

FORM
2
Rev
08/13

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:
400541625

APPLICATION FOR PERMIT TO:

Drill Deepen Re-enter Recomplete and Operate

Date Received:
01/20/2014

TYPE OF WELL OIL GAS COALBED OTHER _____
ZONE TYPE SINGLE ZONE MULTIPLE ZONES COMMINGLE ZONES

Refilling
Sidetrack

Well Name: SEKICH STATE Well Number: 38C-17HZ
Name of Operator: KERR-MCGEE OIL & GAS ONSHORE LP COGCC Operator Number: 47120
Address: P O BOX 173779
City: DENVER State: CO Zip: 80217-3779
Contact Name: Cheryl Light Phone: (720)929-6461 Fax: (720)929-7461
Email: cheryl.light@anadarko.com

RECLAMATION FINANCIAL ASSURANCE

Plugging and Abandonment Bond Surety ID: 20010124

WELL LOCATION INFORMATION

QtrQtr: SWSW Sec: 18 Twp: 3N Rng: 67W Meridian: 6
Latitude: 40.220679 Longitude: -104.939840

Footage at Surface: 592 feet FNL/FSL FSL 535 feet FEL/FWL FWL

Field Name: WATTENBERG Field Number: 90750

Ground Elevation: 4876 County: WELD

GPS Data:
Date of Measurement: 10/18/2013 PDOP Reading: 1.8 Instrument Operator's Name: BART PFEIFER

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
234 FSL 1111 FWL 340 FSL 50 FEL
Sec: 18 Twp: 3N Rng: 67W Sec: 17 Twp: 3N Rng: 67W

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.)

CO-000010411

Lands: Township 3 North, Range 67 West, 6th P.M.
Sec. 18: SW/4 and the South 82.5 feet of the NW/4

Total Acres in Described Lease: 165 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: 0 Feet

CULTURAL DISTANCE INFORMATION

Distance to nearest:

Building: 462 Feet

Building Unit: 542 Feet

High Occupancy Building Unit: 5280 Feet

Designated Outside Activity Area: 5280 Feet

Public Road: 494 Feet

Above Ground Utility: 472 Feet

Railroad: 5280 Feet

Property Line: 175 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: 11/20/2013

SPACING and UNIT INFORMATION

Distance from Completed Portion of Wellbore to Nearest Wellbore Permitted or Completed in the same formation: 83 Feet

Distance from Completed Portion of Wellbore to Nearest Unit Boundary 967 Feet (Enter 5280 for distance greater than 1 mile.)

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

SPACING & FORMATIONS COMMENTS

Unit Configuration: 3N-67W-Sec. 16: SWSW; Sec. 17: S2S2; Sec. 18: S2S2; Sec. 19: N2N2; Sec. 20: N2N2 Sec. 21: NWNW

OBJECTIVE FORMATIONS

| Objective Formation(s) | Formation Code | Spacing Order Number(s) | Unit Acreage Assigned to Well | Unit Configuration (N/2, SE/4, etc.) |
|------------------------|----------------|-------------------------|-------------------------------|--------------------------------------|
| CODELL | CODL | | 720 | GWA |

DRILLING PROGRAM

Proposed Total Measured Depth: 16775 Feet

Distance to nearest permitted or existing wellbore penetrating objective formation: 83 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? Yes

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 318A

DRILLING WASTE MANAGEMENT PROGRAM

Drilling Fluids Disposal: OFFSITE Drilling Fluids Disposal Methods: Commercial Disposal

Cuttings Disposal: OFFSITE Cuttings Disposal Method: Commercial Disposal

Other Disposal Description:

Please see Comments section. Disposal description will not fit in space provided.

Beneficial reuse or land application plan submitted? Yes

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 |
|-------------|--------------|----------------|-------|---------------|---------------|-----------|---------|---------|
| SURF | 13+1/2 | 9+5/8 | 36 | 0 | 1161 | 440 | 1161 | 0 |
| 1ST | 8+3/4 | 7 | 26 | 0 | 7578 | 800 | 7578 | 0 |
| 1ST LINER | 6+1/8 | 4+1/2 | 11.6 | 6575 | 16775 | | | |

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

Disposal Description:

Drilling fluids disposal: Water-based drilling fluids will be used to drill the curve of the well. KMG will reuse water-based drilling fluids to the maximum extent at which point they will either be land applied or taken to a licensed, commercial disposal site; decided upon based off of laboratory analysis of fluids.

