

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

FORM 3

AMENDED REPORT

| | | | | | | |
|---|------------------|--|----------------|---|--------------|-----------------|
| APPLICATION FOR PERMIT TO DRILL | | | | 1. WELL NAME and NUMBER NBU 920-32B | | |
| 2. TYPE OF WORK DRILL NEW WELL <input checked="" type="checkbox"/> REENTER P&A WELL <input type="checkbox"/> DEEPEN WELL <input type="checkbox"/> | | | | 3. FIELD OR WILDCAT NATURAL BUTTES | | |
| 4. TYPE OF WELL Gas Well <input type="checkbox"/> Coalbed Methane Well: NO <input type="checkbox"/> | | | | 5. UNIT or COMMUNITIZATION AGREEMENT NAME NATURAL BUTTES | | |
| 6. NAME OF OPERATOR KERR-MCGEE OIL & GAS ONSHORE, L.P. | | | | 7. OPERATOR PHONE 720 929-6587 | | |
| 8. ADDRESS OF OPERATOR P.O. Box 173779, Denver, CO, 80217 | | | | 9. OPERATOR E-MAIL mary.mondragon@anadarko.com | | |
| 10. MINERAL LEASE NUMBER (FEDERAL, INDIAN, OR STATE) ST ML 21509 | | 11. MINERAL OWNERSHIP FEDERAL <input type="checkbox"/> INDIAN <input type="checkbox"/> STATE <input checked="" type="checkbox"/> FEE <input type="checkbox"/> | | 12. SURFACE OWNERSHIP FEDERAL <input type="checkbox"/> INDIAN <input checked="" type="checkbox"/> STATE <input type="checkbox"/> FEE <input type="checkbox"/> | | |
| 13. NAME OF SURFACE OWNER (if box 12 = 'fee') | | | | 14. SURFACE OWNER PHONE (if box 12 = 'fee') | | |
| 15. ADDRESS OF SURFACE OWNER (if box 12 = 'fee') | | | | 16. SURFACE OWNER E-MAIL (if box 12 = 'fee') | | |
| 17. INDIAN ALLOTTEE OR TRIBE NAME (if box 12 = 'INDIAN') Ute | | 18. INTEND TO COMMINGLE PRODUCTION FROM MULTIPLE FORMATIONS YES <input type="checkbox"/> (Submit Commingling Application) NO <input checked="" type="checkbox"/> | | 19. SLANT VERTICAL <input checked="" type="checkbox"/> DIRECTIONAL <input type="checkbox"/> HORIZONTAL <input type="checkbox"/> | | |
| 20. LOCATION OF WELL | FOOTAGES | QTR-QTR | SECTION | TOWNSHIP | RANGE | MERIDIAN |
| LOCATION AT SURFACE | 862 FNL 2049 FEL | NWNE | 32 | 9.0 S | 20.0 E | S |
| Top of Uppermost Producing Zone | 862 FNL 2049 FEL | NWNE | 32 | 9.0 S | 20.0 E | S |
| At Total Depth | 862 FNL 2049 FEL | NWNE | 32 | 9.0 S | 20.0 E | S |
| 21. COUNTY UINTAH | | 22. DISTANCE TO NEAREST LEASE LINE (Feet) 862 | | 23. NUMBER OF ACRES IN DRILLING UNIT 320 | | |
| | | 25. DISTANCE TO NEAREST WELL IN SAME POOL (Applied For Drilling or Completed) 250 | | 26. PROPOSED DEPTH MD: 10500 TVD: | | |
| 27. ELEVATION - GROUND LEVEL 4809 | | 28. BOND NUMBER 22013542 | | 29. SOURCE OF DRILLING WATER / WATER RIGHTS APPROVAL NUMBER IF APPLICABLE Permit #43-8496 | | |

ATTACHMENTS

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

| | |
|--|--|
| <input checked="" type="checkbox"/> WELL PLAT OR MAP PREPARED BY LICENSED SURVEYOR OR ENGINEER | <input checked="" type="checkbox"/> COMPLETE DRILLING PLAN |
| <input type="checkbox"/> AFFIDAVIT OF STATUS OF SURFACE OWNER AGREEMENT (IF FEE SURFACE) | <input type="checkbox"/> FORM 5. IF OPERATOR IS OTHER THAN THE LEASE OWNER |
| <input type="checkbox"/> DIRECTIONAL SURVEY PLAN (IF DIRECTIONALLY OR HORIZONTALLY DRILLED) | <input checked="" type="checkbox"/> TOPOGRAPHICAL MAP |

| | | |
|--|---|--|
| NAME Kevin McIntyre | TITLE Regulatory Analyst I | PHONE 720 929-6226 |
| SIGNATURE | DATE 12/24/2008 | EMAIL Kevin.McIntyre@anadarko.com |
| API NUMBER ASSIGNED 43047501910000 | APPROVAL  Permit Manager | |

Proposed Hole, Casing, and Cement

| String | Hole Size | Casing Size | Top (MD) | Bottom (MD) | | |
|---------------|------------------------|---------------------------|-----------------------|--------------------|--------------|---------------|
| Surf | 12.25 | 9.625 | 0 | 2800 | | |
| Pipe | Grade | Length | Weight | | | |
| | Grade J-55 LT&C | 2800 | 36.0 | | | |
| | | | | | | |
| | Cement Interval | Top (MD) | Bottom (MD) | | | |
| | | 0 | 2800 | | | |
| | | Cement Description | Class | Sacks | Yield | Weight |
| | | | Premium Foamed Cement | 315 | 1.18 | 15.6 |
| | | | | | | |

Proposed Hole, Casing, and Cement

| String | Hole Size | Casing Size | Top (MD) | Bottom (MD) | | |
|---------------|------------------------|---------------------------|----------------------------|--------------------|--------------|---------------|
| Prod | 7.875 | 4.5 | 0 | 10500 | | |
| Pipe | Grade | Length | Weight | | | |
| | Grade I-80 LT&C | 10500 | 11.6 | | | |
| | | | | | | |
| | Cement Interval | Top (MD) | Bottom (MD) | | | |
| | | 0 | 10500 | | | |
| | | Cement Description | Class | Sacks | Yield | Weight |
| | | | Premium Lite High Strength | 510 | 3.38 | 11.0 |
| | | | Pozzuolanic Cement | 1640 | 1.31 | 14.3 |
| | | | | | | |

DRILLING PROGRAM

CASING PROGRAM

| | SIZE | INTERVAL | WT | GR. | CPLG. | DESIGN FACTORS | | |
|------------|--------|-------------|-------|------|-------|----------------|----------|---------|
| | | | | | | BURST | COLLAPSE | TENSION |
| CONDUCTOR | 14" | 0-40' | | | | 3520 | 2020 | 453000 |
| SURFACE | 9-5/8" | 0 to 2,800' | 36.00 | J-55 | LTC | 0.78 | 1.54 | 5.13 |
| PRODUCTION | 4-1/2" | 0 to 10500 | 11.60 | I-80 | LTC | 1.72 | 0.93 | 201000 |

- 1) Max Anticipated Surf. Press.(MASP) (Surface Casing) = (Pore Pressure at next csg point-(0.22 psi/ft-partial evac gradient x TVD of next csg point)
 - 2) MASP (Prod Casing) = Pore Pressure at TD - (.22 psi/ft-partial evac gradient x TD)
- (Burst Assumptions: TD = 12.5 ppg) .22 psi/ft = gradient for partially evac wellbore
 (Collapse Assumption: Fully Evacuated Casing, Max MW) (Tension Assumptions: Air Weight of Casing*Buoy.Fact. of water)
 MASP 4200 psi

CEMENT PROGRAM

| | | FT. OF FILL | DESCRIPTION | SACKS | EXCESS | WEIGHT | YIELD |
|------------|-----------------|---|--|---------|--------|--------|-------|
| SURFACE | LEAD | 500 | Premium cmt + 2% CaCl + .25 pps flocele | 215 | 60% | 15.60 | 1.18 |
| Option 1 | TOP OUT CMT (1) | 250 | 20 gals sodium silicate + Premium cmt + 2% CaCl + .25 pps flocele | 100 | | 15.60 | 1.18 |
| | TOP OUT CMT (2) | as required | Premium cmt + 2% CaCl | as req. | | 15.60 | 1.18 |
| SURFACE | | NOTE: If well will circulate water to surface, option 2 will be utilized | | | | | |
| Option 2 | LEAD | 2000 | Prem cmt + 16% Gel + 10 pps gilsonite + .25 pps Flocele + 3% salt BWOC | 230 | 35% | 11.00 | 3.82 |
| | TAIL | 500 | Premium cmt + 2% CaCl + .25 pps flocele | 180 | 35% | 15.60 | 1.18 |
| | TOP OUT CMT | as required | Premium cmt + 2% CaCl | as req. | | 15.60 | 1.18 |
| PRODUCTION | LEAD | 4,630' | Premium Lite II + 3% KCl + 0.25 pps celloflake + 5 pps gilsonite + 10% gel + 0.5% extender | 510 | 60% | 11.00 | 3.38 |
| | TAIL | 5,870' | 50/50 Poz/G + 10% salt + 2% gel +.1% R-3 | 1640 | 60% | 14.30 | 1.31 |

*Substitute caliper hole volume plus 0% excess for LEAD if accurate caliper is obtained
 *Substitute caliper hole volume plus 10% excess for TAIL if accurate caliper is obtained

FLOAT EQUIPMENT & CENTRALIZERS

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

ADDITIONAL INFORMATION

Test casing head to 750 psi after installing. Test surface casing to 1,500 psi prior to drilling out.
 BOPE: 11" 5M with one annular and 2 rams. Test to 5,000 psi (annular to 2,500 psi) prior to drilling out. Record on chart recorder & tour sheet. Function test rams on each trip. Maintain safety valve & inside BOP on rig floor at all times. Kelly to be equipped with upper & lower kelly valves.
 Drop Totco surveys every 2000'. Maximum allowable hole angle is 5 degrees.
 Most rigs have PVT Systems for mud monitoring. If no PVT is available, visual monitoring will be utilized.

DRILLING ENGINEER: _____ DATE: _____
 Brad Laney
 DRILLING SUPERINTENDENT: _____ DATE: _____
 Randy Bayne

**NBU 920-32B
NWNE Sec. 32, T9S,R20E
UINTAH COUNTY, UTAH
ML-21509**

ONSHORE ORDER NO. 1

DRILLING PROGRAM

1. Estimated Tops of Important Geologic Markers:

| <u>Formation</u> | <u>Depth</u> |
|------------------|--------------|
| Uinta | 0- Surface |
| Green River | 1612' |
| Birds Nest | 1842' |
| Mahogany | 2360' |
| Wasatch | 5138' |
| Mesaverde | 8449' |
| MVU2 | 9318' |
| MVL1 | 9817' |
| TD | 10500' |

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

| <u>Substance</u> | <u>Formation</u> | <u>Depth</u> |
|------------------|------------------|--------------|
| | Green River | 1612' |
| Water | Birds Nest | 1842' |
| Water | Mahogany | 2360' |
| Gas | Wasatch | 5138' |
| Gas | Mesaverde | 8449' |
| Gas | MVU2 | 9318' |
| Gas | MVL1 | 9817' |
| Water | N/A | |
| Other Minerals | N/A | |

3. Pressure Control Equipment (Schematic Attached)

Please refer to the attached Drilling Program.

4. Proposed Casing & Cementing Program:

Please refer to the attached Drilling Program.

5. Drilling Fluids Program:

Please refer to the attached Drilling Program.

6. Evaluation Program:

Please refer to the attached Drilling Program.

7. **Abnormal Conditions:**

Maximum anticipated bottomhole pressure calculated at 10500' TD, approximately equals 6510 psi (calculated at 0.62 psi/foot).

Maximum anticipated surface pressure equals approximately 4200 psi (bottomhole pressure minus the pressure of a partially evacuated hole calculated at 0.22 psi/foot).

8. **Anticipated Starting Dates:**

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

9. **Variances:**

Please refer to the attached Drilling Program.

Onshore Order #2 – Air Drilling Variance

Kerr-McGee Oil & Gas Onshore LP (KMG) respectfully requests a variance to several requirements associated with air drilling outlined in Onshore Order 2

- *Blowout Prevention Equipment (BOPE) requirements;*
- *Mud program requirements; and*
- *Special drilling operation (surface equipment placement) requirements associated with air drilling.*

This Standard Operating Practices addendum provides supporting information as to why KMG current air drilling practices for constructing the surface casing hole should be granted a variance to Onshore Order 2 air drilling requirements.

The reader should note that the air rig is used only to construct a stable surface casing hole through a historically difficult lost circulation zone. A conventional rotary rig follows the air rig, and is used to drill and construct the majority of the wellbore.

More notable, KMG has used the air rig layout and procedures outlined below to drill the surface casing hole in approximately 675 wells without incident of blow out or loss of life.

Background

In a typical well, KMG utilizes an air rig for drilling the surface casing hole, an interval from the surface to surface casing depths, which varies in depth from 1,700 to 2,800 feet.

The air rig drilling operation does not drill through productive or over pressured formations in KMG field, but does penetrate the Uinta and Green River Formations. The purpose of the air drilling operation is to overcome the severe loss circulation zone in the Green River known as the Bird's Nest while creating a stable hole for the surface casing. The surface casing hole is generally drilled to approximately 500 feet below the Bird's Nest.

Before the surface air rig is mobilized, a rathole rig is utilized to set and cement conductor pipe through a competent surface formation. Generally, the conductor is set at 40 feet. In some cases, conductor may be set deeper in areas that the surface formation is not found competent. This rig also drills the rat and mouse holes in preparation for the surface casing and production string drilling operations.

The air rig is then mobilized to drill the surface casing hole by drilling a 12-1/4 inch hole to just above the Bird's Nest interval with an air hammer. The hammer is then tripped and replaced with a 12-1/4 inch tri-cone bit. The tri-cone bit is used to drill to the surface casing point, approximately 500 feet below the loss circulation zone (Bird's Nest). The 9-5/8 inch surface casing is then run and cemented in place, thereby isolating the lost circulation zone.

KMG fully appreciates Onshore Order 2 well control and safety requirements associated with a typical air drilling operations. However, the requirements of Onshore Order 2 are excessive with respect to the air rig layout and drilling operation procedures that are currently in practice to drill and control the surface casing hole in KMG Fields.

Variance for BOPE Requirements

The air rig operation utilizes a properly lubricated and maintained air bowl diverter system which diverts the drilling returns to a six-inch blooie line. The air bowl is the only piece of BOPE equipment which is installed during drilling operations and is sufficient to contain the air returns associated with this drilling operation. As was discussed earlier, the drilling of the surface hole does not encounter any over pressured or productive zones, and as a result standard BOPE equipment should not be required. In addition, standard drilling practices do not support the use of BOPE on 40 feet of conductor pipe.

Variance for Mud Material Requirements

Onshore Order 2 also states that sufficient quantities of mud materials shall be maintained or readily accessible for the purpose of assuring adequate well control. Once again, the surface hole drilling operations does not encounter over pressured or productive intervals, and as a result there is not a need to control pressure in the surface hole with a mud system. Instead of mud, the air rigs utilize water from the reserve pit for well control, if necessary. A skid pump which is located near the reserve pit (see attachment) will supply the water to the well bore.

Variance for Special Drilling Operation (surface equipment placement) Requirements

Onshore Order 2 requires specific safety distances or setbacks for the placement of associated standard air drilling equipment, wellbore, and reserve pits. The air rigs used to drill the surface holes are not typical of an air rig used to drill a producing hole in other parts of the US. These are smaller in nature and designed to fit a KMG location. The typical air rig layout for drilling surface hole in the field is attached.

Typically the blooie line discharge point is required to be 100 feet from the well bore. In the case of a KMG well, the reserve pit is only 45 feet from the rig and is used for the drill cuttings. The blooie line, which transports the drill cuttings from the well to the reserve pit, subsequently discharges only 45 feet from the well bore.

Typically the air rig compressors are required to be located in the opposite direction from the blooie line and a minimum of 100 feet from the well bore. At the KMG locations, the air rig compressors are approximately 40 feet from the well bore and approximately 60 feet from the blooie line discharge due to the unique air rig design. The air compressors (see attachment) are located on the rig (1250 cfm) and on a standby trailer (1170 cfm). A booster sits between the two compressors and boosts the output from 350 psi to 2000 psi. The design does put the booster and standby compressor opposite from the blooie line.

Lastly, Onshore Order 2 addresses the need for an automatic igniter or continuous pilot light on the blooie line. The air rig does not utilize an igniter as the surface hole drilling operation does not encounter productive formations.

