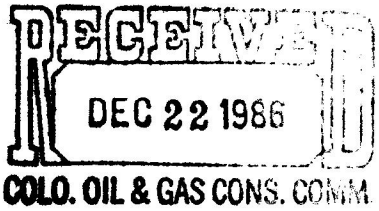
MICHAEL D. CARROLL
D/B/A
M & J OIL COMPANY
15730 FLEETWOOD OAKS DRIVE
HOUSTON, TEXAS 77079
(713) 629-9550



December 18, 1986

Mr. Jim Eliassen
Assistant Claims Manager
Hartford Accident and Indemnity Company
P.O. Box 22815
Denver, Colorado 80222

Re: Bond No. 4550449
M&J Oil Company
22-13 Odle
Sec. 13 - T2N-R56W
Morgan County, Colorado

Dear Mr. Eliassen:

I am in receipt of a copy of a letter dated December 3, 1986 addressed to you from Mr. James A. McKee with the State of Colorado Oil and Gas Conservation Commission. In essence, the letter is advising you that a claim has been made against the surface bond in connection with the drilling of the Odle 22-13 well by Michael D. Carroll d/b/a M&J Oil Company. Enclosed for your review are copies of various correspondence setting forth M&J Oil Company's position with regard to the surface damages on the Odle 22-13.

M&J's position in the matter is that M&J Oil Company has completely satisfied its obligation to the surface owner with regard to the land damages and restoration to the land and, therefore, the surface bond is now null and void. Therefore, M&J would request that the demand by the surface owner to draw down on the above referenced surface bond be denied. Should you have any questions or if you should desire to discuss this matter in further detail, please do not hesitate to contact me.

Sincerely,

Joe Winkler

JW/kh
Enc.

CC: Mr. Jim McKee
Colorado Oil and Gas Conservation Commission
Suite 380; Logan Tower Building
1580 Logan Street
Denver, Colorado 80203

MICHAEL D. CARROLL
D/B/A
M & J OIL COMPANY
15730 FLEETWOOD OAKS DRIVE
HOUSTON, TEXAS 77079
(713) 629-9550

October 31, 1986

Mr. Carl Nobles
Hartford Insurance Group
Bond Underwriting Center
Box 8000
Maitland, Florida 32751

Re: Bond #455 04 49

Dear Mr. Nobles:

In connection with Michael D. Carroll d/b/a M&J Oil Company's ("M&J") drilling of the Odle #22-13 well, Hartford Accident and Indemnity Company issued the above referenced surface bond in the amount of $2,000. M&J Oil Company drilled this well in a prudent, workmanlike manner and has properly restored the land on which this well was drilled. However, the surface owner has informed M&J they are claiming an excessive amount for land damages and that they intend to make a claim against the bond in the amount of $2,000. We have informed the surface owner that the only matter to be resolved is the issue of actual crop damages, which we estimate to be no more than a couple of hundred dollars, which claim we consider paid as a result of the additional cost and expenses incurred by M&J in the drilling of this well due to the surface owner's intentional interference with our ability to timely drill this well. We have conducted an extensive review of the facts surrounding the drilling of this well and the restoration of this location and have concluded that the drilling of the well and restoration of the location are in compliance with all of the provisions of the laws of the State of Colorado and the rules, regulations and requirements of the Oil and Gas Conservation Commission of the State of Colorado.

Enclosed for your information and review are copies of the correspondence between M&J Oil Company and the surface owner's attorney. Our position in the matter is that M&J Oil Company has completely satisifed its obligations to the surface owner with regard to the land damages and restoration to the land, and that the above referenced bond is now null and void. Therefore, M&J would request that any demands by the surface owner to draw down on the above referenced bond be denied.

Sincerely,

Michael D. Carroll

MDC/kh
Enc.

CC: Mr. Larry Senkel
Frank B. Hall & Co.

MICHAEL D. CARROLL
D/B/A
M & J OIL COMPANY
15730 FLEETWOOD OAKS DRIVE
HOUSTON, TEXAS 77079
(713) 629-9550

October 30, 1986

Ms. Christina C. Bauer, Esq.
P.O. Box 67
Brush, Colorado 80723

Dear Ms. Bauer:

I have received your letter dated September 19, 1986 and have reviewed it in great detail. In addition, I have discussed our operations, including subsequent clean-up and restoration, with each of the parties involved in the drilling and clean-up of this well and location. After thorough research and careful review, we have concluded just as we stated in our letter of July 29, 1986 that (i) the well was drilled and the location restored in a prudent, workmanlike manner, (ii) our operations did not cause any damage other than the actual crop loss attributable to 1½-2 acres of alfalfa, which we estimate to be not more than a couple of hundred dollars and (iii) that we have a claim against the surface owner substantially in excess of the value of the actual crop loss.

