



BAYSWATER
EXPLORATION & PRODUCTION, LLC

Rationalization for the Carlson Horizontal drilling pad and site

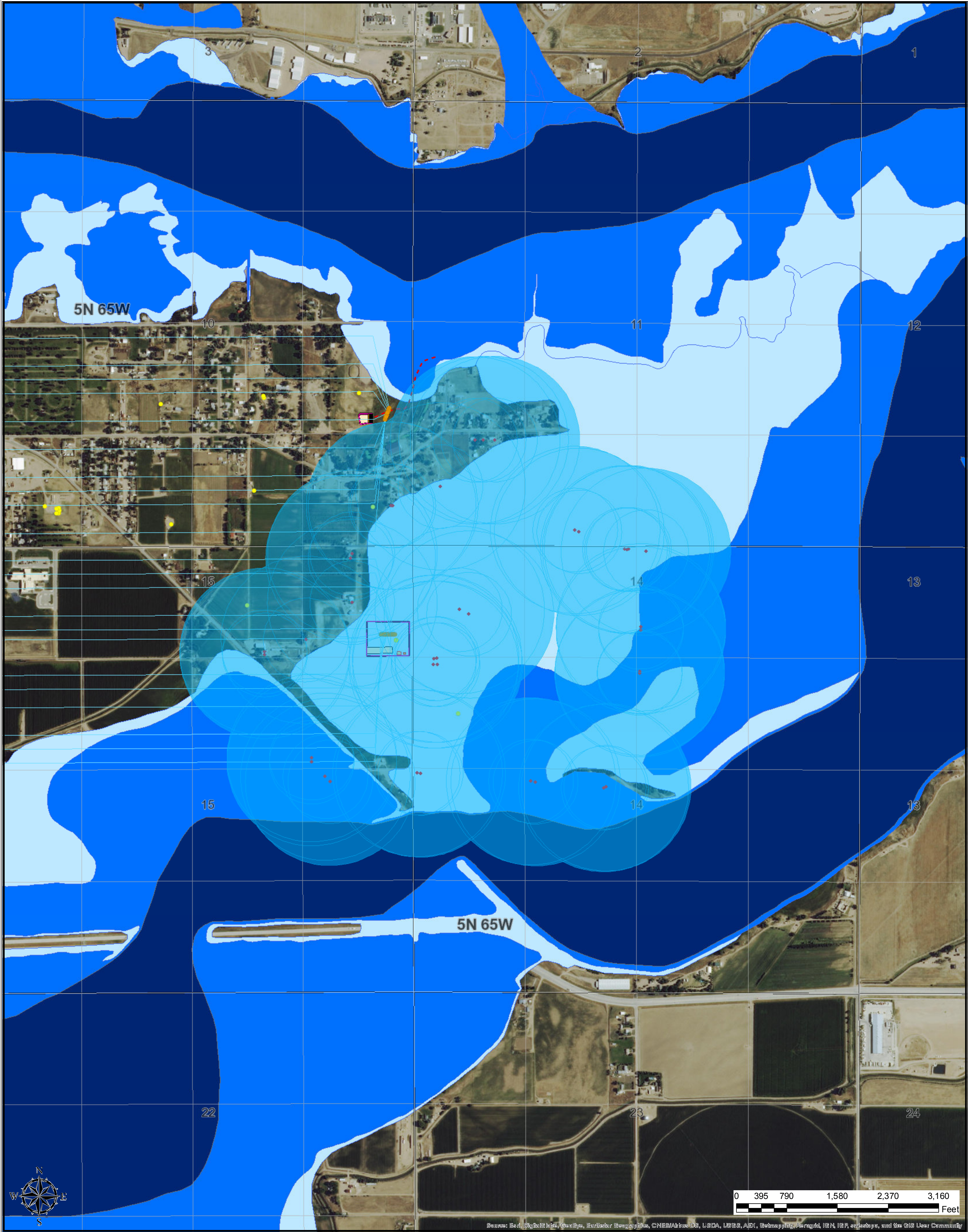
- The Carlson Horizontal drilling pad is planned for efficient and economical development of the north half of section 15 & 16 5N 65W
- 2 mi laterals are planned such that an additional pad is not necessary in the future to develop these leases
- The proposed pad is situation high and at the edge of the 500 yr flood plain
- This location is rural and outside of urban mitigation areas.
- Bayswater has ongoing relations with all of the property owners surrounding the Carlson site.
- The existing access lease road with be used to minimize any impact on Fern Ave.
- Additionally, the new surface facilities and wells are planned to be equidistant from the nearest houses.
- Bayswater has looked at alternate locations for the wells and facilities including property to the south and east.
- The Carlson well site and facilities are located on land currently occupied by an existing oil and gas well and operations.
- The surface facilities location has been planned as far south on the Carlson property as possible following the COGCC rules and aligned with the existing surface facilities.
- The new surface facility has been engineered with a compact footprint.
- The Carlson wells are placed 200' from the power lines along Fern Ave. per the COGCC rules.
- Bayswater negotiated a new robust Surface Damage and Release Agreement with the current property owners, the Carlson's. This SUA covers dust control, truck traffic, visual tree screen if necessary and sound walls among other items.
- Moving either the well site and/or facilities 1600-1800' to the east causes an additional economic cost on casing and cement or flow lines.
- This surface site is located .35 miles from Business 34 leading to HYW 34.
- This pad is situated within the spacing unit of the wells and thus affects only four (4) building unit owners outside of the spacing unit within the buffer zone.
- The mechanical risk and costs climb with $\frac{1}{4}$ to $\frac{1}{2}$ half mile reaches associated with 2 mi laterals as does risk with hole stability and successful completions.

Additional Design Rationalization

- Engineered sound walls will be utilized when and where necessary to protect our neighbors during operations.
- Bayswater anticipates a possible liquids pipeline along Fern Avenue in mid-2016 and thus truck traffic could then be at a minimum for oil hauling.

Bayswater Company Values

- Bayswater is always honest, ethical, and open in our dealings with others.
- We strive to conduct our work without accident, without harm to people, and without damage to the environment.
- The development of oil and natural gas resources and the stewardship of a pristine, sustainable environment are not mutually exclusive. We will be leaders in demonstrating that both are achievable.
- We are in business, in Colorado, for the long term.



Bayswater Exploration
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Description: Carlson w floodplain and 1000

- Legend**
- Preliminary
 - COGCC Location
 - Existing
 - Proposed