



Mr. Matthew Lepore
Colorado Oil and Gas Conservation Commission
1120 Lincoln Street, Suite 801
Denver, CO 80203

October 1, 2013

Re: Variance Request – Safety Setback to Railroad
Vessels Coal Gas, Inc.
Oxbow Mining LLC 2
1,409' FSL 1,882' FWL (NE/4 SW/4)
Sec. 9 T13S R90W
Gunnison County, Colorado
Surface: Fee
Mineral Lease: Fee

Dear Mr. Lepore:

This variance request is being submitted on behalf of Vessels Coal Gas, Inc. (Vessels). Per the new Colorado Oil and Gas Conservation Commission (COGCC) location requirements, Rule 604 b. (1) A., the proposed location does not meet the required 200' safety setback. The location is currently proposed at $\pm 130'$ north of the Union Pacific Railroad in Sec. 9 T13S R90W (NE/4 SW/4) of Gunnison County, Colorado. Vessels attempted to obtain a waiver from the Union Pacific, but the railroad declined to sign the waiver due to general liability policies. Union Pacific does not authorize surface activity within 200' of the railroad.

The proposed well will divert low pressure methane from migrating into the working Elk Creek coal mine, operated by Oxbow Mining LLC, a partner in this project. The proposed well location was chosen to enhance the safety of the active mine and to utilize the existing infrastructure thus requiring less disturbance. At the bottomhole location, unwanted methane is migrating into the active mine, which poses safety hazards. This unsafe migrating methane will be captured, combusted and then used as beneficial electrical generation for the active mine operations.

The location cannot be moved further from the Union Pacific Railroad due to topography. There is a steep facing cliff on the northeast side of the location. The railroad near the location is a loading spur with a dead end west of the location. It is only used to transport coal from the Elk Creek and West Elk mines.

The proposed well depth is anticipated to be no more than 100'. The rig contracted to drill the well is only 52'. The proposed drilling of the well will last approximately four (4) days. Please see the attached Planned Operations for a schedule of drilling. Himes Drilling Company comes recommended by Oxbow Mining LLC for whom they do considerable drilling. The operation will not pose any safety risk to the railroad.

Your Assets / Our Expertise

- Regulatory
- Storm-water Management Plans
- Project Coordination
- Permitting
- Government Relations
- EA/EIS Assistance

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Sincerely,



Andrea J. Gross
Permit Agent for Vessels Coal Gas, Inc.

AJG/ajg

cc: Vessels Coal Gas, Inc.

Enclosures

HIMES DRILLING COMPANY, INC.

Brad Himes
brad@himesdrilling.com
2390 Highway 6 & 50
Grand Junction CO 81505

Telephone 970/242-8893
Fax 970/242-8895

September 25, 2013

Paul Jordan
NP3 LLC
303-809-1273
303-997-7371

Mr. Jordan:

In response to your request for a drilling and casing plan for the Vessels Coal Gas, Inc. Oxbow Mining LLC #2 borehole, we propose the following:

- | | |
|---|--------|
| <u>Day One</u> | |
| • Move to site and rig up on hole location | 12 hrs |
| <u>Day Two</u> | |
| • Drill, air rotary, 21" conductor hole to 40 ft | 6 hrs |
| • Install 18" steel conductor casing, and cement in place, allow to set | 4 hrs |
| <u>Day Three</u> | |
| • Install 18" flange on conductor casing | 3 hrs |
| • Drill, air rotary, 17" borehole to TD, approx. 100 ft | 4 hrs |
| • Install 13 3/8" steel liner casing to TD and hang off on conductor | 3 hrs |
| <u>Day Four</u> | |
| • Rig Down and move off of location | 10 hrs |

Specifics for the casing are as follows:

- | | |
|-----------------|---|
| • 18" conductor | 18" OD, 0.375" wall, 70.65#/ft, plain end |
| • 13 3/8" liner | 13 3/8" OD, J-55, 0.330" wall, 48#/ft, T&C STC, Range III |

The conductor casing will be pre-assembled/welded into a 40 foot section prior to installation. The bottom piece of 13 3/8" casing will be cut to necessary length, and will be left plain, open ended on bottom.

Thank you for your consideration; please contact me if you have any questions, concerns, or would like any additional information.

Sincerely,



Brad Himes