

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

**IN THE MATTER OF THE APPLICATION OF
MINERAL RESOURCES, INC. FOR AN ORDER
POOLING INTERESTS IN THE CRETACEOUS
AGE FORMATIONS FROM THE BASE OF THE
DAKOTA TO THE SURFACE LOCATED IN A
PORTION OF THE WATTENBERG FIELD AND FOR
THE MODIFICATION OF THE SIZE OF CERTAIN
DRILLING AND SPACING UNITS FOR THE
PRODUCTION OF OIL AND GAS FROM CERTAIN
OF THE CRETACEOUS FORMATIONS**

CAUSE NO. 318A,

DOCKET NO. ____

CAUSE NO. 407

DOCKET NO. ____

COMES NOW, Mineral Resources, Inc., a Colorado corporation ("Applicant") by and through its attorney, Keith M. Crouch, P.C. and for its application for an order for the involuntary pooling of certain interests in production from the Cretaceous formations in the lands described below pursuant to CRS § 34-60-116 and for an order modifying the size of existing drilling and spacing units implemented pursuant to Cause No. 407 states and alleges as follows:

1. Applicant is duly authorized to conduct business in the State of Colorado and owns oil and gas leases and mineral interests covering portions of certain lands located in Weld County, Colorado described as follows:

T5N, R65W, 6th P.M., Weld County, Colorado

Section 16: SW/4

Section 17: SE/4

2. The above-described lands are included within the area governed by the Greater Wattenberg Area Special Well Location Rule, Rule 318A of the Commission rules, and the Wattenberg spaced area for the production of oil and gas from the Codell and Niobrara formations (See Order No. 407-1 for the Codell formation and Order No. 407-6 for the Niobrara formation). The Sussex, J-Sand and Dakota formations are unspaced as to the lands described above.
3. Pursuant to Rule 318A, operators are authorized to utilize the designated drilling locations to produce all of the Cretaceous Age formations from the base of the Dakota to the surface. Those formations include but are not limited to the Sussex, Codell, Niobrara, J-Sand and Dakota formations.
4. Pursuant to the orders in Cause No. 407, the Codell and Niobrara formations are to be developed on the basis of 80-acre drilling and spacing units.
5. The lands described above are located in the City of Greeley, Colorado and are in populated areas. Applicant owns a 20-acre, more or less, tract of land in the vicinity of the lands described above (the "Drill Site") and plans to use the Drill Site to drill a planned 11 oil and gas wells directionally from the Drill Site to explore for and produce oil and gas from bottom hole locations under the lands described above. The planned wells include "5 spot" locations for production of oil and gas from the Codell and Niobrara formations in and under the SW/4 of Section 16 and the SE/4 of Section 17 above described.
6. Rule 318A d. provides that Rule 318A does not alter the size or configuration of drilling units in the Greater Wattenberg Area and as a result, the Codell and Niobrara formations in and under the SW/4 of Section 16 and SE/4 of Section 17 above described remain subject to the provisions of Cause No. 407 and the requirements thereof unless modified by appropriate order of the Commission.
7. Applicant has received permits to drill 10 of the wells and the operator/Applicant designated drilling and spacing units for the Codell and Niobrara formations are 80-acre "stand-up" units in each quarter section. Again, the Sussex, J-Sand and Dakota formations are unspaced insofar as the above-described lands are concerned.

