BEEBE DRAW FARMS METROPOLITAN DISTRICTS 1-2

ASSESSED VALUATION FOR OIL & GAS PRODUCTION

CALENDAR YEARS 2013 AND 2014

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TAMARACK CONSULTING, LLC

January 27, 2014

BACKGROUND

Assessed valuations of Metropolitan Districts in Weld County Colorado are dependent upon the assessed valuation of oil and gas production within the district's boundary. Valuation pertaining to oil and gas production is assessed pursuant to Colorado Revised Statute 39-7-102, which states: ***(CRS) 39-7-102 establishes that in the case of oil properties: "the assessor shall value such oil and gas leaseholds and lands for assessment, as real property, at an amount equal to eighty-seven and one- half percent of the selling price of the oil and gas sold therefrom during the preceding calendar year."***

Weld County has used two separate methodologies to allocate assessed valuation of oil and gas production to taxing authorities. The current method used to assess value for Calendar Year 2014 bases the allocation of the assessed value for oil and gas production on the location of the wellhead. This method is pursuant to Colorado House Bill 14-1371 which states: ***Concerning Property Taxation of Oil and Gas Leaseholds and lands, and, in connection therewith,… the wellhead is the point of valuation and taxation for such leaseholds and lands.***

The previous method used to assess value for Calendar Year 2013 bases the allocation of the assessed value for oil and gas production on the location of the drilling window (spacing unit) associated with the wellhead. The spacing unit was submitted to the county by the oil and gas well operator.

With each methodology, various scenarios for allocating assessed values to a taxing authority can occur. These sceneries are outlined below.

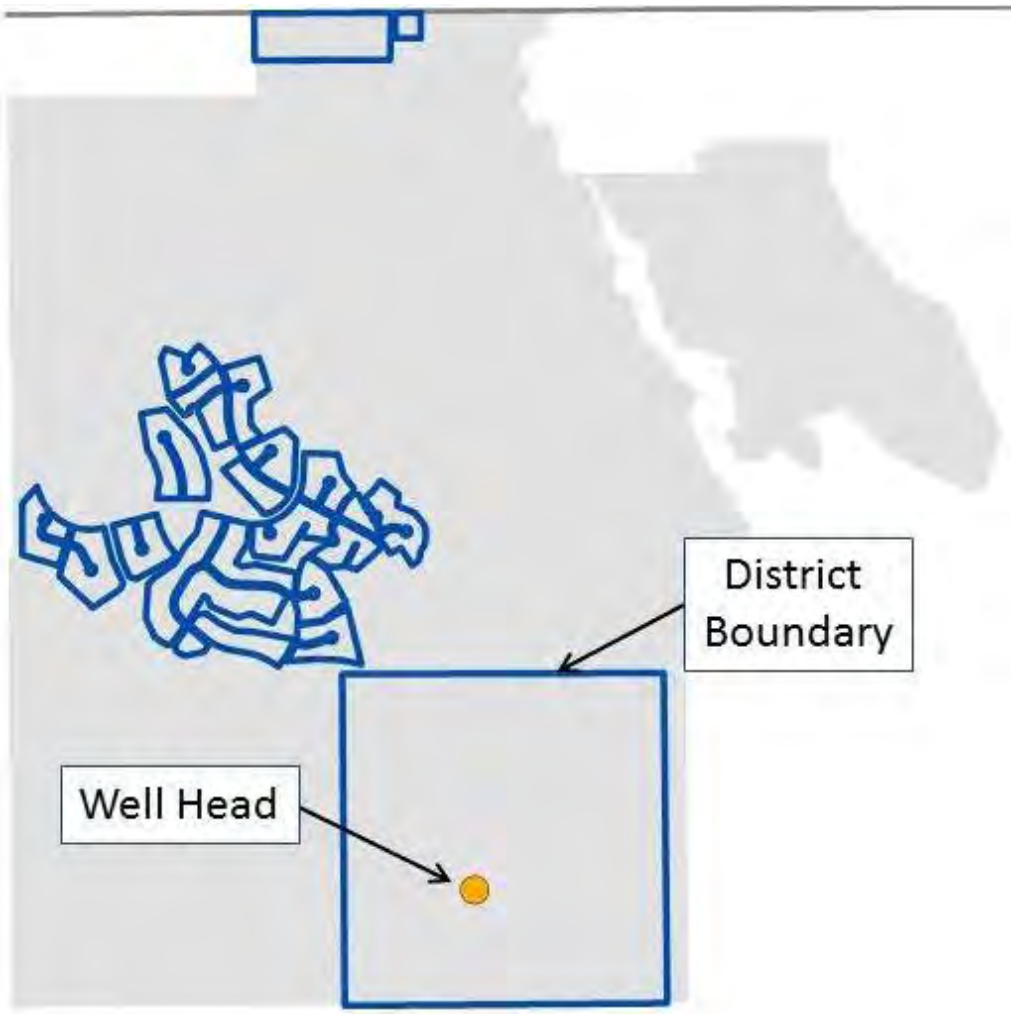
METHODOLOGIES

A. Methodology used for Calendar Year 2014

Assessed valuation pertaining to oil and gas production is based upon the location of the wellhead. Spacing Units are **not** used to allocate the assessed value among various taxing authorities. Weld County allocates all of the assessed value from an oil and gas well to the taxing authority within which the well is located. The following 2 scenarios are possible when allocating Assessed Value based on the methodology.

