

APPLICATION FOR PERMIT TO:

Drill Deepen Re-enter Recomplete and Operate

Date Received:
10/07/2014

TYPE OF WELL OIL GAS COALBED OTHER CO2

ZONE TYPE SINGLE ZONE MULTIPLE ZONES COMMINGLE ZONES

Refiling
Sidetrack

Well Name: CX Well Number: 7

Name of Operator: KINDER MORGAN CO2 CO LP COGCC Operator Number: 46685

Address: 17801 HWY 491

City: CORTEZ State: CO Zip: 81321

Contact Name: Paul Belanger Phone: (970)882-2464 Fax: (970)882-5521

Email: Paul_Belanger@kindermorgan.com

RECLAMATION FINANCIAL ASSURANCE

Plugging and Abandonment Bond Surety ID: 20110027

WELL LOCATION INFORMATION

QtrQtr: Tr50 Sec: 12 Twp: 38N Rng: 19W Meridian: N

Latitude: 37.570460 Longitude: -108.890470

Footage at Surface: 1049 feet FNL/FSL 1522 feet FEL/FWL

Field Name: MCELMO Field Number: 53674

Ground Elevation: 6826 County: MONTEZUMA

GPS Data:

Date of Measurement: 09/16/2014 PDOP Reading: 5.9 Instrument Operator's Name: R J CAFFEY

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

Sec: _____ Twp: _____ Rng: _____ Sec: _____ Twp: _____ Rng: _____

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.)

Section 12, 38N, 18W. South part of track 50 = 95.53 ac

Total Acres in Described Lease: 96 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: 250 Feet

CULTURAL DISTANCE INFORMATION

Distance to nearest:

Building: 1376 Feet

Building Unit: 1376 Feet

High Occupancy Building Unit: 5280 Feet

Designated Outside Activity Area: 5280 Feet

Public Road: 1051 Feet

Above Ground Utility: 1079 Feet

Railroad: 5280 Feet

Property Line: 303 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: 1947 Feet

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

Federal or State Unit Name (if appl): MCELMO DOME 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: 8785 Feet

Distance to nearest permitted or existing wellbore penetrating objective formation: 1947 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? Yes (If Yes, attach an H₂S Drilling Operations Plan)

Will salt sections be encountered during drilling? Yes

Will salt based (>15,000 ppm Cl) drilling fluids be used? Yes

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: Recycle/reuse

Cuttings Disposal: OFFSITE Cuttings Disposal Method: Commercial Disposal

Other Disposal Description:

Fluids: Recycle as much as possible; any excess will go to licensed UIC disposal facility. Cuttings are dewatered in a closed loop system and disposed of at a permitted commercial solid waste facility.

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	20	16	65	0	80	100	80	0
SURF	12+1/4	9+5/8	36	0	2775	1200	2775	0
1ST	8+3/4	7	29/32	0	8785	2100	8785	0
OPEN HOLE	6			8410	8785			

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 is an APD for a new vertical wellbore; no horizontal currently being planned.

Work is expected to begin as soon as possible; November 2014. The CX2, CX5 and CX7 are all being given a November 11th 2014 start date. Which site will be constructed first and which well will be drilled first will depend on the timing of form 2A/form 2 approvals, construction delays and/or whether a rig is release or not. The drilling process will take approximately 60 days. Interim reclamation will begin approximately six months after the rig is removed from the location.

No fracking is being planned.

There are no water wells, seeps, or springs located within a .5 mile radius of the CX-7 well location. A Form 4 will be filed accordingly.

A Surface Use Agreement will be submitted as soon as it becomes available.

