

BLACK HILLS PLATEAU PRODUCTION COMPANY

DRILLING PROGRAM

Homer Deep Unit #7-23AH

SHL: 1894' FSL, 2648' FWL, NESW Sect. 7 T8S R98W

BHL: 1725' FSL, 2265' FWL NESW Sect. 20 T8S R98W

Garfield & Mesa Counties, Colorado

NOTE: This drilling program is as of September 30, 2013. Well is being proposed as a horizontal in the Mancos/Niobrara formation.

1) Estimated Formation Tops of Important Geological Markers:

Location GL: 5,669.0' (Graded), KB: 5,693.0' (Estimated)

Formation	MD	TVD	Subsea TVD	Lithology	Oil/Gas/Water
Wasatch	Surface	Surface	Surface	Sandstone & Shale	No Potential Gas
Mesaverde	859	859	4,825	Sandstone	Gas or Water
Cameo Coal	2,859	2,859	2,789	Coal, Silt & Sandstone	Oil, Gas or Water
Rollins	3,214	3,214	2,470	Sandstone	Oil, Gas or Water
Cozzette	3,383	3,383	2,301	Sandstone & Silt	Oil, Gas or Water
Corcoran	3,589	3,589	2,095	Sandstone & Silt	Oil, Gas or Water
Mancos	3,797	3,797	1,877	Shale & Silt	Oil, Gas or Water
KOP	4,164	4,164	1,520		
Mancos 'A'*	4,264	4,264	1,420	Shale & Silt	Oil, Gas or Water
Moab	5,186	5,000	684	Bentonite Marker	
Mancos 'B'*	5,828	5,454	230	Shale & Silt	Oil, Gas or Water
Niobrara*	7,265	6,567	-786	Calcareous Shale & Silt	Oil, Gas or Water
Target/Landing*	8,334	6,934	-1,250	Calcareous Shale & Silt	Oil, Gas or Water
Permit TD	18,360	6,639	-743		

* Projected completion intervals.

2) Proposed Casing and Cementing Program

Hole Size (in)	Casing Size (in)	Depth Set MD	Wt./Ft., Grade, & Joint	Cement
30	20	120	Line Pipe	To surface w/ Class 3; 320 sx
14-3/4	10-3/4	1000	40.5#, J55, ST&C	Cemented to surface w/ Lead: 198 sx Class G (12.5 ppg) Tail: 271 sx Class G (14 ppg)
9-7/8	7-5/8	7,100	29.7#, N-80, LTC	Cemented 200' above TOG w/ Lead: 813 sx TXI (12 ppg) Tail: 174 sx Class G (15.8 ppg)
6-3/4	4-1/2 x 5-1/2 Tapered String (x-over @ 6,900')	18,360	4-1/2: 11.6#, P-110, LTC 5-1/2: 17#, P-110, LTC	Cemented 200' into Inter shoe w/ Lead: 85 sx ExpandaCem (12.6 ppg) Tail: 1300 sx ExpandaCem (13.5 ppg)

Yields:	Surface Lead	Class G	Yield = 2.11 ft3/sk (12.5 ppg)
	Surface Tail	Class G	Yield = 1.54 ft3/sk (14.0 ppg)
	Intermediate Lead	TXI	Yield = 2.88 ft3/sk (12.0 ppg)
	Intermediate Tail	Class G	Yield = 1.16 ft3/sk (15.8 ppg)
	Longstring Lead	ExpandaCem	Yield = 1.60 ft3/sk (12.6 ppg)
	Longstring Tail	ExpandaCem	Yield = 1.36 ft3/sk (13.5 ppg)

- The proposed casing and cementing program has been designed to protect and/or isolate all usable water zones, potentially productive zones, lost circulation zones, abnormally pressures zones, and any prospectively valuable deposits of minerals. Any isolating medium other than cement shall receive approval prior to use.
- The surface casing shall be set at 1,000' and cemented back to surface either during the primary cement job or by remedial cementing. Cementing to surface will isolate all potential fresh water zones. Slurry designed for full coverage with 50% excess.
- Intermediate casing is designed to have cement lifted at least 200' above TOG. Actual cement volumes will be determined by caliper log plus 10% excess. If caliper logs are not available, volume will be assumed hole size to TD plus 25% excess.
- Production casing is designed to have cement lifted at least 200' into the intermediate shoe. Actual cement volumes will be determined by caliper log plus 10% excess. If caliper logs are not available cement volumes will be calculated at 25% excess.
- Centralizers will be installed per approved centralizer program from cement vendor.
- All waiting on cement times will be adequate to achieve a minimum of 500 psi compressive strength at the casing shoe prior to drilling out. 2,500 psi compressive strength in 72 hours.

