

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 leases

Total Acres in Described Lease: 480 Described Mineral Lease is: Fee State Federal Indian

Federal or State Lease # _____

Distance from Completed Portion of Wellbore to Nearest Lease Line of described lease: 0 Feet

CULTURAL DISTANCE INFORMATION

Distance to nearest:

Building: 4653 Feet

Building Unit: 4653 Feet

High Occupancy Building Unit: 5280 Feet

Designated Outside Activity Area: 5280 Feet

Public Road: 4341 Feet

Above Ground Utility: 3175 Feet

Railroad: 5280 Feet

Property Line: 840 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: 2700 Feet

Distance from Completed Portion of Wellbore to Nearest Unit Boundary 3700 Feet (Enter 5280 for distance greater than 1 mile.)

Federal or State Unit Name (if appl): MCELMO Unit Number: 47653X

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.)
LEADVILLE	LDVLL	389-1		

DRILLING PROGRAM

Proposed Total Measured Depth: 10868 Feet

Distance to nearest permitted or existing wellbore penetrating objective formation: 2700 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

OPERATOR COMMENTS AND SUBMITTAL

Comments

This is an APD for the horizontal portion following the drilling and logging of a vertical pilot wellbore; see docnum 400579470. No H2S or salt sections expected in this horizontal wellbore in that those formations having H2S or salt will have already been drilled and cased off.
There are no water wells located within a .5 mile radius of the GP-27 Limit of Disturbance.
A Form 4 will be filed accordingly. No fracking is being planned.
There are no wells within 1500' and no fracking of this well is being planned
The lateral is not drilled with mwd tools and thus there is no logging other than mudlogging which we will provide.

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

Location ID: _____

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: Paul Belanger

Title: Regulatory contractor Date: 4/29/2014 Email: Paul_Belanger@kindermorgan.

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: 6/17/2014

Expiration Date: 06/16/2016

API NUMBER

05 083 06717 01

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) Provide 48 hour notice of spud to COGCC and submit via form 42
 - 2) The operator shall comply with Rule 321 and it shall be the operator's responsibility to ensure that the well bore complies with setback requirements in Commission orders and/or rules prior to producing the well.
 - 3) Run and submit Directional Survey for primary well bore and for each lateral section
 - 4) Borehole problems while drilling that require an additional sidetrack: Contact & discuss w/ COGCC Regional Engineer – Mark Weems within 24 hours of occurrence
- 970-259-4587 off
970-749-0624 cell
mark.weems@state.co.us

Best Management Practices

No	BMP/COA Type	Description
1	Planning	<p>A Kinder Morgan Fire Mitigation Plan is currently on file with the Montezuma County Planning Office.</p> <p>Any material not in use that might constitute a fire hazard will be removed a minimum of 25 feet from the wellhead, tanks and separator.</p> <p>Any electrical installations inside the bermed area will comply with API RP 500 classifications and comply with the current national electrical code as adopted by the State of Colorado.</p>
2	Traffic control	<p>A Road Use Plan, which addresses traffic concerns specific to the GP-27, is currently on file with Montezuma County. The Road Use Plan was produced after consulting with the county Road and Bridge Supervisor.</p> <p>All access roads are fully compliant with local county road standards. Access roads are composed of compacted gravel. In an effort to mitigate dust, magnesium-chloride applications to the road surface are performed at the request of Montezuma County.</p>
3	General Housekeeping	<p>Erosion control barriers, namely fiber wattles, will be placed at the edge of disturbance where necessary. Care will be taken to avoid disturbance outside of the project area unless it is deemed necessary for equipment stability and fire safety.</p> <p>During the construction, drilling, and completion phases, on-site trash dumpsters are emptied regularly by the local waste management company.</p> <p>Steel ranch fencing will be placed around the well head after the well is drilled. Once the well is tied in, the fencing will be removed. The proposed well location will be drilled using a closed loop system and will therefore not use open pits.</p> <p>During drilling and completion operations, safety officers are present on location to ensure that livestock, wildlife, and unauthorized personnel do not enter the location. Following completion, the only items present on the well pad are the well head and aboveground pipeline junction. Additionally, there is no active grazing near the proposed location.</p>
4	Storm Water/Erosion Control	<p>Diversion ditches will be implemented to divert run-on and run-off around the well pad. Compacted earthen berms will also be utilized to control stormwater run-on and runoff.</p> <p>Tackifier will be added to the stored topsoil piles and all slopes to prevent erosion. Stockpiled soils will have slopes not greater than 3:1.</p> <p>Stormwater BMPs will be maintained/amended by Kinder Morgan as site conditions change throughout the construction and reclamation process.</p>
5	Material Handling and Spill Prevention	<p>The use of a closed-loop drilling system will reduce the amount of waste produced and water used during drilling operations. Solid cuttings will be disposed of at a solid waste facility.</p> <p>Water that can no longer be reused or recycled will be disposed of in a Class I disposal well.</p> <p>Sufficiently impervious containment devices will be constructed around any condensate and produced water tanks. The containment devices will be sufficiently impervious to contain any spilled or released material. All containment devices will be inspected at regular intervals and maintained in good condition.</p> <p>Tanks are designed to meet all API 650 guidelines.</p>
6	Dust control	<p>In an effort to mitigate dust, magnesium-chloride applications to the road surface are performed at the request of Montezuma County.</p>

