



MURFIN
DRILLING
CO., INC.



CONTRACTORS AND PRODUCERS

October 26, 2015

To: Earl Tanner

P.O. Box 39

Campo, CO 81029

Re: Well LDSU 401, API 05-009-06515

Located NE NW Section 12, Township 35 South, Range 46 West, Baca, CO

New Final Reclamation Agreement

Dear Mr. Tanner

The COGCC contacted me today to inform me that my July 10, 2015 reclamation letter to you was inadequate. The COGCC has added new requirements which can be found in the enclosed COGCC's guidance document concerning Rule 1001.c: Reclamation Variances and Waivers.

This document will be a new Final Reclamation Agreement. The COGCC will not approve a reclamation variance and waiver unless you agree to the following.

1. You, the surface owner, are waiving Murfin Drilling Company's obligation to perform final reclamation of the access road. The road starts at County Road C 3/10 and traverses almost straight west to the LDSU 401 well site (see attached satellite photo). The road that traverses from the ranch house/improvements to the northwest corner of the well site is an established ranch road and not a part of the oil and gas facilities, thus, is not subject to a waiver of reclamation.
2. The reason for waiving the reclamation of the access road is to keep better access to the ranch and ranch house/improvements from County Road C 3/10. It is obvious from reviewing the satellite photo that reclaiming the access road would preclude easy access to the ranch house/improvements.
3. You, the surface owner, acknowledges that the access road is in satisfactory condition.

MURFIN DRILLING COMPANY

4. You, the surface owner, acknowledges that:

- a. All active portions of the oil and gas location and all oil and gas operations remain under the jurisdiction of the Colorado Oil and Gas Conservation Commission; and
- b. The surface owner may not impede ingress to or egress from the active oil and gas location or interfere with the safe conduct of oil and gas operations on the location.

The location will remain active until it is stabilized and inspected and approved by the COGCC.

5. You, the surface owner, waives all reclamation protections otherwise afforded by the specified provisions of Rule 1004.
6. To date, the well has been plugged and abandoned, all equipment has been removed, gravel has been removed from the well and tank battery sites, the location has been leveled/contoured. The location is ready to have top soil spread on it and grass seed sowed. Murfin understands you have top soil available to use. Grass seed mix will be per the recommendation of the U. S. Forest Service which manages the adjacent Comanche National Grasslands, unless instructed otherwise. Murfin plans on sowing grass seed in the early spring of 2016. Weeds will be controlled by spraying herbicide.

If you agree to the above items 1. through 6. please sign and date below and return in the self-addressed envelope.

Please don't hesitate to contact me at 316-858-8695 if you have any questions.

Best Regards



Tom Melland

Production Engineer

316-858-8695

Signed by _____

Earl Tanner

Date _____

Cc: Fred Tanner, P.O. Box 9, Campo, CO 81029

James Esquivel

Enclosures: 1)Signed reclamation agreement dated July 17, 2015; 2)COGCC Operator Guidance Rule 1001.c: Reclamation Variances and Waivers; 3)Rule 1004; 4)satellite photo of area of interest.



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CONTRACTORS AND PRODUCERS

July 10, 2015

To: Earl Tanner

P.O. Box 39

Campo, CO 81029

Re: Well LDSU 401, API 05-009-06515

Located NE NW Section 12, Township 35 South, Range 46 West, Baca, CO

Final Reclamation Consultation

Dear Mr. Tanner

Thank you for meeting with Murfin's Production Foreman, James Esquivel, at the LDSU 401 on June 29, 2015 to discuss final reclamation of the well site.

James reported the following:

- You would like the lease road left "as is" and not reclaimed.
- You would like the electrical panel, near where the well head was located, left in place.
- Murfin will remove the sand and gravel from the tank battery and treater pads and haul in top soil.

To be able to leave the lease road "as is" and the electrical panel in place the COGCC requires Petroglyph to request a variance of the 1000 series rules for final reclamation. The variance request needs to include an agreement between Murfin Drilling Company and the landowner concerning the final reclamation and, a specific use of the unclaimed facilities has to be defined. You have informed Murfin you would like to keep the road for the specific use of improved ranch access. You want to keep the electrical box for possible future use. Murfin will remove sand and gravel, spread top soil and plant grass on the remainder of the site.

