

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



Document Number:
400264855
Date Received:
05/18/2012
PluggingBond SuretyID
20030028

APPLICATION FOR PERMIT TO:

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

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

Refiling
Sidetrack

3. Name of Operator: SWEPI LP 4. COGCC Operator Number: 78110
5. Address: 4582 S ULSTER ST PKWY #1400
City: DENVER State: CO Zip: 80237
6. Contact Name: Michael L. Bergstrom Phone: (303)222-6347 Fax: (303)222-6258
Email: Michael.Bergstrom@shell.com
7. Well Name: Freeman Well Number: 3-24
8. Unit Name (if appl): _____ Unit Number: _____
9. Proposed Total Measured Depth: 7600

WELL LOCATION INFORMATION

10. QtrQtr: NWSW Sec: 24 Twp: 27S Rng: 69W Meridian: 6
Latitude: 37.684831 Longitude: -105.067631
Footage at Surface: 2105 feet FSL 536 feet FWL
11. Field Name: Wildcat Field Number: 99999
12. Ground Elevation: 7070 13. County: HUERFANO

14. GPS Data:
Date of Measurement: 01/17/2012 PDOP Reading: 2.0 Instrument Operator's Name: J.H. (Uintah Surveying)

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: 499 ft
18. Distance to nearest property line: 529 ft 19. Distance to nearest well permitted/completed in the same formation(BHL): 34000 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.)
Niobrara	NBRR			

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#: 20030020
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):

Please see attached mineral lease map and description; note this APD is for a vertical pilot hole only. The pilot hole will be evaluated for subsurface data only and is not intended to be produced. Once evaluation is complete, the pilot hole will be plugged back with cement and an open-hole sidetrack will be performed to drill the lateral portion of the wellbore.

25. Distance to Nearest Mineral Lease Line: 510 ft 26. Total Acres in Lease: 15522

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	30	20		0	90	175	90	0
SURF	17+1/2	13+3/8	54.5	0	815	496	815	0
1ST	12+1/4	9+5/8	36	0	2,959	521	2,959	500
OPEN HOLE	8+3/4			6371	7,600	0		

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

33. Comments Two APDs are being submitted for Freeman 3-24; one for the pilot hole and one for the lateral hole. This APD is for the pilot hole. Attachments include a drilling and completion plan. Distance to the nearest well in same formation is greater than 5280 feet.

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: Michael Bergstrom

Title: Senior Regulatory Advisor Date: 5/18/2012 Email: Michael.Bergstrom@shell.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: 7/17/2012

API NUMBER
05 055 06309 00

Permit Number: _____ Expiration Date: 7/16/2014

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.

- 1) Provide 48 hour notice prior to spud via electronic Form 42.
- 2) Set 9 5/8" casing (1st string) at least 50' below top of Pierre. Cement to 50' above base of surface casing. Verify coverage with cement bond log or temperature log. No salt or oil base mud shall be used until after setting and cementing 1st string.
- 3) Plug back pilot hole: In addition to kick off plug, set 40 sx (100') cement plugs at top of following formations: Pennsylvanian (Sangre de Cristo), Dakota, Codell.

This pilot well is an exception location as it is only 510 feet from the nearest lease line. Without exception location request and waivers this well could not be produced from the objective formation.

Attachment Check List

Att Doc Num	Name
1698892	LEASE MAP
1792475	CORRESPONDENCE
2169124	SURFACE CASING CHECK
400264855	FORM 2 SUBMITTED
400271565	PLAT
400271567	MINERAL LEASE MAP
400283870	DRILLING PLAN
400286297	TOPO MAP

Total Attach: 8 Files

General Comments

<u>User Group</u>	<u>Comment</u>	<u>Comment Date</u>
Permit	Distance to nearest lease line corrected per opr. Final Review passed 7/12/2012 NKP	7/12/2012 2:42:27 PM
Permit	Lease description and lease map corrected per opr. Email to opr to verify distance to lease line. 6/22/2012.	6/21/2012 3:41:19 PM

