What is this?

The attached is an Application that has been filed with the Colorado Oil & Gas Conservation Commission (COGCC).

Why am I receiving it?

COGCC Rules and Regulations, as well as Colorado Statues, require that this Application is sent to you.

What should I do if I need more information?

If you have any questions, you may contact the individual below:

Shea Kauffman
Land Manager
Crestone Peak Resources Operating, LLC
720-410-8537
communityrelations@crestonepr.com
BEFORE THE OIL AND GAS CONSERVATION COMMISSION
OF THE STATE OF COLORADO

CAUSE NO.
DOCKET NO. 170500190
TYPE: SPACING

IN THE MATTER OF THE APPLICATION OF
CRESTONE PEAK RESOURCES OPERATING
LLC FOR AN ORDER TO: (1) ESTABLISH AN
APPROXIMATE 2,560-ACRE DRILLING AND
SPACING UNIT FOR SECTIONS 1 AND 12,
TOWNSHIP 1 NORTH, RANGE 69 WEST AND
SECTIONS 25 AND 36, TOWNSHIP 2 NORTH,
RANGE 69 WEST, 6TH P.M. IN ACCORDANCE
WITH A CORRESPONDING COMMISSION
RULE 216 COMPREHENSIVE DRILLING PLAN,
(2) ALLOW UP TO SEVENTY-TWO (72)
THIRTY-ONE (31) HORIZONTAL WELLS IN
THE 2,560 ACRE DRILLING AND SPACING
UNIT IN ACCORDANCE WITH A
CORRESPONDING COMMISSION RULE 216
COMPREHENSIVE DRILLING PLAN, (3) TO
APPROVE UP TO SIX (6) OIL AND GAS
LOCATIONS WELLPAIDS (LOCATIONS TO BE
DETERMINED) IN ACCORDANCE WITH A
CORRESPONDING COMMISSION RULE 216
COMPREHENSIVE DRILLING PLAN FOR THE
DEVELOPMENT AND OPERATION OF THE
CODELL AND NIOBARRA FORMATIONS,
WATTENBERG FIELD, BOULDER COUNTY,
COLORADO, AND (4) TO APPROVE A RULE
502.b. VARIANCE TO COMMISSION RULE 303.

AMENDED APPLICATION

COMES NOW Crestone Peak Resources Operating LLC (Operator No. 10633)
("Applicant"), by and through its undersigned attorneys, and respectfully submits this
Application to the Oil and Gas Conservation Commission of the State of Colorado (the
"Commission") for an order to: (1) establish an approximate 2,560-acre drilling and
spacing unit for Sections 1 and 12, Township 1 North, Range 69 West and Sections 25
and 36, Township 2 North, Range 69 West, 6TH P.M., Boulder County, Colorado in
accordance with Applicant's corresponding Commission Rule 216 Comprehensive
Drilling Plan, (2) allow up to seventy-two (72) thirty-one (31) horizontal wells in the
approximate 2,560-acre drilling and spacing unit for the development and operation of the
Codell and Niobrara Formations in accordance with Applicant's corresponding
Commission Rule 216 Comprehensive Drilling Plan, (3) to approve up to six (6) Oil and
Gas Locations (as defined by the Commission 100 Series Rules) wellpads, with such
locations to be determined, in accordance with Applicant's corresponding Commission
Rule 216 Comprehensive Drilling Plan, and (4) grant a Rule 502.b. variance to Rule 303
by placing a temporary hold on accepting any new Form 2, Applications for Permit to Drill, or Form 2A’s, Oil and Gas Location Assessments for the Application Lands for any Owner (as defined in C.R.S. 34-60-103(7)) other than Applicant in order to preserve the intent of a Commission Rule 216 Comprehensive Drilling Plan. All such requests in this Application are to support the purpose of Commission Rule 216 and to prevent waste, protect correlative rights, minimize surface impacts and to allow for efficient and economic development of oil, gas, and associated hydrocarbons from the Codell and Niobrara Formations underlying the below-described lands. In support of its Application, Applicant states and alleges as follows:

**General Information**

1. Applicant is a limited liability corporation duly authorized to conduct business in the State of Colorado, and is a registered operator in good standing with the Commission.