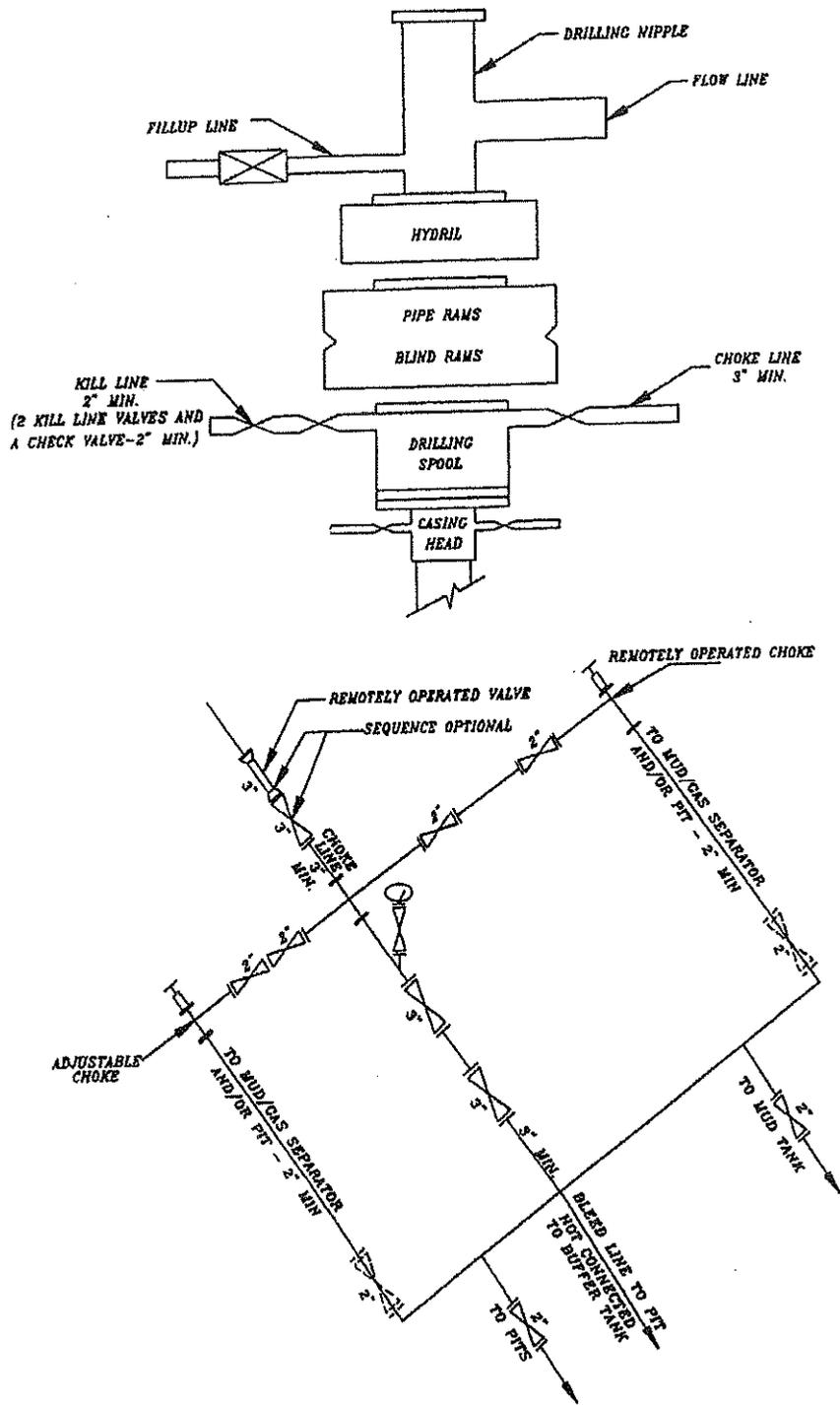
Conclusion

The air rig operating procedures and the attached air rig layout have effectively maintained well control while drilling the surface holes in KMG Fields. KMG respectfully requests a variance from Onshore Order 2 with respect to air drilling well control requirements as discussed above.

10. Other Information:

Please refer to the attached Drilling Program.

EXHIBIT A



SCHEMATIC DIAGRAM OF 5,000 PSI BOP STACK

**NBU 920-32B
NWNE SEC. 32, T9S, R20E
UINTAH COUNTY, UTAH
ML-21509**

ONSHORE ORDER NO. 1

MULTI-POINT SURFACE USE & OPERATIONS PLAN

1. Existing Roads:

Refer to Topo Map A for directions to the location.

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

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

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

2. Planned Access Roads:

Approximately 4,878' +/- of new access road is proposed. Please refer to the attached Topo Map B.

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

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

The access road was centerline flagged during time of staking.

Surfacing material may be necessary, depending upon weather conditions.

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

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

Please refer to Topo Map C.

4. Location of Existing & Proposed Facilities:

The following guidelines will apply if the well is productive.

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

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

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

All facilities will be painted within six months of installation. Facilities required to comply with the Occupational Safety and Health Act (OSHA) will be excluded. The required color is Shadow Gray, a non-reflective earthtone.

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

Approximately 5,117' of 4" pipeline is proposed. Refer to Topo D for the proposed pipeline.

5. Location and Type of Water Supply:

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

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

No water well is to be drilled on this lease.

6. Source of Construction Materials:

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

Any gravel will be obtained from a commercial source.

7. Methods of Handling Waste Materials:

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

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

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

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

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

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

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

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

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

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

Any produced water from the proposed well will be contained in a water tank and will then be hauled by truck to one of the pre-approved disposal sites: RNI, Sec. 5, T9S, R22E, NBU #159, Sec. 35, T9S, R21E, Ace Oilfield, Sec. 2, T6S, R20E, MC&MC, Sec. 12, T6S, R19E, Pipeline Facility, Sec. 36, T9S, R20E, Goat Pasture Evaporation Pond, SW/4 Sec. 16, T10S, R22E, Bonanza Evaporation Pond, Sec. 2, T10S, R23E.

8. Ancillary Facilities:

None are anticipated.

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

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

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

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

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

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

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

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

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

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

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

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

10. Plans for Reclamation of the Surface:

Producing Location:

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

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

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

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

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

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

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

Dry Hole/Abandoned Location:

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

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

11. Surface/Mineral Ownership:

The well pad and access road are located on lands owned by:

Ute Indian Tribe
P.O. Box 70
Fort Duchesne, Utah 84026
(435) 722-5141

The mineral ownership is listed below:

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

12. Other Information:

All lease and/or unit operations will be conducted in such a manner that full compliance is made with all applicable laws, regulations, the approved Plan of Operations, and any applicable Notice of Lessees. The Operator is fully responsible for the actions of his subcontractors. A copy of these conditions will be furnished to the field representative to ensure compliance.

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

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

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

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

Kevin McIntyre
Regulatory Analyst
Kerr-McGee Oil & Gas Onshore LP
P.O. Box 173779
Denver, CO 80217-3779
(720) 929-6226

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

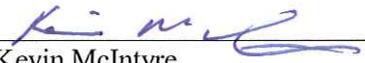
Certification: All lease and/or unit operations will be conducted in such a manner that full compliance is made with all applicable laws, regulations, Onshore Oil and Gas Orders, the approved Plan of Operations, and any applicable Notice to Lessees.

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

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

Bond coverage pursuant to 43 CFR 3104 for lease activities is being provided by State Surety Bond 22013542.

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



Kevin McIntyre

10/15/2008

Date

T9S, R20E, S.L.B.&M.

N89°40'W 80.74 (G.L.O.)

N89°35'22"W - 2664.40' (Meas.)

N0°47'W 41.45 (G.L.O.)

N0°04'E 42.33 (G.L.O.)

FOUND 1968
Brass Cap in
Pile of Stones

FOUND 1968
Brass Cap in
Pile of Stones

Proposed
Well

N00°16'03"E (Basis of Bearings)
2719.46' (Meas.)

N01°13'E 82.46 (G.L.O.)

**WELL LOCATION:
NBU 920-32B**

ELEV. UNGRADED GROUND = 4808.9'

32

| | |
|----------------------------------|------------------------------|
| NBU 920-32B (Proposed Well Head) | |
| NAD 83 LATITUDE = | 39.99639° (39° 59' 47.00") |
| LONGITUDE = | 109.68837° (109° 41' 18.13") |
| NAD 27 LATITUDE = | 39.99642° (39° 59' 47.12") |
| LONGITUDE = | 109.68768° (109° 41' 15.64") |

FOUND 1968
Brass Cap in
Pile of Stones

N00°15'01"E - 2720.34' (Meas.)

FOUND 1928
Brass Cap in
Pile of Stones

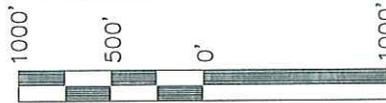
FOUND 1928
Brass Cap with
Pile of Stones

N89°35'E 40.43 (G.L.O.)

N89°13'55"E - 2604.53' (Meas.)
N89°04'E 39.49 (G.L.O.)

NOTES:

- ▲ = Section Corners Located
- 1. Well footages are measured at right angles to the Section Lines.
- 2. G.L.O. distances are shown in feet or chains. 1 chain = 66 feet.
- 3. Bearings are based on Global Positioning Satellite observations.
- 4. Basis of elevation is the Northwest Corner of Section 12, T9S, R20E, S.L.B.&M. The elevation of this Section Corner is shown on the Ouray SE 7.5 Min. Quadrangle as being 4676'.



SCALE

SURVEYOR'S CERTIFICATE

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

Kolby R. Kay
No. 362251
KOLBY R. KAY
STATE OF UTAH

REGISTERED LAND SURVEYOR
REGISTRATION No. 362251
STATE OF UTAH

Kerr-McGee
Oil & Gas Onshore, LP
1099 18th Street - Denver, Colorado 80202



CONSULTING, LLC
371 Coffeen Avenue
Sheridan WY 82801
Phone 307-674-0609
Fax 307-674-0182

NBU 920-32B
WELL PLAT
862' FNL, 2049' FEL
NW 1/4 NE 1/4 OF SECTION 32, T9S, R20E,
S.L.B.&M. UTAH COUNTY, UTAH.

| | | |
|--|---------------------|---------------------------|
| TIMBERLINE (435) 789-1355 | | SHEET 1 OF 9 |
| ENGINEERING & LAND SURVEYING, INC. | | |
| 38 WEST 100 NORTH - VERNAL, UTAH 84078 | | |
| DATE SURVEYED: 08-18-08 | SURVEYED BY: B.J.S. | |
| DATE DRAWN: 09-02-08 | DRAWN BY: E.M.S. | |
| SCALE: 1" = 1000' | Date Last Revised: | |



Legend

- Proposed NBU 920-32B Well Location
- Access Route - Proposed

Kerr-McGee Oil & Gas Onshore, LP
 1099 18th Street, Denver, Colorado 80202

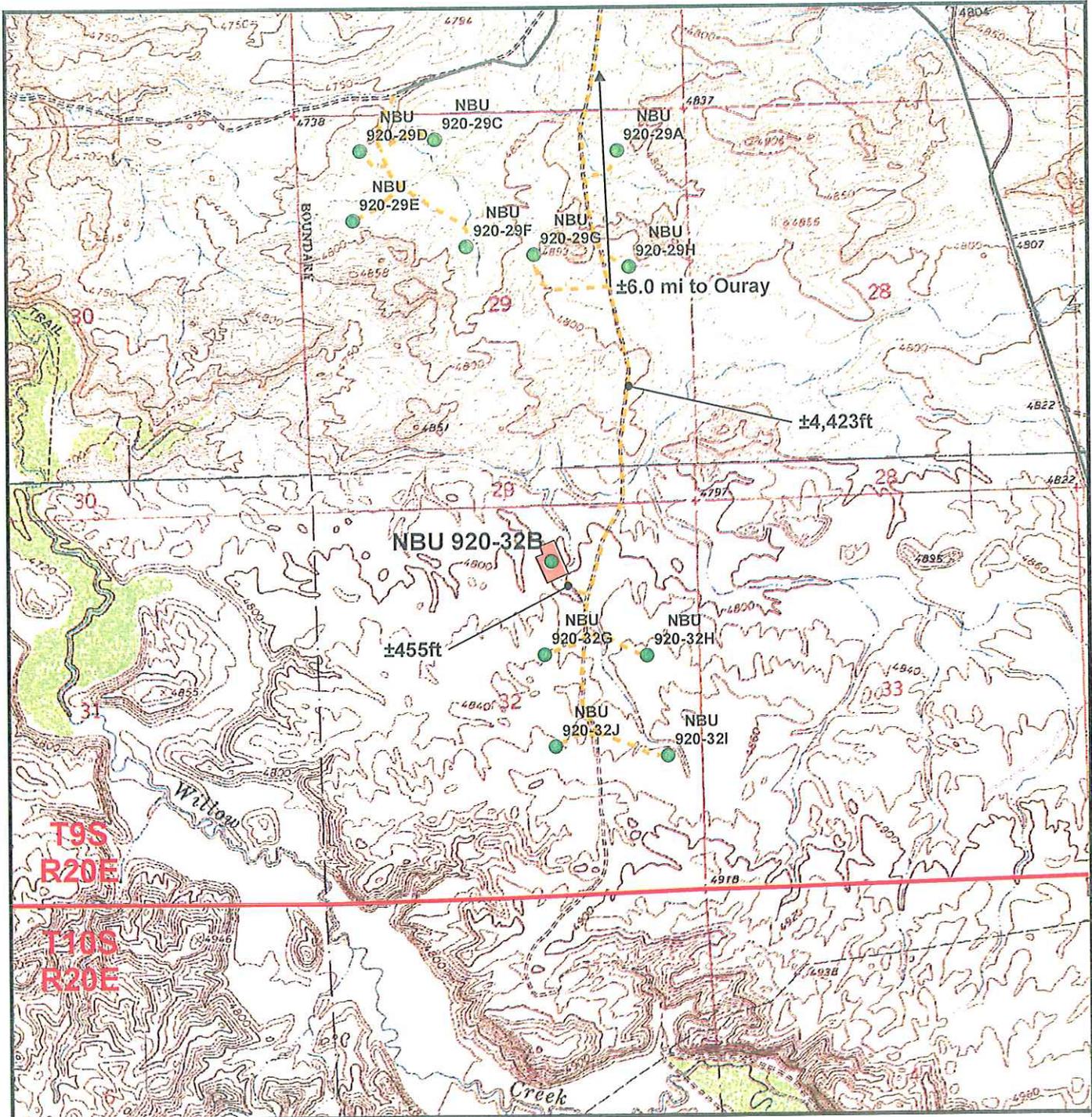
NBU 920-32B
 Topo A
 862' FNL, 2049' FEL
 NW¼ NE¼, Section 32, T9S, R20E
 S.L.B.&M., Uintah County, Utah



CONSULTING, LLC
 371 Coffeen Avenue
 Sheridan, WY 82801
 Phone (307) 674-0609
 Fax (307) 674-0182



| | | |
|------------------|--------------------|-----------|
| Scale: 1:100,000 | NAD83 USP Central | Sheet No: |
| Drawn: JELO | Date: 24 Sept 2008 | 5 |
| Revised: | Date: | |



Legend

- Well - Proposed
- Well Pad
- Road - Proposed
- Road - Existing

Total Proposed Road Length: ±4,878ft

Kerr-McGee Oil & Gas Onshore, LP
 1099 18th Street, Denver, Colorado 80202

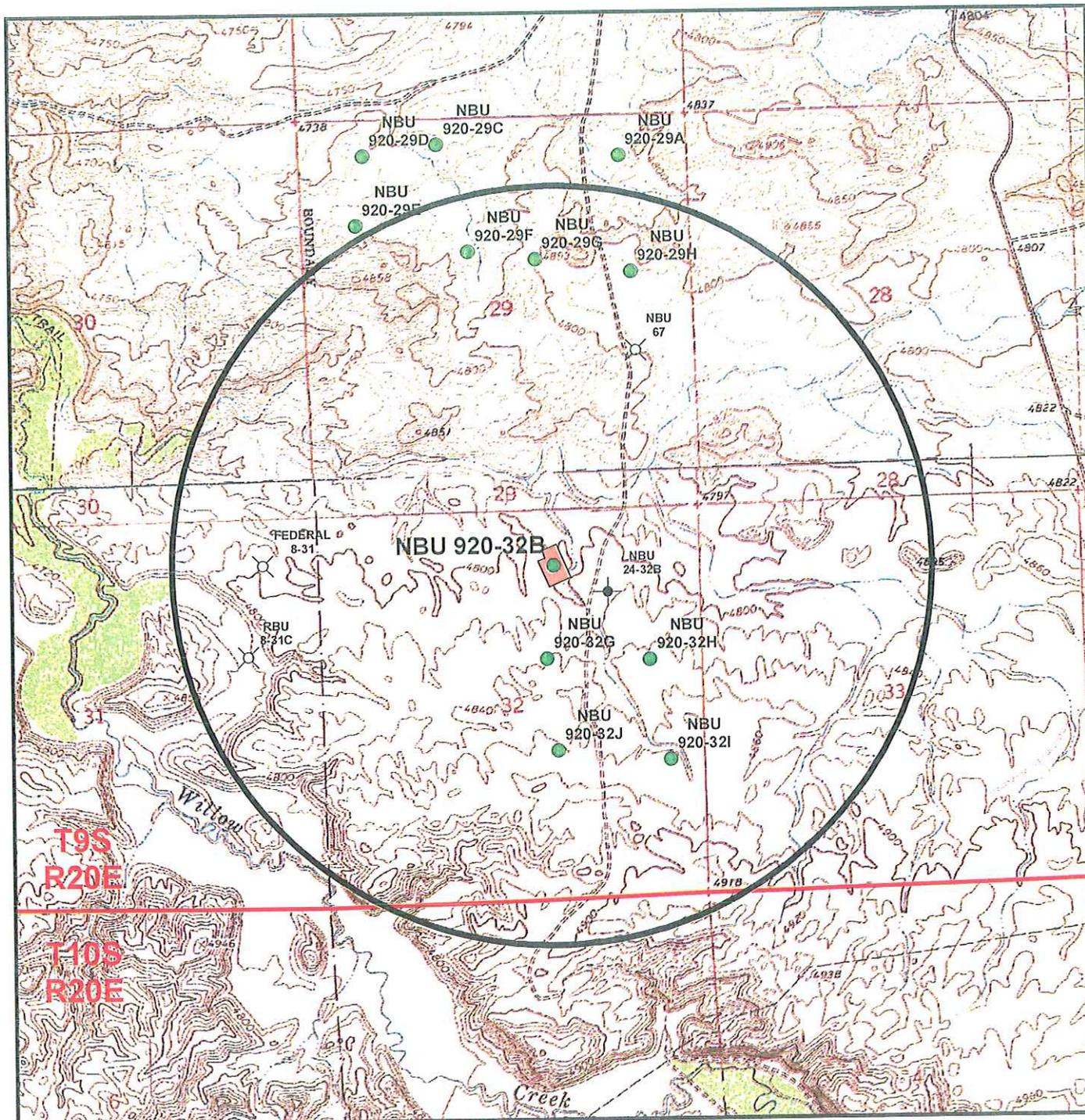
NBU 920-32B
 Topo B
 862' FNL, 2049' FEL
 NW¼ NE¼, Section 32, T9S, R20E
 S.L.B.&M., Uintah County, Utah



CONSULTING, LLC
 371 Coffeen Avenue
 Sheridan, WY 82801
 Phone (307) 674-0609
 Fax (307) 674-0182



| | | |
|--------------------|--------------------|-----------|
| Scale: 1" = 2000ft | NAD83 USP Central | Sheet No: |
| Drawn: JELO | Date: 24 Sept 2008 | 6 |
| Revised: | Date: | |



Legend

- Well - Proposed
- Well - 1 Mile Radius
- Well Pad
- Producing
- Approved permit (APD); not yet spudded
- Spudded (Drilling commenced: Not yet comple
- Location Abandoned
- Shut-In
- Temporarily-Abandoned
- Plugged and Abandoned

Well locations derived from State of Utah, Dept. of Natural Resources, Division of Oil, Gas and Mining

