

Piceance Energy LLC
Helmer Gulch Waterline
Garfield County, Colorado

DWG: G:\GEOSURV\Laramie II_Drawings\Holmer Gulch Waterline LevacichR1.DWG
USER: EJG DATE: Mar 27, 2014 4:09pm
AREFS: Garfield Rifle Petro sat NAD83 nad83 IMAGES: Holmer Gulch Waterline.jpg JACKSPOCKET.JPG Rifle.JPG Rifle.jpg

Job Information

Request ID	2005745	Rig Name		Date	15/MAY/2014
Submitted By	Nathan Barnum	Job Type	Fracturing/Stimulation	Well	Hunter Mesa
Customer	Encana	Location			

Well Information

Formation	Unknown	Depth MD		BHST	
Pressure		Depth TVD		Cool Down Temperature	

Results For Request ID 2005745

Water Analysis

Tank Number/Source	W221
Specific Gravity	1.010
pH	7.54
Chlorides (mg/L)	7074
Calcium (mg/L)	590
Magnesium (mg/L)	140
Dissolved Iron (mg/L)	0.7
Potassium (mg/L)	75
Bicarbonates (mg/L)	1410
Carbonates (mg/L)	0
Hydroxides (mg/L)	0
Sulfates (mg/L)	0
Sodium (mg/L)	4124
TDS (mg/L)	13200
Rw Resistivity (Ohms-Meter)	0.520
Temperature (°F)	71

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Transferring Operator Water Reuse Plan

Piceance Energy, LLC and Encana Oil & Gas (USA) Inc.

June 2014

Purpose and Need

This water re-use plan is to be submitted to the Colorado Oil and Gas Conservation Commission (COGCC) with a Form 4 (sundry) to allow a temporary produced water transfer agreement between Encana Oil & Gas (USA) Inc (COGCC 100185) and Piceance Energy, LLC (COGCC #10433).

Piceance Energy, LLC has a need for up to 450,000 barrels (bbls) of produced water for Exploration and Production operations in Garfield County, Colorado. Piceance Energy operates wells in the located in Garfield County, Colorado.

Piceance Energy, LLC would like to receive water for completions operations. If permitted to do so, water will be collected from Encana's (GMR 67S-93W9NWNE COGCC ID 334766 NWNE, Sec. 09 T7S-R93W) (N9W) pad located inside the Hunter Mesa Unit (Unit ID: COC55972X) and transferred via water valve "can" to Piceance Energy's temporary pipeline. Encana's water valve (GMR 67S-93W9NWNE COGCC ID 334766 NWNE, Sec. 09 T7S-R93W) (N9W) will serve as the Custody Transfer Point. Once the water flows from the can located on the N9W pad, the water will be transferred via temporary waterline line up to Piceance's wellpad; Federal 31-01 well pad (Federal 66S93W/31NENE COGCC 335166 NENE, Sec. 31 T6S-R93W). Water at the Federal 31-01 pad location will be stored in a pit on private surface. From Piceance Energy's Federal 31-01 well pad, water will be delivered through Piceance's temporary water line up to the Federal 29-11. The Federal 29-11 (FEDERAL-66S93W 29NESW, COGCC ID 10433, NESW Sec. 29 T6S-R93W) pad will serve as the final destination for water and completion operations of 5 federal wells. All wells are located in Garfield County, Colorado, and water will be delivered via temporary waterline. Piceance Energy will test and verify compatibility of the produced water provided by Encana. Transfer of produced water would begin upon COGCC approval and terminate after one year with an option for extension.

Benefits

Under this plan, each party shall use reasonable and available means to safely transfer production water, in sufficient volumes and quality, to meet the other party's transfer request, when mutually agreeable to do so. The benefits include:

- Less fresh water withdraws from surface water sources;
- Less reliance on injection wells for disposal of production/flowback water;
- Increased operational efficiencies from reusing local supplies of production/flowback water to meet water demands for drilling, completion and workover activities.

Produced Fluid Pickup and Transfer Location

Produced water will be collected at from Encana's (GMR 67S-93W9NWNE COGCC ID 334766 NWNE, Sec. 09 T7S-R93W) (N9W) pad through a water valve and transferred via Piceance Energy's temporary waterline to the identified Piceance Energy's Federal 31-01 and Federal 29-11 pads. Encana's water valve located on pad (GMR 67S-93W9NWNE COGCC ID 334766 NWNE, Sec. 09 T7S-R93W) (N9W) will serve as the Custody Transfer Point. The transferring company (Encana) shall maintain all regulatory responsibility, custody and control for all water until it is

transferred through Encana's water valve to Piceance Energy's temporary waterline. Piceance Energy II will assume all regulatory responsibility, custody and control of the water once the water enters their temporary waterline. (See attached map for additional detail on the custody transfer point).

From the custody transfer point, Piceance will reuse the transferred water at the following location:

1. Federal 31-01 well pad (Federal 66S93W/31NENE COGCC 335166 NENE, Sec. 31 T6S-R93W).
2. Federal 29-11(FEDERAL-66S93W 29NESW, COGCC ID 10433, NESW Sec. 29 T6S-R93W)

Transfer

Piceance Energy II's transfer activities will consist of the following:

Transport water from Encana's (GMR 67S-93W9NWNE COGCC ID 334766 NWNE, Sec. 09 T7S-R93W) (N9W). Here the water valve located in Garfield County will serve as the Custody Transfer Point. Encana will assume responsibility of the water from its point of origin, (Hunter Mesa Facility COGCC ID: 149011 Sec. 1 T7S-R93W) to Encana's N9W well pad. Once it passes through the transfer point to Piceance Energy's Federal 31-01 well pad (Federal 66S93W/31NENE COGCC 335166 NENE, Sec. 31 T6S-R93W) and Federal 29-11(FEDERAL-66S93W 29NESW, COGCC ID 10433, NESW Sec. 29 T6S-R93W) via temporary pipeline. Water will be staged at the Federal 31-01 in a completions pad before being sent via temporary line up to the Federal 29-11 for completion operations.

The volumes of fluid to be delivered will be up to 450,000 bbls; actual transferred volumes will be metered.

Piceance Energy will maintain records with the following information:

- Changes to the approved plan;
- Applicable training requirements for Piceance Energy and its contractors (lock out/ tag out, job hazard analysis at the transfer location, etc.);
- Types and results of internal and contractor audits conducted;
- Tabulated waste generator records, if required by Rule 907.b.(2) including:
 - Date of transport
 - Identity of water generator
 - Identity of water transporter
 - Volume of water transported
 - Location of receiving point(Transport tickets will be maintained for each load)
- Summary of spills, incidents or upsets;

Spill Response and Cleanup Measures

Piceance Energy's collection facilities are covered under a Spill Prevention Control and Countermeasure Plan (SPCC).

Encana's receiving points are also covered under a SPCC plan.

Analytical Data

An analysis representative of the water to be transferred to Piceance Energy will be included as Attachment B prior to transfer of water.

Operator Contact Information

Piceance Energy II, LLC
Wayne P. Bankery
Senior Reg. & Env. Coordinator
601 28 1/4 Rd Suite D
Grand Junction, CO 81506
970.812.5310 Office
970.985.5383 Mobile

ENCANA OIL & GAS (USA) Inc.
Louie Gibson
Trucking Supervisor: Western Operations- Water Management
143 Diamond Ave.
Parachute, CO 81635
970.489.1749 Office
970.989.0143 Mobile

Summary

Origination of water – Encana's Hunter Mesa Facility (COGCC ID: 149011 Sec. 1 T7S-R93W) Located in Garfield County, Colorado.

