EAGLERIDGE OPERATING

July 20, 2012

Via Hand Delivery

Mayor Mark Burroughs and Members of the City Council City of Denton 215 E. McKinney Street Denton, Texas 76201

Re:

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Application for gas well development plat for Rayzor West 3H Gas Well Pad Site ("GWPO8-0029") submitted to the City of Denton by Teleo Operating, LLC, now EagleRidge Operating, LLC, on November 17, 2008, in accordance with the City of Denton ("City") Ordinance No. 2005-223 (the "Application")

Mayor Burroughs and Members of the City Council:

EagleRidge Energy, LLC and EagleRidge Operating, LLC (collectively, "<u>EagleRidge</u>"), are the owner and operator, respectively, of Rayzor West 3H Gas Well Pad Site (GWPO8-0029). EagleRidge's Application with respect to GWPO8-0029 has been pending since November 17, 2008, and the permit requested by the Application is ready to be finalized and issued. The City, however, has refused to take any action on EagleRidge's Application based on the City's moratorium on the receipt, processing and approval of applications for permits for mineral exploration and production activities as contained in Ordinance No. 2012-024, which moratorium the City Council enacted on February 7, 2012 and then extended on June 5, 2012 (the "<u>Moratorium Ordinance</u>").

Under applicable law, the Moratorium Ordinance does not apply to the Application, which was submitted to the City long prior to the City's adoption of the Moratorium Ordinance. In addition, the failure to allow the final approval of the Application has caused, and will continue to cause, EagleRidge harm. Accordingly, EagleRidge hereby requests that the City promptly allow the Application to proceed to final approval so that the requested permit can be issued.

EagleRidge, therefore, urges the City Council to direct the City staff to allow EagleRidge to respond to the staff's minor comments and for them to move the Application forward for final approval.

In the alternative only, and with a reservation of all of its rights and positions, EagleRidge requests a variance under Section 5 of the Moratorium Ordinance to allow the City staff to finalize approval of the Application. By requesting this variance, Eagle Ridge does not waive its position that the Moratorium Ordinance does not apply to the Application; rather, EagleRidge submits this request, in the alternative, under duress, and the reservation of all of its rights and positions.

In accordance with Section 5 of the Moratorium Ordinance, EagleRidge provides the following information in support of request, in the alternative, for a variance:

Description of the property proposed to be covered by the variance: GWP08-0029 is situated in the City of Denton, Denton County, Texas and being a tract of land in the J. PERRY SURVEY, Abstract No. 1040 and the T TOBY SURVEY, Abstract No. 1040 and said tract being a portion of that certain tract conveyed to Westpark Group, L.P., by deed recorded under Denton County Clerk's File No. 2006-40956, and said tract containing 4.00 acres, more or less, in the Rayzor West Project (the "Property"). The Property is located west of both Interstate Highway 35 and the BNSF railroad line that runs parallel with IH-35, as shown on the attached exhibit. There are no residences or other development in proximity to the Property. Therefore, granting the variance will not result in land use compatibility concerns with respect to the surrounding property.

Explanation of why the application of the moratorium will create an undue hardship: EagleRidge's efforts to obtain approval of the Application have been wrongfully delayed, in violation of Chapter 245, for almost five months, with no end in sight. During that time, EagleRidge has incurred, and will continue to incur, costs necessary to develop and maintain the Rayzor West 3H Gas Well Project in reliance on the drilling ordinances in effect when the Application was submitted, including surveying costs, engineering reviews, site development plats, environmental site assessments, 3-D Seismic and leasehold related costs. Due to these significant start up costs in the oil and gas industry during the development and permitting phase this substantially affects the recovery of investment by EagleRidge. As a result, the moratorium

is an economic wasteful action that causes continued economic harm through increase in cost to maintain leasehold and operations. The moratorium causes further delay in drilling and production of the leases which causes further economic impact by delay in recovery of investment and places the existing lease at risk to the potential practice of "top leasing" by other operators whereby EagleRidge could lose their entire leasehold investment.

