

APPLICATION FOR PERMIT TO:

Drill

 Deepen

 Re-enter

 Recomplete and Operate

TYPE OF WELL OIL <input type="checkbox"/> GAS <input checked="" type="checkbox"/> COALBED <input type="checkbox"/> OTHER <u>Horizontal</u>	Refiling <input type="checkbox"/>
ZONE TYPE SINGLE ZONE <input checked="" type="checkbox"/> MULTIPLE ZONES <input type="checkbox"/> COMMINGLE ZONES <input type="checkbox"/>	Sidetrack <input type="checkbox"/>

Date Received:
10/23/2013

Well Name: <u>DMGU 1289</u>	Well Number: <u>#18-H3</u>
Name of Operator: <u>GUNNISON ENERGY CORPORATION</u>	COGCC Operator Number: <u>100122</u>
Address: <u>1801 BROADWAY #1200</u>	
City: <u>DENVER</u> State: <u>CO</u>	Zip: <u>80202</u>
Contact Name: <u>Brett Murray</u>	Phone: <u>(303)296-4222</u> Fax: <u>(303)296-4555</u>
Email: <u>brett.murray@oxbow.com</u>	

RECLAMATION FINANCIAL ASSURANCE
 Plugging and Abandonment Bond Surety ID: _____

WELL LOCATION INFORMATION

QtrQtr: SWNE Sec: 18 Twp: 12S Rng: 89W Meridian: 6

Latitude: 39.017519 Longitude: -107.377647

Footage at Surface:	<u>1494</u> feet	FNL/FSL	<u>2514</u> feet	FEL/FWL
	<u>FNL</u>		<u>FEL</u>	

Field Name: WILDCAT Field Number: 99999

Ground Elevation: 7331.7 County: GUNNISON

GPS Data:
 Date of Measurement: 01/22/2013 PDOP Reading: 1.3 Instrument Operator's Name: Uintah Engineering

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
<u>1212</u>	<u>FNL</u>	<u>1549</u>	<u>445</u>	<u>FSL</u>	<u>1978</u>
<u>FEL</u>		<u>FEL</u>		<u>FEL</u>	
Sec: <u>18</u>	Twp: <u>12S</u>	Rng: <u>89W</u>	Sec: <u>17</u>	Twp: <u>12S</u>	Rng: <u>89W</u>

LOCATION SURFACE & MINERALS & RIGHT TO CONSTRUCT

Surface Ownership: Fee State Federal Indian

The Surface Owner is: is the mineral owner beneath the location.
 (check all that apply) is committed to an Oil and Gas Lease.
 has signed the Oil and Gas Lease.
 is the applicant.

The Mineral Owner beneath this Oil and Gas Location is: Fee State Federal Indian

The Minerals beneath this Oil and Gas Location will be developed by this Well: Yes

The right to construct the Oil and Gas Location is granted by: Surface Use Agreement

Surface damage assurance if no agreement is in place: _____ Surface Surety ID: _____

LEASE INFORMATION

Using standard QtrQtr, Sec, Twp, Rng format, describe one entire mineral lease that will be produced by this well (Describe lease beneath surface location if produced. Attach separate description page or map if necessary.)

See Lease Map

Total Acres in Described Lease: 2560 Described Mineral Lease is: Fee State Federal Indian

Federal or State Lease # 065106

Distance from Completed Portion of Wellbore to Nearest Lease Line of described lease: 258 Feet

CULTURAL DISTANCE INFORMATION

Distance to nearest:

Building: 486 Feet

Building Unit: 5280 Feet

High Occupancy Building Unit: 5280 Feet

Designated Outside Activity Area: 5280 Feet

Public Road: 4181 Feet

Above Ground Utility: 5280 Feet

Railroad: 5280 Feet

Property Line: 2551 Feet

INSTRUCTIONS:

- All measurements shall be provided from center of the Proposed Well to nearest of each cultural feature as described in Rule 303.a.(5).

- Enter 5280 for distance greater than 1 mile.

- Building - nearest building of any type. If nearest Building is a Building Unit, enter same distance for both.

- Building Unit, High Occupancy Building Unit, and Designated Outside Activity Area - as defined in 100-Series Rules.

