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

IN THE MATTER OF THE APPLICATION OF
PRESCO, INC. REQUESTING THAT THE
COMMISSION REVISE ITS ORDER 139-43 IN CAUSE
NO. 139 TO ALLOW DRILLING WITHIN THE ONE-
HALF-MILE NO DRILL BUFFER ZONE
SURROUNDING THE AUSTRAL OIL HAYWARD #25-
95 (R-E) WELL IN SECTION 25, TOWNSHIP 7 SOUTH,
RANGE 95 WEST, 6TH P.M., GARFIELD COUNTY,
COLORADO

CAUSE NO. 139
DOCKET NO.

APPLICATION

COMES NOW Presco, Inc. (d/b/a PRESCO I, INC.) ("Applicant"), a Delaware corporation, by its attorneys Poulson, Odell & Peterson LLC, and makes an application to the Oil and Gas Conservation Commission of the State of Colorado for an order amending its Order 139-43 to allow the drilling and producing of wells within the one-half-mile no drill buffer zone established under such Order. In support of its application, Applicant states and alleges as follows:

1. That Applicant is a corporation duly authorized to conduct business in the State of Colorado.
2. That Applicant owns a leasehold interest in the following described lands:

Township 7 South, Range 95 West, 6th P.M.

Section 25: E/2, E/2 of NW/4, SE/4 of SW/4

Section 26: E/2 of SE/4

Section 35: E/2 of NE/4 of NE/4

Section 36: N/2 of NW/4, NW/4 of NE/4

(hereinafter collectively "Application Lands")

3. That on May 18, 1990, the Commission issued Order No. 139-16, which among other things, established 640-acre drilling and spacing units for production of gas from the Mesaverde Formation for certain lands in the Rulison Field, which included the Application Lands, with the permitted well to be located no less than 600 feet from the unit boundaries and at least 1200 feet from the nearest well producing from the same source of supply.

4. That on February 13, 2004, the Commission issued Order No. 139-43 which amended Order No. 139-16 to increase the number of Williams Fork wells which can be drilled into and produced to the equivalent of one (1) well per 40 acres with the permitted downhole location to be located no closer than 240 feet from the boundaries of the drilling and spacing unit and no closer downhole than 800 feet from any existing Williams Fork well or wells without an exception being granted by the Director.

5. That such Order No. 139-43 also stipulated that for any wells proposed to be drilled within one-half (1/2) mile of the Austral Oil Hayward #25-95 (R-E) Well in Lot 11 of Section 25, Township 7 South, Range 95 West ("Austral Well"), a hearing before the Commission shall be held prior to approval of any Application for Permit-to-Drill, Form 2. All or portions of the Application Lands are located within such one-half-mile no drill buffer zone.

6. On or about November 8, 2004, Applicant filed with the Commission an application for a permit to drill the Battlement Mesa 25-12 well, such well to have surface location within the one-half-mile no drill buffer zone, but having a bottomhole location (within the Williams Fork Formation of the Mesaverde Group) outside of the one-half-mile no drill buffer zone. This application was not approved by the Commission staff as it was not clear whether the Commission's stipulation (in Order No. 139-43) was intended to apply only to downhole locations within the Williams Fork Formation or whether it was intended to apply also to all surface locations within the one-half-mile no drill buffer zone.

7. Since the February 2004 hearing, Applicant has undertaken to develop and implement a plan of operations which would allow the Commission to order that drilling be allowed within the one-half-mile no drill buffer zone, not only from surface locations with bottomhole locations to be located outside the buffer zone, but in due course also into bottomhole locations within the Williams Fork Formation inside the buffer zone. Such plan of operations will be presented in detail to the Commission at hearing, but in general would provide as follows:

(a) That the Commission allow wells to be drilled from surface locations within the buffer zone to locations penetrating the entirety of the Williams Fork Formation outside of the buffer zone. Certain designated drilling, completion and testing procedures (to be included in Applicant's plan of operations) would be undertaken with respect to the drilling and producing of such directional wells.

(b) Provided the designated testing operations in each well drilled under (a) above indicated to the Commission Director's satisfaction that the drilling and producing of additional wells would not involve undue risk to public health, safety and welfare, the Commission staff would be authorized to issue permits to drill additional wells from the surface within the buffer zone to locations penetrating the Williams Fork Formation within the buffer zone but no further away from the outside boundary of the buffer zone than 440 feet.

(c) Again, provided that the designated testing operations set forth in Applicant's plan of operations indicated to the Commission Director's satisfaction that the drilling and producing of these wells indicated no undue risk to public health, safety and welfare, the Commission staff would be authorized to issue permits to drill wells with bottomhole locations in the Williams Fork Formation within the buffer zone but no further from the outside boundary of the buffer zone than 880 feet.

(d) Provided the designated testing operations set forth in Applicant's plan of operations indicated to the Commission Director's satisfaction that the drilling and producing of these wells indicated no undue risk to public health, safety and welfare, the Commission staff would be authorized to issue permits to drill wells with bottomhole locations in the Williams Fork Formation within the buffer zone a further 440 feet away from the outside boundary of the buffer zone and so on with wells being allowed to be located further and further away from the outside boundary of the buffer zone in 440 feet increments provided however that no well could be drilled into the Williams Fork Formation any closer than 460 feet (downhole) to the boundary of Lot 11 of Section 25.

8. The above-proposed well location rules will allow more efficient drainage of the Williams Fork Formation of the Mesaverde Group; will not promote waste; will not violate correlative rights; will assure the greatest ultimate recovery of gas and associated hydrocarbons from the reservoir; and will protect the public health, safety and welfare.

9. 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.

WHEREFORE, Applicant respectfully requests that this matter be set for hearing in April, 2005, 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: March 10, 2005.

POULSON, ODELL & PETERSON, LLC

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EXHIBIT A

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