

Colorado Oil and Gas Conservation Commission
Attn: Mrs. Julie Murphy, Director
1120 Lincoln Street, Suite 801
Denver, CO 80203

June 7, 2018

RE: **Variance Request** to the following: **Rule 604.c(B)i**: Closed Loop Drilling Systems are required within the Buffer Zone Setback. & **Rule 604.c(B)ii**: Pits are not allowed on Oil and Gas Locations within the Buffer Zone Setback, except fresh water storage pits, reserve pits to drill surface casing, and emergency pits as defined in the 100-Series Rules, **Rule 604.a(2)**: No Well or Production Facility shall be located one thousand (1,000) feet or less from a Building Unit until the Operator certifies it has complied with Rule 305.a., 305.c., and 306.e. and the Form 2A or Form 2 contains conditions of approval related to site specific mitigation measures as necessary to eliminate, minimize or mitigate potential adverse impacts to public health, safety, welfare, the environment, and wildlife as they apply to the "In Process" Form 2 Doc 401632238 & Form 2A Doc 401632296. **JACK CREEK 1 Well & Pad located in the SENE, Section 4, Township 2 South, Range 51 West, Washington County, Colorado**

Dear Director Murphy,

IPT is handling permitting matters for St. Croix Operating, Inc. The proposed Jack Creek #1 location falls within 1000' of the Building Unit (house) thus does not meet Rule 604.a(2). St. Croix proposes to use a Drilling Cuttings Pit to drill the subject well per Colorado Oil and Gas Conservation Commission regulations governing the construction and reclamation of such pits. COGCC Rule 604.c(B)ii precludes pits being used and Rule 604.c(B)i requires using a Closed Loop Drilling System for locations within the Buffer Zone Setback, which is defined as 1000' or less from a Building Unit. Due to an existing signed contract with EXCELL Drilling, St Croix is obligated to use this rig for the drilling of all well in this program. Currently the rig being used is not compatible with a Closed Loop System, (CLS). It not economically feasible to make changes to this rig to accommodate a CLS as none of St Croix other wells in the program are located within a buffer zone. Due to the economic and impractical nature of changing the rig capabilities ad or breaking the rig contract, St. Croix requests a variance for the Jack Creek 1. In addition to contractual and economic factors, there are also Geologic and Lease Boundary restraints eliminating other option for placement of a successful well making compliance with the stated Rules unachievable. There are no other Building Units within 1000' of this location or proposed pit. Palser Land Company is the Surface Owner / Building Unit Owner and Lease Owner and as such has signed a Waiver regarding the stated Rules.

With the signed Waiver, Palser Land states and agrees that:

- 1) There is no one currently living in the subject Building Unit
- 2) There will be no one living in the subject Building Unit while the Jack Creek #1 well is being drilled or completed;
- 3) St. Croix initially permitted the Jack Creek #1 well at a site that was greater than 1000' from the Building Unit on this property but was forced to move the well to its current spot due to lease boundary restrictions;
- 4) There is no other spot on this lease that would be more than 1000' from the Building Unit that meets both the geologic constraints and the lease boundary restrictions;
- 5) Has no objection to St. Croix Operating using a Drilling Cuttings Pit on this location and hereby waive the requirements of Rule 604. This will also significantly decrease truck traffic across our land if St. Croix is not required to remove the drill cuttings from this site.

St. Croix believes the permits in process contain all the necessary BMP's required to mitigate and/or minimize negative effects of the granting of the variance and will not violate the basic intent of the Oil & Gas Conservation Act including, but not limited to, the protection of public health, safety, welfare and environment. Additionally, they have made a good faith effort to conduct the proposed operations in compliance with the Rules from which a variance is being requested. With this letter St. Croix respectfully requests a Variance to the COGCC Rules stated above as they apply to this location within a Buffer Zone.

Respectfully,

Paul Gottlob

Regulatory & Engineering Technician, NEW IPT INC, Consultant to St. Croix Operating Inc.

Corporate Headquarters 1707 Cole Boulevard, Suite 200 | Golden, CO 80401 USA | P: 720.420.5700 | F: 720.420.5800 | www.iptengineers.com