



Kerr-McGee Oil & Gas Onshore LP

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March 14, 2012

Department of Natural Resources
Oil and Gas Conservation Commission
The Chancery Building
1120 Lincoln St., Suite 801
Denver, CO 80203

Re: Operator Request Letter to Rule 318A.m.
PALYO 35N-E11HZ
Township 2N North, Range 65 West
Section 11: NW/4NW/4
Weld County, Colorado

Ladies/Gentlemen:

Kerr-McGee Oil & Gas Onshore LP (KMG) is making application for a drilling permit for the above captioned well. As currently planned, the wellbore(s) of the following well(s) which are operated by KMG will lie within 150 feet of the horizontal lateral of the captioned well:

- | | | |
|--------------------------|--------------|-------------------------|
| 1. UPRR 53 PAN AM UNIT J | 05-123-09927 | KERR-MCGEE OIL & GAS LP |
| 2. PALYO 22-11 | 05-123-32992 | KERR-MCGEE OIL & GAS LP |

Prior to drilling operations, Operator will perform an anti-collision review of existing offset wells that have the potential of being within close proximity of the proposed well. This anti-collision review may include MWD or gyro surveys and surface locations of the offset wells with included error of uncertainty per survey instrument, and compared against the proposed wellpath with its respective error of uncertainty. If current surveys do not exist for the offset wells, Operator may have gyro surveys conducted to verify bottomhole location. The proposed well will only be drilled if the anti-collision review results indicate that the risk of collision is sufficiently low as defined by the anti-collision plan, with separation factors greater than 1.5, or if the risk of collision has been mitigated through other means including shutting in wells, plugging wells, increased drilling fluid in the event of lost returns or as is appropriate for the specific situation. In the event of an increased risk of collision, that risk will be mitigated to prevent harm to people, the environment or property. For the proposed well, upon conclusion of drilling operations, an as-constructed directional survey will be submitted to COGCC with the Form 5.

Rule 318A.m of the Colorado Oil and Gas Commission's Rules and Regulations does not allow horizontal wells to be drilled within 150' of other wells unless this requirement is waived

by the Operator of the encroached upon well(s). KMG is the operator of the proposed well and the encroached upon well(s) so no waiver is required.

As operator of the above referenced well(s) lying within 150 feet of the wellbore of the above captioned well, KMG respectfully requests the Director to accept this Operator Request Letter to allow the above referenced well to be drilled within 150' of the well(s) listed above that are operated by KMG.

Very truly yours,

Kerr-McGee Oil & Gas Onshore LP

A handwritten signature in black ink, appearing to read "Rebecca Heim". The signature is fluid and cursive, with a large initial "R" and a stylized "H".

Rebecca Heim
Regulatory Analyst II