

**CONFIDENTIAL**

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

FORM 3

AMENDED REPORT   
(highlight changes)

<b>APPLICATION FOR PERMIT TO DRILL</b>		5. MINERAL LEASE NO: UTU 76976	6. SURFACE: State
1A. TYPE OF WORK: DRILL <input checked="" type="checkbox"/> REENTER <input type="checkbox"/> DEEPEN <input type="checkbox"/>		7. IF INDIAN, ALLOTTEE OR TRIBE NAME:	
B. TYPE OF WELL: OIL <input type="checkbox"/> GAS <input checked="" type="checkbox"/> OTHER _____ SINGLE ZONE <input checked="" type="checkbox"/> MULTIPLE ZONE <input type="checkbox"/>		8. UNIT or CA AGREEMENT NAME:	
2. NAME OF OPERATOR: CrownQuest Operating, LLC		9. WELL NAME and NUMBER: Banana Slug Federal 1-8	
3. ADDRESS OF OPERATOR: P.O. Box 2221 CITY Farmington STATE NM ZIP 87499		PHONE NUMBER: (505) 325-5750	10. FIELD AND POOL, OR WILDCAT: Wildcat
4. LOCATION OF WELL (FOOTAGES) AT SURFACE: 660' FSL x 660' FWL <i>657856X 37.830937</i> AT PROPOSED PRODUCING ZONE: same <i>41883084 -109.206274</i>		11. QTR/QTR, SECTION, TOWNSHIP, RANGE, MERIDIAN: <i>SWW</i> N 8 34S 25E	
14. DISTANCE IN MILES AND DIRECTION FROM NEAREST TOWN OR POST OFFICE: 10 miles east of Monticello		12. COUNTY: San Juan	13. STATE: UTAH
15. DISTANCE TO NEAREST PROPERTY OR LEASE LINE (FEET) 660'	16. NUMBER OF ACRES IN LEASE: 882.59	17. NUMBER OF ACRES ASSIGNED TO THIS WELL: 160	
18. DISTANCE TO NEAREST WELL (DRILLING, COMPLETED, OR APPLIED FOR) ON THIS LEASE (FEET) none	19. PROPOSED DEPTH: 5,975	20. BOND DESCRIPTION: RLB 0007554	
21. ELEVATIONS (SHOW WHETHER DF, RT, GR, ETC.): 6758' GL	22. APPROXIMATE DATE WORK WILL START: 1/1/2008	23. ESTIMATED DURATION: 60 days	

24. **PROPOSED CASING AND CEMENTING PROGRAM**

SIZE OF HOLE	CASING SIZE, GRADE, AND WEIGHT PER FOOT	SETTING DEPTH	CEMENT TYPE, QUANTITY, YIELD, AND SLURRY WEIGHT
16"	13 3/8" H40 48	150	class 'G', 250 sks 1.15 cf/sk 15.8 ppg
12 1/4"	9 5/8" J55 36	2,200	65/35 Poz, 520 sks 1.75 cf/sk 12.8 ppg
			class 'G', 100 sks 1.15 cf/sk 15.8 ppg
7 7/8"	5 1/2" P110 17	5,975	25/75 Poz, 575 sks 1.74 cf/sk 11.8 ppg
			LiteCrete, 300 sks 1.61 cf/sk 12.5 ppg

25. **ATTACHMENTS**

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

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

NAME (PLEASE PRINT) Robert R. Griffie TITLE Operations Manager  
SIGNATURE *Robert R. Griffie* DATE 8/21/2007

(This space for State use only)

API NUMBER ASSIGNED: 1303731868

APPROVAL:

