

APPLICATION FOR PERMIT TO:

1. **Drill,** Deepen, Re-enter, Recomplete and Operate

2. TYPE OF WELL

OIL GAS COALBED OTHER _____

SINGLE ZONE MULTIPLE COMMINGLE

Refiling
Sidetrack

Document Number:
400218611

PluggingBond SuretyID
20110203

3. Name of Operator: PETRON DEVELOPMENT COMPANY 4. COGCC Operator Number: 69760

5. Address: 1899 W LITTLETON BLVD
City: LITTLETON State: CO Zip: 80120

6. Contact Name: Kallasandra Moran Phone: (303)928-7128 Fax: (303)692-6237
Email: kmoran@petro-fs.com

7. Well Name: Ward Well Number: 2-17

8. Unit Name (if appl): _____ Unit Number: _____

9. Proposed Total Measured Depth: 2800

WELL LOCATION INFORMATION

10. QtrQtr: SESW Sec: 17 Twp: 3N Rng: 46W Meridian: 6
Latitude: 40.222459 Longitude: -102.539506

Footage at Surface: _____ feet FNL/FSL _____ feet FEL/FWL _____ feet

11. Field Name: Buckboard Field Number: 7680

12. Ground Elevation: 3939 13. County: YUMA

14. GPS Data:
Date of Measurement: 10/16/2011 PDOP Reading: 1.8 Instrument Operator's Name: Ben Milius / PFS

15. If well is Directional Horizontal (highly deviated) **submit deviated drilling plan.**

Footage at Top of Prod Zone: _____ feet FNL/FSL _____ feet FEL/FWL _____ feet

Bottom Hole: _____ feet FNL/FSL _____ feet FEL/FWL _____ feet

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

16. Is location in a high density area? (Rule 603b)? Yes No

17. Distance to the nearest building, public road, above ground utility or railroad: 2094 ft

18. Distance to nearest property line: 528 ft 19. Distance to nearest well permitted/completed in the same formation(BHL): 877 ft

LEASE, SPACING AND POOLING INFORMATION

| Objective Formation(s) | Formation Code | Spacing Order Number(s) | Unit Acreage Assigned to Well | Unit Configuration (N/2, SE/4, etc.) |
|------------------------|----------------|-------------------------|-------------------------------|--------------------------------------|
| Niobrara | NBRR | 331-2 | 160 | SW/4 |

21. Mineral Ownership: Fee State Federal Indian Lease #: _____

22. Surface Ownership: Fee State Federal Indian

23. Is the Surface Owner also the Mineral Owner? Yes No Surface Surety ID#: _____

23a. If 23 is Yes: Is the Surface Owner(s) signature on the lease? Yes No

23b. If 23 is No: Surface Owners Agreement Attached or \$25,000 Blanket Surface Bond \$2,000 Surface Bond \$5,000 Surface Bond

24. Using standard QtrQtr, Sec, Twp, Rng format enter entire mineral lease description upon which this proposed wellsite is located (attach separate sheet/map if you prefer):

SW/4, Sec. 17, T3N-R46W

25. Distance to Nearest Mineral Lease Line: 518 ft 26. Total Acres in Lease: 160

DRILLING PLANS AND PROCEDURES

27. Is H2S anticipated? Yes No If Yes, attach contingency plan.

28. Will salt sections be encountered during drilling? Yes No

29. Will salt (>15,000 ppm TDS CL) or oil based muds be used during drilling? Yes No

30. If questions 28 or 29 are yes, is this location in a sensitive area (Rule 901.e)? Yes No

31. Mud disposal: Offsite Onsite

If 28, 29, or 30 are "Yes" a pit permit may be required.

Method: Land Farming Land Spreading Disposal Facility Other: Evaporation and burial

Note: The use of an earthen pit for Recompletion fluids requires a pit permit (Rule 905b). If air/gas drilling, notify local fire officials.

| Casing Type | Size of Hole | Size of Casing | Wt/Ft | Csg/Liner Top | Setting Depth | Sacks Cmt | Cmt Btm | Cmt Top |
|-------------|--------------|----------------|-------|---------------|---------------|-----------|---------|---------|
| SURF | 9+1/8 | 7 | 17 | 0 | 460 | 125 | 460 | 0 |
| 1ST | 6+1/4 | 4+1/2 | 10.5 | 0 | 2,800 | 75 | 2,800 | 2,000 |

32. BOP Equipment Type: Annular Preventer Double Ram Rotating Head None

33. Comments Spacing order # is 331-2 & Rule 318B applies.No conductor casing will be set.The location does NOT require a variance from any of the rules listed in Rule 306.d. (1). (A). (ii).The location is NOT in a restricted surface occupancy area. The location is NOT a sensitive wildlife habitat area.

