

May 30, 2017

Director Matt Lepore
Colorado Oil and Gas Conservation Commission
1120 Lincoln Street, Suite 801
Denver, Colorado 80203

RE: Interim Reclamation Variance Request
For the Falcon Seaboard 11-90-12 #1A,
Pasco Spadafora #2 & #3, and Volk 12-89-21 #1,
Gunnison County, Colorado.

Dear Director Lepore,

On November 18, 2016, SG Interests I, Ltd. (SG) received approved variance requests to delay interim reclamation on three well pads associated with the following wells: Falcon Seaboard 11-90-12 #1A, Pasco Spadafora #2 & #3, and Volk 12-89-21 #1. The approved delay is until May 31, 2017, however SG needs more time to conduct interim reclamation due to continued delay of the Record of Decision (ROD) of the Bull Mountain Unit Master Plan of Development Final Environmental Impact Statement (BMU MDP FEIS). SG cannot permit planned additional wells on these locations until release of the ROD.

Therefore, SG is requesting a variance for an extension of five years to comply with Colorado Oil and Gas Conservation Commission (COGCC) Rules 1003.b. (commencement of reclamation), and Rule 1003.e. (restoration and revegetation) for the wells listed in the table below. This letter lists the required information per the *Notice to Operators: Interim Reclamation Procedures for Delayed Operations* (January 5, 2017) for your evaluation.

Well Location ID	Location Name and Number	Legal Location
311729	Falcon Seaboard 11-90-12-611S90W12SWNW	T11S, R90W, Sec 12
413893	Pasco Spadafora #2 & #3	T11S, R90W, Sec 27
418697	Volk 12-89-21 #1	T12S, R89W, Sec 21

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1. INTRODUCTION AND LENGTH OF REQUESTED EXTENSION

SG requests an extension for up to 5 years to conduct interim reclamation of the wells listed in the table above. SG cannot permit planned additional wells, or install additional necessary infrastructure (i.e. pipeline on the Volk location) due to the continued delay of the Record of Decision (ROD) for the Bull Mountain Unit Master Plan of Development Final Environmental Impact Statement (BMU MDP FEIS).

2. SURFACE OWNER'S WRITTEN CONSENT TO THE EXTENSION

Appendix A contains letters with surface owner's written consent of the extension and the duration of the extension. The following table lists the landowners for each well pad location.

Well Location ID	Location Name and Number	Landowners
311729	Falcon Seaboard 11-90-12-611S90W12SWNW	Falcon Seaboard Diversified, Inc.
413893	Pasco Spadafora #2	Aspen Leaf Ranch
418697	Volk 12-89-21 #1	Volk Ranch L.L.P

3. DELAY OF INTERIM RECLAMATION DESCRIPTION

SG is waiting for a decision of the BMU FEIS and ROD to make plans with these well pads. These locations were designed to accommodate 3 to 5 well heads. The well pad locations are graveled for use as defined as on-going operations to accommodate current operations, as well as for operations for additional wells. All other areas have been seeded, have vegetation growth and are also stabilized for erosion and sediment control. In the event SG reclaims the areas not needed for on-going operations prior to this 5-year variance request, SG will submit a sundry for completion of interim reclamation.

4. SCHEDULE OF PLANNED OPERATIONS

SG will be able to plan and permit additional wells on these locations upon receipt of the ROD for the BMU. Development of the BMU is planned to occur over 6 years, including planning, permitting, construction, and beginning production of new wells. Without the ROD, SG is unable to plan or schedule operations on these locations.

5. COMPLIANCE WITH RULE 1002.F., RULE 1003.A., AND RULE 1003.F.

This section describes SG's compliance with COGCC Rules 1002.f., 1003.a, and 1003.f.

Rule 1002.f. Stormwater Management: Best Management Practices and Post-Construction Stormwater Program.

SG Interests applied for, and received a Certificate to Discharge under CDPS General Permit COR-030000, for stormwater discharges associated with construction. This certification number is COR039711, for activities beginning on May 1, 2006; this permit was administratively continued on June 21, 2012 and remains in effect under Section 104(7) of the Administrative Procedures Act, C.R.S. 1973, 24-4-101, et seq (1982 repl. Vol. 10) until the new permit/certification is issued and effective. A new permit issued by the Colorado Department of Public Health and Environment (CDPHE) is expected in 2017 (see Appendix A in the MSWMP for Renewal of Permit/Certification). SG maintains a Master Stormwater Management Plan (MSWMP) that identifies operating procedures associated with stormwater management for SG's natural gas field operations and development. These procedures comply with the requirements, set forth by CDPHE, Water Quality Control Division, for controlling



stormwater discharges associated with construction activity. A copy of this plan is required by CDPHE to be stored on location from the date of project initiation to the date of expiration. Upon request, the MSWMP is to be provided to the Division, EPA, or any local agency affiliated with, or impacted by stormwater.

