

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

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.
UTU74407

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 No. 5-17-10-18

9. API Well No.
43-047-37377

10. Field and Pool, or Exploratory
Uteland Butte

11. Sec., T., R., M. or Blk. and Survey or Area
**Sec. 17, T10S, 18E, SLB&M
SW NW**

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 **1837' FNL 495' FWL, Sec 17 591902X 39.946095**
At proposed prod zone **4422118Y -109.924245**

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

12. County or Parish
Uintah

13. State
Utah

15. Distance from proposed* location to nearest property or lease line, ft. (Also to nearest drlg. unit line, if any)
495' FWL

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.
-

19. Proposed Depth
4,900'

20. BLM/BIA Bond No. on file
RLB0001759

21. Elevations (Show whether D, KDB, RT, GL etc.)
5,279' GR

22. Approximate date work will start*
ASAP

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:

- | | |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>Uintah Engineering-attached</p> <p>1. Well plat certified by a registered surveyor.</p> <p>2. A Drilling Plan Exhibit B</p> <p>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).</p> | <p>4. Bond to cover the operations unless covered by an existing bond on file (see item 20 above).
RLB0001759</p> <p>5. Operator certification.
See Surface Use Plan</p> <p>6. Such other site specific information as may be required by the authorized officer.
See Exhibits (attached)</p> |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|

25. Signature *[Signature]* Name (Printed/Typed) **John Luchetta** Date **Nov 9, 2005**

Title **Agent**

Federal Approval of this Action is Necessary

Approved by (Signature) *[Signature]* Name (Printed/Typed) **BRADLEY G. HILL** Date **11-15-05**

Title **ENVIRONMENTAL SCIENTIST III**

RECEIVED

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: | D: 13 Point Surface Use | G: Rig & Layout | K1 Facilities |
| A: Survey Plat | E: Topo Map A | G2: Cut & Fill Diagram | K2 Facilities |
| B: 10-Point Plan | E2: Topo Map B | H: Existing Well Map | |
| C: BOP Diagram | F: Location Layout | K: Cultural report (To Follow) | |

NOV 15 2005

EXHIBIT "B"
PROPOSED DRILLING PROGRAM

ONSHORE ORDER NO.1
Pendragon Energy Partners, Inc.
Federal #5 -17-10-18
SW NW Sec 17 -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.

1. ESTIMATED FORMATION TOPS : (Elevation: 5,279')			
FORMATION	DRILLED (ft) SUBSEA		PORE PRESSURE (psi/ft)
Green River	1,400	+3,879	Normal
Wasatch Tongue of Green River	4,700	+ 579	Normal
Total Depth	5,000	+ 314	Normal

* Offset pressure data supports pore pressure gradient @ 0.42 psi/ft (+/- 2,058 psi @ 4,900').

2. ESTIMATED DEPTH OF OIL, GAS, WATER OR OTHER MINERALS:		
SUBSTANCE	FORMATION	DEPTH (ft)
Water	None anticipated	
Gas	None	
Oil	Green River	4,700 to +/- 4,900

3. PRESSURE CONTROL EQUIPMENT & SPECIFICATIONS :

- **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).

4. TEST PRESSURES AND OTHER SPECIFICATIONS ANTICIPATED:

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.

5. PROPOSED CASING & CEMENTING PROGRAM:

PROPOSED CASING	HOLE SIZE	CASING SIZE	TOP OF SECTION (ft)	SECTION LENGTH (ft)	PHYSICAL DATA	Pressure Rating (psi)		Cement Top
						Burst	Collapse	
Conductor	17 1/2"	16"	0	60	Steel			Surface
Surface	12 1/4"	8 5/8"	0	250	24# J55 STC	2,950	2,210	Surface
Production	7 7/8"	5 1/2"	0	5,000'	15.5# J55 STC	4,800	4,040	+/-1,100'

- Note: 1. Conductor casing will not be used if not needed. All casing will be new.
 2. Cement top behind the 5 1/2" casing will be 200' above top of the Green River (+3,879')

• 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 +/-1100' (200' above top of the Green River Formation as indicated by logs). Volume of cement will be determined from the caliper log. (+/- 125 sxs prem w/2% gell + additives and 215 sxs 50-50 Pozmix w/2% gell/ 14.35 ppg).

6. PROPOSED DRILLING FLUID SPECIFICATIONS:					
DEPTH INTERVAL	TYPE	DENSITY Lbs/gal	VISCOSITY	FLUID LOSS	MAKE UP WATER
0 - 250'	Gel	8.7 - 9.0	26-40	NC	Fresh
250' - TD	Gel	8.4 - 9.0	26-50	NC	KCl 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. x 4,900' = +/- 2,058psi @ 4,900').
- HAZARDOUS MATERIALS: None anticipated.

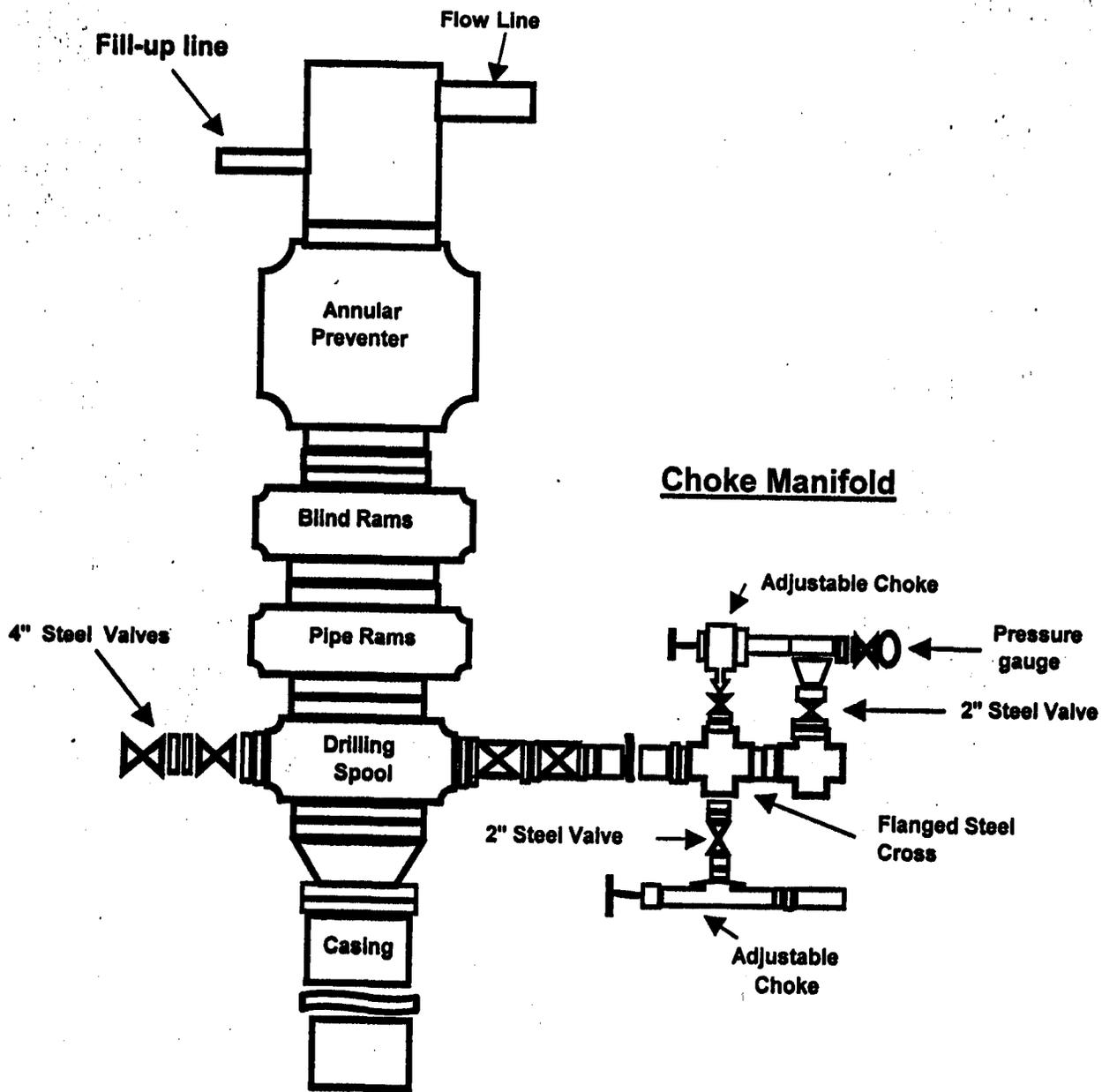
9. OTHER INFORMATION, NOTIFICATION & REPORTING:

OPERATION	DATE OR ANTICIPATED TIME
Proposed start time	Feb 15, 2006
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.