Custody Transfer Point- Encana's (GMR 67S-93W9NWNE COGCC ID 334766 NWNE, Sec. 09 T7S-R93W) (N9W)

Destination of water –

1. Federal 31-01 well pad (Federal 66S93W/31NENE COGCC 335166 NENE, Sec. 31 T6S-R93W).
2. Federal 29-11(FEDERAL-66S93W 29NESW, COGCC ID 10433, NESW Sec. 29 T6S-R93W)

Water Transportation – All water transported to Piceance Energy will be delivered via temporary waterline used by Piceance Energy, LLC.

Estimated volume of water transferred – up to 450,000 bbls.

State of Colorado
Oil and Gas Conservation Commission

1120 Lincoln Street, Suite 801, Denver, Colorado 80205 Phone: (303) 894-2100 Fax: (303) 894-2109



DE	ET	OE	ES
Document Number: 400418507			

SUNDRY NOTICE

Submit a signed original. This form is to be used for general, technical and environmental sundry information. For proposed or completed operations, describe in full in Comments or provide as an attachment. Identify Well by API Number; identify Oil and Gas Location by Location ID Number; identify other Facility by Facility ID Number.

OGCC Operator Number: 10433	Contact Name: Wayne P. Bankert
Name of Operator: PICEANCE ENERGY LLC	Phone: (970) 812-5310
Address: 1512 LARIMER STREET #1000	Fax: (303) 339-4399
City: DENVER State: CO Zip: 80202	Email: wbankert@laramie-energy.com

Complete the Attachment
Checklist

OP OGCC

API Number : 05- 045 00	OGCC Facility ID Number: 335048
Well/Facility Name: MCCLUNG-67S93W	Well/Facility Number: 29NWSE
Location QtrQtr: NWSE Section: 29 Township: 7S Range: 93W Meridian: 6	
County: GARFIELD Field Name: MAMM CREEK	
Federal, Indian or State Lease Number:	

Survey Plat		
Directional Survey		
Srvc Eqpmt Diagram		
Technical Info Page		
Other		

CHANGE OF LOCATION OR AS BUILT GPS REPORT

- ☐ Change of Location * ☐ As-Built GPS Location Report ☐ As-Built GPS Location Report with Survey

* Well location change requires new plat. A substantive surface location change may require new Form 2A.

SURFACE LOCATION GPS DATA Data must be provided for Change of Surface Location and As Built Reports.

Latitude _____ PDOP Reading _____ Date of Measurement _____
Longitude _____ GPS Instrument Operator's Name _____

LOCATION CHANGE (all measurements in Feet)

Well will be: _____ (Vertical, Directional, Horizontal)

Change of **Surface** Footage **From** Exterior Section Lines:

Change of **Surface** Footage **To** Exterior Section Lines:

Current **Surface** Location **From** QtrQtr **NWSE** Sec **29**

New **Surface** Location **To** QtrQtr _____ Sec _____

Change of **Top of Productive Zone** Footage **From** Exterior Section Lines:

Change of **Top of Productive Zone** Footage **To** Exterior Section Lines:

Current **Top of Productive Zone** Location **From** Sec _____

New **Top of Productive Zone** Location **To** Sec _____

Change of **Bottomhole** Footage **From** Exterior Section Lines:

Change of **Bottomhole** Footage **To** Exterior Section Lines:

Current **Bottomhole** Location Sec _____ Twp _____

New **Bottomhole** Location Sec _____ Twp _____

Is location in High Density Area? _____

Distance, in feet, to nearest building _____, public road: _____, above ground utility: _____, railroad: _____,

property line: _____, lease line: _____, well in same formation: _____

Ground Elevation _____ feet Surface owner consultation date _____

FNL/FSL		FEL/FWL	
2247	FSL	2375	FEL
Twp 7S	Range 93W	Meridian 6	
Twp	Range	Meridian	
			**
			**
			** attach deviated drilling plan

OTHER CHANGES

☐ **REMOVE FROM SURFACE BOND** Signed surface use agreement is a required attachment

☐ **CHANGE OF WELL, FACILITY OR OIL & GAS LOCATION NAME OR NUMBER**

From: Name MCCLUNG-67S93W Number 29NWSE Effective Date: _____

To: Name _____ Number _____

☐ **ABANDON PERMIT: Permit can only be abandoned if the permitted operation has NOT been conducted. Field inspection will be conducted to verify site status.**

☐ WELL: Abandon Application for Permit-to-Drill (Form2) – Well API Number _____ has not been drilled.

☐ PIT: Abandon Earthen Pit Permit (Form 15) – COGCC Pit Facility ID Number _____ has not been constructed (Permitted and constructed pit requires closure per Rule 905)

☐ CENTRALIZED E&P WASTE MANAGEMENT FACILITY: Abandon Centralized E&P Waste Management Facility Permit (Form 28) – Facility ID Number _____ has not been constructed (Constructed facility requires closure per Rule 908)

OIL & GAS LOCATION ID Number: _____

☐ Abandon Oil & Gas Location Assessment (Form 2A) – Location has not been constructed and site will not be used in the future.

☐ Keep Oil & Gas Location Assessment (Form 2A) active until expiration date. This site will be used in the future.

Surface disturbance from Oil and Gas Operations must be reclaimed per Rule 1003 and Rule 1004.

☐ **REQUEST FOR CONFIDENTIAL STATUS**

☐ **DIGITAL WELL LOG UPLOAD**

☒ **DOCUMENTS SUBMITTED** Purpose of Submission: Water Transfer/ Reuse Agreement

RECLAMATION

INTERIM RECLAMATION

☐ Interim Reclamation will commence approximately _____

Per Rule 1003.e.(3) operator shall submit Sundry Notice reporting interim reclamation is complete and site is ready for inspection when vegetation reaches 80% coverage.

☐ Interim reclamation complete, site ready for inspection.

Per Rule 1003.e(3) describe interim reclamation procedure in Comments below or provide as an attachment and attach required location photographs.

Field inspection will be conducted to document Rule 1003.e. compliance

FINAL RECLAMATION

☐ Final Reclamation will commence approximately _____

Per Rule 1004.c.(4) operator shall submit Sundry Notice reporting final reclamation is complete and site is ready for inspection when vegetation reaches 80% coverage.

☐ Final reclamation complete, site ready for inspection. Per Rule 1004.c(4) describe final reclamation procedure in Comments below or provide as an attachment.

Field inspection will be conducted to document Rule 1004.c. compliance

Comments:

ENGINEERING AND ENVIRONMENTAL WORK

☐ NOTICE OF CONTINUED TEMPORARILY ABANDONED STATUS

Indicate why the well is temporarily abandoned and describe future plans for utilization in the COMMENTS box below or provide as an attachment, as required by Rule 319.b.(3).

Date well temporarily abandoned _____ Has Production Equipment been removed from site? _____

Mechanical Integrity Test (MIT) required if shut in longer than 2 years. Date of last MIT _____

☐ SPUD DATE: _____

TECHNICAL ENGINEERING AND ENVIRONMENTAL WORK

Details of work must be described in full in the COMMENTS below or provided as an attachment.

☒ NOTICE OF INTENT Approximate Start Date 05/29/2013

☐ REPORT OF WORK DONE Date Work Completed _____

- | | | |
|---|---|--|
| <input type="checkbox"/> Intent to Recomplete (Form 2 also required) | <input type="checkbox"/> Request to Vent or Flare | <input type="checkbox"/> E&P Waste Mangement Plan |
| <input type="checkbox"/> Change Drilling Plan | <input type="checkbox"/> Repair Well | <input type="checkbox"/> Beneficial Reuse of E&P Waste |
| <input type="checkbox"/> Gross Interval Change | <input type="checkbox"/> Rule 502 variance requested. Must provide detailed info regarding request. | |
| <input checked="" type="checkbox"/> Other <u>Water Transfer/Reuse</u> | <input type="checkbox"/> Status Update/Change of Remediation Plans for Spills and Releases | |

COMMENTS:

The attached documents are submitted for your review and approval for the water transfer of produced/flowback water between Piceance Energy, LLC and Encana Oil and Gas (USA) inc.

