



Kerr-McGee Oil & Gas Onshore LP
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Denver, Colorado 80202
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May 13, 2016

Mr. Matt Lepore
Director, Colorado Oil & Gas Conservation Commission
1120 Lincoln Street, Suite 801
Denver, CO 80203

Re: Request for 502.b Variance
Meguire 3N-16HZ Oil and Gas Location
COGCC Location ID 442735
SENW of Section 21, Township 2 North, Range 65 West, Weld County, Colorado

Dear Director Lepore,

Anadarko Petroleum Corporation submits this Request for 502.b Variance from COGCC Rules 1001.c and 1003.b (collectively "Variance Request") on behalf of itself and its affiliates and subsidiaries (collectively "Anadarko"). This Variance Request is submitted pursuant to COGCC Rule 502.b and in accordance with the specific provisions in the "COGCC Form 2 Attachment Guidance, Variance Request". The compliance alternatives that are proposed for these rules are defined below.

Proposed Scope of the Variance

This request is for a variance from the otherwise applicable COGCC Rules 1001.c and 1003.b. for the Meguire 3N-16HZ Oil and Gas Location.

Applicable Rules and Specific Requirements

COGCC Rule 1001.c: Surface Owner Waiver of 1000-Series Rules
COGCC Rule 1003.b: Interim Reclamation of Areas No Longer in Use

Rationale for Variance: Delayed Completions

Over the past 10 years, oil and gas drilling has shifted from vertical wells to larger, multi-well drill pads for horizontal wells. Multi-well drill pads foster responsible development and utilization of natural resources, and protect public and private interests by reducing our overall footprint on the surface. Generally, these drill pads minimize the total surface necessary to drill and produce oil and gas. One consequence of the shift from single well pads to multi-well pads is the expanded infrastructure that is required to produce the wells and transport the oil and gas to market. A more comprehensive network of water lines, flowlines and gathering lines must be in place before the wells are produced. As a result, subsequent operations, including the completion of wells and production operations is sometimes delayed.

The proposed variance will allow for balance between protecting public health, safety and the environment and producing oil and gas "up to its maximum efficient rate of production" during times

when completions are delayed. For these reasons, Anadarko is requesting a variance from certain aspects of the interim reclamation requirements (Rules 1001.c and 1003.b) that cannot be achieved economically. Also, compliance concerns with the interim reclamation requirements are not limited to specific wells or specific Oil and Gas Locations. Anadarko faces these challenges at multiple locations throughout Colorado, and is therefore requesting rule variances.

This variance does not violate the Oil and Gas Conservation Act. The Colorado legislature, through the Oil and Gas Conservation Act (CRS §34-60-101 et seq.), declared that (1) fostering responsible, balanced development and utilization of oil and gas in a manner that is consistent with protecting public health, safety and the environment, and (2) protecting public and private interests against waste in the production of oil and gas, are in the public interest. Moreover, the COGCC is charged with taking cost-effectiveness and technical feasibility into consideration when mitigating adverse environmental impacts from oil and gas operations.

Without approval of this Variance Request, Anadarko will likely be forced to undertake interim reclamation operations multiple times on the same Oil and Gas Location until completion operations are commenced. This results in significant waste of valuable resources. Moreover, there is minimal adverse environmental impact, nor is there any environmental benefit from repeating interim reclamation operations. This delayed approach to interim reclamation safeguards valuable resources, and minimizes waste by allowing reclamation to commence after drilling, completion and production operations are complete.

Applicability

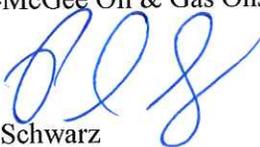
The variance from the otherwise applicable sections of COGCC Rules 1001.c and 1003.b (Interim Reclamation timing) shall apply to all wells located on the Meguire 3N-16HZ Oil and Gas Location. The surface ownership is currently held by William A. Meguire, Jr. The current and future use of this property is irrigated crop. Anadarko has received an approved Reclamation Waiver that is signed by the surface owners and is attached to this letter as Attachment 1. Anadarko will maintain all of the alternant compliance requirements as outlined in Attachment 2.

Request for Approval of Variance

For the reasons outline above, Anadarko respectfully requests approval to delay Rule 1003.b for a time period of two years from rig-release date of October 20, 2015.

Sincerely,

Kerr-McGee Oil & Gas Onshore LP


Paul Schwarz
HSE Representative

Attachments:

- Attachment 1 – Reclamation Waiver
- Attachment 2 – Exhibit A Rule 1001.c and Rule 1003.b Interim Reclamation

Attachment 1
Reclamation Waiver

RECLAMATION WAIVER

THIS RECLAMATION WAIVER ("Waiver") is made and entered into this 29th day of April, 2016, by and among Kerr-McGee Oil & Gas Onshore LP ("Kerr-McGee"), with offices at 1099 18th Street, Suite 1800, Denver, Colorado 80202 and William A. Meguire Jr. ("Surface Owner"), with an address of 8754 County Road 41, Ft. Lupton, Colorado 80621 .