Exhibit C



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 #5-17-10-18, SW NW Sec 17-T10S-R18E****Uintah County, Utah**

- **SURFACE OWNER (BLM)**
- **SURFACE LOCATION: (See Exhibit "A"). SW NW Sec 17-T10S-R18E.**
- **Distance : 25.5 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 4.6 miles to Spring Wash, then left on lease road 0.40 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 130' 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 -----(#1-17, #15-7,) ----- Two.
- Water wells ----- None.
- Disposal wells ----- None.
- Drilling ----- None.
- Producing wells -----(14-17, 2-20, 146-8) -----Three.
- Injection -----(9-17, 5-20)---- Two.
- Dry holes ----- None.
- Gas Wells -----(#24-7)----- One.

LOCATION OF EXISTING PRODUCTION FACILITIES (Within One Mile).

- Existing Facilities: (See Exhibits)
 - . Tank batteries -----(Same as above) .
 - . Production facilities -----(Same as above).
 - . Gathering lines -----(Same as above).
 - . Injection or disposal lines -----(Same as above).

- **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 DEQ 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 Super fund 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. Tool pusher'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 305'.**
 - **Reserve pit size: 70 x 110' 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.
(Approx 100 sx cement plugs @ 2500' intervals + 100 sx plug @ the surface w/marker.
 - . 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 back-filling 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.
 - . Flow-line 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:

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

14. GOVERNMENT CONTACTS:

	ADDRESS	PHONE #	
Stanely R.	170 South 500 East 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.

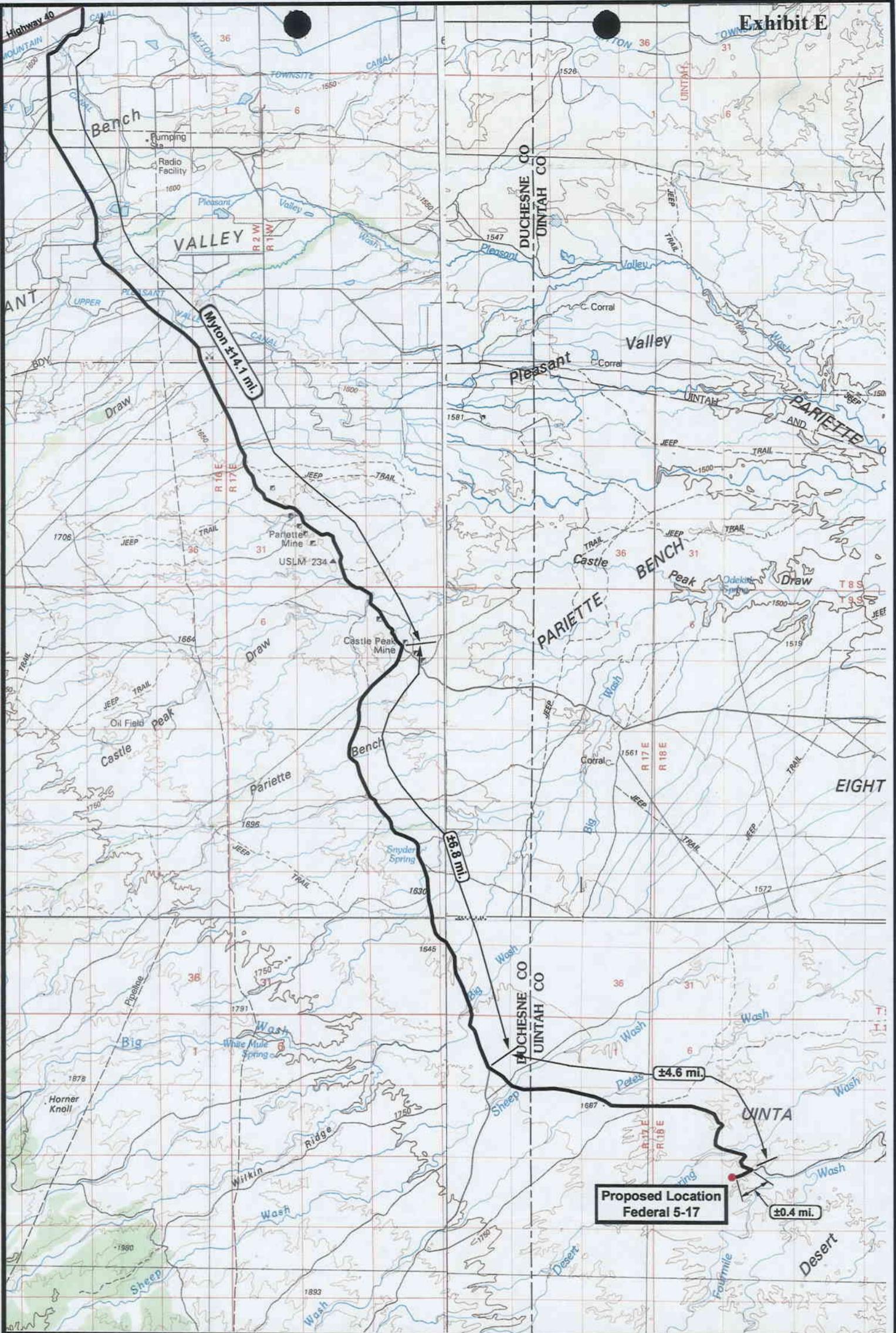
Please be advised that Pendragon Energy Partners, Inc. is considered to be the operator of Well No. 5-17-10-18 SW NW Sec 17, T10S, R18E; Lease Uteland Butte Federal ; Uintah County, Utah; and is responsible under the terms and conditions of the lease.

Nov 9, 2005

Date



Pendragon Energy Partners, Inc.
John Luchetta, Agent



PENDRAGON
ENERGY PARTNERS INC.

Federal 5-17-10-18
Sec 17, T10S, R18E, S.L.B.&M.



