



BEFORE THE OIL & GAS CONSERVATION COMMISSION  
OF THE STATE OF COLORADO

**RECEIVED**  
MAR 20 2013  
**COGCC**

IN THE MATTER OF THE APPLICATION OF AXIA )  
ENERGY, LLC FOR AN ORDER TO POOL ALL )  
INTERESTS IN AN APPROXIMATE 2533.55-ACRE )  
UNIT IN SECTIONS 17, 18, 19 and 20 TOWNSHIP )  
8 NORTH, RANGE 93 WEST 6TH P.M., )  
UNNAMED FIELD, MANCOS AND NIOBRARA )  
FORMATIONS, MOFFAT COUNTY, COLORADO )

CAUSE NO. 540

DOCKET NO. 1303-UP-55

ORIGINAL

REQUEST FOR RECOMMENDATION OF  
APPROVAL OF APPLICATION WITHOUT A HEARING

Axia Energy, LLC ("Applicant"), by and through its undersigned attorneys, hereby requests pursuant to Rule 511.a. of the Rules and Regulations of the Colorado Oil and Gas Conservation Commission for the Director to recommend approval of its January 24, 2013 verified application, ("Application") and the supporting exhibits without a hearing.

Applicant requests that the above-captioned matter be approved based upon: (i) the merits of the Application, and (ii) Applicant's sworn written testimony verifying sufficient facts along with exhibits that adequately support the relief requested in the Application. To Applicant's information and belief, no protests were timely filed in this matter.

WHEREFORE, Applicant requests that its request for a recommendation for approval of its Application without a hearing be granted.

DATED this 20th day of March, 2013.

Respectfully submitted,

**AXIA ENERGY, LLC**

By:   
\_\_\_\_\_

Jamie L. Jost  
Gregory J. Nibert Jr.  
Beatty & Wozniak, P.C.  
Attorneys for Applicant  
216 16<sup>th</sup> Street, Suite 1100  
Denver, Colorado 80202  
(303) 407-4499

**AXIA ENERGY, LLC**  
**Tab McGinley – Land Testimony**

Cause 540; Docket No. 1303-UP-55  
Pooling Application – Mancos-Niobrara Formations  
Unnamed Field, Moffat County, Colorado

March 2013 Colorado Oil and Gas Conservation Commission Hearing

My name is Tab McGinley, and I am currently employed as Vice President of Land for Axia Energy, LLC (“Applicant”). I graduated from Rice University in Houston, Texas in 1983 with a degree in Energy Land Management. I have over 29 years of experience in oil and gas land work. I have worked directly or in a supervisory role with the properties that are subject of this matter.

In support of Applicant’s application (“the Application”) and my sworn testimony herein, I have prepared six (6) exhibits. This testimony and exhibits provide the supporting basis for approval of the Applicant’s request for an order pooling all interests in the wellbore spacing unit comprised of the following lands:

Township 8 North, Range 93 West, 6<sup>TH</sup> P.M.  
Section 17: ALL  
Section 18: Lots 1-4, E $\frac{1}{2}$ W $\frac{1}{2}$ , E $\frac{1}{2}$ ; a/d/a ALL  
Section 19: Lots 1-4, E $\frac{1}{2}$ W $\frac{1}{2}$ , E $\frac{1}{2}$ ; a/d/a ALL  
Section 20: Lots 1-3, N $\frac{1}{2}$ SW $\frac{1}{4}$ , NW $\frac{1}{4}$ , E $\frac{1}{2}$ ; a/d/a ALL

Containing 2,533.55 acres, more or less  
Moffat County, Colorado.

1. Exhibit No. 1  
Exhibit No. 1 is the Well Location Certificate that shows the location of the Bulldog 17-11H-893 Well (“Well”) to be drilled on the subject lands.
2. Exhibit No. 2  
Exhibit No. 2 is a list of all owners of an oil and gas interests in the tracts to be pooled. In addition to the working interest owners and unleased mineral owners, the notice was provided to leased mineral (royalty) owners who do not receive offers to lease or participate under Rule 530.
3. Exhibit No. 3  
Exhibit No. 3 is an example of the offer letter sent to working interest owners pursuant to Rule 530. The letters were sent to the last known address (where available) of these parties. The letter offered the parties the opportunity to participate in the drilling and completion operations of the Well by paying a proportionate share of such costs.
4. Exhibit No. 4  
Exhibit No. 4 is a copy of an Authority for Expenditure (“AFE”) which was sent by Applicant to the working interest owners and/or unleased mineral interest owners. This AFE is a fair and reasonable estimate of the costs of the drilling and completion operations of the Well.

5. Exhibit No. 5

Exhibit No. 5 is a copy of the form of lease which was sent by Applicant to the unleased mineral interest owners. The form of lease is reasonable and is customary for this area of Colorado.

6. Exhibit No. 6

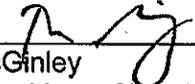
Exhibit No. 6 is an example of the offer letter sent to unleased mineral interest owners pursuant to Rule 530. The letters were sent to the last known address (where available) of these parties. The letter offered the parties the opportunity to lease their mineral interests to Applicant and such offer is fair and reasonable for the Application Lands.

Based upon examination of relevant contracts and records, all owners of an oil and gas interest in the tracts to be pooled (who could be located by Applicant) received timely notice of the Application. In addition, at least thirty (30) days will have elapsed prior to the hearing on this matter since the information required by Rule 530 was provided to those interested parties entitled to such offers to lease or to participate in the Well. To date, Applicant has been unable to obtain a lease or other agreement to participate in the Well from one or more parties listed on Exhibit No. 2 (hereafter "nonconsenting parties").