Kerr-McGee Oil & Gas Onshore, LP
1099 18th Street, Denver, Colorado 80202

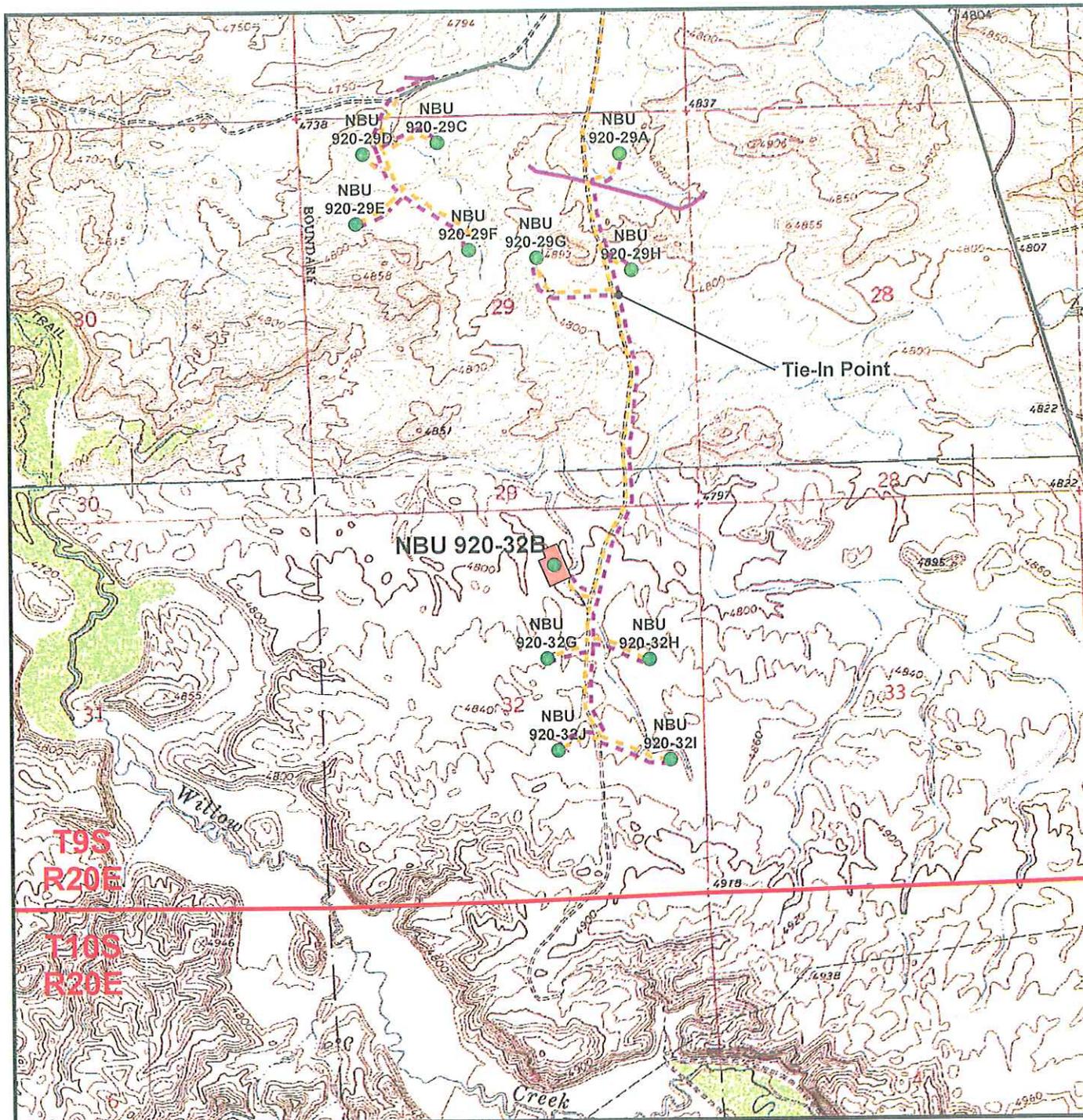
NBU 920-32B
Topo C
862' FNL, 2049' FEL
NW¼ NE¼, Section 32, T9S, R20E
S.L.B.&M., Uintah County, Utah



609 CONSULTING, LLC
371 Coffeen Avenue
Sheridan, WY 82801
Phone (307) 674-0609
Fax (307) 674-0182



| | | |
|--------------------|--------------------|-----------|
| Scale: 1" = 2000ft | NAD83 USP Central | Sheet No: |
| Drawn: JELo | Date: 24 Sept 2008 | 7 |
| Revised: | Date: | 7 of 9 |



Total Proposed Pipeline Length: ±5,117ft

Legend

- Well - Proposed
- Well Pad
- - - Pipeline - Proposed
- - - Road - Proposed
- Pipeline - Existing
- Road - Existing

Kerr-McGee Oil & Gas Onshore, LP
1099 18th Street, Denver, Colorado 80202

NBU 920-32B
Topo D
862' FNL, 2049' FEL
NW¼ NE¼, Section 32, T9S, R20E
S.L.B.&M., Uintah County, Utah



CONSULTING, LLC
371 Coffeen Avenue
Sheridan, WY 82801
Phone (307) 674-0609
Fax (307) 674-0182

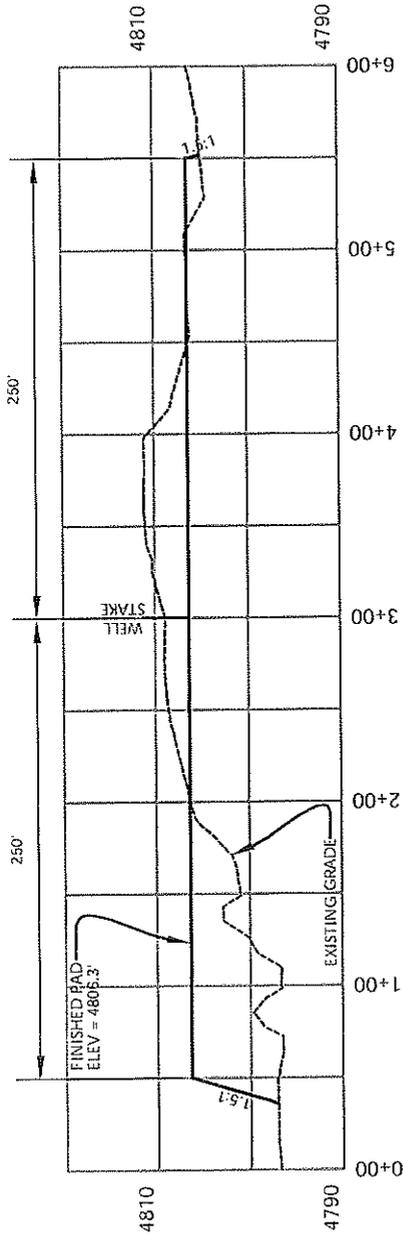


| | | |
|--------------------|--------------------|-----------|
| Scale: 1" = 2000ft | NAD83 USP Central | Sheet No: |
| Drawn: JELo | Date: 24 Sept 2008 | 8 |
| Revised: | Date: | |

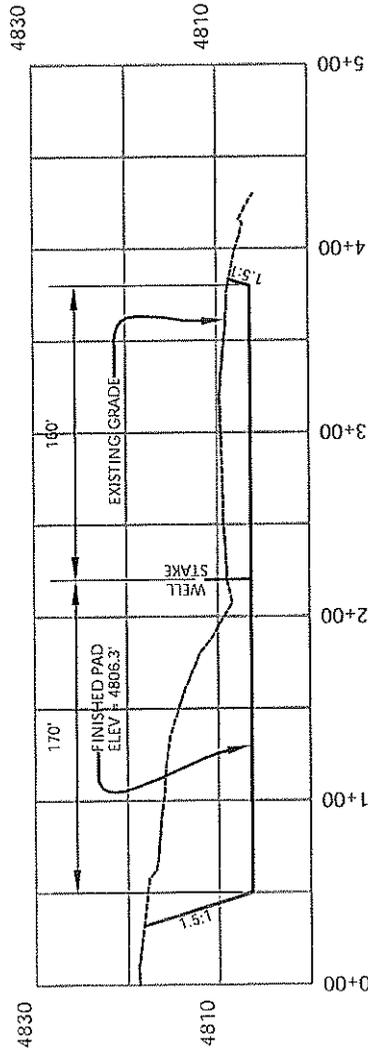
Kerr-McGee Oil & Gas Onshore, LP
NBU 920-32B
Section 32, T9S, R20E, S.L.B.&M.

PROCEED IN A WESTERLY DIRECTION FROM VERNAL, UTAH ALONG U.S. HIGHWAY 40 APPROXIMATELY 13.9 MILES TO THE JUNCTION OF STATE HIGHWAY 88. EXIT LEFT AND PROCEED IN A SOUTHERLY DIRECTION ALONG STATE HIGHWAY 88 APPROXIMATELY 16.8 MILES TO OURAY, UTAH. FROM OURAY, PROCEED IN A SOUTHERLY DIRECTION ALONG THE SEEP RIDGE ROAD (COUNTY B ROAD 2810) APPROXIMATELY 4.5 MILES TO THE INTERSECTION OF THE WILD HORSE BENCH ROAD (A CLASS D COUNTY ROAD). EXIT RIGHT AND PROCEED IN A SOUTHERLY DIRECTION ALONG THE WILD HORSE BENCH ROAD APPROXIMATELY 0.6 MILES TO THE INTERSECTION OF THE WILLOW CREEK ROAD (A CLASS D COUNTY ROAD). EXIT LEFT AND PROCEED IN A SOUTHERLY DIRECTION ALONG THE WILLOW CREEK ROAD APPROXIMATELY 1.7 MILES TO THE PROPOSED ACCESS ROAD. FOLLOW ROAD FLAGS IN A NORTHWESTERLY DIRECTION APPROXIMATELY 455 FEET TO THE PROPOSED LOCATION.

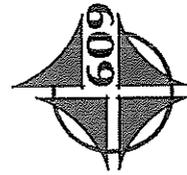
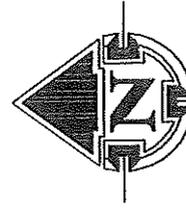
TOTAL DISTANCE FROM VERNAL, UTAH TO THE PROPOSED WELL LOCATION IS APPROXIMATELY 37.6 MILES IN A SOUTHERLY DIRECTION.



CROSS SECTION A-A'



CROSS SECTION B-B'



CONSULTING, LLC
371 Coffeen Avenue
Sheridan WY 82801
Phone 307-674-0609
Fax 307-674-0182

KERR-MCGEE OIL & GAS
ONSHORE L.P.
1099 18th Street - Denver, Colorado 80202

NBU 920-32B
WELL PAD - CROSS SECTIONS
862' FNL, 2049' FEL
NW1/4NE1/4, SECTION 32, T.9S., R.20E.
S.L.B.&M., Uintah County, Utah

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

| | | |
|----------------|---------------|-----------|
| Scale: 1"=100' | Date: 8/29/08 | SHEET NO: |
| | | 3 |
| REVISED: | BY | DATE |
| | | 3 OF 9 |

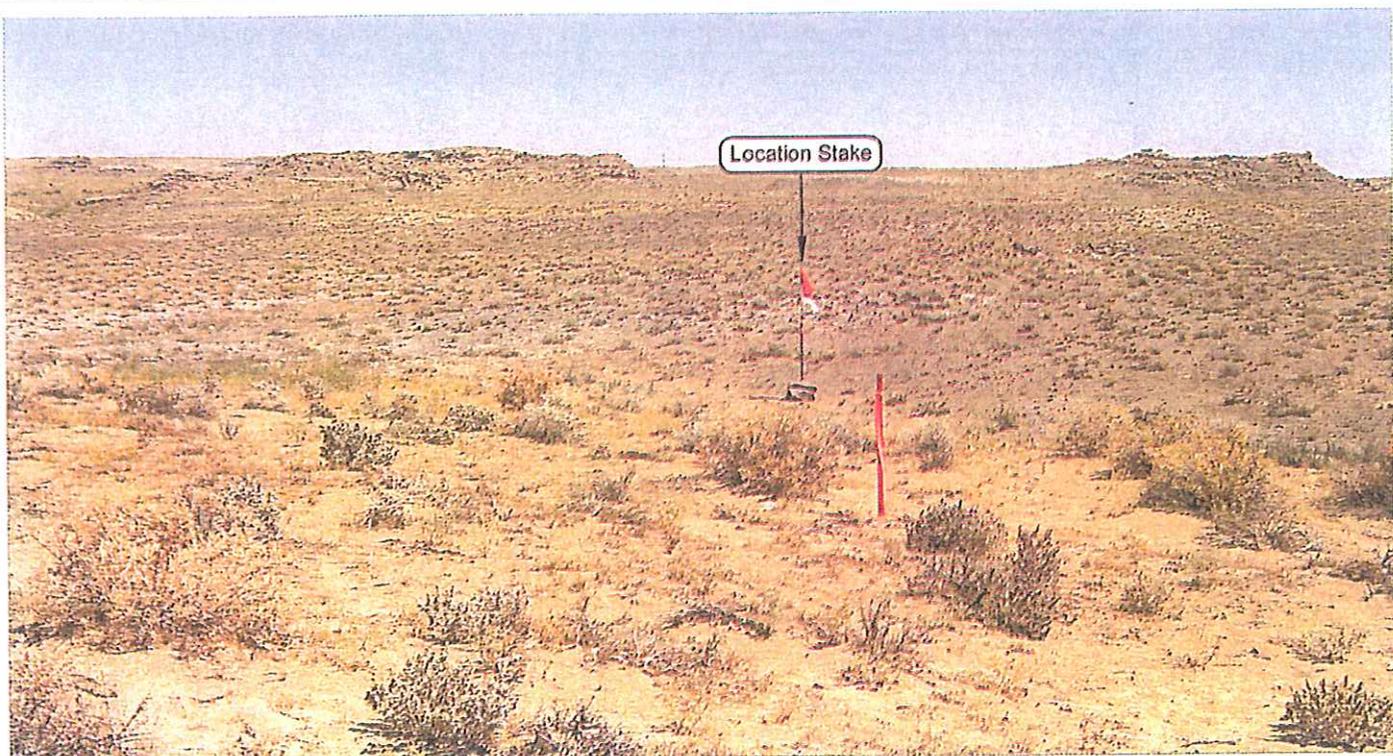


PHOTO VIEW: TO LOCATION STAKE

CAMERA ANGLE: NORTHEASTERLY



PHOTO VIEW: FROM BEGINNING OF PROPOSED ROAD

CAMERA ANGLE: WESTERLY

Kerr-McGee
Oil & Gas Onshore, LP
 1099 18th Street - Denver, Colorado 80202

NBU 920-32B
 862' FNL, 2049' FEL
 NW 1/4 NE 1/4 OF SECTION 32, T9S, R20E,
 S.L.B.&M. UINTAH COUNTY, UTAH.



CONSULTING, LLC
 371 Coffeen Avenue
 Sheridan WY 82601
 Phone 307-674-0609
 Fax 307-674-0182

| | | |
|------------------------|------------------|----------------------|
| LOCATION PHOTOS | | DATE TAKEN: 08-18-08 |
| | | DATE DRAWN: 08-27-08 |
| TAKEN BY: B.J.S. | DRAWN BY: E.M.S. | REVISED: |

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

SHEET
4
 OF 9

API Number: 4304750191

Well Name: NBU 920-32B

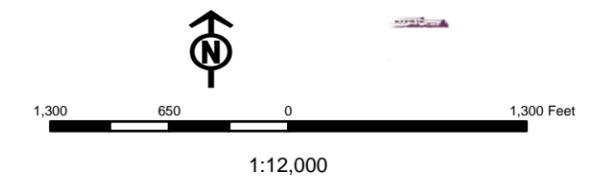
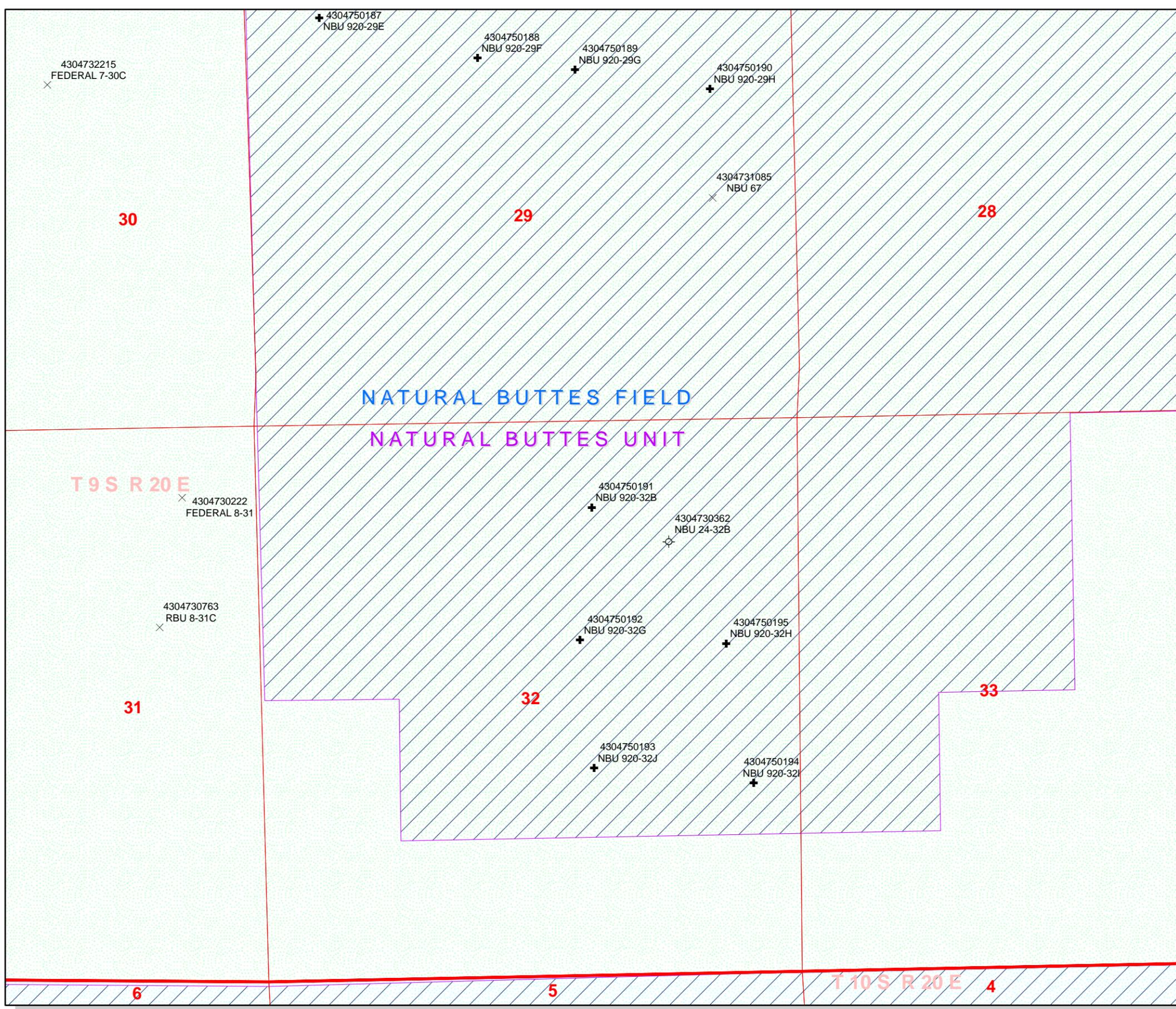
Township 09.0 S Range 20.0 E Section 32

Meridian: SLBM

Operator: KERR-MCGEE OIL & GAS ONSHORE, L.P.

