

FAT CHANCE OIL AND GAS, LLC

September 8, 2000

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

RE: Application for Permit To Drill - Murphy Ridge #2

Attention:

Enclosed are duplicate copies of the Murphy Ridge #2 APD and required attachments for your approval. Please note that neither a copy of the Division of Water Rights nor the identifying number of the approval is included. That approval is being sought at this time and Fat Chance Oil and Gas, LLC anticipates approval in the very near future. A copy of that approval will be forwarded to your office immediately upon receipt of same.

If additional information is required, please direct all inquiries or requests to:

Casey Osborn
Operations Manager
Box 7370
Sheridan, Wyoming 82801
307-673-1500
307-673-1400 (Fax)

Thank you for your prompt attention.

Sincerely,



Casey Osborn
Operations Manager

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SEP 11 2000

DIVISION OF
OIL, GAS AND MINING

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. LEASE DESIGNATION AND SERIAL NUMBER: Mineral Lease #48456	
1A. TYPE OF WORK: DRILL <input checked="" type="checkbox"/> REENTER <input type="checkbox"/> DEEPEN <input type="checkbox"/>		6. IF INDIAN, ALLOTTEE OR TRIBE NAME:	
B. TYPE OF WELL: OIL <input type="checkbox"/> GAS <input checked="" type="checkbox"/> OTHER _____ SINGLE ZONE <input type="checkbox"/> MULTIPLE ZONE <input checked="" type="checkbox"/>		7. UNIT or CA AGREEMENT NAME:	
2. NAME OF OPERATOR: Fat Chance Oil and Gas, LLC		8. WELL NAME and NUMBER: Murphy Ridge #2	
3. ADDRESS OF OPERATOR: 211 N. Robinson CITY Oklahoma City STATE OK ZIP 73102		9. FIELD AND POOL, OR WILDCAT: Wildcat	
4. LOCATION OF WELL (FOOTAGES) AT SURFACE: 1980' FNL 1980' FEL 4581595H AT PROPOSED PRODUCING ZONE: same 495167E		10. QTR/QTR, SECTION, TOWNSHIP, RANGE, MERIDIAN: SWNE 32 8N 8E	
13. DISTANCE IN MILES AND DIRECTION FROM NEAREST TOWN OR POST OFFICE: 9 miles Northwest of Evanston, Wyoming		11. COUNTY: Rich	12. STATE: UTAH
14. DISTANCE TO NEAREST PROPERTY OR LEASE LINE (FEET) 619 feet	15. NUMBER OF ACRES IN LEASE: 812	16. NUMBER OF ACRES ASSIGNED TO THIS WELL: 80	
17. DISTANCE TO NEAREST WELL (DRILLING, COMPLETED, OR APPLIED FOR) ON THIS LEASE (FEET) NA	18. PROPOSED DEPTH: 4,500	19. BOND DESCRIPTION: SITLA Surety Bond #885708C	
20. ELEVATIONS (SHOW WHETHER DF, RT, GR, ETC.): 6554' GR	21. APPROXIMATE DATE WORK WILL START: 10/1/2000	22. ESTIMATED DURATION: 15 days	

CONFIDENTIAL

23. **PROPOSED CASING AND CEMENTING PROGRAM**

SIZE OF HOLE	CASING SIZE, GRADE, AND WEIGHT PER FOOT			SETTING DEPTH	CEMENT TYPE, QUANTITY, YIELD, AND SLURRY WEIGHT			
12 1/4"	9 5/8"	H-40	32.3#	450	G-Poz	125sx	2.0	12#*
8 3/4"	7"	K-55	23#	4,500	G-50/50Poz	150sx	2.25	11#lead* 14.2#tail*
					*50/50 Poz.			
					*Halliburton Hi-Bond 2.56 FT ³ /SK, 115 SX *44 1.25 FT ³ /SK, 35 SX			

24. **ATTACHMENTS** *per Casey 0. 10-11-00*

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 checked="" type="checkbox"/> FORM 5, IF OPERATOR IS PERSON OR COMPANY OTHER THAN THE LEASE OWNER

NAME (PLEASE PRINT) Casey Osborn TITLE OPERATIONS MANAGER
SIGNATURE *Casey Osborn* DATE 9-8-00

(This space for State use only)
API NUMBER ASSIGNED: 43-033-30046

Approved by the
Utah Division of
Oil, Gas and Mining
Date: 10/13/00
By: *[Signature]*

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DIVISION OF
OIL, GAS AND MINING

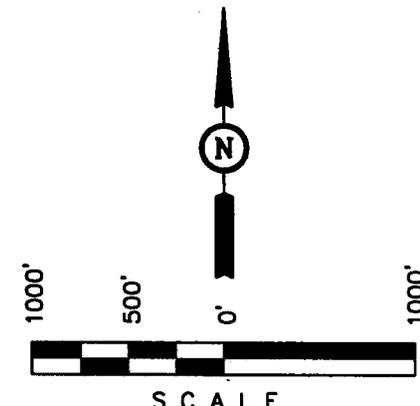
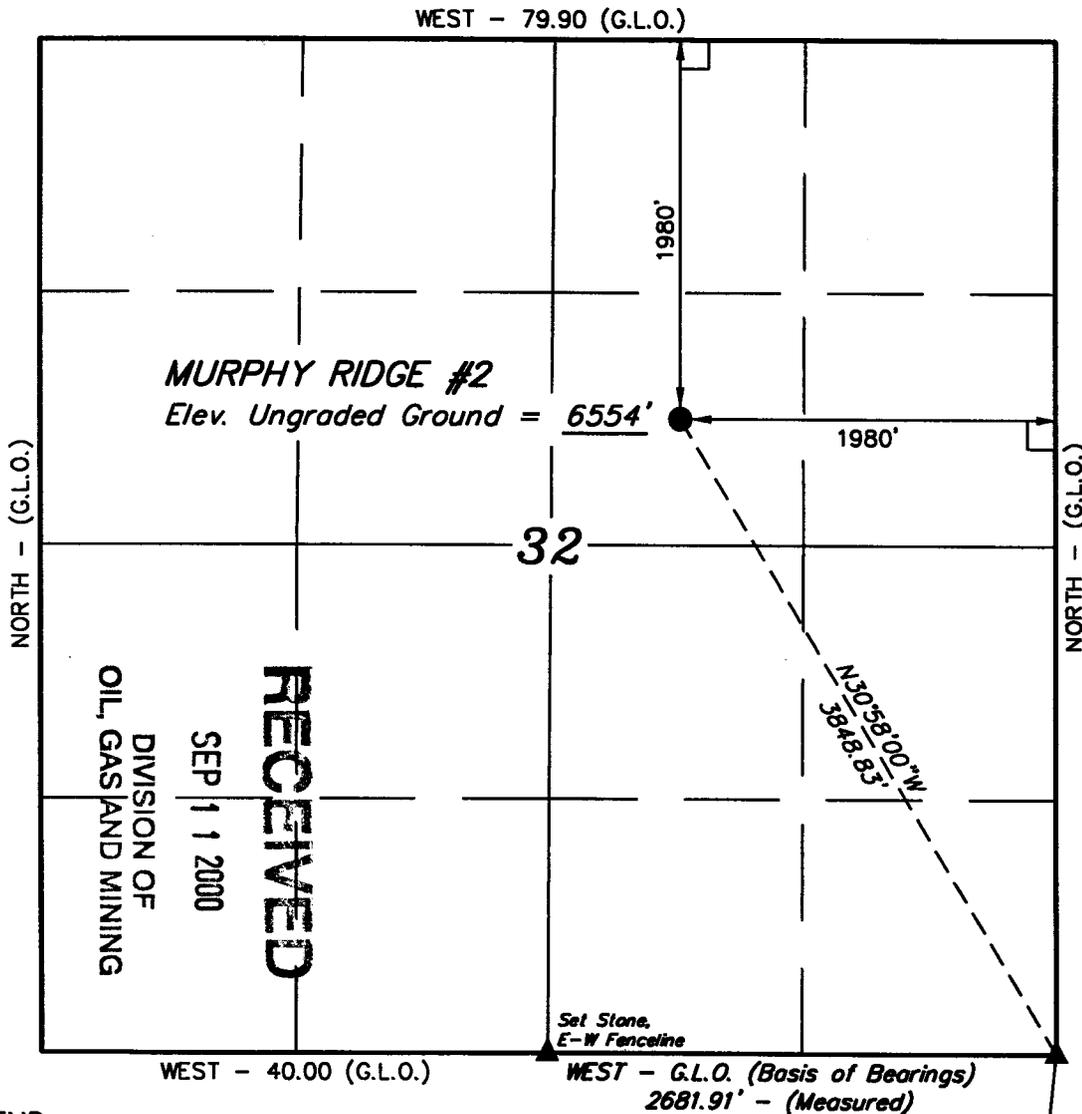
T8N, R8E, S.L.B.&M.

FAT CHANCE OIL & GAS, LLC

Well location, MURPHY RIDGE #2, located as shown in the SW 1/4 NE 1/4 of Section 32, T8N, R8E, S.L.B.&M., Rich County, Utah.

BASIS OF ELEVATION

SPOT ELEVATION AT AN INTERSECTION OF TRAILS ON THE WYOMING-UTAH STATE LINE LOCATED IN THE EAST 1/2 OF SECTION 33, T8N, R8E, TAKEN FROM THE NEPONSET RESERVOIR NE, QUADRANGLE, UTAH-WYOMING, 7.5 MINUTE QUAD. (TOPOGRAPHIC MAP) PUBLISHED BY THE UNITED STATES DEPARTMENT OF THE INTERIOR, GEOLOGICAL SURVEY. SAID ELEVATION IS MARKED AS BEING 6636 FEET.



CERTIFICATE OF LAND SURVEYING

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

ROBERT L. STAY

REGISTERED LAND SURVEYOR
REGISTRATION NO. 1618
STATE OF UTAH

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

LATITUDE = 41°23'15"
LONGITUDE = 111°03'28"

UINTAH ENGINEERING & LAND SURVEYING		
85 SOUTH 200 EAST - VERNAL, UTAH 84078		
(435) 789-1017		
SCALE 1" = 1000'	DATE SURVEYED: 8-29-00	DATE DRAWN: 9-5-00
PARTY D.K. B.P. D.COX	REFERENCES G.L.O. PLAT	
WEATHER WARM	FILE FAT CHANCE OIL & GAS, LLC	

LIST OF CONTACTS

OPERATOR:

Casey Osborn
Operations Manager
Box 7370
Sheridan, Wyoming 82801
Office: 307-673-1500
Home: 307-673-0842

SURFACE LESSEE:

Bill Hopkin
Ranch Manager
Deseret Land and Livestock
125 Main Ranch Way
Woodruff, Utah 84086
Office: 435-793-4288
Home: 435-793-4558

* 9/18/2000 state surface per SITLA.
will be up for sale soon.
LC

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DIVISION OF
OIL, GAS AND MINING

FAT CHANCE OIL & GAS, LLC

MURPHY RIDGE #2

LOCATED IN RICH COUNTY, UTAH
SECTION 32, T8N, R8E, S.L.B.&M.

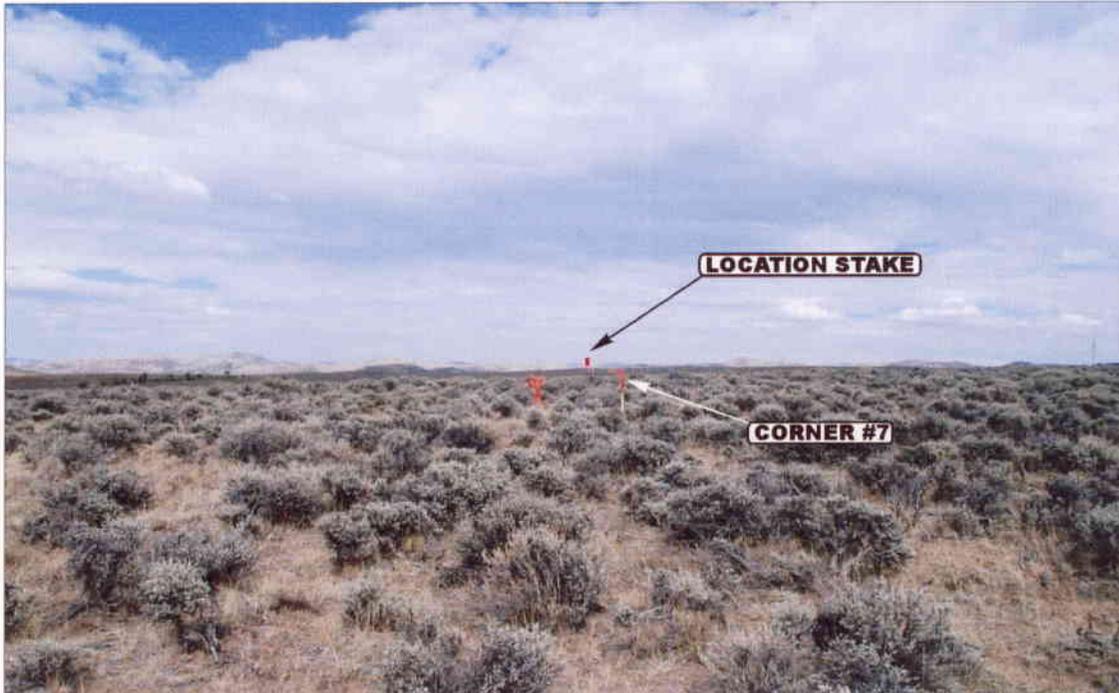


PHOTO: VIEW FROM CORNER #7 TO LOCATION STAKE

CAMERA ANGLE: NORTHEASTERLY



PHOTO: VIEW FROM BEGINNING OF PROPOSED ACCESS

CAMERA ANGLE: EASTERLY



- Since 1964 -

U **E** **L** **S** Uintah Engineering & Land Surveying
85 South 200 East Vernal, Utah 84078
435-789-1017 uels@uelsinc.com

LOCATION PHOTOS

9 5 00
MONTH DAY YEAR

PHOTO

TAKEN BY: D.K.

DRAWN BY: C.G.

REVISED: 00-00-00

DRILLING PLAN

Operator: Fat Chance Oil and Gas, LLC
Murphy Ridge #2
T8N R8E, Rich County, Utah

1. ESTIMATED TOPS OF GEOLOGIC MARKERS

<u>Formation</u>	<u>Depth</u>	<u>Fluid</u>
Wasatch	Surface – 100'	Potential water sands
Fowkes	100' – 1200'	None
Adaville	1200' – 2500'	Water, Possible Gas
Frontier	2500' – 3500'	Water, Possible Gas
Aspen	3500' – 4000'	None
Bear River	4000' – 4500'	Water, Oil
TD	4500'	

2. ESTIMATED DEPTHS OF ANTICIPATED WATER AND GAS FORMATIONS

The objective formation is the Kelvin formation. Operator intends to evaluate shows in the Adaville, Frontier and Bear River intervals. The anticipated tops are listed in section one of the drilling plan.

3. PRESSURE CONTROL EQUIPMENT

Minimum Specifications:

1. 11" 3M BOP stack consisting of an annular preventer, pipe ram, and blind ram.
2. 2M choke manifold consisting of two adjustable chokes and bleed line.
3. 3" Kill Line
4. 3" Choke Line

All components of the BOP stack are to be installed and pressure tested before drilling out from under the 9 5/8" surface casing. Rams, manifold and lines are to be tested to both a low pressure of 250 psi and a high pressure equal to the working pressure rating. The annular preventer is to be tested to 70% of the working pressure.

An adequate accumulator system will be utilized to hydraulically operate all components of the BOP equipment.

The surface casing will be pressure tested to 1000 psi.

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DRILLING PLAN

Operator: Fat Chance Oil and Gas, LLC
Murphy Ridge #2
T8N R8E, Rich County, Utah

The BOP equipment will be tested once every 30 days and whenever a pressure seal is broken.

Operator will adhere to Utah Oil and Gas Conservation General Rule R649-3-7(Well Control).

4. CASING PROGRAM

Surface:

OD: 9 5/8"
Grade: H-40 or greater
Wt: 32.30# or greater
Cement: Cemented to surface with Lite and Tail Cements as required. Centralizers will be utilized to assure proper cement placement.

Production:

OD: 7"
Grade: J-55 or greater
Wt: 23# or greater
Cement: Cemented to cover and isolate all zones of interest with Lite and Tail cements as required. Centralizers will be utilized to assure proper cement placement.

Surface casing will be cemented to surface, thus protecting shallow aquifers and the associated water. All zones of interest will be identified and evaluated. After running production casing, cement will be displaced to cover the shallowest zone of interest. As necessary, stages tools will be utilized if hydrostatic heads are excessive. The casing program will consist of setting 9 5/8" surface casing and 7" production casing.

5. DRILLING FLUID PROGRAM

The drilling fluid will be a lightly treated fresh water native mud. Hole conditions will dictate if additives such as chemicals, gel or weighting materials are added. It is anticipated that occasional gel with LCM and/or polymer sweeps will be required to adequately clean the hole. Mud weight will be maintained at 9.5#/gal or less. Adequate quantities of barite to raise the mud weight to 10.5#/gal will be stored and available on location before drilling out the surface casing cement plug.

Mud pits will be visually monitored. The hole will be filled during trips and kept full at all times unless lost circulation is encountered.

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DIVISION OF
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DRILLING PLAN

Operator: Fat Chance Oil and Gas, LLC
Murphy Ridge #2
T8N R8E, Rich County, Utah

6. EVALUATION PROGRAM

Coring:

Zones of interest will be cored. Zones of interest will be identified after evaluating mud logs and open hole logs from the proposed Murphy Ridge #1 located in the NE/NE Section 32 T8N, R8E.

Logging:

One-man logging unit during drilling.

Open hole FDC-CNL-Sonic-GR logs will be run from TD to surface.

7. ABNORMAL PRESSURES OR TEMPERATURES

No abnormal pressures or temperatures are expected. Maximum anticipated bottom hole pressure is 1950 psi or less. The pressure gradient at any depth is expected to be .43 psi/ft or less.

Hydrogen sulfide gas is produced from deeper formations in wells located within close proximity of the proposed well. However, the objective of the proposed well is the Kelvin formation from which no hydrogen sulfide has been encountered nor in any formations above the Kelvin. The presence of hydrogen sulfide in the proposed well is not expected nor anticipated.

8. ADDITIONAL INFORMATION

Anticipated spud of the proposed well will be immediately or as soon as practical after drilling and evaluating the proposed Murphy Ridge #1 located in the NE/NE Section 32 T8N, R8E.

Fat Chance Oil and Gas, LLC intends to test and evaluate any zone that indicates potential. The testing technique will consist of selectively perforating and flowing each zone of interest. Bridge plugs will be utilized to isolate zones as necessary for independent zone testing. Testing will be accordance with Utah Oil and Gas rule R649-3-19(Well Testing) and results will be submitted in writing to the Division of Oil, Gas and Mining.

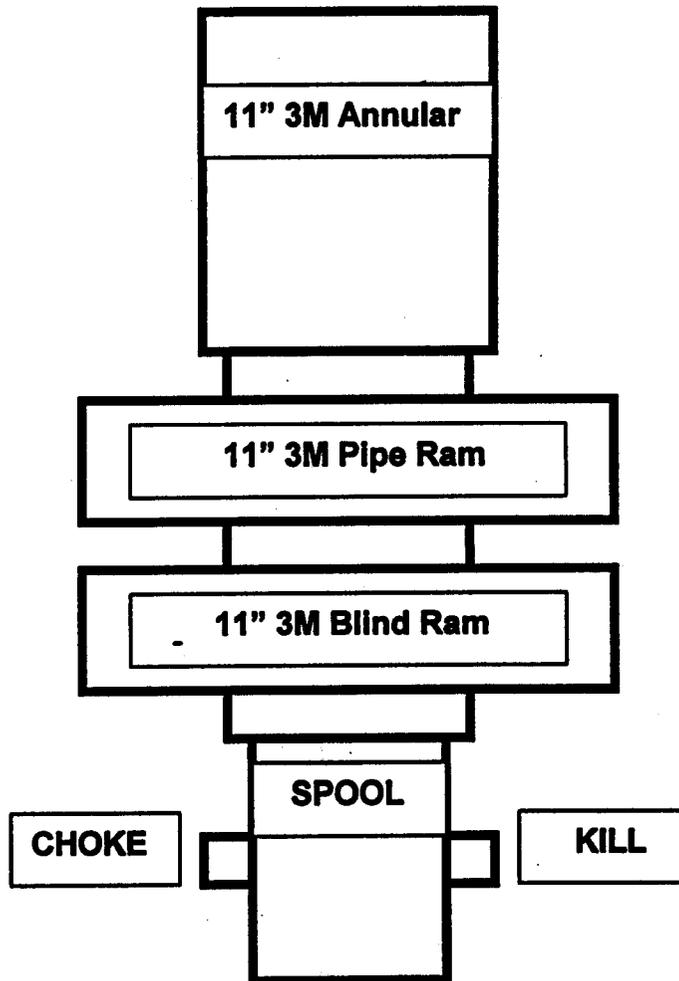
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DIVISION OF
OIL, GAS AND MINING

BOPE SCHEMATIC

API 3M - 11 - SRRA

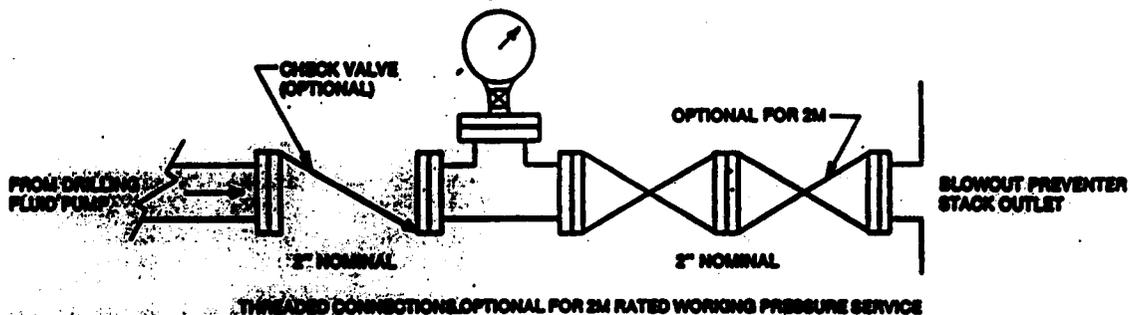


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KILL LINE - CHOKE LINE/MANIFOLD SCHEMATIC



THREADED CONNECTIONS OPTIONAL FOR 2M RATED WORKING PRESSURE SERVICE

FIGURE K-1. Typical kill line assembly for 2M and 3M rated working pressure service — surface installation.