Your letter of September 19, 1986 contains several misstatements of fact, which are too numerous to elaborate upon in this letter. However, the statement that we had only one conversation with Mr. Blake and that we made no further effort to contact Mr. Blake is categorically untrue. This was substantiated by the conversations with the people involved with the drilling of this well and by our telephone records. The fact is that the Blakes were informed of our intent to drill the well, and it appears that as a result of that, the Blakes made every effort to make it as difficult as possible for us to drill this well resulting in additional expenditures being incurred by us in order to properly drill the well and restore the location. Even under these circumstances and with the additional cost to us, this well was properly drilled and the surface properly restored. Simply because a bond is posted does not entitle the surface owner to land damages equal to the amount of the bond. One of the primary objectives of the bond is to insure that the surface is properly restored, which represents the major portion of the $2,000 bond, and in this case, the surface has been properly restored.

As stated in our letter of July 29, 1986, in order to amicably and expeditiously resolve our differences with the surface owner of this land and without waiving or jeopardizing any of our rights or claims that we may have against the surface owner of this land, we would consider entering into an agreement with the surface owner which provides for a mutual release of each party's claim against the other party.

Sincerely,

Joe Winkler

JW/kh

Christina C. Bauer, Esq.
Attorney at Law

Post Office Box 67
Brush, Colorado 80723

223 Cameron Street
Telephone (303) 842-5557

September 15, 1986

Mr. Lee Winkler
M & J Oil Company
15730 Fleetwood Oaks Drive
Houston, Texas 77079

Re: M & J Oil Company - Odle #22-13

Dear Mr. Winkler:

I received your letter of July 29, 1986, and have reviewed it with my clients. Your "offer" of a mutual release in settlement of all claims, without payment of any sum towards surface damage, was totally unacceptable to my clients. Therefore, we did not respond within your 10-day deadline. However, this is a matter where both parties would benefit from a speedy and amicable settlement of the dispute. It is evident from your letter that communication between the parties broke down last spring and that most of the problems have followed from there.

I had a lengthy conference with both Larry Blake and Stanley Blake and have also reviewed the file in Morgan County District Court on the injunction which your company obtained. I also spoke recently with Mr. Jim McKee of the Oil and Gas Commission and have researched the applicable law. Based on this investigation, I am confident that a number of the "facts" alleged in your letter of July 29 are simply not true.

I questioned both of the Blakes about conversations with your company about moving on to the location. Larry Blake stated that he conversed with you in the spring of 1985, and at that time he did object to your company's moving in because the ground was still soft and wet and drilling would disrupt the cultivation of the Blakes' entire circle-irrigated alfalfa field if it were to take place at any time during the growing season. Apparently you suggested that the Blakes remove one tower from their irrigation sprinkler to accommodate your drilling, which would have

caused substantial loss of acreage and was not acceptable. He states that this is the only conversation he had with you and that he never affirmatively refused to permit your company to move on location.

The Blakes do state that they asked for $3,000 to $7,500 surface bond money because that is what they and their neighbors have been paid for surface damages in that area. The Blakes were paid $3500 for surface damage from the Marshall Young producing well you mention, which was in the same alfalfa field and used about the same acreage. Admittedly, it was completed as a producing well, but their claim in this matter is also substantially lower than that amount. Their neighbor was paid $3,000 for a dry hole on grazing land. It seems only logical that surface damage to an irrigated alfalfa field should be worth at least that much.

Your company made no further effort to contact the Blakes, and did not even have the courtesy to inform them in advance of the move onto the location in November or December 1985. The decision to seek an injunction was made without any serious effort to work matters out, particularly in view of the fact that the crop situation was substantially different than it had been in the spring. It is completely unbelievable that your company incurred several thousand dollars in legal fees for the injunction, as you allege in page 2 of your July 29 letter. The court file shows that there was one uncontested hearing held before Judge Weatherly, without prior notice to the Blakes. A second hearing was set to make the preliminary injunction permanent, but it was dismissed because your company had drilled the well and determined it was a dry hole before the hearing date came up. The judge's order for the preliminary injunction was served on one of the partners of Triple B Farms after the first hearing. Knowing the law firm which did the work for you, I would be surprised if your legal fees in this matter exceeded $500.00 total and expect that they were less than that.

