

UTAH OIL AND GAS CONSERVATION COMMISSION

REMARKS: WELL LOG ELECTRIC LOGS FILE **X** WATER SANDS LOCATION INSPECTED SUB. REPORT/abd.

DATE FILED **7-11-91**
 LAND: FEE & PATENTED STATE LEASE NO. PUBLIC LEASE NO. **U-57455** INDIAN

DRILLING APPROVED: **8-12-91 (EXCEPTION LOCATION)**

SPUDED IN:
 COMPLETED: **8-25-92 LA** PUT TO PRODUCING:

INITIAL PRODUCTION:

GRAVITY A.P.I.

GOR:

PRODUCING ZONES:

TOTAL DEPTH:

WELL ELEVATION:

DATE ABANDONED: **LA'D Per BUM EFF 8-25-92**

FIELD: **WILDCAT**

UNIT:

COUNTY: **UINTAH**

WELL NO. **POT OF GOLD #1-1**

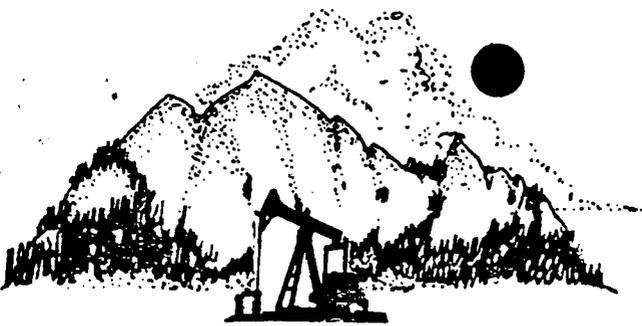
API NO. **43-047-32063**

LOCATION **1198' FNL** FT. FROM (N) (S) LINE. **1231' FWL** FT. FROM (E) (W) LINE. **NWNW** 1/4 - 1/4 SEC. **1**

TWP.	RGE.	SEC.	OPERATOR	TWP.	RGE.	SEC.	OPERATOR
12S	23E	1	WASATCH GAS DEVELOPMENT				

DOLAR OIL PROPERTIES

9035 South 700 East, Suite 100A
Sandy, UT 84070-2418
(801) 561 - 3121



June 21, 1991

Ms. Diane Nielson
State Director
Utah Division of Oil, Gas & Mining
355 W. North Temple, Suite 350
Salt Lake City, Utah 84180

RE: Request for Exception of Spacing
Wasatch Gas Development, Inc.
Pot of Gold Well 23-1
Sec. 23: S/2SE/4, T.11 S.; R.24 E., S.L.M.;
Pot of Gold Well 1-1
Sec. 1: NW/4NW/4, T.12 S; R. 23 E., S.L.M.;
and Pot of Gold Well 12-1
Sec. 12: E/2NW/4, T.12 S.; R. 23 E., S.L.M.

Dear Ms. Nielson:

Please be advised that Wasatch Gas Development Inc. has filed a Permit to Drill for the above referenced wells. In accordance with State spacing regulations, it has been requested in the APD's "Thirteen Point Plan of Development" that an exception for spacing be approved by the State office in drilling the wells.

It is our understanding that the region that will be drilled has not been spaced to date, and therefore falls under the Statewide 40 acre spacing ruling. Via farm-out agreement from Global Natural Resources Corporation of Nevada, Wasatch Development Inc. owns record title interest to a half section surrounding each proposed location. The primary objective will be to produce gas from the Wasatch and Mesa Verde formations; and upon review of reservoir information, a formal spacing order will be applied for with the State Oil and Gas Conservation Commission.

The locations were chosen to cause the least amount of surface damage and obtain easy access from existing roads; therefore, the

Ltr. to Utah Div. of Oil, Gas & Mining
6/21/91
Pg. 2

proposed locations are not staked within 200 feet of each quarter-quarter section line. Furthermore, the completion of a well at each location will not infringe upon the rights of any other operators in the area; and therefore we deem our request for exception of spacing as being appropriate.

Yours truly,

DOLAR OIL PROPERTIES

Mark S. Dolar, CPL

SELF CERTIFICATION STATEMENT

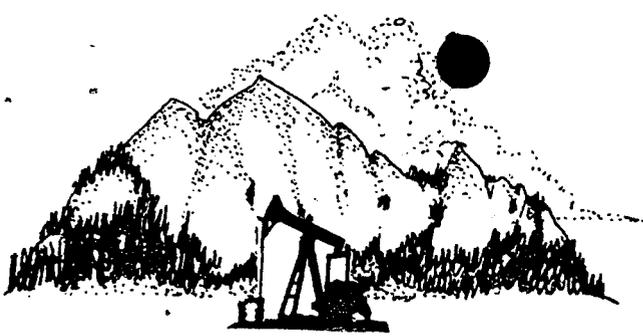
Please be advised that Wasatch Gas Development, Inc. is considered to be the operator of Well No. Pot of Gold #1-1

Uintah County, Utah; and is responsible under the terms and conditions of the lease for the operations conducted upon the leased lands. Bond coverage is provided by Crown Charter National Bank (letter of credit number 165) of Rolex Building, P. O. Box 191069, Dallas, TX 75219.

WASATCH GAS DEVELOPMENT, INC.

By: 

Mark S. Dolar
Attorney in Fact



DOLAR OIL PROPERTIES

9035 South 700 East, Suite 100A
Sandy, UT 84070-2418
(801) 561 - 3121

June 21, 1991

Ms. Diane Nielson
State Director
Utah Division of Oil, Gas & Mining
355 W. North Temple, Suite 350
Salt Lake City, Utah 84180

RE: Request for Exception of Spacing
Wasatch Gas Development, Inc.
Pot of Gold Well 23-1
Sec. 23: S/2SE/4, T.11 S.; R.24 E., S.L.M.;
Pot of Gold Well 1-1
Sec. 1: NW/4NW/4, T.12 S; R. 23 E., S.L.M.;
and Pot of Gold Well 12-1
Sec. 12: E/2NW/4, T.12 S.; R. 23 E., S.L.M.

RECEIVED

JUN 25 1991

DIVISION OF
OIL GAS & MINING

Dear Ms. Nielson:

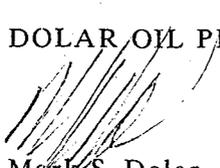
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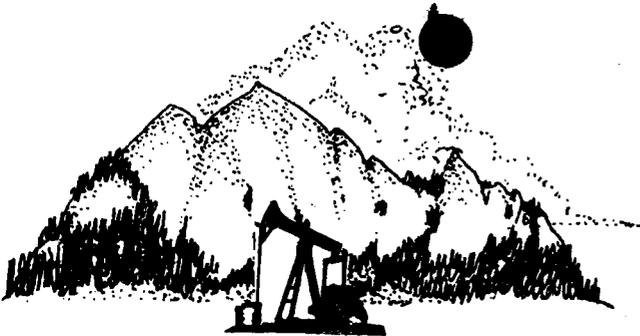
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The locations were chosen to cause the least amount of surface damage and obtain easy access from existing roads; therefore, the proposed locations are not staked within 200 feet of each quarter-quarter section line. Furthermore, the completion of a well at each location will not infringe upon the rights of any other operators in the area; and therefore we deem our request for exception of spacing as being appropriate.

Yours truly,

DOLAR OIL PROPERTIES


Mark S. Dolar, CPL
MSD/df



DOLAR OIL PROPERTIES

9035 South 700 East, Suite 100A
Sandy, UT 84070-2418
(801) 561 - 3121

July 10, 1991

RECEIVED

JUL 11 1991

DIVISION OF
OIL GAS & MINING

Mr. Frank Matthews
Utah Division of Oil, Gas and Mining
355 West North Temple
Suite 350
Salt Lake City, Utah 84180

RE: Wasatch Gas Development, Inc.
Pot of Gold Wells 1-1, 12-1, 23-1 & 24-1
Uintah County, Utah

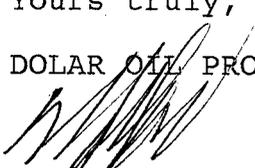
Dear Mr. Matthews:

I've been away during the past two weeks on vacation and upon my return learned you had requested copies of the above referenced A.P.D.'s.

The full applications are enclosed herein for your review. Please call if you have any questions.

Yours truly,

DOLAR OIL PROPERTIES


Mark S. Dolar, CPL

Enclosures

MSD/df

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

SUBMIT IN TRIPLICATE
(Other instructions on reverse side)

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

APPLICATION FOR PERMIT TO DRILL, DEEPEN, OR PLUG BACK

1a. TYPE OF WORK
 DRILL DEEPEN PLUG BACK

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

2. NAME OF OPERATOR
 Wasatch Gas Development, Inc.

3. ADDRESS OF OPERATOR
 1455 Riverchon Plaza, 3500 Maple Avenue, Dallas, Texas 75219

4. LOCATION OF WELL (Report location clearly and in accordance with any State requirements.)
 At surface
 1231' from West line; 1198' from North line
 At proposed prod. zone
 same

14. DISTANCE IN MILES AND DIRECTION FROM NEAREST TOWN OR POST OFFICE*
 24 miles south of Bonanza, Utah

15. DISTANCE FROM PROPOSED* LOCATION TO NEAREST PROPERTY OR LEASE LINE, FT. (Also to nearest drilg. unit line, if any)
 1198'

16. NO. OF ACRES IN LEASE
 10,092.71

17. NO. OF ACRES ASSIGNED TO THIS WELL
 320.00

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

19. PROPOSED DEPTH
 4,500' mVRD

20. ROTARY OR CABLE TOOLS
 Rotary

21. ELEVATIONS (Show whether DF, RT, GR, etc.)
 5818' (GR)

22. APPROX. DATE WORK WILL START*
 July 8, 1991

23. PROPOSED CASING AND CEMENTING PROGRAM

SIZE OF HOLE	SIZE OF CASING	WEIGHT PER FOOT	SETTING DEPTH	QUANTITY OF CEMENT
12 1/2"	9 5/8"	15.5 lb.	300'	Determined upon review of Caliper log.
7 5/8"	5 1/2"	15.5 lb.	4,500'	

RECEIVED
 JUL 11 1991
 DIVISION OF OIL GAS & MINING

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

24. SIGNED [Signature] TITLE Contract Landman DATE 6-12-91

(This space for Federal or State office use)
 PERMIT NO. 43-047-32063 APPROVAL DATE

APPROVED BY _____ TITLE _____
 CONDITIONS OF APPROVAL, IF ANY:

APPROVED BY THE STATE OF UTAH DIVISION OF OIL, GAS, AND MINING
 DATE: 8/1/91
 BY: [Signature]
 WELL SPACING: R-615-3-3.

*See Instructions On Reverse Side

BUREAU OF LAND MANAGEMENT
VERNAL DISTRICT

CONDITIONS OF APPROVAL FOR PERMIT TO DRILL

Company: WASATCH GAS DEVELOPMENT, INC. Well No.: POT OF GOLD 1-1

Location: Sec 1: NW/4NW/4, T. 12 South, R. 23 East, S.L.M. Lease: U-57455

Onsite Inspection date: June 26, 1991

All lease and/or unit operations will be conducted in such a manner that full compliance is made with applicable laws, regulations (43 CFR 3100), Onshore Oil and Gas Order No. 1, and the approved plan of operations. 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.

A. DRILLING PROGRAM:

1. Surface formation and Estimated Formation Tops:

Green River formation -- Surface
Wasatch formation -- 2,600 feet
Mesaverde formation -- 4,500 feet

2. Estimated Depth at Which Oil, Gas, Water or other Mineral-Bearing Zones Are Expected to Be Encountered:

	Formation	Depth
Expected Oil Zones:	None	
Expected Gas Zones:	Wasatch	2,600'
	Mesaverde	4,500'
Expected Water Zones:	None	
Expected Mineral Zones:	None	

All fresh water and prospectively valuable minerals (as described by BLM at onsite) encountered during drilling will be recorded by depth, cased and cemented. All oil and gas shows will be tested to determine commercial potential.

3. Pressure Control Equipment:

Bottom Hole Pressures will be checked by pressure method prior to drilling. A Rotating Head will be used and checked. The anticipated bottom hole pressure will be 1,850 psi. See the attached Exhibit "A", for a diagram of the equipment which will be used in testing procedures.

BOP systems will be consistent with Onshore Oil and Gas Order #2. Pressure tests will be conducted before drilling out from under all casing strings which are set and cemented in place. Blowout preventer controls will be installed prior to drilling the surface casing plug and will remain in use until the well is completed or abandoned. Preventers will be inspected and operated at least daily to ensure good mechanical working order, and will be recorded on the daily drilling report. The District Office will be notified 1 day in advance when pressure tests are to be conducted.

4. Casing Program and Auxiliary Equipment:

A 12 1/4 inch hole will be drilled to from the surface to the depth of 300 feet, with 9 5/8 inch casing being set. A 7 7/8 inch hole will then be drilled to total depth, with 5 1/2" production casing being set to T.D. New, 15.5 lb casing will be used, the grade of casing will be K55. Class G cement will be used to cover all productive zones, the ratio will be 15.6 pounds per gallon. The same mixture of filler cement will be used to the depth of 1,000 feet above total depth drilled. The quantity of cement will be determined after review of the Caliper log. The tread type will be ST&C.

