



KENT L. GILBERT
PETROLEUM CONSULTANT

September 1, 1994



Colorado Oil & Gas Conservation Commission
1580 Logan Suite 380
Denver, CO 80203

RE: Permits for McElwain 12-17, McElwain 41-17 and McElwain 42-17

1. A current Designation of Agent is included with the above permits.
2. A copy of the blanket bond for Byron Oil Industries, Inc. is included.
3. A copy of the notification letter to the common surface and mineral owner is included. Byron respectfully requests that the permit be approved as soon as possible because of drilling commitment obligations. The 30 day notification period terminates on September 11, 1994.
4. Surface damages have been settled with the surface owner and tenant farmer. Location of the drilling rig, flowlines and tank batteries have been agreed upon with the tenant and surface owner. Established roadways and location access have been defined. There is no livestock at this location and the tenant farmer will waive the fence requirement. Topsoil will be removed and stockpiled per Rule 1003. An additional onsite meeting with the dirt contractor will occur before any dirtwork commences on these three locations. All reclamation procedures as stated under Rule 1004 will be adhered to. The pit hauling contractor will dispose of the drilling fluid at an approved location. This will be stated on a Sundry notice. The pit will be backfilled per specifications and the entire location will be ripped per the surface tenant's requirements for dryland farming.
5. Access to the McElwain locations will be from Holly St. on the west, Quebec St. on the east, and 152nd Ave. on the north. If necessary, these roads will be watered to reduce any excess dust that may occur because of water trucks. Noise abatement will be practiced by the drilling rig which will include mufflers on the motors and tripping during the day unless an emergency prompts to trip at night. Any drillstem tests run will not be pulled until daylight to prevent any hazardous situations from gas migration and noise from the drilling rig.
6. The operators of nearby wells will be notified verbally and by letter of the wells to be drilled by Byron. They will also be notified of the commingling of the Dakota and Codell/Niobrara (within 1/2 mile) by certified letter. This will occur in conjunction with

the Sundry notice that is filed with this permit after the Dakota has been completed and tested.

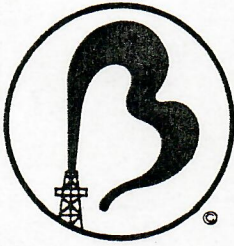
7. Byron proposes to set surface casing to 1150' on the McElwain 41-17 and 42-17 even though it is below the depth prescribed by the COGCC Rules 138 and 315A. This is done to ensure protection of the fresh water aquifer in the NWNW of Section 16 T1S R67W that is a water well source at 1100'. (See enclosure of water wells in and around Section 17) It is Byron Oil Industries intention to comply with the COGCC request of Wattenberg operators to protect and insure the integrity of the Fox Hills Aquifer. The 8 5/8" surface casing string will be cemented with 100% excess and returns to the surface. Cement will be allowed to set 8 hours before nipping up the BOP. The BOP will be tested to 1000 psi and so noted in the daily report.

The surface casing in the McElwain 12-17 is proposed to be set to 1033'. Byron feels that any water wells that are deeper are over a mile away and that completion cementing procedures will adequately prevent any fluid or gas migration to these aquifers. A proposed 300-500 feet of cement will be provided over the uppermost productive zone. An aquifer exists several hundred feet below the Fox Hills but there are no water wells in this area producing from this interval. Byron feels that the above proposed cement requirements will suffice to ensure protection of this unused aquifer.

8. Production casing to be run will be run to TD. Cement volumes will be figured at that time or if the COGCC makes recommendations that will be figured in the calculations. The numbers proposed in the ADP are only approximations at this time.

9. Any questions regarding these permits should be directed to:

Kent L. Gilbert
518 17th St
Suite 940
Denver, CO 80202
(303) 534-1686



BYRON OIL INDUSTRIES, INC.

1302 CLARKSON/CLAYTON CENTER
SUITE 105
BALLWIN, MISSOURI 63011

PHONE (314) 391-8770
FAX (314) 394-0860

August 10, 1994

Mr. Kent L. Gilbert
Gilbert-Stewart, Oil & Gas Producers
518 17th Street, Suite 940
Denver, Colorado 80202

Dear Kent:

I am enclosing a fully executed copy of our Letter Agreement dated July 29, 1994 concerning our working relationship.

