

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

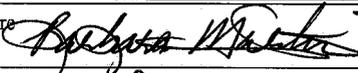
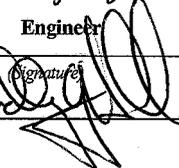
APPLICATION FOR PERMIT TO DRILL OR REENTER

5. Lease Serial No. UTU-66408	
6. If Indian, Allottee or Tribe Name N/A	
7. If Unit or CA Agreement, Name and No. N/A	
8. Lease Name and Well No. Hanging Rock Federal # 26-8	
9. API Well No. 43-047-39188	
10. Field and Pool, or Exploratory Undesignated	11. Sec., T. R. M. or Blk. and Survey or Area Sec. 26, T11S-R23E
12. County or Parish Uintah County	13. State UT
14. Distance in miles and direction from nearest town or post office* Approx. 27 miles South of Bananza, Utah	15. Distance from proposed* location to nearest property or lease line, ft. (Also to nearest drig. unit line, if any) 3116' South Lease Line
16. No. of acres in lease 2120 acres	17. Spacing Unit dedicated to this well 40 Acres
18. Distance from proposed location* to nearest well, drilling, completed, applied for, on this lease, ft. "C" Topo 1mile Radius	19. Proposed Depth 6600 ft
20. BLM/BIA Bond No. on file LPM 4138223 (Nation-Wide Bond)	21. Elevations (Show whether DF, KDB, RT, GL, etc.) 5685' GL
22. Approximate date work will start* 08/01/2007	23. Estimated duration 30 Days Constuction & Drilling

24. Attachments

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

- | | |
|--|---|
| 1. Well plat certified by a registered surveyor. | 4. Bond to cover the operations unless covered by an existing bond on file (see Item 20 above). |
| 2. A Drilling Plan. | 5. Operator certification |
| 3. A Surface Use Plan (if the location is on National Forest System Lands, the SUPO must be filed with the appropriate Forest Service Office). | 6. Such other site specific information and/or plans as may be required by the BLM. |

25. Signature 	Name (Printed/Typed) Barbara Martin	Date 04/03/2007
Title Engineer		
Approved by 	Name (Printed/Typed) BRADLEY G. HILL	Date 04-11-07
Title Off ENVIRONMENTAL MANAGER		

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

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

*(Instructions on page 2)

Further Approval of this
Action is Necessary

RECEIVED
APR 09 2007
DIV. OF OIL, GAS & MINING

T11S, R23E, S.L.B.&M.

MCELVAIN OIL & GAS PROP., INC.

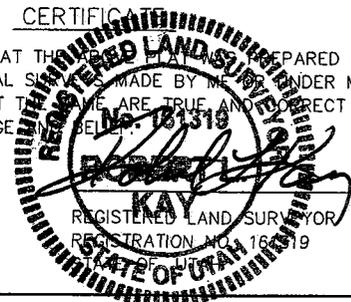
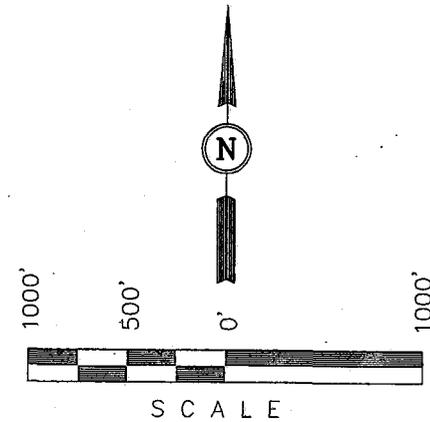
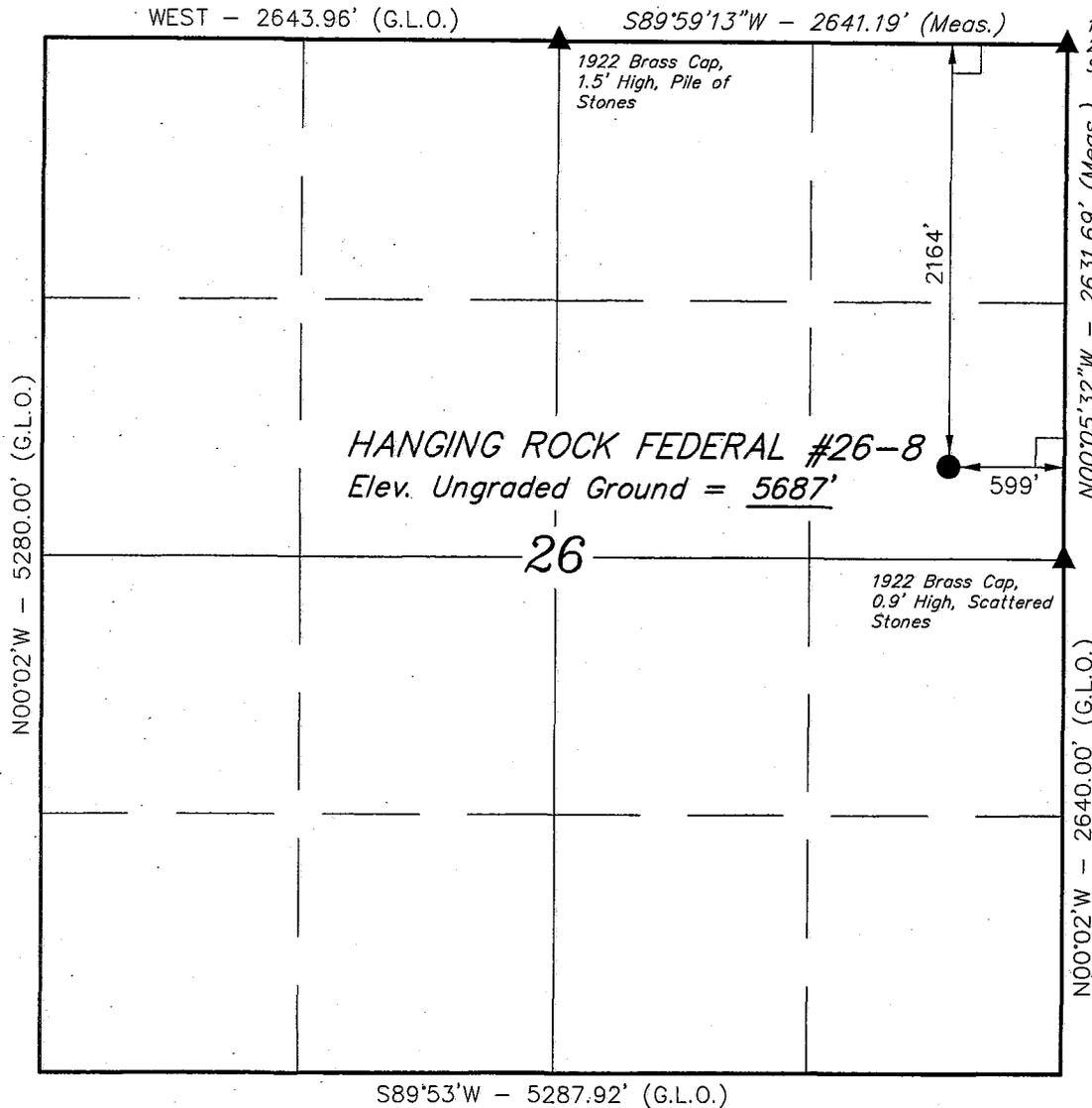
Well location, HANGING ROCK FEDERAL #26-8, located as shown in the SE 1/4 NE 1/4 of Section 26, T11S, R23E, S.L.B.&M. Uintah County, Utah.

BASIS OF ELEVATION

SPOT ELEVATION LOCATED IN THE SW 1/4 OF SECTION 1, T12S, R24E, S.L.B.&M. TAKEN FROM THE ARCHY BENCH SE, QUADRANGLE, UTAH UTAH COUNTY, 7.5 MINUTE QUAD. (TOPOGRAPHIC MAP) PUBLISHED BY THE UNITED STATES DEPARTMENT OF THE INTERIOR, GEOLOGICAL SURVEY. SAID ELEVATION IS MARKED AS BEING 5887 FEET.

BASIS OF BEARINGS

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



CERTIFICATION
THIS IS TO CERTIFY THAT THE SURVEY WAS PREPARED FROM FIELD NOTES OF ACTUAL SURVEY MADE BY ME UNDER MY SUPERVISION AND THAT THE BEARINGS ARE TRUE AND CORRECT TO THE BEST OF MY KNOWLEDGE.

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

LEGEND:

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

(AUTONOMOUS NAD 83)
LATITUDE = 39°49'57.77" (39.832714)
LONGITUDE = 109°18'11.63" (109.303231)
(AUTONOMOUS NAD 27)
LATITUDE = 39°49'57.89" (39.832747)
LONGITUDE = 109°18'09.20" (109.302556)

SCALE 1" = 1000'	DATE SURVEYED: 12-13-06	DATE DRAWN: 12-21-06
PARTY T.A. E.D. K.G.	REFERENCES G.L.O. PLAT	
WEATHER COLD	FILE MCELVAIN OIL & GAS PROP., INC.	

Ten Point Drilling Plan

McElvain Oil & Gas Properties, Inc.

Hanging Rock Federal #26-8

Surface Location SE ¼, NE ¼, Section 26, T11S-R23E, SLB&M
Uintah County, Utah

1. Surface Formation

Uintah

2. Estimated Formation Tops and Datum

(Datum Assumes 10' KB above ungraded GLE of 5,687' from sea level = 5,697' KB)

<u>Formation</u>	<u>Top @ Drill Depth</u>	<u>Datum</u>	<u>Anticipated Fluids</u>
Uintah	Surface	+5,697' KB	
Green River	597'	+5,100' KB	
Uteland Butte	2,597'	+3,100' KB	
Wasatch	2,697'	+3,000' KB	Gas, Water
Mesaverde	4,697'	+1,000' KB	Gas, Water
Neslen	5,686'	+ 290' KB	Gas, Water
Sego	6,516'	- 410' KB	Oil, Gas, Water
Buck Tongue	5,841'	- 565' KB	Oil, Gas, Water
Castlegate	6,447'	- 750' KB	Oil, Gas, Water
Estimated TD	6,600'		

Potential formation objectives include the Uteland Butte, Wasatch and Mesaverde, including the Mesaverde sub-members. Primary objectives will be the Wasatch and Mesaverde.

3. BOP and Pressure Containment Data

Formation pressures are anticipated to be normally or slightly under-pressured with a maximum bottom hole pressure of slightly less than 2,875 psi (pressure gradient of less than 0.435 psi/ft).

A 3000-psi WP BOP system as described in 43 CFR 3160 "Onshore Oil and Gas Order #2" will be utilized. The system will consist of a 3,000 psi double ram preventer with one blind, one pipe ram and an annular preventer. The system may, depending on the drilling rig's substructure clearance, utilize a rotating head above the annular preventer. Please refer to the attached BOP diagram for this 3,000 psi BOP configuration. The kill line and choke manifold will have a 3,000 psi or higher pressure rating. The BOP system,

including the surface casing, will be pressure tested following initial installation and prior to drill-out of the surface casing. Pressure tests will be conducted to the minimum standards set forth in "Onshore Oil and Gas Order #2". The BOP will be mechanically checked daily during the drilling operation.

4. Proposed Hole, Casing and Cementing Data

Hole & Casing Configuration

<u>Hole Size</u>	<u>Hole Interval</u>	<u>Casing Size</u>	<u>Setting Depth</u>	<u>Casing New/Used</u>
12 ¼"	0 - 660'	9 5/8"	600' - 660'	New
7 7/8"	660 - TD	4 ½"	T.D.	New

Casing Properties

<u>Csg Size</u>	<u>Csg Wt./Ft</u>	<u>Csg Grade</u>	<u>Csg Thread</u>	<u>Csg Collapse</u>	<u>Csg Burst</u>	<u>Csg Tensile</u>
9 5/8	32.3	H-40	ST&C	1,400 psi	2,270 psi	254,000#
4 ½	11.6	N-80	LT&C	6,350 psi	7,780 psi	267,000#

If used, conductor pipe will be set at approximately 40 feet and have a 14" minimum outside diameter.

Cement Program

<u>Casing Size</u>	<u>Cement Type</u>	<u>Cement Amount</u>	<u>Cement Yield</u>	<u>Cement Weight</u>
9 5/8"	Premium + 2% CaCL + 0.25 lb/sk. Cello Flake.	350 sacks	1.18 cf/sk	15.6 lbs/gal

Above surface casing cement volume based upon 75-100% excess for cement to surface

4 ½"	<u>Lead</u> (2350'-surface) Premium + 16% Gel + 1% Econolite + 5#/sk Gilsonite +1.5#/sk Granulite + 0.25#/sk Flocele + 3% Salt	215 sacks	3.81 cf/sk	11.0 lbs/gal
	<u>Tail</u> (TD to 2350') Premium-AG + 2% Gel + 0.5% Halad(R)-9 + 0.3% CFR-3 + 2% Microbond + 0.1% Super CBL	800 sacks	1.52 cf/sk	14.2 lbs/gal

Above cement volumes based upon 25% excess, or if accurate caliper log obtained, 15% excess for cement to surface.

A stage tool may be run if drilling conditions indicate a two stage job is warranted or if favorable mud log shows and elog responses indicate potential pay in the Uteland Butte or Green River Formation.

Float Equipment & Centralizers

Surface casing will be single staged with guide shoe, 1 joint casing, baffle. A minimum of 3 bow spring centralizers will be run on bottom as follows: Center of shoe joint, top of 1st casing connection & top 2nd casing connection.

Production casing will be single staged with float shoe, 1 joint casing, float collar. A minimum of 3 centralizers will be run on bottom plus additional centralizers run through potential pay zones in the tail cement interval.

5. Mud Program

<u>Interval</u>	<u>Mud Type</u>	<u>Mud weight lbs./gal.</u>	<u>Viscosity Sec./Qt.</u>	<u>Fluid Loss Ml/30 Min.</u>
0 - 660'	Air & Mist			No Control
660 - 2,250'	Water	8.4 - 8.8	28 - 36	No Control
2,250 - 6,600' (TD)	Water/Gel	8.8 - 9.4	32 - 42	8 - 10

Unless hole conditions dictate otherwise, mud-up is anticipated to start approximately 300' above the Uteland Butte formation.

