

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

**IN THE MATTER OF THE APPLICATION OF
KERR-McGEE OIL & GAS ONSHORE LP
FOR AN ORDER POOLING INTERESTS
IN THE CODELL AND NIOBRARA
FORMATIONS LOCATED IN A
PORTION OF THE WATTENBERG FIELD
IN WELD COUNTY, COLORADO**

CAUSE NO. 318A,

DOCKET NO. _____

COMES NOW, Kerr-McGee Oil & Gas Onshore LP, a Delaware limited partnership ("Applicant") by and through its attorney, William A. Keefe, 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 and mineral interests covering portions of certain lands located in Weld County, Colorado described as follows:

T2N, R68W, 6th P.M., Weld County, Colorado

Section 3: NW/4NW/4

Section 4: NE/4NE/4

T3N, R68W, 6th PM, Weld County, Colorado

Section 33: SE/4SE/4

Section 34: SW/4SW/4

2. Applicant plans to drill the Adler 38-33 oil and gas well (the "Well") from a location it owns in the SE/4SE4 of Section 33 above described (the "Drill Site"). Applicant plans to drill the Well directionally from the Drill Site to explore for and produce oil and gas from the bottom hole location under the lands described above. The Well is a boundary well for production of oil and gas from the Codell and Niobrara formations in and under the above-described lands.

3. Pursuant to Rule 318A e, effective March 1, 2006, operators are authorized to utilize the designated drilling locations to produce oil and gas from all of the Cretaceous Age formations from the base of the Dakota to the surface, including but not limited to the Sussex, Codell, Niobrara, J-Sand and Dakota formations, to include "Interior Infill Wells and Boundary Wells" wells as defined by Rule 318A e.

4. Applicant has applied for the permit to drill the Well.

5. As set forth above, Applicant intends to drill the Well to Codell and Niobrara formations in and under the lands above described that constitute a "Wellbore Spacing Unit" as defined by Rule 318A (4) C.

6. Applicant owns and operates oil and gas leases covering a total of 118.05 acres, more or less, in the Wellbore Spacing Unit described above. A plat of the Wellbore Spacing Unit is attached hereto as Exhibit A.

7. The Wellbore Spacing Unit consists of a total of 156.31 acres, more or less. Approximately 38.26 acres, more or less, in the Wellbore Spacing Unit are unleased.

8. According to the title work completed by Applicant, there are unleased interests in the Wellbore Spacing Unit owned by the Division of Parks and Outdoor Recreation ("Colorado State Parks") as to 10.74 acres, more or less, and the Colorado State Board of Land Commissioners (the "Land Board") as to 27.52 acres, more or less. The unleased interests owned by Colorado State Parks and the Land Board are depicted on Exhibit A.

9. Attached hereto is as Exhibit B is a letter that will be sent by Applicant to Colorado State Parks and the Land Board offering each of them the opportunity to participate in the drilling of the Well or the opportunity to lease their interests in the Wellbore Spacing Unit to Applicant. The letter will include a proposed lease. Colorado State Parks and the Land Board will have had the letter for more than 30 days by the time the hearing of this matter is held. If either Colorado State Parks or the Land Board does not elect in writing to participate in the drilling of the Well and if either fails to lease their interests in the Wellbore Spacing Unit to Applicant, they will be deemed non-consenting owners as defined by Rule 530 of the Commission's rules. If Colorado State Parks and/or the Land Board elect to participate in the drilling of the Well or lease their interests in the Wellbore Spacing Unit to Applicant before the hearing of this matter, Applicant will inform Commission staff and vacate this Application as appropriate.

10. 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.

