

Colorado Oil and Gas Conservation Commission (COGCC)

Onsite Inspection Request Form

(Effective for APDs submitted after February 15, 2005)

As the surface owner(s) where a proposed well is being drilled, I/we am/are requesting that the COGCC conduct an onsite inspection. I/we did not execute a surface use or other relevant agreement regarding the use of the surface for the proposed well. I/we understand that good faith consultation with the operator as required under COGCC Rule 306. is required to have occurred prior to making this request to the COGCC to conduct an onsite inspection, and that this onsite inspection request must be received by the COGCC within ten (10) business days of the first day of the Rule 306. consultation.

Surface Owner Contact Information:

Name: Roger Pontre Field
Address: 3905 CR 319 IGNACIO CO 81137
Telephone No. (970) 759 6164 Cell (970) 563-9003

Well Operator and Location Information:

Operator: CLM RIDGE
Well Name: IGE 110
Location: NE SE 17 33N 6W
Quarter/Quarter Section-Township-Range

County: La. Platts
First date Rule 306. consultation occurred: 2/22/06 Date

Proposed two (2) dates for the COGCC onsite consultation (must be within thirty (30) days of the request)
1st date _____ 2nd date _____

I/we would prefer to have a representative of the appropriate Local Government (COGCC Local Governmental Designee) invited to attend the onsite inspection? _____yes_____no

Briefly describe the unresolved issues related to the proposed well: (The onsite inspection shall not address matters of surface owner compensation, property value, future use of the property or any private party contractual issues between the operator and the surface owner.)

HEALTH OF WIFE IMPACTED BY DIESEL EXHAUST

Signature(s) _____ Date _____

Please fax or first class mail this request for an onsite inspection to:

Colorado Oil and Gas Conservation Commission
Attn: Permit Supervisor
1120 Lincoln Street, Suite 801 Denver, CO 80203
FAX (303) 894-2109

caused in, order 156/157
ON SITE

11/1/06 14:00

Received telephone call from Roger Porterfield. Elm Ridge has submitted an APD without surface use agreement. He would like to have an SUA. He is not against them drilling the well, he is concerned over the health of his wife who has emphysema. He is concerned that diesel smoke etc would exacerbate the problem. The well is the IGE 110, permit number 20064601. He said that Elm ridge was initially all for electrifying the well and putting them up in a hotel during drilling. He never heard back from them about getting electricity to the well from his property and then he received notice that they were bonding on and were also going to install a compressor station. He would like an onsite inspection. He would need a few days notice as he works 14 hrs/6 days/week and wife works 10 hrs/day 5 days/week.

OP 2625

Work (970) 759-6164
Home (970) 563-9003

Lat 37.097823

Lon -107.748990

11/1/06 14:40

Per Brad Cassidy with Elm Ridge, the negotiations have been going on for months and months. He got everything he asked for including hotel stay. He kept dragging his feet and they finally sent him paperwork with a deadline that if he did not return the paperwork by "x" date, they would send the APD in under bond.
Cassidy (970) 385-7508.

Roger Porterfield - (970) 759-6164

- want anything understood for them, but not
- location where power would go same price of paper showing property and x's. Level of detail ~~not~~ not sufficient
- Need to state will put things under the very thing item. Did

→ 2 p.m. 3599 on 3/8 16 Nov 10, CO 81137

Elm Ridge → uses trucks, not pipeline
Roger's concern is health of wife

Brad Cassidy - 2 p.m. 11/14

→ Brad Cassidy will be new for me

BRAD CASKY (970) 754-2036
355-7588

LISTED
ENGINEER. most prod 130 bbl/day huge, 1 truck/day
most 25 bbl/day 1 truck/3-4 days

PIPELINE 1/2 MILE OF PIPE

Portofield property →

The would be Portofield SW corner

Finney Land Co

P.O. Box 2471

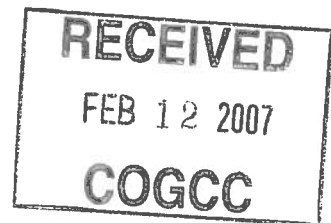
Durango

81302

BRAD CASKY → called to inquire about starting. He stated
Elm Ridge would be willing to run pipeline to existing
line to remove under.

**FINNEY LAND CO.
OIL & GAS CONSULTING**

P.O. BOX 2471
DURANGO, CO 81302
PHONE (970) 259-5691
FAX (970) 259-4279



February 8, 2007

William D. Bontrager
1710 CR 121
Hesperus, CO. 81326

RE: T.33N/R.8W., NMPM
Section 17: SW/4SW/4
La Plata County, Colorado
IGE 110 Well
1235' FSL & 1025 FWL'

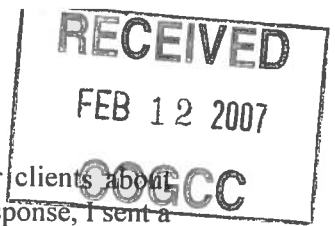
Dear Mr. Bontrager:

This letter is in response to your letter to Elm Ridge dated January 15, 2007 and the letter to me dated January 5, 2006 which I received January 8, 2007.

Elm Ridge agrees that the Harmon lease dated October 22, 1947 is the effective lease and was for a term of 10 years. The first production from this lease was in 1955 and makes this lease held by production. Attached is a copy of the Abbreviated Production Report evidencing the first date of production. It is only necessary to record a communitization agreement for a specific formation at the time the well is drilled.

