

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 _____ ZONE TYPE SINGLE ZONE <input checked="" type="checkbox"/> MULTIPLE ZONES <input type="checkbox"/> COMMINGLE ZONES <input type="checkbox"/>	Refiling <input type="checkbox"/> Sidetrack <input type="checkbox"/>
--	---

Date Received:
12/17/2013

Well Name: Federal 11-90-15 Well Number: 4

Name of Operator: SG INTERESTS I LTD COGCC Operator Number: 77330

Address: 1485 FLORIDA RD #C202

City: DURANGO State: CO Zip: 81301

Contact Name: Catherine Dickert Phone: (970)385-0696 Fax: (970)385-0636

Email: cdickert@sginterests.com

RECLAMATION FINANCIAL ASSURANCE
Plugging and Abandonment Bond Surety ID: 20030098

WELL LOCATION INFORMATION

QtrQtr: SESW Sec: 15 Twp: 11s Rng: 90w Meridian: 6

Latitude: 39.094390 Longitude: -107.437890

Footage at Surface: 597 feet FSL 1505 feet FWL

Field Name: Ragged Mountain Field Number: 71430

Ground Elevation: 7851 County: GUNNISON

GPS Data:
Date of Measurement: 11/01/2011 PDOP Reading: 1.6 Instrument Operator's Name: David Nicewicz

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>1062</u>	<u>FSL</u>	<u>2264</u>	<u>1871</u>	<u>FNL</u>	<u>663</u>
	<u>FWL</u>			<u>FEL</u>	
Sec: <u>15</u>	Twp: <u>11s</u>	Rng: <u>90w</u>	Sec: <u>22</u>	Twp: <u>11s</u>	Rng: <u>90w</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: oil and gas lease

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 attached lease map.

Total Acres in Described Lease: 802 Described Mineral Lease is: Fee State Federal Indian

Federal or State Lease # COC068787

Distance from Completed Portion of Wellbore to Nearest Lease Line of described lease: 663 Feet

CULTURAL DISTANCE INFORMATION

Distance to nearest:

Building: 5280 Feet

Building Unit: 5280 Feet

High Occupancy Building Unit: 5280 Feet

Designated Outside Activity Area: 5280 Feet

Public Road: 1780 Feet

Above Ground Utility: 5280 Feet

Railroad: 5280 Feet

Property Line: 2730 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: 116 Feet

Distance from Completed Portion of Wellbore to Nearest Unit Boundary 663 Feet (Enter 5280 for distance greater than 1 mile.)

Federal or State Unit Name (if appl): Henderson DSU Unit Number: NA

SPACING & FORMATIONS COMMENTS

Order 547-1 established a 2,240-acre drilling and spacing unit in sections 9, 15, 16 and N/2 of 22 all in T11S R90W.

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	547-1	2240	9,15,16,ALL,22N2

DRILLING PROGRAM

Proposed Total Measured Depth: 12907 Feet

Distance to nearest permitted or existing wellbore penetrating objective formation: 116 Feet (Including plugged wells)

Will a closed-loop drilling system be used? No

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	26	20	106.5	0	80	100	80	0
SURF	16	13+3/8	54.5	0	400	187	400	0
1ST	12+1/4	9+5/8	40	0	5500	577	5500	3500
S.C. 1.1	12+1/4	9+5/8	40		3500	842	3500	0
2ND	8+1/2	5+1/2	17	0	12907	1793	12907	5200

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

We are permitting the Federal 11-90-15 #2, Federal 11-90-15 #3, and Federal 11-90-15 #4 concurrently to be located on the existing Federal 11-90-15 #1 well pad. Under the Spacing and Unit Information the "Distance from Completed portion of wellbore to Nearest Wellbore Permitted or Completed in the same formation 116 ft." is the distance to the top of productive horizon for a permitted horizontal well going in the opposite direction (Federal 11-90-15-3). There is not any intent in this case to create interference between the two wells. The perms are currently planned to be a minimum of 600 ft. apart from horizontal to horizontal and could be further upon final frac stage design.

