

FORM

2

Rev
08/16

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:

401251451

APPLICATION FOR PERMIT TO:

☒ Drill
 ☐ Deepen
 ☐ Re-enter
 ☐ Recomplete and Operate

Date Received:

04/19/2017

TYPE OF WELL OIL ☒ GAS ☐ COALBED ☐ OTHER _____Refiling ☐ZONE TYPE SINGLE ZONE ☒ MULTIPLE ZONES ☐ COMMINGLE ZONES ☐Sidetrack ☐

Well Name: BRNAK

Well Number: 01-64-10-1H

Name of Operator: VERDAD RESOURCES LLC

COGCC Operator Number: 10651

Address: 5950 CEDAR SPRINGS ROAD

City: DALLAS State: TX Zip: 75235

Contact Name: Kenny Trueax

Phone: (720)651-9409

Fax: ()

Email: Regulatory@verdadoil.com

RECLAMATION FINANCIAL ASSURANCE

Plugging and Abandonment Bond Surety ID: 20170009

WELL LOCATION INFORMATION

QtrQtr: NWNW Sec: 10 Twp: 1N Rng: 64W Meridian: 6

Latitude: 40.072546

Longitude: -104.541868

Footage at Surface: 245 Feet FNL/FSL FNL 1259 Feet FEL/FWL FWL

Field Name: WATTENBERG

Field Number: 90750

Ground Elevation: 5104

County: WELD

GPS Data:

Date of Measurement: 03/02/2017 PDOP Reading: 1.7 Instrument Operator's Name: ALAN HNIZDO

If well is ☐ Directional ☒ Horizontal (highly deviated) submit deviated drilling plan.
 Footage at Top of Prod Zone: FNL/FSL FNL/FWL Bottom Hole: FNL/FSL FEL/FWL
 460 FNL 480 FWL 460 FSL 480 FWL
 Sec: 10 Twp: 1N Rng: 64W Sec: 15 Twp: 1N Rng: 64W

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.)

Sec. 10: W/2 and Part of NE and Part of SE T1N-R64W

Total Acres in Described Lease: 426 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: 0 Feet

CULTURAL DISTANCE INFORMATION

Distance to nearest:

Building: 2142 Feet
Building Unit: 2142 Feet
High Occupancy Building Unit: 5280 Feet
Designated Outside Activity Area: 5280 Feet
Public Road: 233 Feet
Above Ground Utility: 210 Feet
Railroad: 5280 Feet
Property Line: 208 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: 360 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

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	407-2048	1280	S 10: All, S 15: All

DRILLING PROGRAM

Proposed Total Measured Depth: 17165 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: 510 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? Yes

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?

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	16	65	0	80	70	80	0
SURF	13+1/2	9+5/8	36	0	1700	462	1700	0
1ST	8+1/2	5+1/2	20	0	17165	2155	17165	

☐ 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 Operator requested Exception to Open Hole Logging Rule 317.p. See attached.
Surface Use Agreement has waivers for Rules 305, 306, 318A.a, 318A.c and 603.a.(2). Please see page 4, section 9.

This application is in a Comprehensive Drilling Plan _____ No _____ 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: Kenny Trueax _____

Title: Regulatory Manager _____ Date: 4/19/2017 _____ Email: Regulatory@verdadoil.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: 6/20/2017 _____

Expiration Date: 06/19/2019 _____

API NUMBER

05 123 45000 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>
	Bradenhead tests shall be performed according to the following schedule and the Form 17 submitted within 10 days of each test: 1) Within 60 days of rig release and prior to stimulation and 2) If a delayed completion, 6 months after rig release and prior to stimulation. 3) Within 30 days after first production, as reported on Form 5A.
	1) Submit Form 42 electronically to COGCC 48 hours prior to MIRU (spud notice) for the first well activity with a rig on the pad and provide 48 hour spud notice via Form 42 for all subsequent wells drilled on the pad. 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.
	Operator acknowledges the proximity of the listed non-operated wells. Operator assures that this offset list will be remediated per the DJ Basin Horizontal Offset Policy (option 3). Operator will submit a Form 42 ("OFFSET MITIGATION COMPLETED") stating what appropriate mitigation occurred and that it has been completed, prior to the hydraulic stimulation of this well. 05-123-10916, BRNAK 32-10 05-123-10727, UPRR-TURECEK 1

