

FORM
2A

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:

400568810

Date Received:

03/19/2014

Oil and Gas Location Assessment

New Location Refile Amend Existing Location Location#: _____

Submit signed original form. This Oil and Gas Location Assessment is to be submitted to the COGCC for approval prior to any ground disturbance activity associated with oil and gas operations. Approval of this Oil and Gas Location Assessment will allow for the construction of the below specified Location; however, it does not supersede any land use rules applied by the local land use authority. Please see the COGCC website at <http://cogcc.state.co.us/> for all accompanying information pertinent this Oil and Gas Location Assessment.

Location ID:

438181

Expiration Date:

07/19/2017

This location assessment is included as part of a permit application.

CONSULTATION

This location is included in a Comprehensive Drilling Plan. CDP # _____

This location is in a sensitive wildlife habitat area.

This location is in a wildlife restricted surface occupancy area.

This location includes a Rule 306.d.(1)A.ii. variance request.

Operator

Operator Number: 47200
Name: KGH OPERATING COMPANY
Address: P O BOX 2235
City: BILLINGS State: MT Zip: 59103-2235

Contact Information

Name: Thomas Hauptman
Phone: (406) 259-8509
Fax: (406) 259-2124
email: tom@tmhauptman.com

RECLAMATION FINANCIAL ASSURANCE

Plugging and Abandonment Bond Surety ID: 20030032 Gas Facility Surety ID: _____
 Waste Management Surety ID: _____

LOCATION IDENTIFICATION

Name: Meagher Number: #3-3H

County: RIO BLANCO

Quarter: LOT 5 Section: 3 Township: 1S Range: 104W Meridian: 6 Ground Elevation: 6111

Define a single point as a location reference for the facility location. When the location is to be used as a well site then the point shall be a well location.

Footage at surface: 3836 feet FSL from North or South section line

200 feet FEL from East or West section line

Latitude: 39.993560 Longitude: -109.046354

PDOP Reading: 2.8 Date of Measurement: 04/22/2014

Instrument Operator's Name: C Van Matre

RELATED REMOTE LOCATIONS

(Enter as many Related Locations as necessary. Enter the Form 2A document # only if there is no established COGCC Location ID#)

This proposed Oil and Gas Location is:

LOCATION ID # FORM 2A DOC #



FACILITIES

Indicate the number of each type of oil and gas facility planned on location

Wells	<u>1</u>	Oil Tanks	<u>1</u>	Condensate Tanks	<u> </u>	Water Tanks	<u> </u>	Buried Produced Water Vaults	<u> </u>
Drilling Pits	<u>1</u>	Production Pits	<u> </u>	Special Purpose Pits	<u> </u>	Multi-Well Pits	<u> </u>	Temporary Large Volume Above Ground Tanks	<u> </u>
Pump Jacks	<u>1</u>	Separators	<u>1</u>	Injection Pumps	<u> </u>	Cavity Pumps	<u> </u>		
Gas or Diesel Motors	<u> </u>	Electric Motors	<u>1</u>	Electric Generators	<u> </u>	Fuel Tanks	<u> </u>	Gas Compressors	<u> </u>
Dehydrator Units	<u> </u>	Vapor Recovery Unit	<u> </u>	VOC Combustor	<u> </u>	Flare	<u> </u>	LACT Unit	<u> </u>
								Pigging Station	<u> </u>

OTHER FACILITIES

Other Facility Type

Number

<u>Other Facility Type</u>	<u>Number</u>

Per Rule 303.b.(3)C, description of all oil, gas, and/or water pipelines:

If this is a successful well, all piping is anticipated to be constructed of steel. The piping from the well head to the separator will be 2-inch buried a minimum of 3 feet deep. The gathering line is 4-inch steel and is above ground.

CONSTRUCTION

Date planned to commence construction: 06/01/2014 Size of disturbed area during construction in acres: 1.70
Estimated date that interim reclamation will begin: 06/01/2015 Size of location after interim reclamation in acres: 1.00
Estimated post-construction ground elevation: 6104

DRILLING PROGRAM

Will a closed loop system be used for drilling fluids: Yes

Is H₂S anticipated? No

Will salt sections be encountered during drilling: No

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

Will oil based drilling fluids be used? No

DRILLING WASTE MANAGEMENT PROGRAM

Drilling Fluids Disposal: OFFSITE Drilling Fluids Disposal Method: Commercial Disposal

Cutting Disposal: ONSITE Cuttings Disposal Method: Other

Other Disposal Description:

Land Spreading with consent of surface owner.

