



Axem

Resources Incorporated

December 6, 1991

Utah Division of Oil, Gas, Mining
3 Triad Center, Suite 350
Salt Lake City, Utah 84180-1203

RECEIVED

DEC 09 1991

DIVISION OF
OIL GAS & MINING

RE: Black Bull Federal #3-31
NE NW Section 31-T38S-R25E
San Juan County, Utah

TO WHOM IT MAY CONCERN:

Enclosed please find two copies of the Application For Permit To Drill on the above mentioned well. Please handle accordingly.

Axem requests that this well be held under "Tight Hole" status and all information be held "Confidential". Please feel free to call either the Denver office and talk to the undersigned or our Belfield Office (701)575-8188 Mick Homiston.

Sincerely,

AXEM RESOURCES INCORPORATED

Terry L. Hoffman
Drilling Technician

tlh

cc: Brian Wood

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

SUBMIT IN DUPLICATE*
(Other instructions on reverse side)

Form approved.
Budget Bureau No. 1004-0136
Expires August 31, 1985

CONFIDENTIAL

APPLICATION FOR PERMIT TO DRILL, DEEPEN, OR PLUG BACK

1a. TYPE OF WORK: DRILL DEEPEN PLUG BACK LOCK UP

b. TYPE OF WELL: OIL WELL GAS WELL OTHER SINGLE ZONE MULTIPLE ZONE

2. NAME OF OPERATOR: Sunfield Energy Co.
Axem Resources Incorporated (303) 740-9000

3. ADDRESS OF OPERATOR: 7800 E Union Ave #1100 Denver, CO 80231

4. LOCATION OF WELL (Report location clearly and in accordance with any State requirements):
At surface: 885' FNL & 1815' FWL (NENW)
At proposed prod. zone: Same

5. FARM OR LEASE NAME: Black Bull Federal

6. WELL NO.: 3-31-31C

7. FIELD AND POOL, OR WILDCAT: Wildcat 001

8. SEC., T., R., M., OR BLK. AND SURVEY OR AREA: 31-38s-25e SLBM

9. COUNTY OR PARISH: San Juan

10. STATE: Ut.

11. DISTANCE IN MILES AND DIRECTION FROM NEAREST TOWN OR POST OFFICE*: 19 air miles SE of Blanding, Ut.

12. DISTANCE FROM PROPOSED LOCATION TO NEAREST PROPERTY OR LEASE LINE, FT. (Also to nearest drig. unit line, if any): 825'

13. NO. OF ACRES IN LEASE: 153.08

14. NO. OF ACRES ASSIGNED TO THIS WELL: 40

15. DISTANCE FROM PROPOSED LOCATION TO NEAREST WELL, DRILLING, COMPLETED, OR APPLIED FOR, ON THIS LEASE, FT.: N/A

16. PROPOSED DEPTH: 5,800' OSCR

17. ROTARY OR CABLE TOOLS: Rotary

18. ELEVATIONS (Show whether DF, RT, GR, etc.): 4,769' ungraded ground

19. APPROX. DATE WORK WILL START*: Jan. 2, 1992

PROPOSED CASING AND CEMENTING PROGRAM

SIZE OF HOLE	SIZE OF CASING	WEIGHT PER FOOT	SETTING DEPTH	QUANTITY OF CEMENT
17-1/2"	13-3/8"	48*(H-40, ST&C)	50'	~95 sx or to surface
11"	8-5/8"	24*(K-55, ST&C)	1,625'	~750 sx or to surface
7-7/8"	5-1/2"	15.5*(K-55, LT&C)	5,800'	~225 sx or to ~4,700'

1. Federal lease is NW4 Sec. 31, T. 38 S., R. 25 E., San Juan County, Utah.
2. Request exception to Rule 302 because of seismic evaluated (wellbore is 50' northwest of seismic line) geology. Exception is to quarter-quarter line, not to another well (closest is over a mile away). Orthodox location would force the well closer to Axem's P&Aed Black Steer 13-30 well which is 1603' northwest.
 - a) Orthodox well could be drilled at 660 FN & 1980 FW, but could be a dry hole since it would be off trend. Well is staked 50' from shot points #1015 & #1016 (see PAGE 17).
 - b) Request permission to drill at 885' FNL & 1815' FWL 31-38s-25e, San Juan County, Utah.
 - c) No producing, TA, or TSI wells offset the proposed exception.
 - d & e) Axem is lessee or operator of all lands and drilling units in a minimum 825' radius.

NOTE: Well name changed from Black Steer to Black Bull

IN ABOVE SPACE DESCRIBE PROPOSED PROGRAM: If proposal is to deepen or plug back, give data on present productive zone and proposed new productive zone. If proposal is to drill or deepen directionally, give pertinent data on subsurface locations and measured and true vertical depths. Give blowout preventer program, if any.

24. SIGNED: Brook J. Kiefer TITLE: Vice-President, Production DATE: 12-6-91

(This space for Federal or State office use)

PERMIT NO. 43-037-31663 APPROVAL DATE: _____

APPROVED BY: _____ TITLE: _____ DATE: _____

CONDITIONS OF APPROVAL, IF ANY: _____

APPROVED BY THE STATE OF UTAH DIVISION OF OIL, GAS, AND MINING

DATE: 12/6/91

BY: [Signature]

CC: MDO(3), SPRAS, UDOW(12)

WELL SPACING: Black Bull Unit

*See Instructions On Reverse Side

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

CONFIDENTIAL

LEASE DESIGNATION AND SERIAL NO.

U-49692

6. IF INDIAN, ALLOTTEE OR TRIBE NAME

N/A

7. UNIT AGREEMENT NAME

N/A

8. FARM OR LEASE NAME

Black Bull Federal

9. WELL NO.

3-31

10. FIELD AND POOL, OR WILDCAT

Wildcat

11. SEC., T., R., M., OR BLK. AND SURVEY OR AREA

31-38s-25e SLBM

12. COUNTY OR PARISH 13. STATE

San Juan

Ut.

APPLICATION FOR PERMIT TO DRILL, DEEPEN, OR PLUG BACK

1a. TYPE OF WORK

DRILL

DEEPEN

PLUG BACK

b. TYPE OF WELL

OIL WELL

GAS WELL

OTHER

SINGLE ZONE

MULTIPLE ZONE

2. NAME OF OPERATOR

Axem Resources Incorporated (303) 740-9000

3. ADDRESS OF OPERATOR

7800 E Union Ave #1100 Denver Co 80237

4. LOCATION OF WELL (Report location clearly and in accordance with any State requirements.)*

885' FNL & 1815' FWL (NENW)

At proposed prod. zone

Same

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19 air miles SE of Blanding, Ut.

10. DISTANCE FROM PROPOSED* LOCATION TO NEAREST PROPERTY OR LEASE LINE, FT. (Also to nearest drig. unit line, if any)

825'

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40

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4,769' ungraded ground

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Jan. 2, 1992

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SIGNED

Brook J. Pifer

Vice-President, Production

TITLE

DATE 12-6-91

(This space for Federal or State office use)

PERMIT NO.

APPROVAL DATE

APPROVED BY /S/ WILLIAM C. STRINGER

TITLE

Assistant District Manager
for Minerals

DATE FEB 24 1992

CONDITIONS OF APPROVAL, IF ANY:

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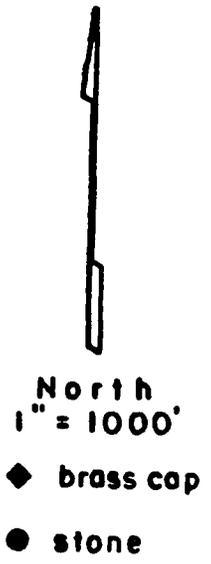
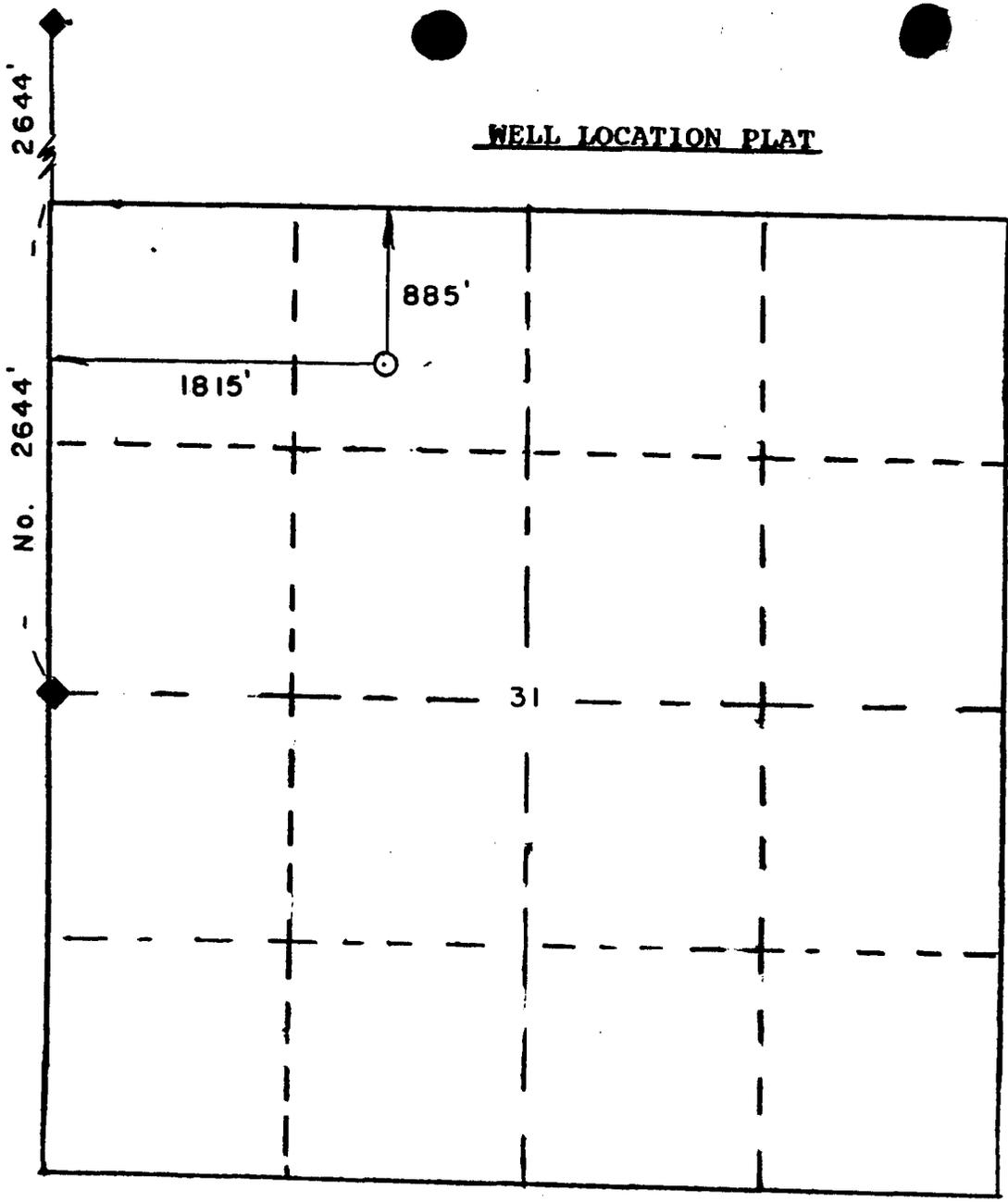
cc: MDO(3), SJRA(1), UDOGM(2)

FLARING OR VENTING OF GAS IS SUBJECT TO 40 C.F.R. 150.101

*See Instructions On Reverse Side

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

WELL LOCATION PLAT



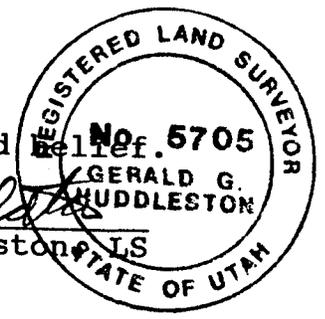
WELL LOCATION DESCRIPTION:

Axem Resources, Inc., Black Steer Fed. 3 - 31
885' FNL & 1815' FWL
Section 31, T.38 S., R.25 E., SLM
San Juan County, UT
4769' ground elevation

The above is true and correct to my knowledge and belief

20 Nov. 1991

Gerald G. Huddleston
Gerald G. Huddleston, L.S.



Axem Resources Incorporated
Black Bull Federal 3-31
885' FNL 1815' FWL
Sec. 31, T. 38 S., R. 25 E.
San Juan County, Utah

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All lease operations will be conducted in full compliance with applicable laws, regulations (43 CFR 3100), Onshore Oil & Gas Order #1, and the approved plan of operations. The operator is fully responsible for the actions of his subcontractors. Axem Resources Incorporated will furnish a copy of these conditions to its field representative to assure compliance.

8 Point Drilling Program

1. ESTIMATED FORMATION TOPS*

<u>Formation Name</u>	<u>Depth from GL</u>	<u>Depth from KB</u>	<u>Subsea Depth</u>
Morrison	000'	12'	+4,769'
Entrada Ss	300'	312'	+4,469'
Glen Canyon Group Ss	500'	512'	+4,269'
Chinle Shale	1,569'	1,581'	+3,200'
Shinarump	2,349'	2,361'	+2,420'
Moenkopi	2,394'	2,406'	+2,375'
Cutler	2,569'	2,581'	+2,200'
Honaker Trail	4,419'	4,431'	+ 350'
Upper Ismay	5,394'	5,406'	- 625'
Massive Anhydrite	5,419'	5,431'	- 650'
Algal Facies	5,454'	5,466'	- 685'
Hovenweep	5,529'	5,541'	- 760'
Lower Ismay	5,554'	5,566'	- 785'
Gothic	5,609'	5,621'	- 840'
Desert Creek	5,634'	5,646'	- 865'
Chimney Rock	5,714'	5,726'	- 945'
Akah Shale	5,744'	5,756'	- 975'
Salt	5,769'	5,781'	-1,000'
Total Depth (TD)	5,800'	5,812'	-1,031'

* All depths based on ungraded ground level of 4,769'.

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2. NOTABLE ZONES

The estimated formation top depths from ungraded GL at which water, oil, gas, or other mineral bearing zones may be found are:

<u>Possible Fresh Water Zones</u>	<u>Possible Uranium Zones</u>	<u>Possible Oil & Gas Zones</u>
Morrison: 000'	Morrison: 000'	Honaker Trail: 4,419'
Entrada: 300'	Chinle: 1,569'	Upper Ismay: 5,394'
Glen Canyon Group: 500'		Desert Creek: 5,634'

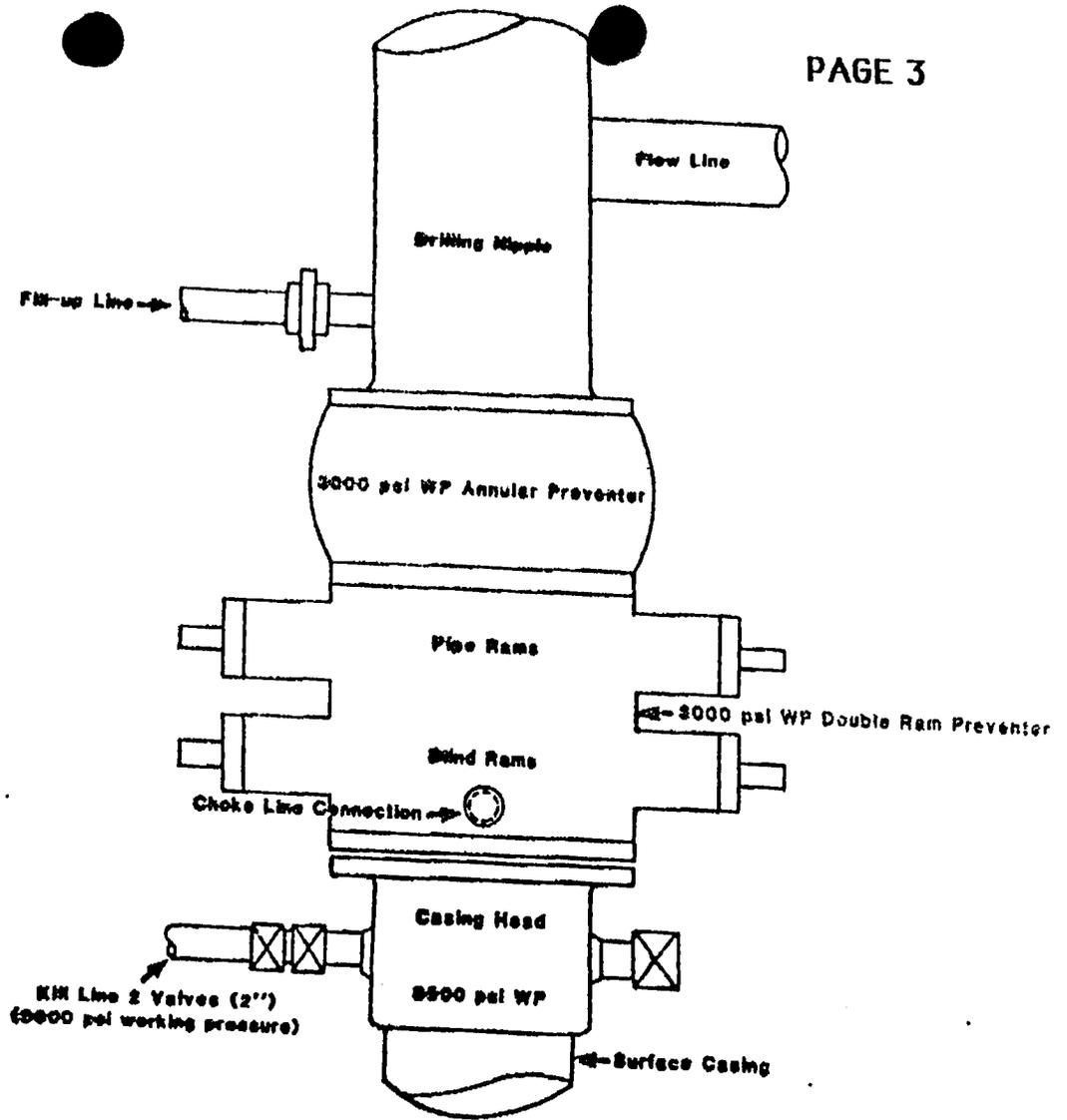
Primary goal is the Upper Ismay. Secondary goals are the Honaker Trail and Desert Creek. Water bearing zones will be protected with weighted mud. Fresh water found during drilling will be recorded by depth, cased, and cemented. Surface casing will be set into the Chinle shale. Promising oil and gas shows will be tested to determine commercial potential.

3. PRESSURE CONTROL (Also see "5." on PAGE 4)

BOP systems will be consistent with API RP 53 and Onshore Order #2. An 11" x 3,000 psi double ram and annular preventer with a 3,000 psi choke manifold will be used. A typical example of a 3,000 psi BOP is on Page 3. The actual model will not be known until the bid is let.

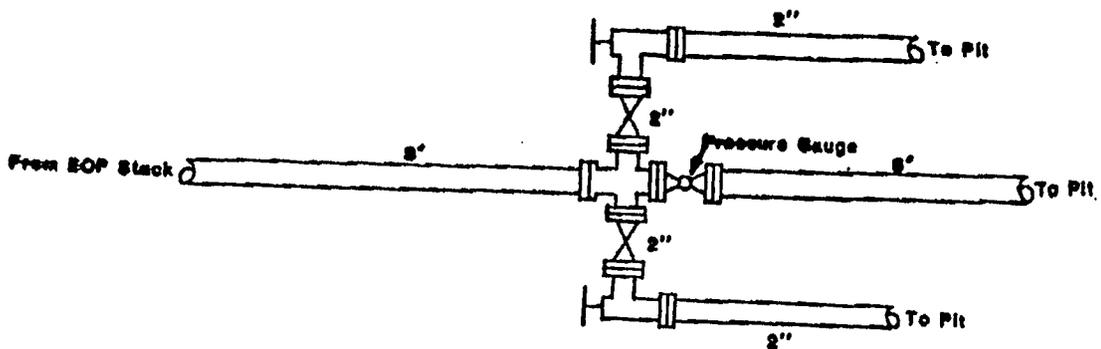
Ram type preventers will be tested to the rated working pressure of the stack or to 70% of the internal yield of the casing, whichever is less. The annular type preventer will be tested to 50% of its rated working pressure.

Pressure tests will be conducted before drilling out from under all casing strings which are set and cemented in place. BOP controls will be installed before drilling the surface casing plug, and will stay in use until the well is completed or abandoned. Preventers will be pressure tested before drilling casing cement plugs.



11" 3000 PSI WP Blowout Preventer Stack

Prod./Misc. 83-3



All valves, chokes, upstream lines, and fittings are Series 800 (3,000 PSI WP).

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BOPs will be inspected and operated at least daily to assure good mechanical working order. All BOP mechanical tests, pressure tests, and inspections will be recorded on the driller's log or daily drilling report.

4. CASING & CEMENTING

<u>Hole Size</u>	<u>O.D.</u>	<u>lbs/ft</u>	<u>Grade</u>	<u>Type</u>	<u>Age</u>	<u>Setting Depth (GL)</u>
17-1/2"	13-3/8"	48	H-40	ST&C	New	0' - 50'
11"	8-5/8"	24	K-55	ST&C	New	0' - 1,625'
7-7/8"	5-1/2"	15.5	K-55	LT&C	New	0' - 5,800'

Conductor pipe (0' to 50'): Cement to surface with ≈95 sx.

Surface Casing (0' to ≈1,625'): Cement to surface with ≈750 sx Class B.

Production Casing (0' to 5,800'): Cement from 5,800' (TD) to ≈4,700' in one stage with ≈225 sx Class B and Poz.

5. MUD PROGRAM

<u>Depth</u>	<u>Type</u>	<u>Weight (ppg)</u>	<u>Viscosity</u>	<u>Fluid Loss</u>
0' - 150'	Gel - lime slurry	8.5-9.0	35-50	NC
150' - 1,625'	Fr. water, floc. & lime	8.4-8.6	26-32	NC
1,625' - 5,600'	Fr. water, floc. & lime	8.4-8.7	26-32	NC
5,600' - 5,800'	Gel-chemical, caustic soda	9.0-10.5	40-45	≤10 cc

6. CORING, TESTING, & LOGGING

Twelve sidewall cores may be cut and a DST run in the Upper Ismay if good shows are found. Cuttings will be collected every 30' from base of surface

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casing to 5,000'. A one man mud logging unit will be present from 5,000' to TD. Cuttings will then be collected every 10'. These logs may be run:

TD (5,800') to Base of Surface Casing (1,625'): Dual Induction-SFL
TD (5,800') to Base of Surface Casing (1,625'): Acoustic
TD (5,800') to 4,500': Density/Neutron

Whether the well is completed as a dry hole or producer, "Well Completion or Recompletion Report and Log" (Form 3160-4) will be submitted not later than 30 days after completion of the well or after completion of operations performed *per* 43 CFR 3162.4-1. Two copies of all logs, core descriptions & analyses, well test data, geologic summaries, sample descriptions, and all other data obtained during drilling, workover, and/or completion operations, will be filed with Form 3160-4. (If requested, sample cuttings, fluids, and/or gases will be submitted to the District Manager.)

7. DOWNHOLE CONDITIONS

The maximum anticipated bottom hole pressure is 2,500 psi. No abnormal pressures, temperatures, or hydrogen sulfide are expected. Artesian water flows may be encountered in the Entrada-Glen Canyon interval.

8. MISCELLANEOUS

The anticipated spud date is January 2, 1991. It is expected it will take ≈20 days to drill the well and 10 days to complete the well. The spud date will be phoned to the Resource Area, at least 1 day before spudding. A Sundry Notice (Form 3160-5), reporting the spud date and time, will be sent to the District Manager within 24 hours after spudding. If the spud is on a weekend or holiday, the Sundry will be sent on the following regular work day.

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No location will be built or moved, no well will be plugged, and no drilling or workover equipment will be removed from a well to be placed in a suspended status without prior approval of the District Manager. If operations are to be suspended, prior approval of the District Manager will be obtained and notification given before resuming operations.

Starting with the month in which operations begin, and continuing each month until the well is physically plugged and abandoned, a "Monthly Report of Operations" (Form 3160-6) will be sent to the District Manager.

Immediate Report: Spills, blowouts, fires, leaks, accidents, or any other unusual events will be promptly reported to the Resource Area *per* NTL-3A.

If the well is successfully completed for production, then the District Manager will be notified. Written notice will be sent not later than 5 business days following the date on which the well is placed on production.

Approval to vent/flare gas during initial well evaluation will be obtained from the District Manager. This preliminary approval will not exceed 30 days or 50 MMcf of gas. Approval to vent/flare beyond this initial period will require the District Manager's approval *per* NTL-4A.

No well abandonment operations will begin without prior approval of the District Manager. With a newly drilled dry hole, failure, or emergency, oral approval will be obtained from the District Manager. A Sundry Notice will be sent to the District Manager within 30 days following completion of the well for abandonment. The Sundry will note where plugs were placed and the current status of surface restoration. Final abandonment will not be approved until reclamation required by the approved APD or abandonment notice has been completed to the satisfaction of BLM and the landowner. Once plugged, a regulation 4' high dry hole marker will be installed and "Axem Resources Incorporated, Black Bull Fed. 3-31, NENW 31-38s-25e, U-49692" will be beaded on with a welding torch.

13 Point Surface Use Plan

1. EXISTING ROADS & DIRECTIONS (See PAGES 15 & 16)

From the Montezuma Creek Post Office, go north 14.1 mi. on U-262.

