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

SPOON VALLEY ENERGY, LLC'S VERIFIED APPLICATION FOR AN ORDER CREATING STANDUP 320 ACRE DRILLING AND SPACING UNITS IN CERTAIN LANDS LOCATED IN HUERFANO COUNTY, COLORADO, FOR THE DRILLING OF WELLS TO THE ENTRADA AND DAKOTA FORMATIONS; AND APPLICATION FOR AN ORDER POOLING ALL NON-CONSENTING INTERESTS

CAUSE NO: 520

ORDER NO:

DOCKET NO:

VERIFIED APPLICATION

COMES NOW the Applicant, Spoon Valley Energy, LLC, by its attorneys, Scott M. Campbell and Nick A. Swartzendruber, Poulson, Odell & Peterson, LLC, and makes application to the Oil and Gas Conservation Commission of the State of Colorado for an Order creating standup 320 acre drilling and spacing units in certain lands located in Huerfano County, Colorado, for the drilling of wells to the Entrada and Dakota Formations; and for an order pooling all non-consenting interests. In support thereof, Spoon Valley Energy, LLC states as follows:

- 1. That Applicant is a corporation duly authorized to conduct business in the State of Colorado.
- 2. That Applicant desires to space the following described lands, located in Huerfano County, Colorado:

Township 29 South, Range 69 West, 6th P.M.

Section 10: W½, more specifically described as:

That portion of the following lands located within the E½NW¼,

Lot 9 of the Abeyta Creek Acres Subdivision, containing 2.61 acres, more or less

Lot 10 of the Abeyta Creek Acres Subdivision, containing 24.81 acres, more or less

Lots 11, 12, 13 of the Abeyta Creek Acres Subdivision, containing 37.47 acres, more or less

and the remainder of Section 10: E½NW¼, being the E½NW¼ of Section 10 less and except those portions of Lots 9, 10, 11, 12, 13 of the Abeyta Creek Acres Subdivision lying within the E½NW¼ of said Section 10, containing 15.11 acres, more or less

W½W½, NE¼SW¼, SE¼SW¼, containing 240.00 acres, more or less

Section 15: All, more specifically described as:

NW¼NW¼, SW¼, E½NW¼, SW¼NW¼, W½NE¼, SE¼NE¼, NE¼NE¼, Less and Except a tract of land located in part of the E½NW¼ of said Section 15 and part of the W½NE¼ of said Section 15, and more particularly described in Warranty Deed Book 369, page 512, containing 26.397 acres,more or less; the resulting total being 453.60 acres, more or less

A tract of land located in part of the E½NW¼ of Section 15, and part of the W½NE¼ of Section 15, more particularly described in Warranty Deed Book 369, page 512, Less and Except a tract of land located therein, containing 5.00 acres, more or less; the resulting total being 21.397 acres, more or less

A tract of land located in part of the E½NW¼ of Section 15, T-29-S, R-69-W, 6th P.M. and part of the W½NE¼ of Section 15, T-29-S, R-69-W, 6th P.M. containing 5.00 acres, more or less

SE¼, Less & Except two (2) tracts of land containing 4.60 acres, more or less, conveyed to Southern Pacific Transportation Company (now San Luis & Rio Grande Railroad, Inc. and more particularly described in Warranty Deed recorded in Book 52, page 566 records of Huerfano County, Colorado, containing 155.40 acres, more or less

Two (2) tracts of land lying in the SE¼ conveyed to Southern Pacific Transportation Company (now San Luis & Rio Grande Railroad, Inc.) and more particularly described in Warranty Deed recorded in Book 52, page 566 records of Huerfano County, Colorado, containing 4.60 acres, more or less

Section 21: All

containing 640.00 acres, more or less

Section 22: N½, SW¼, W½SE¼, SE¼SE¼, NE¼SE¼

containing 640.00 acres, more or less

Section 26: N½, SW¼, N½SE¼, SE¼SE¼, SW¼SE¼

containing 640.00 acres, more or less

Section 27: E½, NW¼, SW¼

containing 640.00 acres, more or less

Section 28: E½

containing 320.00 acres, more or less

Section 34: NW¼, S½NE¼, N½S½, N½NE¼, S½S½

containing 640.00 acres, more or less

Section 35: NW1/4NW1/4, E1/2, NE1/4NW1/4, S1/2NW1/4, N1/2SW1/4, S1/2SW1/4

containing 640.00 acres, more or less

Township 30 South, Range 69 West, 6th P.M.