6. Testing, Coring, Sampling and Logging Program

- a) Test: None are anticipated.
- b) Coring: There is the possibility of sidewall coring.
- c) Sampling: Mud loggers will be scheduled for call-out following drill-out of the surface casing. The rig-up of gas detection equipment and recovery of cuttings samples will start at the bottom of the Green River formation at approximately 2,550' drill depth. Initially, a 30 foot sampling frequency will be scheduled. Depending on drill rates and shows, and at geologist's discretion, sampling frequency may be increased to 10 foot intervals.

d) Electric Logging:

<u>Type</u>	<u>Interval</u>
Array Induction-Gamma Ray-SP-Caliper	TD to Surface Casing
Density-Neutron-Gamma Ray-SP-Caliper	TD to Surface Casing
Cement Bond Log-Gamma Ray	PBTD to Top of Cement

7. Abnormal Conditions

Oil and gas shows are anticipated but no abnormal pressures, temperatures or other hazards are anticipated. Other wells drilled in the area have not encountered H₂S. Anticipated formation pressures are expected to be “normally pressured” (0.435 psi/ft) or slightly under-pressured with a maximum bottom hole pressure of slightly less than 2,875 psi. Maximum anticipated surface pressure equals approximately 1,420 psi (Normal pressure gradient less partially evacuated hole gradient times depth: $0.435 \text{ psi/ft} - 0.22 \text{ psi/ft} \times 6,600' \text{ TD} = 1,420 \text{ psi}$).

8. Anticipated Starting Date & Drilling Schedule

Location building and well spud is anticipated within 120 days of McElvain's receipt of an approved drilling permit and conditioned upon lease wildlife stipulations. Duration of location construction, drilling & completion operations is expected to be approximately 55 aggregate days comprised of 7 construction days, 3 days to pre-set surface casing, 2 move-in/rig-up days, 15 drilling days, 2 rig-down/move-out days, 1 location prep day, 20 completion & testing days & 5 battery construction days.

9. Variances

Operator requests a variance to regulations requiring a straight run blooie line (when possible, a straight run blooie line will be used).

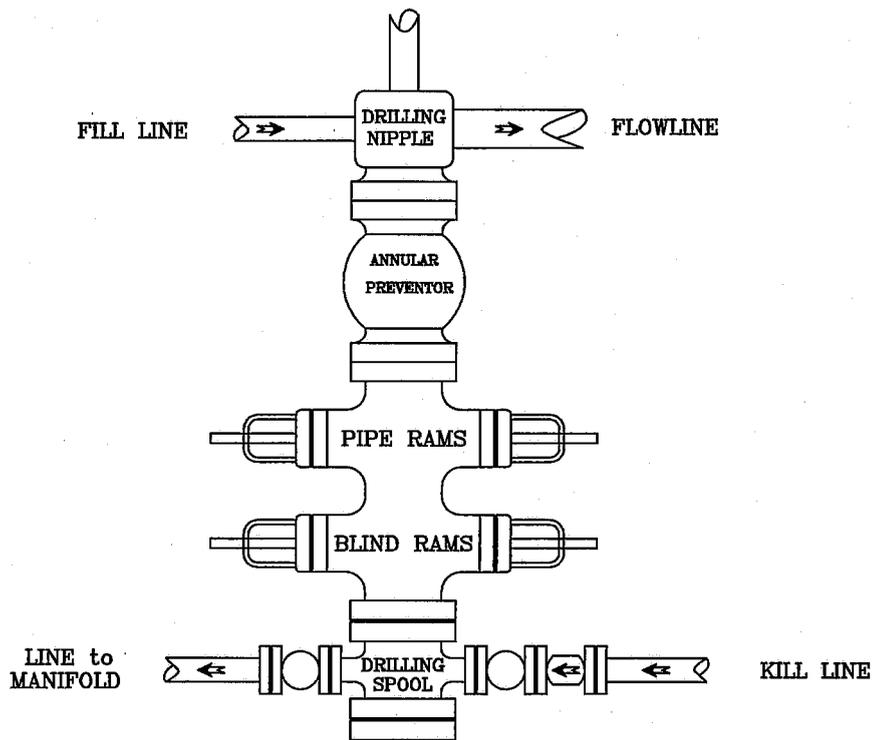
Operator requests a variance to regulations requiring an automatic igniter or continuous pilot light on the blooie line.

10. Other

Directional drilling for this location is dismissed in reference to Section 2.5.3 Directional Drilling of the RDG Final EIS. The RDG addresses directional drilling to be eliminated because of technical and economic limits. In brief, it addresses the Mesaverde and Wasatch formations consist of randomly stacked lenticular sand lenses. Most of the target formations are untested zones and directional drilling is expensive to drill. Therefore, drilling vertically through the target zone allows for more favorable economic results.

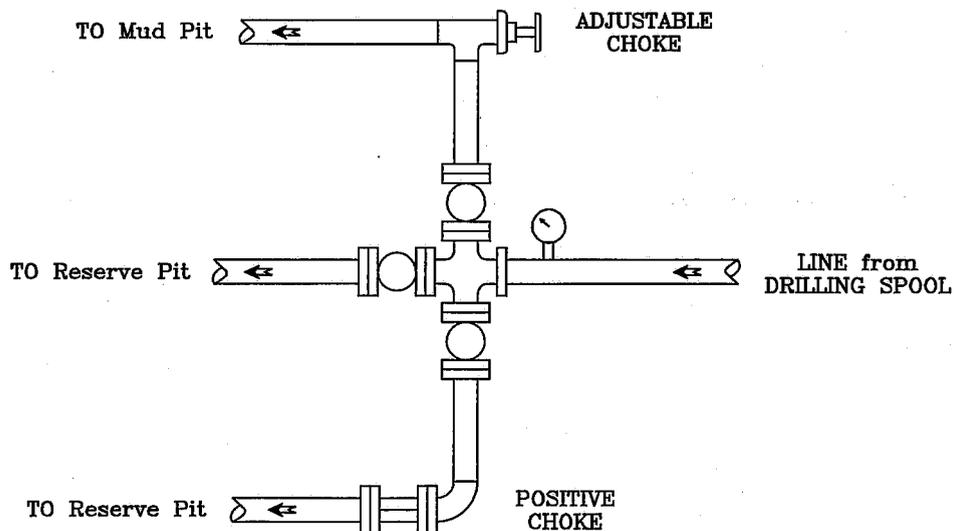
PRESSURE CONTROL

Wellhead Assembly



Preventer and Spools are to have a
9" Bore or larger and a 3000 PSI
or higher Pressure Rating

Choke Manifold



McElwain Oil & Gas Properties, Inc.

Hanging Rock Federal #26-8

McELVAIN OIL AND GAS PROPERTIES, INC.

13 POINT SURFACE USE PLAN

Hanging Rock Federal #26-8

SE ¼ NE ¼

SEC. 26, T11S-R23E, S.L.B.&M.

UINTAH COUNTY, UTAH

LEASE NUMBER: UTU-66408

SURFACE MANAGER/OWNER:

BUREAU OF LAND MANAGEMENT

1. Existing Roads

Directions to the proposed well Hanging Rock Federal #26-8 in Section 26, T11S-R23E:

Starting in Vernal, Utah

Proceed east and southeast from Vernal on Highway 40 to Highway 45 at Naples, Utah

A sign indicates the direction to Bonanza Power Plant.

Right (south) \pm 36 miles on Highway 45 to Bonanza, Utah.

Proceed south (past Bonanza and White River) on Highway 45 an additional \pm 5 miles to mile marker "0".

Left (southeast) at mile marker "0" on gravel road. BLM sign indicates this is the access road leading to "Rainbow Junction" and "Baxter Pass" (Uintah Cnty Rd # 4180, Dragon Road).

Proceed south/southeast on gravel road approximately 3.7 miles to a "Y" in the road at sheep corrals known as the "Greek" corrals.

Right at the "Y" by the "Greek" corrals towards Atchee Ridge and Rainbow (Uintah Cnty Rd #4190, King's Wells Road).

Proceed \pm 8.5 miles to a junction.

Left at the junction towards "King's Well" and "Rainbow" (continue on Rd #4190)

Proceed only \pm 0.6 miles to another junction.

Right at junction towards "Kings Well" and head southwest (continue on Rd #4190)

Proceed \pm 10.0 miles on "Kings Well" road to a "Y" intersection (about 2 miles after the sheep corrals known as the "Cedar Corrals".)

Right at "Y" intersection and head north on Asphalt Wash Road (Rd # 4160) approximately \pm 0.5 miles to another "Y" intersection .

Right at "Y" head north approximately \pm 2 miles to proposed access road.

Left at proposed access road and head West approximately 0.1 miles into the proposed Hanging Rock Federal #26-8 location.

Total distance from Vernal, Utah to the proposed well is approximately 67 miles.

All existing roads from Vernal, Utah to proposed access road are State or County Class D roads.

Anticipated construction will occur on approximately 528 feet of ON-LEASE access road adjoining and lying slightly southeast of the proposed location.

Please see the attached map B Topo for additional details.

2. Planned access road

The proposed location will require approximately 528 feet of ON-LEASE new road construction.

The new road will be built to the following standards:

A) Approximate length	528 Ft.
B) Right of Way width	30 Ft.
Running Surface	18 Ft.
C) Maximum grade	< 5%
D) Turnouts	None
E) Major cuts and fills	None
F) Culvert	None
G) Surfacing material	Native Soil
H) Fence crossing	None
I) Road flagged	Yes
J) Access road surface manager/owner	BLM
K) Pipeline crossing	Yes
L) Stream crossings	None
M) All new construction on lease	Yes

Please see the attached location Map B Topo for additional details.

Access roads and surface disturbing activities will conform to standards outlined in the Bureau of Land Management and Forest Service publication: Surfacing Operating Standards for Oil and Gas Exploration and Development, 1989. This is also referred to as the Gold Book.

The road will be constructed to meet the standards of the anticipated traffic flow and all-weather road requirements. Construction shall include ditching, draining, graveling, crowning, and capping the road bed, as necessary, to provide for a well-constructed safe road. Prior to construction, the road shall be cleared of any snow cover and allowed to dry completely. Travel off the 30 foot right-of-way will not be allowed. Road drainage crossings shall be of the typical dry creek drainage crossing type (unless specified differently). Crossings will be constructed so they will not cause "silt-up" or accumulation of debris in the drainage crossing, nor shall the drainages be blocked by the roadbed. Erosion of the drainage ditches by runoff water shall be prevented by diverting water at frequent intervals by utilizing cutouts. Up grading will not be constructed during muddy conditions. Should mud or dust holes develop, they will be filled in and detours around them avoided.

3. Location of existing wells

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

A) Water well	None
B) Abandoned well	HRF H 25-13
C) Temp. abandoned well	None
D) Disposal well	None
E) Drilling/Permitted well	Four (HR 11-23-12-36, HR 11-2341-36, HR 11-23-42-36 & HR 11-23-11-36)
F) Producing well	One (Rock House Unit 30)

- | | |
|-----------------------------------|-----------------|
| G) Shut in well | One (HRF 24-13) |
| H) Injection well | None |
| I) Monitoring or observation well | None |

Please see the attached map C Topo for additional details.

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

A) Production Facility

All production facilities will be contained within the proposed location site. Please see the attached plan for a typical gas well equipment and pipe lay-out.

All permanent structures (on site for six month or longer), constructed or installed, will be painted a flat, non-reflective, earth-tone color to match one of the standard environmental colors. Facilities required to comply with O.S.H.A. (Occupational Safety and Health Act) will be excluded.

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

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

B) Gas Gathering Line

We propose to install approximately 246 feet ON-LEASE of steel gas gathering line if an economic well is drilled and completed. Construction of the gathering line will start at the Hanging Rock Federal #26-8 well site location and head South East along the Southern edge of the new access road. The pipe line will then follow the road along its Southern side for approximately 246 feet until reaching an existing pipeline where it will tie-in with the existing gathering line located on the Eastern side of the Section 26 T11S-R23E.

Please see map D for gathering line location.

The gathering line will not require an off lease right-of-way.

The line will be a 3-4" steel line, depending on the anticipated well deliverability.

Max operating pressure will be 500 psi.

The operating temperature of the gathering system will reflect the daily ambient temperature of the area.

At this time, there are no plans for on-site compression or pumping stations.

The gathering line will not be hydrostatically tested.

The pipeline will be laid and utilized above ground. The following are reasons for above ground installation:

- A) This area would require blasting to bury the pipeline.
- B) Buried pipeline are subject to corrosion over time which in return requires the pipeline to be dug up for repair and/or maintenance.

Both of these reasons would create additional surface disturbance to bury the pipeline. In addition, when the location is reclaimed the buried pipeline will be required to be dug up and removed. If pipeline is laid above ground it would allow for maintenance and removal with minimal surface disturbance.

The pipe line will be removed when there is no continuing need for this gathering line. Prior to removing the line, an onsite will be held with the BLM to insure that the removal and reclamation will conform to all applicable BLM regulations and requirements.

There will be no additional surface disturbances required for the installation of a gathering line. The pipeline will be welded together and pulled from the well-site location and tie-in points when practical, although it will likely be necessary to utilize small segments of the access road for some of the pipe line welding. The line will then be boomed off to the side of the road.

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

The gas meter will be calibrated and the production tank(s) strapped in place prior to any sales deliveries from the well. All measurement facilities will conform to API (American Petroleum Institute) and AGA (American Gas Association) standards for gas and liquid hydrocarbon measurement.

5. Location and type of water supply

Water for drilling and cementing the subject well will fresh water and will be trucked by contractor Tu & Frum, Inc. Depending on road conditions, water will be trucked from: Rose Wood Resources flowing water well, Well #5A, in Section 24 T11S-R23E, water permit number 49-1547, and/or Willow Creek, 30 miles southwest of Vernal in Sec. 29, T12S-R21E, permit #T-75377, and/or the White River in Sec. 23, T10S-R23E, permit #T-75517. Completion water will come from the same supply or from the City of Vernal, Utah.

6. Source of construction materials

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

7. Methods for handling waste disposal

A) Pit construction and liners:

The reserve pit will be approximately 8 to 10 feet deep and most of the depth shall be below the surface of the existing ground. Please see the attached plat for details.

The pit liner will be a nylon reinforced liner. It will be a minimum of 16 mil thickness with sufficient bedding (i.e. weed free straw or hay, felt, or soil) to cover any rocks. The liner will overlap the pit walls and be covered with dirt and/or rock to hold it in place. No trash, scrap pipe, etc., that could puncture the liner will be disposed of in the pit.