SG also maintains a Post Construction Stormwater Program to ensure compliance with the Colorado Oil and Gas Conservation Commission (COGCC) Rule 1002.f. This plan applies to all well pad and multi-well pit facilities in Gunnison and Delta counties that have achieved sufficient revegetation and stabilization such that they have been removed from active construction stormwater permit coverage by the Colorado Department of Public Health and Environment (CDPHE) – SGI Common Plan of Development COR039711. The program described in the plan has been developed by a qualified person. Inspections and maintenance activities are conducted by staff that are qualified persons or supervised by qualified persons. All employees and contractors working on these facilities are trained to properly implement, maintain, and report on the maintenance and repair of these BMPs, if their job duties require it.

Both stormwater plans are available for review, upon request. The following table lists each well pad and its applicable stormwater program. Please note, regardless of which program the project is in, all locations adhere to all COGCC stormwater rules.

Well Location ID	Location Name and Number	Stormwater Program
311729	Falcon Seaboard 11-90-12-611S90W12SWNW	CDPHE MSWMP
413893	Pasco Spadafora #2	COGCC Post Stormwater Program
418697	Volk 12-89-21 #1	CDPHE MSWMP

Rule 1003.a. Interim Reclamation

During routine stormwater inspections, SG staff ensures that debris and waste materials other than de minimis amounts, including, but not limited to concrete, sack bentonite, and other drilling mud activities, including sand plastic, pipe and cable, as well as equipment associated with drilling, re-entry, or completion operations are removed per Rule 1003.a. SG ensures all E&P waste is handled according to the 900 Series rules, and all drilling activities adhere to applicable rules. In addition, COGCC inspections have confirmed adherence to this rule during inspections conducted in 2016 – all inspection reports are available on the COGCC website.

Rule 1003.f. Weed Control

Invasive species are present in the Bull Mountain Unit. All SG locations are monitored and treated as necessary, most recently in August, 2016. The project area, including access roads, will continue to be monitored and treated for noxious weeds for the life of the pad. Specific discussion of noxious weed treatment, including details of all past treatments can be obtained from SG Interest's Noxious Weed Management Plan. This plan ensures all locations conform to COGCC Rule 1003.f. In addition, COGCC inspections have confirmed adherence to this rule during inspections in 2016; locations where weeds were discovered were treated by SG and follow-up COGCC inspections confirmed treatment.

6. COST ESTIMATE FOR THIRD-PARTY CONTRACTOR TO PREFORM INTERIM RECLAMATION

Each location has been evaluated for “*areas reasonably needed for production operations*” per COGCC staff's interpretation (NTO January 5, 2017), including areas immediately around preset conductors, wellhead equipment, prime movers, production tanks, separate equipment, air pollution control and treatment equipment, meter stations, LACT units, lease roads, and safe access. This includes an area necessary to support a workover rig. Upon evaluation, SG confirmed with the contract drilling company that an area of 95 feet from the center of the well in both directions, with 45 feet extended from the opposite direction is required for the workover rig. The areas remaining are considered not need for ongoing operations (which is typically a small portion of total area



disturbed) and need to be reclaimed per COGCC 1003 rules. These areas have been evaluated for costs of a third-party contractor to conduct the interim reclamation. The table below represents the costs for each proposed variance location. Each cost estimate is included in Appendix B.

Well Location ID	Location Name and Number	Costs
311729	Falcon Seaboard 11-90-12-611S90W12SWNW	\$53,170.00
413893	Pasco Spadafora #2	\$105,834.00
418697	Volk 12-89-21 #1	\$158,800.00

In addition, SG has a few bonds with the State of Colorado. Bond #RLB0005781 is a blanket plugging bond for \$60,000 that covers all well locations within the Bull Mountain Unit, including the locations listed in this variance request. SG also maintains a blanket surface bond (RLB0005780) for \$25,000 for a few additional wells, including the Volk 12-89-21 #1.

7. EXECUTED COGCC OPERATOR RULE 1003 TOLLING AGREEMENT

Appendix C of this document includes the signed Tolling Agreement for each of the locations listed in this document.



