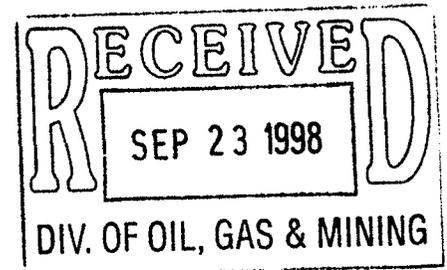


DALMORE, LLC
2597 East Bridger Blvd.
Sandy, Utah 84093
801-942-0525
(fax 942-8472)



September 17, 1998

Re: Dalmore Federal #44-23
T 37 S, R 23 E, Section 23: SESE
Dalmore Federal #11-25
T 37 S, R 23 E, Section 25: NWNW
San Juan County, Utah

Gary Torres
BLM Moab District Office
82 Dogwood, Ste. M
Moab, UT 84532

Dear Mr. Torres:

This letter is to inform you that E. K. Bostick of Enmarc, Inc. is authorized to act as Agent and to sign documents on behalf of Dalmore LLC when necessary for filing count, state and federal permits including Onshore Order No. , Right of Way application, etc., for the above captioned wells.

Dalmore LLC, as a working interest owner in the above captioned wells, agrees to accept full responsibility for operations conducted by Petral Exploration LLC, as operator of the above captioned wells, pursuant to the Operating Agreement between Dalmore and Petral for operations conducted in order to drill, complete, produce and comply with regulations in the above-mentioned wells with E. K. Bostick and Enmarc, Inc., acting as Agent only.

Very truly yours,

A handwritten signature in black ink, appearing to read "Lane Lasrich".

Lane Lasrich
Managing Member

cc: ~~Jeff Brown~~, BLM Monticello
John Baza, DOGM

STATE OF UTAH
DIVISION OF OIL, GAS AND MINING

5. Lease Designation and Serial Number:

UTU-041085

APPLICATION FOR PERMIT TO DRILL OR DEEPEN

6. If Indian, Allottee or Tribe Name:

N/A

1A. Type of Work:

DRILL

DEEPEN

7. Unit Agreement Name:

N/A

B. Type of Well: OIL GAS OTHER:

SINGLE ZONE MULTIPLE ZONE

8. Farm or Lease Name:

Dalmore-Federal

2. Name of Operator:

Petral Exploration, LLC C/O ENMARC, INC. (E.K. Bostick)

9. Well Number:

#11-25

3. Address and Telephone Number:

P.O. Box 7638, Loveland, CO 80537-7638 (970) 663-7576

10. Field and Pool, or Wildcat:

Deadman Canyon

4. Location of Well (Footages):

At Surface:
338' FSL & 253' FWL Sec. 24 - T37S - R23E

CONFIDENTIAL

11. Qtr/Qtr, Section, Township, Range, Meridian:

Surf: SW SW Sec. 24 - T37S - R23E

At Proposed Producing Zone:
136' FNL & 470' FWL Sec. 25 - T37S - R23E

BHL 354 FNL 570 FWL

BHL: NW NW Sec. 25 - T37S - R23E

14. Distance in miles and direction from nearest town or post office:

12 miles SE of Blanding, Utah

12. County:

San Juan

13. State:

UTAH

15. Distance to nearest property or lease line (feet):

489' (BHL)

16. Number of acres in lease:

920

17. Number of acres assigned to this well:

40

18. Distance to nearest well, drilling completed, or applied for, on this lease (feet):

1258' (BHL)

19. Proposed Depth:

6165'(TVD) 6348'(MD)

20. Rotary or cable tools:

Rotary

21. Elevations (show whether DR, RT, GR, etc.):

5520' GR

22. Approximate date work will start:

November 1, 1998

23. PROPOSED CASING AND CEMENTING PROGRAM

SIZE OF HOLE	GRADE, SIZE OF CASING	WEIGHT PER FOOT	SETTING DEPTH	QUANTITY OF CEMENT
20"	16"	.25" Wall	80'	To surface w/ ready-mix
12 1/4"	J-55, 9 5/8"	36#	2080'	Cemented to surface
8 3/4"	J-55, 5 1/2"	15.5#	6348'	75sx 10-1 RFC & 334sx 50/50 "B" Poz

DESCRIBE PROPOSED PROGRAM: If proposal is to deepen, 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.

Petral Exploration LLC intends to directionally drill to a legal bottom hole location in the NW NW Section 25 T37S R. A directional hole is required because topography and cultural resources (archaeology) prevent a vertical hole at the desired location. This approach causes minimal disturbance of the environment. The details of the proposed work plan and supporting data are attached.

645710.29
41569 02-29
646235.23
4156 753.17

24. E.K. Bostick

Agent for

Name & Signature:

E.K. Bostick

Title: Petral Exploration LLC

Date:

9/23/98

(This space for State use only)

API Number Assigned:

43-037-31802

Approval:

Approved by the
Utan Division of
Oil, Gas and Mining

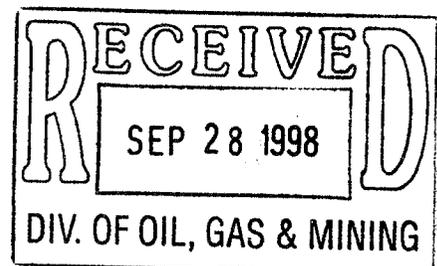
(See instructions on Reverse Side)

Date: 3/10/99

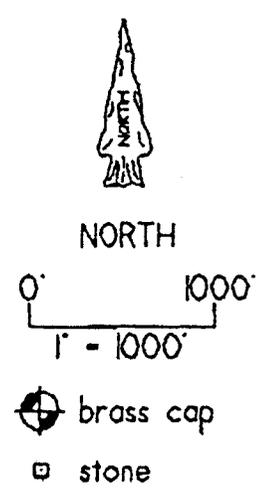
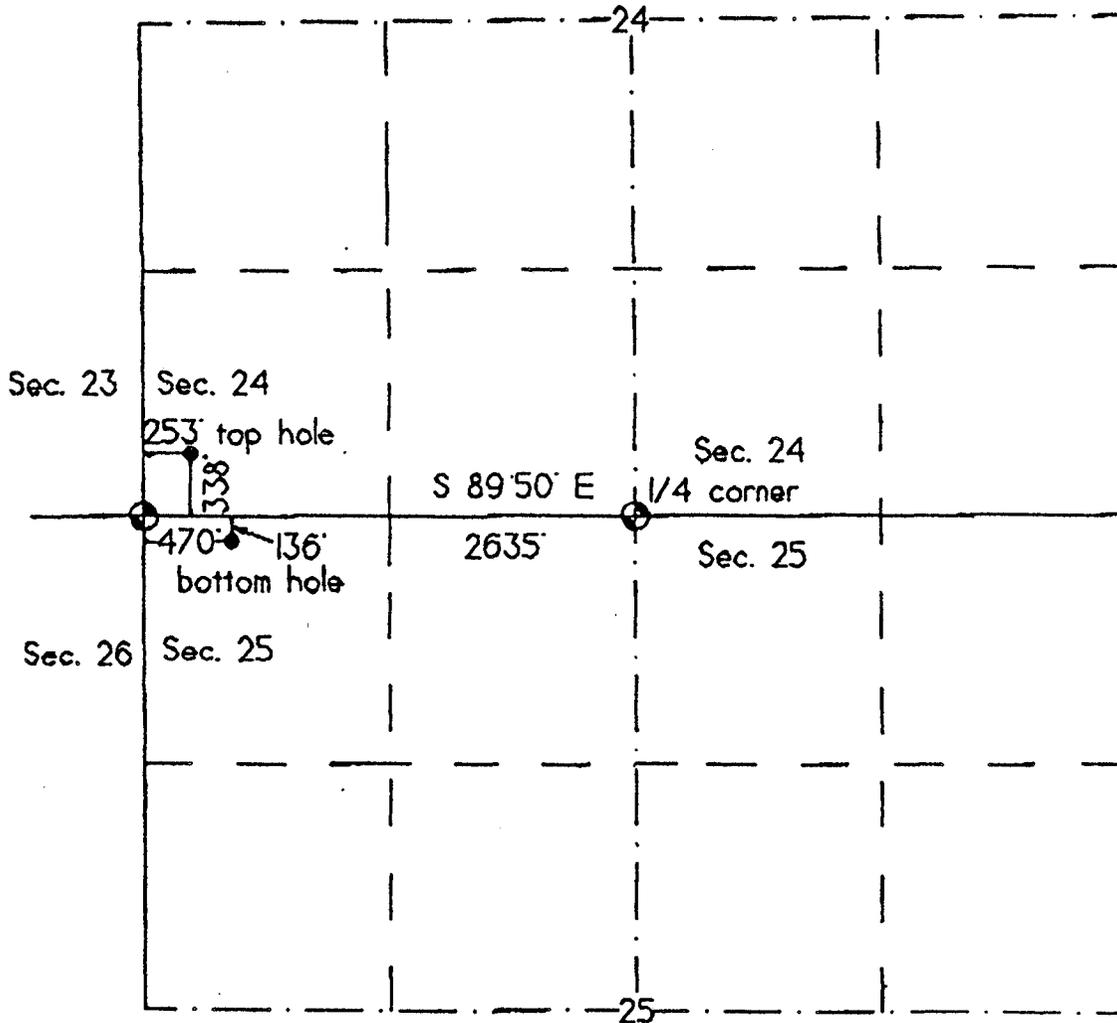
By:

Bradley G. Hill

BRADLEY G. HILL
RECLAMATION SPECIALIST III



Well Location Plat



Well Location Description

PETRAL EXPLORATION
 Dalmore # 11 - 25
 338' FSL & 253' FWL (top)
 Section 24, T.37 S., R.23 E.
 5520' grd. el. (from GPS)
 136' FNL & 470' FWL (bottom)
 Section 25, T.37 S., R.23 E.
 San Juan County, UT

Description - NAD 27

328.604 N state plane
 2,623.956 E state plane top
 (from GPS)
 328.134 N state plane
 2,624.184 E state plane bottom



20 August 1998

Gerald G. Huddleston
 Gerald G. Huddleston, LS

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

HUDDLESTON LAND SURVEYING - BOX KK - CORTEZ, CO - (970) 565 -3330

NOTICE OF STAKING

NOTICE OF STAKING (Not to be used in place of Application for Permit to Drill Form 3160-3)		6. Lease Number <i>Federal UTU-041085</i>	
1. Oil Well <input checked="" type="checkbox"/> Gas Well <input type="checkbox"/> Other (Specify)		7. If Indian, Allottee or Tribe Name <i>N/A</i>	
2. Name of Operator <i>PETRAL EXPLORATION LLC</i>		8. Unit Agreement Name <i>N/A</i>	
3. Name of Specific Contact Person <i>E.K. Bostick (970)667-9734</i>		9. Farm or Lease Name <i>Dalmore</i>	
4. Address & Phone No. of Operator or Agent <i>C/O ENMARC, INC., P.O. Box 7638, Loveland, CO 80537-7638</i>		10. Well No. <i>11-25</i>	
5. Surface Location of Well Approx. 400' FWL & 115' FNL Attach: a) Sketch showing road entry onto pad, pad dimensions, and reserve pit. b) Topographical or other acceptable map showing location, access road, and lease boundaries.		11. Field or Wildcat Name <i>Deadman Canyon</i>	
15. Formation Objective(s) <i>Upper Ismay</i>		16. Estimated Well Depth <i>6000'</i>	
		County or Parish or Borough <i>San Juan</i>	14. State <i>Utah</i>
17. Additional Information (as appropriate; shall include surface owner's name, address and, if known, telephone number) <i>H2S Potential Drilling in the immediate area has shown that H2S is not present.</i> <i>Private Surface Ownership No patented lands are involved in access road or drill pad.</i> <i>Cultural Resources (Archaeology) Archaeological survey completed at the time of staking.</i> <i>Federal Right of Way None required</i>			

Attachments

13. Signed *E.K. Bostick* Title *Agent For Petral Exploration LLC* Date *7/16/98*

Note: Upon receipt of this Notice, the Bureau of Land Management (BLM) will schedule the date of the onsite predrill inspection and notify you accordingly. The location must be staked and access road must be flagged prior to the onsite. Operators must consider the following prior to the onsite.

- a) H₂S Potential
- b) Cultural Resources (Archeology)
- c) Federal Right of Way or Special Use Permit

IMPORTANT: SEE REVERSE SIDE FOR INSTRUCTIONS
BILLING CODE 4310-54-C

R 23 E

Communitized Area (Sec 23: All)
M049P-84690C

Ownership Section 23

Grynberg 50.000%
Dalmore LLC 6.250%
Petral 43.750%

Ownership Section 24 SW (part)

Petral 89.25%
Dalmore LLC 10.75%

1-22
Federal Lease UTU-046825

22

Federal Lease UTU-041499

Grynberg
HBP

23-1
Petral
HBP

33-23

UTU-041085
Petral
HBP

Petral
UTU-041085
HBP

Ownership Section 26 NE/4
Petral 90.625%
Dalmore LLC 9.375%

27

27-43

BHL

Petral
1-A

HBP

HBP

26

25

25-31

Pooled Section 25 NW/4
Petral 66.938%
Grynberg 25.000%
Dalmore LLC 8.062%

Federal Lease UTU-041085

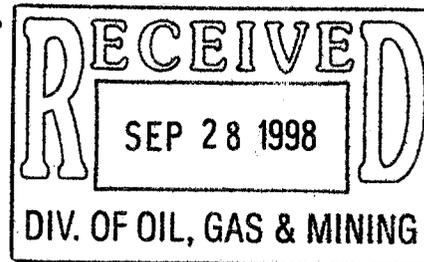
T
37
S

LAW OFFICES OF
VAN COTT, BAGLEY, CORNWALL & McCARTHY
A PROFESSIONAL CORPORATION
SUITE 1600

50 SOUTH MAIN STREET
SALT LAKE CITY, UTAH 84144-0450
TELEPHONE (801) 532-3333
FACSIMILE (801) 534-0058

ADDRESS ALL CORRESPONDENCE TO
POST OFFICE BOX 45340
84145-0340

(801) 237-0352



September 25, 1998

VIA HAND DELIVERY

Mr. John Baza
Associate Director, Oil and Gas
Utah Division of Oil, Gas & Mining
1594 West North Temple, Suite 1210
Salt Lake City, Utah 84180

Re: *Petral Exploration, LLC*
Dalmore - Federal #11-25
Sections 24 and 25, Township 37 South, Range 23 East
San Juan County, Utah

Dear Mr. Baza:

On behalf of Petral Exploration, LLC, I am delivering three (3) original Utah state Applications for Permit to Drill or Deepen ("APD") and one (1) original federal APD for the above-referenced well located in San Juan County, Utah. While E.K. Bostick of ENMARC, Inc. should be your contact regarding the technical aspects of the enclosed APD, I would appreciate being informed if there are any objections or protests to the APD lodged with the Division.

Thank you for your consideration of this matter. If you have any questions or further instructions, please do not hesitate to contact me.

Very truly yours,

A handwritten signature in black ink, appearing to read "Thomas W. Clawson". The signature is fluid and cursive.

Thomas W. Clawson

TWC:cw

Enclosures

cc: Mr. Anthony Mayer
Mr. E.K. Bostick

**UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT**

APPLICATION FOR PERMIT TO DRILL, DEEPEN, OR PLUG BACK

1a. TYPE OF WORK DRILL <input checked="" type="checkbox"/> DEEPEN <input type="checkbox"/>		5. LEASE DESIGNATION AND SERIAL NO. UTU-041085
b. TYPE OF WELL OIL WELL <input checked="" type="checkbox"/> GAS WELL <input type="checkbox"/> OTHER <input type="checkbox"/> SINGLE ZONE <input checked="" type="checkbox"/> MULTIPLE ZONE <input type="checkbox"/>		6. IF INDIAN, ALLOTTEE OR TRIBE NAME N/A
2. NAME OF OPERATOR Petral Exploration LLC c/o ENMARC, INC. (E.K. Bostick)		7. UNIT AGREEMENT NAME N/A
3. ADDRESS AND TELEPHONE NO. P.O. Box 7638, Loveland, CO 80537 (970) 663-7576		8. FARM OR LEASE NAME, WELL NO. Dalmore-Federal #11-25
4. LOCATION OF WELL (Report location clearly and in accordance with any State requirements.)* At Surface 338' FSL & 253' FWL Sec. 24 - T37S - R23E At proposed prod. zone 136' FNL & 470' FWL Sec 25 - T37S - R23E		9. API WELL NO.
14. DISTANCE IN MILES AND DIRECTION FROM NEAREST TOWN OR POST OFFICE* 12 miles south of Blanding, Utah		10. FIELD AND POOL, OR WILDCAT Deadman Canyon
15. DISTANCE FROM PROPOSED* LOCATION TO NEAREST PROPERTY OR LEASE LINE, FT. (Also to nearest dreg. unit line, if any) 489' BHL	16. NO. OF ACRES IN LEASE 920	11. SEC., T., R., M., OR BLK. AND SURVEY OR AREA Surf: Sec. 24 - T37S - R23E BHL: Sec. 25 - T37S - R23E
18. DISTANCE FROM PROPOSED LOCATION * TO NEAREST WELL, DRILLING, COMPLETED, OR APPLIED FOR, ON THIS LEASE, FT. 1258' BHL	19. PROPOSED DEPTH 6165'(TVD) 6348' (MD)	12. COUNTY OR PARISH San Juan
21. ELEVATIONS (Show whether DF, RT, GR, etc.) 5520' GR x DF x GR		13. STATE Utah
22. APPROX. DATE WORK WILL START* November 1, 1998		17. NO. OF ACRES ASSIGNED TO THIS WELL 40
20. ROTARY OR CABLE TOOLS Rotary		

23. PROPOSED CASING AND CEMENTING PROGRAM

SIZE OF HOLE	GRADE, SIZE OF CASING	WEIGHT PER FOOT	SETTING DEPTH	QUANTITY OF CEMENT
20"	16"	.25" Wall	80'	To Surface w/ ready mix
12 1/4"	J-55, 9 5/8"	36#	2080'	Cemented to surface
8 3/4"	J-55, 5 1/2"	15.5#	6348'	75sx 10-1 RFC & 334sx 50/50 "B" Poz

Request is made for all information to be held CONFIDENTIAL.

It is proposed to directionally drill from the above surface location to the BHL with the primary zone of interest the Upper Ismay Mound at 5760' TVD. If the well proves productive, 5 1/2 " casing will be cemented in place and the well completed. If the well is found non-productive, it will be plugged and abandoned and the surface restored as per BLM specifications.

See attached "DrillingProgram" summary, "Surface Use Program" and "Directional Drilling Program" planning report (Scientific Drilling) for details. I hereby certify that Petral, Exploration LLC is responsible under the terms and conditions of the lease to conduct lease operations in conjunction with the application. Bond Coverage pursuant to 43 CFR 3104 for lease activities is provided by BLM Bond # UT 1040.

See attachments. Application has been made to the Utah Board of Oil, Gas & Mining for APD.

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 E.K. Bostick TITLE Petral Exploration LLC DATE 9/23/98
Agent for

(This space for Federal or State office use)

PERMIT NO. _____ APPROVAL DATE _____

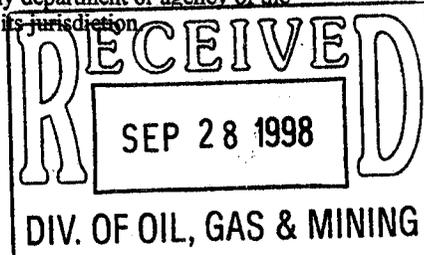
Application approval does not warrant or certify that the applicant holds legal or equitable title to those rights in the subject lease which would entitle the applicant to conduct operations thereon.

CONDITIONS OF APPROVAL, IF ANY:

APPROVED BY _____ TITLE _____ DATE _____

***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.



SUPPORTING DATA FOR SUNDRY NOTICE

PETRAL EXPLORATION LLC Dalmore- FEDERAL #11-25

Form 3160-3 Supporting Data (Not requested in Sundry Notice)

2. Petral Exploration LLC. Contact Person is E.K. Bostick of ENMARC, INC. (see below)
3. Agent is: ENMARC, INC., P.O. Box 7638, Loveland, CO 80537. Phone is (970) 663-7576 or (303) 825-7061 (Denver office).
4. Location of Well: The surface location is 338' FSL and 253' FWL Section 24 T37S R23E (Dalmore #11-25). The location of the wellbore at the top of the prospective Upper Ismay horizon is 136' FNL and 470' FWL Section 25 T37S R23E (a lateral distance of 521' on a bearing of 155.4 degrees from the surface location). The location of the wellbore at Measured Total Depth will be 354' FNL and 570' FWL Section 23 T37S R23E.
14. The well will be approximately 9 miles southeast of Blanding, Utah.
15. The wellbore at the top of the Upper Ismay reservoir is 489' from the nearest lease line which is a communitized lease line. Part of lease UTU-041085 is communitized and part is not. See the plat with lease information which is provided in the request for a directional drilling permit for details.
16. Lease UTU-041085 contains 920 acres.
17. Forty (40) acres are assigned to this well.
18. The wellbore at the top of the Upper Ismay reservoir is 1258' from the nearest well drilling, completed or applied for on this lease.
19. The proposed True Vertical Depth Total Depth is 6165'. The Measured Total Depth will be 6348'.
20. Rotary tools will be used to drill this well.
21. The Kelly Bushing elevation at surface location is estimated at 5535'.
22. Work will start in early November 1998.

SUPPORTING DATA FOR SUNDRY NOTICE

PETRAL EXPLORATION LLC Dalmore-Federal #11-25

NOS Supporting Data (Not Requested in Sundry Notice)

4. A topographic map showing the access road, location and lease boundary is attached. Additional detailed lease information is shown on the plat accompanying the request for a permit for a directional well.

14. The objective formation is the Upper Ismay.

15. The estimated TVD TD at bottom hole location is 6165 ft., the MD TD is 6348 ft.

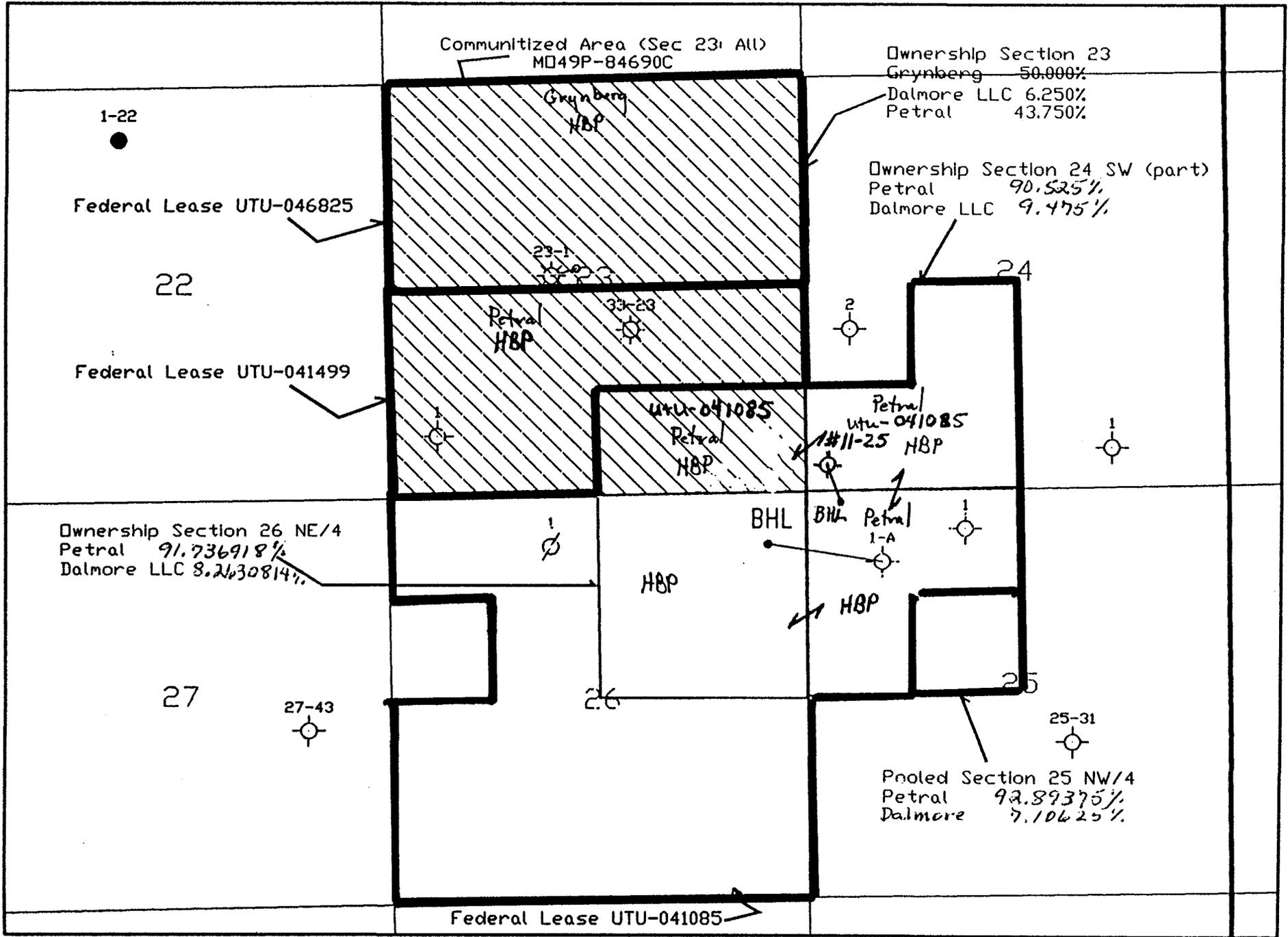
16. Completed actions are:
 - a. The location is staked as the Petral Exploration LLC Dalmore #11-25. A survey plat showing the surface location and bottom hole location at the Upper Ismay target horizon is attached.
 - b. The access road is staked as the Dalmore #11-25.
 - c. Attached is a map of the access road, location, pad dimensions, reserve pit and cut/fill.

17. The following issues have been addressed:
 - a. H2S potential: Drilling and testing of the Upper Ismay in the immediate area by Petral and others have shown that there is no H2S potential.
 - b. Private Surface Ownership: Title research for the Dalmore-Federal #11-25 revealed no patented lands (either surface or minerals) are involved in the bottom hole location, access road or drillsite.
 - c. Cultural Resources (archaeology): The access road and drill site have been recommended for approval by 4 Corners Archaeological Services 4 CAS Report 9820 after staking (September 4, 1998). Please refer to the (attached) archaeological report.
 - d. Federal Right of Way: A right of way (UTU-73169) was previously obtained for the drilling of the #1-A Dalmore Federal. It is current and the fee is paid. A copy is attached.

18. Additional Information: A directional drilling permit will be required for the State of Utah. Information in support of this is presented with the next section of this notice.

R 23 E

T
37
S



PANEL 6 Lease Ownership

Petral 90.525%
Dalmore 9.475%



United States Department of the Interior

BUREAU OF LAND MANAGEMENT

Utah State Office
324 South State, Suite 301
Salt Lake City, Utah 84111-2303

RECEIVED

NOV 10 1995

REPLY REFER TO:
3104
(UT-923)

NOV 7 1995

DECISION

Obligor	:	Bond Amount:	\$25,000
Patrol Exploration LLC	:		
P.O. Box 5083	:	Bond Type:	Statewide
Denver, CO 80217-5083	:		Oil and Gas
	:		
Financial Institution:	:	BLM Bond Number:	UT 1040
Norwest Bank Colorado, N.A.	:		
1740 Broadway	:		
Denver, CO 80274	:		

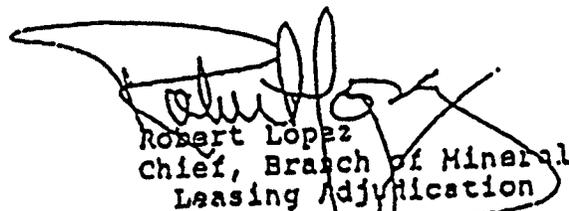
Statewide Oil and Gas Personal Bond and Certificate of Deposit Accepted

On November 6, 1995; this office received Bond Form 3000-4 together with Investment Deposit Agreement (Book Entry) No. 101741006 evidencing the purchase of a \$25,000 Certificate of Deposit (CD) in the amount of \$25,000 to secure a statewide oil and gas bond for the above obligor. Both documents have been examined and are accepted effective November 6, 1995.

The CD will be retained by the Bureau of Land Management (BLM) and will automatically renew annually until all terms and conditions of the leases have been fulfilled or until a satisfactory replacement bond has been accepted by the BLM.

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

If you have any questions, please contact Irene Anderson of this office at (801) 539-4100.


Robert Lopez
Chief, Branch of Mineral
Leasing Adjudication

cc: All Districts

FORM 2800-14
(August 1985)

Issuing Office
Moab District
San Juan Resource Area

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT
RIGHT-OF-WAY GRANT

SERIAL NUMBER UTU-74169

-
1. A right-of-way is hereby granted pursuant to Title V of the Federal Land Policy and Management Act of October 21, 1976 (90 Stat. 2776; 43 U.S.C. 1761).
 2. Nature of Interest:
 - a. By this instrument, the holder.

