

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

FORM 3

AMENDED REPORT   
(highlight changes)

<b>APPLICATION FOR PERMIT TO DRILL</b>				5. MINERAL LEASE NO: ML-50608	6. SURFACE: State
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: Ouray Valley Unit	
2. NAME OF OPERATOR: Elk Resources, Inc.				9. WELL NAME and NUMBER: Ouray Valley State 36-32-5-19	
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: <del>Wildcat</del> <i>Undesignated</i>	
4. LOCATION OF WELL (FOOTAGES) AT SURFACE: 1937' FSL, 2095' FWL <i>607030X 44656824</i> AT PROPOSED PRODUCING ZONE: 1937' FNL, 2095' FWL				11. QTR/QTR, SECTION, TOWNSHIP, RANGE, MERIDIAN: NESW 36 5S 19E S	
14. DISTANCE IN MILES AND DIRECTION FROM NEAREST TOWN OR POST OFFICE: Approx. 18.85 miles West of Vernal, UT				12. COUNTY: Uintah	13. STATE: UTAH
15. DISTANCE TO NEAREST PROPERTY OR LEASE LINE (FEET) 1937'		16. NUMBER OF ACRES IN LEASE: 640		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: 16,500		20. BOND DESCRIPTION: B000969	
21. ELEVATIONS (SHOW WHETHER DF, RT, GR, ETC.): 5256' GR		22. APPROXIMATE DATE WORK WILL START: 11/1/2007		23. ESTIMATED DURATION: 65 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
26	20"		See drlg plan
13 3/4	10 3/4" K-55 40.50#	3,000	See drlg plan
9 7/8	7 5/8" P-110 39#	11,500	See drlg plan
6 1/2"	5" P-110 18#	16,500	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 checked="" type="checkbox"/> EVIDENCE OF DIVISION OF WATER RIGHTS APPROVAL FOR USE OF WATER	<input 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 9/20/2007

(This space for State use only)

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

**RECEIVED  
SEP 21 2007  
DIV. OF OIL, GAS & MINING**

API NUMBER ASSIGNED: 45-047-39642 APPROVAL: \_\_\_\_\_  
Date: 09-10-07  
By: *[Signature]*

Federal Approval of this Action is Necessary  
(11/2001) (See Instructions on Reverse Side)

Found Stone,  
Pile of Stones,  
Set UELS Alum.  
Cap, RLS 138394

T5S, R19E, S.L.B.&M.

1937  
Brass Cap 0.5'  
High, Pile of  
Stones

ELK RESOURCES, INC.

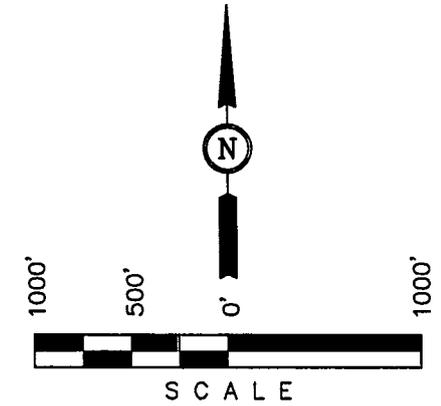
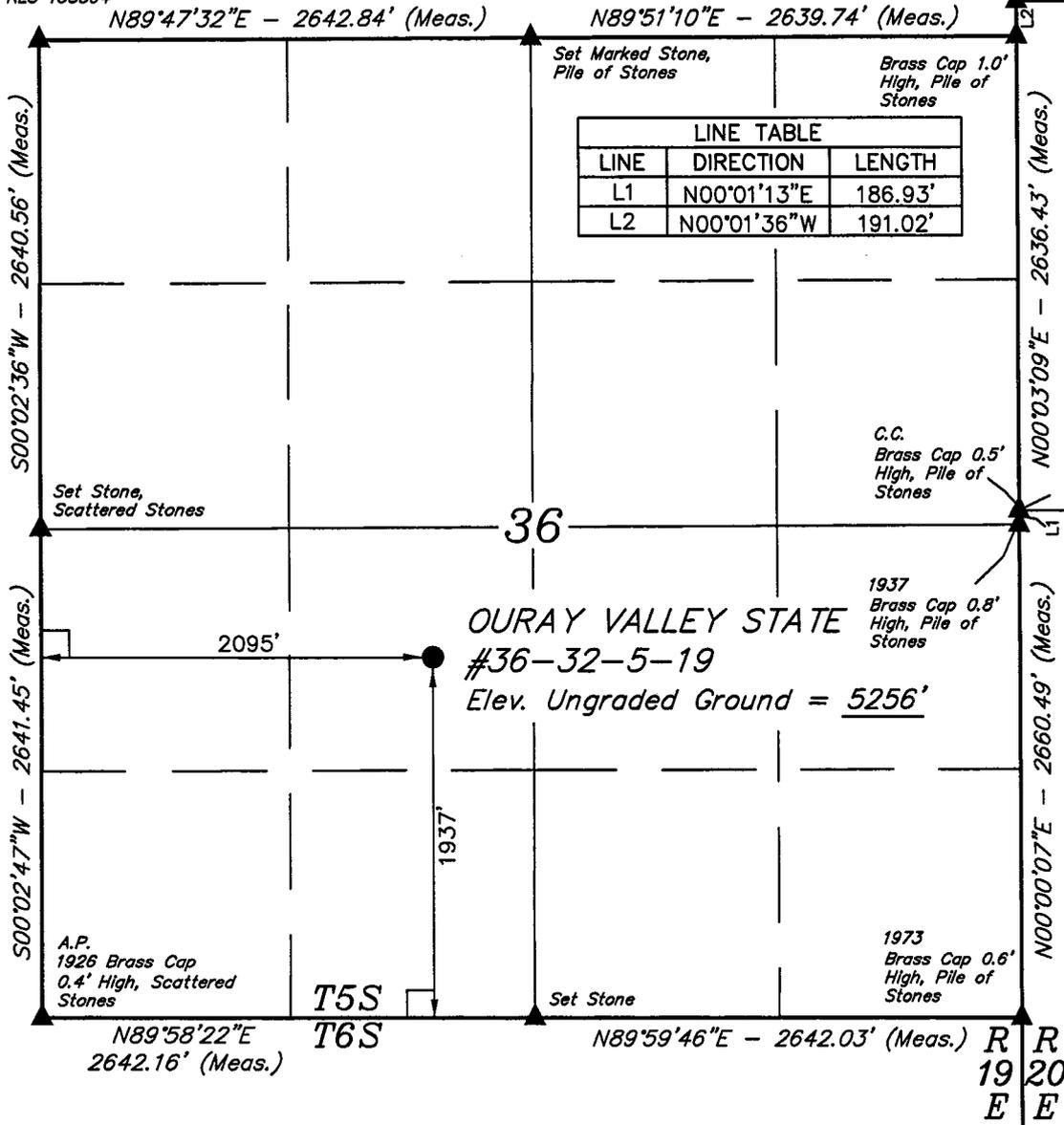
Well location, OURAY VALLEY STATE  
#36-32-5-19, located as shown in the NE 1/4  
SW 1/4 of Section 36, T5S, R19E, S.L.B.&M.,  
Uintah County, Utah.

BASIS OF ELEVATION

SPOT ELEVATION AT THE SOUTHEAST CORNER OF SECTION  
26, T5S, R19E, S.L.B.&M., TAKEN FROM THE VERNAL SW  
QUADRANGLE, UTAH, UINTAH COUNTY, 7.5 MINUTE QUAD.  
(TOPOGRAPHIC MAP) PUBLISHED BY THE UNITED STATES  
DEPARTMENT OF THE INTERIOR, GEOLOGICAL SURVEY. SAID  
ELEVATION IS MARKED AS BEING 5268 FEET.

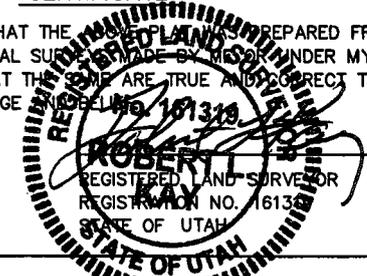
BASIS OF BEARINGS

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



CERTIFICATE

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



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

(AUTONOMOUS NAD 83)  
LATITUDE = 40°20'12.18" (40.336717)  
LONGITUDE = 109°44'26.50" (109.740694)  
(AUTONOMOUS NAD 27)  
LATITUDE = 40°20'12.32" (40.336756)  
LONGITUDE = 109°44'23.98" (109.739994)

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

SCALE 1" = 1000'	DATE SURVEYED: 05-01-07	DATE DRAWN: 05-29-07
PARTY D.R. K.A. C.H.	REFERENCES G.L.O. PLAT	
WEATHER WARM	FILE ELK RESOURCES, INC.	

## DRILLING PLAN

Elk Resources, Inc.  
Ouray Valley State 36-32-5-19  
NESW Section 36, T-5-S, R-19-E, SLB&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 (Possible pay intervals)	2506' <sup>**</sup>
Green River	5446' <sup>***</sup>
Wasatch	9151' <sup>***</sup>
Mesaverde	12738' <sup>****</sup>
Neslen	13722' <sup>**</sup>
Sego Sandstone	15072' <sup>**</sup>
Castlegate Sandstone	15272' <sup>**</sup>
Blackhawk Formation/Mancos	15692' <sup>**</sup>
Mancos Shale	16142'
Proposed TD	16500'

PROSPECTIVE PAY:                      \*gas, \*\*oil & gas, \*\*\*gas & condensate

### 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"				
13 3/4"	surface	3,000'	10 3/4"	40.50#	K-55	ST&C	New
9 7/8"	surface	11,500'	7 5/8"	39#	P-110	LT&C	New
6 1/2"	11,000'	TD	5"	18#	P-110	LT&C	New

In the event a liner seal mechanism is used, the seal will be tested by a fluid entry and pressure test to maximum pressure anticipated (80% of joint strength maximum).

### 5 Cementing Program (Actual cement volumes will be calculated from caliper logs when possible)

20" Conductor              Ready mix

10 3/4"                      Lead: 822 sx Howco HLC + 0.125#/sk Poly-E-Flake + 1% Calcium chloride @ 12.8 ppg and 1.80 cf/sk (50% excess)  
Tail: 180 sx Prem V + 0.125#/sk Poly-E-Flake + 2% Calcium chloride @ 15.6 ppg and 1.20 cf/sk

- 7 5/8" Stage 1: 800 sx 50/50 Pozmix + 2% gel + 0.6% Halad-322 + 5% salt + 0.125#/sk Poly-E-Flake + 2% Microbond-M + 0.3% Super-CBL @ 14.7 ppg and 1.19 cf/sk (20% excess)
- DV TOOL Stage 2: Lead 200 sx Howco Hi-Fill w/ 16% gel + 1% Ex-1 + 10#/sk gilsonite + 0.125#/sk Poly-E-Flake + 0.2% HR-7 + 3% salt @ 11.0 ppg and 3.81 cf/sk (20% excess)  
 @ 7800' Stage 2: Tail 400 sx 50/50 Pozmix + 2% gel + 0.6% Halad-322 + 5% salt + 0.125#/sk Poly-E-Flake @ 14.4 ppg and 1.21 cf/sk
- 5" 500 sx 50/50 Pozmix + 2% gel + 2% Microbond-M + 0.3% Halad-344 + 0.2% Halad-413 + 0.2% HR-601 + 0.25% HR-25 + 0.3% Super-CBL @ 14.3 ppg and 1.23 cf/sk (20% excess)

**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.

<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
4500-10500'	8.4 / 9.5 ppg	28	NC	KCL Water/Gel
10500-14500'	9.5/10.5 ppg	34	10	KCL/Gel/Polymer
14500'-16500'	10.5/13.8 ppg	34	10	KCL/Gel/Polymer

**7 BOP and Pressure Containment Data**

<u>Depth Intervals</u>	<u>BOP Equipment</u>
Surf. - 3000'	None

3000' – 11,500'

11", 5M, Ram-Type, double pipe, single blind BOP, 5M annular (minimum pressure rating) {9.5 ppg emw = 0.55 psi/ft grad. = 5775 psi (0.55 - 0.22) psi/ft = 3465 psi surface-rated equipment required}

11,500' – 16,500'

7 1/6", 10M, Ram-Type, double pipe, single blind BOP, 10M annular (minimum pressure rating) {12.5 ppg emw = 0.65 psi/ft grad. = 10,725 psi @ 16,500'. (0.65 - 0.22) psi/ft = 7095 psi/ft surface rated equipment required}  
3", 10M Choke Manifold from 2500' to TD

Estimated bottom-hole pressure at TD will be 10,880 psi maximum. Drilling spool to accommodate choke and kill lines.

ANCILLARY EQUIPMENT RATED AT 5000# 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 BOPE PRESSURE TESTS.

## 8 Auxiliary equipment

- a) Upper and Lower Kelly cock
- b) Floor stabbing valve 10,000 psi
- 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 November 1, 2007  
Duration 65 days drilling time  
30 days completion time

**HAZARDOUS MATERIAL DECLARATION**

Ouray Valley State 36-32-5-19

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.

## **SURFACE USE PLAN**

### **Ouray Valley State 36-32-5-19**

#### **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 18.85 miles West of Vernal, Utah.
- b. The following are directions to the proposed well site:  
Proceed in a Westerly direction from Vernal, Utah along U.S. Highway 40 approximately 16.4 miles to the junction of this road and an existing road to the North; turn right and proceed in a Northerly, then Northwesterly direction approximately 1.9 miles to the junction of this road and an existing road to the Northeast; turn right and proceed in a Northeasterly direction to the Southeast; follow road flags in a Southeasterly direction approximately 0.2 miles to the proposed location.
- c. The use of roads under Federal, State and County Road Department maintenance are necessary to access the Ouray Valley State 36-32-5-19 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 road, a new access is proposed trending Southeasterly 0.2 miles to the proposed well site. The access consists of entirely new disturbance across previously cultivated ground.
- b. The proposed access road crosses surface owned by the SITLA.
- c. The proposed access road will consist of a 14' travel surface within a 30' disturbed area.

- 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; 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. Surface disturbance and vehicular travel will be limited to the approved location access road.
- i. All access roads and surface disturbing activities will conform to the standards outlined in the pending fee surface use agreement.
- j. The operator will be responsible for all maintenance of the access road including drainage structures.

**3. Location of Existing Wells:**

- a. Attached is a map reflecting a one-mile radius of the proposed well. There are three plugged and abandoned wells 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 complying 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.

