



DEPARTMENT OF NATURAL RESOURCES

Roy Romer, Governor
1120 Lincoln St., Suite 801
Denver, CO 80203
Phone: (303) 894-2100
FAX: (303) 894-2109



December 27, 1996

1.66

Mr. John H. Chilson
6610 Chokecherry Drive
Loveland, CO. 80537

Re: Chilson #16-1, NWNW 16 5N 68W, Larimer County, CO.

Dear Mr. Chilson:

Enclosed is a copy of the staff recommendations that will be made to the COGCC Commissioners at the January 6 and 7, 1997 hearing. Commission staff will request that the matter be delayed until the February, 1997 hearing if you submit a signed copy of the settlement proposal of December 3, 1996 prior to January 3, 1997. This would allow 30 days to properly plug and abandon the well according to the proposed settlement. Jenex has already agreed to the terms of their settlement.

I will be out of the office the week of December 30, 1996. Please contact Morris Bell at 303-894-2100 extension 105 if you have any questions about this matter during this time period.

Sincerely,

Dave Shelton
Petroleum Engineer



DEPARTMENT OF NATURAL RESOURCES

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1120 Lincoln St., Suite 801
Denver, CO 80203
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Date: December 9, 1996

To: Rich Griebing, Director

From: Dave Shelton

Re: Recommendation that the Director make an application to the Commission for a Determination of Responsible Party per Rule 524 and an Order Finding Violation against nonconsenting responsible party(ies)

Per Commission Rules 524 and 522.c.(1), I am requesting that you make an application to the Commission for Determination of Responsible Party and an Order Finding Violation (OFV) against any nonconsenting responsible party for the following matter. An ownership dispute exists between Mr. John H. Chilson, landowner, and Jenex Petroleum Corporation, operator of record, concerning the Chilson #16-1, NWNW 16 5N 68W, Larimer County, Colorado. The Chilson #16-1 is in violation of Rules 319.b and 326.b. The following lists a brief history of the dispute and the sequence of events that took place per the requirements of Rule 522:

1. On February 6, 1987 Jenex Petroleum Corporation submitted a COGCC Form 10 for the Chilson #16-1, transferring operatorship from Phoenix Petroleum to Jenex. The COGCC approved the Form 10 on February 27, 1987. Jenex obtained the well via a Larimer County tax sale on November 5, 1986.

2. In 1987 Mr. Chilson filed legal action against the Treasurer of Larimer County, Jenex Petroleum, and other parties. Mr. Chilson claimed that the Treasurer of Larimer County did not have a legal right to sell his mineral interest to Jenex as part of the tax sale. In the lawsuit Mr. Chilson stated that he had been using gas from the well for domestic purposes.

3. In 1990 a settlement was reached between the parties involved concerning payments and distribution of equipment.

4. On February 2, 1996 COGCC staff issued Notices of Alleged Violation (NOAV) for the Chilson #16-1 to Mr. Chilson and Jenex, citing violations of Rule 317.b (now 319.b), failure to obtain Director approval for shut-in status and Rule 324.b (now 326.b), failure to perform a mechanical integrity test within 30 days of temporarily abandoning the well. In addition, Mr. Chilson was cited for Rule 304, failure to provide a plugging bond, and Rule 310 (now 312), failure to provide a COGCC Form 10 within 15 days of transfer of ownership. The NOAV's specified an abatement date of August 2, 1996.

5. On July 18, 1996 Ms. Lori Coulter with the Office of the Attorney General sent a settlement proposal to Mr. Chilson and Jenex. Ms. Coulter proposed that both parties be equally responsible for the plugging of the well. Jenex was responsive to the proposal, however Mr. Chilson apparently had a concern about being responsible for his share of potential plugging costs.

6. On December 3, 1996 COGCC staff sent certified letters to Mr. Chilson and Jenex Petroleum listing terms and responsibilities for plugging the Chilson #16-1. The letter asked that both parties agree to their respective terms by signing and returning the letter.

COGCC staff is requesting that the matter be heard at Commission hearing in the event that one or both parties do not agree to the terms and responsibilities proposed in the letter of December 3, 1996. A Commission Order will be necessary in this case because the dispute is too complex for a determination to be made at staff level.

If you agree that an application for an OFV and Determination of Responsible Party should be made to the Commission, please sign and forward this memo to Mara.

Thanks,

A handwritten signature in dark ink, appearing to be "J. Chilson", written over the word "Thanks,".

I agree that the Director should make an application to the Commission for a Determination of Responsible Party and an Order Finding Violation in this matter.

A handwritten signature in dark ink, reading "Richard T. Griebeling", written above the printed name.

Richard T. Griebeling, Director