



Transferring Operator Water Reuse Plan

Caerus Piceance, LLC and Encana Oil & Gas (USA) Inc.

June 2014

Purpose and Need

This water re-use plan is to be submitted to the Colorado Oil and Gas Conservation Commission (COGCC) with a Form 4 (sundry) to allow a temporary produced water transfer agreement between Encana Oil & Gas (USA) Inc. and Caerus Piceance, LLC

Caerus Piceance, LLC operates wells in the Grand Valley field located in Garfield County, and has a need for 900,000 barrels (bbls) of produced water for Exploration and Production Operations in Garfield County.

Caerus Piceance, LLC would like to receive water for completions operations. If permitted to do so, water will be collected from Encana's Facilities at (HIM Upper Pond North COGCC ID: 149013 SENW Sec. 36 T7S-96W) and (North Parachute Ranch EP Waste Management COGCC ID: 120803 SWSW Sec. 30 T5S-R95W) located in Garfield County. Water will be delivered from Encana's Facilities via existing 12" waterline. Custody Transfer Point for water is located at the installed spool; t-valve and 6' water can on Encana's existing waterline to Caerus's temporary waterline. Encana's can is located (Latitude: 39.432297/ Longitude: -108.071032) on I-70 mile marker 72.70. Caerus's temporary waterline from Encana's can, will serve as the Custody Transfer Point. Caerus's well pad Nolte 14-796 (COGCC ID 435806, SESE Sec 14, T7S-R96W) will be the destination of water flowed through their temporary waterline. All wells are located in Garfield County, Colorado. Caerus will test and verify compatibility of the produced water provided by Encana. Transfer of produced water would begin upon COGCC approval and terminate after one year with an option for extension.

Benefits

Under this plan, each party shall use reasonable and available means to safely transfer production water, in sufficient volumes and quality, to meet the other party's transfer request, when mutually agreeable to do so. The benefits include:

- Less fresh water withdraws from surface water sources;
- Less reliance on injection wells for disposal of production/flowback water;
- Increased operational efficiencies from reusing local supplies of production/flowback water to meet water demands for drilling, completion and workover activities.

Produced Fluid Pickup and Transfer Location

Produced water will be collected at from Encana's (HIM Upper Pond North COGCC ID: 149013 SENW Sec. 36 T7S-96W) and (North Parachute Ranch EP Waste Management COGCC ID: 120803 SWSW Sec. 30 T5S-R95W) then transferred to from Encana's 12" waterline to Encana's installed can and collected from Caerus temporary line. The transferring company (Encana) shall maintain all regulatory responsibility, custody and control for all water until it is transferred through Encana's can to Caerus's temporary waterline. Caerus will send water through the temporary pipeline to well pad. Caerus will assume all regulatory responsibility, custody and control of the water. (See attached map for additional detail on the custody transfer point).

From the custody transfer point, Caerus will reuse the transferred water at the following location:

Nolte 14-796 (COGCC ID 435806, SESE Sec 14, T7S-R96W)

Transfer

Caerus's transfer activities will consist of the following:

Transported water will come from Encana's Facilities (HIM Upper Pond North COGCC ID: 149013 SENW Sec. 36 T7S-96W) and (North Parachute Ranch EP Waste Management COGCC ID: 120803 SWSW Sec. 30 T5S-R95W). Encana's can, will serve as the transfer point to Caerus's temporary line. The destination of water will be Caerus's well pad Nolte 14-796 (COGCC ID 435806, SESE Sec 14, T7S-R96W) via temporary pipeline. Custody Transfer Point is located in Garfield County, Colorado. Encana will assume responsibility of the water from its points of origin, (HIM Upper Pond North COGCC ID: 149013 SENW Sec. 36 T7S-96W) and (North Parachute Ranch EP Waste Management COGCC ID: 120803 SWSW Sec. 30 T5S-R95W).

The volumes of fluid to be delivered will be up to 900,000 bbls; actual transferred volumes will be metered.