It is worth noting that the judge relied in part on the existence of the surface bond in issuing the temporary injunction. The Oil and Gas Commission also relied on it in issuing your drilling permit. Yet, it has not protected my clients. They have been forced to hire an attorney to

surface their claim for surface damages.

Larry Blake reports that he went down to talk to your people when they were moving onto your location in December 1985, and at that time they showed him the proposed location which was on top of the alfalfa field. Water and electrical lines to the sprinkler unit in that field, he informed your people that the location was in fact in these lines, and they decided on their own to offset the original location by 200 feet.

Had your company worked with the Blakes, an agreement could have been reached concerning the livestock pastured for after-fees on the alfalfa field and the access to your well site. As it was, the Blakes followed a normal agricultural practice of pasturing livestock in the alfalfa field for winter pasture, and installed new fence around the perimeter of the entire field. Since you had not informed them in advance of your drilling plans, they had no opportunity to make alternate plans.

The dilapidated fence near the Marshall Young site is merely the remnant of a fence damaged and never fixed by the Marshall Young drillers and has no present use at all. It is certainly not intended to contain livestock. Your people then cut the new fence and installed a cattle guard in a location which was not consistent with any logical access to the location. The cattle guard was not (or did not remain) tied to the new fence; the fence lines were left down where some of your crew had put over them. The cattle guard was not sturdy enough to have any permanent value, and promptly filled up with snow. Even without snow in it, the cattle guard did not retain cattle, and in fact, the cattle got out frequently and wandered onto the neighbors' property, causing the Blakes substantial inconvenience. While Larry Blake did ask your dirt man not to remove the cattle guard this last spring while the ground was wet, he did expect him to return at some appropriate time and remove it, since it is a nuisance in its present location.

The access road, however, has presented the greatest problem to the Blakes. Your crews in fact used a number of different tracks to get access to the well site, and did not confine themselves to one passageway.

This caused unnecessary damage to the Blakes' field. The closest access [illegible] been an extension of the access road used for the funeral [illegible] site, and it was used to an extent. However, some of your workers [illegible] off the county road into the field where there was no existing road which the Blakes had used for access to their sprinkler. While the Blakes do accept your figure of [illegible] acres of alfalfa field damaged by the actual well site, this does not include any of the access ways created by your crews, which also caused damage in the field, particularly since they drove over all of these tracks with heavy trucks.

Furthermore, the method of reclamation employed by your crews caused more rather than less damage. After smoothing over the disturbed ground, the crews went back over the ground and even over the farm access road which the Blakes had used with some form of heavy machinery which left deep ridges in the surface. The Blakes have subsequently been unable to use the former farm access road and could not work the reclaimed field except with heavy equipment. The empty space in the reclaimed alfalfa would not reseed properly. The Blakes have now had to abandon that field for alfalfa production. They have moved the sprinkler off of that field and ripped it up for another use altogether. The Blakes definitely never told any of your people that they were satisfied with the reclamation that took place.

Thus, the Blakes dispute each of your allegations, that your company (i) properly restored the location, (ii) did not cause any other damages, and (iii) have a claim against the surface owner for thousands of dollars of legal fees. Your allegation that your surface bond is now void is also entirely incorrect. According to Mr. McKee, the surface bond can only be released by the Oil and Gas Commission. In view of the pending dispute, he cannot release it at this time. Further, he has indicated to me that he will make a claim on behalf of the Blakes against your bond if this matter cannot be resolved amicably. I urge you to reconsider the position you took in your letter of July 29, and permit the Blakes to recover for their substantial damages against the bond in the amount of $2,000.

If we have not received a response from you on or before October [illegible] we will be forced to make a claim against the [illegible] Oil and Gas Commission and, if the claim is disputed as [illegible] to [illegible] legal and administrative remedies at [illegible] settlement for a reasonable sum would be in the interests of both parties.

Very truly yours,

Christina C. Bauer

cc: Jim [illegible]
Stanley Blake

MICHAEL D. CARROLL
D/B/A
M & J OIL COMPANY
15730 FLEETWOOD OAKS DRIVE
HOUSTON, TEXAS 77079
(713) 629-9550

July 16, 1986

Ms. Christine C. Bauer, Esq.
Attorney at Law
P.O. Box 67
Brush, Colorado 80723

Re: M&J Oil Company
Odle #22-13

Dear Ms. Bauer:

I recently received a telephone call from Mr. Jim McKee with the Colorado Oil and Gas Conservation Commission concerning your letter dated July 7, 1986 related to an oil and gas test well drilled by M&J Oil Company known as the Odle 22-13. Mr. McKee forwarded to me a copy of your letter so that we could investigate the allegations. Your letter of July 7, 1986 makes certain allegations which are blatently untrue and states that the damages are in excess of $2,000. In a recent telephone conversation with Mr. Stanley Blake, he indicated that he desired to be paid $3,000 for damages although he could not or would not justify this amount.

