

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

APPLICATION FOR PERMIT TO DRILL OR REENTER

5. Lease Serial No.
UTU-76496

6. If Indian, Allottee or Tribe Name

7. If Unit or CA Agreement, Name and No.

1a. Type of work: DRILL REENTER

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

2. Name of Operator
The Houston Exploration Company

8. Lease Name and Well No.
Horseshoe Bend West 9-34-6-20

9. API Well No.
43-047-38441

3a. Address **1100 Louisiana, Suite 2000 Houston TX, 77002** 3b. Phone No. (include area code)
713-830-6800

10. Field and Pool, or Exploratory
Exploratory Widdell

4. Location of Well (Report location clearly and in accordance with any State requirements.)*
At surface **1,890' FSL & 833' FEL 614941X 40.252701**
At proposed prod. zone **Same as above 4456471Y - 109.648512**

11. Sec., T. R. M. or Blk. and Survey or Area
**N 1/4 SE
Sec. 34 T6R20E. S.L.B.&M**

14. Distance in miles and direction from nearest town or post office*
21.2 miles south of Vernal, UT

12. County or Parish
Uintah 13. State
UT

15. Distance from proposed* location to nearest property or lease line, ft. (Also to nearest drig. unit line, if any) **833'**

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, on this lease, ft. **NA**

19. Proposed Depth
10,500'

20. BLM/BIA Bond No. on file
104155044

21. Elevations (Show whether DF, KDB, RT, GL, etc.)
4,993' GR

22. Approximate date work will start*
01/01/2007

23. Estimated duration
30 Days

24. Attachments

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

1. Well plat certified by a registered surveyor.
2. A Drilling Plan.
3. A Surface Use Plan (if the location is on National Forest System Lands, the SUPO must 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).
5. Operator certification
6. Such other site specific information and/or plans as may be required by the BLM.

| | | |
|--|--|---------------------------|
| 25. Signature <i>William A Ryan</i> | Name (Printed Typed) William A Ryan | Date 07/31/2006 |
| Title Agent | | |
| Approved by (Signature) <i>Bradley G Hill</i> | Name (Printed Typed) BRADLEY G. HILL | Date 08-14-06 |
| Title ENVIRONMENTAL MANAGER | | |

Application approval does not warrant or certify that the applicant holds legal or equitable title to those rights in the subject lease which would entitle the applicant to conduct operations thereon.
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 page 2)

**Federal Approval of this
Action is Necessary**

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

Ten Point Plan

The Houston Exploration Company

Horseshoe Bend West 9-34-6-20

Surface Location NE $\frac{1}{4}$ SE $\frac{1}{4}$,

Section 34, T. 6S., R. 20E.

1. **Surface Formation**
Uintah

2. **Estimated Formation Tops and Datum:**

| <u>Formation</u> | <u>Depth</u> | <u>Datum</u> |
|-----------------------|--------------|--------------|
| Uintah | Surface | 4,993' G.R. |
| Green River | 4,800' | 193' |
| Birds Nest Water | 5,000' | -7' |
| Wasatch Oil/Gas | 7,500' | -2,507' |
| TD | 10,500' | -5,331' |

A 17 1/2" hole will be drilled to 5,000' +/- . The hole depth will depend on the depth that the Birds Nest Zone is encountered. The hole will be drilled 200' beyond the top of the Birds Nest. All fresh water and oil and gas bearing zones shall be protected by casing and cement program.

3. **Producing Formation Depth:**

Formation objective includes the Wasatch, and its sub-members.

4. **Proposed Casing:**

| <u>Hole Size</u> | <u>Casing Size</u> | <u>Weight/FT</u> | <u>Grade</u> | <u>Coupling & Tread</u> | <u>Casing Depth</u> | <u>New/Used</u> |
|------------------|--------------------|------------------|--------------|-----------------------------|---------------------|-----------------|
| 30 | 26 | 68.75# | A430 | | 40' | NEW |
| 24 | 20 | 94# | H-40 | ST&C | 350' | NEW |
| 17 1/2 | 13 3/8 | 85# | N-80 | ST&C | 5,000' | NEW |
| 11 | 8 5/8 | 40# | P-110 | LT&C | 7,500' | NEW |
| 7 5/8 | 4 1/2 | 11.6# | N-80 | LT&C | 7,700' | NEW |
| 7 5/8 | 4 1/2 | 13.5# | P-110 | LT&C | 10,500' | NEW |

Cement Program:

Cement volume = Gauge hole + 50%

Conductor casing #1 will be cemented as follows from 0'-40':

| <u>Casing Size</u> | <u>Cement Type</u> | <u>Cement Amounts</u> | <u>Cement Yield</u> | <u>Water Mix</u> | <u>Cement Weight</u> |
|--------------------|---|-----------------------|-------------------------|------------------|----------------------|
| Lead: 26 | Portland CMT Class IA 4 Integral Air-entraining Agent | 118 sks +/- | 1.15ft ³ /sk | 5 | 15.8 ppg |

Conductor casing #2 will be cemented as follows from 0' - 350':

Cement volume = Gauge hole + 50%

| <u>Casing Size</u> | <u>Cement Type</u> | <u>Cement Amounts</u> | <u>Cement Yield</u> | <u>Water Mix</u> | <u>Cement Weight</u> |
|--------------------|---|-----------------------|---------------------|------------------|----------------------|
| Lead: 24 | Portland CMT Class "G" 2% Calcium Chloride ¼#/sk Flocele | 247 sks +/- | 1.5ft³/sk | 5 | 15.8 ppg |

The Surface Casing will be cemented as follows from 0' - 5,000':

Cement volume = Gauge hole + 25%

| <u>Casing Size</u> | <u>Cement Type</u> | <u>Cement Amounts</u> | <u>Cement Yield</u> | <u>Water Mix</u> | <u>Cement Weight</u> |
|--------------------|--|-----------------------|---------------------|------------------|----------------------|
| Lead: 13 3/8" | Premium "5" 16% Gel 10#/sk Gilsonite 3% Salt 3#/sk GB3 0.25#/sk flocele | 1,083 sks. +/- | 3.82ft³/sk | 23 | 11.0 ppg |
| Tail: 13 3/8" | Class "G" 2% Calcium Chloride 0.25#/sk Flocele | 294 sks. +/- | 1.18ft³/sk | 5 | 15.6 ppg |
| Top Job: | Class "G" 4% Calcium Chloride 0.25#/sk Flocele | 10-200 sks. +/- | 1.15ft³/sk | 5 | 15.8 ppg |

Intermediate casing will be cemented as follows from 4,800' - 7,500':

Cement volume = Gauge hole + 25%

| <u>Casing Size</u> | <u>Cement Type</u> | <u>Cement Amounts</u> | <u>Cement Yield</u> | <u>Water Mix</u> | <u>Cement Weight</u> |
|--------------------|---|-----------------------|---------------------|------------------|----------------------|
| Lead: 8 5/8" | 50/50 POZ'G 5% Salt (BWOW) 0.6% HALAD 322 0.25#/sk Flowcele 0.2% Super CBL 2% Micro Bond | 1,100 sks +/- | 1.25ft³/sk | 5.26 | 14.35 ppg |

Production casing will be cemented as follows from 6,800' - 10,500':

Note: Lead should be 200' above the Wasatch.

Cement volume = Gauge hole + 25%

| | <u>Casing Size</u> | <u>Cement Type</u> | <u>Cement Amounts</u> | <u>Cement Yield</u> | <u>Water Mix</u> | <u>Cement Weight</u> |
|-------|--------------------|---|-----------------------|-------------------------|------------------|----------------------|
| Lead: | 4 ½ | PREM.AG300 50/50 POZ "G" CMT 2% Gel 0.4% Halad 344 0.25% HR-12 0.2% CFR-3 5#/sk Sillicalite 20% SSA-1 0.25#/sk Flowcele 0.2% Super CBL | 561 sks +/- | 1.73ft ³ /sk | 8.17 | 13.5 ppg |

5. BOP and Pressure Containment Data:

A 5000-psi WP BOP system as described in the BOP and Pressure Containment Data (attached) will be installed and maintained from the 13 3/8" surface casing. An upper kelly cock to the required pressure rating with a handle available shall be employed.

The BOP system including the casing will be pressure tested to minimum standards set forth in "On Shore Order #2". The BOP will be mechanically checked daily during the drilling operation.

6. Mud Program:

| <u>Interval</u> | <u>Mud weight lbs./gal.</u> | <u>Viscosity Sec./OT.</u> | <u>Fluid Loss MI/30 Mins.</u> | <u>Mud Type</u> |
|-----------------|-----------------------------|---------------------------|-------------------------------|--------------------------------|
| 0-5,000 | Air/Clear Water | ----- | No Control | Water/Gel |
| 5,000-T.D. | 8.4-12.0 | 30-45 | 8-10 | LSND water based mud system |

Note: Mud weights may exceed 12.0 due to solids increasing at or near T.D. Increased weights are not required to control formation pressure. Operator will have on location sufficient mud and weight material to increase mud weight to 12.0 at any time while drilling the subject well. Visual mud monitoring incorporating pit level indicators shall be used.

7. Testing, Coring, Sampling and Logging:

- a) DST: None are anticipated.
- b) Coring: There is the possibility of sidewall coring.
- c) Mud Sampling: Every 10' from 5,000' to T.D.
- d) Logging:

| Type | Interval |
|----------------------|-------------------|
| DLL/SFL W/GR and SP | T.D. to Surf. Csg |
| FDC/CNL W/GR and CAL | T.D. to Surf. Csg |

8. Abnormalities (including sour gas)

Anticipated bottom hole pressure will be less than 5000 psi. No abnormal pressures, temperatures or other hazards are anticipated. Other wells drilled in the area have not encountered over pressured zones or H2S.

9. Other facets of the proposed operation:

Off set well information

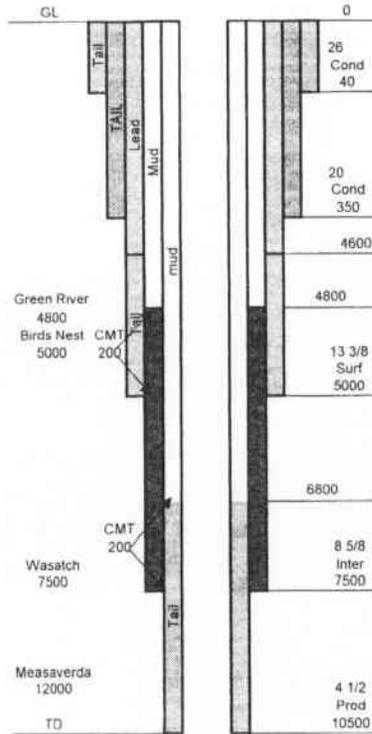
None

10. Drilling Schedule:

The anticipated starting date is 1/01/2007. Duration of operations is expected to be 30 days.

Well Name **Horseshoe Bend West 9-34-8-20**

14-Jul-2006 21-Jul-2006
8.00 13.00



Proposed Casing

| | Open Hole Size | Csg Size | Csg WT | Csg Grade | Csg Coupling & Tread | Csg Setting Depth | Csg New/Used | Internal Yield PSI | Collapse PSI |
|--------------|----------------|----------|--------|-----------|----------------------|-------------------|--------------|--------------------|--------------|
| Conductor #1 | 30 | 26 | 68.75 | A430 | | 40 | New | 500 | |
| Conductor #2 | 24 | 20 | 94 | H-40 | ST&C | 350 | New | 2110 | 520 |
| Surface | 17 1/2 | 13 3/8 | 85 | N-80 | ST&C | 5000 | New | 6360 | 3870 |
| Intermediate | 11 | 8 5/8 | 40 | P-110 | LT&C | 7500 | New | 10040 | 6380 |
| Production | 7 5/8 | 4 1/2 | 11.6 | N-80 | LT&C | 7700 | New | 7780 | 6350 |
| Production | 7 5/8 | 4 1/2 | 13.5 | P110 | LT&C | 10500 | New | 12410 | 10680 |

Estimated Formation Tops and Datum

| Formation | Depth | Datum |
|-------------|---------|-------|
| Uintah | Surface | 4993 |
| Green River | 4800 | 193 |
| Birds Nest | 5000 | -7 |
| Wasatch | 7500 | -2507 |
| Measaverda | 12000 | -7007 |
| TD | 10500 | -5507 |

Cement Program

Conductor Casing # 1

| | Casing Size | Cement Type | Cement Amount Sks | Cement Yield Cuft/sk | Mix Water Gal/sk | Cement Weight Ppg |
|--------|-------------|-------------------------------|-------------------|----------------------|------------------|-------------------|
| Lead | 26 | Portland CMT | 118 | 1.15 | 5 | 15.8 |
| Top | 0 | Class IA 4 | | | | |
| Bottom | 40 | Integral Air-entraining Agent | | | | |

Conductor Cement Volume Calculation # 1

| | Top | Bottom | Ft/hole | Hole Volume Cuft | Hole Volume Bbls | Cement Amount sks | Cement Amount w/50% Excess |
|------|-----|--------|---------|------------------|------------------|-------------------|----------------------------|
| Lead | 0 | 40 | 40 | 135 | 24 | 118 | 176 |

Conductor Casing Cement Data # 1

| Csg Size In. | Hole Size In. | Ft Hole | Coeff Cuft/ft | Coeff Bbls/ft | Annulus | Cuft/ft | Bbls/ft |
|--------------|---------------|---------|---------------|---------------|---------|---------|---------------|
| 26 | 30 | 40 | 3.3816 | 0.6023 | 30 X 26 | 68#XOH | 3.3816 0.6023 |

Conductor Casing # 2

| | Casing Size | Cement Type | Cement Amount Sks | Cement Yield Cuft/sk | Mix Water Gal/sk | Cement Weight Ppg |
|--------|-------------|--|-------------------|----------------------|------------------|-------------------|
| Lead | 0 | Portland CMT | 247 | 1.5 | 5 | 15.8 |
| Top | 0 | Class "G" | | | | |
| Bottom | 350 | 2% Calcium Chloride 1/4#/Sk Flocele | | | | |

Conductor Cement Volume Calculation # 2

| | Top | Bottom | Ft/hole | Hole Volume Cuft | Hole Volume Bbls | Cement Amount sks | Cement Amount w/50% Excess |
|------|-----|--------|---------|------------------|------------------|-------------------|----------------------------|
| Lead | 0 | 40 | 40 | 60 | 11 | 40 | 60 |
| Lead | 40 | 350 | 310 | 38 | 7 | 207 | 310 |

Conductor Casing Cement Data # 2

| Csg Size In. | Hole Size In. | Ft Hole | Coeff Cuft/ft | Coeff Bbls/ft | Annulus | Cuft/ft | Bbls/ft |
|--------------|---------------|---------|---------------|---------------|---------|------------|---------------|
| 26 | 24 | 40 | 1.5053 | 0.2881 | 26 X 20 | 68.75#X94# | 1.5053 0.2881 |
| 24 | 20 | 310 | 0.9599 | 0.171 | 24 X 20 | 94#OH | 0.9599 0.171 |