Piceance Energy and will be accepting produced/flowback water from Encana's G22 pa(334616), and trucking the water to the Mclung 29-10 Pad(335048), Johnson 5-05 pad (334423) for completion operations on both locations. All Facilities are located in Garfield County, CO. Other transfer points will be Vega Pad 13(334489), and Buzzard Creek Unit pad 15(391920) in Mesa County.

All Transfer Locations are identified in Appendix A Page 9 of the "Production Water Reuse and Waste Minimization Plan".

Operations will commence upon approval.

Attachments include:

Water Custody Transfer Agreement

Produced Water and Waste Minimization Plan

Memo of Master Production Water Custody Transfer Agreement.

H2S REPORTING

Data Fields in this section are intended to document Sample and Location Data associated with the collection of a Gas Sample that is submitted for Laboratory Analysis.

Gas Analysis Report must be attached.

H2S Concentration: _____ in ppm (parts per million) Date of Measurement or Sample Collection _____

Description of Sample Point:

Absolute Open Flow Potential _____ in CFPD (cubic feet per day)

Description of Release Potential and Duration (If flow is not open to the atmosphere, identify the duration in which the container or pipeline would likely be opened for servicing operations.):

Distance to nearest occupied residence, school, church, park, school bus stop, place of business, or other areas where the

public could reasonably be expected to frequent: _____

Distance to nearest Federal, State, County, or municipal road or highway owned and principally maintained for public

use: _____

COMMENTS:

--

BMP

<u>Type</u>	<u>Comment</u>

Operator Comments:

The attached documents are submitted for your review and approval for the water transfer of produced/flowback water between Piceance Energy, LLC and Encana Oil and Gas (USA) inc.

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Operations will commence upon approval.

Attachments include:

Water Custody Transfer Agreement

Produced Water and Waste Minimization Plan

Memo of Master Production Water Custody Transfer Agreement.

I hereby certify all statements made in this form are, to the best of my knowledge, true, correct, and complete.

Signed: _____ Print Name: Wayne P. Bankert

Title: Snr. Reg. & Env. Crdntr Email: wbankert@laramie-energy.com Date: 5/15/2013

Based on the information provided herein, this Sundry Notice (Form 4) complies with COGCC Rules and applicable orders and is hereby approved.

COGCC Approved: FISCHER, ALEX Date: 8/1/2013

CONDITIONS OF APPROVAL, IF ANY:

COA- The transfer at the facilities/locations referenced in the Production Water Reuse and Minimization Plan shall be valid until July 31, 2014.

Provide a map/diagram illustrating all transfer and receiving facilities/locations by August 30, 2013.

COA- Produced water or flowback or other exploration and production waste shall not be temporarily stored in LVSTs. Produced water or flowback water shall be temporarily stored in frac tanks.

Operator has stated that they will not be using large volume storage tanks (LVSTs) to hold produced or flowback water. 500 bbl frac tanks will be used.

Request to withdraw Doc No.s

1 message

Wayne Bankert Tue, Jul 30, 2013 at 8:53 AM

To: "Fischer - DNR, Alex"

Cc: Randy Natvig

Alex,

After visiting with you, Piceance Energy is requesting withdrawal of the following three Sundries referencing LVST's with

Document ID No:

400432966

400432968

400432971

Thank you

Wayne P. Bankert

Senior Regulatory & Environmental Coordinator

Piceance Energy, LLC

Laramie Energy II, LLC

601 28 1/4 Rd. Suite D

Grand Junction, CO 81506

O: 970-812-5310

C: 970-985-5383

F: 970-683-5594

wbankert@laramie-energy.com

General Comments

<u>User Group</u>	<u>Comment</u>	<u>Comment Date</u>
Environmental	Form 4 (Document No. 400418507) is on hold, pending action on Form 4 (Document No. 400432971).	7/22/2013 3:41:43 PM

Total: 1 comment(s)

Attachment Check List

Att Doc Num	Name
400418507	FORM 4 SUBMITTED
400418517	OTHER
400418518	OTHER
400418519	OTHER

Total Attach: 4 Files

WATER CUSTODY TRANSFER AGREEMENT

This WATER CUSTODY TRANSFER AGREEMENT is made effective April 23, 2013 ("Effective Date"), by and between EnCana Oil & Gas (USA) Inc. ("EnCana") and Piceance Energy, LLC ("Piceance Energy") sometimes referred to collectively as "Parties" or singularly as "Party" or "Supplier/Shipper" or "Receiver".

RECITALS

- A. The Parties are entering into this Water Custody Transfer Agreement, to set forth the terms and conditions for possible transfers of water from either Party's operations in the Piceance Basin of Colorado. Actual transfers of water shall be also subject to the specific terms and conditions of Records of Transfer and of the Production Water Reuse and Waste Minimization Plan of even date herewith. This Water Custody Transfer Agreement together with executed Records of Transfer, if any, shall be referred to as the "Water Transfer Agreement" or "Agreement".
- B. The water subject to the transfer under this Agreement consists primarily of produced water from non-tributary, non-coalbed methane wells and flowback water from the Parties respective completion operations (collectively "Production/Flowback Water").
- C. Transfer of Production/Flowback Water between the Parties is expected to significantly reduce water disposal volumes, wastes, haul distances, and truck traffic and monetary costs, in addition to being consistent with State of Colorado regulatory agencies' objectives of resource conservation, waste minimization and recycling and re-use of water.
- D. The Parties desire to include this Water Custody Transfer Agreement as an Appendix to the Production Water Reuse and Waste Minimization Plan to give notice of the existence of the Water Transfer Agreement and the legal responsibility for Production/Flowback Water transferred between the Parties.

AGREEMENT

NOW, THEREFORE, in consideration of the covenants and conditions contained herein, EnCana and Piceance Energy agree as follows:

Term. The Water Transfer Agreement shall be in effect for all time periods and volumes of Production/Flowback Water transferred between the Parties until terminated by either Party by providing written notice to the other Party at least thirty (30) days prior to the effective date of the termination. The terminating Party is also responsible for notifying the COGCC in writing of the termination of the Water Transfer Agreement between the Parties.

Terms of Transfer. Prior to each transfer of water under this Agreement, the Parties shall agree on such other terms and conditions applicable to such transfer including (i) identifying the Supplier/Shipper and the Receiver, (ii) quantities to be transferred, (iii) any economic terms applicable to the transfer, and (iv) such other terms and conditions on which the Parties may agree.

Custody Transfer. It is agreed that the transferring company ("Supplier/Shipper") shall maintain all legal and regulatory responsibility, custody and control for any Production/Flowback Water that is transferred under this Agreement until such time as it is Delivered to the receiving company ("Receiver") or its designee at which point the Receiver will assume all legal and regulatory responsibility, custody and control for the Production/Flowback Water. For purposes of this Agreement, "Delivered" or "Delivery" shall mean the instant the water leaves the water truck(s) or water pipeline(s) at the mutually agreed upon Transfer Location of the Transferee. The Party having legal custody of the Production/Flowback Water, as described in this Paragraph, shall be the Party with primary responsibility for any spills or releases of Production/Flowback Water, including notifications and clean-up, if and as applicable.

Quality. Supplier/Shipper shall verify that the quality of its Production/Flowback Water is suitable for the intended use by the Receiver and shall maintain laboratory analytical results for the water samples that are representative of the Production/Flowback Water quality.

