



Crestone Temporary Access

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E-Signature Summary

E-Signature 1: R. Steven Romney (RSR)

May 20, 2021 13:38:34 -8:00 [40167C5B9643] [216.49.181.251]
 romneys@slreserve.com (Principal) (Personally Known)

E-Signature Notary: Marilyn F. Nielson (MFN)

May 20, 2021 13:38:34 -8:00 [F3E202700CE5] [104.254.200.82]
 nielsonm@slreserve.com
 I, Marilyn F. Nielson, did witness the participants named above electronically sign this document.



TEMPORARY ACCESS AGREEMENT

THIS TEMPORARY ACCESS AGREEMENT, dated as of June __, 2021 (this “Agreement”), is entered into by and between PROPERTY RESERVE, INC, a Utah non-profit corporation (“PRI”), and CRESTONE PEAK RESOURCES WATKINS HOLDINGS LLC, a Delaware limited liability company (“Crestone”).

RECITALS

- A. Crestone desires to commence oil and gas exploration and drilling activities on certain land owned by PRI in Adams County, Colorado, pursuant to one or more applicable oil and gas leases, and pursuant to that certain Surface Use Agreement described on Exhibit A attached hereto, which Surface Use Agreement has been duly assigned to Crestone and by which Crestone is bound (the “SUA”).
- B. The Colorado Oil and Gas Conservation Commission (“COGCC”) provided requirements to Operators with the document “Offset Well Evaluation and Hydraulic Fracturing Treatments” dated November 2, 2020 (“Offset Well Document”). The COGCC has informed Crestone, by a Condition of Approval to their approved Form 2 dated April 1, 2019. (the “Form 2 COA”)(a copy of the Form 2 COA and the Offset Well Document are attached hereto as Exhibit B) that, prior to commencing completion activities, Crestone is required to comply with the requirements in above named document. Crestone must re-enter and re-plug and abandon an existing abandoned well identified as the Flader Industries Inc. #B-1 Well (API No. 05-001-06536) (the “Well”), which Well is situated on land owned by PRI in the NWNW/4 of Section 34, Township 3 South, 65 West, Adams County, Colorado to which Crestone has no current right of access under the SUA (the “Well Site”), which Well Site is more particularly described on Exhibit C attached hereto.
- C. Crestone has requested permission from PRI to enter onto the Well Site for the purpose of re-entering, re-plugging and abandoning the Well as required in the Offset Well Document and Form 2 COA.
- D. PRI is willing to grant such access rights to Crestone on a temporary basis, upon the terms and conditions set forth in this Agreement.

NOW THEREFORE, for and in consideration of the premises, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties do hereby agree as follows:

SECTION 1. Grant of Temporary Access. PRI does hereby grant to Crestone the right to enter upon and use the Well Site for the purpose of re-entering, re-plugging and abandoning the Well as required in the Offset Well Document and the Form 2 COA. The nature and scope of the rights hereby granted to enter and use the Well Site (the “Use Rights”) shall be defined by and

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limited to the requirements of the Offset Well Document, the Form 2 COA, and any other requirements of the COGCC.

SECTION 2. Incorporation of Surface Use Agreement. The exercise by Crestone of the Use Rights hereby granted is and shall be expressly limited by, and subject to, the terms and conditions of the following Sections of the SUA:

- 1 (b)—As Is Where Is;
- 1(c)—No Representations or Warranties;
- 1(d)—Consents, Approvals and Permissions;
- 9—Property Taxes;
- 10—Project Information;
- 11—Notification upon Entry;
- 12—Construction, Maintenance, and Operating Standards
- 13—Lessee’s Use of Property;
- 14—Water Use;
- 15—Fire;
- 16—Dust Control;
- 17—General Use Restrictions and Requirements;
- 18—Reclamation;
- 19—Indemnification and Insurance;
- 20—Environmental Matters;
- 23—Confidentiality and Recording;
- 26—Default;
- 27—Dispute Resolution;
- 28—Attorney’s Fees; Governing Law, and
- 31—Force Majeure.

Such provisions of the SUA are hereby incorporated herein by reference and made a part hereof. Such provisions shall apply to the Use Rights except to the extent the context clearly indicates otherwise. Any references in the foregoing Sections of the SUA to “Owner” shall be understood to refer to PRI, and any references in the foregoing Sections of the SUA to “Lessee” shall be understood to refer to Crestone. Crestone expressly agrees to comply with and be bound by such provisions as if expressly set forth herein. As an assignee of the SUA, Crestone represents and acknowledges that it has a copy of the SUA and is aware of the terms thereof.

SECTION 3. Additional Terms and Conditions. Prior to entering onto and performing any work on the Well Site, and in connection with Section 10 of the SUA, Crestone shall provide PRI with a work plan identifying (i) the route of access to the Well Site, (ii) the portion of the Well Site needed for the work, and (iii) the work to be performed and the impact thereof on the Well Site.

SECTION 4. Term. This Agreement and the Use Rights hereby granted shall cease and terminate upon the earlier to occur of (i) completion of all work associated with the re-entering, re-plugging and abandoning of the Well, to the satisfaction of the COGCC, or (ii) September 30, 2021. If PRI or Crestone has recorded a memorandum of its use rights or this Agreement, Crestone will cause to be recorded a notice of abandonment of such rights or the termination of this

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Agreement with the appropriate county land record repository. The expiration of the Term of this Agreement, or the earlier termination thereof pursuant to Section 26 of the SUA shall not operate to relieve Crestone of any then remaining obligations under this Agreement, which obligations shall survive such expiration or termination.

