



Hans Schuster, CPL
DJ Basin Land Manager
GMT Exploration Company LLC
1560 Broadway, Suite 2000
Denver, Colorado 80202
Main: 720-946-3028
Direct: 303-586-9280
hschuster@gmtexploration.com

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Sean Hackett
Energy Liaison
Colorado Department of Public Health & Environment
4300 Cherry Creek Drive South
Denver, CO 80246
Via Electronic Mail to: sean.hackett@state.co.us

RE: Vulcan 6-64 10-8 Pad
T6S-R64W-SEC 10: SE/4SW/4
Wildcat (Exploratory) Well

Dear Mr. Hackett:

GMT Exploration Company LLC ("GMT") submitted a form 2A, Document #401805353, to the Colorado Oil and Gas Conservation Commission for the Vulcan 6-64 10-8 Pad (the "Vulcan Pad") and associated wells. Included with the form 2A is a Rule 502.b: Variance Request from 805.b.(3)B.v. requesting to flare the initial well from the Vulcan Pad as an exploratory well test (the "Variance").

The Well: The initial well on the Vulcan Pad is a Wildcat (Exploratory) Well located greater than 4,000' from any occupied building unit and will be the first horizontal Niobrara well drilled in Elbert county. Based on GMT's geological review, if the Vulcan test well is a success, GMT anticipates up to 90 individual wells (including the Vulcan Wildcat (Exploratory) Well test) to be drilled from 6 separate pad sites, through 9 independent drilling and spacing units, in the northwestern portion of Elbert county. The planned well pads in Elbert county are outside of the Denver 1-hour ozone attainment/maintenance areas, any nonattainment area for the 1-hour ozone standard and the 8-hour Ozone Control Area, as described in Regulation Number 7, Appendix A. The results of the Vulcan Wildcat (Exploratory) Well test will generally determine if GMT will continue to pursue horizontal Niobrara development in Elbert county. See the attached map as Exhibit A for unit layout and available pipeline infrastructure.

The Field Conditions: When the leasehold interest for the Vulcan drilling and spacing unit was purchased the Anadarko Third Creek Gathering System was operational and connected to a producing well less than ¼ mile from the Vulcan Pad, the Nordman Estates 10-7. GMT intended to connect to that system to sell its gas. The Anadarko Third Creek Gathering System has since been shut down. There is no alternative pipeline infrastructure in place to route the gas from the initial well creating field conditions which would prevent GMT from utilizing green completion practices and directing all salable quality gas to a sales line.

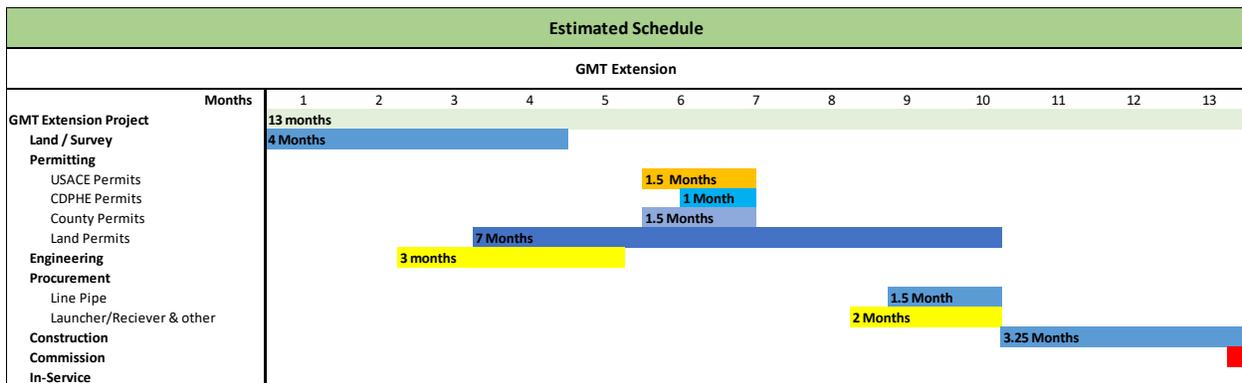
Rocky Mountain Midstream LLC: To address the lack of gas gathering in the area, GMT has been working with Rocky Mountain Midstream LLC ("RMM"), a Williams a company, to design a gathering system to service GMT's Elbert county operated position.

