

APPLICATION FOR PERMIT TO:

Drill

 Deepen

 Re-enter

 Recomplete and Operate

| | |
|---|--|
| TYPE OF WELL OIL <input type="checkbox"/> GAS <input checked="" type="checkbox"/> COALBED <input type="checkbox"/> OTHER _____ | Refiling <input checked="" type="checkbox"/> |
| ZONE TYPE SINGLE ZONE <input checked="" type="checkbox"/> MULTIPLE ZONES <input type="checkbox"/> COMMINGLE ZONES <input type="checkbox"/> | Sidetrack <input type="checkbox"/> |

Date Received:
09/24/2013

| | |
|---|-------------------------------------|
| Well Name: <u>Valley Farms</u> | Well Number: <u>I8</u> |
| Name of Operator: <u>URSA OPERATING COMPANY LLC</u> | COGCC Operator Number: <u>10447</u> |
| Address: <u>1050 17TH STREET #2400</u> | |
| City: <u>DENVER</u> | State: <u>CO</u> |
| | Zip: <u>80265</u> |
| Contact Name: <u>Shauna Redican</u> | Phone: <u>(720)508-8350</u> |
| | Fax: () |
| Email: <u>sredican@ursaresources.com</u> | |

RECLAMATION FINANCIAL ASSURANCE
 Plugging and Abandonment Bond Surety ID: 20120125

WELL LOCATION INFORMATION

QtrQtr: NESW Sec: 13 Twp: 6S Rng: 92W Meridian: 6

Latitude: 39.526628 Longitude: -107.619111

| | | | | | | |
|---------------------|-------------|------|---------|-------------|------|---------|
| Footage at Surface: | <u>2451</u> | feet | FNL/FSL | <u>1675</u> | feet | FEL/FWL |
| | <u>FSL</u> | | | <u>FWL</u> | | |

Field Name: KOKOPELLI Field Number: 47525

Ground Elevation: 5655 County: GARFIELD

GPS Data:
 Date of Measurement: 07/18/2013 PDOP Reading: 2.4 Instrument Operator's Name: Scott E. Aibner

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 |
| <u>2324</u> | <u>FSL</u> | <u>773</u> | <u>2324</u> | <u>FSL</u> | <u>773</u> |
| <u>FWL</u> | | | <u>FWL</u> | | |
| Sec: <u>13</u> | Twp: <u>6S</u> | Rng: <u>92W</u> | Sec: <u>13</u> | Twp: <u>6S</u> | Rng: <u>92W</u> |

LOCATION SURFACE & MINERALS & RIGHT TO CONSTRUCT

Surface Ownership: Fee State Federal Indian

The Surface Owner is: is the mineral owner beneath the location.
 (check all that apply) is committed to an Oil and Gas Lease.
 has signed the Oil and Gas Lease.
 is the applicant.

The Mineral Owner beneath this Oil and Gas Location is: Fee State Federal Indian

The Minerals beneath this Oil and Gas Location will be developed by this Well: Yes

The right to construct the Oil and Gas Location is granted by: oil and gas lease

Surface damage assurance if no agreement is in place: _____ Surface Surety ID: _____

LEASE INFORMATION

Using standard QtrQtr, Sec, Twp, Rng format, describe one entire mineral lease that will be produced by this well (Describe lease beneath surface location if produced. Attach separate description page or map if necessary.)

A portion of Sec 13 T6S R92W and other lands. Please see attached mineral lease map.

Total Acres in Described Lease: 2355 Described Mineral Lease is: Fee State Federal Indian

Federal or State Lease # _____

Distance from Completed Portion of Wellbore to Nearest Lease Line of described lease: 800 Feet

CULTURAL DISTANCE INFORMATION

Distance to nearest:

Building: 1738 Feet

Building Unit: 1738 Feet

High Occupancy Building Unit: 5280 Feet

Designated Outside Activity Area: 5280 Feet

Public Road: 1821 Feet

Above Ground Utility: 1023 Feet

Railroad: 5280 Feet

Property Line: 215 Feet

INSTRUCTIONS:

- All measurements shall be provided from center of the Proposed Well to nearest of each cultural feature as described in Rule 303.a.(5).

- Enter 5280 for distance greater than 1 mile.

- Building - nearest building of any type. If nearest Building is a Building Unit, enter same distance for both.

- Building Unit, High Occupancy Building Unit, and Designated Outside Activity Area - as defined in 100-Series Rules.

DESIGNATED SETBACK LOCATION INFORMATION

Check all that apply. This location is within a: Buffer Zone
 Exception Zone
 Urban Mitigation Area

- Buffer Zone – as described in Rule 604.a.(2), within 1,000' of a Building Unit

- Exception Zone - as described in Rule 604.a.(1), within 500' of a Building Unit.

