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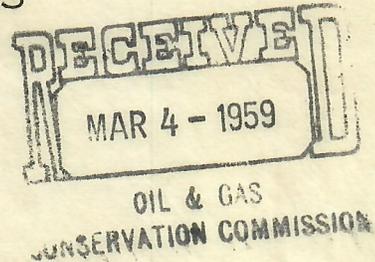


JOHN EVIE McNICHOLS, GOVERNOR

W. H. PATTISON
DIRECTOR
MINERAL DEPARTMENT

BOARD OF LAND COMMISSIONERS
STATE OF COLORADO
DENVER

March 3, 1959



E. C. Johnston Co.
P. O. Box 1112
Longview, Texas

Attention: Mr. Howard P. Coghlan

Re: Colorado Oil and Gas Lease No. OG 57/1021
16-2S-65W, Adams County, Colorado

Gentlemen:

We have your letter concerning possible gas production from the above-numbered Colorado oil and gas lease in Adams County. We also have a copy of Mr. Jersin's letter of February 26th to you, which answers your questions.

The State of Colorado owns all of the minerals underlying this section. According to the records of the State Mineral Department, Sun Oil Company has the lease on the Northeast Quarter, and J. Glen Johnston holds the balance of the section (or, at least, is indicated as the operator) under two leases designated as OG 57/313 and OG 57/1021. If it will help you, these two leases may be combined into one lease.

We will be inclined to accept any decisions made by Mr. Jersin's Department concerning spacing, etc. We do like to have the spacing or drilling unit set so that the State's minerals will comprise one or more total units, and not divided in such a way that fee acreage has to be combined with it to make a producing unit.

We will be happy to work with you in any way possible to simplify your production problems in the area.

Very truly yours,

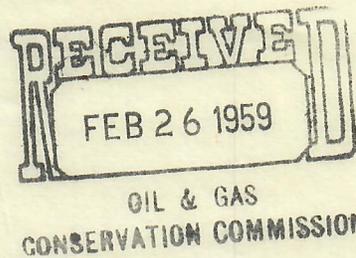
STATE BOARD OF LAND COMMISSIONERS

By

W. H. PATTISON, Director
State Mineral Department

cc: Mr. Jersin
1162½ Elati Street
Denver 4, Colorado

COPY



February 23, 1959

Mr. W. H. Pattison
State Mineral Board
Board of Land Commissioners
Denver, Colorado

Re: E. C. Johnston Company et al,
Anderson State Well No. 1
Adams County, Colorado,
Assignment Lease No. OG 57/1021

Dear Mr. Pattison:

E. C. Johnston Company is the operator of the above well in Adams County, Colorado. Said Assignment Lease covers a total of 240 acres, being three checkerboarded 80-acre tracts described as follows:

Township 2 South, Range 65 West

Section 16:

W/2 SW/4 (on which the well is located)
W/2 SE/4
E/2 NW/4

Pursuant to letter dated February 17, 1958, from the Board of Land Commissioners, this well has been shut in and has been deemed a shut in gas well.

We have been attempting to secure a market for the gas and have negotiated Gas Purchase Agreement with Colorado Interstate Gas Company, under the terms of which we propose to construct a line from the well to Colorado Interstate Gas Company's 22-inch line, approximately 4-1/8 miles Northwest of our well.

As you can see from the above, the well is on an 80-acre tract. The question has arisen in my mind as to whether or not there is any rule or regulation of the Mineral Board or of the Conservation Commission specifying or regulating the acreage that must be included in a producing unit around a gas well in order to obtain maximum production therefrom; whether or not such acreage must be contiguous, and other related questions.

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Mr. W. H. Pattison
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We assumed that we will be permitted to produce the well to its maximum efficiency on at least the 80 acre unit on which the well is located. I will appreciate it if you will let us know if our assumption is correct to your knowledge.

Section 338 of the Conservation rules and regulations states that "the Commission may upon its own motion . . . establish drilling units of specified and approximate uniform size and shape for each pool within this State." To our knowledge, no such field rules have been established but we will appreciate it if you will please confirm this. Colorado Interstate Gas Company refers to this area as the "Doherty Field." Will you please let us know if our well is included in what is known as the Doherty Field, and if so whether or not any field rules, proration, or spacing rules have been established.

I am directing a copy of this letter to the Conservation Commission so that they will know our plans. By a copy of this letter directed to them, I will appreciate it if they will please answer any of the questions set out above that might come under their jurisdiction.

Yours very truly,

E. C. JOHNSTON COMPANY

Howard Coghlan

HC/fb

cc: Mr. A. J. Jersin, Director Oil and Gas
Conservation Commission,
Denver, Colorado

Mr. M. O. Johnston, Glendale, California
Mr. Carl von Bibra, Los Angeles, California

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