From: Shannon Hartnett
To: Greg Deranleau - DNR
Cc: Scot Donato
Subject: RE: Tailholt FD PAD Form 2A document #400326962
Date: Monday, August 12, 2013 1:49:39 PM
Attachments: image001.png
image002.png
image003.png
image005.png

Greg,

Thank you for getting back with me. Scot and I reviewed the options and at this time we really need to go with option 2 as we may need to move our rig to this location earlier than later. I will submit a Form 4 for the SUA today for the tank battery but we really need to have the approved permit.

Please let me know if you have any other issues with this location.

Thank you,
Shannon

Shannon Hartnett
Regulatory Compliance Specialist

Great Western Operating Company, LLC
1700 Broadway, Suite 650
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303-830-9893 (Direct)
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Great Western
OIL & GAS COMPANY

From: Greg Deranleau - DNR [mailto:Greg.Deranleau@state.co.us]
Sent: Monday, August 12, 2013 1:38 PM
To: Shannon Hartnett
Cc: Scot Donato
Subject: RE: Tailholt FD PAD Form 2A document #400326962

Shannon,
I just left Scot a message, but your line was busy. I have reviewed this with our "legal" department, here is what we came up with:

We need a new SUA for the tank battery location, as you suggest in the last e-mail, below. The tank battery SUA needs to indicate the proper parties, and the SUA attached to this well pad 2A, seems to be appropriate. It covers the land, and as amended by the signatory, it is executed by the surface owner.

So I think we have 2 options.

1. Hold off approval of the well location (Form 2A 400326962) until Great Western submits a Form

4 for the tank battery location (Location ID 431642) to replace the SUA that is in our files; or

2. Approve the well location with a COA to the effect of: "Operator shall not commence construction of Tank Battery Location (Location ID 431642) until a revised SUA has been submitted for that location to replace the original SUA submittal."

My preference is #1, my hunch is that your preference is #2, but I hate to tie compliance at one location with actions at another.

I have a meeting at 2 but will be at my desk until then if you want to try to catch me.

Thanks for your persistence and patience!

Greg Deranleau
Oil & Gas Location Assessment Supervisor
Colorado Oil and Gas Conservation Commission
303-894-2100 ext. 5153

From: Shannon Hartnett [mailto:shartnett@gwogco.com]
Sent: Thursday, July 18, 2013 4:16 PM
To: Greg Deranleau - DNR
Subject: RE: Tailholt FD PAD Form 2A document #400326962

Greg to clear this up at all would the current SUA that we have submitted cover the right to construct the tank battery per the second page grant clause stating that the operations may occur and also shows the tank battery on Exhibit A. If need be this SUA can be attached to the tank battery location that was approved in Feb. 2013.

From: Greg Deranleau - DNR [mailto:Greg.Deranleau@state.co.us]
Sent: Thursday, July 18, 2013 2:31 PM
To: Shannon Hartnett
Subject: RE: Tailholt FD PAD Form 2A document #400326962

COGCC requires some form of verifiable documentation that Tailholt Resources had a right to enter into a SUA authorizing the use of these surface lands for the described oil and gas operations. I see that Hidden Valley Farms is listed as the property owner as of 5/1/2013, but again, that does not grant Tailholt the right to execute the SUA, as there is no information provided that demonstrates the relationship between Hidden Valley and Tailholt. There must be some "chain of custody" that demonstrates that right.

I'm sorry if you are having trouble coming up with documentation. But because this is a stand-alone tank battery, with no minerals produced from the oil and gas location itself, it very important that the SUA and right to construct are firmly established in the record. Previously, there was a directional wellbore producing from directly beneath the facilities, so the right to construct was technically through the lease, despite the fact that the SUA was in place. Now, however, the proposed 320 acre well bore spacing unit does not include the minerals directly beneath the battery, even though the lease extends there. The SUA is now critical.

I hope that helps clarify what I am asking for and why.

Greg Deranleau
Oil & Gas Location Assessment Supervisor
Colorado Oil and Gas Conservation Commission
303-894-2100 ext. 5153

From: Shannon Hartnett [mailto:shartnett@gwogco.com]
Sent: Thursday, July 18, 2013 2:09 PM
To: Greg Deranleau - DNR
Subject: RE: Tailholt FD PAD Form 2A document #400326962

I can understand where you are coming from. I did find in the property information (weld county website) on the current notice of valuation that there is Hidden Valley Farms listed as the previous surface ownership, not to confuse you even more but this is also Tailholt Resources LLC all of which is owned by Stan Everitt (Everitt Companies) and his family. The address is the same as stated below in the Tailholt SUA. Does that help? I hope we are getting somewhere and not chasing our tails.