Anticipated cement tops will be reported as to depth, not the expected number of sacks. The District Office will be notified one day in advance when running casing strings and cement.

5. Mud Program and Circulating Medium:

The well will be drilled with 2% Kcl water to the top of the Wasatch formation (approximately 2,600 feet), Kcl-Polymer will then be used in drilling to total depth. The anticipated mud weight will 9 pounds.

6. Coring, Logging and Testing Program:

The Mesaverde formation will be cored. Gamma Ray-Dual Induction, Microlog with Caliper Simultaneous Compensated Neutron Litho-Density log and Sonic log will be used. All logs will be run from the depth of 300 feet, except the Gamma Ray Log will be pulled to the surface.

Whether the well is completed as a dry hole or as a producer, a "Well Completion and Recompletion Report and Log" (form 3160-4) will be submitted to the District Office not later than thirty (30) days after completion of the well, in accordance with 43 CFR 3164. Two copies of all logs, core descriptions, core analyses, well test data, geological summaries, sample descriptions, and all other surveys or data obtained and compiled during the drilling, workover, and/or completion operations, will be filed with Form 3160-4.

7. Abnormal Conditions, Bottom Hole Pressures and Potential Hazards:

No abnormal gas pressures or temperatures are expected. Hydrogen Sulfide or other hazardous gases or fluids are not expected in the area.

8. Anticipated Starting Dates and Notifications of Operations:

The Operator will contact the Vernal District Office at Vernal, Utah forty-eight (48) hours prior to beginning any dirt work on this location.

No location will be construed or moved, no well will be plugged, and drilling or workover equipment will not be removed from a well without prior approval of the District Manager. District Manager will also be notified if a well is placed in a suspended status, and approval will be requested from District Manager before resuming operations.

The spud date will be reported orally to the District Manager within a minimum of twenty-four (24) hours prior to spudding. Written notification in the form of a Sundry Notice (form 3160-5) will be submitted to the District Office within twenty-four hours after spudding. If the spudding occurs on a weekend or holiday, the written report will be submitted on the following regular work day.

In accordance with Onshore Oil and Gas Order No. 1, this well will be reported on Form 9-329, "Monthly Report of Operations", starting with the month in which operations commence and continue each month until drilling is concluded. This report will be filed directly with the BLM District Office, 170 East 500 South, Vernal, Utah.

9. Immediate Reports:

Spills, blowouts, fires, leaks, accidents, or any other unusual occurrences shall be promptly reported to the District Office in accordance with requirements of NTL-3A.

If a replacement rig is contemplated for completion operations, a "Sundry Notice" (Form 3160-5) to that effect will be filed for prior approval of the District Manager, and all conditions of this approved plan are applicable during all operations conducted with the replacement rig. In emergency situations, verbal approval to bring on a replacement rig will be approved by the District Petroleum Engineer.

Should the well be successfully completed for production, the District manager will be notified when the well is placed in a producing status. Such notification will be sent by telegram or other written communication, not later than five (5) business days following the date on which the well is placed on production.

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

No well abandonment operations will be commenced without the prior approval of the District Manager. In the case of newly-drilled dry holes or failures, and in emergency situations, oral approval will be obtained from the District Petroleum Engineer. A "Subsequent Report of Abandonment" (Form 3160-5) will be filed with the District Manager 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. Final abandonment will not be approved until the surface reclamation work required by the approved APD or approved abandonment notice has been completed to the satisfaction of the Area manager or his representative, or the appropriate surface managing agency.

Approval to vent/flare gas during initial well evaluation will be obtained from the District Office. This preliminary approval will not exceed 30 days or 50 MMCF gas. Approval to vent/flare beyond this initial test period will require District Office approval pursuant to guidelines in NTL-4A.

Upon completion of approved plugging, a regulation marker will be erected in accordance with 43 CFR 3162.6. The marker will be constructed as follows:

The top of the marker will be closed or capped.

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

"Fed" or "Ind", as applicable. "Well number, location by 1/41/4 section, township and range". "Lease number".

THIRTEEN POINT PLAN OF DEVELOPMENT

1. Existing Roads:
 - a. Location is 24 miles south of Bonanza, Utah to planned access road.
 - b. Access will be obtained by traveling 24 miles south of Bonanza by miles along graveled county road to well access road. Improvements will not be required for use of existing roads.
 - c. Improvements and/or maintenance of existing roads will not be necessary.

2. Planned Access Roads:
 - a. The maximum total distributed width will be 30 feet, and shall run for approximately 0.1 miles in length.
 - b. Maximum grades will not exceed six percent.

 - c. Turnouts:

 - d. Location (centerline): Centerline has been flagged. The road will be approximately 30 feet wide with 18 feet running surface.

 - e. Drainage will not be required. Low water crossings only.
 - f. Surface materials will be purchased from a private source.

 - g. Other:

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

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

3. Location of Existing Wells:

None on Property.

4. Location of Tank Batteries and Production Facilities:

All permanent (onsite for six (6) months or longer) structures constructed or installed (including oil well pump jacks) will be painted a flat, nonreflective, earth tone color to match the standard environmental colors, as determined by the Rocky Mountain Five-State Interagency Committee. All facilities will be painted within six (6) months of installation. Facilities required to comply with the Occupational Safety and Health Act (OSHA) may be excluded. Colors will be as follows: _____

If a tank battery is constructed on this lease, it will be surrounded by a dike of sufficient capacity to contain 1-1/2 times the storage capacity of the battery.

All loading lines and valves will be placed inside the berm surrounding the tank battery.

All site security guidelines identified in 43 CFR 3162.7 regulations will be adhered to.

All off-lease storage, off-lease measurement, or co-mingling on-lease or off-lease will have prior written approval from the District Manager.

All product lines entering and leaving hydrocarbon storage tanks will be effectively sealed.

Gas meter runs for each well will be located within five hundred (500) feet of the wellhead. The gas flowline will be buried from the wellhead to the meter along with any other sections occurring on the pad. Meter runs will be housed and/or fenced.

The oil and gas measurement facilities will be installed on the well location. The oil and gas meters will be calibrated in place prior to any deliveries. Tests for meter accuracy will be conducted monthly for the first three (3) months on new meter installations and at least quarterly thereafter. The Area Manager will be provided with a date and time for the initial meter calibration and all future meter-proving schedules. A copy of the meter calibration reports will be submitted to the District Office. All meter measurement facilities will conform with the API standards for liquid hydrocarbons and the AGA standard for natural gas measurement.

5. Location and Type of Water Supply:

All water needed for drilling purposes will be obtained from:

Water will be hauled in by a private source, bids will be solicited.

A temporary water use permit for this operation will be obtained from the Utah State Engineer at _____

Water obtained on private land, or land administered by another agency, will require approval from the owner or agency for use of the land.

6. Source of Construction Material:

Pad construction material will be obtained from a private source, bids will be solicited.

The use of materials under BLM jurisdiction will conform to 43 CFR 3610.2-3. Source of construction material will be located on lease.

7. Methods of Handling Waste Disposal:

The reserve pit will not be lined.

Three sides of the reserve pit will be fenced with fencing material and/or barbed wire before drilling starts. The fourth side will be fenced as soon as the drilling is completed. The fence will be kept in good repair while the pit is drying.

All trash must be contained and disposed of by loading and hauling away.

If burning is required, a permit will be obtained from the State Fire Warden

Produced waste water will be confined to a (lined/unlined) pit for a period not to exceed ninety (90) days after initial production. During the ninety (90) day period, an application for approval of a permanent disposal method and location, along with the required water analysis, will be submitted for the District Manager's approval pursuant to Onshore Oil and Gas Order No. 3 (NTL-2B).

Other:

8. Ancillary Facilities:

Camp facilities will not be required.

9. Well Site Layout:

The reserve pit will be located on the West side of the well site.

The top six inches of soil material will be removed from the location and stockpiled separately on the West side of well site. Topsoil along the access road will be reserved in place adjacent to the road.

Access to the well pad will be from the South along the planned access road.

The trash pit will be located on the Southwest corner of the well pad.

10. Plans for Restoration of Surface:

Immediately upon completion of drilling, the location and surrounding area will be cleared of all remaining debris, materials, trash and junk not required for production.

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

The operator or his contractor will notify the Vernal District Office at Vernal, Utah, forty-eight (48) hours before starting reclamation work that involves earth moving equipment and upon completion of restoration measures.

All disturbed areas will be recontoured to the approximate natural contours.

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

Prior to reseeding, all disturbed areas, including the access roads, will be scarified and left with a rough surface.

Seed will be broadcast or drilled at a time specified by the BLM. If broadcast, a harrow or some other implement will be dragged over the seeded area to assure seed coverage. Seeding will occur in October or November.

The following seed mixture will be used:

Indian Grass, or other seedings which match undisturbed lands.

The reserve pit and that portion of the location and access road not needed for production or production facilities will be reclaimed within six months from the date of well completion.

Additional Requirements:

11. Surface and Mineral Ownership: The Federal Government owns all surface and mineral interests.

12. Other Information:

a. Right of Way for Gas Pipeline:

In the event of gas production, Operator intends to lay a two inch pipeline four and one-half miles long, with a six foot right-of-way width, along county access through Sections 5 and 6, Township 12 South, Range 24 East. A right of way easement will be requested to cross federal oil and gas U-08424A. See attached Exhibit "B" for map and diagram of proposed right-of-way.

b. A request for an exception of spacing is being filed with the State of Utah to allow drilling closer than 200 feet from the quarter-quarter section line. The location was picked to cause the least amount of surface damage, and the operator owns record title to a three hundred and twenty acre tract surrounding the well, the completion of a well at the proposed site will not infringe on the rights of other operators in the area. After completion of this test well, a spacing order will be filed with the Utah State Oil and Gas Commission to set spacing at a figure determined by Operator to properly drain reserves. See attached Exhibit "C" for a copy of letter.

c. There will be no deviation from the proposed drilling and/or workover program without prior approval from the District Manager. Safe drilling and operating practices must be observed. All wells, whether drilling, producing, suspended, or abandoned, will be identified in accordance with 43 CFR 3162.2.

d. "Sundry Notice and Report on Wells" (Form 3160-5) will be filed for approval for all changes of plans and other operations in accordance with 43 CFR 3164.

e. The dirt contractor will be provided with an approved copy of the suther operations in accordance with 43 CFR 3164.

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

g. A cultural resource clearance (will/will not) be required before any construction begins. If any cultural resources are found during construction, all work will stop and the District Manager will be notified.

h. This permit will be valid for a period of one (1) year from the date of approval. After permit termination, a new application will be filed for approval for any future operations.

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

Representative:

Name: Mark S. Dolar
Address: 9035 South 700 East
Sandy, Utah 84070
Phone No.: (801) 561-3121

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 WASATCH GAS DEVELOPMENT, INC. and its contractors and subcontractors in conformity with this plan and the terms and conditions under which it is approved. This statement is subject to the provisions of 18 U.S.C. 1001 for the filing of a false statement.

6-12-91

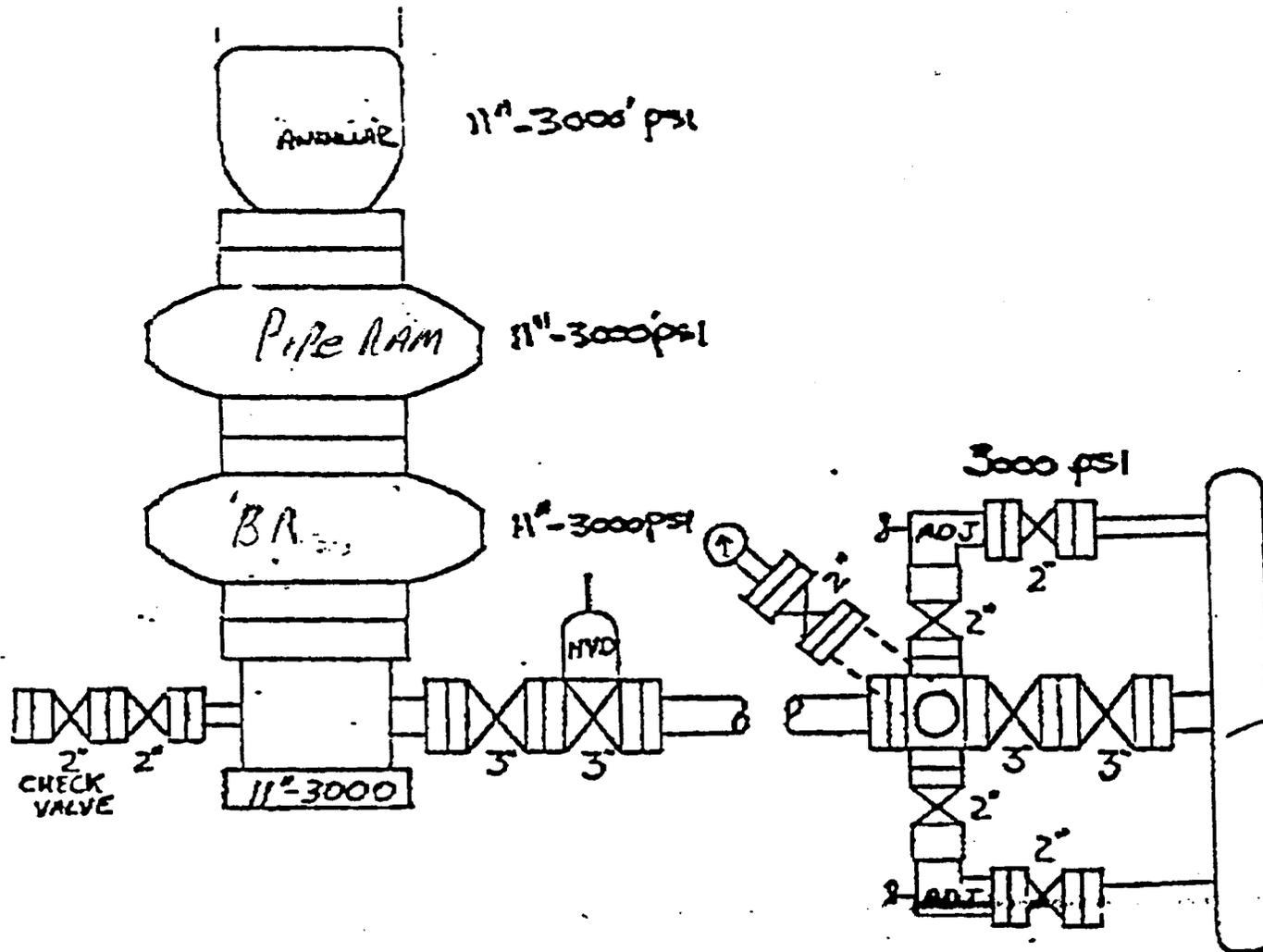
Date



Mark S. Dolar
Attorney-In-Fact

EXHIBIT "A"

