

Grand Junction, Colorado

October 31, 1933

The City Council met in special session at 7:30 o'clock P. M. for the purpose of considering a petition of the Fulton Petroleum Corporation asking for an extension of time for their franchise. All members of the Council were present. City Manager Soderstrum, City Attorney Bowie, and City Clerk Tomlinson were present.

The following petition was presented and considered by the Council:

Seattle, Washington
October 28th, 1933

To the Honorable Members
of the City Council of
Grand Junction, Colorado

Sirs:

Petitioner has this day received advice from its attorney in New Orleans, Louisiana, to the affect that a judgment has been rendered and signed authorizing and instructing delivery of the \$15,000.00 certificate of deposit by the Receivers of Union Indemnity Co. to The United States National Bank of Denver, Colorado, to be by it held in escrow for the joint account of the City of Grand Junction and Petitioner.

Petitioner desires to respectfully submit herewith arguments and reasons for the granting by you of a six (6) months extension of time, from November 1st, 1933; such arguments and reasons as to why Petitioner believes the franchise should be extended for six (6) months, being as follows, to-wit:

During the time heretofore embraced in previous extensions granted by your honorable body to Petitioner there has existed throughout the entire United States a positive refusal of all banks and financing agencies to assist in the financing of the construction such as is involved in the provisions of the franchise held by Petitioner in the City of Grand Junction.

The general opinion prevailing among leading authorities engaged in public utility work was that the administration in Washington, D. C., was going to advocate public ownership of all public utilities and that this move would force public utilities already engaged in business to reduce rates to where profits were almost nil. Obviously, this line of thought and suspicion has not been justified by acts of the administration during the past several months and it is only during the past thirty days that those engaged in public utility financing have begun to appear more optimistic and hopeful that their initial fears and thoughts were based upon bad judgment and misinformation. Under such a

cloudy situation it has, up to now, been impossible for Petitioner to fully interest anyone in the construction of the gas distributing system for the City of Grand Junction, however, Petitioner has never at any time given up hope and ceased to exert effort to accomplish its objective. Many contacts have been made and several prospects are still "luke warm" on the subject at this time.

Petitioner was able to obtain a tentative commitment from one of the leading gas engineering companies, nationally known, to construct a pipe-line from the Garmesa well to the city gate of Grand Junction conditional upon Petitioner being able to find someone who would build the distributing system within the city limits. It will be recalled that Petitioner appeared before your honorable body on August 25th, 1933, with the suggestion that the City of Grand Junction might obtain the funds for the construction of the gas distributing system from the United States Government under the authority of the Public Works section of the Industrial Recovery Act, and at that time it appeared to be the opinion of most of your honorable body that the City of Grand Junction should not use the funds available by loan from the Government for the purpose of constructing a city gas distributing system, and your honorable body thereupon instructed your City Manager to arrange for a conference between the President of Petitioner and Mr. Chas Rump, Manager, Public Service Company and to attend the conference, all of which was promptly done. The conference resulted in Mr. Rump readily agreeing to consider the acceptance of an assignment of the franchise, without cost, from Petitioner to Public Service Company providing the President of Petitioner would forthwith submit to Mr. Rump in Denver, Colorado, where Mr. Rump was scheduled to be for the purpose of holding a directors meeting, proper data supporting the argument of Petitioner that Mr. Rump was in error in his statement that the volume of natural gas sales in Grand Junction, to be enjoyed, were not sufficient to justify the expenditure necessary to convert their artificial gas system into a natural gas system capable of serving natural gas to the citizens of Grand Junction. In pursuance to the agreement reached at the aforesaid conference, Petitioner did prepare and submit to Mr. Rump at his Denver, Colorado, address, with an extra copy to his Grand Junction, Colorado, address, a certain document of which a copy is attached hereto, marked EXHIBIT "A" and by this reference the same is hereby made a part hereof. Petitioner believes that the data and figures submitted on September 5th, 1933, to Mr. Rump, as revealed by EXHIBIT "A" are irrefutable and that the past performance created by artificial gas sales made in the City of Grand Junction coupled with comparative sales of natural gas in other cities similarly situated, show conclusively that if a gas system was selling natural gas at the rates prescribed by the franchise held by Petitioner, that the demand and volume of sales of artificial gas would be as great as, and more likely greater than, those set-up in EXHIBIT "A". Mr. Rump never acknowledged receipt of or replied to the communication represented by EXHIBIT "A" until the President of Petitioner wired Mr. Rump under date of October 9th, 1933, as follows, to-wit:

"Have not received any reply to my letter of September fifth in which I endeavored to present reasons why the proposal made would be profitable to your company stop wont you please write or wire me your decision or assure me you are now considering the matter Regards."

to which Mr. Rump promptly replied as follows, to-wit:

"Reply to your wire today advise that I have discussed your letter of September fifth regarding our company distributing natural gas in Grand Junction stop After going over your report carefully do not believe it possible to develop gas load as outlined in your report stop Under present condition of quantity and quality of gas and possible load that could be developed we would not be interested in your proposition stop Regards."