Accordingly, Applicant requests that its Application be approved without the necessity of a hearing, that all interests in the drilling and spacing unit be pooled, including any subsequent operations to develop the Mancos and Niobrara Formations, and that any non-consenting parties be made subject to the cost recovery provisions of the applicable statute.

**Affirmation**

The matters described herein were all conducted under my direction and control. To the best of my knowledge and belief, all of the matters set forth herein and in the exhibits are true, correct, and accurate.

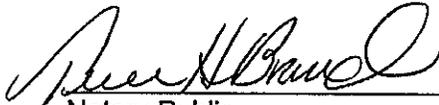
  
\_\_\_\_\_  
Tab McGinley  
Vice President of Land  
Axia Energy, LLC

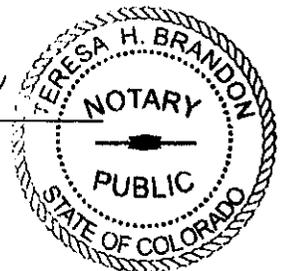
STATE OF COLORADO )  
 ) ss.  
CITY AND COUNTY OF DENVER )

The foregoing instrument was subscribed and sworn to before me this 11<sup>th</sup> day of March, 2013, by Tab McGinley, as Vice President of Land for Axia Energy, LLC.

Witness my hand and official seal.

[SEAL]  
My commission expires: 8/7/16

  
\_\_\_\_\_  
Notary Public



**EXHIBIT NO. 1- WELL LOCATION CERTIFICATE: SURFACE LOCATION**

**Property Location Plat: Surface Location**

**Well Survey Pending**

Sections 17, 18, 19 and 20, Township 8 North, Range 93 West  
Moffat County, Colorado

**WELL LOCATION CERTIFICATE: BOTTOM HOLE LOCATION**

**Property Location Plat: Bottom Hole Location**

**Well Survey Pending**

Sections 17, 18, 19 and 20, Township 8 North, Range 93 West  
Moffat County, Colorado

## EXHIBIT NO. 2 - INTERESTED PARTIES

AXIA ENERGY, LLC  
1430 LARIMER STREET, SUITE 400  
DENVER, CO 80202

JOHN ALFRED SMITH ESTATE C/O  
KENNETH DALE SMITH  
9908 W. 147TH ST.  
OVERLAND PARK, KS 66221

OXY USA INC.  
5 GREENWAY PLAZA, SUITE 110  
HOUSTON, TEXAS 77046

GLORIA J. NICKELL  
87864 LIMPIT LANE  
FLORENCE, OR 97439

QUICKSILVER RESOURCES, INC.  
801 CHERRY STREET, STE. 3700  
FORT WORTH, TEXAS 76102

ROLLINS INVESTMENT CO.  
2330 BAKER DRIVE  
CRAIG, CO 81625

U.S.A. C/O BUREAU OF LAND MANAGEMENT  
2850 YOUNGFIELD STREET  
LAKEWOOD, CO 80215

BEAKON OIL & GAS, INC.  
PO BOX 1264  
BROWNWOOD, TX 75791

CLARENCE F. SMITH ESTATE  
C/O PATRICK SMITH ET AL  
2508 SCOTTSDALE  
LAWRENCE, KS 66047

REX ROSS WALKER  
911 KIMBARK STREET  
LONGMONT, CO 80501

CHARLES E. SMITH ESTATE  
C/O JAY W. SMITH AIF  
5530 MARINA DR  
GARLAND, TX, 75043

IRENE P. MASON  
8358 LAKESIDE DRIVE  
SHOW LOW, AZ 85901

JAMES A SMITH ESTATE  
C/O JAY W. SMITH AIF  
5530 MARINA DR  
GARLAND, TX, 75043

ANDY AND ARGIE PEROULIS FAMILY  
LIMITED PARTNERSHIP & ANDREW AND  
ARGIE T PEROULIS MINERAL TRUST  
PO BOX 683  
CRAIG, CO 81626

