

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

FORM APPROVED
OMB No. 1004-0136
Expires July 31, 2010

APPLICATION FOR PERMIT TO DRILL OR REENTER

1a. Type of Work: <input checked="" type="checkbox"/> DRILL <input type="checkbox"/> REENTER		CONFIDENTIAL	5. Lease Serial No. COC64809	
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 AXIA ENERGY, LLC		Contact: VENESSA LANGMACHER E-Mail: vlpermitco@aol.com	7. If Unit or CA Agreement, Name and No.	
3a. Address 1430 LARIMER STREET SUITE 400 DENVER, CO 80202		3b. Phone No. (include area code) Ph: 303-857-9999 Fx: 303-450-9200	8. Lease Name and Well No. KIMBALL CREEK FED 13-104D-995	
4. Location of Well (Report location clearly and in accordance with any State requirements. *) At surface SENE 1707FNL 340FEL 39.27937 N Lat, 107.95309 W Lon At proposed prod. zone NWNW 1155FNL 660FWL 39.28099 N Lat, 107.94959 W Lon		9. API Well No.		
14. Distance in miles and direction from nearest town or post office* 3.2 MILES NORTH OF COLLBRAN, CO		10. Field and Pool, or Exploratory KIMBALL CREEK		
15. Distance from proposed location to nearest property or lease line, ft. (Also to nearest drig. unit line, if any) 660' (BTM. HOLE)		11. Sec., T., R., M., or Blk. and Survey or Area Sec 14 T9S R95W Mer 6PM		
16. No. of Acres in Lease 800.00		12. County or Parish MESA		13. State CO
18. Distance from proposed location to nearest well, drilling, completed, applied for, on this lease, ft. NONE		17. Spacing Unit dedicated to this well		
19. Proposed Depth 7481 MD 7322 TVD		20. BLM/BIA Bond No. on file		
21. Elevations (Show whether DF, KB, RT, GL, etc.) 6874 GL		22. Approximate date work will start		
		23. Estimated duration		

24. Attachments

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

- | | |
|-------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------|
| 1. Well plat certified by a registered surveyor. | 4. Bond to cover the operations unless covered by an existing bond on file (see Item 20 above). |
| 2. A Drilling Plan. | 5. Operator certification |
| 3. A Surface Use Plan (if the location is on National Forest System Lands, the SUPO shall be filed with the appropriate Forest Service Office). | 6. Such other site specific information and/or plans as may be required by the authorized officer. |

25. Signature (Electronic Submission)	Name (Printed/Typed) JESS PEONIO Ph: 720-746-5212	Date 01/04/2011
Title SR DRILLING ENGINEER		
Approved by (Signature)	Name (Printed/Typed)	Date
Title	Office	

Application approval does not warrant or certify 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.

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.

Electronic Submission #100044 verified by the BLM Well Information System
For AXIA ENERGY, LLC, sent to the Grand Junction

** OPERATOR-SUBMITTED ** OPERATOR-SUBMITTED ** OPERATOR-SUBMITTED **

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

1. EXISTING ROADS

- a. Directions to the location from Collbran, Colorado are as follows:

From the intersection of Highway 330 and Main Street, proceed north along Main Street for 0.2 miles. Turn left onto Rodeo Road which becomes Kimball Creek Road and proceed north 2.9 miles until reaching an intersection. Turn right and proceed southeast 0.1 miles until reaching the location.

- b. For access roads, see Sheet 4.

- c. All existing roads within a 1-mile radius are shown on Sheet 4.

- d. Existing roads will be maintained and kept in good repair during all drilling and completion operations associated with this well.

- e. Existing roads and newly constructed roads on surface under the jurisdiction of any Surface Managing Agency shall be maintained in accordance with the standards of the SMA.

- f. No BLM right-of-way will be necessary. All access roads are County Roads or located on private surface.

2. ACCESS ROADS TO BE CONSTRUCTED AND RECONSTRUCTED

- a. Contact the BLM, Grand Junction Office at least 48 hours prior to commencing construction of the modified well pad.

- b. All roads are existing. No new access will be constructed. The road will be surfaced with gravel as needed.