Petral Exploration, LLC
1700 Lincoln Street, Suite 4750
Denver, Colorado 80203

receives a right to construct, operate, maintain, and terminate a road to the Dalmore well site (Oil & Gas Lease UTU-41085) on public lands described as follows:

Salt Lake Meridian
T. 37 S., R. 23 E.,
sec. 14, All;
sec. 23, NE $\frac{1}{4}$ NE $\frac{1}{4}$;
sec. 24, W $\frac{1}{2}$;
and sec. 25, NW $\frac{1}{4}$ NW $\frac{1}{4}$
 - b. The right-of-way area granted herein is 30 feet wide, 19,008 feet long (3.6 miles), with a surface width of 16 feet. The right-of-way contains 13.1 acres, more or less.
 - c. This instrument shall terminate on December 31, 2027, unless prior thereto, it is relinquished, abandoned, terminated, or modified pursuant to the terms and conditions of this instrument or of any applicable Federal law or regulation.
 - d. This instrument may be renewed. If renewed, the right-of-way shall be subject to the regulations existing at the time of renewal and any other terms and conditions that the authorized officer deems necessary to protect the public interest.
 - e. Notwithstanding the expiration of this instrument or any renewal thereof, early

relinquishment, abandonment, or termination, the provisions of this instrument, to the extent applicable, shall continue in effect and shall be binding on the holder, its successors, or assigns, until they have fully satisfied the obligations and/or liabilities accruing herein before or on account of the expiration, or prior termination, of the grant.

3. Rental: Waived as provided in 43 CFR 2803.1-2.

For and in consideration of the rights granted, the holder agrees to pay the Bureau of Land Management fair market value rental as determined by the authorized officer unless specifically exempted from such payment by regulation. Provided, however, that the rental may be adjusted by the authorized officer, whenever necessary, to reflect changes in the fair market rental value as determined by the application of sound business management principles, and so far as practicable and feasible, in accordance with comparable commercial practices.

4. Terms and Conditions:

- a. This grant or permit is issued subject to the holder's compliance with all applicable regulations contained in Title 43 Code of Federal Regulations part 2800.
- b. Upon grant termination by the authorized officer, all improvements shall be removed from the public lands within 90 days, or otherwise disposed of as provided in paragraph (4)(d) or as directed by the authorized officer.
- c. Each grant issued for a term of 20 years or more shall, at a minimum, be reviewed by the authorized officer at the end of the 20th year and at regular intervals thereafter not to exceed 10 years. Provided, however, that a right-of-way or permit granted herein may be reviewed at any time deemed necessary by the authorized officer.
- d. The stipulations, plans, maps, or designs set forth in Exhibits A and B, dated July 5, 1996, and attached hereto, are incorporated into and made a part of this grant instrument.
- e. Failure of the holder to comply with applicable law or any provision of this right-of-way grant or permit shall constitute grounds for suspension or termination thereof.
- f. The holder shall perform all operations in a good and workmanlike manner so as to ensure protection of the environment and the health and safety of the public.
- g. No surface disturbing activities shall take place on the subject right-of-way until the associated APD is approved. The holder will adhere to special stipulations in the Surface Use Program of the approved APD, relevant to any right-of-way facilities.
- h. The holder shall construct, operate, and maintain the facilities, improvements, and structures within this right-of-way in strict conformity with the project description which

- was received with the application on March 12, 1997. Any relocation, additional construction, or use that is not in accord with the approved project description, shall not be initiated without the prior written approval of the authorized officer. Noncompliance with the above will be grounds for an immediate temporary suspension of activities if it constitutes a threat to public health and safety or to the environment.
- i. No surface disturbing activities shall take place on the subject right-of-way until the associated APD is approved. The holder will adhere to special stipulations in the Surface Use Program of the approved APD, relevant to any right-of-way facilities.
 - j. As directed by the authorizing officer, all road segments shall be winterized by providing a well-drained roadway by water baring, maintaining drainage, and any additional measures necessary to minimize erosion and other damage to the roadway or the surrounding public lands.
 - k. No construction or routine maintenance activities shall be performed during periods when the soil is too wet to adequately support construction equipment. If such equipment creates excessive ruts, the soil shall be deemed too wet to adequately support construction equipment.
 - l. The San Juan Resource Area Manager will be notified 24 hours in advance of road construction, so that the BLM may arrange to have a resource specialist on-site to monitor for paleontological resources.
 - m. During construction a cultural resource monitor will be utilized to ensure that all cultural resources are avoided during activities associated with the proposed action. The cultural resource monitor must be an individual qualified and permitted to work on BLM lands.
 - n. Any cultural and/or paleontological resource (historic or prehistoric site or object) discovered by the holder, or any person working on his behalf, on public or Federal land shall be immediately reported to the authorized officer. Holder shall suspend all operations in the immediate area of such discovery until written authorization to proceed is issued by the authorized officer. An evaluation of the discovery will be made by the authorized officer to determine appropriate actions to prevent the loss of significant cultural or scientific values. The holder will be responsible for the cost of evaluation and any decision as to proper mitigation measures will be made by the authorized officer after consulting with the holder.
 - o. For the purpose of determining joint maintenance responsibilities, the holder shall make road use plans known to all other authorized users of the road. Holder shall provide the authorized officer, within 30 days from the date of the grant, with the names and addresses of all parties notified, dates of notification, and method of notification. Failure of the holder to share proportionate maintenance costs on the common use access road in dollars, equipment, materials, or manpower with other authorized users may be adequate grounds to terminate the right-of-way grant. The determination as to whether this has occurred and

the decision to terminate shall rest with the authorized officer. Upon request, the authorized officer shall be provided with copies of any maintenance agreement entered into.

IN WITNESS WHEREOF, The undersigned agrees to the terms and conditions of this right-of-way grant or permit.

PETRAL EXPLORATION LLC, Petroro Corp.,
Manager

Anthony R. Mayer
(Signature of Holder)

Anthony R. Mayer, President
(Title)

March 20, 1997
(Date)

Asherwin M. Sandberg
(Signature of Authorized Officer)

acting Area Manager
(Title)

4-3-97
(Effective Date of Grant)

DRILLING PROGRAM

Petral Exploration, LLC
Dalmore-Federal #11-25
NW NW Sec. 25 – T37S – R23E
San Juan Co., UT
Lease # UTU – 041085

A. Surface Formation:
Morrison

B. Estimated Formation Tops (KB Measurements):

<u>Formation</u>	<u>TVD Depth (KB)</u>	<u>Subsea</u>
Morrison	Spud	
Chinle.....	1980	+ 3540
De Chelly.....	2885	+ 2635
Honaker Trail.....	4730	+ 790
La Sal.....	5440	+ 80
Upper Ismay.....	5747	- 227
Upper Ismay Mound.....	5760	- 240
Hovenweep.....	5883	- 363
Lower Ismay	5915	- 395
Gothic	5972	- 452
Desert Creek	5995	- 475
Chimney Rock	6082	- 562
Akah.....	6140	- 620
Total Depth	6165(TVD) 6348(MD)	

C. Estimated Depths at which Anticipated Water, Oil, Gas or other Mineral-bearing Formations are Expected to be Encountered.

Hydrocarbon bearing zones may be found from 5760' (Upper Ismay Mound) to 6082'. Commercial water zones are not anticipated. All formations below surface may contain water. Fresh water zones will be protected through casing and cementing programs (see parts E & F).

D. Minimum Pressure Control Equipment & Auxiliary Equipment (see attached diagram):

1. One 11' – 3000 psig annular preventer. One 11" – 3000 psig double ram blowout preventer with blind rams and one set of 4 ½" drill pipe rams (above blind ram) will be installed and utilized prior to drilling below 9 5/8" surface casing. Flow sensors and PVT will be installed prior to drilling below surface casing and utilized to TD.
2. Blowout preventer or drilling spool will be equipped with one 3" and one 2" side outlet.

3. A 3000 psig choke manifold with two (2) adjustable chokes will be installed prior to drilling below surface casing. The choke line will be as straight as possible and turns, if required, will have a targeted T block.
4. An accumulator rated at 3000psig W.P. with a minimum of three (3) hydraulic control stations will be utilized. One for annular, one for blind rams and one for pipe rams. Remote controls will be located at the accumulator house at G.L. and on the floor. Manual controls (e.g. – hand wheels) will be located at G.L. near the substructure. A valve shall be installed in the hydraulic closing line to serve as a locking device when the accumulator system is inoperative.
5. Pressure testing procedures and requirements. Prior to drilling out below the 9 5/8" surface casing, surface casing will be tested to 0.22 psi per foot of casing string length or 1500 psi, whichever is greater, but not to exceed 70% of minimum internal yield of the 9 5/8", 36#/ft., J-55 surface casing for a minimum of 10 minutes. BOP stack and associated equipment (e.g. – choke manifold, lower and upper kelly cocks, valves, etc.) will be tested to 3000 psig for 15 minutes utilizing a test plug. The annular preventer will be tested to 1500 psig for 15 minutes. A certified BOP testing service company will be utilized for pressure testing. All pressure testing operations must be witnessed by Petral's well site representative (ENMARC, Inc.).
6. Drilling contractor will perform a daily operational check of all BOP equipment (e.g. – includes associated equipment). Pipe and blind rams shall be activated each trip, annular BOP activated weekly
7. All BOP pressure testing & operational checks to be recorded in the daily "tour" book.
8. A BOP and pit level drill will be conducted by the drilling contractor weekly and noted in the "tour" report book.
9. 24 hours prior to pressure testing notify the BLM, and the Utah Division of Oil, Gas & Mining.

Every 30 days, BOP and accessory equipment must be pressure tested to 3000 psig. Notify the BLM and Utah Division of Oil, Gas & Mining prior to test.

E. Casing Program:

Conductor Casing:

80' of 16" pipe cemented in place to surface

Surface Casing:

52 jts. – 2080', 9 5/8", 36 #/ft, J-55, ST&C, "A" Grade (new)

Accessory Equipment:

- 1 9 5/8" Guide Shoe
 - 1 9 5/8" Insert Float
 - 1 9 5/8" Centralizer placed middle of shoe joint
 - 1 9 5/8" Centralizer at collar above shoe joint
 - 1 9 5/8" Centralizer thereafter on every second collar for 6 centralizers
 - 1 9 5/8" Centralizer thereafter on every fourth collar for 7 centralizers
 - 1 9 5/8" Centralizer on third collar below surface
- 15 Centralizers Total

Production Casing (New):

Interval	Net-Ft.	Gross-Ft.	Specifications
0 - 6,348'	6,348'	6,348'	5 1/2", 15.5#/ft., J-55, ST&C

Accessory Equipment:

To be determined at time of need.

Testing Procedure:

At time of BOP testing and prior to drilling out, surface casing will be tested to 0.22 psi per foot of casing string length or 1500 psi, whichever is greater, but not to exceed 70% of burst pressure for new casing. Production casing will be pressure tested to a minimum of 3000 psig prior to commencement of completion.

F. Cementing Program: Check water quality for all cementing slurries.

Conductor: Cement to surface

Surface Casing: (Tentative - volumes and types may be changed. Designed to circulate cement to surface - 100% excess.)

Spacer: 30 Bbls. fresh water

Lead Slurry: 340 sks. BJ Class B cement w/ 3% D79, 1/4#/sk. Cellophane Flakes & 2% CaCl₂. Slurry yield - 2.91 CF/sk

Tail Slurry: 200 sks. Class "B" cement w/ 1/4#/sk. Cellophane Flakes & 2% CaCl₂. Slurry yield - 1.20 CF/sk

Note: If cement does not circulate to surface, utilize 1" to bring to surface.

Production Casing: (Cemented minimum of 1000' fillup above potential pay zone(s))

Preflush: 40 Bbls. mud flush (or equivalent)

- Lead:** 75sx Dowell 10-1RFC Cement
Slurry Yield – 1.53 CF/sk
- Tail:** 334sx 50/50 “B” Poz w/ 2% D20, .25% D65, ¼ #/sk D29, 1.5 gal/sk D600 & .15% D46. Slurry Yield 1.13 CF/sk
- Note:** Slurry volume to be recalculated based on hole caliper and number and depth of zones. 25% excess and 8 3/4” hole used for initial calculations.

G. Drilling Fluids:

Depth	0-2080'	2080' – 5000'	5000' – 5972'	5972' – TD (6)
Wt. - #/gal	8.3 – 8.9	8.7 – 8.9	9.0 – 10+ (1)	9.0 – 12+ (5)
Vis. – sec.qt.	27 – 40	30 – 35	34 – 40 (2)	34 – 40 (2)
WL – cc	NC	NC	10 Max (3)	8 – 10
PH	NC	NC	9.0 – 10 (4)	9.5
PV/YP	-	-	6-10/8-16	6-10/8-16
Gels (sec/min)	-	-	1-4/3-9	1-4/3-9
Type System	FWG	FWG/SDF 2000 Sweeps	LSND	LSND

- (1) Drill Upper Ismay mound with as low a mud weight that can be achieved. May require weighting up to kill water flows. Pretreat mud with 10 sks. Of Magmafiber loss circulation material prior to drilling or coring the Upper Ismay Mound.
- (2) Recommended viscosity:
 - Coring 42-44 sec./qt.
 - Logging 50 sec./qt/
 - DST's 42-44 sec./qt/
- (3) Prior to penetrating the Upper Ismay Mound
- (4) Raise PH to 10 prior to drilling anhydrites
- (5) The Lower Desert Creek may be overpressured and require a weighted mud system. Prior to penetrating the Upper Ismay Mound @ 5760' TVD or the Lower Desert Creek Mound add 100 ppm nitrates to the mud system.

Sufficient mud materials to maintain mud requirements and meet minor lost circulation and excessive pressure problems will be at the wellsite. The pits will be monitored on trips to assure that the hole is kept full while tripping the drilling string. A pit volume totalizer (PVT), stroke counter & flow sensor will be utilized below surface casing setting depth to TD.

H. Coring, Testing, Logging and Tentative Completion Program:

1. Two 60' cores of Upper Ismay mound at estimated depth of 5760' TVD. On site geologist to pick core point and samples for analyses. One possible 60' core of the Lower Desert Creek Mound at estimated depth of 5995' TVD.
2. Drill stem tests will be at the discretion of the operator and will be based on shows, logs, hole conditions, etc.
3. If a completion attempt is to be made, 5 ½” casing will be cemented into place. The following presents a summary of tentative completion procedures.

- a. Perforate pay zones with approximately 4 shots/ft.
 - b. Perforations may be stimulated w/HCl acid
 - c. A Sundry Notice will be filed with the final completion plan.
- Note: All perforations and the size of stimulation jobs are tentative and final design will be based on electric logs, cores, and drill stem test data.

4. Logging:

GR-DLL-MSFL (min) – Base surface casing to TD
GR-BHCS (long spaced integrated) w/Cal – Base surface casing to TD
GR-FDC-CNL-w/PE (min) – Base surface casing to TD
SHDT - Minimum run

5. Samples:

10' samples 4,500' TVD to TD
All cutting samples are to be washed and stored in properly marked cloth bags. Tie the sample bags in 100' depth groups to dry. Store in a clean, dry place. Sample depth intervals may be changed at the discretion of the geologist.

I. Abnormal Conditions or Potential Hazards:

Potential problems include possible water flows to 5747' TVD; abnormal pressure in Lower Desert Creek Carbonate (3500 psig); lost circulation and seepage, surface to TD w/possible differential sticking. Estimated temperature at TD 140 F. Hydrogen sulfide gas is not anticipated.

J. Auxiliary Equipment Required: See Paragraph D.

K. Anticipated Starting Date of Drilling Operations:

November 1, 1998

L. Additional Considerations:

None

THREE PREVENTER HOOKUP
CLASS III
(MEETS 43 CFR, PARTS 3160, 3M SPECIFICATIONS)

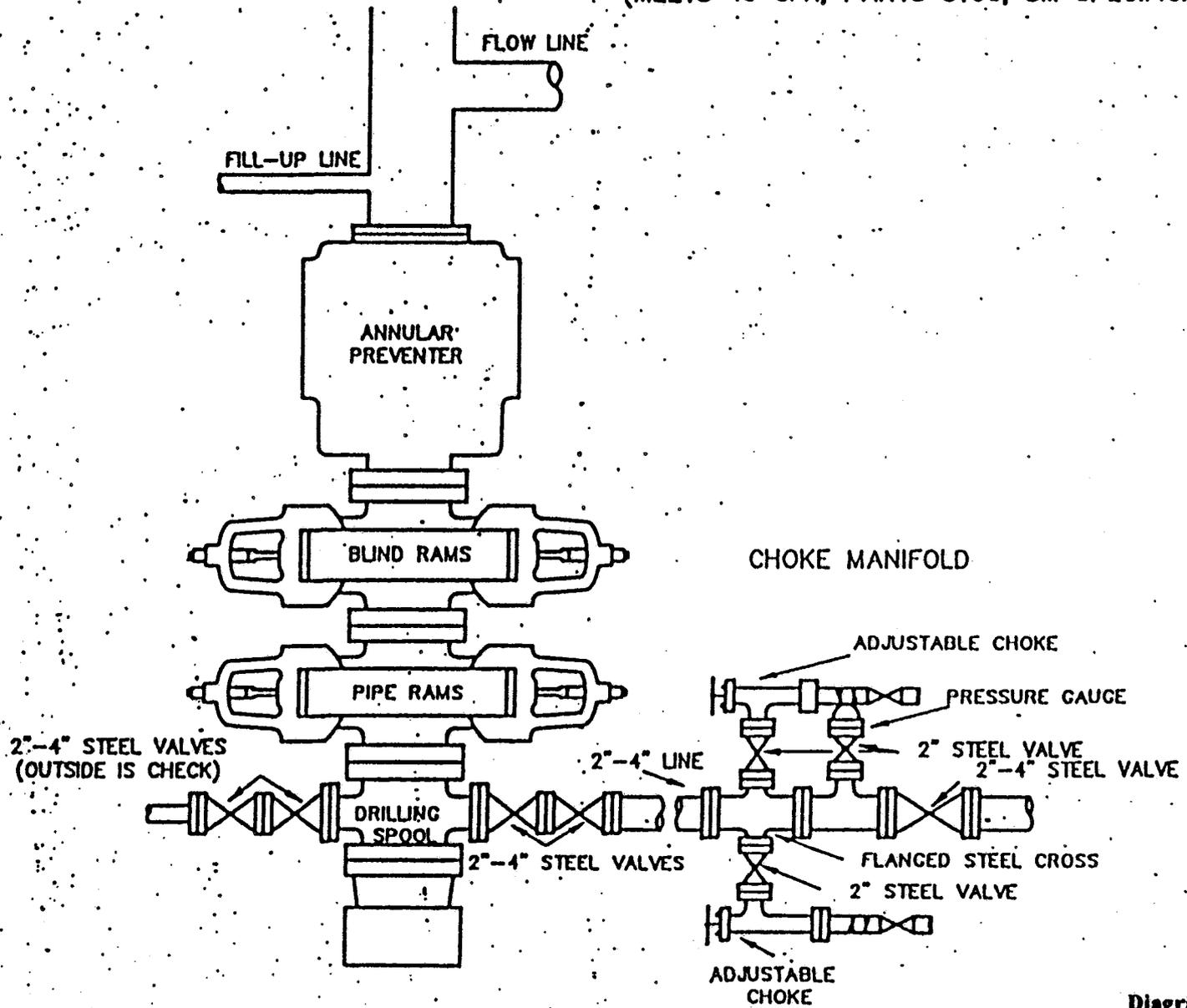


Diagram 2

SCIENTIFIC DRILLING INTERNATIONAL
CASPER, WYOMING

PETRAL EXPLORATION LLC

Well Name	:	DALMORE FEDERAL #11-25
Location	:	SAN JUAN COUNTY, UTAH
SHL	:	SEC.24,T37S,R23E 338'FSL, 253'FWL
BHL	:	SEC.25,T37S,R23E 136'FNL, 470'FWL
ACTUAL BHL	:	
Date Surveyed	:	9/22/98
Job No.	:	
Proposal Performed By	:	BOB LOVELACE

This survey is correct to the best of my knowledge
and is supported by actual field data.

..... COMPANY REPRESENTATIVE

SCIENTIFIC DRILLING INTERNATIONAL

Customer : PETRAL EXPLORATION LLC
 Well Name : DALMORE FEDERAL #11-25
 Location : SAN JUAN COUNTY, UTAH
 SHL : SEC.24,T37S,R23E 338'FSL, 253'FWL
 EHL : SEC.25,T37S,R23E 136'FNL, 470'FWL
 ACTUAL BHL : No Interpolation

Page 1 of 1
 Date 9/22/98
 Filename : 1125PROP

Height Of WELLSITE Datum Above Field Datum 0.00 ft

M. DEPTH ft	ANGLE deg	DIR deg	C\L ft	T V D ft	V/S ft	N/S- ft	E/W- ft	DLS °/100
4356.61	0.00	155.40	0	4356.61	0.00	0.00	0.00	0.00
4400.00	1.30	155.40	43	4400.00	0.49	-0.45	0.21	3.00
4500.00	4.30	155.40	100	4499.87	5.38	-4.89	2.24	3.00
4600.00	7.30	155.40	100	4599.34	15.49	-14.08	6.45	3.00
4700.00	10.30	155.40	100	4698.15	30.79	-27.99	12.82	3.00
4800.00	13.30	155.40	100	4796.03	51.24	-46.59	21.33	3.00
4900.00	16.30	155.40	100	4892.70	76.78	-69.81	31.96	3.00
5000.00	19.30	155.40	100	4987.90	107.35	-97.61	44.69	3.00
5100.00	22.30	155.40	100	5081.37	142.86	-129.89	59.47	3.00
5200.00	25.30	155.40	100	5172.85	183.21	-166.58	76.26	3.00
5300.00	28.30	155.40	100	5262.10	228.30	-207.58	95.03	3.00
5377.74	30.63	155.40	78	5329.78	266.54	-242.35	110.95	3.00
5400.00	30.63	155.40	22	5348.93	277.88	-252.66	115.67	0.00
5500.00	30.63	155.40	100	5434.98	328.83	-298.99	136.88	0.00
5600.00	30.63	155.40	100	5521.02	379.79	-345.32	158.09	0.00
5700.00	30.63	155.40	100	5607.07	430.74	-391.65	179.30	0.00
5800.00	30.63	155.40	100	5693.11	481.70	-437.98	200.51	0.00
5877.74	30.63	155.40	78	5760.00	521.31	-474.00	217.00	0.00
5900.00	30.63	155.40	22	5779.15	532.65	-484.31	221.72	0.00
6000.00	30.63	155.40	100	5865.20	583.61	-530.64	242.93	0.00
6100.00	30.63	155.40	100	5951.24	634.56	-576.98	264.14	0.00
6200.00	30.63	155.40	100	6037.29	685.52	-623.31	285.35	0.00
6300.00	30.63	155.40	100	6123.33	736.47	-669.64	306.56	0.00
6348.43	30.63	155.40	48	6165.00	761.15	-692.07	316.83	0.00

Origin of Bottom Hole Closure WELLSITE CENTRE

Bottom Hole Closure 761 ft 155.40°

SCIENTIFIC DRILLING INTERNATIONAL

Customer : PETRAL EXPLORATION LLC
Well Name : DALMORE FEDERAL #11-25
Location : SAN JUAN COUNTY, UTAH
SHL : SEC.24,T37S,R23E 338'FSL, 253'FWL
EHL : SEC.25,T37S,R23E 136'FNL, 470'FWL
ACTUAL BHL : No Interpolation
Height Of WELLSITE Datum Above Field Datum 0.00 ft

Date 9/22/98
Filename : 1125PROP

Plane of Vertical Section : 155.40°
Latitude & Departure relate to : WELLSITE CENTRE
Vertical Section Originates at : SLOT CENTRE
Slot Coordinates : Lat 0.000ft
: Dep 0.000ft
Directions Referenced To : TRUE NORTH
Depth at Drill Floor : 0.00 ft

Magnetic Declination : +12.31°
WELLSITE North : +0° 0' 0'' (T)
Grid convergence : +0.0000°

1125PROP DALMORE FEDERAL #11-25 9/22/98
Plane of Vertical Section 155.40

Section 1 (Hold Section)

MD	Inc	Dir	Tvd	Vsec	Lat	Dep	Values to be applied			
							Build	Turn	Dleg	T Face
4000.0	0.00	155.40	4000.0	0.0	-0.0	0.0	0.0	0.0	0.0	0.0
4100.0	0.00	155.40	4100.0	0.0	-0.0	0.0	0.0	0.0	0.0	0.0
4200.0	0.00	155.40	4200.0	0.0	-0.0	0.0	0.0	0.0	0.0	0.0
4300.0	0.00	155.40	4300.0	0.0	-0.0	0.0	0.0	0.0	0.0	0.0

Section 2 (Const Build/Turn)

MD	Inc	Dir	Tvd	Vsec	Lat	Dep	Values to be applied			
							Build	Turn	Dleg	T Face
4356.6	0.00	155.40	4356.6	0.0	0.0	0.0	3.0	0.0	3.0	0.0
4400.0	1.30	155.40	4400.0	0.5	-0.4	0.2	3.0	0.0	3.0	0.0
4500.0	4.30	155.40	4499.9	5.4	-4.9	2.2	3.0	0.0	3.0	0.0
4600.0	7.30	155.40	4599.3	15.5	-14.1	6.4	3.0	0.0	3.0	0.0
4700.0	10.30	155.40	4698.2	30.8	-28.0	12.8	3.0	0.0	3.0	0.0
4800.0	13.30	155.40	4796.0	51.2	-46.6	21.3	3.0	0.0	3.0	0.0
4900.0	16.30	155.40	4892.7	76.8	-69.8	32.0	3.0	0.0	3.0	0.0
5000.0	19.30	155.40	4987.9	107.4	-97.6	44.7	3.0	0.0	3.0	0.0
5100.0	22.30	155.40	5081.4	142.9	-129.9	59.5	3.0	0.0	3.0	0.0
5200.0	25.30	155.40	5172.9	183.2	-166.6	76.3	3.0	0.0	3.0	0.0
5300.0	28.30	155.40	5262.1	228.3	-207.6	95.0	3.0	0.0	3.0	0.0

Section 3 (Hold Section)

MD	Inc	Dir	Tvd	Vsec	Lat	Dep	Values to be applied			
							Build	Turn	Dleg	T Face
5377.7	30.63	155.40	5329.8	266.5	-242.3	110.9	0.0	0.0	0.0	0.0
5400.0	30.63	155.40	5348.9	277.9	-252.7	115.7	0.0	0.0	0.0	0.0
5500.0	30.63	155.40	5435.0	328.8	-299.0	136.9	0.0	0.0	0.0	0.0
5600.0	30.63	155.40	5521.0	379.8	-345.3	158.1	0.0	0.0	0.0	0.0
5700.0	30.63	155.40	5607.1	430.7	-391.7	179.3	0.0	0.0	0.0	0.0
5800.0	30.63	155.40	5693.1	481.7	-438.0	200.5	0.0	0.0	0.0	0.0

Section 4 (Hold Section)

MD	Inc	Dir	Tvd	Vsec	Lat	Dep	Values to be applied			
							Build	Turn	Dleg	T Face
5877.7	30.63	155.40	5760.0	521.3	-474.0	217.0	0.0	0.0	0.0	0.0
5900.0	30.63	155.40	5779.2	532.7	-484.3	221.7	0.0	0.0	0.0	0.0
6000.0	30.63	155.40	5865.2	583.6	-530.6	242.9	0.0	0.0	0.0	0.0
6100.0	30.63	155.40	5951.2	634.6	-577.0	264.1	0.0	0.0	0.0	0.0
6200.0	30.63	155.40	6037.3	685.5	-623.3	285.4	0.0	0.0	0.0	0.0
6300.0	30.63	155.40	6123.3	736.5	-669.6	306.6	0.0	0.0	0.0	0.0
6348.4	30.63	155.40	6165.0	761.1	-692.1	316.8	0.0	0.0	0.0	0.0

SURFACE USE PROGRAM

Petral Exploration, LLC
Dalmore-Federal #11-25
Sec. 25 – T37S – R23E
San Juan Co., UT
Lease # UTU-041085

The onsite inspection for the subject well was conducted on August 21, 1998. In attendance were the following individuals:

Gerald Huddleston	Surveyor	Gerald Huddleston Land Surveyor
Carol De Francia	Archaeologist	4 Corners Archaeological Services
(had been out and observed the site previously)		
Lowell Larson	Dirt Contractor	Triad Construction
Gary Crowley	Dirt Contractor	Crowley Construction
Norman Utley	Dirt Contractor	Utley Construction
Jeff Brown	Field Supervisor	Bureau of Land Management
Charlie Jossens	Field Foreman	Petral Exploration LLC

1. Existing Roads

- a. To visit the wellsite, at Ameri-Gas located ½ mile south of Blanding, Utah on Utah Highway 191, turn west on County Road 219. Go 1 mile and turn right (south) on County Road 206 total of 8.5 miles to a Y and the intersection of County Road 207. Turn left on County Road 207 and proceed North 1.5 miles to the intersection of County Road 265. Turn Right (east) on County Road 265 and proceed southeasterly 3 miles to the lease access road on the right. Follow the flagged access road southwesterly .3 mile to the location.
- b. For access roads, see Maps A and B
- c. All existing roads within a 2-mile radius are shown on Maps A and B.
- d. Vehicles will travel only on designated travelways shown on the map.
- e. Existing roads will be maintained and kept in good repair during all drilling and completion operations associated with this well.
- f. Signs will be installed along the county road warning of trucks entering the roadway if required by the San Juan County Road Department.

2. Access Roads to be Constructed and Reconstructed

- a. The well site will be accessed through a new road to be constructed.
- b. Culverts and low water crossings will be used as necessary.
- c. The use of surfacing material is not anticipated at this time.

