

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

IN THE MATTER OF THE APPLICATION OF
CHEVRON MIDCONTINENT, L.P., IGNACIO-
BLANCO FIELD, LA PLATA COUNTY,
COLORADO.

CAUSE NO. 112
DOCKET NO. _____

VERIFIED APPLICATION

COMES NOW, the Applicant, Chevron MidContinent, L.P. ("Applicant"), by and through its attorneys, Poulson, Odell & Peterson, LLC, and makes application to the Oil and Gas Conservation Commission of the State of Colorado for an order to permit, at the option of the operator, one additional wells to be drilled in certain 320 acre drilling and spacing units in the Ignacio-Blanco Field in La Plata County, Colorado. In support thereof, Applicant states as follows:

APPLICATION LANDS

Applicant, or its wholly-owned subsidiary company, is the owner of certain oil and gas leases and the operator of wells producing from the Fruitland Coal seams in the Ignacio-Blanco Field in the following described lands:

Township 33 North, Range 11 West, N.M.P.M.

Section 10: All

Section 15: All

Section 16: All

Section 21: All

Section 22: All

(hereinafter "Application Lands")

1. By Cause No. 112, Order No. 112-85, entered December 19, 1990, the Oil and Gas Conservation Commission established 320 drilling and spacing units for production of methane gas from the Fruitland Coal seams in the Ignacio-Blanco Field, including the Application Lands. The units shall consist of the N/2 and S/2 or the E/2 and W/2 of a full section with the permitted well located, when north of the north line of T32N, in the NW/4 and SE/4 of the section, and when south of the north line of T32N, in the NE/4 and SW/4 of the section, and no closer than 990 feet to any outer boundary of the unit, nor closer than 130 feet to any interior quarter section line.

2. Subsequent drilling and production operations in the Fruitland Coal seams in the Ignacio-Blanco Field have provided geological and engineering evidence to the effect that in the Application Lands one well will not efficiently and economically drain an area of 320 acres. Instead, Applicant asserts that up to two wells may be required in each

such drilling and spacing unit to drain the Fruitland Coal seams efficiently and economically. Applicant requests that, at the discretion of the operator, one additional well be permitted to be drilled to and produce from the Fruitland Coal seams in each 320-acre drilling and spacing unit in the Application Lands. Applicant alleges that each such drilling and spacing unit is not smaller than the maximum area that can be efficiently and economically drained by two wells in the Fruitland Coal seams, and that the correlative rights of all parties will be protected. Applicant further alleges that the additional wells may be drilled in a manner consistent with the protection of public health, safety and welfare, and that the additional wells are in the best interests of the Southern Ute Indian Tribe.

3. To prevent waste, to protect correlative rights, to ensure the proper and efficient development of the Fruitland Coal seams in the Application Lands, and to ensure the greatest ultimate recovery of gas and associated hydrocarbon substances from the Fruitland Coal seams in the Application Lands, Applicant requests that after notice and hearing as provided by law, the Commission issue its order providing that, at the option of the operator, two wells may be drilled to and produced from the Fruitland Coal seams on each 320-acre drilling and spacing unit in the Application Lands and that the permitted location for any well drilled to the Fruitland Coal seams should be located no closer than 990 feet to any outer boundary of said 320-acre drilling and spacing unit and no closer than 130 feet to any interior section line with the Director having the right to approve exceptions to the permitted well locations for geological, topographic or surface location concerns.

4. Applicant states that to the best of its information and belief, Exhibit A attached hereto is the list of the names of owners required to be notified in accordance with Commission Rule 507.

Applicant also states that to the best of its information and belief, the surface estate of the Application Lands is owned by the Southern Ute Indian Tribe.

5. This application is submitted to this Commission in accordance with the terms of the Memorandum of Understanding dated August 22, 1991 between the Bureau of Land Management and this Commission and a separate Memorandum of Understanding dated August 22, 1991 between the Bureau of Indian Affairs, the Bureau of Land Management, and the Southern Ute Indian Tribe. The Southern Ute Indian Tribe owns the mineral estate in all of the Application Lands except T33N-11W, Sec 15: W/2NE/4, SE/4NW/4, NW/4SE/4, NE/4SW/4 which is a fee tract.

WHEREFORE, Applicant respectfully requests that this matter be set for hearing by the Commission; that notice hereof be given as required by law; and that upon hearing this Commission issue its order granting this Application as requested. Applicant further requests that the Commission in its order grant such other provisions as the Commission may find to be necessary or desirable in the cause.

DATED this ____ day of May, 2006.

Respectfully submitted,

Chevron MidContinent, L.P.

By: _____

William A. Keefe, Esq.
POULSON, ODELL & PETERSON, LLC
1775 Sherman Street, Suite 1400
Denver, Colorado 80203
(303) 861-4400

Applicant's Address:

Chevron MidContinent, L.P.
11111 S Wilcrest
Houston, Texas 77099

VERIFICATION

STATE OF TEXAS)
)
COUNTY OF _____)

O.F. Baldwin, II, Attorney-in-Fact of Chevron MidContinent, L.P., upon oath, deposes and says that he has read the foregoing Verified Application before the Oil and Gas Conservation Commission of the State of Colorado, and states that the matters contained therein are true to the best of his knowledge and belief.

O.F. Baldwin, II

Subscribed to and sworn to before me this _____ day of May, 2006 by O.F. Baldwin, II, Attorney-in-Fact of Chevron MidContinent, L.P.

My Commission expires: _____

Notary Public

Address: _____

**BEFORE THE OIL AND GAS CONSERVATION COMMISSION
OF THE STATE OF COLORADO**

IN THE MATTER OF THE APPLICATION OF CHEVRON
MIDCONTINENT, L.P., IGNACIO-BLANCO FIELD, LA
PLATA COUNTY, COLORADO.

CAUSE NO.

DOCKET NO:

AFFIDAVIT OF MAILING

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

William A. Keefe of lawful age, and being first duly sworn upon his oath, states and declares:

That he is the attorney for Chevron Midcontinent, L.P., Applicant herein, that on May _____, 2006 he caused a copy of the attached Application and Notice of Hearing to be deposited in the United States Mail, postage prepaid, addressed to the party attached hereto as Exhibit A, at the address listed for such person.

William A. Keefe

Subscribed and sworn to before me May _____, 2006.

Witness my hand and official seal.

My commission expires: July 22, 2007.

Notary Public

EXHIBIT A

Red Willow Production LLC
Post Office Box 369
Ignacio, Colorado 81137

Angie Buchanan
La Plata County Planning Dept.
1060 E. 2nd Ave
Durango, CO 81301

John D. Fallon
Chevron MidContinent, L.P.
11111 S Wilcrest
Houston, Texas 77099

Bureau of Indian Affairs
Southern Ute Agency
Post Office Box 315
Ignacio, Colorado 81137

William A. Keefe
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1775 Sherman Street, Suite 1400
Denver, Colorado 80203

Colorado Bureau of Land Management
2850 Youngfield
Lakewood, CO 80215