POT OF GOLD 1-1
Bottom Hole Diagram



TITLE

BOP STACK REARRANGEMENT

SCALE NAME

POT OF GOLD I-I

EXHIBIT "B"

UNIT

RAINBOW

T11S
R24E

UNIT

SPRINGS

UNIT

POT OF GOLD
#1-1

POT OF GOLD
#12-1

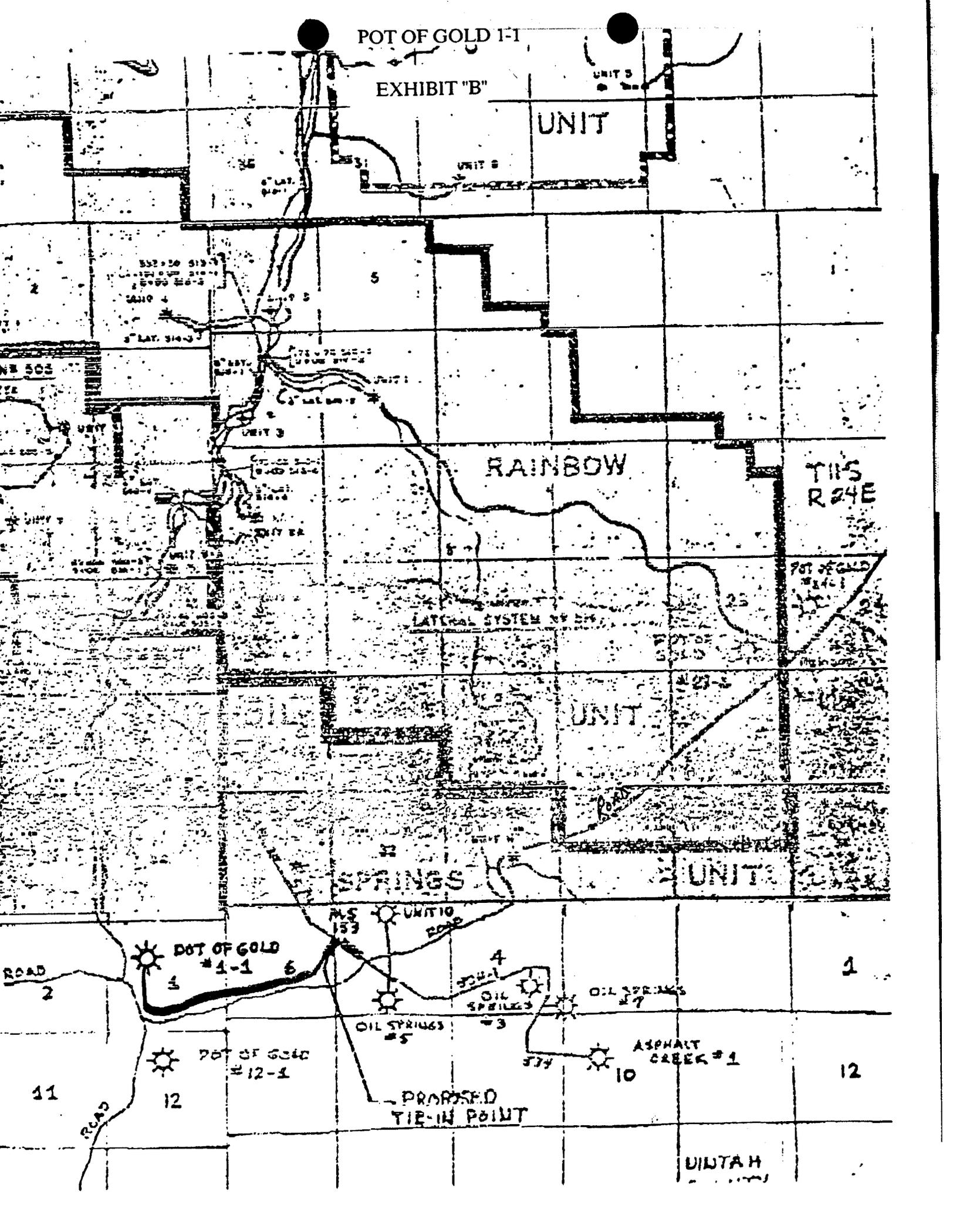
OIL SPRINGS
#3

OIL SPRINGS
#7

ASPHALT
CREEK #1

PROPOSED
TIE-IN POINT

UTAH



UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

APPLICATION FOR PERMIT TO DRILL, DEEPEN, OR PLUG BACK

1a. TYPE OF WORK
 DRILL DEEPEN PLUG BACK

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

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3. ADDRESS OF OPERATOR
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24 miles south of Bonanza, Utah

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17. NO. OF ACRES ASSIGNED TO THIS WELL
320.00

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4,500'

19. PROPOSED DEPTH
4,500'

20. ROTARY OR CABLE TOOLS
Rotary

21. ELEVATIONS (Show whether DF, RT, GR, etc.)
5818' (GR)

22. APPROX. DATE WORK WILL START*
July 8, 1991

5. LEASE DESIGNATION AND SERIAL NO.
U-57455

6. IF INDIAN, ALLOTTEE OR TRIBE NAME

7. UNIT AGREEMENT NAME

8. FARM OR LEASE NAME

9. WELL NO.
Pot of Gold #1-1

10. FIELD AND POOL, OR WILDCAT
Wildcat

11. SEC., T., R., M., OR BLK. AND SURVEY OR AREA
Sec 1; T12S; R23E, SLB&M

12. COUNTY OR PARISH
Uintah

13. STATE
Utah

PROPOSED CASING AND CEMENTING PROGRAM

SIZE OF HOLE	SIZE OF CASING	WEIGHT PER FOOT	SETTING DEPTH	QUANTITY OF CEMENT
12 1/4"	9 5/8"	15.5 lb. ^{H-40 30 3# LTC}	300' ^{new}	Determined upon review of Caliper log.
7 5/8"	5 1/2"	15.5 lb.	4,500'	

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AUG 0 2 1991

DIVISION OF
OIL GAS & MINING



* Changes made as per Mark Dolan on 7-30-91
 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 [Signature] TITLE Contract Landman DATE 6-12-91

(This space for Federal or State office use)

PERMIT NO. _____ APPROVAL DATE _____

APPROVED BY [Signature] TITLE ASSISTANT DISTRICT MANAGER MINERALS DATE AUG 0 1 1991

NOTICE OF APPROVAL

CONDITIONS OF APPROVAL ATTACHED TO OPERATOR'S COPY

*See Instructions On Reverse Side

CONDITIONS OF APPROVAL
FOR APPLICATION FOR PERMIT TO DRILL

Company/Operator: Wasatch Gas Development, Inc.

Well Name & Number: Pot of Gold 1-1

Lease Number: U-57455

Location: 1231 'FWL 1198' FNL, Sec. 1, T12S, R23E

Surface Ownership: Public Lands Administered by the BLM

NOTIFICATION REQUIREMENTS

- Location Construction - at least forty-eight (48) hours prior to construction of location and access roads.
- Location Completion - prior to moving on the drilling rig.
- Spud Notice - at least twenty-four (24) hours prior to spudding the well
- Casing String and Cementing - at least twenty-four (24) hours prior to running casing and cementing all casing strings.
- BOP and Related Equipment Tests - at least twenty-four (24) hours prior to initiating pressure tests.
- First Production Notice - within five (5) business days after new well begins or production resumes after well has been off production for more than ninety (90) days.

For more specific details on notification requirements, please check the Conditions of Approval for Notice to Drill and Surface Use Program.

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.

All lease and/or unit operations will be conducted in such a manner that full compliance is made with applicable laws, regulations (43 CFR 3100), Onshore Oil and Gas Orders, and the approved plan of operations. The operator is fully responsible for the actions of his subcontractors. A copy of these conditions will be furnished the field representative to insure compliance.

Be aware fire restrictions may be in effect when location is being constructed and/or when well is being drilled. Contact the appropriate Surface Management Agency for information.

A. DRILLING PROGRAM

1. Estimated Depth at Which Oil, Gas, Water, or Other Mineral Bearing Zones are Expected to be Encountered

Report ALL water shows and water-bearing sands to Tim Ingwell of this office. Copies of State of Utah form OGC-8-X are acceptable. If noticeable water flows are detected, submit samples to this office along with any water analyses conducted.

All usable water and prospectively valuable minerals (as described by BLM at onsite) encountered during drilling, will be recorded by depth and adequately protected. All oil and gas shows will be tested to determine commercial potential.

2. Pressure Control Equipment

The BOP and related equipment shall meet the minimum requirements of onshore Oil and Gas Order No. 2 for equipment and testing requirements, procedures, etc., and individual components shall be operable as designed. Chart recorders shall be used for all pressure tests.

Test charts, with individual test results identified, shall be maintained on location while drilling and shall be made available to a BLM representative upon request.

The Vernal District Office shall be notified, at least twenty-four (24) hours prior to initiating pressure tests, in order to have a BLM representative on location during pressure testing.

3. Casing Program and Auxiliary Equipment

Surface casing shall have centralizers on the bottom three joints, with a minimum of one centralizer per joint.

As a minimum, the usable water and oil shale resources shall be isolated and/or protected by having a cement top for the production casing at least 200 feet above the top of the Mahogany oil shale, identified at + 510 feet.

The Vernal District Office shall be notified at least twenty-four (24) hours prior to the running and cementing of all casing strings, in order to have a BLM representative on location while running and cementing all casing strings.

4. Mud Program and Circulating Medium

Hazardous substances specifically listed by the EPA as a hazardous waste or demonstrating a characteristic of a hazardous waste will not be used in drilling, testing, or completion operations.

No chromate additives will be used in the mud system on Federal and Indian lands without prior BLM approval to ensure adequate protection of fresh water aquifers.

5. Coring, Logging and Testing Program

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

All Drill Stem tests (DST) shall be accomplished during daylight hours, unless specific approval to start during other hours is obtained from the Authorized Officer. However, DSTs may be allowed to continue at night if the test was initiated during daylight hours and the rate of flow is stabilized and if adequate lighting is available (i.e., lighting which is adequate for visibility and vaporproof for safe operations). Packers can be released, but tripping should not begin before daylight unless prior approval is obtained from the Authorized Officer (AO).

A cement bond log (CBL) shall be utilized to determine the top of cement (TOC) and Bond Quality for the production casing.

6. Notifications of Operations

Operator shall report production data to MMS pursuant to 30 CFR 216.5 using form MMS/3160.

The date on which production is commenced or resumed will be construed for oil wells as the date on which liquid hydrocarbons are first sold or shipped from a temporary storage facility, such as a test tank, and for which a run ticket is required to be generated or the date on which liquid hydrocarbons are first produced into a permanent storage facility, whichever first occurs; and, for gas wells, as the date on which associated liquid hydrocarbons are first sold or shipped from a temporary storage facility, such as a test tank, and for which a run ticket is required to be generated, or the date on which gas is first measured through permanent metering facilities, whichever first occurs.

Gas produced from this well may not be vented or flared beyond an initial authorized test period of thirty (30) days or 50 MMCF following its completion, whichever occurs first, without the prior written approval of the AO. Should gas be vented or flared without approval beyond the authorized test period, the operator may be directed to shut-in the well until the gas can be captured or approval to continue venting or flaring as uneconomic is granted and the operator shall be required to compensate the lessor for that portion of the gas vented or flared without approval which is determined to have been avoidably lost.