Pertaining to the royalty issue, the Porterfields acquired $\frac{1}{2}$ of the Harmon's interest which was $\frac{1}{2}$ of the 40 acres; which gives them $\frac{1}{4}$ of the minerals. Attached is a copy of the Oil and Gas Transfer Order which was signed by Mr. & Mrs. Porterfield and a Decks for Specified Owner Report showing their interest in each well.

In regards to your statement about your clients being willing to enter into an agreement, I tried to deal with your clients from February 22, 2006 to August 2, 2006 and could not come to an agreement. Because of the lack of response by your clients, we had no choice but to proceed under the terms of the Oil and Gas Lease and the rules and regulations of the Colorado Oil and Gas Conservation Commission (COGCC). During this process, we had an onsite with you, your clients, the COGCC, La Plata County and myself. During that meeting, it was determined that the only concern for the approval of the permit was to address the health concerns of your client that may be caused by water trucks driving in and out of the well location. This was addressed in the Elm Ridge Exploration IGE-110 Well Conditions of Approval letter sent by Steven R. Lindblom of the COGCC to your clients. The letter stated "In order to address health risk concerns related to diesel exhaust emissions, the Operator shall transport produced water from the IGE-110 Well via pipeline to the nearest existing produced water pipeline, provided agreement can be reached with the surface owner".



Pursuant to the letter from the COGCC, I called and left a message with your clients about obtaining a Pipeline Right-of-Way Agreement on December 28, 2007. After no response, I sent a letter, Pipeline Right-of-Way Agreement and a Side Letter to your clients dated January 12, 2007. I have not had a response from your clients regarding this matter.

Even though Elm Ridge is not required to do any more than what was stipulated by the COGCC, Elm Ridge is agreeable to doing some of the additional items that were requested by your clients, as follows:

1. Reshape the dam of the existing pond, East of the existing well pad, for the purpose of improving the capacity of the pond.
2. Gravel approximately 900 feet of the access road from the gate on CR 309A to the wellpad. In addition, Elm Ridge shall gravel the portion of the wellpad within the anchor pattern.
3. If requested by the Porterfields, Elm Ridge agrees to provide them with a motel room during construction, drilling and completion activities.
4. In the event that a pumping unit is necessary, Elm Ridge agrees to install an electric pumping unit, if your clients agree to grant La Plata Electric (LPEA) an easement in order to run power to the well pad at no additional cost. The route of the electric line shall be determined by LPEA.

In regards to the requests you made in your letter dated January 5, 2006 are as follows:

1. Your clients received a survey plat of the well pad during our first meeting on March 28, 2006. The plat is more than sufficient to construct the well pad and Elm Ridge will not provide a metes and bounds description of the well pad. If the proposed water pipeline is installed a metes and bounds description will be provided with the as-built survey of the pipeline.
2. There is no plan at this time to have a compressor on the well pad. In the event one becomes necessary, Elm Ridge will address how to power the compressor at that time.
3. Please find the enclosed Surface Damage Agreement & Release, Right-of-Way Agreement, Side Letter Agreement, Agreement for Use of Gas and Road agreement for crossing the well pad for the Harmon #1-A.
4. Elm Ridge, in its discretion, may use synthetic liners for any pits utilized; however, Elm Ridge shall remove said liners upon final reclamation of the site. The materials excavated to create the reserve pit shall be stock piled and stored on the location and will be used to close the reserve pit during reclamation.
5. As stated above, I tried to negotiate with your clients from February 22, 2006 to August 2, 2006 with no success. On August 2, 2006, I sent your clients a final offer and stated that if I did not receive the signed agreements by August 18, 2006, Elm Ridge would have no choice but to proceed with the drilling of the well under the bonding provisions of the Colorado Oil and Gas Conservation Commission. I never received the signed agreements from your clients. Therefore, Elm Ridge is not willing to pay any monetary compensation to your clients.

Elm Ridge will send your clients a letter giving them a 30 day notice before construction activities commence. At that time, Elm Ridge will need your clients to notify them so that arrangements can be made for a motel room, if necessary.

Elm Ridge has gone to great lengths to address your clients concerns. They will conduct the drilling and completion of this well as a prudent operator.

Sincerely,

A handwritten signature in blue ink, appearing to read 'C. Brad Caskey', with a stylized flourish at the end.

C. Brad Caskey
Agent for Elm Ridge Exploration Company, LLC.

cc: Steven R. Lindblom-COGCC
James Clark,-Elm Ridge



DEPARTMENT OF NATURAL RESOURCES

Bill Owens, Governor
1120 Lincoln St., Suite 801
Denver, CO 80203
Phone: (303) 894-2100
FAX: (303) 894-2109
www.oil-gas.state.co.us

Mr. Brad Caskey
Finney Land Company
P.O. Box 2471
Durango, CO 81302

RE: Elm Ridge Exploration IGE-110 Well Conditions of Approval

Mr. Caskey:

After review of the discussions at the November 14, 2006 Porterfield Onsite Inspection and consultation with the Director and staff, the Colorado Oil and Gas Conservation Commission (COGCC) staff will attach the following Condition of Approval to the Application for Permit to Drill for the IGE-110 Well in the Northeast Quarter of the Southeast Quarter of Section 17, Township 33 North, Range 8 West:

1. In order to address health risk concerns related to diesel exhaust emissions, the Operator shall transport produced water from the IGE-110 Well via pipeline to the nearest existing produced water pipeline, provided agreement can be reached with the surface owner.

Please be aware that Conditions of Approval regarding engineering or other considerations may also apply. These will be specified on the approved Application for Permit to Drill Form 2. If you have any questions, please contact me at the COGCC in Denver via e-mail (steven.lindblom@state.co.us) or by phone at 303-894-2100, extension 114.

