



Jeff Robbins
Director, COGCC
1120 Lincoln Street, Suite 801
Denver, CO 80203

Re: Request for 502.b Variance

Director Robbins,

Crestone Peak Resources (“Crestone”) submits this request for 502.b Variance from COGCC Rule 308A, pursuant to COGCC Rule 502.b and in accordance with “Rule 502.b: Variance Requirements” operator guidance. The compliance alternatives that are proposed for these rules are defined below.

Proposed Scope of the Variance

This request is for wells drilled to total depth (TD) prior to December 31, 2020 on the Schuh 3-65 21-20 Pad (Location ID: 457713) approved by the Form 2A Document ID: 401716922.

Applicable Rules and Specific Requirements

COGCC Rule 308A: COGCC Form 5. Drilling Completion Report, as rule applies to running and filing of logs, specifically Cement Bond Logs and Cased Hole Logs.

Rationale for Variance: Delayed Completions

Commodity prices and social distancing guidelines due to the COVID-19 outbreak have resulted in completion operations for the wells on this pad to be delayed. Crestone is looking for dispensation of log submission timeline requirements. Logs, including cement bond logs (CBLs) and cased hole logs, need to accompany the Final Drilling Report (Form 5) within 60 days of rig release after drilling the last well on a pad. Crestone’s practice and an operational requirement for running logs is that the primary valve be placed on the horizontal well prior to logging for well control. There is a significant cost to rent primary valves, creating unnecessary economic burden during a time when commodity prices threaten economic viability

Additionally, primary valve integrity can be compromised due to extended time period of inactivity and could potentially pose an environmental risk, result in a safety concern, and



require maintenance activities that otherwise would not be needed during a time when non-essential activities are restricted or discouraged and socially distancing is required.

The proposed variance will allow for a balance between protecting public health, safety and the environment and producing oil and gas “up to its maximum efficient rate of production” during times when completions are delayed. For these reasons, Crestone is requesting a variance from certain aspects of the log requirements (Rule 308A); Cement Bond Logs and Cased Hole Logs (if required) normally due within 60 days of rig release as attachments to Form 5 Drilling Completion Report may be completed and submitted any time prior to commencing completions activities or within 2 years of rig release (whichever is sooner), with the compliance alternatives described below.

Compliance Alternatives for Granting Relief for All Wells not logged within 60 days of rig release of the last well on a pad:

1. Submit Form 5 within 60 days of rig release of the last well on a pad.
 - a. Required Comments on Form 5
 - i. Estimated Waiting-On-Completion scheduled for Quarter/Year
 - ii. A statement that the actual Top of Productive Zone (TPZ) footages are not available and that estimated TPZ footages are provided. Include the measured depth used for the estimated footages, identify that particular point in the wellbore, and describe the basis for using that point as the estimated TPZ.
 - iii. No CBL or Cased Hole Log (if required) run or attached per Rule 502.b Variance for Rule 308A log submittal requirements. Cite approved variance for delayed logging.
 - b. Required Attachments on Form 5
 - i. Cement Job summary for every casing string in the well.
 - ii. All Open Hole Logs run in the well
2. Run Cement Bond Log (CBL) and Cased Hole Log (if required) within 2 years of rig release
3. Form 17 Bradenhead tests will be completed per delayed completion requirements by Order 1-232 at least 6 months after rig release but prior to stimulation and annually.

If Well is logged and completed within 2 years of rig release:

1. Run Cement Bond Log (CBL) and Cased Hole Log (if required) at the time the well is completed.
2. Submit Form 4 Sundry with CBL and Cased Hole Log (if required) attached within 30 days of completion date.
 - a. Required comment on Form 4 sundry.



- i. CBL and Cased Hole Log (if required) attached per Rule 502.b Variance for Rule 308A log submittal requirements
- b. Required attachments on Form 4 Sundry
 - i. CBL and Cased Hole Log (if required) and any other logs run.

If Well is NOT completed within 2 years of rig release:

1. Run CBL and Cased Hole Log (if required) within 2 years of rig release.
2. Submit Form 4 Sundry with CBL and Cased Hole Log (if required) attached within 30 days of logging date.
 - a. Required comments on Form 4 sundry.
 - i. CBL and Cased Hole Log (if required) attached per Rule 502.b Variance for Rule 308A log submittal requirements
 - b. Required attachments on Form 4 Sundry
 - i. CBL and Cased Hole Log (if required) and any other logs run.
3. Run mechanical integrity test (MIT) within 2 years of setting production casing per Rule 326.d for Waiting-On-Completion well
 - a. Submit Form 21 within 30 days of MIT date.
4. The Waiting-on-Completion well is considered to be an Inactive well under Rule 707; provide adequate bonding using the criteria of Rule 707.

Request for Approval of Variance

For the reasons outlined above Crestone respectfully requests approval.

Thank you,

Lindsey Organ
Regulator Coordinator

Approved by Director Jeff Robbins

Date