<p>Public</p>	<p>DUPLICATE OF LOCATION ASSESSMENT INPUT:</p> <p>Additional Conditions of Approval Requested</p> <ol style="list-style-type: none"> 1. We request an a priori, thorough, hydrogeological study of the basin, and that permits not be granted if drilling or fracturing could adversely impact water resources based on the study. 2. Please make no fracking or additional reservoir stimulation methods as per the drilling plans a COA of the wells. 3. In addition to the existing COA that that only closed-loop, pitless drilling and pitless operations be used, we request that they only be done with non-toxic drilling and fracking chemicals and green completions. 4. We request advance notice to the public of Hydraulic Fracturing. 5. In addition to the existing COA that it shall not be stored in ponds, we request that raw produced water from drilling, fracking, completion or production, NOT be spread on roads or grounds. 6. We request the applicant shall post a bond, escrow account or liability insurance policy of sufficient monetary value to fully compensate local citizens and communities for any damage to their air, water, health, safety, environment or property values. 7. Likely abundant natural fissures, faults, and fractures in the area make for increased risk of cement casing failure (nothing to support it under high pressures). Please include stringent requirements for testing the cement prior to completion and periodically during production. 8. Huerfano County has many radioactive mineral claims in Uranium and Vanadium. Please evaluate locations for the potential to encounter these NORMs during drilling/operations, and monitor their production during operations, and make reports publicly available quickly. <p>Additional Questions/Requests of COGCC</p> <ol style="list-style-type: none"> 1. Surface casing on all 4 wells runs to exactly 815 feet. Sources indicate deeper formations can be water bearing (see McLaughlin, T.G., 1966, Ground water in Huerfano County, Colorado; U.S. Geological Survey, WaterSupply Paper 1805, TABLE 3.)How was the depth of aquifers evaluated/defined? How is it known that potentially usable water is protected? 2. Dikes, sills, faults and fractures are deep, transmissive, and the details of their connections to aquifers are not known except possibly through 3-D seismic data Shell may have collected. CHC requests COGCC examine the data to establish that there is NO possibility of connection between SWEPI well-bores or fractures and natural fractures or dikes that communicate with aquifers. 	<p>3/8/2012 1:20:26 AM</p>
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Public	<p>DUPLICATE OF LOCATION ASSESSMENT INPUT:</p> <p>There are many plugs, dikes, and sills in this location/area, which run both East-West and North-South. See Geology 250K map. There is a dike across the County road to the South less than 1/2 mile from the site (to the southwest), visible on the REFERENCE AREA MAP (elevation=7467). The dikes visible at the surface enclose the location in a C of about 2 miles diameter. Dikes run deep, having extruded from the magma, do not all show on the surface, and are accompanied by fractures and faults up to a mile away. Dikes are transmissive, as faults and fractures are. It has been hypothesized this occurs because of alteration of the shale alongside the dikes even in the deep shale layers. These features do pose drilling and hydrological risks. We request the COGCC take steps to proactively mitigate problems that could be caused by this feature of the unique geology of Huerfano County. Drilling and production accidents have already occurred in this basin due to lack of information on these features. SWEPI has 3D seismic data which *may or may not* be able to detect these features. Please examine the seismic data.</p> <p>Hydraulic Fracturing will only increase the risk (the potential of unintended connections) and therefore we request: Please make no fracking or additional reservoir stimulation methods a COA of the well.</p> <p>This well is pending COA correspondence. We request conditions of approval similar to the other SWEPI wells be applied.</p>	3/8/2012 1:19:14 AM
Public	Hydrogeological Concerns in Huerfano Park, Prepared by Citizens for Huerfano County, June 7, 2012 entered as an attachment labeled as CORRESPONDENCE.	6/7/2012 11:42:36 AM
Public	I'm a farmer near Gardner, Colorado and urge you to reject this application. Fracking has proven to be unsafe and risks the health of our water, and my livelihood. Consider the future generations.	6/6/2012 11:58:41 AM

