

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:

401206141

APPLICATION FOR PERMIT TO:

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

Date Received:

02/21/2017

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

Well Name: Federal 11-90-9

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: _____

WELL LOCATION INFORMATION

QtrQtr: SWNW Sec: 9 Twp: 11s Rng: 90w Meridian: 6

Latitude: 39.116870

Longitude: -107.458290

Footage at Surface: 1754 Feet FNL/FSL FNL 1016 Feet FEL/FWL FWL

Field Name: WILDCAT

Field Number: 99999

Ground Elevation: 7680

County: GUNNISON

GPS Data:

Date of Measurement: 01/01/2015 PDOP Reading: 1.0 Instrument Operator's Name: David Nicewicz

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
 2539 FSL 668 FWL 1445 FNL 2529 FEL
 Sec: 9 Twp: 11s Rng: 90w Sec: 16 Twp: 11s Rng: 90w

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: No

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.)

See mineral lease map (doc# 400792907) on file with original APD. This well will produce from 2 federal leases, COC42314 (1862 acres) and COC13483 (1866 acres).

Total Acres in Described Lease: 1862 Described Mineral Lease is: ☐ Fee ☐ State ☒ Federal ☐ Indian

Federal or State Lease # COC42314

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

CULTURAL DISTANCE INFORMATION

Distance to nearest:

Building: 5060 Feet
Building Unit: 5060 Feet
High Occupancy Building Unit: 5280 Feet
Designated Outside Activity Area: 5280 Feet
Public Road: 980 Feet
Above Ground Utility: 5125 Feet
Railroad: 5280 Feet
Property Line: 1440 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: 1229 Feet

Distance from Completed Portion of Wellbore to Nearest Unit Boundary 1170 Feet (Enter 5280 for distance greater than 1 mile.)

Federal or State Unit Name (if appl): Henderson Gulch Unit Number: COC 078411X

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: 13955 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	26	20	106.5	0	80	137	80	0
SURF	16	13+3/8	54.5	0	400	185	400	0
1ST	12+1/8	9+5/8	40	0	5500	1295	5500	0
2ND	8+1/2	5+1/2	17	0	13955	1756	13955	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.
There have been no changes to the mineral lease description upon which the proposed well site is located.
The well pad has not been built.
Top of production footages have been added to the bottom hole plat and attached. The surface location plat has also been attached for reference. The Approved federal APD has also been attached.

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

Location ID: 430226

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: 2/21/2017 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:  Director of COGCC Date: 6/26/2017

Expiration Date: 06/25/2019

API NUMBER

05 051 06147 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.

COA Type

Description

	The moisture content of water/bentonite-based mud (WBM) generated cuttings during drilling of the well borehole that will be managed onsite, shall be kept as low as practicable to prevent accumulation of liquids greater than de minimis amounts. The operator has indicated that 'Cuttings Disposal' will be "OFFSITE" and that the 'Cuttings Disposal Method' will be "Commercial Disposal" (as shown in the 'DRILLING WASTE MANAGEMENT PROGRAM SECTION' of the Form 2A and Form 2). After drilling and completion operations have been completed, if any of the WBM drill cuttings might remain on the well pad location (cuttings management area, the cut portion of the pad, cuttings trench, dry cuttings drilling pit), they must meet the applicable standards of Table 910-1. No onsite disposal of cuttings at this location or to another oil and gas location shall occur without prior approval of a Waste Management Plan (submitted via a Form 4 Sundry Notice) specifying disposal location and waste characterization method.
	If conductors are preset, operator shall comply with Notice to Operators: Procedures for Preset Conductors (dated September 1, 2016, revised October 6, 2016).
	If location is not built by 2A expiration 11/15/2017, Operator must Refile Form 2A for approval prior to location construction.
	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

No BMP/COA Type

Description

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.
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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>
401206141	FORM 2 SUBMITTED
401214581	PLAT
401214584	PLAT
401214660	OffsetWellEvaluations Data
401214856	FED. DRILLING PERMIT
401319165	OFFSET WELL EVALUATION

Total Attach: 6 Files

General Comments

<u>User Group</u>	<u>Comment</u>	<u>Comment Date</u>
Permit	Added Henderson Gulch Federal Unit and number, and removed the spacing order comment, spacing order number, unit acreage, and configuration, with operator approval. Corrected the distance to the unit boundary from 662' to 1170' with operator approval. Corrected the distance to the nearest well in the same formation from 1458' to 1229' measuring to the Federal 11-90-15 2 well to the East. Final review complete.	06/21/2017
Permit	Added OGLA review task to verify BMPs and Waste Management. Preliminary review complete.	04/06/2017

LGD	<p>As the COGCC Local Governmental Designee for Gunnison County, I provide the following comments for Federal 11-90-9 Wells Number 4 and 5.</p> <p>1.Gunnison County incorporates and calls attention to the letter I sent to Mr. Matt Lepore, Director of the COGCC, on September 28, 2012 regarding:</p> <p>“Application Seeking Hearing on the Approval of an Application for Permit-to-Drill, Form 2 and Oil and Gas Location Assessment, Form 2A COGCC Document No. 400256142 and 400256030 dated 9/20/2012 SG Interests I Ltd. Federal 11-90-9 #3 a/k/a Henderson 611S90W#9 SWNW, Number 383447”.</p> <p>2.Further, Gunnison County incorporates and calls attention to the Colorado Parks and Wildlife section of the Gunnison County Planning Decision SG Interests I, Ltd., Federal 11-90-9 Gas Well Project, Minor Oil and Gas Operation File No. OG2012-06. For the convenience of the reader, the pertinent section is copied below in its entirety.</p> <p>“COLORADO PARKS AND WILDLIFE:</p> <p>The Colorado Parks and Wildlife (CPW) provided comments to the Colorado Oil and Gas Conservation Commission, May 4, 2012, noting that that[sic] proposed gas well pad is located within an Elk Winter Concentration Area and identified concerns related to the cumulative impacts of increasing well pad density and ancillary facilities on wildlife habitats in the area. The proposed location will unnecessarily fragment wildlife habitat and exacerbate functional habitat loss due to the additional habitat loss, and long-term human disturbance associated with drilling, production, and maintenance of this facility. Several alternate locations were identified for the facility that would avoid and minimize impacts to wildlife by reducing the length of the access road and pipeline, including several areas south of road 265A, an area adjacent to Gunnison Energy’s storage yard (approx. 1400ft southwest), and an area approximately 500 ft. west of the proposed location. CPW recommended that SG consider incorporating this location into a comprehensive wildlife mitigation plan that address the cumulative impacts from all of SG’s proposed development in the area, including the Bull Mountain Unit and surrounding area. Alternatively, CPW recommended to the COGCC and the USFS that one of the identified alternate locations be selected to avoid and minimize unnecessary site-specific impacts to wintering big game.”</p> <p>3.Finally, Gunnison County incorporates and calls attention to the Site Specific Conditions of Approvals and the Colorado Department of Wildlife Comments, located on pages 7-10, on Approved Form 2A for the instant well pad site. (Document Number 400673696; pages 7-10).</p> <p>To receive copies of the above-referenced documents, please email jotsuka@gunnisoncounty.org.</p> <p>Thank you,</p> <p>David Baumgarten</p> <p>Gunnison County COGCC Local Governmental Designee</p>	03/20/2017
Engineer	<p>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 30 feet.</p> <p>Existing offset oil and gas wells within 1,500 feet of the planned wellbores on this pad are shallow offsets. No mitigation required.</p>	03/08/2017
Permit	Passed completeness.	02/28/2017
Total: 5 comment(s)		