



JENEX PETROLEUM CORPORATION



1.66

July 16, 1990

Carolinn J. Rahman
State of Colorado
Oil & Gas Conservation
Commission
1580 Logan Street, Suite 380
Denver, CO 80203

RE: Chilson #16-1
Lease #26484

*nwnw 16 5N 68W
Larimer/Loveland/NB+CD*

Dear Ms. Rahman:

Please be advised that Jenex is no longer the operator of the above referenced lease in Larimer County. The new operator of this well, effective April 10, 1990, is:

John H. Chilson
200 East Seventh, Suite 300
Loveland, CO 80537

Please contact Mr. Chilson for further information on this lease.

Sincerely,
JENEX PETROLEUM CORPORATION

Mara Jauch
Production Analyst

/mbj

RECEIVED

JUL 20 1990

COLO. OIL & GAS CONS. COMM.

RECEIVED

JUL 17 1990

COLO. OIL & GAS CONS. COMM.

STATE OF COLORADO
OIL AND GAS CONSERVATION COMMISSION

DEPARTMENT OF NATURAL RESOURCES
SUITE 380 LOGAN TOWER BUILDING
1580 LOGAN STREET
DENVER, COLORADO 80203

WILLIAM R. SMITH
Director
DENNIS R. BICKNELL
Deputy Director

(303) 894-2100

ROY ROMER
Governor

July 23, 1990

Mara Jauch
Jenex Petroleum Corp
1675 Larimer, Ste 810
Denver, CO 80202

1.66

RE: #16-1 Chilson NWNW 16-5N-68W API # 05-069-06202

Dear Ms. Jauch:

We are in receipt of your letter dated 7/16/90 stating that John H. Chilson is operator of referenced well effective 4/10/90.

To date Mr. Chilson has not filed an OGCC Form 10 (Change of Operator), nor Plugging Security, nor an OGCC Form 1 (Designation of Agent). Until such time as these prerequisites (as well as any other required by the Rules and Regulations of the Commission, such as permission to leave the well Shut-In) are met or until the well is properly plugged and abandoned it will remain on Jenex's Plugging Security. It would be to your advantage to encourage Mr. Chilson to comply with these requirements, unless you desire to keep the well on your Plugging Security.

It is noted that the well appears to have been Shut-In since 1987 or 1988 yet no Sundry Notices (OGCC Form 4) are in the file requesting permission for such a status as required by Rule 319 (copy attached). If Jenex has other wells that are currently Shut-In or Temporarily Abandoned for six months or more, you are directed to comply with this rule immediately.

If you have any questions concerning Jenex's liability on this well please contact the Deputy Director, John Stowell. He will also be glad to discuss Plugging Security options with Mr. Chilson.

Very truly yours,


D. Edwards
Well Records Department

incl: as stated

cc: Mr. John H. Chilson, 200 E. Seventh, Ste 300, Loveland, CO 80537
incl: OGCC Form 1, Form 3, Form 4, Form 7, Form 10 - also sent Rule 319
+ Jenex's letter

STATE OF COLORADO
OIL AND GAS CONSERVATION COMMISSION

DEPARTMENT OF NATURAL RESOURCES
SUITE 380 LOGAN TOWER BUILDING
1580 LOGAN STREET
DENVER, COLORADO 80203
(303) 894-2109 FAX
(303) 894-2100

DENNIS R. BICKNELL
Director
JOHN R. STOWELL
Deputy Director
PATRICIA C. BEAVER
Technical Secretary

ROY ROMER
Governor

July 17, 1991

1.66

Mr. James Jensen
Jenex Petroleum Corp.
1600 Broadway, #1760
Denver, CO 80202

Re: Kissler-Amen #1-25
SWSW 25-6N-66W

Chilson 16-1
NWNW 16-5N-68W

Dear Mr. Jensen,

On July 15, 1991 I was notified by the Greeley Fire Department in regard to weeds and trash on the location of the Kissler-Amen 1-25. Although this well is not inside the city limits of Greeley we continue to work closely with the city over safety issues such as this. The general safety rules, Rule 603(g), addresses this issue in addition to Order A-1-3, which was written to address the Front Range area. Please have your pumper review and bring this and other wellsites into compliance.

I also reviewed the status of the Chilson 16-1. Our file reflects my conversation with you last July 30, 1990, but I do not have a copy of the letter your attorney was to send to Mr. Chilson informing him of his liability from this well. The last bonded operator of record is Jenex Petroleum Corporation.

Let me know what your plans for the Chilson 16-1 are so we may act accordingly.

Thank you for your assistance.

