United States Department of the Interior

BUREAU OF LAND MANAGEMENT

Utah State Office
P.O. Box 45155
Salt Lake City, Utah 84145-0155

IN REPLY REFER TO:
3160
(UT-922)

November 22, 2006

Memorandum

To: Assistant District Manager Minerals, Vernal District

From: Michael Coulthard, Petroleum Engineer

Subject: 2006 Plan of Development Natural Buttes Unit
Uintah County, Utah.

Pursuant to email between Diana Whitney, Division of Oil, Gas and Mining, and Mickey Coulthard, Utah State Office, Bureau of Land Management, the following wells are planned for calendar year 2006 within the Natural Buttes Unit, Uintah County, Utah.

API #	WELL NAME	LOCATION
(Proposed PZ Wasatch/MesaVerde)		
43-047-38838	NBU 1021-2E	Sec 2 T10S R21E 2068 FNL 0471 FWL
43-047-38839	NBU 1021-2F	Sec 2 T10S R21E 2271 FNL 2090 FWL
43-047-38840	NBU 1021-2N	Sec 2 T10S R21E 1253 FSL 1545 FWL
43-047-38841	NBU 1021-2M	Sec 2 T10S R21E 0730 FSL 0576 FWL
43-047-38842	NBU 1021-2K	Sec 2 T10S R21E 1682 FSL 2432 FWL
43-047-38843	NBU 1021-2L	Sec 2 T10S R21E 1849 FSL 0520 FWL
43-047-38844	NBU 1021-2J	Sec 2 T10S R21E 1868 FSL 1998 FEL
43-047-38851	State 1022-25O	Sec 25 T10S R22E 1274 FSL 2121 FEL

This office has no objection to permitting the wells at this time.

/s/ Michael L. Coulthard

bcc: File - Natural Buttes Unit
Division of Oil Gas and Mining
Central Files
Agr. Sec. Chron
Fluid Chron

MCoulthard:mc:11-22-06

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

FORM 3

AMENDED REPORT ☐
(highlight changes)

APPLICATION FOR PERMIT TO DRILL

5. MINERAL LEASE NO:	6. SURFACE:
ML-22452	State

1A. TYPE OF WORK: DRILL ☑ REENTER ☐ DEEPEN ☐

7. IF INDIAN, ALLOTTEE OR TRIBE NAME:

B. TYPE OF WELL: OIL ☐ GAS ☑ OTHER _____ SINGLE ZONE ☐ MULTIPLE ZONE ☑

8. UNIT or CA AGREEMENT NAME: UNIT #891008900A

2. NAME OF OPERATOR: KERR McGEE OIL & GAS ONSHORE L.P.

9. WELL NAME and NUMBER: NBU 1021-2N

3. ADDRESS OF OPERATOR: 1368 S 1200 E CITY VERNAL STATE UT ZIP 84078 PHONE NUMBER: (435) 781-7024

10. FIELD AND POOL, OR WILDCAT: NATURAL BUTTES

4. LOCATION OF WELL (FOOTAGES)
AT SURFACE: 1253'FSL, 1545'FWL 626178X 39.973653 4425648Y -109.522439
AT PROPOSED PRODUCING ZONE:

11. QTR/QTR, SECTION, TOWNSHIP, RANGE, MERIDIAN: SESW 2 10S 21E

14. DISTANCE IN MILES AND DIRECTION FROM NEAREST TOWN OR POST OFFICE: 15.6 MILES SOUTH OF OURAY, UTAH

12. COUNTY: UINTAH

13. STATE: UTAH

15. DISTANCE TO NEAREST PROPERTY OR LEASE LINE (FEET)	16. NUMBER OF ACRES IN LEASE:	17. NUMBER OF ACRES ASSIGNED TO THIS WELL:
1253'	489.92	40.00
18. DISTANCE TO NEAREST WELL (DRILLING, COMPLETED, OR APPLIED FOR) ON THIS LEASE (FEET)	**19. PROPOSED DEPTH:**	**20. BOND DESCRIPTION:**
REFER TO TOPO C	9,400	RLB0005237
21. ELEVATIONS (SHOW WHETHER DF, RT, GR, ETC.):	**22. APPROXIMATE DATE WORK WILL START:**	**23. ESTIMATED DURATION:**
5070'GL		

24. **PROPOSED CASING AND CEMENTING PROGRAM**

SIZE OF HOLE	CASING SIZE, GRADE, AND WEIGHT PER FOOT			SETTING DEPTH	CEMENT TYPE, QUANTITY, YIELD, AND SLURRY WEIGHT		
12 1/4"	9 5/8	H-40	32.3#	2,200	265 SX CLASS G	1.18 YIELD	15.6 PPG
7 7/8"	4 1/2	I-80	11.6#	9,400	1940 SX 50/50 POZ	1.31 YIELD	14.3 PPG

25. **ATTACHMENTS**

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

☑ WELL PLAT OR MAP PREPARED BY LICENSED SURVEYOR OR ENGINEER
☑ COMPLETE DRILLING PLAN
☑ EVIDENCE OF DIVISION OF WATER RIGHTS APPROVAL FOR USE OF WATER
☐ FORM 5, IF OPERATOR IS PERSON OR COMPANY OTHER THAN THE LEASE OWNER

NAME (PLEASE PRINT) SHEILA UPCHEGO TITLE REGULATORY ANALYST

SIGNATURE [signature] DATE 11/7/2006

(This space for State use only)

API NUMBER ASSIGNED: 43-047-38840

APPROVAL:

Approved by the Utah Division of Oil, Gas and Mining

Date: 01-04-06

By: [signature]

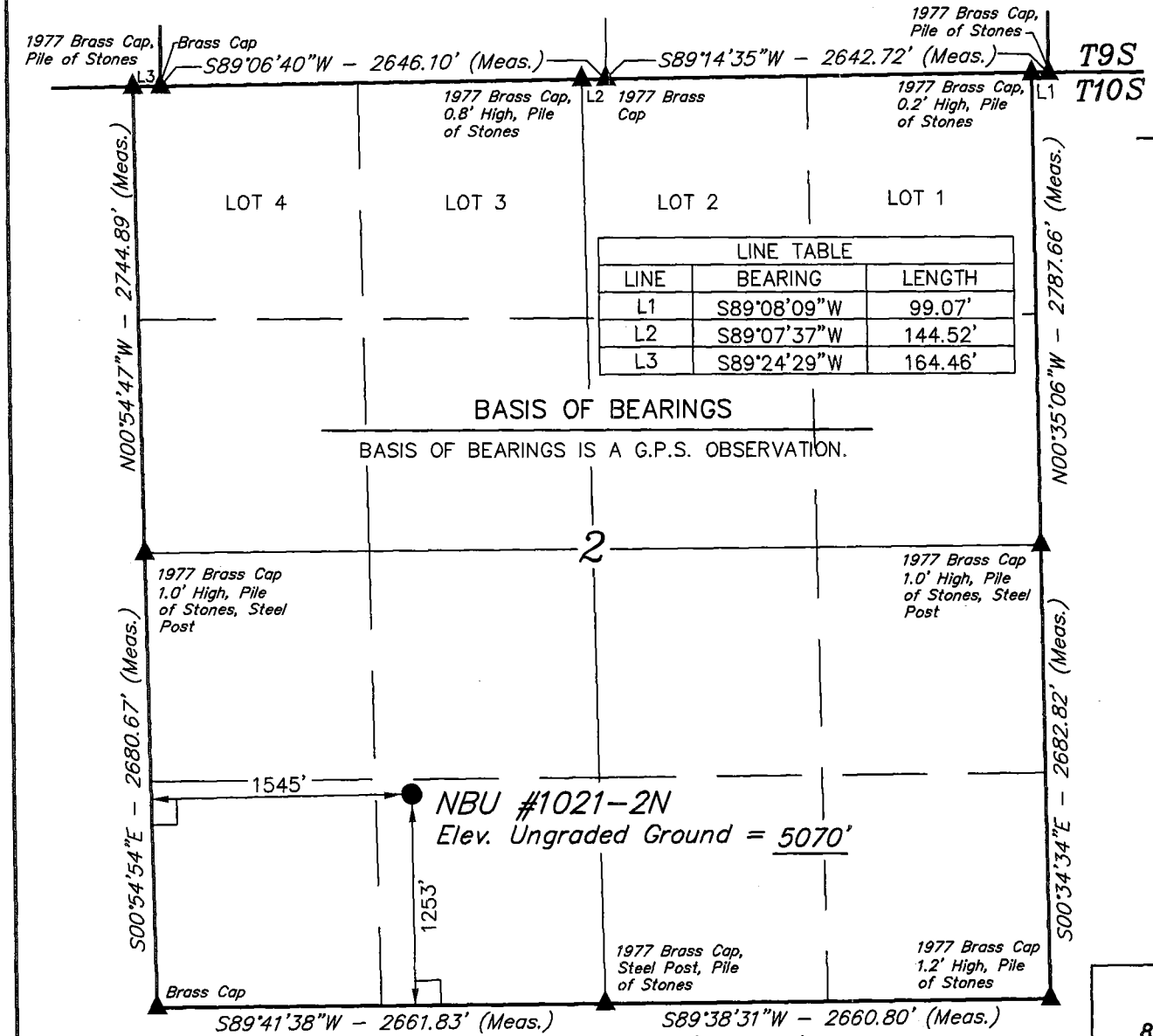
RECEIVED
NOV 13 2006
DIV. OF OIL, GAS & MINING

(11/2001) (See Instructions on Reverse Side)

T10S, R21E, S.L.B.&M.

Kerr-McGee Oil & Gas Onshore LP

Well location, NBU #1021-2N, located as shown in the SE 1/4 SW 1/4 of Section 2, T10S, R21E, S.L.B.&M. Uintah County, Utah.

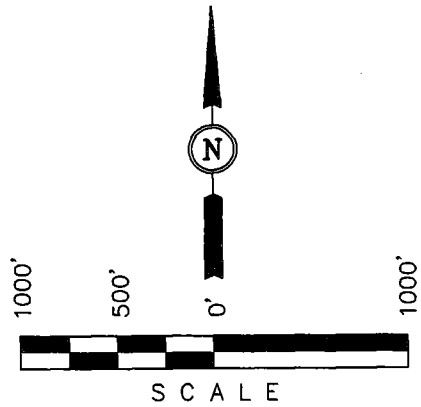


LINE TABLE		
LINE	BEARING	LENGTH
L1	S89°08'09"W	99.07'
L2	S89°07'37"W	144.52'
L3	S89°24'29"W	164.46'

(NAD 83)
LATITUDE = 39°58'25.25" (39.973681)
LONGITUDE = 109°31'23.39" (109.523164)
(NAD 27)
LATITUDE = 39°58'25.38" (39.973717)
LONGITUDE = 109°31'20.92" (109.522478)

BASIS OF ELEVATION

TWO WATER TRIANGULATION STATION LOCATED IN THE NW 1/4 OF SECTION 1, T10S, R21E, S.L.B.&M. TAKEN FROM THE BIG PACK MTN NE, QUADRANGLE, UTAH, UINTAH COUNTY, 7.5 MINUTE QUAD. (TOPOGRAPHIC MAP) PUBLISHED BY THE UNITED STATES DEPARTMENT OF THE INTERIOR, GEOLOGICAL SURVEY. SAID ELEVATION IS MARKED AS BEING 5238 FEET.



CERTIFICATE

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

REGISTERED LAND SURVEYOR
REGISTRATION NO. 161319
STATE OF UTAH

REGISTERED LAND SURVEYOR No. 161319 ROBERT L. KAY STATE OF UTAH

LEGEND:

└ = 90° SYMBOL
● = PROPOSED WELL HEAD.
▲ = SECTION CORNERS LOCATED.

UINTAH ENGINEERING & LAND SURVEYING
85 SOUTH 200 EAST - VERNAL, UTAH 84078
(435) 789-1017

SCALE	DATE SURVEYED:	DATE DRAWN:
1" = 1000'	09-14-06	09-14-06
PARTY: J.W. A.A. S.L.	REFERENCES: G.L.O. PLAT	
WEATHER: WARM	FILE: Kerr-McGee Oil & Gas Onshore LP	

NBU 1021-2N
SESW SEC. 2, T10S, R21E
UINTAH COUNTY, UTAH
ML-22452

ONSHORE ORDER NO. 1

DRILLING PROGRAM

1. **Estimated Tops of Important Geologic Markers:**

Formation	Depth
Uinta	0- Surface
Green River	1312'
Top of Birds Nest Water	1583'
Mahogany	2222'
Wasatch	4552'
Mesaverde	7318'
MVU2	8217'
MVL1	8811'
TD	9400'

2. **Estimated Depths of Anticipated Water, Oil, Gas, or Mineral Formations:**

Substance	Formation	Depth
	Green River	1312'
Water	Top of Birds Nest Water	1583'
	Mahogany	2222'
Gas	Wasatch	4552'
Gas	Mesaverde	7318'
Gas	MVU2	8217'
Gas	MVL1	8811'
Water	N/A	
Other Minerals	N/A	

3. **Pressure Control Equipment** (Schematic Attached)

Please refer to the attached Drilling Program.

