



DEPARTMENT OF NATURAL
RESOURCES
Bill Owens, Governor
1120 Lincoln St. Suite 801
Denver, CO 80203
Phone: (303) 894-2100
FAX: (303) 894-2109
www.oil-gas.state.co.us

Memorandum

To: Hanstedt GU 07U-01 #3 and #4 File
From: Steven Lindblom – Onsite Inspection Specialist
CC: Mr. Earl Rutland – Southern Oaks Trust
Mr. Scott Thomson – BP America
Mr. Chandler Marechal – La Plata County
Mr. David Dillon - COGCC
Date: May 31, 2006
Re: Hanstedt – BP America Onsite Inspection Hanstedt GU07U-01 #3 and #4

This Memorandum summarizes discussions and developments regarding BP America (BP) wells Hanstedt GU07U-01 #3 and #4 that occurred during the Hanstedt Onsite Inspection in Section 7U, Township 34N, Range 8W in La Plata County between approximately 1:00 p.m. and 3:00 p.m. on May 2, 2006. Attendees included staff of the Colorado Oil and Gas Conservation Commission (COGCC), La Plata County, BP, and the tenant occupant of the property. The property owner, the Southern Oaks Trust represented by Mr. Earl Rutland, did not attend, despite repeated attempts at notification. A complete list of attendees and contact information is included with this Memorandum as Attachment 1.

After an introduction and overview of the onsite inspection policy as outlined in Cause 112, Orders 156 and 157 by COGCC, discussions focused particularly on the proposed location of the Hanstedt 07U-01 #3 well, concerns regarding the proposed location, and related issues.

PROPOSED LOCATION

BP representatives explained that the well was staked within the COGC approved drilling window such that it would twin the Hanstedt GU #1 well and would be located 90 feet west of the existing well head. The Hanstedt GU07U-01 #3 is proposed to be drilled from the existing Hanstedt GU #1 well pad, in accordance with COGCC Cause 112, Order 180. Similarly, the Hanstedt GU07U-01 #4 will twin the Hanstedt GU07U-01 #2 well is proposed to be drilled from that pad.

In order to accommodate the Hanstedt GU07U-01 #3, BP will require that the pad area around the Hanstedt GU #1 well be cleared of encroaching inventory from the Hanstedt salvage operation and the pad area be expanded to encompass a total of 2.2 acres. Per BP, this pad size is typical for locations in which two Fruitland Coal wells are drilled from the same pad. In most instances, the pad would undergo interim reclamation and would be reduced to 1.1 acres, which is sufficient to accommodate recompletion and workover rigs. It is not sufficient size, however, to accommodate a full scale drilling rig on the location. Given the history of salvage inventory encroaching onto the well pad at the Hanstedt GU #1 well, BP noted that they planned to request from the COGCC permission to maintain a fence around the entire 2.2 acres so that a rig could be moved onto the location on short notice, if required. Interim reclamation would be conducted within the fenced area.



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The Hanstedt GU07U-0-1 #4 would also initially require a 2.2 acre pad. However, given that this location is outside the area where salvage inventory is stored, interim reclamation would be conducted to reduce the pad size to 1.1 acres and no fencing would be required.

CONCERNS

Mr. Hanstedt expressed several concerns regarding the Hanstedt GU07U-01 #3. These included:

1. The contract language in the Surface Use Agreement provided by BP, to his understanding, held him liable for activities and operations on the well pad. Mr. Dugan produced a copy of the Agreement and noted that, in fact, the contract language did not hold Mr. Hanstedt liable.
2. The magnitude of compensation was inadequate, given the amount of proposed surface disturbance. COGCC staff noted that such discussions were outside the scope of the Onsite Inspection and COGCC jurisdiction.
3. That the staked locations appeared to have changed and that it appeared that the size of the pad had increased since a previous conversation with BP. BP responded that the pad size had not changed, and went on to explain the meaning of the staked points, pointing out the corners of the 2.2 acre drilling pad and proposed fence and the 1.1 acre pad that would remain after interim reclamation.
4. That the size of the Hanstedt GU07U-01 #3 well pad would interfere with his ability to access various parts of his property, particularly with a fence around the entire 2.2 acres. Subsequent discussions between COGCC, La Plata County, BP, and Mr. Hanstedt focused on ways to minimize this impact. Mr. Hanstedt requested that gates be placed at several locations along the fence to allow him access through the well pad. Other suggestions included construction of access roads around the pad, a reduction in the area proposed for fencing, and elimination of interim reclamation.

CONCLUSION

At the conclusion of the Onsite Inspection, it was agreed that discussions toward a surface use agreement would continue between Mr. Hanstedt, Mr. Rutland, the attorney representing the Southern Oaks Trust, and BP. COGCC noted that the progress of these discussions would not affect the permitting process for the Hanstedt GU07U-01 #3 and #4 wells. In addition it was tentatively agreed that a permanent 240 foot by 300 foot well pad would be constructed to accommodate the Hanstedt GU07U-01 #3 well. Interim reclamation would not take place; rather the gravel and pad material would be left in place and would serve as a 20-foot wide access road around the north, east and south sides of the pad. A permanent fence would be constructed around a 220 foot by 260 foot area encompassing the Hanstedt GU07U-01 #3 and Hanstedt GU #1 wellheads and other surface facilities. COGCC requested that BP provide a diagram showing the well locations and proposed pad dimensions.



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Attachment 1 Attendees and Contact Information

Name	Representing	Telephone Number
Robert Ryan	Sierra/BP	(970) 749-1197
Scott Thompson	BP	(970) 247-6809
Susan Folk	BP	(970) 375-7514
Edward Mara	Pinnacle	(970) 247-3248
Lee Scarborough	BP	(970) 247-6899
Danny Mondragon	BP	(970) 247-6965
Tom Yaley	Pinnacle	(970) 385-5999
Mark Weems	COGCC	(970) 259-4587
Tom Dugan	BP	(970) 259-1770
Chandler Marechal	La Plata County	(970) 382-6288
Christine Fernstrom	Pinnacle	(970) 385-5999
Roy Roberts	BP	(970) 375-7581
Lee Hanstedt	Tenant Occupant	
Steven Lindblom	COGCC	(303) 894-2100 x 114



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Bill Owens, Governor
1120 Lincoln St., Suite 801
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April 12, 2006

