



DEPARTMENT OF NATURAL
RESOURCES

Bill Owens, Governor
1120 Lincoln St. Suite 801
Denver, CO 80203
Phone: (303) 894-2100
FAX: (303) 894-2109
www.oil-gas.state.co.us

Memorandum

To: Chevron Battlement Mesa 34-43 File
From: Steven Lindblom – Onsite Inspection Specialist
CC: John Goodwin – Presco, Inc.
Jason Kane – representing Steamers Ranch
Doug Dennison – Garfield County
Date: October 14, 2005
Re: Steamers - Presco Onsite Inspection Chevron Battlement Mesa 34-43

This Memorandum summarizes discussions and developments regarding Presco, Inc. well Chevron Battlement Mesa 34-43 (BM 34-43) that occurred during the Steamers Ranch Onsite Inspection in the SWSE of Section 34, Township 7S, Range 95W in Garfield County between approximately 10:30 and 1:00 p.m. on September 28, 2005. Attendees included staff of the Colorado Oil and Gas Conservation Commission (COGCC), Presco, Inc. (Presco), and Steamers Ranch owners and representatives. A complete list of attendees and contact information is included with this memorandum as Attachment I.

After an introduction and overview of the Onsite Inspection policy by COGCC, discussions focused on the proposed location of the access road to the Chevron Battlement Mesa 34-43 well location, concerns regarding the proposed location, and potential alternate road locations.

PROPOSED LOCATION

John Goodwin with Presco described the proposed access road location as being the least costly and as having the least amount of surface disturbance. A road currently extends on Presco-owned land surface to the well pad for Chevron Battlement Mesa 35-12 and the road to the BM 34-43 well would essentially be just an extension of the existing road. Presco had considered attempting to access the BM 34-43 location by going around Steamers Ranch property; however, it was believed that the BLM had a controlled surface use stipulation in effect for the southern half of Section 35. Presco felt that the current monetary investment in road construction was such that a requirement to construct access to BM 34-43 from another direction would be unreasonable.

CONCERNS

Mr. Speakman, a partner in Steamers Ranch, stated that it was the landowners desire to place the road such that impacts on the property would be minimized. He expressed concern that the proposed access road would not only divide an undisturbed wooded portion of their property into two parts, but would also adversely impact the aesthetic value of a cabin located in the southern portion of the property.



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ALTERNATE ROAD LOCATIONS

Mr. Bloomfield, also a Steamers Ranch partner, suggested utilizing an existing primitive access road along the western boundary of Steamers Ranch property that had been constructed approximately 40 years ago. However, Presco rejected this access route as the grade appeared excessive for vehicle access. Inspection of the site by COGCC and the landowner found the existing access road to be overgrown and difficult to distinguish from undisturbed surface.

COGCC suggested that Presco contact BLM regarding waiving the controlled surface use stipulation for the southern half of Section 35, given that the land surface is owned by Presco and BLM ownership is limited to minerals. If approved, the access road could be constructed further to the south and would lessen impacts to Steamers Ranch property.

CONCLUSION

All party's agreed that the preferred road location would access the BM 34-43 location along the section line between Sections 34 and 35 to the east and along the southern boundary of Section 34 to the south. COGCC requested that Presco initiate discussions with BLM to obtain permission to access the BM 34-43 well pad via this route. COGCC also requested that Presco provide COGCC with a map illustrating current and proposed road and well locations in the area.



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Attachment I

Attendees and Contact Information

Name	Representing	Telephone Number
Peter Bloomfield	Steamers Ranch	(603) 225-7602
Eugene Speakman	Steamers Ranch	(970) 285-1459
Jason Kane	Steamers Ranch	(719) 593-2121
Dave Dutton	Mike Brady Construction	(970) 285-9508
Merle Evers	Presco	(970) 290-1351
Jaime Adkins	COGCC	(970) 285-9000
Doug Dennison	Garfield County	(970) 625-5691
John Goodwin	Presco	(281) 292-7792 x 17
Steven Lindblom	COGCC	(303) 894-2100 x 114

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT
OFFER TO LEASE AND LEASE FOR OIL AND GAS

Serial No.

COC60433

The undersigned (reverse) offers to lease all or any of the lands in Item 2 that are available for lease pursuant to the Mineral Leasing Act of 1920, as amended and supplemented (30 U.S.C. 181 et seq.), the Mineral Leasing Act for Acquired Lands of 1947, as amended (30 U.S.C. 351-359), the Attorney General's Opinion of April 2, 1941 (40 Op. Att. Gen. 41), or the

READ INSTRUCTIONS BEFORE COMPLETING

1. Name **THE MERAMAR COMPANY**
Street **518 17TH ST #1030**
City, State, Zip Code **DENVER, CO 80202**

2. This application/offer/lease is for: (Check only One) ☒ PUBLIC DOMAIN LANDS ☐ ACQUIRED LANDS (percent U.S. interest _____)

Surface managing agency if other than BLM: _____ Unit/Project _____

Legal description of land requested: _____ *Parcel No.: _____ *Sale Date (m/d/y): 05 / 01 / 97

*SEE ITEM 2 IN INSTRUCTIONS BELOW PRIOR TO COMPLETING PARCEL NUMBER AND SALE DATE.

T. _____ R. _____ Meridian _____ State _____ County _____

Amount remitted: Filing fee \$ _____

Rental fee \$ _____

Total acres applied for _____

Total \$ _____

DO NOT WRITE BELOW THIS LINE

3. Land included in lease:

T. 7 S., R. 95 W., Meridian 6th P.M. State Colorado County Garfield
Sec. 25: Lot 6;
Sec. 25: SESW;
Sec. 26: Lot 3;
Sec. 35: S2S2;
Sec. 36: Lots 3, 4, 13-16;

S. _____ HI 5/28/97
P. CKD 5-28-97 P. CKD 5/28/97
HI CKD 5/30/97

Total acres in lease 527.350

Rental retained \$ 792.00

This lease is issued granting the exclusive right to drill for, mine, extract, remove and dispose of all the oil and gas (except helium) in the lands described in Item 3 together with the right to build and maintain necessary improvements thereupon for the term indicated below, subject to renewal or extension in accordance with the appropriate leasing authority. Rights granted are subject to applicable laws, the terms, conditions, and attached stipulations of this lease, the Secretary of the Interior's regulations and formal orders in effect as of lease issuance, and to regulations and formal orders hereafter promulgated when not inconsistent with lease rights granted or specific provisions of this lease.

NOTE: This lease is issued to the high bidder pursuant to his/her duly executed bid or nomination form submitted under 43 CFR 3120 and is subject to the provisions of that bid or nomination and those specified on this form.

Type and primary term of lease:

THE UNITED STATES OF AMERICA

/s/ Bonnie L. Blair

☐ Noncompetitive lease (ten years)

☒ Competitive lease (XXXXX (ten years))

LAND LAW EXAMINER
OIL & GAS LEASING

MAY 21 1997

(Title)

(Date)

☐ Other _____

EFFECTIVE DATE OF LEASE

JUN 01 1997

offeror is a citizen of the United States; an association of such citizens; a municipality, or a corporation organized under the laws of the United States or of any State or Territory thereof; (2) all parties holding an interest in the offer are in compliance with 43 CFR 3100 and the leasing authorities; (3) offeror's chargeable interests, direct and indirect in either public domain or acquired lands do not exceed 245,000 acres in Federal oil and gas leases in the same State, of which not more than 200,000 acres are held under option, or 300,000 acres in leases and 200,000 acres in options in either leasing District in Alaska; (4) offeror is not considered a minor under the laws of the State in which the lands covered by this offer are located; (5) offeror is in compliance with qualifications concerning Federal coal lease holdings provided in sec. 2(a)(2)(A) of the Mineral Leasing Act; (6) offeror is in compliance with reclamation requirements for all Federal oil and gas lease holdings as required by sec. 17(g) of the Mineral Leasing Act; and (7) offeror is not in violation of sec. 41 of the Act.