RUTH S. RUDESILL  
714 ASHCOMB DRIVE  
LA PUENTE, CA 9174

BORD GULCH RANCH, LLC  
PO BOX 36  
CRAIG, CO 81625

JOHN ALFRED SMITH ESTATE  
C/O DENNIS JOHN SMITH  
12227 W. 63RD TER.  
SHAWNEE, KS 66216

MARY DASKALAKIS & GUS DASKALAKIS  
2996 CRUISE WAY  
SALT LAKE CITY, UT 84109

RICHARD AND DORIS J. BOCHMANN  
2755 G ROAD  
GRAND JUNCTION, CO 81506

JAMES M. ROBERTSON  
3673 SOUTH SUNRISE DRIVE  
SARATOGA SPRINGS, UT 84045

EMMA BOCHMANN  
SAN MARINO RETIREMENT VILLAGE #330,  
500 WEST 75TH AVE.  
WESTMINSTER, CO 80030

ALISHA ROBERTSON BOYER  
1639 CEDAR STREET  
GRAFTON, WI 53024

KATHLEEN ANN ANTONY  
2641 SOUTH BRENTWOOD COURT  
LAKEWOOD, CO 80227

ELIZABETH ANN GILCHRIST, TRUSTEE OF  
THE R.S. ROBERTSON FAMILY TRUST  
610 TAYLOR STREET  
CRAIG, CO 81625

JOHN ROBERTSON  
114 NORTH 300 WEST  
SPRINGVILLE, UT 84663

MARJORIE DRAKE  
3 MADERIA COURT  
GRAND JUNCTION, CO 81507

CARLIE ROBERTSON  
178 HOBBLE CREEK CANYON DRIVE  
SPRINGVILLE, UT 84663

PAM WIMER  
2463 CIMMARON DRIVE  
GRAND JUNCTION, CO 81505

NICHOLE ROBERTSON SORENSON  
178 HOBBLE CREEK CANYON DRIVE  
SPRINGVILLE, UT 84663

JAMES T. GRIFFIN  
PO BOX 30973  
TUCSON, AZ 85751

AMANDA ROBERTSON GUEORGUIEV  
3480 EAST CANYON ROAD  
PANISH FORK, UT 84660

THOMAS J. GRIFFIN  
702 WEST MCARTHUR AVENUE, SPACE #37  
WINNEMUCCA, NV 89445

LYNNE R. GREEN  
4409 AVALANCHE AVENUE  
YAKIMA, WA 98908

JOHN MICHAEL GRIFFIN  
1472 FAHIM DRIVE  
GARDNERVILLE, NV 84910

WENDY ROBERTSON TRINIMAN  
PO BOX 270027  
FRUITLAND, UT 84027

GEORGE ROBERTSON  
17611 NORTH CANYON ROAD  
LITTLETON, CO 80127

NICHOLAS IAN ROBERTSON  
312 SOUTH CANYON VIEW DRIVE  
ELK RIDGE, UT 84651

ELIZABETH ANN GILCHRIST  
610 TAYLOR STREET  
CRAIG, CO 81625

MONTY ROBERTSON  
350 CLAY AVENUE  
CRAIG, CO 81625

GWENDOLYN DAWN MORTENSEN  
PO BOX 1145  
DRAPER, UT 84020

JAMES ROBERTSON  
3673 SOUTH SUNRISE DRIVE  
SARATOGA SPRINGS, UT 84045

TIMOTHY LEE PELLE C/O JAMES PELLE  
25923 SOUTH 579 LOOP  
AFTON, OK 74331

MARY BEA NEU  
895 ROSE STREET  
CRAIG, CO 81625

NANCY JEAN PELLE C/O BOYD JAMES  
PELLEY  
1800 FISHERMAN POINT  
TRENTON, MO 64683

GREGORY D. PELLE  
12877 HILLTOP PLACE  
KIOWA, CO 80117

NICHOLAS IAN ROBERTSON  
312 SOUTH CANYON VIEW DRIVE  
ELK RIDGE, UT 84651

BOYD JAMES PELLE  
6702 FOX GLEN DRIVE  
ARLINGTON, TX 76001

LITTLE SNAKE FIELD OFFICE  
BUREAU OF LAND MANAGEMENT  
ATTENTION: MARTY O'MARA  
455 EMERSON STREET  
CRAIG, COLORADO 81625

JEFF COMSTOCK  
MOFFAT COUNTY  
221 W VICTOR WAY, SUITE 130  
CRAIG, CO 81625

KENT KUSTER  
COLORADO DEPARTMENT OF  
PUBLIC HEALTH & ENVIRONMENT  
4300 CHERRY CREEK DRIVE SOUTH  
DENVER, CO 80246-1530

MICHAEL WARREN  
ENERGY LIAISON  
COLORADO PARKS AND WILDLIFE  
NORTHWEST REGIONAL OFFICE  
711 INDEPENDENT AVE.  
GRAND JUNCTION, CO 81505

EXHIBIT NO. 3 - OFFER LETTER TO WORKING INTEREST OWNERS



VIA CERTIFIED RECEIPT MAIL

[DATE]

[WORKING INTEREST OWNER]

Re: Bulldog \_\_\_\_\_ Well – Mancos and Niobrara Formations
Township North, Range West, 6 P.M.
Section \_\_: \_\_\_\_\_
Section \_\_: \_\_\_\_\_
Moffat County, CO

Ladies and Gentlemen:

Further to correspondence you have received, Axia Energy, LLC ("Axia") is in the process of forming the Bulldog \_\_\_\_\_ exploratory drilling and spacing unit ("Unit") on the above described lands for the drilling of the Bulldog \_\_\_\_\_ horizontal well ("Well") in order to test the Mancos and Niobrara formations. As depicted on the enclosed plat, our proposed Units vary in size based upon the planned length of the lateral portion of our wellbore. In general, our total vertical depths are in the 10,000' to 11,000' foot range plus up to a 9,000' lateral. Axia has filed an application with the Colorado Oil and Gas Conservation Commission ("COGCC") to form this Unit. If approved by the COGCC, the Unit will comprise approximately \_\_\_\_\_ acres, inclusive of the lands in which you own a working interest. We are soliciting your participation in the Well or Wells to be drilled in the Unit.

The surface location for the Well will be in the \_\_\_\_\_, with a projected bottomhole location being in the \_\_\_\_\_.

Accordingly, enclosed for your consideration is Axia's AFE for the drilling and completing the Well which will be drilled to a total depth to sufficiently test the Mancos and Niobrara formations. Listed below is a summary of working interest and estimated expenditures.

