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BEFORE THE OIL AND GAS CONSERVATION COMMISSION
OF THE STATE OF COLORADO
SEP 22 2003
COGCC

IN THE MATTER OF APPLICATION)
FOR PERMITS TO DRILL NOS.)
20021890, 20021891, 20022267, 20022268,)
20022269, 20022270, 20022271, 20022272)

Docket No.



**VERIFIED APPLICATION FOR A VARIANCE APPROVING AN EXTENSION
OF TIME TO COMMENCE OPERATIONS ON PREVIOUSLY APPROVED
APPLICATIONS FOR PERMITS TO DRILL**

COMES NOW Gunnison Energy Corporation, through its attorneys, Bjork Lindley Little, P.C., and respectfully petitions the Oil and Gas Conservation Commission of the State of Colorado as follows:

I. Statement of Factual and Legal Basis for the Application

A. Summary

1. In November of 2002, and January and May of 2003, Richard Griebing, Director of the Colorado Oil and Gas Conservation Commission ("Commission"), approved Gunnison Energy Corporation's Applications for Permits to Drill ("APDs") for eight proposed natural gas wells in Delta and Gunnison Counties, Colorado. These eight wells are the Leon Lake #4 well (APD #20021891) (API # 05-029-06078-00); the Leon Lake #5 well (APD #20021890) (API # 05-029-06079-00); the Powerline Federal well (APD #20022271) (API # 05-029-06080-00); the Oakbrush Federal well (APD #20022269) (API # 05-029-06081-00); the Bullpark Federal well (APD #20022268) (API # 05-029-06082-00); the Hubbard Creek Federal well (APD #20022270) (API # 05-029-06083-00); the Thompson Creek Federal well (APD #20022267) (API # 05-051-06049-00); and the Hawksnest Federal well (APD #20022272) (API # 05-051-06050-00) (collectively the "Subject APDs").

2. Gunnison Energy has been unable to commence operations on these eight proposed natural gas wells due to an ongoing federal permitting and approval process involving the United States Bureau of Land Management ("BLM") and the United States Forest Service ("Forest Service"). Gunnison Energy initiated the federal approval process by filing APDs with the Commission and the BLM in September of 2002 for the Leon Lake #4 and Leon Lake #5 wells, and December of 2002 for the Powerline Federal, Oakbrush Federal, Bullpark Federal, Hubbard Creek Federal, Thompson Creek Federal, and Hawksnest Federal wells.

3. Upon reviewing the APDs, the BLM and the Forest Service elected to prepare an environmental assessment in order to comply with their obligations under the National Environmental Policy Act ("NEPA"). Scoping for the environmental assessment began in December of 2002 and the environmental assessment for Gunnison Energy's Exploratory Gas Drilling Project was completed in May of 2003. The Forest Service issued a Decision Notice and Finding of No Significant Impact on the Exploratory Gas Drilling Project on August 29, 2003, and the BLM issued a similar Finding of No Significant Impact and Decision Record on September 5, 2003. Under the applicable Forest Service and BLM regulations, although Gunnison Energy is currently authorized to begin operations on the Thompson Creek Federal and the Hawksnest Federal wells, as those wells are located on BLM lands, Gunnison Energy cannot begin operations on the six other wells, which are located on Forest Service Lands, until an initial appeal period is concluded.

4. The permits to drill previously approved and issued by Director Griebing are now scheduled to expire on November 20, 2003 (for the Leon Lake #4 and the Leon Lake #5 wells), on January 16, 2004 (for the Powerline Federal), on January 20, 2004 (for the Oakbrush Federal), on January 24, 2004 (for the Bullpark Federal, the Hubbard Creek Federal, and the Thompson Creek Federal) and on May 1, 2004 (for the Hawksnest Federal).

