

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

| | | |
|-----------------------------|---|------------------|
| IN THE MATTER OF THE |) | |
| APPLICATION OF DURANGO |) | |
| PIPELINE CORP. FOR AN ORDER |) | Cause No. 534 |
| AMENDING AN ORDER NO. 534-1 |) | Docket No. _____ |
| OF THE COMMISSION |) | |
| |) | |

APPLICATION

Durango Pipeline Corp. (“Applicant”), by and through its attorneys, Lindquist & Vennum P.L.L.P., respectfully submits this Application to the Oil and Gas Conservation Commission of the State of Colorado (the “Commission”) for an order amending field rules applicable to the drilling and producing of wells from the Mancos and Niobrara Formations covering certain described lands in the Ridgeline Field, Moffat County, Colorado and in support of its Application states and alleges as follows:

- 1. Applicant is a Texas corporation duly authorized to conduct business in the State of Colorado.
- 2. Applicant owns or has the right to acquire leasehold interests in the following described lands:

Township 7 North Range 94 West, 6th P.M.
Section 2: W½ SW¼
Section 3: E½ SE¼, SW¼ SE¼, SE¼ SW¼
Section 10: E½ NW¼, NE¼, NE¼ SW¼, NW¼ SE¼
Section 11: W½ NW¼

Moffat County, Colorado.

(hereafter the “Original Application Lands”, consisting of 640 total acres, more or less).

- 3. That with respect to the Niobrara and Mancos Formations, the original Application Lands are subject to Order No. 534-1, dated March 9, 2010, which established two adjoining 320-acre drilling and spacing units.
- 4. **Unit 1.** Order No. 534-1 established an approximate 320-acre drilling and spacing unit consisting of the W½ SW¼ of Section 2, E½ SE¼ of Section 3, E½ NE¼ of Section 10, and W½ NW¼ of Section 11, Township 7 North, Range 94 West, 6th P.M., for the production of oil, gas and associated hydrocarbons from the Niobrara and Mancos Formations, to allow one optional additional well to be drilled in said drilling and spacing unit, with a bottomhole location no closer than 660 feet to any outer boundary of the unit with no setback required to any interior quarter section line, and to permit the McIntyre 1-3 Well, whose surface location is in the NE¼

SE $\frac{1}{4}$ of Section 3, Township 7 North, Range 94 West, 6th P.M. as one of the two permitted wells for said drillsite spacing unit as an exception well (herein referred to as "Unit 1").

5. **Unit 2.** Order No. 534-1 establish an approximate 320-acre drilling and spacing unit consisting of the SW $\frac{1}{4}$ SE $\frac{1}{4}$ and SE $\frac{1}{4}$ SW $\frac{1}{4}$ of Section 3, and E $\frac{1}{2}$ NW $\frac{1}{4}$, W $\frac{1}{2}$ NE $\frac{1}{4}$, NE $\frac{1}{4}$ SW $\frac{1}{4}$, NW $\frac{1}{4}$ SE $\frac{1}{4}$ of Section 10, Township 7 North, Range 94 West, 6th P.M., (herein "Unit 2") for the production of oil, gas and associated hydrocarbons from the Niobrara and Mancos Formations, and to allow one optional additional well to be drilled in said drilling and spacing unit, with a bottomhole location no closer than six hundred sixty feet (660') to any outer boundary of the unit with no setback required to any interior quarter section line that wells drilled in excess of two thousand five hundred feet (2,500') in depth be located not less than six hundred feet (600') from any lease line, and located not less than one thousand two hundred feet (1,200') from any other producible or producing oil or gas well when drilling to the same common source of supply, unless authorized by order of the Commission upon hearing.

6. That Applicant has caused to be drilled the McIntyre #1-3 ST well, operated by Cypress Production Inc., which well has a surface location of the NE $\frac{1}{4}$ SE $\frac{1}{4}$ of Section 3, Township 7 North, Range 94 West, Moffat County, Colorado. This well has a horizontal leg within the Mancos Formation and, based on information and belief, such horizontal leg within the Mancos formation is located beneath the following described lands:

Township 7 North Range 94 West, 6th P.M.

Section 2: SW $\frac{1}{4}$ SW $\frac{1}{4}$

Section 3: E $\frac{1}{2}$ SE $\frac{1}{4}$

Moffat County, Colorado

This well has been completed as a commercial producer of oil and gas and is located entirely within Unit 1.

7. That Applicant proposes to drill another vertical well to test the Niobrara and Mancos Formations at a location in the NW $\frac{1}{4}$ NE $\frac{1}{4}$ of Section 10, Township 7 North, Range 94 West, on the Application Lands and within Unit 2.

8. Unit 2 as now designated by the Commission abuts the west boundary of Unit 1, but at the prior request of the Applicant the northern and southern boundaries of Unit 2 are One thousand three hundred twenty feet (1320') south of the northern and southern boundaries of Unit 1, and Unit 2 is therefore abuts Unit 1 for only $\frac{3}{4}$ ths of a mile.