The time lost from August 25th to October 10th, 1933, in the negotiations with Mr. Rump, during which time Petitioner assumed due consideration and investigation was being made by Public Service Co., worked to our disadvantage as we had "burned other bridges behind us" with the anticipation that Mr. Rump would assuredly accept our proposal to assign, without cost, our franchise and to sell to Public Service Company the gas at the city gate of Grand Junction for 27 cents per 1000 cubic feet when, at the same time, the Public Service Company was paying 40 cents per 1000 cubic feet for gas at the city gate of Denver. This appeared to us as being particularly advantageous to the Public Service Company, because from the data at hand we did not believe it possible that the Public Service Company would refuse our offer to assign, without cost, our franchise to them and at the same time agree to sell to them natural gas at 27 cents per thousand cubic feet of the B.T.U. rating prescribed by said franchise, when we understood, by information at hand, that the Public Service Company was paying 40 cents per thousand cubic feet for gas at the city gate of Denver.

Petitioner expressly states that no criticism is hereby intended of the actions of Mr. Rump or Public Service Company, as Petitioner recognizes the right of Public Service Company to make its own decision as to the profit to be earned from serving the people of Grand Junction with natural gas. Petitioner has cited the above experience and attending necessary delay as one of the many reasons Petitioner believes it should be given the six months extension of time as herein this petition sought. Petitioner acted with the knowledge that Public Service Company is the logical firm to distribute gas in Grand Junction for the reason that will hereinafter be more fully described, and it acted in good faith by not attempting other deals while Public Service Company was considering EXHIBIT "A".

Petitioner further cities the fact that Mr. Alexander Bowie, your City Attorney, in his eagerness and desire to protect the interests of the City of Grand Junction, limited the time, in

which our agreement of June 12, 1933, with your city was effective, to only sixty (60) days although the resolution adopted by you did not authorize such a brief time but, to the contrary, by implication, inferred that the time limit should be until November 1st, 1933. Assuredly, no criticism is by Petitioner directed towards Mr. Bowie, as Petitioner realizes the City Attorney was zealously protecting the interests of the City of Grand Junction.

This brevity and uncertainty of time, as aforesaid, caused a disorganization of the efforts of Petitioner to obtain financial assistance and, among other difficulties, the obtaining from the Receivers of Union Indemnity Co., the \$15,000 for deposit in escrow in The United States National Bank of Denver, Colorado, was a condition precedent to the effectiveness of the extension of time to be allowed to Petitioner under the agreement between the City of Grand Junction and Petitioner. Obviously, at no time since the execution of the June 12, 1933, agreement between Petitioner and the City of Grand Junction has Petitioner been in a position to present a definite proposition to any person, firm or corporation because all agreements existing between Petitioner and the City of Grand Junction were conditional upon delivery of the \$15,000 certificate of deposit to The United States National Bank of Denver, Colorado, and, as you now know, such was not authorized until the past week, and due to the peculiar circumstances involved, it was questionable as to whether the Receivers would permit the \$15,000 to leave their possession, and in such event the agreement would never have become operative. This feature alone has hampered the efforts and negotiations of Petitioner as it could not assure any prospect with whom it negotiated that the extensions set forth in the agreement would become operative, and consequently the right of assignment by Fulton Petroleum Corporation of said franchise could not by the terms of said agreement become effective until and unless said \$15,000 was surrendered by the Receivers.

In corroboration of the foregoing statement, Petitioner calls attention to the fourth from the last paragraph of the agreement between the City of Grand Junction and Petitioner, dated June 12, 1933, reading as follows:

"That, in the event that said Union Indemnity Company refuses or fails to endorse or assign and deliver said Certificate of Deposit to said escrow agent within sixty (60) days from and after the date hereof, then, and in that event this agreement shall become null and void;"

It is therefore observed that the June 12th, 1933, agreement became null and void as of August 12th, 1933, and that same was not reinstated until August 25th, 1933, which was done by resolution adopted by your body. The unforeseen difficulties arising by the attitude of the Receivers in refusing to immediately surrender the \$15,000 to The United States National Bank of Denver, Colorado, greatly disorganized the efforts and

plans of Petitioner and made rather vague and unlikely that the agreement could be relied upon as eventually becoming effective.