- c. No culverts or low water crossings will be necessary.



- d. Surface disturbance and vehicular travel will be limited to the approved location and approved access route. Any additional area needed will be approved in advance.
- e. The maximum grade of existing roads are approximately 4%.

3. LOCATION OF EXISTING WELLS WITHIN A 1-MILE RADIUS OF THE PROPOSED LOCATION.

- a. Water Wells - twenty
- b. Injection or Disposal Wells - none
- c. Producing Wells - one
- d. Drilling Wells - none
- e. Abandoned Wells - two
- f. Temporarily Abandoned - none

4. LOCATION OF EXISTING AND/OR PROPOSED FACILITIES IF THE WELL IS PRODUCTIVE.

- a. All above ground facilities (including containment rings, doors, tanks, railings, etc.) will be painted acceptable color that blends with the surrounding area within 6 months of well completion. Fence posts and steel frame gates will be installed with the standard green color. Facilities required to comply with the Occupational Safety and Health Act (OSHA) will be excluded.
- b. Compaction and construction of the berms surrounding the tank batteries will be designed to prevent lateral movement of fluids through the utilized materials, prior to storage of fluids. The berms must be constructed to contain a minimum of 110 percent of the storage capacity of the largest tank within the berm. All loading lines will be placed inside the berm. Any production pits will be fenced with at least four (4) strands of barbed wire and held in place by side posts and corner H-braces.



- c. New facilities contemplated in the event of production are shown on Sheet 7. All new facilities will be located on the existing pad. The production pad will be reduced to 1.64 acres and will be fenced.
- d. All off-lease storage, off-lease measurement, or commingling on-lease or off-lease will have prior written approval from the BLM - Grand Junction Office.
- e. All product lines entering and leaving hydrocarbon storage tanks will be effectively sealed.
- f. All new pipelines shall be buried to a minimum depth of 3 feet when possible and at least 4 feet deep beneath roads and drainages.
- g. Where possible, new pipelines should parallel access roads and be buried at an offset distance. Any necessary power lines should also parallel roads.
- h. Gas meter runs for each well will be located within 500 feet of the wellhead. The gas flow line will be buried from the wellhead to the meter and 500 feet downstream of the meter run or any production facilities. Meter runs will be housed and/or fenced.
- i. The oil and gas measurement facilities will be installed on the well location. Oil and gas meters will be calibrated in place prior to any deliveries. The Grand Junction Office Inspector will be provided with a date and time for the initial meter calibration and all future meter proving schedules. A copy of the meter calibration and all future meter proving schedules. A copy of the meter calibration reports will be submitted to the BLM -Grand Junction Office. All meter measurement facilities will conform with the API standards for liquid hydrocarbons and the AGA standard for natural gas measurement.
- j. A schematic facilities diagram as required by CFR 43, Part 3162.7-2, 3162.7-3, and 3162.7-4 shall be submitted to the BLM - Grand Junction Office within 30 days of installation or first production, whichever occurs first. All site security regulations as specified in CFR 43, Part 3162.7 shall be adhered to. All product lines entering and leaving hydrocarbon storage tanks will be effectively sealed in accordance with 3162.7-4.
- k. Any venting or flaring of gas will be done in accordance with Notice of Lessees (NTL 4A) and may need prior approval from the Field Office Petroleum Engineer in Grand Junction.



- l. All undesirable events (fires, accidents, blowouts, spills, discharges) as specified in Notice to Lessees (NTL-3A) will be reported to the BLM - Grand Junction Field Office. Major events will be reported verbally within 24 hours, followed by a written report within 15 days. "Other than Major Events" will be reported in writing within 15 days. "Minor Events" will be reported on the Monthly Report of Operations and Production (Form 3160-6, formerly 9-329).
- m. All access roads will be upgraded and maintained as necessary to prevent erosion and accommodate year-round traffic.
- n. Pursuant to Onshore Order No. 7, water produced from this well may be disposed of in an unlined pit for a period of 90 days from the date of initial production. A permanent disposal method must be approved by this office and in operation prior to the end of this 90 day period. In order to meet this deadline, an application for the proposed permanent disposal method should be submitted along with any necessary water analysis, in compliance with Onshore Order No. 7 as soon as possible, but no later than 45 days after the date of first production. Any method of disposal which has not be approved prior to the end of the authorized 90-day period will be considered as an Incident of Noncompliance and will be grounds for issuing a shut-in order until an acceptable manner for disposing of said water is provided and approved by this office.
- o. The reserve pit will be properly backfilled with sufficient fill material so that no depressions will be left when the pit settles.