5. Gunnison Energy anticipates commencing operations on the Hawksnest Federal and the Thompson Creek Federal wells prior to the end of the fall 2003 drilling season and before applicable permits are to expire. Nonetheless, factors beyond the control of Gunnison Energy including, but not limited to, local weather, surface and road conditions and potential appeals and litigation could conceivably prevent Gunnison Energy from commencing operations before the approved permits expire. Given the timing of the Forest Service appeal process, in addition to seasonal stipulations imposed by the federal agencies, it is unlikely Gunnison Energy will be able to commence operations prior to the expiration of the APDs for the Leon Lake #4, Leon Lake #5, Powerline Federal, Oakbrush Federal, Bullpark Federal, or Hubbard Creek Federal wells prior to the dates the applicable permits are to expire.

6. Therefore, for the reasons set forth herein, Gunnison Energy respectfully requests the Commission issue an order or other approval for a variance extending the time within which Gunnison Energy may commence operations on the Leon Lake #4 well and Leon Lake #5 well from November 20, 2003, until November 20, 2004; on the Powerline Federal well, the Oakbrush Federal well, the Bullpark Federal well, the Hubbard Creek Federal well, and the Thompson Creek Federal well from January 16, 2004, January 20, 2004, and January 24, 2004, respectively, until January 24, 2005, and on the Hawksnest Federal well from May 1, 2004, until September 30, 2004.

B. Background

7. Gunnison Energy holds title to the oil and gas leasehold estate in approximately 98,000 acres of federal, state, and private fee lands in Delta and Gunnison Counties, Colorado. These leases grant Gunnison Energy the exclusive right to drill for, produce, remove, and sell oil and gas resources from the leased premises.

8. During September and December of 2002, Gunnison Energy filed APDs for six natural gas wells on Forest Service lands within Delta County, Colorado designated as the Leon Lake #4 well, the Leon Lake #5 well, the Powerline Federal well, the Oakbrush Federal well, the Bullpark Federal well, and the Hubbard Creek Federal well. Similarly, in December of 2002, Gunnison Energy filed APDs for two wells located on BLM lands within Gunnison County, Colorado. The proposed well locations are located on National Forest System lands and BLM lands in the North Fork Valley, north of the towns of Cedaredge, Paonia, and Somerset in southwestern Colorado.

9. These APDs complied in all respects with the rules and regulations of the Commission. They included, among other things, detailed information addressing area geology, drilling procedures, well construction diagrams, site maps, planned access routes, a rehabilitation plan, a surface use plan detailing planned operations and surface restoration, a surface water runoff hydrology plan, and a grading plan. Gunnison Energy subsequently submitted "Additional Attachments" to the APDs indicating Gunnison Energy's willingness to perform initial water quality and quality baseline testing for all known water wells or springs within a one mile radius of the proposed locations and further agreeing to provide the results of such tests to the Commission, the applicable counties, and the BLM.

10. In further compliance with the rules and regulations of the Commission, Gunnison Energy served Delta County and Gunnison County with a copy of a Notice of Intent to Drill for each of these proposed wells at the same time as the APDs were filed. These notices enclosed the full application package submitted to the Commission. Gunnison Energy also provided Delta County and Gunnison County with its Additional Attachments and all additional information provided to the Commission.

11. The Commission also provided timely notice to Delta County by advising Delta County's Local Governmental Designee, Bruce Bertram, and Gunnison County by advising Gunnison County's Local Governmental Designee, John Devore, of Gunnison Energy's APDs.

12. By letters dated October 23, 2002, Mr. Bertram, in his role as Delta County's Local Governmental Designee, submitted lengthy additional technical comments on behalf of the Delta County addressing the pending APDs for the Leon Lake #4 and the Leon Lake #5 wells. By letters dated December 19, 2002, Mr. Bertram, again in his role as Local Governmental Designee,

submitted lengthy technical comments regarding the Powerline, Oakbrush, Bullpark, and Hubbard Creek wells.

13. Gunnison County did not submit comments to the Commission on the Subject APDs through its Local Governmental Designee.