RECITALS

- A. Surface Owner owns certain property located in Weld County, Colorado, described as the NW/4 of Section 21, Township 2 North, Range 65 West and hereinafter referred to as the "Property."
- B. Surface Owner and Kerr-McGee entered in an Easement, Right-of-Way and Surface Damage Agreement ("SDA") on October 20, 2014 and recorded on May 12, 2015 in the Office of the Clerk and Recorder of Weld County, Colorado.
- C. Pursuant to the SDA, Kerr-McGee operates one or more Oil and Gas Locations, as defined by the Colorado Oil and Gas Conservation Commission ("COGCC"), on the Property.
- D. Rule 1003.b. of the COGCC's Rules and Regulations requires that all disturbed areas affected by drilling or subsequent operations, except areas reasonably needed for production operations or subsequent drilling operations to be commenced within twelve (12) months, shall be reclaimed as early and as nearly as practicable to their original condition, and shall occur no later than three (3) months on crop land or six (6) months on non-crop land after such operations.
- E. COGCC Rule 1003.e. requires that, when a well is completed for production, all disturbed areas no longer needed will be restored and re-vegetated as soon as practicable.
- F. Kerr-McGee reasonably anticipates that subsequent operations associated with the Oil and Gas Locations on the Property will not be completed within twelve (12) months after drilling operations.
- G. Surface Owner acknowledges that the mutually agreed upon condition of the Oil and Gas Locations subject to the Waiver is satisfactory and that it is in the best interest of the Surface Owner to delay reclamation activities until after subsequent operations, including completion operations, are complete.
- H. Surface Owner therefore agrees, pursuant to the terms in this Waiver, to waive the otherwise applicable requirements of COGCC Rules 1003.b.

NOW THEREFORE, in consideration of the covenants and mutual promises set forth in this Waiver and other good and valuable consideration, the receipt of which is hereby acknowledged, the parties agree as follows:

1. Waiver of Interim Reclamation Timing Requirement. Surface Owner hereby waives the twelve (12) month requirement identified in COGCC Rule 1003.b. until Kerr-McGee has completed all subsequent drilling, completion and production operations within the Oil and Gas Location(s) and related areas on the Property.

2. Triggering of Interim Reclamation Requirements. Surface Owner and Kerr-McGee agree that interim reclamation will commence at the Oil and Gas Location(s) at the earlier of either two (2) years following rig-release, or thirty (30) days following the date of first production.

3. Successors and Assigns. This Waiver and all of the covenants in it shall be binding upon the personal representatives, heirs, successors and assigns of all of the parties, and the benefits of this Waiver shall inure to their personal representatives, heirs, successors and assigns. This Waiver and all of the covenants in it shall be covenants running with the land.

4. Governing Law. The validity, interpretation and performance of this Waiver shall be governed and construed in accordance with the laws of the State of Colorado. This Waiver does not affect the jurisdiction of the COGCC relative to matters not addressed in this Waiver.

5. Counterpart Executions. This Waiver may be executed in counterparts, each of which shall be deemed an original.

IN WITNESS THEREOF, the undersigned parties have caused this Waiver to be executed by a duly authorized representative on the date and year first above written.

Surface Owner

Kerr-McGee Oil & Gas Onshore LP

By: William A. Meguire Jr.
William A. Meguire Jr.

By: 
Name: Ronald H. Olsen
Its: Agent and Attorney-In-Fact

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Attachment 2
Exhibit A Rule 1001.c and Rule 1003.b Interim Reclamation

Exhibit A
Rule 1001.c and Rule 1003.b Interim Reclamation

Requested Site-Specific Relief from Rule 1001.c and Rule 1003 for Oil and Gas Locations in crop lands:

1. A site-specific waiver (Rule 1001.c) to delay interim reclamation has been obtained from the surface owner. The waiver allows Anadarko to delay interim reclamation for up to 2 years from rig-release.
2. The interim reclamation timing requirements in 1003.b are waived for up to 2 years from rig-release, subject to the Alternative Compliance Requirements identified below.

Conditions for granting relief from interim reclamation timing requirements for Oil and Gas Locations:

1. Well completion operations will not commence within 12 months of rig-release.
2. Alternate Compliance Requirements (identified below) are applicable and in effect until interim reclamation commences.

Alternate Compliance Requirements if well completion operations will not commence within 12 months of rig release:

1. The Location will be in compliance with Rule 1003.a within 30 days following rig-release with the exception that materials and equipment associated with completion operations may be on site for up to 30 days prior to completion.
2. The Location will be stabilized with road base, plating material or an equivalent within 30 days following rig-release.
3. All weeds (both noxious and non-noxious) will be controlled on the Location.
4. The Location will be maintained in compliance with the stormwater management requirements of Rule 1002.f.
5. A sign will be placed at the Location stating: "A variance has been approved to delay interim reclamation no later than DD/MM/YY." The date is 2 years after rig-release.
6. Interim reclamation operations will commence at the Location the earlier of:
 - A. 2 years following rig-release
 - B. 30 days following the date of first production
7. Per Rule 1003.e, a Form 4 will be submitted for the Location once interim reclamation standards have been met as defined by 1003.e(2).

For the purpose of this variance document, "rig-release" refers to the rig-release date reported on the Form 5. In the case of continuous, sequential drilling of multiple wells on a pad, it refers to the rig-release date reported on the Form 5 for the last well drilled on the pad.

For the purpose of this variance document, "date of first production" refers to the date reported on the Form 5A. In the case of continuous, sequential completion of multiple wells on a pad, it refers to the date of first production reported on the Form 5A for the last well completed on the pad.

COA placed on the Sundry approving the Variance Request:

The Location will be in compliance with all of Alternate Compliance Requirements until interim reclamation commences. Failure of the Location to comply with these requirements may result in the revocation of the variance approval, in which case interim reclamation will commence within 30 days of the COGCC Field Inspection Report.