

FORM
2

Rev
12/05

State of Colorado Oil and Gas Conservation Commission

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Date Received:

07/09/2013

PluggingBond SuretyID

20080034

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: BAYSWATER EXPLORATION AND PRODUCTION LLC 4. COGCC Operator Number: 10261

5. Address: 730 17TH ST STE 610

City: DENVER State: CO Zip: 80202

6. Contact Name: Ann L. Stephens Phone: (303)928-7128 Fax: ()

Email: astephens@petro-fs.com

7. Well Name: Staley Well Number: 10-7

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

9. Proposed Total Measured Depth: 7249

WELL LOCATION INFORMATION

10. QtrQtr: NESW Sec: 7 Twp: 6N Rng: 67W Meridian: 6

Latitude: 40.500750 Longitude: -104.936066

Footage at Surface: 2517 feet FSL 2252 feet FWL

11. Field Name: Wattenberg Field Number: 90750

12. Ground Elevation: 4820 13. County: WELD

14. GPS Data:

Date of Measurement: 04/26/2013 PDOP Reading: 1.5 Instrument Operator's Name: David Macdonald

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
1982 FSL 1856 FEL 1982 FSL 1856 FEL
Sec: 7 Twp: 6N Rng: 67W Sec: 7 Twp: 6N Rng: 67W

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: 246 ft

18. Distance to nearest property line: 215 ft 19. Distance to nearest well permitted/completed in the same formation(BHL): 950 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.) |
|------------------------|----------------|-------------------------|-------------------------------|--------------------------------------|
| CODPELL | CODL | 407-87 | 80 | N2SE |
| NIOBRARA | NBRR | 407-87 | 80 | N2SE |

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):

T6N, R67W, Sec. 7: NW, and all that part of the NESW lying North and East of the Southerly right of way line of the Colorado and Southern Railway Company. Staley Farm Investments, LLC is 100% Surface Owner and one of the Mineral Owners to this SHL lease. The SHL and BHL are comprised of multiple leases. Please see attached lease map.

25. Distance to Nearest Mineral Lease Line: 356 ft 26. Total Acres in Lease: 150

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: Offsite facility is Airport Mud

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 | 8+5/8 | 24 | 0 | 625 | 437 | 625 | 0 |
| 1ST | 7+7/8 | 4+1/2 | 11.6 | 0 | 7249 | 860 | 7249 | 2900 |

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

33. Comments No conductor casing will be set. Operator requests an exception location per rule 318A.a since well will not be drilled in a legal GWA drilling window. Surface Owner Exception Location Consent is attached. The SHL for this well is on Staley Farm Investments, LLC property. The BHL is in JSCS Farms, LLC et al minerals. There are multiple mineral leases to the SHL and BHL...please see lease map attached. BHL is in a legal GWA window. The distance to the nearest mineral lease line is 356', which is the Windsor Farms Investments LLC lease to the southwest of the BHL. All acreage leased by Bayswater. "The distance to the nearest property line is 215'. A waiver for rule 603.a.2 is not required as both sides of the lease line are owned by the same property owner (Staley)

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: DeAnne M. Spector

Title: Regulatory Analyst Date: 7/9/2013 Email: dspector@petro-fs.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: 10/7/2013

API NUMBER
05 123 38261 00

Permit Number: _____ Expiration Date: 10/6/2015

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.

Description

Operator must meet water well testing requirements per Rule 318A.

1) Provide notice of MIRU via an electronic Form 42.

2) Comply with Rule 317.i and provide cement coverage a minimum of 200' above the Niobrara. Verify cement coverage with a cement bond log per Rule 317.o.

Applicable Policies and Notices to Operators

Notice Concerning Operating Requirements for Wildlife Protection.

Attachment Check List

| <u>Att Doc Num</u> | <u>Name</u> |
|---------------------------|------------------------|
| 1535251 | SURFACE CASING CHECK |
| 2167480 | SURFACE AGRMT/SURETY |
| 400421891 | FORM 2 SUBMITTED |
| 400431793 | PLAT |
| 400431889 | DEVIATED DRILLING PLAN |
| 400433213 | DIRECTIONAL DATA |
| 400435291 | 30 DAY NOTICE LETTER |
| 400445121 | EXCEPTION LOC REQUEST |
| 400445122 | LEASE MAP |
| 400455341 | EXCEPTION LOC WAIVERS |

Total Attach: 10 Files

General Comments

| <u>User Group</u> | <u>Comment</u> | <u>Comment Date</u> |
|--------------------------|--|----------------------------|
| Permit | Attached SUA as per opr and changed right to construct to SUA. Final review complete. | 10/7/2013 7:55:44 AM |
| Final Review | ON HOLD - directional well requires SUA | 9/17/2013 8:00:02 AM |
| Permit | Corrected property line distance from 106' to 215' as per opr. | 8/14/2013 8:46:16 AM |
| Permit | Form passes completeness. | 7/31/2013 4:22:11 PM |
| Permit | Spacing is incorrect, and attachments are incorrect. Back to draft. | 7/31/2013 8:44:55 AM |
| Permit | Returned to draft. Requested exception location waivers for 318A and for property line setbacks. | 7/10/2013 6:28:28 AM |

Total: 6 comment(s)

Best Management Practices

| No | BMP/COA Type | Description |
|-----------|--|--|
| 1 | Planning | When feasible develop multiple well sites by using directional drilling to reduce cumulative impacts and adverse impacts on wildlife resources. |
| 2 | Storm Water/Erosion Control | Use water bars, and other measures to prevent erosion and non-source pollution. Implement and maintain BMPs to control stormwater runoff in a manner that minimizes erosion, transport of sediment offsite, and site degradation. Co-locate gas and water gathering lines whenever feasible, and mitigate any erosion problems that arise due to the construction of any pipeline(s). |
| 3 | Material Handling and Spill Prevention | Site Specific: Fence the well site after drilling to restrict public and wildlife access. Keep well site location, the road, and the pipeline easement free of noxious weeds, litter and debris. Spray for noxious weeds, and implement dust control, as needed. Operator will not permit the release or discharge of any toxic or hazardous chemicals or wastes on Owner's Land. Construct and maintain gates where any roads used by operator, its employees, or contractors cross through fences on the leased premises. |
| 4 | Construction | Remove only the minimum amount of vegetation necessary for the construction of roads and facilities. Conserve topsoil during excavation and reuse as cover on disturbed areas to facilitate regrowth of vegetation. No construction or routine maintenance activities will be performed during periods when the soil is too wet to adequately support construction equipment. |
| 5 | Drilling/Completion Operations | A closed-loop drilling mud system will be used to preclude the use of an earthen reserve pits when available. Light Sources will likewise be directed downwards, and away from occupied structures where possible. Once the drilling and completions rigs leave the site, there will be no permanently installed lighting on site. |
| 6 | Interim Reclamation | Utilize only such area around each producing well as is reasonably necessary. Restore the remainder of the well site location to its original condition within a reasonable time after the completion of operations. All reseeding shall be done with grasses consistent with the Rocky Mountain native mix or other grasses reasonably requested by surface owner and during planting period suggested by Owner. |
| 7 | Final Reclamation | All surface restoration shall be accomplished to the satisfaction of Owner. All reseeding shall be done with grasses consistent with the Rocky Mountain native mix or other grasses reasonably requested by surface owner and during planting period suggested by Owner. Final reclamation shall be completed to the reasonable satisfaction of the Owner as soon as practical after installation (weather permitting) and in accordance with regulatory agency standards (BLM/COGCC). |

Total: 7 comment(s)