SECTION 5. Payment. Crestone shall not be required to pay PRI for the access and use rights granted under this agreement. Nevertheless, Crestone shall be responsible for the following:

- (i) Crestone shall pay PRI compensation for loss of usable acreage or crops growing thereon; consistent with values for agricultural use of similar acreage and value of similar crops in the general area of the Well Site;
- (b) Crestone shall compensate PRI for loss or damage to the Well Site, and PRI's or PRI's tenant's equipment or livestock, growing crops, ranchland, or other vegetation that is caused by Crestone or Crestone's operations and not addressed elsewhere in this Agreement; and
- (c) Crestone shall compensate PRI for other damages that may arise that relate to Crestone's operations on the Well Site, which damages may include, but are not limited to, vehicular traffic off an established road, emergency responses, damages to the land from hydrocarbon or other materials spilled on the Well Site, and other matters where the Well Site is left in a condition which impairs subsequent uses that could otherwise be made of the Well Site. If such additional damages occur, Crestone will first restore the land to its original condition or, if the land is not restored to its original condition, pay actual damages to PRI and/or PRI's surface tenant, which damages may include loss of land value if Crestone does not restore the land to its original condition. Subsequent anticipated uses of the Well Site include, specifically, residential uses, and Crestone's restoration and/or compensation obligations hereunder shall be consistent with such anticipated future use.

SECTION 6. Assignment. This Agreement may not be assigned by Crestone.

SECTION 7. Notices and Contacts. Except as otherwise required by law, any notice, demand or request given in connection with this Agreement shall be in writing and shall be given by personal delivery, overnight courier service, facsimile, or United States Postal Service certified mail, return receipt requested, postage or other delivery charge prepaid, addressed to the appropriate party at the following addresses (or at such other address or addresses as a party may designate in writing given in accordance with this paragraph). Email shall not constitute an acceptable medium for giving notice under this Agreement unless actually acknowledged by the receiving party by return email or other writing sent by him or her. Notices shall be effective only upon actual receipt by the person to whom it is addressed. Such receipt may be confirmed by email, return fax or other written medium.

If to PRI:

David H. Powers
Energy Group Manager



Natural Resource Services
SPD Real Estate
50 East North Temple Street, 12th Floor
Salt Lake City, Utah 84150-0012
Phone: 801-240-5288
E-mail: powersdh@ldschurch.org; and
naturalresources@ldschurch.org

And to:

Property Reserve, Inc.
Attn: Dane Hill
Asset Manager, Land Division
51 S. Main Street, Suite 301
Salt Lake City, Utah 84111-7502
Telephone: 801-900-1772
Email: dhill@pripd.com

If to Crestone:

Crestone Peak Resources Watkins Holdings, LLC
Attn: Cameron Ming, Surface Land
30451 E. Quincy Rd., Bldg #1
Watkins, Colorado 80137
Telephone: 720-990-5216
Email: cameron.ming@crestonepr.com

PRI may contact Crestone at the address and telephone number set forth above at all times during normal business hours to notify Crestone of any problem that PRI may have concerning the operations of Crestone.

SECTION 8. Amendments. This Agreement may only be amended by the written agreement of both parties.

SECTION 9. Relationship of PRI and Crestone. This Agreement does not create any special relationship between the parties including, without limitation, that of joint venturers or partners. Nothing in this Agreement will be construed to establish a fiduciary relationship, a relationship of trust or confidence, or a principle-agent relationship between PRI and Crestone for any purpose.

SECTION 10. Severability. If any provision of this Agreement is found by a court of competent jurisdiction to be illegal, invalid, or unenforceable, PRI and Crestone intend that the remainder of this Agreement will remain in full force and effect so as to fulfill as fully as possible the intent of the parties as expressed by the existing terms of this Agreement.

SECTION 11. Counterparts. This Agreement may be executed in two or more original counterparts, all of which together will constitute one and the same Agreement.

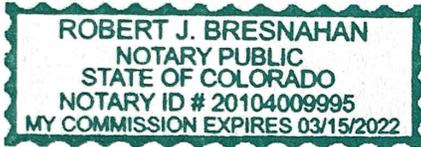
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STATE OF COLORADO)
) ss
CITY AND COUNTY OF DENVER)

This instrument was acknowledged before me this 20 day of May, 2021, by Shea Kauffman on behalf of Crestone Peak Resources Watkins Holdings, LLC, a Delaware limited liability company.

WITNESS my hand and official seal.




NOTARY PUBLIC

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EXHIBIT A

The Surface Use Agreement referred to in the Temporary Access Agreement to which this Exhibit A is attached is described as follows:

1. That certain Surface Use Agreement (Owner Property No. 524-8183), effective March 1, 2016, recorded at Reception Number D6084053 in the Office of the Clerk and Recorder of Arapahoe County, Colorado, and Reception Number 2016000062621 in the Office of the Clerk and Recorder of Adams County, Colorado, as amended by

2. That certain Amendment and Ratification of Surface Use Agreement (Owner Property No. 524-8183), effective March 1, 2016, recorded at Reception Number D8035641 in the Office of the Clerk and Recorder of Arapahoe County, Colorado, and Reception Number 2018000000872 in the Office of the Clerk and Recorder of Adams County, Colorado, as further amended by

3. That certain Second Amendment and Ratification of Surface Use Agreement, effective March 1, 2016, recorded at Reception Number D8104758 in the Office of the Clerk and Recorder of Arapahoe County, Colorado, and Reception Number 2018000085886 in the Office of the Clerk and Recorder of Adams County, Colorado.



EXHIBIT B

[Here attach copy of Form 2 COA and Offset Well Document]

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LEASE INFORMATION

Using standard QtrQtr, Sec, Twp, Rng format, describe one entire mineral lease that will be produced by this well (Describe lease beneath surface location if produced. Attach separate description page or map if necessary.)