The pit will be used to hold non-flammable materials such as drilling make-up water, drill cuttings, salt, drilling fluids, chemicals, produced fluids, etc.

B) Produced fluids

Produced water will be confined to the reserve pit, or if deemed necessary, a steel storage tank will be utilized for water storage for a period not to exceed 90 days after initial production. Produced water accumulated after the initial production and testing period will be stored in steel tank(s) before truck removal to an authorized disposal pit or injection well.

C) Garbage

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

D) Sewage

A portable chemical toilet will be supplied for human waste during the drilling operation.

E) Site clean up

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

F) Hazardous Material Statement

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

8. Ancillary facilities

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

9. Well-site layout and location

The proposed location has been staked at 2164' FNL & 599' FEL of Section 26, T11S-R23E.

Well-site layout

Location dimensions are as follows:

A) Pad length	335 ft	G) Max fill	12.1 ft
B) Pad width	160 ft	H) Total cut yards	19,960 cu. yds.
C) Pit depth	8 – 10 ft	I) Pit location	Southwest
D) Pit length	150 ft	J) Top soil locations	corner A, B, C, D, 1 & 2
E) Pit width	70 ft	K) Access road location	South East side
F) Max cut	26.7 ft	L) Flare pit	Corner C

Please see the attached location diagram for additional details.

The reserve pit will be fenced on three sides during drilling operations. The fourth side will be fenced when the drilling rig is removed from the location. The fence will be maintained until clean-up.

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

- A) Thirty-nine inch net wire shall be used with at least one strand of barb wire on top of the net wire. Barbed wire is not necessary if pipe or some type of reinforcement rod is attached to the top of the entire fence.
- B) The net wire shall be no more than 2 inches above the ground. The barbed wire shall be 3 inches above the net wire. Total height of the fence shall be at least 42 inches.

- C) Corner posts shall be cemented and/or braced in such a manner to keep the fence tight at all times.
- D) Standard steel, wood or pipe posts shall be used between the corner braces. Maximum distance between any two posts shall be no greater than 16 feet.
- E) All wire shall be stretched by using a stretching device before it is attached to the corner posts.

10. Plans for restoration of the surface

Prior to construction of the location, the top 6 inches of soil material will be stripped off the location and the pit area. This stripped top soil will amount to approximately 1,760 cubic yards of material. Topsoil will be stockpiled in two adjoining piles. Placement of the topsoil is noted on the attached location plat. The stock piled topsoil will be seeded with the seed mix dictated by the BLM. When all drilling and completion activities have been completed and the pit back-filled, the topsoil from the pit area will be spread on the pit area. The pit area will be seeded when the topsoil has been spread. The unused portion of the location will be re-contoured.

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

A) Producing location

Following the back-fill of the reserve pit, the natural drainage pattern shall be restored, as nearly as practical, to its original line of flow.

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

The reserve pit will be reclaimed within 90 days of well completion. If the reserve pit has not dried sufficiently to allow for proper back filling, the Operator will submit a request for an extension of time. Once initiated, reclamation activities will be completed within 30 days, weather conditions permitting.

If a reserve pit utilizes a liner, the liner shall be turned down below ground level and perforated before the pit is backfilled.

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

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

a) Seeding dates

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

b) Seed mix

The seed mix utilized in the soil reclamation will be in the amounts, and of the type specified by the BLM in their "Conditions of Approval".

B) Dry hole/Abandoned location

At such time as the well is plugged and abandoned, the operator will submit a subsequent report of abandonment and the BLM will attach the appropriate surface rehabilitation conditions of approval.

11. Surface Manager/Owner

Location	Bureau of Land Management
Access road	Bureau of Land Management
Pipeline	Bureau of Land Management

12. Other information

A) Vegetation

The vegetation coverage is slight. The predominant existing vegetation consists of sage brush.

B) Dwellings

There are no known dwellings within 1 mile of this proposed location.

C) Archeology & Paleo

A cultural resource inventory survey was conducted on the proposed well-site location, access road and pipe line route. The archaeological survey was conducted by Montgomery Archaeological Consultants and their MOAC report # 7-27. The Arch report indicates "no cultural resources located during this inventory". Also, a Paleontological Report was conducted by Intermountain Paleo-Consulting, IPC # 07-20.

During any operations, if archaeological or historical sites, or any objects of antiquity (subject to the antiquities act of June 8, 1906) are discovered, all operations which would affect such sites or objects will be suspended and the BLM will be immediately notified.

D) Water

The nearest live water is Evacuation Creek, \pm 10 miles north-east of the proposed location.

E) Chemicals

No pesticides, herbicides or other possible hazardous chemicals will be used without AO approval.

F) Notifications

The Bureau of Land Management will be notified as follows

- a) Location construction
At least 48 hours prior to construction of location and access roads
- b) Location completion
24 hours prior to moving the drilling rig on location.
- c) Spud notice
At least 24 hours prior to well spud.
- d) Casing string and cementing
At least 24 hours prior to running casing and cementing all casing strings.
- e) BOP and related equipment tests
At least 24 hours prior to initial pressure tests.
- f) Abandonment – Newly Drilled Dry Holes and/or Hole Failures
At least 24 hours prior to start of abandonment operations. In certain situations, Operator may be unable to provide 24 hour advance notice, but in all situations, Operator will receive abandonment orders from the BLM prior to the actual commencement of abandonment operations.
- g) First production notice
Within 5 business days after the new well begins, or production resumes after well has been off production for more than 90 days.
- h) Completion and Re-completion Operations
At least 24 hours prior to moving the rig on location.
- i) State of Utah Division of Oil, Gas, and Mining (DOGGM) Notifications
Within 24 hours of well spud, Operator will notify DOGGM at 801.538.5284. Prior to commencement of operations to plug and abandon the well, Operator will notify DOGGM at 801.538.5338.

G) Flare pit

The flare pit will be located in corner C of the reserve pit and outside the pit fence on the south side of the location. All fluids will be removed from the flare pit within 48 hours of occurrence.

H) Wildlife Stipulations

Wildlife stipulations and possible activity restrictions will be detailed in the "Conditions of Approval" received with an approved Permit to Drill. Operator will comply with these wildlife "conditions of approval".

I) Onsite

Onsite Date: Thursday, 15, 2007

Onsite attendants

Holly Villa	BLM
Brandon McDonald	BLM
Ivan Sadlier	McElvain Oil & Gas
Barbara Martin	McElvain Oil & Gas

13. Lessees or Operator's representative(s) and certification

A) Representatives

Barbara Martin
 Engineer
 1050 – 17th Street, Ste. 1800
 Denver, CO. 80265
 Off. 303.893.0933 xtn 345
 Fax. 303.893.0914
 Cell. 303.718.0812
 E-Mail. barbaram@mcelvain.com

Ivan Sadlier
 Production Foreman
 P.O. Box 985
 Vernal, UT. 84078
 Cell #1: 435.828.0284
 Cell #2: 435.828.0282
 E-Mail. sadlier@easilink.com

McElvain Oil & Gas Properties, Inc. is considered to be the operator of the subject well. McElvain Oil & Gas Properties, Inc. agrees to be responsible under the terms and conditions of the lease for operations conducted upon the leased premises.

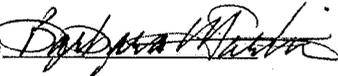
B) Certification

All lease operations will be conducted in such a manner that full compliance is made with all applicable laws, regulations, and approved "Plan of Operation", and any applicable "Notice to Lessees".

The operator will be fully responsible for the actions of its subcontractors. A copy of these conditions will be furnished to the field representatives to ensure compliance.

Bond coverage for the lease activities is being provided by McElvain Oil & Gas Properties' BLM Nationwide Bond #LPM4138223.

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

Date 

McElvain Oil & Gas Properties, Inc.

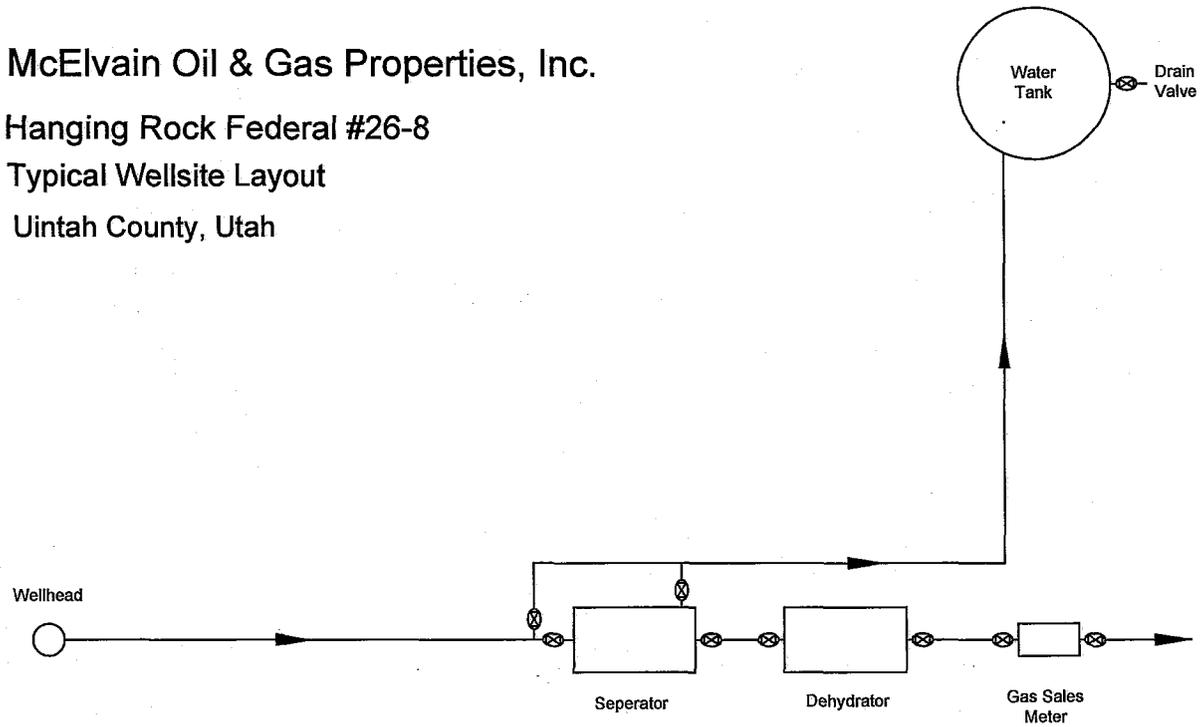
Barbara Martin
Engineer

McElvain Oil & Gas Properties, Inc.

Hanging Rock Federal #26-8

Typical Wellsite Layout

Uintah County, Utah



CULTURAL RESOURCE INVENTORY OF
MCELVAIN OIL & GAS PROPERTIES INC.'S PROPOSED
HANGING ROCK FEDERAL #26-8 WELL LOCATION
UINTAH COUNTY, UTAH

By:

Keith R. Montgomery

Prepared For:

Bureau of Land Management
Vernal Field Office

Prepared Under Contract With:

McElvain Oil & Gas Properties, Inc.
1050 17th Street, Suite 1800
Denver, Colorado 80265

Prepared By:

Montgomery Archaeological Consultants, Inc.
P.O. Box 219
Moab, Utah 84532

March 27, 2007

MOAC Report No. 07-26

United States Department of Interior (FLPMA)
Permit No. 06-UT-60122

State of Utah Antiquities Project (Survey)
Permit No. U-07-MQ-0242b

Paleontological Reconnaissance Report

**McElvain's Proposed Well Pads, Access Roads and Pipelines for
"Hanging Rock Federal #26-8" (Sec. 26, T 11 S, R 23E) and
"Tucker Federal #8-10" (Sec. 8, T 12 S, R 24 E)**

Archy Bench SE
Topographic Quadrangles
Uintah County, Utah

March 22, 2007

Prepared by Stephen D. Sandau
Paleontologist for
Intermountain Paleo-Consulting
P. O. Box 1125
Vernal, Utah 84078

McELVAIN OIL & GAS PROP., INC.
HANGING ROCK FEDERAL #26-8
 LOCATED IN UINTAH COUNTY, UTAH
 SECTION 26, T11S, R23E, S.L.B.&M.

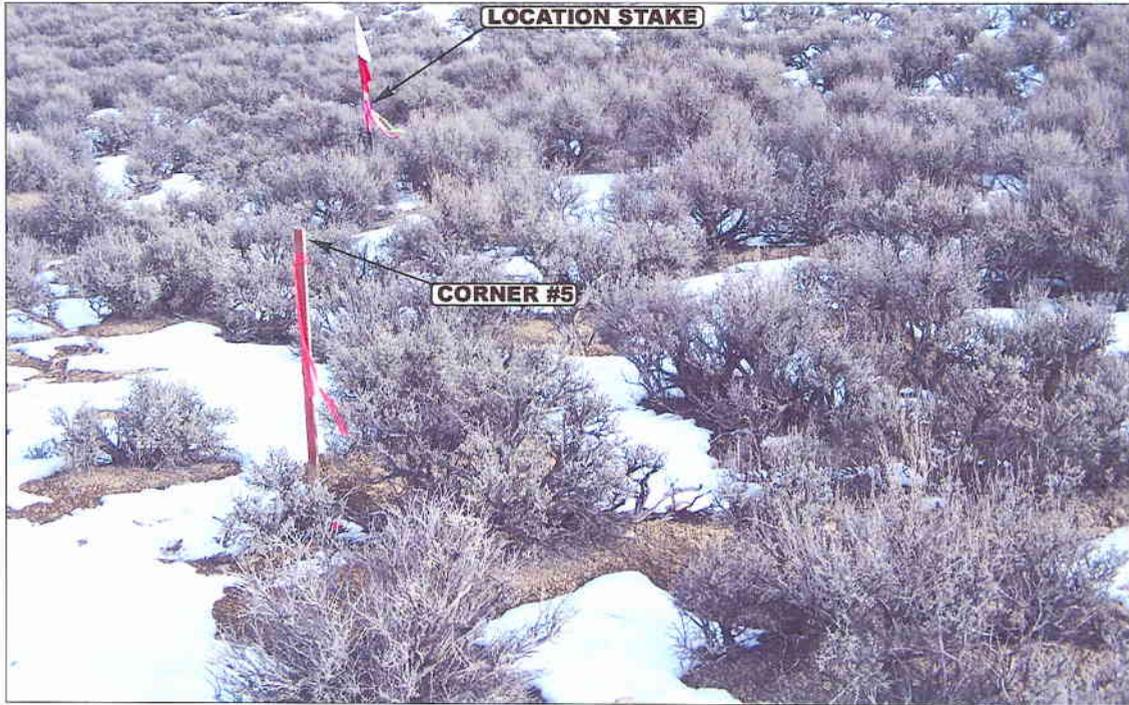


PHOTO: VIEW FROM CORNER #5 TO LOCATION STAKE

CAMERA ANGLE: NORTHEASTERLY



PHOTO: VIEW FROM BEGINNING OF PROPOSED ACCESS

CAMERA ANGLE: NORTHWESTERLY



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

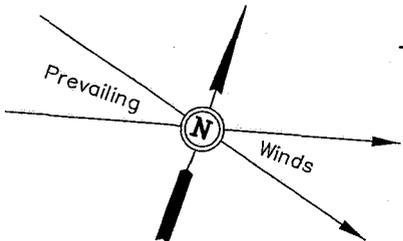
- Since 1964 -

LOCATION PHOTOS			12	22	06	PHOTO
			MONTH	DAY	YEAR	
TAKEN BY: T.A.	DRAWN BY: J.L.G.	REVISED: 00-00-00				

MELVAIN OIL & GAS PROP., INC.

