

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.

CAUSE NO. 112

DOCKET NO.

VERIFIED APPLICATION

COMES NOW, the applicants, Chevron USA Inc. and Four Star Oil & Gas Company (collectively "Applicant"), by and through their attorneys, Poulson, Odell & Peterson, LLC, and make 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 (grouped to indicate approximate 320 acre drilling and spacing units):

Township 34 North, Range 9 West, SUL

Section 5U: ALL

Section 8U: N/2

Section 8U: S/2

Section 6U: ALL

Section 7U: N/2

Section 7U: S/2

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

Section 18: N/2

Township 34 North, Range 10 West, SUL

Section 12U: S/2

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

Section 13: N/2

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

Section 5: N/2

Section 5: S/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. 112-157 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 constituting the Application Lands) 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.

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 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.

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 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.

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.

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 August, 2007.

Respectfully submitted,

Chevron USA Inc. and Four Star Oil & Gas Company

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

Applicants' Address:

Chevron USA Inc.
Four Star Oil & Gas Company
11111 South Wilcrest
Houston, TX 77099

VERIFICATION

STATE OF TEXAS)
)
COUNTY OF HARRIS) ss.

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 August, 2007 by Marty P. Babin, Senior Land Representative of Chevron USA Inc.

My Commission expires:

Notary Public

Address: _____