3. Location of Existing Wells Within a 1-Mile Radius of the Proposed Location

- a. Water Wells – None
- b. Injection or Disposal Wells – None
- c. Producing Wells – One 1258' (BHL) to the west southwest
Petral Exploration LLC, #1-A (RD) Dalmore Federal
Surface Loc.: 930' FNL & 938' FEL Sec. 25 – T37S – R23E
BHL: 640' FNL & 683' FEL Sec 26 – T37S – R23E
- d. Drilling Wells – None

4. Location of Existing and/or Proposed Facilities if the Well is Productive

- a. If production is established, a Sundry Notice will be submitted showing the location of the proposed facilities.
- b. All production facilities, including the pump, pump house, storage tanks, and treater will be painted an earthtone color to blend with the environment.
- c. All flowlines from the well site to battery site will be buried below frost line depth.
- d. A dike will be constructed completely around the production facilities (i.e. production tanks, water tanks, and/or heater-treater). The dikes for the production facilities will be constructed of compacted subsoil and hold the capacity of the largest tank. Any production pits will be fenced to prevent wildlife entry.
- e. Produced hydrocarbons shall be put in test tanks on location during completion work.
- f. Produced waste water will be confined to an unlined pit for a period not to exceed 90 days after initial production. During that 90 day period an application for approval of a permanent disposal method and location (Onshore Order No. 7), along with the required water analysis will be submitted.
- g. All site security guidelines identified in 43 CFR 3162.7 regulations will be adhered to.
- h. All product lines entering and leaving hydrocarbon storage tanks will be effectively sealed.

5. Location and Type of Water Supply

- a. Water will be trucked from an artesian well located in Section 1-T38S-R24E. Permits will be obtained from the State Engineer.
- b. The water source is not located on State land. Water will not be obtained from Indian projects.

- c. A water well will not be drilled.

6. Construction Materials

- a. Native soil will be utilized in the drilling site and access road. Additional gravel may be needed for the pulling unit pad and well site if the well is found to be productive.
- b. There will be no construction material from Indian lands.
- c. Crushed rock, if necessary, will be purchased from construction contractors in the area from existing gravel pits and hauled over access roads shown in Maps A & B.

7. Methods for Handling Waste Disposal

- a. Drill cuttings are to be contained and buried in the reserve pit. A pit 75' x 140' x 10' deep (3:1 slope) will be fenced on three sides during the drilling operations. The pit will be lined with 24 tons of bentonite worked in with a cat. The fourth side will be fenced when the rig moves out.
- b. The reserve pit and drilling fluids contained in the pit will be allowed to dry before backfilling, or pits will be siphoned out and disposed of in a manner approved by the authorized officer of the BLM before the reserve pit is backfilled. Pit walls will not be breeched so as to drain fluids to the surrounding surface.
- c. All wastes that accumulate during the drilling operations will be contained in a trash cage or dumpster. Wastes will be removed periodically from the location and taken to an approved landfill.
- d. Immediately after removal of the drilling rig, all garbage (metal containers, etc.) and debris on the site will be removed from the site. The reserve pit will not be utilized for trash disposal.
- e. No burning of trash will be allowed.
- f. Chemical toilets with holding tanks will be utilized. All sewage will be disposed of in accordance with county and state regulations. Petral will comply with all state laws and regulations pertaining to disposal of human waste.
- g. The produced fluids will be produced into a test tank until such time as construction of production facilities is completed. Any spills of oil, gas, salt waste or other produced fluids will be cleaned up and removed.

8. Ancillary Facilities

None

9 Wellsite Layout

- a. See diagram #2 for elevations and cross sections. Maximum cut is approximately 7' at the northwest corner of the reserve pit. Maximum fill is 9' at the northeast corner of the drilling pad.
- b. See diagram 4 for orientation of rig, pits and associated equipment.
- c. Six inches of topsoil will be removed from the location (drilling pad) including areas of cut and fill. Soil will be stockpiled adjacent to the wellsite pad.
- d. No reserve pit liner will be required. No hazardous chemical additives will be used in the mud system.
- e. The fresh water pit if needed, will be lined with a plastic liner. The liner will be removed from the pit at the end of drilling operations.
- f. For the protection of livestock and wildlife, all pits containing toxic liquids will be fenced and covered with netting.

10 Reclamation of Surface

- a. All pits will be backfilled, leveled and contoured to as near the current conditions as is practical.
- b. Reclamation of the entire disturbed area will be accomplished by grading the area to approximately the natural contour and spreading the top soil evenly as possible over the area. The entire disturbed area will be scarified with a 6' or less distance between ripped surfaces. The soil surface will be dry and loose prior to seeding and will broadcast seeded between September 1, 1999 and July 1, 2000 with the following mixture of pure live seed:

Fourwing saltbush	2 pounds/acre
Wild sunflower	1 pound/acre
Mormon tea	1 pound/acre
Galleta	1 pound/acre
Sand dropseed	1 pound/acre
Indian ricegrass	1 pound/acre
Cliffrose	1 pound/acre

- c. All pits will be fenced and netted until dry and then backfilled
- d. If oil is present on the reserve pit, it will be removed.
- e. Rehabilitation will be commenced when the rig moves out, with the location restored by September 30, 1999. Rehabilitation will be completed by July 1, 2000.

- f. A Notice of Intent to Abandon and a Subsequent Report of Abandonment will be submitted for abandonment approval. A Final Abandonment Notice must be submitted when the rehabilitation is complete and the new vegetation is established.
- g. If the well is plugged and abandoned, the surface casing will be cut off three (3) feet below reclaimed ground surface with a metal plate affixed to the top. The metal plate will be inscribed with the operator's name, well number, well location (1/4 1/4, Section, Township, Range, etc.) and federal lease number.

11. Surface Ownership

Wellsite – Bureau of Land Management

Lease Access Road – Bureau of Land Management

12. Other Information

- a. An archaeological study was conducted by 4 Corners Archaeological Services. One (1) archaeological site was found. Protective measures have been prescribed and archaeological clearance is recommended. A copy of the report is attached.
- b. If sub-surface cultural materials are found during any work phase, the BLM must be notified immediately. Construction will cease until the resource has been properly investigated and mitigated.
- c. The BLM is to be notified 5 days prior to starting dirtwork for the BLM biologist to conduct a deer survey.
- d. Wellsite and access road are located in arid, sandy, hilly terrain. Soil is shallow, sandy and silty. Vegetation consists of very sparse native grasses and sparse sagebrush, and small trees. The area is a natural habitat for wildlife.
- e. Sundry Notice and Report of Wells (Form 3160-5) will be filed for approval for all changes of plans and other operations in accordance with 32 CFR 3164.
- f. The dirt contractor will be provided with an approved copy of the surface use plan.

13. Lessee's or Operator's Representative and Certification

Operator:
 Petral Exploration, LLC
 1700 Lincoln Street, Ste. 4750
 Denver, CO 80203
 (303) 832-3131

Representative
 ENMARC, INC.
 P.O. Box 7638
 Loveland, CO 80537
 (970) 663-7576

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 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 the operations proposed herein will be performed by Petral Exploration LLC, 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.

9-23-98

Date

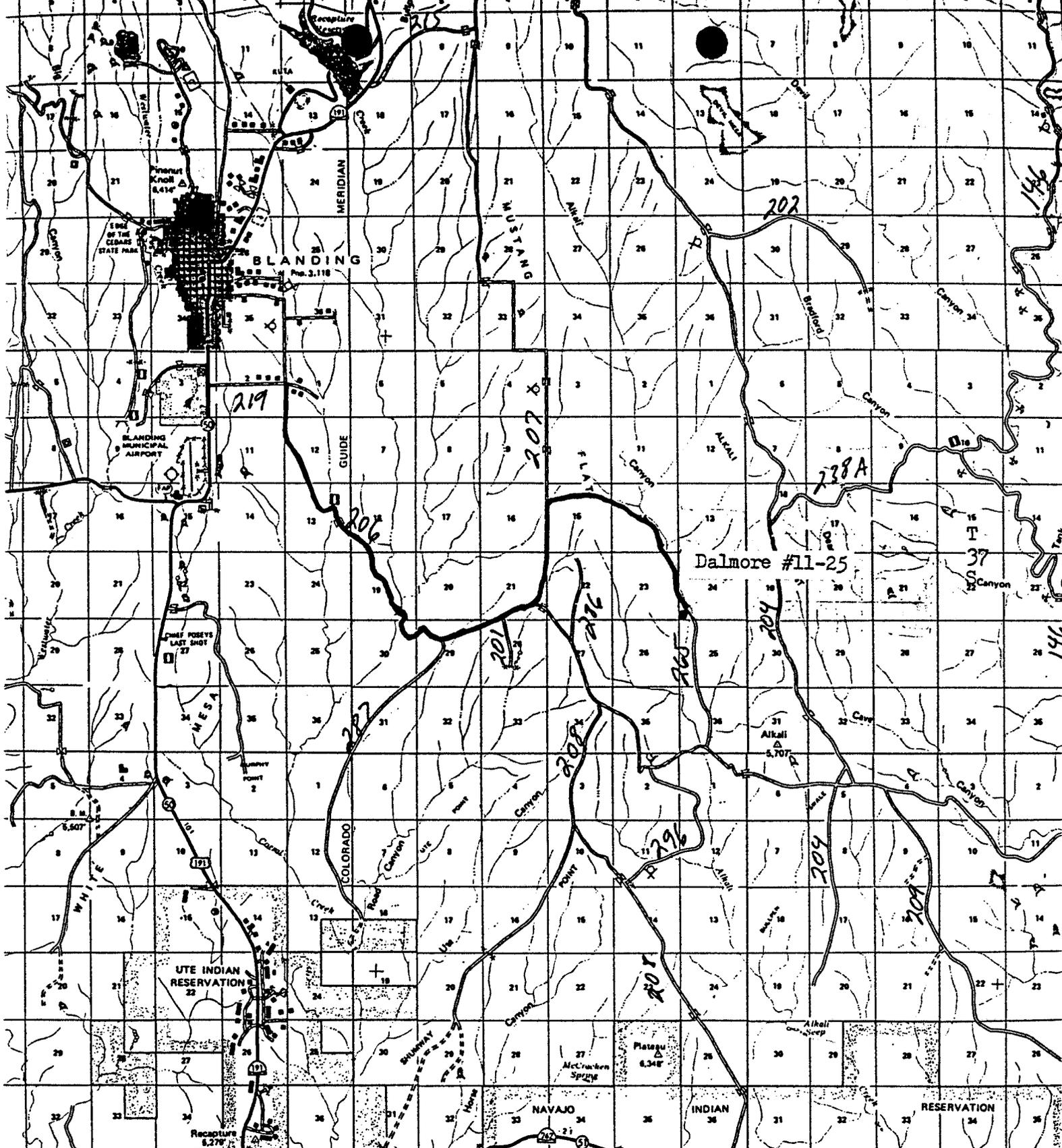
E. K. Bostick

E. K. Bostick

ENMARC, Inc.

Authorized Agent for:

Petral Exploration, LLC



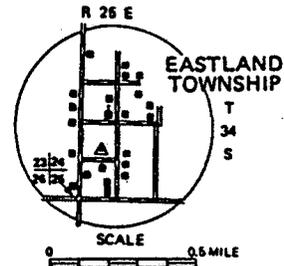
109° 30' R 22 E TO 2,800,000 S.Z. R 23 E SHEET R 24 E 2,860,000 S.Z. 109° 15'

ROAD MAP OF THE AREA

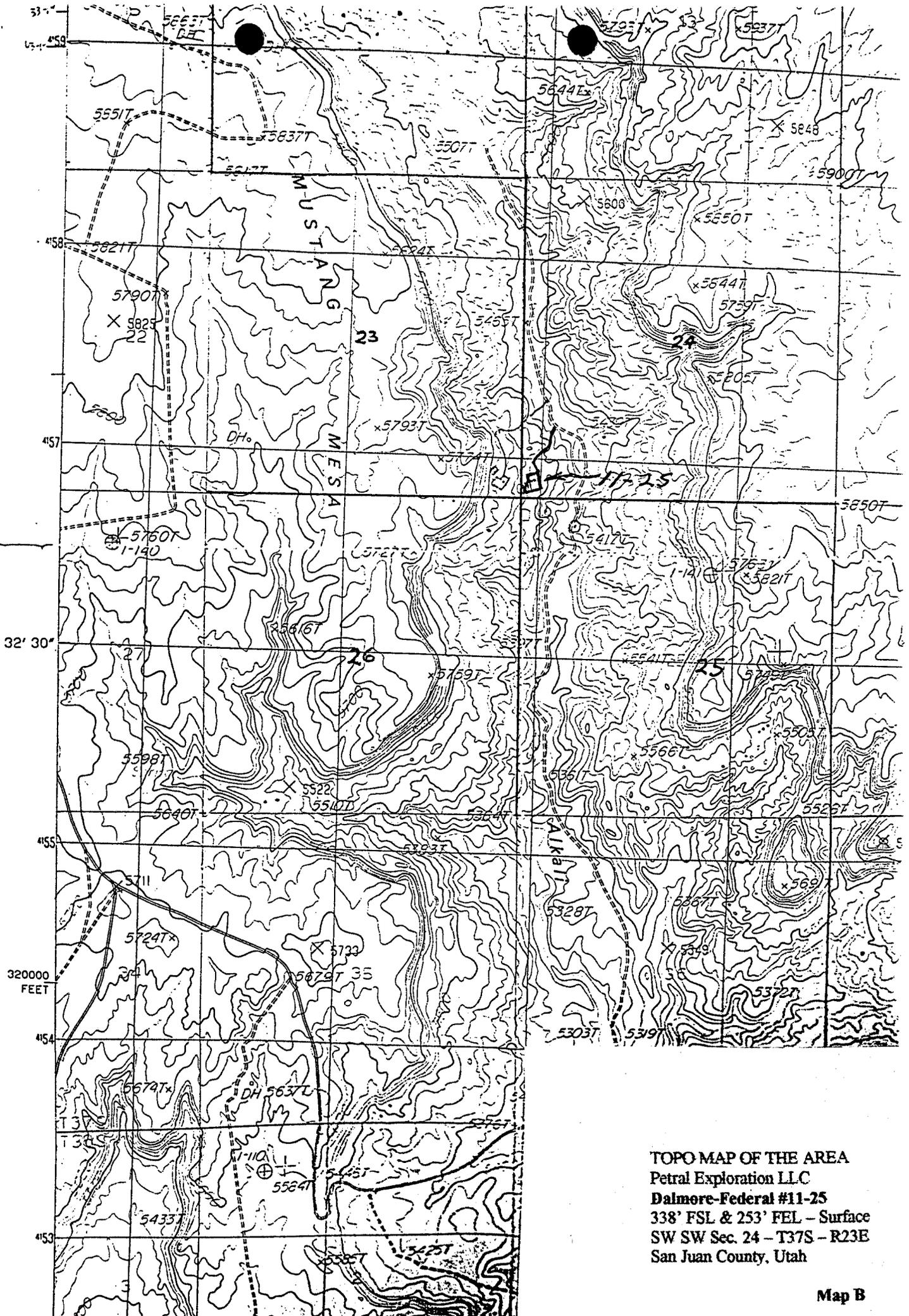
PETRAL EXPLORATION LLC
 DALMORE #11-25
 SW SW Sec. 24-T37S-R23E
 San Juan Co., Utah
 Lease # UTU 041085

Copies of the map are available
 for public use at nominal cost
 U.D.O.T.
 Office of Community Relations
 U.D.O.T. - O.P.S. Complex
 4501 South 2700 West
 Salt Lake City, Utah 84119

Map A

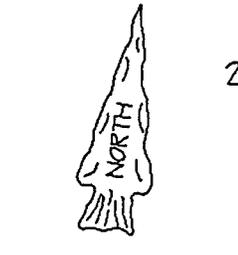
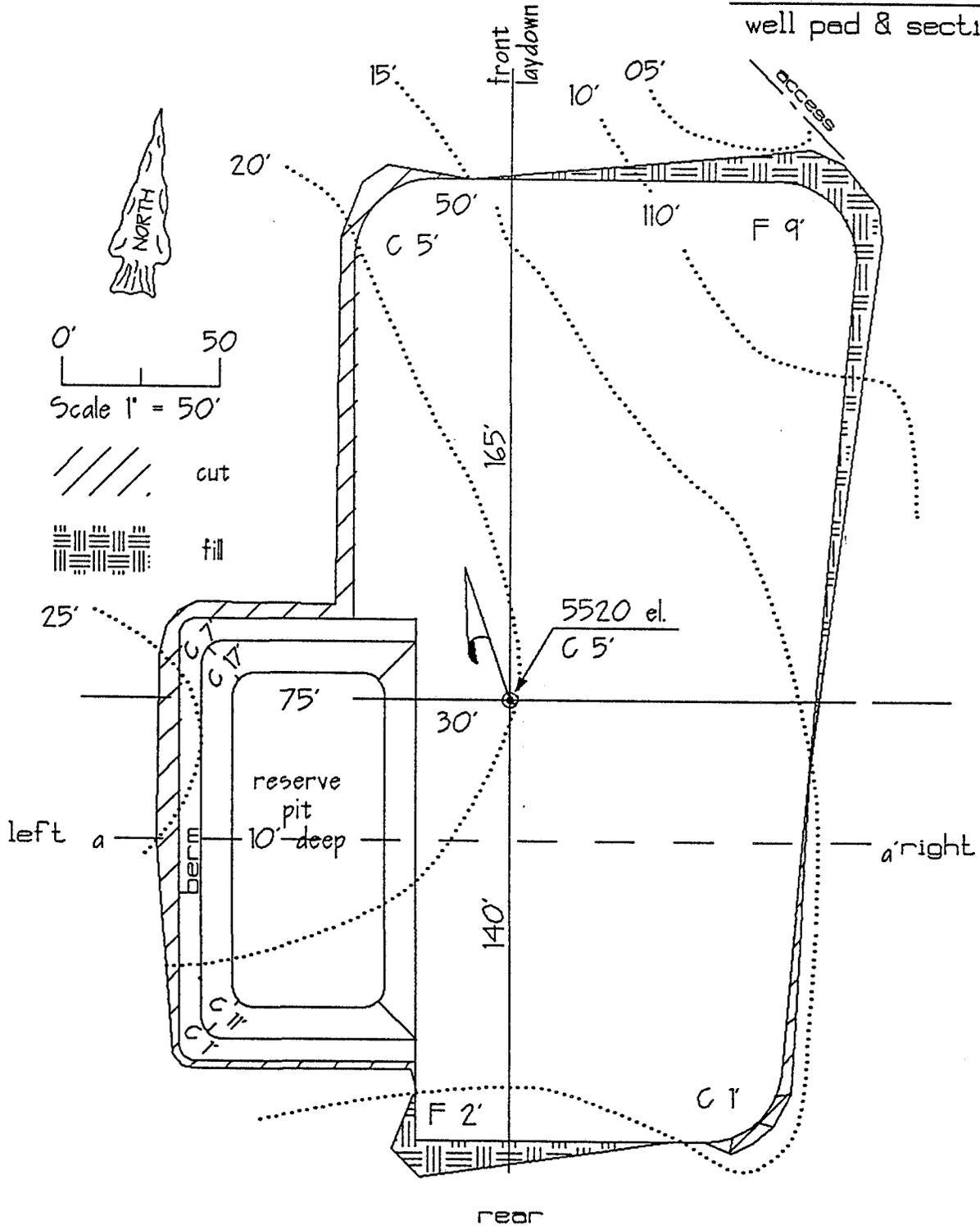


POLYCONIC PROJECTION
 50,000 foot grid based on Utah
 Coordinate System, Southern Zone,
 as established by the N.O.A.A.



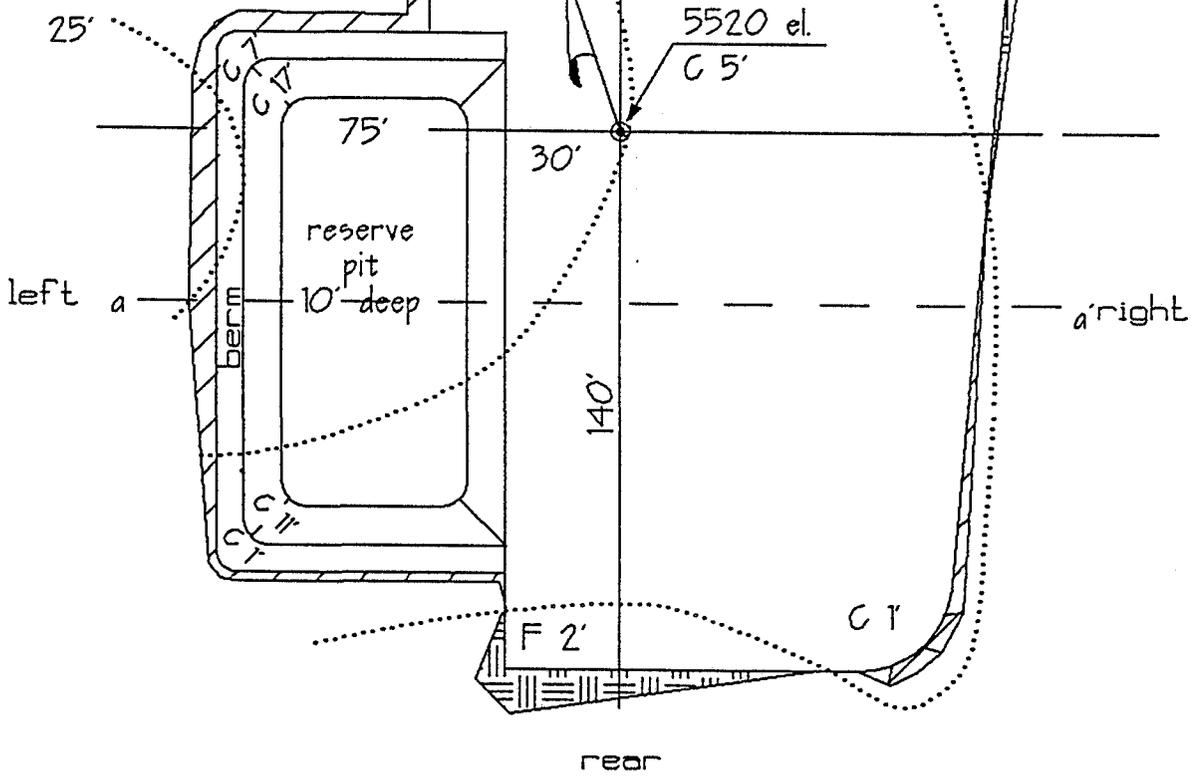
N 8° W

Dalmore # 11 - 25
well pad & section



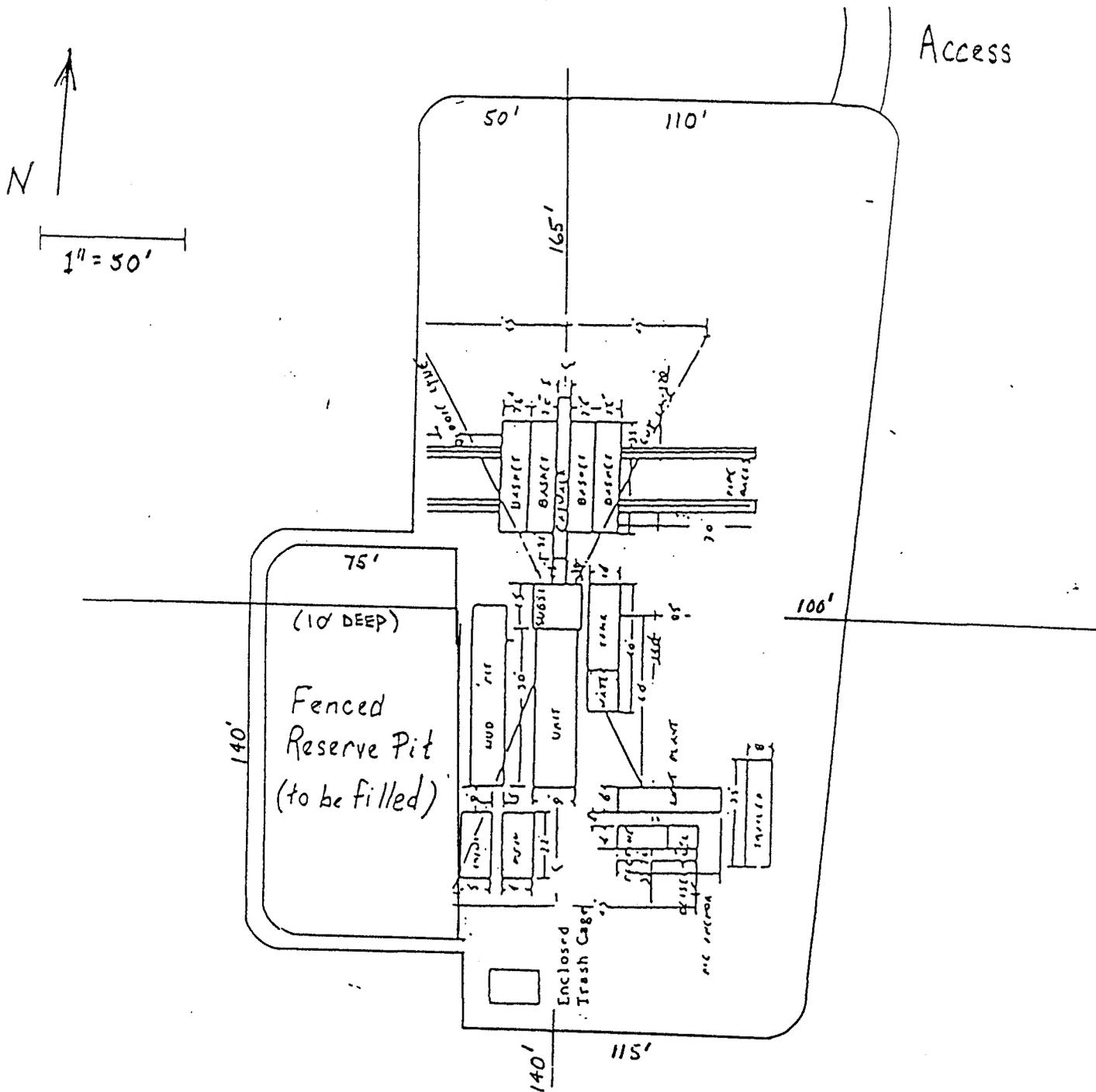
0' 50'
Scale 1" = 50'

cut
fill



Cross section

Dalmore # 11-25
 Petral Exploration, LLC
 Sec. 24 - T37S - R23E (Surface Location)
 San Juan Co., Utah

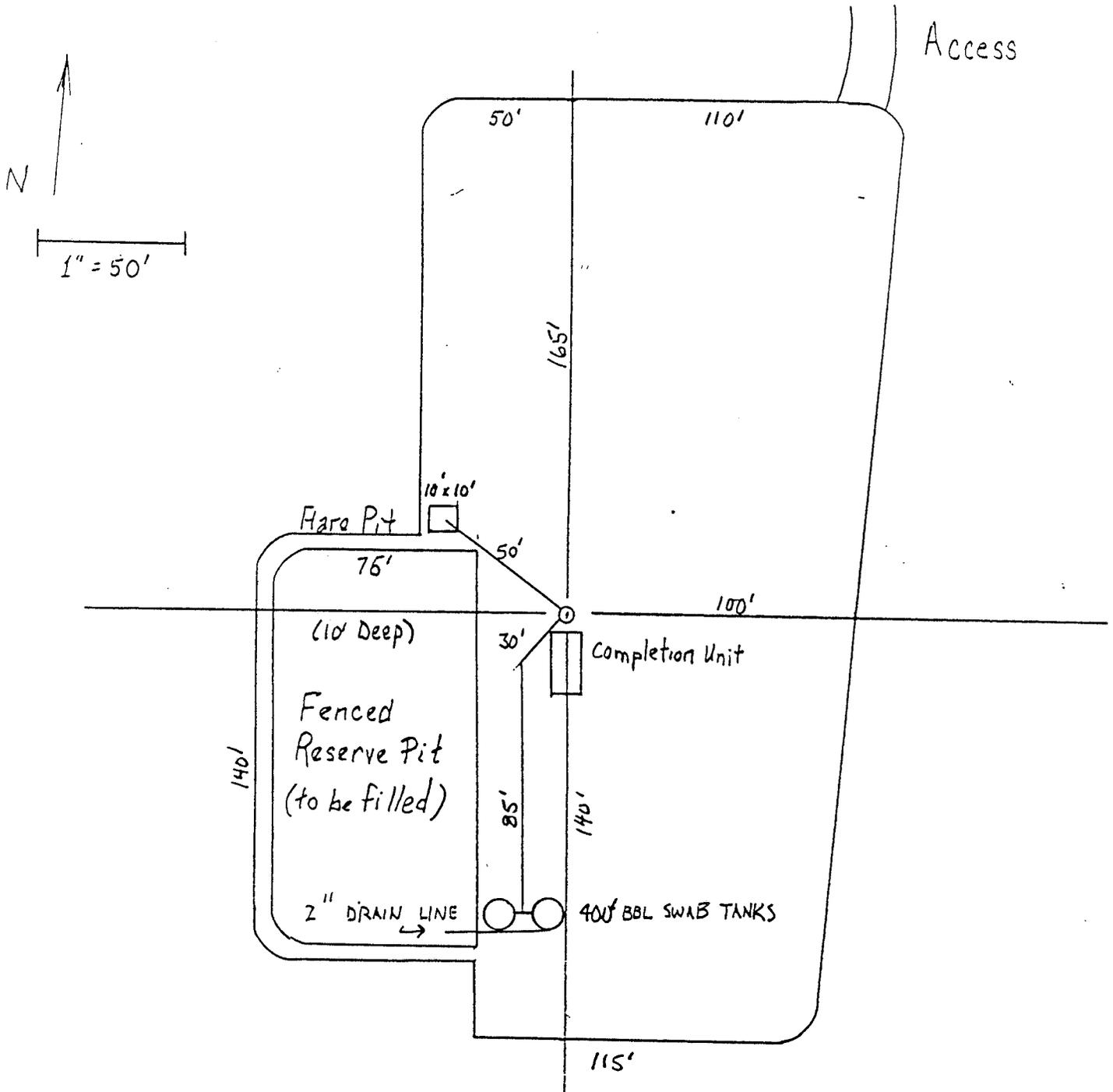


DRILLING LAYOUT

Diagram 4

Enmarc, Inc.
 P.O. Box 7638
 Loveland, CO 80537
 (970) 667-9734

Dalmore # 11-25
Petral Exploration, LLC
Sec. 24 - T37S - R23E (Surface Location)
San Juan Co., Utah

