

FORM

2

Rev
08/13

State of Colorado

Oil and Gas Conservation Commission

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

Document Number:

401026204

APPLICATION FOR PERMIT TO:

☒ Drill
 ☐ Deepen
 ☐ Re-enter
 ☐ Recomplete and Operate
TYPE OF WELL OIL ☒ GAS ☐ COALBED ☐ OTHER _____Refilling ☐ZONE TYPE SINGLE ZONE ☒ MULTIPLE ZONES ☐ COMMINGLE ZONES ☐Sidetrack ☐

Date Received:

04/18/2016

Well Name: State

Well Number: 02-63-16-1H

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)2994495

Fax: ()

Email: sdemattee@progressivepcs.net

RECLAMATION FINANCIAL ASSURANCE

Plugging and Abandonment Bond Surety ID: 20130094

WELL LOCATION INFORMATION

QtrQtr: SESE Sec: 16 Twp: 2N Rng: 63W Meridian: 6

Latitude: 40.131970

Longitude: -104.433690

Footage at Surface: 300 feet FNL/FSL FSL 212 feet FEL/FWL FEL

Field Name: WATTENBERG

Field Number: 90750

Ground Elevation: 4763

County: WELD

GPS Data:

Date of Measurement: 04/05/2016 PDOP Reading: 1.9 Instrument Operator's Name: Bob Hendricks

If well is ☐ Directional ☒ Horizontal (highly deviated) submit deviated drilling plan.
 Footage at Top of Prod Zone: FNL/FSL FSL 460 FSL 900 FEL 2138 FSL 900 FEL
 Sec: 16 Twp: 2n Rng: 63w Sec: 9 Twp: 2n Rng: 63w

LOCATION SURFACE & MINERALS & RIGHT TO CONSTRUCT

Surface Ownership: ☐ Fee ☒ State ☐ Federal ☐ IndianThe 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.)

All 640 acres of Sec. 16-T2N-R63W

Total Acres in Described Lease: 640 Described Mineral Lease is: ☐ Fee ☒ State ☐ Federal ☐ Indian

Federal or State Lease # 1228.10

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

CULTURAL DISTANCE INFORMATION

Distance to nearest:

Building: 1220 Feet
Building Unit: 1650 Feet
High Occupancy Building Unit: 5280 Feet
Designated Outside Activity Area: 5280 Feet
Public Road: 202 Feet
Above Ground Utility: 325 Feet
Railroad: 5280 Feet
Property Line: 212 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: 5280 Feet

Distance from Completed Portion of Wellbore to Nearest Unit Boundary 460 Feet (Enter 5280 for distance greater than 1 mile.)

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

SPACING & FORMATIONS COMMENTS

Proposed wellbore spacing unit: E/2, S. 16-T2N-R63W and SE/4, S. 4-T2N-R63W

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		480	GWA

DRILLING PROGRAM

Proposed Total Measured Depth: 13783 Feet

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

420 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:

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
CONDUCTOR	26+0/0	16+0/0	65	0	80	65	80	0
SURF	13+1/2	9+5/8	36	0	1500	550	1500	0
1ST	8+3/4	5+1/2	20	0	13783	2500	13783	0

☐ 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 the nearest completed portion of an offset well belonging to another operator was calculated to the State 26 (123-07684), operated by P & M Petroleum Management. No stimulation setback consents are needed.

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: 4/18/2016 Email: sdemattee@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:  Director of COGCC Date: 5/24/2016

