



DEPARTMENT OF NATURAL
RESOURCES

Bill Owens, Governor
1120 Lincoln St. Suite 801
Denver, CO 80203
Phone: (303) 894-2100
FAX: (303) 894-2109
www.oil-gas.state.co.us

Memorandum

To: Leffler 5 File
From: Steven Lindblom – Onsite Inspection Specialist
CC: Richard Leffler – Landowner
Phillip Leffler - Landowner
Karla Stines – Merit Energy
David Dillon - COGCC
Date: February 8, 2007
Re: Leffler - Merit Onsite Inspection Leffler 5

This Memorandum summarizes discussions and developments regarding Merit Energy Company (Merit) Leffler 5 well that occurred during the Leffler Onsite Inspection in Section 27, Township 6N, Range 66W in Weld County on January 22, 2007. Attendees included staff of the Colorado Oil and Gas Conservation Commission (COGCC), Merit, and the landowner. A complete list of attendees and contact information is included with this Memorandum as Attachment 1.

After an introduction and overview of the onsite inspection policy by COGCC, discussions focused on the proposed location of the Leffler 5 well, concerns regarding the proposed location, and related issues.

PROPOSED LOCATION

Mr. Frank Holubec with Merit explained that the Leffler 5 well was staked very near the middle of the drilling window in the center of the quarter section. The location within the drilling windows could be adjusted to some degree, but was limited by the proximity to the adjacent property line. The flow line from the well would run to an existing tank battery at the Leffler 1-27 well pad. Attachment 2 shows the proposed and existing well locations in the Northeast Quarter of Section 27.

CONCERNS

Richard and Phillip Leffler expressed their desire that the impacts of the well and associated facilities be limited to the extent practical, both in light of the current agricultural land use and potential future development of the property. They requested that the Leffler 5 utilize the existing flow line from the Leffler 3 well or, if not possible, that the flow line from the Leffler 5 parallel the irrigation ditch and then follow the same path as the existing flow line. They expressed concern that the 75 foot right of way along the flow line would unnecessarily restrict their ability to develop the property in the future. They also requested that the well location be moved as close to the irrigation ditch as possible while still allowing sufficient room for the drilling rig.

Merit responded that they planned to place the flow line from the Leffler 5 under the dirt road along the irrigation ditch and would be willing to use the existing flow line from the Leffler 3 well, provided it



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passed a pressure test. The location of the flow line would be surveyed by Global Positioning System (GPS) and that information would be provided to the landowners. In addition, the 75 foot right of way would be reconsidered and reduced to the extent possible.

Regarding the well location, Merit stated that, provided a waiver could be obtained from the adjacent landowner, they would be willing to move the well location closer to the property line. Phillip Leffler stated that he would contact the landowner and explain the situation in advance of Merit contacting them. Merit inquired of the COGCC if movement of the well location would delay approval of the APD. COGCC responded that, since the APD was already approved, a resurvey of the location and submittal of a Form 4 Sundry Notice should not significantly delay Merit's drilling plans.

CONCLUSION

Frank Holubec agreed to re-stake the Leffler 5 location at a point closer to the property line and survey the location that afternoon. Barb Hill stated that she would prepare a waiver letter for the adjacent landowner so that the exception location could be utilized. She planned to deliver the letter after Phillip Leffler had contacted the landowner.



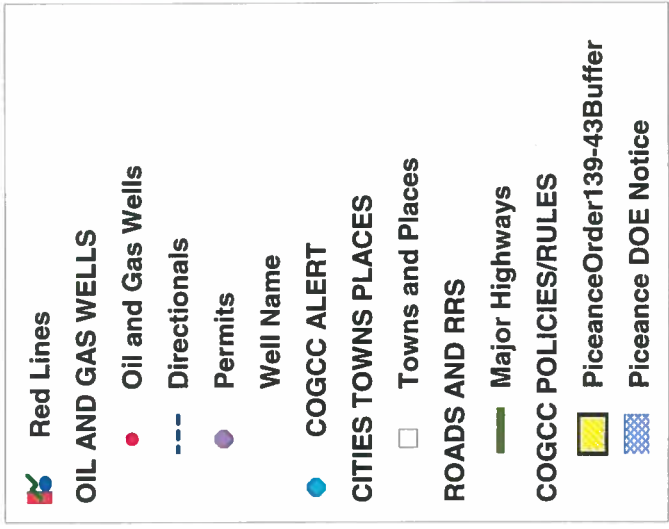
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Attachment 1 Attendees and Contact Information