Surface Casing

| | Casing Size | Cement Type | Cement Amount Sks | Cement Yield Cuft/sk | Mix Water Gal/sk | Cement Weight Ppg |
|--------|-------------|---|-------------------|----------------------|------------------|-------------------|
| Lead | 13 3/8 | Premium 5 | 1083 | 3.82 | 23 | 11 |
| Top | 0 | 16% Gel | | | | |
| Bottom | 4600 | 10 #/sk gilsonite 3% Salt 3 #/sk GB3 25 #/sk flocele | | | | |
| Tail | 13 3/8 | Class "G" | 294 | 1.18 | 5 | 15.6 |
| Top | 4600 | 2% Calcium Chloride | | | | |

| | | |
|---------|------------|---------------------|
| Bottom | 5000 | .25 #/sk flocele |
| Top Job | | Class "G" |
| | | 4% Calcium Chloride |
| | | .25 #/sk flocele |
| | 10-200 sks | 1 15 |
| | | 5 |
| | | 15.8 |

Surface Cement Volume Calculation

| | Top | Bottom | Ft/hole | Hole Volume Cuft | Hole Volume Bbls | Cement Amount sks | Cement Amount w/25% Excess |
|------|------|--------|---------|------------------|------------------|-------------------|----------------------------|
| Lead | 0 | 350 | 350 | 357 | 64 | 93 | 117 |
| Lead | 350 | 4600 | 4250 | 2952 | 526 | 773 | 966 |
| | | | | | | Total | 1063 |
| Tail | 4600 | 5000 | 400 | 278 | 49 | 235 | 294 |

Surface Casing Cement Data

| | Csg Size In | Hole Size In | Ft Hole | Coeff Cuft/ft | Coeff Bbls/ft | Annulus | | Cuft/ft | Bbls/ft |
|------|-------------|--------------|---------|---------------|---------------|---------------|---------|---------|---------|
| | | | | | | 20 X 13 3/8 | 94#/68# | 1.019 | 0.1815 |
| Lead | 13 3/8 | 12 5/7 | 350 | 1.019 | 0.1815 | 17.5 X 13 3/8 | 68#/OH | 0.6946 | 0.1237 |
| Lead | 13 3/8 | 12 1/4 | 4250 | 0.6946 | 0.1237 | | | | |
| Tail | 13 3/8 | 12 1/4 | 400 | 0.6946 | 0.1237 | | | | |

Intermediate Casing

| | Casing Size | Cement Type | Cement Amount Sks | Cement Yield Cuft/sk | Mix Water Gal/sk | Cement Weight Ppg |
|--------|-------------|------------------|-------------------|----------------------|------------------|-------------------|
| | 8 5/8 | 50/50 POZ G CMT | 1100 | 1.25 | 5.26 | 14.35 |
| Top | 0 | 5% Salt (BWOW) | | | | |
| Bottom | 7500 | 6% HALAD 322 | | | | |
| | | .25#/sk Flowcele | | | | |
| | | 2% SUPER CBL | | | | |
| | | 2% Micro BOND | | | | |

Intermediate Cement Volume Calculation

| | Top | Bottom | Ft/hole | Hole Volume Cuft | Hole Volume Bbls | Cement Amount sks | Cement Amount w/25% Excess |
|--|------|--------|---------|------------------|------------------|-------------------|----------------------------|
| | 4900 | 5000 | 200 | 87 | 16 | 12 | 12 |
| | 5000 | 7500 | 2500 | 1087 | 194 | 870 | 1087 |
| | | | | | | Total | 1100 |

Intermediate Casing Cement Data

| | Csg Size In | Hole Size In | Ft Hole | Coeff Cuft/ft | Coeff Bbls/ft | Annulus | | Cuft/ft | Bbls/ft |
|--|-------------|--------------|---------|---------------|---------------|----------------|---------|---------|---------|
| | | | | | | 13 5/8 X 8 5/8 | 68#/36# | 0.4349 | 0.0775 |
| | 8 5/8 | 10 3/4 | 200 | 0.4349 | 0.0775 | 11 X 8 5/8 | 36#/OH | 0.2016 | 0.0359 |
| | 8 5/8 | 11 | 2500 | 0.2016 | 0.0359 | | | | |

Production Casing

| | Casing Size | Cement Type | Cement Amount sks | Cement Yield Cuft/sk | Mix Water Gal/sk | Cement Weight ppg |
|--------|-------------|-------------------|-------------------|----------------------|------------------|-------------------|
| Lead | 4 1/2 | PREMAG300 | 561 | 1.73 | 8.17 | 13.5 |
| Top | 0 | 50/50 POZ "G" CMT | | | | |
| Bottom | 10500 | 2% GEL | | | | |
| | | .4% Haled 344 | | | | |
| | | .25% HR-12 | | | | |
| | | 2% CFR-3 | | | | |
| | | 5#/sk Silicalite | | | | |
| | | 20% SSA-1 | | | | |
| | | .25#/sk FLOWCELE | | | | |
| | | 2% Super CBL | | | | |

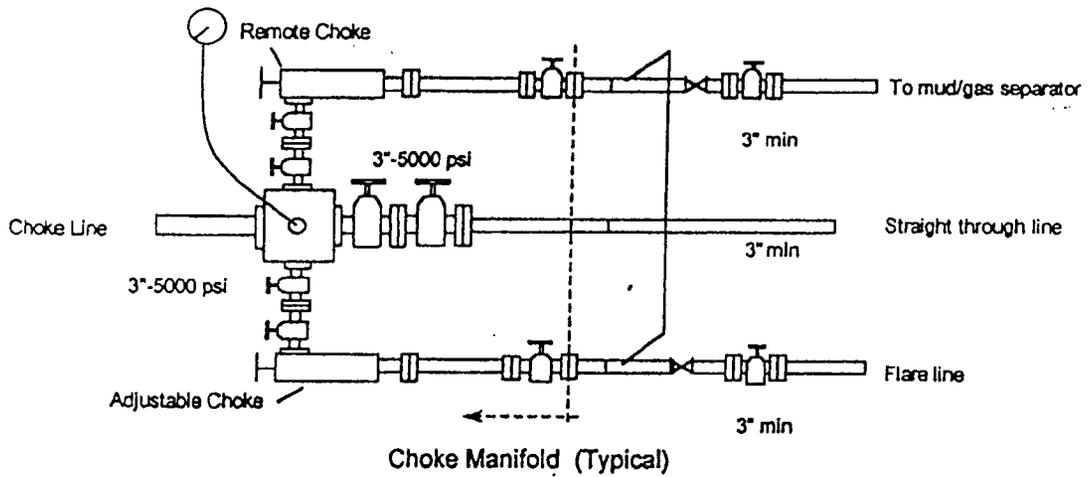
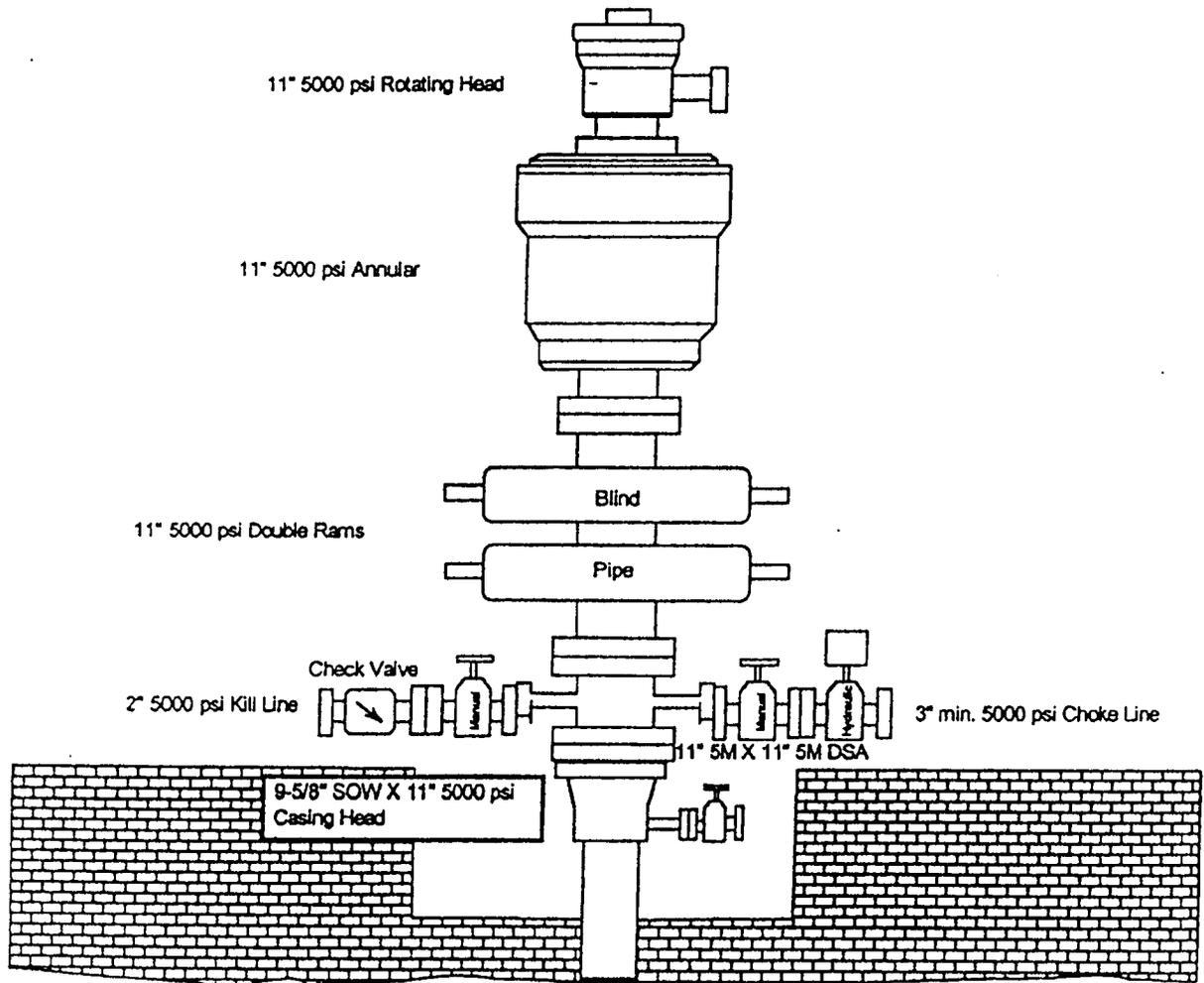
Production Cement Volume Calculation

| | Top | Bottom | Ft/hole | Hole Volume Cuft | Hole Volume Bbls | Cement Amount sks | Cement Amount w/25% Excess sks |
|------|------|--------|---------|------------------|------------------|-------------------|--------------------------------|
| Lead | 6800 | 7500 | 700 | 156 | 28 | 90 | 113 |
| Lead | 7500 | 10500 | 3000 | 620 | 110 | 358 | 448 |
| | | | | | | Total | 561 |

Production Casing Cement Data

| | Csg Size In | Hole/Csg Size In | Ft Hole | Coeff Cuft/ft | Coeff Bbls/ft | Annulus | | Cuft/ft | Bbls/ft |
|------|-------------|------------------|---------|---------------|---------------|-------------|---------|---------|---------|
| | | | | | | 4.5 X 8 5/8 | 17#/36# | 0.2235 | 0.0398 |
| Lead | 4 1/2 | 8 5/8 | 700 | 0.2235 | 0.0398 | 4.5 X 7 7/8 | 20#/OH | 0.2067 | 0.0368 |
| Lead | 4 1/2 | 7 5/8 | 3000 | 0.2067 | 0.0368 | | | | |

BOPE Diagram 5000 psi WP



THE HOUSTON EXPLORATION COMPANY

13 POINT SURFACE USE PLAN

FOR WELL

HORSESHOE BEND WEST 9-34-6-20

LOCATED IN NE $\frac{1}{4}$ SE $\frac{1}{4}$

SECTION 34, T.6S, R20E, S.L.B.&M.

UINTAH COUNTY, UTAH

LEASE NUMBER: UTU-76496

SURFACE OWNERSHIP: FEDERAL

1. Existing Roads:

The Houston Exploration Co.

Horseshoe Bend West 9-34-6-20

Section 34, T. 6S, R. 20E

Proceed in a westerly direction from Vernal, UT along US Highway 40 approximately 14 miles to the junction of State Highway 88. Exit left and proceed in a southerly direction along State Highway 88 approximately 4.7 miles to the intersection of 3000 South Street. Exit left and proceed in an easterly direction along 3000 South Street approximately 1.8 miles to the proposed access road; follow road flags in a northerly then easterly direction approximately 3,582' to the proposed location.

Total distance from Vernal, Utah to the proposed well location is approximately 21.2 miles.

All existing roads to the proposed location are State of Utah, BLM maintained or County Class D roads. Please see the attached map for additional details.

2. Planned access road

The proposed access road will be approximately 3,582' of new construction on lease. The road will be graded once per year minimum and maintained.

- A) Approximate length 3582 ft
- B) Right of Way width 30 ft
- C) Running surface 18 ft

- D) Surface material Native soil
- E) Maximum grade 8%
- F) Fence crossing None
- G) Culvert None
- H) Turnouts None
- I) Major cuts and fills None
- J) Road Flagged Yes
- K) Access road surface ownership Federal
- L) All new construction on lease Yes
- M) Pipe line crossing None

Please see the attached location plat for additional details.

An off lease right-of-way will not be required.

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

3. Location of existing wells

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

- A) Producing well None
- B) Water well None
- C) Abandoned well None
- D) Temp. abandoned well None
- E) Disposal well None
- F) Drilling /Permitted well None
- G) Shut in wells None
- H) Injection well None
- I) Monitoring or observation well None

Please see the attached map for additional details.

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

All production facilities are to be contained within the proposed location site. Please see the attached plat plan for a typical gas well separator installation and well site piping.

All permanent (on site for more than six months or longer) structures constructed or installed will be painted an **Olive Black** color. Facilities required to comply with O.S.H.A. (Occupational Safety and Health Act) will be excluded. The required paint color is **Olive Black**.

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

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

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

If the well is capable of economic production a surface gas line will be required.

Approximately 3,495' of 3" steel surface gas gathering line would be constructed on Federal Lands. The pipeline is proposed as surface due to topography and a tie-in with a surface line. The pipeline

will tie into a proposed pipeline in Section 34, T6S, R20E. The pipeline will be strung and boomed to the south and west of the location and parallel to the access road. A temporary construction width of 30' will be required for one week and a permanent width of 15' will be required.

An off lease right-of-way will not be required.

Please see the attached location diagrams for pipeline location.

The gas meter run will be located within 500' of the wellhead. The gas line will be buried or anchored down from the wellhead to the meter. Meter runs will be housed and/or fenced.

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

5. Location and type of water supply

Water for drilling and cementing will come from a Vernal City Tap at 355 S 1000 E (Dalbo/A-1 Tank.)

6. Source of construction materials

All construction material for this location site and access road shall be borrow material accumulated during construction of the location site and access road. Additional road gravel or pit lining material will be obtained from private resources.

7. Methods for handling waste disposal

A) Pit construction and liners:

The reserve pit will be approximately 12 ft. deep and most of the depth shall be below the surface of the existing ground. Please see the attached plat for details.

The reserve pit will be lined.

The reserve pit will be used to store water for drilling. A semi-closed system will be used to drill the well. All fresh water for drilling will come from a frac tank placed on location and from the rig tank. The pit will be used to hold non-flammable materials such as cuttings, salt, drilling fluids, chemicals, produced fluids, etc.