(b) Undersigned agrees that signature to this offer constitutes acceptance of this lease, including all terms, conditions, and stipulations of which offeror has been given notice, and any amendment or separate lease that may include any land described in this offer open to leasing at the time this offer was filed but omitted for any reason from this lease. The offeror further agrees that this offer cannot be withdrawn, either in whole or in part, unless the withdrawal is received by the proper BLM State Office before this lease, an amendment to this lease, or a separate lease, whichever covers the land described in the withdrawal, has been signed on behalf of the United States.

This offer will be rejected and will afford offeror no priority if it is not properly completed and executed in accordance with the regulations, or if it is not accompanied by the required payments. 18 U.S.C. Sec. 1601 makes it a crime for any person knowingly and willfully to make to any Department or agency of the United States any false, fictitious or fraudulent statements or representations as to any matter within its jurisdiction.

Duly executed this _____ day of _____, 19 _____

(Signature of Lessee or Attorney-in-fact)

LEASE TERMS

Sec. 1. Rentals—Rentals shall be paid to proper office of lessor in advance of each lease year. Annual rental rates per acre or fraction thereof are:

- (a) Noncompetitive lease, \$1.50 for the first 5 years; thereafter \$2.00;
- (b) Competitive lease, \$1.50; for the 1st 5 years, thereafter \$2.00.
- (c) Other, see attachment, or as specified in regulations at the time this lease is issued.

If this lease or a portion thereof is committed to an approved cooperative or unit plan which includes a well capable of producing leased resources, and the plan contains a provision for allocation of production, royalties shall be paid on the production allocated to this lease. However, annual rentals shall continue to be due at the rate specified in (a), (b), or (c) for those lands not within a participating area.

Failure to pay annual rental, if due, on or before the anniversary date of this lease (or next official working day if office is closed) shall automatically terminate this lease by operation of law. Rentals may be waived, reduced, or suspended by the Secretary upon a sufficient showing by lessee.

Sec. 2. Royalties—Royalties shall be paid to proper office of lessor. Royalties shall be computed in accordance with regulations on production removed or sold. Royalty rates are:

- (a) Noncompetitive lease, 12 1/2 %;
- (b) Competitive lease, 12 1/2 %;
- (c) Other, see attachment, or as specified in regulations at the time this lease is issued.

Lessor reserves the right to specify whether royalty is to be paid in value or in kind, and the right to establish reasonable minimum values on products after giving lessee notice and an opportunity to be heard. When paid in value, royalties shall be due and payable on the last day of the month following the month in which production occurred. When paid in kind, production shall be delivered, unless otherwise agreed to by lessee, in merchantable condition on the premises where produced, without cost to lessor. Lessee shall not be required to load such production in storage beyond the last day of the month following the month in which production occurred, nor shall lessee be held liable for loss or destruction of royalty oil or other products in storage when removed beyond the reasonable control of lessee.

Minimum royalty in lieu of rental of not less than the rental which otherwise would be required for this lease year shall be payable at the end of each lease year beginning on production anniversary at paying quantities. This minimum royalty may be waived, suspended, or reduced, and the above royalty rates may be reduced, for all or portions of this lease if the Secretary determines that such action is necessary to encourage the prompt ultimate recovery of the leased resources, or is otherwise justified.

An interest charge shall be assessed on late royalty payments or underpayments in accordance with the Federal Oil and Gas Royalty Management Act of 1982 (FOGRMA) (30 U.S.C. 1701). Lessee shall be liable for royalty payments on oil and gas lost or wasted from a lease site when such loss or waste is due to negligence on the part of the operator, or due to the failure to comply with any rule, regulation, order, or direction issued under FOGRMA or the leasing authority.

Sec. 3. Bonds—A bond shall be filed and maintained for lease operations as required under regulations.

Sec. 4. Diligence, rate of development, unitization, and drainage—Lessee shall exercise reasonable diligence in developing and producing, and shall prevent unnecessary damage to, loss of, or waste of leased resources. Lessor reserves right to specify rates of development and production in the public interest and to require lessee to subscribe to a cooperative or unit plan, within 30 days of notice, if deemed necessary for proper development and operation of area, field, or pool embracing these leased lands. Lessee shall drill and produce wells necessary to protect leased lands from drainage or pay compensatory royalty for drainage in amounts determined by lessor.

Sec. 5. Documents, evidence, and inspection—Lessee shall file with proper office of lessor, not later than 30 days after effective date thereof, any contract or evidence of other arrangement for sale or disposal of production. At such time and in such form as lessor may prescribe, lessee shall furnish detailed statements showing amounts and quality of all products removed and sold proceeds therefrom, and account used for production purposes or unavoidably lost. Lessee may be required to provide plots and schematic diagrams showing development work and improvements, and reports with respect to pattern in location, expenditures, and depletion costs. In the form prescribed by lessor, lessee shall keep a daily drilling record, a log, information on well surveys and tests, and a record of subsurface investigations and furnish copies to lessor when required. Lessee shall keep open at all reasonable times for inspection by any authorized officer of lessor, the leased premises and all wells, improvements, machinery, and structures thereon, and all books, records, logs, and reports relating to operations, surveys, or investigations on or in the leased lands. Lessee shall maintain copies of all contracts, sales agreements, accounting records, and documentation with no omissions, in whole or in part, concerning the operations.

costs claimed as manufacturing, preparation, and/or transportation costs. All such records shall be maintained in lessee's accounting offices for future audit by lessor. Lessee shall maintain required records for 6 years after they are generated or, if an audit or investigation is underway, until released of the obligation to maintain such records by lessor.

During existence of this lease, information obtained under this section shall be closed to inspection by the public in accordance with the Freedom of Information Act (5 U.S.C. 552).

Sec. 6. Conduct of operations—Lessor shall conduct operations in a manner that minimizes adverse impacts to the land, air, and water, to cultural, biological, visual, and other resources, and to other land uses or users. Lessee shall take reasonable measures deemed necessary by lessor to accomplish the intent of this section. To the extent consistent with lease rights granted, such measures may include, but are not limited to, modification to siting or design of facilities, timing of operations, and specification of interim and final reclamation measures. Lessor reserves the right to continue existing uses and to authorize future uses upon or in the leased lands, including the approval of easements or rights-of-way. Such uses shall be conditioned so as to prevent unnecessary or unreasonable interference with rights of lessee.

Prior to disturbing the surface of the leased lands, lessee shall contact lessor to be apprised of procedures to be followed and modifications or reclamation measures that may be necessary. Areas to be disturbed may require inventories or special studies to determine the extent of impacts to other resources. Lessee may be required to complete minor inventories or short term special studies under guidelines provided by lessor. If in the conduct of operations, threatened or endangered species, objects of historic or scientific interest, or substantial unanticipated environmental effects are observed, lessee shall immediately contact lessor. Lessee shall cease any operations that would result in the destruction of such species or objects.

Sec. 7. Mining operations—To the extent that impacts from mining operations would be substantially different or greater than those associated with normal drilling operations, lessor reserves the right to deny approval of such operations.

Sec. 8. Extraction of helium—Lessor reserves the option of extracting or having extracted helium from gas production in a manner specified and by means provided by lessor at no expense or loss to lessee or owner of the gas. Lessee shall include in any contract of sale of gas the provisions of this section.

Sec. 9. Damages to property—Lessee shall pay lessor for damage to lessor's improvements, and shall save and hold lessor harmless from all claims for damage or harm to persons or property as a result of lease operations.

Sec. 10. Protection of diverse interests and equal opportunity—Lessee shall: pay when due all taxes legally assessed and levied under laws of the State or the United States; accord all employees complete freedom of purchase; pay all wages at least twice each month in lawful money of the United States; maintain a safe working environment in accordance with standard industry practices; and take measures necessary to protect the health and safety of the public.