Casing Design (All casing will be new or reconditioned and tested to meet or exceed API standards):

Casing String				Casing Strength Properties			Minimum Design Factors		
Size (in)	Weight (lb/ft)	Grade	Connection	Collapse (psi)	Burst (psi)	Tensile (1000 lb)	Collapse	Burst	Tension
10-3/4	40.5	J/K-55	STC	1,580	3,130	420	1.10	1.10	1.80
7-5/8	29.7	N-80	LTC	4,790	6,890	575	1.10	1.10	1.80
5-1/2	17.0	P-110	LTC	7,460	10,640	546	1.10	1.10	1.80
4-1/2	11.6	P-110	LTC	7,560	10,690	367	1.10	1.10	1.80

Casing Design Considerations/Safety Factors:

A. Surface Casing @ 1,000' MD; 10-3/4" 40.5# J/K-55

Purpose: Protect shallow fresh water and contain MASP to TD

Maximum anticipated mud weight at surface casing depth:

9.0 ppg

Maximum anticipated mud weight at intermediate TD:

9.8 ppg

Maximum anticipated equivalent formation pressure at TD:

11.0 ppg

TVD at production casing point:

6,417 ft

Surface setting depth:

1,000 ft

Max pore pressure:

0.572 psi/ft

Collapse Design:

Evacuated casing with 9.0 ppg drilling fluid density

Load = 9.0 ppb * 0.052 * 1000 ft

468 psig

Rating

1,580 psig

Safety Factor

3.38

Burst Design:

Assume kick with partially evacuated hole and influx gradient of 0.22 psi/ft

(Calculations assume shoe will not break down)

MASP (Load) = 6,417 ft * (0.572-0.22) psi/ft

2,259 psig

Rating

3,130 psig

Safety Factor

1.39

Tensile Design:

Designed on Air Weight * Buoyancy + OverPull Margin

Load = 1000 ft * 40.5 lb/ft * 0.862 + 100,000 lbs (OPM)

134,911 lbs

Rating

420,000 lbs

Safety Factor

3.11

OverPull with S.F. = 420,000 lbs / 1.8 = 34,911 lbs

198,422 lbs

B. Intermediate Casing @ 6,417' MD; 7-5/8" 29.7# N-80

Maximum anticipated mud weight at Total Depth:	9.8 ppg
Maximum anticipated equivalent formation pressure at TD:	11.0 ppg
TVD at production casing point:	6,934 ft
Assumed Gas Gradient for Production Operations:	0.22 psi/ft

Collapse Design:

Designed on evacuated casing properties with 9.8 ppg drilling fluid density with no internal back-up	
Load = 9.8 ppg * 0.052 * 6,934 ft	3,533 psig
Rating	4,790 psig
Safety Factor	1.35

Burst Design:

Maximum Surface Shut-In Pressure	
MASSIP (Load) = 6,934 ft * (0.572-0.22) psi/ft	2,440 psig
Rating	6,890 psig
Safety Factor	2.82

Tensile Design:

Designed on Air Weight * Buoyancy + OverPull Margin	
Load = (6,934 ft * 29.7 lb/ft * 0.850) + 100,000 lbs (OPM)	275,050 lbs
Rating	575,000 lbs
Safety Factor	2.09
OverPull with S.F. = 575,000 lbs / 1.8 – 175,050 lbs	143,300 lbs

C. Production Casing @ 18,360' MD; 5-1/2" 17# P-110 x 4-1/2" 11.6# P-110

Maximum anticipated mud weight at Total Depth:	11.5 ppg
Maximum anticipated equivalent formation pressure at TD:	11.0 ppg
TVD at production casing point:	6,934 ft
Cross-Over Location	6,900 ft
Maximum Surface Treating Pressure for Fracture Operations	6,500 psig
Assumed Gas Gradient for Production Operations:	0.22 psi/ft

Collapse Design:

Designed on evacuated casing properties with 11.5 ppg drilling fluid density with no internal back-up	
Load = 11.5 ppg * 0.052 * 6,934 ft	4,147 psig
Rating	7,460 psig
Safety Factor	1.80

Burst Design:**Design Consideration #1: Maximum Surface Shut-In Pressure**

MASSIP (Load) = 6,934 ft * (0.572-0.22) psi/ft	2,441 psig
Rating	10,640 psig
Safety Factor	4.36

Design Consideration #2: Maximum Surface Treating Pressure During Frac Operations

MSTP	6,500 psig
Rating	10,640 psig
Safety Factor	1.64

Tensile Design:

Designed on Air Weight * Buoyancy + OverPull Margin	
Load = (6,900 ft * 17.0 lb/ft + 1,434' * 11.6 lb/ft) * 0.824 + 100,000 lbs (OPM)	210,350 lbs
Rating	546,000 lbs
Safety Factor	2.60
OverPull with S.F. = 546,000 lbs / 1.8 – 110,350 lbs	193,000 lbs

3) Operator's Minimum Specifications for Pressure Control:

Please reference enclosed BOP Diagram.