APPENDIX A: SURFACE OWNER'S WRITTEN CONSENT



SG Interests I, Ltd.

922 East 2nd Ave

Durango, CO 81301

May 22, 2017

Falcon Seaboard Diversified
109 Post Oak Lane Suite 450
Houston, TX 77024

Subject: SG Interests I, Ltd. Interim Reclamation Variance Request due to Delayed Operations on the Falcon Seaboard 11-90-12 #3 and #5, and the Falcon Seaboard 11-90-12 #1A Well Pads.

Dear Falcon Seaboard Diversified,

On January 5, 2017 the Colorado Oil and Gas Conservation Commission (COGCC) released a Notice to Operators (NTO) of COGCC's staff's interpretation of Rule 1003, Interim Reclamation when delayed operations occur. The NTO discusses procedures to be followed in requesting interim reclamation variances due to delayed operations. One of the procedures is to obtain "the surface owner's written consent to the extension, including consent to the duration of the extension." Therefore, SG Interests I, Ltd. (SG) is writing to you to obtain such consent. Details of the proposed requested extension are as follows:

- The Falcon Seaboard 11-90-12 #3 and #5 well location currently supports two wells, the Falcon Seaboard 11-90-12 #1A currently supports one well, the Falcon Seaboard 11-90-11#2 currently supports one well. These well pads were designed and constructed for 2 to 5 additional well heads each. SG is waiting for a decision from the Bureau of Land Management (BLM) on the Bull Mountain Unit Environmental Impact Statement and Record of Decision. The BLM decision is necessary before SG can proceed with planning, permitting, and drilling additional wells on these pads.
- The duration of this proposed extension to conduct interim reclamation is 5 years from May 31, 2017.

Please contact me if you have questions.

Falcon Seaboard Diversified gives consent to SG Interests for the proposed extension, including the duration of the proposed extension.

Signed: *Gene Dewhurst*, as E.H. (Gene) Dewhurst
Vice President-Finance & Treasurer
On behalf of Falcon Seaboard Diversified

Sincerely,

Eric Sanford
SG Interests I, Ltd
922 East 2nd Avenue
Durango, CO 81301
970.385.0696
esanford@sginterests.com

SG Interests I, Ltd., A Limited Partnership
(970) 385-0696 Fax: (970) 385-0636

Gordy Oil Company, General Partner



SG INTERESTS I, LTD.

SG Interests I, Ltd.

922 East 2nd Ave

Durango, CO 81301

May 7, 2017

Aspen Leaf Ranch
4956 Old Wagon Road
Delta, CO 81416

Subject: SG Interests I, Ltd. Interim Reclamation Variance Request due to Delayed Operations on Pasco Spadafora #2 Well Pad.

Dear Aspen Leaf Ranch,

On January 5, 2017 the Colorado Oil and Gas Conservation Commission (COGCC) released a Notice to Operators (NTO) of COGCC's staff's interpretation of Rule 1003, Interim Reclamation when delayed operations occur. The NTO discusses procedures to be followed in requesting interim reclamation variances due to delayed operations. One of the procedures is to obtain "the surface owner's written consent to the extension, including consent to the duration of the extension." Therefore, SG Interests I, Ltd. (SG) is writing to you to obtain such consent. Details of the proposed requested extension are as follows:

- The Pasco Spadafora Well Pad location currently supports two (2) producing wells. This well pad was designed and constructed for 3 to 5 additional wells. SG is waiting for a decision from the Bureau of Land Management (BLM) on the Bull Mountain Unit Environmental Impact Statement and Record of Decision. The BLM decision is necessary before SG can proceed with drilling additional wells on this well pad.
- The duration of this proposed extension to conduct interim reclamation is 5 years from May 31, 2017.

Please contact me if you have questions.

Aspen Leaf Ranch gives consent to SG Interests for the proposed extension, including the duration of the proposed extension.

Signed: James R. Moore, as TREASURER
On behalf of Aspen Leaf Ranch

Sincerely,

Eric Sanford
SG Interests I, Ltd
922 East 2nd Avenue
Durango, CO 81301
970.385.0696
esanford@sginterests.com

SG Interests I, Ltd., A Limited Partnership
(970) 385-0696 Fax: (970) 385-0636

Gordy Oil Company, General Partner



SG INTERESTS I, LTD.

SG Interests I, Ltd.

922 East 2nd Ave

Durango, CO 81301

May 24, 2017

Volk Ranch LLP
15488 County Rd 77
Somerset, CO 81419

Subject: SG Interests I, Ltd. Interim Reclamation Variance Request due to Delayed Operations on Volk 12-89-21 #1 Well Pad.