Lessor reserves the right to ensure that production is sold at reasonable prices and to prevent monopoly. If lessee operates a pipeline or owns controlling interest in a pipeline or a company operating a pipeline, which may be operated accessible to oil derived from these leased lands, lessee shall comply with section 26 of the Mineral Leasing Act of 1920.

Lessee shall comply with Executive Order No. 11386 of September 24, 1965, as amended, and regulations and relevant orders of the Secretary of Labor issued pursuant thereto. Neither lessor nor lessee's subcontractors shall maintain segregated facilities.

Sec. 11. Transfer of lease interests and relinquishment of lease—As required by regulations, lessee shall file with lessor any assignment or other transfer of an interest in this lease. Lessee may relinquish this lease or any lease subdivision by filing in the proper office a written relinquishment, which shall be effective as of the date of filing, subject to the continued obligation of the lessee and surety to pay all accrued rentals and royalties.

Sec. 12. Delivery of premises—At such time as all or portions of this lease are returned to lessor, lessee shall place affected wells in condition for suspension or abandonment, reclaim the land as specified by lessor and, within a reasonable period of time, remove equipment and improvements not deemed necessary by lessor for preservation of productive wells.

Sec. 13. Proceedings in case of default—If lessee fails to comply with any provisions of this lease, and the noncompliance continues for 30 days after written notice thereof, this lease shall be subject to cancellation unless or until the lessee shall contain a well capable of production of oil or gas in paying quantities, or the lease is committed to an approved cooperative or unit plan or communitization agreement which contains a well capable of production of unitized substances in paying quantities. This provision shall not be construed to prevent the exercise by lessor of any other legal and equitable remedy, including waiver of the default. Any such remedy or waiver shall not prevent later cancellation for the same default occurring at any other time. Lessee shall be subject to applicable provisions and penalties of FOGRMA (30 U.S.C. 1701).

Sec. 14. Heirs and successors-in-interest—Each obligation of this lease shall extend to and be binding upon, and every benefit hereof shall inure to the heirs, executors, administrators, successors, assignees, or other persons of the lessee and their heirs.

CONTROLLED SURFACE USE STIPULATION

Surface occupancy or use is subject to the following special operating constraints.

On the lands described below:

T. 7 S., R. 95 W., 6th P.M.

Sec. 25: SESW;

Sec. 35: S2S2;

For the purpose of:

Protecting fragile soils. Prior to surface disturbance of fragile soils, it must be demonstrated to the Authorized Officer through a plan of development that the following performance objectives will be met.

Performance Objectives:

I. Maintain the soil productivity of the site.

II. Protect off-site areas by preventing accelerated soil erosion (such as land-sliding, gullyng, rilling, piping, etc.) from occurring.

III. Protect water quality and quantity of adjacent surface and groundwater sources.

IV. Select the best possible site for development in order to prevent impacts to the soil and water resources.

Fragile soil areas, in which the performance objective will be enforced, are defined as follows:

a. Areas rated as highly or severely erodible by wind or water, as described by the Soil Conservation Service in the Area Soil Survey Report or as described by on-site inspection.

b. Areas with slopes greater than or equal to 35 percent, if they also have one of the following soil characteristics: (1) a surface texture that is sand, loamy sand, very fine sandy loam, fine sandy loam, silty clay or clay; (2) a depth to bedrock that is less than 20 inches; (3) an erosion condition that is rated as poor; or (4) a K factor of greater than 0.32.

Performance Standards:

I. All sediments generated from the surface-disturbing activity will be retained on site.

II. Vehicle use would be limited to existing roads and trails.

III. All new permanent roads would be built to meet primary road standards (BLM standards) and their location approved by the Authorized Officer. For oil and gas purposes, permanent roads are those used for production.

IV. All geophysical and geochemical exploration would be conducted by helicopter, horseback, on foot, or from existing roads.

V. Any sediment control structures, reserve pits, or disposal pits would be designed to contain a 100-year, 6-hour storm event. Storage volumes within these structures would have a design life of 25 years.

VI. Before reserve pits and production pits would be reclaimed, all residue would be removed and trucked off-site to an approved disposal site.

VII. Reclamation of disturbed surfaces would be initiated before November 1 each year.

VIII. All reclamation plans would be approved by the Authorized Officer in advance and might require an increase in the bond.

Any changes to this stipulation will be made in accordance with the land use plan and/or the regulatory provisions for such changes. (For guidance on the use of this stipulation, see BLM Manual 1624 and 3101 or FS Manual 1950 and 2820.)

Date Printed: 05/12/97

Lease Number: COC60433

CONTROLLED SURFACE USE STIPULATION

Surface occupancy or use is subject to the following special operating constraints.

On the lands described below:

T. 7 S., R. 95 W., 6th P.M.
Sec. 25: SESW;

For the purpose of:

To protect perennial water impoundments and streams, and/or riparian/wetland vegetation by moving oil and gas exploration and development beyond the riparian vegetation zone.

Any changes to this stipulation will be made in accordance with the land use plan and/or the regulatory provisions for such changes. (For guidance on the use of this stipulation, see BLM Manual 1624 and 3101 or FS Manual 1950 and 2820.)

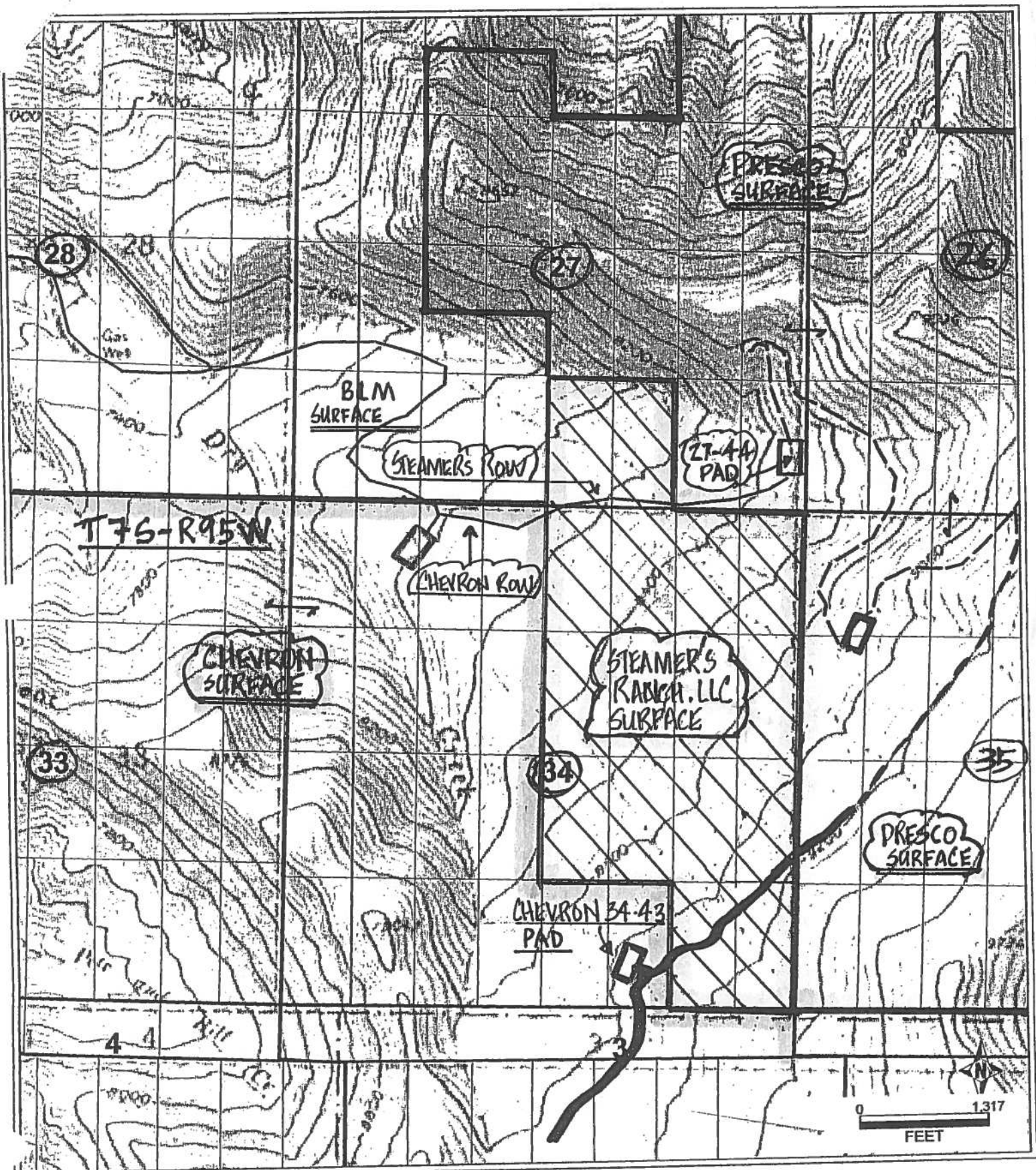
Exception Criteria:

Exceptions may be granted only if an on-site impact analysis shows no degradation of the resource values.

