



Gunnison Energy Corporation

Drilling Program

DGU Hotchkiss Federal 1289 #18-H2

Surface Location: 1488' FNL & 2739' FWL, Sec 18 T12S R89W
Bottom Hole Location: 440' FNL & 1750' FWL, Sec. 17 T12S R89W
Gunnison County, Colorado

11/01/2011

Please contact Mr. Neil Allen at Gunnison Energy, (303) 296-4222 if there are any questions or concerns regarding this Drilling Program.

Gunnison Energy respectfully requests that all information regarding this well be kept confidential.

ANTICIPATED START DATE August 1, 2012

SURFACE ELEVATION 7330' GL

SURFACE FORMATION Colluvium, Chochetopa Stony Loam - Fresh water possible

ESTIMATED FORMATION TOPS (MD) (Water, oil, gas and/or other mineral-bearing formations)

Wasatch	Surface	Shales, siltstones and lenticular sandstones, some water or gas bearing
Upper Mesa Verde	1,380'	Sandstones, shales & siltstones, some water, or gas bearing
Cameo B	3,060'	Coal zones w/interbedded sandstone, shales & siltstones, some water, oil or gas bearing
Rollins	3,110'	Sandstone, shales & siltstones, some water, oil or gas bearing
Cozette	3,958'	Sandstone, very fine to fine grnd, white, feldspathic to lithic, shaley
Corcoran	4093'	Sandstone, very fine to fine grnd, white, feldspathic to lithic, shaley
Mancos	4114'	Marine Shale, gray to black, silty calcareous, some silty sandstone
Mancos B	5931'	Marine Shale, gray to black, silty calcareous, some silty sandstone

TOTAL DEPTH 13,266' (MD)

HORIZONTAL WELL TRAJECTORY After setting the 9 5/8" casing string at 4322', the well will continue be drilled vertically to the Kick Off point of 6381' MD (KB) with an 8 3/4" bit. At that depth we will begin to build angle at a rate of 7 degrees per 100' until we achieve a 90 degree inclination at an azimuth of 90 degrees. We should achieve 90 degrees at 7,222' TVD (KB) and 7681' MD (KB). 7" casing will be run to 7681' MD and cemented. The horizontal portion of the well will be drilled with a 6 1/8" to 13,266' MD. A 4 1/2" liner will be run to TD of 13,266' MD with the liner hanger at 6300' and cemented in place.

MUD PROGRAM

1. Conductor: 0' to 102', 26" hole no mud.
2. Surface: 102' to 822' (MD), 16" hole drilled Spud Mud.
3. Intermediate#1: 822' to 4,322' (MD), 12-1/4" hole drilled with a Polymer/LSND mud
4. Intermediate #2: 4,322' to 7,681' (MD), 8 3/4" hole drilled with a Polymer mud
5. Horizontal section: 7,681' to 13,266' (MD), 6 1/8 "hole drilled with a Polymer mud

The surface hole will be drilled with a high viscosity spud mud. The first intermediate section will be drilled with a polymer/ LSND system (M.W. 8.6 – 11.0 ppg, Vis - 32-36 sec, W.L. 10 - 20). The second intermediate section will be drilled with a polymer mud (8.5 – 12.5 ppg, Vis – 32 – 55 sec, W.L. 4 – 20). The horizontal section will be drilled with a polymer mud (8.9 – 9.5 ppg, Vis – 45 – 58 sec, W.L. 4 – 6). The mud will be processed through a closed loop mud system. The hole will be treated for lost circulation. Notify Engineering of any mud losses. Sufficient mud materials to maintain mud properties, control lost circulation and to contain "kick" will be available at wellsite.

CASING PROGRAM

Casing	Hole Size	Casing Size	Weight	Grade	Depth Set	Cement Top
Conductor	26"	20"	78.6#	LP	102'	Surface
Surface	16"	13-3/8"	54.5#	J-55	822'	Surface
Intermediate 1	12-1/4"	9-5/8"	40#	N-80	4322'	Surface
Intermediate 2	8 3/4"	7"	30#	P-110	7681'	3300'
Horizontal liner	6 1/8	4 1/2"	11.6#	N-80	6300' – 13,266'	6300'

FLOAT EQUIPMENT

1. SURFACE CASING: 13-3/8" Cement nose guide shoe with self-fill flapper float collar on top of bottom joint. Thread lock shoe and float collar. Run (1) standard centralizer on each of the bottom (3) joints of surface casing and every other joint to the surface.
2. INTERMEDIATE 1 CASING: 9-5/8" A cement shoe, 1 joint and a float collar. Place a centralizer 10' above the shoe, one just be below the float collar, one on every third joint to the surface.

3. INTERMEDIATE 2 CASING: 7" A cement shoe, 1 joint and a float collar. Place a centralizer 10' above the shoe, one just below the float collar, one on every second joint through the curve section and every third joint to the anticipated top of the cement at 3300'.
4. HORIZONTAL CASING: 4-1/2" A cement shoe with a float collar, centralizer above shoe, centralizer on every second joint up to the liner hanger.

