



# *Hohn Engineering, PLLC*

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Billings, MT 59101

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September 3, 2014

Mahogany Resources, LLC

Mr. Nick Arentz

2219 Avenida Platanar

San Clemente, CA 92673

Sent via email or fed ex

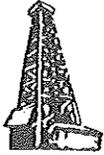
RE: Request for Expedited Approval  
Meagher 3-3H  
Lot 5, Section 3, T1S, R104W, 6<sup>th</sup> PM  
Rio Blanco County, Colorado  
COGCC Form 2 Document # 400605997  
COGCC Form 2A Document # 400568810

Dear Mr. Arentz

As you are aware, KGH Operating Company is beginning to drill the Meagher 3-3H well to test the Mancos B. The surface casing was set on August 23 and 24<sup>th</sup> and the rig move in and will begin this week.

KGH would like to confirm the Mancos B depth and thickness with a vertical that will be evaluated with open-hole logs. Once the logs have been run, a directional drilling plan will be prepared using the data obtained from the open-hole logging. The vertical hole will be plugged back to the kick off depth and the directional drilling can begin.

Under Colorado Oil & Gas Conservation Commission (COGCC) rules, each bore hole must have a separate application with a 20 day period for public comment as per COGCC Rule 305.c. Since KGH has already begun the drilling of the Meagher 3-3H, KGH respectfully requests the Expedited Approval of the horizontal hole under COGCC Rule 303.i. The original permit for the horizontal hole was changed to permit the vertical hole, and now KGH must re-permit the horizontal hole. Under COGCC Rule 303.i.2 "Due to exigent circumstances (including a recent change in geological interpretation), significant economic hardship to a drilling contractor will result or significant economic hardship to an operator in the form of drilling standby charges will result". The Director of the COGCC has the administrative right



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review the request and to waive the review period provided the landowner's approve this request (COGCC Rule 303.I).

By your acknowledgement and support of the requested waiver, KGH can reduce the costs of drilling the horizontal well by being able to immediately begin on the horizontal hole, otherwise, KGH will have to wait for the 20 day public review process in which case considerable standby charges will accrue.

Please acknowledge receipt of this request and note approval by return email (or mail).

Please call me or Jeff Wingerter at 406-655-3381 if you have any questions.

Sincerely,

Thomas K Hohn

Designated Agent for KGH Operating Company