From August 25th, 1933, to October 10th, 1933, Petitioner was engaged in negotiations with the Public Service Company. The extension granted August 25th, 1933, expired on October 15th, 1933, and was extended to October 31, 1933, according to information furnished by Mr. Doyle, the attorney in New Orleans; however, the City of Grand Junction did not notify Petitioner of the extension and therefore between the time of October 10th and up to date the \$15,000 was sent to The United States National Bank of Denver, Colorado, Petitioner was uncertain as to the outcome of the efforts instigated to force the Receivers to deliver the \$15,000 to The United States National Bank of Denver, Colorado. Thus, even with handicaps as aforesaid, it will be realized that the progress made by Petitioner, as in this petition recited, apparently is considerably more than has been made by Petitioner through any of its officers at any time previous to June 12th, 1933, when it is taken into consideration that Petitioner held a tentative commitment of a responsible firm to build a pipeline from Garmesa to the City gate of Grand Junction.

Petitioner has been subjected to propaganda to the effect that the carbon dioxide content in the fuel gas as it comes from the well at Garmesa could not be taken out. Petitioner has, since June 12th, 1933, done considerable experimental work in the separation of these gases and is now convinced that the two gases can be economically separated and that the b.t.u. value of the gas that can be delivered to the citizens of Grand Junction will exceed 900 per thousand cubic feet. The authorities consulted by Petitioner show that the separation of the carbon dioxide content from the fuel gas offers no difficult problem, and that the cost of the separation plant will not exceed the sum of \$25,000.00.

Petitioner herewith presents to you a copy of a letter from a very responsible independent firm engaged in the public gas utility business, written to Petitioner under date of September 19th, 1933, from San Antonio, Texas, reading as follows, to-wit:

"I appreciate very much your wire of September 18th in which you offer me gas for Grand Junction, Colorado. I am in position to handle the deal but am not interested in it, due to carbon dioxide in the gas.

Should you have a proposition of this kind with a marketable gas I would be very much interested in figuring with you.

Again thanking you, I am."

and cites said letter as the result of an insidious campaign hereto conducted by certain interests in the apparent effort to stop Petitioner from obtaining financial assistance from independent capital. The efforts of petitioner have been, to some extent, already blocked by the general practice reported to exist

among such firms as United States Steel, National Supply Co., Oil Well Supply Co., Byers Pipe Co. and others who possibly observe the ethical rule of refusing to grant an independent operator credit on pipe if by so doing a competitive situation is created against any recognized national utility. In the situation at Grand Junction, it apparently is generally understood that the territory rightfully belongs to the Public Service Company, or its parent company, the Cities Service Co., and it is the opinion of Petitioner that no national banking organization or pipe manufacturing company will assist Petitioner in the construction of a city gas distributing system until and unless the deal involves taking care of Public Service Company either by purchasing their present artificial gas distributing system or by having Public Service Company interested as a partial or entire owner of the gas distributing system in the City of Grand Junction. Following is a copy of a letter corroborating, in part, some of the difficulties encountered in such efforts as Petitioner has heretofore expended towards raising the necessary capital to construct the gas distributing system. The letter reads as follows, to-wit:

"Your letters to Mr. Homer James of Oil City, Pa., concerning a project to serve gas at Grand Junction, Colorado, and perhaps to Fruita, were referred by Mr. James to Mr. J.H. Hillman, Jr., and by Mr. Hillman to the writer.

We are very much interested in considering this project and, as a matter of fact, have been approached by others with reference to working out some plan. Our present negotiations contemplate a project which would sell gas to the Cities Service Company at the city gate of Grand Junction. We would not be interested in creating a competitive situation because it is against our policy to finance a fight. We are considering the matter on the viewpoint of furnishing the pipe which you refer to at Lewistown, Montana.

I have written to Mr. Ira G. Wetherill, our Division Manager at Denver, to get in touch with you, because we are under no commitment to the parties who have approached us and are now waiting for them to indicate what kind of a contract they would expect to make with Cities Service. They are undoubtedly carrying on negotiations with Cities Service Company now. I take it that your program would be on the basis of forming some new company to either sell gas at the gate or to acquire the distribution system of the Cities Service subsidiary in Grand Junction. After Mr. Wetherill has had an opportunity to go over this matter with you fully and make recommendations we will be in better shape to give it more careful consideration.

I am sending Mr. Hillman a copy of this letter in duplicate so that he may forward one to Mr. James, as we appreciate having the matter presented to us."

Petitioner therefore presents the EXHIBIT "A", attached

hereto, as the best of evidence of its willingness to meet the conditions prevailing and to cooperate in the effort to serve the people of Grand Junction with natural gas to which they are justly entitled. Petitioner points to the fact that it holds an agreement to purchase the only natural gas available within reasonable piping distance of Grand Junction, and that the very fact that it is willing to assign, without consideration, the franchise conclusively demonstrates that its efforts, time and expense towards finding the capital for construction of the gas distributing system within the city limits is for the best interests of the citizens of Grand Junction, and Petitioner feels positive that, if during said six months, Petitioner is able to finance the gas distributing system in the city limits, the benefits accruing from the fact that the citizens of Grand Junction would have natural gas in their homes and buildings and from the fact that approximately \$250,000 worth of materials and labor would be expended within the community, and the fact that the taxes to be collected on such a system within the following years would amount to many thousands of dollars, offset by a great majority the value that would accrue to the City of Grand Junction should it foreclose upon Petitioner as of November 1st, 1933, and take possession of the \$15,000.00 and terminate the franchise and thereby deprive Petitioner and its many stockholders of one of its most valuable assets.