NE/4, E/2SE/4, OF T3S-T65W SECTION 35

Total Acres in Described Lease: 240 Described Mineral Lease is: Fee State Federal Indian

Federal or State Lease # _____

Distance from Completed Portion of Wellbore to Nearest Lease Line of described lease: 0 Feet

CULTURAL DISTANCE INFORMATION

Distance to nearest:

Building: 2445 Feet

Building Unit: 2445 Feet

High Occupancy Building Unit: 2445 Feet

Designated Outside Activity Area: 5280 Feet

Public Road: 541 Feet

Above Ground Utility: 569 Feet

Railroad: 2424 Feet

Property Line: 540 Feet

INSTRUCTIONS:

- All measurements shall be provided from center of the Proposed Well to nearest of each cultural feature as described in Rule 303.a.(5).

- Enter 5280 for distance greater than 1 mile.

- Building - nearest building of any type. If nearest Building is a Building Unit, enter same distance for both.

- Building Unit, High Occupancy Building Unit, and Designated Outside Activity Area - as defined in 100-Series Rules.

DESIGNATED SETBACK LOCATION INFORMATION

Check all that apply. This location is within a: Buffer Zone
 Exception Zone
 Urban Mitigation Area

- Buffer Zone – as described in Rule 604.a.(2), within 1,000' of a Building Unit

- Exception Zone - as described in Rule 604.a.(1), within 500' of a Building Unit.

- Urban Mitigation Area - as defined in 100-Series Rules.

Pre-application Notifications (required if location is within 1,000 feet of a building unit):

Date of Rule 305.a.(1) Urban Mitigation Area Notification to Local Government: _____

Date of Rule 305.a.(2) Buffer Zone Notification to Building Unit Owners: _____

SPACING and UNIT INFORMATION

Distance from completed portion of proposed wellbore to nearest completed portion of offset wellbore permitted or completed in the same formation: 330 Feet

Distance from Completed Portion of Wellbore to Nearest Unit Boundary 460 Feet (Enter 5280 for distance greater than 1 mile.)

Federal or State Unit Name (if appl): _____ Unit Number: _____

SPACING & FORMATIONS COMMENTS

Docket # 181200959

OBJECTIVE FORMATIONS

Objective Formation(s)	Formation Code	Spacing Order Number(s)	Unit Acreage Assigned to Well	Unit Configuration (N/2, SE/4, etc.)
NIOBRARA	NBRR	535-1170	1280	Sec. 34,35: All



DRILLING PROGRAM

Proposed Total Measured Depth: 17931 Feet

Distance from the proposed wellbore to nearest existing or proposed wellbore belonging to another operator, including plugged wells:

Enter distance if less than or equal to 1,500 feet: _____ Feet No well belonging to another operator within 1,500 feet

Will a closed-loop drilling system be used? Yes

Is H₂S gas reasonably expected to be encountered during drilling operations at concentrations greater than or equal to 100 ppm? No (If Yes, attach an H₂S Drilling Operations Plan)

Will salt sections be encountered during drilling? No

Will salt based (>15,000 ppm Cl) drilling fluids be used? No

Will oil based drilling fluids be used? Yes

BOP Equipment Type: Annular Preventor Double Ram Rotating Head None

GROUNDWATER BASELINE SAMPLING AND MONITORING AND WATER WELL SAMPLING

Water well sampling required per Rule 609

DRILLING WASTE MANAGEMENT PROGRAM

Drilling Fluids Disposal: OFFSITE Drilling Fluids Disposal Methods: Recycle/reuse

Cuttings Disposal: OFFSITE Cuttings Disposal Method: Commercial Disposal

Other Disposal Description:

Drilling cuttings will be taken by a certified transport company and disposed of at a certified facility.

Beneficial reuse or land application plan submitted? _____

Reuse Facility ID: _____ or Document Number: _____

CASING PROGRAM

Casing Type	Size of Hole	Size of Casing	Wt/Ft	Csg/Liner Top	Setting Depth	Sacks Cmt	Cmt Btm	Cmt Top
CONDUCTOR	24	16	65	0	100		100	0
SURF	13+1/2	9+5/8	36	0	1999	650	1999	0
1ST	8+1/2	5+1/2	23	0	17931	2460	17931	1999

Conductor Casing is NOT planned

DESIGNATED SETBACK LOCATION EXCEPTIONS

Check all that apply:

- Rule 604.a.(1)A. Exception Zone (within 500' of Building Unit)
- Rule 604.b.(1)A. Exception Location (existing or approved Oil & Gas Location now within a Designated Setback as a result of Rule 604.a.)
- Rule 604.b.(1)B. Exception Location (existing or approved Oil & Gas Location is within a Designated Setback due to Building Unit construction after Location approval)
- Rule 604.b.(2) Exception Location (SUA or site-specific development plan executed on or before August 1, 2013)
- Rule 604.b.(3) Exception Location (Building Units constructed after August 1, 2013 within setback per an SUA or site-specific development plan)

GREATER WATTENBERG AREA LOCATION EXCEPTIONS

Check all that apply:

- Rule 318A.a. Exception Location (GWA Windows).
- Rule 318A.c. Exception Location (GWA Twinning).

RULE 502.b VARIANCE REQUEST



Rule 502.b. Variance Request from COGCC Rule or Spacing Order Number _____

OTHER LOCATION EXCEPTIONS

Check all that apply:

Rule 318.c. Exception Location from Rule or Spacing Order Number _____

Rule 603.a.(2) Exception Location (Property Line Setback).

ALL exceptions and variances require attached Request Letter(s). Refer to applicable rule for additional required attachments (e.g. waivers, certifications, SUAs).

