

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

**IN THE MATTER OF THE APPLICATION OF
BLUE CHIP OIL, INC. FOR AN ORDER
POOLING INTERESTS IN THE CODELL AND
NIOBRARA FORMATIONS LOCATED IN THE
W/2NE/4 OF SECTION 12, T3N, R68W, 6TH PM,
WELD COUNTY, COLORADO**

CAUSE NO. 407

DOCKET NO. ____

COMES NOW, Blue Chip Oil, 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 Codell and Niobrara formations in the lands described below pursuant to CRS § 34-60-116 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 covering certain lands located in Weld County, Colorado described as follows:

T3N, R68W, 6th P.M.
Section 12: W/2NE/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 Commission Order No. 407-1. The latter order established 80-acre drilling and spacing units consisting of the E/2 and the W/2 or the N/2 and the S/2 of a quarter section to be designated by the Operator upon the drilling of the first well in each drilling and spacing unit. The permitted location for each well is in the center of either 40-acre tract within the unit with a tolerance of 200 feet in any direction. The Operator has the option to drill an additional well on the undrilled 40-acre tract in each 80-acre drilling and spacing unit. The designated drilling and spacing units for the NE/4 of Section 12 above described consist of the E/2 and the W/2 of the NE/4 of Section 12.

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, to include but not be limited to the Sussex, Codell, Niobrara, J-Sand and Dakota formations.

4. Applicant has plans to drill two oil and gas wells to produce from the Codell and Niobrara formations with one well each being located on the NW/4NE/4 of Section 12 and SW/4NE/4 of Section 12. Applicant plans to drill the Morales 31-12 well on the NW/4NE/4 of Section 12 first and has received the permit to drill that well.

5. Applicant owns an interest in and operates oil and gas leases covering a total of 71.9885 acres, more or less, in the W/2NE/4 of Section 12 above described.

6. Ronald D. Smith, on information and belief, owns an undivided 25% interest in an oil and gas lease covering a total of 1.931508 net mineral acres, more or less, in the W/2NE/4 of Section 12 above described. The Smith interest in the drilling and spacing unit is not subject to any agreement pursuant to which Smith has agreed to participate in the costs and risks to be incurred by Applicant in the drilling of the Morales 31-12 well.

7. By letter sent to Smith, a copy of which is attached as Exhibit A hereto, Applicant offered to Smith the opportunity to participate in the drilling of the well and thus far, Applicant has had no response from Smith.

8. The offer to Smith to participate in the drilling of the Morales 31-12 well 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.

9. The letter from Applicant to Smith included the following information as required by Rule 530 of the Commission's rules:

The location and objective depth of the well to be drilled,

The estimated drilling and completion cost of the well,

The estimated spud date for the well or a range of time within which the spudding is to occur, and

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

10. More than thirty days will have elapsed on the date this matter will be heard, and Smith will not have elected to bear his proportionate share of the costs and risks of the drilling and operating the Morales 31-12 well and Smith will have become a non-consenting owner as defined by C.R.S. § 34-60-116(7) and Rule 530 of the rules of the Commission. Should Smith, in response to Exhibit A, elect to participate in the drilling of the Morales 31-12 well, Applicant will withdraw its application.

13. 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, the Smith interest in the W/2NE/4 of Section 12 above described and in the Codell and Niobrara formations 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 interest of Ronald D. Smith in the 80-acre drilling and spacing unit consisting of the W/2NE/4 of Section 12 described above in the Codell and Niobrara formations be pooled and that Ronald D. Smith be treated as non-consenting owner under C.R.S. § 34-60-116 and Rule 530 of the Commission's rules, and

b. For such other and further relief as this Commission deems just and proper.

Dated this 30th day of January 2007.

Respectfully Submitted,

Blue Chip Oil, Inc.

By: /s/Keith M. Crouch
Keith M. Crouch, P.C.
Its Attorney
5015 Ingersoll Place
Boulder, CO 80303
303-929-7016
303-444-5624 Facsimile

VERIFICATION

The undersigned being duly sworn upon oath states that he is the president of Blue Chip Oil, Inc., that he has read the foregoing Application, knows the contents thereof, and that the same are true to the best of his knowledge.

/s/ Tim Hager
Tim Hager

STATE OF COLORADO)
) ss
COUNTY OF LARIMER)

Subscribed and sworn to before me this 30th day of January, 2007.

Witness my hand and official seal.

My Commission expires: 5/9/2009

 /s/Sandra Greer
Notary Public

CERTIFICATE OF MAILING

The undersigned hereby certifies that a true and correct copy of: IN THE MATTER OF THE APPLICATION OF BLUE CHIP OIL, INC. FOR AN ORDER POOLING INTERESTS IN THE CODELL AND NIOBRARA FORMATIONS LOCATED IN THE W/2NE/4 OF SECTION 12, T3N, R68W, 6TH PM, WELD COUNTY, COLORADO was mailed to the following on the 31st day of January, 2007:

Ronald D. Smith
8018 E. Fairmont Drive
Denver, CO 80203

 /s/Linda Naticchioni
Linda Naticchioni