

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

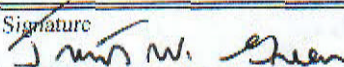
APPLICATION FOR PERMIT TO DRILL OR REENTER

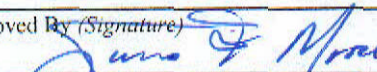
FORM APPROVED
OMB NO. 1004-0137
Expires: July 31, 2010

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|--|--|---|
| 1a. Type of Work: <input checked="" type="checkbox"/> DRILL <input type="checkbox"/> REENTER | | 5. Lease Serial No. COC-59394 |
| 1b. Type of Well: <input type="checkbox"/> Oil Well <input checked="" type="checkbox"/> Gas Well <input type="checkbox"/> Other <input type="checkbox"/> Single Zone <input checked="" type="checkbox"/> Multiple Zone | | 6. If Indian, Allottee or Tribe Name |
| 2. Name of Operator BOPCO, L.P. | | 7. If Unit or CA Agreement, Name and No. Yellow Creek Federal COC-68957X |
| 3a. Address 9949 South Oswego St., Suite 200 Parker, CO 80134 | | 8. Lease Name and Well No. Yellow Creek Federal 32-41-1 |
| 3b. Phone No. (include area code) (303) 799-5080 | | 9. API Well No. |
| 4. Location of well (Report location clearly and in accordance with any State requirements. *) At surface 1213' 1229' NE NE Lat. 40.01577N Long. 108.41038W FNL FEL At proposed prod. zone Same | | 10. Field and Pool, or Exploratory Yellow Creek |
| 11. Sec., T., R., M., or Blk. and Survey or Area 32 T 1N R 98W | | 12. County or Parish Rio Blanco |
| 13. State Colorado | | |
| 14. Distance in miles and direction from the nearest town or post office* 34.5 miles southwest of Meeker, CO | | |
| 15. Distance from proposed* location to nearest property or lease line, ft. (Also to nearest drlg. unit line, if any) 1213' | | 16. No. of acres in lease 2364.8 |
| 17. Spacing Unit dedicated to this well 40 acres | | |
| 18. Distance from proposed location* to nearest well, drilling, completed, applied for, on this lease, ft. 2100' | | 19. Proposed Depth 12,000' MD |
| 20. BLM/ BIA Bond No. on file COB000050 | | |
| 21. Elevations (Show whether DF, RT, GR, etc.) 6704' ungraded 6729' est. KB | | 22. Aproximate date work will start* 8/1/2010 |
| 23. Estimated duration 20 days | | |
| 24. Attachments | | |

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

- Well plat certified by a registered surveyor.
- A Drilling Plan.
- A Surface Use Plan (if the location is on National Forest System Lands, the SUPO shall be filed with the appropriate Forest Service Office).
- Bond to cover the operations unless covered by existing bond on file (see item 20 above).
- Operator certification.
- Such other site specific information and/ or plans as may be required by the authorized officer.

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|---|---|------------------|
| 25. Signature  | Name (Printed/ Typed) Trent W. Green | Date 10-26-09 |
| Title Division Production Manager | | |

| | | |
|--|---|----------------|
| Approved By (Signature)  | Name (Printed/ Typed) James F. Moore | Date 1/4/10 |
| Title ASSOCIATE FIELD MANAGER Office White River Field Office-Meeker, CO | | |

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

"APPROVAL TO FLARE GRANTED
WHILE DRILLING AND TESTING"

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

(Continued on page 2)

Conditions of Approval Attached

APPROVED FOR A PERIOD
NOT TO EXCEED 2 YEARS

*(Instructions on page 2)

OPERATOR

Conditions of Approval

CO-110-2010-0028-DNA

3160(LLCON05000)

CONDITIONS OF APPROVAL FOR BOPCO New Well YCF 32-41-1

Operator: BOPCO, L.P.
Well No.: Yellow Creel Federal 32-41-1
Location: T1N, R98W, Sec.32, NENE
Lease No.: COC-59394

The Bureau of Land Management, White River Resource Area Office
Address and telephone contacts are:

Address: 220 East Market, Meeker, Colorado 81641
Office Phone: (970) 878-3800
Office Fax: (970) 878-3805

Natural Resource Specialist: Christina J. Barlow, office phone (970) 878-3815

Petroleum Engineering Tech: Bill Kraft, home phone (970) 878-4595, cell 942-8043,
sat. 254-460-3063, office 878-3817

Petroleum Engineer: Betty Lau, office phone (970)-878-3814

All lease and/or unit operations are to be conducted in such a manner to ensure full compliance with the applicable laws, regulations (43 CFR Part 3160), Onshore Orders, Notices to Lessees, and the approved plan of operations. Approval of this application does not relieve you of your responsibility to obtain other required federal, state, or local permits.