DESIGNATED SETBACK LOCATION INFORMATION

Check all that apply. This location is within a: Buffer Zone
 Exception Zone
 Urban Mitigation Area

- Buffer Zone – as described in Rule 604.a.(2), within 1,000' of a Building Unit

- Exception Zone - as described in Rule 604.a.(1), within 500' of a Building Unit.

- Urban Mitigation Area - as defined in 100-Series Rules.

Pre-application Notifications (required if location is within 1,000 feet of a building unit):

Date of Rule 305.a.(1) Urban Mitigation Area Notification to Local Government: _____

Date of Rule 305.a.(2) Buffer Zone Notification to Building Unit Owners: _____

SPACING and UNIT INFORMATION

Distance from Completed Portion of Wellbore to Nearest Wellbore Permitted or Completed in the same formation: 1088 Feet

Distance from Completed Portion of Wellbore to Nearest Unit Boundary 735 Feet (Enter 5280 for distance greater than 1 mile.)

Federal or State Unit Name (if appl): Deadman Gulch Unit Number: COC74489X

SPACING & FORMATIONS COMMENTS

OBJECTIVE FORMATIONS

Objective Formation(s)	Formation Code	Spacing Order Number(s)	Unit Acreage Assigned to Well	Unit Configuration (N/2, SE/4, etc.)
MANCOS	MNCS	1-143		

DRILLING PROGRAM

Proposed Total Measured Depth: 13611 Feet

Distance to nearest permitted or existing wellbore penetrating objective formation: 15 Feet (Including plugged wells)

Will a closed-loop drilling system be used? Yes

Is H₂S gas reasonably expected to be encountered during drilling operations at concentrations greater than or equal to 100 ppm? No (If Yes, attach an H₂S Drilling Operations Plan)

Will salt sections be encountered during drilling? No

Will salt based (>15,000 ppm Cl) drilling fluids be used? No

Will oil based drilling fluids be used? No

BOP Equipment Type: Annular Preventor Double Ram Rotating Head None

GROUNDWATER BASELINE SAMPLING AND MONITORING AND WATER WELL SAMPLING

Water well sampling required per Rule 609

DRILLING WASTE MANAGEMENT PROGRAM

Drilling Fluids Disposal: OFFSITE Drilling Fluids Disposal Methods: Commercial Disposal

Cuttings Disposal: OFFSITE Cuttings Disposal Method: Commercial Disposal

Other Disposal Description:

Beneficial reuse or land application plan submitted?

Reuse Facility ID: or Document Number:

CASING PROGRAM

Casing Type	Size of Hole	Size of Casing	Wt/Ft	Csg/Liner Top	Setting Depth	Sacks Cmt	Cmt Btm	Cmt Top
CONDUCTOR	17+1/2	13+3/8	68	0	120		120	0
SURF	12+1/4	9+5/8	36	0	900	238	900	0
1ST	8+1/2	7+0/0	26	0	7600	288	7600	900
2ND	6+1/8	4+1/2	13.5	0	13600	800	13600	3000

Conductor Casing is NOT planned

DESIGNATED SETBACK LOCATION EXCEPTIONS

Check all that apply:

- Rule 604.a.(1)A. Exception Zone (within 500' of Building Unit)
- Rule 604.b.(1)A. Exception Location (existing or approved Oil & Gas Location now within a Designated Setback as a result of Rule 604.a.)
- Rule 604.b.(1)B. Exception Location (existing or approved Oil & Gas Location is within a Designated Setback due to Building Unit construction after Location approval)
- Rule 604.b.(2) Exception Location (SUA or site-specific development plan executed on or before August 1, 2013)
- Rule 604.b.(3) Exception Location (Building Units constructed after August 1, 2013 within setback per an SUA or site-specific development plan)

GREATER WATTENBERG AREA LOCATION EXCEPTIONS

Check all that apply:

- Rule 318A.a. Exception Location (GWA Windows).
- Rule 318A.c. Exception Location (GWA Twinning).

RULE 502.b VARIANCE REQUEST

Rule 502.b. Variance Request from COGCC Rule or Spacing Order Number

OTHER LOCATION EXCEPTIONS

Check all that apply:

- Rule 318.c. Exception Location from Rule or Spacing Order Number
- Rule 603.a.(2) Exception Location (Property Line Setback).