B) Produced fluids:

Produced water will be confined to the reserve pit, or if deemed necessary, a storage tank for a period not to exceed 90 days after initial production. During the 90-day period an application for approval for permanent disposal method and location will be submitted to the authorized officer. **Evaporation may be used instead of trucking to facilitate closing and reclamation of the reserve pit. A pumping system would be used for evaporation.**

C) Garbage:

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

D) Sewage:

A portable chemical toilet will be supplied for human waste.

E) Site clean-up:

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

8. Ancillary facilities

There are no ancillary facilities planned at this time and none are foreseen for the future.

9. Well-site layout

Location dimensions are as follows:

- A) Pad length 345 ft.
- B) Pad width 260 ft.
- C) Pit depth 12 ft.
- D) Pit length 150 ft.
- E) Pit width 75 ft.
- F) Max cut 13.0 ft.
- G) Max fill 4.2 ft.
- H) Total cut yds. 5,040 cu yds
- I) Pit location South end
- J) Top soil location East & West ends
- K) Access road location West end
- L) Flare Pit Corner C

Please see the attached location diagram for additional details.

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

- A) Thirty nine inch net wire shall be used with at least one strand of wire on top of the net wire. Barbed wire is not necessary if pipe or some type of reinforcement rod is attached to the top of the entire fence.
- B) The net wire shall be no more than 2 inches above the ground. The barbed wire shall be 3 inches above the net wire. Total height of the fence shall be at least 42 inches.
- C) Corner posts shall be cemented and/or braced in such a manner to keep the fence tight at all times.

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

E) All wire shall be stretched by using a stretching device before it is attached to the corner posts.

10. Plans for restoration of the surface

Prior to construction of the location, the top 6 inches of soil material will be stripped off the location and the pit area. The topsoil removed and piled will amount to approximately 1,500 cubic yards of material. Topsoil will be stockpiled in one distinct pile. Placement of the topsoil is noted on the attached location plat. The topsoil pile from the location will be seeded as soon as the soil is stock piled with the seed mix listed. When all drilling and completion activities have been completed and the pit back-filled the topsoil from the pit area will be spread on the pit area. The pit area will be seeded when the soil has been spread. **The unused portion of the location (the area outside the dead men) will be re-contoured.**

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

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

All disturbed areas will be re-contoured to the approximate natural contours. Prior to back filling the pit the fences around the reserve pit will be removed.

The reserve pit will be reclaimed within 90 days of well completion. If the reserve pit has not dried sufficiently to allow back filling, an extension on the time requirement for back filling the pit will be requested. Once reclamation activities have begun, they shall be completed within 30 days.

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

When restoration activities have been completed, the location site and new access road cuts and shoulders shall be reseeded. Prior to reseeding, all disturbed areas will be scarified and left with a rough surface.

A) Seeding dates:

Seed will be spread when topsoil is stock piled and when reclamation work is performed.

The seed mix and quantity list will be used whether the seed is broadcast or drilled.

B) Interim Seed Mix

4#/acre Indian Rice Grass
4#/acre Crested Wheat Grass
4#/acre Needle & Thread Grass

11. Surface ownership:

| | |
|--------------------|----------------|
| Access road | Federal |
| Location | Federal |
| Pipeline | Federal |

12. Other information:

A) Vegetation

The vegetation coverage is slight. The majority of the existing vegetation consists of non-native species. Rabbit brush, bitter brush, and Indian Rice grass and Sagebrush are also found on the location.

B) Dwellings:

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

C) Archeology:

The location has been surveyed. A copy of that survey will be forwarded to your office.

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

and the discovery reported promptly to the surface management agency.

resumes after well has been off production for more than 90 days.

D) Water:

The nearest water is Green River, 3 miles to the East.

E) Chemicals:

No pesticides, herbicides or other possible hazardous chemicals will be used without prior application.

F) Notification:

- a) Location Construction
At least forty eight (48) hours prior to construction of location and access roads.
- b) Location completion
prior to moving on the drilling rig.
- c) Spud notice
At least twenty-four (24) hours prior to spudding the well.
- d) Casing string and cementing
At least twenty-four (24) hours prior to running casing and cementing all casing strings.
- e) BOP and related equipment tests
At least twenty-four (24) hours prior to initial pressure tests.
- f) First production notice
Within five (5) business days after the new well begins, or production

G) Flare pit:

The flare pit will be located in **corner C** of the reserve pit out side the pit fences and 100 feet from the bore hole on the east side of the location. All fluids will be removed from the pit within 48 hours of occurrence.

13. Lessees or Operator's representative and certification

A) Representative

William A. Ryan
Rocky Mountain Consulting
290 S 800 E
Vernal, UT 84078

Office 435-789-0968
Fax 435-789-0970
Cellular 435-828-0968

All lease and/or unit operations will be conducted in such a manner that full compliance is made with all applicable laws, regulations, onshore oil and gas orders, and any applicable notices to lessees. The operator is fully responsible for the actions of his subcontractors. A copy of these conditions will be furnished to the field representative to ensure compliance.

This drilling permit will be valid for a period of one year from the date of approval.

After permit termination, a new application will be filed for approval for any future operations.

B) Certification:

I hereby certify that I, or persons under my direct supervision, have inspected the proposed drill-site and access route that I am familiar with the conditions which presently exist, that the statements made in this plan are, to the best of my knowledge and belief, true and correct, and that the work associated with the operation proposed herein will be performed by The Houston Exploration Company and its contractors and subcontractors in conformity with this plan and terms and conditions with this plan and the terms and conditions under which it is approved.

Onsite Dates: 5/30/06

Self Certification Statement

The following self-certification statement is provided per Federal requirements dated June 15, 1988.

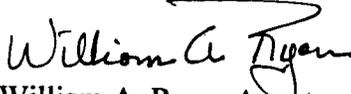
Please be advised that The Houston Exploration Company is considered to be the operator of the following well:

**Horseshoe Bend West 9-34-6-20
Section 34, T. 6S, R. 20E
NE ¼ of the SE ¼
Lease UTU-76496
Uintah County, Utah**

The Houston Exploration Company is responsible under the terms and conditions of the lease for the operations conducted upon the lease lands.

Bond UTU-104155044 provides state-wide bond coverage on all Federal Lands.

Date 7/31/06


William A. Ryan, Agent
Rocky Mountain Consulting

Statement of use of Hazardous Materials

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

If you require additional information please contact:

William A Ryan
Agent for The Houston Exploration Company
Rocky Mountain Consulting
290 S 800 E
Vernal, UT 84078

435-789-0968 Office
435-828-0968 Cell
435-789-0970 Fax

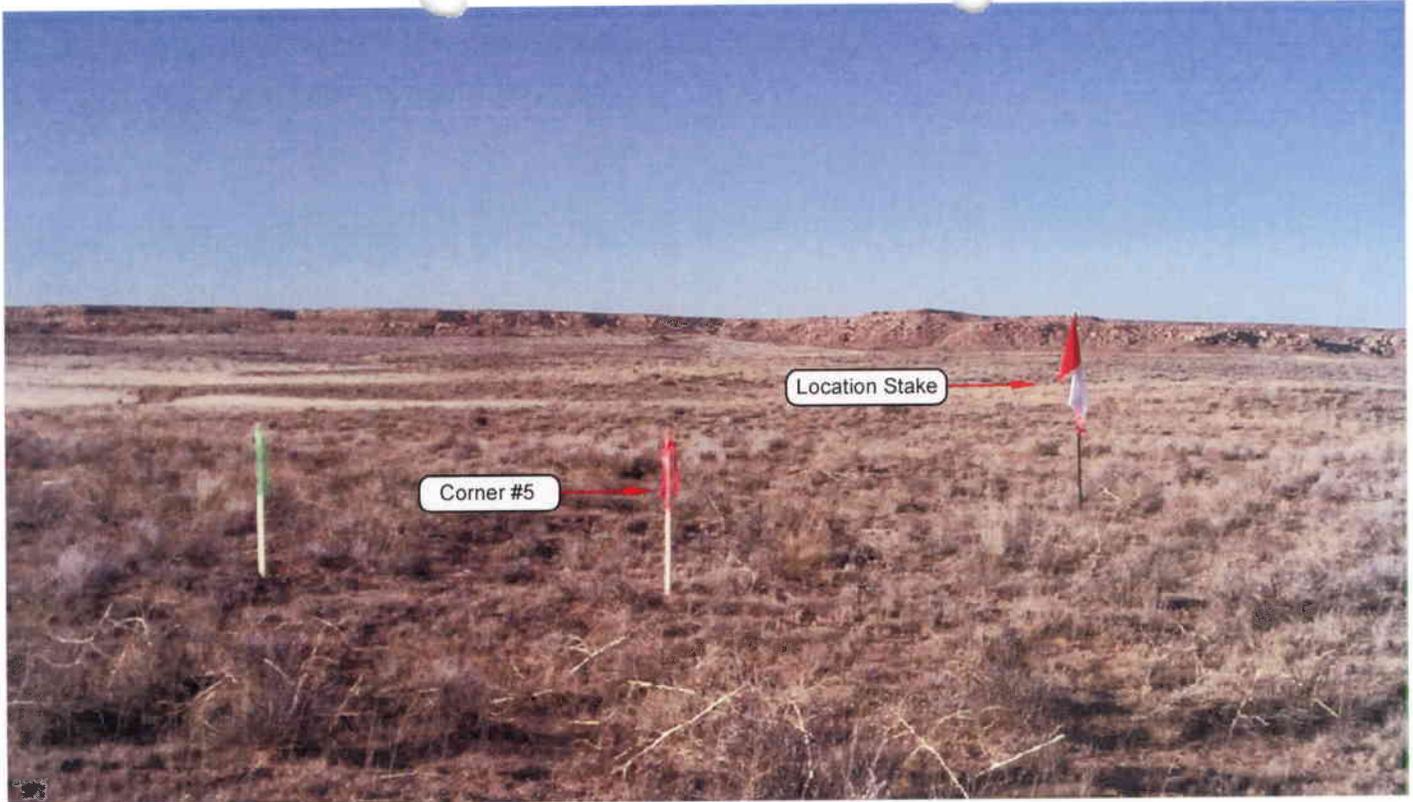


PHOTO VIEW: FROM CORNER #5 TO LOCATION STAKE

CAMERA ANGLE: NORTHERLY

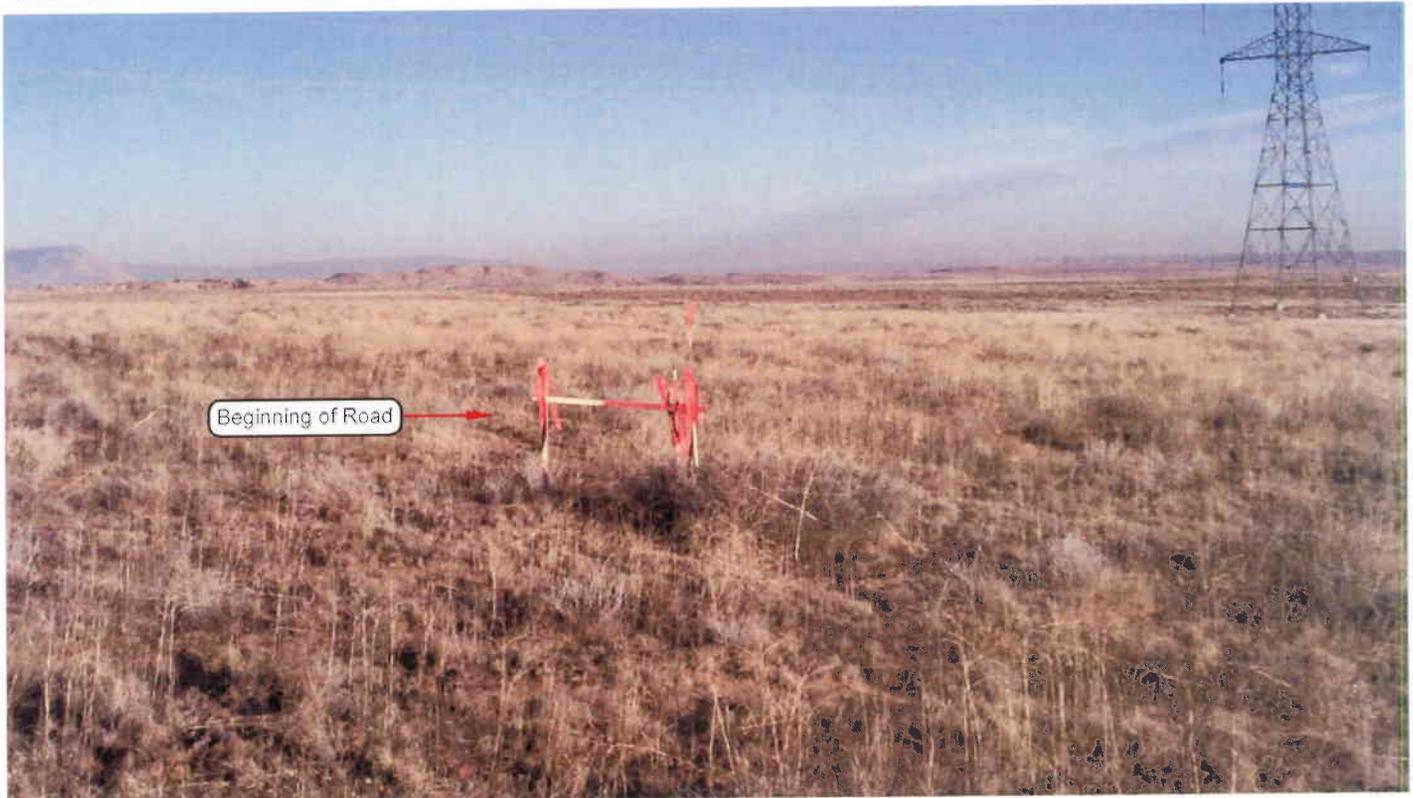


PHOTO VIEW: FROM BEGINNING OF PROPOSED ROAD

CAMERA ANGLE: EASTERLY

THE HOUSTON EXPLORATION COMPANY

**Horseshoe Bend West 9-34-6-20
SECTION 34, T6S, R20E, S.L.B.&M.
1890' FSL & 833' FEL**

LOCATION PHOTOS

TAKEN BY: D.J.S.

DRAWN BY: B.J.Z.