Expiration Date: 05/23/2018

API NUMBER

05 123 43203 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>
	<p>Bradenhead tests shall be performed and reported according to the following schedule and Form 17 submitted within 10 days of each test.</p> <ol style="list-style-type: none"> 1) Within 60 days of rig release, prior to stimulation. 2) 6 months after rig release, prior to stimulation. 3) Within 30 days of first production, as reported on Form 5A.
	<ol style="list-style-type: none"> 1) Submit Form 42 electronically to COGCC 48 hours prior to MIRU (spud notice). 2) Comply with Rule 317.j. and provide cement coverage from TD to a minimum of 200' above Niobrara. Verify coverage with cement bond log. 3) Prior to drilling operations, Operator will perform a risk analysis of the potential for subsurface collision with existing offset wells within close proximity of the proposed well, taking into consideration the possibility of well path drift for both the existing and proposed wells. Where inclination, MWD or gyro surveys of the offset wells are available, or can be reasonably obtained by the operator, such surveys shall be incorporated in the risk analysis, taking into account survey instrument margin of error. For the proposed well, upon conclusion of drilling operations, an as-constructed final directional survey will be submitted to the COGCC with the Form 5. 4) Operator will comply with COGCC Policy for Bradenhead Monitoring During Hydraulic Fracturing Treatments in the Greater Wattenberg Area dated May 29, 2012.

Best Management Practices

<u>No</u>	<u>BMP/COA Type</u>	<u>Description</u>
1	Pre-Construction	<p>PRE-CONSTRUCTION</p> <ul style="list-style-type: none"> • A stabilized staging area will be prepared. • Vehicle tracking pads, geotextiles, or mud mats will be installed where applicable to provide designated access into the ROW. • Perimeter control BMPs will be installed. • Access to areas that are not to be disturbed will be limited to protect the existing vegetation. • Dust mitigation practices will be utilized.
2	General Housekeeping	<p>GENERAL HOUSEKEEPING</p> <ul style="list-style-type: none"> • Verdad will routinely inspect the surface pipeline to ensure integrity and conduct daily inspections of surface poly pipeline routes for leaks during active transfer of fluids. Inspections shall be conducted by viewing the length of the pipeline. • Verdad will comply with Rule 609 Statewide Groundwater Baseline Sampling and Monitoring
3	Wildlife	<p>WILDLIFE</p> <ul style="list-style-type: none"> • All garbage and any food items will be placed in bear proof trash containers. Personnel will not feed bears at any time. Bears will not be approached if encountered in the project area. • Seed mix used for interim and final reclamation is prescribed by the landowner. • Other considerations as described in the Wildlife Mitigation Plan with Colorado Division of Parks and Wildlife.
4	Storm Water/Erosion Control	<p>STORM WATER/ EROSION CONTROL</p> <ul style="list-style-type: none"> • Run-on protection and run-off controls will be installed prior to the beginning of construction activities, as practicable, with consideration given to worker safety and site access. Additional structural and non-structural Best Management Practices (BMPs) will likely need to be installed during and following construction. • No stormwater run-off will be discharged to the Colorado River.

5	Construction	<p>CONSTRUCTION</p> <ul style="list-style-type: none"> • Stockpiles for topsoil, excess cut material, and drill cuttings will be located in work areas within perimeter BMPs. • Stormwater BMPs will be installed per details in the Stormwater BMP manual. • Disturbed area of site will be left in a surface roughened condition when feasible. • BMPs will be protected, inspected and repaired as necessary. • Dust mitigation practices will be utilized. • The access road will be constructed and maintained as to not allow any sediment to migrate from the access road to nearby surface water or any drainages leading to surface water. • Berms or other containment devices shall be constructed to be sufficiently impervious (preferably corrugated steel with poly liner) to contain any spilled or released material around crude oil, condensate, and produced water storage tanks.
6	Drilling/Completion Operations	<p>Open-hole Resistivity Log with Gamma Ray Log will be run from the kick-off point into the surface casing. A Cement Bond Log with Gamma-Ray will be run on production casing, or on intermediate casing if a production liner is run. The horizontal portion of the wellbore will be logged with a measured-while-drilling gamma-ray log. The Form 5, Completion Report, will list all logs run and have those logs attached.</p>
7	Drilling/Completion Operations	<p>DRILLING/ COMPLETION OPERATIONS</p> <ul style="list-style-type: none"> • Topsoil will be stockpiled as appropriate to maintain microbial viability. • Run-off from the facility will be controlled per Stormwater Management Plan. • Pooled water will be treated for mosquitoes to minimize the spread of the West Nile virus. • Verdad will ensure 110 percent secondary containment for any potential volume of fluids that may be released from the surface pipeline at all sensitive area crossings, including, but not limited to stream, intermittent stream, ditch, and drainage crossings.
8	Interim Reclamation	<p>INTERIM RECLAMATION</p> <ul style="list-style-type: none"> • Top soil, where present, will be segregated from deeper soils and replaced as top soil on the final grade, a process known as live topsoil handling. • In all cases, temporary disturbance will be kept to an absolute minimum. • Equipment and materials handling will be done on established sites to reduce area and extent of soil compaction. • Disturbances will be reseeded as soon as practical with the recommended mix in the re-vegetation section. • Topsoil stockpiles will be seeded with non-invasive sterile hybrid grasses, if stored longer than one growing season. • Prior to delivery to the site, equipment will be cleaned of soils remaining from previous construction sites which may be contaminated with noxious weeds. • If working in sites with weed-seed contaminated soil, equipment will be cleaned of potentially seed-bearing soils and vegetative debris prior to moving to uncontaminated terrain.
9	Final Reclamation	<p>FINAL RECLAMATION</p> <ul style="list-style-type: none"> • BMPs installed during previous phases will be maintained and repaired as necessary. • Surface will be stabilized with gravel when feasible • BMPs will be inspected. • Seeding and mulching or the installation of erosion control blankets will take place where applicable. • All non-biodegradable temporary BMPs will be removed when applicable. • Dust mitigation practices will be utilized.

