

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

FORM 3

AMENDED REPORT
(highlight changes)

APPLICATION FOR PERMIT TO DRILL		5. MINERAL LEASE NO: 8-UT-ML-41813	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: n/a	
B. TYPE OF WELL: OIL <input type="checkbox"/> GAS <input checked="" type="checkbox"/> OTHER _____ SINGLE ZONE <input type="checkbox"/> MULTIPLE ZONE <input checked="" type="checkbox"/>		8. UNIT or CA AGREEMENT NAME: n/a	
2. NAME OF OPERATOR: Lodestone Operating Inc.		9. WELL NAME and NUMBER: Evergreen 1-16-36-25	
3. ADDRESS OF OPERATOR: 120 Hawthorn CITY Corpus Christi STATE TX ZIP 78734		PHONE NUMBER: (361) 877-7077	10. FIELD AND POOL, OR WILDCAT: undesignated-Wildcat
4. LOCATION OF WELL (FOOTAGES) AT SURFACE: 715 feet from the north line / 772 feet from the west line AT PROPOSED PRODUCING ZONE: -109.183254		11. QTR/QTR, SECTION, TOWNSHIP, RANGE, MERIDIAN: NWNW 16 36S 25E S	
14. DISTANCE IN MILES AND DIRECTION FROM NEAREST TOWN OR POST OFFICE: 16 miles east of Blanding, Utah		12. COUNTY: San Juan	13. STATE: UTAH
15. DISTANCE TO NEAREST PROPERTY OR LEASE LINE (FEET) 715 ft.	16. NUMBER OF ACRES IN LEASE: 640 Acres	17. NUMBER OF ACRES ASSIGNED TO THIS WELL: 160 Acres	
18. DISTANCE TO NEAREST WELL (DRILLING, COMPLETED, OR APPLIED FOR) ON THIS LEASE (FEET)	19. PROPOSED DEPTH: 6,000	20. BOND DESCRIPTION: 100,000.00	
21. ELEVATIONS (SHOW WHETHER DF, RT, GR, ETC.): 6065 GR.	22. APPROXIMATE DATE WORK WILL START: 11/1/2007	23. ESTIMATED DURATION: 45 days	

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" NEW 48 lbs./ft.	125	Class "G" 2% CaCl2 ~75 sx 1.2 cu.ft./sx 15.6 ppg
11"	8 5/8" NEW 24 lbs./ft.	1,700	(Lead) Premium Lite II ~350 sx 3.3 cu.ft./sx 11.0 ppg
			(Tail) Class "G" 2% G ~200 sx 1.2 cu.ft./sx 15.6 ppg
			(Top) Class "G" 4% G ~100 sx 1.1 cu.ft./sx 15.6 ppg
7 7/8"	5 1/2" NEW 15.5/17.0	4,175	(Lead) Premium Lite II ~300 sx 3.3 cu.ft./sx 11.0 ppg
			(Tail) Class "G" 2% G ~400 sx 1.56 cu.ft./sx 14.3 ppg

ATTACHMENTS

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

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

NAME (PLEASE PRINT) David M. Reavis TITLE President
SIGNATURE *David M. Reavis* DATE 9/24/2007

(This space for State use only)

API NUMBER ASSIGNED: 43-037-31873

APPROVAL:

RECEIVED
SEP 26 2007

DIV. OF OIL GAS & MINING

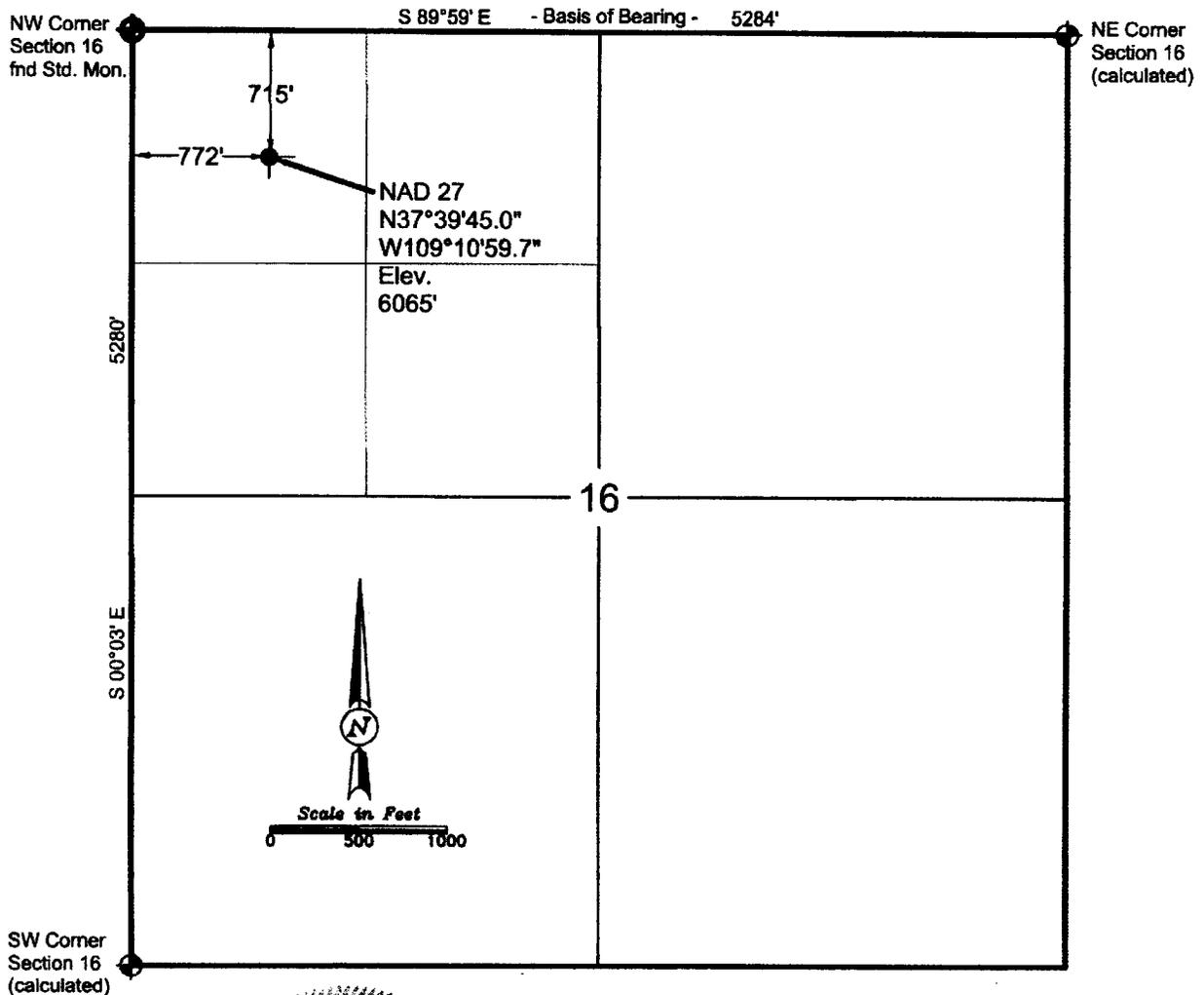


Well Location Survey

Evergreen Energy Partners LLC

- Basis of Bearing is S89°59'E between the NW corner and NE corners of Section 16 from GPS observations taken 18-Sep-2007
- Elevation values are derived as differential from NW corner of Section 16(6151) as shown on 7.5 minute USGS quadrangle

772' fwl & 715' fnl
 Section 16, T36S, R25E, SLB&M.
 San Juan County, Utah
 Ground Elevation- 6065' (NGVD29)



- Land use is open range land.
- There are no land ownership boundaries within 460 feet.
- There were no oil or gas wells observed within 920 feet.

LODESTONE OPERATING, INC.

13 POINT SURFACE USE PLAN

FOR WELL

EVERGREEN 1-16

LOCATED IN

NW/4 NW/4

SECTION 16, T. 36 S. - R. 25 E., S.L.B.&M.

SAN JUAN COUNTY, UTAH

STATE LEASE: ST UT ML 46813

SURFACE OWNERSHIP: STATE OF UTAH

Ten Point Plan
Lodestone Operating, Inc.

Evergreen 1-16

Surface Location NW ¼, NW ¼, Section 16, T36S-R25E

1. Surface Formation:

Dakota

2. Estimated Formation Tops and Datum:

<u>Formation</u>	<u>Depth</u>	<u>Datum</u>
Dakota	Surface	+6065'
Navajo	920'	+5145'
Chinle	1660'	+4405'
Shinaranyo	2430'	+3635'
Moenkopi	2495'	+3570'
Cutler	2620'	+3445'
Hermosa (Honaker Trail)	4390'	+1675'
Upper Ismay	5575'	+490'
Hovenweep Shale	5670'	+395'
Lower Ismay	5730'	+335'
Gothic Shale	5780'	+285'
Desert Creek	5810'	+255'
TD	6000'	+65'

3. Producing Formation Depth:

Formation objectives include the Cutler, Honaker Trail and its sub members, Ismay, and Desert Creek. The formations tops have been projected based on the nearest offsets, the Lodestone Operating, Inc.-Evergreen 14-8, located 3/4 miles WNW of this proposed well, and the Summit-Horsehead Point 18-44, located 1 ½ miles SW of this proposed well.

