



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

IN THE MATTER OF GRANTING OF A VARIANCE TO)	
THE RULES AND REGULATIONS OF THE COLORADO)	CAUSE NO. 1
OIL AND GAS CONSERVATION COMMISSION,)	
DELTA COUNTY, COLORADO)	ORDER NO. 1-101

REPORT OF THE COMMISSION

This cause came on for hearing before the Commission on June 3, 2003 at 10:00 a.m. in the Conference Center, Holiday Inn Express, 2121 E. Main Street, Cortez, Colorado, after giving Notice of hearing as required by law, on the application of Gunnison Energy Corporation, for an order granting a variance extending the time within which Gunnison Energy Corporation may commence operations on four wells.

FINDINGS

The Commission finds as follows:

1. Gunnison Energy Corporation ("GEC"), as applicant herein is an interested party in the subject matter of the above-referenced hearing.

2. Due notice of the time, place and purpose of the hearing has been given in all respects as required by law.

3. The Commission has jurisdiction over the subject matter embraced in said notice and of the parties interested therein, and jurisdiction to promulgate the hereinafter prescribed order.

4. On June 10, 2002, GEC filed with the Colorado Oil and Gas Conservation Commission ("COGCC") an Application for Permit to Drill ("APD") the Spaulding Peak #1 Well. On June 12, 2002, GEC filed APDs for the Stevens Gulch #1 Well and the Dever Creek #1 Well. An APD for the Lone Pine #1 Well was filed on June 26, 2002.

5. The APDs complied in all respects with the rules and regulations of the COGCC. GEC subsequently submitted amended APDs discussing additional information requested by the COGCC staff. In further compliance with the rules and regulations of the COGCC, GEC served Delta County with a copy of a Notice of Intent to Drill for each of the proposed wells at the same time as the APDs were filed. The notices enclosed the applications submitted to the COGCC. GEC also provided Delta County with the amended applications.

6. On June 27, 2002, the Delta County Local Governmental Designee (LGD), Mr. Bruce Bertram, submitted technical comments on behalf of the BOCC addressing the pending APDs. The COGCC also received numerous written comments from other persons addressing, among other things, concerns about public health and the environment. On July 2, 2002, COGCC staff visited the proposed well sites and engaged in on-site consultations with Mr. Bertram, members of the BOCC and other as provided in COGCC Rule 306.a(3).

7. The APDs for the Spaulding Peak #1 Well, the Dever Creek #1 Well, and the Lone Pine #1 Well were approved by the COGCC on July 3, 2002 and the Stevens Gulch #1 Well was approved on July 15, 2002.

8. On July 22, 2002, the BOCC adopted Resolution 2002-R-025, which denied GEC's request for a county permit and approval to commence operations on the Spaulding Peak #1 Well, the Dever Creek #1 Well and the Stevens Gulch #1 Well. The resolution proposed to approve the request to commence operations on the Lone Pine #1 Well, but only if GEC agreed to comply with numerous conditions different from, and in addition to, the conditions imposed by the COGCC.

9. On April 21, 2003, Delta County reconsidered its position and issued Resolution No. 2003-R-016, which states that on March 18, 2003, the District Court of the City and County of Denver found and ordered that the denial of the four wells by the County was disapproved. Based upon this order of the Court and the statement of the Applicant that GEC would not be running power lines and waterlines to the wells sites, the four wells remaining under Phase I of SD 02-007, GEC, Applicant, shall be and hereby are approved, subject to the terms and conditions set forth in the Delta County Development Agreement.

10. The four APDs previously approved by the COGCC are scheduled to expire on July 2, 2003 or July 14, 2003. GEC anticipates commencing operations on each of the four approved wells on or before the expiration of the APDs. Nonetheless, many factors beyond the control of GEC could conceivably delay the commencement of operations on one of more of the approved wells.

11. On April 24, 2003, GEC, by its attorney, filed with the Commission a verified application for an order or other approval for a variance under Rule 502.b.(1) to Rule 303.h. extending the time within which GEC may commence operations on the Spaulding Peak #1 Well, the Dever Creek #1 Well and the Lone Pine #1 Well from July 3, 2003 until July 3, 2004 and on the Stevens Gulch #1 Well from July 15, 2003 until July 15, 2004.

12. Testimony presented at the hearing indicated that no material change in the APDs or the approved drilling and reclamation plans have been made to render the APDs outdated.

13. The Commission finds that in accordance with §34-60-108(7) if no protest to the granting of a verified petition has been made, an order based upon the facts in the verified petition may be entered, without the necessity of taking testimony or the making of a record.

14. The Commission finds that the granting of a variance under Rule 502.b.(1) to Rule 303.h. does not violate the basic intent of the Oil and Gas Conservation Act and the application should be approved.

ORDER

NOW, THEREFORE IT IS ORDERED that a variance in accordance with 502.b.(1) is hereby granted extending the time within which Gunnison Energy Corporation may commence operations on the Spaulding Peak #1 Well, the Dever Creek #1 Well and the Lone Pine #1 Well to July 3, 2004 and the Stevens Gulch #1 Well to July 15, 2004.

IT IS FURTHER ORDERED, that the provisions contained in the above orders shall become effective forthwith.

IT IS FURTHER ORDERED, that the Commission expressly reserves its right, after notice and hearing, to alter, amend or repeal any and/or all of the above orders.

ENTERED this -4th- day of June, 2003, as of June 3, 2003.

OIL AND GAS CONSERVATION COMMISSION OF THE STATE OF COLORADO

By 
Patricia C. Beaver, Secretary

Dated at Suite 801
1120 Lincoln Street
Denver, Colorado 80203
June 4, 2003