

**PIONEER OIL AND GAS  
TERMS OF PURCHASE  
COLEMAN LEASE  
WASATCH AND DUCHESNE COUNTIES, UTAH**

Gross/Net Acreage of oil and gas lease 27,389.62/27,389.62 acres

**EXPLORATION OPTIONS FOR COLEMAN LEASE:**

**I. PURCHASE OPTION:**

Sell 100% interest in 27,389.62 acres as to all depths at  
\$150.00 per net acre (27,389.62 X \$150.00 = \$4,108,443.00) \$4,108,443.00  
(Will deliver 80% net revenue interest on lease)

Total Sales Price for Acreage \$4,108,443.00

**II. DRILL TO EARN OPTION:**

Carry Pioneer Oil and Gas for a 15% working interest on first 10 wells drilled on lease through the production tanks. Earn 1280 acres for every well that is drilled and completed. First well must be commenced within 6 months or pay penalty of \$1,000,000. After first well buyer will have continuous drilling option to earn additional 1280 acre blocks by drilling every six months. Earning wells may be drilled in same block. Once first 10 wells are drilled and completed and Pioneer Oil and Gas is carried on each well, earn a working interest in the entire Coleman lease. Pioneer will deliver 85% working interest and 68% net revenue interest (equates to 80% net revenue interest on working interest) in entire lease or in drilling blocks earned if drilling is discontinued before 10 wells are drilled and completed.

This offer is subject to prior sale or withdrawal without notice.

Pioneer Oil and Gas (801) 566-3000 [www.piol.com](http://www.piol.com)

**ENERGY OPERATING COMPANY, INC.**

AUTHORIZATION FOR EXPENDITURE

DRILLING/COMPLETION

**Pioneer Oil and Gas - Coleman Lease**

AFE REFERENCE:	WELL NAME: Federal	WELL NO. #1
AFE DESCRIPTION:	Drill complete and equip 10,000' Wasatch test well	OPERATOR:
FIELD: Wildcat	LOCATION: near T2S-R9W	COUNTY: Duchesne STATE: Utah
FORMATION: Wasatch	DEPTH: 10000	TOTAL AFE: \$ 4,133,470 DATE: 1-20-12

<u>Account</u>	<u>Description</u>	<u>Gross Costs</u>
861	<b>INTANGIBLE DRILLING COSTS</b>	
:10	<b>ROADS, LOCATION; LEGAL</b>	
	Survey & Right of Way Costs \$ 20,000 Surface Damages \$ -	
	Roads & Locations \$ 60,000 Location Cleanup \$ 15,000	\$ 95,000
:11	<b>DRILLING RIG</b>	
	Drilling: Daywork 17 days @ \$/day \$ 19,000 \$ 323,000	
	Drilling: Mob/Demob \$ 276,000 \$ 276,000	
	Drilling: Rig Fuel 17 days @ \$/day \$ 3,960 \$ 67,320	
	Boiler 0 days @ \$/day \$ - \$ -	\$ 666,320
:12	<b>LOAD OIL; MUD; CHEMICALS; WATER</b>	
	Mud & Chemicals \$ 64,000 Water \$ 25,500	
	Tax/Drayage \$ 10,000 Water Purchase \$ 5,000	\$ 104,500
:13	<b>EQUIPMENT RENTAL</b>	\$ 133,300
:14	<b>LOGGING; TESTING; CORING</b>	
	Logging \$ 40,000 Testing	\$ 40,000
:15	<b>CEMENTING SERVICE</b> Surface and intermediate casing	\$ 30,000
:16	<b>DIRECT SUPERVISION</b> Includes wellsite & office engineering, wellsite geologist/mud logger	\$ 70,000
:17	<b>TRANSPORTATION</b>	\$ 16,000
:18	<b>OVERHEAD</b>	\$ 5,100
:20	<b>BITS; MATERIALS; SUPPLIES</b>	
	Bits \$ 34,000 Materials \$ 5,000	
	Supplies	\$ 39,000
:21	<b>CONTRACT LABOR</b>	\$ 27,000
:50	<b>ABANDONMENT COSTS</b>	\$ -
:80	<b>SUPPLEMENTAL BUDGET</b> (Contingency Funds @ 0%)	\$ -
:83	<b>DRY HOLE CONTRIBUTION</b>	\$ -
:90	<b>OTHER</b>	\$ 11,000
	<b>TOTAL INTANGIBLE DRILLING COSTS:</b>	<b>\$ 1,237,220</b>
859	<b>LEASE &amp; WELL EQUIPMENT-DRILLING</b>	
:10	<b>CASING</b>	
	Conductor 60 ft. 20" @ \$/ft. \$ 15,000	
	Surface Casing 3000 ft. 9-5/8" @ \$/ft. \$ 38.25 \$ 114,750	
	Intermediate Casing ft. 7" @ \$/ft. \$ - \$ -	\$ 129,750
:14	<b>WELLHEAD EQUIPMENT</b>	\$ 10,000
	<b>TOTAL TANGIBLE DRILLING COSTS:</b>	<b>\$ 139,750</b>
	<b>TOTAL DRILLING COSTS:</b>	<b>\$ 1,376,970</b>
Federal #1, 1-20-12		
862	<b>TOTAL INTANGIBLE COMPLETION COSTS</b>	
:10	<b>ROADS, LOCATION; LEGAL</b>	\$ 5,000
:11	<b>COMPLETION UNIT</b>	
	Completion Unit Costs 15 days @ \$/day \$ 4,500	\$ 67,500
:12	<b>LOAD OIL; MUD; CHEMICALS; WATER</b>	
	Load Oil Mud & Chemicals \$ 3,000	
	Water \$ 300,000 0	\$ 303,000
:13	<b>EQUIPMENT RENTAL</b> BOP, test tanks, packer, etc.	\$ 15,000
:14	<b>LOGGING; PERFORATING; TESTING</b>	
	Logging \$ 25,000 Perforating \$ 70,000	
	Testing \$ 50,000	\$ 145,000
:15	<b>CEMENTING SERVICE</b>	\$ 100,000
:16	<b>DIRECT SUPERVISION</b> 15 days @ \$1700/day	\$ 25,500
:17	<b>TRANSPORTATION</b>	\$ 15,000
:18	<b>OVERHEAD</b>	
	# Days Comp. Unit on Well 15 days @ \$/day \$ 300.00	\$ 4,500
:19	<b>WELL STIMULATION</b>	
	Acidizing \$ - Fracturing \$ 1,200,000	\$ 1,200,000



