



CCI Paradox Upstream, LLC
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March 27, 2013

Colorado Oil and Gas Conservation Commission
50 Long hollow Lane
Durango, CO 81301

Attn: Mr. Mark Weems
Regional Engineer – SW CO

Re: Hamm Canyon Fed #20-44-45-18 (API #05-113-06271-00)

Dear Mr. Weems:

In response to your letter of March 15, 2013, CCI Paradox Upstream's operational and geological team met to discuss the drilling plan on the proposed Hamm Canyon 20-44-45-18 well and consider the points that you had concern with.

Our drilling manager had based his design off of an area well, the Bullhorn Canyon #14-14 in section 14-T45NR18W which did not require intermediate casing and seepage losses below the surface casing shoe were controlled with LCM. But the team agreed with the points that you made concerning two other area wells that did have to run intermediate casing due to loss circulation deeper in the hole. Therefore, as a prudent operator, CCI will file a Sundry Notice, following the approval of the Federal APD, to facilitate the following changes to the drilling plan on the Hamm Canyon 20-44-45-18:

1. The surface hole will be air drilled to mitigate any potential lost circulation encountered in the 12 ¼" hole section. Surface hole will be deepened to 2500' rather than the 1600' currently proposed.
2. The surface casing size will be changed to 9 5/8" from 8 5/8" as currently proposed. Setting depth will be increased to 2500'. Casing will be cemented to surface and the sacks of cement needed will be increased from the current volume shown in the APD.
3. The remainder of the hole will be drilled with an 8 5/8" bit rather than a 7 7/8" bit currently proposed in the drilling plan. This will allow for the possibility of running an intermediate casing string should the need arise.

On the matter of the need for a hydrogen sulfide plan to be included in the APD, CCI disagrees with the need to have one included. This well is not intended to drill into the Paradox Clastics where H₂S is present and will not enter the salt section. The well is designed to TD in the Gothic Shale which is not a source of H₂S. Primary target formations for completion attempts will be the shallower Honaker Trail and Cutler formations.

CCI will forward a Sundry Notice to both the COGCC and the BLM on the aforementioned changes as soon as the Federal APD has received approval. Currently the State of Colorado APD has been approved for the Hamm Canyon 20-44-45-18 well.

Should you have any further questions or concerns, please feel free to contact me at 303-563-5369 or e-mail me at John.warren@cci.com .

Sincerely,

A handwritten signature in black ink, appearing to read "John B. Warren", with a long horizontal flourish extending to the right.

John B. Warren
Vice President of Operations

CC: Dan Rabinowitz, Bureau of Land Management