Oil-based drilling fluids will be used to drill the lateral of the well. KMG will reuse oil-based drilling fluids to maximum extent at which point they will be returned to the fluids manufacturer for re-conditioning or disposal at a licensed, commercial disposal site.

Cuttings disposal: Water based cuttings will be used to drill the curve of the well. If the surface owner authorizes, and if it is feasible for this location at the time of drilling, water-based cuttings will be disposed of onsite using bioremediation/solidification product.

If the surface owner does not authorize onsite disposal and/or it is not feasible for this location at the time of drilling, water-based cuttings will be disposed of using a Centralized E&P Waste Management facility or a private spread field.

Oil based cuttings will be used to drill the lateral of the well. They will be disposed of offsite and at a licensed, commercial disposal site.

Kerr-McGee Oil & Gas Onshore LP ("KMG") respectfully requests the Director to waive Rule 318A.m for this well. KMG is the operator of the encroached upon well(s). Please see attached Compliance Letter.

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

Location ID: 329869

Is this application being submitted with an Oil and Gas Location Assessment application? Yes

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

Signed: _____ Print Name: Lauren Kucera

Title: Regulatory Analyst II Date: 1/20/2014 Email: DJRegulatory@anadarko.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:  Director of COGCC Date: 3/22/2014

Expiration Date: 03/21/2016

API NUMBER

05 123 39163 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) Submit Form 42 electronically to COGCC 48 hours prior to MIRU.</p> <p>2) Comply with Rule 317.i and provide cement coverage from the bottom of the production casing to a minimum of 200' above Niobrara. Verify coverage with cement bond log.</p> <p>3) Run and submit Directional Survey from TD to base of surface casing. The operator shall comply with Rule 321, and it shall be the operator's responsibility to ensure that the wellbore complies with setback requirements in commission orders or rules prior to producing the well.</p> |
| | Open hole resistivity and gamma logs shall be run to describe the stratigraphy of the entire well bore 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 Drilling Completion Report - Form 5 for every well on the pad shall identify which well was logged. |
| | Operator shall comply with Buffer Zone Move-In, Rig-Up Notice Policy dated 12-16-2013. |
| | Operator acknowledges the proximity of the non-operated wells: The Fiechtner 18-11J7 (API NO 123-17717), the Fiechtner 18-12J& (API NO 123-17718), the Fiechtner 18-13J7 (API NO 123-17959), the Fiechtner 18-14J7 (API NO 123-17960), and the Fiechtner P 18-25 (API NO 123-22213) wells. Operator agrees to provide mitigation Option 1 or 2 (per the DJ Basin Horizontal Offset Policy) to mitigate the situation, ensure all applicable documentation is submitted, and submit Form 42(s) ("OFFSET MITIGATION COMPLETED") for the remediated wells, referencing the API Number of the proposed horizontal well(s) stating what appropriate mitigation occurred and that it has been completed, prior to the hydraulic stimulation of this well. |
| | Operator acknowledges the proximity of the The State of Colorado "AM" 1 (API NO 123-09898), the State 16-12L (API NO 123-17063), and the Nick Sekich 2 (API NO 123-07746). Operator agrees to provide mitigation Option 1 or 2 (per the DJ Basin Horizontal Offset Policy) to mitigate the situation, ensure all applicable documentation is submitted based on the selected mitigation option chosen, and submit a Form 42(s) ("OFFSET MITIGATION COMPLETED") for the remediated wells, referencing the API Number of the proposed horizontal well(s) stating what appropriate mitigation occurred and that it has been completed, prior to the hydraulic stimulation of this well. |