Mr. Earl Rutland
Southern Oaks Trust.
P.O. Box 136
Putnam Hall, Florida 32185

RE: Onsite Inspection
Handstedt GU 07U-01 #3 and Handstedt GU 07U-01 #4
Section 7U, Township 34N, Range 8W
La Plata County, Colorado

Dear Mr. Rutland:

Under Cause 112 Order 157, the Colorado Oil & Gas Conservation Commission (COGCC) is required to conduct an onsite inspection for proposed wells in Township 32 North, Ranges 5-7 West, Township 33 North, Ranges 6-11 West, and Township 34 North, Ranges 6-10 West, N.M.P.M., south of the Ute Line in cases where the surface owner did not execute a lease or is not party to a surface use or other relevant agreement for the proposed well. In accordance with this Order, the COGCC has scheduled an onsite inspection for May 2, 2006 at 1 p.m. MDT at the proposed Handstedt 07U-01#4 well location in the SWNE Section 7U, T34N R8W N.M.P.M. (SUL). In the event that you or your designated representative cannot attend, please provide an alternate date and time to the COGCC staff no later than April 25, 2006.

Should you have any questions, please call me at (303) 894-2100 ext.114.

Respectfully,

Steven R. Lindblom, P.G.
Environmental Protection Specialist

cc: David Dillon – COGCC
Mark Weems - COGCC
Angie Buchanan - La Plata County
Chandler Marechal – La Plata County
Christine Fernstrom – Pinnacle Land Services
G. Scott Thompson - BP



G. Scott Thompson, CPL

Director Infill Land Operations



BP America Production Company
380 Airport Road
Durango, CO 81303

March 29, 2006

Via Certified Mail, US Mail & Overnight Mail

Southern Oaks (a pure trust)
Attention: Mr. Earl E. Rutland
P. O Box 136
Putnam Hall, FL 32185

Re: Notice To Drill
SW/4NE/4 Section 7U, T34N-R8W N.M.P.M. (SUL)
1153' FWL & 1925' FNL
Hanstedt GU 07U-01 #4
La Plata County, Colorado

Direct 970 247 6809
Fax 970 247 6825
thompsss@bp.com

Dear Mr. Rutland:

Reference is made to your discussions and negotiations (telephone conversations, letters and meetings) with both Pinnacle Land Company and BP America Production Company ("BP") representatives, all of which addressed BP's plans to drill the Hanstedt GU 07U-01 #4 well in the SW/4NE/4 of Section 7U, T34N-R8W (SUL).

As of this date, we have not been able to reach an agreement regarding a legal surface location (and related surface matters) for the proposed well. Therefore, in accordance with Rule 703 (Surface Owner Protection) of the current Colorado Oil And Gas Conservation Commission ("COGCC") Rules and Regulations, BP hereby notifies you of its intent to drill the captioned well in the SW/4NE/4 of Section 7U, T34N-R8W (SUL), La Plata County, Colorado, as shown on the attached plat.

We do not have a firm date for moving the drilling rig on location, but it will not occur prior to April 28, 2006. However, due to rig schedules, weather, irrigation and other unforeseen circumstances, the precise date may change. Please advise regarding specific timing issues that you may have so that we can consider that as a factor in our overall plan for drilling.

Also, notice is hereby given pursuant to COGCC Rule 305. c. (and pursuant to La Plata County Code §90-123) as follows:

1. The estimated start date for drilling operations is April 28, 2006.
2. Operator: BP America Production Company
380 Airport Road
Durango, CO 81303
Contact: G. Scott Thompson (970) 247-6809



3. Well location: SW/4/NE/4 of Section 7U, T34N-R8W N.M.P.M. (SUL), La Plata County, Colorado (please see attached plats).
4. Please be advised that it is the responsibility of the surface owner to notify any tenant of the proposed operations.
5. If you would like to have a consultation regarding the roads, production facilities, and well site, please return the enclosed letter in the postage paid envelope with your preference of day and time, should you wish to meet, regarding the proposed well location.
6. Also, we would appreciate a written response concerning our proposed well location within 30 days from the date you receive this notice.
7. A copy of the COGCC brochure describing surface owner rights and responsibilities is also enclosed for your information.
8. The address for the COGCC is: 1120 Lincoln Street, Suite 801, Denver, CO 80203.

Please note that BP is still agreeable to discussing and working towards an amicable Surface Use Agreement regarding your property. Our preference is to reach a mutually acceptable Surface Use Agreement with you, rather than implement the Rule 703.

It is important to note that for the Hanstedt GU 07U-01 #4 to be drilled at your preferred location, which is described above and shown on the attached plats, a waiver must first be obtained from either the offset landowner due to the county setback requirement, or the county can waive the setback requirement pursuant to the La Plata County Land Use Code.

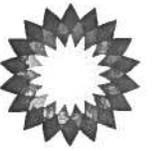
BP's offer for compensation is two thousand dollars (\$2,000), which shall be paid to Mr. Lee Hanstedt upon BP's receipt of the applicable permits.

If you have any questions, or require additional information, please call me at (970) 247-6809.

Sincerely,

G. Scott Thompson

cc: Angie Buchanan - La Plata County Planning Department
Mark Weems - Colorado Oil and Gas Conservation Commission (Durango)
David Dillon - Colorado Oil and Gas Conservation Commission (Denver)
Chris Wyatt - BP (Houston Legal Dept.)
Dugan & Associates, P. C. - Durango
Jeanine Haller-Piskurich - BP (Houston)
Pinnacle Land Corporation - Durango
Lee Hanstedt - Durango



January 18, 2006

Mr. Scott Thompson
BP America Production Company
380 Airport Road
Durango, CO 81303

Re: Request For Consultation
Notice To Drill
SW/4NE/4 of Section 7U, T34N-R8W (SUL) N.M.P.M.
1153' FWL & 1925' FNL
Hanstedt GU 07U-01 #4
La Plata County, Colorado

Dear Mr. Thompson:

Pursuant to the Colorado Oil And Gas Conservation Commission Rule 306 (Consultation), listed below is our response regarding a consultation for the proposed captioned well.