Map Prepared:
Map Produced by Diana Mason

| | |
|---------------|---------------------------|
| Units | Wells Query Events |
| STATUS | ✕ <all other values> |
| ACTIVE | GIS_STAT_TYPE |
| EXPLORATORY | <Null> |
| GAS STORAGE | ◆ APD |
| NF PP OIL | ○ DRL |
| NF SECONDARY | ⊗ GI |
| PI OIL | ⊗ GS |
| PP GAS | ✕ LA |
| PP GEOTHERML | ⊕ NEW |
| PP OIL | ⊕ OPS |
| SECONDARY | ⊗ PA |
| TERMINATED | ⊗ PGW |
| Fields | ● POW |
| STATUS | ⊗ RET |
| ACTIVE | ⊗ SGW |
| COMBINED | ● SOW |
| Sections | ⊗ TA |
| Township | ○ TW |
| | ⊗ WD |
| | ⊗ WI |
| | ● WS |
| | ⊗ Bottom Hole Location |



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)

October 17, 2008

Memorandum

To: Assistant District Manager Minerals, Vernal District
From: Michael Coulthard, Petroleum Engineer
Subject: 2008 Plan of Development Natural Buttes Unit Uintah County, Utah.

Pursuant to email between Diana Whitney, Division of Oil, Gas and Mining, and Mickey Coulthard, Utah State Office, Bureau of Land Management, the following wells are planned for calendar year 2008 within the Natural Buttes Unit, Uintah County, Utah.

| API # | WELL NAME | LOCATION |
|---------------------------------|--------------------|-----------------------------|
| (Proposed PZ WASATCH-MESAVERDE) | | |
| 43-047-50187 | NBU 920-29E Sec 29 | T09S R20E 1515 FNL 0720 FWL |
| 43-047-50188 | NBU 920-29F Sec 29 | T09S R20E 1917 FNL 2263 FWL |
| 43-047-50189 | NBU 920-29G Sec 29 | T09S R20E 2036 FNL 2145 FEL |
| 43-047-50190 | NBU 920-29H Sec 29 | T09S R20E 2233 FNL 0825 FEL |
| 43-047-50191 | NBU 920-32B Sec 32 | T09S R20E 0862 FNL 2049 FEL |
| 43-047-50192 | NBU 920-32G Sec 32 | T09S R20E 2152 FNL 2175 FEL |
| 43-047-50193 | NBU 920-32J Sec 32 | T09S R20E 2046 FSL 2050 FEL |
| 43-047-50194 | NBU 920-32I Sec 32 | T09S R20E 1861 FSL 0488 FEL |
| 43-047-50195 | NBU 920-32H Sec 32 | T09S R20E 2195 FNL 0742 FEL |

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

/s/ Michael L. Coulthard

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

MCoulthard:mc:10-17-08

| | | | |
|--|--|-------|--|
| Well Name | KERR-MCGEE OIL & GAS ONSHORE, L.P. NBU 920-32B 4304750191000 | | |
| String | Surf | Prod | |
| Casing Size(") | 9.625 | 4.500 | |
| Setting Depth (TVD) | 2800 | 10500 | |
| Previous Shoe Setting Depth (TVD) | 40 | 2800 | |
| Max Mud Weight (ppg) | 8.4 | 12.5 | |
| BOPE Proposed (psi) | 500 | 5000 | |
| Casing Internal Yield (psi) | 3520 | 7780 | |
| Operators Max Anticipated Pressure (psi) | 6510 | 11.9 | |

| | | | |
|---|--|-------|--|
| Calculations | Surf String | 9.625 | " |
| Max BPH (psi) | $.052 * \text{Setting Depth} * \text{MW} =$ | 1223 | |
| | | | BOPE Adequate For Drilling And Setting Casing at Depth? |
| MASP (Gas) (psi) | $\text{Max BHP} - (0.12 * \text{Setting Depth}) =$ | 887 | NO Air drill w/diverter |
| MASP (Gas/Mud) (psi) | $\text{Max BHP} - (0.22 * \text{Setting Depth}) =$ | 607 | NO |
| | | | *Can Full Expected Pressure Be Held At Previous Shoe? |
| Pressure At Previous Shoe | $\text{Max BHP} - .22 * (\text{Setting Depth} - \text{Previous Shoe Depth}) =$ | 616 | NO Reasonable depth in area, no expected pressures |
| Required Casing/BOPE Test Pressure= | | 2464 | psi |
| *Max Pressure Allowed @ Previous Casing Shoe= | | 40 | psi *Assumes 1psi/ft frac gradient |

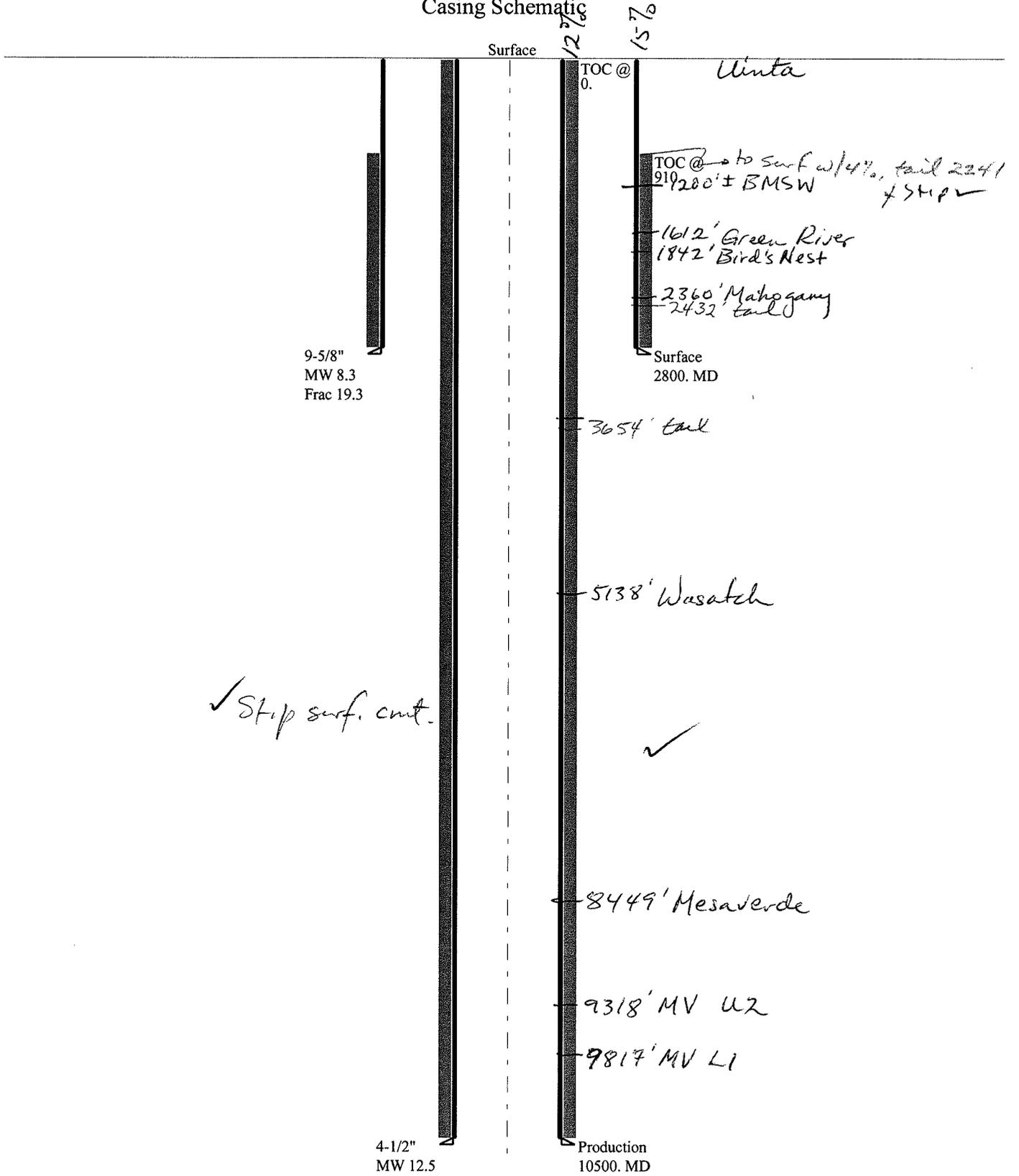
| | | | |
|---|--|-------|--|
| Calculations | Prod String | 4.500 | " |
| Max BPH (psi) | $.052 * \text{Setting Depth} * \text{MW} =$ | 6825 | |
| | | | BOPE Adequate For Drilling And Setting Casing at Depth? |
| MASP (Gas) (psi) | $\text{Max BHP} - (0.12 * \text{Setting Depth}) =$ | 5565 | NO |
| MASP (Gas/Mud) (psi) | $\text{Max BHP} - (0.22 * \text{Setting Depth}) =$ | 4515 | YES O.K. |
| | | | *Can Full Expected Pressure Be Held At Previous Shoe? |
| Pressure At Previous Shoe | $\text{Max BHP} - .22 * (\text{Setting Depth} - \text{Previous Shoe Depth}) =$ | 5131 | NO Reasonable - note max. allowed pressure |
| Required Casing/BOPE Test Pressure= | | 5000 | psi |
| *Max Pressure Allowed @ Previous Casing Shoe= | | 2800 | psi *Assumes 1psi/ft frac gradient |

| | | | |
|---|--|--|--|
| Calculations | String | | " |
| Max BPH (psi) | $.052 * \text{Setting Depth} * \text{MW} =$ | | |
| | | | BOPE Adequate For Drilling And Setting Casing at Depth? |
| MASP (Gas) (psi) | $\text{Max BHP} - (0.12 * \text{Setting Depth}) =$ | | NO |
| MASP (Gas/Mud) (psi) | $\text{Max BHP} - (0.22 * \text{Setting Depth}) =$ | | NO |
| | | | *Can Full Expected Pressure Be Held At Previous Shoe? |
| Pressure At Previous Shoe | $\text{Max BHP} - .22 * (\text{Setting Depth} - \text{Previous Shoe Depth}) =$ | | NO |
| Required Casing/BOPE Test Pressure= | | | psi |
| *Max Pressure Allowed @ Previous Casing Shoe= | | | psi *Assumes 1psi/ft frac gradient |

| | | | |
|---|--|--|--|
| Calculations | String | | " |
| Max BPH (psi) | $.052 * \text{Setting Depth} * \text{MW} =$ | | |
| | | | BOPE Adequate For Drilling And Setting Casing at Depth? |
| MASP (Gas) (psi) | $\text{Max BHP} - (0.12 * \text{Setting Depth}) =$ | | NO |
| MASP (Gas/Mud) (psi) | $\text{Max BHP} - (0.22 * \text{Setting Depth}) =$ | | NO |
| | | | *Can Full Expected Pressure Be Held At Previous Shoe? |
| Pressure At Previous Shoe | $\text{Max BHP} - .22 * (\text{Setting Depth} - \text{Previous Shoe Depth}) =$ | | NO |
| Required Casing/BOPE Test Pressure= | | | psi |
| *Max Pressure Allowed @ Previous Casing Shoe= | | | psi *Assumes 1psi/ft frac gradient |

43047501910000 NBU 920-32B

Casing Schematic



| | | |
|--------------|--|----------------------------------|
| Well name: | 43047501910000 NBU 920-32B | |
| Operator: | Kerr McGee Oil & Gas Onshore L.P. | |
| String type: | Surface | Project ID: 43-047-50191-0000 |
| Location: | Uintah County, Utah | |

Design parameters:

Collapse

Mud weight: 8.330 ppg
Design is based on evacuated pipe.

Minimum design factors:

Collapse:

Design factor 1.125

Burst:

Design factor 1.00

Environment:

H2S considered? No
Surface temperature: 75 °F
Bottom hole temperature: 114 °F
Temperature gradient: 1.40 °F/100ft
Minimum section length: 1,300 ft

Cement top: 910 ft

Burst

Max anticipated surface pressure: 2,184 psi
Internal gradient: 0.220 psi/ft
Calculated BHP 2,800 psi

No backup mud specified.

Tension:

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

Tension is based on buoyed weight.
Neutral point: 2,455 ft

Non-directional string.

Re subsequent strings:

Next setting depth: 10,500 ft
Next mud weight: 12.500 ppg
Next setting BHP: 6,818 psi
Fracture mud wt: 19.250 ppg
Fracture depth: 2,800 ft
Injection pressure: 2,800 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 | 2800 | 9.625 | 36.00 | J-55 | LT&C | 2800 | 2800 | 8.796 | 1215.3 |
| Run Seq | Collapse Load (psi) | Collapse Strength (psi) | Collapse Design Factor | Burst Load (psi) | Burst Strength (psi) | Burst Design Factor | Tension Load (Kips) | Tension Strength (Kips) | Tension Design Factor |
| 1 | 1212 | 2020 | 1.667 | 2800 | 3520 | 1.26 | 88 | 453 | 5.13 J |

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

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

Date: November 6, 2008
Salt Lake City, Utah

Remarks:

Collapse is based on a vertical depth of 2800 ft, a mud weight of 8.33 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.

| | | |
|--------------|--|----------------------------------|
| Well name: | 43047501910000 NBU 920-32B | |
| Operator: | Kerr McGee Oil & Gas Onshore L.P. | |
| String type: | Production | Project ID: 43-047-50191-0000 |
| Location: | Uintah County, Utah | |

Design parameters:

Collapse

Mud weight: 12.500 ppg
Internal fluid density: 2.330 ppg

Minimum design factors:

Collapse:

Design factor 1.125

Environment:

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

Burst:

Design factor 1.00

Cement top: Surface

Burst

Max anticipated surface pressure: 4,508 psi
Internal gradient: 0.220 psi/ft
Calculated BHP 6,818 psi

No backup mud specified.

Tension:

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

Non-directional string.

Tension is based on buoyed weight.
Neutral point: 8,538 ft

| Run Seq | Segment Length (ft) | Size (in) | Nominal Weight (lbs/ft) | Grade | End Finish | True Vert Depth (ft) | Measured Depth (ft) | Drift Diameter (in) | Internal Capacity (ft³) |
|---------|---------------------|-------------------------|-------------------------|------------------|----------------------|----------------------|---------------------|-------------------------|-------------------------|
| 1 | 10500 | 4.5 | 11.60 | I-80 | LT&C | 10500 | 10500 | 3.875 | 916.3 |
| Run Seq | Collapse Load (psi) | Collapse Strength (psi) | Collapse Design Factor | Burst Load (psi) | Burst Strength (psi) | Burst Design Factor | Tension Load (Kips) | Tension Strength (Kips) | Tension Design Factor |
| 1 | 5547 | 6360 | 1.147 | 6818 | 7780 | 1.14 | 99 | 212 | 2.14 J |

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

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

Date: November 6, 2008
Salt Lake City, Utah

Remarks:

Collapse is based on a vertical depth of 10500 ft, a mud weight of 12.5 ppg. An internal gradient of .121 psi/ft was used for collapse from TD. Collapse strength is based on the Westcott, Dunlop & Kemler method of biaxial correction for tension.

Burst strength is not adjusted for tension.

Application for Permit to Drill Statement of Basis

12/24/2008

Utah Division of Oil, Gas and Mining

Page 1

| | | | | | |
|------------------|------------------------------------|---------------|--------------------------|-------------------|------------|
| APD No | API WellNo | Status | Well Type | Surf Owner | CBM |
| 1138 | 43047501910000 | LOCKED | GW | I | No |
| Operator | KERR-MCGEE OIL & GAS ONSHORE, L.P. | | Surface Owner-APD | | |
| Well Name | NBU 920-32B | | Unit | NATURAL BUTTES | |
| Field | NATURAL BUTTES | | Type of Work | DRILL | |
| Location | NWNE 32 9S 20E S 862 FNL 2049 FEL | | GPS Coord (UTM) | 612030E | 4427963N |

Geologic Statement of Basis

Kerr McGee proposes to set 2,800' of surface casing at this location. The depth to the base of the moderately saline water at this location is estimated to be at a depth of 1,800'. A search of Division of Water Rights records shows no water wells within a 10,000 foot radius of the center of Section 32. The surface formation at this site is the Uinta Formation. The Uinta Formation is made up of interbedded shales and sandstones. The sandstones are mostly lenticular and discontinuous and should not be a significant source of useable ground water. The proposed casing and cement should adequately protect. Any usable ground water.

Brad Hill
APD Evaluator

12/24/2008
Date / Time

Surface Statement of Basis

The surface rights for the proposed well are owned by the Ute Tribe. The operator is responsible for obtaining any required surface permits or rights-of-way.