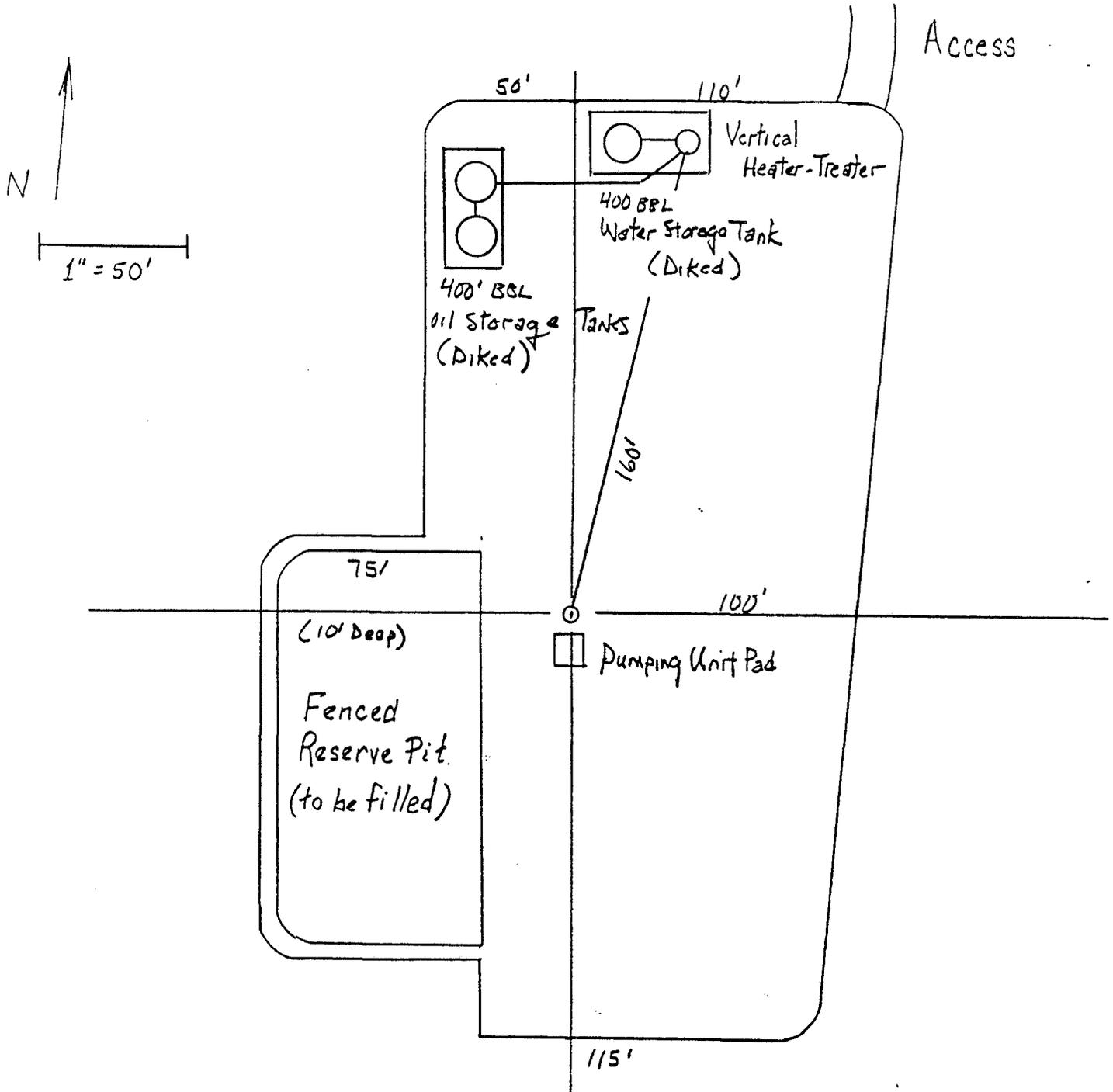


COMPLETION LAYOUT

Diagram 5

Enmarc, Inc.
P.O.Box 7638
Loveland, CO 80537
(970) 667-9734

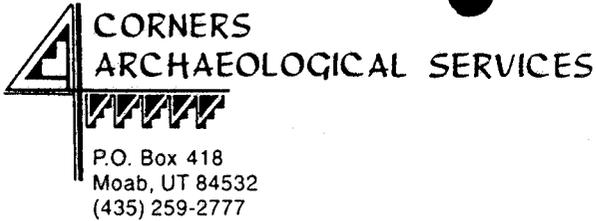
Dalmore # 11-25
Petral Exploration, LLC
Sec. 24 - T37S - R23E (Surface Location)
San Juan Co., Utah



PRODUCTION FACILITIES

Diagram 6

Enmarc, Inc.
P.O.Box 7638
Loveland, CO 80537
(970) 667-9734



Ms. Nancy Shearin, Archaeologist
Bureau of Land Management
San Juan Resource Area
P.O. Box 7
Monticello, Utah 84535

Sept. 4, 1998

Dear Nancy:

For your records please find two copies of our archaeological report for Petral Exploration Company's proposed Dalmore #11-25 well pad and access route located in San Juan County, Utah. The project is located on lands administered by the Bureau of Land Management, San Juan Resource Area. A total of 13 acres were inventoried for cultural resources.

One newly recorded archaeological site, 42Sa24020, was found approximately 200' south of the proposed well location and will not be effected by project activities. Archaeological clearance is recommended for the project.

Sincerely,

Carol S. DeFrancia
Principal Investigator

CSD/distribution:
Mr. E.K. Bostick, Enmarc, Inc. Denver

ARCHAEOLOGICAL SURVEY OF
PETRAL EXPLORATION COMPANY'S PROPOSED
DALMORE #11-25 DIRECTIONAL WELL & ACCESS ROUTE
SAN JUAN COUNTY, UTAH

4-CAS REPORT 9820

by
Carol S. DeFrancia

4-CORNERS ARCHAEOLOGICAL SERVICES
76 S. Main Street
Moab, Utah 84532
(435) 259-2777

Sept. 4, 1998

FEDERAL ANTIQUITIES PERMIT 97UT62712
Utah State Permit No. U-97-0516b

Prepared For:
Petral Exploration
1700 Lincoln, Suite 5000
Denver, CO 80203

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ABSTRACT

The archaeological survey of Petral Exploration Company's proposed Dalmore #11-25 directional well and access route was conducted by personnel of 4-Corners Archaeological Services between August 25, and September 3, 1998. The project is located along a bench area in Alkali Canyon in San Juan County, Utah, approximately six to eight miles southeast of the town of Blanding. A total of 13 acres were inventoried for cultural resources on lands administered by the Bureau of Land Management, San Juan Resource Area.

One newly recorded archaeological site, 42Sa24020, was found approximately 200' south of the proposed well location and will not be effected by project activities. Archaeological clearance is the recommended procedure.

INTRODUCTION

The archaeological survey of Petral Exploration Company's proposed Dalmore #11-25 directional well and access route was conducted by Carol DeFrancia of 4-Corners Archaeological Services between August 25, and September 3, 1998. The project is located in Alkali Canyon, San Juan County, Utah (Figure 1), on lands administered by the Bureau of Land Management, San Juan Resource Area. The survey was requested by Mr. E. K. Bostick of Enmarc, Inc. Huddleston Surveying personnel staked and flagged the well pad prior to the survey. Access for the proposed well pad extends north and northeast from the staked location for ca. 900' where it ties into an existing county road in Alkali Canyon. A total of 13 acres were inventoried for cultural resources (Figure 2).

Federal and state governments have enacted legislation that is designed to conserve and protect cultural resources. The principal federal legislation includes the Antiquities Act of 1906 (PL 52-209), the National Historic Preservation Act of 1966 (PL 89-665), the National Environmental Policy Act of 1969 (PL 91-190), the 1971 Executive Order No. 11593, the Archeological and Historical Conservation Act of 1974 (PL 93-291), and the Archaeological Resource Protection Act (ARPA) of 1979 (PL 95-96).

One archaeological site, 42Sa24020, was found approximately 200' south from the edge of the proposed well pad.

PROJECT AREA

Map Reference: Bradford Canyon, Utah 1985 (7.5' series)

Total Project Area: 2.6 acres; area surveyed 13 acres

Dalmore #11-25 well pad (directional well)

Legal Description: T37S, R23E: SW, SW; Section 24

Center Stake: 338' FSL, 253' FWL (top hole)

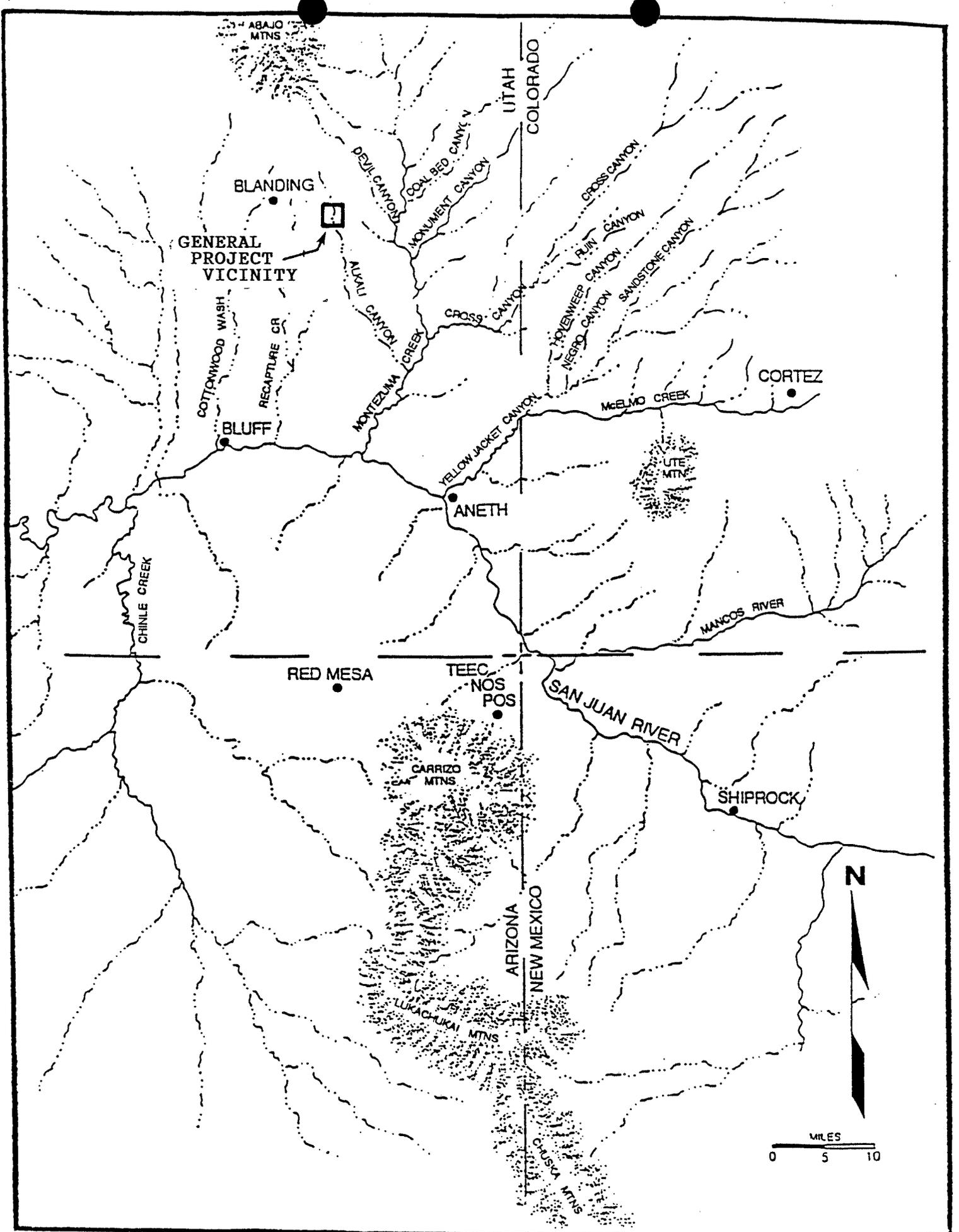


Figure 1. Project Area

UTM Coordinates:		Easting	Northing
(Surveyed Area)	NW Corner	645880	4156960
	NE Corner	646040	4156980
	SE Corner	646060	4156810
	SW Corner	645900	4156800

Project Area: Well Pad 210 x 305'; (1.4 acres)

Surveyed Area: 660 x 660' (10 acres)

Results: One archaeological site, 42Sa24020, was found ca. 200' south of rear well pad.

Well Pad Access

Legal Description: Section 24, T37S, R23E: SW, SW

UTM Coordinates:		Easting	Northing
	S End	646010	4156920
	bend	645980	4156990
	bend	646040	4157080
	NE End	646060	4157160 (tie Alkali Co. Rd.)

Project Area: 900' long, maximum 60' wide (1.2 acres)

Surveyed Area: 900' x 150' (3.0 acres)

Results: none

PHYSIOGRAPHY AND ENVIRONMENT

The project area is located along a bench area in Alkali Canyon, in San Juan County, Utah, approximately six to eight miles southeast of the town of Blanding. The area lies in the Colorado Plateau physiographic province and is a structural element of the Blanding Basin (Stokes 1977). The proposed well pad occupies a gently undulating canyon bench, and lies east of a moderately steep talus slope that flanks the east edge of Mustang Mesa. The access route follows the edge of the bench to the north and extends downslope, crossing a number of small ephemeral drainages, north and northeast to the floodplain of Alkali Canyon. Terrain in the area is generally rugged along the canyon slopes with aeolian deposits and colluvial sediments on the lower canyon benches and sandy alluvium along Alkali Creek. Colluvial talus boulders and fragmented blocks of 'desert varnished' sandstone are scattered throughout the area.

Throughout the Blanding Basin are numerous sources of raw lithic material and other natural resources important to the areas' prehistory. Apart from local sources of grey and white quartzite, most notably is the Brushy Basin Chert from the Morrison Formation. This lithic material is widely available in the Four Corners region and ranges in color from tan, orange, brown, and grey (also banded), to a green colored variety that grades from pale to dark. These materials were utilized for manufacture of tools, less formal implements, and their by-products. There are also a number of documented sources of local clay deposits, suitable for construction of prehistoric pottery.

Vegetation on the lower canyon bench is a pinyon-juniper woodland association consisting of sagebrush, bitterbrush, euphedra, rabbitbrush, cedarweed, prickly pear, wolfberry, and narrow leaf yucca. Lower elevations along the floodplain of Alkali Canyon contain occasional juniper, greasewood, sagebrush, cheatgrass and other grasses.

Permanent water sources are available in numerous springs and seeps in the heads of Alkali Canyon. Alkali Creek, which lies east of the proposed location, holds water for a few months throughout the late winter/spring season.

Reptilian, avian, and mammalian associations are consistent with those of the Upper Sonoran Life Zone throughout the Colorado Plateau.

PREVIOUS RESEARCH

A file search was conducted on August 24, 1998 at the BLM San Juan Resource Area Office in Monticello, and with the Utah State Historic Preservation Department in Salt Lake. The results of the review indicated that a number of oil and gas related surveys have been conducted in the general vicinity over the past decade (DeFrancia, 1991, 1995, 1997, 1998; Hauck, 1979; and Hibbets 1987), as well as a recent 3-D seismic project in the general vicinity (Moore 1997). Five archaeological sites (42Sa8459, 42Sa22798, 42Sa22799, 42Sa22800 and 42Sa22819) are documented less than one-quarter mile north and west of the project area along the upper bench areas of Alkali Canyon. Site types affiliated with the Archaic and Anasazi occupation of the area range from lithic scatters and small isolated features to larger prehistoric habitations and village-size settlements.

EXAMINATION PROCEDURES

Prior to the field investigations the well pad was staked and flagged. A 660 x 660' area surrounding the well center stake (10 acres) was inventoried by walking a series of parallel transects spaced 15m apart. Two parallel zig-zag transects were walked along the 900' of access route, covering a 150' wide corridor. This effectively gives a minimal 60' buffer on either side of the access road.

PROJECT ACTIVITIES AND IMPACTS

Impacts to archaeological sites can potentially occur during well pad construction activities if dozing or grading operations accidentally cross site surfaces; either by driving over sensitive cultural features with heavy equipment, or by down cutting or pushing backfill into a site area. To avoid any adverse effects or potential impacts to the cultural resources, the archaeologist flagged all sites with visible blue flagging around the perimeters to indicate places where no vehicular traffic or construction is allowed.

SURVEY RESULTS

One archaeological site, 42Sa24020, was found approximately 200' south of the well location (Figure 3). The site consists of a 4.0 x 7.5m burned rock feature and artifact scatter that has been disturbed from road construction of an old seismic trail. Because of the sites' potential for subsurface deposits, the site is considered significant and 'potentially' eligible for a NRHP listing. A general site description is presented in Appendix A.

CONCLUSION AND RECOMMENDATIONS

The archaeological survey of Petral Exploration Company's proposed Dalmore #11-25 directional well and access route was conducted by personnel of 4-Corners Archaeological Services between August 25, and September 3, 1998. The project is located along a bench area in Alkali Creek in San Juan County, Utah, approximately six to eight miles southeast of the town of Blanding. A total of 13 acres were inventoried for cultural resources on lands administered by the Bureau of Land Management, San Juan Resource Area.

One archaeological site, 42Sa24020, was found approximately 200' south of the proposed well location. Because the site will not be effected by project activities, archaeological clearance is the recommended procedure.

REFERENCES

DeFrancia, Carol S.

- 1998 Archaeological Survey of Western Gas Resources, Inc. Company's Dalmore Fed. #1-A Surface Pipeline Route in Alkali Canyon, San Juan County, Utah. 4-CAS Report No. 9810, Moab.
- 1997 Archaeological Survey of Petral Exploration Company's Proposed #1-A Dalmore - Federal Well Pad, San Juan County, Utah. 4-CAS Report No. 9710, Moab.
- 1995 Archaeological Survey of Petral Exploration Company's #1 Dalmore - Federal Well Pad & Access Route in San Juan County, Utah. 4-CAS Report No. 9518, Moab.
- 1991 Archaeological Survey of Century Geophysical's Seismograph Line 91-Vul-1, San Juan County, Utah. 4-CAS Report No. 9114, Cortez.
- 1991 Archaeological Survey of Century Geophysical's Seismograph ines 91-GH-1 & GH-2, San Juan County, Utah. 4-CAS Report No. 9111, Cortez.

Hauck, F.R.

- 1979 Archaeological Reconnaissance in the Westwater, Recapture, and Alkali Canyon Localities, San Juan County, Utah. Manuscript on file at BLM, San Juan Resource Area, Monticello.

Hibbets, Barry N.

- 1987 Archaeological Survey of the Alkali-Federal 25-11 Well Pad in San Juan County, Utah. 87-La-220. Manuscript on file at BLM, San Juan Resource Area, Monticello.

Moore, Michelle

- 1997 A Cultural Resource Inventory of the Dalmore 3-D Seismic Program in Alkali Canyon, San Juan County, Utah. JBR Report No. 97-25; Utah State #U-97-JB-0248b.

Stokes, William Lee
1987 Geology of Utah. Occasional Paper Number 6. Utah
Museum of Natural History, University of Utah, Salt Lake
City.

SAN JUAN COUNTY ROAD DEPARTMENT
838 East Highway 666
Post Office Box 188
Monticello, Utah 84535
(801) 687-3230

Application for Right-of-Way Encroachment Permit

Date 8-24-98

TO: San Juan County Surveyor/Engineer
Post Office Box 188
Monticello, Utah 84535

Application is hereby made by: (1) FETRAL EXPLORATION LLC
Address (2) C/O ENMARC, INC., P.O. Box 7638, Loveland, CO 80537

Telephone Number: (970)663-7576 for permission to do the
following: (3) Use county roads 206 & 207 & 265 for access
to a drilling site in Section 24-T37S-R23E. Drilling
equipment and crews will be using the roads.

(4) Location: Section 24-T37S-R23E

City Blanding County San Juan State Utah

or U.S. Highway No. N/A Milepost No. N/A in accordance
with the attached plan. (5)

(6) Construction will begin on or about N/A 19 and
will be completed on or before N/A 19 .

If the proposed installation requires breaking of the
pavement, give the following information:

a. Type of pavement: N/A

b. The opening to be made will be N/A feet long by
N/A feet wide and N/A feet deep.

c. A bond in the amount of \$ has been posted with
 Telephone No.

to run of a term of three (3) years after completion of work to
guarantee satisfactory performance.

(7) If this permit is granted, we agree to comply with all
conditions, restriction, and regulations as contained in the
"Regulations for the Control and Protection of State Highway

Rights-of-Way", approved by the Utah State Road Commission of October 8, 1982, and all revisions thereto or Regulations adopted by the San Juan County Commission.

(8) In approving this application and locations of utilities, and effort will be made to approve only locations that will not be affected in the event that San Juan County changes the roadway. But, in situations in which the utility has to be moved, this moving shall be done by the utility company or paid for by the company.

(9) For any and all applications requesting authority to use vibratory equipment, applicants shall:

- a. Provide map showing where vibrations will take place.
- b. Agree to repair any damages or replace any property damaged.
- c. Take full responsibility for proper flagging and traffic control.
- d. Agree that vibrating done in the area of dirt roads shall be done on the dirt road rather than in the bar ditch to minimize damage.
- e. Provide a schedule of the planned work and estimated dates of completion.
- f. Attach written permission from all adjacent fee-title owners.
- g. The San Juan County commission has authorized the San Juan County Surveyor/Engineer (or his Assignees) to issue permits.

(10) San Juan County can only grant permission to the extent that the County has the authority to do so and the permission granted hereunder is limited to the interest of authority actually owned by San Juan County and no warranties of ownership or authority to grant permission is expressed or implied by the granting of this permit.

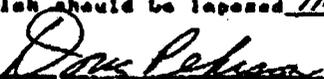

 E.K. Bostick
 Agent for PETRAL EXPLORATION LLC
 TITLE

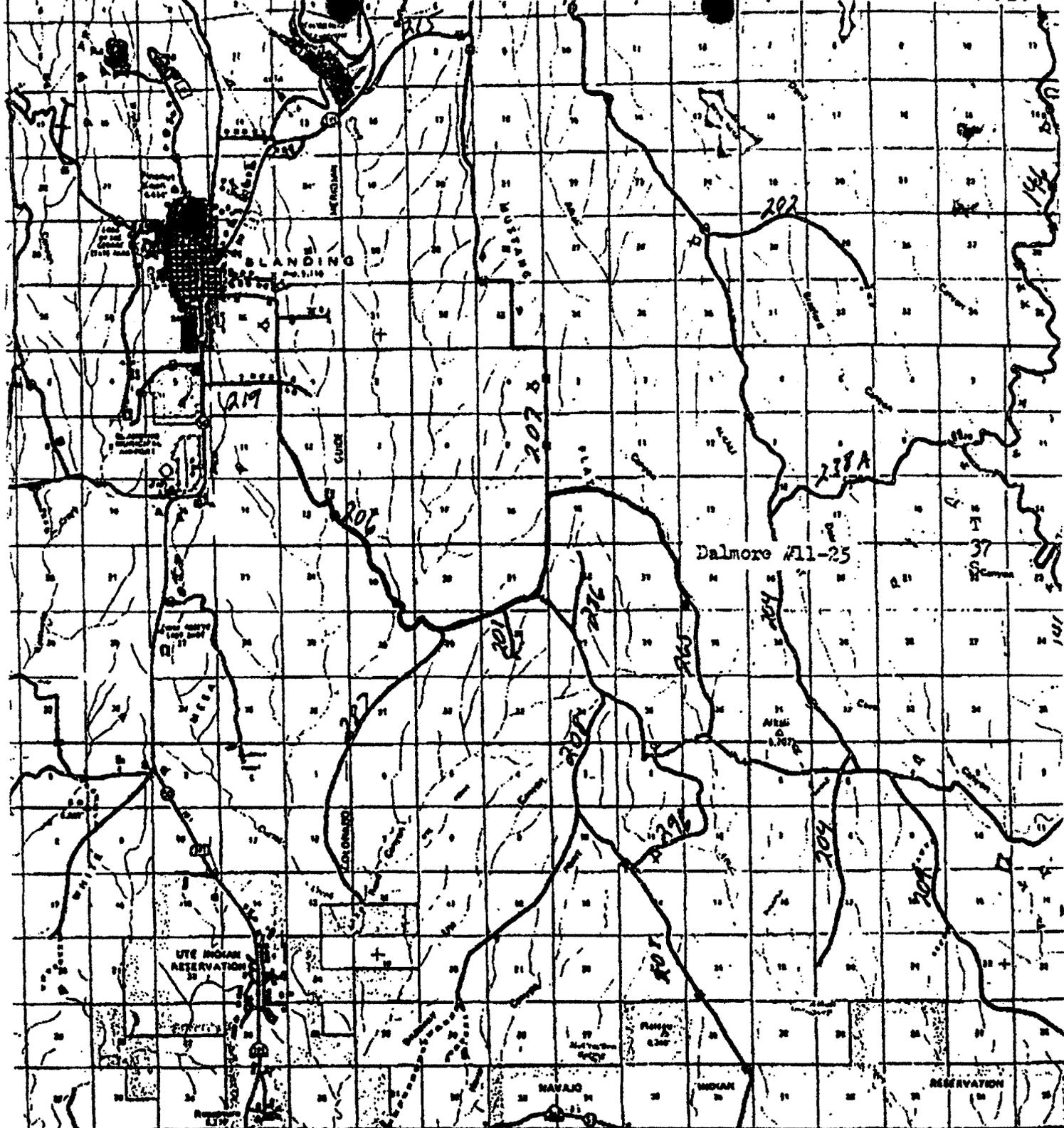
To be filled in by San Juan County Surveyor/Engineer.

(1) Permit should be granted Yes

Permit should not be granted _____

(2) Additional requirements which should be imposed None

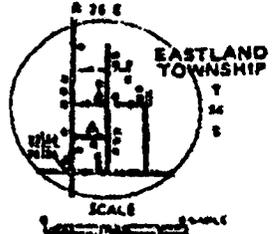

 SAN JUAN COUNTY SURVEYOR/ENGINEER



ROAD MAP OF THE AREA

PETRAL EXPLORATION LLC
 DALMORE #11-25
 SW SW Sec. 24-T37S-R23E
 San Juan Co., Utah
 Lease # UTU 041085

Copies of this map are available
 for public use at nominal cost
 U.S.G.T.
 Office of Community Relations
 U.S.G.T. - D.P.S. Complex
 2801 South 2700 West
 Salt Lake City, Utah 84119



POLYBIC PROJECTION
 6600 foot grid based on Utah
 Coordinate System, Southern Zone
 provided by the B.G.A.



ENMARC

Wellsite Consulting, Property Management and
Petroleum Engineering Services for the Energy Industry

September 23, 1998

Mr. John Baza
Utah Division of Oil, Gas, and Mining
1594 West North Temple, Suite 1210
Salt Lake City, Utah 84180

Re: Application for Directional Drilling Permit
Petral Exploration LLC Dalmore-Federal #11-25
NW NW Section 25 T37S R23E, San Juan County, UT

Dear Sir:

On behalf of our client, Petral Exploration LLC, we hereby request a permit for an intentionally deviated well per regulation R649-3-11.

General plan: The Petral Exploration Dalmore-Federal #11-25 will be drilled from a new drill site at a surface location 338 ft FSL and 253 ft FWL. Section 24 T37S R23E, San Juan County, Utah, south-southwest approximately 761 ft at an azimuth of 155.4 degrees. No potentially hydrocarbon bearing beds will be penetrated by the well bore until it has been drilled more than 460 feet beyond the west line of Section 25. The bore hole location at the top of the Upper Ismay reservoir does require an exception location. The proposed directional drilling plan and Request for Exception Location is attached.

The following information is provided in support of the request per R649-3-11:

- 2.1 Operator: Petral Exploration LLC
Address: c/o ENMARC, Inc. Contact: E. K. Bostick
P.O. Box 7638
Loveland, CO 80537
(970) 663-7576 or (303) 825-7061 (Denver office)
- 2.2 Lease Name: Dalmore-Federal Well No.: 11-25
Lease No.: Federal UTU-041085 API No.: (to be assigned)
Field Name: Deadman Canyon Reservoir Name: Upper Ismay
County: San Juan
- 2.3 A plat at a scale of 1 inch = 2,000 feet is attached which shows the distance from the surface location to the section line (338' FSL and 253' FWL) and lease line. Also shown is the distance from the bottom hole location to the lease line (489' to the northwest).

The target horizon (Upper Ismay) will be encountered 136' FNL and 470' FWL Section 25 T37S R23E. At Measured Total Depth the well bore will be 354' FNL and 570' FWL Section 25 T37S R23E.

317 L

A letter of non-opposition to the directional drilling plan from the leasehold owners is not required as this well (surface and bottom hole location) are owned by two parties with a Joint Operating Agreement. The planned trajectory of the well bore is attached. The well bore does not penetrate outside of the leasehold.

Working Interest Owners in the Surface Location (SW SW Sec. 24) are:

Petral Exploration LLC	Dalmore LLC
1700 Lincoln Street, #4750	2597 East Bridger Blvd.
Denver, CO 80203	Sandy, UT 84093
WI 90.525%	WI 9.475%

Working Interest Owners in the Bottom Hole Location (NW NW Sec. 25) are:

Petral Exploration LLC	Dalmore LLC
1700 Lincoln Street, #4750	2597 East Bridger Blvd.
Denver, CO 80203	Sandy, UT 84093
WI 92.89375%	WI 7.10625%

2.4 The well must be directionally drilled because topography and cultural resources (archaeology) prevent the drilling of a vertical hole.

