

FORM
2
Rev
12/05

State of Colorado
Oil and Gas Conservation Commission

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Document Number:

400262662

Date Received:

03/23/2012

PluggingBond SuretyID

20010124

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: KERR-MCGEE OIL & GAS ONSHORE LP

4. COGCC Operator Number: 47120

5. Address: P O BOX 173779

City: DENVER State: CO Zip: 80217-3779

6. Contact Name: Rebecca Heim Phone: (720)929-6361 Fax: (720)929-7361

Email: rebecca.heim@anadarko.com

7. Well Name: PALYO Well Number: 35S-11HZ

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

9. Proposed Total Measured Depth: 9029

WELL LOCATION INFORMATION

10. QtrQtr: NWNW Sec: 11 Twp: 2N Rng: 65W Meridian: 6

Latitude: 40.159567 Longitude: -104.637175

Footage at Surface: 333 feet FNL 916 feet FWL

11. Field Name: WATTENBERG Field Number: 90750

12. Ground Elevation: 4851 13. County: WELD

14. GPS Data:

Date of Measurement: 12/01/2011 PDOP Reading: 1.6 Instrument Operator's Name: BEN MILIUS

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

Footage at Top of Prod Zone: 627 FNL 930 FWL Bottom Hole: 460 FSL 930 FWL
Sec: 11 Twp: 2N Rng: 65W Sec: 11 Twp: 2N Rng: 65W

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: 265 ft

18. Distance to nearest property line: 324 ft 19. Distance to nearest well permitted/completed in the same formation(BHL): 61 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.)
SUSSEX	SUSX		320	W/2

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):

Please see attached Oil and Gas Lease.

25. Distance to Nearest Mineral Lease Line: 0 ft 26. Total Acres in Lease: 5709

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	13+1/2	9+5/8	36.0	0	850	630	850	0
1ST	8+3/4	7	26.0	0	4,807	450	4,807	
1ST LINER	6+1/8	4+1/2	11.6	3726	9,029			

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

33. Comments No conductor casing will be used/The surface location of this well is an exception to Rule 318A.a and to Rule 318A.c. This well is not within the GWA surface location window and does not meet the twinning requirement due to the number of wells planned for this area and at the request of the surface owner. An exception location request letter and signed waivers are attached to the Form 2 and Form 2A/Kerr-McGee Oil & Gas Onshore LP ("KMG") respectfully requests the Director to waive Rule 318A.m for this well. KMG is the operator of the encroached upon well(s).

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: Rebecca Heim

Title: Regulatory Analyst II Date: 3/23/2012 Email: DJRegulatory@anadarko.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: [Signature] Director of COGCC Date: 4/20/2012

Permit Number: _____ Expiration Date: 4/19/2014

API NUMBER
05 123 35455 00

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 48 hour notice of MIRU via an electronic Form 42.
- 2) Comply with Rule 317.i and provide cement coverage from the end of the production casing to a minimum of 200' above the Sussex. Verify coverage with a cement bond log.
- 3) Comply with Rule 321. Run and submit Directional Survey from the TD to surface. Ensure that the wellbore complies with setback requirements in commission orders or rules prior to producing the well.

Attachment Check List

Att Doc Num	Name
2481508	SURFACE CASING CHECK
400262662	FORM 2 SUBMITTED
400262667	DEVIATED DRILLING PLAN
400262668	PLAT
400262669	TOPO MAP
400262670	30 DAY NOTICE LETTER
400262671	SURFACE AGRMT/SURETY
400262672	OIL & GAS LEASE
400262673	EXCEPTION LOC REQUEST
400262674	EXCEPTION LOC WAIVERS
400262675	VARIANCE REQUEST
400262676	PROPOSED SPACING UNIT
400262677	OTHER
400264570	DIRECTIONAL DATA

Total Attach: 14 Files

General Comments

<u>User Group</u>	<u>Comment</u>	<u>Comment Date</u>
Permit	Final review complete.	4/17/2012 10:34:44 AM
Permit	Operator requests approval of a Rule 318Aa and Rule 318Ac exception location: Wellhead is to be located outside of a GWA drilling window and will be located more than 50' from an existing well location. Operator requests the Director to waive Rule 318A.m for this well. Reques, waivers, & variance attached.	4/17/2012 10:23:16 AM
Permit	Ready to pass pending public comment 4/16/12.	3/28/2012 11:01:39 AM

Total: 3 comment(s)

BMP

<u>Type</u>	<u>Comment</u>
Drilling/Completion Operations	<p>“Prior to drilling operations, Operator may perform an anti-collision review of existing offset wells that have the potential of being within close proximity of the proposed well. This anti-collision review may include MWD or gyro surveys and surface locations of the offset wells 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, Operator may have gyro surveys conducted to verify bottomhole location. The proposed well may only be drilled if the anti-collision review results indicate that the risk of collision is sufficiently low as defined by the anti-collision plan, with separation factors greater than 1.5, or if the risk of collision has been mitigated through other means including shutting in wells, plugging wells, increased drilling fluid in the event of lost returns or as is appropriate for the specific situation. In the event of an increased risk of collision, that risk will be mitigated to prevent harm to people, the environment or property. For the proposed well, upon conclusion of drilling operations, an as-constructed directional survey will be submitted to COGCC with the Form 5.”</p> <p>At the time of permitting; the operator has identified the following well(s) as being within close proximity of the proposed well:</p> <p>PALYO 35S-11HZ: - UPRR 53 PAN AM G 1</p>
Drilling/Completion Operations	<ol style="list-style-type: none">1. At least seven (7) days prior to fracture stimulation, the operator is to notify all operators of non-operated wells within 300 feet of the wellbore to be fracture stimulated of the anticipated date stimulation date and the recommended best management practice to shut-in all wells within 300' of the stimulated wellbore completed in the same formation.2. The operator will monitor the bradenhead pressure of all wells operated by the operator within 300 feet of the well to be fracture stimulated.3. Bradenhead pressure gauges are to be installed 24 hours prior to stimulation. The gauges are to read at least once during every 24-hour period until 24-hours after stimulation is completed (post flowback). The gauges are to be of the type able to read current pressure and record the maximum encountered pressure in a 24-hour period. The gauge is to be reset between each 24-hour period. The pressures are to be recorded and saved. Alternate electronic measurement may be used to record the prescribed pressures.4. If at any time during stimulation or the 24-hour post-stimulation period, the bradenhead annulus pressure of the treatment well or offset wells increases more than 200 psig, as per Rule 341, the operator of the well being stimulated shall verbally notify the Director as soon as practicable, but no later than twenty-four (24) hours following the incident. Within fifteen (15) days after the occurrence, the operator shall submit a Sundry Notice, Form 4, giving all details, including corrective actions taken.

Total: 2 comment(s)