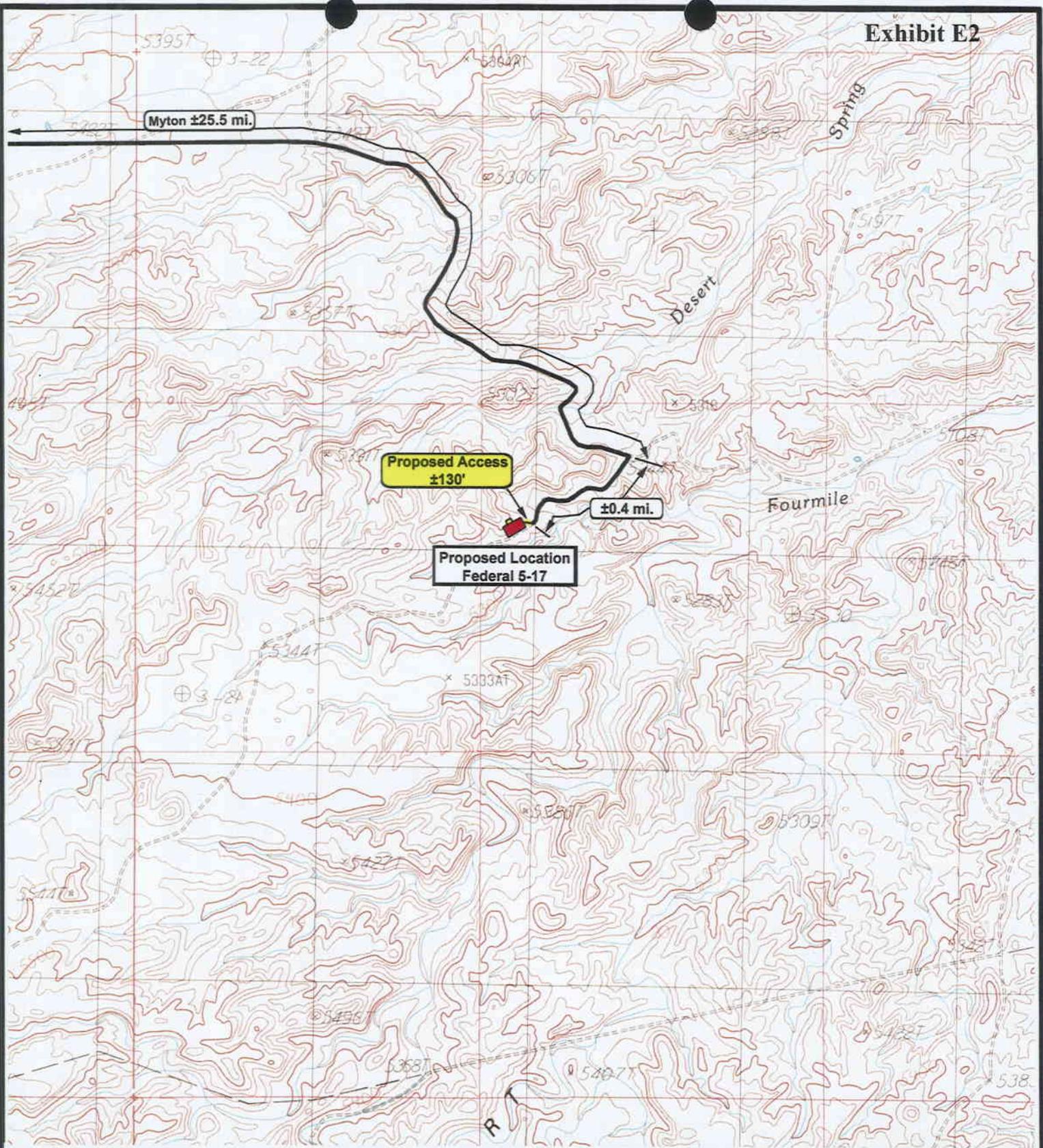
Tri-State
Land Surveying Inc.
 (435) 781-2501
 180 North Vernal Ave. Vernal, Utah 84078

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

Legend

- Existing Road
- Proposed Access

TOPOGRAPHIC MAP
"A"



PENDRAGON
ENERGY PARTNERS INC.

Federal 5-17-10-18
SEC. 17, 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

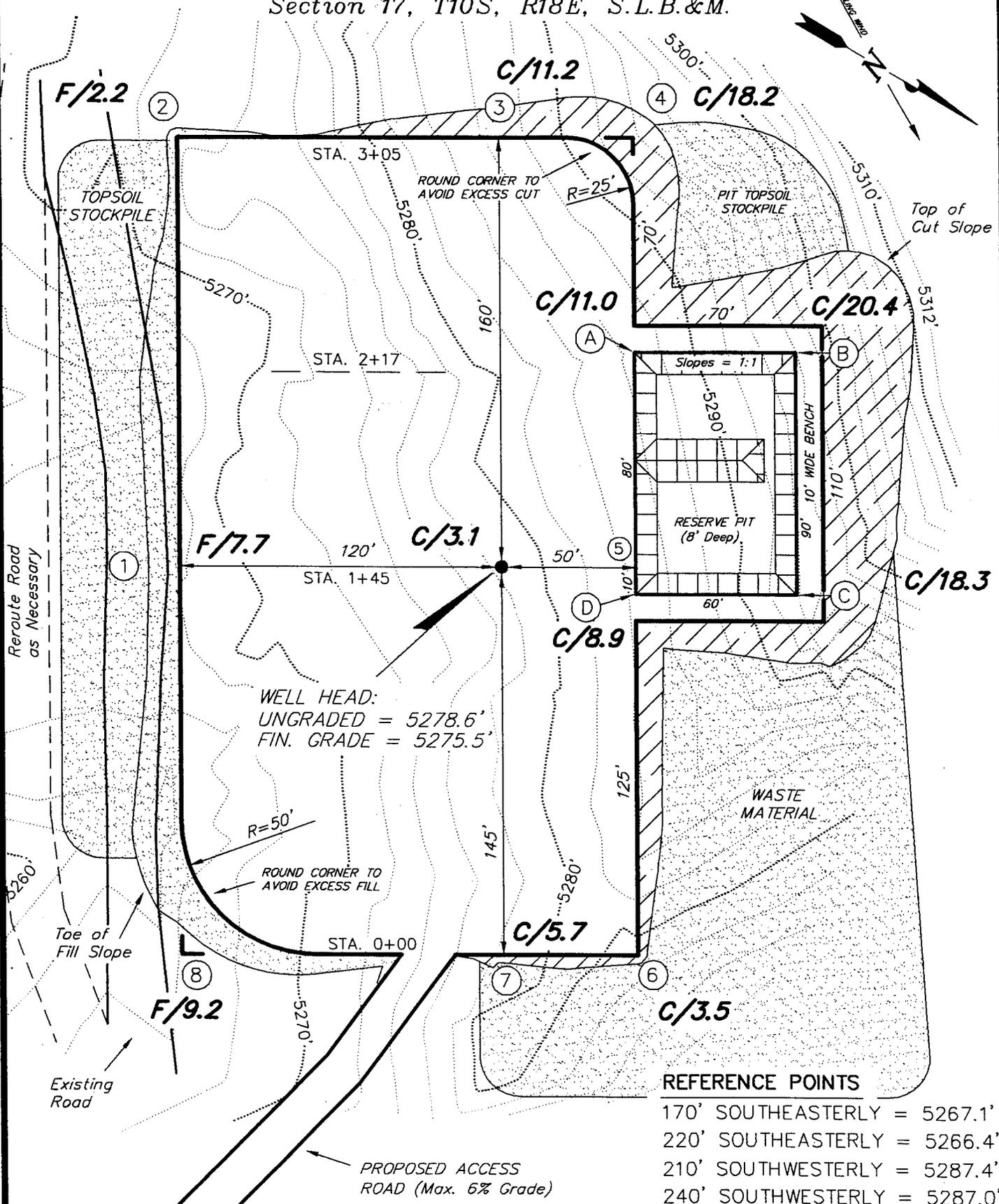
Legend
 Existing Road
 Proposed Access

TOPOGRAPHIC MAP
"B"

Crow Kroll

PENDRAGON ENERGY PARTNERS, INC.

FEDERAL 5-17-10-18
 Section 17, T10S, R18E, S.L.B.&M.

