



August 17, 2006

Utah Division of Oil, Gas, and Mining
1594 West North Temple, Suite 1210
Salt Lake City, UT 84114-5801

**RE: Exception Location
Argyle 8-43
212' FSL, 2432' FEL
SWSE Section 8-7S-20E
Uintah County, UT**

To Whom It May Concern:

Please refer to the State Oil and Gas Conservation Rule R649-3-3. The Argyle 8-43 is an exception to siting requirements of R649-3-2 because it is not located within 200 feet from the center of the 40-acre quarter-quarter section.

The exception is necessary to accommodate the request of the surface owner to avoid placing the well and access road in the center of an irrigated hay pasture.

This proposed well location is within the Aurora "Deep" Unit which Elk Resources, Inc. is the Operator and controls 100% of the working interest ownership of the adjacent working interest tracts pursuant to a Farmout Agreement with EnCana Oil & Gas (USA), Inc. and the Aurora Deep Unit Operating Agreement. EnCana's concurrence to this 8-43 location is noted in the Designation of Agent or Operator form (Form 5). There are no additional lease owners within 460 feet of the proposed well location. The proposed well is not being drilled less than 920 feet from any other well capable of producing oil or gas. See attached plat.

If you have any questions, please contact me.

Sincerely,

Karin Kuhn

Sr. Engineering Technician

ELK RESOURCES, INC.

1401 17TH STREET, SUITE 700, DENVER, COLORADO 80202

PHONE: (303) 296-4505 FAX: (303) 296-4506 E-MAIL: POSTMASTER@ELKRESOURCES.NET

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November 14, 2006

VIA OVERNIGHT MAIL

Diana Whitney
Utah Division of Oil, Gas and Mining
1594 West North Temple, Suite 1210
Salt Lake City, UT 84116

**RE: Application for Permit to Drill
Argyle 8-43
SWSE Section 8, T7S-20E SLB&M
Uintah County, UT**

Dear Diana:

Enclosed is our Application for Permit to Drill for the subject well location. Please keep this application "**CONFIDENTIAL**". Included with the APD is the following supplemental information:

Survey plats, location map with access corridors, and layouts of the proposed well site;
Drilling Plan;
Typical BOP and Choke Manifold diagrams;
Surface Use Plan;
Form 5;
Exception Location Letter and Plat;
Surface Damage Agreement

Should you require any additional information, please contact me or Layle Robb at (303) 296-4505.

Sincerely,

Karin Kuhn
Sr. Engineering Technician

Enclosures

ELK RESOURCES, INC.
1401 17TH STREET, SUITE 700, DENVER, COLORADO 80202
PHONE: (303) 296-4505 FAX: (303) 296-4506 E-MAIL: POSTMASTER@ELKRESOURCES.NET

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: Fee | 6. SURFACE: Fee |
| 1A. TYPE OF WORK: DRILL <input checked="" type="checkbox"/> REENTER <input type="checkbox"/> DEEPEN <input type="checkbox"/> | | 7. IF INDIAN, ALLOTTEE OR TRIBE NAME: NA | |
| B. TYPE OF WELL: OIL <input type="checkbox"/> GAS <input checked="" type="checkbox"/> OTHER _____ SINGLE ZONE <input type="checkbox"/> MULTIPLE ZONE <input checked="" type="checkbox"/> | | 8. UNIT or CA AGREEMENT NAME: NA Aurora Deep Unit | |
| 2. NAME OF OPERATOR: Elk Resources, Inc. | | 9. WELL NAME and NUMBER: Argyle 8-43 | |
| 3. ADDRESS OF OPERATOR: 1401 17th St., Suite 700 CITY Denver STATE CO ZIP 80202 | | PHONE NUMBER: (303) 296-4505 | 10. FIELD AND POOL, OR WILDCAT: Wildcat |
| 4. LOCATION OF WELL (FOOTAGES) AT SURFACE: 212' FSL, 2432' FEL AT PROPOSED PRODUCING ZONE: 212' FSL, 2432' FEL | | 11. QTR/QTR, SECTION, TOWNSHIP, RANGE, MERIDIAN: SWSE 8 7S 20E S | |
| 14. DISTANCE IN MILES AND DIRECTION FROM NEAREST TOWN OR POST OFFICE: Approx. 21.55 miles southwest of Vernal, UT | | 12. COUNTY: Uintah | 13. STATE: UTAH |
| 15. DISTANCE TO NEAREST PROPERTY OR LEASE LINE (FEET) 212' | 16. NUMBER OF ACRES IN LEASE: 40 | 17. NUMBER OF ACRES ASSIGNED TO THIS WELL: 40 | |
| 18. DISTANCE TO NEAREST WELL (DRILLING, COMPLETED, OR APPLIED FOR) ON THIS LEASE (FEET) NA | 19. PROPOSED DEPTH: 15,700 | 20. BOND DESCRIPTION: B000969 | |
| 21. ELEVATIONS (SHOW WHETHER DF, RT, GR, ETC.): 4879' GR | 22. APPROXIMATE DATE WORK WILL START: 1/1/2007 | 23. ESTIMATED DURATION: 60 Days + 30 Days Completion | |

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-109.62159

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 |
|--------------|---|---------------|---|
| 17 1/2 | 13 3/8" H-40 48# | 880 | 765 Class V See drlg plan |
| 12 1/4 | 10 3/4" N-80 51# | 5,000 | See drlg plan |
| 9 1/2" | 7 5/8" P-110 33.7# | 11,000 | See drlg plan |
| 6 1/2" | 5" P-110 18# | 15,700 | See drlg plan |
| | | | |
| | | | |

25. **ATTACHMENTS**

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

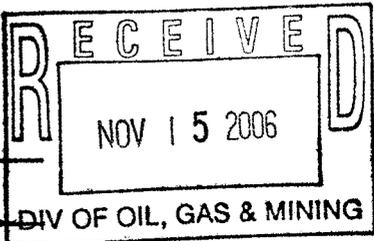
| | |
|--|---|
| <input checked="" type="checkbox"/> WELL PLAT OR MAP PREPARED BY LICENSED SURVEYOR OR ENGINEER | <input checked="" type="checkbox"/> COMPLETE DRILLING PLAN |
| <input type="checkbox"/> EVIDENCE OF DIVISION OF WATER RIGHTS APPROVAL FOR USE OF WATER | <input checked="" type="checkbox"/> FORM 5, IF OPERATOR IS PERSON OR COMPANY OTHER THAN THE LEASE OWNER |

NAME (PLEASE PRINT) Karin Kuhn TITLE Sr. Engineering Technician

SIGNATURE *Karin Kuhn* DATE 11/2/2006

(This space for State use only)

**Approved by the
Utah Division of
Oil, Gas and Mining**



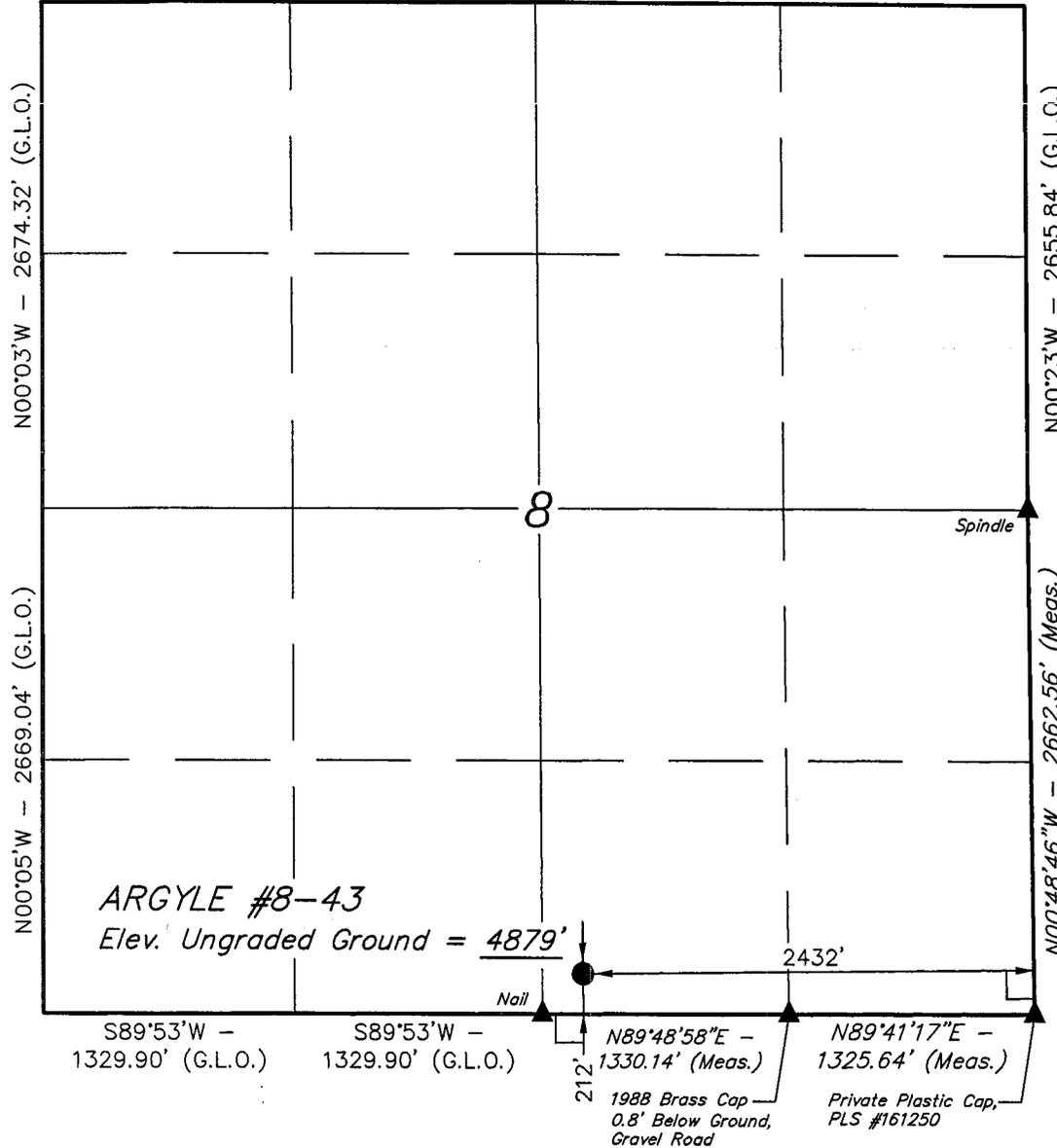
API NUMBER ASSIGNED: 43-047-38866

APPROVAL:
Date: 01-31-07
By: *[Signature]*
(See Instructions on Reverse Side)

T7S, R20E, S.L.B.&M.

N89°57'W - 2630.76' (G.L.O.)

N89°55'W - 2639.34' (G.L.O.)



LEGEND:

- └─┘ = 90° SYMBOL
- = PROPOSED WELL HEAD.
- ▲ = SECTION CORNERS LOCATED.

(AUTONOMOUS NAD 83)
 LATITUDE = 40°13'06.47" (40.218464)
 LONGITUDE = 109°41'34.45" (109.692903)
 (AUTONOMOUS NAD 27)
 LATITUDE = 40°13'06.61" (40.218503)
 LONGITUDE = 109°41'31.94" (109.692206)

ELK RESOURCES, INC.

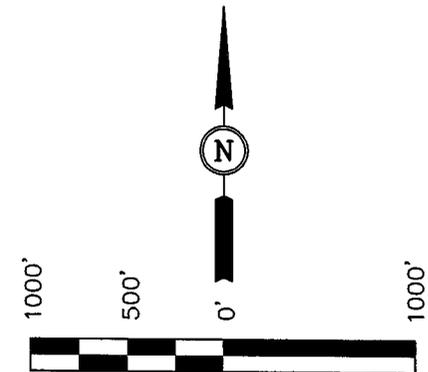
Well location, ARGYLE #8-43, located as shown in the SW 1/4 SE 1/4 of Section 8, T7S, R20E, S.L.B.&M. Uintah County, Utah.

BASIS OF ELEVATION

BENCH MARK (38EAM) LOCATED IN THE SW 1/4 OF SECTION 9, T7S, R20E, S.L.B.&M. TAKEN FROM THE PELICAN LAKE QUADRANGLE, UTAH, UINTAH COUNTY, 7.5 MINUTE SERIES (TOPOGRAPHICAL MAP) PUBLISHED BY THE UNITED STATES DEPARTMENT OF THE INTERIOR, GEOLOGICAL SURVEY. SAID ELEVATION IS MARKED AS BEING 4942 FEET.

BASIS OF BEARINGS

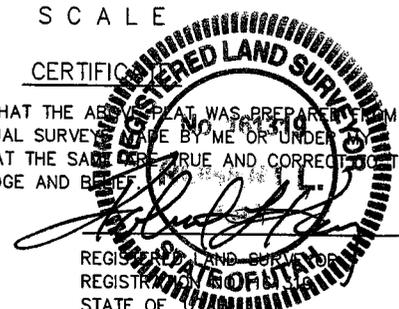
BASIS OF BEARINGS IS A G.P.S. OBSERVATION.



SCALE

CERTIFICATE

THIS IS TO CERTIFY THAT THE ABOVE PLAT WAS PREPARED FROM FIELD NOTES OF ACTUAL SURVEY 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
 REGISTERED IN THE STATE OF UTAH

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

| | | |
|-------------------------|-----------------------------|-------------------------|
| SCALE 1" = 1000' | DATE SURVEYED: 01-26-06 | DATE DRAWN: 02-15-06 |
| PARTY D.A. C.F. P.M. | REFERENCES G.L.O. PLAT | |
| WEATHER COLD | FILE ELK RESOURCES, INC. | |

DRILLING PLAN

Elk Resources, Inc.
Argyle 8-43
SW/SE of Section 8, T-7-S, R-20-E, S.L.B. & M.
Uintah County, Utah

1,2,3 Estimated Tops of Geological Markers and Formations Expected to Contain Water, Oil and Gas and Other Minerals

| <u>Formation</u> | <u>Depth</u> |
|------------------|--------------|
| Uinta | 1365' |
| Green River | 3720'* |
| Wasatch | 7600'* |
| Mesaverde | 11200'* |
| Castlegate | 14385' |
| Mancos | 14565' |
| Mancos B | 15229'* |
| Proposed TD | 15700' |

PROSPECTIVE PAY* oil and gas

4 Casing Program

| <u>HOLE SIZE</u> | <u>SETTING DEPTH</u> | | <u>SIZE</u> | <u>WEIGHT</u> | <u>GRADE</u> | <u>THREAD</u> | <u>COND.</u> |
|----------------------|----------------------|-----------|-------------|---------------|--------------|---------------|--------------|
| | <u>from</u> | <u>to</u> | | | | | |
| 26" | surface | 50-75' | 20" | | | | |
| 17 1/2" | surface | 880' | 13 3/8" | 48# | H-40 | ST&C | New |
| 12 1/4" | surface | *5,000' | 10 3/4" | 51# | N-80 | ST&C | New |
| 9 1/2" | surface | ±11,000' | 7 5/8" | 33.7# | P-110 | LT&C | New |
| 6 1/2" | surface | 15,700' | 5" | 18# | P-110 | LT&C | New |

*Contingency string to be used if the "Birds Nest" loss zone is encountered.

5 Cementing Program

| | |
|---------------|---|
| 20" Conductor | Ready mix |
| 13 3/8" | 765 sx Class V + 2% CaCl + 1/4 pps Flocele: 15.6 ppg, 1.2 cf/sk (50% excess). Cement to surface, top out as needed. |
| 10 3/4" | Stage 1: 275 sx 50/50 Poz + 2% gel + 6% Halad-322 + 1 pps Granulite + 5% salt + 1/4 pps Flocele; 14.4 ppg, 1.41 cf/sk (15% excess). |
| DV @ ±3200' | Stage 2: Lead 230 sx HiFill + 16% gel + 0.75% Econolite + 7.5 pps gilsonite + 1/4 Flocele; 11.0 ppg, 3.81 cf/sk (200% excess). Tail 200 sx 50/50 Poz + 2% gel + 6% Halad-322 + 1 pps Granulate + 5% salt. Cement to surface, top cement as needed. |

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7 5/8" Stage 1: 400 sx 50/50 Poz + 2% gel + 6% Halad-322 + 1 pps Granulite + 5% salt + ¼ pps Flocele; 14.4 ppg, 1.41 cf/sk (no excess)
 DV @ ±7800' Stage 2: Lead 260 sx HiFill + 16% gel + 0.75% Econolite + 7.5 pps gilsonite + ¼ Flocele; 11.0 ppg, 3.81 cf/sx (200% excess). **NOTE: If 10 3/4" OD casing is not run, protect to 2000' w/ 930 sx instead of 150 sx.**
 Tail 250 sx 50/50 Poz + 2% gel + 6% Halad-322 + 1 pps Granulate + 5% salt + ¼ pps Flocele; 14.4 ppg, 1.41 cf/sk. Cement top to be 500' into 10 ¾" protection string.

5" 380 sx 50/50 Poz 2% gel + 0.3% CFR-3 + 0.15% HR+12 + 20% SSA-1 + 0.4% Halad-344; 14.35 ppg, 1.41 cf/sk (35% excess). Cement top to be a minimum of 500' into 7 5/8" intermediate string.

6 Mud Program

Elk Production, LLC will record slow pump speed on daily drilling report after mudding up.

Elk shall use electronic/mechanical mud monitoring equipment, which shall include a pit volume totalizer (PVT); stroke counter; and flow sensor.

A mud test will be performed at least every 24 hours after mudding up to determine density, viscosity, gel strength, filtration, and pH.

Gas-detecting equipment will be installed and operated in the mud-return system.

A flare system will be used that gathers and burns all gas. The flare line(s) shall discharge at least 100 feet from the well head with straight lines and shall be positioned downwind of the prevailing wind direction and shall be anchored.

A mud-gas separator (gas buster) shall be used from surface casing to TD.

As per 43 CFR 3160, Onshore Oil and Gas Order No. 2, Drilling Operations, C. Mud Program Requirements.

| <u>INTERVAL</u> | <u>WEIGHT</u> | <u>VISCOSITY</u> | <u>FLUID LOSS</u> | <u>REMARKS</u> |
|-----------------|---------------|------------------|-------------------|-----------------|
| Surf. - 880' | N/A | | | Water |
| 880 - 4500' | 8.4 / 8.6 ppg | 32 | NC | Spud Mud |
| 4500 - 10000' | 8.4 / 9.0 ppg | 28 | NC | KCL Water/Gel |
| 10000 - 15700' | 9.0/12.0 ppg | 34 | 10 | KCL/Gel/Polymer |

7 BOP and Pressure Containment Data

Depth Intervals

Surf. - 1000'
 1000' - 10000'
 10000' - TD

BOP Equipment

None
 5000# Ram type double BOP and annular
 10,000# Ram type double BOP and 5000# annular

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Drilling spool to accommodate choke and kill lines.

Estimated bottom-hole pressure at TD will be 9500 psi. Drilling spool to accommodate choke and kill lines.

ANCILLARY EQUIPMENT AND CHOKE MANIFOLD RATED AT 5,000# OR 10,000# AS NEEDED TO MATCH BOPE. ALL BOP AND BOPE TESTS WILL BE IN ACCORDANCE WITH THE REQUIREMENTS OF THE STATE OF UTAH.

THE STATE OF UTAH, DIVISION OF OIL, GAS AND MINING WILL BE NOTIFIED 24 HOURS IN ADVANCE OF ALL BOP PRESSURE TESTS.