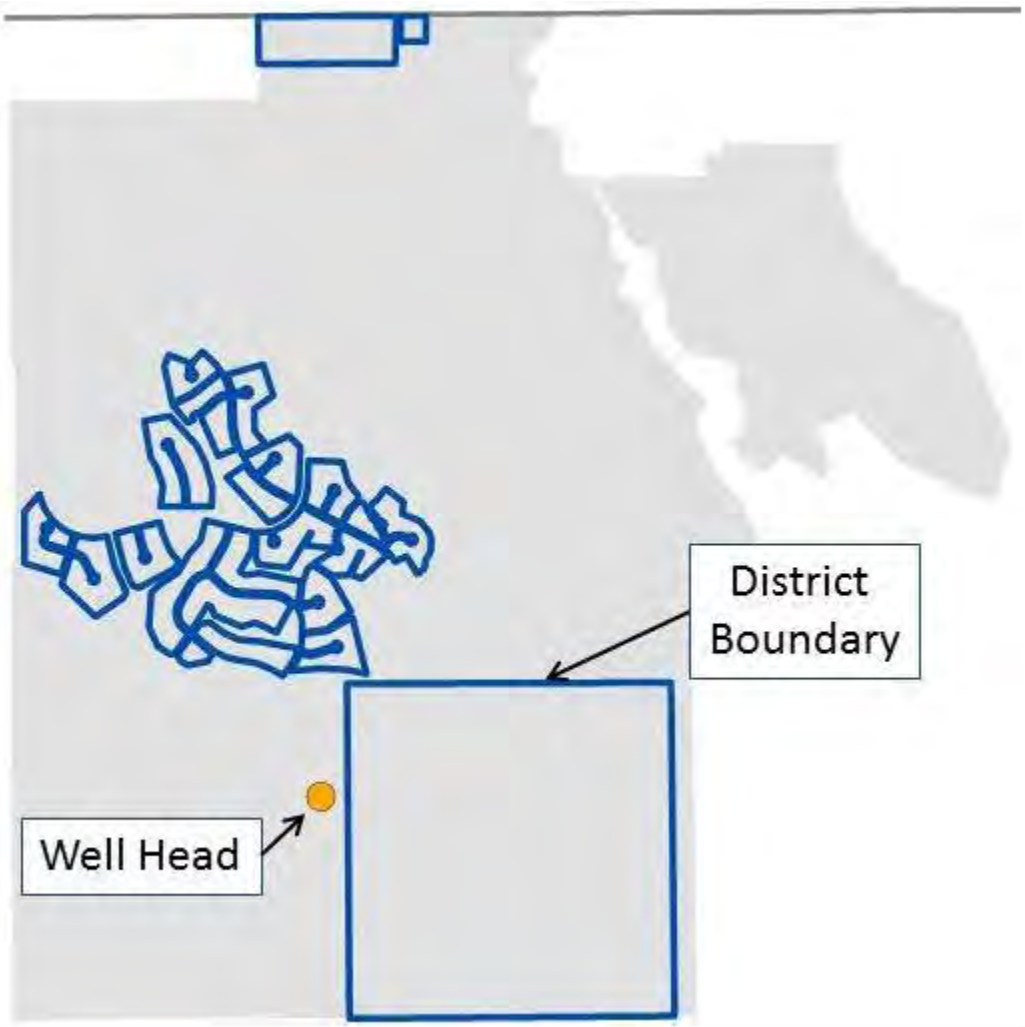
Scenario #1

The well head is located within the district boundary. 100% of the assessed value is allocated to the district.



Scenario #2

The well head is located outside the district boundary. No assessed value is allocated to the district.



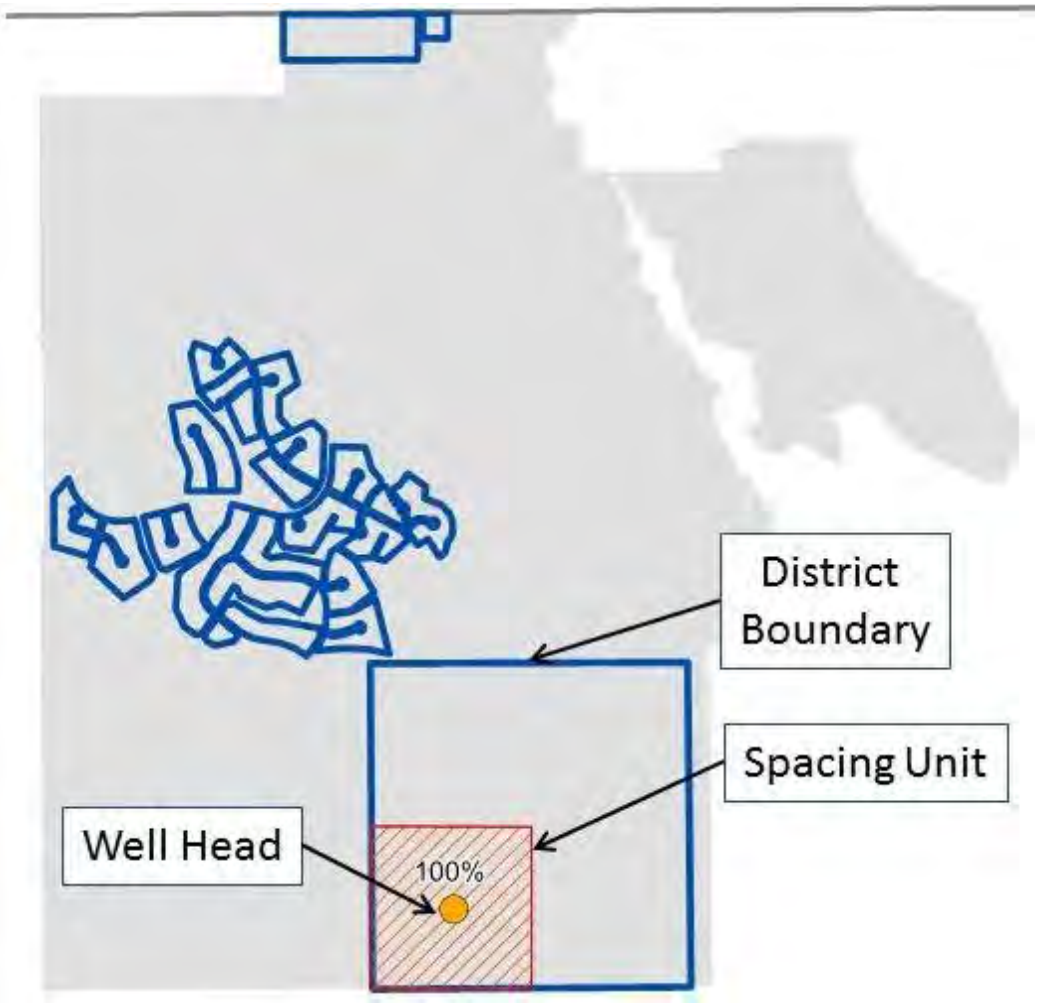
B. Methodology used for Calendar Year 2013

The assessed value of oil and gas wells is allocated to various taxing authorities based on an applicable drilling window (spacing unit) submitted to the county by the oil and gas well operator. Spacing units are assigned the assessed value of the oil and gas well they represent.