DATE TAKEN: 12-05-05

DATE DRAWN: 12-13-05

REVISED: 06-26-06

Timberline Land Surveying, Inc.
38 West 100 North Vernal, Utah 84078
(435) 789-1365

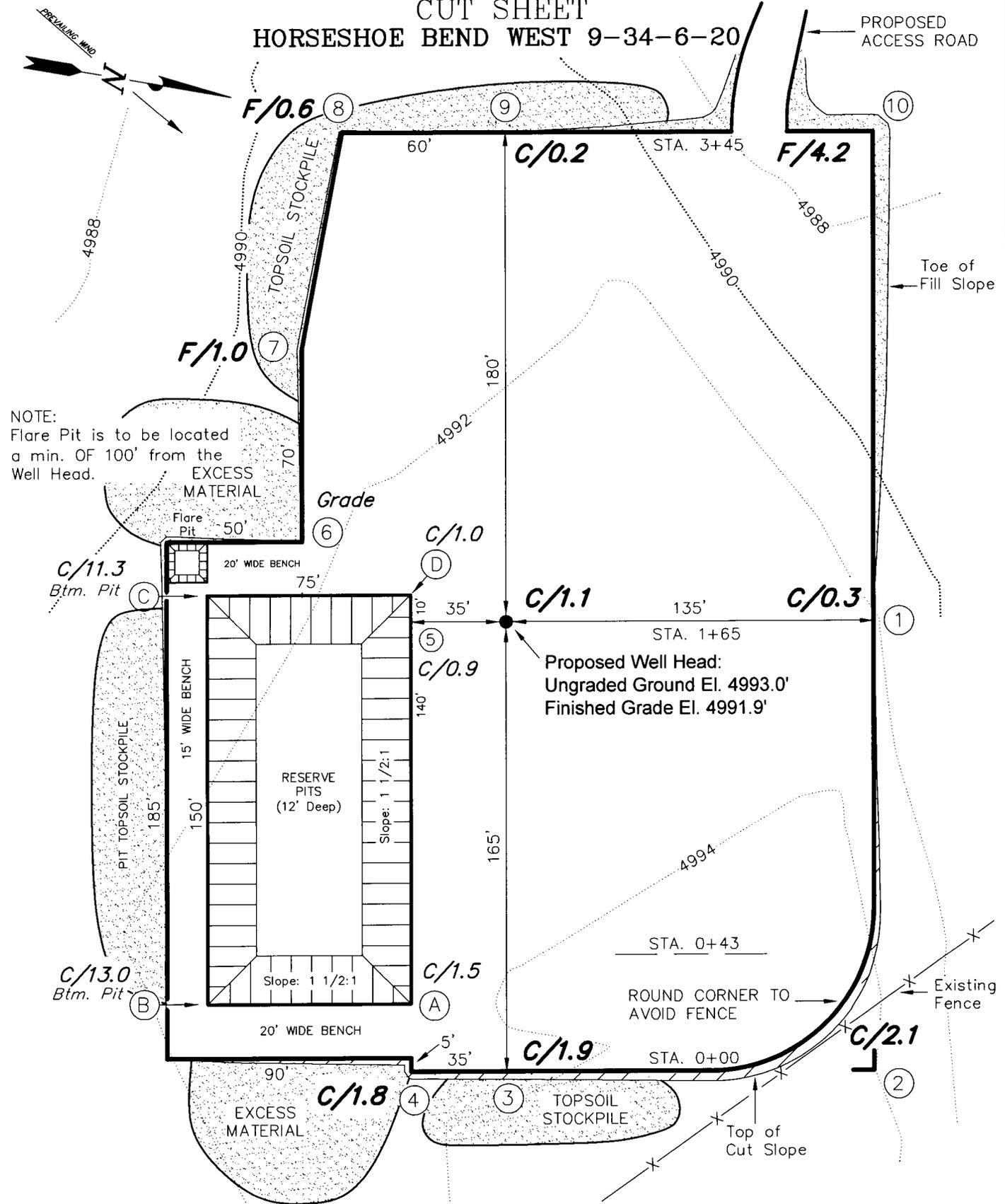
**SHEET
1
OF 10**

THE HOUSTON EXPLORATION COMPANY

CUT SHEET

HORSESHOE BEND WEST 9-34-6-20

PROPOSED ACCESS ROAD



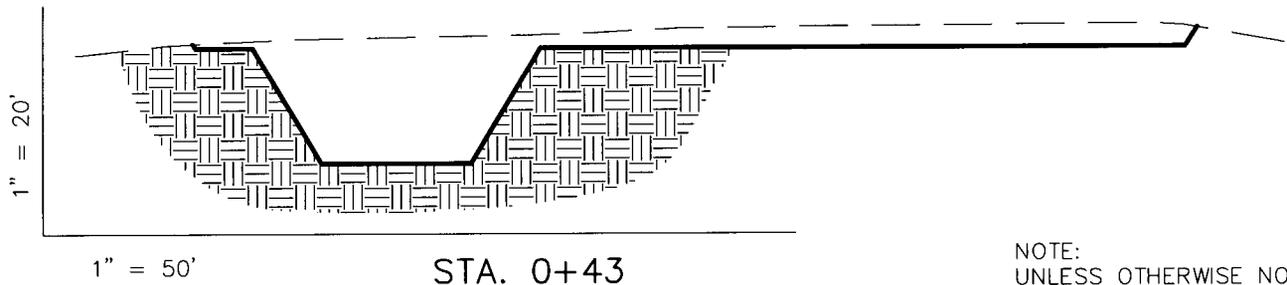
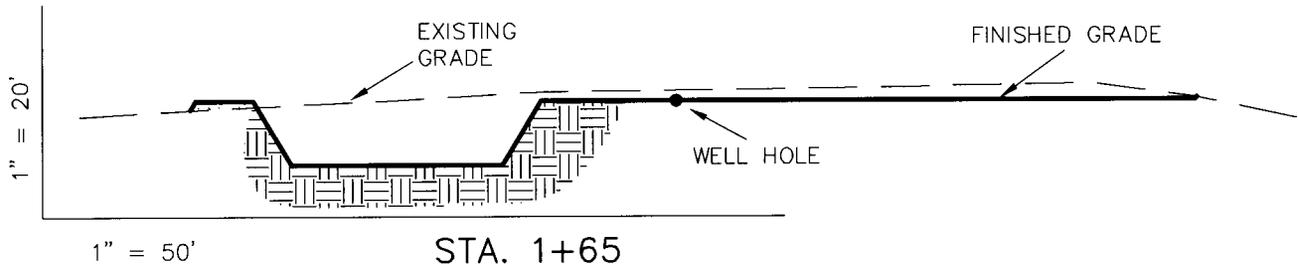
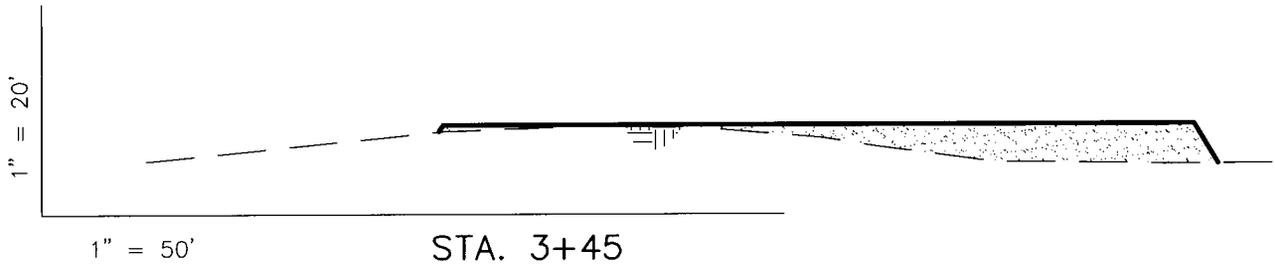
NOTE:
Flare Pit is to be located
a min. OF 100' from the
Well Head.

CONTOUR INTERVAL = 2'

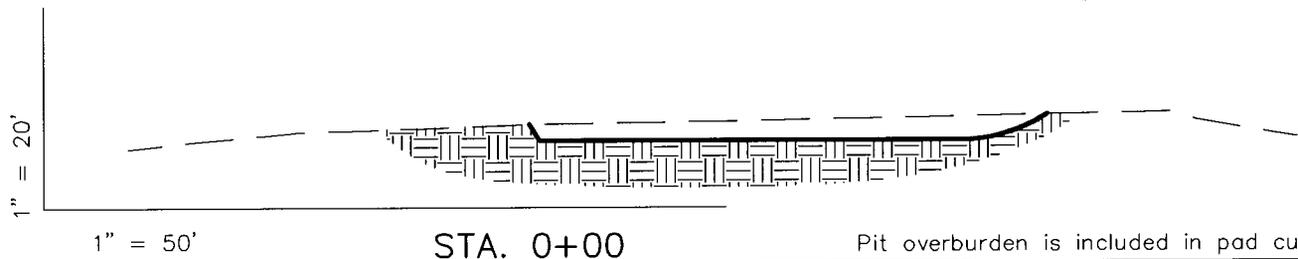
| | | | |
|----------------------------------|-------------------------|---------------------------------|---|
| Section 34, T6S, R20E, S.L.B.&M. | | Qtr/Qtr Location: NE SE | Footage Location: 1890' FSL & 833' FEL |
| Date Surveyed: 12-12-05 | Date Drawn: 12-13-05 | Date Last Revision: 06-26-06 | Timberline (435) 789-1365 <i>Land Surveying, Inc.</i> 38 WEST 100 NORTH VERNAL, UTAH 84078 |
| Surveyed By: D.J.S. | Drawn By: M.W.W. | Scale: 1" = 50' | |
| | | | SHEET 3 OF 10 |

THE HOUSTON EXPLORATION COMPANY

CROSS SECTIONS HORSESHOE BEND WEST 9-34-6-20



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



Pit overburden is included in pad cut.

ESTIMATED EARTHWORK QUANTITIES (No shrink or swell adjustments have been used) (Expressed in Cubic Yards)

| ITEM | CUT | FILL | 6" TOPSOIL | EXCESS |
|--------|-------|-------|--|--------|
| PAD | 1,700 | 1,700 | Topsoil is not included in Pad Cut | 0 |
| PIT | 3,340 | 0 | | 3,340 |
| TOTALS | 5,040 | 1,700 | 1,500 | 3,340 |

Excess Material after Pit Rehabilitation = 0 Cu. Yds.

REFERENCE POINTS

185' NORTHERLY = 4990.0'
235' NORTHERLY = 4990.4'
265' EASTERLY = 4994.5'
215' EASTERLY = 4994.6'

Section 34, T6S, R20E, S.L.B.&M.

Qtr/Qtr Location: NE SE

Footage Location: 1890' FSL & 833' FEL

Date Surveyed:
12-12-05

Date Drawn:
12-13-05

Date Last Revision:
06-26-06

Surveyed By: D.J.S.

Drawn By: M.W.W.

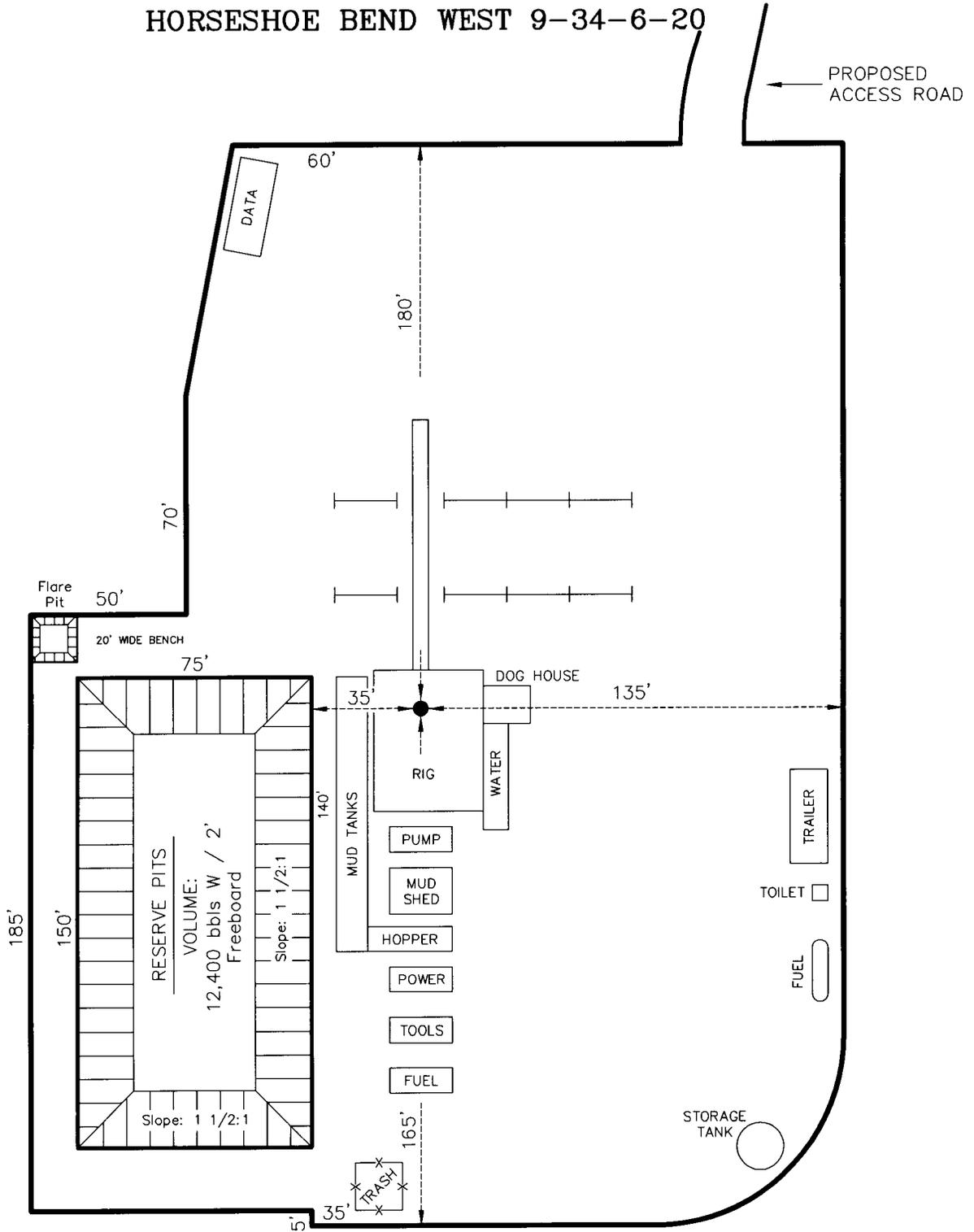
Scale: 1" = 50'

Timberline (435) 789-1365
Land Surveying, Inc.
38 WEST 100 NORTH VERNAL, UTAH 84078