11. In addition, the letter containing the offer to lease described in paragraph 9, Applicant included the opportunity for Colorado State Parks and the Land Board to bear their proportionate shares of the costs and risks of the drilling and operating the Well. The letters included the following information as required by Rule 530 of the Commission's rules:

The location and objective depths of the Well to be drilled in the Wellbore Spacing Unit;

The estimated drilling and completion costs of the Well;

The estimated spud date for the Well or range of time within which the spudding is to occur; and

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

12. 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 in and under the Wellbore Spacing Unit, all the unleased interests in the Wellbore Spacing Unit in the Codell and Niobrara formations owned by Colorado State Parks and the Land Board 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. Finding that Colorado State Parks and the Land Board are non-consenting owners as defined by Rule 530 of the Commission's rules with respect to the Well and the Wellbore Spacing Unit.

b. That the unleased interests in the Wellbore Spacing Unit consisting of the lands described in paragraph 1 above in the Codell and Niobrara formations owned by Colorado State Parks and the Land Board be pooled as provided by C.R.S. § 34-60-116.

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

Dated this 26th day of May 2009.

Respectfully submitted,

KERR-MCGEE OIL & GAS ONSHORE LP

By:_____

William A. Keefe
Beatty & Wozniak, P.C.
216 Sixteenth St., Suite 1100
Denver, Colorado 80202
Telephone No.: (303) 407-4475

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

David Verity, 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.

David Verity

Subscribed and sworn to before me this 26th day of May, 2009 by David Verity.

Witness my hand and official seal.

Notary Public

My Commission Expires:_____

EXHIBIT A

To

Application of Kerr-McGee Oil & Gas Onshore LP for an Order Pooling Interests in the
Codell and Niobrara Formations Located in a Portion of the Wattenberg Field in
Weld County, Colorado

[Plat of the Wellbore Spacing Unit]



May 26, 2009

Division of Parks and Outdoor Recreation
Colorado State Board of Land Commissioners
Colorado Department of Natural Resources
c/o Timothy J. Monahan
First Assistant Attorney General
Natural Resources and Environment Section
Office of the Attorney General
1525 Sherman Street
Denver, CO 80203

RE: Township 2 North, Range 68 West, 6th P.M.
Section 3: NW/4NW/4

Dear Mineral Owners:

Kerr-McGee Oil & Gas Onshore LP ("KMG") plans to drill one oil and gas well in July or August 2009, the Adler 38-33 well, on a 160, acre more or less, wellbore spacing unit that includes the referenced property. The well will be drilled from a drilling pad located on the SE/4SE/4 of Section 33, T3N-R68W. No operations will be conducted on the referenced property.

Each of you have already been contacted by KMG regarding the leasing of your respective mineral interests to KMG; most recently on May 11, 2009 at a meeting attended by representatives of the Division of Parks and Outdoor Recreation ("Colorado State Parks"), the State Board of Land Commissioners (the "Land Board"), and the Attorney General. As directed at the meeting, this letter is being sent directly to Mr. Monahan.

The purpose of this letter is to offer each of you the opportunity to bear your proportionate shares of the costs and risks of the drilling and operating the Adler 38-33 well. This offer is being made pursuant CRS §34-60-116 and rule 530 of the rules of the Colorado Oil and Gas Conservation Commission.

According to the records of the Weld County Clerk and Recorder's office, you own an interest in the oil and gas under the referenced property, and according to KMG's research, your oil and gas interest is unleased.

Attached to this letter is a plat showing KMG's drilling plans as of this date. The surface and bottom hole locations of the well are depicted on the plat. The objective depth of well is approximately 7,434 feet true vertical depth. KMG plans to have the well penetrate the Niobrara and Codell formations. The well, if successful, will be completed in the Codell and Niobrara formations.

As depicted on the attached plat, your interests will be pooled with adjoining lands to create one "wellbore spacing unit" as defined by Rule 318 A. (4) C. of the rules of the Colorado Oil and Gas Conservation Commission. The wellbore spacing unit for the Adler 38-33 well consists of the following described land:

T2N, R68W, 6th PM, Weld County, Colorado

Section 3: NW/4NW/4

Section 4: NE/4NE/4

T3N, R68W, 6th PM, Weld County, Colorado

Section 33: SE/4SE/4

Section 34: SW/4SW/4

The well will be drilled directionally from the pad-site described above and no drilling or other operations will take place on the surface of the NW/4NW/4 of Section 3 above described.