Yours truly,

Stephan Pott

Stephan Pott
Sr. Engineer

Filed to Al Arlian 2/1

1/14/92 SP

xc: Bob Van Sickle



JENEX PETROLEUM CORPORATION



RECEIVED

MAY 21 1992

May 20, 1992

Mr. Bob Van Sickle
Colorado State Oil & Gas
Conservation Commission
1580 Logan Street, Suite 380
Denver, CO 80203

COLO. OIL & GAS CONS. COMM.

1.66

RE: Chilson lease
Larimer Co., CO

2/6-1
NNNW 16-5N-68W

Dear Mr. Van Sickle:

Enclosed please find the court documents that you requested on the above referenced lease.

Please feel free to contact Mr. Jerry Jensen if you have any further questions.

Sincerely,
JENEX PETROLEUM CORPORATION

Mara Jauch
Production Analyst

/mbj
Enclosure



1.66
DEPARTMENT OF NATURAL RESOURCES
Roy Romer, Governor
1120 Lincoln St., Suite 801
Denver, CO 80203
Phone: (303) 894-2100
FAX: (303) 894-2109

March 18, 1996

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

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

Dear Mr. Chilson:

Your letter of March 13, 1996 indicates that further clarification of the Commission's position concerning the Chilson #16-1 well is required. Because Jenex submitted the last approved COGCC Form 10 (Change of Operator) the Commission still considers them the operator of record for this well. However, if it can be proven that you are owner of the well the Commission will hold you responsible for compliance as detailed in the Notice of Alleged Violation of February 2, 1996. As I stated in my letter of February 9, 1996, the Commission staff does not currently have sufficient information to make a determination as to which party is responsible for compliance. In lieu of additional information the most likely scenario is that both parties will be required to present their cases at a Commission hearing. If additional information is received, the Commission staff, with assistance from the State of Colorado Attorney General's office, may be able to determine the responsible party and bring that party to Commission hearing if voluntary compliance is not secured. At this time I cannot speculate as to any determinations that the AG's office may make on this matter.

Your assertion that Jenex has provided no evidence to support their position is not accurate. I sent you a copy of the Trial Data Certificate for Case # 87 CV 963. In this document March & Myatt, P.C., on your behalf as plaintiff, submitted the following under section II-B: "Plaintiff asserts that he was the sole owner of such well,...". Commission staff considers this to be evidence that Jenex may have validity for their position. Upon the advice of the AG's office I have requested additional documentation from Jenex concerning the court case. We would also like to review any documentation you could submit supporting your position.

The Commission is not in charge of getting wells plugged and sites cleaned up if a responsible party can be determined. We are in charge of securing compliance with the rules and regulations of the Commission. Ms. Gail Koops, representing herself as your agent, requested plugging procedures from the Commission on July 28, 1993. This request delayed Commission action because the Commission staff assumed that the ownership dispute had been resolved and that the well would be properly plugged in 1993.



DEPARTMENT OF NATURAL RESOURCES
Roy Romer, Governor
1120 Lincoln St., Suite 801
Denver, CO 80202
Phone: (303) 894-2100
FAX: (303) 894-2100

As I also stated in my previous letter, if you will send the Commission a check for \$9.00 and request a copy of the rules and regulations, one will be sent to you. The Commission will not send out copies until payment is received.

Sincerely,

Dave Shelton
Petroleum Engineer

cc: Mr. Gerald Jensen, Jenex Petroleum



FEB 7 1996

JOHN H. CHILSON
Attorney At Law
6610 Chokeycherry Drive
Loveland, Colorado 80537
303-667-3214

1.66

February 5, 1996

Colorado Oil and Gas Conservation Commission
1120 Lincoln Street, Suite 801
Denver, Colorado 80203

Re: Notice of Alleged
Violation to
John H. Chilson

To the Commission:

I received a Notice of Alleged Violation, copy enclosed, directed to me as an operator of a well. I have also received a telephone call from someone in your office asking if I was an operator of a well.

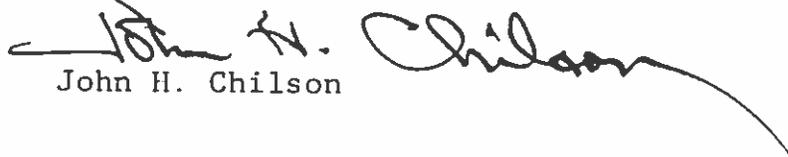
I am not an operator of any well and never have been. Jenex Petroleum was operating a well on my property in Section 16-5N-68W under a claim of having purchased the right to do so at a county tax sale. I instituted litigation against Jenex and the Larimer County Treasurer in the District Court of Larimer County over that matter, which suit was ended by settlement. Nothing else has occurred.