If this request is administratively approved, please notify Mr. Gary Torres, Bureau of Land Management, 82 Dogwood - Suite M, Moab, UT 84532. If administrative approval of this request cannot be granted, it is requested that the application be set for the next available hearing before the Division of Oil, Gas, and Mining.

Sincerely,

ENMARC, Inc.



E. K. Bostick, President
Agent for Petral Exploration LLC

Attachments

cc: Petral Exploration LLC

REQUEST FOR DIRECTIONAL DRILLING PERMIT

Petral Exploration LLC requests a permit for a directional well per regulation R649-3-11.

The Petral Exploration Dalmore-Federal #11-25 will be drilled from a new drill site at a surface location 338 ft FSL and 253 ft FWL Section 24 T37S R23E, San Juan County, Utah, south-southeast approximately 761 ft at an azimuth of 155.4 degrees to a Bottom Hole Location 354 ft FNL and 570 ft FEL Section 25 T37S R23E. At the Upper Ismay reservoir horizon, the well bore will be 136 ft FNL and 470 ft FWL of Section 25.

The well must be directionally drilled because the topography and cultural resources (archaeology) prevent the drilling of a vertical hole.

No potential hydrocarbon bearing beds will be penetrated by the well bore until it has been drilled more than 460 feet beyond the section line to the west. The bore hole location at the top of the Upper Ismay reservoir will require an exception location.

Operator:	Petral Exploration LLC	Lease Name:	Dalmore-Federal
		Lease No.:	Federal UTU-041085
Address:	c/o ENMARC, Inc.	Well No.:	11-25
(Agent)	P.O. Box 7638	API:	(to be assigned)
	Loveland, CO 80537		
	(970) 663-7576		
	(303) 825-7061 (Denver)		

Reservoir Name:	Upper Ismay	Field Name:	Deadman Canyon
		County:	San Juan, Utah

Working Interest Owners in the Surface Location (SW SW Sec. 24) are:

Petral Exploration LLC	Dalmore LLC
1700 Lincoln Street, #4750	2597 East Bridger Blvd.
Denver, CO 80203	Sandy, UT 84093
WI 90.525%	WI 9.475%

All entities are participants in the well by Joint Operating Agreements.

Letters of non-opposition are not required.

Working interest owners in the Bottom Hole Location (NW NW Sec. 25) are:

Petral Exploration LLC	Dalmore LLC
1700 Lincoln Street, #4750	2597 East Bridger Blvd.
Denver, CO 80203	Sandy UT 84093
WI 92.89375%	WI 7.10625%

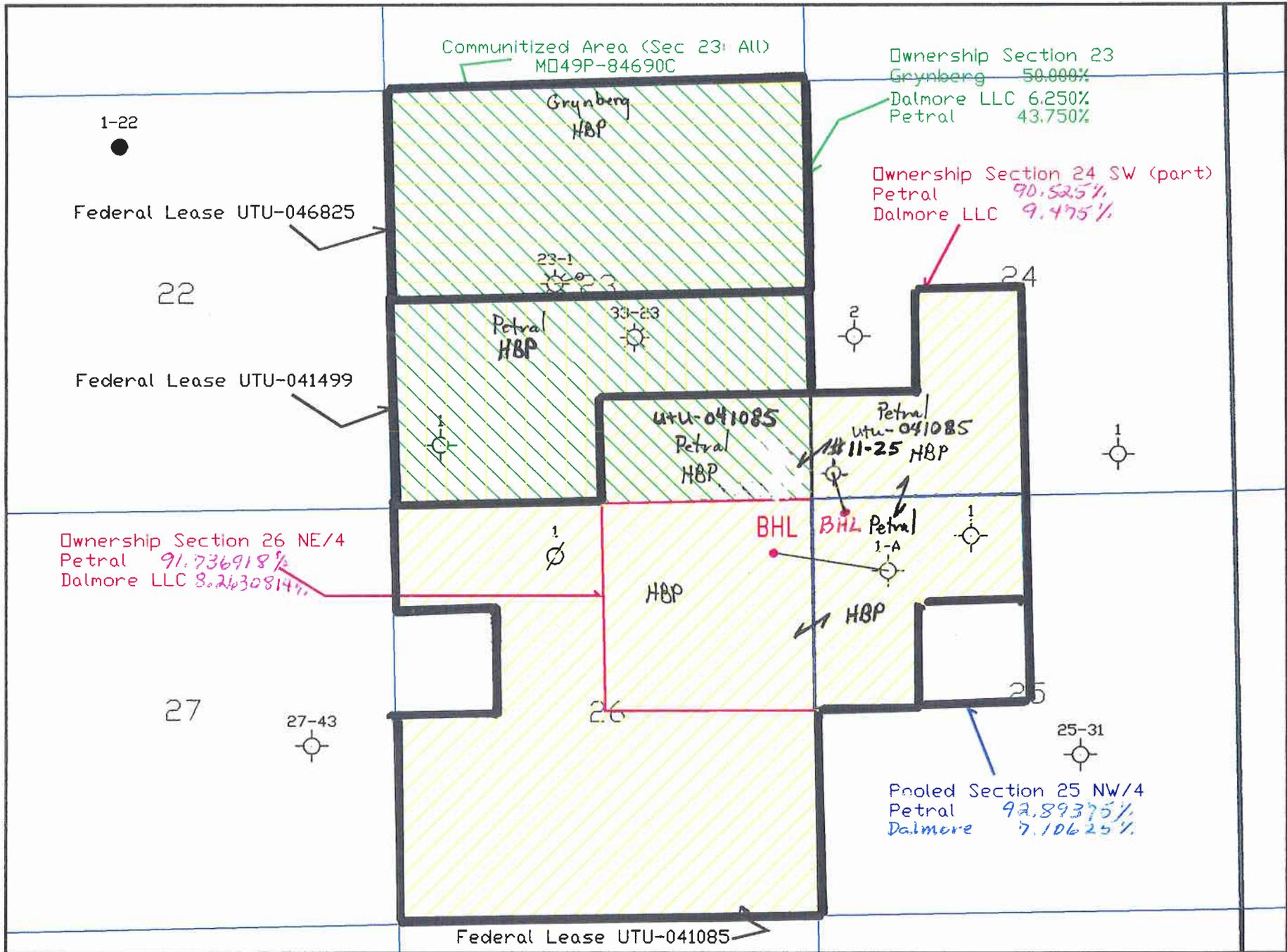
All entities are participants in the well by Joint Operating Agreements.

Letters of non-opposition are not required.

The plat required by Utah regulation R649-3-11 and the proposed directional drilling plan are attached.

R 23 E

T
37
S



PANEL 6 Lease Ownership

Petral 90.525%
Dalmore 9.475%

ENMARC, INC.

Corporate Sales Office
518 17th Street, Suite 1104
Denver, CO 80202
(303) 825-7061 fax (303) 825-2320

Theron Strickland
Corporate Sales

September 14, 1998

Mr. John Baza
Utah Board of Oil, Gas and Mining
1594 W. North Temple, Ste. 1210
Salt Lake City, UT 84180

Re: Application for Exception to R649-2 for the Drilling of Petral Exploration, LLC. Dalmore # 11-25 NW NW Section 25-T37S-R23E, San Juan Co., UT.

Dear Sir,

On behalf of our clients, Petral Exploration, LLC. And Dalmore, LLC., we hereby request an exception to the State of Utah Oil and Gas Conservation Commission Rule 649-3-2 to drill the Dalmore # 11-25.

The Oil and Gas Conservation Act, 40-6-1 Et. Seq. Utah Code Annotated 1953 (As Amended 1993), Paragraph R649-3-2, Location and Siting of Wells, states that in the absence of special orders to the contrary, each oil and gas well shall be located in the center of a 40 acre quarter-quarter section with a tolerance of 200' in any direction from the center location, a "window" 400 feet square

The location requested for this well does not meet these qualifications, and therefore an exception is required. Paragraph R649-3-3 allows for the exception requested to be granted administratively if certain is provided with Form 3.

The following information is provided in support of the requested exception.

- 1.1 Petral Exploration, LLC. And Dalmore, LLC., respectfully requests that under the provisions of R649-3-3, an exception to R649-3-2 to be granted and a permit issued to drill a 6065 foot (TVD) exploratory well in the NW NW, more specifically a bottom hole location of 136' FNL and 470' FWL of Section 25-T37S-R23E, San Juan Co., Utah. This well will be directionally drilled due to topographic considerations and will have a surface location of 338' FSL and 253' FWL of Section 24-T37S-R23E, San Juan Co., Utah.
- 1.2 There are no other owners within a 460 foot radius of the proposed well location. Petral Exploration, LLC. And Dalmore, LLC are joint owners of Federal Lease UTU - 041085, comprising 520 acres, more or less. In addition to other acreage, this lease encompasses the NW/4 of Section 25 and the S/2 SW/4 of Section 24 - T37S - R2E, San Juan County, Utah.
3. The producing formation has been targeted utilizing 3D seismic technology. In order to penetrate the potentially productive horizon, an exception is necessary.

3.1,3.2,3.3. Attached is a plat showing locations at which an oil or gas well could be drilled in compliance with R649-3-2 (LL = legal location, the requested exception location (REL), legal direct and diagonal offsets to the requested location (LOL = Legal Offset Location) and a circle having a radius of 920 feet around the requested exception location. The only producing well in the immediate area is the Dalmore #1-A (RD), located I the NE/4 NE/4 of Section 26 T37S - R23E.. This well is more that 920 feet from the requested exception location. Petral Exploration, LLC, and Dalmore, LLC. are also the owners of this well.

3.4 There are no other owners within a 460' radius of the requested exception location.

If administratively approved, please notify Mr. Gary Torres, Bureau of Land Management, 82 East Dogwood, Suite M, Moab, UT 84532. If administrative approval for this exception location cannot be granted, it is requested that the application be set for the next available hearing before the Utah Board of Oil, Gas and Mining.

Very truly yours,



Mark A. Mason
Engineer
Enmarc, Inc.

Attachments

cc Petral Exploration, LLC.
Dalmore, LLC.
Mr. E.K. Bostick

Petral Exploration LLC

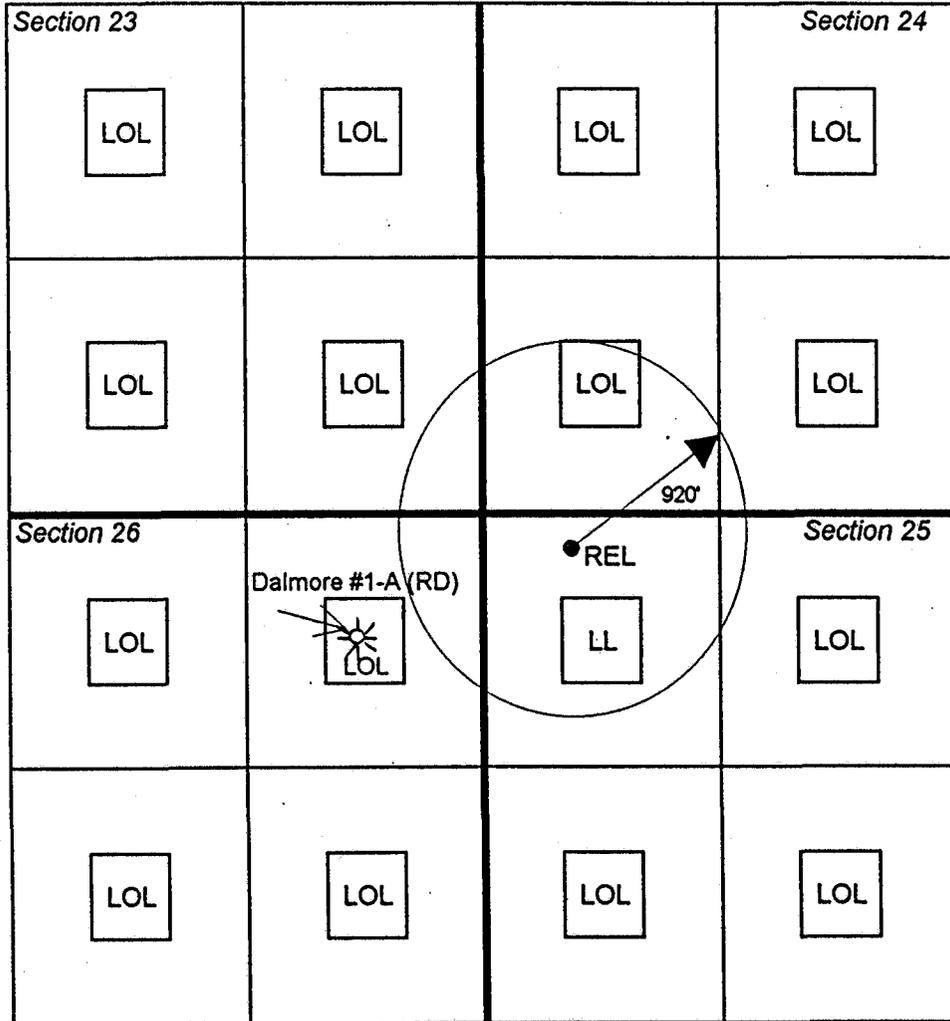
Exception Location Request

Dalmore # 11-25

SL 338' FSL & 253' FWL Sec. 24, T37S - R23E

BHL 136' FNL & 470' FWL Sec 25, T37S - R23E

San Juan County, Utah



Scale: 1" = 1000'

LOCATION EXCEPTION

Enmarc, Inc.

PO Box 7638

Loveland, CO 80537

(970) 667-9734

Petral Exploration LLC

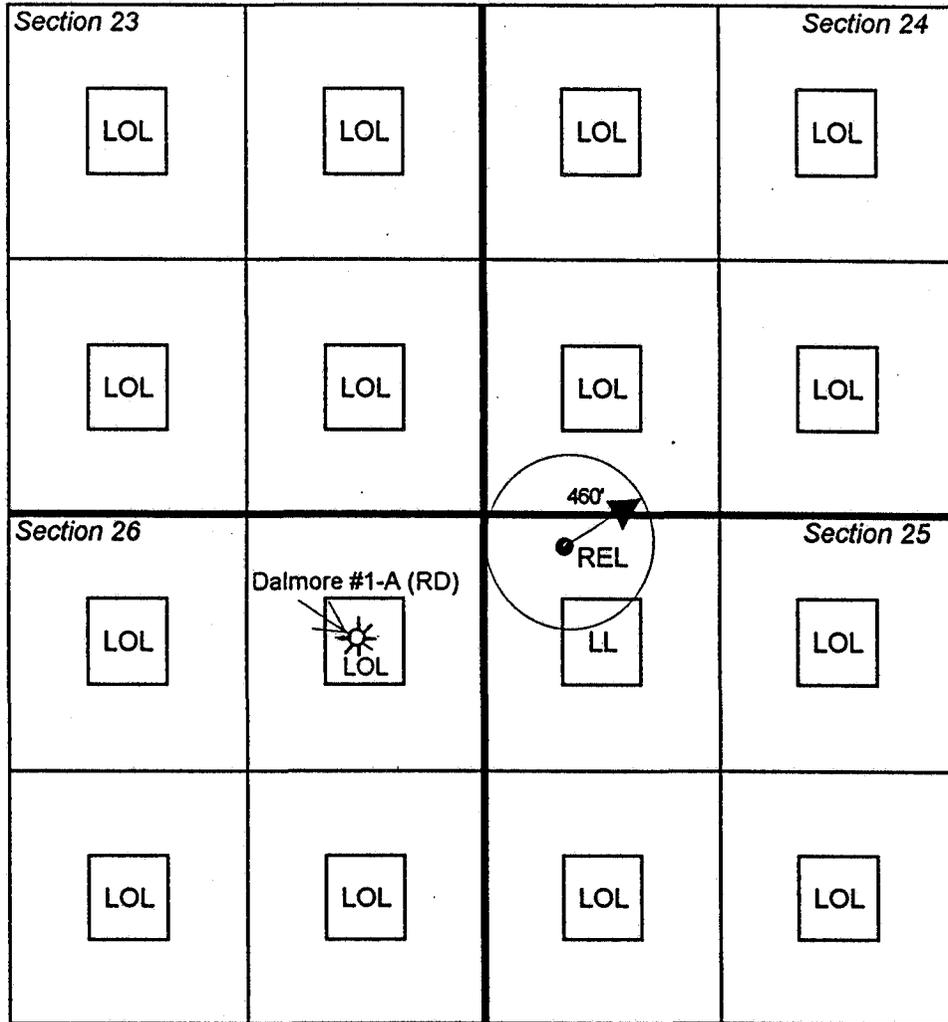
Exception Location Request

Dalmore # 11-25

SL 338' FSL & 253' FWL Sec. 24, T37S - R23E

BHL 136' FNL & 470' FWL Sec 25, T37S - R23E

San Juan County, Utah



Scale: 1" = 1000'

LOCATION EXCEPTION

Enmarc, Inc.

PO Box 7638

Loveland, CO 80537

(970) 667-9734

SCIENTIFIC DRILLING INTERNATIONAL
CASPER, WYOMING

PETRAL EXPLORATION LLC

Well Name	:	DALMORE FEDERAL #11-25
Location	:	SAN JUAN COUNTY, UTAH
SHL	:	SEC.24,T37S,R23E 338'FSL, 253'FWL
BHL	:	SEC.25,T37S,R23E 136'FNL, 470'FWL
ACTUAL BHL	:	
Date Surveyed	:	9/22/98
Job No.	:	
Proposal Performed By	:	BOB LOVELACE

This survey is correct to the best of my knowledge and is supported by actual field data.

..... COMPANY REPRESENTATIVE

SCIENTIFIC DRILLING INTERNATIONAL

Customer : PETRAL EXPLORATION LLC
 Well Name : DALMORE FEDERAL #11-25
 Location : SAN JUAN COUNTY, UTAH
 SHL : SEC.24,T37S,R23E 338'FSL, 253'FWL
 EHL : SEC.25,T37S,R23E 136'FNL, 470'FWL

Page 1 of 1
 Date 9/22/98
 Filename : 1125PROP

ACTUAL BHL : No Interpolation
 Height Of WELLSITE Datum Above Field Datum 0.00 ft

M.DEPTH	ANGLE	DIR	C\L	T V D	V/S	N/S-	E/W-	DLS
ft	deg	deg	ft	ft	ft	ft	ft	°/100
4356.61	0.00	155.40	0	4356.61	0.00	0.00	0.00	0.00
4400.00	1.30	155.40	43	4400.00	0.49	-0.45	0.21	3.00
4500.00	4.30	155.40	100	4499.87	5.38	-4.89	2.24	3.00
4600.00	7.30	155.40	100	4599.34	15.49	-14.08	6.45	3.00
4700.00	10.30	155.40	100	4698.15	30.79	-27.99	12.82	3.00
4800.00	13.30	155.40	100	4796.03	51.24	-46.59	21.33	3.00
4900.00	16.30	155.40	100	4892.70	76.78	-69.81	31.96	3.00
5000.00	19.30	155.40	100	4987.90	107.35	-97.61	44.69	3.00
5100.00	22.30	155.40	100	5081.37	142.86	-129.89	59.47	3.00
5200.00	25.30	155.40	100	5172.85	183.21	-166.58	76.26	3.00
5300.00	28.30	155.40	100	5262.10	228.30	-207.58	95.03	3.00
5377.74	30.63	155.40	78	5329.78	266.54	-242.35	110.95	3.00
5400.00	30.63	155.40	22	5348.93	277.88	-252.66	115.67	0.00
5500.00	30.63	155.40	100	5434.98	328.83	-298.99	136.88	0.00
5600.00	30.63	155.40	100	5521.02	379.79	-345.32	158.09	0.00
5700.00	30.63	155.40	100	5607.07	430.74	-391.65	179.30	0.00
5800.00	30.63	155.40	100	5693.11	481.70	-437.98	200.51	0.00
5877.74	30.63	155.40	78	5760.00	521.31	-474.00	217.00	0.00
5900.00	30.63	155.40	22	5779.15	532.65	-484.31	221.72	0.00
6000.00	30.63	155.40	100	5865.20	583.61	-530.64	242.93	0.00
6100.00	30.63	155.40	100	5951.24	634.56	-576.98	264.14	0.00
6200.00	30.63	155.40	100	6037.29	685.52	-623.31	285.35	0.00
6300.00	30.63	155.40	100	6123.33	736.47	-669.64	306.56	0.00
6348.43	30.63	155.40	48	6165.00	761.15	-692.07	316.83	0.00

Origin of Bottom Hole Closure WELLSITE CENTRE
 Bottom Hole Closure 761 ft 155.40°

SCIENTIFIC DRILLING INTERNATIONAL

Customer : PETRAL EXPLORATION LLC
Well Name : DALMORE FEDERAL #11-25
Location : SAN JUAN COUNTY, UTAH
SHL : SEC.24,T37S,R23E 338'PSL, 253'FWL
EHL : SEC.25,T37S,R23E 136'FNL, 470'FWL
ACTUAL BHL : No Interpolation
Height Of WELLSITE Datum Above Field Datum 0.00 ft

Date 9/22/98
Filename : 1125PROP

Plane of Vertical Section : 155.40°
Latitude & Departure relate to : WELLSITE CENTRE
Vertical Section Originates at : SLOT CENTRE
Slot Coordinates : Lat 0.000ft
: Dep 0.000ft
Directions Referenced To : TRUE NORTH
Depth at Drill Floor : 0.00 ft

Magnetic Declination : +12.31°
WELLSITE North : +0° 0' 0'' (T)
Grid convergence : +0.0000°

1125PROP DALMORE FEDERAL #11-25 9/22/98
Plane of Vertical Section 155.40

Section 1 (Hold Section)

MD	Inc	Dir	Tvd	Vsec	Lat	Dep	Values to be applied			
							Build	Turn	Dleg	T Face
4000.0	0.00	155.40	4000.0	0.0	-0.0	0.0	0.0	0.0	0.0	0.0
4100.0	0.00	155.40	4100.0	0.0	-0.0	0.0	0.0	0.0	0.0	0.0
4200.0	0.00	155.40	4200.0	0.0	-0.0	0.0	0.0	0.0	0.0	0.0
4300.0	0.00	155.40	4300.0	0.0	-0.0	0.0	0.0	0.0	0.0	0.0

Section 2 (Const Build/Turn)

MD	Inc	Dir	Tvd	Vsec	Lat	Dep	Values to be applied			
							Build	Turn	Dleg	T Face
4356.6	0.00	155.40	4356.6	0.0	0.0	0.0	3.0	0.0	3.0	0.0
4400.0	1.30	155.40	4400.0	0.5	-0.4	0.2	3.0	0.0	3.0	0.0
4500.0	4.30	155.40	4499.9	5.4	-4.9	2.2	3.0	0.0	3.0	0.0
4600.0	7.30	155.40	4599.3	15.5	-14.1	6.4	3.0	0.0	3.0	0.0
4700.0	10.30	155.40	4698.2	30.8	-28.0	12.8	3.0	0.0	3.0	0.0
4800.0	13.30	155.40	4796.0	51.2	-46.6	21.3	3.0	0.0	3.0	0.0
4900.0	16.30	155.40	4892.7	76.8	-69.8	32.0	3.0	0.0	3.0	0.0
5000.0	19.30	155.40	4987.9	107.4	-97.6	44.7	3.0	0.0	3.0	0.0
5100.0	22.30	155.40	5081.4	142.9	-129.9	59.5	3.0	0.0	3.0	0.0
5200.0	25.30	155.40	5172.9	183.2	-166.6	76.3	3.0	0.0	3.0	0.0
5300.0	28.30	155.40	5262.1	228.3	-207.6	95.0	3.0	0.0	3.0	0.0

Section 3 (Hold Section)

MD	Inc	Dir	Tvd	Vsec	Lat	Dep	Values to be applied			
							Build	Turn	Dleg	T Face
5377.7	30.63	155.40	5329.8	266.5	-242.3	110.9	0.0	0.0	0.0	0.0
5400.0	30.63	155.40	5348.9	277.9	-252.7	115.7	0.0	0.0	0.0	0.0
5500.0	30.63	155.40	5435.0	328.8	-299.0	136.9	0.0	0.0	0.0	0.0
5600.0	30.63	155.40	5521.0	379.8	-345.3	158.1	0.0	0.0	0.0	0.0
5700.0	30.63	155.40	5607.1	430.7	-391.7	179.3	0.0	0.0	0.0	0.0
5800.0	30.63	155.40	5693.1	481.7	-438.0	200.5	0.0	0.0	0.0	0.0

Section 4 (Hold Section)

MD	Inc	Dir	Tvd	Vsec	Lat	Dep	Values to be applied			
							Build	Turn	Dleg	T Face
5877.7	30.63	155.40	5760.0	521.3	-474.0	217.0	0.0	0.0	0.0	0.0
5900.0	30.63	155.40	5779.2	532.7	-484.3	221.7	0.0	0.0	0.0	0.0
6000.0	30.63	155.40	5865.2	583.6	-530.6	242.9	0.0	0.0	0.0	0.0
6100.0	30.63	155.40	5951.2	634.6	-577.0	264.1	0.0	0.0	0.0	0.0
6200.0	30.63	155.40	6037.3	685.5	-623.3	285.4	0.0	0.0	0.0	0.0
6300.0	30.63	155.40	6123.3	736.5	-669.6	306.6	0.0	0.0	0.0	0.0
6348.4	30.63	155.40	6165.0	761.1	-692.1	316.8	0.0	0.0	0.0	0.0

GEOLOGICAL PROGNOSIS/EVALUATION PROGRAM
(9/22/1998)

WELL: PETRAL EXPLORATION LLC #11-25 Dalmore - Federal

LOCATION: UTM Zone 12, X=2,119,529, Y=13,637,639

Being approximately 136 ft FNL & 470 ft FWL Section 25, T37S R23E, San Juan Co., UT

ELEVATION: 5520 KB estimated from topographic map

FORMATION	DEPTH	DATUM	COMMENTS
Morrison	Spud		
Chinle	1980	+ 3540	
De Chelly	2885	+ 2635	
Honaker Trail	4730	+ 790	
La Sal	5440	+ 80	
Upper Ismay	5747	- 227	
Upper Ismay mound	5760	- 240	TARGET, 2 60' cores, 2 DST's
Hovenweep	5883	- 363	
Lower Ismay	5915	- 395	
Gothic	5972	- 452	
Desert Creek	5995	- 475	
Chimney Rock	6082	- 562	
Akah	6140	- 620	DO NOT DRILL INTO SALT
TOTAL DEPTH	6165		

Area Drilling Problems: Possible salt water flows from the Cutler and/or Honaker Trail. Our files are incomplete in the area. The limited data do not reflect shallow salt water flows but this doesn't mean they don't exist. REA will continue to search for data regarding shallow flows. Possible over pressure in the Lower Desert Creek mound.

Mud: Weight: If there are no salt water flows from the Cutler or Honaker Trail, drill at or under balance for the Upper Ismay. If there are salt water flows from the Cutler or Honaker Trail use minimum weight possible to control them. Add Magma Fiber to system prior to and during core to prevent formation damage. Possible over pressure in Lower Desert Creek mound. Do not automatically mud up for Lower Desert Creek pressure - we will know before reaching any Lower Desert Creek porosity if it is present by stratigraphic thickness in overlying units. Water loss: should be kept in 6 to 10 per previous discussions.

Log Suite: Schlumberger Platform Express, AIT, Borehole Compensated Sonic Log (long spaced), Compensated Neutron/Formation Density w/Photoelectric Effect, FMI with image and high resolution stratigraphic dip meter interpretation. Run all logs except FMI to base of surface casing; minimum run for FMI. We want the digital data for all logs on disk in LAS format. Mud logger with QFT capability on location from 5200 feet to Total Depth.

Core Handling: Use Precision Core Analysis in Denver for core analysis. Precision to pick up the core at the location and take it to Denver as soon as possible. Precision should have a rock saw at the location so the core can be cut and examined and the information used in test/no test decisions. The core gamma should be faxed to the field as soon as available.

Miscellaneous: Recover samples and analyze fluids recovered from any zone tested. Add ammonium nitrate (concentration approximately 100 ppm) to the mud system prior to running any DST. Just prior to breaking off the kelly to trip out for cores, tests or logs, catch a mud sample from the flow line in a clean five gallon bucket. Frequent pipe straps to ensure good accurate drilling depths.

Completion: Extreme caution should be exercised to ensure a good casing cement job. Large volumes of acid and high pressure should be avoided if at all possible, especially if there is bottom water.

