

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

IN THE MATTER OF THE APPLICATION OF)	
RED WILLOW PRODUCTION COMPANY AND)	
ENERGEN RESOURCES CORPORATION FOR)	
AN ORDER VACATING EXISTING 320-ACRE)	CAUSE NO. 112
DRILLING AND SPACING UNITS;)	
ESTABLISHING IRREGULAR DRILLING AND)	Docket No. _____
SPACING UNITS ADJACENT TO THE)	
COLORADO STATE LINE OF)	
APPROXIMATELY 360 ACRES AND)	
ESTABLISHING ADDITIONAL DRILLING AND)	
SPACING UNITS OF 640, 960 AND 1,280 ACRES;)	
ALLOWING HORIZONTAL WELL(S) IN SUCH)	
DRILLING AND SPACING UNITS; AND)	
ESTABLISHING SETBACKS IN THE)	
FRUITLAND COAL SEAM FORMATION,)	
IGNACIO-BLANCO FIELD, ARCHULETA)	
COUNTY, COLORADO)	

APPLICATION

COME NOW Red Willow Production Company and Energen Resources Corporation (referred to herein as “Applicants”), by and through their undersigned attorneys, make application to the Oil and Gas Conservation Commission of the State of Colorado, for an order vacating existing 320-acre drilling and spacing units, creating larger drilling and spacing units of various sizes and to permit one horizontal well and one or more optional horizontal well(s) in each such drilling and spacing unit with setbacks as more particularly described herein for the Fruitland Coal Seam formation. In support thereof, the Applicants state and allege as follows:

1. That the Applicants are the owners of leasehold interests in Archuleta County, Colorado, located within the area requested for spacing which is more particularly described on Exhibit A attached hereto and incorporated herein (the “Subject Lands”).

2. That this Application concerns lands within the exterior boundaries of the Southern Ute Indian Reservation confirmed by Congress in 1984 under Public Law No. 98-290. Insofar as the Subject Lands are subject to the jurisdiction of the Southern Ute Indian Tribe, 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 (“BLM”) and this Commission and separate Memorandum of Understanding dated August 22, 1991 between the Bureau of Indian Affairs, the BLM and the Southern Ute Indian Tribe (collectively referred to as the “MOU’s”).

3. That portions of the Subject Lands were originally subject to Order No. 112-85 issued by this Commission on December 17, 1990. Order No. 112-85 established 320-acre drilling and spacing units for the Fruitland Coal Formation, authorized one (1) vertical well located thereon in specific quarter sections and established a 990’ outer boundary setback and a 130’ interior quarter section line setback. Order No. 112-85 was issued prior to the MOU’s described in Paragraph 2 above.

4. The surface and mineral interests under a majority of the Subject Lands are owned in trust by the United States of America for the benefit of the Southern Ute Indian Tribe (“Trust Lands”). The minerals under those Trust Lands have been leased by the Southern Ute Indian Tribe to Red Willow Production Company (a tribally owned enterprise of the Southern Ute Indian Tribe) under a mineral development agreement approved by the United States Department of the Interior, Bureau of Indian Affairs. The mineral development agreement held by Red Willow Production Company prohibits the surface location of wells on such Trust Lands.

5. There are no producing Fruitland Coal wells on the Subject Lands. Moreover, no proceeds of production have been distributed to any working interest or mineral interest owner in

the Fruitland Coal Seam Formation, based upon any previously authorized spacing unit which is to be vacated if the relief requested herein is granted.

6. The existing 1990 spacing order and setbacks are an impediment to the horizontal well pilot program which is contemplated by the Applicants, and if unmodified, would limit mineral development of the Trust Lands to methods that would cause significant surface disturbance of the Trust Lands. Applicants request that Order No. 112-85 be vacated in its entirety insofar as it affects the Subject Lands in order to facilitate the proposed horizontal development, which will cause minimal surface impacts, not only to the Trust Lands, but also to all of the Subject Lands.

7. Applicants assert that vertical wells as proposed to be located in previously authorized units will not efficiently and economically drain each of the 320-acre drilling and spacing units. Moreover, Applicants assert that the proposed horizontal wells are necessary to reduce surface impacts, to prevent waste, protect correlative rights and to efficiently recover gas and associated hydrocarbons from the Fruitland coal formation all in accordance with the Colorado statutes, the rules and regulations of this Commission and, with respect to Tribal lands, applicable rules and regulations of the BLM.