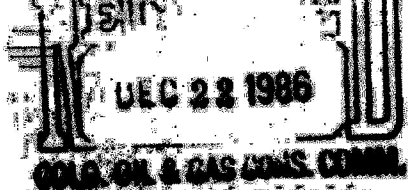
At the time that M&J Oil Company was preparing to move in to drill the Odle 22-13, I had a lengthy telephone conversation with Mr. Larry Blake in which we discussed, among other things, land damages. As I recall and as our file indicates, Mr. Blake requested an outrageous amount of money for damages prior to our drilling of the well. I responded that we would be responsible for actual damages, but would be unable to determine that amount until after we had drilled the well. During this telephone conversation with Mr. Blake, he indicated that the spot in which we had staked our location would require tearing up the water line and power line to his sprinkler system. Consequently, we sent our field people back to the location and moved our original stake 100' north so as to avoid the water line and power line. In fact, Mr. Blake was present when our people returned to the original stake location and he appeared to be satisfied with the new spot. During this telephone conversation, Mr. Blake indicated that he would not allow us to move in and drill this well. I informed him that pursuant to the terms of the lease, we had the right of ingress and egress and if he did not allow us to move in, we would be forced to obtain an injunction in order to exercise our rights. Mr. Blake indicated that he did not care about our rights of ingress and egress and that he would not allow us to move in. Therefore, we obtained an injunction enforcing our rights of ingress and egress causing us several days delay and out-of-pocket expenses including attorney fees.

Odle 22

At the time of our visits to the location, our field people noticed that there was a partial fence in the vicinity of the Marshall #1 producing well. The fence was dilapitated and not complete, therefore, unable to prevent livestock from moving about. Subsequently in our staking of the location but prior to our moving in with the drilling rig, the fence was completed, surrounding our location and the Marshall #1 producing well and about a half dozen cattle were put inside of this fenced area. There was an indication as to whether the previously erected portion of the fence had been repaired in such a manner so as to contain the livestock, and at the time of our move in to the location, we cut the fence and installed a cattle guard and were careful to tie the fence to the cattle guard as is done in thousands of cases in this area. In fact, the cattle guard is still in place since Mr. Blake asked the dirt man not to take it out while the ground was still wet due to the irregation system.

The location has been properly reclaimed and it is my understanding that Mr. Blake was satisfied with the work performed by the dirt people. Therefore, since the surface has been restored to as near normal condition as is possible, the only damages to which the surface owner would be entitled would be the actual crop damages sustained in connection with the drilling of this well. It is my understanding that we caused damage to approximately 1½ to 2 acres of an alfalfa field, which damages would not begin to approach $2,000.

The drilling of this well and reclamation of the surface has been performed in a prudent, diligent fashion in excess of normal standards. As a result of Mr. Blake's refusal to allow us to freely exercise our rights of ingress and egress, we are of the opinion that we currently have a claim against Mr. Blake and/or the owner of the surface of the land on which our Odle #22-13 was drilled, (whether it be Blake & Sons or Triple B Farms) which claim would be in the amount of several thousands of dollars. Since the surface location of the Odle #22-13 has been properly reclaimed and since there were no other damages caused by us except for the damages to the 1½ to 2 acres of an alfalfa crop, we are of the opinion that the only damages that the surface owners are entitled to are for damages as a result of the loss of the crop, which we estimate to be no more than a couple hundred dollars. We the Company posted a Surface Bond in the amount of $2,000, which bond provides among other things that if we "comply with all of the provisions of the laws of the State of Colorado and the rules, regulations and requirements of the Oil and Gas Conservation Commission of the State of Colorado, with reference to land damages and the restoration of the land, as nearly as possible, to its condition at the beginning of the lease, then this obligation is void". Simply because there was a bond posted in the amount of $2,000 does not mean that the land damages, if any, are equal to the sum of $2,000. Our position is that since we (i) have properly restored the location, (ii) did not cause any other damages and (iii) have a claim against the surface owner significantly



in excess of the actual crop loss attributable to [illegible] is alleged that the bond is now void. Accordingly, we will demand the bonding company of the premises that the bond obligation is void and of our desire to mitigate the losses should a claim be made against the bond.