Description of the negative impacts caused by the moratorium: EagleRidge prepares project development plans for its gas well projects and incurs expenditures and contractual obligations in reliance on the development plan. EagleRidge's plans to move forward within its project development plan for Rayzor West 3H Gas Well Pad Site, which have been on hold since February 2012, and are now further stalled by extension of the moratorium for an additional 120 days, an extension that resulted from the failure of the Denton Gas Well Drilling Task Force's and the City staff to complete the required tasks within the initial 120-day moratorium time frame as directed by the City Council in Section 3 of the Moratorium Ordinance. The City's continuation of the moratorium for an additional 120 days has frozen EagleRidge's assets and put business obligations at risk. Contractual agreements with drilling rig operators, well fracking services, and other service providers will have to be canceled and/or rescheduled, resulting in operational hardships and fiscal impacts not only to EagleRidge's operations but to the service providers' operations. Without the relief requested in this letter, the City's actions are likely to result in substantial write-down of EagleRidge's investments in underdeveloped oil and gas leases and financial commitments with business partners and financial investors, including surface/mineral owners' rights to develop their property and increase the cost to develop its assets. Further, the City's misapplication of the moratorium to the Application results in unnecessary regulatory uncertainty that prevents the economic development of EagleRidge's assets.

In summary, Chapter 245 protects owners and developers like EagleRidge from regulations adopted or amended after the submittal of a permit application under a then-existing ordinance. The City's application of the Moratorium Ordinance against EagleRidge is precisely the type of action that Chapter 245 was enacted to prohibit. Granting the variance will not be detrimental to land use compatibility concerns applicable to mineral production and development, including public health, water quality, air quality, noise, lighting and nuisances based upon its physical and geographic location of the Rayzor West Project property which is located west of both Interstate Highway (IH-35) and the BNSF railrod line that is parallel with IH-35.



EagleRidge Energy, LLC,

a Texas limited liability eqmpany

By:

Mark L. Grawe , Chief Operating Officer and Executive Vice President

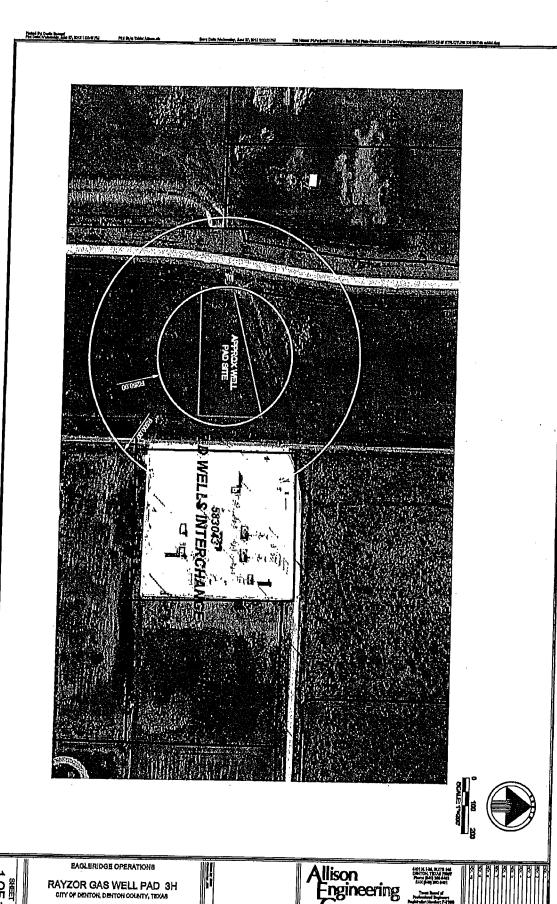
EagleRidge Operating, LLC,

a Texas limited liability company

Bv:

Mark L. Grawe, Chief Operating Officer and Executive Vice President

Encl.