Respectfully,

Steven R. Lindblom, P.G.
Environmental Protection Specialist

cc: Roger Portfield- Landowner
Jeremy Howard – La Plata County
Dennis Ahlstrand – COGCC
David Dillon – COGCC
David Shelton – COGCC
Mark Weems - COGCC



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Memorandum

To: IGE 110 File

From: Steven Lindblom – Onsite Inspection Specialist

CC: Roger Porterfield
Brad Caskey – Elm Ridge Exploration
Jeremy Howard – La Plata County
Mark Weems - COGCC
David Dillon – COGCC

Date: November 22, 2006

Re: Porterfield – Elm Ridge Onsite Inspection IGE 110

This Memorandum summarizes discussions and developments regarding Elm Ridge Exploration Well IGE 110 that occurred during the Porterfield Onsite Inspection in Section 17, Township 33N, Range 8W in Weld County between approximately 2:00 p.m. and 3:00 p.m. on November 14, 2006. Attendees included staff of the Colorado Oil and Gas Conservation Commission (COGCC), Elm Ridge Exploration (Elm Ridge), La Plata County staff, and the surface owner and his legal representative. A complete list of attendees and contact information is included with this Memorandum as Attachment 1.

After a brief overview of the onsite inspection policy, discussions focused on the proposed location of the IGE 110 well and the potential impacts of the well.

PROPOSED WELL LOCATION

Mr. Brad Caskey with Elm Ridge and Jeremy Howard with La Plata County noted the location of the well on the existing Harmon #1A well pad and discussed the proposed extension of the pad. Howard noted that the minimal pad expansion was in line with the County's desire to limit surface impacts from oil and gas activities.

CONCERNS

Mr. Bill Bontrager, Mr. Porterfield's attorney, mentioned that the surface use agreement that was signed between Elm Ridge and Mr. Porterfield for the Harmon #1A did not provide for placement of a second well on the property and would thus prevent Elm Ridge from drilling the IGE 110. COGCC staff and Mr. Caskey noted that neither was qualified to interpret the legal agreement and that such discussions should take place between Mr. Bontrager and Elm Ridge attorneys.

Mr. Porterfield confirmed that his primary concern related to the impacts of diesel exhaust from drilling and water hauling would exacerbate his wife's lung condition and would result in negative health impacts. He noted that prevailing wind direction, in conjunction with the location of the pad with respect to his residence, would drive emissions into his house.



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Mr. Caskey confirmed that Elm Ridge intended to truck produced water away from the location for disposal. COGCC requested that Elm Ridge identify the location of the nearest pipeline that could potentially be utilized.

COGCC staff noted that an assessment of health impacts from diesel exhaust would involve a number of factors, including wind direction, the expected volume of water and thus amount of vehicular traffic on site, and expected exhaust particulate concentration in the Porterfield residence. COGCC staff observed that this assessment would likely require consultation with an expert in the field.

CONCLUSION

Mr. Caskey agreed to provide the location of the nearest pipeline and an estimate of the volume of water expected from the IGE 110 well to evaluate comparative costs of water transportation between truck transport and pipeline construction. COGCC staff determined to begin an assessment of the potential health risks posed by diesel exhaust emissions. Mr. Bontrager stated that he would, in the next few days, consult with Elm Ridge regarding the proposed surface use agreement for the IGE 110 and the previously signed agreement for the Harmon #1A well.



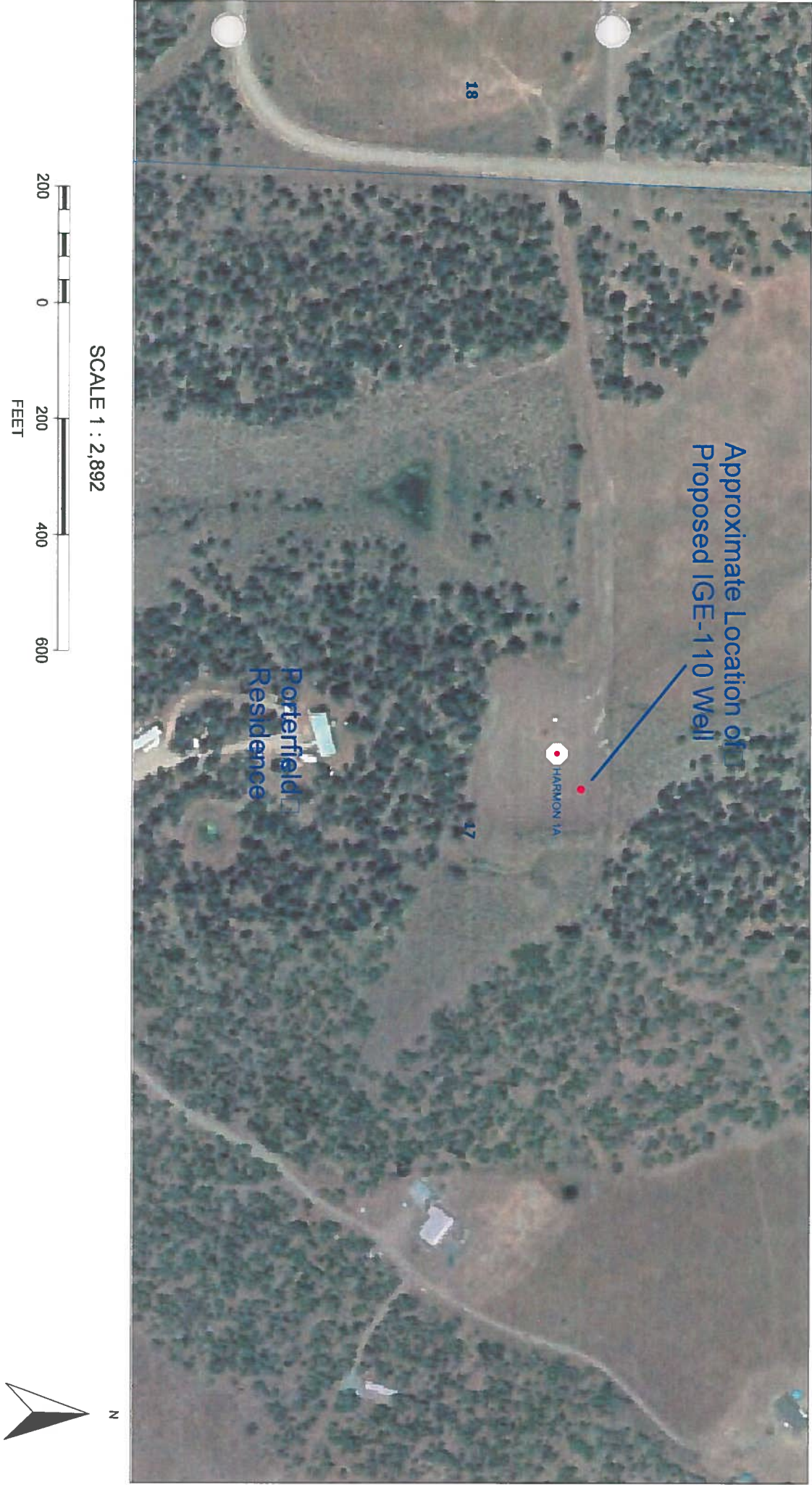
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Attachment I

