G.L.O. PLAT   |                         |
| WEATHER<br>COLD         | FILE<br>ELK PRODUCTION, LLC |                         |

**DRILLING PLAN**

Elk Production, LLC  
Federal #25-8  
NW/SW Section 25, T-20-S, R-21-E  
Grand County, UT

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

| <b><u>Formation</u></b> | <b><u>Depth</u></b> |
|-------------------------|---------------------|
| Mancos Shale            | surface             |
| Greenhorn               | 1867'               |
| Graneros                | 1947'               |
| Dakota                  | 1974' *             |
| Cedar Mountain          | 2055' *             |
| Morrison-Brushy Basin   | 2315' *             |
| Morrison Salt Wash      | 2515' *             |
| Summerville             | 2585' *             |
| Entrada                 | 2631' *             |
| Kayenta                 | 3220' *             |
| Wingate                 | 3350' *             |
| Total Depth             | 3600'               |

PROSPECTIVE PAY\* oil or gas

**4 Casing Program**

| <u>HOLE</u> | <u>SETTING DEPTH</u> |           | <u>SIZE</u> | <u>WEIGHT</u> | <u>GRADE</u> | <u>THREAD</u> | <u>COND.</u> |
|-------------|----------------------|-----------|-------------|---------------|--------------|---------------|--------------|
| <u>SIZE</u> | <u>from</u>          | <u>to</u> |             |               |              |               |              |
| 12 1/4"     | surface              | 240'      | 8 5/8"      | 24#           | K-55         | ST&C          | New          |
| 7 7/8"      | surface              | 3600'     | 4-1/2"      | 10.5#         | K-55         | ST&C          | New          |

**5 Cementing Program**

8 5/8" Surface Casing approximately 150 sx Halliburton Type 5 containing 2% gel and 3% salt. Mixed at 14.8 ppg (yield – 1.37 ft<sup>3</sup>/sx) To be circulated to surface with 100% excess

4-1/2" Prod. Csg. approximately 550 sx 50/50 Class "G" Poz cement containing 2% gel, .3% Halad 322, .6% Halad 23, .3% Versaset, and .2% Super CBL. To be mixed at 14.2 ppg (yield – 1.33 ft<sup>3</sup>/sx). Estimated TOC 1500'.

**6 Mud Program**

| <u>INTERVAL</u> | <u>WEIGHT</u>  | <u>VISCOSITY</u> | <u>FLUID LOSS</u> | <u>REMARKS</u> |
|-----------------|----------------|------------------|-------------------|----------------|
| Surface - 240'  | NA/Air drilled |                  |                   |                |
| 240' – 3600'    | NA/Air drilled |                  |                   |                |

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

## 7 BOP and Pressure Containment Data

### Depth Intervals

Surface – 240’

240’ – TD

### BOP Equipment

No pressure control required

7-1/16” 2000# Ram Type double BOP

7-1/16” 2000# Rotating Head

Drilling spool to accommodate choke and kill lines.

Anticipated bottom hole pressure to be less than 2000 PSI

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

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

## 8 Auxiliary equipment

- a) Lower Kelly cock will be installed for drilling
- b) Floor stabbing valve 3000#
- c) Safety valve(s) and subs to fit all string connections in use

## 9 Testing, Logging and Core Programs

Cores None anticipated

Testing None anticipated

Sampling 30’ samples; surface casing to TD

Surveys Run every 1000’ and on trips

Logging Resistivity, neutron density, temperature, gamma ray, and caliper from TD to surface casing

## 10 Anticipated Abnormal Pressures or Temperatures

No abnormal pressures or temperatures or other hazards are anticipated

## 11 Drilling Schedule

Spud As soon as permits can be obtained

Duration 4 - 5 days drilling time

4 days completion time

**HAZARDOUS MATERIAL DECLARATION**

Federal #25-8

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

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

## SURFACE USE PLAN

Elk Production, LLC  
Federal #25-8  
NW/SW Section 25, T-20-S, R-21-E  
Grand County, UT

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

The BLM onsite inspection for the referenced well was conducted on Friday, April 11, 2008 at approximately 10:15 am. In attendance at the onsite inspections were the following individuals:

|                 |                             |                                     |
|-----------------|-----------------------------|-------------------------------------|
| Ben Kniola      | Natural Resource Specialist | Bureau of Land Management           |
| Ann Marie Aubry | Hydrologist                 | Bureau of Land Management           |
| McCoy Anderson  | Surveyor                    | Uintah Engineering & Land Surveying |
| Don Hamilton    | Agent                       | Buys & Associates, Inc.             |

### **1. Location of Existing Roads**

- a. The proposed well site is located approximately 13.43 miles northwest of Cisco, Utah.
- b. The use of roads under State and County Road Department maintenance are necessary to access the Cisco Dome area. However, an encroachment permit is not anticipated since no upgrades to the State or County Road system are proposed at this time.
- c. All existing roads will be maintained and kept in good repair during all phases of operation.
- e. Vehicle operators will obey posted speed restrictions and observe safe speeds commensurate with road and weather conditions.
- f. An off-lease federal right-of-way is not necessary since all proposed surface disturbance is contained within the existing lease boundary.

### **2. Planned Access Roads:**

- a. From the existing Federal 25-2 access road an access is proposed trending west approximately 0.4 miles to the proposed well site. The road consists of entirely new disturbance and crosses one significant drainages.
- b. A road design plan is not anticipated at this time.
- c. The proposed access road will consist of a 14' travel surface within a 30' disturbed area across entirely BLM managed surface.
- d. BLM approval to construct the new access corridor is requested with this application.
- e. A maximum grade of 10% will be maintained throughout the project.
- f. No turnouts are proposed.

- g. Three low water crossings and possibly one 24" or larger culvert are anticipated. Adequate drainage structures will be incorporated into the remainder of the road.
- h. No surfacing material will come from federal or Indian lands.
- i. No gates or cattle guards are anticipated at this time.
- j. Surface disturbance and vehicular travel will be limited to the approved location access road.
- k. All access roads and surface disturbing activities will conform to the standards outlined in the Bureau of Land Management and Forest Service publication: Surface Operating Standards and Guidelines for Oil and Gas Exploration and Development (Gold Book –Fourth Edition - Revised 2007).
- l. The operator will be responsible for all maintenance of the access road including drainage structures.

**3. Location of Existing Wells:**

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

**4. Location of Existing and/or Proposed Production Facilities:**

- a. All permanent structures will be painted a flat, non-reflective Shale Gray to match the standard environmental colors. All facilities will be painted within six months of installation. Facilities required to comply with the Occupational Safety and Health Act (OSHA) may be excluded.
- b. Site security guidelines identified in 43 CFR 3163.7-5 and Onshore Oil and Gas Order No. 3 will be adhered to.
- c. A gas meter run will be constructed and located on lease within 500 feet of the wellhead. Meter runs will be housed and/or fenced. All gas production and measurement shall comply with the provisions of 43 CFR 3162. 7-3, Onshore Oil and Gas Order No. 5, and American Gas Association (AGA) Report No. 3.
- d. A two-tank battery will be constructed on this well site; it will be surrounded by a dike of sufficient capacity to contain the storage capacity of the largest tank. All loading lines and valves will be placed inside the berm surrounding the tank battery. All liquid hydrocarbons production and measurement shall conform to the provisions of 43 CFR 3162.7-3 and Onshore Oil and Gas Order No. 4 and Onshore Oil and Gas Order No. 5 for natural gas production and measurement.
- e. Any necessary pits will be properly fenced to prevent any wildlife and livestock entry.
- f. All access roads will be maintained as necessary to prevent erosion and accommodate year-round traffic. The road will be maintained in a safe useable condition.
- g. Production facilities will be centralized and placed to minimize visual impacts to the

surrounding area.

- h. The site will require periodic maintenance to ensure that drainages are kept open and free of debris, ice, and snow, and that surfaces are properly treated to reduce erosion, fugitive dust, and impacts to adjacent areas.
- i. A gas pipeline is associated with this application and is being applied for at this time. The proposed gas pipeline corridor will leave the east side of the well site and traverse 0.4 miles east of the existing 4" surface pipeline owned and operated by Elk Production.
- j. The new gas pipeline will be a 4" or less steel surface pipeline within a 20' wide utility corridor. Construction of the pipeline corridor will temporarily utilize the 30' disturbed width for the road for a total disturbed width of 50' for the road and pipeline corridors. The use of the proposed well sites and existing and proposed access roads will facilitate the staging of the pipeline construction. A new pipeline length of approximately 0.4 miles is associated with this well.
- k. Elk Production intends on installing the pipeline on the surface by welding many joints into long lengths, dragging the long lengths into position and then completing a final welding pass to join the long lengths together. Elk Production intends on connecting the pipeline together utilizing conventional welding technology.
- l. The pipeline will be surface laid unless burial is required by the BLM.

**5. Location and Type of Water Supply:**

- a. Since this well will be air drilled the use of water for drilling is not anticipated.
- b. Water for drilling and completion operations, if necessary, will be trucked over approved access roads from Thompson, Utah. The water will be obtained through a direction purchase agreement of municipal water with a private owner.

**6. Source of Construction Material:**

- a. The use of materials will conform to 43 CFR 3610.2-3.
- b. No construction materials will be removed from BLM lands.
- c. If any gravel is used, it will be obtained from a state approved gravel pit.

**7. Methods of Handling Waste:**

- a. All wastes associated with this application will be contained and disposed of utilizing approved facilities.
- b. Drill cuttings will be contained and buried on site.
- c. The reserve pit will be located outboard of the location and along the west side of the pad.
- d. The reserve pit will be constructed so as not to leak, break, or allow any discharge.

