



**FOUNDATION**  
ENERGY COMPANY

Foundation Energy Management, LLC  
1801 Broadway, Suite 408  
Denver, CO 80202

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 12B-18-1-103  
Township 1S Range 103W Sec 18: SWNW  
Rio Blanco County, Colorado**

Dear Mr. Neslin:

Foundation Energy Management, LLC ("Foundation"), as operator, is requesting an exception location for the Banta Ridge Federal 12B-18-1-103 well ("BRF 12B-18").

Legal Location:  
SWNW LOT 2 1396FNL 947FWL 39.964631 N LAT, 109.004294 W LON AT  
SURFACE  
SWNW LOT 2 1913FNL 650FWL 39.963214 N LAT, 109.005358 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 12B-18 violates this rule by being within 1200' of the BRF 12-18, the BRF 12A-18 and the proposed well location of the BRF 11-18.
- The BRF 12B-18 will be 596' from the BRF 12-18.
- The BRF 12B-18 will be 632' from the BRF 12A-18.
- The BRF 12B-18 will be 1176' from the proposed location of the BRF 11-18.

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 12B-18.

The BLM is the affected party in the case of the BRF 12B-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.

Tulsa Office

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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

**Tulsa Office**

1000 S. Broadway Ave. Suite 600  
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Phone: (918) 438-1100

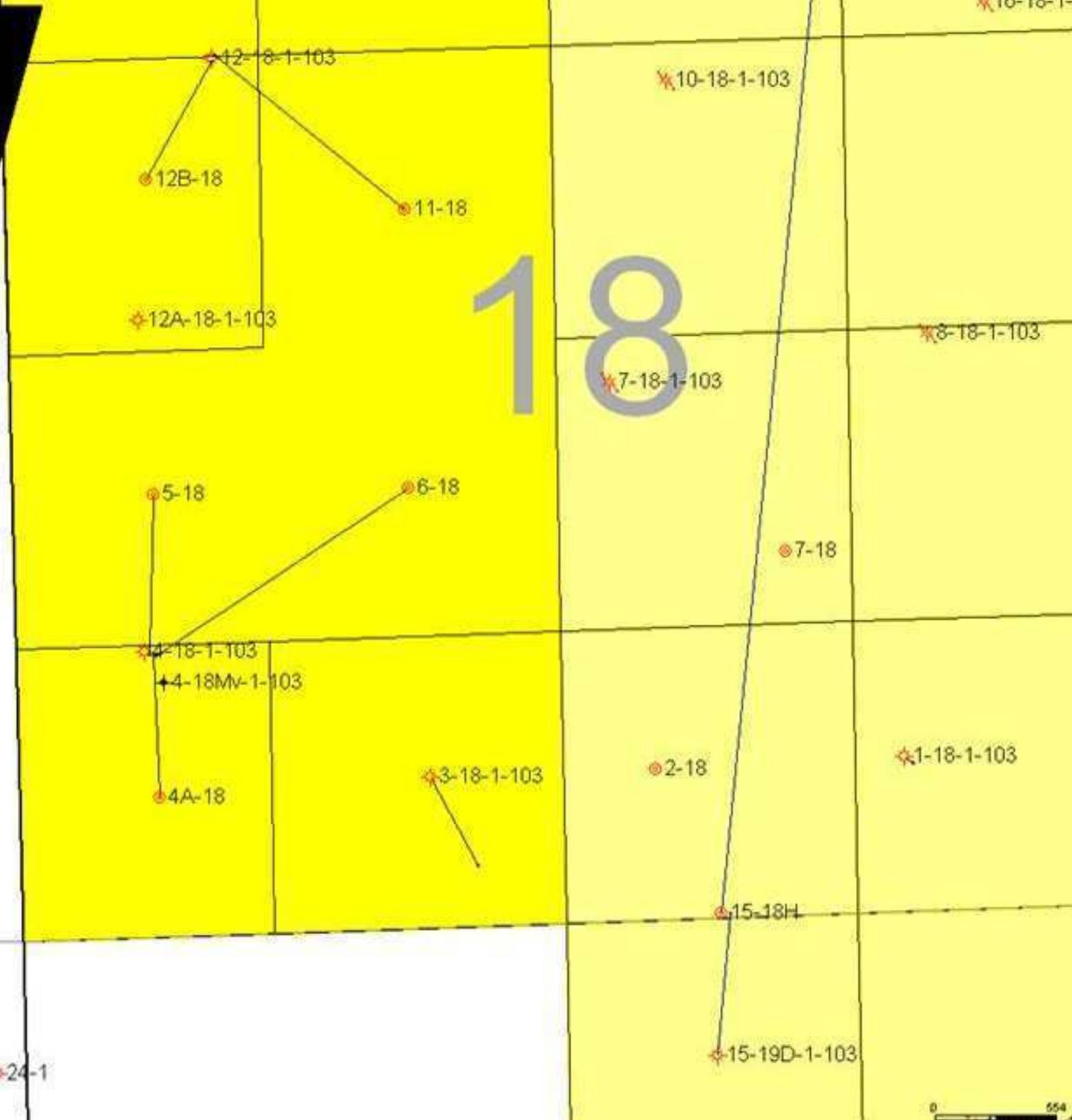
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These calculations performed assuming a black oil system in the following wells. These show that using a 40 acre drainage radius on these wells leads to a very low RF.

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

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

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