Petitioner respectfully points out that the six months extension herein requested is the only extension authorized by the franchise, and that if Petitioner shall have not, during said six months, been able to finance the proposed construction, then Petitioner will have already agreed to neither ask your honorable body nor the citizens of Grand Junction for a further extension of said franchise, and Petitioner further points out to your honorable body that, during the six months, interest will be paid on said \$15,000.00. Petitioner also points out that the City of Grand Junction will acquire from Petitioner if the six months extension is granted and if Petitioner fails to perform, all interest due and earned on the said \$15,000.00 during the time it has been in possession of the Union Indemnity Co. and its Receivers, plus all interest earned during the said six (6) months extension. The accrued interest on this certificate of deposit is an appreciable item.

Petitioner respectfully directs the attention of your honorable body that it has fully cooperated with the City of Grand Junction in the endeavor to obtain from the Receivers of Union Indemnity Co. the delivery of the \$15,000 certificate of deposit to The United States National Bank of Denver, Colorado, and has even employed an attorney at the expense of \$500 to assist your attorney in the expeditious delivery of the said \$15,000 to the said bank prior to November 1st, 1933. Petitioner respectfully cites its acts of good faith in the premises as a further reason why the six months extension should be granted, and draws attention to the unusual expense and effort to which Petitioner was subjected by the employment of two sets of attorneys in

Washington, D.C., in the obtaining of the necessary releases from the Department in Washington, D. C., in order that the Receivers of Union Indemnity Co. would not have one iota of claim against Petitioner which could be used in the effort of the Receivers to keep possession of the said \$15,000. certificate of deposit. Petitioner respectfully informs your honorable body that it was necessary, since August 25th, 1933, for Petitioner to plug and abandon a well in which it had no interests or equity in order that the City of Grand Junction might enjoy the courtesy of having the \$15,000.00 delivered in escrow without the necessity of a long drawn out law suit. Petitioner does not claim the right to violate any of the covenants heretofore entered into on behalf of the City of Grand Junction, and reaffirms its eagerness and desire to comply with each and every promise heretofore made your honorable body and by its past performance can be judged its eagerness to cooperate with the City of Grand Junction in obtaining from the Receivers the said \$15,000. Petitioner's appeal herein made is, it might be said, for its own financial existence and in order that the rights and equities of a large number of small stockholders may be preserved for an additional six months so that the President of Petitioner may work unhampered in his effort to finance the construction of a gas distributing system within the city limits of Grand Junction. The uncertain conditions surrounding the June 12th, 1933, agreement have seriously interfered with the efforts of the President of Petitioner in definitely presenting to any prospective firm a concrete offer.

Many of those who have been officers and directors of Petitioner, at the time the original franchise was granted, have since permitted to be sold to others considerable of the capital stock of Petitioner, and that many of such sales, and re-sales, were in anticipation of profits to be earned under the Grand Junction franchise, and that at the present time Petitioner is composed of approximately 900 stockholders, a large percentage being of the working class and among the unemployed, holding various sums of stock ranging from one share upwards; many of whom have paid from five to ten dollars per share for their holdings, although the market value now is less than 25 cents per share.

If the City of Grand Junction forecloses and takes from Petitioner the franchise and at the same time forecloses and takes possession of the \$15,000, such action will result in causing these stockholders to suffer the loss of one of the principal assets which the corporation is carrying upon its books, and the loss of such a valuable asset will no doubt seriously effect the future operations of Petitioner.

It does not seem fair to the stockholders of Petitioner, and neither does it seem to be in the spirit which the President of Petitioner has heretofore experienced and observed among the members of your honorable body, to impose upon Petitioner, and its stockholders, a foreclosure at a time when the President of the United States, and other important federal bodies, are petitioning that creditors, similarly situated to your position, be as lenient

with all debtors and withhold foreclosure until a more opportune time, and until all debtors shall have been given the opportunity of obtaining assistance and help elsewhere.