EXISTING STRUCTURE SEPARATION EXHIST









July 20, 2012

Via Hand Delivery

Mayor Mark Burroughs and Members of the City Council City of Denton 215 E. McKinney Street Denton, Texas 76201

Re:

Application for gas well development plat for Rayzor West 9H Gas Well Pad Site (GWP10-0013) submitted to the City of Denton by Teleo Operating, LLC, now EagleRidge Operating, LLC, on August 2, 2010, in accordance with the City of Denton ("City") Ordinance No. 2005-223 (the "Application")

Mayor Burroughs and Members of the City Council:

EagleRidge Energy, LLC and EagleRidge Operating, LLC (collectively, "<u>EagleRidge</u>"), are the owner and operator, respectively, of Rayzor West 9H Gas Well Pad Site (GWP10-0013). EagleRidge's Application with respect to GWP10-0013 has been pending since August 2, 2010, and the permit requested by the Application is ready to be resubmitted for approval after addressing City comments in order to obtain the required drilling permits issued by the City. The City, however, has refused to take any action on EagleRidge's Application based on the City's moratorium on the receipt, processing and approval of applications for permits for mineral exploration and production activities as contained in Ordinance No. 2012-024, which moratorium the City Council enacted on February 7, 2012 and then extended on June 5, 2012 (the "<u>Moratorium Ordinance</u>").

Under applicable law, the Moratorium Ordinance does not apply to the Application, which was submitted to the City long prior to the City's adoption of the Moratorium Ordinance. In addition, the failure to allow the final approval of the Application has caused, and will continue to cause, EagleRidge harm. Accordingly, EagleRidge hereby requests that the City promptly allow the Application to proceed to final approval so that the requested permit can be issued.

EagleRidge, therefore, urges the City Council to direct the City staff to allow EagleRidge to respond to the staff's minor comments and for them to move the Application forward for final approval.

In the alternative only, and with a reservation of all of its rights and positions, EagleRidge requests a variance under Section 5 of the Moratorium Ordinance to allow the City staff to finalize approval of the Application. By requesting this variance, Eagle Ridge does not waive its position that the Moratorium Ordinance does not apply to the Application; rather, EagleRidge submits this request, in the alternative, under duress, and the reservation of all of its rights and positions.

In accordance with Section 5 of the Moratorium Ordinance, EagleRidge provides the following information in support of request, in the alternative, for a variance:

Description of the property proposed to be covered by the variance: GWP10-0013 is situated in the City of Denton, Denton County, Texas and being a tract of land in the B.B.B. & C.R.R. COMPANY SURVEY, Abstract No. 192 and said certain tract conveyed to Rayzor Investments, Ltd., by deed recorded in Volume 1796, Page 601, of Denton County Deed Records, and said tract containing 5.5627 acres, more or less, in the Rayzor West Project (the "Property"). The Property is located west of both Interstate Highway 35 and the BNSF railroad line that runs parallel with IH-35, as shown on the attached exhibit. There are no residences or other development in proximity to the Property. Therefore, granting the variance will not result in land use compatibility concerns with respect to the surrounding property.

Explanation of why the application of the moratorium will create an undue hardship: EagleRidge's efforts to obtain approval of the Application have been wrongfully delayed, in violation of Chapter 245, for almost five months, with no end in sight. During that time, EagleRidge has incurred, and will continue to incur, costs necessary to develop and maintain the Rayzor West 3H Gas Well Project in reliance on the drilling ordinances in effect when the Application was submitted, including surveying costs, engineering reviews, site development plats, environmental site assessments, 3-D Seismic and leasehold related costs. Due to these significant start up costs in the oil and gas industry during the development and permitting phase this substantially affects the recovery of investment by EagleRidge. As a result, the moratorium is an economic wasteful action that causes continued economic harm through increase in costs to

maintain leasehold and operations. The moratorium causes further delay in drilling and production of the leases which causes further economic impact by delay in recovery of investment and places the existing lease at risk to the potential practice of "top leasing" by other operators whereby EagleRidge could lose their entire leasehold investment.

