

JM
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0003

Albert J. Spensko

12 South Fifth Avenue
Helper, Utah 84526

Phone (801) 472-5596

September 25, 1978

U. S. Geological Survey
Area Mining Supervisor
8426 Federal Building
125 South State Street
Salt Lake, City, Utah 84138

Ref: Sage Point Drilling
New drill holes 10-3 & 8-3

Dear Mr. Moffitt:

Accompanying this letter are the signed copies of the agreement between PGE and the Land owners, John Mahleres and John Sampinos for permission to drill two additional holes on their property this year.

Yours truly

Albert J. Spensko
Albert J. Spensko

Copy J.C. Osmond, P G E



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LAND USE AGREEMENT

THIS AGREEMENT entered into by and between JOHN S. SAMPINOS, hereinafter called "Owner," and NATURAL GAS CORPORATION OF CALIFORNIA, a California corporation, hereinafter called "NATURAL,"

WHEREAS:

1. Owner is the manager and one of the surface owners of the property in Carbon County, Utah described as follows:

Township 13 South, Range 12 East
Salt Lake Base and Meridian

Section 8: All
Section 16: All

2. Natural and Owner entered into a Land Use Agreement in regard to said property on September 14, 1976 in order for Natural to carry out its "Second Drilling Program."

3. Natural desires additional use of portions of the surface of said property for its drilling program (hereinafter called "Second Modification of the Second Drilling Program") to determine the existence, location and extent of the coal deposits therein.

4. Natural desires to have the right to utilize certain of the available water from springs, ponds, streams and reservoirs on said property.

5. Owner is agreeable thereto subject to the following terms and provisions:

NOW, THEREFORE, the parties agree as follows:

(1) Natural shall have the right to drill core holes to explore for coal at certain locations on the property described above.



The approximate locations of two (2) of these core holes are listed below:

<u>Hole Number</u>	<u>Location</u>
8-3	Section 8: NE 1/4 SE 1/4
16-2	Section 16: SE 1/4 SE 1/4

Holes may also be drilled at other locations agreed upon by Owner and Natural.

(2) Natural shall have the right to construct pads for the drill sites and dig mud pits at each location and to construct and improve roads to the locations along alignments agreed upon with the Owner.

(3) Natural shall have the right to use water for drilling from springs, ponds, streams and reservoirs on the property.

(4) Natural shall have the right of free and complete access across the property of Owner for the purpose of this Agreement including the right to make geologic investigations, install and occupy stakes and markers for land surveying, and to conduct such work as may be required to gather environmental data and plan a coal mine and surface facilities.

(5) Natural shall have the right to store on property all equipment, machinery, pipe and associated items necessary to the effectuation of the Drilling Program.

(6) Natural will restore and reseed the land surface of the drill sites and mud pits and will return the roads used by Natural to substantially the same condition as they were in at the beginning of the Second Modification of the Second Drilling Program.

(7) Natural will pay to the surface owners \$300 for each drilling site from which a core hole is drilled and such amount shall be divided equally among them.

The surface owners are: JOHN S. SAMPINOS, MRS. BESSIE PAPPAS, MRS. MADELEINE NICKAS, PENNY SAMPINOS and MAE SAMPINOS. Money payable to the surface owners will be paid to SEMCO Company for their benefit. Money for holes proposed to be drilled pursuant to Paragraph (1) herein will be paid within 30 days of the execution of this Agreement.

(13) The period of the Second Modification of the Second Drilling Program shall commence on the date of this Agreement and shall continue until December 31, 1979.

(14) Owner represents to Natural that he has the authority to negotiate this Agreement for the surface owners.

(15) Owner will in no event remove any equipment, machinery, pipe or associated items from the property without first obtaining written permission from Natural to do so.

(16) The terms and provisions hereof shall inure to the benefit of and be binding upon the successors and assigns of the parties hereto.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement this

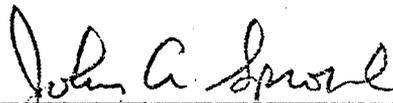
24 day of September, 1978.

By:



John S. Sampinos

By:



John A. Sproul, Chairman of the Board
Natural Gas Corporation of California

Approved as to form



Attorney

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LAND USE AGREEMENT

This agreement entered into by and between JOHN H. MAHLERES, hereinafter called "Owner," and NATURAL GAS CORPORATION OF CALIFORNIA, a California corporation, hereinafter called "NATURAL,"

WHEREAS:

1. Owner is the manager and one of the surface owners of the property in Carbon County, Utah, described as follows:

Township 13 South, Range 12 East
Salt Lake Base and Meridian
Section ^{10 *Appendix*} ~~11~~ All

2. Natural and Owner entered into a Land Use Agreement in regard to said property on September 14, 1976 in order for Natural to carry out its "Second Drilling Program."

