

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

IN THE MATTER OF THE APPLICATION OF )  
MUSTANG CREEK OPERATING, LLC FOR )  
AN ORDER ESTABLISHING AN )  
APPROXIMATE 635.6-ACRE EXPLORATORY )  
DRILLING AND SPACING UNIT FOR THE S½ )  
OF SECTION 32, TOWNSHIP 12 SOUTH, )  
RANGE 59 WEST, AND N½ OF SECTION 5, )  
TOWNSHIP 13 SOUTH, RANGE 59 WEST, )  
6th P.M., FOR MULTIPLE FORMATIONS IN )  
AN UNNAMED FIELD, ELBERT COUNTY,  
COLORADO

Cause No. \_\_\_\_\_

Docket No. \_\_\_\_\_

APPLICATION

Mustang Creek Operating, LLC ("Applicant" or "Mustang Creek"), by and through its attorneys, submits this application to the Oil and Gas Conservation Commission of the State of Colorado ("Commission"), for an order establishing one approximate 635.6-acre exploratory drilling and spacing unit for production of oil, gas, and associated hydrocarbons from multiple formations underlying the following lands:

Township 12 South, Range 59 West, 6th P.M  
Section 32: S½

Township 13 South, Range 59 West, 6th P.M  
Section 5: N½

Elbert County, Colorado ("Application Lands").

In support thereof, the 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 a substantial portion of the leasehold interests on the Application Lands.
3. Rule 318.a of the Rules of the Commission requires that, on unspaced lands, wells drilled in excess of 2,500 feet shall be located not less than 600 feet from any lease line, and not less than 1,200 feet from any other producible oil or gas well or drilling well when drilling to the same common source of supply, unless authorized by order of the Commission upon hearing. The Application Lands are unspaced and subject to this Rule.
4. Applicant requests the right to drill the Prescott Ranches 32-34 ("Well") on the approximate 635.6-acre exploratory drilling and spacing unit comprised of the Application Lands. Applicant will submit an APD for the Well pursuant to Commission Rules.

5. Based on engineering and geologic data obtained from the Mustang Creek's geophysical seismic survey covering the Application Lands, and other lands, the following formations exist between the surface and 10,760 feet and have the potential to produce oil, gas, and associated hydrocarbons:

1. Marmaton Formation beginning at approximately 8,990 feet;
2. Cherokee Formation beginning at approximately 9,110 feet;
3. Atoka Formation beginning at approximately 9,440 feet;
4. Mississippian Formation beginning at approximately 10,270 feet.

6. Applicant asserts that one approximate 635.6-acre exploratory drilling and spacing unit will allow for economic and efficient drainage of the above-referenced formations; will prevent waste; will not adversely affect correlative rights; and will assure the greatest ultimate recovery of gas and associated hydrocarbon substances from the reservoirs. An approximate 635.6-acre drilling and spacing unit is not smaller than the maximum area that can be economically and efficiently drained by one well.

7. The treated interval of the wellbore for the Well shall be no closer than 600 feet from the boundaries of the approximate 635.6-acre drilling and spacing unit unless an exception is granted by the Director. The Applicant maintains that the drilling and spacing unit will have no adverse effect on correlative rights of adjacent owners.

8. Based on information and belief, the names and addresses of the interested parties to this Application are set forth in Exhibit A, and the undersigned certifies that copies of this Application shall be served on each interested party as required by Rule 503.e.

WHEREFORE, Applicant respectfully requests that this matter be set for hearing in July 2013, that notice thereof be given as required by law and, that upon such hearing, this Commission shall enter its order:

A. Establishing one approximate 635.6-acre exploratory drilling and spacing unit for the Marmaton, Cherokee, Atoka and Mississippian formations and authorizing one well for the production of oil, gas and associated hydrocarbons for the Application Lands, detailed above;

B. Providing that the treated interval of the Prescott Ranches 32-34 well shall be no closer than 600 feet from the boundaries of the approximate 635.6-acre drilling and spacing unit, unless an exception is granted by the Director;

C. Finding that an approximate 635.6-acre exploratory drilling and spacing unit will allow Applicant to develop evidence as to the existence of a pool and the appropriate size and shape of the drilling unit to be applied thereto and will prevent waste, and protect correlative rights; and

D. Granting any other relief that the Commission may deem proper and necessary.

Dated this 29th day of May, 2013.

Respectfully submitted:

Mustang Creek Holdings, LLC

By:



William E. Sparks

Jamie L. Jost

Beatty & Wozniak, P.C.

216 Sixteenth St., Suite 1100

Denver, Colorado 80202

Telephone No.: (303) 407-4499

Applicant's Address:

Mustang Creek Operating, LLC  
ATTN: Robert G. Davis  
5251 DTC Parkway, Suite 800  
Greenwood Village, Colorado 80111

VERIFICATION

STATE OF COLORADO

)

)

ss.

COUNTY OF ARAPAHOE

)

Robert G. Davis of lawful age, being first duly sworn upon oath, deposes and says that he is a Vice President of Land for NexGen Oil and Gas, LLC which is the parent company of Mustang Creek Operating, LLC and that he has read the foregoing Application and that the matters therein contained are true to the best of his knowledge, information and belief.



My Comm. Expires March 9, 2016

By:

Robert G. Davis  
Robert G. Davis

Subscribed and sworn to before me this 29<sup>th</sup> day of May, 2013.

Witness my hand and official seal.

My commission expires: 3/9/16

Julie M Dahl  
Notary Public

**EXHIBIT A**  
**Interested Parties**

Al Trujillo  
Southeast Region Office  
Energy Liaison - Colorado Parks and Wildlife  
4255 Sinton Road  
Colorado Springs, CO 80907

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

Carolyn Parkinson  
Elbert County Government  
215 Comanche Street, Box 7  
Kiowa, CO 80107

CoBank, FCB, successor to U.S. AgBank FCB,  
245 N. Waco St.  
Wichita, KS 67202

Prescott Ranches  
5796 CR 133  
Ramah, CO 80832

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EXPLORATORY DRILLING AND SPACING  
UNIT FOR THE S½ OF SECTION 32,  
TOWNSHIP 12 SOUTH, RANGE 59 WEST,  
AND N½ OF SECTION 5, TOWNSHIP 13  
SOUTH, RANGE 59 WEST, 6th P.M., FOR  
MULTIPLE FORMATIONS IN AN  
UNNAMED FIELD, ELBERT COUNTY,  
COLORADO

CAUSE NO:

DOCKET NO:

AFFIDAVIT OF MAILING

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

William E. Sparks, of lawful age, and being first duly sworn upon his oath, states and declares:

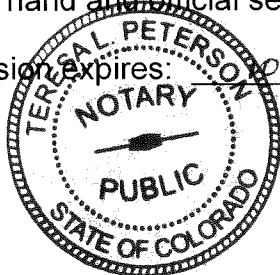
That he is an attorney for Mustang Creek Operating, LLC, that on or before May 31, 2013, he caused a copy of the attached Application in the subject docket to be deposited in the United States Mail, postage prepaid, addressed to the parties listed on Exhibit A to the Application.

By: William E. Sparks  
William E. Sparks

Subscribed and sworn to before me this 29<sup>th</sup> day of May, 2013.

Witness my hand and official seal.

My commission expires: 10-04-13



Teresa L. Peterson  
Notary