Brad Hill
Onsite Evaluator

12/24/2008
Date / Time

Application for Permit to Drill Statement of Basis

12/24/2008

Utah Division of Oil, Gas and Mining

Page 2

Conditions of Approval / Application for Permit to Drill

| Category | Condition |
|-----------------|------------------|
| Surface | None. |

**WORKSHEET
APPLICATION FOR PERMIT TO DRILL**

APD RECEIVED: 10/15/2008

API NO. ASSIGNED: 43047501910000

WELL NAME: NBU 920-32B

OPERATOR: KERR-MCGEE OIL & GAS ONSHORE, L.P. (N2995)

PHONE NUMBER: 720 929-6226

CONTACT: Kevin McIntyre

PROPOSED LOCATION: NWNE 32 090S 200E

Permit Tech Review:

SURFACE: 0862 FNL 2049 FEL

Engineering Review:

BOTTOM: 0862 FNL 2049 FEL

Geology Review:

COUNTY: UINTAH

LATITUDE: 39.99631

LONGITUDE: -109.68768

UTM SURF EASTINGS: 612030.00

NORTHINGS: 4427963.00

FIELD NAME: NATURAL BUTTES

LEASE TYPE: 3 - State

LEASE NUMBER: ST ML 21509

PROPOSED FORMATION: MVRD

SURFACE OWNER: 2 - Indian

COALBED METHANE: NO

RECEIVED AND/OR REVIEWED:

- PLAT**
- Bond:** STATE/FEE - 22013542
- Potash**
- Oil Shale 190-5**
- Oil Shale 190-3**
- Oil Shale 190-13**
- Water Permit:** Permit #43-8496
- RDCC Review:**
- Fee Surface Agreement**
- Intent to Commingle**

LOCATION AND SITING:

- R649-2-3.**
Unit: NATURAL BUTTES
 - R649-3-2. General**
 - R649-3-3. Exception**
 - Drilling Unit**
Board Cause No: Cause 173-14
Effective Date: 12/2/1999
Siting: 460' fr u bdry & uncomm. tract
 - R649-3-11. Directional Drill**
-

Comments: Presite Completed

Stipulations: 4 - Federal Approval - dmason
5 - Statement of Basis - bhill
17 - Oil Shale 190-5(b) - dmason
25 - Surface Casing - hmacdonald



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

Permit To Drill

Well Name: NBU 920-32B
API Well Number: 43047501910000
Lease Number: ST ML 21509
Surface Owner: INDIAN
Approval Date: 12/24/2008

Issued to:

KERR-MCGEE OIL & GAS ONSHORE, L.P. , P.O. Box 173779, Denver, CO 80217

Authority:

Pursuant to Utah Code Ann. §40-6-1 et seq., and Utah Administrative Code R649-3-1 et seq., the Utah Division of Oil, Gas and Mining issues conditions of approval, and permit to drill the listed well. This permit is issued in accordance with the requirements of Cause 173-14 .

Duration:

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

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.

Conditions of Approval:

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

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

Surface casing shall be cemented to the surface.

Compliance with the Conditions of Approval/Application for Permit to Drill outlined in the Statement of Basis (copy attached).

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

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.

Approved By:



For Gil Hunt
Associate Director, Oil & Gas

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

FORM 3

AMENDED REPORT
(highlight changes)

RECEIVED
VERNAL FIELD OFFICE
2008 OCT 27 PM 1:18
DEPT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

APPLICATION FOR PERMIT TO DRILL

1A. TYPE OF WORK: DRILL REENTER DEEPEN

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

2. NAME OF OPERATOR:
Kerr-McGee Oil & Gas Onshore, LP

3. ADDRESS OF OPERATOR:
P.O. Box 173779 CITY Denver STATE CO ZIP 80217-3779 PHONE NUMBER: (720) 929-6226

4. LOCATION OF WELL (FOOTAGES)
AT SURFACE: 862' FNL & 2049' FEL LAT 39.99642 LON -109.68768 (NAD 27)
AT PROPOSED PRODUCING ZONE: N/A

5. DISTANCE IN MILES AND DIRECTION FROM NEAREST TOWN OR POST OFFICE:
6 miles south of Ouray, Utah

6. SURFACE: Indian

7. IF INDIAN ALLOTTEE OR TRIBE NAME:
Ute Tribe

8. UNIT or CA AGREEMENT NAME:
NBU 920-32B

9. NAME and NUMBER:
NBU 920-32B

10. FIELD AND POOL, OR WILDCAT:
Natural Buttes Field

11. QTR/QTR, SECTION, TOWNSHIP, RANGE, MERIDIAN:
NWNE 32 9S 20E

12. COUNTY: Uintah

13. STATE: UTAH

15. DISTANCE TO NEAREST PROPERTY OR LEASE LINE (FEET): 862'

16. NUMBER OF ACRES IN LEASE: 320

17. NUMBER OF ACRES ASSIGNED TO THIS WELL: Unit Well

18. DISTANCE TO NEAREST WELL (DRILLING, COMPLETED, OR APPLIED FOR) ON THIS LEASE (FEET): 250'

19. PROPOSED DEPTH: 10,500

20. BOND DESCRIPTION: 22013542

21. ELEVATIONS (SHOW WHETHER DF, RT, GR, ETC.): 4808.9 GR

22. APPROXIMATE DATE WORK WILL START:

23. ESTIMATED DURATION: 10 days

43 047 50191

24. PROPOSED CASING AND CEMENTING PROGRAM

| SIZE OF HOLE | CASING SIZE, GRADE, AND WEIGHT PER FOOT | SETTING DEPTH | CEMENT TYPE, QUANTITY, YIELD, AND SLURRY WEIGHT |
|--------------|---|---------------|---|
| 12.25 | 9.625 J-55 36# | 2,800 | Premium Cement 215 sx 1.18 15.6 |
| | | | Premium Cement 100 sx 1.18 15.6 |
| 7.875 | 4.5 1-80 11.6# | 10,500 | Premium Lite II 510 3.38 11.0 |
| | | | 50/50 Poz/G 1640 1.31 14.3 |

25. ATTACHMENTS

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

WELL PLAT OR MAP PREPARED BY LICENSED SURVEYOR OR ENGINEER

EVIDENCE OF DIVISION OF WATER RIGHTS APPROVAL FOR USE OF WATER

COMPLETE DRILLING PLAN

FORM 3, IF OPERATOR IS PERSON OR COMPANY OTHER THAN THE LEASE OWNER

NAME (PLEASE PRINT) Kevin McIntyre TITLE Regulatory Analyst

SIGNATURE *Kevin McIntyre* DATE 10/15/2008

RECEIVED
SEP 15 2009

(This space for State use only)

API NUMBER ASSIGNED: 43-047-50191

ACCEPTED BY BLM FOR UNIT PURPOSES ONLY

DIV. OF OIL, GAS & MINING
NOTICE OF APPROVAL



SEP 3 2009
(See instructions on Reverse Side)

CONDITIONS OF APPROVAL ATTACHED

09SXS0408A



**UNITED STATES DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT
VERNAL FIELD OFFICE
VERNAL, UT 84078**



170 South 500 East

(435) 781-4400

CONDITIONS OF APPROVAL FOR APPLICATION FOR PERMIT TO DRILL

| | | | |
|-----------------|---|-------------------|--------------------------------|
| Company: | Kerr McGee O & G Onshore, LP | Location: | NWNE, Sec. 32, 9S, R20E |
| Well No: | NBU 920-32B | Lease No: | ST ML 21509 |
| API No: | 43-047-50191 | Agreement: | Natural Buttes Unit |

**OFFICE NUMBER: (435) 781-4400
OFFICE FAX NUMBER: (435) 781-3420**

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

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

NOTIFICATION REQUIREMENTS

| | |
|---|--|
| Construction Activity (Notify Ute Tribe Energy & Minerals Dept. and BLM Environmental Scientist) | - The Ute Tribe Energy & Minerals Dept. and BLM Environmental Scientist shall be notified at least 48 hours in advance of any construction activity. The Ute Tribal office is open Monday through Thursday. |
| Construction Completion (Notify Ute Tribe Energy & Minerals Dept. and BLM Environmental Scientist) | - Upon completion of the pertinent APD/ROW construction, notify the Ute Tribe Energy & Minerals Dept. for a Tribal Technician to verify the Affidavit of Completion. Notify the BLM Environmental Scientist prior to moving on the drilling rig. |
| Spud Notice (Notify BLM Petroleum Engineer) | - Twenty-Four (24) hours prior to spudding the well. |
| Casing String & Cementing (Notify BLM Supv. Petroleum Tech.) | - Twenty-Four (24) hours prior to running casing and cementing all casing strings to: ut_vn_opreport@blm.gov . |
| BOP & Related Equipment Tests (Notify BLM Supv. Petroleum Tech.) | - Twenty-Four (24) hours prior to initiating pressure tests. |
| First Production Notice (Notify BLM Petroleum Engineer) | - Within Five (5) business days after new well begins or production resumes after well has been off production for more than ninety (90) days. |

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

Additional Stipulations:

- Paint facilities “shadow gray.”
- Monitoring by a permitted paleontologist during the construction process.
- Monitor location by a permitted archaeologist during the construction process.
- Install culvert on access road
- Construct proper drainages around well pad to divert stormwater flow.
- If project construction operations are scheduled to occur after December 31, 2009, KMG shall conduct additional raptor surveys in accordance with the guidelines specified in the Utah Field Office Guidelines for Raptor Protection from Human and Land Use Disturbances, 2002 (See Appendix D) and conduct its operations according to applicable seasonal restrictions and spatial offsets.
- If project construction operations are scheduled to occur after April 20, 2010, KMG shall conduct additional biological surveys in accordance with the guidelines specified in the USFWS Rare Plant Conservation Measures for Uinta Basin hookless cactus (See Appendix D) and conduct its operations according to its specifications.

General Conditions of Approval:

- A 30' foot corridor right-of-way shall be approved. Upon completion of each pipeline in corridor, they shall be identified and filed with the Ute Tribe.
- A qualified Archaeologist accompanied by a Tribal Technician will monitor trenching construction of pipeline.
- The Ute Tribe Energy & Minerals Department is to be notified, in writing 48 hours prior to construction of pipeline.
- Construction Notice shall be given to the department on the Ute Tribe workdays, which are Monday through Thursday. The Company understands that they may be responsible for costs incurred by the Ute Tribe after hours.
- The Company shall inform contractors to maintain construction of pipelines within the approved ROW's.
- The Company shall assure the Ute Tribe that “ALL CONTRACTORS, INCLUDING SUB-CONTRACTORS, LEASING CONTRACTORS, AND ETC.” have acquired a current and valid Ute Tribal Business License and have “Access Permits” prior to construction, and will have these permits in all vehicles at all times.
- You are hereby notified that working under the “umbrella” of a company does not allow you to be in the field, and can be subject to those fines of the Ute Tribe Severance Tax Ordinance.
- Any deviation of submitted APD's and ROW applications the Companies will notify the Ute Tribe and BIA in writing and will receive written authorization of any such change with appropriate authorization.

**SURFACE USE PROGRAM
CONDITIONS OF APPROVAL (COA's)
Well Number: NBU 920-32B
DOI-BLM-UT-G010-2009-0593-EA**

- The Company will implement "Safety and Emergency Plan." The Company's safety director will ensure its compliance.
- All Company employees and/or authorized personnel (sub-contractors) in the field will have approved applicable APD's and/or ROW permits/authorizations on their person(s) during all phases of construction.
- All vehicular traffic, personnel movement, construction/restoration operations shall be confined to the area examined and approved, and to the existing roadways and/or evaluated access routes.
- All personnel shall refrain from collecting artifacts, any paleontological fossils, and from disturbing any significant cultural resources in the area.
- The personnel from the Ute Tribe Energy & Minerals Department shall be notified should cultural remains from subsurface deposits be exposed or identified during construction. All construction will cease.
- All mitigative stipulations contained in the Bureau of Indian Affairs Site Specific Environmental Assessment (EA) will be strictly adhered.
- Upon completion of Application for Corridor Right-Way, the company will notify the Ute Tribe Energy & Minerals Department, so that a Tribal Technician can verify Affidavit of Completion.

| | |
|--|---|
| STATE OF UTAH DEPARTMENT OF NATURAL RESOURCES DIVISION OF OIL, GAS, AND MINING | FORM 9 5. LEASE DESIGNATION AND SERIAL NUMBER: ST ML 21509 |
| SUNDRY NOTICES AND REPORTS ON WELLS Do not use this form for proposals to drill new wells, significantly deepen existing wells below current bottom-hole depth, reenter plugged wells, or to drill horizontal laterals. Use APPLICATION FOR PERMIT TO DRILL form for such proposals. | 6. IF INDIAN, ALLOTTEE OR TRIBE NAME: Ute 7. UNIT or CA AGREEMENT NAME: NATURAL BUTTES |
| 1. TYPE OF WELL Gas Well | 8. WELL NAME and NUMBER: NBU 920-32B |
| 2. NAME OF OPERATOR: KERR-MCGEE OIL & GAS ONSHORE, L.P. | 9. API NUMBER: 43047501910000 |
| 3. ADDRESS OF OPERATOR: P.O. Box 173779 1099 18th Street, Suite 600, Denver, CO, 80217 3779 | PHONE NUMBER: 720 929-6007 Ext |
| 4. LOCATION OF WELL FOOTAGES AT SURFACE: 0862 FNL 2049 FEL QTR/QTR, SECTION, TOWNSHIP, RANGE, MERIDIAN: Qtr/Qtr: NWNE Section: 32 Township: 09.0S Range: 20.0E Meridian: S | 9. FIELD and POOL or WILDCAT: NATURAL BUTTES COUNTY: UINTAH STATE: UTAH |

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

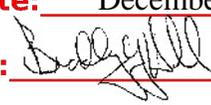
| TYPE OF SUBMISSION | TYPE OF ACTION | | |
|--|--|---|---|
| <input checked="" type="checkbox"/> NOTICE OF INTENT Approximate date work will start: 12/24/2009 | <input type="checkbox"/> ACIDIZE | <input type="checkbox"/> ALTER CASING | <input type="checkbox"/> CASING REPAIR |
| <input type="checkbox"/> SUBSEQUENT REPORT Date of Work Completion: | <input type="checkbox"/> CHANGE TO PREVIOUS PLANS | <input type="checkbox"/> CHANGE TUBING | <input type="checkbox"/> CHANGE WELL NAME |
| <input type="checkbox"/> SPUD REPORT Date of Spud: | <input type="checkbox"/> CHANGE WELL STATUS | <input type="checkbox"/> COMMINGLE PRODUCING FORMATIONS | <input type="checkbox"/> CONVERT WELL TYPE |
| <input type="checkbox"/> DRILLING REPORT Report Date: | <input type="checkbox"/> DEEPEN | <input type="checkbox"/> FRACTURE TREAT | <input type="checkbox"/> NEW CONSTRUCTION |
| | <input type="checkbox"/> OPERATOR CHANGE | <input type="checkbox"/> PLUG AND ABANDON | <input type="checkbox"/> PLUG BACK |
| | <input type="checkbox"/> PRODUCTION START OR RESUME | <input type="checkbox"/> RECLAMATION OF WELL SITE | <input type="checkbox"/> RECOMPLETE DIFFERENT FORMATION |
| | <input type="checkbox"/> REPERFORATE CURRENT FORMATION | <input type="checkbox"/> SIDETRACK TO REPAIR WELL | <input type="checkbox"/> TEMPORARY ABANDON |
| | <input type="checkbox"/> TUBING REPAIR | <input type="checkbox"/> VENT OR FLARE | <input type="checkbox"/> WATER DISPOSAL |
| | <input type="checkbox"/> WATER SHUTOFF | <input type="checkbox"/> SI TA STATUS EXTENSION | <input checked="" type="checkbox"/> APD EXTENSION |
| | <input type="checkbox"/> WILDCAT WELL DETERMINATION | <input type="checkbox"/> OTHER | OTHER: _____ |

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

Kerr-McGee Oil & Gas Onshore, L.P. (Kerr-McGee) respectfully requests an extension to this APD for the maximum time allowed. Please contact the undersigned with any questions and/or comments. Thank you.

Approved by the Utah Division of Oil, Gas and Mining

Date: December 23, 2009

By: 

| | | |
|--|-------------------------------------|------------------------------------|
| NAME (PLEASE PRINT) Danielle Piernot | PHONE NUMBER 720 929-6156 | TITLE Regulatory Analyst |
| SIGNATURE N/A | DATE 12/22/2009 | |



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 43047501910000

API: 43047501910000

Well Name: NBU 920-32B

Location: 0862 FNL 2049 FEL QTR NWNE SEC 32 TWNP 090S RNG 200E MER S

Company Permit Issued to: KERR-MCGEE OIL & GAS ONSHORE, L.P.

Date Original Permit Issued: 12/24/2008

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: Danielle Piernot

Date: 12/22/2009

Title: Regulatory Analyst **Representing:** KERR-MCGEE OIL & GAS ONSHORE,

Date: December 23, 2009

By: 

| | |
|--|---|
| STATE OF UTAH DEPARTMENT OF NATURAL RESOURCES DIVISION OF OIL, GAS, AND MINING | FORM 9 5. LEASE DESIGNATION AND SERIAL NUMBER: ST ML 21509 |
| SUNDRY NOTICES AND REPORTS ON WELLS Do not use this form for proposals to drill new wells, significantly deepen existing wells below current bottom-hole depth, reenter plugged wells, or to drill horizontal laterals. Use APPLICATION FOR PERMIT TO DRILL form for such proposals. | 6. IF INDIAN, ALLOTTEE OR TRIBE NAME: Ute 7. UNIT or CA AGREEMENT NAME: NATURAL BUTTES |
| 1. TYPE OF WELL Gas Well | 8. WELL NAME and NUMBER: NBU 920-32B |
| 2. NAME OF OPERATOR: KERR-MCGEE OIL & GAS ONSHORE, L.P. | 9. API NUMBER: 43047501910000 |
| 3. ADDRESS OF OPERATOR: P.O. Box 173779 1099 18th Street, Suite 600, Denver, CO, 80217 3779 | PHONE NUMBER: 720 929-6007 Ext |
| 4. LOCATION OF WELL FOOTAGES AT SURFACE: 0862 FNL 2049 FEL QTR/QTR, SECTION, TOWNSHIP, RANGE, MERIDIAN: Qtr/Qtr: NWNE Section: 32 Township: 09.0S Range: 20.0E Meridian: S | 9. FIELD and POOL or WILDCAT: NATURAL BUTTES COUNTY: UINTAH STATE: UTAH |

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

| TYPE OF SUBMISSION | TYPE OF ACTION | | |
|--|---|---|--|
| <input checked="" type="checkbox"/> NOTICE OF INTENT Approximate date work will start: 12/24/2010 <input type="checkbox"/> SUBSEQUENT REPORT Date of Work Completion: <input type="checkbox"/> SPUD REPORT Date of Spud: <input type="checkbox"/> DRILLING REPORT Report Date: | <input type="checkbox"/> ACIDIZE <input type="checkbox"/> CHANGE TO PREVIOUS PLANS <input type="checkbox"/> CHANGE WELL STATUS <input type="checkbox"/> DEEPEN <input type="checkbox"/> OPERATOR CHANGE <input type="checkbox"/> PRODUCTION START OR RESUME <input type="checkbox"/> REPERFORATE CURRENT FORMATION <input type="checkbox"/> TUBING REPAIR <input type="checkbox"/> WATER SHUTOFF <input type="checkbox"/> WILDCAT WELL DETERMINATION | <input type="checkbox"/> ALTER CASING <input type="checkbox"/> CHANGE TUBING <input type="checkbox"/> COMMINGLE PRODUCING FORMATIONS <input type="checkbox"/> FRACTURE TREAT <input type="checkbox"/> PLUG AND ABANDON <input type="checkbox"/> RECLAMATION OF WELL SITE <input type="checkbox"/> SIDETRACK TO REPAIR WELL <input type="checkbox"/> VENT OR FLARE <input type="checkbox"/> SI TA STATUS EXTENSION <input type="checkbox"/> OTHER | <input type="checkbox"/> CASING REPAIR <input type="checkbox"/> CHANGE WELL NAME <input type="checkbox"/> CONVERT WELL TYPE <input type="checkbox"/> NEW CONSTRUCTION <input type="checkbox"/> PLUG BACK <input type="checkbox"/> RECOMPLETE DIFFERENT FORMATION <input type="checkbox"/> TEMPORARY ABANDON <input type="checkbox"/> WATER DISPOSAL <input checked="" type="checkbox"/> APD EXTENSION OTHER: <input style="width: 100px;" type="text"/> |

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

Kerr-McGee Oil & Gas Onshore, L.P. (Kerr-McGee) respectfully requests an extension to this APD for the maximum time allowed. Please contact the undersigned with any questions and/or comments. Thank you.