**RECEIVED**  
**AUG 31 2007**  
**DIV. OF OIL, GAS & MINING**

# UTAH WELL LOCATION PLAT

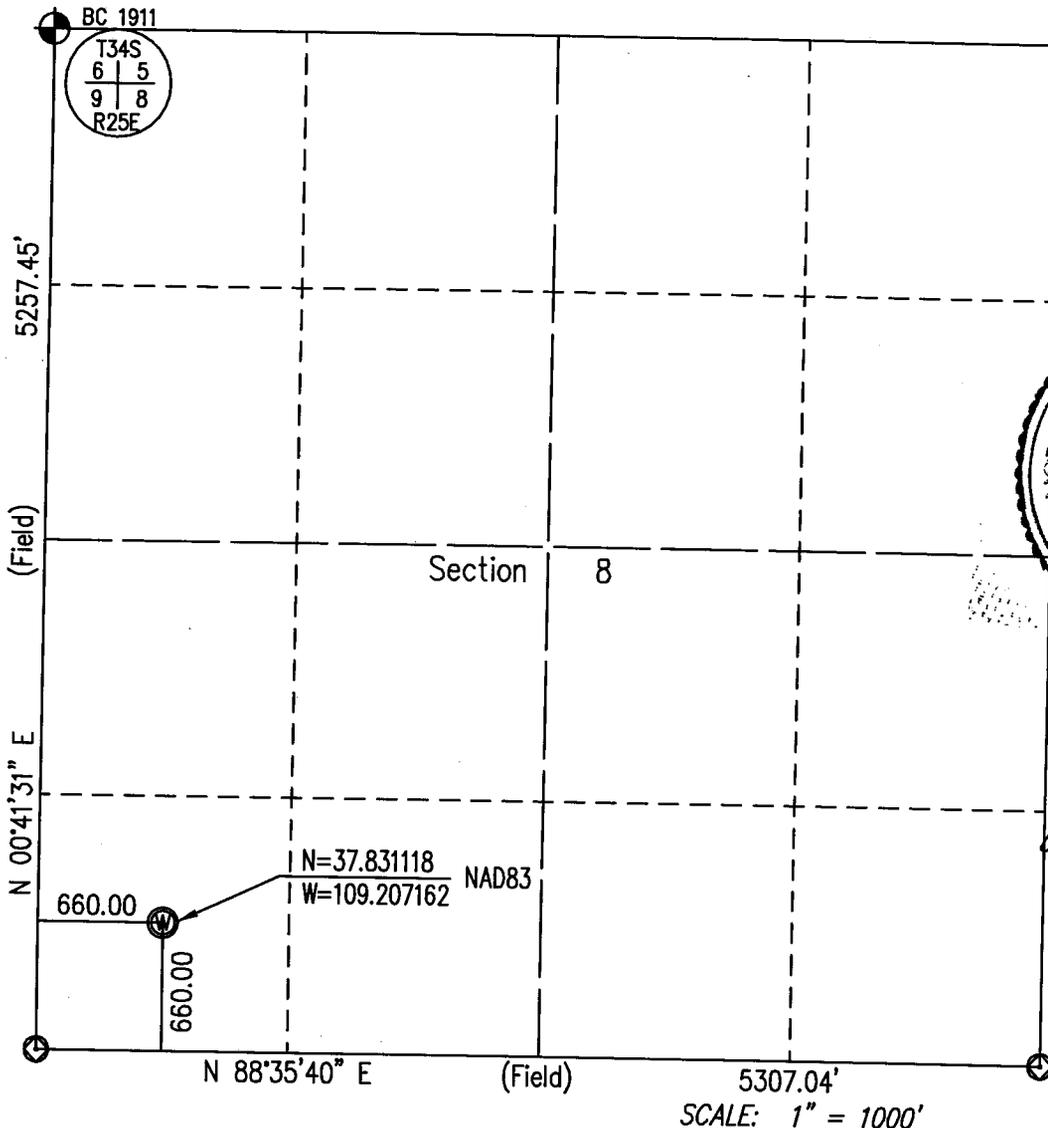
OPERATOR Crown Quest Operating  
 LEASE Banana Slug Federal WELL NO. 1-8  
 SECTION 8 TOWNSHIP 34 South RANGE 25 East Salt Lake, P.M.  
 COUNTY San Juan UTAH  
 FOOTAGE LOCATION OF WELL: 660.00 FEET FROM THE South LINE and  
660.00 FEET FROM THE West LINE and  
 GROUND LEVEL ELEVATION: 6821.05  
 SURFACE USE WITHIN 200' RADIUS: No Improvements Within 200'  
 BASIS OF BEARING: GPS Data  
 BASIS OF ELEVATION: GPS Data - NAD 83 - PODP #4



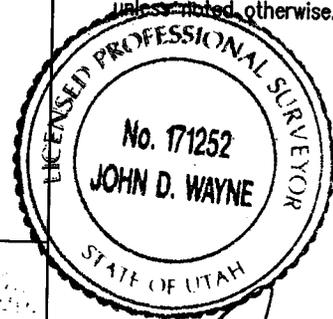
1" = 1000'

Some information on this plat is based on information taken from previous surveys, record information, or collateral evidence and may not reflect that which may be disclosed by a complete boundary survey. This plat is not to be relied on for the establishment of surface boundaries, fences, buildings, or other future improvements.

- GLO BC
- WELL Location
- STONE Marked
- ALUMINUM CAP
- CALCULATED CORNER



I hereby certify that the proposed well location shown on this plat was prepared from field notes of an actual survey by me or under my supervision, and that the same is true and correct to the best of my knowledge and belief, and that there are no visible improvements within 200 feet of this proposed wellhead, unless noted otherwise.



*John D. Wayne*  
 John D. Wayne  
 Professional L.S. #171252  
 State of Utah

MARCH 28, 2007  
 Date Surveyed:  
APRIL 20, 2007  
 Date Platted:  
AUGUST 21, 2007  
 REVISION DATE:

**CONFIDENTIAL**

### Drilling Plan

**Well Name:** Banana Slug Federal 1-8  
**Surface Location:** 660' FSL x 660' FWL, Section 8, T34S, R25E  
San Juan County, Utah  
**Target Formation:** Pennsylvanian  
**Elevation:** 6758' GL

**Geology:**

Formation	Top	Probable Content
Morrison	Surface	
Entrada Ss	1065'	potential fresh water
Navajo Ss	1250'	potential fresh water
Chinle Fm	2025'	vari-color shale
Shinarump Ss	2505'	gas/water
Moenkopi Fm	2705'	brn-red sltst/sh
Cutler (top of Permian)	3055'	prpl crs ss/sh; potential fresh water
Honaker Trail (top of Penn)	4470'	ls; potential gas, brine
Upper Ismay	5585'	gas/oil/brine
Desert Creek	5840'	gas/oil/brine
TD	5975'	

**Logging Program:** Triple Combo including Induction, Neutron/Density, and Sonic logs from TD to surface casing shoe.

**Clean-out Fluid Program:**

Interval	Fluid Type	Weight	Viscosity	Fluid Loss
0' – 2200'	fresh water/gel	8.4 ppg	n/a	no control
2200' – 5975'	fresh water/gel/polymer	9.2 ppg	30 – 80 sec	10

**Casing Program:**

Interval	Hole Diameter	Csg Size	Wt.	Grade	Thread
Conductor					
0' – 150'	16"	13 3/8"	48 ppf	H40	STC
Surface					
0' – 2200'	12 1/4"	9 5/8"	36 ppf	J-55	LTC
Production					
0' – 5975'	7 7/8"	5 1/2"	17 ppf	P110	LTC

**Tubing Program:** 0 – 5800', 2 3/8", 4.7 ppf, J55, EUE

**BOPE and Wellhead Specifications and Testing:**

For drilling operations from conductor casing shoe to 2200': 13 5/8", 2000 psi, threaded casing head with two 2" outlets. 13 5/8", 2000 psi double gate BOP and 2000 psi choke manifold (see figures 1 and 2). Pressure test conductor casing to 600 psi prior to drilling out of conductor casing shoe. Pressure test BOPE to 2000 psi.

