

**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
IN WELD COUNTY, COLORADO**

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 an interest in and operates 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 17: SW1/4

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, effective March 1, 2006, 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, to include but not be limited to the Sussex, Codell, Niobrara, J-Sand and Dakota formations, to include "infill" and "boundary" wells as defined by Rule 318A.
4. Pursuant to 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 5 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 5 wells are in addition to 11 directional wells drilled and completed by Applicant from the same Drill Site in the prior calendar year. The wells are included in another drilling program of up to 23 wells that will be drilled by Applicant from the Drill Site as part of a potential 34 well directional drilling program. The planned wells include "5 spot" and boundary well locations for production of oil and gas from the Cretaceous formations in and under the above-described lands. No more than 8 wells will be drilled pursuant to Rule 318A.
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 above-described lands remain subject to the provisions of Cause No. 407 and the requirements thereof unless modified by by appropriate order of the Commission.

7. Applicant has received permits to drill 20 of the wells and the Operator/Applicant designated drilling and spacing units for the Codell and Niobrara formations are 80-acre units. 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 adapted 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 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 the one 160-acre drilling and spacing unit consisting of the SW/4 of Section 17 described above.
9. As set forth above, Applicant intends to drill 5 wells to test the Sussex, Codell, Niobrara, J-Sand and/or Dakota formations in and under the SW/4 of Section 17 above described and Applicant is proposing one five well package for the 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 one 160-acre drilling and spacing unit for the quarter section 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 other 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 17 above described.
11. In addition, Applicant owns and operates oil and gas leases and controls mineral interests covering a total of 130.0185 acres, more or less, in the SW/4 of Section 17 above-described. A plat of the Spacing Unit is attached hereto as Exhibit A.
12. The Spacing Unit consists of a total of 160-acres, more or less. Approximately 29.9815 acres, more or less, in the SW/4 of Section 17 are unleased.
13. According to the title work completed by Applicant, the unleased interests in the SW/4 of Section 17 total 29.9815 acres, more or less, and those interests are owned by the persons identified on Exhibit B attached hereto.
14. More than 30 days prior to the filing of this Application, by letters sent to the persons described in Exhibit B, Applicant offered to lease the interests in the oil and gas owned by those parties in the Spacing Unit. 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, the letter containing the offer to lease described in paragraph 13, Applicant included the opportunity for each owner identified on Exhibit B 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 included 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 the Spacing Unit,

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

The estimated spud dates for the wells to be drilled in the Spacing Unit 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 30 days prior to the filing of this Application, the parties listed on Exhibit B 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 the Spacing Unit 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 Unit in the J Sand, Dakota, Codell and Niobrara formations owned by the parties listed on Exhibit B 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. That the SW/4 of Section 17 above described be designated as a drilling and spacing unit for 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 unit consisting of the SW/4 of Section 17 described 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 Exhibit B who are “non-consenting owners” as defined by Rule 530 of the rules of the Commission be pooled and 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 permitted by Rule 318A, and
- d. For such other and further relief as this Commission deems just and proper.

Dated this 9th day of October, 2006.

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)

Logan 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.

Logan Richardson

Subscribed and sworn to before me this 9th day of October, 2006
Witness my hand and official seal.

My commission expires: _____

Notary Public