Section 2: W½, more specifically described as:

Lot 4, SW¼NW¼ (Lot 4 and the SW¼NW¼ comprising the W½NW¼), NW¼SW¼, Less & Except a tract of land located in the NW¼SW¼ of said Section 2, more particularly described in instrument recorded at Reception No. 335243 and containing 11.48 acres, more or less, the total being 108.87 acres, more or less

Lot 3, SE¼NW¼ – (Lot 3 and the SE¼NW¼ comprising the E½NW¼), NE¼SW¼, Less & Except a tract of land located in the NE¼SW¼ of Section 2, more particularly described in that instrument recorded at Reception No. 335244 and containing 9.35 acres, more or less; the total being 111.10 acres, more or less

S½SW¼, a tract of land located in the NW¼SW¼, more particularly described in instrument recorded at Reception No. 335243, containing 11.48 acres, more or less, and a tract of land located in the NE¼SW¼, more particularly described in instrument recorded at Reception No. 335244, containing 9.35 acres, more or less; the total being 100.83 acres, more or less

Section 3: E½, more specifically described as:

Lot 2, SW¼NE¼ (Lot 2 and the SW¼NE¼ comprising the W½NE¼), N½SE¼, Less & Except a tract of land located in the NE¼SE¼ of said Section 3, more particularly described in that instrument recorded at Reception No. 335243 and containing 6.09 acres, more or less; the total being 154.47 acres, more or less

SE¼SE¼ and a tract of land located in the NE¼SE¼, more particularly described in that instrument recorded at Reception No. 335243, containing 6.09 acres, more or less; the total being 46.09 acres, more or less

Lot 1, SE¼NE¼ (Lot 1 and SE¼NE¼ comprising the E½NE¼), containing 80.39 acres, more or less

SW¼SE¼, containing 40.00 acres, more or less

(the "Application Lands").

- 3. Applicant is the working interest owner under most, but not all, of the Application Lands.
 - 4. The Application Lands are currently subject to Rule 318 of this Commission.
- 5. By Order No. 520-1 dated December 2, 1999, the Oil and Gas Conservation Commission established 160-acre drilling and spacing units for the production of oil, gas (including CO2) and hydrocarbons from the Dakota and Entrada Formations underlying Section 33, Township 28 South, Range 69 West, 6th P.M. and all or portions of Sections 4, 5, 8, 9, 16 and 17, Township 29 South, Range 69 West, 6th P.M., containing 3960 acres, more or less. Permitted wells were to be

located no closer than 600 feet from the outer boundaries of the drilling unit, with exceptions due to topography allowed to be granted by the Director provided the bottom hole is located no closer than 350 feet from the boundary of the unit.

- 6. By Order No. 520-2, dated June 4, 2002, the Oil and Gas Conservation Commission pooled all non-consenting owners in the 160-acre drilling and spacing unit consisting of the SE¼ of Section 4, Township 29 South, Range 69 West, 6th P.M. for the development and operation of the Dakota and Entrada Formations, pending notice of five additional parties and allowing a twenty day period to file protests.
- 7. By Order No. 520-3, dated June 4, 2002, the Oil and Gas Conservation Commission pooled all non-consenting owners in the 160-acre drilling and spacing unit consisting of the SW¼ of Section 33, Township 28 South, Range 69 West, 6th P.M. for the development and operation of the Dakota and Entrada Formations.
- 8. By Order No. 520-4, dated January 9, 2006, the Oil and Gas Conservation Commission pooled all non-consenting owners in the 160-acre drilling and spacing unit consisting of the NE¼ of Section 4, Township 29 South, Range 69 West, 6th P.M. for the Harry Willis No. 1 Well, for the development and operation of the Dakota and Entrada Formations.
- 9. As to the Application Lands, geological and engineering information obtained in the drilling and producing of wells located in the area and productive of gas and associated hydrocarbons from the Entrada and Dakota Formations, indicates that in order to adequately and efficiently drain the gas and associated hydrocarbons from the Formations, a standup 320 acre drilling and spacing unit will be required to drain the Formations efficiently and economically, despite the fact that surrounding acreage has been spaced on a 160 acre basis. Applicant therefore alleges that each such 320 acre drilling and spacing unit is not smaller than the maximum area that can be efficiently and economically drained by one well producing from the Dakota and Entrada Formations, and that the correlative rights of all parties will be protected. Applicant further alleges that the additional wells may be drilled in a manner consistent with the protection of public health, safety and welfare.
- 10. Applicant alleges and believes that the granting of this Application will prevent waste, protect correlative rights, and assure the greatest ultimate recovery of gas and associated hydrocarbons from the reservoir.