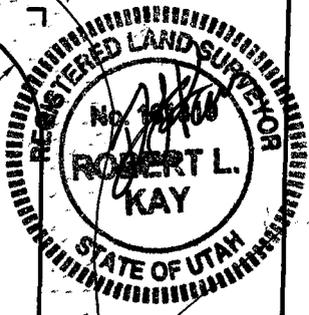
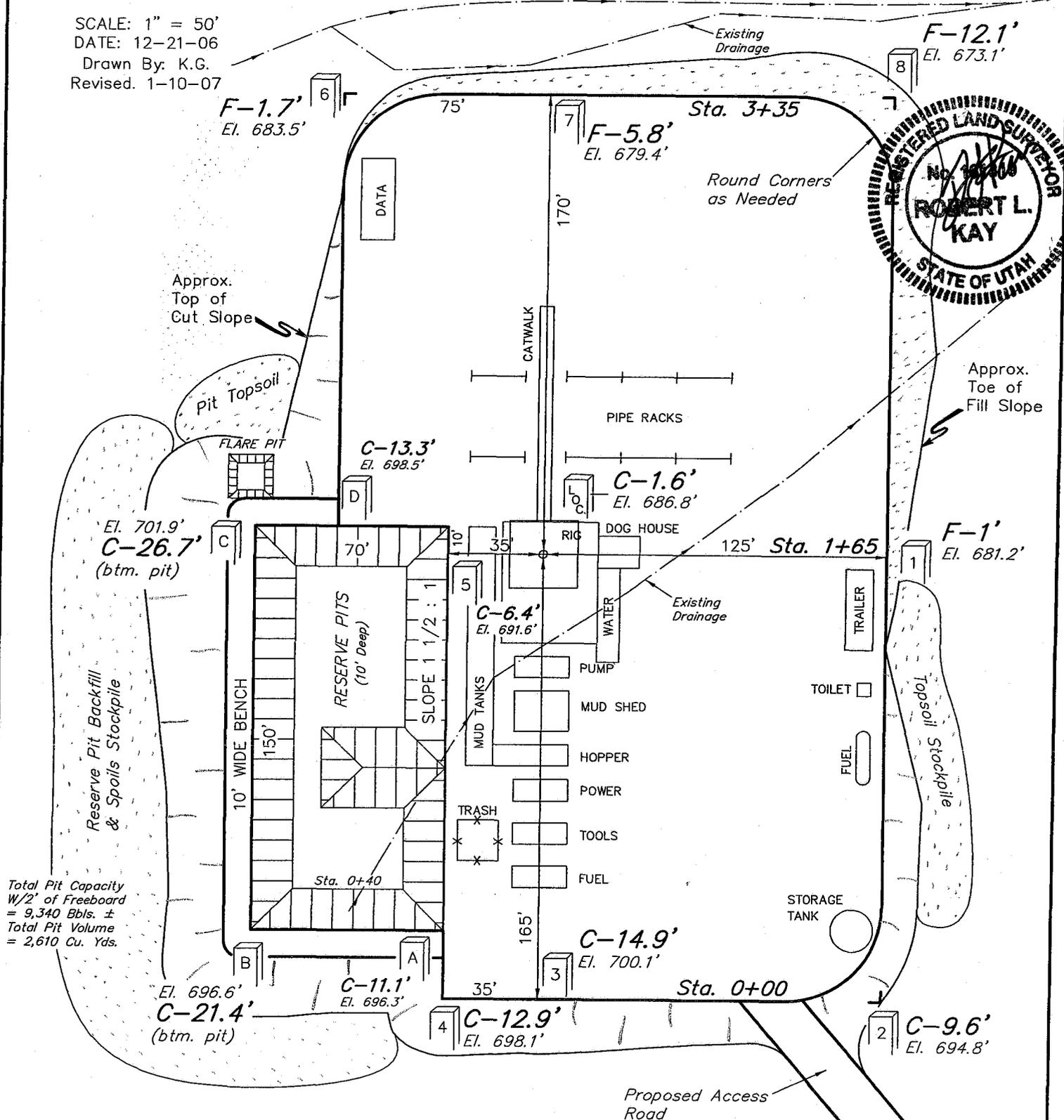
LOCATION LAYOUT FOR

HANGING ROCK FEDERAL #26-8
SECTION 26, T11S, R23E, S.L.B.&M.
2164' FNL 599' FEL



SCALE: 1" = 50'
DATE: 12-21-06
Drawn By: K.G.
Revised: 1-10-07

CONSTRUCT DIVERSION DITCH



Total Pit Capacity
W/2' of Freeboard
= 9,340 Bbls. ±
Total Pit Volume
= 2,610 Cu. Yds.

Elev. Ungraded Ground at Location Stake = 5686.8'
Elev. Graded Ground at Location Stake = 5685.2'

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

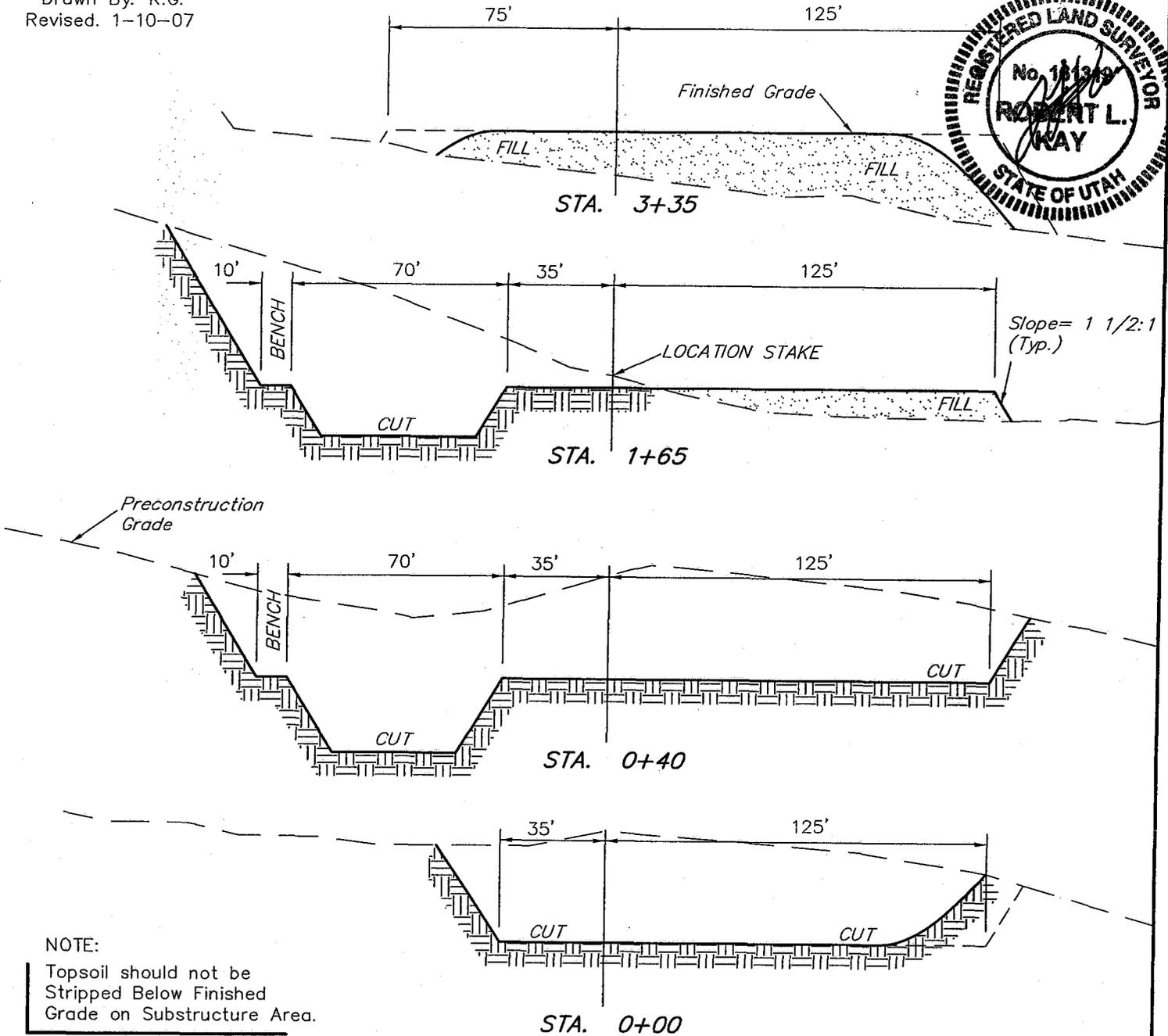
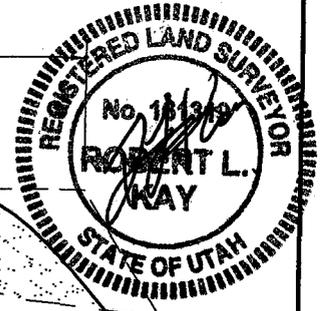
MELVAIN OIL & GAS PROP., INC.

TYPICAL CROSS SECTIONS FOR

**HANGING ROCK FEDERAL #26-8
SECTION 26, T11S, R23E, S.L.B.&M.
2164' FNL 599' FEL**

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

DATE: 12-21-06
Drawn By: K.G.
Revised: 1-10-07



NOTE:

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

APPROXIMATE YARDAGES

CUT

(6") Topsoil Stripping = 1,760 Cu. Yds.

Remaining Location = 18,200 Cu. Yds.

TOTAL CUT = 19,960 CU.YDS.

FILL = 6,020 CU.YDS.

*** NOTE:**

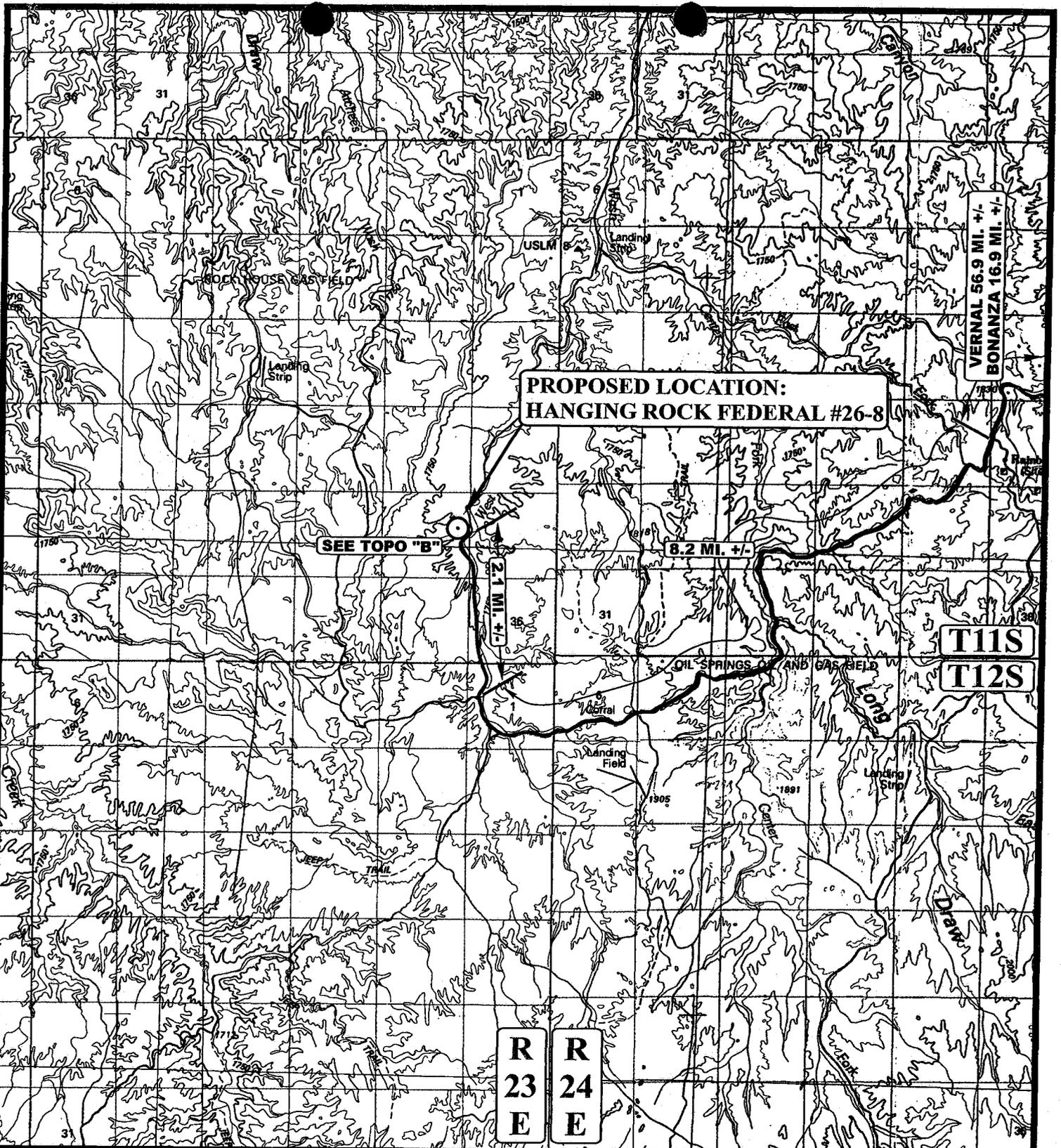
FILL QUANTITY INCLUDES 5% FOR COMPACTION

Excess Material = 13,940 Cu. Yds.