Then turn right and go east 6.8 mi. on paved county road N-5099 to just past Hatch Trading Post.

Then bear left and go north 4.0 mi. on a county road. (The first 1/4 mi. is paved. The rest is gravel.)

Then turn right just past a road curve sign, cross the Koch gas line, and go north \approx 300' along the east side of the Koch gas line.

Then turn right and follow a flagged route \approx 150' east along a very old seismic trail to the wellsite.

Existing roads are state and county. An Encroachment Permit has been filed with the San Juan County Road Department. Roads will be maintained to a standard at least equal to their present condition. No upgrading is needed.

2. ROAD TO BE BUILT (See PAGE 16)

Dirt contractor will call Charlie Williams, Koch representative, 48 hours before starting construction. His phone numbers are (303) 677-2436 and (303) 565-5016.

The \approx 450' of new S-shaped road will have a \approx 16' wide running surface and maximum disturbed width of \approx 30'. It will be rocked with 100 cubic yards of pit run from the county road edge across the Koch Hydrocarbon gas line. A minimum 3' high (after compaction) pad will be built over the pipeline.

Maximum cut or fill will be 3'. Maximum grade will be 5%. No cattleguards or gates are needed. An 18" x 30' long culvert will be installed between

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the gas line and wellsite.

Surface disturbance and vehicle travel will be limited to the approved location and roads. Any additional area needed will be approved in advance by the Area Manager or land owner.

3. EXISTING WELLS (See PAGE 16)

There are no injection, producing, or disposal wells within 1 mile. There is a 650' deep 4-1/2" O.D. 14 year old water well 3,572' northeast at 2600' FSL & 2600' FWL 30-38s-25e. It is owned by Richard C. Perkins.

4. PROPOSED PRODUCTION FACILITIES

The exact type and layout of the production facilities are not known now. A Sundry Notice will be filed before installation. Facilities will likely be set on the wellpad and include a tank battery, separator, and meter run. The tank battery berm, pits, and all facilities will be fenced.

All permanent (on site for 6 or more months) surface facilities will be painted a flat green or tan color. Specific color will be determined by the landowner. Painting will be completed within 6 months of installation. Parts required to comply with OSHA colors will be excluded.

The tank battery will be surrounded by a dike of sufficient capacity to contain 150% of the storage capacity of the largest tank in the battery + one day's production. All loading lines will be placed inside the dike.

Site security regulations in 43 CFR 3162.7-4 will be obeyed. All product lines entering or leaving hydrocarbon storage tanks will be effectively sealed.

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All commingling on or off-lease must have prior written approval from the District Manager.

Gas meter will be within 500' of the separator. The gas line will be buried from the separator to the meter and 500' downstream of the meter and any production facilities. Meter will be housed and/or fenced.

Oil and gas measurement facilities will be installed on the production facility. Meters will be calibrated in place before delivery begins. Meter accuracy tests will be conducted monthly for the first 3 months on new meters, and at least quarterly thereafter. The Resource Area will be provided with a date and time for the initial meter calibration and all future meter proving schedules. A copy of the meter calibration reports will be sent to the Resource Area. All meters will conform with the API standards for liquid hydrocarbons and AGA standards for natural gas measurement.

5. WATER SUPPLY (See PAGE 16)

Water source will be an artesian well on Richard Perkins' private land in NESW Sec. 30, T. 38 S., R. 25 E. An Application to Appropriate Water has been filed with the State of Utah Div. of Water Rights. Water will be trucked \approx 2 miles on existing roads, including \approx 1/3 mi. of existing road on BLM land in SENW Section 30. This is casual use. No construction or upgrading is needed. The rest of the haul route is on Richard Perkins' land or a county road.

6. CONSTRUCTION METHODS & MATERIALS (See PAGES 17-19)

An archaeological site is southwest of the pad and pit is marked with blue flagging and must be avoided.

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885' FNL & 1815' FWL
Sec. 31, T. 38 S., R. 25 E.
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Brush and the top 6" of soil will be saved and stockpiled north of the reserve pit and pad. Wash will be diverted westward, but beware of the archaeological site to the southwest.

Pad construction materials will be on lease native soil in place on the well pad. Reserve pit will be lined with 24 tons of commercial bentonite. Pit run rock will be bought from a commercial source. Use of material under BLM jurisdiction will comply with 43 CFR 3610.1-3.

7. WASTE DISPOSAL

Over 90% of the reserve pit capacity will be in cut. The reserve pit will be lined with 24 tons of commercial bentonite. The pit will be fenced on 3 sides with 36" high woven wire topped with 2 strands of barbed wire for a total height of 60" within 24 hours of completion of construction. The 4th side will be fenced within 24 hours of the rig moving off. The fence will be kept in good repair while the pit dries.

All trash will be placed in a trash cage. When full, it will be hauled to the Blanding dump or Cortez landfill. A permit is required for burning trash between May 1 and October 31. Call the San Juan County Sheriff at (801) 587-2237 for a burning permit. The road and pad will be kept litter free.

Human waste will be disposed of in 10' deep ratholes or chemical toilets. The ratholes will be immediately filled when the trailers are removed.

Produced water will be confined to the reserve pit for a period not to exceed 90 days after initial production. During the 90 day period an NTL-2B application will be submitted for the District Manager's approval of a permanent disposal method and site.

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8. ANCILLARY FACILITIES

There will be no airstrip or formal camp. Three camper trailers may be on site for the company man, mud logger, and tool pusher.

9. WELL SITE LAYOUT

See PAGES 17-19 for depictions of the well pad, cross sections, cut and fill diagrams, reserve pit, burn pit, access road onto the pad, parking, living facilities, and rig orientation.

10. RECLAMATION

Immediately upon completion of drilling, all trash and debris will be collected from the pad and surrounding area and placed in the trash cage.

The reserve pit will be completely dry before it is backfilled. All disturbed areas will be recontoured to blend as nearly as possible with the natural topography. This includes removing all berms and refilling all cuts. All disturbed areas will be ripped 6" deep with the contour. Seed will be broadcast between October 1 and February 28 with the mix below. A harrow or similar implement will be drug to assure seed cover.

<u>Species</u>	<u>Rate (pounds/acre)</u>
Indian ricegrass	2
Galleta grass	1
Crested wheatgrass	1
Fourwing saltbush	2
Shadscale	2
Yellow sweetclover	1
Wild sunflower	1

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After seeding is complete, stockpiled brush will be scattered evenly over the disturbed area. The road will be reclaimed and water barred.

The reserve pit and that part of the pad not needed for production will be reclaimed as previously described. Enough topsoil will be kept to reclaim the remainder of the pad at a future date.

11. SURFACE OWNER

The owner of the water well, most of the water haul route, wellsite, and new access road is Richard C. Perkins. His address is 184 North 1st West, Blanding, Utah 84511. His phone number is (801) 678-2595. A copy of the landowner's agreement is attached, with the price blacked out to protect the landowner's privacy.

12. OTHER INFORMATION

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

There will be no change from the proposed drilling and/or workover plan without prior approval from the District Manager. A Sundry Notice will be filed for approval for all changes of plans and other operations *per* 43 CFR 3162.3-2.

Safe drilling and operating practices must be used. All wells, whether drilling, producing, suspended, or abandoned will be identified *per* 43 CFR 3162.3-2.

If subsurface cultural materials are exposed during construction, work in that spot will stop immediately and the Resource Area will be called.

**Axem Resources Incorporated
Black Bull Federal 3-31
885' FNL & 1815' FWL
Sec. 31, T. 38 S., R. 25 E.
San Juan County, Utah**

PAGE 13

CONFIDENTIAL

Anyone other than the landowner disturbing archaeological sites or collecting artifacts, including arrowheads, is subject to prosecution.

This permit will be valid for one year from the date of approval. After it expires, a new application will be filed for approval of future operations.

The District Office's mailing address is P.O. Box 970, Moab, Utah 84532. The phone number is (801) 259-6111.

The Resource Area's mailing address is P.O. Box 7, Monticello, Utah 84535. The phone number is (801) 587-2141.

The nearest hospital is a ≈70 minute drive to Monticello, Utah. It is 3 blocks northwest of the intersection of US 666 and US 191. Hospital phone number is (801) 587-2116. Or dial 1-800-332-1911 from anywhere in San Juan County. The closest medically equipped helicopter is in Grand Junction, Colorado, at St. Mary's Hospital. Call (303) 244-2550.

13. REPRESENTATION AND CERTIFICATION

Anyone having questions concerning the APD should contact:

Brian Wood (505) 984-8120
Permits West, Inc.
37 Verano Loop
Santa Fe, NM 87505 FAX (505) 988-9682

The representative during drilling will be:

Ralph Sloane, Jr. (505) 325-8786
Wellsite Engineering or 325-1873, Mobile Unit 2148
P.O. Box 2606
Farmington, NM 87499

Axem Resources Incorporated
Black Bull Federal 3-31
885' FNL & 1815' FWL
Sec. 31, T. 38 S., R. 25 E.
San Juan County, Utah

PAGE 14

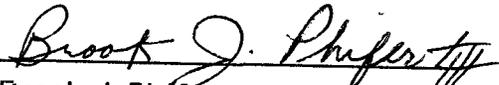
CONFIDENTIAL

The representative during production will be:
Terry Hoffman (303) 740-9000
Axem Resources Incorporated
7800 East Union Ave., Suite 1100
Denver, Co. 80237

CERTIFICATIONS

I hereby certify that Axem Resources Incorporated has the necessary consents from the proper lease and unit interest owners to conduct lease and unit operations in conjunction with this APD. Bond coverage *per* 43 CFR 3104 for lease activities is being provided by Axem Resources Incorporated.

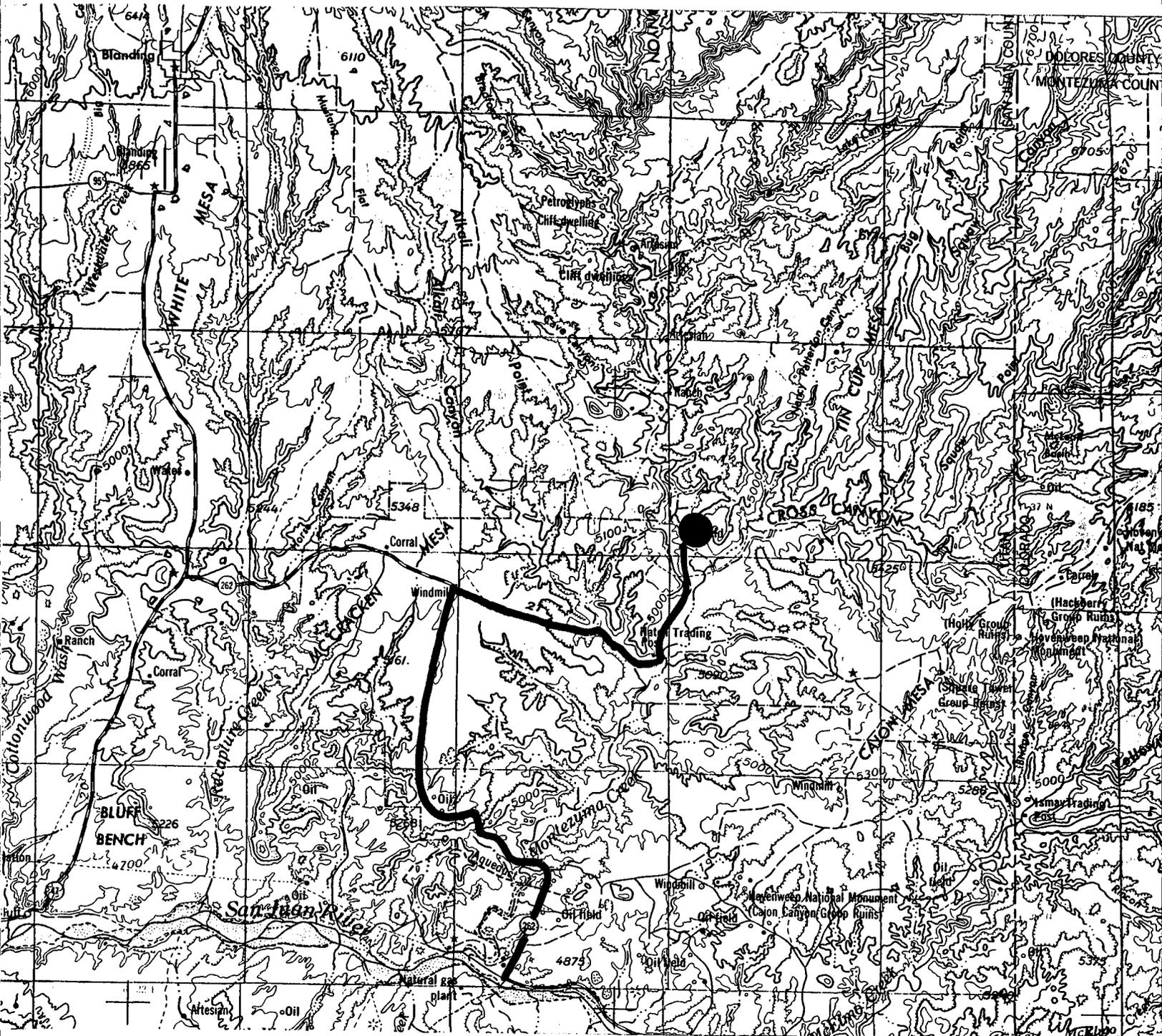
I hereby certify that I, or persons under my direct supervision, have inspected the proposed drill site and access route; that I am familiar with the conditions which currently exist; that the statements made in this plan are, to the best of my knowledge, true and correct; and that the work associated with operations proposed herein will be performed by Axem Resources Incorporated and its contractors and subcontractors in conformity with this plan and the terms and conditions under which it is approved. This statement is subject to the provisions of 18 U.S.C. 1001 for the filing of a false statement.


Brook J. Phiffer
Vice-President, Production

12-6-91
Date

Axem Resources Incorporated
Black Bull Federal 3-31
885' FNL & 1815' FWL
Sec. 31, T. 38 S., R. 25 E.
San Juan County, Utah

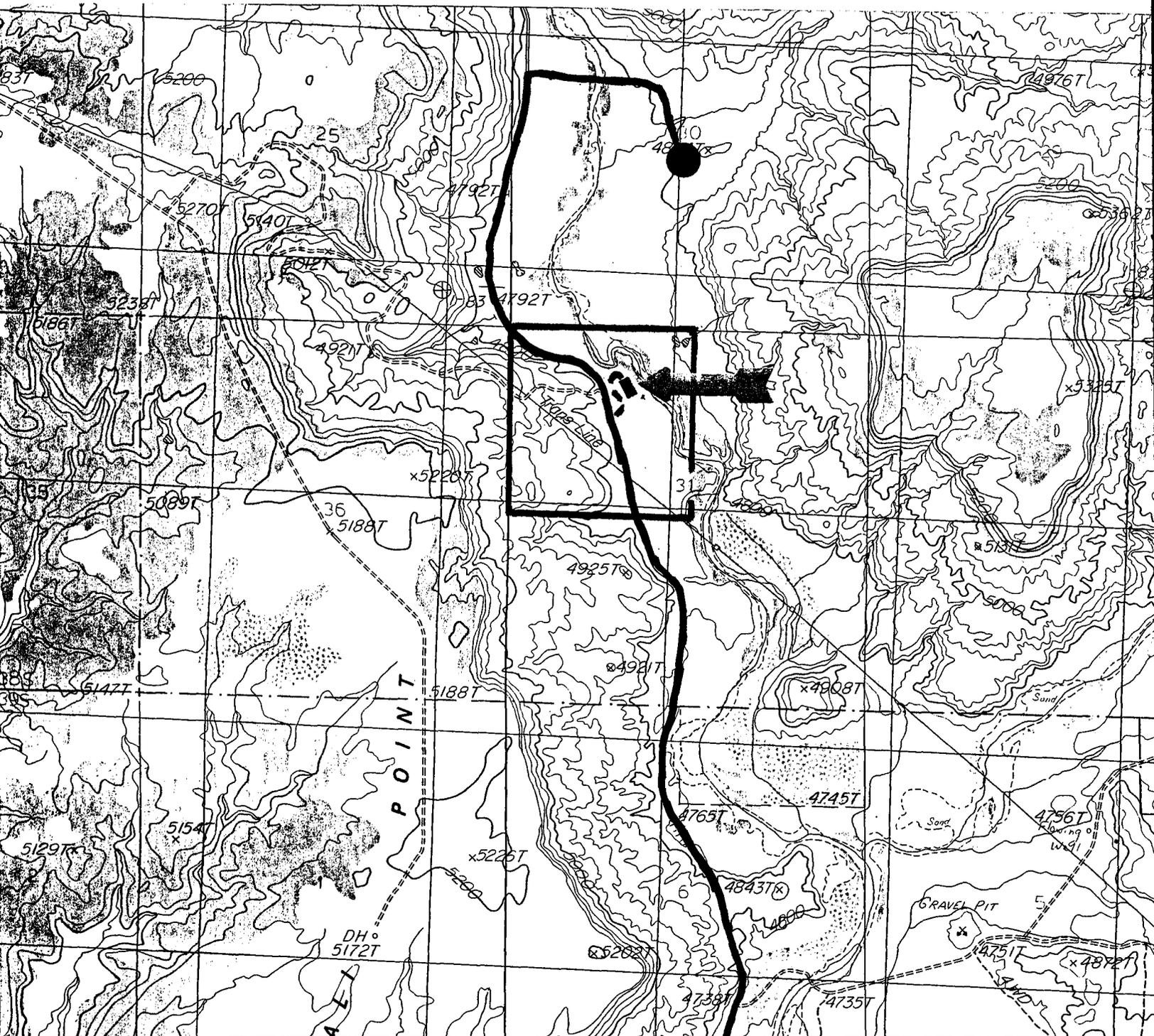
CONFIDENTIAL



Proposed Well: ●

Access Road: ~

CONFIDENTIAL



Existing Road: ~

New Road: 5

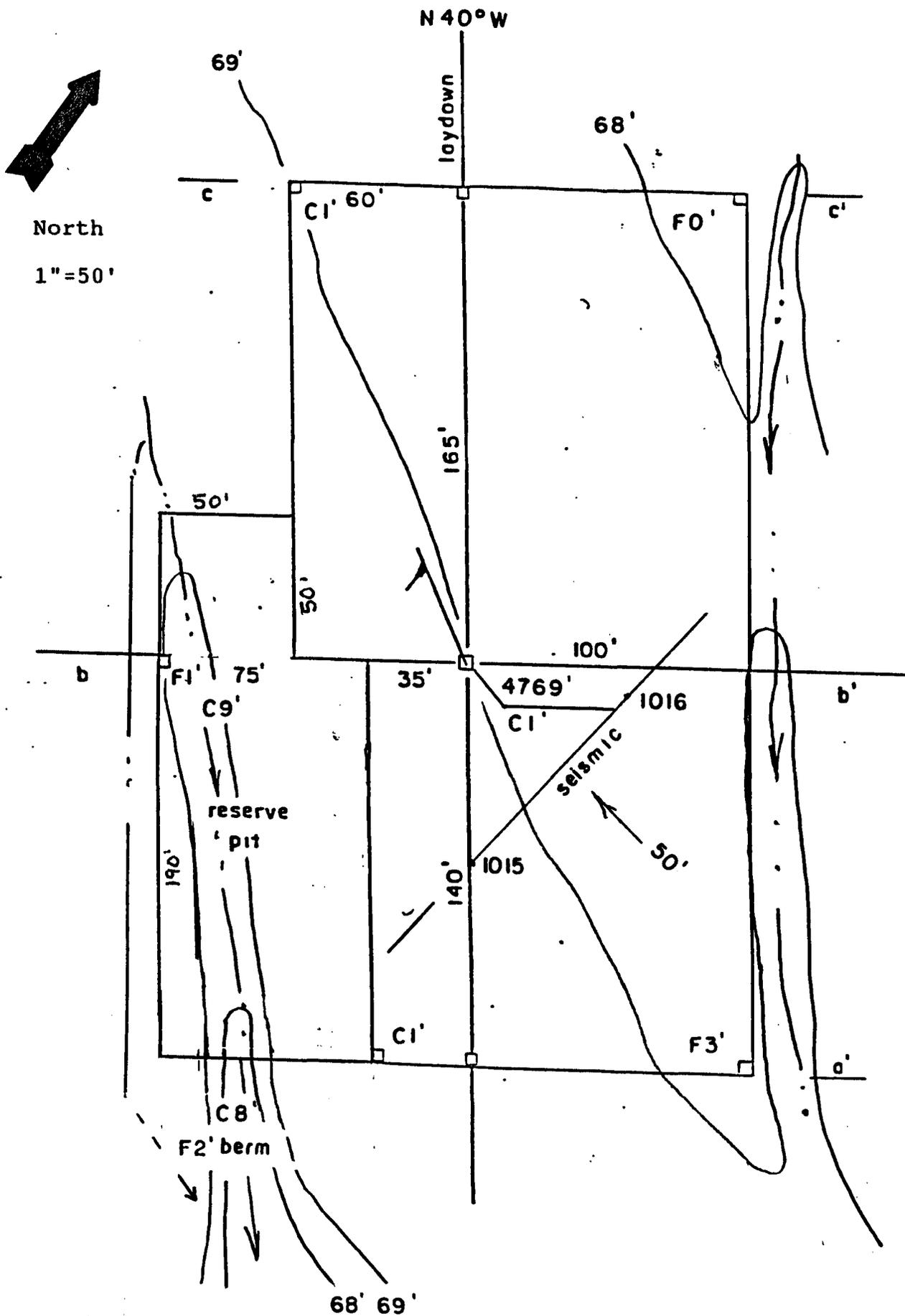
Lease: L

Proposed Well: [Arrow]

Water Well: ●

PLANVIEW SKETCH

Black Steer Federal 3 - 31

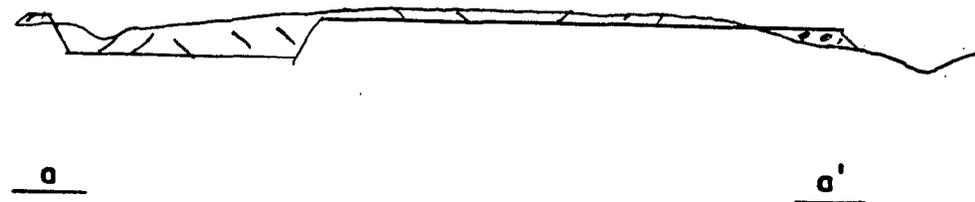
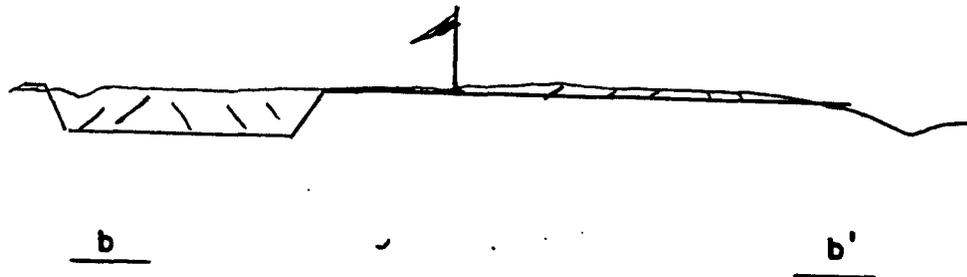
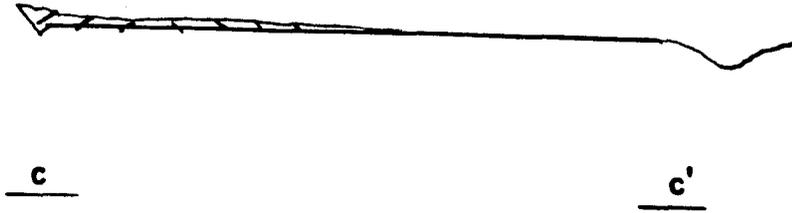


CROSS SECTION

Cut /////
Fill ~~~~~

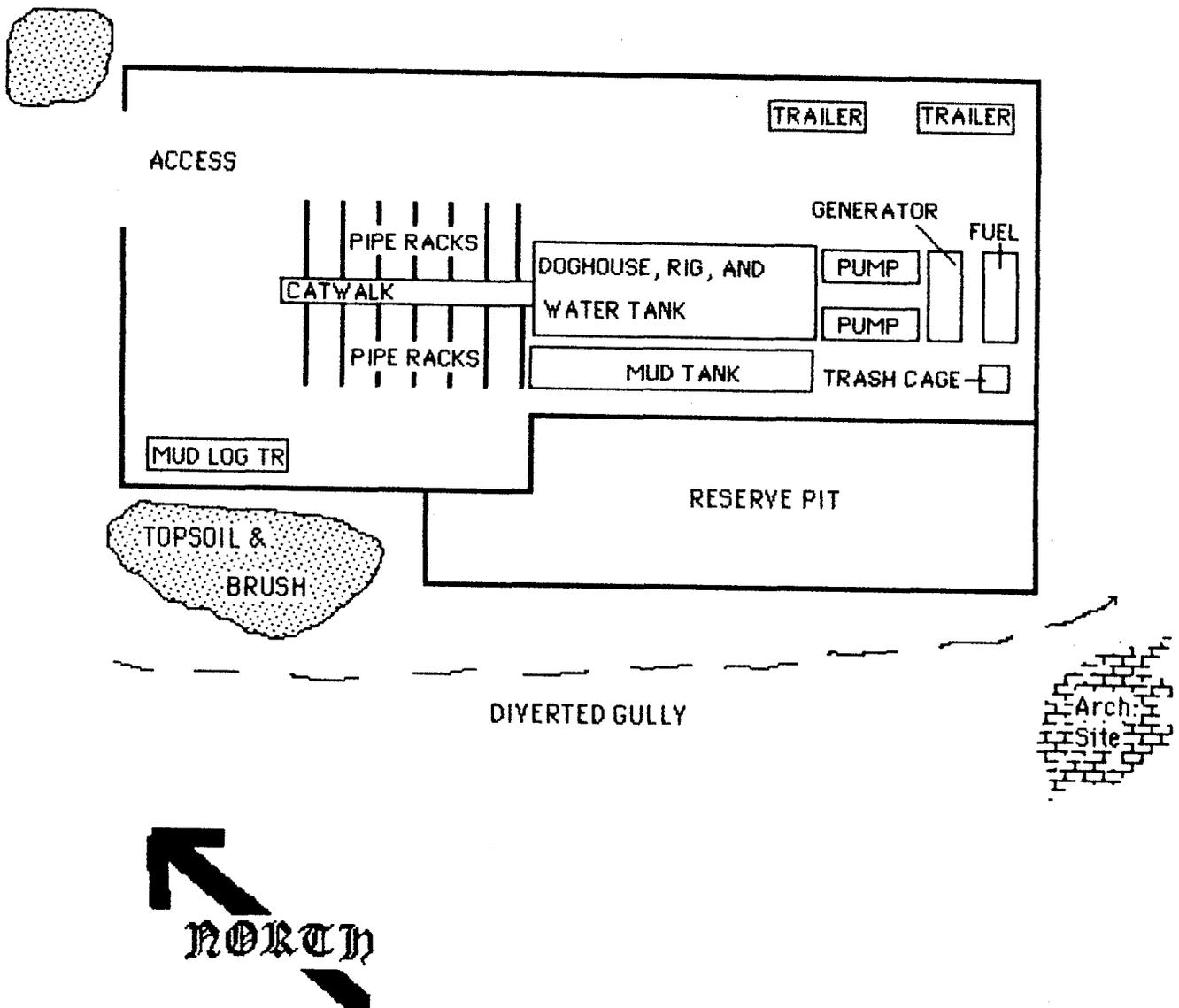
Black Steer Federal 3 - 31

1"=50' vert. & horz.