8 **Auxiliary equipment**

- a) Upper and Lower Kelly cock
- b) Floor stabbing valve 5000#
- c) Safety valve(s) and subs to fit all string connections in use

9 **Testing, Logging and Core Programs**

| | |
|----------|---|
| Cores | None anticipated |
| Testing | None anticipated |
| Sampling | 10' samples; surface casing to TD. |
| Surveys | Run every 1000' and on trips |
| Logging | Resistivity, neutron density, and caliper from TD to surface casing. Gamma ray from TD to surface |

10 **Anticipated Abnormal Pressures or Temperatures**

None anticipated.

11 **Drilling Schedule**

| | |
|----------|--|
| Spud | Approximately January 1, 2007 |
| Duration | 30 days drilling time 30 days completion time |

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HAZARDOUS MATERIAL DECLARATION

Argyle 8-43

Elk Resources, Inc. guarantees that during the drilling and completion of the above referenced well, we will not use, produce, or store, transport or dispose 10,000# annually of any of the hazardous chemicals contained in the Environmental Protection Agency's consolidated list of chemicals subject to reporting under Title III Super Amendments and Reauthorization Act (SARA) of 1986.

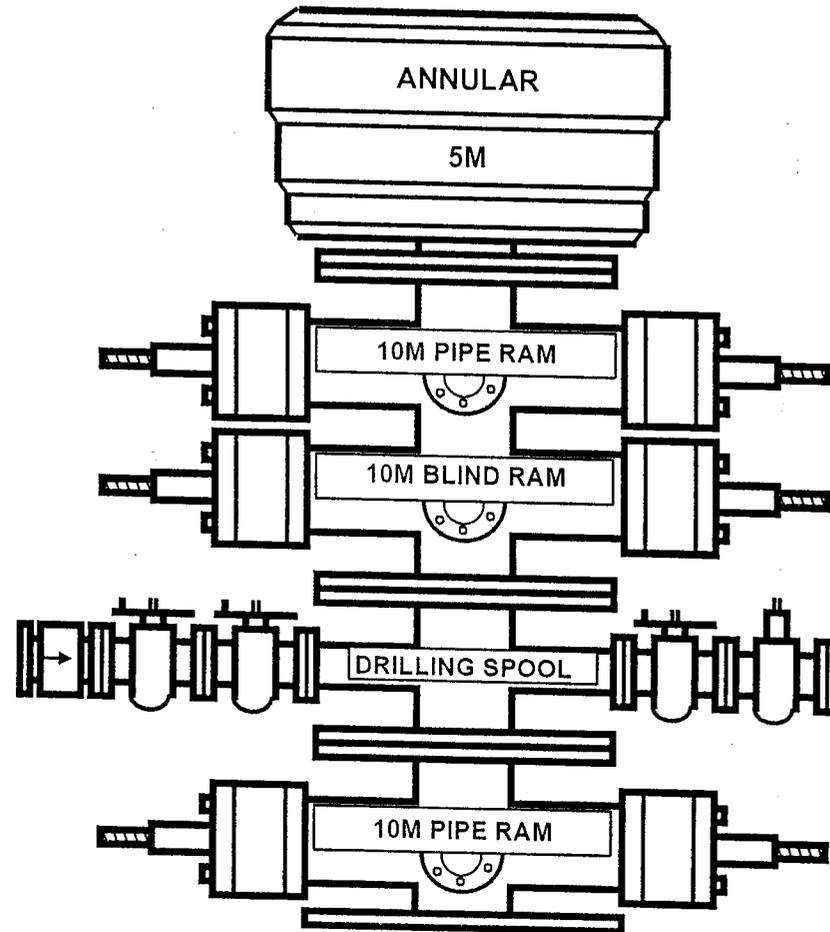
Elk Resources, Inc. guarantees that during the drilling and completion of the above referenced well, we will use, produce, store, transport, or dispose less than the threshold planning quantity (TPQ) of any extremely hazardous substances as defined in 40 CFR 355.

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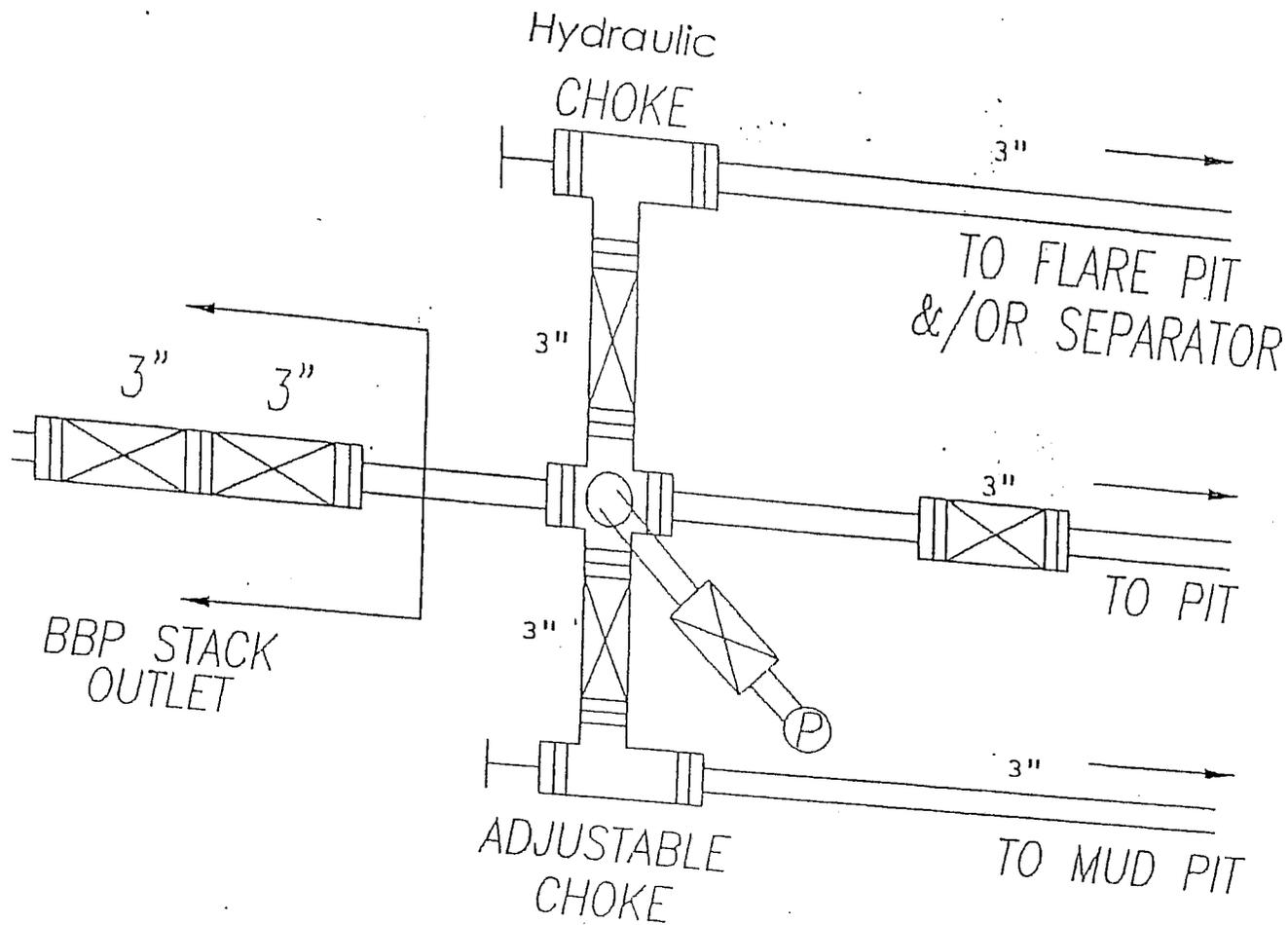
TYPICAL BLOWOUT PREVENTER

ROTARY

7 1/16" 10M BOP STACK



CHOKE MANIFOLD



SURFACE USE PLAN

Argyle 8-43

Attachment to Permit to Drill

The dirt contractor will be provided with an approved copy of the surface use plan of operations before initiating construction.

The onsite inspection for the referenced well is pending with the Division of Oil, Gas and Mining and the landowner:

1. Existing Roads:

- a. The proposed well site is located approximately 21.55 miles South-southwesterly of Vernal, Utah.
- b. The following are directions to the proposed well site:
Proceed in a Southerly direction from Vernal, Utah along U.S. Highway 40 approximately 14 miles; go South on State Highway 88 for 7.0 miles to an existing road; head Northwesterly for 200'±, and then South on an existing road for approximately 0.15 miles to another existing road; then proceed West 0.4 miles to the access road; head North 30'± on the access road to the drilling location.
- c. The use of roads under Federal, State and County Road Department maintenance are necessary to access the Argyle 8-43 location. All existing roads will be maintained and kept in good repair during all phases of operation.
- d. Vehicle operators will obey posted speed restrictions and observe safe speeds commensurate with road and weather conditions.
- e. Since no improvements are anticipated to the State, County, or BLM access roads, no topsoil striping will occur.

2. Planned Access Roads:

- a. From the existing surface county road, a new access is proposed trending easterly approximately 30 feet to the proposed well site. The access consists of entirely new disturbance across previously cultivated ground and crosses no significant drainages.
- b. The proposed access road crosses surface owned by Blaine M. Argyle and Ellen T. Argyle. A copy of the fee surface damage agreement is attached.
- c. The proposed access road will consist of a 14' travel surface within a 30' disturbed area.

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- d. A maximum grade of 4% will be maintained throughout the project with no cuts and fills required to access the well.
- e. No turnouts are proposed since the access road is only 30 feet long and adequate site distance exists in all directions.
- f. No low water crossings are anticipated. Adequate drainage structures will be incorporated into the road.
- g. No surfacing material will come from Federal or SITLA lands.
- h. One gate is anticipated at this time as the fence is crossed leaving the paved surface.
- i. Surface disturbance and vehicular travel will be limited to the approved location access road.
- j. All access roads and surface disturbing activities will conform to the standards outlined in the pending fee surface use agreement.
- k. The operator will be responsible for all maintenance of the access road including drainage structures.

3. Location of Existing Wells:

- a. Enclosed is a map reflecting a one-mile radius of the proposed well; there is one producing well within this radius.

4. Location of Production Facilities:

- a. All permanent structures will be painted a flat, non-reflective Desert Brown to match the standard environmental colors. All facilities will be painted within six month of installation. Facilities required to comply with the Occupational Safety and Health Act (OSHA) may be excluded.
- b. If productive, a gas meter run will be constructed and located on lease within 500 feet of the wellhead. Meter runs will be housed and/or fenced. All gas production and measurement shall comply with the provisions of 43 CFR 3162.7-3, Onshore Oil and Gas Order No. 5, and American Gas Association (AGA) Report No. 3.
- c. If productive, a tank battery will be constructed on this lease, it will be surrounded by a dike of sufficient capacity to contain the storage capacity of the largest tank. All loading lines and valves will be placed inside the berm surrounding the tank battery. All liquid hydrocarbons production and measurement shall conform to the provisions of 43 CFR 3162.7-3 and Onshore Oil and Gas Order No. 4 and Onshore Oil and Gas Order No. 5 for oil and natural gas production and measurement.
- d. Any necessary pits will be properly fenced to prevent any wildlife and livestock entry.
- e. All access roads will be maintained as necessary to prevent erosion and accommodate year-round traffic. The road will be maintained in a safe useable condition.
- f. The site will require periodic maintenance to ensure that drainages are kept open and free of debris, ice, and snow, and that surfaces are properly treated to reduce erosion, fugitive dust, and impacts to adjacent areas.

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5. Location and Type of Water:

- a. Water for construction and drilling will be obtained through a direct purchase agreement with the local municipal water company.

6. Source of Construction Material:

- a. No construction materials will be removed from Ute Tribal, SITLA or BLM lands.
- b. If any gravel is used, it will be obtained from a State-approved gravel pit.

7. Methods of Handling Waste Disposal:

- a. All wastes associated with this application will be contained and disposed of utilizing approved facilities.
- b. Drill cuttings will be contained and buried onsite.
- c. The reserve pit will be located outboard of the location and along the northwest side of the pad.
- d. The reserve pit will be constructed so as not to leak, break, or allow any discharge.
- e. The reserve pit will be lined with 12-mil minimum thickness plastic nylon-reinforced liner material. The liner will overlay a felt pad only if rock is encountered during excavation. The pit liner will overlap the pit walls and be covered with dirt and/or rocks to hold it in place. No trash, scrap pipe, etc., that could puncture the liner will be disposed of in the pit. Pit walls will be sloped no greater than 2:1. A minimum 2-foot freeboard will be maintained in the pit at all times during the drilling and completion operation.
- f. The reserve pit has been located in cut material. Three sides of the reserve pit will be fenced before drilling starts. The fourth side will be fenced as soon as drilling is completed, and shall remain until the pit is dry. After the reserve pit has dried, all areas not needed for production will be rehabilitated.
- g. Trash will be contained in a trash cage and hauled away to an approved disposal site as necessary but no later than at the completion of drilling operations. The contents of the trash container will be hauled off periodically to the approved Uintah County Landfill near Vernal, Utah.
- h. Produced fluids from the well other than water will be produced into a test tank until such time as construction of production facilities is completed. Any spills of oil, gas, saltwater or other produced fluids will be cleaned up and removed.
- i. Any salts and/or chemicals, which are an integral part of the drilling system, will be disposed of in the same manner as the drilling fluid.
- j. Sanitary facilities will be onsite at all times during operations. Sewage will be placed in a portable chemical toilet and the toilet replaced periodically utilizing a licensed contractor to transport by truck the portable chemical toilet so that its contents can be delivered to the Vernal Wastewater Treatment Facility in accordance with State and County regulations.

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8. **Ancillary Facilities:**

- a. Garbage containers and portable toilets are the only ancillary facilities proposed in this application.

9. **Well Site Layout:**

- a. The well will be properly identified in accordance with State regulations.
- b. Access to the well pad will be from the south and west.
- c. The pad and road designs are consistent with State and Federal specifications.
- d. A pre-construction meeting with responsible company representative, contractors, landowner representatives and the Utah Division of Oil, Gas and Mining will be conducted at the project site prior to commencement of surface-disturbing activities. The pad and road will be construction-staked prior to this meeting.
- e. The pad has been staked at its maximum size; however, it will be constructed smaller if possible, depending upon rig availability. Should the layout change, this application will be amended and approved utilizing a sundry notice.
- f. All surface disturbing activities will be supervised by a qualified, responsible company representative who is aware of the terms and conditions of the APD and specification in the approved plans.
- g. All cut and fill slopes will be such that stability can be maintained for the life of the activity.
- h. The site surface will be graded to drain away from the pit to avoid pit spillage during large storm events.
- i. The stockpiled topsoil (first 6 inches or maximum available) will be stored in a window on the uphill side of the location to prevent any possible contamination. All topsoil will be stockpiled for reclamation in such a way as to prevent soil loss and contamination.
- j. Pits will remain fenced until site cleanup.
- k. The blooie line will be located at least 100 feet from the well head.
- l. Water injection may be implemented if necessary to minimize the amount of fugitive dust.

10. **Plans for Restoration of the Surface:**

- a. Site reclamation for a producing well will be accomplished for portions of the site not required for the continued operation of the well.
- b. The Operator will control noxious weeds along access road use authorizations, well sites, or other applicable facilities by spraying or mechanical removal. A list of noxious weeds may be obtained from the Utah Division of Oil, Gas and Mining or the appropriate County Extension Office.
- c. Upon well completion, any hydrocarbons in the pit shall be removed. Once the reserve pit is dry, the plastic nylon-reinforced liner shall be torn and perforated before backfilling of the reserve pit. The reserve pit and

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that portion of the location not needed for production facilities/operations will be recontoured to the approximate natural contours.

- d. The cut and fill slopes and all other disturbed areas not needed for the production operation will be top soiled and re-vegetated. The stockpiled topsoil will be evenly distributed over the disturbed area.
- e. Prior to reseeding the site, all disturbed areas, including the access road, will be scarified and left with a rough surface. The site will then be seeded and/or planted as prescribed by the landowner. The landowner recommended seed mix will be detailed within their surface-use documents.

11. Surface and Mineral Ownership:

- a. Surface Ownership: Blaine M. Argyle and Ellen T. Argyle, HC 69, Box 143, Randlett, Utah, 84063, (435) 545-2437
- b. Mineral Ownership: Blaine M. Argyle and Ellen T. Argyle

12. Other Information:

- a. A fee surface damage agreement with Blaine M. Argyle and Ellen T. Argyle

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13. Operator's Representative and Certification:

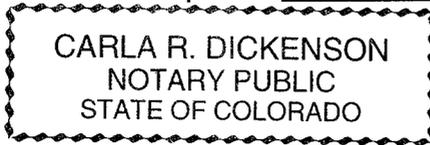
I hereby certify that I, or person under my direct supervision, have inspected the proposed drill site and access route; that I am familiar with the conditions which currently exist; that the statements made in the plan are, to the best of my knowledge, true and correct; and that the work associated with operations herein will be performed by _____, (construction contractor has not been determined) and its contractors and subcontractors in conformity with this plan and the terms and conditions under which it is approved. This statement is subject to the provisions of 18 U.S.C. 1001 for the filing of a false statement.

Name and Title *Layle L. Robb*
Layle L. Robb, Vice President of Northern Operations

STATE OF COLORADO
COUNTY OF DENVER

Subscribed and sworn to before me this 2nd day of November, 2006.

My commission Expires: _____



Notary Public My Commission Expires 09/07/2009

Carla R. Dickenson
11/02/06

DESIGNATION OF AGENT OR OPERATOR

The undersigned is, on record, the holder of oil and gas lease

LEASE NAME: Fee

LEASE NUMBER: Argyle 8-43

and hereby designates

NAME: Elk Resources, Inc.

ADDRESS: 1401 17th St., Suite 700

city Denver state CO zip 80202

as his (check one) agent / operator , with full authority to act in his behalf in complying with the terms of the lease and regulations applicable thereto and on whom the Division Director or Authorized Agent may serve written or oral instructions in securing compliance with the Oil and Gas Conservation General Rules and Procedural Rules of the Board of Oil, Gas and Mining of the State of Utah with respect to:

(Describe acreage to which this designation is applicable. Identify each oil and gas well by API number and name. Attach additional pages as needed.)
T7S R20E SLB&M, Section 8 W/2SE

It is understood that this designation of agent/operator does not relieve the lessee of responsibility for compliance with the terms of the lease and the Oil and Gas Conservation General Rules and Procedural Rules of the Board of Oil, Gas and Mining of the State of Utah. It is also understood that this designation of agent or operator does not constitute an assignment of any interest in the lease.