Date Printed: 05/12/97

STEAMERS RANCH LLC - PRESCO ONSITE INSPECTION
GARFIELD COUNTY, SWSE, SEC 34 T7S R95W
CHEVRON BATTLEMENT MESA 34-43

<u>Name</u>	<u>Representing</u>	<u>Telephone</u>	<u>Email</u>
Peter Blomfield	Steamers	603 225 1602	Peter@Concordsteam.co
Eugene Speakman	Steamers	970-285-1459	E.Speakman@HISTATE.GT. ORG
Jason Kane	Steamers - Atty	714-593-2121	jkane@janson-kane.com
Dave Dutton	Mike Brady Const	285-9508	
Merle Evers	Presco	970 290 1351	
Jaine Adkins	COGCC	970 295-7000	jaine.adkins@state.co
Dag Dennis	Garfield County	970-625-5691	ddennis@ garfield-county.com
Steve Lindblom	COGCC	(303) 894-2100 x114	STEVE.LINDBLOM@ STATE.WY
John Goodwin	Presco	(281) 242-7742 x17	

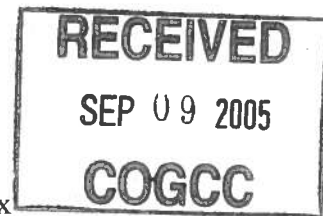


PETRA 4/5/2005 10:00:52 AM

REVISED ACCESS ROAD

(JTG) 7-15-05

RANSON & KANE, P.C.
Attorneys & Counselors at Law
3475 Briargate Boulevard, Suite 201
Colorado Springs, CO 80920
(719) 593-2121- Telephone (719) 593-1818 Fax
E-Mail - jkane@ranson-kane.com



September 8, 2005

Sent via facsimile and U.S. Mail

COGCC
Attn: Steven Lindblom
1120 Lincoln Street, Suite 801
Denver, CO 80203
Fax: 303-894-2109

Presco Inc.
Attn: John Goodwin
10200 Grogan's Mill Road
Suite 520
The Woodlands, TX 77380
Fax: 281-292-7766

Re: Presco Access Road/Steamers Ranch LLC's Property

Dear Gentlemen,

As I discussed with Mr. Lindblom today, Steamers Ranch LLC is interested in having the COGCC conduct an on-site inspection to address the location of Presco's proposed road.

As stated in the on-site inspection request form and a previous correspondence to Presco, it is Steamers' position Presco does not have the right to build the road, because it is not being constructed for the successful exploitation of the mineral rights on Steamers' property and alternate routes exist for access to the proposed drill. *See Gerrity Oil & Gas Corporation v. Magness*, 946 P.2d 913, 926-927 (Colo. 1997). This issue is outside the jurisdiction of the COGCC and will have to be resolved by the District Court for Garfield County. Steamers wants to make it abundantly clear that Steamers is **not** waiving Steamers' right to block the construction of the road on its property by requesting an on-site inspection. Absent the parties settling this case, Steamers plans on filing an action in District Court to block the construction of the road. All of Steamers' arguments regarding the construction and location of the road are expressly preserved for any legal action that may be instituted, and the actions of Steamers shall **not** be treated as or deemed a waiver of these rights.

In addition, Steamers believes the proposed drill in this case can be accessed by an alternate route on Chevron's property alone, without the need to go across Steamers' property and disturb Steamers' surface rights. Consistent with Steamers' argument to block the construction of this road, Steamers reasserts and continues to suggest that Presco utilize the Chevron property only for access

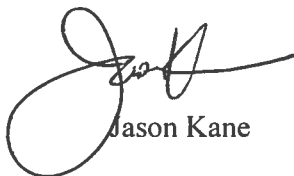
to the proposed drill.

Notwithstanding the fact Steamers does not believe Presco has the right to construct this road and believes a road can be constructed on Chevron's property, Steamers believes the on-site inspection will be useful. Steamers has requested the on-site inspection for input from the COGCC regarding the location of the road and the impact it will have on Steamers' property. Said inspection will allow Steamers to conduct any further negotiations with Presco with complete knowledge regarding the impact and alternatives of the proposed location.

It is my understanding we will have a date certain for the on-site inspection by next Monday, September 12, 2005. I believe Mr. Lindblom will notify all parties of the actual date for the inspection. Pursuant to the rules and regulations, I believe we have to set the inspection on or before the 16th of September. We have suggested the inspection take place on the 14th of September.

If you have any questions or comments regarding this matter, please do not hesitate to contact me.

Very truly yours,

A handwritten signature in black ink, appearing to read 'Jason Kane', with a large, stylized initial 'J'.

Jason Kane

cc: file

Ranson & Kane, P.C.

Attorneys & Counselors at Law

3475 Briargate Boulevard, Suite 201 Colorado Springs, CO 80920
phone 719.593.2121 fax 719.593.1818

Richard P. Ranson
ranson@ranson-kane.com

Jason P. Kane
jkane@ranson-kane.com

To: Steven Lindblom, COGCC John Goodwin, Presco, Inc.
From: Jason Kane
Re: **Presco Access Road / Steamers Ranch LLC's Property**
Date: September 8, 2005
Fax: 303-894-2109 281-292-7766

Please see attached letter.

RANSON & KANE, P.C.*Attorneys & Counselors at Law*

3475 Briargate Boulevard, Suite 201
Colorado Springs, CO 80920
(719) 593-2121 - Telephone (719) 593-1818 Fax
E-Mail - jkane@ranson-kane.com

September 8, 2005

Sent via facsimile and U.S. Mail

COGCC

Attn: Steven Lindblom
1120 Lincoln Street, Suite 801
Denver, CO 80203
Fax: 303-894-2109

Presco Inc.

Attn: John Goodwin
10200 Grogan's Mill Road
Suite 520
The Woodlands, TX 77380
Fax: 281-292-7766

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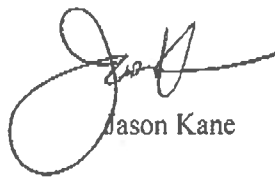
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Notwithstanding the fact Steamers does not believe Presco has the right to construct this road and believes a road can be constructed on Chevron's property, Steamers believes the on-site inspection will be useful. Steamers has requested the on-site inspection for input from the COGCC regarding the location of the road and the impact it will have on Steamers' property. Said inspection will allow Steamers to conduct any further negotiations with Presco with complete knowledge regarding the impact and alternatives of the proposed location.

It is my understanding we will have a date certain for the on-site inspection by next Monday, September 12, 2005. I believe Mr. Lindblom will notify all parties of the actual date for the inspection. Pursuant to the rules and regulations, I believe we have to set the inspection on or before the 16th of September. We have suggested the inspection take place on the 14th of September.

If you have any questions or comments regarding this matter, please do not hesitate to contact me.