If you agree that your requests are accurately described above, please sign and date below and return in the self-addressed envelope.

MURFIN DRILLING COMPANY

Please don't hesitate to contact me at 316-858-8695 if you have any questions.

Best Regards

Thomas C. Melland

Tom Melland

Production Engineer

316-858-8695

Signed by *Earl Tanner*
Earl Tanner

Date *July 17, 2015*

Cc: Fred Tanner, P.O. Box 9, Campo, CO 81029
James Esquivel

*Tom. James & I also visited about the availability
of getting topsoil from our Private Land
close by the site. Thanks!
Earl*

*Fred 719-787-2343
Earl 719-787-2404.*



COLORADO

**Oil & Gas Conservation
Commission**

Department of Natural Resources

COGCC OPERATOR GUIDANCE

RULE 1001.c: RECLAMATION VARIANCES AND WAIVERS

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SUMMARY

This guidance addresses Rule 1001.c. – Surface Owner Waiver of 1000-Series Rules. Pursuant to Rule 1001.c, compliance with Rule 1003 – Interim Reclamation, and specific provisions of Rules 1002 and 1004, will not be required if the operator demonstrates to the Director’s or Commission’s satisfaction both: 1) that compliance with those Rules is not necessary to protect public health, safety and welfare and prevent significant adverse impacts to the environment; and 2) the operator and the surface owner have entered into an agreement regarding topsoil protection and reclamation of the oil and gas location.

This guidance describes the type of information an agreement between an operator and a surface owner regarding topsoil protection and reclamation of the oil and gas location should contain to allow COGCC to evaluate whether compliance with the specified 1000-series Rules should be waived.

In addition, this guidance describes the baseline information COGCC needs in most cases to effectively evaluate whether public health, safety and welfare will be protected and significant adverse impacts to the environment prevented if the specified Series 1000-series Rules are waived. COGCC will evaluate all requests under Rule 1001.c on a case by case basis, considering the totality of circumstances. However, COGCC considers the information described in this Guidance to be the minimal baseline necessary to make the required determination, taking into consideration the agreement to protect topsoil and reclamation of the land.

Finally, this guidance describes the procedural steps COGCC will follow when evaluating waiver and variance requests pursuant to Rule 1001.c.

RULE 1001.c: RECLAMATION VARIANCES AND WAIVERS

I. Agreement between an Operator and a Surface Owner Regarding Topsoil Protection and Reclamation of the Location.

An agreement between a surface owner and an operator regarding topsoil protection and reclamation of the land is required under Rule 1001.c. and is essential to COGCC's evaluation of whether compliance with the specified 1000-series Rules should be waived. In the absence of a written agreement containing all or most of the information listed below, it will be difficult for the Director or Commission to determine whether public health, safety and welfare will be protected, or that significant adverse environmental impacts will be prevented if the relevant reclamation rules are waived. The written agreement may be contained within a surface use agreement or it may be a stand-alone document.

An agreement regarding topsoil protection and reclamation of the land entered into or executed after COGCC has issued a reclamation inspection that requires corrective actions or a violation will be subject to heightened scrutiny.

A written agreement between an operator and surface owner regarding topsoil protection and reclamation of the land should contain:

1. A clear description of the specific portions of an access road or oil and gas location for which the surface owner is waiving the operator's obligation to perform interim or final reclamation.
2. A brief explanation of the surface owner's reasons for waiving the operator's obligation to perform interim or final reclamation for the specified portions of an access road or oil and gas location.
3. The surface owner's acknowledgement that the current condition of the portions of the access road or oil and gas location subject to the waiver is satisfactory to the surface owner.
4. The surface owner's acknowledgement that:
 - a. All active portions of the oil and gas location and all oil and gas operations remain under the jurisdiction of the Colorado Oil and Gas Conservation Commission; and
 - b. The surface owner may not impede ingress to or egress from the active oil and gas location or interfere with the safe conduct of oil and gas operations on the location.
5. In addition to items 1 through 4, above, if an operator intends to seek a variance under Rule 502.b. to be relieved from its obligation to comply with specified provisions of Rule 1004 – Final Reclamation Well Sites