**5. Location and Type of Water:**

- a. Attached is a copy of Temporary Application Number 45-6177 (T77046). A portion of the allocated water from this permit will be pumped into tank trucks and trucked from the Green River to the drilling location.

**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.

**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 and Federal 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 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: School and Institutional Trust Lands Administration
- b. Mineral Ownership: School and Institutional Trust Lands Administration

**12. Other Information:**

- a. None.

**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.

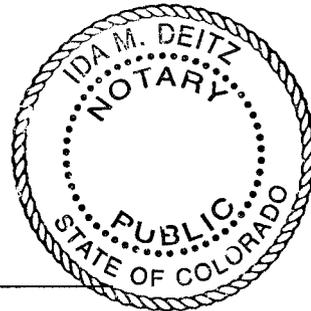
Name and Title *Layle L. Robb*  
Layle L. Robb, Vice President of Northern Operations

STATE OF COLORADO  
COUNTY OF DENVER

Subscribed and sworn to before me this 20th day of September, 2007.

*Ida M. Deitz*  
Notary Public

My commission Expires: 9/25/2007





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 N $\frac{1}{4}$  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

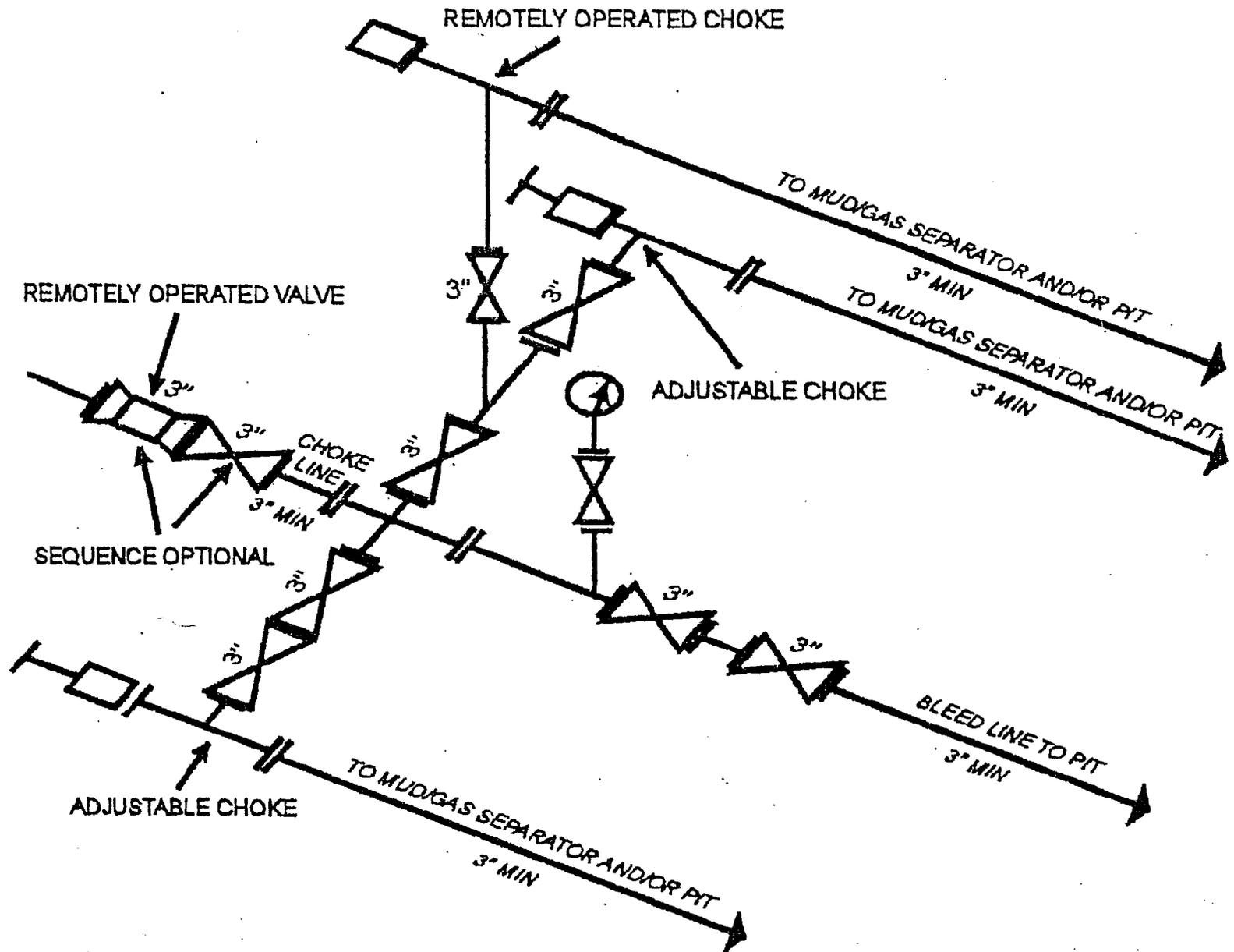
**OURAY VALLEY STATE 36-32-5-19 (NESW SECTION 36-5S-19E)**  
**PROPOSED PIPELINE**

The proposed pipeline for the Ouray Valley State 36-32-5-19 drilling location will follow parallel to the access and exiting road (see attached plat) on State land and tie-in to Elk Resources, Inc.'s proposed sales pipeline. This proposed pipeline is to transport natural gas from the proposed Ouray Valley State 36-32-5-19 well and will tie into to the proposed sales line from the Huber Federal 26-24 well. The total length of the tie-in pipeline will be approximately 421'±; which will be across State lands (see attached plat). The gas pipeline will not cross any waterways.

It is planned to use 3" OD steel pipe. Elk plans to lay the pipe on the surface. Minimal surface disturbance is expected but will be confined to the road right-of-way. The pipeline will begin at the wellhead (NESW Section 36-T5S-R19E) and will follow parallel the access road and tie-in to a proposed sales line

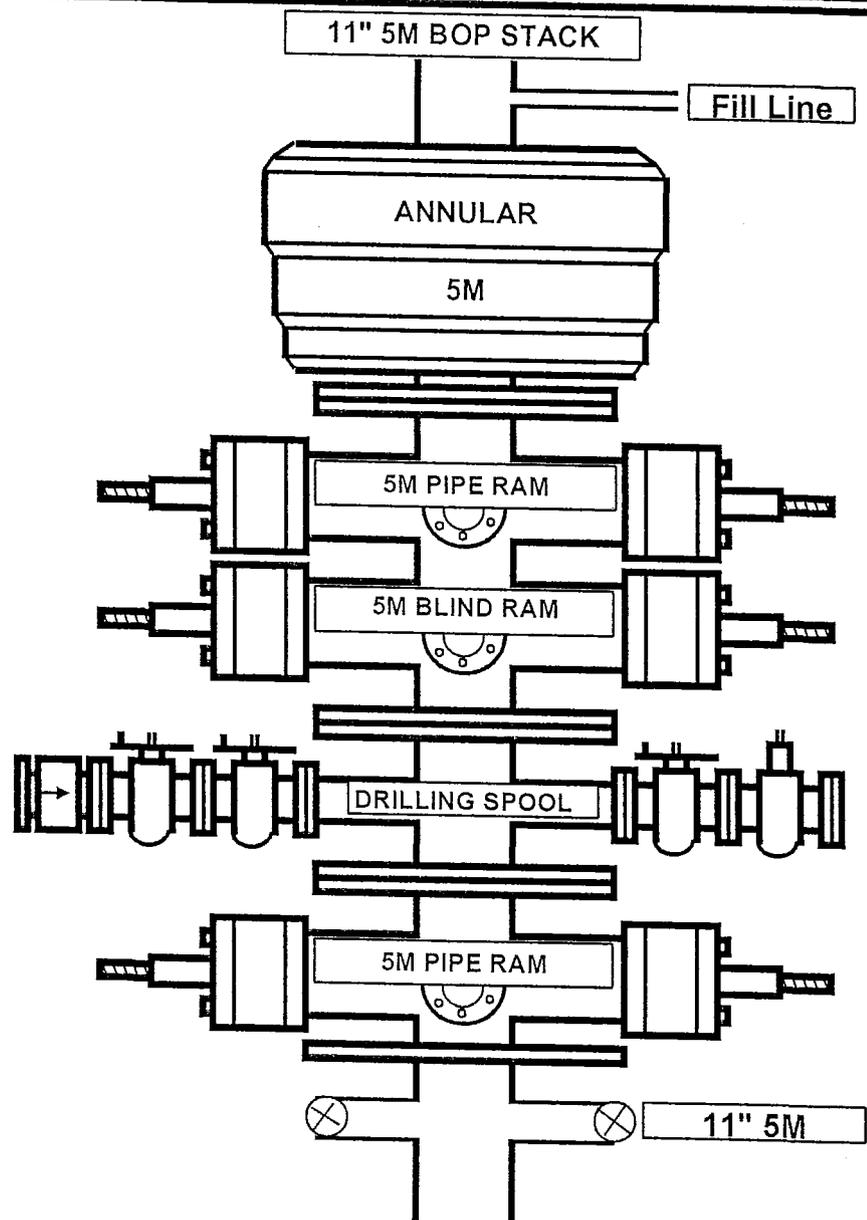
Nearby contractors/manpower from surrounding towns will be utilized in the construction of the pipeline. Vegetation disturbance is not anticipated, but if required, will be limited to the construction of the pipeline.

# CHOKER MANIFOLD 10M



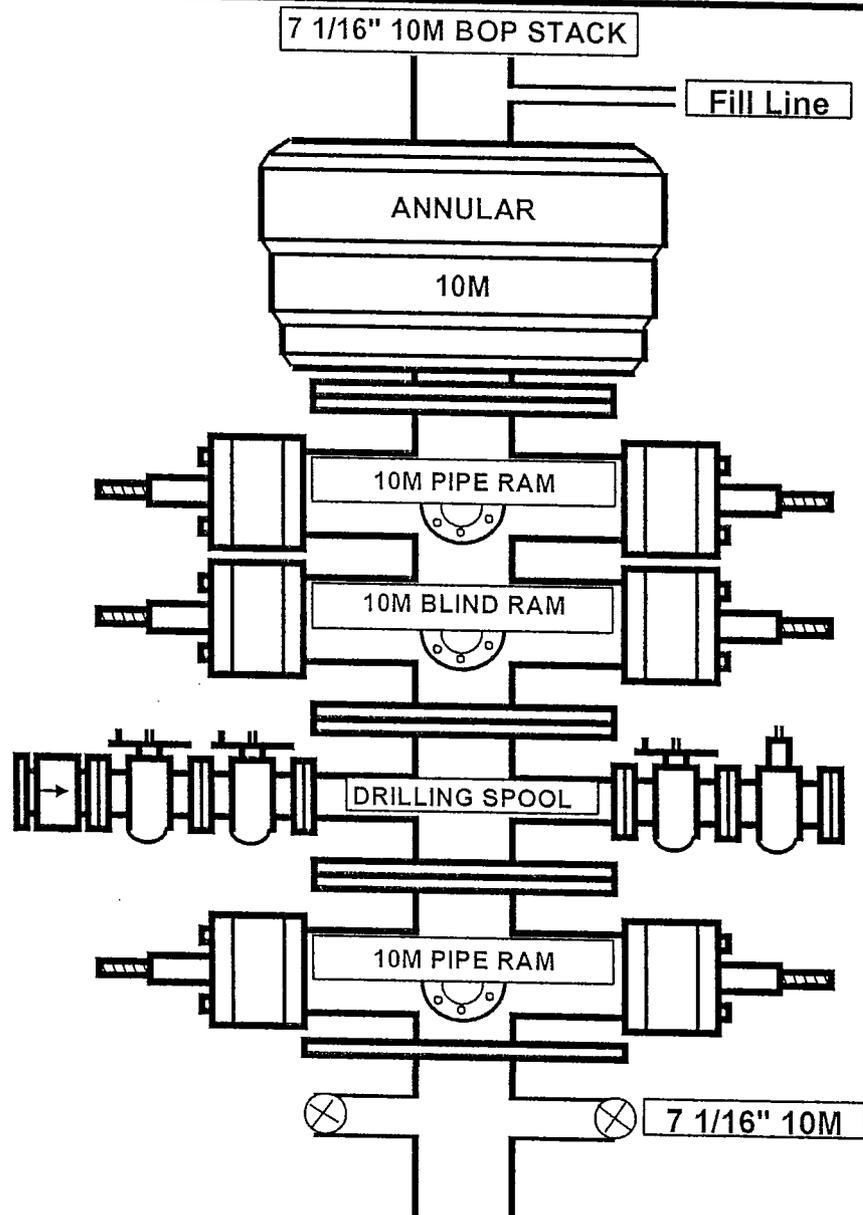
# TYPICAL BLOWOUT PREVENTER

## ROTARY



# TYPICAL BLOWOUT PREVENTER

## ROTARY



## **BOP TEST PROCEDURES:**

- The rotating head and annular preventer rubber elements are to be visually inspected by the drilling supervisor when nipping up and each test.
- The BOP's annular preventer choke manifold and all valves will be fully tested when first nipped up, then every two weeks, thereafter.
- In the event of a repair to any component of the BOP stack or choke manifold, a pressure test will need to be made on only that component after repairs are made.
- For the pressure tests, a 300 psi low pressure test will be made for 5 minutes on each component before applying the high pressure tests, as follows:
  - The ram type BOP's, choke manifold, and all valves are to be pressure tested to the lesser of their full WP or the rating of the well head flange that they are nipped up on.
  - The annular BOP (Hydril) is to be tested to the lesser of 70% of its WP or the rating of the wellhead flange that it is nipped up on.
  - All tests are to be conducted with fresh water.
  - Keep choke manifold flushed with fresh water.
  - Record and label pressure tests on either a strip or circular recorder sheet.
- Be sure to open the casing valve on the annulus below the test plug when pressure testing the BOPs.
- The capacity of the accumulator will be 1.5 times the fluid required to close the Hydril and pipe rams, and open the HCR valve, without assistance from the recharge pumps, and have a resulting pressure of 200 psi above the nitrogen pre-charge pressure of the bottles.
- The time to recharge the accumulator bottles will be less than 10 minutes.

