

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:
401692045

APPLICATION FOR PERMIT TO:

Drill Deepen Re-enter Recomplete and Operate

Date Received:
07/03/2018

TYPE OF WELL OIL GAS COALBED OTHER UNPLANNED

Refiling

ZONE TYPE SINGLE ZONE MULTIPLE ZONES COMMINGLE ZONES

Sidetrack

Well Name: Allison Unit Com Well Number: 138H
Name of Operator: HILCORP ENERGY COMPANY COGCC Operator Number: 10133
Address: P O BOX 61229
City: HOUSTON State: TX Zip: 77208
Contact Name: Amanda Walker Phone: (505)324.5122 Fax: ()
Email: mwalker@hilcorp.com

RECLAMATION FINANCIAL ASSURANCE

Plugging and Abandonment Bond Surety ID: 20050122

WELL LOCATION INFORMATION

QtrQtr: LOT 3 Sec: 8 Twp: 32N Rng: 6W Meridian: N

Latitude: 36.999650 Longitude: -107.481917

Footage at Surface: 176 Feet FNL/FSL FNL 2615 Feet FEL/FWL FWL

Field Name: IGNACIO BLANCO Field Number: 38300

Ground Elevation: 6134 County: SAN JUAN

GPS Data:

Date of Measurement: 04/07/2014 PDOP Reading: 1.0 Instrument Operator's Name: MARSHALL LINDEEN

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
453 FSL 1978 FEL 793 FNL 1140 FWL
Sec: 22 Twp: 32N Rng: 6W Sec: 22 Twp: 32N Rng: 6W

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:

WMOCD
JUL 26 2018
DISTRICT III

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.)

SW NE, LOTS 2 & 3, SW/NW, SENW, LOT 4, N/2 NW, NW/NE, SEC. 22, T32N, R6W, COM AGREEMENT 73972 COVERS ALL THE ACRES IN THE LEASE. NOTE: FARMINGTON BLM HANDLES THIS COM AGREEMENT FOR THIS SECTION IN COLORADO BECAUSE THE BULK OF THE ALLISON UNIT IS IN NEW MEXICO.

ALSO NO FORM 2A WILL BE SUBMITTED ON THIS WELL SINCE THE SURFACE LOCATION IN NEW MEXICO AND IS COVERED WITH A SURFACE OWNER AGREEMENT(PREVIOUSLY SUBMITTED)

Total Acres in Described Lease: 335 Described Mineral Lease is: Fee State Federal Indian

Federal or State Lease # COC 73972

Distance from Completed Portion of Wellbore to Nearest Lease Line of described lease: 453 Feet

CULTURAL DISTANCE INFORMATION

Distance to nearest:

Building: 1500 Feet
 Building Unit: 1500 Feet
 High Occupancy Building Unit: 5280 Feet
 Designated Outside Activity Area: 5280 Feet
 Public Road: 1000 Feet
 Above Ground Utility: 1200 Feet
 Railroad: 5280 Feet
 Property Line: 176 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: 1390 Feet

Distance from Completed Portion of Wellbore to Nearest Unit Boundary 453 Feet (Enter 5280 for distance greater than 1 mile.)

Federal or State Unit Name (if appl): ALLISON UNIT 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.) |
|------------------------|----------------|-------------------------|-------------------------------|--------------------------------------|
| FRUITLAND COAL | FRLDC | 112-61 | 335 | W/2, W/2E/2 |

DRILLING PROGRAM

Proposed Total Measured Depth: 6300 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? No

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 N/A

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:

A CLOSED LOOP SYSTEM WILL BE USED AND THE DRILLING FLUID WILL BE RECYCLED TO THE NEXT WELL UNLESS IT IS UNUSABLE AND THEN IT WILL BE HAULED TO AN AUTHORIZED DISPOSAL FACILITY IN NM, EITHER THE BASIN DISPOSAL OR THE AGUA MOSS FACILITY BOTH IN BLOOMFIELD NM

Beneficial reuse or land application plan submitted? _____

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 |
|-------------|--------------|----------------|-------|---------------|---------------|-----------|---------|---------|
| SURF | 12+1/4 | 9+5/8 | 32.3 | 0 | 528 | 280 | 533 | 0 |
| 1ST | 8+3/4 | 7 | 23 | 0 | 3495 | 790 | 3539 | 42 |
| 1ST LINER | 6+1/4 | 4+1/2 | 10.5 | 3010 | 6300 | | | |

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 112-61

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 Hilcorp Energy discovered casing damage and a stuck whipstock when we were completing the recently drilled Allison Unit Com #138H (Colorado API 05-067-09924 / New Mexico API 30-045-35634). We suspect casing damage in the pilot hole where we originally sidetracked the lateral. We request to plug back the pilot hole above the initial sidetrack (abandoning the initial sidetrack) and sidetrack a new lateral. KOP for new lateral will be @ 3010' MD.