_____ We hereby waive the consultation for the Hanstedt GU 07U-01 #4 well.

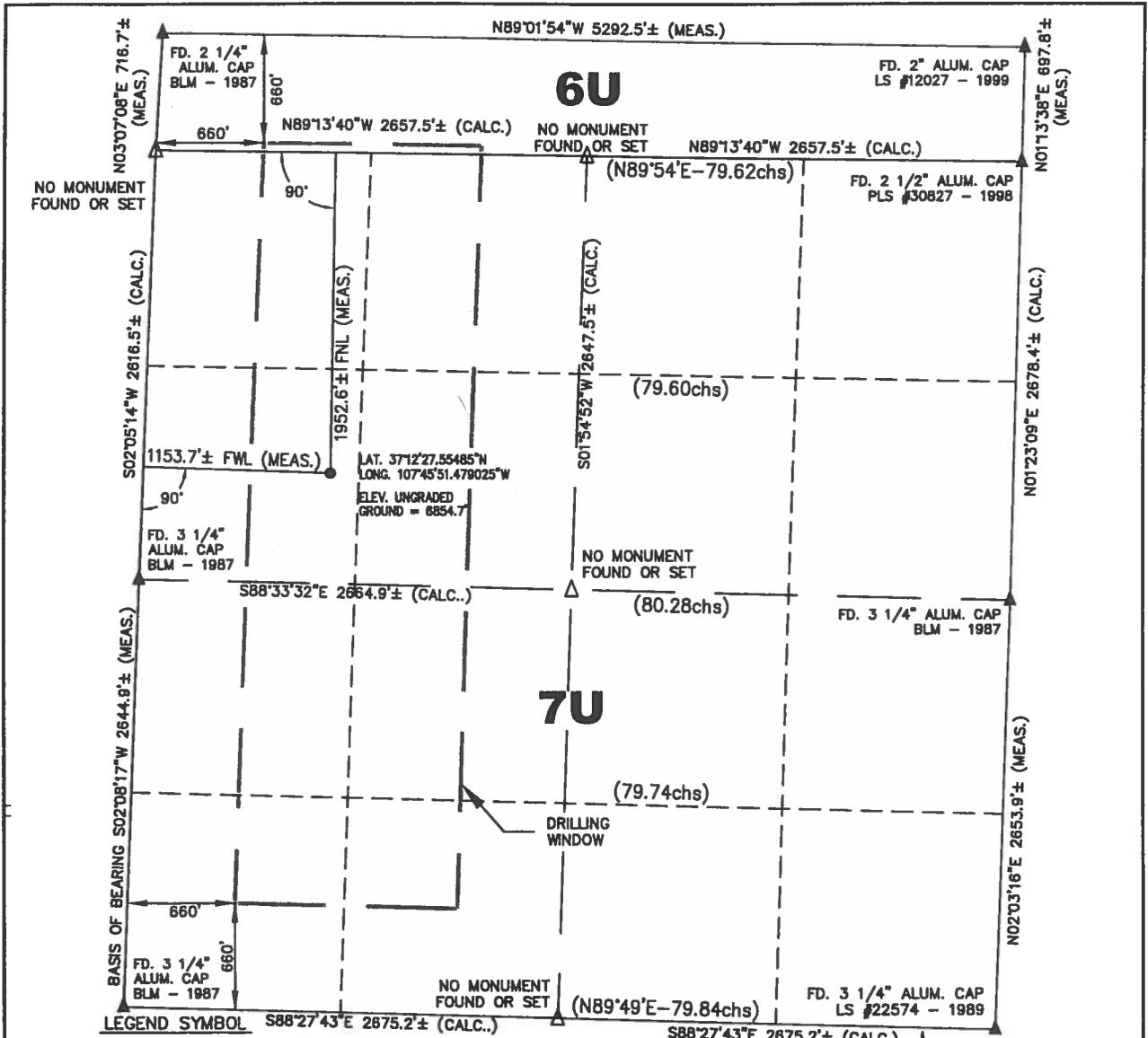
_____ We do not waive the consultation for the Hanstedt GU 07U-01 #4 well, and we prefer the consultation be held on the _____ day of _____, 2006.

We can be reached at the following telephone numbers _____ if you have any questions.

Sincerely,

By: _____
Earl E. Rutland, Trustee
Southern Oaks (a pure trust)

Date: _____

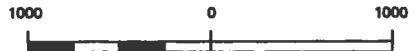


- PROPOSED WELL HEAD
- ▲ SECTION CORNERS LOCATED
- △ SECTION CORNERS NOT FOUND OR SET THIS SURVEY (CALCULATED LOCATION)

OPERATOR **BP AMERICA PRODUCTION COMPANY**
 LEASE **HANDSTEDT G.U. 07U-01 #4**
 SECTION **7U** TOWNSHIP **34 NORTH** RANGE **08 WEST** N.M.P.M.
 COUNTY **LA PLATA COUNTY, COLORADO**

(RECORD BEARING AND DISTANCE TAKEN FROM GLO PLAT ON FILE AT BLM OFFICE IN DURANGO, CO)
 S.U.I.T. = SOUTHERN UTE INDIAN TRIBE
 BLM = BUREAU OF LAND MANAGEMENT

SCALE 1" = 1000'



SURFACE LOCATION OF WELL **1952.6 FEET FROM THE NORTH LINE, AND 1153.5 FEET FROM THE WEST LINE**
 GROUND LEVEL ELEVATION **8854.7'**

SURVEYOR'S STATEMENT:

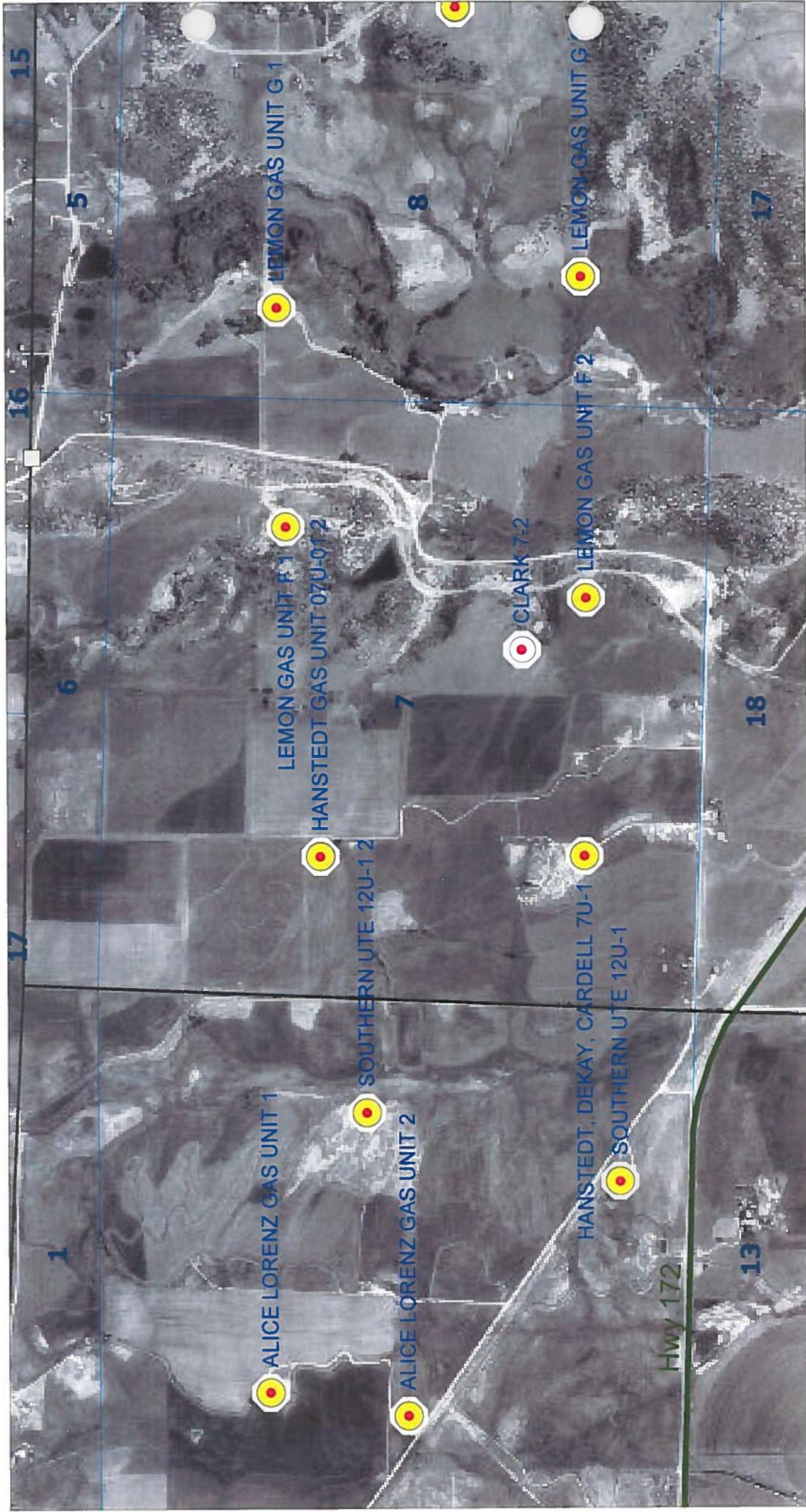
I, DON E. JOHNSON, A LICENSED PROFESSIONAL LAND SURVEYOR IN THE STATE OF COLORADO, DO HEREBY STATE THAT THE WELL LOCATION SHOWN ON THIS PLAT WAS PLOTTED FROM FIELD NOTES OF ACTUAL SURVEYS MADE BY ME OR UNDER MY SUPERVISION, AND THAT THIS PLAT IS NOT A LAND SURVEY PLAT OR IMPROVEMENT SURVEY PLAT, AND THAT IT IS NOT TO BE RELIED UPON FOR THE ESTABLISHMENT OF FENCE, BUILDING, OR OTHER FUTURE IMPROVEMENT LINES. SAID SURVEY IS ACCURATE TO THE BEST OF MY KNOWLEDGE AND BELIEF.

- 1) BASIS OF BEARING: GPS OBSERVATION ALONG THE WEST LINE OF THE SW1/4 OF SAID SECTION 7U. BEARS: S02°08'17"W
- 2) DATE FIELD SURVEY: 10/06/05
- 3) ELEVATION DETERMINED FROM NAVD 1988 DATUM, AND COLLECTED VIA NAD 83 CO SPC-S, FEET.
- 4) THERE ARE NO IMPROVEMENTS WITHIN 200 FEET OF THE LOCATION.
- 5) AGRICULTURAL SURFACE USE.
- 6) INSTRUMENT OPERATOR: JACK BENSON
- 7) CEP VALUE: 0.050

DON E. JOHNSON
 P.L.S. #34593

NOTE: THIS EXHIBIT IS INTENDED ONLY TO DEPICT THE PROPOSED WELL LOCATION AND DOES NOT REPRESENT A MONUMENTED BOUNDARY SURVEY.

FORREUNER SURVEYING & ENGINEERING 801 ROCK FORT BLVD. DURANGO, CO 81301 (970) 246-7767	PROJ. NO. 12059-A	FILE NO. HANDSTEDT4-PLAT	HANDSTEDT G.U. 07U-01 #4 WELL LOCATION PLAT		REV A
	DRAWN BY LB	DATE 11/02/05	CLIENT RR	BP AMERICA PROD. CO. - DURANGO, CO	



bp

RECEIVED



G. Scott Thompson, CPL
Director Infill Land Operations

MAR 30 06

COGCC

BP America Production Company
380 Airport Road
Durango, CO 81303

March 29, 2006

Via Certified Mail, US Mail & Overnight Mail

Southern Oaks (a pure trust)
Attention: Mr. Earl E. Rutland
P. O Box 136
Putnam Hall, FL 32185

Re: Notice To Drill
SW/4SW/4 Section 7U, T34N-R8W N.M.P.M. (SUL)
1207' FWL & 993' FSL
Hanstedt GU 07U-01 #3
La Plata County, Colorado

Direct 970 247 6809
Fax 970 247 6825
thompsss@bp.com

Dear Mr. Rutland:

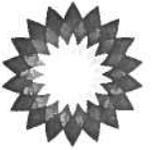
Reference is made to your discussions and negotiations (telephone conversations, letters and meetings) with both Pinnacle Land Company and BP America Production Company ("BP") representatives, all of which addressed BP's plans to drill the Hanstedt GU 07U-01 #3 well in the SW/4SW/4 of Section 7U, T34N-R8W (SUL).

As of this date, we have not been able to reach an agreement regarding a legal surface location (and related surface matters) for the proposed well. Therefore, in accordance with Rule 703 (Surface Owner Protection) of the current Colorado Oil And Gas Conservation Commission ("COGCC") Rules and Regulations, BP hereby notifies you of its intent to drill the captioned well in the SW/4SW/4 of Section 7U, T34N-R8W (SUL), La Plata County, Colorado, as shown on the attached plat.