Your working interest in the Well and all Wells:

\_\_\_\_\_ % ( \_\_\_\_\_ net acres / \_\_\_\_\_ acres in the unit)

Your share to drill and complete this Well is:

\$ \_\_\_\_\_ (\$ \_\_\_\_\_ \* \_\_\_\_\_ %)

Should you elect to participate, we will provide you with our proposed Joint Operating Agreement ("JOA") for your review covering the captioned lands. In addition, Axia requests that you provide a copy of all title and contracts applicable to your leasehold within the drilling unit so that our attorney may further review title for the benefit of all participating working interest owners.

Please notify Axia of your election to participate in the drilling of the proposed Well by checking the appropriate spaces below and signing and returning a copy of this letter, along with an executed copy of the AFE. Failure to respond within thirty (30) days from your receipt of this notice shall be deemed as an election to NOT participate under Option number 2 below.



Thank you in advance for your time and attention to this matter. Please feel free to call if you have any questions or require additional information.

Very truly yours,

Tab McGinley  
Vice President of Land  
720-746-5210

Enclosures



**THE UNDERSIGNED ELECTS TO:**

**OPTION 1:**

\_\_\_\_ Participate in the drilling and completion for its \_\_\_\_\_ % working interest in Axia's Bulldog  
\_\_\_\_\_ well.

**OPTION 2:**

\_\_\_\_ Not Participate in the drilling and completion for its \_\_\_\_\_ % working interest in Axia's  
Bulldog \_\_\_\_\_ well and elect to have its working interest be subject to C.R.S. 34-60-116.

Signature (1): \_\_\_\_\_

Date: \_\_\_\_\_

Name: \_\_\_\_\_

Signature (2): \_\_\_\_\_

Date: \_\_\_\_\_

Name: \_\_\_\_\_

# EXHIBIT NO. 4 - AFE

## AUTHORIZATION FOR EXPENDITURE



|   |   |
|---|---|
| WELL NAME: <b>BULLDOG #WELL</b>                       | PROSPECT: <b>SAND WASH - NIOBRARA</b>       |
| LOCATION: <b>TBD</b>                                  | DEPTH: <b>21,000</b> Date: <b>2/12/2013</b> |
| MVD# <b>131,500</b>                                   | MTD: <b>21,000</b>                          |
| COUNTY: <b>MOFFAT</b>                                 | STATE: <b>COLORADO</b>                      |
| TYPE OF OPERATION: <b>HORIZONTAL EXPLORATORY WELL</b> |   |
| TYPE OF WELL: <b>AFLA</b>                             |   |