Axem Resources Incorporated
Black Bull Federal 3-31
885' FNL & 1815' FWL
Sec. 31, T. 38 S., R. 25 E.
San Juan County, Utah

CONFIDENTIAL



ROAD, WELLSITE AND WATER USE AGREEMENT

RICHARD C. PERKINS of 184 North 1st West, Blanding, Utah 84511 ("Grantor"), conveys and warrants a right-of-way and easement to **AXEM RESOURCES INCORPORATED**, a Delaware Corporation, 7800 East Union Avenue, Suite 1100, Denver, Colorado 80237 ("Grantee"), for the Black Bull Federal 3-31 wellsite of no more than 2 acres in size and road right-of-way of approximately 500 feet in length and no more than 30 feet wide through and across the lands owned by Richard C. Perkins in the northeast quarter of the northwest quarter of Section 31, T. 38 S., R. 25 E., San Juan County, Utah ("the Lands"), shown as a black rectangle and dash line on the attached map. Grantor will allow Grantee to pump all water necessary for building, drilling, and completing the Black Bull Federal 3-31 well from Grantor's water well at 2,600' FSL & 2,600' FWL in Section 30, T. 38 S., R. 25 E., San Juan County, Utah. Water can be trucked on existing roads or piped through a temporary surface pipeline laid on existing roads or seismic trails. Trucks will not travel seismic trails except to lay and collect pipe.

This road and wellsite right-of-way and water use are granted in consideration of a one time only ~~payment~~ payment. Payment shall be made after Grantee's receipt of a signed and notarized grant and before construction starts, and shall permit Grantee to construct, improve, maintain, repair and use a wellsite and road ("the Facilities") for the purpose of moving in and out construction equipment, drilling equipment, crews, material, tank trucks, and all equipment necessary or convenient for the drilling, testing, completing, and producing of an oil well, gas well, or injection well. If archaeology is found, said payment authorizes Grantee to move Facilities after construction starts without subsequent payment.

Grantee shall be entitled to have the right of ingress to, egress from, and access in and along the wellsite and road right-of-way to construct, maintain, operate, use, repair, inspect, protect, remove and replace the Facilities for its agents, employees, licensees, permittees, contractors, and subcontractors for the purposes stated above. The grant terminates no later than 12 months after the well is plugged and abandoned, unless sooner terminated by mutual agreement.

Grantor shall have the right to use the Lands, provided such use does not interfere with the Facilities or any other rights granted to Grantee under this Right-of-Way ("Grant"). Grantor shall not in any way bar, block, or prevent Grantee's vehicular access on or along the Facilities. Grantor reserves the right to require prior permission and payment before granting access to seismic crews.

Grantee shall reserve 6" of the topsoil at the well for reclamation. Grantee shall fence three sides of the reserve pit before drilling, and fence the fourth side when the drill rig is removed. Fence will be 5' high and consist of 36" of woven wire topped with 2 strands of barbed wire. Grantee shall provide a trash cage while drilling and keep the Lands litter free.

If Grantee no longer wishes to use the right-of-way, then Grantee, if requested by the Grantors, shall harrow the right-of-way 12" deep; recontour the right-of-way to match the original contours; spread the reserved topsoil across the right-of-way; seed with 2 lb/ac Indian ricegrass, 1 lb/ac Galleta grass, 1 lb/ac crested wheatgrass, 2 lb/ac fourwing saltbush, 2 lb/ac shadscale, 1 lb/ac yellow sweet clover, and 1 lb/ac wild sunflower; and build water bars. Grantee shall complete its reclamation no later than one year after the well is plugged.

The aforesaid ~~payment~~ payment shall also be consideration for damages to the surface of the lands occasioned by the building and use of the Facilities in the normal course of Grantee's operations or if Facilities are moved after construction if archaeology is found, and all other damages except as provided herein.

Grantee agrees to pay damages that may arise to livestock caused by the exercise of its right under this Grant. Should any unresolved dispute arise as to such damages, it shall, at the written request of either party, be arbitrated and determined by disinterested arbitrators, one to be appointed by Grantor and one by Grantee within 20 days after such request. If the two so chosen are

unable to agree within 90 days after appointment, then they shall, within 30 days after written request by either the Grantor or the Grantee, select a third arbitrator. If the two arbitrators cannot agree on a third arbitrator, either Grantor or Grantee may seek appointment of a third arbitrator by a federal district judge of the district in which the Lands lie. The decision of any two of the arbitrators so appointed shall be final. Costs of arbitration shall be borne equally by the parties.

This Grant shall be binding upon and inure to the benefit of the successors and assigns of Grantor and the successors and assigns of the Grantee and may be assigned in whole or in part by Grantee.

WITNESS the execution hereof this _____ day of _____, 1991.

GRANTOR:

GRANTEE:

AXEM RESOURCES INCORPORATED
a Delaware Corporation



Richard C. Perkins

SSN: 529-20-2490

By: _____

Brook J. Phifer

Vice President - Production

OPERATOR Sunfield Energy Co. DATE 10-16-91

WELL NAME Black Bull actual 31C

SEC NENW 31 T 38S R 05E COUNTY San Juan

43-037-31663
API NUMBER

actual (1)
TYPE OF LEASE

CONFIDENTIAL

CHECK OFF:

PLAT.

BOND

NEAREST WELL

LEASE

FIELD

POTASH OR OIL SHALE

PROCESSING COMMENTS:

No other producing well within Sec. 31.
Water Permit not mentioned in my Perkins permit (10-3-91)
ROCC 10-16-91 - Operator is Sunfield Energy Co.
Well approved by BLM (10-04-90)
Water Permit received 10-16-91 09-1787 (T65781)

APPROVAL LETTER:

SPACING:

R649-2-3

Black Bull
UNIT

R549-3-2

N/A

CAUSE NO. & DATE

R649-3-3

STIPULATIONS:

CONFIDENTIAL

PERIOD EXPIRED

ON 5-15-93

RECEIVED

TEMPORARY

FILING FOR WATER IN THE STATE OF UTAH

Rec. by A. Tholen
Fee Rec. 30.00
Receipt # 32324

DEC 16 1991

WATER RIGHTS PRICE

APPLICATION TO APPROPRIATE WATER

Microfilmed _____
Roll # _____

For the purpose of acquiring the right to use a portion of the unappropriated water of the State of Utah, application is hereby made to the State Engineer, based upon the following showing of facts, submitted in accordance with the requirements to Title 73, Chapter 3 of the Utah Code Annotated (1953, as amended).

*WATER RIGHT NO. 09 - 1787

*APPLICATION NO. A T65781

1. *PRIORITY OF RIGHT: December 16, 1991 *FILING DATE: December 16, 1991

2. OWNER INFORMATION

Name(s): Axem Resources Incorporated c/o Permits West, Inc. *Interest: _____ %

Address: 37 Verano Loop

City: Santa Fe State: New Mexico Zip Code: 87505

Is the land owned by the applicant? Yes _____ No X (If "No", please explain in EXPLANATORY section.)

3. QUANTITY OF WATER: _____ cfs and/or 2.00 ac-ft.

4. SOURCE: Artesian Well

*DRAINAGE: _____

which is tributary to _____

which is tributary to _____

POINT(S) OF DIVERSION: _____

COUNTY: San Juan

N. 2600 ft. & E. 2600 ft. from SW Cor. Sec. 30, T38S, R25E, SLB&M

Description of Diverting Works: Existing 4½ inch diameter well, 650 feet deep

*COMMON DESCRIPTION: 4.5 miles NE of Hatch Trading Post

Hatch Trading Post Quad

5. POINT(S) OF REDIVERSION

The water will be rediverted from _____ at a point: _____

Description of Diverting Works: _____

6. POINT(S) OF RETURN

The amount of water consumed will be _____ cfs or 2.00 ac-ft.

The amount of water returned will be _____ cfs or _____ ac-ft.

The water will be returned to the natural stream/source at a point(s): _____

7. STORAGE

Reservoir Name: _____ Storage Period: from _____ to _____

Capacity: _____ ac-ft. Inundated Area: _____ acres.

Height of dam: _____ feet

Legal description of inundated area by 40 acre tract(s): _____

RECEIVED

JAN 13 1992

* These items are to be completed by the Division of Water Rights

DIVISION OF

Appropriate

8. List any other water rights which will supplement this application _____

9. NATURE AND PERIOD OF USE

Irrigation:	From _____	to _____
Stockwatering:	From _____	to _____
Domestic:	From _____	to _____
Municipal:	From _____	to _____
Mining:	From _____	to _____
Power:	From _____	to _____
Other:	From Jan. 2, 1992	to Jan. 1, 1993

10. PURPOSE AND EXTENT OF USE

Irrigation: _____ acres. Sole supply of _____ acres.
 Stockwatering (number and kind): _____
 Domestic: _____ Families and/or _____ Persons.
 Municipal (name): _____
 Mining: _____ Mining District in the _____ Mine.
 Ores mined: _____
 Power: Plant name: _____ Type: _____ Capacity: _____
 Other (describe): Water will be used for oil well drilling mud, dust control, compaction, etc.

11. PLACE OF USE

Legal description of place of use by 40 acre tract(s):
Black Bull Federal 3-31 Well:
S. 885 ft. & E. 1815 ft. from NW Cor. Sec. 31, T38S, R25E, SLB&M (NE 1/4 NW 1/4).

12. EXPLANATORY

The following is set forth to define more clearly the full purpose of this application. (Use additional pages of the same size if necessary): Paragraph #2: Land is private and owned by Richard Perkins. Mr. Perkins has approved this use in the attached agreement in which the monetary amounts have been blanked out in the interest of privacy.
Water will be pumped directly from source to 85 bbl tank trucks.
Mr. Perkins water right number is 09-886.

The applicant(s) hereby acknowledges that he/she/they are a citizen(s) of the United States of America or intends to become such a citizen(s). The quantity of water sought to be appropriated is limited to that which can be beneficially used for the purposes herein described. The undersigned hereby acknowledges that even though he/she/they may have been assisted in the preparation of the above-numbered application through the courtesy of the employees of the Division of Water Rights, all responsibility for the accuracy of the information contained herein, at the time of filing, rests with the applicant(s).

Axem Resources Incorporated
 Signature of Applicant(s)*

*If applicant is a corporation or other organization, signature must be the name of such corporation or organization by its authorized agent, or in the name of the partnership by one of the partners.

BRIAN WOOD
 Authorized Agent (please print)
Brian Wood
 Authorized Agent (signature)

TEMPORARY

STATE ACTIONS

Mail to:
RDCC Coordinator
116 State Capitol
Salt Lake City, Utah 84114

1. ADMINISTERING STATE AGENCY
OIL, GAS AND MINING
355 West North Temple
3 Triad Center, Suite 350
Salt Lake City, Utah 84180-1203
2. STATE APPLICATION IDENTIFIER NUMBER:
(assigned by State Clearinghouse)
3. APPROXIMATE DATE PROJECT WILL START:
January 2, 1991
4. AREAWIDE CLEARING HOUSE(S) RECEIVING STATE ACTIONS:
(to be sent out by agency in block 1)
Southeastern Utah Association of Governments
5. TYPE OF ACTION: Lease Permit License Land Acquisition
 Land Sale Land Exchange Other _____
6. TITLE OF PROPOSED ACTION:
Application for Permit to Drill
7. DESCRIPTION:
Axem Resources, Inc. proposes to drill the Black Bull Federal 3-31 well (wildcat) on federal lease U-49692, San Juan County, Utah. This action is being presented to RDCC for consideration of resource issues affecting state interests. The U.S Bureau of Land Management is the primary administrative agency in this action and must issue approval before operations commence.
8. LAND AFFECTED (site location map required) (indicate county)
NE/4 NW/4, Section 31, Township 38 South, Range 25 East, San Juan County, Utah
9. HAS THE LOCAL GOVERNMENT(S) BEEN CONTACTED?
10. POSSIBLE SIGNIFICANT IMPACTS LIKELY TO OCCUR:
See Attachment
11. NAME AND PHONE NUMBER OF DISTRICT REPRESENTATIVE FROM YOUR AGENCY NEAR PROJECT SITE, IF APPLICABLE:
12. FOR FURTHER INFORMATION, CONTACT:
Frank R. Matthews
PHONE: 538-5340
13. SIGNATURE AND TITLE OF AUTHORIZED OFFICIAL
FR Matthews
DATE: 12/16/91 Petroleum Engineer

WOI187

STATE ENGINEER'S ENDORSEMENT

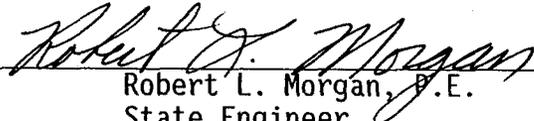
WATER RIGHT NUMBER: 09 - 1787

APPLICATION NO. T65781

1. December 16, 1991 Application received by MP.
 2. December 23, 1991 Application designated for APPROVAL by MP and KLJ.
 3. Comments:
-
-

Conditions:

This application is hereby APPROVED, dated January 10, 1992, subject to prior rights and this application will expire on January 10, 1993.


Robert L. Morgan, P.E.
State Engineer



Axem

Resources Incorporated

February 4, 1992

RECEIVED

FEB 06 1992

DIVISION OF
OIL GAS & MINING

Eric Jones, Petroleum Engineer
BLM-Moab District Office
P.O. Box 970
Moab, Utah 84532

Dear Mr. Jones:

Axem Resources Incorporated is relinquishing its Black Bull Federal #3-31 (NENW Section 31-T38S-R25E, San Juan County, Utah; U-49692) to Sunfield Energy Company. Sunfield is the unit operator.

Please call me at (303)740-9000 or Brian Wood at (505)984-8120 if you have any questions.

Sincerely,

AXEM RESOURCES INCORPORATED

Terry L. Hoffman
Drilling Technician

tlh

cc: Utah Division of Oil, Gas & Mining
3 Triad Center, Suite 350
Salt Lake City, Utah 84180-1203

BLM-SJRA
P.O. Box 7
Monticello, Utah 84535



State of Utah

DEPARTMENT OF NATURAL RESOURCES
DIVISION OF WILDLIFE RESOURCES

Norman H. Bangerter
Governor
Dee C. Hansen
Executive Director
Timothy H. Provan
Division Director

1596 West North Temple
Salt Lake City, Utah 84116-3195
801-538-4700
801-538-4709 Fax

February 7, 1992

*orig O&G file
route through
K. Faith*

RECEIVED

FEB 14 1992

DIVISION OF
OIL GAS & MINING

Dr. Dianne Nielson, Director
Division of Oil, Gas and Mining
355 West North Temple
3 Triad Center, Suite 350
Salt Lake City, UT 84180

Dear Dianne:

I am responding to three wildcat well applications for permits to drill (APD). These APDs have come to us for comment through the Resource Development Coordinating Committee. While we realize that your agency is not the lead agency on these APDs, we wanted your agency to be aware of the issues associated with them. The Division of Wildlife Resources (DWR) has some concerns with these actions and their potential impacts on wildlife and wildlife habitats. Impacts for each of these wells are both short term and long term in nature and both types of impacts must be addressed in reviewing these applications. The appropriate actions reducing or mitigating for these impacts must be considered. The following are our concerns, comments and suggestions regarding each individual APD.

Sunfield Energy

Black Bull Federal 3-31 well, Federal Lease U-49692, San Juan County, Sec. 36, T38S, R25E

This area is high priority deer winter range. The activities associated with this well would likely displace deer from the area. Such a displacement would force deer into lower quality habitats and place additional stress on the population during a time of high stress. This occurrence would have a negative effect on the population. It is DWR's recommendation that no activity occur during the winter period of December 1 to April 15. Such a restriction would minimize stress to the population.

There are several important water sources near the proposed drill site. Such water sources in a desert environment attract a variety of wildlife species. The APD indicates that water will be drawn from a well north of the drill site. All natural streams, seeps, and springs must be maintained. DWR emphasizes that water quality and quantity must be maintained at levels adequate for use by wildlife species. Any decrease in water quantity or quality must be mitigated.

Dr. Dianne Nielson, Director
February 7, 1992
Page 2

If this well goes to production, long-term loss of habitat must be mitigated. Mitigation should be on-site, in-kind mitigation on a one-for-one basis. DWR must be consulted when determining mitigation measures.

Flat Iron Mesa No. 1 well, Federal Lease UTU-50409, San Juan County, Sec. 26, T28S, R22E

This site is also high priority and critical deer winter range. The same concerns and suggestions apply to this site as were outlined in the Black Bull APD, i.e. winter restriction from December 1 to April 15 and mitigation for long-term loss of habitat.

Water concerns associated with this site are even more critical. Potential bighorn sheep habitat associated with the canyon rims of Kane Springs Canyon and Hatch Wash are located within 1.5 miles of the proposed site. Any reduction of water quantity or quality carries significant negative impacts to the bighorn population. Water is often the limiting factor for populations in this area. Any such reduction in quantity or quality of water must be mitigated.

DWR has been contacted concerning Exxon's proposed seismic work which would also occur in the Flat Iron Mesa area. DWR outlined winter restrictions of December 1 to April 15 for the seismic work. While seismic work is not associated with the long-term effects of drilling, short-term impacts are significant. Any disturbance to wintering deer on critical winter ranges has possible negative effects.

Billie No. 1 well, Federal Lease UTU-64464, Carbon County, Sec. 34, T15S, R11E

DWR is concerned with the location of the proposed drill site. There are two golden eagle nests located on the escarpment southeast of the proposed site. The drill site would fall within the 0.5 mile buffer zone required by the DWR, Bureau of Land Management (BLM) and the U.S. Fish and Wildlife Service (USFWS). This presents a number of concerns. Any surface disturbance within the buffer zone could cause the eagles to abandon the nest sites.

To avoid any possible conflicts, DWR suggests that the drill site be moved to the north or west a sufficient distance so that the site no longer falls within the 0.5 mile buffer zone. By moving the site out of the buffer zone, potential conflicts would be eliminated. If such a move is not possible, DWR suggests that

Dr. Dianne Nielson, Director
February 7, 1992
Page 3

guidelines outlined during the on-site inspection be followed. These are that the proposed site be moved far enough to the northwest that the site would fall within a depression in the landscape. This would remove the well from the direct line of sight of the nest. Even though it still is within the buffer zone, this site may be acceptable if restrictions during the critical nesting period were followed. These restrictions would include no activity from February 1 to July 15. However, the operator would assume any risk that resulted in the loss of eggs or young.

If this well goes to production, additional restrictions dealing with access for maintenance, monitoring, and production facilities will have to be addressed. If production occurs, DWR would have to be consulted to insure that negative long-term effects of production would be mitigated. The best alternative is for the site to be removed from the buffer zone so that these conflicts would not exist.

The following comments are general in nature and would apply to all of the previous APDs . The presence of reserve pits at well sites presents several hazards to wildlife. Reserve pit contents should be tested and monitored through the period of drilling, production, and post-drilling reclamation. Testing to analyze heavy metal content, salt concentration and properties, and hydrocarbon content. If tests reveal values above acceptable standards for heavy metals, salts, or hydrocarbons, the pit contents must be removed and hauled to an acceptable landfill. In addition, any spills of oil or other substances on the location must be immediately cleaned up. Testing of reserve pit material and immediate spill clean up will prevent contamination of ground water, seeps, and springs. Such contamination could result in loss of individuals or populations of wildlife. The Bureau of Land Management (BLM) established guidelines for testing reserve pit contents in EA# UT-068-91-76 (Columbia 28-1).

There are other potential problems associated with the reserve pit. We recommend that the pit be completely fenced to prevent wildlife species, such as deer, from becoming trapped or injured in the pit. The scarcity of water in the area could shift wildlife species to use the reserve pit as a water source. The potential exists for bird species to become contaminated with petroleum products. This is especially true for waterfowl species. Causing the death of a migratory bird species would be a violation of the Federal Migratory Bird Treaty Act. Death of any peregrine falcon, which also forage in the area, would violate the Endangered Species Act. The reserve pit must be covered with a net to prevent bird species from landing in the reserve pit.

Dr. Dianne Nielson, Director
February 7, 1992
Page 4

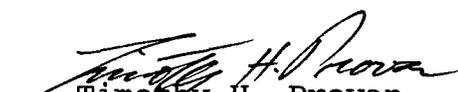
Impacts of the proposed drilling on raptor species is an issue that must be addressed. Many species of raptors inhabit this area. The decline of many of these species makes any negative impact to their populations significant. The cliffs and canyons located within 1.5 miles of the Flat Iron Mesa site are potential peregrine habitat. The ferruginous hawk has recently been listed as a Category 2 species by the U.S. Fish and Wildlife Service. This species inhabits pinyon and juniper woodlands characteristic of the proposed drill sites. We have already outlined the conflicts with golden eagles at the Billie No. 1 well site. Other raptors in the area could include prairie falcons, red-tailed hawks, American kestrel, several species of owls, and wintering bald eagles.

The presence of threatened and endangered raptor species, as well as raptors with declining populations, will require that a raptor survey of the proposed sites be conducted prior to any activity associated with drilling if such surveys have not already been conducted. Of particular concern is the Flat Iron Mesa site. Surveys should be done for both the well and seismic work in this area. Nest sites and foraging areas should be included. All potential raptor species must be included in the surveys. By federal law, peregrine falcons require a one mile buffer zone. Other raptors require a 0.5 mile buffer zone. The survey must be extensive enough to include these areas. If raptor nests are found, seasonal restriction of activity during the period from 2/1 to 8/31, depending on the species, would be required to prevent disturbance during nesting and courtship.

Finally, long-term impacts to water sources, habitat, and wildlife behavior patterns must be mitigated. Mitigation measures would be site specific but could include seasonal restrictions, water developments, appropriate reclamation of sites, and habitat developments or acquisition. DWR must be consulted as mitigation measures are developed.

We appreciate the opportunity to comment on these actions. We would like the opportunity to respond to any further actions associated with these APDs. If you have any comments or concerns regarding our response, contact Ken Phippen, Regional Habitat Manager (637-3310).

Sincerely,


Timothy H. Provan
Director

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

FORM APPROVED
Budget Bureau No. 1004-0135
Expires: March 31, 1993

SUNDRY NOTICES AND REPORTS ON WELLS

Do not use this form for proposals to drill or to deepen or reentry to a different reservoir.
Use "APPLICATION FOR PERMIT—" for such proposals

5. Lease Designation and Serial No.

U-49692

6. If Indian, Allottee or Tribe Name

7. If Unit or CA, Agreement Designation

Black Bull Unit

8. Well Name and No.

Black Bull Fed 31C

9. API Well No.

10. Field and Pool, or Exploratory Area

Wildcat

11. County or Parish, State

San Juan County, Utah

SUBMIT IN TRIPLICATE

1. Type of Well

Oil Well Gas Well Other

2. Name of Operator

Sunfield Energy Company

3. Address and Telephone No.

3315 Bloomfield Highway, Farmington, NM 87401

4. Location of Well (Footage, Sec., T., R., M., or Survey Description)

31-T38S-R25E
1815 FWL & 885 FNL

12. CHECK APPROPRIATE BOX(S) TO INDICATE NATURE OF NOTICE, REPORT, OR OTHER DATA

TYPE OF SUBMISSION

- Notice of Intent
 Subsequent Report
 Final Abandonment Notice

TYPE OF ACTION

- Abandonment
 Recompletion
 Plugging Back
 Casing Repair
 Altering Casing
 Other Name Change
 Change of Plans
 New Construction
 Non-Routine Fracturing
 Water Shut-Off
 Conversion to Injection
 Dispose Water

Operator Change

(Note: Report results of multiple completion on Well Completion or Recompletion Report and Log form.)

