

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

FORM 3

AMENDED REPORT   
(highlight changes)

|   |  |  |                           |
|---|--|--|---------------------------|
| <b>APPLICATION FOR PERMIT TO DRILL</b>  |  | 5. LEASE DESIGNATION AND SERIAL NUMBER:<br><b>Fee</b>                          |                           |
| 1A. TYPE OF WORK: DRILL <input checked="" type="checkbox"/> REENTER <input type="checkbox"/> DEEPEN <input type="checkbox"/>  |  | 6. IF INDIAN, ALLOTTEE OR TRIBE NAME:  |                           |
| 8. TYPE OF WELL: OIL <input type="checkbox"/> GAS <input checked="" type="checkbox"/> OTHER _____ SINGLE ZONE <input type="checkbox"/> MULTIPLE ZONE <input type="checkbox"/> |  | 7. UNIT or CA AGREEMENT NAME:  |                           |
| 2. NAME OF OPERATOR:<br><b>Fat Chance Oil &amp; Gas, LLC</b>  |  | 8. WELL NAME and NUMBER:<br><b>Stacey Hollow 13-27</b>                         |                           |
| 3. ADDRESS OF OPERATOR:<br><b>PO Box 7370</b> CITY <b>Sheridan</b> STATE <b>WY</b> ZIP <b>82801</b>   |  | 9. FIELD AND POOL, OR WILDCAT:<br><b>Wildcat</b>                               |                           |
| 4. LOCATION OF WELL (FOOTAGES)<br>AT SURFACE: <b>570' FSL 736' FWL</b><br>AT PROPOSED PRODUCING ZONE: <b>S&amp;MB</b>   |  | 10. QTR/QTR, SECTION, TOWNSHIP, RANGE, MERIDIAN:<br><b>SWSW 27 T7N R6E S 7</b> |                           |
| 13. DISTANCE IN MILES AND DIRECTION FROM NEAREST TOWN OR POST OFFICE:<br><b>5 miles west of Evanston, Wyoming</b>   |  | 11. COUNTY:<br><b>Rich</b>   | 12. STATE:<br><b>UTAH</b> |
| 14. DISTANCE TO NEAREST PROPERTY OR LEASE LINE (FEET)<br><b>736'</b>  | 15. NUMBER OF ACRES IN LEASE:<br><b>52,395</b>           | 16. NUMBER OF ACRES ASSIGNED TO THIS WELL:<br><b>160</b>                       |                           |
| 17. DISTANCE TO NEAREST WELL (DRILLING, COMPLETED, OR APPLIED FOR) ON THIS LEASE (FEET)<br><b>8200'</b>   | 18. PROPOSED DEPTH:<br><b>3,700</b>                      | 19. BOND DESCRIPTION:<br><b>Utah DOGM Surety #885588C</b>                      |                           |
| 20. ELEVATIONS (SHOW WHETHER DF, RT, GR, ETC.):<br><b>6644' GR</b>  | 21. APPROXIMATE DATE WORK WILL START:<br><b>8/1/2001</b> | 22. ESTIMATED DURATION:<br><b>10 days</b>                                      |                           |

CONFIDENTIAL

4572493 N  
487827 E

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# | 500           | Type III  | 225 sx | 1.54 14#   |
| 8 3/4"       | 7"                                      | J-55 | 23#   | 3,700         | 50/50 Poz                                       | 250 sx | 1.22 14.3# |
|              |   |      |       |               |   |        |            |
|              |   |      |       |               |   |        |            |
|              |   |      |       |               |   |        |            |

24. **ATTACHMENTS**

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

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

NAME (PLEASE PRINT) Casey Osborn TITLE Operations Manager/Agent

SIGNATURE *Casey Osborn* DATE 5/31/2001

(This space for State use only)

API NUMBER ASSIGNED: 43-033-30060

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

Date: 06-23-01  
 By: *[Signature]*

(See Instructions on Reverse Side)

RECEIVED

JUN 04 2001

DIVISION OF  
OIL, GAS AND MINING

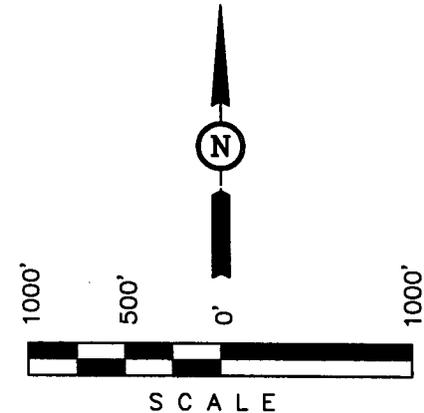
T7N, R7E, S.L.B.&M.

FAT CHANCE OIL & GAS, LLC

Well location, STACEY HOLLOW #13-27, located as shown in the SW 1/4 SW 1/4 of Section 27, T7N, R7E, S.L.B.&M., Rich County, Utah.

BASIS OF ELEVATION

SPOT ELEVATION LOCATED IN THE SW 1/4 OF SECTION 31, T7N, R8E, S.L.B.&M. TAKEN FROM THE MURPHY RIDGE QUADRANGLE, UTAH-WYOMING, 7.5 MINUTE SERIES (TOPOGRAPHICAL MAP) PUBLISHED BY THE UNITED STATES DEPARTMENT OF THE INTERIOR, GEOLOGICAL SURVEY. SAID ELEVATION IS MARKED AS BEING 7184 FEET.

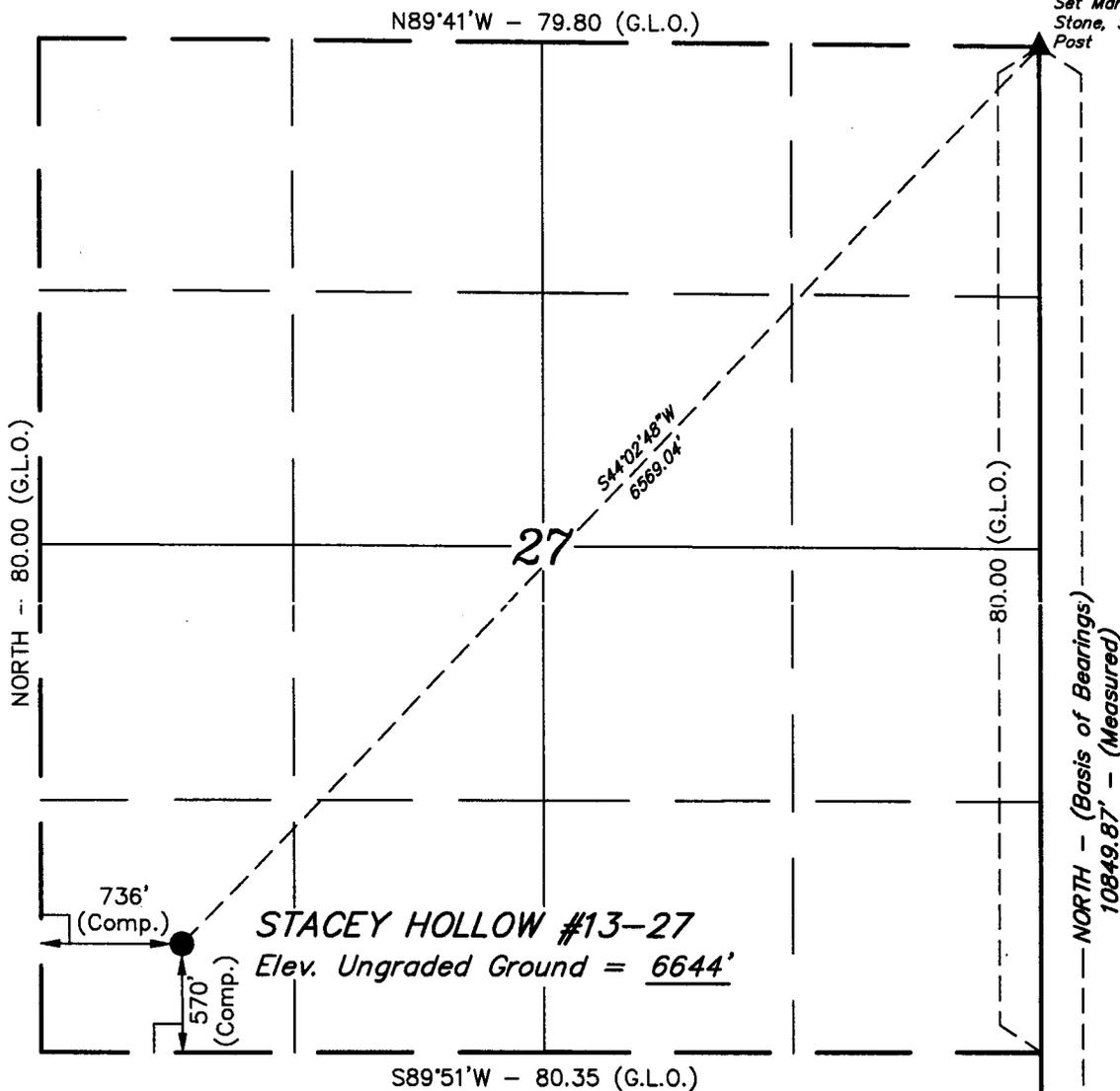


CERTIFICATE

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

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

|  |                                   |                        |
|--|-----------------------------------|------------------------|
| <b>UINTAH ENGINEERING &amp; LAND SURVEYING</b><br>85 SOUTH 200 EAST - VERNAL, UTAH 84078<br>(435) 789-1017 |                                   |                        |
| SCALE<br>1" = 1000'  | DATE SURVEYED:<br>5-15-01         | DATE DRAWN:<br>5-21-01 |
| PARTY<br>C.T. J.H. C.G.  | REFERENCES<br>G.L.O. PLAT         |                        |
| WEATHER<br>COOL  | FILE<br>FAT CHANCE OIL & GAS, LLC |                        |



LEGEND:

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

LATITUDE = 41°18'20"  
 LONGITUDE = 111°08'45"

## 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

# DRILLING PLAN

Operator: Fat Chance Oil and Gas, LLC  
Stacey Hollow 13-27  
T7N R7E, Rich County, Utah

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## 1. ESTIMATED TOPS OF GEOLOGIC MARKERS

| <u>Formation</u> | <u>Depth</u>   | <u>Fluid</u>          |
|------------------|----------------|-----------------------|
| Wasatch          | Surface – 550' | Potential water sands |
| Evanston         | 550'-1590'     | Water, Possible Gas   |
| Unconformity     | 1590'          |                       |
| Frontier         | 1600'-3250'    | Water, Possible Gas   |
| Aspen-TD         | 3250'-3650'    | None                  |

## 2. ESTIMATED DEPTHS OF ANTICIPATED WATER AND GAS FORMATIONS

The objective formation is the Aspen formation. Operator intends to evaluate shows in the Adaville and Frontier 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. 2" Kill Line
4. 2" Choke Line

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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.

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

## DRILLING PLAN

Operator: Fat Chance Oil and Gas, LLC  
Stacey Hollow 13-27  
T7N R7E, Rich County, Utah

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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.

**DRILLING PLAN**  
Operator: Fat Chance Oil and Gas, LLC  
Stacey Hollow 13-27  
T7N R7E, Rich County, Utah

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**6. EVALUATION PROGRAM**

Coring:

Coring is not anticipated.

Logging:

Two-man logging unit during drilling.

Open hole FDC-CNL-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 or anticipated.

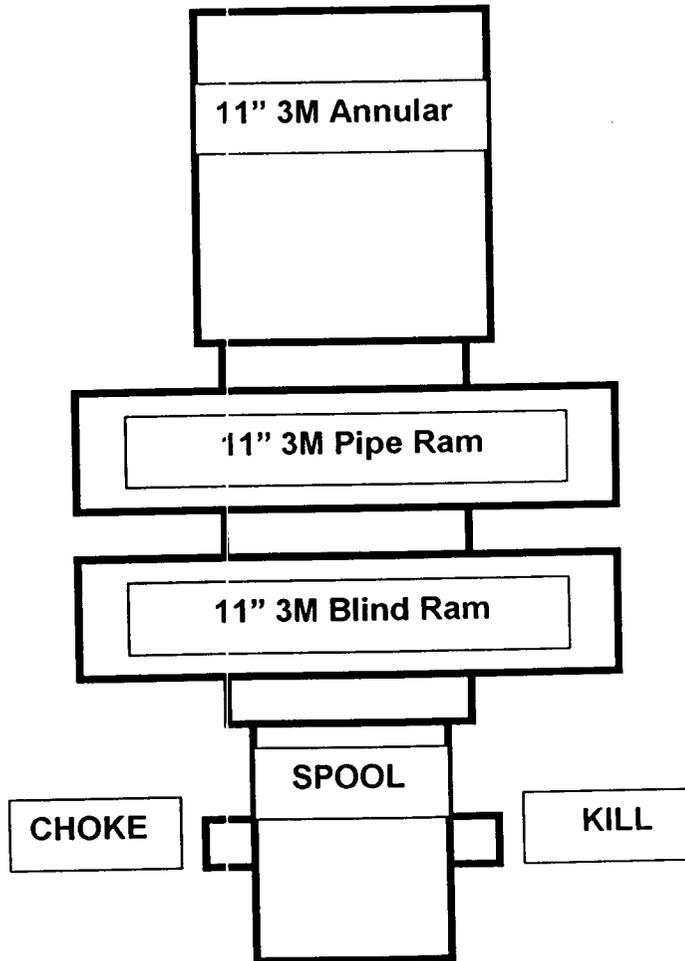
**8. ADDITIONAL INFORMATION**

Anticipated spud of the proposed well will be immediately or as soon as practical after State approval.