A schematic facilities diagram, as required by 43 CFR 3162.7-2, 3162.7-3, and 3162.7-4, shall be submitted to the appropriate District Office within thirty (30) days of installation or first production, whichever occurs first. All site security regulations, as specified in Onshore Oil and Gas Order No. 3, shall be adhered to. All product lines entering and leaving hydrocarbon storage tanks will be effectively sealed in accordance with 43 CFR 3162.7-4.

7. Other Information

All loading lines will be placed inside the berm surrounding the tank battery.

All off-lease storage, off-lease measurement, or commingling onlease or off-lease will have prior written approval from the AO.

Gas meter runs for each well will be located within 500 feet of the wellhead. The gas flowline will be buried or anchored down from the wellhead to the meter and 500 feet downstream of the meter run or any production facilities. Meter runs will be housed and/or fenced.

The oil and gas measurement facilities will be installed on the well location. The oil and gas meters will be calibrated 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 AO will be provided with a date and time for the initial meter calibration and all future meter proving schedules. A copy of the meter calibration reports will be submitted to the Vernal District Office. All meter measurement facilities will conform with Onshore Oil & Gas Order No. 4 for liquid hydrocarbons and Onshore Oil & Gas Order No. 5 for natural gas measurement.

The use of materials under BLM jurisdiction will conform to 43 CFR 3610.2-3.

There will be no deviation from the proposed drilling and/or workover program without prior approval from the AO. Safe drilling and operating practices must be observed. All wells, whether drilling, producing, suspended, or abandoned will be identified in accordance with 43 CFR 3162.

"Sundry Notice and Report on Wells" (Form 3160-5) will be filed for approval for all changes of plans and other operations in accordance with 43 CFR 3162.3-2.

Section 102(b)(3) of the Federal Oil and Gas Royalty Management Act of 1982, as implemented by the applicable provisions of the operating regulations at Title 43 CFR 3162.4-1(c), requires that "not later than the 5th business day after any well begins production on which royalty is due anywhere on a lease site or allocated to a lease site, or resumes production in the case of a well which has been off production for more than 90 days, the operator shall notify the authorized officer by letter or sundry notice, Form 3160-5, or orally to be followed by a letter or sundry notice, of the date on which such production has begun or resumed."

If you fail to comply with this requirement in the manner and time allowed, you shall be liable for a civil penalty of up to \$10,000 per violation for each day such violation continues, not to exceed a maximum of 20 days. See Section 109(c)(3) of the Federal Oil and Gas Royalty Management Act of 1982 and the implementing regulations at Title 43 CFR 3162.4-1(b)(5)(ii).

APD approval is valid for a period of one (1) year from the signature date. An extension period may be granted, if requested, prior to the expiration of the original approval period.

In the event after-hours approvals are necessary, please contact one of the following individuals:

Gerald E. Kenczka (801) 781-1190
Petroleum Engineer

Ed Forsman (801) 789-7077
Petroleum Engineer

BLM FAX Machine (801) 789-3634

EPA'S LIST OF NONEXEMPT EXPLORATION AND PRODUCTION WASTES

While the following wastes are nonexempt, they are not necessarily hazardous:

Unused fracturing fluids or acids

Gas plant cooling tower cleaning wastes

Painting wastes

Oil and gas service company wastes such as empty drums, drum rinsate, vacuum truck rinsate, sandblast media, painting wastes, spent solvents, spilled chemicals, and waste acids.

Vacuum truck and drum rinsate from trucks and drums, transporting or containing nonexempt wastes.

Refinery wastes

Liquid and solid wastes generated by crude oil and tank bottom reclaimers

Used equipment lubrication oils

Waste compressor oil, filters, and blowdown

Used hydraulic fluids

Waste solvents

Waste in transportation pipeline-related pits

Caustic or acid cleaners

Boiler cleaning wastes

Boiler refractory bricks

Incinerator ash

Laboratory wastes

Sanitary wastes

Pesticide wastes

Radioactive tracer wastes

Drums, insulation, and miscellaneous solids

B. THIRTEEN POINT SURFACE USE PROGRAM:

1. Planned Access Roads--describe the following and provide a map of suitable scale indicating all necessary access roads (permanent and temporary) to be constructed or reconstructed, showing:
 - a. Length - About 400 feet of existing road will be routed through the proposed pad during drilling activities. The present alignment will be modified to avoid interfering with drilling activities more than necessary. At the conclusion of drilling when the reserve pit is backfilled, the road will be restored to approximately its original alignment.

All travel will be confined to existing access road rights-of-way.

Access roads and surface disturbing activities will conform to standards outlined in the Bureau of Land Management and Forest Service publication: Surface Operating Standards for Oil and Gas Exploration and Development, (1989).

The road shall be constructed/upgraded to meet the standards of the anticipated traffic flow and all-weather road requirements. Construction/upgrading shall include ditching, draining, graveling, crowning, and capping the roadbed as necessary to provide a well constructed safe road. Prior to upgrading, the road shall be cleared of any snow cover and allowed to dry completely. Traveling off the 30 foot right-of-way will not be allowed. Road drainage crossings shall be of the typical dry creek drainage crossing type. Crossings shall be designed so they will not cause siltation or accumulation of debris in the drainage crossing nor shall the drainages be blocked by the roadbed. Erosion of drainage ditches by runoff water shall be prevented by diverting water off at frequent intervals by means of cutouts. Upgrading shall not be allowed during muddy conditions. Should mud holes develop, they shall be filled in and detours around them avoided.

2. Location of Existing and/or Proposed Facilities

If storage facilities/tank batteries are constructed on this lease, the facility/battery or the well pad shall be surrounded by a containment dike of sufficient capacity to contain, at a minimum, the entire content of the largest tank within the facility/battery, unless more stringent protective requirements are deemed necessary by the authorized officer.

All permanent (on site for six months or longer) structures constructed or installed (including pumping units) will be painted a flat, non-reflective, earthtone color to match one of the standard environmental colors, as determined by the Rocky Mountain Five State Interagency Committee. All facilities will be painted within 6 months of installation. Facilities required to comply with O.S.H.A. (Occupational Safety and Health Act) will be excluded.

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

3. Methods for Handling Waste Disposal

*Burning will not be allowed. All trash must be contained in a trash cage and hauled away to an approved disposal site at the completion of the drilling activities.

On BLM administered lands:

The reserve pit shall be constructed so as not to leak, break, or allow discharge.

The reserve pit shall be lined to conserve water during drilling and prevent loss of drilling fluids by seepage.

"If a plastic nylon reinforced liner is used, it will be a minimum of 10 mil thickness with sufficient bedding (either straw or dirt) to cover any rocks. The liner will overlap the pit walls and be covered with dirt and/or rocks to hold it in place. No trash, scrap pipe, etc., that could puncture the liner will be disposed of in the pit. More stringent protective requirements may be deemed necessary by the A.O."

After first production, produced waste water will be confined to a lined pit or storage tank for a period not to exceed ninety (90) days. During the 90 day period, in accordance with NTL-2B, an application for approval of a permanent disposal method and location, along with required water analysis, shall be submitted for the AO's approval. Failure to file an application within the time allowed will be considered an incident of noncompliance.

4. Well Site Layout--provide a plat (not less than 1" = 50') showing:

- a. Cross-sections of proposed drill pad with approximate cuts and fills and the relation to topography.
- b. Location of mud tanks, reserve, and flare pits, pipe racks, living facilities, and soil material stockpiles, etc. (Approval as used in this section means field approval of location.)
- c. Rig orientation, parking areas, and access roads, etc.

The reserve pit will be located on the west side of the pad. The layout diagram is inaccurate. There is not sufficient room to route the road west of the location. It must be routed east through the location.

The flare pit will be located downwind of the prevailing wind direction near the northwest corner of the pad, a minimum of 100 feet from the well head and 30 feet from the reserve pit fence as shown on the layout diagram.

The stockpiled topsoil (first six inches) will be stored on the north side of the location near stakes #7.

Access to the well pad will be from a slight modification to the present road. It would avoid the reserve pit and drilling rig by passing on the east side of them.

The east side of the pad shall begin 5 feet west of that shown on the layout diagram.

Soil compacted earthen berm(s) shall be placed on the east edge of the pad to help keep fill dirt and traffic out of the wash which is about 10 feet below the pad. This would allow about 10 feet of buffer between the wash and the berm at the edge of the pad.

Fencing Requirements

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

- a. 39-inch net wire shall be used with at least one strand of barbed wire on top of the net wire (barbed wire is not necessary if pipe or some type of reinforcement rod is attached to the top of the entire fence).
- b. The net wire shall be no more than 2-inches above the ground. The 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 feet.
- e. All wire shall be stretched, by using a stretching device, before it is attached to the corner posts.

The reserve pit fencing will be on three sides during drilling operations and on the fourth side when the rig moves off the location. Pits will be fenced and maintained until clean-up.

5. Plans for Restoration of Surface

a. Producing Location

Immediately upon well completion, the location and surrounding area will be cleared of all unused tubing, equipment, debris, materials, trash, and junk not required for production.

Immediately upon well completion, any hydrocarbons on the pit shall be removed in accordance with 43 CFR 3162.7-1.

If a plastic nylon reinforced liner is used, it shall be torn and perforated before backfilling of the reserve pit.

The reserve pit and that portion of the location not needed for production facilities/operations will be recontoured to the approximate natural contours. The reserve pit will be reclaimed within one year from the date of well completion. Before any dirt work takes place, the reserve pit must be completely dry and all cans, barrels, pipe, etc., will be removed.

Contact appropriate surface management agency for required seed mixture.

b. Dry Hole/Abandoned Location

At such time as the well is plugged and abandoned, the operator shall submit a subsequent report of abandonment and BLM will attach the appropriate surface rehabilitation conditions of approval.

6. Other Additional Information

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

-whether the materials appear eligible for the National Register of Historic Places;

-the mitigation measures the operator will likely have to undertake before the site can be used (assuming in situ preservation is not necessary); and

-a time frame for the AO to complete an expedited review under 36 CFR 800.11 to confirm, through the State Historic Preservation Officer, that the findings of the AO are correct and that mitigation is appropriate.

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

- b. The operator will control noxious weeds along rights-of-way for roads, pipelines, well sites, or other applicable facilities. A list of noxious weeds may be obtained from the BLM, or the appropriate County Extension Office. On BLM administered land it is required that a Pesticide Use Proposal shall be submitted, and given approval, prior to the application of herbicides or other pesticides or possible hazardous chemicals.
- c. Drilling rigs and/or equipment used during drilling operations on this wellsite will not be stacked or stored on Federal Lands after the conclusion of drilling operations or at any other time without BLM authorization. However, if BLM authorization is obtained, it is only a temporary measure to allow time to make arrangements for permanent storage on commercial facilities. (The BLM does not seek to compete with private industry. There are commercial facilities available for stacking and storing drilling rigs.)

Additional Surface Stipulations

When the pit is backfilled the road will be restored as closely as possible to its previous alignment but some modifications for production facilities may be required.

All lease and/or unit operations will be conducted in such a manner that full compliance is made with all applicable laws, regulations, Onshore Oil and Gas Orders, the approved plan of operations, and any applicable Notice to Lessees. The operator is fully responsible for the actions of his subcontractors. A copy of these conditions will be furnished the field representative to insure compliance.

A complete copy of the approved APD and ROW grant, if applicable, shall be on location during construction of the location and drilling activities.

The operator or his/her contractor shall contact the BLM Office at (801) 789-1362 forty-eight (48) hours prior to construction activities.

The BLM Office shall be notified upon site completion prior to moving on the drilling rig.

3160
UT08438

August 1, 1991

Wasatch Gas Development, Inc.
1455 Riverchon Plaza
3500 Maple Avenue
Dallas, TX 75219

Re: Well No. Pot of Gold 1-1
NWW, Sec. 1, T12S, R23E
Lease No. U-57455
Utah County, Utah

Gentlemen:

Enclosed is an approved copy of the Application for Permit to Drill for the above referenced well.

A copy of the approved APD was also sent to Mark S. Dolar, 9035 South 700 East, Sandy, Utah, 84070.

If you have any questions concerning this matter, please contact Sally Gardiner of this office at (801) 789-1362.

Sincerely,

Howard B. Cleavinger II
Assistant District Manager
for Minerals

Enclosure

cc: Mark Dolar

bcc: Reading File
Well File
Central File

SGardiner:lds:01716:7.31.91

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DIVISION OF
OIL GAS & MINING

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AUG 06 1991

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

Bond Number

OIL AND GAS OR GEOTHERMAL LEASE BOND

Act of February 25, 1920 (30 U.S.C. 181 et seq.)
Act of August 7, 1947 (30 U.S.C. 351-359)
Department of the Interior Appropriations Act, FY 1981 (42 U.S.C. 6508)
Act of December 24, 1970 (30 U.S.C. 1001-1025)
Other Oil and Gas and Geothermal Leasing Authorities as Applicable

DIVISION OF
OIL GAS & MINING

Lease Serial Number (For Individual Bond Only)

E: OIL AND GAS GEOTHERMAL RESOURCES

BOND

BY THESE PRESENTS, THAT Wasatch Gas Development, Inc.

