

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 & 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, two additional wells 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 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.

I

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.

## II

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 two wells will not efficiently and economically drain an area of 320 acres. Instead, Applicant asserts that up to four 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, two additional wells 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, with the result that, at the discretion of the operator, up to four wells can be drilled to and produced from the Fruitland Coal seams in each such drilling and spacing unit. Applicant alleges that each such drilling and spacing unit is not smaller than the maximum area that can be efficiently and economically drained by four 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.

## 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 (1) that after notice and hearing as provided by law, the Commission issue its order providing that, at the option of the operator, four wells may be drilled to and produced from the Fruitland Coal seams on each 320-acre drilling and spacing unit in the Application Lands; (2) that the permitted location for any well drilled to the Fruitland Coal seams subsequent to the entry of such order in a drilling and spacing unit in the Application Lands 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; and (3) that the Director have the right to approve exceptions to the permitted well locations for geological, topographic or surface location concerns.

## 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 the surface and minerals in 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 30th day of January, 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                    )

\_\_\_\_\_, \_\_\_\_\_ 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.

\_\_\_\_\_

Subscribed to and sworn to before me this \_\_\_\_\_ day of January, 2006 by  
\_\_\_\_\_, \_\_\_\_\_ of Black Hills Exploration & Production, Inc.

My Commission expires:

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

Address \_\_\_\_\_

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