9. However, Applicant has additional geologic and land information which supports the relocation of Unit 2 one thousand three hundred twenty feet (1320') north, so that it directly and completely abuts Unit 1 on the west boundary of Unit 1. Accordingly, Applicant requests that Order No. 534-1 be amended to change the designation of Unit 2.

10. That to promote efficient drainage within the Niobrara and Mancos Formations in the Application Lands, the Commission should amend Order 534-1 to relocate Unit 2 and to create two units that completely abut.

11 The first such 320-acre unit includes the entire vertical and horizontal wellbore of the McIntyre #1-3 ST well and consists of the following Application Lands:

Township 7 North Range 94 West, 6th P.M.

Section 2: W $\frac{1}{2}$ SW $\frac{1}{4}$

Section 3: E $\frac{1}{2}$ SE $\frac{1}{4}$

Section 10: E $\frac{1}{2}$ NE $\frac{1}{4}$

Section 11: W $\frac{1}{2}$ NW $\frac{1}{4}$

Moffat County, Colorado.

This is Unit 1 and no change is requested for this Unit.

12. The second 320-acre unit should directly adjoin the first unit, includes the proposed well in the NW $\frac{1}{4}$ NE $\frac{1}{4}$ of Section 10, Township 7 North, Range 94 West, and consists of the following Application Lands:

Township 7 North Range 94 West, 6th P.M.

Section 3: W $\frac{1}{2}$ SE $\frac{1}{4}$, E $\frac{1}{2}$ SW $\frac{1}{4}$

Section 10: W $\frac{1}{2}$ NE $\frac{1}{4}$, E $\frac{1}{2}$ NW $\frac{1}{4}$

Moffat County, Colorado.

Applicant attaches a map of the two proposed 320-acre units (Exhibit B).

13. As a result of this amendment, the following described lands, consisting or 80 acres, more or less, will no longer be within Unit 2 as designated by Order No. 534-1:

Township 7 North Range 94 West, 6th P.M.

Section 10: NW $\frac{1}{4}$ SE $\frac{1}{4}$, NE $\frac{1}{4}$ SW $\frac{1}{4}$

Moffat County, Colorado.

14. As a result of this amendment, the following described lands, consisting or 80 acres, more or less, will now be included within Unit 2:

Township 7 North Range 94 West, 6th P.M.

Section 3: NW $\frac{1}{4}$ SE $\frac{1}{4}$, NE $\frac{1}{4}$ SW $\frac{1}{4}$

Moffat County, Colorado

hereinafter the "Added Lands", consisting of 80 acres, more or less

15. That the above-proposed spacing will allow more efficient drainage of the Mancos and Niobrara Formations; will prevent waste; will not adversely effect correlative rights and will assure the greatest ultimate recovery of oil and associated hydrocarbon substances from the reservoir. Such spacing is not smaller than the maximum area that can be efficiently and economically drained from said formation.

16. Applicant proposes that an optional additional well in each of the 320-acre units be drilled or completed in the operator's discretion with the bottomhole location no closer than 660 feet to any outer boundary of the unit and with no setback required to any interior quarter section line.

17. That the names and addresses of the interested parties in this Application, Owners of the Original Application Lands and the Added Lands, according to the information and belief of the Applicant are set forth in Exhibit A hereto, and that Applicant will submit a Certificate of Service of this Application on each interested party within the next seven days as required by Rule 503.d.

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.

Dated this 23rd day of June, 2010.

Respectfully submitted,

DURANGO PIPELINE CORP.

By: _____
Thomas W. Niebrugge
Lindquist & Vennum P.L.L.P.
Attorneys for Applicant
600 17th Street, Suite 1800-S
303-573-5900

Applicant's Address:
4305 N. Garfield St., Suite 200B
Midland, TX 79705

VERIFICATION

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

Michael Sullivan, President, upon oath deposes and says that he has read the foregoing Application and the statements contained therein are true to the best of his knowledge, information and belief.

DURANGO PIPELINE CORP.

By: Michael Sullivan

Subscribed and sworn to before me this _____ day of December, 2009, by _____
of Durango Pipeline Corp.

Witness my hand and official seal. My commission expires: _____

Notary Public

[SEAL]

CERTIFICATE OF MAILING

I certify that, on June 23, 2010, a true and correct copy of the foregoing **Application** with its attachments was served by U.S. Mail, postage prepaid, to the Owners and Interested Parties listed on Exhibit A as follows:

Quicksilver Resources, Inc.
777 West Rosedale Street, Suite 300
Ft. Worth, TX 76104

Cypress Production, Inc.
313 West Main Street
Azle, Texas 76020

Pioneer Natural Resources USA Inc.
1401 17th Street, Suite 1200
Denver, CO 80202

Durango Pipeline Corp.
4305 N. Garfield Street, Suite 200B
Midland, TX 79705

Gail H. Carlstead

EXHIBIT A

Owners and Interested Parties

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EXHIBIT B

Map
(*See Attached*)