

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

Refiling
 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'

10. QtrQtr: SWNE Sec: 17 Twp: 11S Rng: 89W Meridian: 6th PM

Latitude: 39.10119N Longitude: -107.35698W

Footage At Surface: 2402' FNL 2116' 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: _____ At Bottom Hole: _____

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

20. 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

DRILLING PLANS AND PROCEDURES

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

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 10:21-08 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
 CONDITIONS OF APPROVAL, IF ANY:
20087231

API NUMBER
 05-051-06086-00

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