Beneficial reuse or land application plan submitted? No

Reuse Facility ID: or Document Number:

Centralized E&P Waste Management Facility ID, if applicable:

SURFACE & MINERALS & RIGHT TO CONSTRUCT

Name: Dale Meagher

Phone:

Address: 1163 South 500 West

Fax: _____

Address: _____

Email: _____

City: Vernal State: UT Zip: 84078

Surface Owner: Fee State Federal Indian

Check all that apply. The Surface Owner: is the mineral owner
 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 from or produced to this Oil and Gas Location: Yes

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

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

Date of Rule 306 surface owner consultation _____

CURRENT AND FUTURE LAND USE

Current Land Use (Check all that apply):

Crop Land: Irrigated Dry land Improved Pasture Hay Meadow CRP

Non-Crop Land: Rangeland Timber Recreational Other (describe): _____

Subdivided: Industrial Commercial Residential

Future Land Use (Check all that apply):

Crop Land: Irrigated Dry land Improved Pasture Hay Meadow CRP

Non-Crop Land: Rangeland Timber Recreational Other (describe): _____

Subdivided: Industrial Commercial Residential

CULTURAL DISTANCE INFORMATION

Distance to nearest:

Building: 5280 Feet
Building Unit: 5280 Feet
High Occupancy Building Unit: 5280 Feet
Designated Outside Activity Area: 5280 Feet
Public Road: 5280 Feet
Above Ground Utility: 5280 Feet
Railroad: 5280 Feet
Property Line: 1090 Feet

INSTRUCTIONS:

- All measurements shall be provided from center of nearest Well or edge of nearest Production Facility to nearest of each cultural feature as described in Rule 303.b.(3)A.
- 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: _____

SOIL

List all soil map units that occur within the proposed location. attach the National Resource Conservation Service (NRCS) report showing the "Map Unit Description" report listing the soil typical vertical profile. This data is to used when segregating topsoil.

The required information can be obtained from the NRCS web site at <http://soildatamart.nrcs.usda.org/> or from the COGCC web site GIS Online map page found at <http://colorado.gov/cogcc>. Instructions are provided within the COGCC web site help section.

NRCS Map Unit Name: Badlands-Walknolls-Rock outcrop complex, 50-90% slopes, Map Unit 110

NRCS Map Unit Name: Walknolls extremely channery sandy loam, 4 to 25% slope, Map Unit 125

NRCS Map Unit Name: _____

PLANT COMMUNITY:

Complete this section only if any portion of the disturbed area of the location's current land use is on non-crop land.

Are noxious weeds present: Yes No

Plant species from: NRCS or, field observation Date of observation: 08/22/2012

List individual species: _____

Check all plant communities that exist in the disturbed area.

- Disturbed Grassland (Cactus, Yucca, Cheatgrass, Rye)
 Native Grassland (Bluestem, Grama, Wheatgrass, Buffalograss, Fescue, Oatgrass, Brome)
 Shrub Land (Mahogany, Oak, Sage, Serviceberry, Chokeycherry)
 Plains Riparian (Cottonwood, Willow, Aspen, Maple, Poplar, Russian Olive, Tamarisk)
 Mountain Riparian (Cottonwood, Willow, Blue Spruce)
 Forest Land (Spruce, Fir, Ponderosa Pine, Lodgepole Pine, Juniper, Pinyon, Aspen)
 Wetlands Aquatic (Bullrush, Sedge, Cattail, Arrowhead)
 Alpine (above timberline)
 Other (describe): _____

WATER RESOURCES

Is this a sensitive area: No Yes

Distance to nearest

downgradient surface water feature: 1225 Feet

water well: 5280 Feet

Estimated depth to ground water at Oil and Gas Location 500 Feet

Basis for depth to groundwater and sensitive area determination:

Estimated from geology

Is the location in a riparian area: No Yes

Was an Army Corps of Engineers Section 404 permit filed No Yes If yes attach permit.

Is the location within a Rule 317B Surface Water Supply Area buffer No zone:

If the location is within a Rule 317B Surface Water Supply Area buffer have all public water supply systems within 15 miles been notified: No

GROUNDWATER BASELINE SAMPLING AND MONITORING AND WATER WELL SAMPLING

Water well sampling required per Rule 609

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)

RULE 502.b VARIANCE REQUEST

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

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 No improvements within 500 feet of location.