|                                  |   | TYPE OF WELL       |                    |                     |
|----------------------------------|---|--------------------|--------------------|---------------------|
|                                  |   | AFLA               | TBD                | UNIQUE # TBD        |
|                                  |   | DRY HOLE           | COMPLETION         | TOTAL               |
| <b>DRILLING INTANGIBLES</b>      |   |                    |                    |                     |
| 630-06                           | Regulatory, Surveys, and Permitting             | \$32,000           |                    | \$32,000            |
| 630-16                           | Road, Location and Damages                      | \$315,000          |                    | \$315,000           |
| 630-20                           | Drilling Rig Turnkey                            |                    |                    |                     |
| 630-21                           | Drilling Rig                                    | \$700,000          |                    | \$700,000           |
| 630-22                           | Fuels and Lubricants                            | \$201,600          |                    | \$201,600           |
| 630-23                           | Mobilization, Demobilization and Trucking       | \$450,000          |                    | \$450,000           |
| 630-24                           | Rental Equipment - Drilling Phase               | \$417,950          |                    | \$417,950           |
| 630-25                           | Reamers and Drilling Motor                      | \$50,000           |                    | \$50,000            |
| 630-26                           | Bits  | \$75,000           |                    | \$75,000            |
| 630-27                           | Fishing Tools and Service                       |                    |                    |                     |
| 630-28                           | Pipe Inspection and Coating                     | \$50,000           |                    | \$50,000            |
| 630-30                           | Drilling Mud and Completion Fluids              | \$550,000          |                    | \$550,000           |
| 630-35                           | Air Compressor Package / Underbalanced Services |                    |                    |                     |
| 630-37                           | Directional Drilling Services                   | \$264,000          |                    | \$264,000           |
| 630-40                           | Logging Open Hole / Wireline                    | \$25,000           |                    | \$25,000            |
| 630-42                           | Formation Evaluation                            |                    |                    |                     |
| 630-48                           | Mud Logging                                     | \$70,000           |                    | \$70,000            |
| 630-60                           | Cement and Service                              | \$130,000          |                    | \$130,000           |
| 630-68                           | Plugging  |                    |                    |                     |
| 630-69                           | Transportation                                  | \$75,000           |                    | \$75,000            |
| 630-76                           | Supervision                                     | \$54,000           |                    | \$54,000            |
| 630-72                           | Overhead  | \$13,000           |                    | \$13,000            |
| 630-75                           | Contract Labor                                  | \$50,000           |                    | \$50,000            |
| 630-76                           | Casing Crews                                    | \$27,500           |                    | \$27,500            |
| 630-77                           | Communication - Rig Phone/Svc                   | \$21,000           |                    | \$21,000            |
| 630-80                           | Other Intangibles                               | \$238,400          |                    | \$238,400           |
| 630-84                           | Well Insurance                                  | \$15,000           |                    | \$15,000            |
| 630-98                           | Company Labor/Vehicles                          | \$8,500            |                    | \$8,500             |
| <b>COMPLETION INTANGIBLES</b>    |   |                    |                    |                     |
| 650-06                           | Road, Location and Damages                      |                    | \$1,161,500        | \$1,161,500         |
| 650-20                           | Completion Rig                                  |                    | \$150,000          | \$150,000           |
| 650-22                           | Fuels & Lubricants                              |                    |                    |                     |
| 650-23                           | Rig Move, Rig Up, Rig Down                      |                    |                    |                     |
| 650-24                           | Rental Equipment - Completion Phase             |                    | \$137,500          | \$137,500           |
| 650-27                           | Fishing Tools and Service                       |                    |                    |                     |
| 650-30                           | Drilling Mud and Completion Fluids              |                    | \$1,157,100        | \$1,157,100         |
| 650-35                           | Acidizing and Fracturing                        |                    | \$2,315,000        | \$2,315,000         |
| 650-40                           | Perforation and Wireline                        |                    | \$242,600          | \$242,600           |
| 650-60                           | Cement and Service                              |                    | \$95,000           | \$95,000            |
| 650-69                           | Transportation                                  |                    | \$35,000           | \$35,000            |
| 650-76                           | Supervision                                     |                    | \$90,000           | \$90,000            |
| 650-72                           | Overhead  |                    | \$5,000            | \$5,000             |
| 650-76                           | Casing Crews                                    |                    | \$95,000           | \$95,000            |
| 650-77                           | Communication - Rig Phone/Svc                   |                    |                    |                     |
| 650-78                           | Contract Labor                                  |                    | \$231,500          | \$231,500           |
| 650-84                           | Well Insurance                                  |                    |                    |                     |
| 650-90                           | Other Intangibles                               |                    | \$253,000          | \$253,000           |
| 650-98                           | Company Labor/Vehicles                          |                    |                    |                     |
|                                  |   | <b>\$3,652,950</b> | <b>\$4,968,200</b> | <b>\$8,621,150</b>  |
| <b>TANGIBLE WELL EQUIPMENT</b>   |   |                    |                    |                     |
| 640-05                           | Conductor Pipe                                  | \$6,300            |                    | \$6,300             |
| 640-10                           | Casing  | \$352,800          |                    | \$352,800           |
| 640-11                           | Tubing  |                    |                    |                     |
| 640-80                           | Other Tangible Drilling Cost                    | \$25,000           |                    | \$25,000            |
| 680-10                           | Casing  |                    | \$411,250          | \$411,250           |
| 680-11                           | Other Surface Equipment                         |                    | \$20,000           | \$20,000            |
| 680-15                           | Tubing  |                    | \$70,330           | \$70,330            |
| 680-16                           | Wellhead  | \$29,800           | \$60,000           | \$89,800            |
| 670-03                           | Artificial Lift Equipment                       |                    | \$5,000            | \$5,000             |
| 670-17                           | Equipment: Construction                         |                    | \$75,000           | \$75,000            |
| 670-20                           | Tanks   |                    | \$55,000           | \$55,000            |
| 670-22                           | Separator/Production Unit                       |                    | \$60,000           | \$60,000            |
| 670-53                           | Flow Lines                                      |                    | \$10,000           | \$10,000            |
|                                  |   | <b>\$413,900</b>   | <b>\$776,580</b>   | <b>\$1,190,480</b>  |
| <b>ESTIMATED TOTAL WELL COST</b> |   | <b>\$4,066,850</b> | <b>\$6,744,780</b> | <b>\$11,051,630</b> |

NOTE: This AFE cost is intended to be an accurate estimate rather than a precise price

Approved by: \_\_\_\_\_ Approved by: \_\_\_\_\_  
 Title: \_\_\_\_\_ Date: \_\_\_\_\_  
 Company: \_\_\_\_\_

## EXHIBIT NO. 5 - FORM OF LEASE

PRODUCERS 55-PAID UP

### OIL AND GAS LEASE

This Oil and Gas Lease ("Lease") is made this \_\_\_\_ day of \_\_\_\_\_, 2013, by and between, \_\_\_\_\_ ("Lessor" whether one or more) whose address is \_\_\_\_\_ and Axia Energy, LLC ("Lessee"), whose address is 1430 Larimer Street, Suite 400, Denver, Colorado 80202.

WITNESSETH, For and in consideration of TEN DOLLARS, the covenants and agreements contained herein, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Lessor does hereby grant, demise, lease and let exclusively unto said Lessee, with the exclusive rights for the purposes of exploring by geophysical and other methods, drilling and operating for and producing therefrom oil and all gas of whatsoever nature or kind (including coalbed gas), and laying pipelines, telephone lines, building tanks, compressor units, roadways and structures thereon to produce, save and take care of said products, and the exclusive surface or subsurface rights and privileges related in any manner to any and all such operations, and any and all other rights and privileges necessary, incident to, or convenient for the operation alone or conjointly with neighboring land for such purposes, all that certain tract or tracts of land situated in Moffat County, State of Colorado described as follows, to wit:

#### [LEGAL DESCRIPTION]

and containing \_\_\_\_\_ acres, more or less, and also, in addition to the above described land, any and all strips or parcels of land, other than those constituting regular governmental subdivisions adjoining or contiguous to the above described land and owned or claimed by lessor, all of the foregoing land being hereinafter referred to as the "Premises."