In order to amicably and expeditiously resolve our differences with the surface owners of this land and without waiving or jeopardizing any of our rights or claims that we may have against the surface owners of the land, we would consider entering into an agreement with the surface owners which provides for a mutual release of each party's claim against the other party. I would appreciate you discussing the foregoing with your client and promptly advising me as to their position in this matter. The above offer to settle our dispute shall only be outstanding for a period of ten (10) days from the date of this letter.

Sincerely,

Ike Winkler

CW/kk

cc: Mr. Jim McGee
Colorado Oil and Gas Conservation Commission
Suite 380; Logan Tower Building
1580 Logan Street
Denver, Colorado 80203

Christina C. Bauer, Esq.
Attorney at Law

Post Office Box 67
Brush, Colorado 80723

223 Cameron
Telephone (3

July 7, 1

Mr. Jim McKee
Colorado Oil and Gas Commission
1580 Logan Street
Denver, Colorado 80203

Re: M & J Oil Company

Dear Mr. McKee:

I represent Blake & Sons of Woodrow, Colorado, which owns certain real property in Section 13, T 2 N, R 56 W of the 6th P. M., Morgan County. M & J Oil Company drilled and completed a well on their land, known as the #22-13 Odle, on or about December 8, 1985, and caused considerable surface damage to their property. Apparently, the Blakes own only the surface interests, and were unable to work out a satisfactory arrangement with M & J prior to their entry onto the Blake lands for payment for the surface damage. They believe that M & J posted bond for repair of the surface with the Oil and Gas Commission and have asked me to file a claim on their behalf against the bond.

The precise location of the offending well is 1560 feet from the north section line and 2040 feet from the west section line in Section 13, in the aforesaid township and range. The operator built a road and created the usual mud pits and so forth, destroying approximately 1 1/2 to 2 acres of an established alfalfa field. They also pulled down and did not replace a section of cattle fence and damaged an irrigation sprinkler. The total amount of the damage is in excess of $2,000.00.

If you need additional information in order to process the claim, please do not hesitate to contact me.

Very truly yours,

Chris Bauer

Christina C. Bauer

cc: Stanley Blake

MICHAEL D. CARROLL
D/B/A
M & J OIL COMPANY
15730 FLEETWOOD OAKS DRIVE
HOUSTON, TEXAS 77079
(713) 629-9550

October 30, 1986

Ms. Christina C. Bauer, Esq.
P.O. Box 67
Brush, Colorado 80723

Dear Ms. Bauer:

I have received your letter dated September 19, 1986 and have reviewed it in great detail. In addition, I have discussed our operations, including subsequent clean-up and restoration, with each of the parties involved in the drilling and clean-up of this well and location. After thorough research and careful review, we have concluded just as we stated in our letter of July 29, 1986 that (i) the well was drilled and the location restored in a prudent, workmanlike manner, (ii) our operations did not cause any damage other than the actual crop loss attributable to 1½-2 acres of alfalfa, which we estimate to be not more than a couple of hundred dollars and (iii) that we have a claim against the surface owner substantially in excess of the value of the actual crop loss.

Your letter of September 19, 1986 contains several misstatements of fact, which are too numerous to elaborate upon in this letter. However, the statement that we had only one conversation with Mr. Blake and that we made no further effort to contact Mr. Blake is categorically untrue. This was substantiated by the conversations with the people involved with the drilling of this well and by our telephone records. The fact is that the Blakes were informed of our intent to drill the well, and it appears that as a result of that, the Blakes made every effort to make it as difficult as possible for us to drill this well resulting in additional expenditures being incurred by us in order to properly drill the well and restore the location. Even under these circumstances and with the additional cost to us, this well was properly drilled and the surface properly restored. Simply because a bond is posted does not entitle the surface owner to land damages equal to the amount of the bond. One of the primary objectives of the bond is to insure that the surface is properly restored, which represents the major portion of the $2,000 bond, and in this case, the surface has been properly restored.

As stated in our letter of July 29, 1986, in order to amicably and expeditiously resolve our differences with the surface owner of this land and without waiving or jeopardizing any of our rights or claims that we may have against the surface owner of this land, we would consider entering into an agreement with the surface owner which provides for a mutual release of each party's claim against the other party.

