

FORM
2

Rev
12/05

State of Colorado Oil and Gas Conservation Commission

1120 Lincoln Street, Suite 801, Denver, Colorado 80205 Phone: (303) 894-2100 Fax: (303) 894-2109



Document Number:

2286532

Date Received:

12/20/2011

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

PluggingBond SuretyID

20030099

3. Name of Operator: SG INTERESTS I LTD

4. COGCC Operator Number: 77330

5. Address: PO BOX 26

City: MONTROSE State: CO Zip: 81402

6. Contact Name: CATHERINE DICKERT Phone: (970)209-6464 Fax: (970)252-0636

Email: CDICKERT@SGINTERESTS.COM

7. Well Name: HUGHES 11-90-26 Well Number: 2

8. Unit Name (if appl): BULL MOUNTAIN U Unit Number: COC067120
X

9. Proposed Total Measured Depth: 5000

WELL LOCATION INFORMATION

10. QtrQtr: Lot 6 Sec: 26 Twp: 11S Rng: 90W Meridian: 6

Latitude: 39.068350 Longitude: -107.419450

Footage at Surface: 1648 feet FNL/FSL FSL 1428 feet FEL/FWL FWL

11. Field Name: Bull Mountain Field Number: 7815

12. Ground Elevation: 7411 13. County: GUNNISON

14. GPS Data:

Date of Measurement: 11/22/2011 PDOP Reading: 1.3 Instrument Operator's Name: DAVID G. NICEWICZ

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 _____

Sec: _____ Twp: _____ Rng: _____ Sec: _____ Twp: _____ Rng: _____

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: 3550 ft

18. Distance to nearest property line: 560 ft 19. Distance to nearest well permitted/completed in the same formation(BHL): 3725 ft

20. 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.)
CAMEO B COAL	CMEOC			
COZZETTE-CORCORAN	CZ-CR			

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):
 SEE ATTACHED LEASE DOCUMENTS.

25. Distance to Nearest Mineral Lease Line: 580 ft 26. Total Acres in Lease: 336

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
CONDUCTOR	26	16	50	0	80	185	80	0
SURF	12+1/4	9+5/8	40	0	400	220	400	0
1ST	8+1/2	5+1/2	17	0	5,000	685	5,000	0

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

33. Comments _____

34. Location ID: _____

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: CATHERINE DICKERT

Title: ENVIRONMENTAL&PERMITTING Date: 12/19/2011 Email: CDICKERT@SGINTERESTS.

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: 3/18/2012

Permit Number: _____ Expiration Date: 3/17/2014

API NUMBER 05 051 06106 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) COMPLIANCE WITH THE MOST CURRENT REVISION OF THE NORTHWEST COLORADO NOTIFICATION POLICY IS REQUIRED.

(2) THE MOISTURE CONTENT OF ANY DRILL CUTTINGS IN A CUTTINGS PIT, TRENCH, OR PILE SHALL BE AS LOW AS PRACTICABLE TO PREVENT ACCUMULATION OF LIQUIDS GREATER THAN DE-MINIMIS AMOUNTS. AT THE TIME OF CLOSURE, THE DRILL CUTTINGS MUST ALSO MEET THE APPLICABLE STANDARDS OF TABLE 910-1.

(3) NO PORTION OF ANY PIT THAT WILL BE USED TO HOLD LIQUIDS SHALL BE CONSTRUCTED ON FILL MATERIAL, UNLESS THE PIT AND FILL SLOPE ARE DESIGNED AND CERTIFIED BY A PROFESSIONAL ENGINEER, SUBJECT TO REVIEW AND APPROVAL BY THE DIRECTOR PRIOR TO CONSTRUCTION OF THE PIT. THE CONSTRUCTION AND LINING OF THE PIT SHALL BE SUPERVISED BY A PROFESSIONAL ENGINEER OR THEIR AGENT. THE ENTIRE BASE OF THE PIT MUST BE IN CUT.

(4) THE SURFACE CASING IS MORE THAN 50' BELOW THE DEPTH OF THE DEEPEST WATER WELL WITHIN 1 -MILE OF THE SURFACE LOCATION WHEN CORRECTED FOR ELEVATION DIFFERENCES. THE DEEPEST WATER WELL WITHIN 1-MILE IS 00 FEET DEEP.

Attachment Check List

Att Doc Num	Name
2286532	FORM 2 SUBMITTED
2286533	WELL LOCATION PLAT
2286534	TOPO MAP
2286535	OIL & GAS LEASE
2286536	SURFACE AGRMT/SURETY
2286546	LEASE MAP
2537912	SURFACE AGRMT/SURETY

Total Attach: 7 Files

General Comments

<u>User Group</u>	<u>Comment</u>	<u>Comment Date</u>
Permit	LGD passed;public comments waived. Final Comprehensive Review Status--passed.	3/14/2012 3:23:11 PM
Permit	changed qtr/qtr to Lot 6. added updated SUA doc #2537912 submitted 3/6/2012. added field name	3/6/2012 10:53:22 AM

LGD	<p>Gunnison County LDG Comments</p> <p>Regulatory Form 2286532</p> <p>SG Interests I Ltd; Hughes 11-90-26-2; Gunnison County</p> <p>I am the Local Government Designee for Gunnison County, Colorado and respectfully make the following requests and comments</p> <p>1.REQUEST FOR CONSULTATION WITH COLORADO DIVISION OF WILDLIFE (CDOW)</p> <p>Please consider this to be a formal request for a consultation with the Colorado Division of Wildlife (CDOW). This request is based on documentation filed with this regulatory form indicating that the proposed location is in a "sensitive wildlife habitat area."</p> <p>Gunnison County is informed that CDOW has not done the mapping or identified suggested conditions (e.g. timing restrictions, access routes, noise) for this applications.</p> <p>Gunnison County suggests that, as a potential path to solving these issues – not only for this application but also for the whole "Bull Mountain area" – that the CDOW work with Gunnison County, the COGCC, the local community, and impacted stakeholders to create a "comprehensive wildlife mitigation plan" that would be applicable to this application and other applications in the area, and in both the State and Gunnison County regulatory processes.</p> <p>2.REQUEST REGARDING SET BACKS FROM WATER BODIES</p> <p>While the proposed location is not within a COGCC Rule 317B Surface Water Supply Area buffer zone, it appears from the documents provided to Gunnison County that the proposed location would conflict with Gunnison County required set backs from water bodies (particularly wetlands).</p> <p>Gunnison County and the COGCC have expressed their intent to work to coordinate and comport their respective regulatory regimes. This particular set back issue is an opportunity for the two entities to address the issue; perhaps first in the COGCC process being informed of the Gunnison County concerns, and then in the Gunnison County process being informed by changes or conditions crafted in the COGCC process (that may support a Gunnison County "technical infeasibility waiver" of the Gunnison County prescriptive requirement).</p> <p>Such a condition might be the requirement the site be required to be a closed loop system – or that any physical communication between this site and the wetlands have augmented safety and containment measures.</p> <p>Gunnison County is available at your convenience for a consultation and discussion – by phone or in Denver.</p> <p>Thank you.</p> <p>David Baumgarten</p> <p>Gunnison County Attorney</p>	1/4/2012 1:13:27 PM
Permit	Changed zone type to multiple and added plugging bond information	12/27/2011 10:38:08 AM
Permit	Plugging bond? QtrQtr shouLd be Lot 6.	12/21/2011 10:52:56 AM
Total: 5 comment(s)		

BMP

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

Total: 0 comment(s)