Name	Representing	Telephone Number
Richard Leffler	Landowner	(303) 833-2388
Phillip Leffler	Landowner	(303) 833-2388
Frank Holubec	Merit Energy	(303) 857-6766
Barbara Hill	Merit Energy	(970) 213-3322
Steven Lindblom	COGCC	(303) 894-2100 x 114

Attachment 2



Red Lines

OIL AND GAS WELLS

- Oil and Gas Wells
- Directionals
- Permits

Well Name

- COGCC ALERT

CITIES TOWNS PLACES

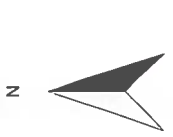
- Towns and Places

ROADS AND RRS

- Major Highways

COGCC POLICIES/RULES

- PiceanceOrder139-43Buffer
- Piceance DOE Notice



State of Colorado
Oil and Gas Conservation Commission
1120 Lincoln Street, Suite 801, Denver, Colorado 80203 Phone: (303)894-2100 Fax: (303)

APPLICATION FOR PERMIT TO:

1. ☒ Drill, ☐ Deepen, ☐ Re-enter, ☐ Recomplete and Opt.

2. TYPE OF WELL

OIL ☐ GAS ☐ COALBED ☐ OTHER: ☐
SINGLE ZONE ☐ MULTIPLE ZONES ☐ COMMINGLE ZONES ☒

Refilling ☒
Sidetrack ☐

01528720

APR 17 2006

Plugging Bond Surety ID#
COGCC

3. Name of Operator: Merit Energy Company 4. COGCC Operator Number: 56565

5. Address: 13727 Noel Road, Suite 500

City: Dallas State: TX Zip: 75240

6. Contact Name: Karla Stines Phone: (972) 628-1658 Fax: (972) 628-1958

7. Well Name: Leffler Well Number: 5

8. Unit Name (if appl): Unit Number:

9. Proposed Total Measured Depth: 7250'

Attachment Checklist

OP COGCC
APD Orig & 1 Copy
Form 2A
Well location plat
Topo map
Mineral lease map
Surface agrmt/Surety
30 Day notice letter
Deviated Drilling Plan
Exception Location Request
Exception Loc Waivers
H2S Contingency Plan
Federal Drilling Permit

10. Qtr/Sec: NE NE Sec: 27 Twp: 5N 6W Rng: 66W Meridian: 6TH P.M.

Latitude: 40.46304 Longitude: 104.75843

Footage At Surface: 1300' N 1170' E

11. Field Name: Wattenberg BRACEWELL Field Number: 99750-7487

12. Ground Elevation: 4714' 13. County: Weld

14. GPS Data: 3/3/2006

Date of Measurement: 3/28/06 PDOP Reading: 2.4 Instrument Operator's Name: D. Swanson

15. If well is: ☐ Directional ☐ Horizontal (highly deviated), submit deviated drilling plan. Bottomhole Sec Twp Rng:

Footage At Top of Prod Zone: At Bottom Hole:

16. Is location in a high density area (Rule 603b)? ☐ Yes ☒ No

17. Distance to the nearest building, public road, above ground utility or railroad: None w/i 200'

18. Distance to Nearest Property Line: 1170' 19. Distance to nearest well permitted/completed in the same formation: 800'

20. LEASE, SPACING AND POOLING INFORMATION

Objective Formation(s) Formation Code Spacing Order Number (s) Unit Acreage Assigned to Well Unit Configuration (N/2, SE/4, etc.)

