

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

IN THE MATTER OF THE APPLICATION OF)	
MCELVAIN OIL & GAS PROPERTIES, INC.)	
FOR AN ORDER ESTABLISHING WELL)	
LOCATION RULES FOR THE FRUITLAND)	
COAL FORMATION FOR CERTAIN)	Cause No. 112
DESCRIBED LANDS IN THE IGNACIO)	
BLANCO FIELD AREA, LA PLATA COUNTY,)	Docket No. _____
COLORADO)	

APPLICATION

McElvain Oil & Gas Properties, Inc. (“Applicant”), by and through their attorneys, Beatty & Wozniak, P.C., respectfully submits this Application to the Oil and Gas Conservation Commission of the State of Colorado (the “Commission”) for an order establishing well location rules applicable to the drilling and producing of wells from the Fruitland Coal Formation in two (2) existing drilling and spacing units covering certain described lands in the Ignacio Blanco Field Area, La Plata County, Colorado and in support of its Application states and alleges as follows:

1. Applicant is a corporation duly authorized to conduct business in the State of Colorado.
2. Applicant operates existing oil and gas wells on or adjacent to the leasehold estate, including, but not limited to, the Fruitland Coal Formations, underlying the following described lands:

Township 32 North Range 6 West, N.M.P.M.
Section 17: E ½

Township 33 North Range 8 West, N.M.P.M.
Section 18: E ½

La Plata County, Colorado.

(hereafter the “Application Lands”).

3. That the Application Lands are subject to one or more of the Commission Orders, including Order Nos. 112-60 and 112-157 of the Commission.
4. On June 17, 1988, through Order No. 112-60, the Commission established Three Hundred Twenty (320) acre drilling and spacing units for the Application Lands for the production of gas from the Fruitland Coal Formation, with one well at a designated location for each such drilling and spacing unit.
5. On May 15, 2000, the Commission issued Order No. 112-157, amending Order No. 112-60, which among other things, allowed an optional additional well to be drilled for production of gas from the Fruitland Coal seams for the 320-acre drilling and spacing units which comprise the Application Lands: Township 32 North, Range 6 West, N.M.P.M., Section 17: E ½ and Township 33 North, Range 8 West, N.M.P.M., Section 18: E ½, with such permitted well to be located in any undrilled quarter section no closer

than 990 feet from the boundaries of the quarter section, nor closer than 130 feet to any interior quarter section line.

6. That Applicant has drilled, tested and completed wells in the Fruitland Coal Formation upon the Application Lands and nearby the Application Lands.

7. That the Applicant is requesting that two (2) additional optional infill wells be permitted in each existing 320-acre drilling and spacing unit for the Fruitland Coal Seam Formation (for a total of four (4) wells authorized in each drilling and spacing unit) covering the Application Lands. In support of the requested order, Applicant asserts that two wells previously authorized will not efficiently and economically drain each of the 320-acre drilling and spacing units, and that additional wells are necessary to prevent waste, protect correlative rights and to recover gas and associated hydrocarbons from the Fruitland Coal Seam Formation all in accordance with the Colorado statutes and the rules and regulations of this Commission.

8. Applicant further requests that either or both of such optional infill wells be permitted to be drilled and completed as vertical, directional or horizontal wells, at Applicant's discretion. Applicant proposes that optional third and fourth wells in each 320-acre unit, whether such wells are vertical, 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.

9. 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 two Fruitland Coal surface well pads shall be authorized in each 320-acre drilling and spacing unit.

10. Applicant further states that the requested additional wells can be developed in a manner consistent with protection of public health, safety and welfare. To this end, Applicant shall propose a Health, Safety and Welfare Plan which is likely to be a portion of a Memorandum of Understanding by and between McElvain and La Plata County, Colorado ("HS&W Plan") which shall apply to operations on the Application Lands. The Applicant 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.

11. That the names and addresses of the interested parties according to the information and belief of the Applicants are set forth in Exhibit A attached hereto and made a part hereof.

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

WHEREFORE, Applicant respectfully requests 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 Application Lands with the third and fourth wells in each such unit being optional wells in the discretion of the operator located as provided above subject to the Director approving exceptions for the permitted well locations.

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

Dated this 7th day of January, 2008.

Respectfully submitted,

McElvain Oil & Gas Properties, Inc.

By: _____
Michael J. Wozniak
Susan L. Aldridge
Beatty & Wozniak, P.C.
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Applicant's Address:

1050 17th Street, Suite 1800
Denver, Colorado 80265

VERIFICATION

STATE OF COLORADO)
) ss.
COUNTY OF DENVER)

Sheryl A. Olson, Senior Landman for McElvain Oil & Gas Properties, Inc., upon oath deposes and says that she has read the foregoing Application and that the statements contained therein are true to the best of her knowledge, information and belief.

MCELVAIN OIL & GAS PROPERTIES, INC.

By: _____
Sheryl A. Olson, Senior Landman

Subscribed and sworn to before me this ____ day of January, 2008, by Sheryl A. Olson,
Senior Landman of McElvain Oil & Gas Properties, Inc.

Witness my hand and official seal.

My commission expires:_____

Notary Public

**EXHIBIT “A”
INTERESTED PARTIES**

T.H. McElvain Oil & Gas
Limited Partnership
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Denver, CO 80265

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McElvain Oil Company
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Agent for Montana Gas Inv. LLC
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