For drilling operations from surface casing shoe to TD (5975'): Cut off 13 5/8" casing and casing head. Install 9 5/8", 3000 psi, SOW casing head. 11", 3000 psi double ram BOP and 3000 psi annular preventor. 3000 psi choke manifold (see figures 3 and 4). Pressure test BOPE to 3000 psi and 9 5/8" surface casing to 3000 psi prior to drilling out of surface casing shoe.

For completion operations: 5 1/2" x 2 3/8", 5000 psi tree assembly. 7 1/16", 5000 psi double gate BOP system. 5000 psi choke manifold (see figures 3 and 4). Pressure test 5 1/2" casing to 5000 psi prior to frac'ing. The 5000 psi pressure rating is for possible frac treatment pressures and is far in excess of 3000 psi BOP equipment required to control anticipated formation pressure.

**General Operation:**

- Actuate pipe rams once each day during clean-out operations. Actuate blind rams once each trip.
- An upper Kelly cock valve, with handle, will be available on the rig floor to fit each drilling string.
- BOP pit level drill will be conducted weekly for each drilling crew.
- All BOP tests and drills will be recorded in the daily drilling report.
- Blind and pipe rams will be equipped with extension hand wheels.

**Cementing Program:**

13 3/8" Conductor Casing String: Run casing with saw-tooth guide shoe on bottom, insert float valve one joint from bottom, and install 1 bow-spring centralizer in the middle of the 1<sup>st</sup> joint and one at 88'. Cement to surface with 250 sks class 'G' with 1/4 #/sk celloflake and 2% CaCl<sub>2</sub> (1.15 cf/sk, 15.8 ppg). Perform top job as necessary. This string may be set with a rat-hole machine prior to moving on the drilling rig.

9 5/8" Surface Casing String: Run casing with swirl pattern guide shoe on bottom and non-differential fill float collar one joint from bottom. Centralize with one centralizer in the middle of the first joint, one centralizer every other collar for the next three collars, and one centralizer inside the conductor casing shoe. Cement to surface with 525 sks 65/35 poz + 6% gel + 6 #/sk gilsonite + .25 #/sk celloflake (12.8 ppg, 1.75 cf/sk), followed by 100 sks class 'G' + 2% CaCl<sub>2</sub> (15.8 ppg, 1.15 cf/sk).

5 1/2" Production Casing String: Run casing with float shoe on bottom, float collar one joint from bottom. Install one centralizer in the middle of the first joint, one on every other collar from TD to the top of the Honaker Trail formation, and one inside the surface casing shoe. Cement with

575 sks 25/75 Poz TXI blend (11.8 ppg, 1.74 cf/sk) followed with 300 sks LiteCrete + gas block (12.5 ppg, 1.61 cf/sk) Top of cement calculated to be at 1500'.

**Special Drilling Operations:**

None anticipated

**Additional Information:**

- This well is designed to be completed in the Pennsylvanian formations.
- Bottom-hole pressure is calculated to be 2475 psi at 5500', 0.45 psi/ft. Adequate weighting material will be kept on location to maintain mud weight.
- LCM will be added to the mud system as required to maintain circulation.
- Estimated formation pressures:
  - Ismay 2514 psi
  - Desert Creek 2628 psi

**Completion Information:**

The completion procedure will be prepared after cased-hole logs are analyzed. The well will be completed by frac and acid treatments.

Prepared by: Robert R. Griffiee  
Operations Manager  
Date: 8/21/07

**Banana Slug Federal # 1-8  
Thirteen Point Surface Use Plan**

1) Existing Roads

- a) The proposed route to the location is shown on the attached Topographical Map.
- b) The well pad is located approximately 5 miles Northwest of Eastland Township, Utah.
- c) If necessary, an encroachment permit will be obtained from San Juan County, Utah for use of the existing county roads (CR #312, & CR #338). Approximately 1 mile of CR #312 and 4 miles of CR #338, will be used to access the well site.

2) Access Road

- a) Approximately 660' of flat bladed road off CR #338 provides access to the well site.
- b) No cattle guards will be required.
- c) There are no existing roads outside the lease or unit boundary for which a right-of-way is required .

b) Location of existing wells

See attached Topographical Map for the location of existing wells in the area of this proposed well site.

c) Location of Production Facilities

- a. In the event the well is brought to production, necessary production equipment will be determined and a diagram will be submitted showing the layout of such equipment on the location site.
- b. Off-site facilities: No off-site facilities are required.
- c. Pipelines: Pipeline design, construction, and permitting will be performed if needed after it is determined that the well is productive.

All permanent (in place for six months or longer) structures constructed or installed (including oil well pump jacks) will be painted a flat, nonreflective color to match the standard environmental colors, as determined by the Rocky Mountain Five-State Interagency Committee. All facilities will be painted within six months of installation. Facilities required to comply with the Occupational Safety and Health Act (OSHA) may be excluded. Colors will be as follows: Juniper Green.

All site security guidelines identified in 43 CFR 3162.7-5 and Onshore Oil and Gas Order No. 3 shall be followed.

If a gas meter run is constructed it will be located on the lease within 500 feet of the well head. The gas flow line 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.