POOLING OF NON-CONSENTING INTERESTS

- 11. Applicant has so far been unable to obtain 100% consent to voluntary pooling by all net revenue interests owners in the proposed drilling and spacing units for Township 29 South, Range 69 West, 6th P.M., Section 10: $W\frac{1}{2}$; and Township 30 South, Range 69 West, 6th P.M., Section 2: $W\frac{1}{2}$. As a result, it is necessary and proper for Applicant to request that the interests of those net revenue interest owners which have not agreed to such voluntary pooling be involuntarily pooled pursuant to C. R. S. § 34-60-116 of the Colorado Oil and Gas Conservation Act.
- 12. That with respect to those net revenue interest owners which would participate in production from anticipated well, Applicant has made and continues to make reasonable attempts pursuant to COGCC Rule 530.b. to enter into leases with such parties but has so far been unsuccessful in such attempts. These unleased mineral owners are more specifically identified on Exhibit "B" attached hereto. As of the date hereof, those owners either elected not to participate in such drilling and completion (or to lease their interests) or have not responded to the correspondence

from Applicant making such offers.

- 13. That in order to prevent waste, protect correlative rights and in the best interests of conservation, all mineral interests or working interests owned by those owners listed on Exhibit B should be pooled in accordance with C.R.S. § 34-60-116 and Rule 530 of the COGCC.
- 14. Pursuant to Rule 503(d) of this Commission, within seven (7) days of the filing of this Application, the Applicant shall submit a Certificate of Service to the Commission demonstrating that the Applicant served a copy of the Application on all persons entitled to Notice, as listed on Exhibit "A" by mailing a copy thereof, first-class postage prepaid, to the last known mailing address of the interested parties. Applicant shall simultaneously submit said list of interested parties to the Commission via electronic media.

WHEREFORE, Applicant respectfully requests that this matter be set for hearing in July, 2008, that notice be given as required by law, and that upon such hearing this Commission enter its order consistent with Applicant's proposals as set forth above.

DATED:	May _	, 2008.
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Spoon Valley Energy, LLC

By:

Scott M. Campbell
Nick A. Swartzendruber
POULSON, ODELL & PETERSON, LLC
1775 Sherman Street, Suite 1400
Denver, Colorado 80203

Telephone: (303) 861-4400 Facsimile: (303) 861-1225

	<u>VERII</u>	<u>FICATION</u>
STATE OF NEW MEXICO)	00
COUNTY OF)	SS.
Blaine Hess, of lawful age, bein Landman, for Spoon Valley Energy, LL matters therein contained are true to th	Č, and th	at he has read the

Notary Public

EXHIBIT A

Attached to and made a part of the Verified Application of Spoon Valley Energy, LLC Cause No. 520, Docket No. _____

Scott M. Campbell Nick A. Swartzendruber POULSON, ODELL & PETERSON, LLC 1775 Sherman Street, Suite 1400 Denver, CO 80203

Spoon Valley Energy, LLC Post Office Box 2107 Roswell, NM 88202-2107

Blaine Hess

Bureau of Land Management 2850 Youngfield Street Lakewood, CO 80215-7093 John Galusha Huerfano County 401 Main Street, Suite 201 Walsenburg, CO 81089

Maurine G. Bauer, Trustee of the Charles E. Bauer Family Trust 400 East Park Fowler, CO 81039

