

UNITED STATES  
DEPARTMENT OF THE INTERIOR  
BUREAU OF LAND MANAGEMENT  
APPLICATION FOR PERMIT TO DRILL OR REENTER

RECEIVED

SEP 06 2005

DIV. OF OIL, GAS & MINING

**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 recently 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 proposed operations herein will be performed by Pendragon Energy Partners, Inc., its contractors and subcontractors, Pendragon Energy Partners, Inc. will operate the lease under Flood & Peterson Federal Bond RLB0001759. This statement is subject to the provisions of 18 U.S.C. 1001 for the filing of a false statement.

FORM APPROVED  
OMB No. 1004-0136  
Expires November 30, 2000

5. Lease Serial No.  
**U75088**

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

7. If Unit or CA Agreement, Name and No.  
~~N/A~~ **Wilkin Ridge (Deep)**

8. Lease Name and Well No.  
**Federal 15-7-10-18**

9. API Well No.  
**43-047-32098**

10. Field and Pool, or Exploratory  
**Uteland Butte**

11. Sec., T., R., M. or Blk. and Survey or Area  
**Sec 7 T10S, R18E, SLB&M  
SW SE**

1a. Type of Work :  DRILL  REENTER

1b. Type of Well:  Oil Well  Gas Well  Other  Single Zone  Multiple Zone

2. Name Of Operator  
**Pendragon Energy Partners, Inc.**

3a. Address **621 17th Street, Suite 750, Denver, CO 80293**  
3 b. Phone No. (include area code) **303 296 9402**

4. Location of Well (Report location clearly & in accordance w/State requirements\*)  
At Surface **1897' FEL, 835' FSL, Sec 7 591162X 39.953455**  
At proposed prod zone **Same 4422926Y 109.932790**

12. County or Parish **Utah**  
13. State **Utah**

14. Distance in miles and direction from nearest town or post office \*  
**See Topo Map "A" (Attached)**

15. Distance from proposed\* location to nearest property or lease line, ft. (Also to nearest drlg. unit line, if any) **835'**  
16. No. of Acres in lease **640**  
17. Spacing Unit dedicated to this well **40**

18. Distance from proposed location to nearest well drilling, completed, applied for in this lease, ft. **4,900'**  
19. Proposed Depth **4,900'**  
20. BLM/BIA Bond No. on file **RLB0001759**

21. Elevations ( Show whether D, KDB, RT, GL etc.) **5314.3' GR**  
22. Approximate date work will start\* **Dec 15, 2005**  
23. Estimated Duration **60 days**

**24. Attachments**

The following, completed in accordance with the requirements of On shore Oil and Gas Order No.1 shall be attached to this form:

**Utah Engineering-attached**

1. Well plat certified by a registered surveyor.
2. A Drilling Plan **Exhibit "B"**
3. A Surface Use Plan (if the location is on National forest System Lands, the SUPO shall be filed with the appropriate Forest Service Office).

4. Bond to cover the operations unless covered by an existing bond on file (see item 20 above). **RLB0001759**

5. Operator certification. **See Surface Use Plan**

6. Such other site specific information and/or plans may be required by the authorized officer. **See Exhibits (Attached)**

25. Signature *[Signature]*  
Title **Agent**

Name (Printed /Typed) **John Luchetta**  
Date **Aug 20, 2005**

Approved By (Signature) *[Signature]*  
Title **ENVIRONMENTAL SCIENTIST III**

**Final Approval of BLM Action is Necessary**

Name (Printed/Typed) **BRADLEY G. HILL**  
Date **09-12-05**

Application approval does not warrant or certify the applicant holds legal or equitable title to those rights in the subject lease which would entitle the applicant to conduct operations thereon. Conditions of approval, if any, are attached

Title 18 U.S.C. Section 1001 and Title 43 U.S.C. Section 1212 make it a crime for any person knowingly and willfully to make to any department or agency of the United States any false, fictitious or fraudulent statements or representations as to any matter within its jurisdiction.

\* Instructions on reverse side

- Exhibits:**
- |                         |                                 |                                       |                      |
|-------------------------|---------------------------------|---------------------------------------|----------------------|
| <b>A: Survey Plat</b>   | <b>D: 13 Point Surface Plan</b> | <b>G: Rig &amp; Rig Layout</b>        | <b>K1 Facilities</b> |
| <b>B: 10-Point Plan</b> | <b>E: Topo Map A</b>            | <b>G2: Cut &amp; Fill Diagram</b>     | <b>K2 Facilities</b> |
| <b>C: BOP Diagram</b>   | <b>E2: Topo Map B</b>           | <b>H: Existing Well Map</b>           |                      |
|                         | <b>F: Location Layout</b>       | <b>K: Cultural Report (to follow)</b> |                      |



**EXHIBIT "B"**  
**PROPOSED DRILLING PROGRAM**

**ONSHORE ORDER NO.1**  
**Pendragon Energy Partners, Inc.**  
**Desert Spring Federal #15 -7-10-18**  
**SW SE Sec 7 -T10S - R18E SLB & M**  
**Uintah County, Utah**

**OIL & GAS ORDER NO.1 (APPROVAL OF OPERATIONS ON  
ONSHORE, FEDERAL AND INDIAN OIL AND GAS LEASES).**

All lease and/or unit operations will be conducted in a manner so that full compliance is made with the applicable laws, regulations (CFR 43, Part 3160) and the approved Application for Permit to Drill. The operator assumes full responsibility for the actions of its contractors and subcontractors. A copy of the approved APD will be on location during construction, drilling and completion operations.

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

| <b>1. ESTIMATED FORMATION TOPS : (Elevation: 5,314')</b> |                            |        |                               |
|--|----------------------------|--------|-------------------------------|
| <b>FORMATION</b>   | <b>DRILLED (ft) SUBSEA</b> |        | <b>PORE PRESSURE (psi/ft)</b> |
| Green River  | 1,435                      | +3,879 | Normal                        |
| Wasatch Tongue of Green River                            | 4,735                      | + 579  | Normal                        |
| Total Depth  | 5,000                      | + 314  | Normal                        |
|  |                            |        |                               |
|  |                            |        |                               |
|  |                            |        |                               |

\* Offset pressure data supports pore pressure gradient @ 0.42 psi/ft.

|   |                         |                           |
|---|-------------------------|---------------------------|
| <b>2. ESTIMATED DEPTH OF OIL, GAS, WATER OR OTHER MINERALS:</b> |                         |                           |
| <b>SUBSTANCE</b>  | <b>FORMATION</b>        | <b>DEPTH (ft)</b>         |
|   |                         |                           |
| <b>Water</b>  | <b>None anticipated</b> |                           |
| <b>Gas</b>  | <b>None</b>             |                           |
| <b>Oil</b>  | <b>Green River</b>      | <b>4,750 to +/- 4,900</b> |
|   |                         |                           |

|   |
|---|
| <b>3. PRESSURE CONTROL EQUIPMENT &amp; SPECIFICATIONS :</b> |
|---|

- **Anticipated maximum surface shut-in pressure gradient:**
  - .  $P_s = BHP - (0.22 * 4,900) = (0.42 * 4,900) - (0.22 * 4,900) = 980$  psi.
  - . **If a pressure anomaly occurs, API pressure control methods will be immediately imposed.**
  - . **Drilling fluid density materials will be available on location.**
  - . **Poison gas is not known to exist in the area.**
- **BOP EQUIPMENT:** (See Exhibit "C")
  - . **Type: Nominal 10" hydraulic double ram, 2,000 psi working pressure.**
  - . **Ram type preventers shall be installed after the prescribed WOC time has expired. The casing will be cut off and a weld-on companion flange fastened.**
  - . **Pipe & blank rams will be used.**
  - . **The BOP will be inspected, operated daily and on trips with the drill string. All tests will be recorded on the daily drilling log.**
- **CHOKE MANIFOLD EQUIPMENT:** ( See Exhibit "C")
  - . **The hydraulic closing unit will be located @ least 100' upwind from the BOP stack.**
  - . **A remote BOP closing unit will be positioned near the driller's operating station.**

- . Burst pressure rating – 2,000 psi.
- . The choke manifold, BOP extension rods and hand wheels will be located outside the substructure.
- . The kill line will be 2” nominal rated @ 2,000 psi.
- **BOP TESTING:**
  - . Upon installation.
  - . If any seal subject to pressure is broken.
  - . Every 30 days if drilling operations continue beyond anticipated 10 days.
  - . A test plug will not be used since testing can be accomplished w/o exposing surface casing to excess pressures (70% of internal yield).

|  |
|--|
| <b>4. TEST PRESSURES AND OTHER SPECIFICATIONS ANTICIPATED:</b> |
|--|

| UNIT           | PROPOSED TEST PRESSURE (psi) |
|----------------|------------------------------|
| Pipe rams      | 2,000                        |
| Blind rams     | 2,000                        |
| Manifold       | 2,000                        |
| Surface casing | 1,500 (or .70 x rated burst) |
| Floor valve    | 2,000                        |
| Annular        | 2,000                        |

- . Upper & lower kelly cock will be maintained in the drill string.
- . Drill string float will not be used.
- . The floor valve will be available in the open position @ all times and will be operated daily.
- . BLM agent will be notified at least 24 hours before all BOP tests.
- . BOP & pressure control drills will be conducted.

| <b>5. PROPOSED CASING &amp; CEMENTING PROGRAM:</b> |           |             |                     |                     |               |                       |          |            |
|--|-----------|-------------|---------------------|---------------------|---------------|-----------------------|----------|------------|
| PROPOSED CASING                                    | HOLE SIZE | CASING SIZE | TOP OF SECTION (ft) | SECTION LENGTH (ft) | PHYSICAL DATA | Pressure Rating (psi) |          | Cement Top |
|  |           |             |                     |                     |               | Burst                 | Collapse |            |
| Conductor  | 17 ½"     | 16"         | 0                   | 60                  | Steel         |                       |          | Surface    |
| Surface  | 12 ¼"     | 8 5/8"      | 0                   | 250                 | 24# J55 STC   | 2,950                 | 2,210    | Surface    |
| Production   | 7 7/8"    | 5 ½"        | 0                   | 5,000'              | 15.5# J55 STC | 4,800                 | 4,040    | NA         |
|  |           |             |                     |                     |               |                       |          |            |

Note: All casing will be new.

- **CASING SPECIFICATIONS AND CONDITIONS:**

- . Stage cementing is not anticipated.
- . The production casing will be tested @ 2,000 psi or 70% of minimum yield for a period of 30 minutes with not more than 10% drop.
- . Formation Pore Pressure (from offset pressure data) -- 0.420 psi/ft.
- . Formation Fracturing Gradient ----- 0.700 psi/ft.
- . Mud Density (Max lbs/gal) ----- 9 ppg @ 5,000'.
- . Collapse ----- 1.120.
- . Burst ----- 1.000.
- . Tension ----- 1.800.
- . Casing joints will be torqued according to API standards.
- . Three centralizers will be placed on collars of the bottom 3 joints (Surface and Intermediate casing).
- . A centralizer will be placed on each collar through production zones and every joint 300' above and below production zones (Production casing).

- **CEMENTING PROGRAM:**

- . CONDUCTOR CASING: Cement to surface w/ ready mix.

. SURFACE CASING: Cement to surface w/150 cuft "Lite" tailed w/100 cuft premium or equivalent.

. PRODUCTION CASING: Will be cemented from TD to 600' above the water sand @ approximately 3,500' (or as indicated by logs). Volume of cement will be determined from caliper log.

| <b>6. PROPOSED DRILLING FLUID SPECIFICATIONS:</b> |             |                        |                  |                   |                      |
|---|-------------|------------------------|------------------|-------------------|----------------------|
| <b>DEPTH INTERVAL</b>                             | <b>TYPE</b> | <b>DENSITY Lbs/gal</b> | <b>VISCOSITY</b> | <b>FLUID LOSS</b> | <b>MAKE UP WATER</b> |
| 0 - 250'  | Gel         | 8.7 - 9.0              | 26-40            | NC                | Fresh                |
| 250' - TD   | Gel         | 8.4 - 9.0              | 26-50            | NC                | KCI Water            |
|   |             |                        |                  |                   |                      |

• **OTHER DRILLING FLUID SPECIFICATIONS AND CONDITIONS:**

- . LCM will be present on location @ all times during drilling.
- . Fluids parameters to be measured daily - density, viscosity, fluid loss, pH, solids, chlorides, bicarbonate and carbonates.
- . Concentration of hazardous substances in the reserve pit will not exceed standards set forth in the Comprehensive Environmental Response, Compensation and Liability Act of 1980 (CERCLA).
- . Oil & gas related CERCLA hazardous waste substances will be removed from location and will be disposed of according to EPA approved methods.

**7. EVALUATION OF OPERATIONS WHILE DRILLING:**

• **MUD MONITORING SYSTEMS (Swaco):**

- . Pit level indicator, flow sensor w/alarms, PVT and stroke counter will not be used.
- . A trip tank will not be used.
- . Gas detection equipment (mud logger) will not be used.
- . A mud-gas separator will not be used.

- **DRILL STEM TESTS:** None anticipated.

- . If it becomes necessary to conduct a drill stem test, initial opening of the test will be restricted to daylight hours.
- . If a test is initiated during daylight hours, it will be allowed to continue assuming OSHA considerations are strictly met.
- . The DST string will not be pulled out of the hole after dark unless recovered fluids have first been reverse circulated to a suitable closed steel tank placed at least 100' down wind from the wellhead.
- . Smoking will not be allowed on the rig floor or within 100' upwind from the rig floor during test operations.
- . Only rig engines will be allowed to run during testing. All others will be moved at least 100' upwind from the rig floor.

