

October 29, 2018

VIA FORM 4 SUNDRY NOTICE

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

Re: CCRP Operating, Inc.'s Rule 502.b.(1) Variance Request to Rule 805.b.(3), Rule 912.a, and Request to Flare Pursuant to Rule 912.b

Dear Director Murphy:

CCRP Operating, Inc. ("CCRP") hereby submits this variance request pursuant to Rule 502.b.(1), to request administrative approval of a variance from the green completion requirements of Rule 805.b.(3), the prohibition of flaring pursuant to Rule 912.a., and a request to flare pursuant to Rule 912.b for the True Ranch Fee 502-2326H well (API No. 05-123-47411) associated with the Form 2A for the True Ranch Fee 2326 East pad (Document No. 456179) and the Condition of Approval and Best Management Practices in the Form 2A requiring green completions.

CCRP is the operator of record for the True Ranch Fee 502-2326H well. The approved Form 2A for the True Ranch Fee 2326 East pad contains a Condition of Approval that unnecessary or excessive flaring is prohibited, and that the operator shall direct all salable quality gas to a sales line as soon as practicable or be shut in and conserved per Rule 805.b.(3)B.v. See Form 2A for the True Ranch Fee 2326 East pad. In addition, the Form 2A for the True Ranch Fee 2326 East pad contains a Best Management Practice requiring green completions techniques and the allowance of one emissions control device (ECD) in the absence of a viable gas sales line for at least the first 90-days of production pursuant to CDPHE rules.

COGCC Rule 502.b.(1) provides that variances to any Commission rules, regulations, or orders may be granted in writing by the Director without a hearing upon written request by an operator to the Director, or by the Commission after hearing upon application. The operator or the applicant requesting the variance shall make a showing that it has made a good faith effort to comply, or is unable to comply with the specific requirements contained in the rules, regulations, or orders, from which it seeks a variance, including, without limitation, securing a waiver or an exception, if any, and that the requested variance will not violate the basic intent of the Oil and Gas Conservation Act.

COGCC Rule 805.b.(3).A. provides that green completion practices are required on oil and gas wells where reservoir pressure, formation productivity, and wellbore conditions are likely to enable the well to be capable of naturally flowing hydrocarbon gas in flammable or greater concentrations at a stabilized rate in excess of five hundred (500) MCFD to the surface against an induced surface backpressure of five hundred (500) psig or sales line pressure, whichever is greater. Green completion practices are not required for exploratory wells, where the wells are not

sufficiently proximate to sales lines, or where green completion practices are otherwise not technically and economically feasible.

COGCC Rule 805.b.(3).C. provides that an operator may request a variance from the Director if it believes that using green completion practices is infeasible due to well or field conditions, or would endanger the safety of wellsite personnel or the public.

COGCC Rule 805.b.(3).D. provides that in instances where green completion practices are not technically feasible, operators shall employ Best Management Practices (BMPs) to reduce emissions. Such BMPs shall consider safety and shall include measures or actions to minimize the time period during which gases are emitted directly to the atmosphere, and monitoring and recording the volume and time period of such emissions.

COGCC Rule 912.a. provides that the unnecessary or excessive venting or flaring of natural gas produced from a well is prohibited. COGCC Rule 912.b. provides that except for gas flared or vented during an upset condition, well maintenance, well stimulation flowback, purging operations, or a productivity test, gas from a well shall be flared or vented only after notice has been given and approval obtained from the Director on a Sundry Notice, Form 4, stating the estimated volume and content of the gas. The notice shall indicate whether the gas contains more than one (1) ppm of hydrogen sulfide. If necessary to protect the public health, safety or welfare, the Director may require the flaring of gas. COGCC Rule 912.d. provides that flared gas that is subject to Sundry Notice, Form 4, shall be directed to a controlled flare in accordance with Rule 903.b.(2) or other combustion device operated as efficiently as possible to provide maximum reduction of air contaminants where practicable and without endangering the safety of the well site personnel and the public.

CCRP Updates to COGCC Staff

On April 20, 2018, CCRP representatives met with COGCC Staff (John Noto, Doug Andrews and Diana Burn) to discuss CCRP's field-wide activity plans, the status of midstream gas gathering in CCRP's development area, the status of CCRP's delineation wells planned for 2018, and CCRP's intent to request a Rule 502.b flaring variance for its initial wells located west of the Hereford Field on the border of Colorado and Wyoming.

