

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

IN THE MATTER OF THE APPLICATION OF)
UPSTREAM INNOVATIONS, INC. FOR AN) Cause No.
ORDER POOLING ALL INTERESTS IN THE)
NIOBRARA FORMATION IN AN) Docket No.
ESTABLISHED DRILLING AND SPACING)
UNIT LOCATED IN AN UNNAMED FIELD,)
MORGAN COUNTY, COLORADO)

APPLICATION

COMES NOW Upstream Innovations, Inc. (referred to herein as “Applicant”), by and through its undersigned counsel, and makes application to the Oil and Gas Conservation Commission of the State of Colorado (“COGCC”), for an order to pool all interests for the drilling and production of wells in an approximate 640-acre drilling and spacing unit in the Niobrara Formation in the lands more particularly described in Paragraph 2 below located in Township 5 North, Range 60 West, 6th P.M., Morgan County, Colorado. In support thereof, the Applicant states and alleges as follows:

1. That the Applicant is a corporation duly authorized to conduct business in the State of Colorado.

2. That the Applicant owns leasehold interests in the unit requested for pooling.

Township 5 North, Range 60 West, 6th P.M.
Section 8: All
Morgan County, Colorado

(“Application Lands”)

1. On May 16, 2011, the Commission issued Order No. 535-13 which established a 640-acre drilling and spacing unit for Application Lands.

2. A leasehold owner of a portion of the Application Lands, Carrizo Oil & Gas, Inc. (“Carrizo”) has drilled a well, the Wickstrom 8-41 well, on the Application Lands. The well is not located on lands in which Applicant owns a leasehold interest.

3. On March 17, 2011, Carrizo filed with the Commission an application for an order pooling all nonconsenting interests in the approximate 640-acre drilling and spacing unit established for the Application Lands (the “Pooling Application”).

4. On May 23, 2011, the Commission entered Cause No. 535, Order No. 535-23, pooling certain interests in the Application Lands.

5. Applicant and its lessor were not given an opportunity to participate in the drilling of the Wickstrom 8-41 well.

6. At the time Carrizo filed its application, Applicant’s interests were subject to an oil and gas lease owned by Esenjay Oil & Gas, Ltd. (the “Esenjay Lease”). The Esenjay Lease was set to expire on June 10, 2011. The lease was of record with the Morgan County Clerk and Recorder. On information and belief, this fact was known by Carrizo when it filed its Pooling Application.

7. On information and belief, during the pendency of the Pooling Application, Carrizo and Esenjay entered into a purchase agreement wherein Esenjay would sell Carrizo certain assets that Esenjay owned, including assets located in the Application Lands.

8. The assignment of the Esenjay interests was recorded with the Morgan County Clerk and Recorder’s Office on June 15, 2011, at R.N. 869207. The assignment, in relevant parts, is attached hereto as Exhibit A. Esenjay retained a portion of the working interests in the conveyed leased, including the “Esenjay’s Lease.”

9. Carrizo provided an opportunity to participate in the Wickstrom 8-41 well and notice of the Pooling Application to Esenjay, not the owner of the minerals. On information and belief,

Carrizo provided notice to Esenjay knowing that the Esenjay Lease was set to expire on June 10, 2011. Esenjay did not respond, and according to Carrizo, its interest was deemed non-consent.

10. Esenjay's interest in the Esenjay Lease terminated with the lease on June 10, 2011.

11. Carrizo's interest in the Esenjay Lease terminated with the lease on June 10, 2011.

12. The Pooling Order, if valid *ab initio*, should have terminated with respect to the interests leased by Esenjay when the Esenjay Lease terminated.

13. At the time the Pooling Order was entered Carrizo owned a portion of the Esenjay Lease. According to Carrizo, the mineral interests that were covered by the Esenjay Lease, which Carrizo owned a portion of, were pooled by the May 23, 2011 Pooling Order, including Carrizo's own interests.

14. The May 23, 2011 Pooling Order was not valid as to the interests covered by the Esenjay Lease.

15. On June 28, 2011, the Applicant obtained a lease from the mineral owner covering the interests formerly owned by Esenjay.