Niobrara-Codell NB-CD 407-87 160 NE

21. Mineral Ownership: ☒ Fee ☐ State ☐ Federal ☐ Indian Lease #

22. Surface Ownership: ☒ Fee ☐ State ☐ Federal ☐ Indian

23. Is the Surface Owner also the Mineral Owner? ☒ Yes ☐ No Surface Surety ID#

23a. If 23 is Yes: Is the Surface Owner(s) signature on the lease? ☐ Yes ☐ No

23b. If 23 is No: ☐ Surface Owners Agreement Attached or ☐ \$25,000 Blanket Surface Bond ☐ \$2,000 Surface Bond ☐ \$5,000 Surface Bond

24. Using standard Qtr/Sec, Twp, Rng format enter entire mineral lease description upon which this proposed wellsite is located (attach separate sheet/map if you prefer): NE/4, Sec. 27, T5N-R66W

25. Distance to Nearest Mineral Lease Line: 1170' 26. Total Acres in Lease: 160

27. Is H2S anticipated? ☐ Yes ☒ No If Yes, attach contingency plan.

28. Will salt sections be encountered during drilling? ☐ Yes ☒ No

29. Will salt (>15,000 ppm TDS Cl) or oil based muds be used during drilling? ☐ Yes ☒ No

30. If questions 27 or 28 are yes, is this location in a sensitive area (Rule 903)? ☐ Yes ☒ No If 28, 29 or 30 are "Yes" a pit permit may be required.

31. Mud disposal: ☒ Offsite ☐ Onsite

Method: ☐ Land Farming ☐ Land Spreading ☒ Disposal Facility ☐ Other:

NOTE: The use of an earthen pit for Reclamation fluids requires a pit permit (Rule 905b). If air/gas drilling, notify local fire officials.

String Size of Hole Size of Casing Weight Per Foot Setting Depth Sacks Cement Cement Bottom Cement Top

Surface 12-1/4" 8-5/8" 24# 363' 275 363' Surface

Production 7-7/8" 4-1/2" 11.6# 7250' 200 7250' 6350'

Stage Tool ☒

32. BOP Equipment Type: ☒ Annular Preventor ☐ Double Ram ☐ Rotating Head ☐ None

33. Comments

34. Initial Rule 306 Consultation took place on (date) 4/4/05, was waived, or is not required. Provide supporting documentation if consultation has been waived or if good faith effort did not result in consultation.

PERMIT SUBMITTED TO COGCC PRIOR TO COMPLIANCE WITH RULE 306 CONSULTATION SHALL BE RETURNED UNAPPROVED.

I hereby certify that a complete permit package has been sent to the applicable Local Government Designee(s), and all statements made in this form are, to the best of my knowledge, true, correct, and complete.

Signed: Karla Stines Print Name: Karla Stines

Title: Sr. Regulatory Analyst Date: 4/11/06 Email: karla.stines@meritenergy.com

Based on the information provided herein, this Application for Permit-to-Drill complies with COGCC Rules and applicable orders and is hereby approved.

COGCC Approved: Director of COGCC Date: 6/13/06

Permit Number: 20061856 Expiration Date: 6/13/07

CONDITIONS OF APPROVAL, IF ANY:

API NUMBER

05-123-22981-00

**Colorado
Oil & Gas Conservation Commission**

COGCC Results
Selected Items Report

Oil and Gas Wells Selected						
Filter Results by Formation Include <input type="checkbox"/> UNK <input type="button" value="Filter"/>						
WELL DESCRIPTION		LOCATION	WELL INFORMATION			
05-123-10579, FEIT BROTHERS 1 WHITEWING RESOURCES LLC		NWNE 27 6N-66W (6)	Sidetrack TD Formation Status 00 0 UNK AL			
05-123-10588, LEFFLER 2 WHITEWING RESOURCES LLC		SENE 27 6N-66W (6)	Sidetrack TD Formation Status 00 0 UNK AL			
05-123-10590, TROUDT 2 WHITEWING RESOURCES LLC		SENW 27 6N-66W (6)	Sidetrack TD Formation Status 00 0 UNK AL			
05-123-10006, COWAN CONCRETE PRODUCTS 1 WHITEWING RESOURCES LLC		NWNW 35 6N-66W (6)	Sidetrack TD Formation Status 00 4572 UNK PA DRY HOLE			
Facilities Selected						
FACILITY DESCRIPTION		LOCATION	PIT INFORMATION			
			Type	Unlined	Status	
Water Wells Selected From Map						
Filter Results by Depth Greater than <input type="checkbox"/> 50 <input type="button" value="Filter"/>						
WELL DESCRIPTION		LOCATION	WELL INFORMATION			
			Depth	Top Perf	Bottom Perf	Aquifer
Receipt=0497777, Permit=0244887- POST WILLIAM M & BETH A		NESW 26 6N-66W	80	20	60	GW
Receipt=9061375, Permit=0012949-R- OESTMAN ELMER E & DIANE E		NWSW 26 6N-66W	58	0	0	GW
Receipt=9061376, Permit=0012950-R- OESTMAN ELMER E & DIANE E		NWSW 26 6N-66W	58	0	0	GW
Receipt=9065563, Permit=0079638- ARNBRECHT ROBERT		NESE 27 6N-66W	51	0	0	GW
Receipt=9082000, Permit=0014536-R- BOICE FRANK		NESE 28 6N-66W	54	0	0	GW
Receipt=9060571, Permit=0011100-R- BAUER J L		NENW 34 6N-66W	52	0	0	GW
Receipt=0034203, Permit=0034203-MH- CORROSION SPECIALISTS LTD		NENW 34 6N-66W	250	0	0	GW