- Urban Mitigation Area - as defined in 100-Series Rules.

Pre-application Notifications (required if location is within 1,000 feet of a building unit):

Date of Rule 305.a.(1) Urban Mitigation Area Notification to Local Government: _____

Date of Rule 305.a.(2) Buffer Zone Notification to Building Unit Owners: _____

SPACING and UNIT INFORMATION

Distance from Completed Portion of Wellbore to Nearest Wellbore Permitted or Completed in the same formation: 249 Feet

Distance from Completed Portion of Wellbore to Nearest Unit Boundary 319 Feet (Enter 5280 for distance greater than 1 mile.)

Federal or State Unit Name (if appl): _____ Unit Number: _____

SPACING & FORMATIONS COMMENTS

The WFCM is the target formation for this well.

OBJECTIVE FORMATIONS

| Objective Formation(s) | Formation Code | Spacing Order Number(s) | Unit Acreage Assigned to Well | Unit Configuration (N/2, SE/4, etc.) |
|------------------------|----------------|-------------------------|-------------------------------|--------------------------------------|
| WILLIAMS FORK-ILES | WFILS | 191-68 | 240 | N2SW,SE |

DRILLING PROGRAM

Proposed Total Measured Depth: 7520 Feet

Distance to nearest permitted or existing wellbore penetrating objective formation: 249 Feet (Including plugged wells)

Will a closed-loop drilling system be used? Yes

Is H₂S gas reasonably expected to be encountered during drilling operations at concentrations greater than or equal to 100 ppm? No (If Yes, attach an H₂S Drilling Operations Plan)

Will salt sections be encountered during drilling? No

Will salt based (>15,000 ppm Cl) drilling fluids be used? No

Will oil based drilling fluids be used? No

BOP Equipment Type: Annular Preventor Double Ram Rotating Head None

GROUNDWATER BASELINE SAMPLING AND MONITORING AND WATER WELL SAMPLING

Water well sampling required per Rule 609

DRILLING WASTE MANAGEMENT PROGRAM

Drilling Fluids Disposal: OFFSITE Drilling Fluids Disposal Methods: Recycle/reuse

Cuttings Disposal: OFFSITE Cuttings Disposal Method: Beneficial reuse

Other Disposal Description:

If cuttings meet Table 910 they will be beneficially reused.

Beneficial reuse or land application plan submitted? No

Reuse Facility ID: _____ or Document Number: _____

CASING PROGRAM

| Casing Type | Size of Hole | Size of Casing | Wt/Ft | Csg/Liner Top | Setting Depth | Sacks Cmt | Cmt Btm | Cmt Top |
|-------------|--------------|----------------|--------|---------------|---------------|-----------|---------|---------|
| CONDUCTOR | 24 | 16 | 55# | 0 | 60 | 111 | 60 | 0 |
| SURF | 12+1/4 | 8+5/8 | 24/32# | 0 | 1000 | 267 | 1000 | 0 |
| 1ST | 7+7/8 | 4+1/2 | 11.6# | 0 | 7521 | 644 | 7521 | |

Conductor Casing is NOT planned

DESIGNATED SETBACK LOCATION EXCEPTIONS

Check all that apply:

- Rule 604.a.(1)A. Exception Zone (within 500' of Building Unit)
- Rule 604.b.(1)A. Exception Location (existing or approved Oil & Gas Location now within a Designated Setback as a result of Rule 604.a.)
- Rule 604.b.(1)B. Exception Location (existing or approved Oil & Gas Location is within a Designated Setback due to Building Unit construction after Location approval)
- Rule 604.b.(2) Exception Location (SUA or site-specific development plan executed on or before August 1, 2013)
- Rule 604.b.(3) Exception Location (Building Units constructed after August 1, 2013 within setback per an SUA or site-specific development plan)

GREATER WATTENBERG AREA LOCATION EXCEPTIONS

Check all that apply:

- Rule 318A.a. Exception Location (GWA Windows).
- Rule 318A.c. Exception Location (GWA Twinning).

RULE 502.b VARIANCE REQUEST

Rule 502.b. Variance Request from COGCC Rule or Spacing Order Number _____

OTHER LOCATION EXCEPTIONS

Check all that apply:

- Rule 318.c. Exception Location from Rule or Spacing Order Number _____
- Rule 603.a.(2) Exception Location (Property Line Setback).

ALL exceptions and variances require attached Request Letter(s). Refer to applicable rule for additional required attachments (e.g. waivers, certifications, SUAs).

