

FORM
2

Rev
12/05

State of Colorado
Oil and Gas Conservation Commission

1120 Lincoln Street, Suite 801, Denver, Colorado 80203 Phone: (303) 894-2100 Fax: (303) 894-2109



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03/14/2012

PluggingBond SuretyID

20090133

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: MINERAL RESOURCES, INC.

4. COGCC Operator Number: 57667

5. Address: PO BOX 328

City: GREELEY State: CO Zip: 80632

6. Contact Name: Collin Richardson Phone: (970)352-9446 Fax: (800)850-9334

Email: collin@mineralresourcesinc.com

7. Well Name: Bestway Well Number: 12-2

8. Unit Name (if appl): Unit Number:

9. Proposed Total Measured Depth: 11990

WELL LOCATION INFORMATION

10. QtrQtr: SENE Sec: 2 Twp: 5N Rng: 66W Meridian: 6

Latitude: 40.430800 Longitude: -104.739270

Footage at Surface: 2399 feet FNL/FSL 1180 feet FEL/FWL
FNL FEL

11. Field Name: Wattenberg Field Number: 90750

12. Ground Elevation: 4699 13. County: WELD

14. GPS Data:

Date of Measurement: 05/18/2011 PDOP Reading: 1.4 Instrument Operator's Name: Z. Waddle

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
1340 FNL 460 FEL 1341 FNL 460 FWL
Sec: 2 Twp: 5N Rng: 66W Sec: 2 Twp: 5N Rng: 66W

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: 323 ft

18. Distance to nearest property line: 102 ft 19. Distance to nearest well permitted/completed in the same formation(BHL): 670 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.)
NIOBRARA	NBRR		320	GWA

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 map and oil and gas lease.

25. Distance to Nearest Mineral Lease Line: 460 ft

26. Total Acres in Lease: 138

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	9+5/8	36	0	1,227	675	1,227	0
1ST	8+3/4	7	26	0	7,414	180	7,414	6,217
1ST LINER	6+1/8	4+1/2	11.6	7364	11,990			

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

33. Comments First string top of cement will be 200' above the Niobrara formation. The production liner will be hung off the inside of the 7" casing. No conductor casing will be used. o Wellhead is to be located outside of a GWA drilling window and will be located more than 50' from an existing well location. Mineral Resources requests an exception location to 318Aa, 318Ac. Exception request is attached. The land owner waiver is obtained within Recital 11 of the signed pad site agreement, which is attached. o Wellhead is to be located within 150' of a property line. Mineral Resources requests an offset surface owner exception request to Rule 603.a(2). Exception request and waiver is attached. o This well is part of the Bestway Directional Multi-well pad, COGCC Location ID 423325. The well pad will be constructed in accordance with the approved Location Assessment, Form 2A. The number of the wells, the surface location of the wells and the amount of disturbed area will remain the same as indicated on the Form 2A. This will be being permitted in phase II of this project. • By abandoning the Pheasant 5 2-2-2, Bestway 6-2-2, Edmoor 6-6-2 wells, I think the wellbore collision concern is no longer an issue. Unit Configuration: N2 Section 2 T5N R66W

34. Location ID: 423325

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: Dan Hull

Title: Senior Project Manager

Date: 3/14/2012

Email: dan.hull@LRA-inc.com

Operator must have a valid water right or permit allowing for industrial use or purchased water from a seller that has a valid water right or permit allowing for industrial use, otherwise an application for a change in type of use is required under Colorado law. Operator must also use the water in the location set forth in the water right decree or well permit, otherwise an application for a change in place of use is required under Colorado law. Section 37-92-103(5), C.R.S. (2011).

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: 5/2/2012

API NUMBER

05 123 34649 00

Permit Number: _____

Expiration Date: 5/1/2014

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.

Operator must meet Water Well Testing requirements as per amended Rule 318A.

