



LOESBY FILE

1-62

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October 23, 1996

Herbert C. Phillips, Esq. (Via Facsimile 825-1269)
Hayer, Phillips & Maloney, P.C.
1350 17th Street, Suite 450
Denver, CO 80202-1517

Re: Leyden Gas Storage Field
COGCC Cause No. 1, Docket No. 10-12

John F. Welborn
Stephen J. Sullivan
John F. Meck
Keith D. Tooley
Kendor P. Jones
Molly Sommerville
Karen Ostrander-Krug
Marla E. Valdez
Brian S. Tooley
Scott L. Sells

Of Counsel
Robert F. Welborn

Special Counsel
Hugh V. Schaefer

Dear Lee:

This is a follow-up to our telephone conversation last week.

Northwest Industrial Subdivision II, Inc. and Natural Resource Recovery, Inc. ("Loesby") are willing to share the soil sample tests and analysis with Public Service Company ("PSCO") on the condition that PSCO share the (1) historical (1960-present) Leyden pressure histories, (2) historical (1960-present) yearly lost and unaccounted for volumes of gas from Leyden, and (3) pressure transient data and analysis with Loesby. We require that this exchange of information be handled through the Colorado Oil and Gas Conservation Commission ("COGCC") which is continuing its investigation.

Because Loesby's insurance has been cancelled and because of his past experiences with PSCO, Loesby will not grant PSCO surface access to the Loesby property at this time. The allegation that the gas showing in the samples is from a PSCO leaking service line is of concern; however, the PSCO service lines are located on the lots owned by third parties, not on the Loesby property. Also, the soil samples taken by Loesby were spread across the Loesby property away from PSCO service lines. This will be more evident when PSCO reviews the data. If PSCO continues to want surface access after that review, then this can be handled through the COGCC as well.

Please direct future inquiries concerning the technical aspects of this case to my partner, Karen Krug.

Sincerely,

WELBORN SULLIVAN MECK & TOOLEY, P.C.

John F. Welborn

JFW/sh

cc: Director Richard Griebing, COGCC (Via Facsimile 894-2109)
Richard Loesby (Via Facsimile 781-8690)
Kevin Hannon, Esq. (Via Facsimile 861-8855)



ATOKA GEOCHEMICAL SERVICES
CORPORATION
103 INVERNESS DRIVE EAST, SUITE 160
ENGLEWOOD, COLORADO 80112

PHONE: 303 799-5113
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October 30, 1996

Mr. Richard Loesby
NATURAL RESOURCE RECOVERY
1900 East Girard Place # 409
Englewood, Colorado 80110

Dear Richard:

Two groups of samples were collected from your 70 acre property located on the northern edge of Public Service Company of Colorado's Leyden underground gas storage facility. The first group of eight samples were collected by you and analyzed by Atoka. Two of the samples indicated anomalous amounts of iodine which indicates the presence of hydrocarbons in the soil. The anomalies were consistent with similar type results that have led to the discovery of several petroleum deposits in the Denver Basin.

The second group of twenty-two samples was collected by iBex Surveying and analyzed by Atoka. The results were similar to the first group.

The cause of the anomalies are, in Atoka's opinion, related to the gas storage immediately to the south of the property. The gas is stored at approximately a depth of 800 feet in an abandoned mine. Based on the limited data provided, the gas is stored in drifts and mains located in multiple coal seams with interbedded sands and shales. The fracturing in the coals would provide a conduit for gas to migrate out of the facility into the adjacent property. In addition, the interbedded sandstones, depending upon porosity and permeability, could provide pathways for migrating gas to the leave facility. The iodine anomalies, which are found on your property, are related to hydrocarbon microseepage from depth, the gas storage is the most likely cause.

Please call me if you have any questions. Thank you.

Sincerely,

A handwritten signature in cursive script, appearing to read "Steve", is written over the typed name "Steven A. Tedesco".

Steven A. Tedesco
President

SAT/kks

cc: Karen Krug

Natural Resource Recovery
Iodine Report
Samples 1-17, 1a, 1b, 3a, 3aa, 6b

Lab Number	Sample Designation	Sample Number	Iodine ppm
59176	RIC	1	1.4
59177	RIC	2	0.6
59178	RIC	3	0.7
59179	RIC	4	4.7
59180	RIC	5	2.1
59181	RIC	6	4.7
59182	RIC	7	1.5
59183	RIC	8	1.0
59184	RIC	9	1.8
59185	RIC	10	6.0
59186	RIC	11	8.5
59187	RIC	12	4.1
59188	RIC	13	9.5
59189	RIC	14	11.3
59190	RIC	15	3.5
59191	RIC	16	1.9
59192	RIC	17	1.5
59193	RIC	1A	1.2
59194	RIC	1B	9.0
59195	RIC	3A	1.4
59196	RIC	3AA	1.3
59197	RIC	6B	3.5