



Crestone Peak Resources – Watkins Activity Question and Answer Summary from September 3 Telephone Town Hall

Included below are the questions and responses from our community meeting on September 3. This includes questions received from callers via phone, through the web portal and sent as follow-ups to our Community Relations team. In addition to this document, the presentation slides and audio recording from the telephone town hall meeting are available under the community tab of our website, www.crestonepeakresources.com.

What is the 24-hour number to reach Crestone in case of emergency?

If you need to get in touch with us immediately, you can call our emergency number at (303) 659-7740. If you have general feedback or a non-urgent question or comment, you can contact our Community Relations team by email at communityrelations@crestonepr.com or by phone at (720) 410-8537.

Why isn't the Tiberius well pad site farther away from our community?

The wells at the Tiberius pad were drilled by ConocoPhillips in 2019, before we acquired these assets in March 2020. That means the drilled holes (wellbores, cement casing, steel) were already in place and therefore can't be moved. The pad is more than 1,300 feet from the nearest home, which is more than twice the current state-required setback.

Can you describe the Tiberius well pad? What are we seeing behind the walls?

The Tiberius well pad includes four wells that were previously drilled by ConocoPhillips. Right now, we're completing the wells, which is the second to last step before the wells go into production. This phase of operations requires water, so the structures you see on the site above the sound walls are temporary water tanks. They're designed to be taller to limit the amount of space we use for our site — meaning instead of building out, we're building up. These tanks, as well as the rest of the equipment needed for completions, are temporary and will be removed after the process is done. In all, it will take about a month for completions, flowback and drill out, which is when we use a smaller workover rig to drill out cement plugs in the drilled hole that are no longer necessary once the wells are producing.

Will there be tanks visible on the well pad once production begins?

The large water storage tanks currently on the well pad are temporary and will be removed once the wells are producing. There are nine permanent production tanks on-site. This includes two tanks for water and seven for storing hydrocarbons before they're removed from the site by truck. The tanks have been on the site since late 2019.

We've also taken steps to reduce the visual impact of permanent equipment, such as the 10-foot-tall berms we built on the north and west sides of the production facility.

Can you keep the sound walls up to screen the production equipment after completions are finished?

Our permit requires we remove the sound walls after completions and flowback are completed. However, the production equipment that'll be visible on the surface — nine production tanks and associated valves, etc. — is relatively low-profile compared to the water storage tanks, sand containers and fracturing fleet vehicles that are on-site now.



Plus, as we mentioned, we built berms around the north and west sides of the facility to reclaim the area and reduce the visual impact of our permanent production equipment.

Can you tell us more about Project Canary?

Project Canary air monitoring stations are strategically placed around the well site and capture air quality readings around the clock. The monitoring system can detect air quality changes from off-site emissions sources such as highways, gas stations and landfills – or from a source on our well pad, in which case we can fix it quickly. The process is similar to how a fire alarm works – we’re alerted when something isn’t right, and we send in a team to evaluate and make adjustments.

You can learn more about our work with Project Canary [here](#).

Where is the water coming from? Is there any guarantee that residents’ water wells will not be affected?

We utilize a third-party to provide water, and they are responsible for securing the necessary water rights for the project. Water used for completions at the Tiberius pad will come from a nearby pond used only for commercial purposes, located south of our office. Water will be pumped in via lay-flat hoses from this storage pond to our site.

Our operations won’t impact Watkins Farms residents’ water wells. For more information on how we use water, please visit our [website](#). If you have questions, we encourage you to contact our Community Relations team via email (communityrelations@crestonepr.com) or phone at (720) 410-8537.

Looking at the 2A permit for this pad, it says no MLVTs (Modular Large Volume Tanks) are to be used. Isn’t that what the two gray tanks are?

Our permit restricts the use of MLVTs at this site. The two tanks that are currently on site are minion tanks and have been approved by the Colorado Oil and Gas Conservation Commission (COGCC). MLVTs are like an above-ground swimming pool with a liner. We believe minion tanks are a better solution for water storage because they are smaller in footprint, allowing us to use less land, and they’re fully enclosed, eliminating water evaporation, which allows us to be more efficient.

Is there going to be a sludge pit on or near the well pad?