2. Applicant owns leasehold interests or holds the right to operate on the following lands (hereafter “Application Lands”):

   Township 1 North, Range 69 West, 6th P.M.
   Section 1: All
   Section 12: All

   Township 2 North, Range 69 West, 6th P.M.
   Section 25: All
   Section 36: All

   2,560 acres, more or less, Boulder County, Colorado.

A reference map of the Application Lands is attached hereto.

**Request for 2,560-acre Drilling and Spacing Unit**

3. On February 19, 1992, the Commission entered Order No. 407-87 which, among other things, established eighty (80) acre drilling and spacing units for vertical and/or directional wells for the production of oil and/or gas from the Codell-Niobrara Formations. The Application Lands are subject to Order No. 407-87 as it applies to the existing vertical and/or directional well development and operation of the Codell and Niobrara Formations on the Application Lands.

4. On April 27, 1998, the Commission adopted Rule 318A, which, among other things, allowed certain drilling locations to be utilized to drill or twin a well, deepen a well or recomplet a well and to commingle any or all of the Cretaceous Age Formations from the base of the Dakota Formation to the surface. On December 5, 2005, Rule 318A was amended to allow interior infill and boundary wells to be drilled and wellbore spacing units to be established. On August 8, 2011, Rule 318A was amended
to, among other things, address drilling of horizontal wells. The August 8, 2011 amendment did not prohibit the establishment of drilling and spacing units within the Greater Wattenberg Area. The Application Lands are within the Greater Wattenberg Area and are subject to the 460' subsurface setback for the Codell and Niobrara Formations.

5. The Commission records reflect that there are no horizontal wells producing from the Codell and Niobrara Formations on the Application Lands. Further, Commission records reflect that there are zero horizontal wells producing from any geologic formation underlying the Application Lands.

6. The Commission records reflect that there are a substantial amount of vertical and/or directional wells producing to various geologic formations underlying the Application Lands, including the Codell and Niobrara Formations. Please see Exhibit 1 attached to this Application. Applicant respectfully requests that such existing wells be excluded from the proposed 2,560-acre drilling and spacing unit and remain subject to each respective drilling and spacing unit, and allocation of production of proceeds, established by the Commission.

7. This proposed 2,560-acre drilling and spacing unit Application is filed concurrently with Applicant's Commission Rule 216 Comprehensive Drilling Plan application that contains the Application Lands.

8. Applicant is pursuing a Commission Rule 216 Comprehensive Drilling Plan concurrently with this Application that includes the Application Lands for numerous reasons, including but not limited to: (a) to ensure that re-entry into Boulder County, Colorado for oil and gas development is pursued in a collaborative, methodical and transparent manner, (b) to identify foreseeable oil and gas activities in a defined geographic area, (d) to facilitate discussions about potential impacts, (d) to identify measures to minimize adverse impacts to public health, safety, welfare, and the environment, including wildlife resources, from such oil and gas activities and operations, (e) to engage with local and state agencies and other stakeholders to develop a reasonable and workable Rule 216 Comprehensive Drilling Plan, and (f) to ensure Applicant's leasehold interests, and the fee and State mineral interests, in the Application Lands are protected and are included in a reasoned plan that ultimately provides for responsible oil and gas development and operations in Boulder County, Colorado.

9. To promote efficient drainage within the Codell and Niobrara Formations of the Application Lands, to protect correlative rights, to avoid waste, and to minimize surface impacts, the Commission should establish an approximate 2,560-acre drilling and spacing unit for Sections 1 and 12, Township 1 North, Range 69 West and Sections 25 and 36, Township 2 North, Range 69 West, 6th P.M., Boulder County, Colorado for the efficient and economic development and operation of the Codell and Niobrara Formations.

