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June 1, 2012

Mr. Tom Kerr
Acting Director
Colorado Oil and Gas Conservation Commission
1120 Lincoln Street
Suite 801
Denver, CO 80203

Re: Request for Exception Location to 603.a.(1) and 603.a.(2)
Vessels Coal Gas Inc.
Oxbow Mining LLC 1
2603' FSL 2286' FWL (NE/4 SW/4)
Sec. 11 T13S R90W
Gunnison County, Colorado
Surface: Fee
Mineral Lease: Fee

Dear Mr. Kerr:

Vessels Coal Gas, Inc. is pursuing an application to drill the Oxbow Mining LLC #1 well with the Colorado Oil and Gas Conservation. The proposed well will be located approximately 6 miles east of Somerset, Colorado, north of Highway 133 B (Old Highway 133), more specifically at NESW Section 11, T13S, R90W (Latitude 38.932080; Longitude -107.416450).

Vessels Coal Gas, Inc., will be drilling the well to capture coal mine methane gas from the Sanborn Creek Mine, which is operated by the Oxbow Mining Company. Vessels intends to utilize the methane gas to generate electricity, which will in turn be produced into the area power grid. In conducting this operation, they will be removing potential waste gas, or greenhouse gas, from the area while generating a productive resource for the region.

COGCC Statewide Regulation (Statewide setbacks) 603.a.1 dictates that the wellhead shall be located a distance of no less than 150' from any public road. The proposed well will be located a

distance of 91.4' due north Highway 133 B. Our records indicate that Colorado Department of Transportation owns this section of Highway 133 B.

The Colorado Department of Transportation was contacted in February 2012, and the aforementioned variance was given to Vessels soon after. A copy of the signed Colorado Department of Transportation variance has been previously been forwarded to you.

COGCC Statewide Regulation (Statewide setbacks) 603.a.2 dictates that the wellhead shall be located a distance of no less than 150' from any surface property line. The proposed well will be located a distance of 61' due south of a property line separating private surface from BLM surface.

Vessels Coal Gas filed a request with the BLM to form the Elk Creek (Shallow) Unit in early 2012. On May 24, 2012 this unitization agreement was approved and was assigned number COC75003X.

It is my understanding that with this unitization agreement COGCC Regulation 603.a.2 is no longer an issue.

Please contact me, at (303) 820-4480 if you have questions or comments about this project. Vessels would like to commence this project in the next 30-60 days if the APD approval is obtained soon.

Thank you for your assistance.



Mark Johnson
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Agent for Vessels Coal Gas
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