4. **Proposed Casing & Cementing Program:**

Please refer to the attached Drilling Program.

5. **Drilling Fluids Program:**

Please refer to the attached Drilling Program.

6. **Evaluation Program:**

Please refer to the attached Drilling Program.

7. **Abnormal Conditions:**

Maximum anticipated bottomhole pressure calculated at 9400' TD, approximately equals 5828 psi (calculated at 0.62 psi/foot).

Maximum anticipated surface pressure equals approximately 3760 psi (bottomhole pressure minus the pressure of a partially evacuated hole calculated at 0.22 psi/foot).

8. **Anticipated Starting Dates:**

Drilling is planned to commence immediately upon approval of this application.

9. **Variances:**

Please refer to the attached Drilling Program.

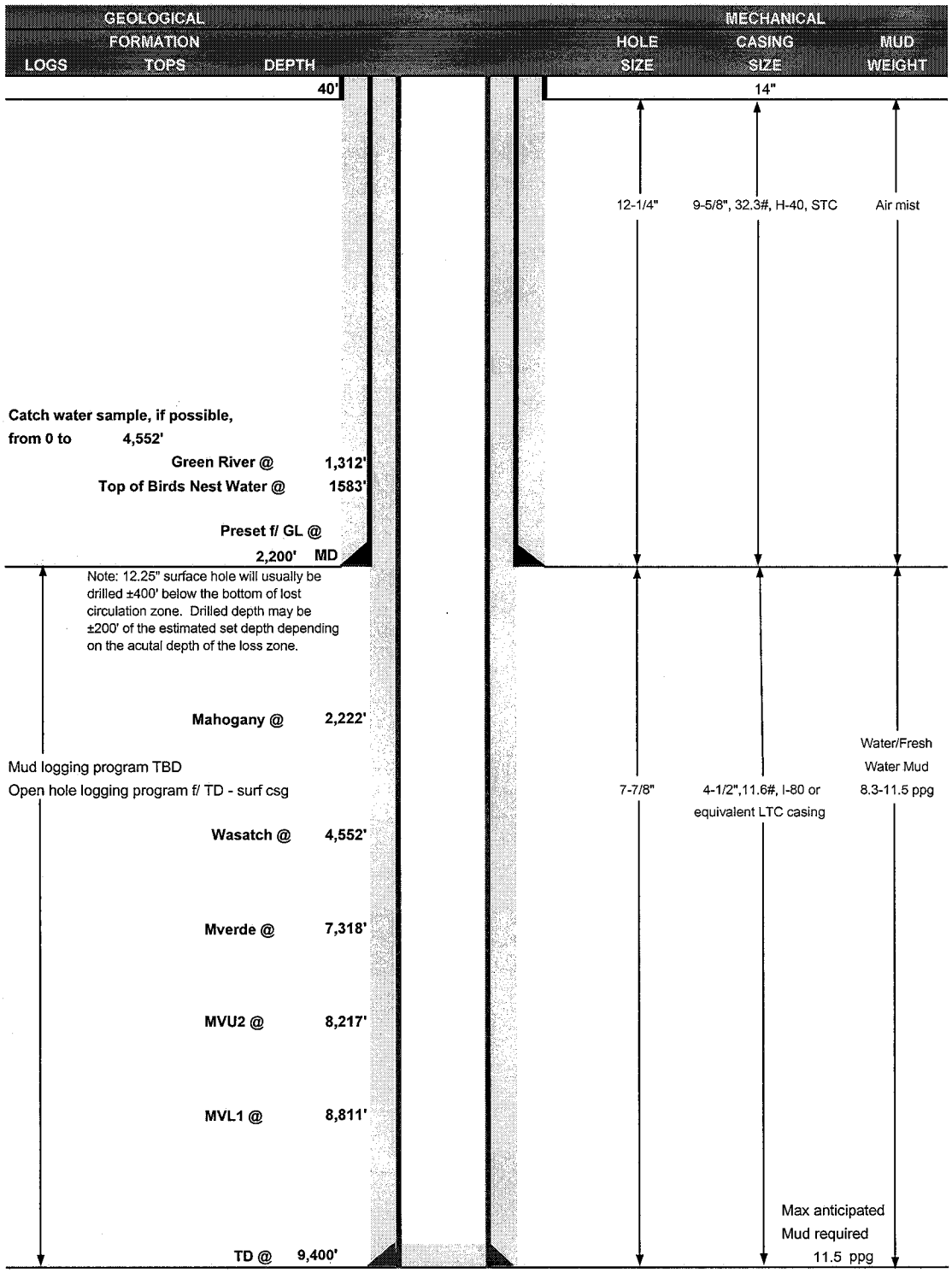
10. **Other Information:**

Please refer to the attached Drilling Program.

KERR-McGEE OIL & GAS ONSHORE LP

DRILLING PROGRAM

COMPANY NAME	KERR-McGEE OIL & GAS ONSHORE LP			DATE	November 7, 2006		
WELL NAME	**NBU 1021-2N**			TD	9,400' MD/TVD		
FIELD	Natural Buttes	COUNTY	Uintah	STATE	Utah	ELEVATION	5,070' GL KB 5,085'
SURFACE LOCATION	SESW SEC. 2, T10S, R21E 1253'FSL, 1545'FWL					BHL	Straight Hole
	Latitude: 39.973681 Longitude: 109.523164						
OBJECTIVE ZONE(S)	Wasatch/Mesaverde						
ADDITIONAL INFO	Regulatory Agencies: UDOGM (SURF & MINERALS), BLM, Tri-County Health Dept.						



KERR-McGEE OIL & GAS ONSHORE LP

DRILLING PROGRAM

CASING PROGRAM

	SIZE	INTERVAL	WT.	GR.	CPLG.	DESIGN FACTORS BURST	COLLAPSE	TENSION
CONDUCTOR	14"	0-40'						
						2270	1370	254000
SURFACE	9-5/8"	0 to 2200	32.30	H-40	STC	0.64*******	1.33	4.08
						7780	6350	201000
PRODUCTION	4-1/2"	0 to 9400	11.60	I-80	LTC	2.19	1.13	2.11

1) Max Anticipated Surf. Press.(MASP) (Surface Casing) = (Pore Pressure at next csg point-(0.22 psi/ft-partial evac gradient x TVD of next csg point)

2) MASP (Prod Casing) = Pore Pressure at TD - (.22 psi/ft-partial evac gradient x TD)

(Burst Assumptions: TD = 11.5 ppg) .22 psi/ft = gradient for partially evac wellbore

(Collapse Assumption: Fully Evacuated Casing, Max MW) (Tension Assumptions: Air Weight of Casing*Buoy.Fact. of water)

MASP 3553 psi

******** Burst SF is low but csg is much stronger than formation at 2000'. EMW @ 2000' for 2270# is 21.8 ppg or 1.13 psi/ft

CEMENT PROGRAM

		FT. OF FILL	DESCRIPTION	SACKS	EXCESS	WEIGHT	YIELD
SURFACE	LEAD	500	Premium cmt + 2% CaCl	215	60%	15.60	1.18
Option 1			+ .25 pps flocele				
	TOP OUT CMT (1)	200	20 gals sodium silicate + Premium cmt	50		15.60	1.18
			+ 2% CaCl + .25 pps flocele				
	TOP OUT CMT (2)	as required	Premium cmt + 2% CaCl	as req.		15.60	1.18
SURFACE		**NOTE: If well will circulate water to surface, option 2 will be utilized**					
Option 2	LEAD	1500	Prem cmt + 16% Gel + 10 pps gilsonite	170	35%	11.00	3.82
			+.25 pps Flocele + 3% salt BWOC				
	TAIL	500	Premium cmt + 2% CaCl	180	35%	15.60	1.18
			+ .25 pps flocele				
	TOP OUT CMT	as required	Premium cmt + 2% CaCl	as req.		15.60	1.18
PRODUCTION	LEAD	4,050'	Premium Lite II + 3% KCl + 0.25 pps	440	60%	11.00	3.38
			celloflake + 5 pps gilsonite + 10% gel				
			+ 0.5% extender				
	TAIL	5,350'	50/50 Poz/G + 10% salt + 2% gel	1500	60%	14.30	1.31
			+.1% R-3				

*Substitute caliper hole volume plus 0% excess for LEAD if accurate caliper is obtained

*Substitute caliper hole volume plus 10% excess for TAIL if accurate caliper is obtained

FLOAT EQUIPMENT & CENTRALIZERS

SURFACE	Guide shoe, 1 jt, insert float. Centralize first 3 joints with bow spring centralizers. Thread lock guide shoe.
PRODUCTION	Float shoe, 1 jt, float collar. Centralize first 3 joints & every third joint to top of tail cement with bow spring centralizers.

ADDITIONAL INFORMATION

Test casing head to 750 psi after installing. Test surface casing to 1,500 psi prior to drilling out.

BOPE: 11" 5M with one annular and 2 rams. Test to 5,000 psi (annular to 2,500 psi) prior to drilling out. Record on chart recorder & tour sheet. Function test rams on each trip. Maintain safety valve & inside BOP on rig floor at all times. Kelly to be equipped with upper & lower kelly valves.

Drop Totco surveys every 2000'. Maximum allowable hole angle is 5 degrees.

Most rigs have PVT Systems for mud monitoring. If no PVT is available, visual monitoring will be utililzed.

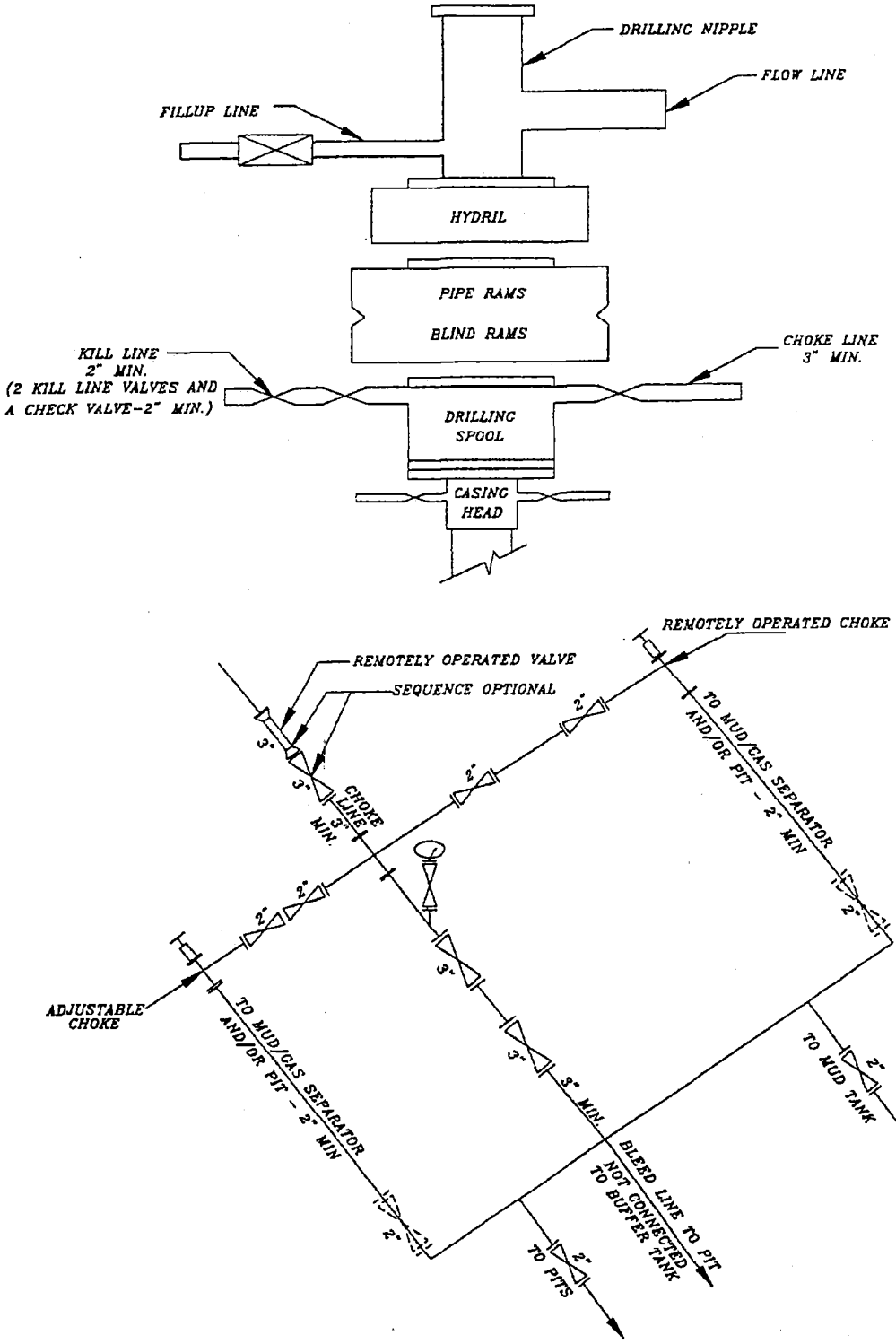
DRILLING ENGINEER: _____ **DATE:** _____

Brad Laney

DRILLING SUPERINTENDENT: _____ **DATE:** _____

Randy Bayne

5M BOP STACK and CHOKE MANIFOLD SYSTEM



NBU 1021-2N
SESW SEC. 2, T10S, R21E
Uintah County, UT
ML-22452

ONSHORE ORDER NO. 1

MULTI-POINT SURFACE USE & OPERATIONS PLAN

1. **Existing Roads:**

Refer to Topo Map A for directions to the location.

