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June 2, 2005

William A. Keefe, Esq. VIA FACSIMILE: (303) 861-1225
POULSON, ODELL & PETERSON, LLC
1775 Sherman Street, Suite 1400
Denver, CO 80203

RE: Order 139-43; Colorado Oil & Gas Conservation Commission

Dear Bill:

As set forth in my correspondence of May 26, 2005, I contacted the Board of County Commissioners (BOCC) to ascertain their position regarding your letter of May 24, 2005. The BOCC conducted a special meeting on June 1, 2005, for that purpose. At that meeting, the BOCC considered my position of May 26, 2005, as set forth in that letter, and the BOCC's earlier correspondence of May 10th and 17th, 2005. Based upon your letter and subsequent discussions with my office, it is Garfield County's understanding that Presco objected to four (4) specific proposed conditions of Garfield County. The BOCC, through its earlier correspondence, agreed that Presco could re-file the application for in-buffer down-hole locations in June 2006. Additionally, involvement of the Colorado Department of Health is an issue instigated by DOE, not Garfield County. On the remaining two (2) issues, the BOCC took official action on June 1, 2005:

1. The BOCC, by a 2:1 vote, continues to believe that the drilling of one (1) well, with the collection of associated data, is appropriate prior to receipt of further reports and further consideration by the Colorado Oil & Gas Conservation Commission in June 2006. The BOCC, as an elected governing board, is required to take all official action in public session. Therefore, they have publicly stated that they will concur in the drilling of a single well with a surface location inside the COGCC established buffer, to gain additional data. That position was taken based upon representations of Presco representatives to Dr. Geoffrey Thyne, Doug Dennison, Commissioner McCown and myself. The BOCC is in a

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very difficult position at this juncture to reconsider an expanded scope of drilling.

Based upon the statements of Presco representatives, Garfield County advisors, and the conclusions of the 2004 modeling of DOE, it is possible that fracturing of any well in close proximity to the buffer could result in a connection with a contaminated zone. While the DOE report may be preliminary in nature, it is the best available information pending completion of the 2007 study by the same agency. We have no opinion of a qualified expert to rebut the current DOE report. The conclusionary statements of Presco geologists in the executive summary stand in marked contrast to the DOE report of 2004. Presco's efforts to discount the 2004 modeling, after participating in that study, require a more substantial foundation in fact and opinion than currently presented to the BOCC. Through our current proposed conditions, we would anticipate receiving such opinions and information during the course of 2005, well in advance of the June 2006 consideration of a more substantial drilling program. Without such supporting opinions and data, the BOCC does not believe additional drilling in close proximity to the buffer zone and in an area that may result in connection to contaminated sites is appropriate.

Finally, in regard to the number of wells, Presco has not demonstrated a compelling need to move forward with multiple drill sits on an expedited basis. Presco has available substantial property in close proximity to the buffer zone, but outside of potentially affected areas to which it can devote its resources. While the BOCC is willing to move forward under the conditions set forth in its letters of May 10th and 17th, 2005, it would object to the COGCC altering its existing order and permitting drilling commencing inside the established buffer zone and completion in close proximity to that buffer zone, without meeting all BOCC conditions and limiting its activity as set forth in this section.

2. In regard to the second condition, the BOCC continues to believe that should Presco fail to abide by the conditions requested by Garfield County, it should then be required to await the completion of the full DOE modeling of 2007. This position was adopted by the same 2:1 vote of the BOCC. The Board continues to believe that the best practice would be for all parties to await completion of the DOE modeling in 2007. While there has been some skepticism expressed by Presco concerning completion of that report, I have received assurances from counsel for DOE-Las Vegas that funding for that modeling study is already in place and should be available for public use by 2007. While further agency review

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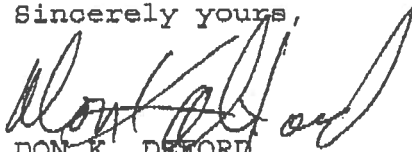
may be sought after that date, she saw no reason why that report could not be used for evaluation purposes.

In the foregoing I have referred to the vote of the BOCC because it is important to understand that these are issues on which the Board is firm. Commissioners McCown and Martin both voted to support the position set forth in this letter and reaffirm positions set forth in BOCC letters of May 10th and 17th, 2005. Commissioners Houpt dissented from that view for the reason that she believes no drilling whatsoever should occur until completion of the DOE modeling in 2007.

I will provide a copy of this correspondence to Brian Macke at the Colorado Oil & Gas Conservation Commission in order that he and the Oil & Gas Commission can be advised of the position of the BOCC. Drilling for natural gas in the vicinity of the Rulison nuclear blast site involves not only highly technical nuclear expertise, but an abundance of caution to provide assurance to a skeptical public. As an elected board, the Garfield County Commissioners are required to take action in the public arena. Once that action has been taken, it is difficult to quickly and convincingly alter its position to accommodate a changing factual background. While Presco may have always understood its plans for development in the vicinity of the nuclear blast site, those were plans that were not clearly, completely and timely conveyed to Garfield County and its advisors. Complete early disclosure of all plans and underlying data would have greatly assisted Garfield County in making public decisions for development of this highly sensitive area.

We appreciate your consideration of these issues.

Sincerely yours,



DON K. DEFORD

Garfield County Attorney

DKD/pko
Enclosures

cc: Board of County Commissioners
Patricia Beaver, Colorado Oil & Gas Conservation Commission
Brian Macke, Colorado Oil & Gas Conservation Commission
Doug Dennison, Oil & Gas Liaison