

Kent Stevens. met = Hughes during survey of site on 2/16/07, offered him opportunity to comment on well location and participate in staking. He has not submitted 30 day notice letter yet.

5/4/07 - Hughes - Inform him that Star has not submitted him 30 day notice letter.

5/14/07 Harris APD not ... 30 day notice not sent

10/13/07 (970) 588 3302 Kent Stevens  
left message

7/11/08 no APD in yet

7/17/08 Kent Stevens (970) 588-3302

Stevens does not work there anymore

Not sure what they're going to do

Red Mesa Holdings Mark Napier

Taylor might be new name. Mark will determine what name and call me back

→

8/1/08 Mark Napier (970) 588-3302  
left message to call

3/2/09 - withdraw OIR per Hughes

1

Room #4  
6/27  
R33  
Kurt Steiner

5/11/07 Sunnylight's presented SWA with April 12  
presented yesterday  
called out in January  
15 pieces of paper  
received for other acquisitions  
Field is cultivation for my next now.  
(970) 588-3302 office  
(970) 588-3546  
(970) 588-3302 cell.

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**Colorado Oil and Gas Conservation Commission (COGCC)**  
**Onsite Inspection Request Form**

REC'D  
2/16/07

(Effective for APDs submitted after February 15, 2005)

As the surface owner(s) where a proposed well is being drilled, I/we am/are requesting that the COGCC conduct an onsite inspection. I/we did not execute a surface use or other relevant agreement regarding the use of the surface for the proposed well. I/we understand that good faith consultation with the operator as required under COGCC Rule 306. is required to have occurred prior to making this request to the COGCC to conduct an onsite inspection, and that this onsite inspection request must be received by the COGCC within ten (10) business days of the first day of the Rule 306. consultation.

Surface Owner Contact Information:

Name: Johnny Hughes  
Address: 1639 CR 135 Marvel, CO 81329  
Telephone No. 970-588-3846 Cell \_\_\_\_\_

Well Operator and Location Information:

Operator: Star Acquisitions VIII  
Well Name: Harris #5  
Location: SWSW Sec. 22 T33N R12W

Quarter/Quarter Section-Township-Range

County: First date Rule 306. consultation  
occurred: Pending

Proposed two (2) dates for the COGCC onsite consultation (must be within thirty (30) days of the request)

1 date \_\_\_\_\_ 2 date \_\_\_\_\_

I/we would prefer to have a representative of the appropriate Local Government (COGCC Local Governmental Designee) invited to attend the onsite inspection? yes no

Briefly describe the unresolved issues related to the proposed well: (The onsite inspection shall not address matters of surface owner compensation, property value, future use of the property or any private party contractual issues between the operator and the surface owner.)

Objects to well location

Signature(s) Date

**Please fax or first class mail this request for an onsite inspection to:**

Colorado Oil and Gas Conservation Commission  
Attn: Permit Supervisor  
1120 Lincoln Street, Suite 801 Denver, CO 80203  
FAX (303) 894-2109



Colorado Oil and Gas Conservation Commission (COGCC)

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As the surface owner(s) where a proposed well is being drilled, I/we am/are requesting that the COGCC conduct an onsite inspection. I/we did not execute a surface use or other relevant agreement regarding the use of the surface for the proposed well. I/we understand that good faith consultation with the operator as required under COGCC Rule 306. is required to have occurred prior to making this request to the COGCC to conduct an onsite inspection, and that this onsite inspection request must be received by the COGCC within ten (10) business days of the first day of the Rule 306. consultation.

Surface Owner Contact Information:

Name: Johnny Hughes  
Address: P.O. Box 44  
Telephone No. 970-588-3846 Cell \_\_\_\_\_

Well Operator and Location Information:

Operator: Apex Energy  
Well Name: Star Acquisition VIII  
Location: SWSW SEC 22 T33N R12W  
Quarter/Quarter Section-Township-Range

County: La Plata  
First date Rule 306. consultation occurred: May 7-07 Date

Proposed two (2) dates for the COGCC onsite consultation (must be within thirty (30) days of the request)  
1<sup>st</sup> date \_\_\_\_\_ 2<sup>nd</sup> date \_\_\_\_\_

I/we would prefer to have a representative of the appropriate Local Government (COGCC Local Governmental Designee) invited to attend the onsite inspection? \_\_\_\_\_ yes \_\_\_\_\_ no

Briefly describe the unresolved issues related to the proposed well: (The onsite inspection shall not address matters of surface owner compensation, property value, future use of the property or any private party contractual issues between the operator and the surface owner.)

