

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

IN THE MATTER OF THE APPLICATION OF)
AUGUSTUS ENERGY PARTNERS, L.L.C.)
FOR AN ORDER VACATING 160-ACRE) Cause No. _____
DRILLING AND SPACING UNIT AND)
ESTABLISHING TWO 80-ACRE DRILLING) Docket No. _____
AND SPACING UNITS FOR CERTAIN LANDS)
WITHIN THE NIOBRARA FORMATION,)
REPUBLICAN FIELD, IN SECTION 18,)
TOWNSHIP 1 NORTH, RANGE 44 WEST IN)
YUMA COUNTY, COLORADO)

APPLICATION

Augustus Energy Partners, L.L.C. (“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 to vacate an existing 160-acre drilling and spacing unit for the Niobrara Formation and in lieu thereof establish two (2) 80-acre drilling and spacing units and in support of its Application, Applicant states and alleges as follows:

- 1. Applicant is a limited liability company duly authorized to conduct business in the State of Colorado.
- 2. Applicant owns leasehold interests in Yuma County, Colorado, specifically within the area requested to vacate the existing 160-acre drilling and spacing unit and establish two (2) stand- up 80-acre drilling and spacing units as set forth below:

Township 1 North, Range 44 West, 6th P.M.
Section 18: SW¼

These lands are hereinafter referred to as the “Application Lands” and are referenced on Exhibit A.

- 3. Commission Order No. 318-3 established 160-acre drilling and spacing units for the production of gas from the Niobrara formation underlying the Application Lands in the Republican Field, Yuma County, Colorado. The drilling units were to consist of a quarter section, and the one (1) permitted well was to be located no closer than 900 feet from the boundaries of the quarter section upon which it was located.
- 4. Commission Order No. 318-5 ordered that one (1) additional well was allowed on each 160-acre drilling and spacing unit for the production of gas and associated hydrocarbons from the Niobrara formation underlying the Application Lands in the Republican Field, Yuma County, Colorado.
- 5. Commission Order No. 318-6 affirmed Order No. 318-5 and amended the permitted location for any additional well to be located no closer than 560 feet from the outer boundaries of the 160-acre drilling and spacing unit.
- 6. Effective on July 30, 2006, the Commission adopted Rule 318B, the Yuma/Phillips County Special Well Location Rule, which applies to the Application Lands. Under Rule 318B, four (4) Niobrara Formation wells may be drilled in a quarter section with one (1) well being located in any quarter quarter section. There is no minimum distance between wells producing from the Niobrara Formation in any quarter section and any well shall be located at least 300 feet away from the boundary of the said quarter section. Any well shall be located no less than 900 feet from any producible well drilled to the Niobrara Formation prior to July 30, 2006 that is located in a contiguous or cornering quarter section, unless an exception is approved by the Director.
- 7. Rule 318B supersedes Commission Orders 318-3 through 318-6 only to the extent that the existing orders related to permissible well locations and number of wells that may be drilled in a quarter section. It does not supersede any existing drilling and spacing units established by such orders.

8. The Applicant has drilled one well on the Application Lands, the "Jones 23-18" Well, located in the NE $\frac{1}{4}$ SW $\frac{1}{4}$ of Section 18, Township 1 North, Range 44 West, and Petroleum Development Corporation has drilled one well on the Application Lands, the "Deterding 14-18" Well, located in the SW $\frac{1}{4}$ SW $\frac{1}{4}$ of Section 18, Township 1 North, Range 44 West.

9. There is divided leasehold ownership for the SW $\frac{1}{4}$ of Section 18, Township 1 North, Range 44 West. Applicant, along with three other working interest owners, are lessees of 80 acres, more or less, on the E $\frac{1}{2}$ SW $\frac{1}{4}$ of Section 18, Township 1 North, Range 44 West and Petroleum Development Corporation is the lessee of 80 acres, more or less, on the W $\frac{1}{2}$ SW $\frac{1}{4}$ of Section 18, Township 1 North, Range 44 West.

10. Applicant and Petroleum Development Corporation have been operating the Jones 23-18 and the Deterding 14-18 on a divided leasehold ownership basis since the date each acquired their interests in each respective well, as did their predecessors.

11. Petroleum Development Corporation approves and consent to this Application.

12. Applicant asserts the establishment of an 80-acre drilling and spacing unit on the Application Lands is in the best interests of conservation, including accurate production accounting and efficient operation of the wells, is necessary to prevent waste, protect correlative rights and to assure the greatest recovery of gas and associated hydrocarbons from the Niobrara formation all in accordance with the Colorado statutes and the Commission rules.

13. Applicant asserts the 80-acre drilling and spacing units can be developed in a manner consistent with protection of public health, safety and welfare.

14. That the names and addresses of the interested parties according to the information and belief of the Applicant are set forth in Exhibit B 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.e.

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:

A. Vacating the existing 160-acre drilling and spacing unit for the Application Lands.

B. Establishing two (2) stand-up 80-acre drilling and spacing units to wit; the E $\frac{1}{2}$ SW $\frac{1}{4}$ and the W $\frac{1}{2}$ SW $\frac{1}{4}$ of Section 18 for the Application Lands for the production of gas associated hydrocarbons from the Niobrara Formation underlying the Application Lands.

C. Affirming that the requirements set forth in Rule 318B, specifically the permissible well locations, number of wells that may be drilled in a quarter section, and the setbacks, continue to apply to the Application Lands.

D. For such other findings and orders as the Commission may deem proper or advisable in the premises.

Dated this 10th day of March, 2010.

Respectfully submitted,

AUGUSTUS ENERGY PARTNERS, L.L.C.

By: _____
Michael J. Wozniak
Jamie L. Jost
Beatty & Wozniak, P.C.
Attorneys for Applicant
216 16th Street, Suite 1100
Denver, Colorado 80202
(303) 407-4499

Applicant's Address:
1500 Poly Street, Suite 100
Billings, MT 59102

VERIFICATION

STATE OF MONTANA)
) ss.
COUNTY OF YELLOWSTONE)

Joseph Owen, Vice President-Land, with Augustus Energy Partners, L.L.C., upon oath deposes and says that he has read the foregoing Application and that the statements contained therein are true to the best of his knowledge, information and belief.

AUGUSTUS ENERGY PARTNERS, L.L.C.

Joseph Owen, Vice President-Land

Subscribed and sworn to before me this _____ day of March, 2010, by Joseph Owen,
Vice President-Land, with Augustus Energy Partners, L.L.C.

Witness my hand and official seal.

My commission expires:_____

Notary Public

EXHIBIT B

INTERESTED PARTIES

Petroleum Development Corporation
1775 Sherman Street, Suite 3000
Denver, Colorado 80203

Robin Forte
4309 Alta Vista Lane
Dallas, Texas 75229

J. Marr Oil Company
4309 Alta Vista Lane
Dallas, Texas, 75229

JGH Corporation
802 Rivercrest Drive
Abilene, Texas 79605-2841

Colorado Department of Public Health and Energy
Attn: Kent Kuster
4300 Cherry Creek Drive South
Denver, Colorado 80246-1530

Colorado Division of Wildlife
Attn: Celia Greenman
6060 Broadway
Denver, Colorado 80216

Yuma County Government
Attn: Linda Briggs
310 Ash Street, Suite A
Wray, CO 80758

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

That she is the attorney for Augustus Energy Partners, L.L.C., that on or before March 17, 2010, she caused a copy of the attached Application to be deposited in the United States Mail, postage prepaid, addressed to the parties listed on Exhibit B to the Application.

My commission expires: _____.

Notary Public