7	Construction	<p>All equipment will be stored within the right-of-way (ROW) area of disturbance. Top soil will be removed to create a level pad for drilling and access road.</p> <p>Vegetation that does not need to be removed will be avoided during construction and removed vegetation will be cut near ground level, leaving the root system intact except where permanent facilities, roads, or ROWs, and wellpads require the complete removal of vegetation.</p>
8	Noise mitigation	<p>During normal operations, the well will remain within COGCC regulations for noise. However, during the construction phase of the project, this standard may be exceeded occasionally.</p>
9	Emissions mitigation	<p>Non-flammable CO2 will be produced from the Leadville formation and thus green completion per rule 805 (3) does not apply.</p> <p>All CO2 wells are equipped with a CO2 leak detection monitor during drilling.</p>
10	Drilling/Completion Operations	<p>Blowout preventer equipment (BOPE) complies with COGCC equipment regulations.</p> <p>Mineral Management certification or Director approved training for blowout prevention has been conducted for at least one person at the well site during drilling operations.</p> <p>Kinder Morgan conducts a BOPE test and files a 24 hour notice (Form 42) at the initial rig-up time, after each casing emplacement, and/or every 30 days.</p> <p>KM standard operating protocol includes a check list for well-site clearance activities when a well is transferred from the Drilling Department to the Operations Department.</p> <p>Adequate blowout prevention equipment is used on all well servicing operations.</p> <p>Backup stabbing valves are used on well servicing operations during reverse circulation and are pressure tested before each well servicing operation using both low-pressure air and high-pressure fluid.</p> <p>No pits are present at the well site.</p>
11	Interim Reclamation	<p>Surface roughening, surface contouring, seeding, and weed control will be employed to facilitate vegetation reestablishment. Tackifier will be added to reclaimed areas.</p>
12	Final Reclamation	<p>All disturbed areas that are not necessary for operational procedures will be restored to at least 80 percent of pre-disturbance vegetative cover.</p>

Total: 12 comment(s)

Attachment Check List

Att Doc Num	Name
1857431	SELECTED ITEMS REPORT
400579888	FORM 2 SUBMITTED
400596990	DEVIATED DRILLING PLAN
400596992	DRILLING PLAN
400597001	DIRECTIONAL DATA
400598677	OIL & GAS LEASE
400598678	OIL & GAS LEASE
400605036	WELL LOCATION PLAT
400605499	OIL & GAS LEASE

Total Attach: 9 Files

General Comments

<u>User Group</u>	<u>Comment</u>	<u>Comment Date</u>
Permit	Distance to unit boundary is incorrect revised from 5280' to 3700' by COGCC. Verified with operator.	6/16/2014 7:10:28 AM
Permit	This permit is the lateral of a pilot/lateral drilling plan and this permit should have a sidetrack designation in the API number. Approval of this permit must follow the approval of the pilot in order that the wellbores have the correct sidetrack designation.	5/21/2014 10:36:57 AM
LGD	County Permit Applications has been reviewed by the Planning and Zoning Commission Board and the application are currently scheduled for public hearing before the Board of County Commissioners on June 9, 2014. A Road Use Agreement is still being worked out between Kinder Morgan and the County.	5/9/2014 1:08:55 PM
Permit	Form returned with correct well location plat and additional lease covering the NESW and Lot 2. Operator revised distance to lease line. Public comment period remains the same as the original form 2.	5/9/2014 8:50:45 AM
Permit	Operator requested form back to draft to make revisions.	5/8/2014 7:23:05 AM
Permit	Is there a lease that covers the NESW and Lot 2? How can distance to lease line be 75' when the lateral is crossing the lease line?	5/6/2014 1:09:27 PM
Permit	Passed completeness.	5/5/2014 9:10:09 AM
Permit	Return to draft: Plugging and Abandonment Bond Surety ID is blank. "None" is checked for BOP type although there are selections made for BOP type.	5/2/2014 2:18:28 PM

Total: 8 comment(s)