13. Describe Proposed or Completed Operations (Clearly state all pertinent details, and give pertinent dates, including estimated date of starting any proposed work. If well is directionally drilled, give subsurface locations and measured and true vertical depths for all markers and zones pertinent to this work.)

The well name is changed to the Black Bull Fed 31C

Under the Black Bull Unit Agreement, Sunfield Energy Company is the operator

Attached are revised 10-point and Detailed Drilling Programs

RECEIVED

FEB 28 1992

DIVISION OF
OIL GAS & MINING

14. I hereby certify that the foregoing is true and correct

Signed

Day H. Welch

Title Operations Manger

Date 1-23-92

(This space for Federal or State office use)

Approved by

/s/ WILLIAM C. STRINGER

Title Assistant District Manager for Minerals

Date

FEB 14 1992

FLARING OR VENTING OF GAS IS SUBJECT TO NTL 4-A

CONDITIONS OF APPROVAL ATTACHED

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

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

FORM APPROVED
Budget Bureau No. 1004-0135
Expires: March 31, 1993

SUNDRY NOTICES AND REPORTS ON WELLS

Do not use this form for proposals to drill or to deepen or reentry to a different reservoir.
Use "APPLICATION FOR PERMIT—" for such proposals

5. Lease Designation and Serial No.

U-49692

6. If Indian, Allottee or Tribe Name

7. If Unit or CA, Agreement Designation

Black Bull Unit

8. Well Name and No.

Black Bull Fed 31C

9. API Well No.

43-037-31603

10. Field and Pool, or Exploratory Area

Wildcat

11. County or Parish, State

San Juan County, Utah

SUBMIT IN TRIPLICATE

1. Type of Well

Oil Well Gas Well Other

2. Name of Operator

Sunfield Energy Company

3. Address and Telephone No.

3315 Bloomfield Highway, Farmington, NM 87401

4. Location of Well (Footage, Sec., T., R., M., or Survey Description)

31-T38S-R25E
1815 FWL & 885 FNL

12. CHECK APPROPRIATE BOX(S) TO INDICATE NATURE OF NOTICE, REPORT, OR OTHER DATA

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- Notice of Intent
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Operator Change

- Change of Plans
- New Construction
- Non-Routine Fracturing
- Water Shut-Off
- Conversion to Injection
- Dispose Water

(Note: Report results of multiple completion on the Completion or Recompletion Report and Log form.)

13. Describe Proposed or Completed Operations (Clearly state all pertinent details, and give pertinent dates, including estimated date of starting any proposed work. If well is directionally drilled give subsurface locations and measured and true vertical depths for all markers and zones pertinent to this work.)*

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RECEIVED

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OIL GAS & MINING

14. I hereby certify that the foregoing is true and correct

Signed [Signature] Title Operations Manger

Date 1-23-92

(This space for Federal or State office use)

Approved by /S/ WILLIAM C. STRINGER Title Assistant District Manager

Date FEB 24 1992

FLARING OR VENTING OF GAS IS SUBJECT TO NTL 4-A

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*See Instruction on Reverse Side

DOGm



State of Utah

DEPARTMENT OF NATURAL RESOURCES
DIVISION OF OIL, GAS AND MINING

Norman H. Bangerter
Governor

Dee C. Hansen
Executive Director

Dianne R. Nielson, Ph.D.
Division Director

355 West North Temple
3 Triad Center, Suite 350
Salt Lake City, Utah 84180-1203
801-538-5340

March 2, 1992

Sunfield Energy Company
3315 Bloomfield Highway
Farmington, NM 87401

Gentlemen:

Re: Black Bull Federal 31C Well, 885 feet from the north line, 1815 feet from the west line, NE 1/4 NW 1/4, Section 31, Township 38 South, Range 25 East, San Juan County, Utah

Pursuant to Utah Code Ann. § 40-6-18, (1953, as amended), Utah Admin. R. 649-2-3 (formerly R. 615-2-3), and Utah R. 649-3-4 (formerly R. 615-3-4), approval to drill the referenced well is hereby granted.

In addition, the following specific actions are necessary to fully comply with this approval:

1. Compliance with the requirements of Utah Admin. R. 649-1 et seq. (formerly R. 615-1 et seq.), Oil and Gas Conservation General Rules.
2. Notification within 24 hours after drilling operations commence.
3. Submittal of Entity Action Form, Form 6, within five working days following commencement of drilling operations and whenever a change in operations or interests necessitates an entity status change.
4. Submittal of the Report of Water Encountered During Drilling, Form 7.
5. Prompt notification prior to commencing operations, if necessary, to plug and abandon the well. Notify Frank R. Matthews, Petroleum Engineer, (Office) (801)538-5340, (Home) (801)476-8613, or R.J. Firth, Associate Director, (Home) (801)571-6068.

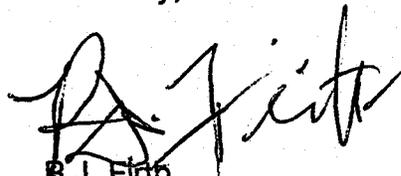
Page 2
Sunfield Energy Company
Black Bull Federal 31C
March 2, 1992

6. Compliance with the requirements of Utah Admin. R. 649-3-20 (formerly R. 615-3-20), Gas Flaring or Venting, if the well is completed for production.

Prior to commencement of the proposed drilling operations, plans for facilities for disposal of sanitary wastes at the drill site should be submitted to the local health department. These drilling operations and any subsequent well operations should be conducted in accordance with applicable state and local health department regulations. A list of local health departments and copies of applicable regulations are available from the Department of Environmental Quality, Division of Drinking Water/Sanitation, telephone (801)538-6159.

This approval shall expire one year after date of issuance unless substantial and continuous operation is underway or a request for an extension is made prior to the approval expiration date. The API number assigned to this well is 43-037-31663.

Sincerely,



R.J. Firth

Associate Director, Oil and Gas

ots
Enclosures
cc: Bureau of Land Management
J.L. Thompson
WO11

SUBMIT IN TRIPLICATE*

(Other instructions on reverse)

Form approved.
Budget Bureau No. 1004-0136
Expires August 31, 1985

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

CONFIDENTIAL

APPLICATION FOR PERMIT TO DRILL, DEEPEN, OR PLUG-BACK

1a. TYPE OF WORK
 DRILL DEEPEN PLUG BACK

b. TYPE OF WELL
 OIL WELL GAS WELL OTHER

2. NAME OF OPERATOR
 Axem Resources Incorporated (303) 740-9000

5. LEASE DESIGNATION AND SERIAL NO.
 U-49692

6. INDIAN, ALLOTTEE OR TRIBE NAME
 N/A

7. UNIT AGREEMENT NAME
 N/A

8. FARM OR LEASE NAME
 Black Bull Federal

3. ADDRESS OF OPERATOR
 7800 E Union Ave #1100 Denver Co 80237

4. LOCATION OF WELL (Report location clearly and in accordance with any State requirements)
 At surface
 885' FNL & 1815' FWL (NEW)

9. WELL NO.
 3-31

10. FIELD AND POOL, OR WILDCAT
 Wildcat

14. DISTANCE IN MILES AND DIRECTION FROM NEAREST TOWN OR POST OFFICE*
 Same
 19 air miles SE of Blanding, Ut.

11. SEC., T., R., M., OR BLK. AND SURVEY OR AREA
 31-38s-25e SLBM

15. DISTANCE FROM PROPOSED* LOCATION TO NEAREST PROPERTY OR LEASE LINE, FT. (Also to nearest drig. unit line, if any)
 825'

16. NO. OF ACRES IN LEASE
 155.08

17. NO. OF ACRES ASSIGNED TO THIS WELL
 40

18. DISTANCE FROM PROPOSED LOCATION* TO NEAREST WELL, DRILLING, COMPLETED, OR APPLIED FOR, ON THIS LEASE, FT.
 N/A

19. PROPOSED DEPTH
 5,800'

12. COUNTY OR PARISH
 San Juan

13. STATE
 Ut.

20. ROTARY OR CABLE TOOLS
 Rotary

21. ELEVATIONS (Show whether DF, RT, GR, etc.)
 4,769' ungraded ground

22. APPROX. DATE WORK WILL START*
 Jan. 2, 1992

23. PROPOSED CASING AND CEMENTING PROGRAM

SIZE OF HOLE	SIZE OF CASING	WEIGHT PER FOOT	SETTING DEPTH	QUANTITY OF CEMENT
17-1/2"	13-3/8"	48*(H-40, ST&C)	50'	≈95 SX or to surface
11"	8-5/8"	24*(K-55, ST&C)	1,625'	≈750 SX or to surface
7-7/8"	5-1/2"	15.5*(K-55, LT&C)	5,800'	≈225 SX or to ≈4,700'

- Federal lease is NW4 Sec. 31, T. 38 S., R. 25 E., San Juan County, Utah.
- Request exception to Rule 302 because of seismic evaluated (wellbore is 50' northwest of seismic line) geology. Exception is to quarter-quarter line, not to another well (closest is over a mile away). Orthodox location would force the well closer to Axem's P&Aed Black Steer 13-30 well which is 1603' northwest.
 - Orthodox well could be drilled at 660 FN & 1980 FW, but could be a dry hole since it would be off trend. Well is staked 50' from shot points #1015 & #1016 (see PAGE 17).
 - Request permission to drill at 885' FNL & 1815' FWL 31-38s-25e, San Juan County, Utah.
 - No producing, TA, or TSI wells offset the proposed exception.
 - & e) Axem is lessee or operator of all lands and drilling units in a minimum 825' radius.

NOTE: Well name changed from Black Steer to Black Bull.

IN ABOVE SPACE DESCRIBE PROPOSED PROGRAM: If proposal is to deepen or plug back, give data on present productive zone and proposed new productive zone. If proposal is to drill or deepen directionally, give pertinent data on subsurface locations and measured and true vertical depths. Give blowout preventer program, if any.

SIGNED Brook J. Phifer TITLE Vice-President, Production DATE 12-6-91

(This space for Federal or State office use)

PERMIT NO. _____ APPROVAL DATE _____

APPROVED BY William C. Stinger TITLE Assistant District Manager for Minerals DATE 2/24/92

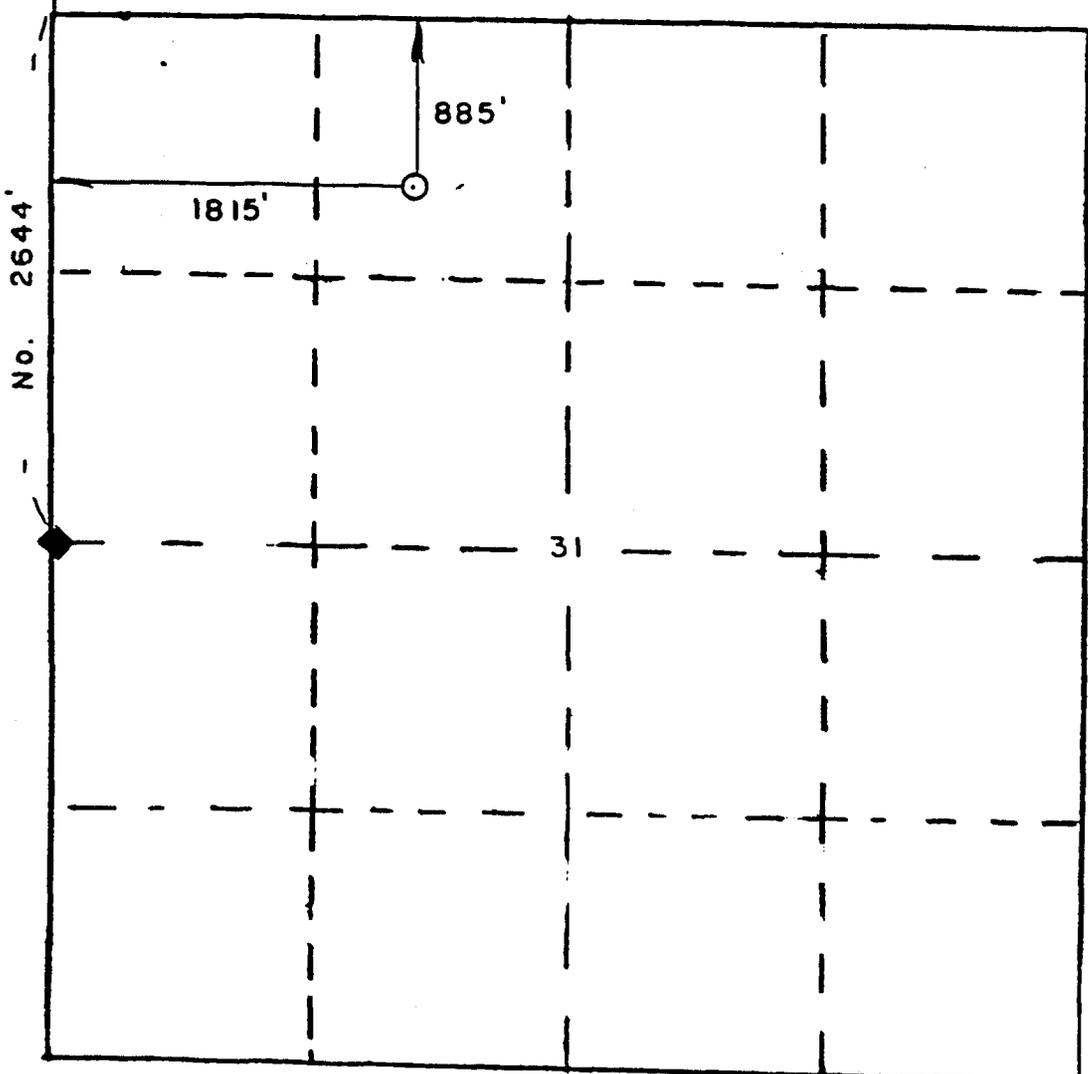
CONDITIONS OF APPROVAL, IF ANY: _____

cc: MDO(3), SJRA(1), ...

FLARING OR VENTING OF GAS IS SUBJECT TO NTL 4-A Dated 1/1/80

*See Instructions On Reverse Side

WELL LOCATION PLAT



North
1" = 1000'
◆ brass cap
● stone

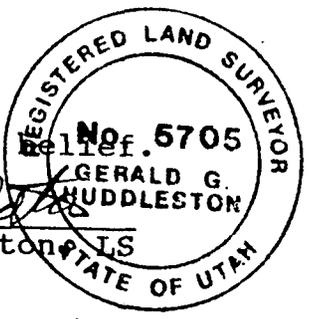
WELL LOCATION DESCRIPTION:

Axem Resources, Inc., Black Steer Fed. 3 - 31
885' FNL & 1815' FWL
Section 31, T.38 S., R.25 E., SLM
San Juan County, UT
4769' ground elevation

The above is true and correct to my knowledge and belief.

20 Nov. 1991

Gerald G. Huddleston
Gerald G. Huddleston



OPERATOR CERTIFICATION

I hereby certify that I, or persons under my direct supervision, have inspected the proposed drill site and access route; that I am familiar with the conditions that currently exist; that the statements made in this APD package are, to the best of my knowledge, true and correct; and that the work associated with operations proposed herein will be performed by _____ contractors and subcontractors in conformity with this APD package and the terms and conditions under which it is approved. I also certify responsibility for the operations conducted on that portion of the leased lands associated with this application, with bond coverage being provided under BLM Bond # UT-0888. This statement is subject to the provision of 18 U.S.C. 1001 for the filing of a false statement.

Name and Title: D. A. Wilson / OPERATIONS MANAGER

Telephone Number: 505 326-2933 Date: 07 Feb 1992

RECEIVED BY: _____

Sunfield Energy Company
Black Bull Fed No. 31c
NENW Sec. 31, T. 38 S., R. 25 E.
San Juan County, Utah
Lease U-49692

CONDITIONS OF APPROVAL

Approval of this application does not warrant or certify that the applicant holds legal or equitable title to those rights in the subject lease which would entitle the applicant to conduct operations thereon.

Be advised that Sunfield Energy Company, is considered to be the operator of the above well and is responsible under the terms and conditions of the lease for the operations conducted on the leased lands.

Bond coverage for this well is provided by UT0888 (Principal - Sunfield Energy Company) via surety consent as provided for in 43 CFR 3104.2.

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

This permit will be valid for a period of one year from the date of approval. A one-time, 90 day extension of this period may be granted. After permit termination, a new application must be filed for approval.

All lease operations will be conducted in full compliance with applicable regulations (43 CFR 3100), Onshore Oil and Gas Orders, lease terms, notices to lessees, and the approved plan of operations. The operator is fully responsible for the actions of his subcontractors. A copy of these conditions and the approved plan will be made available to field representatives to insure compliance.

A. DRILLING PROGRAM

1. There will be no deviation from the proposed drilling and/or workover program without prior approval from the Assistant District Manager. "Sundry Notice and Report on Wells" (Form 3160-5) will be filed for approval for all changes of plans and other operations in accordance with 43 CFR 3162.3-2. Safe drilling and operating practices must be observed.

2. Daily drilling and completion progress reports shall be submitted to the District office on a weekly basis.

3. The BLM shall be kept apprised of all fluids entering or leaving the pit, through either weekly drilling reports or a final status report, submitted with the completion report. Either of which shall be submitted prior to reclamation of the pits.

4. No trivalent or hexavalent chromate additives shall be used in the mud system. Due to potential for contamination of usable quality water aquifers, chromates are banned from Federal leases.

5. A 2000 lb. blowout preventer stack and BOP system shall be installed, tested and in working condition prior to drilling through the surface casing shoe according to Onshore Order No. 2 specifications.

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

7. Operations authorized by this permit shall not be suspended for more than 30 days without prior approval of the Authorized Officer. All conditions of this approval shall be applicable during any operations conducted with a replacement rig.

8. When the completion program is determined, a sundry notice describing the completion shall be submitted to this office for approval.

9. Should the well become productive, the BLM, District Office must be notified no later than five business days after production begins. Notification shall be by letter or sundry notice, or orally to be followed by a letter or sundry notice.

10. Gas produced from this well may not be vented or flared beyond an initial authorized test period of 30 days or 50 MCMCF following its completion, whichever comes first, without prior written approval of the Authorized Officer.

11. Surface and intermediate casings shall have a centralizer on each of the bottom three joints.

12. To determine cement bond quality, a cement bond log (CBL) or cement evaluation tool (CET) shall be run after the 8 5/8" and the 5 1/2" casings are run and cemented in place.

13. Based on H2S levels at the Kiva field two miles to the southeast of this well, H2S monitoring equipment shall be utilized from 4400 ft to total depth in accordance with 43 CFR 3160, Onshore Order No. 6. section C.3.c. All people involved with this operation shall be notified of the H2S prior to reaching 4400 ft.

B. SURFACE USE PLAN

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

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

3. A cultural resource clearance will be required before any construction begins. The operator is responsible for informing all persons in the area who are associated with this project that they will be subject prosecution for knowingly disturbing historic or archaeological sites, or for collecting artifacts. If historic or archaeological materials are uncovered during construction, the operator is to immediately stop work that might further disturb such materials, and contact the authorized officer (AO). Within five (5) working days, the AO will inform the operator as to:

- whether the materials appear eligible for the National Register of Historic Places;
- the mitigation measures the operator will likely have to undertake before the site can be used (assuming in situ preservation is not necessary); and,
- a time frame for the AO to complete an expedited review under 36 CFR 800.11 to confirm, through the State Historic Preservation Officer, that the findings of the AO are correct and that mitigation is appropriate.

If the operator wishes, at any time, to relocate activities to avoid the expense of mitigation and/or the delays associated with this process, the AO will assume responsibility for whatever recordation and stabilization of the exposed materials may be required. Otherwise, the operator will be responsible for mitigation costs. The AO will provide technical and procedural guidelines for the conduct of mitigation. Upon verification from the AO that the required mitigation has been completed, the operator will then be allowed to resume construction.

4. The reserve pit shall be located in cut material, with at least 50% of the pit volume being below original ground level. Three sides of the reserve pit will be fenced before drilling starts. The fourth side will be fenced as soon as drilling is completed, and shall remain until the pit is dry. As soon as the reserve pit has dried or within 18 months of completion of drilling whichever is least, all areas not needed for production will be rehabilitated.

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

6. Trash must be contained in a trash cage and hauled away to an approved disposal site as necessary but no later than at the completion of drilling operations.

7. If the well is productive, cattle guards will be installed on the access road at fence crossings. The access road will be rehabilitated or brought to Resource (Class III) Road Standards within sixty (60) days of dismantling the drilling rig. If this time frame cannot be met, the Area Manager will be notified so that temporary drainage control can be installed along the access road.

8. If a tank battery is constructed on this lease, it will be surrounded by a dike of sufficient capacity to contain 150% of the storage capacity of the largest tank in the battery. All loading lines and valves will be placed inside the berm surrounding the tank battery.

9. All permanent (on-site for six (6) months or longer) structures constructed or installed (including oil well pumping units) shall be painted a flat, nonreflective, earth tone color to blend with the local environment, as determined by the Rocky Mountain Five-State Interagency Committee. All facilities shall be painted within six (6) months of installation. Facilities required to comply with the Occupational Safety and Health Act (OSHA) may be excluded. Colors shall be coordinated with the Price River Resource Area office prior to initiating painting.

10. All off-lease storage, off-lease measurement, or commingling (on-lease or off-lease) shall have prior written approval from the Assistant District Manager.

11. Pipeline construction activity is not authorized under this permit.

12. Copies of all water analysis required by the State of Utah in relation to surface discharge of produced water will be submitted to the Moab District Office, Bureau of Land Management.

13. Produced waste water will be confined to an unlined pit for a period not to exceed ninety (90) days after initial production. During the ninety (90) day period, an application for approval of a permanent disposal method and location, along with the required water analysis, will be submitted for the Assistant District Manager's approval pursuant to Onshore Oil and Gas Order No. 7 (NTL-2B).

Plans will be formulated for long term monitoring of aquifers and springs in the area of proposed development prior to approval of further Applications for Permit to Drill.

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

C. REQUIRED NOTIFICATIONS AND APPROVALS

Required verbal notifications are summarized in Table 1, attached.

Spud- Written notification in the form of a Sundry Notice (Form 3160-5) will be submitted to the District office within twenty-four (24) hours after spudding (regardless of whether spud was made with a dry hole digger or big rig). If the spudding occurs on a weekend or holiday, the written report will be submitted on the following work day.

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

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

First Production- Should the well be successfully completed for production, the Assistant District Manager, Minerals Division will be notified when the well is placed in producing status. Such notification may be made by phone, but must be followed by a sundry notice or letter not later than five (5) business days following the date on which the well is placed on production.

A first production conference will be scheduled within fifteen (15) days after receipt of the first production report. The Resource Area Office will coordinate the field conference.

Well Completion Report- Whether the well is completed as a dry hole or as a producer, "Well Completion and Recompletion Report and Log" (Form 3160-4) will be submitted to the District Office not later than thirty (30) days after completion of the well or after completion of operations being performed, in accordance with 43 CFR 3162.4-1. Two copies of all logs, core descriptions, core analyses, well test data, geologic summaries, sample description, and all other surveys or data obtained and compiled during the drilling, workover, and/or completion operations, will be filed with Form 3160-4. Samples (cuttings, fluids, and/or gas) will be submitted when requested by the Assistant District Manager.

Plugging and Abandonment- If the well is completed as a dry hole, plugging instructions must be obtained from the BLM, Moab District Office prior to initiating plugging operations. Table 1 of this document provides the after-hours phone numbers of personnel who are authorized to give plugging instructions.

The top of the marker will be closed or capped.

The following minimum information will be permanently placed on the marker with a plate, cap, or beaded-on with a welding torch:

"Fed" or "Ind", as applicable. "Well number, location by 1/4 1/4 section, township and range". "Lease number".

A "Subsequent Report of Abandonment" (Form 3160-5) will be filed with the Assistant District Manager, Minerals Division within thirty (30) days following completion of the well for abandonment. This report will indicate where plugs were placed and the current status of surface restoration. Upon completion of approved plugging, a regulation marker will be erected in accordance with 43 CFR 3162.6. Final abandonment will not be approved until the surface reclamation work required by the approved APD or approved abandonment notice has been completed to the satisfaction of the Area Manager or his representative, or the appropriate surface managing agency.

Venting/Flaring of Gas- NTL-4A allows venting/flaring of gas during the initial well evaluation period not to exceed 30 days or 50 Mmcf. Venting/flaring beyond the initial test period threshold must be approved by the District Office.

B. Stipulations

The following are conditions proposed by Axem Resources Inc. as part of their Application for Permit to Drill (APD).

1. The 450' of new S-shaped road will have a 16' wide running surface and maximum disturbed width of 30'. It will be rocked with 100 cubic yards of pit run from the county road edge across the Koch Hydrocarbon gas line. A minimum 3' high (after compaction) pad will be built over the pipeline.

Maximum cut or fill will be 3'. Maximum grade will be 5%. No cattleguards or gates are needed. An 18" X 30' long culvert will be installed between the gas line and wellsite.

Surface disturbance and vehicle travel will be limited to the approved location and roads. Any additional area needed will be approved in advance by the Area Manager or land owner.

2. The exact type and layout of the production facilities are not known now. A Sundry Notice will be filed before installation. Facilities will likely be set on the wellpad and include a tank battery, separator, and meter run. The tank battery berm, pits, and all facilities will be fenced.
3. All permanent (on site for 6 or more months) surface facilities will be painted a flat green or tan color. Specific color will be determined by the landowner. Painting will be completed within 6 months of installation. Parts required to comply with OSHA colors will be excluded.