ALL exceptions and variances require attached Request Letter(s). Refer to applicable rule for additional required attachments (e.g. waivers, certifications, SUAs).

OPERATOR COMMENTS AND SUBMITTAL

Comments _____

This application is in a Comprehensive Drilling Plan _____ CDP #: _____

Location ID: 427218

Is this application being submitted with an Oil and Gas Location Assessment application? Yes

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

Signed: _____ Print Name: Brett Murray

Title: Land Manager Date: 10/23/2013 Email: brett.murray@oxbow.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: *Matthew Lee* Director of COGCC Date: 3/21/2014

Expiration Date: 03/20/2016

API NUMBER
05 051 06121 00

Conditions Of Approval

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.

<u>COA Type</u>	<u>Description</u>
	Open hole resistivity and gamma logs shall be run to describe the stratigraphy of the entire well bore and to adequately verify the setting depth of surface casing and aquifer coverage. On a multi-well pad, these open hole logs are only required on one of the first wells drilled on the pad and the Drilling Completion Report - Form 5 for every well on the pad shall identify which well was logged.
	(1) COMPLIANCE WITH THE MOST CURRENT REVISION OF THE NORTHWEST COLORADO NOTIFICATION POLICY IS REQUIRED. (2) PROVIDE CEMENT COVERAGE FROM THE INTERMEDIATE CASING SHOE TO A MINIMUM OF 200' ABOVE TOP OF GAS (OR OTHER SHALLOWEST-KNOWN PRODUCING HORIZON). VERIFY CEMENT WITH A CBL.

Best Management Practices

<u>No BMP/COA Type</u>	<u>Description</u>

Applicable Policies and Notices to Operators

- NW Colorado Notification Policy.
- Notice Concerning Operating Requirements for Wildlife Protection.

Attachment Check List

Att Doc Num	Name
1792904	WELL LOCATION PLAT
1792915	DEVIATED DRILLING PLAN
400496184	FORM 2 SUBMITTED
400497636	DIRECTIONAL DATA
400499983	OIL & GAS LEASE
400499986	LEASE MAP
400502873	SURFACE AGRMT/SURETY

Total Attach: 7 Files

General Comments

User Group	Comment	Comment Date
Final Review	Removed CDP reference #.	3/21/2014 7:54:51 PM
Engineer	as per operator's concurrence: changed bottom (production) casing string from "1st liner" to "2nd string", as opr said that casing string would also go to surface.	3/12/2014 10:32:07 AM
Permit	Final review completed. No LGD comments.	2/4/2014 9:31:31 AM
Permit	Operator supplied new well location plat and new Lat/Longs.	12/27/2013 1:44:58 PM
Permit	Operator revised the distance to the nearest lease line to 258'.	12/20/2013 7:33:18 AM
Permit	Distance to the nearest lease line says 735' but should be closer to 258'.	12/20/2013 7:28:16 AM
Permit	Requested review on the distance to the nearest wellbore in the same formation, says 15' but closer to 1088'. 1-143 which is the CDP. See document folder for Gunnison.	12/16/2013 7:26:21 AM
LGD	The LGD has no comments regarding GEC DMGU 1289 #18 H3.	10/31/2013 10:15:15 AM
Engineer	<p>THE PROPOSED 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 460 FEET DEEP.</p> <p>The horizontal trajectory comes to within 101' of an existing producing well, as seen from above. However, the pre-existing well (051-06064, GEC's Hotchkiss Fed 12-89 #17-13) has a TMD = TVD of 3748', and the TVD of the horizontal segment is 7100' to 7126'. The surface location of the pre-existing well is 125' lower than this well's surface elevation, so the elevation differential between the proposed horizontal segment and the bottom of the completed well is still over 3200'.</p>	10/30/2013 9:02:52 AM
Permit	Dollar amounts removed from SUA. This form has passed completeness.	10/28/2013 10:25:55 AM
Permit	Returned to draft per operator. operator to submit a redacted SUA.	10/25/2013 2:21:32 PM
Permit	Submitting operator is not a designated agent	10/24/2013 9:57:52 AM

Total: 12 comment(s)