

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

IN THE MATTER OF THE APPLICATION OF	)	
DELTA PETROLEUM CORPORATION FOR	)	
AN ORDER ESTABLISHING DENSITY AND	)	
WELL LOCATION RULES FOR THE	)	
WILLIAMS FORK AND ILES FORMATIONS	)	Cause Nos. 1, 369, 386, 399,
(INCLUDING BUT NOT LIMITED TO THE	)	429
ROLLINS, COZZETTE AND CORCORAN) OF	)	Docket No.
THE MESAVERDE GROUP FOR CERTAIN	)	
DESCRIBED LANDS IN THE BUZZARD	)	
CREEK FIELD AND SHEEP CREEK FIELD,	)	
and the MIDDLETON CREEK UNIT, MESA	)	
COUNTY, COLORADO	)	

APPLICATION

Delta Petroleum Corporation (“Applicant”), by and through its attorneys, Beatty & Wozniak, P.C., respectfully submits this Application to the Oil and Gas Conservation Commission of the State of Colorado (the “Commission”) for an order establishing well density and location rules applicable to the drilling and producing of wells from the Williams Fork and Iles (including but not limited to the Rollins, Cozzette and Corcoran, hereinafter “Iles”) Formations of the Mesaverde Group covering certain described lands in Mesa County, Colorado and in support of its Application states and alleges as follows:

- 1. Applicant is a corporation duly authorized to conduct business in the State of Colorado.
- 2. Applicant operates and/or owns leasehold interests in existing oil and gas wells on or adjacent to the leasehold estate, including, but not limited to, the Williams Fork and Iles Formations of the Mesaverde Group, underlying the following described lands:

Township 8 South, Range 92 West  
Section 30: That part of Tract 59 in Sec 30 (80.00 acres), That part of Tract 60 in Sec 30 (39.18 acres)  
Containing 119.18 acres, more or less.

Section 31: That part of Tract 59 in Sec 31 (80.00 acres), That part of Tract 60 in Sec 31 (4.95 acres), that part of Tract 62 in Sec 31 (50.34 acres)  
Containing 135.29 acres, more or less.

Township 8 South, Range 93 West  
Section 25: That part of Tract 60 in Sec 25 (54.72 acres)  
Containing 54.72 acres, more or less.

Section 36: That part of Tract 58 in Sec 36 (160.00 acres), That part of Tract 60 in Sec 36 (61.15 acres); that part of Tract 62 in Sec 36 (109.66 acres)  
Containing 330.81 acres, more or less.

Township 9 South, Range 92 West  
Section 17: ALL  
Containing 640.00 acres, more or less

Township 9 South, Range 93 West  
Section 1: SW¼, SW¼SE¼, SE¼SE¼ NKA Lot 8 (21.35 acres)  
Containing 221.35 acres, more or less.

Section 2: Lots 1 (40.22 acres), 2 (40.27 acres), 3 (40.33 acres), 4 (40.38 acres), S $\frac{1}{2}$ N $\frac{1}{2}$ , SW $\frac{1}{4}$ , SE $\frac{1}{4}$  (ALL)  
Containing 641.20 acres, more or less.

Section 3: Lots 1 (40.40 acres), 2 (40.40 acres), 3 (40.40 acres), 4 (40.40 acres), S $\frac{1}{2}$ N $\frac{1}{2}$ , S $\frac{1}{2}$  (ALL)  
Containing 641.60 acres, more or less.

Section 4: Lots 1 (40.39 acres), 2 (40.36 acres), 3 (40.34 acres), 4 (40.31 acres), S $\frac{1}{2}$ N $\frac{1}{2}$ , S $\frac{1}{2}$  (ALL)  
Containing 641.40 acres, more or less.

Section 5: Lots 1 (40.42 acres), 2 (40.65 acres), 3 (40.89 acres), 4 (41.12 acres), S $\frac{1}{2}$ N $\frac{1}{2}$ , S $\frac{1}{2}$  (ALL)  
Containing 643.08 acres, more or less.