- **LOGGING PROGRAM:**

- . The following open hole logs are anticipated:

**Run #1 @ TD**

- (1) GR - DLL ----- TD to base of Surface Casing.
- (2) CNL - Density – Caliper --- TD to 3,500' (Or minimum run).

- . The following cased hole logs are anticipated:

- (1) GR-CCL ----- PBTD to 500' above the pay zone.
- (2) CBL (Cement Bond Log) ----- PBTD to cement top.

- **SAMPLING PROGRAM:**

- . 250 to +/- 4,000' ----- 30' samples will be collected.
- . 4,000' to TD ----- 10' samples may be collected as necessary.

**CORING:** Not anticipated.

**8. ANTICIPATED PORE PRESSURES & HAZARDOUS MATERIALS:**

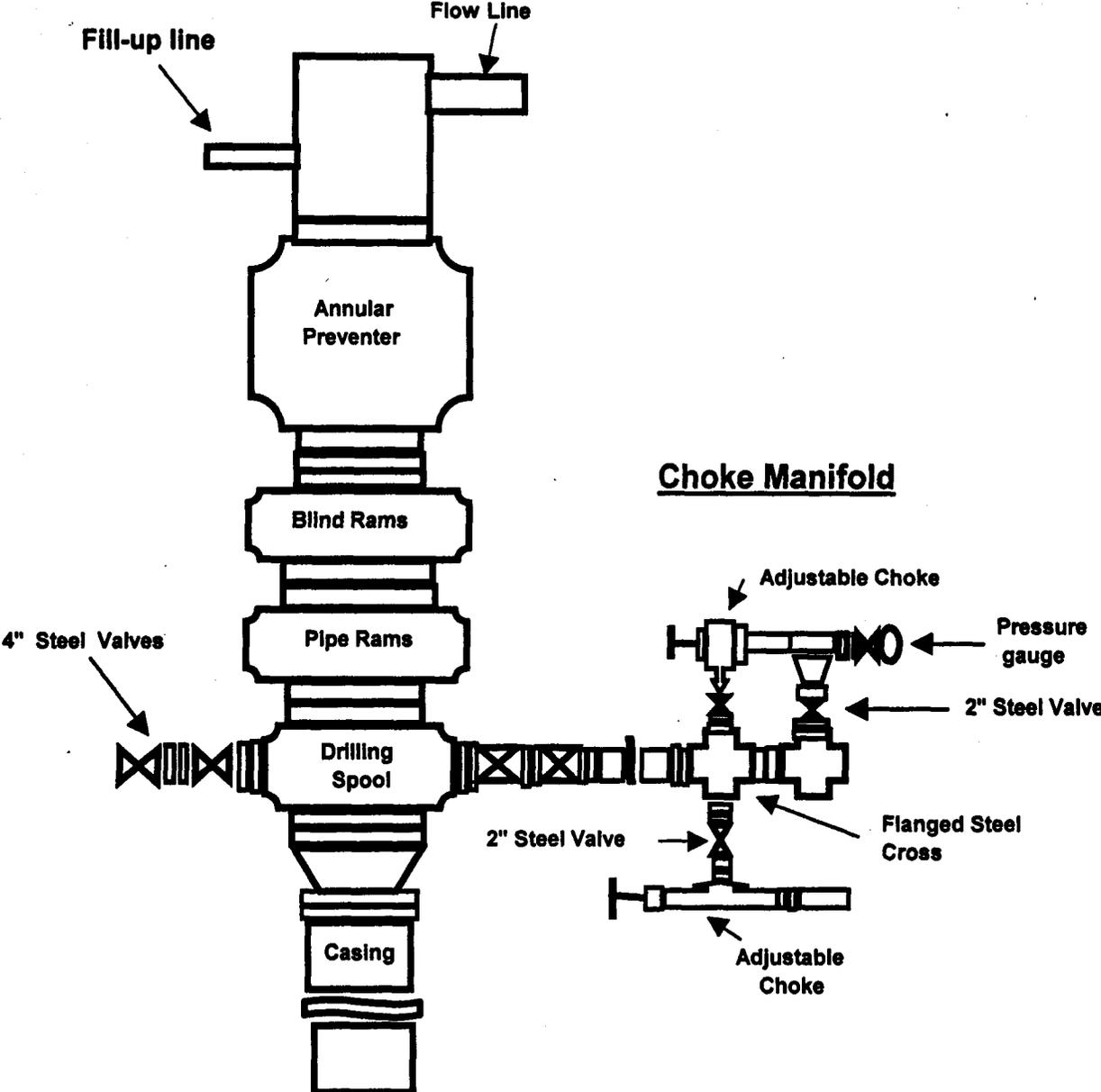
- **PORE PRESSURE:**
  - In the surface hole – normal to subnormal pressures are anticipated.
  - In the Green River – normal to subnormal pore pressures are anticipated (0.420 psi per ft.).
- **HAZARDOUS MATERIALS:** None anticipated.

**9. OTHER INFORMATION, NOTIFICATION & REPORTING:**

| OPERATION                                  | DATE OR ANTICIPATED TIME       |
|--|--------------------------------|
| Proposed start time                        | Dec 15, 2005                   |
| Drill pad & road construction time         | 2 - 4 days                     |
| Drilling operations & formation evaluation | 8 - 10 days                    |
| Completion & testing time                  | 5 - 10 days                    |
| Facilities installation                    | 5 - 10 days                    |
| Initial restoration start time             | 180 days or as weather permits |
| Final restoration time                     | 5 - 10 days                    |

- **INFORMATION & REPORTING PLAN:**
  - **DRILLERS LOG:**
    - BOP, manifold, casing pressure tests - as done.
    - BOP mechanical test – as done.
    - Blowout prevention drills – as done.
    - Casing installation & cementing – as done.
    - WOC time – as done.
    - Incidents of lost circulation or pressure anomalies – as occurs.
  - **REGULATORY REPORTING :**
    - Notification of location construction - 24 hours prior to start up.
    - Notification of spud – prior to spud and/or within 48 hours after.

- . **Notification of BOP test – at least 24 hours prior to testing.**
- . **P&A - the Vernal Resource Office will be contacted prior to plugging .**
- . **Form 3160-4 - monthly.**
- . **Form 3160-5 - within 30 days after P&A or completion of the well.**
- . **Facilities diagram – as required by CFR 43 Part 3162.7-2 and 3162.7-4.**
- . **Undesirable events will be reported as specified in NTL-3A.  
Major events will be reported verbally within 24 hours. Minor events  
will be reported within 15 days. Other events will be reported in the  
monthly report of operations.**



BOP and Manifold

Specifications meet 43 CFR, Parts 3160  
Design Series 600, 2000 psi rating

**EXHIBIT "D"**  
**PROPOSED SURFACE USE PROGRAM**

**ONSHORE ORDER NO. 1**  
**PENDRAGON ENERGY PARTNERS, INC.**  
**FEDERAL #15-7-10-18, SW SE Sec 7-T10S-R18E**  
**Uintah County, Utah**

- **SURFACE OWNER (BLM)**
- **SURFACE LOCATION: (See Exhibit "A"). SW SE Sec 7-T10S-R18E.**
- **Distance : 24.6 miles from Myton, Utah (See Exhibits "E").**
- **Directions to location: South from Myton 14.1 miles to Castle Peak then 6.8 miles to Sheep Creek then 3.7 miles to Spring Wash, then left on lease road 0.28 mile.**

**1. EXISTING ACCESS ROADS: (See maps "A" & "B")**

- **All existing access roads will be maintained as is with repairs or maintenance as needed.**
- **No improvements or changes to existing roads are anticipated.**
- **Map "A" is the vicinity map showing access routes from Myton, Utah.**
- **Topo Map "B" shows the proposed access road to the pad.**
- **Occasional maintenance grading and storm repairs will keep roads in good condition.**
- **There shall be no mud grading on the access road. Vehicles may be towed through the mud provided they stay on the roadway.**
- **All road construction and maintenance will conform to standards identified in "Surface Operating Standards for Oil and Gas Exploration and Development" (Gold Book) U.S. Department of the Interior-BLM and U.S. Department of Agriculture-Forest Service; January 1989.**

**2. ACCESS ROADS TO BE CONSTRUCTED:**

- **Road Specifications For Drilling Operations:**
  - **Approximately 1,490’ of new road construction will be required.**
  - **Width – maximum 30-foot overall right-of-way with an 18-foot running crown & ditched and/or sloped and dipped.**
  - **Construction standard – the access road will be constructed to standards normal to the area with anticipated traffic flow and weather requirements considered. Ditching, crowning, capping, sloping, and dipping will be done to provide a safe roadway.**
  - **Off-road travel of the 30 foot right-of-way will not be allowed.**
  - **Road drainage crossings – will be designed so they will not cause siltation or the accumulation of debris. Erosion will be prevented by properly designed cutouts.**
  - **Upgrading – will not be allowed during muddy conditions. Mud holes will be repaired as they occur.**
  - **Maximum grade – will be less than 8%.**
  - **Drainage design – as stated above.**
  - **Turnouts – none anticipated.**
  - **Culverts – none anticipated.**
  - **Surface materials – any materials if required will be purchased from a local supplier having a permitted source.**
  - **Gates, cattle guards or fence cuts – none required.**
  - **The proposed access road has been centerline flagged.**

- . Dust will be controlled on the roads and location by periodic watering.
- . A road design plan will be submitted upon completion for production.

**3. EXISTING WELLS WITHIN 1 MILE:**

- Locations ----- None
- Water wells ----- None.
- Disposal wells ----- None.
- Drilling ----- None.
- Producing wells ----- (2) Questar 1G7-10-18 & 14G8-10-18.
- Injection ----- None.
- Dry holes ----- None.
- Gas Wells ----- One (#24-7).

**LOCATION OF EXISTING PRODUCTION FACILITIES (Within One Mile).**

- Existing Facilities: (See Exhibits)
  - . Tank batteries ----- None .
  - . Production facilities ----- None.
  - . Gathering lines ----- None.
  - . Injection or disposal lines ----- None.

- **Proposed new facilities to be installed:**
  - **A facilities diagram will be provided in the event oil production is established and will outline the following:**
    - a. **Proposed location and attendant lines – will be flagged if off the well pad.**
    - b. **Dimensions of the layout.**
    - c. **Construction methods and materials.**
    - d. **Protective measures and devices to protect livestock and wildlife.**
    - e. **Pipelines – will be buried a minimum of 3-feet except at road crossings which will be buried 4-feet.**
    - f. **Road and pipeline will be restricted to 50-feet of disturbance. Vehicular travel will be restricted to that necessary to service drips and the need to use valves.**
    - g. **Only native materials will be used. If necessary appropriate materials will be purchased from private or commercial sources.**
    - h. **A dike to contain the volume of the largest tank + 10% will be constructed around the facility.**
    - i. **All above ground facilities will be painted a flat non-reflective, earthtone color (Carlsbad Canyon – 2.5Y 6/2) as determine by the Five State Rocky Mountain Interagency Committee within six months of installation except where OSHA regulations require safety approved colors.**

**4. LOCATION OF WATER SUPPLY TYPE & OWNERSHIP:**

**Owner: Water source: Spring. Nebeker Trucking. Permit #43-1721.**

**Location: Sec 34 T3S-R2W, USM.**

**Method of transportation: Trucking operated by Nebeker Trucking, Permit No. 43-1723.**

**6. SOURCE OF CONSTRUCTION MATERIALS:**

- No construction materials are anticipated for drilling operations.
- If commercial production is indicated small amounts of gravel materials will be trucked from local gravel pits over existing roads.
- No materials from Indian or federal lands will be disturbed.

**7. METHODS FOR HANDLING WASTE DISPOSAL:**

- Drilling fluids – including salts and chemicals will be contained in the reserve pit. Upon termination of drilling and completion operations, liquid contents of the reserve pit will be removed and disposed of in an approved disposal facility within 90 days. In the event adverse weather conditions prevent removal of the fluids from the reserve pit within this time period, an extension may be granted by the Authorized Officer upon receipt of a written request.
- The reserve pit will be constructed to prevent any discharge to the surroundings or underlying formations. If necessary the pit will be lined with a 12 mil plastic liner.
- Produced fluids:
  - Liquid hydrocarbon produced during completion operations will be placed in test tanks on location and transferred to the production facility when it is ready for use. After completion and testing operations are complete production will be routed through buried pipelines to be processed in the newly constructed facility
  - Waste water produced into a test tank or the reserve pit during completion and testing operations will be removed to an approved disposal facility within 90 days. In accordance with Onshore Order #7, an application for a permanent disposal method and site will be submitted for the Authorized Officer's approval.
  - Spills of oil, gas, salt water or other noxious fluids will be immediately removed to an approved disposal site.