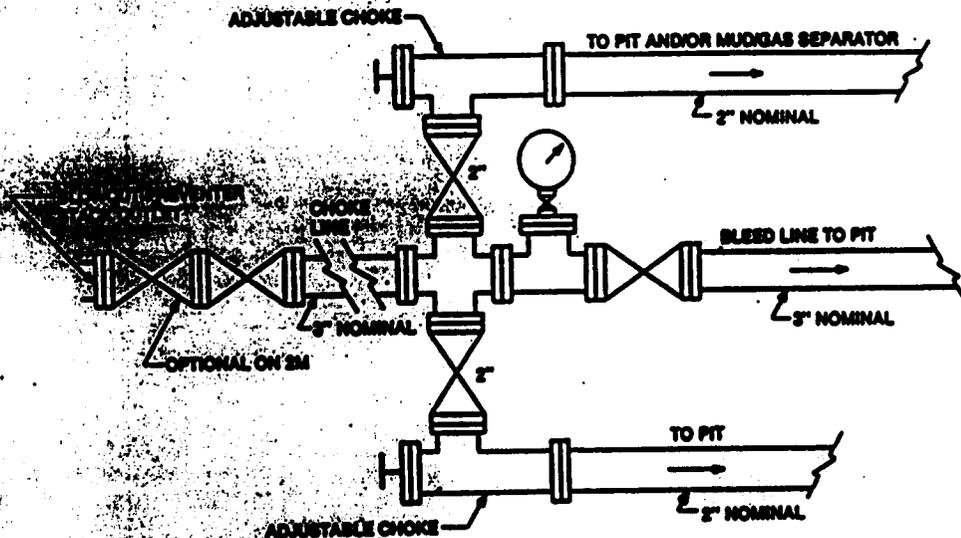


FIGURE K-2. Typical chokes manifold assembly for 2M and 3M rated working pressure service — surface installation.

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DIVISION OF
OIL, GAS AND MINING

DESIGNATION OF AGENT OR OPERATOR

The undersigned is, on record, the holder of oil and gas lease

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LEASE NAME: State of Utah
LEASE NUMBER: ML 48456

SEP 11 2000

DIVISION OF
OIL, GAS AND MINING

and hereby designates

NAME: Fat Chance Oil and Gas, LLC, an Oklahoma Limited Liability Company
ADDRESS: 211 North Robinson, 12th Floor
city Oklahoma City state OK zip 73102

as his (check one) agent / operator , with full authority to act in his behalf in complying with the terms of the lease and regulations applicable thereto and on whom the Division Director or Authorized Agent may serve written or oral instructions in securing compliance with the Oil and Gas Conservation General Rules and Procedural Rules of the Board of Oil, Gas and Mining of the State of Utah with respect to:

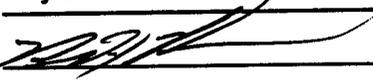
(Describe acreage to which this designation is applicable. Identify each oil and gas well by API number and name. Attach additional pages as needed.)
Township 8 North, Range 8 East, S.L.M.
Section 16: Lots 1, 2, 3, 4
Section 32: All

It is understood that this designation of agent/operator does not relieve the lessee of responsibility for compliance with the terms of the lease and the Oil and Gas Conservation General Rules and Procedural Rules of the Board of Oil, Gas and Mining of the State of Utah. It is also understood that this designation of agent or operator does not constitute an assignment of any interest in the lease.

In case of default on the part of the designated agent/operator, the lessee will make full and prompt compliance with all rules, lease terms or orders of the Board of Oil, Gas and Mining of the State of Utah or its authorized representative.

The lessee agrees to promptly notify the Division Director or Authorized Agent of any change in this designation.

Effective Date of Designation: 08/18/2000

BY: (Name) Billy Jim Palone
(Signature) 
(Title) _____
(Phone) (307) 682-1621

OF: (Company) _____
(Address) P. O. Box 6
city Gillette
state WY zip 82717

DESIGNATION OF AGENT OR OPERATOR

The undersigned is, on record, the holder of oil and gas lease

LEASE NAME: State of Utah
LEASE NUMBER: ML 48456

and hereby designates

NAME: Casey Osborn
ADDRESS: P. O. Box 7370
Sheridan city WY state 82801 zip

as his (check one) agent / operator , with full authority to act in his behalf in complying with the terms of the lease and regulations applicable thereto and on whom the Division Director or Authorized Agent may serve written or oral instructions in securing compliance with the Oil and Gas Conservation General Rules and Procedural Rules of the Board of Oil, Gas and Mining of the State of Utah with respect to:

(Describe acreage to which this designation is applicable. Identify each oil and gas well by API number and name. Attach additional pages as needed.)
Township 8 North, Range 8 East, S.L.M.
Section 16: Lots 1, 2, 3, 4
Section 32: All

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OIL, GAS AND MINING

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BY: (Name) Billy Jim Palone
(Signature) [Signature]
(Title) _____
(Phone) (307) 682-1621

OF: (Company) _____
(Address) P. O. Box 6
Gillette city
WY state 82717 zip

DESIGNATION OF AGENT OR OPERATOR

The undersigned is, on record, the holder of oil and gas lease

LEASE NAME: STATE OF UTAH

LEASE NUMBER: ML 48456

and hereby designates

NAME: Mr. Casey Osborn

ADDRESS: P.O. Box 7370, 660 Val Vista

city Sheridan state WY zip 82801

as his (check one) agent operator G, with full authority to act in his behalf in complying with the terms of the lease and regulations applicable thereto and on whom the Division Director or Authorized Agent may serve written or oral instructions in securing compliance with the Oil and Gas Conservation General Rules and Procedural Rules of the Board of Oil, Gas and Mining of the State of Utah with respect to:

(Describe acreage to which this designation is applicable. Identify each oil and gas well by API number and name. Attach additional pages as needed.)

T8N R8E Salt Lake Meridian
Section 16, Lots 1,2,3, and 4
Section 32, ALL

It is understood that this designation of agent/operator does not relieve the lessee of responsibility for compliance with the terms of the lease and the Oil and Gas Conservation General Rules and Procedural Rules of the Board of Oil, Gas and Mining of the State of Utah. It is also understood that this designation of agent or operator does not constitute an assignment of any interest in the lease.

In case of default on the part of the designated agent/operator, the lessee will make full and prompt compliance with all rules, lease terms or orders of the Board of Oil, Gas and Mining of the State of Utah or its authorized representative.

The lessee agrees to promptly notify the Division Director or Authorized Agent of any change in this designation.

Effective Date of Designation: 18 Aug 00

BY: (Name) Harison S. [Signature] OF: (Company) FAT CHANCE OIL & GAS LLC

(Signature) [Signature] (Address) 211 N. ROBINSON AVE RT # F2.

(Title) MEMBER / MANAGER city OKLAHOMA CITY

(Phone) 800-950-3519 state OK zip 73102

(8/2000)

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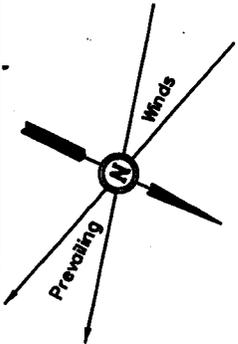
SEP 11 2000

DIVISION OF
OIL, GAS AND MINING

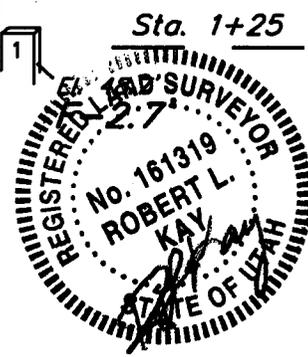
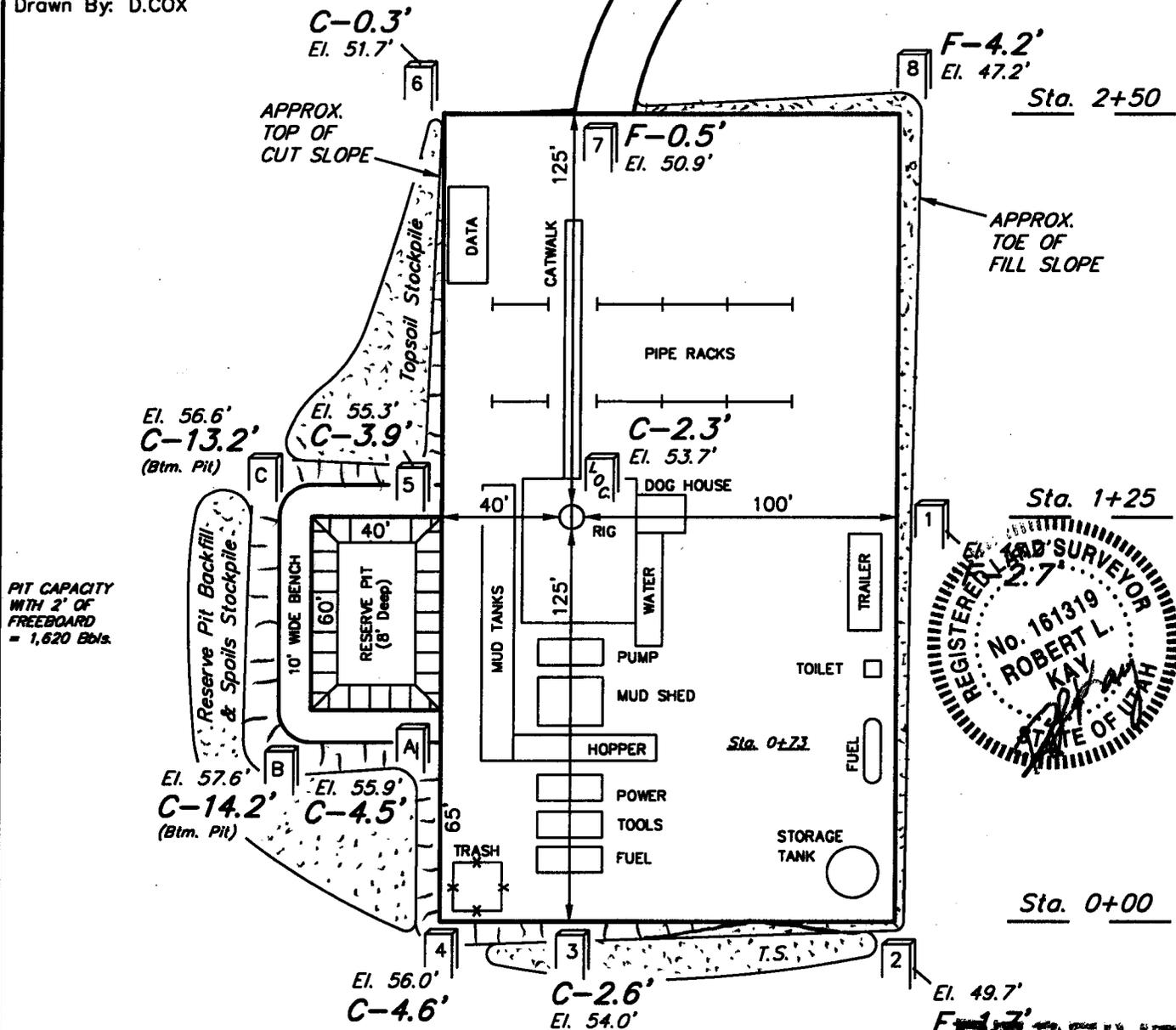
FAT CHANCE OIL & GAS, LLC

LOCATION LAYOUT FOR

MURPHY RIDGE #2
SECTION 32, T8N, R8E, S.L.B.&M.
1980' FNL 1980' FEL



SCALE: 1" = 50'
Date: 9-5-00
Drawn By: D.COX



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OIL, GAS AND MINING

Elev. Ungraded Ground at Location Stake = 6553.7'
Elev. Graded Ground at Location Stake = 6551.4'

UINTAH ENGINEERING & LAND SURVEYING
86 So. 200 East • Vernal, Utah 84078 • (435) 789-1017

FAT CHANCE OIL & GAS, LLC

TYPICAL CROSS SECTIONS FOR

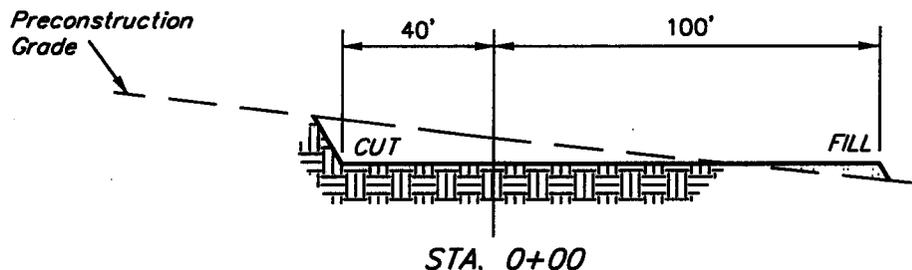
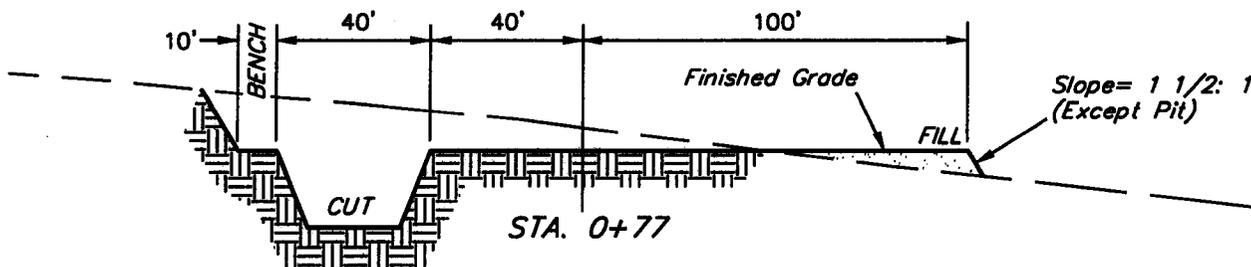
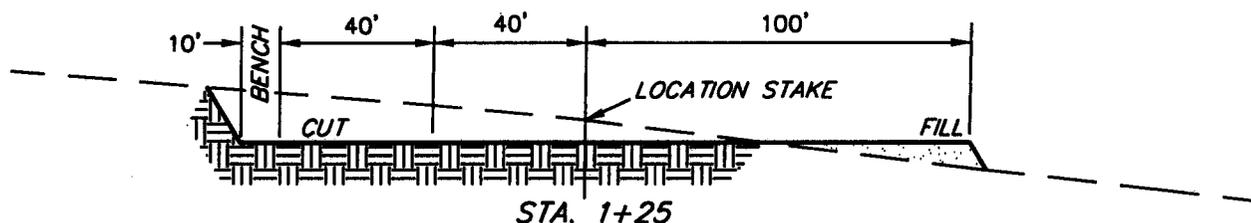
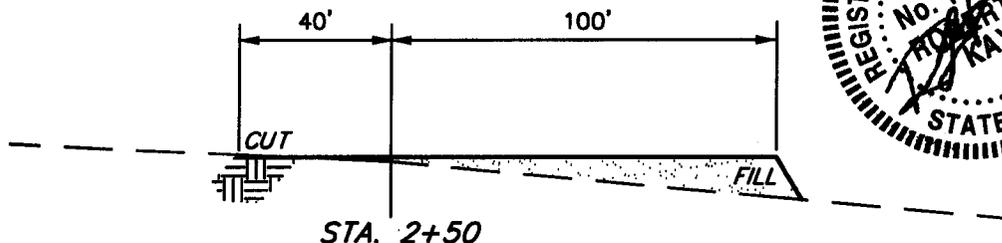
MURPHY RIDGE #2

SECTION 32, T8N, R8E, S.L.B.&M.

1980' FNL 1980' FEL

1" = 20'
X-Section
Scale
1" = 50'

Date: 9-5-00
Drawn By: D.COX



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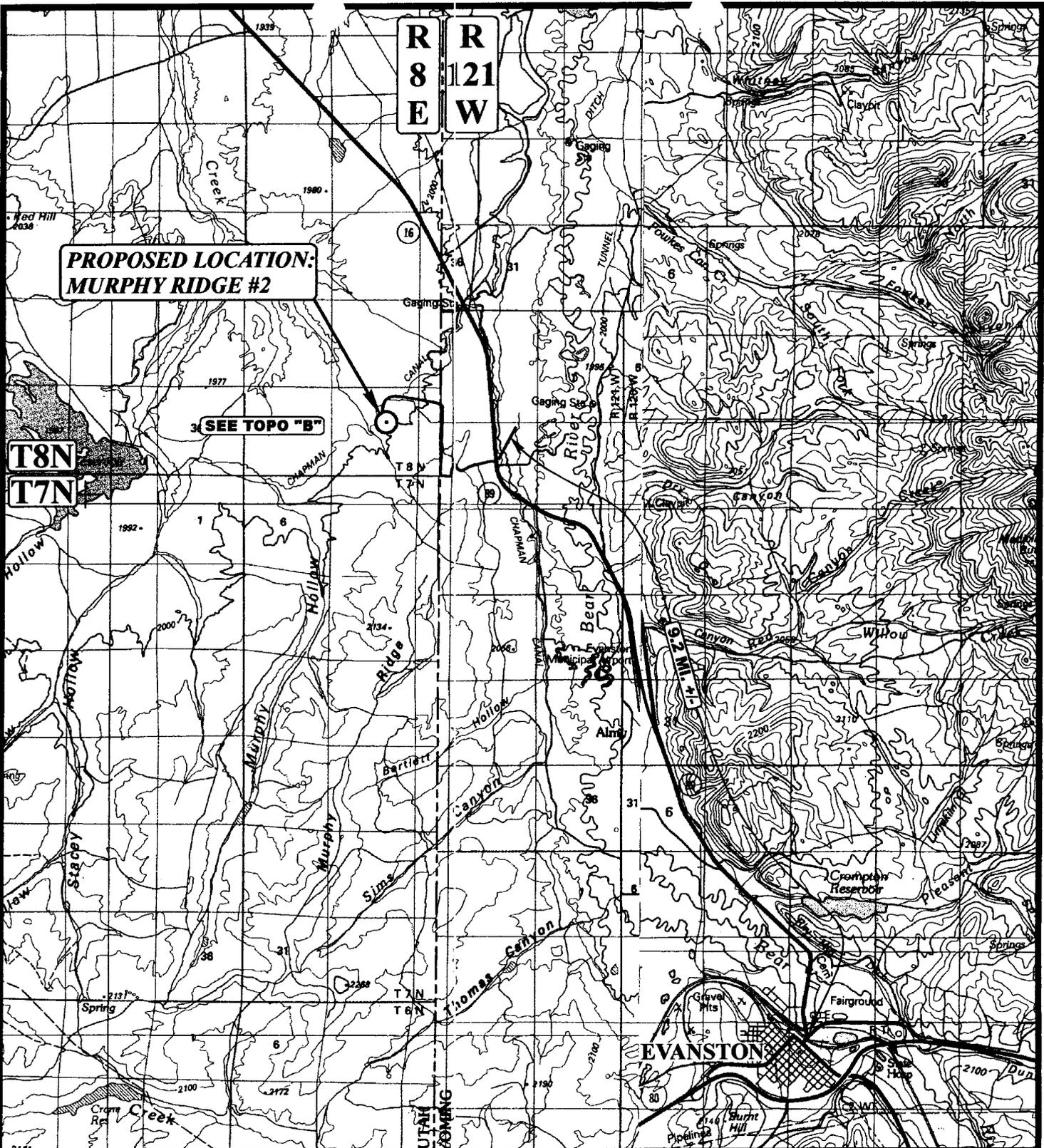
DIVISION OF
OIL, GAS AND MINING

APPROXIMATE YARDAGES

CUT	
(6") Topsoil Stripping	= 1,440 Cu. Yds.
Remaining Location	= 2,280 Cu. Yds.
TOTAL CUT	= 3,720 CU.YDS.
FILL	= 1,400 CU.YDS.