If a tank battery is constructed on this lease, it will be surrounded by a berm of sufficient capacity to contain 1 ½ times the storage capacity of the largest tank. All loading lines and valves will be placed inside the berm surrounding the tank battery. All oil production and measurement shall conform to the provisions of 43 CFR 3162.7-3, Onshore Oil and Gas Order No. 4.

Production facilities on location may include a lined or unlined production water pit as specified. If water is produced from the well an OOGO #7 application must be submitted.

d) Location and Type of Water Supply

All water needed for drilling and completion purposes will be obtained from the City of Monticello, Utah ( SW 1/4, Section 30, T33S, R24E.).

e) Source of Construction Material

It is not anticipated that additional construction materials will be required for construction of the well pad, pit, and access road for drilling operations. Gravel and rock for upgrading the access roads to Class III Standards will be obtained from a private source, if needed. If additional materials are required, they will be obtained from a private source. The use of materials under BLM jurisdiction will conform to 43 CFR 3610.2-3.

f) Methods of Handling Waste Water Disposal

All garbage and trash materials will be contained in a trash cage and removed from the site for proper disposal as necessary, but no later than at the conclusion of drilling operations. Portable toilets will be provided and serviced appropriately.

The first 6 inches of top soil will be removed, stockpiled along the Northern edge of the well pad and reserved for reclamation. The drill pad is approximately 300' x 300'. The reserve pit is in the Southeast corner of the drill pad and is approximately 150' x 75' x 10' with 3:1 slopes. Upon inspection, the reserve will be re-lined if necessary. Three sides of the reserve pit will be fenced prior to drilling operations and the fourth side of the pit will be fenced when drilling operations cease. The fence will be constructed using 32" woven wire topped with two smooth wire strands 4" and 16" above the woven wire. Steel T-posts will be set 16.5' apart and two stays will be used between the posts. Corner posts will be

2' H Posts or more and anchored. The fence will be kept in repair while the pit dries. It is anticipated 2-3 days will be needed to dress up the well pad, reserve pit and access. No new surface disturbance is anticipated. The reserve pit is located in the cut, with 100% of the pit volume being below the original ground level. Wildlife protection, consisting of appropriate netting, will be used to cover the reserve pit.

g) Ancillary Facilities

N/A

h) Well Site Layout

All existing wells in the vicinity of this well pad are shown on the attached Topographical Map. Access to the well pad will be shown on the Topographical Map.

i) Plans for Restoration of the Surface

The top 6 inches of topsoil material will be removed from the location and stockpiled separately on the north side of the pad.

Immediately upon completion of drilling, all equipment that is not necessary for production will be removed.

Before any dirt work to restore the location takes place, the reserve pit must be completely dry.

All road surfaces will be removed prior to the rehabilitation of roads.

Reclaimed roads will have the berms and cuts reduced and will be closed to vehicle use.

All disturbed areas will be re-contoured to replicate the natural slope.

The stockpiled topsoil will be evenly distributed over the disturbed area.

In the event the well is abandoned an abandonment marker will be placed below ground level. The marker will supply the operator name, lease number, well name and surveyed description ( township, range, section and either quarter-quarter or footages).

11) Surface and Mineral Ownership

The surface is Fee and the minerals are owned by the Federal Government.

12) Other Information

a) Archaeological Concerns: None

If historic or archaeological materials are uncovered during construction, the operator is to immediately stop work that might further disturb such materials, and will contact the authorized officer (AO). Within five (5) working days, the AO will inform the operator as to:

- whether the materials appear eligible for the National Register of Historic Places;
- the mitigation measures the operator will likely have to undertake before the site can be used (assuming in situ preservation is not necessary); and
- a time frame for the AO to complete an expedited review under 36 CFR 800.11 to confirm, through the State Historic Preservation Officer, that the findings of the AO are correct and that the mitigation is appropriate.
- If the operator wishes, at any time, to relocate activities to avoid the expense of mitigation and/or the delays associated with this process, the AO will assume responsibility for whatever recordation and stabilization of the exposed materials may be required. Otherwise, the operator will be responsible for mitigation costs. The AO will provide the technical and procedural guidelines for the conduct of mitigation. Upon verification from the AO that the required mitigation has been completed, the operator will be allowed to resume construction.

b) Threatened and Endangered Species Concerns: No known concerns.

c) Wildlife Seasonal Restrictions (yes/no): Deer Winter Range December 15 – April 30.

d) Off Location Geophysical Testing: N/A

e) Drainage crossing that require additional State or Federal approval: N/A

f) Other: Anticipated spud date, October 1, 2007.