Petitioner believes that a compelling emergency exists sufficient to enable the City of Grand Junction to grant this petition; an EMERGENCY is interpreted by Webster's New International Dictionary as follows, to-wit:

"An unforeseen occurrence or combination of circumstances which calls for immediate action or remedy; pressing necessity; exigency." and Petitioner believes that the unforeseen occurrences and combination of circumstances, over which Petitioner had no control and for which Petitioner was not responsible, pertaining to the release of the \$15,000 by the Receivers of Union Indemnity Co., and to the general depression existing which seriously hampered public utility financing during the past two years, justifies the immediate action upon the part of the City of Grand Junction to grant the remedy, sought in this petition, as an exigency and pressing necessity so essential in order that the citizens of Grand Junction may, if such be possible, enjoy the conveniences and economy of natural gas at a rate which will save them money, time and work in the heating of their homes and places of business, and in order that Fulton Petroleum Corporation and its stockholders may continue to enjoy, for another six months, the fair treatment heretofore accorded to it by your honorable body.

PETITIONER HEREBY REQUESTS AND PETITIONS THAT, for the reasons and arguments aforesaid, the agreement made and entered into between the City of Grand Junction and Petitioner on 12th day of June, 1933, and which was not effective until the delivery of said \$15,000.00 certificate of deposit to The United States National Bank of Denver, Colorado, which occurred during the past few days, be modified and extended until six months from November 1st, 1933, with the terms thereof to be modified to conform to a proposed Resolution attached hereto, marked EXHIBIT "B", and by this reference made a part hereof.

EXECUTED this the 28th day of October, 1933.

Respectfully submitted,
FULTON PETROLEUM CORPORATION
(Petitioner)
By /s/ H. B. Chessher
President

Attest:
By /s/ A. C. Bates
Secretary

EXHIBIT "A"

Sept. 5th, 1933.

Mr. Chas. Rump, Manager,
 Public Service Co.,
 Grand Junction, Colorado.

Dear Mr. Rump: Re: GRAND JUNCTION GAS

The data before me indicates that in 1928, a fairly normal year, you sold in the City of Grand Junction a total of 39,000,000 cubic feet of artificial gas to approximately 1350 users. This amount pro rates, when using \$1.425 per M.C.F., to approximately \$41.20 per meter or a total of 29 M.C.F. of gas per meter per annum. I assume, because of the high rate, that fully 80%, or more, of this gas was used for cooking purposes and that, at the rate necessarily charged, no gas, of any great percentage, was used for domestic heating purposes.

It has been estimated that the rate provided for in our franchise should be reduced as follows, to-wit:

						<u>Monthl</u> <u>y</u>	<u>Totals</u>
						M.C.F.	Amount
First	600	cu.	ft.	.90		Min.	.90
Next	400	cu.	ft.	.50		1	1.40
Next	2000	cu.	ft.	.50	per M.	3	2.40
Next	7000	cu.	ft.	.40	per M.	10	5.20
Next	40000	cu.	ft.	.36	per M.	50	19.60
Next	50000	cu.	ft.	.32	per M.	100	35.60
All over	100000	cu.	ft.	.30	per M.		
Minimum bill \$.90							

It has also been estimated that in order to meet the Grand Junction industrial coal rate of \$2.85 per ton (price now is said to be higher), it will be necessary to furnish commercial and industrial gas at 12.7¢ per M.C.F. The number of commercial and industrial users in Grand Junction, and their respective

consumption, have been estimated to be as follows, to-wit:

<u>COMMERCIAL AND INDUSTRIAL MARKET</u>				
No.	Description	Coal-Money per annum	Coal-Tons	M.C.F. Thermal Equiv.
1.	Public Schools	\$2,200.00	850	18,100
2.	Post Office	350.00	80	1,700
3.	Masonic Temple	350.00	80	1,700
4.	Y.M.C.A.	200.00	100	2,130
5.	Court House	500.00*	200*	4,260
6.	Excelsior Laundry	1,500.00	500*	10,700
7.	New Method Laundry	1,600.00	530*	11,300
8.	La Court Hotel	700.00	200*	4,260
9.	St. Regis Hotel	700.00	200*	4,260
10.	Grand Valley Bank Bldg	700.00	310	6,600
11.	Scheiswold Bldg	130.00	33*	700
12.	Montgomery Building	250.00	100	2,130
13.	Flour Mill	1,680.00	800	17,000
14.	Arcieri Greenhouse	1,000.00	400	8,520
15.	Watson Greenhouse	1,200.00	480	10,220
16.	U.S. Bank	\$500.00	200	4,260

	Building			
17.	Two theaters	900.00	300	6,380
18.	C. of C. Building	180.00	60	1,280
19.	St. Mary's Hospital	1,000.00	320	6,800
20.	Elks Building	325.00	100	2,130
21.	State Home	2,800.00	1,100	23,400
22.	Canning Factory	2,650.00	1,000	21,300
	Totals	\$21,415.00	7,943	169,130
Avg. Price per ton \$2.85 Equivalent price per M.C.F. 12.7□				
Note: 10 Rooming Houses, 4 Tourist Camps, 12 Churches, 20 Warehouses, 2 Creameries, 1 City Hall, 1 City Swimming Pool not included in above figures.				
* Estimated Quantities				

