

FORM
2

Rev
12/05

State of Colorado
Oil and Gas Conservation Commission

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Document Number:

400266582

Date Received:

04/05/2012

PluggingBond SuretyID

20050122

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: HILCORP ENERGY COMPANY

4. COGCC Operator Number: 10133

5. Address: P O BOX 61229

City: HOUSTON State: TX Zip: 77208

6. Contact Name: John McKnight Phone: (713)289-2755 Fax: (713)209-2478

Email: chris@banko1.com

7. Well Name: State Well Number: 14-9-16CH

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

9. Proposed Total Measured Depth: 10845

WELL LOCATION INFORMATION

10. QtrQtr: SWSW Sec: 9 Twp: 3N Rng: 62W Meridian: 6

Latitude: 40.233320 Longitude: -104.335770

Footage at Surface: 140 feet FNL/FSL 690 feet FEL/FWL
FSL FWL

11. Field Name: Wildcat Field Number: 99999

12. Ground Elevation: 4631 13. County: WELD

14. GPS Data:

Date of Measurement: 11/30/2011 PDOP Reading: 1.2 Instrument Operator's Name: R. Daley

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
603 FNL 490 FWL 600 FSL 500 FWL
Sec: 16 Twp: 3N Rng: 62W Sec: 16 Twp: 3N Rng: 62W

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: 918 ft

18. Distance to nearest property line: 140 ft 19. Distance to nearest well permitted/completed in the same formation(BHL): 1489 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		640	Sec. 16

21. Mineral Ownership: ☐ Fee ☒ State ☐ Federal ☐ Indian Lease #: 7972.4

22. Surface Ownership: ☒ Fee ☐ State ☐ Federal ☐ Indian

23. Is the Surface Owner also the Mineral Owner? ☐ Yes ☒ No Surface Surety ID#: 20110175

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):

T3N R62W Sec. 16: All

25. Distance to Nearest Mineral Lease Line: 600 ft

26. Total Acres in Lease: 640

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: Closed Loop System

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	24	20		0	40	0	0	0
SURF	13+1/2	10+3/4	40.5	0	2,000	1,280	2,000	0
1ST	12+1/4	9+5/8	36	0	6,710	1,090	6,710	
2ND	8+1/2	5+1/2	20	0	10,829	1,040	10,829	

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

33. Comments 1) A Closed Loop drilling system will be utilized. 2) Hilcorp will utilize a cuttings pit for down hole debris. Before cuttings are buried onsite in cuttings pit, Hilcorp will have cuttings tested. 3) Closet mineral lease measured from proposed BHL.

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: Chris F. McRickard

Title: Permit Agent

Date: 4/5/2012

Email: chris@banko1.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: 6/15/2012

API NUMBER

05 123 35777 00

Permit Number: _____

Expiration Date: 6/14/2014

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 sampling requirements as per Rule 318A.

- 1) Provide 48 hour notice prior to spud via electronic Form 42.
- 2) Provide cement coverage from base of intermediate casing to a minimum of 200' above Niobrara. Verify coverage with cement bond log.
- 3) Run and submit Directional Survey from TD to base of surface casing. Ensure that the wellbore complies with setback requirements in commission orders or rules prior to producing the well.

Attachment Check List

Att Doc Num	Name
1897729	DRILLING PLAN
2332474	SURFACE CASING CHECK
2532225	WELL LOCATION PLAT
2532230	DEVIATED DRILLING PLAN
2532307	PROPOSED SPACING UNIT
2532334	EXCEPTION LOC WAIVERS
2532338	DRILLING PLAN
2532571	EXCEPTION LOC WAIVERS
2532572	EXCEPTION LOC REQUEST
400266582	FORM 2 SUBMITTED
400268783	DRILLING PLAN
400268813	TOPO MAP
400272964	DIRECTIONAL DATA

