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July 30, 2012

Peter Gowen
Enforcement Officer
Colorado Oil & Gas Conservation Commission
1120 Lincoln Street, Suite 801
Denver, CO 80202

Re: Term sheet relating to enforcement action taken against Beren under NOAV #200337810

Dear Peter:

The purpose of this letter is to outline Beren's proposed terms and conditions related to the resolution of the pending Colorado Oil and Gas Conservation Commission ("COGCC" or "Commission") staff's enforcement action taken against Beren Corporation ("Beren") for its operation of facilities associated with the Cook #1-X Well (the "Well"), located in the SE $\frac{1}{4}$ SE $\frac{1}{4}$ of Section 12, Township 4 South, Range 54 West, 6th P.M., under Notice of Alleged Violation ("NOAV") #200337810.

I. *Recitations*

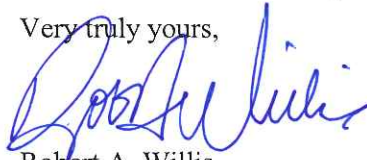
- Beren is the successor operator of the Well.
- On November 27, 2011, the heater treater located at the tank battery for the Well was upset, which resulted in a spill of an estimated 70 barrels (bbls) of E&P waste (20 bbls oil and 50 bbls of produced water) with all fluids contained within the associated berm. On November 28, 2011, Beren used a vacuum truck to remove as much liquid as could be removed from the impacted area.
- On January 5, 2012, Beren submitted a Form 19, Spill/Release Report, for the spill.
- On January 17, 2012, COGCC staff issued NOAV #200337810 (the "NOAV") which cited alleged rule violations pertaining to the spill/release (Rules 906.a., 906.b., and 906.d.) and the operation of a skim pit at the tank battery (Rules 324A.a., 902.a., 902.b., 904.a.(4), 907.a., 907.b., and 907.e.).
- On May 11, 2012, COGCC staff indicated that Beren had successfully remediated the area impacted by the spill.
- On July 2, 2012, Beren submitted a comprehensive and aggressive field work schedule wherein it detailed certain milestones to be met to close its existing skim pits and utilize alternative skimming equipment, and plug and abandon the Well and reclaim the Well site and associated tank battery. Under the work schedule, Beren hopes to plug and abandon the Well and replace the existing skim pits with alternative skimming equipment by November 1, 2012.

II. *Terms/Conditions*

- Beren will continue to make reasonable efforts to comport with the field work schedule by: plugging and abandoning the Well and initiating reclamation of the Well site and associated production facilities; and, closing the existing unlined skim pits and replacing those systems with alternative skimming equipment. To more fully assess possible mitigation under the pending enforcement proceeding, parties agree to not place this matter on the Commission agenda until the October 1, 2012, hearing, or later hearing date.
- In recognition of Beren's successful remediation of the area impacted by the November 27, 2011, spill at the Well, and its unilateral offer to close the skim pits used at its operations and devise and construct a system which replaces the skim pits, COGCC staff will close out the NOAV and reconsider the imposition of a monetary fine before the Commission.

Beren looks forward to continuing its working relationship with the COGCC staff as it assesses Beren's field operations. Please do not hesitate in contacting me to discuss any additional concerns you might in this matter.

Very truly yours,



Robert A. Willis