1. It is agreed that this Lease shall remain in full force for a term of five (5) years from this date ("Primary Term") and as long thereafter as oil or gas of whatsoever nature or kind is produced from the Premises or on acreage pooled or unitized therewith, or operations are continued as hereinafter provided. If, at the expiration of the Primary Term, oil or gas is not being produced from the Premises or on acreage pooled or unitized therewith but Lessee is then engaged in drilling, reworking or dewatering operations thereon, then this Lease shall continue in force so long as such operations are being continuously prosecuted. Operations shall be considered to be continuously prosecuted if not more than one hundred eighty (180) days shall elapse between the completion or abandonment of one well and the beginning of operations for the drilling of a subsequent well. If after discovery of oil or gas on the Premises or on acreage pooled or unitized therewith, the production thereof should cease from any cause after the primary term, this Lease shall not terminate if Lessee commences additional drilling, reworking or dewatering operations within one hundred eighty (180) days from date of cessation of production or from date of completion of a dry hole. If oil or gas shall be discovered and produced as a result of such operations at or after the expiration of the Primary Term, this Lease shall continue in force so long as oil or gas is produced from the Premises or on acreage pooled or unitized therewith.
2. This is a PAID-UP LEASE. In consideration of the payment made herewith, Lessor agrees that Lessee shall not be obligated, except as otherwise provided herein, to commence or continue any operations during the primary term. Lessee may at any time or times during or after the Primary Term surrender this Lease as to all or any portion of the Premises and as to any strata or stratum, by delivering to Lessor or by filing for record a release or releases, and be relieved of all obligations thereafter accruing as to the acreage surrendered.
3. Lessee covenants and agrees to pay royalty to Lessor as follows:
  - a) On oil, to deliver to the credit of Lessor, free of cost on the lease if sold on the Premises or free of cost into the pipeline to which Lessee may connect wells at first point of sale, the equal seventeen percent (17.00%) part of all oil produced and saved from the Premises.
  - b) On gas of whatsoever nature or kind, liquid hydrocarbons and their respective constituent elements, casinghead gas or other gaseous substances, produced from the Premises ("Gas") Lessee shall pay, as royalty, seventeen percent (17.00%) of the net proceeds realized by Lessee from first point of sale.
  - c) On products produced from the Premises Lessee shall pay, as royalty, seventeen percent (17.00%) of the net proceeds realized by Lessee from first point of sale.
  - d) Lessee shall have the right to pay Lessor's proportionate share of any required severance, excise or gross production taxes.
4. Where gas from a well capable of producing gas is not sold or used after the expiration of the Primary Term, Lessee shall pay or tender as royalty to Lessor at the address set forth above One Dollar (\$1.00) per year per net mineral acre that is attributable to Lessor's ownership, such payment or tender to be made on or before the anniversary date of this Lease next ensuing after the expiration of ninety (90) days from the date such well is shut in or dewatering operations are commenced and thereafter on or before the anniversary date of this Lease during the period such well is shut in or dewatering operations are being conducted.
5. If Lessor owns a lesser interest in the Premises than the entire and undivided fee simple estate therein, then the royalties, including any shut-in Gas royalty, herein provided for shall be paid Lessor only in the proportion which Lessor's interest bears to the whole and undivided fee.
6. Lessee shall have the right to use, free of cost, gas, oil and water produced on the Premises for Lessee's operations thereon, except water from the wells, streams, lakes and ponds of Lessor.
7. When requested by Lessor, in the event Lessor is also the surface owner, Lessee shall bury Lessee's pipeline below plow depth and no well shall be drilled nearer than 500 feet to the house or barn now on the Premises without written consent of Lessor. Lessee shall pay for damages caused by Lessee's operations on the Premises. Lessee shall have the right at any time to remove all machinery and fixtures (including casing) Lessee has placed on the Premises.

