

CONFIDENTIAL - TIGHT HOLE

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT



01111222
Expires November 30, 2000

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APPLICATION FOR PERMIT TO DRILL OR REENTER

1a. Type of Work: <input checked="" type="checkbox"/> DRILL <input type="checkbox"/> REENTER		5. Lease Serial No. D-028963
b. Type of Well: <input checked="" type="checkbox"/> Oil Well <input type="checkbox"/> Gas Well <input type="checkbox"/> Other <input type="checkbox"/> Single Zone <input checked="" type="checkbox"/> Multiple Zone		6. If Indian, Allottee or Tribe Name NA
2. Name of Operator Nielson & Associates, Inc.		7. If Unit or CA Agreement, Name and No. North McCallum
3a. Address PO Box 2850, Cody, WY 82414		8. Lease Name and Well No. McCallum #156
3b. Phone No. (include area code) (307) 587-2445		9. API Well No. 057-06404
4. Location of Well (Report location clearly and in accordance with any State requirements.)* At surface 2256' FSL & 1352' FWL At proposed prod. Zone NW SW Lot 16		10. Field and Pool, or Exploratory McCallum Niobrara
14. Distance in miles and direction from nearest town or post office* Approx. 5 miles North of Walden, CO		11. Sec., T., R., M., or Blk. and Survey or Area Sec. 2, T9N-R79W, 6th P.M.
15. Distance from proposed* location to nearest property or lease line, ft. (Also to nearest drig. unit line, if any) 1592'	16. No. of Acres in lease 1078.32	12. County or Parish Jackson
18. Distance from proposed location* to nearest well, drilling, completed, applied for, on this lease, ft. 200'	19. Proposed Depth 3900'	13. State CO
21. Elevations (Show whether DF, KDB, RT, GL, etc.) 8212' GL	22. Approximate date work will start* Sept. 1, 2000	17. Spacing Unit dedicated to this well NA
		20. BLM/BIA Bond No. on file CO1285
		23. Estimated duration 16 days



24. Attachments

The following, completed in accordance with the requirements of Onshore Oil and Gas Order No. 1, shall be attached to this form:

- | | |
|---|--|
| <ul style="list-style-type: none"> 1. Well plat certified by a registered surveyor. 2. A Drilling Plan. 3. A Surface Use Plan (if the location is on National Forest System Lands, the SUPO shall be filed with the appropriate Forest Service Office. | <ul style="list-style-type: none"> 4. Bond to cover the operations unless covered by an existing bond on file (see Item 20 above). 5. Operator certification. 6. Such other site specific information and/or plans as may be required by the authorized office. |
|---|--|

25. Signature 	Name (Printed/Typed) Lisa L. Smith	Date 06/22/2000
Title Agent		
Approved by (Signature)	Name (Printed/Typed)	Date
Title	Office	

Application approval does not warrant or certify that the applicant holds legal or equitable title to those rights in the subject lease which would entitle the applicant to conduct operations thereon.

Conditions of approval, if any, are attached.

Title 18 U.S.C. Section 1001 and Title 43 U.S.C. Section 1212, make it a crime for any person knowingly and willfully to make to any department or agency of the United States any false, fictitious or fraudulent statements or representations as to any matter within its jurisdiction.

*(Instructions on reverse)



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WELLSITE ADDENDUM
(Drilling and Surface Use Plans)

McCallum #156
2256' FSL and 1352' FWL
NW SW (Lot 16), Sec. 2, T9N - R79W
Jackson County, Colorado

Prepared For:

NIELSON & ASSOCIATES, INC.

By:

PERMITCO INC.
14421 County Road 10
Ft. Lupton, Colorado 80621
303/857-9999

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Copies Sent To:

- 3 - BLM - Craig, Colorado
- 1 - BLM - Kremmling, CO
- 1 - Colorado Oil & Gas Commission - Denver, CO
- 3 - Nielson & Associates, Inc. - Cody, WY
- 1 - Nucor Oil & Gas, Inc. - Riverton, WY
- 1 - Jackson County Planning Department - Walden, CO



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24. Attachments

The following, completed in accordance with the requirements of Onshore Oil and Gas Order No. 1, shall be attached to this form:

1. Well plat certified by a registered survey.
Attached
2. A Drilling Plan

Nielson & Associates, Inc. proposes to drill a well to a depth of 3900' to test the Niobrara formation. If productive, casing will be run and the well completed. If dry, the well will be plugged and abandoned as per BLM and State of Colorado requirements. See Onshore Order No. 1 attached.