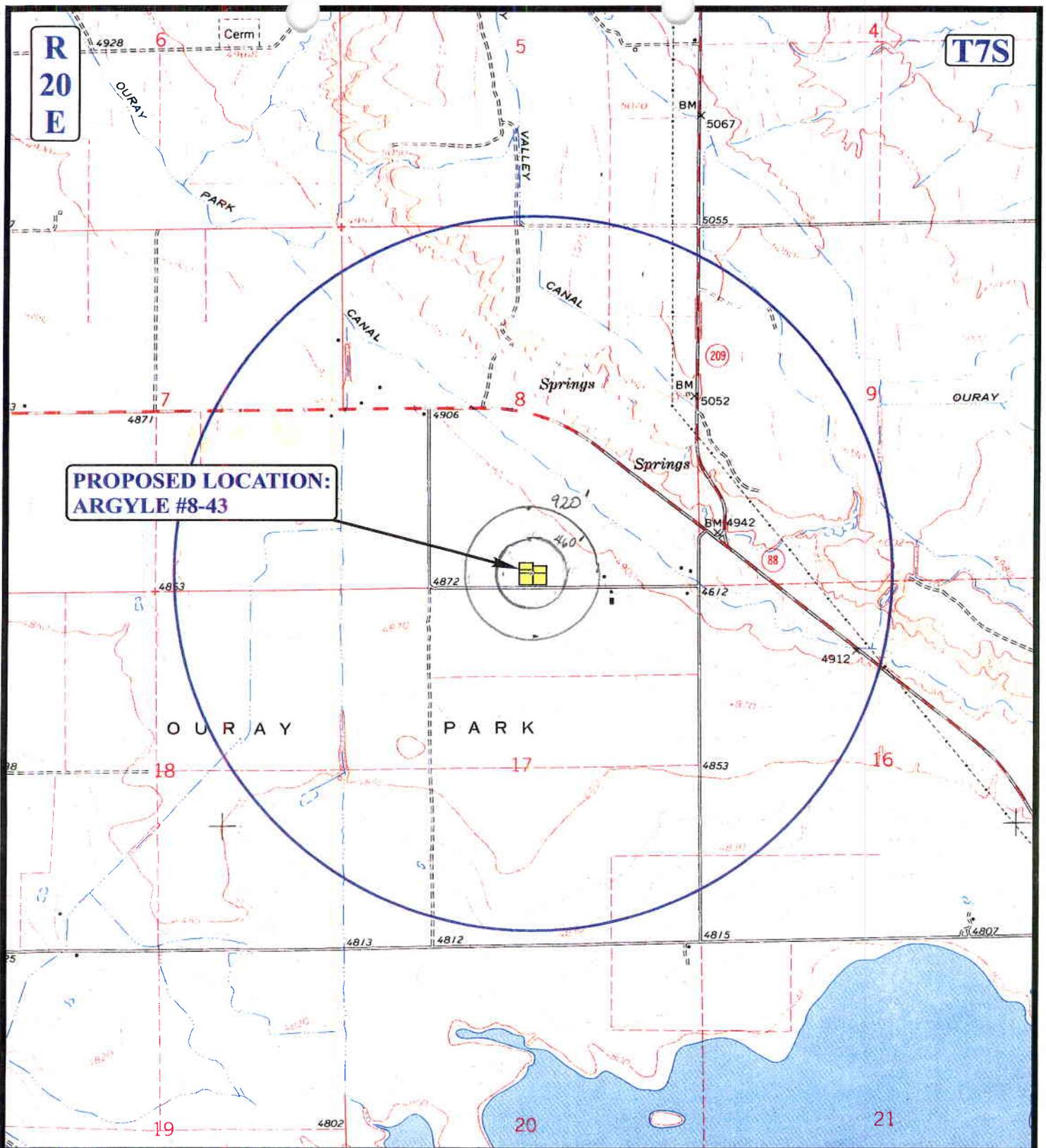
In case of default on the part of the designated agent/operator, the lessee will make full and prompt compliance with all rules, lease terms or orders of the Board of Oil, Gas and Mining of the State of Utah or its authorized representative.

The lessee agrees to promptly notify the Division Director or Authorized Agent of any change in this designation.

Effective Date of Designation: 5-30-06

BY: (Name) _____
(Signature) Douglas W. Jones
(Title) Attorney in Fact
(Phone) _____

OF: (Company) EnCana Oil & Gas (USA) Inc.
(Address) 370 17th Street, Suite 1700
city Denver
state CO zip 80202



**PROPOSED LOCATION:
ARGYLE #8-43**

LEGEND:

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

ELK RESOURCES, INC.

**ARGYLE #8-43
SECTION 8, T7S, R20E, S.L.B.&M.
212' FSL 2432' FEL**



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



**TOPOGRAPHIC
MAP**

| | | |
|-----------|-----------|-----------|
| 02 | 23 | 06 |
| MONTH | DAY | YEAR |

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



CONFIDENTIAL

SURFACE DAMAGE AGREEMENT
(ARGYLE #8-43 LOCATION)

THIS AGREEMENT dated April, 2006 between Blaine M. Argyle and Ellen T. Argyle, whose address is HC 69, Box 143, Randlett, Utah 84063, hereinafter referred to as "Surface Owner", and Elk Resources, Inc., whose address is 1401 17th Street, Suite 700, Denver, CO 80202 hereinafter referred to as "Operator".

WITNESSETH:

WHEREAS, Surface Owner represents that they are the owners in fee and in possession of the surface estate for the following described lands in Uintah County, Utah, hereinafter referred to as "Lands", to wit:

A Tract of land lying in the **SW/4SE/4 of Section 8, Township 7 South, Range 20 East** containing **3.887** acres, more or less and more fully described on Exhibit "A" attached hereto and made a part hereof.

WHEREAS, Operator has or will acquire certain leasehold interests in the oil and gas mineral estate in the Lands and proposes to conduct drilling and subsequent production operations on the Lands; and

WHEREAS, Surface Owner is generally aware of the nature of the operations which may be conducted under oil and gas leases covering the mineral estate of the Lands; and

WHEREAS, the parties believe that it is in their mutual best interest to agree to the amount of damages to be assessed incident to the operations of Operator on the premises in the exploration for, development and production of oil, gas and/or other leasehold substances under the terms of those certain oil and gas leases now owned or which may be acquired by Operator covering portions of the mineral estate of the Lands; and,

WHEREAS, the parties believe that a reasonable estimate can be made of the damages which will result from the exploration, development and production operations contemplated by such oil and gas leases.

NOW, THEREFORE, in consideration of ten dollars and other valuable consideration, the sufficiency of which is hereby acknowledged, the parties agree as follows:

1. Operator has the right of ingress and egress and to the use of those portions of the Lands which it requires for oil and gas exploration, development and production operations, including tank batteries and other production facilities and the transportation of produced substances from the leasehold, and also the right to construct and use roads and pipelines across portions of the Lands. Operator shall pay Surface Owner as liquidated damages the following sum as full settlement and satisfaction of all damages growing out of, incident to, or in connection with the usual and customary exploration, drilling, completion, sidetracking, reworking, equipping and production operations, contemplated by the oil and gas leases covering the Lands, unless otherwise specifically provided herein:

a. Wellsites and Access. For the said Argyle #8-43 wellsite and the new access road to be constructed and located on the Lands, together with any lands used for production facilities or other necessary facilities in connection with the wellsites. If, by reasons directly resulting from the operations of Operator, there is damage to real or personal property upon the Lands which is not associated with usual and customary operations, such as (but not limited to) damage to livestock, structures, buildings, fences, culverts, cement ditches, irrigation systems, and natural water ways, such damage will be repaired or replaced by Operator, or Operator will pay reasonable compensation to Surface Owner for such additional damage.

b. Power Lines and Pipelines. For each new power line or new pipeline installed by Operator, Operator shall pay to Owner the sum of Ten dollars (\$10.00) per rod for each such line. Operator shall be responsible for back filling, re-packing, re-seeding, and re-contouring the surface so as not to interfere with Owner's operations. Operator shall provide Owner with a survey showing the location of all power lines, pipelines and gathering systems promptly after their installation. All pipelines and gathering systems located by Operator on the Lands shall be buried to a depth of at least three (3) feet below the surface, and surface marked in accordance with industry standards. All easements and rights-of-way for power lines and pipelines shall be fifty (50) feet in width during initial construction and reclamation activities, and after completion of initial construction and reclamation activities such easements and rights-of-way shall revert to twenty-five (25) feet in width being twelve and one-half (12.5) feet on each side of the centerline of the line. Notwithstanding, Operator shall have the right to temporarily lay pipelines on the surface for a period not to exceed three years with the consent of the Owner, which consent shall not be unreasonably withheld. All power lines shall be installed underground to a depth of at least three (3) feet below the surface whenever reasonably practical to do so.

2. Operator agrees to consult with the surface owner and/or tenant as to all routes of ingress and egress. Prior to the construction of any roads, pipelines, tank battery installations, or installation of any other equipment on the leased premises, Operator shall consult with the surface owner and/or tenant as to the location and direction of same.

3. It is the intention of the parties hereto to cause as little interference with farming operations on the leased premises as reasonably possible, including but specifically not limited to the operation of any pivotal irrigation sprinkler system, or any other irrigation method. If any circular irrigation sprinkler system is in use at the time of initial drilling operations on the leased premises, then any subsequent production equipment, including but specifically not limited to pump jacks, hydraulic lifting equipment, or any other equipment necessary to produce any oil or gas from such well, shall be recessed to such depths, or ramps constructed, so as to allow the continued use of such circular irrigation system.

4. In the event any well hereunder is plugged and abandoned, Operator agrees that Operator will, within a reasonable time, restore Surface Owner's surface estate as near as practical to its original condition found prior to Operator's operations. It is understood and agreed that Surface Owner may elect in writing, prior to cessation of operations of Operator, to have any road constructed under the terms of this Agreement remain upon the property, in which event Operator agrees to leave such road or roads in reasonable condition.

5. Operator is responsible for acquiring all necessary permits, licenses, fees, etc. incident to its operations on the Lands.

6. In the event Surface Owner considers that Operator has not complied with all its obligations hereunder, both express and implied, Surface Owner shall notify Operator in writing, setting out specifically in what respects Operator has breached this contract. Operator shall then have sixty (60) days to meet or commence to meet all or any part of the breaches alleged by Surface Owner. The service of said notice shall be precedent to the bringing of any action by Surface Owner for any cause, and no such action shall be brought until the lapse of sixty (60) days after service of such notice on Operator. In the event of litigation, the prevailing party's reasonable attorney's fees will be paid by the opposing party.

7. Operator shall be responsible and shall remain liable for any environmental problems on the subject lands which are caused by or through its operations. To the extent that any such claims are asserted, Operator will be responsible for any remediation required as provided by state regulations. This assumption of liability, however, does not include any third-party operations on the subject lands or any Surface Owner actions which could cause environmental problems but is limited solely to the actions of Operator. Operator hereby indemnifies and holds harmless Surface Owner from any and all environmental problems it causes on the Lands.

8. In the event Surface Owner owns less than the entire fee interest in the Lands, then any payment stated herein shall be proportionately reduced to the interest owned.

9. This Agreement shall remain in full force and effect from the date hereof and for so long thereafter as Operator's oil and gas operations affecting the Lands are in effect.

10. When the word "Operator" is used in this Agreement, it shall also mean the successors and assigns of Operator, including but not limited to its employees and officers, agents, affiliates, contractors, subcontractors and/or purchasers.

11. This Agreement shall be binding upon and inure to the benefit of the heirs, successors and assigns of the parties.

ADDITIONAL PROVISIONS:

-Operator agrees to fence its location prior to any construction activities and the fencing shall in equal quality to the other fences on Surface Owners property. The fence on the west side of the location shall connect with existing fence.

SURFACE OWNER:

Blaine M. Argyle
By: Blaine M. Argyle

Ellen T. Argyle
By: Ellen T. Argyle

SS/Tax ID# _____

STATE of Utah

ACKNOWLEDGEMENT-INDIVIDUAL

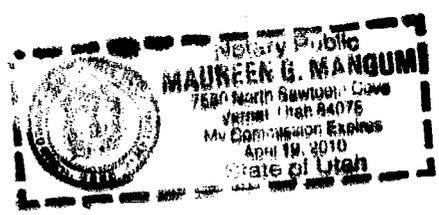
COUNTY of Uintah

BEFORE ME, the undersigned, a Notary Public, in and for said County and State, on this 8 day of August, 2006, personally appeared Blaine M. Argyle

_____ , to me known to be the identical person _____ that described in and who executed the within and foregoing instrument of writing and acknowledged to me _____ he _____ duly executed same as _____ free and voluntary act and deed for the uses and purposes therein set forth and in the capacity stated therein.
IN WITNESS WHEREOF, I have hereunto set my hand and affixed my notarial seal the day and year last above written.

My Commission Expires: April 19 2010

Maureen G. Mangum
Notary Public:
Address: 7580 N. Sawtooth
Vernal, UT 84078



ELK RESOURCES, INC.

ARGYLE #8-43

LOCATED IN UINTAH COUNTY, UTAH
SECTION 8, T7S, R20E, S.L.B.&M.

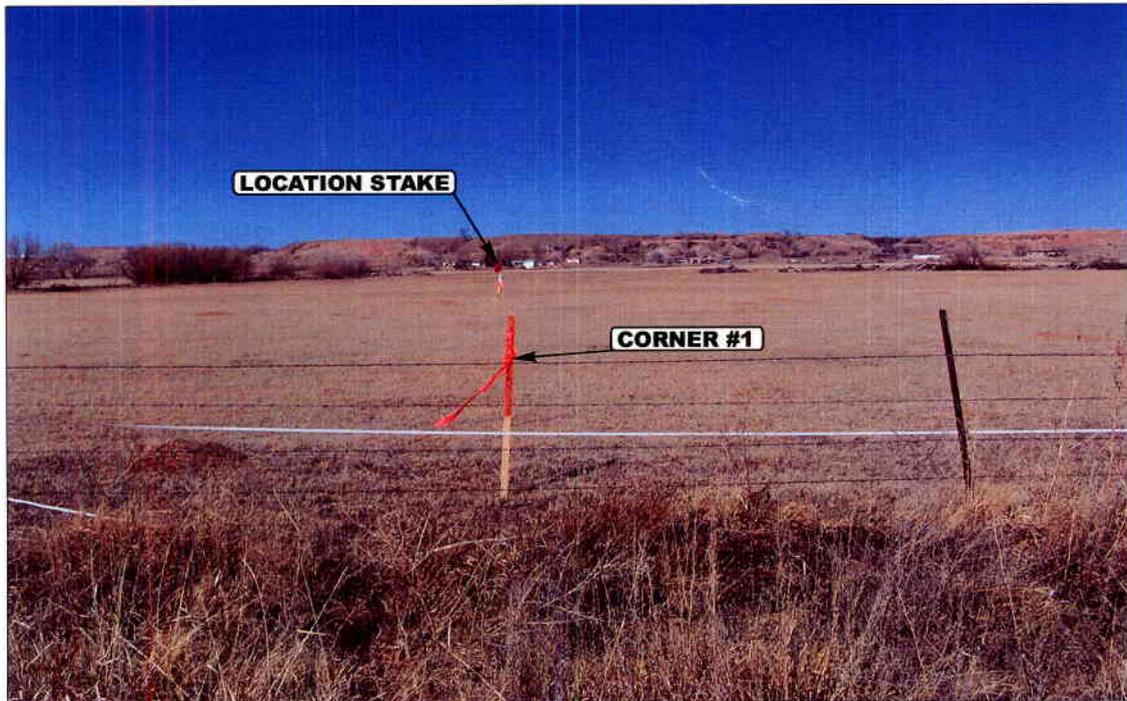


PHOTO: VIEW FROM CORNER #1 TO LOCATION STAKE

CAMERA ANGLE: NORTHERLY



PHOTO: VIEW FROM BEGINNING OF PROPOSED ACCESS

CAMERA ANGLE: NORTHERLY



- Since 1964 -

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

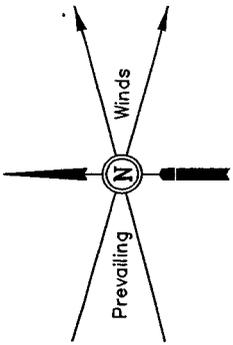
| | | | | | | |
|------------------------|----------------|-------------------|-----------|-----------|-----------|--------------|
| LOCATION PHOTOS | | | 02 | 23 | 06 | PHOTO |
| | | | MONTH | DAY | YEAR | |
| TAKEN BY: D.A. | DRAWN BY: C.P. | REVISED: 04-12-06 | | | | |

ELK RESOURCES, INC.

LOCATION LAYOUT FOR

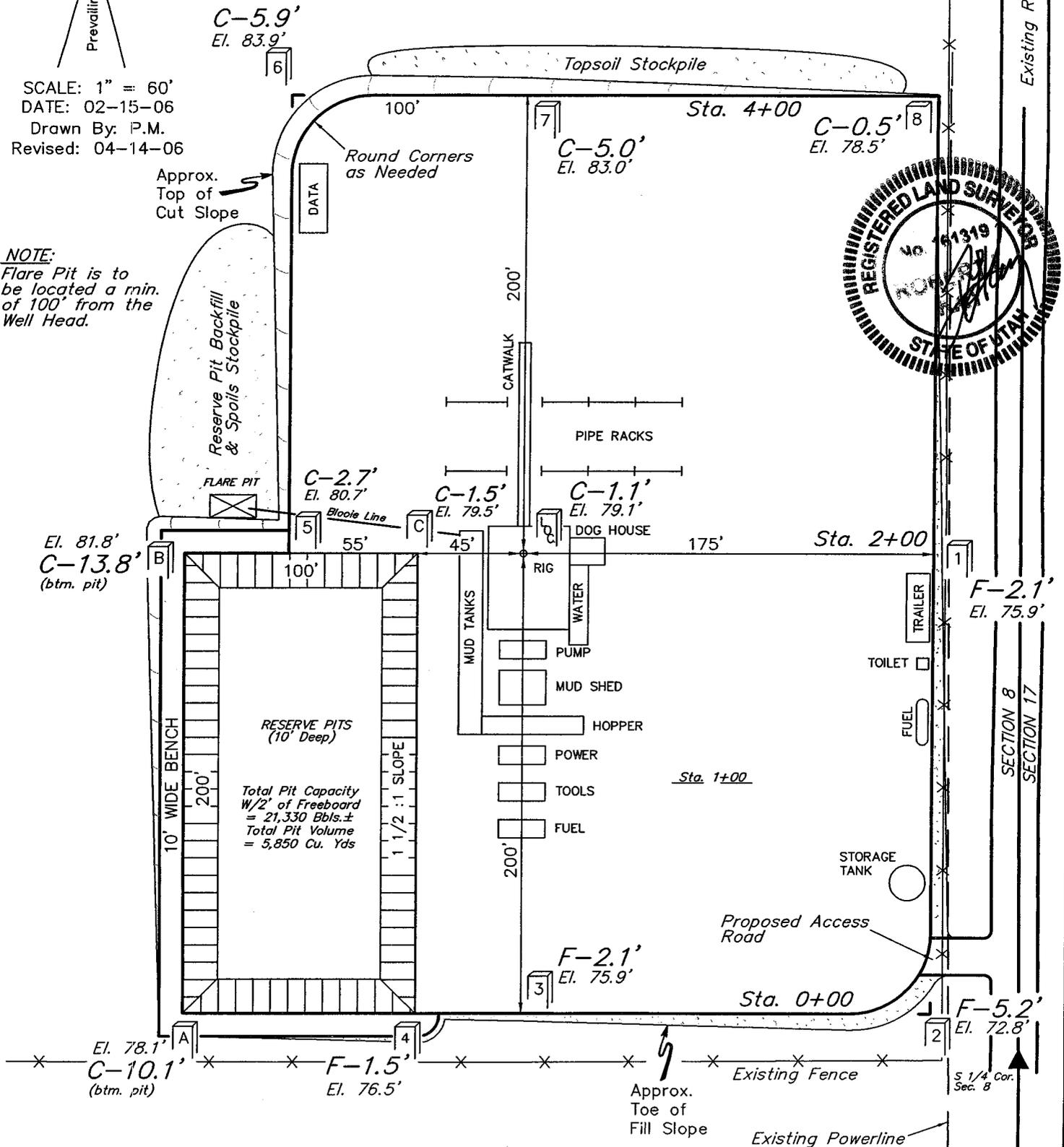
ARGYLE #8-43
SECTION 8, T7S, R20E, S.L.B.&M.
212' FSL 2432' FEL

FIGURE #1



SCALE: 1" = 60'
DATE: 02-15-06
Drawn By: P.M.
Revised: 04-14-06

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



Elev. Ungraded Ground at Location Stake = 4879.1'
Elev. Graded Ground at Location Stake = 4878.0'

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

ELK RESOURCES, INC.

