

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

IN THE MATTER OF THE APPLICATION OF ESENJAY
OPERATING, INC. FOR AN ORDER ESTABLISHING AN
APPROXIMATE 80-ACRE DRILLING AND SPACING
UNIT ALLOWING UP TO TWO WELLS AND POOLING
ALL INTERESTS IN ALL FORMATIONS AND DEPTHS TO
AND INCLUDING THE J SAND IN MORGAN COUNTY,
COLORADO

CAUSE NO. _____

DOCKET NO. _____

APPLICATION

COMES NOW, Esenjay Operating, Inc. (referred to herein as "Applicant"), by and through its undersigned agent, James C Karo Associates, and makes application to the Oil and Gas Conservation Commission of the State of Colorado ("Commission") for an order establishing an 80-acre drilling and spacing unit for all formations and depths to and including the J Sand, allowing for the drilling of up to two (2) wells, and for an order pooling all interests for the drilling of said well(s) to produce from all formations and depths to and including the J Sand, on the following described lands:

Township 4 North, Range 60 West, 6th P.M.
Section 2: NE $\frac{1}{4}$ SW $\frac{1}{4}$, NW $\frac{1}{4}$ SE $\frac{1}{4}$

Morgan County, Colorado

(hereinafter "Application Lands").

In support of its application, Applicant states and alleges as follows:

1. Applicant is a corporation duly authorized to conduct business in the State of Colorado, and is a registered operator (Operator Number 10326) in good standing with the Commission.
2. Applicant owns certain leasehold interests in the Application Lands.
3. The Application lands are unspaced and are subject to Rule 318.a, which provides that a well to be drilled to a depth of two thousand five hundred (2,500) feet or greater 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 or gas well when drilling to the same common source of supply, unless authorized by order of the Commission upon hearing. Statewide spacing rules allow Applicant to propose an 80-acre drilling and spacing unit consisting of the Application Lands and allows for two (2) wells within said unit, for the production of oil, gas and associated hydrocarbons from any and all formations to and including the J Sand.
4. Applicant asserts that two (2) wells will efficiently and economically drain the 80-acre drilling and spacing unit on the Application Lands and that these wells are necessary to

prevent waste, protect correlative rights and to assure the greatest recovery of oil, gas and associated hydrocarbons in accordance with Colorado statutes and Commission rules.

5. Applicant, pursuant to the provisions of C.R.S. §34-60-116 (6) & (7), seeks an order pooling all interests in the Application Lands for the development of all formations to and including the J Sand formation, including any nonconsenting interests therein.

6. Applicant proposes to directionally drill the Jones 2-12-4-60 Well ("Well") with the proposed surface location in NE¼NW¼ of Section 2, Township 4 North, Range 60 West, and a proposed bottom hole location in the NE¼SW¼ of Section 2, Township 4 North, Range 60 West. A reference map is attached hereto. The bottom hole location is an exception location less than 600 feet from a lease line; however the applicable parties have waived said encroachment. Applicant is concurrently filing an Application for Permit to Drill, with all necessary waivers, pursuant to Rule 318.c.

7. Applicant requests that the Commission's pooling order be made effective as of the date of this Application, or the date that costs specified in C.R.S. §34-60-116(7)(b)(II) are first incurred for the drilling of a well all formations to and including the J Sand on the Application Lands.

8. Applicant certifies that copies of this Application will be served on the owners within the proposed drilling unit and all persons owning any interest in the mineral estate of the tracts to be pooled, within seven (7) days of the date hereof, as required by Rule 507.b(1) and (2), and that at least thirty (30) days prior to the hearing on this matter. The list of such interested parties is attached hereto as Exhibit "A". All unleased mineral owners (not otherwise voluntarily pooled) have been offered the opportunity to lease, or to participate in the drilling of the well, and will be provided with the information required by Rule 530. To date, no such owners have elected to participate or to lease.

9. That in order to prevent waste and to protect correlative rights, all interests in the Application Lands should be pooled for the orderly development of all formations to and including the J Sand, including any nonconsenting interests therein.

WHEREFORE, Applicant requests that this matter be set for hearing at the next available opportunity, that notice be given as required by law, and that upon such hearing, the Commission enter its order:

- A. Approving an 80-Acre drilling and spacing unit allowing the drilling of up to two (2) wells.
- B. Pooling all interests in the Application Lands for the development of all formations to and including the J Sand.
- C. Providing that the Commission's pooling order is made effective as the earlier of the date of this Application, or the date that the costs specified in C.R.S. §34-60-116(7)(b)(II) are first incurred for the drilling of a well to all formations to and including the J Sand on the Application Lands.
- D. Providing that the interests of any owners with whom the Applicant has been unable to secure a lease or other agreement to participate in the drilling of the authorized well are pooled by operation of statute, pursuant to C.R.S. §34-60-

116(7), and made subject to the cost recovery provisions thereof.