Record Keeping and Reporting. The Supplier/Shipper shall be the primary Party to maintain records of its Production/Flowback Water and all transfers of Production/Flowback Water between the Parties in accordance with applicable laws and promulgated regulations. The Supplier/Shipper shall provide copies of its Record of Transfer within 30 days of completing the transfer. The Supplier/Shipper shall be responsible for preparing and submitting an Annual Report to the COGCC which summarizes its respective Production/Flowback Water transfers for the previous calendar year. The Annual Report will include a spreadsheet that summarizes the information contained in the Record(s) of Transfer. The annual report for the previous calendar year will be submitted to the COGCC by February 15 of the following year.

Usage. The Supplier/Shipper warrants and represents that it has the right to use and consume all of the Production/Flowback Water to be delivered to the Receiver and that such

Production/Flowback Water will come from non-coalbed methane wells determined to be “non-tributary” in accordance with applicable laws and regulations. In addition, the Supplier/Shipper warrants and represents that it has complied with all water permitting and related other legal requirements concerning its Production/Flowback Water, including but not limited to any requirements from the Colorado State Engineer’s office.

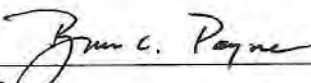
Compliance. Each Party shall comply with all applicable laws and promulgated regulations of governmental entities having jurisdiction over the Production/Flowback Water, the Transfer Location, or the transfer process including without limitation: a) maintaining an approved plan for the management of its Production/Flowback Water and its reuse; b) timely notifying and reporting reportable spills or releases of Production/Flowback Water; c) maintaining laboratory analytical results of representative samples of its Production/Flowback Water and waste generator/transfer records; d) conducting and maintaining records of environmental, health, and safety training of personnel and procedures, and e) submitting electronically an annual report to the COGCC summarizing water transfers for the previous calendar year by February 15 of the following year. Each Party shall also comply with all written environmental, health and safety policies and procedures provided to it by the other Party pertaining to the Transfer Location or the transfer process.


Relationship of the Parties. Neither Party is the partner, agent, or legal representative of the other, and there is no fiduciary relationship between them.

No Third Party Beneficiary Rights. This Agreement shall be construed to benefit the Parties and their respective successors and assigns only, and shall not be construed to create third party beneficiary rights.

Entire Agreement; Successors and Assigns. This Agreement contains the entire understanding of the Parties and supersedes all prior agreements and understandings between the Parties relating to the subject matter hereof. This Agreement shall be binding upon and inure to the benefit of the respective successors and permitted assigns of the Parties.

IN WITNESS WHEREOF, the Parties have executed this Water Transfer Agreement effective as of the date first above written.

By 
Bruce Payne
President and CFO
Piceance Energy, LLC

By 
Chris Durrant
Group Lead Water Mgmt
EnCana Oil & Gas (USA) Inc

Production Water Reuse
And
Waste Minimization Plan

For
Water Transfers Between

EnCana Oil & Gas (USA) Inc.
And
Piceance Energy, LLC

April 23, 2013

Introduction

EnCana Oil & Gas (USA) Inc. ("EnCana") and Piceance Energy, LLC ("Piceance Energy") are each currently and separately engaged in natural gas exploration and production operations in the Piceance Basin, which encompasses areas of Garfield and Mesa Counties, Colorado. Hydraulic fracturing operations associated with completing individual natural gas wells in the Piceance Basin require large volumes of water. A very significant percentage of the water used to conduct hydraulic fracturing is provided by operators from recycling and reuse of formation water co-produced with natural gas from their previously drilled production wells. In addition, the flowback water obtained from the return of hydraulic fracturing fluids following well stimulation is recovered for subsequent reuse during additional well completion operations. Producers typically operate various permitted facilities, which include pits, tanks and ponds, needed to treat and store produced water from its operations ("Production Water" as defined more specifically in Appendix A's Water Custody Transfer Agreement), to support recycling and reuse of water during additional drilling, completion and workover activities.

Depending largely on the level and location of drilling activity, conditions may exist when and where EnCana Production and Flowback Water volumes exceed its available treatment and storage capacity and EnCana Production and Flowback Water is transferred for final disposal (with no further possibility for recycling or reuse) to a licensed commercial disposal facility. Under other conditions, EnCana may need additional water to support its activities in new or peripheral areas that are removed from its infrastructure of water gathering lines, and water treatment and storage facilities or otherwise where its own supply of Production and Flowback Water may be inadequate or inconvenient for that specific location or time.

Piceance Energy's operations also occur in the Piceance Basin and in some areas are proximal to EnCana's operations. Similarly, Piceance Energy's operations experience conditions where its supply of Production and Flowback Water is excessive or insufficient to meet its demands for drilling, completion and workover activities for a given location or time. When either operator's demand for makeup water exceeds their current and foreseeable supply of Production and Flowback Water, historically one recourse has been to extract fresh water from either company's rightful water rights and store and treat the fresh water for subsequent downhole use even though other nearby operators may have an abundant supply of Production and Flowback Water that they have no immediate or foreseeable need to use. The Colorado Oil and Gas Conservation Commission ("COGCC") approval of this Plan satisfies the "director approval" requirement to reuse and recycle under COGCC Rules 907(a)(3) and (c)(3).

Purpose

In order to establish a mutually beneficial relationship, that promotes the reuse of Production and Flowback Water and avoids the withdrawal of precious fresh water supplies, EnCana and Piceance Energy have entered into a legally binding agreement, a copy of which is attached as Appendix A, whereby volumes of each company's Production and Flowback Water could be

transferred to the other company, on an as-needed, as requested basis, for re-use in each other's respective drilling, completion, and workover operations.

Sharing via transfer of Production and Flowback Water between operators represents a best management practice that promotes fresh water conservation, waste minimization, recycling, and re-use; consistent with the stated regulatory objectives of various State agencies (DWR, CDPHE and COGCC). This Production Water Reuse and Waste Minimization Plan (Reuse Plan) is intended to satisfy the requirements of the COGCC Rule 907.a(3) for the reuse and recycling of E&P Waste, which states:

Reuse and recycling. To encourage and promote waste minimization, operators may propose plans for managing E&P waste through beneficial use, reuse, and recycling by submitting a written management plan to the Director for approval on a Sundry Notice, Form 4, if applicable. Such plans shall describe, at a minimum, the type(s) of waste, the proposed use of the waste, method of waste treatment, product quality assurance, and shall include a copy of any certification or authorization that may be required by other laws and regulations. The Director may require additional information]

Anticipated Benefits

Under this Reuse Plan, each party shall use reasonable and available means to safely transfer Production and Flowback Water, in sufficient volumes and quality, to meet the other party's transfer requests, when mutually agreeable to do so. The benefits of this plan include:

- Shorter haul distances and an overall reduction of truck traffic on lease and county roads, and state and federal highways, for an operator to supply and/or dispose of Production and Flowback Water in the absence of sharing and transfer of Production and Flowback Water between operators. This will result in:
 - Less road damage
 - Decreases in criteria air pollutions from water truck exhaust emissions and fugitive dust
 - Less noise
 - Fewer accidents and spills involving water trucks
- Fewer fresh water withdrawals from surface water sources
- Less reliance on injection wells for disposal of Production and Flowback Water, and
- Increased operating efficiencies from reusing local supplies of Production and Flowback Water to meet water demands for drilling, completion and workover activities.

Proposed Use, Transfer and Ownership of Production Water

To promote waste minimization, Piceance Energy, as the Receiver, will accept Production and Flowback Water generated from EnCana's operations as the Supplier/Shipper in the Piceance Basin of Colorado, if and when needed by Piceance Energy and as consented to by EnCana, to support Piceance Energy's drilling, completion or workover operations. EnCana's Production and Flowback Water will be delivered by pipeline or truck to a mutually agreed upon transfer location ("Transfer Location" as identified in a Record of Transfer included as Exhibit A in

Appendix A). Transfer locations will be COGCC approved locations or facilities, such as storage tanks on well pads, multi-well pits or centralized E&P Waste Management Facilities. Transfer Locations will change over time as activities conclude in one area and move on to other locales. Best management practices for spill prevention and control will be applied at each Transfer Location. EnCana will be responsible for measuring and recording the volumes of Production and Flowback Water transferred utilizing a Record of Transfer.

