

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

IN THE MATTER OF THE APPLICATION BY
SYNERGY RESOURCES CORPORATION,
PURSUANT TO C.R.S. § 34-60-116, FOR AN
ORDER DECREASING THE SIZE OF A
DRILLING AND SPACING UNIT, FOR THE
PRODUCTION OF OIL, GAS AND
ASSOCIATED HYDROCARBONS FROM
THE J SAND FORMATION, WATTENBERG
FIELD, LOCATED IN THE S/2, SECTION 8,
TOWNSHIP 4 NORTH, RANGE 67 WEST, 6TH
P.M., WELD COUNTY, COLORADO

Cause No. 232
Docket No. 1210-SP-96

AMENDED VERIFIED APPLICATION

COMES NOW SYNERGY RESOURCES CORPORATION (referred to herein as "Applicant"), by and through its undersigned attorneys, and files this Amended Verified Application to the Colorado Oil and Gas Conservation Commission ("Commission"), for an order to (a) vacate the approximate 320-acre drilling and spacing unit established by Order 232-1 for the S/2 of Section 8, Township 4 North, Range 67 West, 6th P.M., Weld County, Colorado, and (b) establish two approximate 160-acre drilling and spacing units for such lands consisting of the SW/4 and the SE/4 of said Section for the production of oil and gas from the "J" Sand Formation underlying such lands. In support hereof, the Applicant states and alleges as follows:

BACKGROUND

Existing Leasehold Interests and Wells.

1. Applicant is a Colorado corporation duly authorized to conduct business in the State of Colorado and is a registered operator in good standing with the Commission.
2. Applicant owns certain leasehold interests in the S/2 of Section 8, Township 4 North, Range 67 West, 6th P.M. which is a 320-acre unit for "J" Sand production. Applicant filed on July 31, 2012 its verified application seeking to downspace the approximate 320-acre "J" Sand Formation drilling and spacing unit for the S/2 of Section 8, Township 4 North, Range 67 West, 6th P.M. into two approximate 160-acre drilling and spacing units for such lands consisting of the SW/4 and SE/4 of said section. This Amended Verified Application provides additional information for the Commission.
3. Applicant has drilled or has been issued permits to drill the Klein #33-8D (API No. 123-34055), Klein #34-8D (API No. 123-34053), Klein #43-8D (API 123-34054), Klein #44-8D (API No. 123-34051), and Klein #8DD (API No. 123-34052) Wells in the SE/4 of Section 8, Township 4 North, Range 67 West, 6th P.M. for production from Cretaceous Age Formations including the "J" Sand Formation. The Klein #8DD Well is currently producing from the "J" Sand Formation. The other Klein wells, while drilled to the "J" Sand Formation, are currently producing from the Codell Formation. In addition, Applicant has drilled or has

been issued permits to drill the Hilfer #13-8D (API No. 123-35002) and Hilfer #23-8D (API No. 123-35004) Wells in the SW/4 of Section 8, Township 4 North, Range 67 West, 6th P.M. for production from the Niobrara/Codell Formations, although the Hilfer #13-8D was inadvertently drilled to the "J" Sandstone Formation and may be completed to that formation. The Wells and Location Map is attached hereto as Exhibit B. Declarations of Unitization and Pooling dated April 27, 1984 and June 10, 1984 and recorded April 30, 1984 and June 19, 1984 at Reception Nos. 01964798 and 01971065, respectively, of the Weld County records were prepared by Farmoil, Inc to form a unit consisting of the S/2 of Section 8.

4. The spacing unit for production from the Klein #33-8D, Klein #34-8D, Klein #43-8D, Klein #44-8D, and Klein #8DD Wells as it pertains to the "J" Sand Formation is the S/2 320 acres, which also would apply to the Hilfer #13-8D and Hilfer #23-8D Wells if such wells produced from the "J" Sand Formation.