RULE 1001.c: RECLAMATION VARIANCES AND WAIVERS

and Associated Production Facilities – the following information should be included in a written agreement:

- a. The surface owner's acknowledgement that the surface owner knowingly, and forever, waives all reclamation protections otherwise afforded by the specified provisions of Rule 1004; and
 - b. A brief description of the operator's plans for compliance with the specified provisions of Rule 1004 on areas of the oil and gas locations or access roads that are not subject to the variance.
6. **NOTE:** If an operator anticipates or intends that lands covered by an agreement with a surface owner will not be subject to interim OR final reclamation, operators are strongly encouraged to apply for a final reclamation variance in the first instance, rather than first seeking relief from the requirement to comply with Rule 1003 and later seeking relief from the specified provisions of Rule 1004. Including the additional information pertinent to seeking a variance into the written agreement with the surface owner is encouraged.

II. COGCC's Evaluation of Whether Public Health, Safety and Welfare Will Be Protected and Significant Adverse Environmental Impacts Prevented if Specified Reclamation Rules are waived.

A. Request to Waive Compliance with Rule 1003

An operator who has entered into an agreement with the surface owner regarding topsoil protection and reclamation of the land will not be required to comply with Rule 1003 if the Director or Commission determines compliance with the Rule is not necessary to protect public health, safety, and welfare and prevent significant adverse impacts to the environment. The Director and Commission have identified the information listed below to be essential in nearly all cases to determining whether compliance with Rule 1003 is necessary in light of a surface owner agreement. The Director's or Commission's decision is likely to be delayed or the request denied if the following or substantially similar information is not provided to at the time a request to waive compliance with Rule 1003 is made.

1. Evidence that all oil and gas equipment been removed from all portions of access roads or the oil and gas location for which a waiver from the requirements of Rule 1003 is sought ("Waiver Area").
2. Evidence that all trash and debris belonging to the operator or its agents been removed from the Waiver Area.
3. An express acknowledgement that the operator is still required to comply with Rule 1002.f related to stormwater management controls.

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4. The operator's analysis of how the surface owner agreement is sufficient to protect public health, safety, and welfare, and prevent significant adverse impacts to the environment even if compliance with Rule 1003 is waived.

The depth of the operator's analysis may vary depending on the scope of the waiver request. A request to waive compliance with Rule 1003 for a small portion of an oil and gas location on which the surface owner wants to store personal equipment or vehicles would not require elaborate analysis, particularly if an existing written agreement regarding topsoil protection and reclamation of the land specifically contemplated such use. The operator's analysis of a waiver request should increase in proportion to the increase in the scale of the oil and gas location for which a waiver from Rule 1003 requirement is sought. Thus, a request to be relieved from the requirements of Rule 1003 for five acres of an existing oil and gas location not being used for active operations should be accompanied by a detailed analysis of how public health, safety, and welfare will be protected and significant adverse impacts to the environment prevented in the absence of reducing the pad size as contemplated by Rule 1003."

B. Request to Waive Compliance with Specified Provisions of Rule 1004, via a Variance.

The information described below is considered to be a minimal baseline to allow COGCC to evaluate whether public health, safety and welfare will be protected and significant adverse environmental impacts prevented if compliance with specified provisions of Rule 1004 is not required:

1. Evidence that all wells on the location are plugged and abandoned, and that a Form 6 subsequent was submitted for each well.
2. Evidence that all oil and gas equipment has been removed from the location, including flowline and gathering line risers.
3. Evidence that trash and debris belonging to the operator or its agents has been removed from the location.
4. Evidence that noxious weeds have been controlled as required by Rule 1004.
5. Documentation showing the operator consulted in good faith with the surface owner regarding final reclamation pursuant to Rule 306.f. Information describing the consultation (who, what, where, when) should be provided. If a consultation did not occur, documentation describing the operator's efforts to consult with the surface owner should be provided.

