



United States Department of the Interior



BUREAU OF LAND MANAGEMENT
Grand Junction Field Office
2815 H Road
Grand Junction, Colorado 81506
<http://www.co.blm.gov/gjfo/index.htm>

In Reply Refer To:
3160 (CON030)
CA COC76682
COC64786

SEP 08 2014

CERTIFIED MAIL - Return Receipt Requested - 7012 1640 0000 7488 0549

Mr. Wayne Bankert
Piceance Energy, LLC
601 28¹/₄ Road, Suite D
Grand Junction, Colorado 81506

Dear Mr. Bankert:

Enclosed is a copy of the Communitization Agreement (CA) COC76682. This CA communitizes all rights to oil, gas and any associated hydrocarbons producible from the Williams Fork and Iles Formation(s) underlying All of section 29, T.9S., R.93W., 6TH principal meridian, Mesa County, Colorado. The designated operator for this Communitization Agreement is Piceance Energy, LLC. The 640-acre CA boundary is comprised of a 280-acre section of the Federal oil and gas lease COC64786. The remaining 360-acre section within the CA boundary is fee land.

The CA was approved on September 8, 2014 and has been designated as COC76682. The effective date of the agreement is August 12, 2014. All future correspondence on this CA shall include the CA number assigned above.

This approval requires that a Payor Information Form (MMS-4025) be submitted to the Office of Natural Resources Revenue (ONRR), within 30 days of recompletion (30 CFR 210.51). If this well has been producing, any royalties that are due must be reported and paid within 90 days of the Bureau of Land Management approval date or the payor(s) will be assessed interest for late payments under the Federal Oil and Gas Royalty Management Act of 1982 (see 30 CFR 218.54). If you need additional information, please contact ONRR at 1-800-525-9167, or visit www.mrm.boemre.gov.

Form MMS-4045, "Oil and Gas Operations Report", and Form 2014, "Monthly Report of Sales and Royalty," must be submitted each month to the Office of Natural Resources Revenue, Financial Management, Production Accounting & Verification Services, P.O. Box 17110, Denver, Colorado 80217. Production during testing, completion, flaring, and venting operations must be included on both forms.

Section 102(b)(3) of the Federal Oil and Gas Royalty Management Act of 1982, as implemented by the applicable provisions of the operating regulations, requires that "not later than the fifth business day after any well begins production on which royalty is due anywhere on a lease site or allocated to a lease site, or resumes production in the case of a well that has been off production for more than 90 days, the operator shall notify the authorized officer by letter or Sundry Notice, Form 3160-5, or orally to be followed by a letter or sundry notice, of the date on which such production has begun or resumed".

The date on which production is commenced or resumed will be construed for oil wells as the date on which liquid hydrocarbons are first sold or shipped from a temporary storage facility, such as a test tank, and for which a run ticket is required to be generated or, the date on which liquid hydrocarbons are first produced into a permanent storage facility, whichever first occurs; and, for gas wells as the date on which associated liquid hydrocarbons are first sold or shipped from a temporary storage facility, such as a test tank, and for which a run ticket is required to be generated, or the date on which gas is first measured through sales metering facilities, whichever first occurs. For purposes of this provision, a gas well shall not be considered to have been off production unless it is incapable of production.

If you fail to comply with this requirement in the manner and time allowed, you shall be liable for a civil penalty of up to \$10,000 per violation for each day such violation continues, not to exceed a maximum of 20 days. See Section 109(c)(3) of the Federal Oil and Gas Royalty Management Act of 1982 and the implementing regulations at Title 43 CFR 3163.2(e).

Approval of this agreement does not warrant or certify that the operator thereof and other holders of operating rights hold legal or equitable title of those rights in the subject lease, which is committed hereto.

Please furnish all interested parties with evidence of this approval. Also, please provide all Well Completion Reports information for our files. If you have any questions, please contact Bob Hartman, Petroleum Engineer at the address above or (970) 244-3041.

Sincerely,

A handwritten signature in blue ink, appearing to read "for Wayne" followed by a stylized signature, positioned above the typed name and title.

Katie A. Stevens
Field Manager

Enclosure (1)

cc: Colorado State BLM Leasing File, LLC0954000 (w/enclosure)

Office of Natural Resources Revenue, PO Box 25165, Denver, Colorado 80225-0165 (w/enclosure)