



1600 Broadway, Suite 2600
Denver, CO 80202

November 27, 2017

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 702.a.

Dear Director Lepore,

Please let this letter serve as a request for administrative approval of a 502.b. Variance for the existing pre-set conductors in accordance with section 5.c. of the October 6, 2016 Notice to Operators: Procedures for Preset Conductors (Conductor NTO).

Below, please find a comprehensive list of existing pre-set conductors for Ursa Operating Company LLC (Ursa). In accordance with the Conductor NTO, section 4.b., sundries were submitted for all locations prior to the November 1, 2016 deadline for reporting requirements. Please note, all conductors listed below with the exception of the 3 **Monument Ridge** wells were set by Ursa's predecessor company in accordance with the 2006 Conductor NTO.

Location	Well Name	API Number	Comments
Burckle A	A4	05-045-13704	Set by previous operator
CSF U	CSF 11A-07-07-91	05-045-17085	Set by previous operator
CSF U	CSF 12A-07-07-91	05-045-11982	Set by previous operator
CSF U	CSF 21A-07-07-91	05-045-17083	Set by previous operator
CSF U	CSF 31A-07-07-91	05-045-17086	Set by previous operator
CSF V	CSF 14B-07-07-91	05-045-12199	Set by previous operator
Coloroso A	A8	05-045-13175	Set by previous operator
Dever A	A5	05-045-13632	Set by previous operator
Dever A	A7	05-045-13570	Set by previous operator
Dever A	A15	05-045-14723	Set by previous operator
Dever A	A18	05-045-15376	Set by previous operator
Dever C	C2	05-045-14940	Set by previous operator
Dixon A	A4	05-045-14887	Set by previous operator
Dixon A	A10	05-045-14906	Set by previous operator
Dixon A	A12	05-045-14903	Set by previous operator
Dixon A	A13	05-045-14904	Set by previous operator
Dixon A	A15	05-045-14901	Set by previous operator
Frei A	A17	05-045-19946	Set by previous operator
Gentry B	B12	05-045-15587	Set by previous operator
Gentry B	B13	05-045-15588	Set by previous operator

Gentry C	C11	05-045-15270	Set by previous operator
Gentry E	E5	05-045-15803	Set by previous operator
Gentry E	E7	05-045-15719	Set by previous operator
Gentry E	E9	05-045-15717	Set by previous operator
Gentry E	E11	05-045-15718	Set by previous operator
Gypsum B	B5	05-045-16037	Set by previous operator
Gypsum B	B11	05-045-16042	Set by previous operator
Hangs A	A1	05-045-12338	Set by previous operator
Hangs A	A3	05-045-12336	Set by previous operator
Hangs B	B2	05-045-12196	Set by previous operator
Hoffmeister	A1	05-045-13763	Set by previous operator
Hoffmeister	A3	05-045-13760	Set by previous operator
Hoffmeister	A7	05-045-16191	Set by previous operator
Island Park B	B4	05-045-13578	Set by previous operator
McPherson A	A1	05-045-14474	Set by previous operator
Monument Ridge	BAT 41A-19-07-95	05-045-20541	Set by Ursa
Monument Ridge	BAT 41B-19-07-95	05-045-20536	Set by Ursa
Monument Ridge	BAT 41C-19-07-95	05-045-20538	Set by Ursa
Norcross A	A6	05-045-15176	Set by previous operator
Norcross A	A10	05-045-15172	Set by previous operator
Norcross A	A12	05-045-15170	Set by previous operator
Norcross A	A13	05-045-15169	Set by previous operator
Norcross A	A17	05-045-17143	Set by previous operator
North Bank A	A6	05-045-12391	Set by previous operator
North Bank B	B6	05-045-12416	Set by previous operator
North Bank C	C2	05-045-13621	Set by previous operator
North Bank E	E6	05-045-15805	Set by previous operator
North Bank E	E7	05-045-14601	Set by previous operator
North Bank E	E8	05-045-15808	Set by previous operator
North Bank E	E9	05-045-15807	Set by previous operator
North Bank E	E13	05-045-18612	Set by previous operator
North Bank E	E18	05-045-16046	Set by previous operator
River Ranch C	C1	05-045-13105	Set by previous operator
River Ranch C	C3	05-045-13286	Set by previous operator
River Ranch C	C5	05-045-13284	Set by previous operator
Snyder A	A15	05-045-14680	Set by previous operator
Valley Farms E	E7	05-045-13225	Set by previous operator
Valley Farms F	F21	05-045-18287	Set by previous operator
Valley Farms I	I8	05-045-18169	Set by previous operator
Valley Farms I	I9	05-045-18170	Set by previous operator
Weinreis A	A1	05-045-15132	Set by previous operator
Weinreis A	A5	05-045-15128	Set by previous operator

