



Caerus Oil & Gas LLC  
1001 Seventeenth Street  
Suite 1600  
Denver, Colorado 80202

August 9, 2016

Matt Lepore, Director  
Colorado Oil and Gas Conservation Commission  
Department of Natural Resources  
1120 Lincoln Street, Suite 801  
Denver, CO 80203

RE: Request for Exception to Spacing Order 510-11 – Lot 9, Section 17, T6S-R96W – 100' Setback  
Chevron 21E-17 – API No. 05-045-23240  
Garfield County, Colorado

Dear Director Lepore:

Caerus Piceance LLC ("Caerus") respectfully requests approval of "an exception to Spacing Order 510-11" for the Chevron 21E-17. The proposed BHL of this well encroaches the "Unit Boundary" setback rule. The proposed BHL falls 59' from the Unit Boundary in Lot 9, Sec. 17-T6S-R96W.

Spacing Order 510-11 allows for "the permitted downhole location for each new Williams Fork Formation well drilled upon the application lands shall be located downhole anywhere in the drilling and spacing unit but no closer than 100 feet from the boundaries of the unit without exception being granted by the Director".

Caerus is requesting an exception to this rule because the surrounding wellbores in Lots 5 and 9 are sub optimal and will not drain the 13.6 BCF of recoverable gas collectively in these two Lots. Due to the locations of the pre-existing wells in Lots, 5 and 9 Caerus needs to drill the Chevron 21E-17 26 feet from the north boundary line of Lot 9. This is the only way to drain the original gas in place without doing undue harm to existing producing wells in the area.

Chevron North America Exploration and Production Company a division of Chevron U.S.A. Inc. ("Chevron") has 100% mineral ownership in all of Section 17-6S-96W, including Lots 5 and 9. Chevron is aware of the proposed well locations and a waiver from Chevron is nonessential is this request. Their correlative rights will not be impacted, or adversely affected, if this "exception request" is granted.

Sincerely,

A handwritten signature in blue ink that reads "Reed Haddock". The signature is written in a cursive, flowing style.

Caerus Piceance, LLC  
Reed Haddock  
Sr. Regulatory Specialist  
Caerus Piceance, LLC  
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Denver, CO 80202