EXCESS MATERIAL AFTER 5% COMPACTION	= 2,250 Cu. Yds.
Topsoil & Pit Backfill (1/2 Pit Vol.)	= 2,250 Cu. Yds.
EXCESS MATERIAL After Reserve Pit is Backfilled & Topsoil is Re-distributed	= 0 Cu. Yds.

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



**PROPOSED LOCATION:
MURPHY RIDGE #2**

SEE TOPO "B"

EVANSTON

LEGEND:

○ PROPOSED LOCATION



FAT CHANCE OIL & GAS, LLC

**MURPHY RIDGE #2
SECTION 32, T8N, R8E, S.L.B.&M.
1980' FNL 1980' FEL**



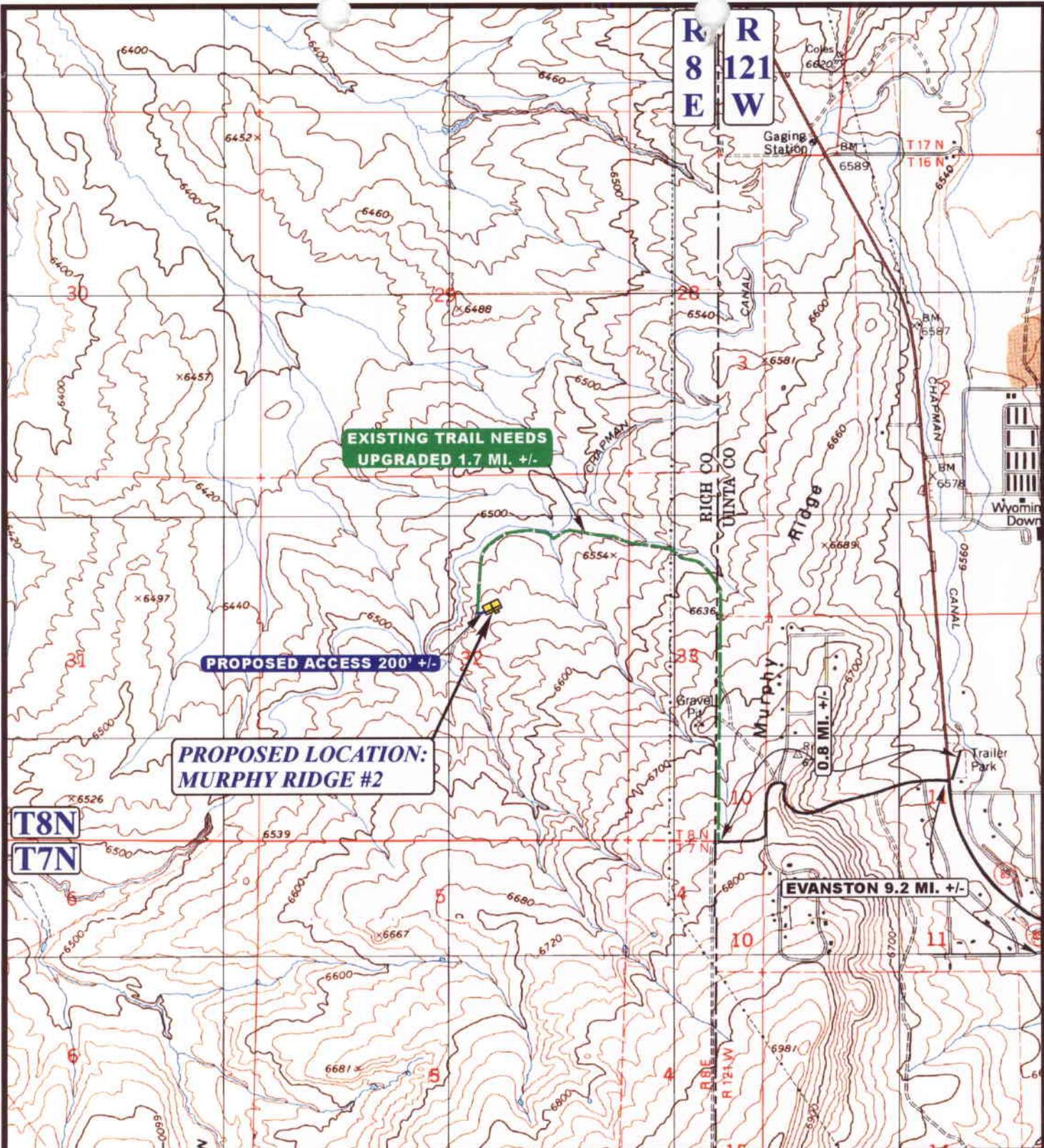
Utah Engineering & Land Surveying
85 South 200 East Vernal, Utah 84078
(435) 789-1017 * FAX (435) 789-1813

**TOPOGRAPHIC
MAP**

9 7 00
MONTH DAY YEAR

SCALE: 1:100,000 DRAWN BY: C.G. REVISED: 00-00-00





LEGEND:

- PROPOSED ACCESS ROAD
- EXISTING TRAIL NEEDS UPGRADED
- EXISTING ROAD



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



FAT CHANCE OIL & GAS, LLC

MURPHY RIDGE #2
SECTION 32, T8N, R8E, S.L.B.&M.
1980' FNL 1980' FEL

TOPOGRAPHIC
MAP

9 MONTH
5 DAY
00 YEAR

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



FAT CHANCE OIL AND GAS, LLC

September 7, 2000

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

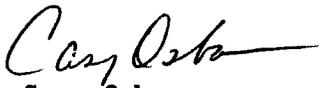
RE: Confidentiality of information: Murphy Ridge #2

Attention:

Fat Chance Oil and Gas, LLC formally requests that submitted information on the Murphy Ridge #2 be held confidential.

Your cooperation is appreciated.

Sincerely,



**Casey Osborn
Operations Manager/Agent**

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DIVISION OF
OIL, GAS AND MINING

**WORKSHEET
APPLICATION FOR PERMIT TO DRILL**

APD RECEIVED: 09/11/2000

API NO. ASSIGNED: 43-033-30046

WELL NAME: MURPHY RIDGE 2
 OPERATOR: FAT CHANCE OIL & GAS (N1395)
 CONTACT: CASEY OSBORN

PHONE NUMBER: 307-673-1500

PROPOSED LOCATION:

SWNE 32 080N 080E
 SURFACE: 1980 FNL 1980 FEL
 BOTTOM: 1980 FNL 1980 FEL
 RICH
 WILDCAT (1)

INSPECT LOCATN BY: / /		
Tech Review	Initials	Date
Engineering	RJK	10-11-00
Geology		
Surface		

LEASE TYPE: 3-State
 LEASE NUMBER: ML-48456
 SURFACE OWNER: Ø3-State

PROPOSED FORMATION: FRTR

RECEIVED AND/OR REVIEWED:

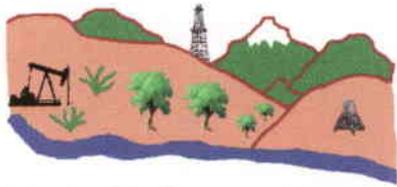
- Plat
- Bond: Fed[] Ind[] Sta[3] Fee[]
(No. 885708C e.H. 9/2000.)
- Potash (Y/N)
- Oil Shale (Y/N) *190 - 5 (B)
- Water Permit
(No. 00-56 E. 00-57)
- RDCC Review (Y/N)
(Date: DOGm LTR 9-18-2000 / Comments due 10-13-2000)
- Fee Surf Agreement (Y/N)

LOCATION AND SITING:

- R649-2-3. Unit _____
- R649-3-2. General
Siting: _____
- R649-3-3. Exception
- Drilling Unit
Board Cause No: _____
Eff Date: _____
Siting: _____
- R649-3-11. Directional Drill

COMMENTS: Need Presite. (Conducted 10-4-2000)

- STIPULATIONS:
- ① Rams and annular preventers shall be tested each trip.
 - ② Production casing cement shall cover shallowest zone of interest a minimum of 200'.
 - ③ STATEMENT OF BASIS



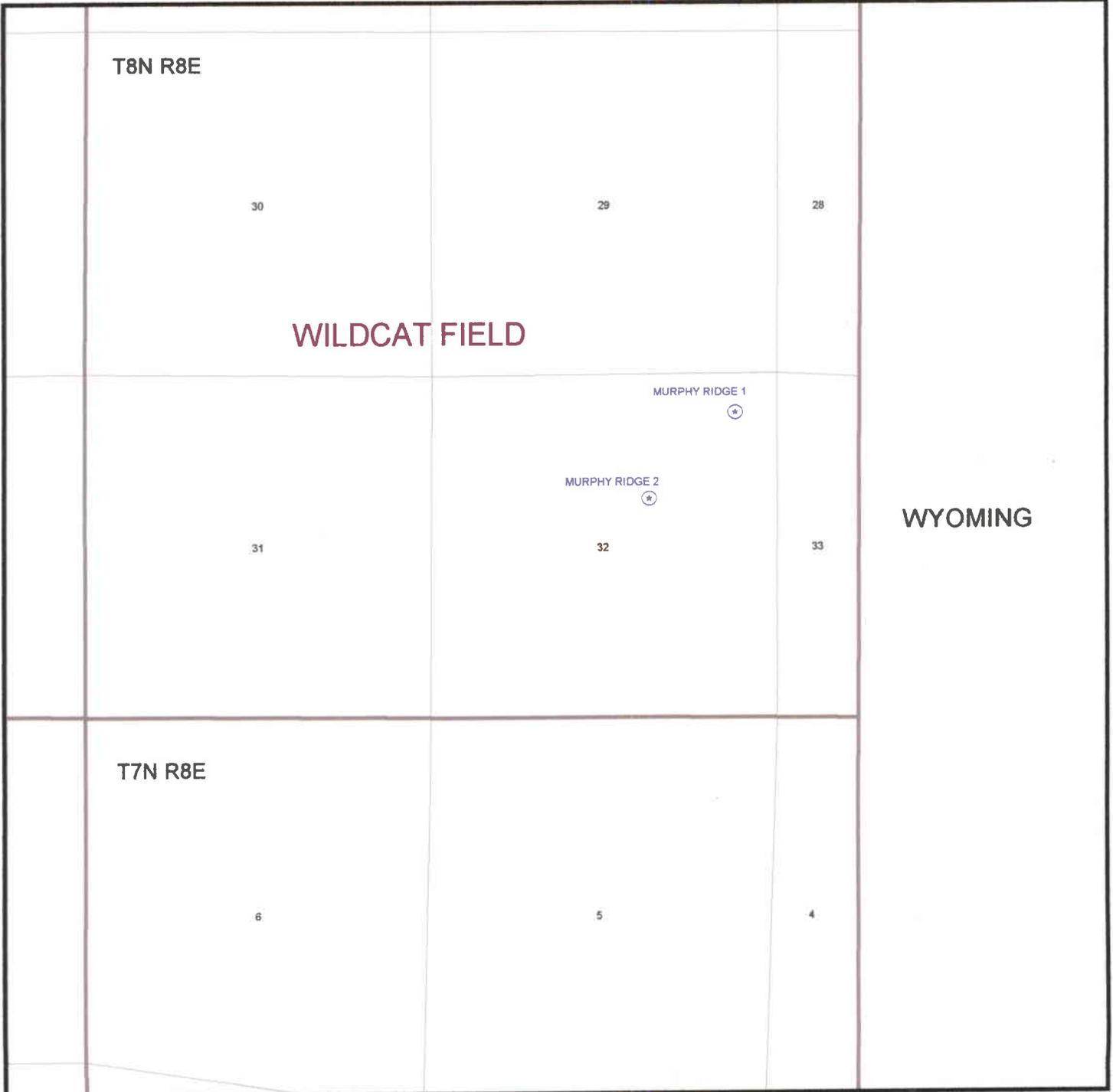
Utah Oil Gas and Mining

OPERATOR: FAT CHANGE O&G LLC (N1395)

FIELD: WILDCAT (001)

SEC. 32, T8N, R8E,

COUNTY: RICH SPACING:R649-3-2 / GEN ST



DIVISION OF OIL, GAS AND MINING
APPLICATION FOR PERMIT TO DRILL
STATEMENT OF BASIS

Operator Name: Fat Chance Oil and Gas LLC.

Name & Number: Murphy Ridge #2

API Number: 43-033-30046

Location: 1/4,1/4 SW NE Sec. 32 T. 8 S R. 8 E County: Rich

Geology/Ground Water:

It is expected that fresh water aquifers containing significant volumes of high quality ground water will be penetrated. A moderately permeable soil is developed on the Tertiary clays of the Wasatch formation, and the evidence of an active spring from an old seismic hole indicates that water is present within a mile of location at a shallow depth. The proposed casing and cementing programs should adequately isolate any zones of fresh water that may be penetrated but the operator must extend the surface casing setting depth as needed to completely contain the USDW's encountered and place cement across all fresh water zones. If the well is plugged and abandoned any zone of fresh water will be protected with cement and cement will be circulated to ground level on the surface casing string. As this location is adjacent to flowing water that reaches the Bear River extra care will be taken to protect any ground or surface water sources.

Reviewer: K. Michael Hebertson

Date: 4-Oct-2000

Surface:

The surface is currently SITLA Trust Lands ownership. Wildlife and SITLA representatives as well as Desert Land and Livestock personnel were invited to the on-site inspection either by E-Mail, phone call, personal contact or in some cases all of the above, and were given 8 business days to respond. Those attending the onsite are noted above in the Participants section of the review document. Items of concern at this location are surface use agreement, and winter drilling restrictions from December 1st to April 15th of each year. The operator has elected to abide by those restrictions unless the Division of Wildlife Resources grants an exemption or waiver. Precipitation will be diverted around the location into the existing gullies and berms will be established to keep pollutants from entering or leaving the well pad.

Reviewer: K. Michael Hebertson

Date: 4/Oct /2000

Conditions of Approval/Application for Permit to Drill:

1. A 12-mil minimum thickness synthetic pit liner is required.
2. Berms and diversions to protect the location and spoil piles and control erosion and pollution.
3. Surface casing will be set through all active water zones, cement will be circulated to surface
4. Site infrastructure placement as per drilling location plat.
5. The location will be bermed on the top outside edge and topsoil will be stored in wind rows not piles.
6. Reserve pit will be fenced prior to the drill rig leaving location.
7. Berms or ditches will be placed on all cut and fill slopes to catch and contain any fluids escaping location.

ON-SITE PREDRILL EVALUATION

Division of Oil, Gas and Mining

OPERATOR: Fat Chance Oil and Gas, LLC

WELL NAME & NUMBER: Murphy Ridge #2

API NUMBER: 43-033-30046

LEASE: State of Utah

FIELD/UNIT: Wildcat

LOCATION: 1/4, 1/4 SW NE Sec 32 TWP: 8 N RNG: 8 E 1980 FNL 1980 FEL

LEGAL WELL SITING: 660' from the drilling unit boundary and 1320' from other wells

GPS COORD (UTM): X = 495,167 E; Y = 4,581,595 N Plotted on Ortho Photo

SURFACE OWNER: State of Utah SITLA, Deseret Land & Livestock Surface Lessee.

PARTICIPANTS

Mike Hebertson (DOGM), Casey Osborn & Bill Courtney (Fat Chance), John Leatham & Randy Wood (DWR), Eric Fairbanks (Black Horse Construction), Bill Hopkin & Rick Danvir (Deseret Land & Livestock)

REGIONAL/LOCAL SETTING & TOPOGRAPHY

This area is located in the Overthrust Belt of eastern Utah and western Wyoming north of Uinta Mountains. The geologic setting is known as the Thrust Belt. US Highway 89 is about 2.0 miles to the east. A canal known as the Chapman Canal runs about 400' north of the location and it is probably used as a source of agricultural water and is the source water for the Neponset Reservoir. The canal flows from the Bear River to the Reservoir. The City of Evanston is about 9 miles to the southeast. The surface is Paleocene age Wasatch formation with possible Evanston formation underlying the area. The land slopes to the northeast and is incised by moderate to shallow drainages with active streams and flowing water.

SURFACE USE PLAN

CURRENT SURFACE USE: Grazing and wildlife habitat.

PROPOSED SURFACE DISTURBANCE: The operator proposes a 250' X 140' pad, outboard soil storage, and a 50' X 60' X 8' outboard attached pit, an existing road accesses the location and will need to be upgraded.

LOCATION OF EXISTING WELLS WITHIN A 1-MILE RADIUS: There are no existing wells within 1 mile of this well.

LOCATION OF PRODUCTION FACILITIES AND PIPELINES: All production facilities for this well will remain on the location with exception of the pipelines and utilities for power. The pipeline and utility lines will be buried underground and follow the access road.

SOURCE OF CONSTRUCTION MATERIAL: Gravel location and approach road; soil stored in berm, the location will be made of natural material borrowed from leveling the pad during construction.

ANCILLARY FACILITIES: none

WASTE MANAGEMENT PLAN:

Portable toilets; garbage cans or cages on location will be emptied into centralized dumpsters, which will be emptied into an approved landfill. All human waste generated at the site will be kept in proper

sanitary facilities and disposed of according to local rules. Extra precautions will be taken due to the proximity of the Chapman Canal.

ENVIRONMENTAL PARAMETERS

AFFECTED FLOODPLAINS AND/OR WETLANDS: The area drains to the northeast towards the Bear River about 1 mile away. The Chapman canal is less than 500' north of the proposed well pad.

FLORA/FAUNA: Sagebrush, grasses, cactus, birds, lizards, coyotes, rodents, raptors, occasional elk and deer (critical winter range).

SOIL TYPE AND CHARACTERISTICS: Mostly clay with very little sand, lots of small rocks to larger it run type gravel and head sized rocks.

SURFACE FORMATION & CHARACTERISTICS: Wasatch Formation Clay with numerous rocks light gray to medium brown in color. Minor sand, and topsoil. Moderate to Poor Permeability.

EROSION/SEDIMENTATION/STABILITY: Stable. Wasatch type soils are generaley suseptable to slumping when slopes are wet and become saturated. The slope of the ground in this location will not be sufficient for the unstable conditions to occur at this location. Erosion and sedimentation at this location will not be an issue.

PALEONTOLOGICAL POTENTIAL: None observed.

RESERVE PIT

CHARACTERISTICS: Dugout, earthen pit, as above.

LINER REQUIREMENTS (Site Ranking Form attached): Synthetic liner is required.

SURFACE RESTORATION/RECLAMATION PLAN

As per Surface Owner's Agreement

SURFACE AGREEMENT: Affidavit of existence of Surface Owner's Agreement not filed.

CULTURAL RESOURCES/ARCHAEOLOGY: Archaeological survey completed and on file with State

OTHER OBSERVATIONS/COMMENTS

The review process covered the need to protect the Chapman Canal which flows from the Bear River to Neponset Reservoir, and is a major water supply for the ranch. Ownershihp issues were covered and the ranch attempt to purchase the State section from SITLA. This has been denied. Issues with wildlife were discussed including winter closure times, Sage Grouse wintering over and snow depths. The ranch will have some stiff closure rules and their wildlife biologist is very active in preservation issues. The UTM position for this well was off 30 meters in the North South direction but right on East West.

ATTACHMENTS:

Photographs taken.

K. Michael Hebertson
DOGM REPRESENTATIVE

4-Oct-2000 3:30 PM
DATE/TIME

**Evaluation Ranking Criteria and Ranking Score
For Reserve and Onsite Pit Liner Requirements**

<u>Site-Specific Factors</u>	<u>Ranking</u>	<u>Site Ranking</u>
Distance to Groundwater (feet)		
>200	0	
100 to 200	5	
75 to 100	10	
25 to 75	15	
<25 or recharge area	20	<u>10</u>
Distance to Surf. Water (feet)		
>1000	0	
300 to 1000	2	
200 to 300	10	
100 to 200	15	
< 100	20	<u>15</u>
Distance to Nearest Municipal Well (feet)		
>5280	0	
1320 to 5280	5	
500 to 1320	10	
<500	20	<u>0</u>
Distance to Other Wells (feet)		
>1320	0	
300 to 1320	10	
<300	20	<u>0</u>
Native Soil Type		
Low permeability	0	
Mod. permeability	10	
High permeability	20	<u>10</u>
Fluid Type		
Air/mist	0	
Fresh Water	5	
TDS >5000 and <10000	10	
TDS >10000 or Oil Based Mud	15	
Fluid containing significant levels of hazardous constituents	20	<u>10</u>
Drill Cuttings		
Normal Rock	0	
Salt or detrimental	10	<u>0</u>
Annual Precipitation (inches)		
<10	0	
10 to 20	5	
>20	10	<u>10</u>
Affected Populations		
<10	0	
10 to 30	6	
30 to 50	8	
>50	10	<u>0</u>
Presence of Nearby Utility Conduits		
Not Present	0	
Unknown	10	
Present	15	<u>15</u>

Final Score 70 (Level I Sensitivity)

Sensitivity Level I = 20 or more; total containment is required.

