

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:
(I) VACATING AN EXISTING 360 ACRE DRILLING AND
SPACING UNIT, (II) MODIFYING AN EXISTING 352.73
ACRE DRILLING AND SPACING UNIT, (III)
ESTABLISHING A NEW APPROXIMATE 488.16-ACRE
EXPLORATORY DRILLING AND SPACING UNIT, IV)
ALLOWING UP TO TWO (2) HORIZONTAL WELLS
FOR PRODUCTION FROM LANDS IN THE FRUITLAND
COAL SEAM FORMATION, AND (V) REDUCING
SETBACKS ON THE NORTH, EAST, AND WEST
SIDES OF THE APPROXIMATE 488.16-ACRE
EXPLORATORY DRILLING AND SPACING UNIT,
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: (i) vacating an existing 360 acre drilling and spacing unit covering Section 24: W $\frac{1}{2}$, W $\frac{1}{2}$ E $\frac{1}{2}$, Township 32 North, Range 4 West, N.M.P.M., (ii) modifying an existing 352.73 acre drilling and spacing unit covering Section 24: E $\frac{1}{2}$ E $\frac{1}{2}$, Township 32 North, Range 4 West and Section 19: W $\frac{1}{2}$, Township 32 North, Range 3 West; (iii) establishing an exploratory drilling and spacing unit pursuant to § 34-60-116(2), C.R.S. comprised of Section 24: ALL, Township 32 North, Range 4 West, N.M.P.M., Archuleta County, Colorado, containing 488.16 acres, more or less (the "Application Lands") for production from the Fruitland Coal Seam Formation underlying the Application Lands; (iv) allowing up to two (2) horizontal wells to be drilled within the approximate 488.16-acre exploratory drilling and spacing unit for production of gas from the Fruitland Coal Seam Formation underlying the Application Lands; and (v) reducing the outer boundary setbacks on the north, east, and west sides of the proposed approximate 488.16-acre exploratory drilling and spacing unit to 100' and maintaining the existing 660' setback from the outer boundary on the south side of the approximate 488.16-acre exploratory 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. 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. Applicant owns a portion of the leasehold interests in, or has the right to drill into and produce from, the following described Application Lands:

Township 32 North, Range 4 West, N.M.P.M.
Section 24: ALL

A reference map of the Application Lands is attached hereto.

4. 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 NW $\frac{1}{4}$ and SE $\frac{1}{4}$ of the section, and when south of the north line of Township 32 North, in the NE $\frac{1}{4}$ and SW $\frac{1}{4}$ 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.

5. On May 8, 2008, the Commission entered Order No. 112-210, which vacated the existing 320 acre drilling and spacing units for the Application Lands. Order No. 112-210 established the following drilling and spacing units within the Application Lands:

| | |
|---|-----------|
| <u>Township 32 North, Range 4 West:</u> Section 24 W $\frac{1}{2}$ and W $\frac{1}{2}$ E $\frac{1}{2}$ | 360 acres |
|---|-----------|

| | |
|--|--------------|
| <u>Township 32 North, Range 3 West</u> Section 19 W $\frac{1}{2}$ and <u>Township 32 North, Range 4 West</u> Section 24 E $\frac{1}{2}$ E $\frac{1}{2}$ | 352.73 acres |
|--|--------------|

Order No. 112-210 allows completion of one (1) horizontal well in each of the drilling and spacing units identified above, and establishes a setback of 660' from the outer unit boundaries.

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 vacate or modify the drilling and spacing units established by Order No. 112-210, as described in Paragraph 5 above, in order to establish an exploratory drilling and spacing unit pursuant to § 34-60-116(2), C.R.S. comprising approximately 488.16 acres Lands for production of gas from the Fruitland Coal Seam Formation underlying the Application Lands.

7. 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 two (2) horizontal wells to be drilled and completed to the Fruitland Coal Seam Formation in the approximate 488.16-acre exploratory drilling and spacing unit on the Application Lands.

8. Applicant asserts that vacating and modifying the existing drilling and spacing units on the Application Lands as described above, establishing an approximate 488.16-acre exploratory drilling and spacing unit, and allowing up to two (2) horizontal wells on the Applications Lands will allow the Fruitland Coal Formation to be efficiently drained. Currently, one (1) horizontal well is allowed in each of the two drilling and spacing units covering the Application Lands. Applicant asserts the ability to place up to two (2) horizontal wells within the exploratory drilling and spacing unit will promote greater ultimate recovery of gas and associated hydrocarbons from the Fruitland Coal Seam Formation for the Application Lands.

9. Applicant requests no change to the well density requirements under Order No. 112-210 in the modified drilling and spacing unit comprised of Section 19: W½, Township 32 North, Range 3 West.