- . **Used motor oil** will be stored in closed containers and disposed of at an authorized disposal site.
- . **Trash pit** will be constructed and totally enclosed with fine mesh wire to prevent scatter. No trash will be directed to the reserve pit. The contents of the pit will be disposed of in a WDEQ approved sanitary landfill.
- . **Test tanks** will be moved in if such becomes necessary for an impending drill stem test or during completion testing.
- . **Steel drilling fluids tanks** will be part of rotary drilling equipment (approximately 1,000 bbl capacity).
- . **Flare pit** will be located a minimum of 120' down wind from the well bore if needed.
- . **Human wastes** will be contained in portable chemical toilets. Upon completion of operations, the holding tanks will be removed by the sanitation contractor. Disposal will be in conformance with Utah Department of Environmental Quality (UDEQ).
- . **Drill cuttings** will be transferred over shale shaker equipment to the reserve pit. After drilling and completion operations are completed, excess liquids will be removed to disposal and drill cuttings will be buried in the reserve pit per approved pit restoration procedures.
- . **Garbage and trash** collected in the trash pit during restoration proceedings will be removed to an approved disposal facility.
- . **Sewage** collection units installed prior to drilling start up will be serviced daily.
- . **Hazardous materials** the operator will comply with all applicable Federal laws and regulations existing or hereafter enacted. EPA's consolidated list of chemicals is subject to reporting under Title III of the Superfund amendments and Re-authorization Act (SARA) of 1986, as identified (EPA's list of extremely hazardous substances as defined in 40 CFR 355, as amended). Substances that may be used in the project are as follows:

| USE          | CHEMICAL      | CAT (2)  | EHC (3) |
|--------------|---------------|----------|---------|
| Stimulation  | Acid          | None     | None    |
| Mud          | AlSi          | None     | None    |
| Mud          | BaSo4         | None     | None    |
| Mud          | CaOH          | None     | None    |
| Increase vis | HMW add       | None     | None    |
| Cement       | Insol Ca Salt | None     | None    |
| Mud          | Caustic       | None     | None    |
| Mud/Cement   | None          | None     | None    |
| Mud/Cement   | None          | None     | None    |
| Mud/Cement   | None          | None     | None    |
| Set casing   | Lime          | None     | None    |
| Thinner      | None          | None     | None    |
| Mud          | None          | None     | None    |
| Fuel         | Benzene       | RCRA     | None    |
| Mud          | None          | None     | None    |
| None         | None          | None     | None    |
| Mud/Cement   | None          | None     | None    |
| Mud          | None          | None     | None    |
| Mud          | None          | Fiber    | None    |
| Mud          | Ca            | None     | None    |
| Mud (LCM)    | Fiber         | None     | None    |
| Lubricant    | Zinc          | None     | None    |
| Fuel         | None          | None     | None    |
| None         | None          | None     | None    |
| Maintenance  | Lead          | Fine Min | None    |
| Mud          | None          | None     | None    |
| Mud (LCM)    | Fiber         | None     | None    |

#### 8. ANCILLARY FACILITIES:

- Airstrips: None
- Camp: Two portable units will be on location:
  1. Toolpusher's living quarters.
  2. Company supervisor's living quarters.

**9. WELL SITE LAYOUT: (See Exhibit "G")**

- **Location orientation:**
  - . **Top soil: Approximately 6 inches will be stripped from the surface including areas of cut and fill. Topsoil and subsoil will be stockpiled for future reclamation requirements. The stockpiles will be seeded as required by the BLM.**
  - . **Location Size: 170' x 275'.**
  - . **Reserve pit size: 60' x 90' x 8'.**
  - . **Pit liner – 12 mil plastic if needed.**
  - . **Pit fencing: Three sides will be fenced prior to drilling . The fourth side will be fenced after drilling equipment is removed from the well site. Fencing materials will consist of 39-inch wire with at least one strand of barbed wire on top of the net wire placed no more than 3-inches above the net wire. The net wire will be no more than 3-inches above the ground. Corner posts will be cemented and braced to impose a tight fence. Standard steel, wood or pipe posts will be placed on 16' centers. All wire will be stretched with a stretching devise.**
- **Rig layout: (See Exhibit "G").**
  - . **There may be two temporary living quarters on location during drilling operations. These will be occupied by the rig superintendent and company representatives.**
- **Production facilities:**
  - . **A diagram showing proposed production facilities will be submitted to the Authorized Officer via Sundry Notice (Form 3160-5) after completion and testing is finished.**

**10. PLANS FOR RECLAMATION OF THE SURFACE:**

- **Due to drilling and completion:**
  - . **The rat hole and mouse hole will be filled and compacted from bottom to top immediately upon release of the drilling rig.**

- . Floating hydrocarbons etc will be removed as soon as possible after drilling operations are complete in accordance with 43 CFR 3162.7-1.
- . Drill cuttings and mud will remain in the reserve pit until dry. The reserve pit will not be "squeezed", "crowded" or "cut". When the reserve pit is reclaimed, at least three feet of earth will be placed on top of the drilling fluids and cuttings.
- . If the reserve pit does not dry within the prescribed time, alternate methods will be investigated.
- **Dry hole (Commercial production not established):**
  - . A Notice of Intent to Abandon will be filed . Final recommendations for surface reclamation will be specified by the BLM.
  - . The drill site will be restored to its original condition.
  - . The well-bore will be P&A'd according to the approved program.
  - . An approved marker will be positioned as directed.
  - . Spoil will be replaced to original conditions.
  - . Top soil will be replaced and smoothed.
  - . If necessary, water bars will be constructed according to BLM Conditions of Approval.
  - . All disturbed surface under the jurisdiction of the BLM will be seeded using the following mixtures:

| SPECIES OF SEED        | VARIETY                  | LBS/ACRE PLS |
|------------------------|--------------------------|--------------|
| Western wheat grass    |                          | 4            |
| Green needle grass     |                          | 4            |
| Stream ban wheat grass |                          | 3            |
| Blue bunch wheat grass |                          | 3            |
| Oats                   |                          | 1            |
| PLS formula            | % germination * % purity | x 100%       |

- **Seeding Procedure:**
  - . The BLM designated Authorizing Officer will be notified prior to seeding operations.
  - . The seed will be applied with a regulator equipped drill.
  - . Planting depth shall not exceed ½ ”.
  - . If possible, seeding will be done in the months of September or October, providing all preliminary work is done by that time.
  - . Where drilling is not possible, the seed will be broadcast and the area raked or chained to cover the seed.
  - . Seeding will be repeated until a satisfactory stand, as determined by the BLM Authorized Officer, is established.
  - . Where seed is broadcast, the mixture will be doubled.
  - . There will be no primary or secondary noxious weeds in the mix.
  - . Seed will be tested for purity and germination. Viability testing of seed will be done in accordance to state law 9 months prior to purchase or sooner.
  - . Commercial seed will be certified.
  - . The seed mixture container will be tagged in accordance with Utah state law. Copies of seed test results and certification will be forwarded to the BLM.
  - . Weeds will be controlled on disturbed areas within the exterior limits of the permit.
- **In the event production is established:**
  - . Those areas not required for production will be re-contoured and the cut and fill slopes will be reduced to 4:1, if applicable.
  - . Topsoil will be distributed evenly and seeded as above.
  - . All topsoil stockpiles will be seeded with annual ryegrass.

- . If a plastic or nylon reinforced pit liner is used, it will be torn and perforated before backfilling of the reserve pit.
- . Prior to restoration of the reserve pit, it will be completely dry and all cans, barrels, pipe etc. will be removed. Other waste materials will be disposed of immediately upon completion of drilling and completion activities.
- . The flare pit and that portion of the access road not needed for production facilities or operations will be reclaimed within ninety days from the date of completion.
- . The access road will be upgraded and maintained as needed for production operations.
- **Pesticide use:**
  - . The use of pesticides will comply with federal and state laws governing its proper use, storage, and disposal.
  - . The use of pesticides will occur within limitations imposed by the Secretary of the Interior.
- All procedures listed above for a dry hole will also be applied to a well completed for production as follows:
  - . A facilities diagram and plan will be submitted for approval.
  - . Flowline route will be outlined on a suitable map of the area.
  - . Produced water will be temporarily disposed of in the reserve pit according to Onshore Order No 7 (90 day limit).
  - . If more time is needed, an extension will be requested.
  - . Sundry Notice form 3160-5 (Application for permanent disposal) will be filed if necessary.

#### **11. SURFACE OWNERSHIP:**

- . Name: BLM
- . Address: Vernal, Utah

**12. OTHER INFORMATION:**

**A. General description: Utah grazing and ranch land.**

**B. Surface use activities: Cattle grazing and other typical ranch activity.**

**C. Proximity of water, occupied dwelling, archaeological or paleontological sites:**

- 1. The majority of the numerous washes and draws in the area are of a non-perennial nature, flowing during the early spring run-off and heavy rain storms.**
- 2. The flora of the area includes pinion and juniper trees, sagebrush, greasewood, four-wing saltbush, cheatgrass, gambel scrub oak, willow, tamarack, shadscale, indian ricegrass, wheatgrass, curly grass, crested wheatgrass, foxtail, russian thistle, kochia, and cacti.**
- 3. Fauna includes cattle, horses, elk, deer, coyotes, rabbits, rodents, lizards, bull snakes, rattle snakes, water snakes and horned toads. Birds include ground sparrows, bluejays, bluebirds, magpies, ravens, raptors, morning doves, swallows, nighthawks, hummingbirds and chukar.**
- 4. The nearest live water is the Green River.**
- 5. There are no dwellings in the area.**
- 6. An archaeological survey has been completed and mailed to the BLM under separate cover. No significant archaeological or historical cultural sites were found.**
- 7. There are no reported restrictions or reservations noted on the oil and gas lease.**

**13. OPERATOR'S REPRESENTATIVES AND CERTIFICATION:**

|               | <b>ADDRESS</b>   | <b>PHONE #</b> | <b>FAX #</b> | <b>HOME #</b> |
|---------------|--|----------------|--------------|---------------|
| Al Nicol      | 621 17 <sup>th</sup> Street, Suite 750<br>Denver, CO 80293 | 303 296 9402   | 303 296 9410 | 303 425 9115  |
| John Luchetta | 2020 Foothills Rd.<br>Golden, CO 80401                     | 303 278 3347   | 303 278 9506 | 303 278 3347  |

**14. GOVERNMENT CONTACTS:**

|            | <b>ADDRESS</b>                     | <b>PHONE #</b> |              |
|------------|------------------------------------|----------------|--------------|
| Stanely R. | 170 South 500 East<br>Vernal, Utah | 435 781 4400   | 435 781 4410 |

- **Certification:**

I hereby certify that I, or persons under my direct supervision, have inspected the proposed drill-site and access route; that I am familiar with the conditions which presently exist; that the statements made in this plan are, to the best of my knowledge, true and correct; and that the work associated with the proposed operations herein will be performed by Pendragon Energy Partners, Inc. , its contractors and subcontractors. Pendragon Energy Partners, Inc. will operate the lease under BLM Bond No. RLB0001759 This statement is subject to the provisions of rule 18 U. S. C. 1001 for the filing of a false statement.

A complete copy of the approved Application for Permit to Drill will be furnished to the operator's field representative to ensure compliance and will be on location during all construction, drilling and completion operations.

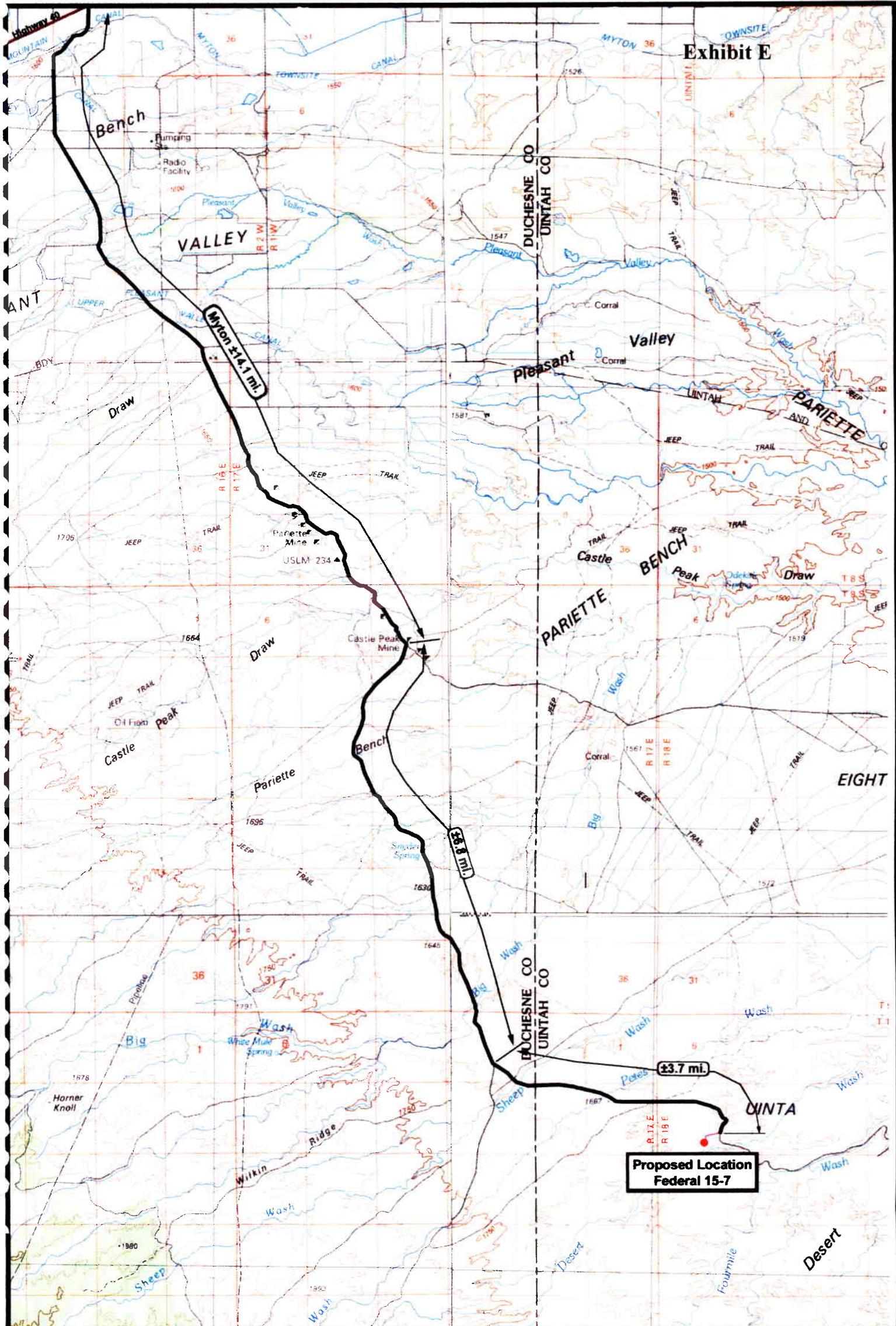
Please be advised that Pendragon Energy Partners, Inc. is considered to be the operator of Well No. 15-7-10-18 SW SE Sec 7, T10S, R18E; Lease Uteland Butte Federal ; Uintah County, Utah; and is responsible under the terms and conditions of the lease.