RMM owns and operates the closest gathering system that is available for GMT's connection. The RMM gathering system begins in Weld county and terminates in Adams county, 14 miles to the North of the Vulcan Pad. The system's termination point is in section 34 of 3 South, Range 64 West, of the 6th PM. The RMM system has adequate capacity to accept gas from GMT. GMT has been in negotiations with RMM to generate commercial terms to contract with RMM to permit, construct and operate an extension of the existing gathering system to GMT's Elbert county position (the "GMT Extension"). The gas will be transferred North through the GMT Extension to Weld county and processed at an RMM gas plant. The GMT Extension will be built to connect to the Vulcan Pad and extended to service additional pad sites in drilling units to the south and west.

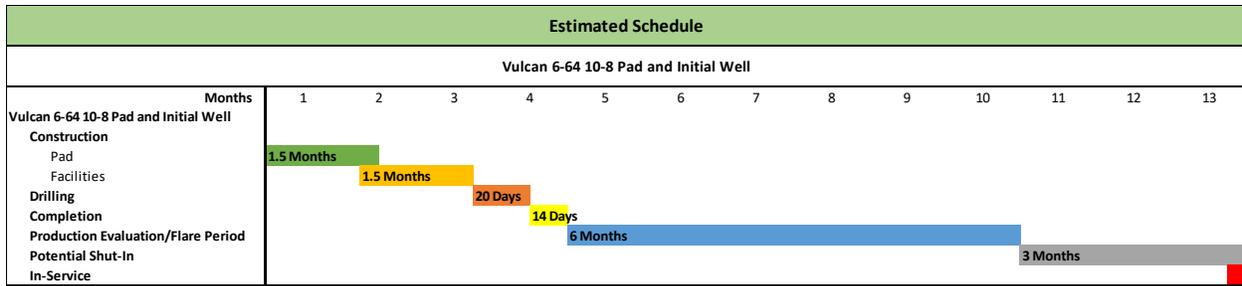
The Plan: The first phase of the GMT Extension pipeline is constructed as a 6" steel line and services GMT's initial unit wells throughout the field. If it is determined from the production of the initial unit wells that full-field pad development is economical, and multi-well pad drilling is pursued, the second phase of the GMT Extension pipeline commences.

During the second phase, the original 6" gas pipeline line converts to an oil gathering pipeline. A more substantial gas pipeline is constructed in the same right-of-way to gather the gas from the future development wells. The existing facilities and phase two facilities are re-engineered to transfer both oil and gas by pipeline, reducing emissions, truck traffic, and visual impacts throughout the field.

Scheduling: Phase one of the GMT Extension project will be kicked off upon approving the Form 2A and the Variance. Immediately following approval, RMM begins surveying, purchasing Right-of-Way, permitting, engineering, and procuring equipment and materials to construct the pipeline. On or before the completion of the 6-month variance period, construction for the pipeline commences. Installation of the pipe is estimated to last 3 ¼ months. The planning, permitting, and construction activities for the pipeline are expected to take place over approximately 13 months; however, the actual commencement of construction is subject to GMT completing an adequate evaluation of the production potential of the reservoir as later described.



Construction operations for the Vulcan Pad and facilities commence on or before April 2021 and are expected to last 90 days. Drilling and completion operations follow construction and last approximately 30 days. The evaluation period begins when the well starts flowback and lasts 6 months.