**COLEMAN OIL AND GAS LEASE  
WASATCH AND DUCHESNE COUNTIES, UTAH  
TOTALING 27,389.62 NET OIL AND GAS ACRES**

**ACREAGE DESCRIPTION**

**Township 1 South, Range 10 West, USM**

**Section 29: E/2SW/4**

**Section 32: NW/4NE/4**

**Township 2 South, Range 9 West, USM**

**Section 2: All West of Red Creek**

**Section 3: Lots 1, 2, 3, 4, S/2N/2, S/2**

**Section 4: Lots 1, 2, 3, 4, S/2N/2, S/2**

**Section 5: Lots 1, 2, 3, 4, S/2N/2, S/2**

**Section 6: Lots 1, 2, 3, 4, 5, 6, 7, S/2NE/4, SE/4NW/4, E/2SW/4, SE/4**

**Section 7: Lots 1, 2, 3, 4, E/2W/2, E/2**

**Section 8: All**

**Section 9: All**

**Section 10: All**

**Section 11: All lying West of Red Creek**

**Section 13: SW/4NW/4, W/2SW/4, SE/4SW/4, ALSO, beginning at the Northwest corner of the NE/4SW/4, thence South 80 rods, thence East 1,089 feet, thence North 20 degrees West 1,400 feet, thence West 40 rods to the point of beginning, containing 27 acres, more or less; ALSO, beginning 363 feet West of the Southeast corner of the SW/4SE/4 of said section 13, thence North 42 degrees West 1,485 feet, thence South 1,103 feet, thence East 957 feet to the point of beginning, containing 12 acres more or less.**

**Section 14: All**

**Section 15: All**

**Section 16: All**

**Section 17: All**

**Section 18: Lots 1, 2, 3, 4, E/2W/2, E/2**

**Section 19: Lots 1, 2, 3, 4, E/2W/2, E/2**

**Section 20: All**

**Section 21: All**

**Section 22: All**

**Section 23: All**

**Section 24: W/2, W/2NE/4, SE/4 and all that part of the SE/4SE/4 lying West of Red Creek**

**Section 26: All**

**Section 27: All**

**Section 28: All**

**Township 2 South, Range 9 West, USM**

Section 29: All

Section 30: Lots 1, 2, 3, 4, E/2W/2, E/2

Section 31: Lots 1, 2, 3, 4, E/2W/2, E/2

Section 32: All

Section 33: All

Section 34: All

Section 35: N/2, SW/4, W/2SE/4, SE/4SE/4

Section 36: W/2NE/4, SE/4NE/4, NW/4, SE/4SW/4, SE/4

**Township 2 South, Range 10 West, USM**

Section 13: S/2

Section 14: All that part of the S/2 lying East of Little Red Creek

Section 23: All lying East of Little Creek

Section 24: All

Section 25: All

Section 26: All Lying North of Currant Creek and East of Little Red Creek

Section 36: NE/4, N/2SE/4, SE/4SE/4, that part of the NW/4 lying North and East of Currant Creek

**Township 3 South, Range 7 West, USM**

Section 19: Lots 1, 2, E/2NW/4

**Township 3 South, Range 8 West, USM**

Section 7: Lot 4

**Township 3 South, Range 9 West, USM**

Section 1: Lots 2, 3, 4, SW/4NE/4, S/2NW/4, N/2SW/4, W/2SE/4

Section 2: Lots 1, 2, 3, 4, S/2NE/4, S/2SW/4, N/2SE/4

Section 3: Lots 1, 2, 3, 4, S/2N/2, S/2

Section 4: Lots 1, 2, 3, 4, S/2N/2

Section 5: Lots 1, 2, 3, 4, S/2N/2, S/2

Section 6: Lots 1, 2, 3, 4, 5, S/2NE/4, SE/4NW/4

Section 10: NE/4, N/2NW/4, SE/4SE/4

Section 11: W/2

Section 12: S/2SE/4

Section 14: NW/4NW/4

**Township 3 South, Range 10 West, USM**

Section 1: Lot 1

**TOTAL GROSS/NET ACRES IN LEASE 27, 389.62  
LEASE EXPIRATION DATE IS NOVEMBER 19, 2013.**