



Crestone Peak Resources – Boulder County Final Comprehensive Drilling Plan Question and Answer Summary from June 27 Telephone Town Hall

Included below is a summary of questions and responses from our surface owner meeting on June 27 – this includes questions received from callers via the phone and through the web portal submission. In addition to this document, the presentation slides and audio recording from the telephone town hall-style meeting are available under the CDP tab of our website, www.crestonepeakresources.com.

Why host a telephone town hall meeting?

As with our previous telephone town hall meetings, our goal is to present the significant changes outlined in the Final CDP package and answer your questions. Collaboration has been key to the CDP process and we appreciate your continued engagement.

Our June 27 telephone town hall meeting was elective, and not a requirement of the prescribed CDP process. We had a narrow window of time to schedule this meeting taking into consideration the Fourth of July holiday week and ensuring stakeholders had time to review our Final CDP before the public comment period closed on July 8.

How have you adjusted the proposed plans outlined in the Final CDP package based on the comments and concerns of local residents?

The input we've received from surface owners within and near the CDP area, and from local government and state agencies, has been critical to the recommendations outlined in the Final CDP package.

Over the course of last 16 months, we've submitted four conceptual and preliminary CDP drafts to the Colorado Oil and Gas Conservation Commission (COGCC) for review by staff and by all stakeholders. We added two additional drafts and extended the timeframe to ensure we listened to and evaluated all reasonable options for the CDP area development.

We've engaged in one-on-one meetings with numerous surface owners within and near the CDP area. We've also met with representatives from state and local agencies, including Colorado Parks and Wildlife, CDOT, the State Land Board, the Department of Public Health and Environment, the Water Conservation Board, Boulder County and the Town of Erie.

Additionally, we've hosted five surface owner meetings, including four telephonic town halls with more than 700 surface owners and stakeholder groups invited to each town hall; and we hosted one in-person meeting for surface owners within a half-mile of the six originally proposed oil and gas locations, with more than 50 in attendance.

We've reviewed every comment – more than 1,300 since October 2017 – that was submitted to the COGCC through the public comment portal. The revisions to our conceptual and preliminary drafts that resulted in the Final CDP were due in large part to this feedback.

We made significant changes to minimize our footprint and create an optimal plan for efficiently and economically developing our minerals in the proposed 10-square mile CDP area. Since submitting the first draft preliminary plan, the public outreach process and associated comments led us to consolidate the number of proposed oil and gas locations from six to three



sites, all along Highway 52. We reduced the number of horizontal wells from 216 to 140, enabling us to reduce the size of the CDP area from twelve square miles to ten. Additionally, Crestone's plans include decommissioning existing wells and reclaiming the associated sites in the CDP area. By removing the disturbance from the existing operations and adding the three new sites, the total surface disturbance from oil and gas within the CDP area will, at the very least, remain the same. This has been a goal for Crestone from the beginning of this process.

Why is the proposed location in Section 1 considered desirable, despite its location in a floodplain or floodway? If it's designated a floodway, will you move those wells to Section 36?

Section 1 is our preferred location, specifically due to our desire to be outside the 1,000-foot building unit buffer away from surface owners, as well as located the furthest distance from a bald eagle nest in Section 36.

In April 2018, we met with COGCC staff to review final comments before the submission of our Final CDP. During that discussion, we were informed that the Colorado Water Conservation Board (CWCB) had been requested by Boulder County to consider changing existing mapped floodplains around Boulder Creek to floodways in July 2018. This proposed change directly impacts our proposed location in Section 1, which is currently in a mapped floodplain.

After learning of this new designation, we conducted an additional alternatives analysis and selected Section 36 as an "alternative", though Section 1 is still our "preferred" location. We don't intend to utilize both sections, but request approval of both locations for development pending unresolved floodway designation issues. Input from the COGCC Director and Staff will determine which location is ultimately developed.

How can you ensure a location in a floodway – or even a floodplain – could be safe for the neighboring communities and the environment? How would you have access to the site in the case of a major flood?

We will continue to make carefully-calculated plans to ensure we maintain safe and responsible operations for the life of the wells. In our operations, we rely on our previous experience operating near and around wetlands as well as industry best practices. Whether the final designation is a floodplain or a floodway, we understand there are concerns with siting this location in Section 1. We've engaged in discussions with the Federal Emergency Management Agency, the CWCB, and Boulder County and will continue to do so to obtain any needed permits to ensure proactive planning and safe operations.