Geographical analysis is performed to determine the percentage of spacing unit that exists within the district or other taxing authority. The percentage of the total assessed value of the well that is allocated to the district is determined by the percentage of the spacing unit that exists within the district. The following 3 scenarios are possible when allocating Assessed Value based on the methodology.

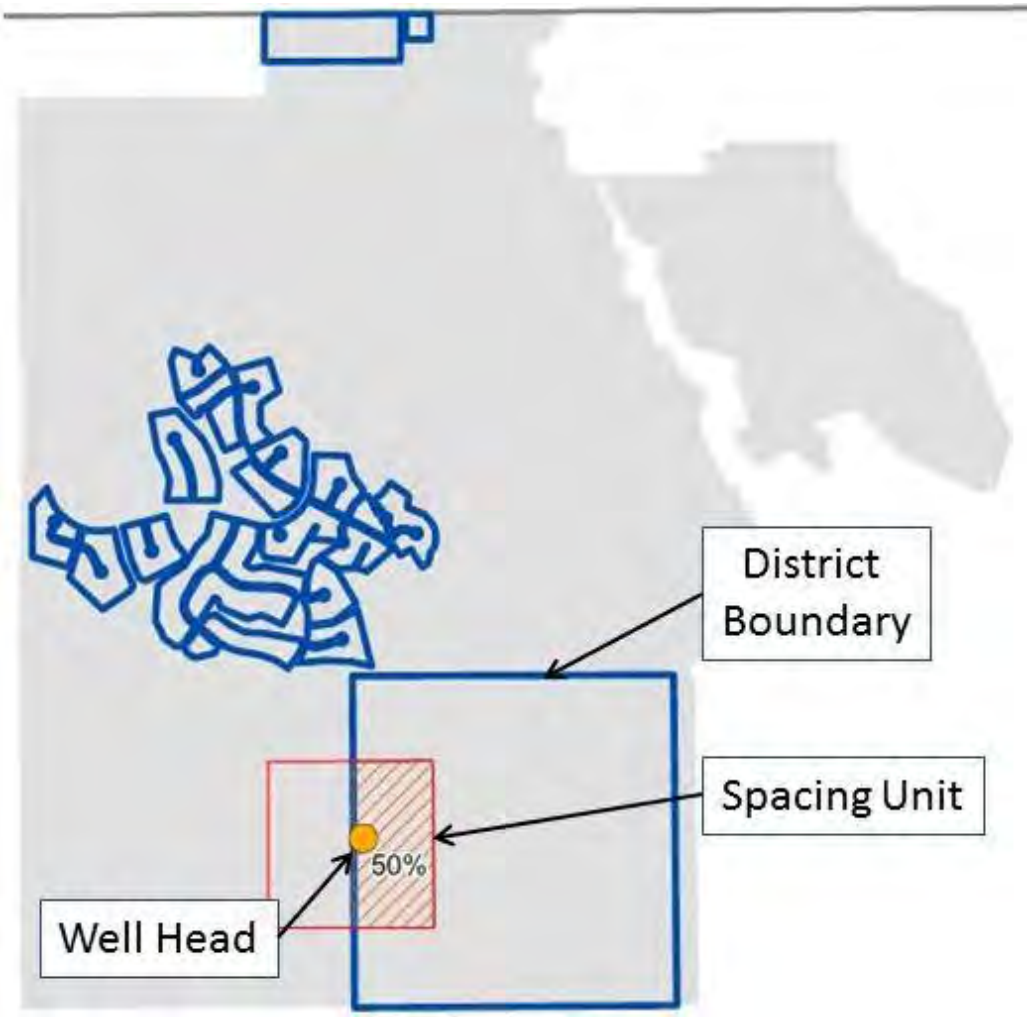
Scenario #1

The well head is located within the district boundary and the entire spacing unit is within the district boundary. 100% of the assessed value is allocated to the district.