I am also enclosing an executed Designation Of Agent, and a copy of our Oil & Gas Blanket Bond for the State of Colorado. As you can see the policy number of our insurance is BO1967, and is in full force and effect. Also enclosed is a copy of the actual blanket bond which you will need to secure permits from the Oil & Gas Conservation Commission.

If you should require additional information, please feel free to contact our office.

Very truly yours,

Alan J. Byron
President

AJB/II
Enclosures

STATE OF COLORADO
OIL AND GAS CONSERVATION COMMISSION
DEPARTMENT OF NATURAL RESOURCES

BOND NO. BO1967

BOND
(Plugging)

KNOW ALL MEN BY THESE PRESENTS, That we, BYRON OIL INDUSTRIES, INC.

1302 Clarkson/Clayton Center, Suite 105, Ballwin,
of the County of St. Louis, in the State of Missouri 63011
as principals, and UNDERWRITERS INDEMNITY COMPANY, as surety, authorized to do business in the State
of Colorado, are held hereby and firmly bound unto the State of Colorado, in the penal sum of (\$ 30,000.00*****),
THIRTY THOUSAND AND NO/100----- Dollars, lawful money of the United States, for the
faithful payment of which we hereby bind ourselves, our heirs, executors, administrators and assigns.

The condition of this obligation is that whereas the above bounden principals propose the drilling of a test well or wells
for oil or gas (on lands situated in the State of Colorado) on the following described land:

- Blanket Bond: To Cover All Wells Drilled in the State of Colorado
- Individual Bond: Well No. _____ Lease _____
Section _____ Township _____ Range _____
County, Colorado _____

NOW, THEREFORE, If the above bounden principals shall 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 refer-
ence to properly plugging said well or wells, then this obligation is void; otherwise, the same shall be and remain in full force and effect.

Witness our hands, this 24th day of October, 1989.

BYRON OIL INDUSTRIES, INC.
1302 Clarkson/Clayton Center, Suite 105
Ballwin, Missouri 63011

By: *Alan J. Byron, President*
Principals

Witness our hands, this 24th day of October, 1989.

UNDERWRITERS INDEMNITY COMPANY
8 Greenway Plaza, Suite 1450
Houston, Texas 77046

Approved: _____
Director, Oil & Gas Conservation
Commission of the State of Colorado

Dated: _____

Mildred L. Massey
Mildred L. Massey Surety Attorney-in-Fact

GENERAL POWER OF ATTORNEY

CERTIFIED COPY

KNOW ALL MEN BY THESE PRESENTS: That UNDERWRITERS INDEMNITY COMPANY, a corporation organized and existing under the laws of the State of Texas, and having its principal office in the City of Houston, Texas, does hereby constitute and appoint:

MILDRED L. MASSEY

its true and lawful attorney-in-fact to execute, seal and deliver for and on its behalf as surety, any and all bonds and undertakings, recognizances, contracts of indemnity and other writings obligatory in the nature thereof, which are or may be allowed, required or permitted by law, statute, rule, regulation, contract or otherwise, in an amount not to exceed:

*****FIFTY THOUSAND AND NO/100 DOLLARS*****

and the execution of all such instrument(s) in pursuance of these presents, shall be binding upon said UNDERWRITERS INDEMNITY COMPANY as fully and amply, to all intents and purposes, as if the same had been duly executed and acknowledged by its regularly elected officers at its principal office.

This Power of Attorney is executed, and may be cerified to and may be revoked, pursuant to and by authority of Article V, Section 6(C) of the By-Laws adopted by the Board of Directors of UNDERWRITERS INDEMNITY COMPANY, at a meeting called and held on the 23rd day of January 1985, of which the following is a true transcript of said Section 6(C):

- "The President or any Vice President, Assistant Vice President, Secretary or Resident Secretary shall have power and authority
- (1) To appoint Attorneys-in-fact, and to authorize them to execute on behalf of the Company, and attach the Seal of the Company thereto, bonds and undertakings, recognizances, contracts of indemnity and other writings obligatory in the nature thereof, and
 - (2) to appoint special Attorneys-in-fact, who are hereby authorized to certify to copies of any power-of-attorney issued in pursuance of this section and/or any of the By-laws of the Company, and
 - (3) to remove, at any time, any such Attorney-in-fact or Special Attorney-in-fact and revoke the authority given to him."

