

FORM
2

Rev
12/05

State of Colorado Oil and Gas Conservation Commission

1120 Lincoln Street, Suite 801, Denver, Colorado 80205 Phone: (303) 894-2100 Fax: (303) 894-2109



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Document Number:

400231059

PluggingBond SuretyID

20030032

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

3. Name of Operator: KGH OPERATING COMPANY

4. COGCC Operator Number: 47200

5. Address: P O BOX 2235

City: BILLINGS State: MT Zip: 59103-2235

6. Contact Name: THOMAS M. HAUPTMAN Phone: (406)259-8509 Fax: (970)858-5163

Email: TKPRODUC@180COM.NET

7. Well Name: MEAGHER Well Number: 3-1H

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

9. Proposed Total Measured Depth: 11199

WELL LOCATION INFORMATION

10. QtrQtr: 7 Sec: 3 Twp: 1S Rng: 104W Meridian: 6

Latitude: 39.984728 Longitude: -109.049150

Footage at Surface: 623 feet FSL 503 feet FWL

11. Field Name: Blanco Field Number: 6902

12. Ground Elevation: 6218 13. County: RIO BLANCO

14. GPS Data:

Date of Measurement: 06/09/2011 PDOP Reading: 2.4 Instrument Operator's Name: Robert Kay

15. 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 _____
623 FSL 503 FWL 3100 FSL 1200 FEL
Sec: 3 Twp: 1S Rng: 104 Sec: 2 Twp: 1S Rng: 104
W W

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: 23000 ft

18. Distance to nearest property line: 503 ft 19. Distance to nearest well permitted/completed in the same formation(BHL): 1600 ft

20. 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.)
MANCOS B	MNCSB			

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):

See attachment

25. Distance to Nearest Mineral Lease Line: 1128 ft 26. Total Acres in Lease: 3681

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: _____

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	12+1/4	9+5/8	36	0	1,000	405	1,000	0
1ST	8+3/4	7	23	0	6,222	620	6,222	0
1ST LINER	6+1/8	4+1/2	11.6	5090	11,199			

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

33. Comments CONDUCToR CASING WILL NOT BE USED

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: MIKE MARKUS

Title: PROJECT SCIENTIST Date: 12/12/2011 Email: mmarkus@oaconsulting.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. Neslin Director of COGCC Date: 1/29/2012

API NUMBER
05 103 11910 00

Permit Number: _____ Expiration Date: 1/28/2014

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) COMPLIANCE WITH THE MOST CURRENT REVISION OF THE NORTHWEST COLORADO NOTIFICATION POLICY IS REQUIRED.

(2) THE MOISTURE CONTENT OF ANY DRILL CUTTINGS IN A CUTTINGS PIT, TRENCH, OR PILE SHALL BE AS LOW AS PRACTICABLE TO PREVENT ACCUMULATION OF LIQUIDS GREATER THAN DE-MINIMIS AMOUNTS. AT THE TIME OF CLOSURE, THE DRILL CUTTINGS MUST ALSO MEET THE APPLICABLE STANDARDS OF TABLE 910-1.

(3) 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 OF THE PIT SHALL BE SUPERVISED BY A PROFESSIONAL ENGINEER OR THEIR AGENT. THE ENTIRE BASE OF THE PIT MUST BE IN CUT.

(4) THE 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 00 FEET DEEP.

Attachment Check List

Att Doc Num	Name
400231059	FORM 2 SUBMITTED
400231119	DRILLING PLAN
400231123	LEGAL/LEASE DESCRIPTION
400231124	WELL LOCATION PLAT
400231125	DOW CONSULTATION
400231126	SURFACE AGRMT/SURETY
400231127	TOPO MAP
400235305	DEVIATED DRILLING PLAN

