

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

IN THE MATTER OF THE APPLICATION )	
OF ROBERT L. BAYLESS, PRODUCER )	
LLC, FOR AN ORDER ESTABLISHING )	CAUSE NO. 334
SPACING AND WELL LOCATION )	
RULES FOR THE MIDDLE LEWIS )	DOCKET No. _____
FORMATION FOR CERTAIN LANDS IN )	
THE GREAT DIVIDE FIELD, MOFFAT )	
COUNTY, COLORADO )	

**VERIFIED APPLICATION**

Robert L. Bayless, Producer LLC (“Applicant”), by and through its attorneys, Bjork Lindley Little PC, respectfully submits this application to the Oil and Gas Conservation Commission of the State of Colorado (“Commission”) for an order to amend Cause No. 334 to increase the number of wells which can be optionally drilled and produced in certain drilling and spacing units in the Middle Lewis Formation of the Great Divide Field in Moffat County, Colorado. In support of this application, Robert L. Bayless, Producer LLC, states as follows:

1. Applicant is the working interest owner in the oil and gas leases in the below-described lands located in the Great Divide Field in Moffat County, Colorado:

Township 10 North, Range 93 West, 6<sup>th</sup> P.M.  
Section 33: S½

These lands are referred to as the “Application Lands”.

2. Applicant is a Limited Liability Company that is authorized to conduct business in Colorado and owns one hundred percent of the working interest in the Application Lands.

3. Applicant is aware of two private surface owners on the Application Lands. Applicant has contacted both of these owners by phone. Both owners have been contacted by U.S. mail. Applicant is committed to giving notice to these surface owners and accommodating their rights pursuant to law, working with local government officials, minimizing waste and protecting correlative rights. Exhibit A lists the interested parties, the surface owners, the Moffat County local designee, applicant and counsel.

**Summary of Relief Requested**

4. In this Verified Application, Applicant is requesting that the Commission amend an existing order so that it encompasses the Application Lands, thereby increasing the allowable well density on the Application Lands. Applicant seeks amendment of Order No. 334-4, which applies to lands contiguous with the Application Lands, and permits a higher well density than currently permitted within the Application Lands. As it currently stands, Order No. 334-4 applies to all of Section 32 and the N½ of Section 33. If amended by the Commission as requested in this application, Order No. 334-4 will apply to Sections 32 and 33 in their entirety.

## Relevant Background and Commission Orders

5. At present, there is one operating gas well in the Application Lands: the Alta Martin #1, API # 05-081-06379. Applicant operates the Alta Martin #1, which is located in the SW $\frac{1}{4}$  of Section 33.

6. The Alta Martin #1 was completed within the Application Lands in 1979. It produces from the Middle Lewis Formation, as do numerous other wells in the area surrounding the Application Lands. Geological and engineering evidence derived from operations of the Alta Martin #1 and other wells in the area demonstrates that the efficient and economic drainage area of the Middle Lewis Formation may be smaller than the current 320-acre spacing unit in force in the Application Lands. More specifically, relevant engineering and geologic data indicate that a single well is insufficient to extract the mineral resources underlying the 320-acre spacing unit, and that up to four wells may be required in the 320-acre drilling and spacing unit in order to drain the Middle Lewis Formation efficiently and economically.

7. The Commission defined the boundaries of the Middle Lewis Formation in Order No. 334-1, which was issued on May 15, 1978. Among other things, Order No. 334-1 established drilling and spacing units within the lands overlying the Middle Lewis Formation. Specifically, Order No. 334-1 established drilling and spacing units of 320 acres for the production of gas from the Middle Lewis Formation. Under Order No. 334-1, the drilling unit is to be designated at the time of filing of the application for permit to drill. Order No. 334-1 provides that the permitted wells are to be located in the NE $\frac{1}{4}$  and SW $\frac{1}{4}$  of each section, and are to be located no closer than 600 feet from the boundaries of the quarter section in which the well is located and no closer than 1,320 feet from another producing or producible well from the Middle Lewis Formation.

8. On May 8, 1981 (as of April 20, 1981), the Commission issued Order No. 334-2, which created an exception to certain spacing requirements established by Order No. 334-1. Order No. 334-2 permitted a well to be drilled in the NW $\frac{1}{4}$  of Section 32, Township 10 North, Range 93 West, 6th P.M., Great Divide Field, Moffat County, Colorado, at a location no closer than 600 feet from the boundaries of the quarter section. The Commission further provided that any well drilled in the NW $\frac{1}{4}$  of Section 32 pursuant to Order No. 334-2 would be the permitted well for the unit consisting of the W $\frac{1}{2}$  of said Section 32.