Further, this Power of Attorney is signed and sealed by facsimile pursuant to resolution of the Board of Directors of said Company adopted at a meeting duly called and held on the 23rd day of January, 1985, of which the following is a true excerpt:

"Now therefore the signatures of such officers and the seal of the Company may be affixed to any such power of attorney or any certificate relating thereto by facsimile, and any such power of attorney or certificate bearing such facsimile signatures or facsimile seal shall be valid and binding upon the Company and any such power so executed and certified by facsimile signatures and facsimile seal shall be valid and binding upon the Company in the future with respect to any bond or undertaking to which it is attached."

IN TESTIMONY WHEREOF, UNDERWRITERS INDEMNITY COMPANY has caused this instrument to be signed and its corporate seal to be affixed by its authorized officer, E. H. Frank, III, on this the third day of March, 1987.



E. H. Frank III President

STATE OF TEXAS
COUNTY OF HARRIS

On this the 3rd day of March, 1987, before me came the individual who executed the preceding instrument, to me personally known, and, being duly sworn, said that he is the therein described and authorized officer of UNDERWRITERS INDEMNITY COMPANY; that the seal affixed to said instrument is the Corporate Seal of said Company; that the said Corporate Seal and his signature were duly affixed by order of the Board of Directors of said Company.

IN TESTIMONY WHEREOF, I have hereunto set my hand and affixed my Official Seal, at the City of Houston, Texas, the day and year first above written.



Mary Williams NOTARY PUBLIC, Harris County, Texas

CERTIFICATION

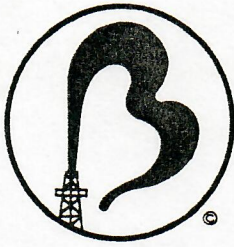
I, the undersigned officer of UNDERWRITERS INDEMNITY COMPANY, do hereby certify that I have compared the foregoing copy of the Power of Attorney and affidavit, and the copy of the Section of the By-Laws of said Company as set forth in said Power of Attorney, and that the same are correct transcripts thereof, and of the whole of the said originals, and that the said Power of Attorney has not been revoked and is now in full force and effect.

IN TESTIMONY WHEREOF, I have hereunto set my hand this 24th day of October, 19 89



Pat Doehring Assistant Secretary
Pat Doehring

Only a certified copy of Power of Attorney bearing the Certificate of Authority No. printed in red on the upper right corner is binding. Photocopies, carbon copies or other reproductions of this document are invalid and not binding upon the Company.
ANY INSTRUMENT ISSUED IN EXCESS OF THE PENALTY AMOUNT STATED ABOVE IS TOTALLY VOID AND WITHOUT VALIDITY.



BYRON OIL INDUSTRIES, INC.

1302 CLARKSON/CLAYTON CENTER
SUITE 105
BALLWIN, MISSOURI 63011

PHONE (314) 391-8770
FAX (314) 394-0860

DESIGNATION OF AGENT

The undersigned producer and operator who is conducting oil and or gas operation in the State of Colorado, does, pursuant to the Rules and Regulations, and Rules of Practice and Procedure of the Oil and Gas Conservation Commission of the State of Colorado, hereby appoint, Kent L. Gilbert (an individual representing the organization), whose address is 940 Denver Club Building, 518 Seventeenth Street, Denver, Colorado 80202, and whose phone number is (303) 534-1686, its designated agent to accept and to be served with notices from said Commission, or from other persons authorized under the Oil and Gas Conservation Act of the State of Colorado.

The undersigned further agrees to immediately report in writing, all changes of address of the agent, and any termination of the agent's authority, and in the latter case, the designation of a new agent, however, shall remain in full force and effect until and unless a new designation of agent is filed in accordance with said statute and said regulation.

Effective Date of Designation: July 29, 1994

Company: Byron Oil Industries, Inc.

