

FORM
2
Rev
12/05

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:

400253499

Date Received:

02/28/2012

PluggingBond SuretyID

20090133

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: MINERAL RESOURCES, INC.

4. COGCC Operator Number: 57667

5. Address: PO BOX 328

City: GREELEY State: CO Zip: 80632

6. Contact Name: Collin Richardson Phone: (970)352-9446 Fax: (800)850-9334

Email: collin@mineralresourcesinc.com

7. Well Name: Bestway Well Number: 6-11

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

9. Proposed Total Measured Depth: 11737

WELL LOCATION INFORMATION

10. QtrQtr: SENE Sec: 2 Twp: 5N Rng: 66W Meridian: 6

Latitude: 40.430710 Longitude: -104.739270

Footage at Surface: 2433 feet FNL 1179 feet FEL

11. Field Name: Wattenberg Field Number: 90750

12. Ground Elevation: 4701 13. County: WELD

14. GPS Data:

Date of Measurement: 05/18/2011 PDOP Reading: 1.4 Instrument Operator's Name: Z. Waddle

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
2159 FSL 1432 FEL 2417 FNL 1476 FEL
Sec: 2 Twp: 5N Rng: 66W Sec: 11 Twp: 5N Rng: 66W

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: 290 ft

18. Distance to nearest property line: 70 ft 19. Distance to nearest well permitted/completed in the same formation(BHL):2770 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 | | 320 | GWA |

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 attached lease map and oil and gas lease.

25. Distance to Nearest Mineral Lease Line: 460 ft 26. Total Acres in Lease: 48

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 | 1,200 | 660 | 1,200 | 0 |
| 1ST | 8+3/4 | 7 | 26 | 0 | 7,177 | 125 | 7,177 | 6,380 |
| 1ST LINER | 6+1/8 | 4+1/2 | 11.6 | 7127 | 11,737 | | | |

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

33. Comments First string top of cement will be 200' above the Niobrara formation. The production liner will be hung off the inside of the 7" casing. No conductor casing will be used. Operator requests approval of a Rule 318Aa exception location: Wellhead is to be located outside of a GWA drilling window. Request and Waiver attached. Wellhead is to be located within 150' of a property line. Mineral Resources requests an exception location to 603.a(2). Exception request is attached. The land owner waiver is obtained within Recital 11 of the signed pad site agreement, which is attached. Unit Configuration: SE/4 Sec 2; NE/4 Sec 11

34. Location ID: 423325

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: Dan Hull

Title: Senior Project Manager Date: 2/28/2012 Email: dan.hull@LRA-inc.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: 5/2/2012

Permit Number: _____ Expiration Date: 5/1/2014

API NUMBER
05 123 35502 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.

Operator must meet Water Well Testing requirements as per amended Rule 318A.

- 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 Niobrara. Verify coverage with a cement bond log.
- 3) Comply with Rule 321. Run and submit Directional Survey from TD to surface. Ensure that the wellbore complies with setback requirements in commission orders or rules prior to producing the well.
- 4) At least two weeks prior to spud notice, the centralizer and cementing plans shall be submitted to the COGCC for review on a Form 4, Sundry Notice.
- 5) At least one well on the pad must have a complete set of open hole logs (Compensated Neutron, Dual Induction, Resistivity, etc.) run from TD to surface and submitted to the COGCC.
- 6) Four hours prior to running any casing, notification shall be provided to Ryan Hollinshead, COGCC Engineer at 303-894-2100 x5134.
- 7) Circulation prior to cementing shall be done to accepted industry standards.
- 8) A cement ticket documenting the cementing of the production casing shall be submitted in addition to the need for the CBL.
- 9) Bradenhead pressures shall be taken 6, 12, 24 and 48 hours after cementing production casing and prior to stimulation of the well. Once stimulation is complete, the bradenhead pressure shall be recorded at 24 hours, at 48 hours and at one week post-stimulation. Bradenhead pressures greater than 100 psi must be immediately reported on a Form 17 to the COGCC, sent to the attention of Ryan Hollinshead.
- 10) This well shall have a bradenhead test performed on an annual basis.
- 11) All bradenhead pressures shall be monitored with a gauge that has a maximum reading of one thousand pounds per square inch (psi).

Attachment Check List

| Att Doc Num | Name |
|-------------|------------------------|
| 2113517 | EXCEPTION LOC REQUEST |
| 2113518 | EXCEPTION LOC WAIVERS |
| 2113529 | OIL & GAS LEASE |
| 2113530 | 30 DAY NOTICE LETTER |
| 2113531 | PROPOSED SPACING UNIT |
| 2481515 | SURFACE CASING CHECK |
| 400253499 | FORM 2 SUBMITTED |
| 400256424 | SURFACE AGRMT/SURETY |
| 400256446 | WELL LOCATION PLAT |
| 400256448 | DEVIATED DRILLING PLAN |
| 400256452 | LEASE MAP |
| 400256455 | WAIVERS |
| 400256457 | DIRECTIONAL DATA |

Total Attach: 13 Files

General Comments

| User Group | Comment | Comment Date |
|-------------------|---|-----------------------|
| Permit | Attached 30 day cert letter/waiver, proposed wellbore, and lease, corrected distance to the nearest well as per opr. Final Review Completed. No LGD or public comment received. | 5/2/2012 8:28:54 AM |
| Permit | Attached Proposed spacing unit and added unit configuration as per operator. On hold for 30 day cert letter | 4/18/2012 3:39:17 PM |
| Permit | Operator requests approval of a Rule 318Aa exception location: Wellhead is to be located outside of a GWA drilling window. Request and Waiver attached. Operator requests approval of a Rule 603.a.(2) exception location: Wellhead is to be located less than 150' from a property line. Request letter and waivers attached. | 4/18/2012 3:26:16 PM |
| Permit | E-mailed opr regarding status of missing information. | 4/13/2012 10:12:52 AM |
| Permit | Bonding issue is resolved, BMP's have been added. Continue on hold for variance request letter for intra well distance. | 4/5/2012 12:13:04 PM |
| Permit | Form on hold for bonding increase, correct exception location request & waiver, BMP's for anti-collision & frac monitoring, and comments to be added addressing these issues. | 3/16/2012 9:26:09 AM |
| Permit | Check with bonding about plugging bond. | 3/14/2012 12:57:50 PM |
| Permit | Operator has included all attachments. This form has passed completeness. | 3/14/2012 12:36:58 PM |
| Permit | Returned to draft. Missing all attachments and directional data. | 2/29/2012 6:36:14 AM |

Total: 9 comment(s)

BMP

| <u>Type</u> | <u>Comment</u> |
|--------------------------------|---|
| Drilling/Completion Operations | <p>Frac Monitoring:</p> <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 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 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. Data shall be kept for a period of one year.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. |
| Drilling/Completion Operations | A closed loop system will be used for all drilling fluids. |
| Drilling/Completion Operations | <p>Anti-Collision</p> <p>Prior to drilling operations, Operator will perform an anti-collision scan of existing offset wells that have the potential of being within close proximity of the proposed well. This anti-collision scan will include definitive MWD or gyro surveys 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 will only be drilled if the anti-collision scan results indicate that there is not a risk for collision, or harm to people or the environment. For the proposed well, upon conclusion of drilling operations, an as-constructed gyro survey will be submitted to COGCC with the Form 5.</p> |

Total: 3 comment(s)