SHEET
4
OF 10

THE HOUSTON EXPLORATION COMPANY

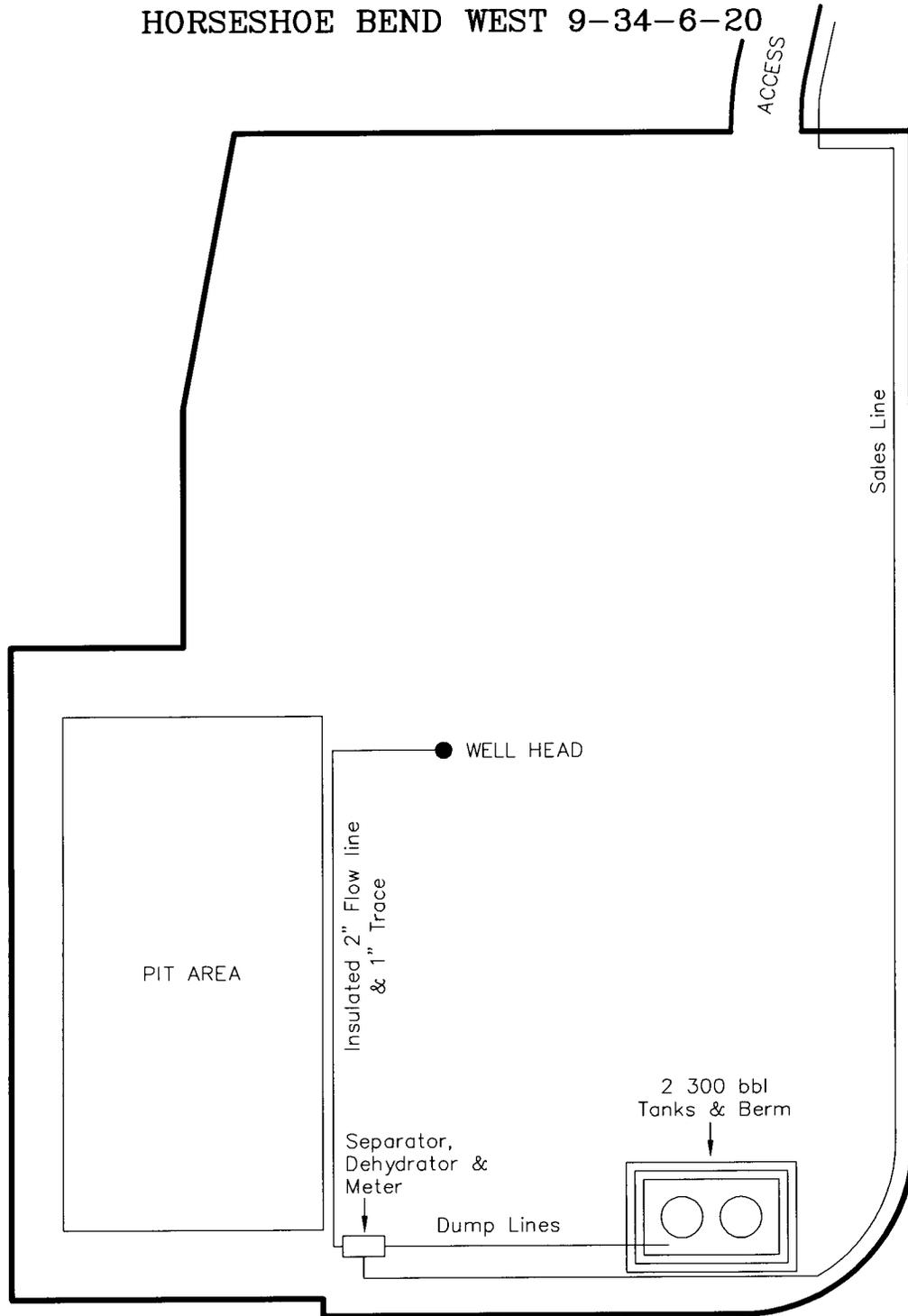
TYPICAL RIG LAYOUT HORSESHOE BEND WEST 9-34-6-20



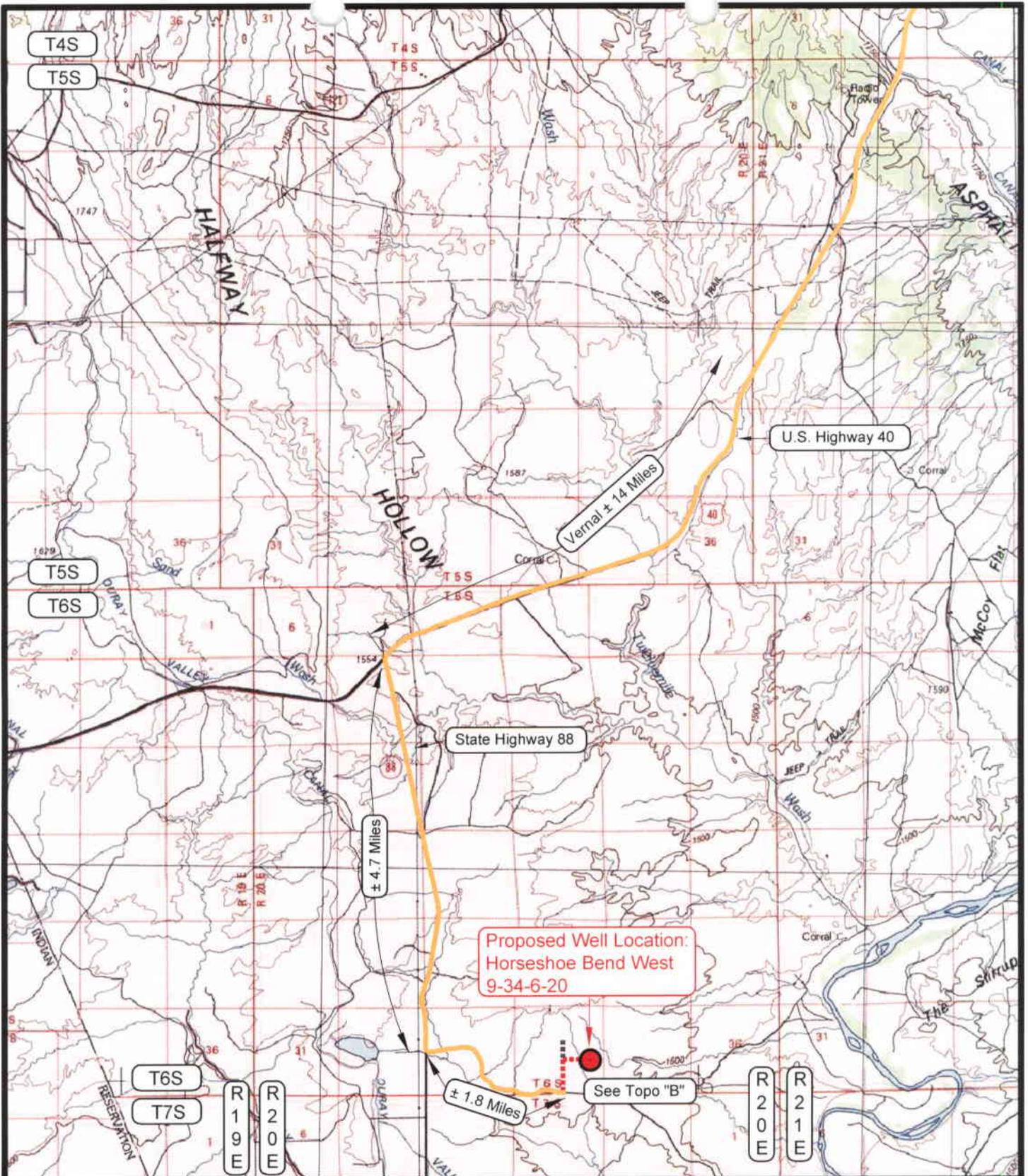
| | | | |
|----------------------------------|-------------------------|---------------------------------|---|
| Section 34, T6S, R20E, S.L.B.&M. | | Qtr/Qtr Location: NE SE | Footage Location: 1890' FSL & 833' FEL |
| Date Surveyed: 12-12-05 | Date Drawn: 12-13-05 | Date Last Revision: 06-26-06 | Timberline (435) 789-1365 <i>Land Surveying, Inc.</i> 38 WEST 100 NORTH VERNAL, UTAH 84078 |
| Surveyed By: D.J.S. | Drawn By: M.W.W. | Scale: 1" = 50' | |
| | | | SHEET 5 OF 10 |

THE HOUSTON EXPLORATION COMPANY

TYPICAL PRODUCTION LAYOUT HORSESHOE BEND WEST 9-34-6-20



| | | | |
|----------------------------------|-------------------------|-------------------------|---|
| Section 34, T6S, R20E, S.L.B.&M. | | Qtr/Qtr Location: NE SE | Footage Location: 1890' FSL & 833' FEL |
| Date Surveyed: 06-23-06 | Date Drawn: 06-26-06 | Date Last Revision: | Timberline (435) 789-1365 <i>Land Surveying, Inc.</i> 38 WEST 100 NORTH VERNAL, UTAH 84078 |
| Surveyed By: K.R.K. | Drawn By: M.W.W. | Scale: 1" = 50' | |
| | | | SHEET 6 OF 10 |



LEGEND

- = PROPOSED WELL LOCATION
- = EXISTING ROAD
- = EXISTING ROAD (TO BE IMPROVED)
- - - = PROPOSED ACCESS ROAD
- B-5460 = COUNTY ROAD CLASS & NUMBER

TOPOGRAPHIC MAP "A"

DATE SURVEYED: 12-12-05
 DATE DRAWN: 12-13-05
 REVISED: 07-31-06 B.J.Z.

SCALE: 1:100,000

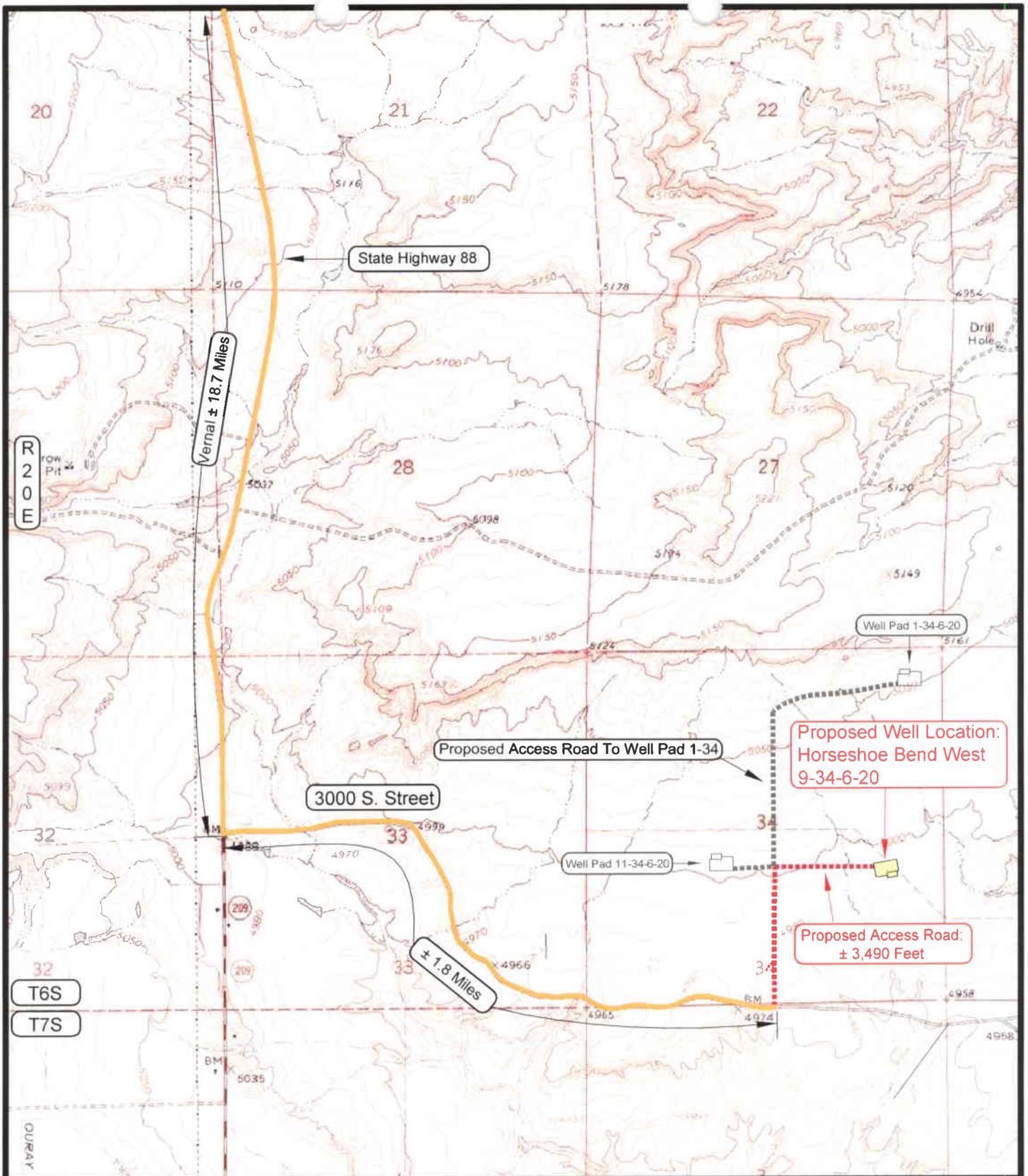
DRAWN BY: B.J.Z.

THE HOUSTON EXPLORATION COMPANY

Horseshoe Bend West 9-34-6-20
SECTION 34, T6S, R20E, S.L.B.&M.
1890' FSL & 833' FEL

Timberline Land Surveying, Inc.
 38 West 100 North Vernal, Utah 84078
 (435) 789-1365

SHEET
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OF 10



LEGEND

- PROPOSED ACCESS ROAD
- = SUBJECT WELL
- = OTHER WELLS
- = EXISTING ROAD
- = EXISTING ROAD (TO BE IMPROVED)
- (B-5460) = COUNTY ROAD CLASS & NUMBER
- = LEASE LINE AND / OR PROPERTY LINE

TOPOGRAPHIC MAP "B"

DATE SURVEYED: 12-12-05
 DATE DRAWN: 12-13-05
 REVISED: 07-31-06 B.J.Z.

SCALE: 1" = 2000'

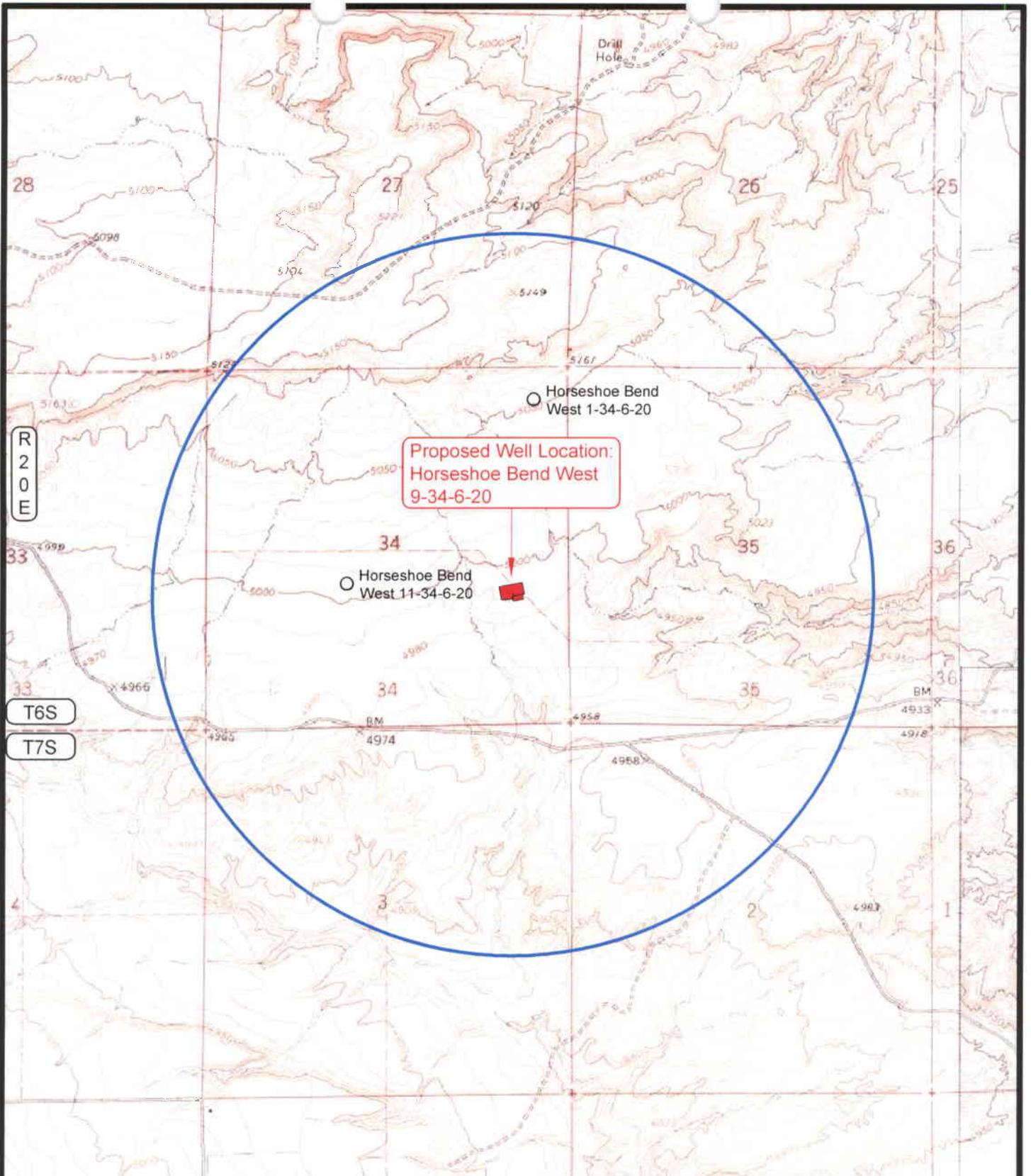
DRAWN BY: B.J.Z.

