



EnCana Oil & Gas (USA) Inc.

370 17th Street
Suite 1700
Denver, CO 80202

tel: (303) 623-2300
fax: (303) 623-2400
www.encana.com

August 6, 2009

Shideler Land and Cattle Company L.L.C.
John Shideler, Manager
4128 County Road 315
Silt, CO 81652

HAND DELIVERED

Re: Notification of Drilling Operations:
Well Pad C31E
Township 7 South, Range 92 West of the 6th P.M.
Section 31: NE/4NW/4
Garfield County, Colorado

Dear John:

In accordance with Rule 305 of the Colorado Oil and Gas Conservation Commission ("COGCC"), this letter serves as a 30-day notice by EnCana Oil & Gas (USA) Inc. ("EnCana") of its intention to drill one or more wells from the above captioned location. EnCana's operations are estimated to begin on or after 30 days from the date of this letter, pending receipt of required permits, approval of title and drilling rig availability. COGCC regulations provide that the surface owner may waive the 30-day notice requirement or designate a representative for surface consultation.

As the surface owner, it is your responsibility to notify any affected tenant farmer, lessee or other party that may own or have an interest in any crops or surface improvements that could be affected by these proposed operations.

Enclosed for your review are a copy of COGCC's notification, consultation and reclamation rules regarding oil and gas operations, a waiver and request for consultation form, and a copy of a policy recently adopted by the COGCC addressing on-site inspection requests including a form for requesting such an inspection.

If you have any questions please don't hesitate to call Marian Learned at (720) 876-3575.

Sincerely,

EnCana Oil & Gas (USA) Inc.

A handwritten signature in black ink that reads "Lindsay Froistad". The signature is written in a cursive, flowing style.

Lindsay Froistad
Land Assistant

Enc.

WAIVER AND REQUEST FOR CONSULTATION FORM

Shideler Land and Cattle Company L.L.C.
John Shideler, Manager
4128 County Road 315
Silt, CO 81652

Well Pad C31E
Township 7 South, Range 92 West of the 6th P.M.
Section 31: NE/4NW/4
Garfield County, Colorado

Thirty-Day Notice Waiver

The undersigned **waive / do not waive** (circle one) the 30 day notice period for drilling operations on the above captioned location.

Request for Consultation Meeting

The undersigned **request / do not request** (circle one) a consultation meeting with an EnCana Oil & Gas (USA) Inc. representative.

Preferred date, time and location of meeting _____

Telephone Number _____

Signature _____ Date _____

Print name _____

Designated Representative (Agent)

The undersigned names the below designated representative for surface consultation with respect to operations for drilling from the above captioned location.

Name: _____

Address: _____

Telephone Number: _____

Surface Owner(s):

_____ Date _____

Print name: _____

_____ Date _____

Print name: _____

CONSULTATION MEETING FORM

Shideler Land and Cattle Company L.L.C.
John Shideler, Manager
4128 County Road 315
Silt, CO 81652

Well Pad C31E
Township 7 South, Range 92 West of the 6th P.M.
Section 31: NE/4NW/4
Garfield County, Colorado

Consultation Meeting

Pursuant to Rule 306 of the Colorado Oil & Gas Conservation Commission Rules and Regulations, the below listed individuals met on _____, 2008, to discuss the captioned location and well pad.

Print name: _____



Colorado Department of Natural Resources

OIL AND GAS WELL NOTIFICATION, CONSULTATION, AND RECLAMATION RULES

INFORMATION FOR OIL AND GAS OPERATORS, SURFACE OWNERS AND SURFACE TENANTS

DISCLAIMER: Surface owners are advised to obtain legal advice as may be appropriate to their particular circumstances. Landowners may or may not own the mineral rights underlying their property. In either case, surface owners and tenants may be faced with oil and gas mineral owners exercising their right to drill and produce wells on the property. This brochure is designed to describe the key points of the regulations for the reclamation of land disturbed by oil and gas activity. These regulations are enforced by the Colorado Oil and Gas Conservation Commission.