ELK RESOURCES, INC.  
 OURAY VALLEY STATE 36-32-5-19  
 NESW SEC. 36-5S-19E  
 Uintah County, Utah

Hole size: 13 3/4"  
 Annular volume = 0.4009 cf/ft  
 Gauge Hole = 1203 cf

3000'

**Lead:** Howco HCL + 0.125#/sk Poly-E-Flake + 1% Calcium chloride @ 12.8 ppg and 1.80 cf/sk  
**Tail:** Premium V + 0.125#/sk Poly-E-Flake + 2% Calcium chloride @ 15.6 ppg and 1.20 cf/sk

8.5 ppg MW, BHP @ 3000' = 1326 psi  
 10 3/4" OD, 40.50#, K-55, ST&C:

Cplg OD = 11.750"  
 Drift ID = 9.894"  
 Burst = 3130 psi  
 Collapse = 1580 psi  
 Yield = 450,000 lb.  
 Wt in Air = 121,500 lb.

**STAGE 2**

**Lead:** Howco Hi-Fill w/ 16% gel + 1% Ex-1 + 10#/sk gilsonite + 0.125#/sk Poly-E-Flake + 0.2% HR-7 + 3% salt @ 11.0 ppg and 3.81 cf/sk  
**Tail:** 50/50 Pozmix + 2% gel + 0.6% Halad-322 + 5% salt + 0.125#/sk Poly-E-Flake @ 14.4 ppg and 1.21 cf/sk

DV Tool @ ± 7800'

Hole size: 9 7/8"  
 Annular volume = 0.2148 cf/ft  
 Gauge Hole =

Stage 1 = 795 cf  
 Stage 2 = 1140 cf  
 (to 2500')

**STAGE 1**

50/50 Pozmix + 2% gel + 0.6% Halad-322 + 5% salt + 0.125#/sk Poly-E-Flake + 2% Microbond-M + 0.3% Super-CBL @ 14.7 ppg and 1.19 cf/sk

11100'

400'

11500'

(0.55 psi/ft - 0.22 psi/ft) \* 11,500' = 3795 psi BOPE  
 MW @ 11,500' = 9.6 ppg; BHP = 5740 psi @ 11,500'  
 7 5/8" OD, 39#, P-110, LT&C:

Cplg OD = 8.500"  
 Drift ID = 6.500"  
 Burst = 12,620 psi  
 Collapse = 11,080 psi  
 Yield = 1,066,000 lb.  
 Wt in Air = 448,500 lb.

Hole size: 6 1/2"  
 Annular volume = 0.0941 cf/ft  
 Gauge Hole = 508 cf

50/50 Pozmix + 2% gel + 2% Microbond-M + 0.3% Halad-344 + 0.2% Halad-413 + 0.2% HR-601 + 0.25% HR-25 + 0.3% Super-CBL @ 14.3 ppg and 1.23 cf/sk

MW @ 14,500' = 10.6+ ppg, BHP = 7995 psi @ 14,500'

14500'

(0.72 psi/ft - 0.22 psi/ft) \* 16,500' = 8250 psi BOPE

16500'

Pressure grad. @ 16,500' = 0.72 psi/ft (est.); BHP = 11,880 psi @ 16,500'

5" OD, 18#, P-110, LT&C liner: Cplg OD = 5.563"  
 Drift ID = 4.151"  
 Burst = 13,940 psi  
 Collapse = 13,450 psi  
 Yield = 495,000 lb.

**Note:**

- BHP data based on maximum mud weights at indicated depths or from measured BHP data from similar intervals/depths in wells in the general vicinity.
- Cement volumes indicated are based on gauge hole with no excess. Actual volumes will be calculated based on caliper logs and appropriate excess.
- Cement slurry compositions may be modified based on bottom-hole temperatures, slurry water composition, etc. after lab testing by cement company. Cement additives listed are Halliburton products and will vary with actual cement company used.

**ELK RESOURCES, INC.**  
**OURAY VALLEY STATE #36-32-5-19**  
 LOCATED IN UINTAH COUNTY, UTAH  
 SECTION 36, T5S, R19E, S.L.B.&M.

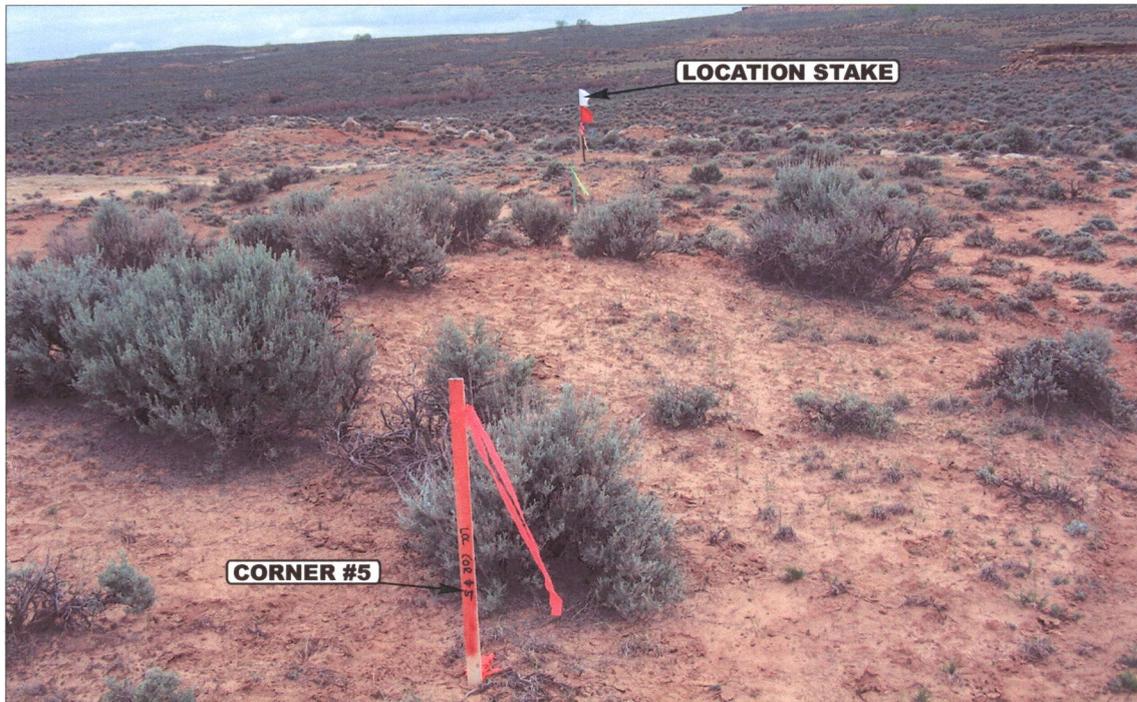


PHOTO: VIEW FROM CORNER #5 TO LOCATION STAKE

CAMERA ANGLE: SOUTHWESTERLY



PHOTO: VIEW FROM BEGINNING OF PROPOSED ACCESS

CAMERA ANGLE: SOUTHEASTERLY



- Since 1964 -

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

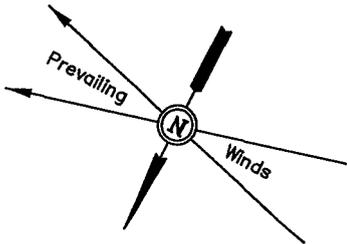
<b>LOCATION PHOTOS</b>	<b>05</b> MONTH	<b>12</b> DAY	<b>07</b> YEAR	<b>PHOTO</b>
TAKEN BY: D.R.	DRAWN BY: C.P.		REVISED: 00-00-00	

ELK RESOURCES, INC.

FIGURE #1

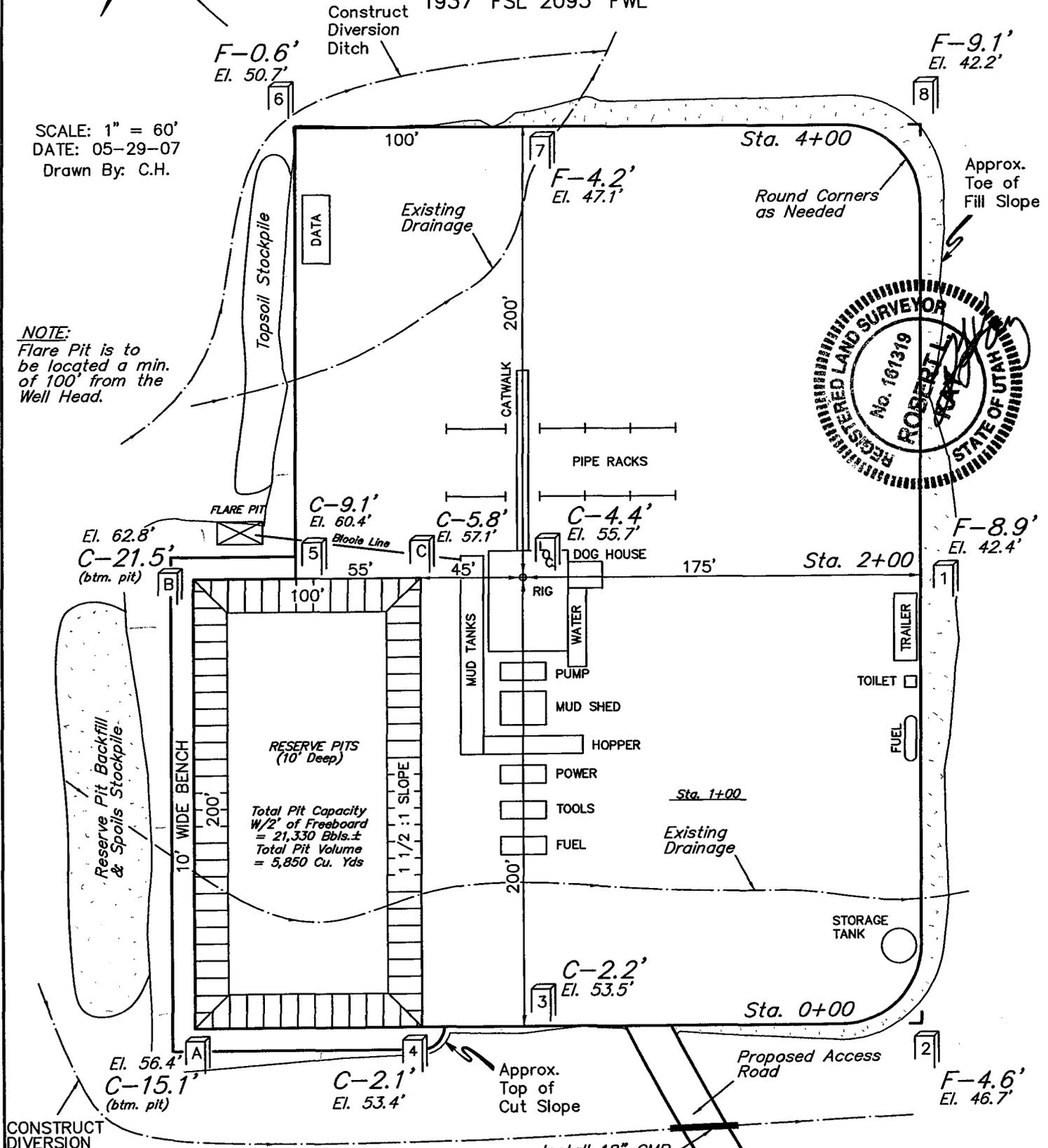
LOCATION LAYOUT FOR  
 OURAY VALLEY STATE #36-32-5-19  
 SECTION 36, T5S, R19E, S.L.B.&M.

1937' FSL 2095' FWL



SCALE: 1" = 60'  
 DATE: 05-29-07  
 Drawn By: C.H.

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



CONSTRUCT DIVERSION DITCH

Elev. Ungraded Ground at Location Stake = 5255.7'  
 Elev. Graded Ground at Location Stake = 5251.3'

Install 18" CMP as Needed

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

ELK RESOURCES, INC.

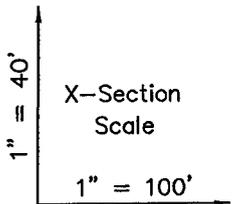
FIGURE #2

TYPICAL CROSS SECTIONS FOR

OURAY VALLEY STATE #36-32-5-19

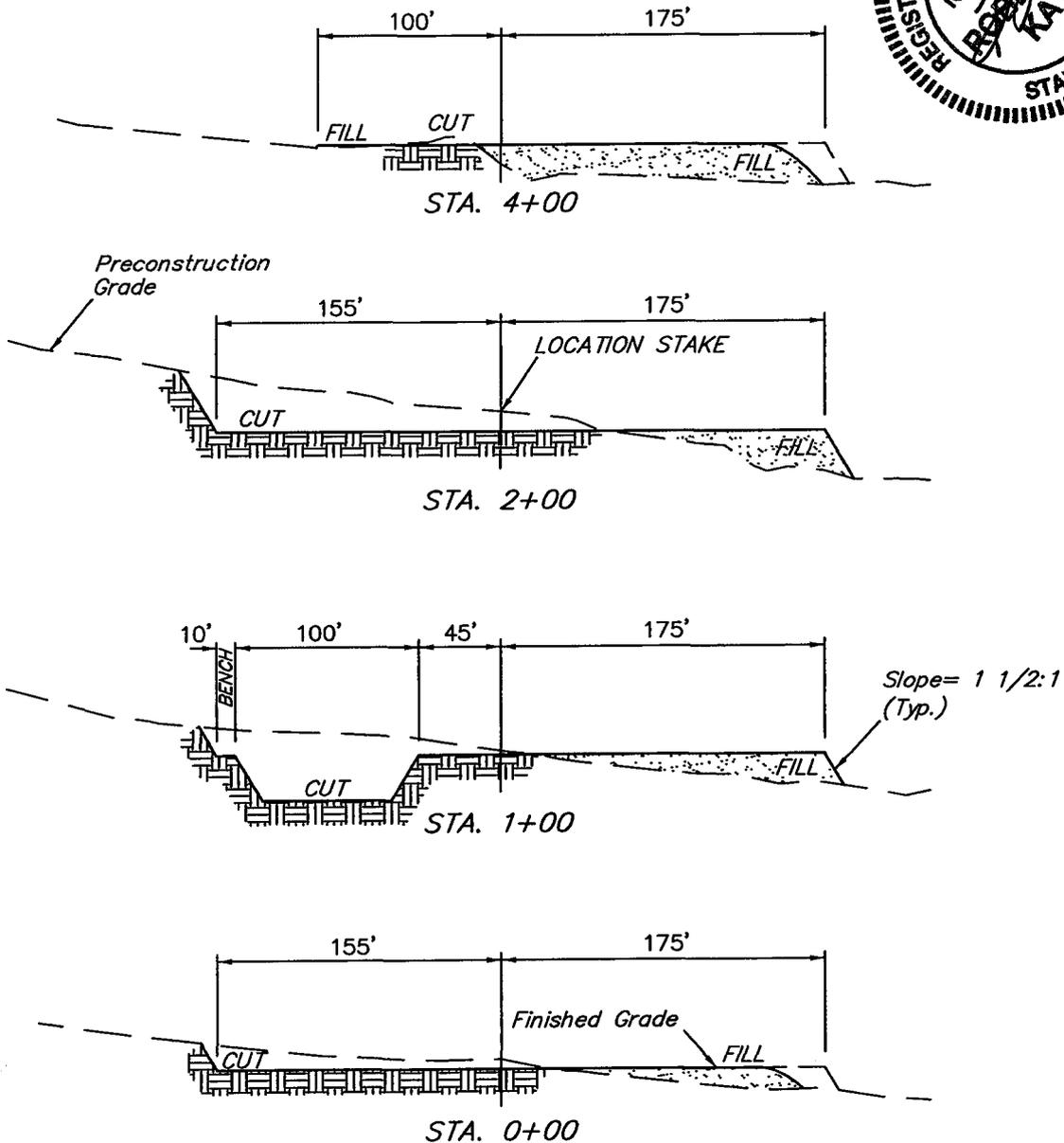
SECTION 36, T5S, R19E, S.L.B.&M.