Aug 20, 2005

\_\_\_\_\_  
Date



\_\_\_\_\_  
Pendragon Energy Partners, Inc.  
John Luchetta, Agent



**PENDRAGON**  
**ENERGY PARTNERS INC.**

**Federal 15-7-10-18**  
**Sec 7, T10S, R18E, S.L.B.&M.**

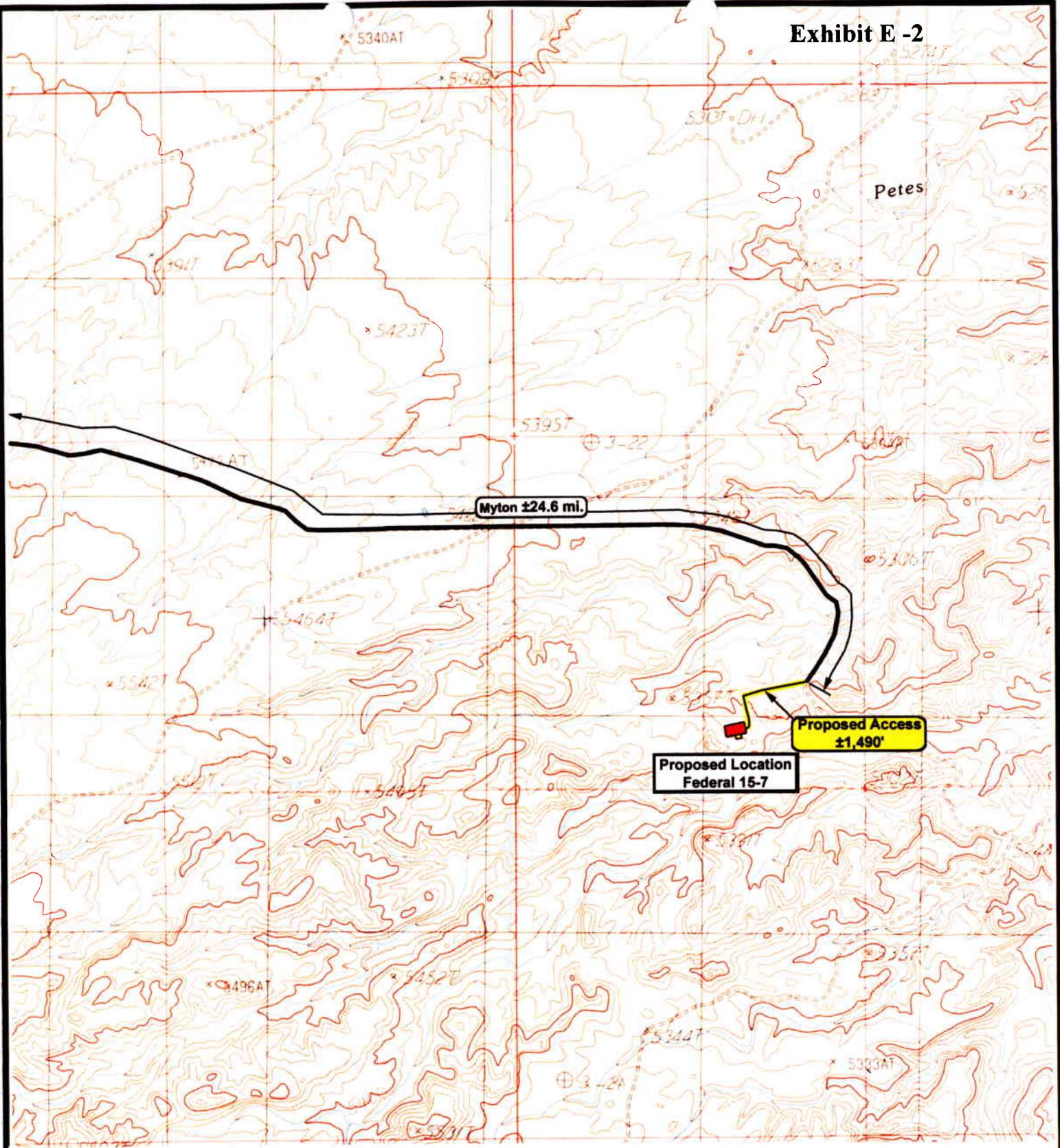


**Tri-State**  
*Land Surveying Inc.*  
 (435) 781-2501  
 180 North Vernal Ave. Vernal, Utah 84076

SCALE: 1" = 100,000'  
 DRAWN BY: mw  
 DATE: 08-03-2005

**Legend**  
 Existing Road  
 Proposed Access

TOPOGRAPHIC MAP  
**"A"**



**PENDRAGON**  
**ENERGY PARTNERS INC.**

**Federal 15-7-10-18**  
**SEC. 7, T10S, R18E, S.L.B.&M.**



*Tri-State*  
*Land Surveying Inc.*  
 (435) 781-2501  
 180 North Vernal Ave. Vernal, Utah 84078

SCALE: 1" = 2000'

DRAWN BY: mw

DATE: 08-03-2005

**Legend**

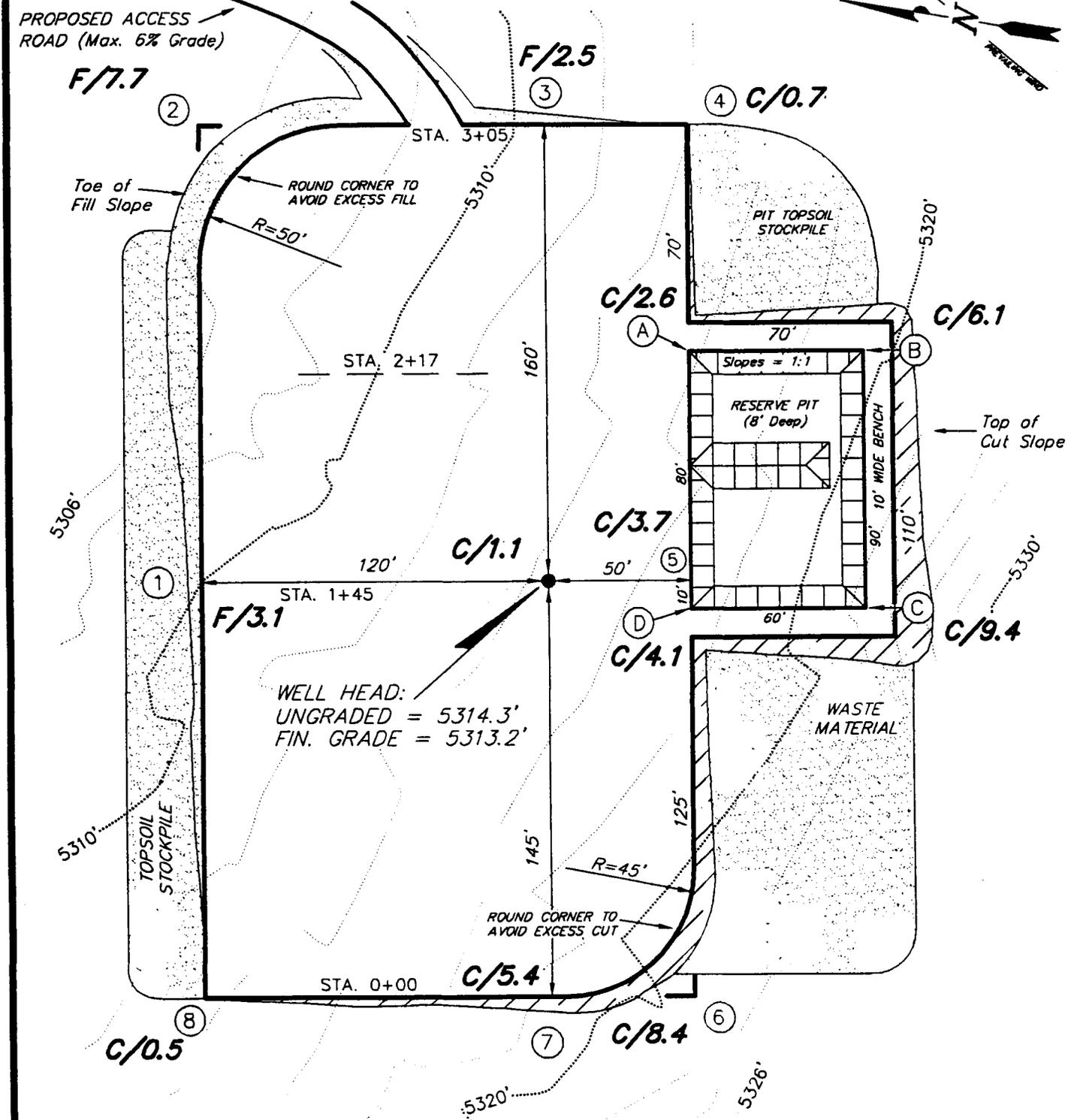
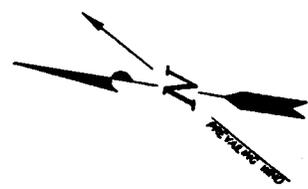
-  Existing Road
-  Proposed Access

TOPOGRAPHIC MAP

**"B"**

# PENDRAGON ENERGY PARTNERS, INC.

FEDERAL 15-7-10-18  
Section 7, T10S, R18E, S.L.B.&M.



**REFERENCE POINTS**

- 195' WESTERLY = 5321.7'
- 245' WESTERLY = 5328.4'
- 170' NORTHERLY = 5307.4'
- 220' NORTHERLY = 5307.3'

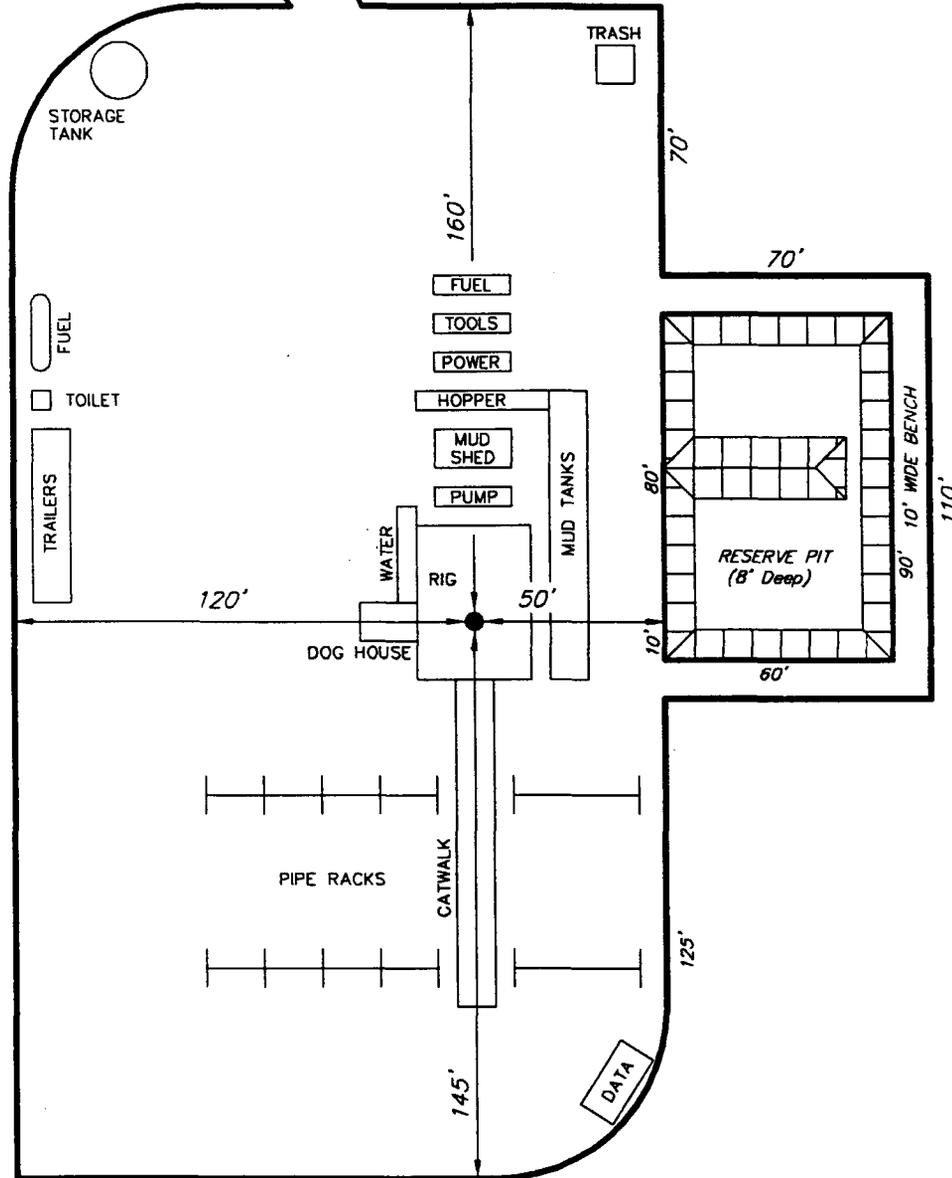
|                   |                 |   |                |
|-------------------|-----------------|---|----------------|
| SURVEYED BY: C.M. | SCALE: 1" = 50' | <p><b>Tri State</b><br/>Land Surveying, Inc.<br/>180 NORTH VERNAL AVE. VERNAL, UTAH 84078</p> | (435) 781-2501 |
| DRAWN BY: F.T.M.  | DATE: 7-12-05   |   |                |

**PENDRAGON ENERGY PARTNERS, INC.**

**TYPICAL RIG LAYOUT**

**FEDERAL 15-7-10-18**

PROPOSED ACCESS ROAD (Max. 6% Grade)



SURVEYED BY: C.M.