Bureau of Land Management 1313 Sherman Street, Rm 620 Denver, CO 80202

Roger W. Gray, a single man 1882 E. Sonora Rd. Palm Springs, CA 92264 Robert L. Moore & his wife Shirley J. Moore P.O. Box 220 Drummond, OK 73735

Marie W. Huntley, and her husband W. Kenneth Huntley 131 Lennox Drive Wadesboro, NC 2170 Kerry B. Graham 1610 Azores Drive Pflugerville, TX 78660

Charlotte W. Moore, dealing in her sole and separate property 1921 Spring Meadow Drive Graham, NC 27253 David Lee Andreatta, Personal Representative of the Estate of Theresa Andreatta, deceased, and Erminio Andreatta 125 Mooney Place Erie, CO 80516

Nancy E. Snyder, a married woman dealing in her sole and separate property 14 Gray Way Alamo, CA 94507

David Lee Andreatta, Personal Representative of the Estate of Theresa Andreatta, deceased, and David Lee Andreatta, Attorney-in-Fact for Erminio Andreatta 125 Mooney Place Erie, CO 80516

Clark Savage Wallin and his wife, Virginia P. Wallin 204 Rose Avenue Wilmington, NC 28403 Jean Leri, a single woman 1528 County Road 440 La Veta, CO 81055 Will S. Wallin & Sarah O. Wallin, husband & wife 119 Morrell New Port, NC 28570

David Lee Andreatta, Successor Trustee Under the Will of Gino Andreoli, deceased, for the benefit of Jean Leri 125 Mooney Place Erie, CO 80516

Charles Alfred Wallin & his wife, Deborah S. Wallin 4101 Whitehurst Drive Wilmington, NC 28409

Donald E. Andreoli, a single man P.O. Box 295 Manzanola, CO 81058

Elizabeth S. Day, a married woman dealing in her sole & separate property 9205 50th Place College Park, MD 20740

Bank of Oklahoma, N.A., as Agent for US Bank, N.A. (formerly Colorado National Bank), Trustee of the L.T. Chamberlain Fund Irrev. T/A P.O. Box 3499
Tulsa, OK 74101

Estate of Hortnese L. Gray, The Hortense L. Gray Martial Trust under Trust Agreement dated May 22, 1985
219 Oak Hills Drive
Maybank, TX 75147

Elizabeth T. Farrar, dealing in her sole and separate property 4742 Woodview Drive Santa Rosa, CA 95405-8748

Estate of Hortnese L. Gray, The Hortense L. Gray Martial Trust under Trust Agreement dated May 22, 1985
2813 Quarter Horse Lane Celina, TX 75009

Patricia T. Kenyon, a married woman dealing in her sole and separate property 66 Eleventh Fairway Drive Pueblo, CO 81008-1300

Helen Francis Magnino; Donald E. Magnino; David A. Magnino; Pat L. Veltri & Linette A. Silver, all dealing in their sole and separate property, in their individual capacities and as Trustees of the Magnino Trust dated 08/16/1995 105 North Aspen Road La Veta, CO 81055

Katherine F. Spahn, dealing in her sole and separate property 13251 Vollmer Road Colorado Springs, CO 80908

United States Department of the Interior Bureau of Land Management 2850 Youngfield Street Lakewood, CO 80215 Janet T. Timmerman, dealing in her sole and separate property P.O. Box 62936 Colorado Springs, CO 80962

David W. Rich and his wife, Donna Rich 17 Woodward Avenue Kenmore, NY 14217 Kathlyn T. Vail, a widow 4439 Turnberry Crescent Pueblo, CO 81001

Mahlon T. White, a married man dealing in his sole and separate property P.O. Box 2097 Pueblo, CO 81004

Donna L. Rich, a single woman 922 Lake Drive

Johnson City, TN 37601

Dennis Rich 4206 Bristol Highway Johnson City, TX 37601

Union Pacific Railroad 1400 Douglas Street, Mail Stop 1690 Omaha, NE 68179

Klikus Brothers, a Colorado General Partnership Frank Klikus and John Joseph Klikus, General Partners 1769 Co. Road 430 La Veta, CO 81055