E. For such other findings and orders as the Commission may deem proper or advisable for this matter.

WHEREFORE, Applicant respectfully requests that this matter be set for hearing in July, 2012, that notice be given as required by law, and that upon such hearing, the Commission enter its order consistent with the Applicant's request as set forth above.

Dated: June 21, 2012

JAMES C KARO ASSOCIATES

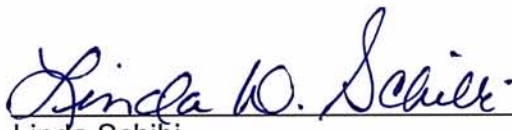
By: 
Fabrianna Venaducci
1750 Lafayette Street
Denver, CO 80218
303-279-0789

Address of Applicant:
Esenjay Operating, Inc.
500 North Water Street, Suite 1100 South
Corpus Christi, TX 78471
361-883-7464

VERIFICATION

STATE OF TEXAS)
) ss.
COUNTY OF NUECES)

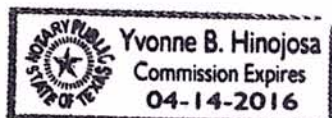
Linda Schibi, of lawful age, being first duly sworn upon oath, deposes and says that she is Land Manager for Esenjay Operating, Inc., and that she has read the foregoing Application and that the matters therein contained are true to the best of her knowledge, information and belief.


Linda Schibi

Subscribed and sworn to before me this 20th day of June, 2012.

Witness my hand and official seal.

My commission expires:




Notary Public

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IN THE MATTER OF THE APPLICATION OF ESENJAY
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AND INCLUDING THE J SAND IN MORGAN COUNTY,
COLORADO

CAUSE NO. _____

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EXHIBIT "A"

List of Mineral Owners/Interested Parties

Williev E. Condron
3420 Land Ct.
Cheyenne, WY 82001

Roy F. Huenefeld
As Heir of Frank Martin
505 E. Freemont Ave
Silverton, WY 82501

R.S. Huenefeld, a/k/a Ray S. Huenefeld
As Heir of Frank Martin
7092 Riverview Rd
Riverton, WY 82501

Verna Mae Huenefeld, f/k/a Verna Mae Compton
As Heir of Frank Martin
12218 SE 64th Place
Bellevue, WA 98006

James Tottenhoff
As Heir or Devisee of Paul B. Lorenz and Mildred Lorenz
2621 Oakwood Drive
Olympia Field, IL 60461

Donald R. Tottenhoff
As Heir or Devisee of Paul B. Lorenz and Mildred Lorenz
19153 North 84th Dr.
Peoria, AZ 85382

Castlereagh Investments, Inc.
P.O. Box 804
Littleton, CO 80160

Gecko Enterprises, LLC
31299 Manitoba
Evergreen, CO 80439

Estate of Charlene Gish, deceased
c/o 2319 Alexander Ave.
Cheyenne, WY 82001

Cathy Lynn Zike-Smith
As Heir of Charlene Gish
736 Eastdale Drive
Ft. Collins, CO 80526

Estate of Anita F. Cohen
As Heir of Charlene Gish
c/o 1507 Bighorn Ave.
Cheyenne, WY 82001

Patty Cohen Merchant
As Heir of Charlene Gish
1943 Cheshire Dr.
Cheyenne, WY 82001

Estate of Jessie Marymee, deceased
104 E. 2nd Avenue
Cheyenne, WY 82001
Heirs of Mike A. Zike
c/o Cathy Lynn Zike-Smith
736 Eastdale Dr.
Fort Collins, CO 80526

Estate of Ruby M. Foote, deceased
1815 E. 22nd Street
Cheyenne, WY 82001

Charles E. Doud
As Heir of Ruby M. Foote
c/o Penni M. Doud
7000 Sandy Souza Way
Elk Grove, CA 95758

Boyd E. Leach
As Heir of Ruby M. Foote
9308 Willow Pond Circle
Elk Grove, CA 95624

Eugene L. Doud
Heir of Ruby Foote
6980 Woodstock St.
Colorado Springs, CO 80911

Darrell Lee Doud
As Heir of Ruby M. Foote
5301 N. Parkway
Sacramento, CO 95823

Harold W. Leach
As Heir of Ruby M. Foote
2163 Canyon View Dr.
Grand Junction, CO 81507

Bonita T. Biddle
As Heir of Ruby M. Foote
2312 Heather Glen Lane
Rancho Cordova, CA 95670

