

NATURAL RESOURCES AGENCY OF CALIFORNIA
DEPARTMENT OF CONSERVATION
DIVISION OF OIL, GAS & GEOTHERMAL RESOURCES
466 N. Fifth Street Coalinga, CA 93210 - 1793

PERMIT TO CONDUCT WELL OPERATIONS

No. **P 513-0366**

<u>Old</u>	<u>New</u>
--	000
FIELD CODE	
--	00
AREA CODE	
NEW	
WELL	00
POOL CODE	

Coalinga, California
September 13, 2013

Mr. Jack Cook, Agent
Citadel Exploration, Inc. (C5845)
2120 Harwood St.
Bakersfield, CA 93311
Page 1 of 2

Your proposal to **Drill well "Indian" 1**, A.P.I. No. **069-20082**, Section **15**, T. **18S**, R. **08E**, MD B. & M., **ANY** field, **ANY** area, **No Pool Breakdown** pool, **San Benito** County, dated **8/27/2013**, received **9/3/2013** has been examined in conjunction with records filed in this office.

THE PROPOSAL IS APPROVED PROVIDED:

1. Blowout prevention equipment, as defined by this Division's publication No. M07, shall be installed and maintained in operating condition and meet the following minimum requirements:
 - a. A **6" diverter system** on the **10-3/4"** casing.
2. Hole fluid of a quality and in sufficient quantity to control all subsurface conditions in order to prevent blowouts shall be used.
3. The **7"** casing is cemented with sufficient cement to fill behind the casing from the shoe to the surface.
4. Work does not proceed deeper than **635'** without contacting this office for further requirements.
5. Once drilled the well location shall be surveyed and the survey shall be filed with this office. Latitude and longitude shall be in decimal degrees, to six decimal place, in NAD83.
6. No program changes are made without prior Division approval.
7. **THIS DIVISION SHALL BE NOTIFIED TO:**
 - a. Inspect the diverter system prior to commencing **Drilling** operations.

NOTE:

1. In order to coordinate field surveillance, please contact this office prior to commencing operations.

FURTHER CONDITIONS OF APPROVAL:

Please see attachment hereto.

Bond
cc:

Engineer Joshua Jones
Direct
Office (559) 935-2941

JJ5/jj5

A copy of this permit and the proposal must be posted at the well site prior to commencing operations. Records for work done under this permit are due within 60 days after the work has been completed or the operations have been suspended. Issuance of this permit does not affect the Operator's responsibility to comply with other applicable state, federal, and local laws, regulations, and ordinances.

Page 2 of 2
Well #: "Indian" 1
API #: 069-20082
Permit : P 513-0366
Date: September 13, 2013

Attachment to Permit To Conduct Well Operations No. P 513-0366

The Division of Oil, Gas and Geothermal Resources has considered the Mitigated Negative Declaration prepared for the operations within the scope of this permit pursuant to Title 14, California Code of Regulations, section 15096, subdivision (f), and issues this permit on the following conditions:

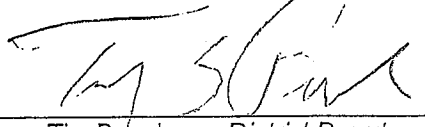
- A. All operations must be conducted in a manner consistent with the project descriptions, mitigation imposed, and scope and nature of activities set forth in the County of San Benito's Mitigated Negative Declaration for the Indian Wells Pilot Project;
- B. All operations must be conducted in a manner consistent with the approvals and conditions set forth in the County of San Benito's Use Permit 1048-11A-E approved on April 17, 2013;
- C. All operations must be conducted in a manner consistent with the approvals and conditions set forth in the County of San Benito's Resolution No. 2013-42 dated June 4, 2013;
- D. Permittee acknowledges that the Division reserves its right to issue any administrative orders it deems necessary to prevent damage to life, health, property and natural resources, including actual or possible detriment to underground and surface waters suitable for irrigation or domestic purposes, within the meaning of Public Resources section 3106, or otherwise;
- E. Permittee acknowledges that this project has been challenged by Monterey County Superior Court action no. M123956, and that all operations undertaken pursuant to this permit are conditioned upon such operations being free from enjoinder or restraint, either by order of the court in that action, or by written agreement between the parties to that action.

