

VARIANCE AGREEMENT

Red River Ranch Holdings LLC (RRRH) is both the operator of a coalbed methane (CBM) operation in Las Animas County, Colorado and the surface owner of the property on which the CBM operation has been developed. RRRH has plugged and abandoned all of its CBM wells and has undertaken final reclamation of the CBM locations.

As surface owner of the property and as allowed under Colorado Oil and Gas Conservation Commission (COGCC) Rule 1001.c, RRRH is seeking variances from certain Rule 1004 requirements. Rule 1001.c requires, as a condition for granting variances, that the operator has entered into an agreement with the surface owner regarding topsoil protection and reclamation of the land. On December 17, 2015 COGCC issued operator guidance with regard to the content of such operator-surface owner agreements. This agreement is intended to constitute the operator-surface owner agreement required by Rule 1001.c.

RRRH, as both surface owner and operator, acknowledges that:

1. It is waiving final reclamation requirements for all facility locations listed below, as well as associated access roads.

Facility Type	Well Name/ <u>Number</u>	Facility ID/ <u>API</u>	COGCC <u>Database Status</u>
Well	18-3 R67W	05-071-08976	PA
Well	2-1 R68W	05-071-08960	PA
Well	2-2 R68W	05-071-08963	PA
Well	2-3 R68W	05-071-08962	PA
Well	6-1	05-071-09029	DA
Well	7-1 R68W	05-071-09315	PA
Well	8-1 R68W	05-071-09316	PA
Well	8-2 R68W	05-071-09317	PA
Well	10-2 R68W	05-071-08056	PA
Well	11-1 R68W	05-071-08964	PA
Well	11-2 R68W	05-071-08571	PA
Well	11-3 R68W	05-071-08057	PA
Well	11-4 R68W	05-071-08572	PA
Well	11-5 R68W	05-071-09030	PA
Well	11-6 R68W	05-071-08620	PA
Well	11-7 R68W	05-071-09332	PA
Well	12-1 R68W	05-071-09318	PA
Well	12-2 R68W	05-071-09331	PA
Well	13-1 R68W	05-071-08055	PA
Well	13-2 R68W	05-071-08577	PA
Well	13-3 R68W	05-071-09344	PA
Well	13-4 R68W	05-071-08576	PA
Well	13-5 R68W	05-071-08575	PA

Well	13-6 R68W	05-071-08965	PA
Well	13-7 R68W	05-071-09002	PA
Well	14-1 R68W	05-071-08691	PA
Well	14-2 R68W	05-071-08685	PA
Well	14-3 R68W	05-071-08578	PA
Well	14-4 R68W	05-071-08570	PA
Well	14-5 R68W	05-071-08579	PA
Well	15-3 R68W	05-071-08619	PA
Well	16-1 R68W	05-071-08961	PA
Well	17-1 R68W	05-071-08622	PA
Well	17-2 R68W	05-071-09055	PA
Well	17-3 R68W	05-071-09054	PA
Well	17-4 R68W	05-071-08618	PA
Well	18-2 R68W	05-071-08621	PA
Well	18-2R R68W	05-071-09319	PA
Well	18-3 R68W	05-071-08958	PA
Well	18-4 R68W	05-071-08217	PA
Well	18-5 R68W	05-071-08959	PA
Well	18-6 R68W	05-071-08966	PA
Well	12-1 R69W	05-071-08220	PA
Well	12-1 CH	05-071-09027	DA
Well	13-4 CH	05-071-09026	DA
Well	13-4 R69W	05-071-08219	PA
Pit	RRR PP CW-A	26150	CL (Pond A)
Pit	Pond B	285604	CL
Pit	RRR CW-D D	286531	AC (Pond D)
Pit	RRRPPCWE	286532	AC (Pond E)
Gas Gathering System	RRRH Gathering System 001	412302	PR

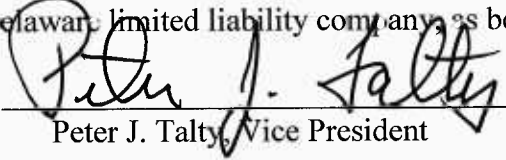
2. RRRH, as surface owner, agrees to waive final reclamation requirements for all well locations, associated access roads, pits, and gathering system noted in Item 1, above, because interim and final reclamation activities that have been undertaken are more than adequate to return those facilities and locations to their final land uses required for RRRH operations, wildlife habitat, and hunting.
3. The current condition of the well locations, associated access roads, pits, and gas gathering system noted in Item 1, above, is satisfactory to RRRH.
4. RRRH understands that once the variances are approved and all agreed upon actions have been conducted it knowingly, and forever, waives all reclamation protections otherwise afforded by the specified provisions of Rule 1004.
5. RRRH is waiving the obligation of the operator to perform final reclamation on certain portions of the well locations, associated access roads, pits, and gas gathering system identified in Item 1, above. The waived portions are shown on maps attached to the

Form 4s that are being submitted as required by the December 17, 2015 COGCC operator guidance on Rule 1001.c.

RRRH has reviewed the Form 4 to which this document is attached, as well as the other documents that are also attached to such Form 4.

RED RIVER RANCH HOLDINGS LLC,
a Delaware limited liability company, as both surface owner and operator

By: _____


Peter J. Talty, Vice President

Dated: May 17, 2016