

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 THREE (3) EXISTING DRILLING AND SPACING UNITS COMPRISED OF 371.76 ACRES, 370.02 ACRES, AND 365.45 ACRES FOR CERTAIN LANDS IN SECTIONS 23 AND 24 OF TOWNSHIP 32 NORTH, RANGE 5 WEST AND SECTION 19 OF TOWNSHIP 32 NORTH, RANGE 5 WEST, N.M.P.M., AND ESTABLISHING AN EXPLORATORY 1107.23 ACRE DRILLING AND SPACING UNIT FOR CERTAIN LANDS IN SECTIONS 23 AND 24 OF TOWNSHIP 32 NORTH, RANGE 5 WEST AND SECTION 19 OF TOWNSHIP 32 NORTH, RANGE 5 WEST, N.M.P.M., AND ALLOWING UP TO FOUR (4) HORIZONTAL WELLS FOR PRODUCTION FROM SAID 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 5 West, Section 23:E½ and E½W½ and Section 24: ALL, and Township 32 North, Range 4 West, Section 19: W½, Archuleta County, Colorado, containing 1107.23 acres, more or less (the "Application Lands"), for the Fruitland Coal Seam Formation underlying the Application Lands; (ii) vacating the existing 371.76 acre drilling and spacing unit covering Township 32 North, Range 5 West, Section 23: E½ and E½W½ within the Application Lands; (iii) vacating the existing 370.02 acre drilling and spacing unit covering Township 32 North, Range 5 West, Section 24: W½E½ and W½ within the Application Lands; (iv) vacating the existing 365.45 acre drilling and spacing unit covering Township 32 North, Range 4 West, Section 19: W½ and Township 32 North, Range 5 West, Section 24: E½E½ within the Application Lands; (v) allowing up to four (4) horizontal wells to be drilled within the exploratory 1107.23-acre drilling and spacing unit for production of gas from the Fruitland Coal Seam Formation underlying the Application Lands; and (vi) reducing the outer boundary setbacks on the north, east, and west sides of the exploratory 1107.23-acre drilling and spacing unit to 100' and maintaining the existing 660' setback from the outer boundary on the south side 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 following described lands (hereinafter "Application Lands"):

Township 32 North, Range 5 West, N.M.P.M.
Section 23: E $\frac{1}{2}$ and E $\frac{1}{2}$ W $\frac{1}{2}$
Section 24: All

Township 32 North, Range 4 West, N.M.P.M.
Section 19: W $\frac{1}{2}$

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 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.

6. 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 5 West:</u>	
Section 23: E $\frac{1}{2}$ and E $\frac{1}{2}$ W $\frac{1}{2}$	371.76 acre DSU
Section 24: W $\frac{1}{2}$ E $\frac{1}{2}$ and W $\frac{1}{2}$	370.02 acre DSU
<u>Township 32 North, Range 4 West, Section 19: W$\frac{1}{2}$ and</u> <u>Township 32 North, Range 5 West, Section 24 E$\frac{1}{2}$E$\frac{1}{2}$</u>	365.45 acre DSU

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.

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 drilling and spacing units established by Order No. 112-210 as to the Application Lands as described in Paragraph 6 above; and (ii) establish an exploratory drilling and spacing unit pursuant to § 34-60-116(2), C.R.S. comprising approximately 1107.23 acres 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 four (4) horizontal wells to be drilled and completed to the Fruitland Coal Seam Formation in the 1107.23 acre exploratory drilling and spacing unit on the Application Lands.

9. Applicant asserts that vacating the existing drilling and spacing units on the Application Lands as described in Paragraph 6 above, establishing an exploratory 1107.23 acre drilling and spacing unit, and allowing up to four (4) horizontal wells on the Applications Lands will allow the Fruitland Coal Formation to be efficiently drained. One (1) horizontal well is allowed in each of the three existing drilling and spacing units covering the Application Lands. The proposed 1107.23 acre exploratory drilling and spacing unit would allow one (1) additional horizontal well to be drilled on the Application Lands. The Applicant asserts the ability to place one additional horizontal well within the 1107.23 acre 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.

10. Applicant requests that the outer boundary setbacks on the north, east, and west sides of the proposed 1107.23-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. Applicant asserts 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 four (4) horizontal wells may be located on adjoining lands. Applicant intends to locate all surface locations for the horizontal wells within the exploratory drilling and spacing unit on a single multi-well pad.

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

VERIFICATION

STATE OF _____)
) ss.
COUNTY OF _____)

John Zent, of lawful age, being first duly sworn upon oath, deposes and says that he is the Vice President, Land 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.

John Zent

Vice President, Land
Red Willow Production Company

Subscribed and sworn to before this ____ day of August, 2011.

Witness my hand and official seal.

My commission expires:

Notary Public

[SEAL]

**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 Lloyd Ernest Herrera
P.O. Box 83
Pagosa Springs, CO 81147

Brandie Herrera
45 Navajo Court
Pagosa Springs, CO 81147

Shanda Herrera Baker
45 Navajo Court
Pagosa Springs, CO 81147

Michele Herrera
45 Navajo Court
Pagosa Springs, CO 81147

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 VACATING THREE (3) EXISTING DRILLING AND SPACING UNITS COMPRISED OF 371.76 ACRES, 370.02 ACRES, AND 365.45 ACRES FOR CERTAIN LANDS IN SECTIONS 23 AND 24 OF TOWNSHIP 32 NORTH, RANGE 5 WEST AND SECTION 19 OF TOWNSHIP 32 NORTH, RANGE 5 WEST, N.M.P.M., AND ESTABLISHING AN EXPLORATORY 1107.23 ACRE DRILLING AND SPACING UNIT FOR CERTAIN LANDS IN SECTIONS 23 AND 24 OF TOWNSHIP 32 NORTH, RANGE 5 WEST AND SECTION 19 OF TOWNSHIP 32 NORTH, RANGE 5 WEST, N.M.P.M., AND ALLOWING UP TO FOUR (4) HORIZONTAL WELLS FOR PRODUCTION FROM SAID LANDS IN THE FRUITLAND COAL SEAM FORMATION, 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