

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 checked="" type="checkbox"/> Sidetrack <input type="checkbox"/>
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Date Received:
03/16/2016

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

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

Address: 100 WAUGH DR SUITE 400
 City: HOUSTON State: TX Zip: 77007

Contact Name: Tracy Arnett Phone: (970)3850696 Fax: (970)3850636
 Email: tarnett@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: 39.094350 Longitude: -107.437880

Footage at Surface: <u>589</u> feet	FNL/FSL	FEL/FWL
<u>FSL</u> <u>1509</u> feet	<u>FSL</u>	<u>FWL</u>

Field Name: RAGGED MOUNTAIN Field Number: 71430
 Ground Elevation: 7851 County: GUNNISON

GPS Data:
 Date of Measurement: 09/17/2013 PDOP Reading: 1.5 Instrument Operator's Name: D. 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>1072</u> <u>FSL</u> <u>2212</u> <u>FWL</u>	<u>1871</u> <u>FNL</u> <u>663</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.)

Please see attached lease map. This well will produce from 2 federal leases within the Henderson Drilling and Spacing Unit: COC013484 (540 Acres) and COC 068787 (800 acres). Total combined acres for both leases is 1340 acres. The lease listed on this form is the first lease encountered at the top of production.

Total Acres in Described Lease: 540 Described Mineral Lease is: Fee State Federal Indian

Federal or State Lease # COC013484

Distance from Completed Portion of Wellbore to Nearest Lease Line of described lease: 0 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 proposed wellbore to nearest completed portion of offset 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): _____ Unit Number: _____

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 from proposed wellbore to nearest existing or permitted wellbore belonging to another operator:

3968 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 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	137	80	0
SURF	16	13+3/8	54.5	0	400	180	400	0
1ST	12+1/4	9+5/8	40	0	5500	1247	5500	0
2ND	8+1/2	5+1/2	20	0	12907	1304	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

There have been no changes to the surrounding land use.
 There have been no changes to the well construction plan.
 The mineral lease description and map have been updated to include both leases that this well will produce from. Both leases are within the Henderson drilling and spacing unit.
 This well pad has been built. No drilling is currently taking place at the well site.
 The surface location has changed slightly so that all wells on the pad have a consistent 15' spacing apart.
 Nearest wellbore belonging to another operator is the Pasco (Spadafora) #1.
 Distance to nearest completed portion of offset wellbore in the same formation is 116'. This is the distance to the top of productive horizon for SG's permitted well going in the opposite direction (Federal 11-90-15 #3). There is no intent in this case to create interference between the two wells. The perfs are currently planned to be a minimum of 600' apart from horizontal to horizontal and could be further upon final frac stage design.
 The casing and cementing program has been updated.
 The estimated top of production footages have been corrected.
 No other changes have been made.
 Attached is the original Federal APD submittal. The final Federal APD approval has not yet been received.

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? No

I hereby certify all statements made in this form are, to the best of my knowledge, true, correct, and complete.

Signed: _____ Print Name: Tracy Arnett

Title: Permitting Date: 3/16/2016 Email: tarnett@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: Matthew Lee Director of COGCC Date: 4/22/2016

Expiration Date: 04/21/2018

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.

<u>COA Type</u>	<u>Description</u>
	Approval of this refile APD does not provide relief from compliance with the COGCC Reclamation Rules.
	(1) Operator shall comply with the most current revision of the Northwest Notification Policy. (2) Cement on intermediate casing (9+5/8" first string) must extend into the surface casing (minimum 200' lap above the surface casing shoe) to provide isolation of all Mesaverde Group and Wasatch oil, gas, and water-bearing sandstone and coalbed formations that are not covered by surface casing. Verify intermediate casing (9+5/8" first string) cement coverage with a CBL. (3) Verify production casing (5+1/2" second string) cement coverage with a CBL.
	Submitter is not a registered agent. Please fill out form 1A Designation of Agent.

Best Management Practices

<u>No</u>	<u>BMP/COA Type</u>	<u>Description</u>
1	Drilling/Completion Operations	One of the first wells drilled on the pad will be logged with open-hole Resistivity Log and Gamma Ray Log from kickoff point into the surface casing. All wells on the pad will have a cement bond log with gamma-ray run on production casing from kickoff point (or on intermediate casing if production liner is run) into the surface casing or into the overlap between the production and intermediate casing in the event intermediate casing is run. The horizontal portion of a well from kickoff point to TD will be logged-while-drilling with a gamma ray tool. The Form 5, Completion Report, for each well on the pad will list all logs run and have those logs attached. The Form 5 for a well without open-hole logs shall clearly state 'No open-hole logs were run' and shall clearly identify (by API#, well name & number) the well in which open-hole logs were run.

Total: 1 comment(s)

Applicable Policies and Notices to Operators

Policy
NW Colorado Notification Policy. http://cogcc.state.co.us/documents/reg/Policies/nw_notification_procedures.pdf

Attachment Check List

<u>Att Doc Num</u>	<u>Name</u>
400984084	FORM 2 SUBMITTED
400984262	FED. DRILLING PERMIT
401005153	WELL LOCATION PLAT
401005433	MINERAL LEASE MAP
401007902	OffsetWellEvaluations Data

Total Attach: 5 Files

General Comments

<u>User Group</u>	<u>Comment</u>	<u>Comment Date</u>
Permit	Final review complete.	4/18/2016 11:48:57 AM
Permit	Note operator comment regarding distances to nearest wellbore and planned perfs 600' from each other. Removed Henderson DSU name from Unit name as per operator.	4/12/2016 4:06:03 PM
Engineer	Evaluated existing offset oil and gas wells within 1,500 feet of this wellbore. No mitigation required. Offset water well check: COGCC evaluated offset water wells within one mile of this proposed well's surface hole location. This information was used in addition to locally-available geophysical logs and hydrogeologic information to evaluate the adequacy of the operator's proposed surface-casing setting depth. There is one water well within one mile and shows zero for reported depth.	3/28/2016 12:08:59 PM

Total: 3 comment(s)