

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:

2288929

Date Received:

08/31/2012

PluggingBond SuretyID

20120073

APPLICATION FOR PERMIT TO:

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

2. TYPE OF WELL

OIL ☒ GAS ☐ COALBED ☐ OTHER ☐ LATERAL ☐
 SINGLE ZONE ☒ MULTIPLE ☐ COMMINGLE ☐

Refiling ☐Sidetrack ☒

3. Name of Operator: CHAMA OIL & MINERALS LLC

4. COGCC Operator Number: 10431

5. Address: PO BOX 50203

City: MIDLAND State: TX Zip: 79710

6. Contact Name: WILLIAM HEARD Phone: (432)683-8000 Fax: (432)683-8250

Email: bill.heard@CHAMAOIL.COM

7. Well Name: KERN STATE 36-16-46

Well Number: 1H

8. Unit Name (if appl):

Unit Number:

9. Proposed Total Measured Depth: 9300

WELL LOCATION INFORMATION

10. QtrQtr: NENE Sec: 36 Twp: 16S Rng: 46W Meridian: 6

Latitude: 38.626530

Longitude: -102.512550

Footage at Surface: 600 feet FNL/FSL 660 feet FEL/FWL
 FNL FEL

11. Field Name: WILDCAT

Field Number: 99999

12. Ground Elevation: 4131

13. County: CHEYENNE

14. GPS Data:

Date of Measurement: 08/15/2012 PDOP Reading: 2.6 Instrument Operator's Name: R GABRIEL

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
 910 FNL 660 FEL 600 FSL 660 FEL
 Sec: 36 Twp: 16S Rng: 46W Sec: 36 Twp: 16S Rng: 46W

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: 4680 ft

18. Distance to nearest property line: 600 ft 19. Distance to nearest well permitted/completed in the same formation(BHL): 5280 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.) |
|------------------------|----------------|-------------------------|-------------------------------|--------------------------------------|
| SPERGEN | SPGN | | | |
| ST LOUIS | STLS | | | |

21. Mineral Ownership: ☐ Fee ☒ State ☐ Federal ☐ Indian Lease #: 2002.1222. Surface Ownership: ☐ Fee ☒ State ☐ Federal ☐ Indian23. 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 ☐ No23b. 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):

SECTION 36 (ALL), T-16-S, R-46-W

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: _____

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 | 500 | 250 | 500 | 0 |
| 1ST | 8+3/4 | 7 | 26 | 0 | 5,500 | 400 | 5,500 | 3,400 |
| 2ND | 6+1/8 | 4+1/2 | 13.5 | 0 | 9,100 | 0 | | |

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

33. Comments THE KERN STATE 36-16-46 #1P AND #1H ARE BEING DRILLED AT THE SAME LOCATION. THE #1P WILL BE A PILOT HOLE DRILLED TO APPROXIMATE TD/TVD OF 6200'. WELL WILL BE PLUGGED BACK AND THE #1H HORIZONTAL WILL BE DRILLED AS NOTED ON THE LOCATION PLAT. Per operator email request, no conductor pipe will be set. Additional operator contact information is bheard@sierra-engineering.net

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: WILLIAM HEARD

Title: DRILLING ENGINEER

Date: 8/30/2012

Email: bill.heard@CHAMAOIL.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: Matthew Lee Director of COGCC Date: 1/22/2013

API NUMBER

05 017 07729 01

Permit Number: _____ Expiration Date: 10/5/2014

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) If production casing is set provide cement coverage from TD to at least 200' above the shallowest completed. Cement across Cheyenne/Dakota aquifers (minimum 1650' – 1200'). Verify with CBL.
- 3) If well is a dry hole set the following plugs: 40 sks cement +/- 50' above the Morrow, 40 sks cement +/- 50' above the Topeka, 40 sks cement +/- 50' above any DST w/ show, 40 sks cement at 1650' up, 40 sks cement at 1200' up, 50 sks cement from 50' below surface casing shoe up into surface casing, 10 sks cement in top of surface csg, cut 4 ft below GL, weld on plate, 5 sks cement each in rat hole and mouse hole.

Attachment Check List

| Att Doc Num | Name |
|-------------|------------------------|
| 2172032 | SURFACE CASING CHECK |
| 2288929 | APD APPROVED |
| 2288930 | WELL LOCATION PLAT |
| 2288931 | TOPO MAP |
| 2288932 | 30 DAY NOTICE LETTER |
| 2288933 | DEVIATED DRILLING PLAN |
| 400334215 | FORM 2 SUBMITTED |

Total Attach: 7 Files

General Comments

| <u>User Group</u> | <u>Comment</u> | <u>Comment Date</u> |
|--------------------------|--|----------------------------|
| Permit | Form 2s for pilot and lateral sidetrack originally approved as 2 separate wells. Pilot hole API Number was and remains 017-07729-00. Lateral sidetrack API was incorrectly 017-07728-00. Lateral sidetrack Form 2 will be re-approved to correct API Number to 017-07729-01. | 1/22/2013 2:09:03 PM |
| Permit | Surface bond discussion resolved. Well is State minerals and State surface; removed COGCC surface bond from application | 9/28/2012 1:57:24 PM |
| Permit | Final review completed; no LGD or public comment received. | 9/28/2012 12:31:36 PM |
| Permit | This the lateral permit for a pilot/lateral drilling plan. | 9/28/2012 12:31:05 PM |
| Permit | Operator has a surface bond on this well. | 9/28/2012 12:30:31 PM |
| Permit | Operator revised list of objectives to not include the Morrow. | 9/11/2012 11:02:24 AM |
| Permit | The Morrow is spaced and would require a larger setback from lease boundary. | 9/7/2012 7:48:49 AM |
| Permit | State Land board says operator is bonded. | 9/7/2012 7:46:01 AM |
| Permit | Notified the state land board. | 9/7/2012 7:44:46 AM |
| Permit | Operator email request to make corrections/amend information: Nikki, Thank you for your time this morning. As we discussed please make the following corresponding changes: •Plugging bond surety number for Form 2's should be 2012-0073 •Surface bond surety on Form 2A was correct – 2012-0077; however I noticed on Form 2 it is incorrect (shows 2002-0077). Would you please change to 2012-0077? •Casing information: Kern State 36-16-46 #1P and #1H: no conductor will be set, surface casing is 9-5/8" 36#/ft at 500', intermediate casing is 7" 26#/ft at 5,500', production casing is 4-1/2" 13.5# at 9,100'. •Email: use bill.heard@chamaoil.com OR bheard@sierra-engineering.net If you need more information or any other changes need to be made, just let me know. Thanks again for your time. Bill Heard Chama Oil & Minerals | 9/6/2012 1:58:02 PM |
| Permit | Return to Draft (contacted operator): 1. Plugging bond number written on Form 2 does not match database. 2. Missing directional data (paper submitted Form 2). 3. Email does not work. | 9/6/2012 9:10:26 AM |

Total: 11 comment(s)

BMP

| <u>Type</u> | <u>Comment</u> |
|--------------------|-----------------------|
| | |

Total: 0 comment(s)