- 1) Provide 48 hour notice of MIRU via an electronic Form 42.
- 2) Comply with Rule 317.i and provide cement coverage from the end of the production casing to a minimum of 200' above the Niobrara. Verify coverage with a cement bond log.
- 3) Comply with Rule 321. Run and submit Directional Survey from TD to surface. Ensure that the wellbore complies with setback requirements in commission orders or rules prior to producing the well.
- 4) At least two weeks prior to spud notice, the centralizer and cementing plans shall be submitted to the COGCC for review on a Form 4, Sundry Notice.
- 5) At least one well on the pad must have a complete set of open hole logs (Compensated Neutron, Dual Induction, Resistivity, etc.) run from TD to surface and submitted to the COGCC.
- 6) Four hours prior to running any casing, notification shall be provided to Ryan Hollinshead, COGCC Engineer at 303-894-2100 x5134.
- 7) Circulation prior to cementing shall be done to accepted industry standards.
- 8) A cement ticket documenting the cementing of the production casing shall be submitted in addition to the need for the CBL.
- 9) Bradenhead pressures shall be taken 6, 12, 24 and 48 hours after cementing production casing and prior to stimulation of the well. Once stimulation is complete, the bradenhead pressure shall be recorded at 24 hours, at 48 hours and at one week post-stimulation. Bradenhead pressures greater than 100 psi must be immediately reported on a Form 17 to the COGCC, sent to the attention of Ryan Hollinshead.
- 10) This well shall have a bradenhead test performed on an annual basis.
- 11) All bradenhead pressures shall be monitored with a gauge that has a maximum reading of one thousand pounds per square inch (psi).

Attachment Check List

Att Doc Num	Name
2113509	VARIANCE REQUEST
2113523	PROPOSED SPACING UNIT
2113525	EXCEPTION LOC REQUEST
2481515	SURFACE CASING CHECK
400254088	FORM 2 SUBMITTED
400254354	DIRECTIONAL DATA
400256460	DEVIATED DRILLING PLAN
400256461	WAIVERS
400256464	EXCEPTION LOC REQUEST
400256465	WELL LOCATION PLAT
400256468	SURFACE AGRMT/SURETY
400256469	OIL & GAS LEASE
400258557	LEASE MAP

Total Attach: 13 Files

General Comments

<u>User Group</u>	<u>Comment</u>	<u>Comment Date</u>
Permit	Received and attached corrected exception location request and variance request. Corrected distance to nearest well and added unit configuraton description in comments as per opr. Final Review Completed. No LGD or public comment received.	4/30/2012 10:11:57 AM
Permit	E-mailed opr for status on missing information.	4/13/2012 10:11:15 AM
Permit	Bonding issure is resolved, BMP's have been added. Continue on hold for variance request letter for intra well distance.	4/5/2012 12:39:56 PM
Permit	Form on hold for bonding increase, correct exception location request & waiver, BMP's for anti-collision & frac monitoring, and comments to be added addressing these issues.	3/16/2012 9:23:09 AM
Permit	Check with bonding regarding plugging bond prior to approving the well.	3/14/2012 12:58:38 PM

Total: 5 comment(s)

BMP

<u>Type</u>	<u>Comment</u>
Drilling/Completion Operations	A closed loop system will be used for drilling fluids.
Drilling/Completion Operations	Anti-Collision Prior to drilling operations, Operator will perform an anti-collision scan of existing offset wells that have the potential of being within close proximity of the proposed well. This anti-collision scan will include definitive MWD or gyro surveys 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 scan results indicate that there is not a risk for collision, or harm to people or the environment. For the proposed well, upon conclusion of drilling operations, an as-constructed gyro survey will be submitted to COGCC with the Form 5.
Drilling/Completion Operations	Frac Monitoring: 1. At least seven (7) days prior to fracture stimulation, the operator is to notify all operators of non-operated wells within 300 feet of the wellbore to be fracture stimulated, of the anticipated stimulation date and the recommended best management practice to shut-in all wells within 300' of the stimulated wellbore completed in the same formation. 2. The operator will monitor the bradenhead pressure of all wells operated within 300 feet of the well to be fracture stimulated. 3. Bradenhead pressure gauges are to be installed 24 hours prior to stimulation. The gauges are to read at least once during every 24-hour period until 24-hours after stimulation is completed (post flowback). The gauges are to be of the type able to read current pressure and record the maximum encountered pressure in a 24-hour period. The gauge is to be reset between each 24-hour period. The pressures are to be recorded and saved. Alternate electronic measurement may be used to record the prescribed pressures. Data shall be kept for a period of one year. 4. If at any time during stimulation or the 24-hour post-stimulation period, the bradenhead annulus pressure of the treatment well or offset wells increases more than 200 psig, as per Rule 341, the operator of the well being stimulated shall verbally notify the Director as soon as practicable, but no later than twenty-four (24) hours following the incident. Within fifteen (15) days after the occurrence, the operator shall submit a Sundry Notice, Form 4, giving all details, including corrective actions taken.

Total: 3 comment(s)