8. Applicants are requesting that one (1) horizontal well be authorized in each proposed drilling and spacing unit as specifically delineated and identified on Exhibit A. In addition, for those spacing units which are irregular sections (approximately 360-acre units along the New Mexico State line) and those 640-acre drilling and spacing units, Applicants are requesting that they be authorized to drill one optional additional infill well at the operator's discretion in such drilling and spacing unit. Finally, with respect to the 960 and 1,280 proposed drilling and spacing units described on Exhibit A, Applicants request the right to drill up three (3) additional optional wells, all of which are likely to be horizontal wells. The number of optional infill wells (in addition to one parent well for each drilling and spacing unit) is listed on Exhibit A for each proposed drilling and spacing unit.

9. All producing legs of any horizontal wells proposed hereunder shall be no closer than 660' to any outer boundary of the drilling and spacing unit (except for those specific units identified on Exhibit A in which the setback to the outer unit boundary is to remain at 990') with no setback to any interior quarter section lines.

10. The surface location of any optional infill well shall be located on a common or expanded well pad with the first well for such drilling and spacing unit such that only one (1) surface pad shall exist for each drilling and spacing unit. Applicants also request the right in some cases, to locate the surface pads and wellhead facilities outside of the boundaries of the producing drilling and spacing unit so that no surface well pad will be located on the surface of Trust Lands.

11. In support of the requested order, Applicants assert that one vertical well will not efficiently and economically drain previously established 320-acre drilling and spacing units and that the proposed horizontal wells are necessary to prevent waste, protect correlative rights and to recover gas and associated hydrocarbons from the Fruitland coal formation all in accordance with the Colorado statutes, the rules and regulations of this Commission. Substituting a limited number of horizontal wells on centralized well pads for one or two vertical wells in each 320-acre unit will significantly reduce surface impacts should the requested relief be granted.

12. Applicants further state that the requested horizontal wells from centralized well pads can be developed in a manner consistent with protection of public health, safety and welfare and in a manner consistent with protection of the environment. Absent creation of the proposed units and the authorization of horizontal drilling as set forth herein, due to current lease terms, it is likely that previously authorized vertical wells will not be drilled and waste will occur.

13. The Southern Ute Indian Tribe is in support of this Application.

14. Exhibit B attached hereto and made part hereof is the list of the names of "Owners" who are required to be notified in accord with Commission Rules. To the best of Applicant's knowledge and belief, Exhibit B contains the names of all such owners.

WHEREFORE, Applicants respectfully request 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 with respect to the Subject Lands:

A. Vacating Order No. 112-85 which established 320-acre drilling and spacing units for a vertical well;

B. Establishing the proposed drilling and spacing units as identified on Exhibit A;

C. Allowing one proposed horizontal Fruitland Coal well and the optional wells described on Exhibit A to be completed in such drilling and spacing units for gas and associated hydrocarbons from the Fruitland Coal Seam formation underlying the Subject Lands as described in paragraphs 8 and 9 above and on Exhibit A in accordance with the surface restrictions described in paragraph 10 above;

D. Providing that the productive portion of each proposed horizontal wellbore maintain at least a 660' setback from the outer boundary of each established drilling and spacing unit (except for the 990' setbacks identified on Exhibit A); and

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

DATED this _____ day of March, 2008.

Respectfully submitted,

RED WILLOW PRODUCTION COMPANY AND
ENERGEN RESOURCES CORPORATION

By: _____
Michael J. Wozniak
BEATTY & WOZNIAK, P.C.
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(303) 407-4499

Applicants' Addresses:

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Ignacio, CO 81137-0369

Energen Resources Corporation
605 Richard Arrington, Jr. Blvd North
Birmingham, AL 35203

VERIFICATION

STATE OF ALABAMA)
) ss.
COUNTY OF JEFFERSON)

Joe E. Cook, of lawful age, being first duly sworn upon oath, deposes and says that he is the Vice President, Land and Legal for Energen Resources Corporation and that he has read the foregoing Application and that the matters therein contained are true to the best of my knowledge, information and belief.

Joe E. Cook

Subscribed and sworn to before this ____ day of March, 2008.

Witness my hand and official seal.

My commission expires:

Notary Public

STATE OF COLORADO)
) ss.
LA PLATA COUNTY)

Barbara G. Wickman, of lawful age, being first duly sworn upon oath, deposes and says that she is the President of Red Willow Production Company and that she has read the foregoing Application and that the matters therein contained are true to the best of my knowledge, information and belief.

Barbara G. Wickman

Subscribed and sworn to before this ____ day of March, 2008.

Witness my hand and official seal.

