

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
VACATING TWO EXISTING 640 ACRE DRILLING AND
SPACING UNITS AND ESTABLISHING AN
EXPLORATORY 1280 ACRE DRILLING AND SPACING
UNIT, AND ALLOWING UP TO FIVE (5) HORIZONTAL
WELLS FOR PRODUCTION FROM LANDS 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, and respectfully submits this application to the Colorado Oil and Gas Conservation Commission ("Commission") for an order: (i) establishing an exploratory drilling and spacing unit pursuant to § 34-60-116(2), C.R.S. comprised of Township 32 North, Range 4 West Section 13: ALL and Section 14: ALL, Archuleta County, Colorado, containing 1280 acres (the "Application Lands"), for the Fruitland Coal Seam Formation underlying the Application Lands; (ii) vacating two existing 640 acre drilling and spacing units for the Application Lands; (iii) allowing up to five (5) horizontal wells to be drilled within the exploratory 1280 acre drilling and spacing unit for production of gas from the Fruitland Coal Seam Formation underlying the Application Lands; and (iv) reducing the setbacks for the proposed 1280 acre exploratory drilling and spacing unit to 100' from any outer boundary of the 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. 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 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").
4. Applicant owns a portion of the leasehold interests in the Application Lands:
Township 32 North, Range 4 West, N.M.P.M.
Section 13: ALL
Section 14: ALL

A reference map of the Application Lands is attached hereto.

5. On December 17, 1990, the Commission entered Order No. 112-85, which established 320 acre drilling and spacing units for the Application Lands and also provided that the units shall consist of the N $\frac{1}{2}$ and S $\frac{1}{2}$ or the E $\frac{1}{2}$ and W $\frac{1}{2}$ of a full section with the permitted well

located, when north of the north line of Township 32 North, in the NW¼ and SE¼ of the section, and when south of the north line of Township 32 North, in the NE¼ and SW¼ 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.

6. On May 8, 2008, the Commission entered Order No. 112-210, which vacated the existing 320 acre drilling and spacing units and established 640 acre drilling and spacing units for the Application Lands. Order No. 112-210 allows completion of two (2) horizontal wells in each drilling and spacing unit and establishes a setback of 660' from the outer unit boundary for the Application Lands.

7. 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 (i) vacate the 640 acre drilling and spacing units established by Order No. 112-210 as to the Application Lands, and (ii) establish an exploratory 1280 acre drilling and spacing unit pursuant to § 34-60-116(2), C.R.S. for the Application Lands for production of gas from the Fruitland Coal Seam Formation underlying the Application Lands.

8. To further 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 allow up to five (5) horizontal wells to be drilled and completed to the Fruitland Coal Seam Formation in the 1280 acre exploratory drilling and spacing unit on the Application Lands.

9. Applicant asserts that vacating existing 640 acre drilling and spacing units on the Application Lands, establishing a 1280 acre exploratory drilling and spacing unit, and allowing up to five (5) horizontal wells on the Applications Lands will allow the Fruitland Coal Formation to be efficiently drained. Currently, two (2) horizontal wells are allowed in each of the 640 acre drilling and spacing units covering the Application Lands. The proposed 1280 acre exploratory drilling and spacing unit would allow up to five (5) horizontal wells within the same acreage, one more than currently allowed. The Applicant asserts the ability to place one additional horizontal well within the 1280 acre exploratory unit will promote greater ultimate recovery of gas and associated hydrocarbons from the Fruitland Coal Seam Formation for the Application Lands.

10. Applicant requests that the proposed 1280 acre exploratory drilling and spacing unit boundary setbacks be reduced to 100' feet from the outer boundary of the 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 treated interval of any horizontal well shall be closer than 100 feet from the outer boundary of the unit. Applicant further requests that any internal quarter section setbacks be eliminated.

11. Surface locations for the five (5) horizontal wells may be located within the 1280 acre exploratory drilling and spacing unit or on adjoining lands. Applicant intends to locate all surface locations for the horizontal wells on multi-well pads.

12. 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.

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 August, 2011.

Respectfully submitted,

RED WILLOW PRODUCTION COMPANY

By: _____

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Ignacio, CO 81137

**EXHIBIT A
INTERESTED PARTIES**

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

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

Estate of Sophia Martinez, deceased
3020 North 60th Street
Killeen, TX 76543

BP America Production Co., successor to
Pan American Petroleum Corporation
501 Westlake Park Blvd
Houston, TX 77079-2696

Las Colinas Minerals, L.P., a Texas limited partnership
125 East John Carpenter Freeway
Suite 600
Irving, TX 75062

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Address Unknown

Frederic B. Emigh
Address Unknown

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Tulsa, OK 74101-1588

Robert W. Umbach Cancer Foundation
C/O Zia Data Search Corporation, Agent
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Roswell, NM 88202-2188

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801 Ridgecrest Drive, SE
Albuquerque, NM 87108

Amador Chavez, Jr.
Address Unknown

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Address Unknown

Lenard Chavez
Address Unknown

Jack Schofield
1065 Green Mountain Court
Fenton, MO 63026

Aurelio Moreno
Address Unknown

Tony Moreno
Address Unknown

Joe Moreno
Address Unknown

Edward Moreno
Address Unknown

Helen Moreno, also known as Magdalama Moreno
Address Unknown

Gregorita Moreno
Address Unknown

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Charles Hathoot III
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MHT Properties, Ltd., a Texas limited partnership
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Dallas, TX 75225

Pennies From Heaven LLC, a New Mexico limited liability company
901 Rio Grande Boulevard NW
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Albuquerque, NM 87104

Sunwest Bank of Albuquerque, N.A.
Trustee of the Cyrene Inman Trust
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Albuquerque, NM 87107

The Marcia Berger Educational Foundation
P.O. Box 6603
Albuquerque, NM 87107

Frank Chavez
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Christopher Leo Chavez
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T.H. McElvain Oil & Gas Limited Partnership
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Denver, CO 80265

Tom M. Brown
Address Unknown

Kent Kuster
Colorado Department of
Public Health and Environment
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Denver, CO 80246-1530

Jon Holst
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6060 Broadway
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