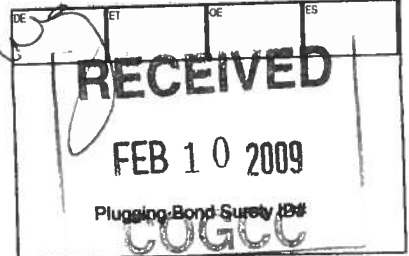
- Water-Testing
- Size of operating units
- Size of storage tanks
- Size & shape of berms - fencing
- Environmental impacts: wildlife
- Drainage concerns
- Preparations of roads &
- Future druzgations operations
- pipelines
- MUFFERS ON UNIT

Signature(s): Johnny Hughes Date: May 11-07

Please fax or first class mail this request for an onsite inspection to:  
Colorado Oil and Gas Conservation Commission  
Attn: Permit Supervisor  
1120 Lincoln Street, Suite 801 Denver, CO 80203  
FAX (303) 894-2109

Leat: 37.087324  
WOW: -108.144482  
OP: 10192

5/17/08 - updated operator to Ren Mesa #10254



APPLICATION FOR PERMIT TO:

1.  Drill,  Deepen,  Re-enter,  Recomplete and Operate

Refilling   
Sidetrack

2. TYPE OF WELL  
OIL  GAS  COALBED  OTHER:   
SINGLE ZONE  MULTIPLE ZONES  COMMINGLE ZONES

Complete the Attachment Checklist

3. Name of Operator: <u>Red Mesa Holdings</u>	4. COGCC Operator Number: <u>10254</u>	OP	COGCC
5. Address: <u>6134 S. Willow Drive, Ste. 200</u>	City: <u>Greenwood Village</u> State: <u>CO</u> Zip: <u>80111</u>	APD Orig & 1 Copy	<input checked="" type="checkbox"/>
6. Contact Name: <u>Rich Larson</u> Phone: <u>303-957-2038</u> Fax: <u>303-957-2090</u>	Well Name: <u>Harris</u> Well Number: <u>5</u>	Form 2A	<input checked="" type="checkbox"/>
7. Well Name: <u>Harris</u>	Unit Name (if appl):	Well location plat	<input checked="" type="checkbox"/>
8. Unit Name (if appl):	Proposed Total Measured Depth: <u>3500'</u>	Topo map	<input checked="" type="checkbox"/>
9. Proposed Total Measured Depth: <u>3500'</u>		Mineral lease map	<input type="checkbox"/>
10. QtrQtr: <u>SW/4SW/4</u> Sec: <u>22</u> Twp: <u>33N</u> Rng: <u>12W</u> Meridian: <u>N.M.P.M.</u>		Surface agrmt/Surety	<input checked="" type="checkbox"/>
Latitude: <u>37.0843</u> Longitude: <u>108.14437</u>		30 Day notice letter	<input checked="" type="checkbox"/>
Footage At Surface: <u>679</u> <u>FSL</u> <u>679</u> <u>FWL</u>		Deviated Drilling Plan	<input type="checkbox"/>
11. Field Name: <u>Ignacio Blanco - Red Mesa</u> Field Number: <u>72890-38300</u>		Exception Location Request	<input type="checkbox"/>
12. Ground Elevation: <u>6566'</u> 13. County: <u>La Plata</u>		Exception Loc Waivers	<input type="checkbox"/>
14. GPS Data: Date of Measurement: <u>2/16/2007</u> PDOP Reading: <u>&lt;3.0</u> Instrument Operator's Name: <u>Clyde J. King</u>		H2S Contingency Plan	<input type="checkbox"/>
		Federal Drilling Permit	<input type="checkbox"/>

15. If well is:  Directional  Horizontal (highly deviated),  submit deviated drilling plan. Bottomhole Sec Twp Rng: \_\_\_\_\_

Footage At Top of Prod Zone: \_\_\_\_\_ At Bottom Hole: \_\_\_\_\_

16. Is location in a high density area (Rule 603b)?  Yes  No

17. Distance to the nearest building, public road, above ground utility or railroad: 985-1043

18. Distance to Nearest Property Line: 679' 19. Distance to nearest well permitted/completed in the same formation: 1460'

20. LEASE, SPACING AND POOLING INFORMATION

Objective Formation(s)	Formation Code	Spacing Order Number (s)	Unit Acreage Assigned to Well	Unit Configuration (N/2, SE/4, etc.)
Dakota	DKTA	NA	NA	NA