Attendees and Contact Information

Name	Representing	Telephone Number
Steven Lindblom	COGCC	(303) 894-2100 x 114
Mark Weems	COGCC	(970) 259-4587
Bill Bontrager	Landowner	(970) 259-3384
Roger Porterfield	Landowner	(970) 563-9003
Brad Caskey	Elm Ridge	(970) 759-2036
Jeremy Howard	La Plata County	(970) 382-6262

Approximate Location of IGE-110 and Porterfield Residence



Porterfield – Elm Ridge Resources
IGE 110
SWSW Section 17 T 33N R8W
La Plata County

Name	Representing	Telephone
D. J. Bontrager	Porterfield	259-3384
Roger Porterfield		563-9003
Brad Caskey	Elm Ridge	759-2036
Steve Lindstrom	COGCC	(303) 894-2100 x114
Mark Weems	"	-
Jeremy Hansen	La Plazo Canyon	

COGIS - WELL Information

Scout Card

[Related](#) [Insp.](#) [MIT](#) [GIS](#) [Doc](#) [Wellbore](#) [Order](#)

Surface Location Data for API # 05-067-08182

Status: PR

[Well Name/No:](#) [HARMON #1A](#) (click well name for production)

[Operator:](#) ELM RIDGE EXPLORATION CO LLC - 26625

[Status Date:](#) 2/16/2004 [Federal or State Lease #:](#)

[County:](#) LA PLATA #067 [Location:](#) SWSW 17 33N 8E

[Field:](#) IGNACIO BLANCO - #38300 [Elevation:](#) 6,728 ft.

[Planned Location](#) 1210 FSL 997 FWL [Lat/Long:](#) 37.099999/-107.746714 [Lat/Long Calculate](#)

Wellbore Data for Sidetrack #00

Status: PR 2/16/2004

[Spud Date:](#) 2/14/1999 [Spud Date is:](#) ACTUAL

Wellbore Permit

[Permit #:](#) 19981055 [Expiration Date:](#) 11/24/1999

[Prop Depth/Form:](#) 8035 [Surface Mineral Owner Same:](#) N

[Mineral Owner:](#) FEE [Surface Owner:](#) FEE

[Unit:](#) [Unit Number:](#)

[Formation and Spacing:](#) Code: DKTA , Formation: DAKOTA , Order: 112-6 , Unit Acreage: 640, Drill Unit: ALL

[Formation and Spacing:](#) Code: MVRD , Formation: MESAVERDE , Order: 112-46 , Unit Acreage: 320, Drill Unit: ALL

Wellbore Completed

[Completion Date:](#) 5/11/1999

[Measured TD:](#) 8135 [Measured PB depth:](#) 8035

[True Vertical TD:](#) [True Vertical PB depth:](#)

[Log Types:](#) DIL, CNL-FDC, CBL W/CCL

[Casing:](#) String Type: SURF , Hole Size: 14.75, Size: 10.75, Top: 0, Depth: 456, Weight: 40.5

[Cement:](#) Sacks: 420, Top: 0, Bottom: 456, Method Grade: CBL

[Casing:](#) String Type: 1ST , Hole Size: 9.875, Size: 7.625, Top: 0, Depth: 3556, Weight: 26.4

[Cement:](#) Sacks: 395, Top: 0, Bottom: 3556, Method Grade: CBL

[Casing:](#) String Type: 1ST LINER , Hole Size: 6.75, Size: 5.5, Top: 3365, Depth: 8134, Weight: 1

[Cement:](#) Sacks: 491, Top: 3365, Bottom: 8134, Method Grade: CBL

Formation	Log Top	Log Bottom	Cor
MESAVERDE	4910		N
POINT LOOKOUT	5520	5673	N
MANCOS	5673	6878	N
GALLUP	6878	7250	N
GREENHORN	7647		N
GRANEROS	7710		N
DAKOTA	7823		N