Bond

cc:

Engineer Joshua Jones
Direct
Office (559) 935-2941

JJ5/jj5

Tim Kustic
State Oil and Gas Supervisor

By _____
Tim Boardman, District Deputy

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NATURAL RESOURCES AGENCY OF CALIFORNIA
DEPARTMENT OF CONSERVATION
DIVISION OF OIL, GAS, AND GEOTHERMAL RESOURCES

FOR DIVISION USE ONLY		
Bond	Forms	
	OGD114	OGD121
B		

NOTICE OF INTENTION TO DRILL NEW WELL

Detailed instructions can be found at: www.conservation.ca.gov/dog/

In compliance with Section 3203, Division 3, Public Resources Code, notice is hereby given that it is our intention to drill well Indian #1, well type Oil, API No. 069-20082
(Assigned by Division)

Sec. 15, T. 18S, R. 8E, MD B&M., San Lorenzo Field, San Benito County.

Legal description of mineral-right lease, consisting of _____ acres (attach map or plat to scale), is as follows:

Refer to attached map.

Do mineral and surface leases coincide? Yes ☒ No ☐. If answer is no, attach legal description of both surface and mineral leases, and map or plat to scale.

Location of well 14474.3 feet north along section ☐ / property ☒ line and 13132.1 feet west
(Direction) (Check one) (Direction)

at right angles to said line from the southeast corner of section ☐ / property ☒ SanLorenzoRancho and
(Check one)

Lat./Long. in decimal degrees, to six decimal places, NAD 83 format: Latitude: 36.362893655 Longitude: -121.086301159

If well is to be directionally drilled, show proposed coordinates (from surface location) and true vertical depth at total depth:

_____ feet _____ and _____ feet _____. Estimated true vertical depth _____. Elevation of ground
(Direction) (Direction)
above sea level 1253.1 feet. All depth measurements taken from top of KB that is 10 feet above ground.
(Derrick Floor, Rotary Table, or Kelly Bushing)

Is this a critical well as defined in the California Code of Regulations, Title 14, Section 1720(a) (see next page)? Yes ☐ No ☒

Is a California Environmental Quality Act (CEQA) document required by a local agency? Yes ☐ No ☒ If yes, see next page.

PROPOSED CASING PROGRAM

SIZE OF CASING (Inches API)	WEIGHT	GRADE AND TYPE	TOP	BOTTOM	CEMENTING DEPTHS	FORMATION PRESSURE (Estimated Maximum)	CALCULATED FILL BEHIND CASING (Linear Feet)
10-3/4"	40.5#	J-55-S	Surface	80'	80'	NA	80'
7"	23#	K-55-L	Surface	635'	635'	150 psii	635'

(Attach a complete drilling program including wellbore schematics in addition to the above casing program.)

Estimated depth of base of fresh water: None in T9 Anticipated geological markers: Top Pancho Rico, 280'

(Name, depth)

Intended zone(s) of completion: Pancho Rico, 380' - 425', 100 psi

(Name, depth and expected pressure)

Estimated total depth: 635'

The Division must be notified immediately of changes to the proposed operations. Failure to provide a true and accurate representation of the well and proposed operations may cause rescission of the permit.

RECEIVED
SEP 03 2013

Name of Operator
Citadel Exploration Inc.

DIVISION OF OIL & GAS

Address
417 31st Street, Unit A

City/State
Newport Beach CA

COALINGA
92663

Name of Person Filing Notice
Armen Nahabedian

Telephone Number:
949-612-8040

Signature by J Cook
ARMEN NAHABEDIAN

Date

8/27/13

Individual to contact for technical questions:
Jack J. Cook

Telephone Number:
661-303-2395

E-Mail Address:
jcook4@bak.rr.com

This notice and an indemnity or cash bond shall be filed, and approval given, before drilling begins. If operations have not commenced within one year of the Division's receipt of the notice, this notice will be considered cancelled.

INFORMATION FOR COMPLIANCE WITH THE CALIFORNIA ENVIRONMENTAL QUALITY ACT OF 1970 (CEQA)

If an environmental document has been prepared by the lead agency, submit a copy of the **Notice of Determination** or **Notice of Exemption** with this notice. Please note that a CEQA determination by a local jurisdiction, if required, must be complete, or the Division may not issue a permit.

