

State of Colorado
Oil and Gas Conservation

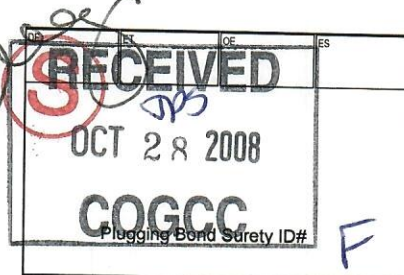
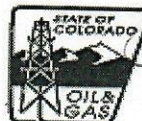
1120 Lincoln Street, Suite 801, Denver, Colorado 80203 Phone: (303)894-2100 Fax: (303)894-2101

APPLICATION FOR PERMIT TO:

1. ☒ Drill, ☐ Deepen, ☐ Re-enter, ☐ Recomplete and Operate

2. TYPE OF WELL
OIL ☐ GAS ☒ COALBED ☐ OTHER: ☐
SINGLE ZONE ☒ MULTIPLE ZONES ☐ COMMINGLE ZONES ☐

Refilling ☐
Sidetrack ☐



3. Name of Operator SG Interests 4. COGCC Operator Number: 77330
5. Address: P.O. Box 26
City: Montrose State: CO Zip: 81402
6. Contact Name: Diane McCallum Phone: 970-252-0696 Fax: 970-252-0636
7. Well Name: Federal 11-89-17 Well Number: #1
8. Unit Name (if appl): N/A Bull Mountain Unit Number: COC 067120X
9. Proposed Total Measured Depth: 5000'

Complete the Attachment Checklist	OP	COGCC
APD Orig & 1 Copy	x	✓
Form 2A	x	✓
Well location plat	x	✓
Topo map	x	✓
Mineral lease map	x	✓
Surface agrmt/Surety	x	✓
30 Day notice letter	x	215-08
Deviated Drilling Plan		
Exception Location Request		
Exception Loc Waivers		
H2S Contingency Plan		
Federal Drilling Permit	x	✓

10. QtrQtr: SWNE Sec: 17 Twp: 11S Rng: 89W Meridian: 6th PM
Latitude: 39.10119N Longitude: -107.35698W
Footage At Surface: 2402' FNL/FSL FNL 2116' FEL/FWL FEL
11. Field Name: Bull Mountain Unit Wildcat Field Number: 99999
12. Ground Elevation: 7425' 13. County: Gunnison

14. GPS Data:
Date of Measurement: 9/19/2007 PDOP Reading: 1.5 Instrument Operator's Name: David Nicewitz PLS 24963

15. If well is: ☐ Directional ☐ Horizontal (highly deviated), submit deviated drilling plan. Bottomhole Sec Twp Rng:
Footage At Top of Prod Zone: ☐ FNL/FSL ☐ FEL/FWL At Bottom Hole: ☐ FNL/FSL ☐ FEL/FWL

16. Is location in a high density area (Rule 603b)? ☐ Yes ☒ No
17. Distance to the nearest building, public road, above ground utility or railroad: 704'
18. Distance to Nearest Property Line: 200' 19. Distance to nearest well permitted/completed in the same formation: 2.06 miles

LEASE, SPACING AND POOLING INFORMATION				
Objective Formation(s)	Formation Code	Spacing Order Number (s)	Unit Acreage Assigned to Well	Unit Configuration (N/2, SE/4, etc.)
Cozzette/Corcoran	CZ-CR	<u>Wildcat</u>	<u>320</u>	

21. Mineral Ownership: ☐ Fee ☐ State ☒ Federal ☐ Indian Lease # COC-64164
22. Surface Ownership: ☒ Fee ☐ State ☐ Federal ☐ Indian
23. Is the Surface Owner also the Mineral Owner? ☐ Yes ☒ No Surface Surety ID#
23a. If 23 is Yes: Is the Surface Owner(s) signature on the lease? ☒ Yes ☐ No
23b. If 23 is No: ☒ Surface Owners Agreement Attached or ☐ \$25,000 Blanket Surface Bond ☐ \$2,000 Surface Bond ☐ \$5,000 Surface Bond
24. Using standard QtrQtr, Sec, Twp, Rng format enter entire mineral lease description upon which this proposed wellsite is located (attach separate sheet/map if you prefer):
See attached map
25. Distance to Nearest Mineral Lease Line: 1671' 26. Total Acres in Lease: 1284

27. Is H2S anticipated? ☐ Yes ☒ No If Yes, attach contingency plan.
28. Will salt sections be encountered during drilling? ☐ Yes ☒ No
29. Will salt (>15,000 ppm TDS Cl) or oil based muds be used during drilling? ☐ Yes ☒ No
30. If questions 27 or 28 are yes, is this location in a sensitive area (Rule 903)? ☐ Yes ☒ No If 28, 29 or 30 are "Yes" a pit permit may be required.
31. Mud disposal: ☐ Offsite ☒ Onsite
Method: ☒ Land Farming ☐ Land Spreading ☐ Disposal Facility ☐ Other:

NOTE: The use of an earthen pit for Recompletion fluids requires a pit permit (Rule 905b.) If air/gas drilling, notify local fire officials

String	Size of Hole	Size of Casing	Weight Per Foot	Setting Depth	Sacks Cement	Cement Bottom	Cement Top
Conductor	20"	16"	Conductor	40'	3 cu yd	40'	Surface
Surface	12 1/4"	9 5/8"	36#	1000'	169 sx + 289 sx	1000'	Surface
Production	8 3/4"	5 1/2"	17#	5000'	800 sx + 364 sx	5000'	Surface
			Stage Tools	+/-2000'			

