



November 21, 2016

VIA E-MAIL

Matthew Lepore
Director
Colorado Oil & Gas Conservation Commission
1120 Lincoln Street
Suite 801
Denver, CO 80203
matt.lepore@state.co.us

Re: Request for Permit Issuance without Notice or Consultation, Rule 303.i.(2)

Orr State 40-36 Pad Section 36-T6N-67W

1. Orr 11C-32-M - Doc#401127429 - Sec. 36-T6N-67W NESE
2. Orr 11N-32B-M - Doc# 401127562 - Sec. 36-T6N-67W NESE
3. Orr 11N-32C-M - Doc# 401127665- Sec. 36-T6N-67W NESE
4. Orr 14C-32-M- Doc# 401127708- Sec. 36-T6N-67W NESE
5. Orr 14N-32C-M - Doc# 401127762 - Sec. 36-T6N-67W NESE
6. Orr 23C -32-M - Doc# 401127798- Sec. 36-T6N-67W NESE
7. Orr 23N-32A-M - Doc# 401127824- Sec. 36-T6N-67W NESE
8. Orr 23N-32B-M Doc# 401128021- Sec. 36-T6N-67W NESE
9. Orr 25C-32-M Doc# 401128061 - Sec. 36-T6N-67W NESE
10. Orr 25N-32B-M Doc# 401128182 - Sec. 36-T6N-67W NESE
11. Orr 36C-32-M Doc# 401128232 - Sec. 36-T6N-67W NESE
12. Orr 36N-32B-M Doc# 401128274 - Sec. 36-T6N-67W NESE
13. Orr State 10C-35-M Doc# 401129214 - Sec. 36-T6N-67W NESE
14. Orr State 10N-35A-M Doc# 401129243 - Sec. 36-T6N-67W NESE
15. Orr State 10N-35C-M Doc# 401129487 - Sec. 36-T6N-67W NESE
16. Orr State 15C-35-M Doc# 401129725 - Sec. 36-T6N-67W NESE
17. Orr State 15N-35B-M Doc# 401129726 - Sec. 36-T6N-67W NESE
18. Orr State 23C-35-M Doc# 401129728 - Sec. 36-T6N-67W NESE
19. Orr State 23N-35C-M Doc# 401129733 - Sec. 36-T6N-67W NESE
20. Orr State 25C-35-M Doc#401129735 - Sec. 36-T6N-67W NESE
21. Orr State 25N-35B-M Doc# 401129736 - Sec. 36-T6N-67W NESE
22. Orr State 36C-35-M Doc# 401129741 - Sec. 36-T6N-67W NESE
23. Orr State 36N-35B-M Doc# 401129743 - Sec. 36-T6N-67W NESE
24. Orr State36N-35C-M Doc# 401129748 - Sec. 36-T6N-67W NESE

Dear Director Lepore:

Synergy Resources Corporation ("Synergy") is applying for permits-to-drill ("APDs") for the above-described wells ("Subject Wells"), located in the SE¼ of Section 36, Township 6 North, Range 67 West, 6th P.M. Synergy respectfully requests the Director issue an expedited approval of the APDs submitted for the Subject Wells, and waive all notice and consultation requirements under Rules 305 and 306.

Rule 303.i.(2) allows the Director to issue permits **at any time** in the event the operator files a sworn statement and demonstrates to the Director's satisfaction that, due to exigent circumstances, significant economic hardship to a drilling contractor will result or significant economic hardship to an operator in the form of drilling stand by charges will result. (Emphasis supplied.) If the Director issues a permit under Rule 303.i., the operator "shall not be required to meet obligations to Surface Owners, local governmental designees, the Colorado Department of Public Health and Environment, or Colorado Parks and Wildlife under Rule 305 (except Rules 305.f.(4) and 305.f.(6), for which compliance will still be required) and Rule 306." *See* Rule 303.i.

On or about October 17, 2016, Synergy submitted the original APDs and OGLA for the Subject Wells. Synergy complied with all notice requirements under Rule 305, and allowed for public comment for the Subject Wells. However, on November 17, 2016, COGCC Staff rejected the original APDs submitted for the Subject Wells, based on the amount of additions and/or modifications needed.

There were two key factors that significantly shortened the amount of time Synergy's technical staff was given to complete the original APDs for the Subject Wells, thus resulting in the errors and omissions contained in the original APDs. First, Synergy's permitting and drilling staff was preparing APDs for another pad, which was scheduled to be drilled ahead of the pad at issue. However, due to unforeseen delay in finalizing a surface use agreement for the preceding pad, Synergy's permitting and drilling staff was pressed to quickly submit APDs for the Subject Wells in order to accommodate its two rig drilling schedule. Second, shorter drilling times on a preceding 22-well pad put unanticipated pressure on Synergy's technical staff to quickly submit APDs for the Subject Wells to further accommodate Synergy's two rig drilling schedule. Based on current market conditions, Synergy anticipates utilizing a two-rig drilling program moving forward. Indeed, with its acquisition of approximately 33,000 net mineral acres from Noble Energy, Inc. in July, 2016 (which did not include existing permits), Synergy has been rapidly moving to complete title work on this acreage to facilitate the permit application process and accommodate its rig schedule.

