

Ridge State 33-17 Alternate Location Analysis

August 21, 2019

At the request of the Colorado Oil and Gas Conservation Commission (“COGCC”), SRC Energy Inc. (“SRC”) has provided an Alternative Location Analysis below for the Ridge State 33-17 pad located in Section 17, Township 5 North, Range 66 West. The Ridge State 33-17 pad is being proposed to develop approximately 920 subsurface mineral acres from one isolated location, comprised of 23.59 acres during operations, and 7.27 acres once the wells enter the production phase.

Per COGCC’s request, SRC confirmed a total of thirty-seven (37) Building Units within 1,500 feet of the Ridge State 33-17 Well Pad, with five (5) these Building Units being less than 1,000 feet from the location. The nearest Building Unit is 685 feet from the nearest well or piece of facility equipment associated with the Ridge State 33-17 Pad. SRC had a consultation with this Building Unit owner to provide information regarding SRC’s plans and mitigation measures for the Ridge State 33-17 location. SRC held a preliminary meeting with the City of Greeley Planning Department on April 13, 2018 to review the location for the Ridge State 33-17 Pad. The purpose of this meeting was to ensure that the planned location and site design for the Ridge State 33-17 Pad was best suited to accommodate both existing, as well as future development in the area. The location chosen for the Ridge State 33-17 Pad was appealing to both SRC, as well as the City of Greeley, due to accessibility, rural surroundings, and the ability it provided to access subsurface minerals under the city which would otherwise be deemed unobtainable. Additionally, the City of Greeley was excited hear that the operations associated with the Ridge State 33-17 location would allow five (5) separate existing oil and gas locations to be plugged and remediated, opening up substantial acreage for future development and reducing the industry’s overall footprint of in the area.

SRC held a neighborhood meeting per City of Greeley’s Use by Special Review regulations on December 12, 2018. Per COGCC and City of Greeley regulations, notice was given to all Building Units within 500 feet of the subject property. However, this meeting information was also made public via publication in the local paper, as well as a posted sign at the subject property, providing the community with the time and date of the neighborhood meeting. Attendance to the neighborhood meeting was minimal, with no negative feedback from the community regarding the site location. The City of Greeley approved SRC’s Use by Special Review for the Ridge State 33-17 Pad on April 23, 2019. As with all of SRC’s locations, SRC conducts extensive research in determining locations that achieve the responsible economic development of minerals, with the least amount of disturbance to both existing and future development. The subject location is certainly the best fit to do so.

Surface Considerations:

Prior to the securing the location for the Ridge State 33-17, SRC evaluated all potential options for locations that would provide the opportunity to produce difficult to reach minerals, while ensuring production of these minerals could be isolated to one safe and consolidated location. As seen in Exhibit A, existing development eliminates the option of drilling this spacing unit in an East to West manner. SRC analyzed four potential locations on the west side of the proposed spacing unit prior to securing the current proposed location for the Ridge State 33-17 Pad. The potential locations that SRC evaluated are as follows:

Location 1: E/2 Section 17 Township 5 North Range 66 West

The initial appeal of this location was that it was one of few areas near the western edge of the proposed unit that could potentially provide the space needed for the Ridge 33-17 pad. While this may have been the case, SRC was deterred from pursuing this location further due to the close proximity of multiple homes located just north of this location. In addition to this concern, SRC was also concerned with access to the subject property, which would likely have required a difficult and potentially dangerous access off of Highway 34. Due to these concerns, SRC made the decision to eliminate this location as potential location for the Ridge State 33-17 Pad.

Location 2: NW/4 SE/4 Section 17 Township 5 North Range 66 West

Location 2 was initially appealing to SRC due to the greater distance from the existing building units to the north, as well as the economic benefits of locating the well pad closer to the edge of the proposed spacing unit. While this site was considered as a potential location, SRC continued to explore the possibility of locating a site for the Ridge 33-17 Pad with an even greater distance from existing and future development in this area, and was successful in doing so.