Pivot Petroleum, Inc.
14290 Crab Apple Rd
Golden, CO 80401

Drake Land Farms, LLC fka Drake Land Farms Ltd.
10923 Legacy Ridge Ct.
Westminster, CO 80030

The Estate of D'Lene Cox
c/o 2120 14th Street
Greely, CO 80631

Noble Energy, Inc.
1625 Broadway
Suite, 2200
Denver, CO 80202

J P Morgan Chase Bank, Successor in interest to McAllen State Bank, as Executor and
Beneficiary of Will of H.P. Flaherty aka Harry P. Flaherty, a/k/a H. Patrick Flaherty
200 South Tenth Street
McAllen, TX 78501
1111 Polaris Parkway
Columbus, OH 43240


Local Government Designee
John Crosthwait
Morgan County Planning and Zoning
231 Ensign St.
Fort Morgan, CO 80701

Colorado Department of Wildlife
Celia Greenman, NE Representative
6060 Broadway
Denver, CO 80216

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

JAMES C KARO ASSOCIATES

By:


Fabrianna Venaducci
1750 Lafayette Street
Denver, CO 80218

Address of Applicant:
Esenjay Operating, Inc.
500 North Water Street, Suite 1100 South
Corpus Christi, TX 78471

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DOCKET NO.

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

That she is an associate with James C Karo Associates, and that she is an agent for Esenjay Operating, Inc., and that on or before June 21, 2012, 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.

Fabrianna Venaducci
Fabrianna Venaducci

Subscribed and sworn to before me this 21st day of June, 2012.