Gary and Gail,

On January 5, 2017 the Colorado Oil and Gas Conservation Commission (COGCC) released a Notice to Operators (NTO) of COGCC's staff's interpretation of Rule 1003, Interim Reclamation when delayed operations occur. The NTO discusses procedures to be followed in requesting interim reclamation variances due to delayed operations. One of the procedures is to obtain "the surface owner's written consent to the extension, including consent to the duration of the extension." Therefore, SG Interests I, Ltd. (SG) is writing to you to obtain such consent. Details of the proposed requested extension are as follows:

- The Volk Well Pad location currently supports one well. This well pad was designed and constructed for 3 to 5 additional well heads. SG is waiting for a decision from the Bureau of Land Management (BLM) on the Bull Mountain Unit Environmental Impact Statement and Record of Decision. The BLM decision is necessary before SG can proceed with planning, permitting, and constructing a pipeline to the current and future wells on this pad.
- The duration of this proposed extension to conduct Interim reclamation is 5 years from May 31, 2017.

Please contact me if you have questions.

Volk Ranch gives consent to SG Interests for the proposed extension, including the duration of the proposed extension.

Signed: *Hail Volk* as *partner-owner*
On behalf of Volk Ranch

Sincerely,

Eric Sanford
SG Interests I, Ltd
922 East 2nd Avenue
Durango, CO 81301
970.385.0696
esanford@sginterests.com

SG Interests I, Ltd., A Limited Partnership
(970) 385-0696 Fax: (970) 385-0636

Gordy Oil Company, General Partner



APPENDIX B. THIRD PARTY COST ESTIMATE



PITT CONSTRUCTION COMPANY

35793 BACK RIVER RD

HOTCHKISS CO 81419

RECLAIM PROPOSAL FOR 12-1-A

We have figured this proposal on an estimated time to move and place fill dirt back into the cut slopes building new containment berms, top soiling, reseeding, installing new storm water BMPs,

Equipment to be used to reclaim this location will be D-8 dozer, D-41 dozer, 300 John Deere haul truck, 350 John Deere excavator, laborers, and farm tractor with a seed drill.

Mobilization cost \$1500.00

Our estimated time to reclaim this location is 5 working days

Cost \$53170.00

MIKE PITT

(970) 260-2275



PITT CONSTRUCTION COMPANY

35793 BACK RIVER RD

HOTCHKISS CO

RECLAIM PROPASAL FOR PASCO LOCATION

We have figured this proposal on an estimated time to move materials from fill slopes back in to the cut slopes building new containment berms, top soiling, reseeding, installing new storm water BMPs and moving fence.

Equipment to be used to reclaim this location will be D-8 dozer, D-41 dozer, 350 John Deere excavator, 300 John Deere haul truck, tandem dump trucks, water truck, laborers, skid steer and farm tractor with seed drill.

Mobilization cost \$2500.00

Our estimated time to reclaim this location is 10 working days.

Cost \$105,834.00

MIKE PITT

(970) 260-2275



PITT CONSTRUCTION COMNPANY

35793 BACK RIVER RD

HOTCHKISS CO

RECLAIM PROPOSAL FOR VOLK LOCATION

We have figured this proposal on an estimated time to move materials from the fill slopes back in to the cut slopes building new containment berms, top soiling, reseeding, installing new storm water BMPs, and moving fence.

Equipment to be used to reclaim this location will be D-8 dozer, 350 John Deere excavator, 300 John Deere haul truck, D-41 dozer, tandem dump trucks, water truck, skid steer, laborers, and farm tractor with seed drill.

Mobilization cost \$3800.00

Our estimated time to reclaim this location is 15 working days.

Cost \$158800.00

MIKE PITT

(970) 260-2275



APPENDIX C. TOLLING AGREEMENT



COLORADO
Oil & Gas Conservation
Commission
Department of Natural Resources

COGCC Operator Rule 1003 Tolling Agreement

Operator Name and No. ("Operator"): SG Interests I, Ltd

Interim Reclamation Variance Request Doc. No.: 401293408

Date of Submission of Interim Reclamation Variance Request: 5/30/2017

Location Nos. Impacted by the Variance Request ("Impacted Locations"): 311729 - Falcon Seaboard 11-90-12-611S90W12SWNW

This Agreement is offered by COGCC so that the Operator has an opportunity to come into compliance in accordance with its Interim Reclamation Variance Request.