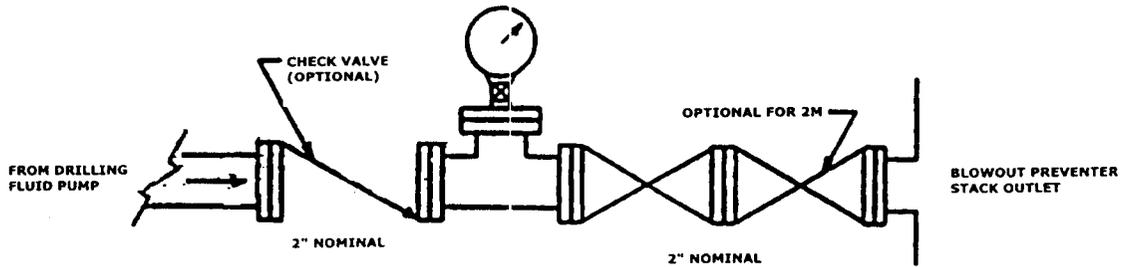
Fat Chance Oil and Gas, LLC intends to test and evaluate any zone that indicates potential. The testing technique will consist of selectively perforating and flowing each zone of interest. Bridge plugs will be utilized to isolate zones as necessary for independent zone testing. Testing will be accordance 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.

# BOPE SCHEMATIC

API 3M - 11 - SRRA



# KILL LINE – CHOKE LINE/MANIFOLD SCHEMATIC



THREADED CONNECTIONS OPTIONAL FOR 2M RATED WORKING PRESSURE SERVICE

FIGURE K5-1. Typical kill line assembly for 2M and 3M rated working pressure service - surface installation.

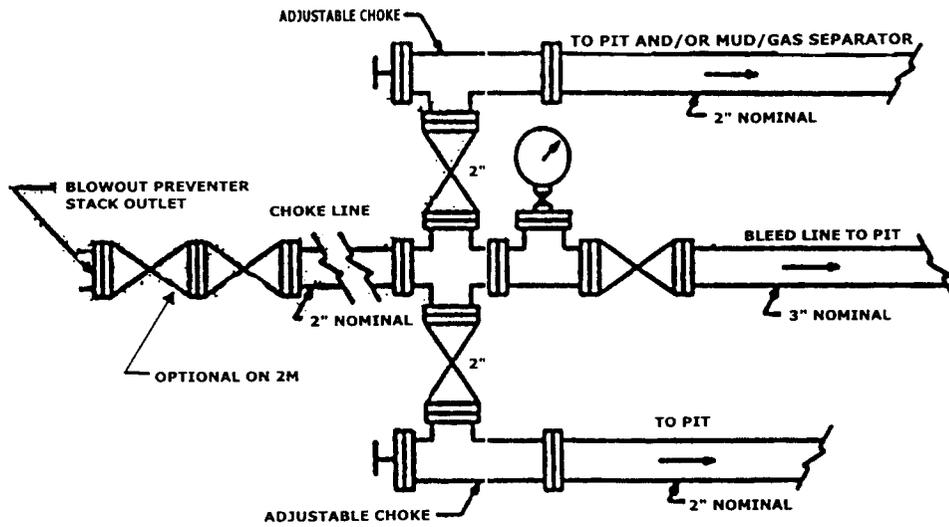


FIGURE K4-1. Typical choke manifold assembly for 2M and 3M rated working pressure service - surface installation.

**FAT CHANCE OIL & GAS, LLC**  
**STACEY HOLLOW #13-27**  
 LOCATED IN RICH COUNTY, UTAH  
 SECTION 27, T7N, R7E, S.L.B.&M.



PHOTO: VIEW FROM CORNER #5 TO LOCATION STAKE

CAMERA ANGLE: SOUTHEASTERLY



PHOTO: VIEW FROM BEGINNING OF PROPOSED ACCESS

CAMERA ANGLE: NORTHWESTERLY



- Since 1964 -

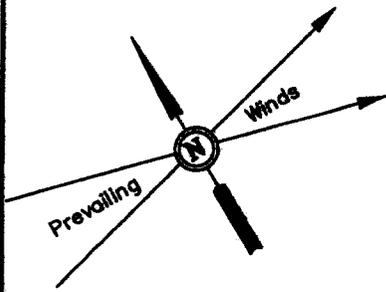
**UELS** Uintah Engineering & Land Surveying  
 85 South 200 East Vernal, Utah 84078  
 435-789-1017 uels@uelsinc.com

|                        |                |                   |           |              |
|------------------------|----------------|-------------------|-----------|--------------|
| <b>LOCATION PHOTOS</b> | <b>5</b>       | <b>24</b>         | <b>01</b> | <b>PHOTO</b> |
|                        | MONTH          | DAY               | YEAR      |              |
| TAKEN BY: C.T.         | DRAWN BY: P.M. | REVISED: 00-00-00 |           |              |

# PAT CHANCE OIL & GAS, L.L.C.

## LOCATION LAYOUT FOR

STACEY HOLLOW #13-27  
SECTION 27, T7N, R7E, S.L.B.&M.  
570' FSL 736' FWL



SCALE: 1" = 50'  
DATE: 5-22-01  
Drawn By: C.G.

**NOTE:**

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

Approx. Top of Cut Slope

Pit Capacity With 2' of Freeboard is ± 2,090 Bbls.

El. 52.9'  
**C-20.3'**  
(btm. pit)

Reserve Pit Backfill & Spoils Stockpile

El. 52.0'  
**C-19.4'**  
(btm. pit)

El. 46.0'  
**C-5.4'**

El. 44.0'  
**C-3.4'**

**C-8.1'**  
El. 48.7'

**C-3.3'**  
El. 43.9'

**F-7.4'**  
El. 33.2'

Sta. 2+70



**C-7.5'**  
El. 48.1'

**C-3.9'**  
El. 44.5'

Sta. 1+35

**F-8.8'**  
El. 31.8'

Approx. Toe of Fill Slope

Sta. 0+00

**F-0.4'**  
El. 40.2' *Topsoil Stockpile*

**F-9.4'**  
El. 31.2'

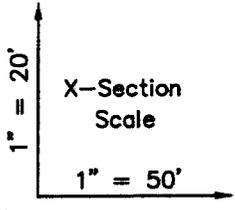
Elev. Ungraded Ground at Location Stake = 6644.5'  
Elev. Graded Ground at Location Stake = 6640.6'

**UINTAH ENGINEERING & LAND SURVEYING**  
85 So. 200 East • Vernal, Utah 84078 • (435) 788-1077

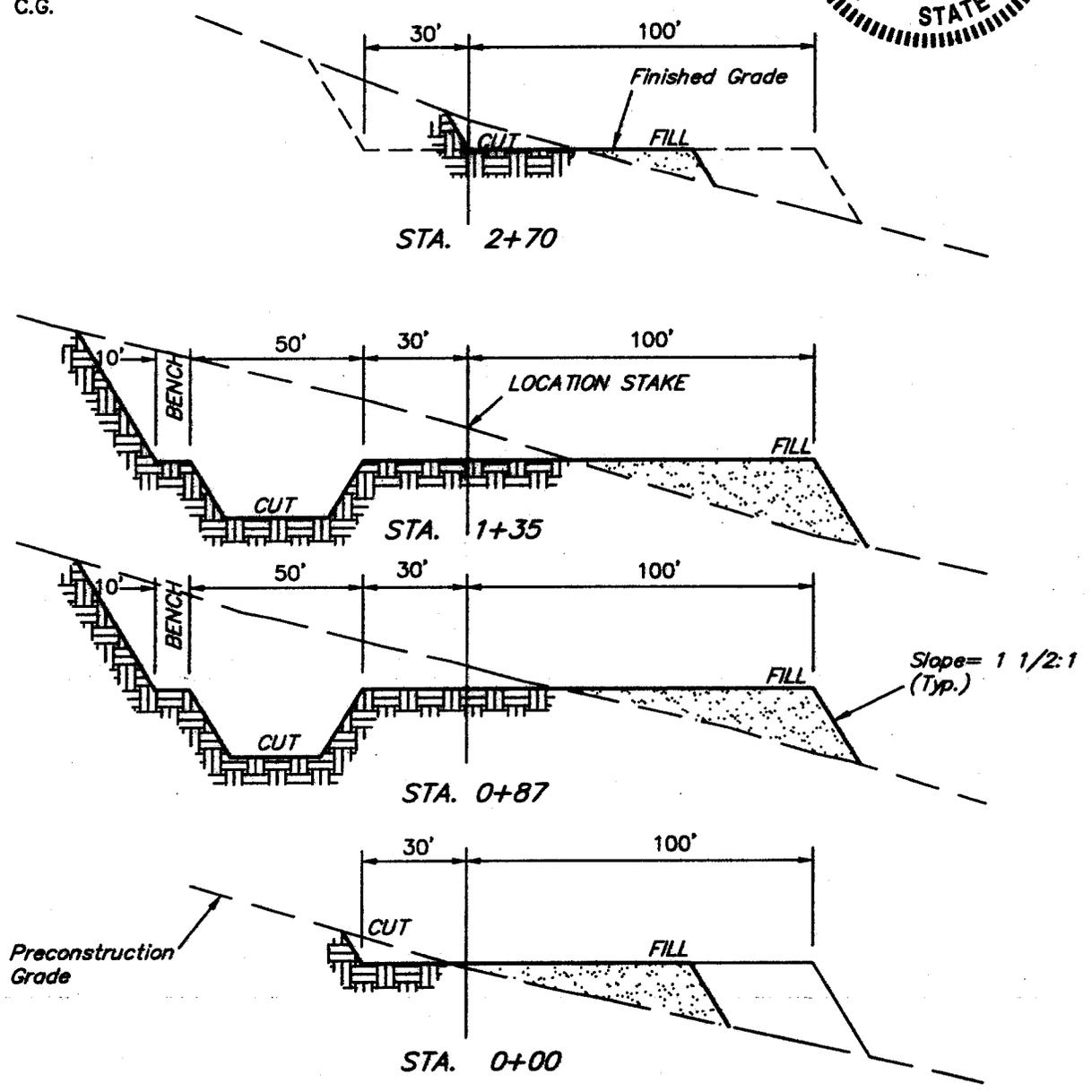
**PAT CHANCE OIL & GAS, LLC**

**TYPICAL CROSS SECTIONS FOR**

**STACEY HOLLOW #13-27  
SECTION 27, T7N, R7E, S.L.B.&M.  
570' FSL 736' FWL**



DATE: 5-22-01  
Drawn By: C.G.

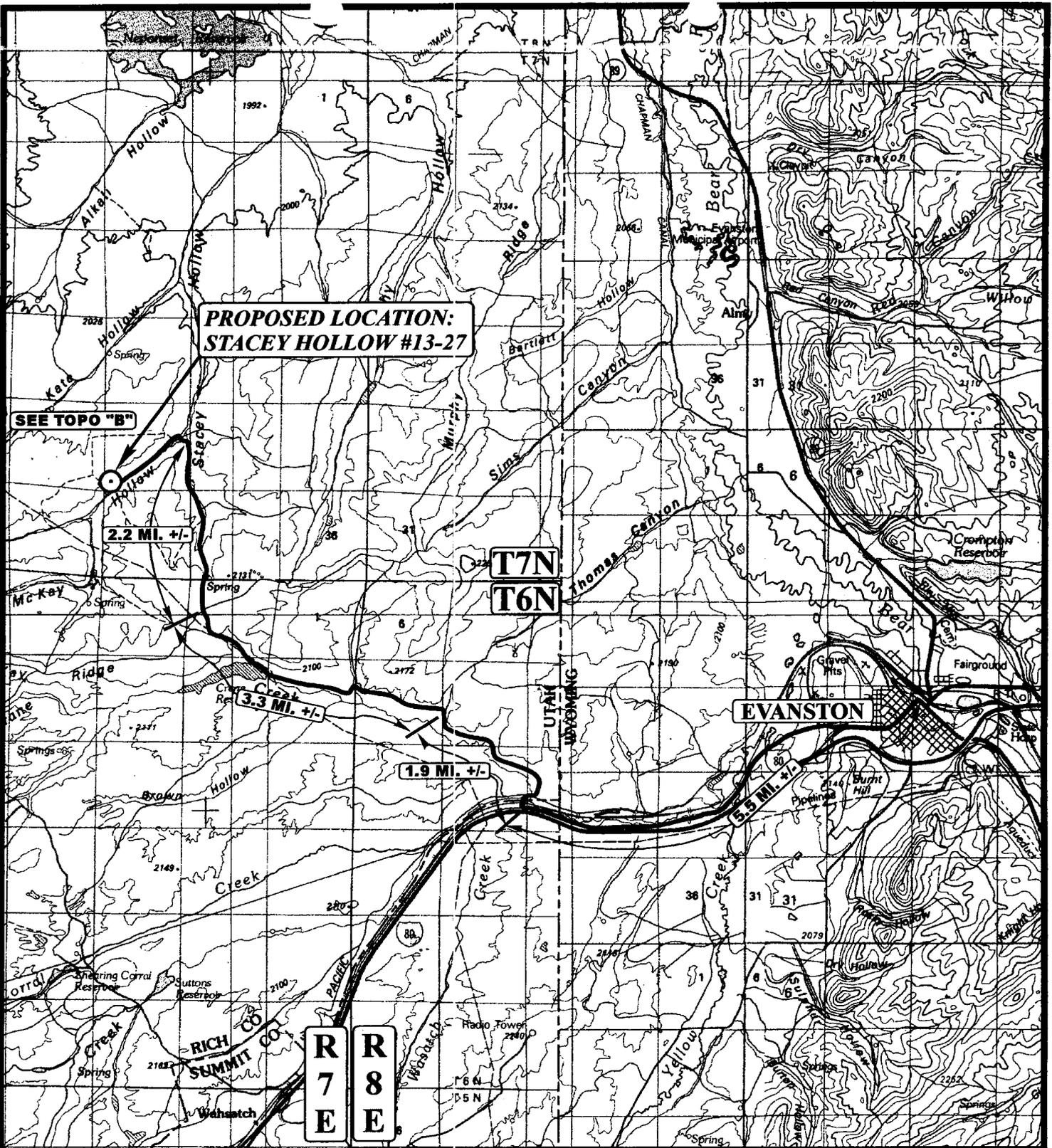


**APPROXIMATE YARDAGES**

|                        |          |                      |
|------------------------|----------|----------------------|
| (6") Topsoil Stripping | =        | 750 Cu. Yds.         |
| Remaining Location     | =        | 4,720 Cu. Yds.       |
| <b>TOTAL CUT</b>       | <b>=</b> | <b>5,470 CU.YDS.</b> |
| <b>FILL</b>            | <b>=</b> | <b>4,170 CU.YDS.</b> |