4. Proposed Casing:

<u>Hole</u>	<u>Casing</u>	<u>Casing</u>	<u>Grade &</u>
<u>Size</u>	<u>Size</u>	<u>New/ Weight/Ft.</u>	<u>Depth</u>
	<u>Used</u>	<u>Thread</u>	
16	13 3/8	48	J-55/STC/8rd
			125'
			New

11"	8 5/8	24	J-55/STC/8rd	1700'	New
7 7/8	5 1/2	15.5 & 17	K-55/LTC/8rd	TD	New

Cement Program:

The surface casing (13 3/8") will be cemented to the Surface as follows:

<u>Casing Size</u>	<u>Cement Type</u>	<u>Cement Amt</u>	<u>Cement Yield</u>
16"	Class "G" 2% CaCl ₂	75 Sx +/-	1.2 ft ³ /sx 15.6 ppg

The Intermediate casing (8 5/8") will be cemented to the Surface as follows:

<u>Casing Size</u>	<u>Cement Type</u>	<u>Cement Amt</u>	<u>Cement Yield</u>
8 5/8" Lead	Premium Lite II .25#/sx Cello Flake 5#/sk KOL Seal 10% Bentonite 3% CaCL	350 sx +/-	3.3 ft ³ /sx 11.0 ppg
8 5/8" Tail	Class "G" 2% CaCl ₂ .25#/sx Cello Flake	200 sx +/-	1.2 ft ³ /sx 15.6 ppg
8 5/8" Top Job	Class "G" 4% CaCl ₂	100 sx +/-	1.1 ft ³ /sx 15.6 ppg

The Production casing (5 1/2") will be cemented to 2500' or higher as follows:

<u>Casing Size</u>	<u>Cement Type</u>	<u>Cement Amt</u>	<u>Cement Yield</u>
5 1/2" Lead	Premium Lite II .25#/sx Cello Flake 5#/sk KOL Seal 3% KCL 10% Bentonite 3% CaCL	300 sx +/-	3.3 ft ³ /sx 11.0 ppg
5 1/2" Tail	Class "G"	400 sx +/-	1.56 ft ³ /sx 14.3 ppg

2% NaCl
2% Bentonite

5. BOP and Pressure Containment Data:

The anticipated bottom hole pressure will be less than 3,000 psi. The maximum shut-in pressure on the Horsehead Point 18-44, located 1 ½ miles SW was 1575 psi from the Honaker Trail. The maximum shut-in pressure on the Evergreen 14-8 located ¾ mile WNW was 1675 psi from the Honaker Trail.

A 3000-psi WP BOP system as described in the BOP and Pressure Containment Data (attached) will be installed and maintained from the 8 5/8" intermediate casing. The BOP system including the casing will be pressure tested to the minimum standards set forth in the Bureau of Land Management "On Shore Order #2". The BOP will be mechanically checked daily during the drilling operation, and the checks reported on the drilling log.

6. Mud Program:

Interval	Mud Weight lbs/gal	Viscosity Sec./OT.	Fluid Loss ML/30	Mud Type
0-1700'	8.5	as needed	no control	Fresh Water/Gel
1700'-2500'	8.7	as needed	no control	KCL/Salt Gel
2500'-TD Gel/Starch/Biocide	8.8	35	8-10	KCL/Salt

7. Auxiliary Equipment:

Upper Kelly cock, full opening stabbing valve, 2 1/2' choke manifold and pit level indicator.

8. Testing, Coring, Sampling and Logging:

- Tests: Drill Stem Tests may be conducted in any objective zone if indicated by drilling time, drill cutting analysis, and/or gas detector. The Utah OG&M field representative will be notified at least 8 hours prior to any DST.
- Coring: No full cores are anticipated. Sidewall cores may be cut based on electric logging results
- Sampling: Drill cuttings will be collected, bagged, and marked at 20' intervals until 2500'. From 2500' to TD, samples will be collected at 10' and 5' intervals based on drilling time.
- Mudlogging: A mudlogging unit will be installed and manned at all times below Intermediate Casing. The unit will be equipped with Gas Detection and other equipment.

e) Logging:	Type	Interval
	DLL/SFL w/GR and SP	TD to Inter. Csg.
	FDC/CNL/Sonic w/GR and Cal	TD to Inter. Csg.
	Dipmeter (Optional)	TD to Inter. Csg.

9. Abnormalities (including sour gas):

No abnormal pressures, temperatures or other hazards are anticipated. Oil and gas shows are anticipated. Other wells drilled in the area have not encountered over pressured zones or H₂S.

10. Drilling Schedule:

The anticipated starting date is November 1, 2007. Duration of drilling operations is expected to be 21 days.

1. Existing Roads

To reach the Lodestone Operating, Inc. – Evergreen 1-16 in Section 16, T36S-R25E, from Monticello, Utah:

Proceed in an easterly then southeasterly direction on US Highway 491 approximately 11.5 miles to the turnoff to Eastland, UT (County road 312). Turn right and proceed in a southerly direction on County Road 312 approximately 5 ½ miles where road turns to gravel, continue to follow County Road 312 for 5 miles to cattleguard, cross cattleguard and take immediate left (east) to County Road 375, proceed approximately 4 miles, turn left on location access road, proceed approximately ½ mile to location.

Total distance from Monticello Utah to the proposed well location is approximately 26.5 miles by road.