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

Date: 12/23/2010
 By: 

| | | |
|--|-------------------------------------|------------------------------------|
| NAME (PLEASE PRINT) Danielle Piernot | PHONE NUMBER 720 929-6156 | TITLE Regulatory Analyst |
| SIGNATURE N/A | | DATE 12/20/2010 |



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 43047501910000

API: 43047501910000

Well Name: NBU 920-32B

Location: 0862 FNL 2049 FEL QTR NWNE SEC 32 TWNP 090S RNG 200E MER S

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Date Original Permit Issued: 12/24/2008

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- 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: Danielle Piernot

Date: 12/20/2010

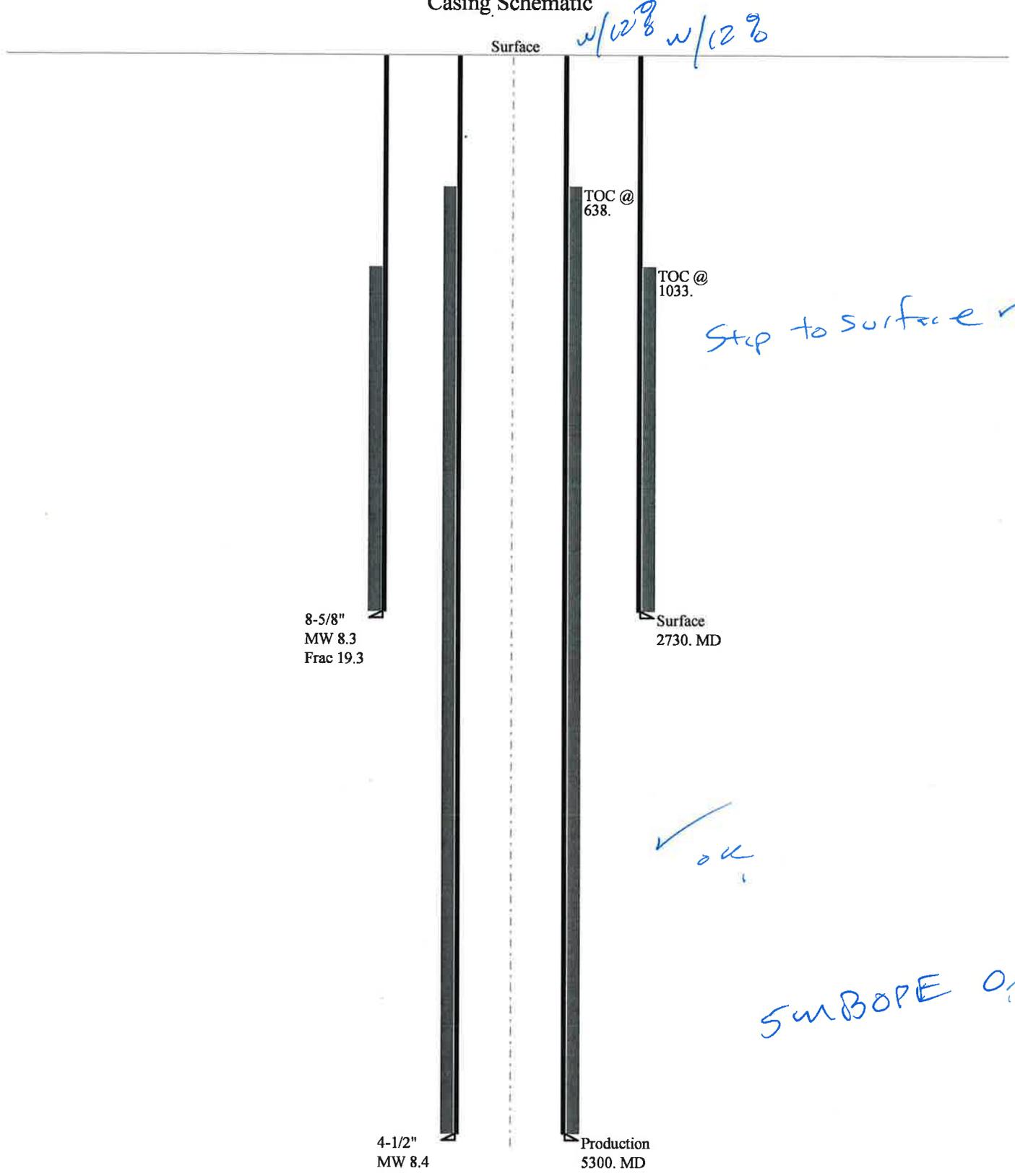
Title: Regulatory Analyst **Representing:** KERR-MCGEE OIL & GAS ONSHORE,

Date: 12/23/2010
By:

| STATE OF UTAH DEPARTMENT OF NATURAL RESOURCES DIVISION OF OIL, GAS, AND MINING | | FORM 9 |
|---|---|---|
| | | 5. LEASE DESIGNATION AND SERIAL NUMBER: ST ML 21509 |
| SUNDRY NOTICES AND REPORTS ON WELLS | | 6. IF INDIAN, ALLOTTEE OR TRIBE NAME: Ute |
| 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. | | 7. UNIT or CA AGREEMENT NAME: NATURAL BUTTES |
| 1. TYPE OF WELL Gas Well | | 8. WELL NAME and NUMBER: NBU 920-32B |
| 2. NAME OF OPERATOR: KERR-MCGEE OIL & GAS ONSHORE, L.P. | | 9. API NUMBER: 43047501910000 |
| 3. ADDRESS OF OPERATOR: P.O. Box 173779 1099 18th Street, Suite 600, Denver, CO, 80217 3779 | PHONE NUMBER: 720 929-6515 Ext | 9. FIELD and POOL or WILDCAT: NATURAL BUTTES |
| 4. LOCATION OF WELL FOOTAGES AT SURFACE: 0862 FNL 2049 FEL QTR/QTR, SECTION, TOWNSHIP, RANGE, MERIDIAN: Qtr/Qtr: NWNE Section: 32 Township: 09.0S Range: 20.0E Meridian: S | | COUNTY: UINTAH |
| | | STATE: UTAH |
| 11. CHECK APPROPRIATE BOXES TO INDICATE NATURE OF NOTICE, REPORT, OR OTHER DATA | | |
| TYPE OF SUBMISSION | TYPE OF ACTION | |
| <input checked="" type="checkbox"/> NOTICE OF INTENT Approximate date work will start: 10/18/2011 <input type="checkbox"/> SUBSEQUENT REPORT Date of Work Completion: <input type="checkbox"/> SPUD REPORT Date of Spud: <input type="checkbox"/> DRILLING REPORT Report Date: | <input type="checkbox"/> ACIDIZE <input checked="" type="checkbox"/> CHANGE TO PREVIOUS PLANS <input type="checkbox"/> CHANGE WELL STATUS <input type="checkbox"/> DEEPEN <input type="checkbox"/> OPERATOR CHANGE <input type="checkbox"/> PRODUCTION START OR RESUME <input type="checkbox"/> REPERFORATE CURRENT FORMATION <input type="checkbox"/> TUBING REPAIR <input type="checkbox"/> WATER SHUTOFF <input type="checkbox"/> WILDCAT WELL DETERMINATION <input type="checkbox"/> ALTER CASING <input type="checkbox"/> CHANGE TUBING <input type="checkbox"/> COMMINGLE PRODUCING FORMATIONS <input type="checkbox"/> FRACTURE TREAT <input type="checkbox"/> PLUG AND ABANDON <input type="checkbox"/> RECLAMATION OF WELL SITE <input type="checkbox"/> SIDETRACK TO REPAIR WELL <input type="checkbox"/> VENT OR FLARE <input type="checkbox"/> SI TA STATUS EXTENSION <input type="checkbox"/> OTHER | |
| | <input type="checkbox"/> CASING REPAIR <input checked="" type="checkbox"/> CHANGE WELL NAME <input checked="" type="checkbox"/> CONVERT WELL TYPE <input type="checkbox"/> NEW CONSTRUCTION <input type="checkbox"/> PLUG BACK <input type="checkbox"/> RECOMPLETE DIFFERENT FORMATION <input type="checkbox"/> TEMPORARY ABANDON <input type="checkbox"/> WATER DISPOSAL <input type="checkbox"/> APD EXTENSION OTHER: <input type="text"/> | |
| 12. DESCRIBE PROPOSED OR COMPLETED OPERATIONS. Clearly show all pertinent details including dates, depths, volumes, etc. | | |
| <p>The Operator requests authorization to change plans for the subject well. The Operator requests approval for a change in drilling plans that includes formation objective changes (Green River completion), casing changes, and closed loop options. The Operator also requests that the well name be changed from NBU 920-32B to MU 920-32B. Attached is the revised drilling plan. Please contact the undersigned if you have any questions or concerns.</p> | | |
| | | <p>Approved by the Utah Division of Oil, Gas and Mining</p> <p>Date: 11/10/2011</p> <p>By: <u><i>Dark K. Quist</i></u></p> |
| NAME (PLEASE PRINT) Andy Lytle | PHONE NUMBER 720 929-6100 | TITLE Regulatory Analyst |
| SIGNATURE N/A | | DATE 10/17/2011 |

43047501910000 MU 920-32B

Casing Schematic



| | | |
|--------------|--|----------------------------------|
| Well name: | 43047501910000 MU 920-32B | |
| Operator: | Kerr McGee Oil & Gas Onshore L.P. | |
| String type: | Surface | Project ID: 43-047-50191-0000 |
| Location: | Uintah County, Utah | |

Design parameters:**Collapse**

Mud weight: 8.330 ppg
Design is based on evacuated pipe.

Minimum design factors:**Collapse:**

Design factor 1.125

Burst:

Design factor 1.00

Environment:

H2S considered? No
Surface temperature: 75 °F
Bottom hole temperature: 113 °F
Temperature gradient: 1.40 °F/100ft
Minimum section length: 1,300 ft

Cement top: 1,033 ft

Burst

Max anticipated surface pressure: 2,184 psi
Internal gradient: 0.220 psi/ft
Calculated BHP 2,785 psi

No backup mud specified.

Tension:

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

Tension is based on buoyed weight.
Neutral point: 2,452 ft

Non-directional string.**Re subsequent strings:**

Next setting depth: 10,500 ft
Next mud weight: 12.500 ppg
Next setting BHP: 6,818 psi
Fracture mud wt: 19.250 ppg
Fracture depth: 2,800 ft
Injection pressure: 2,800 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 | 2730 | 8.625 | 28.00 | J-55 | LT&C | 2730 | 2730 | 7.972 | 983 |
| 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 | 1181 | 1880 | 1.591 | 2785 | 3390 | 1.22 | 69 | 348 | 5.07 J |

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

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

Date: November 10, 2011
Salt Lake City, Utah

Remarks:

Collapse is based on a vertical depth of 2730 ft, a mud weight of 8.33 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.

RECEIVED Oct. 17, 2011

| | | |
|--------------|--|-------------------|
| Well name: | 43047501910000 MU 920-32B | |
| Operator: | Kerr McGee Oil & Gas Onshore L.P. | Project ID: |
| String type: | Production | 43-047-50191-0000 |
| Location: | Uintah County, Utah | |

Design parameters:

Collapse

Mud weight: 8.400 ppg
 Internal fluid density: 2.330 ppg

Minimum design factors:

Collapse:

Design factor 1.125

Burst:

Design factor 1.00

Environment:

H2S considered? No
 Surface temperature: 75 °F
 Bottom hole temperature: 149 °F
 Temperature gradient: 1.40 °F/100ft
 Minimum section length: 1,500 ft

Cement top: 638 ft

Burst

Max anticipated surface pressure: 1,147 psi
 Internal gradient: 0.220 psi/ft
 Calculated BHP 2,313 psi

No backup mud specified.

Tension:

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

Non-directional string.

Tension is based on buoyed weight.
 Neutral point: 4,635 ft

| 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 | 5300 | 4.5 | 11.60 | I-80 | LT&C | 5300 | 5300 | 3.875 | 462.5 |
| 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 | 1671 | 6360 | 3.806 | 2313 | 7780 | 3.36 | 54 | 212 | 3.94 J |

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

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

Date: November 10, 2011
 Salt Lake City, Utah

Remarks:

Collapse is based on a vertical depth of 5300 ft, a mud weight of 8.4 ppg. An internal gradient of .121 psi/ft was used for collapse from TD to TD. 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.

Kerr-McGee Oil & Gas Onshore. L.P.**MU 920-32B**

Surface: 862 FNL / 2049 FEL NWNE
 BHL: 862 FNL / 2049 FEL NWNE

Section 32 T9S R20E

Unitah County, Utah
 Mineral Lease: ML-21509

ONSHORE ORDER NO. 1**DRILLING PROGRAM**

1. & 2. **Estimated Tops of Important Geologic Markers:**
Estimated Depths of Anticipated Water, Oil, Gas, or Mineral Formations:

| <u>Formation</u> | <u>Depth</u> | <u>Resource</u> |
|------------------|--------------|-----------------|
| Uinta | 0 - Surface | |
| Green River | 1626 | |
| Birds Nest | 1792 | Water |
| Mahogany | 2284 | Water |
| Wasatch | 5185 | Gas |
| TD | 5300 | |

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

Please refer to the attached Drilling Program

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

Please refer to the attached Drilling Program

5. **Drilling Fluids Program:**

Please refer to the attached Drilling Program

6. **Evaluation Program:**

Please refer to the attached Drilling Program

7. Abnormal Conditions:

Maximum anticipated bottom hole pressure calculated at 5300' TVD, approximately equals
 2,226 psi (0.42 psi/ft = actual bottomhole gradient)

Maximum Anticipated Bottom Hole Pressure (MABHP) = Pore Pressure at TD

Maximum anticipated surface pressure equals approximately 1,063 psi (bottom hole pressure
 minus the pressure of a partially evacuated hole calculated at 0.22 psi/foot, per Onshore Order No. 2).

Per Onshore Order No. 2 - Max Anticipated Surf. Press.(MASP) = (Pore Pressure at next csg point-
 (0.22 psi/ft-partial evac gradient x TVD of next csg point))

8. Anticipated Starting Dates:

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

9. Variances:

Please refer to the attached Drilling Program.
 Onshore Order #2 – Air Drilling Variance

Kerr-McGee Oil & Gas Onshore LP (KMG) respectfully requests a variance to several requirements associated with air drilling outlined in Onshore Order 2

- Blowout Prevention Equipment (BOPE) requirements;
- Mud program requirements; and
- Special drilling operation (surface equipment placement) requirements associated with air drilling.

This Standard Operating Practices addendum provides supporting information as to why KMG current air drilling practices for constructing the surface casing hole should be granted a variance to Onshore Order 2 air drilling requirements.

The reader should note that the air rig is used only to construct a stable surface casing hole through a historically difficult lost circulation zone. A conventional rotary rig follows the air rig, and is used to drill and construct the majority of the wellbore.

More notable, KMG has used the air rig layout and procedures outlined below to drill the surface casing hole in approximately 675 wells without incident of blow out or loss of life.

Background

In a typical well, KMG utilizes an air rig for drilling the surface casing hole, an interval from the surface to surface casing depths, which varies in depth from 1,700 to 2,800 feet. The air rig drilling operation does not drill through productive or over pressured formations in KMG field, but does penetrate the Uinta and Green River Formations. The purpose of the air drilling operation is to overcome the severe loss circulation zone in the Green River known as the Bird's Nest while creating a stable hole for the surface casing. The surface casing hole is generally drilled to approximately 500 feet below the Bird's Nest.

Before the surface air rig is mobilized, a rathole rig is utilized to set and cement conductor pipe through a competent surface formation. Generally, the conductor is set at 40 feet. In some cases, conductor may

be set deeper in areas that the surface formation is not found competent. This rig also drills the rat and mouse holes in preparation for the surface casing and production string drilling operations.

The air rig is then mobilized to drill the surface casing hole by drilling a 12 1/4 inch hole for the first 200 feet, then will drill a 11 inch hole to just above the Bird's Nest interval with an air hammer. The hammer is then tripped and replaced with a 11 inch tri-cone bit. The tri-cone bit is used to drill to the surface casing point, approximately 500 feet below the loss circulation zone (Bird's Nest). The 8-5/8 inch surface casing is then run and cemented in place, thereby isolating the lost circulation zone.

KMG fully appreciates Onshore Order 2 well control and safety requirements associated with a typical air drilling operations. However, the requirements of Onshore Order 2 are excessive with respect to the air rig layout and drilling operation procedures that are currently in practice to drill and control the surface casing hole in KMG Fields.

Variance for BOPE Requirements

The air rig operation utilizes a properly lubricated and maintained air bowl diverter system which diverts the drilling returns to a six-inch blooie line. The air bowl is the only piece of BOPE equipment which is installed during drilling operations and is sufficient to contain the air returns associated with this drilling operation. As was discussed earlier, the drilling of the surface hole does not encounter any over pressured or productive zones, and as a result standard BOPE equipment should not be required. In addition, standard drilling practices do not support the use of BOPE on 40 feet of conductor pipe.