10. The above-proposed drilling and spacing unit will allow efficient drainage of the Codell and Niobrara Formations; will prevent waste; will not adversely
affect correlative rights, will assure the greatest ultimate recovery of gas and associated hydrocarbon substances from the reservoirs and will reduce surface impact to the Application Lands. The unit of the size and shape specified above is not smaller than the maximum area that can be economically and efficiently drained by the proposed wells in the unit.

11. Applicant maintains that there will be no more than six (6) Oil and Gas Locations (as defined by the Commission 100 series rules) well pads in the proposed 2,560 acre drilling and spacing unit, or adjacent thereto, unless an exception is granted by the Director.

12. The treated interval of each proposed horizontal well shall be no closer than 460 feet from the boundaries of the unit (regardless of lease lines within the unit), and all horizontal wells shall be no closer than 150 feet from the treated interval of another well producing from the same supply within the unit, unless an exception is granted by the Director.

13. Applicant is requesting to drill and complete up to seventy-two (72) thirty-one (31) horizontal wells in the proposed approximate 2,560 acre drilling and spacing unit for the efficient and economic development of oil, gas and associated hydrocarbons from the Codell and Niobrara Formations underlying the Application Lands.

14. Applicant anticipates that this portion of this Application, the request for a 2,560-acre drilling and spacing unit, will be continued to future Commission hearings in order to be heard at the same Commission hearing as the corresponding Commission Rule 216 Comprehensive Drilling Plan application filed herewith in Docket No. 170500189, or after.

Request for Commission Rule 502.b. Variance to Rule 303

15. In order to facilitate a collaborative, methodical and transparent manner of developing the Application Lands under the Rule 216 Comprehensive Drilling Plan filed concurrently with this Application, Applicant requests that the Commission approve a Rule 502.b. variance to Commission Rule 303 that allows for and governs the filings of Form 2, Applications for Permit to Drill, or Form 2A’s, Oil and Gas Location Assessments.

16. Commission Rule 502.b(1) provides:

(1) Variances to any Commission rules, regulations, or orders may be granted in writing by the Director without a hearing upon written request by an operator to the Director, or by the Commission after hearing upon application. The operator or the applicant requesting the variance shall make a showing that it has made a good faith effort to comply, or is unable to comply with the specific requirements contained in the rules, regulations, or orders, from which it seeks a
variance, including, without limitation, securing a waiver or an exception, if any, and that the requested variance will not violate the basic intent of the Oil and Gas Conservation Act.

17. Specifically, Applicant requests that the Commission enter a variance to the allowance of Form 2 and Form 2A filings under Commission Rule 303 by placing a temporary hold on the acceptance and processing of any Form 2's or Form 2A's for the Application Lands from any Owner (as defined by C.R.S. 34-60-103(7)), except for Applicant as part of the Rule 216 Comprehensive Drilling Plan process. The length of the requested temporary hold is until the Commission has had the opportunity to notice, hear and enter an Order on Applicant's make a determination on the corresponding Rule 216 Comprehensive Drilling Plan Application for the Application Lands, with such Rule 216 Comprehensive Drilling Plan Order including the Applicant's ability to file Form 2's and Form 2A's within a certain amount of time upon entry of the Order as part of Applicant's overall Rule 216 Comprehensive Drilling Plan.

18. By filing this Application with the requested variance, Applicant is making a good faith effort to ensure that the corresponding Commission Rule 216 Comprehensive Drilling Plan Application is allowed to proceed without the potential for confusion or prejudice if any Form 2's and/or Form 2A's are allowed to be filed and processed prior to the determination of Applicant's Commission Rule 216 Comprehensive Drilling Plan by any Owner (as defined by C.R.S. 34-60-103(7)) other than Applicant.

19. Applicant also maintains that, by approving the Rule 502.b(1) variance to Rule 303, the Commission will reduce the burden on the Commission Staff as it will prevent any unnecessary or premature Form 2 and Form 2A's from being filed without the benefit of a hearing, notice and final Order on determination of Applicant's corresponding Rule 216 Comprehensive Drilling Plan.