CRITICAL WELL DEFINITION

As defined in the California Code of Regulations, Title 14, Section 1720 (a), "Critical well" means a well within:

- (1) 300 feet of the following:
 - (A) Any building intended for human occupancy that is not necessary to the operation of the well; or
 - (B) Any airport runway.
- (2) 100 feet of the following:
 - (A) Any dedicated public street, highway or the nearest rail of an operating railway that is in general use;
 - (B) Any navigable body of water or watercourse perennially covered by water;
 - (C) Any public recreational facility such as a golf course, amusement park, picnic ground, campground or any other area of periodic high-density population; or
 - (D) Any officially recognized wildlife preserve.

This form may be printed from the DOGGR website at www.conservation.ca.gov/dog/

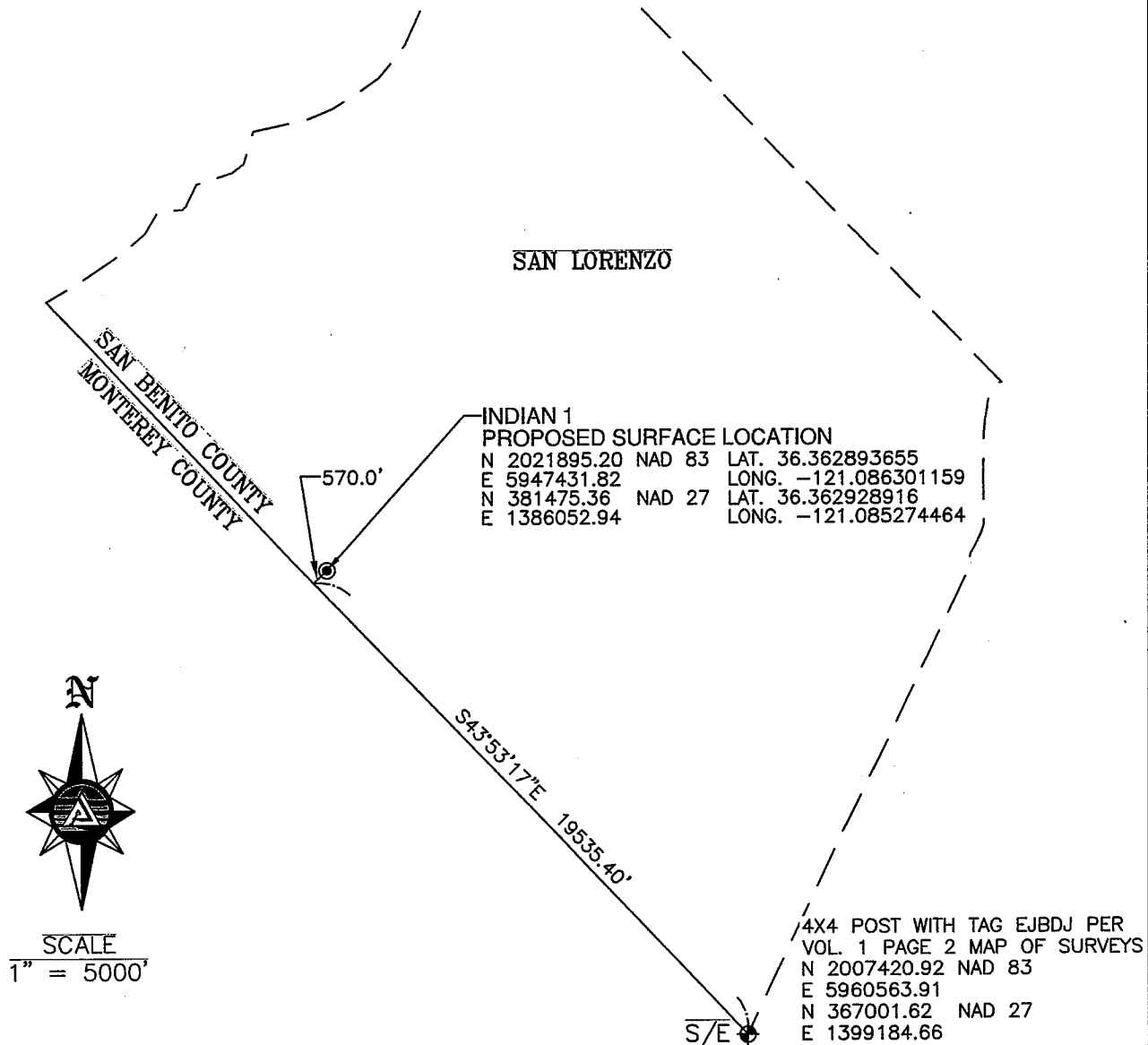
PRELIMINARY COORDINATE

14474.3' North } S/E Corner of San Lorenzo Rancho
 13132.1' West } T.18S., R.8E., M.D.B.M.