Ursa would like to keep existing conductors un-plugged and in place for support of future mineral rights development. The pre-set conductors listed above fall on 29 existing pad locations all of which include producing wells. Existing conductors will not impact interim reclamation efforts at any of these pad locations. Plugging of the conductors will hamper future development plans as the surface locations that would be plugged would be unavailable for future use. If the conductors were to be plugged, the pad location would have to be expanded to allow for additional well slots located away from the plugged conductors to avoid any potential underground collision issues.

In an effort to minimize surface disturbance and future impacts of our field development plan, Ursa elects to move forward with Conductor NTO section 5.b. which allows for the following:

Request to keep the conductor or conductors for future use on a Form 4 (Notice of Intent, Other: Keep Conductor) submitted for the location, subject to additional financial assurance pursuant to Rule 702.a.

- i. Upon receipt of the operator's request, Director will petition the Commission for additional financial assurance for the location;
 - The presumptive amount of requested additional financial assurance will be \$5,000 per conductor. For locations with greater than four preset conductors, an operator may present evidence of estimated actual costs to plug the conductors for the Director's consideration.
 - COGCC will release this financial assurance if the operator drills the well, plugs the conductor, or secures approval of a Rule 502.b. variance pursuant to Section c. below.
- ii. Maintain compliance with the "Safety Standards" (Section 4.a. above) of this NTO; and
- iii. Refile and maintain a valid Form 2 for the proposed well pursuant to Rule 303.a. until the well is drilled or the conductor is plugged. Expired Form 2s and AL status wells are not valid.

Rule 702.a. states:

When the Director has reasonable cause to believe that the Commission may become burdened with the costs of fulfilling the statutory obligations described herein because an operator has demonstrated a pattern of non-compliance with oil and gas regulations in this or other states, because special geologic, environmental, or operational circumstances exist which make the plugging and abandonment of particular wells more costly, or due to other special and unique circumstances, the Director may petition the Commission for an increase in any individual or blanket financial assurance required in this series.

Ursa does not anticipate that the existing conductors will become a cost burden to the Commission as all 62 of the conductors are planned to be utilized in support of our 5 year field development plan. Ursa is one of very few operators that has maintained a continuous rig program (except for a 3 month rig laydown in early 2016 in order to maintain operational flexibility) in the Piceance basin through the economic downturn and is committed to the efficient and responsible development of our mineral resources.



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Ursa has a strong history of regulatory compliance in the state of Colorado and does not believe that the environmental, geologic or operational circumstances surrounding the pre-set conductors warrants the requirement of additional financial assurance.

The additional cost burden to Ursa, should the \$5,000 per conductor of additional financial assurance be required, is \$310,000. As a small operator in Colorado, this large amount will affect our operations schedule, operational flexibility and potentially the financial health of the company in whole.

Ursa does not believe that the requested variance would violate the basic intent on the Oil and Gas Conservation Act as there are no anticipated impacts to public health, safety, welfare or the environment associated with the existing pre-set conductors.

Proposed Plan of Action

- i. If additional financial assurance is pursued by COGCC, Ursa requests that the presumptive amount for plugging & abandonment for preset conductors be modified to \$945.00 (instead of \$5000.00) per conductor based on a third party quote we have received from a vendor to perform this work. The estimate received from our vendor was based on an average cost that included labor, trucking, equipment, cement, fill material, welder and pulling the cellar for all 62 open conductors.
- ii. All safety standards as outlined in Conductor NTO section 4.a. have been and will continue to be maintained for all Ursa pre-set conductors.
- iii. Additionally, Ursa commits to refiling the Form 2 applications for all existing pre-set conductors in accordance with section 5.b.iii. by 6/1/2018 in support of Ursa's 5-year field development plan. Upon approval of this **Proposed Plan of Action**, Ursa will submit approximately 10-12 Form 2s per month until all 62 Form 2s have been submitted.

Should you have any questions, please contact me at (720) 508-8362 or cmcrickard@ursaresources.com.

Thank you for your attention to this matter.

Sincerely,

Ursa Operating Company LLC

Chris McRickard
Regulatory Manager