No surface water within 1000 feet of location.

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

Signed: _____ Date: 03/19/2014 Email: tkhohn@hohneng.com

Print Name: Thomas K Hohn Title: owner/manager

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: 7/20/2014

Surface Owner Information

Owner Name	Address	Phone	Fax	Email
Dale Meagher	1163 South 500 West Vernal, UT 84078			
Mahogany Resources LLC	2219 Avenida Platanar San Clemente, CA 92673			
Preas Family LLC	903 N Jackson Street Huntingsburg, IN 47542			

3 Surface Owner(s)

Conditions Of Approval

All representations, stipulations and conditions of approval stated in this Form 2A for this location shall constitute representations, stipulations and conditions of approval for any and all subsequent operations on the location unless this Form 2A is modified by Sundry Notice, Form 4 or an Amended Form 2A.

COA Type	Description
	<p>No portion of any pit that will be used to hold liquids shall be constructed on fill material, unless the pit and fill slope are designed and certified by a professional engineer, subject to review and approval by the director prior to construction of the pit. The construction and lining (if applicable) of the pit shall be supervised by a professional engineer or their agent. The entire base of the pit must be in cut.</p> <p>Pits containing flowback fluids or produced water must be lined with a minimum 24 mil HDPE liner.</p> <p>For pits containing fluids other than freshwater only; the pit must be fenced. If the pit is not drained, or closure has not begun within 30 days after last use for well completion, the pit must be netted. The operator must maintain the fencing and netting until the pit is closed.</p> <p>Pits used exclusively for drilling shall be closed in accordance with the 1000-Series Rules. Any pit(s) used for purposes other than drilling shall be closed in accordance with Rule 905. Closure of Pits, and Buried or Partially Buried Produced Water Vessels; with an approved Site Investigation and Remediation Workplan, Form 27.</p>
	<p>Operator must ensure secondary containment for any volume of fluids contained at well site during drilling and completion operations; including, but not limited to, construction of a berm or diversion dike, diversion/collection trenches within and/or outside of berms/dikes, site grading, or other comparable measures sufficiently protective of nearby surface water. Any berm constructed at the well pad location will be stabilized, inspected at regular intervals (at least every 14 days), and maintained in good condition.</p>
	<p>Operator shall pressure test pipelines in accordance with Rule 1101.e.(1) prior to putting into initial service any temporary surface or permanent buried pipelines and following any reconfiguration of the pipeline network.</p>
	<p>Notify the COGCC 48 hours prior to start of pad construction, pit construction, rig mobilization, spud, pipeline testing, start of hydraulic stimulation operations, and start of flowback operations using Form 42 (the appropriate COGCC individuals will automatically be email notified, including the LGD for hydraulic stimulation operations).</p>
	<p>The moisture content of any drill cuttings in a cuttings trench or pile shall be as low as practicable to prevent accumulation of liquids greater than de minimis amounts. At the time of closure, if drill cuttings are to remain/disposed of onsite, they must also meet the applicable standards of table 910-1.</p> <p>If the well is to be hydraulically stimulated, flowback and stimulation fluids must be sent to tanks, separators, or other containment/filtering equipment before the fluids can be placed into any pipeline or storage vessel located on the well pad; or pit located adjacent to the well pad; or into tanker trucks for offsite disposal. The flowback and stimulation fluid tanks, separators, or other containment/filtering equipment must be placed on the well pad in an area constructed to be sufficiently impervious to contain any spilled or released material.</p>

Best Management Practices

<u>No</u>	<u>BMP/COA Type</u>	<u>Description</u>
1	Wildlife	<p>SENSITIVE WILDLIFE AREA BMP</p> <p>1. Where oil and gas activities must occur in mule deer critical winter range or elk winter concentration areas, conduct those activities outside the time period from December 1 through April 15 (construction and drilling operations).</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 visitations between December 1 and April 15 in mule deer and elk winter range.</p> <p>3. Establish company guidelines to minimize wildlife mortality from vehicle collisions on roads.</p> <p>4. Gate single-purpose roads and restrict general public access to reduce traffic disruptions 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 and elk 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 when possible.</p>
2	Storm Water/Erosion Control	<p>Stormwater management will be managed under KGH Operating Companies' (KGH) Stormwater Management Plan prepared for the project area. Prior to construction, a stormwater "perimeter" will be built around the site for initial work purposes. Once the drilling pad construction is completed, the site will be inspected and necessary Erosion Control Devices needed to manage sediment discharge from the pad will be installed. These devices may include but are not limited to: Rock Check Dams; Settling Ponds; Straw Waddles and; Silt Fencing.</p>
3	Material Handling and Spill Prevention	<p>Once the well is drilled and completed onsite KGH will prepare a SPCC plan for the site.</p>

