

FOUNDATION
ENERGY COMPANY

Foundation
Energy Management, LLC
1801 Broadway, Suite 408
Denver, CO 80202

September 29, 2011

State of Colorado
Oil and Gas Conservation Commission
1120 Lincoln Street, Suite 801
Denver, CO 80203
Attn: David Neslin, Director

RE: Rule 318.c Exception Location Request:

**Banta Ridge Federal 5-18-1-103
Township 1S Range 103W Sec 18: NWSW
Rio Blanco County, Colorado**

Dear Mr. Neslin:

Foundation Energy Management, LLC ("Foundation"), as operator, is requesting an exception location for the Banta Ridge Federal 5-18-1-103 well ("BRF 5-18").

Legal Location:

SWSW LOT 4 1229FSL 618FWL 39.957325 N LAT, 109.005475 W LON AT
SURFACE
NWSW LOT 3 1951FSL 650FWL 39.959306 N LAT, 109.005361 W LON AT
PRODUCING ZONE

This well does not meet the requirements of rule 318a of the COGCC rules: 300 SERIES DRILLING, DEVELOPMENT, PRODUCTION, and ABANDONMENT. This rule states wells must be 1200 feet from other producible wells in the same zone.

- The BRF 5-18 violates this rule by being within 1200' of the BRF 4-18, the BRF 12A-18 and the proposed well location of the BRF 6-18.
- The BRF 5-18 will be 720' from the BRF 4-18.
- The BRF 5-18 will be 794' from the BRF 12A-18.
- The BRF 5-18 will be 1156' from the proposed location of the BRF 6-18.

We believe that the current producing wells are not draining all of the reserves in the field. Based on calculated volumetrics in offset wells, the area shows a very low recovery factor which is often an indicator of small drainage area. The Mancos in this area is an oil reservoir, which is different than the typical Mancos B gas reservoir. For a low permeability rock like the Mancos B, there is typically a smaller drainage radius for oil than for gas. Attached you will find a map showing the locations and a sheet with volumetrics showing the calculated recovery factors for the wells.

For these reasons, we request an exception location be granted for the BRF 5-18. The BLM is the affected party in the case of the BRF 5-18. We have received a waiver for rule 318a of the COGCC's rules from the BLM but are currently waiting for a hard copy to attach to this request.

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If you have any questions regarding this request please call me at (303) 861-0504 ext. 204 or Keelen Hauptman at (303) 861-0504 ext 202. Thank you for your help in this matter.

Best Regards,

FOUNDATION ENERGY MANAGEMENT, LLC

A handwritten signature in black ink, appearing to read "Matt Stark", written over the printed name.