10. Applicant requests that the outer boundary setbacks on the north, east, and west sides of the proposed approximate 488.16-acre exploratory drilling and spacing unit be reduced to 100' and that the existing 660' outer boundary setback on the south side of the proposed unit be maintained. Additionally, Applicant requests that the outer boundary setbacks on the north, east, and west sides of the modified drilling and spacing unit comprised of Section 19: W½ be reduced to 100' and that the existing 660' outer boundary setback on the south side of the modified unit be maintained. Applicant asserts such setbacks will prevent waste, protect correlative rights, and 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 two (2) horizontal wells may be located within or on lands adjoining the approximate 488.16-acre exploratory drilling and spacing unit or on adjoining lands and Applicant intends to locate the horizontal wells within the approximate 488.16-acre exploratory drilling and spacing unit 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: _____

Jamie L. Jost
Matthew J. Lepore
Michael J. Wozniak
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

**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

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

A.M. Emigh
Address Unknown

Frederic B. Emigh
Address Unknown

George Umbach
C/O Bank of Oklahoma, Agent
Attn: J. Mark Choplin
P.O. Box 1588
Tulsa, OK 74101-1588

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

Jay J. Harris
801 Ridgecrest Drive, SE
Albuquerque, NM 87108

Amador Chavez, Jr.
Address Unknown

Jose R. Chavez
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

MacLondon Energy, L.P. a Texas limited partnership
P.O. Box 14230
Odessa, TX 79768

Steven J. Abraham
P.O. Box 25123
Albuquerque, NM 87125

Michael C. Abraham
P.O. Box 25123
Albuquerque, NM 87125

The Diane Abraham Henkle Family Trust
P.O. Box 25123
Albuquerque, NM 87125

John Hathoot
4091 East La Palma Avenue
Suite K
Anaheim, CA 92807

Joseph Hathoot
C/O John Hathoot
4091 East La Palma Avenue
Suite K
Anaheim, CA 92807

Thomas Hathoot
C/O John Hathoot
4091 East La Palma Avenue
Suite K
Anaheim, CA 92807

Mary Hicks
C/O John Hathoot
4091 East La Palma Avenue
Suite K
Anaheim, CA 92807

Charles Hathoot III
C/O John Hathoot
4091 East La Palma Avenue
Suite K
Anaheim, CA 92807

MHT Properties, Ltd., a Texas limited partnership
3405 Villanova
Dallas, TX 75225

Pennies From Heaven LLC, a New Mexico limited liability company
901 Rio Grande Boulevard NW
Suite 222-B
Albuquerque, NM 87104

Sunwest Bank of Albuquerque, N.A.
Trustee of the Cyrene Inman Trust
P.O. Box 26900
Albuquerque, NM 87107

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

Frank Chavez
P.O. Box 517
Pagosa Springs, CO 81147

Christopher Leo Chavez
P. O. Box 517
Pagosa Springs, CO 81147

T.H. McElvain Oil & Gas Limited Partnership
Attn: Rick Harris
1050 17th Street
Suite 1800
Denver, CO 80265

Tom M. Brown
Address Unknown

Kent Kuster
Colorado Department of
Public Health and Environment
4300 Cherry Creek Drive South
Denver, CO 80246-1530

Jon Holst
Colorado Division of Wildlife
6060 Broadway
Denver, CO 80216

Cindy Schultz
Archuleta County Development
P.O. Box 1507
Pagosa Springs, Co 81147

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:
(I) VACATING AN EXISTING 360 ACRE DRILLING AND
SPACING UNIT, (II) MODIFYING AN EXISTING 352.73
ACRE DRILLING AND SPACING UNIT, (III)
ESTABLISHING A NEW APPROXIMATE 488.16-ACRE
EXPLORATORY DRILLING AND SPACING UNIT, IV)
ALLOWING UP TO TWO (2) HORIZONTAL WELLS
FOR PRODUCTION FROM LANDS IN THE FRUITLAND
COAL SEAM FORMATION, AND (V) REDUCING
SETBACKS ON THE NORTH, EAST, AND WEST
SIDES OF THE APPROXIMATE 488.16-ACRE
EXPLORATORY DRILLING AND SPACING UNIT,
IGNACIO-BLANCO FIELD, ARCHULETA COUNTY,
COLORADO

CAUSE NO. 112

DOCKET NO. _____

AFFIDAVIT OF MAILING

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

Matthew J. Lepore, of lawful age, and being first duly sworn upon his oath, states and declares:

That he is the attorney for Energen Resources Corporation, and that on or before September 8, 2011, he 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.

Matthew J. Lepore

Subscribed and sworn to before me August __, 2011.

Witness my hand and official seal.

My commission expires: _____.

Notary Public