8. The rights of the Lessor and Lessee hereunder may be assigned in whole or part. No change in ownership of Lessor's interest (by assignment or otherwise) shall be binding on Lessee until Lessee has been furnished with notice, consisting of certified copies of all recorded instruments or documents and other information necessary to establish a complete chain of record title from Lessor, and then only with respect to payments thereafter made. No other kind of notice, whether actual or constructive, shall be binding on Lessee. No present or future division of Lessor's ownership as to different portions or parcels of the Premises shall operate to enlarge the obligations or diminish the rights of Lessee, and all of Lessee's operations may be conducted without regard to any such division. If all or any part of this Lease is assigned, no leasehold owner shall be liable for any act or omission of any other leasehold owner.
9. Lessee, at its option, is hereby given the right and power at any time and from time to time as a recurring right, either before or after production, as to all or any part of the land described herein and as to any one or more of the formations hereunder, to pool or unitize the leasehold estate and the mineral estate covered by this lease with other land, lease or leases in the immediate vicinity for the production of oil and gas, or separately for the production of either, when in Lessee's judgment it is necessary or advisable to do so, and irrespective of whether authority similar to this exists with respect to such other land, lease or leases. Likewise, units previously formed to include formations not producing oil or gas, may be reformed to exclude such non-producing formations. The forming or reforming of any unit shall be accomplished by Lessee executing and filing of record a declaration of such unitization or reformation, which declaration shall describe the unit. Any unit may include land upon which a well has theretofore been completed or upon which operations for drilling have theretofore been commenced. Production, drilling or reworking operations or a well shut in for want of a market anywhere on a unit which includes all or a part of this lease shall be treated as if it were production, drilling or reworking operations or a well shut in for want of a market under this lease. In lieu of the royalties elsewhere herein specified, including shut-in gas royalties, Lessor shall receive on production from the unit so pooled royalties only on the portion of such production allocated to this lease; such allocation shall be that proportion of the unit production that the total number of surface acres covered by this lease and included in the unit bears to the total number of surface acres in such unit. In addition to the foregoing, Lessee shall have the right to unitize, pool, or combine all or any part of the above described lands as to one or more of the formations thereunder with other lands in the same general area by entering into a cooperative or unit plan of development or operation approved by any governmental authority and, from time to time, with like approval, to modify, change or terminate any such plan or agreement and, in such event, the terms, conditions and provisions of this lease shall be deemed modified to conform to the terms, conditions, and provisions of such approved cooperative or unit plan of development or operation and, particularly, all drilling and development requirements of this lease, express or implied, shall be satisfied by compliance with the drilling and development requirements of such plan or agreement, and this lease shall not terminate or expire during the life of such plan or agreement. In the event that said above described lands or any part thereof, shall hereafter be operated under any such cooperative or unit plan of development or operation whereby the production therefrom is allocated to different portions of the land covered by said plan, then the production allocated to any particular tract of land shall, for the purpose of computing the royalties to be paid hereunder to Lessor, be regarded as having been produced from the particular tract of land to which it is allocated and not to any other tract of land; and the royalty payments to be made hereunder to Lessor shall be based upon production only as so allocated. Lessor shall formally express Lessor's consent to any cooperative or unit plan of development or operation adopted by Lessee and approved by any governmental agency by executing the same upon request of Lessee.
10. All express or implied covenants of this Lease shall be subject to all Federal and State Laws, Executive Orders, Rules or Regulations, and this Lease shall not be terminated, in whole or in part, nor Lessee held liable in damages, for failure to comply therewith if compliance is prevented by, or if such failure is the result of, any such Law, Order, Rule or Regulation. Any delay or interruption caused by storm, flood, act of God or other event of force majeure shall not be counted against Lessee. If, due to the above causes or any cause whatsoever beyond the control of Lessee, Lessee is prevented from conducting operations hereunder, such time shall not be counted against Lessee, and this Lease shall be extended for a period of time equal to the time Lessee was so prevented, anything in this Lease to the contrary notwithstanding.
11. Lessor hereby warrants and agrees to defend the title to the lands herein described, and agrees that the Lessee shall have the right at any time to redeem for Lessor, by payment, any mortgages, taxes or other liens on the above described lands, in the event of default of payment by Lessor and be subrogated to the rights of the holder thereof, and the undersigned Lessors, for themselves and their heirs, successors and assigns, hereby surrender and release all right of dower and homestead in the premises described herein, insofar as said right of dower and homestead may in any way affect the purposes for which this lease is made, as recited herein.
12. Should any one or more the parties named as Lessor herein fail to execute this Lease, it shall nevertheless be binding upon all such parties who do execute it as Lessor. The word "Lessor", as used in this Lease, shall mean any one or more or all of the parties who execute this Lease as Lessor. All the provisions of this lease shall be binding on the heirs, successors and assigns of Lessor and Lessee.
13. This Lease shall never be terminated, forfeited, or canceled for Lessee's failure to perform, in whole or in part, any of the covenants, conditions, obligations and requirements set forth in this Lease, until Lessee, after written notice by Lessor, has been given a reasonable period of time within which to comply with the covenant, condition, obligation, or requirement.
14. Lessee is expressly granted the exclusive right to conduct geophysical exploration by means of seismograph, vibroseis or similar techniques. However, if Lessee conducts such geophysical exploration or operations on the lands covered by this Lease, all shot holes shall be kept a sufficient distance away from Lessor's water wells so as not to cause any damage to the water wells. Lessee shall promptly plug all shot holes with concrete plugs or other approved methods set below plow depth, fill the holes with dirt on top of the plugs, and restore the surface of the lease premises to substantially the same condition it was in prior to the commencement of the geophysical operations.
15. Lessor recognizes that Lessee has the right to use as much of the surface of the lease premises as a reasonably prudent operator would use to accomplish the purposes of this Lease.

16. No litigation shall be initiated by Lessor with respect to any breach or default by Lessee hereunder, for a period of at least 90 days after Lessor has given Lessee written notice fully describing the breach or default, and then only if Lessee fails to remedy the breach or default, within such period. In the event the matter is litigated and there is a final judicial determination that a breach or default has occurred, this lease shall not be forfeited or cancelled in whole or in part unless Lessee is given a reasonable time after said judicial determination to remedy the breach or default and Lessee fails to do so.

17. In the event that Lessor, during the primary term of this lease, receives a bona fide offer which Lessor is willing to accept from any party offering to purchase from Lessor a lease covering any or all of the substances covered by this lease and covering all or a portion of the land described herein, with the lease becoming effective upon expiration of this lease, Lessor hereby agrees to notify Lessee in writing of said offer immediately, including in the notice the name and address of the offeror, the price offered and all other pertinent terms and conditions of the offer. Lessee, for a period of fifteen days after receipt of the notice, shall have the prior and preferred right and option to purchase the lease or part thereof or interest therein, covered by the offer at the price and according to the terms and conditions specified in the offer.