Existing roads to the turn-off for the location road are US Highways and County Class B roads.

2. Planned Access Road

The location road is primarily BLM access road, with a short distance of road to be constructed along the route of an existing seismic survey clearance.

Please see the attached plats for additional details.

An off lease Right-of-Way should not be required.

All surface disturbances for the location will be within the lease boundary.

3. Location of Existing Wells

The following wells are located within a one mile radius of the location site.

- A) Producing well None
- B) Water well None
- C) Abandoned well
Monument Butte 1-8, located in Sec. 8, T36S-R25E, approx. ¾ mile WNW from the proposed location.
- D) Temp. abandoned well None
- E) Disposal well None
- F) Drilling/Permitted well None
- G) Shut in well
Lodestone Operating, Inc. – Evergreen 1-16, located in Sec. 8, T36S-R25E, approx. ¾ mile WNW from the proposed location.
- H) Injection well None
- I) Monitoring /obsvtn well None

4. Location of tank batteries, production facilities, and production gathering service lines.

All production facilities are to be contained within the proposed location site.

All permanent (on site for more than six months or longer) structures constructed

or installed will be painted a **Juniper Green** color. Facilities required to comply with O.S.H.A. (Occupational Safety and Health Act) will be excluded. The required paint color is **Juniper Green**.

All tanks will be surrounded by a dike of sufficient capacity to contain the storage capacity of the largest tank in the battery. The integrity of the dike will be maintained.

The operator will adhere to all site security guidelines and regulation identified in 43 efr 3126.7.

If the well is capable of economic production, a gas gathering line will be required and a produced water line may be required. These lines will be laid on the surface, except where crossing roads or other public or private access routes. The location, type, and installation of any line off the location pad will be determined after a specific application is filed for such line(s).

All off lease storage, off lease measurement, or commingling of production on the lease will have prior written approval from the authorized officer.

The primary gas meter run will be located where custody of the gas is transferred from Operator to Gas Buyer and this point has not been determined. If the custody transfer point is located on the lease, then the meter at this point will be the primary meter. If the custody transfer point is located off the lease, then a secondary meter will be located on the wellsite location. The

readings from this secondary meter will be compared to the primary meter for the purpose of discovering leaks in the gas flowline from the well to the custody transfer point.

The primary gas meter (and secondary meter, if so required) will be calibrated and the tanks strapped in place prior to any deliveries. Tests for meter accuracy will be conducted monthly for the first three months on new meter installations and at least quarterly thereafter. The authorized officer will be provided with a date and time for the initial meter calibration and all initial meter proving schedules. A copy of the meter calibration report will be submitted to the local office of the State of Utah, Division of Oil, Gas, and Mining. All measurement facilities will conform to API (American Petroleum Institute) and AGA (American Gas Association) standards for gas and liquid hydrocarbon measurement.

5. Location and type of water supply

Water for drilling and cementing the subject well will be trucked from Monticello, Utah by Red Rock Well Service or from Cortez, CO.

6. Source of construction materials

All construction material for this location site shall be borrow material accumulated during construction of the location site and access road.

Additional location gravels or pit lining material will be obtained from private sources.

7. Methods for handling waste disposal

A) Pit construction and liners:

The reserve pit will be lined, and will be used to store water for drilling. The liner will be plastic material meeting applicable specifications.

The reserve pit will be used to hold nonflammable materials such as cuttings, salt, drilling fluids, chemicals, produced fluids, etc. All materials stored in the reserve pit will be those mud chemicals acquired from a reputable mud company with documented chemical content, fluids and solids actually produced from the well, or treating and/or fracturing fluids acquired from reputable sources with documented chemical content. No fluids, chemicals, or materials other than from these sources will be stored in the reserve pit.

B) Produced fluids:

Produced water will be confined to the reserve pit, or if deemed necessary, a storage tank for a period not to exceed 90 days after drilling has been completed. It is anticipated that the well will be fractured and that fluids will be stored in the reserve pit and possibly other pits specifically constructed for that purpose. In that event, separate application via Sundry Notice will be made specifying the type, amount, and times of storage of fluids as well as the size and construction methods for any

additional pits. After the time periods specified above, an application for approval for the method and location of permanent fluid disposal will be submitted to the authorized officer.

C) Garbage:

A trash cage fabricated from expanded metal will be used to hold trash on location and will be removed to an authorized land fill location.

D) Sewage:

A portable chemical toilet will be supplied for human waste.

E) Site clean-up:

After the drilling and work over rig is moved off the location the well site area will be cleaned and all refuse removed.

8. Ancillary facilities

Various portable trailers may be used during drilling, completion, and testing operations. These units will have self-contained sewage systems. No permanent facilities for human use or occupation are anticipated.

9. Well-site layout and location.

The well has been staked in relatively area, sloping gently to the southeast. It is open range land.

The location will be constructed to the following dimensions.