Refer to Topo Maps A and B for location of access roads within a 2-mile radius.

Refer to Topo Maps A and B for location of access roads within a 2 mile radius.

All existing roads will be maintained and kept in good repair during all drilling and completion operations associated with this well.

2. **Planned Access Roads:**

Approximately 270' +/- miles of new access road is proposed. Refer to Topo Map B for the location of the proposed access road.

The upgraded and new portions of the access road will be crowned and ditched with a running surface of 18 feet and a maximum disturbed width of 30 feet. Appropriate water control will be installed to control erosion.

Existence of pipelines; maximum grade; turnouts; major cut and fills, culverts, or bridges; gates, cattle guards, fence cuts, or modifications to existing facilities were determined at the on-site.

The access road was centerline flagged during time of staking.

Surfacing material may be necessary, depending upon weather conditions.

Surface disturbance and vehicular traffic will be limited to the approved location and approved access route. Any additional area needed will be approved in advance.

3. **Location of Existing Wells Within a 1-Mile Radius:**

Please refer to Topo Map C.

4. **Location of Existing & Proposed Facilities:**

The following guidelines will apply if the well is productive.

All production facilities will be located on the disturbed portion of the well pad and at a minimum of 25 feet from the toe of the back slope or the top of the fill slope.

A dike will be constructed completely around those production facilities which contain

fluids (i.e., production tanks, produced water tanks, and/or heater/treater). These dikes will be constructed of compacted subsoil, be impervious, hold 100% of the capacity of the largest tank, and be independent of the back cut.

All permanent (on-site six months or longer) above the ground structures constructed or installed, including pumping units, will be painted a flat, non-reflective, earthtone color to match one of the standard environmental colors, as determined by the five state Rocky Mountain Inter-Agency Committee.

All facilities will be painted within six months of installation. Facilities required to comply with the Occupational Safety and Health Act (OSHA) will be excluded. The required color is Carlsbad Canyon, standard color number 2.5Y 6/2.

Any necessary pits will be properly fenced to protect livestock and prevent wildlife entry.

Approximately 222' +/- of 4" pipeline is proposed from the location to an tie-in point. Refer to Topo Map D.

5. Location and Type of Water Supply:

Water for drilling purposes will be obtained from Dalbo Inc.'s underground well located in Ouray, Utah, Sec. 32, T4S, R3E, Water User Claim #43-8496, Application #53617.

Water will be hauled to location over the roads marked on Maps A and B.

No water well is to be drilled on this lease.

6. Source of Construction Materials:

Surface and subsoil materials in the immediate area will be utilized.

Any gravel will be obtained from a commercial source.

7. Methods of Handling Waste Materials:

Drill cuttings will be contained and buried in the reserve pit.

Drilling fluids, including salts and chemicals, will be contained in the reserve pit. Upon termination of drilling and completion operations, the liquid contents of the reserve pit will be removed and disposed of at an approved waste disposal facility within 120 days after drilling is terminated.

The reserve pit will be constructed on the location and will not be located within natural drainage, where a flood hazard exists or surface runoff will destroy or damage the pit walls. The reserve pit will be constructed so that it will not leak, break, or allow discharge of liquids.

A plastic reinforced liner and felt will be used, it will be a minimum of 20 mil thick, with sufficient bedding used to cover any rocks. The liner will overlap the pit walls and be covered with dirt and/or rocks to hold it in place. No trash or scrap that could puncture the liner will

be disposed of in the pit.

Any spills of oil, gas, salt water, or other noxious fluids will be immediately cleaned up and removed to an approved disposal site.

A chemical porta-toilet will be furnished with the drilling rig.

Garbage, trash, and other waste materials will be collected in a portable, self-contained, fully enclosed trash cage during operations. No trash will be burned on location.

All debris and other waste material not contained in the trash cage will be cleaned up and removed from the location immediately after removal of the drilling rig.

Any open pits will be fenced during the operations. The fencing will be maintained until such time as the pits are backfilled.

No chemicals subject to reporting under SARA Title III (hazardous materials) in an amount greater than 10,000 pounds will be used, produced, stored, transported, or disposed of annually in association with the drilling of this well. Furthermore, no extremely hazardous substances, as defined in 40 CFR 355, in threshold planning quantities, will be used, produced, stored, transported, or disposed of in association with the drilling of this well.

Any produced water from the proposed well will be contained in a water tank and will then be hauled By truck to one of the pre-approved disposal sites: RNI, Sec. 5, T9S, R22E, NBU #159, Sec. 35, T9S, R21E, Ace Oilfield, Sec. 2, T6S, R20E, MC&MC, Sec. 12, T6S, R19E.

8. Ancillary Facilities:

None are anticipated.

9. Well Site Layout: (See Location Layout Diagram)

The attached Location Layout Diagram describes drill pad cross-sections, cuts and fills, and locations of the mud tanks, reserve pit, flare pit, pipe racks, trailer parking, spoil dirt stockpile(s), and surface material stockpile(s).

Please see the attached diagram to describe rig orientation, parking areas, and access roads.

The reserve pit will be lined, and when the reserve pit is closed, the pit liner will be buried below plow depth.

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

39 inch net wire will be used with at least one strand of barbed wire on top of the net wire. Barbed wire is not necessary if pipe or some type of reinforcement rod is attached to the top of the entire fence.

The net wire shall be no more than two inches above the ground. The barbed wire shall be three inches over the net wire. Total height of the fence shall be at least 42 inches.

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

Standard steel, wood, or pipe posts shall be used between the corner braces. Maximum distance between any 2 fence posts shall be no greater than 16 feet.

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

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

Location size may change prior to the drilling of the well due to current rig availability. If the proposed location is not large enough to accommodate the drilling rig the location will be re-surveyed and a Form 9 shall be submitted.

10. Plans for Reclamation of the Surface:

Producing Location:

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

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

A plastic, nylon reinforced liner will be used, it shall be torn and perforated before backfilling of the reserve pit.

Before any dirt work associated with location restoration takes place, the reserve pit shall be as dry as possible. All debris in it will be removed. Other waste and spoil materials will be disposed of immediately upon completion of operations.

The reserve pit and that portion of the location not needed for production facilities/operations will be recontoured to the approximate natural contours. The reserve pit will be reclaimed within 90 days from the date of well completion, weather permitting.

To prevent surface water (s) from standing (ponding) on the reclaimed reserve pit area, final reclamation of the reserve pit will consist of "mounding" the surface three feet above surrounding ground surface to allow the reclaimed pit area to drain effectively.

Upon completion of backfilling, leveling, and recontouring, the stockpiled topsoil will be spread evenly over the reclaimed area(s).

Dry Hole/Abandoned Location:

Abandoned well sites, roads, and other disturbed areas will be restored as near as practical to their original condition. Where applicable, these conditions include the re-establishment of irrigation systems, the re-establishment of appropriate soil conditions, and re-establishment of vegetation as specified.

All disturbed surfaces will be recontoured to the approximate natural contours, with reclamation of the well pad and access road to be performed as soon as practical after final abandonment. Reseeding operations will be performed after completion of other reclamation operations.

11. Surface Ownership:

SITLA
675 East 500 South, Suite 500
Salt Lake City, UT 84102

12. Other Information:

All lease and/or unit operations will be conducted in such a manner that full compliance is made with all applicable laws, regulations, the approved Plan of Operations, and any applicable Notice of 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.

The Operator will control noxious weeds along Rights-Of-Way for roads, pipelines, well sites, or other applicable facilities.

A Class III archaeological survey will be submitted when report becomes available.

This location is not within 460' from the boundary of the Natural Buttes Unit, nor is it within 460' of any non-committed tract lying within the boundaries of the Unit.

13. Lessee's or Operators's Representative & Certification:

Sheila Upchego
Regulatory Analyst
Kerr-McGee Oil & Gas Onshore LP
1368 South 1200 East.
Vernal, UT 84078
(435) 781-7024

Randy Bayne
Drilling Manager
Kerr-McGee Oil & Gas Onshore LP
1368 South 1200 East
Vernal, UT 84078
(435)781-7018

Certification: All lease and/or unit operations will be conducted in such a manner that full compliance is made with all applicable laws, regulations, Onshore Oil and Gas Orders, the approved Plan of Operations, and any applicable Notice to Lessees.

The Operator will be fully responsible for the actions of its subcontractors. A complete copy of the approved "Application for Permit to Drill" will be furnished to the field representative(s) to ensure compliance and shall be on location during all construction and drilling operations.

Kerr-McGee Oil & Gas Onshore LP is considered to be the operator of the subject well. Kerr-McGee Oil & Gas Onshore LP agrees to be responsible under terms and conditions of the lease for the operations conducted upon leased lands.

Bond coverage pursuant to 43 CFR 3104 for lease activities is being provided by State Surety Bond #RLB0005237.

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

Sheila Upchego

11/7/2006
Date

Kerr-McGee Oil & Gas Onshore LP

NBU #1021-2N

SECTION 2, T10S, R21E, S.L.B.&M.

PROCEED IN A WESTERLY DIRECTION FROM VERNAL, UTAH ALONG U.S. HIGHWAY 40 APPROXIMATELY 14.0 MILES TO THE JUNCTION OF STATE HIGHWAY 88; EXIT LEFT AND PROCEED IN A SOUTHERLY DIRECTION APPROXIMATELY 17.0 MILES TO OURAY, UTAH; PROCEED IN A SOUTHERLY DIRECTION APPROXIMATELY 6.9 MILES ON THE SEEP RIDGE ROAD TO THE JUNCTION OF THIS ROAD AND AN EXISTING ROAD TO THE EAST; TURN LEFT AND PROCEED IN AN EASTERLY DIRECTION APPROXIMATELY 5.0 MILES TO THE JUNCTION OF THIS ROAD AND AN EXISTING ROAD TO THE NORTHEAST; TURN RIGHT AND PROCEED IN A NORTHEASTERLY, THEN SOUTHEASTERLY DIRECTION APPROXIMATELY 2.9 MILES TO THE JUNCTION OF THIS ROAD AND AN EXISTING ROAD TO THE NORTHEAST; TURN LEFT AND PROCEED IN A NORTHEASTERLY, THEN SOUTHEASTERLY DIRECTION APPROXIMATELY 0.8 MILES TO THE BEGINNING OF THE PROPOSED ACCESS TO THE SOUTHWEST; FOLLOW ROAD FLAGS IN A SOUTHEASTERLY DIRECTION APPROXIMATELY 270' TO THE PROPOSED LOCATION.

TOTAL DISTANCE FROM VERNAL, UTAH TO THE PROPOSED WELL LOCATION IS APPROXIMATELY 46.6 MILES.

Kerr-McGee Oil & Gas Onshore LP

NBU #1021-2N

LOCATED IN UINTAH COUNTY, UTAH
SECTION 2, T10S, R21E, S.L.B.&M.