3. Natural desires additional use of portions of the surface of said property for its drilling program (hereinafter called "Second Modification of the Second Drilling Program") to determine the existence, location and extent of the coal deposits therein.

4. Natural desires to have the right to utilize certain of the available water from springs, ponds, streams and reservoirs on said property.

5. Owner is agreeable thereto subject to the following terms and provisions:

NOW, THEREFORE, the parties agree as follows:

(1) Natural shall have the right to drill core holes to explore for coal at certain locations on the property described above.



The approximate locations of one (1) of these core holes is listed below:

Hole Number

10-3
~~11-3~~

Location

10
Section ~~11~~

NW 1/4 SE 1/4
~~SW 1/4 SW 1/4~~

J. J. [Signature]

Holes may also be drilled at other locations agreed upon by Owner and Natural.

(2) Natural shall have the right to construct pads for the drill sites and dig mud pits at each location and to construct and improve roads to the locations along alignments agreed upon with the Owner.

(3) Natural shall have the right to use water for drilling from springs, ponds, streams and reservoirs on the property.

(4) Natural shall have the right of free and complete access across the property of Owner for the purpose of this Agreement including the right to make geologic investigations, install and occupy stakes and markers for land surveying, and to conduct such work as may be required to gather environmental data and plan a coal mine and surface facilities.

(5) Natural shall have the right to store on property all equipment, machinery, pipe and associated items necessary to the effectuation of the Drilling Program.

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(7) Natural will pay to the surface owners \$300 for each drilling site from which a core hole is drilled and such amount shall be divided equally among them.

The surface owners are: JOHN H. MAHLERES, ERANEA MAHLERES, DEA GARDNER, SOPHIA N. HAYES, NICK H. MAHLERES, and ANGELO H. MAHLERES. Money payable to the surface owners will be paid to John H. Mahleres. Money for holes proposed to be drilled pursuant to Paragraph (1) herein will be paid within 30 days of the execution of this Agreement.

(13) The period of the Second Modification of the Second Drilling Program shall commence on the date of this Agreement and shall continue until December 31, 1979.

(14) Owner represents to Natural that he has the authority to negotiate this Agreement for the surface owners.

(15) Owner will in no event remove any equipment, machinery, pipe or associated items from the property without first obtaining written permission from Natural to do so.

(16) The terms and provisions hereof shall inure to the benefit of and be binding upon the successors and assigns of the parties hereto.

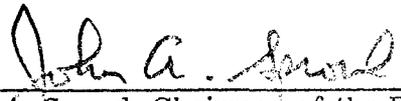
IN WITNESS WHEREOF, the parties hereto have executed this Agreement this

21 day of Sept., 1978.

By:

By:


John S. Sampinos JOHN MAHLERES
AS


John A. Sproul, Chairman of the Board
Natural Gas Corporation of California

Approved as to Form

J. S. Gustafson
Attorney

USGS STIPULATIONS
COVERING
SURFACE DRILLING PROGRAMS
WRMA

1. Archeological, historical, and endangered species clearances are required prior to the approval of any operation.
2. Any operation will immediately cease upon the discovery of any significant archeological or historical site. The Area Mining Supervisor shall be immediately notified of any such find.
3. When artesian flows or water horizons with possible development potential are encountered, the Area Mining Supervisor and the surface management agency shall be notified immediately so that a determination can be made concerning their development potential. Where possible, clean water samples shall be collected by the operator for analysis by the USGS.
4. Drill holes shall be cemented with proper slurry from the bottom to the collar. The lessee shall be responsible for the proper plugging of each hole unless a written request to keep the hole open is made by the Area Mining Supervisor. If drill hole cannot be fully cemented, possibly due to sloughing or fractures, the Area Mining Supervisor must be notified, and his instructions for subsequent plugging followed.
5. The slurry shall be made using 5.2 - 5.5 gallons of water per bag of cement. The drill stem shall be lowered to the bottom of the hole and sufficient slurry pumped through the stem to fill 200 feet of the hole. The drill stem will then be raised 200 feet and the process repeated. The drill hole shall be completely plugged using this method.
6. The Area Mining Supervisor shall be notified as to the time when the first hole is to be plugged so that a representative of this office can arrange to observe the procedure if circumstances permit. Subsequent observations of other holes being plugged will be arranged as deemed necessary.
7. The hole location is to be marked by placing an approved marker such as a capped pipe, steel fencepost, or metal plate in the concrete plug. Such markers are to show hole number, year drilled, lessee name, and as feasible, the section, township, and range in which hole is located. Top of concrete plug, if located in cultivated field, must be set below normal plow depth (10 to 12 inches).