On October 16, 2018, members of the CCRP management team (CEO, President & CFO and VP-Operations) met with COGCC Staff (John Noto, Doug Andrews and Diana Burn) to provide an update on CCRP's activity plans for late 2018, the status of midstream gas gathering in CCRP's development area, an update on CCRP's first delineation well (Cox #5), and CCRP's intent to request a Rule 502.b flaring variance for three delineation wells located west of the Hereford Field and the Cox #5 well adjacent to the border of Colorado and Wyoming.

Based on the feedback CCRP received from COGCC Staff during our October 16, 2018 meeting, CCRP is reducing the scope of its fourth quarter delineation effort in the Stateline Area and is submitting flaring variance requests for only two additional wells (True Ranch Fee 502-2326H and True Ranch Fee 202-2326H) instead of three wells as originally contemplated. CCRP believes these two wells are absolutely critical data points for the successful delineation of the Stateline Area for both the Codell and Niobrara formations.

History of Upstream Development in the Stateline Area

CCRP leasehold is concentrated in the Stateline Area broadly defined by the lands located in Townships 11-12N, Ranges 64-65W in Weld County, Colorado. As recently as 2015, commercial well results from the Codell formation had not been achieved. For example, 8 North, LLC's Cox #1 well, a 2-mile lateral located in 12N 64W, is projected to recover just 250,000 barrels of oil. The results of the Cox #1 in addition to another 8 North, LLC well (the Meader #4 located in 11N 63W) caused the operator to cease further exploration efforts in the Stateline Area. Importantly, the poor well results observed in the Cox #1 and Meader #4 also prevented investment in gas gathering infrastructure in the Stateline Area.

In 2016, Fifth Creek Energy ("FCE"), now HighPoint Resources ("HPR"), established commercial production in the Codell formation in the Hereford Field which is located to the east of the Stateline Area within lands located in Townships 11-12N, Ranges 62-63W in Weld County, Colorado. FCE results were enabled by large volume, slickwater stimulation treatments which differed significantly from the approach employed by 8 North.

In 2017, Longs Peak Resources ("LPR") drilled and completed three 2-mile lateral horizontal wells in the Codell formation (Motu East 28-21-16-1CH, API #05-123-40438 located in 12N 65W, Pismo East 35-2-2-2CH API #05-123-40723 in 11N 66W and Oxnard East 3130-12CH API#05-123-45637 in 12N 66W). All of the LPR wells utilized large, slickwater stimulation treatments. The easternmost well (Motu) appears to be a commercial success, while the remaining two well (Pismo and Oxnard) results do not appear to support additional development.

In the summer of 2018, CCRP completed its first operated 2-mile horizontal Codell well (Cox #5) located in Township 12N Range 64W. CCRP also utilized a large, slickwater stimulation treatment and other engineering practice enhancements that has resulted in early production results that encourage additional delineation of the Codell formation in the Stateline Area. CCRP also employed controlled flowback practices and installed an undersized downhole electric submersible pump on the Cox #5 that has resulted in more efficient frac stage contribution along the 2-mile lateral and reduced volumes of flared gas relative to more aggressive artificial lift practices available to operators.

The True Ranch Fee 502-2326H well will target the Codell formation approximately seven miles from CCRP's Cox #5 well. The True Ranch Fee 502-2326H well, coupled with the True Ranch Fee 202-2326H well targeting the Niobrara formation, will help us evaluate a number of technical questions that will shape future development planning. As mentioned, commercial well results in the Codell formation is a very recent occurrence in the Stateline Area. Although early results from the Cox #5 well are encouraging, recent wells drilled in the Stateline Area have demonstrated significant variability in results. Much like the initial production data from the Cox #5 well has been vital in attracting potential midstream partners, data from our Codell and Niobrara well pair will be critical to efficient development planning and future midstream construction.

Midstream Infrastructure in the Stateline Area

Currently, Summit Midstream (“Summit”) via its subsidiary Meadowlark Midstream owns and operates the Hereford Gas Processing Plant (“Hereford Plant”) and Gas Gathering System (“Hereford System”). The Hereford Plant is anchored by HPR and its development of the Hereford Field in Weld County, Colorado and EOG Resources (“EOG”) and its development of the Fairway Field in Laramie County, Wyoming. The Hereford Plant is a 20MMcf/d capacity processing plant located in 12N 63W. The Hereford System is a gas gathering system that services the Hereford Field in 11-12N 62-63W. The Hereford Plant receives gas from the Hereford System and an EOG owned and operated gas gathering system in Laramie County, Wyoming. The Hereford Plant is operating at capacity today.