Leo C. Gerard
Geologist

WORKSHEET
APPLICATION FOR PERMIT TO DRILL

APD RECEIVED: 09/28/98

API NO. ASSIGNED: 43-037-31802

WELL NAME: DALMORE-FEDERAL 11-25
 OPERATOR: PETRAL EXPLORATION LLC (N7700)
 CONTACT: ~~E.R. Bostick (970) 663-7576~~ David Norby (303) 864-2303

PROPOSED LOCATION:
 SWSW 24 - T37S - R23E
 SURFACE: 0338-FSL-0253-FWL
Prod. Zone BOTTOM: 0136-FNL-0470-FWL (Sec. 25)
 SAN JUAN COUNTY BHL 354 FNL 570 FWL (Sec 25)
 UNDESIGNATED FIELD (002)

INSPECT LOCATION BY: / /		
TECH REVIEW	Initials	Date
Engineering		
Geology		
Surface		

LEASE TYPE: FED
 LEASE NUMBER: UTU-041085
 SURFACE OWNER: Federal

PROPOSED FORMATION: ISMY

RECEIVED AND/OR REVIEWED:

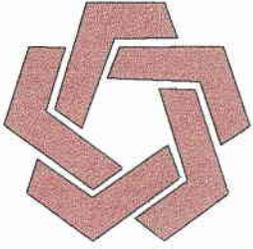
Plat
 Bond: Federal[] State[] Fee[]
 (No. KT 1040)
 Potash (Y/N)
 Oil Shale (Y/N) *190-5(B)
 Water Permit
 (No. Artesian Wtr. Well/T22727)
 RDCC Review (Y/N)
 (Date: _____)
 St/Fee Surf Agreement (Y/N)

LOCATION AND SITING:

R649-2-3. Unit _____
 R649-3-2. General _____
 R649-3-3. Exception _____
 Drilling Unit
 Board Cause No: _____
 Date: _____

COMMENTS: * Need add'l info. "Except. Loc." (Rec'd 10-29-98)

STIPULATIONS: ① FEDERAL APPROVAL



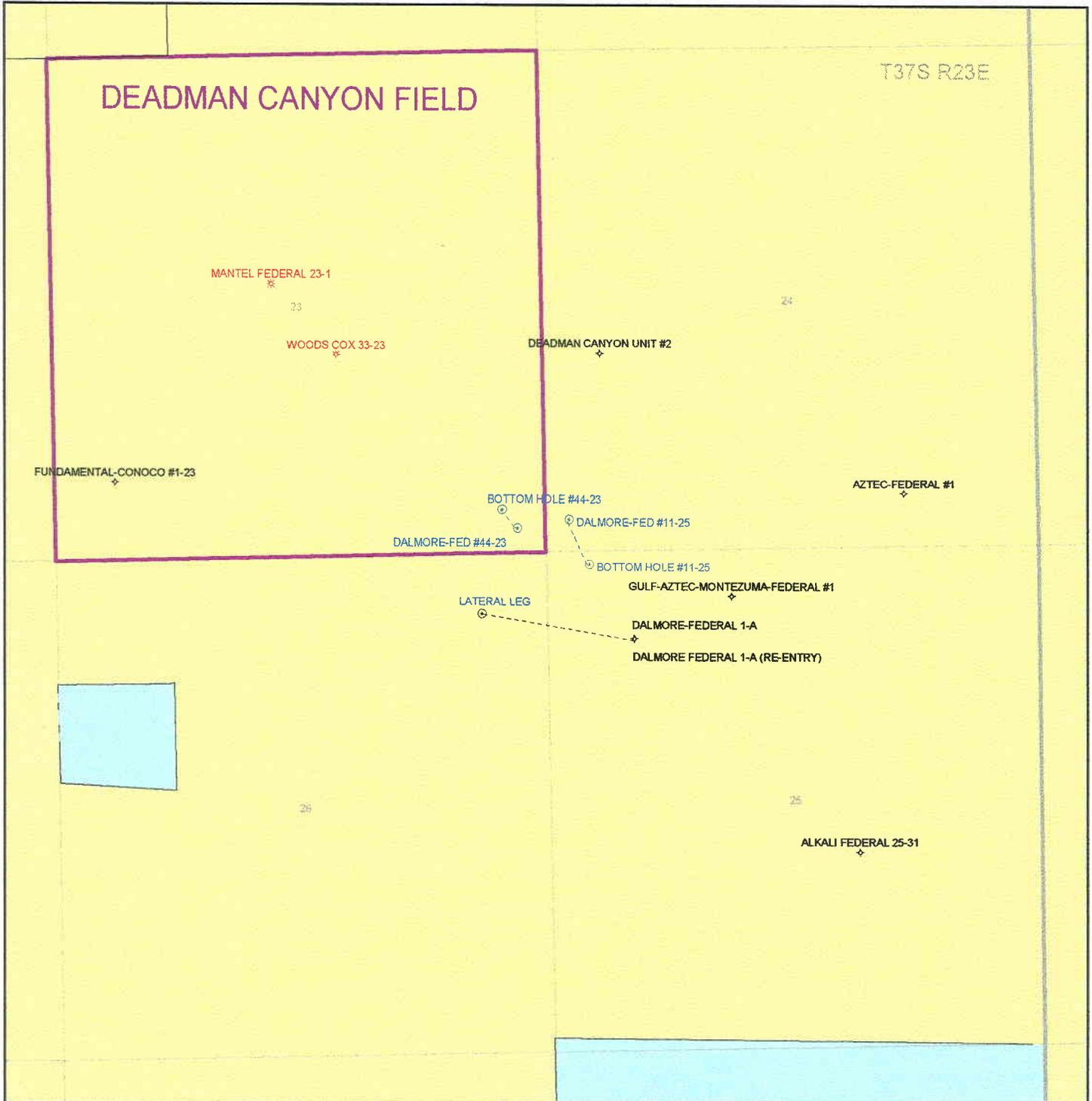
DIVISION OF OIL, GAS & MINING

OPERATOR: PETRAL EXPLORATION (N7700)

FIELD: UNDESIGNATED (002)

SEC. 23.24.25. & 26, TWP 37S, RNG 23E

COUNTY: SAN JUAN



DATE PREPARED:
23-OCT-1998

cc: Gil Hunt
Brad Hill
~~orig~~ John Baza
orig: well file

LAW OFFICES

PRUITT, GUSHEE & BAGHELLE

SUITE 1850 BENEFICIAL LIFE TOWER
SALT LAKE CITY, UTAH 84111-1495
(801) 531-8446
E-mail: pgb.law@mci2000.com

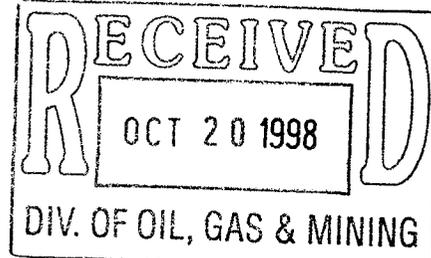
TELECOPIER (801) 531-8468

ROBERT G. PRUITT, JR.
OLIVER W. GUSHEE, JR.
THOMAS W. BACHTELL
A. JOHN DAVIS, III
JOHN W. ANDERSON
FREDERICK M. MACDONALD
GEORGE S. YOUNG
JOHN F. WALDO
ANGELA L. FRANKLIN
JOHN S. FLITTON
MICHAEL S. JOHNSON
CHRISTOPHER J. CASTILLO

OF COUNSEL

ROBERT G. PRUITT, III
BRENT A. BOHMAN

October 19, 1998



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

Eric Jones
Bureau of Land Management
Moab District Office
82 East Dogwood
Moab, Utah 84532

#996302 bin/mcab
Non working interest owner
5 1/2 Sec. 23. Info. below
incorrect. JC

Re: *Opposition to APDs filed by Petral Exploration LLC on the
Dalmore Federal #44-23 and #11-25 Wells*

Gentlemen:

This office represents Grynberg Petroleum Company, owner of a 50% working interest in Federal Oil and Gas Lease UTU-041085 covering the SE 1/4 of Section 23, Township 37 South, Range 23 East, SLB&M (the record owner is actually Celeste C. Grynberg d/b/a Grynberg Petroleum). Grynberg Petroleum wishes to oppose two APDs recently filed by Petral Exploration LLC in the area of this leasehold. A brief description of the recent history of development in the vicinity is necessary to an explanation of Grynberg Petroleum's objections.

A producing well was recently drilled by Petral immediately south of the SE 1/4 of Section 23 in the NE 1/4 NE 1/4 of Section 26. This well is not an oil well, but is a gas well that has been producing approximately 1 million cubic feet of gas per day with minimal condensate for approximately six months. Jack Grynberg, upon being informed by Petral in July that it wanted to drill another well immediately to the north in the SE 1/4 of Section 23, examined Petral's 3-D seismic data and the logs and core analysis of the well in the NE 1/4 NE 1/4 of Section 26 (copies of these documents were not provided to Mr. Grynberg). Mr. Grynberg is a reservoir engineer and geophysicist professionally registered in five states. Petral's data revealed that the producing horizons of the Section 26 well are common to the SE 1/4 of Section 23 and portions of the SW 1/4 of Section 24 and NW 1/4 of Section 25. Based upon his review of this data, Mr. Grynberg determined that if production from the Section 26 well held up, it would indicate that such well was draining the additional acreage in adjacent sections. This has indeed proven to be the case.

Mr. John Baza
Mr. Eric Jones
October 19, 1998
Page 2

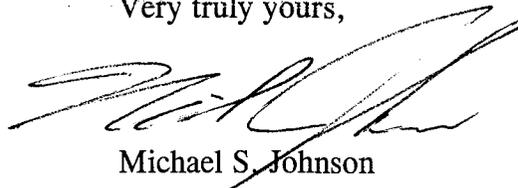
Mr. Grynberg's analysis also revealed that only the existing gas well in the NE $\frac{1}{4}$ NE $\frac{1}{4}$ of Section 26 well is necessary to efficiently drain the acreage involved. Petral, however, has now filed APDs for two additional wells in this area. One well, the Dalmore Federal #44-23, is to be located in the SE $\frac{1}{4}$ SE $\frac{1}{4}$ of Section 23. The other well, the Dalmore Federal #11-25, is to be drilled in the SW $\frac{1}{4}$ SW $\frac{1}{4}$ of Section 24 with a bottom-hole location in the NW $\frac{1}{4}$ NW $\frac{1}{4}$ of Section 26 (see attached plat). As noted above, these wells will drain the same horizons in the same formations already being efficiently drained by the Section 26 well. Consequently, the proposed wells will not only result in wasteful rates of production, but will never reach payout as they will not access any additional gas reserves or condensate to offset the costs of drilling, completion and operation. Additionally, the proposed wells will unnecessarily impact the ecology of a pristine canyon area.

Rather than approving the APDs for the two proposed wells, the lands upon which those wells are to be located should be communitized with the lands in the NE $\frac{1}{4}$ NE $\frac{1}{4}$ of Section 26 and all interest owners within the 3-D seismic area should share in the cost of the existing Section 26 well and the production therefrom.

For the reasons stated above, Grynberg Petroleum and Celeste C. Grynberg request that the BLM and the Division of Oil, Gas and Mining deny the two APDs identified above which were recently filed by Petral Exploration LLC. Jack Grynberg would welcome the opportunity to meet with BLM and/or Division staff to discuss in greater depth his opposition to these APDs.

If you have any questions about Grynberg Petroleum's opposition to these APDs, or want to arrange a meeting with Mr. Grynberg, please feel free to give me a call. Thank you for your attention to this matter.

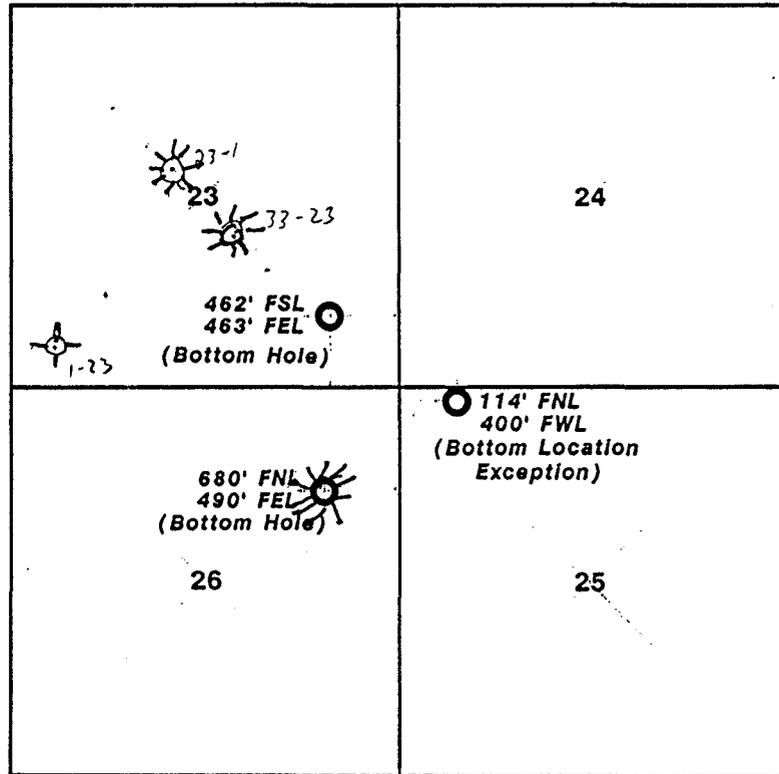
Very truly yours,



Michael S. Johnson

MSJ:nw
0808.07
cc: Petral Exploration LLC

R 23 E



T
37
S

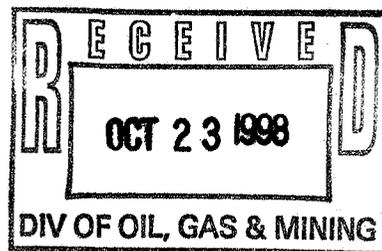
DALMORE, LLC

2597 East Bridger Blvd.

Sandy, Utah 84093

801-942-0525

(fax 942-8472)



October 23, 1998

Re: Dalmore Federal #11-25
1 37 S, R 23 E, Section 25: NWNW
San Juan County, Utah

To whom it may concern:

Dalmore, LLC is a working interest owner in the lease on which the above location has been filed. In addition, Dalmore, LLC is a working interest in the leasehold surrounding the captioned location including section 24: SWSW.

Dalmore, LLC supports Petral Exploration LLC's application for a non-standard location.

Should you need further verification or have any questions, please contact me at the numbers shown above.

Very truly yours,

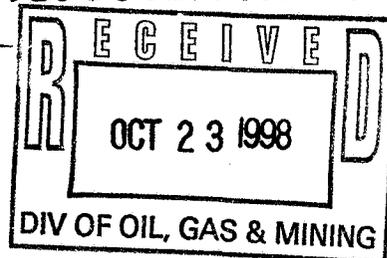
A handwritten signature in black ink, appearing to read "Lane Lasrich". The signature is stylized with loops and a long horizontal stroke.

Lane Lasrich
Managing Member

FAX COVER SHEET

ENMARC, INC.
Corporate Office
P.O. Box 7638
Loveland, Co 80537

(970) 663-7576 phone
(970) 663-7567 fax



TO: Ms. Lisha Cordova Utah Div. Oil, Gas & Mining

DATE: 10-23-98 (801) 359-3940

SUBJECT: Letter of Consent for Exception location

Dalmore Federal # 11-25 (Petra Exploration LLC)

- Urgent Reply ASAP Please comment Please review For your information

Total pages, including cover: 2

COMMENTS

Ms. Cordova,
Included with this fax is Dalmore LLC's
approval for Exception location as you
requested.
A signed original will be sent to you
via us mail.

Permits for water use are being applied for.
(for Both wells)
The BLM in Salt Lake is being sent the
Designation of Agent letter today. (Dalmore Fed. 44-23)

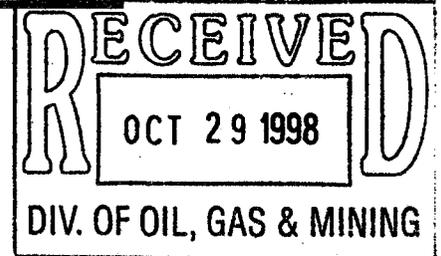
Please do not hesitate to call me if
there is anything else I can do to help
expidite these permits

E K. Bostick



ENMARC

Wellsite Consulting, Property Management and
Petroleum Engineering Services for the Energy Industry



Ms. Lisha Cordova
State of Utah Division of Oil Gas & Mining
1594 West North Temple, Suite 1210
Salt Lake City, UT 84180

Re: Petral Exploration LLC state of Utah APD for Dalmore Federal #11-25.

Dear Ms. Cordova,

Attached, you will find a signed original Approval for Exception Location for the Petral Exploration LLC Dalmore Federal #11-25 From Dalmore LLC as requested during our phone conversation 10-23-98.

Should any additional information be required, please do not hesitate to call me.

Thank you for your time and help.

Sincerely,

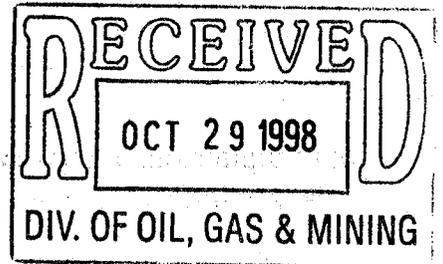
E.K. Bostick, President
ENMARC, INC.
Agent for Petral Exploration LLC

Faint, illegible text, possibly a stamp or bleed-through.

Faint, illegible text, possibly a stamp or bleed-through.

DALMORE, LLC

2597 East Bridger Blvd.
Sandy, Utah 84093
801-942-0525
(fax 942-8472)



October 23, 1998

Re: Dalmore Federal #11-25
T 37 S, R 23 E, Section 25: NWNW
San Juan County, Utah

To whom it may concern:

Dalmore, LLC is a working interest owner in the lease on which the above location has been filed. In addition, Dalmore, LLC is a working interest in the leasehold surrounding the captioned location including section 24: SWSW.

Dalmore, LLC supports Petral Exploration LLC's application for a non-standard location.

Should you need further verification or have any questions, please contact me at the numbers shown above.

Very truly yours,

A handwritten signature in black ink, appearing to read "Lane Lasrich". The signature is stylized with loops and a long horizontal stroke.

Lane Lasrich
Managing Member

BGH

LAW OFFICES

PRUITT, GUSHEE & BACHTTELL

SUITE 1850 BENEFICIAL LIFE TOWER
SALT LAKE CITY, UTAH 84111-1495
(801) 531-8446

E-mail: pgb.law@mci2000.com

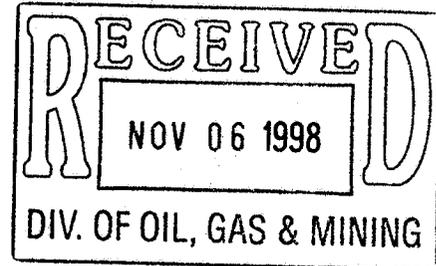
TELECOPIER (801) 531-8468

ROBERT G. PRUITT, JR.
OLIVER W. GUSHEE, JR.
THOMAS W. BACHTTELL
A. JOHN DAVIS, III
JOHN W. ANDERSON
FREDERICK M. MACDONALD
GEORGE S. YOUNG
JOHN F. WALDO
ANGELA L. FRANKLIN
JOHN S. FLITTON
MICHAEL S. JOHNSON
CHRISTOPHER J. CASTILLO

OF COUNSEL

ROBERT G. PRUITT, III
BRENT A. BOHMAN

November 4, 1998



Mr. John Baza
Associate Director, Oil and Gas
Utah Division of Oil, Gas & Mining
1594 W. North Temple, Suite 1210
Salt Lake City, UT 84114-5801

*RE: Object of Grynberg Petroleum Company to APDs
filed by Petral Exploration, LLC*

Dear John:

Enclosed please find a letter and attachments prepared by Grynberg Petroleum Company regarding the APDs filed by Petral Exploration LLC. These documents were prepared in anticipation of my possibly filing a Request for Agency Action on October 22, 1998 for the upcoming December Board hearing. As you are aware, I did not file a petition on behalf of Grynberg Petroleum for the December hearing. I am forwarding these materials to you now, however, in anticipation of my filing a petition on Grynberg's behalf for the hearing to be held on January 10, 1999.

Please review the enclosed materials and contact me with any additional questions or concerns you might have or additional materials you may wish to see. Thank you for your attention to this matter.

Very truly yours,

Michael S. Johnson

MSJ\pk
Enclosure
0808.07

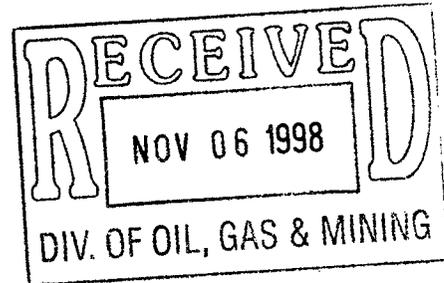
GRYNBERG PETROLEUM COMPANY

5000 SOUTH QUEBEC ● SUITE 500 ● DENVER, COLORADO 80237-2707, USA ● PHONE 303-850-7490

SPRINTMAIL X.400 (C:USA,A:TELEMAIL,O:MEP1,UN:GRYN.DENVER) FAX: 303-850-7498

October 22, 1998

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



Attn: John Baza, Associate Director

Dear Mr. Baza:

Reference is made to Petral Exploration, L.L.C.'s application to drill two (2) wells--- one in the SE/4SE/4 of Section 23 and another in the NW/4NW/4NW/4 of Section 25, both in Township 37 South-Range 23 East, San Juan County, Utah. Petral's goal in both well applications is to test the Desert Creek/Ismay formations at an approximate depth of 6,070 feet.

The undersigned is acting here in his capacity as a petroleum reservoir engineer and geophysicist, and not as the husband of the owner of 50% of the oil and gas lease covering Section 23, Township 37 South-Range 23 East. To that extent, my professional résumé, including registration information as a Professional Engineer in five (5) states, is attached to this letter.

I have known Mr. Tony Mayer, the president and owner of Petral Exploration, L.L.C., since his childhood. He and my son were classmates and graduated from high school together, and I have known Mr. Mayer since his graduation and have done business with him. The problem lies in the fact that Mr. Mayer has no technical education nor background, and unfortunately, does not rely on competent petroleum reservoir engineering and economic assistance that he could easily make available to himself.

Utah Division of
Oil, Gas & Mining
October 22, 1998
Page 2

Attached as Figure 1, please find the outline which was given to me by Petral of their 3-D seismic program which they have conducted and completed. Figure 2 is a plat from Petral Exploration also given to me showing their proposed two (2) locations as well as the one location in the SE/4NE/4NE/4 of Section 26 which has been drilled and completed and is known as the #1-A Dalmore-Federal well. The description of the results of that well are attached to this letter as Figure 6. In July of 1988, I was informed by Petral that the subject well had been on production for the previous three (3) months at approximately 1,000 MCFPD and small amounts of distillate/oil. As of today, October 22, 1998, your Division could find no monthly reported production records for this well.

Attached hereto is Figure 3, a location map prepared under the supervision of the undersigned, where the same Petral footage descriptions are present as on Figure 2 except the locations are properly spotted in my Figure 3, while the locations in Figure 2 are mis-spotted in each case in spite of the fact that in Figure 2 the stated footage distances are correct.

I have prepared two reservoir analyses for the Division's consideration. One analysis, presented in Figures 4, 5 and 7 (6 pages), is based on information without availability or knowledge of 3-D seismic. The other reservoir analysis, presented in Figure 8 (6 pages), is based on information given to the undersigned by Petral from the results of their 3-D seismic program, which the undersigned personally examined in Petral's offices in July of this year. The first case is based on published information in the Utah Geologic Publication No. 22 of the Cherokee Field, which the undersigned was instrumental in discovering and in which the undersigned and his wife, Celeste C. Grynberg, have a significant interest. That field is located approximately one mile to the north of the subject area.

The information dealing with the subject reservoir in the first scenario is presented in Figures 4 and 5, and the detailed analysis using 160-acre spacing is presented in Figure 7 (6 pages). This presentation is based on two cases---a one-well case, namely the #1-A Dalmore-Federal well---which would afford a working interest profit of \$481,298. The second scenario---namely, a three-well case which is proposed by Petral including the existing #1-A Dalmore-Federal well---would result in the loss of (\$782,412) for each one of the three (3) wells drilled and completed, which would include the existing well and the two proposed locations.

The scenario based on Petral's 3-D seismic results and the results from drilling and testing the existing #1-A Dalmore-Federal well are presented in Figure 8 (6 pages).

Utah Division of
Oil, Gas & Mining
October 22, 1998
Page 3

The existing #1-A Dalmore-Federal well in the SE/4NE/4NE/4 of Section 23, if left alone, will result in a profit of \$400,732, which is presented under the one-well case scenario in Figure 8. The three (3)-well case scenario, which would include the existing well and the two (2) proposed locations in Sections 23 and 25, would result in a loss of (\$865,978) for each one of the three (3) wells.

The last scenario is based on the fact that I have carefully examined the results of Petral's 3-D seismic and have established that the NE/4NE/4 of Section 23 contributes 20 acres of reservoir towards the drainage area of the existing #1-A Dalmore-Federal well. The 3-D seismic further supports that an additional 20 acres of this reservoir is present in the same producing horizon in the SE/4SE/4 of Section 23 and five (5) acres each is present in the SW/4SW/4 of Section 24 and NW/4NW/4 of Section 25, for a total of 50 acres attributable to the subject reservoir within the producing area of the subject #1-A Dalmore-Federal well. While the electric logs run in the subject well indicate 34 feet of producing horizon, that well was drilled directionally, and in my opinion, the net pay is only 27 feet. I have calculated an average porosity of 17% as the very maximum porosity attributable to the producing horizons in the #1-A Dalmore-Federal well, and an average water saturation of 35% of pore space. All that information is contained in Figure 8 (6 pages).

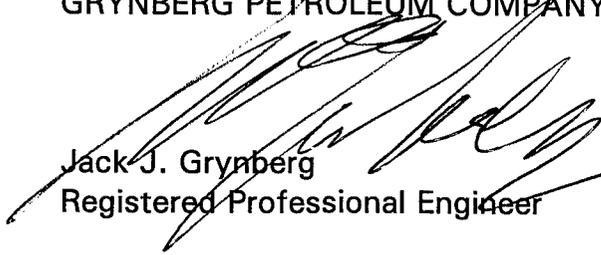
Based on careful petroleum reservoir analysis, geophysical analysis, and economic evaluation, it makes no sense to grant permission to drill the additional two (2) offset wells in the SE/4SE/4 of Section 23 and the NW/4NW/4NW/4 of Section 25, which will also disturb the pristine ecological environment of the area, cause unnecessary disturbances to the surface, create unnecessary location pads and roads, and take money away from exploration and development in other Utah areas, all of which should be to the advantage of all the working interest owners as well as the State of Utah.

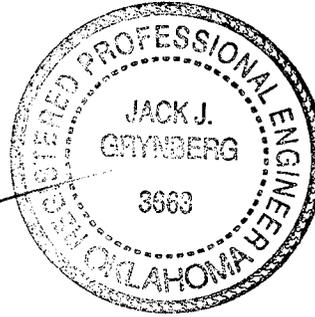
Based on the above, the best solution is to communitize the 50 acres in the SE/4SE/4 of Section 23, the SW/4SW/4 in Section 24, the NW/4NW/4 in Section 25, and the NE/4NE/4 of Section 26 in accordance with available 3-D seismic data and in the proportion described above, order the working interest owners to pay their pro rata costs and operating expenses of the existing #1-A Dalmore-Federal well and receive pro rata revenues.

Utah Division of
Oil, Gas & Mining
October 22, 1998
Page 4

Sincerely yours,

GRYNBERG PETROLEUM COMPANY


Jack J. Grynberg
Registered Professional Engineer



Attachments

JJG/lv

RESUME OF JACK J. GRYNBERG

EDUCATION

Colorado School of Mines

Professional Degrees:

- 1/1950-5/1952 Master of Engineering* (Petroleum Refining
(Chemical) Engineer)
- 8/1952-5/1953 Completed Graduate Studies for a Doctor of
Science in Geophysical Engineering except
thesis
- 1/1959-5/1959 Master of Engineering* (Professional Degree
as Petroleum (Production) Engineer)
- 5/1976 Honorary Degree and Distinguished Achievement
Medal in the Field of Mineral Engineering
- 3/1976-3/1981 Member Board of Trustees, Colorado School of
Mines, Golden, Colorado

*Formerly Professional Engineer's Degree

REGISTERED PROFESSIONAL ENGINEER

Active and in Good Standing

- Colorado - Registration No. 29586
New Mexico - Registration No. 12297
Oklahoma - Registration No. 3663
South Dakota - Registration No. 5581
Texas - Registration No. 14578

PROFESSIONAL EXPERIENCE

- 1993-Present Partner with Asarco, Inc. in
KAMGOLD (Kamchatka-American Gold Company)
- 1990-Present Founder and Partner in a number of oil &
gas and gold ventures in the former
Soviet Union
- 1988-Present Active in international oil and gas and gold
exploration and development in the former
Soviet Union, Middle East, Africa, Far East
and Latin America.
- 1985-Present President/CEO, Grynberg Production Corporation
- 1980-Present Chairman/CEO, Transworld Resources Corporation

Resume of Jack J. Grynberg
Page 2

- 1962-Present Independent Oil, Gas, and Mineral Operator, U.S.A. Domestic operations within the continental United States with oil and gas production and exploration in California, Colorado, Louisiana, Michigan, Mississippi, South Dakota, Montana, New Mexico, North Dakota, Oklahoma, Texas, Utah and Wyoming.
- 1954-Present President/CEO, Grynberg Petroleum Company and its predecessor, Jack Grynberg and Associates
- 1976-1982 President/CEO, Olympic Uranium Company. Uranium exploration and development, U.S.A.
- 1974-1981 Founder, Chairman, and CEO, Universal Drilling Company and Universal Drilling Services, Inc., a six-rig drilling contractor with 10,000 to 22,000-foot rigs. Companies sold in 1981.
- 1974-1981 President/CEO, Universal Drilling S.A., Panama
- 1969-1976 Founder and Principal Stockholder (76%), Chairman, President and Chief Executive Officer of Oceanic Exploration Company, a public company whose stock is traded over-the-counter. The company is engaged in off-shore and onshore oil, gas and mineral exploration and production in the following areas outside the continental United States: British North Sea, Dutch North Sea, Cameroon, Greece, Madagascar, Malaysia, Nicaragua, Peru, Timor and Taiwan. Company sold in 1981.
- 1954-1962 Partner (60%-owner) in Pirson-Grynberg Associates. Through this partnership with Dr. Sylvain J. Pirson, jointly conducted two-week intensive well log interpretation and four-week advanced reservoir engineering courses in the U.S.A. (Austin, Texas and Denver, Colorado), Canada, Venezuela, England, France, Italy and the Middle East.
- 1954-1962 Owner, Jack Grynberg and Associates, consulting petroleum, petrophysical, geological and geophysical engineers.
- 1953-1954 Research Engineer, Research and Development Department, Continental Oil Company, Ponca City, Oklahoma.