9. On April 3, 2003 (As of March 17, 2003), the Commission issued Order No. 334-4 – the order that Applicant is requesting that the Commission amend in response to this Application. Order No. 334-4 created an exception to the spacing requirements established by Order No. 334-1 in lands contiguous to the Application Lands. Order No. 334-4 applies to Township 10 North, Range 93 West, 6th P.M. Section 32: All Section 33: N $\frac{1}{2}$ . It allows for increased well density and alters the setback requirements within the area to which it applies. Specifically, Order No. 334-4 allows up to four (4) additional wells to be drilled on the 320-acre drilling and spacing units in all of Section 32 and the N $\frac{1}{2}$  of Section 33 for the production of gas and associated hydrocarbons from the Middle Lewis Formation, with the permitted well for all subsequent wells to be located no closer than 600 feet from the boundaries of the unit and 990 feet from another well producing or producible from the same formation.

## Requested Relief

10. To summarize, the existing orders that currently apply to the area surrounding the Application Lands in all of Section 32 and the N½ of Section 33 allow for increased well density. Relevant engineering and geologic data indicate that a single well is insufficient to extract the mineral resources underlying the 320-acre spacing unit, and that up to four wells may be required in the 320-acre drilling and spacing unit in order to drain the Middle Lewis Formation efficiently and economically. For this reason, Applicant requests that the Commission amend Order No. 334-4 to include the S½ of Section 33.

11. Accordingly, Applicant requests that Order No. 334-4 be amended to include the Application Lands. If Order No. 334-4 were to be extended to the Application Lands, the operator would be permitted to complete up to four wells within the 320-acre spacing unit into the Middle Lewis Formation. In addition, the setback requirements applicable in Section 32 and the N½ of Section 33 would be extended to encompass the S½ of Section 33 as well. Applicant maintains that extending the well density and setback provisions of Order No. 334-1 to the Application Lands will enable the mineral deposits underlying those lands to be efficiently and economically drained.

12. In the alternative, Applicant requests that the Commission issue a new order that allows increased well density and alters the setback requirements in the Application Lands. In particular, Applicant requests an allowable density of up to four wells per 320-acre spacing unit.

13. In addition, if the Commission issues a new order granting increased well density in the Application Lands, Applicant also requests that the currently applicable well setback requirements be altered. Order Nos. 334-1 and 334-2 currently provide wells may be located no closer than 600 feet from the boundaries of the quarter section in which the well is located and no closer than 1,320 feet from another producing or producible well from the Middle Lewis Formation. However, given the intermittent nature of the Middle Lewis Formation underlying the Application Lands, as well as the location of the Alta Martin #1 well, the setback requirements contained in Order Nos. 334-1 and 334-2 would prevent economic and efficient drainage of the Application Lands. Thus, in the event that the Commission grants Applicant's alternative request to issue a new order applying to the Application Lands, Applicant requests that the order provide that the permitted location for any well drilled subsequent to the entry of that order be located no closer than 600 feet to the outer boundary of the 320-acre spacing unit, and no closer than 990 feet to another well producing or producible from the same formation.

14. To prevent waste, to protect correlative rights, and to promote efficient and effective drainage of the Middle Lewis Formation within the Application Lands, and pursuant to § 34-60-116(4), C.R.S. (2006), and COGCC 503, Applicant requests that the Commission amend Order No. 334-4 to encompass the Application Lands. In the alternative, Applicant requests that the Commission issue a new order providing that: (1) up to four wells may be drilled in the 320-acre spacing unit encompassing the Application Lands; and (2) the setback requirements within the application lands be modified to permit newly drilled wells to be located no closer than 600 feet from the outer boundary of the spacing unit, and no closer than 990 feet from any other producing well within the spacing unit.

15. Applicant respectfully requests that this matter be set for hearing in December, 2007, that notice be given as required by law, and that upon such hearing the Commission enter its order consistent with Applicant's proposals as set forth above.

Respectfully submitted on October 18, 2007

BJORK LINDLEY LITTLE PC

By: \_\_\_\_\_

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**EXHIBIT A**

**INTERESTED PARTIES**

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