Caerus will maintain records with the following information:

- Changes to the approved plan;
- Applicable training requirements for Caerus and its contractors (lock out/ tag out, job hazard analysis at the transfer location, etc.);
- Types and results of internal and contractor audits conducted;
- Tabulated waste generator records, if required by Rule 907.b.(2) including:
 - Date of transport
 - Identity of water generator
 - Identity of water transporter
 - Volume of water transported
 - Location of receiving point(Transport tickets will be maintained for each load)
- Summary of spills, incidents or upsets;

Spill Response and Cleanup Measures

Caerus Piceance, LLC (Operator ID: 10456) collection facilities are covered under a Spill Prevention Control and Countermeasure Plan (SPCC).

Encana Oil & Gas (USA) Inc. (Operator ID: 100185) receiving points are also covered under a SPCC plan.

Analytical Data

An analysis representative of the water to be transferred to Caerus will be included as Attachment B prior to transfer of water.

Summary

Origination of water – Encana's Facilities at (HIM Upper Pond North COGCC ID: 149013 SENW Sec. 36 T7S-96W) and (North Parachute Ranch EP Waste Management COGCC ID: 120803 SWSW Sec. 30 T5S-R95W) located in Garfield County.

Destination of water – Caerus's well pad Nolte 14-796 (COGCC ID 435806, SESE Sec 14, T7S-R96W) located in Garfield County, Colorado.

Water Transportation – All water transported will be delivered via Caerus's temporary waterline used and installed by Caerus Piceance, LLC.

Estimated volume of water transferred – up to 900,000 bbls.

Operator Contact Information

Primary Contact:

Caerus Oil and Gas, LLC

Peter Travers

Operations Engineer

600 17th Street, Suite 1600N

Denver, Colorado 80202

PTravers@caerusoilandgas.com

720.880.6408 Office

Secondary Contact:

Michael A Ryneearson


600 17th Street, Suite 1600N

Denver, Colorado 80202

MRyneearson@caerusoilandgas.com

720.880.6407 Office

303.241.5432 Mobile


Signature / Date 6-5-14

ENCANA OIL & GAS (USA) Inc.

Louie Gibson

Water Coordinator, Western Operations - Water Management

143 Diamond Ave.

Parachute, CO 81635

970.489.1749 Office

970.989.0143 Mobile


Signature / Date 6-5-14

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Rockies, Grand Junction

Lab Results-PE

Job Information

Request ID	2005746	Rig Name		Date	15/MAY/2014
Submitted By	Nathan Barnum	Job Type	Fracturing/Stimulation	Well	High Mesa
Customer	Encana	Location			

Well Information

Formation	Unknown	Depth MD	BHST
Pressure		Depth TVD	Cool Down Temperature

Results For Request ID 2005746

Water Analysis

Tank Number/Source	W222
Specific Gravity	1.011
pH	7.15
Chlorides (mg/L)	9297
Calcium (mg/L)	620
Magnesium (mg/L)	80
Dissolved Iron (mg/L)	5.7
Potassium (mg/L)	44
Bicarbonates (mg/L)	990
Carbonates (mg/L)	0
Hydroxides (mg/L)	0
Sulfates (mg/L)	10
Sodium (mg/L)	5510
TDS (mg/L)	16100
Rw Resistivity (Ohms-Meter)	0.435
Temperature (°F)	71

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Rockies, Grand Junction

Lab Results-PE

Job Information

Request ID	2005771	Rig Name		Date	16/MAY/2014
Submitted By	Nathan Barnum	Job Type	Fracturing/Stimulation	Well	Middle Fork
Customer	Encana	Location			