Completed information for formation DKTA

[1st Production Date:](#) 5/20/1999 [Choke Size:](#) 0.500

[Status Date:](#) 2/16/2004 [Hole Completion:](#) N

[Commingled:](#) N [Production Method:](#) FLOWING

[Formation Name:](#) DAKOTA [Status:](#) PR

[Formation Treatment:](#) FRAC W/21,877 GAL. 20# 60 QUALITY FOAM & 58000 # 20/40 OTTOWA SND. AIR 3 PSI,ISIP 4872 PSI

[Tubing Size:](#) 2.0625 [Tubing Setting Depth:](#) 7962

Tubing Packer Depth:

Open Hole Top:

Initial Test Data:

Test Date: 5/11/1999

Gas Disposal:

Tubing Multiple Packer:

Open Hole Bottom:

Test Method: FLOWING

Test Type	Measure
BBLS_H2O	1
BBLS_OIL	0
CALC_BBLS_H2O	8
CALC_MCF_GAS	400
MCF_GAS	50

Perforation Data:

Interval Bottom: 8004

of Holes: 104

Interval Top: 7854

Hole Size: 0.34

Completed information for formation MVRD

1st Production Date: 9/18/1999

Status Date: 8/31/1999

Commingled: N

Formation Name: MESAVERDE

Formation Treatment: FRAC W/33380 GAL 60 QUALITY FOAM AND 71000# 20/40 OTTOWA SAND. AIR 48 ISIP 1426 PSI.

Tubing Size: 2.0625

Tubing Packer Depth: 5706

Open Hole Top:

Initial Test Data:

Test Date: 8/31/1999

Gas Disposal: SOLD

Choke Size:

Hole Completion: N

Production Method: FLOWING

Status: PR

Tubing Setting Depth: 5567

Tubing Multiple Packer:

Open Hole Bottom:

Test Method: FLOWING

Test Type	Measure
BBLS_H2O	1
BBLS_OIL	0
CALC_BBLS_H2O	1
CALC_BBLS_OIL	0
CALC_MCF_GAS	400
CASING_PRESS	200
MCF_GAS	400
TUBING_PRESS	40

Perforation Data:

Interval Bottom: 5650

of Holes: 160

Interval Top: 5437

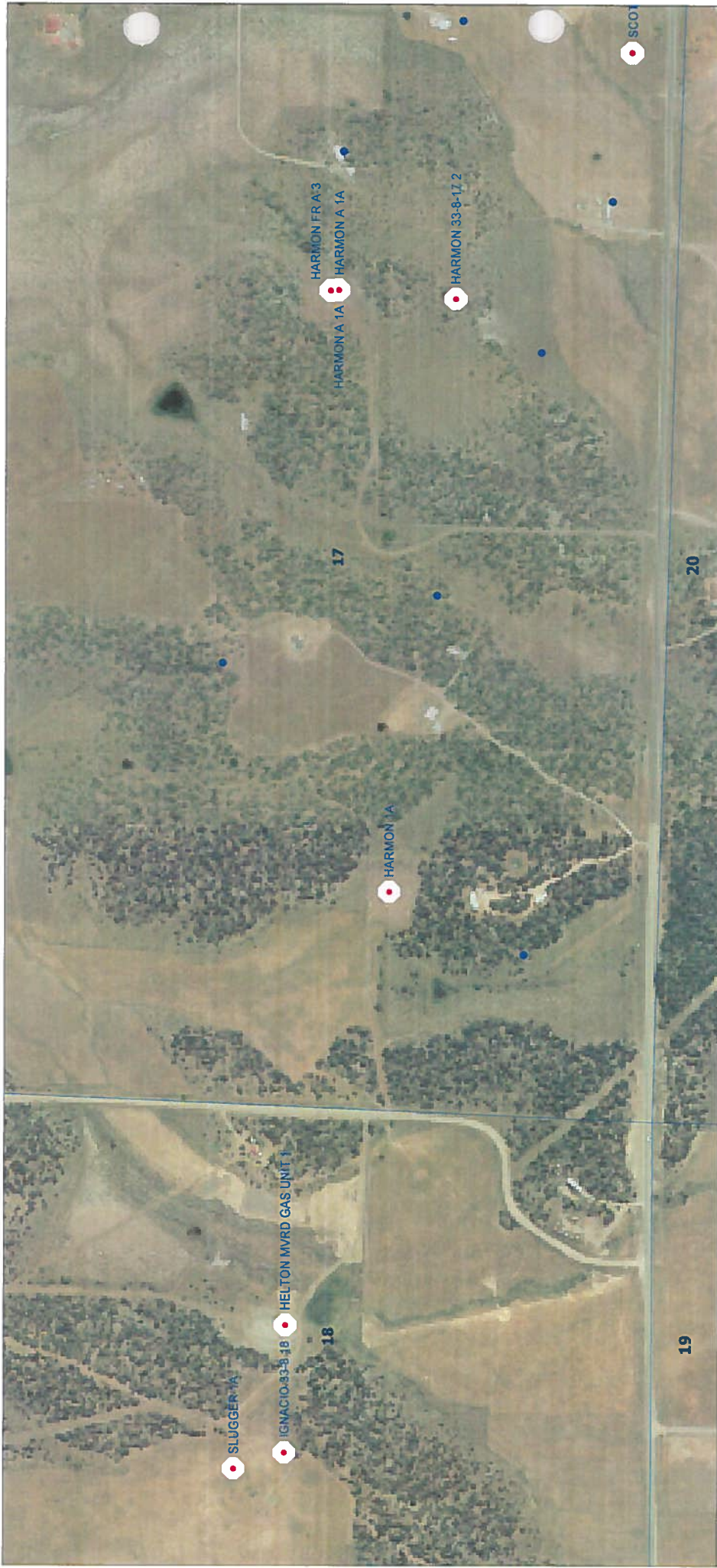
Hole Size: 0.34



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Image URL	http://www.terra-server.com/imagery/image_gx.asp?cpx=-107.74764101&cpy=37.09937468&res=1&provider_id=380&OL=Off
Image Provider	GlobeXplorer NAIP
Resolution	1 Meter
Image Date	6/1/2005