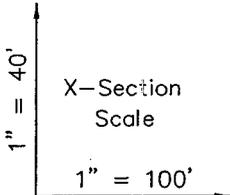
FIGURE #2

TYPICAL CROSS SECTIONS FOR

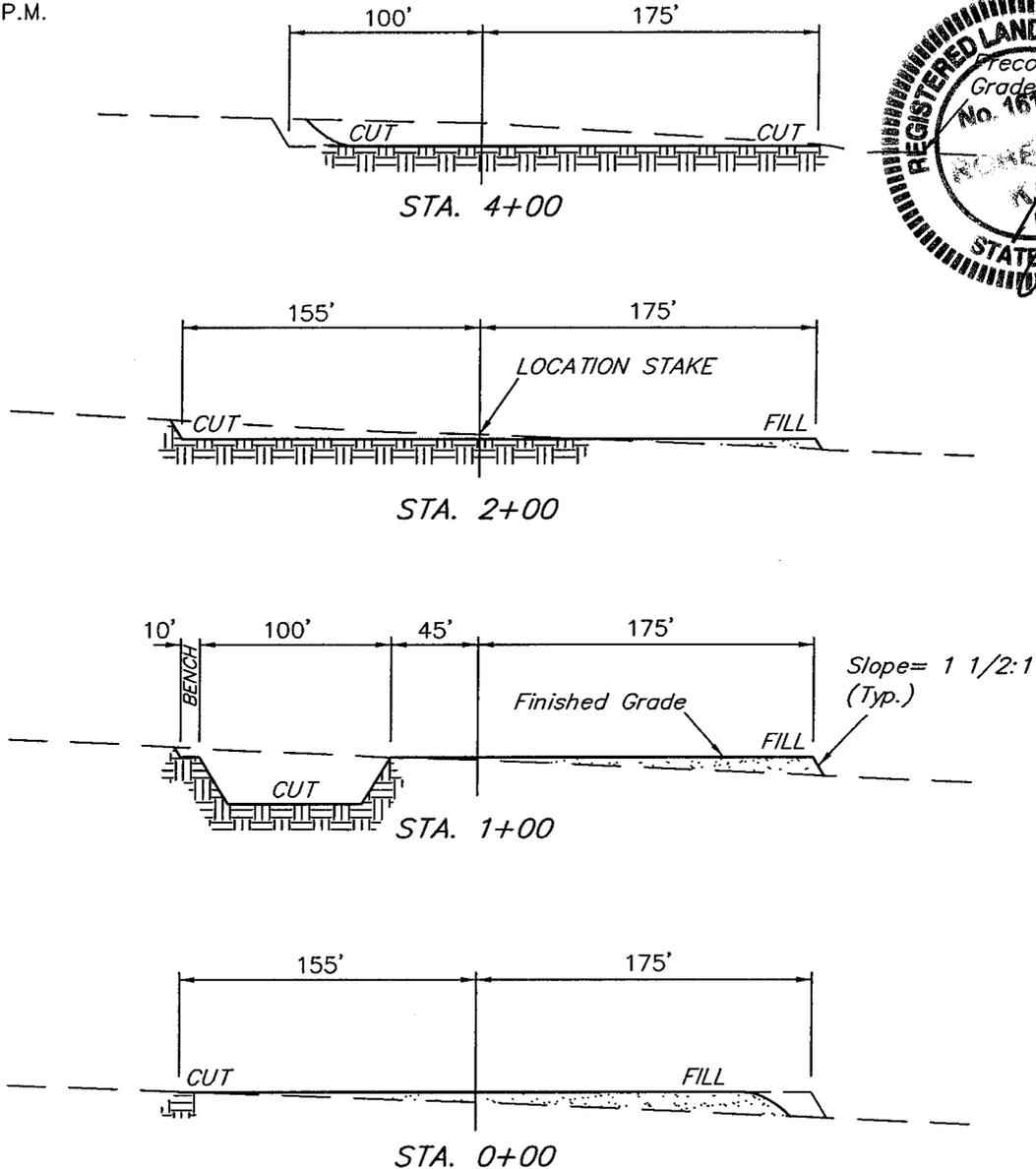
ARGYLE #8-43

SECTION 8, T7S, R20E, S.L.B.&M.

212' FSL 2432' FEL



DATE: 02-15-06
Drawn By: P.M.



NOTE:

Topsoil should not be Stripped Below Finished Grade on Substructure Area.

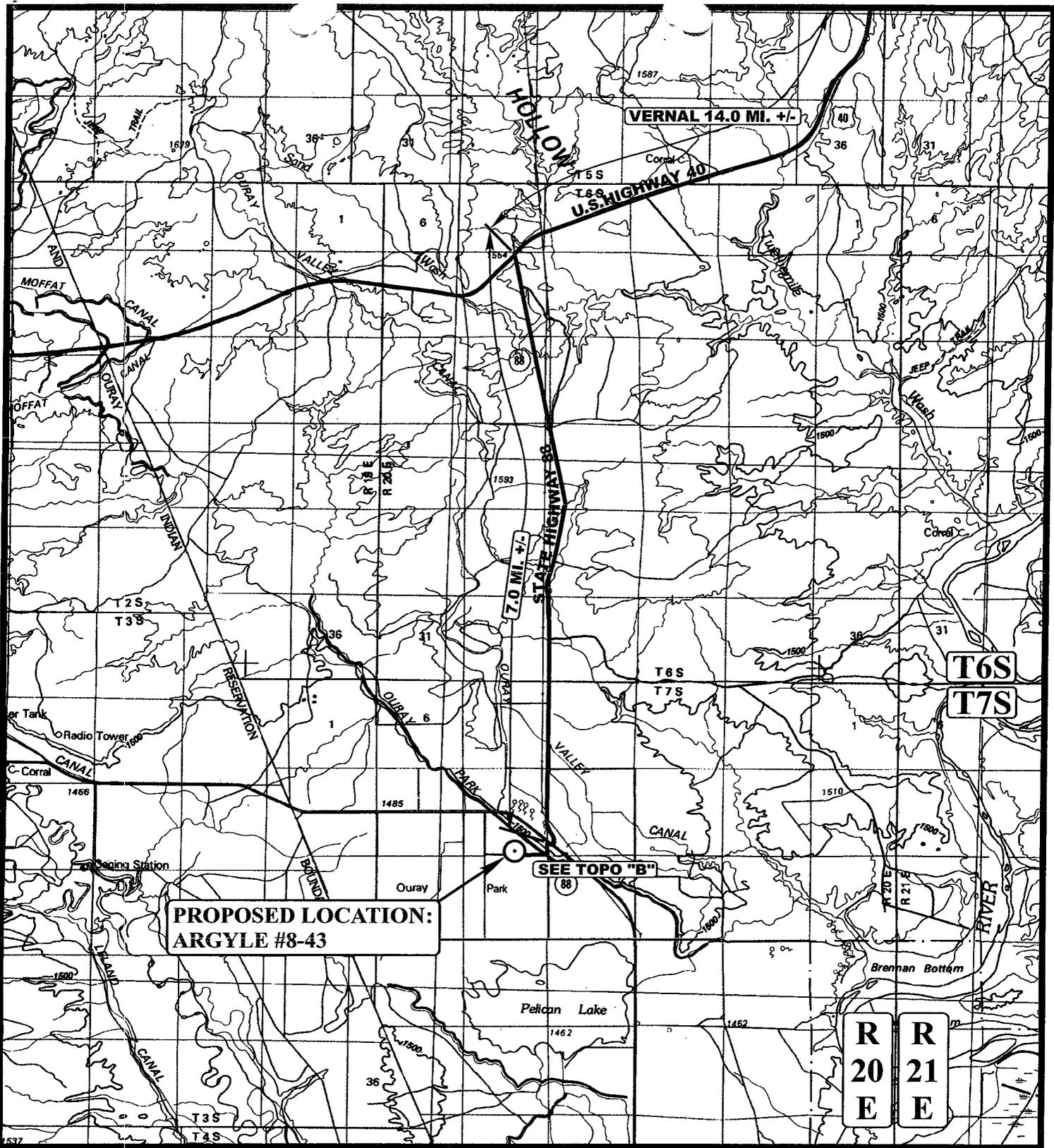
* NOTE:

FILL QUANTITY INCLUDES 5% FOR COMPACTION

APPROXIMATE YARDAGES

| | |
|-------------------------|-------------------------|
| CUT | |
| (12") Topsoil Stripping | = 4,870 Cu. Yds. |
| Remaining Location | = 8,780 Cu. Yds. |
| TOTAL CUT | = 13,650 CU.YDS. |
| FILL | = 5,850 CU.YDS. |

| | |
|---|------------------|
| EXCESS MATERIAL | = 7,800 Cu. Yds. |
| Topsoil & Pit Backfill (1/2 Pit Vol.) | = 7,800 Cu. Yds. |
| EXCESS UNBALANCE (After Rehabilitation) | = 0 Cu. Yds. |



**PROPOSED LOCATION:
ARGYLE #8-43**

SEE TOPO "B"

LEGEND:

⊙ PROPOSED LOCATION



ELK RESOURCES, INC.

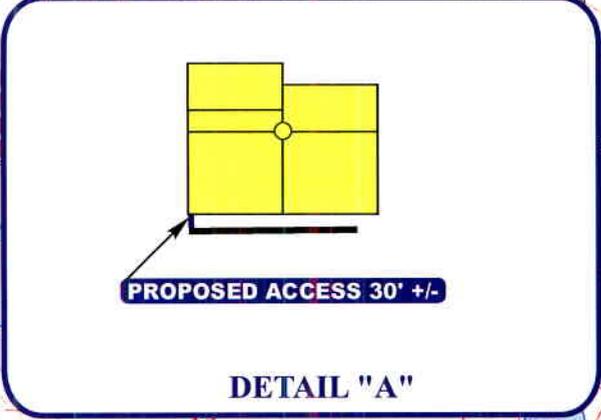
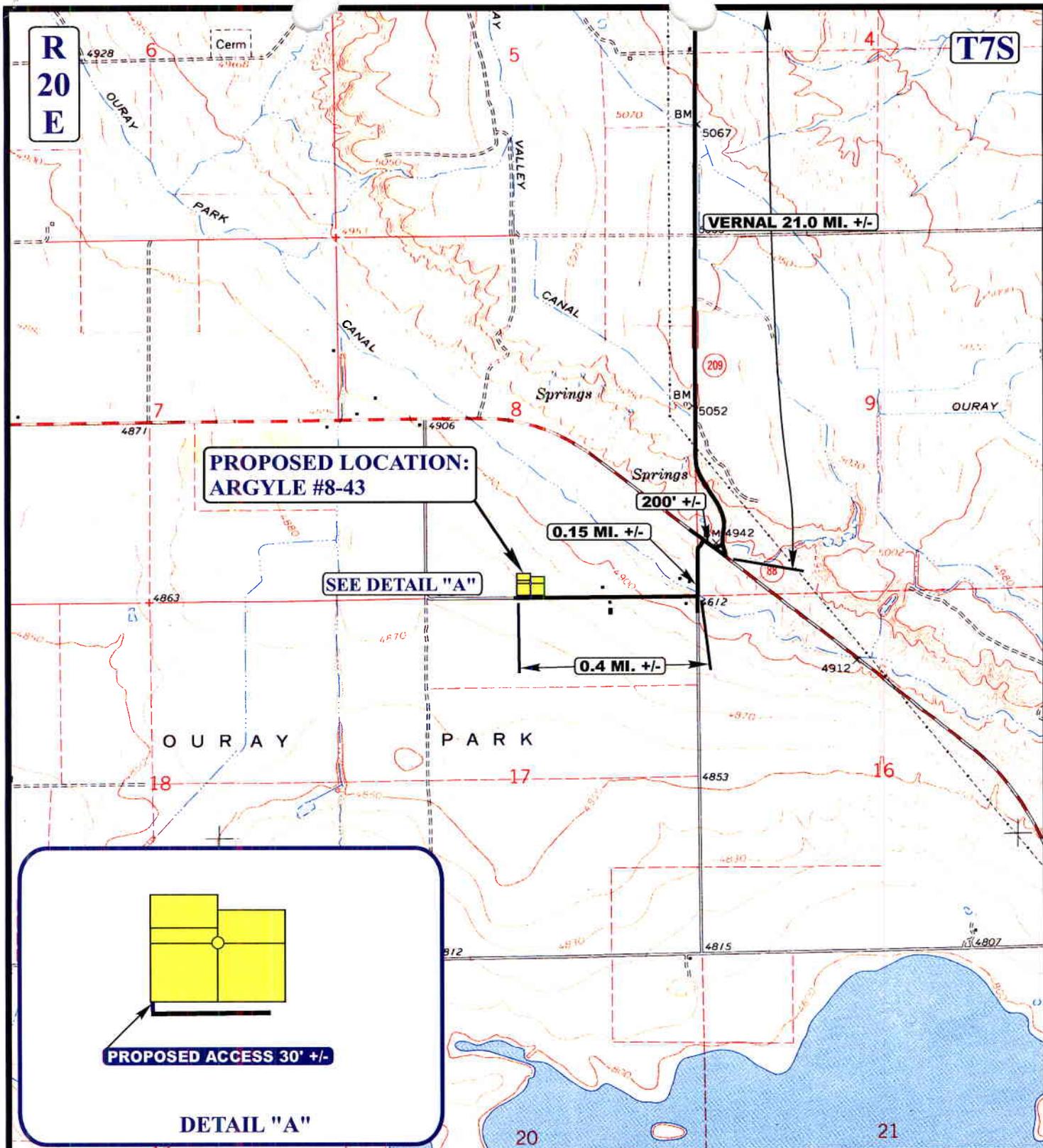
**ARGYLE #8-43
SECTION 8, T7S, R20E, S.L.B.&M.
212' FSL 2432' FEL**



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TOPOGRAPHIC 03 23 06
MAP MONTH DAY YEAR
SCALE: 1:100,000 DRAWN BY: C.P. REVISED: 00-00-00





LEGEND:

- EXISTING ROAD
- PROPOSED ACCESS ROAD

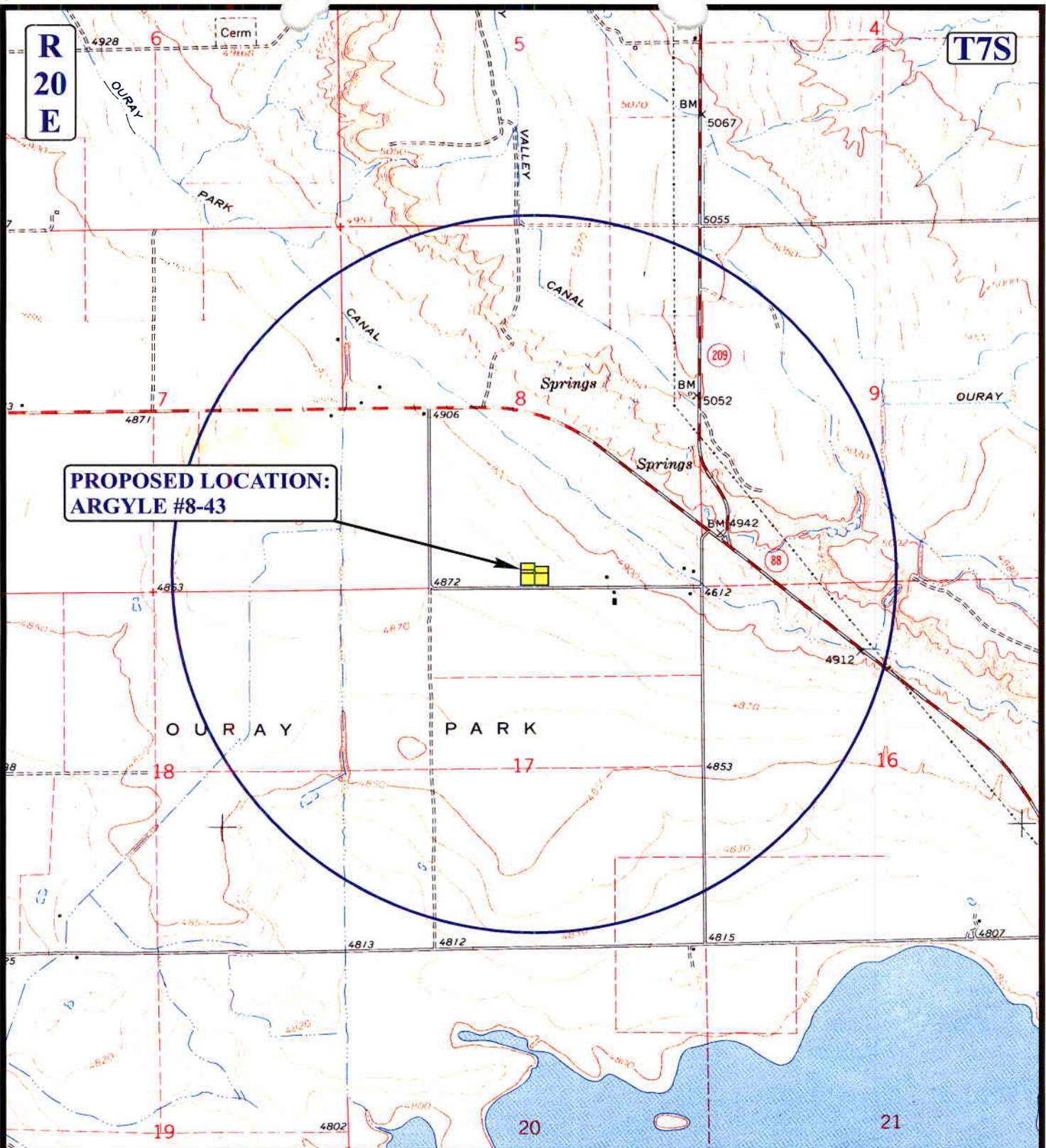
U&L S Uintah Engineering & Land Surveying
 85 South 200 East Vernal, Utah 84078
 (435) 789-1017 * FAX (435) 789-1813



ELK RESOURCES, INC.

ARGYLE #8-43
SECTION 8, T7S, R20E, S.L.B.&M.
212' FSL 2432' FEL

| | | | | |
|--------------------|-----------|----------------|-----------|-------------------|
| TOPOGRAPHIC | 02 | 23 | 06 | B TOPO |
| MAP | MONTH | DAY | YEAR | |
| SCALE: 1" = 2000' | | DRAWN BY: C.P. | | REVISED: 04-12-06 |



**PROPOSED LOCATION:
ARGYLE #8-43**

LEGEND:

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

ELK RESOURCES, INC.