Well-site layout

- A) Pad length 270'
- B) Pad width 200'
- C) Pit depth 10'
- D) Pit length 100'
- E) Pit width 65'
- F) Max cut 9'
- G) Max fill 11'
- H) Total cut yds. 1200, est.
- I) Pit location NE
- J) Top soil location SE
- K) Access road location NW

Please see the attached location diagram for additional details.

All pits will be fenced according to the following minimum standards:

A) The fence will be five (5) strands of barbed wire or thirty nine inch net wire with at least one strand of wire on top of the net wire.

B) The bottom wire shall be no more than 2 inches above the ground. If net wire is used, the top strand of barbed wire shall be 3 inches above the net wire. Total height of the fence shall be at least 42 inches.

C) Corner posts shall be cemented and/or braced in such a manner to keep the fence tight at all times.

D) Standard steel, wood or pipe posts shall be used between the corner braces. Maximum distance between any two posts shall be no greater than 16 ft.

E) All wire shall be stretched by using a stretching device before being attached.

F) The fencing shall be maintained on three sides while a drilling rig is in place, and on all sides during all other times.

10. Plans for restoration of the surface

Prior to construction of the location, the top **6 inches** of soil material will be stripped off the location and the pit area. The topsoil to be removed and piled is estimated to be approximately 400 cubic yards of material. Topsoil will be stockpiled in one distinct pile, located south of the pit and SE of the well. The **topsoil pile** will be seeded with the seed mix listed. When all drilling and completion activities have been completed and the pit back-filled, the topsoil from the pit area will be spread on the pit area. The pit area will be seeded when the soil has been spread.

The unused portion of the location (the area outside the dead men) will be recontoured.

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

Changes to the drainage during the construction activities shall be restored to the original line of flow or as near as possible when the pit is back-filled.

All disturbed areas will be recontoured to the approximate natural contours. Prior to back filling the pit the fences around the reserve pit will be removed. The reserve pit will be reclaimed within 90 days of well completion. If the reserve pit has not dried sufficiently to allow back filling, an extension on the time requirement for back filling the pit will be requested. Once reclamation activities have begun, they shall be completed within 30 days.

After the reserve pit has been reclaimed, no depressions in the soil covering the reserve pit will be allowed. The objective is to keep seasonal rainfall and run-off from seeping into the soil used to cover the reserve pit. Diversion ditches and water bars will be used to divert run-off as needed.

In the event that the well is plugged and abandoned, when restoration activities above have been completed the location site and access road cuts and shoulders shall be reseeded. Prior to reseeding, all disturbed areas will be scarified and left with a rough surface.

A) Seeding dates:

Seed will be spread when the top soil is stock piled and when reclamation work is performed. The seed mix and quantity listed will be used whether the seed is broadcast or drilled.

B) Seed Mix

To be determined by the Authorized Officer.

11. Surface ownership:

Location:	State
Access Road:	Federal/State
Pipeline:	TBD

12. Other information

A) Vegetation:

Scattered small sage brush, minimal ground cover.

B) Dwellings:

There are no dwellings or other facilities within a one mile radius of the location.

C) Archeology and Paleontology:

A preliminary survey of the location and adjacent area has been made, and no obvious areas of interest were found. A more comprehensive survey by licensed personnel will be completed within three (3) weeks of this application. The results of this survey, including all recommendations made, will be submitted to the authorized officer.

If, during operations, any archaeological or historical sites, or any objects of antiquity (subject to the antiquities act of June 8, 1906) are discovered, all operations which would affect such sites will be suspended and the discovery

reported promptly to the surface management agency.

D) Water:

The nearest water is Monticello, Utah city source.

E) Chemicals:

No pesticides, herbicides or other possibly hazardous chemicals will be used without the Division of Wildlife Resources approval.

F) Notification:

The appropriate representative of the Utah Division of Oil, Gas, and Mining will be notified as follows.

a) Location construction

At least forty eight (48) hours prior to construction of location and access roads.

b) Location completion

Notification will be given 24 hr prior to moving the drilling rig on location.

c) Spud notice

At least twenty-four (24) hours prior to spudding the well.

d) Casing string and cementing

At least twenty-four (24) hours prior to running casing and cementing all casing strings.

e) BOP and related equipment tests

At least twenty-four (24) hours prior to initial pressure tests.

f) First production notice

Within five (5) business days after the new well begins, or production resumes after well has been off production for more than ninety 90 days.

g) Completion and work over

At least twenty-four (24) hours prior to moving the rig on location.

13. Lessees or Operator's representative and certification

A) Representative

David M. Reavis
President
Lodestone Operating, Inc.
Office/Cell 361-877-7077
Fax 361-877-7077
Email: dmreavis@aol.com

All lease operations will be conducted in such a manner that full compliance is made with all applicable laws and regulations. The operator is fully responsible for the actions of his subcontractors. A copy of these conditions will be furnished to the field representative to ensure compliance.