Sincerely,

Joe Winkler

JW/kh

Christina C. Bauer, Esq.
Attorney at Law

Post Office Box 67
Brush, Colorado 80723

223 Cameron Street
Telephone (303) 842-5557

September 19, 1986

Mr. Joe Winkler
M & J Oil Company
15730 Fleetwood Oaks Drive
Houston, Texas 77079

Re: M & J Oil Company - Odle #22-13

Dear Mr. Winkler:

I received your letter of July 29, 1986, and have reviewed it with my clients. Your "offer" of a mutual release in settlement of all claims, without payment of any sum towards surface damage, was totally unacceptable to my clients. Therefore, we did not respond within your 10-day deadline. However, this is a matter where both parties would benefit from a speedy and amicable settlement of the dispute. It is evident from your letter that communication between the parties broke down last spring; and that most of the problems have followed from there.

I had a lengthy conference with both Larry Blake and Stanley Blake and have also reviewed the file in Morgan County District Court on the injunction which your company obtained. I also spoke recently with Mr. Jim McKee of the Oil and Gas Commission and have researched the applicable law. Based on this investigation, I am confident that a number of the "facts" alleged in your letter of July 29 are simply not true.

I questioned both of the Blakes about conversations with your company about moving on to the location. Larry Blake stated that he conversed with you in the spring of 1985, and at that time he did object to your company's moving in because the ground was still soft and wet and drilling would disrupt the cultivation of the Blakes' entire circle-irrigated alfalfa field if it were to take place at any time during the growing season. Apparently you suggested that the Blakes remove one tower from their irrigation sprinkler to accommodate your drilling, which would have

caused substantial loss of acreage and was not acceptable. He states that this is the only conversation he had with you and that he never categorically refused to permit your company to move on location.

The Blakes do state that they asked for $3,000 to $3,500 surface damages because that is what they and their neighbors have been paid for surface damages in that area. The Blakes were paid $3500 for surface damage from the Marshall Young producing well you mention, which was in the same alfalfa field and used about the same acreage. Admittedly, it was completed as a producing well, but their claim in this matter is also substantially lower than that amount. Their neighbor was paid $3,000 for a dry hole on grazing land. It seems only logical that surface damage to an irrigated alfalfa field should be worth at least that much.

Your company made no further effort to contact the Blakes, and did not even have the courtesy to inform them in advance of the move onto the location in November or December 1985. The decision to seek an injunction was made without any serious effort to work matters out, particularly in view of the fact that the crop situation was substantially different than it had been in the spring. It is completely unbelievable that your company incurred several thousand dollars in legal fees for the injunction, as you allege in page 2 of your July 29 letter. The court file shows that there was one uncontested hearing held before Judge Weatherby, without prior notice to the Blakes. A second hearing was set to make the preliminary injunction permanent, but it was dismissed because your company had drilled the well and determined it was a dry hole before the hearing date came up. The judge's order for the preliminary injunction was served on one of the partners of Triple B Farms after the first hearing. Knowing the law firm which did the work for you, I would be surprised if your legal fees in this matter exceeded $500.00 total and expect that they were less than that.

It is worth noting that the judge relied in part on the existence of the surface bond in issuing the temporary injunction. The Oil and Gas Commission also relied on it in issuing your drilling permit. Yet, it has not protected my clients. They have been forced to hire an attorney to

pursue their claim for surface damages.

Larry Blake reports that he went down to talk to your people when he saw them moving onto your location in December 1985, and at that time was shown the proposed location which was on top of the concrete conduit carrying water and electrical lines to the sprinkler unit in that field. He confirmed to your people that the location was in fact on these lines, and they then decided on their own to offset the original location by 100 feet.

Had your company worked with the Blakes, an agreement could have been reached concerning the livestock pastured for after-feed in the alfalfa field and the access to your well site. As it was, the Blakes followed a normal agricultural practice of pasturing livestock in the alfalfa field for winter pasture, and installed new fence around the perimeter of the entire field. Since you had not informed them in advance of your drilling plans, they had no opportunity to make alternate plans.

The dilapidated fence near the Marshall Young site is merely the reminant of a fence damaged and never fixed by the Marshall Young drillers and has no present use at all. It is certainly not intended to contain livestock. Your people then cut the new fence and installed a cattle guard in a location which was not consistent with any logical access to the property. The cattle guard was not (or did not remain) tied to the new fence; the fence lines were left down where some of your crew had run over them. The cattle guard was not sturdy enough to have any permanent value, and promptly filled up with snow. Even without snow in it, the cattle guard did not retain cattle, and in fact, the cattle got out frequently and wandered onto the neighbors' property, causing the Blakes substantial inconvenience. While Larry Blake did ask your dirt man not to remove the cattle guard this last spring while the ground was wet, he did expect him to return at some appropriate time and remove it, since it is a nuisance in its present location.

The access road, however, has presented the greatest problem to the Blakes. Your crews in fact used a number of different tracks to get access to the well site, and did not confine themselves to one passageway.

