



GUNNISON ENERGY LLC
AN OXBOW COMPANY

November 4, 2017

Mr. John Hotchkiss
Hotchkiss Ranches, Inc.
P.O. Box 479
Hotchkiss, CO 81419-0479

Re: Waiver of Interim Reclamation:
 Hotchkiss Federal 1289 #17-11 Well Pad
 DGU Hotchkiss Federal 1289 18-H Well Pad
 Hotchkiss Federal 1289 #18-22D Well Pad
 Hotchkiss Federal 1289 #20-12D Well Pad

Dear Mr. Hotchkiss:

Gunnison Energy LLC ("GELLC") recently received four corrective action notices from the Colorado Oil & Gas Conservation Commission (the "COGCC"), demanding interim reclamation for the Hotchkiss Federal 1289 #17-11 Well Pad (the "17-11 Pad"), the DGU Hotchkiss Federal 1289 18-H Well Pad (the "18-H Pad"), the Hotchkiss Federal 1289 #18-22D Well Pad (the "18-22 Pad") and the Hotchkiss Federal 1289 #20-12D Well Pad (the "20-12 Pad"). The interim reclamation recommended by the COGCC involves reducing the size of the pads, reseeding, re-contouring and other reclamation actions which are unnecessary and impractical in light of GELLC's development plans. Interim reclamation on these well pads will actually cause greater environmental impacts. GELLC plans to seek a waiver from the COGCC of these interim reclamation requirements. The purpose of this letter is to gain your support for this waiver.

In 2018, GELLC plans to drill and complete the DGU Federal 1289 17-11 CS2 Well and the DGU Federal 1289 17-11 CS3 Well off of the 17-11 Pad in order to satisfy the continuous drilling requirement in the Deadman Gulch Unit Agreement. Consequently, interim reclamation is unnecessary and untimely. In essence, we would have to re-disturb the very reclamation which was just accomplished.

GELLC's timeline for development from the 18-H Pad is as follows:

Nov. 2017 – Nov. 2018: Complete the DGU Federal 1289 18-CS1 and DGU Federal 1289 18-CS2 Wells.

Nov. 2018 – Nov. 2019: Drill and complete the DMGU 1289 #18-H5 Well.

Nov. 2019 – Nov. 2020: Drill and complete the DMGU 1289 #18-H3 Well.

Nov. 2020 – Nov. 2021: Drill and complete the DMGU 1289 #18-H4 Well.

Nov. 2021 – Nov. 2022: Re-fracture stimulate the DGU Hotchkiss Federal 1289 18-H2 Well.

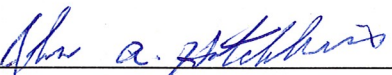
Again, interim reclamation is unnecessary and untimely.

GELLC plans to design and evaluate a coal seam produced water treatment system and central power facility to be located on the 18-22 Pad in 2018. Installation and operation of the coal seam produced water treatment system and central power facility, including two possible expansions is scheduled to begin in 2018 and continue through 2022. These plans and associated activities make interim reclamation in the near term unadvisable.

GELLC intends to re-frac the Hotchkiss Federal 1289 #20-12D Well. The well location in its current condition could accommodate a completion rig and equipment necessary for fracking. However, if interim reclamation occurs, the location will have to be disturbed again in order to prepare to re-frac the well. Reconstructing the 20-12 Pad will cause delays to GELLC's operations which can be avoided by waiving the interim reclamation requirement.

As you can see, interim reclamation efforts on the captioned well pads would not be prudent at this point because the time period between the feasible beginning of reclamation work and the commencement of GELLC's operations and development on these well pads is too short to allow such reclamation to serve its intended purpose. Therefore, GELLC hereby requests your support for a waiver of interim reclamation requirements for said well pads from Hotchkiss Ranches, Inc. Please indicate your agreement and support of a waiver by the COGCC of the interim reclamation requirements on the 17-11 Pad, the 18-H Pad, the 18-22 Pad and the 20-12 Pad by executing both of the enclosed copies of this letter in the space provided. Then, please return one executed copy of this letter to the undersigned, using the enclosed postage-paid envelope and retain the other copy for your records.

HOTCHKISS RANCHES, INC.

By: 
John A. Hotchkiss, Secretary/Treasurer

Date: 11/08/17

Thank you for your assistance in this matter. Please contact the undersigned at (303) 296-8807 or nathan.koeniger@oxbow.com if you have any questions.

Best regards,
GUNNISON ENERGY LLC


Nathan C. Koeniger
Senior Landman

nck

Enclosures

CC: Brad Robinson