- e. The reserve pit will be lined with 16 mil minimum thickness plastic nylon reinforced liner material. The liner will overlay a felt liner pad only if rock is encountered during excavation. The pit liner will overlap the pit walls and be covered with dirt and/or rocks to hold it in place. No trash, scrap pipe, etc., that could puncture the liner will be disposed of in the pit. Pit walls will be sloped no greater than 2:1. A minimum 2-foot freeboard will be maintained in the pit at all times during the drilling and completion operation.
- f. The reserve pit has been located in cut material. Three sides of the reserve pit will be fenced before drilling starts. The fourth side will be fenced as soon as drilling is completed, and shall remain until the pit is dry. After the reserve pit has dried, all areas not needed for production will be rehabilitated.
- g. No chemicals subject to reporting under SARA Title III (hazardous materials) in an amount greater than 10,000 pounds will be used, produced, stored, transported, or disposed of annually in association with the drilling, testing, or completion of the well. Furthermore, no extremely hazardous substances, as defined in 40 CFR 355, in threshold planning quantities, will be used, produced, stored, transported, or disposed of in association with the drilling, testing, or completion of the well.
- h. Trash will be contained in a trash cage and hauled away to an approved disposal site as necessary but no later than at the completion of drilling operations. The contents of the trash container will be hauled off periodically to the approved landfill near Grand Junction, Colorado.
- i. Produced fluids from the well other than water will be produced into a test tank until such time as construction of production facilities is completed. Any spills of oil, gas, salt water or other produced fluids will be cleaned up and removed.
- j. After initial clean-up, a 400 bbl tank will be installed to contain produced waste water. This water will be transported from the tank to an approved commercial disposal well for disposal near Grand Junction, Colorado.
- k. Any salts and/or chemicals, which are an integral part of the drilling system, will be disposed of in the same manner as the drilling fluid.
- l. Sanitary facilities will be on site at all times during operations. Sewage will be placed in a portable chemical toilet and the toilet replaced periodically utilizing a licensed contractor to transport by truck the portable chemical toilet so that its contents can be delivered to the Grand Junction Wastewater Treatment Facility in accordance with state and county regulations.

**8. Ancillary Facilities:**

- a. Garbage Containers and Portable Toilets are the only ancillary facilities proposed in this application.
- b. No camps, airstrips or staging areas are proposed with this application.

**9. Well Site Layout: (See Exhibit B)**

- a. The well will be properly identified in accordance with 43 CFR 3162.6.
- b. Access to the well pad will be from the east.

- c. The pad and road designs are consistent with BLM specification
- d. A pre-construction meeting with responsible company representative, contractors and the BLM will be conducted at the project site prior to commencement of surface-disturbing activities. The pad and road will be construction-staked prior to this meeting.
- e. The pad has been staked at its maximum size of; however it will be constructed smaller if possible, depending upon rig availability. Should the layout change, this application will be amended and approved utilizing a sundry notice.
- f. All surface disturbing activities, will be supervised by a qualified, responsible company representative who is aware of the terms and conditions of the APD and specifications in the approved plans.
- g. All cut and fill slopes will be such that stability can be maintained for the life of the activity.
- h. Diversion ditches will be constructed as shown around the well site to prevent surface waters from entering the well site area.
- i. The site surface will be graded to drain away from the pit to avoid pit spillage during large storm events.
- j. The stockpiled topsoil (first 6 inches or maximum available) will be stored in a windrow on the uphill side of the location to prevent any possible contamination. All topsoil will be stockpiled for reclamation in such a way as to prevent soil loss and contamination.
- k. Pits will remain fenced until site cleanup.
- l. The blooie line will be located at least 100 feet from the well head.
- m. Water injection may be implemented if necessary to minimize the amount of fugitive dust.

**10. Plans for Restoration of the Surface (Interim Reclamation and Final Reclamation):**

- a. Site reclamation for a producing well will be accomplished for portions of the site not required for the continued operation of the well.
- b. Upon well completion, any hydrocarbons in the pit shall be removed in accordance with 43 CFR 3162.7-1. Once the reserve pit is dry, the plastic nylon reinforced liner shall be torn and perforated before backfilling of the reserve pit. The reserve pit and that portion of the location not needed for production facilities/operations will be re-contoured to the approximate natural contours.
- c. Following BLM published Best Management Practices the interim reclamation will be completed within 90 days of completion of the well to reestablish vegetation, reduce dust and erosion and compliment the visual resources of the area.
  - a. All equipment and debris will be removed from the area proposed for interim reclamation and the pit area will be backfilled and re-contoured.
  - b. The area outside of the rig anchors and other disturbed areas not needed for the operation of the well will be re-contoured to blend with the surrounding area and

reseeded at 12 lbs /acre with the following native grass seeds:

1. Crested Wheat Grass (4 lbs / acre)
  2. Needle and Thread Grass (4 lbs / acre)
  3. Rice Grass (4 lbs / acre)
- c. Reclaimed areas receiving incidental disturbance during the life of the producing well will be re-contoured and reseeded as soon as practical.
- d. The Operator will control noxious weeds along access road use authorizations, pipeline route authorizations, well sites, or other applicable facilities by spraying or mechanical removal. A list of noxious weeds may be obtained from the BLM or the appropriate County Extension Office. On BLM administered land, it is required that a Pesticide Use Proposal be submitted and approved prior to the application of herbicides, pesticides or possibly hazardous chemicals.
- e. Prior to final abandonment of the site, all disturbed areas, including the access road, will be recontoured, scarified and left with a rough surface. The site will then be seeded and/or planted as prescribed by the BLM. The BLM recommended final reclamation seed mix will be detailed within their approval documents.

**11. Surface and Mineral Ownership:**

- a. Surface Ownership – Federal under the management of the Bureau of Land Management - Moab Field Office, 80 East Dogwood, Moab, Utah 84532; 435-259-2135.
- b. Mineral Ownership – Federal under the management of the Bureau of Land Management - Moab Field Office, 80 East Dogwood, Moab, Utah 84532; 435-259-2135.

12. **Other Information:**

a. Operators Contact Information:

- Karin Kuhn – Regulatory Coordinator  
303-339-1919 (office)  
kuhn@elkresources.net
- Don Hamilton - Agent  
435-719-2018 (office)  
starpoint@etv.net

b. Buys & Associates, Inc. has conducted a Class III archeological survey. A copy of the report has been submitted under separate cover to the appropriate agencies by Buys & Associates, Inc. as U-08-371-41-0057 dated April 29, 2008.

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

- a. No Threatened and Endangered flora and fauna species were found during the onsite inspection.
- b. No drainage crossings that require additional State or Federal approval are being crossed.
- c. The drainage to the east will be avoided with the fill by rounding corner 8 and a buffer of natural vegetation left in place to avoid erosion of the drainage.
- d. Three low-water crossings will be installed; one of the drainages is suitable for a 24" or larger culvert if desired.

Certification:

I hereby certify that I, or someone under my direct supervision, have inspected the drill site and access route proposed herein; that I am familiar with the conditions which currently exists; that I have full knowledge of state and Federal laws applicable to this operation; that the statements made in this APD package are, to the best of my knowledge, true and correct; and that the work associated with the operations proposed herein will be performed in conformity with this APD package and the terms and conditions under which it is approved. I also certify that I, or the company I represent, am responsible for the operations conducted under this application and that bond coverage is provided under Elk Production LLC's BLM bond B000971. These statements are subject to the provisions of 18 U.S.C. 1001 for the fling of false statements.

Executed this 15<sup>th</sup> day of May, 2008.

Don Hamilton

Don Hamilton -- Agent for Elk Production LLC  
2580 Creekview Road  
Moab, Utah 84532

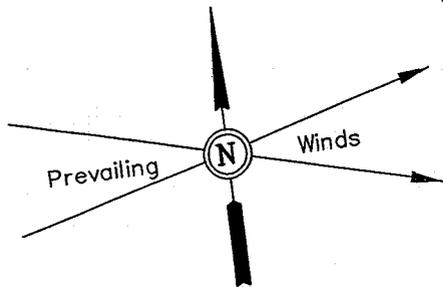
435-719-2018  
starpoint@etv.net

ELK PRODUCTION, LLC

FIGURE #1

LOCATION LAYOUT FOR

FEDERAL #25-8  
SECTION 25, T20S, R21E, S.L.B.&M.  
2255' FSL 708' FWL



SCALE: 1" = 40'

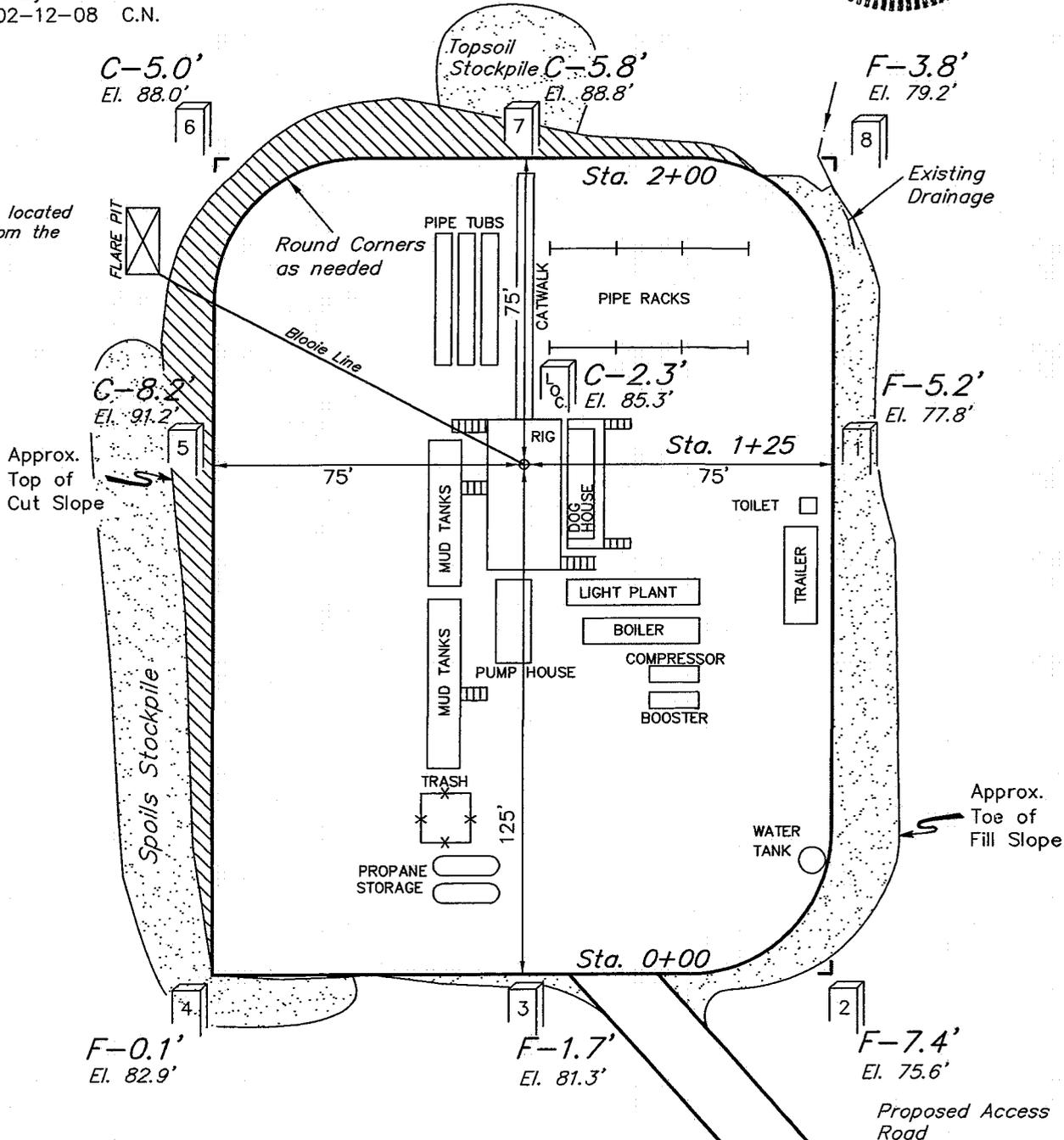
DATE: 01-01-05

Drawn By: P.M.