Section 6: Lots 1 (41.08 acres), 2 (40.81 acres), S $\frac{1}{2}$ NE $\frac{1}{4}$ , SE $\frac{1}{4}$   
Containing 321.89 acres, more or less.

Section 7: E $\frac{1}{2}$   
Containing 320.00 acres, more or less.

Section 8: ALL  
Containing 640.00 acres, more or less.

Section 9: ALL  
Containing 640.00 acres, more or less.

Section 10: N $\frac{1}{2}$ N $\frac{1}{2}$ , SW $\frac{1}{4}$ NE $\frac{1}{4}$ , S $\frac{1}{2}$ NW $\frac{1}{4}$ , W $\frac{1}{2}$ SW $\frac{1}{4}$ , NE $\frac{1}{4}$ SW $\frac{1}{4}$ , SE $\frac{1}{4}$ SW $\frac{1}{4}$ , SE $\frac{1}{4}$ NE $\frac{1}{4}$ , NW $\frac{1}{4}$ SE $\frac{1}{4}$ , NE $\frac{1}{4}$ SE $\frac{1}{4}$ , S $\frac{1}{2}$ SE $\frac{1}{4}$  (ALL)  
Containing 640.00 acres, more or less.

Section 11: N $\frac{1}{2}$ NW $\frac{1}{4}$ , NE $\frac{1}{4}$ , S $\frac{1}{2}$ NW $\frac{1}{4}$ , S $\frac{1}{2}$  (ALL)  
Containing 640.00 acres, more or less.

Section 12: ALL  
Containing 640.00 acres, more or less.

Section 13: N $\frac{1}{2}$ , N $\frac{1}{2}$ S $\frac{1}{2}$   
Containing 480.00 acres, more or less.

Section 14: N $\frac{1}{2}$ , SW $\frac{1}{4}$ , N $\frac{1}{2}$ SE $\frac{1}{4}$ , SW $\frac{1}{4}$ SE $\frac{1}{4}$   
Containing 600.00 acres, more or less.

Section 15: ALL  
Containing 640.00 acres, more or less.

Section 16: W $\frac{1}{2}$ NW $\frac{1}{4}$ , NE $\frac{1}{4}$ NW $\frac{1}{4}$ , NW $\frac{1}{4}$ NE $\frac{1}{4}$ , NE $\frac{1}{4}$ NE $\frac{1}{4}$ , S $\frac{1}{2}$ NE $\frac{1}{4}$ , SE $\frac{1}{4}$ NW $\frac{1}{4}$ , S $\frac{1}{2}$  (ALL)  
Containing 640.00 acres, more or less.

Section 17: W $\frac{1}{2}$ , NE $\frac{1}{4}$ , SE $\frac{1}{4}$  (ALL)  
Containing 640.00 acres, more or less.

Section 18: E $\frac{1}{2}$   
Containing 320.00 acres, more or less.

Section 19: Lots 1 (41.32 acres), 2 (41.24 acres), 3 (41.16 acres), NE $\frac{1}{4}$ NW $\frac{1}{4}$ , NE $\frac{1}{4}$   
Containing 323.72 acres, more or less.

Section 20: W $\frac{1}{2}$ , NE $\frac{1}{4}$   
Containing 480.00 acres more or less.

Section 21: N $\frac{1}{2}$   
Containing 320.00 acres, more or less.

Section 22: N $\frac{1}{2}$ N $\frac{1}{2}$   
Containing 160.00 acres, more or less.

Section 29: W $\frac{1}{2}$ W $\frac{1}{2}$ , SE $\frac{1}{4}$ SW $\frac{1}{4}$   
Containing 200.00 acres, more or less.

Section 33: SE $\frac{1}{4}$ NW $\frac{1}{4}$ , SW $\frac{1}{4}$ NE $\frac{1}{4}$ , NW $\frac{1}{4}$ SE $\frac{1}{4}$   
Containing 120.00 acres, more or less.

(hereinafter collectively the "Application Lands").

3. The Application Lands, with the exception of Township 9 South, Range 92 West, Section 17, are subject to Commission Rule 318.a. and 318.b. Township 9 South, Range 92 West Section 17 is covered by Commission Order 386-1.