Please advise me in writing of the grounds upon which you served me with a Notice stating that I am an operator of a well. Further, please forward with that explanation copies of all documents and records upon which you rely for the proposition that I am an operator.

I am advised by your representative who called me that the Jenex bond for plugging this well and cleaning up the site remains in force and effect and that Jenex is the operator according to your records. Therefore, please further explain why you have not required Jenex to perform its obligations as operator on this well, since Jenex removed all equipment, casing and left the well as it is. If you think Jenex is somehow released from this obligation, please state the grounds for this belief.

Further, please send me a set of all rules and regulations of the Commission so that I may try to understand what is going on.

Truly yours,


John H. Chilson

Encl: 1



1.66
DEPARTMENT OF NATURAL RESOURCES
Roy Romer, Governor
1120 Lincoln St., Suite 801
Denver, CO 80203
Phone: (303) 894-2100
FAX: (303) 894-2109

February 9, 1996

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

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

Dear Mr. Chilson:

In your letter of February 5, 1996 you requested clarification for the reason that you received a Notice of Alleged Violation (NOAV) for the referenced well. The Commission staff has been attempting to secure compliance for this well since 1990. To date, Jenex has taken the position that you assumed ownership of the well as Plaintiff in the lawsuit against Jenex. The documents supplied by Jenex indicate that they may have validity for their position. Because of the ownership dispute, the Commission staff is unclear about which party is in violation. Thus, NOAV's were sent to both you and Jenex. By rule, the NOAV must be used by Commission staff when voluntary compliance cannot be secured.

I will assume from your letter that you are confident that you are not responsible for this well. At this time I will wait for Jenex's response to the NOAV. If neither party is willing to bring the well into compliance the Commission staff will probably request that the Colorado Attorney General's office make a determination as to which party is the operator responsible for compliance. A Commission hearing may be required for final resolution.

I am enclosing pertinent information and correspondence concerning this matter currently contained in the well file. Copies of Commission Rules and Regulations may be obtained by submitting a request to the letterhead address along with a check for \$9.00 made out to the Colorado Oil and Gas Conservation Commission. You may contact me at 303-894-2100 ext. 108 if you have further questions.

Sincerely,

Dave Shelton
Petroleum Engineer



JENEX PETROLEUM CORPORATION

FEB 22 1996

1.66

February 21, 1996

David Shelton
State of Colorado
Oil and Gas Conservation Commission
1120 Lincoln Street
Suite 801
Denver, Colorado 80203

RE: Attached Notice of Violation
Chilson #16-1 Well
Larimer County, Colorado

Dear Mr. Shelton,

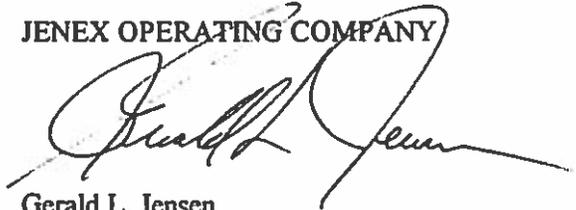
We are in receipt of your notice dated February 2, 1996, with respect to the Chilson #16-1 well in Larimer County, Colorado. Please be informed that Mr. Chilson has been the operator of this well since our settlement with him during 1988 and 1989. We had quitclaimed all of our interest in the well back to him on March 24, 1988. Mr. Chilson claimed that we never owned the well, nor had any right to operate it. We had originally purchased the well at a tax sale in Larimer County, and Mr. Chilson's position was that we simply purchased some equipment and had no right to the well. We had operated the well several months until Mr. Chilson filed a lawsuit forcing us to stop all operations. We settled the lawsuit by quitclaiming to Mr. Chilson all of Jenex's right title and interest in the lease, which he insisted belonged to him, with the agreement that he would operate the well. We filed with the Oil & Gas Conservation Commission upon getting a notice that he had not properly filed the change of operator Form 10 on April 27, 1990. At that time, we received notice from the Oil and Gas Commission with respect to the one or two loads we had sold off the lease when we were claiming ownership. We provided Mr. Chilson's name and address at that time as the operator. It was not a question of an actual change of operator since pursuant to the lawsuit Mr. Chilson claimed that we were never the operator of the well and we had no further right to enter the premises, other than to remove our equipment, which we did in 1989. To the best of our knowledge, Mr. Chilson claimed that he had a natural gas line running to either a house, or rental house, for which he would continue to operate the well, which we presume he is continuing to do. I am attaching a letter written on July 23, 1990, with a copy to Mr. Chilson whereby he was informed at that time of his obligation. We presume that Mr. Chilson has continued to operate this well, legally or not, since 1988.