SCALE: 1" = 50'

DRAWN BY: F.T.M.

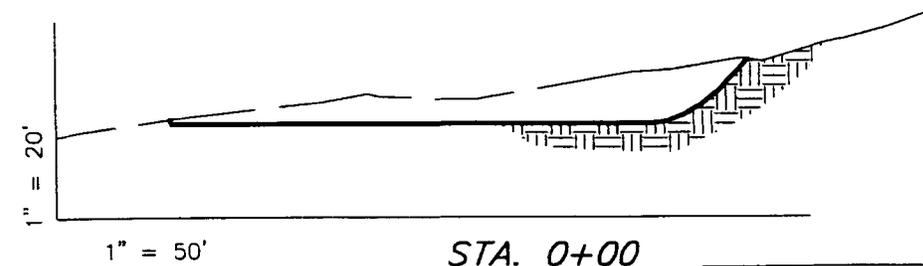
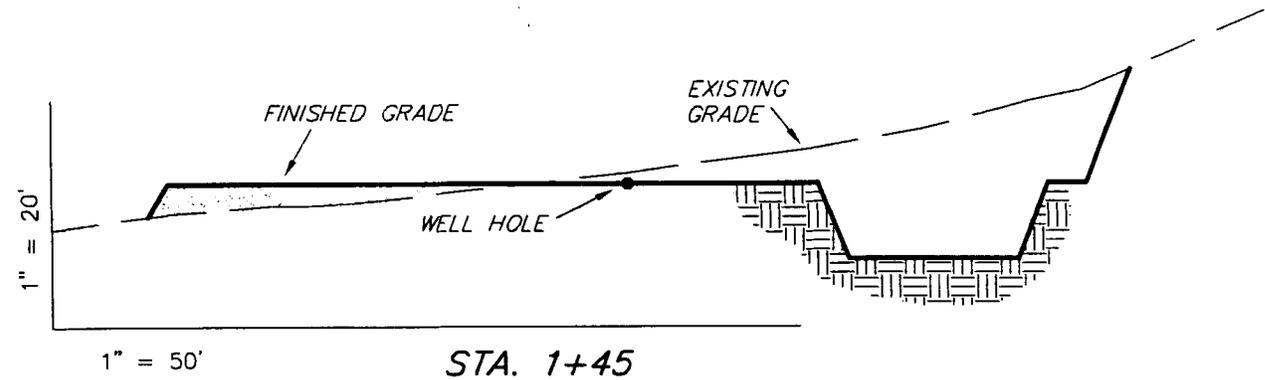
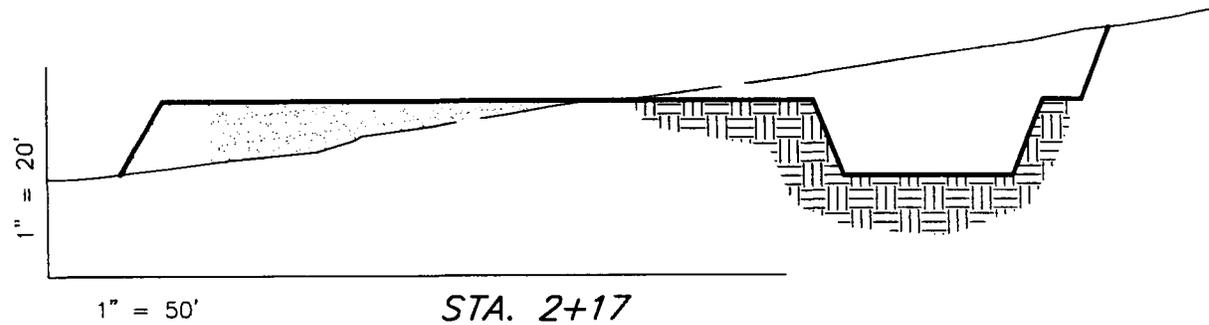
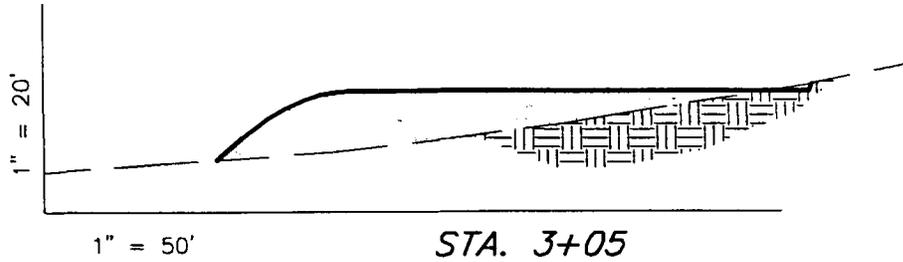
DATE: 7-12-05

**Tri State** (435) 781-2501  
 Land Surveying, Inc.  
 180 NORTH VERNAL AVE. VERNAL, UTAH 84078

**PENDRAGON ENERGY PARTNERS, INC.**

**CROSS SECTIONS**

**FEDERAL 15-7-10-18**



| ESTIMATED EARTHWORK QUANTITIES |       |       |                                    |        |
|--------------------------------|-------|-------|------------------------------------|--------|
| (Expressed in Cubic Yards)     |       |       |                                    |        |
| ITEM                           | CUT   | FILL  | 6" TOPSOIL                         | EXCESS |
| PAD                            | 3,600 | 3,590 | Topsoil is not included in Pad Cut | 10     |
| PIT                            | 1,170 | 0     |                                    | 1,170  |
| TOTALS                         | 4,770 | 3,590 | 1,200                              | 1,180  |

NOTE:  
UNLESS OTHERWISE NOTED  
CUT SLOPES ARE AT 1:1  
FILL SLOPES ARE AT 1.5:1

SURVEYED BY: C.M.

SCALE: 1" = 50'

DRAWN BY: F.T.M.

DATE: 7-12-05

**Tri State** (435) 781-2501  
Land Surveying, Inc.  
180 NORTH VERNAL AVE. VERNAL, UTAH 84078

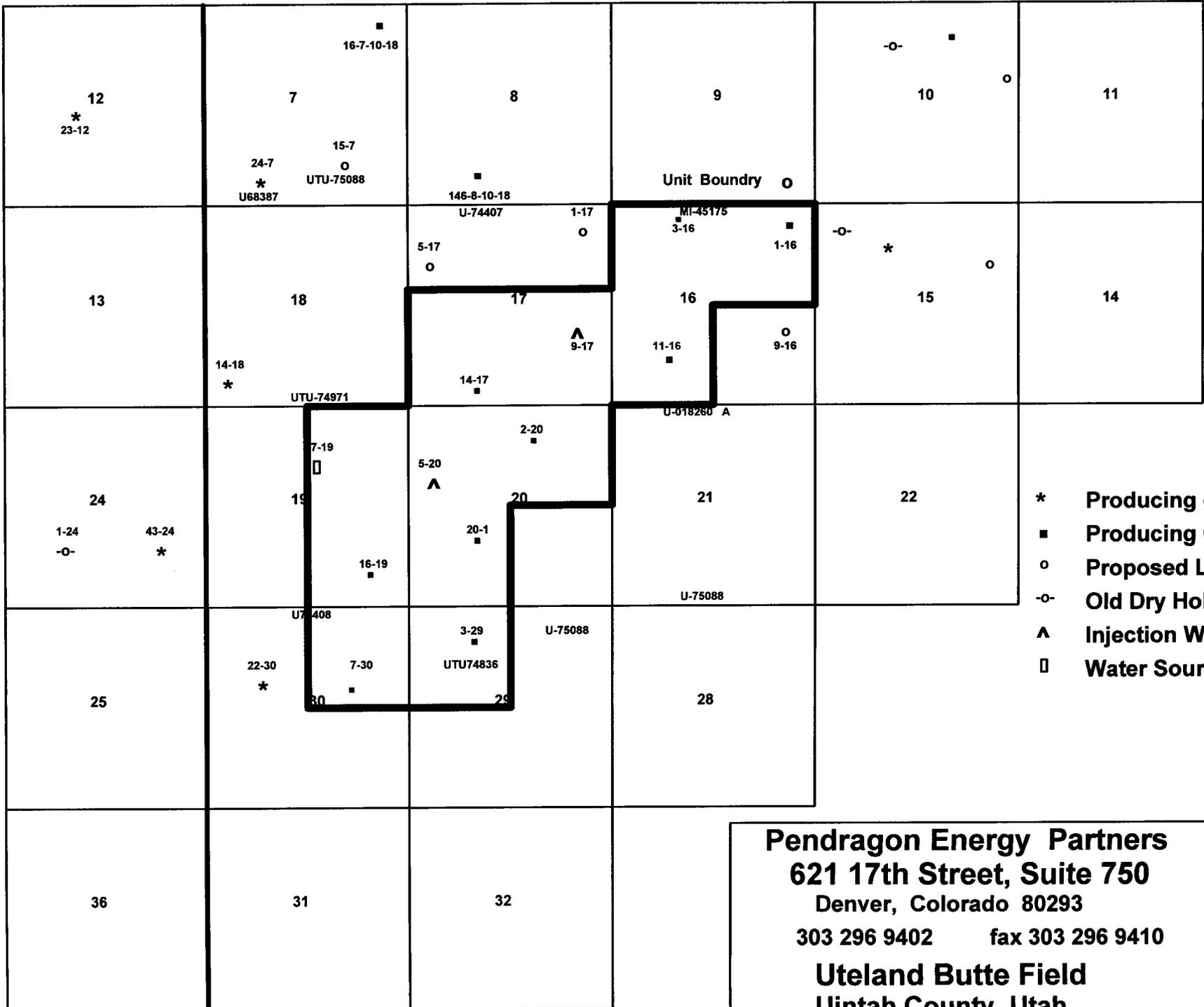
R 17 E

R 18 E

Exhibit H

T 10 S

T 10 S



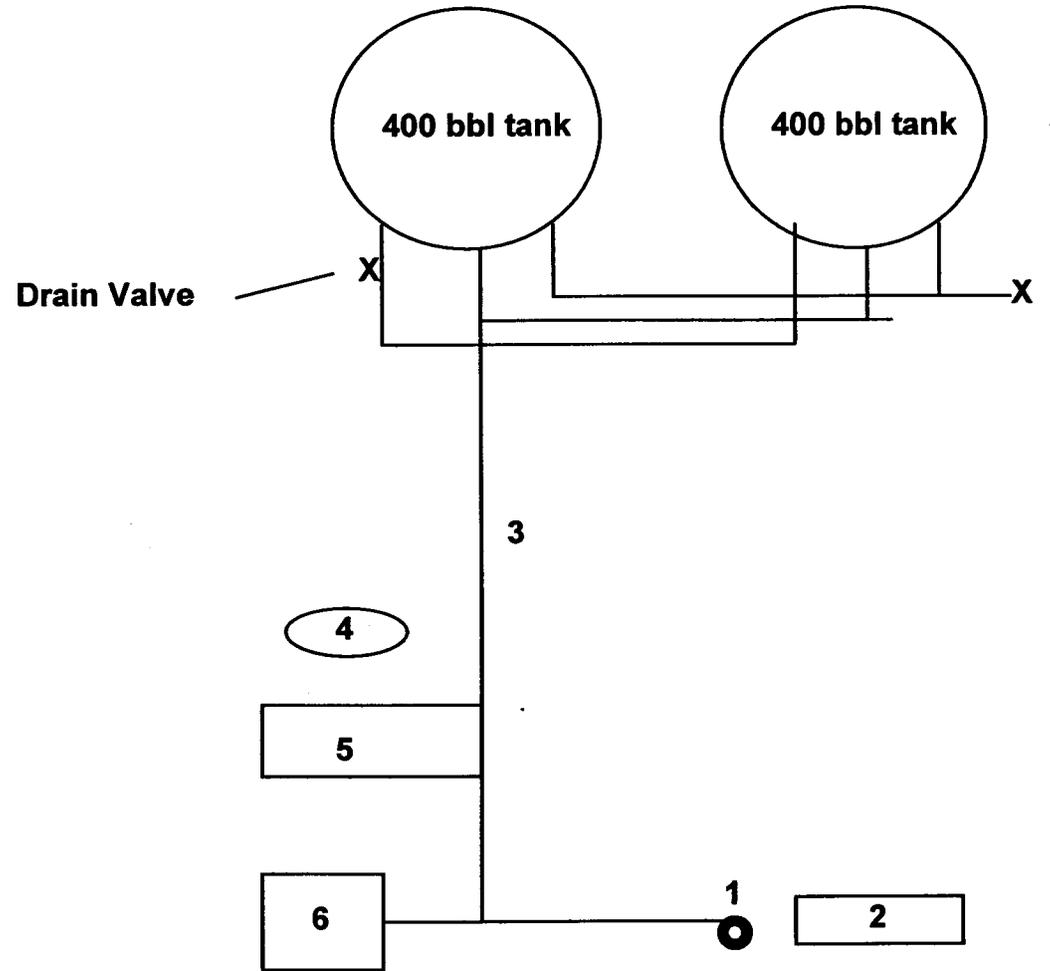
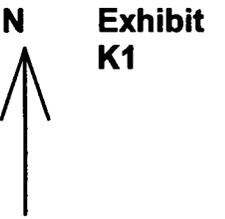
- \* Producing gas well
- Producing Oil Well
- Proposed Location
- Old Dry Hole
- ▲ Injection Well
- Water Source Well

**Pendragon Energy Partners**  
**621 17th Street, Suite 750**  
 Denver, Colorado 80293  
 303 296 9402 fax 303 296 9410  
**Uteland Butte Field**  
 Uintah County, Utah