OPERATOR COMMENTS AND SUBMITTAL

Comments: There are no wells within 1500' belonging to another operator
-This well has a bottom-hole location beyond the unit boundary setback. The bottom of the completed interval will be within the unit boundary setback at 2480' FSL and 460' FWL of SEC 34. The wellbore beyond the unit boundary setback will be physically isolated and will not be completed.
- Nearest wellbore permitted or completed in the same formation is the Reserve 3-65 35-34 2DH

This application is in a Comprehensive Drilling Plan No CDP #: _____

Location ID: _____

Is this application being submitted with an Oil and Gas Location Assessment application? Yes

I hereby certify all statements made in this form are, to the best of my knowledge, true, correct, and complete.

Signed: _____ Print Name: Amy Doebele

Title: Authorized Agent Date: 11/5/2018 Email: adoebele@uintahgroup.com

Operator must have a valid water right or permit allowing for industrial use or purchased water from a seller that has a valid water right or permit allowing for industrial use, otherwise an application for a change in type of use is required under Colorado law. Operator must also use the water in the location set forth in the water right decree or well permit, otherwise an application for a change in place of use is required under Colorado law. Section 37-92-103(5), C.R.S. (2011).

Based on the information provided herein, this Application for Permit-to-Drill complies with COGCC Rules and applicable orders and is hereby approved.

COGCC Approved:  _____ Director of COGCC Date: 4/1/2019

Expiration Date: 03/31/2021

API NUMBER
05 001 10449 00



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Conditions Of Approval

All representations, stipulations and conditions of approval stated in the Form 2A for this location shall constitute representations, stipulations and conditions of approval for this Form 2 Permit-to-Drill and are enforceable to the same extent as all other representations, stipulations and conditions of approval stated in this Permit-to-Drill.

<u>COA Type</u>	<u>Description</u>
	<p>Operator acknowledges the proximity of the listed wells. Operator assures that this offset list will utilize Option 4 per the DJ Basin Horizontal Offset Policy. Operator will submit a Form 42 ("OTHER – AS SPECIFIED BY PERMIT CONDITION") stating that appropriate mitigation will be completed, during the hydraulic stimulation of this well. This Form 42 shall be filed 48 hours prior to stimulation. Operator will assure that no well on the proposed pad will be hydraulically stimulated within 700' of the listed well(s).</p> <p>001-06536, FLADER INDUSTRIES INC #B-1</p> <p>For all wells that are drilled with any portion within 700' of 001-06536, FLADER INDUSTRIES INC #B-1 : In the Form 5A comments, operator will (1) certify that this well has no treated interval within 700' of the 001-06536, FLADER INDUSTRIES INC #B-1 , (2) provide the measured depth of the beginning and end points of any non-stimulated interval in this well that falls within 700' of the 001-06536, FLADER INDUSTRIES INC #B-1 and (3) the distance to each offset well from these points. In other words, fully describe the excluded interval.</p>
	<p>1) Submit Form 42 electronically to COGCC 48 hours prior to MIRU for the first well activity with a rig on the pad and provide 48 hour spud notice via Form 42 for all subsequent wells drilled on the pad.</p> <p>2) Comply with Rule 317.j. and provide cement coverage from TD to a minimum of 200' above Niobrara. Verify coverage with cement bond log.</p> <p>3) Oil-based drilling fluid is to be used only after setting surface casing.</p> <p>Per COGCC Order 1-232, Bradenhead tests shall be performed according to the following schedule and Form 17 submitted within 10 days of each test:</p> <p>1) Within 60 days of rig release, prior to stimulation. If any pressure greater than 200 psi, must contact COGCC engineer prior to stimulation.</p> <p>2) If a delayed completion, 6 months after rig release and prior to stimulation. If any pressure greater than 200 psi, must contact COGCC engineer prior to stimulation.</p> <p>3) A post-production test within 60 days after first sales, as reported on the Form 10, Certificate of Clearance.</p>
	<p>Operator will insure the wellbore beyond the unit boundary setback is physically isolated and is not completed. In the Operator Comments on the Form 5A the operator will (1) report the footages from the section lines of the bottom of the completed interval (2) describe how the wellbore beyond the unit boundary setback is physically isolated and (3) certify that none of the wellbore beyond the setback was completed.</p>



Best Management Practices

<u>No</u>	<u>BMP/COA Type</u>	<u>Description</u>
1	Drilling/Completion Operations	Alternative Logging Program - One of the first wells drilled on the pad will be logged with Open Hole Resistivity Log and Gamma Ray Log from the kick-off point to into the surface casing. All wells on the pad will have a cement bond log with gamma-ray run on production casing (or on intermediate casing if production liner is run) into the surface casing. The horizontal portion of every well will be logged with a measured-while-drilling gamma-ray log. The form 5, Completion Report, for each well on the pad will list all logs run and have those logs attached. The Form 5 for a well without open-hole logs shall clearly state "Alternative Logging Program - No open-hole logs were run" and shall clearly identify (by API#, well name & number) the well in which open-hole logs were run.
2	Drilling/Completion Operations	If a skid is performed for the subject well, the only required BOPE tests will be for any broken BOPE connections, as long as full BOPE test was performed at the beginning of the pad, and as long as all necessary BOPE tests are completed at least every 21 days during the pad operations.