Description of the negative impacts caused by the moratorium: EagleRidge prepares project development plans for its gas well projects and incurs expenditures and contractual obligations in reliance on the development plan. EagleRidge's plans to move forward within its project development plan for Rayzor West 9H Gas Well Pad Site, which have been on hold since February 2012, and are now further stalled by extension of the moratorium for an additional 120 days, an extension that resulted from the failure of the Denton Gas Well Drilling Task Force's and the City staff to complete the required tasks within the initial 120-day moratorium time frame as directed by the City Council in Section 3 of the Moratorium Ordinance. The City's continuation of the moratorium for an additional 120 days has frozen EagleRidge's assets and put business obligations at risk. Contractual agreements with drilling rig operators, well fracking services, and other service providers will have to be canceled and/or rescheduled, resulting in operational hardships and fiscal impacts not only to EagleRidge's operations but to the service providers' operations. Without the relief requested in this letter, the City's actions are likely to result in substantial write-down of EagleRidge's investments in underdeveloped oil and gas leases and financial commitments with business partners and financial investors, including surface/mineral owners' rights to develop their property and increase the cost to develop its assets. Further, the City's misapplication of the moratorium to the Application results in unnecessary regulatory uncertainty that prevents the economic development of EagleRidge's assets.

In summary, Chapter 245 protects owners and developers like EagleRidge from regulations adopted or amended after the submittal of a permit application under a then-existing ordinance. The City's application of the Moratorium Ordinance against EagleRidge is precisely the type of action that Chapter 245 was enacted to prohibit. Granting the variance will not be detrimental to land use compatibility concerns applicable to mineral production and development, including public health, water quality, air quality, noise, lighting and nuisances based upon its physical and geographic location of the Rayzor West Project property which is located west of both Interstate Highway (IH-35) and the BNSF railrod line that is parallel with IH-35.



EagleRidge Energy, LLC,

a Texas limited liability company

By:

Mark L. Grawe , Chief Operating Officer and Executive Vice President

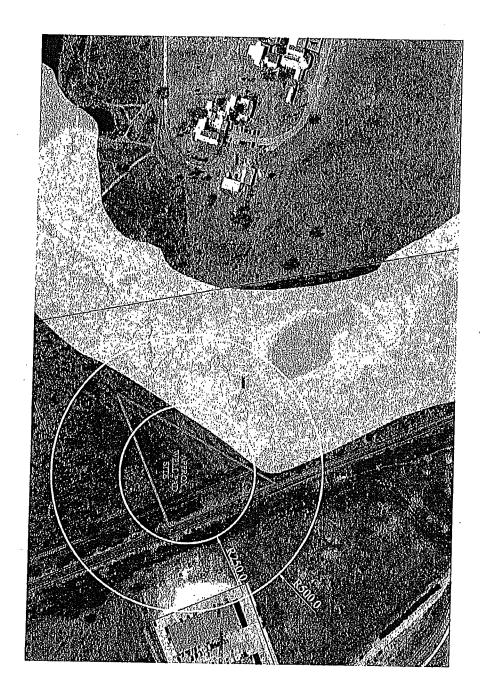
EagleRidge Operating, LLC,

a Texas limited liability company

Bv:

Mark L. Grawe, Chief Operating Officer and Executive Vice President

Encl.





EAGLE RIDGE OPERATIONS

RAYZOR GAS WELL PAD 9H CITY OF DENTON, DENTON COUNTY, TEXAS







EXISTING STRUCTURE SEPARATION EXHIBIT



July 20, 2012

Via Hand Delivery

Mayor Mark Burroughs and Members of the City Council City of Denton 215 E. McKinney Street Denton, Texas 76201

Re:

Application for gas well development plat for Rayzor West 10H Gas Well Pad Site (GWP10-0014) submitted to the City of Denton by Teleo Operating, LLC, now EagleRidge Operating, LLC, on July 19, 2010, in accordance with the City of Denton ("City") Ordinance No. 2005-223 (the "Application")

Mayor Burroughs and Members of the City Council:

EagleRidge Energy, LLC and EagleRidge Operating, LLC (collectively, "EagleRidge"), are the owner and operator, respectively, of Rayzor West 10H Gas Well Pad Site (GWP10-0014). EagleRidge's Application with respect to GWP10-0014 has been pending since July 19, 2010, and the permit requested by the Application is ready to be resubmitted for approval after addressing City comments in order to obtain the required drilling permits issued by the City. The City, however, has refused to take any action on EagleRidge's Application based on the City's moratorium on the receipt, processing and approval of applications for permits for mineral exploration and production activities as contained in Ordinance No. 2012-024, which moratorium the City Council enacted on February 7, 2012 and then extended on June 5, 2012 (the "Moratorium Ordinance").

