

APPLICATION FOR PERMIT TO:

Drill Deepen Re-enter Recomplete and Operate

TYPE OF WELL OIL GAS COALBED OTHER _____ Refiling
 ZONE TYPE SINGLE ZONE MULTIPLE ZONES COMMINGLE ZONES Sidetrack

Date Received: 10/05/2016

Well Name: Federal 12-89-30 Well Number: 1
 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: _____

WELL LOCATION INFORMATION
 QtrQtr: NENE Sec: 30 Twp: 12S Rng: 89W Meridian: 6
 Latitude: 38.991860 Longitude: -107.373190
 Footage at Surface: 267 Feet FNL 1261 Feet FEL
 Field Name: WILDCAT Field Number: 99999
 Ground Elevation: 7363 County: GUNNISON
 GPS Data:
 Date of Measurement: 11/08/2009 PDOP Reading: 2.0 Instrument Operator's Name: David G. 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
1473 FNL 1257 FEL 1473 FNL 1257 FEL
 Sec: 30 Twp: 12S Rng: 89W Sec: 30 Twp: 12s Rng: 89w

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.)

Sec 30 1-4, E2, E2W2, Sec 31 1-4, E2, E2W2 in T12S, R89W, Gunnison County, CO.

Total Acres in Described Lease: 1273 Described Mineral Lease is: Fee State Federal Indian

Federal or State Lease # COC64169

Distance from Completed Portion of Wellbore to Nearest Lease Line of described lease: 1257 Feet

CULTURAL DISTANCE INFORMATION

Distance to nearest:

Building: 4223 Feet

Building Unit: 4223 Feet

High Occupancy Building Unit: 5280 Feet

Designated Outside Activity Area: 5280 Feet

Public Road: 4752 Feet

Above Ground Utility: 5280 Feet

Railroad: 5280 Feet

Property Line: 276 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: 5051 Feet

Distance from Completed Portion of Wellbore to Nearest Unit Boundary 1257 Feet (Enter 5280 for distance greater than 1 mile.)

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

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.)
MANCOS	MNCS			

DRILLING PROGRAM

Proposed Total Measured Depth: 7775 Feet

Distance from the proposed wellbore to nearest existing or proposed wellbore belonging to another operator, including plugged wells:

Enter distance if less than or equal to 1,500 feet: _____ Feet No well belonging to another operator within 1,500 feet

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? 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	24	20	106.5	0	80	100	80	0
SURF	16	13+3/8	54.5	0	400	318	400	0
1ST	12+1/4	9+5/8	40	0	4075	912	4075	0
2ND	8+1/2	5+1/2	17	0	7775	415	7775	3875

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.
There have been no changes to the mineral lease description upon which the proposed well site is located.
The well site has not been built.
Distances have been updated to reflect current data. No other changes have been made.
This well is within the exterior boundary of the Deadman Gulch Unit, but this lease is not committed to the unit. The lease is not operated by the Deadman Gulch Unit designated operator.
BLM APD approval is pending due to NEPA analysis.

This application is in a Comprehensive Drilling Plan No CDP #: _____

Location ID: 416817

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: Regulatory Permitting Date: 10/5/2016 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: 1/7/2017

Expiration Date: 01/06/2019

API NUMBER
05 051 06096 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>
	If conductors are preset, operator shall comply with Notice to Operators: Procedures for Preset Conductors (dated September 1, 2016, revised October 6, 2016).
	1) Operator shall comply with the most current revision of the Northwest Notification Policy. 2) Operator shall provide cement coverage from the intermediate casing shoe (9 5/8" FIRST STRING) to a minimum of 200' above the surface casing shoe to provide isolation of all Cretaceous (Ohio Creek and Mesaverde) and Tertiary (Wasatch) oil, gas, and water-bearing sandstone and coalbed formations that are not otherwise covered by the surface casing. Verify intermediate casing cement coverage with a cement bond log.

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 TD into the surface casing. All wells on the pad will have a cement bond log with gamma-ray run on production casing (or on intermediate casing if production liner is run) into the surface casing. 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
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>
401105877	FORM 2 SUBMITTED
401124175	WELL LOCATION PLAT
401124287	FED. DRILLING PERMIT

Total Attach: 3 Files

General Comments

<u>User Group</u>	<u>Comment</u>	<u>Comment Date</u>
Permit	Removed plugging bond due to lands being Fed/Fed and notified operator. Final review complete.	01/06/2017
Permit	Drilling and waste plan matches approved form 2A.	11/30/2016
Permit	Initial review complete.	11/16/2016
LGD	Date: November 1, 2016 Gunnison County LGD Comments for Federal 12-89-30 #1 Gunnison County formally waives comment for Document # 401105877 for Federal 12-89-30#1. David Baumgarten Gunnison County LGD	11/01/2016
Engineer	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. The deepest water well within one mile is 27 feet deep. There are no existing offset wells within 1500' of the planned wellbore. COGCC concurs with operator's plan to cement the production casing 200' into the intermediate casing. Review of locally-available geophysical logs indicate the intermediate casing will be set in the upper part of the Mancos formation.	10/18/2016
Permit	Passes completeness.	10/12/2016

Total: 6 comment(s)