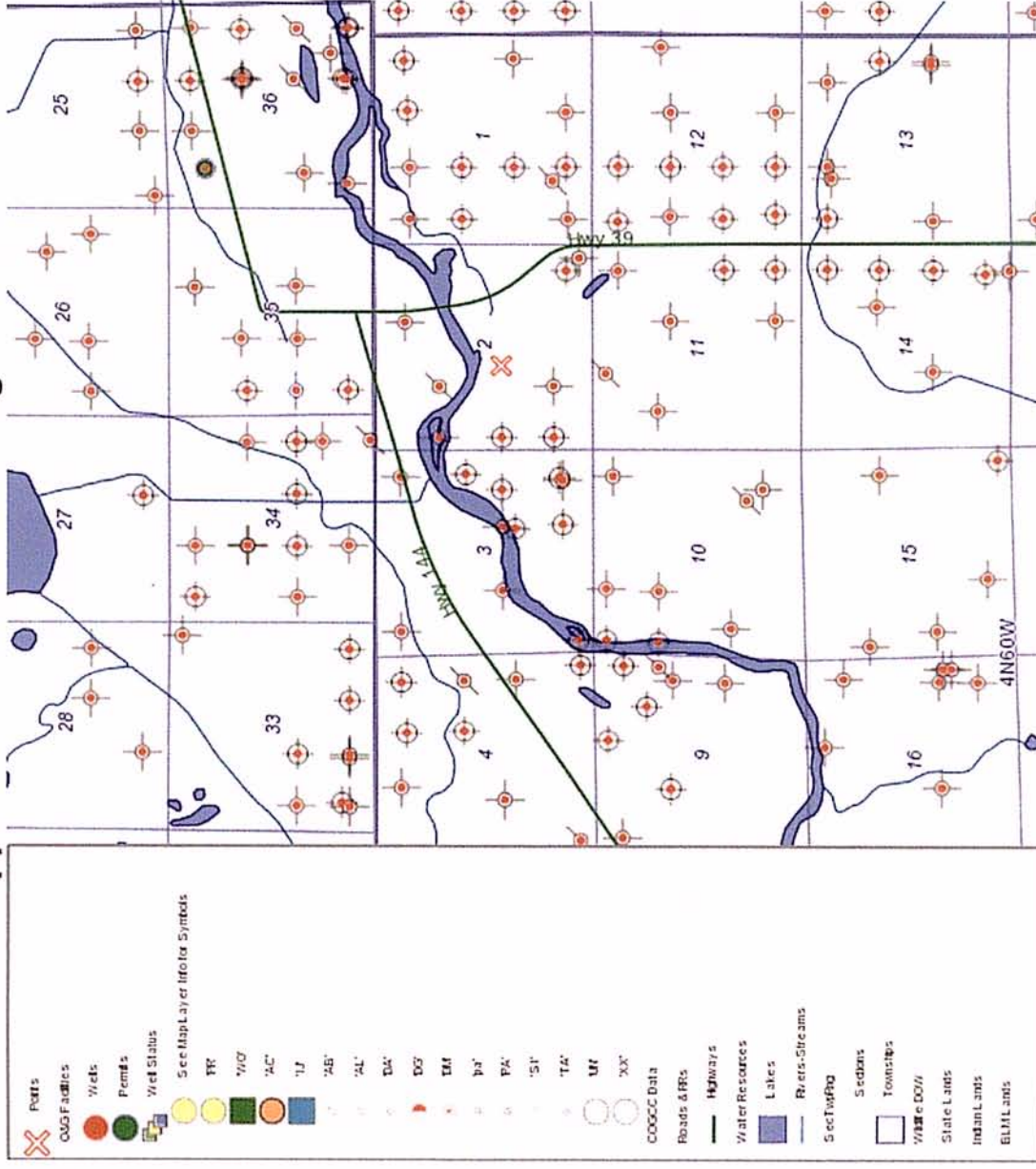
My commission expires: 6-24-2015

Blanca Kaulik
Notary Public





Application and Surrounding Lands

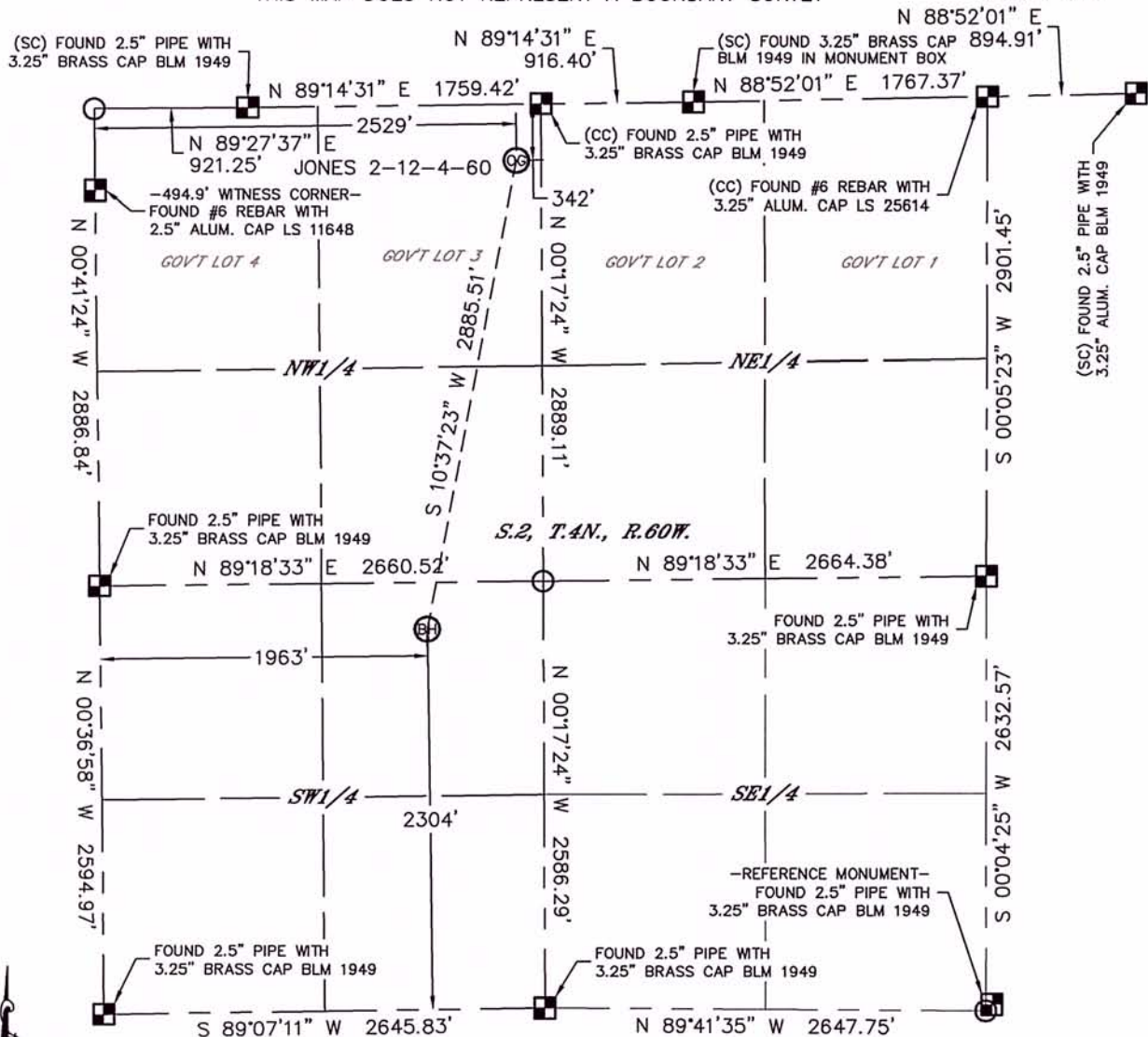


Lat40°, Inc. 1635 Foxtrail Drive, Suite 325 Loveland, CO 970-776-3321

WELL LOCATION CERTIFICATE

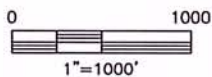
THIS MAP DOES NOT REPRESENT A BOUNDARY SURVEY