3. A Surface Use Plan (if the location is on National Forest System Lands, the SUPO shall be filed with the Appropriate Forest Service Office.

4. Bond to cover the operations unless covered by an existing bond on file (see Item 20).

Operations for the subject well are covered under a Statewide BLM Bond No. #141797264 underwritten by American Casualty Company of Reading, Pennsylvania in the amount of \$25,000.00 This bond was accepted by the BLM effective 10/8/97.

5. Operator certification.

Nielson & Associates, Inc. has been designated by proper lease interest owners to conduct operations on the subject lands. Nielson & Associates, Inc. agrees to be responsible under the terms and conditions of the lease for the operations conducted on the leased lands.

6. Such other site specific information and/or plans as may be required by the authorized officer.

Operations for the subject well are covered under a Statewide BLM Bond No. #141797264 underwritten by American Casualty Company of Reading, Pennsylvania in the amount of \$25,000.00 This bond was accepted by the BLM effective 10/8/97.

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McCallum #156

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1. **FORMATION TOPS**

The estimated tops of important geologic markers are as follows:

<i>Formation</i>	<i>Depth</i>	<i>Subsea</i>
Gravel	Surface	8212'
Pierre	60-2300'	8152'-5912'
Niobrara	2300-T.D.	5912'-4312'
T.D.	3900'	4312'

2. **ESTIMATED DEPTH OF OIL, GAS, WATER & OTHER MINERAL ZONES**

The estimated depths at which the top and bottom of the anticipated water, oil, gas or other mineral bearing formations are expected to be encountered are as follows:

<i>Substance</i>	<i>Formation</i>	<i>Depth</i>
Fresh Water	Gravel	Surface - 60'
Oil	Pierre	60-2300'
Oil	Niobrara	2300-T.D.

3. **BOP REQUIREMENTS** (Refer to Master Field Permit)

4. **CASING AND CEMENTING PROGRAMS**

a. The proposed casing program is as follows:

<i>Purpose</i>	<i>Depth</i>	<i>Hole Size</i>	<i>O.D.</i>	<i>Weight</i>	<i>Grade</i>	<i>Type</i>	<i>New/Used</i>
Conductor	0-60'	18"	14#	----	---	---	New
Surface	0-400'	12-1/4"	9-5/8"	36#	K-55	ST&C	New/Used
Production	0-2300'	8-3/4"	7"	20#	K-55	ST&C	New/Used
Slotted Liner	2300-3900'	6-1/4"	5"	15#	K-55	LT&C	New/Used



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- b. The cement program is will be as follows:

Conductor	Type and Amount
0-60'	Redi-Mix to Surface
Surface	Type and Amount
0-400'	Cement with 270 sx Class "G" with * (additives). If cement does not circulate to surface, the annulus will be topped off with Class "G" cement to surface.
Production	Type and Amount
	The type and volume of cement required for the 7" casing will be calculated after open hole logging.
Slotted Liner	Type and Amount
	The liner will be hung on 100' above the Niobrara formation and will not be cemented.

5. **MUD PROGRAM**

- a. The proposed circulating mediums to be employed in drilling have been identified under part 5.a. of the Master Field Permit.

6. **EVALUATION PROGRAM - TESTING, LOGGING AND CORING**

See Master Field Permit - McCallum Unit POD

7. **ANTICIPATED PRESSURES AND H₂S**

See Master Field Permit - McCallum Unit POD



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8. **OTHER INFORMATION AND NOTIFICATION REQUIREMENTS**

- a. Drilling and completion times are shown under Part 8.a. of the Master Field Permit, McCallum Unit POD.