Total: 9 comment(s)

Applicable Policies and Notices to Operators

Policy

Notice Concerning Operating Requirements for Wildlife Protection.
http://cogcc.state.co.us/documents/reg/Policies/Wildlife_Notice.pdf

Attachment Check List

<u>Att Doc Num</u>	<u>Name</u>
2157982	WELL LOCATION PLAT
2157983	DEVIATED DRILLING PLAN
2157984	PROPOSED SPACING UNIT
2365200	SURFACE CASING CHECK
401026204	FORM 2 SUBMITTED
401027374	EXCEPTION LOC WAIVERS
401029225	30 DAY NOTICE LETTER
401029809	EXCEPTION LOC REQUEST
401031557	WASTE MANAGEMENT PLAN
401049493	DIRECTIONAL DATA
401053082	OffsetWellEvaluations Data

Total Attach: 11 Files

General Comments

<u>User Group</u>	<u>Comment</u>	<u>Comment Date</u>
Permit	Final Review Complete.	5/24/2016 1:04:14 PM
Permit	Operator has revised waste management to Offsite/Commercial Disposal. Deleted original comments and changed beneficial reuse plan submitted to "NO" to match related 2A. Operator has submitted revised deviated drilling plan, PSU, OWE, directional data template, well location plat to change wellbore to 1 1/2 mile lateral requiring GWA wellbore spacing unit. Oper. submitted required certification that mineral interest owners had 30 day notice and did not object. Oper. revised distance to nearest well permitted/producing to 5280'. Corrected Spacing Tab description of PSU and GWA unit acreage. Corrected distance to lease line to 0'.	5/16/2016 11:04:04 AM
Permit	Req'd revised distance to nearest well permitted/completed in NBRR (should be 5280'). Req'd revised PSU since this wellbore does not meet setbacks in Order 535-35. SLB verified surface restoration bond and lease.	5/13/2016 8:06:37 AM
Engineer	Changed surface casing setting depth due to monobore well design. Offset wells evaluated	5/12/2016 11:02:33 AM
Permit	Req'd. verification of SLB surface restoration bond and lease.	5/12/2016 10:41:40 AM
Permit	Passes completeness.	4/20/2016 1:29:10 PM
Permit	Returned to draft: --corrections to Spacing Tab for revised PSU --correction to open hole logging BMP Returned to draft on 4/19/2016 for: --PSU is too large: does not meet 318A guidelines for PSU size. (Existing spacing order allows one well in the section with 600' unit setbacks.) I know this is one SLB lease, but only one well is proposed at this time. --open hole logging exception request implied in logging BMP; request is required attachment; won't be granted as distance to nearest well with log control does not meet Rule 317.p guidance	4/20/2016 11:08:23 AM

Total: 7 comment(s)