|   |   |                |
|---|---|----------------|
| EXCESS MATERIAL AFTER 5% COMPACTION     | = | 1,080 Cu. Yds. |
| Topsoil & Pit Backfill (1/2 Pit Vol.)   | = | 1,080 Cu. Yds. |
| EXCESS UNBALANCE (After Rehabilitation) | = | 0 Cu. Yds.     |

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



**LEGEND:**

⊙ PROPOSED LOCATION



**FAT CHANCE OIL & GAS, LLC**

**STACEY HOLLOW #13-27**  
**SECTION 27, T7N, R7E, S.L.B.&M.**  
**570' FSL 736' FWL**



**Utah Engineering & Land Surveying**  
 85 South 200 East Vernal, Utah 84078  
 (435) 789-1017 \* FAX (435) 789-1313

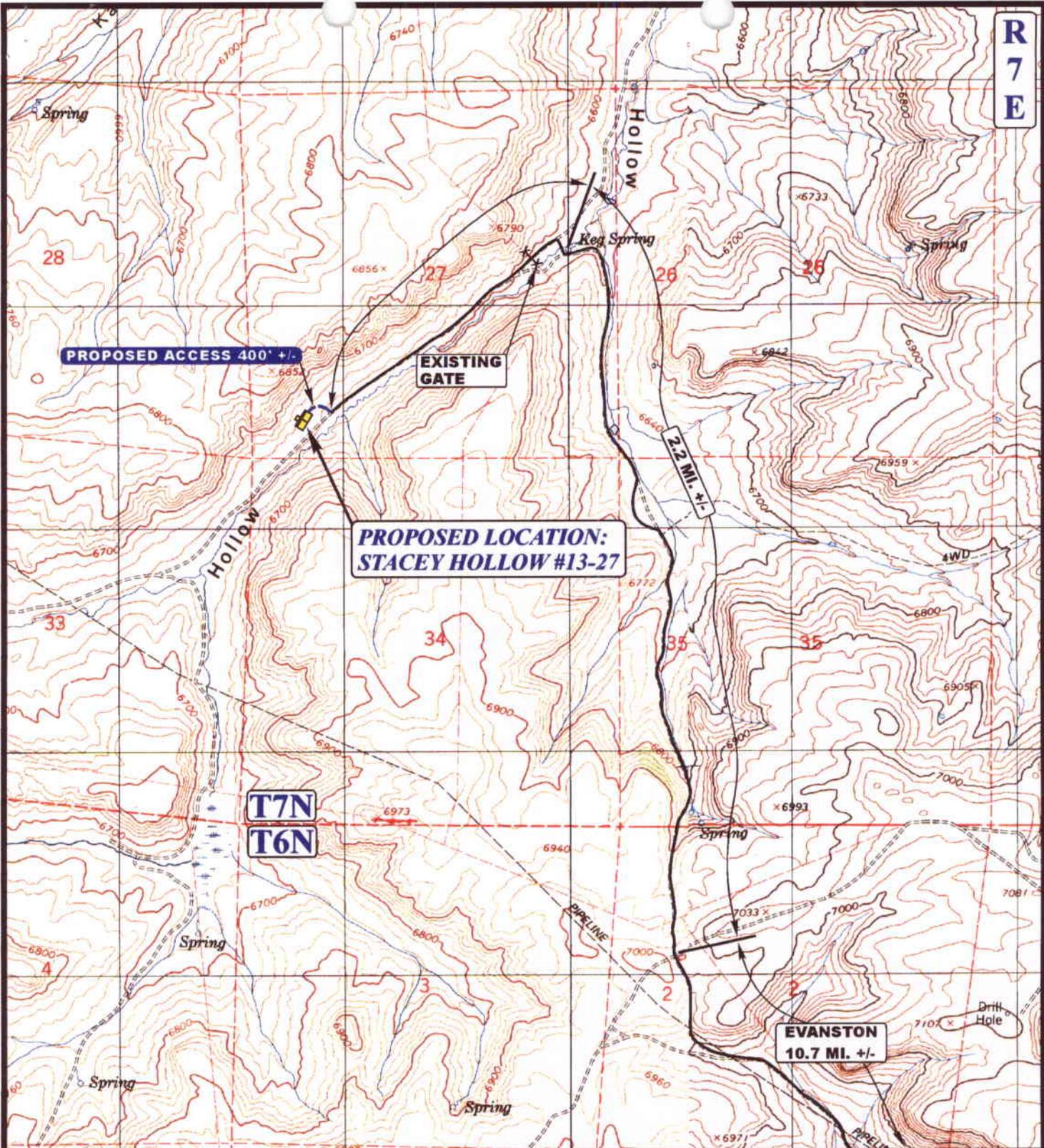
**TOPOGRAPHIC**  
**MAP**

**5 24 01**  
 MONTH DAY YEAR

SCALE: 1:100,000 DRAWN BY: P.M. REVISED: 00-00-00



R  
7  
E



**LEGEND:**

- PROPOSED ACCESS ROAD
- EXISTING ROAD
- x-x EXISTING GATE

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



**FAT CHANCE OIL & GAS, LLC**

**STACEY HOLLOW #13-27**  
**SECTION 27, T7N, R7E, S.L.B.&M.**  
**570' FSL 736' FWL**

|                    |                |           |                   |
|--------------------|----------------|-----------|-------------------|
| <b>TOPOGRAPHIC</b> | <b>5</b>       | <b>24</b> | <b>01</b>         |
| <b>MAP</b>         | MONTH          | DAY       | YEAR              |
| SCALE: 1" = 2000'  | DRAWN BY: P.M. |           | REVISED: 00-00-00 |

**B**  
TOPO



State of Utah  
DEPARTMENT OF NATURAL RESOURCES  
DIVISION OF WATER RIGHTS

Michael O. Leavitt  
Governor

Kathleen Clarke  
Executive Director

Robert L. Morgan  
State Engineer

Northern Region  
1780 Research Park Way, Suite 104  
North Logan, Utah 84341-2058  
435-752-8755  
435-752-0062 (Fax)

May 30, 2001

Deseret Livestock Company  
PO Box 250  
Woodruff, UT 84086

ATTN: William Hopkin

RE: Temporary Change 21-868 (t25349)

Dear Mr. Hopkin:

**EXPIRATION DATE: March 19, 2002**

At the request of Bill Courtney an additional point of diversion has been added to this temporary change application at North 570 feet and East 736 feet from the SW corner, Section 27, T7N, R7E, SLB&M.

The State Engineer's office has reviewed your application for temporary change and feels this application can be approved subject to prior rights.

This Decision is subject to the provisions of Rule R625-6-17 of the Division of Water Rights and to Section 63-46b-13 and 73-3-14 of the Utah Code Annotated, 1953, which provide for filing either a Request for Reconsideration with the State Engineer or an appeal with the appropriate District Court. A Request for Reconsideration must be filed with the State Engineer within 20 days of the date of this Decision. However, a Request for Reconsideration is not a prerequisite to filing a court appeal. A court appeal must be filed within 30 days after the date of this Decision, or if a Request for Reconsideration has been filed, within 30 days after the date the Request for Reconsideration is denied. A Request for Reconsideration is considered denied when no action is taken 20 days after the Request is filed.

Sincerely,

Robert M. Fotheringham, P.E.  
Northern Area Engineer





**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  
city Sheridan state WY zip 82801

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:** 01/01/2001

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

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

Exhibit "A"

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

|   |   |        |
|---|---|--------|
| <b>Tract No. 1</b>                            |   |        |
| <b>Township 9 North, Range 7 East, S.L.M.</b> |   |        |
| 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  |
| <b>Tract No. 2</b>                            |   |        |
| <b>Township 8 North, Range 7 East, S.L.M</b>  |   |        |
| 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 cirlice 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 |
| <b>Tract No. 3</b>                            |   |        |
| <b>Township 8 North, Range 7 East, S.L.M</b>  |   |        |
| Section 15:                                   | All   | 640.00 |
| Section 21:                                   | All   | 640.00 |
| Section 23:                                   | All   | 640.00 |
| Section 25:                                   | All   | 640.00 |
| <b>Tract No. 4</b>                            |   |        |
| <b>Township 8 North, Range 7 East, S.L.M</b>  |   |        |
| Section 27:                                   | All   | 640.00 |
| Section 33:                                   | All   | 640.00 |
| Section 35:                                   | All   | 640.00 |
| Section 36:                                   | All   | 640.00 |
| <b>Tract No. 5</b>                            |   |        |
| <b>Township 8 North, Range 8 East, S.L.M.</b> |   |        |
| Section 31:                                   | Lots 1(39.86), 2(39.90), 3(39.94), 4(39.98), E2W2, E2   | 639.68 |
| <b>Township 7 North, Range 7 East, S.L.M.</b> |   |        |
| 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 |
| <b>Tract No. 6</b>                            |   |        |
| <b>Township 7 North, Range 7 East, S.L.M.</b> |   |        |
| 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 |
| <b>Tract No. 7</b>                            |   |        |
| <b>Township 7 North, Range 7 East, S.L.M.</b> |   |        |
| 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

|   |   |        |
|---|---|--------|
| <b>Tract No. 8</b>                            |   |        |
| <b>Township 7 North, Range 7 East, S.L.M.</b> |   |        |
| 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 |
| <b>Tract No. 9</b>                            |   |        |
| <b>Township 7 North, Range 7 East, S.L.M.</b> |   |        |
| 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 |
| <b>Tract No. 10</b>                           |   |        |
| <b>Township 7 North, Range 8 East, S.L.M.</b> |   |        |
| 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 |
| <b>Tract No. 11</b>                           |   |        |
| <b>Township 7 North, Range 8 East, S.L.M.</b> |   |        |
| 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 |
| <b>Tract No. 12</b>                           |   |        |
| <b>Township 6 North, Range 6 East, S.L.M.</b> |   |        |
| 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 |
| <b>Tract No. 13</b>                           |   |        |
| <b>Township 6 North, Range 6 East, S.L.M.</b> |   |        |
| 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 |
| <b>Tract No. 14</b>                           |   |        |
| <b>Township 6 North, Range 7 East, S.L.M.</b> |   |        |
| 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 |
| <b>Tract No. 15</b>                           |   |        |
| <b>Township 6 North, Range 7 East, S.L.M.</b> |   |        |
| Section 10:                                   | All   | 640.00 |
| Section 12:                                   | All   | 640.00 |
| Section 13:                                   | All   | 640.00 |
| Section 14:                                   | All   | 640.00 |
| <b>Tract No. 16</b>                           |   |        |
| <b>Township 6 North, Range 7 East, S.L.M.</b> |   |        |
| 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 |
| <b>Tract No. 17</b>                           |   |        |
| <b>Township 6 North, Range 7 East, S.L.M.</b> |   |        |
| 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**

|   |     |        |
|---|-----|--------|
| <b>Township 6 North, Range 6 East, S.L.M.</b> |     |        |
| Section 36:                                   | All | 640.00 |

|   |   |        |
|---|---|--------|
| <b>Township 6 North, Range 7 East, S.L.M.</b> |   |        |
| 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**

|   |   |        |
|---|---|--------|
| <b>Township 6 North, Range 8 East, S.L.M.</b> |   |        |
| 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**

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

|   |  |        |
|---|--|--------|
| <b>Township 6 North, Range 8 East, S.L.M.</b> |  |        |
| 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**

|   |     |        |
|---|-----|--------|
| <b>Township 5 North, Range 6 East, S.L.M.</b> |     |        |
| Section 12:                                   | All | 640.00 |

|   |  |        |
|---|--|--------|
| <b>Township 5 North, Range 7 East, S.L.M.</b> |  |        |
| 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, E2SW, SE  | 644.28 |
| Section 8:                                    | All  | 640.00 |
| Section 10:                                   | N2NW   | 80.00  |
| Section 18:                                   | Lots 1(39.97), 2(39.93), 3(39.88), N2NE, SWNE, E2NW, NESW  | 359.78 |

