

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

IN THE MATTER OF THE APPLICATION | CAUSE NO. 112
OF CHEVRON USA INC., IGNACIO-
BLANCO FIELD, LA PLATA COUNTY, | DOCKET NO.
COLORADO.

VERIFIED APPLICATION

COMES NOW, the Applicant, Chevron USA 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, 3rd and 4th 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 34 North, Range 10 West, N.M.P.M.

Section 13: S/2
Section 24: N/2

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

Section 8: W/2
Section 17: S/2
Section 17: N/2

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

Section 29: E/2
Section 29: W/2
Section 32: E/2
Section 32: W/2

(hereinafter "Application Lands")

1. By Cause No. 112, Order No. 112-85, entered December 17, 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 those 320 acre drilling and spacing units comprising 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. 112-57 entered July 1, 2000, the Oil and Gas Conservation Commission granted, at the discretion of the operator, an additional well in certain described 320 acre drilling units including those Application Lands described as the S/2 of Section 13 and the N/2 of Section 24 in Township 34 North, Range 10 West, N.M.P.M. for the production from the Fruitland Coal seams, with permitted wells 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. By Cause No. 112, Order No. 112-143 entered May 19, 1998, the Oil and Gas Conservation Commission granted, at the discretion of the operator, an additional well in certain described drilling units including those Application Lands described as the W/2 of Section 8, the N/2 of Section 17 and the S/2 of Section 17 in township 33 North, Range 10 West, N.M.P.M. for the production from the Fruitland Coal seams, with permitted wells to be located in the center of the NE/4 of SW/4 of the 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.

3. With reference to those 320 acre drilling and spacing units of the Application Lands consisting of the E/2 of Section 29, the W/2 of Section 29, the E/2 of Section 32 and the W/2 of Section 32 in Township 33 North, Range 11 West, N.M.P.M., the then operator of such lands was granted the right to drill an additional Fruitland Coal well on each such drilling and spacing unit by the Bureau of Land Management under its Decision dated October 21, 1992 as part of a project to test the geologic interpretation and reservoir simulation of the Fruitland Coals underlying lands owned by the Southern Ute Indian Tribe.

4. 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 of the Application Lands to drain the Fruitland Coal seams efficiently and economically. Applicant requests that, at the discretion of the operator, 3rd and 4th optional wells be permitted to be drilled to and produce from the Fruitland Coal seams in each 320-acre drilling and spacing unit of 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 which owns both the surface estate and mineral estate of the Application Lands.

5. 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 of the Application Lands and that the permitted location for any well drilled to the Fruitland Coal seams should be located bottomhole within each 320 acre drilling unit no closer than 660 feet to any outer boundary of the 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.

6. 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.

7. 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 the 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 both the surface estate and 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 June, 2007.

Respectfully submitted,

Chevron USA Inc.

By: _____
William A. Keefe, Its Attorney
Poulson, Odell & Peterson, LLC
1775 Sherman Street, Suite 1400
Denver, Colorado 80203
Phone: (303) 861-4400

Applicant's Address:

Chevron USA Inc.
11111 South Wilcrest
Houston, TX 77099

VERIFICATION

STATE OF TEXAS)
)
COUNTY OF HARRIS)

Marty P. Babin, Senior Land Representative of Chevron USA 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.

Marty P. Babin

Subscribed to and sworn to before me this _____ day of June, 2007 by Marty P. Babin, Senior Land Representative of Chevron USA Inc.

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

ORDER NO:

DOCKET NO:

AFFIDAVIT OF MAIL

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

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

That he is the attorney for Chevron U.S.A., Inc., Applicant herein; that on the _____ day of June, 2007, he caused a copy of the attached Application to be deposited in the United States Mail, postage prepaid, addressed to each of the parties listed on Exhibit "A" to the Application.

By:

William A. Keefe

Subscribed and sworn to before me this ____ day of June, 2007.

Witness my hand and official seal.

My commission expires: July 22, 2007.

Notary Public