1937' FSL 2095' FWL



DATE: 05-29-07

Drawn By: C.H.



NOTE:

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

\* NOTE:

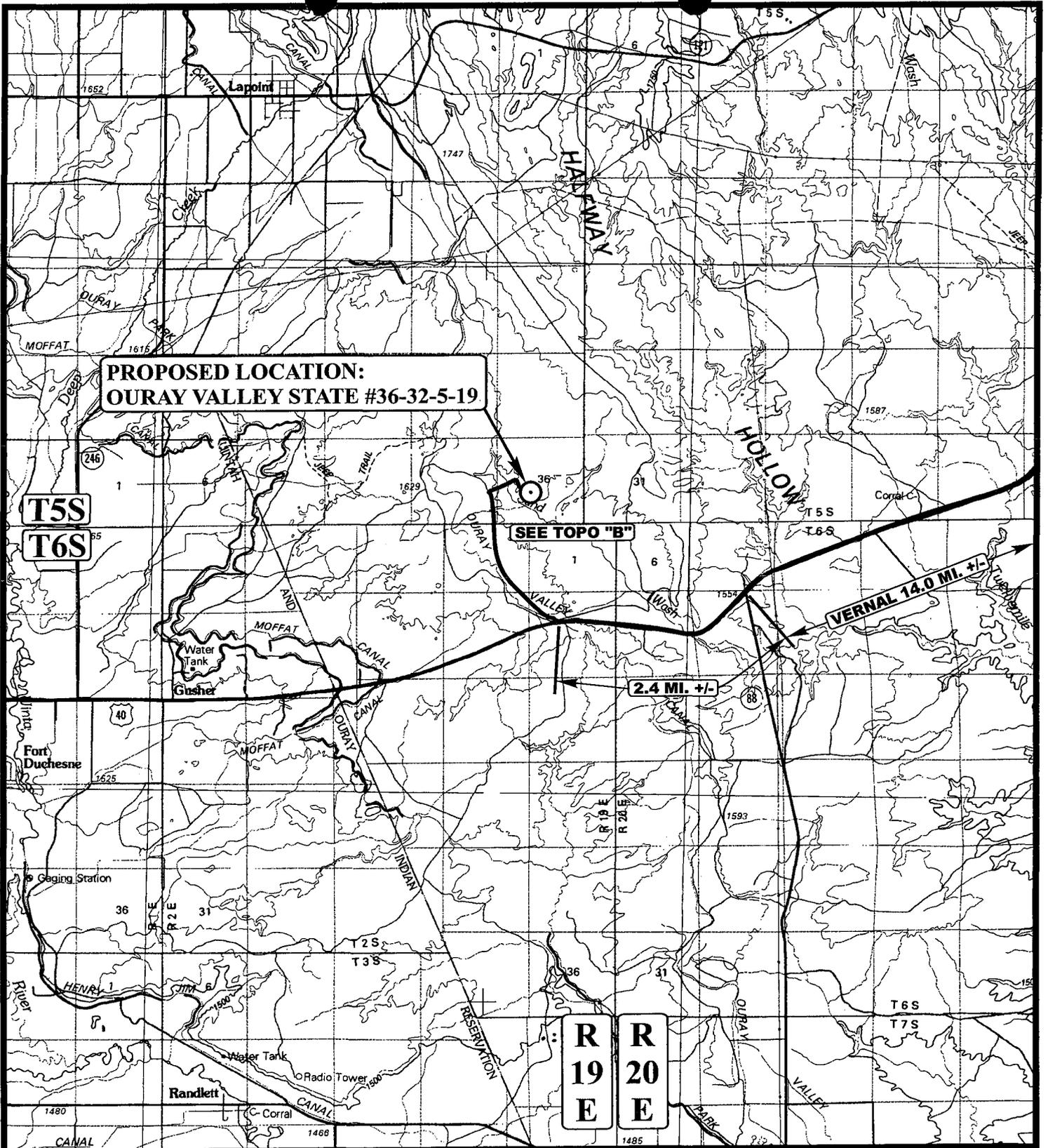
FILL QUANTITY INCLUDES 5% FOR COMPACTION

APPROXIMATE YARDAGES

CUT	
(6") Topsoil Stripping	= 2,590 Cu. Yds.
Remaining Location	= 13,780 Cu. Yds.
<b>TOTAL CUT</b>	<b>= 16,370 CU.YDS.</b>
<b>FILL</b>	<b>= 10,850 CU.YDS.</b>

EXCESS MATERIAL	= 5,520 Cu. Yds.
Topsoil & Pit Backfill (1/2 Pit Vol.)	= 5,520 Cu. Yds.
EXCESS UNBALANCE (After Interim Rehabilitation)	= 0 Cu. Yds.

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



**PROPOSED LOCATION:  
OURAY VALLEY STATE #36-32-5-19**

SEE TOPO "B"

VERNAL 14.0 MI. +/-

2.4 MI. +/-

R  
19  
E

R  
20  
E

**LEGEND:**

⊙ PROPOSED LOCATION



**ELK RESOURCES, INC.**

**OURAY VALLEY STATE #36-32-5-19  
SECTION 36, T5S, R19E, S.L.B.&M.  
1937' FSL 2095' FWL**



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

**TOPOGRAPHIC  
MAP**

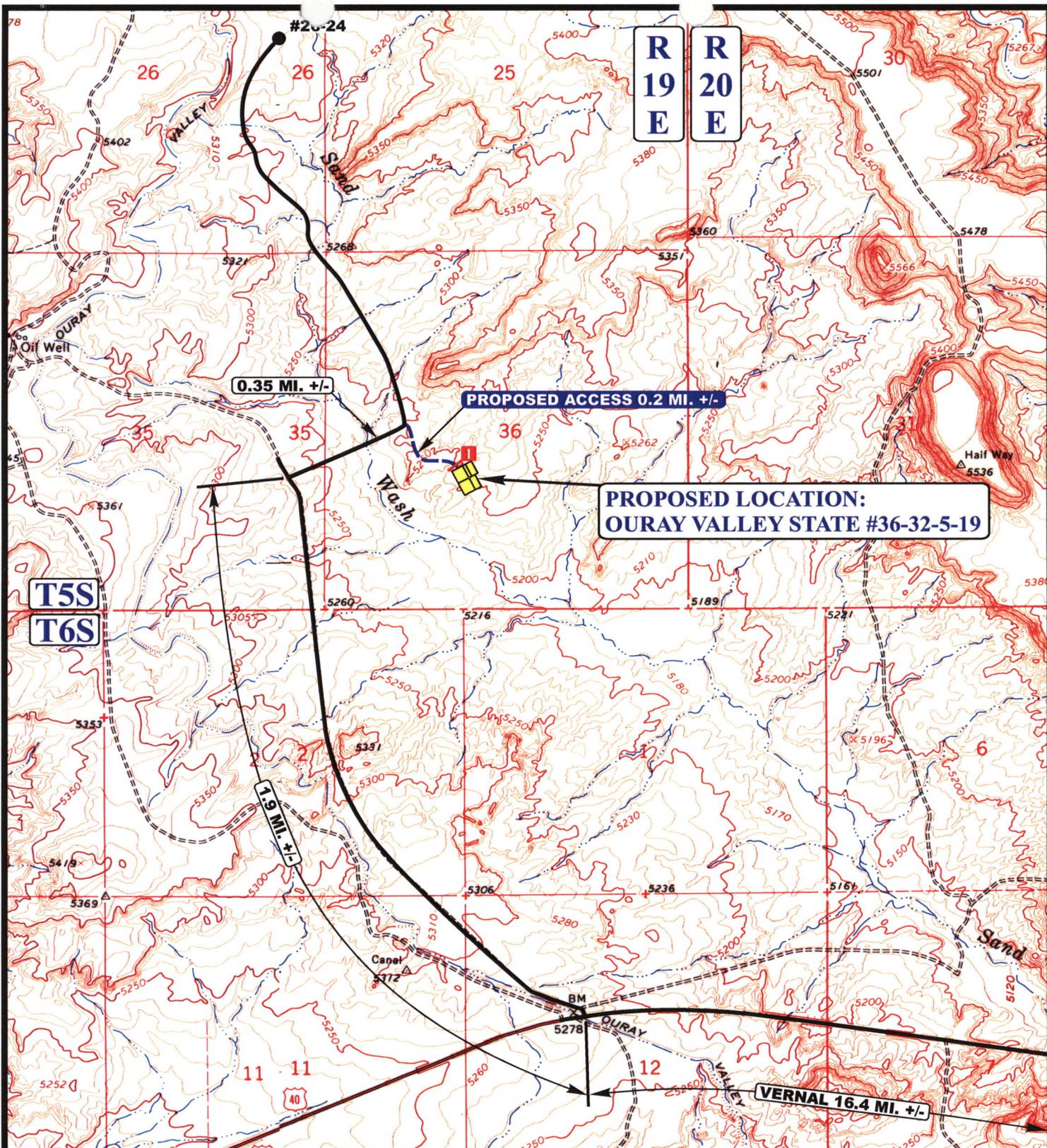
**05 12 07**  
MONTH DAY YEAR

SCALE: 1:100,000

DRAWN BY: C.P.

REVISED: 00-00-00





**LEGEND:**

-  EXISTING ROAD
-  PROPOSED ACCESS ROAD
-  18" CMP REQUIRED



**ELK RESOURCES, INC.**

**OURAY VALLEY STATE #36-32-5-19  
SECTION 36, T5S, R19E, S.L.B.&M.  
1937' FSL 2095' FWL**



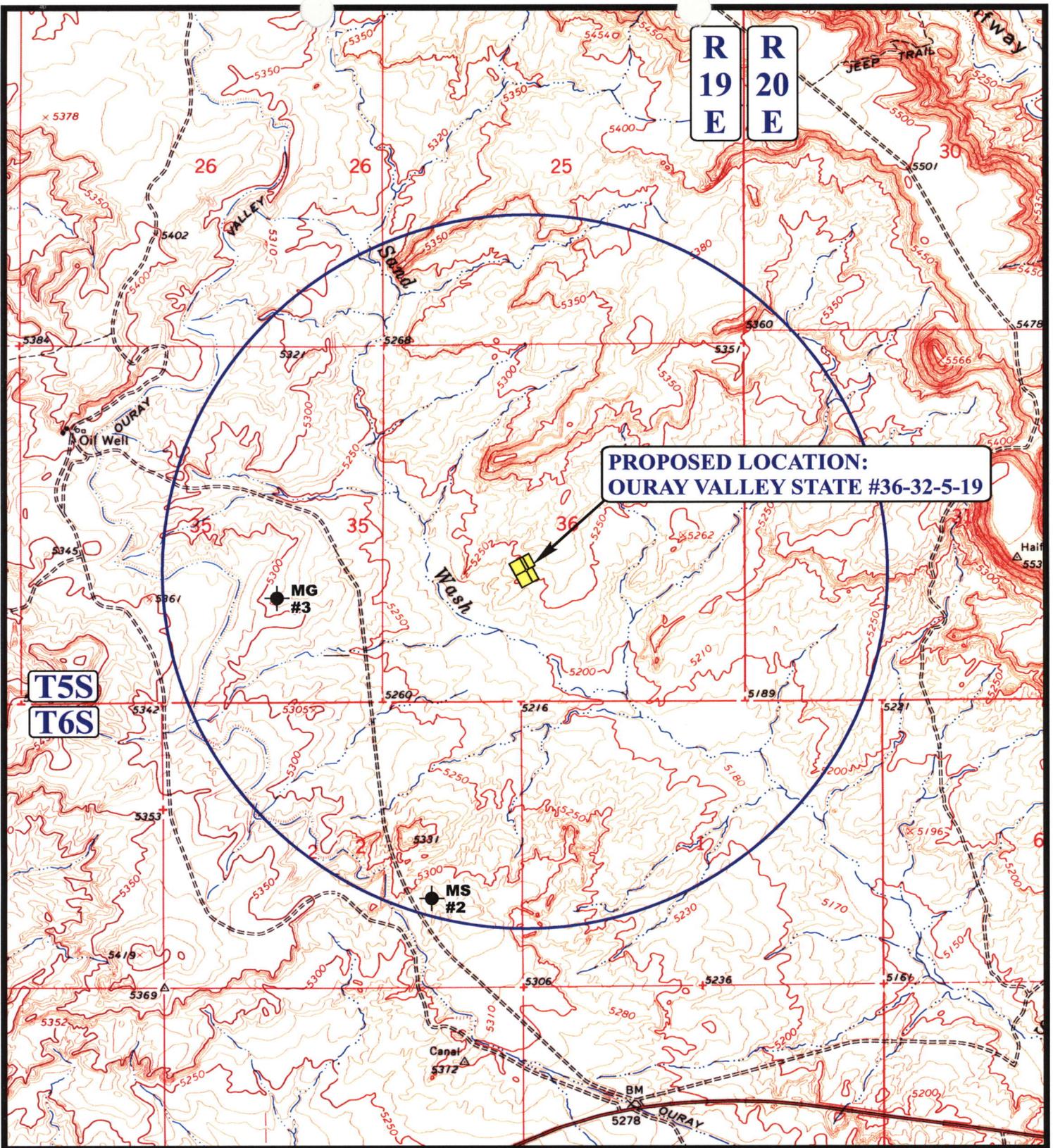
**Uintah Engineering & Land Surveying**  
85 South 200 East Vernal, Utah 84078  
(435) 789-1017 \* FAX (435) 789-1813

