



Welborn Sullivan Meck & Tooley, P.C.



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October 4, 1996

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Barry Stout/The Stout Ranch
4664 Divide Creek Road
New Castle, Colorado 81647

Via Federal Express

Of Counsel:
Robert F. Welborn

Special Counsel:
Hugh V. Schaefer

Re: Gibson Gulch II Federal Unit
Colorado Oil and Gas Conservation Commission ("COGCC")
Cause No. 1: Docket No. 10-5-2
Applicant: Barry Stout/The Stout Ranch

Dear Barry:

In accordance with our telephone conversation yesterday, I am enclosing duplicate originals of a lease and a joinder execution relating to the Gibson Gulch II Federal Unit. The lease from you as lessor to Vessels Oil & Gas Company ("Vessels") as lessee includes the terms that were identified in the proposal from Vessels that you accepted and that are included in my letter to you dated September 30, 1996. These terms include a three-sixteenth royalty, a no surface occupancy provision (except to the extent the Stout property may be currently used for unit operations), and a waiver by you of all existing claims against Vessels with respect to Vessels' unit operations.

As you can see, I asked Vessels to prepare the lease and the joinder in final form. Vessels has prepared a check for you for the \$5000 bonus payment which Vessels is ready to send to you immediately after we receive one set of the signed documents back from you.

As you are aware, Lori Coulter has scheduled a prehearing conference for your COGCC application for Tuesday, October 8 at 9 A.M. We will need to let Lori know as soon as possible that the pretrial conference will not be necessary.

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If you have any questions about this matter, please call me.

Best regards,

A handwritten signature in black ink, appearing to read "Molly Sommerville", with a long horizontal flourish extending to the right.

Molly Sommerville

cc: Phil Wood
Rick Ryan
Tricia Beaver ✓
Lori Coulter, Esq.