5. LOCATION AND TYPE OF WATER SUPPLY

- a. The source of water for drilling purposes will be from the municipal water supply located in Collbran, CO. If a different water source is used, a sundry notice will be filed.
- b. Water will be hauled to the location along the approved access roads.
- c. The source of water will be located on private lands.
- d. No water wells are to be drilled.



6. CONSTRUCTION MATERIALS

- a. Surface and subsoil materials in the immediate area will be utilized.
- b. No construction materials will be removed from Federal lands.
- c. All surfacing material will be purchased from a commercial source.
- d. Any materials to be used which are under BLM jurisdiction shall be approved in advance, as per CFR 3610.2-3.

7. METHODS FOR HANDLING WASTE DISPOSAL

- a. Drill cuttings are to be contained and buried in the reserve pit.
- b. Trash will be confined in a covered container and hauled to an approved landfill. Burning of waste or oil is not approved, and soil material will be kept on site for recontouring.
- c. Reserve pit fluids will evaporate or authorization for removal and disposal will be requested from the AO prior to backfilling the reserve pit.
- d. The salts and/or chemicals which are an integral part of the drilling system will be disposed of in the same manner as the drilling fluid.
- e. A chemical porta-toilet will be furnished with the drilling rig and its contents hauled to an approved sanitary landfill. No boreholes will be used for disposal of waste materials.
- f. The produced fluids will be produced into a test tank until such time as construction of production facilities is completed. Any spills of oil, gas salt water or other produced fluids will be cleaned up and removed.

8. ANCILLARY FACILITIES

No camps, airstrips or other facilities will be necessary.



9. WELLSITE LAYOUT

- a. The Pit and Pad diagram is attached - See Sheet 6. The pad has been previously constructed to accommodate wells on fee surface/fee minerals.
- b. A cross section of the well pad and cuts and fills are shown on Sheet 8 which is attached. Brush piles or straw bale barriers will be placed at the bottom of the fill slope.
- c. The location of reserve pit, trash cage, access roads onto the pad, living facilities, soil material stockpiles and orientation of the rig with respect to the pad and other facilities is shown on Sheet 10.
- d. Topsoil will be stripped to a depth of 6 inches or maximum available and stockpiled as shown on the location plat. Any trees that may be removed will be used in a wind row at the toe of the fill.
- e. A minimum of 2' of free board will be maintained in the reserve pit, between the maximum fluid level and the top of the berm. These pits will be designed to exclude all surface runoff. The need for a pit liner will be dependent upon soil type encountered during construction of the reserve pit.
- f. During drilling, the reserve pit will be fenced on three sides with the fourth side fenced upon rig release. After the wells have been drilled, the entire location will be fenced with 4 strand wire to keep livestock and wildlife out of the area. See Sheet 7. The fence will remain intact until vegetation has been re-established.

10. PLANS FOR RECLAMATION OF THE SURFACE

- a. The BLM - Grand Junction Office will be notified at least 24 hours prior to commencing reclamation work.
- b. Immediately upon completion of drilling, all trash and debris will be collected from the location and surrounding area. All trash and debris will be disposed of in the trash cage and will then be hauled to an approved landfill.