**TOPOGRAPHIC  
MAP**

**05 12 07**  
MONTH DAY YEAR

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





**PROPOSED LOCATION:  
OURAY VALLEY STATE #36-32-5-19**

**LEGEND:**

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

**ELK RESOURCES, INC.**

**OURAY VALLEY STATE #36-32-5-19  
SECTION 36, T5S, R19E, S.L.B.&M.  
1937' FSL 2095' FWL**



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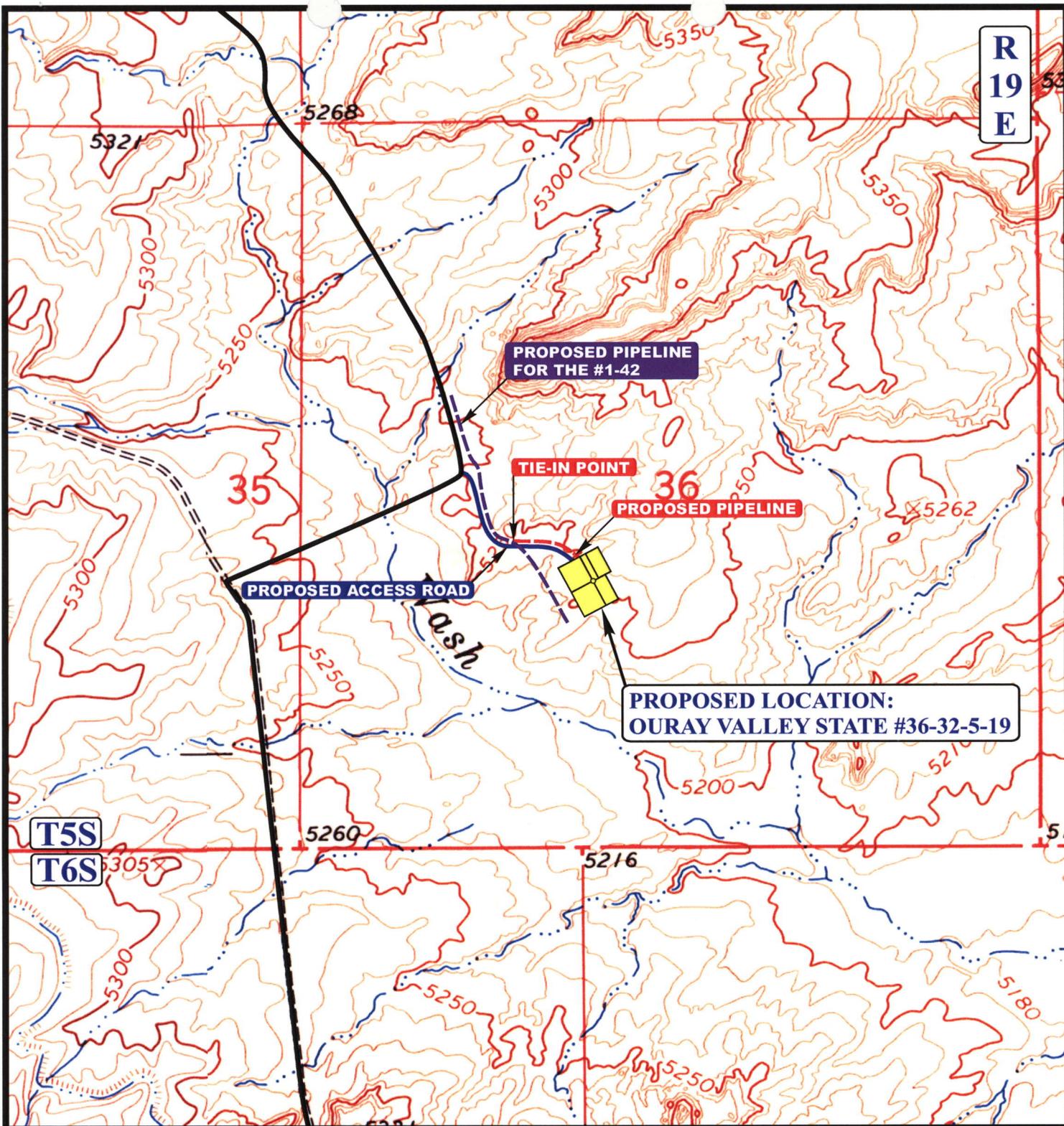


**TOPOGRAPHIC  
MAP**

**05 12 07**  
MONTH DAY YEAR

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





**APPROXIMATE TOTAL PIPELINE DISTANCE = 421' +/-**

**LEGEND:**

-  PROPOSED ACCESS ROAD
-  PROPOSED PIPELINE
-  PROPOSED PIPELINE (SERVICING OTHER WELLS)



**ELK RESOURCES, INC.**

**OURAY VALLEY STATE #36-32-5-19  
SECTION 36, T5S, R19E, S.L.B.&M.  
1937' FSL 2095' FWL**



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

**TOPOGRAPHIC  
MAP**

<b>05</b>	<b>12</b>	<b>07</b>
MONTH	DAY	YEAR

SCALE: 1" = 1000' DRAWN BY: C.P. REVISED: 00-00-00



**WORKSHEET  
APPLICATION FOR PERMIT TO DRILL**

APD RECEIVED: 09/21/2007

API NO. ASSIGNED: 43-047-39642

WELL NAME: OURAY VLY ST 36-32-5-19  
 OPERATOR: ELK RESOURCES, INC. ( N2755 )  
 CONTACT: KARIN KUHN

PHONE NUMBER: 303-296-4505

PROPOSED LOCATION:

NESW 36 050S 190E  
 SURFACE: 1937 FSL 2095 FWL  
 BOTTOM: 1937 FSL 2095 FWL  
 COUNTY: UINTAH  
 LATITUDE: 40.33672 LONGITUDE: -109.7400  
 UTM SURF EASTINGS: 607030 NORTHINGS: 4465682  
 FIELD NAME: UNDESIGNATED ( 2 )

INSPECT LOCATN BY: / /		
Tech Review	Initials	Date
Engineering	DKD	11/14/07
Geology		
Surface		

LEASE TYPE: 3 - State  
 LEASE NUMBER: ML-50608  
 SURFACE OWNER: 3 - State

PROPOSED FORMATION: MNCS  
 COALBED METHANE WELL? NO

RECEIVED AND/OR REVIEWED:

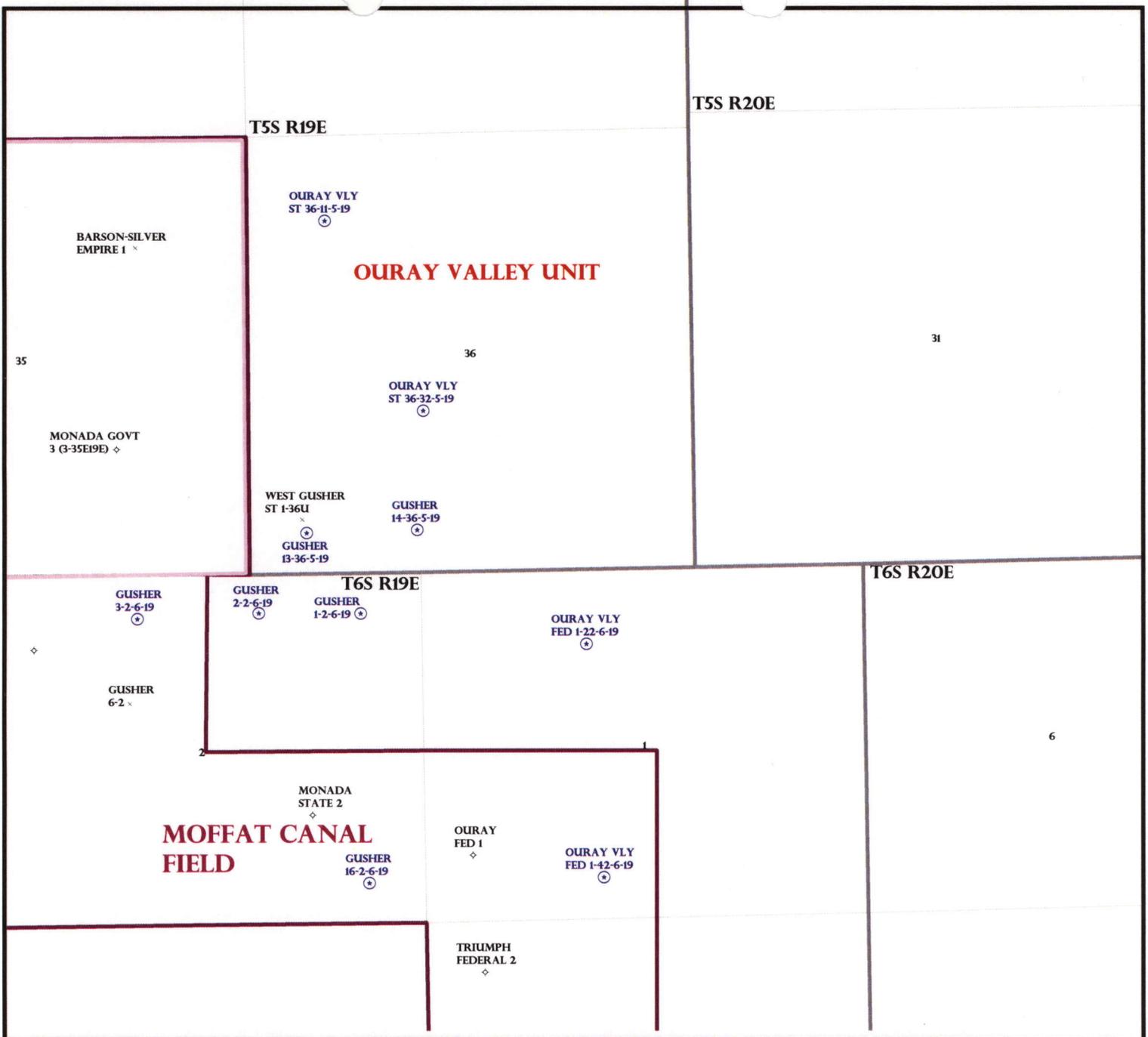
- Plat
- Bond: Fed[] Ind[] Sta[] Fee[]  
(No. B000969 )
- Potash (Y/N)
- Oil Shale 190-5 (B) or 190-3 or 190-13
- Water Permit  
(No. 45-6177 )
- RDCC Review (Y/N)  
(Date: )
- Fee Surf Agreement (Y/N)
- Intent to Commingle (Y/N)

LOCATION AND SITING:

- R649-2-3.
- Unit: OURAY VALLEY
- 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 (10-10-07)

STIPULATIONS: 1- Spacing Slip  
2- STATEMENT OF BASIS  
3- Surface Csg Cont Strip  
4- Cont Strip # 3A (7 5/8" intermediate, 3000' mD, Unit, Fin)



OPERATOR: ELK RESOURCES INC (N2755)

SEC: 36 T.5S R. 19E

FIELD: UNDESIGNATED (002)

COUNTY: UINTAH

SPACING: R649-3-2 / GENERAL SITING

**Field Status**

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

**Unit Status**

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

**Wells Status**

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

UTAH  
DNR  
OIL, GAS & MINING

N  
W E  
S

PREPARED BY: DIANA MASON  
DATE: 24-SEPTEMBER-2007

# Application for Permit to Drill

## Statement of Basis

10/17/2007

Utah Division of Oil, Gas and Mining

Page 1

<b>APD No</b>	<b>API WellNo</b>	<b>Status</b>	<b>Well Type</b>	<b>Surf Ownr</b>	<b>CBM</b>
560	43-047-39642-00-00		GW	S	No
<b>Operator</b>	ELK RESOURCES, INC.	<b>Surface Owner-APD</b>			
<b>Well Name</b>	OURAY VLY ST 36-32-5-19	<b>Unit</b>	OURAY VALLEY		
<b>Field</b>	UNDESIGNATED	<b>Type of Work</b>			
<b>Location</b>	NESW 36 5S 19E S 1937 FSL 2095 FWL	GPS Coord (UTM)	607030E 4465682N		

### Geologic Statement of Basis

Elk proposes to set 3,000 feet of surface casing, cemented to the surface. The base of the moderately saline water is estimated at 4,300 feet. A search of Division of Water Rights records shows 1 water well within a 10,000 foot radius of the center of Section 36. This well is 725 feet in depth and its listed use is for oilfield drilling. The surface formation at this location is the Duchesne River Formation. The Duchesne River Formation is made up of sands interbedded with shales and can produce prolific aquifers. Production casing cement should be brought up above the base of the moderately saline water. The proposed surface casing should adequately protect any near surface aquifers.

Brad Hill  
APD Evaluator

10/17/2007  
Date / Time

### Surface Statement of Basis

The general area is within Sand Wash located approximately 10 air miles and 14 road miles southwest of Vernal, Utah. Access to the location from Vernal is by Highway 40 a distance of 16.4 miles, then northerly 2.6 miles on existing oilfield development roads. Two-tenths miles of new access road will be constructed. Sand Wash is an ephemeral drainage, which drains southeasterly toward the Green River. On the west side of Sand Wash is the Ouray Valley Canal. This canal does seep and water or riparian like vegetation can be found in a few swales below the canal. No other springs or seeps are known to exist in the general area. The topography in the area is generally flat but intersected by some gentle swales and washes. Hills with exposed layered sandstone occur. The section is owned by SITLA but surrounded on 3 sides by land administered by the BLM. A SITLA section borders the section on the southwest corner.

The proposed Ouray Valley State #36-32-5-19 gas well pad in on a gentle west-facing slope leading away from an undulating ridge. This ridge joins a higher ridge to the east, which has layered bedrock outcrops. Several small drainages transect across the proposed pad. Diversions are need around both the north and south ends of the pad.

Floyd Bartlett  
Onsite Evaluator

10/10/2007  
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.
Surface	Drainages adjacent to the proposed pad shall be diverted around the location.
Surface	The well site shall be bermed to prevent fluids from leaving the pad.