4. The tank battery will be surrounded by a dike of sufficient capacity to contain 150% of the storage capacity of the largest tank in the battery plus one day's production. All loading lines will be placed inside the dike.
5. Site security regulations in 43 CFR 3162.7-4 will be obeyed. All product lines entering or leaving hydrocarbon storage tanks will be effectively sealed.
6. All comingling on- or off-lease must have prior written approval from the District Manager.
7. Gas meter will be within 500' of the separator. The gas line will be buried from the separator to the meter and 500' downstream of the meter and any production facilities. Meter will be housed and/or fenced.
8. Oil and gas measurement facilities will be installed on the production facility. Meters will be calibrated in place before delivery begins. Meter accuracy tests will be conducted monthly for the first 3 months on new meters, and at least quarterly thereafter. The Resource Area will be provided with a date and time for the initial meter calibration and all future meter proving schedules. A copy of the meter calibration reports will be sent to the Resource Area. All meters will conform with the API standards for liquid hydrocarbons and AGA standards for natural gas measurement.
8. Water source will be an artesian well on Richard Perkins' private land in NESW Sec. 30, T.38 S., R. 25 E. An Application to Appropriate Water has been filed with the State of Utah Dev. of Water Rights. Water will be trucked 2 miles on existing roads. No construction or upgrading is needed.
9. An archaeological site is southwest of the pad and pit is marked with blue flagging and must be avoided.
10. Brush and the top 6 inches of soil will be saved and stockpiled north of the reserve pit and pad. Wash will be diverted westward, but beware of the archaeological site to the southwest.
11. Pad construction materials will be on lease native soil in place on the well pad. Reserve pit will be lined with 24 tons of commercial bentonite. Pit run rock will be bought from a commercial source. Use of material under BLM jurisdiction will comply with 43 CFR 3610.1-3.
12. Over 90% of the reserve pit capacity will be in cut. The reserve pit will be lined with 24 tons of commercial bentonite. The pit will be fenced on 3 sides with 36 inch high woven wire topped with 2 strands of barbed wire for a total height of 60 inches within 24 hours of completion of construction. The 4th side will be fenced within 24 hours of the rig moving off. The fence will be kept in good repair while the pit dries.

13. All trash will be placed in a trash cage. When full, it will be hauled to the Blanding dump or Cortez landfill. A permit is required for burning trash between May 1 and October 31. Call the San Juan County Sheriff at (801) 587-2237 for a burning permit. The road and pad will be kept litter free.
14. Human waste will be disposed of in 10 foot deep ratholes or chemical toilets. The ratholes will be immediately filled when the trailers are removed.
15. Produced water will be confined to the reserve pit for a period not to exceed 90 days after initial production. During the 90 day period an NTL-2B application will be submitted for the District Manager's approval of a permanent disposal method and site.
16. There will be no airstrip or formal camp. Three camper trailers may be on site for the company man, mud logger, and tool pusher.
17. Immediately upon completion of drilling, all trash and debris will be collected from the pad and surrounding area and placed in the trash cage.
18. The reserve pit will be completely dry before it is backfilled. All disturbed areas will be recontoured to blend as nearly as possible with the natural topography. This includes removing all berms and refilling all cuts. All disturbed areas will be ripped 6 inches deep with the contour. Seed will be broadcast between October 1 and February 28 with the mix below. A harrow or similar implement will be drug to assure seed cover.

<u>Species</u>	<u>Rate(pounds/acre)</u>
Indian ricegrass	2
Galleta grass	1
Crested wheatgrass	1
Fourwing saltbush	2
Shadscale	2
Yellow sweetclover	1
Wild sunflower	1

After seeding is complete, stockpiled brush will be scattered evenly over the disturbed area. The road will be reclaimed and water barred.

The reserve pit and that part of the pad not needed for production will be reclaimed as previously described. Enough topsoil will be kept to reclaim the remainder of the pad at a future date.

- 19 The dirt contractor will be provided with an approved copy of the surface use plan.

20. There will be no change from the proposed drilling and/or workover plan without prior approval from the District Manager. A Sundry Notice will be filed for approval for all changes of plans and other operations per 43 CFR 3162.3-2.
21. Safe drilling and operating practices must be used. All wells, whether drilling, producing, suspended, or abandoned will be identified per 43 CFR 3162.3-2.
22. If subsurface cultural materials are exposed during construction, work in that spot will stop immediately and the Resource Area will be called. Anyone other than the landowner disturbing archaeological sites or collecting artifacts, including arrowheads, is subject to prosecution.
23. This permit will be valid for one year from the date of approval. After it expires, a new application will be filed for approval of future operations.

The following stipulations are required by the Authorized Officer:

1. There will be NO BURNING OF TRASH ON LOCATION.
2. All wells, whether drilling, producing, suspended, or abandoned and/or separate facilities, will be identified in accordance with 43 CFR 3162.6.
3. All site security guidelines identified in 43 CFR 3162.7 regulations and onshore Oil and Gas order No. 3; Site Security will be adhered to.
4. Gas Measurement will be conducted in accordance with the Onshore Oil and Gas Order No. 5; Gas Measurement and 43 CFR 3162.7-3.
5. Gas meter runs for each well will be located within five hundred (500) feet of the wellhead. The gas flowline will be buried from the wellhead to the meter along with any other sections occurring on the pad. Meter runs will be housed and/or fenced.
6. Oil Measurement will be conducted in accordance with onshore Oil and Gas Order No. 4, Oil Measurement and 43 CFR 3162.7-2.
7. The operator is responsible for informing all persons in the area who are associated with this project that they will be subject to prosecution for knowingly disturbing historic or archaeological sites, or for collecting artifacts. If historic or archaeological materials are uncovered during construction, the operator is to immediately stop work that might further disturb such materials, and contact the authorized officer (AO). Within five working days the AO will inform the operator as to:

- whether the materials appear eligible for the National Register of Historic Places;
- the mitigation measures the operator will likely have to undertake before the site can be used (assuming in-situ preservation is not necessary); and,
- a timeframe for the AO to complete an expedited review under 36 CFR 800.11 to confirm, through the State Historic Preservation Officer, that the findings of the AO are correct and that mitigation is appropriate.

-- If the operator wishes, at any time, to relocate activities to avoid the mitigation and/or the delays associated with this process, the AO will assume responsibility for whatever recordation and stabilization of the exposed materials may be required. Otherwise, the operator will be responsible for mitigation costs. The AO will provide technical and procedural guidelines for the conduct of mitigation. Upon verification from the AO that the required mitigation has been completed, the operator will then be allowed to resume construction.

8. No liquid hydrocarbons (i.e. fuels, lubricants, formation) will be discharged to the reserve pit or location.
9. No chrome compounds will be on location.
10. All load lines and valves will be placed inside the dike surrounding the tank battery.

ROAD, WELLSITE AND WATER USE AGREEMENT

RICHARD C. PERKINS of 184 North 1st West, Blanding, Utah 84511 ("Grantor"), conveys and warrants a right-of-way and easement to **AXEM RESOURCES INCORPORATED**, a Delaware Corporation, 7800 East Union Avenue, Suite 1100, Denver, Colorado 80237 ("Grantee"), for the Black Bull Federal 3-31 wellsite of no more than 2 acres in size and road right-of-way of approximately 500 feet in length and no more than 30 feet wide through and across the lands owned by Richard C. Perkins in the northeast quarter of the northwest quarter of Section 31, T. 38 S., R. 25 E., San Juan County, Utah ("the Lands"), shown as a black rectangle and dash line on the attached map. Grantor will allow Grantee to pump all water necessary for building, drilling, and completing the Black Bull Federal 3-31 well from Grantor's water well at 2,600' FSL & 2,600' FWL in Section 30, T. 38 S., R. 25 E., San Juan County, Utah. Water can be trucked on existing roads or piped through a temporary surface pipeline laid on existing roads or seismic trails. Trucks will not travel seismic trails except to lay and collect pipe.

This road and wellsite right-of-way and water use are granted in consideration of a one time only ~~payment~~ payment. Payment shall be made after Grantee's receipt of a signed and notarized grant and before construction starts, and shall permit Grantee to construct, improve, maintain, repair and use a wellsite and road ("the Facilities") for the purpose of moving in and out construction equipment, drilling equipment, crews, material, tank trucks, and all equipment necessary or convenient for the drilling, testing, completing, and producing of an oil well, gas well, or injection well. If archaeology is found, said payment authorizes Grantee to move Facilities after construction starts without subsequent payment.

Grantee shall be entitled to have the right of ingress to, egress from, and access in and along the wellsite and road right-of-way to construct, maintain, operate, use, repair, inspect, protect, remove and replace the Facilities for its agents, employees, licensees, permittees, contractors, and subcontractors for the purposes stated above. The grant terminates no later than 12 months after the well is plugged and abandoned, unless sooner terminated by mutual agreement.

Grantor shall have the right to use the Lands, provided such use does not interfere with the Facilities or any other rights granted to Grantee under this Right-of-Way ("Grant"). Grantor shall not in any way bar, block, or prevent Grantee's vehicular access on or along the Facilities. Grantor reserves the right to require prior permission and payment before granting access to seismic crews.

Grantee shall reserve 6" of the topsoil at the well for reclamation. Grantee shall fence three sides of the reserve pit before drilling, and fence the fourth side when the drill rig is removed. Fence will be 5' high and consist of 36" of woven wire topped with 2 strands of barbed wire. Grantee shall provide a trash cage while drilling and keep the Lands litter free.

If Grantee no longer wishes to use the right-of-way, then Grantee, if requested by the Grantors, shall harrow the right-of-way 12" deep; recontour the right-of-way to match the original contours; spread the reserved topsoil across the right-of-way; seed with 2 lb/ac Indian ricegrass, 1 lb/ac Galleta grass, 1 lb/ac crested wheatgrass, 2 lb/ac fourwing saltbush, 2 lb/ac shadscale, 1 lb/ac yellow sweet clover, and 1 lb/ac wild sunflower; and build water bars. Grantee shall complete its reclamation no later than one year after the well is plugged.

The aforesaid ~~payment~~ payment shall also be consideration for damages to the surface of the lands occasioned by the building and use of the Facilities in the normal course of Grantee's operations or if Facilities are moved after construction if archaeology is found, and all other damages except as provided herein.

Grantee agrees to pay damages that may arise to livestock caused by the exercise of its right under this Grant. Should any unresolved dispute arise as to such damages, it shall, at the written request of either party, be arbitrated and determined by disinterested arbitrators, one to be appointed by Grantor and one by Grantee within 20 days after such request. If the two so chosen are

unable to agree within 90 days after appointment, then they shall, within 30 days after written request by either the Grantor or the Grantee, select a third arbitrator. If the two arbitrators cannot agree on a third arbitrator, either Grantor or Grantee may seek appointment of a third arbitrator by a federal district judge of the district in which the Lands lie. The decision of any two of the arbitrators so appointed shall be final. Costs of arbitration shall be borne equally by the parties.

This Grant shall be binding upon and inure to the benefit of the successors and assigns of Grantor and the successors and assigns of the Grantee and may be assigned in whole or in part by Grantee.

WITNESS the execution hereof this 9 day of December, 1991.

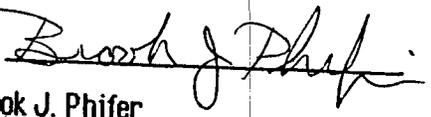
GRANTOR:

GRANTEE:

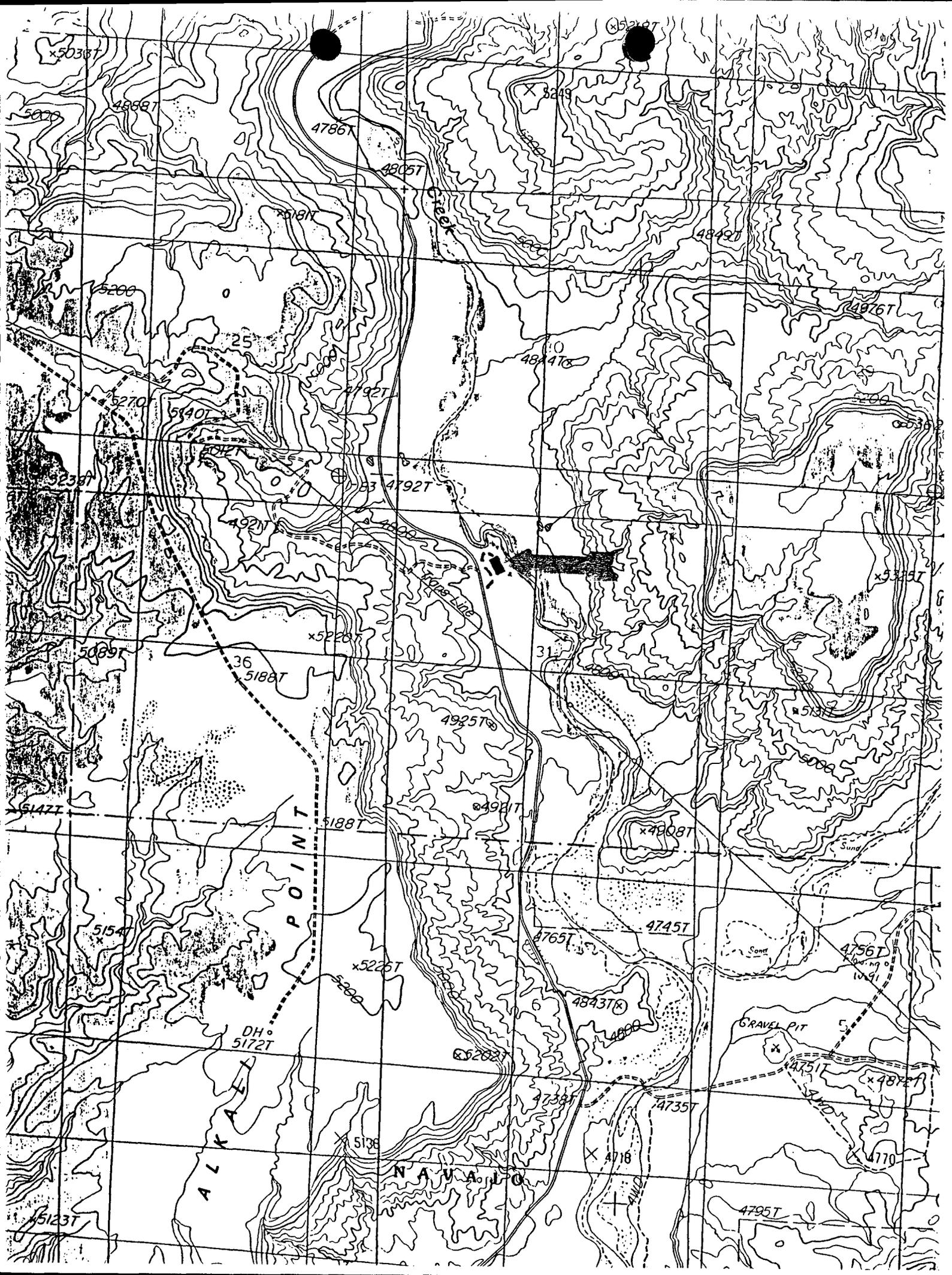
AXEM RESOURCES INCORPORATED
a Delaware Corporation



Richard C. Perkins
SSN: 529-20-2490

By: 

Brook J. Phifer
Vice President - Production



UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

CONFIDENTIAL

APPLICATION FOR PERMIT TO DRILL, DEEPEN, OR PLUG BACK

1a. TYPE OF WORK

DRILL

DEEPEN

PLUG BACK

b. TYPE OF WELL

OIL WELL

GAS WELL

OTHER

SINGLE ZONE

MULTIPLE ZONE

2. NAME OF OPERATOR

Axem Resources Incorporated (303) 740-9000

3. ADDRESS OF OPERATOR

7800 E. Union Ave #1100 Denver Co 80237

4. LOCATION OF WELL (Report location clearly and in accordance with any State requirements*)

885' FNL & 1815' FWL (NENW)

At proposed prod. zone

Same

14. DISTANCE IN MILES AND DIRECTION FROM NEAREST TOWN OR POST OFFICE*

19 air miles SE of Blanding, Ut.

16. DISTANCE FROM PROPOSED* LOCATION TO NEAREST PROPERTY OR LEASE LINE, FT. (Also to nearest drlg. unit line, if any)

825'

18. NO. OF ACRES IN LEASE

153.08

17. NO. OF ACRES ASSIGNED TO THIS WELL

40

18. DISTANCE FROM PROPOSED LOCATION* TO NEAREST WELL, DRILLING, COMPLETED, OR APPLIED FOR, ON THIS LEASE, FT.

N/A

19. PROPOSED DEPTH

5,800'

20. ROTARY OR CABLE TOOLS

Rotary

21. ELEVATIONS (Show whether DF, RT, GR, etc.)

4,769' ungraded ground

22. APPROX. DATE WORK WILL START*
Jan. 2, 1992

23.

PROPOSED CASING AND CEMENTING PROGRAM

SIZE OF HOLE	SIZE OF CASING	WEIGHT PER FOOT	SETTING DEPTH	QUANTITY OF CEMENT
17-1/2"	13-3/8"	48* (H-40, ST&C)	50'	≈95 sx or to surface
11"	8-5/8"	24* (K-55, ST&C)	1,625'	≈750 sx or to surface
7-7/8"	5-1/2"	15.5* (K-55, LT&C)	5,800'	≈225 sx or to ≈4,700'

1. Federal lease is NW4 Sec. 31, T. 38 S., R. 25 E., San Juan County, Utah.
2. Request exception to Rule 302 because of seismic evaluated (wellbore is 50' northwest of seismic line) geology. Exception is to quarter-quarter line, not to another well (closest is over a mile away). Orthodox location would force the well closer to Axem's P&Aed Black Steer 13-30 well which is 1603' northwest.
 - a) Orthodox well could be drilled at 660 FN & 1980 FW, but could be a dry hole since it would be off trend. Well is staked 50' from shot points #1015 & #1016 (see PAGE 17).
 - b) Request permission to drill at 885' FNL & 1815' FWL 31-38s-25e, San Juan County, Utah.
 - c) No producing, TA, or TSI wells offset the proposed exception.
 - d & e) Axem is lessee or operator of all lands and drilling units in a minimum 825' radius.

NOTE: Well name changed from Black Steer to Black Bull.

IN ABOVE SPACE DESCRIBE PROPOSED PROGRAM: If proposal is to deepen or plug back, give data on present productive zone and proposed new productive zone. If proposal is to drill or deepen directionally, give pertinent data on subsurface locations and measured and true vertical depths. Give blowout preventer program, if any.

SIGNED

Brook J. Plifer

Vice-President, Production

TITLE

DATE **12-6-91**

(This space for Federal or State office use)

PERMIT NO.

APPROVAL DATE

APPROVED BY

/S/ WILLIAM C. STRINGER

TITLE

**Assistant District Manager
for Minerals**

DATE

FEB 24 1992

CONDITIONS OF APPROVAL, IF ANY:

CONFIDENTIAL
cc: MBO(3), SJRA(1), UDOGM(2)

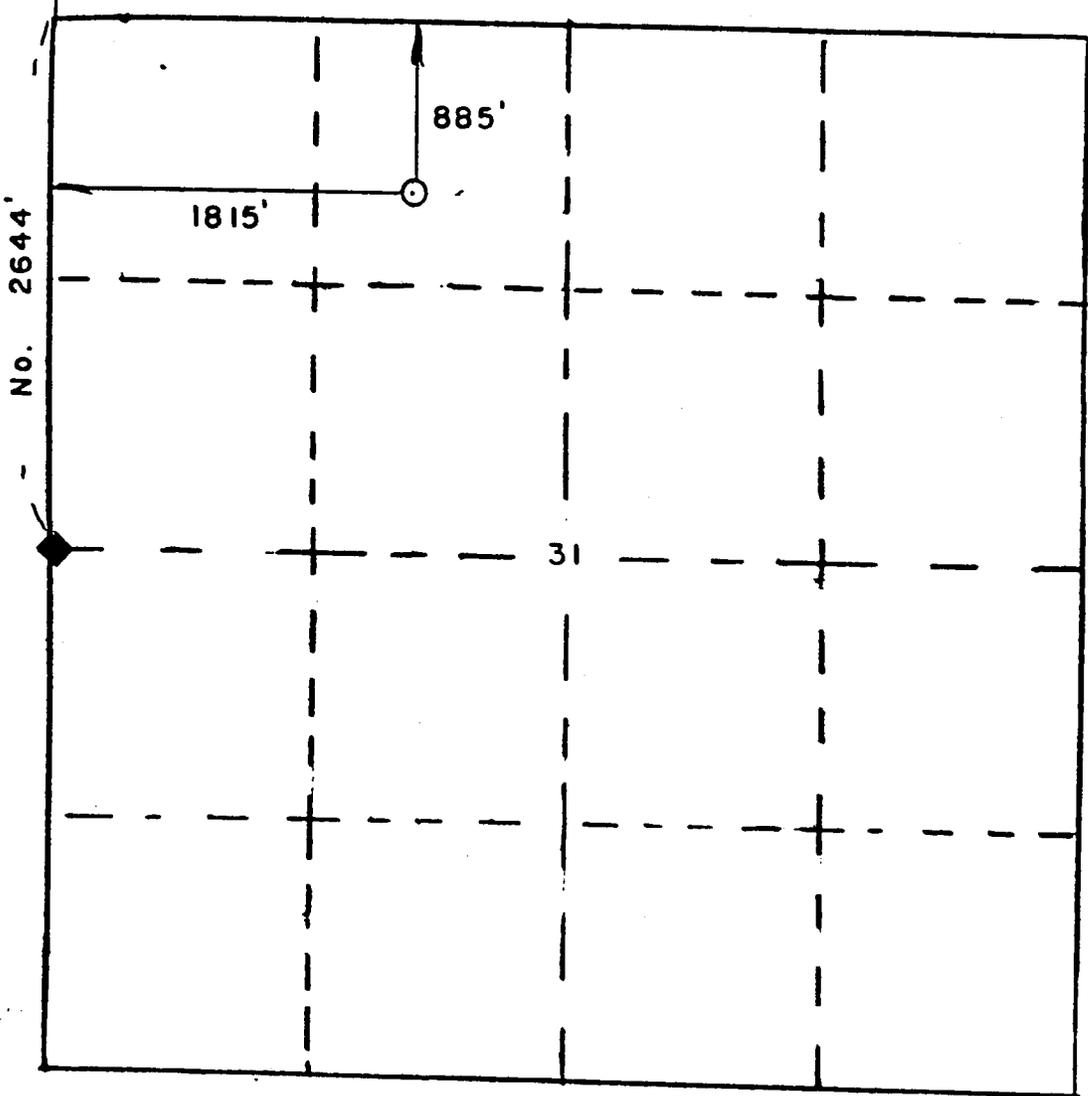
***See Instructions On Reverse Side**

FLARING OR VENTING OF GAS IS SUBJECT TO 18 U.S.C. 1001

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

Docm

WELL LOCATION PLAT



North
1" = 1000'
◆ brass cap
● stone

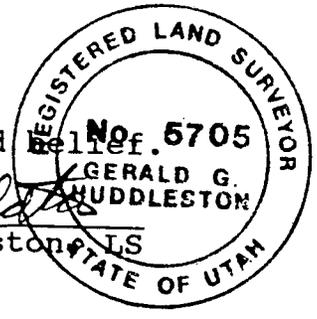
WELL LOCATION DESCRIPTION:

Axem Resources, Inc., Black Steer Fed. 3 - 31
885' FNL & 1815' FWL
Section 31, T.38 S., R.25 E., SLM
San Juan County, UT
4769' ground elevation

The above is true and correct to my knowledge and belief

20 Nov. 1991

Gerald G. Huddleston
Gerald G. Huddleston



Sunfield Energy Company
Black Bull Fed No. 31c
NENW Sec. 31, T. 38 S., R. 25 E.
San Juan County, Utah
Lease U-49692

CONDITIONS OF APPROVAL

Approval of this application does not warrant or certify that the applicant holds legal or equitable title to those rights in the subject lease which would entitle the applicant to conduct operations thereon.

Be advised that Sunfield Energy Company, is considered to be the operator of the above well and is responsible under the terms and conditions of the lease for the operations conducted on the leased lands.

Bond coverage for this well is provided by UT0888 (Principal - Sunfield Energy Company) via surety consent as provided for in 43 CFR 3104.2.

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

This permit will be valid for a period of one year from the date of approval. A one-time, 90 day extension of this period may be granted. After permit termination, a new application must be filed for approval.

All lease operations will be conducted in full compliance with applicable regulations (43 CFR 3100), Onshore Oil and Gas Orders, lease terms, notices to lessees, and the approved plan of operations. The operator is fully responsible for the actions of his subcontractors. A copy of these conditions and the approved plan will be made available to field representatives to insure compliance.

A. DRILLING PROGRAM

1. There will be no deviation from the proposed drilling and/or workover program without prior approval from the Assistant District Manager. "Sundry Notice and Report on Wells" (Form 3160-5) will be filed for approval for all changes of plans and other operations in accordance with 43 CFR 3162.3-2. Safe drilling and operating practices must be observed.

