

FORM

2

Rev
08/16

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:

401476273

APPLICATION FOR PERMIT TO:

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

Date Received:

12/07/2017

TYPE OF WELL OIL ☐ GAS ☐ COALBED ☒ OTHER Lateral 1Refilling ☐ZONE TYPE SINGLE ZONE ☒ MULTIPLE ZONES ☐ COMMINGLE ZONES ☐Sidetrack ☒Well Name: Federal 11-90-26Well Number: 1Name of Operator: SG INTERESTS I LTDCOGCC Operator Number: 77330Address: 100 WAUGH DR SUITE 400City: HOUSTON State: TX Zip: 77007Contact Name: Tracy ArnettPhone: (970)3850696Fax: (970)3850636Email: tarnett@sginterests.com

RECLAMATION FINANCIAL ASSURANCE

Plugging and Abandonment Bond Surety ID: 20030098

WELL LOCATION INFORMATION

QtrQtr: Lot 1 Sec: 26 Twp: 11S Rng: 90W Meridian: 6Latitude: 39.074830Longitude: -107.408830
 Footage at Surface: 1279 Feet FNL 848 Feet FEL
Field Name: WILDCATField Number: 99999Ground Elevation: 7488County: GUNNISON

GPS Data:

Date of Measurement: 10/03/2007 PDOP Reading: 1.2 Instrument Operator's Name: David NicewiczIf well is ☐ Directional ☒ Horizontal (highly deviated) **submit deviated drilling plan.**
 Footage at Top of Prod Zone: FNL/FSL FNL/FWL Bottom Hole: FNL/FSL FNL/FWL
1122 FNL 709 FEL 1575 FSL 1657 FWL
 Sec: 26 Twp: 11S Rng: 90W Sec: 24 Twp: 11S Rng: 90W

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.)

See attached lease descriptions.

Total Acres in Described Lease: 976 Described Mineral Lease is: ☐ Fee ☐ State ☒ Federal ☐ Indian

Federal or State Lease # COC64172

Distance from Completed Portion of Wellbore to Nearest Lease Line of described lease: 0 Feet

CULTURAL DISTANCE INFORMATION

Distance to nearest:

Building: 5150 Feet
Building Unit: 5150 Feet
High Occupancy Building Unit: 5280 Feet
Designated Outside Activity Area: 5280 Feet
Public Road: 5280 Feet
Above Ground Utility: 5150 Feet
Railroad: 5280 Feet
Property Line: 463 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 proposed wellbore to nearest completed portion of offset wellbore permitted or completed in the same formation: 2134 Feet

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

Federal or State Unit Name (if appl): Bull Mountain Unit Number: COC67120X

SPACING & FORMATIONS COMMENTS

This well is within the Federal Bull Mountain Unit.

OBJECTIVE FORMATIONS

Objective Formation(s)	Formation Code	Spacing Order Number(s)	Unit Acreage Assigned to Well	Unit Configuration (N/2, SE/4, etc.)
CAMEO COAL	CMEOC			

DRILLING PROGRAM

Proposed Total Measured Depth: 7365 Feet

Distance from the proposed wellbore to nearest existing or proposed wellbore belonging to another operator, including plugged wells:

Enter distance if less than or equal to 1,500 feet: _____ Feet ☒ No well belonging to another operator within 1,500 feet

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 608

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	16	42	0	80	90	80	0
SURF	12+1/4	9+5/8	36	0	441	225	441	0
1ST	8+3/4	5+1/2	17	0	5005	677	5005	4490
1ST LINER	4+3/4	2+7/8	6.5	3925	7365	0		
		5+1/2	Stage Tool		2515	768	4280	370

☐ 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 SG is proposing to drill a horizontal lateral from the existing vertical well. A sidetrack from the proposed lateral is also being permitted concurrently.
BLM APD is being prepared concurrently and a copy of the form will be submitted to COGCC upon completion via Sundry.
Please note portions of FS RD 849 and FS RD 861 as shown on the COGCC GIS are incorrect. No public roads exist within 1 mile of this well. Nearest well in the same formation is the Federal 11-90-24 #1 approx 2,134' from BHL.
The well site is constructed. No additional disturbance beyond what has been previously permitted will be required.

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

Location ID: 324472

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: Tracy Arnett

Title: Permitting Date: 12/7/2017 Email: tarnett@sginterests.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: 1/27/2018

Expiration Date: 01/26/2020

API NUMBER

05 051 06060 01

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**

	Operator shall comply with Notice to Operators: Interim Reclamation Procedures for Delayed Operations (dated January 5, 2017).
	1)Operator shall comply with the most current revision of the Northwest Notification Policy.

Best Management Practices

<u>No</u>	<u>BMP/COA Type</u>	<u>Description</u>
1	Drilling/Completion Operations	Logs that were run on the Federal 11-90-26 #1 well include Noise/Temp logs and CBL logs. These logs can be found on the COGCC website. The horizontal portion of each new lateral/sidetrack will be logged-while-drilling with a gamma ray tool from kickoff point to TD and will be submitted with the Drilling Completion Report, Form 5.

Total: 1 comment(s)

Applicable Policies and Notices to Operators

Policy
NW Colorado Notification Policy. http://cogcc.state.co.us/documents/reg/Policies/nw_notification_procedures.pdf
Notice Concerning Operating Requirements for Wildlife Protection. http://cogcc.state.co.us/documents/reg/Policies/Wildlife_Notice.pdf

Attachment Check List

<u>Att Doc Num</u>	<u>Name</u>
401476273	FORM 2 SUBMITTED
401476999	OffsetWellEvaluations Data
401477649	WELL LOCATION PLAT
401477662	LEGAL/LEASE DESCRIPTION
401477664	LEGAL/LEASE DESCRIPTION
401477710	DEVIATED DRILLING PLAN
401477713	DIRECTIONAL DATA
401477921	SURFACE AGRMT/SURETY
401478167	WELLBORE DIAGRAM
401527929	OFFSET WELL EVALUATION

Total Attach: 10 Files

General Comments

<u>User Group</u>	<u>Comment</u>	<u>Comment Date</u>
Permit	Final review complete.	01/25/2018
Permit	Preliminary reveiw complete.	01/11/2018
Engineer	Offset water well check: COGCC evaluated offset water wells within one mile of this proposed well's surface hole location. All permitted water wells within the search radius show zero for reported depths. Depths to formation tops in offset oil and gas wells, locally-available geophysical logs, and hydrogeologic information was used to evaluate the adequacy of the operator's proposed surface casing setting depth. Offset Well Evaluation: Existing offset oil and gas wells within 1,500 feet of this wellbore meet standards. No mitigation required. Existing wellbore configuration provides adequate zonal isolation. Emailed operator regarding casing information tab. 1/9: revised casing information with operator concurrence.	12/26/2017
GIS	Changed Field Name from Bull Mountain South to Wildcat.	12/21/2017
Permit	Passed Completeness.	12/13/2017

Total: 5 comment(s)