



PETERSON ENERGY
MANAGEMENT INC.

08/28/12

VIA ELECTRONIC TRANSMITTAL

Pico Niobrara, LLC
Attn: Robert Ayling
#300, 7979 Ivanhoe Avenue
La Jolla, CA 92037

RE: Notice of Intent to Propose Rule 318A(l)a.(4)D Horizontal Well
Hoshiko #1-1-36HZ Well: 806' FSL, 2353' FEL, SWSE Sec. 25-T5N-64W, Weld County, Colorado

Dear Working Interest Owner,

Peterson Energy Operating, Inc., (POPCO), intends to propose, drill and operate the above referenced well pursuant to Rule 318A(l)a.(4)D of the Colorado Oil and Gas Conservation Commission (COGCC). POPCO will propose the well as follows:

1. **Surface and Bottomhole Locations:**
SHL: 806' FSL, 2353' FEL, Sec. 25-5N-64W
BHL: 460' FNL, 460' FWL, Sec. 36-5N-64W
2. **Wellbore Spacing Unit:**
The wellbore spacing unit will consist of the 80-acres comprising the N/2 of the NW/4 of Sec. 36-5N-64W. The well spacing unit is depicted on the enclosed plat.
3. **Target Formations and Geologic Statement:**
This well is planned as a Niobrara horizontal, and the well will be drilled to a sufficient depth and reach in order to test the viability of said formation.
4. **Anticipated Spud Date & Surface Use:**
The anticipated spud date for this well is December 01, 2012. Currently the surface is cropland

Pursuant to COGCC Rule 318A(l)e.(6), you have thirty (30) days from receipt of this notice to object to this proposal. In the event you do not respond to this notice or enter an objection within the established time period, the proposed 80 acre spacing unit set forth herein shall be established. However, should you have no objection to this proposal; your cooperation of a written reply would be greatly appreciated in the form of the enclosed 30-day waiver below.

If you should have any questions, please contact the undersigned at 970-669-7411. Thank you for your timely consideration in this matter.

Sincerely,

Clayton L. Doke
Petroleum Engineer
Peterson Energy Operating, Inc

I, Robert William Ayling, officer, agent, or employee of Pico Niobrara, LLC, an owner as described in C.R.S. §34-60-103(7) of part of whole of the above described spacing unit, with full power to execute the following, do hereby approve of the Peterson Energy Operating, Hoshiko #1-1-36HZ well on the above described lands, do hereby waive the COGCC Rule 318A(l)e.(6) 30-day written notice requirement and grant that the proposed spacing unit may be established.

Signed Rob Ayling this 27th day of August, 2012

2154 West Eisenhower Boulevard | Loveland, Colorado 80537 | 970-669-7411 | info@petersonenergy.com

www.petersonenergy.com