Mr. Chilson has title to the well and such title was confirmed through his attorney in the lawsuit filed against us. He was represented by Mr. Brad March of March and Myatt, in Fort Collins, Colorado. Since Mr. Chilson quieted the title to the lease in his name in 1989, as well as maintained that he was the sole owner of the lease since that date, you understand our inability to

even enter on the property since our legal settlement with him. Since he is the sole legal owner of the property, unless he has sold it in the meantime, we would suggest that he be cited for the violations. We would be willing to come to a meeting if he fails to properly file reports with the Oil & Gas Conservation Commission pursuant to his actual operation of the lease for the last eight years. A plugging and abandonment company may be very willing to plug that well in return for the casing and tubing, if Mr. Chilson will allow them to do it.

Very truly yours,

JENEX OPERATING COMPANY

A handwritten signature in black ink, appearing to read "Gerald L. Jensen", written over the typed name below.

Gerald L. Jensen

GLJ:jg

Enclosure

cc: James

Harold

C:\WP50\JERRYCHIL.DOC

FEB 22 1996

JOHN H. CHILSON
Attorney At Law
6610 Chokeycherry Drive
Loveland, Colorado 80537
303-667-3214

1-66

April 5, 1996

Mr. Dave Shelton
Colorado Oil & Gas Commission
1120 Lincoln Street, Suite 801
Denver, CO 80203

MAR 9 1996

Dear Mr. Shelton:

Enclosed is my check for \$9.00 as payment for a copy of the Commission's rules and regulations. I would appreciate your sending me a copy of the same.

I don't know where the idea got started that a Gail Koops was my agent. I don't know anyone by that name. There is a neighboring landowner by the name of Gail Koppes, but I have never authorized her to act as my agent in any matters whatsoever. If any person represented himself or herself as my agent acting in connection with the Chilson 16-1 well, it was a total misrepresentation. I have no idea how this has happened, but let me assure you that no one has had my authority to represent me in this matter.

You have recited the statement in the lawsuit documents that I was the sole owner of the Chilson 16-1 well. That statement was made in the context of the mineral rights, since Larimer County had purported to sell my mineral rights when it foreclosed on the wellhead equipment. There was nothing contained in these documents by which I claimed to be the operator of this well. There is a real distinction between an owner and an operator.

I definitely do have additional evidence which the Commission should consider in this case, and I am assuming that there will be a hearing at which this evidence can be presented. Please advise me if this is not correct so that I can take steps to put the evidence in proper form to submit without a hearing.

Truly yours,

John H. Chilson
John H. Chilson

JHC:lm
Enc.



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

April 12, 1996



1.66

Mr. Gerald L. Jensen
Jenex Operating Company
1433 17th Street Suite 220
Denver, CO. 80202-1273

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

Dear Mr. Jensen:

As we discussed by telephone on February 26, 1996, the Commission requires further information to make a determination as to whether Jenex Operating or Mr. John Chilson is the operator responsible for the referenced well. Specifically, the Commission requires a copy of the quitclaim and settlement agreement. It was my understanding that you were going to research this issue and submit these items for Commission review.

Both parties will probably be docketed for the next available Commission hearing if Jenex cannot supply the quitclaim and settlement agreement that would support Jenex's contention that Mr. Chilson is the responsible operator to the Commission by April 22, 1996. In this scenario, the Commissioners will have to make a responsible operator ruling based on the evidence presented by the two parties. Should the Commissioners rule that Jenex is the operator responsible for compliance, please note that Jenex could be found in violation of the of the Notice of Alleged Violation of February 2, 1996 which required a well status update by March 2, 1996.

Please contact me at 303-894-2100 extension 108 if you have any questions.

Sincerely,

Dave Shelton
Petroleum Engineer



JENEX PETROLEUM CORPORATION

April 25, 1996

APR 26 1996

Mr. Dave Shelton, Petroleum Engineer
State of Colorado Oil & Gas Conservation Commission
1120 Lincoln Street, Suite 801
Denver, Colorado 80203

1.66

RE: Chilson #16-1
NWNW Sec. 16-T5N-R68W
Larimer County, Colorado

Dear Mr. Shelton,

We have retrieved the records of the law suits with Mr. Chilson from storage. I am enclosing most of the pertinent documents herewith. The original action was filed by Mr. Chilson to quiet title to all of the land in his name. In the end, we stipulated to this and the action against us as to all title matters was dismissed. The money from producing the well for a short period of time was paid to Mr. Chilson as to all ownership interest, and we were paid operating fees for operating the property for him during the period in which we were involved.

