

7/14/2017

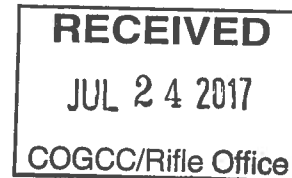
Mustang Resources, LLC

1660 Lincoln Street

Suite 1450

Denver, CO 80264

Attention: Chuck Dobie, President



Mr. Dobie:

In response to your letter of 6/16/2017 concerning the mineral leases on the forty acres in Garfield County, I have the following concerns. First, I would like to make clear Mr. Brian Sperry's role in contacting you was on his behalf; he is the land owner of the property where the Moore well is located, and he is an owner of the water right of which the pump in question is a part. So his contact was in his interest in seeing that the pump was connected to the gas well as per the Moore Lease right.

The Mead lease that you refer to in your letter also had a ten-year term, and it would have expired on June 5, 1963 many years prior to the 7/24/1988 spud date for the Moore Well. I find it hard to understand why it would be the operating lease today. If the Mead lease was the operating lease how was the Moore Lease contracted in 1977 when the Meads sold the land to Moore. It appears it was because the Mead lease had expired.

In the attached letter from your attorney dated, 7/14/2016, it was stated that the operating lease is the Moore Lease. Why do Mustang's finding not agree with your attorney's finding? It appears that when it benefits you it is one finding, and when it benefits the land owners it is another finding.

Your concern for my safety and my neighbor's safety, along with the safety of Mustang's Employees and contractors is noted. We have been using natural gas from the wells for almost thirty years without any safety problem, and we share your same concerns for safety. We are very aware of any and all dangers. We are not engaging in the illegal act of "tapping" into any well or flowlines, we are asking for our rights under the lease as land owners, and mineral right owners. We feel, and your attorney has stated that the Moore lease is the operating lease, and therefore, we will continue to explore all of our resources as it pertains to the mineral leases on our property.

Sincerely,

A handwritten signature in cursive script that reads "George Pearson".

George Pearson

Cc: Kirby Wynn, Garfield County Oil and Gas Liaison Official

Dave Andrews, COGCC, Brian Sperry, Landowner & water right owner

July 14, 2016

Via Email

Nathan A. Keever  
Dufford Waldeck Milburn & Krohn LLP  
744 Horizon Court  
Suite 300  
Grand Junction, Colorado  
[keever@dwmk.com](mailto:keever@dwmk.com)

RECEIVED

JUL 24 2017

COGCC/Rifle Office

Re: George and Chris Pearson Gas Tap (Pearson #26-12-6S-94W)

Dear Mr. Keever:

Our firm represents Mustang Resources, LLC regarding the above-captioned well. I am writing to respond to your letter dated May 31, 2016 and subsequent emails with Chuck Dobie and Erik Vasquez. In your letter you assert that Mustang's shut-in of the well is in breach of Mustang's obligation under the Pearsons' lease.

Mustang has a duty to operate its well in a safe and prudent manner. Regardless of past practices, it cannot allow the unsafe conditions on the Pearsons' land that would result if the Pearsons' farm tap is allowed to operate while the well is shut-in and not producing. As you have been advised, and contrary to your assertion that Mustang's pressure build-up argument is "nonsense," maintaining the lines that feed the farm tap at reservoir pressure is a very serious issue not only to Mustang and other oil and gas operators, but also to the Colorado Oil and Gas Commission and Mesa County. Additionally, it is now well known in the oil and gas industry that gas taps are highly dangerous and substantial efforts are being made to discontinue their use.

According to the Pearsons' own recounting of the title history, sent with your May 31, 2016 letter, the operative lease is the 1977 lease between the Moores and Northwest Exploration Company. While this lease contains a clause pertaining the lessors' use of gas from any well on the property "at his own risk and expense," neither of the cases you provided to Mr. Vasquez nor any binding Colorado authority holds that an operator must continue to provide free gas under a similar clause when the well is shut-in and no longer operating.


Mustang does not attempt to identify here every basis on which it is proper for it to shut-in the well at the master valve, and Mustang reserve all its rights under the lease agreement and any other authority to shut-in the well at the master valve and operate the well in a safe and prudent manner.

Mustang disagrees with the Pearsons' interpretation of the lease and is prepared to defend its shut-in of the well at the master valve. Nevertheless, Mustang still desires to avoid the cost and distraction of litigation. To that end, Mustang has formulated one last offer in an effort to avoid the significant

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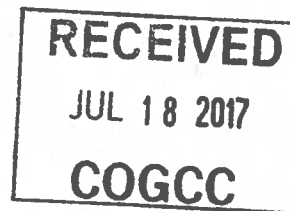
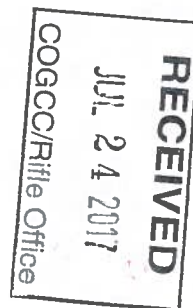
expenses all parties would incur in litigation. Mustang offers \$10,000 to the Pearsons in exchange for a release of any future right to use of the Pearsons' farm tap. At the current spot price for natural gas, this would provide the Pearsons with at least a decade of fuel. This offer will remain open for 30 days. As provided in Colorado Rule of Evidence 408, this letter and its contents constitute a good faith offer to compromise and settle this dispute and therefore are confidential and not admissible as evidence.

Sincerely,

  
Tess Hand-Bender  
DAVIS GRAHAM & STUBBS LLP

TH

Pearson  
5805 CR 320  
Rifle, CO 81650



Attn: Dave  
Andrews

CO Oil & Gas Conservation Commission  
1120 Lincoln St. #801  
Denver, CO 80203

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