- c. The reserve pit fluids will be allowed to evaporate through one entire summer season (June - August) after drilling is completed, unless an alternate method of disposal is approved. After the fluids disappear, the reserve pit muds will be allowed to dry sufficiently to allow backfilling. The backfilling of the reserve pit will be completed within 30 days after dry conditions exist and will meet the following requirements.
 - 1. Backfilling will be done in such a manner that the muds and associated solids will be confined to the pit and not squeezed out and incorporated in the surface materials.
 - 2. There will be a minimum of 5 feet of cover (overburden) on the pit.
 - 3. When the work is completed, the pit area will support the weight of heavy equipment without sinking and over time shall not subside over 6-inch depth.
- d. Cut and fill slopes will be reshaped to a 3:1 contour.
- e. Reclamation would be considered successful when the objectives described in the GSRA Reclamation Policy are achieved. The policy is implemented with the following standards and requirements:

All disturbed areas not necessary for drilling and producing operations will undergo the following reclamation standards after completing dirtwork and operations. Specifically, if the well is a producer, the surface area of the drill pad not needed for facilities or operations and unused portions of the road will be reclaimed to the standards below. The entire surface area of the well pad cannot be surfaced with gravel. If the well is not a producer and is plugged in, the following standards will also apply to final reclamation.

- 1. Re-vegetation: The short term objective of re-vegetation for the control of erosion and to help prevent invasion of noxious and undesirable weeds. The long term objective is to establish a self-perpetuating set of plant associations compatible with and capable of supporting the pre disturbance land use.

All compacted portions of the pad, road, and/or pipeline route will be ripped to a depth of 18 inches unless in solid rock. Prior to seeding, stockpiled topsoil (stripped surface material) will be spread to a uniform depth that will allow the establishment of desirable vegetation. All unused disturbed areas



will be seeded within 24 hours after completing dirt work unless a change is requested by the operator and approved by the authorized officer. If the seed bed has begun to crust over or seal, the seed bed must be prepared by disking or some other mechanical means sufficient to allow penetration of the seed into the soil. In addition, the broadcast seed should be covered by using a harrow, drag bar, or chain.

Re-vegetation will be considered successful as described as successful by the following objectives:

- a. Immediate and short term: Establish desirable perennial vegetation (seed mix) by the end of the second growing season sufficient in cover and capable of renewing itself to advance to the acceptable stage of revegetation and the disturbed site is considered stabilized and erosion controlled.
- b. Acceptable establishment: Establish an acceptable level of vegetation (seed mix and desirable invading species) by the end of 5 growing seasons. Revegetation would be considered acceptable if: (1) The disturbed site is considered stabilized and erosion is controlled, (2) the desirable vegetation approximates the adjacent canopy cover, (3) undesirable vegetation is estimated to be less than 5% if the adjacent vegetation (undesirable) percentage is less than 50%. If the adjacent undisturbed vegetation composition consists of 50% or greater of undesirable species, then the acceptable level of undesirable species should be no greater than 50% of the total revegetated cover as is determined on a case by case basis by the Authorized Officer. Undesirable plants are usually annual and tend to dominate a disturbed area. The most prevalent undesirable species likely to occur are Halogeton, Kochia, Cheatgrass, and Russian Thistle (tumbleweed), (4) noxious weeds are non-existent.
- c. Long-term establishment: Establish a final level of re-vegetation that approximates the original pre-disturbed condition (adjacent



undisturbed area) in terms of total canopy cover and composition for shrubs, grasses, and forbs. At a minimum, the shrub component should be approximately 5% and the forb component approximately 10% of the total vegetation on the reclaimed area if the adjacent vegetation is of equal or greater value for shrub and forb percentages. Final reclamation will not replace mature trees. Undesirable vegetation should meet the condition described above and noxious weed must be non-existent.

2. Re-contouring: The unused disturbed areas surrounding the well location and long the road and pipeline will be re-contoured to blend as nearly as possible with the natural topography. Final grading of back-filled and cut slopes will be done to prevent erosion and encourage establishment of vegetation.
3. Erosion Control: All erosion associated with the operation will be stabilized and controlled. Erosion on a site will be considered controlled when water naturally infiltrates into the soil; gulying, headcutting or slumping is not observed, rills are less than 3 inches deep and excessive rilling is not observed.

If it is determined by the Authorized Officer that the above reclamation standards are not being met, the operator will be required to submit a plan to correct the problem. Approval of the plan may require special reclamation practices such as mulching, the method and time of planting, the use of different plant species, soil analysis to determine the need for fertilizer, fertilizing, seed-bed preparation, contour furrowing, watering, terracing, water barring, and the replacement of topsoil.