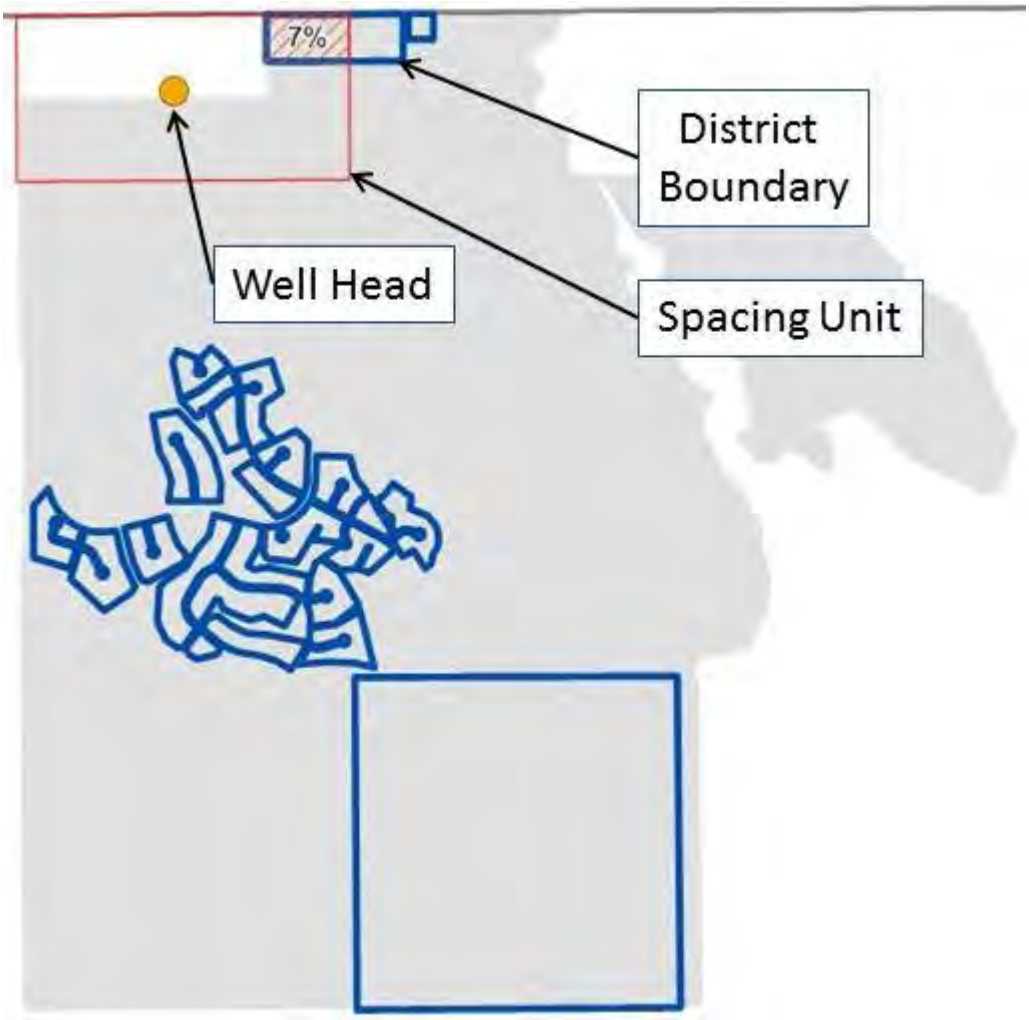
Scenario #2

The well head is located within the district boundary with a portion of spacing unit occurring within the district boundary. The portion of the total assessed value that is allocated to the district is determined by the percentage of the spacing unit that occurs within the district's boundary.



Scenario #3

The well head is located outside of the district boundary with a portion of the spacing unit extending into the district boundary. In this scenario, the assessed value allocated to the district is determined by the percentage of the spacing unit that exists within the district's boundaries.



ANALYSIS

Tamarack Consulting, LLC conducted the following analysis to confirm the Assessed Valuations pertaining to oil and gas production that are allocated to Beebe Draw Farms Metropolitan Districts 1 - 2.

A. Methodology used for Calendar Year 2014

1. Producing Well Identification
    a. Tamarack Consulting identified and mapped all producing wells within the district boundaries using data made publicly available by the Colorado Oil and Gas Commission.

2. Assessed Valuation Assignment
    a. Net valuations and assessed valuations were obtained from the Weld County Assessor's office. These values were assigned to each identified well.

3. Allocation and Verification
    a. The sum of the assessed values for each wellhead was verified against line items 7110, 7130, and 7155 of the district's abstract provided by the county.

B. Methodology used for Calendar Year 2013

1. Producing Well Identification
    a. Tamarack Consulting identified and mapped all producing wells within the district boundaries using data made publicly available by the Colorado Oil and Gas Commission.

2. Assessed Valuation Assignment
    a. Net valuations and assessed valuations were obtained from the Weld County Assessor's office. These values were assigned to each identified well.

3. Mapping of spacing units
    a. GIS data was created for each spacing unit for each identified well based upon the "Application to Drill" made publicly available by the Colorado Oil and Gas Commission.
        i. Multiple spacing units can exist for the same well and will vary in size depending on the formation being drilled.

4. Geographical Analysis
    a. Geographical Information System software was used to run an analysis to identify the percentage of overlap for the spacing unit and district boundary.
        i. A well will often have multiple spacing units of varying sizes assigned to it based upon the formations that are being drilled.
        ii. Per the Weld County Assessor's Office a single spacing unit was used to determine the allocation of the well's Assessed Value.

iii. Per the Weld County Assessor's Office it was left up to the operators to determine what spacing unit to submit for each well.
iv. Per the Weld County Assessor's Office the spacing unit submitted by the operator is confidential.
v. An analysis using both the smallest and largest spacing unit available for each well was completed.

4. Allocation and Verification
    a. Spacing units were given an assessed value based upon the percentage of the spacing unit located within the district boundary.
    b. The sum of the assessed values for each spacing was verified against line items 7110, 7130, and 7155 of the district's abstract provided by the county.

RESULTS

A. Methodology used by Weld County for Calendar Year 2014

Beebe Draw Farms Metropolitan District #1

Tamarack's Calculated Assessed Value	$6,092,967.00
Weld County's Calculated Assessed Value*	$6,895,280.00
Delta	$802,313.00

The Delta value can be attributed to the following:

Extra Wells

Tamarack identified 11 wells that exist outside the district boundary but are used by Weld County to calculate assessed value for Calendar Year 2014 (see Maps 1-1, 1-2).

Well Name	Assessed Value
MEAD PLACE 15-22	$199,780.00
MEAD PLACE 7-22	$119,770.00
MEAD PLACE 6-22	$160,980.00
MEAD PLACE 13-22	$140,400.00
MEAD PLACE 11-22	$170,300.00
MEAD PLACE 25-22	$122,740.00
MEAD PLACE 24-22	$166,040.00
MEAD PLACE 35-22	$206,590.00
MEAD PLACE 23-22	$152,190.00
HIGHLAND 1	$9,810.00
ARISTOCRAT ANGUS 31-8	$130,180.00
TOTAL	**$1,578,780.00**

Missing Wells

Tamarack identified 2 wells that exist within the district boundary but **were not** used by Weld County to calculate assessed value for Calendar Year 2014 (see Maps 1-1, 1-2).

Well Name	Assessed Value
ARISTOCRAT ANGUS 0-2-4	$184,943.00
ARISTOCRAT ANGUS 2-4	$591,524.00
TOTAL	**$776,467.00**

$1,578,780.00 (Extra Wells) - $776,467.00 (Missing Wells) = $802,313.00 (Delta)

*Weld County Assessed Value was obtained from the December 2014 Abstract Report line items 7110, 7130, and 7155.

