

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

IN THE MATTER OF THE APPLICATION)
OF GREAT WESTERN OIL AND GAS,)
COMPANY LLC FOR AN ORDER)
ESTABLISHING AN ALTERNATE)
SPACING UNIT AND POOLING)
CERTAIN INTERESTS FOR THE)
PRODUCTION OF OIL AND GAS FROM)
THE CODELL AND NIOBRARA)
FORMATIONS UNDERLYING CERTAIN)
LANDS IN WELD COUNTY, COLORADO)

CAUSE NO. 407

DOCKET NO. _____

The Applicant, Great Western Oil and Gas Company, LLC ("Great Western"), by and through its undersigned counsel, respectfully petitions the Oil and Gas Conservation Commission of the State of Colorado (the "Commission") for an order establishing a 160-acre spacing unit for production from the Codell and Niobrara formations, and pooling all interests therein as follows:

BACKGROUND

1. Great Western owns all of the oil and gas leasehold interest in the E $\frac{1}{2}$ NE $\frac{1}{4}$ and certain oil and gas leasehold interests in the W $\frac{1}{2}$ NE $\frac{1}{4}$ of Section 26, Township 6 North, Range 67 West, 6th P.M., Weld County, Colorado.
2. According to the records of the Commission, two wells have been drilled in the NE $\frac{1}{4}$ of said Section 26. The Shaefer #1 Well was drilled in 1983 to the Sussex formation, produced from a 40-acre unit composed of the NE $\frac{1}{4}$ NE $\frac{1}{4}$, and was plugged and abandoned in 1990. The Long-Altex #1 was drilled in 1983 to the Codell formation, produced marginally from a 40-acre unit composed of the NW $\frac{1}{4}$ NE $\frac{1}{4}$, and was plugged in 1990.
3. Great Western desires to directionally drill two wells in a unit comprised of the W $\frac{1}{2}$ NE $\frac{1}{4}$; the Great Western 26-31 Well to a bottom hole location in the NW $\frac{1}{4}$ NE $\frac{1}{4}$; and the Great Western 26-32 Well to a bottom hole location in the SW $\frac{1}{4}$ NE $\frac{1}{4}$.
4. Great Western also desires to drill a vertical well, the Great Western 26-51, to the "5th spot" location in the center of the NE $\frac{1}{4}$.
5. Great Western desires to complete all such wells in the Codell and/or Niobrara formations.

SPACING REQUEST

6. The Oil and Gas Conservation Commission, in Cause No. 407 by Orders No. 407-1 and 407-10, established 80 acre drilling and spacing units for the production of oil and gas from the Codell and Niobrara formations underlying, the NE $\frac{1}{4}$ of said Section 26.
7. According to the records of the Commission, the E $\frac{1}{2}$ and W $\frac{1}{2}$ have been declared drilling and spacing units for Codell and Niobrara production from said NE $\frac{1}{4}$.

8. Colorado Revised Statute Section 34-60-116(4) authorizes the Commission to decrease or increase the size of drilling units in order to prevent or assist in preventing waste, avoid the drilling of unnecessary wells, and/or protect correlative rights.

9. Commission Rule 318A (Greater Wattenberg Area Special Well Location Rule), provides that a well may be drilled and production commingled from formations, including the Codell and Niobrara formations, when the bottom-hole location of such well is within a square with sides of 800 feet, the center of which is the center of the NE $\frac{1}{4}$. At subsection (a)(4)(B), the Rule provides that with respect to such a well drilled to the center of the NE $\frac{1}{4}$, Great Western may apply to the Commission to establish an alternate spacing unit for the well.

10. Great Western requests that the Commission establish a 160-acre drilling and spacing unit consisting of the NE $\frac{1}{4}$ of Section 26, for the Codell and Niobrara formations, for the Great Western 26-51 Well, which will be drilled to the center of the NE $\frac{1}{4}$ pursuant to Commission Rule 318A(a)(4)(B).

11. Testimony before the Commission has previously established that 160-acre drilling units are not less than the maximum area than can be efficiently, economically and effectively drained by a single well producing oil, gas and associated hydrocarbons from the Codell and Niobrara formations underlying said NE $\frac{1}{4}$.