Operations are scheduled to commence in July or August 2009, but may be either moved up or delayed depending on rig availability and proceedings before the Colorado Oil and Gas Conservation Commission that govern these operations.

As an owner of a mineral interest in the NW/4NW/4 of Section 3, each of you has several options from which to choose. The first option is to lease your mineral interests in and under the NW/4NW/4 of Section 3 to KMG. KMG encloses for your review and execution a paid up oil and gas lease covering each of your mineral interests in the NW/4NW/4 of Section 3. The leases provide for a 20% royalty interest in production from the Adler 38-33 well in proportion to your respective acreages in the wellbore spacing unit described above and a 2-year primary term. As consideration for signing the leases KMG will pay each of you a lease bonus of \$100.00 per net mineral acre owned by you in the NW/4NW/4 of Section 3 above described upon receipt of a signed and notarized oil and gas lease. Because the leases are "paid-up" leases, no annual delay rentals are due. After signing the lease you should make a copy of it for your records. The terms being offered are consistent with existing leases covering lands in the wellbore spacing unit and other lands within the immediate area of the referenced land.

As an alternative to leasing your respective oil and gas mineral interests to KMG, you have a second option which is the right to participate as a working interest owner in the drilling of the Adler 38-33 well. Based upon your respective net mineral acres in the wellbore spacing unit, your proportionate shares of the costs to drill and complete the Adler 38-33 well are estimated to be the following:

Colorado State Parks: Owns 10.74 acres in the NW/4NW/4 of Section 3 which is 6.870962% of the 156.31 acres in the wellbore spacing unit. Accordingly, Colorado State Parks would be liable for 6.870962% of the costs to drill, complete, equip and operate the well an estimate of which is described on the Authority for Expenditure ("AFE") referenced below. The Colorado State Parks' share of the AFE cost is \$48,508.00.

Land Board: Owns a total of 27.52 acres in two tracts in the NW/4NW/4 of Section 3 which is 17.606039% of the 156.31 acres in the wellbore spacing unit. Accordingly, Colorado State Parks would be liable for 17.606039% of the costs to drill, complete, equip and operate the well an estimate of which is described on the Authority for Expenditure referenced below. The Land Board's share of the AFE costs is \$124,296.00.

Enclosed is the AFE for the estimated cost of the Adler 38-33 well. The total estimated cost to drill the Adler 38-33 well is \$705,984.00. THE ACTUAL COST OF THE WELL MAY BE MORE OR LESS THAN THE AMOUNT OF THE AFE AND IF THE COSTS EXCEED THE AMOUNT OF THE AFE, YOU WILL BE LIABLE FOR YOUR PORPORTIONATE SHARE OF THE EXCESS COST.

If either of you elect to participate as a working interest owner in the drilling of the Adler 38-33 well, please send a letter to KMG stating your election to participate and bear your shares of the actual costs to be incurred in the operation to you no later than June 30, 2009. Upon receipt of your letter, KMG will send you a joint operating agreement for your execution. The operating agreement contains terms and conditions pursuant to which KMG will operate the well for your account and others who elect to participate. Your total payment of the AFE cost will have to be made at the time the signed joint operating agreement is returned to KMG.

Each of you has a third option should you elect not to participate in the drilling of the Adler 38-33 well or lease your interests in the NW/4NW/4 of Section 33 described above to KMG. If you elect neither of the options described above, KMG will apply to the Colorado Oil and Gas Conservation Commission to have your interests in the wellbore spacing unit described in this letter involuntarily pooled with the interests of KMG. Involuntary pooling proceedings are governed by CRS §34-60-116 and rule 530 of the rules and regulations of the Colorado Oil and Gas Conservation Commission and KMG refers you to the statute and the rule for further details. Each of you will receive a copy of KMG's application for involuntary pooling if you elect not to exercise one of the options described in this letter.

Very truly yours,

KERR-McGEE OIL AND GAS ONSHORE LP

By: _____
David Verity
Staff Landman, Team Lead

Attachments