

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:

401560003

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:

03/09/2018

Well Name: SONIC STAR

Well Number: 1101-01H

Name of Operator: VERDAD RESOURCES LLC

COGCC Operator Number: 10651

Address: 5950 CEDAR SPRINGS ROAD

City: DALLAS State: TX Zip: 75235

Contact Name: SYDNEY SMITH

Phone: (303)910-4511

Fax: ()

Email: REGULATORY@VERDADOIL.COM

RECLAMATION FINANCIAL ASSURANCE

Plugging and Abandonment Bond Surety ID: 20170009

WELL LOCATION INFORMATION

QtrQtr: SESE Sec: 11 Twp: 8N Rng: 60W Meridian: 6

Latitude: 40.670505

Longitude: -104.049113

Footage at Surface: 243 Feet FNL/FSL FSL 230 Feet FEL/FWL FEL

Field Name: DJ HORIZONTAL NIOBRARA

Field Number: 16950

Ground Elevation: 4878

County: WELD

GPS Data:

Date of Measurement: 02/24/2018 PDOP Reading: 1.5 Instrument Operator's Name: DIGREGORIO

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

300 FSL 325 FWL 2678 FSL 328 FWL
Sec: 12 Twp: 8N Rng: 60W Sec: 1 Twp: 8N Rng: 60W

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: No

The right to construct the Oil and Gas Location is granted by: Surface Use Agreement

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.)

T8NR60W, 6th P.M.
Section: 12: ALL

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

Federal or State Lease # COC-71628

Distance from Completed Portion of Wellbore to Nearest Lease Line of described lease: 300 Feet

CULTURAL DISTANCE INFORMATION

Distance to nearest:

Building: 3791 Feet
Building Unit: 5280 Feet
High Occupancy Building Unit: 5280 Feet
Designated Outside Activity Area: 5280 Feet
Public Road: 847 Feet
Above Ground Utility: 5280 Feet
Railroad: 5280 Feet
Property Line: 230 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: 309 Feet

Distance from Completed Portion of Wellbore to Nearest Unit Boundary 300 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 | 535-785 | 1920 | Sec 12, 1, 36: ALL |

DRILLING PROGRAM

Proposed Total Measured Depth: 14482 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? 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 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:

PLEASE SEE WASTE MANAGEMENT PLAN ATTACHED TO ASSOCIATED FORM 2A.

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 | 16 | 65 | 0 | 80 | 70 | 80 | 0 |
| SURF | 13+1/2 | 9+5/8 | 36 | 0 | 1500 | 407 | 1500 | 0 |
| 1ST | 8+1/2 | 5+1/2 | 20 | 0 | 14482 | 1860 | 14482 | 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 The nearest existing non-op well is the Colorado National Bank 1 (DA, 05-123-05582), as measured from COGCC GIS data.

 This permit is being submitted as a refile. The surface location has been moved 70 feet in order to accommodate the additional wells on the pad.

 Please note, attached SUA was originally executed by Carrizo and was assigned to Verdad upon purchase of the asset. Assignment and Bill of Sale is available upon request and is not attached to this permit due to file size.

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

Location ID: 442437

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: SYDNEY SMITH

Title: REGULATORY Date: 3/9/2018 Email: REGULATORY@VERDADOIL.

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: 12/11/2018

Expiration Date: 12/10/2020

API NUMBER

05 123 41858 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

| | |
|--|--|
| | <p>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.</p> <p>2) Provide cement coverage to a minimum of 200' above Niobrara. Verify coverage with cement bond log.</p> <p>3) Oil-based drilling fluid is to be used only after setting surface casing.</p> <p>Bradenhead tests shall be performed and reported according to the following schedule and Form 17 submitted within 10 days of each test.:</p> <p>1) All: Within 60 days of rig release, prior to stimulation.</p> <p>2) Delayed completion: 6 months after rig release, prior to stimulation.</p> <p>3) All: Within 30 days of first production, as reported on Form 5A.</p> |
|--|--|

Best Management Practices

No BMP/COA Type

Description

| | | |
|---|--------------------------------|---|
| 1 | 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. |
| 2 | 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. |
| 3 | 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. |
| 4 | Drilling/Completion Operations | Multi Well Open-Hole Logging – Rule 317.p: One of the first wells drilled on the pad will be logged with open-hole Resistivity Log and Gamma Ray Log from the kick-off point 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 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: 4 comment(s)

Applicable Policies and Notices to Operators

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> |
|--------------------|------------------------|
| 401560003 | FORM 2 SUBMITTED |
| 401567648 | DIRECTIONAL DATA |
| 401567660 | WELL LOCATION PLAT |
| 401567661 | DEVIATED DRILLING PLAN |
| 401567663 | SURFACE AGRMT/SURETY |
| 401569926 | OTHER |

Total Attach: 6 Files

General Comments

| <u>User Group</u> | <u>Comment</u> | <u>Comment Date</u> |
|-------------------|---|---------------------|
| Permit | The mineral owner beneath this oil and gas location was corrected to FEE. Permitting review complete, passed Final Review. | 12/03/2018 |
| Engineer | Evaluated existing wells within 1500' of proposed directional. | 08/27/2018 |
| Permit | With operator concurrence, the following was corrected: Operator comment explaining why refile location has moved. | 08/27/2018 |
| Permit | Emailed operator requesting additional information on refile including an explanation on why location differs from original location by 70 feet on 8/22/2018. Emailed operator requesting clarification on inconsistency between described lease lands, and total acres in described lands on 8/23/2018. With operator concurrence, the following was corrected on 8/27/2018: Lease information description updated. Total Acres in Described Lease was changed from 1920 to 640 acres. | 08/22/2018 |
| Permit | Corrected Designated Outside Activity area from 8280 to 5280 ft. Corrected Unit Configuration to include all areas of 1920 acre Spacing Unit. Deleted Spacing and Formations comment. | 08/22/2018 |
| Permit | Passed completeness. | 03/19/2018 |

Total: 6 comment(s)