32. BOP Equipment Type: ☐ Annular Preventor ☒ Double Ram ☐ Rotating Head ☐ None
33. Comments

34. Initial Rule 306 Consultation took place on (date) 11/13/07 Onsite, was waived, or is not required. Provide supporting documentation if consultation has been waived or if good faith effort did not result in consultation.
PERMIT SUBMITTED TO COGCC PRIOR TO COMPLIANCE WITH RULE 306 CONSULTATION SHALL BE RETURNED UNAPPROVED.
I hereby certify that a complete permit package has been sent to the applicable Local Government Designee(s), and all statements made in this form are, to the best of my knowledge, true, correct, and complete.
Signed: Diane McCallum Print Name: Diane McCallum
Title: Engineering Technician Date: 2-14-08 Email: dmccallum@sginterests.com

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: David S. Neslin Director of COGCC Date: 12/29/2008

Permit Number: 20087231 Expiration Date: 12/28/2009

API NUMBER
05-051-06086-00

CONDITIONS OF APPROVAL, IF ANY:
20087231

SEE ATTACHED
CONDITIONS OF
APPROVAL



**CONDITIONS OF APPROVAL
FEDERAL 11-89-17 #1**

24 HOUR SPUD NOTICE REQUIRED. E-MAIL: david.andrews@state.co.us

RESERVE PIT MUST BE LINED.

CEMENT TOP VERIFICATION BY CBL REQUIRED.

THE PROPOSED SURFACE CASING IS MORE THAN 50' BELOW THE DEPTH OF THE DEEPEST WATER WELL WITHIN 1MILE OF THE SURFACE LOCATION WHEN CORRECTED FOR ELEVATION DIFFERENCES. THE DEEPEST WATER WELL WITHIN 1 MILE IS 290 FEET DEEP.

THE OPERATOR SHALL COMPLY WITH RULE 321. AND IT SHALL BE THE OPERATOR'S RESPONSIBILITY TO ENSURE THAT THE WELLBORE COMPLIES WITH SETBACK REQUIREMENTS IN COMMISSION ORDERS OR RULES PRIOR TO PRODUCING THE WELL.

Well name and number:

Federal 11-89-17 S #1

Survey Plat Check list

number	Item	
	8-1/2" x 11" scaled drawing of the entire section	
1	Dimensions on adjacent exterior section lines sufficient to completely describe the quarter section containing the proposed well shall be indicated	✓
1a	If dimensions are not field measured, state how the dimensions were determined	✓
2	The latitude and longitude of the proposed well location shall be provided on the drawing with a minimum of five (5) decimal places of accuracy and precision using the North American Datum (NAD) of 1983 (e.g.; latitude 37.12345 N, longitude 104.45632 W). If GPS technology is utilized to determine the latitude and longitude, all GPS data shall meet the requirements set forth in Rule 215. a. through h.	✓
2a	PDOP value < 6 if GPS used	✓
2b	5 decimal places of accuracy & precision	✓
2c	NAD 1983	✓
3	For directional drilling into an adjacent section, that section shall also be shown on the location plat and dimensions on exterior section lines sufficient to completely describe the quarter section containing the proposed productive interval and bottom hole location shall be indicated. (Additional requirements related to directional drilling are found in Rule 321.)	n/a
4	For irregular, partial or truncated sections, dimensions will be furnished to completely describe the entire section containing the proposed well.	✓
5	The field-measured distances from the nearer north/south and nearer east/west section lines shall be measured at ninety (90) degrees from said section lines to the well location and referenced on the plat. For unsurveyed land grants and other areas where an official public land survey system does not exist, the well locations shall be spotted as footages on a protracted section plat using Global Positioning System (GPS) technology and reported as latitude and longitude in accordance with Rule 215.	✓
6	A map legend	✓
7	A North Arrow	✓
8	A scale expressed as an equivalent (e.g. 1" = 1000').	✓
9	A bar scale.	✓
10	The ground elevation.	✓
11	The basis of the elevation (how it was calculated or its source).	✓
12	The basis of bearing or interior angles used.	✓
13	Complete description of monuments and/or collateral evidence found; all aliquot corners used shall be described.	✓
14	The legal land description by section, township, range, principal meridian, baseline and county.	✓
15	Operator name	✓
16	Well name and number	✓
17	Date of completion of scaled drawing	✓
18	All visible improvements within two hundred (200) feet of a wellhead (or, in a high density area within four hundred (400) feet of a wellhead) shall be physically tied in and plotted on the well location plat or on an addendum, with a horizontal distance and approximate bearing from the well location.	✓
18a	Visible improvements shall include, but not be limited to, all buildings, publicly maintained roads and trails, major above ground utility lines, railroads, pipelines, mines, oil wells, gas wells, injection wells, water wells, visible plugged wells, sewers with manholes, standing bodies of water, and natural channels including permanent canals and ditches through which water flows.	✓
18b	If there are no visible improvements within two hundred (200) feet of a wellhead (or in a high density area within four hundred (400) feet of a wellhead), it shall be so noted on the Permit-to-Drill, Form 2.	✓
19	Surface use shall be described within the two hundred (200) foot radius of a wellhead (or in a high density area within the four hundred (400) foot radius of a wellhead).	✓

The survey plat you submitted with your permit was found to be in non-compliance with COGCC rule 303c. See above checklist. If a survey plat is not in compliance with rule 303c the operator will be notified and the permit will be placed on hold until an adequate replacement is supplied to the COGCC.

JPS