

Exhibit 1



MICHIGAN DEPARTMENT OF ENVIRONMENTAL QUALITY - OFFICE OF OIL, GAS, AND MINERALS
PERMIT APPLICATION INSTRUCTIONS FOR OIL AND GAS WELLS

Instructions for preparing an application for a permit to drill and operate an oil, gas, injection for secondary recovery, injection for brine disposal, or hydrocarbon storage well pursuant Part 615, Supervisor of Wells, Natural Resources and Environmental Protection Act, 1994 PA 451, as amended.

1. INTRODUCTION

An application must be administratively complete for it to be processed. If an application is not administratively complete, the representative of the applicant will be notified and the application period will be tolled, until the application is complete. An applicant can expect to have a permit decision (issue, deny, or request additional information) within fifty (50) days of receipt at the Office of Oil, Gas, and Minerals office. Timely permit processing is dependent on the submittal of a complete and accurate application. When an applicant revises a surface location, it is considered a new application and resets the application period. Please also see "Explanation of the Oil and Gas Permitting Process," for additional information.

2. FORMS USED, may be downloaded from the DEQ web site at <http://www.michigan.gov/ogs>

- a) EQP 7200-1 (rev 1/2012) *Application for Permit to Drill and Operate a Well* (instructions on page 2)
- b) EQP 7200-2 (rev 1/2012) *Survey Record of Well Location*
- c) EQP 7200-3 (rev 1/2012) *Bond for Conformance*, see instruction No. 5 below
- d) EQP 7200-4 (rev 1/2012) *Wellhead Blowout Control System*
- e) EQP 7200-13 (rev 1/2012) *Well Permittee Organization Report*
- f) EQP 7200-14 (rev 1/2012) *Injection Well Data* (for injection wells only)
- g) EQP 7200-18 (rev 1/2012) *Soil Erosion & Sedimentation Control Plan*
- h) EQP 7200-19 (rev 1/2012) *Environmental Impact Assessment*
- i) EQP 7200-21 (rev 1/2012) *Antrim Project EIA*
- j) EQC 7200-2 (rev 1/2012) *Requesting an Exception to Special Order 2-73, as amended, if requested*

3. FORMS USED AND NUMBER OF COPIES

An administratively complete application includes the following documents. Also refer to "Explanation of the Oil and Gas Permitting Process," for additional information on administratively complete applications

- a) Permit fee is \$300 for all Part 615 wells. Make checks payable to the State of Michigan (bank drafts not accepted)
- b) *Bond for Conformance* (EQP 7200-3) or other instrument, if blanket bond is not on file. See instruction No. 5 below
- c) *Well Permittee Organizational Report* (EQP 7200-13), omit if current copy is on file.
- d) Please collate the following documents in order into a set:
 - 1) Cover letter with explanation of any requested exceptions or special circumstances
 - 2) *Application for Permit to Drill and Operate a Well* (EQP 7200-1)
 - 3) *Survey Record of Well Location* (EQP 7200-2)
 - 4) Supplemental Plat (additional plats may be needed for injection wells)
 - 5) Directional drilling plans (for directionally drilled wells)
 - 6) *Environmental Impact Assessment* (EQP 7200-19) and *Antrim Project EIA* (EQP 7200-21) for Antrim project wells
 - 7) *Soil Erosion & Sedimentation Control Plan* (EQP 7200-18)
 - 8) *Wellhead Blowout Control Systems* (EQP 7200-4)
 - 9) H₂S Contingency plans, if well will penetrate or produce from formations likely to contain hydrogen sulfide (H₂S)
 - 10) *Injection Well Data* (EQP 7200-14), for injection wells
 - 11) *Intermediate casing exception* (EQC 7200-2) if requested as part of casing program
 - 12) Copy of letter of notification to the surface owner, county clerk, and to the local emergency preparedness coordinator (for H₂S wells). See instruction No. 4 below
- e) Submit one original (with original signatures) and 1 copy of all documents, identified in instruction No. 3d (total of 2 sets)
- f) Submit 2 additional copies of form EQP 7200-1, Application For Permit To Drill and Operate a Well.
- g) A typed 8 1/2" x 11" format is preferred for all documents.

4. REQUIRED NOTIFICATIONS

- a) For potential H₂S wells, mail a letter of notification and copy of Part II of the **H₂S contingency plan** to the local emergency preparedness coordinator. Enclose a copy of the letter of notification to the emergency preparedness coordinator with the permit application. A listing of emergency coordinators is at <http://www.michigan.gov/msp>, click on 'Specialized Divisions,' then click on 'Emergency Management & Homeland Security Division,' then click on '[Local Programs Contacts](#).'
- b) Mail a letter of notification and a copy of form EQP 7200-1 to the surface owner and to the clerk of the county in which the well is to be located, pursuant to R324.201(2)(d). Enclose a copy of the letters of notification to the surface owner and to the county clerk with the permit application.
- c) If the well is to be located on state owned surface send surface owner notification to: Michigan Department of Natural Resources, Forest Management Division, P O Box 30452, Lansing, MI 48909-7952. If the well will be located on federally owned surface send notification to: USDA-Forest Service, 1755 S. Mitchell Rd., Cadillac, MI 49601.

5. CONFORMANCE BOND

Several options are available to provide a conformance bond, call 517-241-1529 for details or go to www.michigan.gov/ogs, and click on 'Oil and Gas.' You may also refer to R324.212 for bond amounts.