This application is valid for a period of two years from the date of approval. Any requests for extensions must be submitted prior to the end of the two year period. If the application terminates, any surface disturbance created under the application must be rehabilitated in accordance with the approved plan within 90 days of termination, unless otherwise approved by the authorized officer. An expired application may be reinstated at the authorized officer's discretion; however, future operations may require a new application to be filed for approval.

You have the right to request a State Director Review (SDR) of the decision to approve this application with the attached conditions in accordance with 43 CFR 3165.3(b). A request for a SDR must occur prior to filing an appeal with the Interior Board of Land Appeals (IBLA). Your request for a SDR and all supporting documentation must be filed with the State Director (CO-922), 2850 Youngfield St., Lakewood, Colorado 80215, within 20 business days of receipt of this letter.

3160(LLCON05000)

CONDITIONS OF APPROVAL FOR BOPCO New Well YCF 32-41-1

I. SURFACE USE PLAN

Pre-Construction

- 1) The *designated Natural Resource Specialist* will be notified 24 hours prior to beginning all construction-related activities associated with this project that result in disturbance of surface soils via email or by phone. Construction-related activities may include, but are not limited to, pad and road construction, clearing pipeline corridors, trenching, etc. Notification of all construction-related activities, regardless of size, that result in disturbance of surface soils as a result of this project is required.

Pre & Post-Drilling Notifications

- 2) The *designated Natural Resource Specialist* will be notified 24 hours prior to well spud (Breaking ground for drilling surface casing) via email or phone.
- 3) The *designated Natural Resource Specialist* will be notified 24 hours prior to commencing Completion operations via email or phone.

Air Quality or OTHER Resources

- 4) Should it become necessary to excavate into the underlying formation (native sedimentary rock) to level the well pad, level the access route, or install facilities or equipment, such excavations must be monitored by an approved paleontologist. The monitoring paleontologist must be present before any excavations into the underlying formation (except for the drilling of well holes). Well holes will not require monitoring, as there exists little to no potential for retrieving intact, identifiable fossils from the resulting cuttings.
- 5) The operator will place one 18-inch culvert across the access road before the tank battery, or if the tank battery is not built before the topsoil storage pile to drain water from the inside ditch on the access road, the operator will build an outsloped access road. An outsloped design for the access road would be in conformance with BLM Manual section 9113, as long as the grade of the access road does not exceed 6%.
- 6) All mitigation measures developed in the CO-110-2006-228-EA for YCF 32-33-1 are applicable to the development and operations of the YCF 32-41-1 well.

Pre-Reclamation Notification

- 7) The *designated Natural Resource Specialist* will be notified 24 hours prior to beginning all reclamation activities associated with this project via email or by phone. Reclamation activities may include, but are not limited to, seed bed preparation that requires disturbance of surface soils, seeding, constructing exclosures (e.g., fences) to exclude livestock from reclaimed areas.

Reclamation/Vegetation

- 8) All seed tags will be submitted to the *designated Natural Resource Specialist* within 14 calendar days from the time the seeding activities have ended via Sundry Notice. The sundry will include the purpose of the seeding activity (i.e., seeding well pad cut and fill slopes, seeding pipeline corridor, etc.). In addition, the SN will include the well or well pad number associated with the seeding activity, if applicable, the name of the contractor that performed the work, his or her phone number, the method used to apply the seed (e.g., broadcast, hydro-seeded, drilled), whether the seeding activity represents interim or final reclamation, an estimate of the total acres seeded, an attached map that clearly identifies all disturbed areas that were seeded, and the date the seed was applied.