C. Commission Approval of the APDs

14. Director Griebing approved APDs for the Leon Lake #4 and Leon Lake #5 wells on November 21, 2002, for the Powerline Federal well on January 17, 2003, for the Oakbrush Federal, well on January 21, 2003, for the Bullpark Federal, Hubbard Creek Federal, and the Thompson Creek Federal wells on January 25, 2003, and for the Hawksnest Federal well on May 2, 2003. In a letter issued to Bruce Bertram contemporaneously with his approval of the Leon Lake #4 and Leon Lake #5 APDs, Mr. Griebing commented as follows:

I have carefully reviewed the comments from Delta County with members of our staff to ensure that public health, safety, and welfare is protected by the APD as conditioned and by existing COGCC rules and statutes. In addition, both the surface estate and the mineral estate where the well is located are owned and managed by the federal government. The U. S. Forest Service manages the surface lands where the well is located, and the COGCC shares a dual responsibility with the U.S. Bureau of Land Management in permitting the subsurface aspects of oil and gas development. As such, we have been in communication with staff at the U.S. Bureau of Land Management and the U.S. Forest Service to gain an understanding of their extensive review processes for APD's. . . . [sic]

The APDs filed by Gunnison Energy Corporation are complete application packages submitted using standard petroleum industry practices and complying with COGCC rules. The APD has been issued with conditions of permit approval, taking into account those issues raised by Delta County. That document is attached herein and includes a description of how pertinent COGCC rules and the proposed well bore construction protect public health, safety and welfare.

A similar letter was sent to Mr. Bertram and Mr. Devore after Director Griebing approved the APDs for the Powerline Federal, Oakbrush Federal, Bullpark Federal, Hubbard Creek Federal, Thompson Creek Federal, and the Hawksnest Federal wells.

D. Federal National Environmental Policy Act Review Process and Federal Approval of the Subject APDs

15. Under the governing federal regulatory scheme, the BLM approves and monitors all drilling and completion activities, or downhole activities, on federal lands. The Forest Service and the BLM independently approve and monitor surface impacts and activities on lands under their respective jurisdictions. Thus, Gunnison Energy was required to seek BLM approval for all eight of the natural gas wells listed above, but was required to seek Forest Service approval only for the Leon Lake #4, Leon Lake #5, Powerline Federal, Oakbrush Federal, Bullpark Federal, and Hubbard Creek Federal wells.

16. On December 31, 2002, the Forest Service and the BLM formally initiated the NEPA process by issuing a scoping notice and requesting comments on Gunnison Energy's proposal to drill, complete, test, and monitor eight natural gas wells within the Grand Mesa National Forests and the Uncompahgre Resource Management Area. The scoping and comment period for the Gunnison Energy Corporation's Proposed Exploratory Gas Drilling Project closed on January 31, 2003.

17. The Forest Service and the BLM, with the assistance of ENSR, an environmental consulting firm and other retained contractor specialists, conducted an environmental analysis ("EA") concerning Gunnison Energy Corporation's Proposed Exploratory Gas Drilling Project. The EA considers, among other topics, the: air quality; soils; geology and minerals; vegetation; wildlife and fisheries; land use and recreation; noise; visual resources; and cultural resources affected or

potentially affected by the proposed project. The EA is available on the BLM's website at www.co.blm.gov/ubra/gasea/projectdocs.htm. The EA contains a comprehensive review of water resources within the North Fork Valley and the potential impacts the proposed project may have upon water resources within the study area. In particular, the EA utilizes information obtained from two recent water resources studies concerning the North Fork Valley conducted by Wright Water Engineers, Inc. The first involved a baseline study of the surface water and groundwater resources within the North Fork Valley. The second involves a careful analysis of the potential impacts the proposed natural gas development activities may have upon water resources within the North Fork Valley. Each of these studies are available on Gunnison Energy's website at www.northforkvalley.com.

