



Synergy Resources Corporation
Attn: Ed Holloway
20203 Highway 60
Platteville, CO 80651

8/5/2013

Dear Ed Holloway,

Colorado Oil and Gas Conservation Commission (COGCC) records indicate that the wells Willson #1-15 and State #16-1 operated by Synergy Resources Corporation are out of compliance with COGCC Rules 319.b.1 and 319.b.3 for Temporary Abandonment (TA) and/or Rule 326.b.1 for Mechanical Integrity Testing (MIT) of Shut-In (SI) Wells. Rule 319.b.1 and 319.b.3 require operators to notify the Director of Continued TA status. Rule 326.b.1 requires that SI wells pass an MIT within two (2) years of the last reported production and then at five (5) year intervals after an initial successful MIT. Rule 326.b.1 also requires that TA wells pass an MIT within thirty (30) days of becoming TA. COGCC staff considers a well TA if it becomes incapable of production.

In order to avoid enforcement action you are required to provide a general plan specifying how you will bring the wells into compliance with Rules 319 and 326 by 9/5/2013 (30 days). The plan while generalized must specifically address each well on the list. The work must be completed, not just started, within three (3) months, by 11/5/2013.

Your options for returning a well to compliance are:

- a.) Prove production by selling oil or gas (As of 1/1/2013 the act of swabbing of wells without ongoing sales after swabbing will not be accepted as proof of production.),
- b.) Pass an MIT (10-day notice, via electronic submittal of a Form 42 is required.), or
- c.) Plug and abandon the well (A Form 6-Notice of Intent to Abandon, 24-hour notification to the field inspector [or other COGCC Staff identified on the Form 6], and a Form 6-Subsequent Report of Abandonment are required.)

All wells that have not produced for two (2) years or more and are to be returned to production must still pass a valid MIT to verify compliance with Rule 326.d, which requires that all wells shall maintain integrity.

If the well(s) are not brought into compliance within the allotted three months; a Notice of Alleged Violation (NOAV) will be issued to the operator giving them an additional three (3) months to complete compliance activities. If the activities are not completed within the NOAV's three months; then the matter will be assigned to COGCC's enforcement staff with the intent to issue fines. Even if fines are levied, operators will still be responsible for completing work, as specified in the enforcement proceedings.

Within the initial three month compliance window additional general requirements for these wells include: 1. File Form 4 Sundry Notices requesting Continued Temporarily Abandoned Status (annual filing) as needed, and 2. Bring up to date all Form 7 Operators Monthly Report of Operations (i.e. Production Reports).