CEMENTING PROGRAM (Note: Volumes and mixtures may be adjusted due to actual conditions)

1. SURFACE: Precede cement with 20 BBLs of water. Slurry: Lead – 100 sx 50/50 Poz Type 1 cement + 0.2% bwoc Sodium Matasilicate + 0.7% bwoc BA-10A + 0.8% bwoc R-3 + 0.005 gps FP-6L. Weight 11.5ppg, 2.73 cu ft/ sx. Tail – 146 sx Type I Cement + 0.8% bwoc R-3 + 1% bwoc FL-62 + 0.1% bwoc ASA-301 + 0.005 gps FP-6L + 0.8% bwoc BA-10A. Weight 15.4 lb/gal, 1.23 cu ft/sx. WOC 12 hours. Test csg to 1500 psi.
2. INTERMEDIATE 1: Precede cement with 20 BBLs of water with Celo flake. Slurry: Lead - 110 sx Standard Cement + 1.0% CaCl + 0.25 lb/sx Poly-E-Flake + 0.6% Gas Stop. Weight 11.5 lb/gal, 2.73 cu ft/sx . Tail – 601 sx Standard Cement + 1.0% CaCl + 0.25 lb/sx Poly-E-Flake + .6% Gas Stop. Weight 15.4 lb/gal, 1.23 cu ft/sx. WOC 12 hrs.
3. INTERMEDIATE 2: Precede cement with 20 BBLs of water + 20 BBLs of a 14.5 lb/gal weighted slug. Slurry: Lead – 102 sx Class H Premium Cement / Pozmix A Flyash + .3% lightweight additive + .1% Fluid Loss control + .1% Dispersant + .1% Defoamer + .1% Gas Migration Control + .1% Retarder. Weight 14.0 lb/gal, 1.33 cu ft/sx. Tail – 681 sx Class H Premium Cement + .1% Free Water Control + .1% Fluid Loss Control + .1% Retarder. Weight 14.5 lb/gal, 1.23 cu ft/sx. WOC 12 hrs
4. HORIZONTAL LINER: Slurry: 658 sx Premium Lite Cement + 0.04% bwoc Static Free + 0.5% bwoc R-3 + 0.3% bwoc FL-63 + 20% bwoc Silica Flour + 0.05 gps FP-13L + 10 lbs/sx CSE-2 + 8% bwoc Bentonite II. Weight 12.5 lb/gal, 2.5 cuft/sx. WOC 12 hours.

LOGGING, CORING TESTING PROGRAM

1. Logging: Intermediate Depth 1 and Intermediate Depth 2: Triple Combo, Sonic, Image (FMI, XRMI, CMI depending on contractor). LWD may be run on the horizontal portion of the hole. CBL will be run on Intermediate 1 casing while logging Intermediate Depth 2. CBL on Intermediate casing 2 will be run before drilling horizontal portion of the well.
2. Coring: Possible sidewall cores as determined by open hole logs.
3. Testing: No DST's are planned. Production testing and pressure bombs will potentially be performed during completion.

ABNORMAL CONDITIONS

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|------------------------------------|--|
| 1. Pressures: | No abnormal conditions are anticipated.
Cameo/Rollins, pressure gradient - 0.40 psi/ft
Cozzette/Corcoran pressure gradient - 0.40 psi/ft |
| 2. Temperatures: | No abnormal conditions are anticipated. |
| 3. H ₂ S: | None anticipated. |
| 4. Estimated bottom hole pressure: | |

PRESSURE CONTROL (See attached schematic diagram)

BOP's and choke manifold will be installed and pressure tested before drilling out under surface casing (subsequent pressure test will be performed whenever pressure seals are broken), and then will be checked daily as to mechanical operating condition. BOP's will be pressure tested at least once every 30 days. Ram type preventors and related pressure control equipment will be pressure tested to rated working pressure of the stack assembly if a test plug is used. If a plug is not used, the stack assembly will meet or exceed COGCC standards. Annular type preventors will be pressure tested to 50% of their rated working pressure. All casing strings will be pressure tested to 0.22 psi/ft. or 1,500 psi, whichever is greater, not to exceed 70% of internal yield. A manual locking device (i.e. hand wheels) or automatic locking devices shall be installed on the BOP stack.

The choke manifold and accumulator will meet or exceed COGCC standards. The BOP equipment will be tested after any repairs to the equipment. Pipe rams, blind rams and the annular preventor will be activated on each trip, and weekly BOP drills will be held with each crew. All tests, maintenance, and BOP drill information will be entered on rig "tower" sheet.

A 5M BOP system is proposed for this well.

