

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:

400602318

APPLICATION FOR PERMIT TO:

☒ Drill
 ☐ Deepen
 ☐ Re-enter
 ☐ Recomplete and Operate

Date Received:

05/05/2014

TYPE OF WELL OIL ☐ GAS ☒ COALBED ☐ OTHER _____Refiling ☒ZONE TYPE SINGLE ZONE ☒ MULTIPLE ZONES ☐ COMMINGLE ZONES ☐Sidetrack ☐Well Name: ZwirnWell Number: 31-32 1S43WName of Operator: AUGUSTUS ENERGY RESOURCES LLCCOGCC Operator Number: 10489Address: 36695 HWY 385City: WRAY State: CO Zip: 80758Contact Name: Loni DavisPhone: (970)332-3585Fax: (970)332-3587Email: ldavis@augustusenergy.com

RECLAMATION FINANCIAL ASSURANCE

Plugging and Abandonment Bond Surety ID: 20130106

WELL LOCATION INFORMATION

QtrQtr: NWNE Sec: 32 Twp: 1S Rng: 43W Meridian: 6Latitude: 39.931780Longitude: -102.211270Footage at Surface: 718 feet FNL/FSL FNL 2005 feet FEL/FWL FELField Name: WILDCATField Number: 99999Ground Elevation: 3773County: YUMA

GPS Data:

Date of Measurement: 05/02/2014 PDOP Reading: 1.2 Instrument Operator's Name: John ThompsonIf 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 _____

Sec: _____ Twp: _____ Rng: _____ Sec: _____ Twp: _____ Rng: _____

LOCATION SURFACE & MINERALS & RIGHT TO CONSTRUCT

Surface Ownership: ☒ Fee ☐ State ☐ Federal ☐ IndianThe 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 ☐ IndianThe Minerals beneath this Oil and Gas Location will be developed by this Well: YesThe 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.)

T1S-R43W Sec 32: N/2, SW/4

Total Acres in Described Lease: 480 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: 718 Feet

CULTURAL DISTANCE INFORMATION

Distance to nearest:

Building: 2536 Feet

Building Unit: 2663 Feet

High Occupancy Building Unit: 5280 Feet

Designated Outside Activity Area: 5280 Feet

Public Road: 2728 Feet

Above Ground Utility: 2778 Feet

Railroad: 5280 Feet

Property Line: 718 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: 1613 Feet

Distance from Completed Portion of Wellbore to Nearest Unit Boundary 617 Feet (Enter 5280 for distance greater than 1 mile.)

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

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.)
NIOBRARA	NBRR	300-9	160	NE/4

DRILLING PROGRAM

Proposed Total Measured Depth: 2030 Feet

Distance to nearest permitted or existing wellbore penetrating objective formation: 1613 Feet (Including plugged wells)

Will a closed-loop drilling system be used? No

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: UIC Disposal

Cuttings Disposal: ONSITE Cuttings Disposal Method: Drilling pit

Other Disposal Description:

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
SURF	9+7/8	7	17	0	360	200	360	0
1ST	6+1/4	4+1/2	10.5	0	2030	100	2030	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

We would like to use the existing API # for this well 05-125-11039. Location ID 338161. There are no improvements within 500' of location.

There have been no changes to the location.

-I certify that there have been no changes on land use, lease description.

-The pad has not been built.

-A Pit will be used for the cuttings, but has not been constructed yet

-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.

I am only able to enter the API# on the Offset Wells Evaluation. The spud date automatically populates. As far as I know none of the offset wells are horizontal wells.

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

Location ID: 338161

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: Loni Davis

Title: Oper. Acctg & Reg Spec Date: 5/5/2014 Email: ldavis@augustusenergy.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: 6/28/2014

Expiration Date: 06/27/2016

API NUMBER

05 125 11039 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

	<p>1) Provide 48 hour notice prior to spud via electronic Form 42.</p> <p>2) Set surface casing at least 50' into Pierre Shale for aquifer coverage, (450' minimum - as proposed without prior approval of lesser amount).</p> <p>3) If completed, provide cement coverage from TD to a minimum of 200' above Niobrara. Verify coverage with cement bond log.</p> <p>4) If dry hole, set 35 sks cement 50' above Niobrara top, 35 sks cement ½ out, ½ in surface casing, 10 sks cement at top of surface casing, cut casing 4' below GL, weld on plate, 5 sks cement in rat hole & 5 sks cement in mouse hole.</p> <p>5) Supply mud report showing chlorides, representative of conditions at TD, with Form 5.</p>
	<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.</p>

Best Management Practices

No BMP/COA Type

Description

1	<p>Drilling/Completion Operations</p>	<p>Best Management Practices Southern Yuma County, Colorado</p> <p>To address construction during drilling and all other operations associated with Oil and Gas development throughout Southern Yuma County, Colorado area StormWater Management Plans(SWMP) are in place and in compliance with the Colorado Department of Health and Environment (CDPHE) under Permit # COR-039920.</p> <p>Best Management Practices (BMP's) will be reviewed and maintained prior to, during and after construction of drilling site, laying of flowlines, installation of surface equipment and reclamation of site. Each location's BMP's will vary according to terrain and phase of construction and will be implemented in accordance to SWMP.</p> <p>Regular location inspections will be performed and any BMP's not effectively working will be documented and resolved in a timely manner.</p> <p>Spill Prevention, Control and Countermeasures will be implemented. Should any spills occur they will be cleaned up immediately and effectively to minimize any integration with storm water runoff. General good housekeeping practices will be performed to keep spills at a minimum.</p>
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Total: 1 comment(s)

Attachment Check List

<u>Att Doc Num</u>	<u>Name</u>
400602318	FORM 2 SUBMITTED
400602415	TOPO MAP
400602522	30 DAY NOTICE LETTER
400602523	SURFACE AGRMT/SURETY
400602525	PROPOSED BMPs
400605879	WELL LOCATION PLAT

Total Attach: 6 Files

General Comments

<u>User Group</u>	<u>Comment</u>	<u>Comment Date</u>
Permit	Final review completed; no LGD or public comment received.	6/27/2014 6:58:09 AM
Permit	Passed completeness	5/12/2014 8:50:15 AM
Permit	Return to draft. Plat PDF does not open.	5/9/2014 2:56:14 PM
Permit	Return to draft as per operator's request	5/6/2014 3:25:22 PM

Total: 4 comment(s)