

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:
400605350

APPLICATION FOR PERMIT TO:

Drill Deepen Re-enter Recomplete and Operate

Date Received:
05/16/2014

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

Refiling
Sidetrack

Well Name: SPU COCKROFT 1294 Well Number: 23-41D H1
Name of Operator: GUNNISON ENERGY CORPORATION COGCC Operator Number: 100122
Address: 1801 BROADWAY #1200
City: DENVER State: CO Zip: 80202
Contact Name: MIKE CLEARY Phone: (303)296-4222 Fax: (303)296-4555
Email: mike.cleary@oxbow.com

RECLAMATION FINANCIAL ASSURANCE

Plugging and Abandonment Bond Surety ID: 20110179

WELL LOCATION INFORMATION

QtrQtr: NENE Sec: 23 Twp: 12S Rng: 94W Meridian: 6
Latitude: 38.999297 Longitude: -107.858911

Footage at Surface: 1191 feet FNL/FSL FNL 1288 feet FEL/FWL FEL

Field Name: SPAULDING PEAK Field Number: 77810
Ground Elevation: 8539 County: DELTA

GPS Data:
Date of Measurement: 01/28/2013 PDOP Reading: 2.0 Instrument Operator's Name: Uintah - R. Kay

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
1705 FNL 593 FEL 851 FSL 1616 FEL
Sec: 23 Twp: 12S Rng: 94W Sec: 24 Twp: 12S Rng: 94W

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.)

Please see attached Lease Map.

Total Acres in Described Lease: 509 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: 2372 Feet

Building Unit: 2907 Feet

High Occupancy Building Unit: 5280 Feet

Designated Outside Activity Area: 5280 Feet

Public Road: 451 Feet

Above Ground Utility: 2959 Feet

Railroad: 5280 Feet

Property Line: 471 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: 622 Feet

Distance from Completed Portion of Wellbore to Nearest Unit Boundary 1616 Feet (Enter 5280 for distance greater than 1 mile.)

Federal or State Unit Name (if appl): Spaulding Peak Unit Number: COC74442X

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.) |
|------------------------|----------------|-------------------------|-------------------------------|--------------------------------------|
| MANCOS | MNCS | | | |

DRILLING PROGRAM

Proposed Total Measured Depth: 12201 Feet

Distance to nearest permitted or existing wellbore penetrating objective formation: 0 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: ONSITE Cuttings Disposal Method: Cuttings trench

Other Disposal Description:

See approved 2A#400336943 for COA regarding cuttings disposal.

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 | 26 | 20 | | 0 | 58 | | 58 | 0 |
| SURF | 17+1/2 | 13+3/8 | 54.5 | 0 | 801 | 583 | 801 | 0 |
| 1ST | 12+1/4 | 9+5/8 | 40 | 0 | 4029 | 325 | 4029 | 2839 |
| S.C. 1.1 | | | | | 2839 | 646 | 2839 | 0 |
| 2ND | 7+7/8 | 7 | 26 | 0 | 5305 | 337 | 5305 | 3328 |
| 3RD | 6+1/8 | 4+1/2 | 13.5 | 0 | 12201 | 790 | 12201 | |

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 The proposed well is the 4th sidetrack of this wellbore, which has been TA since October 2012. Plans are to clean out the current TA wellbore and drill a horizontal sidetrack in the Niobrara interval at a TVD of 6773'. Please see attached procedures for specific details.

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

Location ID: 417353

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: Patty Johnson

Title: Operations Tech Date: 5/16/2014 Email: patty.johnson@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: 11/5/2014

Expiration Date: 11/04/2016

API NUMBER

05 029 06109 04

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

| | |
|--|--|
| | Within 7 days of receipt of this approved form, Operator shall contact COGCC Reclamation Supervisor for site reclamation status verification. |
| | (1) COMPLIANCE WITH THE MOST CURRENT REVISION OF THE NORTHWEST COLORADO NOTIFICATION POLICY IS REQUIRED. (2) PRODUCTION LINER (4 1/2" THIRD STRING) CEMENT TOP VERIFICATION BY CBL REQUIRED. (3) THIS PROPOSED HORIZONTAL WELL APPEARS TO PASS WITHIN 150 FEET OF THE WELLBORE PATH OF OFFSET HORIZONTAL WELL SPU Cockroft 1294 #23 -41D H1R (API # 029-06112) AND THE SIDETRACKS OF THIS WELL. Prior to drilling operations, Operator shall perform an anti-collision scan of the existing offset wells and sidetracks. This anti-collision scan shall include a definitive MWD or gyroscopic survey of the offset wells and sidetracks 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 and sidetracks, Operator shall perform gyroscopic surveys to verify the wellbore paths. The proposed well will only be drilled if the anti-collision scan results indicate that there is not a risk for collision, or harm to people or the environment. For the proposed well, upon conclusion of drilling operations, an as-constructed gyro survey will be submitted to COGCC with the Form 5. |