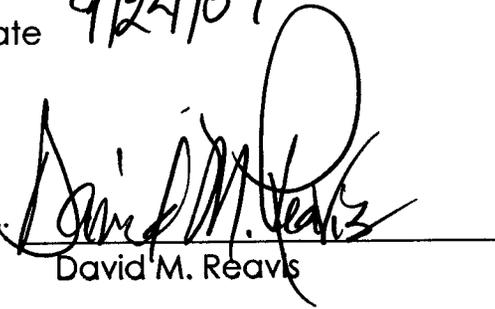
This drilling permit will be valid for a period of one year from the date of approval. After permit termination, a new application will be filed for approval for any future operations.

B) 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 presently exist, that the statements made in this plan are, to the best of my knowledge and belief, true and correct, and that the work associated with the operation proposed herein will be performed by **Lodestone Operating, Inc.** and its contractors and subcontractors in conformity with this plan and the terms and conditions under which it is approved.

Date 9/24/07

By: 
David M. Reavis

President
Lodestone Operating, Inc.

Onsite Date:

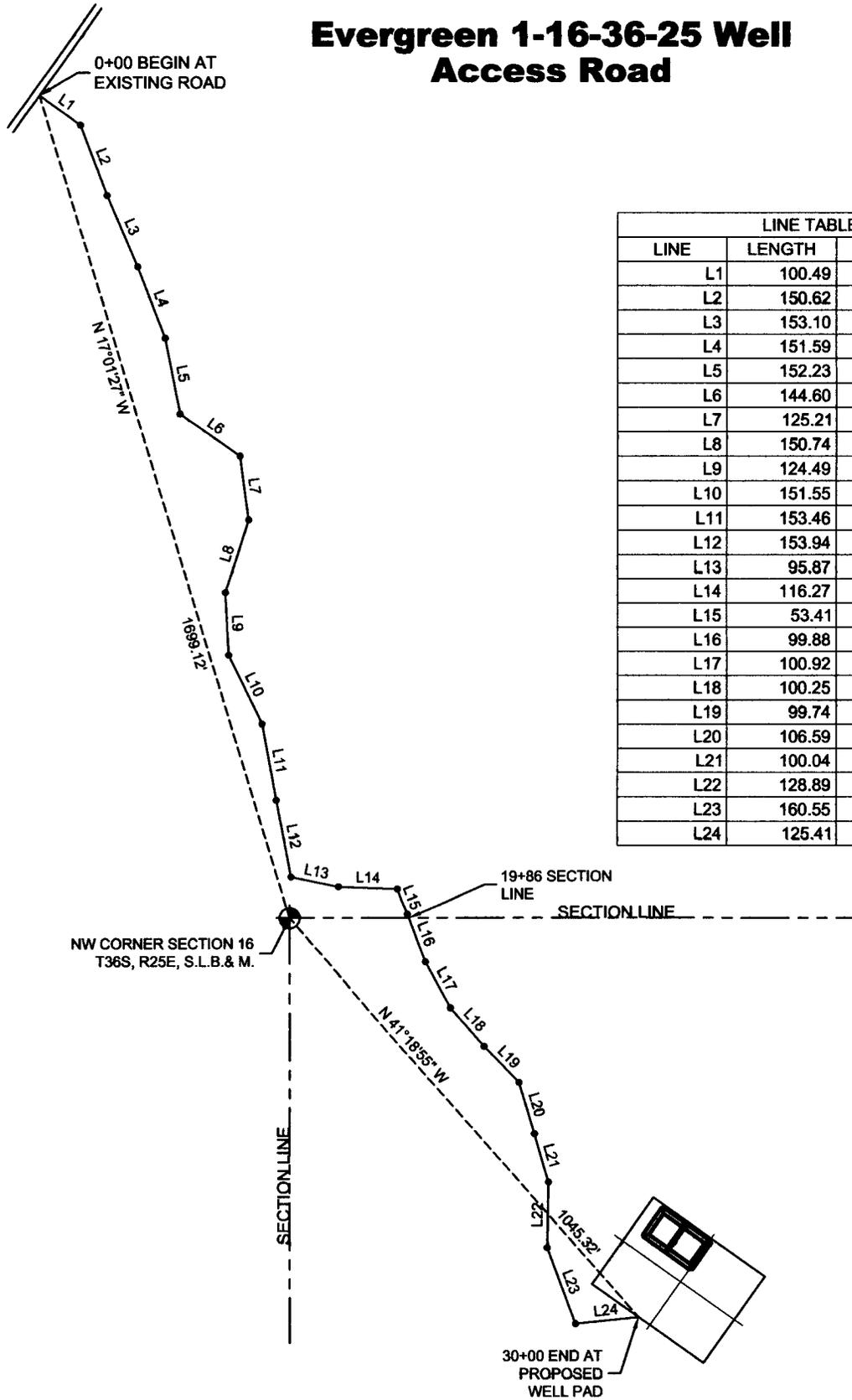
Statement of use of Hazardous Material

No chemical(s) from the EPA's Consolidated list of Chemicals subject to Reporting Under Title III of the Superfund Amendments and Reauthorization, Act (SARA) of 1986. will be used, produced, transported, stored, disposed, or associated with the proposed action, No extremely hazardous substances, as defined in 40 cfr 355, will be used, produced, stored, transported, disposed, or associated with the proposed action.