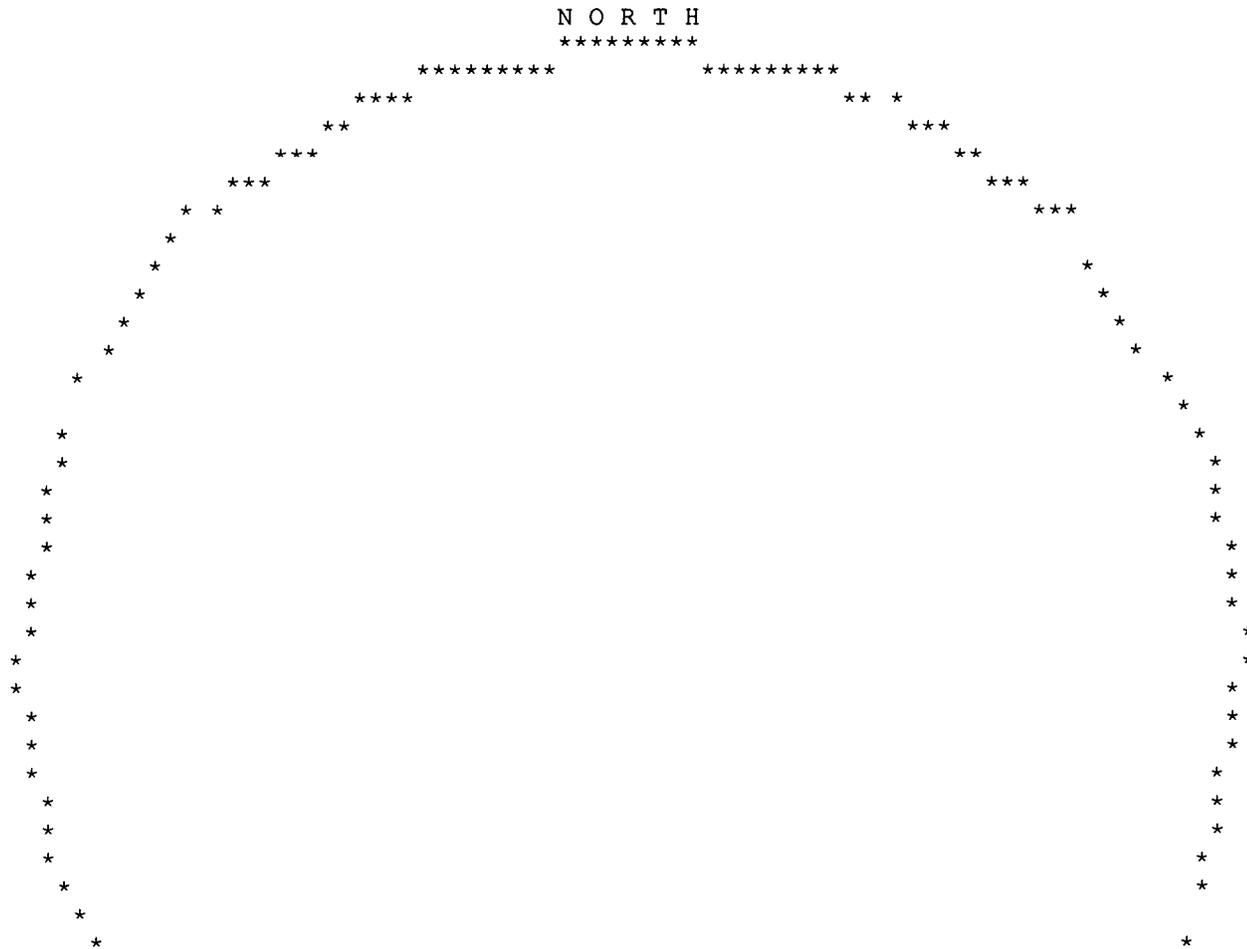
Sensitivity Level II = 15-19; lining is discretionary.

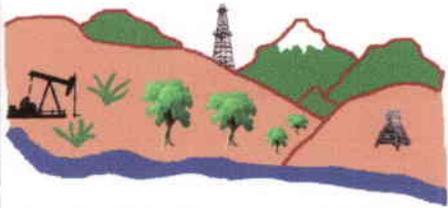
Sensitivity Level III = below 15; no specific lining is required.

UTAH DIVISION OF WATER RIGHTS
WATER RIGHT POINT OF DIVERSION PLOT CREATED THU, SEP 28, 2000, 1:52 PM
PLOT SHOWS LOCATION OF 0 POINTS OF DIVERSION

PLOT OF AN AREA WITH A RADIUS OF 5280 FEET FROM A POINT
S 1980 FEET, W 1980 FEET OF THE NE CORNER,
SECTION 32 TOWNSHIP 8N RANGE 8E SL BASE AND MERIDIAN

PLOT SCALE IS APPROXIMATELY 1 INCH = 2000 FEET





Utah Oil Gas and Mining

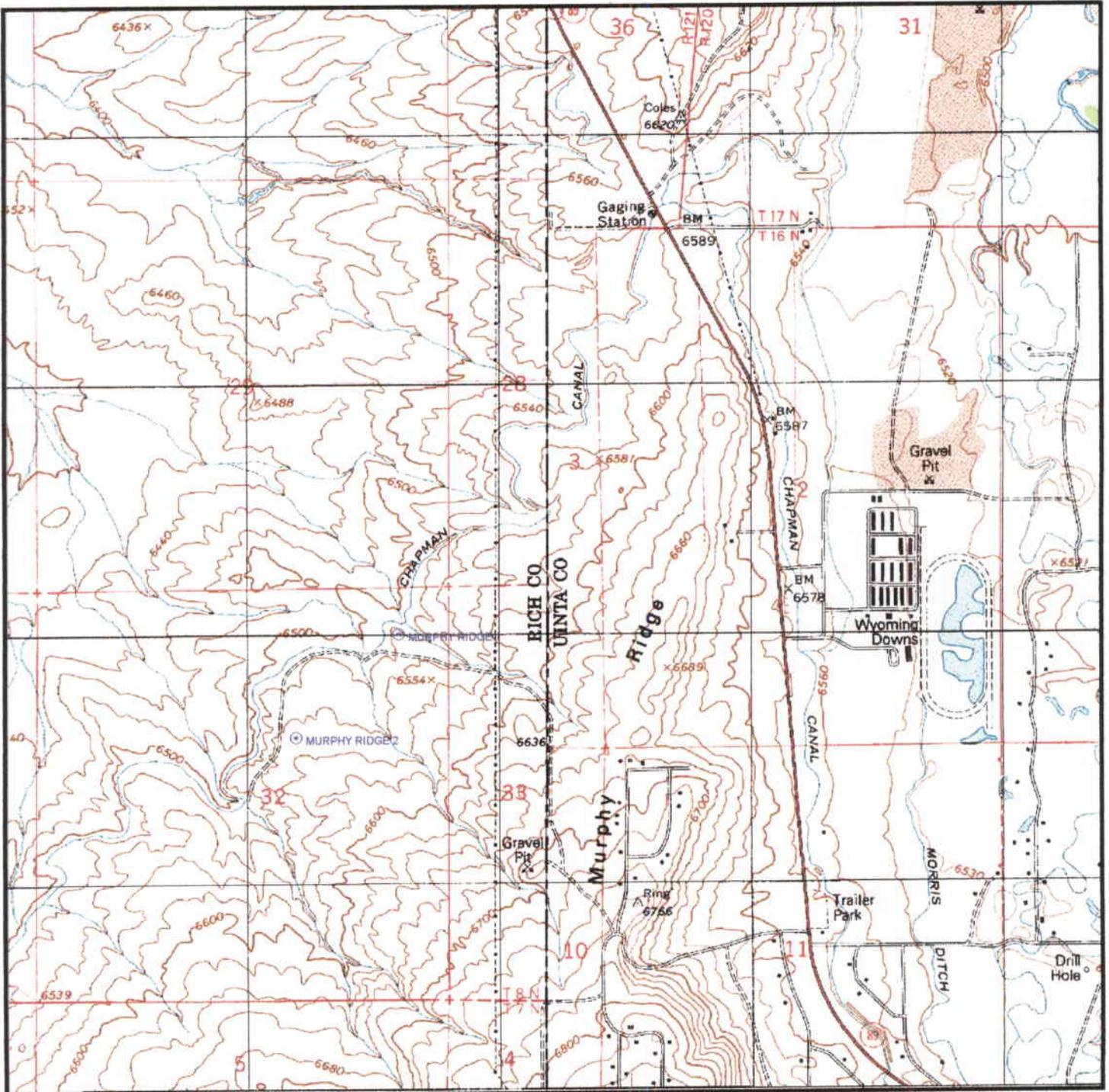
Serving the Industry, Protecting the Environment

OPERATOR: Fat Chance Oil & Gas LLC.

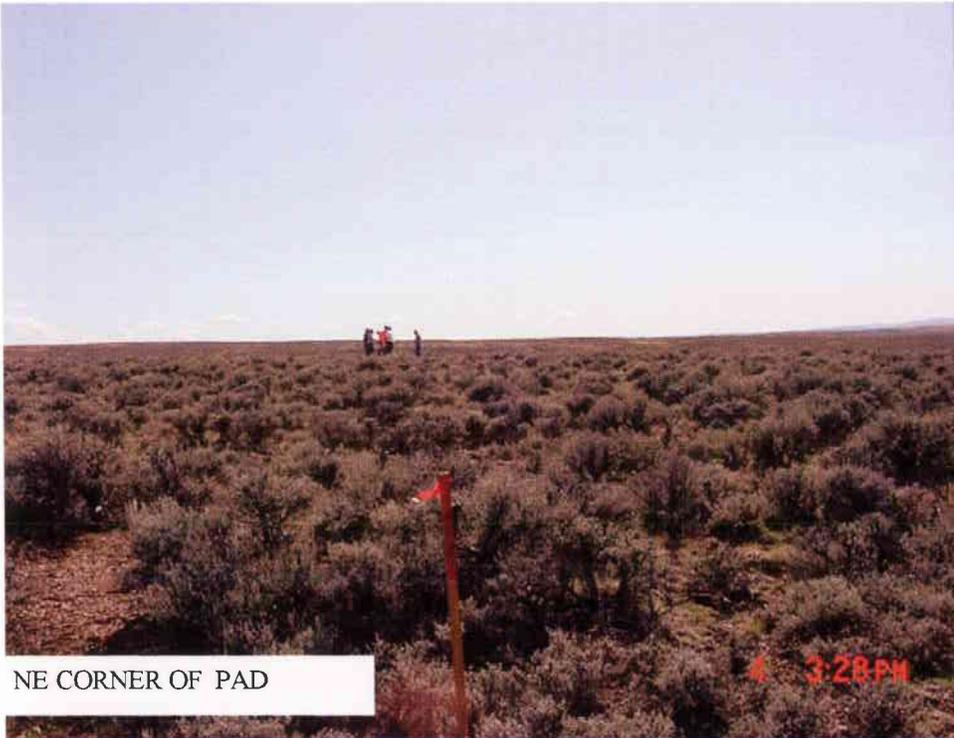
FIELD: Wildcat (001)

SEC. 32, T 8 N, R 8 E,

COUNTY: Rich

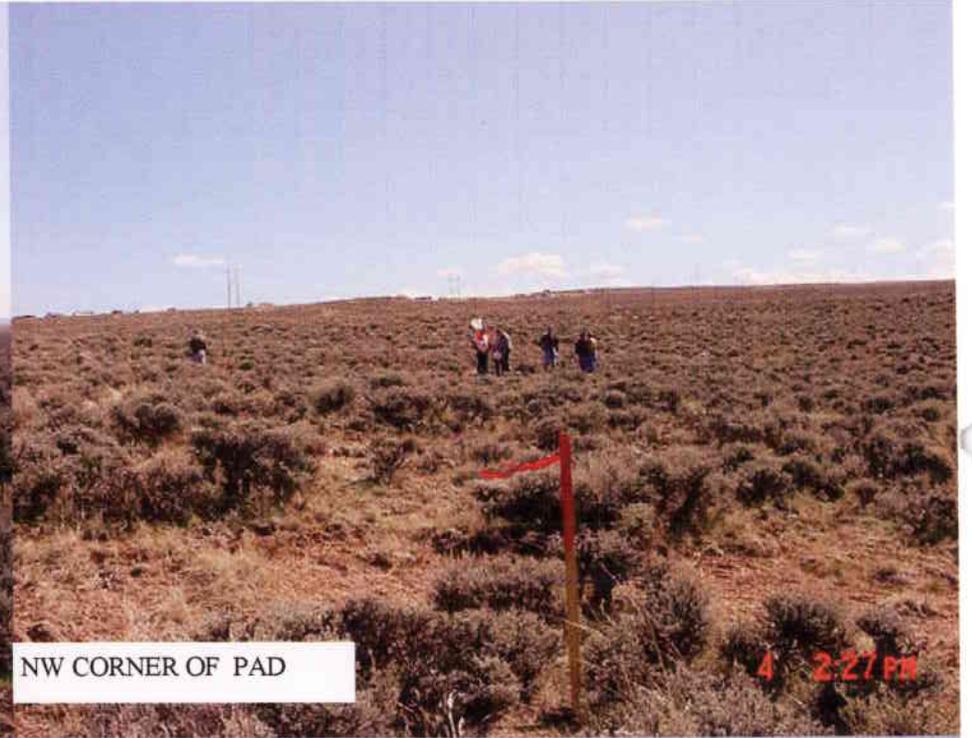


PREPARED
DATE: 28-SEP-2000



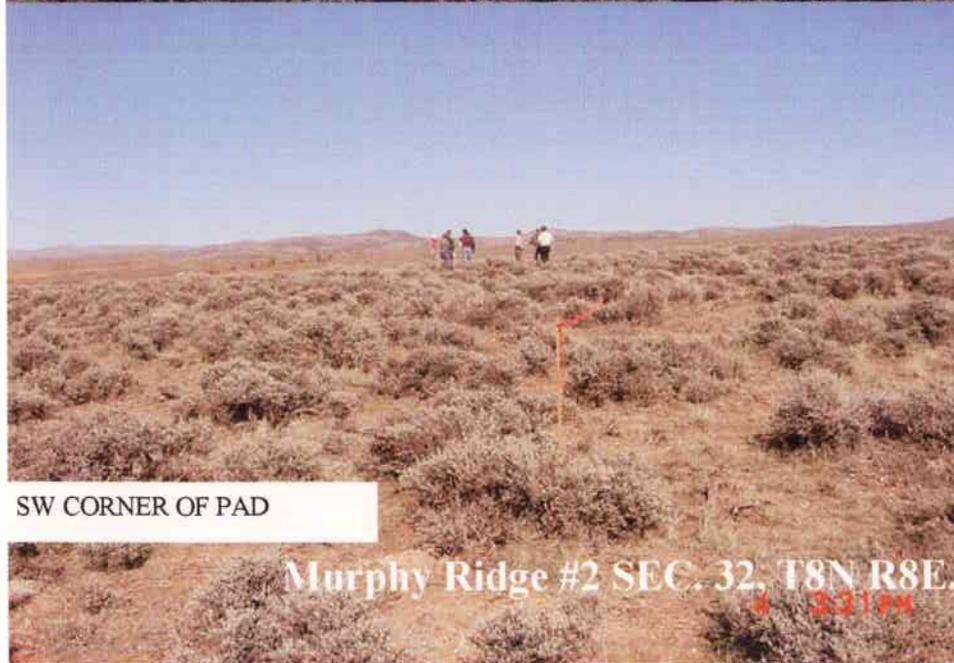
NE CORNER OF PAD

4 3:28 PM



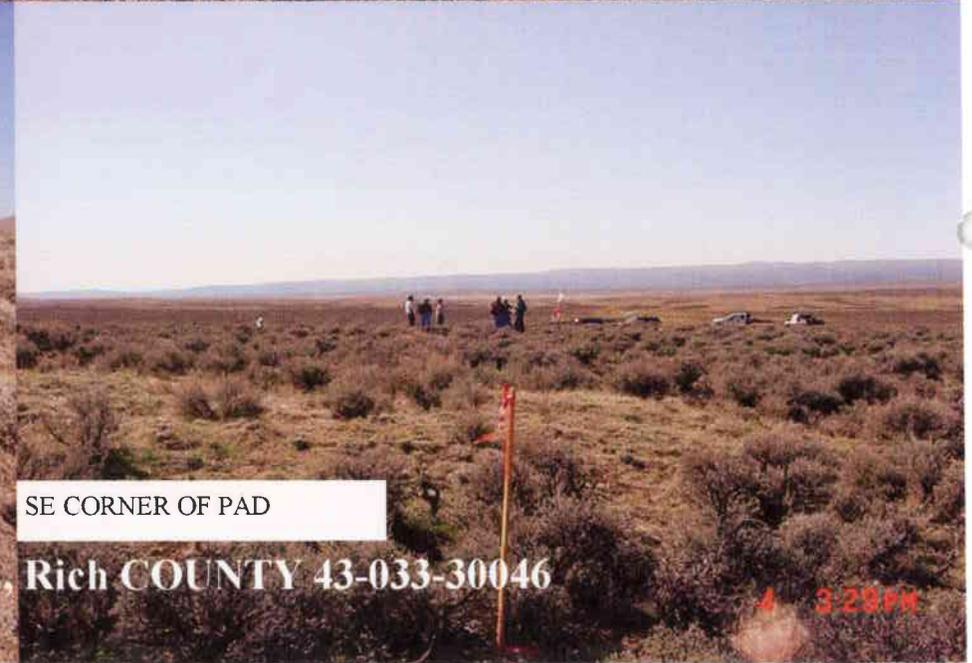
NW CORNER OF PAD

4 3:27 PM



SW CORNER OF PAD

4 3:31 PM



SE CORNER OF PAD

4 3:29 PM

Murphy Ridge #2 SEC. 32, T8N R8E, Rich COUNTY 43-033-30046

RESOURCE DEVELOPMENT COORDINATING COMMITTEE

October 10, 2000

Agenda

I. Approval of Minutes

September 12, 2000

II. Special Presentation

Federal Leadership Forum - George Diwachak (BLM), Barry Burkhardt (Forest Service)

General Public please note! The following items on the Agenda may or may not be discussed by the Committee. No special discussions are planned.

III. Expedited Review

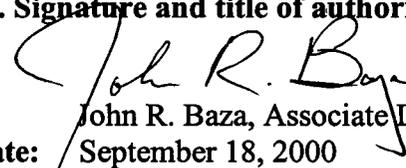
1. UT000929-070 Trust Lands Administration/Garfield County: Easement No. 677, Bristlecone Water Improvement District. (Sec. 1, T36S, R4W). Comments due 10/13/00.

IV. Other Proposed Actions

A. State

2. UT000920-010 DOGM/Rich County: Application for permit to drill - Fat Chance Oil and Gas, LLC to drill **Murphy Ridge #2*** well (wildcat) on State Lease ML 48456. (Sec. 32, T8N, R8E). Comments due 10/13/00.
3. UT000929-020 DOGM/Rich County: Application for Permit to drill - Fat Chance Oil and Gas LLC to drill Murphy Ridge #1 well (wildcat) on State Lease ML48456 (Sec. 21, T8N, R8E). Comments due 10/13/00.
4. UT000922-090 Division of Oil, Gas and Mining/Wasatch County: Star Stone Quarries, Inc - Heber Quarry - M/051/001 - Expansion from small mining project to large mine; permit (Sec. 32, T8N, R8E). Comments due 10/16/00.

STATE ACTIONS
State Clearinghouse Coordinator
116 State Capitol, SLC, UT 84114
538-1535

1. Administering State Agency Oil, Gas and Mining 1504 West North Temple, Suite 1210 Salt Lake City, UT 84114-5801	2. State Application Identifier Number: (assigned by State Clearinghouse)
3. Approximate date project will start: Upon Completion	
4. Areawide clearinghouse(s) receiving state action: (to be sent out by agency in block 1) Bear River Association of Governments	
5. Type of action: // Lease <input checked="" type="checkbox"/> // Permit // License // Land Acquisition // Land Sale // Land Exchange // Other _____	
6. Title of proposed action: Application for Permit to Drill	
7. Description: Fat Chance Oil and Gas, LLC proposes to drill the Murphy Ridge #2 well (wildcat) on State lease ML 48456, Rich County, Utah. This action is being presented to the RDCC for consideration of resource issues affecting state interests. The Division of Oil, Gas and Mining is the primary administrative agency in this action and must issue approval before operations commence.	
8. Land affected (site location map required) (indicate county) SW/4, NE/4, Section 32, Township 8 North, Range 8 East, Rich County, Utah	
9. Has the local government(s) been contacted? No	
10. Possible significant impacts likely to occur: Degree of impact is based on the discovery of oil or gas in commercial quantities.	
11. Name and phone of district representative from your agency near project site, if applicable:	
12. For further information, contact: John R. Baza Phone: (801) 538-5334	13. Signature and title of authorized officer  John R. Baza, Associate Director Date: September 18, 2000

Well name:

10-00 Fat Chance Murphy Ridge #2

Operator: **Fat Chance Oil**

String type: **Surface**

Project ID:

43-033-30046

Location: **Rich Co.**

Design parameters:

Collapse

Mud weight: 9.500 ppg
Design is based on evacuated pipe.