16. On information and belief, the Wickstrom 8-41 well was recently drilled, after expiration of the Esenjay Lease.

17. Applicant requested an opportunity to participate in the well and was declined by Carrizo.

18. Because the Wickstrom 8-41 well is located within the spacing unit for the Application Lands and because Applicant is an interest owner, Applicant is entitled to participate in the drilling of and production from the Wickstrom 8-41 well. Under C.R.S. § 34-60-116(6), Applicant should be entitled to participate in the well upon terms and conditions that are just and reasonable, and that afford Applicant the opportunity to recover or receive, without unnecessary expense, its just and equitable share.

19. That the names and addresses of the interested parties with respect to this Application will be forthcoming, pursuant to the Rule.

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. That Applicant's interest in the Application Lands shall be pooled with all other interests for the Wickstrom 8-41 well, and Applicant shall be allowed to participate in the drilling of and production from the Wickstrom 8-41 well upon contribution of its appropriate share of the drilling and production costs, retroactive to the first date of production.

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

DATED this 1st day of September, 2011.

Respectfully submitted,

UPSTREAM INNOVATION, INC.

By:

Stephen J. Sullivan
Blake Pickett
Welborn Sullivan Meck & Tooley, P.C.
1125 17th Street, Suite 2200
Denver, CO 80202
(303) 830-2500

Applicants' Address:
P. O. Box 4218
Parker, CO 80134

VERIFICATION

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

Jason Simmons, President for Applicant, upon oath deposes and says that she has read the foregoing Application and that the statements contained therein are true to the best of his knowledge, information and belief.

UPSTREAM INNOVATIONS, INC.

By: _____
Jason Simmons, President

Subscribed and sworn to before me this 1st day of September, 2011, by Jason Simmons, President for Upstream Innovations, Inc.

Witness my hand and official seal. My commission expires: _____

Notary Public

EXHIBIT A

Interested Parties

Official Records of Morgan County, CO 869207

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PARTIAL ASSIGNMENT OF OIL, GAS AND MINERAL LEASES

STATE OF COLORADO §

KNOW ALL MEN BY THESE PRESENTS:

COUNTY OF MORGAN §

For a valuable consideration, and in consideration of the covenants and agreements of Assignee herein contained, and upon and subject to the exceptions, reservations, conditions and other provisions hereinafter set forth, **Esenjay Oil & Gas, Ltd.**, whose address is 500 North Water Street, Suite 1100 South, Corpus Christi, Texas 78401 ("**Assignor**"), hereby sells, transfers, assigns, and delivers to **Carrizo Oil & Gas, Inc.**, whose address is 1000 Louisiana Street, Suite 1500, Houston, Texas 77002 ("**Assignee**"), an undivided thirty percent (30%) of 8/8ths interest in and to the leasehold estate and working interest in and to each of the leases described in Exhibit A attached hereto (herein referred to collectively as "**said Leases**" and severally as a "**Lease**") and the 24% of 8/8ths net revenue interest attributable to said working interests INsofar AND ONLY INsofar as said Leases cover and affect all depths from the surface of the earth down to the stratigraphic equivalent of the top of the X-bentonite seam encountered at a depth of 6,410 feet on the electrical log dated May 19, 1952, in the Frontier Refining Company Hendershot No. 1 Well (API # 05-087-06493) located in Section 7, T5N, R60W, Morgan County, Colorado, and at a depth of 6,315 feet on the electrical log dated October 12, 1954, in the H. C. Arnold & Calvert Drilling J. T. Groves Well (API # 05-087-06498) located in Section 8, T5N, R60W, Morgan County, Colorado (the "**Assigned Depths**"). Said Leases are conveyed hereby free and clear of burdens other than the lessors' royalties, the overriding royalty interests reserved hereby and the terms of the Operating Agreement described below and shall entitle Assignee to the working and net revenue interests set forth above without suspension, reduction or termination so long as said Leases remain in force and effect.

Assignor hereby RESERVES and EXCEPTS from this Assignment overriding royalty interests in said Leases insofar as said Leases cover the Assigned Depths, subject to the following terms and provisions, equal to amount, if positive, by which 20% of 8/8ths of all production from said Leases exceeds any and all lease royalties, overriding royalties and other burdens covering or affecting said Leases, proportionately reduced, as more particularly described below, to the interest in said Leases being assigned to Assignee hereunder, in all oil, gas, liquid hydrocarbons, sulphur and other minerals produced and saved from the Assigned Depths in and under the lands described in said Leases.