  
\_\_\_\_\_  
Donal W. Key  
Surface Operations  
August 27, 2007

**CONTACT LIST**

**Utah Projects**

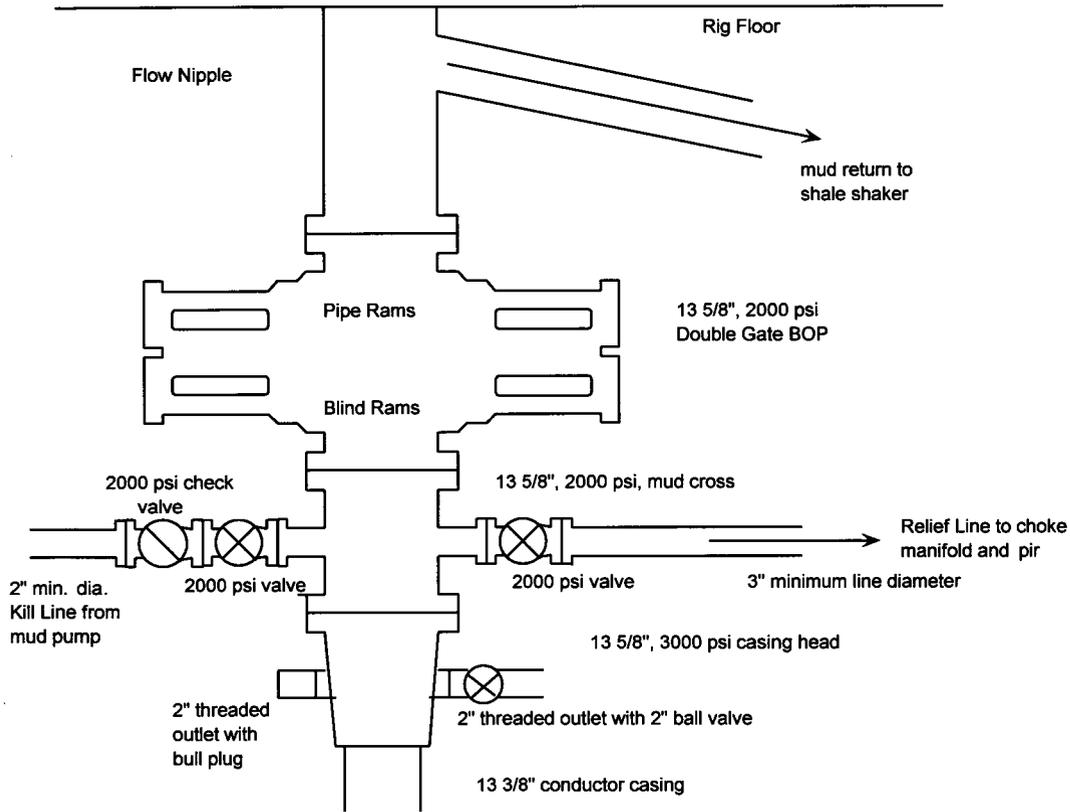
**CrownQuest Operating , LLC  
303 Veterans Airpark Ln  
P.O. Box 53310  
Midland, Texas 79710  
Tommy Lent, PE, Vice President-Operations & Engineering  
432-818-0300**

**CrownQuest Operating, LLC  
P.O. Box 2221 \* 2600 Farmington Ave.  
Farmington, NM 87499  
Robert R. Griffee, PE, Operations Manager & CQ Agent  
505-326-6813  
Fax: 505-326-6814  
Donal Key, Surface Operations  
505-716-2543  
Fax: 505-326-6814**

**Basin Surveying, Inc  
P.O. Box 6456  
Farmington, NM 87499  
108 Llano, Aztec NM 87410  
John D. Wayne, P.L.S.  
505-334-1500  
Fax: 505-334-1498**