We do not have a firm date for moving the drilling rig on location, but it will not occur prior to April 28, 2006. However, due to rig schedules, weather, irrigation and other unforeseen circumstances, the precise date may change. Please advise regarding specific timing issues that you may have so that we can consider that as a factor in our overall plan for drilling.

Also, notice is hereby given pursuant to COGCC Rule 305. c. (and pursuant to La Plata County Code §90-123) as follows:

1. The estimated start date for drilling operations is April 28, 2006.
2. Operator: BP America Production Company
380 Airport Road
Durango, CO 81303
Contact: G. Scott Thompson (970) 247-6809



3. Well location: SW/4/SW/4 of Section 7U, T34N-R8W N.M.P.M. (SUL), La Plata County, Colorado (please see attached plats).
4. Please be advised that it is the responsibility of the surface owner to notify any tenant of the proposed operations.
5. If you would like to have a consultation regarding the roads, production facilities, and well site, please return the enclosed letter in the postage paid envelope with your preference of day and time, should you wish to meet, regarding the proposed well location.
6. Also, we would appreciate a written response concerning our proposed well location within 30 days from the date you receive this notice.
7. A copy of the COGCC brochure describing surface owner rights and responsibilities is also enclosed for your information.
8. The address for the COGCC is: 1120 Lincoln Street, Suite 801, Denver, CO 80203.

Please note that BP is still agreeable to discussing and working towards an amicable Surface Use Agreement regarding your property. Our preference is to reach a mutually acceptable Surface Use Agreement with you, rather than implement the Rule 703.

It is important to note that for the Hanstedt GU 07U-01 #3 to be drilled at your preferred location, which is described above and shown on the attached plats, a waiver must first be obtained from either the offset landowner due to the county setback requirement, or the county can waive the setback requirement pursuant to the La Plata County Land Use Code.

BP's offer for compensation is two thousand dollars (\$2,000), which shall be paid to Mr. Lee Hanstedt upon BP's receipt of the applicable permits.

If you have any questions, or require additional information, please call me at (970) 247-6809.

Sincerely,

A handwritten signature in black ink, appearing to read "G. Scott Thompson", is written over a horizontal line.

G. Scott Thompson

cc: Angie Buchanan - La Plata County Planning Department
Mark Weems - Colorado Oil and Gas Conservation Commission (Durango)
David Dillon - Colorado Oil and Gas Conservation Commission (Denver)
Chris Wyatt - BP (Houston Legal Dept.)
Dugan & Associates, P. C. - Durango
Jeanine Haller-Piskurich - BP (Houston)
Pinnacle Land Corporation - Durango
Lee Hanstedt - Durango



March 29, 2006

Mr. Scott Thompson
BP America Production Company
380 Airport Road
Durango, CO 81303

Re: Request For Consultation
Notice To Drill
SW/4SW/4 of Section 7U, T34N-R8W (SUL) N.M.P.M.
1207' FWL & 993' FSL
Hanstedt GU 07U-01 #3
La Plata County, Colorado

Dear Mr. Thompson:

Pursuant to the Colorado Oil And Gas Conservation Commission Rule 306 (Consultation), listed below is our response regarding a consultation for the proposed captioned well.

_____ We hereby waive the consultation for the Hanstedt GU 07U-01 #3 well.

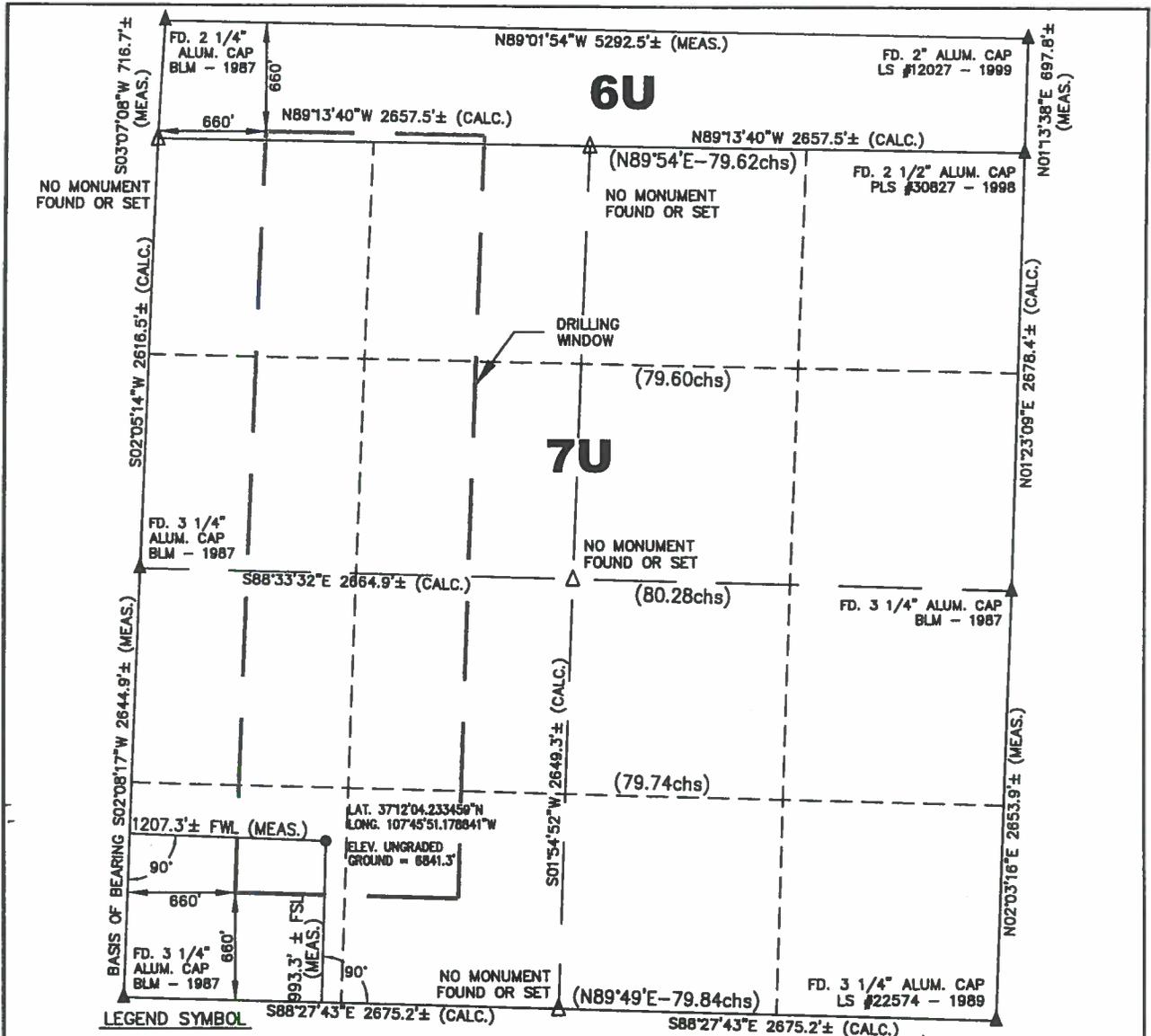
_____ We do not waive the consultation for the Hanstedt GU 07U-01 #3 well, and we prefer the consultation be held on the _____ day of _____, 2006.