As you can see from the trial data certificate filed by his attorneys, March and Myatt, as well as the original complaint, John Chilson claimed at all times that he was the sole owner of this property. In the end, we accepted this rather than fight with him as to what type of title we received when we purchased the well equipment from the County Treasurer at tax sale. Since we dropped any claim to the property, as part of the dismissal, title was in Mr. Chilson's name at the beginning of the law suit and remained there at the end of the law suit and to this day. We were paid for operating the well for a short period of time and we apparently only acquired title to the equipment at the Treasurer's tax sale, which we removed when the law suit was settled.

If your attorney has any questions, we will be pleased to discuss the matter with them further. Please call me if you need any further information.

Very truly yours,

JENEX PETROLEUM CORPORATION

Gerald L. Jensen

GLJ:jg
Enclosures
C:\WP50\JERRY\CHILSON\COGC.DOC



STATE OF COLORADO

OIL & GAS CONSERVATION COMMISSION

Department of Natural Resources
1580 Logan Street, Suite 380
Denver, Colorado 80203
Phone: (303) 894-2100
FAX: (303) 894-2109

1.66



DEPARTMENT OF
NATURAL
RESOURCES

Roy Romer
Governor
Ken Salazar
Executive Director
Richard T. Crouching
Director
Brian J. Matke
Deputy Director
Patricia C. Beaver
Technical Secretary

April 28, 1994

Ms. Gail Kopps
4150 County Road 20 E
Loveland CO 80537

Dear Ms. Kopps:

On July 28th of last year Jim Kenney of this office sent you Forms 1, 10 and 4 to use as outlined in his letter (copy attached) to transfer ownership and plug and abandon the Chilson 16-1, NWNW 16-5N-68W, Larimer County. I understand that you are acting as agent for Mr. Chilson, but the required submittals are long overdue, as is the plugging of the well. A recent inspection of the site indicates no change from previous inspections.

While I realize that Mr. Chilson can do what he likes with his land, Jenex Petroleum Company is currently bonded for this well. In order to relieve them of their plugging liability I am afraid that at this time we must insist that Mr. Chilson either replace their plugging bond with one of his own or plug and abandon the well as outlined in Mr. Kenney's letter of last July. I trust that the required submittals will be made prior to June 1, 1994. Please contact me at the above address or phone number if you have any questions.

Sincerely yours,

Robert J. Van Sickle
Petroleum Engineer

STATE OF COLORADO
OIL AND GAS CONSERVATION COMMISSION

DEPARTMENT OF NATURAL RESOURCES
SUITE 380 LOGAN TOWER BUILDING
1580 LOGAN STREET
DENVER, COLORADO 80203
(303) 894-2109 FAX
(303) 894-2100

DENNIS R. BICKNELL
Director
PATRICIA C. BEAVER
Technical Secretary

ROY ROMER
Governor

July 28, 1993

Ms. Gail Kopps
4150 County Road 20 E
Loveland, Co. 80537

Re: Chilson #16-1, NW NW 16-5N-68W

Dear Ms. Kopps:

Attached please find Forms 1, 10, and 4. As we understand the situation, you are acting as agent for Mr. John Chilson (the legal owner of the referenced well, and the landowner) in order to plug and abandon the well.

The Commission will waive certain lawful requirements (such as a plugging bond) on the understanding this well will be properly plugged and abandoned immediately.

Also attached, for your and Mr. Jack Scott's use, are copies of wellbore information that may be useful in plugging the well, to include a copy of the plugging order issued by yours truly this date.

Please submit Forms 1 and 10 immediately. Upon completion of plugging operations, submit the Form 4 as a subsequent notice of plugging (with the details of the operation typed in), along with a copy of Mr. Scotts job log ticket as a cement verification.

Upon receipt of these forms we will send an inspector to verify compliance with State Rules.

Thank you for voluntarily complying with state law and we look forward to working with you in the near future.

