

ONSHORE OIL & GAS ORDER NO. 1  
Quintana Petroleum Corporation  
Jeep Trail Federal 1-32  
1370' FNL and 870' FWL  
Section 32, T11N - R90W  
Moffat County, Colorado

081-06649

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COLO. OIL & GAS CONS. DIV.

DRILLING PROGRAM

ONSHORE OIL & GAS ORDER NO. 1  
Approval of Operations on Onshore  
Federal and Indian Oil and Gas Leases

All lease and/or unit operations will be conducted in such a manner that full compliance is made with applicable laws, regulations (43 CFR 3100), Onshore Oil and Gas Order No. 1, and the approved plan of operations. The operator is fully responsible for the actions of his subcontractor. A copy of these conditions will be furnished to the field representative to ensure compliance.

1. The surface formation and estimated formation tops to be encountered are as follows:

| <u>Formation</u> | <u>Depth</u> | <u>Subsea</u> |
|------------------|--------------|---------------|
| Wasatch          | Surface      | ---           |
| Fort Union       | 1400'        | +5435'        |
| Lance            | 2853'        | +3982'        |
| Fox Hills        | 3613'        | +3222'        |
| Lewis            | 3777'        | +3058'        |
| Upper A Sand     | 3847'        | +2988'        |
| Lower A Sand     | 4550'        | +1810'        |
| T.D.             | 4475'        |               |

2. a. The estimated depths at which oil, gas, water or other mineral bearing zones are expected to be encountered are as follows:

| <u>Substance</u> | <u>Formation</u> | <u>Anticipated Depth</u> |
|------------------|------------------|--------------------------|
| Gas              | Lewis A Sand     | 3847-4150'               |

All shows of fresh water and minerals will be reported and adequately protected. If requested a sample will be taken of any water flows and furnished to the BLM in Craig, Colorado for analysis. All oil and gas shows will be tested to determine commercial potential.

- b. Quintana Petroleum Corp. plans to protect all surface fresh water zones by running a sufficient amount of surface casing.



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3. Quintana Petroleum Corp.'s minimum specifications for pressure control equipment are as follows:

Pressure control equipment will consist of a Double Gate Annular, Series 900, 3000# W.P. (minimum) BOP from 250' to T.D. (See BOP Diagram attached.)

BOP systems will be consistent with API RP 53. Pressure tests will be conducted before drilling out from under all casing strings which are set and cemented in place. Blowout preventer controls will be installed prior to drilling the surface shoe and prior to starting workover or completion operations. Preventers will remain in use until the well is completed or abandoned. Preventers will be inspected and operated at least daily to ensure good mechanical working order. Preventers will be pressure tested to 70% of the internal yield of the casing or to the working pressure before drilling out from below each casing string. All BOP pressure tests must be recorded on the daily drilling report.

4. a. Casing

The proposed casing program is as follows:

| <u>Purpose</u> | <u>Depth</u> | <u>Hole Size</u> | <u>O.D.</u> | <u>Wt.</u> | <u>Grade</u> | <u>Type</u> | <u>New<br/>or<br/>Used</u> |
|----------------|--------------|------------------|-------------|------------|--------------|-------------|----------------------------|
| Surface        | 0-250'       | 12-1/4"          | 8-5/8"      | 24#        | K-55         | ST&C        | New                        |
| Production     | 0-4475'      | 7-7/8"           | 5-1/2"      | 15.5       | K-55         | ST&C        | New                        |

All casing strings will be tested to 0.2 psi/ft. or 1000 psi, whichever is greater.

- b. Cement

The cementing program will be as follows:

Surface

Type and Amount

200 sx Class "G" w/2% CaCl<sub>2</sub> and 1/4# floseal per sack; or sufficient to circulate to surface (100% excess).

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4. Cement (cont.)

Production

Type and Amount

200 sx Class "G" cement with 1.7% D-29  
and 3/4% D-31. Volume to be adjusted  
upon inspection of open hole logs.

c. Auxiliary Equipment will be as follows:

1. Kelly cock.
2. A full opening safety valve will be on the floor when the kelly is not in use with cross overs to all drill collars.
3. Necessary solids control equipment.
7. Pit Level Indicator and Flow Show

5. Drilling fluid will be as follows:

| <u>Interval</u> | <u>Mud Type</u>            | <u>Mud Wt.</u> | <u>Visc.</u> | <u>F/L</u> | <u>PH</u> |
|-----------------|----------------------------|----------------|--------------|------------|-----------|
| 0-250'          | Spud Mud                   | 8.5-10.0       | 30-50        | N/C        | 9.0       |
| 250-T.D.        | KCL - Lightly<br>Dispersed | 8.8-10.5       | 30-50        | 6-10       | 10.0      |

There will be sufficient weighted material on location to control a blowout should one occur.

If chromate additives will be used in the mud system, prior BLM approval will be required to ensure adequate protection of fresh water aquifers.

Monitoring of the system will be done visually.

6. Coring, logging and testing programs are as follows:

- a. No conventional cores are anticipated.

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6. Coring, Logging and Testing (cont.)
  - b. The logging program will consist of a DIL-SFL and BHC-Sonic from base of surface casing to T.D. An FDC-CNL will be run over zones of interest.
  - c. DST's are possible in the following formations: 1) Lance - 2853-2875'; 2) Lewis 3847-3860'; 3) Lewis 4125-4150'

Whether the well is completed as a dry hole or as a producer, "Well Completion or Recompletion Report and Log" (Form 3160-4) will be submitted not later than 30 days after completion of the well or after completion of operations being performed, in accordance with 43 CFR 3164. Two copies of all logs, core descriptions, core analysis, well-test data, geologic summaries, sample descriptions, and all other surveys or data obtained and compiled during the drilling, workover, and/or completion operations, will be filed with Form 3160-4. Samples (cuttings, fluids, and/or gases) will be submitted when requested by the District Manager.

