



Prospect Energy purchased the Fort Collins oil field in June 2009. This oil field extends approximately four miles in a north/south direction and about one mile in an east/west direction, and is located in east-central Larimer County. The field produces light crude oil. When the field was developed, starting in 1924, the area was largely undeveloped except for agriculture. Today, approximately 50 wells are present on land which borders mainly agriculture.

Residential development has expanded north of the City of Fort Collins, and the City has responded by annexing lands that are leased by Prospect Energy and are part of the Fort Collins oil field. The City of Fort Collins plans to annex additional land and has already approved additional residential development in the southern portion of the Fort Collins Field.

Prospect Energy is a small, privately owned business based in Denver, Colorado. We employ 11 people in Denver, and contract local companies to assist in our operations. Our company feels threatened by *any* increase in the current setback rules, based on 150 feet distance and 350 feet distance for high density. An increase in the setback distances would reduce the available land to develop the mineral rights (oil) in an oil field that is not extensive to begin with.

In addition, residential and commercial developers and any other building permits should be held to the same setback distances that are promulgated for the oil and gas industry. For example, building permits should not be issued within 150 feet of an oil and gas *lease* (350 feet for high density), as this is an encroachment on existing subsurface property rights, and unduly limits our ability to develop the field.

Prospect Energy's future drilling potential in the area currently located within the City of Fort Collins has recently been valued at \$7.1 MM by a third party engineering analysis. This is a significant value for Prospect Energy. Increases in setbacks to where the field cannot be developed would have a severe negative economic impact for Prospect Energy.