34. Location ID: _____

35. Is this application in a Comprehensive Drilling Plan ? Yes No

36. Is this application part of submitted Oil and Gas Location Assessment ? Yes No

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

Signed: _____ Print Name: Kallasandra M. Moran

Title: Regulatory Manager Date: 10/27/2011 Email: kmoran@petro-fs.com

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: David S. Nesline Director of COGCC Date: 12/15/2011

| API NUMBER |
|-----------------|
| 05 125 12061 00 |

Permit Number: _____ Expiration Date: 12/14/2013

CONDITIONS OF APPROVAL, IF ANY:

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.

- 1) Provide 24 hr notice of spud to Jim Precup at 303-469-1902 or e-mail at james.precup@ state.co.us.
- 2) If completed, provide cement coverage from TD to a minimum of 200' above Niobrara. Verify coverage with cement bond log.
- 3) 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.

Attachment Check List

| Att Doc Num | Name |
|-------------|----------------------|
| 400218611 | FORM 2 SUBMITTED |
| 400218627 | 30 DAY NOTICE LETTER |
| 400218633 | PLAT |
| 400218635 | TOPO MAP |

Total Attach: 4 Files

General Comments

| <u>User Group</u> | <u>Comment</u> | <u>Comment Date</u> |
|--------------------------|---|----------------------------|
| Permit | Appropriate bonding documented, see blanket surety 2011-0203. Final review passed 12/13/2011 | 12/13/2011 3:49:36 PM |
| Permit | On hold waiting on proper bonding 11/30/2011 | 11/29/2011 9:22:46 AM |
| Permit | Per K. Moran 11/28/2011 Distances to lease and property lines are correct. Please correct opr. comments to indicate correct rule and order numbers. | 11/28/2011 2:57:13 PM |
| Permit | Mud disposal changed to evaporation and burial per OGLA and opr. Email to opr to verify distance to property and mineral lease lines and to clarify spacing orders and rules in operator comments. 11/28/2011 NKP | 11/22/2011 3:54:02 PM |
| Permit | Operator answered 16, 27, 28, 29, 31. Form has passed completeness. | 10/27/2011 10:52:51 AM |
| Permit | Returned to draft. Missing #16,27, 28, 29, 31. | 10/27/2011 10:45:03 AM |

Total: 6 comment(s)

BMP

| <u>Type</u> | <u>Comment</u> |
|--------------------------------|---|
| Drilling/Completion Operations | When available and reasonable use a closed loop drilling mud system to preclude the use of an earthen reserve pit. |
| Final Reclamation | All surface restoration shall be accomplished to the satisfaction of Owner. All reseeding shall be done with grasses consistent with the Rocky Mountain native mix or other grasses reasonably requested by surface owner and during planting period suggested by Owner. Final reclamation shall be completed to the reasonable satisfaction of the Owner as soon as practical after installation (weather permitting) and in accordance with regulatory agency standards (COGCC/BLM). |
| Storm Water/Erosion Control | Use water bars, and other measures to prevent erosion and non-source pollution. Implement and maintain BMPs to control stormwater runoff in a manner that minimizes erosion, transport of sediment offsite, and site degradation. Co-locate gas and water gathering lines whenever feasible, and mitigate any erosion problems that arise due to the construction of any pipeline(s) |
| Planning | When feasible develop multiple well sites by using directional drilling to reduce cumulative impacts and adverse impacts on wildlife resources. |
| Construction | Remove only the minimum amount of vegetation necessary for the construction of roads and facilities. Conserve topsoil during excavation and reuse as cover on disturbed areas to facilitate regrowth of vegetation. No construction or routine maintenance activities will be performed during periods when the soil is too wet to adequately support construction equipment. |
| Interim Reclamation | Utilize only such area around each producing well as is reasonably necessary. Restore the remainder of the well site location to its original condition within a reasonable time after the completion of operations. All reseeding shall be done with grasses consistent with the Rocky Mountain native mix or other grasses reasonably requested by surface owner and during planting period suggested by Owner. |
| Site Specific | Fence the well site after drilling to restrict public and wildlife access. Keep well site location, the road, and the pipeline easement free of noxious weeds, litter and debris. Spray for noxious weeds, and implement dust control, as needed. Operator will not permit the release or discharge of any toxic or hazardous chemicals or wastes on Owner's land. Construct and maintain gates or cattle guards where any roads used by operator, its employees, or contractors cross through fences on the leased premises. |

Total: 7 comment(s)