

APPLICATION FOR PERMIT TO:

Drill Deepen Re-enter Recomplete and Operate

| | | | | | |
|--------------|---|---|--|-------------|------------------------------------|
| TYPE OF WELL | OIL <input checked="" type="checkbox"/> | GAS <input type="checkbox"/> | COALBED <input type="checkbox"/> | OTHER _____ | Refilling <input type="checkbox"/> |
| ZONE TYPE | SINGLE ZONE <input checked="" type="checkbox"/> | MULTIPLE ZONES <input type="checkbox"/> | COMMINGLE ZONES <input type="checkbox"/> | | Sidetrack <input type="checkbox"/> |

Date Received:
02/28/2018

Well Name: PEGGY Well Number: 2501-06H

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: (720)845-6914 Fax: ()

Email: REGULATORY@VERDADOIL.COM

RECLAMATION FINANCIAL ASSURANCE
Plugging and Abandonment Bond Surety ID: 20170009

WELL LOCATION INFORMATION

QtrQtr: SESW Sec: 25 Twp: 9N Rng: 60W Meridian: 6

Latitude: 40.714775 Longitude: -104.040661

| | | | | |
|---------------------|-----------------|---------|------------------|---------|
| Footage at Surface: | <u>300</u> Feet | FNL/FSL | <u>2462</u> Feet | FEL/FWL |
| | <u>FSL</u> | | <u>FWL</u> | |

Field Name: DJ HORIZONTAL NIOBRARA Field Number: 16950

Ground Elevation: 4893 County: WELD

GPS Data:
Date of Measurement: 02/14/2018 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 |
| <u>300</u> | <u>FNL</u> | <u>1883</u> | <u>2565</u> | <u>FNL</u> | <u>1262</u> |
| | | <u>FWL</u> | | | <u>FWL</u> |

Sec: 36 Twp: 9N 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.)

T9N-R60W-SEC.36: ALL

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

Federal or State Lease # OG-109089

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

CULTURAL DISTANCE INFORMATION

Distance to nearest:

Building: 2252 Feet
 Building Unit: 2383 Feet
 High Occupancy Building Unit: 5280 Feet
 Designated Outside Activity Area: 5280 Feet
 Public Road: 300 Feet
 Above Ground Utility: 5280 Feet
 Railroad: 5280 Feet
 Property Line: 300 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: 150 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: 14222 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: 1200 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 | 14222 | 1831 | 14222 | 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 State-Husky #1 (DA, Bennet, API 05-123-08462) as measured from COGCC GIS data.

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: Sydney Smith

Title: REGULATORY MANAGER Date: 2/28/2018 Email: ssmith@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:  Director of COGCC Date: 3/2/2019

Expiration Date: 03/01/2021

| |
|-------------------|
| API NUMBER |
| 05 123 49838 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>1) Submit Form 42 online 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 90 days after first sales, as reported on the Form 5A, Completed Interval Report.</p> |

Best Management Practices

| <u>No</u> | <u>BMP/COA Type</u> | <u>Description</u> |
|-----------|--------------------------------|---|
| 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: Alternative Logging Program: 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 state "Alternative Logging Program -No open-hole logs were run" and shall clearly identify the type of log and the well (by API#) 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

| Att Doc Num | Name |
|--------------------|----------------------------|
| 401555668 | FORM 2 SUBMITTED |
| 401556721 | DEVIATED DRILLING PLAN |
| 401556725 | DIRECTIONAL DATA |
| 401556886 | SURFACE AGRMT/SURETY |
| 401558652 | WELL LOCATION PLAT |
| 401558772 | OffsetWellEvaluations Data |
| 401957714 | OFFSET WELL EVALUATION |

Total Attach: 7 Files

General Comments

| User Group | Comment | Comment Date |
|-------------------|---|---------------------|
| Permit | Permitting review complete, passed Final Review. | 02/21/2019 |
| Permit | Corrected Unit Acreage to 1920 to reflect Spacing Order Number 535-785. Corrected Unit Configuration to include all sections. Distance from completed portion of proposed wellbore to nearest completed portion of offset wellbore permitted or completed in the same formation is incorrect. Emailed the State Land Board (SLB) for confirmation of State Land Board consent. Operator BMP for Rule 317.p was updated and corrected. With operator concurrence, the Distance to Nearest well was corrected to 150 ft. to the Sonic Star 1101-04H. No objection was received from the State Land Board (SLB). | 02/12/2019 |
| Engineer | Evaluated existing wells within 1500' of proposed directional. | 12/28/2018 |
| Permit | Passed completeness. | 10/04/2018 |
| Permit | Returned to Draft: In conflict with another operators previously submitted APD's. | 08/10/2018 |
| Permit | Returned to draft per Permitting Supervisor. | 03/20/2018 |

Total: 6 comment(s)