12. The establishment of such a unit will prevent or assist in preventing waste by assuring that the well in the center location in the NE $\frac{1}{4}$ may be completed and produced without prejudice to the rights of other leasehold or mineral owners, and ensuring that the pool as a whole may be efficiently and economically developed.

13. The establishment of such a unit will protect the correlative rights of both leasehold owners and mineral owners in the NE $\frac{1}{4}$.

INVOLUNTARY POOLING REQUEST

14. Colorado Revised Statute Section 34-60-116 authorizes the Commission to pool separately owned interests located within a drilling unit, for the development and operation of a well.

15. Great Western has attempted to negotiate an oil and gas lease from the Cody Walter Powers Trust (the "Trust") covering its unleased oil and gas rights in the W $\frac{1}{2}$ NE $\frac{1}{4}$. Great Western has been informed that the Trust will neither sell or lease its interest, nor participate in the proposed wells.

16. Nonetheless, Great Western has sent a proposed lease and an AFE to the Trust, giving it the opportunity to either lease or participate in the drilling of the three involved wells. The terms of the lease offered to the Trust are no less favorable than those prevailing in the area at this time.

17. With respect to the proposed Great Western 26-31 and 36-32 Wells, an Order of the Commission pooling all interests in the W $\frac{1}{2}$ NE $\frac{1}{4}$ is necessary in order to afford each owner of an interest in the W $\frac{1}{2}$ NE $\frac{1}{4}$ the opportunity to recover and receive its just and equitable share of the oil and/or gas from the common source of supply underlying the W $\frac{1}{2}$ NE $\frac{1}{4}$.

18. With respect to the proposed Great Western 26-51 Well, an Order of the Commission pooling all interests in the NE $\frac{1}{4}$ is necessary in order to afford each owner of interest in the NE $\frac{1}{4}$ the opportunity to recover and receive its just and equitable share of the oil and/or gas from the common source of supply underlying the NE $\frac{1}{4}$.

19. The granting of such an Order would not be prejudicial to the owners in the NE $\frac{1}{4}$ and would protect correlative rights.

20. The granting of such an Order would prevent or assist in preventing waste and will insure that the pool as a whole may be efficiently and economically developed.

REQUEST FOR HEARING AND ORDER

WHEREFORE, Great Western prays that this matter be set for hearing on August 27, 2007, that Notice of said Hearing be given as required by law, an administrative hearing be held if no protests are timely received, and following such hearing the Commission enter an Order in Cause 407 to:

A. Establish a 160-acre drilling and spacing units consisting of the NE $\frac{1}{4}$ of Section 26 for the Great Western 26-51 Well to be drilled in the center of such quarter section, as authorized by Commission Rule 318A, for the production of oil and gas from the Codell and Niobrara formations.

B. Pooling all leasehold interests in the said NE $\frac{1}{4}$ with respect to production of the Codell and Niobrara formations from the Great Western 26-51 Well, and that such pooling order:

(1) be upon terms and conditions that are just and reasonable and that afford to the owner of each tract or interest in the NE $\frac{1}{4}$ the opportunity to recover or receive, without unnecessary expense, his just and equitable share of oil and gas;

(2) provide that production obtained from the NE $\frac{1}{4}$ be allocated to each owner therein on the basis of the proportion that the number of mineral acres held by each owner in such drilling unit bears to the total number of mineral acres within the drilling unit;

(3) provide that Great Western be allowed to recover from any non-consenting owner's share of production the penalty costs as provided in Colorado Revised Statute Section 34-60-116 (7); and

(4) require Great Western to provide each leasehold interest owner in said NE $\frac{1}{4}$ with monthly statement of costs incurred together with the quantity of oil and gas produced and proceeds realized, pursuant to C.R.S. §34-60-116(8).

