

# OVERVIEW



On April 18, 2002, the Colorado Oil and Gas Conservation Commission ("Commission") issued Monument Gas Marketing, Inc. ("MGMI") a Notice of Alleged Violation ("NOAV") regarding the plugging of the #2-34 Bucklin well, located in the SW-NW of section 34, Township 17 South, Range 46 West, Kiowa County, Colorado. As is the right of operators in this State and the inherent responsibility of said Operator towards the investors best interest, MGMI contested the NOAV and requested a hearing before the Board of Commissioners. A hearing was granted on September 23, 2002. Despite the overwhelming data and arguments presented on behalf of MGMI, the Board of Commissioners nonetheless voted 4 to 2 against MGMI. The basis of this decision was due in part from the inability of MGMI to submit most of this data as exhibits and the lack of presence of the MGMI's legal counsel due to the unexpected wait of over 3 hours endured from the original meeting time of 10:00 AM on September 23, 2002. Citing these factors and numerous meetings with operators, lawmakers, and other experts in the Oil and Gas Industry, MGMI requested an appeal before the Board of Commissioners. An appeal was granted and is scheduled for January 6, 2003. Enclosed are those Exhibits (thus far) to be submitted to the Board of Commissioners.

On May 17, 2001, MGMI received an approved permit to drill ("ADP" – Form 2) the #2-34 Bucklin. Unfortunately, for both concerned parties, the ADP form included no plugging instructions, as is the norm on these forms. As a result, on June 7, 2001, Mr. Jack Hickey (MGMI Head Geologist) had to phone Mr. David Dillon from the Commission for verbal instructions for plugging of the well since they were not on the ADP. In addition to numerous other plugs required by Mr. Dillon, Mr. Hickey was told to cover the Dakota Formation (as was achieved to the satisfaction of Mr. Dillon and Mr. Graham – Division of Water Resources), and to place 40 sacks of cement 100 feet below the top of the Cheyenne Formation. Mr. Hickey picked the top of the Cheyenne, cross referenced the picks with the surrounding wells in the area as well as consulting with geologists who regularly work the area and plugged what he and other geologists consider the Cheyenne Formation and

certainly the only other zone even close to a potable water source (See exhibits XV thru XVII). On April 18, 2002 MGMI received information from Mr. Dillon that the Cheyenne had not been properly plugged. The reason being that Mr. Hickey's interpretation of the Cheyenne Formation was wrong and did not concur with the interpretation of Mr. Dillon. Mr. Dillon's interpretation of the Cheyenne Formation is generally referred to as the Morrison Formation by geologists working this area and IS BY NO MEANS CONSIDERED A VIABLE DRINKING WATER SOURCE. Mr. Graham, the Commission's expert on groundwater resources agreed that the zone in question is not a viable drinking water source and that he would not allow its usage as such (See transcript of original meeting of September 23, 2002 with the Board of Commissioners). The object and intent of Rule 319 a.1 is to protect potential drinking water aquifers from being tainted from surrounding shales. Although the Commission possesses no hard data or physical evidence linking surrounding shales with the tainting of fresh water aquifers, that their ground water expert Mr. Graham agrees the zone in question is not a viable source of drinking water, and due the fact that the zone calculates in excess of 40,000 ppm NaCl (saltwater), a salinity that by far exceeds that fit for human or animal consumption (see exhibit XIV) and that no Cheyenne wells anywhere nearby supply potable water for domestic or industrial usage, the Commission for some unknown and unexplainable reason insists that this zone must be covered. Estimated costs for drilling out the existing plugs and adding another plug over the zone in question is estimated at between \$25,000 and \$35,000, an amount to be absorbed by the investors for no viable or common sense reason.

In addition, of all the surrounding wells in this area (13), only two (completed cased holes) covered the zone in question (See exhibits II and III). If there was a possibility of some sort of contamination, for which no data or physical evidence has been presented, to this highly saline formation, the other surrounding wells would have tainted the zone long ago. MGMI is thereby being singled out from the rules applied to the other operators in this area. If MGMI is forced to cover a zone which will never be capable of producing water of drinking quality, then the surrounding operators should also be forced to do the same (See exhibits V thru XII).