REVISED: 02-12-08 C.N.

NOTE:

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



NOTES:

Elev. Ungraded Ground At Loc. Stake = 5085.3'

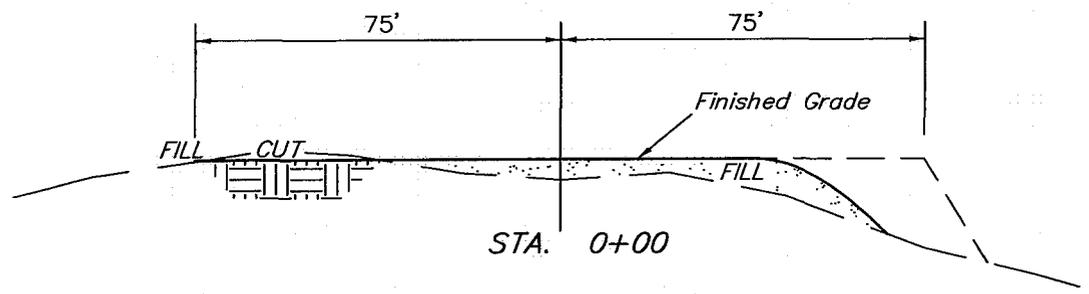
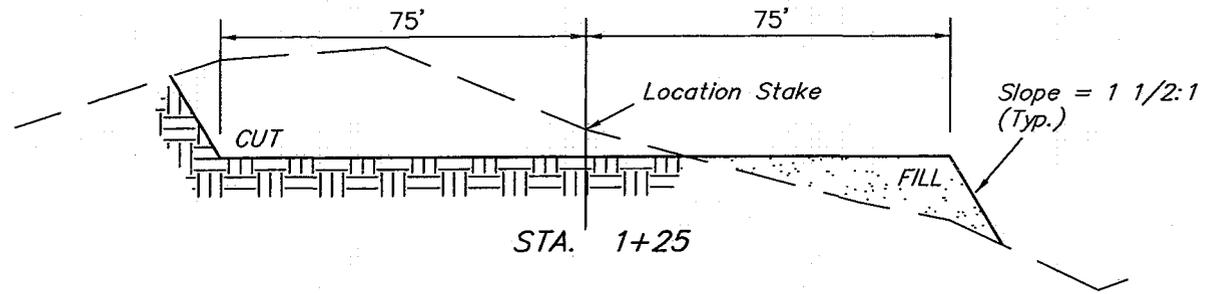
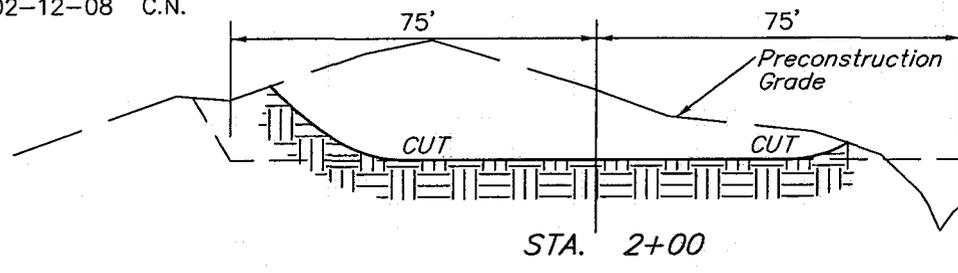
FINISHED GRADE ELEV. AT LOC. STAKE = 5083.0'

**ELK PRODUCTION, LLC**  
**TYPICAL CROSS SECTIONS FOR**  
**FEDERAL #25-8**  
**SECTION 25, T20S, R21E, S.L.B.&M.**  
**2255' FSL 708' FWL**

**FIGURE #2**

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

DATE: 01-01-05  
 Drawn By: P.M.  
 REVISED: 02-12-08 C.N.



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

**\* NOTE:**  
 FILL QUANTITY INCLUDES 5% FOR COMPACTION

**APPROXIMATE YARDAGES**

|                        |                        |
|------------------------|------------------------|
| <b>CUT</b>             |                        |
| (6") Topsoil Stripping | = 670 Cu. Yds.         |
| Remaining Location     | = 3,230 Cu. Yds.       |
| <b>TOTAL CUT</b>       | <b>= 3,900 CU.YDS.</b> |
| <b>FILL</b>            | <b>= 2,000 CU.YDS.</b> |

|                                |                         |
|--------------------------------|-------------------------|
| <b>EXCESS MATERIAL</b>         | = 1,900 Cu. Yds.        |
| Topsoil                        | = 670 Cu. Yds.          |
| <b>EXCESS UNBALANCE</b>        | <b>= 1,230 Cu. Yds.</b> |
| (After Interim Rehabilitation) |                         |

# ELK PRODUCTION, LLC

FEDERAL #25-8

LOCATED IN GRAND COUNTY, UTAH  
SECTION 25, T20S, R21E, S.L.B.&M.