Minimum design factors:

Collapse:

Design factor 1.125

Burst:

Design factor 1.00

Environment:

H2S considered? No
Surface temperature: 75 °F
Bottom hole temperature: 81 °F
Temperature gradient: 1.40 °F/100ft
Minimum section length: 450 ft

Cement top: Surface

Burst

Max anticipated surface pressure: 0 psi
Internal gradient: 0.494 psi/ft
Calculated BHP 222 psi

No backup mud specified.

Tension:

8 Round STC: 1.80 (J)
8 Round LTC: 1.80 (J)
Buttress: 1.60 (J)
Premium: 1.50 (J)
Body yield: 1.50 (B)

Tension is based on buoyed weight.
Neutra point: 387 ft

Non-directional string.

Re subsequent strings:

Next setting depth: 7,500 ft
Next mud weight: 9.500 ppg
Next setting BHP: 3,701 psi
Fracture mud wt: 19.250 ppg
Fracture depth: 4,500 ft
Injection pressure 4,500 psi

Run Seq	Segment Length (ft)	Size (in)	Nominal Weight (lbs/ft)	Grade	End Finish	True Vert Depth (ft)	Measured Depth (ft)	Drift Diameter (in)	Internal Capacity (ft ³)
1	450	9.625	32.30	H-40	ST&C	450	450	8.876	28.5
Run Seq	Collapse Load (psi)	Collapse Strength (psi)	Collapse Design Factor	Burst Load (psi)	Burst Strength (psi)	Burst Design Factor	Tension Load (Kips)	Tension Strength (Kips)	Tension Design Factor
1	222	1370	6.17	222	2270	10.22	13	254	20.31 J

Prepared RJK
by: Utah Dept. of Natural Resources

Date: October 11,2000
Salt Lake City, Utah

ENGINEERING STIPULATIONS: See Worksheet
Collapse strength is based on the Westcott, Dunlop & Kemlar method of biaxial correction for tension.
Collapse is based on a vertical depth of 450 ft, a mud weight of 9.5 ppg. The casing is considered to be evacuated for collapse purposes.
Burst strength is not adjusted for tension.

Engineering responsibility for use of this design will be that of the purchaser.

Well name:

10-00 Fat Chance Murphy Ridge #2

Operator: **Fat Chance Oil**

String type: **Production**

Project ID:

43-033-30046

Location: **Rich Co.**

Design parameters:

Collapse

Mud weight: 9.500 ppg
Design is based on evacuated pipe.

Minimum design factors:

Collapse:

Design factor 1.125

Burst:

Design factor 1.00

Environment:

H2S considered? No
Surface temperature: 75 °F
Bottom hole temperature: 138 °F
Temperature gradient: 1.40 °F/100ft
Minimum section length: 368 ft

Cement top: 2,962 ft

Burst

Max anticipated surface pressure: 0 psi
Internal gradient: 0.494 psi/ft
Calculated BHP 2,221 psi

No backup mud specified.

Tension:

8 Round STC: 1.80 (J)
8 Round LTC: 1.80 (J)
Buttress: 1.60 (J)
Premium: 1.50 (J)
Body yield: 1.50 (B)

Non-directional string.

Tension is based on buoyed weight.

Neutra point: 3,857 ft

Run Seq	Segment Length (ft)	Size (in)	Nominal Weight (lbs/ft)	Grade	End Finish	True Vert Depth (ft)	Measured Depth (ft)	Drift Diameter (in)	Internal Capacity (ft³)
1	4500	7	23.00	J-55	ST&C	4500	4500	6.25	208
Run Seq	Collapse Load (psi)	Collapse Strength (psi)	Collapse Design Factor	Burst Load (psi)	Burst Strength (psi)	Burst Design Factor	Tension Load (Kips)	Tension Strength (Kips)	Tension Design Factor
1	2221	3270	1.47	2221	4360	1.96	89	284	3.20 J

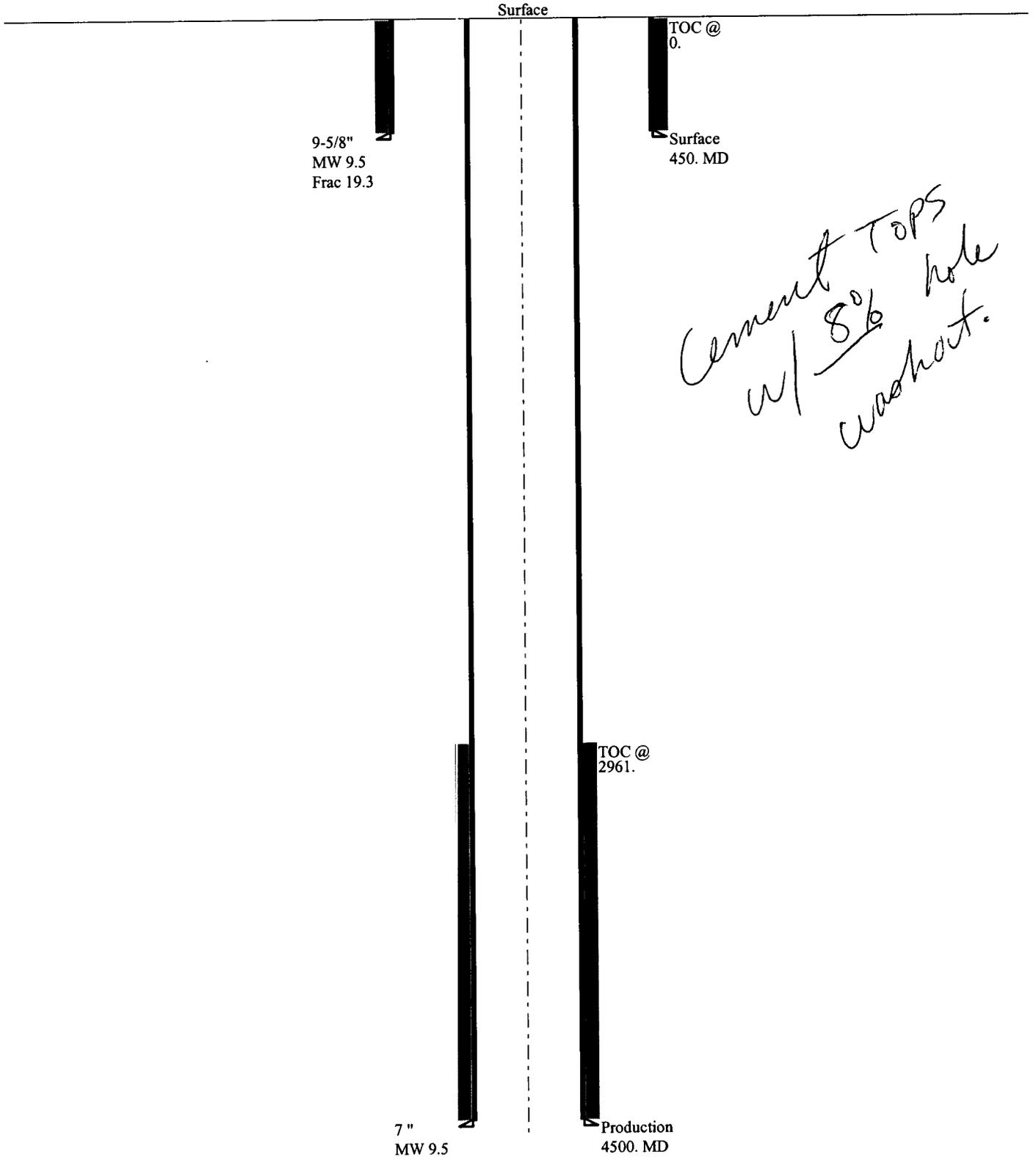
Prepared by: RJK
Utah Dept. of Natural Resources

Date: October 11,2000
Salt Lake City, Utah

ENGINEERING STIPULATIONS: See Worksheet
Collapse strength is based on the Westcott, Dunlop & Kemlar method of biaxial correction for tension.
Collapse is based on a vertical depth of 4500 ft, a mud weight of 9.5 ppg The casing is considered to be evacuated for collapse purposes.
Burst strength is not adjusted for tension.

Engineering responsibility for use of this design will be that of the purchaser.

10-00 Fat Chance Murphy Ridge #2
Casing Schematic





Governor's Office of Planning and Budget
116 State Capitol
Salt Lake City, UT 84114
Phone: (801) 538-1027
Fax: (801) 538-1547
<http://www.governor.state.ut.us>

Facsimile Cover Sheet

Date: 10/16/00

Number of Pages to Follow: _____

To: Lupka

Agency/Company: DOGM

Fax #: 359-3940

Telephone #: 538-5296

From: Carolyn Wright

Telephone #: 538-1535

Comments: _____



State of Utah
DEPARTMENT OF NATURAL RESOURCES
DIVISION OF WILDLIFE RESOURCES

Michael O. Leavitt
Governor

Kathleen Clarke
Executive Director

John Kimball
Division Director

Northern Region
515 East 5300 South
Ogden, Utah 84405-1502
801-476-2740
801-479-4010 (Fax)

October 10, 2000

Ms. Ann Rosser
Governor's Office of Planning and Budget
116 State Capitol
Salt Lake City UT 84114

Subject: RIDCC 10/10/2000 Agenda Items #2 and #3; UT000920-010 and UT000929-020
DOGM/Rich County; Application for permit to drill-Fat Chance Oil and Gas, LLC
to drill Murphy Ridge #2 and #3 wells (wildcat) on State Lease ML 48456 (Sections
32 and 21, T8N, R8E).

Dear Ms. Rosser:

Utah Division of Wildlife Resources (UDWR) personnel attended a site visit on October 4, 2000 for the above referenced application. We submit the following comments and concerns regarding the proposed project.

Both proposed exploratory well drill sites contain habitats which are considered critical deer winter range and critical year long habitat for sage grouse. To minimize impacts to wildlife, we recommend that all drilling activities cease either on December 1, 2000 or when snow depths reach approximately 12 inches, whichever comes first. Activities can begin again in the spring depending upon snow conditions: around April 1, 2001 or when snow is no longer present on the site and deer have moved to higher elevations. Upon cessation of drilling activities, all disturbed sites should be re-contoured and reseeded with a seed mixture comprised of beneficial wildlife plants. The UDWR can provide a seed mixture upon request.

If the wells sites are to be fully developed in the future with pipelines, new roads and permanent drill pads, we recommend the applicant contact UDWR for more specific long term wildlife mitigation recommendations for these critical habitats.

We appreciate the opportunity to comment on this proposed application. Please contact Pam Kramer (801-476-2775) of my staff if you need more information.

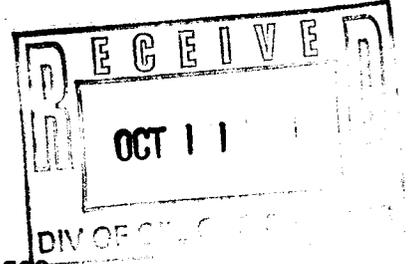
Sincerely,

Bob Hasenyager
Regional Supervisor

Fax Transmittal Form



P.O. Box 7370
850 Val Vista
Sheridan WY 82801-7370



To

Name: Lisha Gordova
Organization Name/Dept: Utah Division of
Oil, Gas, + Mining
Phone number: 801 538-5296
Fax number: 801 359-3940

From

Quaneco, LLC
Phone: 307-673-1500
Fax: 307-673-1400
Name: Bill Courtney

Date sent: 10-11-00
Time Sent: _____
Number of pages including cover page: 7

Message:

Thanks for your help with this Lisha.
If you get good copies via fax, let me know and I won't
mail more paperwork to file!

Bill Courtney



State Engineer's Office

Herschler Building, 4-E Cheyenne, Wyoming 82002
 (307) 777-7354 FAX (307) 777-5451
 neolog@mlsec.state.wy.us

JIM GERINGER
 GOVERNOR

RICHARD G. STOCKDALE
 ACTING STATE ENGINEER

October 6, 2000

Quaneco LLC
 PO Box 7370
 Sheridan WY 82801

RE: Temporary Water Agreement Order Number 00-57
 Sulphur Creek Reservoir, Permit No. 5695R

Dear Applicant:

Enclosed are copies of the Order, Agreement and map for your use of water from this source. Copies of these documents will be sent to Merrill J. Martin. Copies of the Order and map will be sent to Jade Henderson, Superintendent of Water Division No. 4 and Kevin Wilde, Lead Hydrographer/Commissioner of Water District No.4.

You must notify Mr. Wilde (279-3441) prior to using water from this source. Please refer to the Order Number referenced above when notifying Mr. Wilde.

With best regards,

JOHN R. BARNES
 Administrator, Surface Water and
 Engineering Division

JRB/ms
 Enclosures

cc: Merrill J. Martin
 918 Riverdale
 County Road 101
 Evanston, WY 82930

Jade Henderson, Superintendent
 Water Division IV
 PO Box 277
 Cokeville, Wyoming 83114

Kevin Wilde, Lead Hydrographer Commissioner
 PO Box 277
 Cokeville, Wyoming 83114

Surface Water
 (307) 777-6475

Ground Water
 (307) 777-6163

Board of Control
 (307) 777-6176

ORDER NO. 00-57

Quaneco, LLC having filed a Water Agreement for Temporary Use of Water for the use of stored water from the Sulphur Creek Reservoir located in SW~~1~~SW~~4~~, Section 27, T14N, R119W, diverting from Sulphur Creek, tributary of Bear River, Permit No. 5695R;

and the State Engineer finds as follows:

That said Quaneco, LLC wishes to use this water for drilling of two coal bed methane (CBM) wells as outlined on the attached map marked "Exhibit B."

That, in connection with said work, it is necessary that Quaneco, LLC have considerable water available to it;

That the most practicable source of said water is from Sulphur Creek Reservoir located in the SW~~1~~SW~~4~~ Section 27, T14N, R119W, Permit No. 5695R. The appropriation is for 4104.13 acre-feet for irrigation purposes. The rights are held by the Sulphur Creek Reservoir Company. The priority date is February 14, 1950.

That said water is to be diverted at a point in the NW~~1~~NW~~4~~, Section 32, T17N, R120W, 6th PM from the Bear River.

That Quaneco, LLC and Merrill J. Martin have made and entered into a certain agreement, dated September 5, 2000 relating to the use and purchase of said water in the amount of approximately 1,680,000 gallons to be diverted at a rate not to exceed 250 gallons per minute or 10,000 gallons per day maximum as the agreement is marked "Exhibit A," attached hereto, and by reference made a part thereof, and a sketch map showing the proposed point of diversion and point of use is marked "Exhibit B," attached hereto, and by this reference made a part thereof:

That said Water Agreement should be granted and said agreement ratified and approved.

The right to refill this reservoir by the amount of depletion prior to September 30, 2000, cannot be exercised until after October 1, 2001.

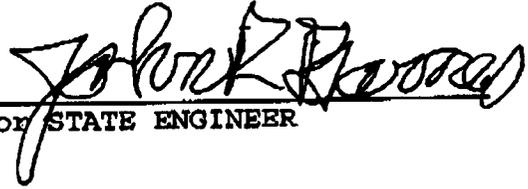
Any remaining water depleted under this temporary use after September 30, 2001, cannot be refilled until after October 1, 2002.

The water will be taken from the point of diversion located in the NW~~1~~NW~~4~~, Section 32, T17N, R120W, 6th PM. Water will be pumped into tank trucks and hauled along existing roads for drilling two CBM wells located in the NE~~1~~, Section 32, R8N, T8E, Salt Lake Meridian. See the attached map marked "Exhibit B."

Quaneco, LLC is to inform the Water Commissioner of the date they wish to begin diverting water, and this diversion of water will be done at all times under the supervision of the Water Commissioner.

The maximum rate of diversion will be 250 gallons per minute or 10,000 gallons per day maximum. The total amount of water used under this agreement must not exceed 1,680,000 gallons.

IT IS, THEREFORE, ORDERED that said agreement be, and the same is hereby ratified and approved, and that Quaneco, LLC is authorized to purchase and use said water, as provided for in said agreement, until October 5, 2002, or until said drilling is complete, whichever comes first, at which time said water shall revert to their former use, all as provided by Wyoming Statute 41-3-110.



FOR STATE ENGINEER

October 5, 2000
Order Number 00-57

RECEIPT



WYOMING STATE ENGINEER'S OFFICE

Herschler Bldg. 4E, Cheyenne WY 82002
 Phone: (307) 777-7355 or (307) 777-6977
 Fax: (307) 777-5451

RECEIVED OF:

Quaneco, L L C

850 Val Vista
 Sheridan WY 82801

RECEIPT NUMBER	RECEIPT DATE	POST DATE	CHECK NUMBER	PREPARED BY
SEO 11760	10/02/2000	10/02/2000	1038	E. Connell

TRANSACTION	DESCRIPTION	QTY	FEE	TOTAL
T.W.A.	Chapman Ditch/Bear River	1	\$50.00	\$50.00
T.W.A.	Chapman Ditch/Bear River	1	\$50.00	\$50.00

TOTAL. \$100.00

If you have any questions, please contact Janice Rath at (307) 777-6977. Thank you for your business.

White - Original

Yellow - Fiscal Copy



State Engineer's Office

Herschler Building, 4-E Cheyenne, Wyoming 82002
 (307) 777-7354 FAX (307) 777-5451
 seoleg@minwc.state.wy.us

JIM GERINGER
 GOVERNOR

RICHARD G. STOCKDALE
 ACTING STATE ENGINEER

October 6, 2000

Quaneco LLC
 PO Box 7370
 Sheridan WY 82801

RE: Temporary Water Agreement Order Number 00-56
 Chapman Ditch, Territorial Appropriation

Dear Applicant:

Enclosed are copies of the Order, Agreement and map for your use of water from this source. Copies of these documents will be sent to Deseret Land & Livestock. Copies of the Order and map will be sent to Jade Henderson, Superintendent of Water Division No. 4. and Kevin Wilde, Lead Hydrographer/Commissioner of Water District No.4.

You must notify Mr. Wilde (279-3441) prior to using water from this source. Please refer to the Order Number referenced above when notifying Mr. Wilde.

With best regards,

JOHN R. BARNES
 Administrator, Surface Water and
 Engineering Division

JRB/ms
 Enclosures

cc: Deseret Land & Livestock
 PO Box 250
 Woodruff, UT 84086

Jade Henderson, Superintendent
 Water Division IV
 PO Box 277
 Cokeville, Wyoming 83114

Kevin Wilde, Lead Hydrographer Commissioner
 PO Box 277
 Cokeville, Wyoming 83114

Surface Water
 (307) 777-6475

Ground Water
 (307) 777-6163

Board of Control
 (307) 777-6178

ORDER NO. 00-56

Quaneco, LLC having filed a Water Agreement for approval of the purchase and use of direct flow water from the Chapman Canal, diverting from the Bear River, with a record point of diversion in Section 36, T16N, R121W, Territorial Appropriation;

and the State Engineer finds as follows:

That said Quaneco, LLC wishes to use this water for coal bed methane (CBM) drilling. Water will be piped from the Chapman Canal for the drilling of two CBM wells located in the NE¼ of Section 32, T8N, R8E, Salt Lake Meridian. See the attached map marked "Exhibit B".

That, in connection with said industrial work, it is necessary that said Quaneco, LLC. have considerable water available to it:

That the most practicable source of said water is from the Chapman Canal, Territorial Appropriation, which has a record point of diversion in Section 36, T16N, R121W. The right is adjudicated. The amount of the appropriation is 98.46 c.f.s. and is used for irrigation purposes. The priority date is August 13, 1886. The appropriation is held by Deseret Title Holding Corp. dba Deseret Land & Livestock.

That Quaneco, LLC. and Deseret Title Holding Corp. has made and entered into a certain agreement, dated September 5, 2000, relating to the use and purchase of said water, in the amount of approximately 1,680,000 gallons, to be diverted at a rate not to exceed a maximum of 250 gallons per minute or 10,000 gallons per day, as stated in the executed copy of said agreement marked "Exhibit A", attached hereto, and by this reference made a part thereof, and a sketch map showing the proposed point of diversion and point of use is marked "Exhibit B", attached hereto, and by this reference made a part thereof:

That said Water Agreement should be granted and said agreement ratified and approved.

Quaneco, LLC. is to inform the Water Commissioner of the date they wishes to begin diverting water, and this diversion of water will be done at all times under the supervision of the Water Commissioner.