My commission expires:

Notary Public

EXHIBIT A

Subject Lands

Township 32 North, Range 5 West

Section 3: W/2
Section 4: All
Section 9: All
Sections 10 – 15: All
Section 23: All
Section 24: All

Township 32 North, Range 4 West

Section 7: All
Section 8: S/2
Section 10 – 24: All

Township 32 North, Range 3 West

Section 17 - 20: All

No.	Designated Drilling and Spacing Unit	Number of Acres in Unit	Optional Additional Number of Wells Requested in DSU	Setback from Outer Unit Boundary
1.	<u>T32N, R3W</u> Section 17: All	1280.70	3	660'
	<u>T32N, R3W</u> Section 18: All			
2.	<u>T32N, R3W</u> Section 19: E/2	352.62	1	660'
	<u>T32N, R3W</u> Section 20: W/2W/2			
3.	<u>T32N, R3W</u> Section 20: E/2	356.65	1	660'
	<u>T32N, R3W</u> Section 20: E/2W/2			
4.	<u>T32N, R3W</u> Section 19: W/2	352.73	1	660'
	<u>T32N, R4W</u> Section 24: E/2E/2			
5.	<u>T32N, R4W</u> Section 7: All	641.30	1	660'
6.	<u>T32N, R4W</u> Section 8: S/2	960.00	3	660'
	<u>T32N, R4W</u> Section 17: All			
7.	<u>T32N, R4W</u> Section 10: All	640.00	1	660'
8.	<u>T32N, R4W</u> Section 11: All	640.00	1	660'
9.	<u>T32N, R4W</u> Section 12: All	640.00	1	660'

10.	<u>T32N, R4W</u> Section 13: All	640.00	1	660'
11.	<u>T32N, R4W</u> Section 14: All	640.00	1	660'
12.	<u>T32N, R4W</u> Section 15: All	640.00	1	660'
13.	<u>T32N, R4W</u> Section 16: All	640.00	1	660'
14.	<u>T32N, R4W</u> Section 18: All	641.04	1	660'
15.	<u>T32N, R4W</u> Section 20: W/2W/2	358.78	1	660'
	<u>T32N, R4W</u> Section 19: E/2			
16.	<u>T32N, R4W</u> Section 20: E/2	356.58	1	660'
	<u>T32N, R4W</u> Section 20: E/2W/2			
17.	<u>T32N, R4W</u> Section 21: W/2E/2	356.62	1	660'
	<u>T32N, R4W</u> Section 21: W/2			
18.	<u>T32N, R4W</u> Section 22: W/2	359.02	1	660'
	<u>T32N, R4W</u> Section 21: E/2E/2			
19.	<u>T32N, R4W</u> Section 23: W/2W/2	360.00	1	660'
	<u>T32N, R4W</u> Section 22: E/2			
20.	<u>T32N, R4W</u> Section 23: E/2	360.00	1	660'
	<u>T32N, R4W</u> Section 23: E/2W/2			
21.	<u>T32N, R4W</u> Section 24: W/2	360.00	1	660'
	<u>T32N, R4W</u> Section 24: W/2E/2			
22.	<u>T32N, R5W</u> Section 3: W/2	320.00	1	660'
23.	<u>T32N, R5W</u> Section 4: All	640.00	1	990'
24.	<u>T32N, R5W</u> Section 9: All	640.00	1	990'
25.	<u>T32N, R5W</u> Section 10: All	640.00	1	660'
26.	<u>T32N, R5W</u> Section 11: All	640.00	1	660'
27.	<u>T32N, R5W</u> Section 12: All	640.00	1	660'

28.	<u>T32N, R5W</u> Section 13: All	640.00	1	660'
29.	<u>T32N, R5W</u> Section 14: All	640.00	1	660'
30.	<u>T32N, R5W</u> Section 15: All	640.00	1	660'
31.	<u>T32N, R5W</u> Section 23: E/2	371.76	1	660'
	<u>T32N, R5W</u> Section 23: E/2W/2			
32.	<u>T32N, R5W</u> Section 24: W/2E/2	370.02	1	660'
	<u>T32N, R5W</u> Section 24: W/2			
33.	<u>T32N, R4W</u> Section 19: W/2	365.45	1	660'
	<u>T32N, R5W</u> Section 24: E/2E/2			

EXHIBIT B

Interested Parties

BP America Production Co.,
successor to Pan American
Petroleum Corporation
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Houston, Texas 77079-2604

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WWR Enterprises, Inc., an Arizona
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Frederic B. Emigh
Durango, CO

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Curtis C. Clark
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Harris, deceased

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Southern Ute Indian Tribe
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