21. Mineral Ownership:  Fee  State  Federal  Indian Lease # \_\_\_\_\_

22. Surface Ownership:  Fee  State  Federal  Indian Surface Surety ID# \_\_\_\_\_

23. Is the Surface Owner also the Mineral Owner?  Yes  No

23a. If 23 is Yes: Is the Surface Owner(s) signature on the lease?  Yes  No

23b. If 23 is No:  Surface Owners Agreement Attached or  \$25,000 Blanket Surface Bond  \$2,000 Surface Bond  \$5,000 Surface Bond

24. Using standard QtrQtr, Sec, Twp, Rng format enter entire mineral lease description upon which this proposed wellsite is located (attach separate sheet/map if you prefer):  
SE/4SE/4 Sec. 21, SW/4SW/4 Sec. 22, NW/4NW/4 Sec. 27, E/2NE/4 Sec. 28, T-33-N, R-12-W, N.M.P.M.

25. Distance to Nearest Mineral Lease Line: 1041' 26. Total Acres in Lease: 200

DRILLING PLANS AND PROCEDURES

27. Is H2S anticipated?  Yes  No If Yes, attach contingency plan.

28. Will salt sections be encountered during drilling?  Yes  No

29. Will salt (>15,000 ppm TDS Cl) or oil based muds be used during drilling?  Yes  No

30. If questions 27 or 28 are yes, is this location in a sensitive area (Rule 903)?  Yes  No If 28, 29 or 30 are "Yes" a pit permit may be required.

31. Mud disposal:  Offsite  Onsite  
Method:  Land Farming  Land Spreading  Disposal Facility  Other: air drilling

NOTE: The use of an earthen pit for Recompletion fluids requires a pit permit (Rule 905b.) If air/gas drilling, notify local fire officials.

String	Size of Hole	Size of Casing	Weight Per Foot	Setting Depth	Sacks Cement	Cement Bottom	Cement Top
Surface	12-1/4"	9-5/8"	39#	200'	70	200'	surface
Intermediate	8-1/4"	7"	20#	1500'	220	1500'	surface
Production	6-1/4"	4-1/2"	15.5#	3500'	300	3500'	surface
			Stage Tool				

32. BOP Equipment Type:  Annular Preventor  Double Ram  Rotating Head  None  
33. Comments: No conductor casing for this well.

34. Initial Rule 306 Consultation took place on (date) 12/19/2008, was waived, or is not required. Provide supporting documentation if consultation has been waived or if good faith effort did not result in consultation.  
**PERMIT SUBMITTED TO COGCC PRIOR TO COMPLIANCE WITH RULE 306 CONSULTATION SHALL BE RETURNED UNAPPROVED.**  
I hereby certify that a complete permit package has been sent to the applicable Local Government Designee(s), and all statements made in this form are, to the best of my knowledge, true, correct, and complete.  
Signed: Tim G. Kelley Print Name: Tim G. Kelley  
Title: Agent, 970-385-4722 Date: 1/16/09 2/2/09 Email: tim@finneyland.com

Based on the information provided herein, this Application for Permit-to-Drill complies with COGCC Rules and applicable orders and is hereby approved.  
COGCC Approved: \_\_\_\_\_ Director of COGCC Date: \_\_\_\_\_

Permit Number: 20090623 Expiration Date: \_\_\_\_\_  
CONDITIONS OF APPROVAL, IF ANY:

API NUMBER  
05-

RECEIVED

FEB 10 2009

COGCC

## SURFACE ACCESS AGREEMENT & RELEASE

KNOW ALL MEN BY THESE PRESENTS:

That for and in consideration of the sum of Ten and More Dollars (\$10.00 +), paid to the undersigned by Red Mesa Holdings O&G LLC (hereinafter "Operator"), receipt of which is hereby acknowledged, The Johnny Hughes Family Trust Dated June 29, 1999 (hereinafter "OWNER") and their heirs, successors, and assigns, as the OWNER of the hereinafter described lands, do hereby release Operator, its successors, agents and employees from any and all claims for damages to the surface of the hereinafter described lands in La Plata County, Colorado, resulting from the ingress and egress, drilling, completion, operation, maintenance and/or abandonment of the Harris #5 well situated upon and under the hereinafter described lands:

Township 33 North, Range 12 West, NMPM  
Section 22: SW/4SW/4

The wellpad to be located around the wellhead located 679 feet from the West section line and 679 feet from the South section line.