OPERATOR COMMENTS AND SUBMITTAL

Comments This Form 2 Re-file has been revised from the originally approved Form 2 APD. The SHL, BHL, casing and cement program and TD have been updated. There have been no changes to the mineral lease. First String / Production will be > 500 feet about TOG. Please see attached plat for reference to cultural setbacks. The BMPs were approved with the Valley Farms I Pad (Location ID# 335553) Form 2A. Distance to nearest well completed in the same formation / permitted or existing well penetrating objective formation was measured to the proposed Valley Farms I4. I certify that there have been no changes on land use, lease description.
The pad has been built..
There will be no additional surface disturbance.
The location does not require a variance from any of the rules listed in Rule 306.d.(1).(A).(ii).
The location is not within a wildlife Restricted Surface Occupancy Area

This application is in a Comprehensive Drilling Plan _____ CDP #: _____

Location ID: 335553

Is this application being submitted with an Oil and Gas Location Assessment application? No

I hereby certify all statements made in this form are, to the best of my knowledge, true, correct, and complete.

Signed: _____ Print Name: Shauna Redican

Title: Permit Representative Date: 9/24/2013 Email: sredican@ursaresources.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: 1/25/2014

Expiration Date: 01/24/2016

| |
|-------------------|
| API NUMBER |
| 05 045 18169 00 |

Conditions Of Approval

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.

| <u>COA Type</u> | <u>Description</u> |
|-----------------|---|
| | <p>(1) COMPLIANCE WITH THE MOST CURRENT REVISION OF THE NORTHWEST COLORADO NOTIFICATION POLICY IS REQUIRED.</p> <p>(2) COMPLIANCE WITH THE MOST CURRENT REVISION OF THE GARFIELD COUNTY RULISON-FIELD NOTICE TO OPERATORS IS REQUIRED.</p> <p>(3) COMPLIANCE WITH THE MOST CURRENT REVISION OF THE MAMM CREEK FIELD NOTICE TO OPERATORS IS REQUIRED.</p> <p>(4) COMPLIANCE WITH THE NOTICE TO OPERATORS DRILLING WELLS IN THE BUZZARD, MAMM CREEK, AND RULISON FIELDS, GARFIELD COUNTY AND MESA COUNTY IS REQUIRED. (PROCEDURES AND SUBMITTAL REQUIREMENTS FOR COMPLIANCE WITH COGCC ORDERS NOS. 1-107, 139-56, 191-22, AND 369-2 (JULY 8, 2010)). SEE ATTACHED NOTICE.</p> <p>(5) CEMENT ON PRODUCTION CASING MUST BE A MINIMUM OF 200' ABOVE THE TOP OF THE MESA-VERDE FORMATION (OR 200' ABOVE THE OHIO CREEK FORMATION IF PRESENT). CEMENT TOP VERIFICATION BY CBL IS REQUIRED.</p> |
| | Open hole resistivity and gamma logs shall be run to describe the stratigraphy of the entire wellbore and to adequately verify the setting depth of surface casing and aquifer coverage. On a multi-well pad, these open hole logs are only required on one of the first wells drilled on the pad and the Form 5 for every well on the pad shall identify which well was logged. |

Best Management Practices

| <u>No BMP/COA Type</u> | <u>Description</u> |
|------------------------|--------------------|
| | |

Applicable Policies and Notices to Operators

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| Mamm Creek Field Area Notice to Operators. |
| Piceance Rulison Field - Notice to Operators. |
| NW Colorado Notification Policy. |
| Bradenhead Pressure Reporting-Garfield County (Mamm Creek & Rulison Fields) Mesa County (Buzzard Field). |
| Notice Concerning Operating Requirements for Wildlife Protection. |

Attachment Check List

| <u>Att Doc Num</u> | <u>Name</u> |
|--------------------|------------------------|
| 1792866 | LEASE MAP |
| 400479042 | FORM 2 SUBMITTED |
| 400481650 | DEVIATED DRILLING PLAN |
| 400483179 | WELL LOCATION PLAT |
| 400483981 | DIRECTIONAL DATA |
| 400485836 | DIRECTIONAL DATA |

Total Attach: 6 Files

General Comments

| <u>User Group</u> | <u>Comment</u> | <u>Comment Date</u> |
|-------------------|---|--------------------------|
| Permit | Final review completed of this refile. No LGD comments. | 1/9/2014 12:52:28 PM |
| Permit | Operator requested the attachment of refile statements. | 1/9/2014 12:51:41 PM |
| Permit | Requested operator review and clarify the lease situation beneath the location "will be developed by this well", but the lease map and lack of lease description doesn't show the BHL is leased. | 10/31/2013 7:14:03 AM |
| LGD | pass, gdb | 10/7/2013 3:47:02 PM |
| 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 350 FEET DEEP. | 9/27/2013 2:38:54 PM |
| Permit | This form has passed completeness. | 9/25/2013 2:02:02 PM |

Total: 6 comment(s)