

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

IN THE MATTER OF THE APPLICATION OF )	
ELM RIDGE EXPLORATION COMPANY, LLC )	
FOR AN ORDER ALLOWING OPTIONAL )	
THIRD AND FOURTH WELLS IN )	CAUSE NO. 112
ESTABLISHED DRILLING AND SPACING )	
UNITS COVERING THE FRUITLAND COAL )	Docket No. _____
SEAM FORMATION, IGNACIO-BLANCO )	
FIELD, LA PLATA COUNTY, COLORADO )	

APPLICATION

Elm Ridge Exploration Company, LLC (“Applicant”), through its undersigned attorneys, submits the following verified application to the Colorado Oil and Gas Conservation Commission for an order permitting optional third and fourth infill wells in certain established drilling and spacing units for the Fruitland Coal Seam formation in the Ignacio-Blanco Field, La Plata County, Colorado. The following grounds support this application:

1. The Applicant is the owner and operator of leasehold interests in La Plata County, Colorado located within existing 320 acre drilling and spacing units for the Fruitland Coal Seam formation in the Ignacio-Blanco Field, La Plata County, Colorado. Exhibit A lists these existing 320 acre drilling and spacing units and is hereby incorporated by reference in support of this application.

2. The Applicant requests that the Commission issue an order permitting two (2) additional optional infill wells in each of the existing drilling and spacing units of 320 acres for the Fruitland Coal Seam formation on the lands described in the attached Exhibit A.

3. In support of the requested order, Applicant asserts that two wells will not efficiently and economically produce and recover gas from the 320 acre drilling and spacing units contained in Exhibit A. Additional wells are necessary to prevent waste, protect correlative rights and to recover gas and associated hydrocarbons from the Fruitland Coal Seam formation in a manner consistent with the Oil and Gas Conservation Act, the rules and regulations of this Commission, other state law and, with respect to Tribal lands, the rules and regulations of the United States Bureau of Land Management (“BLM”).

4. In certain of the lands described on Exhibit A, the Southern Ute Indian Tribe owns surface interests and underlying mineral interests. Insofar as it affects lands within the jurisdiction of the Southern Ute Indian Tribe, the Application is submitted to this Commission in accordance with the terms of the Memorandum of Understanding dated August 22, 1991 between the BLM and this Commission as well as the separate

Memorandum of Understanding dated August 22, 1991 between the Bureau of Indian Affairs, the BLM and the Southern Ute Indian Tribe.

5. On July 11, 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 formation. The Applicant proposes these units remain as previously established.

6. 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.

7. Applicant proposes that, with respect to the lands listed in Exhibit A, the Commission change the terms approved in Order No. 112-157 by ordering that an optional third and fourth infill well in each 320 acre unit may be drilled, completed or recompleted in the operator's discretion no closer than 660 feet to any outer boundary of the unit with no setback required to any interior quarter section line. Applicant further proposes that the surface location of each of the optional third and fourth wells be located on a common or expanded pad with an existing well such that a total of four Fruitland Coal Seam Formation well pads shall be authorized in each governmental section, subject to the provisions of Paragraph 10 below.

8. The requested additional optional third and fourth infill wells in each 320 acre unit can and will be developed in a manner consistent with protection of public health, safety and welfare. To this end, while not required by the Commission's rules, Applicant shall work with LaPlata County and others to propose a Health, Safety and Welfare Plan applicable to those lands listed in Exhibit A that are not within the jurisdiction of the Southern Ute Indian Tribe. The Commission should determine that the plan to be submitted complies with the law and adequately addresses concerns related to the environment and public health, safety and welfare not otherwise addressed by Commission Rules. Moreover, Applicant will commit to the Southern Ute Indian Tribe that new compressor installations shall use the best available emission control technology and shall also provide a plan to the Tribe to evaluate the modification of older compression installation emission technology in the Application area over the next five (5) years.

9. The Commission has recently approved similar applications requesting approval of optional third and fourth infill wells in existing 320 acre drilling and spacing units filed by BP America Production Company, Inc. and Samson Investment Company (Orders No. 112-180 and 112-181).

10. The Director may, after notice and hearing, approve exceptions to permitted well locations due to topography or surface hazards or the recompletion of wells previously drilled at permitted locations. Applicant gives notice that it may seek approval of exception locations for optional third and fourth infill wells in each 320 acre unit.

11. Exhibit B attached hereto and made part hereof lists the names of "Owners" required to be notified in accord with Commission Rule 507 within the areas covered by this Application. To the best of Applicant's knowledge and belief, Exhibit B contains the names of all such owners.

12. This Application has been verified by the Applicant as required by Commission rules.

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 that up to four (4) Fruitland Coal wells may be completed in each 320 acre drilling and spacing unit for gas and associated hydrocarbons from the Fruitland Coal Seam formation underlying the lands set forth on Exhibit A. The additional third and fourth infill wells may be optional wells in the discretion of the operator located as discussed in this application unless the Director approves an exception for the permitted well location.

B. Incorporating key terms of the Applicant's Health, Safety and Welfare Plan into the Commission Order insofar as the plan concerns non-tribal operations on lands outside of the jurisdiction of the Southern Ute Indian Tribe.

C. For such other findings and orders as the Commission may deem just or proper.

Dated this \_\_\_\_\_ day of \_\_\_\_\_, 2006.

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Attorneys for Elm Ridge Exploration  
Company, LLC

Applicant's Address:

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## VERIFICATION

James M. Clark, Jr., being first duly sworn upon oath, deposes and verifies that he is the President of Elm Ridge Exploration Company, LLC and that he has read the foregoing Application and that the matters therein contained are true to the best of his knowledge, information and belief.

ELM RIDGE EXPLORATION  
COMPANY, LLC

Name: James M. Clark, Jr.  
Address: 12225 Greenville Avenue  
Suite 950  
Dallas, TX 75243-9362

[illegible]

Subscribed and sworn to before me by James M. Clark, Jr. this \_\_\_\_ day of \_\_\_\_\_, 2006.

Witness my hand and official seal.

My commission expires: \_\_\_\_\_

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Notary Public

## Legal

### Township 33 North, Range 7 West

Section 18: W/2

### Township 33 North, Range 8 West

Section 6: S/2

Section 7: All

Section 8: E/2

Section 9: W/2

Section 11: W/2

Section 15: S/2

Section 16: E/2

Section 17: W/2

Section 18: W/2

Section 20: N/2

Section 21: All

### Township 33 North, Range 9 West

Section 13: E/2

Section 15: W/2

Section 26: N/2

## Interested Parties

MONTANA GAS INVESTMENTS LLC  
C/O RED WILLOW PRODUCTION CO  
AGENT FOR MONTANA GAS INV LLC  
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IGNACIO, CO 81137

RED WILLOW PRODUCTION CO INC  
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IGNACIO, CO 81137

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FOUR STAR OIL & GAS COMPANY  
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SAN JUAN PUBLIC LANDS CENTER  
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DENVER, CO  
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LA PLATA COUNTY  
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