THE HOUSTON EXPLORATION COMPANY

**Horseshoe Bend West 9-34-6-20
 SECTION 34, T6S, R20E, S.L.B.&M.
 1890' FSL & 833' FEL**

Timberline Land Surveying, Inc.
 38 West 100 North Vernal, Utah 84078
 (435) 789-1365

**SHEET
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 OF 10**



LEGEND

- ⊗ = DISPOSAL WELL
- = PRODUCING WELL
- = SHUT IN WELL
- = PROPOSED WELL
- ⊗ = WATER WELL
- = ABANDONED WELL
- = TEMPORARILY ABANDONED WELL
- ⊕ = ABANDONED LOCATION

TOPOGRAPHIC MAP "C"

DATE SURVEYED: 12-12-05

DATE DRAWN: 12-13-05

SCALE: 1" = 2000'

DRAWN BY: BJZ

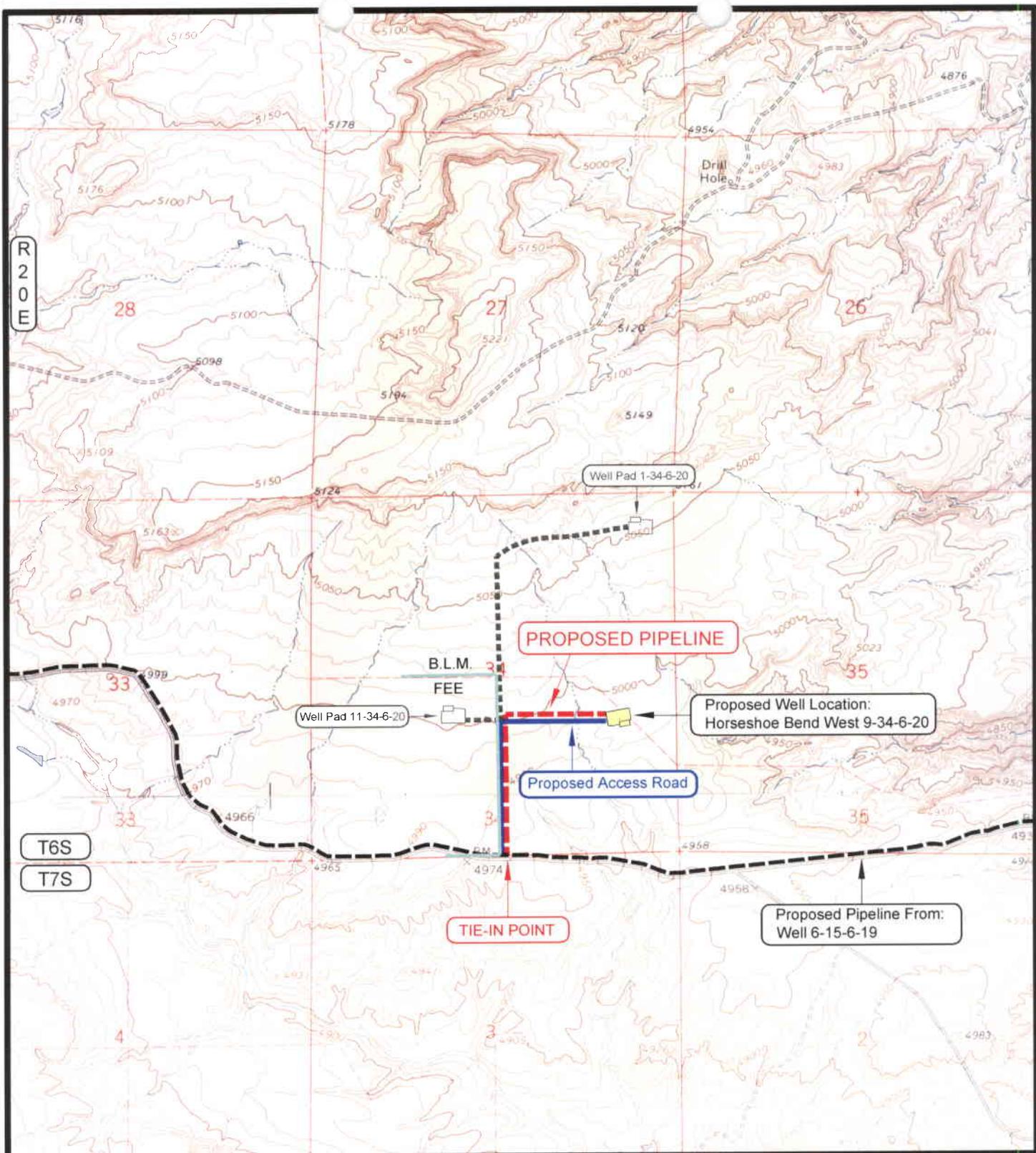
REVISED: 06-26-06

THE HOUSTON EXPLORATION COMPANY

**Horseshoe Bend West 9-34-6-20
SECTION 34, T6S, R20E, S.L.B.&M.
1890' FSL & 833' FEL**

Timberline Land Surveying, Inc.
38 West 100 North Vernal, Utah 84078
(435) 789-1365

**SHEET
9
OF 10**



APPROXIMATE PIPELINE LENGTH = ±3,495 Feet

LEGEND

- = PROPOSED PIPELINE
- = OTHER PIPELINE
- = PROPOSED ACCESS ROAD
- = SUBJECT WELL
- = OTHER WELLS
- = LEASE LINE AND / OR PROPERTY LINE

TOPOGRAPHIC MAP "D"

DATE SURVEYED: 06-23-06

DATE DRAWN: 06-26-06

SCALE: 1" = 2000'

DRAWN BY: M.W.W.

REVISED: 07-31-06 BJ.Z

THE HOUSTON EXPLORATION COMPANY

**Horseshoe Bend West 9-34-6-20
SECTION 34, T6S, R20E, S.L.B.&M.
1890' FSL & 833' FEL**

Timberline Land Surveying, Inc.
38 West 100 North Vernal, Utah 84078
(435) 789-1365

**SHEET
10
OF 10**

**WORKSHEET
APPLICATION FOR PERMIT TO DRILL**

APD RECEIVED: 08/07/2006

API NO. ASSIGNED: 43-047-38441

WELL NAME: HORSESHOE BEND W 9-34-6-20
 OPERATOR: HOUSTON EXPLORATION CO, (N2525)
 CONTACT: BILL RYAN

PHONE NUMBER: 713-830-6800

PROPOSED LOCATION:

NESE 34 060S 200E
 SURFACE: 1890 FSL 0833 FEL
 BOTTOM: 1890 FSL 0833 FEL
 COUNTY: UINTAH
 LATITUDE: 40.25270 LONGITUDE: -109.6485
 UTM SURF EASTINGS: 614941 NORTHINGS: 4456471
 FIELD NAME: WILDCAT (1)

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

LEASE TYPE: 1 - Federal
 LEASE NUMBER: UTU-76496
 SURFACE OWNER: 1 - Federal

PROPOSED FORMATION: WSTC
 COALBED METHANE WELL? NO

RECEIVED AND/OR REVIEWED:

- Plat
- Bond: Fed[1] Ind[] Sta[] Fee[]
(No. 104155044)
- Potash (Y/N)
- Oil Shale 190-5 (B) or 190-3 or 190-13
- Water Permit
(No. MUNICIPAL)
- RDCC Review (Y/N)
(Date: _____)
- Fee Surf Agreement (Y/N)
- Intent to Commingle (Y/N)

LOCATION AND SITING:

- R649-2-3.
- Unit: _____
- 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



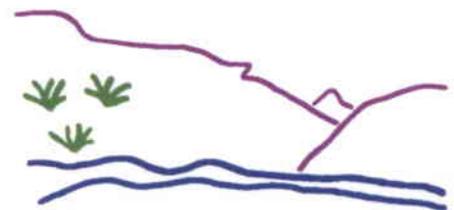
OPERATOR: THE HOUSTON EXPL CO (N2525)

SEC: 34 T.6S R. 20E

FIELD: WILDC AT (001)

COUNTY: UINTAH

SPACING: R649-3-2 / GENERAL SITING

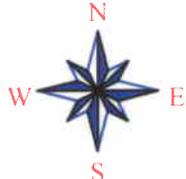


Utah Oil Gas and Mining

- 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



PREPARED BY: DIANA WHITNEY
DATE: 11-AUGUST-2006



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

August 14, 2006

Houston Exploration Company
1100 Louisiana, Ste. 2000
Houston, TX 77002

Re: Horseshoe Bend West 9-34-6-20 Well, 1890' FSL, 833' FEL, NE SE, Sec. 34,
T. 6 South, R. 20 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 43-047-38441.

Sincerely,

A handwritten signature in black ink, appearing to read "Gil Hunt".

Gil Hunt
Associate Director

pab
Enclosures

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

Operator: Houston Exploration Company
Well Name & Number Horseshoe Bend West 9-34-6-20
API Number: 43-047-38441
Lease: UTU-76496

Location: NE SE **Sec. 34** **T. 6 South** **R. 20 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.

RECEIVED
AUG 2 2006

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

APPLICATION FOR PERMIT TO DRILL OR REENTER

| | | |
|--|--|--|
| 1a. Type of work: <input checked="" type="checkbox"/> DRILL <input type="checkbox"/> REENTER | | 5. Lease Serial No. UTU-76496 |
| 1b. Type of Well: <input type="checkbox"/> Oil Well <input checked="" type="checkbox"/> Gas Well <input type="checkbox"/> Other <input type="checkbox"/> Single Zone <input checked="" type="checkbox"/> Multiple Zone | | 6. If Indian, Allottee or Tribe Name |
| 2. Name of Operator The Houston Exploration Company | | 7. If Unit or CA Agreement, Name and No. |
| 3a. Address 1100 Louisiana, Suite 2000 Houston TX, 77002 | | 8. Lease Name and Well No. Horseshoe Bend West 9-34-6-20 |
| 3b. Phone No. (include area code) 713-830-6800 | | 9. API Well No. |
| 4. Location of Well (Report location clearly and in accordance with any State requirements. *) At surface 1,890' FSL & 833' FEL NE1/4 SE1/4 At proposed prod. zone Same as above | | 10. Field and Pool, or Exploratory Exploratory |
| 14. Distance in miles and direction from nearest town or post office* 21.2 miles south of Vernal, UT | | 11. Sec., T. R. M. or Blk. and Survey or Area Sec.34 T6S, R20E S.L.B.&M. |
| 15. Distance from proposed* location to nearest property or lease line, ft. (Also to nearest drig. unit line, if any) 833' | 16. No. of acres in lease 640 | 12. County or Parish Uintah |
| 17. Spacing Unit dedicated to this well 40 | 13. State UT | |
| 18. Distance from proposed location* to nearest well, drilling, completed, applied for, on this lease, ft. NA | 19. Proposed Depth 10,500' | 20. BLM/BIA Bond No. on file 104155045 |
| 21. Elevations (Show whether DF, KDB, RT, GL, etc.) 4,993' GR | 22. Approximate date work will start* 01/01/2007 | 23. Estimated duration 30 Days |

43,047,38441

24. Attachments

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

- | | |
|---|---|
| <ol style="list-style-type: none"> 1. Well plat certified by a registered surveyor. 2. A Drilling Plan. 3. A Surface Use Plan (if the location is on National Forest System Lands, the SUPO must be filed with the appropriate Forest Service Office). | <ol style="list-style-type: none"> 4. Bond to cover the operations unless covered by an existing bond on file (see Item 20 above). 5. Operator certification 6. Such other site specific information and/or plans as may be required by the BLM. |
|---|---|

| | | |
|---|---|---------------------------|
| 25. Signature | Name (Printed Typed) William A Ryan | Date 07/31/2006 |
| Title Agent | | |
| Approved by (Signature) | Name (Printed Typed) Jerry Kewicka | Date 3-15-2007 |
| Title Assistant Field Manager Lands & Mineral Resources | Office VERNAL FIELD OFFICE | |

Application approval does not warrant or certify that the applicant holds legal or equitable title to those rights in the subject lease which would entitle the applicant to conduct operations thereon.
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 page 2)

CONDITIONS OF APPROVAL ATTACHED

NOTICE OF APPROVAL

RECEIVED

MAR 30 2007

DIV. OF OIL, GAS & MINING

NOS 1/19/06
06BM 2420A



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: Houston Exploration Company **Location:** NESE, Sec 34, T6S, R20E
Well No: Horseshoe Bend West 9-34-6-20 **Lease No:** UTU-76496
API No: 43-047-38441 **Agreement:** N/A

| Title | Name | Office Phone Number | Cell Phone Number |
|-----------------------------------|-----------------|---------------------|-------------------|
| Petroleum Engineer: | Matt Baker | 435-781-4490 | 435-828-4470 |
| Petroleum Engineer: | Michael Lee | 435-781-4432 | 435-828-7875 |
| Petroleum Engineer: | James Ashley | 435-781-4470 | 435-828-7874 |
| Petroleum Engineer: | Ryan Angus | 435-781-4430 | 435-828-7368 |
| Supervisory Petroleum Technician: | Jamie Sparger | 435-781-4502 | 435-828-3913 |
| NRS/Enviro Scientist: | Paul Buhler | 435-781-4475 | 435-828-4029 |
| NRS/Enviro Scientist: | Karl Wright | 435-781-4484 | |
| NRS/Enviro Scientist: | Holly Villa | 435-781-4404 | |
| NRS/Enviro Scientist: | Melissa Hawk | 435-781-4476 | 435-828-7381 |
| NRS/Enviro Scientist: | Chuck MacDonald | 435-781-4441 | |
| NRS/Enviro Scientist: | Jannice Cutler | 435-781-3400 | |
| NRS/Enviro Scientist: | Michael Cutler | 435-781-3401 | |
| NRS/Enviro Scientist: | Anna Figueroa | 435-781-3407 | |
| NRS/Enviro Scientist: | Verlyn Pindell | 435-781-3402 | |
| NRS/Enviro Scientist: | Darren Williams | 435-781-4447 | |
| NRS/Enviro Scientist: | Nathan Packer | 435-781-3405 | |

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

General Surface COAs

- If there is an active Gilsonite mining operation within 2 miles of the well location, operator shall notify the Gilsonite operator at least 48 hours prior to any blasting during construction.
- 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 a BLM permitted paleontologist and submitted to the AO at the completion of surface disturbing activities.