No. A sludge pit is an open pit used on well pads in some states for disposing of sludge created in the drilling process. As a standard, we don’t use sludge pits in any phase of our operations and there won’t be any kind of pits on-site.

How much truck traffic will be going in and out during completions? What about once the wells are in production? Won’t your operations cause a traffic jam in peak hours, because Watkins Road is a two-lane road?

We estimate about 40 truck trips per day for our operations, which will last about 20 days for completions of the four wells. These trucks will be primarily hauling sand and other materials. The number of trucks we’ll need to haul away oil from the wells once they’re producing will depend on how much the wells produce. Every well is different, and we don’t know how much the Tiberius wells will produce yet.



We recognize our operations have temporary impacts on nearby residents, so we will strive to reduce inconvenience for Watkins Farm residents. This starts with a carefully planned route for truck traffic. When ConocoPhillips applied for permits for the wells, they were required to do a traffic study. A traffic engineer looked at variables like the proposed route, turning radius, traffic volume and more to make a recommendation on a traffic route and plan. We've adopted the same route and restrictions that were approved as part of ConocoPhillips' permitting process. Additionally, throughout all phases of our operations, we'll look at high-traffic periods during the day and aim to limit or stagger the number of deliveries or other activity during those times, to reduce traffic impact on Watkins Farms residents. Plus, we'll avoid critical time periods like morning and evening commutes or school drop-off and pick-up times, when possible.

Rather than have all of the traffic and potential conflicts on the planned haul route, can't you simply build a temporary road to get to and from the well pad?

Building a new road to the pad would have impacts of its own on nearby residents, including truck trips to build the road. Given the short amount of time we'll be on-site at the Tiberius pad — about a month for completions, flowback and drilling out the four wells — the least impactful way to complete the wells is for us to use existing roads safely and responsibly while staggering the number of deliveries or other activity during high-traffic times.

Is there going to be any flaring at Tiberius and how many wells will you be drilling?

We won't be drilling any wells. The four wells on-site were previously drilled by ConocoPhillips in 2019 and we're working to bring them into production through the completions process. Crestone's company practice is to use a vent-free closed loop system during the completions process to capture fugitive gas from the well that otherwise would contribute to emissions. The gas is put into a gathering pipeline so that it can be used rather than wasted. We were one of the first operators in Colorado to adopt this practice.

Why is it necessary to work around the clock, 24 hours a day, seven days a week?

Continuous operations allow us to be more efficient and get in and get out more quickly, which benefits neighbors by limiting temporary impacts to a shorter time period. Throughout completions and flowback, we'll utilize a variety of mitigation measures to go above and beyond to reduce temporary impacts on nearby residents. If you have questions or concerns, please contact our Community Relations team.

Are you willing to adjust your plans in and around Watkins based on resident feedback?

Yes, we are willing to make reasonable adjustments based on feedback from nearby residents at certain stages of the planning and production process. For example, when it comes to determining well pad locations, we will explore alternatives, as we're doing with the Swan well pad. With the Tiberius pad, the wells have already been planned, permitted and drilled. Our intent is to complete them quickly, efficiently and safely in order to minimize our time on-site, while minimizing the temporary impacts our work.

Additionally, we are open to feedback on how the operations at the Tiberius pad are going. This is important to us because we want to work collaboratively with the communities in which we operate and make sure we're addressing any issues that may arise.



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When will you announce the alternative Swan well pad location? What are the factors you'll consider for selecting that alternative site?

We're exploring alternative locations that will allow us to access these minerals while staying further away from homes and occupied structures than at the original Swan location. There are a number of constraints we need to consider and work around, including subsurface landscape, existing wells in the area and technical and surface limitations. Given those factors, we're looking at potential well pad locations to the west, so we can drill from west to east. In particular, we're working with the real estate developers of Prosper Farms to explore the possibility of using land slated for development in the future. Once we determine our preferred location, we'll share details with nearby homeowners and mineral rights owners.

Any idea how Prosper Farms is going to develop?

We don't know the specifics of their plans, but we've been in discussions with them about using the land slated for the development as the alternative Swan pad. Ideally, we'd like to get the wells drilled, completed and into production before development of Prosper Farms begins, to avoid being active on-site while they're building. We'll keep nearby residents and mineral owners updated as we continue our conversations and alternatives analysis for the Swan pad.