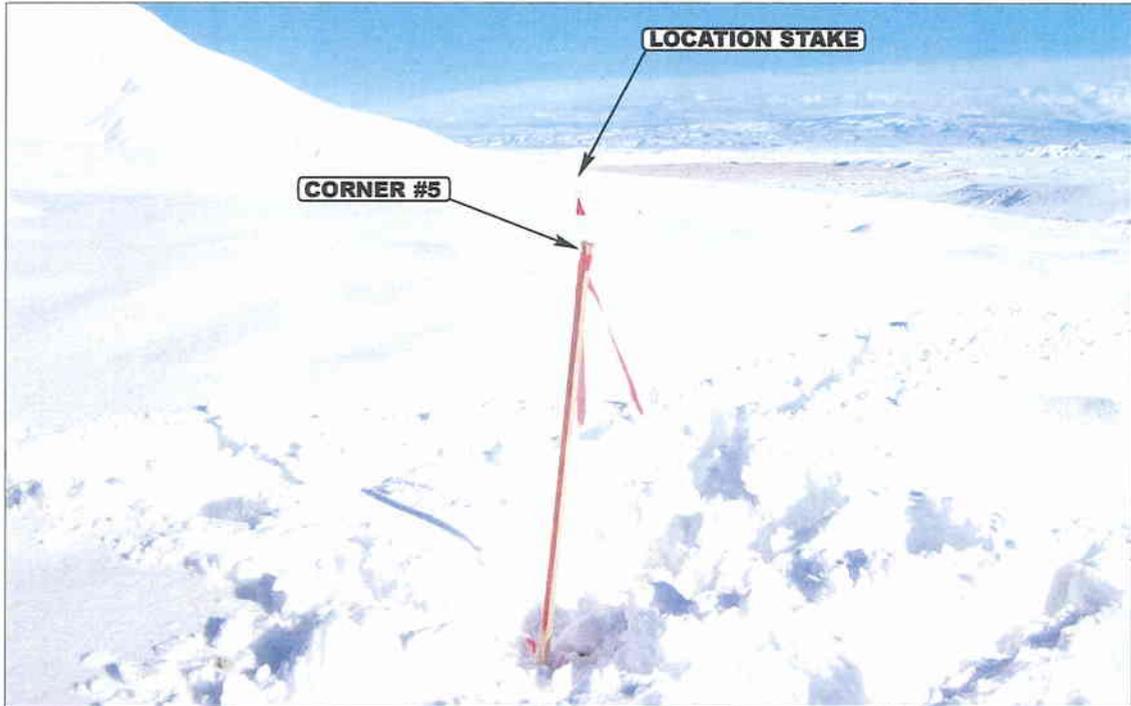


PHOTO: VIEW FROM CORNER #5 TO LOCATION STAKE

CAMERA ANGLE: EASTERLY

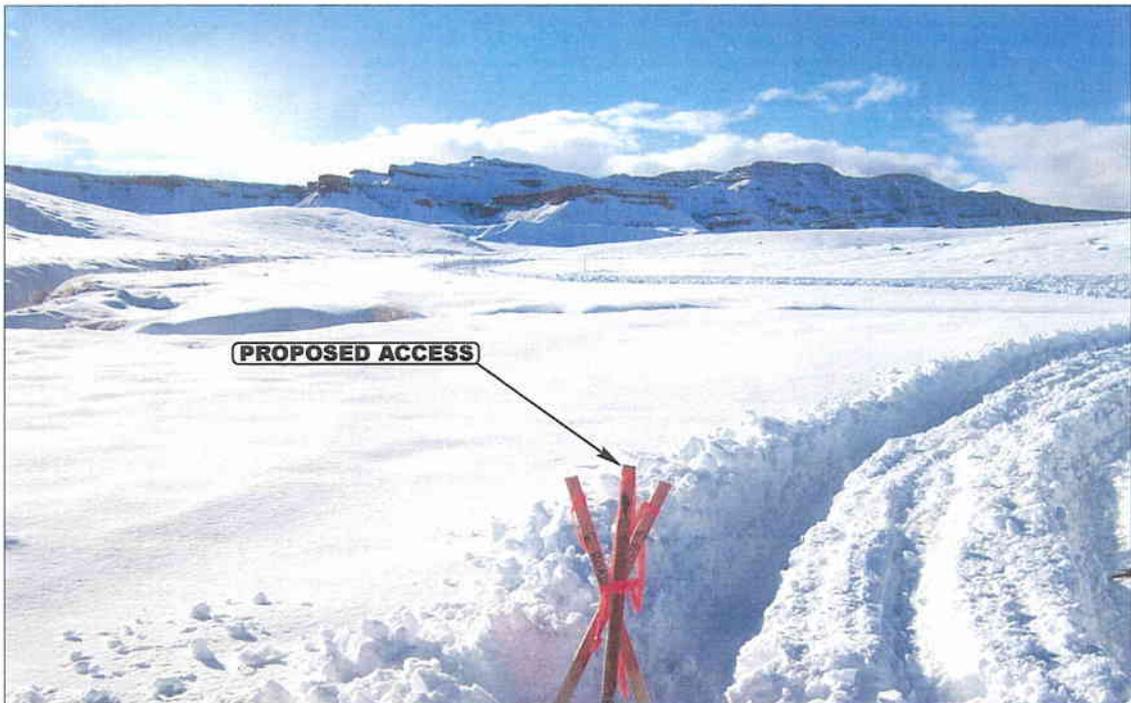


PHOTO: VIEW FROM BEGINNING OF PROPOSED ACCESS

CAMERA ANGLE: NORTHWESTERLY



- Since 1964 -



Uintah Engineering & Land Surveying

85 South 200 East Vernal, Utah 84078  
435-789-1017 uels@uelsinc.com

LOCATION PHOTOS

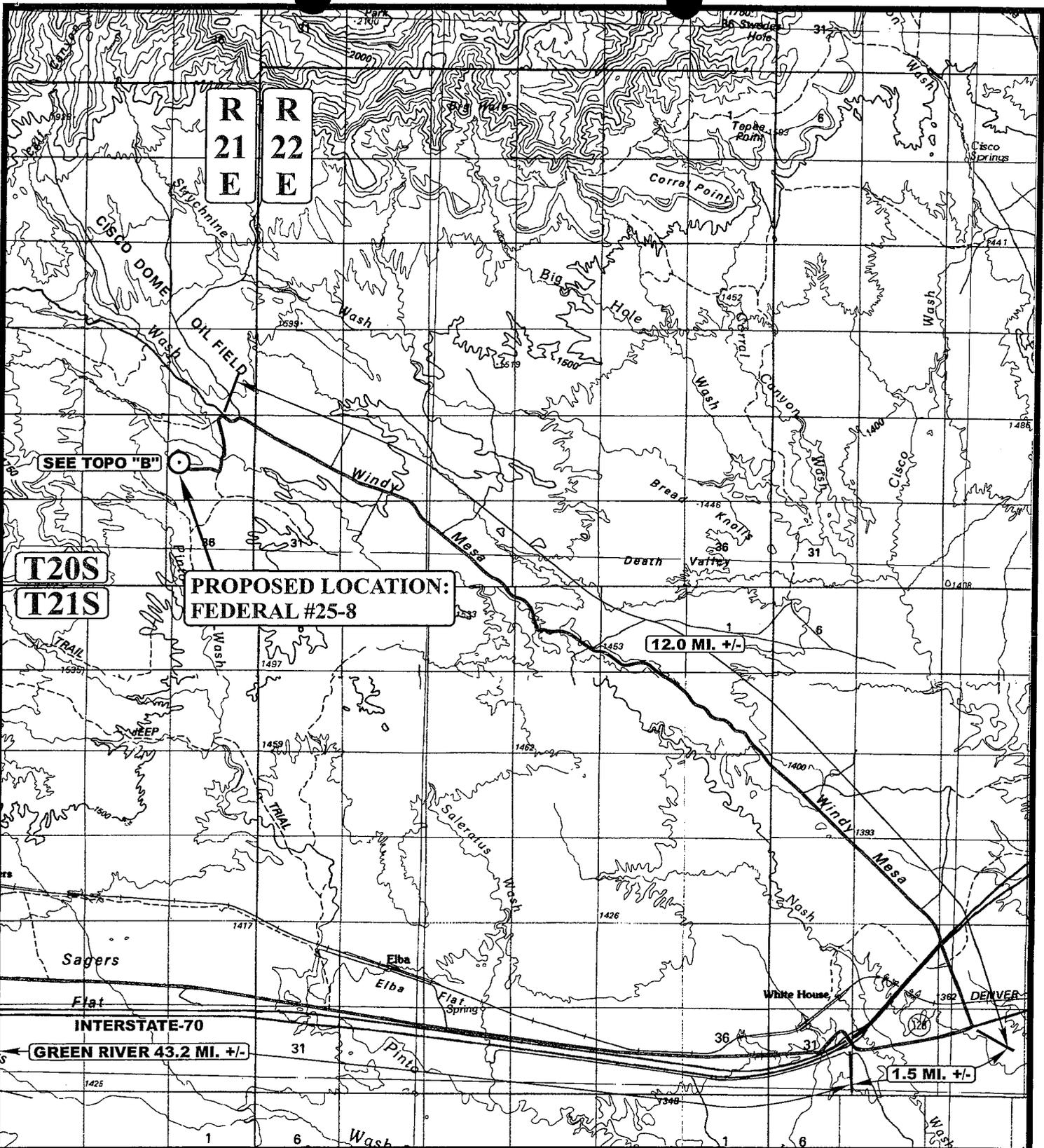
01 03 06  
MONTH DAY YEAR

PHOTO

TAKEN BY: J.W.

DRAWN BY: C.P.

REVISED: 02-14-08 JM



**LEGEND:**

⊙ PROPOSED LOCATION

**ELK PRODUCTION, LLC**

FEDERAL #25-8  
SECTION 25, T20S, R21E, S.L.B.&M.  
2255' FSL 708' FWL

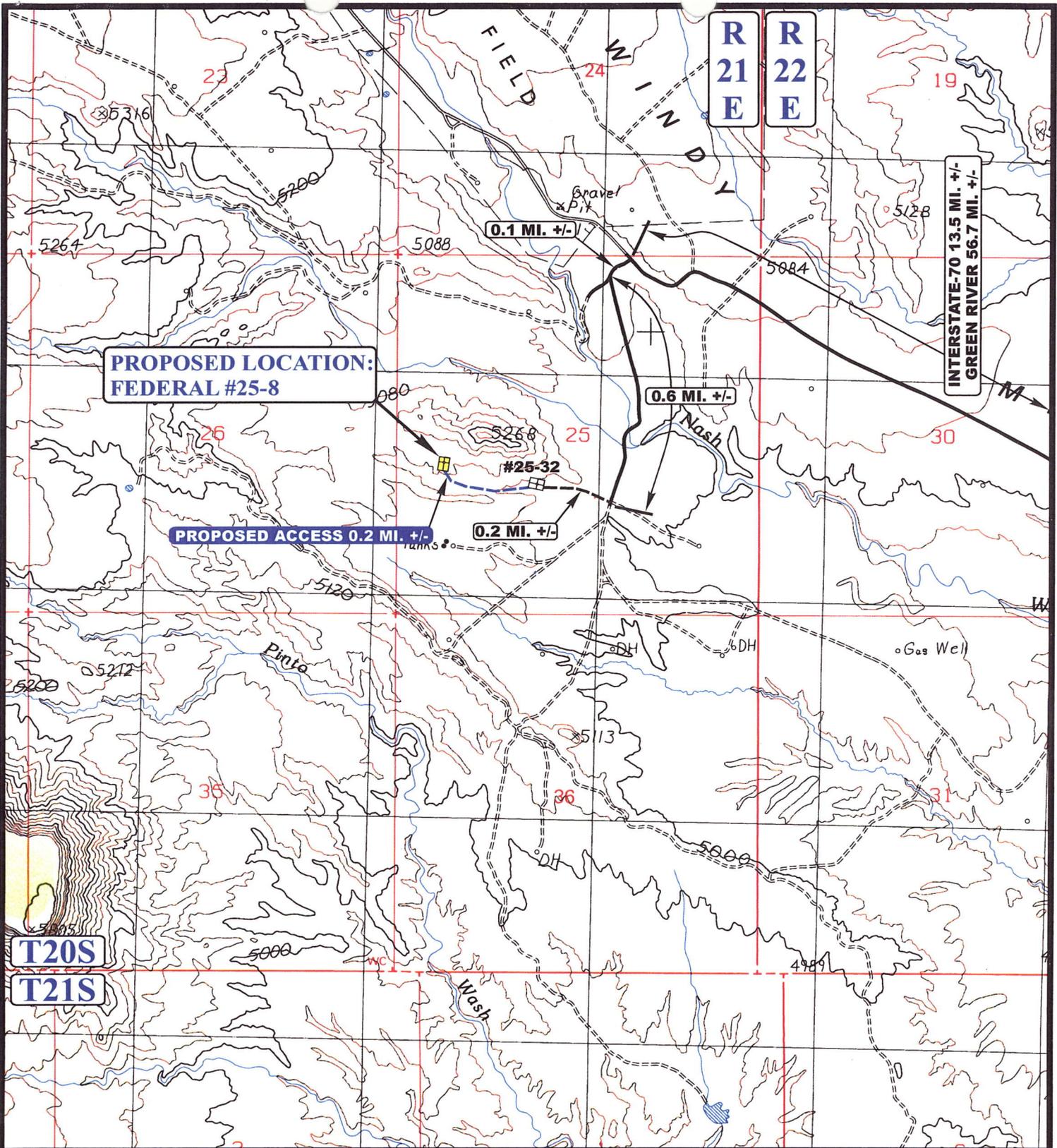


Uints Engineering & Land Surveying  
85 South 200 East Vernal, Utah 84078  
(435) 789-1017 \* FAX (435) 789-1813



