

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

APPLICATION OF GENE R. AND MARY)	CAUSE NO. 191
J. HILTON FOR AN ORDER VACATING)	
AN EXISTING 640 ACRE DRILLING AND)	DOCKET NO.
SPACING UNIT FOR THE WILLIAMS)	
FORK FORMATION AND ILES)	
FORMATION OF THE MESAVERDE)	
GROUP FOR CERTAIN DESCRIBED)	
LANDS IN THE MAMM CREEK FIELD)	
AREA, GARFIELD COUNTY,)	
COLORADO)	

APPLICATION

COMES NOW Gene R. and Mary J. Hilton ("Applicants"), by their attorneys, Hogle Visani LLC, and makes application to the Oil and Gas Conservation Commission of the State of Colorado for an order vacating an existing 640 acre drilling and spacing unit established for the Williams Fork and Iles Formations of the Mesaverde Group and covering certain described lands in the Mamm Creek Field area, Garfield County, Colorado and in support of its application states and alleges as follows:

1. That Applicants are individuals who reside in the State of Colorado.
2. That Applicants own one-half of the mineral interest in the following described lands located in Garfield County, Colorado that are included within and are made a part of a larger drilling and spacing unit:

Township 6 South, Range 91 West. 6th P.M.
Section 36: NE1/4NW1/4, NW1/4NE1/4
Garfield County, Colorado
(hereinafter "Hilton Application Lands")

3. That the Hilton Application Lands are part of a 640 acre drilling and spacing unit that covers and includes all of Section 36, Township 6 South, Range 91 West, in Garfield County, Colorado (the "Application Lands").
4. That the drilling and spacing unit for the Application Lands was established for the production of gas and associated hydrocarbons from the Williams Fork Formation and Iles Formation under the Commission's Order 191-8 (WF) dated as of January 10, 2005, as corrected June 2005 and November 2008, and Order 191-10 (ILS) dated as of April 25, 2005, as corrected November 2007 and November 2008 (the "Existing Orders").

5. That the Hilton Application Lands are currently subject to an oil and gas lease dated November 30, 2007, originally executed by Applicants, as Lessor, in favor of Orion Energy Company, as Lessee, that covers and includes the Application Lands, together with additional lands in Garfield County, Colorado located adjacent to the Application Lands (the "Hilton Lease"). The Hilton Lease has been assigned by Orion through various intermediate assignments and is now owned and operated by Williams Production Company RMT ("Williams").
6. That on or about March 10, 2010 Bill Barrett Corporation ("BBC") filed an application with the COGCC to vacate the 640 acre drilling and spacing unit for the Application Lands established for the production of gas and associated hydrocarbons from the Williams Fork Formation and Iles Formation from the Application Lands to establish one 560 acre drilling and spacing unit and one 80 acre drilling and spacing unit (the "Vacation Application").
7. That the Vacation Application stated that "[t]he granting of this Application will not promote waste; will not violate correlative rights and will assure the greatest ultimate recovery of gas and associated hydrocarbon substances from the reservoir." (Vacation Application ¶ 6).
8. That on or about April 23, 2010, the Bureau of Land Management ("BLM"), a leased mineral interest owner, owning a portion of the minerals underlying the Application Lands protested the Vacation Application. Although leased mineral interest owners historically have not been recognized to have standing under the COGCC rules in a spacing hearing, the BLM protested based upon the Memorandum of Understanding between the BLM and the COGCC dated August 22, 1991.
9. That the Vacation Application was withdrawn based on the BLM Protest letter, and that no evidence was been presented with respect to the area that is economically and efficiently drained by a single well on the Application Lands.
10. That the Applicant is an "interested party" and has standing to file this Application in accordance with § 34-60-116(6), C.R.S, that states "upon its own motion or on a proper application of an interested party, but after notice and hearing as provided in this section, has the power to establish drilling units of specified and approximately uniform size and shape covering any pool." (emphasis supplied). The Applicants will suffer an injury-in-fact to their legally protected real property interest in the Hilton Application Lands if this Application is not granted. See Grand Valley Citizens' Alliance v. COGCC, 2010 Colo. App. LEXIS 847 (Court of Appeals No. 09CA1195 (2010))
11. That this Application is appropriate under § 34-60-116(4), C.R.S. that provides:

The commission, upon application, notice, and hearing, may decrease or increase the size of the drilling units or permit additional wells to be drilled within the established units in order to prevent or assist in preventing waste or to avoid the drilling of unnecessary wells, or to protect correlative

rights, and the commission may enlarge the area covered by the order fixing drilling units, if the commission determines that the common source of supply underlies an area not covered by the order.

12. That this Application is appropriate under § 34-60-116 (1), C.R.S. to provide for the establishment of drilling and spacing units of “approximately uniform size and shape covering any pool” consistent with the Conservation Act purpose to “safeguard, protect, and enforce the coequal and correlative rights of owners and producers in a common source or pool of oil and gas to the end that each such owner and producer in a common pool or source of supply of oil and gas may obtain a just and equitable share of production therefrom.” § 34-60-102, C.R.S.
13. That on or about May 18, 2010, BBC filed an Application stating that instead of vacating the existing spacing that BBC “now elects to apply for involuntary pooling in order to provide for pooling of all interests in the Hilton 36-21D well (together with future wells drilled to the Williams Fork and Iles Formations within said 640 acre unit).” Involuntary Pooling Application, ¶ 5.
14. That on or about June 23, 2010, Applicants protested the Involuntary Pooling Application.
15. That, upon information and belief, the operators owning a working interest in the Application Lands have contractually agreed to jointly conduct operations to develop the Application Lands.
16. That the Applicants and the BLM are similarly situated royalty interest owners in the Application Lands.
17. That BBC has drilled and completed the Hilton 36-21D Well (“Well”) located on the Hilton Application Lands in the NE1/4NW1/4 of Section 36, and that the Hilton 36-21D well is the only well located on the Application Lands.
18. That, upon information and belief, the only royalties that have been distributed from the Hilton 36-21D Well have been paid to the owners of an interest in the Hilton Application Lands.
19. That all of the geologic and engineering evidence related to the Application Lands demonstrates that the area drained by the Hilton No. 36-21D well does not exceed forty (40) acres.
20. That the grant of this Application is consistent with all of the geologic and engineering findings contained in the Existing Orders with respect to the most economic and efficient drainage of the Application Lands. Order No. 191-8, ¶¶ 19-29; Order No. 191-10, ¶ 25.
21. That the grant of this Application will assure the greatest ultimate recovery of gas and associated hydrocarbon substances from the reservoir consistent with the