Statement on Accumulator System and Location of Hydraulic Controls

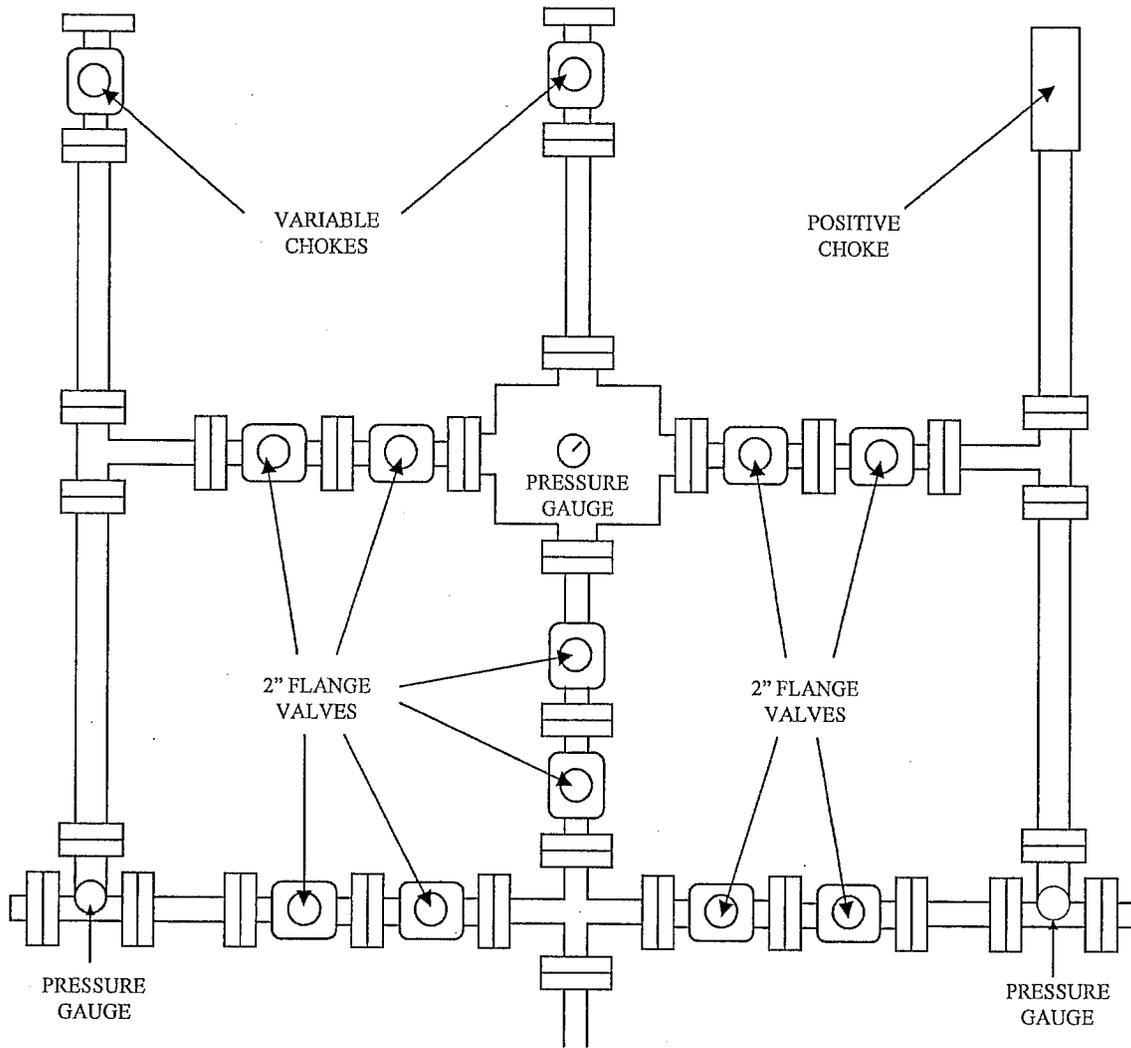
The drilling rig has not been selected for this well. Selection will take place after approval of this application. Manual and/or hydraulic controls will be in compliance with requirements for 3,000 psi systems.

A remote accumulator will be used. Pressures, capacities, location of remote hydraulic and manual controls will be identified at the time of the supervised BOP test. 3M system accumulator shall have sufficient capacity to open the hydraulically-controlled choke line valve(if so equipped), close all rams plus the annual preventer, and retain a minimum of 200 psi above precharge on the closing manifold without the use of the closing pumps. This is a minimum requirement. The fluid reservoir capacity shall be double the usable fluid volume of the accumulator system capacity and the fluid level shall be maintained at the manufacturer's recommendations. The 3M system shall have 2 independent power sources to close the preventer. Nitrogen bottles (3 minimum) may be 1 of the independent power sources and, if so, shall maintain a charge equal to the manufacturer's specifications.

AUXILIARY EQUIPMENT

1. Upper kelly cock & lower kelly cock in drill string
2. Inside BOP or stab-in valve (available on rig floor).
3. Mud monitoring will be with a flowing sensor, pit level indicator, or visually observed.
4. Closed loop mud system is to be used.

**Gunnison Energy Corp.
Choke Manifold Diagram
(3000 PSI)**



**Gunnison Energy Corp.
Blowout Preventer Diagram
(3000 PSI)**