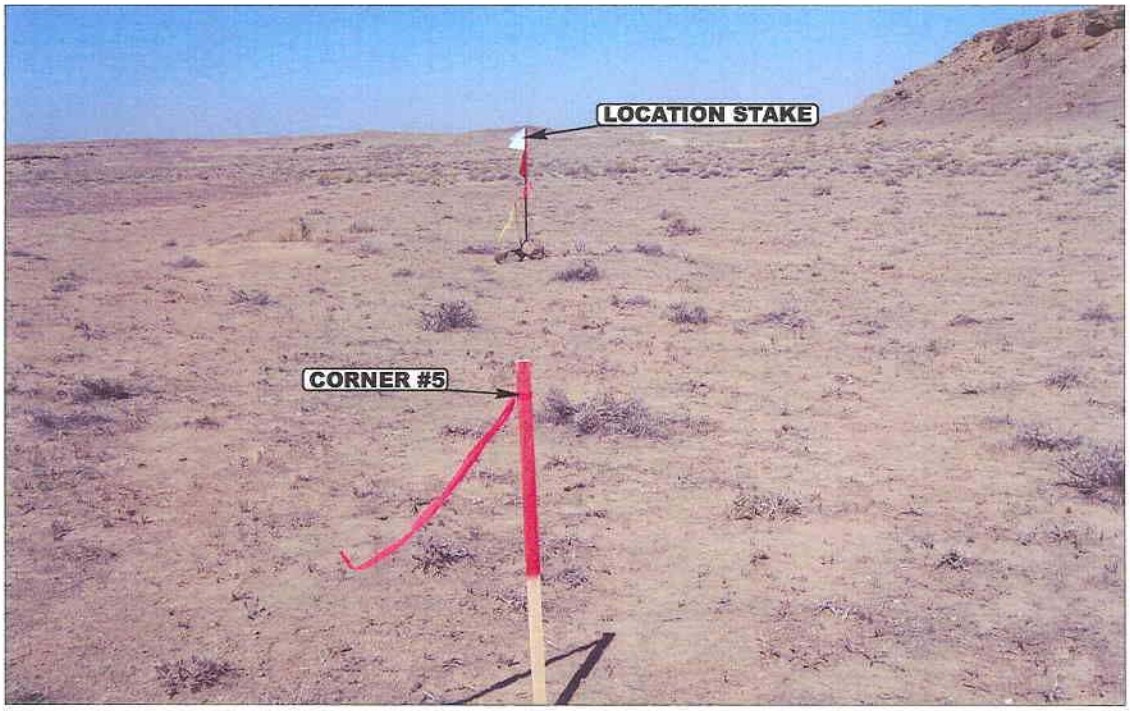


PHOTO: VIEW FROM CORNER #5 TO LOCATION STAKE **CAMERA ANGLE: NORTHERLY**

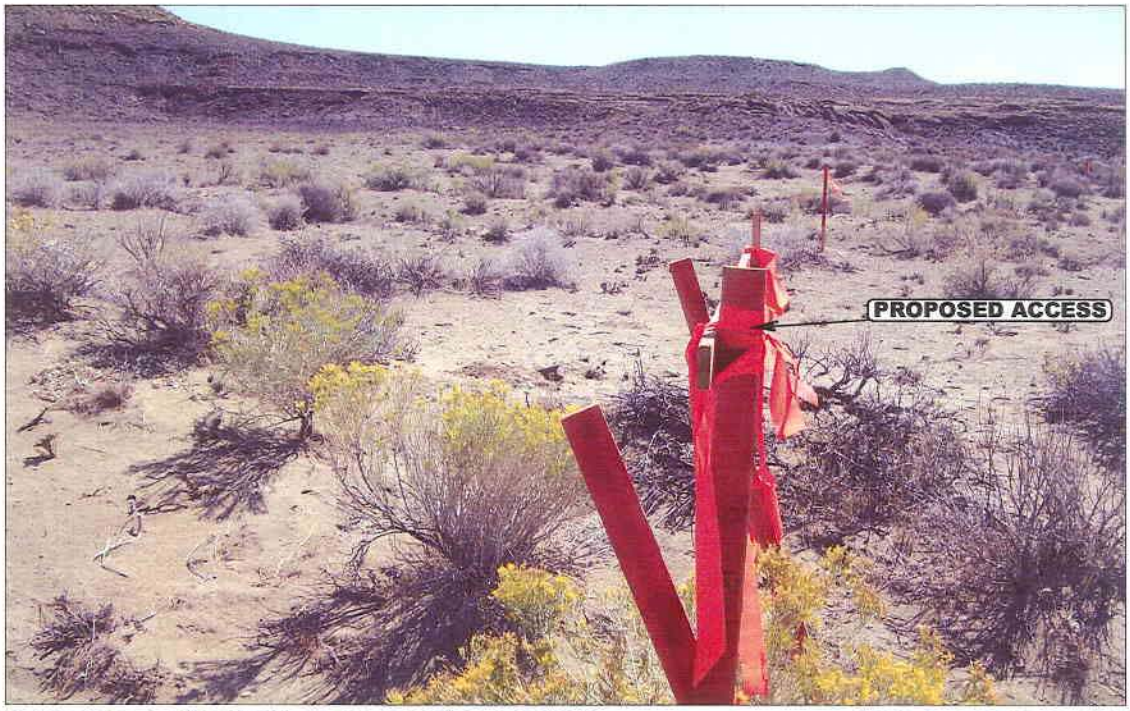
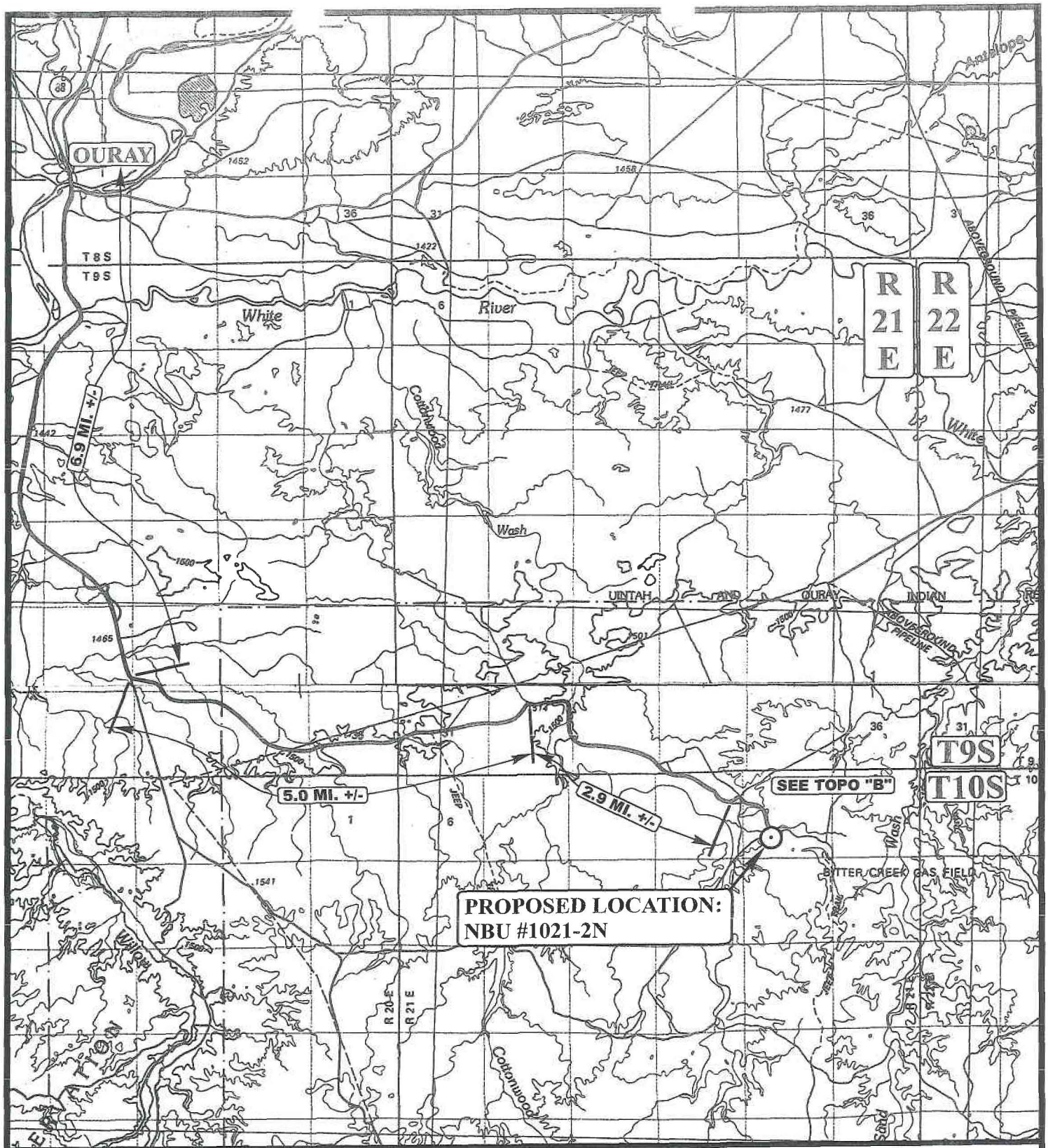


PHOTO: VIEW FROM BEGINNING OF PROPOSED ACCESS **CAMERA ANGLE: SOUTHERLY**

- Since 1964 -
Uintah Engineering & Land Surveying
85 South 200 East Vernal, Utah 84078
435-789-1017 uels@uelsinc.com

LOCATION PHOTOS	09 MONTH	19 DAY	06 YEAR	PHOTO
TAKEN BY: J.W.	DRAWN BY: C.P.	REVISED: 00-00-00		



LEGEND:

⊙ PROPOSED LOCATION

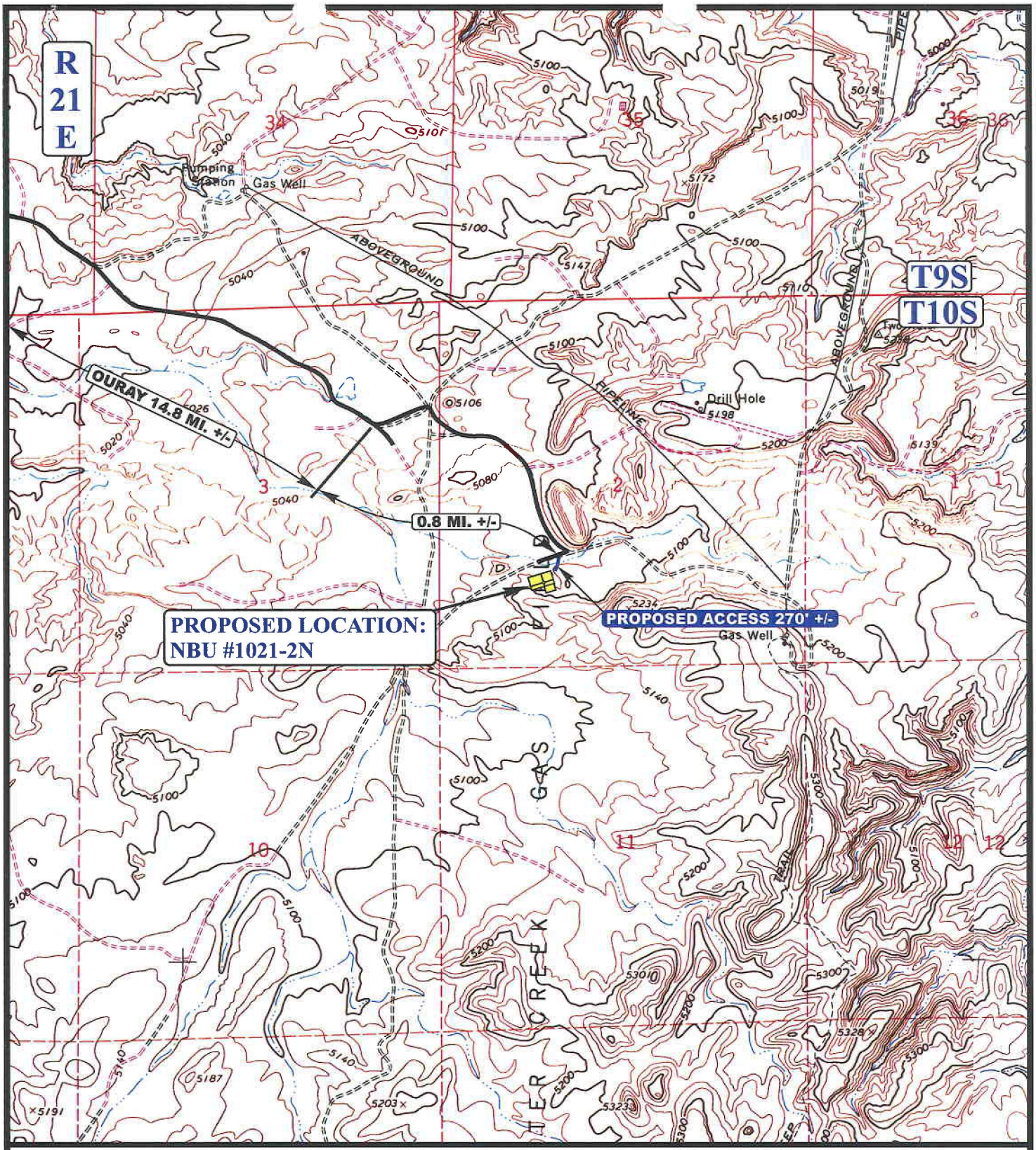
N

Kerr-McGee Oil & Gas Onshore LP

NBU #1021-2N
SECTION 2, T10S, R21E, S.L.B.&M.
1253' FSL 1545' FWL

Uintah Engineering & Land Surveying
85 South 200 East Vernal, Utah 84078
(435) 789-1017 * FAX (435) 789-1813

TOPOGRAPHIC MAP	09 MONTH	19 DAY	06 YEAR	A TOPO
SCALE: 1:100,000	DRAWN BY: C.P.	REVISED: 00-00-00		



LEGEND:

EXISTING ROAD

PROPOSED ACCESS ROAD

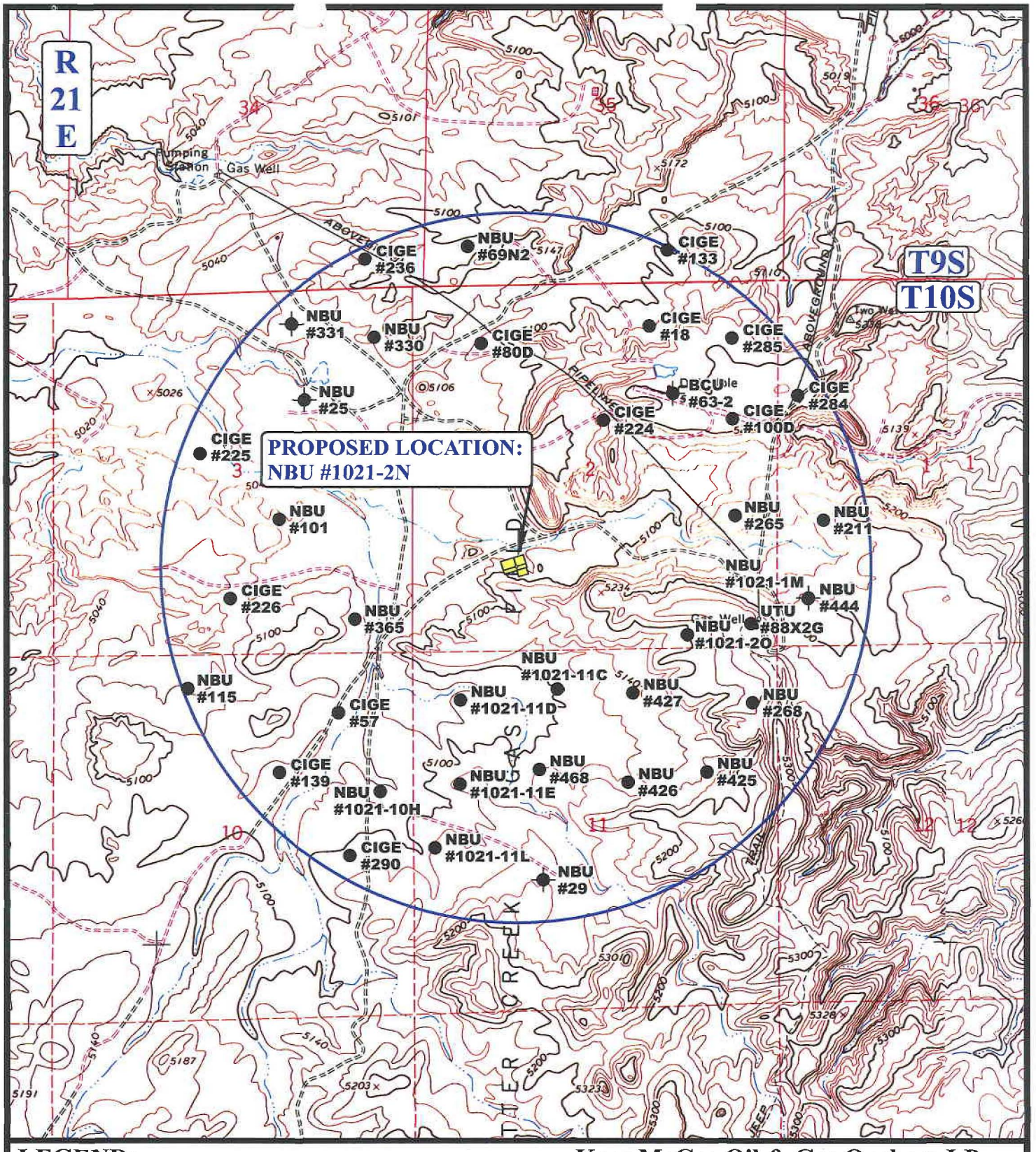
N

Kerr-McGee Oil & Gas Onshore LP

NBU #1021-2N
SECTION 2, T10S, R21E, S.L.B.&M.
1253' FSL 1545' FWL

Uintah Engineering & Land Surveying
85 South 200 East Vernal, Utah 84078
(435) 789-1017 * FAX (435) 789-1813

TOPOGRAPHIC MAP	09 MONTH	19 DAY	06 YEAR	B TOPO
SCALE: 1" = 2000'	DRAWN BY: C.P.	REVISED: 00-00-00		



LEGEND:

- DISPOSAL WELLS
- PRODUCING WELLS
- SHUT IN WELLS
- WATER WELLS
- ABANDONED WELLS
- TEMPORARILY ABANDONED

N

Kerr-McGee Oil & Gas Onshore LP

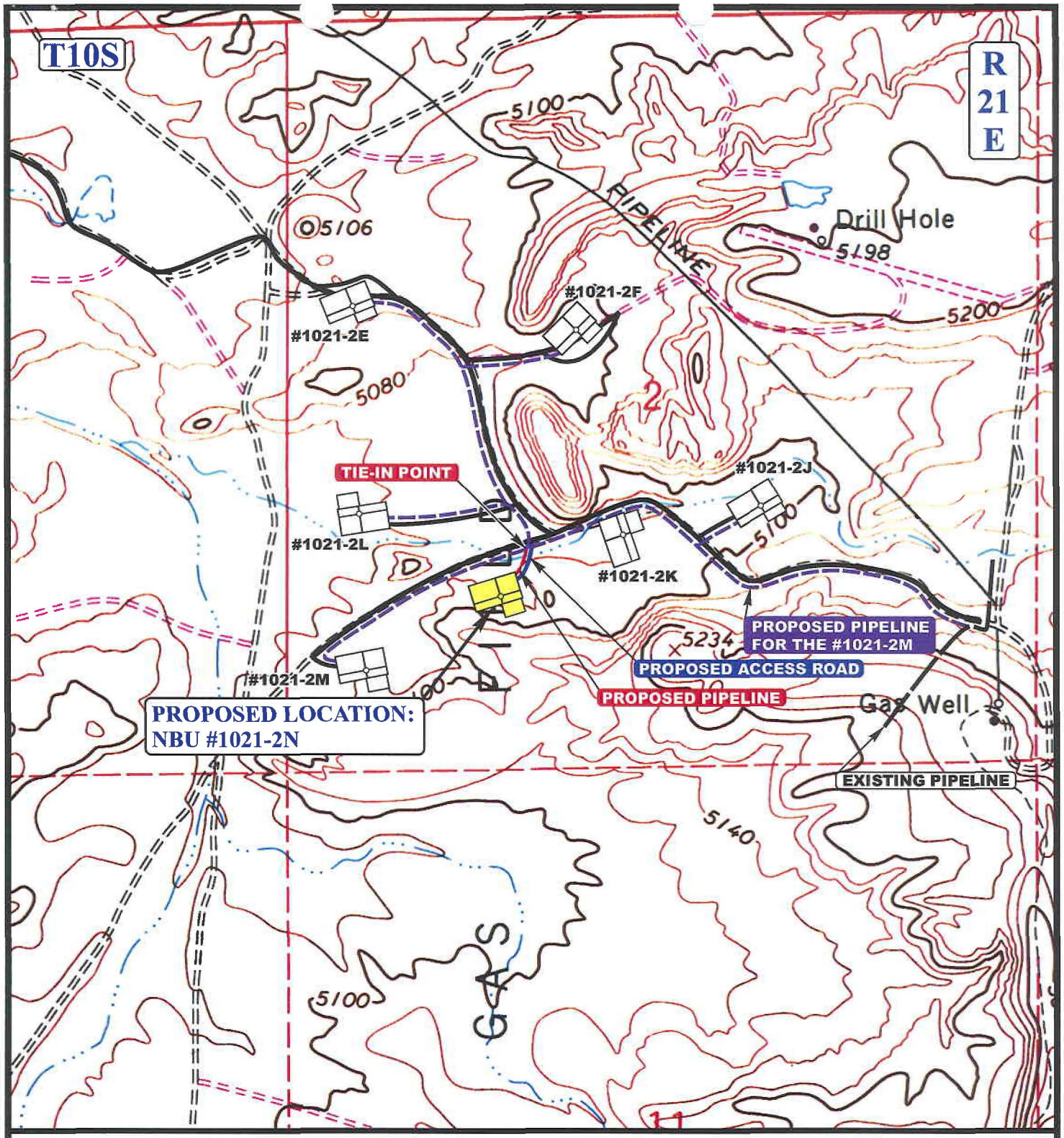
NBU #1021-2N
SECTION 2, T10S, R21E, S.L.B.&M.
1253' FSL 1545' FWL

Uintah Engineering & Land Surveying
85 South 200 East Vernal, Utah 84078
(435) 789-1017 * FAX (435) 789-1813

TOPOGRAPHIC MAP | 09 MONTH | 19 DAY | 06 YEAR

SCALE: 1" = 2000' | DRAWN BY: C.P. | REVISED: 00-00-00

C TOPO



APPROXIMATE TOTAL PIPELINE DISTANCE = 222' +/-

LEGEND:

PROPOSED ACCESS ROAD

PROPOSED PIPELINE

PROPOSED PIPELINE (SERVICING OTHER WELLS)

N

Kerr-McGee Oil & Gas Onshore LP

NBU #1021-2N
SECTION 2, T10S, R21E, S.L.B.&M.
1253' FSL 1545' FWL

UELS
Uintah Engineering & Land Surveying
85 South 200 East Vernal, Utah 84078
(435) 789-1017 * FAX (435) 789-1813

TOPOGRAPHIC MAP	09 MONTH	19 DAY	06 YEAR	D TOPO
SCALE: 1" = 1000'	DRAWN BY: C.P.	REVISED: 00-00-00		

Kerr-McGee Oil & Gas Onshore LP

NBU #1021-2N

PIPELINE ALIGNMENT

LOCATED IN UINTAH COUNTY, UTAH
SECTION 2, T10S, R21E, S.L.B.&M.

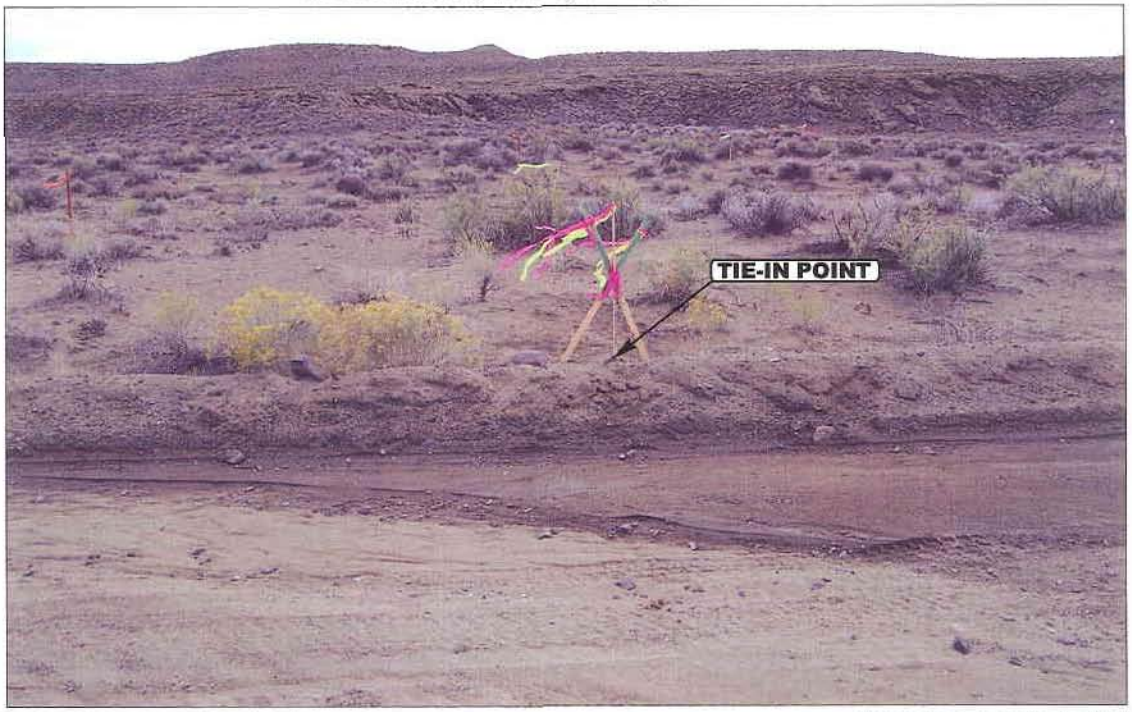


PHOTO: VIEW FROM TIE-IN POINT **CAMERA ANGLE: SOUTHERLY**

PHOTO: VIEW OF PIPELINE ALIGNMENT **CAMERA ANGLE: SOUTHERLY**

- Since 1964 -
Uintah Engineering & Land Surveying
85 South 200 East Vernal, Utah 84078
435-789-1017 uels@uelsinc.com

PIPELINE PHOTOS	09 MONTH	19 DAY	06 YEAR	PHOTO
TAKEN BY: D.K.	DRAWN BY: C.P.	REVISED: 00-00-00		

Kerr-McGee Oil & Gas Onshore LP

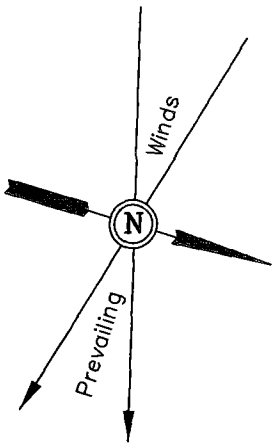
FIGURE #1

LOCATION LAYOUT FOR

NBU #1021-2N

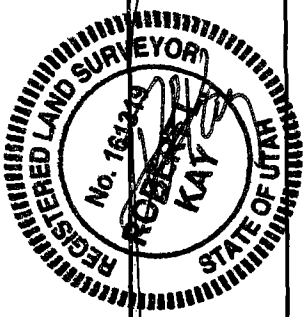
SECTION 2, T10S, R21E, S.L.B.&M.