PROFESSIONAL ATTAINMENTS, MEMBERSHIPS, AWARDS AND APPOINTMENTS

National Society of Professional Engineers
Society of Exploration Geophysicists (SEG)
American Association of Petroleum Geologists (AAPG)
American Institute of Mining and Engineers (AIME)
Society of Petroleum Engineers (SPE)
Association of International Petroleum Negotiators
European Society of Exploration Geophysicists (ESEG)*
Rocky Mountain Association of Geologists (RMAG)
American Petroleum Institute (API)*
Appointed by Colorado Governor Richard Lamm to the Board of Trustees, Colorado School of Mines, March 1975 to March 1981
Appointed to the International Board of Advisors, Gubkin State Oil and Gas University, Moscow, Russia-1992
Appointed to the Presidential Council, Colorado School of Mines, 1989-Present
Member Board of Trustees, Colorado Energy Research Institute, March 1975 to March 1981
Honorary Consul, Republic of Panama, 1974-1986
Member, Uranium Subpanel of Supply and Delivery Panel, Committee on Nuclear and Alternative Energy Systems of the National Academy of Sciences and National Academy of Engineering -- Presidential Appointments by President Gerald Ford (1974-1976) and President Jimmy Carter (1976-1980)
Holder of a U.S. patent #4,492,862 (1/8/85) for "The Application of Laser Beams for the Continuous Detection and Identification of Hydrocarbons in the Mud Stream Coming Out of a Bore Hole While Drilling."
Appointed by President Bill Clinton to panel consisting of chief executives of American oil and gas companies to represent the American oil and gas industry in the Russian Republic in order to enhance American-Russian oil and gas joint ventures - 1994

*Member Emeritus

LANGUAGES

English, French, German, Polish, Russian

MILITARY SERVICE

U.S. Army Corps of Engineers; U.S. Army Research and Development Command, Radioactive Warfare Section, 1956-1957
Honorable discharge.

PERSONAL

U.S. Citizen, born January 21, 1932, Brest, Poland
Married June, 1959, to Celeste Constance Bachove; three
grown children.

PUBLICATIONS

"Induction Log Departure Curves for No Invasion" (Oil Base Mud or
Air)

By Jack J. Grynberg - 1953

"The Microlog - Its Application and Interpretation"

By Jack J. Grynberg and Leendert de Witte - 1954

"Quantitative Electric Log Interpretation of "D" and "J" Sands--
Denver Basin"

By: Jack J. Grynberg - 1956

"The Continuous Dipmeter"

Articles in April 1 and 22, 1957, The Oil and Gas Journal

By: Jack J. Grynberg and Morris I. Ettinger

"Log Interpretation Charts"

By: Sylvain J. Pirson and Jack J. Grynberg - 1958

"Selected Well Logging Problems for Geologists and Petroleum
Engineers"

By Sylvain J. Pirson and Jack J. Grynberg - 1958

"DST - Success or Failure?"

Article in June 22, 1959, The Oil and Gas Journal

By: Jack J. Grynberg

"Log Interpretation Manual Number 2"

Supplement-A-Ri-Rt Conversion Charts

Based on Lectures by Jack J. Grynberg and
Sylvain J. Pirson - 1960

"Handbook of Well Log Analysis"

McGraw-Hill - 1964

Based on Lectures by Sylvain J. Pirson and Jack J. Grynberg

"Application of Water Resistivity Data"

By Jack J. Grynberg and B.L. Carlberg - 1974

Study of Nuclear and Alternative Energy Systems
Supporting Paper 1 - 1978

"Problems of U.S. Uranium Resources and Supply to the Year 2010"
By The National Research Council, The National Academy of
Science

By: Leon T. Silver, Jack J. Grynberg, David S. Robertson,
Joseph B. Rosenbaum and Arnold J. Silverman

Study of Nuclear and Alternative Energy Systems

"U.S. Energy Supply Prospects to 2010" - 1979

By the National Research Council, National Academy
of Science

By: Jack J. Grynberg and others.

United States Patent #4,492,862 - January 8, 1985

"Method and Apparatus for Analyzing Components of Hydrocarbon
Gases Recovered From Oil, Natural Gas and Coal Drilling
Operations"

Invented by: Jack J. Grynberg, Leonard Y. Nelson and
Stephen E. Moody

Attached to this resume is a Partial List of Clients
of Jack J. Grynberg and Associates.

PARTIAL LIST OF CLIENTS
OF
JACK CRYNBERG AND ASSOCIATES

U. S. A. & CANADA

Allied Chemical Company
Amerada Petroleum Corporation
American Metal Climax - Oil Division
American Petrofina
Anadarko Production Company
Arabian American Oil Company
Argo Oil Corporation
Blackwell Zinc Company
British-American Oil Company, Limited
British American Oil Producing Company
Canadian Pacific Oil & Gas-Limited
Canadian Pacific Railroad
Canpet Exploration Limited
Charter Oil Company
Cities Service Oil Company
Consumers Cooperative Association
Continental Oil Company
Cooperative Refinery Association
Cosden Petroleum Corporation
Eason Oil Company
El Paso Natural Gas Company
Fargo Oil Company
French Petroleum Company of Canada, Ltd.
Frontier Refining Company
General Crude Oil Corporation
Gulf Oil Corporation
Gulf States Oil Company
Hess Oil & Chemical Corporation
Home Oil Company
Humble Oil and Refining Company
Kern County Land Company
Lane Wells
Lewis, James Engineering Co.
Lion Oil Company
Loeb (Carl M.), Rhoades & Co.
Midwest Oil Corporation
Monsanto Company
Monterey Oil Company
Mountain Fuel Supply Company

Mule Creek Oil Company
Nebraska Oil & Gas Conservation Commission
Northern Natural Gas Company
Northern Natural Gas Producing Company
Oil and Gas Futures, Ltd.

Pacific Petroleum Limited
Pamoil Limited
Panamerican Petroleum Corporation
Panhandle Eastern Pipeline Company
Pure Oil Company
Royalite Oil Company, Limited
Schlumberger Well Surveying Corporation
Sharpless Oil Corporation
Signal Oil and Gas Company
Sohio Petroleum Corporation
Stauffer Chemical Company
Standard Oil Company of California
Standard Oil Company of Indiana
Standard Oil Company of New Jersey
Standard Oil Company of Ohio
Sun Oil Company
The Superior Oil Company
Tenneco Oil Company
Tennessee Gas Transmission Company
Texas Gulf Sulphur Company
Texas Pacific Oil Company
Trigood Oil Company
Union Pacific Railroad - Oil Division
Union Texas Petroleum Corporation
United Canso Oil & Gas Limited
United Carbon Company
United Fuel Gas Company
United Producing Company, Inc.
Well Survey's, Inc.
Western Canadian Venture
Western Leasehold Limited
Western Minerals, Limited
Western Natural Gas Company, Inc.
Wintershall Oil of Canada

EUROPE & MIDDLE EAST

Agip Mineraria
Arabian American Oil Company
Assam Oil Company
Ausonia Mineraria
Bahrain Petroleum Company
Belgian Petrofina
British Petroleum Company Limited
Burmah Oil Company
Caltex Petroleum
Compagnie Francaise des Petroles Algerie
Copefa
Copesep
Deutsche Erdöl
Ente Nazionale Idrocarburi
Esso Standard (Turkey) Inc.
Francarep
Gewerkschaft Elwerath
Gulf Eastern Oil Company
Gulf Italia Oil Company
Gulf Libya Oil Company
Iran Oil Company

Iran Pan American Oil Corporation
Iraq Petroleum Company
Kuwait Oil Company
Montecatini
National Iranian Oil Company
Osterreichische Mineralverwaltung A.G.
Pakistan Petroleum Corporation
Pan American Libya Oil Company
Partex (Gulbenkian) Ltd.
Petrol Dairesi
Petrorep
Petrofrance
Prepa
Qatar Petroleum Company
S.N.P.A.
S.N.Repal
S.P.E.P.A.
S.P.V.
Seismograph Service Limited
Wintershall Aktiengesellschaft

SOUTH AMERICA

Corporacion Venezolana Del Petroleo
Creole Petroleum Corporation
Hene Grande Oil Company

Mobil Oil Company of Venezuela
Texas Petroleum Corporation
Venezuelan Ministry of Mines and

DUT-07696
10/01/1997
PETRAL 120%
5592
5592
FED

DUT-09229
1/1/97
GRYNBERG C LLC
1000
1000
FED

*All of sec 23 contained and therefore owned 50% Grynberg and 50% Petral.

DUT-02544
10/01/2001
DA 01 02 347
5576
7576
FED

CLMPX

DALMORE-97 3-D OUTLINE

(1758 sq. mi.)

19

22

880 Gross Acres

Petral: 546.7 net, 62.125%
Grynberg: 260.0 net, 29.545%
Dalmore LLC: 73.3 net, 8.330%

DUT-04189
1/1/97
PETRAL 675%
240
240
FED

50/50 WITH GRYNBERG
Petral 87.5%
Dalmore LLC 12.5%

DUT-04189
1/1/97
PETRAL 675%
240
240
FED

50/50 WITH GRYNBERG
Petral 87.5%
Dalmore LLC 12.5%

DUT-04189
1/1/97
GRYNBERG C LLC
1000
1000
FED

Petral 89.25%
Dalmore LLC 10.75%

DUT-04189
1/1/97
PETRAL 6542%
920
920
FED

Petral 65.625%
Grynberg 25%
Dalmore LLC 9.375%

DUT-04189
1/1/97
PETRAL 675%
240
240
FED

Petral 89.25%
Dalmore LLC 10.75%

DUT-04189
1/1/97
GRYNBERG C LLC
1000
1000
FED

DUT-04189
1/1/97
LASRICH 100%
40
40
FED

DUT-04189
1/1/97
GRYNBERG C LLC
1000
1000
FED

27

DUT-04189
1/1/97
GRYNBERG C LLC
1000
1000
FED

Petral 43.75%
Grynberg 16.66%
Dalmore LLC 6.25%
Cox 33.33%

DUT-04189
1/1/97
GRYNBERG C LLC
1000
1000
FED

SHIMMS EST 50%

DUT-04189
1/1/97
GRYNBERG C LLC
1000
1000
FED

DUT-04189
1/1/97
GRYNBERG C LLC
1000
1000
FED

SHIMMS EST 50%

DUT-04189
1/1/97
GRYNBERG C LLC
1000
1000
FED

SHIMMS EST 50%

34

DUT-04189
1/1/97
GRYNBERG C LLC
1000
1000
FED

DUT-04189
1/1/97
GRYNBERG C LLC
1000
1000
FED

35

DUT-04189
1/1/97
GRYNBERG C LLC
1000
1000
FED

DUT-04189
1/1/97
GRYNBERG C LLC
1000
1000
FED

36

T37S-R23E

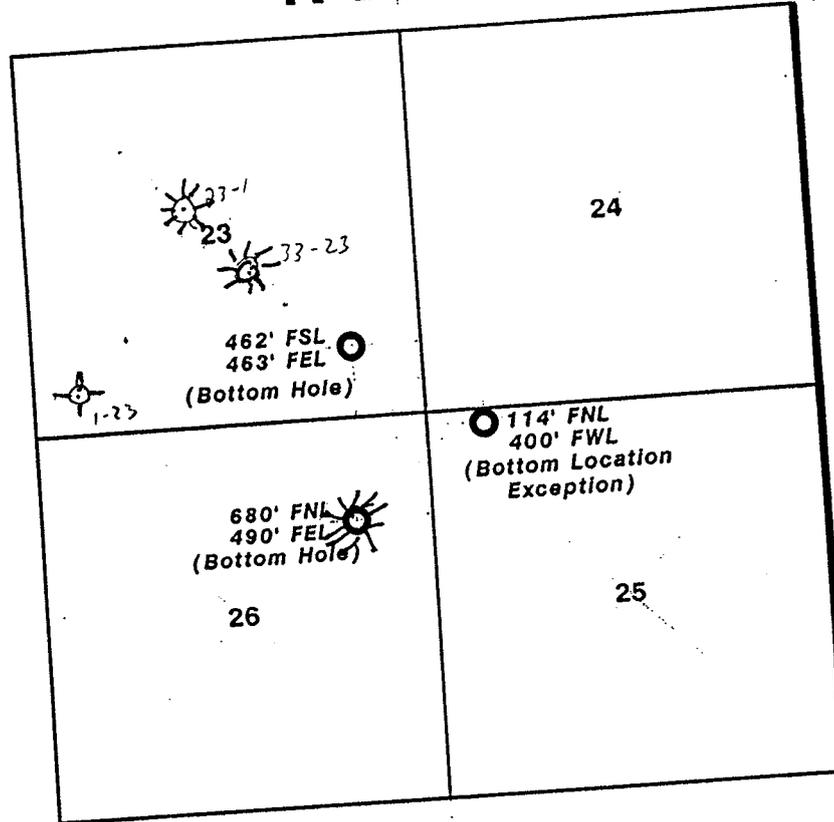
San Juan County, UT

30

31

FIGURE 1

R 23 E



T
37
S

FIGURE 2

PETRAL EXPLORATION LLC

SAN JUAN COUNTY, UTAH
LOCATION MAP

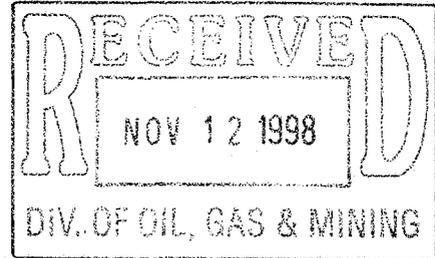
LAW OFFICES OF
VAN COTT, BAGLEY, CORNWALL & McCARTHY
A PROFESSIONAL CORPORATION
SUITE 1600

50 SOUTH MAIN STREET
SALT LAKE CITY, UTAH 84144-0450

TELEPHONE (801) 532-3333
FACSIMILE (801) 534-0058

ADDRESS ALL CORRESPONDENCE TO
POST OFFICE BOX 45340
84145-0340

November 12, 1998



VIA HAND DELIVERY

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

Mr. Eric Jones
Bureau of Land Management
Moab District Office
82 East Dogwood
Moab, Utah 84532

Re: *Dalmore-Federal #44-23 and #11-25 Wells*
San Juan County, Utah

Gentlemen:

We represent Petral Exploration, LLC ("Petral") regarding Petral's Applications for Permit to Drill ("APDs") for the above-referenced wells. The subject APDs were recently filed in your offices. Petral has asked us to respond to the letter dated October 19, 1998, addressed to you from Michael S. Johnson regarding Grynberg Petroleum Company's ("Grynberg Petroleum") opposition to the subject APDs. Grynberg Petroleum alleges that the Dalmore-Federal #1-A(RD) Well located in the NE $\frac{1}{4}$ NE $\frac{1}{4}$ of Section 26, Township 37 South, Range 23 East, is efficiently draining the area encompassing the four contiguous quarter-corners of Sections 23-25, Grynberg Petroleum's so-called "3-D seismic area." Therefore, Grynberg Petroleum suggests, any additional wells in that area are unnecessary and the mineral interests in that area should be pooled or "communitized." Grynberg Petroleum's allegations and suggestions, however, are based on a faulty interpretation of the available information.

Mr. John Baza
Mr. Eric Jones
November 12, 1998
Page 2

As the attached decline curve and production data demonstrate, the #1-A(RD) Well has not "been producing approximately 1 million cubic feet of gas per day with minimal condensate for approximately six months" as claimed by Grynberg Petroleum. Although the well originally produced gas at such a rate (or better), more recently the rate has dropped off significantly. The attached data show that, since before the first of July 1998, the gas production from the well has been below a million cubic feet of gas per day, and that as of October 1, 1998, the well was producing at only approximately 600 thousand cubic feet of gas per day. Also, you should note that the liquids associated with the well are not condensate, but 46.5 API gravity crude oil (condensate in this area is typically about 65 API gravity), and that the oil production from the well also has declined; at the beginning of October 1998, it was producing only about eleven barrels of oil per day.

Grynberg Petroleum's objections are based on Mr. Grynberg's faulty interpretation that the entire "3-D seismic area" is underlain by common "producing horizons" that are presently efficiently drained by the #1-A(RD) Well. Petral's production data (as well as its seismic data) indicate otherwise. Based on the producing well's chokes, records of actual daily production, and an evaluation of the producing formation's characteristics, Petral believes that the #1-A (RD) Well is draining an area less than encompassed within the legal 40-acre drilling unit, not a 160-acre (or larger) area as suggested by Grynberg Petroleum. Moreover, Mr. Grynberg's interpretation ignores the fundamental nature of the producing pools in this area. The prospective targets for the proposed wells are small, isolated and distinct lobes of a larger algal mound feature that has been identified on Petral's high quality seismic data. Based on Petral's seismic data and the production history from the #1-A(RD) Well, which demonstrate the limited size of the producing geologic feature, Petral is convinced that the producing well is not draining the prospective targets Petral has identified to the north and east.

Grynberg Petroleum further states that Mr. Grynberg was not provided copies of Petral's 3-D seismic data and logs and core analysis of the #1-A(RD) Well. Neither Mr. Grynberg nor Grynberg Petroleum is entitled to such copies because neither party contributed to the costs and expenses involved in drilling the well and the acquisition of the seismic data. Although Petral extended an opportunity to Mr. Grynberg to participate in the #1-A(RD) Well and the acquisition of the 3-D seismic data, he elected not to participate. Without paying for their fair share of the costs and expenses, neither Mr. Grynberg nor Grynberg Petroleum is entitled to Petral's proprietary information.

Finally, neither Grynberg Petroleum nor Celeste C. Grynberg, d/b/a Grynberg Petroleum is a "record owner" of any interest in Federal Oil and Gas Lease UTU-41085. According to the

Mr. John Baza
Mr. Eric Jones
November 12, 1998
Page 3

lease file Serial Register Pages for UTU-41085 located in the Utah BLM State Office in Salt Lake City, the working interest in that lease in the SE $\frac{1}{4}$ SE $\frac{1}{4}$ of Section 23 is owned by Petral (92.08334%) and Dalmore LLC (7.91666%). The only "working interest" that Grynberg Petroleum "owns" in the SE $\frac{1}{4}$ SE $\frac{1}{4}$ of Section 23 (the legal 40-acre drilling unit for the proposed Dalmore-Federal #44-23 Well) arises under two voluntary pooling agreements: (1) that certain Communitization Agreement No. MO49P-84690C dated December 21, 1983, between Woods Petroleum Corporation, Edwin L. Cox and Berry R. Cox, and Celeste C. Grynberg (communitizing the natural gas and associated hydrocarbons produced from the Ismay Formation); and (2) that certain Operating Agreement also dated December 21, 1983, between the same parties (the "Operating Agreement"). Both agreements affect all of said Section 23 and effectively pool Grynberg Petroleum's 100% working interest in Federal Oil and Gas Lease UTU-46825 (covering the N $\frac{1}{2}$ of Section 23) with the interests in federal leases UTU-41499 and UTU-41085 (covering the SW $\frac{1}{4}$ and N $\frac{1}{2}$ SE $\frac{1}{4}$, and S $\frac{1}{2}$ SE $\frac{1}{4}$ of Section 23, respectively). Thus, under the Communitization Agreement and Operating Agreement, Grynberg Petroleum has a contractual right to 50% of the production of natural gas and associated hydrocarbons from the Ismay Formation from Section 23. However, the Operating Agreement expressly provides that the parties to the agreement have not assigned or cross assigned their interests covered by the agreement.

Grynberg Petroleum also has other rights under the Operating Agreement. For example, the right to propose to drill a well to test the Ismay Formation within Section 23, the "Contract Area." That right, however, is contingent upon Grynberg Petroleum first providing notice of such a proposal to all of the other parties to the Operating Agreement. As of this date, Petral is unaware of any proposal of Grynberg Petroleum to drill a well in the SE $\frac{1}{4}$ SE $\frac{1}{4}$ of Section 23. In fact, Grynberg Petroleum's opposition letter evidences exactly the contrary.

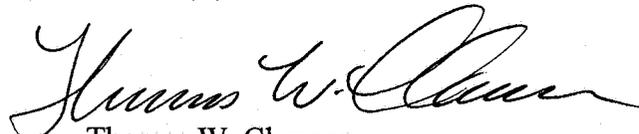
Grynberg Petroleum's correlative rights will not be adversely affected by the proposed wells. As to the #44-23 Well, Grynberg Petroleum can participate in the well as a "consenting party," or go "non-consent," as provided under Operating Agreement. In either case, Grynberg Petroleum's correlative rights are protected based on the terms and provisions of the Operating Agreement. With respect to the #11-25 Well, Grynberg Petroleum has no interest in those portions of UTU-41085 affected by the proposed well, and as previously discussed, the #11-25 Well will not drain the same geologic features presently being drained by the #1-A(RD) Well, or that will be drained by the #44-23 Well.

Petral appreciates your consideration of these matters and respectfully requests that you process (and approve) its APDs for the subject wells. If you have any questions, or need further

Mr. John Baza
Mr. Eric Jones
November 12, 1998
Page 4

information, please do hesitate to contact either myself (at (801) 237-0352) or E.K. Bostick (at (970) 663-7576).

Sincerely yours,



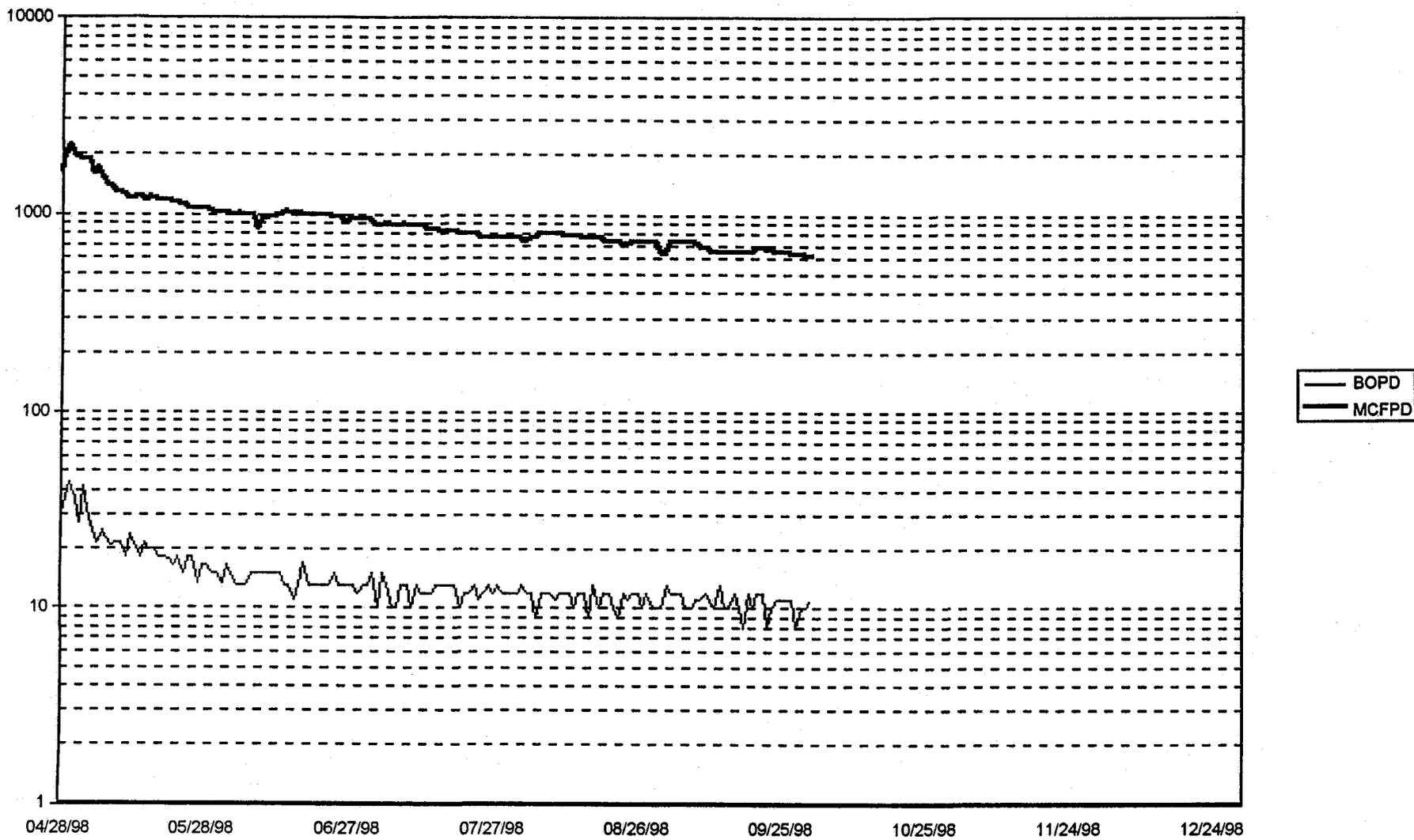
Thomas W. Clawson

TWC:klw
Enclosures

cc: Michael S. Johnson, Esq. (w/encl.)

RECEIVED
NOV 12 1998
DIV. OF OIL, GAS & MINING

Dalmore #1-A (RD)



Dalmore # 1-A (RD)

SEQ NO	DATE	BOPD	MCFPD	BWPD	HOURS	TP	CP	REMARK
99	04/28/98	31	1614	0	17.5	1220	1300	None
99	04/29/98	37	2056	0	24	1120	1200	None
99	04/30/98	43	2213	2	24	820	900	None
99	05/01/98	36	1906	2	24	800	900	None
99	05/02/98	27	1906	1	24	700	820	None
99	05/03/98	42	1897	1	24	660	800	None
99	05/04/98	28	1897	1	24	660	760	None
99	05/05/98	25	1576	1	24	680	800	None
99	05/06/98	22	1722	0	24	850	950	None
99	05/07/98	25	1509	1	24	700	800	None
99	05/08/98	23	1387	0	24	750	800	None
99	05/09/98	21	1373	1	24	740	800	None
99	05/10/98	22	1276	0	24	720	800	None
99	05/11/98	22	1276	0	24	710	800	None
99	05/12/98	18	1242	0	24	700	800	None
99	05/13/98	23	1207	0	24	680	780	None
99	05/14/98	22	1216	1	24	680	780	None
99	05/15/98	18	1216	0	24	680	780	None
99	05/16/98	22	1182	0	24	660	760	None
99	05/17/98	20	1216	0	24	660	740	None
99	05/18/98	20	1197	0	24	640	720	None
99	05/19/98	18	1185	0	24	630	700	None
99	05/20/98	18	1185	0	24	620	700	None
99	05/21/98	18	1185	1	24	600	700	None
99	05/22/98	17	1149	0	24	600	690	None
99	05/23/98	18	1149	0	24	600	680	None
99	05/24/98	15	1126	0	24	600	660	None
99	05/25/98	18	1056	0	24	590	660	None
99	05/26/98	18	1056	1	24	590	650	None
99	05/27/98	13	1056	0	24	590	650	None
99	05/28/98	17	1056	0	24	600	640	None
99	05/29/98	17	1056	0	24	590	650	None
99	05/30/98	15	1021	0	24	590	650	None
99	05/31/98	15	1021	2	24	590	650	None
99	06/01/98	13	1021	0	24	590	660	None
99	06/02/98	17	1021	1	24	590	660	None
99	06/03/98	15	986	0	24	580	650	None
99	06/04/98	13	1021	1	24	580	650	None
99	06/05/98	13	986	0	24	580	650	None
99	06/06/98	13	986	0	24	580	640	None
99	06/07/98	15	990	0	24	580	640	None
99	06/08/98	15	848	0	24	610	640	None
99	06/09/98	15	953	0	24	560	650	None
99	06/10/98	15	971	0	24	560	640	None
99	06/11/98	15	971	0	24	560	640	None
99	06/12/98	15	997	0	24	550	650	None
99	06/13/98	15	1016	0	24	550	625	None
99	06/14/98	13	1044	0	24	550	625	None
99	06/15/98	13	1026	0	24	550	630	None
99	06/16/98	11	1028	0	24	550	630	None

Dalmore # 1-A (RD)

99	06/17/98	13	1024	0	24	580	650	None
99	06/18/98	17	998	0	24	530	630	None
99	06/19/98	13	998	0	24	540	640	None
99	06/20/98	13	993	0	24	530	620	None
99	06/21/98	13	993	1	24	530	620	None
99	06/22/98	13	993	0	24	530	620	None
99	06/23/98	13	985	0	24	530	610	None
99	06/24/98	15	973	0	24	520	610	None
99	06/25/98	13	961	0	24	520	610	None
99	06/26/98	13	898	0	24	520	610	None
99	06/27/98	13	973	0	24	520	610	None
99	06/28/98	13	942	0	24	520	610	None
99	06/29/98	12	942	1	24	510	600	None
99	06/30/98	13	942	0	24	510	590	None
99	07/01/98	13	942	0	24	500	580	None
99	07/02/98	15	910	0	24	500	590	None
99	07/03/98	10	892	0	24	500	580	None
99	07/04/98	15	910	0	24	500	575	None
99	07/05/98	13	910	0	24	500	575	None
99	07/06/98	10	892	1	24	500	575	None
99	07/07/98	10	892	0	24	500	575	None
99	07/08/98	13	910	0	24	500	575	None
99	07/09/98	13	879	1	24	500	575	None
99	07/10/98	10	879	0	24	500	575	None
99	07/11/98	13	879	0	24	500	575	None
99	07/12/98	12	879	1	24	500	575	None
99	07/13/98	12	847	0	24	490	575	None
99	07/14/98	12	847	1	24	490	570	None
99	07/15/98	13	847	0	24	490	570	None
99	07/16/98	13	831	0	24	490	560	None
99	07/17/98	13	831	1	24	490	560	None
99	07/18/98	13	831	0	24	490	560	None
99	07/19/98	13	831	1	24	490	550	None
99	07/20/98	10	800	0	24	490	550	None
99	07/21/98	12	800	0	24	490	550	None
99	07/22/98	12	800	0	24	490	550	None
99	07/23/98	13	800	0	24	490	550	None
99	07/24/98	11	769	0	24	490	550	None
99	07/25/98	12	769	0	24	490	550	None
99	07/26/98	13	769	0	24	490	550	None
99	07/27/98	12	769	0	24	480	545	None
99	07/28/98	13	769	0	24	480	545	None
99	07/29/98	12	769	0	24	470	540	None
99	07/30/98	12	769	0	24	470	540	None
99	07/31/98	12	769	0	24	460	530	None
99	08/01/98	12	769	0	24	460	530	None
99	08/02/98	13	738	0	24	455	520	None
99	08/03/98	12	769	0	24	455	520	None
99	08/04/98	12	769	0	24	455	520	None
99	08/05/98	9	800	0	24	440	510	None
99	08/06/98	12	800	0	24	430	510	None

Dalmore # 1-A (RD)

99	08/07/98	12	800	1	24	430	510	None
99	08/08/98	12	800	0	24	425	50	None
99	08/09/98	11	800	0	24	420	500	None
99	08/10/98	12	800	0	24	415	500	None
99	08/11/98	12	785	1	24	415	500	None
99	08/12/98	12	785	0	24	410	495	None
99	08/13/98	10	785	0	24	410	495	None
99	08/14/98	12	785	0	24	405	495	None
99	08/15/98	12	769	0	24	405	495	None
99	08/16/98	9	769	1	24	400	510	None
99	08/17/98	13	769	0	24	400	490	None
99	08/18/98	10	769	0	24	400	490	None
99	08/19/98	12	738	0	24	400	490	None
99	08/20/98	12	738	0	24	400	490	None
99	08/21/98	10	738	0	24	400	490	None
99	08/22/98	9	738	1	23	600	650	None
99	08/23/98	12	707	0	24	400	490	None
99	08/24/98	11	738	0	24	400	500	None
99	08/25/98	12	738	0	24	400	500	None
99	08/26/98	12	738	0	24	375	500	None
99	08/27/98	10	737	1	24	375	500	None
99	08/28/98	12	737	0	24	375	500	None
99	08/29/98	10	725	0	24	375	500	None
99	08/30/98	10	667	0	24	375	500	None
99	08/31/98	10	640	0	24	420	510	None
99	09/01/98	13	737	0	24	380	415	None
99	09/02/98	12	737	1	24	375	475	None
99	09/03/98	12	722	0	24	360	460	None
99	09/04/98	12	722	0	24	350	460	None
99	09/05/98	10	722	0	24	350	460	None
99	09/06/98	10	722	0	24	350	440	None
99	09/07/98	11	708	1	24	350	440	None
99	09/08/98	11	677	0	24	350	440	None
99	09/09/98	12	677	0	24	350	440	None
99	09/10/98	11	646	0	24	340	440	None
99	09/11/98	10	646	0	24	340	40	None
99	09/12/98	13	646	1	24	340	430	None
99	09/13/98	10	646	0	24	350	450	None
99	09/14/98	10	646	0	24	350	440	None
99	09/15/98	12	646	0	24	350	440	None
99	09/16/98	10	646	0	24	350	440	None
99	09/17/98	8	646	0	24	350	440	None
99	09/18/98	12	646	0	24	350	440	None
99	09/19/98	10	672	0	24	330	420	None
99	09/20/98	12	672	1	24	330	440	None
99	09/21/98	12	672	0	24	330	440	None
99	09/22/98	8	663	0	24	330	440	None
99	09/23/98	10	663	1	24	330	430	None
99	09/24/98	11	651	0	24	330	440	None
99	09/25/98	11	651	0	24	330	440	None
99	09/26/98	11	651	0	24	320	440	None

FAX COVER SHEET

PETRAL EXPLORATION, LLC
1700 LINCOLN STREET
SUITE 4750
DENVER, CO 80203
PO BOX 5083
DENVER, CO 80217-5083

TELEPHONE: (303) 832-3131

FAX NUMBER: (303) 894-9088

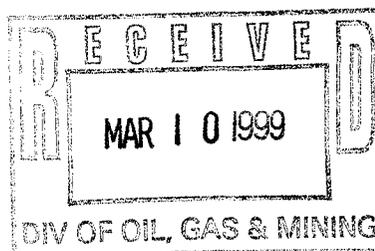
DATE: 3/10/99

TO: Ms. CORDOVA

FROM: DAVID NORBY

FAX NUMBER: 301-359-3940

OF PAGES (Including Cover Sheet): 7



MESSAGE:

Ms. Cordova,

I tracked down the water permit for the Dalmore
11-25. If you have any other questions, please
feel free to call. 303-864-2303 or my cell
phone is 303-836-9432.

