

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

IN THE MATTER OF THE APPLICATION OF  
BLACK HILLS EXPLORATION &  
PRODUCTION, INC., IGNACIO BLANCO  
FIELD, LA PLATA COUNTY, COLORADO

CAUSE NO. 112

DOCKET NO. \_\_\_\_\_

**VERIFIED APPLICATION**

COMES NOW, the Applicant, Black Hills Exploration & Production, Inc. ("Applicant"), by and through its attorneys, Poulson, Odell and Peterson, LLC, and makes application to the Oil and Gas Conservation Commission of the State of Colorado to amend the setbacks under Order No. 112-187 for wells permitted to be drilled in certain drilling and spacing units in the Fruitland Coal seams in La Plata County, Colorado. In support thereof, Applicant states as follows:

APPLICATION LANDS

Applicant is the owner of interests in 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 8 West, N.M.P.M.

Section 33: E/2

Section 34: All

These lands are referred to as the Application Lands.

APPLICATION

By Cause No. 112, Order No. 112-1 dated October 15, 1957, by Cause No. 112, Order No. 112-6 dated November 9, 1959, by Cause No. 112, Order No. 112-21 dated February 19, 1963, by Cause No. 112, Order No. 112-46 dated July 16, 1979, by Addendum to Order in Cause No. 112, Order No. 112-6 dated December 31, 1990 as of December 17, 1990, by Cause No. 112, Order No. 112-60 dated June 17, 1988, and by Cause No. 112, Order No. 112-61 dated September 7, 1988, as of August 15, 1988, the Oil and Gas Conservation Commission established drilling and spacing units for production of methane gas from the Fruitland Coal seams (as defined in Order No. 112-60) in the Ignacio-Blanco Field, including the Application Lands. As to the Application Lands, those orders establish drilling and spacing units of 320-acres for the production of gas from the Fruitland Coal seams consisting of the N/2 and S/2 or the E/2 and W/2 of the section. The permitted wells are to be located in the NE/4 or the SW/4 of the drilling and spacing unit, no closer than 990 feet to the boundary of the unit, and no closer than 130 feet to any interior quarter section line.

By Cause No. 112, Order No. 112-136 dated November 1, 1997, as of October 21, 1997, the Oil and Gas Conservation Commission amended Order No. 112-61 to allow, at the discretion of the operator, an additional well in certain 320-acre drilling and spacing units for production from the Fruitland Coal seams, including the Application Lands. Order No. 112-136 provides that the permitted wells are to be located in the NW/4 or the SE/4 of the drilling and spacing unit, no closer than 990 feet to the boundary of the unit, and no closer than 130 feet to any interior quarter section line, subject to the Director approving exceptions for the permitted well locations for geological, topographic or surface location concerns.

By Cause No. 112, Order No. 112-187 dated April 7, 2006, as of March 20, 2006, the Oil and Gas Conservation Commission amended Order No. 112-136 to allow, at the discretion of the operator, two additional wells to be drilled to the Fruitland Coal seams in each 320-acre drilling and spacing unit in the Application Lands. Order No. 112-187 limits the number of pads to be used in a single 640-acre governmental section for wells drilled to the Fruitland Coal seams, and provides that for each 320-acre drilling and spacing unit the bottom hole location for any such well shall be no closer than 990 feet to the boundary of the unit, and no closer than 130 feet to any interior quarter section line, subject to the Director approving exceptions for the permitted well locations for geological, topographic or surface location concerns.

## II

Subsequent analysis of the Fruitland Coal seams has provided evidence that the existing setbacks for wells drilled to the Fruitland Coal seams in the Application Lands do not provide sufficient flexibility for the operator to efficiently and economically drain gas from the Fruitland Coal seams in the existing drilling and spacing units. Applicant asserts that the setbacks for the bottom hole locations for permitted wells drilled to the Fruitland Coal seams should be changed to 660 feet from the boundaries of the drilling and spacing unit, with no setbacks from interior quarter section lines.

## III

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 the permitted location for any well drilled to the Fruitland Coal seams in a drilling and spacing unit in the Application Lands subsequent to the entry of such order may be located no closer than 660 feet to any outer boundary of said 320-acre drilling and spacing unit, and that there be no setback from any interior quarter section line.

## GENERAL PROVISIONS

### IV

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

### V

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 interests in a portion of the surface of the Application Lands and owns the minerals in all of the Application Lands.

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,

Black Hills Exploration & Production Company,  
Inc.

BY: \_\_\_\_\_  
William A. Keefe, Esq.  
Poulson, Odell & Peterson, LLC  
1775 Sherman Street, Suite 1400  
Denver, Colorado 80203  
(303) 861-4400

Applicant's Address:  
Black Hills Exploration & Production, Inc.  
350 Indiana Street, Suite 400  
Golden, Colorado 80401

VERIFICATION

STATE OF COLORADO                    )  
  ) ss.  
COUNTY OF JEFFERSON                )

Jim Bob Byrd, Senior Landman of Black Hills Exploration & Production, Inc., 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.

\_\_\_\_\_  
Jim Bob Byrd  
Senior Landman, Black Hills Exploration

Subscribed to and sworn to before me this \_\_\_\_\_ day of May, 2006 by Jim Bob Byrd, Senior Landman of Black Hills Exploration & Production, Inc.

My Commission expires:\_\_\_\_\_

\_\_\_\_\_  
Notary Public

Address:\_\_\_\_\_  
\_\_\_\_\_

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INC., IGNACIO BLANCO FIELD, LA PLATA  
COUNTY, COLORADO

DOCKET NO. \_\_\_\_\_

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William A. Keefe

Notary Public

**EXHIBIT "A"**

Colorado Bureau of Land Management  
2850 Youngfield  
Lakewood, CO 80215

William A. Keefe  
POULSON, ODELL & PETERSON, LLC  
1775 Sherman Street, Suite 1400  
Denver, CO 80203

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

Jim Bob Byrd, Senior Landman  
Black Hills Exploration & Production  
350 Indian Street, Suite 400  
Golden, CO 80401

Pablo Operating Company  
777 Main Street  
Suite 3250  
Houston, Texas 76102

BP America Production Co.  
380 Airport Road  
Durango, Colorado 81301

Samson Resources Company  
370 Seventeenth Street  
Suite 3000  
Denver, Colorado 80202

Red Willow Production Co.  
P.O. Box 642  
Ignacio, Colorado 81137

S G Interests V  
909 Fannin  
Suite 2600  
Houston, Texas 77010

Stewart Petroleum Corporation  
475 Seventeenth Street  
Suite 1250  
Denver, Colorado 80202

Angie Buchanan  
La Plata County Planning Dept.  
1060 E. 2<sup>nd</sup> Avenue  
Durango, CO 81301