**ARGYLE #8-43
SECTION 8, T7S, R20E, S.L.B.&M.
212' FSL 2432' FEL**



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85 South 200 East Vernal, Utah 84078
(435) 789-1017 * FAX (435) 789-1813



**TOPOGRAPHIC
MAP**

| | | |
|-----------|-----------|-----------|
| 02 | 23 | 06 |
| MONTH | DAY | YEAR |

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



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: Fee | 6. SURFACE: Fee |
|--|---|---|--|--------------------|
| 1A. TYPE OF WORK: DRILL <input checked="" type="checkbox"/> REENTER <input type="checkbox"/> DEEPEN <input type="checkbox"/> | | | 7. IF INDIAN, ALLOTTEE OR TRIBE NAME: NA | |
| B. TYPE OF WELL: OIL <input type="checkbox"/> GAS <input checked="" type="checkbox"/> OTHER _____ SINGLE ZONE <input type="checkbox"/> MULTIPLE ZONE <input checked="" type="checkbox"/> | | | 8. UNIT or CA AGREEMENT NAME: NA | |
| 2. NAME OF OPERATOR: Elk Resources, Inc. | | | 9. WELL NAME and NUMBER: Argyle 8-43 | |
| 3. ADDRESS OF OPERATOR: 1401 17th St., Suite 700 <small>CITY</small> Denver <small>STATE</small> CO <small>ZIP</small> 80202 | | PHONE NUMBER: (303) 296-4505 | 10. FIELD AND POOL, OR WILDCAT: Wildcat | |
| 4. LOCATION OF WELL (FOOTAGES) AT SURFACE: 212' FSL, 2432' FEL AT PROPOSED PRODUCING ZONE: 212' FSL, 2432' FEL | | | 11. QTR/QTR, SECTION, TOWNSHIP, RANGE, MERIDIAN: SWSE 8 7S 20E S | |
| 14. DISTANCE IN MILES AND DIRECTION FROM NEAREST TOWN OR POST OFFICE: Approx. 21.55 miles southwest of Vernal, UT | | | 12. COUNTY: Uintah | 13. STATE: UTAH |
| 15. DISTANCE TO NEAREST PROPERTY OR LEASE LINE (FEET) 212' | 16. NUMBER OF ACRES IN LEASE: 40 | 17. NUMBER OF ACRES ASSIGNED TO THIS WELL: 40 | | |
| 18. DISTANCE TO NEAREST WELL (DRILLING, COMPLETED, OR APPLIED FOR) ON THIS LEASE (FEET) NA | 19. PROPOSED DEPTH: 15,700 | 20. BOND DESCRIPTION: B000969 | | |
| 21. ELEVATIONS (SHOW WHETHER DF, RT, GR, ETC.): 4879' GR | 22. APPROXIMATE DATE WORK WILL START: 2/1/2007 | 23. ESTIMATED DURATION: 60 Days + 30 Days Completion | | |

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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 |
|--------------|---|---------------|---|
| 17 1/2" | 13 3/8" H-40 48# | 500 | See drlg plan |
| 12 1/4" | 9 5/8" J-55 40# | 5,000 | See drlg plan |
| 8 3/4" | 7" P-110 26# | 10,500 | See drlg plan |
| 6 1/4" | 4 1/2" P-110 13.5# | 15,700 | See drlg plan |
| | | | |
| | | | |
| | | | |

25. **ATTACHMENTS**

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

| | |
|--|---|
| <input checked="" type="checkbox"/> WELL PLAT OR MAP PREPARED BY LICENSED SURVEYOR OR ENGINEER | <input checked="" type="checkbox"/> COMPLETE DRILLING PLAN |
| <input type="checkbox"/> EVIDENCE OF DIVISION OF WATER RIGHTS APPROVAL FOR USE OF WATER | <input checked="" type="checkbox"/> FORM 5, IF OPERATOR IS PERSON OR COMPANY OTHER THAN THE LEASE OWNER |

NAME (PLEASE PRINT) Karin Kuhn TITLE Sr. Engineering Technician

SIGNATURE *Karin Kuhn* DATE 11/2/2006 Revised 1/18/07

(This space for State use only)

API NUMBER ASSIGNED: _____

APPROVAL: _____

DRILLING PLAN

Elk Resources, Inc.
Argyle 8-43
SW/SE of Section 8, T-7-S, R-20-E, S.L.B. & M.
Uintah County, Utah

1,2,3 **Estimated Tops of Geological Markers and Formations Expected to Contain Water, Oil and Gas and Other Minerals**

| <u>Formation</u> | <u>Depth</u> |
|------------------|--------------|
| Uinta | 1365' |
| Green River | 3720'* |
| Wasatch | 7600'* |
| Mesaverde | 11200'* |
| Castlegate | 14385' |
| Mancos | 14565' |
| Mancos B | 15229'* |
| Proposed TD | 15700' |

PROSPECTIVE PAY* oil and gas

4 **Casing Program**

| <u>HOLE SIZE</u> | <u>SETTING DEPTH</u> | <u>SIZE</u> | <u>WEIGHT</u> | <u>GRADE</u> | <u>THREAD</u> | <u>COND.</u> |
|------------------|-----------------------|-------------|---------------|--------------|---------------|--------------|
| <u>SIZE</u> | <u>from</u> <u>to</u> | <u>SIZE</u> | <u>WEIGHT</u> | <u>GRADE</u> | <u>THREAD</u> | <u>COND.</u> |
| 26" | surface 40' | 20" | | | | |
| 17 1/2" | surface 500' | 13 3/8" | 48# | H-40 | ST&C | New |
| 12 1/4" | surface 5,000' | 9 5/8" | 40# | J-55 | ST&C | New |
| 8 3/4" | surface 10,500' | 7" | 26# | P-110 | LT&C | New |
| 6 1/4" | surface 15,700' | 4 1/2" | 13.5# | P-110 | LT&C | New |

5 **Cementing Program** (Volumes other than tail volumes will be calculated from caliper logs.)

| | |
|---------------------|--|
| 20" Conductor | Ready mix |
| 13-3/8" Surface | Lead: 185 sx light wt. with 1% CaCl and 1/4 lb/sx celloflake mixed 12.8 lb/gal., 1.78 cf/sk yield (75% excess on total volume). Tail: 225 sx Type V with 2% CaCl and 1/4 lb/sx celloflake mixed 15.6 lb/gal., 1.2 cf/sk yield. |
| 9 5/8" Intermediate | Stage 1: 705 sx 50-50 Pozmix with 2% CaCl and LCM mixed at 14.3 ppg, 1.25 cf/sk yield. |
| DV @ ±3200' | Stage 2: Lead 750 sx 50-50 Pozmix with 8% bentonite and 10% Cal-Seal mixed at 12.5 ppg, 1.98 cf/sk yield; Second stage tail: 125 sx Premium Plus V with 1% CaCl mixed at 15.6 ppg, 1.19 cf/sk yield. (Estimated top of cement second stage at surface with 65% excess). |

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7" Stage 1: 160 sx 50/50 Poz + 2% gel + 6% Halad-322 + 1 pps Granulite + 5% salt + ¼ pps Flocele; 14.4 ppg, 1.41 cf/sk (no excess).

DV @ ±9000' Stage 2: Lead 315 sx HiFill + 16% gel + 0.75% Econolite + 7.5 pps gilsonite + ¼ Flocele; 11.0 ppg, 3.81 cf/sx (200% excess).

Tail 480 sx 50/50 Poz + 2% gel + 6% Halad-322 + 1 pps Granulate + 5% salt + ¼ pps Flocele; 14.4 ppg, 1.41 cf/sk. Cement top to be 500' into 9-5/8" protection string.

4 1/2" Stage 1: 365 sx 50/50 Poz 2% gel + 0.3% CFR-3 + 0.15% HR+ 12 + 20% SSA-1 + 0.4% Halad-344; 14.35 ppg, 1.41 cf/sk (35% excess).

DV @ ±12,000'

Stage 2: 145 sx 50/50 Poz 2% gel + 0.3% CF-3 + 0.15% HR + 12 + 20% SSA-1 + 0.4% Halad-344, 14.35 ppg, 1.41 cf/sk (35% excess). Cement top to be a minimum of 500' into 7" intermediate string.

6 Mud Program

Elk Resources, Inc. will record slow pump speed on daily drilling report after mudding up.

Elk shall use electronic/mechanical mud monitoring equipment, which shall include a pit volume totalizer (PVT); stroke counter; and flow sensor.

A mud test will be performed at least every 24 hours after mudding up to determine density, viscosity, gel strength, filtration, and pH.

Gas-detecting equipment will be installed and operated in the mud-return system.

A flare system will be used that gathers and burns all gas. The flare line(s) shall discharge at least 100 feet from the well head with straight lines and shall be positioned downwind of the prevailing wind direction and shall be anchored.

A mud-gas separator (gas buster) shall be used from surface casing to TD.

As per 43 CFR 3160, Onshore Oil and Gas Order No. 2, Drilling Operations, C. Mud Program Requirements.

| <u>INTERVAL</u> | <u>WEIGHT</u> | <u>VISCOSITY</u> | <u>FLUID LOSS</u> | <u>REMARKS</u> |
|-----------------|---------------|------------------|-------------------|-----------------|
| Surf. - 880' | N/A | | | Water |
| 880 - 4500' | 8.4 / 8.6 ppg | 32 | NC | Spud Mud |
| 4500 - 10000' | 8.4 / 9.0 ppg | 28 | NC | KCL Water/Gel |
| 10000 - 15700' | 9.0/12.0 ppg | 34 | 10 | KCL/Gel/Polymer |

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7 BOP and Pressure Containment Data

| <u>Depth Intervals</u> | <u>BOP Equipment</u> |
|------------------------|---|
| Surf. - 1000' | None |
| 1000' – 10000' | 5000# Ram type double BOP and annular |
| 10000' – TD | 10,000# Ram type double BOP and 5000# annular |

Drilling spool to accommodate choke and kill lines.

Estimated bottom-hole pressure at TD will be 9500 psi. Drilling spool to accommodate choke and kill lines.

ANCILLARY EQUIPMENT AND CHOKE MANIFOLD RATED AT 5,000# OR 10,000# AS NEEDED TO MATCH BOPE. ALL BOP AND BOPE TESTS WILL BE IN ACCORDANCE WITH THE REQUIREMENTS OF THE STATE OF UTAH.

THE STATE OF UTAH, DIVISION OF OIL, GAS AND MINING WILL BE NOTIFIED 24 HOURS IN ADVANCE OF ALL BOP PRESSURE TESTS.

8 Auxiliary equipment

- a) Upper and Lower Kelly cock
- b) Floor stabbing valve 5000#
- c) Safety valve(s) and subs to fit all string connections in use

9 Testing, Logging and Core Programs

| | |
|----------|---|
| Cores | None anticipated |
| Testing | None anticipated |
| Sampling | 10' samples; surface casing to TD. |
| Surveys | Run every 1000' and on trips |
| Logging | Resistivity, neutron density, and caliper from TD to surface casing. Gamma ray from TD to surface |

10 Anticipated Abnormal Pressures or Temperatures

None anticipated.

11 Drilling Schedule

| | |
|----------|--|
| Spud | Approximately February 1, 2007 |
| Duration | 30 days drilling time 30 days completion time |

CONFIDENTIAL

HAZARDOUS MATERIAL DECLARATION

Argyle 8-43

Elk Resources, Inc. guarantees that during the drilling and completion of the above referenced well, we will not use, produce, or store, transport or dispose 10,000# annually of any of the hazardous chemicals contained in the Environmental Protection Agency's consolidated list of chemicals subject to reporting under Title III Super Amendments and Reauthorization Act (SARA) of 1986.

Elk Resources, Inc. guarantees that during the drilling and completion of the above referenced well, we will use, produce, store, transport, or dispose less than the threshold planning quantity (TPQ) of any extremely hazardous substances as defined in 40 CFR 355.

CONFIDENTIAL

**WORKSHEET
APPLICATION FOR PERMIT TO DRILL**

APD RECEIVED: 11/15/2006

API NO. ASSIGNED: 43-047-38866

WELL NAME: ARGYLE 8-43
 OPERATOR: ELK RESOURCES, INC. (N2755)
 CONTACT: KARIN KUHN

PHONE NUMBER: 303-296-4505

PROPOSED LOCATION:

SWSE 08 070S 200E
 SURFACE: 0212 FSL 2432 FEL
 BOTTOM: 0212 FSL 2432 FEL
 COUNTY: UINTAH
 LATITUDE: 40.21852 LONGITUDE: -109.6922
 UTM SURF EASTINGS: 611285 NORTHINGS: 4452621
 FIELD NAME: WILDCAT (1)

| INSPECT LOCATN BY: / / | | |
|------------------------|----------|---------|
| Tech Review | Initials | Date |
| Engineering | DKD | 1/31/07 |
| Geology | | |
| Surface | | |

LEASE TYPE: 4 - Fee
 LEASE NUMBER: FEE
 SURFACE OWNER: 4 - Fee

PROPOSED FORMATION: MNCS
 COALBED METHANE WELL? NO

RECEIVED AND/OR REVIEWED:

- Plat
- Bond: Fed[] Ind[] Sta[] Fee[]
(No. B000969)
- 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: AURORA (DEEP)
- ____ 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:

Needs Permit (11-07-06)

STIPULATIONS:

1- Spacing Set
2- STATEMENT OF BASIS

T7S R20E

7

8

9

AURORA DEEP UNIT

ARGYLE 8-43

J GENTRY
17-24

18

17

16

WALL 13-17

ROGERS 13-16

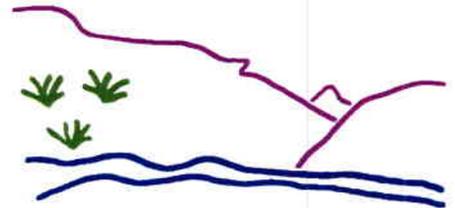
OPERATOR: ELK RESOURCES INC (N2755)

SEC: 8 T.7S R. 20E

FIELD: WILDCAT (001)

COUNTY: UINTAH

SPACING: R649-3-3 / EXCEPTION LOCATION



Utah Oil Gas and Mining



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

- 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

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 Aurora 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 well is planned for calendar year 2006 within the Aurora Unit, Uintah County, Utah.

| API # | WELL NAME | LOCATION |
|-------|-----------|----------|
|-------|-----------|----------|

(Proposed PZ Mancos)

43-047-38866 Argyle 8-43 Sec 8 T07S R20E 0212 FSL 2432 FEL

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

/s/ Michael L. Coulthard

bcc: File – Aurora Unit
 Division of Oil Gas and Mining
 Central Files
 Agr. Sec. Chron
 Fluid Chron

MCoulthard:mc:11-22-06

Application for Permit to Drill

Statement of Basis

12/11/2006

Utah Division of Oil, Gas and Mining

Page 1

| | | | | | |
|------------------|--|--------------------------|------------------|------------------|------------|
| APD No | API WellNo | Status | Well Type | Surf Ownr | CBM |
| 174 | 43-047-38866-00-00 | | GW | P | No |
| Operator | ELK RESOURCES, INC. | Surface Owner-APD | | | |
| Well Name | ARGYLE 8-43 | Unit | | | |
| Field | UNDESIGNATED | Type of Work | | | |
| Location | SWSE 8 7S 20E S 0 FL 0 FL GPS Coord (UTM) 611285E 4452621N | | | | |

Geologic Statement of Basis

Elk proposes to set 880 feet of surface pipe, cemented to surface. The depth to the base of the moderately saline water at this location is estimated to be at approximately 300 feet. A search of Division of Water Rights records shows 14 water wells within a 10,000 foot radius of the proposed location. The nearest well is approximately .5 miles from the proposed location the majority of these wells are more than a mile from the proposed location and are listed for domestic use, irrigation, oil field use and stock watering. Depths of the wells ranges from 16 to 300 feet. 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. The proposed casing and cement should adequately protect any useable ground water.

Brad Hill
APD Evaluator

12/11/2006
Date / Time

Surface Statement of Basis

The proposed Argyle 8-43 gas well is on the south west corner of a sprinkler-irrigated pasture which has a very gentle slope southwesterly toward Pelican Lake. The swamp line of Pelican Lake is approximately 1 1/4 miles south. All of the surrounding area is sprinkler irrigated farm land with all ditches and canals burried so no surface water exists. Blaine Argyle is the surface owner and his resident is about 1/8 mile to the east.

Mr. Argyle attended the presite investigation. The original and preferred location was staked to the north and east near the center of his sprinkler irrigated pasture land. Through negotiations with Elk Resources it was moved to a corner of his pasture. Mr. Argyle stated that he had executed a Land Owners Agreement. He requested that the location fence be constructed with field fence so as to preclude his sheep.

A Uintah County Road parallels the location on the south and will be used for access. About 30 feet of new road will be required. Ouray, Utah is seven miles to the south, and Roosevelt, Utah is 16 miles to the northwest.

Floyd Bartlett
Onsite Evaluator

11/7/2006
Date / Time

Conditions of Approval / Application for Permit to Drill

| Category | Condition |
|----------|---|
| Pits | A synthetic liner with a minimum thickness of 16 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 ELK RESOURCES, INC.
Well Name ARGYLE 8-43
API Number 43-047-38866-0 **APD No** 174 **Field/Unit** UNDESIGNATED
Location: 1/4,1/4 SWSE **Sec** 8 **Tw** 7S **Rng** 20E 0 FL 0 FL
GPS Coord (UTM) 611281 4452619 **Surface Owner**

Participants

Floyd Bartlett (DOG M), Jeff Johnson (ELK Resources), Blaine Argyle (Surface Owner)

Regional/Local Setting & Topography

Site is on the south west corner of a sprinkler-irrigated pasture which has a very gentle slope southwesterly toward Pelican Lake. The swamp line of Pelican Lake is approximately 1 1/4 miles south. Blaine Argyle's resident is about 1/8 mile to the east. Much of the surrounding area is irrigated farm land. All of the ditches and canals in the area are buried so no surface water exists.

Ouray, Utah is seven miles to the south, and Roosevelt, Utah is 16 miles to the northwest.

Surface Use Plan

Current Surface Use

Agricultural
Grazing

New Road

| Miles | Well Pad | | Src Const Material | Surface Formation |
|-------|-----------|------------|--------------------|-------------------|
| 0.001 | Width 285 | Length 200 | Onsite | UNTA |

Ancillary Facilities N

Waste Management Plan Adequate? Y

Environmental Parameters

Affected Floodplains and/or Wetland N

Flora / Fauna

Native pasturelands. Fox tail, salt grass, sporobolous, milkweed. Prairie dogs, deer, small mammals and waterfowl.

Soil Type and Characteristics

Surface is a deep silty loam. Gravel is likely to exist in the sub-surface

Erosion Issues N

Sedimentation Issues N

Site Stability Issues N

Drainage Diversion Required N

Berm Required? N

Erosion Sedimentation Control Required? N

Paleo Survey Run? N Paleo Potential Observed? N Cultural Survey Run? N Cultural Resources?

Reserve Pit

Site-Specific Factors

Site Ranking

| | | |
|--|------------------|----|
| Distance to Groundwater (feet) | 75 to 100 | 10 |
| Distance to Surface Water (feet) | >1000 | 0 |
| Dist. Nearest Municipal Well (ft) | 1320 to 5280 | 5 |
| 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 30 **Sensitivity Level**

Characteristics / Requirements

The reserve pit is planned in the northwest corner of the location mostly within an area of cut. A liner is required because of its location to Pelican Lake.

