

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

IN THE MATTER OF THE)	
APPLICATION OF PETROHUNTER)	
ENERGY CORPORATION FOR AN)	CAUSE NOS. 139 & 440
ORDER ESTABLISHING DRILLING)	
UNITS FOR THE WILLIAMS FORK)	DOCKET NO. _____
FORMATION OF THE MESA VERDE)	
GROUP FOR CERTAIN LANDS IN)	
GARFIELD COUNTY, COLORADO)	

APPLICATION

PetroHunter Energy Corporation ("Applicant") by its attorneys, Bjork Lindley Little PC, respectfully submits this application to the Oil and Gas Conservation Commission of the State of Colorado ("Commission") for an order to amend Cause Nos. 139 and 440 to establish 40-acre drilling and spacing units for the Williams Fork Formation of the Mesaverde Group in the following lands ("Application Lands"):

Township 7 South, Range 95 West, 6th P.M.
Section 15: W/2
Garfield County, Colorado

In support of this Application, Applicant states as follows:

1. Applicant is a corporation authorized to conduct business in the State of Colorado and owns leasehold interests in a portion of the Application Lands.
2. Applicant owns leasehold interest in part or all of the Application Lands.
3. On February 20, 1990, the Commission issued Order No. 440-11, which established 320-acre drilling and spacing units for the production of gas and associated hydrocarbons from the Mesaverde Formation for certain lands in Townships 6 and 7 South, Range 95 West, 6th P.M.
4. On April 20, 1990, the Commission issued Order No. 440-12, which added Section 15, Township 7 South, Range 95 West, 6th P.M., to the area in which 320-acre drilling and spacing units were established for the production of gas and associated hydrocarbons from the Mesaverde Formation.
5. Although not relevant to the Application Lands, but addressed in later orders relevant to the Applicant Lands, on April 20, 1990, the Commission issued Order No. 139-16, which among other things established 640-acre drilling and spacing units for Section 22, Township 7 South, Range 95 West, 6th P.M., for the production of gas and associated hydrocarbons from the Mesaverde Formation.

6. On July 1, 1997, the Commission issued Order No. 440-18 and 139-31, which amended prior orders to allow optional drilling of additional wells, up to 16 wells per 640-acre drilling and spacing unit in Section 22, Township 7 South, Range 95 West, 6th P.M., and up to 8 wells per 320-acre drilling and spacing unit in the W/2 of Section 15, Township 7 South, Range 95 West, 6th P.M., for production of gas and associated hydrocarbons from the Williams Fork formation, with the downhole location of the permitted well to be located no closer than 400 feet from the boundaries of the spacing unit and no closer than 800 feet from any well producing from the same formation.

7. On May 10, 2006, the Commission issued Order No. 440-32 which amended prior Orders to allow the drilling of additional wells the equivalent of one well per 20 acres in the 320-acre drilling and spacing unit consisting of the W/2 of Section 15, Township 7 South, Range 95 West, 6th P.M. for the production of gas associated with the Williams Fork Formation, with the downhole located anywhere in the drilling and spacing unit no closer than 200 feet from the boundaries of the drilling and spacing unit and no closer than 400 feet from any existing Williams Fork Formation well, without exception being granted by the Director, and when such wells drilled from the surface either vertically or directionally from no more than one pad located on a given quarter quarter section unless exception is granted by the Commission.

8. The only owner, as defined by Commission rules, of the remaining portions of the W/2 of Section 15, Township 7 South, Range 95 West, 6th P.M. is EnCana Oil & Gas (USA) Inc. EnCana Oil & Gas (USA) Inc. has indicated to the Applicant that it does not oppose the relief requested in this application.

9. David Furr is the surface owner in Section 15, Township 7 South, Range 95 West, 6th P.M. Mr. Furr is aware of this application and has signed a lease that addresses surface access and use of these lands.

10. The lands in Section 15, Township 7 South, Range 95 West, 6th P.M. are located on a southern extension of the Parachute Field. The Williams Fork Formation sands are surrounded by impermeable shales, and, as previously determined by the Commission, increased well density is needed to recover gas reserves from these discontinuous stacked sands.

11. Production from said wells and other geologic information demonstrate that wells drilled just 142 feet apart have different thickness of sands. Due to the difficulty in predicting reservoir thickness on the Application Lands, absent drilling on the equivalent basis of one well per 20 acres (and even more wells per acre may be justified), some sands will be missed and gas in place not produced.

12. Production volumes on the wells drilled north of the Application Lands range from 7.0 BCF from wells to the northwest of the Application Lands, 0.5 BCF from wells to the north of the Application Lands, and 0.3 BCF from wells to the south of the Application Lands. Using this and other data to forecast projected production from the Applicant Lands, it is apparent wells drilled on the Applicant Lands will be economic.

13. To promote efficient drainage within the Williams Fork formation of the Mesaverde Group, and pursuant to C.R.S. § 34-60-116(4) and COGCC 503, Applicant requests that existing 320-acre spacing unit encompassing the W/2 of Section 15, Township 7 South, Range 95 West, 6th P.M. be divided into eight (8) separate 40-acre drilling and spacing units. Doing so would provide the operators in the area with greater operational efficiency and will

prevent or assist in preventing waste, will avoid the drilling of unnecessary wells, will protect correlative rights, and will assure the greatest ultimate recovery of gas and associated substances from the reservoir.

14. The Commission has already approved 20 acre density drilling in the Application Lands and therefore decreasing the size of drilling units will not impair or affect the correlative rights of other Owners within the existing drilling and spacing unit. The Applicant is not requesting a modification of the density, setback, or surface use restrictions established in Order No. 440-32.

15. The names and addresses of the interested parties according to the information and belief of Applicant are set forth in Exhibit A attached hereto and made a part hereof.

Applicant respectfully requests this matter be set for hearing in February, 2007, that notice be given as required by law and that upon such hearing the Commission enter its order consistent with Applicant's proposals as set forth above.

Respectfully submitted on December 19, 2006
BJORK LINDLEY LITTLE PC

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VERIFICATION

STATE OF COLORADO)
) ss.
CITY & COUNTY OF DENVER)

Jim Bob Byrd, of lawful age, being first duly sworn upon oath, deposes and says that he is Vice President of Land & Business Development for PetroHunter Energy Corporation, that he has read the foregoing Application and that the matters therein contained are true to the best of his knowledge, information and belief.

PetroHunter Energy Corporation

By:_____

Subscribed and sworn to before me this ____ day of December, 2006.

Witness my hand and official seal.

Notary Public

My commission expires:_____