20. As set forth above, Applicant maintains that any re-entry of oil and gas development in Boulder County should proceed in a collaborative, methodical and transparent manner that allows necessary stakeholders, including specifically Boulder County, to engage in discussions about such development.

21. The requested Rule 502.b(1) variance will not violate the basic intent of the Oil and Gas Conservation Act which is to:

- Foster the responsible, balanced development, production, and utilization of the natural resources of oil and gas in the state of Colorado in a manner consistent with protection of public health, safety, and welfare, including protection of the environment and wildlife resources;
- Protect the public and private interests against waste in the production and utilization of oil and gas;
• Safeguard, protect, and enforce the coequal and correlative rights of owners and producers in a common source or pool of oil and gas to the end that each such owner and producer in a common pool or source of supply of oil and gas may obtain a just and equitable share of production therefrom; and

• Plan and manage oil and gas operations in a manner that balances development with wildlife conservation in recognition of the state's obligation to protect wildlife resources and the hunting, fishing, and recreation traditions they support, which are an important part of Colorado's economy and culture. Pursuant to section 33-1-101, C.R.S., it is the policy of the state of Colorado that wildlife and their environment are to be protected, preserved, enhanced, and managed for the use, benefit, and enjoyment of the people of this state and its visitors.


22. Applicant anticipates that this portion of the Application, the request for a Rule 502.b. variance to Rule 303, will be noticed and heard by the Commission at the May hearing.

2322. The undersigned certifies that copies of this Application will be served on each interested party as required by Rule 507 within seven (7) days of the filing hereof, as required by Rule 503.e.

WHEREFORE, Applicant respectfully requests that Applicant's Rule 502.b. request for variance to Rule 303 by noticed this matter be set for hearing in May 2017, and Applicant's request for the 2,560-acre drilling and spacing unit be noticed for a or at-a future Commission hearing, that notice be given as required by law, and that upon such hearing, the Commission enter its order:

A. Future hearing: Establishing an approximate 2,560-acre drilling and spacing unit for Sections 1 and 12, Township 1 North, Range 69 West and Sections 25 and 36, Township 2 North, Range 69 West, 6th P.M., Boulder County, Colorado in accordance with Applicant's corresponding Commission Rule 216 Comprehensive Drilling Plan.

B. Future hearing: Allowing up to seventy-two (72) thirty-one (31) horizontal wells in the approximate 2,560-acre drilling and spacing unit for the development and operation of the Codell and Niobrara Formations in accordance with Applicant's corresponding Commission Rule 216 Comprehensive Drilling Plan.

C. Future hearing: Allowing up to six (6) Oil and Gas Locations (as defined by the Commission 100 Series Rules) wellpads, with such locations to be determined, in accordance with Applicant's corresponding Commission Rule 216 Comprehensive Drilling Plan, unless an exception is granted by the Director.
D. **Future hearing:** Providing that the treated interval of any horizontal well shall be no closer than 460 feet from the unit boundaries, and not less than 150 feet from the treated interval of another well within the unit, unless an exception is granted by the Director.

E. **Future hearing:** Finding that the approximate 2,560-acre drilling and spacing unit for the development of oil, gas, and associated hydrocarbons from the Codell and Niobrara Formations underlying the Application Lands will prevent waste, protect correlative rights, and maximize the efficient and economic production of the Codell and Niobrara Formations in the Application Lands.

F. **May hearing:** Approving a Rule 502.b. variance to Rule 303 by placing a temporary hold on accepting and processing any new Form 2, Applications for Permit to Drill, or Form 2A’s, Oil and Gas Location Assessments for the Application Lands from any Owner (as defined by C.R.S. 34-60-103(7)) except Applicant as part of Applicant’s corresponding Rule 216 Comprehensive Drilling Plan Application and process in Docket No. 170500189, up to and until the Commission has the opportunity to notice, hear and enter an Order on the corresponding Rule 216 Comprehensive Drilling Plan Application in Docket No. 170500189 covering the Application Lands, with such Order including the Applicant’s ability to file Form 2’s and Form 2A’s within a certain amount of time upon entry of such Order as part of Applicant’s approved Rule 216 Comprehensive Drilling Plan. until the Commission has made a determination on the Applicant’s corresponding Rule 216 Comprehensive Drilling Plan-filed concurrently herewith.

