

September 26, 2016

Matt Lepore, Director  
1120 Lincoln Street  
Suite 801  
Denver, Colorado 80203

RE: EXCEPTION LOCATION REQUEST  
Schneider Energy Services, Inc., Operator #76840  
Montague JH #5 Well  
NE/4SE/4, Sec 12, T9N, R54W  
Logan County, CO

Dear Mr. Lepore:

This Exception Location Request is hereby submitted with Schneider Energy Service, Inc.'s Application for Permit to Drill the above-captioned well (Document #401095146), located in the NE/4SE/4 of Section 12, Township 9 North, Range 54 West, 6<sup>th</sup> PM in Logan County, Colorado, which is being permitted to the D Sand and J Sand formations.

Order 43-1 provides, in part, for a 330' setback from quarter/quarter for the D Sand. Rule 318.a provides for a statewide setback of 600' from a lease line.

The Montague JH #5 well was drilled in 1958 at a proposed location of 330' from the east line and then plugged and abandoned; however, the well location plat prepared in 2016 shows the actual location to be 308' from the section line and lease line boundary to the east, which creates an encroachment of 22' (Order 43-1) and 292' (Rule 318.a) into the leasehold estate to the east in the SW/4 of Section 7, T9N, R53W.

The leasehold estate for the entire SW/4 of Section 7 is owned 100% by Western Operating Company. The exception location waiver executed by Western Operating Company is attached.

We hereby request your approval in an effort to promote conservation and to protect and preserve the correlative rights of the parties. Please feel free to contact me with any additional questions or comments, and thank you in advance for your attention to and timely approval of this location.

Sincerely,



Fabrianna Venaducci  
JAMES C KARO ASSOCIATES  
Contract Landman for Schneider Energy Services, Inc.