

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

IN THE MATTER OF THE APPLICATION OF RED
WILLOW PRODUCTION COMPANY FOR AN ORDER
ESTABLISHING A 719.02 DRILLING AND SPACING
UNIT IN THE FRUITLAND COAL SEAM FORMATION,
IGNACIO-BLANCO FIELD, ARCHULETA COUNTY,
COLORADO

CAUSE NO. 112

DOCKET NO. _____

APPLICATION

COMES NOW Red Willow Production Company (referred to herein as "Applicant"), by and through its undersigned attorneys, respectfully submits this application to the Colorado Oil and Gas Conservation Commission ("Commission") for an order establishing a 719.02 acre drilling and spacing unit for the Fruitland Coal Seam Formation and to allow two (2) horizontal wells to be drilled within the enlarged drilling and spacing unit. In support thereof, the Applicant states and alleges as follows:

1. Applicant is duly authorized to conduct business in the State of Colorado.
2. 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 Application 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.
3. Certain surface tracts and mineral interests under the Application 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 under a mineral development agreement approved by the United States Department of the Interior, Bureau of Indian Affairs.
4. Applicant owns a majority leasehold interest in the following described lands (hereinafter "Application Lands"):

Township 32 North, Range 4 West, N.M.P.M.

Section 21: E $\frac{1}{2}$ E $\frac{1}{2}$

Section 22: ALL

Section 23: W $\frac{1}{2}$ W $\frac{1}{2}$

Archuleta County, Colorado, containing 719.02 acres, more or less.

A reference map of the Application Lands is attached hereto as Exhibit B.

5. On May 8, 2008, the Commission entered Order No. 112-210 which vacated Order No. 112-85 and established drilling and spacing units, the allowable number of wells for each drilling and spacing unit, and setbacks for production from the Fruitland Coal Seam Formation horizontal wells for certain lands in Archuleta County, Colorado, including the Application Lands. Specifically, Order No. 112-210 established the following drilling and spacing units for the Application Lands:

- A. "Spacing Unit #1"

Township 32 North, Range 4 West, N.M.P.M.

Section 21: E $\frac{1}{2}$ E $\frac{1}{2}$

Section 22: W $\frac{1}{2}$

Archuleta County, Colorado, containing 359.02 acres, more or less.

- B. "Spacing Unit #2"

Township 32 North, Range 4 West, N.M.P.M.

Section 22: E $\frac{1}{2}$

Section 23: W $\frac{1}{2}$ W $\frac{1}{2}$

Archuleta County, Colorado, containing 360.00 acres, more or less.

Order No. 112-210 also allowed Spacing Unit 1 and Spacing Unit 2 to each have one (1) horizontal well per spacing unit, provided that the producing leg from any horizontal well have 660 foot setbacks from the outer boundary of another drilling and spacing unit.

6. To promote economical and efficient drainage, to protect correlative rights, to avoid waste, to reduce surface impacts, and to effectively recover gas and associated hydrocarbons from the Fruitland Coal Seam Formation for the Application Lands, Applicant requests that the Commission combine Spacing Unit 1 and Spacing Unit 2 and establish a 719.02 acre drilling and spacing unit and allow two (2) horizontal wells to be drilled and completed to the Fruitland Coal Seam Formation. Applicant asserts that the combining of Spacing Unit 1 and Spacing Unit 2 will allow the Fruitland Coal Formation to be efficiently drained due to the additional length available to each horizontal well on the Application Lands.

7. Applicant requests that the setbacks for the requested 719.02 acre drilling and spacing unit of the Application Lands remain at 660 feet from the outer boundary of another drilling and spacing unit as such setbacks will prevent waste, will protect correlative rights and will assure the greatest ultimate recovery of gas and associated hydrocarbon substances from the reservoir. Applicant asserts no producing leg of any horizontal well shall be closer than 660 feet from the unit boundary lines.

8. The surface location of the two (2) horizontal wells shall be located on an existing common or expanded well pad.

9. That the names and addresses of the interested parties according to the information and belief of the Applicant are set forth in Exhibit A attached hereto and made a part hereof, and the undersigned certifies that copies of this Application shall be served on each interested party within the next seven days as required by Rule 503.e.

10. The Southern Ute Indian Tribe, as a majority mineral interest owner in the Application Lands, is in support of this Application. Energen Resources Corporation also supports this Application.

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 _____ day of October, 2010.

Respectfully submitted,

RED WILLOW PRODUCTION COMPANY

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

Applicant's Address:
14933 Highway 172
P.O. Box 369
Ignacio, CO 81137

VERIFICATION

STATE OF COLORADO)
) ss.
COUNTY OF _____)

_____, of lawful age, being first duly sworn upon oath, deposes and says that he is the _____ for Red Willow 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.

Subscribed and sworn to before this ____ day of October, 2010.

Witness my hand and official seal.

My commission expires:

Notary Public

[SEAL]

EXHIBIT A
INTERESTED PARTIES

Energen Resources Company
2010 Afton Place
Farmington, NM 87401-1601

Southern Ute Indian Tribe (SUIT)
c/o Ed Trahan
14933 Hwy. 172
Ignacio, CO 81137

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AFFIDAVIT OF MAILING

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

Jamie L. Jost, of lawful age, and being first duly sworn upon her oath, states and declares:

That she is the attorney for Red Willow Production Company, that on or before October ____, 2010, she caused a copy of the attached Application to be deposited in the United States Mail, postage prepaid, addressed to the parties listed on Exhibit A to the Application.

Jamie L. Jost

Subscribed and sworn to before me -October ____, 2010.

Witness my hand and official seal.

My commission expires: _____.

Notary Public