FIELD: SAN LORENZO

ELEVATION: 1249.8' GROUND NGVD 29
1253.1' GROUND NAVD 88

WELL # INDIAN 1



PREPARED FOR:

PREPARED BY:

**CITADEL
EXPLORATION, Inc.**



**ADVANCED Geomatics
ENGINEERING, INC.**

1910 Mineral Ct. Bakersfield, CA 93308
 (661) 393-9100 FAX (661) 393-9111

SECTION 15, T.18S., R.8E.
 M.D.B.&M.

County of San Benito,
 State of California

SURVEYED BY:	JB	08-20-13
CHECKED BY:	VAL	08-26-13
DRAWN BY:	VAL	08-26-13
CHECKED BY:	EN	08-26-13

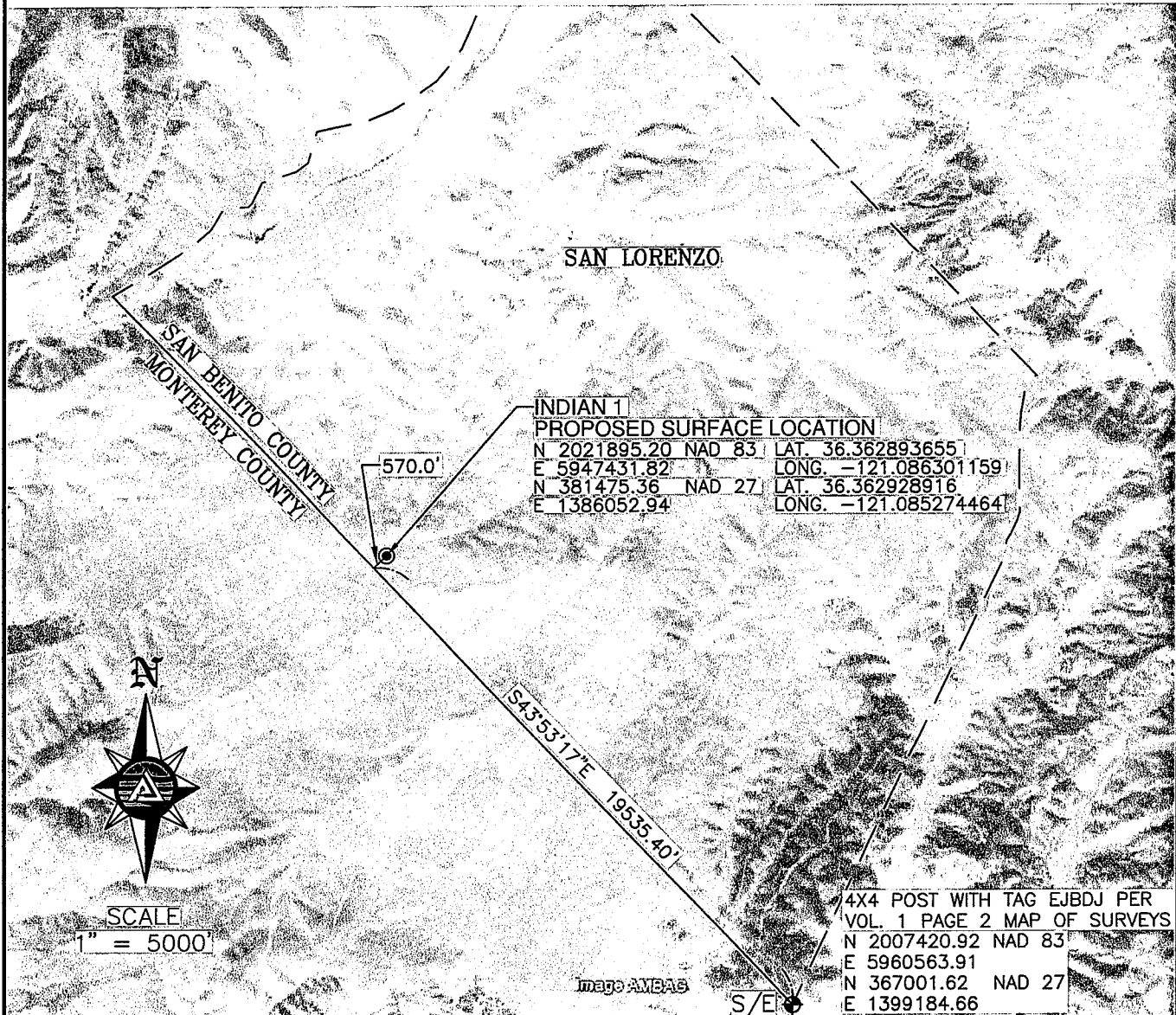
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CHECKED BY:	EN	08-26-13

