

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

IN THE MATTER OF THE
APPLICATION OF FOUR STAR OIL &
GAS COMPANY, IGNACIO-BLANCO
FIELD, LA PLATA COUNTY,
COLORADO.

CAUSE NO. 112

DOCKET NO. _____

VERIFIED APPLICATION

COMES NOW, the Applicant, Four Star Oil & Gas Company (“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 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 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 10 West, N.M.P.M.

Section 24: E/2

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

Section 26: S/2

Section 27: All

Section 28: All

Section 33: All

Section 34: All

Township 32 North, Range 9 West, N.M.P.M.

Section 3: All

Section 4: All

Section 9: All

Section 10: 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. By Cause No. 112, Order No. 112-134, entered May 19, 1997, the Oil and Gas Conservation Commission granted, at the discretion of the operator, an additional well in all of the Application Lands (except the E/2 of Section 24 in Township 33 North, Range 10 West) an additional well in each 320-acre drilling and spacing unit for production from the Fruitland Coal seams, with permitted wells in Township 32 North to be located in the center of 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, subject to the Director approving exceptions for the permitted well location for geological, topographic or surface location concerns.

3. 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 (4) 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. 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.

4. 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, 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 and that the permitted location for any new well drilled to the Fruitland Coal seams should be located bottom hole no closer than 660 feet to any outer boundary of the Application Lands and

no closer than 200 feet to the interior boundary of any 320 acre drilling and spacing unit within the Application Lands. With respect to surface well locations, Applicant intends to drill all new infill wells from existing pads.

5. 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 Tribe except the following which all or a portion of which fee surface:

Township 33 North, Range 10 West

Section 24: SE/4 except Tract B (Bondad Compressor Station)

Township 33 North, Range 9 West

Section 27: N/2NW/4, NW/4NE/4, NE/4NE/4

Section 28: NE/4

6. 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.

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 July, 2006.

Respectfully submitted,

Four Star Oil & Gas Company

By:

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