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December 30, 2009

Via Courier

Colorado Oil and Gas Conservation Commission
1120 Lincoln Street, Suite 801
Denver, CO 80203

Re: *In the Matter of the Application of Durango Pipeline Corp. for an Order Establishing Spacing and Well Location Rules for the Mancos and Niobrara Formations for Certain Described Lands in an Unnamed Field, Moffat County, Colorado – Filing of Application*

Dear Clerk – COGCC:

Enclosed for filing is an original and 14 copies of the hearing Application in the above-referenced matter. ***Please return a file-stamped copy with the courier for our files.***

The verification is on page 4 of the hearing Application; the list of parties is attached as Exhibit A, and the reference map is attached as Exhibit B. The certificate of mailing, list of parties, draft hearing notice (“Remaining Documents”) will be submitted as a group within seven days of the submission of this hearing Application. Also, at the time the Remaining Documents are submitted, an email containing all documents in Microsoft Word format will be sent to COGCC at margaret.humecki@state.co.us email address.

Please contact me at 303-454-0536 if you have any questions or comments regarding this filing.

Thank you for your assistance.

Very truly yours,



Gail H. Carlstead
Legal Administrative Assistant

Encls.

cc: Thomas W. Niebrugge, Esq.

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

IN THE MATTER OF THE)
APPLICATION OF DURANGO)
PIPELINE CORP. FOR AN ORDER)
ESTABLISHING SPACING AND)
WELL LOCATION RULES FOR THE)
MANCOS AND NIOBRARA)
FORMATIONS FOR CERTAIN)
DESCRIBED LANDS IN AN)
UNNAMED FIELD, MOFFAT)
COUNTY, COLORADO)

Cause No. _____
Docket No. _____

APPLICATION

Durango Pipeline Corp. ("Applicant"), by and through its attorneys, Lindquist & Vennum P.L.L.P., respectfully submits this Application to the Oil and Gas Conservation Commission of the State of Colorado (the "Commission") for an order establishing field rules applicable to the drilling and producing of wells from the Mancos and Niobrara Formations covering certain described lands in an unnamed field, Moffat County, Colorado and in support of its Application states and alleges as follows:

1. Applicant is a Texas corporation duly authorized to conduct business in the State of Colorado.
2. Applicant owns or has the right to acquire leasehold interests in the following described lands:

Township 7 North Range 94 West, 6th P.M.
Section 2: W $\frac{1}{2}$ SW $\frac{1}{4}$
Section 3: E $\frac{1}{2}$ SE $\frac{1}{4}$, SW $\frac{1}{4}$ SE $\frac{1}{4}$, SE $\frac{1}{4}$ SW $\frac{1}{4}$
Section 10: E $\frac{1}{2}$ NW $\frac{1}{4}$, NE $\frac{1}{4}$, NE $\frac{1}{4}$ SW $\frac{1}{4}$, NW $\frac{1}{4}$ SE $\frac{1}{4}$
Section 11: W $\frac{1}{2}$ NW $\frac{1}{4}$

Moffat County, Colorado.

(hereafter the "Application Lands", consisting of 640 total acres, more or less).

3. That with respect to the Niobrara and Mancos Formations, the Application Lands are currently subject to Commission Rule 318.a., which requires that wells drilled in excess of two thousand five hundred feet (2,500') in depth be located not less than six hundred feet from any lease line, and located not less than one thousand two hundred feet (1,200') from any other producible or producing oil or gas well when drilling to the same common source of supply, unless authorized by order of the Commission upon hearing.

4. That Applicant has caused to be drilled the McIntyre #1-3 ST well, operated by Cypress Production Inc., which well has a surface location of the NE $\frac{1}{4}$ SE $\frac{1}{4}$ of Section 3, Township 7 North, Range 94 West, Moffat County, Colorado. This well has a horizontal leg within the Mancos Formation and, based on information and belief, such horizontal leg within the Mancos formation is located beneath the following described lands:

Township 7 North Range 94 West, 6th P.M.
Section 2: SW $\frac{1}{4}$ SW $\frac{1}{4}$
Section 3: E $\frac{1}{2}$ SE $\frac{1}{4}$

Moffat County, Colorado

This well has been completed as a commercial producer of oil and gas, but, due to the unanticipated encroachment of the wellbore on the SW $\frac{1}{4}$ SW $\frac{1}{4}$ of Section 2, Township 7 North, Range 94 West, where the oil and gas estate is leased but owned by the United States of America, the staff of the Commission has ordered the well to be shut in pending the outcome of this Application.