Closed Loop Mud Required? N Liner Required? Y Liner Thickness 16 Pit Underlayment Required? Y

Other Observations / Comments

Mr. Blaine Argyle attended the presite investigation. The original location was staked to the north and east near the center of his sprinkler irrigated pasture land. Through negotiations with Elk Resources it was moved to a corner of his pasture. Mr. Argyle stated that he had executed a Land Owners Agreement with Elk Resources. He requested that the location fence be constructed with field fence so as to keep his sheep from the location.

Floyd Bartlett
Evaluator

11/7/2006
Date / Time

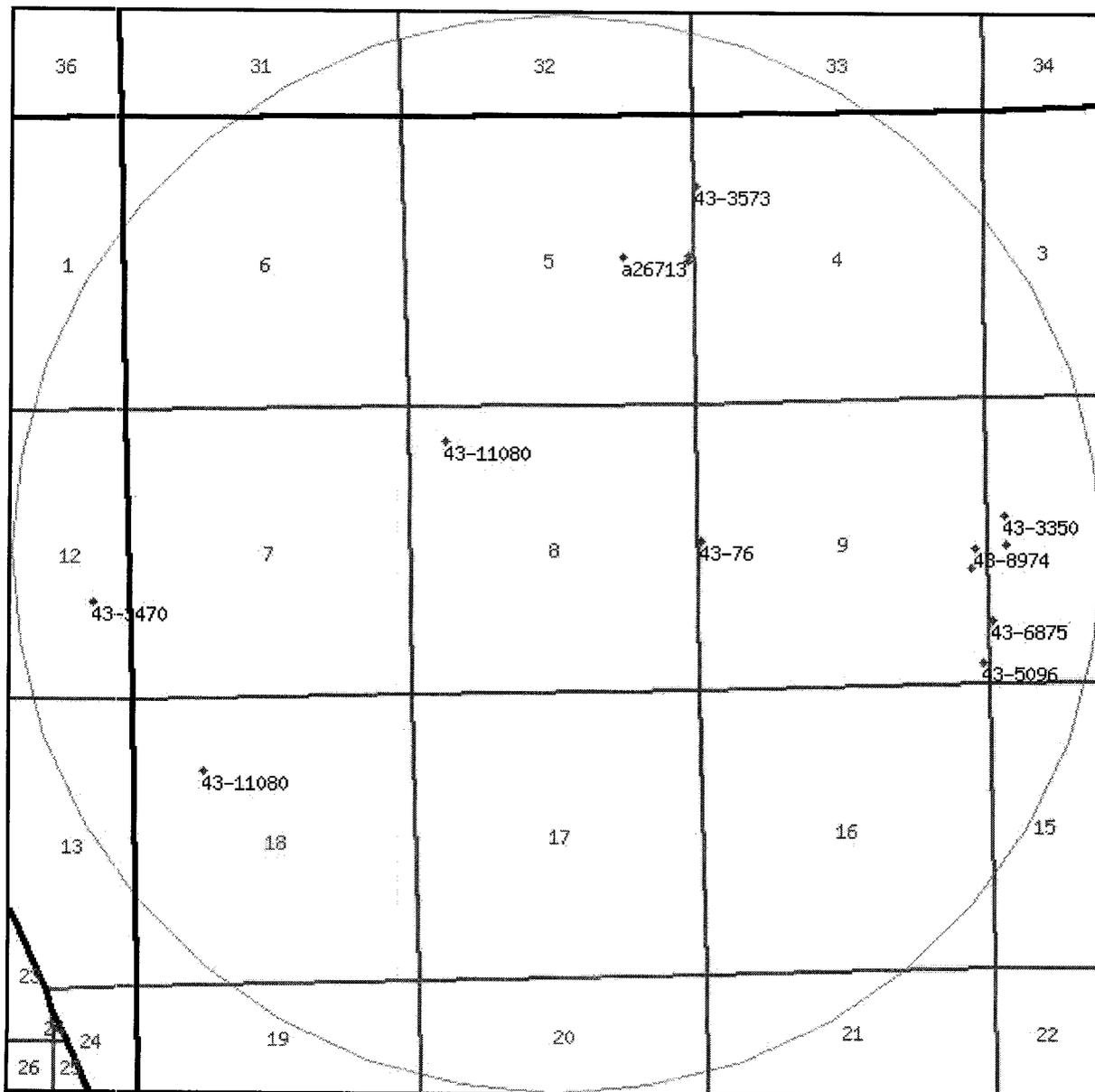

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[Agency List](#)
[Business](#)


Utah Division of Water Rights

WRPLAT Program Output Listing

Version: 2006.11.17.00 Rundate: 12/11/2006 02:21 PM

Radius search of 10000 feet from a point N2640 E2640 from the SW corner, section 08, Township 7S, Range 20E, SL b&m Criteria:wrtypes=W,C,E podtypes=U status=U,A,P usetypes=all



0 1300 2600 3900 5200 ft

Water Rights

| WR Number | Diversion Type/Location | Well Log | Status | Priority | Uses | CFS | ACFT | Owner |
|------------------|---|------------------|---------------|-----------------|-------------|------------|-------------|---|
| <u>43-11053</u> | Underground N20 W1310 E4 05 7S 20E SL | <u>well info</u> | A | 20000714 | I | 0.000 | 700.000 | UINTAH WATER C DISTRICT - OWNE 78 WEST 3325 NOR |
| <u>43-11080</u> | Underground S1320 E1320 NW 18 7S 20E SL | | A | 20000912 | I | 3.000 | 0.000 | STEVEN W. HANB HC 69 BOX 129 |
| <u>43-11080</u> | Underground S660 E660 NW 08 7S 20E SL | | A | 20000912 | I | 3.000 | 0.000 | STEVEN W. HANB HC 69 BOX 129 |
| <u>43-11256</u> | Underground N20 W1315 E4 05 7S 20E SL | | A | 20020529 | DS | 0.000 | 3.670 | W.E. AND GLEND HC 69 BOX 160 |
| <u>43-11315</u> | Underground S73 E343 E4 09 7S 20E SL | | A | 20021016 | S | 0.000 | 3.730 | ALEX L. AND NEL HC 69 BOX 168 |
| <u>43-1135</u> | Underground S45 W100 E4 05 7S 20E SL | | P | 19591005 | S | 0.015 | 0.000 | CRAIG P. AND ELI KOSOFF HC 69 BOX 161 |
| <u>43-3350</u> | Underground N450 E300 W4 10 7S 20E SL | | P | 19461202 | D | 0.015 | 0.000 | RALPH DURFEE RANDLETT UT |
| <u>43-3470</u> | Underground S891 W633 E4 12 7S 19E SL | | P | 19530325 | D | 0.030 | 0.000 | UINTAH SCHOOL VERNAL UT 84078 |
| <u>43-3553</u> | Underground N65 W95 E4 05 7S 20E SL | | P | 19561101 | D | 0.015 | 0.000 | STANLEY NEBEKI RANDLETT UT 840 |
| <u>43-3573</u> | Underground N1353 E10 W4 04 7S 20E SL | <u>well info</u> | P | 19580114 | I | 0.023 | 0.000 | BLAKE V. PEAY HC 69 BOX 162 |
| <u>43-5096</u> | Underground N375 W125 SE 09 7S 20E SL | | P | 19661213 | IS | 0.100 | 0.000 | ALEX L. AND NEL H C 69 BOX 168 |
| <u>43-6875</u> | Underground N1150 E40 SW 10 7S 20E SL | <u>well info</u> | P | 19720503 | DIS | 0.027 | 0.000 | ROBERT MARSHA RANDLETT UT 840 |

| | | | | | |
|----------------|---|----------------------------|--------------|-------------|--|
| <u>43-76</u> | Underground N120 E50 W4 09 7S 20E SL | P | 19671120 DIS | 0.038 0.000 | DENNY V. LABRU RANDLETT UT 840 |
| <u>43-8620</u> | Underground S525 W275 E4 09 7S 20E SL | A | 19800513 DIS | 0.015 0.000 | ALEX AND NELLIE H C 69 BOX 168 |
| <u>43-8974</u> | Underground S135 W233 E4 09 7S 20E SL | A | 19810508 DIS | 0.015 0.000 | RAY W. BARNEY STAR ROUTE |
| <u>a26713</u> | Underground N20 W1310 E4 05 7S 20E SL | <u>well</u> <u>info</u> | A | 20020610 I | 0.000 700.000 UINTAH WATER C DISTRICT - OWNE 78 WEST 3325 NOR |

[Natural Resources](#) | [Contact](#) | [Disclaimer](#) | [Privacy Policy](#) | [Accessibility Policy](#)

2006-12a Elk Argyle 8-4 rev

Casing Schematic

BHP ①

Gas $.052(5000)8.6 = 2236$
 $.12(5000) = 600$
 $2236 - 600 = 1636 \text{ psi MASP}$

BOPE 5M

Burst 1730
 $70\% = 1211 \text{ psi}$

Max P @ Surf. shoe
 $.22(4500) = 990$
 $2236 - 990 = 1246 \text{ psi}$
 test to 1200 psi ✓

BHP ②

Gas $.052(10500)9 = 4914 \text{ psi}$
 $.12(10500) = 1260$
 $4914 - 1260 = 3654 \text{ psi MASP}$

BOPE = 5M to 10,000 ft ✓
 10M > 10,000 ft

Burst = 3950
 $70\% = 2765 \text{ psi}$

Max P @ Int. shoe
 $.22(5500) = 1210$
 $4914 - 1210 = 3704 \text{ psi}$
 test to 2765 psi ✓

BHP ③

Gas $.052(15700)12 = 9797 \text{ psi}$
 anticipate 9500

Gas $.12(15700) = 1884$
 $9797 - 1884 = 7913 \text{ psi}$

BOPE = 10000 ✓

Burst = 9950
 $70\% = 6965$

Max P @ Int. prod. shoe
 $.22(5200) = 1144$
 $9797 - 1144 = 8653 \text{ psi}$
 test to 6965 psi ✓

Surface

5% 12% 13%

1% to surf w/11% w/o
 1% to surf. w/15% w/o

TOC @ 336' Surface
 TOC @ 500' MD
 TOC w/15% w/o

1365' Uinta

TOC @ 2308' ✓

3200' TOC w/10% w/o Stage I
 3720' Green River

Intermediate 5000. MD

7600' Wasatch ✓

9000' Stage I TOC w/0% w/o

TOC @ 9922' ✓

Intermediate: Prod'n 10500. MD

11200' Mesaverde

11972' TOC w/5% w/o stage I

12000' TOC w/12% w/o Stage I

14385' Castlegate ✓

14565' Mancos

15229' Mancos B

4-1/2" MW 12. Frac 30.

Production 15700. MD

Stip ⇒ prod. cont
 ⇒ prod. cess.

✓ Adequate DAD 1/31/07

| | | | |
|--------------|-------------------------------------|-------------|--------------|
| Well name: | 2006-12a Elk Argyle 8-43 rev | | |
| Operator: | Elk Resources, Inc. | | |
| String type: | Surface | Project ID: | 43-047-38866 |
| Location: | Uintah County | | |

Design parameters:

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

Burst
 Max anticipated surface pressure: 440 psi
 Internal gradient: 0.120 psi/ft
 Calculated BHP: 500 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: 438 ft

Environment:

H2S considered? No
 Surface temperature: 75 °F
 Bottom hole temperature: 82 °F
 Temperature gradient: 1.40 °F/100ft
 Minimum section length: 350 ft

 Cement top: 56 ft

Completion type is subs
Non-directional string.

Re subsequent strings:
 Next setting depth: 5,000 ft
 Next mud weight: 8.600 ppg
 Next setting BHP: 2,234 psi
 Fracture mud wt: 19.250 ppg
 Fracture depth: 500 ft
 Injection pressure: 500 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 (ft³) |
|---------|---------------------|-------------------------|-------------------------|------------------|----------------------|----------------------|---------------------|-------------------------|-------------------------|
| 1 | 500 | 13.375 | 48.00 | H-40 | ST&C | 500 | 500 | 12.59 | 440.8 |
| 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 | 218 | 740 | 3.392 | 500 | 1730 | 3.46 | 21 | 322 | 15.30 J |

Prepared by: Helen Sadik-Macdonald
 Div of Oil, Gas & Minerals

Phone: 801-538-5357
 FAX: 801-359-3940

Date: January 25, 2007
 Salt Lake City, Utah

Remarks:
 Collapse is based on a vertical depth of 500 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: | 2006-12a Elk Argyle 8-43 rev | | |
| Operator: | Elk Resources, Inc. | | |
| String type: | Intermediate | Project ID: | 43-047-38866 |
| Location: | Uintah County | | |

Design parameters:

Collapse
 Mud weight: 8.600 ppg
 Design is based on evacuated pipe.

Burst
 Max anticipated surface pressure: 2,599 psi
 Internal gradient: 0.220 psi/ft
 Calculated BHP: 3,699 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: 4,360 ft

Environment:

H2S considered? No
 Surface temperature: 75 °F
 Bottom hole temperature: 145 °F
 Temperature gradient: 1.40 °F/100ft
 Minimum section length: 880 ft
 Cement top: 336 ft

Completion type is subs
Non-directional string.

Re subsequent strings:
 Next setting depth: 10,500 ft
 Next mud weight: 9.000 ppg
 Next setting BHP: 4,909 psi
 Fracture mud wt: 19.250 ppg
 Fracture depth: 5,000 ft
 Injection pressure: 5,000 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 (ft³) |
|---------|---------------------|-------------------------|-------------------------|------------------|----------------------|----------------------|---------------------|-------------------------|-------------------------|
| 1 | 5000 | 9.625 | 40.00 | J-55 | ST&C | 5000 | 5000 | 8.75 | 2128.6 |
| 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 | 2234 | 2570 | 1.151 | 3699 | 3950 | 1.07 | 174 | 452 | 2.59 J |

Prepared by: Helen Sadik-Macdonald
 Div of Oil, Gas & Minerals

Phone: 801-538-5357
 FAX: 801-359-3940

Date: January 25, 2007
 Salt Lake City, Utah

Remarks:
 Collapse is based on a vertical depth of 5000 ft, a mud weight of 8.6 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: | 2006-12a Elk Argyle 8-43 rev | |
| Operator: | Elk Resources, Inc. | Project ID: |
| String type: | Intermediate: Prod'n | 43-047-38866 |
| Location: | Uintah County | |

Design parameters:

Collapse

Mud weight: 9.000 ppg
 Design is based on evacuated pipe.

Burst

Max anticipated surface pressure: 6,333 psi
 Internal gradient: 0.220 psi/ft
 Calculated BHP: 8,643 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: 9,075 ft

Environment:

H2S considered? No
 Surface temperature: 75 °F
 Bottom hole temperature: 222 °F
 Temperature gradient: 1.40 °F/100ft
 Minimum section length: 1,500 ft

Cement top: 2,308 ft

Completion type is subs
Non-directional string.

Production liner info:

Liner setting depth: 15,700 ft
 Pore pressure equivalent: 12,000 ppg
 Assumed BHP at TD: 9,787 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 (ft³) |
|---------|---------------------|-------------------------|-------------------------|------------------|----------------------|----------------------|---------------------|-------------------------|-------------------------|
| 1 | 10500 | 7 | 26.00 | P-110 | LT&C | 10500 | 10500 | 6.151 | 2255.7 |
| 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 | 4909 | 6230 | 1.269 | 8643 | 9950 | 1.15 | 236 | 693 | 2.94 J |

Prepared by: Helen Sadik-Macdonald
 Div of Oil, Gas & Minerals

Phone: 801-538-5357
 FAX: 801-359-3940

Date: January 26, 2007
 Salt Lake City, Utah

Remarks:

Collapse is based on a vertical depth of 10500 ft, a mud weight of 9 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: | 2006-12a Elk Argyle 8-43 rev | |
| Operator: | Elk Resources, Inc. | Project ID: |
| String type: | Production | 43-047-38866 |
| Location: | Uintah County | |

Design parameters:

Collapse

Mud weight: 12.000 ppg
 Design is based on evacuated pipe.

Minimum design factors:

Collapse:

Design factor 1.125

Burst:

Design factor 1.00

Environment:

H2S considered? No
 Surface temperature: 75 °F
 Bottom hole temperature: 295 °F
 Temperature gradient: 1.40 °F/100ft
 Minimum section length: 1,500 ft

Cement top: 9,922 ft

Burst

Max anticipated surface pressure: 6,333 psi
 Internal gradient: 0.220 psi/ft
 Calculated BHP 9,787 psi

No backup mud specified.

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: 12,919 ft

Completion type is subs
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 (ft³) |
|---------|---------------------|-------------------------|-------------------------|------------------|----------------------|----------------------|---------------------|-------------------------|-------------------------|
| 1 | 15700 | 4.5 | 13.50 | P-110 | LT&C | 15700 | 15700 | 3.795 | 1315.8 |
| 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 | 9787 | 10680 | 1.091 | 9787 | 12410 | 1.27 | 174 | 338 | 1.94 J |

Anticipate 9500 max → 1.125 O.K. PKD

Prepared by: Helen Sadik-Macdonald
 Div of Oil, Gas & Minerals

Phone: 801-538-5357
 FAX: 801-359-3940

Date: January 26, 2007
 Salt Lake City, Utah

Remarks:

Collapse is based on a vertical depth of 15700 ft, a mud weight of 12 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.



January 18, 2007

VIA OVERNIGHT MAIL

Mr. Dustin Doucet
Utah Division of Oil, Gas and Mining
1594 West North Temple, Suite 1210
Salt Lake City, UT 84116

**RE: Application for Permit to Drill – Revised Drilling Plan
Argyle 8-43
SWSE Section 8, T7S-20E SLB&M
Uintah County, UT**

Dear Dustin:

Per your telephone conversation with Layle Robb of our office a couple of weeks ago, enclosed are two copies of a revised drilling plan for the subject drilling application.

Should you require any additional information, please contact me or Layle Robb at (303) 296-4505.