SECTION: 2
TOWNSHIP: 4N
RANGE: 60W



In accordance with a request from Dugne Russell with JAMES C KARO ASSOCIATES, Lat40th, Inc. has determined the surface location of the JONES 2-12-4-60 to be 342' from the NORTH line and 2529' from the WEST line and the bottom hole to be 2304' from the SOUTH line and 1963' from the WEST line as measured at right angles from the section lines of Section 2, Township 4 North, Range 60 West of the Sixth Principal Meridian, County of Morgan, State of Colorado.

I hereby state that this Well Location Certificate was prepared by me, or under my direct supervision, that the fieldwork was completed on 1/20/12, for and on behalf of JAMES C KARO ASSOCIATES. That this is not a Land Survey Plat or an Improvement Survey Plat, and that it is not to be relied upon for establishment of fence, building, or other future improvement lines.



NOTE:

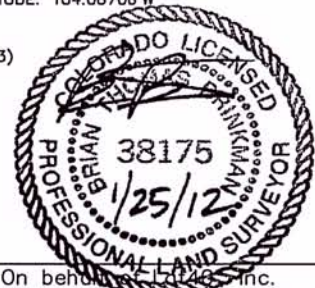
- 1) Bearings shown are Grid Bearings of the Colorado State Plane Coordinate System, North Zone, North American Datum 1983/2007. The lineal dimensions as contained herein are based upon the "U.S. Survey Foot."
2) Ground elevations are based on an observed GPS elevation (NAVD 1988 DATUM).
3) IMPROVEMENTS: See LOCATION DRAWING for all visible improvements within 400' of disturbed area.
4) SURFACE USE: PASTURE
5) INSTRUMENT OPERATOR: ADAM KELLY

SURFACE LOCATION

LATITUDE: 40.34874°N
LONGITUDE: 104.06499°W
PDOP: 1.2
ELEV: 4381'
1/4,1/4: NE1/4NW1/4 (GOV'T LOT 3)
NEAREST PROPERTY LINE: 150' E

BOTTOM HOLE



LATITUDE: 40.34098°N
LONGITUDE: 104.06706°W



NOTE

NOTE According to Colorado law, you must commence any legal action based upon any defect in this W.L.C. within three years after you discover such defect. In no event, may any action based upon any defect in this survey be commenced more than ten years after the date of the certificate shown hereon. (13-80-105 C.R.S.)

LEGEND

-  = ALIQUOT MONUMENT AS DESCRIBED
 = CALCULATED POSITION

Brian T. Brinkman—On behalf of L&L 43, Inc.
Colorado Licensed Professional Land Surveyor No. 38175
DATE: rev 3/26/2012
PROJECT#: 2012015