Topsoil & Pit Backfill (1/2 Pit Vol.) = 3,070 Cu. Yds.

EXCESS UNBALANCE (After Rehabilitation) = 10,870 Cu. Yds.

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



LEGEND:

⊙ PROPOSED LOCATION



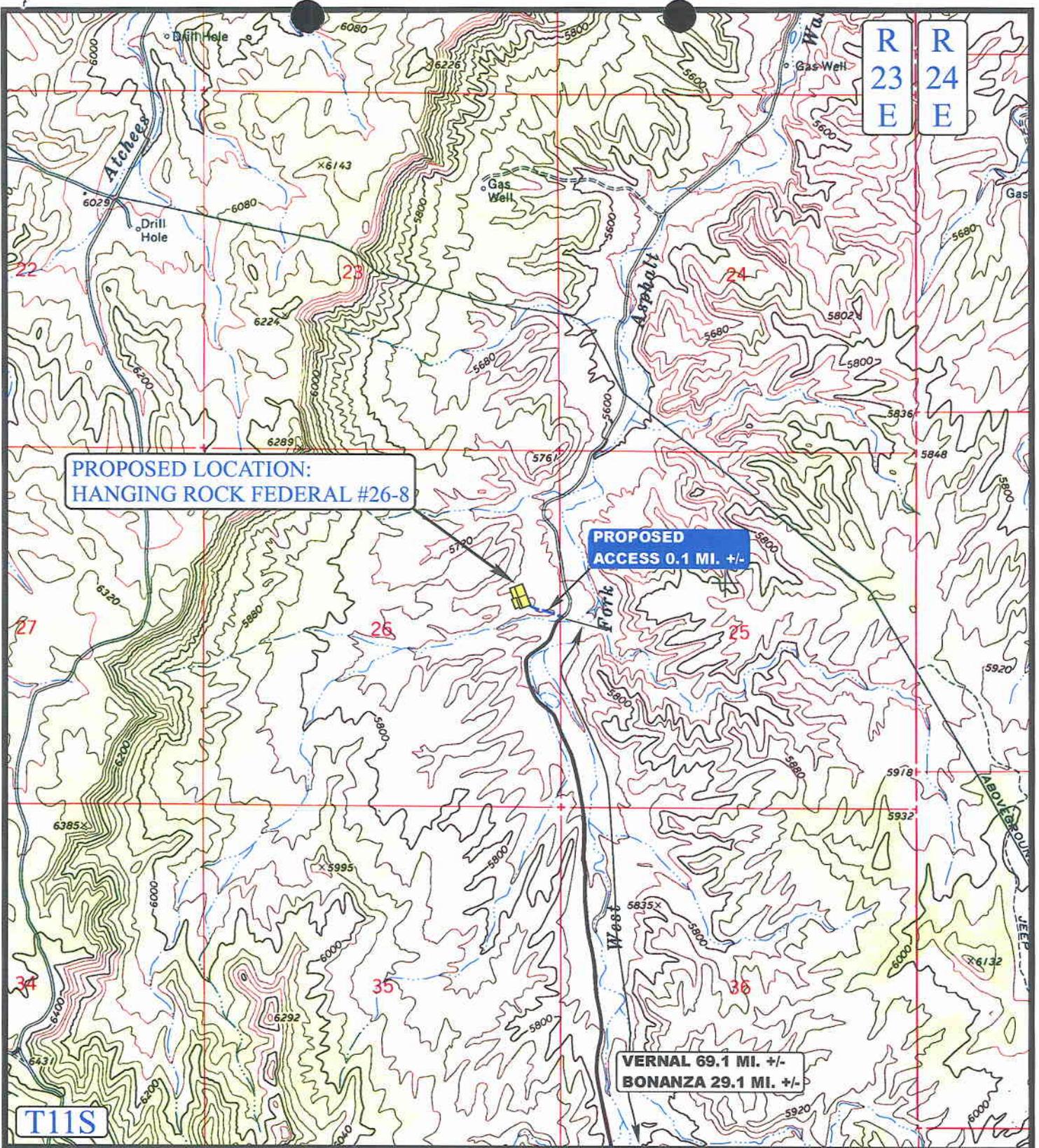
McELVAIN OIL & GAS PROP., INC.
HANGING ROCK FEDERAL #26-8
SECTION 26, T11S, R23E, S.L.B.&M.
2164' FNL 599' FEL



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

TOPOGRAPHIC **12 22 06**
MAP **MONTH DAY YEAR**
 SCALE: 1:100,000 | DRAWN BY: J.L.G. | REVISED: 00-00-00





**PROPOSED LOCATION:
HANGING ROCK FEDERAL #26-8**

**PROPOSED
ACCESS 0.1 MI. +/-**

**VERNAL 69.1 MI. +/-
BONANZA 29.1 MI. +/-**

LEGEND:

- PROPOSED ACCESS ROAD
- EXISTING ROAD



McELVAIN OIL & GAS PROP., INC.

**HANGING ROCK FEDERAL #26-8
SECTION 26, T11S, R23E, S.L.B.&M.
2164' FNL 599' FEL**



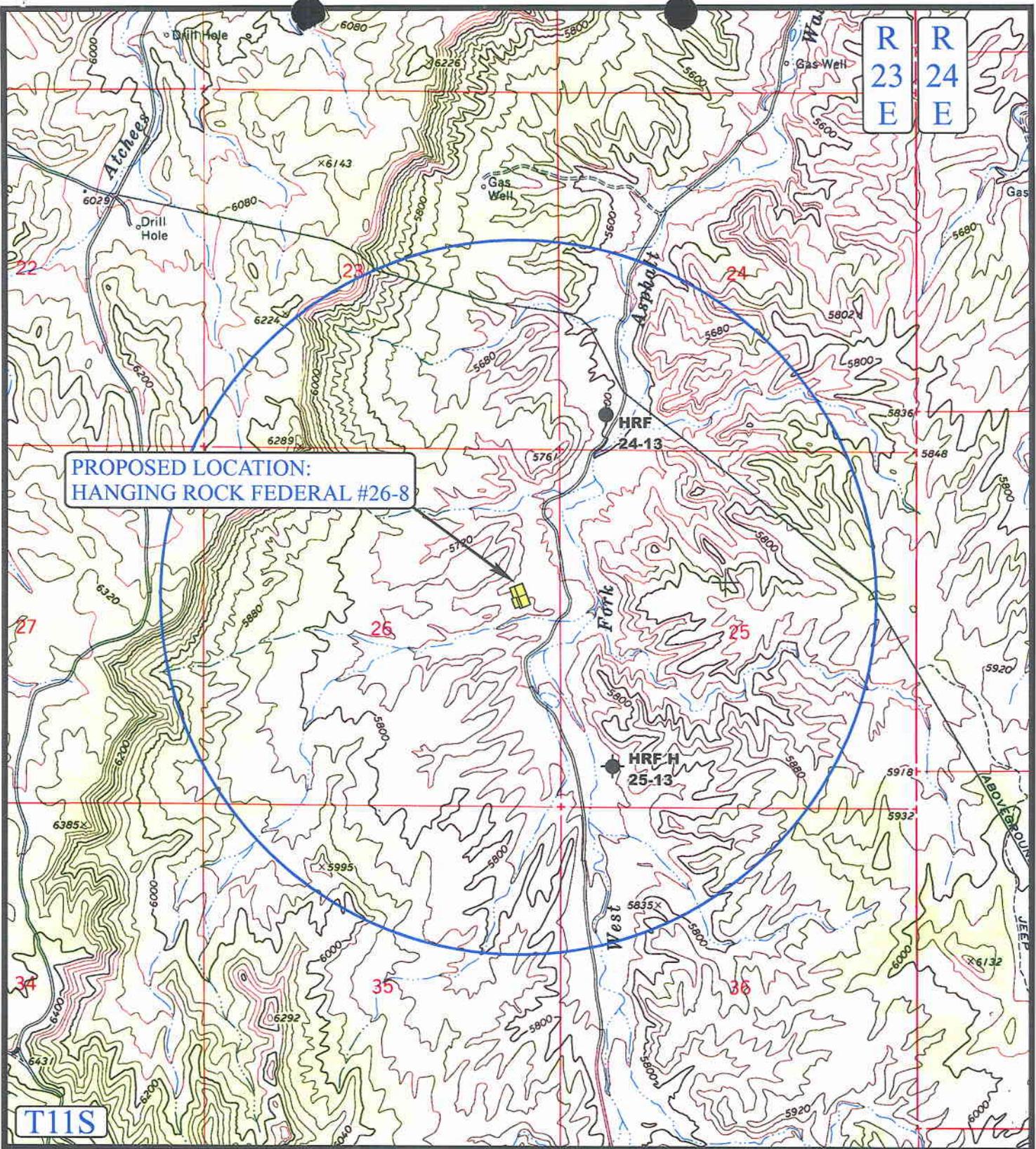
Uintah Engineering & Land Surveying
85 South 200 East Vernal, Utah 84078
(435) 789-1017 * FAX (435) 789-1813

**TOPOGRAPHIC
MAP**

12 22 06
MONTH DAY YEAR

SCALE: 1" = 2000' DRAWN BY: J.L.G. REVISED: 00-00-00





**PROPOSED LOCATION:
HANGING ROCK FEDERAL #26-8**

T11S

LEGEND:

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



McELVAIN OIL & GAS PROP., INC.

**HANGING ROCK FEDERAL #26-8
SECTION 26, T11S, R23E, S.L.B.&M.
2164' FNL 599' FEL**



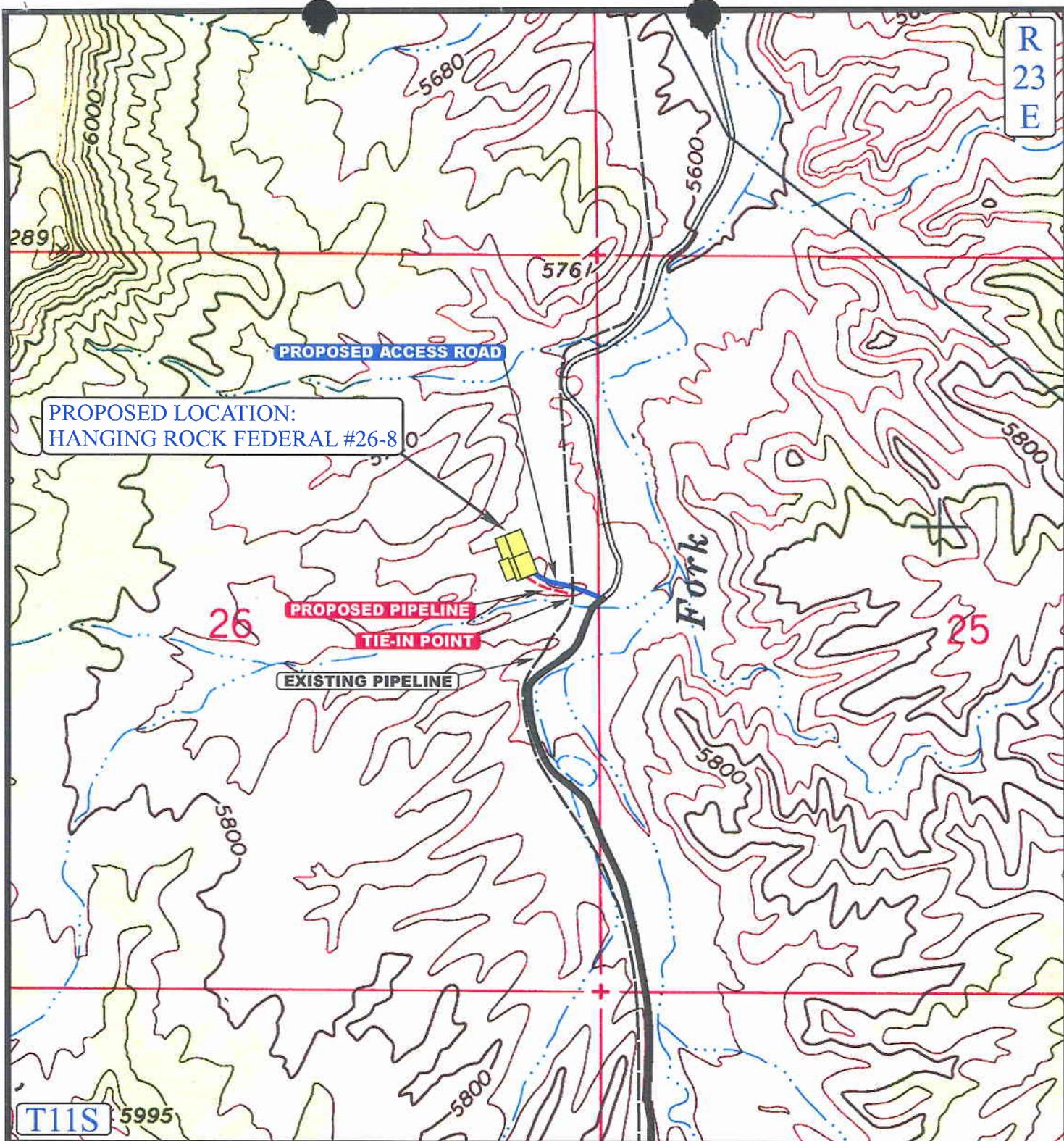
Utah Engineering & Land Surveying
85 South 200 East Vernal, Utah 84078
(435) 789-1017 * FAX (435) 789-1813

**TOPOGRAPHIC
MAP**

12 22 06
MONTH DAY YEAR

SCALE: 1" = 2000' DRAWN BY: J.L.G. REVISED: 00-00-00





APPROXIMATE TOTAL PIPELINE DISTANCE = 246' +/-

LEGEND:

-  EXISTING PIPELINE
-  PROPOSED PIPELINE
-  PROPOSED ACCESS

McELVAIN OIL & GAS PROP., INC.