Please note we have a saved voicemail from Craig Burger giving verbal approval on 6/27/2018

This application is in a Comprehensive Drilling Plan _____ CDP #: _____

Location ID: _____

Is this application being submitted with an Oil and Gas Location Assessment application? No

I hereby certify all statements made in this form are, to the best of my knowledge, true, correct, and complete.

Signed: _____ Print Name: Amanda Walker

Title: Operation/Regulatory Tech Date: 7/3/2018 Email: mwalker@hilcorp.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: 7/12/2018

Expiration Date: 07/11/2020

API NUMBER
05 067 09924 02

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)Run and submit as drilled Directional Survey for primary well bore and for each lateral section.</p> <p>2)The operator shall comply with Rule 321, and it shall be the operator's responsibility to ensure that the well bore complies with setback requirements in Commission orders and/or rules prior to producing the well.</p> <p>3)Sample and test two closest water wells within 1/2 mile swath of lateral wellbore Fruitland Coal (horizontal dimension – top to bottom of pay).</p> <p>4) Operators are required to obtain a bottom hole pressure utilizing a bottom hole gauge after a minimum 48 hour shut-in period following completion and prior to sales</p> <p>4)Comply with all applicable provisions of Order 112-204</p> <p>5) Borehole problems while drilling that require an additional sidetrack: Contact & discuss w/ COGCC Engineer – Craig Burger within 24 hours of occurrence 970-625-2497 ext 2 office 970-319-4194 cell craig.burger@state.co.us Adhere to the instructions provided in the "UNPLANNED Sidetrack While Drilling: Approval and Reporting Process – Southwestern Colorado San Juan Basing ONLY" that can be found on the COGCC website at: Go to COGCC Web Site for more details if necessary Regulation, Forms, Form 2-Permit to Drill, Instructions</p> <p>6) Contact COGCC Engineer – Craig Burger when encountering kicks requiring a mud weight increase of 0.5 ppg to control the kick, unexpected water flows, and unexpected Hydrogen Sulfide.</p> |
| | Due to the casing window being outside the legal setback, the TPZ location (i.e. where the wellbore intersects the target coal seam) must lie within the legal setback. |

Best Management Practices

| No | BMP/COA Type | Description |
|----|--------------|-------------|
| | | |

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 |
|-------------|------------------------|
| 401692045 | FORM 2 SUBMITTED |
| 401692436 | CORRESPONDENCE |
| 401692440 | OTHER |
| 401692442 | DEVIATED DRILLING PLAN |
| 401692443 | DEVIATED DRILLING PLAN |
| 401692521 | DIRECTIONAL DATA |
| 401692643 | WELL LOCATION PLAT |
| 401693749 | DIRECTIONAL DATA |

| | |
|-----------|------------------|
| 401693750 | DIRECTIONAL DATA |
| 401693757 | DIRECTIONAL DATA |

Total Attach: 10 Files

General Comments

| <u>User Group</u> | <u>Comment</u> | <u>Comment Date</u> |
|-------------------|---|---------------------|
| Permit | Final Review Completed. | 07/10/2018 |
| Engineer | <p>The surface location of this proposed well is in NM with the directional and the production portions being in CO. API # 05-067-09924</p> <p>There is a conventional gas well located within a quarter mile of the directional well bore; so, the search for sampling and analyzing fresh water wells extends from ¼ mile to 1/2 mile from the conventional well (HILCORP - ALLISON UNIT COM #138H - API # 05-067-09924).</p> <p>This APD pertains to a Coal Bed Methane (CBM) unplanned sidetrack lateral well. Both the surface and production casings were previously assessed and approved and have been carried forward with this permit.</p> <p>The casing in this lateral will be a slotted liner and will not be cemented in place. These laterals will be completed naturally and will not be fracture stimulated. The Statewide Horizontal Offset Well Policy does not apply to horizontal wells not being fracture stimulated in the pay zone.</p> | 07/10/2018 |
| Permit | LGD and public comment waived for this application for an unplanned sidetrack with drilling in progress. | 07/05/2018 |
| Permit | The TPZ listed on this Form 2 reflects the target formation entry point, not the window in the casing. | 07/05/2018 |
| Permit | Passed completeness. | 07/05/2018 |
| Permit | Corrected distance from completed portion of wellbore to nearest unit boundary. | 07/05/2018 |

Total: 6 comment(s)