Well Information

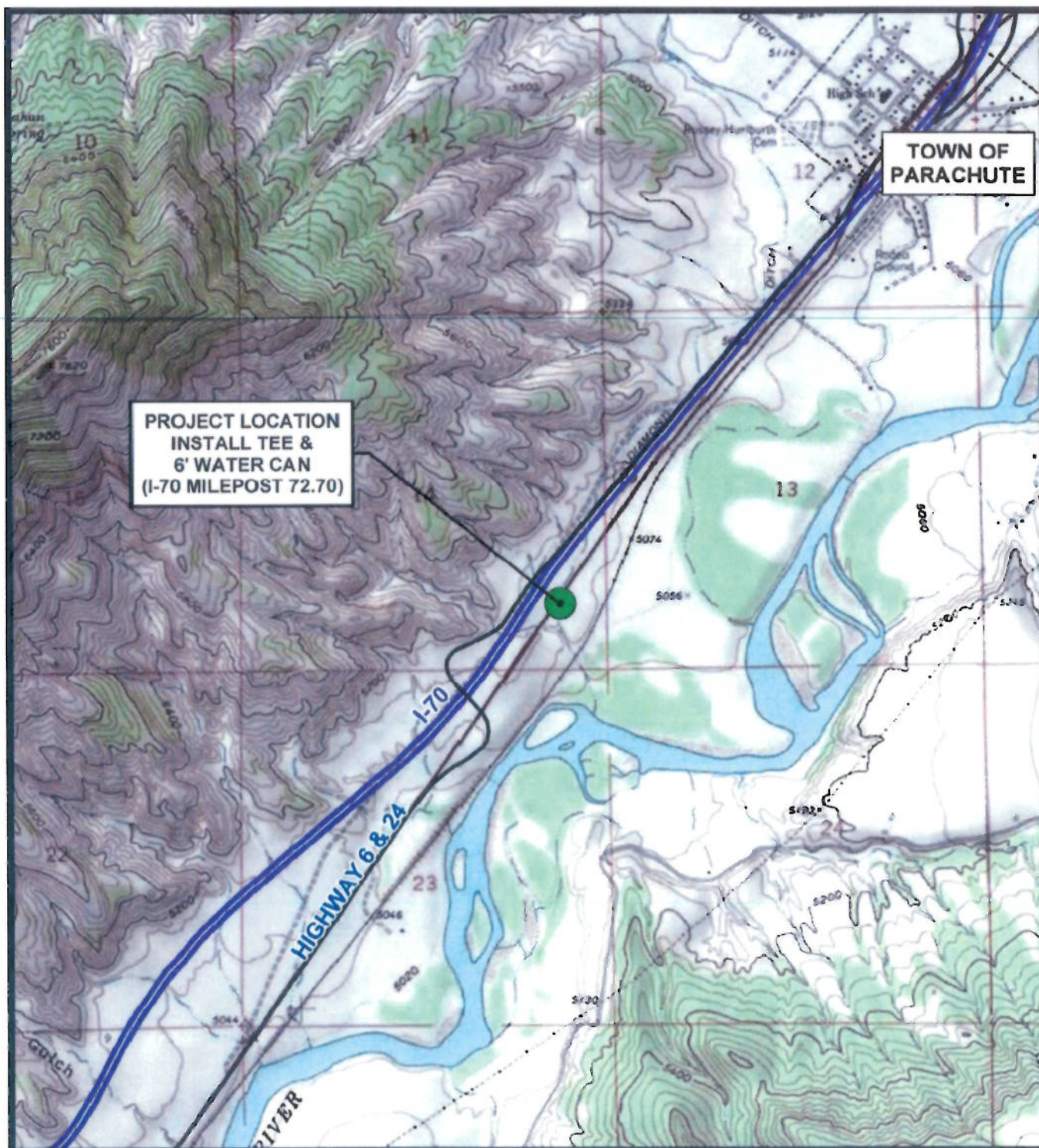
Formation	Unknown	Depth MD	BHST
Pressure		Depth TVD	Cool Down Temperature

Results For Request ID 2005771

Water Analysis

Tank Number/Source	W225
Specific Gravity	1.009
pH	6.56
Chlorides (mg/L)	7074
Calcium (mg/L)	710
Magnesium (mg/L)	90
Dissolved Iron (mg/L)	16.3
Potassium (mg/L)	57
Bicarbonates (mg/L)	580
Carbonates (mg/L)	0
Hydroxides (mg/L)	0
Sulfates (mg/L)	0
Sodium (mg/L)	3767
TDS (mg/L)	11600
Rw Resistivity (Ohms-Meter)	0.594
Temperature (°F)	68

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Encana Oil & Gas (USA) Inc.