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6. Documentation of the existing state of reclamation for the entire location.
7. Evidence the oil and gas location is stabilized and any required stormwater management controls are in place and can function properly prior to COGCC's scheduled final reclamation inspection.
8. The operator's analysis of how public health, safety, and welfare will be protected and significant adverse environmental impacts prevented even if compliance with the specified provisions of Rule 1004 receive a variance.

As with requests for waivers from compliance with Rule 1003, the depth of the operator's analysis may vary depending on the scope of the variance request. For example, a request to be relieved from compliance with the specified provisions of Rule 1004 on the entire oil and gas location likely requires a more detailed analysis of the potential impacts to public health, safety, and welfare. COGCC would expect an analysis of the following types of issues to be included: 1) the specific nature of the location, including urban vs. rural, proximity to surface water, wildlife areas, 317B area, or sensitive area classification; and 2) comparative benefits of re-contouring vs. reseeded.

III. COGCC Procedures for Processing Requests to Waive Compliance with Rule 1003 or Specified Provisions of Rule 1004

A. Interim Reclamation Waivers

COGCC will process requests under Rule 1001.c. to waive compliance with Rule 1003 as follows:

1. Operator creates and submits an electronic Form 4, Sundry Notice, including all information identified above in either the comments section of the Form 4 or in attachments.
2. COGCC Reclamation staff will conduct a completeness check on the submitted documents within 15 business days and contact the operator with questions, required additional information, or concerns. If additional information is required, the Form 4 will be sent back to draft and will have to go back through the completeness check.
3. COGCC Reclamation staff will review the information submitted and perform an interim reclamation inspection if required. If issues are discovered during the inspection, these issues will be communicated to the operator via the inspection report. The operator will then be responsible for correcting any issues identified. When the corrections have been made the operator will submit a form 42 indicating this, so COGCC staff can perform

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a follow up inspection. It is important to note that if issues arise during the inspection, time frames for approval of these requests could greatly increase.

4. COGCC Reclamation staff will follow up with the operator within 60 days following the initial contact if the request is still in process. The operator should contact the Field Inspection Manager or Deputy Director if no communication has been received within 60 days.
5. COGCC Reclamation staff, with input from the Inspection manager and Deputy Director, will make a decision on the waiver request, communicate the decision to the operator, and either approve or deny the Form 4.

B. Final Reclamation Variances

COGCC will process requests under Rule 1001.c. to waive compliance with specified provisions of Rule 1004 as follows:

1. Operator creates and submits an electronic Form 4, Sundry Notice, including all information identified above in either the comments section of the Form 4 or in attachments. As part of this Form 4 submittal, operator should create a formal Rule 502.b variance letter addressed to the Director requesting a 502.b variance
2. Within 15 business days of receiving the variance request via the Form 4, Reclamation staff or Reclamation supervisor will conduct a completeness check and contact the operator with the analysis. If additional information is required, the Form 4 will be sent back to draft and will have to go back through the completeness check. Once the form passes completeness check, Reclamation staff will (1) discuss any informational issues or general concerns with the request and (2) discuss timeframe when the operator can expect a final decision. This timeframe would depend on how many variance requests for reclamation or other items are ahead of the request in the queue and the overall detail of the request.
3. Reclamation staff or Reclamation supervisor will follow-up with the operator within 75 days from the initial contact if the request is taking longer than that and discuss timeframe when the operator might expect a final decision. This timeframe would depend on how many variance requests are ahead of the request in the queue. The operator should contact the Field Inspection Manager or Deputy Director if no communication has been received within 75 days.
4. Reclamation specialist will perform a detailed inspection of the location as part of the variance request review and as required in Rule 1004.c.(5).

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Reclamation specialist will verify the information provided in the variance request.