# ON-SITE PREDRILL EVALUATION

## Utah Division of Oil, Gas and Mining

Operator ELK RESOURCES, INC.  
Well Name OURAY VLY ST 36-32-5-19  
API Number 43-047-39642-0 APD No 560 Field/Unit UNDESIGNATED  
Location: 1/4,1/4 NESW Sec 36 Tw 5S Rng 19E 1937 FSL 2095 FWL  
GPS Coord (UTM) 607027 4465685 Surface Owner

### Participants

Floyd Bartlett (DOGM), Jeff Johnson (Elk Resources, INC.) and Ben Williams (UDWR)

### Regional/Local Setting & Topography

The general area is within Sand Wash located approximately 10 air miles and 14 road miles southwest of Vernal, Utah. Access to the location from Vernal is by Highway 40 a distance of 16.4 miles, then northerly 2.6 miles on existing oilfield development roads. Two-tenths miles of new access road will be constructed. Sand Wash is an ephemeral drainage, which drains southeasterly toward the Green River. On the west side of Sand Wash is the Ouray Valley Canal. This canal does seep and water or riparian like vegetation can be found in a few swales below the canal. No other springs or seeps are known to exist in the general area. The topography in the area is generally flat but intersected by some gentle swales and washes. Hills with exposed layered sandstone occur. The section is owned by SITLA but surrounded on 3 sides by land administered by the BLM. A SITLA section borders the section on the southwest corner.

The proposed Ouray Valley State #36-32-5-19 gas well pad is on a gentle west-facing slope leading away from an undulating ridge. This ridge joins a higher ridge to the east, which has layered bedrock outcrops. Several small drainages transect across the proposed pad. Diversions are needed around both the north and south ends of the pad.

### Surface Use Plan

#### Current Surface Use

Grazing  
Recreational

#### New Road

Miles	Well Pad	Src Const Material	Surface Formation
0.2	Width 280 Length 200	Onsite	UNTA

Ancillary Facilities N

### Waste Management Plan Adequate? Y

### Environmental Parameters

Affected Floodplains and/or Wetland N

#### Flora / Fauna

Moderate vegetation cover which includes big sagebrush, rabbit brush, curly mesquite, annual mustard and cheatgrass.

Periodic cattle grazing, coyote, antelope, rabbits, small mammals and birds. Some raptors use the area for feeding.

#### Soil Type and Characteristics

Shallow sandy loam with layered bedrock.

Erosion Issues N

Sedimentation Issues N

Site Stability Issues N

Drainage Diversion Required Y

Needs diversions around both ends of the location as shown on Figure #1

Berm Required? N

Elk pland to berm the location to control any spillage.

Erosion Sedimentation Control Required? N

Paleo Survey Run? N

Paleo Potential Observed? N

Cultural Survey Run? Y

Cultural Resources? N

**Reserve Pit**

**Site-Specific Factors**

**Site Ranking**

<b>Distance to Groundwater (feet)</b>	>200	0
<b>Distance to Surface Water (feet)</b>	>1000	0
<b>Dist. Nearest Municipal Well (ft)</b>	>5280	0
<b>Distance to Other Wells (feet)</b>	>1320	0
<b>Native Soil Type</b>	High permeability	20
<b>Fluid Type</b>	Fresh Water	5
<b>Drill Cuttings</b>	Normal Rock	0
<b>Annual Precipitation (inches)</b>	<10	0
<b>Affected Populations</b>	<10	0
<b>Presence Nearby Utility Conduits</b>	Not Present	0

**Final Score** 25 1 **Sensitivity Level**

**Characteristics / Requirements**

100' by 200' and 10' deep. The reserve pit is planned in an area of cut on the northeast side of the location. No stabilization problems are expected.

Stability Level I. A liner is required. The operator routinely installs a 16 mil liner to conserve water.

**Closed Loop Mud Required? N**

**Liner Required? Y**

**Liner Thickness 16**

**Pit Underlayment Required? Y**

**Other Observations / Comments**

Jim Davis and Ed Bonner of SITLA were invited to the on-site visit. Neither attended. They had a meeting scheduled for this day.

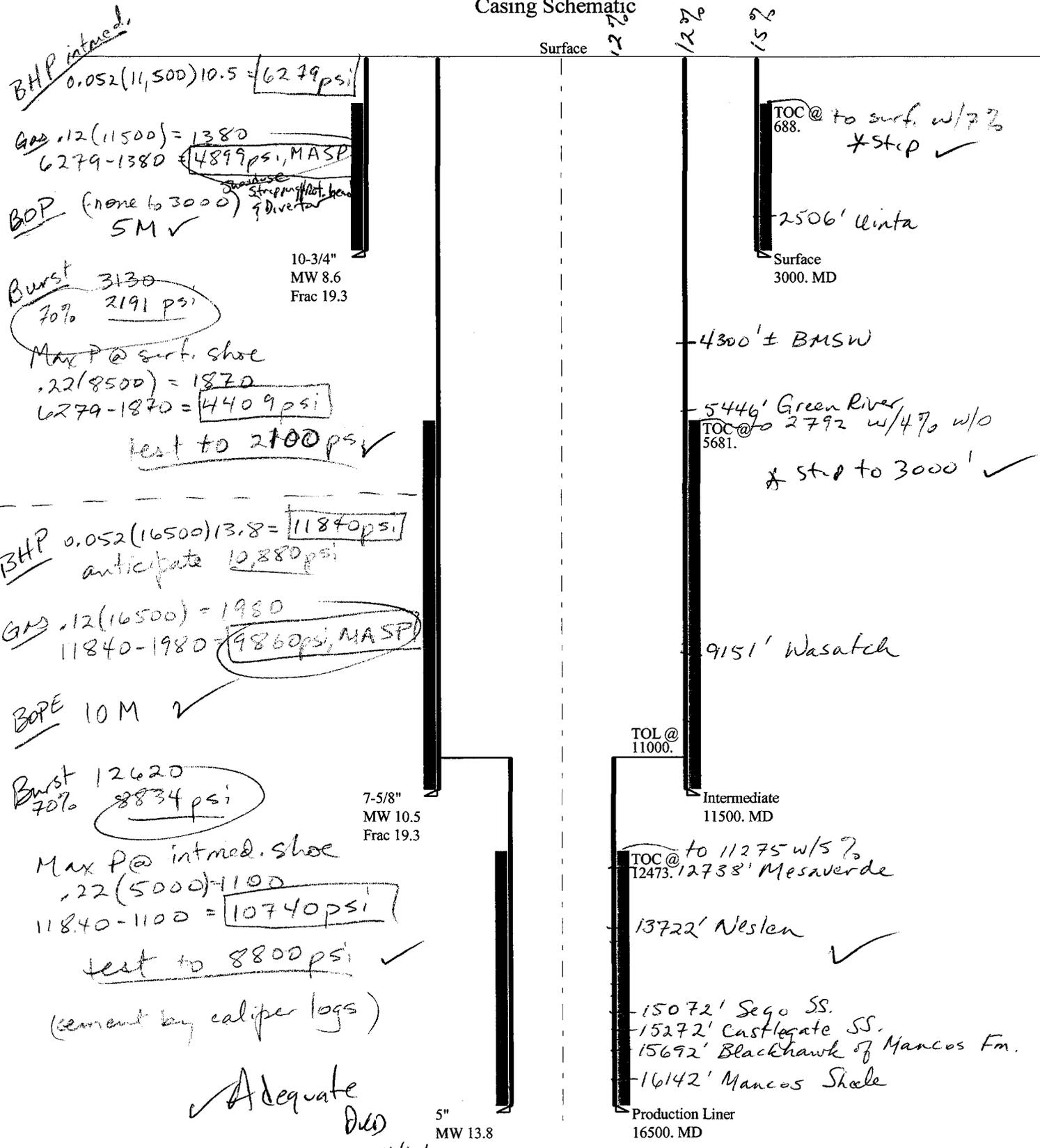
Ben Williams said the area is classified as substantial value habitat for antelope. He made no recommendations for this or any other species. He gave Mr. Johnson a written copy of his wildlife evaluation and also a UDWR recommended seed mix to be used when the area is reclaimed.

Floyd Bartlett  
Evaluator

10/10/2007  
Date / Time

2007-11 Elk Resources Ouray Valley ST 36-32-5-19

Casing Schematic



BHP intased.  
 $0.052(11,500)10.5 = 6279 \text{ psi}$

GAD  $.12(11500) = 1380$   
 $6279 - 1380 = 4899 \text{ psi, MASP}$

BOPE (none to 3000)  $\checkmark$   
 5M  $\checkmark$

Burst 3130  
 70% 2191 psi

Max P @ surf. shoe  
 $.22(8500) = 1870$   
 $6279 - 1870 = 4409 \text{ psi}$   
 test to 2100 psi  $\checkmark$

10-3/4"  
 MW 8.6  
 Frac 19.3

TOC @ to surf. w/ 7%  
 688.  
 \*stop  $\checkmark$

2506' Uinta  
 Surface  
 3000. MD

4300'  $\pm$  BMSW

5446' Green River  
 TOC @ to 2792 w/ 4% w/o  
 5681.  
 \*stop to 3000'  $\checkmark$

BHP  $0.052(16500)13.8 = 11840 \text{ psi}$   
 anticipate 10,880 psi

GAD  $.12(16500) = 1980$   
 $11840 - 1980 = 9860 \text{ psi, MASP}$

BOPE 10M  $\checkmark$

Burst 12620  
 70% 8834 psi

Max P @ intmed. shoe  
 $.22(5000) = 1100$   
 $11840 - 1100 = 10740 \text{ psi}$   
 test to 8800 psi  $\checkmark$

7-5/8"  
 MW 10.5  
 Frac 19.3

TOL @  
 11000.

Intermediate  
 11500. MD

TOC @ to 11275 w/ 5%  
 12473. 12738' Mesaverde

13722' Nesten  $\checkmark$

15072' Sego SS.  
 15272' Castlegate SS.  
 15692' Blackhawk of Mancos Fm.  
 16142' Mancos Shale

Production Liner  
 16500. MD

$\checkmark$  Adequate  
 Due  
 4/14/07

5"  
 MW 13.8

Well name:	<b>2007-11 Elk Resources Ouray Valley ST 36-32-5-19</b>	
Operator:	<b>Elk Resources, Inc.</b>	Project ID:
String type:	Surface	43-047-39642
Location:	Uintah County	

**Design parameters:**

**Collapse**

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

**Burst**

Max anticipated surface pressure: 2,640 psi  
 Internal gradient: 0.120 psi/ft  
 Calculated BHP 3,000 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: 2,621 ft

**Environment:**

H2S considered? No  
 Surface temperature: 75 °F  
 Bottom hole temperature: 117 °F  
 Temperature gradient: 1.40 °F/100ft  
 Minimum section length: 250 ft

Cement top: 688 ft

**Non-directional string.**

**Re subsequent strings:**

Next setting depth: 11,500 ft  
 Next mud weight: 10.500 ppg  
 Next setting BHP: 6,273 psi  
 Fracture mud wt: 19.250 ppg  
 Fracture depth: 3,000 ft  
 Injection pressure: 3,000 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	3000	10.75	40.50	K-55	ST&C	3000	3000	9.925	1652.6
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	1340	1580	1.179	3000	3130	1.04	106	450	4.24 J

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

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

Date: November 9, 2007  
 Salt Lake City, Utah

**Remarks:**

Collapse is based on a vertical depth of 3000 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: **2007-11 Elk Resources Ouray Valley ST 36-32-5-19**

Operator: **Elk Resources, Inc.**

String type: Intermediate

Project ID:  
43-047-39642

Location: Uintah County

**Design parameters:**

**Collapse**

Mud weight: 10.500 ppg  
Design is based on evacuated pipe.

**Burst**

Max anticipated surface pressure: 8,199 psi  
Internal gradient: 0.220 psi/ft  
Calculated BHP 10,728 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: 9,700 ft

**Environment:**

H2S considered? No  
Surface temperature: 75 °F  
Bottom hole temperature: 236 °F  
Temperature gradient: 1.40 °F/100ft  
Minimum section length: 1,500 ft

Cement top: 5,681 ft

**Non-directional string.**

**Re subsequent strings:**

Next setting depth: 16,500 ft  
Next mud weight: 13.800 ppg  
Next setting BHP: 11,829 psi  
Fracture mud wt: 19.250 ppg  
Fracture depth: 11,500 ft  
Injection pressure: 11,500 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	11500	7.625	39.00	P-110	LT&C	11500	11500	6.5	2752.8
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	6273	11080	1.766	10728	12620	1.18	378	1066	2.82 J

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

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

Date: November 9, 2007  
Salt Lake City, Utah

Remarks:

Collapse is based on a vertical depth of 11500 ft, a mud weight of 10.5 ppg. The casing is considered to be evacuated for collapse purposes. Collapse strength is based on the Westcott, Dunlop & Kemler method of biaxial correction for tension.

Burst strength is not adjusted for tension.

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

Well name:

**2007-11 Elk Resources Ouray Valley ST 36-32-5-19**Operator: **Elk Resources, Inc.**

String type: Production Liner

Project ID:

43-047-39642

Location: Uintah County

**Design parameters:****Collapse**Mud weight: 13.800 ppg  
Design is based on evacuated pipe.**Burst**Max anticipated surface  
pressure: 8,199 psi  
Internal gradient: 0.220 psi/ft  
Calculated BHP 11,829 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: 15,345 ft

**Environment:**H2S considered? No  
Surface temperature: 75 °F  
Bottom hole temperature: 306 °F  
Temperature gradient: 1.40 °F/100ft  
Minimum section length: 1,500 ft

Cement top: 12,473 ft

Liner top: 11,000 ft

**Non-directional string.**

Run Seq	Segment Length (ft)	Size (in)	Nominal Weight (lbs/ft)	Grade	End Finish	True Vert Depth (ft)	Measured Depth (ft)	Drift Diameter (in)	Internal Capacity (ft <sup>3</sup> )
1	5500	5	18.00	P-110	LT&C	16500	16500	4.151	548.5
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	11829	13470	1.139	11829	13940	1.18	78	495	6.33 J

Prepared by: Helen Sadik-Macdonald  
Div of Oil, Gas & MineralsPhone: 801-538-5357  
FAX: 801-359-3940Date: November 9, 2007  
Salt Lake City, Utah**Remarks:**

For this liner string, the top is rounded to the nearest 100 ft. Collapse is based on a vertical depth of 16500 ft, a mud weight of 13.8 ppg. The Collapse strength is based on the Westcott, Dunlop &amp; 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.*

# 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)

September 24, 2007

Memorandum

To: Assistant District Manager Minerals, Vernal District  
From: Michael Coulthard, Petroleum Engineer  
Subject: 2007 Plan of Development Ouray Valley Unit,  
Uintah County, Utah.