Yours truly,

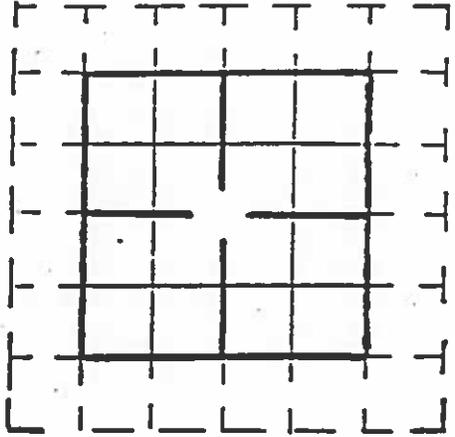

Jim Kenney, P.G.
Sr. Engineer

cc: ^{RVS}RVS, well file

C:\wp51\chilson

05-069-6202

VERBAL REQUEST



NOTICE OF INTENT TO DRILL _____
NOTICE OF INTENT TO ABANDON
OTHER _____

COMPANY GAIL KOPPS FOR MR. JOHN CHILSON ADDRESS _____

BY _____ PHONE NO. 1-667-9460 EXT. _____

WELL NO. 16-1 LEASE CHILSON

COUNTY LARIMER FIELD LOVELAND DRLG UNIT _____

LOCATION NW NW SEC 16 TWP 5N RNGE 68W MERIDIAN _____

_____ ft. from N or S Sec. Line, and _____ ft. from E or W Sec. Line

ESTIMATED DATE OF WORK _____ ESTIMATED TIME _____

DETAILS OF PLAN OF WORK: T.D. _____ FORMATION _____

SURFACE CASING: _____

CIBP (CAST IRON BRIDGE PLUG) SET AT ~ 5,770'
W/ 2 1/2" CEMENT PUMP BAILED ON TOP.
PERFORATE 5 1/2" CASING @ 375', AND CIRCULATE CEMENT
TO SURFACE LEAVING 5 1/2" CASING FULL OF CEMENT
CUT BOTH CASINGS OFF 8'-10' BELOW GRADE LEVEL
WELD ON A STEEL CAP, RESUME LOCATION.

BONDING STATUS: PLUGGING _____ SURFACE _____ OTHER _____

Is surface owner also mineral owner? _____

ACREAGE LEASED SURROUNDING DRILLSITE _____

APPROVED BY: [Signature] DATE 7/28/93



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

17

1.66

December 3, 1996

Mr. Gerald L. Jensen
Jenex Petroleum Corporation
1433 17th Street Suite 220
Denver, CO. 80202

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

Dear Mr. Jensen:

Despite numerous correspondence, the Colorado Oil and Gas Conservation Commission has not been able to secure compliance for the referenced well due to the ownership dispute between Jenex Petroleum and Mr. John Chilson. Jenex Petroleum has contacted Ms. Betty Payne with Sunset Plugging and Equipment about plugging the well. Ms. Payne is agreeable to plugging the well for no cost assuming that at least 5000' of casing can be recovered, however she is unwilling to begin operations without certain guarantees. While knowledge of the area would suggest that it is reasonable to expect at least 5000' of casing recovery, Commission staff believes that Ms. Payne's concerns about payment in the event of unforeseen problems are valid. It is obvious that to finally resolve this matter the Commission must have written documentation that completely defines the responsibilities of both parties.

Please review Jenex Petroleum's proposed responsibilities as listed on page 2. If these terms are acceptable, please sign and return this letter to the Commission immediately. If you choose not to sign this document the matter will be docketed for the January 6, 1997 Commission hearing. If a hearing is required, Commission staff will recommend the enforcement of the listed terms upon both parties and that fines be levied against any party not agreeing to their proposed terms.

Enclosed for your records is a copy of the letter being sent to Mr. Chilson listing his responsibilities, a copy of Commission plugging requirements, and a copy of Sunset's offer to plug the well. Please contact me at 303-894-2100 extension 108 if you have any questions.

Sincerely,

Dave Shelton
Petroleum Engineer

REC'D DEC 09 1996

Jenex Petroleum Corp.

I, Gerald L. Jensen, representing Jenex Petroleum Corporation, agree to coordinate with Sunset Plugging and Equipment Company for the plugging of the Chilson #1-16, NWNW 16 5N 68W according to Commission requirements; agree to be responsible for 50% of any plugging cost incurred by Sunset in the event that casing recovery is not at least 5000'. *

Jenex Petroleum Corporation
By Gerald L. Jensen 12/9/96
Gerald L. Jensen, Sec. - Treas Date

* subject to Jenex letter dated Dec. 12, 1996
to Sunset - (attached).