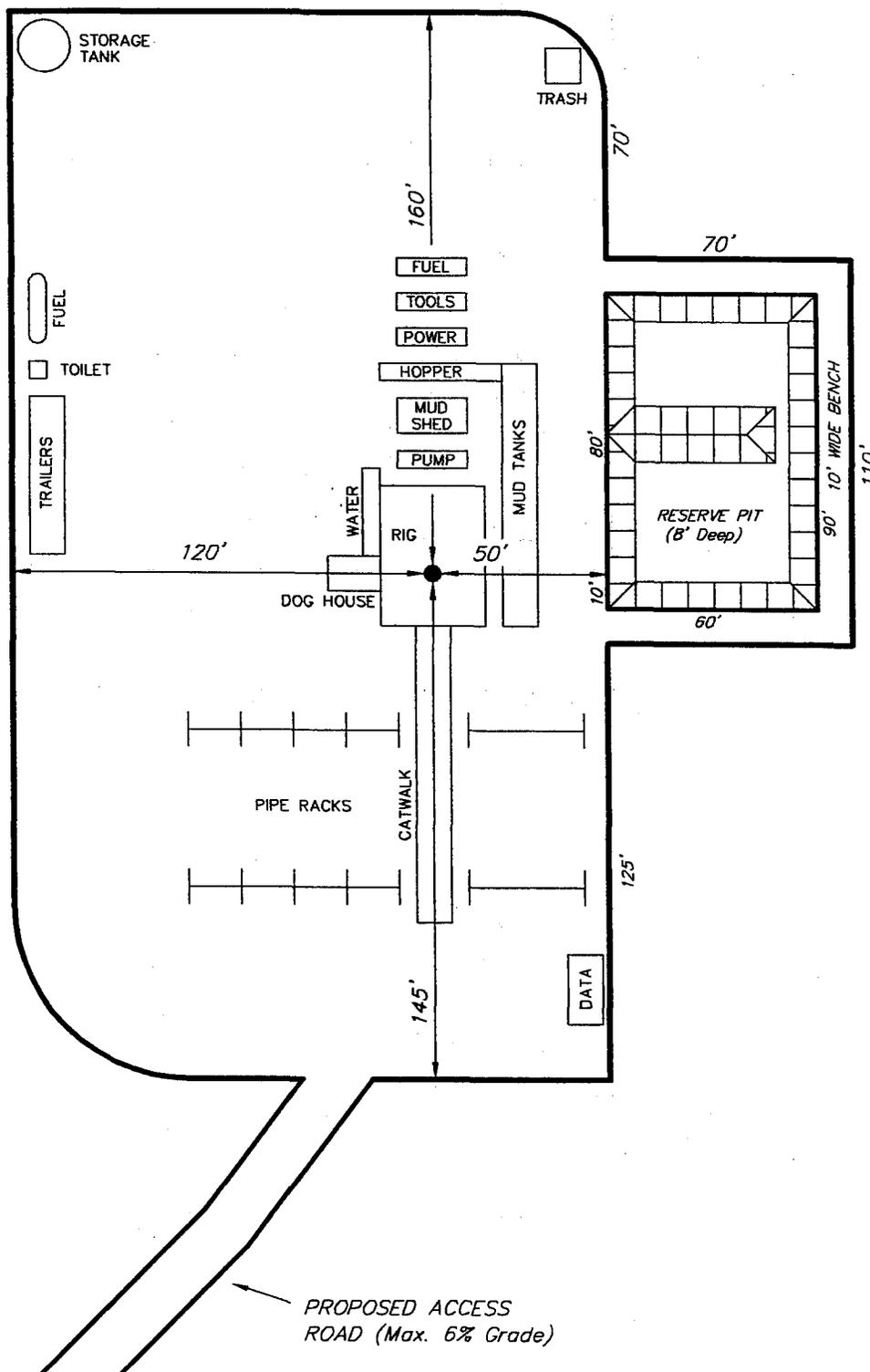


REFERENCE POINTS
 170' SOUTHEASTERLY = 5267.1'
 220' SOUTHEASTERLY = 5266.4'
 210' SOUTHWESTERLY = 5287.4'
 240' SOUTHWESTERLY = 5287.0'

SURVEYED BY: C.M.	SCALE: 1" = 50'
DRAWN BY: F.T.M.	DATE: 7-22-05

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

PENDRAGON ENERGY PARTNERS, INC.
TYPICAL RIG LAYOUT
FEDERAL 5-17-10-18

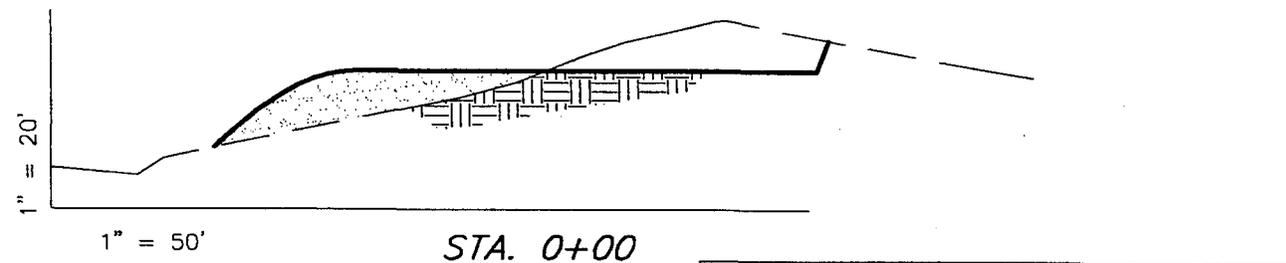
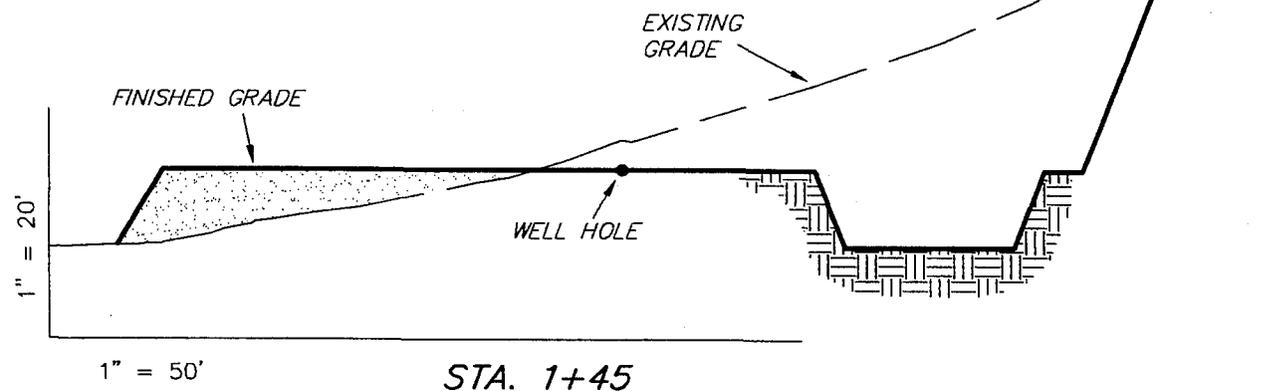
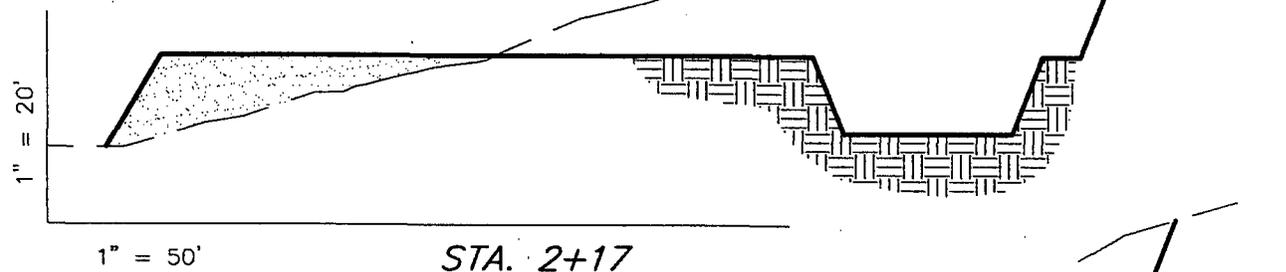
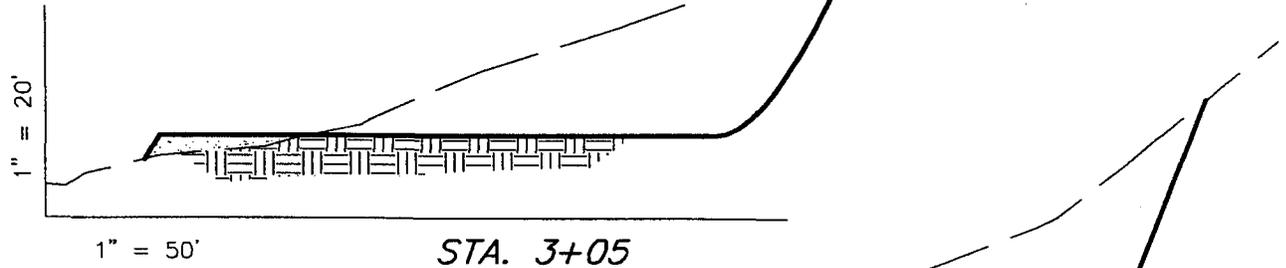