8. Mud pits must be backfilled and leveled. Liquids or mud in the pits must be pumped out and removed from the premises or allowed to dry before they are backfilled.
9. Drill sites must be cleaned and all material, including drill cuttings, foreign to the natural setting must be buried or removed. Trash will be removed from the area. Revegetation of disturbed area will generally be required. If excavation is required in preparing a drill site, topsoil will be stockpiled separately. Before the drill site is permanently abandoned, the location will be regraded to a natural contour and the topsoil redistributed. Type, method, and scheduling of revegetation will be specified by the surface management agency through the Area Mining Supervisor.
10. The Area Mining Supervisor shall be notified as to the anticipated completion date of the program.
11. A monthly report shall be submitted to the Area Mining Supervisor within 10 days after the end of the month. It will include:
 - (1) The holes completed during the month and the total depth of each hole.
 - (2) The date each hole was completed.
 - (3) The date each hole was plugged.
 - (4) The type of drilling-plug or core.
12. The following reports shall be submitted to the Area Mining Supervisor in duplicate after the completion of the program:
 - (1) Hydrologic logs using the attached form.
 - (2) Geophysical and lithologic logs and all geologic interpretations of each log.
 - (3) Coal analysis.
 - (4) Total acreage of surface disturbed per hole, including acreage disturbed by access roads.

Note: All information submitted must contain the lease number. All logs must contain the surface elevation of drill hole and the location of the drill site. The sites will be located using coordinates and or measured distances from the nearest section line.

NO. 213 OF HOLE Halliburton			
Lbs. Ft. Per Barrel	Cu. Ft. Per Lb. Ft.	Lbs. Ft. Per Cu. Ft.	Diameter of Hole In.
257.3536	.0218	45.8366	2
227.9672	.0246	40.6027	1/4
203.3411	.0276	36.2166	3/8
182.5000	.0308	32.5046	
164.7063	.0341	29.3354	1/2
149.3934	.0376	26.6061	5/8
136.1209	.0412	24.2442	3/4
124.5416	.0451	22.1818	7/8
114.3794	.0491	20.3718	3
105.4120	.0533	18.7747	1/8
97.4593	.0576	17.3582	1/4
90.3738	.0621	16.0963	3/8
84.0338	.0668	14.9671	1/2
78.3383	.0717	13.9526	5/8
73.2028	.0767	13.0320	3/4
68.5562	.0819	12.2104	7/8
64.3384	.0873	11.4592	4
60.4982	.0928	10.7752	1/8
56.9918	.0985	10.1507	1/4
53.7816	.1044	9.5789	3/8
50.8353	.1104	9.0541	1/2
48.1245	.1167	8.5713	5/8
45.6250	.1231	8.1242	3/4
43.3153	.1296	7.7148	7/8
41.1766	.1364	7.3339	5
39.1924	.1433	6.9805	1/8
37.3484	.1503	6.6520	1/4
35.6314	.1576	6.3462	3/8
34.0302	.1650	6.0610	1/2
32.5346	.1726	5.7947	5/8
31.1354	.1803	5.5455	3/4
29.8246	.1883	5.3120	7/8
28.5948	.1963	5.0930	6
27.4395	.2045	4.8872	1/8
26.3530	.2131	4.6937	1/4
25.3297	.2217	4.5114	3/8
24.3648	.2304	4.3396	1/2
23.4541	.2394	4.1773	5/8
22.5935	.2485	4.0241	3/4
21.7793	.2573	3.8791	7/8
21.0085	.2673	3.7418	7
20.2778	.2759	3.6116	1/8
19.5846	.2867	3.4832	1/4
18.9263	.2967	3.3709	3/8
18.3007	.3068	3.2595	1/2
17.7056	.3171	3.1535	5/8
17.1390	.3276	3.0526	3/4
16.5993	.3382	2.9565	7/8

TYPE
Construction 102

**PORTLAND CEMENT — API CLASS A OR B
WITH BENTONITE**

— SLURRY PROPERTIES —

Per Cent Bentonite	Maximum Water Requirements		Slurry Weight		Slurry Volume
	Gal./Yk.	Cu. Ft./Yk.	Lbs./Gal.	Lbs./Cu. Ft.	Cu. Ft./Yk.
0	5.2	0.70	15.6	117	1.13
2	6.5	0.87	14.7	110	1.20
4	7.8	1.04	14.1	105	1.25
6	9.1	1.22	13.5	101	1.33
8	10.4	1.39	13.1	98	1.42

Halliburton Tables

4" O.D. hole -- 1,500' T.D.