Topsoil will be stripped to a minimum depth of 6". Topsoil piles will be no deeper than 3' to 4' in height. If topsoil is less than 6", the top 6" of surface material will be stripped and piled as described. The topsoil piles will be seeded within 48 hours of stockpiling.

The operator will implement measures prior to seeding the disturbed areas after completion of the well, to enhance the productivity of the growth medium (re-distributed cut and fill soils) and the establishment of seeded species. The type of treatment will be included in the



reclamation report to be submitted to the Authorized Officer. This requirement can be exempted if a soil test is conducted and the soil has sufficient nutrients and organic matter capable of supporting the seeded species.

The cut and fill slopes will be protected against rilling and erosion with measures such as water bars, lateral furrows, or other measures approved by the Authorized Officer. Weed free straw bails or a fabric silt fence will be used at the toe of the fill slopes.

Areas being reclaimed will be fenced to exclude livestock until the seeded species have established. The Authorized Officer will approve the type of fencing. Fencing shall be to BLM standards.

The operator will submit an annual reclamation report by December 31st to the Authorized Officer. The report will document compliance with the above requirement for all aspects of the reclamation objectives. The report will specify if the reclamation objectives are likely to be achieved and actions needed to meet these objectives.

- f. If the well is a producer, the roads will be upgraded and maintained as necessary to prevent soil erosion and accommodate year-round traffic. All areas unnecessary for operations will be reshaped, ripped, disked and reseeded utilizing the recommended seed mixture. Some topsoil will be reserved for final reclamation procedures unless the location can be recontoured to meet final reclamation specifications. Perennial vegetation must be established.
- g. If all wells on this location are abandoned, the access and location will be restored to blend with the natural topography. During reclamation of the site, fill material will be pushed into cuts and up over the backslope. No depressions will be left that will trap water or form ponds. All topsoil will be distributed evenly over the location and seeded according to the recommended seed mixture from the surface owner.
- h. All pits, cellars, rat holes and other bore holes unnecessary for further lease operations, excluding the reserve pit, will be backfilled immediately after the drilling rig is released. Pits, cellars and/or bore holes that remain on location must be fenced as specified for the reserve pit.
- i. Waste materials will be disposed of as stated in #7 of this Surface Use Plan.



- j. Noxious weeds which may be introduced due to soil disturbance associated with the proposed lease operations, will be treated by methods to be approved by the Authorized Officer. A Pesticide Use Proposal (PUP) is required prior to use of any pesticide.

11. **SURFACE OWNERSHIP**

Wellsite: Axia Energy, LLC
1430 Larimer Street, Suite 400
Denver, CO 80202
720/746-5200

Access: All access roads are maintained by the County or are located on private lands.

12. **OTHER INFORMATION**

- a. There will be no change from the proposed drilling and/or workover program without prior approval from the Area Manager. Safe drilling and operating practices must be used. All wells, whether drilling, producing, suspended, or abandoned will be identified in accordance with 43 CFR 3162.2.
- b. "Sundry Notice and Report on Wells" (Form 3160-5) will be filed for approval for all changes of plans and other operations in accordance with 43 CFR 3164.
- c. All contractors employed to perform work on this location will be furnished and have onsite, a copy of the Surface Use Program and a copy of any supplemental conditions.
- d. A Class III Archeological Survey will be done as soon as weather allows.
- e. Pursuant to 43CFR10.4 g, the BLM authorized officer must be notified, by telephone, with written confirmation, immediately upon the discovery of human remains, funerary items, sacred objects, or objects of cultural patrimony. Further, pursuant to 43CFR10.4 c and d, activities must stop in the vicinity of the discovery and the discovery must be protected for 30 days or until notified to proceed by the authorized officer.