Beebe Draw Farms Metropolitan District #2

Tamarack's Calculated Assessed Value	$31,094,452.54
Weld County's Calculated Assessed Value*	$31,917,200.00
Delta	$822,747.46

The Delta value can be attributed to the following:

Extra Wells

Tamarack identified 5 wells that exist outside the district boundary but are used by Weld County to calculate assessed value for Calendar Year 2014 (see Map 2-1).

Well Name	Assessed Value
FEDERAL 44-4	$118,060.00
BB DRAW H 3-5JI	$38,460.00
BB DRAW H 4-8 JI	$62,190.00
ARISTOCRAT ANGUS 0-2-4	$184,940.00
ARISTOCRAT ANGUS 2-4	$591,520.00
TOTAL	**$995,170.00**

Missing Wells

Tamarack identified 2 wells that exist within the district boundary but **were not** used by Weld County to calculate assessed value for Calendar Year 2014 (see Map 2-1).

Well Name	Assessed Value
31-8 ARISTOCRAT ANGUS	$80,620.00
FEDERAL 32-10	$91,802.54
TOTAL	**$172,422.54**

$995,170.00 (Extra Wells) - $172,422.54 (Missing Wells) = $822,747.46 (Delta)

*Weld County Assessed Value was obtained from the December 2014 Abstract Report line items 7110, 7130, and 7155.

B. Methodology used by Weld County for Calendar Year 2013

Beebe Draw Farms Metropolitan District #1

Tamarack's Calculated Assessed Value Based on Largest Spacing Unit	$7,853,216.00
Weld County's Calculated Assessed Value*	$6,322,110.00
Delta	$1,531,106.00

Tamarack's Calculated Assessed Value Based on Smallest Spacing Unit	$7,751,225.00
Weld County's Calculated Assessed Value*	$6,322,110.00
Delta	$1,429,115.00

*Weld County Assessed Value was obtained from the December 2013 Abstract Report line items 7110 and 7130.

Beebe Draw Farms Metropolitan District #2

Tamarack's Calculated Assessed Value Based on Largest Spacing Unit	$27,536,886.00
Weld County's Calculated Assessed Value*	$30,136,861.00
Delta	$ 2,599,975.00

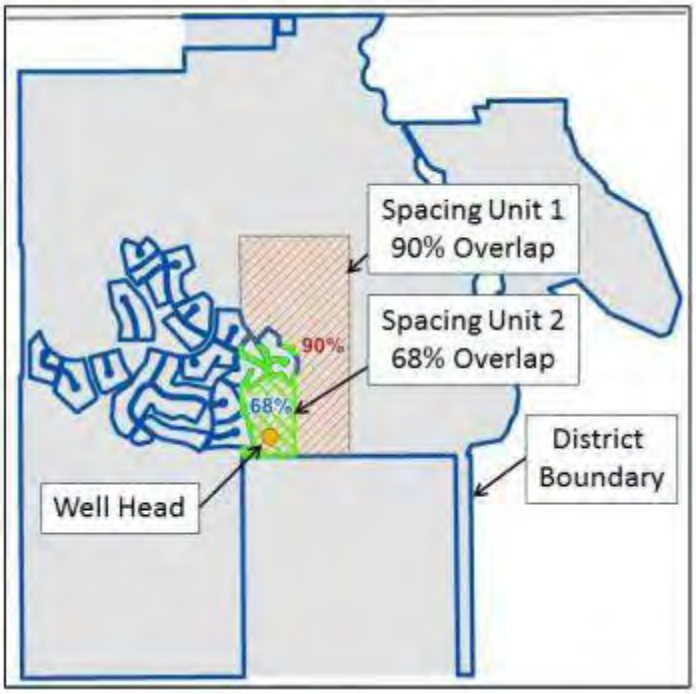
Tamarack's Calculated Assessed Value Based on Smallest Spacing Unit	$27,522,204.00
Weld County's Calculated Assessed Value*	$30,136,861.00
Delta	$ 2,614,657.00

*Weld County Assessed Value was obtained from the December 2013 Abstract Report line items 7110, 7130, and 7155.

The Delta values can be attributed to the following:

A single spacing unit is used by Weld County to allocate assessed values but well heads often have multiple spacing units of various sizes. The spacing unit used to allocate assessed value is considered non-public information and is not available. As a result the size of the spacing unit used is not known. The graphic below highlights how different sized spacing units can effect allocating assessed values (In the example allocation can vary by 22% depending on the spacing unit used). Tamarack Consulting does not have necessary information to determine the spacing unit used for each well head. For this reason Assessed Value allocation was calculated using both the largest and smallest spacing units available.

Example showing how spacing unit size can effect assessed value allocation.