The blowout preventer assembly shall consist of one 11" 5,000 psi double ram preventer, and an 11" 5,000 psi annular preventer. All will be hydraulically operated. The BOP pipe and blind rams will be hydraulically tested to 100% of working pressure (if isolated from the surface casing with a test plug) or to 70% of the internal yield of the surface casing after nipping up. The annular preventer will be tested to 50% of its' working pressure rating for 10 minutes or until provisions for the test are met. The pipe rams and blind rams will be function tested on each trip out of the hole, but not more than once per day. All such checks will be noted on the daily Tour Sheets.

Accessories to the BOPE include an upper and lower kelly cock, a sub on the floor with a full opening valve to be stabbed into the drill string when the kelly is not in the drill string, a drill pipe float (except for lost circulation conditions), and a choke manifold with a pressure rating equivalent to the BOP stack. An accumulator with a minimum of 1.5 times the volume of fluid necessary to close all BOP equipment will be part of the BOP system.

Remote controls capable of both opening and closing all preventers will be readily accessible to the driller. A manual locking device (i.e., hand wheels) or automatic locking devices shall be installed as part of the system. The BOP will be kept in good mechanical working order. Checks and inspections will be recorded on daily Tour Sheets.

Primary BOP actuating control will be located either in the doghouse or on the rig floor.

Sufficient mud volume and weight material will be maintained on location to overcome any flows.

Auxiliary Equipment:

- a) A Kelly Cock will be kept in the drill string at all times.
- b) A float will be used at the bit at all times (except for lost circulation drilling condition).
- c) A full-opening drill pipe stabbing valve (inside BOP) with proper drill pipe connection will be on the rig floor at all times.
- d) The drilling fluids systems will be visually monitored at all times.

4) Mud Program:

Hole (in)	Depth (ft)	Type	Weight (ppg)	Viscosity (cps)	Fluid Loss (cc)	Solids (%)
30	120	Spud Mud	8.9-9.4	60 - 80	<10	1 - 5
14-3/4	1,000	Gel/Polymer	9.0-10.0	50 - 65	≤6	≤6
9-7/8	6,417	Gel/Polymer	9.5-11.5	45 - 55	≤5	≤5-6
6-3/4	18,360	Gel/Polymer	10.0-12.0	40 - 45	≤5	≤5-6

* Sufficient mud material(s) to maintain mud properties, control lost circulation and contain a blowout will be available at the well site during drilling operations.

** A closed loop system will be utilized during drilling operations.

5) Auxiliary Equipment:

1. A Kelly Cock will be kept in the drill string at all times.
2. A float will be used at the bit at all times (except for lost circulation drilling condition).
3. A full-opening drill pipe stabbing valve (inside BOP) with proper drill pipe connection will be on the rig floor at all times.
4. The drilling fluids systems will be visually monitored at all times.

6) Testing, Logging and Core Programs:

Deviation Surveys:

0' to 1,000'

1,000' to 4,000'

4,000' to TD

Totco (7°) – survey every ±200'

Totco (7°) – survey every ±300'

±90 ft MWD w/ INC, AZM , & GR

Mud Log:

2-Man Unit with chromatograph

3000' to TD

Samples:

100 ft samples

30 ft samples

10 ft samples

10-30 ft samples

3,000' to 3,500'

3,500' to 7,500'

7,500' to 8,350'

8,350' to TD

M/LWD Logging Program:

MWD Gamma Ray and/or Resistivity with surveys from 3,500' – TD

Open Hole Logging Program:

Triple Combo w/Spectral GR/DIL/FDC/CNL-Sonic

1,000' to 7,200'

Cores: Possible sidewall cores in Williams Fork and/or Mancos

DST's: None planned

7) Anticipated Abnormal Pressures or Temperatures:

1. No abnormal pressures or temperatures are anticipated.
2. No H₂S gas has been encountered in or known to exist in the general area.
3. Pressures; Mancos pressure 0.572 psi/ft.
4. Estimated bottom-hole pressure is 3,952 psi.

8) Anticipated Starting Dates and Approximate Duration:

Starting Date:

November 15, 2013

Spud Date:

March 15, 2014

Drilling Days:

45 days

Completion Days:

30 days

Notes: Per OnShore Order 1, 3/7/07 the former 8 point drilling plan (also referred to as the Subsurface Use Plan)

Due to the voluminous requirements of horizontal drilling, a larger well pad and pit are being proposed. The pit will be lined with 2 synthetic liners, each having a minimum of 24 mil thickness as per COGCC regulation 904.c.(1). The pit will contain freshwater and/or recycled flowback water for makeup water during drilling and fracture stimulation during completions.