Very truly yours,



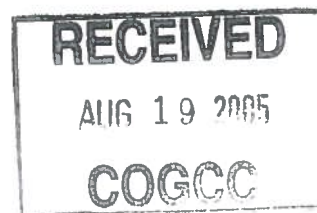
Jason Kane

cc: file

RANSON & KANE, P.C.

Attorneys & Counselors at Law

3475 Briargate Boulevard, Suite 201
Colorado Springs, CO 80920
(719) 593-2121- Telephone (719) 593-1818 Fax
E-Mail - jkane@ranson-kane.com



August 18, 2005

Colorado Oil and Gas Conservation Commission
Attn: Permit Supervisor
1120 Lincoln Street, Suite 801
Denver, CO 80203

Re: Onsite Inspection Request Form

To whom it may concern,

Enclosed is the original onsite inspection request form, previously faxed to the COGCC. If you have any questions, please do not hesitate to contact me.

Cordially,

Ranson & Kane, P.C.

A handwritten signature in blue ink, appearing to read "Jason P. Kane". The signature is stylized with a large, looping initial "J".

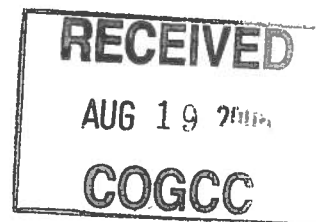
Jason P. Kane

cc: file
John Goodwin, Presco Inc.

FACSIMILE TRANSMITTAL

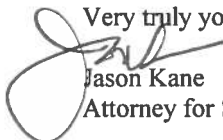
RANSON & KANE, P.C.

Attorneys & Counselors at Law
3475 Briargate Boulevard, Suite 201
Colorado Springs, Colorado 80920
(719) 593-2121 - Telephone
(719) 593-1818 - Facsimile



TO: COGCC/PERMIT SUPERVISOR Fax: 303-894-2109
FROM: Jason Kane
DATE: Aug. 18, 2005
SUBJECT: Presco Access Road - Request for Onsite Inspection
PAGES: 3, Including this Cover Sheet

MESSAGE: See attached request for onsite inspection by the surface owner, Steamers Ranch, LLC, original to follow by mail. If you have any questions, please do not hesitate to contact me.

Very truly yours,

Jason Kane
Attorney for Steamers Ranch LLC

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RECEIVED

AUG 19 2005

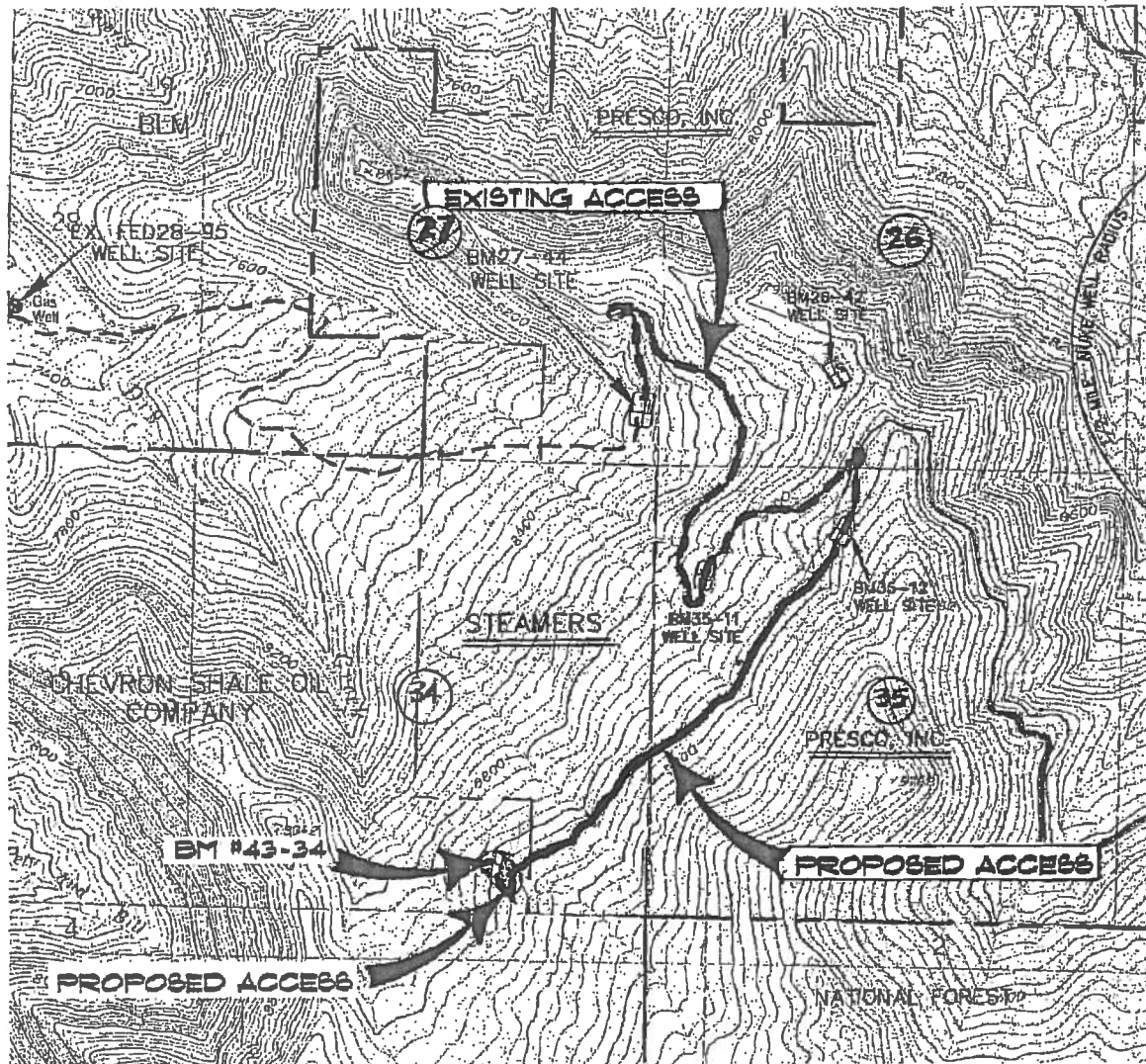
COGCC

EXHIBIT

1

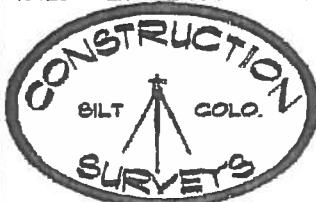
tabbles

PLAT #3
TOPO & ACCESS



ACCESS:

FROM THE UNA BRIDGE, PROCEED ALONG COUNTY ROAD 318 IN A GENERAL EAST/NORTHEAST DIRECTION ± 1.2 MILES TO THE KLEBOLD/THROM GATE, PROCEED IN A GENERAL EASTERLY/SOUTHEASTERLY DIRECTION ON A PRIVATE DIRT/GRAVEL ROAD ± 1.8 MILES TO THE APPROXIMATE BLM BOUNDARY, CONTINUE ON THE DIRT/GRAVEL ROAD THRU BLM IN A GENERAL NORTHERLY DIRECTION ± 0.1 MILES TO THE APPROXIMATE TOM BROWN, INC BOUNDARY, CONTINUE ON THE DIRT/GRAVEL ROAD THRU TOM BROWN, INC PROPERTY IN A GENERAL NORTHEASTERLY/NORTHWESTERLY DIRECTION ± 1.6 MILES TO AN INTERSECTION WITH A DIRT/GRAVEL ROAD ON THE RIGHT, PROCEED RIGHT IN A GENERAL EASTERLY DIRECTION THRU TOM BROWN, INC PROPERTY ± 0.6 MILES TO THE APPROXIMATE BLM BOUNDARY, CONTINUE ON THE DIRT/GRAVEL ROAD IN A GENERAL EASTERLY DIRECTION THRU BLM PROPERTY ± 3.1 MILES TO THE TOM BROWN, INC FEDERAL #28-95 WELL SITE AND BEGINNING OF A NEWLY CONSTRUCTED ACCESS ROAD TO THE PRESKO, INC BM#27-44 WELL SITE, PROCEED ON THE NEWLY CONSTRUCTED ACCESS ROAD IN A GENERAL EASTERLY DIRECTION ± 2.0 MILES TO THE EXISTING PRESKO, INC BM #27-44 WELL SITE, FROM THE NORTHERLY END OF THE EXISTING BM #27-44 WELL SITE PROCEED IN A GENERAL NORTHERLY THEN SOUTHERLY DIRECTION ON A NEWLY CONSTRUCTED ACCESS ROAD ± 1.2 MILES TO THE PRESKO, INC BM #35-11 WELL SITE, PROCEED THE SAID WELL SITE IN A GENERAL NORTHEASTERLY DIRECTION ± 0.5 MILES TO AN INTERSECTION WITH A NEWLY CONSTRUCTED ACCESS ROAD ON THE RIGHT, PROCEED RIGHT IN A GENERAL SOUTHERLY DIRECTION ± 0.5 MILES TO THE PRESKO, INC BM #35-12 WELL SITE, CONTINUE THRU SAID WELL SITE IN A GENERAL SOUTHWESTERLY DIRECTION ALONG A PROPOSED FLAGGED ACCESS CENTERLINE ± 1.1 MILES TO THE LOCATION.



CONSTRUCTION SURVEYS, INC.
0012 SUNRISE BLVD.
BILT, CO 81652
970-876-5753

PRESKO, INC.
BM #43-34

SCALE: 1" = 2000'

SHEET 3 OF 4

* * * Memory TX Result Report (Aug. 18. 2005 2:46PM) * * *

1) RANSON & KANE
2)

Date/Time: Aug. 18. 2005 2:44PM

File No. Mode	Destination	Pg(s)	Result	Page Not Sent
3922 Memory TX	13038942109	P. 3	OK	

Reason for error

E. 1) Hang up or line fail
E. 3) No answer
E. 5) Exceeded max. E-mail size


E. 2) Busy
E. 4) No facsimile connection

FACSIMILE TRANSMITTAL**RANSON & KANE, P.C.**

Attorneys & Counselors at Law
3475 Briargate Boulevard, Suite 201
Colorado Springs, Colorado 80920
(719) 593-2121 - Telephone
(719) 593-1818 - Facsimile

TO: COGCC/PERMIT SUPERVISOR Fax: 303-894-2109
FROM: Jason Kane
DATE: Aug. 18, 2005
SUBJECT: Presco Access Road - Request for Onsite Inspection
PAGES: 3, including this Cover Sheet

MESSAGE: See attached request for onsite inspection by the surface owner, Steamers Ranch, LLC, original to follow by mail. If you have any questions, please do not hesitate to contact me.

Very truly yours,

Jason Kane
Attorney for Steamers Ranch LLC

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Colorado Oil and Gas Conservation Commission (COGCC)
Onsite Inspection Request Form
(Effective for APDs submitted after February 15, 2005)

As the surface owner(s) where a proposed well is being drilled, I/we are requesting that the COGCC conduct an onsite inspection. I/we did not execute a lease nor did I/we execute a surface use or other relevant agreement for the proposed well. I/we understand that good faith consultation with the operator as required under COGCC Rule 306. is required to have occurred prior to making this request to the COGCC to conduct an onsite inspection, and that this onsite inspection request must be received by the COGCC within ten (10) business days of the first day of the Rule 306. consultation.

Surface Owner Contact Information:

Name: Jason Kane, Ranson & Kane, P.C., attorney for Steamers Ranch, LLC (surface owner)
Address: 3475 Briargate Blvd., Suite 201, Colorado Springs, CO 80920
Telephone No. 719-593-2121; Fax: 719-593-1818
Cell Phone No. 719-351-5353

Well Operator and Location Information:

Operator: Presco, Inc.
Well Name: See attached Exhibit 1, Plat #3 (the issue in this matter deals with an access road to a well site on an adjacent property)
Location: See attached Exhibit 1.
County: Garfield County

First date Rule 306. consultation occurred: August 5, 2005

Proposed two (2) dates for the COGCC onsite consultation (must be within thirty (30) days of the request)

1st date: September 14, 2005 2nd date: September 1, 2005

I would prefer to have a representative of the appropriate Local Government (COGCC Local Governmental Designee) invited to attend the onsite inspection? ☒ yes ☐ no

Briefly describe the unresolved issues related to the proposed well **(The onsite inspection shall not address matters of surface owner compensation, property value diminution, future use of the property or any private party contractual issues between the operator and the surface owner.)**

Upon and information and belief, the access road being proposed in this matter is not for the use of the mineral rights on Steamers' property, rather it is for a drill on Chevron's adjacent property, which could be accessed via Chevron's property. Without waiving said argument, Steamers has concerns regarding the location of the road and the impacts it has on its property. Steamers requests an on-site inspection to address the impacts on the property, including but not limited to, the visual or aesthetic impacts, surface impacts, noise impacts, dust impacts, ground water impacts, safety impacts, and wildlife impacts.

Signature(s)

Jason P. Kane #33660

Date

8/18/05

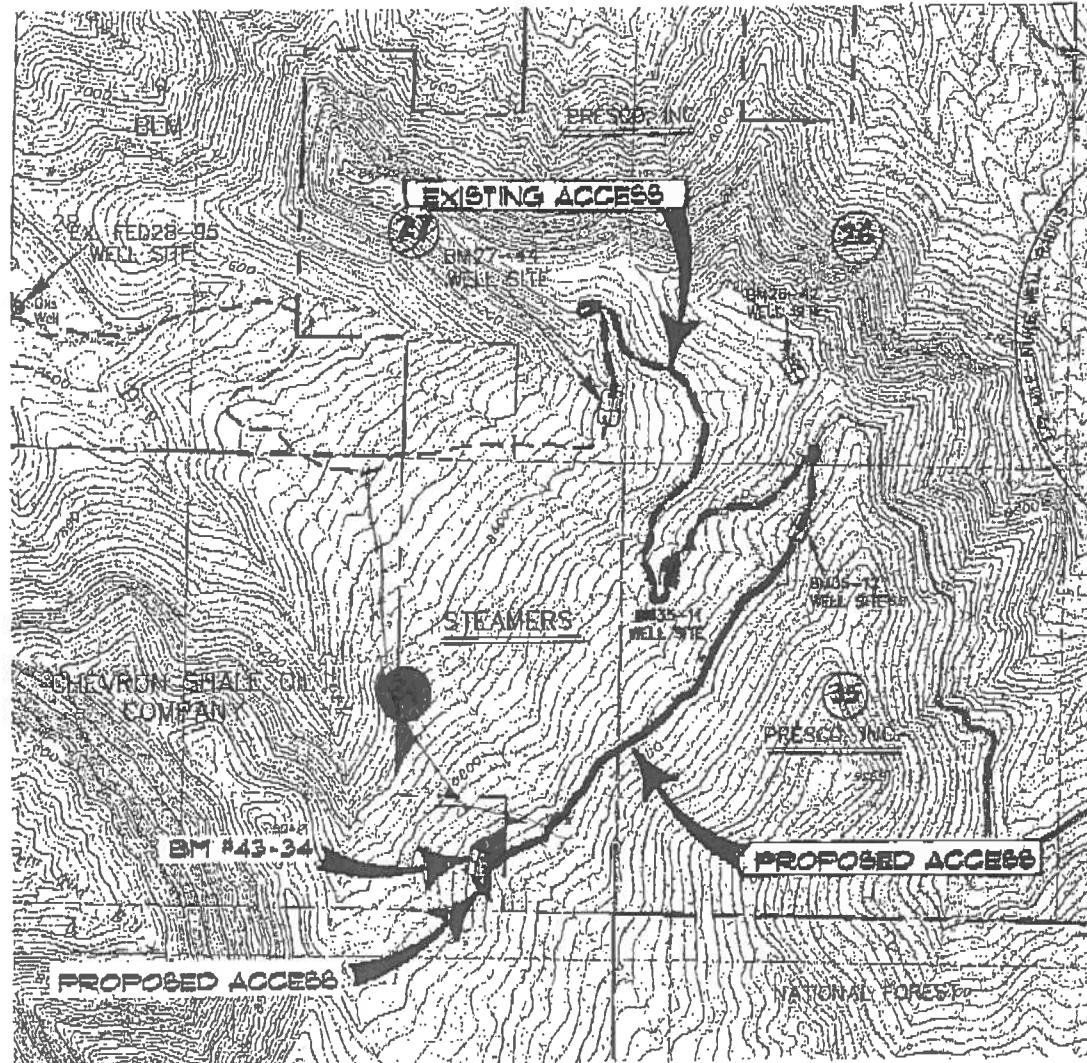
Please fax or first class mail this request for an onsite inspection to:

Colorado Oil and Gas Conservation Commission
Attn: Permit Supervisor
1120 Lincoln Street Suite 801
Denver, CO 80203
FAX (303) 894-2109

EXHIBIT

1

PLAT #3 **TOPO & ACCESS**



ACCESS:

FROM THE UNA BRIDGE. PROCEED ALONG COUNTY ROAD 318 IN A GENERAL EAST/NORTHEAST DIRECTION ± 1.2 MILES TO THE KLEBOLD/THROM GATE. PROCEED IN A GENERAL EASTERLY/SOUTHEASTERLY DIRECTION ON A PRIVATE DIRT/GRAVEL ROAD ± 1.8 MILES TO THE APPROXIMATE BLM BOUNDARY. CONTINUE ON THE DIRT/GRAVEL ROAD THRU BLM IN A GENERAL NORTHERLY DIRECTION ± 0.1 MILES TO THE APPROXIMATE TOM BROWN, INC BOUNDARY. CONTINUE ON THE DIRT/GRAVEL ROAD THRU TOM BROWN, INC PROPERTY IN A GENERAL NORTHEASTERLY/NORTHWESTERLY DIRECTION ± 1.6 MILES TO AN INTERSECTION WITH A DIRT/GRAVEL ROAD ON THE RIGHT. PROCEED RIGHT IN A GENERAL EASTERLY DIRECTION THRU TOM BROWN, INC PROPERTY ± 0.5 MILES TO THE APPROXIMATE BLM BOUNDARY. CONTINUE ON THE DIRT/GRAVEL ROAD IN A GENERAL EASTERLY DIRECTION THRU BLM PROPERTY ± 3.1 MILES TO THE TOM BROWN, INC FEDERAL #28-95 WELL SITE AND BEGINNING OF A NEWLY CONSTRUCTED ACCESS ROAD TO THE PRESOCO, INC BM #27-44 WELL SITE. PROCEED ON THE NEWLY CONSTRUCTED ACCESS ROAD IN A GENERAL EASTERLY DIRECTION ± 2.0 MILES TO THE EXISTING PRESOCO, INC BM #27-44 WELL SITE. FROM THE NORTHERLY END OF THE EXISTING BM #27-44 WELL SITE PROCEED IN A GENERAL NORTHERLY THEN SOUTHERLY DIRECTION ON A NEWLY CONSTRUCTED ACCESS ROAD ± 1.2 MILES TO THE PRESOCO, INC BM #35-11 WELL SITE. PROCEED THE SAID WELL SITE IN A GENERAL NORTHEASTERLY DIRECTION ± 0.5 MILES TO AN INTERSECTION WITH A NEWLY CONSTRUCTED ACCESS ROAD ON THE RIGHT. PROCEED RIGHT IN A GENERAL SOUTHERLY DIRECTION ± 0.5 MILES TO THE PRESOCO, INC BM #35-12 WELL SITE. CONTINUE THRU SAID WELL SITE IN A GENERAL SOUTHWESTERLY DIRECTION ALONG A PROPOSED FLAGGED ACCESS CENTERLINE ± 1.1 MILES TO THE LOCATION.



CONSTRUCTION SURVEYS, INC.
 0012 SUNRISE BLVD.
 SILT, CO 81652
 970-876-6753

PRESOCO, INC.
 BM #43-34

SCALE: 1" = 2000'

SHEET 3 OF 4

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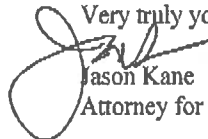
RANSON & KANE, P.C.

Attorneys & Counselors at Law
3475 Briargate Boulevard, Suite 201
Colorado Springs, Colorado 80920
(719) 593-2121 - Telephone
(719) 593-1818 - Facsimile

TO: COGCC/PERMIT SUPERVISOR Fax: 303-894-2109
FROM: Jason Kane
DATE: Aug. 18, 2005
SUBJECT: Presco Access Road - Request for Onsite Inspection
PAGES: 3, Including this Cover Sheet

MESSAGE: See attached request for onsite inspection by the surface owner, Steamers Ranch, LLC, original to follow by mail. If you have any questions, please do not hesitate to contact me.