Additionally, potential risks associated with a floodplain/floodway location are addressed as part of the wellsite design characteristics. We'll work with engineers to ensure compliance with relevant federal and state rules, including orienting the wellsite to minimize potential flood impact and ensuring equipment is inventoried and properly anchored. A current inventory of all equipment on-site will be maintained, and equipment will have automatic shutoffs installed in the event of a catastrophic event. Secondary containment will be constructed using steel berms and an impervious liner. We will also mitigate the risks associated with on-site storage of hydrocarbons (crude oil, natural gas and natural gas liquids) by eliminating tanks and instead utilizing pipelines. No tanks will be utilized on location, at this wellsite or at any other well pad in the CDP area.



Lastly, due to remote telemetry and safety equipment on each of our wells, we can remotely shut a well in without needing to access the site. While normal operations include a lease operator on location every day, remote telemetry eliminates the need for an employee to access the site during a flood or other emergency.

What criteria is used to manage or limit factors like excessive odor, noise or traffic? Where can these rules be found?

We are regulated by the COGCC and the Colorado Department of Public Health and Environment (CDPHE) to ensure our operations remain in compliance with state regulatory requirements. Colorado has some of the strictest oil and gas regulations in the nation, and the oil and gas industry is one of the most regulated industries here. Our policy is to go beyond what is required, to ensure we operate in the safest, most efficient way possible.

For more information on COGCC regulations related to odor, noise and traffic, visit <http://cogcc.state.co.us/reg.html#/rules> and review the 800 Series, 900 Series and 1,000 Series regulations.

What steps will be taken to mitigate odor, light pollution and noise for local communities?

We aim to operate safely, responsibly, efficiently and with minimal impacts on the communities where we work, using industry-leading technology and the latest mitigations techniques available. This is a priority for us because as Coloradans, we value these natural assets, and we live here, too. We conduct baseline testing and ongoing monitoring to ensure we comply with state regulations.

We listen to neighboring communities and adjust our operations based on their feedback, when possible. For example, following reports of odors from our operations in the Town of Erie, we took above-and-beyond steps, such as installing a mud chiller, odor-neutralizing products, and enclosing the mud tanks, to ensure our operations during the drilling and completions process have minimal impact on neighboring communities.

When beginning operations in a new area, we establish baseline data on noise levels, just as we do for air and water quality. We continually monitor noise levels and commit to operating within COGCC regulations, using additional noise mitigation measures, if necessary.

Ultimately, we recognize that every location we operate is unique. It's why we conduct baseline monitoring at every site prior to any activity start. It's why we do a traffic impact study and it's why we hold community meetings prior to permitting our locations. Our neighbors know their communities and can guide us to be better neighbors by avoiding high traffic times on their roads or operating at certain times of the year, if feasible. We will take into consideration feedback from our neighbors during operations and make adjustments to a site or to mitigations, as necessary.

Why do you perform ambient noise level studies?

While these studies aren't required, we believe it's important to establish the noise profile of the area before we begin. We collect data to establish "typical" ambient sound levels, which gives us, the state, and even residents, a better understanding of the "baseline" noise level. It also gives us a sense of what mitigation measures will be necessary before we operate at the site. During all



phases of low-frequency noise levels will not exceed 65 dBC as measured from the nearest building unit. If sound levels exceed 65 dBC, Crestone will remedy the exceedance.

Are traffic studies a required part of the process? When will you conduct the traffic studies referenced in the Final CDP submission?

Traffic studies are not required, but we view them as an essential part of the planning and operations process. After we complete the state process and move into the Boulder County approval process, we'll begin to take a closer look at the proposed truck traffic and evaluate via a traffic study. This Traffic Impact Study (TIS) will look at flow patterns, planned construction and usage levels to help us designate the proposed haul route and overweight haul route during construction, drilling, completion and production. The closer we get to our operations and desired timeframe for utilization of local roads, the more accurate and inclusive the study will be.

To manage day-to-day traffic and ensure safety at the proposed sites, we hope to establish routes with right-hand turns only, meaning trucks avoid crossing traffic, with one protected left-hand turn onto Highway 287. Finally, we'll look at the traffic study to address any high-traffic periods, aiming to limit or stagger the number of deliveries or other activity during those high-traffic times.

One of the major mitigation measures we will utilize to reduce truck traffic is connecting the CDP oil and gas locations to the Hub via pipeline, which will minimize truck traffic and related impacts like dust and noise. Instead of by truck, Crestone intends to pipe water, oil and gas from the well sites via pipeline.