State of California—Natural Resources Agency
DEPARTMENT OF FISH AND WILDLIFE

2013 ENVIRONMENTAL FILING FEE CASH RECEIPT

SEE INSTRUCTIONS ON REVERSE. TYPE OR PRINT CLEARLY

RECEIPT# 441064

STATE CLEARING HOUSE # (if applicable)

2012081013

LEAD AGENCY

Planning Dept

DATE 6/10/13

COUNTY/STATE AGENCY OF FILING

San Benito

DOCUMENT NUMBER

13-013

PROJECT TITLE

Citadel

PROJECT APPLICANT NAME

PROJECT APPLICANT ADDRESS

720 Bryant Gr Ste D

CITY

Olajai

STATE

CA

PHONE NUMBER

()

ZIP CODE

93023

PROJECT APPLICANT (Check appropriate box):

☐ Local Public Agency

☐ School District

☐ Other Special District

☐ State Agency

☐ Private Entity

CHECK APPLICABLE FEES:

☐ Environmental Impact Report (EIR)

☐ Mitigated/Negative Declaration (ND)(MND)

☐ Application Fee Water Diversion (State Water Resources Control Board Only)

☐ Projects Subject to Certified Regulatory Programs (CRP)

☒ County Administrative Fee

☐ Project that is exempt from fees

☐ Notice of Exemption

☐ DFW No Effect Determination (Form Attached)

☐ Other

\$2,995.25 \$

\$2,156.25 \$

\$850.00 \$

\$1,018.50 \$

\$50.00 \$ 50.00

PAYMENT METHOD:

☐ Cash

☐ Credit

☐ Check

☒ Other

J1206010

TOTAL RECEIVED \$ 50.00

SIGNATURE

[Signature]

TITLE

SR Dep Clerk/Recorder

WHITE - PROJECT APPLICANT

YELLOW - DFW/ASB

PINK - LEAD AGENCY

GOLDEN ROD - COUNTY CLERK

DFG 753.5a (Rev. 11/12)

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AUG 14 2013

RECEIVED
JUL 16 2013

DIVISION OF OIL & GAS
COALINGA

RECEIVED
AUG 12 2013
DIVISION OF OIL & GAS
BAKERSFIELD

NOTICE OF DETERMINATION

TO: X Office of Planning and Research
1400 10th Street, Room 121
Sacramento, CA 95814

FROM: San Benito County Planning Department
2301 Technology Parkway
Hollister, CA 95023-2513

X County Clerk
County of San Benito

FILED
IN SAN BENITO COUNTY

JUN 10 2013

JOE PAUL GONZALES COUNTY CLERK
BY JENN SCHULZ DEPUTY CLERK

SUBJECT: Filing of Notice of Determination in Compliance with Section 21108 or 21152 of the Public Resources Code

Project Title

SCH# 2012081013

Bvron Turner

(831) 637-5313

State Clearinghouse Number
(if submitted to Clearinghouse)

Lead Agency Contact Person

Area Code/Telephone/Extension

024-17-0-004-0, 024-17-0-005-0,
024-17-0-006-0, 024-18-0-001-0, and
024-18-0-002

Near Topo Valley and 9 miles east-northeast of Greenfield, Monterey County
Project Location