Variance for Mud Material Requirements

Onshore Order 2 also states that sufficient quantities of mud materials shall be maintained or readily accessible for the purpose of assuring adequate well control. Once again, the surface hole drilling operations does not encounter over pressured or productive intervals, and as a result there is not a need to control pressure in the surface hole with a mud system. Instead of mud, the air rigs utilize water from the reserve pit for well control, if necessary. A skid pump which is located near the reserve pit (see attachment) will supply the water to the well bore.

Variance for Special Drilling Operation (surface equipment placement) Requirements

Onshore Order 2 requires specific safety distances or setbacks for the placement of associated standard air drilling equipment, wellbore, and reserve pits. The air rigs used to drill the surface holes are not typical of an air rig used to drill a producing hole in other parts of the US. These are smaller in nature and designed to fit a KMG location. The typical air rig layout for drilling surface hole in the field is attached.

Typically the blooie line discharge point is required to be 100 feet from the well bore. In the case of a KMG well, the reserve pit is only 45 feet from the rig and is used for the drill cuttings. The blooie line, which transports the drill cuttings from the well to the reserve pit, subsequently discharges only 45 feet from the well bore.

Typically the air rig compressors are required to be located in the opposite direction from the blooie line and a minimum of 100 feet from the well bore. At the KMG locations, the air rig compressors are approximately 40 feet from the well bore and approximately 60 feet from the blooie line discharge due to the unique air rig design. The air compressors (see attachment) are located on the rig (1250 cfm) and

on a standby trailer (1170 cfm). A booster sits between the two compressors and boosts the output from 350 psi to 2000 psi. The design does put the booster and standby compressor opposite from the blooie line.

Lastly, Onshore Order 2 addresses the need for an automatic igniter or continuous pilot light on the blooie line. The air rig does not utilize an igniter as the surface hole drilling operation does not encounter productive formations.

Variance for FIT Requirements

KMG also respectfully requests a variance to Onshore Order 2, Section III, Part Bi, for the pressure integrity test (PIT, also known as a formation integrity test (FIT)). This well is not an exploratory well and is being drilled in an area where the formation integrity is well known. Additionally, when an FIT is run with the mud weight as required, the casing shoe frequently breaks down and causes subsequent lost circulation when drilling the entire depth of the well.

Conclusion

The air rig operating procedures and the attached air rig layout have effectively maintained well control while drilling the surface holes in KMG Fields. KMG respectfully requests a variance from Onshore Order 2 with respect to air drilling well control requirements as discussed above.

10. **Other Information:**

Please refer to the attached Drilling Program.





KERR-McGEE OIL & GAS ONSHORE LP
DRILLING PROGRAM

CASING PROGRAM

| | SIZE | INTERVAL | WT. | GR. | CPLG. | DESIGN FACTORS | | | |
|------------|--------|------------|-------|-------|-------|----------------|----------|---------|-----------------|
| | | | | | | BURST | COLLAPSE | LTC | DQX |
| | | | | | | | | TENSION | |
| CONDUCTOR | 14" | 0-40' | | | | | | | |
| SURFACE | 8-5/8" | 0 to 2,730 | 28.00 | IJ-55 | LTC | 3,390 | 1,880 | 348,000 | N/A |
| | | | | | | 7,780 | 6,350 | 4.51 | N/A |
| PRODUCTION | 4-1/2" | 0 to 5,300 | 11.60 | I-80 | DQX | 1.11 | 2.78 | | 267,035 4.97 |

Surface Casing:

(Burst Assumptions: TD = 8.3 ppg) 0.73 psi/ft = frac gradient @ surface shoe
Fracture at surface shoe with 0.1 psi/ft gas gradient above

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

Production casing:

(Burst Assumptions: Pressure test with 8.4ppg @ 7000 psi) 0.42 psi/ft = bottomhole gradient

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

CEMENT PROGRAM

| | | FT. OF FILL | DESCRIPTION | SACKS | EXCESS | WEIGHT | YIELD |
|---|----------------------|-------------|--|---------|--------|--------|-------|
| SURFACE Option 1 | LEAD | 500' | Premium cmt + 2% CaCl + 0.25 pps flocele | 180 | 60% | 15.80 | 1.15 |
| | TOP OUT CMT (6 jobs) | 1,200' | 20 gals sodium silicate + Premium cmt + 2% CaCl + 0.25 pps flocele | 270 | 0% | 15.80 | 1.15 |
| NOTE: If well will circulate water to surface, option 2 will be utilized | | | | | | | |
| SURFACE Option 2 | LEAD | 2,230' | 65/35 Poz + 6% Gel + 10 pps gilsonite + 0.25 pps Flocele + 3% salt BWOW | 210 | 35% | 11.00 | 3.82 |
| | TAIL | 500' | Premium cmt + 2% CaCl + 0.25 pps flocele | 150 | 35% | 15.80 | 1.15 |
| | TOP OUT CMT | as required | Premium cmt + 2% CaCl | as req. | | 15.80 | 1.15 |
| PRODUCTION | LEAD | 2,230' | Premium Lite II +0.25 pps celloflake + 5 pps gilsonite + 10% gel + 0.5% extender | 150 | 35% | 11.00 | 3.38 |
| | TAIL | 3,070' | 50/50 Poz/G + 10% salt + 2% gel + 0.1% R-3 | 730 | 35% | 14.30 | 1.31 |

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

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

FLOAT EQUIPMENT & CENTRALIZERS

| | |
|------------|--|
| SURFACE | Guide shoe, 1 jt, insert float. Centralize first 3 joints with bow spring centralizers. Thread lock guide shoe |
| PRODUCTION | Float shoe, 1 jt, float collar. No centralizers will be used. |

ADDITIONAL INFORMATION

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

BOPE: 11" 5M with one annular and 2 rams. The BOPE will be installed before the production hole is drilled and tested to 5,000 psi (annular to 2,500 psi) prior to drilling out the surface casing shoe. Record on chart recorder and tour sheet. Function test rams on each trip. Maintain safety valve and inside BOP on rig floor at all times. Most rigs have top drives; however, if used, the Kelly is to be equipped with upper and lower kelly valves.

Surveys will be taken at 1,000' minimum intervals.

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

DRILLING ENGINEER:

Nick Spence / Danny Showers

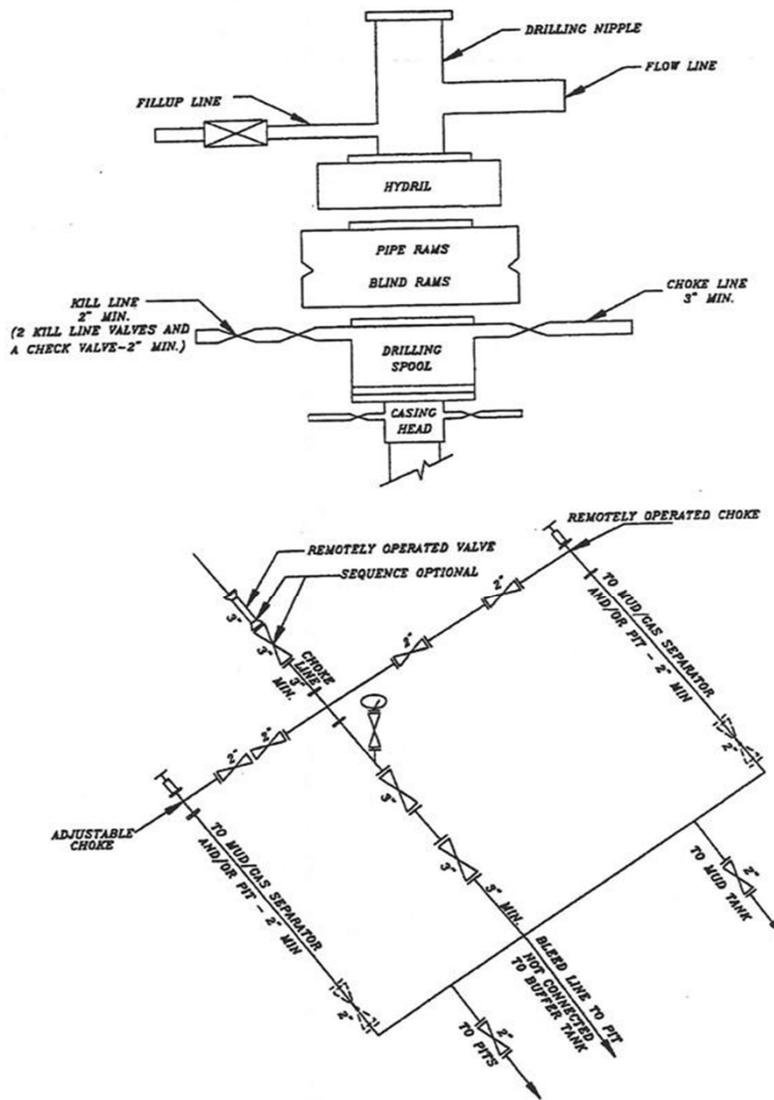
DATE:

DRILLING SUPERINTENDENT:

Kenny Gathings / Lovel Young

DATE:

EXHIBIT A
MU 920-32B



SCHEMATIC DIAGRAM OF 5,000 PSI BOP STACK

Requested Drilling Options:

Kerr-McGee will use either a closed loop drilling system that will require one pit and one cuttings storage area to be constructed on the drilling pad or a traditional drilling operation with one pit used for drilling and completion operations. The cuttings storage area will be used to contain only the de-watered drill cuttings and will be lined and bermed to prevent any liquid runoff. The drill cuttings will be buried in the completion pit once completion operations are completed according to traditional pit closure standards. The pit will be constructed to allow for completion operations. The completion operations pit will be lined with a synthetic material 20 mil or thicker and will be used for the completing of the wells on the pad or used as part of our Aandarko Completions Transportation System (ACTS). Using the closed loop drilling system will allow Kerr-McGee to decrease the amount of disturbance/footprint on location compared to a single large drilling/completions pit.

If Kerr-McGee does not use a closed loop drilling system, it will construct a traditional drilling/completions pit to contain drill cuttings and for use in completion operations. The pit will be lined with a synthetic material 20 mil or thicker. The drill cuttings will be buried in the pit using traditional pit closure standards.

| | |
|--|---|
| STATE OF UTAH DEPARTMENT OF NATURAL RESOURCES DIVISION OF OIL, GAS, AND MINING | FORM 9 5. LEASE DESIGNATION AND SERIAL NUMBER: ST ML 21509 |
| SUNDRY NOTICES AND REPORTS ON WELLS Do not use this form for proposals to drill new wells, significantly deepen existing wells below current bottom-hole depth, reenter plugged wells, or to drill horizontal laterals. Use APPLICATION FOR PERMIT TO DRILL form for such proposals. | 6. IF INDIAN, ALLOTTEE OR TRIBE NAME: Ute 7. UNIT or CA AGREEMENT NAME: NATURAL BUTTES |
| 1. TYPE OF WELL Gas Well | 8. WELL NAME and NUMBER: NBU 920-32B |
| 2. NAME OF OPERATOR: KERR-MCGEE OIL & GAS ONSHORE, L.P. | 9. API NUMBER: 43047501910000 |
| 3. ADDRESS OF OPERATOR: P.O. Box 173779 1099 18th Street, Suite 600, Denver, CO, 80217 3779 | PHONE NUMBER: 720 929-6515 Ext |
| 4. LOCATION OF WELL FOOTAGES AT SURFACE: 0862 FNL 2049 FEL QTR/QTR, SECTION, TOWNSHIP, RANGE, MERIDIAN: Qtr/Qtr: NWNE Section: 32 Township: 09.0S Range: 20.0E Meridian: S | 9. FIELD and POOL or WILDCAT: NATURAL BUTTES COUNTY: UINTAH STATE: UTAH |

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

| TYPE OF SUBMISSION | TYPE OF ACTION | | |
|--|--|---|--|
| <input checked="" type="checkbox"/> NOTICE OF INTENT Approximate date work will start: 10/18/2011 <input type="checkbox"/> SUBSEQUENT REPORT Date of Work Completion: <input type="checkbox"/> SPUD REPORT Date of Spud: <input type="checkbox"/> DRILLING REPORT Report Date: | <input type="checkbox"/> ACIDIZE <input checked="" type="checkbox"/> CHANGE TO PREVIOUS PLANS <input type="checkbox"/> CHANGE WELL STATUS <input type="checkbox"/> DEEPEN <input type="checkbox"/> OPERATOR CHANGE <input type="checkbox"/> PRODUCTION START OR RESUME <input type="checkbox"/> REPERFORATE CURRENT FORMATION <input type="checkbox"/> TUBING REPAIR <input type="checkbox"/> WATER SHUTOFF <input type="checkbox"/> WILDCAT WELL DETERMINATION | <input type="checkbox"/> ALTER CASING <input type="checkbox"/> CHANGE TUBING <input type="checkbox"/> COMMINGLE PRODUCING FORMATIONS <input type="checkbox"/> FRACTURE TREAT <input type="checkbox"/> PLUG AND ABANDON <input type="checkbox"/> RECLAMATION OF WELL SITE <input type="checkbox"/> SIDETRACK TO REPAIR WELL <input type="checkbox"/> VENT OR FLARE <input type="checkbox"/> SI TA STATUS EXTENSION <input type="checkbox"/> OTHER | <input type="checkbox"/> CASING REPAIR <input checked="" type="checkbox"/> CHANGE WELL NAME <input checked="" type="checkbox"/> CONVERT WELL TYPE <input type="checkbox"/> NEW CONSTRUCTION <input type="checkbox"/> PLUG BACK <input type="checkbox"/> RECOMPLETE DIFFERENT FORMATION <input type="checkbox"/> TEMPORARY ABANDON <input type="checkbox"/> WATER DISPOSAL <input type="checkbox"/> APD EXTENSION OTHER: <input style="width: 50px;" type="text"/> |

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

The Operator requests authorization to change plans for the subject well. The Operator requests approval for a change in drilling plans that includes formation objective changes (Green River completion), casing changes, and closed loop options. The Operator also requests that the well name be changed from NBU 920-32B to MU 920-32B. Attached is the revised drilling plan. Please contact the undersigned if you have any questions or concerns.

Approved by the Utah Division of Oil, Gas and Mining

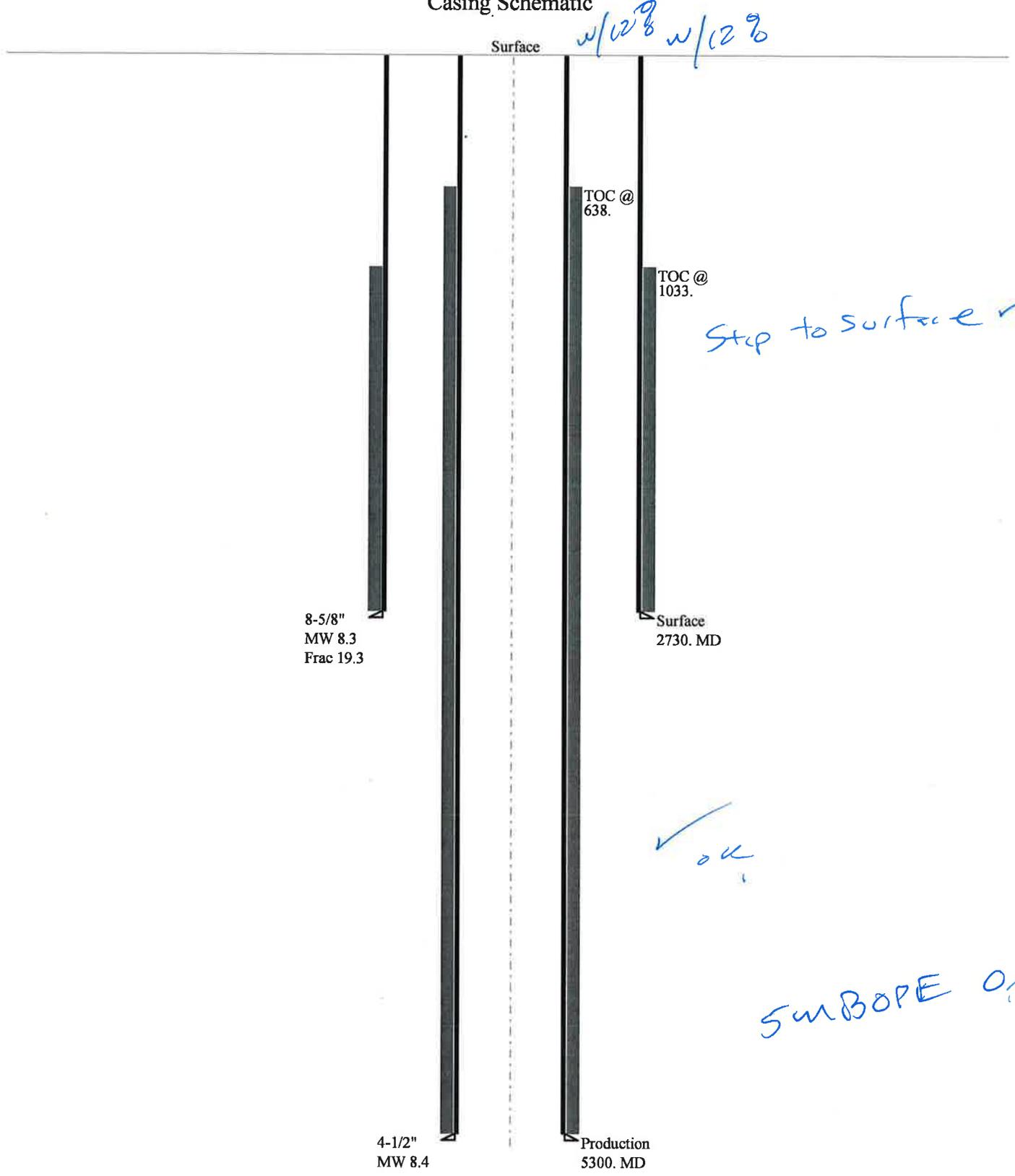
Date: 11/10/2011

By: *Dark K. Quist*

| | | |
|--|-------------------------------------|------------------------------------|
| NAME (PLEASE PRINT) Andy Lytle | PHONE NUMBER 720 929-6100 | TITLE Regulatory Analyst |
| SIGNATURE N/A | DATE 10/17/2011 | |

43047501910000 MU 920-32B

Casing Schematic



| | | |
|--------------|--|----------------------------------|
| Well name: | 43047501910000 MU 920-32B | |
| Operator: | Kerr McGee Oil & Gas Onshore L.P. | |
| String type: | Surface | Project ID: 43-047-50191-0000 |
| Location: | Uintah County, Utah | |

Design parameters:**Collapse**

Mud weight: 8.330 ppg
Design is based on evacuated pipe.