1253' FSL 1545' FWL



SCALE: 1" = 50'
DATE: 09-15-06
Drawn By: S.L.

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



C-3.9'
El. 73.2'

C-6.7'
El. 76.0'

C-5.6'
El. 74.9'

6 7 8

58'

Sta. 3+50

Round Corners as Needed

200'

Approx. Top of Cut Slope

Pit Topsoil

Approx. Toe of Fill Slope

PIPE TUBS

CATWALK

PIPE RACKS

Reserve Pit Backfill & Spoils Stockpile

FLARE PIT

C-1.9'
El. 71.2'

Blooie Line

D

C-0.5'
El. 69.8'

RIG

135'

Sta. 1+50

C

100'

10'

58'

1

El. 79.2'
C-19.9'
(btm. pit)

5

MUD TANKS

C-1.9'
El. 71.2'

DOG HOUSE

TOILET

F-2.7'
El. 66.6'

TRAILER

LIGHT PLANT

BOILER

COMPRESSOR

WATER TANK

RESERVE PITS
(10' Deep)

MUD TANKS

PUMP HOUSE

BOOSTER

15' WIDE BENCH

150'

1 1/2:1 Slope

Topsoil Stockpile

Total Pit Capacity
W/2' of Freeboard
= 15,490 Bbls. ±
Total Pit Volume
= 4,280 Cu. Yds.

150'

TRASH

Sta. 0+50

El. 79.4'
C-20.1'
(btm. pit)

B

C-4.9'
El. 74.2'

PROPANE STORAGE

A

10'

58'

Sta. 0+00

4

C-5.7'
El. 75.0'

3

C-4.2'
El. 73.5'

2

C-1.9'
El. 71.2'

Reserve Pit Backfill & Spoils Stockpile

Proposed Access Road

NOTES:

Elev. Ungraded Ground At Loc. Stake = 5069.8'

FINISHED GRADE ELEV. AT LOC. STAKE = 5069.3'

UINTAH ENGINEERING & LAND SURVEYING
85 So. 200 East * Vernal, Utah 84078 * (435) 789-1017

Kerr-McGee Oil & Gas Onshore LP

FIGURE #2

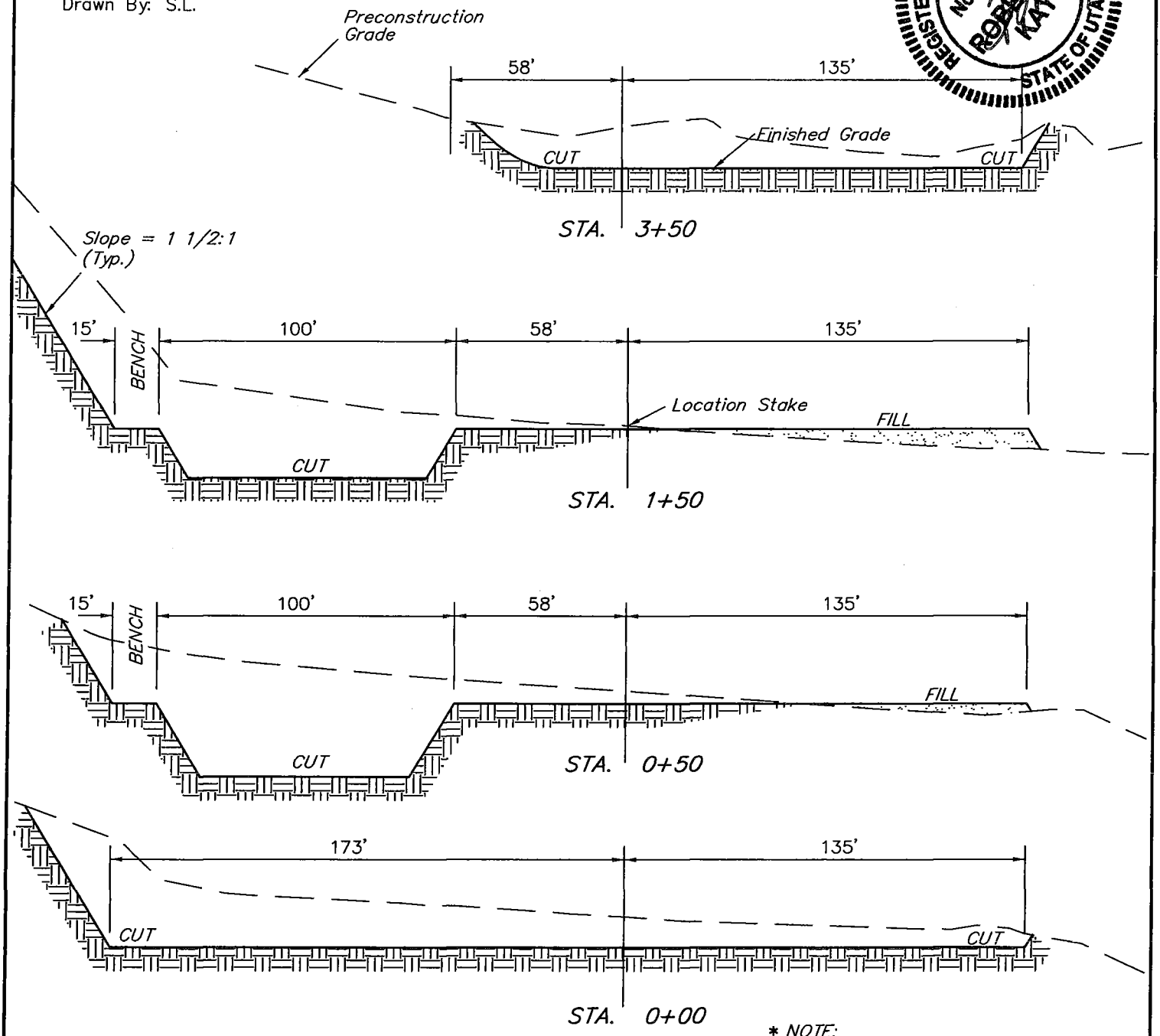
TYPICAL CROSS SECTIONS FOR

NBU #1021-2N
SECTION 2, T10S, R21E, S.L.B.&M.
1253' FSL 1545' FWL

1" = 20'
X-Section Scale
1" = 50'

DATE: 09-15-06
Drawn By: S.L.

REGISTERED LAND SURVEYOR
No. 161319
ROBERT KAY
STATE OF UTAH



* NOTE:
FILL QUANTITY INCLUDES
5% FOR COMPACTION

APPROXIMATE YARDAGES

CUT
(6") Topsoil Stripping = 2,070 Cu. Yds.
Remaining Location = 13,860 Cu. Yds.

TOTAL CUT = 15,930 CU.YDS.
FILL = 1,720 CU.YDS.

EXCESS MATERIAL = 14,210 Cu. Yds.
Topsoil & Pit Backfill (1/2 Pit Vol.) = 4,210 Cu. Yds.
EXCESS UNBALANCE (After Interim Rehabilitation) = 10,000 Cu. Yds.

UINTAH ENGINEERING & LAND SURVEYING
85 So. 200 East * Vernal, Utah 84078 * (435) 789-1017

WORKSHEET

APPLICATION FOR PERMIT TO DRILL

APD RECEIVED: 11/13/2006

API NO. ASSIGNED: 43-047-38840

WELL NAME: NBU 1021-2N

OPERATOR: KERR-MCGEE OIL & GAS (N2995)

PHONE NUMBER: 435-781-7024

CONTACT: SHEILA UPCHEGO

PROPOSED LOCATION:

SESW 02 100S 210E

SURFACE: 1253 FSL 1545 FWL

BOTTOM: 1253 FSL 1545 FWL

COUNTY: UINTAH

LATITUDE: 39.97365 LONGITUDE: -109.5224

UTM SURF EASTINGS: 626178 NORTHINGS: 4425668

FIELD NAME: NATURAL BUTTES (630)

INSPECT LOCATN BY: / /		
Tech Review	**Initials**	**Date**
Engineering	DKD	12/13/06
Geology		
Surface		

LEASE TYPE: 3 - State

LEASE NUMBER: ML-22452

SURFACE OWNER: 3 - State

PROPOSED FORMATION: WSMVD

COALBED METHANE WELL? NO

RECEIVED AND/OR REVIEWED:

✓ Plat

✓ Bond: Fed[] Ind[] Sta[] Fee[]
(No. 22013542)

N Potash (Y/N)

✓ Oil Shale 190-5 (B) or 190-3 or 190-13

✓ Water Permit
(No. 43-8496)

N RDCC Review (Y/N)
(Date:)

NA Fee Surf Agreement (Y/N)

NA Intent to Commingle (Y/N)

LOCATION AND SITING:

___ R649-2-3.

Unit: NATURAL BUTTES

___ R649-3-2. General

Siting: 460 From Qtr/Qtr & 920' Between Wells

___ R649-3-3. Exception

✓ Drilling Unit

Board Cause No: 173-14

Eff Date: 12-2-1999

Siting: 460' fr u.bdry & uncomm Tract

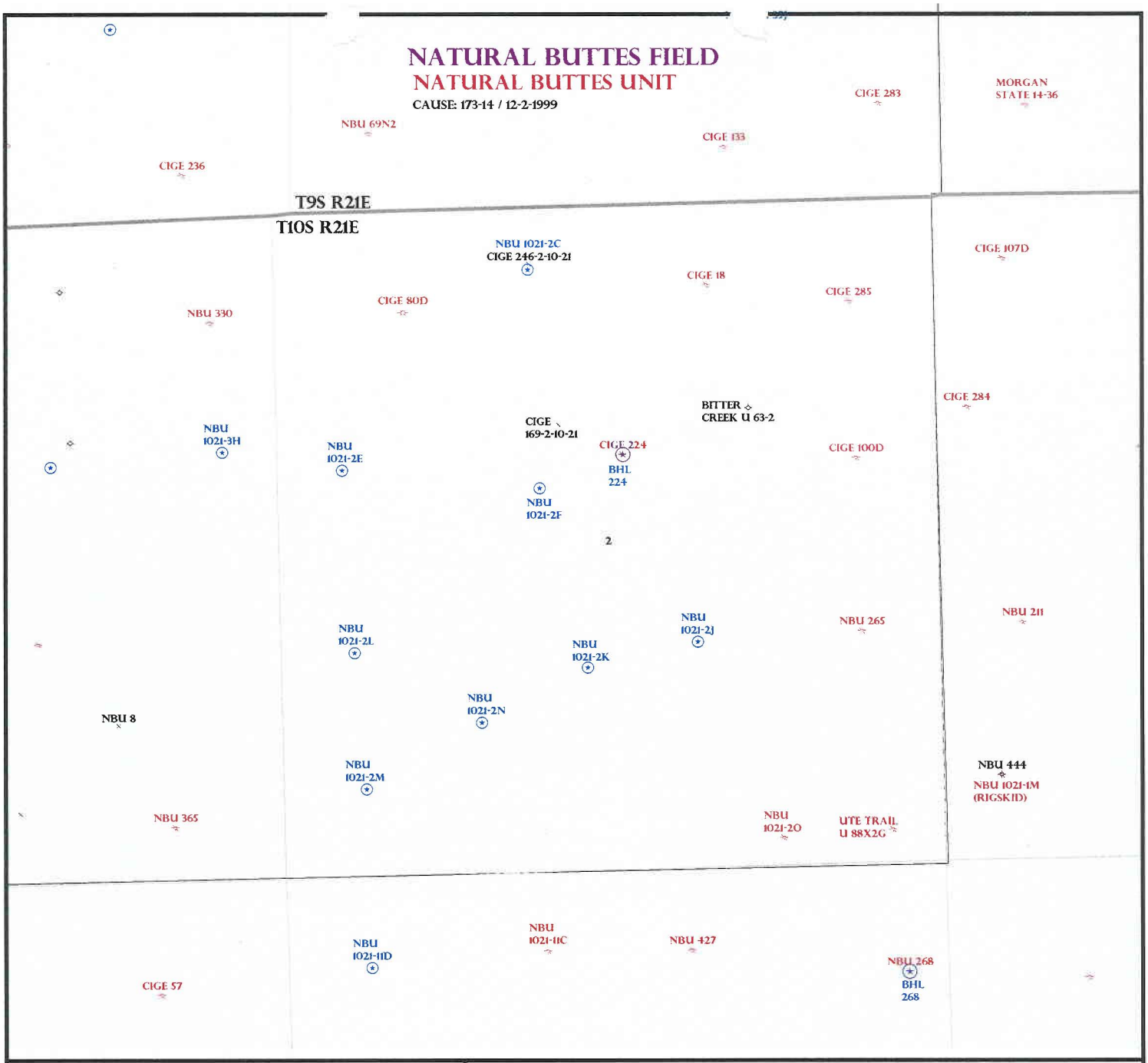
___ R649-3-11. Directional Drill

COMMENTS: Needs Presite (1-17-06)