Receipt: 0408699	Permit Rcvd: 11/12/1996
Well Name:	
Division: 7	County: 34
PermitNo: 199450	Permit Date: 11/12/1996
PermitRpl:	PermitSuf:
ActCode: NP	WD: 30
Basin: 00	MD: 00
Name: PORTERFIELD ROGER & MARY	Phone: 9702472578
Address: 3197 COUNTY RD 122	
City: HESPERUS, CO 81326	
Meridian: N	Range: 8 W
Township: 33 N	Section: 17
S of Ute Line:	QTRQTR: SWSW
CoordSNS: 600 S	CoordSEW: 733 W
SubDiv:	Lot:
Block:	Filing:
Aquifer 1: GW	Aquifer 2:
Elevation: 7000	Depth: 250
Top Perf: 40	Bottom Perf: 250
Level: 60	Yield: 10.0
Case:	Irrigated Area: acres
Abdmt Req: 0	Acre Ft:
Use Codes: 8	Driller: 655
Pump Inst: 655	PI Date: 05/01/1997
Statute: 6023	Statute Code:
Statute Date:	Report Rcvd: 05/01/1997
Meter: 0	Related Well:
Well Suffix:	Repl Xref:
Well Const Rpt:	Beneficial Use:
Well Cmpl Date: 01/11/1997	Pump Inst Date: 03/17/1997
Logged: 0	Water Quality Data: 0
Proposed Depth: 200	Prop Yield: 15.0
Prop Yrly Appr: 2.0	Well Type: E
Valid Permit: 1	Prmt Exp Notice:

Parcel Id:
Engineer: DV7
Last Tran: 05/19/1997
Comment:

Parcel Size: 40.0
Last Transaction Code: WA
Last Update: NLH

FORM NO. GWS-32 10/94	<input checked="" type="checkbox"/> PUMP INSTALLATION AND TEST REPORT STATE OF COLORADO, OFFICE OF THE STATE ENGINEER	For Office Use only
1. WELL PERMIT NUMBER	199450	MAY 01 1997 STATE ENGINEER
2. OWNER NAME(S)	ROGER & MARY PORTERFIELD Mailing Address 3197 COUNTY ROAD 122 City, St. Zip HESPERUS, CO 81326 Phone (970) 247-2578	
3. WELL LOCATION AS DRILLED: SW 1/4 SW 1/4, Sec. 27 Twp. 33 N, Range 8 W DISTANCES FROM SEC. LINES: 600 ft. from SOUTH Sec. line. and 733 ft. from WEST Sec. line. (north or south) (east or west) SUBDIVISION: LOT BLOCK FILING(UNIT) STREET ADDRESS AT WELL LOCATION:		
4. PUMP DATA: Type SUBMERSIBLE Installation Completed 03/17/97 Pump Manufacturer STARITE Pump Model No. 10P4C02J Design GPM 10 at RPM 3500, HP 1½, Volts 230, Full Load Amps 11 Pump Intake Depth 240 Feet, Drop/Column Pipe Size 1 Inches, Kind PVC SCH 80 ADDITIONAL INFORMATION FOR PUMPS GREATER THAT 50 GPM: TURBINE DRIVER TYPE: <input type="checkbox"/> Electric <input type="checkbox"/> Engine <input type="checkbox"/> Other Design Head feet, Number of Stages, Shaft size inches.		
5. OTHER EQUIPMENT: Airline Installed <input type="checkbox"/> Yes <input type="checkbox"/> No, Orifice Depth ft. Monitor Tube Installed <input type="checkbox"/> Yes <input type="checkbox"/> No, Depth ft. Flow Meter Mfg. Meter Serial No. Meter Readout <input type="checkbox"/> Gallons, <input type="checkbox"/> Thousand Gallons, <input type="checkbox"/> Acre feet, <input type="checkbox"/> Beginning Reading		
6. TEST DATA: <input type="checkbox"/> Check box if Test data is submitted on Supplemental Form. Date Total Well Depth 250 Time Static Level 60 Rate (GPM) 10 Date Measured 03/17/97 Pumping Lvl.		
7. DISINFECTION: Type CHLORINE Amt. Used 1 GALLON		
8. Water Quality analysis available. <input type="checkbox"/> Yes <input type="checkbox"/> No		
9. Remarks		
10. I have read the statements made herein and know the contents thereof, and that they are true to my knowledge. [Pursuant to Section 24-4-104 (13)(a) C.R.S., the making of false statements herein constitutes perjury in the second degree and is punishable as a class 1 misdemeanor.]		
CONTRACTOR HULL DRILLING Phone (970) 884-1310 Lic. No. 655 Mailing Address P.O. BOX 619 BAYFIELD, CO 81122		
Name/Title (Please type or print) ETHIE HULL/OWNER	Signature <i>Ethie Hull</i>	Date 04/28/97



2.) Prior to approving any Application for Permit-to-Drill, the Director shall conduct an onsite inspection if the operator and the surface owner have not entered into a surface use agreement.

