

BEFORE THE OIL & GAS CONSERVATION COMMISSION
OF THE STATE OF COLORADO

IN THE MATTER OF THE APPLICATION OF)
CDX GAS, LLC REQUESTING AN ORDER)
ESTABLISHING AN EXPLORATORY)
DRILLING AND SPACING UNIT AND)
AUTHORIZING A HORIZONTAL WELL)
SYSTEM IN SUCH DRILLING AND SPACING)
UNIT FOR PRODUCTION FROM THE)
WILLIAMS FORK COAL SEAM FORMATION,)
IN AN UNNAMED FIELD, MOFFAT COUNTY,)
COLORADO)

Cause No. _____

Docket No. _____

APPLICATION

COMES NOW CDX Gas, LLC, by and through its attorneys Dorsey & Whitney LLP, and makes application to the Oil and Gas Conservation Commission of the State of Colorado, for an order establishing an exploratory drilling and spacing unit in accordance with Section 34-60-116 (2) for a horizontal well system for production from the Williams Fork Coal Seam Formation. In support thereof CDX Gas, LLC ("Applicant"), states and alleges as follows:

1. That the Applicant is the owner of leasehold interests in Moffat County, Colorado, located within the area requested for spacing.
2. Upon information and belief, the lands requested have not heretofore been subject to spacing orders for production from the Williams Fork Coal Seam Formation but are subject to Rule 318 a. of the Rules and Regulations of this Commission.
3. Applicant proposes to drill a horizontal production well system as the designated well system for the following lands:

Township 7 North, Range 94 West
Section 3: All
Section 4: E/2E/2

Township 8 North, Range 94 West
Section 33: SE/4
Section 34: S/2S/2

comprising of approximately 1,122.18 acres more or less. Applicant proposes that the horizontal well system be permitted to be completed and produce hydrocarbons from the Williams Fork Coal Seam Formation (which is defined as the stratigraphic equivalent of the depth from 3536' to 4708' below the surface as found in that certain well identified as the Argo #33-16 located in the SE/4SE/4 of Section 33, T8N, R94W) no closer than 660 feet from the outer boundary of the sections, without regard to quarter section lines within Sections 3, 4, 33 and 34, and without regard to the shared section lines between the affected Sections. Applicant requests that this horizontal well system be designated as the unit well for an exploratory unit in accordance with the provisions of Section 34-60-116 (2).

4. That the Applicant is requesting the right to utilize one surface location for its horizontal production well system (utilizing the existing vertical Argo #33-16 Wellbore) and one service well (the Argo 33-10X Well). This production well system is expected to produce from the proposed exploratory drilling and spacing unit of approximately 1,122.18 acres for the Williams Fork Coal Seam Formation covering the lands described above in Moffat County, Colorado.

The surface location for the proposed horizontal production well system will be located in the SE/4 of Section 33 and will include multiple horizontal production legs from the Argo #33-16 Well that extend no closer than 660 feet from the exterior boundaries of Sections 3, 4, 33 and 34 (without regard for the shared section lines). The surface location of service well which will not produce hydrocarbons will also be located in the SE/4 of Section 33.

5. Applicant wishes to establish an approximately 1,122.18-acre exploratory drilling and spacing unit for the horizontal well system.

6. Since a portion of the mineral interests underlying Sections 3, 4 and 34 are owned by the Bureau of Land Management, Applicant will secure a communitization agreement such that the 1,122.18-acre unit will be developed as one and the correlative rights of all interest owners will be protected. Applicant requests that the subject lands be designated as one 1,122.18-acre spacing unit since Applicant's evidence is that one horizontal well as proposed herein will economically and efficiently drain the Williams Fork Coal Seam resource from said Sections.

7. That allowing the proposed horizontal well and service well within the proposed spacing unit is expected to economically and efficiently drain the Williams Fork Coal Seam Formation and protect the correlative rights of all parties. The drilling of unnecessary wells will be prevented and waste will therefore be avoided, all in accordance with the Colorado statutes and the rules and regulations of this Commission and the BLM.

8. That granting of the relief requested in this Application will have no adverse impacts on the public health, safety, welfare or the environment, and, if successful, will significantly reduce surface impacts by avoiding a number of vertical wells which would be necessary to drain the Williams Fork Coal Seam reserves.

9. Exhibit A attached hereto and made part hereof is the list of the names of "Owners" required to be notified in accordance with Commission Rules, including within the areas covered by this Application. To the best of Applicant's knowledge and belief, Exhibit A contains the names of all such Owners.

WHEREFORE, Applicant respectfully requests that this matter be set for hearing, that notice thereof be given as required by law and that upon such hearing this Commission enter its order:

A. Establishing an approximately 1,122.18-acre exploratory spacing unit for William Fork Coal Seam production composed of T8N, R94W, 6th P.M., Section 33: SE/4 and Section 34: S/2S/2 and T7N, R94W, 6th P.M., Section 3: All and Section 4: E/2E/2.

B. Establishing that one horizontal production well system and one service well may be completed to produce from the 1,122.18-acre drilling and spacing unit for oil and/or gas from the Williams Fork Coal Seam Formation underlying the lands set forth in Paragraph 3 with the service well not to produce hydrocarbons. The surface location for the permitted wells shall be in the SE/4 of Section 33 and the horizontal production legs shall be no closer than 660 feet from the outer section lines of unitized Sections.

For such other findings and orders as the Commission may deem proper or advisable in the premises.

DATED this ____ day of March, 2005.

Respectfully submitted,

CDX GAS, LLC

By: _____
Michael J. Wozniak
Dorsey & Whitney LLP
Attorneys for Applicant
370 17th Street, Suite 4700
Denver, Colorado 80202
(303) 629-3400

Applicants' Address:

1801 Broadway, Suite 1060
Denver, CO 80202

VERIFICATION

STATE OF COLORADO)
) ss.
CITY AND COUNTY OF DENVER)

Alvin R. Arlian, of lawful age, being first duly sworn upon oath, deposes and says that he is the Land Manager, Western Operations for CDX Gas, LLC and that he has read the foregoing Application and that the matters therein contained are true to the best of my knowledge, information and belief.

Subscribed and sworn to before this ____ day of March, 2005.

Witness my hand and official seal.
My commission expires:

Notary Public

EXHIBIT A
INTERESTED PARTIES

IN THE MATTER OF THE APPLICATION OF)
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US Dept. of the Interior
Bureau of Land Management
Colorado State Office
2850 Youngfield St.
Lakewood, CO 80215

US Dept. of the Interior
Bureau of Land Management
Little Snake Field Office
455 Emerson Street
Craig, Colorado 81625

Moffat County Board
of Land Commissioners
Attention: Jeff Comstock
221 West Victory Way
Craig, Colorado 81625

State of Colorado Board
of Land Commissioners
620 Centennial Building
1313 Sherman Street
Denver, Colorado 80203