The Chapman Canal will be regulated by the Water Commissioner to protect the appropriators who might be affected by this agreement. At all times when water is being diverted, as outlined herein, the allowable amount of water for diversion to serve the irrigation rights of this ditch will be reduced by double the amount of water withdrawn for industrial use. This reduction in diversion will compensate the stream for return flows which would have resulted if the water had been used for record purposes. Additional adjustment will be made if necessary to protect the other affected water users.

This agreement can only be honored during the historic irrigation period, therefore, if water is to be used in the non-irrigation period an application for direct flow for temporary use will be in order.

The water will be piped from the Chapman Canal to drill two CBM wells located in the NE¼ of Section 32, T8N, R9E, Salt Lake Meridian. See the attached map marked "Exhibit B".

The maximum rate of diversion will be 250 gallons per minute or 10,000 gallons per day. The total amount of water to be used under this agreement must not exceed 1,680,000 gallons.

IT IS, THEREFORE, ORDERED that said agreement be, and the same is hereby ratified and approved, and that Quaneco, LLC. is authorized to purchase and use said water, as provided for in said agreement, until October 5, 2002 or until said project is complete, whichever comes first, at which time said water shall revert to their former use, all as provided by Wyoming Statute 41-3-110.

for  STATE ENGINEER

October 5, 2000
Order Number 00-56



State of Utah
DEPARTMENT OF NATURAL RESOURCES
DIVISION OF OIL, GAS AND MINING

Michael O. Leavitt
Governor
Kathleen Clarke
Executive Director
Lowell P. Braxton
Division Director

1594 West North Temple, Suite 1210
PO Box 145801
Salt Lake City, Utah 84114-5801
801-538-5340
801-359-3940 (Fax)
801-538-7223 (TDD)

October 13, 2000

Fat Chance Oil and Gas, LLC
211 N Robinson
Oklahoma City, OK 73102

10/25 resent to Sheridan
11/3 resent to PO Box

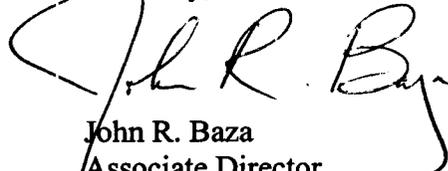
Re: Murphy Ridge 2 Well, 1980' FNL, 1980' FEL, SW NE, Sec. 32, T. 8 North, R. 8 East,
Rich County, Utah

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 43-033-30046.

Sincerely,



John R. Baza
Associate Director

er

Enclosures

cc: Rich County Assessor
SITLA

Operator: Fat Chance Oil and Gas, LLC
Well Name & Number Murphy Ridge 2
API Number: 43-033-30046
Lease: ML-48456

Location: SW NE **Sec.** 32 **T.** 8 North **R.** 8 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

The operator is required to notify the Division of Oil, Gas and Mining of the following actions during drilling of this well:

- 24 hours prior to cementing or testing casing
- 24 hours prior to testing blowout prevention equipment
- 24 hours prior to spudding the well
- within 24 hours of any emergency changes made to the approved drilling program
- prior to commencing operations to plug and abandon the well

The following are Division of Oil, Gas and Mining contacts and their work telephone numbers (please leave a voice mail message if the person is not available to take the call):

- Dan Jarvis at (801) 538-5338
- Robert Krueger at (801) 538-5274 (plugging)
- Carol Daniels at (801) 538-5234 (spud)

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. Compliance with the State of Utah Antiquities Act forbids disturbance of archeological, historical, or paleontological remains. Should archeological, historical or paleontological remains be encountered during your operations, you are required to immediately suspend all operations and immediately inform the Trust Lands Administration and the Division of State History of the discovery of such remains.

5. Compliance with the Conditions of Approval/Application for Permit to Drill outlined in the Statement of Basis. (Copy Attached)

6. Rams and annular preventers shall be tested each trip.

7. Production casing cement shall cover shallowest zone of interest a minimum of 200 feet.



State of Utah

GOVERNOR'S OFFICE OF PLANNING AND BUDGET
Resource Development Coordinating Committee

-to: wild files
cc: LEC

Michael O. Leavitt
Governor
Brad T. Barber
State Planning Coordinator
James L. Dykmann
Committee Chairman
John A. Harja
Executive Director

116 State Capitol Building
Salt Lake City, Utah 84114
(801) 538-1027
Fax: (801) 538-1547

43-033-30046
8N 8E 32

October 23, 2000

John Baza
Division of Oil, Gas & Mining
1594 West North Temple, Suite 1210
Salt Lake City, Utah 84114-5801

SUBJECT: Application for permit to drill - Fat Chance Oil & Gas, LLC to drill Murphy ridge #2 and #3 wildcat wells on State Lease ML-48456
State Identification Number: UT000920-010 and UT000929-020

Dear Mr. Baza:

The Resource Development Coordinating Committee (RDCC), representing the State of Utah, has reviewed this proposal. The Division of Wildlife Resources comments:

The Utah Division of Wildlife Resources personnel attended a site visit on October 4, 2000 for the above referenced application.

Both proposed exploratory well drill sites contain habitats which are considered deer winter range and year long habitat for sage grouse. To minimize impacts to wildlife, we recommend that all drilling activities cease either on December 1, 2000 or when snow depths reach approximately 12 inches, whichever comes first. Activities can begin again in the spring depending upon snow conditions; around April 1, 2001 or when snow is no longer present on the site and deer have moved to higher elevations. Upon cessation of drilling activities, all disturbed sites should be re-contoured and reseeded with a seed mixture comprised of beneficial wildlife plants. The UDWR can provide a seed mixture upon request.

If the well sites are to be fully developed in the future with pipelines, new roads and permanent drill pads, we recommend the applicant contact UDWR for more specific long term wildlife mitigation recommendations for these critical habitats.

Please contact Pam Kramer (801) 476-2775 if you need more information.

The Committee appreciates the opportunity to review this proposal. Please direct any other written questions regarding this correspondence to the Utah State Clearinghouse at the above address or call Carolyn Wright at (801) 538-1535 or John Harja at (801) 538-1559.

Sincerely,


Natalie Gochnour
State Planning Coordinator

NG/ar



State of Utah

DEPARTMENT OF NATURAL RESOURCES
DIVISION OF OIL, GAS AND MINING

1594 West North Temple Suite 1210
PO Box 145801
Salt Lake City, Utah 84114-5801

RETURN SERVICE REQUESTED

*Lisha
FYI
resent
11/3*

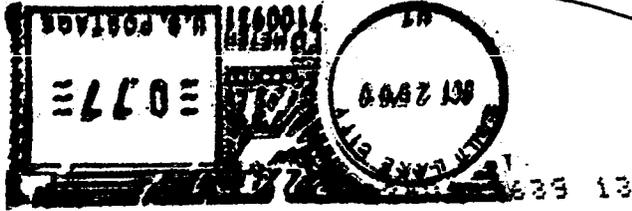
FAT CHANCE OIL AND GAS LLC
850 VAL VISTA
SHERIDAN WYOMING 82801

RECEIVED

NOV 03 2009

DIVISION OF
OIL, GAS AND MINING

clo h. raneco



QUANECO 828012018 1600 05 10/30/00
RETURN TO SENDER
QUANECO LLC
PO BOX 7370
SHERIDAN WY 82801-7007
RETURN TO SENDER



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

CONFIDENTIAL FORM 9

5. LEASE DESIGNATION AND SERIAL NUMBER:
~~FEE~~ **ML-48456**

6. IF INDIAN, ALLOTTEE OR TRIBE NAME:

7. UNIT or CA AGREEMENT NAME:

8. WELL NAME and NUMBER:
Murphy Ridge #2

9. API NUMBER:
4303330046

10. FIELD AND POOL, OR WILDCAT:
Wildcat

SUNDRY NOTICES AND REPORTS ON WELLS

Do not use this form for proposals to drill new wells, significantly deepen existing wells below current bottom-hole depth, reenter plugged wells, or to drill horizontal laterals. Use APPLICATION FOR PERMIT TO DRILL form for such proposals.

1. TYPE OF WELL OIL WELL GAS WELL OTHER _____

2. NAME OF OPERATOR:
Fat Chance Oil & Gas, LLC

3. ADDRESS OF OPERATOR: PHONE NUMBER:
PO Box 7370 CITY Sheridan STATE WY ZIP 82801 (307) 673-1500

4. LOCATION OF WELL
FOOTAGES AT SURFACE: **1980' FNL 1980' FEL** COUNTY: **Rich**

QTR/QTR, SECTION, TOWNSHIP, RANGE, MERIDIAN: **SWNE 32 T8N R8E S** STATE: **UTAH**

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

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

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

IN ORDER TO BETTER TRACK OUR WELLS, OUR MANAGEMENT HAS DECIDED TO NAME THEM ACCORDING TO THEIR QUARTER/QUARTER AND SECTION.

REQUESTED NEW NAME OF WELL: **Murphy Ridge 7-32**

NAME (PLEASE PRINT) Lorna James

TITLE Administrative Assistant

SIGNATURE *Lorna James*

DATE 4/23/2001

(This space for State use only)

RECEIVED

APR 30 2001

DIVISION OF
OIL, GAS AND MINING



State of Utah
DEPARTMENT OF NATURAL RESOURCES
DIVISION OF OIL, GAS AND MINING

CONFIDENTIAL

1594 West North Temple, Suite 1210
PO Box 145801
Salt Lake City, Utah 84114-5801
801-538-5340
801-359-3940 (Fax)
801-538-7223 (TDD)

Michael O. Leavitt
Governor
Lowell P. Braxton
Division Director

November 14, 2001

Casey Osborn
Fat Chance Oil & Gas, LLC
Box 7370
Sheridan, Wyoming 82801

Re: Murphy Ridge 7-32 Well – SWNE Sec. 32, T. 8 North, R. 8 East, Rich County, Utah, API No. 43-033-30046

Dear Mr. Osborn:

Please be advised that your request for a one-year Application for Permit to Drill (“APD”) extension for the above referenced well is hereby granted. All conditions outlined in the original approval remain in effect.

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.

This approval shall expire one year from the above date unless substantial and continuous operation is underway, or a request for an extension is made prior to the expiration date.

Sincerely,

Brad Hill
Reclamation Specialist, Oil & Gas

cc: Well File
Bureau of Land Management, Salt Lake City

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

CONFIDENTIAL FORM 9

SUNDRY NOTICES AND REPORTS ON WELLS

Do not use this form for proposals to drill new wells, significantly deepen existing wells below current bottom-hole depth, reenter plugged wells, or to drill horizontal laterals. Use APPLICATION FOR PERMIT TO DRILL form for such proposals.

1. TYPE OF WELL OIL WELL <input type="checkbox"/> GAS WELL <input checked="" type="checkbox"/> OTHER _____		5. LEASE DESIGNATION AND SERIAL NUMBER: Mineral Lease #48456
2. NAME OF OPERATOR: Fat Chance Oil & Gas, LLC		6. IF INDIAN, ALLOTTEE OR TRIBE NAME:
3. ADDRESS OF OPERATOR: Box 7370 CITY Sheridan STATE WY ZIP 82801		7. UNIT or CA AGREEMENT NAME:
4. LOCATION OF WELL FOOTAGES AT SURFACE: 1980' FNL, 1980' FEL		8. WELL NAME and NUMBER: Murphy Ridge 7-32
QTR/QTR, SECTION, TOWNSHIP, RANGE, MERIDIAN: SWNE 32 8N 8E S		9. API NUMBER: 4303330046
COUNTY: Rich		10. FIELD AND POOL, OR WILDCAT: Wildcat
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: _____	<input type="checkbox"/> ACIDIZE	<input type="checkbox"/> DEEPEN	<input type="checkbox"/> REPERFORATE CURRENT FORMATION
	<input type="checkbox"/> ALTER CASING	<input type="checkbox"/> FRACTURE TREAT	<input type="checkbox"/> SIDETRACK TO REPAIR WELL
<input type="checkbox"/> 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 FORMATIONCS	<input type="checkbox"/> RECLAMATION OF WELL SITE	<input checked="" type="checkbox"/> OTHER: <u>Extension of permit</u>
	<input type="checkbox"/> CONVERT WELL TYPE	<input type="checkbox"/> RECOMPLETE - DIFFERENT FORMATION	

12. DESCRIBE PROPOSED OR COMPLETED OPERATIONS. Clearly show all pertinent details including dates, depths, volumes, etc.
Operator requests one year extension of approval for permit to drill to allow further evaluation of offset wells.

**Approved by the
Utah Division of
Oil, Gas and Mining**
Date: 11-14-01
By: [Signature]

COPY SENT TO OPERATOR
Date: 11/19/01
Initials: [Signature]

NAME (PLEASE PRINT) <u>Casey Osborn</u>	TITLE <u>Operations Manager</u>
SIGNATURE <u>[Signature]</u>	DATE <u>October 23, 2001</u>

RECEIVED

(This space for State use only)

NOV 02 2001

DIVISION OF
OIL, GAS AND MINING

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

SUNDRY NOTICES AND REPORTS ON WELLS		5. LEASE DESIGNATION AND SERIAL NUMBER: ML-48456
Do not use this form for proposals to drill new wells, significantly deepen existing wells below current bottom-hole depth, reenter plugged wells, or to drill horizontal laterals. Use APPLICATION FOR PERMIT TO DRILL form for such proposals.		6. IF INDIAN, ALLOTTEE OR TRIBE NAME:
1. TYPE OF WELL OIL WELL <input type="checkbox"/> GAS WELL <input checked="" type="checkbox"/> OTHER _____		7. UNIT or CA AGREEMENT NAME:
2. NAME OF OPERATOR: Fat Chance Oil & Gas, LLC		8. WELL NAME and NUMBER: Murphy Ridge 7-32
3. ADDRESS OF OPERATOR: PO Box 7370 CITY Sheridan STATE WY ZIP 82801		9. API NUMBER: 4303330046
4. LOCATION OF WELL FOOTAGES AT SURFACE: 1980' FNL 1980' FEL		10. FIELD AND POOL, OR WILDCAT: Wildcat
QTR/QTR, SECTION, TOWNSHIP, RANGE, MERIDIAN: SWNE 32 T8N R8E S		COUNTY: Rich
		STATE: UTAH

11. CHECK APPROPRIATE BOXES TO INDICATE NATURE OF NOTICE, REPORT, OR OTHER DATA			
TYPE OF SUBMISSION	TYPE OF ACTION		
<input type="checkbox"/> NOTICE OF INTENT (Submit in Duplicate) Approximate date work will start: _____ <input type="checkbox"/> SUBSEQUENT REPORT (Submit Original Form Only) Date of work completion: _____	<input type="checkbox"/> ACIDIZE <input type="checkbox"/> ALTER CASING <input type="checkbox"/> CASING REPAIR <input type="checkbox"/> CHANGE TO PREVIOUS PLANS <input type="checkbox"/> CHANGE TUBING <input type="checkbox"/> CHANGE WELL NAME <input type="checkbox"/> CHANGE WELL STATUS <input type="checkbox"/> COMMINGLE PRODUCING FORMATIONS <input type="checkbox"/> CONVERT WELL TYPE	<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/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"/> TEMPORARILY ABANDON <input type="checkbox"/> TUBING REPAIR <input type="checkbox"/> VENT OR FLARE <input type="checkbox"/> WATER DISPOSAL <input type="checkbox"/> WATER SHUT-OFF <input checked="" type="checkbox"/> OTHER: _____

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

Lease signs erected in order to comply with regulations.

RECEIVED
JUN 17 2002
DIVISION OF
OIL GAS AND MINING

NAME (PLEASE PRINT) <u>Bill Courtney</u>	TITLE <u>Operations Assistant</u>
SIGNATURE <u><i>Bill Courtney</i></u>	DATE <u>6/13/2002</u>

(This space for State use only)

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

FORM 9

SUNDRY NOTICES AND REPORTS ON WELLS			5. LEASE DESIGNATION AND SERIAL NUMBER: ML-48456
Do not use this form for proposals to drill new wells, significantly deepen existing wells below current bottom-hole depth, reenter plugged wells, or to drill horizontal laterals. Use APPLICATION FOR PERMIT TO DRILL form for such proposals.			6. IF INDIAN, ALLOTTEE OR TRIBE NAME:
1. TYPE OF WELL OIL WELL <input type="checkbox"/> GAS WELL <input checked="" type="checkbox"/> OTHER _____			7. UNIT or CA AGREEMENT NAME:
2. NAME OF OPERATOR: Fat Chance Oil & Gas, LLC			8. WELL NAME and NUMBER: Murphy Ridge 7-32
3. ADDRESS OF OPERATOR: PO Box 7370 CITY Sheridan STATE WY ZIP 82801		PHONE NUMBER: (307) 673-1500	9. API NUMBER: 4303330046
4. LOCATION OF WELL FOOTAGES AT SURFACE: 1980' FNL 1980' FEL			10. FIELD AND POOL, OR WILDCAT: Wildcat
QTR/QTR, SECTION, TOWNSHIP, RANGE, MERIDIAN: SWNE 32 T8N R8E S			COUNTY: Rich
			STATE: UTAH

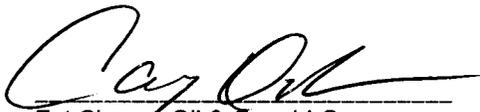
11. CHECK APPROPRIATE BOXES TO INDICATE NATURE OF NOTICE, REPORT, OR OTHER DATA			
TYPE OF SUBMISSION	TYPE OF ACTION		
<input type="checkbox"/> NOTICE OF INTENT (Submit in Duplicate) Approximate date work will start: _____ <input type="checkbox"/> SUBSEQUENT REPORT (Submit Original Form Only) Date of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

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

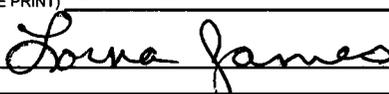
Please change the Operator to:

Quaneco, LLC
PO Box 7370
Sheridan WY 82801

Effective: July 19, 2003
Bond# 885708C


Fat Chance Oil & Gas, LLC
Casey Osborn


Quaneco, LLC
Casey Osborn

NAME (PLEASE PRINT) Lorna James	TITLE Administrative Assistant
SIGNATURE 	DATE 8/13/2003

(This space for State use only)

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AUG 25 2003

OPERATOR CHANGE WORKSHEET

ROUTING

1. GLH
2. CDW
3. FILE

Change of Operator (Well Sold)

Designation of Agent/Operator

X Operator Name Change

Merger

The operator of the well(s) listed below has changed, effective:		7/19/2003
FROM: (Old Operator):	TO: (New Operator):	
N1395 - Fat Chance Oil & Gas, LLC PO Box 7370 Sheridan, WY 82801 Phone: 1-(307) 673-1500	N2495 - Quaneco, LLC PO Box 7370 Sheridan, WY 82801 Phone: 1-(307) 673-1500	

CA No.		Unit:							
WELL(S)									
NAME	SEC	TWN	RNG	API NO	ENTITY NO	LEASE TYPE	WELL TYPE	WELL STATUS	
COALVILLE 9-3	03	020N	050E	4304330322		Fee	GW	APD	C
COALVILLE 12-3	03	020N	050E	4304330323		Fee	GW	APD	C
SUTTONS 4-12	12	060N	070E	4303330058	13286	Fee	GW	S	C
CRANE 4-4	04	060N	080E	4303330049	13056	Fee	GW	S	C
CRANE 12-4	04	060N	080E	4303330050	13057	Fee	GW	S	C
CRANE 13-6	06	060N	080E	4303330054		Fee	GW	APD	C
CRANE 6-7	07	060N	080E	4303330053		Fee	GW	APD	C
CRANE 13-8	08	060N	080E	4303330052	13093	Fee	GW	S	C
CRANE 13-18	18	060N	080E	4303330055		Fee	GW	APD	C
STACEY HOLLOW 14-35	35	070N	070E	4303330056	13104	Fee	GW	S	C
SIMS 13-33	33	070N	080E	4303330051		Fee	GW	APD	C
NEPONSET 4-35	35	080N	070E	4303330048		Fee	GW	APD	C
MURPHY RIDGE 1-32	32	080N	080E	4303330045	12970	State	GW	S	C
MURPHY RIDGE 7-32	32	080N	080E	4303330046		State	GW	APD	C
CRAWFORD 4-25	25	090N	070E	4303330065		Fee	GW	APD	C

OPERATOR CHANGES DOCUMENTATION

Enter date after each listed item is completed

- (R649-8-10) Sundry or legal documentation was received from the **FORMER** operator on: 8/25/2003
- (R649-8-10) Sundry or legal documentation was received from the **NEW** operator on: 8/25/2003
- The new company was checked on the **Department of Commerce, Division of Corporations Database** on: 8/25/2003
- Is the new operator registered in the State of Utah: YES Business Number: 4743368-0161
- If **NO**, the operator was contacted on: _____

6. (R649-9-2) Waste Management Plan has been received on: _____

7. **Federal and Indian Lease Wells:** The BLM and or the BIA has approved the merger, name change, or operator change for all wells listed on Federal or Indian leases or N/A

8. **Federal and Indian Units:**
The BLM or BIA has approved the successor of unit operator for wells listed on: N/A

9. **Federal and Indian Communization Agreements ("CA"):**
The BLM or BIA has approved the operator for all wells listed within a CA on: N/A

10. **Underground Injection Control ("UIC")** The Division has approved UIC Form 5, **Transfer of Authority to Inject**, for the enhanced/secondary recovery unit/project for the water disposal well(s) listed on: N/A

DATA ENTRY:

1. Changes entered in the **Oil and Gas Database** on: 10/31/2003

2. Changes have been entered on the **Monthly Operator Change Spread Sheet** on: 10/31/2003

3. Bond information entered in RBDMS on: 10/31/2003

4. Fee wells attached to bond in RBDMS on: 10/31/2003

STATE WELL(S) BOND VERIFICATION:

1. State well(s) covered by Bond Number: 885708C

FEDERAL WELL(S) BOND VERIFICATION:

1. Federal well(s) covered by Bond Number: N/A

INDIAN WELL(S) BOND VERIFICATION:

1. Indian well(s) covered by Bond Number: N/A

FEE WELL(S) BOND VERIFICATION:

1. (R649-3-1) The **NEW** operator of any fee well(s) listed covered by Bond Number 885588C

2. The **FORMER** operator has requested a release of liability from their bond on: N/A
The Division sent response by letter on: N/A

LEASE INTEREST OWNER NOTIFICATION:

3. (R649-2-10) The **FORMER** operator of the fee wells has been contacted and informed by a letter from the Division of their responsibility to notify all interest owners of this change on: 10/30/2003

COMMENTS:

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

5. LEASE DESIGNATION AND SERIAL NUMBER:
ML-48468

SUNDRY NOTICES AND REPORTS ON WELLS

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 ASSIGNMENT NAME:

1. TYPE OF WELL OIL WELL GAS WELL OTHER _____

8. WELL NAME and NUMBER:
Murphy Ridge 7-32

2. NAME OF OPERATOR:
Quaneco, LLC

9. API NUMBER:
4303330046

3. ADDRESS OF OPERATOR:
PO Box 7370 CITY **Sheridan** STATE **WY** ZIP **82801**

PHONE NUMBER:
(307) 673-1500

10. FIELD AND POOL, OR WILDCAT:
Wildcat

4. LOCATION OF WELL
FOOTAGES AT SURFACE: **1980' FNL 1980' FEL**

COUNTY: **Rich**

QTR/QRTR, SECTION, TOWNSHIP, RANGE, MERIDIAN: **SWNE 32 T8N R8E S**

STATE: **UTAH**

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

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

12. DESCRIBE PROPOSED OR COMPLETED OPERATIONS. Clearly show all pertinent details including dates, depths, volumes, etc.
Operator requests a one year extension of APD.