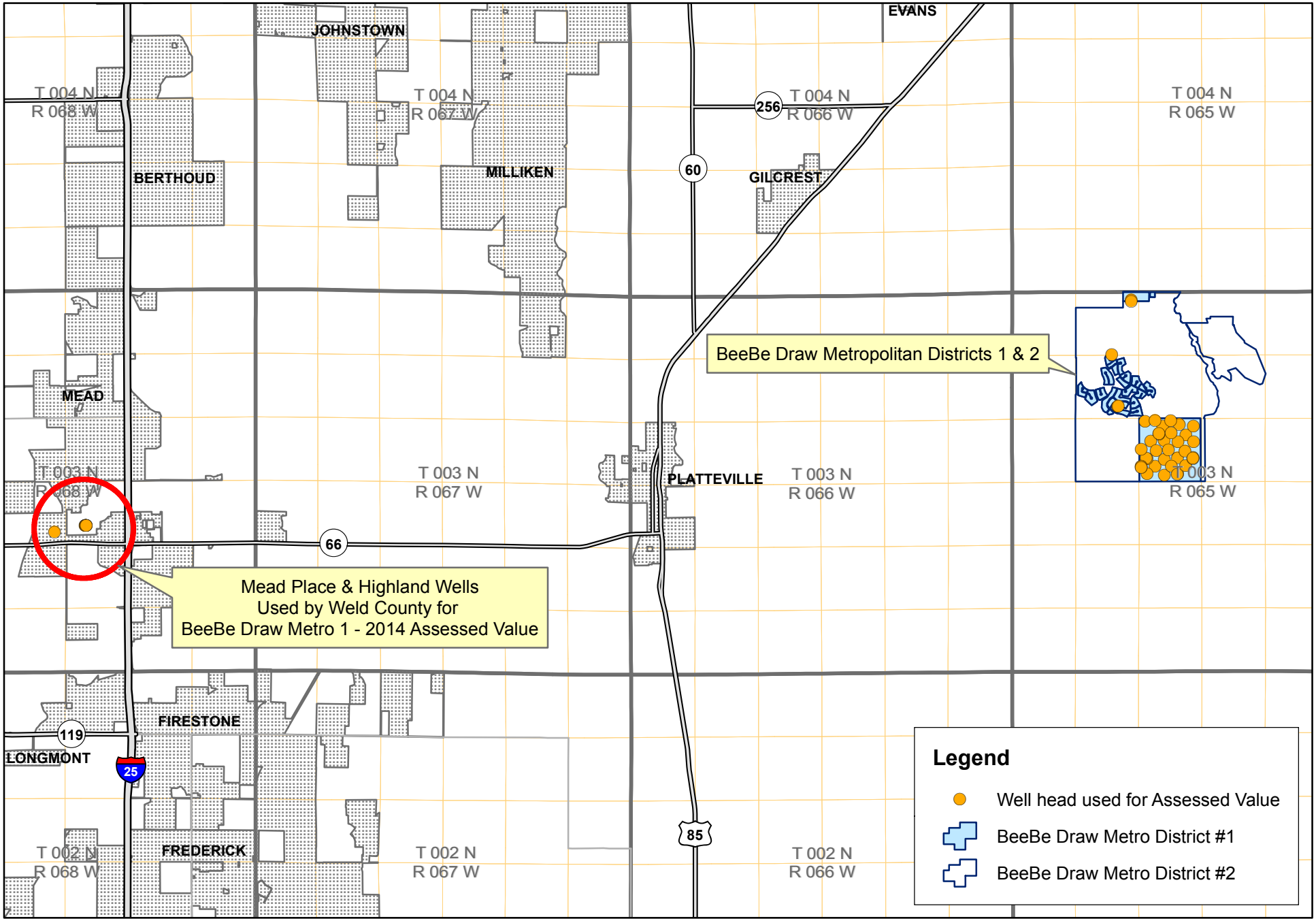
CONCLUSION

A. Methodology used by Weld County for Calendar Year 2014

Tamarack has identified 20 instances questioning the assessed value determined by the County. The most obvious instances are related to Metro District #1; **10 wells used by the County for the district's assessed value are over 15 miles from the district's boundary.** The remaining instances may be attributed to discrepancies in the boundary data used by the County and Tamarack Consulting.

B. Methodology used by Weld County for Calendar Year 2013

Due to the lack of information available regarding the spacing unit used by the County to allocate assessed value Tamarack cannot accurately verify the assessed value determined by the County.