Best Management Practices

| <u>No</u> | <u>BMP/COA Type</u> | <u>Description</u> |
|-----------|---------------------|---|
| 1 | Planning | 604c.(2).E. Multiwell Pads: In order to reduce surface impact, this application is for a three-well pad. |
| 2 | Planning | 604c.(2).Q. Guy Line Anchors: Should guy line anchors be left buried for future use, they shall be identified by a bright marker greater than four (4) feet high and no more than one (1) foot east of the guy line anchor. |
| 3 | Planning | 604c.(2).R. Tank Specifications: Two 500 barrel skid-mounted frac tanks will be temporarily placed on-site for use of the pre-spud rig only. One tank will store water and the other will store water based mud. |

| | | |
|----|--|---|
| 4 | Planning | 604c.(2).S. Access Roads: KMG will utilize a lease access road from Weld County Road 13. A temporary lease access road from Weld County Road 13 will be used for drilling and completions operations. This temporary access will greatly reduce the amount of truck traffic that will travel near the residence on the permanent access to the east of the location. Please refer to the access road map attached to the associated 2A. The roads will be properly constructed and maintained to accommodate for local emergency vehicle access. Water will be placed on dirt access roads to mitigate dust as needed. Magnesium chloride will also be used as needed on access roads to further abate dust. |
| 5 | Planning | 604c.(2).V. Development From Existing Well Pads: Drilling from an existing well pad was not feasible for the development of these wells; however, this well pad will be considered for future well locations. |
| 6 | Traffic control | 604c.(2).D. Traffic Plan: If required by the local government, a traffic plan will be coordinated with the local jurisdiction prior to commencement of operations. |
| 7 | General Housekeeping | 604c.(2).O. Loadlines: All loadlines shall be bullplugged or capped. |
| 8 | General Housekeeping | 604c.(2).P. Removal of Surface Trash: A commercial size trash bin for removing debris will be located on site. This bin will be for use by all parties affiliated with the operation. |
| 9 | Storm Water/Erosion Control | 604c.(2).W. Site-Specific Measures: KMG maintains a Stormwater Management Plan that assesses erosion control for every KMG operated location. This well pad will be added to this plan once construction begins. This plan is updated every fourteen (14) days and after any major weather event. |
| 10 | Material Handling and Spill Prevention | 604c.(2).N. Control of Fire Hazards: KMG and its contractors will employ best management practices during the drilling and production of its wells and facilities and will comply with appropriate COGCC rules concerning safety and fire. KMG will ensure that any material that might be deemed a fire hazard will remain no less than twenty-five (25) feet from the wellhead(s), tanks and separator(s). |
| 11 | Construction | 604c.(2).G. Berm Construction: Kerr McGee will create tertiary containment by construction of a berm or diversion dike, site grading, or other comparable measures, sufficient to further protect the ditch located 295' east, the pond 706' southeast and to the lake 879' west of the oil and gas location. |
| 12 | Construction | 604c.(2).M. Fencing Requirements: The completed wellsites will be surrounded with a fence and gate with adequate lock to restrict access to authorized personnel only. KMG personnel will monitor the wellsites regularly upon completion of the wells. Authorized representatives and/or KMG personnel shall be on-site during drilling and completion operations. |
| 13 | Noise mitigation | 604c.(2).A. Noise: Sound mitigation barriers (hay bales) will be placed along the northwestern and southeastern sides of the pad location to damper noise during drilling and completions to the nearby residences. Sound surveys that have been conducted on each rig type are utilized to anticipate any additional noise mitigation once a drilling rig is determined. |
| 14 | Drilling/Completion Operations | Kerr McGee acknowledges and will comply with the COGCC Policy for Bradenhead Monitoring during Hydraulic Fracturing Treatments in the Greater Wattenberg Area dated May 29, 2012. |