5. That Applicant proposes to drill another vertical well to test the Niobrara and Mancos Formations at a location in the NW $\frac{1}{4}$ NE $\frac{1}{4}$ of Section 10, Township 7 North, Range 94 West, on the Application Lands.

6. That to promote efficient drainage within the Niobrara and Mancos Formations in the Application Lands, the Commission should establish two standup 320-acre drilling and spacing units on the Application Lands.

7. The first such 320-acre unit includes the entire vertical and horizontal wellbore of the McIntyre #1-3 ST well and consists of the following Application Lands:

Township 7 North Range 94 West, 6th P.M.
Section 2: W $\frac{1}{2}$ SW $\frac{1}{4}$
Section 3: E $\frac{1}{2}$ SE $\frac{1}{4}$
Section 10: E $\frac{1}{2}$ NE $\frac{1}{4}$
Section 11: W $\frac{1}{2}$ NW $\frac{1}{4}$

Moffat County, Colorado.

8. The second 320-acre unit adjoins the first unit, includes the proposed well in the NW $\frac{1}{4}$ NE $\frac{1}{4}$ of Section 10, Township 7 North, Range 94 West, and consists of the following Application Lands:

Township 7 North Range 94 West, 6th P.M.
Section 3: SW $\frac{1}{4}$ SE $\frac{1}{4}$, SE $\frac{1}{4}$ SW $\frac{1}{4}$
Section 10: E $\frac{1}{2}$ NW $\frac{1}{4}$, W $\frac{1}{2}$ NE $\frac{1}{4}$, NE $\frac{1}{4}$ SW $\frac{1}{4}$, NW $\frac{1}{4}$ SE $\frac{1}{4}$

Moffat County, Colorado.

Applicant attaches a map of the two proposed 320-acre units (Exhibit B).

9. That the above-proposed spacing will allow more efficient drainage of the Mancos and Niobrara Formations; will prevent waste; will not adversely effect correlative rights and will assure the greatest ultimate recovery of oil and associated hydrocarbon substances from the reservoir. Such spacing is not smaller than the maximum area that can be efficiently and economically drained from said formation.

10. Applicant proposes that an optional additional well in each of the 320-acre units be drilled or completed in the operator's discretion with the bottomhole location no closer than 660 feet to any outer boundary of the unit and with no setback required to any interior quarter section line.

11. That the names and addresses of the interested parties in this Application according to the information and belief of the Applicant are set forth in Exhibit A hereto, and that Applicant will submit a Certificate of Service of this Application on each interested party within the next seven days as required by Rule 503.d.

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 30th day of December, 2009.

Respectfully submitted,

DURANGO PIPELINE CORP.

By: Thomas W. Niebrugge
Thomas W. Niebrugge
Lindquist & Vennum P.L.L.P.
Attorneys for Applicant
600 17th Street, Suite 1800-S
303-573-5900

Applicant's Address:
4305 N. Garfield St., Suite 200B
Midland, TX 79705

VERIFICATION

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

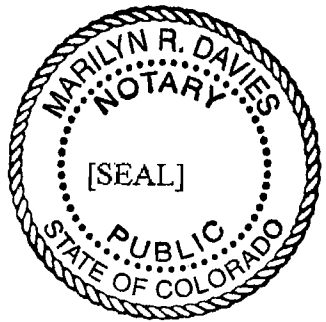
Michael Sullivan, President, upon oath deposes and says that he has read the foregoing Application and the statements contained therein are true to the best of his knowledge, information and belief.

DURANGO PIPELINE CORP.

By: *Michael Sullivan*
Michael Sullivan

Subscribed and sworn to before me this 27th day of December, 2009, by Michael Sullivan of Durango Pipeline Corp.