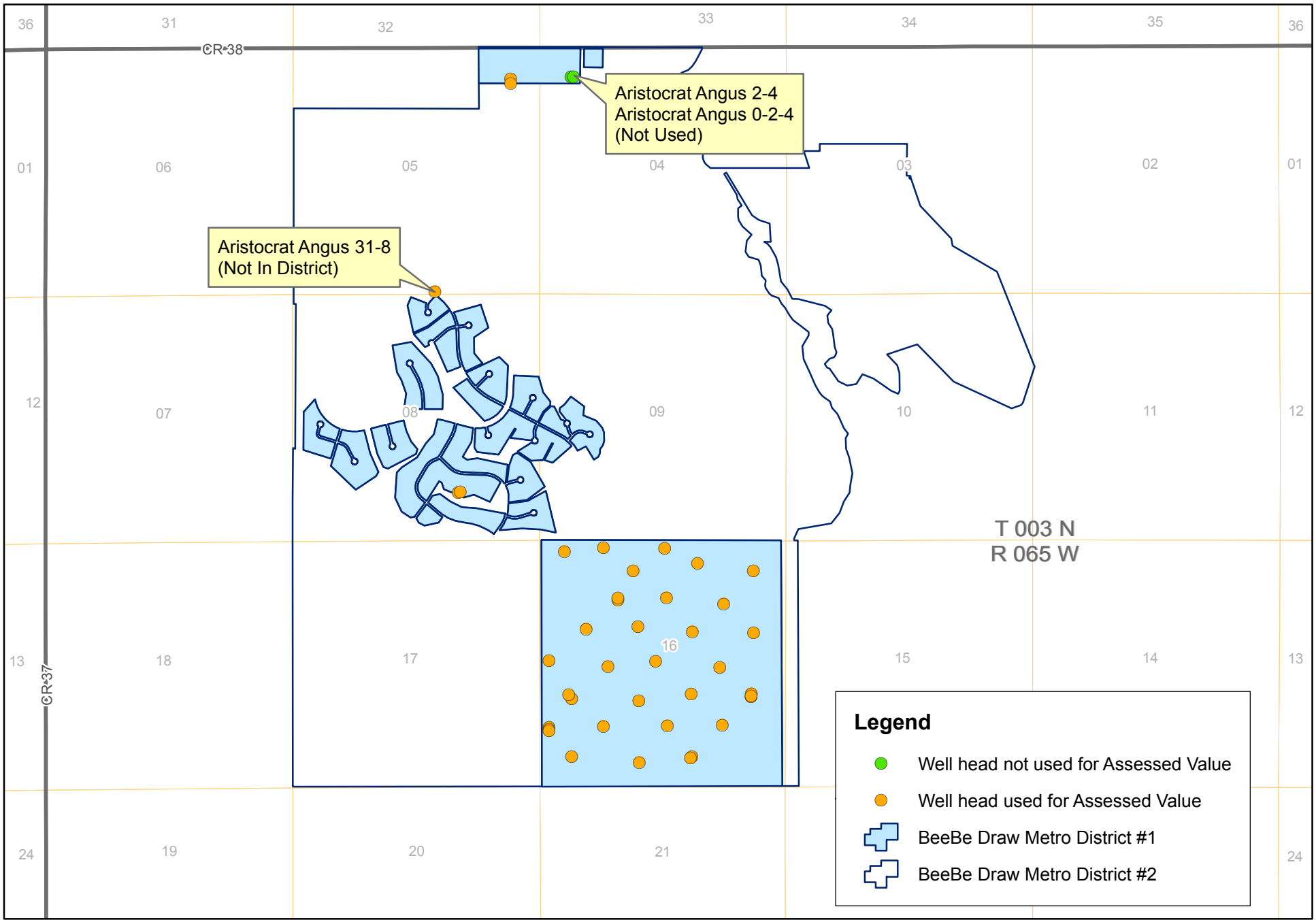


BeeBe Draw Metro District #1 - Weld County, CO
Oil & Gas Well Heads Used for 2014 Assessed Value

0 2.5 5 Miles

N W E S

Date Prepared: January 9th, 2014

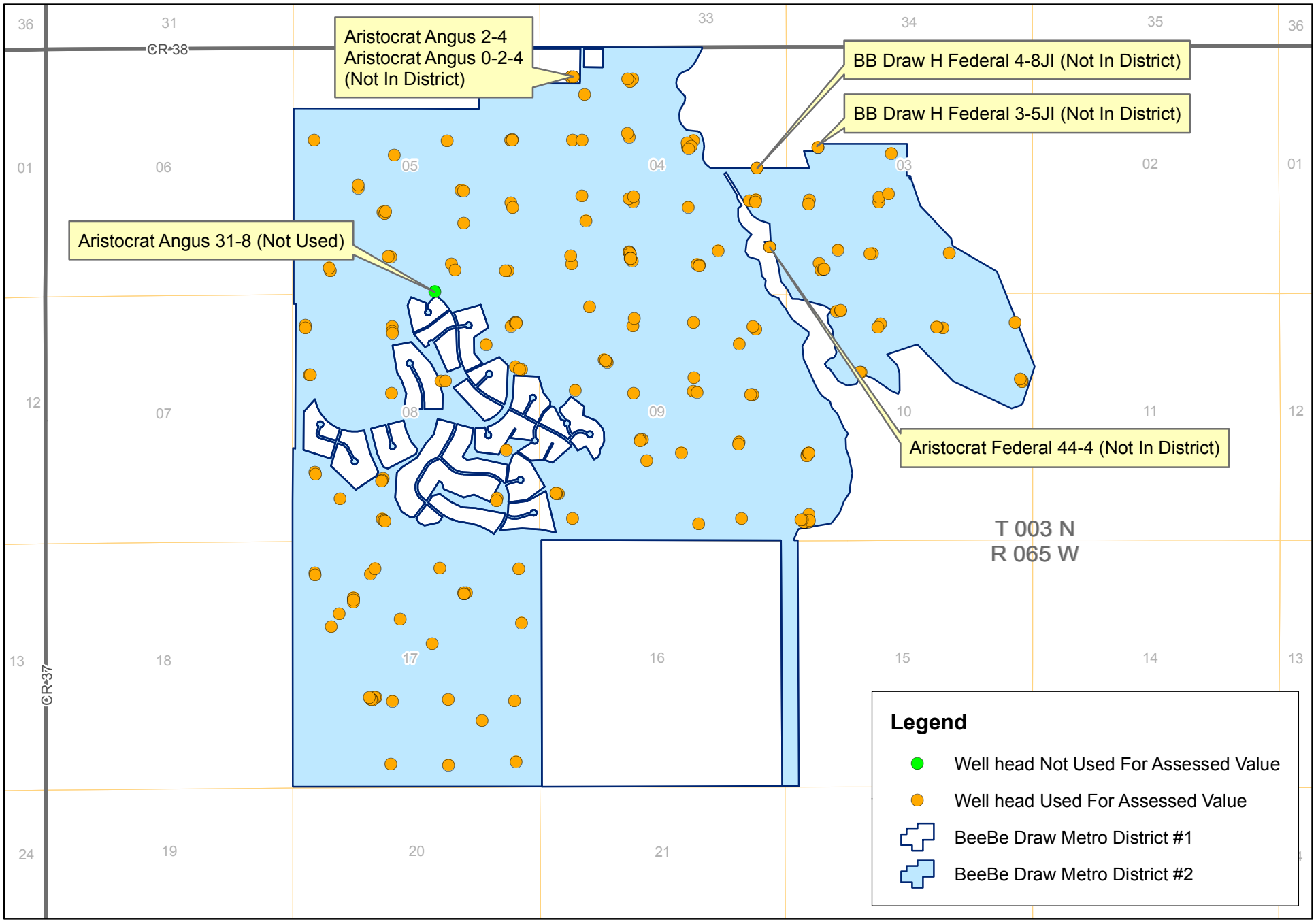


BeeBe Draw Metro District #1 - Weld County, CO
Oil & Gas Wells Used for 2014 Assessed Value

0 0.5 1 Miles

N W E S

Date Prepared: January 9th, 2014



BeeBe Draw Metro District #2 - Weld County, CO
Oil & Gas Wells Used for 2014 Assessed Value

0 0.5 1 Miles

N W E S

Date Prepared: January 9th, 2014

BEEBE DRAW METRO 1 1301

Vacant Land		Actual Value	Assessed Value
0100	VACANT RESIDENTIAL LAND	755,073	218,930
Category Total		755,073	218,930

Residential		Actual Value	Assessed Value
1112	SINGLE FAMILY RESIDENTIAL-LAND	2,384,663	189,820
1212	SINGLE FAMILY RESIDENTIAL IMPROVEMENTS	14,437,811	1,149,250
Category Total		16,822,474	1,339,070

Agricultural		Actual Value	Assessed Value
4020	AGRICULTURAL - POSSESSORY INTEREST	2,219	640
4127	DRY FARM LAND-AGRICULTURAL	767	230
Category Total		2,986	870