TOPOGRAPHIC MAP  
01 10 08  
MONTH DAY YEAR  
SCALE: 1:100,000 DRAWN BY: GL. REVISED: 02-14-08 JM





**LEGEND:**

- EXISTING ROAD
- PROPOSED ACCESS ROAD



**ELK PRODUCTION, LLC**

**FEDERAL #25-8**  
**SECTION 25, T20S, R21E, S.L.B.&M.**  
**2255' FSL 708' FWL**

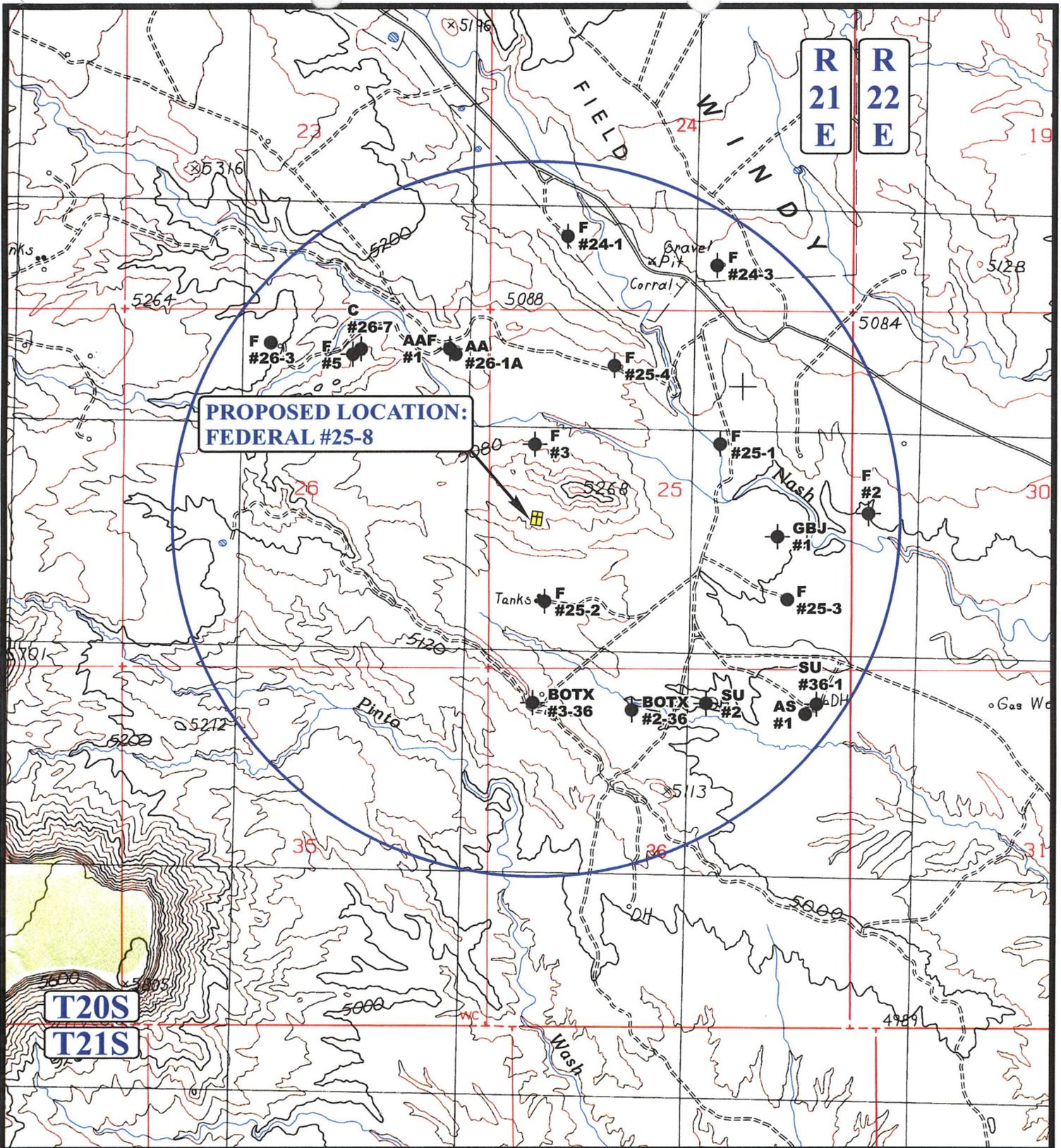


**Uintah Engineering & Land Surveying**  
 85 South 200 East Vernal, Utah 84078  
 (435) 789-1017 \* FAX (435) 789-1813

**TOPOGRAPHIC** 01 10 08  
**MAP** MONTH DAY YEAR

SCALE: 1" = 2000' DRAWN BY: G.L. REVISED: 02-14-08 JM





**PROPOSED LOCATION:  
FEDERAL #25-8**

**LEGEND:**

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



**ELK PRODUCTION, LLC**

**FEDERAL #25-8**  
**SECTION 25, T20S, R21E, S.L.B.&M.**  
**2255' FSL 708' FWL**



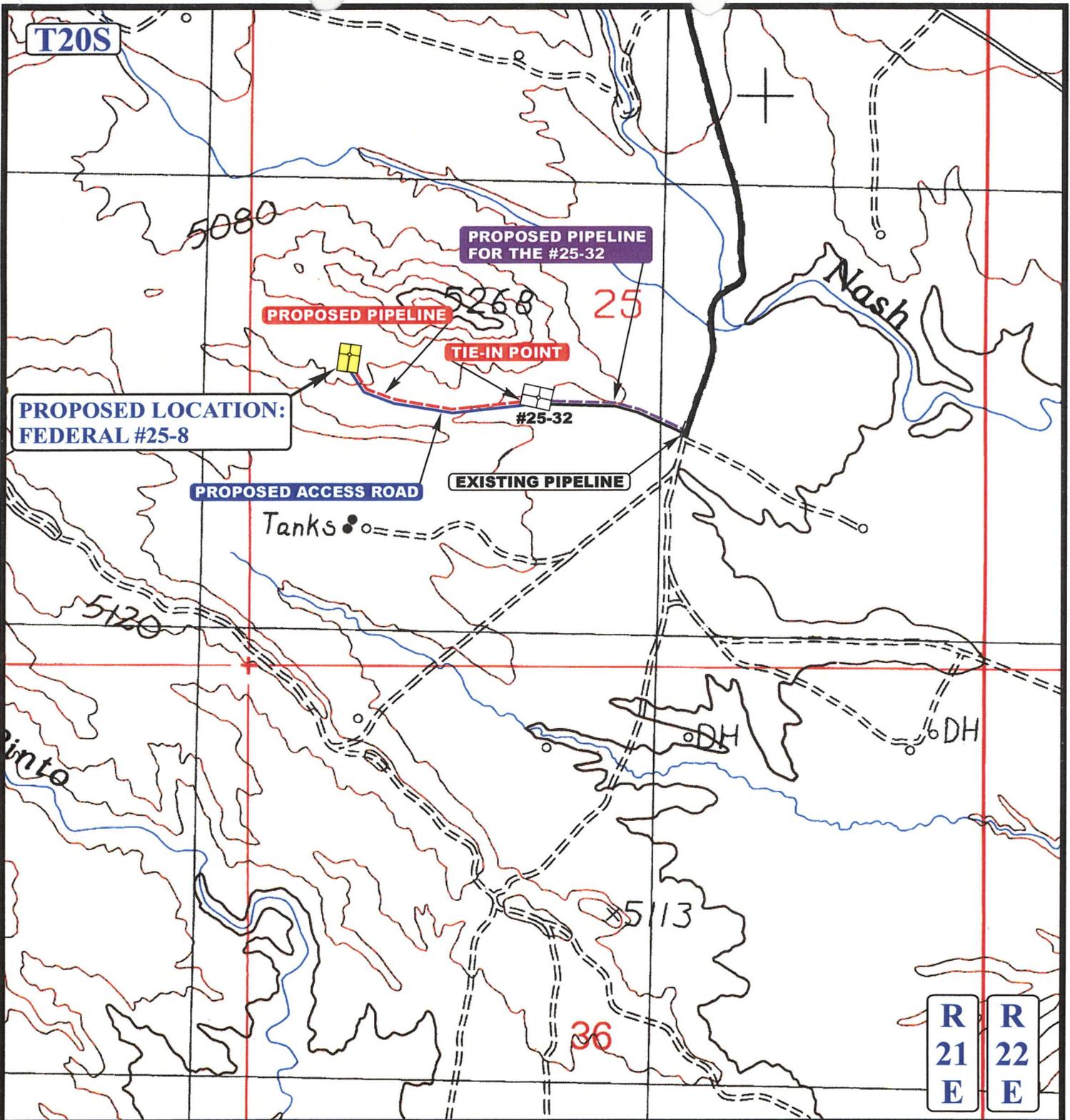
**Uintah Engineering & Land Surveying**  
 85 South 200 East Vernal, Utah 84078  
 (435) 789-1017 \* FAX (435) 789-1813

**TOPOGRAPHIC  
MAP**

|           |           |           |
|-----------|-----------|-----------|
| <b>01</b> | <b>03</b> | <b>06</b> |
| MONTH     | DAY       | YEAR      |

SCALE: 1" = 2000' DRAWN BY: C.P. REVISED: 02-14-08 JM





**APPROXIMATE TOTAL PIPELINE DISTANCE = 1260' +/-**

**LEGEND:**

- PROPOSED ACCESS ROAD
- - - - - EXISTING PIPELINE
- - - - - PROPOSED PIPELINE
- - - - - PROPOSED PIPELINE (SERVICING OTHER WELLS)