**PENDRAGON ENERGY PARTNER5S, INC**

**Uteland Butte Site Security Diagram**

- 1 Wellhead**
- 2 Pumping unit and engine**
- 3 Flow line bundle**
- 4 Propane Tank**
- 5 Line heater**
- 6 Pit tanks**
- 7 Welded steel production tanks**
- 8 Sales line**
- \* Oil production, gas, glycol trace and water drains are all in the bundle.**



**Pendragon Energy Partners, Inc.**  
**Site Facility Diagram**  
**Uintah County, Utah**

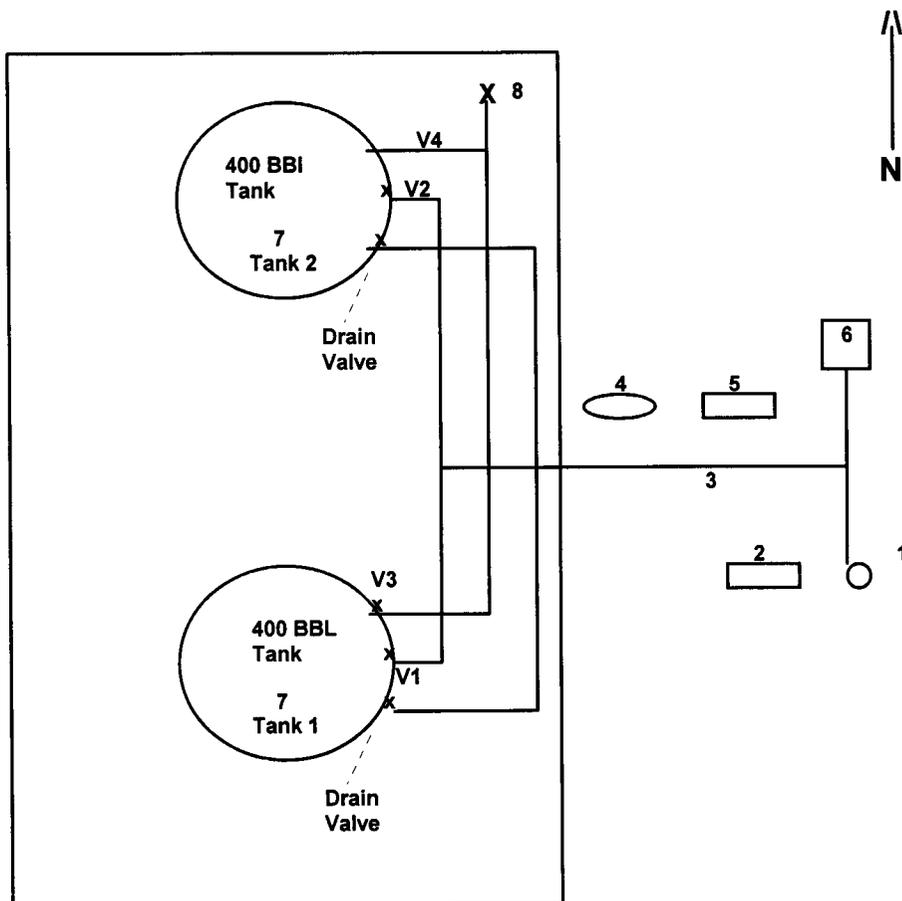
- 1- Wellhead
  - 2-Pumping Unit Engine
  - 3-Flowline Bundle\*
  - 4-Propane Tank
  - 5-Line Heater
  - 6-Pit Tank
  - 7-Welded Steel Production Tanks
  - 8-Sales Line
- \* Bundle includes oil & gas production, glycol trace, water drains.

- V1-Production Valve, Tank #1
- V2-Production Valve, Tank #2
- V3-Sales Valve, Tank#1
- V4-Sales Valve, Tank #2

Normal Operations: V1 V2 V3 V4

|               |    |    |     |     |
|---------------|----|----|-----|-----|
| Tank #1 Prod  | OP | CL | CL  | O/C |
| Tank #1 Sales | CL | OP | OP  | CL  |
| Tank #2 Prod  | CL | OP | O/C | CL  |
| Tank #2 Sales | OP | CL | CL  | OP  |

The production system is closed with access through sealed valves



**WORKSHEET  
APPLICATION FOR PERMIT TO DRILL**

APD RECEIVED: 09/06/2005

API NO. ASSIGNED: 43-047-37098

WELL NAME: FEDERAL 15-7-10-18  
 OPERATOR: PENDRAGON ENERGY PTNRS ( N2965 )  
 CONTACT: JOHN LUCHETTA

PHONE NUMBER: 303-278-3347

PROPOSED LOCATION:

SWSE 07 100S 180E  
 SURFACE: 0835 FSL 1897 FEL  
 BOTTOM: 0835 FSL 1897 FEL  
 Uintah  
 UTELAND BUTTE ( 695 )

| INSPECT LOCATN BY: / / |          |      |
|------------------------|----------|------|
| Tech Review            | Initials | Date |
| Engineering            |          |      |
| Geology                |          |      |
| Surface                |          |      |

LEASE TYPE: 1 - Federal  
 LEASE NUMBER: U75088  
 SURFACE OWNER: 1 - Federal  
 PROPOSED FORMATION: GRRV  
 COALBED METHANE WELL? NO

LATITUDE: 39.95346  
 LONGITUDE: -109.9328

RECEIVED AND/OR REVIEWED:

- Plat
- Bond: Fed[1] Ind[] Sta[] Fee[]  
(No. RLB0001759 )
- Potash (Y/N)
- Oil Shale 190-5 (B) or 190-3 or 190-13
- Water Permit  
(No. 43-1721 )
- RDCC Review (Y/N)  
(Date: \_\_\_\_\_ )
- Fee Surf Agreement (Y/N)
- Intent to Commingle (Y/N)

LOCATION AND SITING:

- \_\_\_\_ R649-2-3.
- Unit WILKIN RIDGE DEEP *\* NON PA*
- \_\_\_\_ R649-3-2. General  
Siting: 460 From Qtr/Qtr & 920' Between Wells
- R649-3-3. Exception
- \_\_\_\_ Drilling Unit  
Board Cause No: \_\_\_\_\_  
Eff Date: \_\_\_\_\_  
Siting: \_\_\_\_\_
- \_\_\_\_ R649-3-11. Directional Drill

COMMENTS: \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_

STIPULATIONS: 1- Federal Approval  
2- Spacing Strip  
 \_\_\_\_\_  
 \_\_\_\_\_

T10S R17E

T10S R18E

REDSIFIED  
R6-7-05-08

7

**UTELAND BUTTE FIELD**  
WILKIN RIDGE (DEEP) UNIT

FEDERAL  
24-7-01

FEDERAL  
15-7-01-08

OPERATOR: PENDRAGON ENERGY (N2965)

SEC: 7 T. 10S R. 18E

FIELD: UTELAND BUTTE (695)

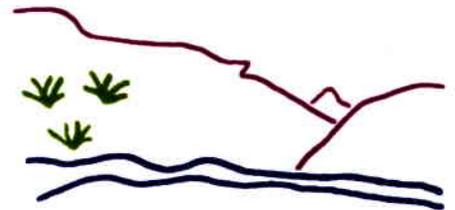
COUNTY: UINTAH

SPACING: R649-3-2 / GENERAL SITING

- Field Status**
- ABANDONED
  - ACTIVE
  - COMBINED
  - INACTIVE
  - PROPOSED
  - STORAGE
  - TERMINATED

- Unit Status**
- EXPLORATORY
  - GAS STORAGE
  - NF PP OIL
  - NF SECONDARY
  - PENDING
  - PI OIL
  - PP GAS
  - PP GEOTHERML
  - PP OIL
  - SECONDARY
  - TERMINATED

- Wells Status**
- GAS INJECTION
  - GAS STORAGE
  - LOCATION ABANDONED
  - NEW LOCATION
  - PLUGGED & ABANDONED
  - PRODUCING GAS
  - PRODUCING OIL
  - SHUT-IN GAS
  - SHUT-IN OIL
  - TEMP. ABANDONED
  - TEST WELL
  - WATER INJECTION
  - WATER SUPPLY
  - WATER DISPOSAL
  - DRILLING



*Utah Oil Gas and Mining*



PREPARED BY: DIANA WHITNEY  
DATE: 09-SEPTEMBER-2005



**State of Utah**

**Department of  
Natural Resources**

MICHAEL R. STYLER  
*Executive Director*

**Division of  
Oil, Gas & Mining**

JOHN R. BAZA  
*Division Director*

JON M. HUNTSMAN, JR.  
*Governor*

GARY R. HERBERT  
*Lieutenant Governor*

September 12, 2005

Pendragon Energy Partners, Inc.  
621 17th Street, Suite 750  
Denver, CO 80293

Re: Federal 15-7-10-18 Well, 835' FSL, 1897' FEL, SW SE, Sec. 7, T. 10 South,  
R. 18 East, Uintah County, Utah

Gentlemen:

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

Appropriate information has been submitted to DOGM and administrative approval of the requested exception location is hereby granted.

This approval shall expire one year from the above date unless substantial and continuous operation is underway, or a request for extension is made prior to the expiration date. The API identification number assigned to this well is 43-047-37098.

Sincerely,

Gil Hunt  
Associate Director

pab  
Enclosures

cc: Uintah County Assessor  
Bureau of Land Management, Vernal District Office

**Operator:** Pendragon Energy Partners, Inc.

**Well Name & Number** Federal 15-7-10-18

**API Number:** 43-047-37098

**Lease:** U75088

**Location:** SW SE                      **Sec. 7**                      **T. 10 South**                      **R. 18 East**

### Conditions of Approval

1. General

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

2. Notification Requirements

Notify the Division within 24 hours of spudding the well.

- Contact Carol Daniels at (801) 538-5284.

Notify the Division prior to commencing operations to plug and abandon the well.

- Contact Dan Jarvis at (801) 538-5338

3. Reporting Requirements

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

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

5. This proposed well is located in an area for which drilling units (well spacing patterns) have not been established through an order of the Board of Oil, Gas and Mining (the "Board"). In order to avoid the possibility of waste or injury to correlative rights, the operator is requested, once the well has been drilled, completed, and has produced, to analyze geological and engineering data generated therefrom, as well as any similar data from surrounding areas if available. As soon as is practicable after completion of its analysis, and if the analysis suggests an area larger than the quarter-quarter section upon which the well is located is being drained, the operator is requested to seek an appropriate order from the Board establishing drilling and spacing units in conformance with such analysis by filing a Request for Agency Action with the Board.

**UNITED STATES  
DEPARTMENT OF THE INTERIOR  
BUREAU OF LAND MANAGEMENT  
APPLICATION FOR PERMIT TO DRILL OR REENTER**

Adjudum to APD Aug 29, 2005

**RECEIVED**

NOV 10 2005

|   |   |
|---|---|
| <p><b>Additional Information as Requested by Machael Lee/ Nov 5, 2005</b></p> <ol style="list-style-type: none"> <li>1. Anticipated BHP = 0.42 psi/ft gradient = +/- 4,900' x 0.42 = 2,058 psi.</li> <li>2. Cement top behind the 5 1/2" casing will be @ +1236' or 200' above the top of Green River Formation.</li> <li>3. Approx 125 sxs prem w/16% gell, yield = 3.54/11 ppg + 215 sxs 50/50 pozmix w/ 2 % gell + additives, 14.35 ppg/ yield 1.24</li> </ol> | <p>DIV. OF OIL, GAS &amp; MINING</p> <p>FORM APPROVED<br/>OMB No. 1004-0136<br/>Expires November 30, 2000</p> |
|---|---|

|   |  |
|---|--|
| <p>1a. Type of Work : <input checked="" type="checkbox"/> DRILL                      <input type="checkbox"/> REENTER</p> <p>1b. Type of Well: <input checked="" type="checkbox"/> Oil Well    <input type="checkbox"/> Gas Well    <input type="checkbox"/> Other    <input type="checkbox"/> Single Zone    <input checked="" type="checkbox"/> Multiple Zone</p> | <p>5. Lease Serial No.<br/><b>U75088</b></p> <p>6. If Indian, Allottee or Tribe Name<br/><b>N/A</b></p> <p>7. If Unit or CA Agreement, Name and No.<br/><b>N/A</b></p> <p>8. Lease Name and Well No.<br/><b>Federal 15-7-10-18</b></p> |
| <p>2. Name Of Operator<br/><b>Pendragon Energy Partners, Inc.</b></p>   | <p>9. API Well No.<br/><b>43-047-37098</b></p>   |
| <p>3a. Address<br/><b>621 17th Street, Suite 750, Denver, CO 80293</b></p>  | <p>3 b. Phone No. (include area code)<br/><b>303 296 9402</b></p>  |
| <p>4. Location of Well (Report location clearly &amp; in accordance w/State requirements*)<br/>At Surface <b>1897' FEL, 835' FSL, Sec 7</b><br/>At proposed prod zone <b>Same</b></p>   | <p>10. Field and Pool, or Exploratory<br/><b>Uteland Butte</b></p> <p>11 Sec., T., R., M. or Blk. and Survey or Area<br/><b>Sec 7 T10S, R18E, SLB&amp;M<br/>SW SE</b></p>  |
| <p>14. Distance in miles and direction from nearest town or post office *<br/><b>See Topo Map "A" (Attached)</b></p>  | <p>12. County or Parish<br/><b>Uintah</b></p> <p>13. State<br/><b>Utah</b></p>   |
| <p>15. Distance from proposed* location to nearest property or lease line, ft. (Also to nearest drlg. unit line, if any)                      <b>835'</b></p>   | <p>16. No. of Acres in lease<br/><b>640</b></p>  |
| <p>17. Spacing Unit dedicated to this well<br/><b>40</b></p>  | <p>18. Distance from proposed location to nearest well drilling, completed, applied for in this lease, ft.<br/><b>4,900'</b></p>   |
| <p>19. Proposed Depth<br/><b>4,900'</b></p>   | <p>20. BLM/BIA Bond No. on file<br/><b>RLBOOO1759</b></p>  |
| <p>21. Elevations ( Show whether D, KDB, RT, GL etc.)<br/><b>5314.3' GR</b></p>   | <p>22. Approximate date work will start*<br/><b>Dec 15, 2005</b></p>   |
| <p>23. Estimated Duration<br/><b>60 days</b></p>  | <p>24. Attachments</p>   |