| | | |
|----|--------------------------------|--|
| 15 | Drilling/Completion Operations | <p>Prior to drilling operations, Operator may perform an anti-collision review of existing offset wells that have the potential of being within close proximity of the proposed well. This anti-collision review may include MWD or gyro surveys and surface locations of the offset wells with included error of uncertainty per survey instrument, and compared against the proposed wellpath with its respective error of uncertainty. If current surveys do not exist for the offset wells, Operator may have gyro surveys conducted to verify bottomhole location. The proposed well may only be drilled if the anti-collision review results indicate that the risk of collision is sufficiently low as defined by the anti-collision plan, with separation factors greater than 1.5, or if the risk of collision has been mitigated through other means including shutting in wells, plugging wells, increased drilling fluid in the event of lost returns or as is appropriate for the specific situation. In the event of an increased risk of collision, that risk will be mitigated to prevent harm to people, the environment or property. For the proposed well, upon conclusion of drilling operations, an as-constructed directional survey will be submitted to COGCC with the Form 5.</p> <p>At the time of permitting, the operator has identified the following well(s) as being within close proximity of the proposed well(s): 13-17 HSR-SEKICH, 36-17 SEKICH, 16-17 HSR-SEKICH, 16-18 HSR SEKICH FARMS, 35-17 SEKICH, 20-17 SEKICH, 37-17 SEKICH, 15-17 HSR-SEKICH</p> |
| 16 | Drilling/Completion Operations | 604c.(2).B. Closed Loop Drilling System: KMG will use a closed loop or "pitless" system for drilling and fluid management and will not construct a reserve pit. |
| 17 | Drilling/Completion Operations | 604c.(2).H. BOPE: Our rigs at a minimum will have a double ram with blind and pipe ram; and annular preventer. |
| 18 | Drilling/Completion Operations | 604c.(2).I. BOPE Testing for Drilling Operations: Upon initial rig-up, BOPEs will be tested at a minimum of every 30 days. |
| 19 | Drilling/Completion Operations | 604c.(2).J. BOPE for Well Servicing Operations: Blowout prevention equipment will be used on any servicing operations associated with this well. Backup stabbing valves will be used during any future servicing operations during reverse circulation. Valves shall be pressure tested before each well servicing operation using low-pressure air and high-pressure fluid. |
| 20 | Drilling/Completion Operations | 604c.(2).K. Pit Level Indicators: All tanks (used in lieu of pits) contain pit level monitors with Electronic Drilling Recorders (EDR). KMG uses EDRs with pit level monitor(s) and alarm(s) for production rigs. Basic level gages are used on tanks utilized for the surface rig. |
| 21 | Drilling/Completion Operations | 604c.(2).L. Drill Stem Tests: No drill stem tests are planned and none will be performed without prior approval from the Director. |
| 22 | Final Reclamation | 604c.(2).T. Well Site Cleared: The wellsite will be cleared of all non-essential equipment within ninety (90) days after all wells associated with the pad have been plugged and abandoned. |
| 23 | Final Reclamation | 604c.(2).U. Identification of Plugged and Abandoned Wells: Pursuant to rule 319.a.(5)., once the well has been plugged and abandoned, KMG will identify the location of the wellbore with a permanent monument that will detail the well name and date of plugging. |

Total: 23 comment(s)

Applicable Policies and Notices to Operators

Notice Concerning Operating Requirements for Wildlife Protection.

Policy for Bradenhead Monitoring During Hydraulic Fracturing Treatments in the Greater Wattenberg Area.

Attachment Check List

| Att Doc Num | Name |
|--------------------|----------------------------|
| 400541625 | FORM 2 SUBMITTED |
| 400541642 | OffsetWellEvaluations Data |
| 400541646 | ANTI-COLLISION WAIVER |
| 400541648 | EXCEPTION LOC REQUEST |
| 400541650 | PROPOSED SPACING UNIT |
| 400541652 | WELL LOCATION PLAT |
| 400541656 | DEVIATED DRILLING PLAN |
| 400541658 | SURFACE AGRMT/SURETY |
| 400541663 | EXCEPTION LOC WAIVERS |
| 400541666 | DIRECTIONAL DATA |
| 400541668 | OTHER |

Total Attach: 11 Files

General Comments

| User Group | Comment | Comment Date |
|-------------------|--|-------------------------|
| Permit | Final Review Completed. No LGD or public comment received. | 3/14/2014 3:28:01 PM |
| Permit | Operator confirmed distance to nearest building 542'. Changed Qtr/Qtr from Lot 2 to SWSW. ok to pass. | 3/10/2014 8:39:21 AM |
| Permit | ON HOLD: Request change the Qtr/Qtr from Lot 2 to SWSW. Confirmation the distance to nearest building. | 2/11/2014 9:37:55 AM |
| Permit | The Certification of Compliance with Rule 305.a is under other. | 2/11/2014 9:37:30 AM |
| Permit | Operator requests approval of a Rule 318Am exception location: Wellbore is to be located less than 150' from an existing wellbore. Request and waivers attached. | 2/11/2014 9:37:29 AM |
| Permit | Operator requests approval of a Rule 318Aa and Rule 318Ac exception location: Wellhead is to be located outside of a GWA drilling window and will be located more than 50' from an existing well location. Request and waivers attached. | 2/11/2014 9:37:27 AM |
| Permit | Passed completeness. | 1/21/2014 2:17:12 PM |

Total: 7 comment(s)