8. Consistent with the findings in the rulemaking that resulted in the adoption of Rule 318A and in order to protect the correlative rights of the owners of the landowners' and overriding royalty interests in and to production from the Sussex, J-Sand, Dakota, Codell and Niobrara formations in and under the lands above described and to ensure that each such owner has the opportunity to recover his or her just and equitable share of the oil, gas and associated hydrocarbons produced and to be produced from the Sussex, J-Sand, Dakota, Codell and Niobrara formations, it is necessary to designate two 160-acre drilling and spacing units consisting of the SW/4 of Section 16 and the SE/4 of Section 17 described above.
9. As set forth above, Applicant intends to drill 11 wells to test the Sussex, Codell, Niobrara, J-Sand and/or Dakota formations in and under the SW/4 of Section 16 and the SE/4 of Section 17 above described and Applicant is proposing two five well packages, being five wells for each Spacing Unit, due to the costs and risks of the overall project.
10. Due to the costs and risks associated with the proposed wells, the creation of separate 160-acre drilling and spacing units for the two quarter sections is necessary to ensure that each such owner has the opportunity to recover his, her or its just and equitable share of the oil, gas and associated hydrocarbons produced and to be produced from the Sussex, Codell, Niobrara, J-Sand and/or Dakota formations in and under the SW/4 of Section 16 and the SE/4 of Section 17 above described.
11. In addition, Applicant owns and operates oil and gas leases and controls mineral interests covering a total of 127.5 acres, more or less, in the SW/4 of Section 16 and covering 147.98 acres, more or less, in the SE/4 of Section 17 above described. As set forth above, Applicant has requested that the Commission designate the SW1/4 of Section 16 and the SE/4 of Section 17 as the drilling and spacing units ("Spacing Units") for the development of oil, gas and associated hydrocarbons from the Sussex, J-Sand, Dakota, Codell and Niobrara formations in and under those lands. Plats of the Spacing Units are attached hereto as Exhibit A.
12. The Spacing Units consist of a total of 160-acres, more or less, for each Spacing Unit. Approximately 32.2723 acres, more or less, in the SW/4 of Section 16 are unleased and approximately 12.02 acres, more or less, in the SE/4 of Section 17 are unleased.
13. According to the title work completed by Applicant, certain of the unleased interests in the SW/4 of Section 16 total 32.5 acres, more or less, and those interests are owned by the persons identified on Exhibit B-1 attached hereto. Further, certain of the unleased interests in the SE/4 of Section 17 total 12.0248 acres, more or less, and those interests are owned by the persons identified on Exhibit B-2 attached hereto.
14. More than 30 days prior to the filing of this Application, by letters sent to the persons described in Exhibits B-1 and B-2, Applicant offered to lease the interests in the oil and gas owned by those parties in the Spacing Units. The letters included a proposed lease. A representative sample of the letter is attached hereto as Exhibit C.
15. The offer to lease was made pursuant to C.R.S. § 34-60-116(7) c and Rule 530 of the rules of the Commission and the terms thereof comply with the requirements of the statute and rule.
16. In addition to the letter containing the offer to lease described in paragraph 13, Applicant will have sent a letter to each of the owners described on Exhibits B-1 and B-2 offering each such owner the opportunity to bear his, her or its proportionate share of the costs and risks of the drilling and operating the five wells currently planned for each Spacing Unit. The letters will include the following information as required by Rule 530 of the Commission's rules:

The location and objective depths of the five wells to be drilled in each of the Spacing Units,

The estimated drilling and completion costs of the five wells to be drilled in each of the Spacing Units,

The estimated spud dates for the wells to be drilled in each of the Spacing Units or range of time within which the spudding is to occur and

An AFE prepared by the Applicant and containing the information described above.

17. More than thirty days will have elapsed on the date this matter will be heard and the parties listed on Exhibits B-1 and B-2 who have not elected to bear his, her or its proportionate share of the costs and risks of the drilling and operating the five wells to be drilled in each of the Spacing Units will have become non-consenting owners as defined by C.R.S. § 34-60-116(7) and Rule 530 of the rules of the Commission.
18. In order to prevent waste, protect correlative rights and in the best interests of conservation and to foster, encourage and promote the development, production and utilization of the oil and gas natural resources, all the unleased interests in the Spacing Units in the J Sand, Dakota, Codell and Niobrara formations owned by the parties listed on Exhibits B-1 and B-2 should be pooled in accordance with the provisions of C.R.S. § 34-60-116.

WHEREFORE, Applicant respectfully requests that this matter be set for hearing, that notice thereof be given as required by law and that upon such hearing, this Commission enter its order:

- a. Establishing two 160-acre drilling and spacing units consisting of the SW/4 of Section 16 above described and the SE/4 of Section 17 above described for the production of oil, gas and associated hydrocarbons from the Cretaceous formations from the base of the Dakota formation to the surface, to include, but not be limited to, production from the Sussex, J-Sand, Dakota, Codell and Niobrara formations.
- b. That the unleased interests in the 160-acre drilling and spacing units created by subparagraph a above in the Cretaceous formations from the base of the Dakota formation to the surface, to include, but not be limited to, production from the Sussex, J-Sand, Dakota, Codell and Niobrara formations owned by the parties listed on Exhibits B-1 and B-2 who are "non-consenting owners" as defined by Rule 530 of the rules of the Commission be pooled, that such owners be treated as non-consenting owners under C.R.S. § 34-60-116,
- c. Authorizing the production of oil, gas and associated hydrocarbons from the Cretaceous formations from the base of the Dakota formation to the surface to include, but not be limited to, production from the Sussex, J-Sand, Dakota, Codell and Niobrara formations from locations that are 460 feet or more from the boundaries of the Spacing Units, and
- d. For such other and further relief as this Commission deems just and proper.

Dated this 11th day of April, 2005.

Respectfully Submitted,

Mineral Resources, Inc.

By: _____
Keith M. Crouch, P.C.
Its Attorney

5015 Ingersoll Place
Boulder, CO 80303
303-929-7016
303-444-5624 Facsimile

STATE OF COLORADO)
) ss.
COUNTY OF WELD)

Collin Richardson, of lawful age, being first duly sworn upon oath, deposes and says that he is employed by Applicant, that he has read the foregoing Application and that the matters therein contained are true to the best of his knowledge, information and belief.

Collin Richardson

Subscribed and sworn to before me this 11th day of April, 2005
Witness my hand and official seal.

My commission expires: _____

Notary Public