GALE A. NORTON
Attorney General

STEPHEN K. ERKENBRACK
Chief Deputy Attorney General

TIMOTHY M. TYMKOVICH
Solicitor General

STATE OF COLORADO
DEPARTMENT OF LAW
OFFICE OF THE ATTORNEY GENERAL

STATE SERVICES BUILDING
1525 Sherman Street - 5th Floor
Denver, Colorado 80203
Phone (303) 866-4500
FAX (303) 866-5691

June 25, 1997

Mr. Gerald Jensen
Jenex Petroleum Corp.
1575 Broadway, #1030
Denver, CO 80202

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

RE: Order No. 1-66
Chilson #16-1
Larimer County, Colorado

Dear Gentlemen:

The Colorado Oil and Gas Conservation Commission (the "COGCC") is in receipt of correspondence dated May 20, 1997, May 23, 1997, May 29, 1997 and June 4, 1997 related to compliance with Order No. 1-66 (the "Order") requiring Jenex Petroleum Corp. ("Jenex") and John H. Chilson ("Chilson") to plug, abandon and reclaim the reference wellsite. The Order directed Jenex to oversee plugging and abandonment operations, and to establish an escrow account at a third party financial institution to accomplish this purpose.

It is commonly understood that an escrow account is established in the name(s) of the depositors and an escrow agent. Such accounts often aid in accomplishing a specific purpose (such as paying property taxes). Typically, some costs are associated with establishing an account and involving a third party escrow agent. The depositing parties also typically provide escrow instructions to direct payment from the account. Any costs associated with establishing such an account should be shared equally by both parties.

We have been advised by Mr. Chilson that an escrow account has not been established to achieve the purposes of the Order. While we appreciate Jenex's prompt deposit of monies in an account, in order to comply with the Order the account must be more than a Jenex general account.

Mr. Gerlad Jensen
Page 2

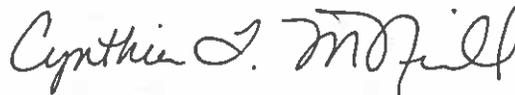
We would therefore appreciate Jenex establishing an escrow account for the intended purpose, with both parties sharing equally in any associated account costs. All escrow instructions should be limited to the content of the Order, and provide that any funds remaining after completion of the operations be returned to the parties on an equal basis. While we understand that the parties may have remaining disputes regarding ownership in well equipment, the COGCC has neither the authority nor the expertise to decide such claims. Accordingly, any escrow account, and all operations

on the Chilson #16-1 well must strictly comply with the terms of the Order.

We would appreciate both parties demonstrating the level of cooperation and courtesy necessary to complete this work as soon as possible, and to avoid any further proceedings before the COGCC. If you have any questions about this letter or the intended escrow procedures please contact the undersigned. Thank you for your assistance in this matter.

Sincerely,

FOR THE ATTORNEY GENERAL



CYINTHIA L. McNEILL
Assistant Attorney General
Natural Resources Section
(303) 866-5118
(303) 866-3558

cc: Ms. Tricia Beaver
Mr. David Shelton
Colorado Oil and Gas Conservation Commission

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Order No. 1-66 file

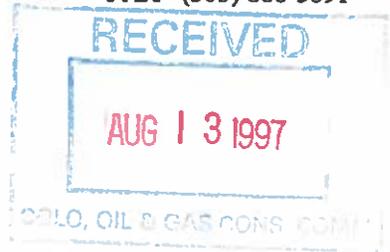


GALE A. NORTON
Attorney General
MARTHA PHILLIPS ALLBRIGHT
Chief Deputy Attorney General
RICHARD A. WESTFALL
Solicitor General

STATE OF COLORADO
DEPARTMENT OF LAW
OFFICE OF THE ATTORNEY GENERAL

STATE SERVICES BUILDING
1525 Sherman Street - 5th Floor
Denver, Colorado 80203
Phone (303) 866-4500
FAX (303) 866-5691

August 12, 1997



Mr. Gerald Jensen
Jenex Petroleum Corp.
1575 Broadway, #1030
Denver, CO 80202

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

RE: Order No. 1-66
Chilson #16-1
Larimer County, Colorado

Gentlemen:

Please refer to my letter dated June 25, 1997, regarding compliance with Order No. 1-66 requiring Jenex Petroleum Corp. ("Jenex") and John H. Chilson ("Chilson") to plug, abandon and reclaim the reference wellsite. The Commission is in receipt of Jenex's letter dated June 25, 1997, and Chilson's letter dated July 1, 1997 regarding these operations. It is our understanding that no work has been done to comply with the Order to date.

