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May 24, 2005

VIA FACSIMILE: (970) 384-5005
and Federal Express

Don DeFord
Garfield County Attorney's Office
108 - 8th Street, Suite 219
Glenwood Springs, Colorado 81601

Re: Order 139-43
Colorado Oil and Gas Conservation Commission

Dear Don:

I am in receipt of the County's letters to the Colorado Oil and Gas Conservation Commission dated May 10 and May 17 respectively. Today, I had an opportunity to discuss the details of these letters at length with representatives of my client, Presco, Inc. We do have several comments regarding the contents of these letters but at the outset it is important to note that Presco is grateful to the County for its assistance in addressing the issues attendant to revising the captioned order in a manner that will allow Presco to drill one or more wells from the surface inside the one-half mile buffer zone to Williams Fork downhole locations outside the one-half mile buffer zone this year. Presco is very optimistic that data gathered in connection with the drilling and producing of these wells will be invaluable in supporting any application made next year or later requesting the opportunity to drill wells to Williams Fork downhole locations within the one-half mile buffer in the future. My client has asked me to assure you that it appreciates the County's interest in protecting the public health, safety and welfare relative to drilling operations close to the Austral Oil Hayward #25-95 (R-EX) well.

While in general Presco has no objection to the tone and intent of the County's letters, there are some provisions thereof which Presco does not agree with. These are as follows:

1. First, Presco wants very much to be able to drill up to four wells this year from the surface within the one-half mile buffer. Apparently someone at Presco left the impression that it would drill only one well from the surface inside the one-half mile buffer this year. If so, Presco regrets very much giving that impression and would assure you that that was not its intent. Rather, Presco has plans to drill as many as four wells from the surface inside the one-half mile buffer this year. Therefore, Presco would hope the County would have no objection to the drilling of up to four wells from the

Don DeFord
May 24, 2005
Page 2 of 2

surface inside the one-half mile buffer this year (with Williams Fork downhole locations outside the buffer zone).

2. Second, if Presco should in any way fail to complete its obligations under the COGCC's amended order, Presco does not want that to result in automatically having to postpone drilling within the one-half mile buffer zone until completion of the next DOE modelling report currently anticipated in September 2007. Presco feels very strongly that the appropriate agency to make decisions regarding drilling in the buffer zone is the COGCC and that only the COGCC shall have authority to decide when and where drilling inside the buffer zone is to take place.
3. Third, assuming the Commission's order is amended allowing Presco to drill from the surface within the one-half mile buffer at the June hearing, Presco will agree to withdraw its application currently pending in Docket 0504-GA-01. However, Presco reserves the right to refile this application or similar application for hearing as soon as June 2006.
4. Last, while Presco has no objection to the Colorado Department of Health receiving data, information, reports and applications for Williams Fork downhole drilling within the one-half mile buffer zone, Presco believes such information should be furnished to the Department by the COGCC at its election.

As you may know, Presco has prepared an Executive Summary reviewing technical information in support of Amending COGCC Order 139-43. This report was prepared at the request of the COGCC staff and will be submitted to Brian Macke in the near future. Enclosed are five complimentary copies of this report.

Please call me with any questions you may have regarding this matter.

Sincerely,

POULSON, ODELL & PETERSON, LLC



William A. Keefe

Enclosures

Cc: Brian Macke