The following, completed in accordance with the requirements of On shore Oil and Gas Order No.1 shall be attached to this form:

|   |   |
|---|---|
| <p align="center"><b>Uintah Engineering-attached</b></p> <ol style="list-style-type: none"> <li>1. Well plat certified by a registered surveyor.</li> <li>2. A Drilling Plan <b>Exhibit "B"</b></li> <li>3. A Surface Use Plan (if the location is on National forest System Lands, the SUPO shall be filed with the appropriate Forest Service Office).</li> </ol> | <ol style="list-style-type: none"> <li>4. Bond to cover the operations unless covered by an existing bond on file (see item 20 above). <b>RLBOOO1759</b></li> <li>5. Operator certification. <b>See Surface Use Plan</b></li> <li>6. Such other site specific information and attachments as may be required by the authorized officer. <b>See Exhibits (Attached)</b></li> </ol> |
|---|---|

|                                |  |                                    |
|--------------------------------|--|------------------------------------|
| <p>25. Signature </p>          | <p>Name (Printed/Typed)<br/><b>John Luchetta</b></p> | <p>Date<br/><b>Nov 7, 2005</b></p> |
| <p>Title<br/><b>Agent</b></p>  |  |                                    |
| <p>Approved by (Signature)</p> | <p>Name (Printed/Typed)</p>                          | <p>Date</p>                        |
| <p>Title</p>                   | <p>Office</p>  |                                    |

Application approval does not warrant or certify the applicant holds legal or equitable title to those rights in the subject lease which would entitle the applicant to conduct operations thereon. Conditions of approval, if any, are attached

Title 18 U.S.C. Section 1001 and Title 43 U.S.C. Section 1212 make it a crime for any person knowingly and willfully to make to any department or agency of the United States any false, fictitious or fraudulent statements or representations as to any matter within its jurisdiction.

\* Instructions on reverse side

**Other information per Michael Lee Nov 4th 2005" There has been no HS gas noted in the area. P&A process will be done according to BLM instructions. Quantity of cement will consist of +/- 100 sx cement plugs @ 2500' intervals + 100 sx plug at the surface with marker.**

**UNITED STATES  
DEPARTMENT OF THE INTERIOR  
BUREAU OF LAND MANAGEMENT  
APPLICATION FOR PERMIT TO DRILL OR REENTER**

**RECEIVED**

SEP - 6 2005

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 recently 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 proposed operations herein will be performed by Pendragon Energy Partners, Inc., its contractors and subcontractors, Pendragon Energy Partners, Inc. will operate the lease under Flood & Peterson Federal Bond RLB0001759. This statement is subject to the provisions of 18 U.S.C. 1001 for the filing of a false statement.

UTAH  
FORM APPROVED  
OMB No. 1004-0136  
Expires November 30, 2000

1a. Type of Work:  DRILL  REENTER  
1b. Type of Well:  Oil Well  Gas Well  Other  Single Zone  Multiple Zone

5. Lease Serial No.  
**U75088**  
6. If Indian, Allottee or Tribe Name  
**N/A**  
7. If Unit or CA Agreement, Name and No.  
**N/A**  
8. Lease Name and Well No.  
**Federal 15-7-10-18**

2. Name Of Operator  
**Pendragon Energy Partners, Inc.**

9. API Well No.  
**431047-37098**

3a. Address  
**621 17th Street, Suite 750, Denver, CO 80293**  
3 b. Phone No. (include area code)  
**303 296 9402**

10. Field and Pool, or Exploratory  
**Uteland Butte**

4. Location of Well (Report location clearly & in accordance w/State requirements\*)  
At Surface **1897' FEL, 835' FSL, Sec 7**  
At proposed prod zone **Same**

11. Sec., T., R., M. or Bk. and Survey or Area  
**Sec 7 T10S, R18E, SLB&M  
SW SE**

14. Distance in miles and direction from nearest town or post office\*  
**See Topo Map "A" (Attached)**

12. County or Parish  
**Utah**  
13. State  
**Utah**

15. Distance from proposed\* location to nearest property or lease line, ft. (Also to nearest drig. unit line, if any) **835'**  
16. No. of Acres in lease **640**  
17. Spacing Unit dedicated to this well **40**

18. Distance from proposed location to nearest well drilling, completed, applied for in this lease, ft. **4,900' 5000'**  
20. BLM/BIA Bond No. on file **RLB0001759**

21. Elevations ( Show whether D, KDB, RT, GL etc.) **5314.3' GR**  
22. Approximate date work will start\* **Dec 15, 2005**  
23. Estimated Duration **60 days**

**24. Attachments**

The following, completed in accordance with the requirements of On shore Oil and Gas Order No.1 shall be attached to this form:

- 1. Well plat certified by a registered surveyor. **Utah Engineering-attached**
- 2. A Drilling Plan **Exhibit "B"**
- 3. A Surface Use Plan (if the location is on National forest System Lands, the SUPO shall be filed with the appropriate Forest Service Office).
- 4. Bond to cover the operations unless covered by an existing bond on file (see item 20 above). **RLB0001759**
- 5. Operator certification. **See Surface Use Plan**
- 6. Such other site specific requirements as may be required by the authorized officer. **See Exhibits (Attached)**

25. Signature *[Signature]* Name (Printed/Typed) **John Luchetta** Date **Aug 20, 2005**  
Title **Agent**

Approved by (Signature) *[Signature]* Name (Printed/Typed) **Oil, Gas and Mining** Date **05/02/2006**  
Title **Assistant Field Manager Mineral Resources** Office **FOR RECORD ONLY**

**RECEIVED  
MAY 08 2006**

Application approval does not warrant or certify the applicant holds legal or equitable title to those rights in the subject lease which would entitle the applicant to conduct operations thereon. Conditions of approval, if any, are attached

Title 18 U.S.C. Section 1001 and Title 43 U.S.C. Section 1212 make it a crime for any person knowingly and willfully to make to any department or agency of the United States any false, fictitious or fraudulent statements or representations as to any matter within its jurisdiction.

\* Instructions on reverse side

**Exhibits:**  
A. Survey Plat  
B. 13 Point Plan  
C. BOP Diagram  
D: 13 Point Surface Plan  
E2: Topo Map B  
F: Location Layout  
G: Rig & Rig Layout  
H: Existing Well Map  
K: Cultural Report (to follow)  
K1 Facilities  
K2 Facilities

**CONDITIONS OF APPROVAL ATTACHED**

**UDOGM**



UNITED STATES DEPARTMENT OF THE INTERIOR  
BUREAU OF LAND MANAGEMENT  
VERNAL FIELD OFFICE

170 South 500 East VERNAL, UT 84078 (435) 781-4400



**CONDITIONS OF APPROVAL FOR APPLICATION FOR PERMIT TO DRILL**

Company: **Pendragon Energy Prtnrs, Inc.** Location: **SWSE, Sec 7, T10S, R18E**  
Well No: **Federal 15-7-10-18** Lease No: **UTU-75088**  
API No: **43-047-37098** Agreement: **N/A**

|   |                |                          |                    |
|---|----------------|--------------------------|--------------------|
| Petroleum Engineer:                             | Matt Baker     | Office: 435-781-4490     | Cell: 435-828-4470 |
| Petroleum Engineer:                             | Michael Lee    | Office: 435-781-4432     | Cell: 435-828-7875 |
| Supervisory Petroleum Technician:               | Jamie Sparger  | Office: 435-781-4502     | Cell: 435-828-3913 |
| Environmental Scientist:                        | Paul Buhler    | Office: 435-781-4475     | Cell: 435-828-4029 |
| Environmental Scientist:                        | Karl Wright    | Office: 435-781-4484     |                    |
| Natural Resource Specialist:                    | Holly Villa    | Office: 435-781-4404     |                    |
| Natural Resource Specialist:                    | Melissa Hawk   | Office: 435-781-4476     |                    |
| Natural Resource Specialist:                    | Nathaniel West | Office: 435-781-4447     |                    |
| <b>After Hours Contact Number: 435-781-4513</b> |                | <b>Fax: 435-781-4410</b> |                    |

**A COPY OF THESE CONDITIONS SHALL BE FURNISHED TO YOUR  
FIELD REPRESENTATIVE TO INSURE COMPLIANCE**

All lease and/or unit operations are to be conducted in such a manner that full compliance is made with the applicable laws, regulations (43 CFR Part 3160), and this approved Application for Permit to Drill including Surface and Downhole Conditions of Approval. The operator is considered fully responsible for the actions of his subcontractors. A copy of the approved APD must be on location during construction, drilling, and completion operations. **This permit is approved for a one-year period. An additional year extension may be applied for by sundry notice prior to expiration.**

**NOTIFICATION REQUIREMENTS**

- |   |   |  |
|---|---|--|
| Location Construction<br>(Notify Nate West)             | - | Forty-Eight (48) hours prior to construction of location and access roads.   |
| Location Completion<br>(Notify Nate West)               | - | Prior to moving on the drilling rig.   |
| Spud Notice<br>(Notify Petroleum Engineer)              | - | Twenty-Four (24) hours prior to spudding the well.   |
| Casing String & Cementing<br>(Notify Jamie Sparger)     | - | Twenty-Four (24) hours prior to running casing and cementing all casing strings.   |
| BOP & Related Equipment Tests<br>(Notify Jamie Sparger) | - | Twenty-Four (24) hours prior to initiating pressure tests.   |
| First Production Notice<br>(Notify Petroleum Engineer)  | - | Within Five (5) business days after new well begins or production resumes after well has been off production for more than ninety (90) days. |

***SURFACE USE PROGRAM  
CONDITIONS OF APPROVAL (COAs)***

**CONSTRUCTION AND OPERATION**

1. All applicable local, state, and/or federal laws, regulations, and/or statutes must be complied with.
2. In accordance with the Migratory Bird Treaty Act if a nest is found the operator shall suspend all operations in the immediate area of such discovery until written authorization to proceed is issued by the authorized officer.
3. Construction related traffic shall be restricted to approved routes. Cross-country vehicle travel will not be allowed.
4. The well location will be maintained in accordance with good housekeeping practices. If the well is productive, items not used for production will not be stored on the well location.
5. If additional erosion occurs during the life of this project, more culverts, low water crossings, berms, wing ditches or etc. may be needed to control the erosion. The operator will need to submit a proposal to control erosion to the BLM.
6. The reserve pit will be lined with a 16 ml or greater liner.
7. No vehicle travel, construction or routine maintenance activities shall be performed during periods when the soil is too wet to adequately support vehicles and/or construction equipment. If such equipment creates ruts in excess of four inches deep, the soil shall be deemed too wet to adequately support construction equipment.
8. During all road building, pad construction, drilling, well completion, producing and abandonment activities, all gasoline, diesel powered equipment used must be equipped with approved spark arresters or mufflers.
9. The liner is to be cut at the level of the cuttings or treated to prevent the reemergence of the pit liner and pit material to the surface or its interference with long-term successful re-vegetation. Any excess liner material removed from the pit is to be disposed of at an authorized disposal site.
10. When the reserve pit contains fluids or toxic substances, the operator must ensure that animals do not ingest or become entrapped in pit fluids.
11. Drill cuttings and mud will remain in the reserve pit until **DRY**. The reserve pit must be free of oil and other liquid and solid wastes, allowed to dry, be pumped dry, or solidified in-situ prior to filling. The reserve pit will not be "squeezed," (filled with soil while still containing fluids) or "cut" (puncturing the pit liner while still containing fluids to allow pit fluids to drain from the pit).
12. Actions to insure oil floating on water does not pose a hazard to wildlife will be implemented. Fluid hydrocarbons within the reserve pit will be promptly removed and disposed of in accordance with State Law.

13. Prevent fill and stock piles from entering drainages.

**CULTURAL AND PALEONTOLOGICAL RESOURCES STIPULATION**

1. Any cultural and/or paleontological resource (historic or prehistoric site or object or fossil) discovered by the holder, or any person working on his behalf, on public or Federal land shall be immediately reported to the authorized officer. Holder shall suspend all operations in the immediate area of such discovery until written authorization to proceed is issued by the authorized officer. An evaluation of the discovery will be made by the authorized officer to determine appropriate actions to prevent the loss of significant cultural or scientific values. The holder will be responsible for the cost of evaluation and a decision as to proper mitigation measures shall be made by the authorized officer after consulting with the holder.
2. The access road will be crowned and ditched. Flat-bladed roads are **NOT** allowed.
3. Notify the Authorized Officer 48 hours prior to surface disturbing activities.
4. All well facilities not regulated by OSHA will be painted Carlsbad Canyon.
5. Following well plugging and abandonment, the location, access roads, pipelines, and other facilities shall be reclaimed. All disturbed surfaces shall be reshaped to approximate the original contour; the top soil respread over the surface; and, the surface revegetated. The surface of approved staging areas where construction activities did not occur may require disking or ripping and reseeding.
6. Noxious weeds and any undesirable plants, as determined by the BLM, will be controlled by the operator. The operator will submit a pesticide use proposal to control weeds if they develop on the location or access road.
7. Trees that must be removed from the location must be piled separately off location and saved for final reclamation purposes.
8. Interim Reclamation (see below):
  - a. Where possible, strip six inches of topsoil from the location as shown on the cut sheet. After the well is completed, the topsoil will be spread and re-contoured on the location and immediately seeded with the seed mix below.
  - b. Interim Reclamation Seed Mix for location:

|                     |                           |                   |
|---------------------|---------------------------|-------------------|
| Galleta grass       | <i>Hilaria jamesil</i>    | 6 lbs/acre        |
| Western wheatgrass  | <i>Pascopyrum smithii</i> | <u>6 lbs/acre</u> |
| Per Live Seed Total |                           | 12 lbs/acre       |
  - c. Certified weed free seed and straw will be used for final and interim reclamation. The operator will submit a receipt with certification for the seed and any straw used on location.