**ELK PRODUCTION, LLC**

**FEDERAL #25-8**  
**SECTION 25, T20S, R21E, S.L.B.&M.**  
**2255' FSL 708' FWL**



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

**TOPOGRAPHIC**  
**MAP**

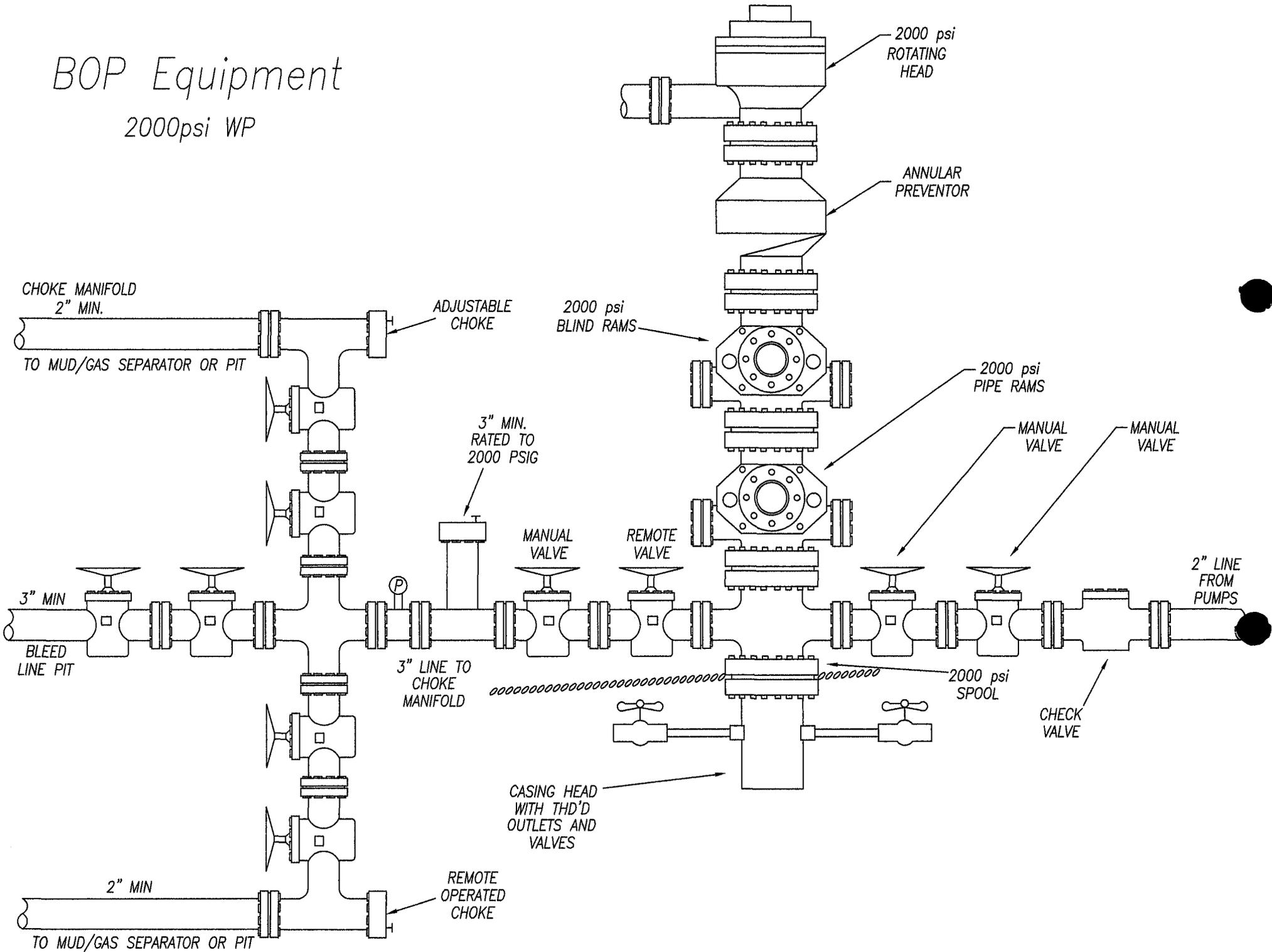
|           |           |           |
|-----------|-----------|-----------|
| <b>01</b> | <b>10</b> | <b>08</b> |
| MONTH     | DAY       | YEAR      |

SCALE: 1" = 1000'    DRAWN BY: G.L.    REVISED: 02-14-08 JM



# BOP Equipment

2000psi WP



**WORKSHEET  
APPLICATION FOR PERMIT TO DRILL**

APD RECEIVED: 05/19/2008

API NO. ASSIGNED: 43-019-31578

WELL NAME: FEDERAL 25-8  
 OPERATOR: ELK PRODUCTION, LLC ( N2650 )  
 CONTACT: DON HAMILTON

PHONE NUMBER: 303-339-1919

PROPOSED LOCATION:

NWSW 25 200S 210E  
 SURFACE: 2255 FSL 0708 FWL  
 BOTTOM: 2255 FSL 0708 FWL  
 COUNTY: GRAND  
 LATITUDE: 39.03648 LONGITUDE: -109.5521  
 UTM SURF EASTINGS: 625315 NORTHINGS: 4321614  
 FIELD NAME: GREATER CISCO ( 205 )

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

LEASE TYPE: 1 - Federal  
 LEASE NUMBER: UTU-002139-A  
 SURFACE OWNER: 1 - Federal

PROPOSED FORMATION: WINGT  
 COALBED METHANE WELL? NO

RECEIVED AND/OR REVIEWED:

- Plat
- Bond: Fed[1] Ind[] Sta[] Fee[]  
(No. B000971 )
- Potash (Y/N)
- Oil Shale 190-5 (B) or 190-3 or 190-13
- Water Permit  
(No. AIR DRILLED )
- RDCC Review (Y/N)  
(Date: \_\_\_\_\_ )
- Fee Surf Agreement (Y/N)
- Intent to Commingle (Y/N)

LOCATION AND SITING:

- \_\_\_\_\_ R649-2-3.
- Unit: \_\_\_\_\_
- \_\_\_\_\_ R649-3-2. General  
Siting: 460 From Qtr/Qtr & 920' Between Wells
- \_\_\_\_\_ R649-3-3. Exception
- Drilling Unit  
Board Cause No: 103-10(B)  
Eff Date: 11-15-1979  
Siting: 500' fr property line & 200' fr 1/4 1/4 in  
400' b/w & 1320' fr GW
- \_\_\_\_\_ R649-3-11. Directional Drill

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

STIPULATIONS: \_\_\_\_\_

*1-Federal Agreement*

API Number: 4301931578

Well Name: FEDERAL 25-8

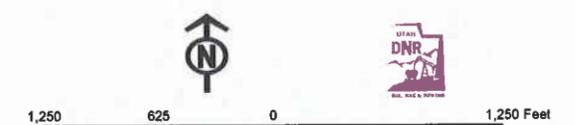
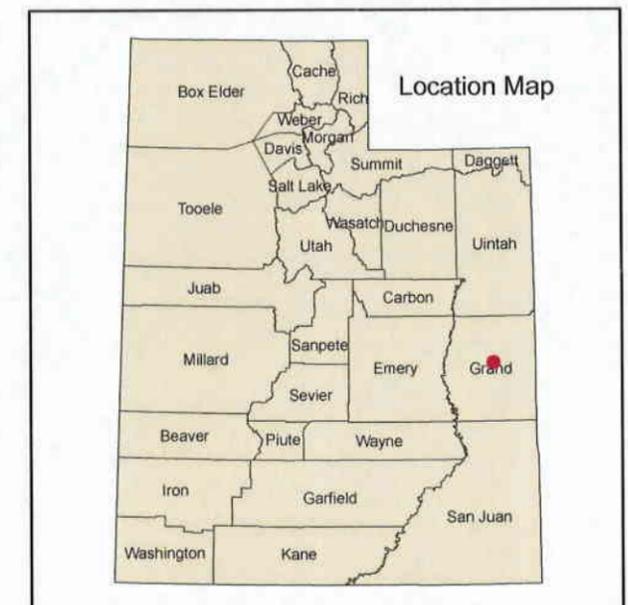
Township 20.0 S Range 21.0 E Section 25