The overriding royalty interests reserved hereby are subject to the following terms and provisions:

- (1) The overriding royalty interest herein reserved shall be inclusive of any overriding royalties created prior to the date of this Assignment, but in addition to any and all existing royalties payable to the lessors in said Leases.
- (2) If a Lease covers less than the entire and undivided oil, gas and other minerals estate in the Assigned Depths in and under lands covered thereby, the overriding royalty interests herein reserved by Assignor shall be payable in the proportion which the fractional part of the oil and gas and other minerals estate in the Assigned Depths covered by such Lease in such lands bears to the entire and undivided oil, gas and other minerals estate in the Assigned Depths in and under such lands. If Assignor

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holds less than all of the oil, gas and other minerals leasehold estate created by a Lease or is conveying less than all of the oil, gas and other minerals leasehold estate created by a Lease insofar as such Lease covers the Assigned Depths, the overriding royalty interest herein reserved by Assignor shall be payable in the proportion which the fractional part of the oil, gas and other minerals leasehold estate hereby conveyed to Assignee bears to the entire and undivided oil, gas and other minerals leasehold estate created by such Lease in the Assigned Depths in and under such land.

- (3) Operations, if any, on said Leases or lands pooled therewith and the extent and duration thereof shall be solely within the discretion and at the will of Assignee.
- (4) The overriding royalty interests herein reserved shall be free and clear of all drilling, producing and operating costs, but shall be charged with its proportionate part of all gross production, ad valorem and severance taxes applicable to said overriding royalty interests and any other taxes imposed under the laws of any state or other political subdivision to which such interest in production is or may be subject. At the election of Assignee, ad valorem, production, severance, gathering, or other taxes (state or federal) levied against the overriding royalty interests herein reserved may be paid by Assignee and deducted from the overriding royalty interests payable to Assignor hereunder.
- (5) Assignee shall have the right and authority to pool or unitize the overriding royalty interests herein reserved by Assignor in the same manner and to the same extent that pooling unitization is authorized under the respective provisions of said Leases, as the same may have heretofore or may hereafter be amended, with the same effect as though such overriding royalty interests were a part of the lessors' royalties in said Leases.

This assignment is made subject to: (i) the covenants, provisions, and terms of said Leases; and Assignee shall bear its pro rata share of the royalties reserved in said Leases insofar as they cover the Assigned Depths; (ii) 3D Seismic Acquisition and Exploration Agreement Indian Peaks 3-D Project covering Morgan and Weld Counties, Colorado dated December 1, 2008, by and between Bsenjay Oil & Gas, Ltd. and Winn Exploration Co., Inc., Crain Energy, Ltd., Lacy Properties, Ltd., RAVCO, Inc., Arentee Investments and Schibi Oil & Gas Ltd., and (iii) the covenants, provisions, and terms of Exploration Agreement dated effective September 1, 2007 by and between Assignor and Evolution Oil & Gas, LLC, as amended by First Amendment to Exploration Agreement DJ Basin 3D Seismic Program dated effective September 19, 2009 (the "*DJ Basin Exploration Agreement*"); provided, however, that the interests in said Leases conveyed hereby shall not be subject to the provisions of the DJ Basin Exploration Agreement that provide that Evolution Oil & Gas, LLC shall be entitled to a 4% "after project payout" interest" which will reduce Assignor's working interests and net revenues interest in said Leases. Said after project payout interest shall not burden, reduce or otherwise alter or affect the working interests and net revenues interests in said Leases conveyed to Assignee hereby as stated above but shall only reduce the working interests and net revenue interests in said Leases that Assignor has not conveyed to Assignee by this Assignment. Assignee shall not be obligated to monitor or maintain information relating to the payout status of the 4% "after project payout" interest mentioned above.