G. **All hearings:** For such other findings and orders as the Commission may deem proper or advisable in this matter.

DATED March February 17, 2017
Respectfully submitted:

CRESTONE PEAK RESOURCES OPERATING LLC

By: Monterey Fool
Jamie L. Jost
Kelsey Wasylenky
Jost Energy Law, P.C.
Attorneys for Applicant
1401 17th Street, Suite 370
Denver, Colorado 80202
(720) 446-5620
jjost@jostenergylaw.com
kwasylenky@jostenergylaw.com

Applicant’s Address:
Crestone Peak Resources Operating LLC
ATTN: Shea Kauffman
1801 California Street, Suite 2500
Denver, Colorado 80202
VERIFICATION

STATE OF COLORADO

CITY AND COUNTY OF DENVER

Shea Kauffman of lawful age, being first duly sworn upon oath, deposes and says that she is Land Manager for Crestone Peak Resources Operating LLC and that she has read the foregoing Application and that the matters therein contained are true to the best of her knowledge, information and belief.

Name: Shea Kauffman
Title: Land Manager and Attorney-In-Fact
Crestone Peak Resources Operating LLC

Subscribed and sworn to before me this 16th day of March 2017.

Witness my hand and official seal.

[SEAL]

My commission expires: 11·14·20

Notary Public
Reference Map
Crestone Peak Resources Operating, LLC

Sections 1 and 12, Township 1 North, Range 69 West and Sections 25 and 36, Township 2 North, Range 69 West, 6th P.M., Boulder County, Colorado

[See attached map.]