Total: 2 comment(s)

Applicable Policies and Notices to Operators

Notice Concerning Operating Requirements for Wildlife Protection.
http://cogcc.state.co.us/documents/reg/Policies/Wildlife_Notice.pdf

Attachment Check List

<u>Att Doc Num</u>	<u>Name</u>
401801436	FORM 2 SUBMITTED
401809296	OffsetWellEvaluations Data
401814021	WELLBORE DIAGRAM
401814022	WELL LOCATION PLAT
401814026	DEVIATED DRILLING PLAN
401814030	SURFACE AGRMT/SURETY
401823318	DIRECTIONAL DATA
401991634	OFFSET WELL EVALUATION

Total Attach: 8 Files

General Comments

<u>User Group</u>	<u>Comment</u>	<u>Comment Date</u>
Permit	Updated the cultural distance to a railroad as per operator	03/21/2019
Permit	Passed Permit Review	02/25/2019
Permit	-Added spacing order number from the docket number -Added the spacing order size and unit configuration -Waiting on the operator's response about adding the drilling beyond the setback COA and the spacing order information -Received consent from the operator to added the drilling beyond the setback COA and the spacing order information -Received consent from the operator to update open hole logging BMP	02/19/2019
Permit	Passed completeness.	11/15/2018

Total: 4 comment(s)





COGCC OPERATOR GUIDANCE

OFFSET WELL EVALUATION AND HYDRAULIC FRACTURING TREATMENTS

Document Control:

Created Date:	November 2, 2020
Last Updated Date:	November 2, 2020
Last Updated By:	Diane McCoy
Document Owner:	David Andrews

Rule Citation

303.a.(5)G. Statewide Offset Well Evaluation.

- i. The Form 2 will include an Offset Well evaluation. The Operator will evaluate the construction and integrity of all Offset Wells within 1,500 feet of the proposed wellbore. The Operator will provide a plan to address all Offset Wells within 1,500 feet that do not meet isolation and integrity requirements.
- ii. The Operator will attach any consents obtained pursuant to Rule 317.v. to the Form 2.
- iii. The Operator will provide notice as required by Rule 317.w.

Related Rule Citations

317.u Statewide Wellbore Collision Prevention. An Operator will perform an anti-collision evaluation of all active (producing, shut in, or temporarily abandoned) offset wellbores that have the potential of being within 150 feet of a proposed Well prior to drilling operations for the proposed Well. The Operator will give notice to all offset Operators prior to drilling.

317.v Statewide Setback for Hydraulic Fracturing Treatment.

(1) No portion of a proposed wellbore that will be treated by hydraulic fracturing may be located within 150 feet of an existing (producing, shut-in, or temporarily abandoned) or permitted interval of an oil and gas wellbore that has been or will be treated by hydraulic fracturing belonging to another Operator without the signed written consent of the Operator of the encroached upon wellbore. The Operator will attach any signed written consents to the Application for Permit-to-Drill, Form 2 for the proposed wellbore.

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RULE #303.A.(5)G GUIDANCE

(2) The Operator will measure the distance between the proposed and offset wellbores using the directional survey for drilled wellbores and the deviated drilling plan for permitted wellbores, or as otherwise reflected in the Commission's well records. The Operator will measure the distance from the perforation or mechanical isolation device.

317.w Notice Prior to Hydraulic Fracturing Treatment. At least 90 days prior to the anticipated commencement of hydraulic fracturing treatment, the Operator of the wellbore that will be stimulated by hydraulic fracturing treatment will provide notice of hydraulic fracturing treatment commencement to all Operators of offset wells that were identified pursuant Rule 303.a.(5)G.i.

317.x Offset Wellheads and Surface Equipment. Prior to hydraulic fracturing treatments, the Operator will ensure offset existing wells within 1,500 feet of the wellbore to be hydraulically fractured that are producing, shut-in, or temporarily abandoned have surface equipment (wellhead and master valve) rated to a pressure adequate to contain anticipated surface pressures that could occur from the proposed hydraulic fracturing treatment. For offset wells that do not have adequately rated surface equipment, the Operator may instead use downhole mechanical isolation above perforations in the objective formation to prevent unanticipated migration of pressure.

317.y Consent to Offset Well Mitigation. When an offset well and a proposed well are under different operatorship, the Operator of the offset well will not refuse to have the offset well appropriately mitigated to meet the requirements of the Commission's Rules necessary to ensure protection of public health, safety, welfare, the environment, and wildlife resources.

317.z Communication Prevention. An Operator will take all necessary measures to prevent communication along any known conduits between a wellbore's hydraulic fracturing-treated interval and groundwater.

317.aa Surface Equipment Used in Hydraulic Fracturing Treatment. Prior to beginning a hydraulic fracturing treatment, the Operator will rig up and pressure test any surface equipment exposed to hydraulic fracturing treatment pressure. The Operator will test for the proposed hydraulic fracturing treatment design and, at a minimum, to 110% of the maximum anticipated surface hydraulic fracturing treatment pressure. The test will ensure an appropriate safety factor and prevent fluid losses.



RULE #303.A.(5)G GUIDANCE

Terms specific to this guidance

Proposed Well means the well that is listed on the Form 2, Application for Permit-to-Drill, Deepen, Re-enter or Recomplete and Operate (Form 2) that will be subjected to a Hydraulic Fracture Treatment, if the permit is approved.

Offset Well means an offset well that is located within 1,500 feet of the proposed well, measured in three dimensions.

Well of Concern means an Offset Well that does not have existing, adequate isolation of all hydrocarbons, Groundwater, and Potential Flow Zones before Hydraulic Fracturing Treatment of the proposed well.

Plugging Operator means the Operator that plugs or re-plugs a Well of Concern. The Plugging Operator may be the same as the Offset Well Operator, or it may be the Proposed Well Operator that is plugging the well as an “Other Operator.”

Purpose of Rule 303.a.(5)G

This rule codifies previous policies: Interim Statewide Horizontal Offset Policy February 10, 2014 and Horizontal Offset - DJ Basin Policy December 17, 2013. Engineering Staff developed these policies to address potential concerns with communication (commonly known as a “frac hits”) between new horizontal wells subjected to Hydraulic Fracturing Treatment and nearby, existing Offset Wells. The potential for communication increases and the Offset Well becomes a “Well of Concern” if it does not have adequate zonal isolation of oil, gas, or fresh water bearing horizons pursuant to Rule 209 and and Rule 317.e, and it penetrates the same objective formation as the Proposed Well.