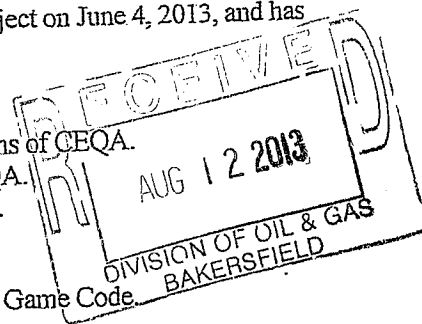
Assessor's Parcel Number

Project Description

The proposed project consists of an oil exploratory drilling program and temporary pilot thermal enhanced recovery project located in the Bitterwater area in southwestern San Benito County. Up to 15 test wells would be drilled over a two year period to collect core data on the underlying subsurface oil reservoir. The drilling data would be used to determine which wells are suitable candidates for a pilot thermal-enhanced recovery program. The pilot recovery program would then allow additional data gathering to determine the economic viability of potential future development of the subsurface reservoir. The pilot recovery program would be conducted over a five year period. The project under review does not include or commit the County to approve the future development of the subsurface reservoir. The pilot program alone would not result in long-term oil production but would rather provide the data necessary to determine whether long-term production is feasible. Potential future oil field operations on the site are not included in this project; if long-term production is proven to be economically viable, such operations will require an additional use permit which would undergo subsequent review and analysis.

This is to advise that the San Benito County Planning Commission has approved the described project on June 4, 2013, and has made the following determinations regarding this project.

1. The project ☐ will ☒ will not have a significant effect on the environment.
2. ☐ An Environmental Impact Report was prepared for this project pursuant to the provisions of CEQA.
☒ A Negative Declaration was prepared for this project pursuant to the provisions of CEQA.
3. Mitigation measures ☒ were ☐ were not made a condition of the approval of the project.
4. A statement of Overriding Considerations ☐ was ☒ was not adopted for this project.
5. Findings ☒ were ☐ were not made pursuant to the provisions of CEQA.
6. A de minimis impact finding ☐ was ☒ was not made pursuant to §711.2 of the Fish and Game Code.



This is to certify that the final Environmental Document with comments and responses and record of project approval is available to the general public at:

SAN BENITO COUNTY PLANNING DEPARTMENT
2301 TECHNOLOGY PKWY.
HOLLISTER, CA 95023-2513

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JUL 16 2013

DIVISION OF OIL & GAS
COALINGA

Date

6/10/13

DIVISION OF OIL & GAS
COALINGA

San Benito County Planning Department

**PRELIMINARY DRILLING PROGRAM
DAYBREAK OIL AND GAS, INC.
INDIAN 1
SAN LORENZO FIELD
SAN BENITO COUNTY, CALIFORNIA**

API Number: _____

July 11, 2013

R E C E I V E D
JUL 16 2013

Proposed Well Conditions:

Total Depth: 635'

ETD: 595'

KB: 10'

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Casing: 10-3/4, 40.5#, J-55-S conductor cemented at 80' GL
7", 23#, K-55-L cemented at 635'

Perforations: To be determined from OH logs

Proposed Drilling Program:

1. MIRU rotary drilling equipment and mud system including de-silter (mud cleaner) to a prepared graded well location. Conductor (10-3/4") to be cemented to a depth of approximately **+/-80' GL (90'KB)** prior to the arrival of the rig. Install a starter head on the conductor.
2. **Install and function test a Class II BOPE on the conductor as required by the DOGGR.**
3. Rotary drill a 9-7/8" straight hole using a Gel/Cypan low solids mud system to **635' MTD**. Circulate and condition hole for logs.
 - Obtain declination surveys at 300' and TD.
 - Keep mud weight below 9.2 ppg
 - Trip in and out of hole slowly to prevent surging
 - Fluid loss to be controlled at 4 – 6 CC surface – TD
 - Maintain hole angle less than 5°
4. MIRU open hole logging service. Run a triple combo and obtain 30 SWS or as directed by Citadel's wellsite geologist.
 - **NOTE: 24 hour notice and 6 hour call out required for logging company.**
 - **Project geologist – requires 6 hr. and ½ hr. notice before log uploaded to website.**
5. Pick up and run 7", 23#, J-55, LT&C to specified shoe depth **(+/-635')** as follows:
 - Plain guide shoe on bottom at ±635' or as directed by project geologist
 - Insert float valve w/fill-up tube at top of shoe joint or on second joint if shoe joint is less than 20' in length.
 - Centralize 7" casing to surface w /9-7/8" x 7" centralizers as follows:
 - Standard bow centralizers on shoe joint and next 3 joints
 - Standard bow centralizers on every other joint to 80'
6. MIRU cementing service. Fill and pressure test lines to 2000 psi. Mix and pump LCM sweep in front of cement. Drop ball, mix and pump cement slurry. Displace wiper plug with fresh water. Pump at reduced rates when cement returns are observed at surface. Bump plug at 500 psi over pumping pressure, check insert. Do not allow flowback to exceed 3 bbls. If insert fails to hold, bump plug and shut in at 500 psi.