David Norby

PLEASE CALL IF YOU DID NOT RECEIVE ALL PAGES

R W Trucking

TEL: 1-303-565-9058

Mar 10, 99 12:03 NO.001 P.02



State of Utah
DEPARTMENT OF NATURAL RESOURCES
DIVISION OF WATER RIGHTS

Michael O. Tasvill
Governor

Southeastern Area
453 South Carbon Avenue
PO Box 718

Tom Spurr
Executive Director

Federal & State Projects
801-637-1303
801-637-7937 (Fax)

November 24, 1998

R.W. Trucking
Attn: Robert McDaniel
P.O. Box 1208
Cortez, Colorado 81321

Re: Temporary Change Application Number 22727 (09-637)
1) Dalmore Federal 44-23: SW/SE Section 23, T37S, R23E, SLE&M
2) Dalmore Federal 11-25: SW/SW Section 24, T37S, R23E, SLE&M
Expiration Date: November 23, 1999

Dear Mr. McDaniel:

The above referenced Temporary Change application is hereby approved. A copy is enclosed for your information and records.

If you have any questions, please feel free to contact me.

Sincerely,

Mark P. Page
Regional Engineer

Enclosures
MPP/mjk

APPLICATION FOR TEMPORARY CHANGE OF WATER RECEIVED

STATE OF UTAH

NOV 19 1998

WATER RIGHTS PRICE

Doc. by _____
Fee Paid \$ _____
Receipt # _____
Microfilmed _____
Roll # _____

For the purpose of obtaining permission to make a temporary change of water in 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 of Section 73-3-3 Utah Code Annotated 1953, as amended.

*WATER RIGHT NO. 09 637 *APPLICATION NO. 122727

Changes are proposed in (check those applicable)

_____ point of diversion. place of use. nature of use. period of use.

1. OWNER INFORMATION

Name: E.W. Trucking *Interest: _____ %
Address: P.O. Box 1208
City: Cortez State: CO Zip Code: 81321

2. *PRIORITY OF CHANGE: November 19, 1998 *FILING DATE: November 19, 1998

*Is this change amendatory? (Yes/No): No

3. RIGHT EVIDENCED BY: 09-637 (A45647)

Prior Approved Temporary Change Applications for this right: _____

***** HERETOFORE *****

4. QUANTITY OF WATER: 0.20 cfs and/or _____ ac-ft.

5. SOURCE: Underground Water Well

6. COUNTY: San Juan

7. POINT(S) OF DIVERSION: _____
S. 2722 ft. & E. 10 ft. from NW Cor. Sec. 1, T37S, R22E, SLB&M

Description of Diverting Works: 6-5/8 inch well, 185 feet deep

8. POINT(S) OF REDIVERSION

The water has been rediverted from _____ at a point: _____

Description of Diverting Works: _____

9. POINT(S) OF RETURN

The amount of water consumed is 0.20 cfs or _____ ac-ft.

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

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

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

Temporary Change

10. NATURE AND PERIOD OF USE

Irrigation: From April 1 to October 31
 Stockwatering: From January 1 to December 31
 Domestic: From _____ to _____
 Municipal: From _____ to _____
 Mining: From _____ to _____
 Power: From _____ to _____
 Other: From _____ to _____

11. PURPOSE AND EXTENT OF USE

Irrigation: 23.5 acres. Sole supply of 15.0 acres.
 Stockwatering (number and kind): 65 Cattle
 Domestic: _____ Families and/or _____ Persons.
 Municipal (name): _____
 Mining: _____ Mining District in the _____ Mine.
 Ores mined: _____
 Power: Plant name: _____ Type: _____ Capacity: _____
 Other (describe): _____

12. PLACE OF USE

Legal description of place of use by 40 acre tract(s): SE 1/4 SW 1/4 Sec. 1, T37S, R22E, SLB&M

13. STORAGE

Reservoir Name: _____ Storage Period: from _____ to _____
 Capacity: _____ ac-ft. Inundated Area: _____ acres.
 Height of dam: _____ feet.
 Legal description of inundated area by 40 tract(s): _____

***** THE FOLLOWING CHANGES ARE PROPOSED *****

14. QUANTITY OF WATER: _____ cfs and/or 5.0 ac-ft.

15. SOURCE: Underground Water Well (Existing)
 Balance of the water will be abandoned: _____ or will be used as heretofore: X

16. COUNTY: San Juan

17. POINT(S) OF DIVERSION: _____
S. 2722 ft. & E. 10 ft. from NW Cor. Sec. 1, T37S, R22E, SLB&M

Description of Diverting Works: Pumped to tank truck and hauled to place of use
 *COMMON DESCRIPTION: 2 miles SE of Blanding

18. POINT(S) OF REDIVERSION
 The water will be rediverted from _____ at a point: _____

Description of Diverting Works: _____

19. POINT(S) OF RETURN
 The amount of water to be consumed is _____ cfs or 5.0 ac-ft.
 The amount of water to be returned is _____ cfs or _____ ac-ft.
 The water will be returned to the natural stream/source at a point(s): _____

20. NATURE AND PERIOD OF USE

Irrigation: From / / 10 / /
Stockwatering: From / / to / /
Domestic: From / / to / /
Municipal: From / / to / /
Mining: From / / to / /
Power: From / / to / /
Other: From 11/01/98 to 10/31/99

21. 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 at the _____ Mine.
Ores mined: _____
Power: Plant name: _____ Type: _____ Capacity: _____
Other (describe): Exploration drilling, road construction & maintenance, and other related use

22. PLACE OF USE

Legal description of place of use by 40 acre tract(s):
Dalmore Federal 44-23: SE 1/4 Sec. 23, T37S, R23E, S1B&M;
Dalmore Federal 11-25: SW 1/4 Sec. 24, T37S, R23E, S1B&M.

23. STORAGE

Reservoir Name: _____ Storage Period: from _____ to _____
Capacity: _____ ac-ft. Inundated Area: _____ acres.
Height of dam: _____ feet.
Legal description of inundated area by 40 tract(s): _____

24. EXPLANATORY

The following is set forth to define more clearly the full purpose of this application. Include any supplemental water rights used for the same purpose. (Use additional pages of same size if necessary):
The applicant will purchase this water from the owner of the water right, Mr. Clyde Watkins.

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).

x Robert McDonald
Signature of Applicant(s)

STATE ENGINEER'S ENDORSEMENT

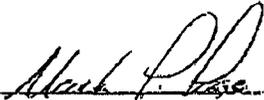
TEMPORARY CHANGE APPLICATION NUMBER: U22727

WATER RIGHT NUMBER: 09-637

- 1. November 19, 1998 Change Application received by MP.
- 2. November 24, 1998 Application designated for APPROVAL by MP.
- 3. Comments:

Conditions:

This application is hereby APPROVED, dated November 24, 1998, subject to prior rights and this application will expire on November 23, 1998.



 Mark Page, Regional Engineer
 for
 Robert L. Morgan, State Engineer



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

Michael O. Leavitt
Governor

Kathleen Clarke
Executive Director

Lowell P. Braxton
Division Director

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

March 10, 1999

Petral Exploration, LLC
c/o Enmarc, Inc.
P.O. Box 7638
Loveland, Colorado 80537-7638

Re: Dalmore-Federal 11-25 Well, 338' FSL, 253' FWL, SW SW, Sec. 24, T. 37 S., R. 23 E.
San Juan County, Utah

Gentlemen:

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

This approval shall expire one year from the above date unless substantial and continuous operation is underway, or a request for extension is made prior to the expiration date. The API identification number assigned to this well is 43-037-31802.

Sincerely,

A handwritten signature in black ink, appearing to read "John R. Baza".

John R. Baza
Associate Director

lwp

Enclosures

cc: San Juan County Assessor
Bureau of Land Management, Moab District Office

Operator: Petral Exploration

Well Name & Number: Dalmore-Federal 11-25

API Number: 43-037-31802

Lease: Federal Surface Owner: Federal

Location: SW SW Sec. 24 T. 37 S. R. 23 E.

Permitted Bottom Hole Location: 354 ' FNL, 570 ' FWL

Sec. 25 T. 37 S. R. 23 E.

Conditions of Approval

1. General

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

2. Notification Requirements

Notify the Division within 24 hours of spudding the well. Contact Carol Daniels at (801)538-5284.

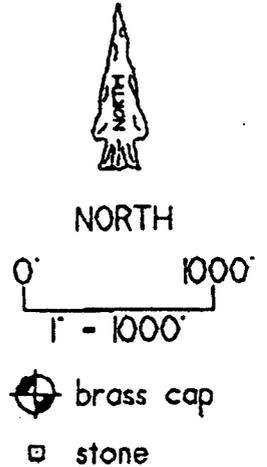
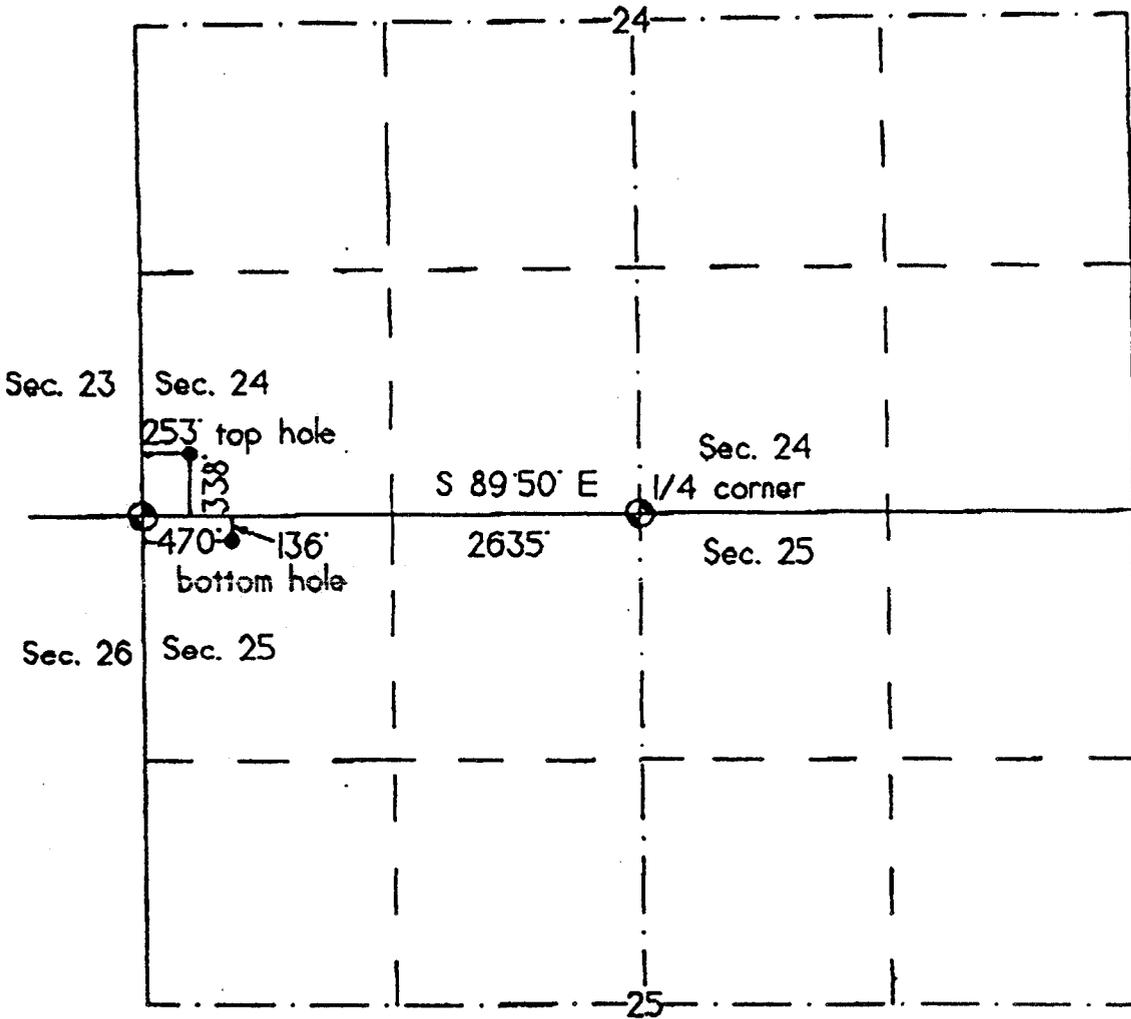
Notify the Division prior to commencing operations to plug and abandon the well. Contact Dan Jarvis at (801) 538-5338 or Robert Krueger at (801) 538-5274.

3. Reporting Requirements

All required reports, forms and submittals shall be promptly filed with the Division, including but not limited to the Entity Action Form (Form 6), Report of Water Encountered During Drilling (Form 7), Weekly Progress Reports for drilling and completion operations, and Sundry Notices and Reports on Wells requesting approval of change of plans or other operational actions.

4. State approval of this well does not supersede the required federal approval which must be obtained prior to drilling.

Well Location Plat



Well Location Description

PETRAL EXPLORATION
 Dalmore # 11 - 25
 338' FSL & 253' FWL (top)
 Section 24, T.37 S., R.23 E.
 5520' grd. el. (from GPS)
 136' FNL & 470' FWL (bottom)
 Section 25, T.37 S., R.23 E.
 San Juan County, UT

Description - NAD 27

328.604 N state plane
 2623.956 E state plane top
 (from GPS)
 328.134 N state plane
 2624.184 E state plane bottom

20 August 1998

Gerald G. Huddleston
 Gerald G. Huddleston, LS

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



B. SURFACE USE PLAN

1. Any cultural and/or paleontological resource (historic or prehistoric site or object) discovered by the operator, or any person working on his behalf, on public or Federal land shall be immediately reported to the San Juan Resource Area Manager. The operator shall suspend all operations in the immediate area of such discovery until written authorization to proceed is issued by the San Juan Resource Area Manager. An evaluation of the discovery will be made by the San Juan Resource Area Manager to determine appropriate action to prevent the loss of significant cultural or scientific values. The operator will be responsible for the cost of evaluation and any decision as to proper mitigation measures will be made by the authorized officer after consulting with the operator.
2. Deer winter range restrictions from December 15. through April 30 will be imposed for well location preparation and drilling operations unless an exception is granted by the Area Manager.
3. A raptor survey and clearance of the affected area surrounding the proposed drilling site will be completed prior to work initiation if the proposed well is drilled between February 1. and August 31. If the raptor survey locates an active raptor nesting territory which would be affected by this proposal, no work will be allowed until nestlings have fledged. This will apply to peregrine falcons found to be nesting within one mile, golden eagles and all other raptors found to be nesting within 0.5 mile of the proposed site. Discussion will be entered into by the San Juan Resource Area with the U.S. Fish & Wildlife Service to determine the feasibility of allowing drilling of said well closer (0.25 mile) of the proposed action site if it can be proven that activity (noise and visual impacts) can take place without impacting the nesting birds and their offspring. The U.S. Fish & Wildlife Service will be fully consulted if peregrine falcon or golden eagle nesting becomes an issue and given updates on the nesting status of these birds.
4. The reserve pit shall remain free of hydrocarbons at all times. Any hydrocarbons entering the reserve pit shall be removed promptly.
5. The reserve pit fence shall be kept in good repair and maintained in a tight condition. The reserve pit fence shall be constructed as follows:
 - 32" high woven wire fence, with 2 smooth wire stands set 4" and 16" above the woven wire. Total fence height will be 48".
 - posts will be set no farther apart than 16.5'
 - corners will consist of posts that are at least 6" in diameter (h-brace construction will not be required due to the short distance between corners and temporary nature of the fence. All corners will be stabilized with a "deadman".
 - steel t-posts will be placed between corner posts
 - wire stays will be installed between T-posts
 - there will be a 10 wide distance between the top lip of the reserve pit and reserve pit fence.
6. The netting material used to protect wildlife resources from the reserve pit shall be installed and maintained in a manner to prevent access of birds or small mammals into the reserve pit or contact with the reserve pit fluids.
7. All above the ground permanent (six months or longer) production equipment and facilities shall be painted juniper green.
8. The diked containment area to be constructed around production tanks shall have a capacity of 1.5 times the volume of the largest vessel.

Petral Exploration, LLC
Dalmore-Federal 11-25
Lease U-041085

Spud Location: SWSW, Section 24, T. 37 S., R. 23 E.
Bottom Hole Location: NWNW, Section 25, T. 37 S., R. 23 E.
San Juan County, Utah

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 Petral Exploration, LLC is considered to be the operator of the above well and is responsible under the terms and conditions of the lease for the operations conducted on the leased lands.

Bond coverage for this well is provided by UT-1040 (Principal - Petral Exploration, LLC) via surety consent as provided for in 43 CFR § 3104.2.

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

This permit will be valid for a period of one year from the date of approval. After permit termination, a new application must be filed for approval.

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

A. DRILLING PROGRAM

1. The proposed 3M BOP system is adequate. Installation, testing and operation of the system shall be in conformance with Onshore Oil and Gas Order No. 2.
2. Any fluid bearing zones or lost circulation zones encountered while drilling will be isolated behind casing and cement.
3. If a gas meter run is constructed, it will be located on lease within 500 feet of the wellhead. The gas flowline will be buried from the wellhead to the meter and will be buried downstream of the meter until it leaves the pad. Meter runs will be housed and/or fenced. The gas meter shall be calibrated prior to first sales and shall be calibrated quarterly thereafter. All gas production and measurement shall comply with the provisions of 43 CFR § 3162.7-3, Onshore Oil and Gas Order No. 5, and American Gas Association (AGA) Report No. 3.

B. SURFACE USE PLAN

1. Any cultural and/or paleontological resource (historic or prehistoric site or object) discovered by the operator, or any person working on his behalf, on public or Federal land shall be immediately reported to the San Juan Resource Area Manager. The operator shall suspend all operations in the immediate area of such discovery until written authorization to proceed is issued by the San Juan Resource Area Manager. An evaluation of the discovery will be made by the San Juan Resource Area Manager to determine appropriate action to prevent the loss of significant cultural or scientific values. The operator will be responsible for the cost of evaluation and any decision as to proper mitigation measures will be made by the authorized officer after consulting with the operator.
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5. The reserve pit fence shall be kept in good repair and maintained in a tight condition. The reserve pit fence shall be constructed as follows:
 - 32" high woven wire fence, with 2 smooth wire stands set 4" and 16" above the woven wire. Total fence height will be 48".
 - posts will be set no farther apart than 16.5'
 - corners will consist of posts that are at least 6" in diameter (h-brace construction will not be required due to the short distance between corners and temporary nature of the fence. All corners will be stabilized with a "deadman".
 - steel t-posts will be placed between corner posts
 - wire stays will be installed between T-posts
 - there will be a 10 wide distance between the top lip of the reserve pit and reserve pit fence.
6. The netting material used to protect wildlife resources from the reserve pit shall be installed and maintained in a manner to prevent access of birds or small mammals into the reserve pit or contact with the reserve pit fluids.
7. All above the ground permanent (six months or longer) production equipment and facilities shall be painted juniper green.
8. The diked containment area to be constructed around production tanks shall have a capacity of 1.5 times the volume of the largest vessel.

C. REQUIRED APPROVALS, REPORTS AND NOTIFICATIONS

Required verbal notifications are summarized in Table 1, enclosed.

Building Location- Contact the BLM Petroleum Engineering Technician at the Monticello BLM Field Office at least 48 hours prior to commencing construction of location.

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

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

Monthly Reports of Operations- In accordance with Onshore Oil and Gas Order No. 1, this well shall be reported on Minerals Management Service (MMS) Form 3160, "Monthly Report of Operations," starting the month in which operations commence and continuing each month until the well is physically plugged and abandoned. This report will be filed directly with MMS.

Sundry Notices- There will be no deviation from the proposed drilling and/or workover program without prior approval. "Sundry Notices and Reports on Wells" (Form 3160-5) will be filed 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.

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

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

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

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

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

Well Completion Report- Whether the well is completed as a dry hole or as a producer, "Well Completion and Recompletion Report and Log" (Form 3160-4) will be submitted to the Moab BLM Filed 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. When requested, samples (cuttings and/or samples) will be submitted to the Moab BLM Field Office.

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

Produced Water- Produced waste water may be confined to an unlined pit for a period not to exceed 90 days after initial production. During the 90 day period, an application for approval of a permanent disposal method and location, along with the required water analysis, will be submitted to the Moab BLM Field Office for approval pursuant to Onshore Oil and Gas Order No. 7.

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

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

A "Subsequent Report of Abandonment" (Form 3160-5) shall be filed with the Moab BLM Field Office 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 BLM, or the appropriate surface managing agency.

TABLE 1. NOTIFICATIONS

Notify Jeff Brown of the Monticello BLM Field Office in Monticello, Utah, at (435) 587-1525, or at home (435) 587-2046 for the following:

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

1 day prior to spudding;

50 feet prior to reaching each casing setting depth;

3 hours prior to testing BOPE

If the person at the above number cannot be reached, notify the Moab BLM Field Office at (435) 259-2100. If unsuccessful, contact one of the people listed below.

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

Gary Torres, Petroleum Engineer	Office:	(435) 587-1424
	Home:	(435) 587-2705

Eric Jones, Petroleum Engineer	Office:	(435) 259-2117
	Home:	(435) 259-2214

PETRAL EXPLORATION LLC
P.O. BOX 5083
DENVER, COLORADO 80217
(303) 832-3131
(FAX) 303-894-9088

October 13, 2000

Division of Oil, Gas and Mining
Suite 1210
1594 W. North temple
Salt Lake City, Utah 84114-5801

CONFIDENTIAL

Attn: Lisha Cordova

Ladies and Gentlemen;

Pursuant to our recent telephone conversation please let this letter represent the request of Petral Exploration LLC to extend the following permits to drill:

1. Dalmore Federal 11-25 *43-037-31802*
NW4- Section 25- Township 37 South, Range 23 East
2. Dalmore Federal 44-23 *43-037-31801*
SE4- Section 23- Township 37 South, Range 23 East

Additionally Petral Exploration LLC wishes to drop or not extend the following permits to drill:

1. Aultmore Federal 1-24X *43-037-31781*
SWNESW-Sec. 24- Township 37 south, Range 24 East
2. Knockdu Unit #8 *43-037-31791*
NESW-Section 33, Township 37 south, Range 25 East

Please confirm the extension of the Dalmore permits to attn: Dennis W. Yockim
C/o Petral Exploration LLC, P.O. Box 5083, Denver, Colorado 80217.

Thank you.

Sincerely

Dennis W. Yockim
Dennis W. Yockim

Approved by the
Utah Division of
Oil, Gas and Mining
Date: *10/24/00*
By: *[Signature]*

COPY SENT TO OPERATOR
Date: *10-25-00*
Initials: *CHD*

RECEIVED

OCT 19 2000

DIVISION OF
OIL, GAS AND MINING

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 ABANDONED WELLS OFFICE

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

2001 MAR 21 P 2:54

SUBMIT IN TRIPLICATE - Other instructions on reverse side

DEPT OF THE INTERIOR
BUREAU OF LAND MGMT

1. Type of Well
 Oil Well Gas Well Other

2. Name of Operator
 Petral Exploration LLC

3a. Address
 P. O. Box 5083, Denver, CO 80217

3b. Phone No. (include area code)
 303-832-3131

4. Location of Well (Footage, Sec., T., R., M., or Survey Description)
 338' FSL & 253' FWL - Section 24-T37S-R23E (Surface)
 136' FNL & 470' FWL - Section 25-T37S-R23E (BHL)

5. Lease Serial No.
 UTU-041085

6. If Indian, Allottee or Tribe Name

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

8. Well Name and No.
 Dalmore #11-25

9. API Well No.
 43-037-31802

10. Field and Pool, or Exploratory Area

11. County or Parish, State
 San Juan, Utah

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

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

13. Describe Proposed or Completed Operation (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 recomplete 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 recompletion 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.)

Petral respectfully requests to renew or extend the APD & Permit for the referenced well for a term of one year from the date hereof.

RECEIVED
 MAR 23 2001
 DIVISION OF
 OIL, GAS AND MINING

CONDITIONS OF APPROVAL ATTACHED

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

Name (Printed/Typed) Dennis W. Yockim Title Landman

Signature Dennis W. Yockim Date 3-19-2001

THIS SPACE FOR FEDERAL OR STATE OFFICE USE

Approved by William Menger Title Assistant Field Manager, Date 4/30/01
Division of Resources

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.

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.

Extension of Application for Permit to Drill (APD)
Petral Exploration LLC
Dalmore No. 11-25
Lease U-41085
Section 24, T37, R23E (BHL is in Sec. 25)
Grand County, Utah

CONDITIONS OF APPROVAL

1. The valid term of the APD is hereby extended through April 1, 2002.
2. All conditions of the original approval remain in effect.



State of Utah

DEPARTMENT OF NATURAL RESOURCES DIVISION OF OIL, GAS AND MINING

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

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

April 18, 2002

Dennis Yockim
Petral Exploration LLC
P O Box 5083
Denver, Colorado 80217

Re: APD Rescinded – Dalmore-Fed 11-25, Sec. 24, T. 37S, R. 23E – San Juan, Utah
API No. 43-037-31802

Dear Ms. Wisener:

The Application for Permit to Drill (APD) for the subject well was approved by the Division of Oil, Gas and Mining (Division) on March 10, 1999. On October 24, 2000, the Division granted a one-year APD extension. No drilling activity at this location has been reported to the division. Therefore, approval to drill the well is hereby rescinded, effective October 24, 2001.

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

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

Sincerely,

Diana Mason
Engineering Technician

cc: Well File
Bureau of Land Management, Moab