7. Abnormal conditions, bottom hole pressures and potential hazards.
  - a. The maximum bottom hole pressure to be expected is 1900 psi.
  - b. Quintana Petroleum Corporation plans to spud the Jeep Trail Federal #1-32 upon approval of this application (weather conditions permitting) and intends to complete the well within approximately one month after the well has reached T.D.
8. Other Information
  - a. Location construction is planned to commence upon approval of this application (weather conditions permitting).
  - b. It is anticipated the duration of drilling will be 7 days.
  - c. The anticipated completion program is as follows:  
Perforate the Lewis A sand - +10' with 4 jspf. Breakdown if necessary with 3% KCL water. Frac if necessary with foamed KCL water and sand.

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8. Other Information (cont.)

- d. The operator will contact the Bureau of Land Management in Craig, Colorado (303/824/8261), at least 48 hours prior to beginning any dirt work on this location.
- e. No location will be constructed or moved, no well will be plugged, and no drilling or workover equipment will be removed from a well to be placed in a suspended status without prior approval of the AO. If operations are to be suspended, prior approval of the AO will be obtained and notification given before resumption of operations.
- f. The spud date will be reported orally to the AO within 48 hours after spudding. If the spudding occurs on a weekend or holiday, the report will be submitted on the following regular work day. The oral report will be followed up with a Sundry Notice.
- g. In accordance with NTL-1, this well must be reported on Form 3160.6, "Monthly Report of Operations," starting with the month in which operations commence and continuing each month until the well is physically plugged and abandoned. This report should be filed in duplicate directly with the BLM, Craig District Office.
- h. Immediate Report: Spills, blowouts, fires, leaks, accidents or any other unusual occurrences shall be promptly reported in accordance with the requirements of NTL-3A or its revision.
- i. If the well is successfully completed for production, then the AO will be notified when the well is placed in a producing status. Such notification will be sent by telegram or other written communication, no later than 5 days following the date on which the well is placed on production. Such notification may be provided orally if confirmed in writing, and must be received in this office not later than the fifth business day following the date on which the well is placed on production. The notification shall provide, as a minimum, the following information items:

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8. Other Information (cont.)

1. Operator Name
  2. Well name, number and location
  3. Date well was placed on production
  4. The lease, or communitized tract, or unit participating area to which the well's production is attributable.
- j. Pursuant to NTL-2B requirements regarding disposal facilities for new wells, this is authorization for unlined pit disposal of the water produced from this well for a period of 90 days from the date of initial production for sales purposes. During this period, an application for approval for permanent disposal method, along with the required water analysis and other information, must be submitted for the AO's approval. Failure to timely file an application with the time allowed will be considered an incident of non-compliance, and will be grounds for issuing a shut-in order until the application is submitted.
- k. Pursuant to NTL-4A, lessees or operators are authorized to vent/flare gas during initial well evaluation tests, not exceeding a period of 30 days or the production of 50 MMCF of gas, whichever occurs first. An application must be filed with the AO and approval received, for any venting/flaring of gas beyond the initial 30 day or authorized test period.
- l. A schematic facilities diagram as required by 43 CFR 3162.7-2, 3162.7-3 and 3162.7-4 shall be submitted to the appropriate District Office within 30 days of installation or first production, whichever occurs first. All site security regulations as specified in 42 CFR 3162.7 shall be adhered to. All product lines entering and leaving hydrocarbon storage tanks will be effectively sealed in accordance with 43 CFR 3162.7-4.
- m. Final abandonment will not be approved until surface reclamation work required by the approved APD or approved abandonment notice has been completed to the satisfaction of the BLM in Craig, Colorado or the appropriate Surface Managing Agency.

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8. Other Information (cont.)

- n. No well abandonment operations will begin without the prior approval of the AO. In the case of newly drilled dry holes or failures, and in emergency situations, oral approval will be obtained from the AO.

SUBMITTAL OF THE THREE ABANDONMENT SUNDRY NOTICES  
(FORM 3160-5) AS PER ONSHORE ORDER NO. 1 WILL BE:

1. Request for Approval to Abandon
    - a. Proposed plugging procedures, or
    - b. Confirmation of verbal plugging procedures (prompt confirmation required)
  2. Subsequent Report of Abandonment
    - a. "Other" category marked - executed plugging procedures (within 30 days following completion of abandonment)
  3. Subsequent Report of Abandonment
    - a. "Other" category marked - final abandonment after surface rehabilitation completion.
- o. Subsequent report will indicate where plugs were placed and the current status of surface restoration. Final abandonment will not be approved until the surface reclamation work required by the approved abandonment notice has been completed to the satisfaction of the AO or his representative, or the appropriate surface managing agency.
- p. Pursuant to Onshore Oil and Gas Order No. 1, lessees and operators have the responsibility to see that their exploration, development production, and construction operations are conducted in a manner which conforms with applicable Federal laws and regulations and with State and local laws and regulations to the extent that such State and local laws are applicable to operations on Federal or Indian lands.

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8. Other Information (cont.)

- q. If air drilling, the operator shall control blooie line discharge dust by use of water injection or any other acceptable method. The blooie line discharge shall be a minimum of 125 feet from the well head and be directed into the blooie pit in such a manner as to allow containment of drill bit cuttings and waste in the blooie pit.

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