

APPLICATION FOR PERMIT TO:

1. Drill, Deepen, Re-enter, Recomplete and Operate

2. TYPE OF WELL
 OIL GAS COALBED OTHER _____
 SINGLE ZONE MULTIPLE COMMINGLE

Refiling
Sidetrack

3. Name of Operator: GOSNEY & SONS INC 4. COGCC Operator Number: 34725
 5. Address: P O BOX 367
 City: BAYFIELD State: CO Zip: 81122
 6. Contact Name: MATT BARNETT Phone: (970)884-9533 Fax: (970)884-0321
 Email: MATTB@GOSNEYCO.COM
 7. Well Name: KELSALL 33-7 Well Number: 4-4
 8. Unit Name (if appl): _____ Unit Number: _____
 9. Proposed Total Measured Depth: 3348

WELL LOCATION INFORMATION

10. QtrQtr: NENEW Sec: 4 Twp: 33N Rng: 7W Meridian: N
 Latitude: 37.136860 Longitude: -107.614240
 Footage at Surface: 1189 feet FNL 2604 feet FWL
 11. Field Name: IGNACIO BLANCO Field Number: 38300
 12. Ground Elevation: 6701 13. County: LA PLATA

14. GPS Data:
 Date of Measurement: 06/01/2011 PDOP Reading: 6.0 Instrument Operator's Name: STEVEN C. MCCORMACK PLS

15. If well is Directional Horizontal (highly deviated) **submit deviated drilling plan.**
 Footage at Top of Prod Zone: FNL/FSL FEL/FWL Bottom Hole: FNL/FSL FEL/FWL
1807 FNL 2196 FEL 1920 FNL 2100 FEL
 Sec: 4 Twp: 33N Rng: 7W Sec: 4 Twp: 33N Rng: 7W

16. Is location in a high density area? (Rule 603b)? Yes No
 17. Distance to the nearest building, public road, above ground utility or railroad: 700 ft
 18. Distance to nearest property line: 98 ft 19. Distance to nearest well permitted/completed in the same formation(BHL): 1180 ft

LEASE, SPACING AND POOLING INFORMATION

Objective Formation(s)	Formation Code	Spacing Order Number(s)	Unit Acreage Assigned to Well	Unit Configuration (N/2, SE/4, etc.)
FRUITLAND COAL	FRLDC	112-190	320	N/2

21. Mineral Ownership: Fee State Federal Indian Lease #: _____
 22. Surface Ownership: Fee State Federal Indian
 23. Is the Surface Owner also the Mineral Owner? Yes No Surface Surety ID#: _____
 23a. If 23 is Yes: Is the Surface Owner(s) signature on the lease? Yes No
 23b. If 23 is No: Surface Owners Agreement Attached or \$25,000 Blanket Surface Bond \$2,000 Surface Bond \$5,000 Surface Bond

24. Using standard QtrQtr, Sec, Twp, Rng format enter entire mineral lease description upon which this proposed wellsite is located (attach separate sheet/map if you prefer):

SW/4NW/4 SECTION 4, T33N, R7W, NMPM

25. Distance to Nearest Mineral Lease Line: 439 ft 26. Total Acres in Lease: 40

DRILLING PLANS AND PROCEDURES

27. Is H2S anticipated? Yes No If Yes, attach contingency plan.

28. Will salt sections be encountered during drilling? Yes No

29. Will salt (>15,000 ppm TDS CL) or oil based muds be used during drilling? Yes No

30. If questions 28 or 29 are yes, is this location in a sensitive area (Rule 901.e)? Yes No

31. Mud disposal: Offsite Onsite

If 28, 29, or 30 are "Yes" a pit permit may be required.

Method: Land Farming Land Spreading Disposal Facility Other: _____

Note: The use of an earthen pit for Recompletion fluids requires a pit permit (Rule 905b). If air/gas drilling, notify local fire officials.

Casing Type	Size of Hole	Size of Casing	Wt/Ft	Csg/Liner Top	Setting Depth	Sacks Cmt	Cmt Btm	Cmt Top
SURF	12+1/4	8+5/8	24		500	360	500	0
1ST	7+7/8	5+1/2	17		3,300	580	3,300	0

32. BOP Equipment Type: Annular Preventer Double Ram Rotating Head None

33. Comments _____

34. Location ID: 424701

35. Is this application in a Comprehensive Drilling Plan ? Yes No

36. Is this application part of submitted Oil and Gas Location Assessment ? Yes No

I hereby certify all statements made in this form are, to the best of my knowledge, true, correct, and complete.

Signed: _____ Print Name: MATTHEW BARNETT

Title: SECRETARY Date: 2/3/2012 Email: MATTB@GOSNEYCO.COM

Based on the information provided herein, this Application for Permit-to-Drill complies with COGCC Rules and applicable orders and is hereby approved.

COGCC Approved:  Director of COGCC Date: 3/6/2012

Permit Number: _____ Expiration Date: 3/5/2014

API NUMBER
05 067 09880 00

CONDITIONS OF APPROVAL, IF ANY: _____

All representations, stipulations and conditions of approval stated in the Form 2A for this location shall constitute representations, stipulations and conditions of approval for this Form 2 Permit-to-Drill and are enforceable to the same extent as all other representations, stipulations and conditions of approval stated in this Permit-to-Drill.

- 1) Provide 48 hour notice of spud to Steve Labowskie 970-259-0945 steve.labowskie@state.co.us
Provide the following information: Operator Name, Well Name and Number, API #, Spud Date, Contact Name, Contact Phone #, Email Address
- 2) Provide cement coverage of production casing from TD to surface. Verify cement coverage with Cement Bond Log.
- 3) Run and submit Directional Survey from TD to kick-off point
- 4) The operator shall comply with Rule 321, and it shall be the operator's responsibility to ensure that the well bore complies with setback requirements in Commission orders and/or rules prior to producing the well.
- 5) Sample and test two closest water wells within 1/4 mile swath of the directional wellbore.
- 6) Operators are required to obtain a bottom hole pressure utilizing a bottom hole gauge after a minimum 48 hour shut-in period following completion and prior to sales
- 7) Comply with all applicable provisions of Order 112-190

Attachment Check List

Att Doc Num	Name
1792435	VARIANCE REQUEST
1857217	SELECTED ITEMS REPORT
2287284	FORM 2 SUBMITTED
2287285	WELL LOCATION PLAT
2287286	SURFACE PLAN
2287287	OTHER
2287288	SURFACE AGRMT/SURETY
2287289	OTHER
2287290	DEVIATED DRILLING PLAN
2287291	WAIVERS

Total Attach: 10 Files

General Comments

<u>User Group</u>	<u>Comment</u>	<u>Comment Date</u>
Permit	Received "request letter" and attached it. Final review completed.	3/2/2012 8:31:14 AM
Permit	LGD and public comments expire on 2/29/12. Have requested a "request letter" for the 603 a.(2) variance.	2/29/2012 6:09:26 AM

Total: 2 comment(s)

BMP

<u>Type</u>	<u>Comment</u>

Total: 0 comment(s)