(name)

Reverchon Plaza, 3500 Maple Ave., Dallas, Texas 75219

(address)

and Crown Charter National Bank (letter of credit number 165)

(name)

x Building, P.O. Box 191069, Dallas, Texas 75219

(address)

as surety.

firmly bound unto the United States of America in the sum of Twenty Five Thousand and No/100

dollars (\$ 25,000.00).

of the United States, which may be increased or decreased by a rider hereto executed in the same manner as this bond.

AL BOND

BY THESE PRESENTS, That _____

(name)

(address)

as principal, is held and firmly

bound unto the United States of America in the sum of _____

dollars (\$ _____)

), lawful money of the United States which sum may be

increased by a rider hereto executed in the same manner as this bond.

In order to more fully secure the United States in the payment of the aforesaid sum, hereby pledges as security therefore United States negotiable securities of a par value equal to the sum specified. The principal, pursuant to the authority conferred by Section 1 of the Act of September 13, 1982 (31 U.S.C. 9303), does hereby constitute and appoint the Secretary of the Interior as his attorney. The interest accruing on the United States securities deposited, in the absence of any default in the performance of any of the conditions, or stipulations set forth in the instrument(s) granting rights and interests in Federal lands, must be paid to the principal. The principal hereby for himself, his heirs, executors, administrators, assigns, joint and severally, ratifies and confirms whatever the Secretary shall do by virtue of these presents.

The Secretary shall apply this bond or the Secretary shall transfer this deposit as security for the faithful performance of any and all of the conditions and stipulations as set forth in this instrument(s) granting rights and interests in Federal lands. In the case of any default in the performance of the conditions and stipulations of such undertaking, it is agreed that: (1) the surety/principal shall apply the bond or any portion thereof; (2) for a Personal Bond, the Secretary shall have full power to assign, appropriate, apply or transfer the deposit thereof, to the satisfaction of any damages, assessments, late payment charges, penalties, or deficiencies arising by reason of such default.

This bond is required for the use and benefit of (1) the United States; (2) the owner of any of the land subject to the coverage of this bond, who has a statutory right to compensation in connection with the oil and gas and geothermal deposits to the United States; (3) any lessee, permittee, or contractor, under a lease, permit, or resource sale contract issued, or to be issued, covering the same land subject to this bond, covering the use of the surface or the prospecting for, or the development of other mineral deposits in any portion of such land, United States. For such payment, well and truly to be made, we bind ourselves and each of our heirs, executors, administrators, successors, and assigns, jointly and severally,

to cover all surface disturbing activities related to drilling operations on a Federal leasehold(s) in accordance with authorization(s) granted under the Acts cited above for:

- IDE BOND - Operations conducted by or on behalf of the principal(s) or on the leasehold(s) of the principal(s) in the United States, including the National Petroleum Reserve in Alaska (NPR-A) when a rider sufficient to bring the amount in conformance with 43 CFR 11.14 is provided, and provided a rider is obtained, also coverage of multiple exploration operations.
- IE BOND - Operations conducted by or on behalf of the principal(s) or on the leasehold(s) of the principal(s), except the NPR-A, and, provided a rider is obtained, also coverage of multiple exploration operations within the single state of _____.
- IL BOND - Operations conducted by or on behalf of the principal or on the leasehold of the principal on the single lease identified by the serial number above.
- PETROLEUM RESERVE IN ALASKA (NPR-A) BOND - This bond shall cover _____.
- LEASE BOND - The terms and conditions of a single lease.
- LEASE BOND - The terms and conditions of all leases, and provided a rider is obtained, coverage of multiple exploration operations.

(reverse)

BOND CONDITIONS

The conditions of the foregoing obligations are such that

1. WHEREAS the principal has an interest in a lease(s) and/or responsibility for operations on a lease(s) issued under the Acts cited in this bond; and

2. WHEREAS the principal and surety agree(s) that with notice to the surety the coverage of this bond, in addition to the present holdings of and/or authorization(s) granted to the principal, shall extend to and include:

a. Any lease(s) hereafter issued to or acquired by the obligor/principal, except under individual lease bonds, the coverage is to be confined to the principal's holdings(s) and/or authorization(s) granted under the Acts cited in this bond, and to become effective immediately upon such authorization, approval or issuance of a transfer in favor of the principal; and

b. Any transfer(s) of operating rights hereafter entered into or acquired by the principal affecting lease(s); and

c. Any activity subsequent hereto of the principal as operator under a lease(s) issued pursuant to the Acts cited in this bond, and

Provided, That the surety may elect to terminate the additional coverage authorized under this paragraph. Such termination will become effective 30 days after the BLM receives notice of the election to terminate. After the termination becomes effective, the additional interest(s) identified in this paragraph will not be covered by this bond, and

3. WHEREAS the principal and surety agree(s) that with notice to the surety that this bond shall remain in full force and effect notwithstanding; Any assignment(s) of an undivided interest in any part or all of the lands in the lease(s) in which event the assignee(s) shall be considered to be coprincipal(s) on an individual or NPR-A bond as fully and to the same extent as though his/her or their duly, authenticated signatures appeared thereon; and

4. WHEREAS the obligor/surety hereby waives any right to notice of, and agrees that this bond shall remain in full force and effect notwithstanding:

a. Any assignment(s) of 100% of some of the lands described in the lease(s), the bond to remain in full force and effect only as to the lands retained in the lease(s); and

b. Any transfer(s) either in whole or in part, of any or all of the operating rights and further agrees to remain bound under this bond as to the interests in the operating rights retained by the principal; and

c. Any modification of a lease or operating right, or obligation thereunder, whether made or effected by commitment of lease or operating right to unit, cooperative, communitization or storage agreements, or development contracts, suspensions of oper-

ations or production, waivers, suspensions or changes in rental, minimum royalty and royalties, compensatory royalty payments, or otherwise; and

d. Any extension of a lease(s) covered by this bond, such coverage to continue without any interruption due to the expiration of the term set forth in the lease(s); and

5. WHEREAS the principal and surety hereby agree(s) that notwithstanding the termination, expiration, cancellation or relinquishment of any lease(s), whether by operation of law or otherwise, the bond shall remain in full force and effect as to the terms and conditions of all remaining leases and obligations covered by the bond; and

6. WHEREAS the principal, as to any lease or part of a lease for land on which he/she is the operator, in consideration of being permitted to furnish this bond in lieu of the lessee(s) or operating rights owner(s), agrees and by these presents does hereby bind himself herself to fulfill on behalf of each lessee or operating rights owner all obligations of such for the entire leasehold in the same manner and to the same extent as though he/she were lessee or operating rights owner; and

7. WHEREAS the obligor/principal and surety agree(s) that the neglect or forbearance of said lessor in enforcing, as against any responsible party, the payment of rentals or royalties or the performance of any other term or condition of the lease(s) shall not, in any way, release the principal and surety, or either of them from any liability under this bond; and

8. WHEREAS the principal and surety agree(s) that in the event of any default under the lease(s) the lessor may commence and prosecute any claim, suit, or other proceeding against the principal and surety or either of them, without the necessity of joining the lessee(s); and

9. WHEREAS if the principal fails to comply with any provisions of an oil and gas lease, and the noncompliance continues for thirty (30) days after written notice thereof, such lease shall be subject to cancellation and the principal shall also be subject to applicable provisions and penalties of the Federal Oil and Gas Royalty Management Act (30 U.S.C. 1701 et seq.) or the Federal Onshore Oil and Gas Leasing Reform Act. This provision shall not be construed to prevent the exercise by the United States of any other legal and equitable remedy, including waiver of the default.

10. NOW, THEREFORE If said principal, his/her heirs, executors, administrators, successors, or assigns shall in all respects faithfully comply with all of the provisions of the instrument(s) granting rights and interests in Federal lands referred to above, then the obligations are to be void; otherwise to remain in full force and effect.

Signed this 10th day of July

19 91 in the presence of:

NAMES AND ADDRESSES OF WITNESSES

Harti M. Morley

HEIDI MORLEY, 3500 MAPLE AVE #1455 DALLAS, TX 75219

Crown Charter National Bank

By: Doris Stiff, Cashier

WATSON GAS DEVELOPMENT, INC. W.S. MONTGOMERY, V.P. PRES. 3500 MAPLE AVENUE ST. 1455 DALLAS TX 75219

(Principal)

Crown Charter National Bank

By: Sharon Berg, Administrative Officer 2651 N. Harwood, Dallas, Texas 75201

(Business Address)

If this bond is executed by a corporation, it must bear the seal of that corporation

IRREVOCABLE LETTER OF CREDITNo.: 165

Date Filed: _____

Issuing Financial: Crown Charter National
Institution al BankAddress : 2651 N. Harwood
City, State, Zip : Dallas, Texas
75201

Date Issued : July 10, 1991

Gentlemen:

On behalf of Wasatch Gas Development, Inc., 1455 Reverchon Plaza, 3500 Maple Avenue, Dallas, TX, 75219, as obligor, we, Crown Charter National, hereafter referred to as "bank", hereby establish and irrevocable Letter of Credit in favor of the Bureau of Land Management (BLM) and agree to pay upon demand by and to the Department of the Interior-BLM, up to an aggregate amount of Twenty-Five Thousand Dollars, U.S. (\$25,000.00 U.S.), upon receipt of a written demand therefor by an authorized officer of the BLM retaining the personal bond of the obligor whose bond this Letter serves as security pursuant to 43 CFR Section 3104.1.

This Letter of Credit is effective July 9, 1991 and will expire at midnight July 9, 1992; however, this credit will automatically be extended for periods of 1 (one) year(s) from any such scheduled expiration date, as originally scheduled or a automatically extended by the provision, unless 90 days prior to such date, we notify the BLM office originally accepting this Letter by Certified Mail-Return Receipt Requested, that we elect not to renew this Letter for such additional period.

Upon receipt by the BLM of such as notice from us not to renew this Letter, BLM may draw on us at sight for up to the amount of this Letter of Credit, prior to the expiration thereof, provided that such draft is accompanied by a statement signed by an authorized officer of the BLM to the effect that no satisfactory replacement bond has been provided by the obligor prior to 30 days before this Letter of Credit expires, pursuant to 43 CFR 3104.1 (c)(5)(ii).

It is also understood that, at any time this Letter of Credit is in effect, an authorized officer of the BLM may draw on this Letter of Credit for any amount, up to the full amount of this Letter to cover any default in obligations covered by the bond, including but not limited to, rentals, royalties, and appropriate reclamation of lands associated with development of oil and gas in any lease(s) to which the bond applies. Such drawing shall be accompanied by a statement signed by an authorized officer of the BLM to the effect that the obligor has been determined to be in default and the amount drawn represents the reasonable amount, as determined by BLM, of such default.

It shall not be required for the BLM, in order to draw on this Letter of Credit to furnish the original Letter; however, it is understood, as a condition of any payment thereunder that the face amount of the Letter shall automatically be reduced by any payment made by the bank and that the BLM will promptly surrender the original Letter when and if the bank shall tender to the BLM the full amount of funds represented by this Letter; such surrender to occur as soon as reasonably practical after full payment is made. The original Letter shall also be surrendered promptly following its expiration provided that no drawing on such Letter was made prior to such expiration.

We promise that the amount of credit herein established will not be reduced for any reason during the effectiveness of this Letter without the prior written approval of the BLM. We shall give prompt notice to the BLM of any notice received or action filed alleging the insolvency or bankruptcy of us, the bank issuing this Letter, or alleging any violations of the regulatory requirements which could result in suspension or revocation of our charter or license to do business as a bank. We shall also give prompt notice to the BLM of any notice we receive alleging the insolvency or bankruptcy of the Obligor on whose behalf this Letter is written.

In the event that we, the bank, become unable to fulfill our obligations under this Letter of Credit for any reason, notice shall be given immediately to the Obligor and the BLM.