SURVEYED BY: C.M.	SCALE: 1" = 50'	Tri State Land Surveying, Inc. 180 NORTH VERNAL AVE. VERNAL, UTAH 84078 (435) 781-2501
DRAWN BY: F.T.M.	DATE: 7-22-05	

PENDRAGON ENERGY PARTNERS, INC.

CROSS SECTIONS

FEDERAL 5-17-10-18



ESTIMATED EARTHWORK QUANTITIES				
(Expressed in Cubic Yards)				
ITEM	CUT	FILL	6" TOPSOIL	EXCESS
PAD	11,760	5,410	Topsoil is not included in Pad Cut	6,350
PIT	1,170	0		1,170
TOTALS	12,930	5,410	1,360	7,520

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

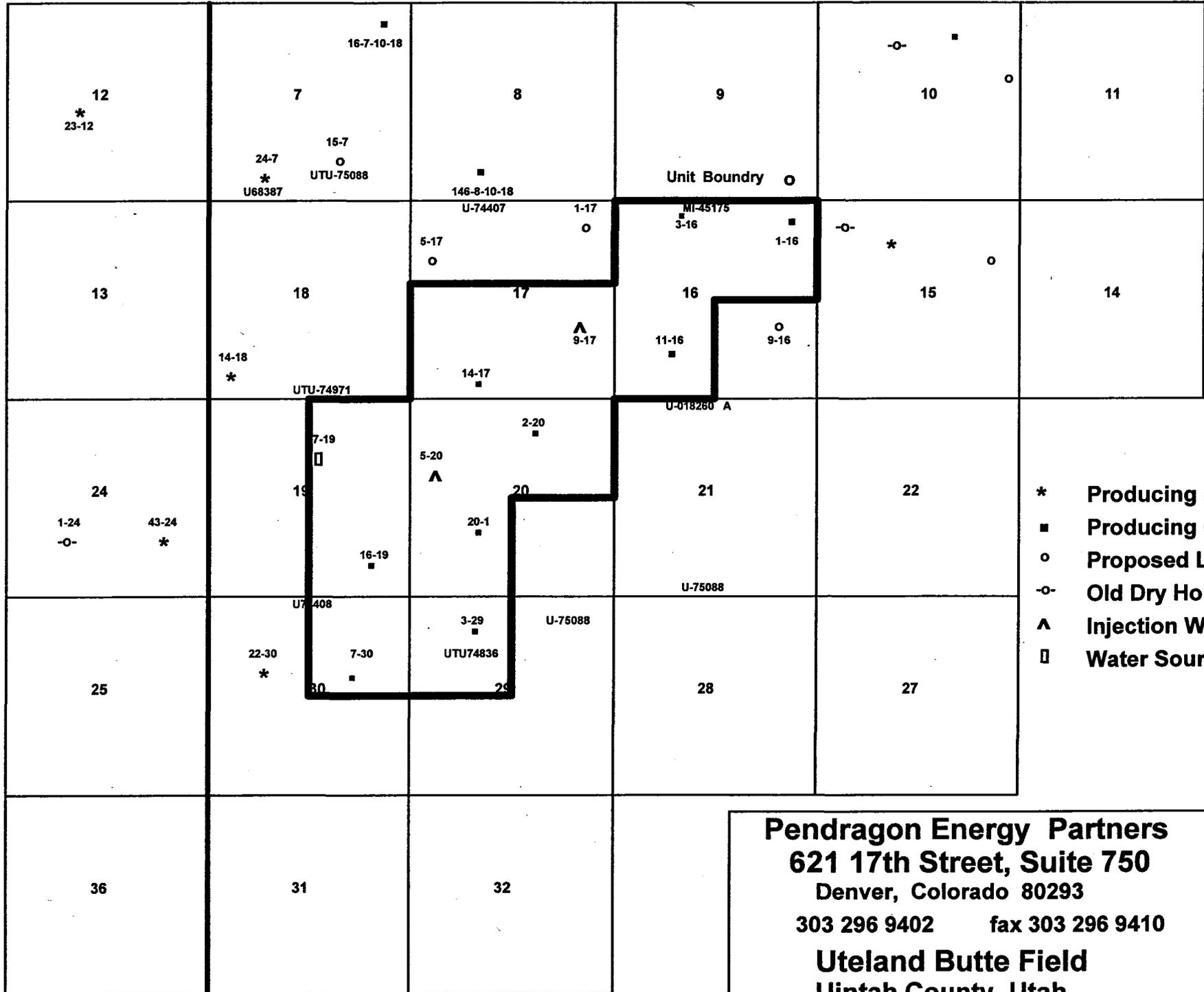
SURVEYED BY: C.M.	SCALE: 1" = 50'
DRAWN BY: F.T.M.	DATE: 7-22-05