5. Kerr-McGee Oil & Gas Onshore, LP is the operator of the Triple L Farms #1 Well (API No. 123-11785) located in the SW/4SW/4 (990 FSL, 990 FWL) of the subject Section 8. Although drilled to the "J"-Sandstone Formation, it appears to have been completed to and is producing from the Niobrara/Codell Formations. Thus, that well is likely spaced at 80 acres for current production, and may have been the initial well drilled to establish the S/2 drilling unit for "J" Sandstone Formation production.

6. Applicant requests that the approximate 160-acre drilling and spacing units for J-Sand wells in the SW/4 and SE/4 of Section 8 allow five (5) J-Sand wells in each drilling and spacing unit with a unit boundary set back of no less than 460 feet and an interwell distance of no less than 890 feet for wells producing from the "J" Sand Formation. The approximate 160-acre drilling and spacing units established by Application will not affect the distribution of proceeds from previously existing wells drilled within the original 320-acre drilling and spacing unit vacated by this Application. Applicant will file Sundry Notices for the seven (7) existing wells referenced above in paragraph 3 to correct drilling and spacing unit designations, spacing order references and formation references.

Existing Commission Orders.

7. On November 17, 1970, the Commission issued Order 232-1 which established 320-acre drilling and spacing units for the production of gas and associated hydrocarbons from the "J" Sand Formation in the Wattenberg Field. The units consist of the E/2 and W/2 or the N/2 and S/2 of each section with the permitted well located in the NE/4 and SW/4 of each section and no closer than 990 feet to the boundaries of the quarter section upon which it is located. Subsequent Orders 232-2, 232-3 and 232-5 added lands to the spaced area and allowed for exceptions to the permitted well locations under certain conditions, and the spaced area became known as the Wattenberg Gas Spaced Area.

8. On September 18, 1979, the Commission issued Order 232-20 which authorized that an additional well may be located in the unit in the undrilled quarter section of the unit no closer than 990 feet to the boundaries of the quarter section upon which it is located. On October 19, 1981, the Commission issued Order 232-23 which expanded the 232-20 Order allowing the drilling of an additional well to lands not previously included in Order 232-20.

Section 8, Township 4 North, Range 67 West, 6th P.M., Weld County, Colorado is subject to Commission Order 232-23.

9. On April 27, 1998, the Commission adopted Rule 318.A, which, among other things, allowed certain drilling locations to be utilized to drill or twin a well, deepen a well or recomplete a well and to commingle any or all of the Cretaceous Age Formations from the base of the Dakota Formation to the surface. Pursuant to Rule 318.A.j., Rule 318.A. supersedes all prior Commission drilling and spacing orders affecting well location and density requirements of Greater Wattenberg Area wells. Rule 318.A.d. provides that an operator may allocate production to any drilling and spacing unit with respect to a particular Cretaceous Age Formation consistent with the provisions of Rule 318.A.

SPACING REQUEST

10. Colorado Revised Statute §34-60-116(4) authorizes the Commission to decrease or increase the size of drilling units in order to prevent or assist in preventing waste, avoid the drilling of unnecessary wells, and/or protect correlative rights.

11. Applicant requests that the Commission enter an Order (a) vacating the approximate 320-acre drilling and spacing unit established by Order 232-1 for the S/2 of Section 8, Township 4 North, Range 67 West, 6th P.M., Weld County, Colorado and (b) establishing two approximate 160-acre drilling and spacing units for such lands consisting of the SW/4 and the SE/4 of said Section 8 for the production of oil and gas from the "J" Sand Formation underlying such lands. The present spacing permits only two (2) wells within the S/2 spacing unit. Commission Rule 318.A(I) permits spacing for wells completed in certain Greater Wattenberg Area windows of governmental quarter sections and 160-acre units of four (4) quarter quarter sections for boundary and infill wells. Thus, 160-acre units with five or more permitted wells are common for newer Greater Wattenberg Area wells drilled to the "J" Sand Formation. In addition, the mineral interest and working interest owners are different for each proposed 160-acre unit so that segregation of the units will facilitate operating and production accounting.

12. The establishment of such segregated units will prevent or assist in preventing waste by allowing that all potential locations may be drilled without prejudice to the rights of other leasehold or mineral owners, and ensuring that the pool as a whole may be efficiently and economically developed.