Note: Estimates gross earnings from this class of business - \$21,500.00 per year

Above table based on 1 Ton of 10,750 B.T.U. coal equals 21.3 M.C.F. of 725 B.T.U. gas

By taking the comparative consumption of b.t.u. gas as hereinabove set forth in the classification of industrial and commercial prospective gas users, and assuming, because of such a proposed cheap rate, that at the end of the fifth year you would have 75% of all of those above listed, you would therefore have 75% of \$21,500.00, totaling \$16,125.00 gross income per annum from commercial and industrial users for (75% of 169,130,000) 126,847,500 cu. ft. of gas per annum. This does not include the sugar beet factory which possibly could be persuaded to ship all beets in your vicinity into Grand Junction providing they were assured of a natural gas rate of 12.7 cents per M.C.F. Other industries would undoubtedly locate in Grand Junction provided they were assured of cheap gas.

I am informed that there are approximately 2200 dwellings and

200 stores in the City of Grand Junction which are prospective users of natural gas. This makes a total of 2400 prospective users, and if at the end of the fifth year you were serving 75% of them, as could reasonably be expected with such a cheap gas rate when same is compared with the rates necessarily charged in Denver because of the high price the Public Service Co. pays at the city gate, you would therefore have 1800 users. Perhaps in the 1800 users there would be 300 who would not use the gas for anything except cooking and they therefore (on the basis of your 1928 artificial gas consumption per meter) would only use 29,000 cubic feet of gas per annum. The other 1500, according to my estimate, should use for cooking and/or heating an average total of 200,000 cubic feet per meter per annum, or 16,666 cubic feet of gas per month. The proposed average rate would be approximately 47¢ per M.C.F., which would make the average meter charge per month be (16,666 c.f. x 47 cents per M.C.F.) \$7.83 1/3 per month, which is reasonable for cooking and house-heating in a cold climate in various mountain cities such as encountered in your vicinity. Ordinarily, from my observation, I would say a gas bill of any amount from \$10.00 to \$30.00 per month for combined cooking and domestic heating in real cold climates is more the ordinary than the exception. If the coal price recently established in Grand Junction is maintained, the reasonableness of natural gas at above rate is unquestionable.

It is my opinion that no pipeline company could afford to sell the gas at Grand Junction city gate, when transported from Garmesa, for less than 27 cents per M.C.F. for domestic gas and 9.7 cents per M.C.F. for such industrial gas as you may sell at 12.7 cents per M.C.F. My estimate is made up on aforesaid schedule.

In order to more clearly present my argument, I venture the risk of repetition by citing the following schedule of estimated gross income, to-wit:

<u>GROSS RECEIPTS FROM SALE OF GAS</u>	
1500 domestic cooking and heating meters at \$7.83 per month for 12 months	\$141,000.00
300 domestic cooking meters at \$1.00 per month for 12 months	3,600.00
126,847,500 cu. Ft. of gas sold to industrial and commercial meters at 12.7¢ per M.C.F. (approximately)	16,125.00
	160,725.00

<u>LESS COST OF GAS AT CITY GATE</u>		
1500 meters at \$7.83 per month, would use 16,666 cu. ft. of gas per month, and for 12 months the total gas used would be 300,000,000 cubic feet, which at a cost of 27¢ per M.C.F. at City gate would be	\$81,000.00	
300 meters using gas for cooking would each use 29,000 cubic feet per annum, which equals a total of 8,700,000 cubic feet per annum at 27¢ per M.C.F. at city gate amounts to (approx.)	\$2,350.00	
126,847,500 cu. cf. of gas sold per annum to industrial and commercial users at cost of 9.7¢ per M.C.F. at city gate equals (approximately)	\$12,300.00	95,650.00
NET GROSS PROFITS		\$65,075.00

From the above figures, it shows that on an additional investment of \$100,000.00, as might be necessary for you to expend in order to thoroughly cover the city, and assuming that you have written off all of your present system to where it is valued at \$75,000.00, and that therefore you would have a capital investment of \$175,000.00, it would, according to my rough estimate, take approximately eight years (after the fifth year) to return by depreciation your capital invested (which includes the estimated \$75,000 value of present plant) providing the actual cost of operation did not exceed \$3,000.00 per month and further providing that you charge only 6% interest on the capital invested each year, after allowing for the depreciated capital, against gross income. It is my opinion that with your electric and gas

organization already established in Grand Junction you will be able to manage and operate the gas system at a cost of 75%, or perhaps less, of that at which an outside firm could operate during the first ten years. I refer to actual operating expenses and not to interest or depreciation expense.