This application is in a Comprehensive Drilling Plan No CDP #: _____

Location ID: 324491

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: Catherine Dickert

Title: Env & Permit Manager Date: 12/17/2013 Email: cdickert@sginterests.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:  Director of COGCC Date: 4/18/2014

Expiration Date: 04/17/2016

API NUMBER

05 051 06130 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.

COA Type

Description

	(1) COMPLIANCE WITH THE MOST CURRENT REVISION OF THE NORTHWEST COLORADO NOTIFICATION POLICY IS REQUIRED. SEE ATTACHED NOTICE. (2) CEMENT ON INTERMEDIATE CASING (9+5/8" FIRST STRING) MUST EXTEND INTO THE SURFACE CASING (MINIMUM 200' LAP ABOVE SURFACE CASING SHOE) TO PROVIDE ISOLATION OF ALL MESAVERDE GROUP AND WASATCH OIL, GAS, AND WATER-BEARING SANDSTONE AND COALBED FORMATIONS THAT ARE NOT OTHERWISE COVERED BY SURFACE CASING. VERIFY INTERMEDIATE CASING (9+5/8" FIRST STRING) CEMENT COVERAGE WITH A CBL. (3) VERIFY PRODUCTION CASING (7" SECOND STRING) CEMENT COVERAGE WITH A CBL.
	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.

Best Management Practices

No BMP/COA Type

Description

--	--

Applicable Policies and Notices to Operators

NW Colorado Notification Policy.

Notice Concerning Operating Requirements for Wildlife Protection.

Attachment Check List

Att Doc Num	Name
1792934	CORRESPONDENCE
1792935	WELLBORE DIAGRAM
1792955	WELL LOCATION PLAT
1792956	WELLBORE DIAGRAM
1792957	DEVIATED DRILLING PLAN
400428372	FORM 2 SUBMITTED
400428485	WELL LOCATION PLAT
400428486	TOPO MAP
400428512	MINERAL LEASE MAP
400526320	DIRECTIONAL DATA
400580962	DIRECTIONAL DATA

Total Attach: 11 Files

General Comments

<u>User Group</u>	<u>Comment</u>	<u>Comment Date</u>
Permit	Final review completed. No LGD comments.	4/10/2014 2:41:02 PM
Permit	Operator requested that the following statement be placed in comments in the submit tab: "There is not any intent in this case to create interference between the two wells. The perms are currently planned to be a minimum of 600 ft. apart from horizontal to horizontal and could be further upon final frac stage design."	4/10/2014 2:29:37 PM
Permit	Operator supplied new deviated drilling plan, directional data, well location plat.footages from unit and wellbore penetrating same formation and casing information.	3/31/2014 10:47:19 AM
Permit	Spacing order 547-1 states:, "and no closer than 600 feet from the treated interval of the lateral legs of any other wellbore located in the unit, except as to the toes of the lateral legs of the horizontal wellbores, which may abut each other, without exception being granted by the Director:" the operator's statement says:"The perms are currently planned to be a minimum of 500 ft. apart from horizontal to horizontal and could be further upon final frac stage design." which does not meet the 600' requirement. Requested review by operator.	3/31/2014 10:38:17 AM
Permit	Requested that operator calculated the TOP as the TOP was given as the same as the SHL. Pretty much impossible in a horizontal wellbore and that footage is not supported by the Deviated drilling plan.	2/12/2014 8:17:24 AM
Permit	On Hold pending review of Order 547-1 in March 17th hearing.	2/7/2014 11:01:04 AM
Permit	Question the distance to the nearest wellbore completed or permitted in the same formation, says 9', also the TOP is the same as the SHL. Don't know where the Henderson DSL for the unit came from.	1/13/2014 7:35:11 AM
Engineer	THE PROPOSED SURFACE CASING IS MORE THAN 50 FEET 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 000 FEET DEEP (NO WATER WELLS WITHIN 1-MILE). Evaluated existing offset wells within 1,500 feet of this wellbore. No mitigation required.	12/26/2013 1:53:32 PM
Permit	Passed completeness.	12/17/2013 1:14:18 PM

Total: 9 comment(s)