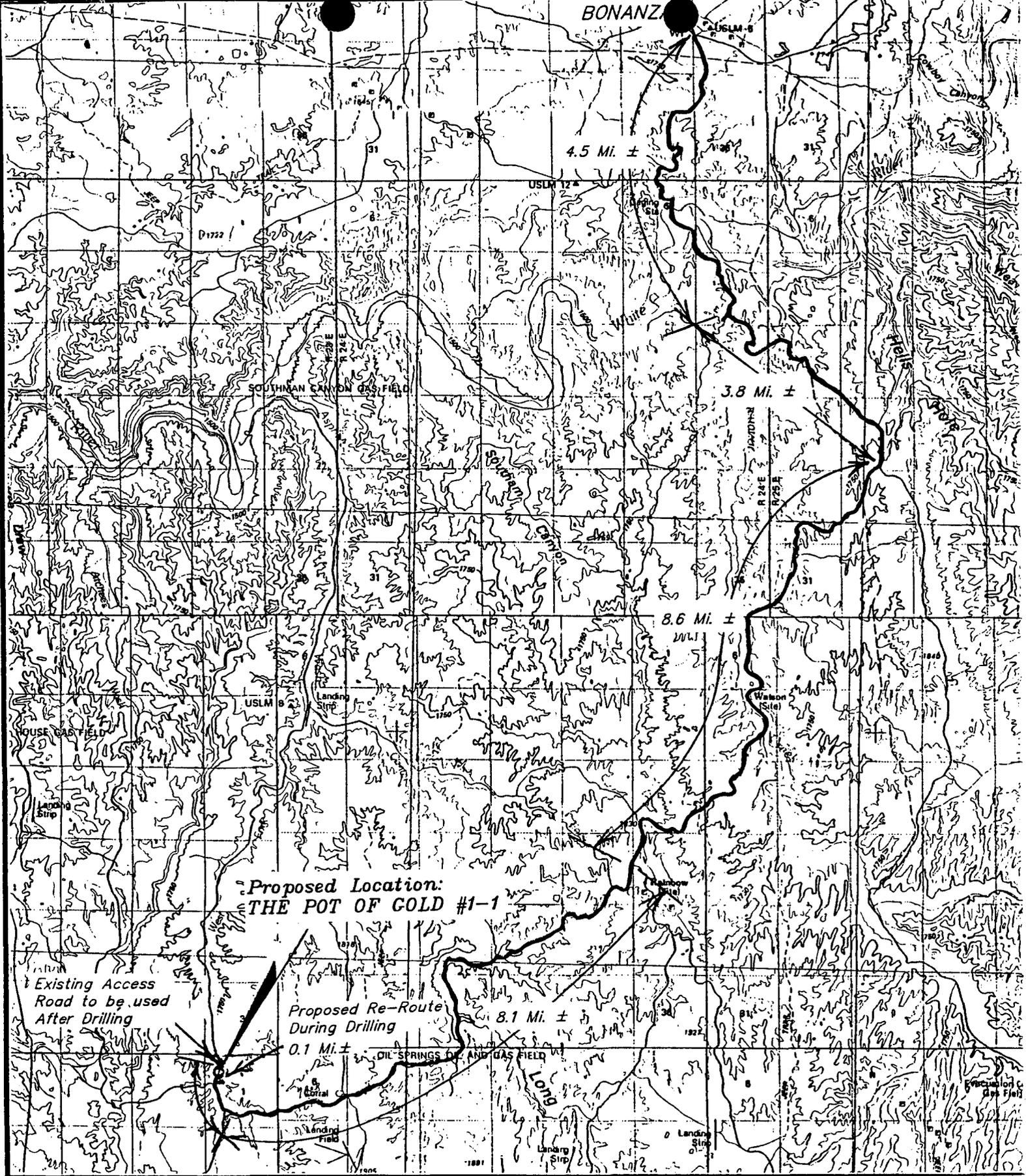
We certify that we have received a copy of the personal bond which the Obligor will file with the BLM and we understand that this Letter of Credit may be used, until it expires as a result of notice we give to the BLM, for all matters to which the bond applies. We also certify that the deposits of this bank are Federally Insured under FDIC. The authorized officer of the BLM as used above is : Chief, Minerals Adjudication Section, 324 South State Street, Suite 301, Salt Lake City, Utah 84111-2303.

CROWN CHARTER NATIONAL BANK
ATTEST: Doris Stitt
Title: Doris Stitt, Cashier

CROWN CHARTER NATIONAL BANK
NAME OF FINANCIAL INSTITUTION
BY: Sharon Berg
Sharon Berg, Administrative Officer
(Typed Name and Title of Officer)

The Letter of Credit should bear the Seal of issuing bank. If the laws of the State under which the bank is chartered do not require a seal for the bank, a statement may be substituted that the bank has no seal and is not required to have one by virtue of Statutory Citation _____

If desired, the bank may complete any acknowledgment appropriate for the State in which the Letter is issued. Acknowledgment is not required.



**TOPOGRAPHIC
MAP "A"**

DATE: 5-21-91 R.E.H.



WASATCH GAS DEVELOPMENT, INC.

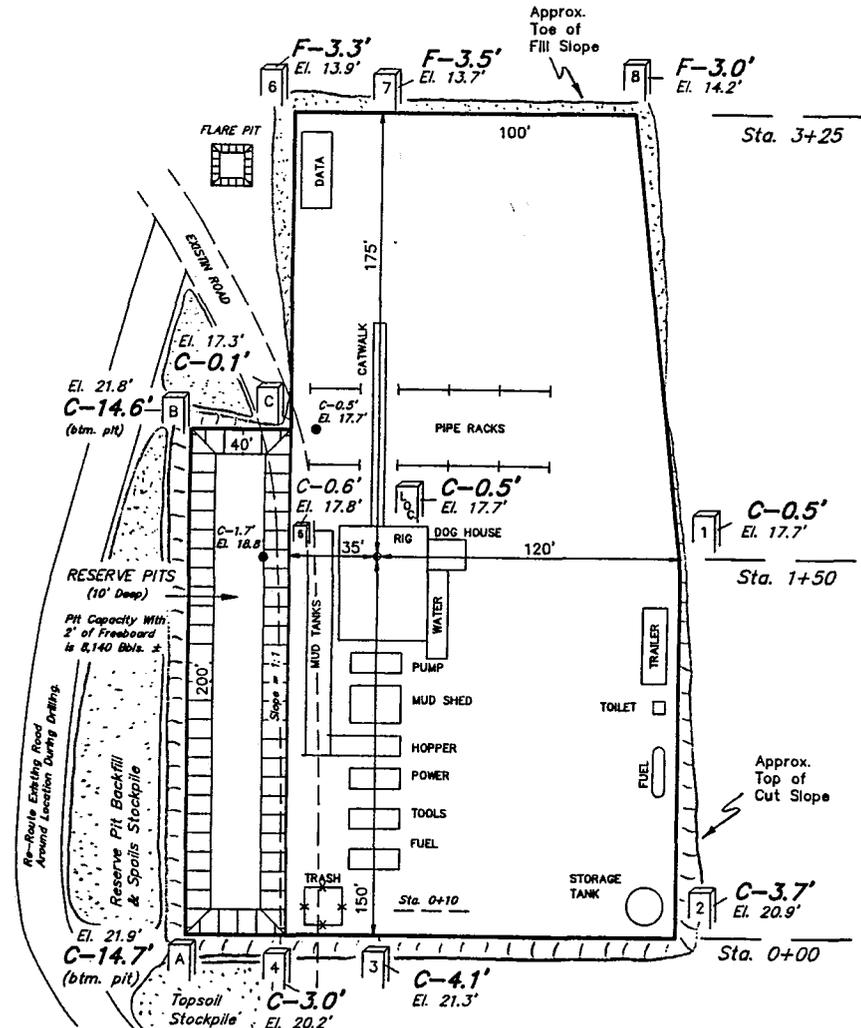
THE POT OF GOLD #1-1
SECTION 1, T12S, R23E, S.L.B.&M.

REVISED: 6-3-91 R.E.H.

WASATCH GAS DEVELOPMENT INC.

LOCATION LAYOUT FOR

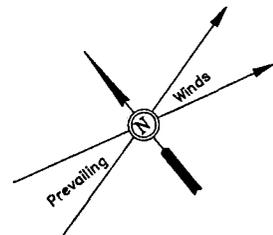
THE POT OF GOLD #1-1
SECTION 1, T12S, R23E, S.L.B.&M.



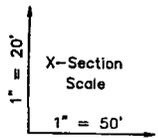
APPROXIMATE YARDAGES

(6") Topsoil Stripping	= 1,080 Cu. Yds.
Remaining Location	= 4,960 Cu. Yds.
TOTAL CUT	= 6,040 CU.YDS.

EXCESS MATERIAL AFTER 5% COMPACTION	= 4,110 Cu. Yds.
Topsoil & Pit Backfill (1/2 Pit Vol.)	= 2,140 Cu. Yds.
EXCESS UNBALANCE (After Rehabilitation)	= 1,970 Cu. Yds.

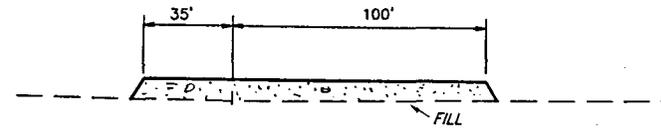


SCALE: 1" = 50'
DATE: 5-20-91
Drawn By: T.D.H.
REVISED: 6-3-91

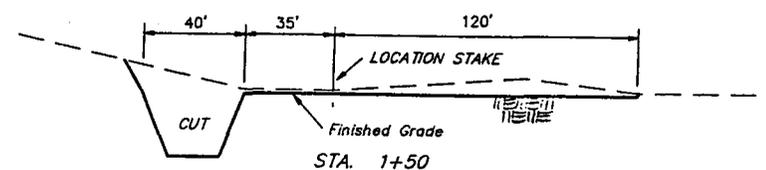


TYP. LOCATION LAYOUT

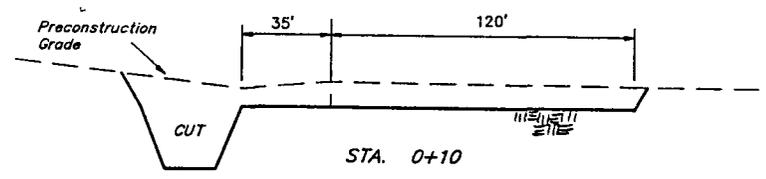
TYP. CROSS SECTIONS



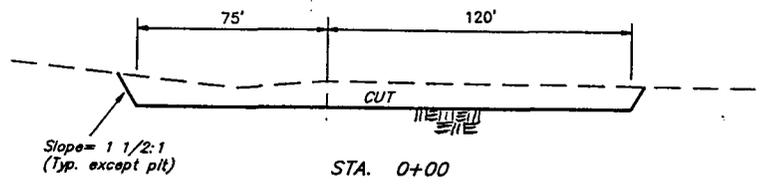
STA. 3+25



STA. 1+50



STA. 0+10



STA. 0+00

Elev. Ungraded Ground at Location Stake = 5817.7'

Elev. Graded Ground at Location Stake = 5817.2'

CONDITIONS OF APPROVAL
FOR APPLICATION FOR PERMIT TO DRILL

Company/Operator: Wasatch Gas Development, Inc.

Well Name & Number: Pot of Gold 1-1

Lease Number: U-57455

Location: 1231 'FWL 1198' FNL, Sec. 1, T12S, R23E

Surface Ownership: Public Lands Administered by the BLM

NOTIFICATION REQUIREMENTS

- Location Construction - at least forty-eight (48) hours prior to construction of location and access roads.
- Location Completion - prior to moving on the drilling rig.
- Spud Notice - at least twenty-four (24) hours prior to spudding the well
- Casing String and Cementing - at least twenty-four (24) hours prior to running casing and cementing all casing strings.
- BOP and Related Equipment Tests - at least twenty-four (24) hours prior to initiating pressure tests.
- First Production Notice - within five (5) business days after new well begins or production resumes after well has been off production for more than ninety (90) days.

For more specific details on notification requirements, please check the Conditions of Approval for Notice to Drill and Surface Use Program.

RECEIVED

AUG 06 1991

DIVISION OF
OIL GAS & MINING

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.

All lease and/or unit operations will be conducted in such a manner that full compliance is made with applicable laws, regulations (43 CFR 3100), Onshore Oil and Gas Orders, and the approved plan of operations. The operator is fully responsible for the actions of his subcontractors. A copy of these conditions will be furnished the field representative to insure compliance.

Be aware fire restrictions may be in effect when location is being constructed and/or when well is being drilled. Contact the appropriate Surface Management Agency for information.

A. DRILLING PROGRAM

1. Estimated Depth at Which Oil, Gas, Water, or Other Mineral Bearing Zones are Expected to be Encountered

Report ALL water shows and water-bearing sands to Tim Ingwell of this office. Copies of State of Utah form OGC-8-X are acceptable. If noticeable water flows are detected, submit samples to this office along with any water analyses conducted.

All usable water and prospectively valuable minerals (as described by BLM at onsite) encountered during drilling, will be recorded by depth and adequately protected. All oil and gas shows will be tested to determine commercial potential.

2. Pressure Control Equipment

The BOP and related equipment shall meet the minimum requirements of onshore Oil and Gas Order No. 2 for equipment and testing requirements, procedures, etc., and individual components shall be operable as designed. Chart recorders shall be used for all pressure tests.

Test charts, with individual test results identified, shall be maintained on location while drilling and shall be made available to a BLM representative upon request.

The Vernal District Office shall be notified, at least twenty-four (24) hours prior to initiating pressure tests, in order to have a BLM representative on location during pressure testing.

3. Casing Program and Auxiliary Equipment

Surface casing shall have centralizers on the bottom three joints, with a minimum of one centralizer per joint.

As a minimum, the usable water and oil shale resources shall be isolated and/or protected by having a cement top for the production casing at least 200 feet above the top of the Mahogany oil shale, identified at ± 510 feet.

The Vernal District Office shall be notified at least twenty-four (24) hours prior to the running and cementing of all casing strings, in order to have a BLM representative on location while running and cementing all casing strings.

4. Mud Program and Circulating Medium

Hazardous substances specifically listed by the EPA as a hazardous waste or demonstrating a characteristic of a hazardous waste will not be used in drilling, testing, or completion operations.

No chromate additives will be used in the mud system on Federal and Indian lands without prior BLM approval to ensure adequate protection of fresh water aquifers.

5. Coring, Logging and Testing Program

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

All Drill Stem tests (DST) shall be accomplished during daylight hours, unless specific approval to start during other hours is obtained from the Authorized Officer. However, DSTs may be allowed to continue at night if the test was initiated during daylight hours and the rate of flow is stabilized and if adequate lighting is available (i.e., lighting which is adequate for visibility and vaporproof for safe operations). Packers can be released, but tripping should not begin before daylight unless prior approval is obtained from the Authorized Officer (AO).