We can be reached at the following telephone numbers _____ if you have any questions.

Sincerely,

By: _____
Earl E. Rutland, Trustee
Southern Oaks (a pure trust)

Date: _____

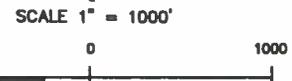


- LEGEND SYMBOL**
- PROPOSED WELL HEAD
 - ▲ SECTION CORNERS LOCATED
 - △ SECTION CORNERS NOT FOUND OR SET THIS SURVEY (CALCULATED LOCATION)

(RECORD BEARING AND DISTANCE TAKEN FROM GLO PLAT ON FILE AT BLM OFFICE IN DURANGO, CO)
 S.U.I.T. = SOUTHERN UTE INDIAN TRIBE
 BLM = BUREAU OF LAND MANAGEMENT

OPERATOR **BP AMERICA PRODUCTION COMPANY**
 LEASE **HANDSTEDT G.U. 07U-01 #3**
 SECTION **7U** TOWNSHIP **34** NORTH RANGE **08** WEST N.M.P.M.
 COUNTY **LA PLATA COUNTY, COLORADO**

SURFACE LOCATION OF WELL **993.3** FEET FROM THE SOUTH LINE, AND
1207.3 FEET FROM THE WEST LINE
 GROUND LEVEL ELEVATION **8841.3'**



- 1) BASIS OF BEARING: GPS OBSERVATION ALONG THE WEST LINE OF SAID SECTION 7U. BEARS: S02°08'17"W
- 2) DATE FIELD SURVEY: 11/11/05
- 3) ELEVATION DETERMINED FROM NAVD 1988 DATUM, AND COLLECTED VIA NAD 83 CO SPC-S, FEET .
- 4) THERE ARE NO IMPROVEMENTS WITHIN 200 FEET OF THE LOCATION.
- 5) AGRICULTURAL SURFACE USE.
- 6) INSTRUMENT OPERATOR: JACK BENSON
- 7) CEP VALUE: 0.044

SURVEYOR'S STATEMENT:

I, DON E. JOHNSON, A LICENSED PROFESSIONAL LAND SURVEYOR IN THE STATE OF COLORADO, DO HEREBY STATE THAT THE WELL LOCATION SHOWN ON THIS PLAT WAS PLOTTED FROM FIELD NOTES OF ACTUAL SURVEYS MADE BY ME OR UNDER MY SUPERVISION, AND THAT THIS PLAT IS NOT A LAND SURVEY PLAT OR IMPROVEMENT SURVEY PLAT, AND THAT IT IS NOT TO BE RELIED UPON FOR THE ESTABLISHMENT OF FENCE, BUILDING, OR OTHER FUTURE IMPROVEMENT LINES. SAID SURVEY IS ACCURATE TO THE BEST OF MY KNOWLEDGE AND BELIEF.

DON E. JOHNSON
 P.L.S. #34593
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	PROJ. NO.	FILE NO.	HANDSTEDT3-PLAT		HANDSTEDT G.U. 07U-01 #3 WELL LOCATION PLAT
	12059-A		DRAWN BY	DATE	
	LB		11/22/05	RR	BP AMERICA PROD. CO. - DURANGO, CO

Pinnacle Land Services, Inc.

695 E. 4th Ave.
Durango, Colorado 81301

(970) 247-3248

July 20, 2006

Via US Mail & Certified Mail

Lee Hanstedt
3103 CR 222
Durango, CO 81303

Re: Notice to remove "Inventory"
Drilling Operations for **Hanstedt GU 07U-01 #3 Well**
La Plata County, Colorado

Dear Mr. Hanstedt:

Pinnacle represents BP America Production Company ("BP"), in connection with the referenced 80-acre infill well ("Well"), to be drilled from the existing location for the **Hanstedt GU 07U-01 #1 Well** in the W/2 of Section 7U, Township 34 North, Range 8 West, N.M.P.M.

As previously discussed, the Well location needs to be immediately cleared of all "Hanstedt Inventory", in order to prepare the site for drilling this Well. The perimeter which BP needs for its Well operations has been denoted on the surface by survey markers and has been previously discussed with you in person.

Therefore, it is respectfully requested that you please have all "Hanstedt Inventory" cleared from the Hanstedt GU 07U-01 #1 location by August 15, 2006. If you fail to remove the "Inventory" BP will be forced to clear the location at your expense.

If you have any questions regarding this matter, please call me at (970) 247-3248.

Sincerely,

Edward Mora

cc: Scott Thompson – BP (Durango)
Lee Scarborough – BP (Durango)
Gary Weitz – BP (Durango)
Chris Wyatt – Houston Legal Department
COGCC – Denver
La Plata County Oil & Gas Planner – Chandler Marechal

Pinnacle Land Services, Inc.

695 E. 4th Ave.
Durango, Colorado 81301



(970) 247-3248

July 20, 2006

Via US Mail & Certified Mail

Lee Hanstedt
3103 CR 222
Durango, CO 81303

Re: Notice to remove "Inventory"
Drilling Operations for **Hanstedt GU 07U-01 #3 Well**
La Plata County, Colorado

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If you have any questions regarding this matter, please call me at (970) 247-3248.

Sincerely,

A handwritten signature in cursive script, appearing to read "Edward Mora".