Shannon

From: Greg Deranleau - DNR [mailto:Greg.Deranleau@state.co.us]
Sent: Thursday, July 18, 2013 1:44 PM
To: Shannon Hartnett
Subject: RE: Tailholt FD PAD Form 2A document #400326962

The surface owner information gets blanked out when a Form 2A is approved, so that it is not part of the published record. Although, I am not sure what purpose that serves, since the Form 2A, as submitted, with the information, remains in the file (I guess that is a question for COGCC to answer…).

Back to the issue at hand…The Weld County Assessor's Office is the only source of information regarding property ownership that I have available to me. There is no record that I can see of Tailholt being a surface owner, past or present. I definitely see the language in the SUA that it is binding to successors and heirs, but I still don't see the connection between Tailholt and Babcock at the surface.

See pages from the Assessor's records attached. Am I missing something, or looking in the wrong place? The SUA references a "Corrected Recorded Exemption" (RE 3694) which corresponds to the same Account Number (R5024908), and Babcock is the only Owner listed.

Thanks,

Greg Deranleau
Oil & Gas Location Assessment Supervisor
Colorado Oil and Gas Conservation Commission
303-894-2100 ext. 5153

From: Shannon Hartnett [mailto:shartnett@gwogco.com]
Sent: Thursday, July 18, 2013 12:35 PM
To: Greg Deranleau - DNR
Subject: RE: Tailholt FD PAD Form 2A document #400326962

Great question. The tank battery (location ID 431656) was approved in Feb 2013 which was going to be a tank battery for both our directional and horizontal development. At that time Tailholt Resources LLC owned

the property. Since then Tailholt sold the property to Babcock. I am not sure why the ownership information was left blank in the previous form 2A (Janni Keidel submitted it). Our current SUA that we have with Babcock does allow us to construct both the drilling pad and tank battery locations as stated in the SUA for the currently in process 2 and 2A for our horizontal development. Tailholt Resources LLC is still the mineral owner additionally the oil and gas development was discussed and agreed upon during the sell of the surface property.

I hope this clears everything up.

Regards,

Shannon Hartnett
Regulatory Compliance Specialist

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Great Western
OIL & GAS COMPANY

From: Greg Deranleau - DNR [mailto:Greg.Deranleau@state.co.us]
Sent: Thursday, July 18, 2013 12:04 PM
To: Shannon Hartnett
Subject: RE: Tailholt FD PAD Form 2A document #400326962

Shannon,
Can you please help me out with something?

The SUA is executed by Tailholt Resources with an address in Ft Collins:

This Surface Use Agreement ("Agreement") is made effective this 15st day of October, 2012, by and between Tailholt Resources, LLC, whose address is 3003 Harmony Road, Suite 400, Fort Collins, Colorado 80528, hereinafter jointly and severally referred to sometimes herein as "Owner"; and Great Western Oil and Gas Company, LLC, a

The SUA describes the parcel thusly:

SEE ATTACHED ADDENDUM FOR ADDITIONAL TERMS AND CONDITIONS:

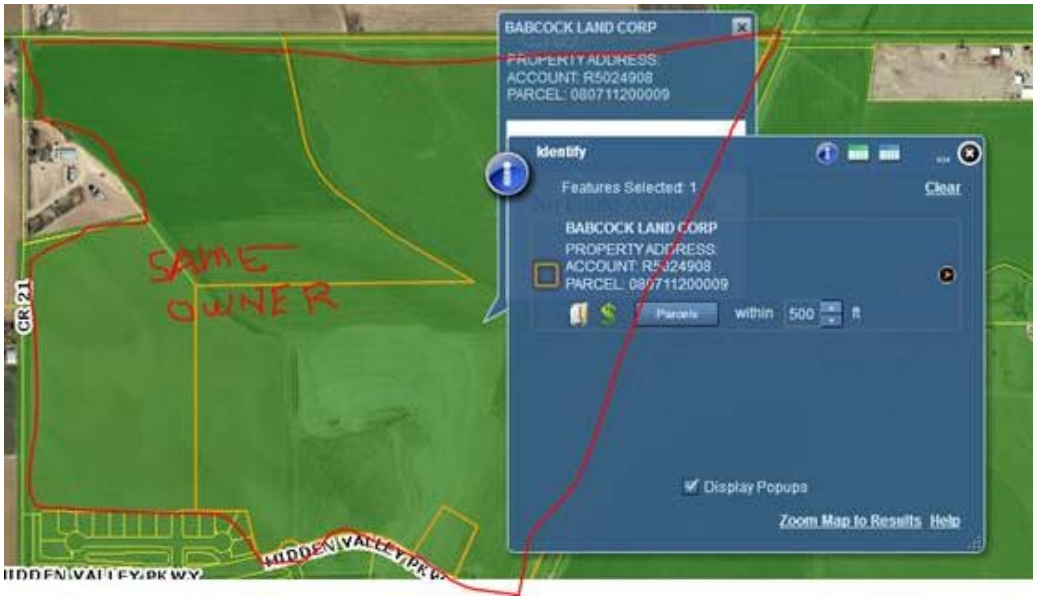
TOWNSHIP 6 NORTH, RANGE 67 WEST, 6th P.M.
Section 11: Parcel #1: Lot B of Corrected Recorded Exemption No. 0807-11-2-RE 3694 according to that certain map or plat thereof as recorded September 29, 2004 under Reception No. 3223254.