Minimum design factors:**Collapse:**

Design factor 1.125

Burst:

Design factor 1.00

Environment:

H2S considered? No
Surface temperature: 75 °F
Bottom hole temperature: 113 °F
Temperature gradient: 1.40 °F/100ft
Minimum section length: 1,300 ft

Cement top: 1,033 ft

Burst

Max anticipated surface pressure: 2,184 psi
Internal gradient: 0.220 psi/ft
Calculated BHP 2,785 psi

No backup mud specified.

Tension:

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

Tension is based on buoyed weight.
Neutral point: 2,452 ft

Non-directional string.**Re subsequent strings:**

Next setting depth: 10,500 ft
Next mud weight: 12.500 ppg
Next setting BHP: 6,818 psi
Fracture mud wt: 19.250 ppg
Fracture depth: 2,800 ft
Injection pressure: 2,800 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 | 2730 | 8.625 | 28.00 | J-55 | LT&C | 2730 | 2730 | 7.972 | 983 |
| 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 | 1181 | 1880 | 1.591 | 2785 | 3390 | 1.22 | 69 | 348 | 5.07 J |

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

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

Date: November 10, 2011
Salt Lake City, Utah

Remarks:

Collapse is based on a vertical depth of 2730 ft, a mud weight of 8.33 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.

RECEIVED Oct. 17, 2011

| | | |
|--------------|--|-------------------|
| Well name: | 43047501910000 MU 920-32B | |
| Operator: | Kerr McGee Oil & Gas Onshore L.P. | Project ID: |
| String type: | Production | 43-047-50191-0000 |
| Location: | Uintah County, Utah | |

Design parameters:

Collapse

Mud weight: 8.400 ppg
 Internal fluid density: 2.330 ppg

Minimum design factors:

Collapse:

Design factor 1.125

Burst:

Design factor 1.00

Environment:

H2S considered? No
 Surface temperature: 75 °F
 Bottom hole temperature: 149 °F
 Temperature gradient: 1.40 °F/100ft
 Minimum section length: 1,500 ft

Cement top: 638 ft

Burst

Max anticipated surface pressure: 1,147 psi
 Internal gradient: 0.220 psi/ft
 Calculated BHP 2,313 psi

No backup mud specified.

Tension:

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

Non-directional string.

Tension is based on buoyed weight.
 Neutral point: 4,635 ft

| 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 | 5300 | 4.5 | 11.60 | I-80 | LT&C | 5300 | 5300 | 3.875 | 462.5 |
| 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 | 1671 | 6360 | 3.806 | 2313 | 7780 | 3.36 | 54 | 212 | 3.94 J |

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

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

Date: November 10, 2011
 Salt Lake City, Utah

Remarks:

Collapse is based on a vertical depth of 5300 ft, a mud weight of 8.4 ppg. An internal gradient of .121 psi/ft was used for collapse from TD to TD. 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.

Kerr-McGee Oil & Gas Onshore. L.P.**MU 920-32B**

Surface: 862 FNL / 2049 FEL NWNE
 BHL: 862 FNL / 2049 FEL NWNE

Section 32 T9S R20E

Unitah County, Utah
 Mineral Lease: ML-21509

ONSHORE ORDER NO. 1**DRILLING PROGRAM**

1. & 2. **Estimated Tops of Important Geologic Markers:**
Estimated Depths of Anticipated Water, Oil, Gas, or Mineral Formations:

| <u>Formation</u> | <u>Depth</u> | <u>Resource</u> |
|------------------|--------------|-----------------|
| Uinta | 0 - Surface | |
| Green River | 1626 | |
| Birds Nest | 1792 | Water |
| Mahogany | 2284 | Water |
| Wasatch | 5185 | Gas |
| TD | 5300 | |

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

Please refer to the attached Drilling Program

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

Please refer to the attached Drilling Program

5. **Drilling Fluids Program:**

Please refer to the attached Drilling Program

6. **Evaluation Program:**

Please refer to the attached Drilling Program

7. Abnormal Conditions:

Maximum anticipated bottom hole pressure calculated at 5300' TVD, approximately equals
 2,226 psi (0.42 psi/ft = actual bottomhole gradient)

Maximum Anticipated Bottom Hole Pressure (MABHP) = Pore Pressure at TD

Maximum anticipated surface pressure equals approximately 1,063 psi (bottom hole pressure
 minus the pressure of a partially evacuated hole calculated at 0.22 psi/foot, per Onshore Order No. 2).

Per Onshore Order No. 2 - Max Anticipated Surf. Press.(MASP) = (Pore Pressure at next csg point-
 (0.22 psi/ft-partial evac gradient x TVD of next csg point))

8. Anticipated Starting Dates:

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

9. Variances:

Please refer to the attached Drilling Program.
 Onshore Order #2 – Air Drilling Variance

Kerr-McGee Oil & Gas Onshore LP (KMG) respectfully requests a variance to several requirements associated with air drilling outlined in Onshore Order 2

- Blowout Prevention Equipment (BOPE) requirements;
- Mud program requirements; and
- Special drilling operation (surface equipment placement) requirements associated with air drilling.

This Standard Operating Practices addendum provides supporting information as to why KMG current air drilling practices for constructing the surface casing hole should be granted a variance to Onshore Order 2 air drilling requirements.

The reader should note that the air rig is used only to construct a stable surface casing hole through a historically difficult lost circulation zone. A conventional rotary rig follows the air rig, and is used to drill and construct the majority of the wellbore.

More notable, KMG has used the air rig layout and procedures outlined below to drill the surface casing hole in approximately 675 wells without incident of blow out or loss of life.

Background

In a typical well, KMG utilizes an air rig for drilling the surface casing hole, an interval from the surface to surface casing depths, which varies in depth from 1,700 to 2,800 feet. The air rig drilling operation does not drill through productive or over pressured formations in KMG field, but does penetrate the Uinta and Green River Formations. The purpose of the air drilling operation is to overcome the severe loss circulation zone in the Green River known as the Bird's Nest while creating a stable hole for the surface casing. The surface casing hole is generally drilled to approximately 500 feet below the Bird's Nest.

Before the surface air rig is mobilized, a rathole rig is utilized to set and cement conductor pipe through a competent surface formation. Generally, the conductor is set at 40 feet. In some cases, conductor may

be set deeper in areas that the surface formation is not found competent. This rig also drills the rat and mouse holes in preparation for the surface casing and production string drilling operations.

The air rig is then mobilized to drill the surface casing hole by drilling a 12 1/4 inch hole for the first 200 feet, then will drill a 11 inch hole to just above the Bird's Nest interval with an air hammer. The hammer is then tripped and replaced with a 11 inch tri-cone bit. The tri-cone bit is used to drill to the surface casing point, approximately 500 feet below the loss circulation zone (Bird's Nest). The 8-5/8 inch surface casing is then run and cemented in place, thereby isolating the lost circulation zone.

KMG fully appreciates Onshore Order 2 well control and safety requirements associated with a typical air drilling operations. However, the requirements of Onshore Order 2 are excessive with respect to the air rig layout and drilling operation procedures that are currently in practice to drill and control the surface casing hole in KMG Fields.

Variance for BOPE Requirements

The air rig operation utilizes a properly lubricated and maintained air bowl diverter system which diverts the drilling returns to a six-inch blooie line. The air bowl is the only piece of BOPE equipment which is installed during drilling operations and is sufficient to contain the air returns associated with this drilling operation. As was discussed earlier, the drilling of the surface hole does not encounter any over pressured or productive zones, and as a result standard BOPE equipment should not be required. In addition, standard drilling practices do not support the use of BOPE on 40 feet of conductor pipe.

Variance for Mud Material Requirements

Onshore Order 2 also states that sufficient quantities of mud materials shall be maintained or readily accessible for the purpose of assuring adequate well control. Once again, the surface hole drilling operations does not encounter over pressured or productive intervals, and as a result there is not a need to control pressure in the surface hole with a mud system. Instead of mud, the air rigs utilize water from the reserve pit for well control, if necessary. A skid pump which is located near the reserve pit (see attachment) will supply the water to the well bore.

Variance for Special Drilling Operation (surface equipment placement) Requirements

Onshore Order 2 requires specific safety distances or setbacks for the placement of associated standard air drilling equipment, wellbore, and reserve pits. The air rigs used to drill the surface holes are not typical of an air rig used to drill a producing hole in other parts of the US. These are smaller in nature and designed to fit a KMG location. The typical air rig layout for drilling surface hole in the field is attached.

Typically the blooie line discharge point is required to be 100 feet from the well bore. In the case of a KMG well, the reserve pit is only 45 feet from the rig and is used for the drill cuttings. The blooie line, which transports the drill cuttings from the well to the reserve pit, subsequently discharges only 45 feet from the well bore.

Typically the air rig compressors are required to be located in the opposite direction from the blooie line and a minimum of 100 feet from the well bore. At the KMG locations, the air rig compressors are approximately 40 feet from the well bore and approximately 60 feet from the blooie line discharge due to the unique air rig design. The air compressors (see attachment) are located on the rig (1250 cfm) and

on a standby trailer (1170 cfm). A booster sits between the two compressors and boosts the output from 350 psi to 2000 psi. The design does put the booster and standby compressor opposite from the blooie line.

Lastly, Onshore Order 2 addresses the need for an automatic igniter or continuous pilot light on the blooie line. The air rig does not utilize an igniter as the surface hole drilling operation does not encounter productive formations.

Variance for FIT Requirements

KMG also respectfully requests a variance to Onshore Order 2, Section III, Part Bi, for the pressure integrity test (PIT, also known as a formation integrity test (FIT)). This well is not an exploratory well and is being drilled in an area where the formation integrity is well known. Additionally, when an FIT is run with the mud weight as required, the casing shoe frequently breaks down and causes subsequent lost circulation when drilling the entire depth of the well.

Conclusion

The air rig operating procedures and the attached air rig layout have effectively maintained well control while drilling the surface holes in KMG Fields. KMG respectfully requests a variance from Onshore Order 2 with respect to air drilling well control requirements as discussed above.

10. **Other Information:**

Please refer to the attached Drilling Program.





KERR-McGEE OIL & GAS ONSHORE LP
DRILLING PROGRAM

CASING PROGRAM

| | SIZE | INTERVAL | WT. | GR. | CPLG. | DESIGN FACTORS | | | |
|------------|--------|------------|-------|-------|-------|----------------|----------|---------|-----------------|
| | | | | | | BURST | COLLAPSE | LTC | DQX |
| | | | | | | | | TENSION | |
| CONDUCTOR | 14" | 0-40' | | | | | | | |
| SURFACE | 8-5/8" | 0 to 2,730 | 28.00 | IJ-55 | LTC | 3,390 | 1,880 | 348,000 | N/A |
| | | | | | | 7,780 | 6,350 | 4.51 | N/A |
| PRODUCTION | 4-1/2" | 0 to 5,300 | 11.60 | I-80 | DQX | 1.11 | 2.78 | | 267,035 4.97 |

Surface Casing:

(Burst Assumptions: TD = 8.3 ppg) 0.73 psi/ft = frac gradient @ surface shoe
Fracture at surface shoe with 0.1 psi/ft gas gradient above

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

Production casing:

(Burst Assumptions: Pressure test with 8.4ppg @ 7000 psi) 0.42 psi/ft = bottomhole gradient

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

CEMENT PROGRAM

| | | FT. OF FILL | DESCRIPTION | SACKS | EXCESS | WEIGHT | YIELD |
|---|----------------------|-------------|--|---------|--------|--------|-------|
| SURFACE Option 1 | LEAD | 500' | Premium cmt + 2% CaCl + 0.25 pps flocele | 180 | 60% | 15.80 | 1.15 |
| | TOP OUT CMT (6 jobs) | 1,200' | 20 gals sodium silicate + Premium cmt + 2% CaCl + 0.25 pps flocele | 270 | 0% | 15.80 | 1.15 |
| NOTE: If well will circulate water to surface, option 2 will be utilized | | | | | | | |
| SURFACE Option 2 | LEAD | 2,230' | 65/35 Poz + 6% Gel + 10 pps gilsonite + 0.25 pps Flocele + 3% salt BWOW | 210 | 35% | 11.00 | 3.82 |
| | TAIL | 500' | Premium cmt + 2% CaCl + 0.25 pps flocele | 150 | 35% | 15.80 | 1.15 |
| | TOP OUT CMT | as required | Premium cmt + 2% CaCl | as req. | | 15.80 | 1.15 |
| PRODUCTION | LEAD | 2,230' | Premium Lite II +0.25 pps celloflake + 5 pps gilsonite + 10% gel + 0.5% extender | 150 | 35% | 11.00 | 3.38 |
| | TAIL | 3,070' | 50/50 Poz/G + 10% salt + 2% gel + 0.1% R-3 | 730 | 35% | 14.30 | 1.31 |

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

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

FLOAT EQUIPMENT & CENTRALIZERS

| | |
|------------|--|
| SURFACE | Guide shoe, 1 jt, insert float. Centralize first 3 joints with bow spring centralizers. Thread lock guide shoe |
| PRODUCTION | Float shoe, 1 jt, float collar. No centralizers will be used. |

ADDITIONAL INFORMATION

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

BOPE: 11" 5M with one annular and 2 rams. The BOPE will be installed before the production hole is drilled and tested to 5,000 psi (annular to 2,500 psi) prior to drilling out the surface casing shoe. Record on chart recorder and tour sheet. Function test rams on each trip. Maintain safety valve and inside BOP on rig floor at all times. Most rigs have top drives; however, if used, the Kelly is to be equipped with upper and lower kelly valves.

Surveys will be taken at 1,000' minimum intervals.

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

DRILLING ENGINEER:

Nick Spence / Danny Showers

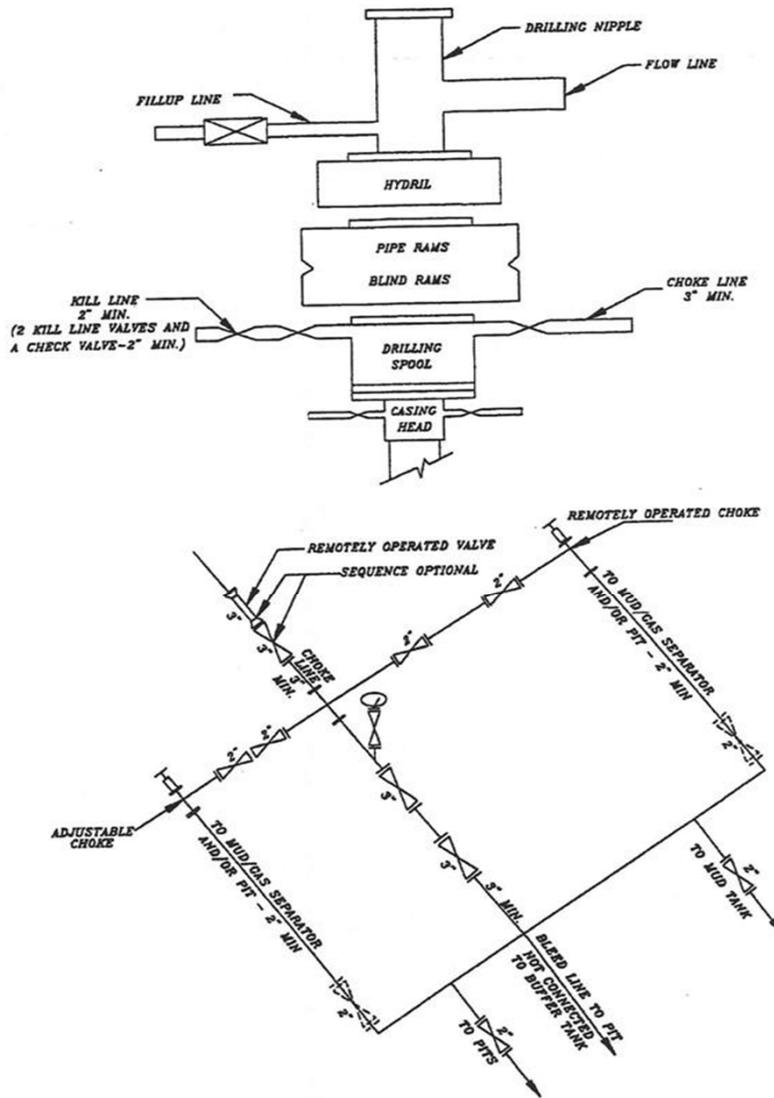
DATE:

DRILLING SUPERINTENDENT:

Kenny Gathings / Lovel Young

DATE:

EXHIBIT A
MU 920-32B



SCHEMATIC DIAGRAM OF 5,000 PSI BOP STACK

Requested Drilling Options:

Kerr-McGee will use either a closed loop drilling system that will require one pit and one cuttings storage area to be constructed on the drilling pad or a traditional drilling operation with one pit used for drilling and completion operations. The cuttings storage area will be used to contain only the de-watered drill cuttings and will be lined and bermed to prevent any liquid runoff. The drill cuttings will be buried in the completion pit once completion operations are completed according to traditional pit closure standards. The pit will be constructed to allow for completion operations. The completion operations pit will be lined with a synthetic material 20 mil or thicker and will be used for the completing of the wells on the pad or used as part of our Aandarko Completions Transportation System (ACTS). Using the closed loop drilling system will allow Kerr-McGee to decrease the amount of disturbance/footprint on location compared to a single large drilling/completions pit.

If Kerr-McGee does not use a closed loop drilling system, it will construct a traditional drilling/completions pit to contain drill cuttings and for use in completion operations. The pit will be lined with a synthetic material 20 mil or thicker. The drill cuttings will be buried in the pit using traditional pit closure standards.



GARY R. HERBERT
Governor

GREG BELL
Lieutenant Governor

State of Utah

DEPARTMENT OF NATURAL RESOURCES

MICHAEL R. STYLER
Executive Director

Division of Oil, Gas and Mining

JOHN R. BAZA
Division Director

JANUARY 4, 2012

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

Re: APD Rescinded – MU 920-32B, Sec. 32, T. 9S, R. 20E
Uintah County, Utah API No. 43-047-50191

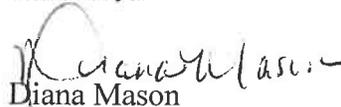
Ladies and Gentlemen:

The Application for Permit to Drill (APD) for the subject well was approved by the Division of Oil, Gas and Mining (Division) on December 24, 2008. On December 23, 2009 and December 23, 2010, the Division granted a one-year APD extension. No drilling activity at this location has been reported to the division. Therefore, approval to drill the well is hereby rescinded, effective January 4, 2012.

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

