

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:

400398728

Date Received:

06/11/2013

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

PluggingBond SuretyID

20030032

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: tkproduc@180com.net

7. Well Name: Meagher Well Number: 14-2H

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

9. Proposed Total Measured Depth: 10060

WELL LOCATION INFORMATION

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

Latitude: 39.964677 Longitude: -109.035823

Footage at Surface: 1390 feet FNL 2596 feet FEL

11. Field Name: Blanco Field Number: 6902

12. Ground Elevation: 6547 13. County: RIO BLANCO

14. GPS Data:

Date of Measurement: 03/19/2013 PDOP Reading: 2.4 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: 1254 FNL 2138 FEL Bottom Hole: 90 FNL 2040 FWL
Sec: 14 Twp: 1S Rng: 104 Sec: 13 Twp: 1S Rng: 104
W W

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: 1000 ft 19. Distance to nearest well permitted/completed in the same formation(BHL): 240 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.

25. Distance to Nearest Mineral Lease Line: 600 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	2000	320	2000	0
1ST	8+3/4	7	23#	0	5695	620	5695	700
1ST LINER	6+1/8	4+1/2	11.6#	4845	10060			

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

33. Comments Note: Surface - 50% Excess Intermediate Casing 10% Excess The 4.5" liner top will be at 4845' and continue to 10,060'. 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: 6/11/2013 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: 12/10/2013

API NUMBER: **05 103 12074 00** Permit Number: _____ Expiration Date: 12/9/2015

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

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

(2) PROVIDE CEMENT COVERAGE FROM THE 7" CASING SHOE TO A MINIMUM OF 100' ABOVE THE SURFACE CASING SHOE. VERIFY 7" CASING CEMENT COVERAGE WITH A CBL.

Data retrieval failed for the subreport 'IntPolicy_NTC' located at: \\Dor\DonSterling\oFarmReport\policy_ntr.rpt. Please

Attachment Check List

Att Doc Num	Name
2157324	DEVIATED DRILLING PLAN
2157325	EXCEPTION LOC REQUEST
2157326	WELL LOCATION PLAT
400398728	FORM 2 SUBMITTED
400398809	TOPO MAP
400398814	LEGAL/LEASE DESCRIPTION
400432060	SURFACE AGRMT/SURETY
400513720	DIRECTIONAL DATA
400522241	DIRECTIONAL DATA

Total Attach: 9 Files

General Comments

<u>User Group</u>	<u>Comment</u>	<u>Comment Date</u>
OGLA	Corrected Mud Disposal from "Onsite - Landspreading" to "Offsite - Disposal Facility in Utah" on both the Form 2A#400398915 and Form 2#400398728.	12/9/2013 8:58:41 AM
Permit	Off hold: Confirmed Xcel template uploaded correctly. No LGD or public comments. Final Review--passed.	12/6/2013 9:44:14 AM
Permit	Oper. sub. revised Xcel template. Oper. corrected footages for TOP.	12/4/2013 4:20:45 PM
Permit	Xcel template has points of "bad" data that do not agree with dev. drlg. plan. Re-req'd Xcel template. Eng. re-review complete.	11/20/2013 9:41:27 AM
Permit	Oper. submitted revised Xcel template, dev. drlg. plan, casing program, TD, well location plat, dist. to min. lease, and top of PZ (Top of PZ is the same as SHL). Also exception loc. req. ltr. with self-waiver. Req'd more details on casing/cement program. Req'd eng. re-review.	11/15/2013 6:59:26 AM
Permit	Emailed oper. 30 day notice of withdrawal if req'd info not received by 12/6/2013.	11/6/2013 7:51:57 AM
Permit	Oper. submitted revised dev. drlg. plan and Xcel template. Req'd new liner top and setting depth due to change in TD. Req'd distances to lease line and nearest well. Req'd revision of exc. loc. req. ltr.	11/4/2013 1:49:00 PM
Permit	Oper. submitting revised well loc. plat and dev. drlg. plan for change in BHL. Req'd corrected distance to min. lease and TOP.	11/1/2013 11:22:48 AM
Permit	Oper. still reviewing information requests.	7/31/2013 1:48:07 PM
Permit	Put on hold pending exc. loc. req. ltr. and clarification of APD top of PZ. Oper. emailed 7/3.	7/18/2013 1:36:46 PM
Permit	Proposed well is not a legal location; it does not meet the 1200' setback rule. Req'd exc. loc. ltr. and waivers. Req'd re-calculation of top of pay zone footages.	7/3/2013 11:10:47 AM
Engineer	THE PROPOSED SURFACE CASING IS MORE THAN 50' BELOW THE DEPTH OF THE DEEPEST WATER WELL WITHIN 1-MILE OF THE SURFACE LOCATION WHEN CORRECTED FOR ELEVATION DIFFERENCES. THE DEEPEST WATER WELL WITHIN 1-MILE IS 00 FEET DEEP.	6/19/2013 1:11:40 PM
Permit	Pass Completeness.	6/12/2013 9:31:06 AM

Total: 13 comment(s)

Best Management Practices

No	BMP/COA Type	Description
1	Wildlife	<p>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).</p> <p>2. Restrict post-development well site visitations to between the hours of 10:00 am and 3:00 pm and reduce well site visitation between December 1 and April 15 in mule deer winter range.</p> <p>3. Establish company guidelines to minimize wildlife mortality from vehicle collisions on road.</p> <p>4. Gate single-purpose roads and restrict general public access to reduce traffic distribution to wildlife.</p> <p>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.</p> <p>6. Avoid aggressive non-native grasses and shrubs in mule deer and elk habitat restoration.</p> <p>7. Reclaim mule deer habitats with native shrubs, grasses and forbs appropriate to the ecological site disturbed.</p> <p>8. Restore appropriate sagebrush species or subspecies on disturbed sagebrush sites. Use locally collected seed for reseeded where possible.</p>
2	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 -Setting Ponds -Straw Waddles -Silt Fencing (Used Sparingly)
3	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>

Total: 3 comment(s)