- a) Certified check in the amount of bond, personal checks are not accepted as bonds.

- b) Certificate of Deposit, use form *Acceptance of CD as Performance Bond* (EQP 7200-15 single or 7200-16 blanket)
- c) Letter of Credit, use model document
- d) Surety Bond, use form EQP 7200-3, *Bond for Conformance*
- e) Statement of Financial Responsibility, use form EQP 7200-17, *Statement of Financial Responsibility*, refer to Rule 324.210.

6. **APPLICATION TO DRILL (EQP 7200-1)**
Refer to instructions on page 2 (reverse) of EQP 7200-1.
7. **SURVEY RECORD OF WELL LOCATION (EQP 7200-2)**
a) Have the surveyor who staked the well site complete the form. A registered surveyor must sign and seal the form.
b) The surveyor shall also provide an expanded supplemental plat, identifying the distance and direction to any residences, water wells, highways, power lines, or other man-made feature within 600 feet of the stake. The plat shall also identify any lakes, streams, wetlands, drainageways, floodplains, natural rivers, critical dune areas, environmentally sensitive areas or threatened or endangered species within 1320 feet and the ordinary high water mark of a Great Lake shoreline within 1500 feet of the stake.
8. **WELLHEAD BLOWOUT CONTROL SYSTEM (EQP 7200-4)**
Submit form EQP 7200-4, *Wellhead Blowout Control Systems*, or an equivalent. Use additional forms if necessary to identify different BOP specifications at different depths. Identify any requests for exceptions to rules R 324.406.
9. **DIRECTIONAL DRILLING PLANS**
If the well will be directionally drilled, include horizontal and vertical directional plans that identify:
a) Deviation kick-off point(s).
b) Degree of deviation at critical points.
c) Measured depth and true vertical depth of the bottom hole and at critical deviation points.
d) The lateral distance and direction from the surface location to the bottom hole location.
e) The location of drilling unit "hard lines" with respect to the lateral displacement of the borehole.
f) For wells which are completed "open hole" (e.g. horizontal drain holes) indicate where the open hole interval begins with respect to the lateral displacement of the borehole.
10. **ENVIRONMENTAL IMPACT ASSESSMENT (EQP 7200-19)**
Fill out this form for the well site and for the proposed area for production facilities. Applications for wells in an Antrim project must include a new or updated Antrim Project EIA, form EQP 7200-21. An application for a drilling permit is incomplete until all relevant portions of the EIA form(s) are completed and all required attachments have been filed.
11. **INJECTION WELL DATA (EQP 7200-14)**
Include this form for any injection wells (brine disposal, secondary recovery, gas storage). Follow the instructions on the form, an additional area of review supplemental plat is required. The application requirements for an injection well can be found in rule R324.201(2)(j).
12. **HYDROGEN SULFIDE CONTINGENCY PLANS**
Consult R324.1110 for requirements on preparing H₂S contingency plans for drilling.
13. **SOIL EROSION AND SEDIMENTATION CONTROL (EQP 7200-18)**
For cumulative earth changes greater than one acre in size or within 500 feet of surface water or wetlands submit this form with the application, along with necessary attachments. Follow the instructions on the form and mail a copy of the form to the county or local enforcement agent (CEA) for informational purposes only. For a list of CEAs by county go to the DEQ web site at http://www.michigan.gov/deq/0,4561,7-135-3311_4113-8870--,00.html
14. **APPLICATION TO DEEPEN WELL.**
Submit all documents identified in instruction No. 3a, b, c, d, and f to deepen an existing well below the **permitted stratigraphic or producing horizon** where a well has been completed. A \$300 fee **IS** required. Deepening a well may affect the bonding amounts for the well.
Note: To drill a well **below the permitted depth but within the permitted stratigraphic or producing horizon** where a well completion or drilling completion has occurred, file an *Application to Change Well Status* form (EQP 7200-6) at the District Office, no fee is required.
15. **HORIZONTAL DRAINHOLES**
The pilot hole and each horizontal drainhole leg authorized under a single drilling permit will receive individual API numbers.
a) To apply to drill one or more horizontal drainholes (HD) from a new well, submit form EQP 7200-1 for the original pilot hole and for each HD leg. Also submit a *Survey Record of Well Location*, EQP 7200-2, for the pilot hole and each HD leg.
b) If a single HD will be drilled as part of a new well **without a pilot hole**, only one form EQP 7200-1 is needed. The application is completed the same as for a conventional directional well.
c) To drill a horizontal well from an existing wellbore, while remaining in the producing horizon, file an *Application to Change Well Status*, form EQP 7200-6, at the District Office. Include forms EQP 7200-1 and EQP 7200-2 for each HD leg identifying the distances of the surface and bottom hole location of each HD from the section lines, quarter section lines and drilling unit boundaries. No fee is required.
For all HDs, include a directional survey for each leg as in instruction No 9. If a well is plugged back above the producing horizon to drill a horizontal well, it is considered a directional re-drill and requires a new permit and fee.

Mail application packet to: PERMITS AND BONDING UNIT
OFFICE OF OIL, GAS, AND MINERALS
MICHIGAN DEPARTMENT OF ENVIRONMENTAL QUALITY
P O BOX 30256
LANSING MI 48909-7756

For further information call 517-241-1528 or visit our website at www.michigan.gov/ogs