Rule 303.a.(5)G. expands Offset Well Evaluations statewide for all Proposed Wells of any orientation that will have a Hydraulic Fracturing Treatment, including vertical, drifted, directional, and horizontal wells.

The Operator will submit an Offset Well Evaluation with their Form 2, Permit to Drill Application. The Offset Well Evaluation spreadsheet is available for download or direct data-entry in eForm, and it is available on COGCC’s website.

Guidance



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For all Offset Wells within 1,500' of the proposed well, the Operator will determine that adequate wellbore isolation exists, the Operator will propose a plan to mitigate potential communication risks with the Offset Wells, or the Operator will indicate that Hydraulic Fracture Treatment will not be performed in the Proposed Well.

Adequate wellbore isolation:

1. Prevents Fluids in the objective formation(s) from migrating to other oil and gas formations that are not otherwise commingled with the objective formation
2. Prevents Fluids in the objective formation(s) from migrating to Groundwater formations that are being used or could potentially be used for domestic or agricultural water
3. Prevents Groundwater from migrating to other formations in the well

The Operator's demonstration of adequate wellbore isolation may include cementing records (if available) and cement bond logs (CBL) in COGCC's well files showing cement isolation of all hydrocarbons, Groundwater, and Potential Flow Zones, in accordance with Rule 209 and Rule 317.e.

Scope of Offset Well Evaluation

The Offset Well Evaluation will include all producing, shut-in, temporarily abandoned, plugged and abandoned, and dry and abandoned wells within 1,500 feet of the proposed well in three dimensions. The Operator will identify Offset Wells with inadequate wellbore isolation as Wells of Concern. The Operator will also identify Offset Wells with sustained surface casing pressure (or "bradenhead pressure") above the applicable threshold pursuant to Rule 341 or a Commission Order as Wells of Concern.

Mitigation will not be required for Offset Wells that were drilled to and terminate in other objective oil and gas formations shallower than the Proposed Well's objective formation unless the Proposed Well operator has designed for communication with those overlying formations as part of the Hydraulic Fracturing Treatment or the separation distance between the formations suggests that communication may occur. The Operator will list shallow wells that do not require mitigation on the Offset Well Evaluation, but the Operator will indicate that the shallow well terminates in a different, shallower objective formation, and adequate confining layers exist between the shallow well and the Proposed Well's objective formations to prevent Fluid migration between zones.

Offset Well Mitigation Methods



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The Operator will propose, or the Director will require that the Operator perform cement remediation or re-plug Wells of Concern that penetrate the proposed well's objective formation and do not meet the wellbore isolation requirements of Rule 209 or Rule 317.e. The Proposed Well operator will submit mitigation plans to address all Wells of Concern that do not have adequate wellbore isolation. Mitigation Options 1 through 3 are presumptively acceptable to Engineering Staff to satisfy this requirement. Engineering Staff will consider alternative measures on a well-by-well basis under Mitigation Option Number 4.

Option 1. If the Well of Concern is to remain, provide remedial cement needed to adequately isolate all hydrocarbons, Groundwater, and Potential Flow Zones prior to Hydraulic Fracturing Treatment of the Proposed Well.

Option 2. If the Well of Concern is to be plugged, plug the Well of Concern to adequately isolate all hydrocarbons, Groundwater, and Potential Flow Zones prior to Hydraulic Fracturing Treatment of the Proposed Well.

Option 3. If the Well of Concern is plugged and abandoned or dry and abandoned, re-enter and re-plug the Well of Concern to adequately isolate all hydrocarbons, Groundwater, and Potential Flow Zones prior to Hydraulic Fracturing Treatment of the Proposed Well.

Option 4. Secure COGCC Staff approval for alternative measures or agreement that additional mitigation is unnecessary under the circumstances and the well will otherwise be actively monitored or addressed during the offset stimulation activity.

Surface Equipment or Downhole Temporary Abandonment

The operator will ensure that, in addition to adequate wellbore isolation, producing, shut-in, or temporarily abandoned wells within 1,500 feet of the proposed well in three dimensions will have surface equipment (wellhead and master valve) rated to a pressure adequate to contain anticipated surface pressures that could occur from the proposed Hydraulic Fracturing Treatment. When the objective formation is the same in the Proposed Well and the Offset Well, and the Offset Well is normally exposed to lower pressures, Offset Well downhole mechanical isolation above the objective formation is an acceptable alternative in lieu of high pressure surface equipment, in accordance with Rule 317.x.

Other Related Requirements

The Proposed Well Operator will comply with all other Rule 317 requirements for Statewide Wellbore Collision Prevention, setbacks from Offset Wells or signed consents, and 90-day notices to all Operators of offset wells that are identified in the



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Offset Well Evaluation. When an Offset Well and the Proposed Well are under different operatorship, the Offset Well operator will not refuse to have their well appropriately mitigated, pursuant to 317.y.

Mitigation Option Process

Option 1: If the Well of Concern is to remain, provide remedial cement needed to adequately isolate all hydrocarbons, Groundwater, and Potential Flow Zones.

1. The Proposed Well Operator will provide an acknowledgement of the proximity of the Well of Concern and agree to provide the necessary mitigation and applicable documentation based on the mitigation option selected.
2. Engineering Staff will add a corresponding Condition of Approval to the Proposed Well Form 2, and the Proposed Well Form 2 will be approved.
3. The Well of Concern Operator will submit a Form 4, Sundry Notice - Well Repair for the Well of Concern. The Form 4 will describe proposed remedial actions required to isolate all hydrocarbons, Groundwater, and Potential Flow Zones.
4. If the well has adequate wellbore isolation from prior work, but that isolation is not properly documented in COGCC well files, the Operator will submit the appropriate documentation on a Form 4, or other COGCC form as appropriate, certifying that required isolation is present in the offset well. If applicable, the form will reference the Proposed Well or the related Oil and Gas Location that prompted the work.
5. After completing remedial cementing, the Operator will submit a Form 5, Drilling Completion Report - Final and a CBL run across the remediation interval to verify compliance with the proposed remedial cement plan.
5. Remedial cementing will be completed prior to Hydraulic Fracturing Treatment of the Proposed Well.
6. The Proposed Well Operator is responsible for ensuring that a Form 42 (“OFFSET MITIGATION COMPLETED”) is submitted, stating that mitigation has been completed, prior to the Hydraulic Fracturing Treatment of the Proposed Well. The Form 42 may be submitted by either the Proposed Well Operator or the Well of Concern Operator.