Parcel #2: Lot C of Corrected Recorded Exemption No. 0807-11-2-RE 3694 according to that certain map or plat thereof September 29, 2004 under Reception No. 3223254.

Parcel #3: Lot D of Corrected Recorded Exemption No. 0807-11-2-RE 3694 (including BE) according to that certain map or plat thereof September 29, 2004 under Reception No. 3223254.

Parcel #4: Lot B of Recorded Exemption No. 0807-11-3-RE 3615 according to that certain map or plat thereof as recorded October 23, 2003 under Reception No. 3119603, EXCEPTING THEREFROM Tract B of Hidden Valley Farm Subdivision First Filing, according to that certain map or plat thereof recorded October 24, 2007 under Reception No. 3513226.

According to Weld County's Assessor's page, the surface owner (of the 3 parcels roughly outlined) is Babcock Land Corp:



I am not a land man, and I probably don't understand the nuances, but I do not understand the connection of the SUA to the property in this case. The Owner records and document history on the weld county site do not indicate any transfers to or from Tailholt to or from Babcock.

Because the right to construct the tank battery is through the SUA, I need to be sure the connection is there.
This is from the tank battery Form 2A, as approved:

7. Surface Owner:

Name: _____ Phone: _____
Address: _____ Fax: _____
Address: _____ Email: _____
City: _____ State: _____ Zip: _____ Date of Rule 306 surface owner consultation: 10/15/2012

Surface Owner: [X] Fee [ ] State [ ] Federal [ ] Indian
Mineral Owner: [X] Fee [ ] State [ ] Federal [ ] Indian
The surface owner is: [X] the mineral owner [X] committed to an oil and gas lease
[X] is the executer of the oil and gas lease [ ] the applicant
The right to construct the location is granted by: [ ] oil and gas lease [X] Surface Use Agreement [ ] Right of Way
[ ] applicant is owner
Surface damage assurance if no agreement is in place: [ ] $2000 [ ] $5000 [ ] Blanket Surety ID _____

Thanks for your help.

Greg Deranleau
Oil & Gas Location Assessment Supervisor
Colorado Oil and Gas Conservation Commission
303-894-2100 ext. 5153

From: Shannon Hartnett [mailto:shartnett@gwogco.com]
Sent: Monday, July 15, 2013 8:46 AM
To: Greg Deranleau - DNR
Subject: RE: Tailholt FD PAD Form 2A document #400326962

Greg – see my responses below:

Thank you,

Shannon

Shannon Hartnett
Regulatory Compliance Specialist
Great Western Operating Company, LLC
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Denver, CO 80290
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From: Greg Deranleau - DNR [mailto:Greg.Deranleau@state.co.us]
Sent: Friday, July 12, 2013 3:53 PM
To: Shannon Hartnett
Subject: Tailholt FD PAD Form 2A document #400326962

Shannon,

I am conducting final review of the referenced Form 2A prior to recommending Director approval. Can you please clarify the following for me:

1. The Form 2A indicates that the size of location after interim reclamation will be 0.00 acres. Even a single well with a "keyhole" road around it has some disturbance after interim reclamation; in this case there will be 6 wells set some distance apart, probably with fenced enclosures and a loop of road around them all. Please provide an estimate of that disturbed area. **This should be less than 1 acre or 1 acre total.**
2. There is no indication of where produced fluids, gas, and E&P waste will be separated and stored. Great Western Oil and Gas permitted a Production Facility (Location ID 431642) in the NWNE quarter of the section, in January of this year, but I am not certain that is where you will produce this pad to, as there is another pad in the SWNW that may have been the well site proposed to feed it. Can you please provide a comment that indicates where this pad will produce to, and how the fluids will be transferred there (i.e. individual 3-phase flowlines, comingled 3-phase flowlines, other)? **Sorry about that – I should have place a comment that we plan to utilize the of site tank battery location ID 431642 the use of flowlines from the well heads to the tank battery will be constructed.**
3. COGCC will need to review the surface owner and right to construct the tank battery and will need to resolve this before final approval can be granted. **Our SDA/SUA covers the right to construct the tank battery – please let me know if that is not sufficient enough.**

Thank you for your assistance, I look forward to hearing back from you. However, I will place this Form 2A

on hold until we get this resolved.

Thanks,

Greg Deranleau
Oil and Gas Location Assessment Supervisor

Colorado Oil & Gas Conservation Commission
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