Total Attach: 13 Files

General Comments

<u>User Group</u>	<u>Comment</u>	<u>Comment Date</u>
Permit	Final review completed; no LGD or public comment received.	6/13/2012 3:28:33 PM
Permit	Operator requests approval of a Rule 603.a.(2) exception location: Wellhead is to be located less than 150' from a property line. Exception request and waiver attached. However the surface owner is the same on either side of the section line and he approves the well location. Also the well is being drilled from one lease to the productive interval in another lease. The surface owner approves this plan.	6/12/2012 6:23:45 AM
Permit	May still need property line waiver.	3/1/2012 6:38:59 AM
Engineer	Operator submitted new casing plan. Uploaded #1897729 Drilling Plan.	5/31/2012 4:58:27 PM
Engineer	Operator will submit changes to casing plan to include intermediate casing.	5/31/2012 11:53:08 AM
Permit	Updated permit with exception loc request and waiver for 318Aa. Operator requests approval of Rule 318Aa exception location: Wellhead is to be located outside of a GWA drilling window. Waiver and exception request attached.	5/9/2012 11:56:37 AM
Permit	Operator has provided the revised casing info. Engineering review of the offset wells in process.	5/7/2012 12:13:38 PM

Engineer	<p>CASING PROGRAM Total Measured Depth (MD)Hole DiameterCasing DiameterCasing Weight And GradeCement 0'- 40'24"20"Conductor CasingRedimix to surface Surface 0' - 2,000'13-1/2"10-3/4"K-55 40.5 lbm/ftLead: +/- 455 sks Swiftcem B2 Tail +/- 215 sks Swiftcem B2* Horizontal Production 0' - 10,829'8-1/2"5-1/2"HCP 110 20 lbm/ftLead +/- 1080 sks Expandacem** *Cement volume calculated based on gauge hole plus 100%. Operator supplied changes to casing/cement program</p>	5/7/2012 10:11:30 AM
Permit	Operator has moved the bottom hole location further west to avoid violating rule 318Am (mandatory distance from horizontal well)	5/2/2012 12:06:26 PM
Permit	Operator has provided proposed spacing unit attachments.	5/2/2012 12:03:00 PM
Permit	Operator provided new directional plan, template, new TD and top of production zone and distance to another Niobrara well.	4/17/2012 8:58:00 AM
Permit	Operator is working on new casing plans; will submit later.	4/13/2012 11:46:56 AM
Permit	Operator is moving the bottom hole and lateral to the west. They have provided the new location plat.	4/13/2012 11:09:50 AM
Permit	Operator has added the Frac Monitoring BMP as a result of being less than 300 feet from the Obrien Energy Resources Corp Lost Creek #25.	4/12/2012 2:50:02 PM
Permit	The State Land board is satisfied with the bond.	4/12/2012 8:49:04 AM
Permit	Operator has determined that the distance between the BHL of the State 14-9-16CH well and the Lost Creek 25 well exceeds 150 feet and the true distance between the wells is 169 feet. To determine this distance, GPS coordinates were plotted of the BHL of the State 14-9-16CH well (40.22002,-104.33597) and the "As Drilled" GPS coordinates of the Lost Creek 25 (40.2202, -104.33541).	4/10/2012 11:19:51 AM
Permit	On hold - Well is being drilled from outside the established drilling windows as defined in 318Aa. Need an exception location request letter and property line waiver.	4/9/2012 7:26:28 AM
Permit	On hold - Well location is 140 feet from property line. Operator must get a property line waiver from the offsetting surface property owner. And provide an exception location request letter (603a2)	4/9/2012 7:10:14 AM
Permit	The permit must include anti-collision plan BMP(close to a P&A well). Also the lateral is near 150 feet of a shut-in well which would require the exception location request to the intra-well distance rule. Operator will verify the distance.	4/9/2012 7:03:19 AM
Permit	Well is in the GWA require that the permit contain a proposed wellbore spacing unit if the section is not spaced for a niobrara horizontal	4/9/2012 7:01:54 AM
Permit	Operator corrected deviated drilling plan. This form has passed completeness.	4/6/2012 9:59:20 AM
Permit	Returned to draft. Missing directional attachment.	4/6/2012 7:31:06 AM

Total: 22 comment(s)

BMP

<u>Type</u>	<u>Comment</u>
Storm Water/Erosion Control	Hilcorp will implement a storm water and erosion plan to prevent sedimentation and erosion.
Drilling/Completion Operations	<p>Best Management Practice for a Wellbore Fracturing Stimulation</p> <ol style="list-style-type: none">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 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.5. During stimulation take precautions to decrease risk of communicating with nearby PA and DA wells. It was agreed in a meeting with Banko personnel on 5/23/12 at COGCC that the Fox Hills is covered in the Crystal State #11-16, API# 123-09439 and therefore not a concern.

Total: 2 comment(s)