There are no federally owned minerals within the Application Lands
| WELL | 05-013-06005 | VOAKE | CRESTONE PEAK RESOURCES OPERATING LLC | PR | WATENBORG | BOULDER | 0/3 |
| WELL | 05-012-05540 | OXFORD FARMS | CRESTONE PEAK RESOURCES OPERATING LLC | PR | WATENBORG | BOULDER | 0/3 |
| WELL | 05-013-05541 | MCMURDO | CRESTONE PEAK RESOURCES OPERATING LLC | PR | WATENBORG | BOULDER | 0/3 |
| WELL | 05-013-05543 | CALDWELL | CRESTONE PEAK RESOURCES OPERATING LLC | PR | WATENBORG | BOULDER | 0/3 |
| WELL | 05-013-05546 | VOAKE | CRESTONE PEAK RESOURCES OPERATING LLC | PR | WATENBORG | BOULDER | 0/3 |
| WELL | 05-013-05547 | OXFORD FARMS | CRESTONE PEAK RESOURCES OPERATING LLC | PR | WATENBORG | BOULDER | 0/3 |
| WELL | 05-013-05548 | CALDWELL | CRESTONE PEAK RESOURCES OPERATING LLC | PR | WATENBORG | BOULDER | 0/3 |
| WELL | 05-013-08099 | VOAKE | CRESTONE PEAK RESOURCES OPERATING LLC | PR | WATENBORG | BOULDER | 0/3 |
| WELL | 05-013-08090 | McFARLAND | CRESTONE PEAK RESOURCES OPERATING LLC | PR | WATENBORG | BOULDER | 0/3 |
| WELL | 05-013-08091 | VOAKE | CRESTONE PEAK RESOURCES OPERATING LLC | PR | WATENBORG | BOULDER | 0/3 |
| WELL | 05-013-08094 | McFARLAND | CRESTONE PEAK RESOURCES OPERATING LLC | PR | WATENBORG | BOULDER | 0/3 |
| WELL | 05-013-08095 | McFARLAND | CRESTONE PEAK RESOURCES OPERATING LLC | PR | WATENBORG | BOULDER | 0/3 |
| WELL | 05-013-08096 | McFARLAND | CRESTONE PEAK RESOURCES OPERATING LLC | PR | WATENBORG | BOULDER | 0/3 |
| WELL | 05-013-08097 | McFARLAND | CRESTONE PEAK RESOURCES OPERATING LLC | PR | WATENBORG | BOULDER | 0/3 |
| WELL | 05-013-08098 | McFARLAND | CRESTONE PEAK RESOURCES OPERATING LLC | PR | WATENBORG | BOULDER | 0/3 |
| WELL | 05-013-08099 | McFARLAND | CRESTONE PEAK RESOURCES OPERATING LLC | PR | WATENBORG | BOULDER | 0/3 |
| WELL | 05-013-08100 | McFARLAND | CRESTONE PEAK RESOURCES OPERATING LLC | PR | WATENBORG | BOULDER | 0/3 |
| WELL | 05-013-08101 | McFARLAND | CRESTONE PEAK RESOURCES OPERATING LLC | PR | WATENBORG | BOULDER | 0/3 |
| WELL | 05-013-08102 | McFARLAND | CRESTONE PEAK RESOURCES OPERATING LLC | PR | WATENBORG | BOULDER | 0/3 |
| WELL | 05-013-08103 | McFARLAND | CRESTONE PEAK RESOURCES OPERATING LLC | PR | WATENBORG | BOULDER | 0/3 |
| WELL | 05-013-08104 | McFARLAND | CRESTONE PEAK RESOURCES OPERATING LLC | PR | WATENBORG | BOULDER | 0/3 |
| WELL | 05-013-08105 | McFARLAND | CRESTONE PEAK RESOURCES OPERATING LLC | PR | WATENBORG | BOULDER | 0/3 |
| WELL | 05-013-08106 | McFARLAND | CRESTONE PEAK RESOURCES OPERATING LLC | PR | WATENBORG | BOULDER | 0/3 |
| WELL | 05-013-08107 | McFARLAND | CRESTONE PEAK RESOURCES OPERATING LLC | PR | WATENBORG | BOULDER | 0/3 |
| WELL | 05-013-08108 | McFARLAND | CRESTONE PEAK RESOURCES OPERATING LLC | PR | WATENBORG | BOULDER | 0/3 |
| WELL | 05-013-08109 | McFARLAND | CRESTONE PEAK RESOURCES OPERATING LLC | PR | WATENBORG | BOULDER | 0/3 |
| WELL | 05-013-08110 | McFARLAND | CRESTONE PEAK RESOURCES OPERATING LLC | PR | WATENBORG | BOULDER | 0/3 |
| WELL | 05-013-08111 | McFARLAND | CRESTONE PEAK RESOURCES OPERATING LLC | PR | WATENBORG | BOULDER | 0/3 |
| WELL | 05-013-08112 | McFARLAND | CRESTONE PEAK RESOURCES OPERATING LLC | PR | WATENBORG | BOULDER | 0/3 |
| WELL | 05-013-08113 | McFARLAND | CRESTONE PEAK RESOURCES OPERATING LLC | PR | WATENBORG | BOULDER | 0/3 |
| WELL | 05-013-08114 | McFARLAND | CRESTONE PEAK RESOURCES OPERATING LLC | PR | WATENBORG | BOULDER | 0/3 |
| WELL | 05-013-08115 | McFARLAND | CRESTONE PEAK RESOURCES OPERATING LLC | PR | WATENBORG | BOULDER | 0/3 |
| WELL | 05-013-08116 | McFARLAND | CRESTONE PEAK RESOURCES OPERATING LLC | PR | WATENBORG | BOULDER | 0/3 |
| WELL | 05-013-08117 | McFARLAND | CRESTONE PEAK RESOURCES OPERATING LLC | PR | WATENBORG | BOULDER | 0/3 |
| WELL | 05-013-08118 | WHEELER | CRESTONE PEAK RESOURCES OPERATING LLC | PR | WATENBORG | BOULDER | 0/3 |
| WELL | 05-013-08119 | WHEELER | CRESTONE PEAK RESOURCES OPERATING LLC | PR | WATENBORG | BOULDER | 0/3 |