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

FORM 3

AMENDED REPORT   
(highlight changes)

|   |  |   |                                 |  |                    |
|---|--|---|---------------------------------|--|--------------------|
| <b>APPLICATION FOR PERMIT TO DRILL</b>  |  |   |                                 | 5. LEASE DESIGNATION AND SERIAL NUMBER:<br>Fee                             |                    |
| 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 type="checkbox"/> |  |   |                                 | 7. UNIT or CA AGREEMENT NAME:  |                    |
| 2. NAME OF OPERATOR:<br>Fat Chance Oil & Gas, LLC   |  |   |                                 | 8. WELL NAME and NUMBER:<br>Stacey Hollow 13-27                            |                    |
| 3. ADDRESS OF OPERATOR:<br>PO Box 7370 CITY Sheridan STATE WY ZIP 82801   |  |   | PHONE NUMBER:<br>(307) 673-1500 | 9. FIELD AND POOL, OR WILDCAT:<br>Wildcat                                  |                    |
| 4. LOCATION OF WELL (FOOTAGES)<br>AT SURFACE: 570' FSL 736' FWL<br>AT PROPOSED PRODUCING ZONE: same   |  |   |                                 | 10. QTR/QTR, SECTION, TOWNSHIP, RANGE, MERIDIAN:<br>SWSW 27 T7N R8E S<br>7 |                    |
| 13. DISTANCE IN MILES AND DIRECTION FROM NEAREST TOWN OR POST OFFICE:<br>5 miles west of Evanston, Wyoming  |  |   |                                 | 11. COUNTY:<br>Rich  | 12. STATE:<br>UTAH |
| 14. DISTANCE TO NEAREST PROPERTY OR LEASE LINE (FEET)<br>736'   |  | 15. NUMBER OF ACRES IN LEASE:<br>52,395           |                                 | 16. NUMBER OF ACRES ASSIGNED TO THIS WELL:<br>160                          |                    |
| 17. DISTANCE TO NEAREST WELL (DRILLING, COMPLETED, OR APPLIED FOR) ON THIS LEASE (FEET)<br>8200'  |  | 18. PROPOSED DEPTH:<br>3,700                      |                                 | 19. BOND DESCRIPTION:<br>Utah DOGM Surety #885588C                         |                    |
| 20. ELEVATIONS (SHOW WHETHER DF, RT, GR, ETC.):<br>6644' GR   |  | 21. APPROXIMATE DATE WORK WILL START:<br>8/1/2001 |                                 | 22. ESTIMATED DURATION:<br>10 days   |                    |

**CONFIDENTIAL**

4592493 N  
487827 E

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# | 500           | Type III  | 225 sx | 1.54 | 14#   |
| 8 3/4"       | 7"                                      | J-55 | 23#   | 3,700         | 50/50 Poz                                       | 250 sx | 1.22 | 14.3# |
|              |   |      |       |               |   |        |      |       |
|              |   |      |       |               |   |        |      |       |
|              |   |      |       |               |   |        |      |       |

24. **ATTACHMENTS**

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

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

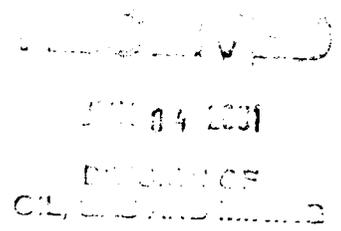
NAME (PLEASE PRINT) Casey Osborn TITLE Operations Manager/Agent

SIGNATURE *Casey Osborn* DATE 5/31/2001

(This space for State use only)

API NUMBER ASSIGNED: 43-033-30060

APPROVAL:



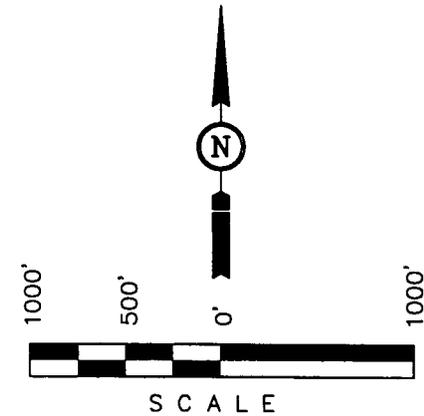
# T7N, R7E, S.L.B.&M.

## FAT CHANCE OIL & GAS, LLC

Well location, STACEY HOLLOW #13-27, located as shown in the SW 1/4 SW 1/4 of Section 27, T7N, R7E, S.L.B.&M., Rich County, Utah.

### BASIS OF ELEVATION

SPOT ELEVATION LOCATED IN THE SW 1/4 OF SECTION 31, T7N, R8E, S.L.B.&M. TAKEN FROM THE MURPHY RIDGE QUADRANGLE, UTAH-WYOMING, 7.5 MINUTE SERIES (TOPOGRAPHICAL MAP) PUBLISHED BY THE UNITED STATES DEPARTMENT OF THE INTERIOR, GEOLOGICAL SURVEY. SAID ELEVATION IS MARKED AS BEING 7184 FEET.



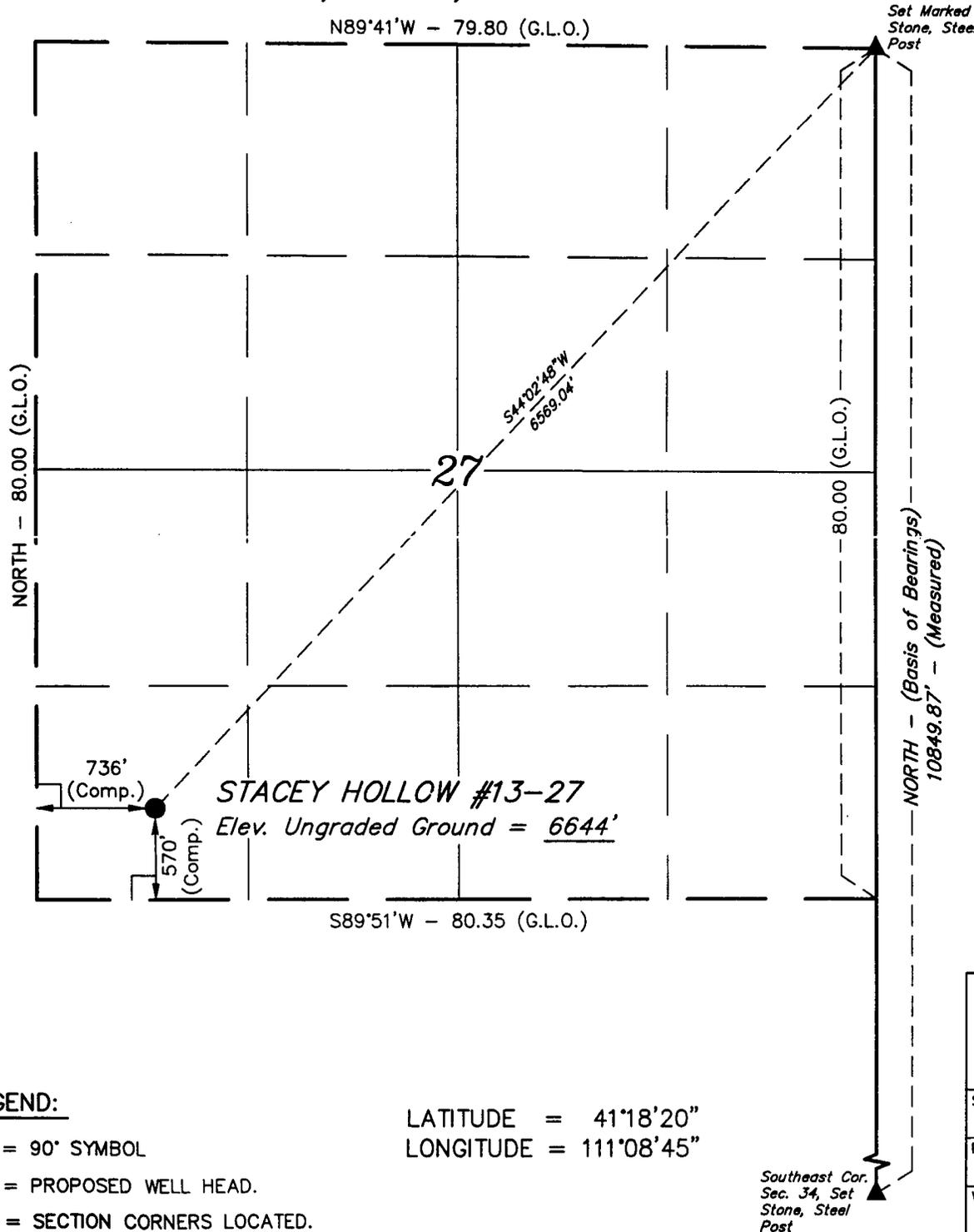
### CERTIFICATE

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

*Robert J. Han*  
 REGISTERED LAND SURVEYOR  
 REGISTRATION NO. 161319  
 STATE OF UTAH

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

|                         |                                   |                        |
|-------------------------|-----------------------------------|------------------------|
| SCALE<br>1" = 1000'     | DATE SURVEYED:<br>5-15-01         | DATE DRAWN:<br>5-21-01 |
| PARTY<br>C.T. J.H. C.G. | REFERENCES<br>G.L.O. PLAT         |                        |
| WEATHER<br>COOL         | FILE<br>FAT CHANCE OIL & GAS, LLC |                        |



### LEGEND:

- = 90° SYMBOL
- = PROPOSED WELL HEAD.
- = SECTION CORNERS LOCATED.

LATITUDE = 41°18'20"  
 LONGITUDE = 111°08'45"

Southeast Cor.  
 Sec. 34, Set  
 Stone, Steel  
 Post

# FAT CHANCE OIL AND GAS, LLC

May 30, 2001

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: Stacey Hollow 13-27**

Attention:

Fat Chance Oil and Gas, LLC formally requests that submitted information on the Stacey Hollow 13-27 be held confidential.

Your cooperation is appreciated.

Sincerely,

Casey Osborn  
Operations Manager/Agent

RECEIVED

JUN 04 2001

DIVISION OF  
OIL, GAS AND MINING

**WORKSHEET  
APPLICATION FOR PERMIT TO DRILL**

APD RECEIVED: 06/04/2001

API NO. ASSIGNED: 43-033-30060

WELL NAME: STACEY HOLLOW 13-27  
 OPERATOR: FAT CHANCE OIL & GAS ( N1395 )  
 CONTACT: CASEY OSBORN

PHONE NUMBER: 307-673-1500

PROPOSED LOCATION:

SWSW 27 070N 070E  
 SURFACE: 0570 FSL 0736 FWL  
 BOTTOM: 0570 FSL 0736 FWL  
 RICH  
 WILDCAT ( 1 )

| INSPECT LOCATN BY: / / |          |         |
|------------------------|----------|---------|
| Tech Review            | Initials | Date    |
| Engineering            | DKD      | 8/21/01 |
| Geology                |          |         |
| Surface                |          |         |

LEASE TYPE: 4 - Fee  
 LEASE NUMBER: FEE  
 SURFACE OWNER: 4 - Fee

PROPOSED FORMATION: ASPEN

RECEIVED AND/OR REVIEWED:

- Plat
- Bond: Fed[] Ind[] Sta[] Fee[4]  
(No. 885588C )
- Potash (Y/N)
- Oil Shale (Y/N) \*190-5 (B) or 190-3
- Water Permit  
(No. 21-868 )
- RDCC Review (Y/N)  
(Date: 06/22/2001 )
- Fee Surf Agreement (Y/N)

LOCATION AND SITING:

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

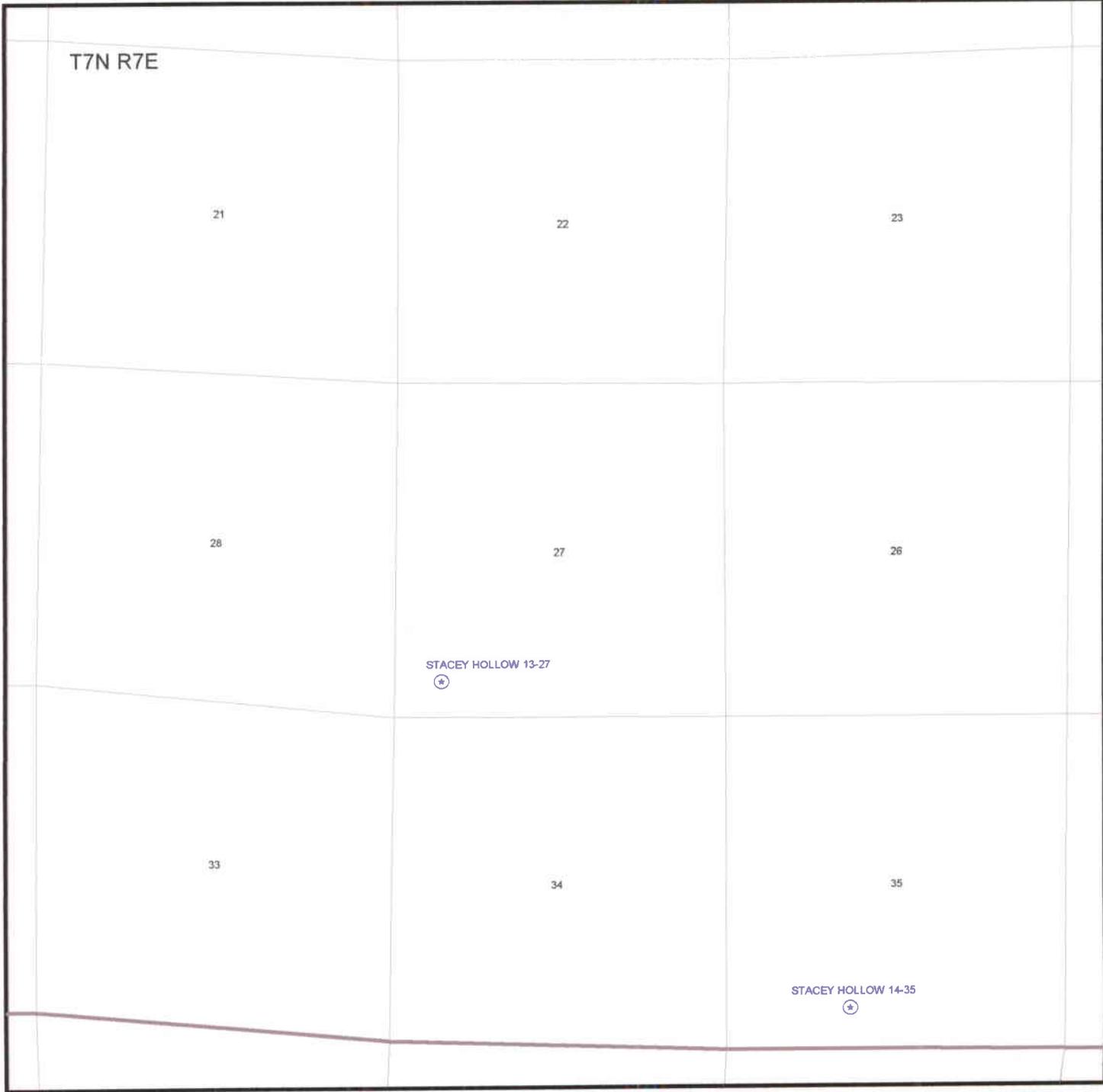
COMMENTS: Need Presite. (7-18-01)

STIPULATIONS: ① Production casing shall be cemented 200' minimum above Frontier Coals and furthermore 200' minimum above any producing or tested zones.

② STATEMENT OF BASIS



OPERATOR: FAT CHANCE O&G LLC (N1395)  
SEC. 27, T7N, R7E  
FIELD: WILDCAT (001)  
COUNTY: RICH SPACING: R649-3-2/GEN ST





|              |   |              |
|--------------|---|--------------|
| Well name:   | <b>07-01 Fat Chance Stacey Hollow 13-27</b> |              |
| Operator:    | <b>Fat Chance Oil</b>                       | Project ID:  |
| String type: | Surface                                     | 43-033-30060 |
| Location:    | Rich Co.                                    |              |

**Design parameters:**

**Collapse**  
Mud weight: 9.000 ppg  
Design is based on evacuated pipe.

**Burst**  
Max anticipated surface pressure: 0 psi  
Internal gradient: 0.545 psi/ft  
Calculated BHP: 273 psi  
  
No backup mud specified.

**Minimum design factors:**

**Collapse:**  
Design factor: 1.125

**Burst:**  
Design factor: 1.00

**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 air weight.  
Neutral point: 434 ft

**Environment:**

H2S considered? No  
Surface temperature: 65 °F  
Bottom hole temperature: 72 °F  
Temperature gradient: 1.40 °F/100ft  
Minimum section length: 200 ft

Cement top: 0 ft

Non-directional string.

**Re subsequent strings:**

Next setting depth: 3,700 ft  
Next mud weight: 10.500 ppg  
Next setting BHP: 2,018 psi  
Fracture mud wt: 19.250 ppg  
Fracture depth: 500 ft  
Injection pressure: 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 (ft³) |
|---------|---------------------|-------------------------|-------------------------|------------------|----------------------|----------------------|---------------------|-------------------------|-------------------------|
| 1       | 500                 | 9.625                   | 32.30                   | H-40             | ST&C                 | 500                  | 500                 | 8.876                   | 31.7                    |
| 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       | 234                 | 1370                    | 5.86                    | 273              | 2270                 | 8.32                 | 16                  | 254                     | 15.73 J                 |

Prepared by: Dustin Doucet  
Utah Dept. of Natural Resources

Phone: 801-538-5281  
FAX: 801-359-3940

Date: August 21, 2001  
Salt Lake City, Utah

ENGINEERING STIPULATIONS: Production casing shall be cemented 200' above Frontier Coals and 200' above any producing or tested  
Collapse strength is based on the Westcott, Dunlop & Kemler method of biaxial correction for tension.  
Collapse is based on a vertical depth of 500 ft, a mud weight of 9 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:   | <b>07-01 Fat Chance Stacey Hollow 13-27</b> |             |              |
| Operator:    | <b>Fat Chance Oil</b>                       | Project ID: | 43-033-30060 |
| String type: | Production                                  |             |              |
| Location:    | Rich Co.                                    |             |              |

**Design parameters:**

**Collapse**  
Mud weight: 10.500 ppg  
Design is based on evacuated pipe.

**Minimum design factors:**

**Collapse:**  
Design factor 1.125

**Environment:**

H2S considered? No  
Surface temperature: 65 °F  
Bottom hole temperature: 117 °F  
Temperature gradient: 1.40 °F/100ft  
Minimum section length: 368 ft

**Burst**

Max anticipated surface pressure: 0 psi  
Internal gradient: 0.545 psi/ft  
Calculated BHP 2,018 psi

**Burst:**  
Design factor 1.00

Cement top: 2,419 ft

*See St. p*

**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 air weight.  
Neutral point: 3,116 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       | 3700                | 7                       | 23.00                   | J-55             | ST&C                 | 3700                 | 3700                | 6.25                    | 171                     |
| 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       | 2018                | 3270                    | 1.62                    | 2018             | 4360                 | 2.16                 | 85                  | 284                     | 3.34 J                  |

Prepared by: Dustin Doucet  
Utah Dept. of Natural Resources

Phone: 801-538-5281  
FAX: 801-359-3940

Date: August 21, 2001  
Salt Lake City, Utah

ENGINEERING STIPULATIONS: Production casing shall be cemented 200' above Frontier Coals and 200' above any producing or tested  
Collapse strength is based on the Westcott, Dunlop & Kemler method of biaxial correction for tension.  
Collapse is based on a vertical depth of 3700 ft, a mud weight of 10.5 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.*

# 1-SITE PREDRILL EVALUATION

## Division of Oil, Gas and Mining

**OPERATOR:** Fat Chance Oil and Gas, LLC

**WELL NAME & NUMBER:** Stacy Hollow #13-27

**API NUMBER:** 43-033-30058

**LEASE:** Fee (Deseret Land and Livestock) **FIELD/UNIT:** Wildcat

**LOCATION:** 1/4,1/4 SW SW **Sec** 27 **TWP:** 7 N **RNG:** 7 E 570 **FSL** 736 **FWL**

**LEGAL WELL SITING:** 460' from the drilling unit boundary and 920' from other wells

**GPS COORD (UTM):** X = 487,827 E; Y = 4,572,493 N

**SURFACE OWNER:** Deseret Land and Livestock

### PARTICIPANTS

Mike Hebertson, (DOGM), Casey Osborn, Dennis Brabec (Fat Chance), Terry Pruitt, Jana Pruitt

(Deseret Land & Livestock)

### REGIONAL/LOCAL SETTING & TOPOGRAPHY

This area is located in the Overthrust Belt of eastern Utah and western Wyoming north of the Uinta Mountains. The geologic setting is known as the Thrust Belt. US Highway 80 is about 5 miles to the south. The Uinta County Airport is located about 4 miles east. Crane Creek drainage is the access route to the location, and is also an active drainage with several developed water resources. Crane Creek Reservoir, flows eastward out of the canyon and is active all year long, it eventually flows into the Bear River near Evanston. The City of Evanston is 8 miles to the east. The surface is Paleocene age Wasatch formation with possible Evanston formation underlying the area. The land slopes to the southwest and is incised by moderate to shallow drainages with active streams and flowing water. The Wasatch formation is composed of a red sandstone, siltstone, mudstone, and conglomerate with minor amounts of gray limestone.

### SURFACE USE PLAN

**CURRENT SURFACE USE:** Grazing and wildlife habitat.

**PROPOSED SURFACE DISTURBANCE:** The operator proposes a 270' X 180' pad, outboard soil storage, and a 50' X 70' X 8' outboard attached pit, an existing road accesses the location. 400 feet of new road will be required.

**LOCATION OF EXISTING WELLS WITHIN A 1-MILE RADIUS:** There are no existing wells within 1 mile of this location. One new permit is within the one mile radius.

**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 chemical toilets which will be emptied into the municipal waste treatment system; garbage cans on location will be emptied into centralized dumpsters which will be moved to an approved landfill. No crude oil is expected to be produced. Drilling fluid, completion / frac fluid and cuttings will be

buried in the pit after evaporation and salt saturated cuttings will be stabilized in place, then buried. Produced water will be gathered to the evaporation pit and eventually disposed of at an approved disposal facility. Used oil from drilling operations and support will be hauled to a used oil re-cycling facility and re-used.

### **ENVIRONMENTAL PARAMETERS**

AFFECTED FLOODPLAINS AND/OR WETLANDS: This location uphill from Crane Reservoir about 1.2 miles and several developed water resources are within one mile. There is an active spring and a stock watering pond within ¼ mile. All precautions will be taken to insure the integrity of these resources.

FLORA/FAUNA: Open sagebrush, and grass meadows, cactus, birds, lizards, coyotes, rodents, raptors, occasional elk, deer, pronghorn and sage grouse. Critical winter range.

SOIL TYPE AND CHARACTERISTICS: Mostly clay with very little sand, light gray to dark red brown in color. Some pit run type gravel. SM to SP type soils.

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 generally susceptible 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. 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**

A surface use agreement is in place.

SURFACE AGREEMENT: There is a surface use agreement.

CULTURAL RESOURCES/ARCHAEOLOGY: Archaeological survey is not required.

### **OTHER OBSERVATIONS/COMMENTS:**

The surface manager for Deseret Land requested that the location be moved to a spot 100' feet away to make construction of the pad less expensive and on a better grade. The operator decided that the new survey plats cut & fill diagrams were more or less a wash cost wise and decided to leave the pad as it had been stake.

### **ATTACHMENTS:**

Photographs were not taken.

K. Michael Hebertson  
DOGM REPRESENTATIVE

18-July-2001 12:15 PM  
DATE/TIME

**Evaluation Ranking Criteria and Ranking Scale  
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>    5</u>          |
| Distance to Surf. Water (feet)                                |                |                       |
| >1000   | 0              |                       |
| 300 to 1000   | 2              |                       |
| 200 to 300  | 10             |                       |
| 100 to 200  | 15             |                       |
| < 100   | 20             | <u>    5</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>    0</u>          |
| <b>Final Score</b>  | <u>    40</u>  | (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.

## STATEMENT OF BASIS

**OPERATOR:** Fat Chance Oil and Gas, LLC

**WELL NAME & NUMBER:** Stacy Hollow #13-27

**API NUMBER:** 43-033-30058

**LEASE:** Fee (Deseret Land and Livestock) **FIELD/UNIT:** Wildcat

**LOCATION:** 1/4,1/4 SW SW Sec 27 TWP: 7 N RNG: 7 E 570 FSL 736 FWL

**LEGAL WELL SITING:** 460' from the drilling unit boundary and 920' from other wells

**GPS COORD (UTM):** X = 487,827 E; Y = 4,572,493 N

**SURFACE OWNER:** Deseret Land and Livestock

### 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. There are 13 active water rights within a mile of this location, which indicate good water is present within a mile of location at a shallow depth or at the surface. 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 near an active spring and drainage, extra care will be taken to protect any ground or surface water sources.

