

# BANKO

---

## PETROLEUM MANAGEMENT INC.

---

February 14, 2011

Mr. Tim Woodmansee  
Colorado Department of Transportation  
Region 3  
222 South 6<sup>th</sup> Street  
Grand Junction, CO 80501

Re: Request for Variance – Highway 133 B  
Vessels Coal Gas Inc.  
**Oxbow Mining LLC 1**  
2603' FSL 2286' FWL (NE/4 SW/4)  
Sec. 11 T13S R90W  
Gunnison County, Colorado  
Surface: Fee  
Mineral Lease: Fee

Dear Mr. Woodmansee:

Vessels Coal Gas, Inc. is pursuing an application to drill the Oxbow Mining LLC #1 well with the Colorado Oil and Gas Conservation Commission. The proposed well will be located approximately 6 miles east of Somerset, Colorado, north of Highway 133 B (Old Highway 133), more specifically at NESW Section 11, T13S,R90W (Latitude 38.932080; Longitude-107.416450).

COGCC Statewide Regulation (Statewide setbacks) 603.a.1 dictates that the wellhead shall be located a distance of no less than 150' from any public road, and Regulation 603.a.2 dictates that a well shall be a minimum of 150' from a surface property line. The proposed well will be located a distance of 91.4' due north Highway 133 B. Our records indicate that Colorado Department of Transportation owns this section of Highway 133 B. *We therefore request from you a variance to the aforementioned COGCC regulations.*

We do not expect the proposed operation will present safety issues to individuals using the Highway 133 B during drilling operations for the following reasons:

- The proposed well depth is shallow at 475'; therefore, the rig required to drill the well will be no taller than 62'.
- The proposed drilling operation is not expected to take more than three days.
- The proposed drilling operation will be conducted without the use of pits; all fluids will be contained in tanks at the pad site.

- The operation will be conducted on an existing pad site that was previously used in mining operations for the Sanborn Creek Mine.
- The drilling contractor, Himes Drilling Company, Inc., is an experienced driller and has drilled numerous wells in the area, including gob vent wells for the mining operation at the site.

Vessels Coal Gas, Inc., will be drilling the well to capture coal mine methane gas from the Sanborn Creek Mine, which is operated by the Oxbow Mining Company. Vessels intends to utilize the methane gas to generate electricity, which will in turn be produced into the area power grid. In conducting this operation, we will be removing potential waste gas, or greenhouse gas, from the area while generating a productive resource for the region.

Please provide your consent to this request by either signing below, or by providing a letter indicating your consent to this variance request. Once this variance is granted the COGCC will accept Vessels application to drill the aforementioned well. Please contact Mark Johnson, at (303) 820-4480 if you have questions or comments about this request.

Thank you for your assistance.



Mark Johnson  
Banko Petroleum Management  
mark@banko1.com

I concur with this request for a variance to COGCC Statewide Regulations 603.a.1 and 603.a.2:

Signature: 

Print Name: Tim Woodmansee

Print Title: CDOT Region 3 Right-of-Way Manager