



COLORADO
Oil & Gas Conservation
Commission

Department of Natural Resources

1120 Lincoln Street, Suite 801
Denver, CO 80203

John Teff, Business Manager
CM Production, LLC
390 Union Blvd. Suite 620
Lakewood, CO 80228

June 26, 2015

Via Hand Delivery and email to: JohnT@cmproductionllc.com

Re: Notice and Demand for Payment: Order Nos. 1V-412 and 1V-413

Dear Mr. Teff:

On May 6, 2013, the Colorado Oil and Gas Conservation Commission ("COGCC" or "Commission") entered a Stipulated Order, No. 1V-413, between the Commission, Lone Pine Gas, Inc. ("Lone Pine"), and CM Production LLC ("CM"). The Stipulated Order provides that, upon the closing of a transaction conveying Lone Pine's assets to CM, the Commission has full authority to enforce the terms of an Administrative Order by Consent, Order No. 1V-412 (the "Lone Pine AOC"), against CM, "as though the AOC were between the COGCC and CM." Lone Pine's assets were conveyed to CM, and CM is bound by the terms of the Lone Pine AOC.

The Lone Pine AOC required CM to conduct a number of environmental remediation measures on a specified schedule. Specifically, pursuant to Paragraph 4, Page 5 of the AOC, CM was required to decommission former water treatment pits "to Table 910-1 standards" by July 1, 2014. On June 25, 2014, the COGCC Director extended the deadline for decommissioning two of the referenced water treatment pits, Facility ID Nos. 112268 and 112269, to November 1, 2014.

As of today, June 26, 2015, neither of the referenced water treatment pits has been decommissioned to Table 910-1 standards. Consequently, CM has failed to comply with the terms of the Lone Pine AOC.

Paragraph 7 of the Lone Pine AOC subjects CM to a penalty of \$150,000, which was suspended on the condition the corrective actions required pursuant to paragraphs two through six of the AOC were satisfactorily and timely completed. If the corrective actions are not satisfactorily and timely



John Teff
CM Productions LLC
June 26, 2015
Page Two

completed, "the penalty shall be due in full thirty calendar days following written notice from the Director."

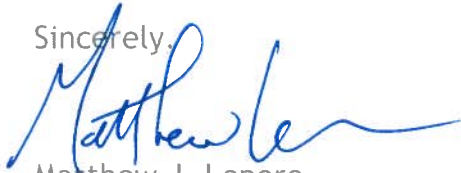
CM has failed to satisfactorily and timely decommission Pit Facility ID Nos. 112268 and 112269. In addition, it appears inevitable that CM will fail to meet the impending July 1, 2015 deadline for completing other corrective actions required pursuant to Paragraphs 2 and 4 of the Lone Pine AOC.

Pursuant to Commission Order Nos. 1V-412 and 1V-413, this letter constitutes written notice and demand for payment in full of the \$150,000 penalty under those orders.

Under the referenced Orders, payment of \$150,000 is due on or before Sunday, July 26, 2015, however I am extending the payment deadline until Monday August 10, 2015.

In the alternative to payment in full of the \$150,000 penalty, if CM Productions posts financial assurance in the total amount of \$75,000 for Pit Facility ID Nos. 112265, 112266, 112267, 112268, and 112269 on or before August 10, 2015, COGCC staff will support an extension of time for certain corrective action deadlines in the Lone Pine AOC and suspension of the full penalty until September 1, 2016. The exact terms of any such extensions would need to be negotiated prior to August 10, 2015 and will not be final or effective unless and until approved by the Commission following notice and hearing.

Sincerely,



Matthew J. Lepore,
Director

CC via email only:
Roger Freeman, Esq.
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Kent Kuster
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