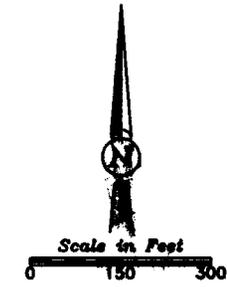
If you require additional information please contact:

David M. Reavis
President
Lodestone Operating, Inc.
120 Hawthorn P.
Portland, Texas 78374
Telephone
361-877-7077 office/cellular
361-777-2163 fax

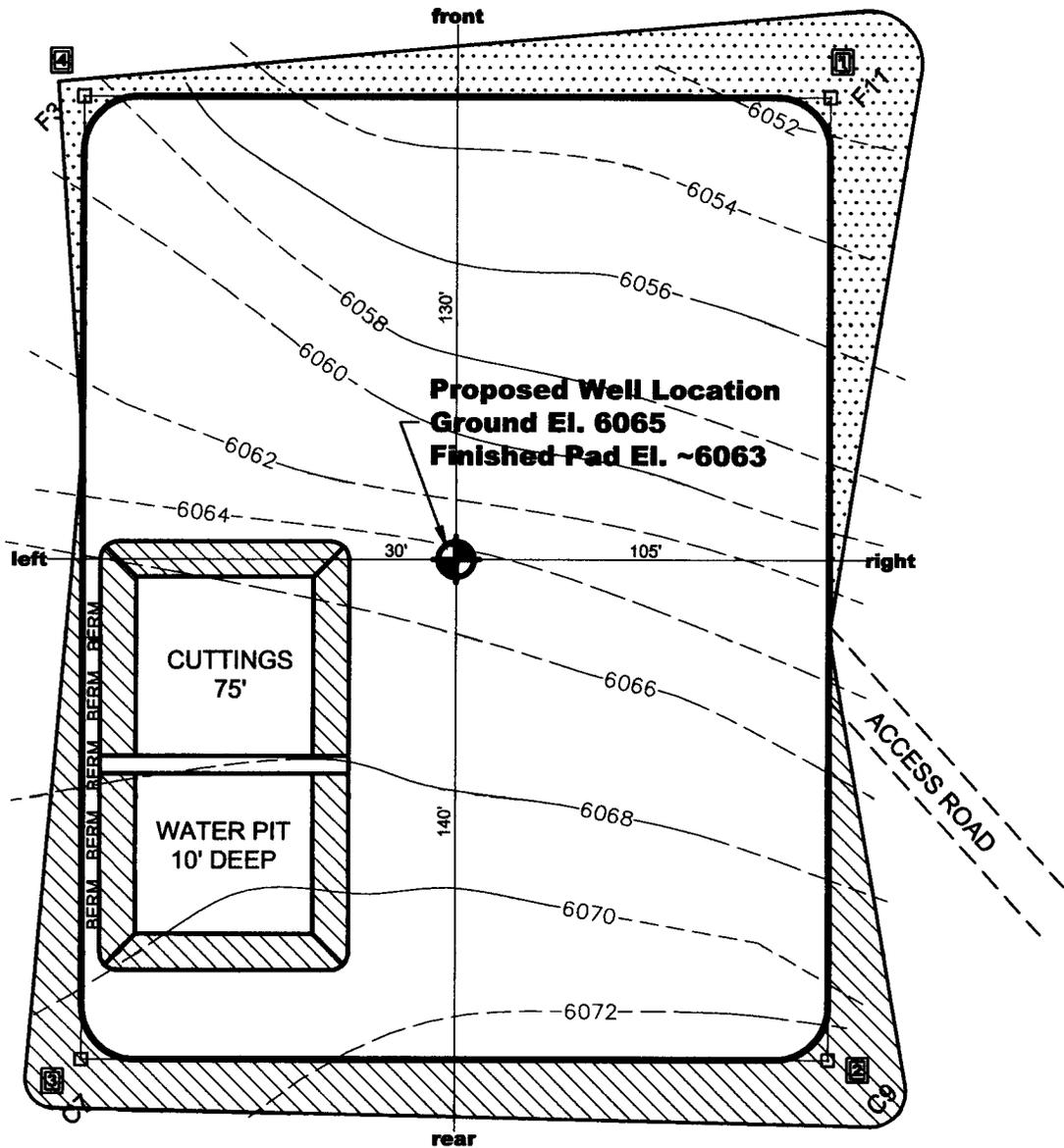
Evergreen 1-16-36-25 Well Access Road



LINE TABLE		
LINE	LENGTH	BEARING
L1	100.49	S54°16'48"E
L2	150.62	S20°43'12"E
L3	153.10	S23°16'46"E
L4	151.59	S21°06'12"E
L5	152.23	S11°20'36"E
L6	144.60	S55°09'52"E
L7	125.21	S07°50'03"E
L8	150.74	S17°50'27"W
L9	124.49	S03°09'44"E
L10	151.55	S26°00'05"E
L11	153.46	S10°32'11"E
L12	153.94	S11°02'27"E
L13	95.87	S78°15'28"E
L14	116.27	S87°46'59"E
L15	53.41	S21°59'54"E
L16	99.88	S20°49'19"E
L17	100.92	S29°28'20"E
L18	100.25	S41°29'29"E
L19	99.74	S43°54'54"E
L20	106.59	S16°39'36"E
L21	100.04	S16°03'56"E
L22	128.89	S01°05'53"W
L23	160.55	S20°23'37"E
L24	125.41	N84°04'43"E