Matt Stark

Operations Engineer

Tulsa Office

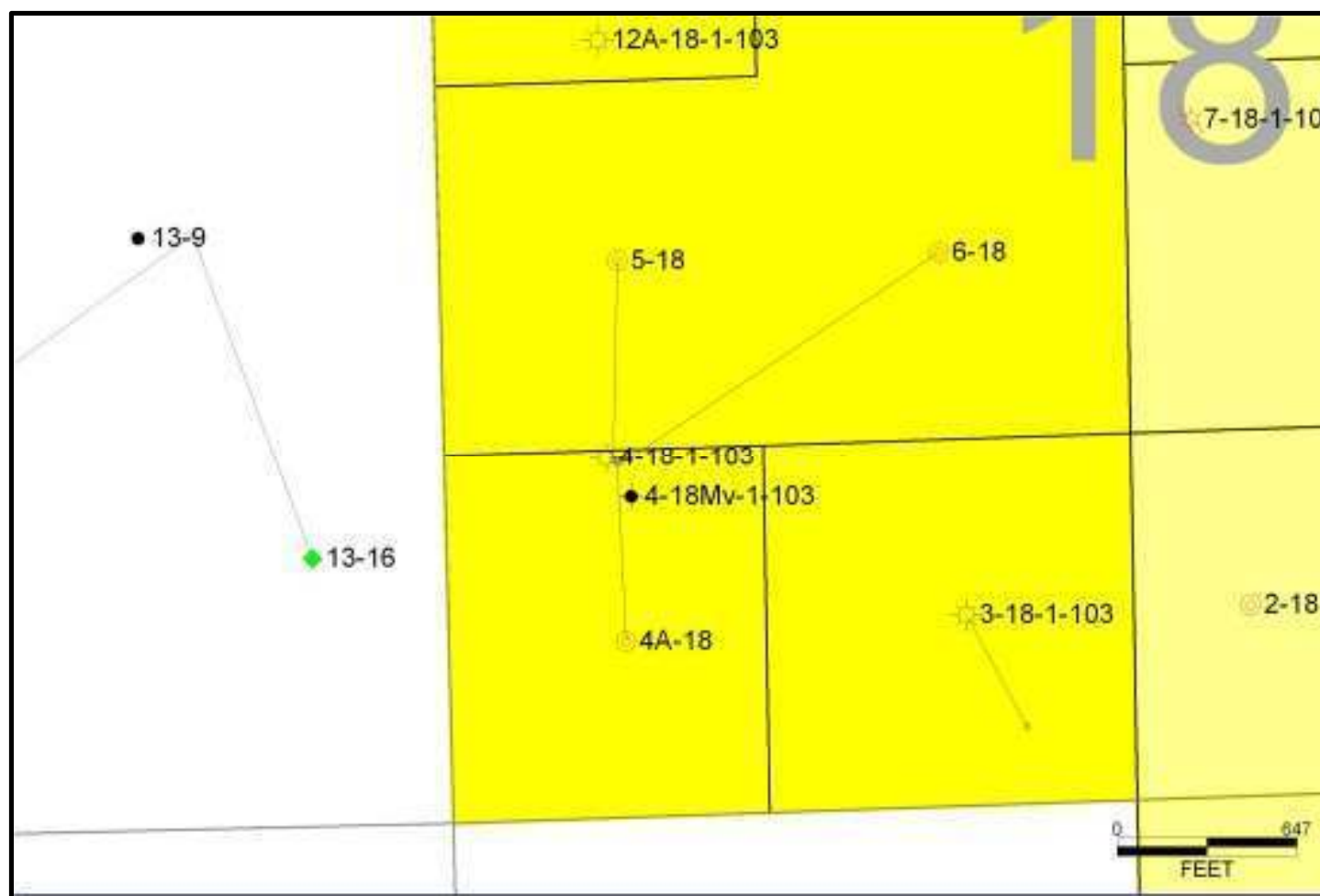
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These calculations performed assuming a black oil system in the following wells. These show that using a 40 acre drainage radius on these wells leads to a very low RF.

Banta Ridge 12A-18

| | | 20 Acre OOIP | 40 Acre OOIP |
|------------|--------|-----------------------|-----------------------|
| h | 78 | 798764 bo | 1597527 bo |
| Bo | 1 | | |
| por | 12% | Rec Factor 23% | Rec Factor 11% |
| Sw | 0.45 | | |
| multiplier | 7758 | | |
| EUR | 180000 | | |

Banta Ridge 4-18

| | | 20 Acre OOIP | 40 Acre OOIP |
|------------|-------|----------------------|----------------------|
| h | 49 | 418156 bo | 836312 bo |
| Bo | 1 | | |
| por | 10% | Rec Factor 8% | Rec Factor 4% |
| Sw | 0.45 | | |
| multiplier | 7758 | | |
| EUR | 35000 | | |

Banta Ridge 7-18

| | | 20 Acre OOIP | 40 Acre OOIP |
|------------|-------|----------------------|-----------------------|
| h | 48 | 532509 bo | 1065018 bo |
| Bo | 1 | | |
| por | 13% | Rec Factor 4% | Rec Facotor 2% |
| Sw | 0.45 | | |
| multiplier | 7758 | | |
| EUR | 22000 | | |