

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

IN THE MATTER OF THE APPLICATION OF)
CONOCOPHILLIPS COMPANY, BURLINGTON)
RESOURCES OIL & GAS COMPANY LP AND)
THE SOUTHERN UTE INDIAN TRIBE, D/B/A) CAUSE NO. 112
RED WILLOW PRODUCTION COMPANY FOR)
AN ORDER ALLOWING OPTIONAL THIRD) Docket No. _____
AND FOURTH WELLS IN ESTABLISHED 320-)
ACRE DRILLING AND SPACING UNITS)
COVERING THE FRUITLAND COAL SEAM)
FORMATION, IGNACIO-BLANCO FIELD, LA)
PLATA COUNTY, COLORADO)

APPLICATION

ConocoPhillips Company, Burlington Resources Oil & Gas Company LP (“ConocoPhillips”) and the Southern Ute Indian Tribe, d/b/a Red Willow Production Company (collectively referred to herein as “Applicants”), by and through their undersigned attorneys, makes application to the Oil and Gas Conservation Commission of the State of Colorado, for an order to permit an optional third and fourth well in established 320-acre drilling and spacing units for the Fruitland Coal Seam formation. In support thereof, the Applicants state and allege as follows:

1. That the Applicants are the owners of numerous leasehold interests in La Plata County, Colorado, located within the area requested for infill drilling.
2. That the Applicants are requesting that two (2) optional infill wells be permitted in each existing drilling and spacing unit of 320 acres for the Fruitland Coal Seam formation covering the lands described on Exhibit A attached hereto and incorporated by reference. Applicants further request that either or both of such optional infill wells be permitted to be drilled and completed as horizontal wells. Moreover, Applicants request that they be granted the option with respect to any previously authorized but undrilled “parent” wells to drill and complete such wells as horizontal wells.
3. That insofar as this Application concerns lands within the jurisdiction of the Southern Ute Indian Tribe, it 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 (“BLM”) and this Commission and separate Memorandum of Understanding dated August 22, 1991 between the Bureau of Indian Affairs, the BLM and the Southern Ute Indian Tribe. In certain of the lands described on Exhibit A, the Southern Ute Indian Tribe owns surface interests, mineral interests or leasehold interests underlying such lands.
4. In support of the requested order, Applicants assert that two wells previously authorized will not efficiently and economically drain each of the 320-acre drilling and spacing units described in Exhibit A, and that additional wells are 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 and, with respect to Tribal lands, applicable rules and regulations of the BLM.
5. 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 formation. 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.

Applicants propose that optional third and fourth wells in each 320-acre unit or with respect to any previously authorized undrilled parent wells, whether such wells are directional or horizontal completions, be completed or recompleted in the operator's discretion with bottomhole no closer

than 660 feet to any outer boundary of the unit and with no setback required to any interior quarter section line.

6. That the surface location of each of the optional wells shall be located on a common or expanded pad with any existing wells such that a total of four Fruitland coal surface well pads shall be authorized in each governmental section.

7. With respect to lands not within the jurisdiction of the Southern Ute Indian Tribe, 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, provided that appropriate notice of such exception location is afforded to offset owners as required by Commission rules.

8. Applicants further state that the requested additional wells can be developed in a manner consistent with protection of public health, safety and welfare. To this end, while not required under the Rules of this Commission, Co-Applicant ConocoPhillips shall propose a Health, Safety and Welfare Plan on lands not within the jurisdiction of the Southern Ute Indian Tribe which is likely to be a portion of a Memorandum of Understanding by and between ConocoPhillips and La Plata County, Colorado ("HS&W Plan"). Co-Applicant ConocoPhillips requests a finding by the Commission that such HS&W Plan adequately addresses concerns related to the environment and public health, safety and welfare not otherwise addressed by Commission rule on such non-tribal lands. Moreover, new compressor installations shall use the best available emission control technology and Co-Applicant ConocoPhillips shall also provide a plan to the Southern Ute Indian Tribe to evaluate the modification of older compression installation emission technology in the field over the next five (5) years.