**Reviewer:** K. Michael Hebertson

**Date:** 17-July-2001

### Surface:

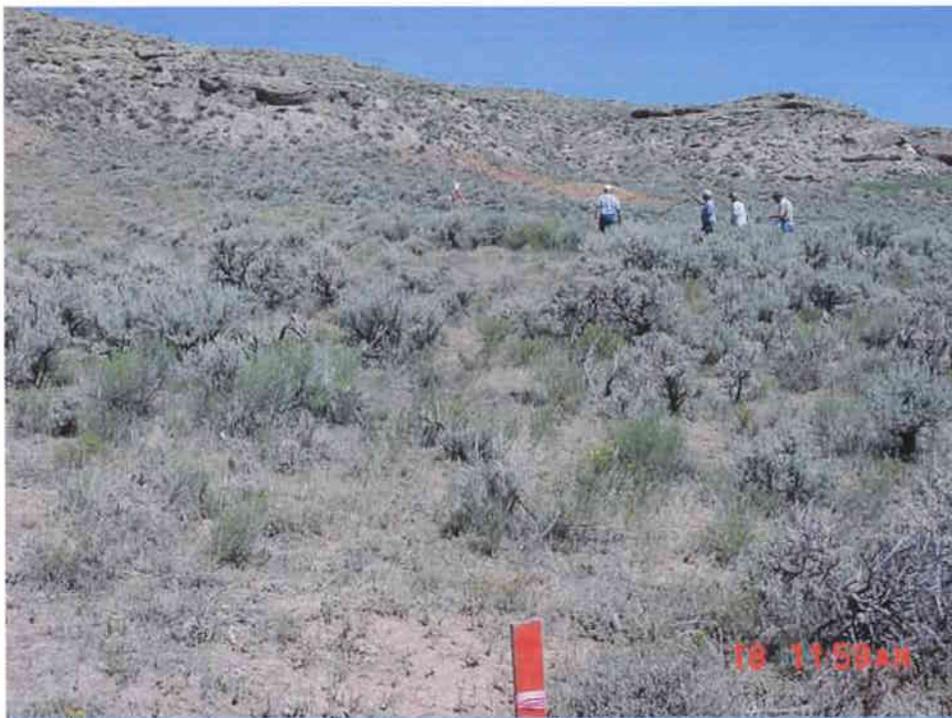
The surface belongs to Deseret Land and Livestock and persons representing Deseret Land and Livestock were invited to the on-site inspection. Those attending the onsite are noted above in the Participants section of the review document. Items of concern at this location are surface use agreement, and winter drilling restrictions not yet specified by the surface owner. The site is actively being used by several types of wildlife and signs of active use are everywhere on the ground. The surface owner does not currently have objection to the operation.

**Reviewer:** K. Michael Hebertson

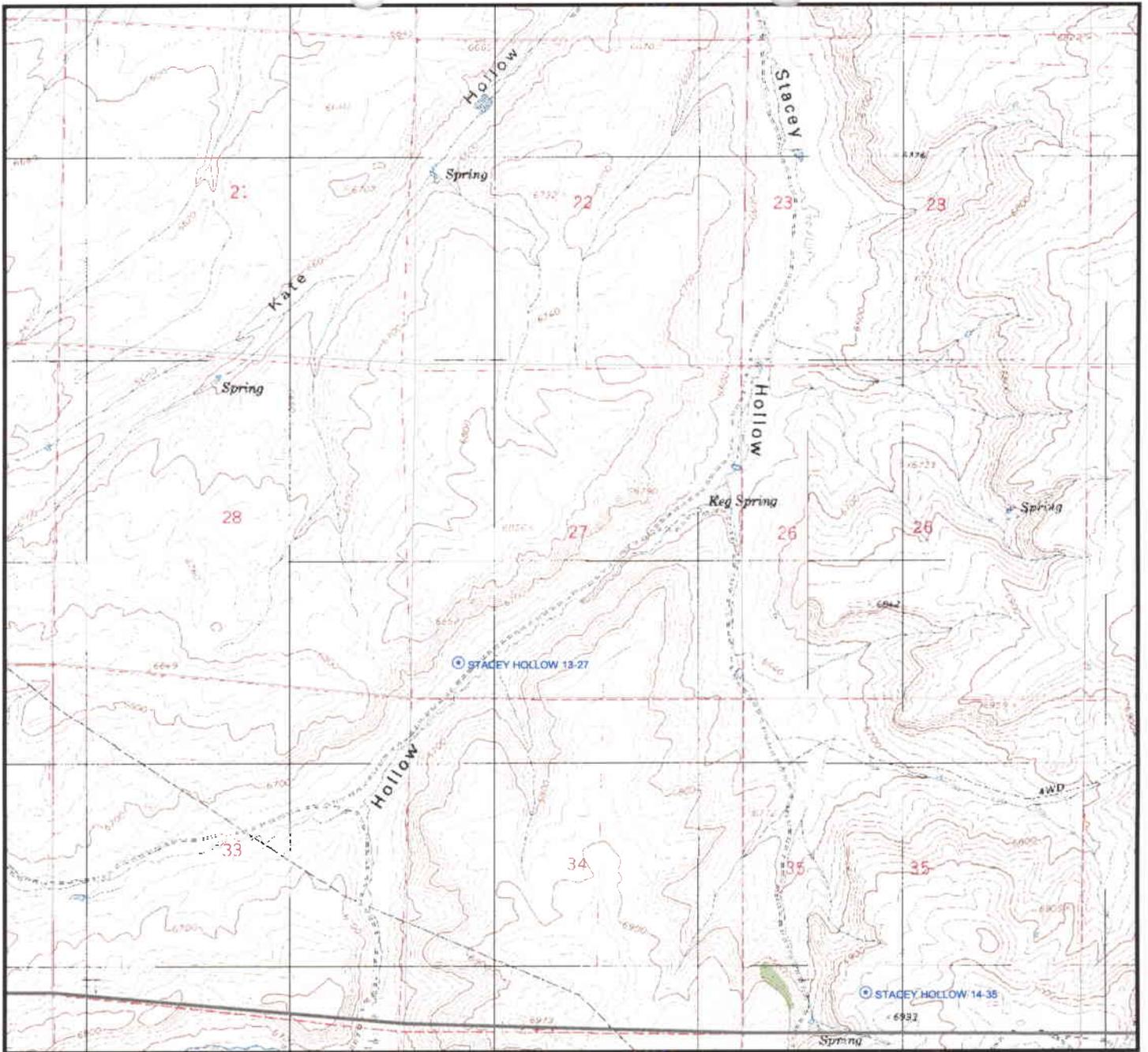
**Date:** 17-July-2001

### 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. Berms or ditches will be placed on all cut and fill slopes to catch and contain any fluids escaping location.



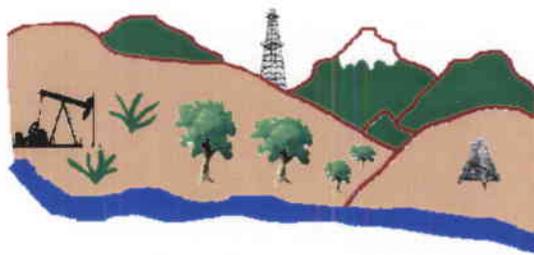
FAT CHANCE, STACEY HOLLOW 13-27, SEC. 27, T7N, R7E, RICH COUNTY, API 43-033-30060



**Well Status**

- ◊ GAS INJECTION
- ◊ GAS STORAGE
- × LOCATION ABANDONED
- ⊙ NEW LOCATION
- ◊ PLUGGED & ABANDONED
- × PRODUCING GAS
- PRODUCING OIL
- ◊ SHUT-IN GAS
- ◊ SHUT-IN OIL
- × TEMP. ABANDONED
- TEST WELL
- △ WATER INJECTION
- ◆ WATER SUPPLY
- ◊ WATER DISPOSAL

- Sections
- Township



**Utah Oil Gas and Mining**

The Division of Oil, Gas & Mining does not warrant or guarantee the accuracy of any data or information contained herein, and is not responsible for the accuracy of data not under its immediate control. The customer has requested data to be projected when there is no official survey, it is not be used as reliable data.

Prepared By: K. M. Hebertson  
Date: -Mar-2001

UTAH DIVISION OF WATER RIGHTS  
WATER RIGHT POINT OF DIVERSION PLOT CREATED TUE, JUL 17,  
PLOT SHOWS LOCATION OF 13 POINTS OF DIVER

PLOT OF AN AREA WITH A RADIUS OF 5280 FEET FR  
N 570 FEET, E 736 FEET OF THE SW CORNER,  
SECTION 27 TOWNSHIP 7N RANGE 7E SL BASE AN

PLOT SCALE IS APPROXIMATELY 1 INCH = 2000 FEET

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UTAH DIVISION OF WATER RIGHTS  
NWPLAT      POINT OF DIVERSION LOCATION PROGR

| MAP CHAR | WATER RIGHT    | CFS   | QUANTITY AND/OR  | AC--FT | SOURCE DESCRIPTION or WELL INFO | DIAMETER | DEPTH | YEAR LOG | POINT NORTH            | EA |
|----------|----------------|-------|--|--------|---------------------------------|----------|-------|----------|------------------------|----|
| 0        | <u>23 2046</u> | .0000 |  | .00    | Unnamed Fork Stacey Hollow Cre  |          |       |          |                        |    |
|          |                |       | WATER USE(S):<br>Deseret Livestock Company               |        |                                 |          |       |          | 531 South State        |    |
| 1        | <u>23 2046</u> | .0000 |  | .00    | Unnamed Fork Stacey Hollow Cre  |          |       |          |                        |    |
|          |                |       | WATER USE(S):<br>Deseret Livestock Company               |        |                                 |          |       |          | 531 South State        |    |
| 2        | <u>23 1898</u> | .0000 |  | .00    | Stacey Hollow Creek             |          |       |          |                        |    |
|          |                |       | WATER USE(S):<br>Deseret Livestock Company               |        |                                 |          |       |          | 531 South State        |    |
| 3        | <u>t25349</u>  | .0000 |  | 32.24  | Crane Creek & Neponset reservo  |          |       |          | N 570                  | E  |
|          |                |       | WATER USE(S): OTHER<br>Deseret Livestock Company         |        |                                 |          |       |          | PO Box 250             |    |
| 4        | <u>23 1903</u> | .0000 |  | .00    | Unnamed Fork of Stacey Hollow   |          |       |          |                        |    |
|          |                |       | WATER USE(S):<br>Deseret Livestock Company               |        |                                 |          |       |          | 531 South State        |    |
| 5        | <u>23 2372</u> | .0000 |  | .00    | Stacey Hollow Creek             |          |       |          |                        |    |
|          |                |       | WATER USE(S):<br>Deseret Livestock Company               |        |                                 |          |       |          | 531 South State Street |    |
| 6        | <u>23 2799</u> | .0000 |  | .00    | Unnamed Fork Stacey Hollow Cre  |          |       |          |                        |    |
|          |                |       | WATER USE(S):<br>USA Bureau of Land Management           |        |                                 |          |       |          | 2370 South 2300 West   |    |
| 6        | <u>23 2799</u> | .0000 |  | .00    | Unnamed Fork Stacey Hollow Cre  |          |       |          |                        |    |
|          |                |       | WATER USE(S):<br>USA Bureau of Land Management           |        |                                 |          |       |          | 2370 South 2300 West   |    |
| 7        | <u>23 1897</u> | .0000 |  | .00    | Stacey Hollow Creek             |          |       |          |                        |    |
|          |                |       | WATER USE(S):<br>USA Bureau of Land Management           |        |                                 |          |       |          | 2370 South 2300 West   |    |
| 7        | <u>23 1897</u> | .0000 |  | .00    | Stacey Hollow Creek             |          |       |          |                        |    |
|          |                |       | WATER USE(S):<br>USA Bureau of Land Management           |        |                                 |          |       |          | 2370 South 2300 West   |    |
| 8        | <u>23 914</u>  | .0000 |  | .00    | McKay Fork of Stacey Hollow Cr  |          |       |          |                        |    |
|          |                |       | WATER USE(S): STOCKWATERING<br>Deseret Livestock Company |        |                                 |          |       |          | 531 South State        |    |
| 9        | <u>23 2277</u> | .0000 |  | .00    | Stacey Hollow Creek             |          |       |          |                        |    |
|          |                |       | WATER USE(S):<br>Deseret Livestock Company               |        |                                 |          |       |          | 531 South State        |    |

A 23 2276 .0000 .00 Stacey Hollow Creek  
WATER USE(S):  
Deseret Livestock Company 531 South State

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

|  |  |
|--|--|
| <b>1. Administering State Agency</b><br>Oil, Gas and Mining<br>1594 West North Temple, Suite 1210<br>Salt Lake City, UT 84114-5801   | <b>2. State Application Identifier Number: (assigned by State Clearinghouse)</b><br><br>   |
| <b>3. Approximate date project will start:</b><br>Upon Approval  |  |
| <b>4. Areawide clearinghouse(s) receiving state action: (to be sent out by agency in block 1)</b><br><br>Bear River Association of Governments   |  |
| <b>5. Type of action:</b> // Lease <input checked="" type="checkbox"/> / Permit // License // Land Acquisition<br><br>// Land Sale // Land Exchange // Other _____   |  |
| <b>6. Title of proposed action:</b><br><br>Application for Permit to Drill   |  |
| <b>7. Description:</b><br><br>Fat Chance Oil & Gas, LLC proposes to drill the Stacey Hollow 13-27 well (wildcat) on a Fee lease, 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. |  |
| <b>8. Land affected (site location map required) (indicate county)</b><br><br>SW/4, SW/4, Section 27, Township 7 North, Range 7 East, Rich County, Utah  |  |
| <b>9. Has the local government(s) been contacted?</b><br>No  |  |
| <b>10. Possible significant impacts likely to occur:</b><br><br>Degree of impact is based on the discovery of oil or gas in commercial quantities.   |  |
| <b>11. Name and phone of district representative from your agency near project site, if applicable:</b><br><br>  |  |
| <b>12. For further information, contact:</b><br><br>Lisha Cordova<br>Phone: (801) 538-5296   | <b>13. Signature and title of authorized officer</b><br><br><br>John R. Baza, Associate Director<br>Date: June 6, 2001 |

**From:** Frances Bernards  
**To:** Cordova, Lisha  
**Date:** 6/27/01 2:15PM  
**Subject:** Wildcat well projects

The following comment applies to: 1) Wildcat Well Quest 6-15, 2) Wildcat Well Quest 16-10, 3) Wildcat Well Stacey Hollow 13-27, 4) Wildcat Well Crane 8-7, 5) Wildcat Well Suttons 4-12; 6) W.W. Quest 8-15; 7) W.W. Quest 14-10; 8) W.W. Crane 16-18; 9) W.W. Crane 16-7; 10) W.W. Crane 8-18:

The proposed well drilling project may require a permit, known as an Approval Order, from the Utah Division of Air Quality if any compressor stations are operating at the site. A permit application, known as a Notice of Intent (NOI) should be submitted to the Executive Secretary at the Utah Division of Air Quality at 150 N. 1950 West, SLC, UT, 84116 for review according to the Utah Air Conservation Rule R307-400, Permits, Notice of Intent and Approval Order.