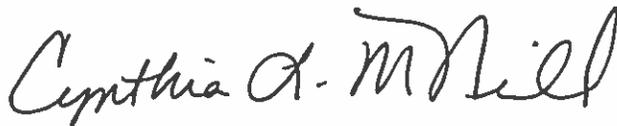
In response to Jenex's letter, the Order requires establishment of an escrow account. The account is to be established and maintained to ensure the Chilson #16-1 well is properly plugged and abandoned. The escrow account you refer to in your letter has been established for Jenex's tax purposes. As such, the existing escrow account is not appropriate for the intended operations. A tax escrow account, for example, provides no assurance that any remaining funds will be disbursed to the parties, and not applied to Jenex's tax liability. While neither this office nor the Commission suggests this would be the case, based on the contentious history between the parties, the Commission requests that Jenex establish a separate escrow account, with instructions that the escrow agent disburse funds solely to accomplish final abandonment and reclamation of the wellsite. The account can be structured to ensure Jenex reviews and approves all plugging and reclamation expenditures with any remaining funds distributed to the parties on an equal basis after the work is completed. If you have any question regarding this direction please contact me to discuss the matter further.

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In response to Mr. Chilson's letter, the Commission, and its staff including Mr. Shelton, are dedicated to the fair and objective administration of Commission Orders. We therefore would greatly appreciate your cooperation with Jenex in any assistance required to establish a separate escrow account for plugging purposes, and expect that the parties will share in the costs of such an account on an equal basis.

We agree that time is of the essence in compliance with the Order, and that costs can be minimized if the parties undertake to complete the work during fair weather months. Once again, we would appreciate the parties working together to accomplish this purpose as each day the work is not done the well remains in violation of COGCC rules and regulations. Thank you for your assistance in this matter.

Sincerely,



CYNTHIA L. McNEILL
Assistant Attorney General
Natural Resources Section
(303) 866-5118
(303) 866-3558

cc: Ms. Tricia Beaver
Mr. David Shelton
Colorado Oil and Gas Conservation Commission

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COGCC



GALE A. NORTON
Attorney General

MARTHA PHILLIPS ALLBRIGHT
Chief Deputy Attorney General

RICHARD A. WESTFALL
Solicitor General

STATE OF COLORADO
DEPARTMENT OF LAW

OFFICE OF THE ATTORNEY GENERAL

STATE SERVICES BUILDING
1525 Sherman Street - 5th Floor
Denver, Colorado 80203
Phone (303) 866-4500
FAX (303) 866-5691

August 20, 1997

Mr. Gerald Jensen
Jenex Petroleum Corp.
1575 Broadway, #1030
Denver, CO 80202

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

RE: Order No. 1-66
Chilson #16-1
Larimer County, Colorado

Gentlemen:

Please refer to my letter dated August 13, 1997, regarding compliance with Order No. 1-66 requiring Jenex Petroleum Corp. ("Jenex") and John H. Chilson ("Chilson") to plug, abandon and reclaim the reference wellsite. I appreciate you both taking the time on August 18, 1997, to discuss compliance with the Commission's order.

From my conversation with Mr. Jensen, I understand that Jenex will establish and maintain a separate escrow account to accomplish the Commission's order to plug and abandon the Chilson #16-1 well, and to reclaim the wellsite. Mr. Jensen advised he will contact his banking institutions to determine the most efficient procedure to establish the account, and may consult with an attorney as necessary regarding escrow instructions. Mr. Jensen has also been advised that Mr. Chilson has volunteered to draft appropriate escrow instructions. Depending on the outcome of Mr. Jensen's conversations with his bank, Mr. Chilson may be contacted to assist in this regard. Any escrow instructions should provide for Jenex's oversight of the proposed operations, with the administrative costs of the escrow account shared equally by Jenex and Chilson. The instructions should be reviewed and accepted by both Chilson and Jenex to avoid any future confusion with respect to deposit and disbursement of the funds. While I will be glad to assist, I am confident the parties can propose and approve appropriate instructions.

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In addition, I have advised Mr. Jensen that Mr. Chilson's tenant farmer has used the access road to the Chilson #16-1 well to stack and store hay. Mr. Chilson provided this information on August 18, 1997, and has asked that the necessary work on the well be conducted after the existing corn crop is harvested sometime in mid to late September. Mr. Jensen acknowledged that Jenex will work with Chilson in this regard, and commence operations after the fall harvest. The interim period should allow the parties adequate time to establish a mutually acceptable escrow account, and to make appropriate plugging and restoration arrangements.

Once again, we appreciate you working together to finally resolve these issues. Please contact me if you have any questions.

Sincerely,



CYNTHIA L. McNEILL
Assistant Attorney General
Natural Resources Section
(303) 866-5118
(303) 866-3558

cc: Ms. Tricia Beaver
Mr. David Shelton
Colorado Oil and Gas Conservation Commission

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