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Option 2: If the Well of Concern is to be plugged, plug the Well of Concern to adequately isolate all hydrocarbons, Groundwater, and Potential Flow Zones.

1. The Proposed Well operator will provide an acknowledgement of the proximity of the Well of Concern and agree to provide the necessary mitigation and applicable documentation based on the mitigation option selected.
2. Engineering Staff will add a corresponding Condition of Approval to the Proposed Well Form 2, and the Proposed Well Form 2 will be approved.
3. The Plugging Operator will submit Form 6, Well Abandonment Report: Notice of Intent to Abandon.
4. The Plugging Operator will submit Form 6, Well Abandonment Report: Subsequent Report of Abandonment after plugging is completed.
5. Plugging will be completed prior to Hydraulic Fracturing Treatment of the Proposed Well.
6. The Proposed Well Operator is responsible for ensuring that a Form 42 OFFSET MITIGATION COMPLETED is submitted, stating that mitigation has been completed, prior to the Hydraulic Fracturing Treatment of the Proposed Well. The Form 42 may be submitted by either the Proposed Well Operator or the Well of Concern Operator.

Option 3: If the Well of Concern is plugged or dry and abandoned, re-enter and re-plug the Well of Concern to adequately isolate all hydrocarbons, Groundwater, and Potential Flow Zones.

1. The Proposed Well Operator will provide an acknowledgement of the proximity of the Well of Concern, agree to re-enter and re-plug the Well of Concern, and agree to provide the applicable documentation based on the mitigation option selected
2. Engineering Staff will add a corresponding Condition of Approval to the Proposed Well Form 2, and the Proposed Well Form 2 will be approved.
3. The Proposed Well Operator will have adequate Financial Assurance for the proposed Re-entry and Re-plugging operations.
5. The Proposed Well Operator will submit Form 6, Well Abandonment Report: Notice of Intent to Abandon to re-enter and re-plug the existing PA or DA well. Typically, the Proposed Well Operator is also the Plugging Operator for Option 3, and therefore Form 6 will indicate “Re-plug by Other Operator.”



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- a. Reason for Abandonment is OTHER; Other Describe: Re-enter to Re-Plug
 - b. Required Technical Detail/Comments:
 - a. State that the purpose is to re-enter and adequately re-plug prior to Hydraulic Fracturing Treatment of a Proposed Well
 - b. State that a closed loop system will be used
 - c. Describe details of the proposed re-entry procedure in the Technical Details/Comment box or attach the procedure
 - d. Describe details of the proposed re-plugging procedure in the Technical Details/Comment box or attach the procedure
 - c. Required Attachments:
 - a. Signed Surface Use Agreement or Surface Owner Consent (contact COGCC for a case-by-case evaluation if the surface owner refuses consent)
 - b. Current and Proposed Plugged Wellbore Diagrams
 - c. Proposed re-entry procedure, if not already described in Technical Detail/Comments
 - d. Proposed Plugging Procedure, if not already described in Technical Detail/Comments
 - e. Current site photos - minimum of 4 color photographs, 1 from each cardinal direction; each photograph will be identified by: date taken, well name, and direction of view.
6. No pits will be constructed for the Re-entry and Re-plugging operations; a closed loop system is required.
7. If as-built well location GPS data has not been reported for the well, the Proposed Well Operator will obtain the GPS data pursuant to Rule 215 and submit it on the Form 6, Well Abandonment Report: Subsequent Report of Abandonment
8. The Proposed Well Operator will contact the COGCC Field Inspector for a joint onsite inspection prior to any new disturbance.
9. The Proposed Well Operator will immediately notify the Director upon discovery of existing contamination from previous oil and gas operations.



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10. The Proposed Well Operator is responsible for reporting and remediating any and all spills or releases resulting from their work during re-entry and re-plugging operations.

11. The Proposed Well Operator is responsible for reclamation of the site to pre-disturbance conditions as shown in site photos submitted with the Form 6 - Notice of Intent to Abandon and as verified in a joint onsite inspection with the COGCC Field Inspector (if held). Whenever possible, the Proposed Well Operator will utilize procedures that minimize surface impact, such as the use of truck-mounted rigs with rubber tires.

12. The Proposed Well Operator will submit Form 6, Well Abandonment Report: Subsequent Report of Abandonment after plugging has been completed. (Use eForms “Re-plug by Other Operator” to submit Form 6).

13. Re-plugging will be completed prior to Hydraulic Fracturing Treatment of the Proposed Well.

14. Proposed Well Operator will submit a Form 42 - OFFSET MITIGATION COMPLETED for the re-plugged well, referencing the Proposed Well or the related Oil and Gas Location that prompted the work and reporting that appropriate mitigation was completed prior to the Hydraulic Fracturing Treatment of the proposed well.

15. The Proposed Well Operator will begin Final Reclamation as soon as practicable and submit Form 4, Sundry Notice to report the date that Final Reclamation will commence. (Use eForms “Submit by Other Operator” to submit Form 4.)

16. The Proposed Well Operator will submit a Form 4 when Final Reclamation is complete and the site is ready for inspection. (Use eForms “Submit by Other Operator”)

Option 4: Secure COGCC Staff approval for an alternative form of mitigation or COGCC Staff agreement that additional mitigation is unnecessary under the circumstances, but the well will otherwise be actively monitored or addressed during the offset stimulation activity.