A cement bond log (CBL) shall be utilized to determine the top of cement (TOC) and Bond Quality for the production casing.

6. Notifications of Operations

Operator shall report production data to MMS pursuant to 30 CFR 216.5 using form MMS/3160.

The date on which production is commenced or resumed will be construed for oil wells as the date on which liquid hydrocarbons are first sold or shipped from a temporary storage facility, such as a test tank, and for which a run ticket is required to be generated or the date on which liquid hydrocarbons are first produced into a permanent storage facility, whichever first occurs; and, for gas wells, as the date on which associated liquid hydrocarbons are first sold or shipped from a temporary storage facility, such as a test tank, and for which a run ticket is required to be generated, or the date on which gas is first measured through permanent metering facilities, whichever first occurs.

Gas produced from this well may not be vented or flared beyond an initial authorized test period of thirty (30) days or 50 MMCF following its completion, whichever occurs first, without the prior written approval of the AO. Should gas be vented or flared without approval beyond the authorized test period, the operator may be directed to shut-in the well until the gas can be captured or approval to continue venting or flaring as uneconomic is granted and the operator shall be required to compensate the lessor for that portion of the gas vented or flared without approval which is determined to have been avoidably lost.

A schematic facilities diagram, as required by 43 CFR 3162.7-2, 3162.7-3, and 3162.7-4, shall be submitted to the appropriate District Office within thirty (30) days of installation or first production, whichever occurs first. All site security regulations, as specified in Onshore Oil and Gas Order No. 3, shall be adhered to. All product lines entering and leaving hydrocarbon storage tanks will be effectively sealed in accordance with 43 CFR 3162.7-4.

7. Other Information

All loading lines will be placed inside the berm surrounding the tank battery.

All off-lease storage, off-lease measurement, or commingling onlease or off-lease will have prior written approval from the AO.

Gas meter runs for each well will be located within 500 feet of the wellhead. The gas flowline will be buried or anchored down from the wellhead to the meter and 500 feet downstream of the meter run or any production facilities. Meter runs will be housed and/or fenced.

The oil and gas measurement facilities will be installed on the well location. The oil and gas meters will be calibrated 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 AO will be provided with a date and time for the initial meter calibration and all future meter proving schedules. A copy of the meter calibration reports will be submitted to the Vernal District Office. All meter measurement facilities will conform with Onshore Oil & Gas Order No. 4 for liquid hydrocarbons and Onshore Oil & Gas Order No. 5 for natural gas measurement.

The use of materials under BLM jurisdiction will conform to 43 CFR 3610.2-3.

There will be no deviation from the proposed drilling and/or workover program without prior approval from the AO. Safe drilling and operating practices must be observed. All wells, whether drilling, producing, suspended, or abandoned will be identified in accordance with 43 CFR 3162.

"Sundry Notice and Report on Wells" (Form 3160-5) will be filed for approval for all changes of plans and other operations in accordance with 43 CFR 3162.3-2.

Section 102(b)(3) of the Federal Oil and Gas Royalty Management Act of 1982, as implemented by the applicable provisions of the operating regulations at Title 43 CFR 3162.4-1(c), requires that "not later than the 5th business day after any well begins production on which royalty is due anywhere on a lease site or allocated to a lease site, or resumes production in the case of a well which has been off production for more than 90 days, the operator shall notify the authorized officer by letter or sundry notice, Form 3160-5, or orally to be followed by a letter or sundry notice, of the date on which such production has begun or resumed."

If you fail to comply with this requirement in the manner and time allowed, you shall be liable for a civil penalty of up to \$10,000 per violation for each day such violation continues, not to exceed a maximum of 20 days. See Section 109(c)(3) of the Federal Oil and Gas Royalty Management Act of 1982 and the implementing regulations at Title 43 CFR 3162.4-1(b)(5)(ii).

APD approval is valid for a period of one (1) year from the signature date. An extension period may be granted, if requested, prior to the expiration of the original approval period.

In the event after-hours approvals are necessary, please contact one of the following individuals:

Gerald E. Kenczka (801) 781-1190
Petroleum Engineer

Ed Forsman (801) 789-7077
Petroleum Engineer

BLM FAX Machine (801) 789-3634

EPA'S LIST OF NONEXEMPT EXPLORATION AND PRODUCTION WASTES

While the following wastes are nonexempt, they are not necessarily hazardous:

Unused fracturing fluids or acids

Gas plant cooling tower cleaning wastes

Painting wastes

Oil and gas service company wastes such as empty drums, drum rinsate, vacuum truck rinsate, sandblast media, painting wastes, spend solvents, spilled chemicals, and waste acids.

Vacuum truck and drum rinsate from trucks and drums, transporting or containing nonexempt wastes.

Refinery wastes

Liquid and solid wastes generated by crude oil and tank bottom reclaimers

Used equipment lubrication oils

Waste compressor oil, filters, and blowdown

Used hydraulic fluids

Waste solvents

Waste in transportation pipeline-related pits

Caustic or acid cleaners

Boiler cleaning wastes

Boiler refractory bricks

Incinerator ash

Laboratory wastes

Sanitary wastes

Pesticide wastes

Radioactive tracer wastes

Drums, insulation, and miscellaneous solids

B. THIRTEEN POINT SURFACE USE PROGRAM:

1. Planned Access Roads--describe the following and provide a map of suitable scale indicating all necessary access roads (permanent and temporary) to be constructed or reconstructed, showing:
 - a. Length - About 400 feet of existing road will be routed through the proposed pad during drilling activities. The present alignment will be modified to avoid interfering with drilling activities more than necessary. At the conclusion of drilling when the reserve pit is backfilled, the road will be restored to approximately its original alignment.

All travel will be confined to existing access road rights-of-way.

Access roads and surface disturbing activities will conform to standards outlined in the Bureau of Land Management and Forest Service publication: Surface Operating Standards for Oil and Gas Exploration and Development, (1989).

The road shall be constructed/upgraded to meet the standards of the anticipated traffic flow and all-weather road requirements. Construction/upgrading shall include ditching, draining, graveling, crowning, and capping the roadbed as necessary to provide a well constructed safe road. Prior to upgrading, the road shall be cleared of any snow cover and allowed to dry completely. Traveling off the 30 foot right-of-way will not be allowed. Road drainage crossings shall be of the typical dry creek drainage crossing type. Crossings shall be designed so they will not cause siltation or accumulation of debris in the drainage crossing nor shall the drainages be blocked by the roadbed. Erosion of drainage ditches by runoff water shall be prevented by diverting water off at frequent intervals by means of cutouts. Upgrading shall not be allowed during muddy conditions. Should mud holes develop, they shall be filled in and detours around them avoided.

2. Location of Existing and/or Proposed Facilities

If storage facilities/tank batteries are constructed on this lease, the facility/battery or the well pad shall be surrounded by a containment dike of sufficient capacity to contain, at a minimum, the entire content of the largest tank within the facility/battery, unless more stringent protective requirements are deemed necessary by the authorized officer.

All permanent (on site for six months or longer) structures constructed or installed (including pumping units) will be painted a flat, non-reflective, earthtone color to match one of the standard environmental colors, as determined by the Rocky Mountain Five State Interagency Committee. All facilities will be painted within 6 months of installation. Facilities required to comply with O.S.H.A. (Occupational Safety and Health Act) will be excluded.

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

3. Methods for Handling Waste Disposal

*Burning will not be allowed. All trash must be contained in a trash cage and hauled away to an approved disposal site at the completion of the drilling activities.

On BLM administered lands:

The reserve pit shall be constructed so as not to leak, break, or allow discharge.

The reserve pit shall be lined to conserve water during drilling and prevent loss of drilling fluids by seepage.

"If a plastic nylon reinforced liner is used, it will be a minimum of 10 mil thickness with sufficient bedding (either straw or dirt) to cover any rocks. The liner will overlap the pit walls and be covered with dirt and/or rocks to hold it in place. No trash, scrap pipe, etc., that could puncture the liner will be disposed of in the pit. More stringent protective requirements may be deemed necessary by the A.O."

After first production, produced waste water will be confined to a lined pit or storage tank for a period not to exceed ninety (90) days. During the 90 day period, in accordance with NTL-2B, an application for approval of a permanent disposal method and location, along with required water analysis, shall be submitted for the A.O's approval. Failure to file an application within the time allowed will be considered an incident of noncompliance.

4. Well Site Layout--provide a plat (not less than 1" = 50') showing:

- a. Cross-sections of proposed drill pad with approximate cuts and fills and the relation to topography.
- b. Location of mud tanks, reserve, and flare pits, pipe racks, living facilities, and soil material stockpiles, etc. (Approval as used in this section means field approval of location.)
- c. Rig orientation, parking areas, and access roads, etc.

The reserve pit will be located on the west side of the pad. The layout diagram is inaccurate. There is not sufficient room to route the road west of the location. It must be routed east through the location.

The flare pit will be located downwind of the prevailing wind direction near the northwest corner of the pad, a minimum of 100 feet from the well head and 30 feet from the reserve pit fence as shown on the layout diagram.

The stockpiled topsoil (first six inches) will be stored on the north side of the location near stakes #7.

Access to the well pad will be from a slight modification to the present road. It would avoid the reserve pit and drilling rig by passing on the east side of them.

The east side of the pad shall begin 5 feet west of that shown on the layout diagram.

Soil compacted earthen berm(s) shall be placed on the east edge of the pad to help keep fill dirt and traffic out of the wash which is about 10 feet below the pad. This would allow about 10 feet of buffer between the wash and the berm at the edge of the pad.

Fencing Requirements

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

- a. 39-inch net wire shall be used with at least one strand of barbed wire on top of the net wire (barbed wire is not necessary if pipe or some type of reinforcement rod is attached to the top of the entire fence).
- b. The net wire shall be no more than 2-inches above the ground. The 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 feet.
- e. All wire shall be stretched, by using a stretching device, before it is attached to the corner posts.

The reserve pit fencing will be on three sides during drilling operations and on the fourth side when the rig moves off the location. Pits will be fenced and maintained until clean-up.

5. Plans for Restoration of Surface

a. Producing Location

Immediately upon well completion, the location and surrounding area will be cleared of all unused tubing, equipment, debris, materials, trash, and junk not required for production.

Immediately upon well completion, any hydrocarbons on the pit shall be removed in accordance with 43 CFR 3162.7-1.

If a plastic nylon reinforced liner is used, it shall be torn and perforated before backfilling of the reserve pit.

The reserve pit and that portion of the location not needed for production facilities/operations will be recontoured to the approximate natural contours. The reserve pit will be reclaimed within one year from the date of well completion. Before any dirt work takes place, the reserve pit must be completely dry and all cans, barrels, pipe, etc., will be removed.

Contact appropriate surface management agency for required seed mixture.

b. Dry Hole/Abandoned Location

At such time as the well is plugged and abandoned, the operator shall submit a subsequent report of abandonment and BLM will attach the appropriate surface rehabilitation conditions of approval.

6. Other Additional Information

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

-whether the materials appear eligible for the National Register of Historic Places;

-the mitigation measures the operator will likely have to undertake before the site can be used (assuming in situ preservation is not necessary); and

-a time frame for the AO to complete an expedited review under 36 CFR 800.11 to confirm, through the State Historic Preservation Officer, that the findings of the AO are correct and that mitigation is appropriate.

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

- b. The operator will control noxious weeds along rights-of-way for roads, pipelines, well sites, or other applicable facilities. A list of noxious weeds may be obtained from the BLM, or the appropriate County Extension Office. On BLM administered land it is required that a Pesticide Use Proposal shall be submitted, and given approval, prior to the application of herbicides or other pesticides or possible hazardous chemicals.
- c. Drilling rigs and/or equipment used during drilling operations on this wellsite will not be stacked or stored on Federal Lands after the conclusion of drilling operations or at any other time without BLM authorization. However, if BLM authorization is obtained, it is only a temporary measure to allow time to make arrangements for permanent storage on commercial facilities. (The BLM does not seek to compete with private industry. There are commercial facilities available for stacking and storing drilling rigs.)

Additional Surface Stipulations

When the pit is backfilled the road will be restored as closely as possible to its previous alignment but some modifications for production facilities may be required.

All lease and/or unit operations will be conducted in such a manner that full compliance is made with all applicable laws, regulations, Onshore Oil and Gas Orders, the approved plan of operations, and any applicable Notice to Lessees. The operator is fully responsible for the actions of his subcontractors. A copy of these conditions will be furnished the field representative to insure compliance.

A complete copy of the approved APD and ROW grant, if applicable, shall be on location during construction of the location and drilling activities.

The operator or his/her contractor shall contact the BLM Office at (801) 789-1362 forty-eight (48) hours prior to construction activities.

The BLM Office shall be notified upon site completion prior to moving on the drilling rig.

SELF CERTIFICATION STATEMENT

Please be advised that Wasatch Gas Development, Inc. is considered to be the operator of Well No. Pot of Gold #1-1

Uintah County, Utah; and is responsible under the terms and conditions of the lease for the operations conducted upon the leased lands. Bond coverage is provided by Crown Charter National Bank (letter of credit number 165) of Rolex Building, P. O. Box 191069, Dallas, TX 75219.

