

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

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| IN THE MATTER OF THE APPLICATION) | |
| OF DJ RESOURCES, INC. FOR AN ORDER) | Cause No. 9 |
| ESTABLISHING FIELD RULES AND FOR) | |
| POOLING CERTAIN INTERESTS FOR) | Docket No. ____ - _____ |
| PRODUCTION FROM THE "O" SAND) | |
| FORMATION UNDERLYING CERTAIN) | |
| LANDS IN LOGAN COUNTY, COLORADO) | |

APPLICATION

The Applicant, DJ Resources, Inc. ("DJ Resources"), by and through its undersigned counsel, respectfully petitions the Colorado Oil & Gas Conservation Commission (the "Commission") for an order amending the Commission's Order No. 9-5 to establish an 80-acre spacing unit for production from the "O" Sand Formation underlying the lands described herein, and for an order for the pooling of interests within a certain 80-acre spacing unit comprised of the E/2/4SE/4 of Section 20, Township 9 North, Range 53 West. In support thereof, DJ Resources states as follows:

1. DJ Resources is a Delaware corporation duly authorized to conduct business in the State of Colorado.
2. DJ Resources owns leasehold interests in the lands for which it is seeking the establishment of spacing units.
3. By Order No. 9-5, the Commission approved the establishment of 40-acre spacing units covering the following described lands located in Logan County, Colorado:

Township 9 North, Range 53 West

Section 20: All
Section 21: All
Section 28: N/2
Section 29: N/2

4. Order No. 9-5 also provided for the pooling of all interests within the 40-acre spacing unit comprised of the NE/4SE/4 of Section 20, Township 9 North, Range 53 West.
5. Following Order No. 9-5, DJ Resources caused the drilling of the Gilliland #1 well, located in the NE/4SE/4 of Section 20, Township 9 North, Range 53 West.
6. Based on the results of the Gilliland #1 well, DJ Resources believes that re-drilling that well as a horizontal well will result in better production and the recovery of more reserves from the "O" Sand formation.

7. Drilling a horizontal well will also prevent waste, protect correlative rights, and foster the responsible, balanced development, production, and utilization of the natural resources of oil and gas in the state of Colorado in a manner consistent with protection of public health, safety, and welfare, including protection of the environment. The drilling of a horizontal well to recover reserves from an 80-acre unit comprised of the E/2SE/4 of Section 20, Township 9 North, Range 53 West, will eliminate the need to create an additional drillsite, well pad, and flow line, thus protecting the environment and the surface estate.

8. In order to drill the Gilliland #1 as a horizontal well, the unit to be affected must be increased from the currently authorized 40-acre unit to an 80-acre unit comprised of the E/2SE/4 of Section 20, Township 9 North, Range 53 West.

9. Pursuant to Order 9-5, the Commission pooled all interests in the NE/4SE/4 of Section 20, Township 9 North, Range 53 West. The leasehold and mineral ownership underlying all of the E/2SE/4 of Section 20 is common and therefore no existing property rights will be affected by increasing the size of the unit from the existing 40-acre spacing unit comprised of the NE/4SE/4 of Section 20 to an 80-acre spacing unit comprised of the E/2SE/4 of Section 20.

10. The establishment of an 80-acre spacing unit is necessary in order to afford each interest owner in the E/2SE/4 the opportunity to recover and receive its just and equitable share of production from the "O" Sand Formation underlying those lands.

11. Colorado Revised Statutes § 34-60-116 authorizes the Commission to establish drilling units of specified and uniform size and shape covering any pool and to establish exploratory units.

12. DJ Resources requests the Commission to amend Order No. 9-5 to establish an 80-acre spacing unit comprised of the E/2SE/4 of Section 20 within the lands described above for production of oil and associated hydrocarbons from the "O" Sand Formation. Further, DJ Resources requests that the permitted well location within each spacing unit be in accordance with the Commission's Rule 318.

13. Evidence and testimony to be provided by DJ Resources will show that an 80-acre spacing unit is not smaller than the maximum area that can be efficiently and economically drained by one horizontal well drilled into the "O" Sand Formation underlying the subject lands.

14. The establishment of such 80-acre spacing unit will prevent or assist in preventing waste and will protect the correlative rights of leasehold owners and mineral owners.

15. The names and addresses of the interested parties, based on DJ Resources' information and belief, are set forth on Exhibit A attached hereto.

16. A reference map showing the Application lands in proximity to lands previously approved by the Commission for similar requests is attached hereto as Exhibit 1.

APPLICATION FOR INVOLUNTARY POOLING

17. Colorado Revised Statutes § 34-60-116 authorizes the Commission to pool separately owned interests located within a spacing unit for the development and operation

thereof. DJ Resources desires to drill a horizontal well to the "O" Sand Formation in the E/2/4SE/4 of Section 20, Township 9 North, Range 53 West (the "Subject Unit").

18. There are no other lessees within the Subject Unit. DJ Resources has and will make reasonable offers to lease the unleased mineral interests underlying the Subject Unit, and such offers have and will be upon terms no less favorable than those currently prevailing in the area. Further, the unleased mineral owners shall have been furnished such owner's share of the estimated drilling and completion cost of the well, the location and objective depth of the well and estimated spud date for the well or range of time in which spudding is to occur.

19. An order of the Commission pooling all interests in the E/2SE/4 of Section 20, Township 9 North, Range 53 West is necessary in order to afford each interest owner in the Subject Unit the opportunity to recover and receive its just and equitable share of production from the "O" Sand Formation underlying the Subject Unit.

20. The granting of such an order would not be prejudicial to the owners in the Subject Unit and would prevent waste, protect correlative rights and be in the best interests of conservation, and further will foster the responsible, balanced development, production, and utilization of the natural resources of oil and gas in the state of Colorado in a manner consistent with protection of public health, safety, and welfare, including protection of the environment.

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

A. Amending Order No. 9-5 to establish an 80-acre drilling and spacing unit consisting of E/2SE/4 of Section 20, Township 9 North, Range 53 West for production of oil and associated hydrocarbons from the "O" Sand Formation with the permitted well in each unit to be as established by the Commission's Rule 318.

B. To pool all interests in the E/2SE/4 of Section 20, Township 9 North, Range 53 West with respect to all owners from whom DJ Resources has been unable to secure an oil and gas lease or agreement for the drilling of the proposed well with respect to the "O" Sand Formation and that such owners be treated as non-consenting owners under C.R.S. § 34-60-116 and made subject to the terms and penalties provided for therein.

C. For such other findings and orders as the Commission may deem proper or advisable.

DATED this ____ day of May, 2008.

Respectfully submitted,

DJ RESOURCES, INC.

By:

Barry W. Spector, as attorney for Applicant
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Denver, CO 80265
(303) 623-0717

Applicant's Address:

One Riverway, Suite 1870
Houston, TX 77056

VERIFICATION

STATE OF _____)
) ss.
COUNTY OF _____)

David H. Lehman, of lawful age, being first duly sworn upon oath, deposes and says that he is the President and CEO of DJ Resources, Inc. and that he has read the foregoing Application and that the matters therein contained are true to the best of his knowledge, information and belief.

David H. Lehman

Subscribed and sworn to before this ____ day of May, 2008.

Witness my hand and official seal.

My commission expires:

Notary Public

[SEAL]