1. The Proposed Well Operator will provide an acknowledgement of the proximity of the Well of Concern and explain why the alternative mitigation is sufficient to



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mitigate the potential for communication or why additional mitigation is unnecessary for this purpose.

2. The Director will approve the alternative mitigation or exempt the Well of Concern from additional mitigation.
 - a. If the Director approves alternative mitigation:
 - i. Engineering Staff will add a corresponding Condition of Approval to the Proposed Well Form 2, and the Proposed Well Form 2 will be approved.
 - ii. The Proposed Well Operator will submit the necessary forms and perform the appropriate work based upon the approved alternative mitigation.
 - iii. The alternative mitigation will be completed prior to Hydraulic Fracturing Treatment of the Proposed Well.
 - iv. The Proposed Well Operator will submit a Form 42 (“OFFSET MITIGATION COMPLETED”) stating that the appropriate mitigation has been completed, prior to the Hydraulic Fracturing Treatment of the Proposed Well.
 - b. If the Director exempts the Well of Concern from additional mitigation, then:
 - i. Engineering Staff will attach the operator’s statement and the exemption to the submitted Form 2.
 - ii. Engineering Staff will remove the well from the list of Well(s) of Concern on the Offset Well Evaluation, and Engineering Staff will add a form comment indicating why the well was removed.
 - c. If the Director neither approves the alternative mitigation nor exempts the Well of Concern from additional mitigation, then the Proposed Well Operator must select another mitigation option.

Document Change Log

Change Date	Description of Changes
November 2, 2020	Document Created and Finalized



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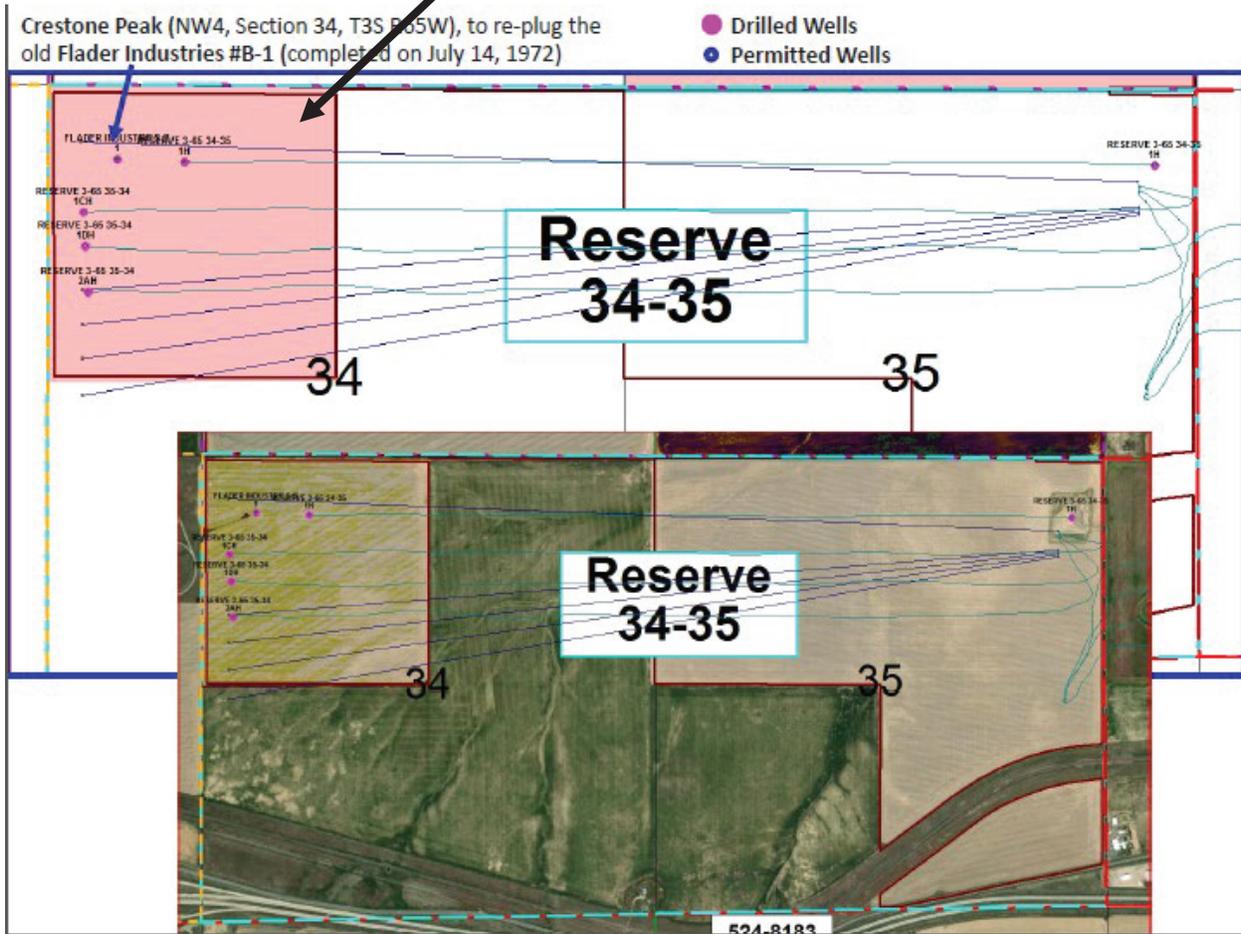
EXHIBIT C

The Well Site is situated in Adams County, Colorado, and is more particularly described as follows:

NWNW/4, Section 34, Township 3 South, Range 65 West, of the 6th P.M., Adams County, Colorado;

as illustrated below:

Well Site



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