

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

IN THE MATTER OF THE APPLICATION)
OF ROBERT L. BAYLESS, PRODUCER)
LLC, FOR AN ORDER ESTABLISHING)
SPACING AND WELL LOCATION)
RULES FOR THE LEWIS FORMATION)
FOR CERTAIN LANDS IN THE CRAIG-)
NORTH FIELD, MOFFAT COUNTY,)
COLORADO)

CAUSE NO. 113

DOCKET No. _____

VERIFIED APPLICATION

Robert L. Bayless, Producer LLC ("Applicant"), by and through its attorneys, Bjork Lindley Little PC, respectfully submits this application to the Oil and Gas Conservation Commission of the State of Colorado ("Commission") for an order to increase the number of wells that can be optionally drilled and produced in certain drilling and spacing units in the Lewis Formation, known historically as the Basal Lance Sand, of the Craig-North Field in Moffat County, Colorado. In support of this application, Robert L. Bayless, Producer LLC, states as follows:

1. Applicant is an operator and working interest owner in the oil and gas leases in the below-described lands located in the Craig-North Field in Moffat County, Colorado:

Township 8 North, Range 91 West, 6th P.M.
Section 25: All
Section 35: N½

These lands are referred to as the "Application Lands".

2. Applicant is a Limited Liability Company that is authorized to conduct business in Colorado and owns the majority of the working interest in the Application Lands. Exhibit A includes all interested parties as defined in Commission rules.

Summary of Relief Requested

3. In this Verified Application, Applicant is requesting that the Commission issue a new order under Cause No. 113 that would allow for increased well density within the Application Lands. At present, applicable Commission orders allow one well per 320-acre drilling and spacing unit within the Application Lands. In this Application, Applicant requests that the Commission issue an order increasing the permitted density in the Application Lands to two wells per 320-acre drilling and spacing unit.

Current Operations and Surface Ownership

4. At present, there are three operating wells in the Application Lands: (1) the Cottonwood Gulch Federal A-1 in the NE¼ of Section 25; (2) the Cottonwood Gulch Federal A-2 in the SW¼ of Section 25; and (3) the Cottonwood Gulch Federal C-1 in the NE¼ of Section 35. Applicant is the operator of each of these wells.

5. Applicant is aware of three different surface owners on the Application Lands: (1) Leland R. and Sally E. Smith; (2) Lola Weeks; and (3) Smith Rancho, Ltd. There is an active Surface Use Agreement between Leland R. and Sally E. Smith and Robert L. Bayless, Producer LLC and an historic one between Lola Weeks and the previous Lessee and Assignor to Robert L. Bayless, Producer LLC. Both of these parties have been notified by US Mail and a phone message has been left with each party. Smith Rancho is a mineral owner and surface use is outlined in an existing oil and gas lease. Applicant is committed to working with these surface owners and accommodating their rights pursuant to law, working with all applicable government officials, minimizing waste and protecting correlative rights.

Relevant Commission Orders

6. On November 26, 1957, the Commission issued Order No. 113-1, which applies to a portion of the Lewis Formation known historically as the Basal Lance Sand. In Order No. 113-1, the Commission determined that the Basal Lance Sand was a common source of supply in lands that lie near the Application Lands. Order No. 113-1 designated the lands overlying the Basal Lance Sand as the Craig-North Field, established 320-acre drilling and spacing units within that field, and promulgated specific well location rules for each of the sections therein.

7. On August 20, 1974, by Order No. 113-3, the Commission extended the boundaries of the Craig-North Field by subjecting additional lands to the provisions of Order No. 113-1, and by promulgating specific well location rules for each of the sections located within the extended boundaries.

8. On May 21, 1979, the Commission issued Order No. 113-5, which extended the boundaries of the Craig-North field to encompass the Application Lands. Order No. 113-5 established 320-acre drilling and spacing units for several sections, including the Application Lands, and outlined the process for defining the boundaries of the drilling and spacing units within each section.

9. On October 29, 2001, the Commission issued Order No. 113-7, which rescinded the 320 acre Craig-North field spacing and established 160-acre spacing in several sections in Township 8 North, Range 90 West. Exhibit B depicts these lands.

Grounds for Relief Requested

10. As previously noted, Applicant operates three wells within the Application Lands: Cottonwood Gulch Federal A-1, Cottonwood Gulch Federal A-2, both of which were completed in 1979, and Cottonwood Gulch Federal C-1, completed in 1980.

11. All three of these wells, along with numerous other wells within the Craig-North field, produce from the Lewis formation. Geological and engineering evidence derived from recent operations of these wells demonstrates that the drainage area within the Lewis in section 25 is smaller than the 320 acres currently comprising each spacing unit. In section 25, drainage areas from the upper Lewis producing zone range from 69 to 109 acres. An isopach map of the upper Lewis interval indicates a potential location in the NW of section 35. This location is along trend with section 25 and has not been impacted by upper Lewis production. The gas produced from the Cottonwood Gulch C1 in NE section 35 is entirely from the lower Lewis.

12. Thus, a single well is insufficient to extract the hydrocarbon resources underlying the 320-acre spacing units on the Application Lands. In order to efficiently and economically drain the hydrocarbon resources found in the Lewis, Applicant asserts that up to two wells may be required in each 320-acre drilling and spacing unit.

13. Accordingly, Applicant requests that the Commission issue a new order permitting increased well density, of up to two wells per 320-acre spacing unit, in the Application Lands. As discussed above, Applicant maintains that permitting the completion of up to two wells in each drilling and spacing unit within the Application Lands will enable the mineral deposits underlying those lands to be efficiently and economically drained.

14. To prevent waste, to protect correlative rights, and to promote efficient and effective drainage of the Lewis Formation within the Application Lands, and pursuant to § 34-60-116(4), C.R.S. (2006), and COGCC 503, Applicant requests that the Commission amend Order No. 113-5 to allow for increased density of two wells per 320-acre drilling and spacing unit within the Application Lands. In the alternative, Applicant requests that the Commission issue a new order providing that up to two wells may be drilled in each 320-acre drilling and spacing unit within the Application Lands.

15. Applicant respectfully requests that this matter be set for hearing in December, 2007, that notice be given as required by law, and that upon such hearing the Commission enter its order consistent with Applicant's proposals as set forth above.

Respectfully submitted on October 18, 2007

BJORK LINDLEY LITTLE PC

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EXHIBIT A

INTERESTED PARTIES

Petrojarl Inc.
PO Box 820467
Houston, TX 77282

Smith Rancho Land and Livestock Company
PO Box 215
Craig, CO 81626

Willischild Oil and Gas Corp.
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Snyder, OK 73566

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