If you have any questions, please contact me at 536-4056 or email at [fbernard@deq.state.ut.us](mailto:fbernard@deq.state.ut.us).

Frances Bernards, Planner  
Utah Division of Air Quality  
150 N. 1950 West  
SLC, UT 84116

P.O. Box 7370  
Sheridan WY 82801  
307-673-1500 Phone  
307-673-1400 Fax



# Fax

|                                   |                                       |
|-----------------------------------|---------------------------------------|
| <b>To:</b> Lisha Cordova          | <b>From:</b> Lorna James              |
| <b>Fax:</b>                       | <b>Pages:</b> 14 including this sheet |
| <b>Phone:</b>                     | <b>Date:</b> 8/15/2001                |
| <b>Re:</b> Surface Use Agreements | <b>CC:</b>                            |

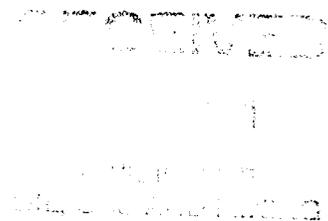
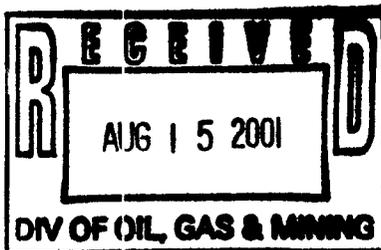
Urgent     For Review     Please Comment     Please Reply     Please Recycle

• **Comments:**

I am sorry I didn't enclose this Surface Use agreement with the APDs. This is the Surface Use for both the Suttons 4-12 and the Stacey Hollow 13-27 that you spoke with Bill Courtney about. If you need anything further, please give me or Bill a call and we will expedite your request immediately.

Thank you for your time and consideration in this matter.

Lorna James  
Administrative Assistant



*Lorna James 8-15-01*

## SURFACE OWNERS AGREEMENT

THIS AGREEMENT is made and entered into as of the 21st day of June, 2000, by and between PROPERTY RESERVE, INC., formerly known as DESERET TITLE HOLDING CORPORATION, a Utah corporation (hereinafter referred to as "PRI"), and BILLY JIM PALONE, d/b/a PALONE PETROLEUM (hereinafter referred to as "Palone").

### WITNESETH

WHEREAS, PRI is the owner of the surface estate of certain parcels of real property situated in Summit, Morgan, and Rich Counties, Utah as more specifically identified on Exhibit "A" attached hereto (hereinafter referred to as the "Property");

WHEREAS, Palone leases or will lease certain mineral interests underlying all or portions of the Property;

WHEREAS, Palone desires to develop the mineral interests; and

WHEREAS, Palone and PRI desire to enter into an agreement setting forth the damages to be paid PRI as a result of such mineral development.

NOW, THEREFORE, in consideration of the covenants and promises set forth herein to be kept and performed by the parties hereto, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, it is hereby agreed as follows:

1. Access to Property. All operations of Palone, or any party acting as an agent of Palone, shall be conducted at the sole risk, cost and expense of Palone. PRI makes no representations or warranties regarding the existing or non-existence of any prior leases, rights-of-way, easements, licenses and other instruments and agreements affecting the Property, whether recorded or unrecorded.

2. Roads. Palone has the right to maintain, improve and use existing roads on the Property as well as to construct, maintain and use new roads on the Property on the following terms and conditions:

A. Palone shall advise PRI in reasonable detail of the location, width, cuts, fills, and bar ditches of each new road which it proposes to construct or each existing road it proposes to modify or use (in the case of use only, Palone shall only provide details of the location) on the Property and shall not commence the construction of any new road or modification of an existing road without first providing PRI such information and allowing PRI a reasonable time to review such

information. For each new road it proposes to construct, Palone and PRI agree to work together to select locations and designs of roads which will minimize disturbance of the Property while providing reasonable access to Palone.

B. Except as necessary for exploration of its mineral interests, all vehicular traffic will be restricted to the roads permitted to be used or constructed by Palone hereunder.

C. Palone shall construct and install such steel gates and cattle guards in all fences crossed or affected by Palone as may be necessary, due to the activities of Palone, for the proper protection and handling of PRI's livestock and to secure the Property from trespass. Palone shall also install culverts necessary to protect the road beds and to control and divert water.

D. Palone shall maintain the roads, gates, cattle guards, bridges, culverts and any other similar improvements (not to include any oil field equipment) to be used or constructed by Palone pursuant to this Agreement (the "Improvements") in a good and usable condition during the use thereof and, upon termination of use or abandonment by Palone of any such Improvements, Palone shall do whatever is practical to return the land upon which such Improvements are located to its original condition (including topography and drainage channels) to the extent it can reasonably do so, provided that Palone shall notify PRI in writing of any Improvements it intends to cease using and, if PRI so requests within ten (10) days of receipt of such notice, any such improvements shall be left in place in a good and usable condition and will thereupon become the sole property of PRI.

E. All gates will be kept closed at all times and when requested by PRI will be kept locked to restrict unauthorized entry. At Palone's option, Palone may maintain guards at any gates in lieu of locking said gates.

F. It is agreed and understood that traffic may be delayed for short periods while PRI is moving livestock through the Property and Palone's traffic movement must be coordinated with PRI's Representative so that such traffic movement will not interfere with PRI's movement of its livestock.

G. PRI shall have the right to use any roads constructed or improved by Palone hereunder for any purpose and without cost.

3. Well Locations. Palone has the right to construct, maintain and use drilling sites and/or well locations on the Property on the following terms and conditions:

A. Palone shall advise PRI in reasonable detail of the location, size, cuts, and fills of each new drilling site which it proposes to construct and shall not commence the construction of any new drilling site without first providing such information to PRI and allowing PRI a reasonable time to review such information. Palone and PRI agree to work together to select locations and designs of drilling sites which will minimize disturbance of the Property while providing reasonable access to Palone.

B. At the sole risk, cost and expense of Palone, upon completion of drilling a location where a well will not be operated, all drilling sites including reserve and mud pits, shall be reclaimed and restored as nearly as practical to their original condition, including topography and successfully revegetated after completion of any wells drilled.

C. At the sole risk, cost and expense of Palone, all drilling sites, including reserve and mud pits, where a well will be operated shall be reduced to the minimum area of disturbance needed for the operation of a well with the remaining area being reclaimed and restored as nearly as practical to its original condition and successfully revegetated after completion of any wells drilled.

D. At the sole risk, cost and expense of Palone, upon completion of the operating life of any well, all well sites, including reserve and mud pits, shall be reclaimed and restored as nearly as possible to their original condition (including topography) and successfully revegetated with native plants upon abandonment of any well.

4. Pipelines. Palone has the right to construct, maintain, repair and replace and use Pipelines on the Property on the following terms and conditions:

A. For purposes of this Agreement, a Pipeline shall be defined as including an injection line, flow line, gas or water line, and related facilities designed to primarily service wells which are located on the Property. For purposes of compensation, one Pipeline shall include any of the foregoing lines which are installed in the same ditch at the same time.

B. Palone shall advise PRI in reasonable detail of the location, size, cuts, and fills of each new Pipeline which it proposes to construct and shall not commence the construction of any such line without first providing such information to PRI and providing PRI a reasonable time to review such information. Palone and PRI agree to work together to select locations of

Pipelines which will minimize disturbance of the Property while providing reasonable access to Palone.

C. All Pipelines shall be buried below the surface of the land and where reasonably practical shall be buried below plow depth which shall be defined as being 36" or more in depth to the top of the Pipeline.

D. Upon completion of installation of a Pipeline or upon completion of any modifications or maintenance work resulting in disturbance of the soil, and at the sole risk, cost and expense of Palone, all disturbance resulting from such installation, modification, or maintenance, shall be reclaimed and restored as nearly as practical to their original condition and successfully revegetated.

E. Upon abandonment of a Pipeline, Palone shall abandon the Pipeline in-place and shall remove all other surface facilities or equipment placed upon the right-of-way, and shall restore the right-of-way to as near an original condition as reasonably practicable and will revegetate. All Pipelines will be abandoned according to federal, state, and local regulations, and in the event current or future federal, state, or local regulations require the removal of Pipelines, Palone shall be responsible for complying with these regulations.

5. Other Uses. Palone shall confer with PRI's Representative regarding any uses by Palone on the Property not described in Paragraphs 2, 3, and 4 hereof prior to commencing any such use.

6. Reclamation Standards. For the purposes of any reclamation required under this Agreement, the following standards shall apply:

A. Prior to commencement of any work which will necessitate revegetation, all top soil shall be set aside in such a reasonably practical manner that upon completion of the work or abandonment, the top soil can be replaced.

B. All revegetation shall be done according to a revegetation program and plant mix approved by or provided by both Palone and PRI.

C. Revegetation efforts shall continue until established stands have been obtained.

D. As requested by PRI, Palone shall use its best efforts to control the infestation of noxious weeds on any portion of the Property which is disturbed by

Palone by the timely spraying of control chemicals or other methods of control acceptable to PRI.

E. As discussed herein, all areas disturbed by Palone during operating, maintaining, protecting, marling, repairing, removing, or replacing the roads, well sites, drill sites, pipelines, appurtenances, equipment, and facilities shall be immediately filled, leveled, and graded at the expense of Palone to blend the disturbed area with the landscape as nearly as practical.

7. Work Standards. All operations of Palone on the Property shall be conducted in accordance with the following standards:

A. All operations of Palone shall be in a good and workmanlike manner consistent with recognized industry procedures and in accordance herewith.

B. Palone shall keep the roads, well locations, pipeline locations, and adjacent areas clean at all times and free of any trash, cans, papers, bottles or other debris resulting from Palone's operations hereunder.

C. In addition to any compensation specifically set forth herein, Palone shall repair, replace or reimburse PRI for all damages resulting from the operations of Palone on the Property to any roads, fences, corrals, gates, buildings, structures, water sources, water storage ponds and reservoirs, water pipelines and troughs, crops, livestock, or other improvements on the Property.

D. Palone agrees to replace or repair any levees disturbed or damaged by Palone's operations on the Property and to take the reasonably necessary precautions to channel and protect drainages and waterways affected by its operations on the Property.

E. Palone shall coordinate all operations so that they are conducted in a manner compatible with reasonable security implemented by PRI.

8. Compensation. As compensation for damages caused to the Property by the operations of Palone, Palone agrees to pay PRI the following damages:

A. Palone shall pay to PRI the sum of \$15.00 per rod for each road used or constructed by Palone on the Property.

B. Palone shall pay to PRI the sum of \$7,500 for each standard well or drilling site up to six (6) acres in size. For every additional acre or portion thereof, Palone shall pay to PRI the sum of \$1,200 per acre (to be pro rated for partial acres).

C. Palone shall pay to PRI the sum of \$15.00 per rod for each Pipeline constructed or installed on the Property.

D. Payment for any other damages caused by Palone not enumerated in this Paragraph shall be on a fair and reasonable basis to be negotiated by the parties for each such use.

E. All payments described in this Paragraph shall be paid in full prior to commencement of any work relating to said payment.

F. On September 1, 2001, all payments described in this Agreement shall be subject to escalation in proportion to the percentage increase in the Consumer Price Index (CPI-U, average all items, 1982-84 base) of the United States or its successor indicator ("CPI") over the preceding five years. Thereafter, all payments described in this Paragraph shall be increased annually in proportion to the percentage increase in the CPI over the preceding year.

9. Use Restrictions. No guns, firearms, alcoholic beverages, drugs, dogs, trail bikes, motorcycles, recreational use of ATV's, recreational use of snowmobiles, or recreational vehicles shall be permitted on the Property and Palone, its agents, representatives, and employees shall not hunt, fish, recreational camp, recreational hike, trap or conduct any recreational activities on the Property. Additionally, Palone shall not unnecessarily disturb the livestock and wildlife on the Property.

10. Permits/Legal Requirements. Palone shall comply will all laws, rules, and regulations pertaining to the Property and to Palone's operations thereon. Palone shall apply for and obtain such permits as may be required by any county, state, federal, or other duly constituted authorities. Palone agrees to indemnify and save harmless PRI for any penalty, fine, or assessment for failure to obtain such permits.

11. Taxes. Palone shall pay (1) all taxes and assessments that may be levied against the buildings, equipment, supplies, and fixtures necessary for the improvements placed on the Property by Palone and (2) all increases in taxes against the Property resulting from the construction of facilities upon or change in use by Palone of the Property.

12. **Encumbrances.** Palone shall not act nor omit to take any action which could result in encumbrances or liens of any kind or nature whatsoever to be asserted against the Property. The assertion of any lien or encumbrance shall require Palone, within thirty (30) days after receipt of notice of the filing or recording of such lien, either to remove the same from the Property as an encumbrance or to provide a bond to the benefit of PRI in the sum of at least twice the amount of such encumbrance or lien. Upon the provision of satisfactory surety as to such lien amount, Palone may litigate and contest such lien fully. If at the end of thirty (30) days no surety has been provided PRI may pay the lien or encumbrance, and Palone shall immediately reimburse PRI for all funds expended, including, but not limited to, reasonable attorneys' fees and recording costs.

