

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 one (1) existing drilling and spacing unit 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 33 North Range 8 West, N.M.P.M.
Section 20: S 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. 112-6, 112-61, 112-157 and 112-136 and 112-46 of the Commission.

4. On November 9, 1959, the Commission issued Order No. 112-6, which, among other things, established 320-acre drilling and spacing units for the production of gas from the Fruitland-Pictured Cliff and Mesaverde formations. On July 16, 1979, the Commission issued Order No. 112-46 amending Order 112-6, allowing for a second well, in addition to the permitted well as provided by Order No. 112-6, to be drilled on each of the 320-acre drilling and spacing units for the production of gas from the Fruitland-Pictured Cliffs and Mesaverde formations underlying the Application Lands.

5. 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.

6. On August 15, 1988, the Commission issued Order No. 112-61, 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 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. On December 17, 1990 Commission Order No. 112-85 further amended 112-61 stating that the units shall consist of the N½ and S½ or the E½ and W½ of a full section with the permitted well location, when north of the north line of Township 32 North, in the NW ¼ and SE ¼ of the section, and when south of the north line of Township 32 North, in the NE ¼ and SW ¼ 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.

7. On October 21, 1997, the Commission issued Order No. 112-136 amending Commission Order No. 112-61 to allow, at the discretion of the operator, an additional well in the Application Lands, for production from the Fruitland Coal seams, with permitted wells in Township 33 North to be located in the center of the NW¼ and SE¼ 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.

8. On July 11, 2000, the Commission issued Order 112-157 amending 112-60, 112-61 and 112-85 to allow an optional additional well to be drilled for production of gas from the Fruitland Coal seams for the 320-acre drilling and spacing units, including the Application Lands, with the 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. Order 112-157 also established other conditions applicable to Commission orders in the Application Lands, among others.

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

10. That the Applicant is requesting that two (2) additional optional infill wells be permitted in the existing 320-acre drilling and spacing unit for the Fruitland Coal Seam Formation (for a total of four (4) wells authorized in the 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 the 320-acre drilling and spacing unit, 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.

11. 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 the 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.

12. 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 the 320-acre drilling and spacing unit.

13. 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.

14. 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 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 the 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 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 16th day of March, 2009.

Respectfully submitted,

McElvain Oil & Gas Properties, Inc.

By: _____
Susan L. Aldridge
Beatty & Wozniak, P.C.
Attorneys for Applicant
216 16th Street, Suite 1100
Denver, Colorado 80202
(303) 407-4499

Applicant's Address:

1050 17th Street, Suite 1800
Denver, Colorado 80265

VERIFICATION

STATE OF COLORADO)
) ss.
COUNTY OF DENVER)

Linnea C. Hill, 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: _____
Linnea C. Hill, Senior Landman

Subscribed and sworn to before me this ____ day of March, 2009, by Linnea C. Hill, 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
1050 17th St., Suite 1800
Denver, CO 80265

Charles W. Gay
c/o J & M Raymond, Ltd.
PO Box 291445
Kerrville, TX 78029-1445

Lorrayn Gay Hacker
c/o J & M Raymond, Ltd.
PO Box 291445
Kerrville, TX 78029-1445

J & M Raymond, Ltd.
Raymond & Sons I, LLC
PO Box 291445
Kerrville, TX 78029-1445

Tamacam LLC
c/o James M. Raymond
Agent and Attorney-in-Fact
PO Box 291445
Kerrville, TX 78029-1445

BP America Production Company
Attn: John Larson
501 West Lake Park Blvd.
Floor 19
Houston, TX 77079

McElvain Oil Company
PO Box 801888
Dallas, TX 75380

ConocoPhillips Company
PO Box 7500
Bartlesville, OK 74005-7500

Southern Ute Indian Tribe
Department of Energy
14933 Hwy 172
P.O. Box 1500
Ignacio, CO 81137-1500

Elm Ridge Exploration Co., LLC
12225 Greenville Ave., Suite 950
Dallas, TX 75243-9362

LHS Smith & Smith Ltd. LLP
PO Box 52890
Houston, TX 77052

Montana Gas Investments LLC
c/o Red Willow Production Co.
Agent for Montana Gas Inv. LLC
PO Box 369
Ignacio, CO 81137

Montana Gas Investments, LLC
82 Devonshire St., R25C
Boston, MA 02109

Rock Creek Ranch I Ltd.
909 Fannin St., Suite 2600
Houston, TX 77010

Sagle Schwab & McLean
Energy Resources LLC
41 Denby Lane
Durango, CO 81303

Samson Resources
370 17th Street, Suite 3000
Denver, Co 80202

BP America Production Company
380 Airport Road
Durango, CO 81303

Brett Sherman
La Plata County
1060 East 2nd Avenue
Durango, CO 81301

Patricia Penrose Bishop
102 Lakeshore Drive
Trophy Club, TX 76262

Tatum-West-Roberts
Attn: David K. Roberts
P. O. Box 2203
Ruidoso, NM 88355

The Tatum Living Trust dated
12-10-96, Robert S. Tatum, Trustee
c/o Bank of America, NA,
Successor to Nations Bank, Agent
P. O. Box 2546
Fort Worth, Texas 76113-2546

Descendants of Robert S. Tatum
Names and Addresses Not Available

PDI, Inc.
Attn: Mike Brennen
Hightower Building
105 North Hudson
Oklahoma City, OK 73102-4803

Colorado & Western Drilling
Address Unknown

Nebraska Development &
Exploration Company
Address Unknown

Red Willow Production Company
14933 HWY 172
P. O. Box 369
Ignacio, Colorado 81137

Whiting Oil and Gas Corporation
P. O. Box 973539
Dallas, TX 75397-3539

Maralex Resources Inc.
P. O. Box 338
Ignacio, Colorado 81137-0338

Burlington Resources Oil & Gas, LP
P. O. Box 7500
Bartlesville, OK 74005-7500

Frank D. Brown, Jr., H. Barksdale
Brown, Jacques T. Schlenger
and Mercantile-Safe Deposit
and Trust Company, Trustees
Under Trusts Created in Item
II (B) of Trust Agreement dated
March 25, 1965, of which
Donaldson Brown was grantor
#2 Hopkins Plaza
Baltimore, Maryland 21201

La Plata County
1060 East 2nd Avenue
Durango, CO 81301

Victoria Schmitt
Community Development Dept.
La Plata County
1060 East 2nd Avenue
Durango, CO 8130