This brochure is a summary only, and is not to be used as a substitute for the complete rules and regulations.

revised 08/25/2006

STATEWIDE OIL AND GAS RECLAMATION RULES

The Colorado Oil and Gas Conservation Commission's (COGCC) statewide reclamation rules are designed to ensure that the surface of the land is restored as closely as possible to its pre-development condition. These rules respect the surface owner's need to request waivers of certain requirements under special circumstances.

The rules were developed with input from the oil and gas industry, the agricultural industry, the environmental community, and local governments. The COGCC also consulted with the Colorado Agricultural Commission as the rules were being written.

CROP LAND OR NON-CROP LAND? (100 Series Rules Definitions)

The requirements for notification by oil and gas operators to surface owners, as well as site construction and reclamation requirements, depend on whether or not the wellsite and access road are built on **Crop Land** or **Non-Crop Land**.

Crop Land--Lands which are cultivated, mechanically or manually harvested, or irrigated for vegetative agricultural production.

Non-Crop Land--Lands which are not defined as Crop Land, including range land.

SURFACE OWNER NOTIFICATION BY THE OIL AND GAS OPERATOR (Rule 305)

Before drilling, the oil and gas operator is required to:

- mail or deliver a notice to the surface owner and local government (to identify a surface owner for the purpose of giving the Rule 305 notice, the operator may rely on the records at the assessor for the county where the oil and gas operations will occur); and
- post a notice on the drillsite.

Notice is also required:

- if future operations are planned at an existing well site that cause significant surface disturbances, and
- before final reclamation of the wellsite and access roads.

The notice timing requirements depend on the type of oil and gas operations:

<u>OPERATION</u>	<u>CROP LAND</u>	<u>NON-CROP LAND</u>
Drilling	30 Days	30 Days
Additional Notice of Drilling on Irrigated Crop Land	14 Days	Does Not Apply
Future Well Operations	7 Days	7 Days
Final Reclamation	30 Days	30 Days

PURPOSE OF NOTICE

The purpose of the surface owner notice is to inform the surface owner about when and where the oil and gas operations are to take place so that the surface owner and tenant can make plans to coordinate their own land use with the oil and gas operations.

The COGCC rules require an oil and gas operator to ask the surface owner if he/she wants to be consulted about the timing of the operations and the locations of the wellsite and access road, as well as the final reclamation operations. In addition, the COGCC Onsite Inspection Policy requires an oil and gas operator to provide the surface owner with a copy of the Onsite Inspection Policy and an Onsite Inspection Request Form, along with the Rule 305 surface owner notification. (See "Onsite Inspections" on page 4.)

SURFACE TENANT NOTIFICATION (Rule 305.e.)

It is the surface owner's responsibility to notify the surface tenant about the proposed oil and gas operations.

SURFACE OWNER CONSULTATION (Rule 306)

The oil and gas operator is required to offer to consult with the surface owner about the locations of wellsites and access roads, and about final reclamation. *The operator has no obligation to consult with a surface tenant unless the surface owner appoints a tenant for consultation.*

Local government representatives may also participate in the consultation about wellsite and access road locations if they desire. Local governments receive notice of wells to be drilled if they request to participate in the COGCC local governmental designee program.

ONSITE INSPECTIONS

On lands where the surface owner did not execute a lease or is not party to a surface use agreement, the surface owner may request the COGCC to conduct an onsite inspection with the surface owner and the oil and gas operator. Local government representatives may also participate if desired by the surface owner. The purpose of the inspection is to determine if technical or operational conditions should be attached to the permit to avoid potential unreasonable loss of crops or land, to address issues regarding health, safety, welfare or environmental impacts, and to ensure compliance with COGCC rules regarding advance notice and good faith consultation.

The onsite inspection will not address matters of surface owner compensation, diminution of property values, future property use, or other private party contractual issues between the operator and the surface owner. Please see the COGCC Onsite Inspection Policy for details about requesting an onsite inspection

SITE PREPARATION - FENCING (Rule 1002.a.)