2. Daily drilling and completion progress reports shall be submitted to the District office on a weekly basis.

3. The BLM shall be kept apprised of all fluids entering or leaving the pit, through either weekly drilling reports or a final status report, submitted with the completion report. Either of which shall be submitted prior to reclamation of the pits.
4. No trivalent or hexavalent chromate additives shall be used in the mud system. Due to potential for contamination of usable quality water aquifers, chromates are banned from Federal leases.
5. A 2000 lb. blowout preventer stack and BOP system shall be installed, tested and in working condition prior to drilling through the surface casing shoe according to Onshore Order No. 2 specifications.
6. BOP systems shall be consistent with API RP 53 and Onshore Oil and Gas Order No. 2. Pressure tests of the surface casing and all BOP equipment potentially subject to pressure will be conducted before drilling the surface casing shoe. Blowout preventer controls will be installed prior to drilling the surface casing plug and will remain in use until the well is completed or abandoned. Ram preventers shall be inspected and operated each trip (no more than once a day is necessary), and annular preventers shall be inspected and operated weekly to ensure good mechanical working order. These inspections shall be recorded on the daily drilling report.
7. Operations authorized by this permit shall not be suspended for more than 30 days without prior approval of the Authorized Officer. All conditions of this approval shall be applicable during any operations conducted with a replacement rig.
8. When the completion program is determined, a sundry notice describing the completion shall be submitted to this office for approval.
9. Should the well become productive, the BLM, District Office must be notified no later than five business days after production begins. Notification shall be by letter or sundry notice, or orally to be followed by a letter or sundry notice.
10. Gas produced from this well may not be vented or flared beyond an initial authorized test period of 30 days or 50 MMCF following its completion, whichever comes first, without prior written approval of the Authorized Officer.
11. Surface and intermediate casings shall have a centralizer on each of the bottom three joints.

12. To determine cement bond quality, a cement bond log (CBL) or cement evaluation tool (CET) shall be run after the 8 5/8" and the 5 1/2" casings are run and cemented in place.

13. Based on H2S levels at the Kiva field two miles to the southeast of this well, H2S monitoring equipment shall be utilized from 4400 ft to total depth in accordance with 43 CFR 3160, Onshore Order No. 6. section C.3.c. All people involved with this operation shall be notified of the H2S prior to reaching 4400 ft.

B. SURFACE USE PLAN

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

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

3. A cultural resource clearance will be required before any construction begins. The operator is responsible for informing all persons in the area who are associated with this project that they will be subject prosecution for knowingly disturbing historic or archaeological sites, or for collecting artifacts. If historic or archaeological materials are uncovered during construction, the operator is to immediately stop work that might further disturb such materials, and contact the authorized officer (AO). Within five (5) working days, the AO will inform the operator as to:

- whether the materials appear eligible for the National Register of Historic Places;
- the mitigation measures the operator will likely have to undertake before the site can be used (assuming in situ preservation is not necessary); and,
- a time frame for the AO to complete an expedited review under 36 CFR 800.11 to confirm, through the State Historic Preservation Officer, that the findings of the AO are correct and that mitigation is appropriate.

If the operator wishes, at any time, to relocate activities to avoid the expense of mitigation and/or the delays associated with this process, the AO will assume responsibility for whatever recordation and stabilization of the exposed materials may be required. Otherwise, the operator will be responsible for mitigation costs. The AO will provide technical and procedural guidelines for the conduct of mitigation. Upon verification from the AO that the required mitigation has been completed, the operator will then be allowed to resume construction.

4. The reserve pit shall be located in cut material, with at least 50% of the pit volume being below original ground level. Three sides of the reserve pit will be fenced before drilling starts. The fourth side will be fenced as soon as drilling is completed, and shall remain until the pit is dry. As soon as the reserve pit has dried or within 18 months of completion of drilling whichever is least, all areas not needed for production will be rehabilitated.

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

6. Trash must be contained in a trash cage and hauled away to an approved disposal site as necessary but no later than at the completion of drilling operations.

7. If the well is productive, cattle guards will be installed on the access road at fence crossings. The access road will be rehabilitated or brought to Resource (Class III) Road Standards within sixty (60) days of dismantling the drilling rig. If this time frame cannot be met, the Area Manager will be notified so that temporary drainage control can be installed along the access road.

8. If a tank battery is constructed on this lease, it will be surrounded by a dike of sufficient capacity to contain 150% of the storage capacity of the largest tank in the battery. All loading lines and valves will be placed inside the berm surrounding the tank battery.

9. All permanent (on-site for six (6) months or longer) structures constructed or installed (including oil well pumping units) shall be painted a flat, nonreflective, earth tone color to blend with the local environment, as determined by the Rocky Mountain Five-State Interagency Committee. All facilities shall be painted within six (6) months of installation. Facilities required to comply with the Occupational Safety and Health Act (OSHA) may be excluded. Colors shall be coordinated with the Price River Resource Area office prior to initiating painting.

10. All off-lease storage, off-lease measurement, or commingling (on-lease or off-lease) shall have prior written approval from the Assistant District Manager.

11. Pipeline construction activity is not authorized under this permit.

12. Copies of all water analysis required by the State of Utah in relation to surface discharge of produced water will be submitted to the Moab District Office, Bureau of Land Management.

13. Produced waste water will be confined to an unlined pit for a period not to exceed ninety (90) days after initial production. During the ninety (90) day period, an application for approval of a permanent disposal method and location, along with the required water analysis, will be submitted for the Assistant District Manager's approval pursuant to Onshore Oil and Gas Order No. 7 (NTL-2B).

Plans will be formulated for long term monitoring of aquifers and springs in the area of proposed development prior to approval of further Applications for Permit to Drill.

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

C. REQUIRED NOTIFICATIONS AND APPROVALS

Required verbal notifications are summarized in Table 1, attached.

Spud- Written notification in the form of a Sundry Notice (Form 3160-5) will be submitted to the District office within twenty-four (24) hours after spudding (regardless of whether spud was made with a dry hole digger or big rig). If the spudding occurs on a weekend or holiday, the written report will be submitted on the following work day.

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

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

First Production- Should the well be successfully completed for production, the Assistant District Manager, Minerals Division will be notified when the well is placed in producing status. Such notification may be made by phone, but must be followed by a sundry notice or letter not later than five (5) business days following the date on which the well is placed on production.

A first production conference will be scheduled within fifteen (15) days after receipt of the first production report. The Resource Area Office will coordinate the field conference.

Well Completion Report- Whether the well is completed as a dry hole or as a producer, "Well Completion and Recompletion Report and Log" (Form 3160-4) will be submitted to the District Office not later than thirty (30) days after completion of the well or after completion of operations being performed, in accordance with 43 CFR 3162.4-1. Two copies of all logs, core descriptions, core analyses, well test data, geologic summaries, sample description, and all other surveys or data obtained and compiled during the drilling, workover, and/or completion operations, will be filed with Form 3160-4. Samples (cuttings, fluids, and/or gas) will be submitted when requested by the Assistant District Manager.

Plugging and Abandonment- If the well is completed as a dry hole, plugging instructions must be obtained from the BLM, Moab District Office prior to initiating plugging operations. Table 1 of this document provides the after-hours phone numbers of personnel who are authorized to give plugging instructions.

The top of the marker will be closed or capped.

The following minimum information will be permanently placed on the marker with a plate, cap, or beaded-on with a welding torch:

"Fed" or "Ind", as applicable. "Well number, location by 1/4 1/4 section, township and range". "Lease number".

A "Subsequent Report of Abandonment" (Form 3160-5) will be filed with the Assistant District Manager, Minerals Division within thirty (30) days following completion of the well for abandonment. This report will indicate where plugs were placed and the current status of surface restoration. Upon completion of approved plugging, a regulation marker will be erected in accordance with 43 CFR 3162.6. Final abandonment will not be approved until the surface reclamation work required by the approved APD or approved abandonment notice has been completed to the satisfaction of the Area Manager or his representative, or the appropriate surface managing agency.

Venting/Flaring of Gas- NTL-4A allows venting/flaring of gas during the initial well evaluation period not to exceed 30 days or 50 Mmcf. Venting/flaring beyond the initial test period threshold must be approved by the District Office.

B. Stipulations

The following are conditions proposed by Axem Resources Inc. as part of their Application for Permit to Drill (APD).

1. The 450' of new S-shaped road will have a 16' wide running surface and maximum disturbed width of 30'. It will be rocked with 100 cubic yards of pit run from the county road edge across the Koch Hydrocarbon gas line. A minimum 3' high (after compaction) pad will be built over the pipeline.

Maximum cut or fill will be 3'. Maximum grade will be 5%. No cattleguards or gates are needed. An 18" X 30' long culvert will be installed between the gas line and wellsite.

Surface disturbance and vehicle travel will be limited to the approved location and roads. Any additional area needed will be approved in advance by the Area Manager or land owner.

2. The exact type and layout of the production facilities are not known now. A Sundry Notice will be filed before installation. Facilities will likely be set on the wellpad and include a tank battery, separator, and meter run. The tank battery berm, pits, and all facilities will be fenced.
3. All permanent (on site for 6 or more months) surface facilities will be painted a flat green or tan color. Specific color will be determined by the landowner. Painting will be completed within 6 months of installation. Parts required to comply with OSHA colors will be excluded.

4. The tank battery will be surrounded by a dike of sufficient capacity to contain 150% of the storage capacity of the largest tank in the battery plus one day's production. All loading lines will be placed inside the dike.
5. Site security regulations in 43 CFR 3162.7-4 will be obeyed. All product lines entering or leaving hydrocarbon storage tanks will be effectively sealed.
6. All commingling on- or off-lease must have prior written approval from the District Manager.
7. Gas meter will be within 500' of the separator. The gas line will be buried from the separator to the meter and 500' downstream of the meter and any production facilities. Meter will be housed and/or fenced.
8. Oil and gas measurement facilities will be installed on the production facility. Meters will be calibrated in place before delivery begins. Meter accuracy tests will be conducted monthly for the first 3 months on new meters, and at least quarterly thereafter. The Resource Area will be provided with a date and time for the initial meter calibration and all future meter proving schedules. A copy of the meter calibration reports will be sent to the Resource Area. All meters will conform with the API standards for liquid hydrocarbons and AGA standards for natural gas measurement.
8. Water source will be an artesian well on Richard Perkins' private land in NESW Sec. 30, T.38 S., R. 25 E. An Application to Appropriate Water has been filed with the State of Utah Dev. of Water Rights. Water will be trucked 2 miles on existing roads. No construction or upgrading is needed.
9. An archaeological site is southwest of the pad and pit is marked with blue flagging and must be avoided.
10. Brush and the top 6 inches of soil will be saved and stockpiled north of the reserve pit and pad. Wash will be diverted westward, but beware of the archaeological site to the southwest.
11. Pad construction materials will be on lease native soil in place on the well pad. Reserve pit will be lined with 24 tons of commercial bentonite. Pit run rock will be bought from a commercial source. Use of material under BLM jurisdiction will comply with 43 CFR 3610.1-3.
12. Over 90% of the reserve pit capacity will be in cut. The reserve pit will be lined with 24 tons of commercial bentonite. The pit will be fenced on 3 sides with 36 inch high woven wire topped with 2 strands of barbed wire for a total height of 60 inches within 24 hours of completion of construction. The 4th side will be fenced within 24 hours of the rig moving off. The fence will be kept in good repair while the pit dries.

13. All trash will be placed in a trash cage. When full, it will be hauled to the Blanding dump or Cortez landfill. A permit is required for burning trash between May 1 and October 31. Call the San Juan County Sheriff at (801) 587-2237 for a burning permit. The road and pad will be kept litter free.
14. Human waste will be disposed of in 10 foot deep ratholes or chemical toilets. The ratholes will be immediately filled when the trailers are removed.
15. Produced water will be confined to the reserve pit for a period not to exceed 90 days after initial production. During the 90 day period an NTL-2B application will be submitted for the District Manager's approval of a permanent disposal method and site.
16. There will be no airstrip or formal camp. Three camper trailers may be on site for the company man, mud logger, and tool pusher.
17. Immediately upon completion of drilling, all trash and debris will be collected from the pad and surrounding area and placed in the trash cage.
18. The reserve pit will be completely dry before it is backfilled. All disturbed areas will be recontoured to blend as nearly as possible with the natural topography. This includes removing all berms and refilling all cuts. All disturbed areas will be ripped 6 inches deep with the contour. Seed will be broadcast between October 1 and February 28 with the mix below. A harrow or similar implement will be drug to assure seed cover.

<u>Species</u>	<u>Rate(pounds/acre)</u>
Indian ricegrass	2
Galleta grass	1
Crested wheatgrass	1
Fourwing saltbush	2
Shadscale	2
Yellow sweetclover	1
Wild sunflower	1

After seeding is complete, stockpiled brush will be scattered evenly over the disturbed area. The road will be reclaimed and water barred.

The reserve pit and that part of the pad not needed for production will be reclaimed as previously described. Enough topsoil will be kept to reclaim the remainder of the pad at a future date.

- 19 The dirt contractor will be provided with an approved copy of the surface use plan.

20. There will be no change from the proposed drilling and/or workover plan without prior approval from the District Manager. A Sundry Notice will be filed for approval for all changes of plans and other operations per 43 CFR 3162.3-2.
21. Safe drilling and operating practices must be used. All wells, whether drilling, producing, suspended, or abandoned will be identified per 43 CFR 3162.3-2.
22. If subsurface cultural materials are exposed during construction, work in that spot will stop immediately and the Resource Area will be called. Anyone other than the landowner disturbing archaeological sites or collecting artifacts, including arrowheads, is subject to prosecution.
23. This permit will be valid for one year from the date of approval. After it expires, a new application will be filed for approval of future operations.

The following stipulations are required by the Authorized Officer:

1. There will be NO BURNING OF TRASH ON LOCATION.
2. All wells, whether drilling, producing, suspended, or abandoned and/or separate facilities, will be identified in accordance with 43 CFR 3162.6.
3. All site security guidelines identified in 43 CFR 3162.7 regulations and onshore Oil and Gas order No. 3; Site Security will be adhered to.
4. Gas Measurement will be conducted in accordance with the Onshore Oil and Gas Order No. 5; Gas Measurement and 43 CFR 3162.7-3.
5. Gas meter runs for each well will be located within five hundred (500) feet of the wellhead. The gas flowline will be buried from the wellhead to the meter along with any other sections occurring on the pad. Meter runs will be housed and/or fenced.
6. Oil Measurement will be conducted in accordance with onshore Oil and Gas Order No. 4, Oil Measurement and 43 CFR 3162.7-2.
7. The operator is responsible for informing all persons in the area who are associated with this project that they will be subject to prosecution for knowingly disturbing historic or archaeological sites, or for collecting artifacts. If historic or archaeological materials are uncovered during construction, the operator is to immediately stop work that might further disturb such materials, and contact the authorized officer (AO). Within five working days the AO will inform the operator as to:

- whether the materials appear eligible for the National Register of Historic Places;
- the mitigation measures the operator will likely have to undertake before the site can be used (assuming in-situ preservation is not necessary); and,
- a timeframe for the AO to complete an expedited review under 36 CFR 800.11 to confirm, through the State Historic Preservation Officer, that the findings of the AO are correct and that mitigation is appropriate.

-- If the operator wishes, at any time, to relocate activities to avoid the mitigation and/or the delays associated with this process, the AO will assume responsibility for whatever recordation and stabilization of the exposed materials may be required. Otherwise, the operator will be responsible for mitigation costs. The AO will provide technical and procedural guidelines for the conduct of mitigation. Upon verification from the AO that the required mitigation has been completed, the operator will then be allowed to resume construction.

8. No liquid hydrocarbons (i.e. fuels, lubricants, formation) will be discharged to the reserve pit or location.
9. No chrome compounds will be on location.
10. All load lines and valves will be placed inside the dike surrounding the tank battery.

NOTIFICATIONS

Notify Bob Turri or Jeff Brown of the San Juan
Resource Area, at (801) 587-2141 for the following:

2 days prior to commencement of dirt work, construction or
reclamations;

1 day prior to spudding;

50 feet prior to reaching surface and intermediate casing
depths;

3 hours prior to testing BOP's;

24 hours prior to closing the reserve pit.

If the person at the above number cannot be reached, then notify
Fred Oneyear in the Moab District Office at (801) 259-6111 or at
home (801) 259-5937 (If unsuccessful, then notify one of the
following people listed below).

Notify the Moab District Office, Branch of Fluid Mineral at (801)
259-6111 for the following:

No well abandonment operations will be commenced without the
prior approval of the Assistant District Manager, Mineral
Resources Division. In the case of newly drilled dry holes,
in emergency situations, verbal approval can be obtained by
calling the following individuals, in the order listed.

Dale Manchester,
Petroleum Engineer

Office Phone: (801) 259-6111

Home Phone: (801) 259-6239

Eric Jones,
Petroleum Engineer

Office Phone: (801) 259-6111

Home Phone: (801) 259-2214

If unable to reach the above individuals including weekends, holidays,
or after hour please call:

Lynn Jackson,
Chief, Branch of Fluid Minerals

Office Phone: (801) 259-6111

Home Phone: (801) 259-7990

24 HOURS ADVANCE NOTICE IS REQUIRED FOR ALL ABANDONMENTS

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

FORM APPROVED
Budget Bureau No. 1004-0135
Expires: March 31, 1993

SUNDRY NOTICES AND REPORTS ON WELLS

Do not use this form for proposals to drill or to deepen or reentry to a different reservoir.
Use "APPLICATION FOR PERMIT—" for such proposals

5. Lease Designation and Serial No.

U-49692

6. If Indian, Allottee or Tribe Name

7. If Unit or CA, Agreement Designation

Black Bull Unit

8. Well Name and No.

Black Bull Fed 31C

9. API Well No.

10. Field and Pool, or Exploratory Area

Wildcat

11. County or Parish, State

San Juan County, Ut

SUBMIT IN TRIPLICATE

1. Type of Well

Oil Well Gas Well Other

2. Name of Operator

Sunfield Energy Company

3. Address and Telephone No.

3315 Bloomfield Highway, Farmington, NM 87401

4. Location of Well (Footage, Sec., T., R., M., or Survey Description)

31-T38S-R25E
1815 FWL & 885 FNL

12. CHECK APPROPRIATE BOX(S) TO INDICATE NATURE OF NOTICE, REPORT, OR OTHER DATA

TYPE OF SUBMISSION	TYPE OF ACTION
<input type="checkbox"/> Notice of Intent	<input type="checkbox"/> Abandonment
<input type="checkbox"/> Subsequent Report	<input type="checkbox"/> Recompletion
<input type="checkbox"/> Final Abandonment Notice	<input type="checkbox"/> Plugging Back
	<input type="checkbox"/> Casing Repair
	<input type="checkbox"/> Altering Casing
	<input checked="" type="checkbox"/> Other <u>Name Change</u> Operator Change
	<input checked="" type="checkbox"/> Change of Plans
	<input type="checkbox"/> New Construction
	<input type="checkbox"/> Non-Routine Fracturing
	<input type="checkbox"/> Water Shut-Off
	<input type="checkbox"/> Conversion to Injection
	<input type="checkbox"/> Dispose Water

(Note: Report results of multiple completion on Completion or Recompletion Report and Log fo

13. Describe Proposed or Completed Operations (Clearly state all pertinent details, and give pertinent dates, including estimated date of starting any proposed work. If well is directionally drilled give subsurface locations and measured and true vertical depths for all markers and zones pertinent to this work.)

The well name is changed to the Black Bull Fed 31C

Under the Black Bull Unit Agreement, Sunfield Energy Company is the operator

Attached are revised 10-point and Detailed Drilling Programs

RECEIVED

MAR 04 1992

DIVISION OF
OIL GAS & MINING

14. I hereby certify that the foregoing is true and correct

Signed *Don H. Welch* Title Operations Manger Date 1-23-92

(This space for Federal or State office use)
Approved by *William C. Hanger* Title Assistant District Manager for Minerals Date 2/24/92

Conditions of approval, if any:
Approved with the original APD
DWH 1/29/92

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

DIVISION OF OIL, GAS AND MINING

API NO. 43-037-31663

SPUDDING INFORMATION

NAME OF COMPANY: SUNFIELD ENERGY COMPANY

WELL NAME: BLACK BULL FEDERAL 31C

Section NEW 31 Township 38S Range 25E County SAN JUAN

Drilling Contractor BIG "A"

Rig # 222

SPUDDED: Date 3-9-92

Time 4:00

How ROTARY

CONFIDENTIAL

Drilling will commence _____

Reported by NELL LINDENMEYER

Telephone # 505-326-5525

Date 3-10-92 SIGNED TAS

OPERATOR SUNFIELD ENERGY COMPANY
 ADDRESS 3315 BLOOMFIELD HIGHWAY
FARMINGTON, NM 87401

OPERATOR ACCT. NO. N 1760

ACTION CODE	CURRENT ENTITY NO.	NEW ENTITY NO.	API NUMBER	WELL NAME	WELL LOCATION					SPUD DATE	EFFECTIVE DATE
					QQ	SC	TP	RG	COUNTY		
A	99999	11352	43-037-31663	BLACK BULL FED 31C	NENW	31	38S	25E	SAN JUAN	3-9-92	3-9-92
WELL 1 COMMENTS: Spudded 4:00pm, 3-9-92. NOTIFIED MR. FRANK MATTHEWS ON 3-10-92, at 1:13pm, of Spud. ESTABLISH NEW ENTITY for NEW WELL.											
WELL 2 COMMENTS: Federal-Lease Prop. Zone - DSCR Field-wildcat Entity added 3-17-92. JCA Unit-Black Bull											
WELL 3 COMMENTS:											
WELL 4 COMMENTS:											
WELL 5 COMMENTS:											

ACTION CODES (See instructions on back of form)
 A - Establish new entity for new well (single well only)
 B - Add new well to existing entity (group or unit well)
 C - Re-assign well from one existing entity to another existing entity
 D - Re-assign well from one existing entity to a new entity
 E - Other (explain in comments section)

NOTE: Use COMMENT section to explain why each Action Code was selected.
 3/89)



MAR 13 1992

DIVISION OF
 OIL, GAS & MINING

Ray A. Wheeler
 Signature

OPERATIONS MANAGER 3-10-92
 Title Date

Phone No. (505) 326-5525

RECEIVED

MAR 13 1992

REPORT OF WATER ENCOUNTERED DURING DRILLING - FORM 7

1. Well name and number: Black Bull Fed 31C DIVISION OF
 API number: 43-037-31663 OIL GAS & MINING

2. Well location: QQ NENW section 31 township 38S range 25E county San Juan

3. Well operator: Sunfield Energy Company
 Address: 3315 Bloomfield Highway phone: 505-326-5525
Farmington, NM 87401

4. Drilling contractor: Arapahoe Drilling #11
 Address: _____ phone: _____

5. Water encountered (continue on reverse side if necessary)

Depth		Volume (flow rate or head)	Quality (fresh or salty)
from	to		
403'	810'	1.5 in flow @ 684'	Fresh H2O
		4.0 in flow @ 715'	Fresh H2O

6. Formation tops: Navajo Sandstone _____

If an analysis has been made of the water encountered, please attach a copy of the report to this form.

I certify that this report is true and complete to the best of my knowledge.

Name Barry A. Wieland Signature *Barry A. Wieland*
 Title Operations Manager Date March 11, 1992

Comments:



State of Utah

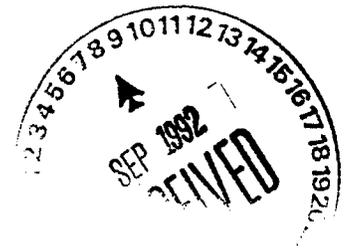
DEPARTMENT OF NATURAL RESOURCES
DIVISION OF OIL, GAS AND MINING

Norman H. Bangertor
Governor

Dee C. Hansen
Executive Director

Dianne R. Nielson, Ph.D.
Division Director

355 West North Temple
3 Triad Center, Suite 350
Salt Lake City, Utah 84180-1203
801-538-5340



September 2, 1992

Sunfield Energy Company
3315 Bloomfield Highway
Farmington, New Mexico 87401

Gentlemen:

Re: Well Completion Report - Black Bull Federal 31C Well, Sec. 31, T. 38S, R. 25E, San Juan County, Utah, API No. 43-037-31663

Utah Admin. R649-3-21, the Utah Oil and Gas Conservation General Rules, requires that within 30 days after the completion of any well drilled or redrilled for the production of oil or gas, Well Completion or Recompletion Report and Log, Form 8, and copies of the electric and radioactivity logs, if run, shall be filed with the division.

Our records indicate that the Well Completion Report for the referenced well has not been received. Enclosed is a copy of Form 8 for your use in promptly submitting this report. If you have questions regarding the completion of the form, please feel free to call Debra Eatchel at the above number.