My calculation that it will require approximately \$100,000 for additional installation of lines and meters to serve the line you already have installed, is based upon the fact that Mr. D.W. Paterson, Vice-President of the Hope Engineering Co., in his survey of Grand Junction, in April, 1931, stated that the following pipe would be necessary for a new distributing system for Grand Junction, to-wit:

WITHIN CITY LIMITS

14,500 lineal feet of 2 inch pipe
54,550 lineal feet of 3 inch pipe
51,375 lineal feet of 4 inch pipe
20,900 lineal feet of 6 inch pipe
8,300 lineal feet of 8 inch pipe

and on the outside of the city limits of Grand Junction, Mr. Paterson stated that the following pipe would be needed, to-wit:

6,000 lineal feet of 2 inch pipe
5,300 lineal feet of 4 inch pipe
2,650 lineal feet of 6 inch pipe

Naturally, you already have installed a great deal of the above pipe and also have approximately 1300 meters already installed. It seems to me that this estimate of \$100,000 should enable you to completely cover the city of Grand Junction with lines and meters.

As to the possible gas reserves under the Garmesa Gas Structure, I know of no more eminent authorities to cite than Messrs. F.A. Davies and H.F. Davies, geologists for the Standard Oil Company of California, who, in 1931, made an independent and extremely conservative report for persons not in any way connected with the Fulton Petroleum Corporation. As a matter of fact I feel sure that neither of the aforesaid geologists is familiar with the fact that I have a copy of their report in my possession, and each would indeed be surprised to learn of this. I assure you that the report came into my possession honestly. As regards the Garmesa gas structure, they have the following to say, to-wit:

"The reserve for the upper Morrison gas sand has been figured as follows:

Productive acreage -- The result at the Midwest well determined that the minimum acreage will be less than 3000, as it found water in the upper Morrison sand; the Gypsy well, which is the farthest down structure of the productive wells, determines

the minimum size will be 950 acres. After considering these factors and the total closure it was estimated that the productive acreage will be 1400.

Thickness of sand: The Gypsy well is the only one to completely penetrate the upper Morrison sand and found it to be 60 feet thick, with no water. The gas is reported to occur in the upper 19 feet of the sand, with a slight increase 34 feet below the top. An average thickness of 34 feet has been selected for this reservoir rather than 60 feet, because the sand is known to contain shale breaks and to vary in size of grain and it is believed that these factors may offset the lack of water.

Porosity: 15% (assumed)

Recovery: 75% (assumed)

Pressure: The Gypsy well reported a pressure of 900 pounds in this sand, but the more recently completed Fulton well found only 800 pounds pressure and this latter figure will be used in computing the reserve.

Using these factors, the volume of reserve is as follows:

$$V = \frac{43560 \times 1400 \times 34 \times 0.15 \times 0.75 \times (800 - 12.0)}{}$$

$$V = 14,600,000,000 \text{ cu. ft. of gas.}$$

The latest analysis of this gas from the Fulton well found 33.8% carbon dioxide and 66.2% fuel gas, which means that there are 4,900,000,000 cu. ft. of carbon dioxide gas and 9,700,000,000 cu. ft. of fuel gas."

Upon the calculation hereinbefore recited, you would use in Grand Junction approximately one and one-quarter million cubic feet of gas per day, or approximately 456,000,000 cubic feet of gas per annum, you would therefore be assured of a supply for at least twenty years based upon the gas reserve estimate of Messrs. Davies and Davies, as above cited. You will note that their estimate of 9,700,000,000 cubic feet of gas is only such fuel gas which is in the first sand. The figures are upon the assumption that only 75% of the fuel gas will be recovered. No calculation of the fuel gas in the lower sands is included in the aforesaid estimate.

I will not dwell at length upon the separation of the gases, as I feel sure a practical demonstration of a model now at the well will convince you of the inexpensive separation process. I fully concede the importance of you being convinced that such can be done and I am aware that unless you can be assured of the successful separation of the gases, that neither you, nor any other business firm, would be interested in either the pipeline or distributing system.

If the Public Service Co. could, in the normal year of 1928, sell in Grand Junction a total of 39 million cubic feet of artificial gas to 1350 meters at a cost of \$1.425 per M., or an annual average cost of \$41.20 per meter, does it not seem reasonable to conclude that you will be able to sell to 1500 users 200,000 cu. ft. of natural gas at 47 cents per thousand cubic feet for both cooking and heating, and that if 1350 users were willing to pay \$41.20 per annum for cooking gas, that at least 1500 users will be willing to pay \$94.00 (200,000 x 47¢) per annum for natural gas for both cooking and heating?

If you are voted a new franchise by the City of Grand Junction to continue the artificial gas service, will it not be necessary for you to expend considerable money for replacing your present system? I mention this, because I wish to bring home the argument that your increased investment in an artificial plant will always be subjected to the threat of, and demand for, natural gas.