Will electric drilling rigs be utilized in Boulder County operations?

All rigs are electric and they rely on availability of electric generation sources. Our intent is to use highline power whenever possible, but that will depend on available infrastructure – like supply of electricity – at the well pad. Once our potential oil and gas locations are finalized and approved by the COGCC, we will work with United Power, the local electricity provider, to evaluate infrastructure to the final well pad and determine which type of power will be used to run the drilling rig.

Will you make our proposed water sources public?

We do not identify water resources as part of the planning process, because we utilize a third-party to secure the necessary water rights and volume closer to the time of our operations. For more information on our approach to water safety and water conservation, visit the Community Relations tab on [our website](#).

How will surface owners and Boulder County benefit from the local oil and gas operations?

Our operations are projected to have a significant tax benefit on the surrounding community over the 25-year project lifecycle, according to our fiscal impact analysis conducted by local research company, THK Associates, Inc. In addition to the creation of jobs in the area, the study found that our proposed operations could have a projected total tax benefit of more than \$398 million to the surrounding community. Those projections could mean nearly \$100 million in tax benefits to Boulder County, more than \$240 million to local schools, more than \$6 million to water districts and another \$50 million to the local fire district.



Has Crestone reviewed recent studies related to air quality, and how are you addressing this as part of your plans?

We're reviewing the University of Colorado Anschutz study on air quality and health conditions in relation to proximity to oil and gas wells. As with any study, we like to understand where the numbers came from. Additionally, we're currently participating in a Colorado State University study researching methane emissions in the oil and gas industry and if we see room for adjustment or improvement to our operations, including air quality, we'll apply the findings and solutions to all aspects of our operations – not just the CDP area.

Do you plan to plug all existing wells in the CDP area?

It's important to remember that energy has been produced in this part of Boulder County for many years. There are currently over 100 wells in the CDP area. Our proposed horizontal development plan adds approximately 30 acres of oil and gas disturbance along Highway 52. Allowing for engineering and operations clearance, our plan is to plug the 100 existing wells, including on Boulder County Open Space lands, and reclaim the associated well pads, production tank batteries, and access roads, to help us reach our goal of a net-zero increase of oil and gas disturbance within the CDP area.

Why are potential oil and gas locations on Boulder County Open Space? Will Crestone compensate Boulder County for any damage or impacts to the land?

Crestone owns the mineral rights under these portions of Boulder County Open Space in the CDP area. Under Colorado law, mineral rights owners have the right to "reasonable access" on the surface to develop underlying minerals. As a mineral rights leasehold owner, we can use the surface as is reasonably necessary per Colorado's Reasonable Accommodation Act.

We have provided Boulder County underlying leases demonstrating our Open Space mineral rights. Additionally, we have reached out to Boulder County to include them in the process with respect to potential oil and gas locations on Boulder County Open Space. Typically, with surface use agreements, there is an agreed upon plan in place for compensation of facilities and use of the surface for oil and gas locations.

Would you ever consider not moving forward with plans to drill in Boulder County, based on stakeholder feedback?

At this time, we do not view that as an option. We voluntarily filed a Rule 216 Comprehensive Drilling Plan (CDP) Application with COGCC because we recognized the need for a collaborative, methodical and transparent planning process for responsible oil and gas development. While we believe ongoing engagement with nearby surface owners and other stakeholders is an important piece of the process, we have a legal right to develop these resources. In addition, there are also mineral owners who have the right to see their minerals developed and others, including local business owners and nearby neighbors, that support the development of energy in Colorado.

We believe in the work that we do to produce the energy that we all use every day and we are committed to operating safely, responsibly and with minimal impacts on the communities where we work. We aim to use the best available technology and mitigations techniques based on industry best practices and previous operations.



Can surface owners still provide feedback on these plans?

Yes, there are still several more opportunities to provide feedback on the Final CDP. There is an opportunity to provide written public comment via the COGCC website on our Final CDP through July 8. If our Final CDP is approved by Director Murphy for consideration by the entire Commission, you can present your feedback and comments at the scheduled COGCC Hearing in October 2018, when the Final CDP will be on the docket.

While we'll continue to engage in discussions and answer questions, our submission of the Final CDP marks the completion of our portion of the process. The Final CDP plan meets or exceeds all the criteria mandated by the state's regulations in siting an oil and gas location. Crestone will not make additional adjustments to it unless requested by the COGCC.

Please contact Crestone via email at CDPBoulder@crestonepr.com or phone at 720-410-8537 to provide comment on the Final CDP.