9. Exhibit B 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 Applicants' knowledge and belief, Exhibit B contains the names of all such Owners.

WHEREFORE, Applicants respectfully request 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, whether such wells are directional or horizontal 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 with the third and fourth wells in each such unit being optional wells in the discretion of the operator located as provided in paragraph 5 and 6 subject to the Director approving exceptions for the permitted well locations as provided in paragraph 7 above.

B. That any previously authorized undrilled "parent" wells in the established drilling and spacing units be authorized to be drilled vertically, directionally or horizontally in the Applicants' discretion provided that such wells comply with the setbacks to the outer boundary of the drilling and spacing unit as described paragraph 5 above.

C. That portions of Co-Applicant ConocoPhillips' HS&W Plan shall be incorporated as part of the Commission Order concerning non-tribal operations on lands outside of the jurisdiction of the Southern Ute Indian Tribe.

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

DATED this _____ day of October, 2006.

Respectfully submitted,

CONOCOPHILLIPS COMPANY AND
BURLINGTON RESOURCES OIL & COMPANY LP
THE SOUTHERN UTE INDIAN TRIBE, D/B/A
RED WILLOW PRODUCTION COMPANY

By: _____

Michael J. Wozniak
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(303) 407-4499

Applicants' Addresses:

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Farmington, NM 87499

P.O. Box 369
Ignacio, CO 81137-0368

VERIFICATION

[illegible]

_____, of lawful age, being first duly sworn upon oath, deposes and says that he is the _____ for ConocoPhillips Company and Burlington Resources Oil & Gas Company LP and that he has read the foregoing Application and that the matters therein contained are true to the best of my knowledge, information and belief.

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

Witness my hand and official seal.
My commission expires:

Notary Public

VERIFICATION

STATE OF COLORADO)
) ss.
LA PLATA COUNTY)

_____, of lawful age, being first duly sworn upon oath, deposes and says that he is the _____ of Red Willow Production Company 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.

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

Witness my hand and official seal.
My commission expires:

Notary Public

Exhibit A
Legal Description
80-acre Infill Application Area

ConocoPhillips

Township 32 North, Range 7 West, N.M.P.M.

Section 11: All
Section 13: All
Section 14: All
Section 15: All
Section 16: N2
Section 20: All

Township 33 North, Range 9 West, N.M.P.M.

Section 5: All
Section 17: S/2
Section 20: All

Township 33 North, Range 10 West, N.M.P.M.

Section 6: All

Township 34 North, Range 9 West, N.M.P.M.

Section 29: All
Section 30: S/2
Section 32: All
Section 33: W/2

Township 34 North, Range 10 West, N.M.P.M.

Section 30: S/2
Section 31: All
Section 32: All
Section 33: All
Section 34: All
Section 36: S/2

The Southern Ute Indian Tribe, d/b/a
Red Willow Production Company

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

Section 1: All

Township 34 North, Range 10 West, N.M.P.M.

Section 23: S/2
Section 24: S/2
Section 25: All
Section 26: All
Section 27: All
Section 28: All
Section 29: All
Section 35: All
Section 36: N/2

Exhibit B
Interested Parties

ConocoPhillips
Attn: Outside Operated JI Billing
Cathy Carrasco
1070 Plaza Office Building
Bartlesville, OK 74004

Cranberry Methane Corp
Attn: Debbie Sycamore
511 16th Street, Suite 300
Denver, CO 80202

Sue B Lane Limited Partnership
5032 Bissonet Drive
Metairie, LA 70003-1014

Red Willow Production Company
Agent for Montana Gas Investments LLC
P.O. Box 369
Ignacio, CO 81137

Northwestern Mutual Life Ins
Joint Interest Billing
Attn: Jerry Baier
720 East Wisconsin Avenue
Milwaukee, WI 53202

Animas Energy LLC
Pinon Operations Joint Venture
Red Willow (BP Properties)
Red Willow Prod. Co. (Questar)
c/o Red Willow Production Company
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44 Canyon, LLC
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