Meridian: SLBM

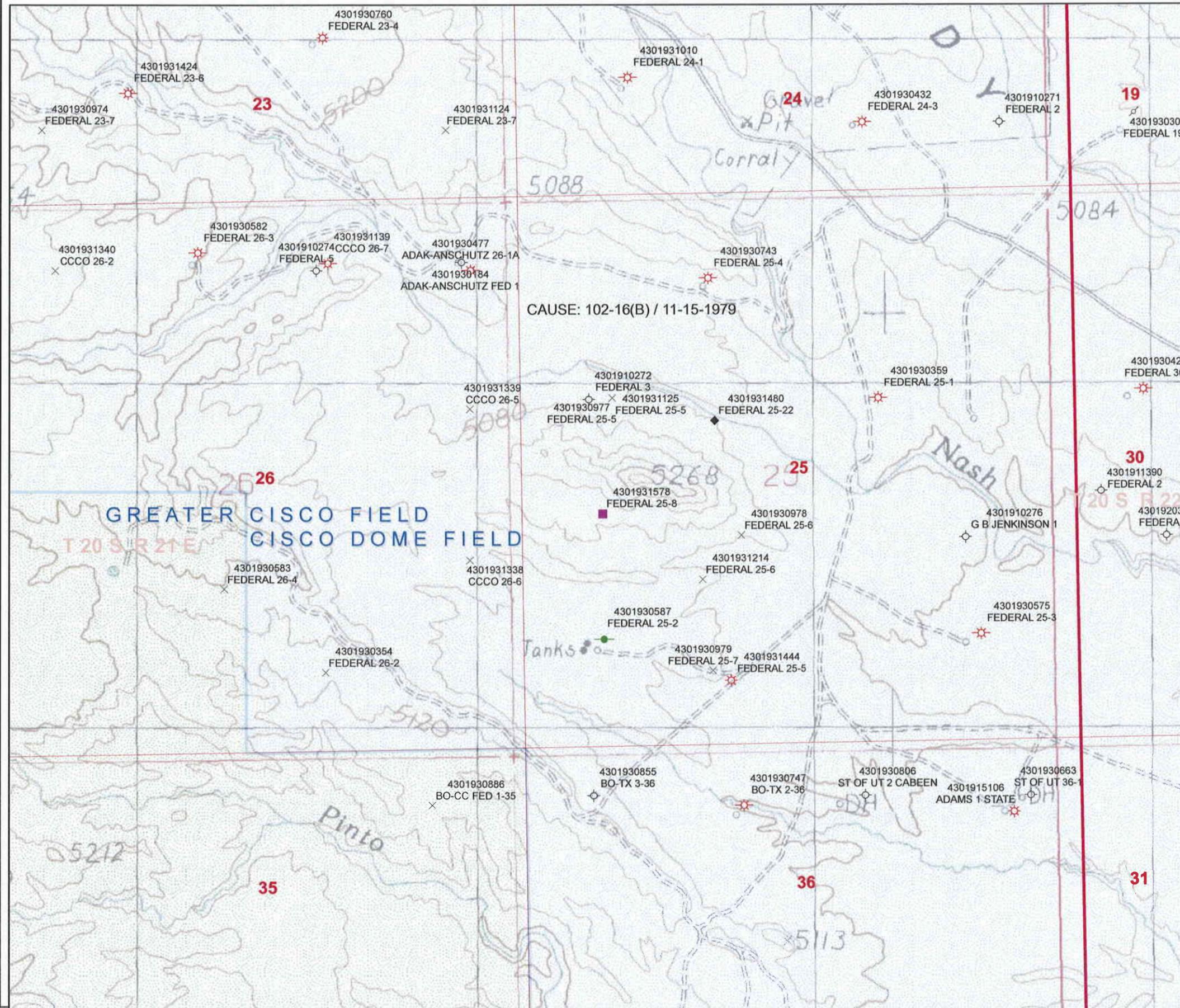
Operator: ELK PRODUCTION, LLC

Map Prepared: 5/20/2008  
Map Produced by Diana Mason

| Units         | Wells Query            |
|---------------|------------------------|
| STATUS        | ✕ <all other values>   |
| ACTIVE        | GIS_STAT_TYPE          |
| EXPLORATORY   | <Null>                 |
| GAS STORAGE   | ◆ APD                  |
| NF PP OIL     | ⊙ DRL                  |
| NF SECONDARY  | ⊙ GI                   |
| PI OIL        | ⊙ GS                   |
| PP GAS        | ⊙ LA                   |
| PP GEOTHERML  | ⊕ NEW                  |
| PP OIL        | ⊕ OPS                  |
| SECONDARY     | ⊙ PA                   |
| TERMINATED    | ⊙ PGW                  |
| <b>Fields</b> | ⊙ POW                  |
| STATUS        | ⊙ RET                  |
| Unknown       | ⊙ SGW                  |
| ABANDONED     | ⊙ SOW                  |
| ACTIVE        | ⊙ TA                   |
| COMBINED      | ⊙ TW                   |
| INACTIVE      | ⊙ WD                   |
| STORAGE       | ⊙ WI                   |
| TERMINATED    | ⊙ WS                   |
| Sections      | ⊙ Bottom Hole Location |
| Township      |                        |



1:12,000  
NAD 1927 UTM Zone 12N





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

May 22, 2008

Elk Production LLC  
1401 - 17th St., Ste. 700  
Denver, CO 80202

Re: Federal 25-8 Well, 2255' FSL, 708' FWL, NW SW, Sec. 25, T. 20 South, R. 21 East,  
Grand County, Utah

Gentlemen:

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

This approval shall expire one year from the above date unless substantial and continuous operation is underway, or a request for extension is made prior to the expiration date. The API identification number assigned to this well is 43-019-31578.

Sincerely,

Gil Hunt  
Associate Director

pab  
Enclosures

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

Operator: Elk Production LLC

Well Name & Number Federal 25-8

API Number: 43-019-31578

Lease: UTU-002139-A

Location: NW SW                      Sec. 25                      T. 20 South                      R. 21 East

### Conditions of Approval

1. General

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

2. Notification Requirements

Notify the Division with 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.

RECEIVED  
 OAR FIELD OFFICE  
 2008 MAY 15 11:00 AM

Form 3160-3  
 (February 2005)

UNITED STATES  
 DEPARTMENT OF THE INTERIOR  
 BUREAU OF LAND MANAGEMENT

APPLICATION FOR PERMIT TO DRILL OR REENTER

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

|  |   |
|--|---|
| 5. Lease Serial No.<br><b>UTU-002139-A</b>   |   |
| 6. If Indian, Allottee or Tribe Name<br><b>N/A</b>   |   |
| 7. If Unit or CA Agreement, Name and No.<br><b>undesignated</b>  |   |
| 8. Lease Name and Well No.<br><b>Federal 25-8</b>  |   |
| 9. API Well No.<br><b>4301931578</b>   |   |
| 10. Field and Pool, or Exploratory<br><b>Cisco Dome</b>  | 11. Sec., T. R. M. or Blk. and Survey or Area<br><b>Section 25, T20S, R21E, SLB&amp;M</b>   |
| 12. County or Parish<br><b>Grand</b>   | 13. State<br><b>UT</b>  |
| 14. Distance in miles and direction from nearest town or post office*<br><b>13.43 miles northwest of Cisco, Utah</b>     | 15. Distance from proposed* location to nearest property or lease line, ft. (Also to nearest drig. unit line, if any) <b>708'</b> |
| 16. No. of acres in lease<br><b>2,040</b>  | 17. Spacing Unit dedicated to this well<br><b>40 acres</b>  |
| 18. Distance from proposed location* to nearest well, drilling, completed, applied for, on this lease, ft. <b>1,150'</b> | 19. Proposed Depth<br><b>3,600'</b>   |
| 20. BLM/BIA Bond No. on file<br><b>B 000971</b>  | 21. Elevations (Show whether DF, KDB, RT, GL, etc.)<br><b>5,085' GR</b>   |
| 22. Approximate date work will start*<br><b>06/30/2008</b>   | 23. Estimated duration<br><b>9 days</b>   |

24. Attachments

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

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

|                                      |   |                           |
|--------------------------------------|---|---------------------------|
| 25. Signature<br><b>Don Hamilton</b> | Name (Printed/Typed)<br><b>Don Hamilton</b> | Date<br><b>05/15/2008</b> |
|--------------------------------------|---|---------------------------|

Title  
**Agent for Elk Production LLC**

|   |  |                       |
|---|--|-----------------------|
| Approved by (Signature)<br><b>/s/ A. Lynn Jackson</b> | Name (Printed/Typed)<br><b>/s/ A. Lynn Jackson</b> | Date<br><b>8/5/08</b> |
|---|--|-----------------------|

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

Office  
**Moab Field Office**

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

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

\*(Instructions on page 2)

CONDITIONS OF APPROVAL ATTACHED

RECEIVED

AUG 11 2008

DIV. OF OIL, GAS & MINING

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

R  
21  
E

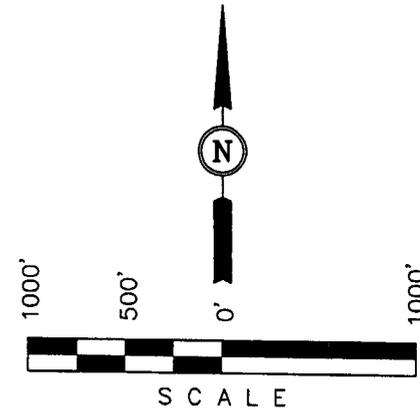
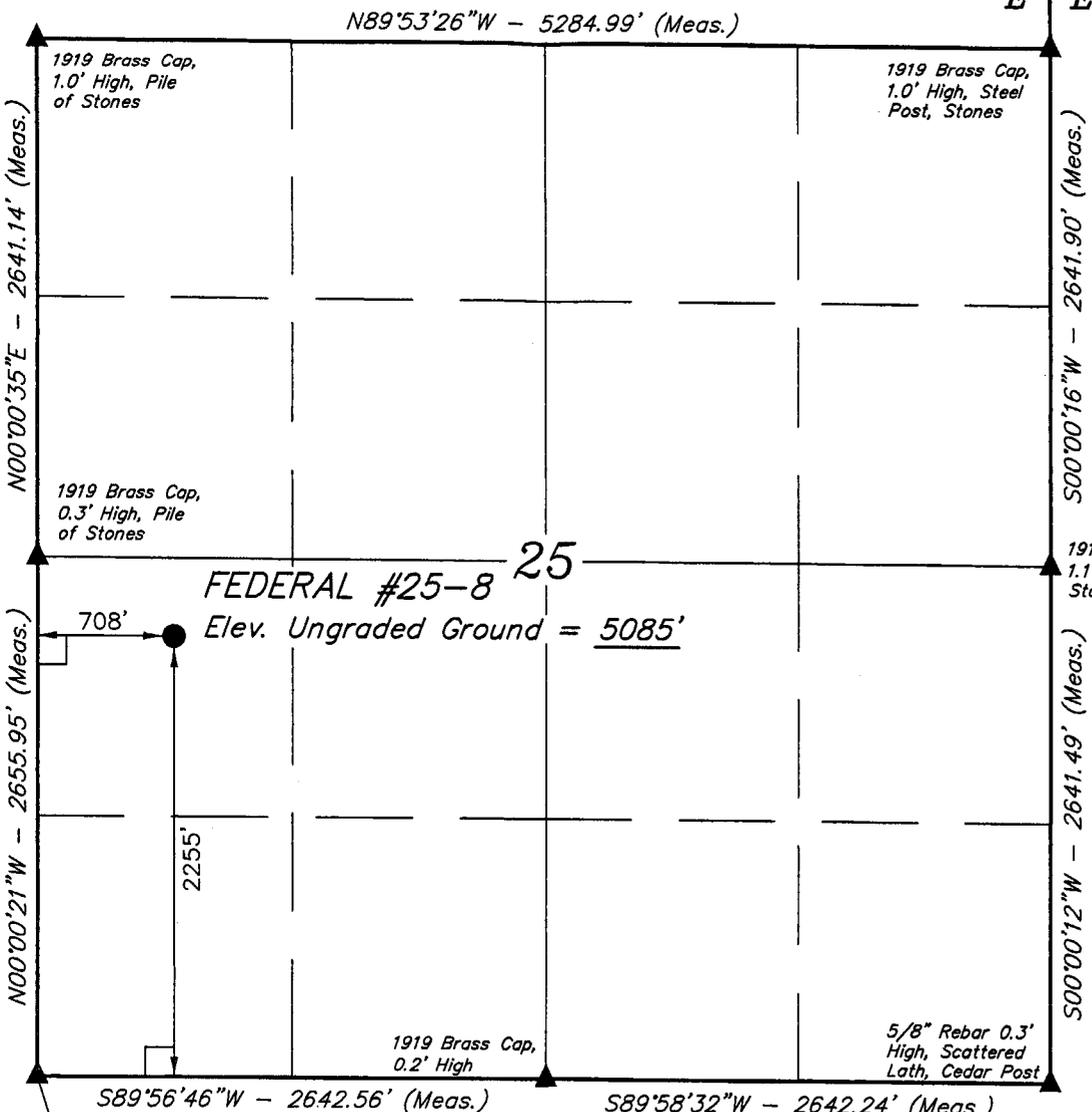
R  
22  
E

ELK PRODUCTION, LLC

Well location, FEDERAL #25-8, located as shown in the NW 1/4 SW 1/4 of Section 25, T20S, R21E, S.L.B.&M. Grand County, Utah.

