

APPLICATION FOR PERMIT TO:

Drill Deepen Re-enter Recomplete and Operate

TYPE OF WELL OIL <input checked="" type="checkbox"/> GAS <input type="checkbox"/> COALBED <input type="checkbox"/> OTHER _____	Refiling <input type="checkbox"/>	Date Received: 01/30/2015
ZONE TYPE SINGLE ZONE <input checked="" type="checkbox"/> MULTIPLE ZONES <input type="checkbox"/> COMMINGLE ZONES <input type="checkbox"/>	Sidetrack <input type="checkbox"/>	

Well Name: Cervi Well Number: 03N-63W-34-1N

Name of Operator: VERDAD OIL & GAS CORPORATION COGCC Operator Number: 10485

Address: 5950 CEDAR SPRINGS RD #200

City: DALLAS State: TX Zip: 75235

Contact Name: Shauna DeMattee Phone: (720)299-4495 Fax: ()

Email: sdemattee@progressivepcs.net

RECLAMATION FINANCIAL ASSURANCE
Plugging and Abandonment Bond Surety ID: 20130094

WELL LOCATION INFORMATION

QtrQtr: NENW Sec: 34 Twp: 3N Rng: 63W Meridian: 6

Latitude: 40.187836 Longitude: -104.425331

Footage at Surface: <u>465</u> feet	FNL/FSL	<u>FNL</u> <u>2175</u> feet	FEL/FWL	<u>FWL</u>
-------------------------------------	---------	-----------------------------	---------	------------

Field Name: WATTENBERG Field Number: 90750

Ground Elevation: 4755 County: WELD

GPS Data:
Date of Measurement: 01/27/2015 PDOP Reading: 2.0 Instrument Operator's Name: Alan Hnizdo

If well is Directional Horizontal (highly deviated) **submit deviated drilling plan.**

Footage at Top of Prod Zone: <u>460</u> feet	FNL/FSL	<u>FNL</u> <u>2180</u> feet	FEL/FWL	<u>FWL</u>
Sec: <u>34</u>		Twp: <u>3N</u>		Rng: <u>63W</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: Bond

Surface damage assurance if no agreement is in place: Blanket Surface Surety ID: 20130095

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.)

All of Section 34-T3N-R63W

Total Acres in Described Lease: 640 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: 460 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: 5280 Feet

Above Ground Utility: 2911 Feet

Railroad: 5280 Feet

Property Line: 465 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: 2672 Feet

Distance from Completed Portion of Wellbore to Nearest Unit Boundary 465 Feet (Enter 5280 for distance greater than 1 mile.)

Federal or State Unit Name (if appl): _____ Unit Number: _____

SPACING & FORMATIONS COMMENTS

Spacing order# 407-528 allows for up to 2 horizontal wells within the approved 640 acre unit for the production of oil, gas and associated hydrocarbons from the Niobrara formation for Sec 36 of T3N, R63W, 6th P.M.

OBJECTIVE FORMATIONS

Objective Formation(s)	Formation Code	Spacing Order Number(s)	Unit Acreage Assigned to Well	Unit Configuration (N/2, SE/4, etc.)
NIOBRARA	NBRR	407-528	640	S.34:ALL

DRILLING PROGRAM

Proposed Total Measured Depth: 11022 Feet

Distance to nearest permitted or existing wellbore penetrating objective formation: 2170 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 318A

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:

Verdad will dispose of cuttings at the Waste Management owned Buffalo Ridge disposal site on a well by well basis. The drilling fluids will be recycled between wells.

Beneficial reuse or land application plan submitted? No
 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
SURF	13+1/2	9+5/8	36	0	1050	1100	1050	0
1ST	8+3/4	7	29	0	6811	750	6811	950
2ND	6+1/8	4+1/2	13.5	0	11021	450	11021	4500

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 Distance to nearest well (including plugged wells) was measured to the P&A'd Prospect Royalty #1. Since this location is within a designated GWA window Verdad is proposing to bond on.

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: Shauna DeMattee

Title: Regulatory Analyst Date: 1/30/2015 Email: sdeattee@progressivepcs.net

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: 2/26/2015

Expiration Date: 02/25/2017

API NUMBER

05 123 41204 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

	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) Submit Form 42 electronically to COGCC 48 hours prior to MIRU. 2) Comply with Rule 317.j and provide cement coverage from end of 7" casing to a minimum of 200' above Niobrara. Verify coverage with cement bond log. 3) Comply with Rule 321. Run and submit Directional Survey from TD to base of surface casing. Ensure that the wellbore complies with setback requirements in commission orders or rules prior to producing the well.

Best Management Practices

No	<u>BMP/COA Type</u>	<u>Description</u>
1	Planning	The subject pad is located in a manner which allows for resource extraction while maintaining the highest distances possible from the offsetting residential areas.
2	Traffic control	Access roads. The access road will be constructed to accommodate local emergency vehicles. This road will be maintained for access at all times.
3	Material Handling and Spill Prevention	Berm construction. Tank berms shall be constructed of steel rings with a synthetic or engineered liner and designed to contain 150% of the capacity of the largest tank. All berms will be visually checked periodically to ensure proper working condition.
4	Material Handling and Spill Prevention	Load-lines. All load-lines shall be bull-plugged or capped.
5	Drilling/Completion Operations	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

Total: 5 comment(s)

Applicable Policies and Notices to Operators

Notice Concerning Operating Requirements for Wildlife Protection.

Policy for Bradenhead Monitoring During Hydraulic Fracturing Treatments in the Greater Wattenberg Area.

Attachment Check List

<u>Att Doc Num</u>	<u>Name</u>
400784272	FORM 2 SUBMITTED
400784317	WELL LOCATION PLAT
400784318	DEVIATED DRILLING PLAN
400784319	DIRECTIONAL DATA

Total Attach: 4 Files

General Comments

<u>User Group</u>	<u>Comment</u>	<u>Comment Date</u>
Permit	Per operator, corrected distance to lease line from 0' to 460'. No LGD or public comments. Final review--passed.	2/26/2015 1:31:19 PM
Permit	Per operator corrected Distance from a completed portion of wellbore to nearest wellbore permitted or completed in same formation from 5824' to 2672'. Permitting Review Complete.	2/24/2015 11:48:38 AM
Permit	ON HOLD: requesting corrected "Distance from a completed portion of wellbore to nearest wellbore permitted or completed in same formation".	2/24/2015 9:57:45 AM
Engineer	Offset wells evaluated.	2/17/2015 10:01:07 AM
Permit	Passed completeness.	2/4/2015 10:22:40 AM
Permit	Missing open hole logging BMP or 317.p. exception request. Return to draft.	2/4/2015 10:09:10 AM

Total: 6 comment(s)