Edward Mora

cc: Scott Thompson – BP (Durango)
Lee Scarborough – BP (Durango)
Gary Weitz – BP (Durango)
Chris Wyatt – Houston Legal Department
COGCC -- Denver
La Plata County Oil & Gas Planner – Chandler Marechal

ATTENDEE SIGN IN

HANSTEDT - BP ONSITE INSPECTION
LA PLATA COUNTY, SEC 7U T 34N R8W
HANDSTEDT GU 07U-01 #3 AND #4

<u>Name</u>	<u>Representing</u>	<u>Telephone</u>
Robert Ryan	Sintra / BP	970-249-1197
Scott Thompson	BP	970-247-6809
Susan Folk	BP	970-375-7514
Edward Mora	Pinnacle	970-247-3249
Lee Scarborough	BP	970-247-6895
Danny Monaghan	BP	970-247-6965
Tom Yalitz	Pinnacle	970-385-5999
Mark Weems	COGCC	970.259.4567
Tom Dugan	BP (attorney)	970 259-1770
Chandler Marechal	La Plata Co.	970-382-6288
Christine Fernstrom	Pinnacle	970-385-5999
Roy Roberts	BP	970 375-7581







COGIS - WELL Information

Scout Card

[Related](#)
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[GIS](#)
[Doc](#)
[Wellbore](#)
[Order](#)

Surface Location Data for API # 05-067-08363

Status: PR

Well Name/No: [HANSTEDT GAS UNIT 07U-01 #2](#) (click well name for production)

Operator: BP AMERICA PRODUCTION COMPANY - 10000

Status Date: 11/20/2000 3:47:50 PM

Federal or State Lease #:

County: LA PLATA #067

Location:

SWNW 7 34

Field: IGNACIO BLANCO - #38300

Footages:

1950 FNL 12

Elevation:

6,854 ft.

Lat/Long: 37.207607/-107.764016

Lat/Long Qualifier:

Planned base

Wellbore Data for Sidetrack #00

Status: PR

10/31/2000

Spud Date: 2/21/2001

Spud Date is:

ACTUAL

Wellbore Permit

Permit #: 001280

Expiration Date:

11/19/2001

Prop Depth/Form: 2533

Surface Mineral Owner Same:

Y

Mineral Owner: FEE

Surface Owner:

FEE

Unit:

Unit Number:

Formation and Spacing: Code: FRLDC , Formation: FRUITLAND COAL , Order: 112-157 , Unit Acreage: 358, D

Casing: String Type: SURF , Hole Size: 12.25, Size: 9.625, Top: , Depth: 350, Weight: 32.3

Cement: Sacks: 115, Top: 0, Bottom: 350, Method Grade:

Casing: String Type: 1ST , Hole Size: 8.75, Size: 7, Top: , Depth: 2185, Weight: 15.5

Cement: Sacks: 195, Top: 0, Bottom: 2185, Method Grade:

Wellbore Completed

Completion Date: N/A

Measured TD:

Measured PB depth:

True Vertical TD:

True Vertical PB depth:

Formation

Log Top

Log Bottom

Completed information for formation FRLDC

1st Production Date: N/A

Choke Size:

0.500

Status Date: 6/1/2001

Hole Completion:

Y

Commingled: N

Production Method:

FLOWING SI,

Formation Name: FRUITLAND COAL

Status:

PR

Formation Treatment: 11" UNDERREAMED OPENHOLE 2193-2546, PERFORATED TUBING @ 2190-2200, STIMULATION WELL FLOWING NATURAL

Tubing Size: 2.875

Tubing Setting Depth:

2458

Tubing Packer Depth:

Tubing Multiple Packer:

Open Hole Top:

Open Hole Bottom:

Initial Test Data:

Test Date: 6/1/2001

Test Method:

FLOW BACK

Gas Disposal: SOLD

Test Type

Measure

BBLS_H2O 300

BTU_GAS 920

CASING_PRESS 365

MCF_GAS 475

TUBING_PRESS

175

No Perforation Data was found for formation FRLDC .

om, Steven

From: Lindblom, Steven
Sent: Friday, April 21, 2006 2:09 PM
To: 'Angie Buchanan'; Weems, Mark; Chandler Marechal
Cc: Dillon,David; Macke, Brian; Lindblom, Steven
Subject: RE: Handstedt wells

Just to let you know, receipt of the certified letter I sent to Mr. Earl Rutland regard the onsite inspection for the Handstedt wells was refused. After consultation with the Director, COGCC feels that reasonable efforts have been made to contact the surface owner and we will have the onsite inspection as scheduled, Tuesday May 2 at 1:00 p.m. Scott Thompson with BP will contact Mr. Handstedt, the tenant on the property, and invite him to attend.

If you have any questions, feel free to contact me.

Steve

Steven R. Lindblom, P.G.
Colorado Oil and Gas Conservation Commission
1120 Lincoln Street, Suite 801
Denver, CO 80203
Tel: (303) 894-2100 Ext. 114
Fax: (303) 894-2109

4/21/2006



DEPARTMENT OF NATURAL
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Memorandum

To: Hanstedt GU 07U-01 #3 and #4 File
From: Steven Lindblom – Onsite Inspection Specialist
CC: Mr. Earl Rutland – Southern Oaks Trust
Mr. Scott Thomson – BP America
Mr. Chandler Marechal – La Plata County
Mr. David Dillon - COGCC
Date: May 31, 2006
Re: Hanstedt – BP America Onsite Inspection Hanstedt GU07U-01 #3 and #4

This Memorandum summarizes discussions and developments regarding BP America (BP) wells Hanstedt GU07U-01 #3 and #4 that occurred during the Hanstedt Onsite Inspection in Section 7U, Township 34N, Range 8W in La Plata County between approximately 1:00 p.m. and 3:00 p.m. on May 2, 2006. Attendees included staff of the Colorado Oil and Gas Conservation Commission (COGCC), La Plata County, BP, and the tenant occupant of the property. The property owner, the Southern Oaks Trust represented by Mr. Earl Rutland, did not attend, despite repeated attempts at notification. A complete list of attendees and contact information is included with this Memorandum as Attachment 1.

After an introduction and overview of the onsite inspection policy as outlined in Cause 112, Orders 156 and 157 by COGCC, discussions focused particularly on the proposed location of the Hanstedt 07U-01 #3 well, concerns regarding the proposed location, and related issues.