Total Attach: 8 Files

General Comments

<u>User Group</u>	<u>Comment</u>	<u>Comment Date</u>
Engineer	opr provided requested data. pr csg not to be submitted, but will have 12 swell packers.	1/26/2012 10:56:28 AM
Permit	LGD/public comments waived. Final Comprehensive Review Status--passed.	1/18/2012 9:53:37 AM
Permit	off hold-changed dist. to nearest permitted well to 1600' and dist. to nearest mineral lease line (distance west to state line from top of PZ) to 1128' per oper.'s email. changed distance to nearest road to 23,000' to match 2A.	1/10/2012 11:41:11 AM
Engineer	Casing/Cementing design clarification requested from operator.	1/9/2012 9:21:33 AM
Permit	on hold pending clarification of nearest well footage. added related form 2A #400227626	12/27/2011 3:32:00 PM
Permit	A designated agent signed the form. This form has passed completeness.	12/27/2011 11:17:53 AM
Permit	Returned to draft. Thomas Hauptman is not a designated agent. Operator input #15, added conductor pipe statement, and attached the deviated drill plan.	12/27/2011 6:20:54 AM
Permit	Returned to draft. Thomas Hauptman is not a designated agent. Missing #15 and deviated drilling plat attachment. Missing conductor pipe statement.	12/12/2011 11:15:25 AM

Total: 8 comment(s)

BMP

<u>Type</u>	<u>Comment</u>
Material Handling and Spill Prevention	<p>SPILL PREVENTION CONTROL AND COUNTER MEASURES (SPCC)</p> <p>ONCE THE WELLS ARE DRILLED AND COMPLETED ONSITE KGH WILL PREPARE A SPCC PLAN FOR THE SITE.</p>
Storm Water/Erosion Control	<p>STORMWATER MANAGEMENT WILL BE MANAGED UNDER KGH OPERATING COMPANY'S (KGH) PROPOSED STORMWATER MANAGEMENT PLAN PREPARED FOR THE PROJECT AREA. A STORMWATER PLAN AND PERMIT WILL BE SUBMITTED TO CDPHE AS REQUIRED. PRIOR TO CONSTRUCTION A STORMWATER "PERIMETER" WILL BE BUILT AROUND THE SITE FOR INITIAL WORK PURPOSES. ONCE THE PAD CONSTRUCTION IS COMPLETED, THE SITE WILL BE INSPECTED AND ANY NECESSARY EROSION CONTROL DEVICES NEEDED TO MANAGE SEDIMENT DISCHARGE FROM THE PAD WILL BE INSTALLED. THESE DEVICES MAY INCLUDE BUT ARE NOT LIMITED TO:</p> <ul style="list-style-type: none">- ROCK CHECK DAMS- SETTLING PONDS- STRAW WADDLES- SILT FENCING (USED SPARINGLY)
Wildlife	<ol style="list-style-type: none">1. WHERE OIL AND GAS ACTIVITIES MUST OCCUR IN MULE DEER CRITICAL WINTER RANGE OR ELK WINTER CONCENTRATED AREAS, CONDUCT THESE ACTIVITIES OUTSIDE THE LIMITED TIME PERIOD FROM DECEMBER 1 THROUGH APRIL 15 (CONSTRUCTION AND DRILLING).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.3. ESTABLISH COMPANY GUIDELINES TO MINIMIZE WILDLIFE MORTALITY FROM VEHICULAR COLLISIONS ON ROADS.4. GATE SINGLE PURPOSE ROADS AND RESTRICT GENERAL PUBLIC ACCESS TO REDUCE TRAFFIC DISRUPTIONS TO WILDLIFE.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.6. AVOID AGGRESSIVE NON-NATIVE GRASSES AND SHRUBS IN MULE DEER AND ELK HABITAT RESTORATION.7. RECLAIM MULE DEER AND ELK HABITATS WITH NATIVE SHRUBS, GRASSES, AND FORBS APPROPRIATE TO THE ECOLOGICAL SITE DISTURBED.8. RESTORE APPROPRIATE SAGEBRUSH SPECIES OR SUBSPECIES ON DISTURBED SAGEBRUSH SITES. USE LOCALLY COLLECTED SEED FOR RESEEDING WHERE POSSIBLE.

Total: 3 comment(s)