Public	<p>I am very concerned about water contamination. We need water more than we need oil to survive in a high desert.</p> <ol style="list-style-type: none"> 1. Before oil and gas permits are granted in the Huerfano river drainage, a thorough hydrogeological study of the area, including field work (not just a literature review) shall be accomplished. Oil and gas drilling permits shall not be granted until it has been determined that drilling and fracking will not adversely impact water resources, as has already happened in the other three Raton Basin drainages (Cucharas, Purgatoire and Apishapa). 2. Attach as a condition of approval (COA) to all permits to drill in Huerfano Park, No Hydraulic Fracturing. On the applications (Drilling Plan last sentence) and in communications with the public - SWEPI has indicated that hydraulic fracturing will not be used on the proposed wells: Frac'ing or additional reservoir stimulation methods will not be applied Due to its complex and unique geology, Huerfano County is a high risk environment. Fracking in these locations has a high probability of resulting in unintended consequences including irreversible impacts on surface and groundwater resources. Please make the claim a condition of approval. 3. Attach as conditions of approval (COA) to all permits to drill in Huerfano Park, that only closed-loop, pitless drilling and pitless operations with non-toxic drilling and fracking chemicals and green completions shall be allowed. 4. Attach as conditions of approval (COA) to all permits to drill in Huerfano Park, that raw produced water from drilling, fracking, completion or production shall not be stored in ponds, spread on roads or grounds. 5. Attach as conditions of approval (COA) to all permits to drill in Huerfano Park, that air emissions be controlled to the maximum extent technically possible. For example, that all air emissions shall be controlled by a device capable of 95-100% control efficiency of VOC. The device(s) shall be maintained to allow maximum efficiency during operations. 6. Attach as conditions of Approval to all permits to drill in Huerfano Park, that baseline water samples shall be taken, at least 60 days prior to activity at any well site, of all domestic, community and livestock water wells and springs, of the intake to all municipal waterworks, and of all other creeks and surface run-off areas, within 5 miles in all directions. The water samples shall be gathered according to the COGA protocols and analyzed according to the Tier 2 analyte list published in the Colorado Water Institute's Water Well Testing Program for Huerfano County. 7. Attach as conditions of approval (COA) to all permits to drill in Huerfano Park, that the applicant shall post a bond, escrow account or liability insurance policy of sufficient monetary value to fully compensate local citizens and communities for any damage to their air, water, health, safety, environment or property values. 8. Additionally, Huerfano County is well known for its unique and complex geology, including numerous radial dikes that extend for miles through multiple geological strata (and are not all visible on the surface). Dikes, sills, faults and fractures are deep, transmissive, and the details of their connections to aquifers are not known except possibly through 3-D seismic data Shell may have collected. CHC requests COGCC examine the data to establish that there is NO possibility of connection between SWEPI well-bores or fractures and natural fractures or dikes that communicate with aquifers. 9. Additionally, because of its close proximity to the Huerfano River and the Gardner Community drinking water wells, the area surrounding Fortune 4-9 should be given protection under Rule 317B, Public Water System Protection criteria. 	3/5/2012 8:15:20 PM
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<p>Public</p>	<p>To Whom It May Cocern:</p> <p>I am very worried about the pending drill applications for Huerfano County. This includes 8 applications listed as SWEPI LP 78110.</p> <p>I am most concerned that the citizens who live and own property in the vicinity of these drill sites have not had their viewpoints represented.</p> <p>I believe the elected officials and COGCC need to ensure that citizens' concerns are fully addressed prior to any approval of these applications.</p> <p>I am particularly concerned about water contamination or exacerbation of current drought conditions.</p> <p>I am also concerned about general safety, in terms of health regarding air quality and other pollution aspects.</p> <p>Safety also refers to economic issues, and the need to ensure that the local Huerfano County economy is supported not exploited.</p>	<p>3/3/2012 9:46:47 PM</p>
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Total: 8 comment(s)

BMP

<u>Type</u>	<u>Comment</u>
<p>Storm Water/Erosion Control</p>	<p>Stormwater Management Plans (SWMP) are in place to comply with both Colorado Department of Public Health and Environment (CDPHE) and Colorado Oil and Gas Conservation Commission (COGCC) stormwater discharge permits. The construction layout for Freeman 3-24 details Best Management Practices (BMP) to be installed during initial construction. Note that BMPs may be removed, altered, or replaced with changing conditions in the field and the SWMP will be updated accordingly. The BMPs prescribed for the initial construction phase include, but are not limited to</p> <ul style="list-style-type: none"> • Construction diversion ditch • Sediment reservoirs • Check dams • Level spreaders • Stabilized construction entrance • Slash • Sediment trap • Wattle • Terrace • Secondary containment berms • Detention ponds
<p>Material Handling and Spill Prevention</p>	<p>Spill Prevention Control & Countermeasure Plans (SPCC) are in place to address material releases and to prescribe materials handling BMPs for the facility. "Good house-keeping" measures will be taken to ensure proper waste disposal.</p>

Total: 2 comment(s)