Best Management Practices

<u>No</u>	<u>BMP/COA Type</u>	<u>Description</u>
1	General Housekeeping	Cleanup of trash, scrap, and discarded materials will be conducted at the end of each workday.
2	General Housekeeping	Mud control: when conditions exist that roads are excessively muddy, additional fill material will be added in order to dehydrate the environment and reduce the amount of material that is transported from the wells roads and location to off-site areas.
3	Material Handling and Spill Prevention	Drip pans will be used during fueling of equipment to contain spills and leaks. Visual inspections of pipe and connections will be performed frequently to detect leaks which will be immediately corrected, repaired and reported to COGCC as required. Spill prevention Control Countermeasure (SPCC) will be in place to address any possible spill associated with oil and gas operations.
4	Material Handling and Spill Prevention	During drilling operations, we anticipate 4-5 loads, @ 20 yards per load, of cuttings per day will be transported off-site to an approved disposal facility in accordance with Operator's waste management plan. All loads leaving the location will have a manifest and will be documented. Water-based and Oil-based cuttings will be disposed of offsite and at a licensed, commercial disposal site.
5	Dust control	To prevent dust from becoming a nuisance to the public, water trucks will be utilized to spread water across any dust problem areas.
6	Noise mitigation	Operator will consult with owners of residents and occupied structures and other stakeholders to reduce impact of noise and light during drilling and completion operations. The direction of prevailing winds is considered when planning the location in order to mitigate odor and noise from being a nuisance to the surrounding residents and occupied structures. In order to minimize sound levels during drilling operations at nearby residences, rig generators will be located as far as possible from the residence by rig orientation. Rig lighting will also be directed away from residential units.
7	Noise mitigation	As necessary, temporary straw bale walls or sound walls will be constructed to dampen noise in the direction of residential units.
8	Odor mitigation	Hydrocarbon odors from production facilities are minimized and eliminated by keeping produced fluid hydrocarbons and natural gas contained within pipes, separators, tanks, and combustors. All tanks will be sealed with thief hatches and gaskets. Tank vapors are captured with properly sized piping and combustors.
9	Drilling/Completion Operations	Operator will use a closed loop system for drilling and fluid management. No pits will be dug.

10	Drilling/Completion Operations	Operator will perform anti-collision evaluation of all active (producing, shut-in, of temporarily abandoned) offset wellbores that have the potential of being within 150' feet of the proposed well prior to drilling operations. Notice shall be given to all offset operators prior to drilling.
11	Drilling/Completion Operations	Rule 604.c.I: Upon initial rig-up and at least once every thirty (30) days during drilling operations thereafter, pressure testing of the casing string and each component of the blowout prevention equipment including flange connections shall be performed to seventy percent (70%) of working pressure or seventy percent (70%) of the internal yield of casing, whichever is less. Pressure testing shall be conducted and the documented results shall be retained by the operator for inspection by the Director for a period of one (1) year. Activation of the pipe rams for function testing shall be conducted on a daily basis when practicable.
12	Drilling/Completion Operations	Operator will comply with COGCC policy on bradenhead monitoring during Hydraulic Fracturing Treatment in the Greater Wattenberg Area per policy dated May 29, 2012.
13	Drilling/Completion Operations	Verdad plans to use a Modular Large Volume Tank (MLVT). The planned tank is a 36K BBL tank approximately 148' in diameter. The MLVT is manufactured by Big Holdings and will be supplied and set up by a third-party vendor. Verdad will follow the COGCC guidance policy dated June 13, 2014 on the use of MLVTs.
14	Drilling/Completion Operations	One of the first wells drilled on the pad will be logged with cased hole Pulsed Neutron Log with Gamma Ray Log from KOP 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 horizontal portion of every well will be logged with a measured while-drilling gamma-ray log. The Form 5, Completion Report, for each well on the pad will list all logs run in that well and have those logs attached. The Form 5 for each well shall clearly state "No open-hole logs were run" and shall reference the Rule 317.p Exception granted for the well.
15	Final Reclamation	P&A'd wells will be identified and marked pursuant to 319.a.(5). Within 90-day subsequent to the time of plugging and abandonment of the entire site, superfluous debris and equipment shall be removed from the site.

Total: 15 comment(s)

Attachment Check List

<u>Att Doc Num</u>	<u>Name</u>
2365940	SURFACE CASING CHECK
401251451	FORM 2 SUBMITTED
401252288	WELL LOCATION PLAT
401252289	SURFACE AGRMT/SURETY
401256086	EXCEPTION LOC REQUEST
401260882	OPEN HOLE LOGGING EXCEPTION
401260924	OffsetWellEvaluations Data
401261240	DEVIATED DRILLING PLAN
401261241	DIRECTIONAL DATA
401313405	OFFSET WELL EVALUATION

Total Attach: 10 Files

General Comments

<u>User Group</u>	<u>Comment</u>	<u>Comment Date</u>
Permit	Final Review Completed.	06/19/2017
Permit	Operator requested Exception to Open Hole Logging Rule 317.p. See attached. Surface Use Agreement has waivers for Rules 318A.a. Please see page 4, section 9. Per operator changed Right to Construct to Oil & Gas lease, checked appropriate boxes and removed PSU. Added Spacing order # 407-2048, 1280 acres, & Unit configuration Permitting Review Complete.	06/14/2017
Permit	ON HOLD: requesting confirmation of right to construct, operator comment for where the waivers are in SUA, removal of PSU.	06/14/2017
Engineer	The nearest well belonging to another operator is a drilled and abandoned well; UPRR-TURECEK 1 (05-123-10727).	05/17/2017
Engineer	Emailed operator COA for mitigation- waiting on response.	05/16/2017
Permit	Passed completeness.	05/02/2017
Permit	Return to Draft: - Add Cased Hole Logging BMP to Operator BMP/COA Tab.	05/02/2017
Permit	Correction made to name attachment correctly as Deviated Drilling Plan.	04/27/2017
Permit	Returned to Draft: • Please update Operator BMP Tab as it indicates open hole log will be run however there is an open hole exception letter in the attachments.	04/27/2017

Total: 9 comment(s)