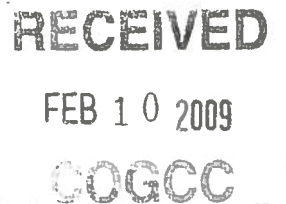
Operator shall use only such portions of the described lands as are reasonably necessary as more particularly shown on attached Exhibit "A"; however, the surface area actually disturbed for the wellpad shall not be more than 1.0 acres in size for drilling and completion operations. Operator shall have full and complete access to the original 1.0 acre wellpad at all times for subsequent well operations. Operator will install one gas gathering and one water gathering pipeline. Such pipelines shall be laid to a minimum depth of 36 inches below the surface.

OWNER hereby grants unto Operator an easement for a road not to exceed twenty feet (20') in width located across the above referenced property as shown on the attached Exhibit "B". The parties hereto shall cooperate with each other concerning the use and enjoyment of the subject road except for the purposes herein granted, but such use shall not hinder, conflict, or interfere directly, or indirectly, with the exercise of Operator's rights hereunder.

OWNER further releases Operator, its successors, agents and employees from any and all claims for damages for loss of growing crops on the hereinafter described lands resulting directly or indirectly from the drilling, completion, operation, maintenance and/or abandonment of the well identified above.

The consideration paid hereunder shall also compensate the OWNER for damages sustained or which may be sustained, as a direct or indirect result of the construction, maintenance and subsequent use of the access road and production facilities necessary for Operator, its successors, agents, and employees to properly conduct operations and maintenance activities associated with the well identified above. Operator shall conduct its operations in a manner which will cause the least practical interference with OWNER's use of the leased lands.

Operator agrees to repair all fences, build gates and construct the access road and crossings in a manner which will allow OWNER to continue its use of the property in its current manner. Drainage areas or irrigation ditches will be re-constructed in a manner agreed to with OWNER. Upon completion of the well, the wellpad shall be reduced in size to the minimum necessary to allow for normal production operations and the remainder of the wellpad will be reclaimed. Reclamation shall consist of grading disturbed areas to pre-existing grade and seeding with a seed mixture recommended by the NRCS office



for the area. Rig anchors may be left in place, if identified in a manner which will avoid damage to OWNER's equipment. Restoration shall conform to the Colorado Oil & Gas Conservation Commission Surface Access Agreement & Release (COGCC) rules and regulations. Operator shall maintain disturbed areas and facilities free of weeds. Well equipment shall be fenced.

OWNER hereby waives the thirty (30) day notification prior to commencement of drilling operations as required by Rule 305.b of the COGCC rules and acknowledges that OWNER has received the brochure "Information for Oil and Gas Operators, Surface Owners and Surface Tenants" as per COGCC Rule 305.c(6). This agreement shall serve as evidence that the consultation requirements of the COGCC Rules 305 and 306 have been fulfilled.

Operator, in its discretion, may use synthetic liners for any pits utilized; however, Operator must bury said liners upon final reclamation of the site.

Operator will comply with COGCC Rules concerning Noise Abatement and shall install hospital grade mufflers, buried in series, sound walls, and/or other devices as necessary.

The consideration due hereunder shall be payable prior to the commencement of drilling operations on the subject lands.


Operator hereby agrees to indemnify and hold OWNER harmless from and against any and all expenses, losses or damages resulting from or relating to Operator's operation and maintenance of the well, equipment, road and related activities on the property, provided however Operator does not indemnify OWNER for expenses, losses or damages resulting from OWNER's conduct on the Property.

This Agreement shall be for as long as the above captioned well is operated by Operator, its successors and assigns, and for a period of one year after the abandonment of the well during which time Operator shall have the right to remove all facilities and other fixtures installed pursuant to this agreement. Upon abandonment of the well, Operator agrees to restore the surface of the lands to as near as condition as it was prior to Operator's operations in accordance with COGCC Rules.

The terms of this written Agreement shall constitute the full agreement between the parties hereto and no modification or amendment of this Agreement shall be effective unless made in writing and signed by the parties.

IN WITNESS WHEREOF, this Release is voluntarily entered into and executed this 19th, day of December, 2008.

OWNER:

  
Johnny Hughes as Trustee of the Johnny Hughes  
Family Trust Dated June 29, 1999

OPERATOR:

BY:   
Richard A. Larson  
Red Mesa Holdings O&G LLC  
Field Superintendant