R E C E I V E D
AUG 14 2013

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COALINGA

R E C E I V E D
AUG 12 2013
DIVISION OF OIL & GAS
BAKERSFIELD

NOTE: Cement volume to be 50% excess of theoretical. If lost circulation is encountered, use 100% excess and notify the Drilling Engineer on call.

- 7" csg X 9-7/8" hole, cap = 0.2646 cf/lf: 7" casing capacity = 0.2210 cf/ft
 - Pre-flush: 20 bbls. fresh water
 - Slurry: Class "C" + 3% CaCl₂ + 2% econolite + 35% Silica Flour + .25lb/sk Cell-Flake + .5% defoamer mixed at ± 13 ppg. Yield = 2.48 cuft/sk with 13.18 gal/sk water or equivalent slurry. Theoretical volume with 50% excess is 252 cf.
 - Displace cement with 23 bbls. water. After bumping plug on insert WOC min 2-3 hrs.
 - Perform top job if there were no cement returns to surface.
7. Land casing and nipple down BOP.
 8. Cut off conductor, 7" casing and starter head Install a 7" x 900 series forged wellhead.
 9. If completion rig is to be used to install inner liner and production BHA - N/D BOPE. RDMO.
 10. Completion program to follow evaluation of OH logs and geologist's recommendation.

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XIII. Emergency Telephone Numbers

DIVISION OF OIL & GAS
COALINGA

Name	Title	Office #	Cell #
Armen Nahabedian	Chief Operating Officer	-	805-910-5369
Philip McPherson	Chief Financial Officer	949-612-8040	949-375-2391
Jack Cook	Drilling Consultant	661-735-5561	661-303-2395
California DOGGR		(559) 935-2941	
San Benito County Fire Department		911	
Ambulance Service		911	

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DIVISION OF OIL & GAS
BAKERSFIELD

IX. Morning Report Distribution

Name	Title	Email
Armen Nahabedian	CEO	anahabedian@citadelexploration.com
Philip McPherson	CFO	pjm@citadelexploration.com
Jack Cook	Drilling Consultant	jcook4@bak.rr.com

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JUL 16 2013

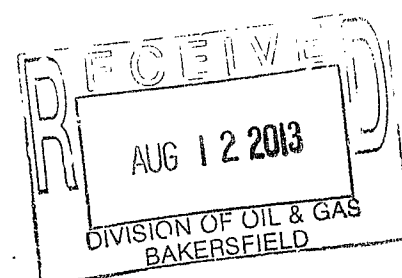
DIVISION OF OIL & GAS
COALINGA

X. Vendors

Service	Vendor	Contact	Office #	Cell #
Casing Supply	JD Rush	Paul Fahey	661-391-1553	661-496-4820
Cement	Baker Hughes	Tim Frame	661-336-3407	661-805-8693
Conductor	Hogg Drilling	Casey Hogg	NA	661-343-3624
Drill Bits	San Joaquin	Jerry Mejia	NA	661-203-3060
Drilling Mud	TBD			
Drilling Rig	TBD			
Float Equip	Tek Star	Derek Hance	-	661-979-6472
Generator	Premier	Dan Gullen	661-615-6123	NA
OH Logging	Weatherford	Jeff Anderson	661-587-9773	661-599-4804
Casing Tongs	West Coast	Mike Hazen	661-325-0166	NA
Trailer Rentals	Pensinger	Dispatcher	661-325-5055	NA
Trash Service	Bilyeu	Dave Bilyeu	661-588-8059	NA
Vacuum Trucks	TBD			
Wellhead	Elco	Andy Locklear	661-837-4980	661-978-5735

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