Oil & Gas		Actual Value	Assessed Value
7110	PRODUCING OIL(PRIMARY)-LAND	3,403,997	2,978,480
7130	PRODUCING GAS(PRIMARY)-LAND	4,430,803	3,876,950
7155	PRODUCING NGL(PRIMARY)-LAND	45,543	39,850
7190	PRODUCING WATER	0	0
7430	PRODUCING GAS(PRIMARY)EQUIP,FURN	513,157	148,860
7460	PIPELINES	633,086	183,590
Category Total		9,026,586	7,227,730

State Assessed		Actual Value	Assessed Value
8000	STATE ASSESSED REAL (AUTHORITY)	380	110
8010	STATE ASSESSED PP (AUTHORITY)	80,621	23,380
8012	STATE ASSESSED PP (COUNTY WIDE)	54,966	15,940
Category Total		135,967	39,430

Exempt		Actual Value	Assessed Value
9129	EXEMPT-STATE NON RESIDENTIAL LAND	1,885,629	546,830
9149	EXEMPT-POLITICAL NON RESIDENTIAL LAND	481	140
Category Total		1,886,110	546,970

Total by Authority	28,629,196	9,373,000
Total minus Exempt	26,743,086	8,826,030

BEEBE DRAW METRO 2 1310

Agricultural		Actual Value	Assessed Value
4127	DRY FARM LAND-AGRICULTURAL	38,100	11,050
4147	GRAZING LAND-AGRICULTURAL	39,180	11,380
4167	WASTE LAND	265	80
Category Total		77,545	22,510

Oil & Gas		Actual Value	Assessed Value
7110	PRODUCING OIL(PRIMARY)-LAND	13,076,386	11,441,920
7130	PRODUCING GAS(PRIMARY)-LAND	18,060,435	15,802,890
7155	PRODUCING NGL(PRIMARY)-LAND	5,339,897	4,672,390
7190	PRODUCING WATER	0	0
7410	PRODUCING OIL(PRIMARY)-EQUIP,FURN	89,990	26,100
7430	PRODUCING GAS(PRIMARY)EQUIP,FURN	3,988,840	1,156,660
7460	PIPELINES	4,076,223	1,182,110
Category Total		44,631,771	34,282,070

State Assessed		Actual Value	Assessed Value
8012	STATE ASSESSED PP (COUNTY WIDE)	43,862	12,720
Category Total		43,862	12,720

Exempt		Actual Value	Assessed Value
9149	EXEMPT-POLITICAL NON RESIDENTIAL LAND	422,997	122,670
9249	EXEMPT-POLITICAL NON RESIDENTIAL IMPS	369,307	107,100
Category Total		792,304	229,770

Total by Authority	45,545,482	34,547,070
Total minus Exempt	44,753,178	34,317,300

BEEBE DRAW METRO 1 1301

Vacant Land		Actual Value	Assessed Value
0100	VACANT RESIDENTIAL LAND	755,073	218,930
Category Total		755,073	218,930

Residential		Actual Value	Assessed Value
1112	SINGLE FAMILY RESIDENTIAL-LAND	2,384,663	189,820
1212	SINGLE FAMILY RESIDENTIAL IMPROVEMENTS	14,336,940	1,141,210
Category Total		16,721,603	1,331,030

Agricultural		Actual Value	Assessed Value
4020	AGRICULTURAL - POSSESSORY INTEREST	1,921	560
4127	DRY FARM LAND-AGRICULTURAL	767	230
Category Total		2,688	790

Oil & Gas		Actual Value	Assessed Value
7110	PRODUCING OIL(PRIMARY)-LAND	3,038,845	2,658,989
7130	PRODUCING GAS(PRIMARY)-LAND	4,186,424	3,663,121
7430	PRODUCING GAS(PRIMARY)EQUIP,FURN	509,420	147,820
7460	PIPELINES	462,436	134,110
Category Total		8,197,125	6,604,040

State Assessed		Actual Value	Assessed Value
8000	STATE ASSESSED REAL (AUTHORITY)	346	100
8010	STATE ASSESSED PP (AUTHORITY)	77,282	22,410
8012	STATE ASSESSED PP (COUNTY WIDE)	60,816	17,640
Category Total		138,444	40,150

Exempt		Actual Value	Assessed Value
9129	EXEMPT-STATE NON RESIDENTIAL LAND	1,885,629	546,830
9149	EXEMPT-POLITICAL NON RESIDENTIAL LAND	481	140
Category Total		1,886,110	546,970

Total by Authority	27,701,043	8,741,910
Total minus Exempt	25,814,933	8,194,940

BEEBE DRAW METRO 2 1310

Agricultural		Actual Value	Assessed Value
4127	DRY FARM LAND-AGRICULTURAL	38,100	11,050
4147	GRAZING LAND-AGRICULTURAL	39,180	11,380
4167	WASTE LAND	265	80
Category Total		77,545	22,510

Oil & Gas		Actual Value	Assessed Value
7110	PRODUCING OIL(PRIMARY)-LAND	14,467,942	12,659,450
7130	PRODUCING GAS(PRIMARY)-LAND	16,356,808	14,312,207
7155	PRODUCING NGL(PRIMARY)-LAND	3,617,376	3,165,204
7410	PRODUCING OIL(PRIMARY)-EQUIP,FURN	90,899	26,360
7430	PRODUCING GAS(PRIMARY)EQUIP,FURN	3,968,272	1,150,890
7460	PIPELINES	4,327,715	1,255,030
Category Total		42,829,012	32,569,141

State Assessed		Actual Value	Assessed Value
8012	STATE ASSESSED PP (COUNTY WIDE)	48,494	14,060
Category Total		48,494	14,060

Exempt		Actual Value	Assessed Value
9149	EXEMPT-POLITICAL NON RESIDENTIAL LAND	422,997	122,670
9249	EXEMPT-POLITICAL NON RESIDENTIAL IMPS	369,307	107,100
Category Total		792,304	229,770

Total by Authority	43,747,355	32,835,481
Total minus Exempt	42,955,051	32,605,711