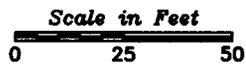


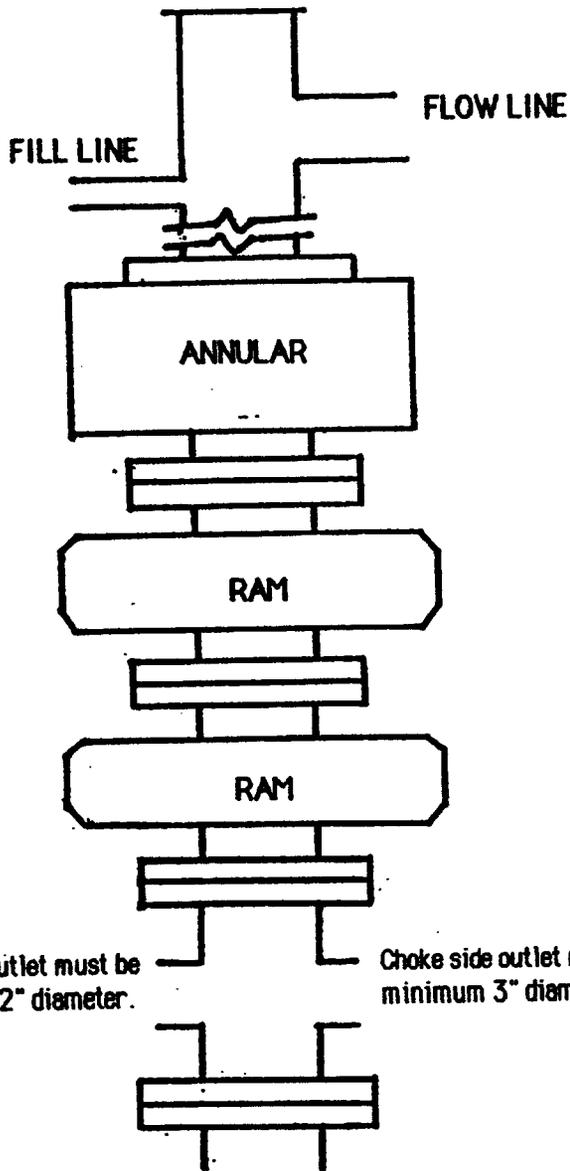
Evergreen 1-16-36-25 Well



Legend

-  Well Location
-  Cut Slope
-  Fill Slope
-  Stake Location (Blue Flagging)





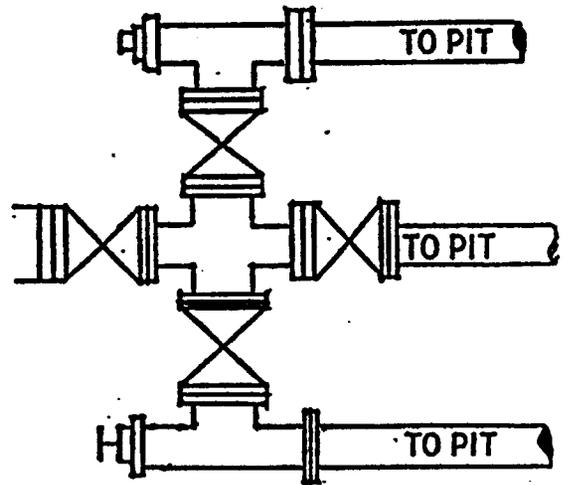
**TYPICAL BOP STACK
& CHOKE MANIFOLD**

There will be at least 2 chokes and 2 choke line valves (3" minimum). The choke line will be 3" in diameter. There will be a pressure gauge on the choke manifold.

Kill side outlet must be minimum 2" diameter.

Choke side outlet must be minimum 3" diameter.

Kill line will be minimum 2" diameter and have 2 valves, one of which shall be a minimum 2" check valve.



Upper kelly cock will have handle available.
Safety valve and subs will fit all drill string connections in use.
All BOPE connections subjected to well pressure will be flanged, welded, or clamped.

Evergreen 1-16-36-25 Well Topo Map

