



IN REPLY REFER TO:

United States Department of the Interior



BUREAU OF LAND MANAGEMENT

Colorado State Office
2850 Youngfield Street
Lakewood, Colorado 80215-7076

MAY 20 1996

CO-934
3180

Ms. Patricia Beaver
Colorado Oil and Gas Conservation Commission
1120 Lincoln Street, Suite 801
Denver, Colorado 80203

Dear Ms. Beaver:

We are filing an intervention and a protest for the hearing dated May 21, 1996, on Cause No. 1, Docket No. 5-11, in the matter to govern operations in the Gibson Gulch II Federal Unit, Garfield County, Colorado.

The Bureau of Land Management's (BLM) intervention is to clarify the following:

1. The name for the unit being discussed is the Gibson Gulch II Unit Agreement, and not the Gibson Gulch Unit Agreement, which was terminated.
2. The Stout Ranch acreage is not committed to the Gibson Gulch II Unit Agreement, but is within the unit boundaries. The other lands within the 40-acre legal subdivision containing the Stout Ranch lands have submitted joinders to the unit agreement, however, due to the definition for committed lands used by the BLM, the other lessees and lessors in the tract with the Stout Ranch lands cannot be committed.
3. Since the Gibson Gulch II Unit Agreement is a contract, the Stout Ranch's proposal to create spacing around the Federal Unit No. 14-19 Well, will require approval of all the parties committed to the unit agreement.

The BLM protests the following issues raised by the Stout Ranch:

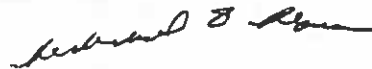
1. The Gibson Gulch Federal Unit No. 14-19 Well located in the SE/4 SW/4 Section 19, Township 6 South, Range 91 West, Garfield County, operated by Vessels Oil & Gas Company, was drilled as a unit well and any distribution of revenues other than what is provided for in the unit agreement will be in conflict with an existing contract. The Stout Ranch was given the opportunity to join the Gibson Gulch II Unit Agreement, but by not doing so,

made the decision to protect their correlative rights by drilling a protective well when and if these rights were jeopardized.

2. The Colorado State Statute Rule No. 316 suspends spacing within the boundaries of a federal unit. Using this statute, spacing can only be implemented on committed unit lands by either suspending Rule No. 316 or by amending the subject unit agreement. The BLM is opposed to any spacing within the Gibson Gulch II Unit Agreement at this time.

Should you have any questions on this issue, please contact me at (303) 239-3751.

Sincerely,



Richard J. Ryan
Petroleum Engineer
Resource Services