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

| <u>Att Doc Num</u> | <u>Name</u> |
|--------------------|------------------------|
| 400605350 | FORM 2 SUBMITTED |
| 400610308 | LEASE MAP |
| 400610309 | OTHER |
| 400610311 | WELL LOCATION PLAT |
| 400610324 | DIRECTIONAL DATA |
| 400610327 | OTHER |
| 400610331 | DEVIATED DRILLING PLAN |
| 400610332 | DEVIATED DRILLING PLAN |

Total Attach: 8 Files

General Comments

| User Group | Comment | Comment Date |
|-------------------|---|--------------------------|
| Permit | Oper. corrected dist. to unit boundary. Oper. corrected unit name. Oper. submitted Form 4 to correct dist. to building on 2A. Oper. submitted corrected Form 7 reporting. Oper. corrected objective fm. to MNCS. Oper. confirmed no completion attempt for -03 wellbore. No LGD or public comments. Final Review--passed. | 10/29/2014 7:11:30 AM |
| Permit | Oper. confirmed dist. to building is correct. Rq'd Form 4 for Location to correct distance to building for 2A. | 10/24/2014 1:34:40 PM |
| Permit | Corrected qtr/qtr designation & well number. Req'd corrected Form 7 reporting for -00 wellbore & Form 5A to change status of MNCS to AB. Req'd review of dist. to nearest bldg. 2A lists 462'. | 9/24/2014 10:38:29 AM |
| Engineer | Changed distance to nearest wellbore penetrating objective formation on drilling and waste plan tab from 622' to 0'. Distance to 029-06112-02 is 0' (horizontally). 029-06112 is reported as completed in the Mancos. This planned well lists the objective as the Niobrara which is in the Mancos. Vertical separation should be about 700' or more based on the drilling plans. See COA#3. Attached document 400610327 "other" contains a wellbore diagram on the last page. With operator concurrence, changed wt/ft of 4 1/2" casing from 13.2 to 13.5. | 9/24/2014 9:29:49 AM |
| Permit | Operator requested changes in the right to construct and the distance to the nearest lease line | 8/25/2014 5:42:01 AM |
| Permit | Changed permit and engineering tasks to pending. Req'd corrections to this APD. Req'd input on cuttings trench: does this require a COA? Req'd correction of Form 7 reporting. | 8/21/2014 11:05:08 AM |
| Engineer | This is proposed as the 4th sidetrack of this well – so how do the applied COAs work with this well? There are a ton of logs, the well has been spud on an already constructed pad, TOC already established/approved, etc. There are outstanding completion reports for this well – it's been out there for a couple of years, so possibly the effort to get them approved so that the existing well is completely identified and this permit is easily processed would be a worthwhile activity – as it is – the casing information appears to be an amalgam of the original prog and some actual. The production records list N-COM – the only previously approved formation I see in a quick perusal is Mancos – so why the N-COM? There are only 5As for the -00. Should the CONFIDENTIAL piece still be hanging out there? Good comment on the MIT. Cuttings disposal is a cuttings trench – should that have some requirements and be run by environmental (OGLA) since there isn't a new 2A – this pad should be wholly reclaimed to interim standards at this point – it is a Hz through hydrocarbon laden material (at least that is the hope). The cuttings need to be dealt with under 907.e. | 8/10/2014 10:10:29 AM |
| Agency | Final review completed on this reenter. Same LGD comments as on the originally approved APD. | 3/5/2014 1:28:21 PM |
| Permit | Operator supplied corrected TOP footages that reflect the footages on the Well Location Plat. | 3/5/2014 1:23:06 PM |
| Permit | Requested operator review the footages given for the TOP. Using the "landing point" the calculations match the Well Location Plat but not the footage given for the TOP. | 7/23/2014 1:07:42 PM |

| | | |
|----------|---|--------------------------|
| Engineer | <p>MIT performed 5/29/14. 4th sidetrack. Changed API# from 029-06109-03 to 029-06109-04. Revised casing tab based on Form 5-03. Second liner - changed from 1st liner and top from 0 to 6595' per operator email and removed TOC of 2000'. 8/21/14: Emailed operator - liner top is incorrect. Offset well evaluation- well appears to pass within 150 ft of sidetracks. See COA#3.</p> <p>THE EXISTING 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 93 FEET DEEP.</p> | 5/23/2014 10:56:50 AM |
| LGD | <p>Gunnison Energy Corporation SPU Cockroft 129423-41D-ST4</p> <p>Delta County</p> <p>This side track is similar to one drilled by GEC earlier at the same location. No comments.</p> <p>Bruce C. Bertram,Delta County LGD</p> | 5/22/2014 11:19:42 AM |
| Permit | Passed completeness. | 5/19/2014 11:00:57 AM |

Total: 13 comment(s)