Pursuant to email between Diana Whitney, Division of Oil, Gas and Mining, and Mickey Coulthard, Utah State Office, Bureau of Land Management, the following wells are planned for calendar year 2007 within the Ouray Valley Unit, Uintah County, Utah.

API#	WELL NAME	LOCATION
(Proposed PZ Mancos)		
43-047-39641	Ouray Vly	ST 36-11-5-19 Sec 36 T05S R19E 1039 FNL 0949 FWL
43-047-39642	Ouray Vly	ST 36-32-5-19 Sec 36 T05S R19E 1937 FSL 2095 FWL
43-047-39643	Ouray Vly	Fed 01-22-6-19 Sec 01 T06S R19E 0911 FNL 1980 FWL
43-047-39644	Ouray Vly	Fed 01-42-6-19 Sec 01 T06S R19E 0483 FSL 2133 FWL

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

/s/ Michael L. Coulthard

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

MCoulthard:mc:9-24-07

Division of Oil, Gas and Mining  
**OPERATOR CHANGE WORKSHEET**

<b>ROUTING</b>
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**

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

<b>CA No.</b>		<b>Unit:</b>		<b>OURAY VALLEY</b>				
WELL NAME	SEC	TWN	RNG	API NO	ENTITY NO	LEASE TYPE	WELL TYPE	WELL STATUS
<b>SEE ATTACHED LIST</b>								

**OPERATOR CHANGES DOCUMENTATION**

Enter date after each listed item is completed

1. (R649-8-10) Sundry or legal documentation was received from the **FORMER** operator on: 4/24/2008
2. (R649-8-10) Sundry or legal documentation was received from the **NEW** operator on: 4/24/2008
3. The new company was checked on the **Department of Commerce, Division of Corporations Database** on: 4/29/2008
- 4a. Is the new operator registered in the State of Utah: NO Business Number: \_\_\_\_\_
- 4b. If **NO**, the operator was contacted on: 4/29/2008
- 5a. (R649-9-2)Waste Management Plan has been received on: IN PLACE
- 5b. Inspections of LA PA state/fee well sites complete on: N/A
- 5c. Reports current for Production/Disposition & Sundries on: ok
6. **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
7. **Federal and Indian Units:**  
The BLM or BIA has approved the successor of unit operator for wells listed on: 3/13/2008
8. **Federal and Indian Communization Agreements ("CA"):**  
The BLM or BIA has approved the operator for all wells listed within a CA on: n/a
9. **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:**

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

**BOND VERIFICATION:**

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

**LEASE INTEREST OWNER NOTIFICATION:**

4. (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

<b>SUNDRY NOTICES AND REPORTS ON WELLS</b>			5. LEASE DESIGNATION AND SERIAL NUMBER: <b>See Attached List</b>
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: <b>NA</b>
			7. UNIT or CA AGREEMENT NAME: <b>Aurora "Deep" Unit</b>
1. TYPE OF WELL OIL WELL <input checked="" type="checkbox"/> GAS WELL <input checked="" type="checkbox"/> OTHER _____			8. WELL NAME and NUMBER: <b>See Attached List</b>
2. NAME OF OPERATOR: <b>ELK RESOURCES, LLC</b>			9. API NUMBER: <b>See List</b>
3. ADDRESS OF OPERATOR: 1401 17th. St., Suite 700 CITY <b>Denver</b> STATE <b>CO</b> ZIP <b>80202</b>		PHONE NUMBER: <b>(303) 296-4505</b>	10. FIELD AND POOL, OR WILDCAT: <b>See Attached List</b>
4. LOCATION OF WELL FOOTAGES AT SURFACE: _____ COUNTY: <b>UINTAH</b>			
QTR/QTR, SECTION, TOWNSHIP, RANGE, MERIDIAN: _____ STATE: <b>UTAH</b>			

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"/> SUBSEQUENT REPORT (Submit Original Form Only)  Date of work completion: _____	<input type="checkbox"/> ACIDIZE	<input type="checkbox"/> DEEPEN	<input type="checkbox"/> REPERFORATE CURRENT FORMATION
	<input type="checkbox"/> ALTER CASING	<input type="checkbox"/> FRACTURE TREAT	<input type="checkbox"/> SIDETRACK TO REPAIR WELL
	<input type="checkbox"/> CASING REPAIR	<input type="checkbox"/> NEW CONSTRUCTION	<input type="checkbox"/> TEMPORARILY ABANDON
	<input type="checkbox"/> CHANGE TO PREVIOUS PLANS	<input type="checkbox"/> OPERATOR CHANGE	<input type="checkbox"/> TUBING REPAIR
	<input type="checkbox"/> CHANGE TUBING	<input type="checkbox"/> PLUG AND ABANDON	<input type="checkbox"/> VENT OR FLARE
	<input type="checkbox"/> 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: <b>CHANGE OF OPERATOR</b>
	<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 <b>N3480</b> 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)

**RECEIVED**  
**APR 24 2008**

well_name	sec	twp	rng	api	entity	lease	well	stat	flag	qtr_qtr	unit	l_num
HUBER FED 26-24	26	050S	190E	4304738400	15966	Federal	OW	P	C	SENE	OURAY VALLEY	UTU-75673
OURAY VLY FED 12-42	12	060S	190E	4304738931		Federal	GW	APD	C	SESW	OURAY VALLEY	UTU-76261
OURAY VLY FED 3-41	03	060S	190E	4304738932		Federal	GW	APD	C	SWSW	OURAY VALLEY	UTU-76260
OURAY VLY ST 36-11-5-19	36	050S	190E	4304739641		State	GW	APD	C	NWNW	OURAY VALLEY	ML-50608
OURAY VLY ST 36-32-5-19	36	050S	190E	4304739642		State	GW	NEW	C	NESW	OURAY VALLEY	ML-50608
OURAY VLY FED 1-22-6-19	01	060S	190E	4304739643		Federal	GW	APD	C	SENW	OURAY VALLEY	UTU-085214
OURAY VLY FED 1-42-6-19	01	060S	190E	4304739644		Federal	GW	APD	C	SESW	OURAY VALLEY	UTU-085214



**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 17<sup>th</sup> 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

**RECEIVED**

**MAR 17 2008**

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		

**From:** Ed Bonner  
**To:** Mason, Diana  
**Date:** 6/10/2008 2:00 PM  
**Subject:** Well Clearance

**CC:** Davis, Jim; Garrison, LaVonne; Hill, Brad; Jarvis, Dan  
The following well has been given cultural resources clearance by the Trust Lands Administration:

Elk Resources LLC  
Ouray Vally State 36-32-5-19 (API 43 047 39642)

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



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 10, 2008

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

Re: Ouray Valley State 36-32-5-19 Well, 1937' FSL, 2095' FWL, NE SW, Sec. 36,  
T. 5 South, R. 19 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 43-047-39642.

Sincerely,

Gil Hunt  
Associate Director

pab  
Enclosures

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

Operator: Elk Resources, Inc.  
Well Name & Number Ouray Valley State 36-32-5-19  
API Number: 43-047-39642  
Lease: ML-50608

Location: NE SW                      Sec. 36                      T. 5 South                      R. 19 East

### Conditions of Approval

#### 1. General

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

#### 2. Notification Requirements

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

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

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

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

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

- Dan Jarvis at:                      (801) 538-5338 office                      (801) 942-0871 home
- Carol Daniels at:                      (801) 538-5284 office
- Dustin Doucet at:                      (801) 538-5281 office                      (801) 733-0983 home

#### 3. Reporting Requirements

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

4. Compliance with the State of Utah Antiquities Act forbids disturbance of archeological, historical, or paleontological remains. Should archeological, historical or paleontological remains be encountered during your operations, you are required to immediately suspend all operations and immediately inform the Trust Lands Administration and the Division of State History of the discovery of such remains.
5. Compliance with the Conditions of Approval/Application for Permit to Drill outlined in the Statement of Basis. (Copy Attached)
6. 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.
7. Cement volume for the 7 5/8" intermediate production string shall be determined from actual hole diameter in order to place cement from the pipe setting depth back to 3000' MD in order to adequately isolate the Uinta formation.
8. Surface casing shall be cemented to the surface.

**Division of Oil, Gas and Mining**  
**OPERATOR CHANGE WORKSHEET**

**ROUTING**

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

**X - Change of Operator (Well Sold)**

Operator Name Change/Merger

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

**8/1/2008**

<b>FROM:</b> (Old Operator): N3480-Elk Resources, LLC 1401 17th St, Suite 7900 Denver, CO 80202 Phone: 1 (303) 296-4505	<b>TO:</b> ( New Operator): N2695-Newfield Production Company 1001 17th St, Suite 2000 Denver, CO 80202 Phone: 1 (303) 893-0102
---	---

**CA No.**

**Unit:**

**OURAY VALLEY**

WELL NAME	SEC	TWN	RNG	API NO	ENTITY NO	LEASE TYPE	WELL TYPE	WELL STATUS	
OURAY VLY ST 36-32-5-19	36	050S	190E	4304739642		State	GW	APD	C
OURAY VLY FED 1-22-6-19	01	060S	190E	4304739643		Federal	GW	APD	C
OURAY VLY FED 1-42-6-19	01	060S	190E	4304739644		Federal	GW	APD	C
OURAY VLY FED 3-41	03	060S	190E	4304738932		Federal	GW	APD	C
OURAY VLY FED 12-42	12	060S	190E	4304738931		Federal	GW	APD	C

**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: 1/27/2009
- (R649-8-10) Sundry or legal documentation was received from the **NEW** operator on: 1/27/2009
- The new company was checked on the **Department of Commerce, Division of Corporations Database** on: 11/9/2007
- 4a. Is the new operator registered in the State of Utah: yes Business Number: 755627-0143
- 4b. If **NO**, the operator was contacted on:
- 5a. (R649-9-2)Waste Management Plan has been received on: IN PLACE
- 5b. Inspections of LA PA state/fee well sites complete on: n/a
- 5c. Reports current for Production/Disposition & Sundries on: ok
6. **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 11/27/2008 BIA n/a
7. **Federal and Indian Units:**  
The BLM or BIA has approved the successor of unit operator for wells listed on: 11/27/2008
8. **Federal and Indian Communization Agreements ("CA"):**  
The BLM or BIA has approved the operator for all wells listed within a CA on: n/a
9. **Underground Injection Control ("UIC")** The Division has approved UIC Form 5, **Transfer of Authority to Inject**, for the enhanced/secondary recovery unit/project for the water disposal well(s) listed on: n/a

**DATA ENTRY:**

- Changes entered in the **Oil and Gas Database** on: 1/29/2009
- Changes have been entered on the **Monthly Operator Change Spread Sheet** on: 1/29/2009
- Bond information entered in RBDMS on: 1/29/2009
- Fee/State wells attached to bond in RBDMS on: 1/29/2009
- Injection Projects to new operator in RBDMS on: n/a
- Receipt of Acceptance of Drilling Procedures for APD/New on: 1/29/2009

**BOND VERIFICATION:**

- Federal well(s) covered by Bond Number: UTB00192
- 2a. (R649-3-1) The **NEW** operator of any fee well(s) listed covered by Bond Number B001834
- 2b. The **FORMER** operator has requested a release of liability from their bond on: n/a  
The Division sent response by letter 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:**

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

FORM 9

<b>SUNDRY NOTICES AND REPORTS ON WELLS</b>		5. LEASE DESIGNATION AND SERIAL NUMBER: <b>ML-50608</b>
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: <b>NA</b>
		7. UNIT or CA AGREEMENT NAME: <b>Ouray Valley Unit</b>
1. TYPE OF WELL OIL WELL <input type="checkbox"/> GAS WELL <input checked="" type="checkbox"/> OTHER _____		8. WELL NAME and NUMBER: <b>Ouray Valley State 36-32-5-19</b>
2. NAME OF OPERATOR: <b>Elk Resources, LLC</b> <i>N 2480</i>		9. API NUMBER: <b>4304739642</b>
3. ADDRESS OF OPERATOR: <b>1401 17th. St., Suite 700</b> CITY <b>Denver</b> STATE <b>CO</b> ZIP <b>80202</b>		10. FIELD AND POOL, OR WILDCAT: <b>Undesignated</b>
4. LOCATION OF WELL FOOTAGES AT SURFACE: <b>1937' FSL, 2095 FWL</b>		COUNTY: <b>Uintah</b>
QTR/QTR, SECTION, TOWNSHIP, RANGE, MERIDIAN: <b>NESW 36 5S 19E S</b>		STATE: <b>UTAH</b>

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>8/1/2008</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>Change of Operator</u>
	<input type="checkbox"/> CONVERT WELL TYPE	<input type="checkbox"/> RECOMPLETE - DIFFERENT FORMATION	

12. DESCRIBE PROPOSED OR COMPLETED OPERATIONS. Clearly show all pertinent details including dates, depths, volumes, etc.  
Effective August 1, 2008, Elk Resources, LLC designates Newfield Production Company as operator of the subject well.

