

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: KERR-MCGEE OIL & GAS ONSHORE LP 4. COGCC Operator Number: 47120

5. Address: P O BOX 173779
City: DENVER State: CO Zip: 80217-3779

6. Contact Name: Cheryl Light Phone: (720)929-6461 Fax: (720)929-7461
Email: cheryl.light@anadarko.com

7. Well Name: CANNON Well Number: 36N-W3HZX

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

9. Proposed Total Measured Depth: 11338

WELL LOCATION INFORMATION

10. QtrQtr: NWNE Sec: 3 Twp: 2N Rng: 65W Meridian: 6
Latitude: 40.174017 Longitude: -104.648491

Footage at Surface: 216 feet FNL 2314 feet FEL

11. Field Name: WATTENBERG Field Number: 90750

12. Ground Elevation: 4839 13. County: WELD

14. GPS Data:
Date of Measurement: 04/06/2012 PDOP Reading: 2.5 Instrument Operator's Name: OWNE McKEE

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

621 FNL 3075 FEL 460 FSL 2200 FWL

Sec: 3 Twp: 2N Rng: 65W Sec: 3 Twp: 2N Rng: 65W

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: 2762 ft

18. Distance to nearest property line: 216 ft 19. Distance to nearest well permitted/completed in the same formation(BHL): 75 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		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):

Please see attached Oil and Gas Lease.

25. Distance to Nearest Mineral Lease Line: 0 ft 26. Total Acres in Lease: 948

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	13+1/2	9+5/8	36	0	775	580	775	0
1ST	8+3/4	7	26	0	7,275	730	7,275	
1ST LINER	6+1/8	4+1/2	11.6	6261	11,338			

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

33. Comments No conductor casing will be used. Unit Configuration NBRR E/2W/2, W/2E/2. The surface location of this well is an exception to Rule 318A.a and to Rule 318A.c. This well is not within the GWA surface location window and does not meet the twinning requirement due to the number of wells planned for this area and at the request of the surface owner. An exception location request letter and signed waivers are attached to the Form 2 and Form 2A. Kerr-McGee Oil & Gas Onshore LP ("KMG") respectfully requests the Director to waive Rule 318A.m for this well. KMG is the operator of the encroached upon well(s). This application is the result of an Unplanned Sidetrack. Notice was given to Diana Burn on 09/27/12.

34. Location ID: 429360

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: CHERYL LIGHT

Title: SR. REGULATORY ANALYST Date: 10/3/2012 Email: DJREGULATORY@ANADARK

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: Matthew Lee Director of COGCC Date: 10/5/2012

API NUMBER

05 123 35786 01

Permit Number: _____ Expiration Date: 10/4/2014

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.

Verify cement coverage from the 7" casing TD to a minimum of 200' above the Niobrara with a cement bond log.

Attachment Check List

Att Doc Num	Name
400333092	FORM 2 SUBMITTED
400333100	PLAT
400333101	TOPO MAP

Total Attach: 3 Files

General Comments

<u>User Group</u>	<u>Comment</u>	<u>Comment Date</u>
Permit	Form 4 doc # 1695231. ok to pass.	10/4/2012 9:20:21 AM
Permit	This form has passed completeness.	10/3/2012 1:41:26 PM

Total: 2 comment(s)

BMP

<u>Type</u>	<u>Comment</u>
Drilling/Completion Operations	Kerr McGee acknowledges and will comply with the COGCC Policy for Bradenhead Monitoring during Hydraulic Fracturing Treatments in the Greater Wattenberg Area dated May 29, 2012.
Drilling/Completion Operations	<p>"Prior to drilling operations, Operator may 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 may 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."</p> <p>At the time of permitting; the operator has identified the following well(s) as being within close proximity of the proposed well: CANNON 36N-W3HZ: - BROWN 3-3A - CANNON 6-3 - CANNON FARMING 11-3 - CANNON 14-3</p>

Total: 2 comment(s)