- a. If issues are discovered, these will be documented in a field inspection report that is sent to the operator for resolution.
 - b. Operator corrects any required issues discovered during the inspection and communicates back to Reclamation specialist via a Form 42. If issues or corrective actions are necessary, the proposed timeframes listed above will not apply.
5. COGCC Reclamation specialist will re-inspect the location if required.
6. Once the inspection has a passing status:
 - a. The Reclamation specialist will put the inspection report in draft until a final decision is made on the variance and will update the Form 4 as required.
 - b. Reclamation supervisor discusses with Inspection manager and/or Deputy Director before a final staff recommendation is made to the COGCC Director.
7. COGCC staff will make a recommendation to the Director:
 - a. If the staff recommendation is to deny the variance or the Director denies the request, the Inspection manager or Deputy Director will discuss the reasons with the operator. If denied, the operator will have a right for a hearing in front of the full Commission.
 - b. If the staff recommendation is to approve the variance and the Director approves the variance, the Reclamation staff will communicate this to the operator.
8. Reclamation staff or Reclamation supervisor writes up a summary of the decision and will save it into the well file, approves all associated inspection reports and Form 4s, and prepares the summary write up to be included in the upcoming Director's report.
9. The Director reports the variance to the Commission.
10. If a final reclamation variance is approved, the operator will no longer have access to the areas of land approved in the variance for any oil and gas operations without filing for a new Form 2A.

Reclamation staff has discretion to vary from this process as required.

RULE 1001.c: RECLAMATION VARIANCES AND WAIVERS

DISCLAIMER

This is a guidance document, not a formal rule. The purpose of this guidance document is to inform all interested stakeholders of the Commission's interpretation of, and expectations concerning, the formal Commission Rules discussed herein. Interpretative rules or general statements of policy, such as this guidance document, are not meant to be binding as rules under the Administrative Procedures Act. § 24-4-103(1), C.R.S.

APPENDIX A

I. Commission Rule 1001.c.

Current Rule 1001.c. provides:

Surface owner waiver of 1000-Series Rules. The Commission shall not require compliance with Rules 1002. (except Rules 1002.e.(1), 1002.e.(4), and 1002.f, for which compliance will continue to be required), Rule 1003, or Rule 1004 (except Rules 1004.c.(4) and 1004.c.(5), for which compliance will continue to be required), if the operator can demonstrate to the Director's or the Commission's satisfaction both that compliance with such rules is not necessary to protect the public health, safety and welfare, including prevention of significant adverse environmental impacts, and that the operator has entered into an agreement with the surface owner regarding topsoil protection and reclamation of the land. Absent bad faith conduct by the operator, penalties may only be imposed for non-compliance with a Commission order issued after a determination that, notwithstanding such agreement, compliance is necessary to protect public health, safety and welfare. Prior to final reclamation approval as to a specific well, the operator shall either comply with the rules or obtain a variance under Rule 502.b. This rule shall not have the effect of relieving an operator from compliance with the 900 Series Rules.

Document Change Log:

Change Date	Description of Changes
October 5, 2015	Document Created and Finalized.

adjacent or nearby undisturbed land or the reference area. Each photograph shall be identified by date taken, well name, GPS location, and direction of view.

- f. **Weed control.** During drilling, production, and reclamation operations, all disturbed areas shall be kept as free of all undesirable plant species designated to be noxious weeds as practicable. Weed control measures shall be conducted in compliance with the Colorado Noxious Weed Act, C.R.S. §35-5.5-115 and the current rules pertaining to the administration and enforcement of the Colorado Noxious Weed Act. It is recommended that the operator consult with the local weed control agency or other weed control authority when weed infestation occurs. It is the responsibility of the operator to monitor affected and reclaimed lands for noxious weed infestations. If applicable, the Director may require a weed control plan.