Address: 1302 Clarkson Clayton Center, Suite 105
Ballwin, Missouri 63011

Phone: (314) 391-8770

Name: Richard Byron

Title: Executive Vice President

By: *Richard Byron*



KENT L. GILBERT
PETROLEUM CONSULTANT

August 10, 1994

Mr. Charles McClendon
North Holly Investment Co.
Moore Commercial Company
390 Grant St,
Denver, CO 80203

Dear Mr. McClendon:

Pursuant to our discussion of August 9, 1994 please consider this letter as official notification that Byron Oil Industries, Inc., (1302 Clarkson/Clayton Center Suite 105, Ballwin, MO 63011 (314)-391-8770) as Operator plans to drill the following wells on surface the that North Holly Investment Co. is shown to be the owner of record.

1. NENE Section 17 Township 1 South Range 67 West McElwain 41-17
2. SENE Section 17 Township 1 South Range 67 West McElwain 42-17
3. SWNW Section 17 Township 1 South Range 67 West McElwain 12-17

There are currently wells located on these tracts, however, the proposed wells will be drilled to different horizons than are currently producing in the existing wells.

It is the desire of Byron Oil Industries, Inc. that any concerns to be addressed by North Holly Investment Co. be done so in the immediate future. Byron wants to accommodate North Holly Investment Co. in any way that will be equitable to both parties. This will include but not be limited to surface damages, placement of the wells and battery facilities. Surveying of the locations is planned for the week of August 15, 1994.

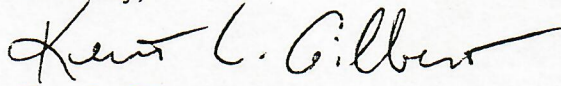
The local representative of Byron Oil Industries is:

Kent L. Gilbert
518 17th St Suite 940
Denver, CO 80202
(303) 534-1686 Office
(303) 688-3825 - Home

It is anticipated that dirt work and drilling operations will start in 30 days. If North Holly Investment Co. will give their approval to start in less than thirty days, then Byron Oil Industries and their representative respectfully request that this be done in writing and sent to Kent Gilbert at the above address.

Please call if you have any questions and thank you for your consideration on this matter.

Sincerely,

A handwritten signature in cursive script that reads "Kent L. Gilbert". The signature is written in dark ink and is positioned above the printed name.

Kent L. Gilbert

Z 105 877 275



Receipt for Certified Mail

No Insurance Coverage Provided
Do not use for International Mail
(See Reverse)

Sent to	
MR. CHARLES McCLendon	
Street and No.	
390 GRANT ST.	
P.O. State and ZIP Code	
DENVER, CO 80203	
Postage	\$ 29
Certified Fee	100
Special Delivery Fee	
Restricted Delivery Fee	
Return Receipt Showing to Whom & Date Delivered	100
Return Receipt Showing to Whom, Date, and Addressee's Address	
TOTAL Postage & Fees	129
Postmark or Date	AUG 11 1994 DENVER CO 80202

PS Form 3800, March 1993

Is your RETURN ADDRESS completed on the reverse side?

SENDER:

- Complete items 1 and/or 2 for additional services.
- Complete items 3, and 4a & b.
- Print your name and address on the reverse of this form so that we can return this card to you.
- Attach this form to the front of the mailpiece, or on the back if space does not permit.
- Write "Return Receipt Requested" on the mailpiece below the article number.
- The Return Receipt will show to whom the article was delivered and the date delivered.

I also wish to receive the following services (for an extra fee):

- 1. Addressee's Address
 - 2. Restricted Delivery
- Consult postmaster for fee.

3. Article Addressed to:

MR. CHARLES McCLendon
NORTH HOLLY INVESTMENT CO
390 GRANT ST.
DENVER CO 80203

5. Signature (Addressee)

6. Signature (Agent)

4a. Article Number

Z 105 877 275

4b. Service Type

Registered Insured

Certified COD

Express Mail Return Receipt for Merchandise

7. Date of Delivery

8/12

8. Addressee's Address (Only if requested and fee is paid)

Thank you for using Return Receipt Service.