4. Rule 318.a. established that a well to be drilled in excess of two thousand five hundred (2,500) feet in depth shall be located not less than six hundred (600) feet from any lease line, and shall be located not less than one thousand two hundred (1,200) feet from any other producible or drilling oil and gas well when drilling to the same common source of supply, unless authorized by order of the Commission upon hearing.

5. Rule 318.b. established that a well to be drilled to less than a depth of two thousand five hundred (2,500) feet below the surface shall be located not less than two hundred (200) feet from any lease line, and not less than three hundred (300) feet from any other producible or drilling oil and gas well when drilling to the same common source of supply, in said source of supply, except that only one producible oil or gas well in each source of supply shall be allowed in each governmental quarter-quarter section unless an exception under Rule 318.c. is obtained.

6. Commission Order 386-1 established a Six Hundred Forty (640) acre drilling and spacing unit for the production of gas and associated hydrocarbons from the Williams Fork and Iles Formations of the Mesaverde Group for Section 17 of Township 9 South, Range 92 West, and stated that the permitted well for the unit shall be located no closer than 600 feet from the boundaries of the section upon which it is located.

7. Through this Application, Applicant is seeking to establish 10-acre density with respect to a portion of the Application Lands and 100 foot setbacks with respect to a portion of the Application Lands. For those purposes the Application Lands are categorized and defined as follows, and as reflected on the attached Reference Map.

#### **10 ACRE DENSITY LANDS – 100 foot setbacks**

##### Township 9 South, Range 92 West

Section 17: ALL  
Containing 640.00 acres, more or less.

##### Township 9 South, Range 93 West

Section 2: Lots 1 (40.22 acres), 2 (40.27 acres), 3 (40.33 acres), 4 (40.38 acres), S $\frac{1}{2}$ N $\frac{1}{2}$ , SW $\frac{1}{4}$   
Containing 481.20 acres, more or less.

Section 3: Lots 1 (40.40 acres), 2 (40.40 acres), 3 (40.40 acres), 4 (40.40 acres), S $\frac{1}{2}$ NE $\frac{1}{4}$ , S $\frac{1}{2}$ NW, SW $\frac{1}{4}$ , SE $\frac{1}{4}$  (ALL)  
Containing 641.60 acres, more or less.

Section 4: Lots 1 (40.39 acres), 2 (40.36 acres), 3 (40.34 acres), 4 (40.31 acres), S $\frac{1}{2}$ N $\frac{1}{2}$ , S $\frac{1}{2}$  (ALL)  
Containing 641.40 acres, more or less.

Section 5: Lots 1 (40.42 acres), 2 (40.65 acres), 3 (40.89 acres), 4 (41.12 acres), S $\frac{1}{2}$ N $\frac{1}{2}$ , S $\frac{1}{2}$  (ALL)  
Containing 643.08 acres, more or less.

Section 6: Lots 1 (41.08 acres), 2 (40.81 acres), S $\frac{1}{2}$ NE $\frac{1}{4}$ , SE $\frac{1}{4}$   
Containing 321.89 acres, more or less.

Section 7: E $\frac{1}{2}$   
Containing 320.00 acres, more or less.

Section 8: ALL  
Containing 640.00 acres, more or less.

Section 9: ALL  
Containing 640.00 acres, more or less.

Section 10: N $\frac{1}{2}$ N $\frac{1}{2}$ , SW $\frac{1}{4}$ NE $\frac{1}{4}$ , S $\frac{1}{2}$ NW $\frac{1}{4}$ , W $\frac{1}{2}$ SW $\frac{1}{4}$ , NE $\frac{1}{4}$ SW $\frac{1}{4}$ , NW $\frac{1}{4}$ SE $\frac{1}{4}$   
Containing 440.00 acres, more or less.

Section 11: N $\frac{1}{2}$ NW $\frac{1}{4}$   
Containing 80.00 acres, more or less.

Section 16: W $\frac{1}{2}$ NW $\frac{1}{4}$ , NE $\frac{1}{4}$ NW $\frac{1}{4}$ , NW $\frac{1}{4}$ NE $\frac{1}{4}$   
Containing 160.00 acres, more or less.