This caused unnecessary damage to the Blakes' field. The closest access would have been an extension of the access road used for the Marshall Young site, and it was used to an extent. However, some crew members simply drove off the county road into the field. Others used an extension of the existing road which the Blakes had used for access to their circle sprinkler. While the Blakes do accept your figure of 1 1/2 to 2 acres of alfalfa field damaged by the actual well site, this does not include any of the access ways created by your crews, which also caused damage in the field, particularly since they drove over all of these tracks with heavy trucks.

Furthermore, the method of reclamation employed by your crews caused more rather than less damage. After smoothing over the disturbed ground, the crews went back over the ground and even over the farm access road which the Blakes had used with some form of heavy machinery which left deep ridges in the surface. The Blakes have subsequently been unable to use the former farm access road and could not work the "reclaimed" field except with heavy equipment. The empty space in the established alfalfa would not reseed properly. The Blakes have now had to abandon that field for alfalfa production. They have moved the sprinkler off of that field and ripped it up for another use altogether. The Blakes definitely never told any of your people that they were satisfied with the reclamation that took place.

Thus, the Blakes dispute each of your allegations, that your company (i) properly restored the location, (ii) did not cause any other damages, and (iii) have a claim against the surface owner for thousands of dollars of legal fees. Your allegation that your surface bond is now void is also entirely incorrect. According to Mr. McKee, the surface bond can only be released by the Oil and Gas Commission. In view of the pending dispute, he cannot release it at this time. Further, he has indicated to me that he will make a claim on behalf of the Blakes against your bond if this matter cannot be resolved amicably. I urge you to reconsider the position you took in your letter of July 29, and permit the Blakes to recover for their substantial damages against the bond in the amount of $2,000.

If we have not received a response from you on or before October 15, the Blakes will be forced to make a claim against the bond through the Oil and Gas Commission and, if the claim is disputed as you suggest, to pursue their legal and administrative remedies at that point. A speedy settlement for a reasonable sum would be in the interests of both parties.

Very truly yours,

Chris Bauer

Christina C. Bauer

cc: Jim McKee
Stanley Blake

MICHAEL D. CARROLL
D/B/A
M & J OIL COMPANY
15730 FLEETWOOD OAKS DRIVE
HOUSTON, TEXAS 77079
(713) 629-9550

July 29, 1986

Ms. Christina C. Bauer, Esq.
Attorney at Law
P.O. Box 67
Brush, Colorado 80723

Re: M&J Oil Company
Odle #22-13

Dear Ms. Bauer:

I recently received a telephone call from Mr. Jim McKee with the Colorado Oil and Gas Conservation Commission concerning your letter dated July 7, 1986 related to an oil and gas test well drilled by M&J Oil Company known as the Odle 22-13. Mr. McKee forwarded to me a copy of your letter so that we could investigate the allegations. Your letter of July 7, 1985 makes certain allegations which are blatently untrue and states that the damages are in excess of $2,000. In a recent telephone conversation with Mr. Stanley Blake, he indicated that he desired to be paid $3,000 for damages although he could not or would not justify this amount.

At the time that M&J Oil Company was preparing to move in to drill the Odle 22-13, I had a lengthy telephone conversation with Mr. Larry Blake in which we discussed, among other things, land damages. As I recall and as our file indicates, Mr. Blake requested an outrageous amount of money for damages prior to our drilling of the well. I responded that we would be responsible for actual damages, but would be unable to determine that amount until after we had drilled the well. During this telephone conversation with Mr. Blake, he indicated that the spot in which we had staked our location would require tearing up the water line and power line to his sprinkler system. Consequently, we sent our field people back to the location and moved our original stake 100' north so as to avoid the water line and power line. In fact, Mr. Blake was present when our people returned to the original stake location and he appeared to be satisfied with the new spot. During this telephone conversation, Mr. Blake indicated that he would not allow us to move in and drill this well. I informed him that pursuant to the terms of the lease, we had the right of ingress and egress and if he did not allow us to move in, we would be forced to obtain an injunction in order to exercise our rights. Mr. Blake indicated that he did not care about our rights of ingress and egress and that he would not allow us to move in. Therefore, we obtained an injunction enforcing our rights of ingress and egress causing us several days delay and out-of-pocket expenses including attorney fees.

odle 22-13

At the time of our visits to the location, our field people noticed that there was a partial fence in the vicinity of the Marshall Young producing well. The fence was dilapitated and not complete, therefore, unable to prevent livestock from moving about. Subsequently to our staking of the location but prior to our moving in with the drilling rig, the fence was completed, surrounding our location and the Marshall Young producing well and about a half dozen cattle were put inside of this fenced area. There was no indication as to whether the previously erected portion of the fence had been repaired in such a manner so as to contain the livestock. At the time of our move in to the location, we cut the fence and installed a cattle guard and were careful to tie the fence to the cattle guard as is done in thousands of cases in this area. In fact, the cattle guard is still in place since Mr. Blake asked the dirt man not to take it out while the ground was still wet due to the irregation system.