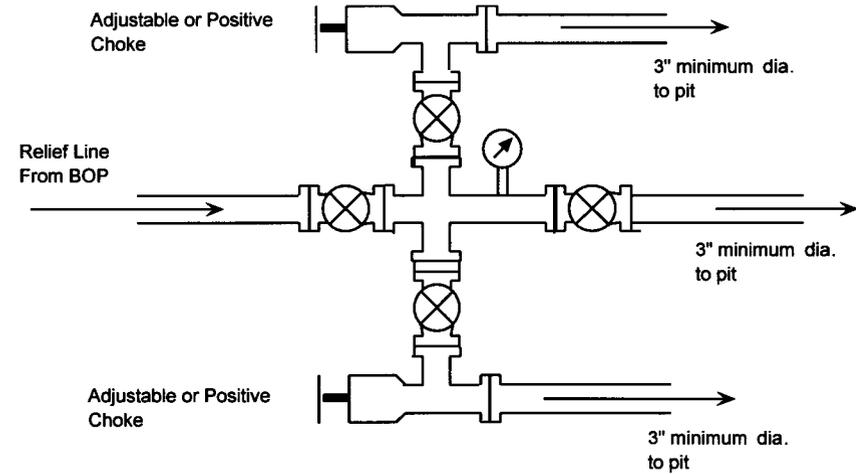
**Figure 1**

13 5/8", 2000 psi Drilling Rig BOP System - for Surface Hole



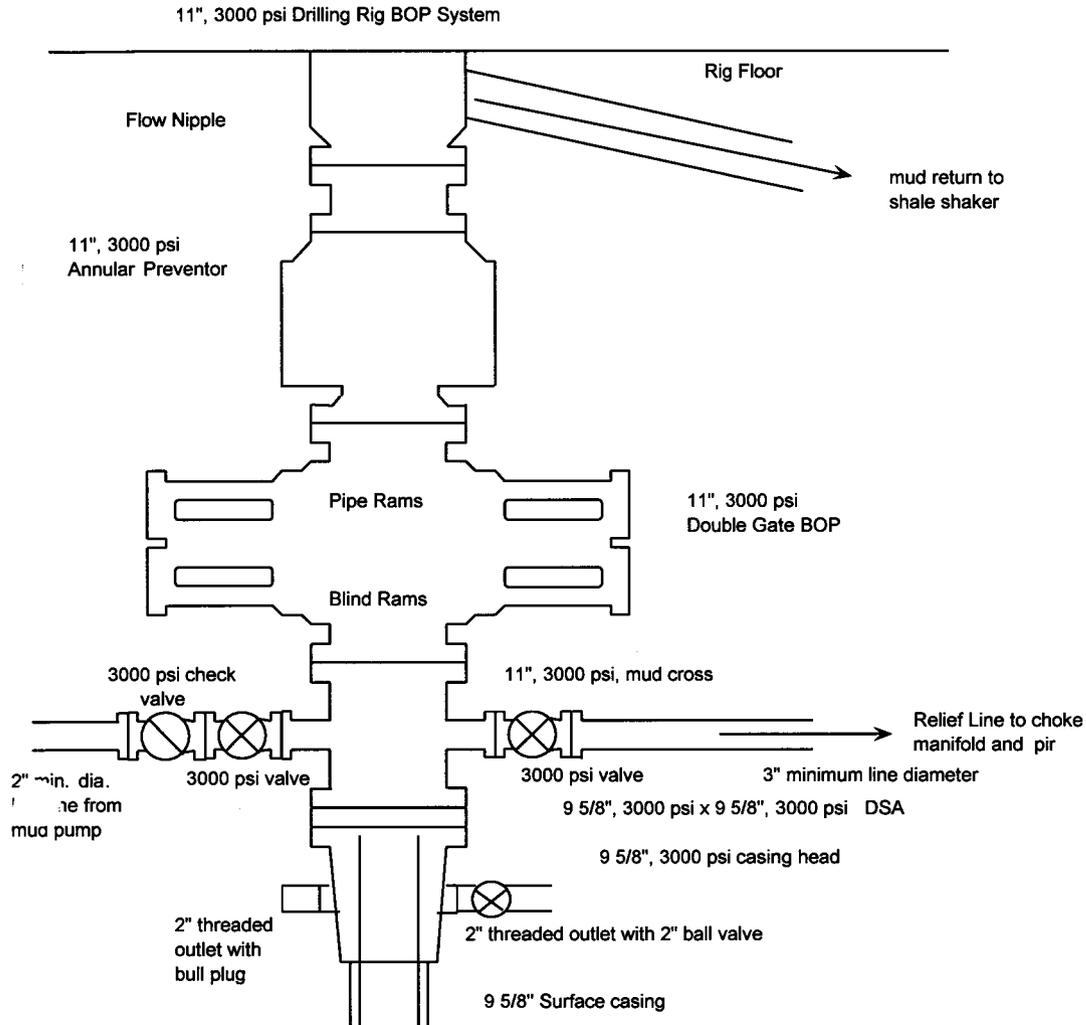
BOP Installation from Conductor Casing depth (150') to Intermediate Casing depth (2100').  
 13 5/8", 2000 psi double gate BOP equipped with blind and pipe rams. All equipment  
 rated at 2000 psi or greater working pressure.

**Figure 2**



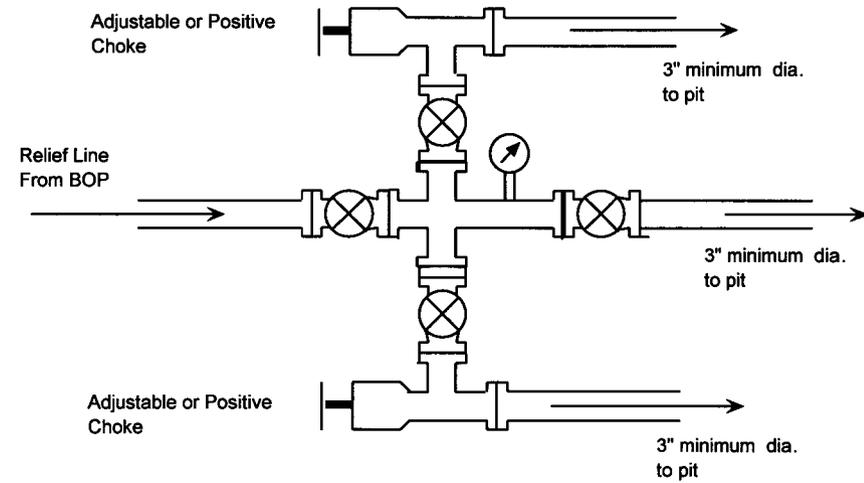
Choke manifold for BOP system shown in Figure 1.  
 All equipment to be rated at 2000 psi or greater.

**Figure 3**



BOP Installation from Surface Casing depth (2100') to TD (5875'). 11", 3000 psi double gate BOP equipped with blind and pipe rams, 11" Annular BOP. All equipment rated at 3000 psi or greater working pressure.

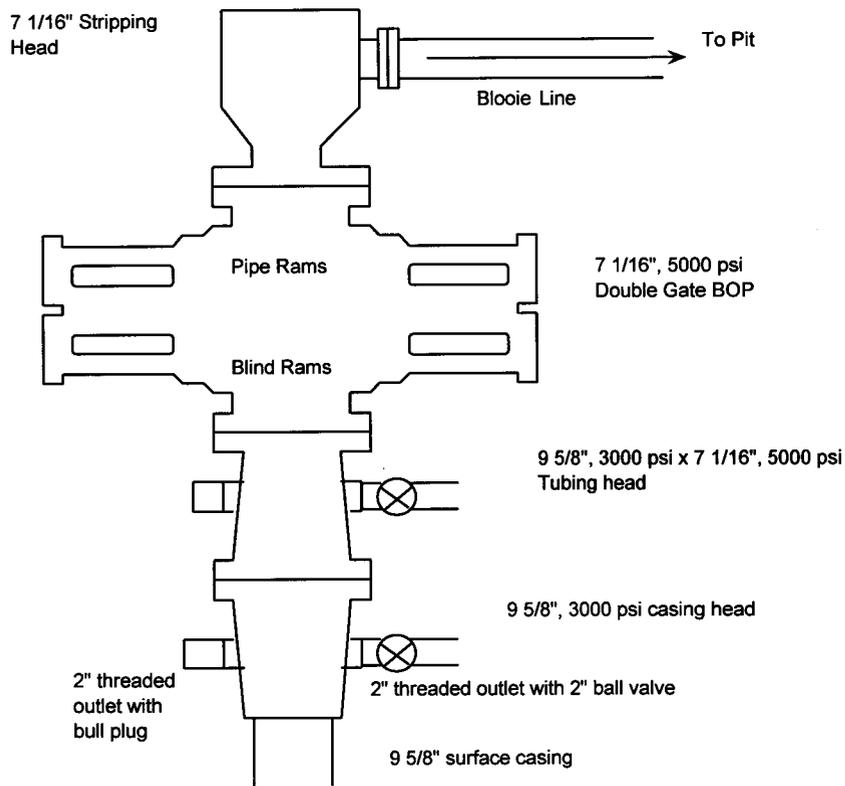
**Figure 4**



Choke manifold for BOP system shown in Figure 3. All equipment to be rated at 3000 psi or greater.

