

West Eaton 2-A Pad

This location was selected after numerous conversations with the surface owner. The drilling spacing unit that is to be developed from this site covers the S/2 of Section 35 and the SW/4 of Section 36 in 7N-66W to the North of the site. Bayswater initially proposed to the surface owner a location in the SW/4 of Section 35, but it was more disruptive to his irrigation of that field as it is under flood irrigation from the West and not under a sprinkler irrigation system like here at this site that has more flexibility in modifying the sprinkling pattern. Bayswater also inquired to an offsetting surface owner on the West side of CR 33 in Section 34 about a drill site, but that parcel was under negotiation with another company for a site to develop a different drilling spacing unit to the West. We also inquired of the surface owner about his parcel in the NENE of Section 3, but that also had been committed to another company for a drill site. This site works for the surface owner and his farming operations. It works for Bayswater to develop our spacing unit and the closest building unit to the site is the surface owner's property which they fully acknowledge and are in agreement with the placement of all wells and equipment.

West Eaton 2-A Pad Alternate Location Analysis

February 5, 2020

At the request of the Colorado Oil and Gas Conservation Commission ("COGCC") and the Weld County Oil & Gas Energy Dept ("OGED") Bayswater Exploration & Production, LLC ("BWEP") is providing this Alternative Location Analysis for the West Eaton 2-A horizontal drilling pad located in the NWNW Section 2-6N-66W. The West Eaton 2-A pad is being proposed to develop approximately 560 subsurface mineral acres from one location, comprised of approximate 7.2 acres during drilling and completion operations and reducing to 4.7 acres once the wells enter the production phase and interim reclamation is performed.

The West Eaton 2-A has six Building Unit Owners ("BUOs") within 2,000 ft of the subject pad and all parties were mailed a notice of BWEP's proposed operations for the site along with Fact Sheets provided by the COGCC and COGA with information about the CDPHE's October 17, 2019 health study and findings therefrom.

The two closest BUOs are approximately 650' north of the edge of the proposed disturbed area and are owned by the surface owner ("SO") who has executed a Surface Use Agreement ("SUA") with BWEP for the development of the West Eaton 2-A pad. BWEP met with the surface owner numerous times during the negotiation of the SUA to provide full information of BWEP's plans and mitigation measures for the pad and to accommodate input from the SO as to their preferences for the site location and mitigation requests. In BWEP's opinion the West Eaton 2-A best achieves the development of the minerals with the least amount of impact to the area for current residents.

BWEP representatives also met with the two BUOs directly South of the site and outside of the 1,000 ft buffer from the site to discuss our planned operations and their concerns about traffic, noise and lights. The preferred haul route from the site will be directly North to CR 74 with an estimated 70% of overall traffic being directed away from these two BUOs to the South of the site. This northern route is safer and preferred due to trucks needing only a right hand turn from the access road on to CR 33 versus a left hand turn and crossing oncoming traffic.

Surface Considerations:

Prior to finalizing the SUA with the surface owner for the proposed West Eaton 2-A site, BWEP evaluated the following other sites to potentially develop the minerals within this drilling spacing unit ("DSU") and as shown on Exhibit A. Seeing that the East part of the DSU essentially includes mineral interests under the Town of Eaton, no sites were considered for drilling from East to West within the DSU.

Location 1: W/2SW/4 Sec 35-7N-66W

This location was initially evaluated as it was located in the center of the proposed DSU and would be a desirable location strictly from a drilling perspective and could easily drill the wells necessary to adequately develop the DSU. The site did however was not in a desirable location within the property parcel per the surface owner, who steered us towards the current site on an adjoining parcel also owned by the SO.

Location 2: SW/4NW/4 Sec 35-7N-66W

This location was evaluated as it was outside of an installed center pivot irrigation system where a drill site might be located. It was quickly eliminated though as upon inquiry to the surface owner it was discovered that such tract was under contract to be sold to Xcel Energy for location of a new substation.

Location 3: E/2SE/4 Sec 34-7N-66W

This location is on property just across CR 33 from the West side of the DSU. It is also in irrigated cropland and again could work very well for drilling operations. This site would however be off the DSU and the minerals under this site were not included in the DSU. As an Operator, BWEP prefers to work with a mineral owner whose minerals we are going to develop, but approached the surface owner about a possible SUA. We were informed that they were not interested, and subsequently we discovered via the Weld Co. records that another company had negotiated a SUA covering this site with the intention to drill from East to West under Sections 34 & 33. Hence, this location became unavailable.

Location 4: NE/4NE/4 Sec 3-6N-66W

The last location that BWEP considered was again on a parcel that another company had obtained a SUA from the surface owner to drill to the East under Sections 2 & 1, and therefore was eliminated consideration.