18. This instrument may be executed in any number of counterparts, each of which shall be deemed an original and shall be binding upon the party or parties so executing, their heirs, successors and assigns, and all of which when taken together constitute but one and the same instrument.

IN WITNESS WHEREOF, this instrument is executed as of the date first above written.

By: \_\_\_\_\_

**Acknowledgement**

STATE OF \_\_\_\_\_

COUNTY OF \_\_\_\_\_

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 2013 by \_\_\_\_\_.

My Commission Expires: \_\_\_\_\_

\_\_\_\_\_  
Notary Public

EXHIBIT NO. 6 – EXAMPLE OF OFFER LETTER



VIA CERTIFIED RECEIPT MAIL

[DATE]

[UNLEASED MINERAL OWNER]

Re: Bulldog \_\_\_\_\_ Well – Mancos and Niobrara Formations  
Township North, Range West, 6 P.M.  
Section \_\_\_\_ : \_\_\_\_\_  
Section \_\_\_\_ : \_\_\_\_\_  
Moffat County, CO

Dear Interest Owner:

Axia Energy, LLC (“Axia”) is in the process of forming the Bulldog \_\_\_\_\_ exploratory drilling and spacing unit (“Unit”) on the above described lands for the drilling of the Bulldog \_\_\_\_\_ horizontal well (“Well”) in the Mancos and Niobrara formations. These are very deep and expensive wells. The size of the unit we are proposing is based upon the planned length of the lateral portion of our wellbore, which can be almost a mile (after we have drilled almost 2 miles vertically). If we are successful, you will share in any production associated with the Well for that portion of your minerals that are situated inside the Unit. Axia has filed an application with the Colorado Oil and Gas Conservation Commission (“COGCC”) to form this Unit. If approved by the COGCC, the Unit will comprise approximately \_\_\_\_\_ acres, inclusive of the lands in which you own the minerals. We are soliciting your cooperation by electing to grant us an oil and gas lease or to participate as a working interest owner in the Well or Wells to be drilled inside the Unit.

If you execute an oil and gas lease in our favor, you will be entitled to a proportionately reduced royalty, free of the costs to drill and complete the Well. We are willing to lease your mineral interest for a bonus consideration of \$300 per net acre with a 17.00% royalty rate, for a term of 5 years, under the provisions described in the enclosed lease form. This offer is consistent with other leases we have acquired in this area. Please mark the appropriate line below and return this letter in the self-addressed envelope. Upon receipt, we will provide you with an executable lease to be signed, notarized and returned for a bonus consideration of \$\_\_\_\_\_ (\_\_\_\_\_ net acres x \$300) due within 30 business days from our receipt of a properly executed lease.

As an alternative, you have the option to participate in unit operations as an unleased working interest owner by paying for your proportionate share of the cost of drilling, completing and operating the Well. In return, you will be entitled to your share of the production revenues. As a working interest owner, you will be required to enter into a mutually acceptable joint operating agreement, a copy for which will be provided should you elect to participate.

Finally, if you decline to lease, participate or fail to respond to this letter, your mineral interest will be subject to a non-consent penalty as provided under the COGCC’s Involuntary Pooling Proceedings (C.R.S. 34-60-116), until a share of all costs plus penalties have been recovered in accordance with the State Statute, should our Unit be approved by the COGCC.

Accordingly, enclosed for your consideration is Axia’s Authority for Expenditure (“AFE”) for the estimated drilling and completing costs for this Well. Listed below is a summary of your working interest



and estimated expenditures.

Your ~~unleased~~ working interest in the first Well in the Unit:

\_\_\_\_\_ % ( \_\_\_\_\_ net acres / \_\_\_\_\_ acres in the unit)

Your share to drill and complete this Well is:

\$ \_\_\_\_\_ (\$ \_\_\_\_\_ \* \_\_\_\_\_ %)

Within thirty (30) days from your receipt of this letter, please notify Axia of your election to 1) lease your mineral interest; 2) participate in drilling of the proposed Well with your mineral interest; or 3) not participate in the drilling of the proposed Well by checking the appropriate spaces below, signing and returning a copy of this letter, and if appropriate return an executed copy of the oil and gas lease or an executed copy of the AFE.

As the Well we are proposing to drill is extremely risky and expensive, we urge you to execute an oil and gas lease to us but would welcome your participation in the other alternatives we have set forth in this letter.

Thank you in advance for your time and attention to this matter. If you have any questions or comments, please don't hesitate to contact me using the number below.

Very truly yours,

Tab McGinley  
Vice President of Land  
720-746-5210

Enclosures



**THE UNDERSIGNED ELECTS TO:**

**OPTION 1:**

\_\_\_\_\_ Grant a Lease of the ~~unleased~~ minerals with the terms outlined therein.

**OPTION 2:**

\_\_\_\_\_ Participate in the drilling and completion for its \_\_\_\_\_% ~~unleased~~ working interest in Axia's Bulldog \_\_\_\_\_ well.

**OPTION 3:**

\_\_\_\_\_ ~~Neither Participate nor Lease~~ for its \_\_\_\_\_% ~~unleased~~ working interest in Axia's Bulldog \_\_\_\_\_ well plus any subsequent wells that may be drilled in the Unit, and elect to have its mineral interest be subject to C.R.S. 34-60-116.

Signature (1): \_\_\_\_\_

Date: \_\_\_\_\_

Name: \_\_\_\_\_

Signature (2): \_\_\_\_\_

Date: \_\_\_\_\_

Name: \_\_\_\_\_