13. The establishment of such segregated units will protect the correlative rights of both working interest and mineral owners. Such segregated units will facilitate conservation of production from the pool and accurate production accounting.

14. Exhibit A attached hereto lists the names and addresses of the mineral and working interest owners of interests within Section 8: S/2, Township 4 North, Range 67 West, 6th P.M., Weld County, Colorado. Notice of this Amended Application has been provided to the mineral and working interest owners listed on Exhibit A.

REQUEST FOR HEARING AND ORDER

WHEREFORE, Applicant respectfully requests that this matter be set for hearing in October 2012, that Notice hereof be given as required by law and that upon such hearing this Commission enter an Order:

A. Vacating the approximate 320-acre drilling and spacing unit established by Order 232-1 for the S/2 of Section 8, Township 4 North, Range 67 West, 6th P.M. and establishing two approximate 160-acre drilling and spacing units comprised of the SE/4 and SW/4 of Section 8, Township 4 North, Range 67 West, 6th P.M. for the production of oil and gas from the "J" Sand Formation underlying such lands.

B. Allowing five (5) "J" Sand Formation wells to be drilled and completed in each of the SW/4 drilling and spacing unit and the SE/4 drilling and spacing unit with a unit boundary setback of no less than 460 feet and an interwell distance of no less than 890 feet.

C. For such other findings and orders as the Commission may deem proper or advisable.

RESPECTFULLY SUBMITTED this 10th day of September, 2012.

By: Randall J. Feuerstein
Randall J. Feuerstein (#10479)
Attorney for Applicant
Dufford & Brown, P.C.
1700 Broadway, Suite 2100
Denver, Colorado 80290
(303) 861-8013

Address of Applicant:
20203 Highway 60
Platteville, CO 80651

EXHIBIT A

Interested Parties

Leased Mineral Interest Owners – SW/4:

WMK, LLC
P.O. Box 6811
Colorado Springs, CO 80934

Van J. Sybrandt
24845 RCR 56
Steamboat Springs, CO 80487

Kay Callahan
P.O. Box 442
Cedaredge, CO 81413

Ann Sobeski
24805 RCR 56
Steamboat Springs, CO 80487

Ray B. Sybrandt
98393 East Cougar
Bookings, OR 97415

Allen Land & Cattle, LLC
9088 Golden Fields Lane
Loveland, CO 80538

Red Mountain Land Company, LLC
1860 Blake Street, Suite 40
Denver, CO 80202

WCR 15, LLC
1860 Blake Street, Suite 40
Denver, CO 80202

Leased Mineral Interest Owners – SE/4:

Ronald R. and Joyce L. Klein
22015 County Road 17
Johnstown, CO 80534

Working Interest Owners – SW/4:

Synergy Resources Corporation
20203 Highway 60
Platteville, CO 80651

Kerr-McGee Oil & Gas Onshore LP
1099 18th Street, Suite 1800
Denver, CO 80202

Working Interest Owners – SE/4:

Synergy Resources Corporation
20203 Highway 60
Platteville, CO 80651

Exhibit B

Wells and Location Map



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6TH P.M., WELD COUNTY, COLORADO

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AFFIDAVIT OF MAILING

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

Randall J. Feuerstein of lawful age, and being first duly sworn upon his oath, states and declares:

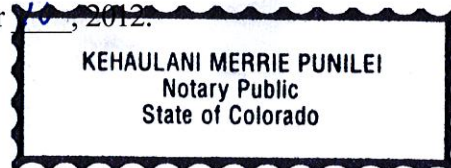
That he is the attorney for Synergy Resources Corporation, that on September 10, 2012, he caused a copy of the attached Amended Verified Application to be deposited in the United States Mail, postage prepaid, addressed to the parties listed on Exhibit A to such Amended Verified Application.

Randall J. Feuerstein
Randall J. Feuerstein

Subscribed and sworn to before me on September 10, 2012.

Witness my hand and official seal.

My commission expires: 3/15/16




Notary Public