Information Sharing & Reclamation Monitoring

- 9) In an attempt to track interim and final reclamation of federal actions related to the development of federal mineral resources, the operator shall submit Geographic Information System (GIS) data to the White River Field Office (WRFO) for any post construction (i.e., “as-built”) polygon feature that was included in the Application for Permit to Drill (APD) or Sundry Notice, and associated with the proposed action. GIS polygon features may include, but are not limited to, constructed access roads, existing roads that were upgraded, pipeline corridors, and well pad footprints. **Geospatial data shall be submitted: for each completed activity; electronically to the designated BLM staff person responsible for the initial submitted request;** and, in accordance with WRFO geospatial data submittal standards (available from WRFO GIS Staff). If the operator is unable to send the data electronically, the operator shall submit the data on compact disk(s) to:

BLM, White River Field Office
220 East Market Street
Meeker, Colorado 81641

These data shall be submitted within 14 calendar days from the time when construction-related activities have ended for all geographic features associated with the approved action, or as stipulated by the BLM if the data are not received as intended. If the operator is unable to submit the required information within the specified time period, the operator shall notify

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the designated BLM staff person via email or by phone, and provide justification supporting an extension of the required data submission time period. Internal and external review of the reporting process and the adequacy of the associated information to meet established goals will be conducted on an on-going basis. New information or changes in the reporting process will be incorporated into the request, as appropriate. Subsequent permit application processing may be dependent upon successful execution of this request, as stated above. Internal and external review of the reporting process and the adequacy of the associated information to meet established goals will be conducted on an on-going basis.

If for any reason the location or orientation of the geographic feature associated with the proposed action changes, the operator shall submit updated GIS data to BLM, WRFO within 7 calendar days of the change. This information should be submitted via Sundry Notice.

- 10) The Reclamation Status Report will be submitted electronically via email and as a hard-copy to WRFO Reclamation Coordinator, Brett Smithers (brett_smithers@blm.gov). Please submit the hardcopy to:

BLM, White River Field Office
220 East Market Street
Meeker, Colorado 81641
Attn: Brett Smithers

The Reclamation Status Report will be submitted annually for all actions that require disturbance of surface soils on BLM-administered lands as a result of the proposed action. Actions may include, but are not limited to, well pad and road construction, construction of ancillary facilities, or power line and pipeline construction. The Reclamation Status Report will be submitted by September 30th of each calendar year, and will include the well number, API number, legal description, UTM coordinates (using the NAD83 datum, Zone 13N coordinate system), project description (e.g., well pad, pipeline, etc.), reclamation status (e.g., Phase I Interim, Phase II Interim, or Final), whether the well pad or pipeline has been revegetated and/or re-contoured, percent of the disturbed area that has been reclaimed, method used to estimate percent area reclaimed (e.g., qualitative or quantitative), technique used to estimate percent area reclaimed (e.g., ocular, line-intercept, etc.), date seeded, photos of the reclaimed site, estimate of acres seeded, seeding method (e.g., broadcast, drilled, hydro-seeded, etc.), and contact information for the person(s) responsible for developing the report. The report will be accompanied with maps and GIS data showing each discrete point (i.e., well pad), polygon (i.e., area where seed was applied for Phase I and/or Phase II interim reclamation or area reclaimed for final reclamation), or polyline (i.e., pipeline) feature that was included in the report. Geospatial data shall be submitted: for each completed activity electronically to the designated BLM staff person responsible for the initial request and in accordance with WRFO geospatial data submittal standards (available from WRFO GIS Staff, or on the WRFO website). Internal and external review of the WRFO Reclamation Status Report, and the process used to acquire the necessary information will be conducted

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annually, and new information or changes in the reporting process will be incorporated into the report.

- 11) The operator will be required to meet with the WRFO reclamation staff in March or April of each calendar year and present a comprehensive work plan. The purpose of the plan is to provide information pertaining to reclamation activities that are expected to occur during the current growing season. Operators shall also provide a map that shows all reclamation sites where some form of reclamation activity is expected to occur during the current growing season.

II. DRILLING PLAN

1) All operations, unless a variance has been granted in writing by the Authorized Officer, must be conducted in accordance with 43 CFR PART 3160 - Onshore Oil and Gas Operations, Onshore Oil and Gas Order No.1; Approval of Operations on Onshore Federal and Indian Oil and Gas Leases; and Onshore Oil and Gas Order No. 2; Drilling Operations. If air or mist drilling is used, operations must be in accordance with Onshore Oil and Gas Order No. 2; Drilling Operations, Part E; Special Drilling Operations.

2) The operator is responsible for the actions of his subcontractors. A copy of the approved APD must be on location during construction, drilling, and completion operations.