Similarly, EnCana has agreed to accept Production and Flowback Water as the Receiver generated from Piceance Energy's operations as the Supplier/Shipper in the Piceance Basin of Colorado, if and when needed by EnCana and as consented by Piceance Energy, to support EnCana's drilling, completion or workover operations. Piceance Energy's Production and Flowback Water will be delivered by Piceance Energy to a mutually agreed upon Transfer Location. Transfer Locations will be COGCC approved locations or facilities, such as well pads, multi-well pits or centralized E&P Waste Management Facilities. Transfer Locations will change over time as completion activities conclude in one area and move on to other locales. Spill prevention and control Best Management Practices will be applied at each Transfer Location. Piceance Energy will be responsible for measuring and recording the volumes of Production and Flowback Water transferred utilizing a Record of Transfer. The COGCC has determined that the activities contemplated herein do not qualify as a Centralized E&P Waste Management Facility.

EnCana shall maintain all legal and regulatory responsibility, custody and control for its Production and Flowback Water until it is delivered to Piceance Energy. At the time of delivery Piceance Energy will assume all legal and regulatory responsibility, custody and control for that Production and Flowback Water. Similarly, Piceance Energy shall maintain all legal and regulatory responsibility, custody and control for its Production and Flowback Water until it is delivered to EnCana when EnCana will assume all legal and regulatory responsibility, custody and control for that Production and Flowback Water. The Water Custody Transfer Agreement between EnCana and Piceance Energy in Appendix A provides the details of this arrangement.

In the event that one party desires to terminate the Water Transfer Agreement, written notice shall be provided to the other party at least 30 days prior to the effective date of the termination. In addition, the terminating party is also responsible for notifying the COGCC in writing of the termination of the Water Transfer Agreement with the respective operator.

Source, Treatment and Quality of Production Water

The Supplier/Shipper will be responsible for identifying the source of the Production and Flowback Water on the Record of Transfer, which will only include water from facilities permitted by the COGCC including produced water storage tanks, multi-use or production storage pits, and centralized E&P waste management facilities. The majority of natural gas wells in the Piceance Basin are completed in the Williams Fork Formation, and a minority of the wells are completed in the Iles, Mancos and Niobrara Formations. Varying amounts of formation water are co-produced with the natural gas from within these formations and over the life of the well.

- Total Dissolved Solids EPA Method 160.1
- pH EPA Method 150.2
- Alkalinity EPA Method 310.1
- Gross alpha and beta radioactivity EPA Method 900.0

Measurements, Recordkeeping and Reporting

In addition, the party acting as the Supplier/Shipper for each Water Transfer will be responsible for measuring transfer volumes and maintaining records for the volumes transferred in accordance with applicable laws and regulations including COGCC Rule 907.b.(2) which states:

***Waste generator requirements.** Generators of E&P waste that is transported off-site shall maintain, for not less than five (5) years, copies of each invoice, bill, or ticket and such other records as necessary to document the following requirements A through F:*

- A. The date of the transport;*
- B. The identity of the waste generator;*
- C. The identity of the waste transporter;*
- D. The location of the waste pickup site;*
- E. The type and volume of waste; and*
- F. The name and location of the treatment or disposal site.*

Such records shall be signed by the transporter, made available for inspection by the Director during normal business hours, and copies thereof shall be furnished to the Director upon request.

EnCana and Piceance Energy will each separately submit an annual report to the COGCC summarizing the transfers of Production and Flowback Water (both as the Supplier/Shipper and the Receiver) during the calendar year and including laboratory analytical results for representative sample(s) of the Production and Flowback Water provided as the Supplier/Shipper. The annual report will include a spreadsheet that summarizes the information contained in the Record(s) of Transfer, and include copies of individual Records of Transfer. The annual report for the previous calendar year will be submitted to the COGCC by February 15 of the following year.

Voluntary Standard Operating Procedures and Approval Conditions

- If locations are in a sensitive area because of its proximity to surface water; Operator must ensure 110% secondary containment for any volume of fluids contained at the Water Handling Facility site during natural gas development activities and operations; including but not limited to, construction of a berm or diversion dike, diversion/collection trenches within and/or outside of berms/dikes, site grading, or other comparable measures (i.e. Best Management Practices (BMPs) associated with stormwater management) sufficiently protective of nearby surface water. Any berm constructed at the well pad location will be stabilized, inspected at regular intervals (at least every 14 days), and maintained in good condition.
- Operator must implement Best Management Practices to contain any unintentional release of fluids, including any fluids conveyed via temporary surface pipelines.
- Operator shall provide overflow protection for each tank proposed, if tanks are used.
- Operator proposes that the transfer facilities/locations will be in operation for a period less than one (1) year. Should the operation of this facility continue more than one year, a form 28 shall be submitted and approved before the one-year anniversary date of the first use of the transfer facility/location.

Authorization and Points of Contact

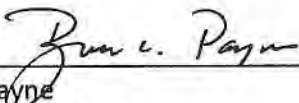
This Production Water Reuse and Waste Minimization Plan for Water Transfers Between EnCana Oil & Gas (USA) Inc. and Piceance Energy, LLC is hereby authorized for implementation by:



Name *Chris Durrant*
Title *Group Lead Water mgmt*
EnCana Oil & Gas (USA) Inc.

5-14-13

Date



Bruce Payne
President and CFO
Piceance Energy, LLC

May 9, 2013

Date

The primary and secondary points of contact representing EnCana are:

Primary

Louie Gibson
Trucking Supervisor: S.R.B.U. Water Management
EnCana Oil & Gas (USA) Inc.
143 Diamond Avenue
Parachute, CO 81635
Office: 970-285-2611

Secondary

The primary and secondary points of contact representing Piceance Energy are:

Primary

Wayne Bankert
Sr Regulatory & Environmental Coordinator
Piceance Energy, LLC
601 28 ¼ Rd – Suite D
Grand Junction, CO 81506
Office: 970-683-5419

Secondary

Randy Natvig
Drilling and Completions Manager
Piceance Energy, LLC
1512 Larimer ST - #1000
Denver, CO 80202
Office: 303-339-4337

Appendix A

Water Custody Transfer Agreement

Exhibit A

Transfer Locations:

The transfer facilities for EnCana will be primarily:

- G-22 pad in Sec 22, 7S, 93W

- Hunter Mesa Water Treatment Facility in Sec 1, 93W, 7S, Garfield County, CO

- Benzel Water Treatment Facility in Sec 23, 6S, 93W,

The transfer facilities for Laramie will be primarily:

- McClung 29-10 pad located in Sec 29, 93W, 7S, Garfield County, CO

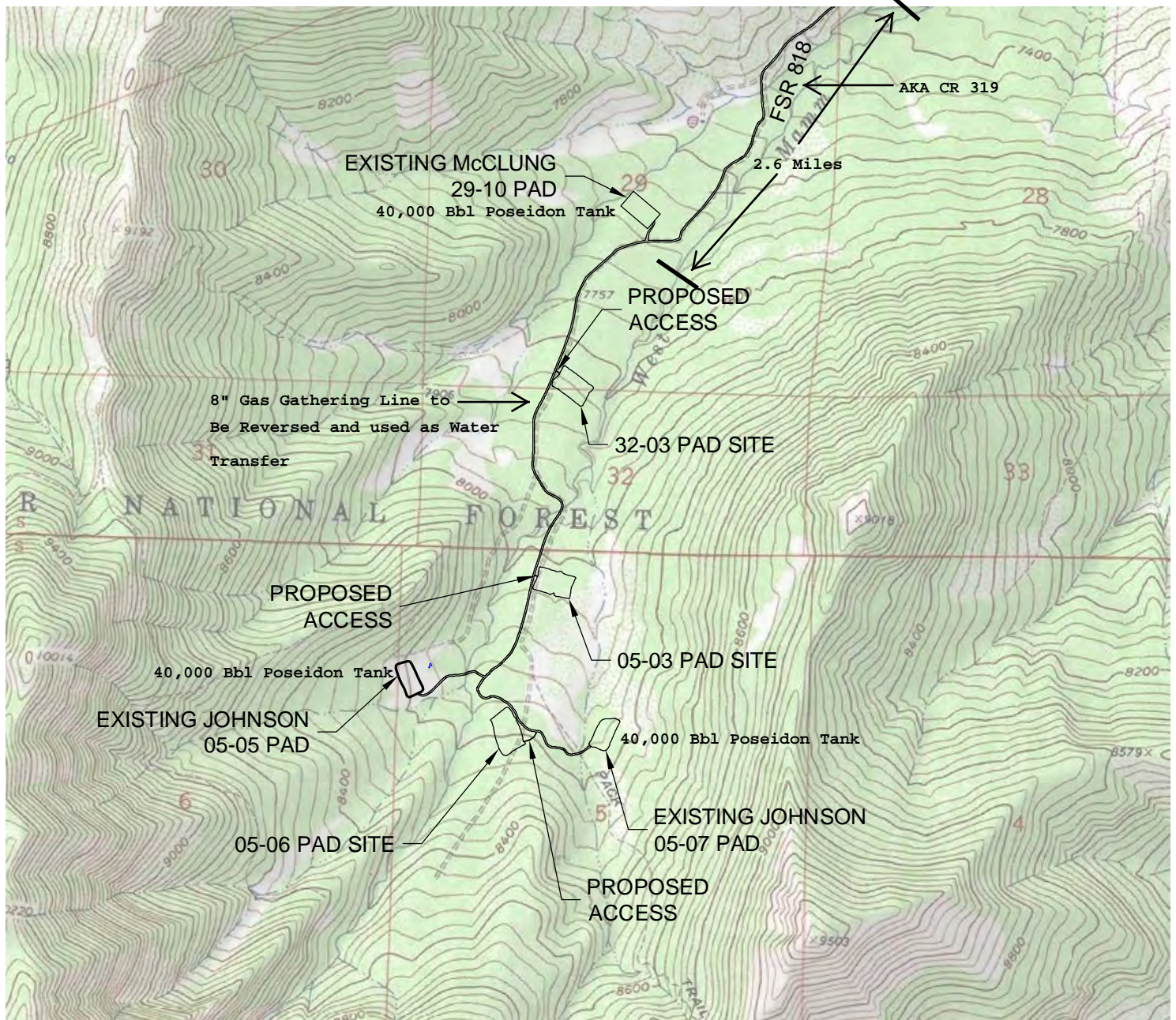
- Johnson 05-05 pad located in Sec 5, 93W, 8S, Garfield County, CO

- Vega Pad 13 located in Sec 33, 9S, 93W, Mesa County, CO

- Buzzard Creek Unit Pad 15 located in Sec 15, 9S, 93W, Mesa County, CO

ACCESS ROAD MAP

Encana G-22 Pad



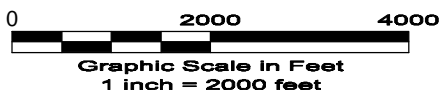
DRIVING DIRECTIONS:

From Town of Rifle, beginning at roundabout south side of I-70 Exit 90
 MP 0 Roundabout/East on Airport Rd
 MP 1.8 Y Intersection with I-70 Frontage Rd
 Bear right continuing on Airport Rd
 MP 2.5 Intersection with Airport Rd & CR 319 (AKA) West Mamm Creek Rd
 South on CR 319
 MP 3.6 End Asphalt/Begin Gravel
 MP 5.6 90° bend West
 MP 6.7 Cattle Guard @ Teepee Bible Camp
 MP 7.3 Cattle Guard @ Encana Rd South/Continue on CR 319

MP 7.8 Cattle Guard @ End CR 319/Begin FSR 818
 MP 9.3 Cattle Guard @ FSR 818 D on Left/Continue on FSR 818
 MP 10.1 End FSR 818/Begin private road/Gate combo 7073
 MP 10.5 Cross West Mamm Creek
 MP 11.0 Right on road to Johnson 5-05 Pad
 MP 11.2 Johnson 5-05 Pad



12/17/09



GEO SURV

LAND SURVEYING AND MAPPING
 LAFAYETTE - WINTER PARK
 Ph 303 666 0379 Fx 303 665 6320

LARAMIE ENERGY II LLC
JOHNSON 05-05 PAD

TRACT 40 SEC. 5 T8S R93W 6th PM
GARFIELD COUNTY COLORADO

MEMORANDUM OF MASTER PRODUCTION WATER CUSTODY TRANSFER AGREEMENT

This MEMORANDUM OF MASTER PRODUCTION WATER CUSTODY TRANSFER AGREEMENT ("Memorandum") is made effective April 23, 2013 ("Effective Date"), by and between EnCana Oil & Gas (USA) Inc. ("EnCana") and Piceance Energy, LLC ("Piceance Energy") sometimes referred to collectively as "Parties" or singularly as "Party" or "Supplier/Shipper" or "Receiver."

RECITALS

- A. The Parties entered into that certain Master Production Water Custody Transfer Agreement made effective April 23, 2013, pursuant to which the Parties set forth the terms and conditions for possible transfers of water from either company's operations in the Piceance Basin of Colorado. Actual transfers of water shall be also subject to the specific terms and conditions of Records of Transfer. The Master Production Water Custody Transfer Agreement together with executed Records of Transfer, if any, shall be referred to as the "Water Transfer Agreement" or "Agreement."
- B. The water subject to transfer under the Water Transfer Agreement consists primarily of produced water from non-tributary, non-coalbed methane wells and flowback water from the Parties' respective completion operations (collectively "Production Water").
- C. Transfer of Production Water between the Parties is expected to significantly reduce water disposal volumes, wastes, haul distances and truck traffic and monetary costs, in addition to being consistent with State of Colorado regulatory agencies' objectives of resource conservation, waste minimization and recycling and re-use of water.
- D. The Parties desire to include this Memorandum as an Appendix to their respective Production Water Reuse and Waste Minimization Plans to give notice of the existence of the Water Transfer Agreement and the legal responsibility for Production Water transferred between the Parties.

AGREEMENT

NOW, THEREFORE, in consideration of the covenants and conditions contained herein and in the Water Transfer Agreement, EnCana and Piceance Energy agree as follows:

Defined Terms. The defined terms used in this Memorandum shall have the meaning given them in the Water Transfer Agreement.

Notice. Notice is hereby given of the existence of the Water Transfer Agreement and certain provisions contained therein are described below. Authorized representatives of COGCC or other third parties with a legal right to know may contact either Party to schedule a review of an executed copy of the Water Transfer Agreement in its entirety, or any records that are required to

be maintained under applicable law or promulgated regulations concerning the Water Transfer Agreement or related to transfers of Production Water between the Parties.

No Amendment. This Memorandum is executed and recorded solely for the purpose of giving notice and shall not amend nor modify the Water Transfer Agreement in any way. In the event of any conflict or discrepancy between the terms and conditions set forth in this Memorandum and the Water Transfer Agreement, the terms and conditions of the Water Transfer Agreement shall control.

Term. The Water Transfer Agreement shall be in effect for all time periods and volumes of Production Water transferred between the Parties until terminated by either Party by providing written notice to the other Party at least thirty (30) days prior to the effective date of the termination. The terminating Party is also responsible for notifying the COGCC in writing of the termination of the Water Transfer Agreement between the Parties.