1004. FINAL RECLAMATION OF WELL SITES AND ASSOCIATED PRODUCTION FACILITIES

- a. **Well sites and associated production facilities.** Upon the plugging and abandonment of a well, all pits, mouse and rat holes and cellars shall be backfilled. All debris, abandoned gathering line risers and flowline risers, and surface equipment shall be removed within three (3) months of plugging a well. All access roads to plugged and abandoned wells and associated production facilities shall be closed, graded and recontoured. Culverts and any other obstructions that were part of the access road(s) shall be removed. Well locations, access roads and associated facilities shall be reclaimed. As applicable, compaction alleviation, restoration, and revegetation of well sites, associated production facilities, and access roads shall be performed to the same standards as established for interim reclamation under Rule 1003. All other equipment, supplies, weeds, rubbish, and other waste material shall be removed. The burning or burial of such material on the premises shall be performed in accordance with applicable local, state, or federal solid waste disposal regulations and in accordance with the 900-Series Rules. In addition, material may be burned or buried on the premises only with the prior written consent of the surface owner. All such reclamation work shall be completed within three (3) months on crop land and twelve (12) months on non-crop land after plugging a well or final closure of associated production facilities. The Director may grant an extension where unusual circumstances are encountered, but every reasonable effort shall be made to complete reclamation before the next local growing season.
- b. **Production and special purpose pit closure.** The operator shall comply with the 900 series rules for the removal or treatment of E&P waste remaining in a production or special purpose pit before the pit may be closed for final reclamation. After any remaining E&P waste is removed or treated, all such pits must be back-filled to return the soils to their original relative positions. As to both crop lands and non-crop lands, if subsidence occurs over closed pit locations, additional topsoil shall be added to the depression and the land shall be re-leveled as close to its original contour as practicable.
- c. **Final reclamation threshold for release of financial assurance.** Successful reclamation of the well site and access road will be considered completed when:
 - (1) On crop land, reclamation has been performed as per Rules 1003 and 1004, and observation by the Director over two growing seasons has indicated no significant unrestored subsidence.
 - (2) On non-crop land, reclamation has been performed as per Rules 1003 and 1004, and disturbed areas have been either built on, compacted, covered, paved, or otherwise stabilized in such a way as to minimize erosion to the extent practicable, or a uniform vegetative cover has been established that reflects pre-disturbance or reference area forbs, shrubs, and grasses with total percent plant cover of at least eighty percent (80%) of pre-disturbance or reference area levels, excluding noxious weeds, as determined by the Director through a visual appraisal. The Director shall consider the total cover of live

perennial vegetation of adjacent or nearby undisturbed land, not including overstory or tree canopy cover, having similar soils, slope and aspect of the reclaimed area.

- (3) Disturbances resulting from flow line installations shall be deemed adequately reclaimed when the disturbed area is reasonably capable of supporting the pre-disturbance land use.
 - (4) A Sundry Notice Form 4, has been submitted by the operator which describes the final reclamation procedures, any changes, if applicable, in the landowner's designated final land use, and any mitigation measures associated with final reclamation performed by the operator, and
 - (5) A final reclamation inspection has been completed by the Director, there are no outstanding compliance issues relating to Commission rules, regulations, orders, permit conditions or the act, and the Director has notified the operator that final reclamation has been approved.
- d. Final reclamation of all disturbed areas shall be considered complete when all activities disturbing the ground have been completed, and all disturbed areas have been either built upon, compacted, covered, paved, or otherwise stabilized in such a way as to minimize erosion, or a uniform vegetative cover has been established that reflects pre-disturbance or reference area forbs, shrubs, and grasses with total percent plant cover of at least eighty percent (80%) of pre-disturbance or reference area levels, excluding noxious weeds, or equivalent permanent, physical erosion reduction methods have been employed. Re-seeding alone is not sufficient.
- e. **Weed control.** All areas being reclaimed shall be kept as free as practicable of all undesirable plant species designated to be noxious weeds. Weed control measures shall be conducted in compliance with the Colorado Noxious Weed Act, C.R.S. §35-5.5-115 and the current rules pertaining to the administration and enforcement of the Colorado Noxious Weed Act. It is recommended that the operator consult with the local weed control agency or other weed control authority when weed infestation occurs. It is the responsibility of the operator to monitor affected and reclaimed lands for noxious weed infestations. If applicable, the Director may require a weed control plan.



LDSU 401 Location NE NW Section 12, Township 35 South, Range 46 West, Baca County, CO