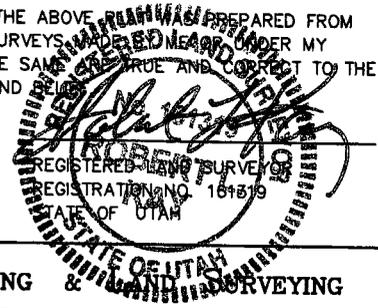
BASIS OF ELEVATION

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



CERTIFICATE

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



REVISED: 2-12-08 C.N.

BASIS OF BEARINGS

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

(AUTONOMOUS NAD 83)  
 LATITUDE = 39°02'11.07" (39.036408)  
 LONGITUDE = 109°33'09.79" (109.552719)  
 (AUTONOMOUS NAD 27)  
 LATITUDE = 39°02'11.16" (39.036433)  
 LONGITUDE = 109°33'07.35" (109.552042)

LEGEND:

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

|   |                             |                         |
|---|-----------------------------|-------------------------|
| <b>UINTAH ENGINEERING &amp; SURVEYING</b><br>85 SOUTH 200 EAST - VERNAL, UTAH 84078<br>(435) 789-1017 |                             |                         |
| SCALE<br>1" = 1000'   | DATE SURVEYED:<br>01-01-06  | DATE DRAWN:<br>01-08-06 |
| PARTY<br>G.O. B.J. P.M.   | REFERENCES<br>G.L.O. PLAT   |                         |
| WEATHER<br>COLD   | FILE<br>ELK PRODUCTION, LLC |                         |

Elk Production Company, LLC  
Well No. Federal 25-8  
Lease U-02139-A  
NW/SW Section 25, T20S, R21E  
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 Elk Production Company, LLC is considered to be the operator of the above well and is responsible under the terms and conditions of the lease for the operations conducted on the leased lands.

Bond coverage for this well is provided by **UTB000135** (Principal – Elk Production Company, LLC) via surety consent as provided for in 43 CFR 3104.2.

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

This permit will be valid for a period of two years from the date of approval. An extension of this permit will be considered only if a written request is received prior to APD expiration. 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 proposed 3M BOPE is adequate for anticipated conditions. Testing to 2M standards is acceptable. Installation, testing and operation of the system shall be in conformance with Onshore Oil and Gas Order No. 2.
2. Concurrent approval from the State of Utah, Division of Oil, Gas & Mining (DOGGM) is required before conducting any surface disturbing activities.
3. Drilling reports, which describe the activities of each day, shall be submitted to the BLM Price 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. Drilling reports may be in any format customarily used by the operator, and they may be submitted by email.
4. When drilling with air, the requirements of Onshore Oil and Gas Order No. 2, part III, E, Special Drilling Operations, shall apply. Among the requirements in this section are:
  - Spark arresters
  - Deduster equipment
  - Float valve above bit
  - Automatic igniter on the blooie line

## B. SURFACE

1. The operator will not be able to request a drilling extension past **July 11, 2011**. Upon this date, the operator is to cease all operations related to preparing to drill the well, due to the expiration of the NEPA analysis used.
2. In order to protect watershed values, no road/well pad construction or drilling operations will be authorized between November 1 and April 30. The limitation does not apply to maintenance and operation of producing wells. Exceptions to this limitation may be specified in writing by the Moab Field Office.
3. In order to protect wintering bald eagles and big game animals, no road/well pad construction or drilling operations will be authorized between November 1 and May 15. The limitation does not apply to maintenance and operation of producing wells. Exceptions to this limitation may be specified in writing by the Moab Field Office.
4. In order to protect pronghorn antelope during the fawning period, no road/ well pad construction will be authorized between May 1 and June 15. The limitation does not apply to maintenance and operation of producing wells. Exceptions to this limitation may be specified in writing by the Moab Field Office.
5. No road/well pad construction or drilling operations will be authorized within 0.5 miles of raptor nesting sites between March 1 and August 31 (or January 1 to August 31 for golden Eagles). The limitation does not apply to maintenance and operation of producing wells. Exceptions to this limitation may be specified in writing by the Moab Field Office.
6. Dust control will be provided during construction and drilling operations by spraying fresh water on new road construction, roads being maintained, and the well pad.
7. If water is produced from the well, an application in conformance with Onshore Oil and Gas Order No. 7 will be submitted. The specifications for the pits or tanks used for the storage of produced water will be determined from the information in the application.
8. The dike that will surround the 2-tank battery on the well site will be 150% of the storage capacity of the largest tank.

### C. REQUIRED APPROVALS, REPORTS AND NOTIFICATIONS

Required verbal notifications are summarized in Table 1, attached.

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

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

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

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

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

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

Cultural Resources- If cultural resources are discovered during construction, immediately notify the Moab Field Office, and work that might disturb the cultural resources shall cease.

First Production- A first production conference will be scheduled as soon as the productivity of the well is apparent. This conference should be coordinated through the Moab Field Office.

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

Well Completion Report- Whether the well is completed as a dry hole or as a producer, a *Well Completion or Recompletion Report and Log* (Form 3160-4) shall be submitted to the Moab Field Office within thirty-days after completion of the well. Two copies of all logs, core descriptions, core analyses, well test data, geologic summaries, sample description, and all other surveys or data obtained and compiled during the drilling, workover, and/or completion operations, will be filed with Form 3160-4. When requested, samples (cuttings and/or samples) will be submitted to the Moab Field Office.

Venting/Flaring of Gas- Gas produced from this well may not be vented/flared beyond an initial, authorized test period of 30 days or 50 MMcf, whichever first occurs, without the prior, written approval of the Moab Field Office. Should gas be vented or flared without approval beyond the authorized test period, the well may be ordered to be shut-in until the gas can be captured or until approval to continue the venting/flaring pursuant to NTL-4A is granted. Compensation shall be due for gas that is vented/flared without approval.

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

Off-Lease Measurement, Storage, Commingling- Prior approval must be obtained from the Moab Field Office for off-lease measurement, off-lease storage and/or commingling of production prior to the sales measurement point. The term "commingling" describes both the combining of production from different geologic zones and/or combining production from different leases or agreement areas.

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

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

#### TABLE 1

#### NOTIFICATIONS

Notify Ben Kniola (435-259-2127), Dave Skinner (435-259-2145) or Jack Johnson (435-259-2129) of the BLM Moab Field Office for the following:

2 days prior to constructing the location (Kniola or Skinner);

1 day prior to spudding (Johnson);

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

3 hours prior to testing BOPE (Johnson)

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

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

Eric Jones, Petroleum Engineer

Office: 435-259-2117

Home: 435-259-2214

|   |  |
|---|--|
| <p><b>STATE OF UTAH</b><br/>DEPARTMENT OF NATURAL RESOURCES<br/>DIVISION OF OIL, GAS, AND MINING</p>  | <p><b>FORM 9</b></p>   |
| <p><b>SUNDRY NOTICES AND REPORTS ON WELLS</b></p> <p>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.</p> | <p><b>5. LEASE DESIGNATION AND SERIAL NUMBER:</b><br/>UTU-002139-A</p> |
| <p><b>1. TYPE OF WELL</b><br/>Gas Well</p>  | <p><b>6. IF INDIAN, ALLOTTEE OR TRIBE NAME:</b></p>                    |
| <p><b>2. NAME OF OPERATOR:</b><br/>ELK PRODUCTION, LLC</p>  | <p><b>7. UNIT or CA AGREEMENT NAME:</b></p>                            |
| <p><b>3. ADDRESS OF OPERATOR:</b><br/>1401 17th Street, Suite 700 , Denver, CO, 80202</p>   | <p><b>8. WELL NAME and NUMBER:</b><br/>FEDERAL 25-8</p>                |
| <p><b>4. LOCATION OF WELL</b><br/><b>FOOTAGES AT SURFACE:</b><br/>2255 FSL 0708 FWL<br/><b>QTR/QTR, SECTION, TOWNSHIP, RANGE, MERIDIAN:</b><br/>Qtr/Qtr: NWSW Section: 25 Township: 20.0S Range: 21.0E Meridian: S</p>  | <p><b>9. API NUMBER:</b><br/>43019315780000</p>                        |
| <p><b>PHONE NUMBER:</b><br/>303 296-4505 Ext</p>  | <p><b>9. FIELD and POOL or WILDCAT:</b><br/>GREATER CISCO</p>          |
|   | <p><b>COUNTY:</b><br/>GRAND</p>  |
|   | <p><b>STATE:</b><br/>UTAH</p>  |

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

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

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

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

Approved by the  
Utah Division of  
Oil, Gas and Mining

Date: May 11, 2009  
 By: 

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



**The Utah Division of Oil, Gas, and Mining**

- State of Utah
- Department of Natural Resources

**Electronic Permitting System - Sundry Notices**

**Request for Permit Extension Validation Well Number 43019315780000**

**API:** 43019315780000

**Well Name:** FEDERAL 25-8

**Location:** 2255 FSL 0708 FWL QTR NWSW SEC 25 TWNP 200S RNG 210E MER S

**Company Permit Issued to:** ELK PRODUCTION, LLC

**Date Original Permit Issued:** 5/22/2008

The undersigned as owner with legal rights to drill on the property as permitted above, hereby verifies that the information as submitted in the previously approved application to drill, remains valid and does not require revision. Following is a checklist of some items related to the application, which should be verified.

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

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

**Signature:** Karin Kuhn

**Date:** 5/7/2009

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

**Date:** May 11, 2009

**By:**



GARY R. HERBERT  
Governor

GREGORY S. BELL  
Lieutenant Governor

# State of Utah

## DEPARTMENT OF NATURAL RESOURCES

MICHAEL R. STYLER  
Executive Director

### Division of Oil, Gas and Mining

JOHN R. BAZA  
Division Director

August 5, 2010

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

Re: APD Rescinded – Federal 25-8, Sec.25, T.20S, R.21E  
Grand County, Utah API No. 43-019-31578

Ladies and Gentlemen:

The Application for Permit to Drill (APD) for the subject well was approved by the Division of Oil, Gas and Mining (Division) on May 22, 2008. On May 11, 2009, the Division granted a one-year APD extension. No drilling activity at this location has been reported to the division. Therefore, approval to drill the well is hereby rescinded, effective August 5, 2010.

A new APD must be filed with this office for approval prior to the commencement of any future work on the subject location.

If any previously unreported operations have been performed on this well location, it is imperative that you notify the Division immediately.

Sincerely,

  
Diana Mason  
Environmental Scientist

cc: Well File  
Bureau of Land Management, Moab