purposes of the Colorado Conservation Act, §§ 34-60-101, et seq. by promoting the drilling of the maximum number of wells permitted on the Application Lands.

22. That the grant of this Application will prevent waste, as that term is defined in the Act because the grant of this Application will assure that the drilling and completion of a single well within the drilling and spacing unit will not operate to hold by production all of the leases and lands in Section 36.
23. That the holding by production of all the leases in Section 36 by the production of only one well fails to promote the development of the resource by granting development discretion to the operator and potentially impacting drilling obligations contained in the leases covering these lands.
24. That the grant of this Application will not violate the correlative rights of any party because the vacation of the Existing Order with respect to the Application Lands will not alter, impact or impair the rights of the owners or royalty interest owners in the Application Lands to develop their resources on a ten acre drilling density basis.
25. That the grant of this Application will protect the correlative rights of all owners and lessors by assuring production is properly attributed to the lands from which it is produced, and that no owner or lessor will be denied the right to their just and equitable share of production from their lands.
26. That upon vacating the existing spacing in the Application Lands that all Williams Fork and Iles Formation wells drilled on the Application Lands may continue to be located downhole anywhere within such Application Lands provided no such wells shall be located downhole no closer than 100 feet from the boundaries of any lease line unless such lease line abuts or corners lands in respect of which the Commission has not at the time of drilling permit application granted the right to drill Williams Fork Formation ten (10) acre density wells in which event the wells shall be drilled downhole no closer than 200 feet from the lease line which so abuts or corners the lands in respect of which the ten (10) acre density downhole drilling for Williams Fork wells has not been ordered by the Commission.
27. That Iles Formation wells will be drilled only in conjunction with the drilling of Williams Fork Formation wells.
28. That wells shall be drilled from the surface either vertically or directionally from no more than one wells pad located on a given quarter quarter section (or lot or parcel equivalent thereto) unless exception is granted by the Director of the Colorado Oil and Gas Conservation Commission.
29. 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.

WHEREFORE, Applicants respectfully request that this matter be set for hearing in September, 2010, 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: July 28, 2010.

Respectfully submitted,
HOGLE VISANI LLC

By: /s/ signed original filed
Cynthia L. Bargell, 24690
PO Box 2377
Dillon CO 80435
Telephone: (970) 262-9055
Email: Cindy@hoglevisani.com

Address for Applicant:

Gene R. and Mary J. Hilton
2102 West Arapahoe Drive
Littleton, CO 80120

VERIFICATION OF APPLICATION

Gene R. Hilton and Mary J. Hilton, both of lawful age, being first duly sworn upon oath, deposes and states that they are the Applicants identified in the foregoing Application of the above referenced matter and that the information herein contained is true and correct to the best of their knowledge, information and belief.

Dated this day of July, 2010.

By: _____
Gene R. Hilton

By: _____
Mary J. Hilton

STATE OF COLORADO)
) ss.
COUNTY OF _____)

Subscribed and sworn to before me by Gene R. Hilton on this _____ day of _____, 2010.

Witness my hand and official seal.

My commission expires:

Notary Public

STATE OF COLORADO)
) ss.
COUNTY OF _____)

Subscribed and sworn to before me by Mary J. Hilton on this _____ day of _____, 2010.

Witness my hand and official seal.

My commission expires:

Notary Public

EXHIBIT A

Judith H. Jordan
Garfield County
375 County Road 352, Bldg 2060
Rifle, CO 81650-8412

Colorado Division of Wildlife
6060 Broadway
Denver, CO 80216

Colorado Department of
Public Health & Environment
4300 Cherry Creek Drive South
Denver, CO 80246-1530

Bill Barrett Corporation
1099 18th Street, Suite 2300
Denver, CO 80202

Williams Production RMT Company
1515 Arapahoe Street
Tower 3, Suite 1000
Denver, CO 80202

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OF THE STATE OF COLORADO**

APPLICATION OF GENE R. AND MARY J. HILTON FOR AN ORDER VACATING AN EXISTING 640 ACRE DRILLING AND SPACING UNIT FOR THE WILLIAMS FORK FORMATION AND ILES FORMATION OF THE MESAVERDE GROUP FOR CERTAIN DESCRIBED LANDS IN THE MAMM CREEK FIELD AREA, GARFIELD COUNTY, COLORADO	CAUSE NO. 191 DOCKET NO.
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AFFIDAVIT OF MAILING

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

Cynthia L. Bargell of lawful age, and being first duly sworn upon his oath, states and declares:

That she is the attorney for Gene R. and Mary J. Hilton, that on or before August ___, 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 A to the Application.

Cynthia L. Bargell

STATE OF COLORADO)
) ss.
COUNTY OF _____)

Subscribed and sworn to before me by _____ on this _____ day of _____, 20____.

Witness my hand and official seal.

My commission
expires: _____

Notary Public