Witness my hand and official seal. My commission expires: APRIL 30 2013



Marilyn R. Davies
Notary Public

My Commission Expires 04/30/2013

EXHIBIT A

Owners and Interested Parties

Quicksilver Resources, Inc.
777 West Rosedale Street, Suite 300
Ft. Worth, TX 76104

Cypress Production, Inc.
313 West Main Street
Azle, Texas 76020

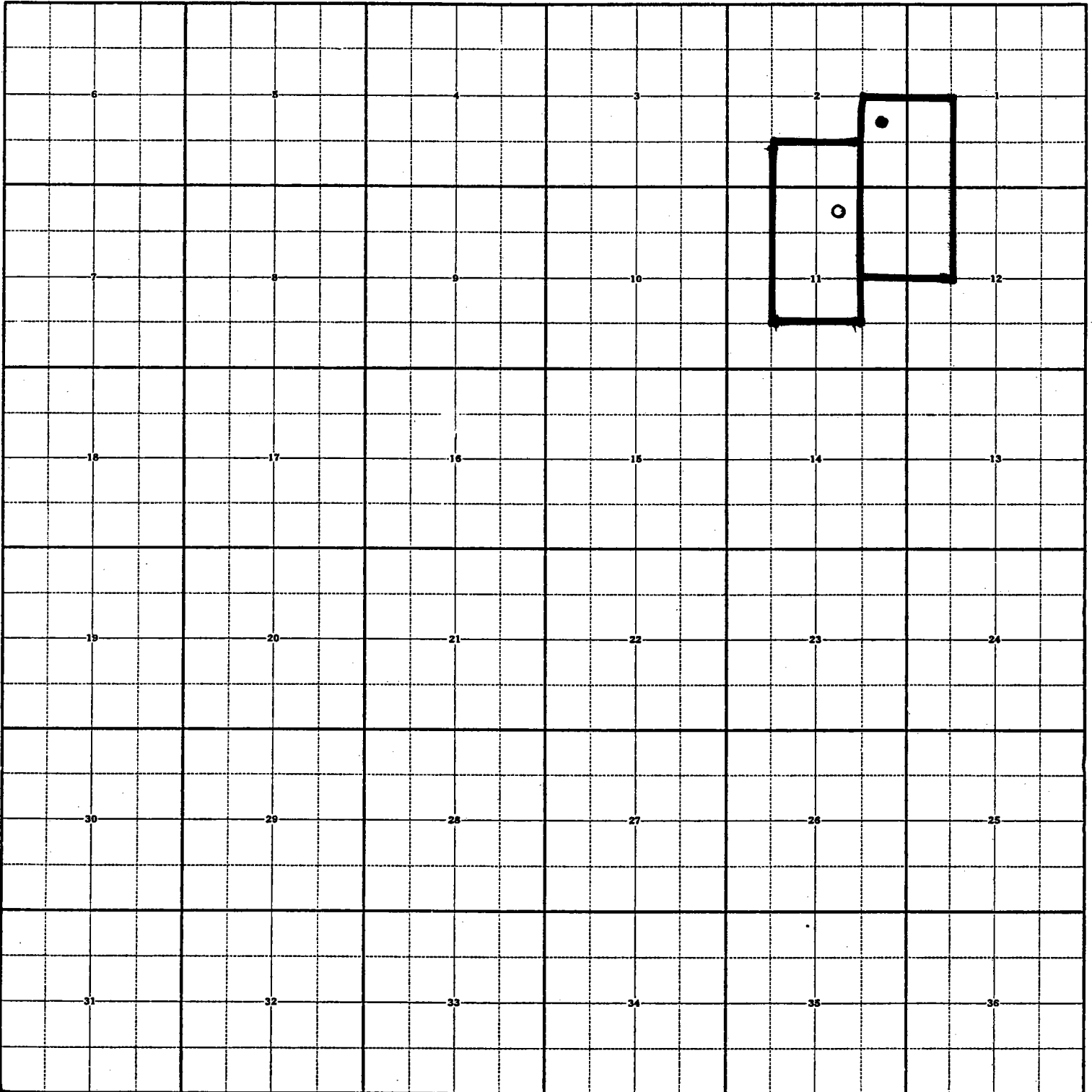
Pioneer Natural Resources USA Inc.
1401 17th Street, Suite 1200
Denver, CO 80202

