

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

IN THE MATTER OF THE APPLICATION OF)
BP AMERICA PRODUCTION COMPANY AND)
THE SOUTHERN UTE INDIAN TRIBE, D/B/A)
RED WILLOW PRODUCTION COMPANY FOR) CAUSE NO. 112
AN ORDER ALLOWING UP TO FOUR (4))
OPTIONAL FRUITLAND COAL WELLS IN) Docket No. _____
ESTABLISHED 320-ACRE DRILLING AND)
SPACING UNITS COVERING THE)
FRUITLAND COAL SEAM FORMATION,
IGNACIO-BLANCO FIELD, LA PLATA AND
ARCHULETA COUNTIES, COLORADO

APPLICATION

BP America Production Company and the Southern Ute Indian Tribe, d/b/a Red Willow Production Company (referred to herein as “Applicants”), by and through their undersigned attorneys, makes application to the Oil and Gas Conservation Commission of the State of Colorado, for an order to permit and drill and complete up to four (4) optional Fruitland Coal wells in established 320-acre drilling and spacing units for the Fruitland Coal Seam formation. In support thereof, the Applicant states and alleges as follows:

1. That the Applicants are owners of numerous leasehold interests in La Plata County, Colorado, and/or operators of spacing units located within the area requested for infill drilling.
2. That the Applicants are requesting that up to four (4) optional Fruitland Coal wells be permitted and drilled and completed in each existing drilling and spacing unit of 320-acres for the Fruitland Coal Seam formation covering the lands described on Exhibit A attached hereto and incorporated by reference.
3. That insofar as this Application concerns lands within the jurisdiction of the Southern Ute Indian Tribe, it 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. In certain of the lands described on Exhibit A, the Southern Ute Indian Tribe owns surface interests, mineral interests and leasehold interests underlying such lands.
4. In support of the requested order, Applicant asserts that the one or two wells previously authorized will not efficiently and economically drain each of the 320-acre drilling and spacing units described in Exhibit A, and that additional 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 and, with respect to Tribal lands, applicable rules and regulations of the BLM.
5. On June 15, 1988, the Commission issued Order No. 112-60 which established 320-acre drilling and spacing units for production of gas from the Fruitland Coal Seam formations, and allowed one (1) well per 320-acre drilling and spacing unit for the lands described on Exhibit A. Said units shall remain as previously established. On April 24, 2000, relying on and amending Orders 112-60, 112-61 and 112-85, the Commission issued Order No. 112-157 which permitted a second Fruitland Coal Seam Formation well in each 320-acre drilling and spacing unit with such additional wells being located no closer than 990 feet to any outer boundary of the unit, nor closer than 130 feet to any interior quarter section line within the lands on Exhibit A. On October 21, 1997, the Commission issued Order No. 112-136 which permitted a second Fruitland Coal Seam Formation well in each 320-acre drilling and spacing unit with such additional wells being located in the center of the NE/4 and the 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 within certain lands identified on Exhibit A.

Applicants propose that up to four (4) optional Fruitland Coal wells in each 320-acre unit be drilled, 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.

Applicants further request, at the Applicants' discretion, that the optional wells be permitted to be drilled and completed as vertical, directional or horizontal wells.

6. That the surface location of each of the up to four (4) optional Fruitland Coal wells shall be located on a common or expanded pad with the existing well such that a total of up to four (4) Fruitland Coal well pads shall be authorized in each governmental section.

7. With respect to lands not within the jurisdiction of the Southern Ute Indian Tribe, the Director may approve exceptions to permitted well locations due to topography or surface hazards or the recompletion of wells previously drilled at permitted locations, provided that appropriate notice of such exception location is afforded to offset owners as required by Commission rules.

8. 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 BP and La Plata County, Colorado ("HS&W Plan") which shall apply to operations on lands not within the jurisdiction of the Southern Ute Indian Tribe. The Applicants request 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 on such non-tribal lands. Moreover, new compressor installations shall use the best available emission control technology and BP shall also provide a plan to the Southern Ute Indian Tribe to evaluate the modification of older compression installation emission technology in the field over the next five (5) years.

9. Exhibit B attached hereto and made part hereof is the list of the names of "Owners" required to be notified in accord with Commission Rule 508(a), including within the areas covered by this Application. 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:

A. Establishing that up to four (4) optional Fruitland Coal wells may be drilled and completed in each 320-acre drilling and spacing unit for gas and associated hydrocarbons from the Fruitland Coal Seam formation underlying the lands set forth on Exhibit A with the optional wells in the discretion of the operator located as provided in paragraphs 5 and 6 subject to the Director approving exceptions for the permitted well locations as provided in paragraph 7 above.

B. That Applicants' HS&W Plan shall be incorporated as part of the Commission Order concerning non-tribal operations on lands outside of the jurisdiction of the Southern Ute Indian Tribe.

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

DATED this _____ day of September, 2008.

Respectfully submitted,

BP AMERICA PRODUCTION COMPANY

By: _____

Michael J. Wozniak
Susan L. Aldridge
BEATTY & WOZNIAK, P.C.
Attorneys for Applicant
216 16th Street, Suite 1100
Denver, Colorado 80202
(303) 407-4499

Applicants' Addresses:

BP American Production Company
1660 Lincoln St., Suite 2900
Denver, CO 80202

Red Willow Production Company
P.O. Box 369
Ignacio, CO 81137-0369

VERIFICATION

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

James W. Hawkins, of lawful age, being first duly sworn upon oath, deposes and says that he is the San Juan Regulatory Consultant for BP America Production Company 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.

James W. Hawkins

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

Witness my hand and official seal.
My commission expires:

Notary Public

VERIFICATION

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 her knowledge, information and belief.

Barbara G. Wickman

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

Witness my hand and official seal.
My commission expires:

Notary Public

Exhibit A

**BP 80-Acre Infill
Application Area
Lands on SUI Reservation**

T32N-R5W

Section 7 – N/2
Section 8 – S/2
Section 17 – All
Section 18 – N/2

T32N-R6W

Section 2 – All
Section 11 – E/2
Section 12 – S/2
Section 13 – S/2
Section 14 – N/2

T32N-R9W

Section 2 - All
Section 11 - All

T34N-R6W, SUL

Sections 5, 6, 7, 8 - All
Sections 17, 18, 19, 20 - All
Sections 29, 30, 31, 32 - All

T34N-R7W, SUL

Section 36 – S/2

Exhibit B
Interested Parties