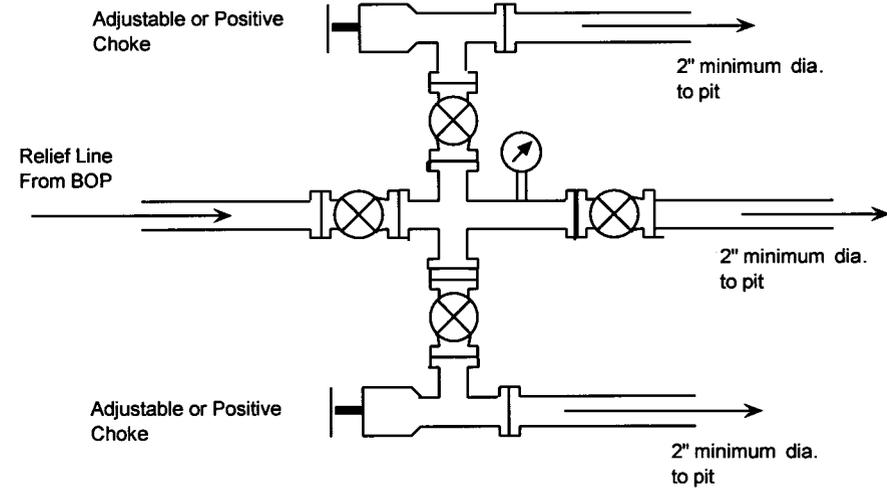
**Figure 5**

7 1/16", 5000 psi Completion Rig BOP System

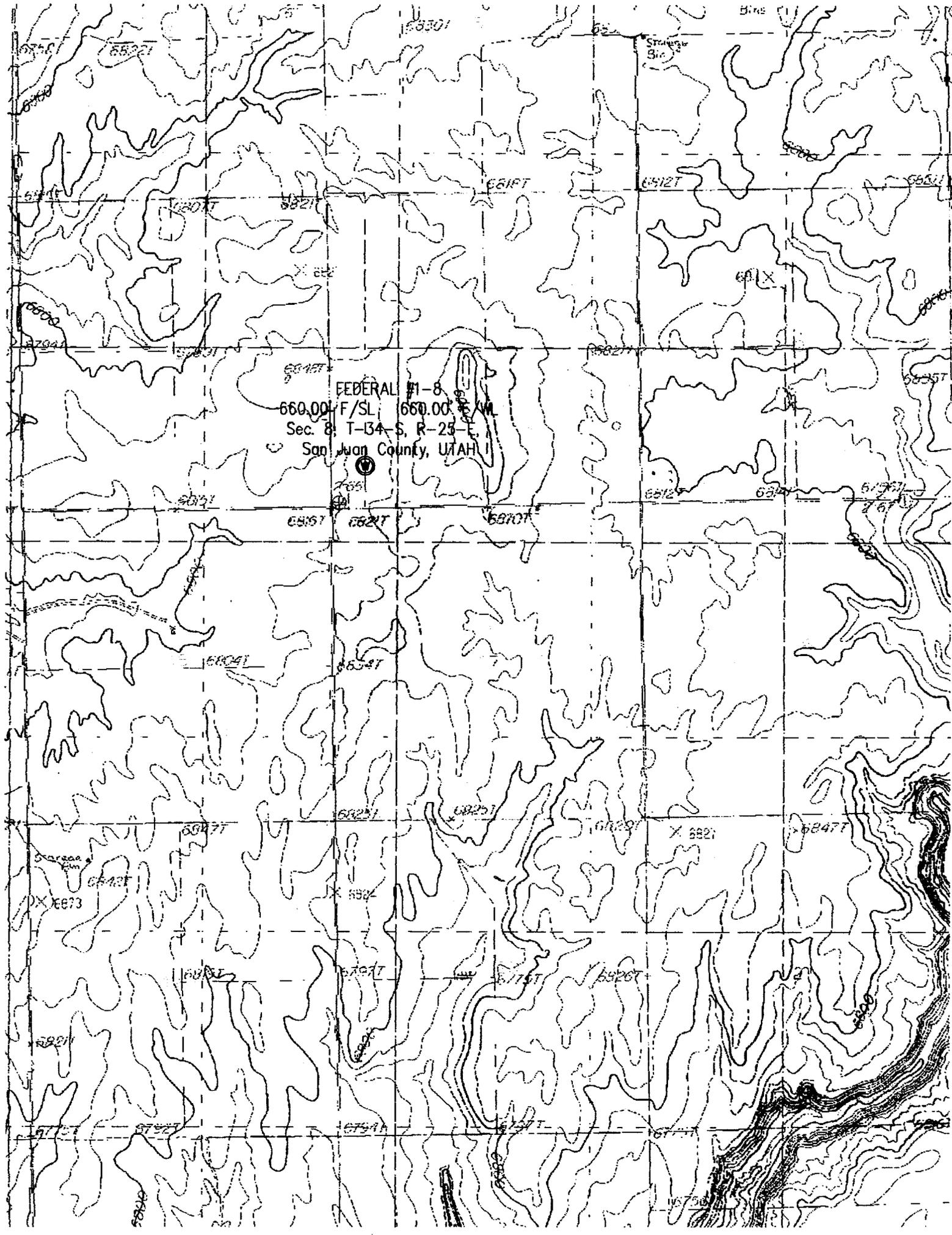


BOP Installation for Completion operations. 7 1/16", 5000 psi double gate BOP equipped with blind and pipe rams. All equipment rated at 5000 psi or greater working pressure.