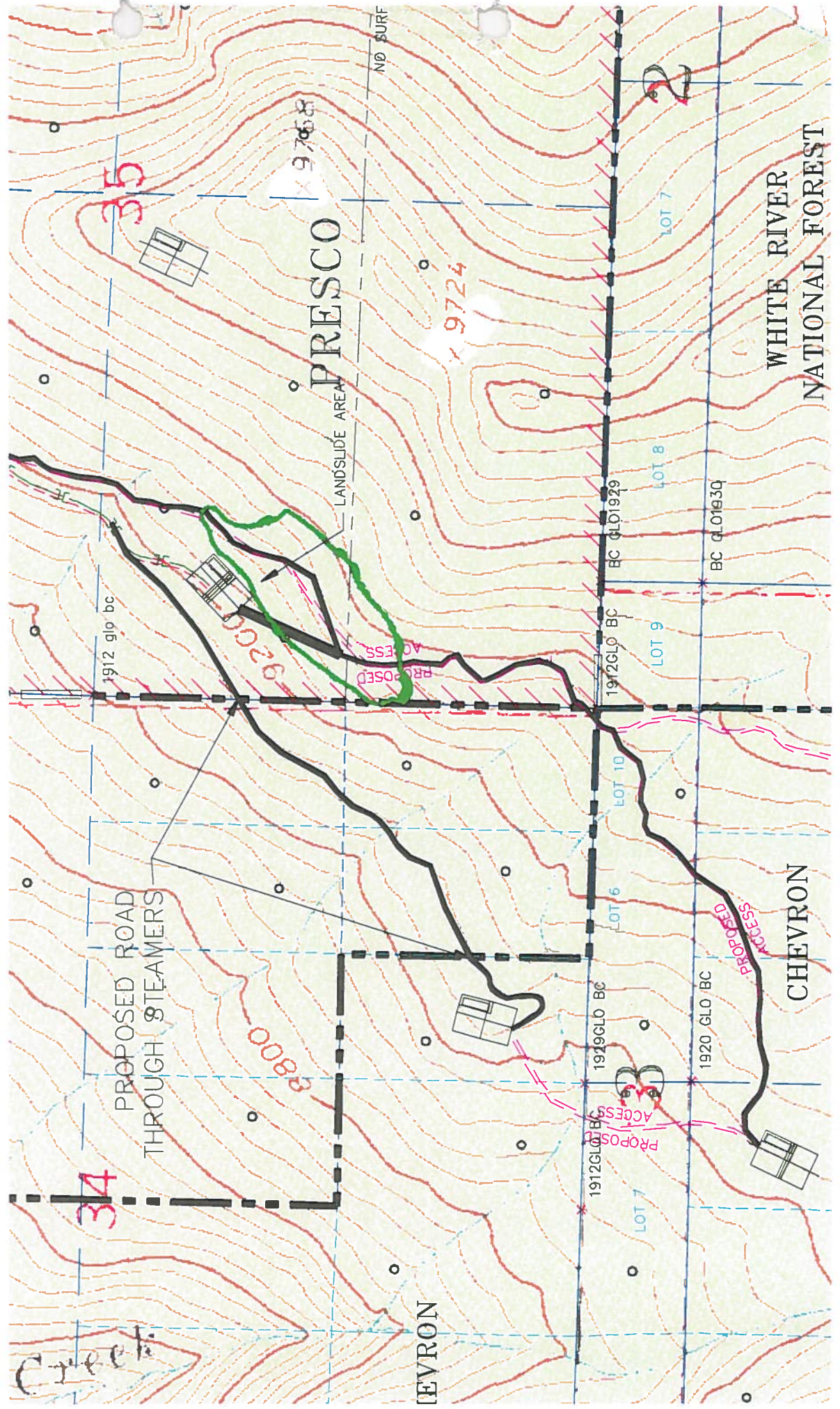
Very truly yours,



Jason Kane
Attorney for Steamers Ranch LLC

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State of Colorado

Oil and Gas Conservation Commission

1120 Lincoln Street, Suite 801, Denver, Colorado 80203 Phone: (303) 894-2100 Fax: (303) 894-2101



01429695

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AUG 12 2005

COGCC

Plugging Bond Surety ID#

- 1.
- ☒
- Drill,
- ☐
- Deepen,
- ☐
- Re-enter,
- ☐
- Recomplete and Operate

Refilling
Sidetrack ☐

2. TYPE OF WELL

OIL ☐ GAS ☒ COALBED ☐ OTHER: ☐
SINGLE ZONE ☒ MULTIPLE ZONES ☐ COMMINGLE ZONES ☐3. COGCC Operator Number: 108465 4. Name of Operator: Presco, Inc.
5. Address: 10200 Grogan's Mill Road, Suite 520
City: The Woodlands State: Texas Zip: 77380
6. Contact Name: Mr. Larry Little Phone: (281) 292-7792 X 16 Fax: (281) 292-7766
7. Well Name: Chevron Battlement Mesa Well Number: 34-43
8. Unit Name (if appl): NA Unit Number: NA
9. Proposed Total Depth: 9600'Complete the
Attachment Checklist

	OP	COGCC
APD Orig & 1 Copy	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Form 2A	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Well location plat	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Topo map	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Mineral lease map	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Surface agmt/Surety	<input type="checkbox"/>	<input type="checkbox"/>
30 Day notice letter	<input type="checkbox"/>	<input type="checkbox"/>
Deviated Drilling Plan	<input type="checkbox"/>	<input type="checkbox"/>
Exception Loc Request	<input type="checkbox"/>	<input type="checkbox"/>
Exception Loc Waivers	<input type="checkbox"/>	<input type="checkbox"/>
H2S Contingency Plan	<input type="checkbox"/>	<input type="checkbox"/>
Federal Drilling Permit	<input type="checkbox"/>	<input type="checkbox"/>

10. Qtr/Sec: SW4 SE4 Sec: 34 Twp: 7S Rng: 95W Meridian: 6th
Footage from Exterior Section Lines
At Surface: 534' FSL 1648' FEL SW4 SE4 Section 34
11. Field Name: Rulison Field Number: #75400
12. Ground Elevation: 9057.4' 13. County: Garfield 04514. If well is: ☐ Directional ☐ Horizontal (highly deviated), submit deviated drilling plan.
Footage from Exterior Section Lines and Sec Twp Rng
At Top of Production Zone: At Bottom Hole:15. Is location in a high density area (Rule 603b)? ☐ Yes ☒ No
16. Distance to the nearest building, public road, above ground utility or railroad: > 150' ±3000' to BM
17. Distance to Nearest Property Line: 331' 18. Distance to nearest well permitted/completed in the same formation: 34-24

19. LEASE, SPACING AND POOLING INFORMATION

Objective Formation(s)	Formation Code	Spacing Order Number (s)	Unit Acreage Assigned to Well	Unit Configuration (N/2, SE/4, etc.)
Williams Fork	WFCM	139-31	640	ALL

20. Mineral Ownership: ☒ Fee ☐ State ☐ Federal ☐ Indian Lease #
21. Surface Ownership: ☒ Fee ☐ State ☐ Federal ☐ Indian22. Is the Surface Owner also the Mineral Owner? ☐ Yes ☒ No Surface Surety ID#If Yes: Is the Surface Owner(s) signature on the lease? ☐ Yes ☒ No
If No: ☒ Surface Owners Agreement Attached or ☐ \$25,000 Blanket Surface Bond ☐ \$2,000 Surface Bond ☐ \$5,000 Surface Bond

23. Using standard Qtr/Sec, Twp, Rng format enter entire mineral lease description upon which this proposed wellsite is located (attach separate sheet/map if you prefer):

T7S R95W Section 34 All See attached plat.

24. Distance to Nearest Mineral Lease Line: 1648' 25. Total Acres in Lease: 3721

DRILLING PLANS AND PROCEDURES

26. Is H2S anticipated? ☐ Yes ☒ No If Yes, attach contingency plan.
27. Will salt sections be encountered during drilling? ☐ Yes ☒ No
28. Will salt (>15,000 ppm TDS Cl) or oil based muds be used during drilling? ☐ Yes ☒ No
29. If questions 27 or 28 are yes, is this location in a sensitive area (Rule 903)? ☐ Yes ☒ No If 27, 28 or 29 are "Yes" a pit permit may be required.
30. Mud disposal: ☐ Offsite ☒ Onsite
Method: ☐ Land Farming ☐ Land Spreading ☐ Disposal Facility ☒ Other: Cuttings buried in place.

NOTE: The use of an earthen pit for Recompletion fluids requires a pit permit (Rule 905b.) If air/gas drilling, notify local fire officials.

String	Size of Hole	Size of Casing	Weight Per Foot	Setting Depth	Sacks Cement	Cement Bottom	Cement Top
Surface	14-3/4"	9-5/8"	J-55/36#	2500' TVD	± 1200 sks	2500'	Surface
Production	7-7/8"	4-1/2"	N-80/11.6#	9600' TVD	± 1000 sks	9600'	6500' Top of Gas

31. BOP Equipment Type: ☒ Annular Preventor ☒ Double Ram ☐ Rotating Head ☐ None

32. Comments

33. Initial Rule 306 Consultation took place on (date) 8/5/2005, was waived, or is not required. Provide supporting documentation if consultation has been waived or if good faith effort did not result in consultation.
PERMIT SUBMITTED TO COGCC PRIOR TO COMPLIANCE WITH RULE 306 CONSULTATION SHALL BE RETURNED UNAPPROVED.
I hereby certify that a complete permit package has been sent to the applicable Local Government Designee(s), and all statements made in this form are, to the best of my knowledge, true, correct, and complete.Signed: [Signature] Print Name: Mr. Larry Little - little@prescocorp.com
Title: Engineer Date: 8/10/05

Based on the information provided herein, this Application for Permit-to-Drill complies with COGCC Rules and applicable orders and is hereby approved.

COGCC Approved:

Director of COGCC

Date:

Permit Number:

20052922

Expiration Date:

API NUMBER

05-

CONDITIONS OF APPROVAL, IF ANY:

E-mail 24 hour spud notice, notice of running casing, cementing, kicks, water flows and lost circulation to jaime.adkins@state.co.us
See Notice.Top of production casing cement must be inside surface casing.
Comply with rule 317.i., verify by CBL.Local Gov't Designee
DAN DENISON
GARFIELD COUNTY
114 E. 3rd
Rt. 66, Box 8650
Administrative Services - County OfficeCARRINGTON
107.978012
39.8844

10200

Grogan's Mill Rd