If the Interim Reclamation Variance Request referenced above is approved ("Approved Variance"), COGCC agrees not to issue a Notice of Alleged Violation ("NOAV") for a violation of Rule 1003 at the Impacted Locations before the expiration of the Approved Variance. In exchange, the Operator agrees to the following:

The Oil and Gas Conservation Act's statute of limitations, §34-60-115, C.R.S., is tolled for any existing or potential claims related to interim reclamation at the Impacted Locations from the submission date of the approved Variance until the Operator successfully completes interim reclamation in accordance with Rule 1003 or until the expiration of the Approved Variance, whichever occurs first.

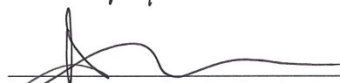
COGCC reserves the right to issue an NOAV for a violation of Rule 1003 if the Operator does not comply with the Approved Variance or its conditions of approval.

AGREED TO AND ACCEPTED:

COGCC
Date: _____

Operator
Date: 5/30/2017

Signature _____


Signature of Authorized Operator
Representative

Print Signatory Name and Title _____

Amanda Blanchard
Print Signatory Name and Title
Environmental and Regulatory Manager



COLORADO
Oil & Gas Conservation
Commission
Department of Natural Resources

COGCC Operator Rule 1003 Tolling Agreement

Operator Name and No. ("Operator"): SG Interests I, Ltd

Interim Reclamation Variance Request Doc. No.: 401293420

Date of Submission of Interim Reclamation Variance Request: 5/30/2017

Location Nos. Impacted by the Variance Request ("Impacted Locations"): 413893 - Pasco Spadafora #2

This Agreement is offered by COGCC so that the Operator has an opportunity to come into compliance in accordance with its Interim Reclamation Variance Request.

If the Interim Reclamation Variance Request referenced above is approved ("Approved Variance"), COGCC agrees not to issue a Notice of Alleged Violation ("NOAV") for a violation of Rule 1003 at the Impacted Locations before the expiration of the Approved Variance. In exchange, the Operator agrees to the following:

The Oil and Gas Conservation Act's statute of limitations, §34-60-115, C.R.S., is tolled for any existing or potential claims related to interim reclamation at the Impacted Locations from the submission date of the approved Variance until the Operator successfully completes interim reclamation in accordance with Rule 1003 or until the expiration of the Approved Variance, whichever occurs first.

COGCC reserves the right to issue an NOAV for a violation of Rule 1003 if the Operator does not comply with the Approved Variance or its conditions of approval.

AGREED TO AND ACCEPTED:

COGCC

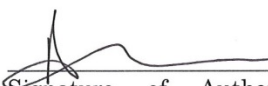
Date: _____

Operator

Date: 5/30/2017

Signature

Print Signatory Name and Title



Signature of Authorized Operator Representative

Amanda Blanchard

Print Signatory Name and Title

Environmental and Regulatory Manager



COLORADO
Oil & Gas Conservation
Commission
Department of Natural Resources

COGCC Operator Rule 1003 Tolling Agreement

Operator Name and No. ("Operator"): SG Interests I, Ltd

Interim Reclamation Variance Request Doc. No.: 401293432

Date of Submission of Interim Reclamation Variance Request: 5/30/2017

Location Nos. Impacted by the Variance Request ("Impacted Locations"): 418697 - Volk 12-89-21 #1

This Agreement is offered by COGCC so that the Operator has an opportunity to come into compliance in accordance with its Interim Reclamation Variance Request.

If the Interim Reclamation Variance Request referenced above is approved ("Approved Variance"), COGCC agrees not to issue a Notice of Alleged Violation ("NOAV") for a violation of Rule 1003 at the Impacted Locations before the expiration of the Approved Variance. In exchange, the Operator agrees to the following:

The Oil and Gas Conservation Act's statute of limitations, §34-60-115, C.R.S., is tolled for any existing or potential claims related to interim reclamation at the Impacted Locations from the submission date of the approved Variance until the Operator successfully completes interim reclamation in accordance with Rule 1003 or until the expiration of the Approved Variance, whichever occurs first.

COGCC reserves the right to issue an NOAV for a violation of Rule 1003 if the Operator does not comply with the Approved Variance or its conditions of approval.

AGREED TO AND ACCEPTED:

COGCC


Date: _____

Operator

Date: 5/30/2017

Signature _____

Print Signatory Name and Title _____


Signature of Authorized Operator
Representative

Amanda Blanchard

Print Signatory Name and Title

Environmental and Regulatory Manager