The Hereford Plant and Hereford System will require significant investment for gas gathering expansion that could connect CCRP operated wells in the Stateline Area. In addition, the Hereford Plant also requires significant investment to accommodate production from operators other than HPR and EOG. Summit is planning to increase the capacity of the Hereford Plant to 60MMcfd and expects that expansion to occur sometime in the first quarter of 2019. However, the development plans of the Hereford Plan anchor customers are slated to fill the expanded capacity of the Hereford Plan by late 2019. Further complicating matters, Summit has had a divestiture process underway since February of 2018 for the Hereford Plant and System, which has not reached a known outcome.

Given the uncertainty related to availability of long-term, firm processing space in the Hereford Plant and its ultimate owner, and that potential owner’s appetite to further expand the Hereford Plant and System to accommodate CCRP operated gas production, CCRP has been diligently pursuing a long-term solution to the lack of gathering and processing capacity in this area. CCRP hired a dedicated midstream consultant in June to help us solicit and evaluate proposals from ten different potential midstream partners. CCRP has narrowed the potential candidates down to three parties with whom we are engaged in final discussions. One critical selection criteria has been the ability of our partner to have a gathering and processing solution in place by August 2019. CCRP has focused on finding a midstream partner that will be able to provide a long-term solution to the lack of gathering and processing infrastructure that will benefit not only CCRP but other parties who will produce associated gas in this area.

CCRP has attempted to balance the need to drill wells to develop our understanding of the well performance from the Codell and Niobrara formations in this unproven area with the desire to minimize the amount of gas that is flared. The data that CCRP has obtained by producing the Cox #5 under the previously approved flaring variance has been critical to attracting potential midstream partners who will provide a long-term solution to the lack of gas infrastructure in this area. Based on proposals from the three finalists in our midstream selection process, working interest owners, mineral owners and production tax payees will all see significantly more value from the produced gas stream and significant additional capacity to handle produced gas will become available for this area.

Due to the absence of an immediately available gas sales line at the True Ranch Fee 2326 East Pad, CCRP is seeking an 8-month flaring variance for the True Ranch Fee 502-2326H well

pursuant to COGCC Rule 502.b.(1). CCRP's Rule 502.b variance is specific to the True Ranch Fee 2326 East Pad Form 2A Condition of Approval and Best Management Practices requiring green completions, the green completion requirements of Rule 805.b.(3), and the prohibition of flaring pursuant to Rule 912.a. Furthermore, CCRP hereby provides notice of its intent to flare pursuant to Rule 912.b. for the True Ranch Fee 502-2326H well. CCRP is planning to commence fracturing operations for the True Ranch Fee 502-2326H well on or around December 1, 2018; as such, CCRP respectfully requests expedited review of this variance request.

CCRP respects the sensitivity regarding the flaring of natural gas. We have reduced the initially contemplated flaring request from three wells to two wells in response to COGCC staff feedback. The lack of gathering and processing infrastructure in this area is an issue CCRP is actively working to solve. Selecting a high quality midstream partner and developing near-term construction plans to connect CCRP's undrilled potential inventory of over 400 wells is a top priority for our company. A flaring variance for the True Ranch Fee 502-2326H well will allow CCRP time to bridge its operations into an increasingly visible midstream solution and obtain information that will ultimately result in less flaring and waste from the Stateline Area as additional commercial well results are likely to promote an acceleration of gas gathering and processing in this currently underserved region. Finally, provided the requested flare variance is granted, CCRP expects to employ controlled flowback practices and install an undersized downhole electric submersible pump on the True Ranch Fee 502-2326H. Both of those practices will mirror those employed on the Cox #5 and have resulted in more efficient frac stage contribution along the lateral and reduced volumes of flared gas relative to more aggressive artificial lift practices available to operators.

CCRP welcomes further discussion with you and the COGCC Staff to discuss this flaring variance request to COGCC Rules 805.b.(3), Rule 912.a., and the Condition of Approval and BMPs in the True Ranch Fee 2326 East Pad Form 2A. Please do not hesitate to contact me or Ian Myers at imyers@clearcreekrp.com or 720-961-4926 with any questions or comments regarding this request.

Sincerely,



Ian Myers
Vice President of Operations
CCRP Operating Inc.