On all lands: *At the surface owner's request*, and where livestock is in the immediate area, the operator is required to fence the drilling mud reserve pit on wells that are being drilled, and the wellhead, pit, and production equipment on producing wells.

On Crop Land: *At the surface owner's request*, the oil and gas operator is required to mark the boundaries of drillsites and access roads with berms, single strand fences, or other equivalent methods to minimize surface disturbance.

SOIL SEGREGATION WHILE EXCAVATING (Rule 1002.b.)

On Crop Land: While performing all excavations, the oil and gas operator is required to segregate all A (topsoil), B, and C soil horizons, and stockpile each of these soils separately. Deeper soil horizons are segregated to a depth of six feet.

On Non-Crop Land: The A (topsoil) horizon, or the top six inches of soil (whichever is deeper) is required to be segregated and stockpiled separately at all excavation

If soil horizons are too rocky or too thin to segregate, the topsoil is segregated as much as possible and stored separately. On crop land, other deeper soil layers are segregated as much as possible to a depth of three (3) feet.

MINIMIZING SURFACE DISTURBANCE DURING DRILLING OPERATIONS (Rule 1002.e.)

On all lands: Drilling locations are required to be designed and constructed in a manner that minimizes the total disturbed area. Steep slopes are to be avoided where possible, and deep cut and fills are to be constructed to the least possible slope. Existing access roads are to be used where possible, and oil and gas operators are encouraged to share access roads when developing a field. Operators are required to limit their travel to within original access road boundaries to reduce land damage.

RECLAMATION BEGINS SOON AFTER A WELL IS DRILLED AND COMPLETED (Rule 1003)

After a well is drilled, all areas which were disturbed by the drilling operations, and which are not needed for production operations, are to be reclaimed as close to their original condition as possible.

This "interim reclamation" is required to take place:

On Crop Land: No later than three (3) months after a well is completed.

On Non-Crop Land: No later than twelve (12) months after a well is completed.

On all lands: Interim reclamation includes:

- removing drilling waste materials and filling of pits and holes;
- removing compaction from the soil in areas no longer needed for oil and gas operations by cross-ripping the soil to a depth of eighteen (18) inches;
- closing drilling pits by drying out the pit and backfilling it by replacing the soil layers in their original positions;
- subsidence over the closed drilling pit is required to be corrected by the operator for two (2) years following pit closure by adding additional topsoil.

On Crop Land: Additional interim reclamation requirements include:

- guy line anchors for drilling and completion rigs are to be removed if requested;
- all bentonite drilling fluid is to be removed from the drilling pit before drying, and a minimum backfill cover of three (3) feet must be placed over any remaining contents in the pit;
- subsidence over any reclaimed area, including a closed drilling pit, is required to be corrected by the oil and gas operator by adding additional topsoil during the life of the well.

INTERIM RESTORATION AND REVEGETATION (Rule 1003)

On all lands: The oil and gas operator is required to replace all soils to their original positions and contour, and to adequately till the soil.

On Crop Land: The operator is required to prevent weeds and erosion, and to re-establish perennial crops that were present before drilling.

On Non-Crop Land: The operator is required to re-seed the disturbed area in the first favorable season. Re-seeding is done according to a surface owner agreement or in consultation with the local soil conservation district in the absence of an agreement. Re-seeding with a species consistent with the adjacent plant community is encouraged.

FINAL RECLAMATION (Rule 1004)

Final reclamation takes place after oil and gas wells are plugged and abandoned. All final reclamation work is required to be completed:

On Crop Land: No later than three (3) months after a well is plugged and abandoned.

On Non-Crop Land: No later than twelve (12) months after a well is plugged and abandoned.

On all lands: An oil and gas operator is required to

- remove all production equipment and debris;
- remove or treat any remaining production waste or contamination from spills or releases following COGCC rules;
- backfill all production pits by replacing the soils in their original positions;
- correct subsidence over closed production pit locations by adding additional topsoil;
- close access roads to plugged and abandoned wells and associated facilities;
- re-grade and re-contour the wellsite and access roads;
- perform compaction removal, restoration, and revegetation on well-sites and access roads to the same standards as those for interim reclamation on both Crop Land and Non-Crop Land;
- comply with all COGCC rules unless a surface owner waiver or Commission variance is obtained.