18. The EA for Gunnison Energy Corporation's Proposed Exploratory Gas Drilling Project was released in May of 2003 and was made available for public comment from May 23, 2003, until June 23, 2003. The EA is over 300 pages in length and contains extensive and detailed information concerning the proposed project and the potential impacts it may have upon the environment in the North Fork Valley. Based on the information contained in the EA and comments received from the public, the Forest Service and the BLM issued separate Decision Notices and Findings of No Significant Impact on August 29, 2003, and September 5, 2003, respectively. Each agency determined that the proposed project would not have a significant impact on the human environment.

19. In connection with its September 5, 2003, Finding of No Significant Impact and Decision Record, the BLM issued approved federal APDs for the Thompson Creek and Hawksnest Federal wells. As both the Thompson Creek Federal and Hawksnest Federal well sites are located on BLM lands, the BLM APDs constitute final approval and Gunnison Energy is authorized to begin operations on those well locations. As indicated above, Gunnison Energy intends to begin site construction and preparation before the end of the current drilling season, but factors beyond the control of Gunnison Energy such as local weather, surface and road conditions, and seasonal and controlled use stipulations and conditions of approval may prevent Gunnison Energy from commencing operations prior to the date the Commission's APDs expire.

20. Pursuant to the applicable Forest Service regulations, authorization to commence operations on the Leon Lake #4, Leon Lake, #5, Powerline Federal, Oakbrush Federal, Bullpark Federal, and Hubbard Creek Federal wells will not be issued until after a required appeal period. The appeal period may last between 50 and 105 days depending on whether appeals are actually filed. At this point in time, Gunnison Energy is not aware of any protests regarding its proposed Exploratory Drilling Project being filed with the Forest Service. Because of the required appeal process, seasonal stipulations, and local weather, it is doubtful Gunnison Energy will commence operations on the Leon Lake #4, Leon Lake, #5, Powerline Federal, Oakbrush Federal, Bullpark Federal, and Hubbard Creek Federal wells before the spring and summer of 2004.

II. Relief Requested by Applicant

21. As noted above in paragraph 4, the eight APDs previously approved by the Commission are now scheduled to expire on November 20, 2003 (for the Leon Lake #4 and the Leon Lake #5 wells), on January 16, 2004 (for the Powerline Federal), on January 20, 2004 (for the Oakbrush Federal), on January 24, 2004 (for the Bullpark Federal, the Hubbard Creek Federal, and the Thompson Creek Federal) and on May 1, 2004 (for the Hawksnest Federal).

22. Gunnison Energy anticipates commencing operations on the Thompson Creek Federal and the Hawksnest Federal wells on or before the expiration of the APDs. Nonetheless, many factors beyond the control of Gunnison Energy could conceivably delay the commencement of operations on one or more of the approved wells. These factors include, but are not limited to, local weather, lease stipulations, APD conditions of approval, surface and road conditions, and potential appeals and future litigation.

23. Given the timing of the Forest Service appeal process, in addition to seasonal stipulations imposed by the federal agencies and local weather conditions, it is unlikely Gunnison Energy will be able to commence operations prior to the expiration of the APDs for the Leon Lake

#4, Leon Lake #5, Powerline Federal, Oakbrush Federal, Bullpark Federal, or Hubbard Creek Federal wells prior to the dates the applicable permits are to expire.

24. Under these circumstances, the Commission should exercise its discretion and issue an order or other approval for a variance extending the time within which Gunnison Energy may commence operations on the Leon Lake #4 well and Leon Lake #5 well from November 20, 2003, until November 20, 2004; on the Powerline Federal well, the Oakbrush Federal well, the Bullpark Federal well, the Hubbard Creek Federal well, and the Thompson Creek Federal well from January 16, 2004, January 20, 2004, and January 24, 2004, respectively, until January 24, 2005, and on the Hawknest Federal well from May 1, 2004, until September 30, 2004.

III. Certification of No Material Change

25. Gunnison Energy certifies that no material changes in its application or approved drilling and reclamation plans have been made, other than those previously filed with the Commission, which render its applications outdated or otherwise infirm.