Under applicable law, the Moratorium Ordinance does not apply to the Application, which was submitted to the City long prior to the City's adoption of the Moratorium Ordinance. In addition, the failure to allow the final approval of the Application has caused, and will continue to cause, EagleRidge harm. Accordingly, EagleRidge hereby requests that the City promptly allow the Application to proceed to final approval so that the requested permit can be issued.

EagleRidge, therefore, urges the City Council to direct the City staff to allow EagleRidge to respond to the staff's minor comments and for them to move the Application forward for final approval.

In the alternative only, and with a reservation of all of its rights and positions, EagleRidge requests a variance under Section 5 of the Moratorium Ordinance to allow the City staff to finalize approval of the Application. By requesting this variance, Eagle Ridge does not waive its position that the Moratorium Ordinance does not apply to the Application; rather, EagleRidge submits this request, in the alternative, under duress, and the reservation of all of its rights and positions.

In accordance with Section 5 of the Moratorium Ordinance, EagleRidge provides the following information in support of request, in the alternative, for a variance:

Description of the property proposed to be covered by the variance: GWP10-0014 is situated in the City of Denton, Denton County, Texas and being a tract of land in the J. PERRY SURVEY, Abstract No. 1040 and said tract being a portion of that certain Section 3, Tract Seven described in deed to Rayzor Investments, Ltd., by deed recorded in Volume 1796, Page 601, of Denton County Deed Records, and said tract containing 5.2882 acres, more or less, in the Rayzor West Project (the "Property"). The Property is located west of both Interstate Highway 35 and the BNSF railroad line that runs parallel with IH-35, as shown on the attached exhibit. There are no residences or other development in proximity to the Property. Therefore, granting the variance will not result in land use compatibility concerns with respect to the surrounding property.

Explanation of why the application of the moratorium will create an undue hardship: EagleRidge's efforts to obtain approval of the Application have been wrongfully delayed, in violation of Chapter 245, for almost five months, with no end in sight. During that time, EagleRidge has incurred, and will continue to incur, costs necessary to develop and maintain the Rayzor West 3H Gas Well Project in reliance on the drilling ordinances in effect when the Application was submitted, including surveying costs, engineering reviews, site development plats, environmental site assessments, 3-D Seismic and leasehold related costs. Due to these significant start up costs in the oil and gas industry during the development and permitting phase this substantially affects the recovery of investment by EagleRidge. As a result, the moratorium

is an economic wasteful action that causes continued economic harm through increase in costs to maintain leasehold and operations. The moratorium causes further delay in drilling and production of the leases which causes further economic impact by delay in recovery of investment and places the existing lease at risk to the potential practice of "top leasing" by other operators whereby EagleRidge could lose their entire leasehold investment.

Description of the negative impacts caused by the moratorium: EagleRidge prepares project development plans for its gas well projects and incurs expenditures and contractual obligations in reliance on the development plan. EagleRidge's plans to move forward within its project development plan for Rayzor West 10H Gas Well Pad Site, which have been on hold since February 2012, and are now further stalled by extension of the moratorium for an additional 120 days, an extension that resulted from the failure of the Denton Gas Well Drilling Task Force's and the City staff to complete the required tasks within the initial 120-day moratorium time frame as directed by the City Council in Section 3 of the Moratorium Ordinance. The City's continuation of the moratorium for an additional 120 days has frozen EagleRidge's assets and put business obligations at risk. Contractual agreements with drilling rig operators, well fracking services, and other service providers will have to be canceled and/or rescheduled, resulting in operational hardships and fiscal impacts not only to EagleRidge's operations but to the service providers' operations. Without the relief requested in this letter, the City's actions are likely to result in substantial write-down of EagleRidge's investments in underdeveloped oil and gas leases and financial commitments with business partners and financial investors, including surface/mineral owners' rights to develop their property and increase the cost to develop its assets. Further, the City's misapplication of the moratorium to the Application results in unnecessary regulatory uncertainty that prevents the economic development of EagleRidge's assets.