Sincerely,

Karin Kuhn
Sr. Engineering Technician

Enclosures

RECEIVED
JAN 19 2007
DIV. OF OIL, GAS & MINING

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: Fee | 6. SURFACE: Fee |
|--|---|--|---|---|--------------------|
| 1A. TYPE OF WORK: DRILL <input checked="" type="checkbox"/> REENTER <input type="checkbox"/> DEEPEN <input type="checkbox"/> | | | | 7. IF INDIAN, ALLOTTEE OR TRIBE NAME: NA | |
| B. TYPE OF WELL: OIL <input type="checkbox"/> GAS <input checked="" type="checkbox"/> OTHER _____ SINGLE ZONE <input type="checkbox"/> MULTIPLE ZONE <input checked="" type="checkbox"/> | | | | 8. UNIT or CA AGREEMENT NAME: NA | |
| 2. NAME OF OPERATOR: Elk Resources, Inc. | | | | 9. WELL NAME and NUMBER: Argyle 8-43 | |
| 3. ADDRESS OF OPERATOR: 1401 17th St., Suite 700 CITY Denver STATE CO ZIP 80202 | | | PHONE NUMBER: (303) 296-4505 | 10. FIELD AND POOL, OR WILDCAT: Wildcat | |
| 4. LOCATION OF WELL (FOOTAGES) AT SURFACE: 212' FSL, 2432' FEL AT PROPOSED PRODUCING ZONE: 212' FSL, 2432' FEL | | | | CONFIDENTIAL | |
| 14. DISTANCE IN MILES AND DIRECTION FROM NEAREST TOWN OR POST OFFICE: Approx. 21.55 miles southwest of Vernal, UT | | | | 12. COUNTY: Utah | 13. STATE: UTAH |
| 15. DISTANCE TO NEAREST PROPERTY OR LEASE LINE (FEET) 212' | 16. NUMBER OF ACRES IN LEASE: 40 | | 17. NUMBER OF ACRES ASSIGNED TO THIS WELL: 40 | | |
| 18. DISTANCE TO NEAREST WELL (DRILLING, COMPLETED, OR APPLIED FOR) ON THIS LEASE (FEET) NA | 19. PROPOSED DEPTH: 15,700 | | 20. BOND DESCRIPTION: B000969 | | |
| 21. ELEVATIONS (SHOW WHETHER DF, RT, GR, ETC.): 4879' GR | 22. APPROXIMATE DATE WORK WILL START: 2/1/2007 | | 23. ESTIMATED DURATION: 60 Days + 30 Days Completion | | |

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 |
|--------------|---|---------------|---|
| 17 1/2 | 13 3/8" H-40 48# | 500 | See drlg plan |
| 12 1/4 | 9 5/8" J-55 40# | 5,000 | See drlg plan |
| 8 3/4" | 7" P-110 26# | 10,500 | See drlg plan |
| 6 1/4" | 4 1/2" P-110 13.5# | 15,700 | See drlg plan |
| | | | |
| | | | |
| | | | |

25. **ATTACHMENTS**

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

| | |
|--|---|
| <input checked="" type="checkbox"/> WELL PLAT OR MAP PREPARED BY LICENSED SURVEYOR OR ENGINEER | <input checked="" type="checkbox"/> COMPLETE DRILLING PLAN |
| <input type="checkbox"/> EVIDENCE OF DIVISION OF WATER RIGHTS APPROVAL FOR USE OF WATER | <input checked="" type="checkbox"/> FORM 5, IF OPERATOR IS PERSON OR COMPANY OTHER THAN THE LEASE OWNER |

NAME (PLEASE PRINT) Karin Kuhn TITLE Sr. Engineering Technician

SIGNATURE *Karin Kuhn* DATE 11/2/2006 Revised 1/18/07

(This space for State use only)

API NUMBER ASSIGNED: _____

APPROVAL: _____

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JAN 19 2007
DIV. OF OIL, GAS & MINING

DRILLING PLAN

Elk Resources, Inc.
Argyle 8-43
SW/SE of Section 8, T-7-S, R-20-E, S.L.B. & M.
Uintah County, Utah

1,2,3 **Estimated Tops of Geological Markers and Formations Expected to Contain Water, Oil and Gas and Other Minerals**

| <u>Formation</u> | <u>Depth</u> |
|------------------|--------------|
| Uinta | 1365' |
| Green River | 3720'* |
| Wasatch | 7600'* |
| Mesaverde | 11200'* |
| Castlegate | 14385' |
| Mancos | 14565' |
| Mancos B | 15229'* |
| Proposed TD | 15700' |

PROSPECTIVE PAY* oil and gas

4 **Casing Program**

| <u>HOLE SIZE</u> | <u>SETTING DEPTH</u> | | <u>SIZE</u> | <u>WEIGHT</u> | <u>GRADE</u> | <u>THREAD</u> | <u>COND.</u> |
|------------------|----------------------|-----------|-------------|---------------|--------------|---------------|--------------|
| | <u>from</u> | <u>to</u> | | | | | |
| 26" | surface | 40' | 20" | | | | |
| 17 1/2" | surface | 500' | 13 3/8" | 48# | H-40 | ST&C | New |
| 12 1/4" | surface | 5,000' | 9 5/8" | 40# | J-55 | ST&C | New |
| 8 3/4" | surface | 10,500' | 7" | 26# | P-110 | LT&C | New |
| 6 1/4" | surface | 15,700' | 4 1/2" | 13.5# | P-110 | LT&C | New |

5 **Cementing Program** (Volumes other than tail volumes will be calculated from caliper logs.)

20" Conductor Ready mix

13-3/8" Surface Lead: 185 sx light wt. with 1% CaCl and 1/4 lb/sx celloflake mixed 12.8 lb/gal., 1.78 cf/sk yield (75% excess on total volume).
Tail: 225 sx Type V with 2% CaCl and 1/4 lb/sx celloflake mixed 15.6 lb/gal., 1.2 cf/sk yield.

9 5/8" Intermediate Stage 1: 705 sx 50-50 Pozmix with 2% CaCl and LCM mixed at 14.3 ppg, 1.25 cf/sk yield.

DV @ ±3200' Stage 2: Lead 750 sx 50-50 Pozmix with 8% bentonite and 10% Cal-Seal mixed at 12.5 ppg, 1.98 cf/sk yield; Second stage tail: 125 sx Premium Plus V with 1% CaCl mixed at 15.6 ppg, 1.19 cf/sk yield.
(Estimated top of cement second stage at surface with 65% excess).

*Lower ↓
3475
w/15"
3183
w/10"*

CONFIDENTIAL

7"
 DV @ ±9000'
 Stage 1: 160 sx 50/50 Poz + 2% gel + 6% Halad-322 + 1 pps Granulite + 5% salt + ¼ pps Flocele; 14.4 ppg, 1.41 cf/sk (no excess).
 Stage 2: Lead 315 sx HiFill + 16% gel + 0.75% Econolite + 7.5 pps gilsonite + ¼ Flocele; 11.0 ppg, 3.81 cf/sx (200% excess).
 Tail 480 sx 50/50 Poz + 2% gel + 6% Halad-322 + 1 pps Granulate + 5% salt + ¼ pps Flocele; 14.4 ppg, 1.41 cf/sk. Cement top to be 500' into 9-5/8" protection string.

4 1/2"
 DV @ ±12,000'
 Stage 1: 365 sx 50/50 Poz 2% gel + 0.3% CFR-3 + 0.15% HR+ 12 + 20% SSA-1 + 0.4% Halad-344; 14.35 ppg, 1.41 cf/sk (35% excess).
 Stage 2: 145 sx 50/50 Poz 2% gel + 0.3% CF-3 + 0.15% HR + 12 + 20% SSA-1 + 0.4% Halad-344, 14.35 ppg, 1.41 cf/sk (35% excess). Cement top to be a minimum of 500' into 7" intermediate string.

6 Mud Program

Elk Resources, Inc. will record slow pump speed on daily drilling report after mudding up.

Elk shall use electronic/mechanical mud monitoring equipment, which shall include a pit volume totalizer (PVT); stroke counter; and flow sensor.

A mud test will be performed at least every 24 hours after mudding up to determine density, viscosity, gel strength, filtration, and pH.

Gas-detecting equipment will be installed and operated in the mud-return system.

A flare system will be used that gathers and burns all gas. The flare line(s) shall discharge at least 100 feet from the well head with straight lines and shall be positioned downwind of the prevailing wind direction and shall be anchored.

A mud-gas separator (gas buster) shall be used from surface casing to TD.

As per 43 CFR 3160, Onshore Oil and Gas Order No. 2, Drilling Operations, C. Mud Program Requirements.

| <u>INTERVAL</u> | <u>WEIGHT</u> | <u>VISCOSITY</u> | <u>FLUID LOSS</u> | <u>REMARKS</u> |
|-----------------|---------------|------------------|-------------------|-----------------|
| Surf. - 880' | N/A | | | Water |
| 880 - 4500' | 8.4 / 8.6 ppg | 32 | NC | Spud Mud |
| 4500 - 10000' | 8.4 / 9.0 ppg | 28 | NC | KCL Water/Gel |
| 10000 - 15700' | 9.0/12.0 ppg | 34 | 10 | KCL/Gel/Polymer |

7 BOP and Pressure Containment Data

Depth Intervals

Surf. - 1000'
1000' - 10000'
10000' - TD

BOP Equipment

None
5000# Ram type double BOP and annular
10,000# Ram type double BOP and 5000# annular

Drilling spool to accommodate choke and kill lines.

Estimated bottom-hole pressure at TD will be 9500 psi. Drilling spool to accommodate choke and kill lines.

ANCILLARY EQUIPMENT AND CHOKE MANIFOLD RATED AT 5,000# OR 10,000# AS NEEDED TO MATCH BOPE. ALL BOP AND BOPE TESTS WILL BE IN ACCORDANCE WITH THE REQUIREMENTS OF THE STATE OF UTAH.

THE STATE OF UTAH, DIVISION OF OIL, GAS AND MINING WILL BE NOTIFIED 24 HOURS IN ADVANCE OF ALL BOP PRESSURE TESTS.

8 Auxiliary equipment

- a) Upper and Lower Kelly cock
- b) Floor stabbing valve 5000#
- c) Safety valve(s) and subs to fit all string connections in use

9 Testing, Logging and Core Programs

Cores None anticipated
Testing None anticipated
Sampling 10' samples; surface casing to TD.
Surveys Run every 1000' and on trips
Logging Resistivity, neutron density, and caliper from TD to surface casing. Gamma ray from TD to surface

10 Anticipated Abnormal Pressures or Temperatures

None anticipated.

11 Drilling Schedule

Spud Approximately February 1, 2007
Duration 30 days drilling time
30 days completion time

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HAZARDOUS MATERIAL DECLARATION

Argyle 8-43

Elk Resources, Inc. guarantees that during the drilling and completion of the above referenced well, we will not use, produce, or store, transport or dispose 10,000# annually of any of the hazardous chemicals contained in the Environmental Protection Agency's consolidated list of chemicals subject to reporting under Title III Super Amendments and Reauthorization Act (SARA) of 1986.

Elk Resources, Inc. guarantees that during the drilling and completion of the above referenced well, we will use, produce, store, transport, or dispose less than the threshold planning quantity (TPQ) of any extremely hazardous substances as defined in 40 CFR 355.

CONFIDENTIAL



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

January 31, 2007

Elk Resources, Inc.
1401 17th St., Ste. 700
Denver, CO 80202

Re: Argyle 8-43 Well, 212' FSL, 2432' FEL, SW SE, Sec. 8, T. 7 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.

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

This approval shall expire one year from the above date unless substantial and continuous operation is underway, or a request for extension is made prior to the expiration date. The API identification number assigned to this well is 43-047-38866.

Sincerely,

Gil Hunt
Associate Director

pab
Enclosures

cc: Uintah County Assessor (via e-mail)
Bureau of Land Management, Vernal District Office

Operator: Elk Resources, Inc.
Well Name & Number Argyle 8-43
API Number: 43-047-38866
Lease: Fee

Location: SW SE **Sec.** 8 **T.** 7 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**

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

- 24 hours prior to cementing or testing casing
- 24 hours prior to testing blowout prevention equipment
- 24 hours prior to spudding the well
- within 24 hours of any emergency changes made to the approved drilling program
- prior to commencing operations to plug and abandon the well

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

- Dan Jarvis at (801) 538-5338
- Carol Daniels at (801) 538-5284 (spud)

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

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

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

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 checked="" type="checkbox"/> OTHER _____ | | 5. LEASE DESIGNATION AND SERIAL NUMBER: Fee |
| 2. NAME OF OPERATOR: Elk Resources, Inc. | | 6. IF INDIAN, ALLOTTEE OR TRIBE NAME: NA |
| 3. ADDRESS OF OPERATOR: 1401 17th. St., Suite 700 CITY Denver STATE CO ZIP 80202 | | 7. UNIT or CA AGREEMENT NAME: Aurora Deep Unit |
| 4. LOCATION OF WELL FOOTAGES AT SURFACE: 212' FSL, 2432' FEL | | 8. WELL NAME and NUMBER: Argyle 8-43 |
| QTR/QTR, SECTION, TOWNSHIP, RANGE, MERIDIAN: SWSE 8 7S 20E S | | 9. API NUMBER: 4304738866 |
| COUNTY: Uintah | | 10. FIELD AND POOL, OR WILDCAT: Wildcat |
| 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"/> SUBSEQUENT REPORT (Submit Original Form Only) Date of work completion: _____ | <input type="checkbox"/> ALTER CASING | <input type="checkbox"/> FRACTURE TREAT | <input type="checkbox"/> SIDETRACK TO REPAIR WELL |
| | <input type="checkbox"/> CASING REPAIR | <input type="checkbox"/> NEW CONSTRUCTION | <input type="checkbox"/> TEMPORARILY ABANDON |
| | <input type="checkbox"/> CHANGE TO PREVIOUS PLANS | <input type="checkbox"/> OPERATOR CHANGE | <input type="checkbox"/> TUBING REPAIR |
| | <input type="checkbox"/> CHANGE TUBING | <input type="checkbox"/> PLUG AND ABANDON | <input type="checkbox"/> VENT OR FLARE |
| | <input type="checkbox"/> 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 Water Source for Drlg</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.

Water for the drilling of the Argyle 8-43 will be pumped into tank trucks and trucked to the well site. Please see the attached approved Temporary Application Number 45-6177 (T77046). The source of the water is the Green River. Elk will be using a portion of the allocated amount of water for the drilling of the subject well.

COPY SENT TO OPERATOR
Date: 06/01/07
Initials: CKD

| | |
|---------------------------------------|---|
| NAME (PLEASE PRINT) <u>Karin Kuhn</u> | TITLE <u>Sr. Engineering Technician</u> |
| SIGNATURE <u><i>Karin Kuhn</i></u> | DATE <u>5/23/2007</u> |

(This space for State use only)

APPROVED BY THE STATE OF UTAH DIVISION OF OIL, GAS, AND MINING

DATE: 5/29/07

(5/2000) (See Instructions on Reverse Side)

RECEIVED
MAY 29 2007
DIV. OF OIL, GAS & MINING



JON M. HUNTSMAN, JR.
Governor
GARY R. HERBERT
Lieutenant Governor

State of Utah

DEPARTMENT OF NATURAL RESOURCES

Division of Water Rights

MICHAEL R. STYLER JERRY D. OLDS
Executive Director *State Engineer/Division Director*

ORDER OF THE STATE ENGINEER

For Temporary Application Number 45-6177 (T77046)

Temporary Application Number 45-6177 (T77046) in the name of Elk Resources Inc was filed on April 18, 2007, to appropriate 20.00 acre-feet of water from a surface source to be located South 850 feet and East 750 feet from the N¼ Corner of Section 31, T6S, R21E, SLB&M. The water is to be used for oil exploration (drilling and completion of oil/gas wells in South Book Cliffs). The water is to be used in all or portion(s) of T5S, R19E, SLB&M; T5S, R20E, SLB&M; T6S, R19E, SLB&M; T6S, R20E, SLB&M; T7S, R19E, SLB&M; T8S, R20E, SLB&M; and T7S, R20E, SLB&M.

Notice of this temporary application was not published in a newspaper. It is the opinion of the State Engineer that it meets the criteria of Section 73-3-5.5 for temporary applications.

It appears that this temporary application can be approved without affecting existing water rights.

It is, therefore, **ORDERED** and Temporary Application Number 45-6177 (T77046) is hereby **APPROVED** subject to prior rights and the condition that this application will automatically, **PERMANENTLY LAPSE** on April 26, 2008.

Inasmuch as this application proposes to divert water from a surface source, the applicant is required to contact the Stream Alteration Section of the Division of Water Rights at 801-538-7240 to obtain a Stream Alteration permit in addition to this Temporary Application.

This application is also approved according to the conditions of the current appropriation policy guidelines for the Colorado River Drainage, adopted March 7, 1990.

This approval is limited to the rights to divert and beneficially use water and does not grant any rights of access to, or use of land, or facilities not owned by the applicant.

This approval is granted subject to prior rights. The applicant shall be liable to mitigate or provide compensation for any impairment of or interference with prior rights as such may be stipulated among parties or decreed by a court of competent jurisdiction.

Failure on your part to comply with the requirements of the applicable statutes (73-3-5.5 and 73-3-8 of the Utah Code) may result in forfeiture of this temporary application.

This application shall expire one year from the date hereof.

ORDER OF THE STATE ENGINEER
Temporary Application Number
45-6177 (T77046)
Page 2

It is the applicant's responsibility to maintain a current address with this office and to update ownership of their water right. Please notify this office immediately of any change of address or for assistance in updating ownership.

Your contact with this office, should you need it, is with the Eastern Regional Office. The telephone number is 435-781-5327.

This Order is subject to the provisions of Administrative Rule R655-6-17 of the Division of Water Rights and to Sections 63-46b-13 and 73-3-14 of the Utah Code which provide for filing either a Request for Reconsideration with the State Engineer or an appeal with the appropriate District Court. A Request for Reconsideration must be filed with the State Engineer within 20 days of the date of this Order. However, a Request for Reconsideration is not a prerequisite to filing a court appeal. A court appeal must be filed within 30 days after the date of this Order, or if a Request for Reconsideration has been filed, within 30 days after the date the Request for Reconsideration is denied. A Request for Reconsideration is considered denied when no action is taken 20 days after the Request is filed.

Dated this 26 day of April, 2007.

Jerry D. Olds
Jerry D. Olds, P.E., State Engineer

Mailed a copy of the foregoing Order this 26 day of April, 2007 to:

Elk Resources Inc
Jeffrey J. Johnson
P. O. Box 817
Roosevelt, UT 84066

Stream Alteration Section
Division of Water Rights

BY: Kelly K. Horne
Kelly K. Horne, Appropriation Secretary

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.

| | |
|--|--|
| 5. LEASE DESIGNATION AND SERIAL NUMBER: Fee | |
| 6. IF INDIAN, ALLOTTEE OR TRIBE NAME: NA | |
| 7. UNIT or CA AGREEMENT NAME: Aurora Deep Unit | |
| 8. WELL NAME and NUMBER: Argyle 8-43 | |
| 9. API NUMBER: 4304738866 | |
| 1. TYPE OF WELL OIL WELL <input type="checkbox"/> GAS WELL <input checked="" type="checkbox"/> OTHER _____ | 10. FIELD AND POOL, OR WILDCAT: Wildcat |
| 2. NAME OF OPERATOR: Elk Resources, Inc. | |
| 3. ADDRESS OF OPERATOR: 1401 17th. St., Suite 700 CITY Denver STATE CO ZIP 80202 | PHONE NUMBER: (303) 296-4505 |
| 4. LOCATION OF WELL FOOTAGES AT SURFACE: 212' FSL, 2432' FEL COUNTY: Uintah QTR/QTR, SECTION, TOWNSHIP, RANGE, MERIDIAN: SWSE 8 7S 20E S 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"/> SUBSEQUENT REPORT (Submit Original Form Only) Date of work completion: _____ | <input type="checkbox"/> ALTER CASING | <input type="checkbox"/> FRACTURE TREAT | <input type="checkbox"/> SIDETRACK TO REPAIR WELL |
| | <input type="checkbox"/> CASING REPAIR | <input type="checkbox"/> NEW CONSTRUCTION | <input type="checkbox"/> TEMPORARILY ABANDON |
| | <input type="checkbox"/> CHANGE TO PREVIOUS PLANS | <input type="checkbox"/> OPERATOR CHANGE | <input type="checkbox"/> TUBING REPAIR |
| | <input type="checkbox"/> CHANGE TUBING | <input type="checkbox"/> PLUG AND ABANDON | <input type="checkbox"/> VENT OR FLARE |
| | <input type="checkbox"/> 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>Extend APD</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.

Elk requests to extend APD expiration date for one year (expiring 1/31/2009). This drilling location has not received Federal approval yet. A sundry was submitted changing the water source and was approved on 5/29/07. Please see the attached APD Request for Permit Extension Validation form. There have been no additional changes.