Leslie T. Klar and his wife, Sachiko Klar 1870 East Atkin Avenue Salt Lake City, UT 84106

William F. Cash II 187 Regency Blvd. Pueblo, CO 81005

Robert D. Cash 187 Regency Blvd. Pueblo, CO 81005

Rebecca L. Cash 187 Regency Blvd. Pueblo, CO 81005

Charlene Olsen & Mark Edwin Barbee 1210 County Road 441 La Veta, CO 81055

Barbara J. Andreatta, dealing in her sole and separate property as an heir of Harry R. Willis, deceased, individually and as holder of the executive rights for the benefit of Noble Royalties, Inc. d/b/a Brown Drake Royalties 1370 CF 358
La Veta, CO 81055

M. Kent Christopherson, husband of Diana J. Christopherson, dealing herein with his sole and separate property, individually and as holder of

William M. White, Jr., dealing in his sole and separate property 837 15th Street Santa Monica, CA 90403

Logan T. Farrar, dealing in his sole and separate property 8975 Snowy Owl Lane Blaine, WA 98230

Richard A. Hoen 15846 W. Bayaud Drive Golden, CO 80401

National Finance Credit Corporation of Texas, a Delaware Corporation P.O. Box 1897 Fort Worth, TX 76101

R&G Butte Rock Ranch, LLC 10101 Reunion Place, Suite 1000 San Antonio, TX 78216

John Vucetich, Jr., a single man 773 CR 103 Walsenburg, CO 81089

United States Department of Interior Bureau of Land Management 1313 Sherman Street, Room 620 Denver, CO 80202

Noble Royalties, Inc. 15601 North Dallas Parkway, Suite 900 Addison, TX 75001

Ivy Energy, Inc. 403 S. Cheyenne Tulsa, OK 74103

Elizabeth A. Kreutzer, dealing in her sole and separate property as an heir of Harry R. Willis, deceased, Individually and as holder of the executive rights for the benefit of Noble Royalties, Inc., d/b/a Brown Drake Royalties 3322 CR 450
La Veta, CO 81055

executive rights for the benefit of the Board of Trustees of Leland Stanford Junior University P.O. Box 2350 St. George, UT 84771-2350

Scott R. Daigle, a married man dealing in his sole and separate property, individually, and as holder of executive rights for the benefit of The Board of Trustees of Leland Stanford Junior University 8942 Tuscany Lane Littleton, CO 81030

Joseph H. Thibodeau, a single man, individually, and as holder of executive rights for the benefit of The Board of Trustees of Leland Stanford Junior University
155 South Madison, Suite 209
Denver, CO 80209

Walter and Shirli Christensen, husband and wife P.O. Box 630 Lake Placid, FL 33862

Anna M. Juan, a/k/a Anna Maria Juan, dealing in her sole and separate property, individually and as holder of the executive rights for the benefit of Noble Royalties, Inc., doing business as Brown Drake Royalties P.O. Box 601 Rye, CO 81069

Douglas J. Daigle, a single man, individually and as holder of executive rights for the benefit of The Board of Trustees of Leland Stanford Junior University 8231 E. Jamison Place Englewood, CO 80112

John N. Smith, a single man, individually and as holder of the executive rights for the benefit of Noble Royalties, Inc. 1120 Terramont Drive Roswell, GA 30076

Albert Christensen, a widower dealing in his sole and separate property 22000 SW 137th Avenue Miami, FL 33170

Pamela Campbell Maxwell, dealing in her sole and separate property 16 Frances Place Pueblo, CO 81008

Leslie Frances Campbell Warren, dealing in her sole and separate property 5155 Monterrey Lane Del Ray Beach, FL 33484

Spoon Valley Energy, LLC P.O. Box 2107 Roswell, NM 88202-2107

EXHIBIT B

Attached to and made a part of the Verified Application of Spoon Valley Energy, LLC Cause No. 520, Docket No. _____