In summary, Chapter 245 protects owners and developers like EagleRidge from regulations adopted or amended after the submittal of a permit application under a then-existing ordinance. The City's application of the Moratorium Ordinance against EagleRidge is precisely the type of action that Chapter 245 was enacted to prohibit. Granting the variance will not be detrimental to land use compatibility concerns applicable to mineral production and development, including public health, water quality, air quality, noise, lighting and nuisances based upon its physical and geographic location of the Rayzor West Project property which is located west of both Interstate Highway (IH-35) and the BNSF railrod line that is parallel with IH-35.



EagleRidge Energy, LLC,

a Texas limited liability company

By: Lot Alea

 $\label{eq:markle} \textbf{Mark L. Grawe , Chief Operating Officer and Executive Vice President}$

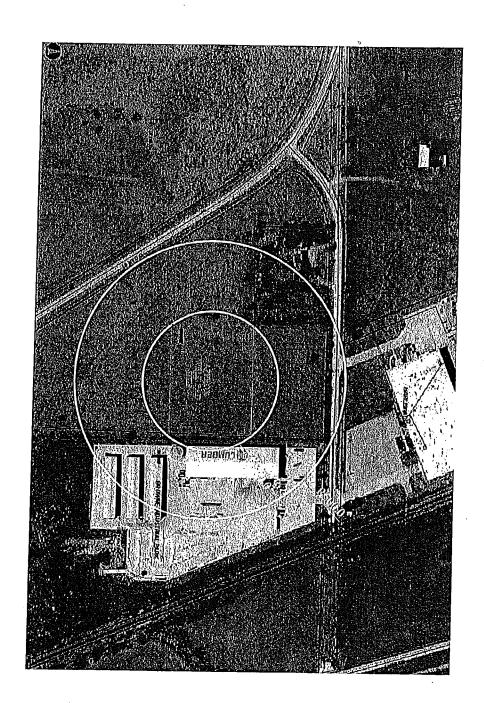
EagleRidge Operating, LLC,

a Texas limited liability company

By:

Mark L. Grawe, Chief Operating Officer and Executive Vice President

Encl.





EAGLE RIDGE OPERATIONS

RAYZOR GAS WELL PAD 10H COLY OF DEPTON, DEPTON COLUMN, TEXAS

EXISTING STRUCTURE BEPARATION EXHIBIT

Mison Engineraliza Chan





July 20, 2012



Via Hand Delivery
Mayor Mark Burroughs and
Members of the City Council
City of Denton
215 E. McKinney Street
Denton, Texas 76201

Re:

Application for gas well development plat for Rayzor West 12H Gas Well Pad Site (GWP10-0007) submitted to the City of Denton by Teleo Operating, LLC, now EagleRidge Operating, LLC, on July 1, 2010, in accordance with the City of Denton ("City") Ordinance No. 2005-223 (the "Application")

Mayor Burroughs and Members of the City Council:

EagleRidge Energy, LLC and EagleRidge Operating, LLC (collectively, "EagleRidge"), are the owner and operator, respectively, of Rayzor West 12H Gas Well Pad Site (GWP10-0007). EagleRidge's Application with respect to GWP10-0007 has been pending since July 1, 2010, and the permit requested by the Application is ready to be resubmitted for approval after addressing City comments in order to obtain the required drilling permits issued by the City. The City, however, has refused to take any action on EagleRidge's Application based on the City's moratorium on the receipt, processing and approval of applications for permits for mineral exploration and production activities as contained in Ordinance No. 2012-024, which moratorium the City Council enacted on February 7, 2012 and then extended on June 5, 2012 (the "Moratorium Ordinance").

Under applicable law, the Moratorium Ordinance does not apply to the Application, which was submitted to the City long prior to the City's adoption of the Moratorium Ordinance. In addition, the failure to allow the final approval of the Application has caused, and will continue to cause, EagleRidge harm. Accordingly, EagleRidge hereby requests that the City promptly allow the Application to proceed to final approval so that the requested permit can be issued.

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In the alternative only, and with a reservation of all of its rights and positions, EagleRidge requests a variance under Section 5 of the Moratorium Ordinance to allow the City staff to finalize approval of the Application. By requesting this variance, Eagle Ridge does not waive its position that the Moratorium Ordinance does not apply to the Application; rather, EagleRidge submits this request, in the alternative, under duress, and the reservation of all of its rights and positions.