Durango Pipeline Corp.
4305 N. Garfield Street, Suite 200B
Midland, TX 79705

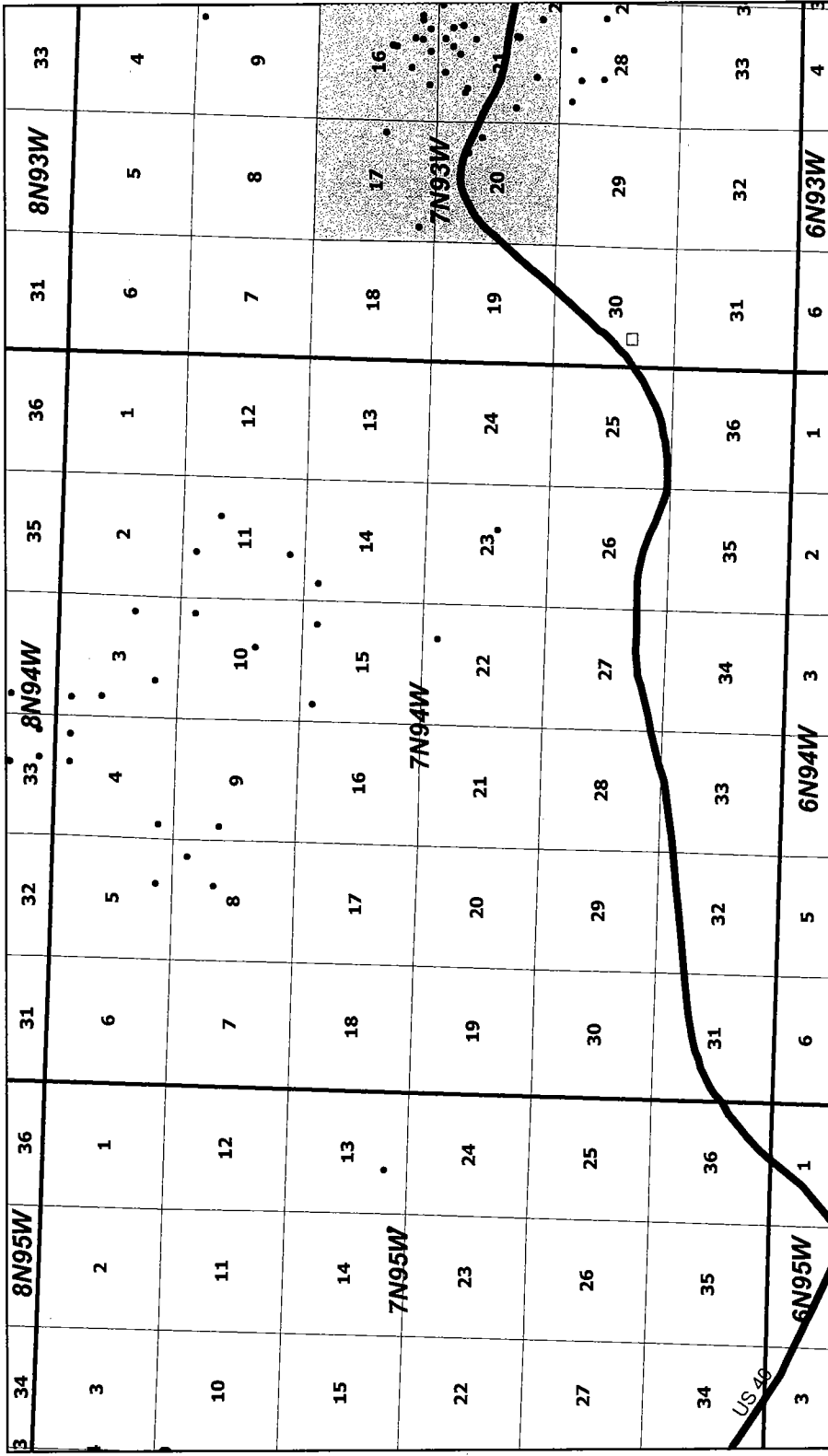
EXHIBIT B

Map

Township 7N Range 94W County MOFFAT State COLORADO



COGCC GIS Online



Red Lines

OIL AND GAS WELLS

- Oil and Gas Wells
- ✕ Temporary Point

CITIES TOWNS PLACES

- Cities
- Towns and Places

ROADS AND RRS

- Major Highways

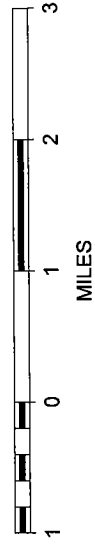
COGCC SPACING

- Spacing Not Mapped
- ▨ SPACING ORDERS

SAN JUAN BASIN

- Fruitland PC
- MUNICIPAL BOUNDARIES

SCALE 1 : 92,448



N