HANGING ROCK FEDERAL #26-8
SECTION 26, T11S, R23E, S.L.B.&M.
 2164' FNL 599' FEL



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

TOPOGRAPHIC **12 22 06**
MAP MONTH DAY YEAR
 SCALE: 1" = 1000' DRAWN BY: J.L.G. REVISED: 00-00-00



**WORKSHEET
APPLICATION FOR PERMIT TO DRILL**

APD RECEIVED: 04/09/2007

API NO. ASSIGNED: 43-047-39188

WELL NAME: HANGING ROCK FED 26-8
 OPERATOR: MCELVAIN OIL & GAS (N2100)
 CONTACT: BARBARA MARTIN

PHONE NUMBER: 303-893-0933

PROPOSED LOCATION:

SENE 26 110S 230E
 SURFACE: 2164 FNL 0599 FEL
 BOTTOM: 2164 FNL 0599 FEL
 COUNTY: UINTAH
 LATITUDE: 39.83270 LONGITUDE: -109.3025
 UTM SURF EASTINGS: 645255 NORTHINGS: 4410358
 FIELD NAME: UNDESIGNATED (2)

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

LEASE TYPE: 1 - Federal
 LEASE NUMBER: UTU-66408
 SURFACE OWNER: 1 - Federal

PROPOSED FORMATION: CSLGT
 COALBED METHANE WELL? NO

RECEIVED AND/OR REVIEWED:

- Plat
- Bond: Fed[1] Ind[] Sta[] Fee[]
(No. LPM 4138223)
- Potash (Y/N)
- Oil Shale 190-5 (B) or 190-3 or 190-13
- Water Permit
(No. 49-1547)
- RDCC Review (Y/N)
(Date: _____)
- Fee Surf Agreement (Y/N)
- Intent to Commingle (Y/N)

LOCATION AND SITING:

- R649-2-3.
- Unit: _____
- R649-3-2. General
Siting: 460 From Qtr/Qtr & 920' Between Wells
- R649-3-3. Exception
- Drilling Unit
Board Cause No: _____
Eff Date: _____
Siting: _____
- R649-3-11. Directional Drill

COMMENTS: _____

STIPULATIONS: _____

1- Federal Approval
2- Spacing Strip

ROCK HOUSE FIELD

HANGING ROCK
FEDERAL OIL

T11S R23E

HANGING ROCK
FED 26-8

26

HANGING ROCK
FED H 25-13

HANGING ROCK
H-23-11-36

HANGING ROCK
H-23-41-36

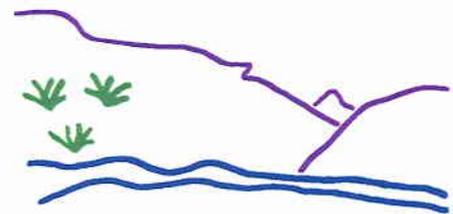
OPERATOR: MCELVAIN O&G PROP (N2100)

SEC: 26 T.11S R.23E

FIELD: UNDESIGNATED (002)

COUNTY: UINTAH

SPACING: R649-3-2 / GENERAL SITING



Utah Oil Gas and Mining

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

- ### 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



PREPARED BY: DIANA MASON
DATE: 11-APRIL-2007



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

April 11, 2007

McElvain Oil & Gas Properties, Inc
1050 17th Street, Suite 1800
Denver, CO 80265

Re: Hanging Rock Federal 26-8 Well, 2164' FNL, 599' FEL, SE NE, Sec. 26,
T. 11 South, R. 23 East, Uintah County, Utah

Gentlemen:

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

This approval shall expire one year from the above date unless substantial and continuous operation is underway, or a request for extension is made prior to the expiration date. The API identification number assigned to this well is 43-047-39188.

Sincerely,

Gil Hunt
Associate Director

pab
Enclosures

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

Operator: McElvain Oil & Gas Properties, Inc

Well Name & Number Hanging Rock Federal 26-8

API Number: 43-047-39188

Lease: UTU-66408

Location: SE NE Sec. 26 T. 11 South R. 23 East

Conditions of Approval

1. General

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

2. Notification Requirements

Notify the Division with 24 hours of spudding the well.

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

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

- Contact Dustin Doucet at (801) 538-5281 office
(801) 733-0983 home

3. Reporting Requirements

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

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

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

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

FORM APPROVED
OMB No. 1004-0137
Expires: March 31, 2007

SUNDRY NOTICES AND REPORTS ON WELLS
Do not use this form for proposals to drill or to re-enter an abandoned well. Use Form 3160-3 (APD) for such proposals.

5. Lease Serial No.
UTU-66408

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

SUBMIT IN TRIPLICATE – Other instructions on page 2.

7. If Unit of CA/Agreement, Name and/or No.
N/A

1. Type of Well

Oil Well Gas Well Other

8. Well Name and No.
Hanging Rock Federal #26-8

2. Name of Operator
McElvain Oil & Gas Properties, Inc.

9. API Well No.
43-047-39188

3a. Address
1050 17th Street, Suite 1800, Denver, CO 80265

3b. Phone No. (include area code)
(303) 893-0933

10. Field and Pool or Exploratory Area
Undesignated

4. Location of Well (Footage, Sec., T, R., M., or Survey Description)
2164' FNL & 599' FEL (SENE) Sec. 26, T11S-R23E SLM & B

11. Country or Parish, State
Uintah County, Utah

12. CHECK THE APPROPRIATE BOX(ES) TO INDICATE NATURE OF NOTICE, REPORT OR OTHER DATA

TYPE OF SUBMISSION	TYPE OF ACTION			
<input checked="" type="checkbox"/> Notice of Intent	<input type="checkbox"/> Acidize	<input type="checkbox"/> Deepen	<input type="checkbox"/> Production (Start/Resume)	<input type="checkbox"/> Water Shut-Off
<input checked="" type="checkbox"/> Subsequent Report	<input type="checkbox"/> Alter Casing	<input type="checkbox"/> Fracture Treat	<input type="checkbox"/> Reclamation	<input type="checkbox"/> Well Integrity
<input type="checkbox"/> Final Abandonment Notice	<input type="checkbox"/> Casing Repair	<input type="checkbox"/> New Construction	<input type="checkbox"/> Recomplete	<input checked="" type="checkbox"/> Other <u>APD Change of Plans</u>
	<input type="checkbox"/> Change Plans	<input type="checkbox"/> Plug and Abandon	<input type="checkbox"/> Temporarily Abandon	
	<input type="checkbox"/> Convert to Injection	<input type="checkbox"/> Plug Back	<input type="checkbox"/> Water Disposal	

13. Describe Proposed or Completed Operation: Clearly state all pertinent details, including estimated starting date of any proposed work and approximate duration thereof. If the proposal is to deepen directionally or recomplete horizontally, give subsurface locations and measured and true vertical depths of all pertinent markers and zones. Attach the Bond under which the work will be performed or provide the Bond No. on file with BLM/BIA. Required subsequent reports must be filed within 30 days following completion of the involved operations. If the operation results in a multiple completion or recompletion in a new interval, a Form 3160-4 must be filed once testing has been completed. Final Abandonment Notices must be filed only after all requirements, including reclamation, have been completed and the operator has determined that the site is ready for final inspection.)

McElvain Oil & Gas Properties, Inc. would like to make a change of plans on the APD for the Hanging Rock Federal #26-8 (API# 43-047-39188) located in the SENE of Sec. 26, T11S-R23E of Uintah County, Utah. The Drilling plan was changed to a 2000 psi BOP and mud will be monitored visually. We will be performing the work with BLM Bond #COB-000010 (Nationwide Bond). Attached is the revised Drilling Plant and BOP diagram.

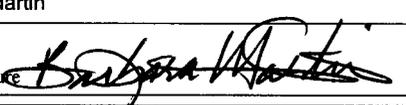
**Accepted by the
Utah Division of
Oil, Gas and Mining
FOR RECORD ONLY**

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

Name (Printed/Typed)
Barbara Martin

Title Engineer

Signature



Date 06/26/2007

THIS SPACE FOR FEDERAL OR STATE OFFICE USE

Approved by

Title

Date

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

Office

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

(Instructions on page 2)

RECEIVED

JUN 29 2007

DIV. OF OIL, GAS & MINING

Ten Point Drilling Plan

McElvain Oil & Gas Properties, Inc.

Revision 6-26-07

Hanging Rock Federal #26-8

Surface Location SE ¼, NE ¼, Section 26, T11S-R23E, SLB&M
Uintah County, Utah

1. Surface Formation

Uintah

2. Estimated Formation Tops and Datum

(Datum Assumes 10' KB above ungraded GLE of 5,687' from sea level = 5,697' KB)

<u>Formation</u>	<u>Top @ Drill Depth</u>	<u>Datum</u>	<u>Anticipated Fluids</u>
Uintah	Surface	+5,697' KB	
Green River	597'	+5,100' KB	
Uteland Butte	2,597'	+3,100' KB	
Wasatch	2,697'	+3,000' KB	Gas, Water
Mesaverde	4,697'	+1,000' KB	Gas, Water
Neslen	5,686'	+ 290' KB	Gas, Water
Sego	6,516'	- 410' KB	Oil, Gas, Water
Buck Tongue	5,841'	- 565' KB	Oil, Gas, Water
Castlegate	6,447'	- 750' KB	Oil, Gas, Water
Estimated TD	6,600'		

Potential formation objectives include the Uteland Butte, Wasatch and Mesaverde, including the Mesaverde sub-members. Primary objectives will be the Wasatch and Mesaverde.

3. BOP and Pressure Containment Data

Formation pressures are anticipated to be normally or slightly under-pressured with a maximum bottom hole pressure of slightly less than 2,875 psi (pressure gradient of less than 0.435 psi/ft).

A 2000-psi WP BOP system as described in 43 CFR 3160 "Onshore Oil and Gas Order #2" will be utilized. The system will consist of a 2,000 psi double ram preventer with one blind, one pipe ram. The system may, depending on the drilling rig's substructure clearance, utilize a rotating head. Please refer to the attached BOP diagram for this 2,000 psi BOP configuration. The kill line and choke manifold will have a 2,000 psi or higher pressure rating. The BOP system, including the surface casing, will be pressure tested following initial installation and prior to drill-out of the surface casing. Pressure tests will be conducted to the minimum standards set forth in "Onshore Oil and Gas Order #2". The BOP will be mechanically checked daily during the drilling operation.

4. Proposed Hole, Casing and Cementing Data

Hole & Casing Configuration

<u>Hole Size</u>	<u>Hole Interval</u>	<u>Casing Size</u>	<u>Setting Depth</u>	<u>Casing New/Used</u>
12 1/4"	0 - 660'	9 5/8"	600' - 660'	New
7 7/8"	660 - TD	4 1/2"	T.D.	New

Casing Properties

<u>Csg Size</u>	<u>Csg Wt./Ft</u>	<u>Csg Grade</u>	<u>Csg Thread</u>	<u>Csg Collapse</u>	<u>Csg Burst</u>	<u>Csg Tensile</u>
9 5/8	32.3	H-40	ST&C	1,400 psi	2,270 psi	254,000#
4 1/2	11.6	N-80	LT&C	6,350 psi	7,780 psi	267,000#

If used, conductor pipe will be set at approximately 40 feet and have a 14" minimum outside diameter.

Cement Program

<u>Casing Size</u>	<u>Cement Type</u>	<u>Cement Amount</u>	<u>Cement Yield</u>	<u>Cement Weight</u>
9 5/8"	Premium + 2% CaCL + 0.25 lb/sk. Cello Flake.	350 sacks	1.18 cf/sk	15.6 lbs/gal

Above surface casing cement volume based upon 75-100% excess for cement to surface

4 1/2"	<u>Lead</u> (2350'-surface) Premium + 16% Gel + 1% Econolite + 5#/sk Gilsonite +1.5#/sk Granulite + 0.25#/sk Flocele + 3% Salt	215 sacks	3.81 cf/sk	11.0 lbs/gal
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	<u>Tail</u> (TD to 2350') Premium-AG + 2% Gel + 0.5% Halad(R)-9 + 0.3% CFR-3 + 2% Microbond + 0.1% Super CBL	800 sacks	1.52 cf/sk	14.2 lbs/gal
--	--	-----------	------------	--------------

Above cement volumes based upon 25% excess, or if accurate caliper log obtained, 15% excess for cement to surface.

A stage tool may be run if drilling conditions indicate a two stage job is warranted or if favorable mud log shows and elog responses indicate potential pay in the Ute land Butte or Green River Formation.

Float Equipment & Centralizers

Surface casing will be single staged with guide shoe, 1 joint casing, baffle. A minimum of 3 bow spring centralizers will be run on bottom as follows: Center of shoe joint, top of 1st casing connection & top 2nd casing connection.

Production casing will be single staged with float shoe, 1 joint casing, float collar. A minimum of 3 centralizers will be run on bottom plus additional centralizers run through potential pay zones in the tail cement interval.

5. Mud Program

<u>Interval</u>	<u>Mud Type</u>	<u>Mud weight lbs./gal.</u>	<u>Viscosity Sec./Qt.</u>	<u>Fluid Loss Ml/30 Min.</u>
0 - 660'	Air & Mist			No Control
660 - 2,250'	Water	8.4 - 8.8	28 - 36	No Control
2,250 - 6,600' (TD)	Water/Gel	8.8 - 9.4	32 - 42	8 - 10

Unless hole conditions dictate otherwise, mud-up is anticipated to start approximately 300' above the Uteland Butte formation. Visual mud monitoring will be used.

6. Testing, Coring, Sampling and Logging Program

- a) Test: None are anticipated.
- b) Coring: There is the possibility of sidewall coring.
- c) Sampling: Mud loggers will be scheduled for call-out following drill-out of the surface casing. The rig-up of gas detection equipment and recovery of cuttings samples will start at the bottom of the Green River formation at approximately 2,550' drill depth. Initially, a 30 foot sampling frequency will be scheduled. Depending on drill rates and shows, and at geologist's discretion, sampling frequency may be increased to 10 foot intervals.

d) Electric Logging:

<u>Type</u>	<u>Interval</u>
Array Induction-Gamma Ray-SP-Caliper	TD to Surface Casing
Density-Neutron-Gamma Ray-SP-Caliper	TD to Surface Casing
Cement Bond Log-Gamma Ray	PBTD to Top of Cement

7. Abnormal Conditions

Oil and gas shows are anticipated but no abnormal pressures, temperatures or other hazards are anticipated. Other wells drilled in the area have not encountered H₂S. Anticipated formation pressures are expected to be “normally pressured” (0.435 psi/ft) or slightly under-pressured with a maximum bottom hole pressure of slightly less than 2,875 psi. Maximum anticipated surface pressure equals approximately 1,420 psi (Normal pressure gradient less partially evacuated hole gradient times depth: 0.435 psi/ft – 0.22 psi/ft x 6,600’ TD = 1,420 psi).