In accordance with Section 5 of the Moratorium Ordinance, EagleRidge provides the following information in support of request, in the alternative, for a variance:

Description of the property proposed to be covered by the variance: GWP10-0007 is situated in the City of Denton, Denton County, Texas and being a tract of land in the EUGENE PUCHALSKI SURVEY, Abstract No. 996 and said tract being a portion of that certain tract described as Section 3, Tract Four in deed to Rayzor Investments, Ltd., recorded in Volume 1796, Page 601, of Denton County Deed Records, and said tract containing 4.1322 acres, more or less, in the Rayzor West Project (the "Property"). The Property is located west of both Interstate Highway 35 and the BNSF railroad line that runs parallel with IH-35, as shown on the attached exhibit. There are no residences or other development in proximity to the Property. Therefore, granting the variance will not result in land use compatibility concerns with respect to the surrounding property.

Explanation of why the application of the moratorium will create an undue hardship: EagleRidge's efforts to obtain approval of the Application have been wrongfully delayed, in violation of Chapter 245, for almost five months, with no end in sight. During that time, EagleRidge has incurred, and will continue to incur, costs necessary to develop and maintain the Rayzor West 3H Gas Well Project in reliance on the drilling ordinances in effect when the Application was submitted, including surveying costs, engineering reviews, site development plats, environmental site assessments, 3-D Seismic and leasehold related costs. Due to these significant start up costs in the oil and gas industry during the development and permitting phase this substantially affects the recovery of investment by EagleRidge. As a result, the moratorium

is an economic wasteful action that causes continued economic harm through increase in costs to maintain leasehold and operations. The moratorium causes further delay in drilling and production of the leases which causes further economic impact by delay in recovery of investment and places the existing lease at risk to the potential practice of "top leasing" by other operators whereby EagleRidge could lose their entire leasehold investment.

Description of the negative impacts caused by the moratorium: EagleRidge prepares project development plans for its gas well projects and incurs expenditures and contractual obligations in reliance on the development plan. EagleRidge's plans to move forward within its project development plan for Rayzor West 12H Gas Well Pad Site, which have been on hold since February 2012, and are now further stalled by extension of the moratorium for an additional 120 days, an extension that resulted from the failure of the Denton Gas Well Drilling Task Force's and the City staff to complete the required tasks within the initial 120-day moratorium time frame as directed by the City Council in Section 3 of the Moratorium Ordinance. The City's continuation of the moratorium for an additional 120 days has frozen EagleRidge's assets and put business obligations at risk. Contractual agreements with drilling rig operators, well fracking services, and other service providers will have to be canceled and/or rescheduled, resulting in operational hardships and fiscal impacts not only to EagleRidge's operations but to the service providers' operations. Without the relief requested in this letter, the City's actions are likely to result in substantial write-down of EagleRidge's investments in underdeveloped oil and gas leases and financial commitments with business partners and financial investors, including surface/mineral owners' rights to develop their property and increase the cost to develop its assets. Further, the City's misapplication of the moratorium to the Application results in unnecessary regulatory uncertainty that prevents the economic development of EagleRidge's assets:

In summary, Chapter 245 protects owners and developers like EagleRidge from regulations adopted or amended after the submittal of a permit application under a then-existing ordinance. The City's application of the Moratorium Ordinance against EagleRidge is precisely the type of action that Chapter 245 was enacted to prohibit. Granting the variance will not be detrimental to land use compatibility concerns applicable to mineral production and development, including public health, water quality, air quality, noise, lighting and nuisances based upon its physical and geographic location of the Rayzor West Project property which is located west of both Interstate Highway (IH-35) and the BNSF railrod line that is parallel with IH-35.



EagleRidge Energy, LLC,

a Texas limited liability company

By:___

Mark L. Grawe , Chief Operating Officer and Executive Vice President

EagleRidge Operating, LLC,

a Texas limited liability company

Bv:

Mark L. Grawe, Chief Operating Officer and Executive Vice President

Encl.

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EAGLE RIDGE OPERATIONS