As a result of the considerable pressure of the rig schedule, the typical quality control measures Synergy applies in the development of APDs were unfortunately not met by various departments, which resulted in errors in the original APD submittals for the Subject Wells. Synergy fully appreciates the time and energy COGCC Staff provided in the review of the APDs, and apologizes for creating additional work for COGCC Staff. Synergy considers this occurrence unacceptable; accordingly, Synergy is implementing an intensive quality control procedure moving forward, in addition to adding more staff to various departments charged with submittal of APDs.

Prior to COGCC Staff's rejection of the APDs, Synergy entered a drilling contract governing the drilling of the Subject Wells. As part of its agreement with the drilling contractor, the contractor will begin setting conductor casing on the Subject Wells on or about December 9, 2016. Without expedited approval of the APDs, and waiver of notice, comment and consultation requirements to Surface Owners, the local government designee, CDPHE and CPW, Synergy will be unable to commence operations with heavy equipment by December 9, 2016, and will be faced with laying down the rig.

Synergy is diligently working to correct and supplement all required information needed for the APDs. Additionally, Synergy has obtained consultation waivers from both the Surface Owner and Local Government Designee. However, if Synergy is required to comply with Rules 305 and 306 notice and consultation requirements for the revised APDs, it will result in significant economic hardship to Synergy because Synergy will be required to lay down the rig. Accordingly, pursuant to Rule 303.i.(2), Synergy respectfully requests the Director issue expedited approval of the APDs submitted for the Subject Wells and waive all obligations to Surface Owners, the local government designee, CDPHE and CPW under Rules 305 and 306.

Attached to this letter, please find an affidavit from Matthew Miller, Vice President of Land with Synergy Resources Corporation. Mr. Miller has personal knowledge of the circumstances for Synergy's Rule 303.i.(2) request, and his affidavit verifies: (1) that Synergy plans to commence operations with heavy equipment for the drilling of the Subject Wells on or about December 9, 2016 pursuant to its agreement with the drilling contractor; (2) that Synergy will suffer significant economic hardship if the Rule 303.i.(2) request is denied, because Synergy will be compelled to lay down its rig; and (3) that Synergy is working to modify its internal procedures to prevent similar permitting mistakes from occurring in the future.

Thank you for your consideration, and please do not hesitate to contact me if you have questions or if you require additional information from Synergy.

Respectfully,



Erin Ekblad
Manager Regulatory Affairs
Synergy Resources
1625 Broadway
Suite 300
Denver, CO 80203

Attachment

State of Colorado)
) ss.
County of Denver)

I, Matthew Miller, the undersigned, being of lawful age and being first duly sworn upon oath, depose and state that the following statements are true and correct to the best of my knowledge, information, and belief.

1) I am the Vice President of Land with Synergy Resources Corporation ("Synergy") and have personal knowledge of the circumstances surrounding Synergy's original and revised applications for permits-to-drill for the below-described wells ("Subject Wells"):

1. Orr 11C-32-M - Doc#401127429 - Sec. 36-T6N-67W NESE
2. Orr 11N-32B-M - Doc# 401127562 - Sec. 36-T6N-67W NESE
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5. Orr 14N-32C-M - Doc# 401127762 - Sec. 36-T6N-67W NESE
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7. Orr 23N-32A-M - Doc# 401127824- Sec. 36-T6N-67W NESE
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21. Orr State 25N-35B-M Doc# 401129736 - Sec. 36-T6N-67W NESE
22. Orr State 36C-35-M Doc# 401129741 - Sec. 36-T6N-67W NESE
23. Orr State 36N-35B-M Doc# 401129743 - Sec. 36-T6N-67W NESE
24. Orr State36N-35C-M Doc# 401129748 - Sec. 36-T6N-67W NESE

2) On November 17, 2016, Colorado Oil and Gas Conservation Commission ("COGCC") Staff notified Synergy of its decision to reject the original permits submitted for the Subject Wells, as a result of various errors or omissions.

3) Synergy is working to correct all errors and omissions, and resubmit the permits for the Subject Wells on November 22, 2016.

4) Synergy has formally redesigned its internal review process for quality control assurance prior to submitting future permits to the COGCC. Additional labor has been dedicated to the permitting process at large to ensure timely and accurate delivery of information. Synergy is

dedicated on working diligently with COGCC to ensure regulatory compliance and general stewardship.

5) Synergy has entered into a drilling contract for the construction of the Subject Wells.

6) Under the terms of the contract, the drilling contractor is scheduled to commence operations with heavy equipment, including setting conductor casing for the Subject Wells, on or about December 9, 2016.

7) If Synergy is required to comply with notice, comment and consultation requirements as set forth in Rules 305 and 306, permits will not be issued for the Subject Wells by December 9, 2016, and Synergy will be forced to lay down the rig.

8) If Synergy is compelled to lay down the rig, it will result in significant economic hardship to Synergy.

Matthew Miller
Matthew Miller

STATE OF COLORADO)

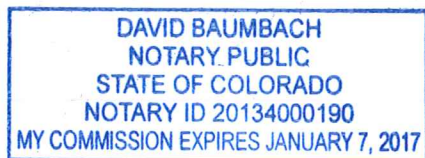
) ss.

CITY & COUNTY OF DENVER)

SUBSCRIBED AND SWORN to before me this 21st day of November, 2016, by
Matthew Miller.

Witness my hand and official seal.

My commission expires: 1/7/2017



David Baumbach
Notary Public