STIPULATIONS: 1- STATEMENT OF BASIS

2- OIL SHALE

3- Surf. Csg Cmt stop



OPERATOR: KERR MCGEE O&G (N2995)

SEC: 2 T.10S R. 21E

FIELD: NATURAL BUTTES (630)

COUNTY: UINTAH

CAUSE: 173-14 / 12-2-1999

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

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

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

Utah Oil Gas and Mining

N
W E
S

PREPARED BY: DIANA MASON
DATE: 16-NOVEMBER-2006

Application for Permit to Drill
Statement of Basis

APD No	API WellNo	Status	Well Type	Surf Ownr	CBM
158	43-047-38840-00-00		GW	S	No

Operator KERR-MCGEE OIL & GAS ONSHORE, LP **Surface Owner-APD**
Well Name NBU 1021-2N **Unit**
Field UNDESIGNATED **Type of Work**
Location SESW 2 10S 21E S 0 FL 0 FL GPS Coord (UTM) 626178E 4425668N

Geologic Statement of Basis

Kerr McGee proposes to set 2,200' of surface casing at this location. The depth to the base of the moderately saline water at this location is estimated to be at a depth of 3,600'. A search of Division of Water Rights records shows one water well within a 10,000 foot radius of the center of section 2. The well is approximately .75 miles from the proposed location. It produces from a depth of 2,640 and is listed as being used for oil field drilling water. The surface formation at this site is the Uinta Formation. The Uinta Formation is made up of interbedded shales and sandstones. The sandstones are mostly lenticular and discontinuous and should not be a significant source of useable ground water. Production casing cement should be brought to above the base of the moderately saline groundwater in order to isolate it from fresher waters uphole.

Brad Hill 11/30/2006
APD Evaluator **Date / Time**

Surface Statement of Basis

The surface and minerals for the proposed location are both owned by SITLA. Mr. Jim Davis represented SITLA at the pre-site and had no concerns not covered in the APD. The proposed location appears to be the best site for drilling and operating a well in the immediate area.

The general area is the Sand Wash Drainage of Uintah, County. Sand Wash is approximately 36 air miles south of Vernal, Utah and approximately 18 miles southeast of Ouray, Utah. Access is by State of Utah Highways, Uintah County and oilfield development roads a distance of 51 miles from Vernal, UT.

Topography is characterized by broad open flats dissected by numerous sub-drainages, which often become steep with ridges and draws with exposed sandstone layers. No perennial streams occur in drainage. Individual draws or washes are ephemeral with spring runoff or flows from sometimes-intense summer rainstorms. White River is to the northeast about 3 miles. No springs exist in the area. An occasional constructed pond occurs furnishing water for antelope or livestock.

This proposed location is in the head of a circular basin surrounded except on the northwest side by higher ridges with sandstone ledges. Turtle shells were found near the proposed location.

Floyd Bartlett 11/17/2006
Onsite Evaluator **Date / Time**

Conditions of Approval / Application for Permit to Drill

Category	Condition
Pits	A synthetic liner with a minimum thickness of 20 mils with a felt subliner shall be properly installed and maintained in the reserve pit.

ON-SITE PREDRILL EVALUATION

Utah Division of Oil, Gas and Mining

Operator KERR-MCGEE OIL & GAS ONSHORE, LP
Well Name NBU 1021-2N
API Number 43-047-38840-0 **APD No** 158 **Field/Unit** UNDESIGNATED
Location: 1/4,1/4 SESW **Sec** 2 **Tw** 10S **Rng** 21E 0 F L 0 F L
GPS Coord (UTM) 626177 4425670 **Surface Owner**

Participants

Floyd Bartlett (DOGM), Jim Davis (SITLA), Carroll Estes and Tony Kaznic (Kerr McGee), David Kay (UELS).

Regional/Local Setting & Topography

The general area is the Sand Wash Drainage of Uintah, County. Sand Wash is approximately 36 air miles south of Vernal, Utah and approximately 18 miles southeast of Ouray, Utah. Access is by State of Utah Highways, Uintah County and oilfield development roads a distance of 51 miles from Vernal, UT.

Topography is characterized by broad open flats dissected by numerous sub-drainages, which often become steep with ridges and draws with exposed sandstone layers. No perennial streams occur in drainage. Individual draws or washes are ephemeral with spring runoff or flows from sometimes-intense summer rainstorms. White River is to the northeast about 3 miles. No springs exist in the area. An occasional constructed pond occurs furnishing water for antelope or livestock.

This proposed location is in the head of a circular basin surrounded except on the northwest side by higher ridges with sandstone ledges.

Surface Use Plan

Current Surface Use
Grazing
Wildlfe Habitat

New Road

Miles	Well Pad		Src Const Material	Surface Formation
0.05	**Width** 278	**Length** 350	Onsite	UNTA

Ancillary Facilities N

Waste Management Plan Adequate? Y

Environmental Parameters

Affected Floodplains and/or Wetland N

Flora / Fauna

The location is somewhat barren. A sparse vegetative cover of shadscale, horsebrush, prickly pear, halogeton, curly mesquite, cheat grass and budsage exists Antelope, rabbits, small reptiles, birds and mammals. Sheep graze the area in the winter

Soil Type and Characteristics

deep sandy loam

Erosion Issues N

Sedimentation Issues N

Site Stability Issues N

Drainage Diverson Required N

Small drainage originates on location. No diversion required.

Berm Required? N

Erosion Sedimentation Control Required? N

Paleo Survey Run? Y **Paleo Potental Observed?** Y **Cultural Survey Run?** Y **Cultural Resources?**

Reserve Pit

Site-Specific Factors		Site Ranking
Distance to Groundwater (feet)	>200	0
Distance to Surface Water (feet)	>1000	0
Dist. Nearest Municipal Well (ft)	>5280	0
Distance to Other Wells (feet)	>1320	0
Native Soil Type	Mod permeability	10
Fluid Type	Fresh Water	5
Drill Cuttings	Normal Rock	0
Annual Precipitation (inches)	<10	0
Affected Populations	<10	0
Presence Nearby Utility Conduits	Not Present	0
	Final Score	15 2 **Sensitivity Level**

Characteristics / Requirements

150' by 100' and 10'deep. The reserve pit is all within cut on the south east side of the location. A 15' wide bench is planned around the outer edges and 2' of freeboard.

A pit liner is required. Kerr McGee lines all pits with a 20 mil liner and a felt sub-liner.

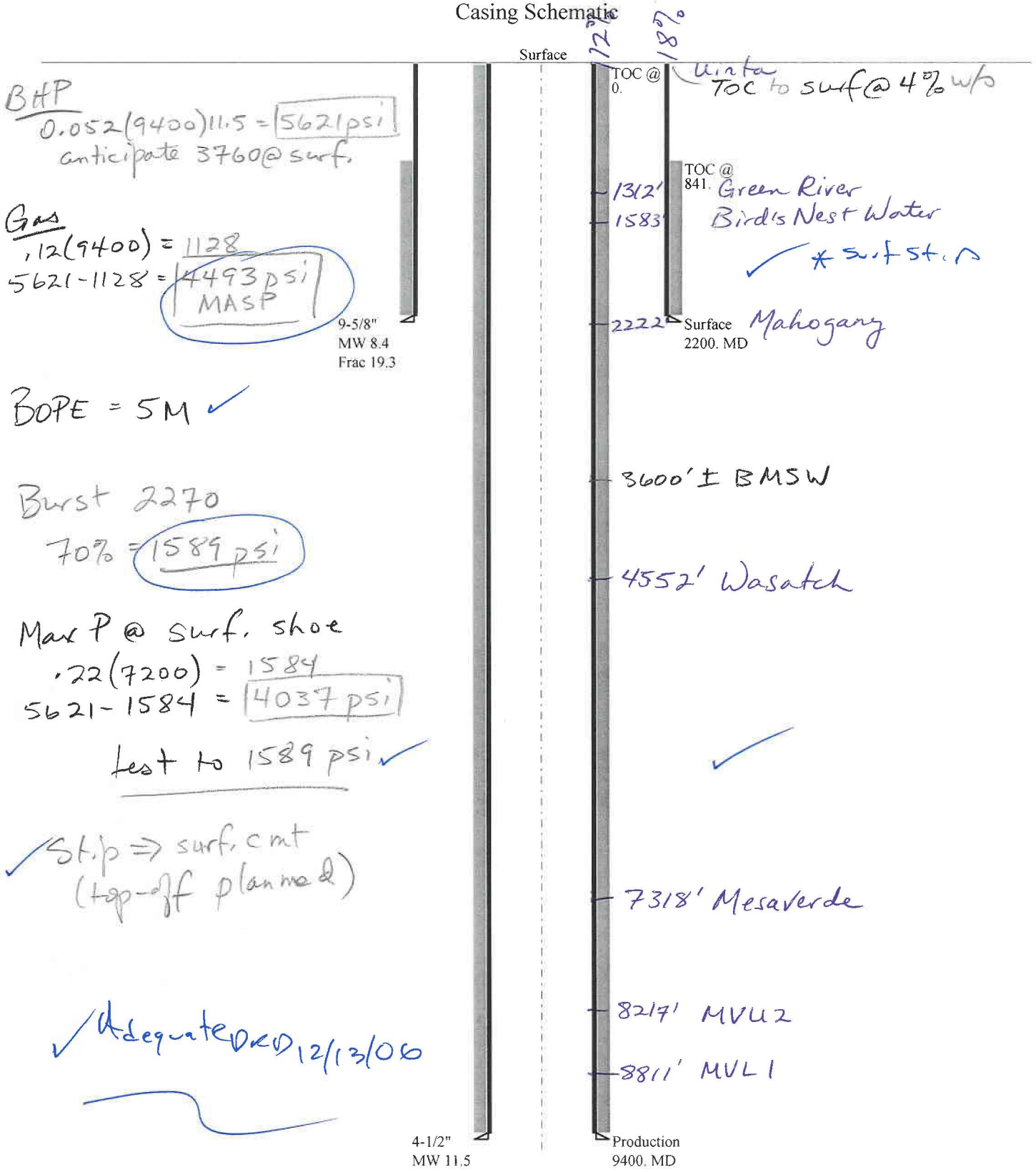
Closed Loop Mud Required? Y **Liner Required?** **Liner Thickness** 20 **Pit Underlayment Required?** Y

Other Observations / Comments

Floyd Bartlett	11/17/2006
Evaluator	**Date / Time**

2006-12 Kerr McGee NBU 1021-2N

Casing Schematic



BHP
0.052(9400)11.5 = 5621 psi
anticipate 3760 @ surf.

Gas
.12(9400) = 1128
5621 - 1128 = 4493 psi
MASP

BOPE = 5M ✓

Burst 2270
70% = 1589 psi

Max P @ surf. shoe
.22(7200) = 1584
5621 - 1584 = 4037 psi

Test to 1589 psi ✓

✓ Stip ⇒ surf. cmt
(top-off planned)

✓ Adequate DKD 12/13/06

Well name:	**2006-12 Kerr McGee NBU 1021-2N**
Operator:	**Kerr McGee Oil & Gas Onshore, LP**
String type:	Surface
Project ID:	43-047-38840
Location:	Uintah County, Utah

Design parameters:

Collapse
Mud weight: 8.400 ppg
Design is based on evacuated pipe.

Burst
Max anticipated surface pressure: 1,936 psi
Internal gradient: 0.120 psi/ft
Calculated BHP 2,200 psi

No backup mud specified.

Minimum design factors:

Collapse:
Design factor 1.125

Burst:
Design factor 1.00

Tension:
8 Round STC: 1.80 (J)
8 Round LTC: 1.80 (J)
Buttress: 1.60 (J)
Premium: 1.50 (J)
Body yield: 1.50 (B)

Tension is based on buoyed weight.
Neutral point: 1,929 ft

Environment:
H2S considered? No
Surface temperature: 75 °F
Bottom hole temperature: 106 °F
Temperature gradient: 1.40 °F/100ft
Minimum section length: 1,500 ft

Cement top: 841 ft

Non-directional string.