FLOWLINE INSTALLATION, MAINTENANCE, RECLAMATION, AND ABANDONMENT (Rule 1101)

On all lands:

- All oil and gas well flowlines are required to be buried deep enough to protect them from damage.
- Flowlines may be installed above ground if certain difficult conditions prevent burial or by agreement with the surface owner.

On Crop Land:

- Flowlines must be covered by a minimum of three (3) feet of soil unless prevented by certain difficult burial conditions, or the surface owner agrees to a shallower depth.
- When excavating trenches wider than twelve inches, the operator is required to segregate topsoil and backfill trenches to return the soils to their original positions and contour.
- Efforts are to be made to run flowlines parallel to crop irrigation rows on flood irrigated land.

MAINTENANCE (Rule 1102)

On all lands: Flowline trenches are to be maintained to correct subsidence and prevent erosion, with interim and final reclamation being

performed to the same standards as for wellsites and access roads. To prevent flowline leaks, flowlines are to be pressure tested upon installation, and then each year afterward

FLOWLINE ABANDONMENT (Rule 1103)

- On all lands: When flowlines are abandoned:
- the lines are emptied of oil and gas;
 - the lines are cut off below the ground surface;
 - the lines are capped at the ends.

OIL AND GAS WELL AND TANK BATTERY SIGNS (Rule 210.b.)

Oil and gas operators are required to post permanent signs at wells and tank batteries that identify the operator and provide location and emergency notification information. Signs must be posted within sixty (60) days after the COGCC approves a change of operator.

COGCC COMPLAINT PROCESS (Rule 522)

If a surface owner or tenant has a complaint about an oil and gas operation, the COGCC encourages them to first contact the operator to see if a solution can be found that works for both parties. If no satisfactory solution can be found, a surface owner or tenant may file a complaint, preferably in writing on a COGCC Complaint Report Form (Form 18), with the COGCC. The COGCC staff includes field inspectors, engineers and environmental specialists who are available to investigate complaints and take enforcement action if rule violations are found. If the COGCC enforcement process does not adequately address a surface owner or tenant complaint, an application can be filed for a Commission hearing.

***COGCC HEARING APPLICATION PROCESS
(Rules 503 and 522.c.)***

Surface owners and tenants may file an application for hearing before the Commission for the following purposes:

- to seek a variance from the COGCC Rules if the Director does not grant a variance request administratively
- to seek an Order Finding Violation if they object to the COGCC staff's formal resolution of their complaint

Applications for Commission hearings are required to include a written description of the requested relief and the factual grounds for the relief. All hearing applications are to be filed at least fifty (50) days in advance of the desired hearing date. No application fee is required. Contact the COGCC Hearings Manager for further information on hearing application procedures.

The COGCC has offices located throughout the state:

Main Office: 1120 Lincoln Street, Suite 801
Denver, CO 80203
(303) 894-2100 - phone
(303) 894-2109 - fax
Toll-free Complaint Line to Denver:
(888) 235-1101

Greeley: (970) 506-9834 – phone
Sterling: (970) 522-6747 – phone
Trinidad: (719) 846-4715 – phone
Parachute: (970) 285-5661 – phone
Parachute: (970) 285-9000 – phone
Durango: (970) 259-4587 – phone
Broomfield: (303) 469-1902 – phone
De Beque: (970) 283-8635 – phone

Visit the COGCC Website at:

www.oil-gas.state.co.us

Information available on the website includes:

- COGCC Rules and Regulations and the Oil and Gas Conservation Act
- COGCC Onsite Inspection Policy
- COGCC Staff Contact Information
- A listing of Local Governmental Designees
- A listing of all pending and approved Applications-to-Drill
- A calendar of COGCC hearings
- The COGCC Information System including a Geographic Information System (GIS) Map interface
- Typical Questions from the Public About Oil and Gas Development