**Approved by the
Utah Division of
Oil, Gas and Mining**
Date: 12-31-03
By: [Signature]

RECEIVED
DEC 30 2003
DIV. OF OIL, GAS & MINING

COPY SENT TO OPERATOR
Date: 1-5-04
Initials: CHO

NAME (PLEASE PRINT) Lorna James TITLE Administrative Assistant
SIGNATURE [Signature] DATE 12/30/2003

(This space for items use only)



CONFIDENTIAL

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

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

API: 4303330046
Well Name: Murphy Ridge 7-32
Location: SWNE T8N, R8E, Section 32, Rich County, Utah
Company Permit issued to: Quaneco, LLC
Date Original Permit issued: 10/13/2000

The undersigned as owner with legal rights to drill on the property as permitted above, hereby verifies that the information as submitted in the previously approved application to drill, remains valid and does not require revision.

Following is a checklist of some items related to the application, which should be verified.

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

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

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

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

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

Have there been any physical changes to the surface location or access route which will require a change in plans from what was discussed at the onsite evaluation? Yes No

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

James James
Signature

12/30/2003
Date

Title: Administrative Assistant

Representing: Quaneco, LLC

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DEC 30 2003
DIV. OF OIL, GAS & MINING

QUANECO, LLC

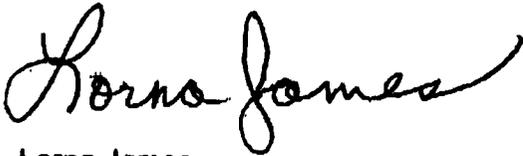
850 Val Vista-Box 7370-Sheridan, WY 82801-Office 307-673-1500-Fax 307-673-1400 quaneco@fiberpipe.net

3/17/2004

To Whom It May Concern:

Quaneco, LLC does here by authorize Steven Prince and Cliff Murray to have full access to all well files permitted by Quaneco, LLC or Fat Chance Oil and Gas, LLC. This authorization is not limited to permit information. The above individuals have full access to all records we have submitted including logs.

Sincerely,



Lorna James

Administrative Assistant

RECEIVED

MAR 17 2004

DIV. OF OIL, GAS & MINING

Fax Transmittal Form



P.O. Box 7370
850 Val Vista
Sheridan WY 82801-7370

To
Name: Vickie
Organization Name/Dept: _____
Phone number: _____
Fax number: _____

From
Quaneco, LLC
Phone: 307-673-1500
Fax: 307-673-1400
Name: Lorna James

Date sent: 3-17-04
Time Sent: _____
Number of pages including cover page: 2

Message:

RECEIVED

MAR 17 2004

DIV. OF OIL, GAS & MINING



PALONE PETROLEUM

P.O. Box 6 • Gillette, Wyoming 82717 • (307) 682-1621

April 5, 2001

Utah Division of Oil, Gas and Mining
1594 West North Temple, Suite 210
Box 145801
Salt Lake City, UT 84114-5801

Re: Designation of Operator.

To Whom it concerns,

Enclosed are two Designation of Operator (Form 5) forms. They are replacement forms for previously filed Designation of Operator forms filed with your office.

One is for State of Utah lease number ML 48456 and the other is for Property Reserve, Skull Valley & Kavanagh, which is a FEE lease that covers a large area. The leases covering the lands affected by the previously filed Designation of Operator forms has been assigned 100% to Quaneco, LLC. Quaneco, LLC desires to retain the same operator, so the only real change is the Lessee of record. The SITLA Designation of Operator form was filed with their office with the Assignment.

If you have any questions please contact me at the above telephone number. I will be out of the office until some time around the 17th of April, but I will be checking messages during that time.

Best wishes,

Bill Palone

enclosures

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APR 11 2001

DIVISION OF
OIL, GAS AND MINING

DESIGNATION OF AGENT OR OPERATOR

The undersigned is, on record, the holder of oil and gas lease

LEASE NAME: State of Utah
LEASE NUMBER: ML 48456

and hereby designates

NAME: Fat Chance Oil and Gas, LLC, an Oklahoma Limited Liability Company
ADDRESS: P. O. Box 7370, 850 Val Vista
Sheridan city WY state 82801 zip

as his (check one) agent / operator , with full authority to act in his behalf in complying with the terms of the lease and regulations applicable thereto and on whom the Division Director or Authorized Agent may serve written or oral instructions in securing compliance with the Oil and Gas Conservation General Rules and Procedural Rules of the Board of Oil, Gas and Mining of the State of Utah with respect to:

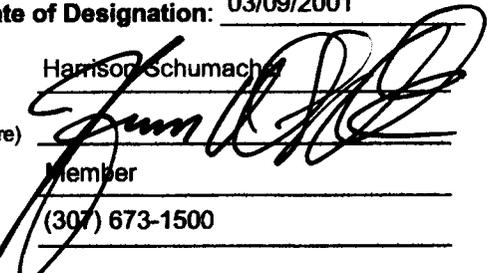
(Describe acreage to which this designation is applicable. Identify each oil and gas well by API number and name. Attach additional pages as needed.)
Township 8 North, Range 8 East, S.L.M.
Section 16: Lots 1, 2, 3, 4
Section 32: All

Murphy Ridge #1 API# - 43-033-30045
Murphy Ridge #2 API# - 43-033-30046

It is understood that this designation of agent/operator does not relieve the lessee of responsibility for compliance with the terms of the lease and the Oil and Gas Conservation General Rules and Procedural Rules of the Board of Oil, Gas and Mining of the State of Utah. It is also understood that this designation of agent or operator does not constitute an assignment of any interest in the lease.

In case of default on the part of the designated agent/operator, the lessee will make full and prompt compliance with all rules, lease terms or orders of the Board of Oil, Gas and Mining of the State of Utah or its authorized representative.

The lessee agrees to promptly notify the Division Director or Authorized Agent of any change in this designation.

Effective Date of Designation: 03/09/2001
BY: (Name) Harrison Schumacher
(Signature) 
(Title) Member
(Phone) (307) 673-1500

OF: (Company) Quaneco, L.L.C.
(Address) P. O. Box 7370
Sheridan city
WY state 82801 zip

DESIGNATION OF AGENT OR OPERATOR

The undersigned is, on record, the holder of oil and gas lease

LEASE NAME: Property Reserve, Skull Valley & Kavanagh

LEASE NUMBER: FEE

and hereby designates

NAME: Fat Chance Oil and Gas, LLC, an Oklahoma Limited Liability Company

ADDRESS: P. O. Box 7370, 850 Val Vista

Sheridan city WY state 82801 zip

as his (check one) agent / operator , with full authority to act in his behalf in complying with the terms of the lease and regulations applicable thereto and on whom the Division Director or Authorized Agent may serve written or oral instructions in securing compliance with the Oil and Gas Conservation General Rules and Procedural Rules of the Board of Oil, Gas and Mining of the State of Utah with respect to:

(Describe acreage to which this designation is applicable. Identify each oil and gas well by API number and name. Attach additional pages as needed.)

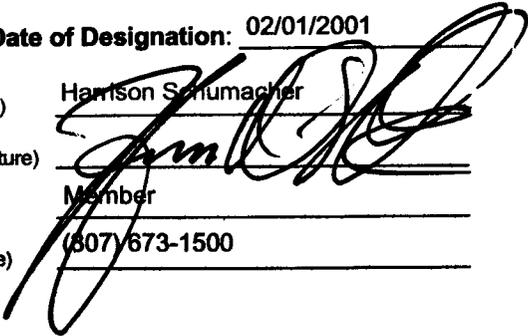
See Attached

It is understood that this designation of agent/operator does not relieve the lessee of responsibility for compliance with the terms of the lease and the Oil and Gas Conservation General Rules and Procedural Rules of the Board of Oil, Gas and Mining of the State of Utah. It is also understood that this designation of agent or operator does not constitute an assignment of any interest in the lease.

In case of default on the part of the designated agent/operator, the lessee will make full and prompt compliance with all rules, lease terms or orders of the Board of Oil, Gas and Mining of the State of Utah or its authorized representative.

The lessee agrees to promptly notify the Division Director or Authorized Agent of any change in this designation.

Effective Date of Designation: 02/01/2001

BY: (Name) Harrison Schumacher
(Signature) 
(Title) Member
(Phone) (807) 673-1500

OF: (Company) Quaneco, L.L.C.
(Address) P. O. Box 7370
Sheridan city
WY state 82801 zip

Exhibit "A"
Attached to Oil and Gas Lease between Property Reserve, Inc. and Palone Petroleum

Tract No. 1		
Township 9 North, Range 7 East, S.L.M.		
Section 26:	W2	311.00
Section 27:	All	640.00
Section 34:	E2, E2NW	400.00
Section 35:	All	640.00
Section 36:	Beginning at the Southwest corner of Section 36; thence North 2 3/4 degrees East 2698 feet; thence South 89 degrees East to the West boundry line of State Highway; thence South 32 degrees East along said West line 3156 feet more or less, to a point East of beginning; thence West 2210 feet, more or less, to the point of beginning.	84.00
Tract No. 2		
Township 8 North, Range 7 East, S.L.M		
Section 1:	All that portion of Section 1 lying South and West of the Highway. Said highway is described as follows: A parcel of land 100 feet wide, 50 feet on each side of the following described centerline: Beginning at a point approximately 2244 feet East from the Northwest corner of said section; thence South 32 degrees 14 minutes East 1921.6 feet; thence 297.9 feet along the arc of a circle to the left whose radius is 1432.7 feet long; thence South 44 degrees 09 minutes East 2370.5 feet to the East line of said section.	489.86
Section 2:	Lot 4	28.00
Section 3:	Lots 1(28.00), 2(28.00), 3(28.00), 4(28.00), S2N2, S2	592.00
Section 10:	NE, E2NW, NESW, NWSE	320.00
Section 11:	All	640.00
Section 13:	All	640.00
Tract No. 3		
Township 8 North, Range 7 East, S.L.M		
Section 15:	All	640.00
Section 21:	All	640.00
Section 23:	All	640.00
Section 25:	All	640.00
Tract No. 4		
Township 8 North, Range 7 East, S.L.M		
Section 27:	All	640.00
Section 33:	All	640.00
Section 35:	All	640.00
Section 36:	All	640.00
Tract No. 5		
Township 8 North, Range 8 East, S.L.M.		
Section 31:	Lots 1(39.86), 2(39.90), 3(39.94), 4(39.98), E2W2, E2	639.68
Township 7 North, Range 7 East, S.L.M.		
Section 1:	Lots 1(40.22), 2(40.68), 3(41.12), 4(41.58), S2N2, S2	643.60
Section 2:	Lots 1(41.81), 2(41.84), 3(41.86), 4(41.89), S2NW	247.40
Section 3:	Lots 1(41.77), 2(41.58), 3(41.33), 4(41.11), S2N2, S2	645.79
Tract No. 6		
Township 7 North, Range 7 East, S.L.M.		
Section 5:	Lots 1(40.59), 2(40.76), 3(40.94), 4(41.11), S2N2, S2	643.40
Section 9:	All	640.00
Section 11:	All	640.00
Section 12:	W2	320.00
Section 13:	All	640.00
Tract No. 7		
Township 7 North, Range 7 East, S.L.M.		
Section 15:	All	640.00
Section 16:	W2SE	80.00
Section 17:	All	640.00
Section 19:	Lots 1(41.10), 2(41.10), 3(41.10), 4(40.44), E2W2, E2	643.74
Section 21:	All	640.00

Exhibit "A"

Attached to Oil and Gas Lease between Property Reserve, Inc. and Palone Petroleum

Tract No. 8		
Township 7 North, Range 7 East, S.L.M.		
Section 23:	All	640.00
Section 25:	All	640.00
Section 26:	W2W2	160.00
Section 27:	All	640.00
Section 29:	All	640.00
Tract No. 9		
Township 7 North, Range 7 East, S.L.M.		
Section 31:	Lots 1(39.82), 2(39.88), 3(39.92), 4(39.98), E2W2, E2	639.60
Section 32:	All	640.00
Section 33:	All	640.00
Section 35:	All	640.00
Tract No. 10		
Township 7 North, Range 8 East, S.L.M.		
Section 7:	Lots 1(43.03), 2(42.45), 3(41.87), 4(41.29), E2W2, E2	648.64
Section 9:	Lots 1(40.34), 2(40.34), 3(40.34), 4(40.34)	161.36
Section 17:	All	640.00
Section 19:	Lots 1(39.23), 2(38.88), 3(38.53), 4(38.18), E2W2, E2	634.82
Tract No. 11		
Township 7 North, Range 8 East, S.L.M.		
Section 21:	Lots 1(40.34), 2(40.34), 3(40.34), 4(40.34)	161.36
Section 29:	All	640.00
Section 31:	Lots 1(38.95), 2(39.25), 3(39.55), 4(39.85), E2W2, E2	637.60
Section 33:	Lots 1(39.87), 2(39.93), 3(37.97), 4(37.06)	154.83
Tract No. 12		
Township 6 North, Range 6 East, S.L.M.		
Section 2:	Lots 1(39.46), 2(39.59), 3(39.71), 4(39.84), S2N2, S2	638.60
Section 12:	All	640.00
Section 14:	All	640.00
Section 22:	All	640.00
Tract No. 13		
Township 6 North, Range 6 East, S.L.M.		
Section 24:	All	640.00
Section 26:	All	640.00
Section 28:	N2SE	80.00
Section 32:	All	640.00
Section 34:	N2NE, SENE, W2, SE	600.00
Tract No. 14		
Township 6 North, Range 7 East, S.L.M.		
Section 2:	Lots 1(22.77), 2(22.32), 3(21.87), 4(21.42), S2N2, S2	568.38
Section 4:	Lots 1(21.78), 2(26.54), 3(31.40), 4(36.06), S2N2, S2	595.78
Section 6:	Lots 1(40.87), 2(40.62), 3(40.37), 4(43.35), 5(43.06), 6(42.90), 7(42.73), S2NE, SENW, E2SW, SE	653.90
Section 8:	All	640.00
Tract No. 15		
Township 6 North, Range 7 East, S.L.M.		
Section 10:	All	640.00
Section 12:	All	640.00
Section 13:	All	640.00
Section 14:	All	640.00
Tract No. 16		
Township 6 North, Range 7 East, S.L.M.		
Section 16:	All	640.00
Section 18:	Lots 1(40.11), 2(40.14), 3(40.16), 4(40.19), E2W2, E2	640.60
Section 20:	All	640.00
Section 22:	All	640.00
Tract No. 17		
Township 6 North, Range 7 East, S.L.M.		
Section 24:	All	640.00

Exhibit "A"

Attached to Oil and Gas Lease between Property Reserve, Inc. and Palone Petroleum

Section 25:	All of that portion of Section 25 lying North and West of the Union Pacific Railroad Company Right-of-way.	627.00
Section 26:	All	640.00
Section 28:	All	640.00

Tract No. 18

Township 6 North, Range 6 East, S.L.M.		
Section 36:	All	640.00

Township 6 North, Range 7 East, S.L.M.		
Section 30:	Lots 1(39.98), 2(40.10), 3(40.22), 4(40.34), E2W2, E2	640.64
Section 32:	All	640.00
Section 34:	All	640.00

Tract No. 19

Township 6 North, Range 8 East, S.L.M.		
Section 4:	Lots 1(30.73), 2(21.10), 3(21.10), 4(21.10), 5(24.67), 6(30.81), 7(36.94)	186.45
Section 6:	Lots 1(29.00), 2(29.00), 3(29.00), 4(29.00), 5(40.00), 6(40.00), 7(40.00), S2NE, SENW, E2SW, SE	596.00
Section 7:	Lots 1(40.17), 2(40.52), 3(40.87), 4(41.22), E2W2, E2	642.78
Section 8:	All	640.00
Section 9:	Lots 1(21.09), 2(21.06), 3(21.03), 4(21.01), W2W2, Less and Except 62.15 acres more or less, as conveyed within that certain Warranty Deed dated February 3, 1999, recorded February 17, 1999 in Book E8 at page 203, with Property Reserve, Inc., a Utah corporation, f/k/a Deseret Title Holding Corporation, as Grantor, and Evanston-Uinta County Airport Joint Powers Board, as Grantee.	182.04

Tract No. 20

Township 6 North, Range 7 East, S.L.M.		
Section 36:	All of that portion of Section 36 lying North and West of the Union Pacific Railroad Company Right-of-way.	375.00

Township 6 North, Range 8 East, S.L.M.		
Section 16:	All of that portion of Section 16 lying North of the Union Pacific Railroad Company right-of-way.	165.00
Section 17:	All of that portion of Section 17 lying North and West of the Union Pacific Railroad Company right-of-way.	479.00
Section 18:	Lots 1(41.45), 2(41.55), 3(41.65), 4(41.75), E2W2, E2	646.40
Section 19:	All of that portion of Section 19 lying North and West of the Union Pacific Railroad Company right-of-way.	508.00
Section 30:	Lot 1(41.05) and that part of Lot 2 lying North and West of the Union Pacific Railroad Company right-of-way.	65.00

Tract No. 21

Township 5 North, Range 6 East, S.L.M.		
Section 12:	All	640.00

Township 5 North, Range 7 East, S.L.M.		
Section 2:	All that part lying North and West of the West Bound Union Pacific Railroad Company right of way	486.32
Section 4:	Lots 1(41.24), 2(41.34), 3(41.42), 4(41.52), S2N2, S2	645.52
Section 6:	Lots 1(41.36), 2(40.98), 3(40.58), 4(40.40), 5(40.40), 6(40.32), 7(40.24), S2NE, SENW, E2S'W, SE	644.28
Section 8:	All	640.00
Section 10:	N2NW	80.00
Section 18:	Lots 1(39.97), 2(39.93), 3(39.38), N2NE, SWNE, E2NW, NESW	359.78



State of Utah

Department of
Natural Resources

ROBERT L. MORGAN
Executive Director

Division of
Oil, Gas & Mining

LOWELL P. BRAXTON
Division Director

OLENE S. WALKER
Governor

GAYLE F. McKEACHNIE
Lieutenant Governor

May 24, 2004

Casey Osborn
Quaneco, LLC
P. O. Box 7370
Sheridan, Wyoming 82801

Re: Notice's of Violation (NOV's) – Wells/locations in Rich
County, Utah

Dear Mr. Osborn:

On August 11, 2003, Division staff member's conducted inspections of wells located in Rich County, Utah, operated by Fat Chance Oil & Gas, LLC "Fat Chance". Quaneco, LLC "Quaneco" was the mineral lessee, Fat Chance was the designated operator.

