

KGH Operating Company

P. O. Box 2235

Billings, MT 59103-2235

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Thomas M. Hauptman, President

November 14, 2013

Mr. Matt Lepore
Director
Colorado Oil & Gas Conservation Commission
1120 Lincoln St. Suite 801
Denver, CO 80203

Re: Exception Location Request
KGH Operating Company
Meagher 14-2H
1390' FNL, 2596' FEL of SWNE Sec14, T1S-R104W, 6th PM, Rio Blanco County, CO

Dear Mr. Lepore:

This Exception Location Request concerns COGCC Rule 318.a where a well drilled greater than 2,500 feet in depth shall be located not less than six hundred (600) feet from any lease line, and shall be located not less than one thousand two hundred (1,200) feet from any other producible or drilling oil or gas well when drilling to the same common source of supply, specifically Meagher 14-1H.

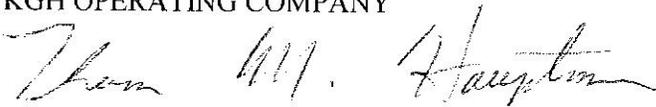
The closest productive zone of Meagher 14-2H is approximately 240 feet from Meagher 14-1H at the surface locations. The bottom hole is 600 feet from the nearest lease.

These wells will only encroach upon oil and gas leasehold controlled by KGH Operating Company. No third party, mineral or oil and gas lease owner, will be encroached upon by the granting of these exception locations.

In order to maximize recovery of the Mancos B reservoir on our leasehold it is our belief that drilling at these locations is necessary as an exception to Rule 318(a) due to topographic restrictions (see attached plat) in order to prudently and thoroughly develop the resource.

Thank you for considering this Exception.

Sincerely,
KGH OPERATING COMPANY



Thomas M. Hauptman
President