IV. Notice


Rule 507 does not specify the class of persons to whom notice of this form of Application should be directed. Attached hereto as Exhibit A are the addresses of the Federal Surface Management Agencies directly involved with approval of the Subject APDs and the address of Mr. Bertram, the Delta County Local Governmental Designee, and John Devore the Gunnison County Local Governmental Designee. Gunnison Energy requests that the Commission serve these persons, as well as all others deemed entitled to notice by the Commission, with notice of this Application.

WHEREFORE, for the reasons state above, Gunnison Energy respectfully requests this Commission, consistent with its rules and regulations and other relevant law, give notice of this Application, set it for hearing and, as soon as possible, issue an order or other approval of a variance extending the time within which Gunnison Energy may commence operations on the Leon Lake #4 well and Leon Lake #5 well from November 20, 2003, until November 20, 2004; on the Powerline Federal well, the Oakbrush Federal well, the Bullpark Federal well, the Hubbard Creek Federal well, and the Thompson Creek Federal well from January 16, 2004, January 20, 2004, and January 24, 2004, respectively, until January 24, 2005, and on the Hawknest Federal well from May 1, 2004, until September 30, 2004.

DATED this 22nd day of September, 2003.

Respectfully submitted,

BJORK LINDLEY LITTLE, P.C.


Peter A. Bjork
David R. Little
Robert C. Mathes
1600 Stout Street, Suite 1400
Denver, Colorado 80203

Applicant's Address:

Gunnison Energy Corporation
1801 Broadway, Suite 1200
Denver, CO 80202

VERIFICATION

STATE OF COLORADO)
) ss.
COUNTY OF DENVER)

Anthony Gale upon oath, deposes and says that he is a Vice President of the Applicant; that he has read the foregoing Verified Application before the Oil and Gas Conservation Commission of the State of Colorado, and states that the matters therein are true to the best of his knowledge and belief.



Anthony Gale

Subscribed to and sworn to before me this 22nd day of September, 2003, by Anthony Gale of Gunnison Energy Corporation.



Notary Public

My Commission expires:



EXHIBIT "A"
**VERIFIED APPLICATION OF GUNNISON ENERGY CORPORATION FOR AN
EXTENSION OF TIME TO COMMENCE OPERATIONS ON PREVIOUSLY
APPROVED APPLICATIONS FOR PERMITS TO DRILL**

United States Forest Service

Robert L. Storch
Forest Supervisor
Grand Mesa-Uncompahgre-Gunnison National Forests
2250 Highway 50
Delta, CO 81416

United States Bureau of Land Management

Allen J. Belt
Field Manager
Uncompahgre Field Office
2505 South Townsend Avenue
Montrose, CO 81401

Local Government Designees

Bruce Bertram
Delta County Local Government Designee
501 Palmer Street, Suite 227
Delta, CO 81416-1796

John Devore
Gunnison County Local Governmental Designee
200 East Virginia
Gunnison, CO 81230

BEFORE THE OIL AND GAS CONSERVATION COMMISSION
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CERTIFICATE OF MAILING

I hereby certify that on September 22, 2003, a true and correct copy of the Foregoing Verified Application for an Extension of Time to Commence Operations on Previously Approved Applications for Permits to Drill was served by placing same in the United States mail, postage prepaid, addressed to the following:

Robert L. Storch
Forest Supervisor
Grand Mesa-Uncompahgre-Gunnison National Forests
2250 Highway 50
Delta, CO 8141

Allen J. Belt
Field Manager
Uncompahgre Field Office
2505 South Townsend Avenue
Montrose, CO 81401


Bruce Bertram
Delta County Local Government Designee
501 Palmer Street, Suite 227
Delta, CO 81416-1796

John Devore
Gunnison County Local Governmental Designee
200 East Virginia
Gunnison, CO 81230

DATED this 22nd day of September, 2003.

Respectfully submitted,

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Attorneys for Gunnison Energy Corporation