Site Specific Conditions of Approval

Surface Conditions of Approval or monitoring are listed in the Surface Use Plan of the APD.

WILDLIFE Timings/Mitigation

Burrowing Owl

Timing restriction on construction and drilling (including completion) from April 1 – August 15, in order to protect nesting Burrowing Owls.

If it is anticipated that construction or drilling would occur during the given timing restrictions for Burrowing Owl a BLM or qualified biologist should be notified so surveys could be conducted. Depending upon the results of the survey, permission to proceed may or may not be recommended or granted (depending on the species being surveyed and the condition of the habitat).

Ferruginous Hawk

Mitigation Measures:

Prior to any construction between 1 March and 15 July, all areas within 0.5 miles of proposed development locations will be surveyed for Ferruginous Hawk nests. If active nests were identified, no surface disturbance shall occur within 0.5 mile of the nest from 1 March and 15 July, and no permanent structures will be constructed within 0.5 mile of the nest, unless the nest is topographically screened or located within an artificial nesting structure.

Golden Eagle

Mitigation Measures:

Prior to any construction between 1 February and 15 July, all areas within 0.5 mile of proposed development locations will be surveyed for Golden Eagle nests. If active nests were identified, no surface disturbance will occur within 0.5 mile of the nest from 1 February and 15 July, and no permanent structures will be constructed within 0.5 mile of the nest, unless the nest is topographically screened or located within an artificial nesting structure.

Soils/vegetation

Mitigation Measures:

- Within 90 calendar days of the approval date for this Application for Permit to Drill (APD), the operator/lessee will 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 will include the Best Management Practice of the reshaping of the pad to the original contour to the extent possible; the re-spreading of the top soil up to the rig anchor points; and, reseeding the area using appropriate reclamation methods.

The interim seed mix for reclamation shall be:

| | | |
|------------------------------|----------------------------|---------------|
| Hy-crest Crested Wheat grass | <i>Agropyron cristatum</i> | 4 lb per acre |
| Western Wheat grass | <i>Pascopyrom smithii</i> | 4 lb per acre |
| Needle and Thread grass | <i>Hesperostipa comata</i> | 4 lb per acre |

All pounds are in pure live seed.
Rates are set for drill seeding; double the rate if broadcasting.
Reseeding may be required if initial seeding is not successful.

Other COAs:

- During operations, if any vertebrate paleontological resources are discovered, all operations affecting such sites shall be immediately suspended, and all discoveries shall be left intact until authorized to proceed by the Authorized Officer. The Authorized Officer of the Vernal BLM office shall be notified within 48 hrs of the discovery and a decision as to the preferred alternative/course of action will be rendered.
- The operator will control noxious weeds along access road use authorizations, pipeline route authorizations, well sites, or other applicable facilities by spraying or mechanical removal. A list of noxious weeds may be obtained from the BLM weeds specialist or the appropriate County Extension Office. On BLM administered land, it is required that a Pesticide Use Proposal be submitted and approved prior to the application of herbicides, pesticides or possibly hazardous chemicals.
- All applicable local, state, and/or federal laws, regulations, and/or statutes will be complied with.
- All traffic related to this action will be restricted to approved routes. Cross-country vehicle travel will not be allowed.
- 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.
- The access road will be crowned and ditched. Flat-bladed roads are not allowed.
- If additional erosion occurs during the life of this project, more culverts, low water crossings, berms, wing ditches or etc. will be needed to control the erosion.

- Low-water crossings will be appropriately constructed to avoid sedimentation of drainage ways and other water resources.
- Pipelines will be buried at all major drainage crossings.
- Prevent fill and stock piles from entering drainages.
- The reserve pit will be lined with a 10 ml or greater liner and felt prior to spudding.
- The liner is to be cut 5 feet below ground surface or at the level of the cuttings, whichever is deeper, and the excess liner material is to be disposed of at an authorized disposal site.
- When the reserve pit contains fluids or toxic substances, the operator must ensure animals do not ingest or become entrapped in pit fluids.
- If Uinta Basin hookless cactus or other special status plants are found, construction will cease and the AO will be notified to determine the appropriate mitigation.
- The authorized officer may prohibit surface disturbing activities during severe winter conditions to minimize watershed damage. This limitation does not apply to operation and maintenance of producing wells.
- The authorized officer may prohibit surface disturbing activities during wet or muddy conditions to minimize watershed damage. This limitation does not apply to operation and maintenance of producing wells.
- All well facilities not regulated by OSHA will be painted Olive Black.
- All boulders with a length or diameter greater than 3 feet, that are found showing at the surface, will be stockpiled for use during final reclamation.
- Notify the Authorized Officer 48 hours prior to surface disturbing activities.

DOWNHOLE CONDITIONS OF APPROVAL

SITE SPECIFIC DOWNHOLE CONDITIONS OF APPROVAL

coa version for add'l bop

- When drilling between the 20" and 13 3/8" casing setting depths of 350 ft and 5000 ft, operator is required to install a BOPE system with a rating of 2m or greater.

coa version for Exploratory UnDesignated Wildcat

- A casing shoe integrity test shall be run on the surface casing shoe.
- Production casing cement shall be brought up and into the intermediate casing.
- A cement Bond Log (CBL) shall be run from the production casing shoe to the intermediate casing shoe. A field copy of the CBL shall be submitted to the BLM Vernal Field Office.
- Intermediate casing cement shall be brought up and into the surface casing.

DRILLING/COMPLETION/PRODUCING OPERATING STANDARDS

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

- The spud date and time shall be reported orally to Vernal Field Office within 24 hours of spudding.
- Notify Vernal Field Office Supervisory Petroleum Engineering Technician at least 24 hours in advance of casing cementing operations and BOPE & casing pressure tests.
- 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 operator must report all shows of water or water-bearing sands to the BLM. If flowing water is encountered it must be sampled, analyzed, and a copy of the analyses submitted to the BLM Vernal Field Office.
- The operator must report encounters of all non oil & gas mineral resources such as Gilsonite, tar sands, oil shale, trona, etc. to 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.
- A complete set of angular deviation and directional surveys of a directional well will be submitted to the Vernal BLM office engineer within 30 days of the completion of the well.
- 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.
- A cement bond log CBL will be run from the production casing shoe to the top of cement and shall be utilized to determine the bond quality for the production casing. Submit a field copy of the CBL to this office.
- **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.**
- There shall be no deviation from the proposed drilling, completion, and/or workover program as approved. Safe drilling and operating practices must be observed. Any changes in operation must have prior approval from the BLM Vernal Field Office.

OPERATING REQUIREMENT REMINDERS:

- 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.
- 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.
- 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:
 - Operator name, address, and telephone number.
 - Well name and number.
 - Well location $\frac{1}{4}$ $\frac{1}{4}$, Sec., Twn, Rng, and P.M..
 - Date well was placed in a producing status date of first production for which royalty will be paid.
 - 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.
 - 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.
 - Unit agreement and/or participating area name and number, if applicable.
 - Communitization agreement number, if applicable.
- Any venting or flaring of gas shall be done in accordance with Notice to Lessees NTL 4A and needs prior approval from the BLM Vernal Field Office.
- 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.
- 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.

- 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.
- Oil and gas meters shall be calibrated in place prior to any deliveries. The BLM Vernal 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. All measurement points shall be identified as the point of sale or allocation for royalty purposes.
- 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.
- 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 and need prior approval of the BLM Vernal Field Office. Emergency approval may be obtained orally, but such approval does not waive the written report requirement.
- 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.
- 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.
- 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
DIVISION OF OIL, GAS AND MINING

CONFIDENTIAL

FORM 9

| | | | |
|--|--|--|--|
| SUNDRY NOTICES AND REPORTS ON WELLS | | | 5. LEASE DESIGNATION AND SERIAL NUMBER: UTU-76496 |
| Do not use this form for proposals to drill new wells, significantly deepen existing wells below current bottom-hole depth, reenter plugged wells, or to drill horizontal laterals. Use APPLICATION FOR PERMIT TO DRILL form for such proposals. | | | 6. IF INDIAN, ALLOTTEE OR TRIBE NAME: NA |
| | | | 7. UNIT or CA AGREEMENT NAME: NA |
| 1. TYPE OF WELL OIL WELL <input type="checkbox"/> GAS WELL <input checked="" type="checkbox"/> OTHER _____ | 2. NAME OF OPERATOR: The Houston Exploration Company | | 8. WELL NAME and NUMBER: Horseshoe Bend West 9-34-6-20 |
| 3. ADDRESS OF OPERATOR: 1100 Louisiana, Suite 2000 CITY Houston STATE TX ZIP 77002 | | PHONE NUMBER: (713) 830-6800 | 9. API NUMBER: 4304738441 |
| 4. LOCATION OF WELL FOOTAGES AT SURFACE: 1890' FSL & 833' FEL | | | 10. FIELD AND POOL, OR WILDCAT: Exploratory |
| QTR/QTR, SECTION, TOWNSHIP, RANGE, MERIDIAN: NESE 34 T6S 20E | | | COUNTY: Uintah STATE: UTAH |

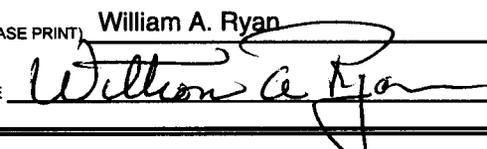
11. CHECK APPROPRIATE BOXES TO INDICATE NATURE OF NOTICE, REPORT, OR OTHER DATA

| TYPE OF SUBMISSION | TYPE OF ACTION | | |
|---|---|---|---|
| <input checked="" 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"/> SUBSEQUENT REPORT (Submit Original Form Only) Date of work completion: _____ | <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"/> 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"/> COMMINGLE PRODUCING FORMATIONS | <input type="checkbox"/> RECLAMATION OF WELL SITE | <input checked="" type="checkbox"/> OTHER: <u>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.
Operator respectfully requests to extend approval for the subject location for one year.

Approved by the
Utah Division of
Oil, Gas and Mining

Date: 07-26-07
By: 

| | |
|---|-----------------------|
| NAME (PLEASE PRINT) William A. Ryan | TITLE Agent |
| SIGNATURE  | DATE 7/19/2007 |

(This space for State use only)

7-27-07
RM

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

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

API: 4304738441
Well Name: Horseshoe Bend West 9-34-6-20
Location: Section 34, Township 6 South, Range 20 East NESE
Company Permit Issued to: The Houston Exploration Company
Date Original Permit Issued: 8/14/2006

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

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

7/19/2007

Date

Title: Agent

Representing: The Houston Exploration Company

Division of Oil, Gas and Mining
OPERATOR CHANGE WORKSHEET

ROUTING

1. DJJ

2. CDW

Change of Operator (Well Sold)

X - Operator Merger

The operator of the well(s) listed below has changed, effective:

6/1/2007

| | |
|---|--|
| FROM: (Old Operator): N2525 - The Houston Exploration Company 1100 Louisiana, Suite 2000 Houston, TX 77002 Phone: 1-(713) 830-6800 | TO: (New Operator): N6965-Forest Oil Corporation 707 17th St, Suite 3600 Denver, CO 80202 Phone: 1 (303) 812-1755 |
|---|--|

| CA No. | | Unit: | | | | | | |
|-------------------|-----|-------|-----|--------|-----------|------------|-----------|-------------|
| WELL NAME | SEC | TWN | RNG | API NO | ENTITY NO | LEASE TYPE | WELL TYPE | WELL STATUS |
| SEE ATTACHED LIST | | | | | | | | |

OPERATOR CHANGES DOCUMENTATION

Enter date after each listed item is completed

- (R649-8-10) Sundry or legal documentation was received from the **FORMER** operator on: 7/30/2007
- (R649-8-10) Sundry or legal documentation was received from the **NEW** operator on: 7/30/2007
- The new company was checked on the **Department of Commerce, Division of Corporations Database** on: 7/31/2007
- Is the new operator registered in the State of Utah: Business Number: 571171-0143
- If **NO**, the operator was contacted on: _____
- (R649-9-2) Waste Management Plan has been received on: IN PLACE
- Inspections of LA PA state/fee well sites complete on: _____
- Reports current for Production/Disposition & Sundries on: YES
- Federal and Indian Lease Wells:** The BLM and or the BIA has approved the merger, name change, or operator change for all wells listed on Federal or Indian leases on: BLM 7/31/2007 BIA
- Federal and Indian Units:**
The BLM or BIA has approved the successor of unit operator for wells listed on: n/a
- Federal and Indian Communization Agreements ("CA"):**
The BLM or BIA has approved the operator for all wells listed within a CA on: n/a
- Underground Injection Control ("UIC")** The Division has approved UIC Form 5, **Transfer of Authority to Inject**, for the enhanced/secondary recovery unit/project for the water disposal well(s) listed on: n/a

DATA ENTRY:

- Changes entered in the **Oil and Gas Database** on: 8/27/2007
- Changes have been entered on the **Monthly Operator Change Spread Sheet** on: 8/27/2007
- Bond information entered in RBDMS on: 8/27/2007
- Fee/State wells attached to bond in RBDMS on: 8/27/2007
- Injection Projects to new operator in RBDMS on: n/a
- Receipt of Acceptance of Drilling Procedures for APD/New on: 7/30/2007

BOND VERIFICATION:

- Federal well(s) covered by Bond Number: 6236351
- Indian well(s) covered by Bond Number: n/a
- (R649-3-1) The **NEW** operator of any fee well(s) listed covered by Bond Number 6218963
- The **FORMER** operator has requested a release of liability from their bond on: not yet

LEASE INTEREST OWNER NOTIFICATION:

- (R649-2-10) The **FORMER** operator of the fee wells has been contacted and informed by a letter from the Division of their responsibility to notify all interest owners of this change on: 8/1/2007

COMMENTS:

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, reenter plugged wells, or to drill horizontal laterals. Use APPLICATION FOR PERMIT TO DRILL form for such proposals.

| | | |
|--|--|--|
| 1. TYPE OF WELL OIL WELL <input type="checkbox"/> GAS WELL <input type="checkbox"/> OTHER _____ | | 5. LEASE DESIGNATION AND SERIAL NUMBER: See Attached List |
| 2. NAME OF OPERATOR: Forest Oil Corporation <i>N6965</i> | | 6. IF INDIAN, ALLOTTEE OR TRIBE NAME: |
| 3. ADDRESS OF OPERATOR: 707 17th Street, #3600 CITY Denver, STATE CO ZIP 80202 | | 7. UNIT or CA AGREEMENT NAME: |
| 4. LOCATION OF WELL FOOTAGES AT SURFACE: See attached list | | 8. WELL NAME and NUMBER: See Attached List |
| QTR/QTR, SECTION, TOWNSHIP, RANGE, MERIDIAN: | | 9. API NUMBER: various |
| COUNTY: | | 10. FIELD AND POOL, OR WILDCAT: |
| 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 checked="" type="checkbox"/> SUBSEQUENT REPORT (Submit Original Form Only) Date of work completion: _____ | <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"/> 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"/> COMMINGLE PRODUCING FORMATIONS | <input type="checkbox"/> RECLAMATION OF WELL SITE | <input checked="" type="checkbox"/> OTHER: <u>Change of Operator</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. *N2525*
 Effective 6/1/2007 please change the operator for the attached list of Utah wells from The Houston Exploration Company N-2525) to Forest Oil Corporation (N-6965). Forest merged with The Houston Exploration Company, a copy of the merger document is attached.. The contract operated wells will continue to be contract operated by Enduring.