Re subsequent strings:
Next setting depth: 9,400 ft
Next mud weight: 11.500 ppg
Next setting BHP: 5,616 psi
Fracture mud wt: 19.250 ppg
Fracture depth: 2,200 ft
Injection pressure: 2,200 psi

Run Seq	Segment Length (ft)	Size (in)	Nominal Weight (lbs/ft)	Grade	End Finish	True Vert Depth (ft)	Measured Depth (ft)	Drift Diameter (in)	Internal Capacity (ft^3)
1	2200	9.625	32.30	H-40	ST&C	2200	2200	8.876	972.1

Run Seq	Collapse Load (psi)	Collapse Strength (psi)	Collapse Design Factor	Burst Load (psi)	Burst Strength (psi)	Burst Design Factor	Tension Load (Kips)	Tension Strength (Kips)	Tension Design Factor
1	960	1370	1.427 ✓	2200	2270	1.03 ✓	62	254	4.08 J ←

Prepared by: Helen Sadik-Macdonald
Div of Oil,Gas & Minerals
Phone: (801) 538-5357
FAX: (801) 359-3940
Date: December 11,2006
Salt Lake City, Utah

Remarks:
Collapse is based on a vertical depth of 2200 ft, a mud weight of 8.4 ppg The casing is considered to be evacuated for collapse purposes. Collapse strength is based on the Westcott, Dunlop & Kemler method of biaxial correction for tension.

Burst strength is not adjusted for tension.

Engineering responsibility for use of this design will be that of the purchaser.

Well name:	**2006-12 Kerr McGee NBU 1021-2N**
Operator:	**Kerr McGee Oil & Gas Onshore, LP**
String type:	Production
Project ID:	43-047-38840
Location:	Uintah County, Utah

Design parameters:

Collapse
Mud weight: 11.500 ppg
Design is based on evacuated pipe.

Burst
Max anticipated surface pressure: 3,548 psi
Internal gradient: 0.220 psi/ft
Calculated BHP 5,616 psi

No backup mud specified.

Minimum design factors:

Collapse:
Design factor 1.125

Burst:
Design factor 1.00

Tension:
8 Round STC: 1.80 (J)
8 Round LTC: 1.80 (J)
Buttress: 1.60 (J)
Premium: 1.50 (J)
Body yield: 1.50 (B)

Tension is based on buoyed weight.
Neutral point: 7,784 ft

Environment:
H2S considered? No
Surface temperature: 75 °F
Bottom hole temperature: 207 °F
Temperature gradient: 1.40 °F/100ft
Minimum section length: 1,500 ft

Cement top: Surface

Non-directional string.

Run Seq	Segment Length (ft)	Size (in)	Nominal Weight (lbs/ft)	Grade	End Finish	True Vert Depth (ft)	Measured Depth (ft)	Drift Diameter (in)	Internal Capacity (ft^3)
1	9400	4.5	11.60	I-80	LT&C	9400	9400	3.875	820.3

Run Seq	Collapse Load (psi)	Collapse Strength (psi)	Collapse Design Factor	Burst Load (psi)	Burst Strength (psi)	Burst Design Factor	Tension Load (Kips)	Tension Strength (Kips)	Tension Design Factor
1	5616	6360	1.133	5616	7780	1.39	90	212	2.35 J

Prepared by: Helen Sadik-Macdonald, Div of Oil,Gas & Minerals
Phone: (801) 538-5357
FAX: (801) 359-3940
Date: December 11,2006
Salt Lake City, Utah

Remarks:
Collapse is based on a vertical depth of 9400 ft, a mud weight of 11.5 ppg The casing is considered to be evacuated for collapse purposes. Collapse strength is based on the Westcott, Dunlop & Kemler method of biaxial correction for tension.

Burst strength is not adjusted for tension.

Engineering responsibility for use of this design will be that of the purchaser.

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

January 8, 2008

Kerr McGee Oil & Gas Onshore LP
1368 S 1200 E
Vernal, UT 84078

Re: NBU 1021-2N Well, 1253' FSL, 1545' FWL, SE SW, Sec. 2, T. 10 South, R. 21 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 43-047-38840.

Sincerely,

Gil Hunt
Associate Director

pab
Enclosures

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

1594 West North Temple, Suite 1210, PO Box 145801, Salt Lake City, UT 84114-5801
telephone (801) 538-5340 • facsimile (801) 359-3940 • TTY (801) 538-7458 • www.ogm.utah.gov

UTAH DNR OIL, GAS & MINING

Operator: Kerr McGee Oil & Gas Onshore LP

Well Name & Number NBU 1021-2N

API Number: 43-047-38840

Lease: ML-22452

Location: SE SW **Sec.** 2 **T.** 10 South **R.** 21 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**

   The operator is required to notify the Division of Oil, Gas and Mining of the following action during drilling of this well:

   - 24 hours prior to cementing or testing casing – contact Dan Jarvis
   - 24 hours prior to testing blowout prevention equipment – contact Dan Jarvis
   - 24 hours prior to spudding the well – contact Carol Daniels
   - Within 24 hours of any emergency changes made to the approved drilling program – contact Dustin Doucet
   - Prior to commencing operations to plug and abandon the well – contact Dan Jarvis

   The operator is required to get approval from the Division of Oil, Gas and Mining before performing any of the following actions during the drilling of this well:

   - Plugging and abandonment or significant plug back of this well – contact Dustin Doucet
   - Any changes to the approved drilling plan – contact Dustin Doucet

   The following are Division of Oil, Gas and Mining contacts and their telephone numbers (please leave a voice mail message if the person is not available to take the call):

   - Dan Jarvis at: (801) 538-5338 office (801) 942-0873 home
   - Carol Daniels at: (801) 538-5284 office
   - Dustin Doucet at: (801) 538-5281 office (801) 733-0983 home

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. Compliance with the State of Utah Antiquities Act forbids disturbance of archeological, historical, or paleontological remains. Should archeological, historical or paleontological remains be encountered during your operations, you are required to immediately suspend all operations and immediately inform the Trust Lands Administration and the Division of State History of the discovery of such remains.

5. Compliance with the Conditions of Approval/Application for Permit to Drill outlined in the Statement of Basis. (Copy Attached)

6. In accordance with Order in Cause No. 190-5(b) dated October 28, 1982, the Operator shall comply with requirements of Rules R649-3-31 and R649-3-27 pertaining to Designated Oil Shale Areas. Additionally, the operator shall ensure that the surface and/or production casing is properly cemented over the entire oil shale interval as defined by Rule R649-3-31. The Operator shall report the actual depth the oil shale is encountered to the Division.

7. Surface casing shall be cemented to the surface.

From: Ed Bonner
To: Mason, Diana
Date: 1/8/2008 12:05 PM
Subject: Well Clearance

CC: Davis, Jim; Garrison, LaVonne; Hill, Brad; Jarvis, Dan

The following wells have been given cultural resources clearance by the Trust Lands Cultural Resources Group:

ConocoPhillips Company
Utah 29-574D (API 43 015 30735)

EOG Resources, Inc
CWU 956-32 (API 43 047 39515)

Kerr McGee Oil & Gas Onshore LP
NBU 1021-2N (API 43 047 38840)

Newfield Production Company
Wells Draw Fed C-5-9-16 (API 43 013 33753)
State 1A-16-9-16 (API 43 013 33845)
State 2A-16-9-16 (API 43 013 33846)
State 3-16-9-16 (API 43 013 33847)
State 4-16-9-16 (API 43 013 33848)
State 5-16-9-16 (API 43 013 33849)
State 6-16-9-16 (API 43 013 33850)
State 12-16-9-16 (API 43 013 33852)
State 13-16-9-16 (API 43 013 33853)
State 16-16-9-16 (API 43 013 33854)

Pioneer Natural Resources USA, Inc
Main Canyon State 12-16-15-23 (API 43 047 39695)
Main Canyon State 34-21-15-23 (API 43 047 39696)
Horse Point State 34-10-16-23 (API 43 019 31558)
Horse Point State 41-1-16-23 (API 43 019 31599)
Grand Canyon State 23-35-15.5-23 (API 43 019 31560)

If you have any questions regarding this matter please give me a call.

Form 9

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

6. Lease Designation and Serial Number: ML-22452

SUNDRY NOTICES AND REPORTS ON WELLS

Do not use this form for proposals to drill new wells, deepen existing wells, or to reenter plugged and abandoned wells. Use APPLICATION FOR PERMIT -- for such proposals

7. Indian Allottee or Tribe Name:

8. Unit or Communitization Agreement: UNIT #891008900A

1. Type of Well: [ ] Oil Well [X] Gas Well [ ] Other (specify)

9. Well Name and Number: NBU 1021-2N

2. Name of Operator: Kerr McGee Oil and Gas Onshore L.P.

10. API Well Number: 43-047-388-40

3. Address of Operator: 1099 18th St. Denver, CO 80202

4. Telephone Number: 720-929-6038

11. Field and Pool, or Wildcat: NATURAL BUTTES

5. Location of Well
Footage : 1253' FSL 1545' FWL
QQ, Sec, T., R., M : SESW Sect 2 10S 21E
County : Uintah
State : Utah

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

NOTICE OF INTENT
(Submit in Duplicate)

- [ ] Abandonment
- [ ] Casing Repair
- [ ] Change of Plans
- [ ] Conversion to Injection
- [ ] Fracture Treat
- [ ] Multiple Completion
- [ ] New Construction
- [ ] Pull or Alter Casing
- [ ] Recompletion
- [ ] Shoot or Acidize
- [ ] Vent or Flare
- [ ] Water Shut-Off
- [X] Other Apd Extension

Approximate Date Work Will Start: _____

SUBSEQUENT REPORT
(Submit Original Form Only)

- [ ] Abandonment *
- [ ] Casing Repair
- [ ] Change of Plans
- [ ] Conversion to Injection
- [ ] Fracture Treat
- [ ] New Construction
- [ ] Pull or Alter Casing
- [ ] Shoot or Acidize
- [ ] Vent or Flare
- [ ] Water Shut-Off
- [x] Other ~~APD Extension~~

Date of Work Completion: _____

Report results of Multiple Completions and Recompletions to different reservoirs on WELL COMPLETION OR RECOMPLETION AND LOG form.
* Must be accompanied by a cement verification report.

13. DESCRIBE PROPOSED OR COMPLETED OPERATIONS (Clearly state all pertinent details, and give pertinent dates. If well is directionally drilled, give subsurface locations and measured and true vertical depths for all markers and zones pertinent to this work.)

THE OPERATOR REQUESTS AUTHORIZATION FOR A ONE YEAR EXTENSION FOR THE SUBJECT WELL LOCATION SO THAT THE DRILLING OPERATIONS MAY BE COMPLETED. THE ORIGINAL APD WAS APPROVED BY THE DIVISION OF OIL AND GAS JANUARY 1, 2008.

Approved by the
Utah Division of
Oil, Gas and Mining

COPY SENT TO OPERATOR
Date: 2.5.2009
Initials: KS

Date: 02-02-09
By: _____

14. I hereby certify that the foregoing is true and correct.

Name & Signature: Elizabeth Smith | Elizabeth Smith | Title: Regulatory Analyst | Date: 01/07/09

(State Use Only)

RECEIVED
JAN 29 2009
DIV. OF OIL, GAS & MINING

RECEIVED
JAN 08 2009
DIV. OF OIL, GAS & MINING

(8/90) See Instructions on Reverse Side

RESET

Application for Permit to Drill
Request for Permit Extension
Validation
(this form should accompany the Sundry Notice requesting permit extension)

API: 4304738840
Well Name: NBU 1021-2N
Location: 1253' FSL 1545' FWL SESW Sec 2 10S 21E
Company Permit Issued to: Kerr McGee Oil and Gas Onshore, L.P.
Date Original Permit Issued: 1/1/2008

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

1/29/2009
Date

Title: Regulatory Analyst

Representing: Kerr McGee Oil and Gas Onshore, L.P.

RECEIVED
JAN 29 2009
DIV. OF OIL, GAS & MINING

GARY R. HERBERT
Governor
GREGORY S. BELL
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

January 25, 2011

Kerr-McGee Oil & Gas Onshore, L.P.
P.O. Box 173779
Denver, CO 80217

Re: APD Rescinded – NBU 1021-2N, Sec. 2, T. 10S, R. 21E, Uintah County, Utah, API No. 43-047-38840

Dear Ms. Piernot:

The Application for Permit to Drill (APD) for the subject well was approved by the Division of Oil, Gas and Mining (Division) on January 8, 2008. On February 2, 2009 and February 1, 2010 the Division granted a one-year APD extension. No drilling activity at this location has been reported to the division. Therefore, approval to drill the well is hereby rescinded, effective January 25, 2011.

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
SITLA, Ed Bonner

1594 West North Temple, Suite 1210, PO Box 145801, Salt Lake City, UT 84114 -5801
telephone (801) 538-5340 • facsimile (801) 359-3940 • TTY (801) 538-7458 • *www.ogm.utah.gov*

UTAH DNR OIL, GAS & MINING