WASATCH GAS DEVELOPMENT, INC.

By: 

Mark S. Dolar
Attorney in Fact

OPERATOR Wascatch Gas Development N-9630 DATE 8-10-91

WELL NAME Lot of Gold #1-1

SEC N4W 1 T 10S R 03E COUNTY Mintah

43-047-32063
API NUMBER

Federal (1)
TYPE OF LEASE

CHECK OFF:

- PLAT.
- BOND
- NEAREST WELL
- LEASE
- FIELD SLBM
- POTASH OR OIL SHALE

PROCESSING COMMENTS:

No producing well within Sec 1.

Water Permit

No ROCC needed BFM approved 8-1-91

Exception location requested

APPROVAL LETTER:

SPACING: R615-2-3 N/A R615-3-2
UNIT

N/A R615-3-3
CAUSE NO. & DATE

STIPULATIONS:

1-1/2 Acre water permit



State of Utah

DEPARTMENT OF NATURAL RESOURCES
DIVISION OF OIL, GAS AND MINING

Norman H. Bangarter

Governor

Dee C. Hansen

Executive Director

Dianne R. Nielson, Ph.D.

Division Director

355 West North Temple

3 Triad Center, Suite 350

Salt Lake City, Utah 84180-1203

801-538-5340

August 12, 1991

Wasatch Gas Development, Inc.
1455 Riverchon Plaza
3500 Maple Avenue
Dallas, Texas 75219

Gentlemen:

Re: Pot of Gold #1-1 Well, 1198 feet from the North line, 1231 feet from the West line, NW NW, Section 1, Township 12 South, Range 23 East, Uintah County, Utah

Approval to drill the referenced well is hereby granted in accordance with Utah Admin. R.615-3-3, subject to the following stipulation:

1. Prior to commencement of drilling, receipt by the Division of evidence providing assurance of an adequate and approved supply of water as required by Utah Code Ann. Section 73-3, Appropriation.

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

1. Spudding notification within 24 hours after drilling operations commence.
2. Submittal of Entity Action Form 6, within five working days following spudding and whenever a change in operations or interests necessitates an entity status change.
3. Submittal of the Report of Water Encountered During Drilling, Form 7.
4. Prompt notification in the event it is necessary to plug and abandon the well. Notify Frank R. Mathews, Petroleum Engineer, (Office) (801) 538-5340, (Home) (801) 476-8613, or R. J. Firth, Associate Director, (Home) (801) 571-6068.
5. Compliance with the requirements of Utah Admin. R.615-3-20, Gas Flaring or Venting.

Page 2
Wasatch Gas Development, Inc.
Pot of Gold #1-1
August 12, 1991

6. Prior to commencement of the proposed drilling operations, plans for facilities for disposal of sanitary wastes at the drill site shall be submitted to the local health department. These drilling operations and any subsequent well operations must be conducted in accordance with applicable state and local health department regulations. A list of local health departments and copies of applicable regulations are available from the Division of Environmental Health, Bureau of Drinking Water/Sanitation, telephone (801)538-6159.
7. This approval shall expire one (1) year after date of issuance unless substantial and continuous operation is underway or an application for an extension is made prior to the approval expiration date.

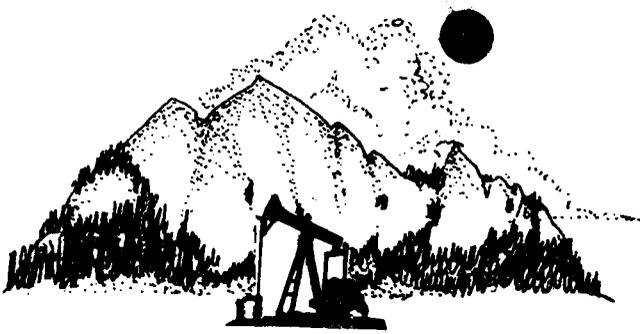
The API number assigned to this well is 43-047-32063.

Sincerely,



R. J. Firth
Associate Director, Oil & Gas

lcr
Enclosures
cc: Bureau of Land Management
J. L. Thompson
WE36/11-12



DOLAR OIL PROPERTIES

9035 South 700 East, Suite 100A
Sandy, UT 84070-2418
(801) 561 - 3121

August 12, 1991

Ms. Tammy Searing
State of Utah
Division of Oil & Gas
355 W. North Temple
Salt Lake City, Utah 84180

RE: Map for Township 12 South; Range 23 East

Dear Ms. Searing:

We are enclosing the above referenced map as requested. If you have any questions, please do not hesitate to call.

Yours truly,

DOLAR OIL PROPERTIES

Mark S. Dolar, CPL

MSD/df

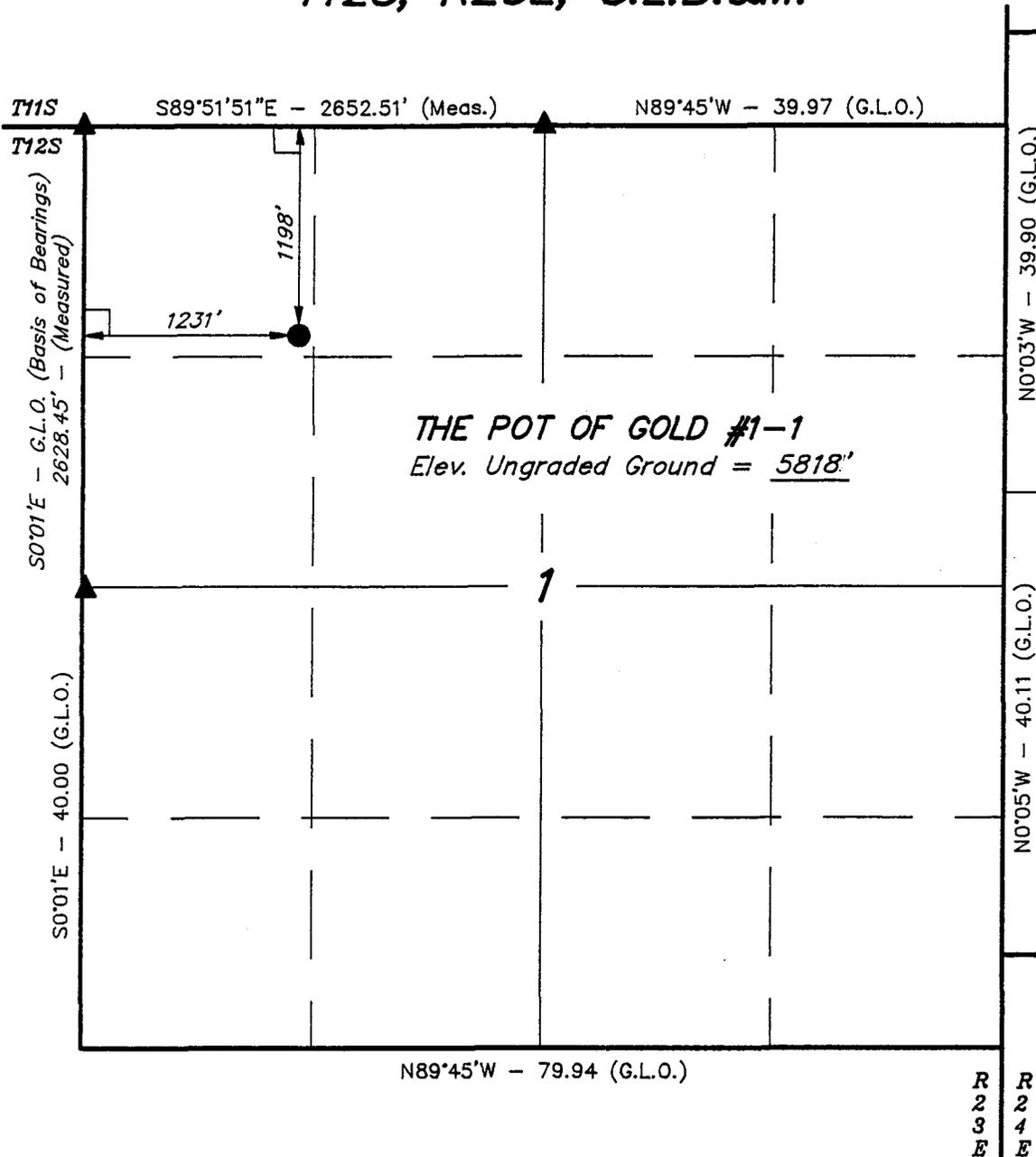
Enclosure

RECEIVED

AUG 13 1991

DIVISION OF
OIL GAS & MINING

T12S, R23E, S.L.B.&M.



WASATCH GAS DEVELOPMENT INC.

Well location, THE POT OF GOLD #1-1, located as shown in the NW 1/4 NW 1/4 of Section 1, T12S, R23E, S.L.B.&M. Uintah County, Utah.

BASIS OF ELEVATION

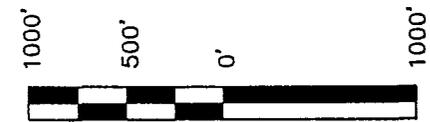
BENCH MARK 87EAM, 1965 LOCATED IN THE SW 1/4 SECTION 1, T12S, R23E, S.L.B.&M. TAKEN FROM THE ARCHEY BENCH SE QUADRANGLE, UTAH, UINTAH COUNTY, 7.5 MINUTE QUAD. (TOPOGRAPHIC MAP) PUBLISHED BY THE UNITED STATES DEPARTMENT OF THE INTERIOR, GEOLOGICAL SURVEY. SAID ELEVATION IS MARKED AS BEING 5887 FEET.

RECEIVED

AUG 13 1991



DIVISION OF OIL GAS & MINING



SCALE

CERTIFICATE

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

Robert L. Kay
 REGISTERED LAND SURVEYOR
 REGISTRATION NO. 5709
 STATE OF UTAH

REVISED: 6-2-91 R.E.H.

UINTAH ENGINEERING & LAND SURVEYING
 85 SOUTH 200 EAST - VERNAL, UTAH 84078
 (801) 789-1017

SCALE 1" = 1000'	DATE 5-21-91
PARTY G.S. D.S. T.D.H.	REFERENCES G.L.O. PLAT
WEATHER WARM	FILE WASATCH GAS DEVELOPMENT INC.

▲ = SECTION CORNERS LOCATED. (Brass Caps)



United States Department of the Interior



BUREAU OF LAND MANAGEMENT

Vernal District Office
170 South 500 East
Vernal, Utah 84078

IN REPLY REFER TO:

Phone (801) 789-1362

FAX (801) 789-3634

3162.3-5
UT08438

AUG 6 1992

Dolar Oil Properties
Attn: Mark Dolar
9035 S 700 E, Suite 100-A
Sandy, UT 84070-2418

*N9630
WASATCH Gas
DEVELOPMENT*

Re: Rescind Application for Permit
to Drill *43-047-32063*
Well No. Pot of Gold 1-1
Section 1, T12S, R23E
Lease No. U-57455
Uintah County, Utah

Gentlemen:

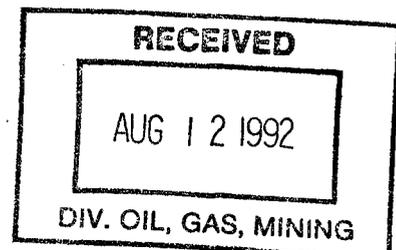
The Application for Permit to Drill the above-referenced well was approved on August 1, 1991. Since that date, no known activity has transpired at the approved location. Under current District policy, Applications for Permit to Drill are effective for a period of one year. In view of the foregoing, this office is rescinding the approval of the referenced application without prejudice. If you intend to drill at this location at a future date, a new Application for Permit to Drill must be submitted.

This office requires a letter confirming that no surface disturbance has been made for this drill site. Any surface disturbance associated with the approved location of this well is to be rehabilitated. A schedule for this rehabilitation must be submitted to this office. Your cooperation in this matter is appreciated.

Sincerely,

Howard B. Cleavinger II
Assistant District Manager for Minerals

cc: State Div. OG&M





State of Utah

DEPARTMENT OF NATURAL RESOURCES
DIVISION OF OIL, GAS AND MINING

Norman H. Bangertter

Governor

Dee C. Hansen

Executive Director

Dianne R. Nielson, Ph.D.

Division Director

355 West North Temple

3 Triad Center, Suite 350

Salt Lake City, Utah 84180-1203

801-538-5340

August 25, 1992

Wasatch Gas Development, Inc.
1455 Riverchon Plaza
3500 Maple Avenue
Dallas, Texas 75219

Gentlemen:

Re: Well No. Pot of Gold 1-1, Sec. 1, T. 12S, R. 23E, Uintah County, Utah
API No. 43-047-32063

In concert with action taken by the U.S. Bureau of Land Management, approval to drill the above referenced well is hereby rescinded. A new Application for Permit to Drill 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 of Oil, Gas and Mining immediately.

Sincerely,

Don Staley
Administrative Manager
Oil and Gas

DME/lde

cc: Dolar Oil Properties
Bureau of Land Management - Vernal
R.J. Firth
Well file

WO1196