**Figure 6**



Choke manifold for BOP system shown in Figure 5. All equipment to be rated at 5000 psi or greater.



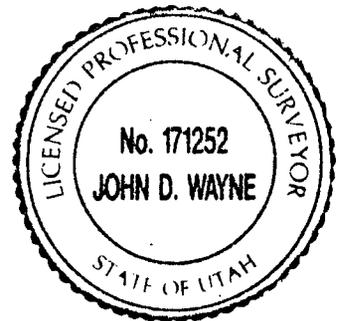
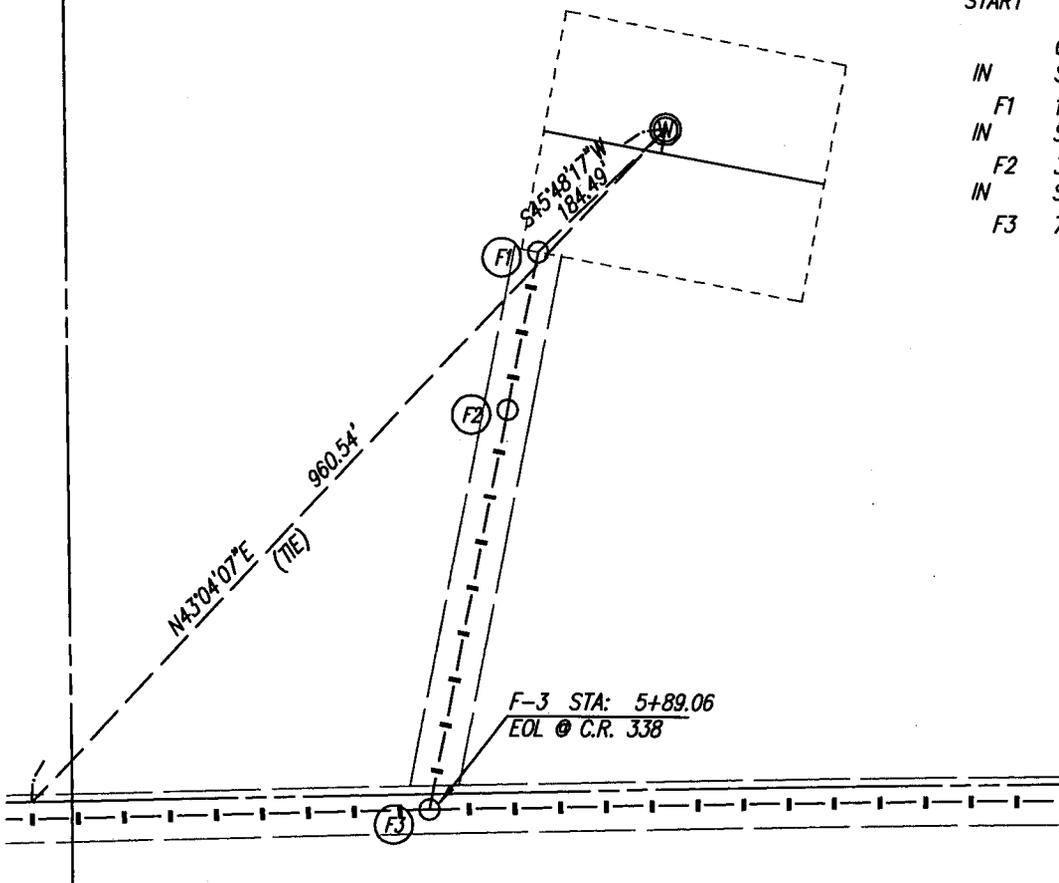
FEDERAL #1-8  
660.00' F/SL 660.00' E/W  
Sec. 8, T-34-S, R-23-E  
San Juan County, UTAH



BANANA SLUG FEDERAL #1-8  
PROPOSED PIPELINE

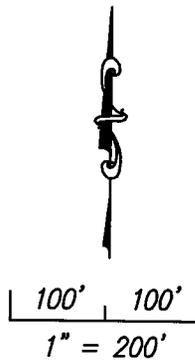
START

	0+00	FEDERAL #1-8	
IN	SW	45 48 17	184.49
F1	1+84.19	F-1 @ SOUTHLINE OF PAD	
IN	SW	10 26 26	168.00
F2	3+52.49		
IN	SW	10 39 18	421.06
F3	7+73.55	F-3 EOL @ EXIST. C.R.	



John D. Wayne  
Professional Surveyor  
Utah Reg. No. 171252

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REVISED DATE: 8/21/07  
DRAWING NO: 00845FEDERAL8-1D

SEC.	TWP.	RGE.	1/4 SEC.	WIDTH	LENGTH			ACRES	
					FEET	RODS	MILES		
8	34S	25E	SW1/4	50'	773.55'	46.88	0.15	0.89	
TOTALS						773.55'	46.88	0.15	0.89

CROWN QUEST OPERATING  
PROPOSED PIPELINE  
BANANA SLUG FEDERAL #1-8  
Sec. 8, T-34-S, R-25-E, S.L.B.M.

San Juan County, Utah

SCALE: 1"=200'      DATE: 04/20/07