Custody Transfer. It is agreed that the transferring company ("Supplier/Shipper") shall maintain all legal and regulatory responsibility, custody and control for any Production Water that is transferred under this Agreement until such time as it is Delivered to the receiving company ("Receiver") or its designee at which point the Receiver will assume all legal and regulatory responsibility, custody and control for the Production Water. For purposes of this Agreement, "Delivered" or "Delivery" shall mean the instant the water leaves the water truck(s) or water pipeline(s) at the mutually agreed upon Transfer Location of the Transferee. The Party having legal custody of the Production Water, as described in this Paragraph, shall be the Party with primary responsibility for any spills or releases of Production Water, including notifications and clean-up, if and as applicable.

Quality. Supplier/Shipper shall verify that the quality of its Production Water is suitable for the intended use by the Receiver and shall maintain laboratory analytical results for water samples that are representative of their Production Water quality.

Record Keeping and Reporting. The Supplier/Shipper shall be the primary Party to maintain records of its Production Water and all transfers of Production Water between the Parties in accordance with applicable laws and promulgated regulations. The Supplier/Shipper shall provide copies of its Record of Transfer within 30 days of completing the transfer. Each Party shall be responsible for preparing and submitting an Annual Report to the COGCC which summarizes its respective Production Water transfers for the previous calendar year. The Annual Report will include a spreadsheet that summarizes the information contained in the Record(s) of Transfer. The annual report for the previous calendar year will be submitted to the COGCC by February, 15 of the following year.

Usage. The Supplier/Shipper warrants and represents that it has the right to use and consume all of the Production Water to be delivered to the Receiver and that such Production Water will come from non-coalbed methane wells determined to be "non-tributary" in accordance with applicable laws and regulations. In addition, the Supplier/Shipper warrants and represents that it has complied with all water permitting and related other legal requirements concerning its Production Water, including but not limited to any requirements from the Colorado State Engineer's office.

Compliance. Each Party shall comply with all applicable laws and promulgated regulations of governmental entities having jurisdiction over the Production Water, the Transfer Location, or the transfer process including without limitation: a) maintaining an approved plan for the management of its Production Water and its reuse of Production Water; b) timely notifying and reporting reportable spills or releases of Production Water; c) maintaining laboratory analytical results of representative samples of its Production Water and waste generator/transfer records; d) conducting and maintaining records of environmental, health and safety training of personnel and procedures, and e) submitting electronically an annual report to COGCC summarizing produced water transfers for the previous calendar year by February 15 of the following year. Each Party shall also comply with all written environmental, health and safety policies and procedures provided to it by the other Party pertaining to the Transfer Location or the transfer process.

Relationship of the Parties. Neither Party is the partner, agent or legal representative of the other, and there is no fiduciary relationship between them.


No Third Party Beneficiary Rights. This Memorandum and the Water Transfer Agreement shall be construed to benefit the Parties and their respective successors and assigns only, and shall not be construed to create third party beneficiary rights.

Entire Agreement; Successors and Assigns. This Memorandum and the Water Transfer Agreement contain the entire understanding of the Parties and supersede all prior agreements and understandings between the Parties relating to the subject matter hereof. This Memorandum and the Water Transfer Agreement shall be binding upon and inure to the benefit of the respective successors and permitted assigns of the Parties.

Additional Terms. The Water Transfer Agreement contains additional provisions, terms and conditions, all of which are by this reference incorporated herein including without limitation those provided in one or more Records of Transfer in the form attached hereto as Exhibit A.

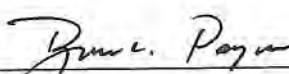
IN WITNESS WHEREOF, the Parties have executed this Memorandum of Water Transfer Agreement effective as of the date first above written.