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WELLSITE ADDENDUM (Surface)

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An onsite inspection for the subject well was conducted on Thursday, April 13, 2000 at approximately 1:40 p.m. Weather conditions were warm and windy. In attendance at the onsite inspection were the following individuals:

Jim Perry
Jim Williams
Bill Wright
Lisa Smith

Bureau of Land Management
Nielson and Associates, Inc.
Nielson and Associates, Inc.
Permitco Inc.

1. **EXISTING ROADS**

- a. Directions to the location from Walden, Colorado are as follows:

From Walden, Colorado go north on Highway 125 for 4.1 miles. Turn right on County Road 10 and proceed east for 2.3 miles. Turn left onto an existing oilfield road and proceed westerly 600 feet to the location.

2. **ACCESS ROADS TO BE CONSTRUCTED AND RECONSTRUCTED**

- a. Approximately 2.3 miles of road is a county road. Approximately 600 feet is an existing road.
b. There will be no new access as this location sits adjacent to an existing road.
c. No cattle guards will be necessary.
d. No culverts or low water crossings will be necessary.

3. **LOCATION OF EXISTING WELLS WITHIN A 1-MILE RADIUS OF THE PROPOSED LOCATION.**

All existing wells within a 1-mile radius of the proposed drill site have been identified in the Master Field Permit. Refer to Map "C".



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4. **LOCATION OF EXISTING AND/OR PROPOSED FACILITIES IF THE WELL IS PRODUCTIVE.**

- a. Production facilities for this well will be located on the well pad. A Sundry Notice will be submitted prior to construction of production facilities.
- b. Historically, there has not been any water associated with Niobrara production in this area. However, if there is associated water it will be taken to the Pierre B water flood in Section 2, T9N - R79W.
- c. It is anticipated that this will be a flowing well. If, however, power is needed for artificial lift equipment, a Sundry Notice will be filed.

5. **LOCATION AND TYPE OF WATER SUPPLY**

The source of water for drilling purposes has been identified in the Master Field Permit for the McCallum Unit POD.

6. **CONSTRUCTION MATERIALS**

Construction materials have been identified in the Master Field Permit for the McCallum Unit POD.

7. **METHODS FOR HANDLING WASTE DISPOSAL**

For information pertaining to waste disposal, refer to the McCallum Unit POD.

8. **ANCILLARY FACILITIES**

No ancillary facilities are anticipated.

9. **WELLSITE LAYOUT**

See Exhibit C in the Master Field Document.



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WELLSITE ADDENDUM (Surface)

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10. **PLANS FOR RECLAMATION OF THE SURFACE**

Refer to Master Field Permit (McCallum Unit POD)

11. **SURFACE OWNERSHIP**

Wellsite: Bureau of Land Management

Roads: County Road #10 and #19 are maintained by the Jackson County Road Department. The remainder of the access roads to this location are within the McCallum Unit.

12. **OTHER INFORMATION**

- a. A Class III archeological survey has been conducted by Grand River Institute. No significant cultural resources will be impacted by the construction of this access road or location and clearance has been recommended. A copy of this report is included with the Master Field Permit (McCallum Unit POD).

13. **LESSEE'S OR OPERATOR'S REPRESENTATIVE AND CERTIFICATION**

PERMIT MATTERS

PERMITCO INC.
Lisa L. Smith
14421 County Road 10
Ft. Lupton, CO 80621
303/857-9999

DRILLING & COMPLETION MATTERS

NIELSON & ASSOCIATES, INC.
P.O. Box 2850
Cody, WY 82414
Jim Williams - Vice President
307/587-2445 (office)
307/ 527-5903 (home)

CERTIFICATION

I hereby certify that I, or persons under my direct supervision, have inspected the proposed drill site and access route; that I am familiar with the conditions which currently exist; that the statements made in this plan are, to the best of my knowledge, true and correct; and that the work associated with the operations proposed herein will be performed by Nielson & Associates, Inc. and its contractors and subcontractors in conformity with this plan and the terms and conditions under which it is approved.



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This statement is subject to the provisions of 18 U.S.C. 1001 for the filing of a false statement.

June 22, 2000

Date:



Lisa L. Smith - Permitco Inc.
Authorized Agent for:
NIELSON AND ASSOCIATES, INC.



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There are no federal stipulations at this time.

