

Edge Energy II LLC (“Edge”) attempted to site a well pad to drill a two mile lateral into Colorado State Land Board (“State”) mineral section 8N-66W-36. Due to the configuration of adjacent units, and to the failed negotiations with an offset mineral owner of the odd sections, Edge was constrained to drill a short, one mile lateral into the 640 acre State lease. This decreased the area around the section in which we could site a wellsite. The surface of the section is fee surface and not owned by the State. Further, 50% of the State lease’s surface area is owned by City of Thornton and Dyer Family trust. Both parties advised no surface use would be allowed. The remainder of the section is Cook Brothers, Bonnie Plants, Town of Pierce sewage plant and smaller parcels not suitable for a wellsite due to size and proximity to residential houses. Cook Bros. agreed to place a wellsite as indicated on the attached map. However, the Cook Bros. location was abandoned due to the proximity to Bonnie Plants which was considered a UMA, as well as other environmental concerns. Prior to the acquisition of the surface location, I consulted with COGCC and with Weld County to ensure its feasibility before committing time and money to the project.

Edge made a second attempt to acquire surface within a half mile (more or less) of the section. The areas outlined in red on the map indicate City of Thornton surface. City of Thornton was NSO unless the surface produced their minerals and they own several large parcels around the section which blocked access to producing the lease. The area to the west of the section had smaller parcels with residential houses. Cliff Simpson, the party that we have an SUA with in the SE of Section 26 (aka the Simpson 26 Pad) also owns the majority of the NW of 8N-65W-31, but the pivot corners either already had residential houses, or were to be sold in the future to potential home buyers. We were unsuccessful in acquiring surface in the other surrounding areas despite our many attempts.

The State lease we’re attempting to produce was acquired from Extraction during the month of December of 2018. The lease expires in November of 2019. We’ve exhausted all other surface options and conducted a thorough siting analysis in the limited time we had to acquire surface during the time that the State lease was in our possession.

Finally, many surface owners in the area are retaining their property for home development and are not interested in oil and gas use. The oil and gas use of the subject property was beneficial to Cliff Simpson in that its position in the floodplain limited its usefulness as a residential lot. Therefore our surface use provided a use that is compliance with COGCC and Weld County regulations, while limiting the impact on the surrounding floodway and environment.