C. Pooling all leasehold interests in the W $\frac{1}{2}$ NE $\frac{1}{4}$ of Section 26, Township 6 North, Range 67 West for the development and operation of the Codell and Niobrara formations underlying such unit, from the Great Western 26-31 and Great Western 26-32 wells; and that each pooling order:

(1) be upon terms and conditions that are just and reasonable and that afford to the owner of each tract or interest in the W $\frac{1}{2}$ NE $\frac{1}{4}$ the opportunity to recover or receive, without unnecessary expense, his just and equitable share of oil and gas;

(2) provide that production obtained from the W $\frac{1}{2}$ NE $\frac{1}{4}$ be allocated to each owner therein on the basis of the proportion that the number of mineral acres held by each owner in such drilling unit bears to the total number of mineral acres within the drilling unit;

(3) provide that Great Western be allowed to recover from any non-consenting owner's share of production the penalty costs as provided in Colorado Revised Statute Section 34-60-116 (7); and

(4) require Great Western to provide each leasehold interest owner in said W $\frac{1}{2}$ NE $\frac{1}{4}$ with monthly statement of costs incurred together with the quantity of oil and gas produced and proceeds realized, pursuant to C.R.S. §34-60-116(8).

RESPECTFULLY SUBMITTED this 5th day of July, 2007.

**LOHF SHAIMAN JACOBS HYMAN
& FEIGER, P.C.**

By: _____
J. Michael Morgan

Great Western=s Address:

Great Western Oil and Gas Company, LLC
252 Clayton Street, Suite 400
Denver, CO 80206

EXHIBIT "A"

Interested Parties in the NE3 of Section 26, Township 6 North, Range 67 West

Applicant: Great Western Oil and Gas Company, LLC
252 Clayton Street, Suite 400
Denver, CO 80206

Applicant's Attorney: J. Michael Morgan, Esq.
Lohf Shaiman Jacobs Hyman & Feiger PC
950 South Cherry Street, Suite 900
Denver, CO 80246

Local Government Designee: Lee Morrison, Esq.
Weld County Commissioner Office
P.O. Box 758
Greeley, CO 80634

W2 NE3

Leased Mineral Owners: Northern Colorado Royalties, LLC
252 Clayton Street, Suite 400
Denver, CO 80206

Joseph Plummer
Town of Windsor
301 Walnut Street
Windsor, CO 80550

Unleased Mineral Owners: The Cody Walter Powers Trust
c/o Penne Powers Thomas
1513 Hillside Drive
Ft. Collins, CO 80524

Judy Jenny
5101 East Camino Alisa
Tucson, AZ 85718

Leasehold Owners: Great Western Oil and Gas Company, LLC
252 Clayton Street, Suite 400
Denver, CO 80206

E2 NE3

Leased Mineral Owners:

Northern Colorado Royalties, LLC
252 Clayton Street, Suite 400
Denver, CO 80206

Leasehold Owners:

Great Western Oil and Gas Company, LLC
252 Clayton Street, Suite 400
Denver, CO 80206

VERIFICATION

STATE OF COLORADO)
)
COUNTY OF WELD) ss.

The undersigned, of lawful age, having been first sworn upon his oath, deposes and states that:

1. He is a Certified Professional Landman who maintains his Office at 8203 W. 20th Street, Suite B, Greeley, CO 80634.

2. He is an agent for the Great Western, Great Western Oil and Gas Company, whose address is 252 Clayton Street, Suite 400, Denver, CO 80206.

3. He has read the within application, is familiar with the facts set forth therein, and states that said facts are true and correct to the best of his knowledge and belief.

Further Affiant sayeth not.

William G. Crews

Subscribed and sworn to before me this 2nd day of July, 2007.

Witness my hand and official seal.

My commission expires: _____

Notary Public

CERTIFICATE OF MAILING

I hereby certify that on the 5th day of July, 2007, a true and correct copy of the foregoing was mailed via U.S. First-Class Mail, postage prepaid, to the following:

Northern Colorado Royalties, LLC
252 Clayton Street, Suite 400
Denver, CO 80206

Joseph Plummer
Town of Windsor
301 Walnut Street
Windsor, CO 80550

The Cody Walter Powers Trust
c/o Penne Powers Tomas
1513 Hillside Drive
Fort Collins, Colorado 80524

The Cody Walter Powers Trust
c/o Judy Jenny
5101 East Camino Alisa
Tucson, AZ 85718

Lee Morrison, Esq.
Weld County Commissioner Office
P.O. Box 758
Greeley, CO 80634

Tonja L. Hoisington, Paralegal