Sincerely,

Don Staley
Administrative Manager
Oil and Gas

ldc
Enclosure
cc: R.J. Firth
D.M. Eatchel
WO11



State of Utah

DEPARTMENT OF NATURAL RESOURCES
DIVISION OF OIL, GAS AND MINING

Norman H. Bangertter
Governor

Dee C. Hansen
Executive Director

Dianne R. Nielson, Ph.D.
Division Director

355 West North Temple
3 Triad Center, Suite 350
Salt Lake City, Utah 84180-1203
801-538-5340

September 2, 1992

Sunfield Energy Company
3315 Bloomfield Highway
Farmington, New Mexico 87401

Gentlemen:

Re: Well Completion Report - Black Bull Federal 31C Well, Sec. 31, T. 38S, R. 25E, San Juan County, Utah, API No. 43-037-31663

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Sincerely,

Don Staley
Administrative Manager
Oil and Gas

ldc

Enclosure

cc: R.J. Firth
D.M. Eatchel

WO11 Well file

RECEIVED

STATE OF UTAH

DIVISION OF OIL, GAS AND MINING

SEP 17 1992

CONFIDENTIAL

WELL COMPLETION OR RECOMPLETION REPORT AND LOG

DIVISION OF OIL GAS & MINING

1a. TYPE OF WELL: OIL WELL GAS WELL DRY Other

1. TYPE OF COMPLETION: NEW WELL WORK OVER DEEP-EN PLUG BACK DIFF. RESVR. Other

2. NAME OF OPERATOR: Sunfield Energy Company

3. ADDRESS OF OPERATOR: 3315 Bloomfield Highway, Farmington, NM 87401 505-326-5525

4. LOCATION OF WELL (Report location clearly and in accordance with any State requirements):
 At surface 1815' FWL & 885' FNL
 At top prod. interval reported below Same
 At total depth Same

5. LEASE DESIGNATION AND SERIAL NO. U-49692

6. IF INDIAN, ALLOTTEE OR TRIBE NAME

7. UNIT AGREEMENT NAME Black Bull Unit

8. FARM OR LEASE NAME Black Bull Fed 31C

9. WELL NO. 31C

10. FIELD AND POOL, OR WILDCAT Wildcat

11. SEC., T., R. M., OR BLOCK AND SURVEY OR AREA 31-T38S-R25E

14. API NO. 43-037-31663 DATE ISSUED

12. COUNTY San Juan 13. STATE Utah

15. DATE SPUNDED 3-9-92 16. DATE T.D. REACHED 3-30-92 17. DATE COMPL. (Ready to prod.) 4-15-92 (Plug & Abd.) 18. ELEVATIONS (DR, AER, RT, GR, ETC.) 4775GR/4789KB 19. ELEV. CASINGHEAD 4775GR

20. TOTAL DEPTH, MD & TVD 5783 MD 21. PLUG BACK T.D., MD & TVD 5760 MD 22. IF MULTIPLE COMPL. HOW MANY No 23. INTERVALS DRILLED BY ROTARY TOOLS Yes CABLE TOOLS No

24. PRODUCING INTERVAL(S), OF THIS COMPLETION—TOP, BOTTOM, NAME (MD AND TVD) Ismay 5655-5753' MD Desert Creek FAD

25. WAS DIRECTIONAL SURVEY MADE Yes

26. TYPE ELECTRIC AND OTHER LOGS RGN DLL/MSFL/GR/CAL CNL/FDC/LDT/GR/CAL BHC/CAL/GR WAS WELL CORED YES NO (Submit analysis) GBL/CCL/GR YES NO (See separate logs)

28. CASING RECORD (Report all strings set in well)

CASING SIZE	WEIGHT, LB/FT.	DEPTH SET (MD)	HOLE SIZE	CEMENTING RECORD	AMOUNT PULLED
13 3/8 K-55	48 ST&C	103	17 1/2	125 sx CL'B'	
8 5/8 K-55	23 LT&C	1606	11	350 sx 65/35 Poz	
5 1/2, K-55	15.5 LT&C	5780	7 7/8	ST1: 625 sx 65/35 Poz & 200 sx 'G'	
DVT @ 3195				ST2: 655 sx 65/35 Poz & 100 sx 'G'	

29. LINER RECORD

SIZE	TOP (MD)	BOTTOM (MD)	BACKS CEMENT	SCREEN (MD)	20. TUBING RECORD		
					SIZE	DEPTH SET (MD)	PACKER SET (MD)

31. PERFORATION RECORD (Interval, size and number)

5655-5680', 25', .5" @ 4 SPF/100 Shots
 5701-5721', 20', .5" @ 4 SPF/80 shots
 5729-5753', 24', .5" @ 4 SPF/96 shots

32. ACID. SHOT. FRACTURE CEMENT SQUEEZE ETC.

DEPTH INTERVAL (MD)	AMOUNT AND KIND OF MATERIAL USED
5655-5680'	3400 gal 15% HCL, 35000 gal, 28%HCL
5701-5721'	8000 gal ICA 15%, 150 gal, 15%DIHCL
5729-5753'	

33. PRODUCTION

DATE FIRST PRODUCTION 4-20-92 PRODUCTION METHOD (Flowing, gas lift, pumping—size and type of pump) Flowing WELL STATUS (Producing or shut-in) Producing

DATE OF TEST 4-15-92 HOURS TESTED 5 CHOKER SIZE 24/64 PROD'N FOR TEST PERIOD → OIL—BSL 309 GAS—MCF. 550 WATER—BSL 65 GAS-OIL RATIO 1780

FLOW. TUBING PRESS. 235 CASING PRESSURE 10 CALCULATED 24-HOUR RATE → OIL—BSL 1483 GAS—MCF. 1780 WATER—BSL 312 OIL GRAVITY-API (CORR.) 44

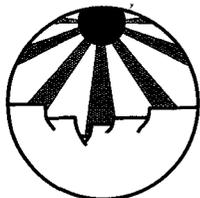
34. DISPOSITION OF GAS (Sold, used for fuel, vented, etc.) Vented TEST WITNESSED BY Harrison Harvey

35. LIST OF ATTACHMENTS

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

SIGNED Bay A. Wilkins TITLE Operations Manager DATE 9-9-92

See Spaces for Additional Data on Reverse Side



SUNFIELD ENERGY COMPANY

January 13, 1993

State of Utah
Department of Natural Resources
Division of Oil, Gas and Mining
355 West North Temple
3 Triad Center, Suite 350
Salt Lake City, Utah 84180-1203

CERTIFIED MAIL RECEIPT
P 671 264 840

Attn: Ms. Vicky Carney
Production Group Supervisor

RECEIVED

JAN 19 1993

RE: Black Bull Federal 31C
API 43-037-31663
Submittal of Logs
31 38S 25E

DIVISION OF
OIL, GAS AND MINING

Dear Ms. Carney:

Enclosed please find the following well logs run on the above referenced well:

Cyberlook
DLL/MSFL
LDT/CNL
BHC

These logs were originally forwarded to you the week of November 2, 1992, and therefore we believed you were already in receipt of them prior to receiving the 2nd NOTICE.

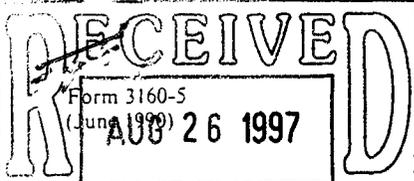
Sunfield Energy Company regrets any inconvenience. If you should have any further questions, please don't hesitate to let me know.

Sincerely,

Barry A. Wieland
Operations Manager

Enclosures

cc: Wilson Groen, San Antonio
John Johnson, Denver
Well File



UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

FORM APPROVED
Budget Bureau No. 1004-0135
Expires: March 31, 1993

DIV. OF OIL, GAS & MINERAL

NOTICES AND REPORTS ON WELLS

Do not use this form for proposals to drill or to deepen or reentry to a different reservoir.
Use "APPLICATION FOR PERMIT—" for such proposals

5. Lease Designation and Serial No.
UTU69100A
6. If Indian, Allottee or Tribe Name

SUBMIT IN TRIPLICATE

7. If Unit or CA, Agreement Designation
N/A

1. Type of Well
 Oil Well Gas Well Other

8. Well Name and No.
Black Bull Fed 31C

2. Name of Operator
Sunfield Energy Company

9. API Well No.
43-037-31663

3. Address and Telephone No.
P.O. Box 612007, Dallas, Texas 75261-2007 (972) 753-6900

10. Field and Pool, or Exploratory Area

4. Location of Well (Footage, Sec., T., R., M., or Survey Description)
NE/NW Section 31-38S-25E

11. County or Parish, State
San Juan, Utah

12. CHECK APPROPRIATE BOX(S) TO INDICATE NATURE OF NOTICE, REPORT, OR OTHER DATA

TYPE OF SUBMISSION	TYPE OF ACTION
<input type="checkbox"/> Notice of Intent	<input type="checkbox"/> Abandonment
<input type="checkbox"/> Subsequent Report	<input type="checkbox"/> Recompletion
<input type="checkbox"/> Final Abandonment Notice	<input type="checkbox"/> Plugging Back
	<input type="checkbox"/> Casing Repair
	<input type="checkbox"/> Altering Casing
	<input checked="" type="checkbox"/> Other <u>Exception to Standard Calibration</u>
	<input type="checkbox"/> Change of Plans
	<input type="checkbox"/> New Construction
	<input type="checkbox"/> Non-Routine Fracturing
	<input type="checkbox"/> Water Shut-Off
	<input type="checkbox"/> Conversion to Injection
	<input type="checkbox"/> Dispose Water

(Note: Report results of multiple completion on Well Completion or Recompletion Report and Log form.)

13. Describe Proposed or Completed Operations (Clearly state all pertinent details, and give pertinent dates, including estimated date of starting any proposed work. If well is directionally drilled, give subsurface locations and measured and true vertical depths for all markers and zones pertinent to this work.)*

Pursuant to a request from Western Gas Resources, Sunfield Energy request permission to perform semi-annual gas sales meter calibration for the subject well. The average daily gas volume for June, 1997 was 46.2333 MCF.

ATTACHMENT: Western Resources Letter dated 8/11/97

CC w/attach: State of Utah

14. I hereby certify that the foregoing is true and correct

Signed

Title

Production Administrator

Date

08/19/97

(This space for Federal or State office use)

Approved by

Title

Date

Conditions of approval, if any:

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

*See Instruction on Reverse Side



Western Gas Resources.

San Juan River Plant

August 11, 1997

Sunfield Energy
PO Drawer 612007
Dallas, TX 75261-2007

RE: Black Bull-91601133

Dear Sir:

Due to declining volumes and increased accuracy of our measurement points, I would like to request that a Sundry Notice be sent to the BLM requesting a reduction in settlement frequency from a quarterly to a semi-annual time frame. This will only be requested on wells producing less than 100 MCF/Day. Listed above is the well name and meter number that fits the criteria. You can fax the Sundry to the BLM District Office at 801-259-2106, Attn: Eric Jones. If you have any questions, feel free to contact me at the number below. Thank you for your time.

Sincerely,

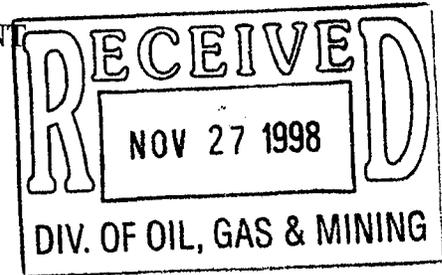
Tim Bates
Field Supervisor
San Juan River Plant



United States Department of the Interior

BUREAU OF LAND MANAGEMENT

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



IN REPLY REFER TO
UT-931

November 25, 1998

Petral Exploration LLC
P.O. Box 5083
Denver, Colorado 80217

Re: Black Bull Unit
San Juan County, Utah

Gentlemen:

On November 17, 1998, we received an indenture dated November 1, 1998, whereby Sunfield Energy Company resigned as Unit Operator and Petral Exploration LLC was designated as Successor Unit Operator for the Black Bull Unit, San Juan County, Utah.

This indenture was executed by all required parties and the signatory parties have complied with Sections 5 and 6 of the unit agreement. The instrument is hereby approved effective November 25, 1998. In approving this designation, the Authorized Officer neither warrants nor certifies that the designated party has obtained all required approval that would entitle it to conduct operations under the Black Bull Unit Agreement.

Your statewide (Utah) oil and gas bond No. 1040 will be used to cover all operations within the Black Bull Unit.

It is requested that you notify all interested parties of the change in unit operator. Copies of the approved instruments are being distributed to the appropriate federal offices, with one copy returned herewith.

Sincerely,

/s/ Robert A. Henricks

Robert A. Henricks
Chief, Branch of Fluid Minerals

Enclosure

bcc: District Manager - Moab (w/enclosure)

Division of Oil, Gas & Mining
Minerals Adjudication Group U-932
File - Black Bull Unit (w/enclosure)
MMS - Data Management Division
Agr. Sec. Chron/Fluid Chron

UT931:TAThompson:tt:11/25/98

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

FORM APPROVED
OMB No. 1004-0135
Expires July 31, 1996

SUNDRY NOTICES AND REPORTS ON WELLS

Do not use this form for proposals to drill or reenter an abandoned well. Use Form 3160-3 (APD) for such proposals.

5. Lease Serial No.
UTU69100A

6. If Indian, Allottee or Tribe Name
N/A

7. If Unit or CA/Agreement, Name and/or No.
N/A

8. Well Name and No.
Black Bull Fed. 31C

9. API Well No.
43-037-31663

10. Field and Pool, or Exploratory Area
Wildcat

11. County or Parish, State
San Juan, Utah

1. Oil Well Gas Well Other

2. Name of Operator
Petral Exploration LLC c/o ENMARC, INC. (E.K. Bostick)

3a. Address **P.O. Box 7638, Loveland, CO 80537**

3b. Phone No. (include area code) **(970) 663-7576**

4. Location of Well (Footage, Sec., T., R., M., or Survey Description)
**885' FNL & 1815' FWL
NE/NW Sec. 31 - T38S - R25E**

12. CHECK APPROPRIATE BOX(ES) TO INDICATE NATURE OF NOTICE, REPORT, OR OTHER DATA

TYPE OF SUBMISSION	TYPE OF ACTION
<input checked="" type="checkbox"/> Notice of Intent	<input type="checkbox"/> Acidize
<input type="checkbox"/> Subsequent Report	<input type="checkbox"/> Deepen
<input type="checkbox"/> Final Abandonment Notice	<input type="checkbox"/> Alter Casing
	<input type="checkbox"/> Fracture Treat
	<input type="checkbox"/> Casing Repair
	<input type="checkbox"/> New Construction
	<input type="checkbox"/> Change Plans
	<input type="checkbox"/> Plug and Abandon
	<input type="checkbox"/> Convert to Injection
	<input type="checkbox"/> Plug Back
	<input type="checkbox"/> Production (Start/Resume)
	<input type="checkbox"/> Reclamation
	<input type="checkbox"/> Recomplete
	<input type="checkbox"/> Temporarily Abandon
	<input checked="" type="checkbox"/> Water Disposal
	<input type="checkbox"/> Water Shut-Off
	<input type="checkbox"/> Well Integrity
	<input type="checkbox"/> Other _____

13. Describe Proposed or Completed Operations (clearly state all pertinent details, including estimated starting date of any proposed work and approximate duration thereof. If the proposal is to deepen directionally or recomplate horizontally, give subsurface locations and measured and true vertical depths of all pertinent markers and zones. Attach the Bond under which the work will be performed or provide the Bond No on file with BLM/BIA. Required subsequent reports shall be filed within 30 days following completion of the involved operations. If the operation results in a multiple completion or recomplate in a new interval, a Form 3160-4 shall be filed once Testing has been completed. Final Abandonment Notices shall be filed only after all requirements, including reclamation, have been completed, and the operator has determined that the site is ready for final inspection.)

Produced water will be transported via truck to the Cochrane Resources, Inc. Tin Cup Mesa #1-C Disposal facility and well located in SE/SE Sec 25 - T38S - R25E, San Juan County, Utah.

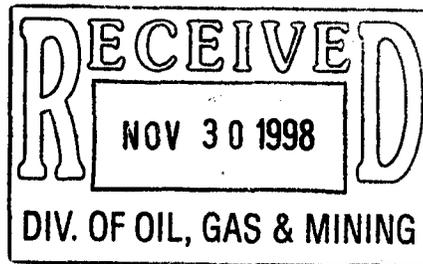
- CC: 3 - BLM, Moab
- 1 - BLM, Monticello
- 1 - Utah Division of Oil Gas & Mining

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

Date: 12-15-98

By: [Signature]

COPY SENT TO OPERATOR
Date: 12-17-98
Initials: CHD



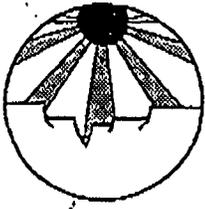
14. I hereby certify that the foregoing is true and correct

Name (Printed/Typed) E.K. Bostick	Title Agent for Petral Exploration LLC
Signature <u>[Signature]</u>	Date November 25, 1998

THIS SPACE FOR FEDERAL OR STATE USE

Approved by	Title	Date
Conditions of approval, if any, are attached. Approval of this notice does not warrant or certify that the applicant holds legal or equitable title to those rights in the subject lease which would entitle the applicant to conduct operations thereon.	Office	

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

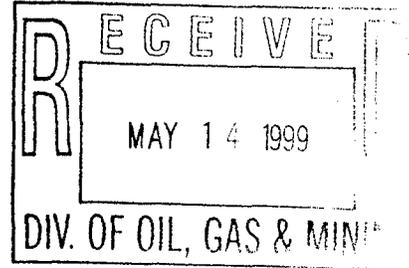


SUNFIELD ENERGY COMPANY

A subsidiary of Harken Energy Corporation

October 27, 1998

United States Department of Interior
Bureau of Land Management
Utah State Office
324 South State, Suite 301
Salt Lake City, UT 84111-2303



Attention: Chief, Branch of Fluid Minerals

RE: Black Bull Unit
Initial Ismay Formation PA "A"
San Juan County, Utah
UTU 69100 A

Gentlemen:

Enclosed for your consideration and approval, are four (4) copies of Resignation of Unit Operator, on behalf of Sunfield Energy, and Designation of Successor Operator for the Black Bull Unit Area.

Petral Exploration, LLC, as designated successor operator under the Black Bull Unit Agreement, hereby certifies that the requisite approvals of the current working interest owners in the agreement have been obtained to satisfy the requirements for selection of a successor operator as set forth under the terms and provisions of the agreement. All operations within the Black Bull Unit Agreement will be covered by bond number UT-1040.

Very truly yours,

SUNFIELD ENERGY COMPANY

Richard O. Cottle
Senior Vice President/Operations

/rlw

Post-it® Fax Note	7671	Date	# of pages ▶
To	Julie	From	Schuyler
Co./Dept.		Co.	
Phone #	Sundry 702	Phone #	Black Bull 31C
Fax #		Fax #	

MacArthur Center II / 5605 N. MacArthur Blvd., Suite 400 / Irving, Texas 75038
P.O. Drawer 612007 / Dallas, Texas 75261
972-753-6900

APR 23 10 14 AM '98

DESIGNATION OF SUCCESSOR OPERATOR

Black Bull Unit Area

County of San Juan
State of Utah

Unit Agreement Number UTU 69100 A

THIS INDENTURE, dated as of the 27th day of October, 1998, by and between Petral Exploration, LLC, hereinafter designated as "First Party" and the owners of unitized working interests, hereinafter designated as "Second Parties."

WITNESSETH:

WHEREAS, under the provisions of the Act of February 25, 1920, 41 Stat. 437, 30 U.S.C. Secs. 181, et seq., as amended by the Act of August 8, 1946, 60 Stat. 950, the Secretary of the Interior, on the 31st day of December, 1991, approved a Unit Agreement for the Black Bull Unit Area, wherein Petral Exploration, LLC, is designated as Unit Operator and

WHEREAS, said, Sunfield Energy Company has resigned as such Operator and the designation of a successor Unit Operator is now required pursuant to the terms thereon; and

WHEREAS, the First Party has been and hereby is designated by Second Parties as Unit Operator, and said First Party desires to assume all the rights, duties and obligations of Unit Operator under the said Unit Agreement:

NOW, THEREFORE, in consideration of the premises herinbefore set forth and the promises hereinafter stated, the First Party hereby covenants and agrees to fulfill the duties and assume the obligations of Unit Operator under and pursuant to all the terms of the Black Bull Unit Agreement, and the Second Parties covenant and agree that, effective upon approval of this indenture by the Chief, Branch of Fluid Minerals, Bureau of Land Management, first Party shall be granted the exclusive right and privilege of exercising any and all rights and privileges as Unit Operator, pursuant to the terms and conditions of said Unit Agreement; said Unit Agreement being hereby incorporated herein by reference and made a part hereof as fully and effectively as though said Unit Agreement were expressly set forth in this instrument.

IN WITNESS WHEREOF, the parties hereto have executed this instrument as of the date hereinabove set forth and hereby certifies that the requisite approvals of the current working interest owners in the agreement have been obtained to satisfy the requirements for selection of a success operator as set forth under the terms and provisions of the agreement.

RESIGNATION OF UNIT OPERATOR

Black Bull Unit Area

County of San Juan
State of Utah

Unit Agreement Number UTU 69100 A

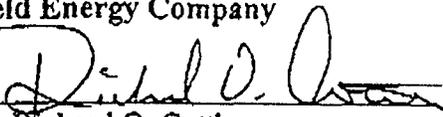
Under and pursuant to the provisions of Section 5 of the Unit Agreement for the Development and Operations of the Black Bull Unit Area, San Juan County, Utah.

Sunfield Energy Company, the designated Unit Operator under said Unit Agreement, does hereby resign as Unit Operator, effective upon the selection and approval of a successor Unit Operator.

EXECUTED with effect as aforesaid this 27th day of October, 1998.

Sunfield Energy Company

By:



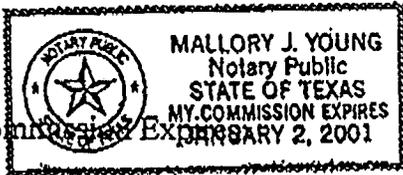
Richard O. Cottle
Sr. Vice President/Operations

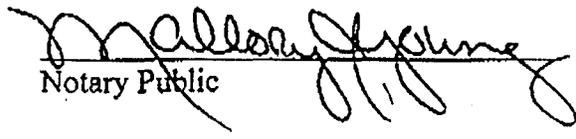
ATTEST:

State of Texas §
" § ss.
County of Dallas §

The foregoing instrument was acknowledged before me this 27th day of October, 1998 by Richard O. Cottle, Senior Vice President/Operations of Sunfield Energy Company, a corporation.

WITNESS my hand and official seal.




Notary Public

My Commission Expires

EXECUTED with effect as aforesaid this 27th day of October, 1998.

First Party - Petral Exploration, LLC

By: Dennis Yockim
Dennis Yockim, Landman

ATTEST:

State of TEXAS §
 § ss.
County of DALLAS §

The foregoing instrument was acknowledged before me this 27th day of October, 1998 by Dennis Yockim, Landman, for Petral Exploration, LLC, a corporation.

WITNESS my hand and official seal.

Mallory J. Young
Notary Public

My Commission Expires:  MALLORY J. YOUNG
Notary Public
STATE OF TEXAS
MY COMMISSION EXPIRES
JANUARY 2, 2001

FAX COVER SHEET

TO: Kristen FAX # 801-359-3940

FROM: Julie Stifflear - Petral Exploration LLC

DATE: 8-31-99

Total # of Pages: 2

Any questions regarding this fax, please call Julie @ 303-986-6185.

Comments:

If you have any questions, please give me a call.

Form 3160-5
(June 1990)

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

FORM APPROVED
Budget Bureau No. 1004-0135
Expires: March 31, 1993

SUNDRY NOTICES AND REPORTS ON WELLS

Do not use this form for proposals to drill or to deepen or reentry to a different reservoir.
Use "APPLICATION FOR PERMIT—" for such proposals

SUBMIT IN TRIPLICATE

1. Type of Well

Oil Well Gas Well Other

2. Name of Operator

Petral Exploration LLC

3. Address and Telephone No.

P.O. Box 5083, Denver, CO 80217 303-832-3131

4. Location of Well (Footage, Sec., T., R., M., or Survey Description)

NE NW Sec. 31-38S-25E

5. Lease Designation and Serial No.

6. If Indian, Allottee or Tribe Name

7. If Unit or CA, Agreement Designation

8. Well Name and No.

Black Bull Federal 31C

9. API Well No.

43-0373166300

10. Field and Pool, or Exploratory Area

Black Bull

11. County or Parish, State

San Juan Co., Utah

12. CHECK APPROPRIATE BOX(S) TO INDICATE NATURE OF NOTICE, REPORT, OR OTHER DATA

TYPE OF SUBMISSION	TYPE OF ACTION	
<input checked="" type="checkbox"/> Notice of Intent	<input type="checkbox"/> Abandonment	<input type="checkbox"/> Change of Plans
<input type="checkbox"/> Subsequent Report	<input type="checkbox"/> Recompletion	<input type="checkbox"/> New Construction
<input type="checkbox"/> Final Abandonment Notice	<input type="checkbox"/> Plugging Back	<input type="checkbox"/> Non-Routine Fracturing
	<input type="checkbox"/> Casing Repair	<input type="checkbox"/> Water Shut-Off
	<input type="checkbox"/> Altering Casing	<input type="checkbox"/> Conversion to Injection
	<input checked="" type="checkbox"/> Other change of operator	<input type="checkbox"/> Dispose Water

(Note: Report results of multiple completion on Well Completion or Recompletion Report and Log form.)

13. Describe Proposed or Completed Operations (Clearly state all pertinent details, and give pertinent dates, including estimated date of starting any proposed work. If well is directionally drilled, give subsurface locations and measured and true vertical depths for all markers and zones pertinent to this work.)*

Petral Exploration took over operation of the above referenced well effective November 1, 1998 from Sunfield Energy Company.

14. I hereby certify that the foregoing is true and correct

Signed J. Stiffleear

Title Engineering Assistant

Date 8-30-99

(This space for Federal or State office use)

Approved by _____

Title _____

Date _____

Conditions of approval, if any:

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

*See Instruction on Reverse Side

OPERATOR CHANGE WORKSHEET

Routing:	
1-KDR ✓	6-KAS ✓
2-GLH	7-SJ ✓
3-JRB ✓	8-FILE ✓
4-CDW ✓	
5-KDR ✓	

Attach all documentation received by the division regarding this change.
Initial each listed item when completed. Write N/A if item is not applicable.