- d. The topsoil from the reserve pit shall be stripped and piled separately near the reserve pit. When the reserve pit is closed it shall be re-contoured, then the area shall be seeded in the same manner as the topsoil.
- e. There shall be no primary or secondary noxious weeds in the seed mixture.
- f. Once the location is plugged and abandoned contact the Authorized Officer for final reclamation plans.
- g. The above listed seed mix shall be used to seed all unused portions of the pad including the topsoil and stock piles, and the reserve pits. Re-seeding may be required if the first seeding is not successful.
- h. The seed shall be drilled or disked into the ground or hand broadcast onto the ground. Planting depth shall not exceed one-half inch using a seed drill. If the seed is hand broadcast then the seed mixture will be doubled and the area raked or chained to cover the seed.

#### **PRODUCING WELL**

- 1. Production facilities (including dikes) will be placed on cut and a minimum of 20' from the toe of the backcut.
- 2. Pesticides may not be used to control undesirable woody and herbaceous vegetation, aquatic plants, insects, rodents, trash fish, etc., without the prior written approval of the BLM. A request for approval of planned uses of pesticides will be submitted 4 months prior to the proposed starting date.
- 3. No production pits will be allowed on the location.
- 4. Load outs will be inside the dike. A drip barrel will be installed under the end of the loadout line.
- 5. All production facilities, i.e. pump, pump house, storage tanks, oil-water separator, galvanized dikes, propane tanks, etc. will be painted with a lusterless color (refer to the "Standard Environmental" Color Sheet"). All facilities will be painted within six (6) months of installation.
- 6. The well location will be maintained in a clean environmentally friendly manner, using good house keeping practices.
- 7. Equipment not being used for production will not be stored on the well location.
- 8. All oil and chemical barrels will be labeled and have a spill containment device to protect soils from possible contamination.

#### **ABANDONED WELL**

- 1. A sundry notice shall be submitted to the BLM prior to abandonment, a final reclamation seed mix will be designated at the time the sundry is approved.
- 2. The seed shall be drilled or disked into the ground or hand broadcast onto the ground. Planting depth shall not exceed one-half inch using a seed drill. If the seed is hand broadcast then the seed mixture will be doubled and the area raked or chained to cover the seed.

3. The cut and fill slopes will be recontoured to original contours. The entire disturbed area will then be back-filled with topsoil, landscaped, seeded and fenced to exclude livestock. The fence will remain in place. It will be removed prior to approval of final abandonment.

## ***DOWNHOLE CONDITIONS OF APPROVAL***

**All provisions outlined in Onshore Oil & Gas Order #2 Drilling Operations shall be strictly adhered to.** The following items are emphasized:

### **SITE SPECIFIC DOWNHOLE CONDITIONS OF APPROVAL**

1. For the production casing cementing program, operator is required to pump additional cement beyond the stated amounts in application. The regulatory minimum standard for top of cement is 1350 ft, based on the estimated top of plus a minimum separation of 200 ft from formation Green River and formation Mahogany oil shale.

### **DRILLING/COMPLETION/PRODUCING OPERATING STANDARDS**

1. There shall be no deviation from the proposed drilling, completion, and/or workover program as approved. Safe drilling and operating practices must be observed. All wells, whether drilling, producing, suspended, or abandoned, shall be identified in accordance with 43 CFR 3162.6. There shall be a sign or marker with the name of the operator, lease serial number, well number, and surveyed description of the well. Any changes in operation must have prior approval from the BLM, Vernal Field Office Petroleum Engineers.
2. The spud date and time shall be reported orally to Vernal Field Office within 24 hours of spudding.
3. **Notify Vernal Field Office Supervisory Petroleum Engineering Technician at least 24 hours in advance of casing cementing operations and BOPE & casing pressure tests.**
4. Blowout prevention equipment (BOPE) will remain in use until the well is completed or abandoned. Closing unit controls must remain unobstructed and readily accessible at all times. Choke manifolds must be located outside of the rig substructure.

All BOPE components will be inspected daily and those inspections shall be recorded in the daily drilling report. Components shall be operated and tested as required by Onshore Oil & Gas Order No. 2 to insure good mechanical working order. All BOPE pressure tests must be performed by a test pump with a chart recorder and **NOT** by the rig pumps. Test must be reported in the driller's log.

BOP drills must be initially conducted by each drilling crew within 24 hours of drilling out from under the surface casing and weekly thereafter as specified in Onshore Oil & Gas Order No. 2.

Casing pressure tests are required before drilling out from under all casing strings set and cemented in place.

No aggressive/fresh hard-banded drill pipe shall be used within casing.

5. All shows of fresh water and minerals will be reported and protected. A sample will be taken of any water flows and a water analysis furnished the BLM, Vernal Field Office. All oil and gas shows will be adequately tested for commercial possibilities, reported, and protected.

6. No location will be constructed or moved, no well will be plugged, and no drilling or workover equipment will be removed from a well to be placed in a suspended status without prior approval of the BLM, Vernal Field Office. If operations are to be suspended for more than 30 days, prior approval of the BLM, Vernal Field Office must be obtained and notification given before resumption of operations.
7. Chronologic drilling progress reports must be filed directly with the BLM, Vernal Field Office on a weekly basis in sundry, letter format or e-mail to the Petroleum Engineers until the well is completed.

Any change in the program must be approved by the BLM, Vernal Field Office. "Sundry Notices and Reports on Wells" (Form BLM 3160-5) must be filed for all changes of plans and other operations in accordance with 43 CFR 3162.3-2.

Emergency approval may be obtained orally, but such approval does not waive the written report requirement. Any additional construction, reconstruction, or alterations of facilities, including roads, gathering lines, batteries, etc., which will result in the disturbance of new ground, will require the filing of a suitable plan pursuant to Onshore Oil & Gas Order No. 1 of 43 CFR 3164.1 and prior approval by the BLM, Vernal Field Office.

In accordance with 43 CFR 3162.4-3, this well must be reported on the "Monthly Report of Operations" (Oil and Gas Operations Report ((OGOR)) starting with the month in which operations commence and continue each month until the well is physically plugged and abandoned. This report shall be filed in duplicate, directly with the Minerals Management Service, P.O. Box 17110, Denver, Colorado 80217-0110, or call 1-800-525-7922 (303) 231-3650 for reporting information.

8. Whether the well is completed as a dry hole or as a producer, "Well Completion and Recompletion Report and Log" (BLM Form 3160-4) will be submitted not later than 30 days after completion of the well or after completion of operations being performed, in accordance with 43 CFR 3162.4-1. Two copies of all logs run, core descriptions, and all other surveys or data obtained and compiled during the drilling, workover, and/or completion operations, will be filed on BLM Form 3160-4. Submit with the well completion report a geologic report including, at a minimum, formation tops, and a summary and conclusions. Also include deviation surveys, sample descriptions, strip logs, core data, drill stem test data, and results of production tests if performed. Samples (cuttings, fluid, and/or gas) will be submitted only when requested by the BLM, Vernal Field Office.

**Please submit an electronic copy of all logs run on this well in LAS format to UT\_VN\_Welllogs@BLM.gov. This submission will supersede the requirement for submittal of paper logs to the BLM. The cement bond log must be submitted in raster format (TIF, PDF other).**

9. All off-lease storage, off-lease measurement, or commingling on-lease or off-lease will have prior written approval from the BLM, Vernal Field Office.

All measurement points shall be identified as point of sales or allocation for royalty determination prior to the installation of facilities.

10. Oil and gas meters will be calibrated in place prior to any deliveries. The Field Office Petroleum Engineers 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 BLM, Vernal Field Office. All measurement facilities will conform to the API standards for liquid hydrocarbons and the AGA standards for natural gas measurement.
11. A schematic facilities diagram as required by Onshore Oil & Gas Order No. 3 shall be submitted to the BLM, Vernal Field Office within 30 days of installation or first production, whichever occurs first. All site security regulations as specified in Onshore Oil & Gas Order No. 3 shall be adhered to. All product lines entering and leaving hydrocarbon storage tanks will be effectively sealed in accordance with Onshore Oil & Gas Order No. 3.
12. This APD is approved subject to the requirement that, should the well be successfully completed for production, the BLM, Vernal Field office must be notified when it is placed in a producing status. Such notification will be by written communication and must be received in this office by not later than the fifth business day following the date on which the well is placed on production. The notification shall provide, as a minimum, the following informational items:
  - a. Operator name, address, and telephone number.
  - b. Well name and number.
  - c. Well location ( $\frac{1}{4}$  Sec., Twn, Rng, and P.M.).
  - d. Date well was placed in a producing status (date of first production for which royalty will be paid).
  - e. The nature of the well's production, (i.e., crude oil, or crude oil and casing head gas, or natural gas and entrained liquid hydrocarbons).
  - f. The Federal or Indian lease prefix and number on which the well is located; otherwise the non-Federal or non-Indian land category, i.e., State or private.
  - g. Unit agreement and / or participating area name and number, if applicable.
  - h. Communitization agreement number, if applicable.
13. Any venting or flaring of gas will be done in accordance with Notice to Lessees (NTL) 4A and needs prior approval from Field Office Petroleum Engineers.
14. All undesirable events (fires, accidents, blowouts, spills, discharges) as specified in NTL 3A will be reported to the BLM, Vernal Field Office. Major events as defined in NTL3A, will be reported verbally within 24 hours, followed by a written report within 15 days. "Other than Major Events" will be reported in writing within 15 days. "Minor Events" will be reported on the Monthly Report of Operations and Production

15. Pursuant to Onshore Oil & Gas Order No. 7, this is authorization for pit disposal of water produced from this well for a period of 90 days from the date of initial production. A permanent disposal method must be approved by this office and in operation prior to the end of this 90-day period. In order to meet this deadline, an application for the proposed permanent disposal method shall be submitted along with any necessary water analyses, as soon as possible, but no later than 45 days after the date of first production. Any method of disposal which has not been approved prior to the end of the authorized 90-day period will be considered as an Incident of Noncompliance and will be grounds for issuing a shut-in order until an acceptable manner for disposing of said water is provided and approved by this office.
  
16. Unless the plugging is to take place immediately upon receipt of oral approval, the Field Office Petroleum Engineers must be notified at least 24 hours in advance of the plugging of the well, in order that a representative may witness plugging operations. If a well is suspended or abandoned, all pits must be fenced immediately until they are backfilled. The "Subsequent Report of Abandonment" (Form BLM 3160-5) must be submitted within 30 days after the actual plugging of the well bore, showing location of plugs, amount of cement in each, and amount of casing left in hole, and the current status of the surface restoration.



**State of Utah**

**Department of  
Natural Resources**

MICHAEL R. STYLER  
*Executive Director*

**Division of  
Oil, Gas & Mining**

JOHN R. BAZA  
*Division Director*

JON M. HUNTSMAN, JR.  
*Governor*

GARY R. HERBERT  
*Lieutenant Governor*

October 20, 2006

John Luchetta  
Pendragon Energy Partners, Inc.  
621 17<sup>th</sup> Street #750  
Denver, CO 80293

Re: APD Rescinded –Federal 15-7-10-18 Sec. 7 T. 10S R. 18E  
Uintah County, Utah API No. 43-047-37098

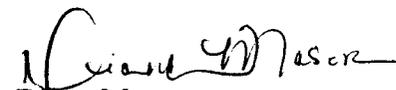
Dear Mr. Luchetta:

The Application for Permit to Drill (APD) for the subject well was approved by the Division of Oil, Gas and Mining (Division) on September 12, 2005. On October 19, 2006, you requested that the division rescind the approved APD. No drilling activity at this location has been reported to the division. Therefore, approval to drill the well is hereby rescinded, effective October 19, 2006.

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

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

Sincerely,

  
Diana Mason  
Engineering Technician

cc: Well File  
Bureau of Land Management, Vernal



# United States Department of the Interior

## BUREAU OF LAND MANAGEMENT

Vernal Field Office

170 South 500 East

Vernal, Utah 84078-2799

<http://www.blm.gov/utah/vernal>

Phone: (435) 781-4400

Fax: (435) 781-4410

IN REPLY REFER TO:

3160

UT08300

October 24, 2006

43-047-37098

Pendragon Energy Partners, Inc.  
621 17<sup>th</sup> Street, Suite 750  
Denver, Colorado 80293

Re: Notification of Expiration  
Federal 15-7-10-18  
SWSE, Sec. 7, T10S, R18E  
Uintah County, Utah  
Lease No. U-74088

Gentlemen:

The Application for Permit to Drill the above-referenced well was approved on May 2, 2006. Since that date, no known activity has transpired at the approved location. In view of the foregoing, this office is notifying you the approval of the referenced application has expired. 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,

/s/ Sandra Sather

Sandra Sather  
Legal Instruments Examiner

cc: UDOGM

bcc: Well File  
Reading File

U-922  
ES

U-924

Accepted by the  
Utah Division of  
Oil, Gas and Mining  
FOR RECORD ONLY

RECEIVED  
NOV 07 2006  
DIV. OF OIL, GAS & MINING