Section 17: W $\frac{1}{2}$ , NE $\frac{1}{4}$   
Containing 480.00 acres, more or less.

Section 18: E $\frac{1}{2}$   
Containing 320.00 acres, more or less.

Section 19: Lots 1 (41.32 acres), 2 (41.24 acres), 3 (41.16 acres), NE $\frac{1}{4}$ NW $\frac{1}{4}$ , NE $\frac{1}{4}$   
Containing 323.72 acres, more or less.

Section 20: W $\frac{1}{2}$   
Containing 320.00 acres, more or less.

Section 29: W $\frac{1}{2}$ W $\frac{1}{2}$ , SE $\frac{1}{4}$ SW $\frac{1}{4}$   
Containing 200.00 acres, more or less.

Section 33: SE $\frac{1}{4}$ NW $\frac{1}{4}$ , SW $\frac{1}{4}$ NE $\frac{1}{4}$ , NW $\frac{1}{4}$ SE $\frac{1}{4}$   
Containing 120.00 acres, more or less.

### **MIDDLETON CREEK FEDERAL UNIT LANDS- 100 foot setbacks**

#### **Township 8 South, Range 92 West**

Section 30: That part of Tract 59 in Sec 30 (80.00 acres), That part of Tract 60 in Sec 30 (39.18 acres)  
Containing 119.18 acres, more or less.

Section 31: That part of Tract 59 in Sec 31 (80.00 acres), That part of Tract 60 in Sec 31 (4.95 acres), that part of Tract 62 in Sec 31 (50.34 acres)  
Containing 135.29 acres, more or less.

Township 8 South, Range 93 West

Section 25: That part of Tract 60 in Sec 25 (54.72 acres)  
Containing 54.72 acres, more or less.

Section 36: That part of Tract 58 in Sec 36 (160.00 acres), That part of Tract 60 in Sec 36 (61.15 acres); That part of Tract 62 in Sec 36 (109.66 acres)  
Containing 330.81 acres, more or less.

**BUZZARD CREEK FEDERAL UNIT LANDS - 100 foot setbacks**

Township 9 South, Range 93 West

Section 1: SW $\frac{1}{4}$ , SW $\frac{1}{4}$ SE $\frac{1}{4}$ , SE $\frac{1}{4}$ SE $\frac{1}{4}$  NKA Lot 8 (21.35 acres)  
Containing 221.35 acres, more or less.

Section 2: SE $\frac{1}{4}$   
Containing 160.00 acres, more or less.

Section 10: SE $\frac{1}{4}$ NE $\frac{1}{4}$ , SE $\frac{1}{4}$ SW $\frac{1}{4}$ , NE $\frac{1}{4}$ SE $\frac{1}{4}$ , S $\frac{1}{2}$ SE $\frac{1}{4}$   
Containing 200.00 acres, more or less.

Section 11: NE $\frac{1}{4}$ , S $\frac{1}{2}$ NW $\frac{1}{4}$ , S $\frac{1}{2}$   
Containing 560.00 acres, more or less.

Section 12: ALL  
Containing 640.00 acres, more or less.

Section 13: N $\frac{1}{2}$ , N $\frac{1}{2}$ S $\frac{1}{2}$   
Containing 480.00 acres, more or less.

Section 14: N $\frac{1}{2}$ , SW $\frac{1}{4}$ , N $\frac{1}{2}$ SE $\frac{1}{4}$ , SW $\frac{1}{4}$ SE $\frac{1}{4}$   
Containing 600.00 acres, more or less.

Section 15: ALL  
Containing 640.00 acres, more or less.

Section 16: NE $\frac{1}{4}$ NE $\frac{1}{4}$ , S $\frac{1}{2}$ NE $\frac{1}{4}$ , SE $\frac{1}{4}$ NW $\frac{1}{4}$ , S $\frac{1}{2}$   
Containing 480.00 acres, more or less.

Section 17: SE $\frac{1}{4}$   
Containing 160.00 acres, more or less.

Section 20: NE $\frac{1}{4}$   
Containing 160.00 acres, more or less.