3.) The purpose of the onsite inspection shall be to identify any potential public health, safety and welfare or significant adverse environmental impacts within COGCC jurisdiction regarding the proposed surface location that may not be adequately addressed by COGCC rules or orders. The onsite inspection shall not address matters of surface owner compensation, property value diminution, or any private party contractual issues between the operator and the surface owner.

4.) When the Director conducts onsite inspections under the conditions in 1.) and 2.) above, the Director shall invite the representatives of the surface owner, the operator and local governmental designee ("LGD") to attend. The Director shall attempt to select a mutually acceptable time for the representatives to attend. The inspection shall be conducted within ten (10) days, or as soon as practicable thereafter, of either the date the LGD advises the Director in writing that the proposed surface well site location falls within an approved subdivision or the date the operator advises the Director in writing that a surface use agreement has not been reached with the surface owner. If requested by the operator, the Director may delay the onsite inspection to allow for negotiation between the operator and surface owner or other parties.

5.) Following the onsite inspection, the Director shall apply appropriate site specific drilling permit conditions if necessary to prevent or mitigate public health, safety and welfare or significant adverse environmental impacts taking into consideration cost-effectiveness and technical feasibility and relevant geologic and petroleum engineering conditions as well as prevention of waste, protection of correlative rights, and promotion of development.

6.) Examples of the types of impacts and conditions that might be applied if determined necessary by the Director in 5.) above include (this list is not prescriptive or all inclusive):

a.) visual or aesthetic impacts - moving the proposed surface well site location or access road to take advantage of natural features for screening; installing low profile artificial lift methods; constructing artificial features for screening

b.) surface impacts - moving or reducing the size, shape, or orientation of the surface well site location or access road to avoid disturbance of natural features or to enhance the success of future reclamation activities; utilizing an existing surface well site location or access road to avoid the impacts of new construction; utilizing a closed drilling fluid system instead of reserve pits to avoid impacts to sensitive areas [Note: Directional drilling from common surface locations is not a cost-effective or technically feasible option to mitigate surface impacts on 160-acre Fruitland coal seams well density because of the shallow (approximately 2000') target top depths, the long (average 2640') displacements and the resulting complications for artificial lift.]

c.) noise impacts - installing electric motors where practicable; locating or orienting motors or compressors to reduce noise; installing sound barriers to achieve compliance with COGCC rules; confining cavitation completion operations (excluding flaring) to the hours of 7 a.m. to 7 p.m. and notifying all area residents within one-half (1/2) mile at least seven (7) days before cavitation is commenced

d.) dust impacts - watering roads as necessary to control dust during drilling and completion operations

e.) ground water impacts - collecting and analyzing water and gas samples from existing water wells or

springs; installing monitoring wells, collecting samples, and reporting water, gas and pressure data

f.) safety impacts - soil gas sampling and analysis; residential crawl space gas sampling and analysis; installing security fencing around wellheads and production equipment

g.) outcrop impacts - performing outcrop gas seep surveys; performing produced water quality analysis; periodic pressure transient testing of high water/gas ratio wells; limiting water production in wells with anomalously high water rates and water/gas ratios; funding investigative reservoir modelling under the Director's supervision

h.) wildlife impacts - limiting drilling and completion operations during certain seasonal time periods when specific site conditions warrant

7.) If the operator objects to any of the conditions of approval applied under 6.) above, the Director shall stay the issuance of the drilling permit and properly notice and set the matter for the next regularly scheduled Commission hearing at which time the Commission may determine conditions of drilling permit approval.

8.) If the Director has reasonable cause to believe that any existing or proposed oil and gas operations are causing, or are likely to cause, public health, safety and welfare or significant adverse environmental impacts within COGCC jurisdiction that may not be adequately addressed by COGCC rules or orders, the Director may properly notice and set the matter for the next regularly scheduled Commission hearing to order appropriate investigative or remedial action. Reasonable cause may include, but is not limited to, information from the 3M Mapping, Modelling and Monitoring Project.

State of Colorado
Oil and Gas Conservation Commission

1120 Lincoln Street, Suite 801, Denver, Colorado 80203 Phone: (303)894-2100 Fax: (303)894-2109

APPLICATION FOR PERMIT TO:

1. ☒ Drill, ☐ Reopen, ☐ Re-enter, ☐ Recomplete and Operate



01511792

RECEIVED

SEP 11 2006
Plugging Bond Surety ID#

COGCC

2. TYPE OF WELL
OIL ☐ GAS ☒ COALBED ☒ OTHER: ☐
SINGLE ZONE ☒ MULTIPLE ZONES ☐ COMMINGLE ZONES ☐

Refilling ☐
Sidetrack ☐

3. Name of Operator Elm Ridge Exploration Co. LLC
4. COGCC Operator Number: 26625
5. Address: P.O. Box 156
City: Bloomfield State: N.M Zip: 87413
6. Contact Name: Terry Lindeman Phone: 505 632-3476 ex. 210 Fax: 505 632-8151
7. Well Name: IGE Well Number: 110
8. Unit Name (if appl): Unit Number:
9. Proposed Total Measured Depth: 3400'