APD REFILING SURFACE CASING CHECK

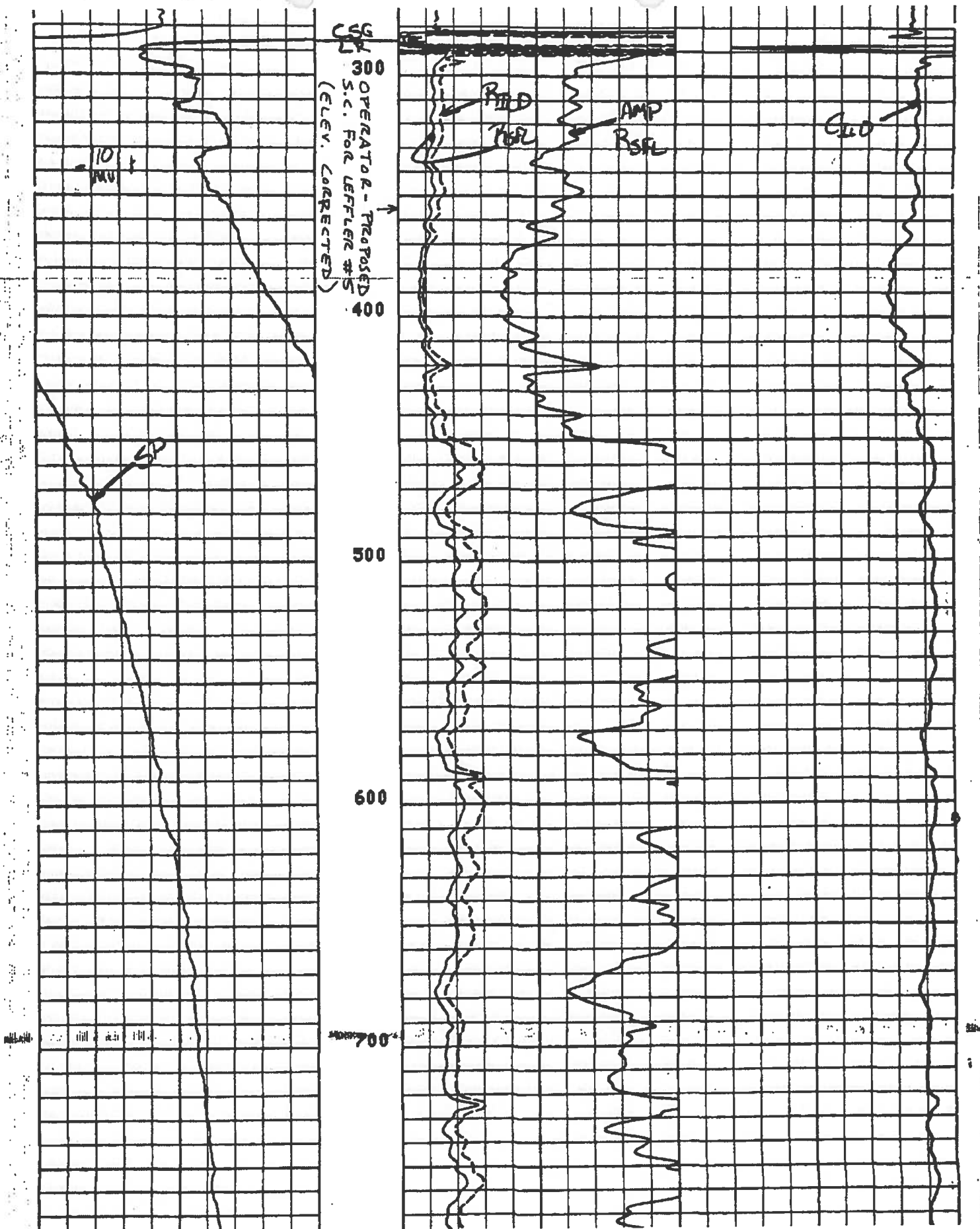
SBS: NA

FHFA: NA

WW: $4714 - 4450 + 50 = 314'$

PERMIT: 363'

OK ON DIL
@ 363'D.A.
4/17/2006



123-10587 LEFFLER 1-27 NENE 27-6N-66W
GS = 4706'

Fax

To: Mr. Steve Lindblom, COGCC**From:** Dick Leffler, Town Engineer**Fax:** 303-894-2109**Pages:** 3 including this cover**Phone:** 303-894-2100 x114**Date:** 1/11/2007**Re:** Leffler #5, NE NE Sec 24, T6N, R66W**CC:**☐ **Urgent**☐ **For Review**☐ **Please Comment**☐ **Please Reply**☐ **Please Recycle**

• Comments:

LL & L Farm
15756 WCR 66
Greeley, CO 80631
January 9, 2007

Mr. Steven Lindblom
Colorado Oil & Gas Conservation Commission
1120 Lincoln Street
Suite 801
Denver, CO 80203

RE: Leffler #5 Well; Sec. 27, T6N, R66W, Weld County

Dear Mr. Lindblom,

As I indicated during our phone conversation today, we have serious concerns about Merit Energy Company's intentions to drill the above referenced well without a surface use agreement in place. We were informed of this intention in a letter from their attorney dated January 5, 2007 that we received on January 8. We do not agree that Merit made a good faith effort to reach a mutually acceptable surface use agreement. A copy of a proposed surface use agreement was delivered to Phil Leffler on the evening of January 2, 2007. Before having the opportunity to review the proposed agreement, Phil mentioned several concerns to Ms. Barbara Hill, with Hill Land Services, who presented the agreement for Merit. Phil provided a copy of the proposed agreement to me on January 3, 2007. On the morning of January 4, 2007, I contacted Barbara Hill and conveyed additional concerns that we had with the proposed agreement, including references to more than one wellsite and inaccurate descriptions of the drilling window and legal description. She stated that she would address these concerns with Merit and get back to us. The only response we received was the January 5, 2007 letter from Merit's attorney informing us that Merit intends to go forward with posting a bond and drilling without a surface use agreement as soon as practicable. There were absolutely no further discussions, negotiations or counteroffers.

Prior to the recent contacts by Ms. Hill, we had two contacts with Merit during the past year. The first was the mailed notice of Merit's intent to drill that was received on April 4, 2006. The second was Phil's on site visit with Mr. Frank Holubec, Merit representative, around early September, 2006, where Phil expressed our concerns with the well location, possible access roads, and a request that an existing flowline be used to connect this new well with the existing tank site. Mr. Holubec gave us the impression that Merit would be cooperative and indicated that these concerns would be addressed prior to the start of drilling. No plans were presented or agreed to by either party. There were no negotiations regarding the details of these concerns, the terms of a surface use agreement, or the amount that Merit would pay to us as consideration for drilling this proposed well. We anticipated that the negotiations would take place as part of the surface use agreement discussions. None of the concerns we had raised were included in the proposed surface use agreement that was presented to us on January 2, 2007.