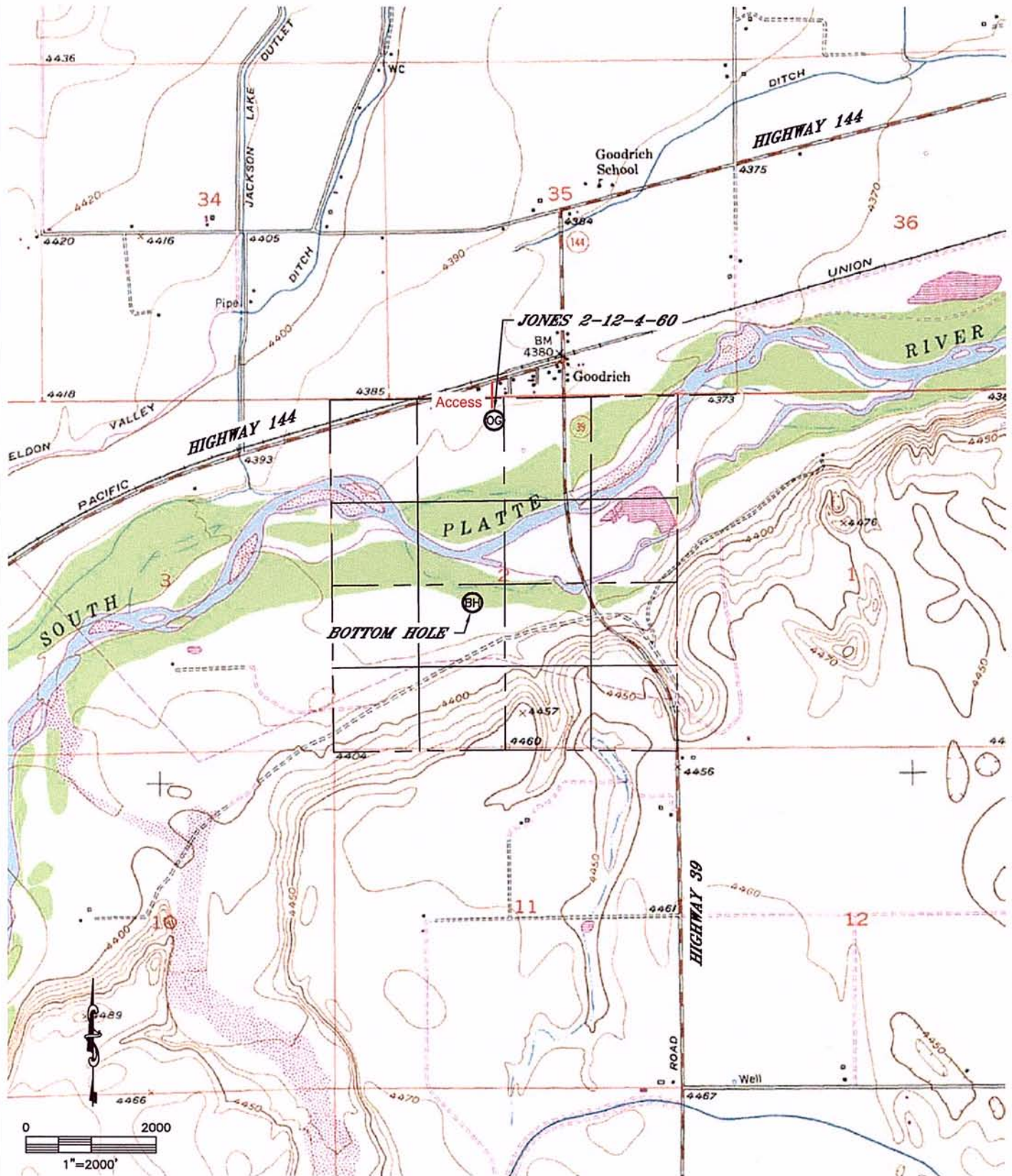


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ACCESS ROAD MAP

JONES 2-12-4-60

SECTION: 2
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RANGE: 60W



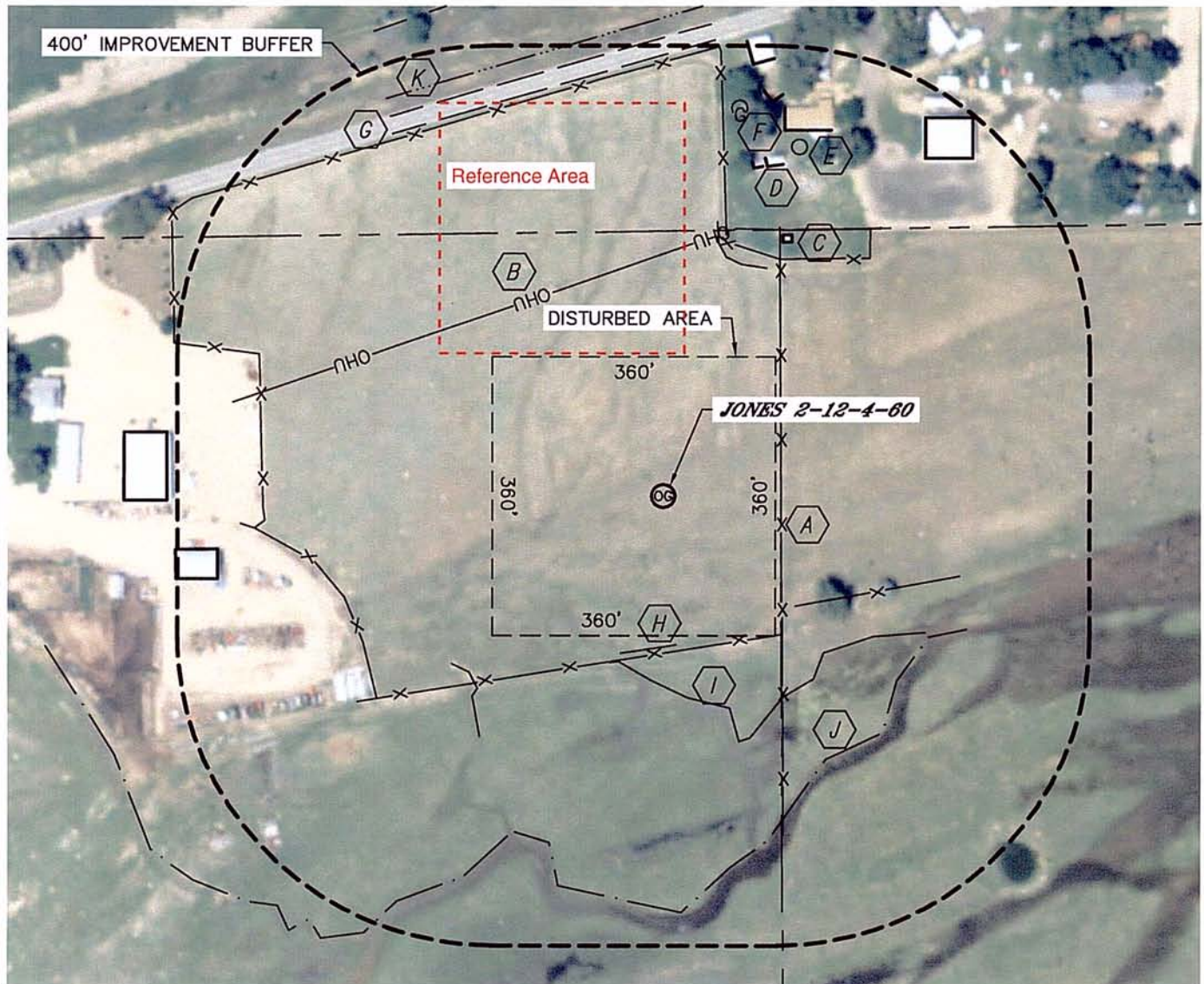


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LOCATION DRAWING

JONES 2-12-4-60

SECTION: 2
TOWNSHIP: 4N
RANGE: 60W



IMPROVEMENTS:

- | | |
|--|-----------------------------|
| (A) FENCE 150' E, 200' SE, 424' SW, 509' W, 537' NW, 337' NE | (F) LP TANK 509' NE |
| (B) OVERHEAD UTILITY 295' NW | (G) HIGHWAY 144 545' NW |
| (C) IRRIGATION PUMP HOUSE 362' NE | (H) DITCH 192' SE, 315' NE |
| (D) BUILDING 438', 445', 496', 526', 568', 572' 548' NE, 570' SW, 630' W | (I) WET AREA 220' & 335' SW |
| (E) CONCRETE VAULT 483' NE | (J) TOP OF DRAINAGE 380' SE |
| | (K) BARROW DITCH 591' NW |

NEAREST: BUILDING 438' NE, PUBLIC ROAD 545' NW (HWY 144),
ABOVE GROUND UTILITY 295' NW, RAILROAD 690' NW (ABANDONED), PROPERTY LINE 150' E