11.45 x 1.18 = 13.5

1,500

13.5 = 111 sacks cement

Rule of Thumb

4" O.D. hole -- 1,500' T.D.

Square diameter x 5 equals sacks cement required for 1,000 feet of drill hole

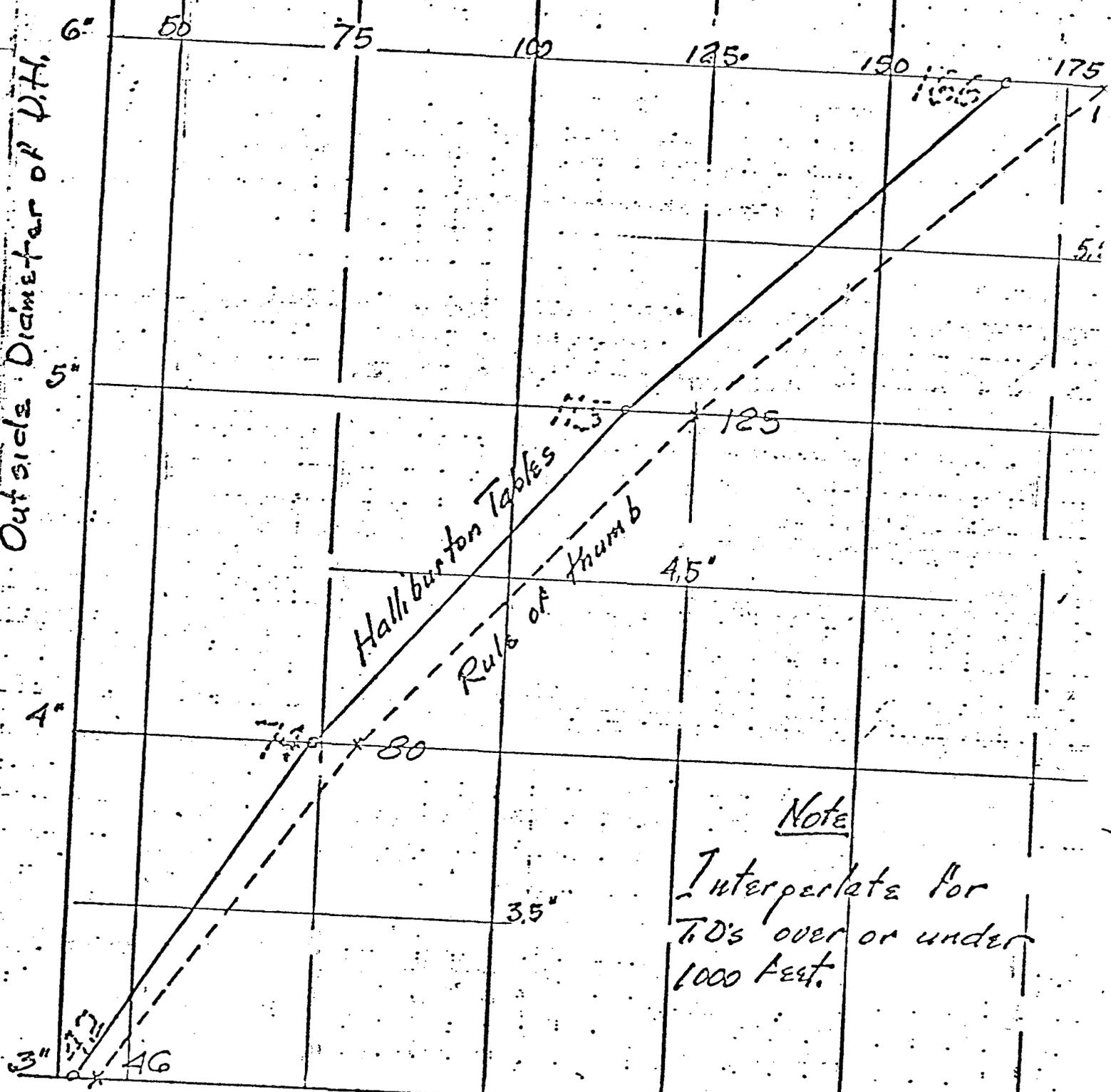
Accordingly,

4 x 4 = 16 x 5 = 80 sacks cement per 1,000' of hole or 80 x 1.5 = 120 sacks of cement.

Note: Slight difference in cement required between methods of calculation.

E. Blessing
1/25/77

Outside Diameter of P.H.



Sacks Cement / 1000 Feet of hole

Note
Interpolate for
T.D's over or under
1000 Feet.