We feel it is important to note that our property upon which the referenced well would be drilled is located within the City of Greeley and zoned Light Industrial. We own only one-twelfth (1/12) of the mineral rights for this property. While a reasonable payment for the value of the land impacted by the proposed new well, associated flowline and other construction would be appropriate, we would be willing to negotiate the amount if Merit was willing to modify some of the terms in their proposed surface use agreement. One major issue is Merit's request that there be no improvements within 75 feet on either side of each flowline. This is much greater than what is typical or reasonable. A related issue is Merit's unwillingness to provide a legal description of the wellsite or flowlines. The COGCC already requires that all active wells be accurately located. In addition, Section 18.56 of the Greeley City Code requires that all flow lines shall have the legal description recorded within 30 days of completion of construction. Merit's attorney states that a survey of flowline locations serves no purpose and is burdensome to Merit. I suggest that an operator should know where their facilities are located to effectively maintain or repair them and to avoid possible conflicts with other improvements in the future. One additional issue we need to consider in our negotiations with Merit is the fact that we have been approached by a developer who is interested in our property. They indicated that they might be willing to share in the cost to drill the well directionally if verifiable incremental costs were provided. We have not had the opportunity to pursue this option. Merit's attorney states in his January 5 letter that this matter was settled between both parties and the City of Greeley. The fact is that the City of Greeley did not make it a condition of their Use by Special Review as we had requested, but we never had a discussion with anyone from Merit about this option.

I appreciate your assistance in reviewing the Colorado Oil and Gas Conservation Commission policies and the information related to this matter. I respectfully request that Merit Energy Company not be allowed to start drilling at this time, but instead be required to meet with us to discuss our concerns and attempt to complete a surface use agreement as required by current rules and regulations.

Sincerely,



Richard L. Leffler, P.E.

Cc: Phil Leffler

Colorado Oil and Gas Conservation Commission (COGCC)**Onsite Inspection Request Form**

(Effective for APDs submitted after February 15, 2005)

As the surface owner(s) where a proposed well is being drilled, I/we am/are requesting that the COGCC conduct an onsite inspection. I/we did not execute a surface use or other relevant agreement regarding the use of the surface for the proposed well. I/we understand that good faith consultation with the operator as required under COGCC Rule 306, is required to have occurred prior to making this request to the COGCC to conduct an onsite inspection, and that this onsite inspection request must be received by the COGCC within ten (10) business days of the first day of the Rule 306. consultation.

Surface Owner Contact Information:Name: Richard KetterAddress: 456 Kathryn Drive, Loveland, CO 80537Telephone No. 303-833-2388, 970-667-5733 Cell 303-472-1588
Work Home**Well Operator and Location Information:**Operator: Merit Energy CompanyWell Name: Ketter 5Location: NE NE 27 - 6N - 66W

Quarter/Quarter Section-Township-Range

County: WeldFirst date Rule 306. consultation occurred: Jan 3, 2007
Date

Proposed two (2) dates for the COGCC onsite consultation (must be within thirty (30) days of the request)

1st date Jan 19, 2007 2nd date Feb 2, 2007

I/we would prefer to have a representative of the appropriate Local Government (COGCC Local Governmental Designee) invited to attend the onsite inspection? X yes no

Briefly describe the unresolved issues related to the proposed well: (The onsite inspection shall not address matters of surface owner compensation, property value, future use of the property or any private party contractual issues between the operator and the surface owner.)

Setbacks from flowlinesUsing existing flowlinesSurvey of facilitiesLocation of well

Richard Ketter
Signature(s)

1-16-07

Date

Please fax or first class mail this request for an onsite inspection to:

Colorado Oil and Gas Conservation Commission

Attn: Permit Supervisor - Steve Lindblom

1120 Lincoln Street, Suite 801 Denver, CO 80203

FAX (303) 894-2109

op: 56565

LAT 40.45323

Lon -104.75815