



Caerus Oil & Gas LLC  
1001 Seventeenth Street  
Suite 1600  
Denver, Colorado 80202

August 9, 2016

Matt Lepore, Director  
Colorado Oil and Gas Conservation Commission  
Department of Natural Resources  
1120 Lincoln Street, Suite 801  
Denver, CO 80203

RE: Request for Exception to Spacing Order 510-11 – Lot 5, Section 17, T6S-R96W – 10-acre density  
Chevron 22B-17 – API No. 05-045-23244  
Garfield County, Colorado

Dear Director Lepore:

Caerus Piceance LLC ("Caerus") respectfully requests approval for an "exception to Spacing Order 510-11" to add a fifth well in a 40-acre Unit located in Lot 5, Section 17, T6S-R96W. The Chevron 22B-17 has a proposed BHL that lands in Lot 5, Sec. 17-T6S-R96W.

Spacing Order 510-11 allows "that additional wells are hereby allowed to be drilled for the production of gas and associated hydrocarbons from the Williams Fork Formation of the Mesaverde Group, the equivalent of one (1) well per 10 acres for the Application Lands" without exception being granted by the Director". Lot 5 currently has four (4) producing wells. The addition of the well listed above would become the "fifth" well in Lot 5.

Caerus is requesting an exception to this rule based on offset production analysis and predicted drainage radius. Our analysis of offset open-hole wireline logs indicates there is 6.8 billion cubic feet of natural gas in place in this 40-acre lease/unit (Lot 5). It's anticipated the existing wellbores will produce 1.7 billion cubic feet of gas. Caerus is requesting to drill one (1) additional wellbore in Lot 5 to maximize the recovery of the resource for the leaseholder.

Chevron North America Exploration and Production Company a division of Chevron U.S.A. Inc. ("Chevron") has 100% mineral ownership in all of Section 17-6S-96W, including Lots 5 and 9. Chevron is aware of the proposed well locations and a waiver from Chevron is nonessential is this request. Their correlative rights will not be impacted, or adversely affected, if this "exception request" is granted.

Sincerely,

A handwritten signature in blue ink that reads "Reed Haddock".

Caerus Piceance, LLC  
Reed Haddock  
Sr. Regulatory Specialist  
Caerus Piceance, LLC  
1001 17<sup>th</sup> Street, Suite 1600  
Denver, CO 80202