If in connection with operations under this contract the project proponent, his contractors, subcontractors, or the employees of any of them discovers, encounters or becomes aware of any objects or sites of cultural or paleontological value or scientific interest such as historic or prehistoric ruins, graves or grave markers, fossils, or artifacts, the proponent shall immediately suspend all operations in the vicinity of the cultural or paleontological resource and shall notify the BLM authorized officer of the findings (16 USC 470h-3, 36 CFR 800.112). Operations may resume at the discovery site upon receipt of written instructions and authorization by the authorized officer. Approval to proceed will be based upon evaluation of the resource. Evaluation shall be by a qualified professional selected by the authorized officer from a federal agency insofar as practicable. When not practicable, the holder shall bear the cost of the services of a non-federal professional.

Within five working days, the authorized officer will inform the holder as to:

- whether the materials appear eligible for the national Register of Historic Places;
- the mitigation measures the holder will likely have to undertake before the site can be used (assuming in situ preservation is not necessary); and
- a time frame for the authorized officer to complete an expedited review under 36 CFR 800.11, or any agreements in lieu thereof, to confirm through the State Historic Preservation Officer that the findings of the authorized officer are correct and the mitigation is appropriate.

The proponent may relocate activities to avoid the expense of mitigation and/or delays associated with this process, as long as the new area has been appropriately cleared of resources and the exposed materials are recorded and stabilized. Otherwise, the proponent will be responsible for mitigation costs. The authorized officer will provide technical and procedural guidelines for the conduct of mitigation. Upon verification from the authorized officer that the required mitigation has been completed, the proponent will then be allowed to resume construction.

Antiquities, historic, prehistoric ruins, or objects of scientific interest that are outside the authorization boundaries but directly associated with the impacted resource will also be included in this evaluation and/or mitigation.



Axia Energy, LLC

Kimball Creek Fed #13-104D-995

Lease No. COC-64809

SE NE, 1707' FNL and 340' FEL, Sec. 14 (Surface)

NW NW, 1155' FNL and 660' FWL, Sec. 13 (Btm. Hole)

T9S - R95W

SURFACE USE PLAN

Mesa County, Colorado

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Antiquities, historic, or prehistoric ruins, or objects of scientific interest, identified or unidentified, that are outside of the authorization and not associated with the resource within the authorization will also be protected. Impacts that occur to such resources, which are related to the authorizations activities, will be mitigated at the proponent's cost including Native American consultation cost.

All persons associated with operations under this authorization must be informed that any objects or sites of paleontological or scientific value, such as vertebrate or scientifically important invertebrate fossils, shall not be damaged, destroyed, removed, moved or disturbed. If in connection with operations under this authorization any of the above resources are encountered the proponent shall immediately suspend all activities in the immediate vicinity of the discovery that might further disturb such materials and notify the BLM authorized officer of the findings. The discovery must be protected until notified to proceed by the authorized officer.

As feasible, the proponent shall suspend ground-disturbing activities at the discovery site and immediately notify the BLM authorized officer of any finds. The BLM authorized officer will, as soon as feasible, have a BLM permitted paleontologist check out the find and record and collect it if warranted. If ground disturbing activities cannot be immediately suspended, the proponent shall work around or set the discovery aside in a safe place to be accessed by the BLM permitted paleontologist.

- f. This permit will be valid for a period of two years from the date of approval and may be extended for an additional two year period if requested prior to the expiration date. After permit termination, a new application will be filed for approval for any future operations.
- g. All state and local permits required for proposed operations will be obtained prior to commencing any activity that may be affected by such authorization.

AGENT AND OPERATOR'S CONTACT INFORMATION**Permit Matters**

PERMITCO INC.
P.O. Box 99
Eastlake, CO 80614
Lisa Smith
303/857-9999 (Office)
303/450-9200 (Fax)

Drilling & Completion Matters

AXIA ENERGY, LLC
1430 Larimer Street, Suite 400
Denver, CO 80202
Jess Peonio - Senior Drilling Engineer
720/746-5212 (Office)
720/746-5201 (Fax)
303/349-6026 (Cell)





Any timing restrictions or stipulations which apply to this lease shall be attached as a Condition of Approval by the Bureau of Land Management.

FEDERAL STIPULATIONS



ARCHAEOLOGY

A Class III Archeological Survey will be conducted as soon as weather allows.