If you discontinue the service of artificial gas in Grand Junction will it not result in considerable capital loss to you providing you have not already written off the value of the entire system? In any event, the system represents a value for gas distribution, but if it is not used for that purpose in Grand Junction it would not, in my opinion, have any appreciable salvage value.

If any comparison of the number of users you have so far been able to obtain in Denver is presented to you as the reason that my estimate of 75% at the end of the 5th year is unreasonable, would you please bear in mind that Denver rates are extremely higher than the proposed rates in Grand Junction, because Denver pays 40 cents for gas at the city gate, and that the industrial load in Denver is handicapped by the fact that slack coal is delivered by trucks direct from mines to factories in Denver at a price of \$2.00 to \$3.00 per ton?

In presenting this document, I trust you will accept it in the spirit in which it is written. I confess, that I do not know a great deal about gas projects. You therefore will please excuse what may possibly appear to you as an indication of effrontery upon my part, for I assure you it was not intended. Admittedly, my sole object is to endeavor to convince you that you are the most logical firm to undertake the distribution of the gas in Grand Junction and my arguments, hereinbefore presented, have been solely for that purpose.

Thanking you in advance for such consideration as you may extend to this document, I am

Yours very truly,

H.B. Chessher, President

HBC-IB

WESTERN UNION TELEGRAM

Seattle, Oct. 9, 1933.

Mr. Chas. Rump, Manager,
Public Service Co.,
Grand Junction, Colo.

HAVE NOT RECEIVED ANY REPLY TO MY LETTER OF SEPTEMBER FIFTH IN WHICH I ENDEAVORED TO PRESENT REASONS WHY THE PROPOSAL MADE WOULD BE PROFITABLE TO YOUR COMPANY STOP WONT YOU PLEASE WRITE OR WIRE ME YOUR DECISION OR ASSURE ME YOU ARE NOW CONSIDERING THE MATTER REGARDS

H.B. CHESSHER

WESTERN UNION TELEGRAM

Grand Junction, Colo., Oct. 9, 1933.

H.B. Chessher,
1411 Fourth Ave. Bldg.,
Seattle, Washington.

REPLY TO YOUR WIRE TODAY ADVISE THAT I HAVE DISCUSSED YOUR LETTER OF SEPTEMBER FIFTH REGARDING OUR COMPANY DISTRIBUTING NATURAL GAS IN GRAND JUNCTION STOP AFTER GOING OVER YOUR REPORT CAREFULLY DO NOT BELIEVE IT POSSIBLE TO DEVELOP GAS LOAD AS OUTLINED IN YOUR REPORT STOP UNDER PRESENT CONDITION OF QUANTITY AND QUALITY OF GAS AND POSSIBLE LOAD THAT COULD BE DEVELOPED WE WOULD NOT BE INTERESTED IN YOUR PROPOSITION STOP REGARDS

CHAS RUMP.

EXHIBIT "B"

RESOLUTION

RESOLVED, that in pursuance to Section No. 9 of the Gas Franchise, Peoples Ordinance No. 25, voted in favor of the Fulton Petroleum Corporation on May 31st, 1932, the said Gas Franchise is hereby extended for six (6) months from November 1st, 1933, with the express provision that if all of the installation and construction, as is provided for in said Gas Franchise, is not fully completed on or before the expiration of six months from November 1st, 1933, then the said Gas Franchise shall thereupon become terminated, cancelled and of no further force and effect, and the said \$15,000.00 now in escrow in The United States National Bank of Denver, Colorado, shall thereupon be delivered by aforesaid bank to the City of Grand Junction and shall become the sole property of the City of Grand Junction, Colorado, and shall, in such event, be accepted by the City of Grand Junction as

settlement in full for all obligations due by Fulton Petroleum Corporation under the covenants and conditions of said Gas Franchise and the Performance Bond executed by Fulton Petroleum Corporation in favor of the City of Grand Junction; AND, BE IT

FURTHER RESOLVED that the agreement of June 12th, 1933, be amended and changed to conform to the changes in this resolution authorized, and that amended escrow instruction be prepared by the City Attorney of Grand Junction, Colorado, for the purpose of embodying the amendments authorized by this resolution, and that the said amended agreement expressly contain a covenant upon the part of Fulton Petroleum Corporation that it will not request or seek an extension of said Gas Franchise if all of the covenants and conditions of said Gas Franchise shall not have been fully complied with and performed on or before the expiration of six months from November 1st, 1933.

It was finally decided to defer any action on the petition until the regular meeting of the Council to be held on November 1st, at 7:30 o'clock.

It was moved by Councilman Hall and seconded by Councilman Carson that the meeting adjourn.

/s/ Helen C. Tomlinson
City Clerk