Section 21: N $\frac{1}{2}$   
Containing 320.00 acres, more or less.

Section 22: N $\frac{1}{2}$ N $\frac{1}{2}$   
Containing 160.00 acres, more or less.

8. As reflected on the attached Reference Map, a number of the adjacent and adjoining areas to the Application Lands are subject to various orders, including 1-124, 386-2, 369-4, 399-4, 429-4, 429-5 and 429-6, which established 10-acre density with respect to those lands.

9. That Applicant has drilled, tested and completed wells in the Williams Fork and Iles Formations of the Mesaverde Group adjacent to or nearby the Application Lands.

10. That to promote efficient drainage within the Williams Fork and Iles Formations of the Mesaverde Group of the Application Lands, the Commission should apply consistent rules to the portion of the Application Lands (referred to as 10-acre Density Lands described in Paragraph 7 above) to increase the number of wells which can be optionally drilled into and produced from each of the Williams Fork and Iles Formations of the Mesaverde Group of the Application Lands to the equivalent of one (1) well per ten (10) acres to be optionally drilled for the 10-acre Density Lands for production of gas and associated hydrocarbons from the Williams Fork and Iles Formations of the Mesaverde Group.

11. Additionally, Applicant requests that for the Buzzard Creek Federal Unit Lands and the Middleton Creek Federal Unit Lands that all future permitted wells be located no closer than 100 feet from the exterior boundary of the Federal Unit (or lease line if applicable), without exception granted by the Commission. In cases where the Middleton Creek Federal Unit Lands or Buzzard Creek Federal Unit Lands abut or corner lands where the Commission has not, at the time of the drilling permit application, granted the right to drill 10-acre density Williams Fork and/or Iles Formation of the Mesaverde Group wells, the wells should be located downhole no closer than 200 feet from the boundary or boundaries of the Federal Unit or drilling unit abutting or cornering such lands (or lease line if applicable), without exception granted by the Commission.

12. Additionally, for lands not within the Buzzard Creek Federal Unit Lands and the Middleton Creek Federal Unit Lands, Applicant requests that all future permitted wells be located no closer than 100 feet from the exterior boundary of the drilling unit (or lease line if applicable), without exception granted by the Commission. In cases where the lands not within the Middleton Creek Federal Unit Lands or Buzzard Creek Federal Unit Lands abut or corner lands where the Commission has not, at the time of the drilling permit application, granted the right to drill 10-acre density Williams Fork and/or Iles Formation of the Mesaverde Group wells, the wells should be located downhole no closer than 200 feet from the boundary of the drilling unit abutting or cornering such lands (or lease line if applicable), without exception granted by the Commission.

13. Applicant commits that with respect to the 10-acre Density Lands no more than one Williams Fork and/or Iles Formation of the Mesaverde Group well shall be drilled per 10 acres. Additionally, Applicant commits that under this Application wells will be 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 Director of the Colorado Oil and Gas Conservation Commission, and that both the Williams Fork and Iles Formations of the Mesaverde Group will be reached from a single wellbore, *i.e.*, separate wells will not be drilled to reach each formation. In this manner the wells will be economic as to both formations.

14. That the above-proposed density and well location rules will allow more efficient drainage of the Williams Fork and Iles Formations of the Mesaverde Group; will prevent waste; will not adversely affect correlative rights and will assure the greatest ultimate recovery of gas and associated hydrocarbon substances from the reservoirs.

15. That the names and addresses of the interested parties according to the information and belief of the Applicant are set forth in Exhibit A attached hereto and made a part hereof, and the undersigned certifies that copies of this Application shall be served on each interested party within the next seven days as required by Rule 503.d.

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

Dated this \_\_\_\_\_ day of August, 2008.

Respectfully submitted,

DELTA PETROLEUM CORPORATION

By: \_\_\_\_\_

Michael J. Wozniak  
Susan L. Aldridge  
Beatty & Wozniak, P.C.  
Attorneys for Applicant  
216 16<sup>th</sup> Street, Suite 1100  
Denver, Colorado 80202  
(303) 407-4499

Applicant's Address:  
370 17th Street, Suite 4300  
Denver, CO 80202

## VERIFICATION

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

Sheryl A. Olson of Delta Petroleum Corporation, upon oath deposes and says that she has read the foregoing Application and that the statements contained therein are true to the best of her knowledge, information and belief.

