

September 30, 2011

State of Colorado
Oil and Gas Conservation Commission
1120 Lincoln Street, Suite 801
Denver, CO 80203
Attn: David Neslin, Director

**RE: Rule 318.c Exception Location Request:
Banta Ridge Federal 11-18-1-103
Township 1S Range 103W Sec 18: SENW
Rio Blanco County, Colorado**

Dear Mr. Neslin:

Foundation Energy Management, LLC (“Foundation”), as operator, is requesting an exception location for the Banta Ridge Federal 11-18-1-103 well (“BRF 11-18”).

Legal Location:
SWNW LOT 2 1383FNL 954FWL 39.964667 N LAT, 109.004269 W LON AT
SURFACE
SENW LOT 2 2070FNL 1816FWL 39.967780 N LAT, 109.001200 W LON AT
PRODUCING ZONE

This well does not meet the requirements of rule 318a of the COGCC rules: 300 SERIES DRILLING, DEVELOPMENT, PRODUCTION, and ABANDONMENT. This rule states wells must be 1200 feet from other producible wells in the same zone.

- The BRF 11-18 violates this rule by being within 1200’ of the BRF 12-18 and the proposed well location of the BRF 12B-18.
- The BRF 11-18 will be 1102’ from the BRF 12-18.
- The BRF 11-18 will be 1176’ from the proposed location of the BRF 12B-18.

We believe that the current producing wells are not draining all of the reserves in the field. Based on calculated volumetrics in offset wells, the area shows a very low recovery factor which is often an indicator of small drainage area. The Mancos in this area is an oil reservoir, which is different than the typical Mancos B gas reservoir. For a low permeability rock like the Mancos B, there is typically a smaller drainage radius for oil than for gas. Attached you will find a map showing the locations and a sheet with volumetrics showing the calculated recovery factors for the wells.

For these reasons, we request an exception location be granted for the BRF 11-18. The BLM is the affected party in the case of the BRF 11-18. We have received a waiver for rule 318a of the COGCC’s rules from the BLM but are currently waiting for a hard copy to attach to this request.

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Denver, CO 80202

If you have any questions regarding this request please call me at (303) 861-0504 ext. 204 or Keelen Hauptman at (303) 861-0504 ext 202. Thank you for your help in this matter.

Best Regards,

FOUNDATION ENERGY MANAGEMENT, LLC



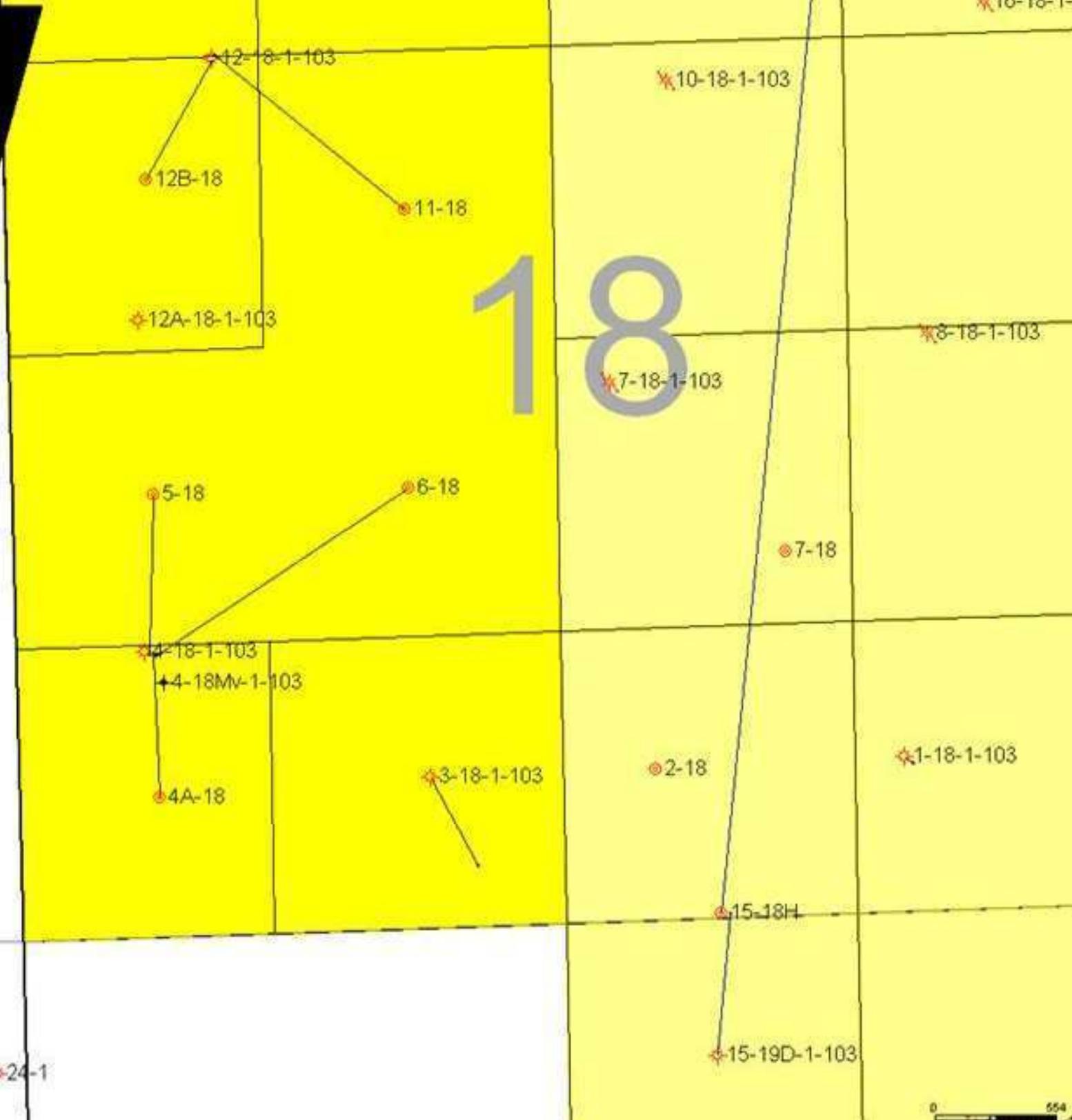
Matt Stark
Operations Engineer

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These calculations performed assuming a black oil system in the following wells. These show that using a 40 acre drainage radius on these wells leads to a very low RF.

<u>Banta Ridge 12A-18</u>		20 Acre OOIP	40 Acre OOIP
h	78	798764 bo	1597527 bo
Bo	1		
por	12%	Rec Factor 23%	Rec Factor 11%
Sw	0.45		
multiplier	7758		
EUR	180000		

<u>Banta Ridge 4-18</u>		20 Acre OOIP	40 Acre OOIP
h	49	418156 bo	836312 bo
Bo	1		
por	10%	Rec Factor 8%	Rec Factor 4%
Sw	0.45		
multiplier	7758		
EUR	35000		

<u>Banta Ridge 7-18</u>		20 Acre OOIP	40 Acre OOIP
h	48	532509 bo	1065018 bo
Bo	1		
por	13%	Rec Factor 4%	Rec Facotor 2%
Sw	0.45		
multiplier	7758		
EUR	22000		