By


Chris Duerant
the Group's Lead Water Mgmt

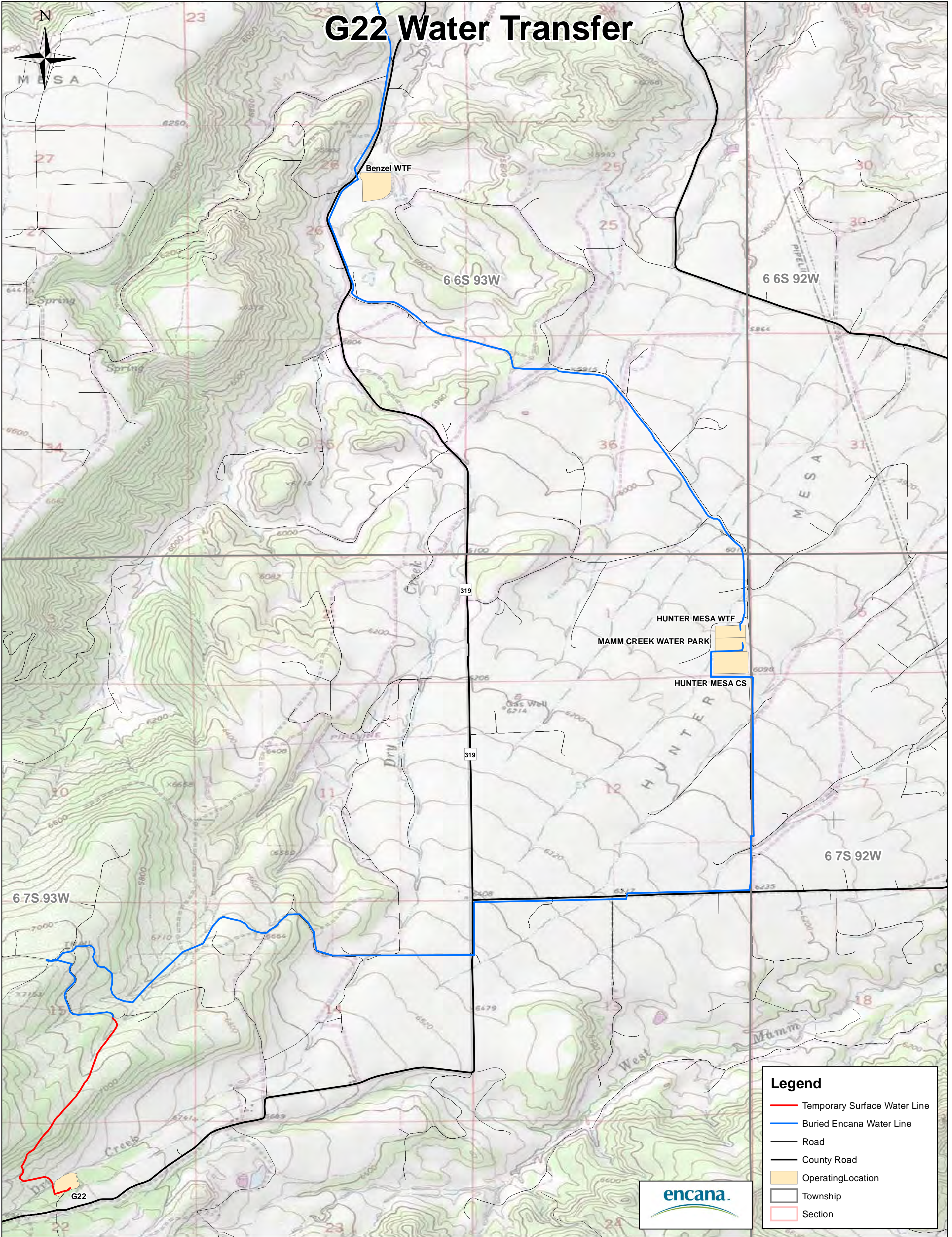
5-14-13
Date

By


Bruce Payne
President & CFO
Piceance Energy, LLC

May 9, 2013
Date

G22 Water Transfer



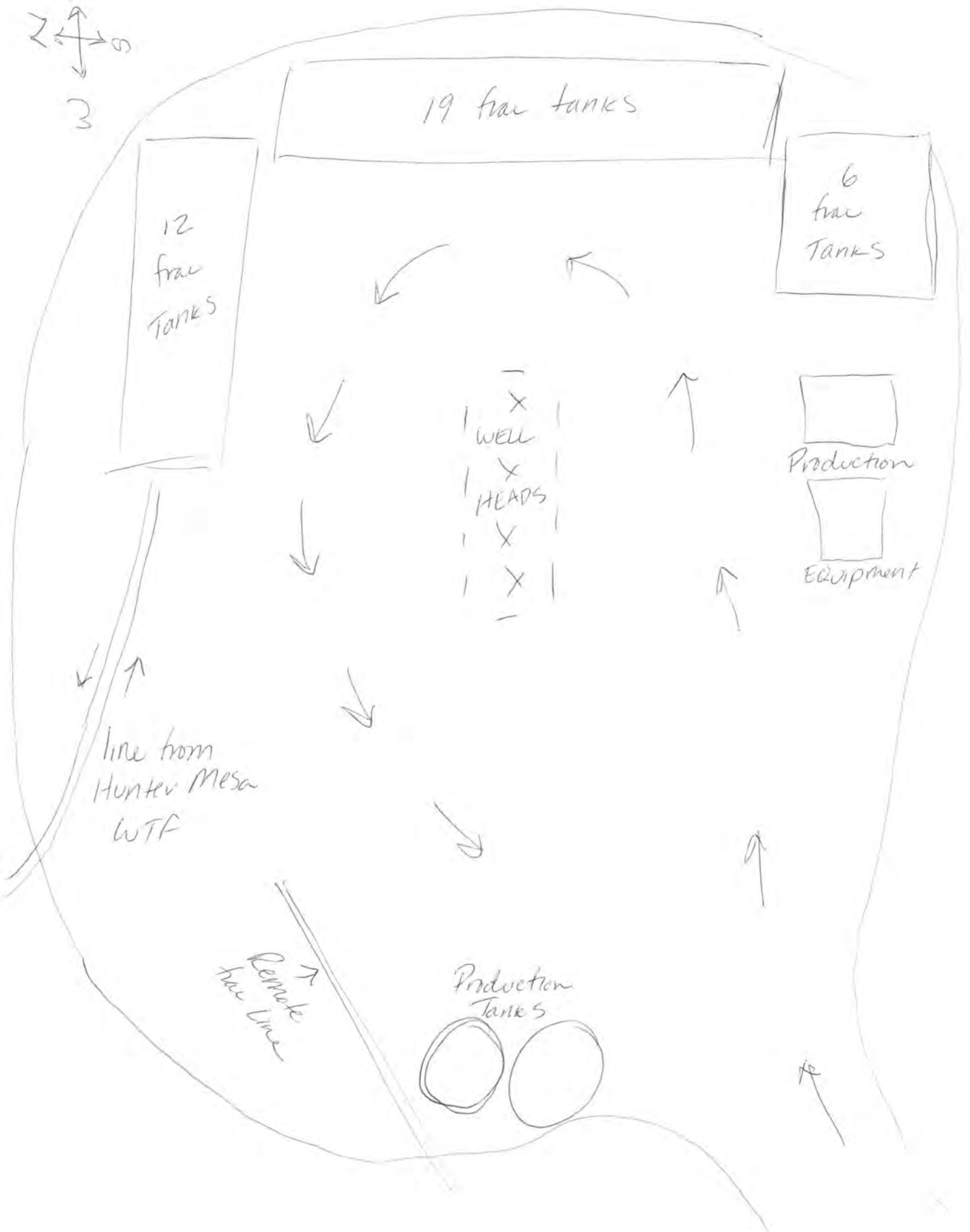
Legend

- Temporary Surface Water Line
- Buried Encana Water Line
- Road
- County Road
- OperatingLocation
- Township
- Section



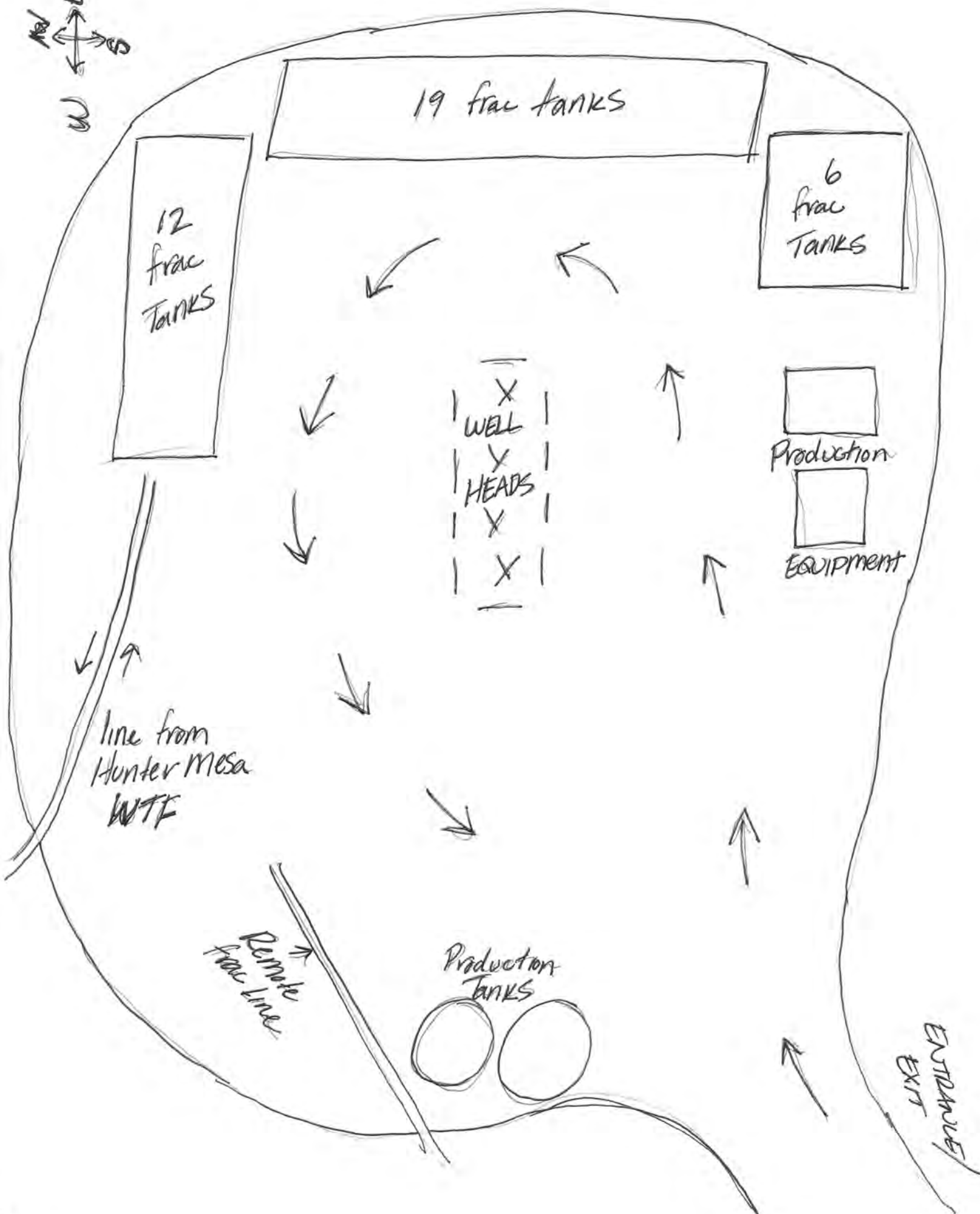
G22W

5-23-13



G22W

5-23-13



I 27W ROUTE

5-23-13