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TO HAVE AND TO HOLD, all and singular, the interests in said Leases conveyed hereby together with all and singular the rights and appurtenances thereto in any wise belonging unto Assignee and its successors in title and assigns forever; and Assignor hereby binds itself and its successors and assigns to warrant and forever defend, all and singular, said interests unto Assignee and its successors and assigns against every person whomsoever lawfully claiming or to claim the same or any part thereof, by through and under Assignor only, but not otherwise. This Assignment is made with full substitution and subrogation of Assignee in and to all covenants, indemnities, representations and warranties by others heretofore given or made with respect to the interests in said Leases conveyed hereby or any part thereof.

This instrument may be executed in any number of counterparts, with the same force and effect as if all parties hereto had executed a single counterpart hereof.

All of the terms, provisions, covenants and agreements herein contained shall extend to and be binding upon the parties hereto, and their respective successors in title and assigns, and all terms, provisions and reservations contained in this Assignment shall be deemed covenants running with the land.

IN WITNESS WHEREOF, Assignor and Assignee have executed this Assignment on the dates of the acknowledgment certificates annexed hereto, but this Assignment shall be effective as of 12:01 a.m. Central Clock Time on April 12, 2011.

ASSIGNOR:
ESENJAY OIL & GAS, LTD.
By: Esenjay Petroleum Corporation, Its General Partner

By: Linda D. Schibi
Name: Linda D. Schibi
Title: Vice President Land

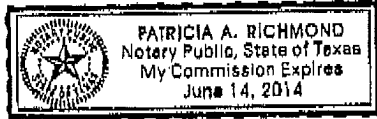
ASSIGNEE:
CARRIZO OIL & GAS, INC.
By: [Signature]
Richard Smith, Vice President - Land

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STATE OF TEXAS §

COUNTY OF HARRIS §

This instrument was acknowledged before me on April 12, 2011, by Richard H. Smith, Vice President Land of Carrizo Oil & Gas, Inc., a Texas corporation, on behalf of said corporation.

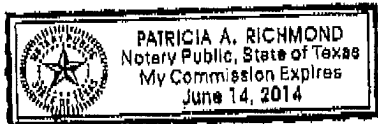


Patricia A. Richmond
Notary Public

STATE OF TEXAS §

COUNTY OF §

This instrument was acknowledged before me on April 12, 2011, by Linda D. Schibi, Vice President Land of Esenjay Petroleum Corporation, a Texas corporation, on behalf of said corporation, acting in its capacity as General Partner of Esenjay Oil & Gas, Ltd., a Texas limited partnership.



Patricia A. Richmond
Notary Public

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EXHIBIT A

Attached to and made a part of that certain Partial Assignment Of Oil, Gas And Mineral Leases from Esenjay Oil & Gas, Ltd., as Assignor, to Carrizo Oil & Gas, Inc., as Assignee