DELTA PETROLEUM CORPORATION

By: Sheryl A. Olson, Land Advisor

Subscribed and sworn to before me this \_\_\_\_ day of August, 2008, by Sheryl A. Olson of Delta Petroleum Corporation.

Witness my hand and official seal.

My commission expires:\_\_\_\_\_

Notary Public



## EXHIBIT A

### INTERESTED PARTIES

Brownstone Ventures (US) Inc.  
The Exchange Tower  
130 King Street West, Suite 2500  
Toronto, ON M5X 1A9  
CANADA

Dejour Energy (USA) Corp.  
1401 17<sup>th</sup> St., Suite 300  
Denver, CO 80202

Dejour Energy (USA) Corp.  
3155 E. Patrick Lane, Ste 1  
Las Vegas, NV 89120

Retamco Operating Inc.  
P.O. Box 790  
Red Lodge, MT 59068

ExxonMobil Corporation  
ExxonMobil Oil Corporation  
Glen Murdock, Piceance Project Land Advisor  
396 West Greens Rd, Room 714  
Houston, TX 77067

Maralex Resources, Inc.  
P.O. Box 338  
Ignacio, CO 81137

EnCana Oil & Gas (USA) Inc.  
Attn: Helen Capps  
370 17<sup>th</sup> St., Suite 1700  
Denver, CO 80202

Plains Exploration & Production  
Attn: Tere Myers  
1021 Main St., Suite 2100  
Houston, TX 77022

Lobo Energy Inc.  
3333 E Florida Ave.  
Denver, CO 80210

Laramie Energy, LLC.  
1512 Larimer St., Suite 10000  
Denver, CO 80202

Puckett Investment Co.  
5450 S. Quebec, Unit 250  
Greenwood Village, CO 80111

PXP Piceance LLC  
700 Milan, Suite 3100  
Houston, TX 77002

Gunderson Ranch  
C/O Jerry Gunderson  
1505 Reisling Court  
Las Vegas, NV 89144

The 2005 Gunderson Irrevocable Trust u/t/a dated  
August 18, 2005, Shayne M. Gunderson  
Trustee f/b/o Chris E. Gunderson  
59762 Hwy 330 E  
Collbran, CO 81624

The 2005 Gunderson Irrevocable Trust u/t/a dated  
August 18, 2005, Shayne M. Gunderson Trustee f/b/o  
David J. Gunderson  
59762 Hwy 330 E  
Collbran, CO 81624

Merrial C. Vander Laan  
P.O. Box 27059  
Denver, CO 80227

Buzzard Creek Elk Ranch  
Attn: Mr. Doug Swann  
1821 12 Rd.  
Loma, CO 81524

Stand Up Gulch, LLP  
Attn: Eric Oakley  
611 26<sup>th</sup> Rd.  
Grand Junction, CO 81506

U.S. Department of Interior  
Bureau of Land Management  
Colorado State Office  
2850 Youngfield St.  
Lakewood, CO 80215

Randy Price  
Mesa County Planning & Economic Development  
750 Main Street  
P.O. Box 20000  
Grand Junction, CO 81502

Erik G. Jensen  
3041 Milburn Dr.  
Grand Junction, CO 81504

Delta Petroleum Corporation  
Attn: Sheryl A. Olson  
370 17<sup>th</sup> St., Suite 4300  
Denver, CO 80202

James C. Jensen  
2805 Northstar Dr.  
Grand Junction, CO 81506

Dorothy A. Jensen  
1260 Q Rd.  
Loma, CO 81524s

Karen M. Linn  
9352 Wilmington Ct.  
Littleton, CO 80130

Antero Resources Piceance Corporation  
1625 17<sup>th</sup> St.  
Suite 300  
Denver, CO 80202

Bureau of Land Management  
2815 H Road  
Grand Junction, CO 81506