Owner	Legal Description	Type of Interest
Mr. William Dorough, Jr. Heirs of Hortense L. Gray, The Hortense L. Gray Marital Trust 219 Oak Hills Drive Mabank, Texas 75147	Lots 1, 2, 3, S½NE¼, SE¼NW¼, NE¼SW¼, SW¼SE¼ of Section 2, Township 30 South, Range 69 West, 6th P.M.	Unleased
David Lee Andreatta, Personal Representative of the Estate of Theresa Andreatta, deceased, and David Lee Andreatta, Attorney-in-Fact for Erminio Andreatta 125 Mooney Place Erie, Colorado 80516	Township 29 South, Range 69 West, 6th P.M. Section 10: W½W½, NE¼SW¼, Less and Except a strip of land containing 5.36 acres, more or less, and more particularly described in Deed dated April 20, 1908, recorded in Book 72, page 178 of the Records of Huerfano County, Colorado	Unleased
David Lee Andreatta, Successor Trustee Under the Will of Gino Andreoli, deceased, for the benefit of Jean Leri 125 Mooney Place Erie, Colorado 80516	Township 29 South, Range 69 West, 6th P.M. Section 10: W½W½, NE¼SW¼, Less and Except a strip of land containing 5.36 acres, more or less, and more particularly described in Deed dated April 20, 1908, recorded in Book 72, page 178 of the Records of Huerfano County, Colorado	Unleased

Jean Leri Township 29 South, Range Unleased 1528 County Road 440 69 West, 6th P.M. La Veta, Colorado 81055 Section 10: W½W½, NE¼SW¼, Less and Except a strip of land containing 5.36 acres, more or less, and more particularly described in Deed dated April 20, 1908, recorded in Book 72, page 178 of the Records of Huerfano County, Colorado William M. White, Jr. Township 29 South, Range Unleased 837 15th Street 69 West, 6th P.M. Santa Monica, CA 90403 Section 10: SE¼SW¼ Logan T. Farrar Township 29 South, Range Unleased 8975 Snowy Owl Lane 69 West. 6th P.M. Blaine, Washington 98230 Section 10: SE1/4SW1/4 Charlene Olsen & Mark Edwin Barbee Unleased That portion of Lot 10 of 1210 County Road 441 Abeyta Creek Acres La Veta, Colorado 81055 Subdivision located in the E½NW¼ of Section 10, T-29-S, R-69-W, 6th P.M. Also, the SW1/4SW1/4 of Section 5, SE1/4SE1/4 of Section 6, and the NW1/4, W½NE¼ of Section 8, all located in T-29-S, R-69-W, 6th P.M. Ivy Energy, Inc. Township 29 South, Range Working Interest 403 S. Cheyenne 69 West, 6th P.M. Owner Tulsa, Oklahoma 74103 Section 10: A strip of land

containing 5.36 acres

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

SPOON VALLEY ENERGY, LLC'S VERIFIED APPLICATION FOR AN ORDER CREATING

STANDUP 320 ACRE DRILLING AND SPACING	CAUSE NO: 520			
UNITS IN CERTAIN LANDS LOCATED IN HUERFANO COUNTY, COLORADO, FOR THE	ORDER NO:			
DRILLING OF WELLS TO THE ENTRADA AND				
DAKOTA FORMATIONS; AND APPLICATION	DOCKET NO:			
FOR AN ORDER POOLING ALL NON- CONSENTING INTERESTS				
CONCENTING INTERESTS				
AFFIDAVIT OF MAILING				
STATE OF COLORADO)				
COUNTY OF DENVER)	SS.			
Scott M. Campbell, of lawful age, being firs	t duly sworn upon oath, states and declares:			
That he is the attorney for Spoon Valley Energy, LLC, Applicant herein; that on May, 2008, he caused a copy of the attached Application to be deposited in the United States Mail, postage prepaid, addressed to each of the parties listed on Exhibit "A" to the Application.				
P	OULSON, ODELL & PETERSON, LLC			
Ву:				
	cott M. Campbell			
	ck A. Swartzendruber			
	775 Sherman Street, Suite 1400 enver, Colorado 80203-4319			
	elephone: (303) 861-4400			
Subscribed and sworn to before me this	day of May, 2008.			
Witness my hand and official seal.				
My commission expires: July 22, 2011.				
į	Notary Public			