

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

IN THE MATTER OF THE APPLICATION OF BP)
AMERICA PRODUCTION COMPANY FOR AN)
ORDER ALLOWING THE SECOND WELL IN)
AN ESTABLISHED 320-ACRE DRILLING AND) CAUSE NO. 112
SPACING UNIT TO BE A HORIZONTAL WELL)
MODIFYING ESTABLISHED SETBACKS AND) Docket No. _____
FOR THE RIGHT TO PRODUCE TWO)
FRUITLAND COAL WELLS PARTIALLY)
LOCATED WITHIN THE SAME QUARTER)
SECTION COVERING THE FRUITLAND COAL)
SEAM FORMATION, SAN JUAN NORTH FIELD,)
ARCHULETA COUNTY, COLORADO)

APPLICATION

COMES NOW BP America Production Company (referred to herein as “Applicant”), by and through its undersigned attorneys, makes application to the Oil and Gas Conservation Commission of the State of Colorado, for an order to permit the second authorized well in an established drilling and spacing unit for the Fruitland Coal Seam formation to be a horizontal well requiring a modification to existing setbacks. In support thereof, the Applicant states and alleges as follows:

1. That the Applicant is the owner of leasehold interests in Archuleta County, Colorado, located within the area requested for spacing.
2. That the Applicant is requesting that the second authorized well be a horizontal well in an existing 320-acre drilling and spacing unit for the Fruitland Coal Seam formation covering lands in Archuleta County, Colorado, described as follows:

Township 32 North, Range 6 West
Section 2: E/2

3. That there currently exists one Fruitland Coal Seam well in the 320-acre drilling and spacing unit at issue, to wit: the Glover GU #1, which is a vertical well located in the SE/4 of Section 2, T32N, R6W (1650’ FSL and 990’ FEL). Applicant proposes to drill the second well in this established drilling and spacing unit, the Glover GU #2 well, at a surface location also in the SE/4 adjacent and contiguous to the original well pad (1734’ FSL and 996’ FEL). However, Applicant requests that this proposed well be a horizontal well, the producing leg of which shall be drilled in a northerly direction with a proposed bottomhole location(s) in the NE/4 of Section 2 no closer than 660’ from the outer boundaries of the spacing unit in the E/2 of Section 2. Applicant also requests the right to produce from both wellbores located partially in the SE/4. All owners in the 320-acre spacing unit are common and no violation of correlative rights exists by allowing both permitted wells to be produced from the E/2 of Section 2.
4. On June 15, 1988, the Commission issued Order No. 112-60 which established 320-acre drilling and spacing units for production of gas from the Fruitland Coal Seam formations. Said units shall remain as previously established. Moreover, on May 15, 2000 the Commission issued Order No. 112-157 which permitted a second Fruitland Coal Seam Formation well in each 320-acre drilling and spacing unit with such additional wells being located no closer than 990 feet to any outer boundary of the unit, nor closer than 130 feet to any interior quarter section line. Applicant proposes that the second authorized well in the 320-acre unit be drilled and completed as proposed above with the proposed new wellbore being no closer than 660 feet to any outer boundary of the unit and that the 130-foot setback to an interior quarter section line be eliminated in the E/2 of Section 2.
5. In support of the requested order, Applicant asserts that two vertical wells will not efficiently and economically drain the 320-acre drilling and spacing unit described herein, and that

the proposed horizontal well is necessary to prevent waste, protect correlative rights and to recover gas and associated hydrocarbons from the Fruitland coal formation all in accordance with the Colorado statutes, the rules and regulations of this Commission.

6. That the Director may without further notice and hearing approve exceptions to permitted well location due to topography or surface hazards at permitted location, provided that the Director is satisfied that appropriate notice of such exception location is afforded to offset owners as required by Commission rules.

7. Applicant further states that the requested well can be developed in a manner consistent with protection of public health, safety and welfare and in a manner consistent with protection of the environment.

8. Exhibit A attached hereto and made part hereof is the list of the names of "Owners" required to be notified in accord with Commission Rule 508(a), 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. Allowing the second Fruitland Coal well to be completed in the 320-acre drilling and spacing unit for gas and associated hydrocarbons from the Fruitland Coal Seam formation underlying the E/2 of Section 2, T32N, R6W located as described in paragraph 3 and 4 above subject to the Director approving exceptions for the permitted well location as provided in paragraph 6 above.

B. That the proposed horizontal well maintain a 660' set back from the outer boundary of the drilling and spacing unit and that the 130' interior line setback be waived with respect to this proposed horizontal well.

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

DATED this 10th day of March, 2006.

Respectfully submitted,

BP AMERICA PRODUCTION COMPANY

By: _____
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VERIFICATION

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

Erika Z. Enger, of lawful age, being first duly sworn upon oath, deposes and says that she is outside counsel to BP America Production Company and that she has read the foregoing Application and that the matters therein contained are true to the best of her knowledge, information and belief.

Erika Z. Enger

Subscribed and sworn to before me this ____ day of March, 2006.

Witness my hand and official seal.

My commission expires:

Notary Public

EXHIBIT A

Interested Parties

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