Evaluating the Well: The production from the Vulcan Wildcat (Exploratory) Well must be assessed to determine if the reservoir in the area can produce commercial quantities of gas before the gathering system's engineered design can be sanctioned. The production rate of the newly completed well is monitored to observe the resource's ability to "flowback" and produce up the wellbore unassisted. The time frame for this "flowback" period is dependent on the well and the reservoir characteristics and may continue for several weeks. When the well will no longer flowback unassisted artificial lift will be installed. The observed rate of decline over time is applied to the initial production rates providing insight to the estimated ultimate recovery ("EUR") for the life of the well. The most critical facet of this evaluation period is having sufficient time to determine the rate of decline for the well. With this information, the decision will be made whether to invest in the GMT Extension pipeline.

The production data is also used to determine the requirements for the needed infrastructure capacity and equipment sizing. Typically, the production from a Wildcat (Exploratory) Well should be observed for a minimum of 12 months to predict its EUR. GMT understands that combusting gas for 12 months is not in the best interest of the local community and environment, and requests it be allowed to combust the gas for a period of 6 months. GMT considers any period time less than 6 months insufficient to evaluate the potential of the well. Miscalculating the potential could result in an under or oversized gas gathering system, which could create operational inefficiencies.

Combusted Gas: 196,670 mcf of gas is estimated to be incinerated through the combustion device during the 6-month test period. The rate of VOCs emitted is estimated to average 0.22153 tons per day, totaling 40.43 tons during the test. The VOC emissions will greatly reduce when the Vulcan well is connected to the GMT Extension pipeline, and will continue to decline as the production of the well declines. The annual VOCs emitted from the test well on the Vulcan Pad are not anticipated to exceed the Facility-Wide Emission Limitations outlined in a General Permit for Oil and Gas Well Production Facilities, form GP09.

Combustion Device Requirements: The combustion device used will comply with the requirements of a General Permit for Oil and Gas Well Production Facilities, form GP09 and will meet the following criteria:

- 1) The combustion device must have a design destruction efficiency of at least 98% for hydrocarbons;
- 2) The combustion device must be enclosed;
- 3) The combustion device must be equipped with an operation auto-igniter;
- 4) The combustion device must have no visible emissions during normal operations, as defined under Regulation Number 7, Section XVII.A.17; and
- 5) The combustion device must be designed so that an observer can, by means of visual observation from the outside of the enclosed flare or combustion device, or by other convenient means approved by the division, determine whether it is operating properly.

Emission Reduction:

- A. **Offsets.** GMT does not currently operate other assets in Colorado and cannot offer to reduce emissions on other sites to offset potential emissions from the Vulcan Pad.
- B. **MRU.** During the 6-month evaluation period all produced gas will pass through and be treated by a mechanical refrigeration unit (“MRU”). The MRU will remove the natural gas liquids from the production stream. The remaining dry gas product will then be directed to a combustion device and incinerated. Stripping the liquids out of the stream lowers the BTU in the gas, reducing the total emissions when combusted.
- C. **Electric Drilling Rig.** The electrical grid in Elbert county is not currently designed to properly handle the load required to power an electric drilling rig. If the system is improved, GMT will consider deploying electric rigs for drilling future wells in the area.

Potential Beneficial Use: GMT is exploring a beneficial use with Crusoe Energy for the combusted gas. The beneficial use involves converting the gas into electricity for computational power through modular data centers that are onsite and connected to the internet via satellite.

Pipeline Availability: The date of availability of the gas gathering line is variable, depending on two critical milestones, (1) the approval of the for 2A and the Variance, and (2) sufficient data collection to determine a probable decline rate. Ideally, the GMT Extension project should be kicked off 10 or more months before the scheduled date of the first production. 10 months provides RMM adequate time to acquire the proper rights and permits for the pipeline and procure the materials and equipment necessary to begin construction. GMT requests that a decision on the Variance is made on or before 9/30/2020.

Please do not hesitate to contact me with any additional requests, questions, or concerns.

Sincerely,

GMT EXPLORATION COMPANY LLC



Name: Hans C. Schuster
Title: DJ Basin Land Manager

Encl. Exhibit A

Exhibit A