MORGAN COUNTY, COLORADO
DESCRIPTION OF OIL AND GAS LEASES

1. Oil and Gas Lease dated 7/2/2010, by and between American Bible Society, represented herein by Julia A. Oliver, EVP/CFO, as Lessor, and Baseline Minerals, Inc., as Lessee, containing in all 160 acres, more or less, out of Township 5 North, Range 60 West, 6th P.M., Section 6: SE/4, in Morgan County, Colorado, and recorded at Document No. 864552 of the Official Public Records of Morgan County, Colorado.
2. Oil and Gas Lease dated 8/13/2008, by and between Donald J. Amman, a/k/a Donald Amman, a married man, dealing in his sole and separate property, as Lessor, and Baseline Minerals, Inc., as Lessee, containing in all 478.3 acres, more or less, out of Township 5 North, Range 60 West, 6th P.M., Section 5: Lots 3(40.63), 4(40.76) and S/2NW/4, a/d/a NW/4, Section 6: Lots 3(40.31), 4(38.32), 5(38.28) and SE/4NW/4 a/d/a NW/4; Township 6 North, Range 60 West, 6th P.M., Section 33: SE/4, in Morgan County, Colorado, and recorded by Memorandum at Document No. 851491, of the Official Public Records of Morgan County, Colorado.
3. Oil and Gas Lease dated 8/13/2008, by and between John C. Amman, a/k/a John Amman, a married man, dealing in his sole and separate property, as Lessor, and Baseline Minerals, Inc., as Lessee, containing in all 478.3 acres, more or less, out of Township 5 North, Range 60 West, 6th P.M., Section 5: Lots 3(40.63), 4(40.76) and S/2NW/4, a/d/a NW/4, Section 6: Lots 3(40.31), 4(38.32), 5(38.28) and SE/4NW/4, a/d/a NW/4; Township 6 North, Range 60 West, 6th P.M., Section 33: SE/4, in Morgan County, Colorado, and recorded by Memorandum at Document No. 851624, of the Official Public Records of Morgan County, Colorado.
4. Oil and Gas Lease dated 11/12/2008, by and between Georgina M. Bates, a widow, as Lessor, and Baseline Minerals, Inc., as Lessee, containing in all 1,280 acres, more or less, out of Township 6 North, Range 60 West, 6th P.M., Section 21: W/2, Section 27: W/2, Section 28: E/2, Section 29: E/2SW/4, Section 32: E/2NW/4, SW/4, in Morgan County, Colorado, and recorded by Memorandum at Document No. 852941 of the Official Public Records of Morgan County, Colorado. **INSOFAR AND ONLY INSOFAR as said lease covers Township 6 North, Range 60 West, 6th P.M., Section 28: E/2, Section 29: E/2SW/4, Section 32: E/2NW/4, SW/4, containing 640 acres, more or less.**
5. Oil and Gas Lease dated 10/13/2008, by and between Black River Royalties, LLC, as Lessor, and Baseline Minerals, Inc., as Lessee, containing in all 478 acres, more or less, out of Township 6 North, Range 60 West, 6th P.M., Section 29: W/2/SW, Section 30: SE/SE, Section 31: E/2/NE, SE and W/2/NE, Section 32: W/2/NW, in Morgan County, Colorado, and recorded at Document No. 857419 of the Official Public Records of Morgan County, Colorado.

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70. Oil and Gas Lease dated 06/10/2008, by and between U.S. AgBank, FCB fka Farm Credit Bank of Wichita, as Lessor, and Context Energy Company, as Lessee, containing in all 5,801.33 acres, more or less, out of Township 4 North, Range 59 West, 6th P.M. Section 4: S/2/SW, Section 9: NW, Section 12: S/2/SE; SE/SW, Section 13: N/2/NW, NE, E/2/SW, Section 14: N/2/NE; Township 4 North, Range 60 West, 6th P.M., Section 2: N/2/NW, Section 3: NE/NE (lying South of right of way of Union Pacific RR right of way), Section 4: NW (ada lots 3, 4; S/2/NW), Section 6, S/2/SE, Section 8: W/2/SW/NW, W/2/NW/SW; Township 5 North, Range 59 West, 6th P.M., Section 4: N/2/NW (lots 3, 4), Section 18, NE, S/2/NW (lot 2; SE/NW), Section 28: W/2/SW, SE/SW, SW/SE, Section 32: NE, S/2/NW; Township 5 North, Range 60 West, 6th P.M., Section 1: NW (lots 3, 4; S/2/NW), Section 4: Lot 2, SW/NE, W/2/SW, Lots 3, 4, S/2/NW; Section 7: SE, Section 8: NE, Section 12: S/2/NE, NE/NE, SE/SW, SE, Section 13: NW/NE, E/2/NE, Section 24: NE, Section 28: SE, SW, NW, Section 29: E/2/E/2, Section 32: NE, Section 33: N/2/SW, SW/SW, NE, SE, NW, SESW, Section 35: W/2/SW; Township 6 North, Range 59 West, 6th P.M., Section 29: NW, SW, SE, NE; Township 6 North Range 60 West, 6th P.M., Section 2: Lots 1, 2, S/2/NE, SE, in Morgan County, Colorado and recorded at Document No. 851668 of the Official Public Records of Morgan County, Colorado **INSOFAR AND ONLY INSOFAR** as said covers T5N, R60W, Sec 4; Lot 2(40.24), 3(40.28), 4(40.3), SWNW, SENW, SWNE, NWSW, SWSW, Sec 7:SE/4; Sec. 8: SE/4.

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UPSTREAM INNOVATIONS, INC.