13. **Other Structures.** Palone acknowledges that PRI has made no representation of the existence or nonexistence of other structures, improvements or pipelines located within or adjacent to the Property, and Palone agrees that it will be solely responsible for, and will repair or replace at its own expense, any and all damage to these structures, improvements or pipelines resulting from Palone's operations.

14. **Indemnification.** Palone shall fully indemnify and hold PRI, its members, employees, representatives and agents, harmless against any and all loss, damage, injury, claim, suit, judgment, order, fine, penalty, or demand of every kind or nature whatsoever, whether in law or equity arising out of Palone's operations and use of the Lands, including without limitation all costs of defense together with reasonable attorneys' fees therefor, provided, however, said loss does not arise out of or result solely from the actions of PRI, its employees, agents, representatives or contractors. This paragraph and the obligations herein shall survive the termination of this Agreement.

15. **Default.** If at any time Palone or any of its agents, representatives or contractors have breached any obligation imposed on it under this agreement, PRI shall notify Palone in writing setting out the facts relied upon by PRI as constituting Palone's breach hereof. To the extent reasonably possible, Palone will immediately bring its operations into compliance with this Agreement. As to operations that cannot be immediately brought into compliance, Palone shall not be considered to be in default of its obligation to eliminate or repair such breach if Palone promptly upon its receipt of such notice initiates corrective action and eliminates or remedies such breach within twenty (20) days of receipt of PRI's notice or, if the breach is of a nature that cannot reasonably be cured within such twenty (20) day period, promptly upon its receipt of such notice initiates curative action and thereafter diligently pursues all reasonable efforts to effect such cure. In the event Palone does not cure any breach as provided for herein, PRI shall have the right to, at its election, collect damages or terminate this Agreement.

16. **No Partnership.** Nothing contained in this Agreement shall create or be construed as creating a partnership, joint venture, or employment relationship between PRI and

Palone. Neither PRI nor Palone shall be liable, except as otherwise expressly provided in this Agreement, for any obligations or liabilities of the other. Palone expressly agrees to indemnify and hold PRI, and the property of PRI free and harmless from any and all obligations and liabilities incurred by Palone in conducting operations, whether conducted pursuant to this Agreement or otherwise on the Property.

17. **Environment.** Except as provided herein, Palone shall not commit or permit to be committed any waste upon the Property or permit a nuisance thereon. Furthermore, Palone shall not store (except as necessary for operations) or dispose of or allow to be stored (except as necessary for operations) or disposed of on the Property any hazardous substances (which for purposes of this paragraph shall not be defined to include oil, gas or associated produced water). Palone agrees to comply with all federal, state, and local environmental laws and to reimburse and indemnify and defend PRI from any costs or liabilities incurred by PRI as a result of Palone's breach of this provision. To the extent materials abandoned by Palone on the Property are deemed at any time to be hazardous substances under federal, state, or local law, Palone shall be responsible for removal of such substances and complying with any and all laws or regulations relating thereto.

18. **Waiver.** The failure of either party to insist upon strict performance of any of the covenants or conditions of this Agreement in any one or more instances shall not be construed as a waiver or relinquishment for the future of any such covenants or conditions, but the same shall be and remain in full force and effect.

19. **Notice.** All notices and other communications provided for in this Agreement shall be in writing and shall be sufficient for all purposes if (i) sent by fax to the fax number set forth below or at such other number as the respective party may designate by notice as provided herein, and concurrently sent by 1st class U.S. mail, (ii) is personally delivered, or (iii) sent by certified or registered U.S. mail, return receipt requested, postage prepaid, and addressed to the respective party at the address set forth below or at such other address as such party may hereafter designate by written notice to the other parties as herein provided.

**To PRI:** Property Reserve, Inc.,  
f/k/a Deseret Title Holding Corporation  
Attn: Robert Stanton  
50 East North Temple Street  
Salt Lake City, Utah 84150-6320  
Fax: (801)240-2913

Until a successor representative is designated in writing to Palone, Robert Stanton shall be PRI's Representative for purposes of this Agreement.

To Palone: Billy Jim Palone  
P.O. Box 6  
Gillette, Wyoming 82717  
Fax:

Notice by mail shall be deemed effective and complete at the time it is received or served. Notice by fax shall be deemed effective and completed at the time the facsimile is sent.

20. Assignment. Palone may sell, transfer or assign all or a portion of its interest in this Agreement provided that the transferee specifically agrees in writing to be bound by this Agreement and PRI consents to such assignment, which consent shall not be unreasonably withheld. PRI may sell, transfer or assign its interest in this Agreement to any successor in interest to the Property or any portion thereof.

21. Miscellaneous Provisions. The parties hereto agree to the following additional provisions:

A. This Agreement is and shall be binding upon and inure to the benefit of the parties hereto and their respective heirs, successors and assigns.

B. This Agreement shall be governed by and interpreted in accordance with the laws of the State of Utah.

C. No modification or variation of this Agreement shall be of any force or effect unless in writing executed by both of the parties hereto.

D. It is expressly stipulated and agreed that time shall be of the essence in this Agreement.

E. PRI and Palone each agree to pay and discharge all reasonable costs and expenses, including attorneys' fees, that shall be made and incurred by the prevailing party in enforcing the covenants and agreements of this Agreement.

F. The invalidity or unenforceability of any particular provision of this Agreement shall not affect the other provisions hereof and the Agreement shall be construed in all respects as if such invalid provision were omitted.

G. The parties hereto agree to execute such additional documents as may be necessary or desirable to carry out the intent of this Agreement.

H. The paragraph headings used herein are for the convenience of the parties and shall not be deemed to modify or construe the meaning hereof.

DATED as of the day and year first above written.

**PRI:**

Property Reserve, Inc., formerly known as  
Deseret Title Holding Corporation, a Utah corp.

By

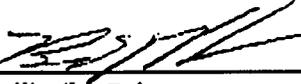
Title:

  
\_\_\_\_\_  
AUTHORIZED AGENT

**Palone:**

Billy Jim Palone

By

  
\_\_\_\_\_  
Billy Jim Palone

## Exhibit "A"

Attached to Surface Owners Agreement between Property Reserve, Inc. and Palone Petroleum

|   |        |
|---|--------|
| <b>Tract No. 1</b>  |        |
| <b>Township 9 North, Range 7 East, S.L.M.</b>   |        |
| 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 2686 feet; thence South 89 degrees East to the West boundary 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  |
| <b>Tract No. 2</b>  |        |
| <b>Township 8 North, Range 7 East, S.L.M</b>  |        |
| 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 |
| <b>Tract No. 3</b>  |        |
| <b>Township 8 North, Range 7 East, S.L.M</b>  |        |
| Section 15: All   | 640.00 |
| Section 21: All   | 640.00 |
| Section 23: All   | 640.00 |
| Section 25: All   | 640.00 |
| <b>Tract No. 4</b>  |        |
| <b>Township 8 North, Range 7 East, S.L.M</b>  |        |
| Section 27: All   | 640.00 |
| Section 33: All   | 640.00 |
| Section 35: All   | 640.00 |
| Section 36: All   | 640.00 |
| <b>Tract No. 5</b>  |        |
| <b>Township 8 North, Range 8 East, S.L.M.</b>   |        |
| Section 31: Lots 1(39.88), 2(39.90), 3(39.94), 4(39.98), E2W2, E2   | 639.68 |
| <b>Township 7 North, Range 7 East, S.L.M.</b>   |        |
| 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 |
| <b>Tract No. 6</b>  |        |
| <b>Township 7 North, Range 7 East, S.L.M.</b>   |        |
| 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 |
| <b>Tract No. 7</b>  |        |
| <b>Township 7 North, Range 7 East, S.L.M.</b>   |        |
| Section 15: All   | 640.00 |
| Section 16: W2SE  | 50.00  |
| 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 Surface Owners Agreement 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 28: | 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 | 639.80 |
| 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(39.95), 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, E2 | 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(28.54), 3(31.40), 4(38.06), 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 | 640.00 |
| 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 Surface Owners Agreement 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 |
| <b>Tract No. 18</b>                           |   |        |
| <b>Township 6 North, Range 6 East, S.L.M.</b> |   |        |
| Section 36:                                   | All   | 640.00 |
| <b>Township 6 North, Range 7 East, S.L.M.</b> |   |        |
| 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 |
| <b>Tract No. 19</b>                           |   |        |
| <b>Township 6 North, Range 8 East, S.L.M.</b> |   |        |
| Section 4:                                    | Lots 1(30.73), 2(21.10), 3(21.10), 4(21.10), 5(21.87), 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 |
| <b>Tract No. 20</b>                           |   |        |
| <b>Township 6 North, Range 7 East, S.L.M.</b> |   |        |
| Section 36:                                   | All of that portion of Section 36 lying North and West of the Union Pacific Railroad Company Right-of-way.  | 375.00 |
| <b>Township 6 North, Range 8 East, S.L.M.</b> |   |        |
| 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  |
| <b>Tract No. 21</b>                           |   |        |
| <b>Township 5 North, Range 6 East, S.L.M.</b> |   |        |
| Section 12:                                   | All   | 640.00 |
| <b>Township 5 North, Range 7 East, S.L.M.</b> |   |        |
| 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, E2SW, SE   | 644.28 |
| Section 8:                                    | All   | 640.00 |
| Section 10:                                   | N2NW  | 80.00  |
| Section 18:                                   | Lots 1(39.97), 2(39.93), 3(39.86), N2NE, SWNE, E2NW, NESW   | 359.78 |



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)

August 23, 2001

Fat Chance Oil & Gas, LLC  
PO Box 7370  
Sheridan, WY 82801

Re: Stacey Hollow 13-27 Well, 570' FSL, 736' FWL, SW SW, Sec. 27, T. 7 North, R. 7 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 43-033-30060.

Sincerely,

A handwritten signature in black ink that reads "John R. Baza".

John R. Baza  
Associate Director

dm

Enclosures

cc: Rich County Assessor





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  
(801) 538-5340 telephone  
(801) 359-3940 fax  
(801) 538-7223 TTY  
www.nr.utah.gov

Michael O. Leavitt  
Governor  
Robert L. Morgan  
Executive Director  
Lowell P. Braxton  
Division Director

September 17, 2002

Lorna James  
Fat Chance Oil & Gas, LLC  
P O Box 7370  
Sheridan WY 82801

Re: APD Rescinded – Stacey Hollow 13-27, Sec. 27, T. 7N, R. 7E  
Uintah, Utah API No. 43-033-0060

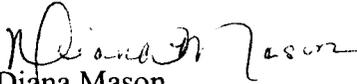
Dear Ms. James:

The Application for Permit to Drill (APD) for the subject well was approved by the Division of Oil, Gas and Mining on August 23, 2001. On September 17, 2002, you requested that the division rescind the approved APD. No drilling activity at this location has been reported to the division. Therefore, approval to drill the well is hereby rescinded, effective September 17, 2002.

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

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

Sincerely,

  
Diana Mason  
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

|  |  |   |
|--|--|---|
| <b>SUNDRY NOTICES AND REPORTS ON WELLS</b>   |  | 5. LEASE DESIGNATION AND SERIAL NUMBER:<br><b>Fee</b> |
| Do not use this form for proposals to drill new wells, significantly deepen existing wells below current bottom-hole depth, reenter plugged wells, or to drill horizontal laterals. Use APPLICATION FOR PERMIT TO DRILL form for such proposals. |  | 6. IF INDIAN, ALLOTTEE OR TRIBE NAME:                 |
|  |  | 7. UNIT or CA AGREEMENT NAME:                         |
| 1. TYPE OF WELL<br>OIL WELL <input type="checkbox"/> GAS WELL <input checked="" type="checkbox"/> OTHER _____  | 8. WELL NAME and NUMBER:<br><b>Stacey Hollow 13-27</b> |   |
| 2. NAME OF OPERATOR:<br><b>Fat Chance Oil &amp; Gas, LLC</b>   | 9. API NUMBER:<br><b>4303330060</b>                    |   |
| 3. ADDRESS OF OPERATOR:<br>PO box 7370 CITY <b>Sheridan</b> STATE <b>WY</b> ZIP <b>82801</b>   | PHONE NUMBER:<br><b>(307) 673-1500</b>                 | 10. FIELD AND POOL, OR WILDCAT:<br><b>Wildcat</b>     |
| 4. LOCATION OF WELL<br>FOOTAGES AT SURFACE: <b>570 FSL 736' FWL</b>  |  | COUNTY: <b>Rich</b>                                   |
| QTR/QTR, SECTION, TOWNSHIP, RANGE, MERIDIAN: <b>SWSW 27 7N 8E S</b>  |  | STATE: <b>UTAH</b>                                    |

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

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

Reclamation complete

RECEIVED

NOV 05 2002

DIVISION OF  
OIL, GAS AND MINING

|  |                                       |
|--|---------------------------------------|
| NAME (PLEASE PRINT) <b>Lorna James</b> | TITLE <b>Administrative Assistant</b> |
| SIGNATURE                              | DATE <b>10/31/2002</b>                |

(This space for State use only)