



1050 17<sup>th</sup> Street, Suite 2400  
Denver, CO 80265

September 1, 2015

Colorado Oil & Gas Conservation Commission  
The Chancery Building  
1120 Lincoln Street, Suite 801  
Denver, CO 80203

Attn: Mr. Matt Lepore, Director

**RE: 502.b. Variance Request to Rule 603.a.(1)**

Hangs A Pad (Location ID: 336023)  
Township 6 South, Range 92 West, 6<sup>th</sup> P.M.  
SWSE of Section 9: 999' FSL, 2440' FEL (Form 2A Reference Point)  
Garfield County, Colorado

Dear Mr. Lepore,

Please let this letter serve as a request for administrative approval of a 502.b. Variance for the Hangs A Pad and Wells listed below.

Ursa Operating Company LLC (Ursa) proposes to place the wells listed below on an existing pad, at a location less than 200 feet from a building and / or above ground utility as required by Rule 603.a.(1).

| <b>Pad Name</b>      | <b>Pad Location (Reference Pt)</b> | <b>Form 2A Doc #</b> | <b>Distance to Building</b> | <b>Distance to Utility Line</b> |
|----------------------|------------------------------------|----------------------|-----------------------------|---------------------------------|
| Hangs A Pad          | 999' FSL, 2440' FEL                | 400862577            | 155'                        | 174'                            |
| <b>Well Name</b>     | <b>Well Location (Surface)</b>     | <b>Form 2 Doc #</b>  | <b>Distance to Building</b> | <b>Distance to Utility Line</b> |
| Hangs A 13B-09-06-92 | 958' FSL, 2465' FEL                | 400879361            | >200'                       | 174'                            |
| Hangs A 13C-09-06-92 | 938' FSL, 2465' FEL                | 400879362            | 185'                        | 174'                            |
| Hangs A 13D-09-06-92 | 914' FSL, 2461' FEL                | 400879363            | 170'                        | 174'                            |
| Hangs A 14A-09-06-92 | 897' FSL, 2465' FEL                | 400879364            | 155'                        | 174'                            |
| Hangs A 23B-09-06-92 | 932' FSL, 2442' FEL                | 400879365            | 196'                        | 197'                            |
| Hangs A 23C-09-06-92 | 977' FSL, 2465' FEL                | 400879366            | >200'                       | 174'                            |
| Hangs A 23D-09-06-92 | 947' FSL, 2465' FEL                | 400879369            | 193'                        | 174'                            |
| Hangs A 24A-09-06-92 | 927' FSL, 2465' FEL                | 400879370            | 177'                        | 174'                            |
| Hangs A 24B-09-06-92 | 907' FSL, 2465' FEL                | 400879371            | 162'                        | 174'                            |
| Hangs A 33B-09-06-92 | 923' FSL, 2442' FEL                | 400879372            | 189'                        | 196'                            |
| Hangs A 33C-09-06-92 | 953' FSL, 2442' FEL                | 400879375            | >200'                       | 196'                            |
| Hangs A 33D-09-06-92 | 923' FSL, 2442' FEL                | 400879376            | 189'                        | 196'                            |
| Hangs A 34A-09-06-92 | 968' FSL, 2465' FEL                | 400879377            | >200'                       | 174'                            |
| Hangs A 43A-09-06-92 | 1053' FSL, 2443' FEL               | 400879378            | >200'                       | 196'                            |

Rule 603.a.(1) states:

At the time of initial drilling, a Well shall be located not less than two hundred (200) feet from buildings, public roads, major above ground utility lines, or railroads.

Due to surface, infrastructure and technical constraints, a new pad providing access to the bottom hole locations proposed to be developed from the Hangs A pad expansion is not feasible at this time. A new pad located to the north of the existing location would lack ability to connect the new wells into a gathering system, as there is no gathering infrastructure north of I-70. Additionally, a pad to the north would move operations closer to the City of Silt and the Colorado River. A new pad to the south of the existing location would make it technically impossible to reach bottom hole locations in the north half of Section 9, greatly limiting development of Ursa leasehold (please see the Multi-well Plan attachment to Form 2A).

In an effort to minimize surface disturbance and efficiently develop the minerals in this area, Ursa proposes to expand the existing Hangs A pad. The existing pad will be expanded to the north and east (away from the encroached upon building and overhead power line) to accommodate up to 32 new wells (for a total of 36 wells). The location of the above referenced Oil and Gas Location, expansion and associated wells have been determined per the surface owner's request. The executed Surface Use Agreement is attached to the Form 2A and Form 2's in process.

There are 2 producing wells and 2 set conductors on the existing Hangs A pad, all of which are within 200 feet of the nearest above ground utility (wells were approved and drilled prior to rule changes requiring a 200' setback):

| Well Name           | Well Location (Surface) | API #        | Distance to Building | Distance to Utility Line |
|---------------------|-------------------------|--------------|----------------------|--------------------------|
| Hangs A2            | 998' FSL, 2465' FEL     | 05-045-12337 | >200'                | 174'                     |
| Hangs A4            | 1018' FSL, 2465' FEL    | 05-045-12339 | >200'                | 174'                     |
| Hangs A Conductor 1 | 1038' FSL, 2465' FEL    | TBD          | >200'                | 174'                     |
| Hangs A Conductor 2 | 1058' FSL, 2465' FEL    | TBD          | >200'                | 174'                     |

The building being encroached upon is a scale house used for gravel pit operations and falls on the same surface parcel (and has the same surface owner) as the well pad. The encroached upon above ground utility is an overhead power line (please see Location Drawing attachment to Form 2A). Development of the pad will not affect normal operations of the scale house nor the power line.

Ursa's drilling rig (Capstar Rig #321) is 89' in height. Although the 200' setback is not able to be met as required per Rule 603.a.(1), Ursa can safely operate at a distance greater than 1.5 times the rig height to both the scale house and power line:

89' rig height x 1.5 = **133.5'**      Nearest Well to Building: **155'**      Nearest Well to Power Line: **174'**



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Ursa does not believe that the requested variance violates the basic intent of the Oil and Gas Conservation Act as there are no anticipated impacts to public health, safety, welfare or the environment associated with the proposed Hangs A pad expansion.

Should you have any questions, please contact me at (720) 508-8362 or [jlind@ursaresources.com](mailto:jlind@ursaresources.com).

Thank you for your assistance in this matter.

Sincerely,  
**Ursa Operating Company LLC**

Jennifer Lind  
Regulatory Analyst