The location has been properly reclaimed and it is my understanding that Mr. Blake was satisfied with the work performed by the dirt people. Therefore, since the surface has been restored to as near normal condition as is possible, the only damages to which the surface owner would be entitled would be the actual crop damages sustained in connection with the drilling of this well. It is my understanding that we caused damage to approximately 1½ to 2 acres of an alfalfa field, which damages would not begin to approach $2,000.

The drilling of this well and reclamation of the surface has been performed in a prudent, diligent fashion in excess of normal standards. As a result of Mr. Blake's refusal to allow us to freely exercise our rights of ingress and egress, we are of the opinion that we currently have a claim against Mr. Blake and/or the owner of the surface of the land on which our Odle #22-13 was drilled, (whether it be Blake & Sons or Triple B Farms) which claim would be in the amount of several thousands of dollars. Since the surface location of the Odle #22-13 has been properly restored and since there were no other damages caused by us except for the damages to the 1½ to 2 acres of an alfalfa crop, we are of the opinion that the only damages that the surface owners are entitled to are for damages as a result of the loss of the crop, which we estimate to be no more than a couple hundred dollars. M&J Oil Company posted a Surface Bond in the amount of $2,000, which bond provides among other things that if we "comply with all of the provisions of the laws of the State of Colorado and the rules, regulations and requirements of the Oil and Gas Conservation Commission of the State of Colorado, with reference to land damages and the restoration of the land, as nearly as possible, to its condition at the beginning of the lease, then this obligation is void;". Simply because there was a bond posted in the amount of $2,000 does not mean that the land damages, if any, are equal to the sum of $2,000. Our position is that since we (i) have properly restored the location, (ii) did not cause any other damages and (iii) have a claim against the surface owner significantly

in excess of the actual crop loss attributable to 1½ to 2 acres of alfalfa that the bond is now void. Accordingly, we will instruct our bonding company of our position that the bond obligation is void and of our desire to litigate the issue should a claim be made against the bond.

In order to amicably and expeditiously resolve our differences with the surface owners of this land and without waiving or jeopardizing any of our rights or claims that we may have against the surface owners of this land, we would consider entering into an agreement with the surface owners which provides for a mutual release of each party's claim against the other party. I would appreciate you discussing the foregoing with your client and promptly advising me as to their position in this matter. The above offer to settle our dispute shall only be outstanding for a period of ten (10) days from the date of this letter.

Sincerely,

Joe Winkler

JW/kh

CC: Mr. Jim McKee
Colorado Oil and Gas Conservation Commission
Suite 380; Logan Tower Building
1580 Logan Street
Denver, Colorado 80203

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Attorney at Law

Post Office Box 67
Brush, Colorado 80723

223 Cameron Street
Telephone (303) 842-5557

July 7, 1986

Mr. Jim McKee
Colorado Oil and Gas Commission
1560 Logan Street
Denver, Colorado 80203

Re: M & J Oil Company

Dear Mr. McKee:

I represent Blake & Sons of Woodrow, Colorado, which owns certain real property in Section 13, T 2 N, R 56 W of the 6th P. M., Morgan County. M & J Oil Company drilled and completed a well on their land, known as the #22-13 Odle, on or about December 8, 1985, and caused considerable surface damage to their property. Apparently, the Blakes own only the surface interests, and were unable to work out a satisfactory arrangement with M & J prior to their entry onto the Blake lands for payment for the surface damage. They believe that M & J posted bond for repair of the surface with the Oil and Gas Commission and have asked me to file a claim on their behalf against the bond.

The precise location of the offending well is 1560 feet from the north section line and 2040 feet from the west section line in Section 13, in the aforesaid township and range. The operator built a road and created the usual mud pits and so forth, destroying approximately 1 1/2 to 2 acres of an established alfalfa field. They also pulled down and did not replace a section of cattle fence and damaged an irrigation sprinkler. The total amount of the damage is in excess of $2,000.00.

If you need additional information in order to process the claim, please do not hesitate to contact me.

Very truly yours,

Chris Bauer

Christina C. Bauer

cc: Stanley Blake