PROPOSED LOCATION

BP representatives explained that the well was staked within the COGC approved drilling window such that it would twin the Hanstedt GU #1 well and would be located 90 feet west of the existing well head. The Hanstedt GU07U-01 #3 is proposed to be drilled from the existing Hanstedt GU #1 well pad, in accordance with COGCC Cause 112, Order 180. Similarly, the Hanstedt GU07U-01 #4 will twin the Hanstedt GU07U-01 #2 well is proposed to be drilled from that pad.

In order to accommodate the Hanstedt GU07U-01 #3, BP will require that the pad area around the Hanstedt GU #1 well be cleared of encroaching inventory from the Hanstedt salvage operation and the pad area be expanded to encompass a total of 2.2 acres. Per BP, this pad size is typical for locations in which two Fruitland Coal wells are drilled from the same pad. In most instances, the pad would undergo interim reclamation and would be reduced to 1.1 acres, which is sufficient to accommodate recompletion and workover rigs. It is not sufficient size, however, to accommodate a full scale drilling rig on the location. Given the history of salvage inventory encroaching onto the well pad at the Hanstedt GU #1 well, BP noted that they planned to request from the COGCC permission to maintain a fence around the entire 2.2 acres so that a rig could be moved onto the location on short notice, if required. Interim reclamation would be conducted within the fenced area.



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The Hanstedt GU07U-0-1 #4 would also initially require a 2.2 acre pad. However, given that this location is outside the area where salvage inventory is stored, interim reclamation would be conducted to reduce the pad size to 1.1 acres and no fencing would be required.

CONCERNS

Mr. Hanstedt expressed several concerns regarding the Hanstedt GU07U-01 #3. These included:

1. The contract language in the Surface Use Agreement provided by BP, to his understanding, held him liable for activities and operations on the well pad. Mr. Dugan produced a copy of the Agreement and noted that, in fact, the contract language did not hold Mr. Hanstedt liable.
2. The magnitude of compensation was inadequate, given the amount of proposed surface disturbance. COGCC staff noted that such discussions were outside the scope of the Onsite Inspection and COGCC jurisdiction.
3. That the staked locations appeared to have changed and that it appeared that the size of the pad had increased since a previous conversation with BP. BP responded that the pad size had not changed, and went on to explain the meaning of the staked points, pointing out the corners of the 2.2 acre drilling pad and proposed fence and the 1.1 acre pad that would remain after interim reclamation.
4. That the size of the Hanstedt GU07U-01 #3 well pad would interfere with his ability to access various parts of his property, particularly with a fence around the entire 2.2 acres. Subsequent discussions between COGCC, La Plata County, BP, and Mr. Hanstedt focused on ways to minimize this impact. Mr. Hanstedt requested that gates be placed at several locations along the fence to allow him access through the well pad. Other suggestions included construction of access roads around the pad, a reduction in the area proposed for fencing, and elimination of interim reclamation.

CONCLUSION

At the conclusion of the Onsite Inspection, it was agreed that discussions toward a surface use agreement would continue between Mr. Hanstedt, Mr. Rutland, the attorney representing the Southern Oaks Trust, and BP. COGCC noted that the progress of these discussions would not affect the permitting process for the Hanstedt GU07U-01 #3 and #4 wells. In addition it was tentatively agreed that a permanent 240 foot by 300 foot well pad would be constructed to accommodate the Hanstedt GU07U-01 #3 well. Interim reclamation would not take place; rather the gravel and pad material would be left in place and would serve as a 20-foot wide access road around the north, east and south sides of the pad. A permanent fence would be constructed around a 220 foot by 260 foot area encompassing the Hanstedt GU07U-01 #3 and Hanstedt GU #1 wellheads and other surface facilities. COGCC requested that BP provide a diagram showing the well locations and proposed pad dimensions.



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Attachment 1 Attendees and Contact Information

Name	Representing	Telephone Number
Robert Ryan	Sierra/BP	(970) 749-1197
Scott Thompson	BP	(970) 247-6809
Susan Folk	BP	(970) 375-7514
Edward Mara	Pinnacle	(970) 247-3248
Lee Scarborough	BP	(970) 247-6899
Danny Mondragon	BP	(970) 247-6965
Tom Yaley	Pinnacle	(970) 385-5999
Mark Weems	COGCC	(970) 259-4587
Tom Dugan	BP	(970) 259-1770
Chandler Marechal	La Plata County	(970) 382-6288
Christine Fernstrom	Pinnacle	(970) 385-5999
Roy Roberts	BP	(970) 375-7581
Lee Hanstedt	Tenant Occupant	
Steven Lindblom	COGCC	(303) 894-2100 x 114



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April 12, 2006

Mr. Earl Rutland
Southern Oaks Trust.
P.O. Box 136
Putnam Hall, Florida 32185

RE: Onsite Inspection
Handstedt GU 07U-01 #3 and Handstedt GU 07U-01 #4
Section 7U, Township 34N, Range 8W
La Plata County, Colorado

Dear Mr. Rutland:

Under Cause 112 Order 157, the Colorado Oil & Gas Conservation Commission (COGCC) is required to conduct an onsite inspection for proposed wells in Township 32 North, Ranges 5-7 West, Township 33 North, Ranges 6-11 West, and Township 34 North, Ranges 6-10 West, N.M.P.M., south of the Ute Line in cases where the surface owner did not execute a lease or is not party to a surface use or other relevant agreement for the proposed well. In accordance with this Order, the COGCC has scheduled an onsite inspection for May 2, 2006 at 1 p.m. MDT at the proposed Handstedt 07U-01#4 well location in the SWNE Section 7U, T34N R8W N.M.P.M. (SUL). In the event that you or your designated representative cannot attend, please provide an alternate date and time to the COGCC staff no later than April 25, 2006.

Should you have any questions, please call me at (303) 894-2100 ext.114.

Respectfully,

Steven R. Lindblom, P.G.
Environmental Protection Specialist

DEPARTMENT OF NATURAL RESOURCES: Russell George, Executive Director

COGCC COMMISSION: John B. Ashby - Brian Cree - Kimberlee Gerhardt - Michael Klish - Peter Mueller - Samuel Potter - J. Thomas Reagan

COGCC STAFF: Brian J. Macke, Director - David K. Dillon, Deputy Director of Operations - Patricia C. Beaver, Hearings Manager - Marc J. Fine, Information Technology Manager

cc: David Dillon – COGCC
Mark Weems - COGCC
Angie Buchanan - La Plata County
Chandler Marechal – La Plata County
Christine Fernstrom – Pinnacle Land Services
G. Scott Thompson - BP