Newfield Production Company *N2695*  
1001 17th Street, Suite 2000  
Denver, CO 80202 *Bond B001834*

Name Kelly L. Donohoue Title Landman  
Signature Kelly L. Donohoue Date 1/22/09

NAME (PLEASE PRINT) John W. Whisler TITLE COO  
SIGNATURE [Signature] DATE 1/12/2009

(This space for State use only)

APPROVED 1129109  
*Earlene Russell*  
Division of Oil, Gas and Mining (See Instructions on Reverse Side)  
Earlene Russell, Engineering Technician

**RECEIVED**  
**JAN 27 2009**  
**DIV. OF OIL, GAS & MINING**

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

**Request to Transfer Application or Permit to Drill**

(This form should accompany a Sundry Notice, Form 9, requesting APD transfer)

<b>Well name:</b>	Ouray Valley State 36-32-5-19
<b>API number:</b>	4304739642
<b>Location:</b>	Qtr-Qtr: NESW Section: 36 Township: 5S Range: 19E
<b>Company that filed original application:</b>	Elk Resources, LLC
<b>Date original permit was issued:</b>	06/10/2008
<b>Company that permit was issued to:</b>	Elk Resources, LLC

Check one	Desired Action:
<input type="checkbox"/>	<b>Transfer pending (unapproved) Application for Permit to Drill to new operator</b>
<input type="checkbox"/>	The undersigned as owner with legal rights to drill on the property, hereby verifies that the information as submitted in the pending Application for Permit to Drill, remains valid and does not require revision. The new owner of the application accepts and agrees to the information and procedures as stated in the application.
<input checked="" type="checkbox"/>	<b>Transfer approved Application for Permit to Drill to new operator</b>
<input type="checkbox"/>	The undersigned as owner with legal rights to drill on the property as permitted, 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.	Yes	No
If located on private land, has the ownership changed?	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> If so, has the surface agreement been updated?	<input type="checkbox"/>	<input type="checkbox"/>
Have any wells been drilled in the vicinity of the proposed well which would affect the spacing or siting requirements for this location?	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Have there been any unit or other agreements put in place that could affect the permitting or operation of this proposed well?	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Have there been any changes to the access route including ownership or right-of-way, which could affect the proposed location?	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Has the approved source of water for drilling changed?	<input type="checkbox"/>	<input checked="" type="checkbox"/>
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?	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Is bonding still in place, which covers this proposed well? Bond No. <u>B001834</u>	<input checked="" type="checkbox"/>	<input type="checkbox"/>

Any desired or necessary changes to either a pending or approved Application for Permit to Drill that is being transferred, should be filed on a Sundry Notice, Form 9, or amended Application for Permit to Drill, Form 3, as appropriate, with necessary supporting information as required.

Name (please print) Kelly Donohue Title Landman  
 Signature Kelly & Donohue Date 1/28/09  
 Representing (company name) Newfield Production Company

The person signing this form must have legal authority to represent the company or individual(s) to be listed as the new operator on the Application for Permit to Drill.

**RECEIVED**  
**JAN 27 2009**  
DIV. OF OIL, GAS & MINING

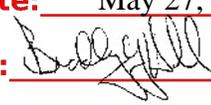
<b>STATE OF UTAH</b> DEPARTMENT OF NATURAL RESOURCES DIVISION OF OIL, GAS, AND MINING	<b>FORM 9</b>  <b>5. LEASE DESIGNATION AND SERIAL NUMBER:</b> ML-50608
<b>SUNDRY NOTICES AND REPORTS ON WELLS</b>  Do not use this form for proposals to drill new wells, significantly deepen existing wells below current bottom-hole depth, reenter plugged wells, or to drill horizontal laterals. Use APPLICATION FOR PERMIT TO DRILL form for such proposals.	<b>6. IF INDIAN, ALLOTTEE OR TRIBE NAME:</b>  <b>7. UNIT or CA AGREEMENT NAME:</b> OURAY VALLEY
<b>1. TYPE OF WELL</b> Gas Well	<b>8. WELL NAME and NUMBER:</b> OURAY VLY ST 36-32-5-19
<b>2. NAME OF OPERATOR:</b> NEWFIELD PRODUCTION COMPANY	<b>9. API NUMBER:</b> 43047396420000
<b>3. ADDRESS OF OPERATOR:</b> Rt 3 Box 3630 , Myton, UT, 84052	<b>PHONE NUMBER:</b> 435 646-4825 Ext
<b>4. LOCATION OF WELL</b> <b>FOOTAGES AT SURFACE:</b> 1937 FSL 2095 FWL <b>QTR/QTR, SECTION, TOWNSHIP, RANGE, MERIDIAN:</b> Qtr/Qtr: NESW Section: 36 Township: 05.0S Range: 19.0E Meridian: S	<b>9. FIELD and POOL or WILDCAT:</b> UNDESIGNATED  <b>COUNTY:</b> UINTAH  <b>STATE:</b> UTAH

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

TYPE OF SUBMISSION	TYPE OF ACTION		
<input checked="" type="checkbox"/> <b>NOTICE OF INTENT</b> Approximate date work will start: 5/26/2009	<input type="checkbox"/> ACIDIZE	<input type="checkbox"/> ALTER CASING	<input type="checkbox"/> CASING REPAIR
<input type="checkbox"/> <b>SUBSEQUENT REPORT</b> 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"/> <b>SPUD REPORT</b> Date of Spud:	<input type="checkbox"/> CHANGE WELL STATUS	<input type="checkbox"/> COMMINGLE PRODUCING FORMATIONS	<input type="checkbox"/> CONVERT WELL TYPE
<input type="checkbox"/> <b>DRILLING REPORT</b> 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.**  
 Newfield Production Company requests to extend the APD for this well for one more year.

Approved by the  
 Utah Division of  
 Oil, Gas and Mining

Date: May 27, 2009  
 By: 

<b>NAME (PLEASE PRINT)</b> Mandie Crozier	<b>PHONE NUMBER</b> 435 646-4825	<b>TITLE</b> Regulatory Tech
<b>SIGNATURE</b> N/A	<b>DATE</b> 5/26/2009	



**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 43047396420000**

**API:** 43047396420000

**Well Name:** OURAY VLY ST 36-32-5-19

**Location:** 1937 FSL 2095 FWL QTR NESW SEC 36 TWNP 050S RNG 190E MER S

**Company Permit Issued to:** NEWFIELD PRODUCTION COMPANY

**Date Original Permit Issued:** 6/10/2008

The undersigned as owner with legal rights to drill on the property as permitted above, hereby verifies that the information as submitted in the previously approved application to drill, remains valid and does not require revision. Following is a checklist of some items related to the application, which should be verified.

- If located on private land, has the ownership changed, if so, has the surface agreement been updated?  Yes  No
- Have any wells been drilled in the vicinity of the proposed well which would affect the spacing or siting requirements for this location?  Yes  No
- Has there been any unit or other agreements put in place that could affect the permitting or operation of this proposed well?  Yes  No
- Have there been any changes to the access route including ownership, or 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

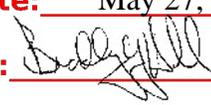
**Approved by the  
Utah Division of  
Oil, Gas and Mining**

**Signature:** Mandie Crozier

**Date:** 5/26/2009

**Title:** Regulatory Tech **Representing:** NEWFIELD PRODUCTION COMPANY

**Date:** May 27, 2009

**By:** 

**RECEIVED** May 26, 2009

<b>STATE OF UTAH</b> DEPARTMENT OF NATURAL RESOURCES DIVISION OF OIL, GAS, AND MINING	<b>FORM 9</b>  <b>5. LEASE DESIGNATION AND SERIAL NUMBER:</b> ML-50608
<b>SUNDRY NOTICES AND REPORTS ON WELLS</b>  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.	<b>6. IF INDIAN, ALLOTTEE OR TRIBE NAME:</b>  <b>7. UNIT or CA AGREEMENT NAME:</b> OURAY VALLEY
<b>1. TYPE OF WELL</b> Gas Well	<b>8. WELL NAME and NUMBER:</b> OURAY VLY ST 36-32-5-19
<b>2. NAME OF OPERATOR:</b> NEWFIELD PRODUCTION COMPANY	<b>9. API NUMBER:</b> 43047396420000
<b>3. ADDRESS OF OPERATOR:</b> Rt 3 Box 3630 , Myton, UT, 84052	<b>PHONE NUMBER:</b> 435 646-4825 Ext
<b>4. LOCATION OF WELL</b> <b>FOOTAGES AT SURFACE:</b> 1937 FSL 2095 FWL <b>QTR/QTR, SECTION, TOWNSHIP, RANGE, MERIDIAN:</b> Qtr/Qtr: NESW Section: 36 Township: 05.0S Range: 19.0E Meridian: S	<b>9. FIELD and POOL or WILDCAT:</b> UNDESIGNATED  <b>COUNTY:</b> UINTAH  <b>STATE:</b> UTAH

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

TYPE OF SUBMISSION	TYPE OF ACTION		
<input checked="" type="checkbox"/> <b>NOTICE OF INTENT</b> Approximate date work will start: 5/26/2009	<input type="checkbox"/> ACIDIZE	<input type="checkbox"/> ALTER CASING	<input type="checkbox"/> CASING REPAIR
<input type="checkbox"/> <b>SUBSEQUENT REPORT</b> 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"/> <b>SPUD REPORT</b> Date of Spud:	<input type="checkbox"/> CHANGE WELL STATUS	<input type="checkbox"/> COMMINGLE PRODUCING FORMATIONS	<input type="checkbox"/> CONVERT WELL TYPE
<input type="checkbox"/> <b>DRILLING REPORT</b> 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.**

Newfield Production Company requests to extend the APD for this well for one more year.

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

**Date:** May 27, 2009

**By:**

<b>NAME (PLEASE PRINT)</b> Mandie Crozier	<b>PHONE NUMBER</b> 435 646-4825	<b>TITLE</b> Regulatory Tech
<b>SIGNATURE</b> N/A		<b>DATE</b> 5/26/2009



**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 43047396420000**

**API:** 43047396420000

**Well Name:** OURAY VLY ST 36-32-5-19

**Location:** 1937 FSL 2095 FWL QTR NESW SEC 36 TWNP 050S RNG 190E MER S

**Company Permit Issued to:** NEWFIELD PRODUCTION COMPANY

**Date Original Permit Issued:** 6/10/2008

The undersigned as owner with legal rights to drill on the property as permitted above, hereby verifies that the information as submitted in the previously approved application to drill, remains valid and does not require revision. Following is a checklist of some items related to the application, which should be verified.

- If located on private land, has the ownership changed, if so, has the surface agreement been updated?  Yes  No
- Have any wells been drilled in the vicinity of the proposed well which would affect the spacing or siting requirements for this location?  Yes  No
- Has there been any unit or other agreements put in place that could affect the permitting or operation of this proposed well?  Yes  No
- Have there been any changes to the access route including ownership, or 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:** Mandie Crozier

**Date:** 5/26/2009

**Title:** Regulatory Tech **Representing:** NEWFIELD PRODUCTION COMPANY

**Date:** May 27, 2009

**By:** 

**RECEIVED** May 26, 2009

<b>STATE OF UTAH</b> DEPARTMENT OF NATURAL RESOURCES DIVISION OF OIL, GAS, AND MINING	<b>FORM 9</b>  <b>5. LEASE DESIGNATION AND SERIAL NUMBER:</b> ML-50608
<b>SUNDRY NOTICES AND REPORTS ON WELLS</b>  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.	<b>6. IF INDIAN, ALLOTTEE OR TRIBE NAME:</b>  <b>7. UNIT or CA AGREEMENT NAME:</b> OURAY VALLEY
<b>1. TYPE OF WELL</b> Gas Well	<b>8. WELL NAME and NUMBER:</b> OURAY VLY ST 36-32-5-19
<b>2. NAME OF OPERATOR:</b> NEWFIELD PRODUCTION COMPANY	<b>9. API NUMBER:</b> 43047396420000
<b>3. ADDRESS OF OPERATOR:</b> Rt 3 Box 3630 , Myton, UT, 84052	<b>PHONE NUMBER:</b> 435 646-4825 Ext
<b>4. LOCATION OF WELL</b> <b>FOOTAGES AT SURFACE:</b> 1937 FSL 2095 FWL <b>QTR/QTR, SECTION, TOWNSHIP, RANGE, MERIDIAN:</b> Qtr/Qtr: NESW Section: 36 Township: 05.0S Range: 19.0E Meridian: S	<b>9. FIELD and POOL or WILDCAT:</b> UNDESIGNATED  <b>COUNTY:</b> UINTAH  <b>STATE:</b> UTAH

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

TYPE OF SUBMISSION	TYPE OF ACTION		
<input checked="" type="checkbox"/> <b>NOTICE OF INTENT</b> Approximate date work will start: 6/1/2010	<input type="checkbox"/> ACIDIZE	<input type="checkbox"/> ALTER CASING	<input type="checkbox"/> CASING REPAIR
<input type="checkbox"/> <b>SUBSEQUENT REPORT</b> 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"/> <b>SPUD REPORT</b> Date of Spud:	<input type="checkbox"/> CHANGE WELL STATUS	<input type="checkbox"/> COMMINGLE PRODUCING FORMATIONS	<input type="checkbox"/> CONVERT WELL TYPE
<input type="checkbox"/> <b>DRILLING REPORT</b> 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.**

Newfield proposes to extend the permit to drill this well for one year.

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

**Date:** June 03, 2010

**By:**

<b>NAME (PLEASE PRINT)</b> Mandie Crozier	<b>PHONE NUMBER</b> 435 646-4825	<b>TITLE</b> Regulatory Tech
<b>SIGNATURE</b> N/A	<b>DATE</b> 6/1/2010	



**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 43047396420000**

**API:** 43047396420000

**Well Name:** OURAY VLY ST 36-32-5-19

**Location:** 1937 FSL 2095 FWL QTR NESW SEC 36 TWNP 050S RNG 190E MER S

**Company Permit Issued to:** NEWFIELD PRODUCTION COMPANY

**Date Original Permit Issued:** 6/10/2008

The undersigned as owner with legal rights to drill on the property as permitted above, hereby verifies that the information as submitted in the previously approved application to drill, remains valid and does not require revision. Following is a checklist of some items related to the application, which should be verified.

- If located on private land, has the ownership changed, if so, has the surface agreement been updated?  Yes  No
- Have any wells been drilled in the vicinity of the proposed well which would affect the spacing or siting requirements for this location?  Yes  No
- Has there been any unit or other agreements put in place that could affect the permitting or operation of this proposed well?  Yes  No
- Have there been any changes to the access route including ownership, or 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:** Mandie Crozier

**Date:** 6/1/2010

**Title:** Regulatory Tech **Representing:** NEWFIELD PRODUCTION COMPANY

**Date:** June 03, 2010

**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

June 29, 2011

Mandie Crozier  
Newfield Production Co  
Route 3 Box 3630  
Myton, UT 84052

Re: APD Rescinded – Ouray Valley St 36-32-5-19, Sec. 36, T.5S, R.19E  
Uintah County, Utah API No. 43-047-39642

Dear Ms. Crozier:

The Application for Permit to Drill (APD) for the subject well was approved by the Division of Oil, Gas and Mining (Division) on June 10, 2008. On May 26, 2009 and June 3, 2010 the Division granted a one-year APD extension. No drilling activity at this location has been reported to the division. Therefore, approval to drill the well is hereby rescinded, effective June 29, 2011.

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

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

Sincerely,

  
Diana Mason  
Environmental Scientist

cc: Well File  
SITLA, Ed Bonner