Attachment Checklist	OP	COGCC
APD Orig & 1 Copy	X	
Form 2A	X	
Well location plat	X	
Topo map	X	
Mineral lease map		
Surface agmt/Surety		
30 Day notice letter	X	
Deviated Drilling Plan		
Exception Location Request		
Exception Loc Waivers	X	
H2S Contingency Plan		
Federal Drilling Permit		

10. QtrQtr: SW/4SW/4 Sec: 17 Twp: 33N Rng: 8W Meridian: N.M.P.M
Latitude: 37.10003 Longitude: 107.74668
Footage At Surface: 1235' FSL 1025' FWL
11. Field Name: Ignacio Blanco Field Number: 38300
12. Ground Elevation: 6730' 13. County: La Plata

14. GPS Data:
Date of Measurement: 3/6/2006 PDOP Reading: < 3.0 Instrument Operator's Name: Nelson Ross

15. If well is: ☐ Directional ☐ Horizontal (highly deviated), submit deviated drilling plan. Bottomhole Sec Twp Rng:
Footage At Top of Prod Zone: FNL/FSL FSL FWL At Bottom Hole: FNL/FSL FSL FWL
16. Is location in a high density area (Rule 603b)? ☐ Yes ☒ No
17. Distance to the nearest building, public road, above ground utility or railroad: 1025' to C.R 309
18. Distance to Nearest Property Line: 86' to N. 19. Distance to nearest well permitted/completed in the same formation: 2675' to E.

LEASE, SPACING AND POOLING INFORMATION

Objective Formation(s)		Formation Code	Spacing Order Number (s)		Unit Acreage Assigned to Well	Unit Configuration (N/2, SE/4, etc.)
Fruitland		FRLD	112-157		320	W/2
STEVE, There is no SGA for this and the surface owner's signature is not on the lease						
Lease # _____ So it looks like an on-site need to be scheduled for this - could you let me know when it is scheduled?						
21. Mineral Ownership:	<input checked="" type="checkbox"/> Fee	<input type="checkbox"/> State	<input type="checkbox"/> Federal	<input type="checkbox"/> Indian		
22. Surface Ownership:	<input checked="" type="checkbox"/> Fee	<input type="checkbox"/> State	<input type="checkbox"/> Federal	<input type="checkbox"/> Indian		
23. Is the Surface Owner also the Mineral Owner?	<input type="checkbox"/> Yes		<input checked="" type="checkbox"/> No		Surface Surety ID# _____	
23a. If 23 is Yes:	Is the Surface Owner(s) signature on the lease?				<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	
23b. If 23 is No:	<input type="checkbox"/> Surface Owners Agreement Attached or		<input checked="" type="checkbox"/> \$25,000 Blanket Surface Bond		<input type="checkbox"/> \$2,000 Surface Bond <input type="checkbox"/> \$5,000 Surface Bond	
24. Using standard QtrQtr, Sec, Twp, Rng format enter entire mineral lease description upon which this proposed wellsite is located (attach separate sheet/map if you prefer): Sec. 17: SW/4, S/2NW/4, S/2NE/4, N/2SE/4. Sec. 18: SE/4SE/4, S/2SW/4SE/4. Sec. 19: N/2NE/4, SE/4NE/4, N/2SW/4NE/4 T33N-R8W, N.M.P.M						
25. Distance to Nearest Mineral Lease Line: 1025' to W.						
26. Total Acres in Lease: 600						

DRILLING PLANS AND PROCEDURES

27. Is H2S anticipated? ☐ Yes ☒ No If Yes, attach contingency plan.
28. Will salt sections be encountered during drilling? ☐ Yes ☒ No
29. Will salt (>15,000 ppm TDS Cl) or oil based muds be used during drilling? ☐ Yes ☒ No
30. If questions 27 or 28 are yes, is this location in a sensitive area (Rule 903)? ☐ Yes ☒ No If 28, 29 or 30 are "Yes" a pit permit may be required.
31. Mud disposal: ☐ Offsite ☒ Onsite
Method: ☐ Land Farming ☐ Land Spreading ☐ Disposal Facility ☒ Other: Evaporate & bury in Pit
NOTE: The use of an earthen pit for Recompletion fluids requires a pit permit (Rule 905b.) If air/gas drilling, notify local fire officials.

String	Size of Hole	Size of Casing	Weight Per Foot	Setting Depth	Sacks Cement	Cement Bottom	Cement Top
Surface	12-1/4"	8-5/8"	24 ppf	500'	400 sks	500'	Surface
Production	7-7/8"	5-1/2"	17 ppf	3400'	250 / 210 sks	3400'	Surface
Stage Tool							

32. BOP Equipment Type: ☐ Annular Preventor ☒ Double Ram ☐ Rotating Head ☐ None
33. Comments: The proposed well will be located entirely on Elm Ridge's existing Harmon # 1A well pad. There will be very little disturbance associated with this new well.
34. Initial Rule 306 Consultation took place on (date) 2/22/2006, was waived, or is not required. Provide supporting documentation if consultation has been waived or if good faith effort did not result in consultation.
PERMIT SUBMITTED TO COGCC PRIOR TO COMPLIANCE WITH RULE 306 CONSULTATION SHALL BE RETURNED UNAPPROVED.
I hereby certify that a complete permit package has been sent to the applicable Local Government Designee(s), and all statements made in this form are, to the best of my knowledge, true, correct and complete.
Signed: [Signature] Print Name: Tim G. Kelley Ph. # 970 385-4722
Title: Agent Date: 9/6/06 Email: Tim@finneyland.com

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: _____

Permit Number: 20064601

CONDITIONS OF APPROVAL, IF ANY:

Expiration Date: _____

See Attached for Conditions of Permit Approval