12" WATERLINE MAINTENANCE
SE1/4 SE1/4 Section 14, T7S, R96W, 6th P.M.
GARFIELD COUNTY, COLORADO



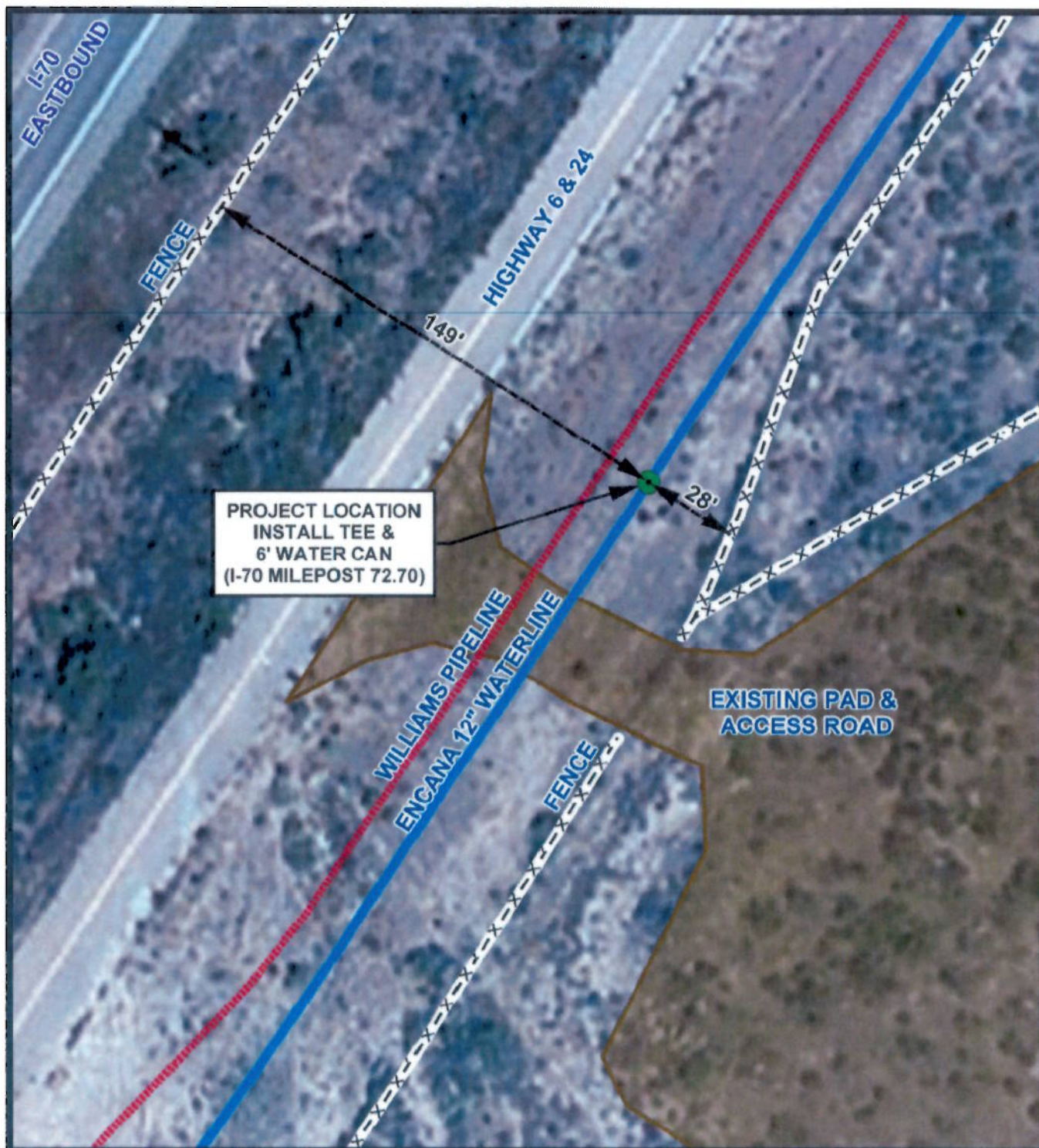
Wasatch Surveying Associates
906 Main Street Evanston, Wyoming 82930
Phone No. (307) 789-4545 Fax (307) 789-5722



VICINITY MAP

PROJECT No. 08-04-59
DATE: 5/14/2014
SCALE: 1 inch = 2,000 feet

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of 2

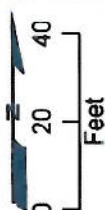


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GARFIELD COUNTY, COLORADO



Wasatch Surveying Associates
906 Main Street Evanston, Wyoming 82930
Phone No. (307) 789-4545 Fax (307) 789-5722



AERIAL MAP

PROJECT No. 08-04-59
DATE: 5/14/2014
SCALE: 1 inch = 40 feet

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