

Focus Ranch Federal Unit 3-1 Permit Extension Request

FRU 3-1 and 12-1 Wells
+/-40,000 Acres – Federal Minerals
Routt County, Colorado

Prepared by Entek GRB LLC – July, 2013



Regulatory Background

Entek is requesting a permit extension, to November 30, 2014, to sidetrack the 3-1 in the Focus Ranch Federal Unit because of:

- Unforeseen delays by the BLM
- Routt County permitting delays
- Stringent seasonal wildlife stipulations

Extension of the existing permit is necessary to fulfill Entek's drilling plans and gain access to the 3-1 in 2013.

In alternative, Entek requests extension to November 30, 2013.

BLM Delays

BLM Geographic Area Plan (GAP)

- 1) Entek has been unable to access 3-1 location (except to close pit) since 2010 because there was no BLM approved access route and surface owner litigation prevented access.
- 2) Entek has been engaged in a 4 year permitting process with BLM for 3 proposed routes on BLM surface.
- 3) In September 2012, Entek reached agreement with the BLM for 4 new wells and surface access to the existing 3-1 Well. Agreement required Entek to submit a Geographic Area Plan (GAP) to obtain approval.
- 4) In December 2012 Entek submitted all required materials for the GAP, with anticipated approval in time for work season in 2013.
- 5) The GAP anticipated a 30 day public comment period commencing April 15, 2013 and final approval by June 1, 2013.
- 6) BLM continued to promise submission of the GAP each week subsequent to April 15th -- GAP finally went out for public comment on July 2, 2013.
- 7) Absent appeals, Entek expects BLM approval of the GAP by September 15, 2013 which leaves sufficient time to build new road and commence operations on the FRU 3-1 sidetrack.

Wildlife Stipulations

- BLM administers their surface within this Unit as a no off-road vehicle access area and has typically placed annual seasonal wildlife stipulations which limit oil and gas activity in the Unit:
 - Big Game closure 12/1 – 4/30; Sage Grouse closure 3/1 – 6/30
 - Drilling and completion activities are therefore limited to a 5 month annual window from 7/1 – 11/30 which magnifies permitting delays from months into years.



Routt County Permitting

- Special Use Permit (SUP) Process
- A Routt County SUP is now required for all new well permits filed after April 2, 2013.
- It may take 6-9 months to obtain a new Routt County permit on BLM Surface and BLM minerals , even with no Routt County roads utilized. Previous Entek permit contained 290 plus pages of documentation, a significant portion of which was duplicative of the COGCC and BLM permit submission requirements.
- At best, final SUP approval will take approx. 60 days.

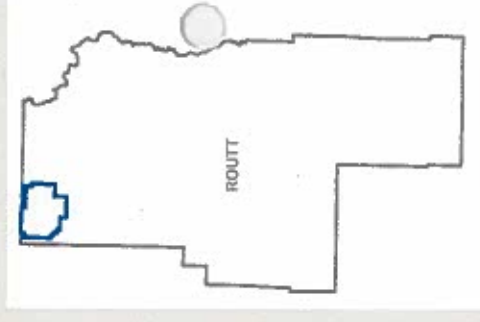
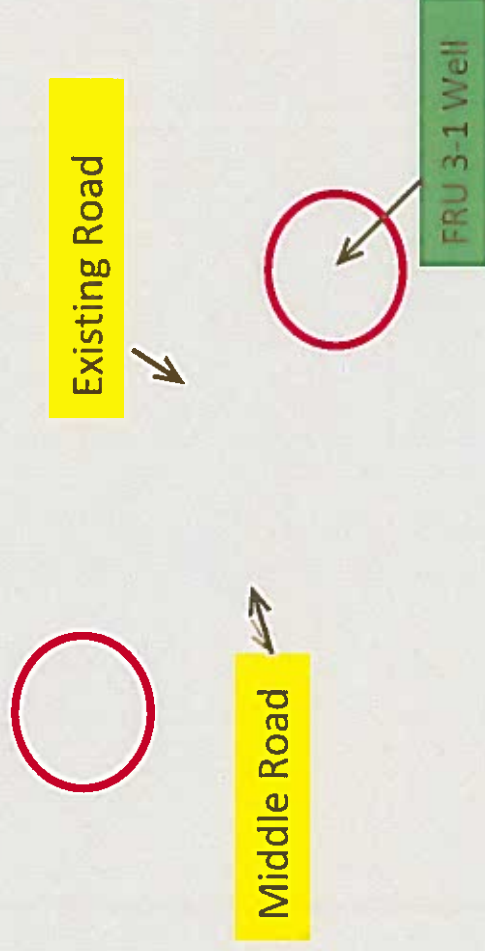
Focus Ranch Unit

Existing Wells:

- Fed 12-1
- Fed 3-1
- Butter Lake
- Fed 32-10

Proposed Wells:

- Fed 4-14
- Fed 33-13
- Fed 11-14



Focus Ranch Unit

Successful Development Potential

- If the permit is not extended, Entek will be unable to access and produce from the FRU 3-1 as planned in 2013. This unmet potential will cost the public, BLM, State of Colorado, Routt County and Entek.
- Potential Losses based upon:
150 barrels of oil per day based upon 75% of FRU 12-1 flow rates.
\$90 price per bbl realized
Entek 75% Net Revenue Interest after costs

Revenue, Royalty and Taxes	FRU 3-1 Well \$/month	FRU 3-1 Well Twelve Month Totals
Federal Royalty	\$45,636	\$547,636
Colo Severance	\$ 50,636	\$607,603
Colo Ad Valorem	\$5,000	\$60,000
Entek Revenue	\$273,818	\$3,285,821

Focus Ranch Unit 3-1 Well Chronology

August 2006 - Well was drilled by previous operator under APD

November 2006 - Well was completed and temporarily abandoned

July 2009- COGCC APD for sidetrack filed

September 2010 – no access allowed, APD expired

June 11, 2011 – Entek files 1st renewal for COGCC APD for sidetrack

June 29, 2013 – no access allowed, 1st renewal expires

July 3, 2013 – BLM releases EA for public comment

July 3, 2013 - Entek initiates process to extend June 28, 2013. **EXTEND
PROCESS STARTED PRIOR TO EXPIRATION – Change date?**

* BLM Sundry for reentry filed June 1, 2011 and approved – no expiration date.

Entek's Operational History:

Entek is a responsible, experienced, environmentally sensitive operator which meets and, in many cases exceeds federal, state, and county regulations:

1. *Entek "inherited" significant obligations related to prior operators activities and has performed remediation totaling ~\$500,000.*
2. Our cleanup list since 2011.
 - a. Cleaned up the yard at Robidoux 13-12 well.
 - b. Cleaned up and backfilled pits at the Robidoux 13-15, Battle Mountain 14-15, Brownlee 13-9, Butter Lake 32-10 (Cuttings Pit), FRU 3-1 wells.
 - c. Reclamation of the Brownlee 24-1 well site.
 - d. Storm water upgrades throughout our field.
 - e. Prompt remediation of all 2011 Cuttings Pits that went with the new drills, the BMF 14-10, C&C Cattle 18-8, SD Fed 24-9 DL wells.
 - f. Timely remediation of pipeline activities and reseeded in 2011.
3. We participate in and are a respected part of the local community. Entek locally sources to the greatest extent possible contractors, materials and labor.