Several of the wells had been drilled and completed however the reserve pits had not been closed and reclaimed within 1 year following drilling and completion of the well's in accordance with R649-3-16 et al (copy enclosed), Reserve Pits and Other Onsite Pits.

In addition, some well locations had drill pads, access roads, and pits built that were not being maintained, where no drilling activity had taken place, a violation of R649-3-15 et al (copy enclosed), Pollution and Surface Damage Control.

Fat Chance was notified via telephone in late August 2003, of the above stated non-compliance issues, and was advised to comply before winter 2003.

Page 2
Quaneco, LLC
May 24, 2004

On May 18, 2004, a Division staff member conducted follow-up inspections to verify compliance. Please be advised that the wells listed below are still in non-compliance status, therefore, a Notice of Violation is being issued to Quaneco, current operator and lessee, for the wells listed below, effective May 18, 2004.

Crane 4-4 43-033-30049 Sec. 04, T6N, R8E
Completed 3/31/01, pit should have been reclaimed by 3/31/02. Pit 2/3 full, pits' north slope not fenced. Liner is showing signs of wear and tear, and pad/access road is overgrown with weeds/sagebrush.

Crane 12-4 43-033-30050 Sec. 04, T6N, R8E
Completed 9/15/01, pit should have been reclaimed by 9/15/02. Pit has approx. 4" water. Liner is showing signs of wear and tear.

Crane 13-8 43-033-30052 Sec. 08, T6N, R8E
Completed 7/27/01, pit should have been reclaimed by 7/27/02. Pit 2/3 full. Liner is showing signs of wear and tear, and pad/access road is overgrown with weeds/sagebrush. Drill pipe not in use on location.

Crawford 4-25 43-033-30065 Sec. 25, T9N, R7E (Spud)
Well not drilled, rat hole spud not reported, TD unknown. Pit has approx. 6" water. Liner is showing signs of wear and tear.

Murphy Ridge 1-32 43-033-30045 Sec. 32, T8N, R8E
Completed 8/18/02, pit should have been reclaimed by 8/18/03. Pit is full of mud/water, and is not fenced. Liner is torn and is falling in. Drill pipe not in use on location.

Murphy Ridge 7-32 43-033-30046 Sec. 32, T8N, R8E
Well not drilled. Pit semi-built, not lined or fenced. Pad/access road is overgrown with weeds/sagebrush.

Stacy Hollow 14-35 43-033-30056 Sec. 35, T7N, R7E
Completed 9/11/01, pit should have been reclaimed by 9/11/02. Pit 1/2 full. Liner is showing signs of wear and tear, and pad/access road is overgrown with weeds/sagebrush.

Suttons 4-12 43-033-30058 Sec. 12, T6N, R7E
Completed 10/3/01, pit should have been reclaimed by 10/3/02. Pit has approx. 4" water. Liner is showing signs of wear and tear, and pad/access road is overgrown with weeds/sagebrush. Drill pipe not in use on location.

Page 3
Quaneco, LLC
May 24, 2004

Quaneco has (30) thirty days, from receipt of this letter, to close and reclaim the reserve pits on the locations where the wells have been drilled and completed. In addition, all drill pads and access roads need to be cleared of weeds/sagebrush, and all scrap or other materials not in use at the locations should be removed from the property or be stored in an orderly manner.

Quaneco has (30) thirty days, from receipt of this letter, to report information regarding the rat hole spud on the Crawford 4-25 well, and to replace the pit liner or close and reclaim the pit, plug the rat hole spud, and reclaim the entire location. The permit expires on 11/28/04.

Quaneco has (30) thirty days, from receipt of this letter, to install a fence around the partially constructed reserve pit at the Murphy Ridge 7-32 well location, and to clear the weeds and sagebrush from the drill pad and access road or close and reclaim the reserve pit, and reclaim the entire location. The permit expires 12/31/04.

The NOV's will remain in effect until the listed deficiencies are corrected. Failure to comply will result in further enforcement action by the Division.

If you have any questions regarding this matter please contact Lisha Cordova at (801)538-5296 or Dan Jarvis at (801)538-5338.

Sincerely,



(for) John R. Baza
Associate Director

cc: Gil Hunt, Technical Services Manager
Bill Hopkin, Deseret Land & Livestock/Landowner
Ed Bonner, SITLA/Landowner (Murphy Ridge 1-32 & 7-32)
George Frazier, Landowner (Crawford 4-25)

QUANECO, LLC

Box 7370-Sheridan, WY 82801-Office 307-673-1500-Fax 307-673-1400 quaneco@fiberpipe.net

June 15, 2004

Mr. Dustin Doucet
Utah Department of Natural Resources
Division of Oil, Gas, & Mining
1594 West North Temple, Suite 1210
PO Box 145801
Salt Lake City, Utah 84114-5801

Re: Response to NOV's dated May 24, 2004 and received June 3, 2004

Dear Mr. Doucet:

Quaneco has been evaluating the subject leases since 2001. The program has consisted of drilling wells and testing to either condemn or prove viability. Due to the fact that zones of interest have been penetrated that are potentially profitable, Quaneco is reluctant to abandon wellbores and/or wellsites that may prove to be valuable based upon future exploration.

Quaneco is cognizant of the regulations attached with the letter and has indeed taken all reasonable precautions to avoid polluting. In addition to pollution prevention, Quaneco has gone beyond the requirements of the negotiated surface use agreement to construct new roads, upgrade existing roads, install cattle guards, build bridges, pay for steel gates, seed disturbed areas with the surface owner's recommended seed mix and minimize surface disturbance. Quaneco has been sensitive to the landowner's organized surface activities such as the handcart reenactments by scheduling drilling and testing operations to prevent disturbance. Quaneco has respected the landowner by not storing an excessive amount of equipment on locations. Today, only a minimal amount of equipment is stored. Quaneco has consistently responded to the landowner's requests. However, Quaneco is not in the position to influence royalty owners to give a portion of royalty to another royalty owner.

Quaneco believes that permission has been granted to date to delay pit reclamation; however, it was understood that the pit situation would be reevaluated this summer. Throughout the past three years, Quaneco has maintained contact with your office and the landowner. We have made it clear that the results from the exploration activities to date have been inconclusive at best, but recognize the prospect has unlimited potential geologically and Quaneco's belief in the area is substantiated by the continuing investment of time and money.

RECEIVED

JUN 22 2004

DIV. OF OIL, GAS & MINING

Quaneco will begin mobilizing to respond to the claims of violation. Quaneco is unable to meet the thirty-day requirements on most of the claims due to the unexpected position from your agency of violation and the short notice. Once again, I believe Quaneco has been extremely sensitive to cooperating with both your agency and the landowners. When there was news to report, we have reported and we do believe that we had permission to delay pit reclamation. Therefore, I formally request that you allow us to proceed in a cost efficient manner to perform the minimal amount of work that needs to be accomplished. We have already contacted the contractor recommended by the landowner to perform this work; however, his schedule would not allow him to complete all of the work within thirty days.

Quaneco did not consider the Crawford 4-25 a legitimate spud so did not report same. Quaneco has been in contact with the landowner for the duration and has honored and responded to his requests in the past.

Quaneco is a prudent operator and has legally leased the minerals on these properties. Our intent is to explore for and hopefully develop commercial volumes of natural gas. We understand that adherence to regulations is necessary. We recognize the value of cooperation with your agency and we respect your agency's role of being good stewards of the land.

I will be looking forward to your response and in the meantime we will move forward with correcting the claimed deficiencies.

Sincerely,

A handwritten signature in black ink, appearing to read "Casey Osborn". The signature is fluid and cursive, with a long horizontal stroke at the end.

Casey Osborn

QUANECO

Committed to American Energy Independence

August 19, 2004

Mr. Dustin Doucet
Utah Department of Natural Resources
Division of Oil, Gas, & Mining
1594 West North Temple, Suite 1210
PO Box 145801
Salt Lake City, Utah 84114-5801

RECEIVED
AUG 26 2004
DIV. OF OIL, GAS & MINING

Re: Quaneco's Rich County activity forecast for fourth quarter 2004

Dear Mr. Doucet:

Quaneco intends to backfill and reclaim the reserve pits at the following locations this fall:

Crane 4-4
Crane 12-4
Crane 13-8
Suttons 4-12
Stacey Hollow 14-35
Murphy Ridge 1-32

Quaneco intends to backfill the reserve pit and reclaim the entire location at the following two locations this fall:

Murphy Ridge 7-32
~~Crane 4-25~~ Crawford 4-25

Reseeding will be conducted in cooperation with Deseret Land.

Quaneco has entered into an agreement with Fellows Energy allowing them an opportunity to conduct exploration operations for the near term. It is anticipated that Fellows' operations and evaluations will continue through 2005; therefore, Quaneco intends to maintain all existing wellbores in a shut in status.

Sincerely,

Casey Osborn
Casey Osborn *by [Signature]*

Division of Oil, Gas and Mining
PHONE CONVERSATION DOCUMENTATION FORM

Route original/copy to:

Well File _____

(Loc.) Sec _____ Twp _____ Rng. _____
(API No.) _____

Suspense _____
(Return Date) _____
 Other _____
(To-Initials) _____

1. Date of Phone Call: 9/20/04 Time: 11:00

2. DOGM Employee (name) J. Cordore (Initiated Call)
Talked to:
Name Terry Pruitt (Initiated Call) - Phone No. (307) 679-4407
of (Company/Organization) T.P. Const. Inc.

3. Topic of Conversation: Burke Teichert new DLE Ranch mgr. 7/2004,
referred me to Terry for reclaim update regarding
Queneco properties on ranch.

4. Highlights of Conversation:
Crane 12-4 - Pit reclaimed. 9/2004
Suttons 4-12 - Pit reclaimed 9/19/04.
Murphy Ridge 1-32 - Pit reclaimed. 9/2004.
Crane 4-4 - pit reclaim started - more wtr. evap required, done by end of Sep
Crane 13-8 - Pit has too much water, need to haul off, done by end of Oct.
Stacey Hollow 14-35 - Pit reclaim in progress, should be done end of Sept.
Murphy Ridge 7-32 - Complete reclaim should be done by end of Oct.
Crowford 4-25 - Complete reclaim should be done by end of Oct.

Division of Oil, Gas and Mining
PHONE CONVERSATION DOCUMENTATION FORM

Route original/copy to:

Well File _____

Suspense

Other

(Loc.) Sec _____ Twp _____ Rng. _____
(API No.) _____

(Return Date) _____
(To-Initials) _____

1. Date of Phone Call: 10/5/04 Time: 10:11

2. DOGM Employee (name) P. Cordova (Initiated Call)

Talked to:

Name Lorne (Initiated Call) - Phone No. (307) 673-1500
of (Company/Organization) Quanceo LLC

3. Topic of Conversation: _____
Murphy Ridge 7-32, etc.

4. Highlights of Conversation: _____

She spoke with Mike Hebrington 10/4/04, he gave Quanceo
until 12/31/04 to reclaim site. (MH says not true 10/6/04)

I requested sundry notice's for e.g. well/pit reclaimed
for well file/Nov file.

10/6/04 msg. Terry Bruitt (307) 679-4407

Division of Oil, Gas and Mining
PHONE CONVERSATION DOCUMENTATION FORM

COPY

Route original/copy to:

Well File _____
Murphy Ridge 7-32
(Loc.) Sec 32 Twp 8N Rng 8E
(API No.) 43-033-30046

Suspense _____
(Return Date) _____
(To-Initials) _____

Other _____

1. Date of Phone Call: 10/26/04 Time: 2:30

2. DOGM Employee (name) Lisha Cordova (Initiated Call)
Talked to:
Name Terry Pruitt (Initiated Call) - Phone No. (307) 679-4407
of (Company/Organization) TP Construction / DL&L

3. Topic of Conversation: Pit reclaim.

4. Highlights of Conversation:
Pit reclaimed by Terry "TP Const".
* NOV will be cleared.

November 1, 2004

Casey Osborn
Quaneco LLC
P.O. Box 7370
Sheridan, Wyoming 82801

Re: Satisfactory Closure for Notice of Violation (NOV) Dated May 24, 2004.

Mr. Osborn,

The compliance work accomplished by Quaneco since the issuance of the NOV dated May 24, 2004 is acknowledged, and is adequate for Closure of the NOV.

There is however some work in progress and other related items of concern that remain. The Division will be conducting field inspections again in the spring of 2005 and will be looking into any remaining items of concern. It should be noted that your permit to drill does not include a permit to store unused equipment, tubing or casing on the location. That, along with the condition of your pit liners are some of the items we will be inspecting in the spring.

Questions regarding this matter should be directed to Lisha Cordova in our Salt Lake Office, at (801) 538-5296.

Sincerely,

K. Michael Hebertson
Manager, Hearings & Enforcement

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

FORM 9

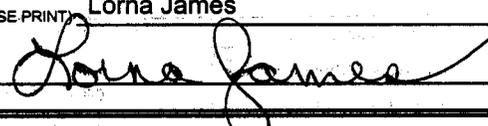
SUNDRY NOTICES AND REPORTS ON WELLS		5. LEASE DESIGNATION AND SERIAL NUMBER: ML-48458
Do not use this form for proposals to drill new wells, significantly deepen existing wells below current bottom-hole depth, reenter plugged wells, or to drill horizontal laterals. Use APPLICATION FOR PERMIT TO DRILL form for such proposals.		6. IF INDIAN, ALLOTTEE OR TRIBE NAME:
1. TYPE OF WELL OIL WELL <input type="checkbox"/> GAS WELL <input checked="" type="checkbox"/> OTHER _____		7. UNIT or CA AGREEMENT NAME:
2. NAME OF OPERATOR: Quaneco, LLC		8. WELL NAME and NUMBER: Murphy Ridge 7-32
3. ADDRESS OF OPERATOR: PO Box 7370 CITY Sheridan STATE WY ZIP 82801		9. API NUMBER: 4303330046
4. LOCATION OF WELL FOOTAGES AT SURFACE: 1980' FNL 1980' FEL		10. FIELD AND POOL, OR WILDCAT: Wildcat
QTR/QTR, SECTION, TOWNSHIP, RANGE, MERIDIAN: SWNE 32 T8N R8E S		COUNTY: Rich
		STATE: UTAH

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

TYPE OF SUBMISSION	TYPE OF ACTION		
<input type="checkbox"/> NOTICE OF INTENT (Submit in Duplicate) Approximate date work will start: _____	<input type="checkbox"/> ACIDIZE	<input type="checkbox"/> DEEPEN	<input type="checkbox"/> REPERFORATE CURRENT FORMATION
	<input type="checkbox"/> ALTER CASING	<input type="checkbox"/> FRACTURE TREAT	<input type="checkbox"/> SIDETRACK TO REPAIR WELL
<input type="checkbox"/> 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 checked="" type="checkbox"/> RECLAMATION OF WELL SITE	<input type="checkbox"/> OTHER: _____
	<input type="checkbox"/> CONVERT WELL TYPE	<input type="checkbox"/> RECOMPLETE - DIFFERENT FORMATION	

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

Pit was backfilled - location reclaimed 12/2/04 by TP Construction

NAME (PLEASE PRINT) <u>Lorna James</u>	TITLE <u>Administrative Assistant</u>
SIGNATURE 	DATE <u>1/6/2005</u>

(This space for State use only)

RECEIVED
JAN 11 2005

Well Data

WELL SEARCH

WELL DATA

WELL HISTORY

WELL ACTIVITY

WELL NAME **MURPHY RIDGE 7-32** API NUMBER **4303330046** WELL TYPE **GW** WELL STATUS **APD**

OPERATOR **QUANECO, LLC** ACCOUNT **N2495 #** OPERATOR APPROVED BY BLM / BIA

DESIGNATED OPERATOR ACCOUNT

FIELD NAME **WILDCAT** FIELD NUMBER **1** FIRST PRODUCTION LA / PA DATE

WELL LOCATION:

SURF LOCATION

Q. S. T. R. M. **SWNE** **32** **08.0 N** **08.0 E** **S**

COUNTY **RICH**

UTM Coordinates:

SURFACE - N **4581595.00** BHL - N

SURFACE - E **495167.00** BHL - E

LATITUDE **41.38778**

LONGITUDE **-111.05780**

CONFIDENTIAL FLAG

LEASE NUMBER **ML-48456**

CONFIDENTIAL DATE

MINERAL LEASE TYPE **3**

DIRECTIONAL | HORIZONTAL

SURFACE OWNER TYPE **3**

HORIZONTAL LATERALS

INDIAN TRIBE

ORIGINAL FIELD TYPE **W**

C.A. NUMBER

WILDCAT TAX FLAG

UNIT NAME

CB-METHANE FLAG

ELEVATION **6554 GR**

CUMULATIVE PRODUCTION:

OIL

BOND NUMBER / TYPE **04-002** **5**

GAS

WATER

WELL IMAGES

PRODUCTION GRAPH

COMMENTS 010501 NM FR MURPHY RIDGE 2:011114 1YR APD EXT:021112 1YR APD EXT:030811 INSP,LOC & PIT BUILT:031031 FR N1395:031231 1YR APD EXT:

Create New Rec

Save

Cancel Change

To History

To Activity

Print Recd

Export Recd



NUM



State of Utah

Department of
Natural Resources

ROBERT L. MORGAN
Executive Director

Division of
Oil, Gas & Mining

MARY ANN WRIGHT
Acting Division Director

OLENE S. WALKER
Governor

GAYLE F. McKEACHNIE
Lieutenant Governor

January 4, 2005

Lorna James
Quaneco, LLC
P O Box 7370
Sheridan WY 82801

Re: APD Rescinded – Murphy Ridge 7-32, Sec. 32, T. 8N, R. 8E
Rich County, Utah API No. 43-033-30046

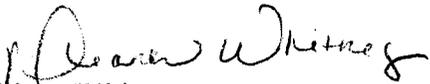
Dear Ms. James:

The Application for Permit to Drill (APD) for the subject well was approved by the Division of Oil, Gas and Mining (Division) on October 13, 2000. On November 14, 2001, November 12, 2002 and December 31, 2003, 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 December 31, 2004.

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 Whitney
Engineering Technician

cc: Well File
Gil Hunt, Technical Services Manager

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

FORM 9

5. LEASE DESIGNATION AND SERIAL NUMBER:
ML-48456

6. IF INDIAN, ALLOTTEE OR TRIBE NAME:

7. UNIT or CA AGREEMENT NAME:

SUNDRY NOTICES AND REPORTS ON WELLS

Do not use this form for proposals to drill new wells, significantly deepen existing wells below current bottom-hole depth, reenter plugged wells, or to drill horizontal laterals. Use APPLICATION FOR PERMIT TO DRILL form for such proposals.

8. WELL NAME and NUMBER:
Murphy Ridge 7-32

9. API NUMBER:
4303330046 & 43-033-30061

10. FIELD AND POOL, OR WILDCAT:
Wildcat

1. TYPE OF WELL OIL WELL GAS WELL OTHER _____

2. NAME OF OPERATOR:
Quaneco, LLC

3. ADDRESS OF OPERATOR: PO Box 7370 CITY Sheridan STATE WY ZIP 82801 PHONE NUMBER: (307) 673-1500

4. LOCATION OF WELL
FOOTAGES AT SURFACE: 1980' FNL 1980' FEL COUNTY: Rich
QTR/QTR, SECTION, TOWNSHIP, RANGE, MERIDIAN: SWNE 32 T8N R8E S STATE: UTAH

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

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

12. DESCRIBE PROPOSED OR COMPLETED OPERATIONS. Clearly show all pertinent details including dates, depths, volumes, etc.
Operator requests approval of reclamation and removal of well from bond. Landowner release of liability attached

EP

NAME (PLEASE PRINT) Lorna James TITLE Admin Assistant
SIGNATURE Lorna James DATE 1/12/2012

(This space for State use only)

RECEIVED
JAN 12 2012

DESERET LAND AND LIVESTOCK

PO Box 250, Woodruff, UT 84086, (435) 793-4288

Memo

Date: December 20, 2011

To: Paul Mysyk
Quaneco, LLC
From: Mike Meek
CC: Lisha Cordova
RE: Murphy Ridge 7-32 Reclamation

Paul,

As of December 20th 2008, all of the reclamation work on the Murphy Ridge 7-32 location has been completed. Terry Pruitt has completed the necessary dirt work. Deseret Land and Livestock has completed re-seeding the location. We used a mix of grasses, forbs, and shrubs, that should blend in well with the native vegetation

As per our agreement, DL&L will assume any future responsibility for re-establishing vegetation on the site. Quaneco LLC has fulfilled their obligation to the landowner, in terms of returning the site to an acceptable condition. I will send a copy of this memo to Lisha Cordova, with the Utah Department of Oil, Gas, and Minerals.

Thanks,



Mike Meek
General Manager
Deseret Land and Livestock

RECEIVED

JAN 12 2012

DIV. OF OIL, GAS & MINING