3) Major deviations from the drilling plan require prior approval from the Authorized Officer. The operator shall verbally notify either the petroleum engineer or petroleum engineering technician 24 hours prior to the following operations to provide notice of:

- a) Construction of access road and well site
- b) Well spud (Breaking ground for drilling surface casing)
- c) Running and cementing of all casing strings
- d) Pressure testing of BOPE or any casing string
- e) Commencing completion operations
- f) Surface reclamation work

A written sundry notice of the well spud must be submitted within five (5) working days. **In addition, the operator shall **verbally notify** the designated NRS prior to operations a), b), e) and f) identified above.

4) All BOPE tests will be done by a tester and not by the rig pumps. The tests will include a low pressure test of 250 psi for five minutes prior to initiating the high pressure tests discussed in Onshore Order No. 2

5) No "new" hardband drill pipe abrasive to casing will be rotated inside the surface casing. Hardband drill pipe will be considered new until it has been run at least once.

6) Drilling muds with chlorides testing in excess of 3,000 ppm or those containing hydrocarbons shall not be used in drilling operations until after the surface casing has been set.

7) During surface cementing operations, should cement not be circulated to surface the WRFO shall be verbally notified as soon as reasonably possible. A log acceptable to the WRFO shall be run to determine the top of cement prior to commencing remedial cementing operations. If cement is circulated to surface and subsequently falls back, top job(s) will be performed until cement remains at surface.

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8) Due to the extensive lost circulation problems that are being encountered in the Piceance Basin during drilling operations from surface to total depth (TD), and given that all usable water zones, potential productive zones, and lost circulation zones shall be protected and/or isolated per Onshore Order #2, the White River Field Office requires sufficient volumes of cement be pumped to meet these requirements. Cement tops behind intermediate and production casing will be verified by an acceptable log to ensure compliance with this Order.

9) Chronologic drilling progress reports must be sent directly to the BLM White River Field Office on a daily basis, either electronically or by fax (970-878-3805) to the Petroleum Engineer and/or other designated petroleum engineering technicians until the well is drilled to total depth.

10) All drill cuttings shall be contained in a pit on the pad of the well being drilled, or hauled to an approved disposal site. All pits shall maintain a minimum of two feet of free board at all times.

11) For foam and ultralight cement jobs that are performed in cementing the intermediate or production strings, the operator will wait at least 36 hours for cement to harden before running a specialized log capable of reading pipe cement bond and verifying tops of cement. The White River Field Office shall be verbally notified prior to running such specialized log with enough advance notice to allow a representative from this office to witness. Logs showing pipe cement bond and tops of cement for intermediate and production cement jobs will be forwarded to the BLM.

12) One copy of all charted BOPE tests, logs, core descriptions, core analyses, well-test data, geologic summaries, sample descriptions, and all other surveys or data obtained and compiled during the drilling, workover, and/or completion operations, shall be filed with the completion report, Form 3160-4. This completion report shall be filed within 30 days of completion of operations and submitted prior to, or along with the first production notice.

13) The WRFO requires the measurement of individual gas, oil (condensate) and water production streams at the wellhead, unless otherwise approved in advance by the BLM. The sales point for natural gas will be at the wellhead. All meters will be calibrated in place prior to any deliveries. The White River Field Office will be provided with a date and time for the initial meter calibration and all future meter proving and calibration schedules with enough advance notice, 24 hour minimum, to allow a representative from this office to witness. A copy of the meter proving and calibration reports will be submitted to the White River Field Office. Oil (condensate) will be sold from secured tanks on location, unless otherwise approved in advance by the BLM.

The Bureau of Land Management, White River Field Office address is:
220 E. Market St.
Meeker, CO 81641
(970) 878-3800

ENGINEERING CONTACTS:

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|--|---------------|--|
| <u>Petroleum Engineer</u> | Betty Lau | Office Phone (970) 878-3814 Cell Phone (970) 942-7484 |
| <u>Petroleum Engineering Technicians</u> | Bill Kraft | Work Phone (970) 878-3817 Cell Phone (970) 942-8043 |
| | Bud Thompson | Work Phone (970) 878-3828 Cell Phone (970) 942-7040 |
| | Erika Miller | Work Phone (970) 878-3808 |
| | Tom Cisar | Work Phone (970) 878-3871 Cell Phone (970) 942-7042 |
| | Steve Halcomb | Work Phone (970) 878-3869 |
| | Joe Beck | Work Phone (970) 878-3826 |