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

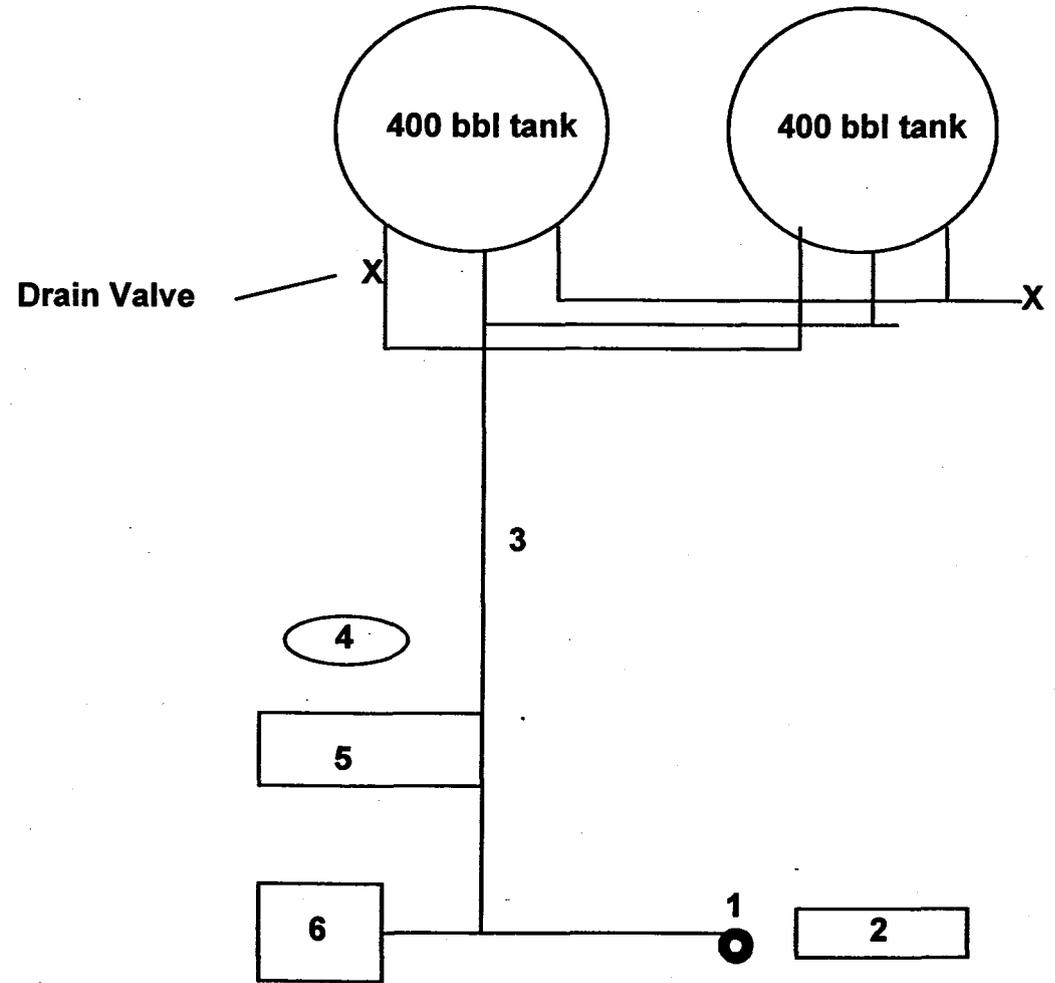
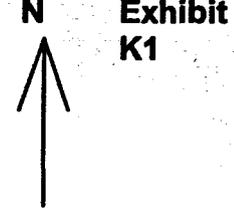
- * Producing gas well
- Producing Oil Well
- Proposed Location
- Old Dry Hole
- △ Injection Well
- ▣ Water Source Well

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**

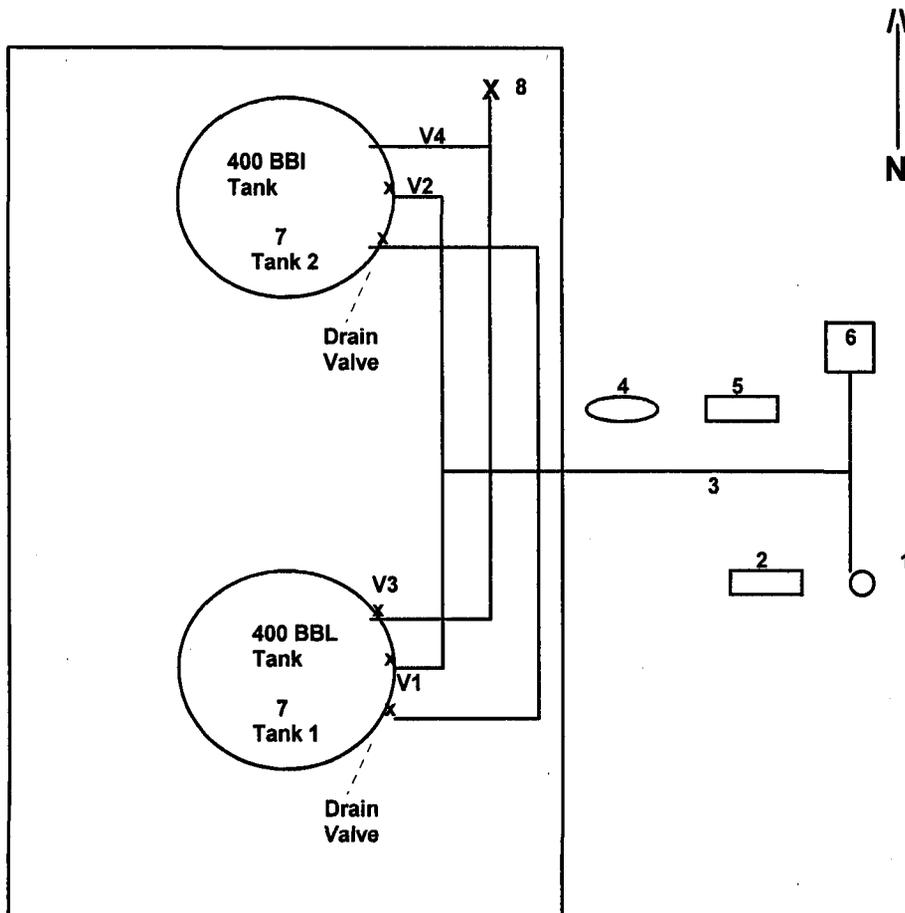
- 1- Wellhead
 - 2-Pumping Unit Engine
 - 3-Flowline Bundle*
 - 4-Propane Tank
 - 5-Line Heater
 - 6-Pit Tank
 - 7-Welded Steel Production Tanks
 - 8-Sales Line
- * Bundle includes oil & gas production, glycol trace, water drains.

- 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: 11/15/2005

API NO. ASSIGNED: 43-047-37377

WELL NAME: FEDERAL 5-17-10-18
 OPERATOR: PENDRAGON ENERGY PTNRS (N2965)
 CONTACT: JOHN LUCHETTA

PHONE NUMBER: 303-296-9402

PROPOSED LOCATION:

SWNW 17 100S 180E
 SURFACE: 1837 FNL 0495 FWL
 BOTTOM: 1837 FNL 0495 FWL
 UINTAH
 UTELAND BUTTE (695)

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

LEASE TYPE: 1 - Federal
 LEASE NUMBER: UTU74407
 SURFACE OWNER: 1 - Federal
 PROPOSED FORMATION: GRRV
 COALBED METHANE WELL? NO

LATITUDE: 39.94610
 LONGITUDE: -109.9243

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- Land Approval
2- Spacing Sp

RH DS FED
HG-8-10-18
⊙

T10S R18E

UTELAND BUTTE FIELD
WILKIN RIDGE (DEEP) UNIT

FEDERAL
5-17-10-18
⊙
FEDERAL
12-17 #1

17

FED
9-17-10-18
△

FEDERAL
14-17-10-18
●

FED
2-20-10-18
●

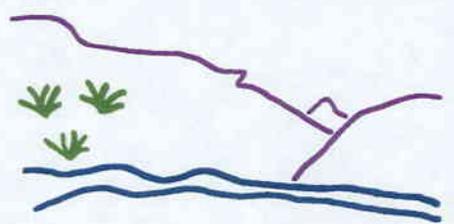
OPERATOR: PENDRAGON ENERGY (N2965)

SEC: 17 T. 10S R. 18E

FIELD: UTELAND BUTTE (695)

COUNTY: UINTAH

SPACING: R649-3-2 / GENERAL SITING



Utah Oil Gas and Mining



PREPARED BY: DIANA WHITNEY
DATE: 15-NOVEMBER-2005

- 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



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

November 15, 2005

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

Re: Federal 5-17-10-18 Well, 1837' FNL, 495' FWL, SW NW, Sec. 17,
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.

