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PRONGHORN
OPERATING, LLC

8400 EAST PRENTICE AVENUE
SUITE 1000
GREENWOOD VILLAGE, CO 80111
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*EXCEPTION
REQUEST*

November 20, 2012

Matt Lepore, Director
Colorado Oil and Gas Conservation Commission
1120 Lincoln Street, Suite 800
Denver, CO 80203

RE: Exception Location Request
Shady Lady #1
Section 36, 14S, 46W, 6th PM
Cheyenne County, Colorado

Dear Mr. Lepore:

Pronghorn Operating LLC and its parent company Kuenzler and Flora Reserve Corporation (jointly herein "Pronghorn"), as leaseholder and operator of the of Section 36, Township 12 South, Range 46 West, 6th P.M. (herein "Section 36"), Cheyenne County, Colorado hereby files the attached request for a ~~spacing~~ exception of Rule 318 a. per the provisions in Rule 318 c.

Background

In early 2012 Kuenzler & Flora Reserve Corporation (herein "KFR"), parent company to Pronghorn, re-entered the Red Lady 1-36 located in the NE/4 of Section 36. KFR successfully completed the Red Lady 1-36 in the Shawnee formation beginning production in May of 2012 which has since been recognized as the discovery well in the "Lady Luck Field", COGCC Field # 52120.

Pronghorn has subsequently obtained seismic data covering multiple sections over the prospect area and our interpretation of the data suggests prospective drilling locations nearby the Red Lady discovery well. As such Pronghorn has staked and requests to permit the Shady Lady #1 (SENE, Sec. 36, 12S, 46W, 6pm) located 1054 ft to the south-east of the discovery well. The Shady Lady #1 is located 1492 ft FNL and 369 ft FEL and as such fall outside spacing requirements per Rule 318 a. stating a well greater than 2500 ft shall not be located within 600 ft from any lease line AND shall not be located less than 1200 ft from any other producing oil well from the same source of supply.

Spacing Request

In accordance with the provisions of Rule 318 c. Pronghorn has under lease the lands toward which the proposed well is to be moved and as such has requested and received the attached Waiver from the adjacent mineral owner Anadarko Petroleum Corporation (herein "APC") consenting to the proposed location. Additionally, Pronghorn and its partners have under lease ALL, Sec 36, 12S, 46W, 6pm and hereby consents the encroachment of the Shady Lady #1 upon the Red Lady #1-36 where the Shady Lady #1 will be drilled 1054 ft from the Red Lady #1-36.

It is hereby requested the Colorado Oil and Gas Conservation Commission grant a Spacing Exception allowing the Shady Lady #1 to be permitted and drilled at the below location:

Shady Lady #1
1492' FNL, 369' FEL, Section 36, 14S, 46W, 6th PM
Cheyenne County, Colorado

Sincerely,

A handwritten signature in black ink, appearing to read 'Zane Kuenzler', with a long horizontal flourish extending to the right.

Zane Kuenzler
Managing Member
Pronghorn Operating, LLC