Approved by the
Utah Division of
Oil, Gas and Mining

Date: 01-14-08
By: 

COPY SENT TO OPERATOR
Date: 1-16-2008
Initials: KES

| | |
|---|----------------------------------|
| NAME (PLEASE PRINT) Karin Kuhn | TITLE Sr. Engineering Technician |
| SIGNATURE  | DATE 1/10/2008 |

(This space for State use only)

RECEIVED
JAN 11 2008
DIV. OF OIL, GAS & MINING

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

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

API: 4304738866
Well Name: Argyle 8-43
Location: SWSE Section 8-T7S-R20E
Company Permit Issued to: Elk Resources, Inc.
Date Original Permit Issued: 1/31/2007

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

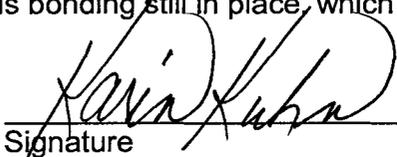
Has there been any unit or other agreements put in place that could affect the permitting or operation of this proposed well? Yes No

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

1/10/2008

Date

Title: Sr. Engineering Technician

Representing: Elk Resources, Inc.

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DIV. OF OIL, GAS & MINING

Division of Oil, Gas and Mining
OPERATOR CHANGE WORKSHEET

| |
|----------------|
| ROUTING |
| 1. DJJ |
| 2. CDW |

Change of Operator (Well Sold)

X - Operator Name Change/Merger

The operator of the well(s) listed below has changed, effective: **2/11/2008**

| | |
|---|--|
| FROM: (Old Operator): N2755-Elk Resources, Inc. 1401 17th St, Suite 700 Denver, CO 80202 Phone: 1 (303) 296-4505 | TO: (New Operator): N3480-Elk Resources, LLC. 1401 17th St, Suite 700 Denver, CO 80202 Phone: 1 (303) 296-4505 |
|---|--|

| | | | | | | | | |
|-------------------|-----|--------------|-----|----------------------|-----------|------------|-----------|-------------|
| CA No. | | Unit: | | AURORA (DEEP) | | | | |
| 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: 4/24/2008
- (R649-8-10) Sundry or legal documentation was received from the **NEW** operator on: 4/24/2008
- The new company was checked on the **Department of Commerce, Division of Corporations Database** on: 4/29/2008
- a. Is the new operator registered in the State of Utah: NO Business Number: _____
- b. If **NO**, the operator was contacted on: 4/29/2008
- a. (R649-9-2)Waste Management Plan has been received on: IN PLACE
- b. Inspections of LA PA state/fee well sites complete on: N/A
- c. Reports current for Production/Disposition & Sundries on: ok
- 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 3/13/2008 BIA
- Federal and Indian Units:**
The BLM or BIA has approved the successor of unit operator for wells listed on: 3/13/2008
- 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: _____

DATA ENTRY:

- Changes entered in the **Oil and Gas Database** on: 4/29/2008
- Changes have been entered on the **Monthly Operator Change Spread Sheet** on: 4/29/2008
- Bond information entered in RBDMS on: 4/29/2008
- Fee/State wells attached to bond in RBDMS on: 4/29/2008
- Injection Projects to new operator in RBDMS on: n/a
- Receipt of Acceptance of Drilling Procedures for APD/New on: ok

BOND VERIFICATION:

- Federal well(s) covered by Bond Number: UTB000135
- Indian well(s) covered by Bond Number: n/a
- a. (R649-3-1) The **NEW** operator of any fee well(s) listed covered by Bond Number B000969
- b. The **FORMER** operator has requested a release of liability from their bond on: n/a

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: n/a

COMMENTS: Bond was amended from Elk Resources, Inc to Elk Resources, LLC

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

FORM 9

| | | |
|--|---|--|
| SUNDRY NOTICES AND REPORTS ON WELLS | | 5. LEASE DESIGNATION AND SERIAL NUMBER: See Attached List |
| 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: Aurora "Deep" Unit |
| 1. TYPE OF WELL OIL WELL <input checked="" type="checkbox"/> GAS WELL <input checked="" type="checkbox"/> OTHER _____ | 8. WELL NAME and NUMBER: See Attached List | |
| 2. NAME OF OPERATOR: ELK RESOURCES, LLC | 9. API NUMBER: See List | |
| 3. ADDRESS OF OPERATOR: 1401 17th. St., Suite 700 CITY Denver STATE CO ZIP 80202 | PHONE NUMBER: (303) 296-4505 | 10. FIELD AND POOL, OR WILDCAT: See Attached List |
| 4. LOCATION OF WELL FOOTAGES AT SURFACE: _____ COUNTY: UINTAH | | |
| QTR/QTR, SECTION, TOWNSHIP, RANGE, MERIDIAN: _____ | | 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"/> SUBSEQUENT REPORT (Submit Original Form Only) Date of work completion: _____ | <input type="checkbox"/> ALTER CASING | <input type="checkbox"/> FRACTURE TREAT | <input type="checkbox"/> SIDETRACK TO REPAIR WELL |
| | <input type="checkbox"/> CASING REPAIR | <input type="checkbox"/> NEW CONSTRUCTION | <input type="checkbox"/> TEMPORARILY ABANDON |
| | <input type="checkbox"/> CHANGE TO PREVIOUS PLANS | <input type="checkbox"/> OPERATOR CHANGE | <input type="checkbox"/> TUBING REPAIR |
| | <input type="checkbox"/> CHANGE TUBING | <input type="checkbox"/> PLUG AND ABANDON | <input type="checkbox"/> VENT OR FLARE |
| | <input type="checkbox"/> 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: CHANGE OF OPERATOR |
| | <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.

Effective February 11, 2008, Elk Resources, LLC became the operator of the wells on the attached list.

| | |
|--|---|
| <p>Previous Operator: ELK RESOURCES, INC. (N2755) a Texas limited liability company 1401 17th Street, Suite 700 Denver, CO 80202</p> <p><i>Richard P. Crist</i> Richard P. Crist Executive Vice President Business Development</p> | <p>New Operator: ELK RESOURCES, LLC N3480 a Texas limited liability company 1401 17th Street, Suite 700 Denver, CO 80202</p> <p><i>Thomas M. Wilson</i> Thomas M. Wilson CEO</p> |
|--|---|

*BLM BOND = UTB000135
State + Fee BOND = B000969*

| | |
|---------------------------------------|---|
| NAME (PLEASE PRINT) <u>Karin Kuhn</u> | TITLE <u>Sr. Engineering Technician</u> |
| SIGNATURE <i>Karin Kuhn</i> | DATE <u>4/14/2008</u> |

(This space for State use only)

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APR 24 2008

| well_name | sec | twp | rng | api | entity | lease | well | stat | flag | qtr_qtr | unit | l_num |
|------------------|-----|------|------|------------|--------|---------|------|------|------|---------|---------------|-----------|
| ROGERS 13-16 | 16 | 070S | 200E | 4304736538 | 14989 | Fee | OW | P | | SWSW | AURORA (DEEP) | FEE |
| NIELSEN 3-22 | 22 | 070S | 200E | 4304736539 | 14806 | Fee | OW | P | | NENW | AURORA (DEEP) | FEE |
| WALL 13-17 | 17 | 070S | 200E | 4304736668 | 15363 | Federal | GW | S | | SWSW | AURORA (DEEP) | UTU-75092 |
| ROGERS 16-43 | 16 | 070S | 200E | 4304738347 | | Fee | GW | APD | C | SWSE | AURORA (DEEP) | FEE |
| AURORA FED 5-32 | 05 | 070S | 200E | 4304738463 | | Federal | OW | APD | C | NESW | AURORA (DEEP) | U-75241 |
| AURORA FED 26-33 | 26 | 070S | 200E | 4304738468 | | Federal | OW | APD | C | NWSE | AURORA (DEEP) | UTU-80689 |
| J GENTRY 17-24 | 17 | 070S | 200E | 4304738865 | | Fee | GW | APD | C | SENE | AURORA (DEEP) | FEE |
| ARGYLE 8-43 | 08 | 070S | 200E | 4304738866 | | Fee | GW | APD | C | SWSE | AURORA (DEEP) | FEE |



United States Department of the Interior
BUREAU OF LAND MANAGEMENT

Utah State Office
P.O. Box 45155
Salt Lake City, UT 84145-0155
<http://www.blm.gov/ut/st/en.html>



IN REPLY REFER TO:
UTU-0143511, et al.
BLM Bond Number: UTB000135
Surety Bond Number: B000971

March 13, 2008

NOTICE

Elk Resources, LLC
1401 17th Street, Suite 700
Denver, Colorado 80202

U.S. Specialty Insurance Co.
13403 Northwest Freeway
Houston, Texas 77040

MERGER RECOGNIZED

We received acceptable evidence of the merger of Elk Resources, Inc. into Elk Resources, LLC. Elk Resources, LLC is the surviving entity. This recognition is effective February 6, 2008, as certified by the Secretary of State, State of Texas.

We have documented the merger by copy of this notice in the oil and gas lease files identified on the enclosed exhibit. We have also updated our automated records. We compiled the exhibit from leases shown on our automated records system and any list of leases you provided. The exhibit also reflects serial numbers of agreements where you are the operator. We are notifying the Minerals Management Service and all Bureau of Land Management (BLM) offices of the merger by copies of this notice.

If you find additional leases where the merging parties maintain an interest, please contact this office. We will document the records under our jurisdiction, and if the leases are under the jurisdiction of another State Office, we will notify them.

This merger affects the following bond(s) held by the BLM:

| | | |
|----------------------------|-------------------|----------------------------------|
| BLM Bond Number: UTB000135 | Amount: \$ 25,000 | Surety/Other Identifier: B000971 |
| BLM Bond Number: UTB000299 | Amount: \$ 5,000 | Surety/Other Identifier: B004125 |

We have updated our bond file and automated system to reflect the merger. If the principal's/obligor's name also changed, we have updated our records to reflect the correct name. No rider is necessary as the change occurred by operation of law. We are in the process

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DIV. OF OIL, GAS & MINING

of determining the total liability for the leases affected by the merger and may require increased coverage in a later action.

If you have any questions, please contact Leslie Wilcken at (801) 539-4112.

/s/ Becky J. Hammond

Becky J. Hammond
Chief, Branch of Fluid Minerals

Enclosure

1-Exhibit: List of Leases

cc (w/encl):

MMS-MRM, Attn: (Leona Reilly)

State of Utah, DOGM

Vernal Field Office

Branch Chief, Lands & Reality

Merger/Name Change File

Connie Seare

Dave Mascarenas

Susan Bauman

Electronic copies (w/encl):

BLM_Bond_Surety

BLM_Fluids_Forum

| Lease # | Agreement # | |
|-------------|-------------|----------------|
| UTU-0143511 | UTU-82456X | Aurora (Deep) |
| UTU-0143512 | UTU-82456A | |
| UTU-04378 | UTU-84716X | Ouray Valley |
| UTU-21308 | UTU-86071X | N Horseshoe |
| UTU-74417 | | Bend (Pending) |
| UTU-75092 | | |
| UTU-75093 | | |
| UTU-75673 | | |
| UTU-76259 | | |
| UTU-76260 | | |
| UTU-76261 | | |
| UTU-78445 | | |
| UTU-80689 | | |
| UTU-82565 | | |
| UTU-82566 | | |
| UTU-82567 | | |
| UTU-85219 | | |
| UTU-85487 | | |
| UTU-85488 | | |
| UTU-85489 | | |
| UTU-85589 | | |
| UTU-85590 | | |
| UTU-85591 | | |

CONFIDENTIAL

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 checked="" type="checkbox"/> OTHER _____ | | 5. LEASE DESIGNATION AND SERIAL NUMBER: Fee |
| 2. NAME OF OPERATOR: Elk Resources, LLC | | 6. IF INDIAN, ALLOTTEE OR TRIBE NAME: NA |
| 3. ADDRESS OF OPERATOR: 1401 17th. St., Suite 700 CITY Denver STATE CO ZIP 80202 | | 7. UNIT or CA AGREEMENT NAME: Aurora Deep Unit |
| 4. LOCATION OF WELL FOOTAGES AT SURFACE: 212' FSL, 2432' FEL | | 8. WELL NAME and NUMBER: Argyle 8-43 |
| QTR/QTR, SECTION, TOWNSHIP, RANGE, MERIDIAN: SWSE 8 7S 20E S | | 9. API NUMBER: 4304738866 |
| COUNTY: Uintah | | 10. FIELD AND POOL, OR WILDCAT: Wildcat |
| 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: <u>6/1/2009</u> | <input type="checkbox"/> ACIDIZE | <input type="checkbox"/> DEEPEN | <input type="checkbox"/> REPERFORATE CURRENT FORMATION |
| <input type="checkbox"/> SUBSEQUENT REPORT (Submit Original Form Only) Date of work completion: | <input type="checkbox"/> ALTER CASING | <input type="checkbox"/> FRACTURE TREAT | <input type="checkbox"/> SIDETRACK TO REPAIR WELL |
| | <input type="checkbox"/> CASING REPAIR | <input type="checkbox"/> NEW CONSTRUCTION | <input type="checkbox"/> TEMPORARILY ABANDON |
| | <input type="checkbox"/> CHANGE TO PREVIOUS PLANS | <input type="checkbox"/> OPERATOR CHANGE | <input type="checkbox"/> TUBING REPAIR |
| | <input type="checkbox"/> CHANGE TUBING | <input type="checkbox"/> PLUG AND ABANDON | <input type="checkbox"/> VENT OR FLARE |
| | <input type="checkbox"/> 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>Extend APD</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.
Elk requests to extend the APD expiration date for another one year (~~expiring 1/31/2010~~). We currently anticipate drilling this location in the first half of 2009. See attached Request for Permit Extension Validation.

Approved by the
Utah Division of
Oil, Gas and Mining

Date: 12-24-08
By: [Signature]

| | |
|---------------------------------------|---|
| NAME (PLEASE PRINT) <u>Karin Kuhn</u> | TITLE <u>Sr. Engineering Technician</u> |
| SIGNATURE <u>[Signature]</u> | DATE <u>12/18/2008</u> |

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

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

API: 4304738866
Well Name: Argyle 8-43
Location: SWSE Section 8-T7S-R20E
Company Permit Issued to: Elk Resources, LLC
Date Original Permit Issued: 1/31/2007

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

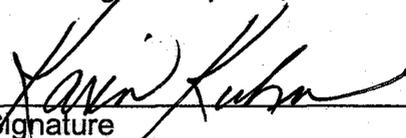
Has there been any unit or other agreements put in place that could affect the permitting or operation of this proposed well? Yes No

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

12/18/2008
Date

Title: Sr. Engineering Technician

Representing: Elk Resources, LLC

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DIV. OF OIL, GAS & MINING

| | |
|--|---|
| 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. | 5. LEASE DESIGNATION AND SERIAL NUMBER: FEE |
| | 6. IF INDIAN, ALLOTTEE OR TRIBE NAME: |
| | 7. UNIT or CA AGREEMENT NAME: AURORA (DEEP) |
| 1. TYPE OF WELL Gas Well | 8. WELL NAME and NUMBER: ARGYLE 8-43 |
| 2. NAME OF OPERATOR: ELK RESOURCES, LLC | 9. API NUMBER: 43047388660000 |
| 3. ADDRESS OF OPERATOR: 1401 17th Street, Suite 700 , Denver, CO, 80202 | PHONE NUMBER: 303 296-4505 Ext |
| 4. LOCATION OF WELL FOOTAGES AT SURFACE: 0212 FSL 2432 FEL QTR/QTR, SECTION, TOWNSHIP, RANGE, MERIDIAN: Qtr/Qtr: SWSE Section: 08 Township: 07.0S Range: 20.0E Meridian: S | 9. FIELD and POOL or WILDCAT: WILDCAT |
| | COUNTY: UINTAH |
| | STATE: UTAH |

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

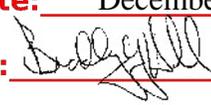
| TYPE OF SUBMISSION | TYPE OF ACTION | | |
|--|--|---|---|
| <input checked="" type="checkbox"/> NOTICE OF INTENT Approximate date work will start: 11/30/2009 | <input type="checkbox"/> ACIDIZE | <input type="checkbox"/> ALTER CASING | <input type="checkbox"/> CASING REPAIR |
| <input type="checkbox"/> SUBSEQUENT REPORT Date of Work Completion: | <input type="checkbox"/> CHANGE TO PREVIOUS PLANS | <input type="checkbox"/> CHANGE TUBING | <input type="checkbox"/> CHANGE WELL NAME |
| <input type="checkbox"/> SPUD REPORT Date of Spud: | <input type="checkbox"/> CHANGE WELL STATUS | <input type="checkbox"/> COMMINGLE PRODUCING FORMATIONS | <input type="checkbox"/> CONVERT WELL TYPE |
| <input type="checkbox"/> DRILLING REPORT Report Date: | <input type="checkbox"/> DEEPEN | <input type="checkbox"/> FRACTURE TREAT | <input type="checkbox"/> NEW CONSTRUCTION |
| | <input type="checkbox"/> OPERATOR CHANGE | <input type="checkbox"/> PLUG AND ABANDON | <input type="checkbox"/> PLUG BACK |
| | <input type="checkbox"/> PRODUCTION START OR RESUME | <input type="checkbox"/> RECLAMATION OF WELL SITE | <input type="checkbox"/> RECOMPLETE DIFFERENT FORMATION |
| | <input type="checkbox"/> REPERFORATE CURRENT FORMATION | <input type="checkbox"/> SIDETRACK TO REPAIR WELL | <input type="checkbox"/> TEMPORARY ABANDON |
| | <input type="checkbox"/> TUBING REPAIR | <input type="checkbox"/> VENT OR FLARE | <input type="checkbox"/> WATER DISPOSAL |
| | <input type="checkbox"/> WATER SHUTOFF | <input type="checkbox"/> SI TA STATUS EXTENSION | <input checked="" type="checkbox"/> APD EXTENSION |
| | <input type="checkbox"/> WILDCAT WELL DETERMINATION | <input type="checkbox"/> OTHER | OTHER: _____ |

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

Elk requests to extend the subject well location for another year.

Approved by the Utah Division of Oil, Gas and Mining

Date: December 14, 2009

By: 

| | | |
|--|-------------------------------------|--|
| NAME (PLEASE PRINT) Karin Kuhn | PHONE NUMBER 303 296-4505 | TITLE Sr. Engineering Technician |
| SIGNATURE N/A | | DATE 12/7/2009 |



The Utah Division of Oil, Gas, and Mining

- State of Utah
- Department of Natural Resources

Electronic Permitting System - Sundry Notices

Request for Permit Extension Validation Well Number 43047388660000

API: 43047388660000

Well Name: ARGYLE 8-43

Location: 0212 FSL 2432 FEL QTR SWSE SEC 08 TWP 070S RNG 200E MER S

Company Permit Issued to: ELK RESOURCES LLC

Date Original Permit Issued: 1/31/2007

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 rightof- 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

**Approved by the
Utah Division of
Oil, Gas and Mining**

Signature: Karin Kuhn

Date: 12/7/2009

Title: Sr. Engineering Technician **Representing:** ELK RESOURCES LLC

Date: December 14, 2009

By: 



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

February 3, 2011

Elk Resources, LLC
1401 17th St, Suite 700
Denver, CO 80202

Re: APD Rescinded – Argyle 8-43, Sec. 8 T. 7S, R. 20E
Uintah County, Utah API No. 43-047-38866

Ladies and Gentlemen:

The Application for Permit to Drill (APD) for the subject well was approved by the Division of Oil, Gas and Mining (Division) on January 31, 2007. On January 14, 2008, December 24, 2008 and December 14, 2009, 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 February 3, 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
Brad Hill, Technical Service Manager