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 43-047-37377.

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 5-17-10-18

API Number: 43-047-37377

Lease: UTU74407

Location: SW NW Sec. 17 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.

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

FORM 9

SUNDRY NOTICES AND REPORTS ON WELLS

Do not use this form for proposals to drill new wells, significantly deepen existing wells below current bottom-hole depth, re-enter plugged wells, or to drill horizontal laterals. Use APPLICATION FOR PERMIT TO DRILL form for such proposals.

1. TYPE OF WELL OIL WELL <input checked="" type="checkbox"/> GAS WELL <input type="checkbox"/> OTHER _____		5. LEASE DESIGNATION AND SERIAL NUMBER: UTU74407
2. NAME OF OPERATOR: PENDRAGON ENERGY PARTNERS, INC		6. IF INDIAN, A: LOTTEE OR TRIBE NAME: N/A
3. ADDRESS OF OPERATOR: 621 17TH ST #750 CITY DENVER STATE CO ZIP 80293		7. UNIT or CA AGREEMENT NAME: N/A
4. LOCATION OF WELL FOOTAGES AT SURFACE: 1007' PNE 400' NWL		8. WELL NAME and NUMBER: FEDERAL 5-17-10-18
QTR/QR, SECTION, TOWNSHIP, RANGE, MERIDIAN: SW 1/4 17 10S 10E		9. API NUMBER: 4304737377
		10. FIELD AND POOL, OR WILDCAT: UTELAND BUTTE
		COUNTY: UINTAH
		STATE: UTAH

11. CHECK APPROPRIATE BOXES TO INDICATE NATURE OF NOTICE, REPORT, OR OTHER DATA

TYPE OF SUBMISSION	TYPE OF ACTION		
<input type="checkbox"/> NOTICE OF INTENT (Submit in Duplicate) Approximate date work will start: _____	<input type="checkbox"/> ACIDIZE	<input type="checkbox"/> DEEPEN	<input type="checkbox"/> REPERFORATE CURRENT FORMATION
	<input type="checkbox"/> ALTER CASING	<input type="checkbox"/> FRACTURE TREAT	<input type="checkbox"/> SIDETRACK TO REPAIR WELL
	<input type="checkbox"/> CASING REPAIR	<input type="checkbox"/> NEW CONSTRUCTION	<input type="checkbox"/> TEMPORARILY ABANDON
	<input type="checkbox"/> CHANGE TO PREVIOUS PLANS	<input type="checkbox"/> OPERATOR CHANGE	<input type="checkbox"/> TUBING REPAIR
	<input type="checkbox"/> CHANGE TUBING	<input type="checkbox"/> PLUG AND ABANDON	<input type="checkbox"/> VENT OR FLARE
<input type="checkbox"/> SUBSEQUENT REPORT (Submit Original Form Only) Date of work completion: _____	<input type="checkbox"/> CHANGE WELL NAME	<input type="checkbox"/> PLUG BACK	<input type="checkbox"/> WATER DISPOSAL
	<input type="checkbox"/> CHANGE WELL STATUS	<input type="checkbox"/> PRODUCTION (START/RESUME)	<input type="checkbox"/> WATER SHUT-OFF
	<input type="checkbox"/> COMINGLE PRODUCING FORMATIONS	<input type="checkbox"/> RECLAMATION OF WELL SITE	<input checked="" type="checkbox"/> OTHER: <u>REQUEST ONE YEAR EXTENSION</u>
	<input type="checkbox"/> CONVERT WELL TYPE	<input type="checkbox"/> RECOMPLETE - DIFFERENT FORMATION	

12. DESCRIBE PROPOSED OR COMPLETED OPERATIONS. Clearly show all pertinent details including dates, depths, volumes, etc.

PENDRAGON ENERGY PARTNERS, INC. HEREBY REQUESTS A ONE-YEAR EXTENSION TO DRILL THIS WELL.

Approved by the
Utah Division of
Oil, Gas and Mining

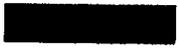
Date: 11-30-06
By: [Signature]

12-4-06
Rm

NAME (PLEASE PRINT) <u>JAMES P. ROONEY JR</u>	TITLE <u>PRESIDENT</u>
SIGNATURE <u>[Signature]</u>	DATE <u>11/30/2006</u>

(This space for State use only)

RECEIVED
NOV 30 2006
DIV. OF OIL, GAS & MINING



**Application for Permit to Drill
Request for Permit Extension
Validation**

(this form should accompany the Sundry Notice requesting permit extension)

API: 4304737377
Well Name: FEDERAL 5-17-10-18
Location: 1837' FNL 495' FWL SWNW S17 T10S R18E
Company Permit Issued to: PENDRAGON ENERGY PARTNERS INC.
Date Original Permit Issued: 11/15/2005

The undersigned as owner with legal rights to drill on the property as permitted above, hereby verifies that the information as submitted in the previously approved application to drill, remains valid and does not require revision.

Following is a checklist of some items related to the application, which should be verified.

If located on private land, has the ownership changed, if so, has the surface agreement been updated? Yes No (N/A)

Have any wells been drilled in the vicinity of the proposed well which would affect the spacing or siting requirements for this location? Yes No

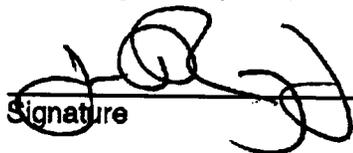
Has there been any unit or other agreements put in place that could affect the permitting or operation of this proposed well? Yes No

Have there been any changes to the access route including ownership, or right-of-way, which could affect the proposed location? Yes No

Has the approved source of water for drilling changed? Yes No

Have there been any physical changes to the surface location or access route which will require a change in plans from what was discussed at the onsite evaluation? Yes No

Is bonding still in place, which covers this proposed well? Yes No


Signature

11/30/2006
Date

Title: PRESIDENT

Representing: PENDRAGON ENERGY PARTNERS INC.

RECEIVED
NOV 30 2006
DIV. OF OIL, GAS & MINING

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

RECEIVED

NOV 14 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. **UTU74407**
6. If Indian, Allottee or Tribe Name **N/A**
7. If Unit or CA Agreement, Name and No. **N/A**

2. Name Of Operator
Pendragon Energy Partners, Inc.

8. Lease Name and Well No.
Federal No. 5-17-10-18

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

9. API Well No.
43-047-37377

4. Location of Well (Report location clearly & in accordance w/State requirements*)
At Surface **1890 FNL 553 FWL, Sec 17**
At proposed prod zone

10. Field and Pool, or Exploratory
Uteland Butte
11. Sec., T., R., M. or Blk. and Survey or Area
Sec. 17, T10S, 18E, SLB&M SW NW

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

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

15. Distance from proposed* location to nearest property or lease line, ft. (Also to nearest drlg. unit line, if any) **553FWL**
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. **-**
19. Proposed Depth **4,900'**
20. BLM/BIA Bond No. on file **RLB0001759 UT 1167**

21. Elevations (Show whether D, KDB, RT, GL etc.) **5,279' GR**
22. Approximate date work will start* **ASAP**
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 as the BLM may require by the authorized officer. **See Exhibits (attached)**

25. Signature *John Luchetta*
Title **Agent**
Name (Printed/Typed) **John Luchetta**
Date **Nov 9, 2005**
RECEIVED
MAR 06 2007

Approved by (Signature) *Jerry Kenczka*
Title **Assistant Field Manager**
Name (Printed/Typed) **JERRY KENCZKA**
Date **2-1-2007**
Office **DIV OF OIL, GAS & MINING**
VERNAL FIELD OFFICE