8. Anticipated Starting Date & Drilling Schedule

Location building and well spud is anticipated within 120 days of McElvain’s receipt of an approved drilling permit and conditioned upon lease wildlife stipulations. Duration of location construction, drilling & completion operations is expected to be approximately 55 aggregate days comprised of 7 construction days, 3 days to pre-set surface casing, 2 move-in/rig-up days, 15 drilling days, 2 rig-down/move-out days, 1 location prep day, 20 completion & testing days & 5 battery construction days.

9. Variances

Operator requests a variance to regulations requiring a straight run blooie line (when possible, a straight run blooie line will be used).

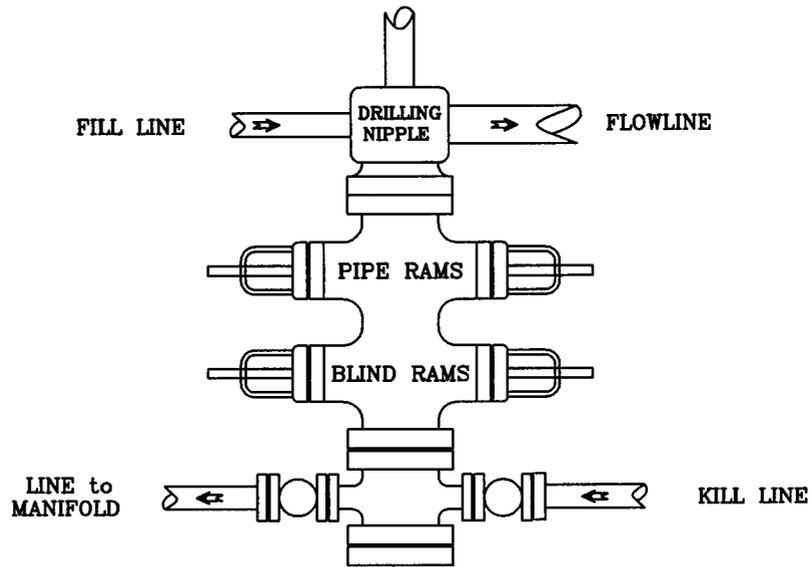
Operator requests a variance to regulations requiring an automatic igniter or continuous pilot light on the blooie line.

10. Other

Directional drilling for this location is dismissed in reference to Section 2.5.3 Directional Drilling of the RDG Final EIS. The RDG addresses directional drilling to be eliminated because of technical and economic limits. In brief, it addresses the Mesaverde and Wasatch formations consist of randomly stacked lenticular sand lenses. Most of the target formations are untested zones and directional drilling is expensive to drill. Therefore, drilling vertically through the target zone allows for more favorable economic results.

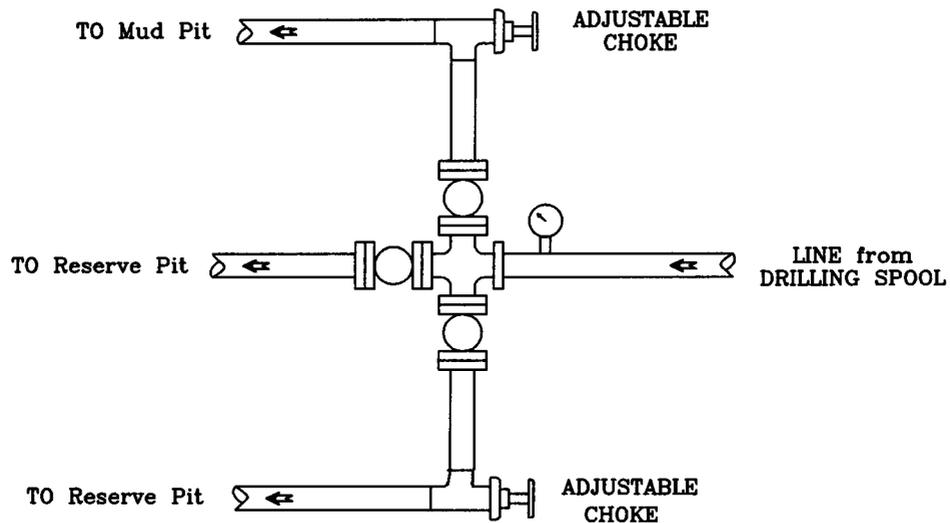
PRESSURE CONTROL

Wellhead Assembly



2000 PSI or higher Pressure Rating

Choke Manifold



McElwain Oil & Gas Properties, Inc.

Hanging Rock Federal #26-8

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

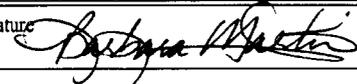
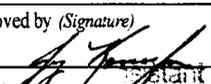
APPLICATION FOR PERMIT TO DRILL OR REENTER

5. Lease Serial No. UTU-66408	
6. If Indian, Allottee or Tribe Name N/A	
7. If Unit or CA Agreement, Name and No. N/A	
8. Lease Name and Well No. Hanging Rock Federal # 26-8	
9. API Well No. 43-047-39188	
1a. Type of work: <input checked="" type="checkbox"/> DRILL <input type="checkbox"/> REENTER	10. Field and Pool, or Exploratory Undesignated
1b. Type of Well: <input type="checkbox"/> Oil Well <input checked="" type="checkbox"/> Gas Well <input type="checkbox"/> Other <input type="checkbox"/> Single Zone <input checked="" type="checkbox"/> Multiple Zone	11. Sec., T. R. M. or Blk. and Survey or Area Sec. 26, T11S-R23E
2. Name of Operator McElvain Oil & Gas Properties, Inc.	
3a. Address 1050 17th Street, Suite 1800, Denver, CO 80265	3b. Phone No. (include area code) (303) 893-0933
4. Location of Well (Report location clearly and in accordance with any State requirements.)* At surface 2164' FNL & 599' FEL (SENE) Sec. 26, T11S-R23E S.L.B.&M At proposed prod. zone same (vertical well)	
12. County or Parish Uintah County	
13. State UT	
14. Distance in miles and direction from nearest town or post office* Approx. 27 miles South of Bananza, Utah	
15. Distance from proposed* location to nearest property or lease line, ft. (Also to nearest drig. unit line, if any) 3116' South Lease Line	16. No. of acres in lease 2120 acres
17. Spacing Unit dedicated to this well 40 Acres	
18. Distance from proposed location* to nearest well, drilling, completed, applied for, on this lease, ft. "C" Topo 1 mile Radius	19. Proposed Depth 6600 ft
20. BLM/BIA Bond No. on file COB000009 LPM 4138223 (Nation-Wide Bond)	
21. Elevations (Show whether DF, KDB, RT, GL, etc.) 5685' GL	22. Approximate date work will start* 08/01/2007
23. Estimated duration 30 Days Constuction & Drilling	

24. Attachments

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

- | | |
|--|---|
| 1. Well plat certified by a registered surveyor. | 4. Bond to cover the operations unless covered by an existing bond on file (see Item 20 above). |
| 2. A Drilling Plan. | 5. Operator certification |
| 3. A Surface Use Plan (if the location is on National Forest System Lands, the SUPO must be filed with the appropriate Forest Service Office). | 6. Such other site specific information and/or plans as may be required by the BLM. |

25. Signature 	Name (Printed/Typed) Barbara Martin	Date 04/03/2007
Title Engineer		
Approved by (Signature) 	Name (Printed/Typed) Jerry Kevick	Date 10-9-2007
Title Assistant Field Manager lands & Mineral Resources		
Office VERNAL FIELD OFFICE		

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

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

*(Instructions on page 2)

NOTICE OF APPROVAL

CONDITIONS OF APPROVAL ATTACHED

RECEIVED

RECEIVED
OCT 11 2007

BLM VERNAL, UTAH

205 1/27/07
07PP/359A

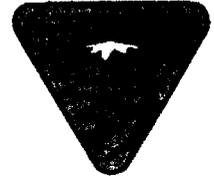


**UNITED STATES DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT
VERNAL FIELD OFFICE**

170 South 500 East

VERNAL, UT 84078

(435) 781-4400



CONDITIONS OF APPROVAL FOR APPLICATION FOR PERMIT TO DRILL

Company: McElvain Oil & Gas Properties, Inc. **Location:** SENE, Sec. 26, T11S, R23E
Well No: Hanging Rock Federal 26-8 **Lease No:** UTU-66408
API No: 43-047-39188 **Agreement:** N/A

Title	Name	Office Phone Number	Cell Phone Number
Petroleum Engineer:	Matt Baker	(435) 781-4490	(435) 828-4470
Petroleum Engineer:	Michael Lee	(435) 781-4432	(435) 828-7875
Petroleum Engineer:	James Ashley	(435) 781-4470	(435) 828-7874
Petroleum Engineer:	Ryan Angus	(435) 781-4430	(435) 828-7368
Supervisory Petroleum Technician:	Jamie Sparger	(435) 781-4502	(435) 828-3913
NRS/Enviro Scientist:	Paul Buhler	(435) 781-4475	(435) 828-4029
NRS/Enviro Scientist:	Karl Wright	(435) 781-4484	(435) 828-7381
NRS/Enviro Scientist:	Holly Villa	(435) 781-4404	
NRS/Enviro Scientist:		(435) 781-4476	
NRS/Enviro Scientist:	Chuck MacDonald	(435) 781-4441	(435) 828-7481
NRS/Enviro Scientist:	Jannice Cutler	(435) 781-3400	(435) 828-3544
NRS/Enviro Scientist:	Michael Cutler	(435) 781-3401	(435) 828-3546
NRS/Enviro Scientist:	Anna Figueroa	(435) 781-3407	(435) 828-3548
NRS/Enviro Scientist:	Verlyn Pindell	(435) 781-3402	(435) 828-3547
NRS/Enviro Scientist:	Darren Williams	(435) 781-4447	
NRS/Enviro Scientist:	Nathan Packer	(435) 781-3405	(435) 828-3545

Fax: (435) 781-3420

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

All lease and/or unit operations are to be conducted in such a manner that full compliance is made with the applicable laws, regulations (43 CFR Part 3160), and this approved Application for Permit to Drill including Surface and Downhole Conditions of Approval. The operator is considered fully responsible for the actions of his subcontractors. A copy of the approved APD must be on location during construction, drilling, and completion operations. **This permit is approved for a two (2) year period, or until lease expiration, whichever occurs first. An additional extension, up to two (2) years, may be applied for by sundry notice prior to expiration.**

NOTIFICATION REQUIREMENTS

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

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

General Surface COAs

- If there is an active Gilsonite mining operation within 2 miles of the well location, operator shall notify the Gilsonite operator at least 48 hours prior to any blasting during construction.
- If paleontological materials are uncovered during construction, the operator is to immediately stop work and contact the Authorized Officer (AO). A report will be prepared by a BLM permitted paleontologist and submitted to the AO at the completion of surface disturbing activities.

Specific Surface COAs

The interim seed mix for this location shall be:

Crested wheatgrass	<i>Agropyron cristatum</i>	4 lbs. /acre
Needle and Threadgrass	<i>Stipa comata</i>	4lbs. /acre
Indian Ricegrass	<i>Stipa hymenoides</i>	4 lbs. /acre

- All pounds are in pure live seed.
- Reseeding may be required if first seeding is not successful.
- The topsoil from the reserve pit shall be stripped and piled separately near the reserve pit.
- When the reserve pit is closed, it shall be recontoured and the topsoil respread, and the area shall be seeded in the same manner as the location topsoil.
- Once the location is plugged and abandoned, it shall be recontoured to natural contours, topsoil respread where appropriate, and the entire location seeded with the recommended seed mix. Seeding shall take place by broadcasting the seed and walking it into the soil with a dozer immediately after the dirt work is completed.
- The well will be spudded within five years of the existing or supplemented NEPA documentation.
- The requested color for all permanent structures is Olive Black.
- All pits will be lined with felt.
- The lessee/operator has been notified the area has critical soils. It is requested that the operator not initiate surface disturbing activities during wet or muddy periods.
- Keep excess material out of drainages.

- Within 90 calendar days of the approval date for this Application for Permit to Drill (APD), the operator/lessee shall submit to the Authorized Officer (AD), on Sundry Notice Form 3160-5, an Interim Surface Reclamation Plan for surface disturbance on well pads, access roads, and pipelines. At a minimum, this will include the reshaping of the pad to the original contour to the extent possible; the resspreading of the top soil up to the rig anchor points; and, the area reseeded using appropriate reclamation methods. The AD will provide written approval or concurrence within 30 calendar days of receipt.
- The best method to avoid entrainment is to pump from an off-channel location-one that does not connect to the river during high spring flows. An infiltration gallery constructed in a BLM and Service approved location is best.
- If the pump head is located in the river channel where larval fish are known to occur, the following measures apply:
 - do not situate the pump in a low-flow or no-flow area as these habitats tend to concentrate larval fishes;
 - limit the amount of pumping, to the greatest extent possible, during that period of the year when larval fish may be present (see above); and
 - limit the amount of pumping, to the greatest extent possible, during the pre-dawn hours as larval drift studies indicate that this is a period of greatest daily activity.
- Screen all pump intakes with 1/2" mesh material.
- Report any fish impinged on the intake screen to the Service (801.975.3330) and the Utah Division of Wildlife Resources:

Northeastern Region
152 East 100 North
Vernal, UT 84078
Phone: (435) 781-9453

DOWNHOLE CONDITIONS OF APPROVAL

SITE SPECIFIC DOWNHOLE CONDITIONS OF APPROVAL

- All casing strings below the conductor shall be pressure tested to 0.22 psi/ft or 1500 psi, whichever is greater, but not to exceed 70% of the internal yield strength of the casing.
- Variances **Not** Granted:
- Exception to straight run blooie line. (Submit a Sundry Notice if rig configuration does not allow for a straight run blooie line.)
- Automatic igniter or continuous pilot light on the blooie line.