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: 10/7/2014 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: 11/5/2014

Expiration Date: 11/04/2016

API NUMBER
05 083 06719 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) Provide 48 hour notice of spud to COGCC and submit via form 42 2) Submit CBL on 7" O.D. production casing 3) Follow CO2 venting and monitoring procedures as per procedure prepared by KM, dated June 26, 2014 REV3 and approved by the COGCC Field Inspection Unit. 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

<u>No</u>	<u>BMP/COA Type</u>	<u>Description</u>
1	Planning	A Kinder Morgan Fire Mitigation Plan is currently on file with the Montezuma County Planning Office. Any material not in use that might constitute a fire hazard will be moved a minimum of 25 feet from the wellhead, tanks and separator. 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.
2	Traffic control	A Road Use Plan, which addresses traffic concerns specific to the CX-7, is currently on file with Montezuma County. Kinder Morgan will consult with the county Road and Bridge Supervisor to ensure that all county-related traffic concerns are addressed. All access roads are fully compliant with local county road standards. Access roads are composed of compacted gravel. This well is covered by Kinder Morgan's Cow Canyon State Highway Access Permit and Method of Handling Traffic plan currently on file with CDOT.
3	General Housekeeping	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. During the construction, drilling, and completion phases, on-site trash dumpsters are emptied regularly by the local waste management company. During drilling and completion operations, safety officers are present on location to ensure that livestock, wildlife, and unauthorized personnel do not enter the location.

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.</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	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>
7	Noise mitigation	<p>During normal operations, the well will remain within COGCC regulations for noise.</p> <p>However, during the construction phase of the project, this standard may be occasionally exceeded.</p>
8	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>
9	Drilling/Completion Operations	<p>With the understanding that KM:</p> <ul style="list-style-type: none"> · uses a mudlogger and produces a mudlog from the surface · runs surface and production casing to the surface · runs a CBL to surface <p>in the event that Kinder Morgan does not log the well with minimum open-hole resistivity and gamma ray log per Rule 317.0. then Kinder Morgan will, at a minimum, log the well bore, or missing portion of the wellbore, with cased hole gamma ray and pulsed neutron from TD to surface casing to comply with COGCC Rule 317.o.</p>
10	Drilling/Completion Operations	<p>Blowout preventer equipment (BOPE) complies with COGCC equipment regulations.</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>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)

Applicable Policies and Notices to Operators

Notice Concerning Operating Requirements for Wildlife Protection.

Attachment Check List

Att Doc Num	Name
1857515	SELECTED ITEMS REPORT
400696343	FORM 2 SUBMITTED
400701552	DRILLING PLAN
400701553	WELL LOCATION PLAT
400701554	H2S CONTINGENCY PLAN
400701555	OTHER
400701558	OIL & GAS LEASE

Total Attach: 7 Files

General Comments

User Group	Comment	Comment Date
Permit	Final review completed; no LGD or public comment received.	11/4/2014 6:17:45 AM
Engineer	<p>This is a vertically drilled well or a pilot hole.</p> <p>Fresh water zones have been depicted in the lower cretaceous and into the upper triassic or the windgate sandstone (CGS Ground Water Atlas). Of late, the BLM fluids/minerals geologist has expressed an interest and concern for deeper formations or at least 150' into the Chinle formation (<10,000 ppm TDS). The Chinle formation is estimated to be at a depth of 1885'-2564'. The deepest water well within a mile of this proposed well is 282 feet deep. Also, the operator is setting their surface casing well into the Cutler formation or at a depth of 2775' which is 211' deeper than base of the Chinle. The surface casing will be cemented to surface as a measure to isolate and protect all shallow water aquifers.</p> <p>There are no other oil and gas wells within 1500' of the operator's well (see attached SELECTED ITEMS REPORT)</p>	10/21/2014 12:29:14 PM
Permit	Operator revised cultural distances to match form 2A.	10/14/2014 10:09:34 AM
Permit	Cultural distances from wellhead do not match those on the form 2A.	10/14/2014 10:08:19 AM
Permit	Operator revised right to construct to oil and gas lease from bonding on.	10/14/2014 9:45:38 AM
Permit	Passed Completeness	10/9/2014 12:59:53 PM

Total: 6 comment(s)