

FINNEY LAND CO.

OIL & GAS CONSULTING

P.O. BOX 2471

DURANGO, CO 81302

PHONE: (970) 259-5691 FAX (970) 259-4279

WAIVER

January 25, 2014

John E. Montgomery and Deborah Montgomery
1326 CR 311
Ignacio, CO 81137

Re: Elm Ridge Exploration Company
IGE 129 well

Township 33 North, Range 8 West, NMPM

Section 9: Tract A of Minor Exemption Subdivision/Boundary Adjustment Project No. 92-206 according to the plat thereof filed of record on February 10, 1993 at Reception No. 641768

The wellpad to be located approximately 1440 feet from the South section line and 987 feet from the West section line.

Dear Mr. and Mrs. Montgomery,

Elm Ridge Exploration Company, LLC. is proposing to drill the above referenced wells on a tract owned by you as set out in that certain Surface Damage Agreement & Release between you (Owner) and Elm Ridge Exploration Company, LLC (Operator) dated January 25, 2014. In order to locate the well as closely as possible to the desired location, it may be necessary to stake one or more of the well locations closer than five hundred (500) feet of the existing building unit (your residence) on the above described lands.

In order to request an Exception Zone Setback under the Colorado Oil and Gas Conservation Commission (COGCC) Rule 604 a.(1)A.i., the Operator must submit a waiver from a building unit owner within five hundred (500) feet of a proposed Oil and Gas location.

COGCC Rule 604 a.(1)B(2) recites that no well or facility shall be located within one thousand (1000) feet of a building unit unless the operator certifies that it has complied with Rule 306.e.

Associated COGCC Rule 305. a. requires that a Notice of Intent to conduct Oil and Gas Operations to be submitted to you, 30 days prior to submission of our state permit application.

Associated COGCC Rule 305. c. requires an Oil and Gas Location Assessment Notice (OGLA Notice) be provided to you upon determination of completeness of the Form 2A of the state permit application.

Associated COGCC Rule 306. e.(1) and (2) requires an meeting between Operator and building owner within a buffer setback zone be conducted unless waived under the provisions Rule 306.e.(3)

La Plata County Regulations as recited in Chapter 90, Section 90-77 (a)(1) requires that written notice be provided to the current surface owner within 1320 feet of a wellhead or within 250 feet of a gathering line.

La Plata County LPLUC Chapter 90 Technical Revisions, Project Number 2013-2014 to Sec. 90-122(b)(1) increased the setback requirements in Chapter 90 from four hundred fifty (450) feet to five hundred (500) feet in order to comply with COGCC Rule 604a.(1)A

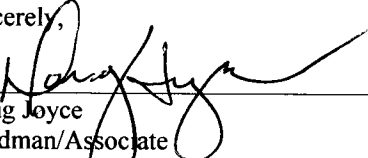
Elm Ridge Exploration Company, LLC. is hereby requesting a waiver pursuant to the aforementioned COGCC Rule 604a.(1)A, and La Plata County LPLUC Chapter 90 Technical Revisions, Project Number 2013-2014 to Sec. 90-122(b)(1) which would allow the proposed well to be located closer than five hundred (500) feet to the existing building unit on the described lands.

Additionally, Elm Ridge Exploration Co., LLC. is requesting waivers of COGCC Rule 604 a. (1)B(2) along with the requirements under the aforementioned COGCC Rules 305.a, 305.c and 306 e.(1) as well a waiver of written notice as required under La Plata County Regulations recited in Chapter 90, Section 90-77 (a)(1).

Your signature to this letter will serve as an acknowledgment to both the La Plata County Planning Commission and the COGCC that you are agreeable to the proposed well being located closer than five hundred (500) feet to your existing residence within a platted subdivision in La Plata County, Colorado.

Thank you for your courtesy and cooperation.

Sincerely,



Doug Joyce
Landman/Associate
Finney Land Co., Agent for Elm Ridge Exploration Company, LLC

Owner hereby waives the five hundred (500) foot location setback requirement under COGCC Rule 604 a.(1)A.i.

Owner hereby waives the five hundred (500) foot location setback requirement as recited in La Plata County LPLUC Chapter 90 Technical Revisions, Project Number 2013-2014 to Sec. 90-122(b)(1) and acknowledges that the Elm Ridge IGE 129 well location will be located within an existing subdivision in La Plata County, Colorado.

Owner hereby waives the one thousand (1000) foot location setback requirement under COGCC Rule 604 a.(1)B(2).

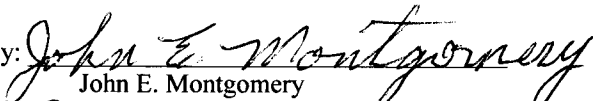
Owner hereby waives the requirements under COGCC Rules 306.e.(1) and (2) as allowed under COGCC Rule 306.e.(3).

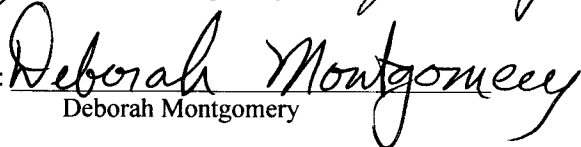
Owner hereby waives requirements under COGCC Rules 305 a. and 305 c.

Owner hereby waives written notice as required under La Plata County Regulations recited in Chapter 90, Section 90-77 (a)(1).

In summary, including but not limited to the items above, it is the intent of the undersigned to waive La Plata County Regulations and/or COGCC Rules as relates to any and all requirements regarding preapplication noticing, consultation, setback rules and the OGLA notice and comment period in relation to the drilling and completion of the Elm Ridge IGE 129 Well to be located on the subject lands as recited above.

Dated: January 25, 2014

By: 
John E. Montgomery

By: 
Deborah Montgomery