Forest Oil Corporation as new operator, accepts all applicable terms, conditions, stipulations and restrictions concerning approved operations conducted on the lease or portion of the lease described.

Forest Oil Corporation meets the State of Utah bonding requirements under Safeco bond #6218963.

Please send all future correspondence to Forest Oil Corporation at the above listed address.

Forest Oil Corporation, 707 17th Street, Suite #3600, Denver, CO 80202

J.C. Ridens
 J. C. Ridens, Senior Vice President - Western Region

7-5-07
Date

NAME (PLEASE PRINT) Joanne C. Hresko TITLE Vice President & General Mgr. - Northern Division
 SIGNATURE *Joanne C. Hresko* DATE 7-5-07

(This space for State use only)

APPROVED 8127107
Earlene Russell
 (5/2000) **Division of Oil, Gas and Mining**
 Earlene Russell, Engineering Technician

All wells with APD or New status

(See Instructions on Reverse Side)

RECEIVED
 JUL 30 2007
 DIV OF OIL, GAS & MINING *WMP*

| well_name | sec | twp | rng | api | entity | lease | well | stat | flag |
|------------------------|-----|------|------|------------|--------|---------|------|------|------|
| HORSESHOE BEND 16-33 | 33 | 060S | 210E | 4304736214 | | Federal | OW | APD | |
| HORSESHOE BEND 3-33 | 33 | 060S | 210E | 4304736215 | | Federal | OW | APD | |
| N HORSESHOE 7-16-6-21 | 16 | 060S | 210E | 4304737438 | | State | GW | APD | C |
| N HORSESHOE 9-16-6-21 | 16 | 060S | 210E | 4304737439 | | State | GW | APD | C |
| N HORSESHOE 15-16-6-21 | 16 | 060S | 210E | 4304737440 | | State | GW | APD | C |
| N HORSESHOE 11-16-6-21 | 16 | 060S | 210E | 4304737441 | | State | GW | APD | C |
| N HORSESHOE 1-16-6-21 | 16 | 060S | 210E | 4304737442 | | State | GW | APD | C |
| N HORSESHOE 13-2-6-21 | 02 | 060S | 210E | 4304737476 | | State | GW | APD | C |
| N HORSESHOE 15-2-6-21 | 02 | 060S | 210E | 4304737477 | | State | GW | APD | C |
| GUSHER 2-2-6-19 | 02 | 060S | 190E | 4304737561 | | State | OW | APD | C |
| GUSHER 16-2-6-19 | 02 | 060S | 190E | 4304737562 | | State | OW | APD | C |
| GUSHER 1-2-6-19 | 02 | 060S | 190E | 4304737563 | | State | OW | APD | C |
| GUSHER 3-2-6-19 | 02 | 060S | 190E | 4304737568 | | State | OW | APD | C |
| E COYOTE 6-2-8-25 | 02 | 080S | 250E | 4304737572 | | State | GW | APD | C |
| E COYOTE 3-2-8-25 | 02 | 080S | 250E | 4304737573 | | State | GW | APD | C |
| E COYOTE 8-2-8-25 | 02 | 080S | 250E | 4304737574 | | State | GW | APD | C |
| N HORSESHOE 13-16-6-21 | 16 | 060S | 210E | 4304737575 | | State | GW | APD | C |
| E COYOTE 4-2-8-25 | 02 | 080S | 250E | 4304737882 | | State | GW | APD | C |
| E COYOTE 14-2-8-25 | 02 | 080S | 250E | 4304737883 | | State | GW | APD | C |
| E COYOTE 10-2-8-25 | 02 | 080S | 250E | 4304737884 | | State | GW | APD | C |
| E COYOTE 16-2-8-25 | 02 | 080S | 250E | 4304737885 | | State | GW | APD | C |
| E COYOTE 12-2-8-25 | 02 | 080S | 250E | 4304737886 | | State | GW | APD | C |
| N HORSESHOE 16-18-6-22 | 18 | 060S | 220E | 4304737887 | | Federal | GW | APD | C |
| N HORSESHOE 14-18-6-22 | 18 | 060S | 220E | 4304737888 | | Federal | GW | APD | C |
| N HORSESHOE 2-18-6-22 | 18 | 060S | 220E | 4304737889 | | Federal | GW | APD | C |
| N HORSESHOE 10-18-6-22 | 18 | 060S | 220E | 4304737890 | | Federal | GW | APD | C |
| N HORSESHOE 8-18-6-22 | 18 | 060S | 220E | 4304737891 | | Federal | GW | APD | C |
| N HORSESHOE 13-15-6-21 | 15 | 060S | 210E | 4304738013 | | Federal | GW | APD | C |
| N HORSESHOE 15-15-6-21 | 15 | 060S | 210E | 4304738014 | | Federal | GW | APD | C |
| N HORSESHOE 11-15-6-21 | 15 | 060S | 210E | 4304738015 | | Federal | GW | APD | C |
| N HORSESHOE 9-15-6-21 | 15 | 060S | 210E | 4304738016 | | Federal | GW | APD | C |
| N HORSESHOE 5-15-6-21 | 15 | 060S | 210E | 4304738017 | | Federal | GW | APD | C |
| N HORSESHOE 3-15-6-21 | 15 | 060S | 210E | 4304738018 | | Federal | GW | APD | C |
| N HORSESHOE 5-20-6-22 | 20 | 060S | 220E | 4304738019 | | Federal | GW | APD | C |
| N HORSESHOE 13-20-6-22 | 20 | 060S | 220E | 4304738020 | | Federal | GW | APD | C |
| N HORSESHOE 3-20-6-22 | 20 | 060S | 220E | 4304738021 | | Federal | GW | APD | C |
| N HORSESHOE 7-20-6-22 | 20 | 060S | 220E | 4304738022 | | Federal | GW | APD | C |
| N HORSESHOE 11-20-6-22 | 20 | 060S | 220E | 4304738023 | | Federal | GW | APD | C |
| N HORSESHOE 2-12-6-21 | 12 | 060S | 210E | 4304738198 | | Federal | GW | APD | C |
| N HORSESHOE 14-12-6-21 | 12 | 060S | 210E | 4304738199 | | Federal | GW | APD | C |
| N HORSESHOE 10-12-6-21 | 12 | 060S | 210E | 4304738200 | | Federal | GW | APD | C |
| N HORSESHOE 8-12-6-21 | 12 | 060S | 210E | 4304738201 | | Federal | GW | APD | C |
| N HORSESHOE 16-13-6-21 | 13 | 060S | 210E | 4304738202 | | Federal | GW | APD | C |
| N HORSESHOE 15-17-6-22 | 17 | 060S | 220E | 4304738203 | | Federal | GW | APD | C |
| N HORSESHOE 5-19-6-22 | 19 | 060S | 220E | 4304738204 | | Federal | GW | APD | C |
| N HORSESHOE 15-19-6-22 | 19 | 060S | 220E | 4304738205 | | Federal | GW | APD | C |
| N HORSESHOE 3-21-6-22 | 21 | 060S | 220E | 4304738206 | | Federal | GW | APD | C |
| N HORSESHOE 11-21-6-22 | 21 | 060S | 220E | 4304738207 | | Federal | GW | APD | C |
| N HORSESHOE 15-21-6-22 | 21 | 060S | 220E | 4304738208 | | Federal | GW | APD | C |
| N HORSESHOE 13-21-6-22 | 21 | 060S | 220E | 4304738209 | | Federal | GW | APD | C |
| N HORSESHOE 5-21-6-22 | 21 | 060S | 220E | 4304738210 | | Federal | GW | APD | C |
| N HORSESHOE 7-19-6-22 | 19 | 060S | 220E | 4304738271 | | Federal | GW | APD | C |
| N HORSESHOE 5-16-6-22 | 16 | 060S | 220E | 4304738406 | | State | GW | APD | |

| well name | sec | twp | rng | api | entity | lease | well | stat | flag |
|----------------------------|-----|------|------|------------|--------|---------|------|------|------|
| TWELVEMILE WASH 11-13-5-20 | 13 | 050S | 200E | 4304738437 | | Federal | GW | APD | C |
| TWELVEMILE WASH 1-15-5-20 | 15 | 050S | 200E | 4304738438 | | Federal | GW | APD | C |
| N HORSESHOE 4-33-5-21 | 33 | 050S | 210E | 4304738439 | | Federal | GW | APD | C |
| GUSHER 6-15-6-19 | 15 | 060S | 190E | 4304738440 | | Federal | GW | APD | C |
| HORSESHOE BEND W 9-34-6-20 | 34 | 060S | 200E | 4304738441 | | Federal | GW | APD | C |
| N HORSESHOE 16-12-6-21 | 12 | 060S | 210E | 4304738442 | | Federal | GW | APD | C |
| N WALKER HOLLOW 12-29-6-23 | 29 | 060S | 230E | 4304738443 | | Federal | GW | APD | C |
| N WALKER HOLLOW 10-30-6-23 | 30 | 060S | 230E | 4304738444 | | Federal | GW | APD | C |
| PELICAN LAKE 11-3-8-20 | 03 | 080S | 200E | 4304738445 | | Federal | GW | APD | C |
| PELICAN LAKE 8-4-8-20 | 04 | 080S | 200E | 4304738446 | | Federal | GW | APD | C |
| E COYOTE 10-3-8-25 | 03 | 080S | 250E | 4304738447 | | Federal | GW | APD | C |
| BORDER 10-9-8-25 | 09 | 080S | 250E | 4304738448 | | Federal | GW | APD | C |
| N WALKER HOLLOW 14-33-6-23 | 33 | 060S | 230E | 4304738455 | | Federal | GW | APD | C |
| SNAKE JOHN WASH 14-11-7-25 | 11 | 070S | 250E | 4304738456 | | Federal | GW | APD | C |
| SNAKE JOHN WASH 4-24-7-25 | 24 | 070S | 250E | 4304738457 | | Federal | GW | APD | C |
| SQUAW RIDGE 1-26-7-25 | 26 | 070S | 250E | 4304738458 | | Federal | GW | APD | C |
| SQUAW RIDGE 13-28-7-25 | 28 | 070S | 250E | 4304738459 | | Federal | GW | APD | C |
| SQUAW RIDGE 16-30-7-25 | 30 | 070S | 250E | 4304738460 | | Federal | GW | APD | C |
| SQUAW RIDGE 14-16-7-25 | 16 | 070S | 250E | 4304738461 | | State | GW | APD | C |
| GUSHER 13-11-5-19 | 11 | 050S | 190E | 4304738462 | | State | GW | APD | C |
| N HORSESHOE 1-15-6-21 | 15 | 060S | 210E | 4304738831 | | Federal | GW | APD | C |
| N HORSESHOE 16-9-6-22 | 09 | 060S | 220E | 4304739083 | | State | GW | APD | |
| N HORSESHOE 12-7-6-22 | 07 | 060S | 220E | 4304739084 | | State | GW | APD | |
| N HORSESHOE 14-10-6-22 | 10 | 060S | 220E | 4304739085 | | State | GW | APD | |
| N HORSESHOE 2-15-6-22 | 15 | 060S | 220E | 4304739086 | | State | GW | APD | |
| N WALKER HOLLOW 12-32-6-23 | 32 | 060S | 230E | 4304739087 | | State | GW | APD | |
| N WALKER HOLLOW 10-32-6-23 | 32 | 060S | 230E | 4304739088 | | State | GW | APD | |
| N WALKER HOLLOW 16-32-6-23 | 32 | 060S | 230E | 4304739089 | | State | GW | APD | |
| N WALKER HOLLOW 8-32-6-23 | 32 | 060S | 230E | 4304739090 | | State | GW | APD | |
| N WALKER HOLLOW 11-36-6-23 | 36 | 060S | 230E | 4304739091 | | State | GW | APD | |
| N WALKER HOLLOW 13-36-6-23 | 36 | 060S | 230E | 4304739092 | | State | GW | APD | |
| N WALKER HOLLOW 14-32-6-23 | 32 | 060S | 230E | 4304739093 | | State | GW | APD | |
| N WALKER HOLLOW 15-36-6-23 | 36 | 060S | 230E | 4304739094 | | State | GW | APD | |
| N HORSESHOE 4-15-6-22 | 15 | 060S | 220E | 4304739095 | | State | GW | APD | |
| N HORSESHOE 9-10-6-21 | 10 | 060S | 210E | 4304739284 | | Federal | GW | APD | C |
| N HORSESHOE 12-13-6-21 | 13 | 060S | 210E | 4304739285 | | Federal | GW | APD | |
| N HORSESHOE 7-15-6-21 | 15 | 060S | 210E | 4304739286 | | Federal | GW | APD | |
| N HORSESHOE 9-19-6-22 | 19 | 060S | 220E | 4304739287 | | Federal | GW | APD | |
| N HORSESHOE 13-19-6-22 | 19 | 060S | 220E | 4304739288 | | Federal | GW | APD | |
| N HORSESHOE 11-19-6-22 | 19 | 060S | 220E | 4304739289 | | Federal | GW | APD | |
| SQUAW RIDGE 16-13-7-24 | 13 | 070S | 240E | 4304739319 | | Federal | GW | APD | C |
| N HORSESHOE 16-7-6-22 | 07 | 060S | 220E | 4304739320 | | Federal | GW | APD | C |
| SQUAW RIDGE 8-16-7-25 | 16 | 070S | 250E | 4304738024 | | State | GW | NEW | C |



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/utah/vernal>



IN REPLY REFER TO:

3160

UT08300

July 30, 2007

43-047-38441

Lloyd Bruce
The Houston Exploration Co.
1100 Louisiana, Suite 2000
Houston, Texas 77002-6800

Re: Well No. Horseshoe Bend West 9-34-6-20
NESE, Sec. 34, T6S, R20E
Uintah County, Utah
Lease UTU-76496

Dear Mr. Bruce:

The Application for Permit to Drill the above-referenced well, Horseshoe Bend West 9-34-6-20 was approved on March 15, 2007. According to our records, Federal Lease UTU-76496 has expired by its own terms and conditions, effective June 30, 2007. In view of the foregoing, this office is rescinding its approval of the referenced Application for Permit to Drill due to the lease expiration.

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.

Please contact me at 435-781-4440 should you have any questions.

Sincerely,

/s/Jerry Kenczka

Jerry Kenczka
Assistant Field Manager
Lands & Mineral Resources

cc: UDOGM

bcc: Well File
Reading File
ES

RECEIVED
AUG 13 2007
DIV. OF OIL, GAS & MINING



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

August 14, 2007

Lloyd Bruce
The Houston Exploration Company
1100 Louisiana, Suite 2000
Houston, TX 77002-6800

Re: APD Rescinded – Horseshoe Bend W 9-34-9-20, Sec. 34, T. 6S, R. 20E
Uintah County Utah, API No. 43-047-38441

Dear Mr. Bruce:

The Application for Permit to Drill (APD) for the subject well was approved by the Division of Oil, Gas and Mining (Division) on August 14, 2006. On August 13, 2007, The Division received a letter from The Bureau of Land Management (BLM), Jerry Kenczka, has requested for this well to be rescinded (see attached). No drilling activity at this location has been reported to the division. Therefore, approval to drill the well is hereby rescinded, effective August 13, 2007.

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
Environmental Scientist

cc: Well File
Bureau of Land Management, Vernal