- Change of Operator (well sold) Designation of Agent
 Designation of Operator Operator Name Change Only

The operator of the well(s) listed below has changed, effective: 11-1-98

TO: (new operator) PETRAL EXPLORATION LLC **FROM:** (old operator) SUNFIELD ENERGY COMPANY
 (address) P.O. BOX 5083 (address) 16285 PARK TEN PLACE #600
DENVER CO 80217 HOUSTON TX 77084-5113
 Phone: (303)832-3131 Phone: (281)717-1305
 Account no. N7700 Account no. N1760

***BLACK BULL UNIT**

WELL(S) attach additional page if needed:

Name: <u>BLACK BULL FED. 31C</u>	API: <u>43-037-31663</u>	Entity: <u>11352</u>	S <u>31</u>	T <u>38S</u>	R <u>25E</u>	Lease: <u>U-49692 (PGW)</u>
Name: _____	API: _____	Entity: _____	S _____	T _____	R _____	Lease: _____
Name: _____	API: _____	Entity: _____	S _____	T _____	R _____	Lease: _____
Name: _____	API: _____	Entity: _____	S _____	T _____	R _____	Lease: _____
Name: _____	API: _____	Entity: _____	S _____	T _____	R _____	Lease: _____
Name: _____	API: _____	Entity: _____	S _____	T _____	R _____	Lease: _____

OPERATOR CHANGE DOCUMENTATION

- KDR 1. (r649-8-10) Sundry or other legal documentation has been received from the **FORMER** operator (attach to this form). *(Blm approval)*
- KDR 2. (r649-8-10) Sundry or other legal documentation has been received from the **NEW** operator (Attach to this form). *(Rec'd 8.31.99)*
- N/A 3. The **Department of Commerce** has been contacted if the new operator above is not currently operating any wells in Utah. Is the company registered with the state? (yes/no) ____ If yes, show company file number: _____
- KDR 4. **FOR INDIAN AND FEDERAL WELLS ONLY.** The BLM has been contacted regarding this change. Make note of BLM status in comments section of this form. BLM approval of **Federal** and **Indian** well operator changes should ordinarily take place prior to the division's approval, and before the completion of steps 5 through 9 below. *(Rec'd 5.14.99 & 11.27.98)*
- KDR 5. Changes have been entered in the **Oil and Gas Information System** (3270) for each well listed above. *(9.9.99)*
- KDR 6. **Cardex** file has been updated for each well listed above.
- KDR 7. Well **file labels** have been updated for each well listed above. **new filing system*
- KDR 8. Changes have been included on the monthly "Operator, Address, and Account Changes" **memo** for distribution to Trust Lands, Sovereign Lands, UGS, Tax Commission, etc. *(9.9.99)*
- KDR 9. A folder has been set up for the **Operator Change file**, and a copy of this page has been placed there for reference during routing and processing of the original documents.

ENTITY REVIEW

- WDF 1. (r649-8-7) Entity assignments have been reviewed for all wells listed above. Were entity changes made? (yes/no) no If entity assignments were changed, attach copies of Form 6, Entity Action Form.
- WDF 2. Trust Lands, Sovereign Lands, Tax Commission, etc., have been notified through normal procedures of entity changes.

BOND VERIFICATION - (FEE WELLS ONLY)

- N/A 1. (r649-3-1) The NEW operator of any fee lease well listed above has furnished a proper bond.
- f 2. A copy of this form has been placed in the new and former operator's bond files.
- 3. The FORMER operator has requested a release of liability from their bond (yes/no) , as of today's date . If yes, division response was made to this request by letter dated .

LEASE INTEREST OWNER NOTIFICATION OF RESPONSIBILITY

- N/A 1. Copies of documents have been sent on to at Trust Lands for changes involving State leases, in order to remind that agency of their responsibility to review for proper bonding.
- f 2. (r649-2-10) The former operator of any fee lease wells listed above has been contacted and informed by letter dated 19 , of their responsibility to notify all interest owners of this change.

FILMING

- ✓ 1. All attachments to this form have been microfilmed. Today's date: .

FILING

- ✓ 1. Copies of all attachments to this form have been filed in each well file.
- ✓ 2. The original of this form, and the original attachments are now being filed in the Operator Change file.

COMMENTS

waiting on document fr operators.

OPERATOR CHANGE WORKSHEET

Attach all documentation received by the division regarding this change.
Initial each listed item when completed. Write N/A if item is not applicable.

Routing:	
1-KDR ✓	6-KAS ✓
2-GLH	7-SJ
3-JRB ✓	8-FILE
4-CDW ✓	
5-KDR ✓	

- Change of Operator (well sold) Designation of Agent
 Designation of Operator Operator Name Change Only

The operator of the well(s) listed below has changed, effective: 11-1-98

TO: (new operator)	<u>PETRAL EXPLORATION LLC</u>	FROM: (old operator)	<u>SUNFIELD ENERGY COMPANY</u>
(address)	<u>P.O. BOX 5083</u>	(address)	<u>16285 PARK TEN PLACE #600</u>
	<u>DENVER CO 80217</u>		<u>HOUSTON TX 77084-5113</u>
Phone:	<u>(303)832-3131</u>	Phone:	<u>(281)717-1305</u>
Account no.	<u>N7700</u>	Account no.	<u>N1760</u>

***BLACK BULL UNIT**

WELL(S) attach additional page if needed:

Name: <u>BLACK BULL FED. 31C</u>	API: <u>43-037-31663</u>	Entity: <u>11352</u>	S	<u>31</u>	T	<u>38S</u>	R	<u>25E</u>	Lease: <u>U-49692 (PGW)</u>
Name: _____	API: _____	Entity: _____	S	_____	T	_____	R	_____	Lease: _____
Name: _____	API: _____	Entity: _____	S	_____	T	_____	R	_____	Lease: _____
Name: _____	API: _____	Entity: _____	S	_____	T	_____	R	_____	Lease: _____
Name: _____	API: _____	Entity: _____	S	_____	T	_____	R	_____	Lease: _____
Name: _____	API: _____	Entity: _____	S	_____	T	_____	R	_____	Lease: _____

OPERATOR CHANGE DOCUMENTATION

- KDR 1. (r649-8-10) Sundry or other legal documentation has been received from the **FORMER** operator (attach to this form). *(Blm approval)*
- KDR 2. (r649-8-10) Sundry or other legal documentation has been received from the **NEW** operator (Attach to this form). *(rec'd 8.31.99)*
- N/A 3. The **Department of Commerce** has been contacted if the new operator above is not currently operating any wells in Utah. Is the company registered with the state? (yes/no) ____ If yes, show company file number: _____
- KDR 4. **FOR INDIAN AND FEDERAL WELLS ONLY.** The BLM has been contacted regarding this change. Make note of BLM status in comments section of this form. BLM approval of **Federal** and **Indian** well operator changes should ordinarily take place prior to the division's approval, and before the completion of steps 5 through 9 below. *(rec'd 5.14.99 & 11.27.98)*
- KDR 5. Changes have been entered in the **Oil and Gas Information System** (3270) for each well listed above. *(9.9.99)*
- KDR 6. **Cardex** file has been updated for each well listed above.
- KDR 7. Well **file labels** have been updated for each well listed above. **new filing system*
- KDR 8. Changes have been included on the monthly "Operator, Address, and Account Changes" **memo** for distribution to Trust Lands, Sovereign Lands, UGS, Tax Commission, etc. *(9.9.99)*
- KDR 9. A folder has been set up for the **Operator Change file**, and a copy of this page has been placed there for reference during routing and processing of the original documents.

ENTITY REVIEW

- W 1. (r649-8-7) Entity assignments have been reviewed for all wells listed above. Were entity changes made? (yes no) ____ If entity assignments were changed, attach copies of Form 6, Entity Action Form.
- W 2. Trust Lands, Sovereign Lands, Tax Commission, etc., have been notified through normal procedures of entity changes.

BOND VERIFICATION - (FEE WELLS ONLY)

- N/A 1. (r649-3-1) The NEW operator of any fee lease well listed above has furnished a proper bond.
- f 2. A copy of this form has been placed in the new and former operator's bond files.
- 3. The FORMER operator has requested a release of liability from their bond (yes/no) ____, as of today's date _____. If yes, division response was made to this request by letter dated _____.

LEASE INTEREST OWNER NOTIFICATION OF RESPONSIBILITY

- N/A 1. Copies of documents have been sent on _____ to _____ at Trust Lands for changes involving State leases, in order to remind that agency of their responsibility to review for proper bonding.
- f 2. (r649-2-10) The former operator of any fee lease wells listed above has been contacted and informed by letter dated _____ 19 ____, of their responsibility to notify all interest owners of this change.

FILMING

- W 1. All attachments to this form have been microfilmed. Today's date: 9.22.99.

FILING

- 1. Copies of all attachments to this form have been filed in each well file.
- 2. The original of this form, and the original attachments are now being filed in the Operator Change file.

COMMENTS

waiting on document fr operators.



United States Department of the Interior

BUREAU OF LAND MANAGEMENT

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

RECEIVED

APR 05 2002

**DIVISION OF
OIL, GAS AND MINING**

IN REPLY REFER TO
UT-922

April 4, 2002

B. K. Seeley, Jr.
c/o Dolar Energy LLC
935 East South Union Avenue, Suite D-202
Midvale, UT 84047-2393

Re: Black Bull Unit
San Juan County, Utah

Gentlemen:

On March 11, 2002, we received an indenture dated January 1, 2002, whereby Petral Exploration LLC resigned as Unit Operator and B. K. Seeley, Jr. was designated as Successor Unit Operator for the Black Bull Unit, San Juan County, Utah.

This indenture was executed by all required parties and the signatory parties have complied with Sections 5 and 6 of the unit agreement. The instrument is hereby approved effective April 4, 2002. In approving this designation, the Authorized Officer neither warrants nor certifies that the designated party has obtained all required approval that would entitle it to conduct operations under Black Bull Unit Agreement.

Your statewide (Utah) oil and gas bond No. 0692 will be used to cover all operations within the Black Bull Unit.

It is requested that you notify all interested parties of the change in unit operator. Copies of the approved instruments are being distributed to the appropriate federal offices, with one copy returned herewith.

Sincerely,

/s/ Assad Raffoul

for Robert A. Henricks
Chief, Branch of Fluid Minerals

Enclosure

bcc: Field Manager - Moab (w/enclosure)
Division of Oil, Gas & Mining
Minerals Adjudication Group U-932
File - Black Bull Unit (w/enclosure)
Agr. Sec. Chron
Fluid Chron

UT922:TAThompson:tt:4/4/02



DOLAR ENERGY L.L.C.

Phone: (801) 561-3121
Fax: (801) 561-3133

935 East South Union Avenue
Suite D-202
Midvale, UT 84047-2393

RECEIVED

February 25, 2002

APR 05 2002

**DIVISION OF
OIL, GAS AND MINING**

Division of Oil, Gas & Mining
Attn: John Baza
P. O. Box 145801
Salt Lake City, Utah 84114-5801

RE: Resignation of Unit Operator
Black Bull Unit Area
County of San Juan
No. UTU 69100X

Dear John:

Enclosed please find four (4) copies of the above referenced Resignation of Unit Operator effective January 1, 2002, between B. K. Seeley and Petral Exploration LLC. It is not necessary for Coastal Oil and Gas Corporation approval. Please forward one copy to us upon filing and completion. Thank you for your assistance.

Sincerely yours,

DOLAR ENERGY, LLC

Mark S. Dolar

Mark S. Dolar - CPL/ESA

MSD/kvw

*Rec'd BLM
3-11-02
#*

**RESIGNATION OF UNIT OPERATOR
BLACK BULL UNIT AREA
COUNTY OF SAN JUAN
STATE OF UTAH
NO. UTU 69100X**

RECEIVED

APR 05 2002

**DIVISION OF
OIL, GAS AND MINING**

Under and pursuant to the provisions of Section 5 of the Unit Agreement for the Development and Operation of the Black Bull Unit, San Juan County, Utah, the Designated Unit Operator under said Unit Agreement, does hereby resign as Unit Operator, effective upon the selection and approval of a successor Unit Operator.

Executed with effect as aforesaid this 1st day of January, 2002.

Petral Exploration LLC
Capitva Resources, Inc, managing partner

By Anthony R. May
President

**DESIGNATION OF SUCCESSOR UNIT OPERATOR
BLACK BULL UNIT AREA
COUNTY OF SAN JUAN
STATE OF UTAH
NO. UTU 69100X**

This Indenture, dated as of the 1st day of January, 2002, by and between B.K. Seeley, Jr, DBA Seeley Oil Company, hereinafter designated as "First Party", and the owners of unitized working interests, hereinafter designated as "Second Parties",

WITNESSETH:

Whereas, under the provisions of the Act of February 25, 1920, 41 Stat. 437, 30 U.S.C. Secs. 181, et seq., as amended by the Act of August 8, 1946, 60 Stat. 950, the Secretary of the Interior, or his authorized representative, on the 31st day of December, 1991 approved a Unit Agreement for the Black Bull Unit Area, under the terms thereof Petral Exploration LLC was designated as Unit Operator, and

Whereas, Petral Exploration LLC has resigned as such Unit Operator, and the designation of a successor Unit Operator is now required pursuant to the terms of Black Bull Unit Agreement, and

Whereas, the First Party has been and hereby is designated by Second Parties as Unit Operator, and said First Party desires to assume all the rights, duties, and obligations of Unit Operator under the said unit agreement.

Now Therefore, in consideration of the premises hereinbefore set forth and the promises hereinafter stated, the First Party hereby covenants and agrees to fulfill the duties and assume the

obligations of Unit Operator under and pursuant to all the terms of the Black Bull Unit Agreement, and the Second Parties covenant and agree that, effective upon approval of this indenture by the Authorized Officer, Bureau of Land Management, First Party shall be granted the exclusive right and privilege of exercising any and all rights and privileges as Unit Operator, pursuant to the terms and conditions of said Unit Agreement; said Unit Agreement being hereby incorporated herein by reference and made a part hereof as fully and effectively as though said Unit Agreement were expressly set forth in this instrument.

In Witness Whereof, the parties hereto have executed this instrument as of the date hereinabove set forth.

First Party

By B.K. Seeley, Jr.
B.K. Seeley, Jr.

RECEIVED

APR 05 2002

DIVISION OF
OIL, GAS AND MINING

Second Party(s)

Coastal Oil and Gas Corporation
By _____
Its _____

Petral Exploration LLC
Captiva Resources, Inc, Manager
By [Signature]
Its President

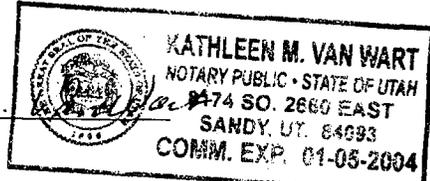
State of UTAH
County of SALT LAKE

The foregoing was acknowledged before me by B.K. Seeley, Jr.
as Owner of Seeley Oil and Gas Co.

Witness my hand and official seal this 25th day of February, 2002

My commission expires 01-05-04

Kathleen M.
Notary Public



State of COLORADO
County of DENVER

The foregoing was acknowledged before me by Anthony R. Mayer, as President of Captiva Resources, Inc. Managing Partner of Petral Exploration LLC.

Witness my hand and official seal this 13th day of February, 2002

My commission expires 3/9/05

S. L. Pacheco
Notary Public - S. L. Pacheco

State of
County of

The foregoing was acknowledged before me by _____,
as _____ of Coastal Oil and Gas Corporation.

Witness my hand and official seal this _____ day of _____, 2002

My commission expires _____

Notary Public

RECEIVED

APR 05 2002

DIVISION OF
OIL, GAS AND MINING

DATA ENTRY:

1. Changes entered in the **Oil and Gas Database** on: 04/08/2002
2. Changes have been entered on the **Monthly Operator Change Spread Sheet** on: 04/08/2002
3. Bond information entered in RBDMS on: N/A
4. Fee wells attached to bond in RBDMS on: N/A

STATE WELL(S) BOND VERIFICATION:

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

FEDERAL WELL(S) BOND VERIFICATION:

1. Federal well(s) covered by Bond Number: UT 0692

INDIAN WELL(S) BOND VERIFICATION:

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

FEE WELL(S) BOND VERIFICATION:

1. (R649-3-1) The **NEW** operator of any fee well(s) listed covered by Bond Number N/A
2. The **FORMER** operator has requested a release of liability from their bond on: N/A
The Division sent response by letter on: N/A

LEASE INTEREST OWNER NOTIFICATION:

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

COMMENTS:

Form 9-221
(May 1983)

UNITED STATES
DEPARTMENT OF THE INTERIOR
GEOLOGICAL SURVEY

SUBMIT IN TRIPPLICATE*
(Other instructions on re-
verse side)

Form approved.
Budget Bureau No. 42-B1424.

SUNDRY NOTICES AND REPORTS ON WELLS

(Do not use this form for proposals to drill or to deepen or plug back to a different reservoir.
Use "APPLICATION FOR PERMIT—" for such proposals.)

1. OIL WELL <input type="checkbox"/> GAS WELL <input type="checkbox"/> OTHER <input checked="" type="checkbox"/> <u>All oil + gas wells</u>		5. LEASE DESIGNATION AND SERIAL NO.	
2. NAME OF OPERATOR <u>Seeley Oil Company, LLC.</u>		6. IF INDIAN, ALLOTTEE OR TRIBE NAME	
3. ADDRESS OF OPERATOR <u>P.O. Box 9015, S.L.C., Utah 84109</u>		7. UNIT AGREEMENT NAME	
4. LOCATION OF WELL (Report location clearly and in accordance with any State requirements.* See also space 17 below.) <u>At surface</u>		8. FARM OR LEASE NAME	
14. PERMIT NO.		9. WELL NO.	
15. ELEVATION (Show whether DF, RT, GM, etc.)		10. FIELD AND POOL, OR WILDCAT	
		11. SEC., T., R. N., OR BLE. AND SURVEY OR AREA	
		12. COUNTY OR PARISH	13. STATE

16. Check Appropriate Box To Indicate Nature of Notice, Report, or Other Data

NOTICE OF INTENTION TO:		SUBSEQUENT REPORT OF:	
TEST WATER SHUT-OFF <input type="checkbox"/>	FULL OR ALTER CASING <input type="checkbox"/>	WATER SHUT-OFF <input type="checkbox"/>	REPAIRING WELL <input type="checkbox"/>
FRACTURE TREAT <input type="checkbox"/>	MULTIPLE COMPLETE <input type="checkbox"/>	FRACTURE TREATMENT <input type="checkbox"/>	ALTERING CASING <input type="checkbox"/>
SHOOT OR ACIDIZE <input type="checkbox"/>	ABANDON* <input type="checkbox"/>	SHOOTING OR ACIDIZING <input type="checkbox"/>	ABANDONMENT* <input type="checkbox"/>
REPAIR WELL <input type="checkbox"/>	CHANGE PLANS <input type="checkbox"/>	(Other) <input type="checkbox"/>	
(Other) <input type="checkbox"/>		(Note: Report results of multiple completion on Well Completion or Recompletion Report and Log form.)	

17. DESCRIBE PROPOSED OR COMPLETED OPERATIONS (Clearly state all pertinent details, and give pertinent dates, including estimated date of starting any proposed work. If well is directionally drilled, give subsurface locations and measured and true vertical depths for all markers and zones pertinent to this work.)*

this is to inform you that effective with January 2003 we changed our name from "B.K. Seeley Jr. dba Seeley oil Company" To: Seeley oil Company, L.L.C.

Please change your well records to reflect this change.

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18. I hereby certify that the foregoing is true and correct

SIGNED B.K. Seeley Jr. TITLE Member DATE 3/03/03

(This space for Federal or State office use)

APPROVED BY _____ TITLE _____ DATE _____

CONDITIONS OF APPROVAL, IF ANY: _____

*See Instructions on Reverse Side



Ted Boyer
Executive Director
Department of Commerce

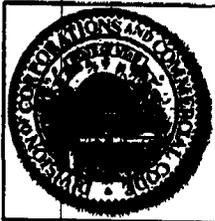
Michael O. Leavitt
Governor
State of Utah

Kathy Berg
Director
Division of Corporations
& Commercial Code

STATE OF UTAH
DEPARTMENT OF COMMERCE
DIVISION OF CORPORATIONS & COMMERCIAL CODE
CERTIFICATE OF REGISTRATION

DE BENNEVILLE K SEELEY, JR
SEELEY OIL COMPANY LLC
3964 S SUMMERSPRING LANE
SALT LAKE CITY UT 84124

Mar. 3 2003
DIV. OF OIL, GAS & MINING



State of Utah
Department of Commerce
Division of Corporations & Commercial Code

CERTIFICATE OF REGISTRATION

LLC - Domestic

This certifies that SEELEY OIL COMPANY LLC has been filed and approved on **January 09, 2003** and has been issued the registration number **5260313-0160** in the office of the Division and hereby issues this Certification thereof.

KATHY BERG
Division Director

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well_name	section	township	range	api	entity	lease_type	status	well_type
STATE 36-13	36	15S	12E	43-007-30084	6430	STATE	S	OW
GRASSY TRAIL 36-2	36	15S	12E	43-007-30103	9577	STATE	S	OW
FEDERAL 35-44	35	15S	12E	43-007-30108	99998	FEDERAL	PA	NA

FEDERAL 1	01	16S	12E	43-015-15604	635	FEDERAL	TA	OW
FEDERAL 2	01	16S	12E	43-015-15607	635	FEDERAL	TA	OW
FEDERAL 1-14	01	16S	12E	43-015-30180	9575	FEDERAL	S	OW
STATE 2-43X	02	16S	12E	43-015-30100	6440	STATE	S	OW
STATE 2-23	02	16S	12E	43-015-30111	99990	STATE	I	WD
FEDERAL 3-23	03	16S	12E	43-015-30127	99998	FEDERAL	PA	D
FEDERAL 4-32	04	16S	12E	43-015-30121	6460	FEDERAL	S	OW
FEDERAL 11-33	11	16S	12E	43-015-30097	6435	FEDERAL	P	OW
FEDERAL 11-41	11	16S	12E	43-015-30118	6450	FEDERAL	S	OW
FEDERAL 11-13	11	16S	12E	43-015-30120	6455	FEDERAL	S	OW
FEDERAL 11-11	11	16S	12E	43-015-30149	6490	FEDERAL	S	OW
FEDERAL 11-42	11	16S	12E	43-015-30167	6495	FEDERAL	P	OW
FEDERAL 11-23	11	16S	12E	43-015-30170	6500	FEDERAL	S	OW
FEDERAL 11-43	11	16S	12E	43-015-30172	6431	FEDERAL	S	OW
FEDERAL 12-13	12	16S	12E	43-015-30142	6485	FEDERAL	S	OW
FEDERAL 12-32	12	16S	12E	43-015-30184	9576	FEDERAL	S	OW
FEDERAL 14-11	14	16S	12E	43-015-30138	6475	FEDERAL	S	OW
FEDERAL 6-14	06	16S	13E	43-015-30187	99998	FEDERAL	LA	OW

BONNIE FEDERAL 11-14	14	37S	23E	43-037-31290	10694	FEDERAL	P	OW
BONNIE FEDERAL 33-14	14	37S	23E	43-037-31316	10757	FEDERAL	PA	GW
BONNIE FEDERAL 43-14	14	37S	23E	43-037-31364	10757	FEDERAL	P	OW
BONNIE FEDERAL 22-14	14	37S	23E	43-037-31367	10694	FEDERAL	P	GW

BLACK BULL FEDERAL 31C	31	38S	25E	43-037-31663	11352	FEDERAL	S	GW
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COWBOY 1	14	39S	22E	43-037-30012	2530	FEDERAL	S	OW
COWBOY 4	14	39S	22E	43-037-30037	2530	FEDERAL	PA	OW
COWBOY 5	14	39S	22E	43-037-30062	2530	FEDERAL	P	OW
COWBOY 7	23	39S	22E	43-037-30325	2530	FEDERAL	P	OW

RECAPTURE PCKT ST 7	02	40S	22E	43-037-30701	2790	STATE	P	OW
RECAPTURE POCKET 1	03	40S	22E	43-037-30625	2780	FEDERAL	S	OW
RECAPTURE POCKET 5	10	40S	22E	43-037-30689	2785	FEDERAL	P	OW
GOVT NORWOOD 1	15	40S	22E	43-037-15611	985	FEDERAL	P	OW
1-25A KGS FEDERAL	25	40S	22E	43-037-30906	10025	FEDERAL	S	OW

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

7. **Federal and Indian Lease Wells:** The BLM and or the BIA has approved the merger, name change, or operator change for all wells listed on Federal or Indian leases on: 01/14/2003

8. **Federal and Indian Units:**

The BLM or BIA has approved the successor of unit operator for wells listed on: N/A

9. **Federal and Indian Communization Agreements ("CA"):**

The BLM or BIA has approved the operator for all wells listed within a CA on: N/A

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

DATA ENTRY:

1. Changes entered in the **Oil and Gas Database** on: 03/04/2003

2. Changes have been entered on the **Monthly Operator Change Spread Sheet** on: 03/04/2003

3. Bond information entered in RBDMS on: N/A

4. Fee wells attached to bond in RBDMS on: N/A

STATE WELL(S) BOND VERIFICATION:

1. State well(s) covered by Bond Number: 1063820156428

FEDERAL WELL(S) BOND VERIFICATION:

1. Federal well(s) covered by Bond Number: UT 0692

INDIAN WELL(S) BOND VERIFICATION:

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

FEE WELL(S) BOND VERIFICATION:

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

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

The Division sent response by letter on: N/A

LEASE INTEREST OWNER NOTIFICATION:

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

COMMENTS:



Terry L. Hoffman
Drilling Technician

Axem

Resources Incorporated

7800 East Union Avenue, Suite 1100
Denver Technological Center
Denver, Colorado 80237-2757
303 740-9000