Total: 3 comment(s)

Attachment Check List

<u>Att Doc Num</u>	<u>Name</u>
2107041	LANDOWNER NOTIFICATION CERTIFICATION
2107042	CORRESPONDENCE
400568810	FORM 2A SUBMITTED
400568831	DOW CONSULTATION
400569636	SURFACE OWNER CONSENT
400569646	REFERENCE AREA PICTURES
400569649	LEGAL/LEASE DESCRIPTION
400576071	NRCS MAP UNIT DESC
400611630	HYDROLOGY MAP
400612777	LOCATION DRAWING
400612778	LOCATION PICTURES
400612780	ACCESS ROAD MAP
400612821	NRCS MAP UNIT DESC
400612824	NRCS MAP UNIT DESC
400612864	WELL LOCATION PLAT

Total Attach: 15 Files

General Comments

<u>User Group</u>	<u>Comment</u>	<u>Comment Date</u>
Permit	Final review completed. No LGD comments.	7/15/2014 2:31:56 PM
OGLA	Initiated/Completed OGLA Form 2A and Form 15 (#400568838) review on 05-28-14 by Dave Kubeczko; requested acknowledgement of notification, fluid containment, spill/release BMPs, cuttings low moisture, notification, flowback to tanks, pit, and pipeline COAs from operator on 05-28-14; received acknowledgement of COAs from operator on 06-10-14; corrected distance to nearest downgradient SW from 5280' to 1225' to intermittent stream along Colorado/Utah border to the west; corrected size of pad during construction from 2.50 acres to 1.70 acres based on Construction Layout Drawings; passed by CPW on 05-06-14 with operator submitted BMPs acceptable; passed OGLA Form 2A and Form 15 (#400568838) review on 07-15-14 by Dave Kubeczko; notification, fluid containment, spill/release BMPs, cuttings low moisture, notification, flowback to tanks, pit, and pipeline COAs.	5/27/2014 6:43:05 PM
DOW	The proposed location is within mule deer critical winter range sensitive wildlife habitat. The BMPs provided by the operator in the wildlife BMP section of the submitted Form 2A adequately address wildlife concerns at this location. By: Taylor Elm, 5/27/2014, 13:33	5/27/2014 1:35:22 PM
Permit	Passed completeness	5/21/2014 4:25:15 PM
Permit	Return to draft: 1. Form 2 in the related forms tab is still the old one. 2. Well Location Plat attachment is actually the location photos	5/21/2014 4:05:17 PM
Permit	Returned to draft: 1) Soil Map Unit 110 can remain on permit, but location is in Soil Map Unit 125. This must be added to permit with the NRCS attachment for this map unit. 2) SHL footages and lat/long do not agree with submitted APD already in process. 3) Related APD (#400568663) on this form was withdrawn. Submitted APD (#400605997) is in process. Please change related form 2 doc # to correct one. 4) Checked with OGLA and location drawing and hydrology map are adequate.	5/21/2014 1:26:26 PM
Permit	Return to draft. Hydrology map: should be topo map showing all surface waters & riparian areas. Area of map should concentrate on location.	5/19/2014 3:27:05 PM
Permit	Returned to draft: 1) NRCS map unit incorrect. 2) Hydrology map: should be topo map showing all surface waters & riparian areas. Area of map should concentrate on location.	3/25/2014 12:28:06 PM
Permit	Returned to draft; Still no location drawing and no comment in the submit tab that there are no improvements within 500'. Hydrology map should show well location with a circle indicating 1000 feet from well location and should have a statement saying there is no surface water within 1000' feet of well if its true otherwise list footage to surface water.	3/24/2014 8:50:11 AM
Permit	Returned to draft. There must be a pipeline description. Does not state where Plant Community information came from. Missing Hydrology Map. Missing NRCS Map Description Unit attachment. Number needs to be entered under Map Unit Name. Needs comment on submit tab that there are no improvements within 500' (no Location Drawing)	3/20/2014 10:19:44 AM

Total: 10 comment(s)