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

DRILLING/COMPLETION/PRODUCING OPERATING STANDARDS

- The spud date and time shall be reported orally to Vernal Field Office within 24 hours of spudding.
- Notify Vernal Field Office Supervisory Petroleum Engineering Technician at least 24 hours in advance of casing cementing operations and BOPE & casing pressure tests.
- Blowout prevention equipment (BOPE) shall remain in use until the well is completed or abandoned. Closing unit controls shall remain unobstructed and readily accessible at all times. Choke manifolds shall be located outside of the rig substructure.
- All BOPE components shall be inspected daily and those inspections shall be recorded in the daily drilling report. Components shall be operated and tested as required by Onshore Oil & Gas Order No. 2 to insure good mechanical working order. All BOPE pressure tests shall be performed by a test pump with a chart recorder and **NOT** by the rig pumps. Test shall be reported in the driller's log.
- BOP drills shall be initially conducted by each drilling crew within 24 hours of drilling out from under the surface casing and weekly thereafter as specified in Onshore Oil & Gas Order No. 2.
- Casing pressure tests are required before drilling out from under all casing strings set and cemented in place.
- No aggressive/fresh hard-banded drill pipe shall be used within casing.
- **Cement baskets shall not be run on surface casing.**
- The operator must report all shows of water or water-bearing sands to the BLM. If flowing water is encountered it must be sampled, analyzed, and a copy of the analyses submitted to the BLM Vernal Field Office.
- The operator must report encounters of all non oil & gas mineral resources (such as Gilsonite, tar sands, oil shale, trona, etc.) to the Vernal Field Office, in writing, within 5 working days of

each encounter. Each report shall include the well name/number, well location, date and depth (from KB or GL) of encounter, vertical footage of the encounter and, the name of the person making the report (along with a telephone number) should the BLM need to obtain additional information.

- A complete set of angular deviation and directional surveys of a directional well will be submitted to the Vernal BLM office engineer within 30 days of the completion of the well.
- Chronologic drilling progress reports shall be filed directly with the BLM, Vernal Field Office on a weekly basis in sundry, letter format or e-mail to the Petroleum Engineers until the well is completed.
- A cement bond log (CBL) will be run from the production casing shoe to the top of cement and shall be utilized to determine the bond quality for the production casing. Submit a field copy of the CBL to this office.
- **Please submit an electronic copy of all other logs run on this well in LAS format to UT_VN_Welllogs@BLM.gov. This submission will supersede the requirement for submittal of paper logs to the BLM.**
- There shall be no deviation from the proposed drilling, completion, and/or workover program as approved. Safe drilling and operating practices must be observed. Any changes in operation must have prior approval from the BLM Vernal Field Office.

OPERATING REQUIREMENT REMINDERS:

- All wells, whether drilling, producing, suspended, or abandoned, shall be identified in accordance with 43 CFR 3162.6. There shall be a sign or marker with the name of the operator, lease serial number, well number, and surveyed description of the well.
- In accordance with 43 CFR 3162.4-3, this well shall be reported on the "Monthly Report of Operations" (Oil and Gas Operations Report ((OGOR)) starting with the month in which operations commence and continue each month until the well is physically plugged and abandoned. This report shall be filed in duplicate, directly with the Minerals Management Service, P.O. Box 17110, Denver, Colorado 80217-0110, or call 1-800-525-7922 (303) 231-3650 for reporting information.
- Should the well be successfully completed for production, the BLM Vernal Field office must be notified when it is placed in a producing status. Such notification will be by written communication and must be received in this office by not later than the fifth business day following the date on which the well is placed on production. The notification shall provide, as a minimum, the following informational items:
 - Operator name, address, and telephone number.
 - Well name and number.
 - Well location (¼¼, Sec., Twn, Rng, and P.M.).
 - Date well was placed in a producing status (date of first production for which royalty will be paid).
 - The nature of the well's production, (i.e., crude oil, or crude oil and casing head gas, or natural gas and entrained liquid hydrocarbons).
 - The Federal or Indian lease prefix and number on which the well is located; otherwise the non-Federal or non-Indian land category, i.e., State or private.
 - Unit agreement and/or participating area name and number, if applicable.
 - Communitization agreement number, if applicable.
- Any venting or flaring of gas shall be done in accordance with Notice to Lessees (NTL) 4A and needs prior approval from the BLM Vernal Field Office.
- All undesirable events (fires, accidents, blowouts, spills, discharges) as specified in NTL 3A will be reported to the BLM, Vernal Field Office. Major events, as defined in NTL3A, shall be reported verbally within 24 hours, followed by a written report within 15 days. "Other than Major Events" will be reported in writing within 15 days. "Minor Events" will be reported on the Monthly Report of Operations and Production.
- Whether the well is completed as a dry hole or as a producer, "Well Completion and Recompletion Report and Log" (BLM Form 3160-4) shall be submitted not later than 30 days after completion of the well or after completion of operations being performed, in accordance with 43 CFR 3162.4-1. Two copies of all logs run, core descriptions, and all other surveys or

data obtained and compiled during the drilling, workover, and/or completion operations, shall be filed on BLM Form 3160-4. Submit with the well completion report a geologic report including, at a minimum, formation tops, and a summary and conclusions. Also include deviation surveys, sample descriptions, strip logs, core data, drill stem test data, and results of production tests if performed. Samples (cuttings, fluid, and/or gas) shall be submitted only when requested by the BLM, Vernal Field Office.

- All off-lease storage, off-lease measurement, or commingling on-lease or off-lease, shall have prior written approval from the BLM Vernal Field Office.
- Oil and gas meters shall be calibrated in place prior to any deliveries. The BLM Vernal Field Office Petroleum Engineers will be provided with a date and time for the initial meter calibration and all future meter proving schedules. A copy of the meter calibration reports shall be submitted to the BLM Vernal Field Office. All measurement facilities will conform to the API standards for liquid hydrocarbons and the AGA standards for natural gas measurement. All measurement points shall be identified as the point of sale or allocation for royalty purposes.
- A schematic facilities diagram as required by Onshore Oil & Gas Order No. 3 shall be submitted to the BLM Vernal Field Office within 30 days of installation or first production, whichever occurs first. All site security regulations as specified in Onshore Oil & Gas Order No. 3 shall be adhered to. All product lines entering and leaving hydrocarbon storage tanks will be effectively sealed in accordance with Onshore Oil & Gas Order No. 3.
- Any additional construction, reconstruction, or alterations of facilities, including roads, gathering lines, batteries, etc., which will result in the disturbance of new ground, shall require the filing of a suitable plan and need prior approval of the BLM Vernal Field Office. Emergency approval may be obtained orally, but such approval does not waive the written report requirement.
- No location shall be constructed or moved, no well shall be plugged, and no drilling or workover equipment shall be removed from a well to be placed in a suspended status without prior approval of the BLM Vernal Field Office. If operations are to be suspended for more than 30 days, prior approval of the BLM Vernal Field Office shall be obtained and notification given before resumption of operations.
- Pursuant to Onshore Oil & Gas Order No. 7, this is authorization for pit disposal of water produced from this well for a period of 90 days from the date of initial production. A permanent disposal method must be approved by this office and in operation prior to the end of this 90-day period. In order to meet this deadline, an application for the proposed permanent disposal method shall be submitted along with any necessary water analyses, as soon as possible, but no later than 45 days after the date of first production. Any method of disposal which has not been approved prior to the end of the authorized 90-day period will be considered as an Incident of Noncompliance and will be grounds for issuing a shut-in order until an acceptable manner for disposing of said water is provided and approved by this office.
- Unless the plugging is to take place immediately upon receipt of oral approval, the Field Office Petroleum Engineers must be notified at least 24 hours in advance of the plugging of the well, in order that a representative may witness plugging operations. If a well is suspended or abandoned, all pits must be fenced immediately until they are backfilled. The "Subsequent Report of Abandonment" (Form BLM 3160-5) must be submitted within 30 days after the actual plugging of the well bore, showing location of plugs, amount of cement in each, and amount of casing left in hole, and the current status of the surface restoration.



JON M. HUNTSMAN, JR.
Governor

GARY R. HERBERT
Lieutenant Governor

State of Utah

DEPARTMENT OF NATURAL RESOURCES

MICHAEL R. STYLER
Executive Director

Division of Oil, Gas and Mining

JOHN R. BAZA
Division Director

June 23, 2008

Barbara Martin
McElvain O&G Properties, Inc.
1050 17th Street, Suite 1800
Denver, Colorado 80265

Re: APD Rescinded – Hanging Rock Fed. 26-8 Sec. 26, T.11S, R. 23E
Uintah County, Utah API No. 43-047-39188

Dear Ms. Martin:

The Application for Permit to Drill (APD) for the subject well was approved by the Division of Oil, Gas and Mining (Division) on April 27, 2007. No drilling activity at this location has been reported to the division. Therefore, approval to drill the well is hereby rescinded, effective June 23, 2008.

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

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

Sincerely,

Diana Mason
Environmental Scientist

cc: Well File
Bureau of Land Management, Vernal

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

FORM APPROVED
OMB No. 1004-0137
Expires: March 31, 2007

SUNDRY NOTICES AND REPORTS ON WELLS
Do not use this form for proposals to drill or to re-enter an abandoned well. Use Form 3160-3 (APD) for such proposals.

5. Lease Serial No.
UTU-66408

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

SUBMIT IN TRIPLICATE – Other instructions on page 2.

7. If Unit of CA/Agreement, Name and/or No.
N/A

1. Type of Well

Oil Well Gas Well Other

8. Well Name and No.
Hanging Rock Federal #26-8

2. Name of Operator
McElvain Oil & Gas Properties, Inc.

9. API Well No.
43-047-39188

3a. Address
1050 17th Street, Suite 1800, Denver, CO 80265

3b. Phone No. (include area code)
(303) 893-0933

10. Field and Pool or Exploratory Area
Undesignated

4. Location of Well (Footage, Sec., T., R., M., or Survey Description)
2164' FNL & 599' FEL (SENE) Sec. 26, T11S-R23E SLM & B

11. Country or Parish, State
Uintah County, Utah

12. CHECK THE APPROPRIATE BOX(ES) TO INDICATE NATURE OF NOTICE, REPORT OR OTHER DATA

TYPE OF SUBMISSION	TYPE OF ACTION			
<input checked="" type="checkbox"/> Notice of Intent	<input type="checkbox"/> Acidize	<input type="checkbox"/> Deepen	<input type="checkbox"/> Production (Start/Resume)	<input type="checkbox"/> Water Shut-Off
<input type="checkbox"/> Subsequent Report	<input type="checkbox"/> Alter Casing	<input type="checkbox"/> Fracture Treat	<input type="checkbox"/> Reclamation	<input type="checkbox"/> Well Integrity
<input type="checkbox"/> Final Abandonment Notice	<input type="checkbox"/> Casing Repair	<input type="checkbox"/> New Construction	<input type="checkbox"/> Recomplete	<input checked="" type="checkbox"/> Other Request to Extend
	<input type="checkbox"/> Change Plans	<input type="checkbox"/> Plug and Abandon	<input type="checkbox"/> Temporarily Abandon	Approved APD
	<input type="checkbox"/> Convert to Injection	<input type="checkbox"/> Plug Back	<input type="checkbox"/> Water Disposal	

13. Describe Proposed or Completed Operation: Clearly state all pertinent details, including estimated starting date of any proposed work and approximate duration thereof. If the proposal is to deepen directionally or recomplate horizontally, give subsurface locations and measured and true vertical depths of all pertinent markers and zones. Attach the Bond under which the work will be performed or provide the Bond No. on file with BLM/BIA. Required subsequent reports must be filed within 30 days following completion of the involved operations. If the operation results in a multiple completion or recompletion in a new interval, a Form 3160-4 must be filed once testing has been completed. Final Abandonment Notices must be filed only after all requirements, including reclamation, have been completed and the operator has determined that the site is ready for final inspection.)

McElvain Oil & Gas Properties, Inc. would like to request a 24 month extension of our currently approved APD for the Hanging Rock Federal #26-8 (API# 43-047-39188) located in the SENE of Sec. 26, T11S-R23E of Uintah County, Utah. This APD was originally approved on October 9, 2007 and is due to expire on October 9, 2009.

RECEIVED

JUN 18 2009

BLM VERNAL, UTAH

CONDITIONS OF APPROVAL ATTACHED

14. I hereby certify that the foregoing is true and correct.
Name (Printed/Typed)

E. Reed Fischer

Title Senior Operations Engineer

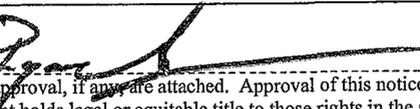
Signature



Date 06/15/2009

THIS SPACE FOR FEDERAL OR STATE OFFICE USE

Approved by



Petroleum Engineer

Date

JUL 14 2009

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

Office

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

RECEIVED

AUG 20 2009

DIV. OF OIL, GAS & MINING

CONDITIONS OF APPROVAL

McElvain Oil & Gas Properties, Inc.

Notice of Intent APD Extension

Lease: UTU-66408
Well: Hanging Rock Federal 26-8
Location: SENE Sec 26-T11S-R23E

An extension for the referenced APD is granted with the following conditions:

1. The extension and APD shall expire on 10/09/2011.
2. No other extension shall be granted.

If you have any questions concerning this matter, please contact Ryan Angus of this office at (435) 781-4430



United States Department of the Interior

BUREAU OF LAND MANAGEMENT

Green River District
Vernal Field Office
170 South 500 East
Vernal, UT 84078

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



JAN 24 2014

IN REPLY REFER TO:
3160 (UTG011)

E. Reed Fischer
McElvain Oil & Gas Properties, Inc.
1050 17th Street, Suite 1800
Denver, CO 80265

43 047 39188

Re: Notice of Expiration
Well No. Hanging Rock 26-8
SENE, Sec. 26, T11S, R23E
Uintah County, Utah
Lease No. UTU-66408

RECEIVED

FEB 14 2014

DIV. OF OIL, GAS & MINING

Dear Mr. Fischer:

The Application for Permit to Drill (APD) for the above-referenced well was approved on October 9, 2007. A two (2) year extension of the original APD was requested. The request was reviewed and the extension approved until October 9, 2011. According to our records, no known activity has transpired at the approved location. In view of the foregoing, this office is notifying you that the approval of the referenced application has expired. If you intend to drill at this location in the future, a new Application for Permit to Drill must be submitted.

This office requires a letter confirming that no surface disturbance has been made for this drill site. Any surface disturbance associated with the approved location of this well is to be rehabilitated. A schedule for this rehabilitation must be submitted to this office. Your cooperation in this matter is appreciated.

If you have any questions regarding this matter, please contact Robin R. Hansen at (435) 781-3428.

Sincerely,

/s/ Jerry Kenczka

Jerry Kenczka
Assistant Field Manager
Lands & Mineral Resources

cc: UDOGM

bcc: Well File
I&E Asst.