Location 3: SE/4 SW/4 Section 17 Township 5 North Range 66 West

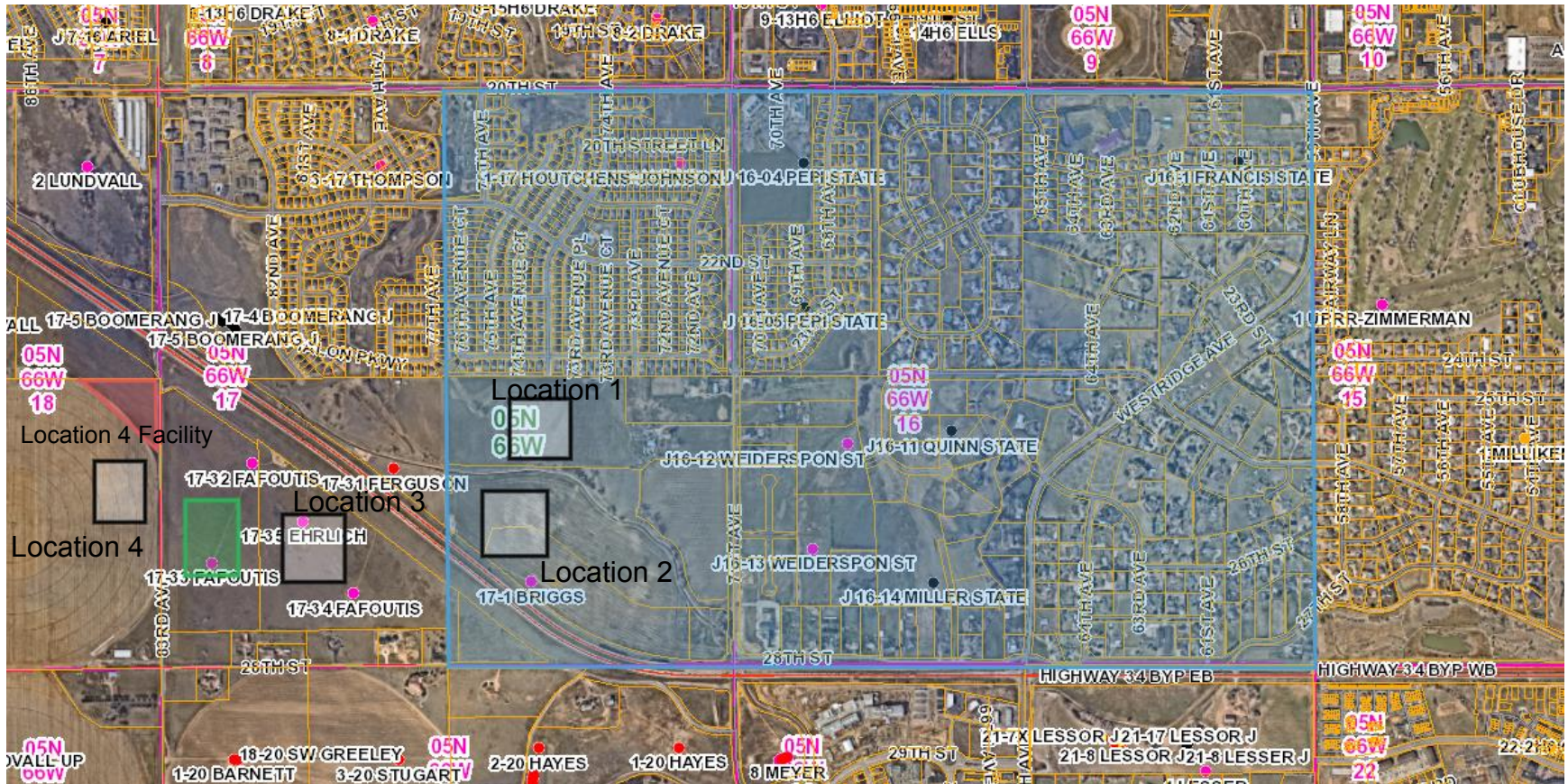
In analyzing potential locations for the Ridge State 33-17 Pad, it became apparent that the southwest quarter of Section 17 was the most appealing location for this well pad. While this area may not have been the most economical from a drilling cost standpoint, due to the

greater distance from the proposed unit, it allowed SRC to isolate the Ridge State 33-17 Pad to a more rural area, greatly increasing the pad's distance from the building units located in the north half of section 17. While location 3 may have provided enough area to accommodate the Ridge State 33-17 Pad, SRC again had concerns regarding access to this site. In addition to access issues, the owner of the subject property expressed concern with locating the Ridge State 33-17 Pad here, due to future business plans.

Location 4: E/2 SE/4 Section 18 Township 5 North Range 66 West

SRC Energy has a longstanding relationship with the owner of the subject property. The owner has made it very clear to SRC that he was not interested in locating a well pad on the subject property, as it would negatively impact both the current as well as the future plans for the property. In addition to the landowner's concerns, this property is irrigated with a pivot irrigation system. Locating a well pad anywhere on the subject property would have greatly inhibited the landowner's ability to farm the property, leading to substantial crop loss. While SRC occasionally has the ability to situate wells in a manner that allows a pivot irrigation system to continue to operate in a 360 degree rotation once the wells enter the production phase, the production facility associated with these wells must still be located in an area outside of the pivot irrigation wheel tracks. The only area on the subject property that would have accommodated the production facility would have been the northeast corner of the subject property, closer to Highway 34, as well as existing development. Furthermore, locating a well pad at this location would have greatly impeded on the City of Greeley's development plans for this corridor, which include the expansion of 83rd avenue, as well as the addition of a major bypass. SRC was and still is confident that such a proposal would have not been accepted by the City of Greeley.

Exhibit A



Blue Box- Proposed Spacing Unit

Green Box- Current Location of the Ridge State 33-17 Well Pad

White Boxes- Assessed Alternate Locations