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: 10-Point Plan
C: BOB Diagram
D: 13 Point Surface Use
E: Topo Map A
F: Topo Map B
G: Rig & Layout
G2: Cut & Fill Diagram
H: Existing Well Map
I: Cultural report (To Follow)
K1 Facilities
NOTICE OF APPROVAL
CONDITIONS OF APPROVAL ATTACHED
07BM5031A



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 Partners, Inc. Location: SWNW, Sec 17, T10S, R18E
Well No: Federal 5-17-10-18 Lease No: UTU-74407
API No: 43-047-37377 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
Petroleum Engineer:	Jim Ashley	Office: 435-781-4470	Cell: 435-828-7874
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	
After Hours Contact Number: 435-781-4513		Fax: 435-781-4410	

**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 - Forty-Eight (48) hours prior to construction of location and access roads.
(Notify Environmental Scientist)
- Location Completion - Prior to moving on the drilling rig.
(Notify Environmental Scientist)
- Spud Notice - Twenty-Four (24) hours prior to spudding the well.
(Notify Petroleum Engineer)
- Casing String & Cementing - Twenty-Four (24) hours prior to running casing and cementing all casing strings.
(Notify Supervisory Petroleum Technician)
- BOP & Related Equipment Tests - Twenty-Four (24) hours prior to initiating pressure tests.
(Notify Supervisory Petroleum Technician)
- 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.
(Notify Petroleum Engineer)

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

SITE SPECIFIC CONDITIONS OF APPROVAL

1. Within 90 calendar days of the approval date for this Application for Permit to Drill (APD), the operator/lessee shall submit to the Authorized Officer (AO), on Sundry Notice Form 3160-5, an Interim Surface Reclamation Plan for surface disturbance on well pads, access roads, and pipelines. At a minimum, this would include the reshaping of the pad to the original contour to the extent possible; the respreading of the top soil up to the rig anchor points; and, the area reseeded using appropriate reclamation methods. The AO will provide written approval or concurrence within 30 calendar days of receipt. During interim management of the surface, use the following seed mix (PLS formula):

Hycrest Crested Wheat Grass	6 lbs/acre
Western grass	6 lbs/acre
2. No construction or drilling from March 1 – July 15 in order to protect Ferruginous Hawk nesting period.
3. The buried pipeline exception request has been received. It has been determined that the pipeline route has bedrock exposed at the surface. The exception is granted for a surface pipeline.
4. Use low profile tanks
5. Use reserve pit liner: 16 ml or greater
6. If paleontological materials are uncovered during construction, the operator is to immediately stop work, and contact the Authorized Officer (AO). A report will be prepared by the Paleontologist and submitted to the BLM at the completion of surface disturbing activities.

GENERAL SURFACE CONDITIONS OF APPROVAL

1. Operator shall notify any active gilsonite mining operation within 2 miles of the location 48 hours prior to any blasting during construction for this well.

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

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) shall remain in use until the well is completed or abandoned. Closing unit controls shall remain unobstructed and readily accessible at all times. Choke manifolds shall be located outside of the rig substructure.

All BOPE components shall 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 shall be performed by a test pump with a chart recorder and **NOT** by the rig pumps. Test shall be reported in the driller's log.

BOP drills shall 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.

Cement baskets shall not be run on surface casing.

The lessee/operator must report all shows of water or water-bearing sands to the BLM. If flowing water is encountered it must be sampled and analyzed (a copy of the analyses to be submitted to the BLM Field Office in Vernal, Utah).

All oil and gas shows shall be adequately tested for commercial possibilities, reported, and protected.

The lessee/operator must report encounters of all non oil & gas mineral resources (such as Gilsonite, tar sands, oil shale, etc.) to Peter Sokolosky or another geologist of the Vernal Field Office, in writing, within 5 working days of each encounter. Each report shall include the well name/number, well location, date and depth (from KB or GL) of encounter, vertical footage of the encounter and, the name of the person making the report (along with a telephone number) should the BLM need to obtain additional information.

5. All shows of fresh water and minerals shall be reported and protected. A sample shall be taken of any water flows and a water analysis furnished the BLM, Vernal Field Office. All oil and gas shows shall be adequately tested for commercial possibilities, reported, and protected.
6. No location shall be constructed or moved, no well shall be plugged, and no drilling or workover equipment shall 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 shall be obtained and notification given before resumption of operations.
7. Chronologic drilling progress reports shall 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.
8. Any change in the program shall be approved by the BLM, Vernal Field Office. "Sundry Notices and Reports on Wells" (Form BLM 3160-5) shall 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, shall 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 shall 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.

9. Whether the well is completed as a dry hole or as a producer, "Well Completion and Recompletion Report and Log" (BLM Form 3160-4) shall 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, shall 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) shall be submitted only when requested by the BLM, Vernal Field Office.

10. A cement bond log (CBL) will be run from the production casing shoe to the top of the cement and shall be utilized to determine the bond quality for the production casing. Submit a field copy of the CBL to this office.
- 11. Please submit an electronic copy of all other 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.**
12. All off-lease storage, off-lease measurement, or commingling on-lease or off-lease shall have prior written approval from the BLM, Vernal Field Office.
13. All measurement points shall be identified as point of sales or allocation for royalty determination prior to the installation of facilities.
14. Oil and gas meters shall 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 shall 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.
15. 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.
16. 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 (¼¼, 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.
17. Any venting or flaring of gas shall be done in accordance with Notice to Lessees (NTL) 4A and needs prior approval from Field Office Petroleum Engineers.
 18. 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, shall 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
 19. 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.
 20. 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.



JON M. HUNTSMAN, JR.
Governor

GARY R. HERBERT
Lieutenant Governor

State of Utah

DEPARTMENT OF NATURAL RESOURCES

MICHAEL R. STYLER
Executive Director

Division of Oil, Gas and Mining

JOHN R. BAZA
Division Director

February 15, 2008

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

Re: APD Rescinded – Federal 5-17-10-18, Sec. 17, T. 10S, R. 18E
Uintah County, Utah API No. 43-047-37377

Gentlemen:

The Application for Permit to Drill (APD) for the subject well was approved by the Division of Oil, Gas and Mining (Division) on November 15, 2005. On November 30, 2006, the Division granted a one-year APD extension. No drilling activity at these locations has been reported to the division. Therefore, approval to drill these wells is hereby rescinded, effective February 15, 2008.

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

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

Sincerely,

Diana Mason
Environmental Scientist

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, UT 84078

(435) 781-4400 Fax: (435) 781-4410

<http://www.blm.gov/ut/st/en/fo/vernal/html>



IN REPLY REFER TO:

3160

UT08300

April 24, 2008

James P. Rooney, Jr.
Pendragon Energy Partners, Inc.
415 West Wall Street, Suite 1411
Midland, TX 79701

43-047-37377

Re: Notice of Expiration
Well No. Federal 5-17-10-18
SWNW, Sec. 17, T10S, R18E
Uintah County, Utah
Lease No. UTU-84262
Segregated out of Lease UTU-74407

Dear Mr. Rooney:

The Application for Permit to Drill the above-referenced well was approved on February 1, 2007. No extension of the original APD was requested. According to our records, no known activity has transpired at the approved location. In view of the foregoing, this office is notifying you that the approval of the referenced application has expired. If you intend to drill at this location in the future, 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.

If you have any questions regarding this matter, please contact me at (435) 781-4455.

Sincerely,

Cindy Severson

Cindy Severson
Land Law Examiner

cc: UDOGM – Diana Mason

RECEIVED

MAY 05 2008

DIV. OF OIL, GAS & MINING