DATE: 1/20/2012
PROJECT#: 2012015

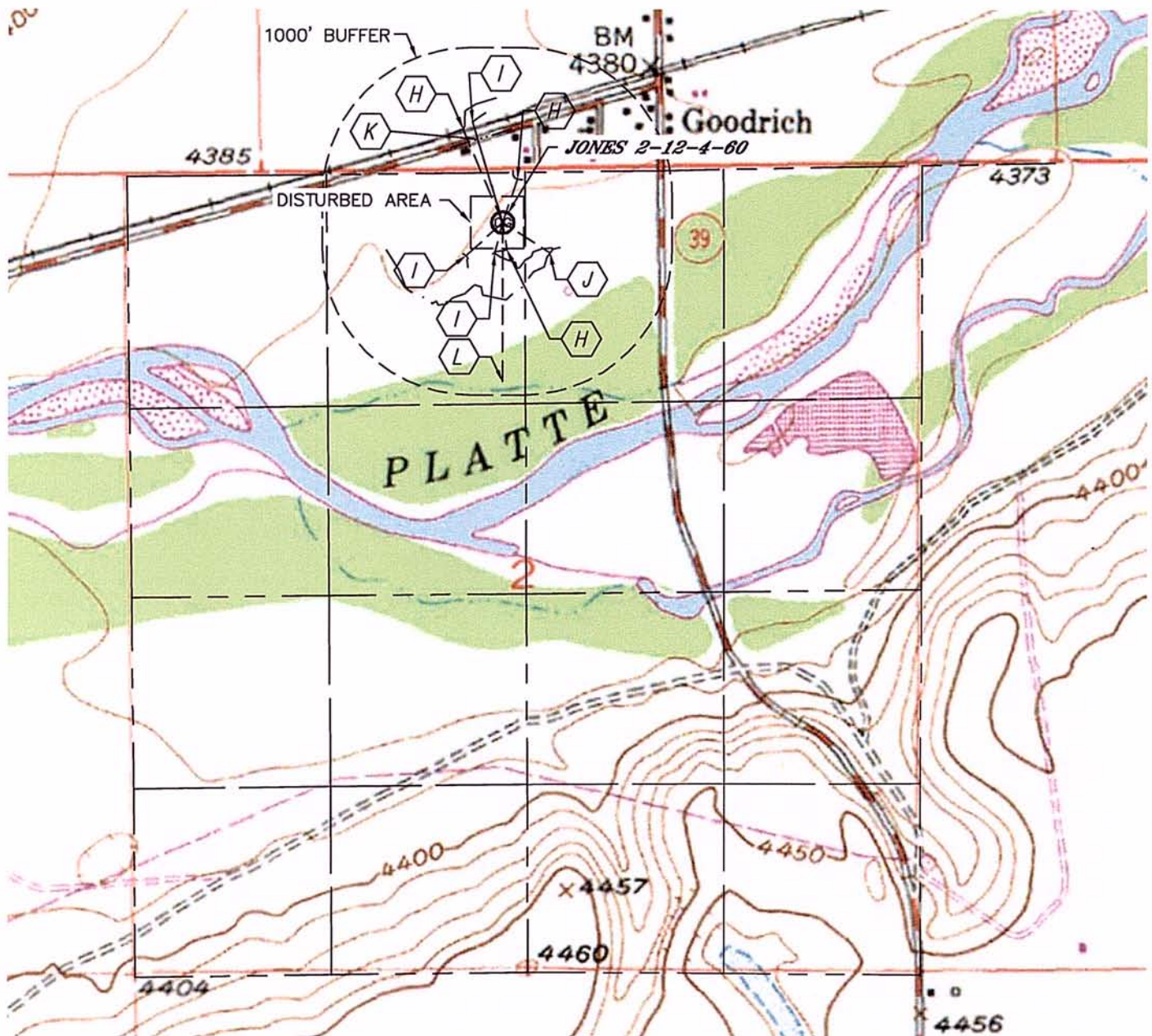





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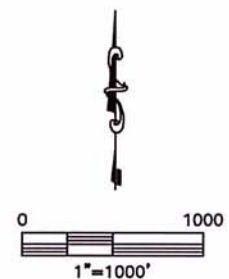
HYDROLOGY MAP

JONES 2-12-4-60

SECTION: 2
TOWNSHIP: 4N
RANGE: 60W



-  DITCH 192' SE, 315' NE, 689' NW
-  WET AREA 220' & 335' SW, 710' NW
-  TOP OF DRAINAGE 380' SE
-  BARROW DITCH 591' NW
-  CHANNEL 1090' S



DATE: 1/20/2012
PROJECT#: 2012015



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LOCATION PICTURES

JONES 2-12-4-60

SECTION: 2
TOWNSHIP: 4N
RANGE: 60W

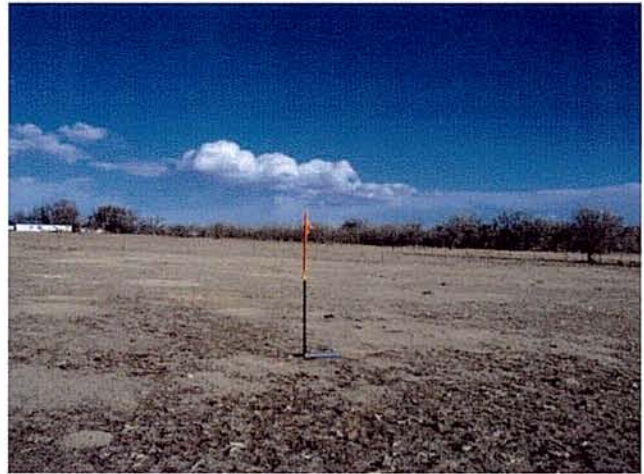
DATE: 1/20/12



VIEW NORTH



VIEW WEST



VIEW EAST



VIEW SOUTH

DATE: 1/20/2012
PROJECT#: 2012015



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LOCATION PICTURES

JONES 2-12-4-60

SECTION: 2
TOWNSHIP: 4N
RANGE: 60W

DATE: 1/20/12



REFERENCE VIEW NORTH

DATE: 1/20/2012
PROJECT#: 2012015