

APPLICATION FOR PERMIT TO:

Drill Deepen Re-enter Recomplete and Operate

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

Date Received:
01/14/2014

Well Name: DGU Federal 1289 Well Number: 18-CS2
 Name of Operator: GUNNISON ENERGY CORPORATION COGCC Operator Number: 100122
 Address: 1801 BROADWAY #1200
 City: DENVER State: CO Zip: 80202
 Contact Name: Lee Fyock Phone: (303)296-4222 Fax: ()
 Email: lee.fyock@oxbow.com

RECLAMATION FINANCIAL ASSURANCE
 Plugging and Abandonment Bond Surety ID: 20110179

WELL LOCATION INFORMATION
 QtrQtr: SENW Sec: 18 Twp: 12S Rng: 89W Meridian: 6
 Latitude: 39.017147 Longitude: -107.378211
 Footage at Surface: 1601 feet FNL/FSL FNL 2569 feet FEL/FWL FWL
 Field Name: WEST MUDDY CREEK Field Number: 91970
 Ground Elevation: 7331 County: GUNNISON
 GPS Data:
 Date of Measurement: 01/22/2013 PDOP Reading: 1.6 Instrument Operator's Name: Uintah Engineering
 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
 1800 FSL 500 FWL 1800 FSL 500 FWL
 Sec: 18 Twp: 12S Rng: 89W Sec: 18 Twp: 12S Rng: 89W

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: Surface Use Agreement
 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.)

See Lease Map

Total Acres in Described Lease: 1076 Described Mineral Lease is: Fee State Federal Indian

Federal or State Lease # COC65106

Distance from Completed Portion of Wellbore to Nearest Lease Line of described lease: 512 Feet

CULTURAL DISTANCE INFORMATION

Distance to nearest:

Building: 342 Feet

Building Unit: 4272 Feet

High Occupancy Building Unit: 5280 Feet

Designated Outside Activity Area: 5280 Feet

Public Road: 4251 Feet

Above Ground Utility: 4272 Feet

Railroad: 5280 Feet

Property Line: 2569 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: 3578 Feet

Distance from Completed Portion of Wellbore to Nearest Unit Boundary 1601 Feet (Enter 5280 for distance greater than 1 mile.)

Federal or State Unit Name (if appl): Deadman Gulch Unit Number: 74489X

SPACING & FORMATIONS COMMENTS

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-CAMEO COAL	WFCMC			

DRILLING PROGRAM

Proposed Total Measured Depth: 4393 Feet

Distance to nearest permitted or existing wellbore penetrating objective formation: 3527 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: Commercial Disposal

Cuttings Disposal: OFFSITE Cuttings Disposal Method: Commercial Disposal

Other Disposal Description:

Beneficial reuse or land application plan submitted?

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+0/0	16+0/0	42.1	0	120	200	120	0
SURF	12+1/4	9+5/8	36	0	1020	204	1020	0
1ST	9+3/4	7+0/0	23	0	4394	465	4394	0

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 application is in a Comprehensive Drilling Plan _____ CDP #: 2028Location ID: 427218Is 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: Brett MurrayTitle: Land Manager Date: 1/14/2014 Email: brett.murray@oxbow.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: 3/31/2014Expiration Date: 03/30/2016**API NUMBER**

05 051 06124 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.

COA Type**Description**

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

Best Management Practices**No BMP/COA Type****Description**

--	--

Applicable Policies and Notices to Operators

NW Colorado Notification Policy.

Notice Concerning Operating Requirements for Wildlife Protection.

Attachment Check List

Att Doc Num	Name
400536656	FORM 2 SUBMITTED
400538854	SURFACE AGRMT/SURETY
400538860	WELL LOCATION PLAT
400538885	DEVIATED DRILLING PLAN
400538889	LEASE MAP
400540104	DIRECTIONAL DATA

Total Attach: 6 Files

General Comments

User Group	Comment	Comment Date
Permit	Location within the Hotchkiss Federal CDP 1-143	3/25/2014 12:14:36 PM
Permit	Final review completed. No LGD comments.	3/25/2014 12:13:38 PM
LGD	No comment	1/27/2014 9:16:34 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 460 FEET DEEP.	1/22/2014 1:33:43 PM
Permit	Passed completeness.	1/15/2014 11:05:12 AM
Permit	Directional data still not uploading. Attached Oil & Gas Lease not necessary; please delete.	1/15/2014 8:44:19 AM
Permit	Returned to draft: Well Location tab incomplete (Top of Prod Zone). Directional data still not uploading. Attached Oil & Gas Lease not necessary; please delete.	1/15/2014 7:58:22 AM
Permit	Returned to draft: Water well sampling Rule should be 608 (coalbed methane wells) in Drilling & Waste Plans tab. Directional data not uploading into Import Directional Data spreadsheet.	1/14/2014 2:40:14 PM

Total: 8 comment(s)