

FORM
2

Rev
12/05

State of Colorado
Oil and Gas Conservation Commission

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Document Number:

400358911

Date Received:

01/03/2013

PluggingBond SuretyID

20030032

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: KGH OPERATING COMPANY

4. COGCC Operator Number: 47200

5. Address: P O BOX 2235

City: BILLINGS State: MT Zip: 59103-2235

6. Contact Name: Thomas Hauptman Phone: (406)259-8509 Fax: (970)858-4163

Email: tkprodoc@180com.net

7. Well Name: Meagher Well Number: 14-1H

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

9. Proposed Total Measured Depth: 9803

WELL LOCATION INFORMATION

10. QtrQtr: SWNE Sec: 14 Twp: 1S Rng: 104W Meridian: 6

Latitude: 39.964014 Longitude: -109.035809

Footage at Surface: 1630 feet FNL/FSL 2700 feet FEL/FWL
FNL FWL

11. Field Name: Blanco Field Number: 6902

12. Ground Elevation: 6554 13. County: RIO BLANCO

14. GPS Data:

Date of Measurement: 10/18/2012 PDOP Reading: 3.1 Instrument Operator's Name: C. Van Matre

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
1630 FNL 2700 FWL 1630 FNL 2030 FWL
Sec: 14 Twp: 1S Rng: 104 W Sec: 13 Twp: 1S Rng: 104

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: 5280 ft

18. Distance to nearest property line: 760 ft 19. Distance to nearest well permitted/completed in the same formation(BHL): 1380 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.) |
|------------------------|----------------|-------------------------|-------------------------------|--------------------------------------|
| Mancos B | MNCSB | | | |

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 mineral lease description attachment. This is a horizontal wellbore crossing one fee lease.

25. Distance to Nearest Mineral Lease Line: 760 ft

26. Total Acres in Lease: 3681

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 | 800 | 320 | 800 | 0 |
| 1ST | 8+3/4 | 7 | 23# | 0 | 5,894 | 620 | 5,894 | 700 |
| 1ST LINER | 6+1/8 | 4+1/2 | 11.6# | 4700 | 9,804 | | | |

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

33. Comments Note: Surface - 50% Excess Intermediate Casing - 10% ExcessThe 4.5" liner top will be at 4700' and continue to 9803'. This is a stim sleeve liner with 12 stages and is isolated with swell packers. The last swell packer will be inside the 7" casing and the liner top will be packed off. There will be no cement pumped on the liner.

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: Jeff Hofman

Title: Associate Scientist Date: 1/3/2013 Email: jhofman@olssonassociates.co

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: 2/2/2013

API NUMBER

05 103 11955 00

Permit Number: _____ Expiration Date: 2/1/2015

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) COMPLIANCE WITH THE MOST CURRENT REVISION OF THE NORTHWEST COLORADO NOTIFICATION POLICY IS REQUIRED.

2) INTERMEDIATE CASING CEMENT TOP VERIFICATION BY CBL REQUIRED.

Applicable Policies and Notices to Operators

NW Colorado Notification Policy.

Notice Concerning Operating Requirements for Wildlife Protection.

Attachment Check List

| Att Doc Num | Name |
|-------------|-------------------------|
| 400358911 | FORM 2 SUBMITTED |
| 400359119 | DEVIATED DRILLING PLAN |
| 400359120 | LEGAL/LEASE DESCRIPTION |
| 400359194 | WELL LOCATION PLAT |
| 400359200 | TOPO MAP |
| 400364247 | LOCATION PHOTO |
| 400364249 | WELL LOCATION PLAT |
| 400364250 | CONST. LAYOUT DRAWINGS |
| 400364252 | CONST. LAYOUT DRAWINGS |
| 400364256 | ACCESS ROAD MAP |
| 400364257 | REFERENCE AREA MAP |
| 400364259 | REFERENCE AREA PICTURES |
| 400364264 | LOCATION DRAWING |
| 400364310 | DOW CONSULTATION |
| 400365628 | SURFACE OWNER CONSENT |
| 400366783 | DIRECTIONAL DATA |
| 400367543 | DIRECTIONAL DATA |
| 400367559 | DIRECTIONAL DATA |

Total Attach: 18 Files

General Comments

| <u>User Group</u> | <u>Comment</u> | <u>Comment Date</u> |
|--------------------------|--|----------------------------|
| Permit | No LGD or public comments. Final Review--passed. | 1/30/2013 3:11:16 PM |
| Permit | Corrected dist. to prop. line & min. lease per oper. | 1/29/2013 3:06:00 PM |
| Engineer | THE PROPOSED SURFACE CASING IS MORE THAN 50' BELOW THE DEPTH OF THE DEEPEST WATER WELL WITHIN 1MILE OF THE SURFACE LOCATION WHEN CORRECTED FOR ELEVATION DIFFERENCES. THE DEEPEST WATER WELL WITHIN 1 MILE IS 000 FEET DEEP. | 1/16/2013 4:09:02 PM |
| Engineer | Casing/cementing plan clarification requested from operator. | 1/15/2013 10:06:37 AM |
| Permit | Directional data was uploaded by operator. Ready to pass completeness. | 1/9/2013 2:55:30 PM |
| Permit | Returned to draft. Directional data attached, however, unable to upload directional data. | 1/8/2013 4:20:47 PM |
| Permit | Returned to draft. Directional data missing and template needs to be uploaded. Recommended to operator that \$ amount be redacted on SUA. | 1/4/2013 3:41:50 PM |

Total: 7 comment(s)

BMP

| <u>Type</u> | <u>Comment</u> |
|--|--|
| Material Handling and Spill Prevention | <p>Spill Prevention Control and Countermeasures (SPCC)</p> <p>Once the well is drilled and completed onsite KGH will prepare a SPCC plan for the site.</p> |
| Storm Water/Erosion Control | <p>Stormwater management will be managed under KGH Operating Company's (KGH) proposed stormwater management plan prepared for the project area. A stormwater plan and permit will be submitted to CDPHE as required. Prior to construction a stormwater "perimeter will be built around the site for initial work purposes. Once the pad construction is completed, the site will be inspected and any necessary erosion control devices needed to manage sediment discharge from the pad will be installed. These devices may include but are not limited to:</p> <ul style="list-style-type: none">-Rock Check Dams-Settling Ponds-Straw Waddles-Silt Fencing (Used Sparingly) |
| Wildlife | <ol style="list-style-type: none">1. Where oil and gas activities must occur in mule deer critical winter range, conduct these activities outside the time period from December 1 through April 15 (construction and drilling).2. Restrict post-development well site visitations to between the hours of 10:00 am and 3:00 pm and reduce well site visitations between December 1 and April 15 in mule deer winter range.3. Establish company guidelines to minimize wildlife mortality from vehicle collisions on roads.4. Gate single-purpose roads and restrict general public access to reduce traffic disruptions to wildlife.5. Close and immediately reclaim all roads that are redundant, not used regularly, or have been abandoned to the maximum extent possible to minimize disturbance and habitat fragmentation.6. Avoid aggressive non-native grasses and shrubs in mule deer and elk habitat restoration.7. Reclaim mule deer habitats with native shrubs, grasses, and forbs appropriate to the ecological site disturbed.8. Restore appropriate sagebrush species or subspecies on disturbed sagebrush sites. Use locally collected seed for reseeding where possible. |

Total: 3 comment(s)